

**“Disclosure on Risk Based Capital (Basel-II)”**  
**(December 2012)**

**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)	7.58
		• Sonali Bank (UK) LTD. London (SB. UK. Ltd.)	158.11

**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 2012 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	592.49
		(III) General Reserve	4.70
		(IV) Retained Earnings	-1873.85
		Total Tier-1 Capital	-151.66
	(c)	Total Tier-2 Capital.	1473.93
(d)	Deductions from Capital.	182.85	
(e)	Total eligible Capital.(b-d)	-334.51	

### c) Capital Adequacy

Qualitative Disclosures	(a)	<p>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 2015 has also been prepared. The government (owner of the bank) has been approach to provide additional capital amounting to Tk. 3375.00 crore to meet the capital requirement of the bank.</p> <p style="text-align: right;">(Tk. in Crore)</p>	
Quantitative Disclosures	(b)	Capital Requirement for Credit Risk	2823.11
	(c)	Capital Requirement for Market Risk	287.02
	(d)	Capital Requirement for Operational Risk	430.53
	(e)	Capital Adequacy Ratio (CAR)	-0.94
	(f)	Tier-1 Capital to RWA	-0.94

### 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)	602.15
		1) Cash	
		2) Claims on Bangladesh Government and Bangladesh Bank	11964.18
		3) Claims on Public Sector Entities (Other than Government) in Bangladesh	7405.36
		4) Claims on Banks & NBFIs	4149.55
		5) Claims on Corporate	5861.48
		6) Claims under Credit Risk Mitigation	1268.21
		7) Claims categorized as retail portfolio & SME	3734.29
		8) Consumer Finance	402.76
		9) Claims fully secured by residential property	32.54
		10) Past Due Claims (Risk weights are to be assigned net of specific provision)	5822.42
		11) Unlisted equity investments and regulatory capital instruments issued by other banks (other than those deducted from capital) held in banking book	558.37
12) Investments in premises, plant and equipment and all other fixed assets	2312.24		
13) All other assets	17828.47		

	<b>Off-Balance Sheet Exposure</b>	855.60
	1) Claims on Bangladesh Government and Bangladesh Bank	
	2) Claims on Public Sector Entities ( Other than Government) in Bangladesh	2910.40
	3) Claims on Banks & NBFIs	24.00
	4) Claims on Corporate	223.80
	5) Claims against retail portfolio & SME	425.03
(c)	Geographical distribution of exposures, broken down in significant areas by major types of credit exposure. Inside Bangladesh	
	1) Dhaka Division.	27785.51
	2) Chittagong Division.	3464.30
	3) Rajshahi Division.	1392.18
	4) Khulna Division.	2546.74
	5) Sylhet Division.	367.90
	6) Barisal Division.	520.05
	7) Rangpur Division.	1710.02
	Outside Bangladesh	28.01
(d)	Industry or counterparty type distribution of exposures, broken down by major types of credit exposure.	
	1) Agricultural / Rural Credit	2927.90
	2) Micro Credit	982.04
	3) Industrial Credit	8221.52
	4) Agro-based Industrial Credit	2344.69
	5) International Trade	14004.37
	6) SME Finance	293.09
	7) General Advance & Others	9041.10
(e)	Residual contractual maturity breakdown of the whole portfolio, broken down by major types of credit exposure.	
	<b>Loans and Advances</b>	
	On demand	3530.92
	Not more than 3 months	902.02
	More than 3 months but not more than 1 year	15117.01
	More than 1 year but not more than 5 years	4060.72
	More than 5 years	10222.66
	<b>Bills purchased and discounted</b>	
	Not more than 1 month	3056.50
	More than 1 month but not more than 3 months	266.31
	More than 3 months but not more than 6 months	426.15
	More than 6 months	232.42
(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	6607.53
	Additions	7459.81
	Reductions	846.84
	Closing balance	13220.50

		<b>Movement of specific provisions for NPAs (Loans &amp; advances)</b>	(Tk. in Crore)
		Opening balance	3756.77
		Less: Loans written off which fully Provided for	90.92
		Add: Recovery Loans which was written off earlier	-
		Add: Specific Provisions made during the year	3701.67
		Closing balance	7367.52

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

Qualitative Disclosures	(a)	The Bank has equity exposure in Banking Book consisting of listed shares of 96 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)
		Quoted shares	1066.53
		Un-quoted shares	508.16
		<u>Investment in shares as market price:</u> Quoted and Un-quoted shares	558.37
		Quoted shares	1352.13
		Un-quoted shares	793.76
			558.37

### **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;	76.50
		Equity position risk;	158.76
		Foreign exchange risk;	51.76

### **g) Operational risk**

Qualitative Disclosures	(a)	Operational Risk of Bank has been worked out under the Basic Indicator Approach of RBCA guidelines.	
Quantitative Disclosures	(b)	The capital requirements for operational risk	(Tk. in Crore)
			430.53