

Best Finance Company Limited
Basel II Disclosure (1st Quarter of FY 2079-80)
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)		867,880	883,908
a	Paid up Equity Share Capital	828,914	828,914
b	Share Premium	3,025	3,025
c	Statutory General Reserves	234,986	201,545
d	Retained Earnings	(198,942)	(313,403)
e	Un-audited current year cumulative profit/(loss)	(3,732)	160,198
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)		55,930	48,102
a	General loan loss provision	55,930	48,102
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	867,880	883,908
b	Tier 2 Capital as per B	55,930	48,102
Total Qualifying Capital (a+b)		923,810	932,010

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)	19.97%	22.49%
Tier 1 and Tier 2 Capital to Total Risk Weighted Exposures(After Bank's adjustments of Pillar II)	21.26%	23.72%

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	3,966,883	3,483,979
b	Risk Weighted Exposure for Operational Risk	151,471	263,043
c	Risk Weighted Exposure for Market Risk	-	-
d	Total Risk Weighted Exposures (Before adjustments of Pillar II) (a+b+c)	4,118,354	3,747,022
Adjustments under Pillar II			
SRP 6.4a (7)	Add RWE equivalent to reciprocal of capital charge of 3 % of gross income.	20,664	32,907
SRP 6.4a (9)	Overall risk management policies and procedures are not satisfactory. Add 3% of RWE	164,734	112,411
SRP 6.4a (10)	Desired level of disclosure requirement has not been achieved. Add 1% of RWE	41,184	37,470
e	Total Adjustments under pillar II (SRP 6.4a(7)+SRP 6.4a (9)+SRP 6.4a (10))	226,582	182,788
Total Risk Weighted Exposures (After Bank's adjustments of Pillar II) (d+e)		4,344,936	3,929,811

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	74,498	76,044
d	Claims on corporate & securities firms	430,498	331,689
e	Claims on regulatory retail portfolio	1,297,823	1,299,934
f	Claims secured by residential properties	338,083	317,399
g	Claims secured by commercial real state	-	-
h	Past due claims	339,795	235,566
i	High risk claims	546,080	459,504
j	Other assets	895,573	724,086
k	Off balance sheet items	44,534	39,758
Total		3,966,883	3,483,979

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	81,975			81,975	0%	-
Balance With Nepal Rastra Bank	169,923			169,923	0%	-
Investment in Nepalese Government Securities	530,000			530,000	0%	-
Investment in Nepal Rastra Bank securities	100,000			100,000	0%	-
Claims on domestic banks that meet capital adequacy requirements	372,488		-	372,488	20%	74,498
Claims on Domestic Corporates (Unrated)	430,498		-	430,498	100%	430,498
Regulatory Retail Portfolio (Not Overdue)	1,821,587		91,157	1,730,430	75%	1,297,823
Claims fulfilling all criterion of regularity retail except granularity	-		-	-	100%	-
Claims secured by residential properties	538,868		-	538,868	60%	323,321
Claims secured by residential properties (Overdue)	21,422	6,660	-	14,762	100%	14,762
Past due claims (except for claims secured by residential properties)	239,343	12,813	-	226,530	150%	339,795
High Risk claims	351,205		-	351,205	150%	526,808
Lending Against Shares upto Rs 2.5 million	19,272		-	19,272	100%	19,272
Investments in equity and other capital instruments of institutions listed in stock exchange	309,177		-	309,177	100%	309,177
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	9,464		-	9,464	0%	-
Other Assets	792,050	209,878	-	582,172	100%	582,172
TOTAL (A)	5,790,088	229,351	91,157	5,469,580		3,922,348
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)	102,436		-	102,436	20%	20,487
Other Contingent Liabilities	19,987		-	19,987	100%	19,987
TOTAL (B)	132,573	-	-	132,573		44,534
Total RWE for credit Risk Before Adjustment (A)+(B)	5,922,661	229,351	91,157	3,675,053		3,966,883
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	5,922,661	229,351	91,157	3,675,053		3,966,883

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	105,500	79,125	44,537	33,403
c	Doubtful Loan	26,300	13,150	8,968	4,484
d	Loss Loan	18,893	-	19,173	-

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	44,537	60,963	105,500
c	Doubtful Loan	8,968	17,332	26,300
d	Loss Loan	19,173	(280)	18,893

M Write off of Loan and Interest Suspense

*There is no loans is Writtenoff in Current Period
Interest Suspense has been Written off by 704,000 Rs 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*	82,894	31,455	114,349
b	Interest Suspense	45,417	25,119	70,536

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	169,361	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.