

Best Finance Company Limited
Basel II Disclosure (2nd 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)		873,912	903,810
a	Paid up Equity Share Capital	854,817	854,817
b	Share Premium	14,948	14,948
c	Statutory General Reserves	238,700	238,700
d	Retained Earnings	(238,595)	(208,284)
e	Un-audited current year cumulative profit/(loss)	413	(23,624)
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)		60,782	61,182
a	General loan loss provision	60,782	61,182
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	873,912	903,810
b	Tier 2 Capital as per B	60,782	61,182
Total Qualifying Capital (a+b)		934,694	964,992

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)	16.29%	17.31%
Tier 1 and Tier 2 Capital to Total Risk Weighted Exposures(After Bank's adjustments of Pillar II)	17.43%	18.48%

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	4,862,538	4,724,857
b	Risk Weighted Exposure for Operational Risk	216,692	216,692
c	Risk Weighted Exposure for Market Risk	-	-
d	Total Risk Weighted Exposures (Before adjustments of Pillar II) (a+b+c)	5,079,230	4,941,549
Adjustments under Pillar II			
SRP 6.4a (7)	Add RWE equivalent to reciprocal of capital charge of 3 % of gross income.	81,351	0
SRP 6.4a (9)	Overall risk management policies and procedures are not satisfactory. Add 4% of RWE	203,169	81,351
SRP 6.4a (10)	Desired level of disclosure requirement has not been achieved. Add 1% of RWE	-	197,662
e	Total Adjustments under pillar II (SRP 6.4a(7)+SRP 6.4a (9)+SRP 6.4a (10))	284,521	279,013
Total Risk Weighted Exposures (After Bank's adjustments of Pillar II) (d+e)		5,363,751	5,220,563

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	90,165	56,269
d	Claims on corporate & securities firms	566,725	498,192
e	Claims on regulatory retail portfolio	576,000	643,543
f	Claims secured by residential properties	415,103	396,008
g	Claims secured by commercial real state	-	-
h	Past due claims	224,361	263,454
i	High risk claims	1,394,801	1,684,971
j	Other assets	1,548,418	1,134,683
k	Off balance sheet items	46,965	47,737
Total		4,862,538	4,724,857

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	30,002			30,002	0%	-
Balance With Nepal Rastra Bank	228,692			228,692	0%	-
Investment in Nepalese Government Securities	880,000			880,000	0%	-
Investment in Nepal Rastra Bank securities				-	0%	-
Claims on domestic banks that meet capital adequacy requirements	450,827			450,827	20%	90,165
Claims on Domestic Corporates (Unrated)	566,725			566,725	#	566,725
Regulatory Retail Portfolio (Not Overdue)	758,454		86,667	671,787	75%	503,840
Claims fulfilling all criterion of regularity retail except granularity	85,035		12,875	72,160		72,160
Claims secured by residential properties	636,161			636,161	60%	381,697
Claims secured by residential properties (Overdue)	35,711	2,305		33,406		33,406
Past due claims (except for claims secured by residential properties)	216,682	67,108		149,574		224,361
High Risk claims	929,867			929,867		1,394,801
Lending against Shares(above Rs.5 Million)	261,401			261,401	#	326,751
Lending Against Shares upto Rs 5 million	36,359			36,359	#	36,359
Personal Hirepurchase/Personal Auto Loans (upto Rs. 2.5 Million)	48,961			48,961	#	48,961
Personal Hirepurchase/Personal Auto Loans (above Rs. 2.5 Million)	42,289			42,289	#	52,861
Investments in equity and other capital instruments of institutions listed in stock exchange	233,267			233,267		233,267
Investments in equity and other capital instruments of institutions not listed in the stock exchange	2,816			2,816	100	4,224
Interest Receivable/claim on government securities	12,474			12,474	0%	-
Other Assets	1,093,005	247,010		845,995		845,995
TOTAL (A)	6,548,728	316,423	99,542	6,132,763		4,815,573

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)	134,491			134,491	20%	26,898
Other Contingent Liabilities	19,987			19,987	100%	19,987
TOTAL (B)	154,678			154,678		46,965
Total RWE for credit Risk Before Adjustment (A)+(B)	6,703,406	316,423	99,542	6,287,441		4,862,538
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	6,703,406	316,423	99,542	6,287,441		4,862,538

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	46,353	34,765	66,218	49,664
c	Doubtful Loan	31,859	15,930	101,628	50,814
d	Loss Loan	41,895	-	30,239	-

k NPA Ratios

		<i>(Figures in %)</i>	
		Current Period (Quarter)	Previous Period (Quarter)
a	Gross NPA to Gross Advances	3.32%	5.49 %
b	Net NPA to Net Advances	1.46%	2.91%

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	66,218	(19,865)	46,353
c	Doubtful Loan	101,628	(69,769)	31,859
d	Loss Loan	30,239	11,656	41,895

M Write off of Loan and Interest Suspense

*There are no loans Writtenoff in Current Period
Interest Suspense has been has not been written off 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)	158,790	(20,001)	138,789
b	Interest Suspense	94,223	184	94,407

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	880,000	920,000
c	Available for sale*	161,646	151,661

*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.