

# Market Disclosure under Pillar-III of BASEL-II

| A) Scope of Application  |   |
|--|---|
| Qualitative Disclosure   |   |
| (a) The name of the top corporate entity in the group to which this guidelines applies   | Social Islami Bank Limited  |
| (b) An outline of difference in the basis of consolidation for accounting and regulatory purposes, with a brief description of the entities within the group (i) that are fully consolidated;(ii) that are given a deduction treatment; and (iii) that are neither consolidated nor deducted (e.g. where the investment is risk-weighted). | The quantitative disclosures are made on the basis of both solo & consolidated basis. SIBL has two subsidiaries and an offshore banking unit; i) SIBL Securities Ltd & ii) SIBL Investment Ltd. Both solo & consolidated financial statements have been prepared under applicable financial reporting standard & related instructions/ circulars issued by Bangladesh Bank from time to time. The assets, liabilities, revenues & expenses of the Subsidiaries are combined with the parent company (SIBL) on consolidated basis. So assets of the subsidiaries & offshore banking unit are risk weighted and equities of the subsidiaries are crossed out with the investment of SIBL while consolidating. |
| c) Any restrictions, or other major impediment, on transfer of funds or regulatory capital within the group.   | Not applicable  |
| Quantitative Disclosures   |   |
| d) The aggregate amount of capital deficiencies in all subsidiaries not included in the consolidation that are deducted and name(s) of such subsidiaries.  | Not Applicable  |

| B) Capital Structure   |  |  |              |
|--|--|--|--------------|
| Qualitative Disclosures  |  |  |              |
| a)Summary information on the terms and conditions of the main features of all capital instruments, especially in the case of capital instruments eligible for inclusion in Tier 1 or Tier 2. |  | As per Bangladesh Bank BASEL-II guidelines; Tier-I capital of the Bank consist of (i) Paid up capital (ii) Non-repayable Share Premium Account (iii) Statutory Reserve (iv) General Reserve (v) Retained Earnings and (vi) Minority interest in subsidiaries.<br><br>Tier-II capital consists of (i)General provisions against unclassified Investments, Off Balance Sheet Exposures & Off shore Banking unit (ii) 50% of Asset Revaluation Reserve (iii) 10% of revaluation reserve for equity instruments (iv) Dividend equalization fund (v) non-convertible portion of sub-ordinate bond. (vi) Long term subordinated bond.<br><br>Tier-III capital consists of (i) Short term subordinated bond |              |
| Quantitative Disclosures   |  |  |              |
| b) The amount of tier 1 Capital, with break up   |  | As on December 31, 2014 (in million taka)  |              |
|  | Particulars                              | Solo   | Consolidated |
|  | Tier –I (Core Capital)                   |  |              |
|  | i) Fully paid up capital                 | 7031.41  | 7031.41      |
|  | ii) Statutory Reserve                    | 2784.49  | 2784.49      |
|  | iii) Non-Repayable share premium account | -  | -            |
|  | iv) General Reserve                      | -  | 27.90        |
|  | v) Retained Earnings                     | 1271.79  | 1298.60      |
|  | vi) Minority interest in subsidiaries    | -  | -            |

|    |   |                 |                 |
|----|---|-----------------|-----------------|
|    | vii) Non -cumulative irredeemable preference shares | -               | -               |
|    | viii) Dividend equalization account                 | -               | -               |
|    | ix) Other(if any item approved by Bangladesh Bank)  | -               | -               |
|    | Sub-Total (Core capital) A(i-ix)                    | 11087.70        | 11117.30        |
|    | <b>c) Tier II and Tier III capital</b>              |                 |                 |
| i  | Tier 2 capital                                      | 1990.56         | 2007.72         |
| ii | Tier-3 capital (Eligible for market risk only)      | -               | -               |
|    | Sub Total (Supplementary Capital) B (i+ii)          | 1990.56         | 2007.72         |
|    | <b>d) Other deductions from capital</b>             | -               | -               |
|    | <b>e) Total Eligible Capital (A+B)</b>              | <b>13078.26</b> | <b>13125.03</b> |

## C) Capital Adequacy

| Qualitative Disclosures   |   |  |              |
|---|---|--|--------------|
| (a) A summary discussion of the bank's approach to assess the adequacy of its capital to support current and future activities. |   | SIBL has adopted standardized approach for computing capital charge for credit risk & market risk and basic indicator approach for operational risk. Assessment for capital adequacy is carried out in conjunction with the guidelines and regulations by Bangladesh Bank from time to time. Assessing regulatory capital in relation to overall risk exposures of a bank is an integrated and comprehensive process. SIBL, through its SRP team, is taking active measures to identify, quantify, manage and monitor all risks to which the Bank is exposed to. Assessment of Regulatory Capital will be in alignment with the findings of these exercises. |              |
| Quantitative Disclosures  |   |  |              |
| Particulars   |   | As on December 31, 2014 (in million taka)  |              |
|   |   | Solo   | Consolidated |
| b)  | Capital requirements for Investment (Credit) Risk | 10553.10   | 10535.54     |
| c)  | Capital requirements for Market Risk              | 163.39   | 163.39       |
| d)  | Capital requirements for Operational Risk         | 759.45   | 800.06       |
|   | Total capital requirement                         | 11511.95   | 11499.04     |
| e)  | Capital Adequacy Ratio:<br>Total CAR              | 11.36%   | 11.41%       |
|   | Tier-I CAR  | 9.63%  | 9.67%        |
|   | Tier-II CAR                                       | 1.73%  | 1.75%        |

## D) Investment Risk

### Qualitative Disclosures

a) The General Qualitative disclosures requirement with respect to credit Risk, including:

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|  | <p>As per Bangladesh Bank guidelines, any investment if not paid within the fixed expiry date will be treated as Past due/ Overdue.</p> <p>Bangladesh Bank issued circulars from time to time for strengthening Investment discipline. All Investments are categorized into four for the purpose of classification namely (i) Continuous Investment (ii) Demand Investment (iii) Fixed Term Investment and (iv) Short-term Agriculture &amp; Micro Investment.</p> <p>Classification rules for the above 4 categorized Investments are as under:</p> <p><b>Continuous and Demand Investments are classified as:</b></p> <p><b>'Sub-Standard'</b>- if it is past due / overdue for 3 months or beyond but less than 6 months.</p> <p><b>'Doubtful'</b>- if it is past due / overdue for 6 months or beyond but less than 9 months.</p> <p><b>'Bad/Loss'</b>- if it is past due / overdue for 9 months or beyond from the date of expiry or claim by the bank or from the date of creation of forced investment.</p> <p><b>Fixed Term Investments are classified as:</b></p> <p>(a) In case of any Installment(s) or part of a Fixed Term Investment amounting up-to Taka 10 lac is not repaid within the due date, the amount of unpaid installment(s) will be termed as past due / overdue investment In such a case following classification rules will be applied:</p> <p><b>'Sub-Standard'</b>- if the amount of past due/overdue installment(s) is equal or more than the amount of installment(s) due within 6 months; the entire Investment amount will be classified as 'Sub-Standard'.</p> <p><b>'Doubtful'</b>- if the amount of past due/overdue installment(s) is equal or more than the amount of installment(s) due within 9 months, the entire Investment amount will be classified as 'Doubtful'.</p> <p><b>'Bad/Loss'</b>- if the amount of past due/overdue installment(s) is equal or more than the amount of installment(s) due within 12 months, the entire Investment amount will be classified as 'Bad/loss'.</p> |
|  | <p>(b) In case of any Installment(s) or part of a Fixed Term Investment amounting more than Taka 10 lac is not repaid within the due date, the amount of unpaid installment(s) will be termed as past due / overdue investment In such a case following classification rules will be applied:</p>   |

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|  | <p>'Sub-Standard'- if the amount of past due/overdue installment(s) is equal or more than the amount of installment(s) due within 3 months; the entire Investment amount will be classified as 'Sub-Standard'.</p> <p>'Doubtful'- if the amount of past due/overdue installment(s) is equal or more than the amount of installment(s) due within 6 months; the entire Investment amount will be classified as 'Doubtful'.</p> <p>'Bad/Loss'- if the amount of past due/overdue installment(s) is equal or more than the amount of installment(s) due within 9 months, the entire Investment amount will be classified as 'Bad/Loss'.</p>   |
|  | <p>Short-term Agricultural and Micro-Investment are classified as under:</p> <p>'Sub-Standard'-If the investment not repaid within the due date as stipulated in the agreement and if such irregular continues, the investment will be classified as 'Sub-Standard' after a period of 12 month, as 'Doubtful' after the period of 36 months and as "Bad/loss" after a period of 60 months from due date.</p>   |
|  | <p>Continuous Investment, Demand Investment or Term Investment which will remain overdue for a period of 2 month or more will be put into 'Special Mention Account'.</p>   |
|  | <p>The rates of provisions are as under:</p> <p>a) General Provisions-will be maintained:</p> <p>i) @ 0.25% against all unclassified investments of SME (Small and Medium Enterprise) as defined by Bangladesh Bank, @ 1.00% against all unclassified investments except Consumer Financing, Investment to Brokerage House-Merchant Banks-Stock Dealer.</p> <p>ii) @ 1% on the Off Balance Sheet exposure.</p> <p>iii) @5% on unclassified investment amount of consumer financing, @ 2% on unclassified investment amount of House building finance, Investment to professionals under consumer financing for setting up business, Investment to Brokerage House-Merchant Banks-Stock Dealer.</p> <p>iv) @ 5% on the outstanding amount of 'Special Mention Account'.</p> |
|  | <p>b) Specific Provisions-will be maintained:</p> <p>i) Sub-standard: @ 20%</p> <p>ii) Doubtful: @ 50%</p> <p>iii) Bad /Loss: @ 100%</p> <p>c) Provision for Short-term Agricultural and Micro Investment:</p> <p>i) All Investment except bad/loss: 5%</p> <p>ii) Bad/Loss: @ 100%</p>  |

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|---|--|
| <p>ii) Description of approaches followed for specific and general allowances and statistical method;</p> | <p>Social Islami Bank Limited has a well defined Investment Risk Management Manual duly approved its Board of Directors which is reviewed annually. Investment risk is one of the major risks faced by the bank and such investment risk management of the bank has been designed to address all risks associated with investments.</p> <p>The Bank has segregated duties of the Officers / Executives involved in investment related activities. A separate Corporate Division has been formed at Head Office, which is entrusted with the duties of maintaining effective relationship with the customer, marketing of Investment products, exploring new business opportunities etc. Moreover, investment approval, administration, monitoring and recovery functions have been segregated. For this purpose, three separate units have been formed within the Investment Risk Management Division. These are (a) Investment Risk Management Unit, (b) Investment Administration Unit and (c) Investment Monitoring Unit. Investment Risk Management Unit is entrusted with the duties of maintaining asset quality, assessing risk in lending to a particular customer, sanctioning credit, formulating policy / strategy for lending operation etc.</p> <p>A thorough assessment is done before sanctioning of investment facility at Investment Risk Management Unit. The risk assessment includes borrower risk analysis, financial analysis, industry analysis, historical performance of the customer, security of the proposed Investment facility etc. The assessment process starts at Corporate Division by the Relationship Manager/Officer and ends at Investment Risk Management Unit. Proposal beyond their delegation are approved / declined by the Executive Committee and / or the Management.</p> <p>In determining single borrower / large investment limit, the Bangladesh Bank instructions are strictly followed. Internal audit is conducted on periodical interval to ensure compliance of Bank's and regulatory policies. Investments are classified as per Bangladesh Bank's guidelines.</p> |
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## Quantitative Disclosures

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| b) Total gross Investment/ Credit Risk exposures broken down by major types of Investment exposures.                  | <p style="text-align: right;">In million Tk.</p> <p><b>Mode of Investment</b> <b>As on 31.12.2014</b></p> <p>Mushataka 555.78</p> <p>Murabaha 4325.88</p> <p>Mudaraba 4205.36</p> <p>Bai-Muazzal 63555.62</p> <p>Hire-Purchase Sirkatul Milk 17143.94</p> <p>Installment Investment Scheme 0.12</p> <p>Quard 7216.02</p> <p>Bai-Salam 60.33</p> <p>Staff Investment 1248.94</p> <p>Ijarah 118.07</p> <p>Visa Card 181.07</p> <p>Purchase &amp; Negotiation 9288.82</p> <p><b>Total 107,899.95</b></p>  |
| c) Geographical Distribution of exposures, broken down in significant areas by major types of credit exposure.        | <p style="text-align: right;">In million Tk.</p> <p><b>Name of the Division</b> <b>As on 31.12.2014</b></p> <p>Dhaka 77635.27</p> <p>Chittagong 21487.17</p> <p>Sylhet 367.95</p> <p>Rajshahi 3987.10</p> <p>Khulna 3341.09</p> <p>Rangpur 834.83</p> <p>Barishal 246.54</p> <p><b>Total 107,899.95</b></p>  |
| d) Industry or counterparty type distribution of exposures, broken down by major types of Investment/credit exposure. | <p style="text-align: right;">In million Tk</p> <p><b>Sectors</b> <b>As on 31.12.2014</b></p> <p>Commercial lending 23018.21</p> <p>Export Financing 771.53</p> <p>House Building Investment 3765.38</p> <p>Consumer Investment Scheme 3206.92</p> <p>Small &amp; Medium Enterprise 19401.95</p> <p>Micro Investment 20.96</p> <p>Other Investment 9494.85</p> <p>Off-shore Banking Unit 4205.36</p> <p>Allied Concern of Director of SIBL 183.69</p> <p>Executive &amp; Staff of SIBL 1423.80</p> <p>Agricultural Industries 1538.35</p> <p>Textile Industries 15047.89</p> <p>Food &amp; Allied Industries 1936.33</p> <p>Pharmaceutical Industries 533.02</p> <p>Leather, Commercial, Cosmetics etc. 761.27</p> <p>Construction Industries 3018.31</p> <p>Cement and Ceramic Industries 1166.46</p> |

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|---|---|
|   | Service Industries 1675.85<br>Transport and Communication Industries 1668.07<br>Other Industries 15061.75<br><b>Total 107,899.95</b>  |
| e) Residual contractual maturity break down of the whole portfolio, broken down by major types of investment/credit exposure. | In million Tk.<br>As on 31.12.14<br>Particulars<br>Repayable on demand 16424.99<br>Not more than 3 months 21188.18<br>Over 3 month but not more than 1 year 48101.42<br>Over 1 year but not more than 5 year 20769.27<br>Over 5 years 1416.09<br><b>Total 107,899.95</b>  |
| f) By major industry or counterparty type   | Amount of impaired investments and if available, past due investments<br><br>In million Tk.<br>As on 31.12.2014<br>Particulars<br>Past due --<br>Special Mention Account 35.46<br>Sub-standard 267.76<br>Doubtful 1679.83<br>Bad/Loss 2287.88<br><b>Total 4270.93</b><br><br>Charges for specific allowances and charge-offs during the period<br>In million Tk.<br>As on 31.12.2014<br>Particulars<br>Provision for unclassified investment 364.47<br>Provision for classified investment 270.37<br>Off Balance sheet exposure 16.92 |
| g) Gross Non Performing Assets (NPAs)   | Gross Non Performing Assets of the bank is 4927.57 Million  |
| Non Performing assets to outstanding investment   | Non Performing assets to outstanding investment is 4.56%  |
| Movement of non performing assets   | In million Tk.<br>Opening balance 4593.33<br>Addition 328.24<br>Reduction -<br>Closing Balance 4921.57  |
| Movement of Specific provisions for Non performing assets   | In million Tk.<br>Opening Balance 1692.05<br>Provision made during the year 352.14<br>Write-off 465.60<br>Write back of excess provision -<br>Closing balance 1578.59   |

## Equities: Disclosures for Banking Book Positions

### Qualitative Disclosures

a) The general Qualitative Disclosures requirement with respect to equity risk, including:

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|--|---|
| a) Differences between holdings on which capital gains are expected and those taken under other objectives including for relationship and strategic reasons ;and   | <p>Social Islami Bank limited has two categories of equity investments namely (i) Quoted Shares- traded in the secondary market of DSE &amp; CSE like common stock, mutual fund, bond etc. and (ii) Unquoted Shares- currently not tradable in the secondary market.</p> <p>Unquoted shares include shares and securities which are characterized and categorized as (i) Held to maturity (ii) long term investment i.e. the Bank does not have any intention to sell securities immediately or in the near future (iii) Securities acquired under private placement which will be traded in the secondary market only after completion of required legal formalities with the BSEC (Bangladesh Securities &amp; Exchange Commission), DSE, CSE as per prevailing laws etc.</p>   |
| b) Discussion of important policies covering the valuation and accounting of equity holdings in the banking book, This includes the accounting techniques and valuation methodologies used, including key assumptions and practices affecting valuation as well as significant changes in these practices. | <p>Investment in Shares and Securities are for gaining dividend income or capital gain. Dividend income are recognized in the books of accounts of the bank as and when such dividend is received or right to receive such dividend is established.</p> <p>Both Quoted shares and unquoted shares are valued at cost and necessary provisions are maintained if the price falls below the cost. At the time of calculation of unrealized gain or loss of quoted shares, sufficient provisions on shares &amp; securities are made in the books of accounts after netting off the values of the portfolios but however unrealized gains are not accounted for. As per Bangladesh bank guidelines, HTF (Held for Trading) securities are revalued once in a week using marking to market concept and all such securities are revalued once in a year according to the Bangladesh bank guidelines.</p> |

### Quantitative Disclosures

As on December 31, 2014  
In million taka

|    | Particulars  | Solo   | Consolidated |
|----|--|--------|--------------|
| a) | Value disclosed in the balance sheet of investments, as well as the fair value of those investments, for quoted securities a comparison to publicly quoted share values where the share price is materially different from fair value.                         | 576.16 | 576.16       |
| b) | The cumulative realized gains (losses) arising from sales & liquidations in the reporting period.  | -      | -            |
| c) | Total unrealized gains (losses)  | 85.64  | 85.64        |
| d) | Total latent revaluation gains (losses)  | -      | -            |
|    | Any amounts of the above included in tier-2 capital  | -      | -            |
| e) | Capital requirements broken down by appropriate equity groupings, consistent with the bank's methodology, as well as the aggregate amounts and the type of equity investments subject to any supervisory provisions regarding regulatory capital requirements. |        |              |
|    | Specific Market Risk   | 57.62  | 57.62        |
|    | General Market Risk  | 57.62  | 57.62        |



## Profit Rate Risk in the Banking Book

### Qualitative Disclosure

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|--|--|
| a) The general qualitative disclosure requirement including the nature of Profit Rate Risk in the Banking Book (PRRBB) and key assumptions, including assumptions regarding Investment prepayments and behavior of non-maturity deposits, and frequency of PRRBB measurement | Profit rate risks in the banking book are taken into account as one of the most potential risk. Sources and types of profit rate risks in banking book are (i) Gap or mismatch risk (ii) basic risk (iii) Net position risk (iv) embedded option risk etc. Changes in Profit rate in the market may adversely affect the financial matters of a bank such as Current Earnings, Net Investment Income, Net Worth etc. In the long run, impact on cash flows of the earning assets is mostly visible which may lead to asset liability mismatch. |
| <b>Quantitative Disclosure</b>   |  |
| (b) The increase (decline) in earnings or economic value (or relevant measure used by management) for upward and downward rate shocks according to management's method for measuring IRRBB, broken down by currency (as relevant)  |  |

Figure in Million

| Particulars                         | 1-90 Days | Over 3 Month-Up to 6 Months | Over 6 Months - Up to 1 Year |
|-------------------------------------|-----------|-----------------------------|------------------------------|
| RSA                                 | 41774.90  | 15967.30                    | 46679.50                     |
| RSL                                 | 54547.30  | 15945.60                    | 26,538.70                    |
| Gap                                 | -12772.40 | 21.70                       | 20140.80                     |
| Cumulative Gap                      | -12772.40 | -12750.70                   | 7390.10                      |
| Adjusted Profit Rate Change (PRC)   | 1%        | 1%                          | 1%                           |
| Earnings Impact (Cum. Gap*PRC)      | -127.72   | -127.51                     | 73.90                        |
| Accumulated Earnings Impact to Date | -127.72   | -255.23                     | -181.33                      |

## Market Risk

### Qualitative Disclosure

|   |  |
|---|--|
| a) i) Views of BOD on trading / investment activities | The board of Directors of Social Islami bank Limited approves policies related to market risks by setting up limits and reviews of compliance status regularly.  |
| ii) Method used to measure market risk                | Standardized approach is being used to measure the market risk. The total capital requirement in respect of market risk is the aggregate capital requirement calculated for each of the risk sub-categories. For each risk category minimum capital requirement is measured in terms of two separately calculated capital charges for "specific risk" and "general market risk". |

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| iii) Market risk management system                    | The Treasury Division manages market risk covering liquidity, profit rate and foreign exchange risks with oversight from asset-liability Management Committee (ALCO) comprising senior executives of the Bank. ALCO is chaired by the Managing Director. ALCO meets at least once a month.   |
| iv) Policies and processes for mitigating market risk | There are approved limits for Investment deposit ratio, liquid assets to total assets ratio, maturity mismatch, commitments for both on-balance sheet and off-balance sheet items and borrowing from money market and foreign exchange position. The limits are monitored and enforced regularly to protect the market risks. The exchange rate of the Bank is monitored regularly and the prevailing market condition, exchange rate, foreign exchange position and transactions are reviewed to mitigate foreign exchange risks. |

figure in million Taka

| Quantitative Disclosure         |        |              |
|---------------------------------|--------|--------------|
| As on December 31, 2014         |        |              |
| b) The capital requirements for | Solo   | Consolidated |
| Profit rate risk                | -      | -            |
| Equity position risk            | 115.23 | 115.23       |
| Foreign exchange risk           | 48.18  | 48.18        |
| Commodity risk                  | -      | -            |
| Total Capital Requirement       | 163.39 | 163.39       |

## H) Operational Risk

| Qualitative Disclosures                                  |  |
|--|--|
| i) Views of BOD on system to reduce operational risk     | Operational risk implies the risk of loss of harm resulting from inadequate or failure of internal processes, people and systems or from external events. Capability to carry out a large number of transactions effectively and accurately while complying with applicable laws and rules constitutes operational risk management activities of the bank.<br><br>The policy for operational risks including internal control & compliance risk is approved by the board taking into account relevant guidelines of Bangladesh Bank. Audit Committee of the Board directly oversees the activities of internal control & Compliance to protect against all operational risk. |
| ii) Performance gap of executive and staffs              | SIBL has a policy to provide competitive package and best working environment to attract and retain the most talented people available in the industry. SIBL's strong brand image plays an important role in employee motivation. As a result, there is no significant performance gap.  |
| iii) Potential external events                           | No potential external events are expected to expose the Bank to significant operational risk.  |
| iv) Policies and process for mitigating operational risk | The policy for operational risks including internal control & compliance risk is approved by the Board taking into account relevant guidelines of Bangladesh Bank. Policy guidelines on Risk Based Internal Audit  |

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|  | (RBIA) system is in operation. As per RBIA branches are rated according to their risk grading/ scoring audit procedure and required frequent audit to the Branches are operated by the Audit Division. In addition, there is a Vigilance Cell established in the Bank to reinforce operational risk management of the Bank and to minimize the same. Bank's anti-money laundering activities are headed by (Chief Anti Money Laundering Compliance Officer) CAMLCO and their activities are devoted to protect against all money laundering and terrorist finance related activities. Apart from that, there is adequate check & balance at every stage of operation, authorities are properly segregated and there is at least dual control on every transaction to protect against operational risk. |
| v) Approach to calculating capital charges for operational risk  | Basic indicator Approach is used for calculating capital charge for operational risk as of the reporting date.   |
| <b>Quantitative Disclosures</b>  |  |
| <p>✓per risk based capital adequacy guidelines, capital charge for operational risk is equivalent to 15% of average annual gross income of three previous years where negative figures are excluded.</p> <p>As per risk based capital adequacy guidelines Social Islami bank Limited follows the Basic Indicator Approach for computing capital charge for operational risk.</p> |  |

As on 31.12.2014  
figure in million Taka

| Capital Requirement | Solo   | Consolidated |
|---------------------|--------|--------------|
| Operational Risk    | 759.45 | 800.06       |

## Stress testing

Bangladesh Bank through its DOS Circular No. 01 dated 21.04.2010 and subsequent DOS Circular No.01 dated 23.02.2011 introduced "Guidelines on Stress Testing" wherein Stress testing has been stated as one of the sophisticated technique used to determine the reaction of different financial institutions under a set of exceptional, but plausible assumptions through a series of battery of tests. At institutional level, stress testing techniques provide a way to quantify the impact of changes in a number of risk factors on the assets and liabilities portfolio of the institution.

Bangladesh Bank also mentions in the said circular that at the system level, stress testing are primarily designed to quantify the impact of possible changes in economic environment on the financial system. These tests help the regulators identify structural vulnerabilities and the overall risk exposure that could cause disruption of financial markets.

Bangladesh Bank Circular No. 01 dated 23.02.2011 introduced "Guidelines on Stress Testing" wherein advised that " Banks shall carry out stress testing in line with the revised guideline on quarterly basis i.e. on March 31, June 30 September 30 and December 31 and submitted the same to Bangladesh Bank within 30 days of each quarter end".

SIBL has already prepared a stress testing report in line with the Bangladesh Bank's guidelines which initially focus on "Simple Sensitivity and Scenario Analysis" of the following five factors;

1. Profit Rate
2. Forced sale value of collateral
3. Non-performing Investments(NPI)
4. Equity/ Share prices
5. Foreign Exchange rate

The result of stress testing based on the financial performance of the bank as on December 31, 2014 has also been completed which shows that the bank has adequate capital to absorb minor and moderate individual shocks. However, some additional capital may be required under major level combined shocks.