

Disclosure under Basel III
Machhapuchchhre Bank Limited
As at 2nd Quarter End (Poush) 2081

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	11,621.36
b	Share Premium	30.88
c	Proposed Bonus Equity Share	0.00
d	Statutory General Reserve	2,899.54
e	Retained Earnings	-359.80
f	Un-audited current year cumulative profit	901.85
g	Capital Redemption Reserve	0.00
h	Capital Adjustment Reserve	
i	Debenture Redemption Reserve	1,138.83
j	Other Free Reserve	0.00
k	Less : Goodwill	0.00
l	Less: Intangible Assets	126.14
m	Less :Deferred Tax Assets	
n	Less : Fictitious Assets	0.00
o	Less : Investment in equity in licensed Financial Institutions	400.00
p	Less : Investment in equity of institutions with Financial interests	0.00
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	100.00
	Total Tier 1 Capital	15,565.62

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	4,653.50
c	Hybrid Capital Instruments	0.00
d	Stock Premium	0.00
e	General Loan Loss Provision	1,895.75
f	Exchange Equalization Reserve	89.07
g	Investment Adjustment Reserve	0.00
h	Assets Revaluation Reserve	0.00
i	Other Reserves	0.00
j	Accrued Interest Receivable on pass loan included in Regulatory Reserve	181.03
k	Interest Capitalized Reserve included in Regulatory Reserve	52.35
	Total Tier 2 Capital	6,871.69

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
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 2,400,000,000

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
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	126.14
b	Investment in equity of institutions with Financial interests	400.00
c	Purchase of Land & building in excess of limit and unutilized	40.89
d	Other Deductions	100.00
	Total	667.03

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

4. Total qualifying capital

NRs (In Million)

	Particulars	Amount
a	Core Capital (Tier 1)	15,565.62
b	Supplementary Capital (Tier 2)	6,871.69
	Total Capital Fund	22,437.31

5. Capital adequacy ratio

13.26%

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	151,659.69
b	Risk Weighted Exposure for Operational Risk	9,382.94
c	Risk Weighted Exposure for Market Risk	1,424.51
	Adjustment as per SRP 6.4a (6)	0.00
	Adjustment as per SRP 6.4a (7)	1,890.17
	Adjustment as per SRP 6.4a (9)	4,874.01
	Total Risk Weighted Exposures	169,231.34

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	0.00
2	Claims on other official entities	0.00
3	Claims on Banks	3,863.22
4	Claims on corporate and securities firm	78,142.56
5	Claims on regulatory retail portfolio	23,607.42
6	Claim secured by residential properties	4,115.01
7	Claims secured by commercial real state	483.06
8	Past due Claims	6,516.79
9	Lending against Shares	1,489.54
10	Trust Receipt Loan for Trading Firm	984.18
11	Personal Hirepurchase/Personal Auto Loans	754.22
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)	192.16
13	High risk claims	7,646.21
14	Other Assets	10,167.48
15	Off Balance sheet Items	13,697.83
	Total	151,659.69

8. Total risk weighted exposure calculation table

NRs (In Million)

S.N.	Particulars	Amount
1	Total Risk Weighted Exposure	169,231.34
2	Total Core Capital Fund (Tier 1)	15,565.62
3	Total Capital Fund (Tier 1 & Tier 2)	22,437.31
4	Total Core Capital to Total Risk Weighted Exposures	9.20%
5	Total Capital to Total Risk Weighted Exposures	13.26%

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	2,680.68	664.79	2,015.90
3	Doubtful Loan	1,384.32	682.95	701.37
4	Loss Loan	2,265.60	2,241.58	24.01
	Total	6,330.60	3,589.32	2,741.28

10. NPA Ratios

Gross NPA to Gross Loans and Advances	4.54%
Net NPA to Net Loans and Advances	2.05%

11. Movement of NPA NRs (In Million)

S.N	Loan Classification	This Quarter	Previous Quarter	Change(%)
1	Restructured Loan	0.00	0.00	
2	Sub-standard Loan	2680.68	1290.77	
3	Doubtful Loan	1384.32	1155.62	
4	Loss Loan	2265.60	1877.55	
		6330.60	4323.94	46.41%

NPA Increased (in million) 2006.66

12. Write off of loans & Interest

S.N.	Particulars	NRs (In Million)
		Amount
1	Write Off of Loans	141.44
2	Write Off of interest	129.12
	Total	270.56

13. Movement in Loan loss provisions and interest suspense

S.N.	Particulars	This quarter	Previous Quarter	Change (%)
1	Loan Loss provision	5,645.17	4,725.44	19.46%
2	Interest Suspense	506.05	369.22	37.06%

14. Details of additional Loan Loss Provision

S.N.	Loan Loss provision	This quarter	Previous Quarter	Change
1	Pass loan	1,279.21	1,318.53	-39.32
2	Watchlist	776.64	670.78	105.86
2	Restructured Loan	0.00	0.00	0.00
3	Substandard Loan	664.79	311.69	353.10
4	Doubtful Loan	682.95	569.27	113.68
5	Loss Loan	2,241.58	1,855.18	386.40
	Total	5,645.17	4,725.45	919.72

15. Segregation of investment portfolio

S.N.	Particulars	NRs (In Million)
		Gross Amount
1	Investment securities	39,697.07
	T-bills	671.84
	Development Bond	31,987.55
	Reverse Repo	0.00
	Agriculture Bond	812.54
	Srilankan Govt Bond	764.27
	Placement	5,460.88
2	Investment in equity	516.25
3	Investment in subsidiaries	400.00

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

17. 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
Issue Date	2076/05/13
Maturity Period	10 Years
Maturity Date	2086/05/12
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
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
Issue Date	2078/04/24
Maturity Period	10 Years
Maturity Date	2088/04/23
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.