

Best Finance Company Limited
Basel II Disclosure (2nd Quarter of FY 2078-79)
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)		859,300	849,494
a	Paid up Equity Share Capital	828,914	828,914
b	Share Premium	3,025	3,025
c	Statutory General Reserves	201,545	201,648
d	Retained Earnings	(313,515)	(314,525)
e	Un-audited current year cumulative profit/(loss)	135,702	126,803
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)		41,795	41,114
a	General loan loss provision	41,795	41,114
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	859,300	849,494
b	Tier 2 Capital as per B	41,795	41,114
Total Qualifying Capital (a+b)		901,095	890,608

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)	23.76%	23.98%
Tier 1 and Tier 2 Capital to Total Risk Weighted Exposures(After Bank's adjustments of Pillar II)	24.91%	25.14%

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	3,183,067	3,094,970
b	Risk Weighted Exposure for Operational Risk	263,043	312,296
c	Risk Weighted Exposure for Market Risk	-	-
d	Total Risk Weighted Exposures (Before adjustments of Pillar II) (a+b+c)	3,446,110	3,407,266
Adjustments under Pillar II			
SRP 6.4a (7)	Add RWE equivalent to reciprocal of capital charge of 3 % of gross income.	32,907	(1,310)
SRP 6.4a (9)	Overall risk management policies and procedures are not satisfactory. Add 3% of RWE	103,383	102,218
SRP 6.4a (10)	Desired level of disclosure requirement has not been achieved. Add 1% of RWE	34,461	34,073
e	Total Adjustments under pillar II (SRP 6.4a(7)+SRP 6.4a (9)+SRP 6.4a (10))	170,752	134,980
Total Risk Weighted Exposures (After Bank's adjustments of Pillar II) (d+e)		3,616,861	3,542,246

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	187,482	139,590
d	Claims on corporate & securities firms	317,013	380,427
e	Claims on regulatory retail portfolio	1,137,928	1,027,901
f	Claims secured by residential properties	185,809	167,170
g	Claims secured by commercial real state	-	-
h	Past due claims	263,816	263,742
i	High risk claims	330,059	302,196
j	Other assets	722,907	763,023
k	Off balance sheet items	38,055	50,921
Total		3,183,067	3,094,970

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	45,398			45,398	0%	-
Balance With Nepal Rastra Bank	117,084			117,084	0%	-
Investment in Nepalese Government Securities	355,000			355,000	0%	-
Investment in Nepal Rastra Bank securities	-			-	0%	-
Claims on domestic banks that meet capital adequacy requirements	937,408		-	937,408	20%	187,482
Claims on Domestic Corporates (Unrated)	335,013		18,000	317,013	100%	317,013
Regulatory Retail Portfolio (Not Overdue)	1,559,154		41,917	1,517,237	75%	1,137,928
Claims fulfilling all criterion of regularity retail except granularity	-		-	-	100%	-
Claims secured by residential properties	292,018		-	292,018	60%	175,211
Claims secured by residential properties (Overdue)	12,009	1,411	-	10,598	100%	10,598
Past due claims (except for claims secured by residential properties)	260,288	83,797	614	175,877	150%	263,816
High Risk claims	71,487		-	71,487	150%	107,231
Lending Against Securities (Bonds & Shares)	222,828		-	222,828	100%	222,828
Investments in equity and other capital instruments of institutions listed in stock exchange	142,458		-	142,458	100%	142,458
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	3,125		-	3,125	0%	-
Other Assets (as per attachment)	807,171	230,946	-	576,225	100%	576,225
TOTAL (A)	5,163,257	316,154	60,531	4,786,572		3,145,012
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	10,100		-	10,100	40%	4,040
Irrevocable Credit commitments (short term)	70,138		-	70,138	20%	14,028
Other Contingent Liabilities	19,987		-	19,987	100%	19,987
TOTAL (B)	100,225	-	-	100,225		38,055
Total RWE for credit Risk Before Adjustment (A)+(B)	5,263,482	316,154	60,531	3,675,053		3,183,067
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	5,263,482	316,154	60,531	3,675,053		3,183,067

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	29,588	22,191	22,672	17,004
c	Doubtful Loan	11,385	5,693	10,252	5,126
d	Loss Loan	59,643	-	73,003	-

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	22,672	6,916	29,588
c	Doubtful Loan	10,252	1,133	11,385
d	Loss Loan	73,003	(13,360)	59,643

M Write off of Loan and Interest Suspense

*Loans of Rs 35,805.50 is Writtenoff in Current Period
Interest Suspense has been Written off by 1,194,578.81 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*	125,906	(11,378)	114,528
b	Interest Suspense	85,078	2,465	87,543

*Includes Adjustment for 77-78 in previous Quarter

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	355,000	455,000
c	Available for sale	145,274	112,497

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.