

Best Finance Company Limited
Basel II Disclosure (1st Quarter of FY 2080-81)
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)		880,186	908,422
a	Paid up Equity Share Capital	854,817	854,817
b	Share Premium	14,948	14,948
c	Statutory General Reserves	238,700	230,966
d	Retained Earnings	(208,284)	(204,415)
e	Un-audited current year cumulative profit/(loss)	(23,624)	8,477
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)		61,182	57,186
a	General loan loss provision	61,182	57,186
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	Tiere 1 Capital as per A	880,186	908,422
b	Tier 2 Capital as per B	61,182	57,186
Total Qualifying Capital (a+b)		941,368	965,608

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)		16.86%	20.25%
Tier 1 and Tier 2 Capital to Total Risk Weighted Exposures(After Bank's adjustments of Pillar II)		18.03%	21.52%

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	4,724,857	4,114,437
b	Risk Weighted Exposure for Operational Risk	216,692	143,292
c	Risk Weighted Exposure for Market Risk	-	-
d	Total Risk Weighted Exposures (Before adjustments of Pillar II) (a+b+c)	4,941,549	4,257,729
Adjustments under Pillar II			
SRP 6.4a (7)	Add RWE equivalent to reciprocal of capital charge of 3 % of gross income.	0	15,757
SRP 6.4a (9)	Overall risk management policies and procedures are not satisfactory. Add 4% of RWE	81,351	170,309
SRP 6.4a (10)	Desired level of disclosure requirement has not been achieved. Add 1% of RWE	197,662	42,577
e	Total Adjustments under pillar II (SRP 6.4a(7)+SRP 6.4a (9)+SRP 6.4a (10))	279,013	228,643
Total Risk Weighted Exposures (After Bank's adjustments of Pillar II) (d+e)		5,220,563	4,486,372

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	56,269	35,385
d	Claims on corporate & securities firms	498,192	491,135
e	Claims on regulatory retail portfolio	643,543	1,330,525
f	Claims secured by residential properties	396,008	412,391
g	Claims secured by commercial real state	-	-
h	Past due claims	263,454	248,294
i	High risk claims	1,684,971	493,710
j	Other assets	1,134,683	1,058,728
k	Off balance sheet items	47,737	44,270
Total		4,724,857	4,114,437

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	38,948			38,948	0%	-
Balance With Nepal Rastra Bank	187,099			187,099	0%	-
Investment in Nepalese Government Securities	920,000			920,000	0%	-
Investment in Nepal Rastra Bank securities				-	0%	-
Claims on domestic banks that meet capital adequacy requirements	281,343			281,343	20%	56,269
Claims on Domestic Corporates (Unrated)	608,056			608,056	#	620,982
Regulatory Retail Portfolio (Not Overdue)	841,934		74,692	767,242	75%	575,432
Claims fulfilling all criterion of regularity retail except granularity	83,546		15,434	68,112		68,112
Claims secured by residential properties	615,475			615,475	60%	369,285
Claims secured by residential properties (Overdue)	43,735	17,012		26,723		26,723
Past due claims (except for claims secured by residential properties)	256,232	80,596		175,636		263,454
High Risk claims	1,123,314			1,123,314		1,684,971
Lending Against Shares upto Rs 5 million	36,537			36,537	#	36,537
Investments in equity and other capital instruments of institutions listed in stock exchange	223,282			223,282	100	223,282
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	9,848			9,848	0%	-
Other Assets	995,421	247,571		747,850		747,850
TOTAL (A)	6,267,586	345,179	90,126	5,832,281		4,677,120

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)	138,350			138,350	20%	27,670
Other Contingent Liabilities	19,987			19,987	100%	19,987
TOTAL (B)	158,537	-	-	158,537		47,737
Total RWE for credit Risk Before Adjustment (A) +(B)	6,426,123	345,179	90,126	5,990,818		4,724,857
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	6,426,123	345,179	90,126	5,990,818		4,724,857

J Amount of NPA's (Both Gross and Net)

				<i>(Figures in 000)</i>	
		Current Period (Quarter)		Previous Period (Quarter)	
SN	Loan Classification	Gross NPA	Net NPA	Gross NPA	Net NPA
a	Restucture/Reschedule Loan	-	-	-	-
b	Substandard Loan	66,218	49,664	42,237	31,678
c	Doubtful Loan	101,628	50,814	52,455	26,228
d	Loss Loan	30,239	-	24,589	-

k NPA Ratios

		<i>(Figures in %)</i>	
		Current Period (Quarter)	Previous Period (Quarter)
a	Gross NPA to Gross Advances	5.49%	3.30%
b	Net NPA to Net Advances	2.91%	1.68%

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	Restucture/Reschedule Loan	-	-	-
b	Substandard Loan	42,237	23,981	66,218
c	Doubtful Loan	52,455	49,173	101,628
d	Loss Loan	24,589	5,650	30,239

M Write off of Loan and Interest Suspense

There are no loans Writtenoff in Current Period

Interest Suspense has been Written off by Rs 8168 (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)	117,575	41,215	158,790
b	Interest Suspense	86,055	8,168	94,223

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	920,000	915,000
c	Available for sale*	151,661	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.