

**Best Finance Company Limited**  
**Basel II Disclosure (3 rd Quarter of FY 2080-81 )**  
**As per Capital Adequacy Framework 2007 (Updated 2008)**

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

*(Figures in 000)*

Core Capital (Tier 1) (a+b+c+d+e+f)		Current Period (Quarter)	Previous Period (Quarter)
		866,243	873,912
a	Paid up Equity Share Capital	854,817	854,817
b	Share Premium	14,948	14,948
c	Statutory General Reserves	238,700	238,700
d	Retained Earnings	(238,595)	(238,595)
e	Un-audited current year cumulative profit/(loss)	(7,256)	413
f	Capital Adjustment Reserve	3,629	3,629

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

*(Figures in 000)*

Supplementary Capital (Tier 2) (a+b)		Current Period (Quarter)	Previous Period (Quarter)
		66,949	60,782
a	General loan loss provision	66,949	60,782
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	Tiere 1 Capital as per A	866,243	873,912
b	Tier 2 Capital as per B	66,949	60,782
<b>Total Qualifying Capital (a+b)</b>		<b>933,192</b>	<b>934,694</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)	15.47%	16.29%
Tier 1 and Tier 2 Capital to Total Risk Weighted Exposures(After Bank's adjustments of Pillar II)	16.67%	17.43%

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

*(Figures in 000)*

RISK WEIGHTED EXPOSURES		Current Period (Quarter)	Previous Period (Quarter)
a	Risk Weighted Exposure for Credit Risk	5,088,431	4,862,538
b	Risk Weighted Exposure for Operational Risk	216,692	216,692
c	Risk Weighted Exposure for Market Risk	-	-
d	<b>Total Risk Weighted Exposures (Before adjustments of Pillar II) (a+b+c)</b>	<b>5,305,123</b>	<b>5,079,230</b>
<b>Adjustments under Pillar II</b>			
SRP 6.4a (7)	Add RWE equivalent to reciprocal of capital charge of 3 % of gross income.	81,351	81,351
SRP 6.4a (9)	Overall risk management policies and procedures are not satisfactory. Add 4% of RWE	212,205	203,169
SRP 6.4a (10)	Desired level of disclosure requirement has not been achieved. Add 1% of RWE	-	-
e	<b>Total Adjustments under pillar II (SRP 6.4a(7)+SRP 6.4a (9)+SRP 6.4a (10))</b>	<b>293,556</b>	<b>284,520</b>
<b>Total Risk Weighted Exposures (After Bank's adjustments of Pillar II) (d+e)</b>		<b>5,598,679</b>	<b>5,363,751</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	72,482	90,165
d	Claims on corporate & securities firms	607,815	566,725
e	Claims on regulatory retail portfolio	577,898	576,000
f	Claims secured by residential properties	467,974	415,103
g	Claims secured by commercial real state	-	-
h	Past due claims	288,074	224,361
i	High risk claims	1,488,408	1,394,801
j	Other assets	1,536,661	1,548,418
k	Off balance sheet items	49,120	46,965
<b>Total</b>		<b>5,088,431</b>	<b>4,862,538</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	35,211			35,211	0%	-
Balance With Nepal Rastra Bank	223,367			223,367	0%	-
Investment in Nepalese Government Securities	940,000			940,000	0%	-
Investment in Nepal Rastra Bank securities	-			-	0%	-
Claims on domestic banks that meet capital adequacy requirements	362,409			362,409	20%	72,482
Claims on Domestic Corporates (Unrated)	607,815			607,815	#	607,815
Regulatory Retail Portfolio (Not Overdue)	732,794		58,640	674,154	75%	505,616
Claims fulfilling all criterion of regularity retail except granularity	82,058		9,775	72,283		72,283
Claims secured by residential properties	724,205			724,205	60%	434,523
Claims secured by residential properties (Overdue)	37,896	4,445		33,451		33,451
Past due claims (except for claims secured by residential properties)	266,195	74,146		192,049		288,074
High Risk claims	992,272			992,272		1,488,408
Lending against Shares(above Rs.5 Million)	246,361			246,361	#	307,951
Lending Against Shares upto Rs 5 million	44,042			44,042	#	44,042
Personal Hirepurchase/Personal Auto Loans (upto Rs. 2.5 Million)	40,529			40,529	#	40,529
Personal Hirepurchase/Personal Auto Loans (above Rs. 2.5 Million)	41,633			41,633	#	52,041
Investments in equity and other capital instruments of institutions listed in stock exchange	234,768			234,768		234,768
Investments in equity and other capital instruments of institutions not listed in the stock exchange	52,816			52,816		79,224
Interest Receivable/claim on government securities	11,002			11,002	0%	-
Other Assets	1,037,056	258,951		778,105		778,105
<b>TOTAL (A)</b>	<b>6,712,429</b>	<b>337,542</b>	<b>68,415</b>	<b>6,306,472</b>		<b>5,039,311</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	150			150	40%	60
Irrevocable Credit commitments (short term)	145,364			145,364	20%	29,073
Other Contingent Liabilities	19,987			19,987	100%	19,987
<b>TOTAL (B)</b>	<b>165,501</b>	-	-	<b>165,501</b>		<b>49,120</b>
<b>Total RWE for credit Risk Before Adjustment (A)+(B)</b>	<b>6,877,930</b>	<b>337,542</b>	<b>68,415</b>	<b>6,471,973</b>		<b>5,088,431</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>6,877,930</b>	<b>337,542</b>	<b>68,415</b>	<b>6,471,973</b>		<b>5,088,431</b>

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

				<i>(Figures in 000)</i>	
		Current Period (Quarter)		Previous Period (Quarter)	
SN	Loan Classification	Gross NPA	Net NPA	Gross NPA	Net NPA
a	Restructure/Reschedule Loan	-	-	-	-
b	Substandard Loan	80,914	60,686	46,353	34,765
c	Doubtful Loan	37,379	18,690	31,859	15,930
d	Loss Loan	43,871	-	41,895	-

**k NPA Ratios**

		<i>(Figures in %)</i>	
		Current Period (Quarter)	Previous Period (Quarter)
a	Gross NPA to Gross Advances	4.35%	3.32%
b	Net NPA to Net Advances	2.21%	1.46%

**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	46,353	34,561	80,914
c	Doubtful Loan	31,859	5,520	37,379
d	Loss Loan	41,895	1,976	43,871

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

*There are no loans Writtenoff in Current Period  
Interest Suspense has not been written off during the quarter.*

**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)	138,789	6,750	145,539
b	Interest Suspense	94,407	7,877	102,284

**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	940,000	880,000
c	Available for sale*	213,146	161,646

\*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.*