

Disclosure under Basel III
Machhapuchchhre Bank Limited
As at 2nd Quarter End (Poush) 2076 -77

1. Capital Structure and Capital Adequacy

Tier 1 capital and a breakdown of its components;

		NRs (In Million)
Particulars	Amount	
a Paid up Equity Share Capital	8,458.48	
b Share Premium	30.88	
c Proposed Bonus Equity Share	0.00	
d Statutory General Reserve	1,453.54	
e Retained Earnings	4.56	
f Un-audited current year cumulative profit	787.76	
g Capital Redemption Reserve	0.00	
h Capital Adjustment Reserve	0.00	
i Dividend Equalization Reserve	0.00	
j Other Free Reserve	0.00	
k Less : Goodwill	0.00	
l Less: Intangible Assets	61.69	
m Less :Deferred Tax Assets	21.42	
n Less : Fictitious Assets	0.00	
o Less : Investment in equity in licensed Financial Institutions	0.00	
p Less : Investment in equity of institutions with Financial interests	215.00	
q Less : Investment in equity of institutions in excess of limits	0.00	
r Less : Investments arising out of underwriting commitments	0.00	
s Less : Reciprocal crossholdings	0.00	
t less : Purchase of Land & building in excess of limit and unutilized	4.88	
u Less: Cash Flow Hedge	0.00	
v Less: Defined Benefits Pension Assets	0.00	
w Less: Unrecognized Defined Benefit Pension Liabilities	0.00	
x less : Other Deductions	40.53	
Total Tier 1 Capital	10,391.69	

Tier 2 capital and a breakdown of its components;

		NRs (In Million)
Particulars	Amount	
a Cumulative and/or Redeemable Preference Shares	0.00	
b Subordinated Term Debt	3,000.00	
c Hybrid Capital Instruments	0.00	
d Stock Premium	0.00	
e General Loan Loss Provision	886.70	
f Exchange Equalization Reserve	16.43	
g Investment Adjustment Reserve	15.00	
h Assets Revaluation Reserve	0.00	
i Other Reserves	0.00	
Total Tier 2 Capital	3,918.13	

2. Information about Subordinated Term Debts

The Bank has issued 10.25% Machhapuchchhre Debenture 2085 amounting NRs 3,000.00 M.The details of same is as follows

Particulars	Details
Name	10.25% Machhapuchchhre Debenture, 2085
Amount of issue	NRs 3,000,000,000
Interest Rate	10.25% per annum payable semi annually
Numbers of Debentures	3,000,000.00
Face Value	NRs 1,000
Maturity Period	10 Years
Listing	Listed with Nepal Stock Exchange
Amount eligible to be reckoned as capital fund	NRs 3,000,000,000

3. Deductions from capital

		NRs (In Million)
Particulars	Amount	
a Intangible Assets	61.69	
b Deferred Tax Assets	21.42	
c Investment in equity of institutions with Financial interests	215.00	
d Purchase of Land & building in excess of limit and unutilized	4.88	
e Other Deduction	40.53	
Total	343.52	

Investment in equity institution with financial interest includes equity investment in Machhapuchchhre Capital Limited, a wholly owned subsidiary company of bank amounting NRs 200 M and equity investment in Nepal Electronic Payment System amounting NRs 15 M
Other deduction includes negative balance of fair value reserve and actuarial loss reserve amounting NRs 13.71 M and NRs 26.82 M respectively

4. Total qualifying capital

		NRs (In Million)
Particulars		Amount
a	Core Capital (Tier 1)	10,391.69
b	Supplementary Capital (Tier 2)	3,918.13
	Total Capital Fund	14,309.82

5. Capital adequacy ratio

13.48%

6. Risk weighted exposures for Credit Risk, Market Risk and Operational Risk

		NRs (In Million)
RISK WEIGHTED EXPOSURES		Amount
a	Risk Weighted Exposure for Credit Risk	98,085.19
b	Risk Weighted Exposure for Operational Risk	5,053.98
c	Risk Weighted Exposure for Market Risk	96.25
	Add RWE equivalent to reciprocal of capital charge of 2 % of gross income-S.R.P 6.4a(7)	849.28
	Add: 2% of the total RWE for overall risk management policies and procedures-S.R.P 6.4a(9)	2,064.71
	Total Risk Weighted Exposures	106,149.40

7. Risk Weighted Exposures under each of 11 categories of Credit Risk

		NRs (In Million)
S.N.	Categories	Risk Weighted Exposures
1	Claims on government and central Bank	342.82
2	Claims on other official entities	0.00
3	Claims on Banks	2,878.28
4	Claims on corporate and securities firm	41,111.06
5	Claims on regulatory retail portfolio	30,135.17
6	Claim secured by residential properties	3,731.98
7	Claims secured by commercial real state	1,682.02
8	Past due Claims	1,599.78
9	High risk claims	1,982.79
10	Other Assets	3,455.70
11	Off Balance sheet Items	11,165.59
	Total	98,085.19

8. Total risk weighted exposure calculation table

		NRs (In Million)
S.N.	Particulars	Amount
1	Total Risk Weighted Exposure	106,149.40
2	Total Core Capital Fund (Tier 1)	10,391.69
3	Total Capital Fund (Tier 1 & Tier 2)	14,309.82
4	Total Core Capital to Total Risk Weighted Exposures	9.79%
5	Total Capital to Total Risk Weighted Exposures	13.48%

9. Amount of NPAs (Both Gross and Net)

		NRs (In Million)		
S.N.	Loan Classification	Gross Amount	Provision	Net Amount
1	Restructured Loan	2.20	0.28	1.93
2	Substandard Loan	179.36	44.84	134.52
3	Doubtful Loan	130.19	65.10	65.10
4	Loss Loan	97.95	97.95	0.00
	Total	409.70	208.16	201.54

10. NPA Ratios

Gross NPA to Gross Loans and Advances	0.45%
Net NPA to Net Loans and Advances	0.23%

11. Movement of NPA

NRs (In Million)

S. N	Loan Classification	This Quarter	Previous Quarter	Change (%)
1	Restructured Loan	2.20	0.00	NA
2	Sub-standard Loan	179.36	59.63	200.78%
3	Doubtful Loan	130.19	120.95	7.64%
4	Loss Loan	97.95	89.12	9.91%
		409.70	269.70	51.91%

NPA Increased (in million)

140.00

12. Write off of loans & Interest

NRs (In Million)

S.N.	Particulars	Amount
1	Write Off of Loans	29.89
2	Write Off of interest	9.19
	Total	39.08

13. Movement in Loan loss provisions and interest suspense

NRs (In Million)

S.N.	Particulars	This quarter	Previous Quarter	Change (%)
1	Loan Loss provision	1,143.61	1,044.53	9.49%
2	Interest Suspense	34.56	16.46	109.94%

14. Detail of additional Loan Loss provision

NRs (In Million)

S.N.	Loan Loss provision	This quarter	Previous Quarter	Change
1	Pass loan	886.70	855.18	31.52
2	Watchlist	48.75	24.85	23.91
2	Restructured Loan	0.28	0.00	0.28
3	Substandard Loan	44.84	14.91	29.93
4	Doubtful Loan	65.10	60.48	4.62
5	Loss Loan	97.95	89.12	8.83
	Total	1,143.61	1,044.53	99.09

15. Segregation of investment portfolio

NRs (In Million)

S.N.	Particulars	Gross Amount
1	Investment securities	15,786.31
	T-bills	1,376.40
	Government Bond	8,660.28
	Srilankan Govt Bond	340.35
	Placement	5,409.29
2	Investment in equity	367.59
3	Investment in subsidiaries	200.00

16. Summary of the bank's internal approach to assess the adequacy of its capital to support current and future activities

The bank follows Internal Capital Adequacy Assessment Process (ICAAP) and Risk Management Guideline while taking decision on any business. It has always taken note of ICAAP and has taken steps accordingly in ensuring soundness of capital position and sustainability of the business. The bank's policies and procedures are approved by the Board of Directors and these documents provide guidance on independent identification, measurement and management of risks across various businesses.

Bank needs to manage Credit, Operational, Market, Liquidity and other risks inherent in bank. Board of the bank is primarily responsible for setting out the risks policies, risk strategies, risk appetite, risk tolerance, risk mitigation etc. Such risks are communicated by the Board down the line for effective and timely implementation adherence. Board of the bank monitors and evaluates the risk on a regular interval and instructs RMC and other related departments, who is responsible for risk management of the bank through CEO/CRO for effective implementation. Bank's different risk related functional structure like Risk Management Committee, Operational Risk Management, Market Risk Management review the business and risks periodically and take account of stress test results, scenario analysis so as to align risk, return and capital in sustainable manner

17. Summary of terms, conditions and main features of all capital instruments, especially in case of subordinated term debts including hybrid capital instruments

Particulars	Details
Name	10.25% Machhapuchchhre Debenture, 2085
Amount of issue	NRs 3,000,000,000
Interest Rate	10.25% per annum payable semi annually
Numbers of Debentures	3,000,000
Face Value	NRs 1,000
Maturity Period	10 Years
Listing	Listed with Nepal Stock Exchange
Priority to Debenture Holders	At the time of liquidation, priority of payment to the debenture holders will be after the depositors and secured creditors.