

**Basel II Disclosure**  
As per Capital Adequacy Framework 2007 (Updated 2008)

**A Tier 1 capital and a breakdown of its component**

(Figures in 000)

		Current Period (Quarter)	Previous Period (Quarter)
<b>Core Capital (Tier 1) (a+b+c+d+e+f)</b>		<b>535,202</b>	<b>647,258</b>
a	Paid up Equity Share Capital	828,914	828,914
b	Share Premium	3,025	3,025
c	Statutory General Reserves	169,706	169,706
d	Retained Earnings	-336,288	-336,424
e	Un-audited current year cumulative profit/(loss)	-133,784	21,592
f	Capital Adjustment Reserve	3,629	3,629

**B Tier 2 capital and a breakdown of its component**

(Figures in 000)

		Current Period (Quarter)	Previous Period (Quarter)
<b>Supplementary Capital (Tier 2) (a+b)</b>		<b>30,649</b>	<b>33,371</b>
a	General loan loss provision	30,649	33,371
b	Other Reserves	-	-

**C Detailed information about the Subordinated Term Debts with information on the outstanding amount, maturity, amount raised during the year and amount eligible to be reckoned as capital funds.**

*There are no Subordinated Term Debts Issues by Finance.*

**D Deductions From Capital**

*There are no items eligible for deduction from capital.*

**E Total Qualifying Capital**

(Figures in 000)

		Current Period (Quarter)	Previous Period (Quarter)
a	Tire 1 Capital as per A	535,202	647,258
b	Tier 2 Capital as per B	30,649	33,371
<b>Total Qualifying Capital (a+b)</b>		<b>565,851</b>	<b>680,629</b>

**F Capital Adequacy Ratio**

(Figures in %)

	Current Period (Quarter)	Previous Period (Quarter)
Tier 1 Capital to Total Risk Weighted Exposures (After Bank's adjustments of Pillar II)	20.12%	24.24%
Tier 1 and Tier 2 Capital to Total Risk Weighted Exposures(After Bank's adjustments of Pillar II)	21.27%	25.49%

**G Risk Weighted Exposures for Credit Risk, Market Risk and Operatinal Risk**

(Figures in 000)

<b>RISK WEIGHTED EXPOSURES</b>		Current Period (Quarter)	Previous Period (Quarter)
a	Risk Weighted Exposure for Credit Risk	2,247,224	2,256,199
b	Risk Weighted Exposure for Operational Risk	266,359	266,359
c	Risk Weighted Exposure for Market Risk	-	-
d	<b>Total Risk Weighted Exposures (Before adjustments of Pillar II) (a+b+c)</b>	<b>2,513,583</b>	<b>2,522,558</b>
<b>Adjustments under Pillar II</b>			
SRP 6.4a (7)	Add RWE equivalent to reciprocal of capital charge of 3 % of gross income.	46,242	46,242
SRP 6.4a (9)	Overall risk management policies and procedures are not satisfactory. Add 3% of RWE	75,407	75,677
SRP 6.4a (10)	Desired level of disclosure requirement has not been achieved. Add 1% of RWE	25,136	25,226
e	<b>Total Adjustments under pillar II (SRP 6.4a(7)+SRP 6.4a (9)+SRP 6.4a (10))</b>	<b>146,785</b>	<b>147,144</b>
<b>Total Risk Weighted Exposures (After Bank's adjustments of Pillar II) (d+e)</b>		<b>2,660,368</b>	<b>2,669,702</b>

**H Risk Weighted Exposures under each of 11 categories of Credit Risk**

(Figures in 000)

		Current Period (Quarter)	Previous Period (Quarter)
a	Claims on government & central bank	-	-
b	Claims on other official entities	-	-
c	Claims on banks	206,279	169,466
d	Claims on corporate & securities firms	321,348	366,085
e	Claims on regulatory retail portfolio	824,412	1002495.5
f	Claims secured by residential properties	58,381	69681
g	Claims secured by commercial real state	-	-
h	Past due claims	270,224	143974.5
i	High risk claims	148,199	125425.5
j	Other assets	379,400	344,711
k	Off balance sheet items	38,983	34,361.00
<b>Total</b>		<b>2,247,224</b>	<b>2,256,199</b>

I Total Risk Weight Exposure calculation Table (Relevant items only) For current period (Quarter)

(Figures in 000)

A. Balance Sheet Exposures	Book Value	Specific Provision	Eligible CRM	Net Value	Risk Weight	Risk Weighted Exposures
	a	b	c	d=a-b-c	e	f=d*e
Cash Balance	55,378			55,378	0%	-
Balance With Nepal Rastra Bank	84,105			84,105	0%	-
Investment in Nepalese Government Securities	155,000			155,000	0%	-
Investment in Nepal Rastra Bank securities	50,000			50,000	0%	-
Claims on domestic banks that meet capital adequacy requirements	1,031,395		-	1,031,395	20%	206,279
Claims on Domestic Corporates (Unrated)	321,348		-	321,348	100%	321,348
Regulatory Retail Portfolio (Not Overdue)	1,105,197		14,967	1,090,230	75%	817,673
Claims fulfilling all criterion of regularity retail except granularity	6,739		-	6,739		6,739
Claims secured by residential properties	79,996		-	79,996	60%	47,998
Claims secured by residential properties (Overdue)	45,317	34,934	-	10,383		10,383
Past due claims (except for claims secured by residential properties)	583,272	402,943	180	180,149		270,224
High Risk claims	83,865		-	83,865		125,798
Lending Against Securities (Bonds & Shares)	22,401		-	22,401	100%	22,401
Investments in equity and other capital instruments of institutions listed in stock exchange	17,074		-	17,074		17,074
Investments in equity and other capital instruments of institutions not listed in the stock exchange	2,816		-	2,816		4,224
Interest Receivable/claim on government securities	2,816		-	2,816	0%	-
Other Assets (as per attachment)	731,705	373,603	-	358,102		358,102
<b>TOTAL (A)</b>	<b>4,378,424</b>	<b>811,480</b>	<b>15,147</b>	<b>3,551,797</b>		<b>2,208,241</b>

  

B. Off Balance Sheet Exposures	Book Value	Specific Provision	Eligible CRM	Net Value	Risk Weight	Risk Weighted Exposures
	a	b	c	d=a-b-c	e	f=d*e
Bid Bond, Performance Bond and Counter guarantee domestic counterparty	100		-	100	50%	50
Irrevocable Credit commitments (short term)	94,730		-	94,730	20%	18,946
Other Contingent Liabilities	19,987		-	19,987	100%	19,987
<b>TOTAL (B)</b>	<b>114,817</b>	<b>-</b>	<b>-</b>	<b>114,817</b>		<b>38,983</b>
<b>Total RWE for credit Risk Before Adjustment (A) +(B)</b>	<b>4,493,241</b>	<b>811,480</b>	<b>15,147</b>	<b>3,675,053</b>		<b>2,247,224</b>
<b>Adjustments under Pillar II</b>						
Answer the question SRP 6.4a (3) in SRP sheet						-
Answer the question SRP 6.4a (4) in SRP sheet						-
<b>Total RWE for Credit Risk after Bank's adjustments under Pillar II</b>	<b>4,493,241</b>	<b>811,480</b>	<b>15,147</b>	<b>3,675,053</b>		<b>2,247,224</b>

**J Amount of NPA's (Both Gross and Net)**

		<i>(Figures in 000)</i>			
SN	Loan Classification	Current Period (Quarter)		Previous Period (Quarter)	
		Gross NPA	Net NPA	Gross NPA	Net NPA
a	Restructure/Reschedule Loan	-	-	-	-
b	Substandard Loan	217,339	163,004	37,166.00	27,875.00
c	Doubtful Loan	22,277	11,139	22,781.00	11,391.00
d	Loss Loan	372,404	-	268,228.00	-

**k NPA Ratios**

		<i>(Figures in %)</i>	
		Current Period (Quarter)	Previous Period (Quarter)
a	Gross NPA to Gross Advances	27.22%	14.26%
b	Net NPA to Net Advances	9.79%	1.99%

**L Movement of Non Performing Assets**

				<i>(Figures in 000)</i>
SN	Loan Classification	Previous Period (Quarter)	Movement in - or + (Net)	Current Period (Quarter)
a	Restructure/Reschedule Loan	-	-	-
b	Substandard Loan	37,166	180,173	217,339
c	Doubtful Loan	22,781	(504)	22,277
d	Loss Loan	268,228	104,176	372,404

**M Write off of Loan and Interest Suspense**

*There are no Loans and Interest Suspense Written off in current Period.*

**N Movement in Loan Loss Provision and Interest Suspense**

				<i>(Figures in 000)</i>
SN	Items	Previous Period (Quarter)	Movement in - or + (Net)	Current Period (Quarter)
a	Loan Loss Provision	322,752	145,775	468,527
b	Interest Suspense	327,905	(19,636)	308,269

**O Details Of Additional Loan Loss Provisions**

*There are no Additional Loan Loss Provisions in current Period.*

**P Segregation of investment portfolio into Held for trading, Held to maturity and Available for sale category**

		<i>(Figures in 000)</i>	
SN	Investment Category	Current Period (Quarter)	Previous Period (Quarter)
a	Held For Trading	-	-
b	Held to Maturity	205,000	255,000
c	Available for sale	19,890	19,890

**Q Summary of the bank's internal approach to assess the adequacy of its capital to support current and future activities**

*Best Finance adopts healthy risk management framework. The company 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 company 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. Finance's different committees like Audit Committee, Risk Management Committee 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.*

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

*There are no Subordinated Terms Debts and hybrid capital Instruments.*