

**Best Finance Company Limited**  
**Basel II Disclosure ( 3rd Quarter of FY 2079-80 )**  
**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>864,260</b>	<b>872,815</b>
a	Paid up Equity Share Capital	828,914	828,914
b	Share Premium	3,025	3,025
c	Statutory General Reserves	230,966	234,986
d	Retained Earnings	(204,415)	(199,002)
e	Un-audited current year cumulative profit/(loss)	2,141	1,263
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>61,661</b>	<b>55,735</b>
a	General loan loss provision	61,661	55,735
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	864,260	872,815
b	Tier 2 Capital as per B	61,661	55,735
<b>Total Qualifying Capital (a+b)</b>		<b>925,921</b>	<b>928,550</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)	19.96%	20.53%
Tier 1 and Tier 2 Capital to Total Risk Weighted Exposures(After Bank's adjustments of Pillar II)	21.38%	21.84%

**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	3,965,969	3,877,970
b	Risk Weighted Exposure for Operational Risk	143,292	151,471
c	Risk Weighted Exposure for Market Risk	-	-
d	<b>Total Risk Weighted Exposures (Before adjustments of Pillar II) (a+b+c)</b>	<b>4,109,261</b>	<b>4,029,441</b>
<b>Adjustments under Pillar II</b>			
SRP 6.4a (7)	Add RWE equivalent to reciprocal of capital charge of 3 % of gross income.	15,757	20,664
SRP 6.4a (9)	Overall risk management policies and procedures are not satisfactory. Add 4% of RWE	164,370	161,178
SRP 6.4a (10)	Desired level of disclosure requirement has not been achieved. Add 1% of RWE	41,093	40,294
e	<b>Total Adjustments under pillar II (SRP 6.4a(7)+SRP 6.4a (9)+SRP 6.4a (10))</b>	<b>221,220</b>	<b>222,136</b>
<b>Total Risk Weighted Exposures (After Bank's adjustments of Pillar II) (d+e)</b>		<b>4,330,481</b>	<b>4,251,578</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	42,453	95,823
d	Claims on corporate & securities firms	389,161	403,247
e	Claims on regulatory retail portfolio	1,318,324	1,359,260
f	Claims secured by residential properties	386,038	348,110
g	Claims secured by commercial real state	-	-
h	Past due claims	279,449	203,951
i	High risk claims	532,067	542,324
j	Other assets	974,216	881,996
k	Off balance sheet items	44,263	43,260
<b>Total</b>		<b>3,965,969</b>	<b>3,877,970</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	50,528			50,528	0%	-
Balance With Nepal Rastra Bank	189,915			189,915	0%	-
Investment in Nepalese Government Securities	530,000			530,000	0%	-
Investment in Nepal Rastra Bank securities	400,000			400,000	0%	-
Claims on domestic banks that meet capital adequacy requirements	212,265		-	212,265	20%	42,453
Claims on Domestic Corporates (Unrated)	389,161		-	389,161	100%	389,161
Regulatory Retail Portfolio (Not Overdue)	1,826,492		81,926	1,744,566	75%	1,308,425
Claims fulfilling all criterion of regularity retail except granularity	9,899		-	9,899	100%	9,899
Claims secured by residential properties	591,618		-	591,618	60%	354,971
Claims secured by residential properties (Overdue)	33,774	2,707	-	31,067	100%	31,067
Past due claims (except for claims secured by residential properties)	249,927	63,628	-	186,299	150%	279,449
High Risk claims	340,812		-	340,812	150%	511,218
Lending Against Shares upto Rs 2.5 million	20,849		-	20,849	100%	20,849
Investments in equity and other capital instruments of institutions listed in stock exchange	309,177		-	309,177	100%	309,177
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	17,162		-	17,162	0%	-
Other Assets	895,767	234,952	-	660,815	100%	660,815
<b>TOTAL (A)</b>	<b>6,070,162</b>	<b>301,287</b>	<b>81,926</b>	<b>5,686,949</b>		<b>3,921,707</b>
<b>B. Off Balance Sheet Exposures</b>						
	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	10,200		-	10,200	40%	4,080
Irrevocable Credit commitments (short term)	100,978		-	100,978	20%	20,196
Other Contingent Liabilities	19,987		-	19,987	100%	19,987
<b>TOTAL (B)</b>	<b>131,165</b>	<b>-</b>	<b>-</b>	<b>131,165</b>		<b>44,263</b>
<b>Total RWE for credit Risk Before Adjustment (A)+(B)</b>	<b>6,201,327</b>	<b>301,287</b>	<b>81,926</b>	<b>3,675,053</b>		<b>3,965,969</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>6,201,327</b>	<b>301,287</b>	<b>81,926</b>	<b>3,675,053</b>		<b>3,965,969</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	108,839	81,629	68,311	51,233
c	Doubtful Loan	33,973	16,987	51,856	25,928
d	Loss Loan	22,139	-	21,147	-

**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	68,311	40,528	108,839
c	Doubtful Loan	51,856	(17,883)	33,973
d	Loss Loan	21,147	992	22,139

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

*There are no loans Writtenoff in Current Period  
Interest Suspense has been Written off by 726,320.12 Rs 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*(NRB Adj)	114,349	13,647	127,996
b	Interest Suspense	75,942	12,819	88,761

**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	630,000	630,000	
c	Available for sale*	169,361	169,361	

\*At cost

**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.*