

**Best Finance Company Limited**  
**Basel II Disclosure (2nd 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>803,783</b>	<b>810,550</b>
a	Paid up Equity Share Capital	890,424	890,424
b	Share Premium	14,948	14,948
c	Statutory General Reserves	241,131	241,131
d	Retained Earnings	(247,136)	(254,658)
e	Un-audited current year cumulative profit/(loss)	(17,263)	(8,642)
f	Capital Adjustment Reserve	3,629	3,629
g	Less : Other Deduction	81950	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>118,798</b>	<b>120,125</b>
a	General loan loss provision	59,665	68,724
b	Other Reserves	-	-
c	Accrued Interest Receivable on pass loan included in Regulatory Reserve	59133	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	803,783	810,550
b	Tier 2 Capital as per B	118,798	120,125
<b>Total Qualifying Capital (a+b)</b>		<b>922,581</b>	<b>930,675</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)	12.54%	12.96%
Tier 1 and Tier 2 Capital to Total Risk Weighted Exposures(After Bank's adjustments of Pillar II)	14.39%	14.88%

**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	5,820,140	5,670,385
b	Risk Weighted Exposure for Operational Risk	234,985	234,985
c	Risk Weighted Exposure for Market Risk	-	-
d	<b>Total Risk Weighted Exposures (Before adjustments of Pillar II) (a+b+c)</b>	<b>6,055,125</b>	<b>5,905,370</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	53,857
SRP 6.4a (9)	Overall risk management policies and procedures are not satisfactory. Add 4% of RWE	242,205	236,215
SRP 6.4a (10)	Desired level of disclosure requirement has not been achieved. Add 1% of RWE	60,551	59,054
e	<b>Total Adjustments under pillar II (SRP 6.4a(7)+SRP 6.4a (9)+SRP 6.4a (10))</b>	<b>356,613</b>	<b>349,125</b>
<b>Total Risk Weighted Exposures (After Bank's adjustments of Pillar II) (d+e)</b>		<b>6,411,738</b>	<b>6,254,496</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	63,763	46,889
d	Claims on corporate & securities firms	781,055	720,223
e	Claims on regulatory retail portfolio	425,516	457,788
f	Claims secured by residential properties	503,607	495,675
g	Claims secured by commercial real state	-	-
h	Past due claims	267,395	265,746
i	High risk claims	1,841,582	1,772,643
j	Other assets	1,879,781	1,856,368
k	Off balance sheet items	57,441	-
<b>Total</b>		<b>5,820,139</b>	<b>5,615,332</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	64,340			64,340	0%	-
Balance With Nepal Rastra Bank	245,497			245,497	0%	-
Investment in Nepalese Government Securities	1,010,744			1,010,744	0%	-
Investment in Nepal Rastra Bank securities				-	0%	-
All claims on Nepal Rastra Bank				-	0%	-
Claims on domestic banks that meet capital adequacy requirements	318,816			318,816	20%	63,763
Claims on Domestic Corporates (Unrated)	781,055			781,055	100%	781,055
Regulatory Retail Portfolio (Not Overdue)	605,294		37,939	567,355	75%	425,516
Claims fulfilling all criterion of regularity retail except granularity	181,186		4,000	177,186	100%	177,186
Claims secured by residential properties	783,098			783,098	60%	469,859
Claims secured by residential properties (Overdue)	43,495	9,746		33,749	100%	33,749
Past due claims (except for claims secured by residential properties)	254,404	76,141		178,263	150%	267,395
High Risk claims	1,227,721			1,227,721	150%	1,841,582
Lending against Shares(above Rs.5 Million)	345,434			345,434	125%	431,793
Lending Against Shares upto Rs 5 million	44,386			44,386	100%	44,386
Personal Hirepurchase/Personal Auto Loans	73,521			73,521	100%	73,521
Personal Hirepurchase/Personal Auto Loans (above Rs. 2.5 Million)				-	125%	-
Investments in equity and other capital instruments of institutions listed in stock exchange	194,944			194,944	100%	194,944
Investments in equity and other capital instruments of institutions not listed in the stock exchange	74,976			74,976	150%	112,464
Staff Loan secured by residential properties	20,073			20,073	50%	10,037
Interest Receivable/claim on government securities	7,896			7,896	0%	-
Other Assets	835,450			835,450	100%	835,450
<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	10,097			10,097	40%	4,039
Irrevocable Credit commitments (short term)	167,079			167,079	20%	33,416
Other Contingent Liabilities	19,987			19,987	100%	19,987
<b>TOTAL (B)</b>	<b>197,163</b>	<b>-</b>	<b>-</b>	<b>197,163</b>		<b>57,442</b>
<b>Total RWE for credit Risk Before Adjustment (A) +(B)</b>	<b>7,309,493</b>	<b>85,887</b>	<b>41,939</b>	<b>7,181,667</b>		<b>5,820,140</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>7,309,493</b>	<b>85,887</b>	<b>41,939</b>	<b>7,181,667</b>	<b>-</b>	<b>5,820,139</b>

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

		Current Period (Quarter)		Previous Period (Quarter)	
		(Figures in 000)			
SN	Loan Classification	Gross NPA	Net NPA	Gross NPA	Net NPA
a	Restructure/Reschedule Loan	-	-	-	-
b	Substandard Loan	28,565	21,424	94,857	71,143
c	Doubtful Loan	104,572	52,286	43,771	32,828
d	Loss Loan	34,479	34,479	32,205	24,154

**k NPA Ratios**

		Current Period (Quarter)	Previous Period (Quarter)
		(Figures in %)	
a	Gross NPA to Gross Advances	3.86%	3.98%
b	Net NPA to Net Advances	2.60%	3.01%

**L Movement of Non Performing Assets**

		Previous Period (Quarter)	Movement in - or + (Net)	Current Period (Quarter)
		(Figures in 000)		
SN	Loan Classification			
a	Restructure/Reschedule Loan	-	-	-
c	Doubtful Loan	43,771	60,801	104,572
d	Loss Loan	32,205	2,274	34,479

**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**

		Previous Period (Quarter)	Movement in - or + (Net)	Current Period (Quarter)
		(Figures in 000)		
SN	Items			
a	Loan Loss Provision*(NRB Adj)	140,970	4,583	145,553
b	Interest Suspense	112,208	(4,410)	107,798

**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**

		Current Period (Quarter)	Previous Period (Quarter)
		(Figures in 000)	
SN	Investment Category		
a	Held For Trading	-	-
b	Held to Maturity	1,015,000.00	1,065,000
c	Available for sale*	306,595.00	263,386

\*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.