

Best Finance Company Limited
Basel II Disclosure (4th Quarter FY 2077-78)
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)
Core Capital (Tier 1) (a+b+c+d+e+f)		789,131	767,142
a	Paid up Equity Share Capital	828,914	828,914
b	Share Premium	3,025	3,025
c	Statutory General Reserves	185,171	185,171
d	Retained Earnings	-342,100	-342,100
e	Un-audited current year cumulative profit/(loss)	110,492	88,503
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)
Supplementary Capital (Tier 2) (a+b)		32,206	27,925
a	General loan loss provision	32,206	27,925
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 Issues 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	789,131	767,142
b	Tier 2 Capital as per B	32,206	27,925
Total Qualifying Capital (a+b)		821,337	795,067

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)	24.57%	24.58%
Tier 1 and Tier 2 Capital to Total Risk Weighted Exposures(After Bank's adjustments of Pillar II)	25.58%	25.47%

G Risk Weighted Exposures for Credit Risk, Market Risk and Operatinal Risk

(Figures in 000)

		Current Period (Quarter)	Previous Period (Quarter)
RISK WEIGHTED EXPOSURES			
a	Risk Weighted Exposure for Credit Risk	2,800,462	2,713,877
b	Risk Weighted Exposure for Operational Risk	251,474	251,474
c	Risk Weighted Exposure for Market Risk	-	-
d	Total Risk Weighted Exposures (Before adjustments of Pillar II) (a+b+c)	3,051,936	2,965,351
Adjustments under Pillar II			
SRP 6.4a (7)	Add RWE equivalent to reciprocal of capital charge of 3 % of gross income.	37,311	37,311
SRP 6.4a (9)	Overall risk management policies and precedures are not satisfactory. Add 3% of RWE	91,558	89,253
SRP 6.4a (10)	Desired level of disclosure requirement has not been achieved. Add 1% of RWE	30,519	29,751
e	Total Adjustments under pillar II (SRP 6.4a(7)+SRP 6.4a (9)+SRP 6.4a (10))	159,388	156,315
Total Risk Weighted Exposures (After Bank's adjustments of Pillar II) (d+e)		3,211,324	3,121,666

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	185,358	295,295
d	Claims on corporate & securities firms	469,255	436,788
e	Claims on regulatory retail portfolio	823,539	805,870.25
f	Claims secured by residential properties	48,779	446,22.4
g	Claims secured by commercial real state	-	-
h	Past due claims	285,261	240,415.5
i	High risk claims	348,317	332,707
j	Other assets	607,864	520,244
k	Off balance sheet items	32,089	37,935.40
Total		2,800,462	2,713,877

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	60,504			60,504	0%	-
Balance With Nepal Rastra Bank	124,344			124,344	0%	-
Investment in Nepalese Government Securities	205,000			205,000	0%	-
Investment in Nepal Rastra Bank securities	300,000			300,000	0%	-
Claims on domestic banks that meet capital adequacy requirements	926,788		-	926,788	20%	185,358
Claims on Domestic Corporates (Unrated)	469,255		-	469,255	100%	469,255
Regulatory Retail Portfolio (Not Overdue)	1,105,569		15,184	1,090,385	75%	817,789
Claims fulfilling all criterion of regularity retail except granularity	12,750		7,000	5,750	100%	5,750
Claims secured by residential properties	74,757		-	74,757	60%	44,854
Claims secured by residential properties (Overdue)	10,318	6,393	-	3,925	100%	3,925
Past due claims (except for claims secured by residential properties)	406,988	215,257	1,557	190,174	150%	285,261
High Risk claims	195,552		-	195,552	150%	293,328
Lending Against Securities (Bonds & Shares)	54,989		-	54,989	100%	54,989
Investments in equity and other capital instruments of institutions listed in stock exchange	132,160		-	132,160	100%	132,160
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	3,846		-	3,846	0%	-
Other Assets (as per attachment)	791,334	319,854	-	471,480	100%	471,480
TOTAL (A)	4,876,970	541,504	23,741	4,311,725		2,768,373

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	100		-	100	50%	50
Irrevocable Credit commitments (short term)	60,261		-	60,261	20%	12,052
Other Contingent Liabilities	19,987		-	19,987	100%	19,987
TOTAL (B)	80,348	-	-	80,348		32,089
Total RWE for credit Risk Before Adjustment (A)+(B)	4,957,318	541,504	23,741	3,675,053		2,800,462
Adjustments under Pillar II						
Answer the question SRP 6.4a (3) in SRP sheet						-
Answer the question SRP 6.4a (4) in SRP sheet						-
Total RWE for Credit Risk after Bank's adjustments under Pillar II	4,957,318	541,504	23,741	3,675,053		2,800,462

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	83,456	62,592	69,175	51,881
c	Doubtful Loan	34,093	17,046	41,531	20,766
d	Loss Loan	181,462	-	224,110	-

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	69,175	14,281	83,456
c	Doubtful Loan	41,531	(7,438)	34,093
d	Loss Loan	224,110	(42,648)	181,462

M Write off of Loan and Interest Suspense

*Loans of Rs 22,442,775.65 is Writtenoff in Current Period
Interest Suspense has been Written off by 41,655,842.12 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	290,094	(38,484)	251,610
b	Interest Suspense	205,917	(30,454)	175,463

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	505,000	205,000
c	Available for sale	132,497	134,184

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.