

**“Disclosure on Risk Based Capital (Basel-II)”**  
(December 2013)

**a) Scope of application**

Qualitative Disclosures	(a)	<b>Sonali Bank Limited</b> , 100% state owned commercial Bank manages its risk and maintains risk based capital following the guidelines of Bangladesh Bank.	
	(b)	Risk Based Capital Adequacy (RBCA) report of Sonali Bank Limited is submitted to Bangladesh Bank on “Solo basis” giving deduction treatment for investments in the following entities: 1) Sonali Investment Limited, a wholly owned subsidiary in Dhaka, Bangladesh. 2) Sonali Exchange co. Inc. (SECI), a wholly owned subsidiary in USA. 3) Sonali UK Limited, a joint venture company of Sonali Bank Limited and the Government of Bangladesh is operating in the United Kingdom.	
	(c)	Sonali Bank Limited transfers funds or regulatory capital within the group (subsidiaries & associate) as per Banking rules and regulations under the approval of Board of Directors / Competent Authority .	
Quantitative Disclosures	(d)	The following subsidiaries are not included in the consolidation and their aggregate capital is as under:	(Tk. in Crore)
		• Sonali Investment Limited	200.00
		• Sonali Exchange co. Inc. (SECI)	7.39
		• Sonali Bank (UK) LTD. London (SB. UK. Ltd.)	163.70

**b) Capital structure**

Qualitative Disclosures	(a)	Core capital of Sonali Bank Limited comprises of fully paid up capital against ordinary shares, statutory reserve and general reserve created out of profit, retained earning etc, and supplementary capital include General provision & assets revaluation reserve. Eligible Capital of Sonali Bank Limited on the basis of Audited Balance Sheet of 31 <sup>st</sup> December 2013 has been calculated as per Basel-II guidelines as shown below.	
Quantitative Disclosures	(b)	<b><u>Eligible Capital</u></b>	(Tk. in Crore)
		Tier-1 Capital:	
		(I) Paid up Capital	1125.00
		(II) Statutory Reserve	643.32
		(III) General Reserve	4.70
		(IV) Retained Earnings	-2168.38
		(V) Other (Amount received against proposed right shares issue)	1995.00
		(VI) Deductions from Tier-1 Capital	185.55
		Total Tier-1 Capital	1414.09
		(c) Tier-2 Capital	2140.12
	(d) Deductions from Tier-2 Capital	185.54	
	(e) Total Tier-2 Capital	1954.58	
	(f) Eligible Tier-2 Capital (Limited to tier-1 Capital)	1414.09	
	(g) Total eligible Capital (b+f)	2828.18	

### c) Capital Adequacy

Qualitative Disclosures	(a)	Sonali Bank Limited is very much aware of maintaining Capital to support its current and future activities. A three year capital growth plan up to 2016 has also been prepared. Additional capital amounting to Tk. 1995.00 crore has been provided by the Government (owner of the bank) to meet the capital requirement of the bank.  <p style="text-align: right;">(Tk. in Crore)</p>	
Quantitative Disclosures	(b)	Capital Requirement for Credit Risk	2898.50
	(c)	Capital Requirement for Market Risk	426.87
	(d)	Capital Requirement for Operational Risk	398.54
	(e)	Capital Adequacy Ratio (CAR)	7.59
	(f)	Tier-1 Capital to RWA	3.80

### d) Credit Risk

Qualitative Disclosures	(a)	<p>Sonali Bank Limited has its own Credit Risk Management guideline interms of Core Risks Management guidelines of Bangladesh Bank. The Bank also follows other instructions/guidelines of Bangladesh Bank in this regard.</p> <p>Sonali Bank Limited constantly monitors, reviews and analyses its credit portfolio with a view to improving ability of credit portfolio, minimizing potential losses and ensuring efficient credit process.</p> <p>To manage the Non-Performing Loans (NPL), Sonali Bank Limited has a comprehensive remedial management policy, which includes a framework of controls to identify weak credits and monitoring of these accounts constantly.</p> <p style="text-align: right;">(Tk. in Crore)</p>	
Quantitative Disclosures	(b)	Total gross credit risk exposures broken down by major types of credit exposure. <b>Balance Sheet Exposures</b> (as per Audited Balance Sheet)	
		1) Cash	846.34
		2) Claims on Bangladesh Government and Bangladesh Bank	14756.73
		3) Claims on Public Sector Entities (Other than Government) in Bangladesh	6293.27
		4) Claims on Banks & NBFIs	2240.87
		5) Claims on Corporate	6664.75
		6) Claims under Credit Risk Mitigation	1431.57
		7) Claims categorized as retail portfolio & SME	4872.27
		8) Consumer Finance	434.45
		9) Claims fully secured by residential property	24.41
		10) Past Due Claims (Risk weights are to be assigned net of specific provision)	4090.06
		11) Unlisted equity investments and regulatory capital instruments issued by other banks (other than those deducted from capital) held in banking book	564.71
		12) Investments in premises, plant and equipment and all other fixed assets	3250.26
13) All other assets	17554.53		

		<b>Off-Balance Sheet Exposure</b>	1447.40
		1) Claims on Bangladesh Government and Bangladesh Bank	
		2) Claims on Public Sector Entities ( Other than Government) in Bangladesh	1881.00
		3) Claims on Banks & NBFIs	23.20
		4) Claims on Corporate	207.60
		5) Claims against retail portfolio & SME	464.02
	(c)	Geographical distribution of exposures, broken down in significant areas by major types of credit exposure. Inside Bangladesh	
		1) Dhaka Division.	21282.91
		2) Mymensingh Division	1485.66
		3) Faridpur Division	1056.86
		4) Chittagong Division.	2139.93
		5) Comilla Division	1045.66
		6) Rajshahi Division.	1596.48
		7) Khulna Division.	2768.16
		8) Sylhet Division.	378.29
		9) Barisal Division.	588.60
		10) Rangpur Division.	1977.85
		Outside Bangladesh	24.65
	(d)	Industry or counterparty type distribution of exposures, broken down by major types of credit exposure.	
		1) Agricultural / Rural Credit	3353.08
		2) Micro Credit	1099.93
		3) Industrial Credit	6176.38
		4) Agro-based Industrial Credit	2377.38
		5) International Trade	10813.22
		6) SME Finance	1473.62
		7) General Advance & Others	9051.44
	(e)	Residual contractual maturity breakdown of the whole portfolio, broken down by major types of credit exposure. <b>Loans and Advances</b>	
		On demand	4819.87
		Not more than 3 months	121.00
		More than 3 months but not more than 1 year	1259.55
		More than 1 year but not more than 5 years	12244.06
		More than 5 years	13027.64
		<b>Bills purchased and discounted</b>	
		Not more than 1 month	2335.62
		More than 1 month but not more than 3 months	151.11
		More than 3 months but not more than 6 months	385.67
		More than 6 months	0.53

	(f)	Gross Non Performing Assets (NPAs)	
		Non Performing Assets (NPAs) to Outstanding Loans & advances	
		<b>Movement of Non Performing Assets (NPAs) (Loans &amp; advances)</b>	
		Opening balance	12597.53
		Additions	2955.84
		Reductions	5176.50
		Closing balance	10376.87
		<b>Movement of specific provisions for NPAs (Loans &amp; advances)</b>	(Tk. in Crore)
		Opening balance	7367.52
		Less: Loans written off which fully Provided for	390.17
		Add: Recovery Loans which was written off earlier	4.30
		Add: Specific Provisions made during the year	23.80
		Closing balance	7005.45

### **e) Equities : Disclosures for Banking Book Positions**

Qualitative Disclosures	(a)	The Bank has equity exposure in Banking Book consisting of listed shares of 97 companies and unlisted shares of 14 companies market value of allotted securities has been determined on the basis of the value of securities at the last trading day of the year. The unlisted investments in shares are shown at cost.	
Quantitative Disclosures	(b)	Value disclosed in the balance sheet of investments, as well as the fair value of those equity at cost price and market price have been disclosed as under: <u>Investment in shares at cost price:</u> Quoted and Un-quoted shares	(Tk. in Crore) 1080.90
		Quoted shares	516.19
		Un-quoted shares	564.71
		<u>Investment in shares as market price:</u> Quoted and Un-quoted shares	1326.96
		Quoted shares	762.25
		Un-quoted shares	564.71

### **f) Market risk**

Qualitative Disclosures	(a)	Market Risk has been determined under the RBCA guidelines taking into consideration as marked to market principles as directed by Bangladesh Bank under guidelines on Risk Based Capital Adequacy, December 2010.	
Quantitative Disclosures	(b)	The capital requirements for:	(Tk. in Crore)
		Interest rate risk;	120.09
		Equity position risk;	152.45
		Foreign exchange risk;	154.33

### **g) Operational risk**

Qualitative Disclosures	(a)	Operational Risk of Bank has been worked out under the Basic Indicator Approach of RBCA guidelines.	(Tk. in Crore)
Quantitative Disclosures	(b)	The capital requirements for operational risk	398.54