

Disclosure under Basel III
Machhapuchchhre Bank Limited
As at 1st Quarter End (Ashoj) 2078 -79

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 | 9,053.09 |
| b | Share Premium | 30.88 |
| c | Proposed Bonus Equity Share | 0.00 |
| d | Statutory General Reserve | 2,028.07 |
| e | Retained Earnings | 1,271.64 |
| f | Un-audited current year cumulative profit | 299.67 |
| 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 | 126.28 |
| m | Less :Deferred Tax Assets | |
| 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 | 200.00 |
| 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 | 45.77 |
| 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 | | 12,311.31 |

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 | 5,247.02 |
| c | Hybrid Capital Instruments | 0.00 |
| d | Stock Premium | 0.00 |
| e | General Loan Loss Provision | 1,750.07 |
| f | Exchange Equalization Reserve | 44.49 |
| g | Investment Adjustment Reserve | |
| h | Assets Revaluation Reserve | 0.00 |
| i | Other Reserves | 0.00 |
| Total Tier 2 Capital | | 7,041.58 |

2. Information about Subordinated Term Debts

The Bank has 10.25% Machhapuchchhre Debenture 2085 amounting NRs 3,000.00 M and 8.5% Machhapuchchhre Debenture 2087 amounting NRs2,253.49 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 |

| Particulars | Details |
|--|--------------------------------------|
| Name | 8.5% Machhapuchchhre Debenture, 2087 |
| Amount of issue | NRs 2,253,496,000 |
| Interest Rate | 8.5% per annum payable semi annually |
| Numbers of Debentures | 2,253,496.00 |
| Face Value | NRs 1,000 |
| Maturity Period | 10 Years |
| Listing | Listed with Nepal Stock Exchange |
| Amount eligible to be reckoned as capital fund | NRs 2,253,496,000 |

3. Deductions from capital

| | | NRs (In Million) |
|--------------|---|------------------|
| Particulars | | Amount |
| a | Intangible Assets | 126.28 |
| b | Investment in equity of institutions with Financial interests | 200.00 |
| c | Purchase of Land & building in excess of limit and unutilized | 45.77 |
| Total | | 372.04 |

Investment in equity institution with financial interest includes equity investment in Machhapuchchhre Kirti Capital Limited, subsidiary company of bank amounting NRs 200 M

4. Total qualifying capital

NRs (In Million)

| Particulars | Amount |
|----------------------------------|------------------|
| a Core Capital (Tier 1) | 12,311.31 |
| b Supplementary Capital (Tier 2) | 7,041.58 |
| Total Capital Fund | 19,352.89 |

5. Capital adequacy ratio

12.65%

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 | 140,005.87 |
| b | Risk Weighted Exposure for Operational Risk | 7,287.50 |
| c | Risk Weighted Exposure for Market Risk | 309.53 |
| | Adjustment as per SRP 6.4a (6) | 1,346.52 |
| | Adjustment as per SRP 6.4a (7) | 1,098.53 |
| | Adjustment as per SRP 6.4a (9) | 2,952.06 |
| | Total Risk Weighted Exposures | 153,000.00 |

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 | 777.66 |
| 2 | Claims on other official entities | 0.00 |
| 3 | Claims on Banks | 3,067.62 |
| 4 | Claims on corporate and securities firm | 52,528.41 |
| 5 | Claims on regulatory retail portfolio | 52,229.81 |
| 6 | Claim secured by residential properties | 3,928.79 |
| 7 | Claims secured by commercial real state | 902.32 |
| 8 | Past due Claims | 519.97 |
| 9 | High risk claims | 3,133.40 |
| 10 | Other Assets | 5,972.05 |
| 11 | Off Balance sheet Items | 16,945.84 |
| | Total | 140,005.87 |

8. Total risk weighted exposure calculation table

NRs (In Million)

| S.N. | Particulars | Amount |
|------|---|------------|
| 1 | Total Risk Weighted Exposure | 153,000.00 |
| 2 | Total Core Capital Fund (Tier 1) | 12,311.31 |
| 3 | Total Capital Fund (Tier 1 & Tier 2) | 19,352.89 |
| 4 | Total Core Capital to Total Risk Weighted Exposures | 8.05% |
| 5 | Total Capital to Total Risk Weighted Exposures | 12.65% |

9. Amount of NPAs (Both Gross and Net)

NRs (In Million)

| S.N. | Loan Classification | Gross Amount | Provision | Net Amount |
|------|---------------------|---------------|---------------|---------------|
| 1 | Restructured Loan | 77.91 | 9.74 | 68.17 |
| 2 | Substandard Loan | 345.85 | 86.46 | 259.39 |
| 3 | Doubtful Loan | 76.32 | 38.16 | 38.16 |
| 4 | Loss Loan | 148.43 | 148.43 | 0.00 |
| | Total | 648.51 | 282.79 | 365.72 |

10. NPA Ratios

| | |
|---------------------------------------|-------|
| Gross NPA to Gross Loans and Advances | 0.50% |
| Net NPA to Net Loans and Advances | 0.29% |

11. Movement of NPA NRs (In Million)

| S. N | Loan Classification | This Quarter | Previous Quarter | Change(%) |
|------|---------------------|---------------|------------------|---------------|
| 1 | Restructured Loan | 77.91 | 0.00 | |
| 2 | Sub-standard Loan | 345.85 | 361.85 | |
| 3 | Doubtful Loan | 76.32 | 101.46 | |
| 4 | Loss Loan | 148.43 | 255.36 | |
| | | 648.51 | 718.66 | -9.76% |

NPA Increased (in million) -70.16

12. Write off of loans & Interest

NRs (In Million)

| S.N. Particulars | Amount |
|-------------------------|-------------|
| 1 Write Off of Loans | 0.98 |
| 2 Write Off of interest | 0.26 |
| Total | 1.24 |

13. Movement in Loan loss provisions and interest suspense

NRs (In Million)

| S.N. Particulars | This quarter | Previous Quarter | Change (%) |
|-----------------------|--------------|------------------|--------------|
| 1 Loan Loss provision | 2,108.05 | 2,054.54 | 2.60% |
| 2 Interest Suspense | 118.94 | 118.94 | 0.00% |

14. Detail of additional Loan Loss provision

NRs (In Million)

| S.N. Loan Loss provision | This quarter | Previous Quarter | Change |
|--------------------------|-----------------|------------------|--------------|
| 1 Pass loan | 1,603.30 | 1449.23 | 154.06 |
| 2 Watchlist | 221.97 | 208.76 | 13.21 |
| 2 Restructured Loan | 9.74 | | 9.74 |
| 3 Substandard Loan | 86.46 | 90.46 | -4.00 |
| 4 Doubtful Loan | 38.16 | 50.73 | -12.57 |
| 5 Loss Loan | 148.43 | 255.36 | -106.93 |
| Total | 2,108.05 | 2,054.54 | 53.51 |

15. Segregation of investment portfolio

NRs (In Million)

| S.N. Particulars | Gross Amount |
|-------------------------------------|---------------|
| 1 Investment securities | 24,986 |
| T-bills | 1,517 |
| Government Bond | 17,328 |
| Agriculture Bond | 813 |
| Srilankan Govt Bond | 602 |
| Placement | 4,726 |
| 2 Investment in equity | 177 |
| 3 Investment in subsidiaries | 200 |

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

17. instruments

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| 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. |

| Particulars | Details |
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| Amount of issue | NRs 2,253,496,000 |
| Interest Rate | 8.5% per annum payable semi annually |
| Numbers of Debentures | 2,253,496.00 |
| Face Value | NRs 1,000 |
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