

**Best Finance Company Limited**  
**Basel II Disclosure (1st Quarter of FY 2081-82 )**  
**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>810,550</b>	<b>859,224</b>
a	Paid up Equity Share Capital	890,424	854,817
b	Share Premium	14,948	14,948
c	Statutory General Reserves	241,131	241,131
d	Retained Earnings	(254,658)	(255,779)
e	Un-audited current year cumulative profit/(loss)	(8,642)	478
f	Capital Adjustment Reserve	3,629	3,629
g	Less : Other Deduction	76282	

**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>120,125</b>	<b>60,767</b>
a	General loan loss provision	68,724	60,767
b	Other Reserves	-	-
c	Accrued Interest Receivable on pass loan included in Regulatory Reserve	51401	

**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	810,550	859,224
b	Tier 2 Capital as per B	120,125	60,767
<b>Total Qualifying Capital (a+b)</b>		<b>930,675</b>	<b>919,991</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)	12.96%	14.63%
Tier 1 and Tier 2 Capital to Total Risk Weighted Exposures(After Bank's adjustments of Pillar II)	14.88%	15.67%

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

(Figures in 000)

		Current Period (Quarter)	Previous Period (Quarter)
<b>RISK WEIGHTED EXPOSURES</b>			
a	Risk Weighted Exposure for Credit Risk	5,670,385	5,325,372
b	Risk Weighted Exposure for Operational Risk	234,985	199,996
c	Risk Weighted Exposure for Market Risk	-	-
d	<b>Total Risk Weighted Exposures (Before adjustments of Pillar II) (a+b+c)</b>	<b>5,905,370</b>	<b>5,525,368</b>
<b>Adjustments under Pillar II</b>			
SRP 6.4a (7)	Add RWE equivalent to reciprocal of capital charge of 3 % of gross income.	53,857	71,252
SRP 6.4a (9)	Overall risk management policies and procedures are not satisfactory. Add 4% of RWE	236,215	221,015
SRP 6.4a (10)	Desired level of disclosure requirement has not been achieved. Add 1% of RWE	59,054	55,254
e	<b>Total Adjustments under pillar II (SRP 6.4a(7)+SRP 6.4a (9)+SRP 6.4a (10))</b>	<b>349,125</b>	<b>347,520</b>
<b>Total Risk Weighted Exposures (After Bank's adjustments of Pillar II) (d+e)</b>		<b>6,254,496</b>	<b>5,872,888</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	46,889	46,539
d	Claims on corporate & securities firms	720,223	652,630
e	Claims on regulatory retail portfolio	457,788	598,017
f	Claims secured by residential properties	495,675	489,927
g	Claims secured by commercial real state	-	-
h	Past due claims	265,746	311,738
i	High risk claims	1,772,643	1,626,309
j	Other assets	1,856,368	1,549,665
k	Off balance sheet items		50,546
<b>Total</b>		<b>5,615,332</b>	<b>5,325,371</b>

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	69,396			69,396	0%	-
Balance With Nepal Rastra Bank	234,368			234,368	0%	-
Investment in Nepalese Government Securities	910,606			910,606	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	234,444			234,444	20%	46,889
Claims on Domestic Corporates (Unrated)	742,623		22,400	720,223	100%	720,223
Regulatory Retail Portfolio (Not Overdue)	651,518		41,134	610,384	75%	457,788
Claims fulfilling all criterion of regularity retail except granularity	166,489		14,374	152,115	100%	152,115
Claims secured by residential properties	768,846			768,846	60%	461,308
Claims secured by residential properties (Overdue)	37,675	3,307		34,368	100%	34,368
Past due claims (except for claims secured by residential properties)	246,103	68,939		177,164	150%	265,746
High Risk claims	1,181,762			1,181,762	150%	1,772,643
Lending against Shares(above Rs.5 Million)	365,881			365,881	125%	457,351
Lending Against Shares upto Rs 5 million	53,699			53,699	100%	53,699
Personal Hirepurchase/Personal Auto Loans	82,781			82,781	100%	82,781
Personal Hirepurchase/Personal Auto Loans (above Rs. 2.5 Million)				-	125%	-
Investments in equity and other capital instruments of institutions listed in stock exchange	194,167			194,167	100%	194,167
Investments in equity and other capital instruments of institutions not listed in the stock exchange	70,461			70,461	150%	105,692
Staff loan secured by residential property	20,276			20,276	50%	10,138
Interest Receivable/claim on government securities	7,153			7,153	0%	-
Other Assets	887,615	87,190		800,425	100%	800,425
<b>TOTAL (A)</b>	<b>7,075,863</b>	<b>159,436</b>	<b>77,908</b>	<b>6,838,519</b>		<b>5,615,332</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	10,173			10,173	40%	4,069
Irrevocable Credit commitments (short term)	154,984			154,984	20%	30,997
Other Contingent Liabilities	19,987			19,987	100%	19,987
<b>TOTAL (B)</b>	<b>185,144</b>	<b>-</b>	<b>-</b>	<b>185,144</b>		<b>55,053</b>
<b>Total RWE for credit Risk Before Adjustment (A) +(B)</b>	<b>7,261,007</b>	<b>159,436</b>	<b>77,908</b>	<b>7,023,663</b>		<b>5,670,385</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>7,261,007</b>	<b>159,436</b>	<b>77,908</b>	<b>7,023,663</b>		<b>5,670,385</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	94,857	71,143	56,325	42,244
c	Doubtful Loan	43,771	21,886	35,223	17,612
d	Loss Loan	32,205	32,205	22,900	22,900

**k NPA Ratios**

		<i>(Figures in %)</i>	
		Current Period (Quarter)	Previous Period (Quarter)
a	Gross NPA to Gross Advances	3.98%	2.84%
b	Net NPA to Net Advances	3.01%	2.11%

**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	56,325	38,532	94,857
c	Doubtful Loan	35,223	8,548	43,771
d	Loss Loan	22,900	9,305	32,205

**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)	111,366	29,604	140,970
b	Interest Suspense	96,565	15,643	112,208

**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	1,065,000.00	1,290,000	
c	Available for sale*	263,386.00	287,584	

\*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.*