

**Best Finance Company Limited**  
**Basel II Disclosure (4 th 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)

		Current Period (Quarter)	Previous Period (Quarter)
<b>Core Capital (Tier 1) (a+b+c+d+e+f)</b>		<b>859,224</b>	<b>866,243</b>
a	Paid up Equity Share Capital	854,817	854,817
b	Share Premium	14,948	14,948
c	Statutory General Reserves	241,131	238,700
d	Retained Earnings	(255,779)	(238,595)
e	Un-audited current year cumulative profit/(loss)	478	-7,256
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>60,767</b>	<b>66,949</b>
a	General loan loss provision	60,767	66,949
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	859,224	866,243
b	Tier 2 Capital as per B	60,767	66,949
<b>Total Qualifying Capital (a+b)</b>		<b>919,991</b>	<b>933,192</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)		14.63%	15.47%
Tier 1 and Tier 2 Capital to Total Risk Weighted Exposures(After Bank's adjustments of Pillar II)		15.67%	16.67%

**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	5,325,372	5,088,431
b	Risk Weighted Exposure for Operational Risk	199,996	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>5,525,368</b>	<b>5,305,123</b>
<b>Adjustments under Pillar II</b>			
SRP 6.4a (7)	Add RWE equivalent to reciprocal of capital charge of 3 % of gross income.	71,252	81,351
SRP 6.4a (9)	Overall risk management policies and procedures are not satisfactory. Add 4% of RWE	221,015	212,205
SRP 6.4a (10)	Desired level of disclosure requirement has not been achieved. Add 1% of RWE	55,254	-
e	<b>Total Adjustments under pillar II (SRP 6.4a(7)+SRP 6.4a (9)+SRP 6.4a (10))</b>	<b>347,520</b>	<b>293,556</b>
<b>Total Risk Weighted Exposures (After Bank's adjustments of Pillar II) (d+e)</b>		<b>5,872,888</b>	<b>5,598,679</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	46,539	72,482
d	Claims on corporate & securities firms	652,630	607,815
e	Claims on regulatory retail portfolio	598,017	577,898
f	Claims secured by residential properties	489,927	467,974
g	Claims secured by commercial real state	-	-
h	Past due claims	311,738	288,074
i	High risk claims	1,626,309	1,488,408
j	Other assets	1,549,665	1,536,661
k	Off balance sheet items	50,546	49,120
<b>Total</b>		<b>5,325,371</b>	<b>5,088,431</b>

h 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	69,406			69,406	0%	-
Balance With Nepal Rastra Bank	240,544			240,544	0%	-
Investment in Nepalese Government Securities	1,134,910			1,134,910	0%	-
Investment in Nepal Rastra Bank securities	-			-	0%	-
All claims on Nepal Rastra Bank	150,000			150,000	0%	-
Claims on domestic banks that meet capital adequacy requirements	232,695			232,695	20%	46,539
Claims on Domestic Corporates (Unrated)	661,130		8,500	652,630	100%	652,630
Regulatory Retail Portfolio (Not Overdue)	715,234		57,005	658,229	75%	493,672
Claims fulfilling all criterion of regularity retail except granularity	114,188		9,842	104,346	100%	104,346
Claims secured by residential properties	763,748			763,748	60%	458,249
Claims secured by residential properties (Overdue)	35,811	4,132		31,679	100%	31,679
Past due claims (except for claims secured by residential properties)	254,293	46,468		207,825	150%	311,738
High Risk claims	1,084,206			1,084,206	150%	1,626,309
Lending against Shares(above Rs.5 Million)	295,910			295,910	125%	369,888
Lending Against Shares upto Rs 5 million	40,302			40,302	100%	40,302
Personal Hirepurchase/Personal Auto Loans (upto Rs. 2.5 Million)	64,897			64,897	100%	64,897
Personal Hirepurchase/Personal Auto Loans (above Rs. 2.5 Million)				-	125%	-
Investments in equity and other capital instruments of institutions listed in stock exchange	160,570			160,570	100%	160,570
Investments in equity and other capital instruments of institutions not listed in the stock exchange	102,816			102,816	150%	154,224
Interest Receivable/claim on government securities	9,598			9,598	0%	-
Other Assets	835,203	75,418		759,785	100%	759,785
<b>TOTAL (A)</b>	<b>6,965,461</b>	<b>126,018</b>	<b>75,347</b>	<b>6,764,096</b>		<b>5,274,827</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)	152,490			152,490	20%	30,498
Other Contingent Liabilities	19,986			19,986	100%	19,986
<b>TOTAL (B)</b>	<b>172,626</b>	<b>-</b>	<b>-</b>	<b>172,626</b>		<b>50,544</b>
<b>Total RWE for credit Risk Before Adjustment (A) +(B)</b>	<b>7,138,087</b>	<b>126,018</b>	<b>75,347</b>	<b>6,936,722</b>		<b>5,325,371</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>7,138,087</b>	<b>126,018</b>	<b>75,347</b>	<b>6,936,722</b>		<b>5,325,371</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	Restucture/Reschedule Loan	-	-	-	-
b	Substandard Loan	56,325	42,534	80,914	60,686
c	Doubtful Loan	35,223	19,333	37,379	18,690
d	Loss Loan	22,900	1,982	43,871	-

**k NPA Ratios**

		<i>(Figures in %)</i>	
		Current Period (Quarter)	Previous Period (Quarter)
a	Gross NPA to Gross Advances	2.84%	4.35%
b	Net NPA to Net Advances	1.63%	2.21%

**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	Restucture/Reschedule Loan	-	-	-
b	Substandard Loan	80,914	(24,589)	56,325
c	Doubtful Loan	37,379	(2,156)	35,223
d	Loss Loan	43,871	(20,971)	22,900

**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)	145,539	(34,173)	111,366
b	Interest Suspense	102,284	(5,719)	96,565

**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	1,140,000	940,000
c	Available for sale*	213,146	213,146

\*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.*