

Disclosure under Basel III
Machhapuchchhre Bank Limited
As at 1st Quarter End (Ashoj) 2077 -78

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	1,706.57
e Retained Earnings	981.27
f Un-audited current year cumulative profit	138.82
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	65.52
m Less :Deferred Tax Assets	0.00
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	0.00
Total Tier 1 Capital	11,030.62

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	1,294.65
f Exchange Equalization Reserve	32.51
g Investment Adjustment Reserve	0.00
h Assets Revaluation Reserve	0.00
i Other Reserves	0.00
Total Tier 2 Capital	4,327.16

2. Information about Subordinated Term Debts

The Bank has 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	65.52
b Investment in equity of institutions with Financial interests	215.00
c Purchase of Land & building in excess of limit and unutilized	4.88
Total	285.40

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

4. Total qualifying capital

		NRs (In Million)
Particulars		Amount
a	Core Capital (Tier 1)	11,030.62
b	Supplementary Capital (Tier 2)	4,327.16
Total Capital Fund		15,357.78

5. Capital adequacy ratio

12.60%

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	112,419.83
b	Risk Weighted Exposure for Operational Risk	6,089.57
c	Risk Weighted Exposure for Market Risk	79.74
Add RWE equivalent to reciprocal of capital charge of 2 % of gross income-S.R.P 6.4a(7)		964.18
Add: 2% of the total RWE for overall risk management policies and procedures-S.R.P 6.4a(9)		2,371.78
Total Risk Weighted Exposures		121,925.09

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	357.54
2	Claims on other official entities	0.00
3	Claims on Banks	2,954.90
4	Claims on corporate and securities firm	47,845.46
5	Claims on regulatory retail portfolio	34,045.53
6	Claim secured by residential properties	3,508.69
7	Claims secured by commercial real state	1,735.19
8	Past due Claims	49.19
9	High risk claims	1,670.58
10	Other Assets	4,643.34
11	Off Balance sheet Items	15,609.41
Total		112,419.83

8. Total risk weighted exposure calculation table

		NRs (In Million)
S.N.	Particulars	Amount
1	Total Risk Weighted Exposure	121,925.09
2	Total Core Capital Fund (Tier 1)	11,030.62
3	Total Capital Fund (Tier 1 & Tier 2)	15,357.78
4	Total Core Capital to Total Risk Weighted Exposures	9.05%
5	Total Capital to Total Risk Weighted Exposures	12.60%

9. Amount of NPAs (Both Gross and Net)

		NRs (In Million)		
S.N.	Loan Classification	Gross Amount	Provision	Net Amount
1	Restructured Loan	0.00	0.00	0.00
2	Substandard Loan	7.34	1.84	5.51
3	Doubtful Loan	62.87	31.44	31.44
4	Loss Loan	353.43	353.43	0.00
Total		423.64	386.70	36.94

10. NPA Ratios

Gross NPA to Gross Loans and Advances	0.42%
Net NPA to Net Loans and Advances	0.04%

11. Movement of NPA NRs (In Million)

S. N	Loan Classification	This Quarter	Previous Quarter	Change (%)
1	Restructured Loan	0.00	2.18	
2	Sub-standard Loan	7.34	0.00	
3	Doubtful Loan	62.87	238.87	
4	Loss Loan	353.43	273.01	
		423.64	514.06	-17.59%

NPA Increased (in million) -90.42

12. Write off of loans & Interest

S.N.	Particulars	Amount
1	Write Off of Loans	7.46
2	Write Off of interest	6.89
	Total	14.35

13. Movement in Loan loss provisions and interest suspense

S.N.	Particulars	This quarter	Previous Quarter	Change (%)
1	Loan Loss provision	1,681.35	1,572.82	6.90%
2	Interest Suspense	154.26	158.15	-2.46%

14. Detail of additional Loan Loss provision

S.N.	Loan Loss provision	This quarter	Previous Quarter	Change
1	Pass loan	928.94	880.26	48.68
2	Watchlist	365.71	299.85	65.86
2	Restructured Loan	0.00	0.27	-0.27
3	Substandard Loan	1.84	0.00	1.84
4	Doubtful Loan	31.44	119.43	-87.99
5	Loss Loan	353.43	273.01	80.42
	Total	1,681.35	1,572.82	108.53

15. Segregation of investment portfolio

S.N.	Particulars	Gross Amount
1	Investment securities	15,847.49
	T-bills	589.54
	Government Bond	10426.13
	Srilankan Govt Bond	352.05
	Placement	4479.78
2	Investment in equity	368.22
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

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

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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.