

Best Finance Company Limited
Basel II Disclosure (4th 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)		883,908	869,962
a	Paid up Equity Share Capital	828,914	828,914
b	Share Premium	3,025	3,025
c	Statutory General Reserves	201,545	201,545
d	Retained Earnings	(313,403)	(313,403)
e	Un-audited current year cumulative profit/(loss)	160,198	146,252
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)		48,102	50,247
a	General loan loss provision	48,102	50,247
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	883,908	859,300
b	Tier 2 Capital as per B	48,102	41,795
Total Qualifying Capital (a+b)		932,010	901,095

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)	22.49%	22.87%
Tier 1 and Tier 2 Capital to Total Risk Weighted Exposures(After Bank's adjustments of Pillar II)	23.72%	23.69%

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	3,483,979	3,363,470
b	Risk Weighted Exposure for Operational Risk	263,043	263,043
c	Risk Weighted Exposure for Market Risk	-	-
d	Total Risk Weighted Exposures (Before adjustments of Pillar II) (a+b+c)	3,747,022	3,626,513
Adjustments under Pillar II			
SRP 6.4a (7)	Add RWE equivalent to reciprocal of capital charge of 3 % of gross income.	32,907	32,907
SRP 6.4a (9)	Overall risk management policies and procedures are not satisfactory. Add 3% of RWE	112,411	108,795
SRP 6.4a (10)	Desired level of disclosure requirement has not been achieved. Add 1% of RWE	37,470	36,265
e	Total Adjustments under pillar II (SRP 6.4a(7)+SRP 6.4a (9)+SRP 6.4a (10))	182,788	177,968
Total Risk Weighted Exposures (After Bank's adjustments of Pillar II) (d+e)		3,929,811	3,804,481

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	76,044	85,498
d	Claims on corporate & securities firms	331,689	372,403
e	Claims on regulatory retail portfolio	1,299,934	1,218,196
f	Claims secured by residential properties	317,399	249,310
g	Claims secured by commercial real state	-	-
h	Past due claims	235,566	337,020
i	High risk claims	459,504	330,059
j	Other assets	724,086	742,809
k	Off balance sheet items	39,758	39,955
Total		3,483,979	3,375,248

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	53,618			53,618	0%	-
Balance With Nepal Rastra Bank	138,556			138,556	0%	-
Investment in Nepalese Government Securities	630,000			630,000	0%	-
Investment in Nepal Rastra Bank securities	-			-	0%	-
Claims on domestic banks that meet capital adequacy requirements	380,218		-	380,218	20%	76,044
Claims on Domestic Corporates (Unrated)	331,689		-	331,689	100%	331,689
Regulatory Retail Portfolio (Not Overdue)	1,822,132		88,887	1,733,245	75%	1,299,934
Claims fulfilling all criterion of regularity retail except granularity	-		-	-	100%	-
Claims secured by residential properties	513,807		-	513,807	60%	308,284
Claims secured by residential properties (Overdue)	9,990	875	-	9,115	100%	9,115
Past due claims (except for claims secured by residential properties)	191,341	33,917	380	157,044	150%	235,566
High Risk claims	154,275		-	154,275	150%	231,413
Lending Against Securities (Bonds & Shares)	228,091		-	228,091	100%	228,091
Investments in equity and other capital instruments of institutions listed in stock exchange	162,458		-	162,458	100%	162,458
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	7,972		-	7,972	0%	-
Other Assets (as per attachment)	739,243	181,839	-	557,404	100%	557,404
TOTAL (A)	5,366,206	216,631	89,267	5,060,308		3,444,221

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	10,150		-	10,150	40%	4,060
Irrevocable Credit commitments (short term)	78,557		-	78,557	20%	15,711
Other Contingent Liabilities	19,987		-	19,987	100%	19,987
TOTAL (B)	108,694	-	-	108,694		39,758
Total RWE for credit Risk Before Adjustment (A)+(B)	5,474,900	216,631	89,267	3,675,053		3,483,979
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	5,474,900	216,631	89,267	3,675,053		3,483,979

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	44,537	33,403	34,999	26,249
c	Doubtful Loan	8,968	4,484	8,273	4,137
d	Loss Loan	19,173	-	23,829	-

k NPA Ratios

		<i>(Figures in %)</i>	
a	b	Current Period (Quarter)	Previous Period (Quarter)
		Gross NPA to Gross Advances	2.24%
Net NPA to Net Advances	1.200%	1.040%	

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	34,999	9,538	44,537
c	Doubtful Loan	8,273	695	8,968
d	Loss Loan	23,829	(4,656)	19,173

M Write off of Loan and Interest Suspense

*Loans of Rs 9,192,318.91 is Writtenoff in Current Period
Interest Suspense has been Written off by Rs 5,297,000 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*	86,962	(4,068)	82,894
b	Interest Suspense	46,978	(1,561)	45,417

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	630,000	505,000	
c	Available for sale	165,274	145,274	

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.