

“Disclosure on Risk Based Capital (Basel-II)”
(December 2014)

a) Scope of application

Qualitative Disclosures	(a)	Sonali Bank Limited , 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 as well as ‘Consolidated’ basis. ‘Solo Basis’ refers to all position of the bank and its local and overseas branches/offices ; and ‘Consolidated Basis’ refers to all position of the bank and its subsidiary companies. Sonali Bank’s subsidiary companies are as under ; 1) Sonali Investment Limited, a wholly owned subsidiary in Dhaka, Bangladesh. 2) Sonali Exchange co. Inc. (SECI), a wholly owned subsidiary in USA.	
	(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 included their financial activities and their aggregate capital is as under:	(Tk. in Crore)
		• Sonali Investment Limited	200.00
		• Sonali Exchange co. Inc. (SECI)	7.40

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 st December 2014 has been calculated as per Basel-II guidelines as shown below.	
Quantitative Disclosures	(b)	<u>Eligible Capital</u>	(Tk. in Crore)
		Tier-1 Capital:	Solo Consolidated
		(I) Paid up Capital	3120.00 3120.00
		(II) Statutory Reserve	760.15 760.15
		(III) General Reserve	10.70 10.70
		(IV) Retained Earnings	-1459.80 -1479.72
		(V) Other (Amount received against proposed right shares issue)	710.00 710.00
		(VI) Deductions from Tier-1 Capital.	- -
		Total Tier-1 Capital	3141.05 3121.13
	(c) Total Tier-2 Capital.	1837.46 1837.46	
	(d) Deductions from Tier-2 Capital.	- -	
	(e) Total eligible Capital.(b+c+d)	4978.51 4958.59	

c) Capital Adequacy

Qualitative Disclosures	(a)	Sonali Bank Limited is very much aware of maintaining Capital to support its current and future activities in view to this objective. Three year capital growth plan up to 2016 was prepared for this purpose. The government (owner of the bank) injected additional capital amounting to Tk. 710.00 crore in 2014 to an enhance capital of the bank.	(Tk. in Crore)	
			Solo	Consolidated
Quantitative Disclosures	(b)	Capital Requirement for Credit Risk	3256.08	3231.82
	(c)	Capital Requirement for Market Risk	429.04	433.35
	(d)	Capital Requirement for Operational Risk	383.30	387.47
	(e)	Capital Adequacy Ratio (CAR)	12.24	12.24
	(f)	Tier-1 Capital to RWA	7.72	7.70

d) Credit Risk

Qualitative Disclosures	(a)	<p>Sonali Bank Limited has its own Credit Risk Management guideline in terms 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>	(Tk. in Crore)	
Quantitative Disclosures	(b)	Total gross credit risk exposures broken down by major types of credit exposure.	Solo	Consolidated
		Balance Sheet Exposures (as per Audited Balance Sheet)		
		1) Cash	614.62	614.62
		2) Claims on Bangladesh Government and Bangladesh Bank	21845.03	21845.03
		3) Claims on Public Sector Entities (Other than Government) in Bangladesh	6742.22	6742.22
		4) Claims on Banks & NBFIs	4980.27	4978.92
		5) Claims on Corporate	6291.15	6321.82
		6) Claims under Credit Risk Mitigation	1687.23	1683.95
		7) Claims categorized as retail portfolio & SME	4587.28	4616.88
		8) Consumer Finance	881.91	881.91
		9) Claims fully secured by residential property	23.71	23.71
		10) Past Due Claims (Risk weights are to be assigned net of specific provision)	4471.71	4471.71
		11) Unlisted equity investments and regulatory capital instruments issued by other banks (other than those deducted from capital) held in banking book	578.96	578.96
		12) Investments in premises, plant and equipment and all other fixed assets	3276.76	3278.65
13) Capital market exposures	-	220.85		
14) All other assets	20880.70	20893.90		

		Solo	Consolidated
	Off-Balance Sheet Exposure		
	1) Claims on Bangladesh Government and Bangladesh Bank	1610.00	1610.00
	2) Claims on Public Sector Entities (Other than Government) in Bangladesh	2806.60	2806.60
	3) Claims on Banks & NBFIs	7.40	7.40
	4) Claims on Corporate	302.00	302.00
	5) Claims against retail portfolio & SME	405.34	405.34
(c)	Geographical distribution of exposures, broken down in significant areas by major types of credit exposure. Inside Bangladesh		
	1) Dhaka Division.	19722.41	19943.58
	2) Mymensingh Division	1634.09	1634.09
	3) Faridpur Division	1126.27	1126.27
	4) Chittagong Division.	1938.02	1938.02
	5) Comilla Division	1153.43	1153.43
	6) Rajshahi Division.	1850.29	1850.29
	7) Khulna Division.	3002.21	3002.21
	8) Sylhet Division.	412.65	412.65
	9) Barisal Division.	673.73	673.73
	10) Rangpur Division.	2213.13	2213.13
	Outside Bangladesh	29.21	29.21
(d)	Industry or counterparty type distribution of exposures, broken down by major types of credit exposure.		
	1) Agricultural / Rural Credit	3492.10	3492.10
	2) Micro Credit	1135.30	1135.30
	3) Industrial Credit	5566.20	5566.20
	4) Agro-based Industrial Credit	2564.70	2564.70
	5) International Trade	8434.00	8434.00
	6) SME Finance	2332.18	2332.18
	7) General Advance & Others	10230.96	10452.13
(e)	Residual contractual maturity breakdown of the whole portfolio, broken down by major types of credit exposure.		
	Loans and Advances		
	On demand	4102.98	4102.98
	Not more than 3 months	74.97	74.97
	More than 3 months but not more than 1 year	508.04	508.04
	More than 1 year but not more than 5 years	13220.76	13220.76
	More than 5 years	14403.71	14624.87
	Bills purchased and discounted		
	Not more than 1 month	636.40	636.40
	More than 1 month but not more than 3 months	286.06	286.06
	More than 3 months but not more than 6 months	492.70	492.70
	More than 6 months	29.82	29.82
(f)	Gross Non Performing Assets (NPAs)		
	Non Performing Assets (NPAs) to Outstanding Loans & advances		
	Movement of Non Performing Assets (NPAs) (Loans & advances)		
	Opening balance	10376.87	10376.87
	Additions	2773.10	2773.10
	Reductions	4506.31	4506.31
	Closing balance	8643.66	8643.66

		Movement of specific provisions for NPAs (Loans & advances)	(Tk. in Crore)	
			Solo	Consolidated
		Opening balance	7005.45	7005.45
		Less: Loans written off which fully Provided for	1811.14	1811.14
		Add: Recovery Loans which was written off earlier	16.19	16.19
		Add: Specific Provisions made during the year	28.76	28.76
		Closing balance	5239.26	5239.26

e) Equities : Disclosures for Banking Book Positions

Qualitative Disclosures	(a)	<p>'Solo Basis' the Bank has equity exposure in Banking Book consisting of listed shares of 90 companies and unlisted shares of 14 companies.</p> <p>'Consolidated Basis' the Bank has equity exposure in Banking Book consisting of listed shares of 146 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.</p>		
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 :	(Tk. in Crore)	
		<u>Investment in shares at cost price :</u>	Solo	Consolidated
		Quoted and Un-quoted shares	1046.37	1076.02
		Quoted shares	467.41	497.06
		Un-quoted shares	578.96	578.96
		<u>Investment in shares as market price ;</u>		
		Quoted and Un-quoted shares	1315.36	1336.91
		Quoted shares	736.40	757.95
		Un-quoted shares	578.96	578.96

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.		
			(Tk. in Crore)	
Quantitative Disclosures	(b)	The capital requirements for:	Solo	Consolidated
		Interest rate risk;	175.93	175.93
		Equity position risk;	147.28	151.59
		Foreign exchange risk;	105.83	105.83

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	Solo	Consolidated
			383.30	387.47