

Best Finance Company Limited
Basel II Disclosure (2nd 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)		872,815	867,880
a	Paid up Equity Share Capital	828,914	828,914
b	Share Premium	3,025	3,025
c	Statutory General Reserves	234,986	234,986
d	Retained Earnings	(199,002)	(198,942)
e	Un-audited current year cumulative profit/(loss)	1,263	-3,732
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)		55,735	55,930
a	General loan loss provision	55,735	55,930
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	872,815	867,880
b	Tier 2 Capital as per B	55,735	55,930
Total Qualifying Capital (a+b)		928,550	923,810

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)	20.53%	19.97%
Tier 1 and Tier 2 Capital to Total Risk Weighted Exposures(After Bank's adjustments of Pillar II)	21.84%	21.26%

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	3,877,970	3,966,883
b	Risk Weighted Exposure for Operational Risk	151,471	151,471
c	Risk Weighted Exposure for Market Risk	-	-
d	Total Risk Weighted Exposures (Before adjustments of Pillar II) (a+b+c)	4,029,441	4,118,354
Adjustments under Pillar II			
SRP 6.4a (7)	Add RWE equivalent to reciprocal of capital charge of 3 % of gross income.	20,664	20,664
SRP 6.4a (9)	Overall risk management policies and procedures are not satisfactory. Add 4% of RWE	161,178	164,734
SRP 6.4a (10)	Desired level of disclosure requirement has not been achieved. Add 1% of RWE	40,294	41,184
e	Total Adjustments under pillar II (SRP 6.4a(7)+SRP 6.4a (9)+SRP 6.4a (10))	222,136	226,582
Total Risk Weighted Exposures (After Bank's adjustments of Pillar II) (d+e)		4,251,578	4,344,936

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	95,823	74,498
d	Claims on corporate & securities firms	403,247	430,498
e	Claims on regulatory retail portfolio	1,359,260	1,297,823
f	Claims secured by residential properties	348,110	338,083
g	Claims secured by commercial real state	-	-
h	Past due claims	203,951	339,795
i	High risk claims	542,324	546,080
j	Other assets	881,996	895,573
k	Off balance sheet items	43,260	44,534
Total		3,877,970	3,966,883

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	58,903			58,903	0%	-
Balance With Nepal Rastra Bank	186,745			186,745	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	479,114		-	479,114	20%	95,823
Claims on Domestic Corporates (Unrated)	412,247		9,000	403,247	100%	403,247
Regulatory Retail Portfolio (Not Overdue)	1,909,471		110,458	1,799,013	75%	1,349,260
Claims fulfilling all criterion of regularity retail except granularity	10,000		-	10,000	100%	10,000
Claims secured by residential properties	537,364		-	537,364	60%	322,418
Claims secured by residential properties (Overdue)	37,511	11,819	-	25,692	100%	25,692
Past due claims (except for claims secured by residential properties)	188,301	52,334	-	135,967	150%	203,951
High Risk claims	349,220		-	349,220	150%	523,830
Lending Against Shares upto Rs 2.5 million	18,494		-	18,494	100%	18,494
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	9,312		-	9,312	0%	-
Other Assets	787,256	218,661	-	568,595	100%	568,595
TOTAL (A)	5,925,931	282,814	119,458	5,523,659		3,834,710
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)	96,064		-	96,064	20%	19,213
Other Contingent Liabilities	19,987		-	19,987	100%	19,987
TOTAL (B)	126,201	-	-	126,201		43,260
Total RWE for credit Risk Before Adjustment (A)+(B)	6,052,132	282,814	119,458	3,675,053		3,877,970
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	6,052,132	282,814	119,458	3,675,053		3,877,970

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	68,311	51,233	105,500	79,125
c	Doubtful Loan	51,856	25,928	26,300	13,150
d	Loss Loan	21,147	-	18,893	-

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	105,500	(37,189)	68,311
c	Doubtful Loan	26,300	25,556	51,856
d	Loss Loan	18,893	2,254	21,147

M Write off of Loan and Interest Suspense

*There are no loans Writtenoff in Current Period
Interest Suspense has been Written off by 1,327,000 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*	114,349	5,538	119,887
b	Interest Suspense	70,536	5,406	75,942

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	630,000	
c	Available for sale*	169,361	169,361	

**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.