

**Best Finance Company Limited**  
**Basel II Disclosure ( 1st Quarter FY 2078-79 )**  
**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>849,494</b>           | <b>789,131</b>            |
| a  | Paid up Equity Share Capital                     | 828,914                  | 828,914                   |
| b  | Share Premium                                    | 3,025                    | 3,025                     |
| c  | Statutory General Reserves                       | 201,648                  | 185,171                   |
| d  | Retained Earnings                                | -314,525                 | -342,100                  |
| e  | Un-audited current year cumulative profit/(loss) | 126,803                  | 110,492                   |
| 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>41,114</b>            | <b>32,206</b>             |
| a   | General loan loss provision | 41,114                   | 32,206                    |
| 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 | 849,494                  | 789,131                   |
| b                                     | Tier 2 Capital as per B | 41,114                   | 32,206                    |
| <b>Total Qualifying Capital (a+b)</b> |                         | <b>890,608</b>           | <b>821,337</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)           | 23.98%                   | 24.57%                    |
| Tier 1 and Tier 2 Capital to Total Risk Weighted Exposures(After Bank's adjustments of Pillar II) | 25.14%                   | 25.58%                    |

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

(Figures in 000)

|  |   | Current Period (Quarter) | Previous Period (Quarter) |
|--|---|--------------------------|---------------------------|
| <b>RISK WEIGHTED EXPOSURES</b>   |   |                          |                           |
| a  | Risk Weighted Exposure for Credit Risk  | 3,094,970                | 2,800,462                 |
| b  | Risk Weighted Exposure for Operational Risk   | 312,296                  | 251,474                   |
| c  | Risk Weighted Exposure for Market Risk  | -                        | -                         |
| d  | <b>Total Risk Weighted Exposures (Before adjustments of Pillar II) (a+b+c)</b>      | <b>3,407,266</b>         | <b>3,051,936</b>          |
| <b>Adjustments under Pillar II</b>   |   |                          |                           |
| SRP 6.4a (7)   | Add RWE equivalent to reciprocal of capital charge of 3 % of gross income.          | (1,310)                  | 37,311                    |
| SRP 6.4a (9)   | Overall risk management policies and precedures are not satisfactory. Add 3% of RWE | 102,218                  | 91,558                    |
| SRP 6.4a (10)  | Desired level of disclosure requirement has not been achieved. Add 1% of RWE        | 34,073                   | 30,519                    |
| e  | <b>Total Adjustments under pillar II (SRP 6.4a(7)+SRP 6.4a (9)+SRP 6.4a (10))</b>   | <b>134,980</b>           | <b>159,388</b>            |
| <b>Total Risk Weighted Exposures (After Bank's adjustments of Pillar II) (d+e)</b> |   | <b>3,542,246</b>         | <b>3,211,324</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                          | 139,590                  | 185,358                   |
| d            | Claims on corporate & securities firms   | 380,427                  | 469255                    |
| e            | Claims on regulatory retail portfolio    | 1,027,901                | 823538.75                 |
| f            | Claims secured by residential properties | 167,170                  | 48779.2                   |
| g            | Claims secured by commercial real state  | -                        | -                         |
| h            | Past due claims                          | 263,742                  | 285261                    |
| i            | High risk claims                         | 302,196                  | 348317                    |
| j            | Other assets                             | 763,023                  | 607,864                   |
| k            | Off balance sheet items                  | 50,921                   | 32,089.20                 |
| <b>Total</b> |  | <b>3,094,970</b>         | <b>2,800,462</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   | 52,342           |                    |               | 52,342           | 0%          | -                       |
| Balance With Nepal Rastra Bank   | 117,792          |                    |               | 117,792          | 0%          | -                       |
| Investment in Nepalese Government Securities   | 205,000          |                    |               | 205,000          | 0%          | -                       |
| Investment in Nepal Rastra Bank securities   | 250,000          |                    |               | 250,000          | 0%          | -                       |
| Claims on domestic banks that meet capital adequacy requirements                                     | 697,951          |                    | -             | 697,951          | 20%         | 139,590                 |
| Claims on Domestic Corporates (Unrated)  | 414,907          |                    | 34,480        | 380,427          | 100%        | 380,427                 |
| Regulatory Retail Portfolio (Not Overdue)  | 1,398,282        |                    | 27,748        | 1,370,534        | 75%         | 1,027,901               |
| Claims fulfilling all criterion of regularity retail except granularity                              | 7,500            |                    | 7,500         | -                | 100%        | -                       |
| Claims secured by residential properties   | 264,132          |                    | -             | 264,132          | 60%         | 158,479                 |
| Claims secured by residential properties (Overdue)   | 12,736           | 4,045              | -             | 8,691            | 100%        | 8,691                   |
| Past due claims (except for claims secured by residential properties)                                | 260,288          | 83,797             | 663           | 175,828          | 150%        | 263,742                 |
| High Risk claims   | 83,679           |                    | -             | 83,679           | 150%        | 125,519                 |
| Lending Against Securities (Bonds & Shares)  | 176,677          |                    | -             | 176,677          | 100%        | 176,677                 |
| Investments in equity and other capital instruments of institutions listed in stock exchange         | 135,279          |                    | -             | 135,279          | 100%        | 135,279                 |
| Investments in equity and other capital instruments of institutions not listed in the stock exchange | 2,816            |                    | -             | 2,816            | 150%        | 4,224                   |
| Interest Receivable/claim on government securities   | 3,574            |                    |               | 3,574            | 0%          | -                       |
| Other Assets (as per attachment)   | 849,892          | 226,372            | -             | 623,520          | 100%        | 623,520                 |
| <b>TOTAL (A)</b>   | <b>4,932,847</b> | <b>314,214</b>     | <b>70,391</b> | <b>4,548,242</b> |             | <b>3,044,048</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    | 5,100            |                    | -             | 5,100            | 40%         | 2,040                   |
| Irrevocable Credit commitments (short term)                               | 144,471          |                    | -             | 144,471          | 20%         | 28,894                  |
| Other Contingent Liabilities  | 19,987           |                    | -             | 19,987           | 100%        | 19,987                  |
| <b>TOTAL (B)</b>  | <b>169,558</b>   | <b>-</b>           | <b>-</b>      | <b>169,558</b>   |             | <b>50,921</b>           |
| <b>Total RWE for credit Risk Before Adjustment (A)+(B)</b>                | <b>5,102,405</b> | <b>314,214</b>     | <b>70,391</b> | <b>3,675,053</b> |             | <b>3,094,970</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>5,102,405</b> | <b>314,214</b>     | <b>70,391</b> | <b>3,675,053</b> |             | <b>3,094,970</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            | 22,672                   | 17,004  | 83,456                    | 62,592  |
| c  | Doubtful Loan               | 10,252                   | 5,126   | 34,093                    | 17,046  |
| d  | Loss Loan                   | 73,003                   | -       | 181,462                   | -       |

**k NPA Ratios**

|   |                         | <i>(Figures in %)</i>    |                             |
|---|-------------------------|--------------------------|-----------------------------|
|   | Loan Classification     | Current Period (Quarter) | Previous Period (Quarter)   |
|   |                         | a                        | Gross NPA to Gross Advances |
| b | Net NPA to Net Advances | 0.89%                    | 3.83%                       |

**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            | 83,456                    | (60,784)                 | 22,672                   |
| c  | Doubtful Loan               | 34,093                    | (23,841)                 | 10,252                   |
| d  | Loss Loan                   | 181,462                   | (108,459)                | 73,003                   |

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

*Loans of Rs 17,827,112.29 is Writtenoff in Current Period  
Interest Suspense has been Written off by 83,596,260.09 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 | 251,610                   | (126,699)                | 124,911                  |
| b  | Interest Suspense   | 175,463                   | (90,385)                 | 85,078                   |

**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    | 455,000                  | 505,000                   |
| c  | Available for sale  | 112,497                  | 132,497                   |

**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.*