

Best Finance Company Limited
Basel II Disclosure (4th Quarter of FY 2019-20)
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)		908,422	864,260
a	Paid up Equity Share Capital	854,817	828,914
b	Share Premium	14,948	3,025
c	Statutory General Reserves	230,966	230,966
d	Retained Earnings	(204,415)	(204,415)
e	Un-audited current year cumulative profit/(loss)	8,477	2,141
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)		57,186	61,661
a	General loan loss provision	57,186	61,661
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	Tier 1 Capital as per A	908,422	864,260
b	Tier 2 Capital as per B	57,186	61,661
Total Qualifying Capital (a+b)		965,608	925,921

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)	20.25%	19.96%
Tier 1 and Tier 2 Capital to Total Risk Weighted Exposures(After Bank's adjustments of Pillar II)	21.52%	21.38%

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	4,114,437	3,965,969
b	Risk Weighted Exposure for Operational Risk	143,292	143,292
c	Risk Weighted Exposure for Market Risk	-	-
d	Total Risk Weighted Exposures (Before adjustments of Pillar II) (a+b+c)	4,257,729	4,109,261
Adjustments under Pillar II			
SRP 6.4a (7)	Add RWE equivalent to reciprocal of capital charge of 3 % of gross income.	15,757	15,757
SRP 6.4a (9)	Overall risk management policies and procedures are not satisfactory. Add 4% of RWE	170,309	164,370
SRP 6.4a (10)	Desired level of disclosure requirement has not been achieved. Add 1% of RWE	42,577	41,093
e	Total Adjustments under pillar II (SRP 6.4a(7)+SRP 6.4a (9)+SRP 6.4a (10))	228,643	221,220
Total Risk Weighted Exposures (After Bank's adjustments of Pillar II) (d+e)		4,486,372	4,330,481

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	35,385	42,453
d	Claims on corporate & securities firms	491,135	389,161
e	Claims on regulatory retail portfolio	1,330,525	1,308,425
f	Claims secured by residential properties	412,391	386,038
g	Claims secured by commercial real state	-	-
h	Past due claims	248,294	279,449
i	High risk claims	493,710	511,218
j	Other assets	1,058,728	1,004,963
k	Off balance sheet items	44,270	44,263
Total		4,114,437	3,965,969

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	30,840			30,840	0%	-
Balance With Nepal Rastra Bank	177,085			177,085	0%	-
Investment in Nepalese Government Securities	915,000			915,000	0%	-
Investment in Nepal Rastra Bank securities				-	0%	-
Claims on domestic banks that meet capital adequacy requirements	176,923			176,923	20%	35,385
Claims on Domestic Corporates (Unrated)	491,135			491,135	#	491,135
Regulatory Retail Portfolio (Not Overdue)	1,866,744		92,711	1,774,033	75%	1,330,525
Claims fulfilling all criterion of regularity retail except granularity				-		-
Claims secured by residential properties	633,984			633,984	60%	380,390
Claims secured by residential properties (Overdue)	33,904	1,903		32,001		32,001
Past due claims (except for claims secured by residential properties)	241,690	76,161		165,529		248,294
High Risk claims	329,140			329,140		493,710
Lending Against Shares upto Rs 5 million	23,032			23,032	#	23,032
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	7,972			7,972	0%	-
Other Assets	958,193	235,898		722,295		722,295
TOTAL (A)	6,197,635	313,962	92,711	5,790,962		4,070,167

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	200			200	40%	80
Irrevocable Credit commitments (short term)	121,014			121,014	20%	24,203
Other Contingent Liabilities	19,987			19,987	100%	19,987
TOTAL (B)	141,201	-	-	141,201		44,270
Total RWE for credit Risk Before Adjustment (A) +(B)	6,338,836	313,962	92,711	5,932,163		4,114,437
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	6,338,836	313,962	92,711	5,932,163		4,114,437

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	42,237	31,678	108,839	81,629
c	Doubtful Loan	52,455	26,228	33,973	16,987
d	Loss Loan	24,589	-	22,139	-

k NPA Ratios

		<i>(Figures in %)</i>	
		Current Period (Quarter)	Previous Period (Quarter)
a	Gross NPA to Gross Advances	3.30%	4.76%
b	Net NPA to Net Advances	1.68%	2.95%

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	108,839	(66,602)	42,237
c	Doubtful Loan	33,973	18,482	52,455
d	Loss Loan	22,139	2,450	24,589

M Write off of Loan and Interest Suspense

There are no loans Writtenoff in Current Period

Interest Suspense has been Written off by Rs 2706 (Thousand) 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*(NRB Adj)	127,996	(10,421)	117,575
b	Interest Suspense	88,761	(2,706)	86,055

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	915,000	930,000
c	Available for sale*	134,360	134,360

*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.