

Disclosure under Basel III
Machhapuchchhre Bank Limited
As at 4th Quarter End (Ashad) 2075 -76

1. Capital Structure and Capital Adequacy

Tier 1 capital and a breakdown of its components;

NPR(In Million)

Particulars	Amount
a Paid up Equity Share Capital	8,055.69
b Share Premium	30.88
c Proposed Bonus Equity Share	0.00
d Statutory General Reserve	1,114.12
e Retained Earnings	2.19
f Un-audited current year cumulative profit	1,661.49
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	49.01
m Less :Deferred Tax Assets	20.71
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	0.00
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	37.07
Total Tier 1 Capital	10,542.59

Tier 2 capital and a breakdown of its components;

NPR(In Million)

Particulars	Amount
a Cumulative and/or Redeemable Preference Shares	0.00
b Subordinated Term Debt	0.00
c Hybrid Capital Instruments	0.00
d Stock Premium	0.00
e General Loan Loss Provision	768.95
f Exchange Equalization Reserve	10.72
g Investment Adjustment Reserve	15.00
h Assets Revaluation Reserve	0.00
i Other Reserves	0.00
Total Tier 2 Capital	794.66

2. Information about Subordinated Term Debts

The Bank is in process of issuing 10.25% Machhapuchchhre Debenture 2085 amounting NPR 3,000.00 M

3. Deductions from capital

NPR(In Million)

Particulars	Amount
a Intangible Assets	49.01
b Deferred Tax Assets	20.71
d Investment in equity of institutions with Financial interests	215.00
f Other Deduction	37.07
Total	321.79

4. Total qualifying capital

NPR(In Million)

Particulars	Amount
a Core Capital (Tier 1)	10,542.59
b Supplementary Capital (Tier 2)	794.66
Total Capital Fund	11,337.25

5. Capital adequacy ratio

12.88%

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

NPR(In Million)

RISK WEIGHTED EXPOSURES		Amount
a	Risk Weighted Exposure for Credit Risk	81,233.38
b	Risk Weighted Exposure for Operational Risk	4,316.84
c	Risk Weighted Exposure for Market Risk	93.30
Add RWE equivalent to reciprocal of capital charge of 2 % of gross income-S.R.P 6.4a(7)		681.30
Add: 2% of the total RWE for overall risk management policies and procedures-S.R.P 6.4a(9)		1,712.87
Total Risk Weighted Exposures		88,037.69

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

NPR(In Million)

S.N.	Categories	Risk Weighted Exposures
1	Claims on government and central Bank	0.00
2	Claims on other official entities	0.00
3	Claims on Banks	2,631.74
4	Claims on corporate and securities firm	33,106.72
5	Claims on regulatory retail portfolio	27,855.37
6	Claim secured by residential properties	3,510.40
7	Claims secured by commercial real state	1,498.26
8	Past due Claims	778.81
9	High risk claims	1,810.53
10	Other Assets	3,302.28
11	Off Balance sheet Items	6,739.26
Total		81,233.38

8. Total risk weighted exposure calculation table

NPR(In Million)

S.N.	Particulars	Amount
1	Total Risk Weighted Exposure	88,037.69
2	Total Core Capital Fund (Tier 1)	10,542.59
3	Total Capital Fund (Tier 1 & Tier 2)	11,337.25
4	Total Core Capital to Total Risk Weighted Exposures	11.98%
5	Total Capital to Total Risk Weighted Exposures	12.88%

9. Amount of NPAs (both Gross and Net)

NPR(In Million)

S.N.	Loan Classification	Gross Amount	Provision	Net Amount
1	Restructured Loan	0.00	0.00	0.00
2	Substandard Loan	72.26	18.06	54.19
3	Doubtful Loan	122.52	61.26	61.26
4	Loss Loan	95.71	95.71	0.00
Total		290.48	175.03	115.45

10. NPA Ratios

Gross NPA to Gross Loans and Advances	0.37%
Net NPA to Net Loans and Advances	0.15%

11. Movement of NPA

S. N	Loan Classification	This Quarter	Previous Quarter	Change (%)
1	Restructured Loan	0.00	2.30	-100.00%
2	Sub-standard Loan	72.26	126.68	-42.96%
3	Doubtful Loan	122.52	132.58	-7.59%
4	Loss Loan	95.71	108.76	-12.00%
		290.48	370.31	-21.56%

NPA Increased (in million) -79.82

12. Write off of loans & Interest

NPR(In Million)

S.N.	Particulars	Amount
1	Write Off of Loans	48.41
2	Write Off of interest	40.15
	Total	88.56

13. Movement in Loan loss provisions and interest suspense

NPR(In Million)

S.N.	Particulars	This quarter	Previous Quarter	Change (%)
1	Loan Loss provision	968.35	1019.63	-5.03%
2	Interest Suspense	-	-	-

14. Detail of additional Loan Loss provision

NPR(In Million)

S.N.	Loan Loss provision	This quarter	Previous Quarter	Change
1	Pass loan	768.95	761.10	7.85
2	Watchlist	24.38	51.53	-27.15
2	Restructured Loan	0.00	0.29	-0.29
3	Substandard Loan	18.06	31.67	-13.60
4	Doubtful Loan	61.26	66.29	-5.03
5	Loss Loan	95.71	108.76	-13.05
	Total	968.35	1,019.63	-51.27

15. Segregation of investment portfolio

NPR(In Million)

S.N.	Particulars	Gross Amount
1	Held For Trading	Nil
2	Held To Maturity:	16,526.01
2.1	Investment in treasury bills	2,184.12
2.2	Investment in Govt. bonds	8,660.28
2.3	Investment in Other bonds	0.00
2.4	Investment others	5,681.61
3	Available For Sale:	417.59
3.1	Investment in equity	417.59

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