

**Best Finance Company Limited**  
**Basel II Disclosure ( 3rd Quarter of 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>869,962</b>	<b>859,300</b>
a	Paid up Equity Share Capital	828,914	828,914
b	Share Premium	3,025	3,025
c	Statutory General Reserves	201,545	201,545
d	Retained Earnings	(313,403)	(313,515)
e	Un-audited current year cumulative profit/(loss)	146,252	135,702
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>50,247</b>	<b>41,795</b>
a	General loan loss provision	50,247	41,795
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 Issued 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	869,962	859,300
b	Tier 2 Capital as per B	50,247	41,795
<b>Total Qualifying Capital (a+b)</b>		<b>920,209</b>	<b>901,095</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)	22.87%	23.76%
Tier 1 and Tier 2 Capital to Total Risk Weighted Exposures(After Bank's adjustments of Pillar II)	24.19%	24.91%

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

(Figures in 000)

<b>RISK WEIGHTED EXPOSURES</b>		Current Period (Quarter)	Previous Period (Quarter)
a	Risk Weighted Exposure for Credit Risk	3,363,470	3,183,067
b	Risk Weighted Exposure for Operational Risk	263,043	263,043
c	Risk Weighted Exposure for Market Risk	-	-
d	<b>Total Risk Weighted Exposures (Before adjustments of Pillar II) (a+b+c)</b>	<b>3,626,513</b>	<b>3,446,110</b>
<b>Adjustments under Pillar II</b>			
SRP 6.4a (7)	Add RWE equivalent to reciprocal of capital charge of 3 % of gross income.	32,907	32,907
SRP 6.4a (9)	Overall risk management policies and procedures are not satisfactory. Add 3% of RWE	108,795	103,383
SRP 6.4a (10)	Desired level of disclosure requirement has not been achieved. Add 1% of RWE	36,265	34,461
e	<b>Total Adjustments under pillar II (SRP 6.4a(7)+SRP 6.4a (9)+SRP 6.4a (10))</b>	<b>177,968</b>	<b>170,752</b>
<b>Total Risk Weighted Exposures (After Bank's adjustments of Pillar II) (d+e)</b>		<b>3,804,481</b>	<b>3,616,861</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	85,498	187,482
d	Claims on corporate & securities firms	372,403	317,013
e	Claims on regulatory retail portfolio	1,218,196	1,137,928
f	Claims secured by residential properties	249,310	185,809
g	Claims secured by commercial real state	-	-
h	Past due claims	337,020	263,816
i	High risk claims	330,059	330,059
j	Other assets	742,809	722,907
k	Off balance sheet items	39,955	38,055
<b>Total</b>		<b>3,375,248</b>	<b>3,183,067</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	52,967			52,967	0%	-
Balance With Nepal Rastra Bank	125,665			125,665	0%	-
Investment in Nepalese Government Securities	505,000			505,000	0%	-
Investment in Nepal Rastra Bank securities	-			-	0%	-
Claims on domestic banks that meet capital adequacy requirements	427,488		-	427,488	20%	85,498
Claims on Domestic Corporates (Unrated)	372,403		-	372,403	100%	372,403
Regulatory Retail Portfolio (Not Overdue)	1,669,621		45,360	1,624,261	75%	1,218,196
Claims fulfilling all criterion of regularity retail except granularity	-		-	-	100%	-
Claims secured by residential properties	404,776		-	404,776	60%	242,866
Claims secured by residential properties (Overdue)	8,111	1,667	-	6,444	100%	6,444
Past due claims (except for claims secured by residential properties)	260,288	35,048	560	224,680	150%	337,020
High Risk claims	71,487		-	71,487	150%	107,231
Lending Against Securities (Bonds & Shares)	222,828		-	222,828	100%	222,828
Investments in equity and other capital instruments of institutions listed in stock exchange	142,458		-	142,458	100%	142,458
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	5,149		-	5,149	0%	-
Other Assets (as per attachment)	784,700	188,573	-	596,127	100%	596,127
<b>TOTAL (A)</b>	<b>5,055,757</b>	<b>225,288</b>	<b>45,920</b>	<b>4,784,549</b>		<b>3,335,293</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	10,150		-	10,150	40%	4,060
Irrevocable Credit commitments (short term)	79,540		-	79,540	20%	15,908
Other Contingent Liabilities	19,987		-	19,987	100%	19,987
<b>TOTAL (B)</b>	<b>109,677</b>	<b>-</b>	<b>-</b>	<b>109,677</b>		<b>39,955</b>
<b>Total RWE for credit Risk Before Adjustment (A)+(B)</b>	<b>5,165,434</b>	<b>225,288</b>	<b>45,920</b>	<b>3,675,053</b>		<b>3,375,248</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>5,165,434</b>	<b>225,288</b>	<b>45,920</b>	<b>3,675,053</b>		<b>3,375,248</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	34,999	26,249	29,588	22,191
c	Doubtful Loan	8,273	4,137	11,385	5,693
d	Loss Loan	23,829	-	59,643	-

**k NPA Ratios**

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

**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	29,588	5,411	34,999
c	Doubtful Loan	11,385	(3,112)	8,273
d	Loss Loan	59,643	(35,814)	23,829

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

*Loans of Rs 18,056,166 is Writtenoff in Current Period  
Interest Suspense has been Written off by Rs 47,453,777.99 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*	114,528	(27,566)	86,962
b	Interest Suspense	87,543	(40,565)	46,978

**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	505,000	355,000	
c	Available for sale	145,274	145,274	

**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.*