

Disclosure under Basel III
Machhapuchhre Bank Limited
As at 3rd Quarter End (Chaitra) 2082

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	12,086.21
b	Share Premium	30.88
c	Proposed Bonus Equity Share	0.00
d	Statutory General Reserve	3,276.27
e	Retained Earnings	-4.80
f	Un-audited current year cumulative profit	1,420.23
g	Capital Redemption Reserve	0.00
h	Capital Adjustment Reserve	0.00
i	Debenture Redemption Reserve	1,567.40
j	Other Free Reserve	0.00
k	Less : Goodwill	0.00
l	Less : Intangible Assets	117.06
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	412.92
q	Less : Investment in equity of institutions in excess of limits	
r	Less : Investments arising out of underwriting commitments	0.00
s	Less : Reciprocal crossholdings	
t	Less : Purchase of Land & building in excess of limit and unutilized	40.89
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	200.00
	Common Equity Tier 1 Capital	17,605.33

Additional Tier 1 Capital

		NRs (In Million)
Particulars	Amount	
a	Perpetual Non Cumulative Preference Share Capital	3,000.00
	Total Tier 1 Capital (Common Equity Tier 1 + Additional Tier 1 Capital)	20,605.33

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	4,053.50
c	Hybrid Capital Instruments	0.00
d	Stock Premium	0.00
e	General Loan Loss Provision	2,038.97
f	Exchange Equalization Reserve	109.82
g	Investment Adjustment Reserve	60.00
h	Assets Revaluation Reserve	0.00
i	Other Reserves	0.00
j	Accrued Interest Receivable on pass loan included in Regulatory Reserve	158.50
k	Interest Capitalized Reserve included in Regulatory Reserve	41.61
l	Regulatory reserve for nonbanking assets recorded within the last 24 months	70.97
	Total Tier 2 Capital	6,533.37

2. Information about Subordinated Term Debts

The Bank has 10.25% Machhapuchhre Debenture 2085 amounting NRs 3,000.00 M and 8.5% Machhapuchhre Debenture 2087 amounting NRs2,253.49 M .The details of same is as follows

Particulars	Details
Name	10.25% Machhapuchhre 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
Issue Date	2076/05/13
Maturity Period	10 Years
Maturity Date	2086/05/12
Listing	Listed with Nepal Stock Exchange
Amount eligible to be reckoned as capital fund	NRs 1,800,000,000

Particulars	Details
Name	8.5% Machhapuchhre 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
Issue Date	2078/04/24
Maturity Period	10 Years
Maturity Date	2088/04/23
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	117.06
b	Investment in equity of institutions with Financial interests	412.92
c	Purchase of Land & building in excess of limit and unutilized	40.89
d	Other Deductions	200.00
	Total	770.87

Investment in equity institution with financial interest includes equity investment in Machhapuchhre Capital Limited, subsidiary company of bank amounting NRs 212.92 M , Machhapuchhre Securities Limited, subsidiary company of bank amounting NRs 200 M .Other deduction includes investment in PEVC Fund (National Equity Fund 1) amounting NRs 100 M and investment in PEVC Fund (Reliable Private Equity Fund) amounting NRs 100 M

4. Total qualifying capital

NRs (In Million)

Particulars	Amount
a Core Capital (Tier 1)	20,605.33
b Supplementary Capital (Tier 2)	6,533.37
Total Capital Fund	27,138.70

5. Capital adequacy ratio

13.40%

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	182,305.77
b	Risk Weighted Exposure for Operational Risk	9,992.45
c	Risk Weighted Exposure for Market Risk	2,305.52
	Adjustment as per SRP 6.4a (6)	0.00
	Adjustment as per SRP 6.4a (7)	2,154.42
	Adjustment as per SRP 6.4a (9)	5,838.11
	Total Risk Weighted Exposures	202,596.27

7. Risk Weighted Exposures under each categories of Credit Risk

NRs (In Million)

S.N.	Categories	Risk Weighted Exposures
1	Claims on government and central Bank	73.73
2	Claims on other official entities	0.00
3	Claims on Banks	5,411.83
4	Claims on corporate and securities firm	97,898.38
5	Claims on regulatory retail portfolio	23,278.98
6	Claim secured by residential properties	4,249.71
7	Claims secured by commercial real state	404.27
8	Past due Claims	6,056.79
9	Lending against Shares	4,293.27
10	Trust Receipt Loan for Trading Firm	1,128.99
11	Personal Hirepurchase/Personal Auto Loans	711.85
12	Real Estate loans for land acquisition and development (Other than for institutions/projects registered/licensed and approved by Government of Nepal for land acquisition and development purposes)	405.09
13	High risk claims	8,023.66
14	Other Assets	12,519.45
15	Off Balance sheet Items	17,849.79
	Total	182,305.77

8. Total risk weighted exposure calculation table

NRs (In Million)

S.N.	Particulars	Amount
1	Total Risk Weighted Exposure	202,596.27
2	Total Core Capital Fund (Tier 1)	20,605.33
3	Total Capital Fund (Tier 1 & Tier 2)	27,138.70
4	Total Core Capital to Total Risk Weighted Exposures	10.17%
5	Total Capital to Total Risk Weighted Exposures	13.40%

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	1,558.84	387.45	1,171.38
3	Doubtful Loan	1,635.82	813.34	822.48
4	Loss Loan	3,455.54	3,424.56	30.98
	Total	6,650.20	4,625.35	2,024.85

10. NPA Ratios

Gross NPA to Gross Loans and Advances	4.01%
Net NPA to Net Loans and Advances	1.27%

11. Movement of NPA NRs (In Million)

S.N	Loan Classification	This Quarter	Previous Quarter	Change(%)
1	Restructured Loan	0.00	16.67	
2	Sub-standard Loan	1558.84	2174.96	
3	Doubtful Loan	1635.82	1151.17	
4	Loss Loan	3455.54	3466.16	
		6650.20	6808.97	-2.33%

NPA Increased (in million) -158.76

12. Write off of loans & Interest

S.N.	Particulars	Amount
1	Write Off of Loans	11.19
2	Write Off of interest	16.63
	Total	27.82

13. Movement in Loan loss provisions and interest suspense

S.N.	Particulars	This quarter	Previous Quarter	Change (%)
1	Loan Loss provision	6,664.32	6,556.67	1.64%
2	Interest Suspense	854.20	745.53	14.58%

14. Details of additional Loan Loss Provision

S.N.	Loan Loss provision	This quarter	Previous Quarter	Change
1	Pass loan	1,472.93	1,407.55	65.38
2	Watchlist	566.04	598.56	-32.52
2	Restructured Loan	0.00	2.08	-2.08
3	Substandard Loan	387.45	540.70	-153.25
4	Doubtful Loan	813.34	572.35	240.99
5	Loss Loan	3,424.56	3,435.42	-10.86
	Total	6,664.32	6,556.67	107.65

15. Segregation of investment portfolio

S.N.	Particulars	Gross Amount
1	Investment securities	58,668.62
	T-bills	
	Development Bond	29,237.55
	Deposit collection from NRB	18,500.00
	Energy Bond	350.00
	Agriculture Bond	812.54
	Srilankan Govt Bond	607.24
	Placement	9,161.29
2	Investment in equity	2,388.98
3	Investment in subsidiaries	412.92

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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