Market Discipline

Disclosure on Risk Based Capital Adequacy under Pillar-III of Basel III for the year 2022

Background:

In December 2014, the Bangladesh Bank released the "Guidelines on Risk Based Capital Adequacy (Revised Regulatory Capital Framework for banks in line with Basel-III)" in order to align with international best practices and strengthen the bank's ability to absorb financial shocks. The Basel III capital framework is comprised of three pillars: Pillar I, which establishes minimum capital requirements; Pillar II, which sets out additional capital requirements; and Pillar III, which focuses on market discipline through the disclosure of risk-based capital adequacy data to stakeholders. The Market Discipline (Pillar III) aspect of Basel III compliance aims to promote greater transparency and discipline in financial markets, allowing stakeholders to assess a bank's asset holdings and identify risks related to those assets, as well as to evaluate the bank's capital adequacy in the event of asset losses.

Disclosure Framework:

Social Islami Bank Limited has implemented the disclosure framework outlined in the "Guidelines on Risk Based Capital Adequacy (Revised Regulatory Capital Framework for banks in line with Basel-III)" by the Bangladesh Bank. This framework includes the following components:

a) Scope of application
b) Capital structure
c) Capital adequacy
d) Credit Risk
e) Equities: disclosures for banking book positions
f) Interest rate risk in the banking book (IRRBB)
g) Market risk
h) Operational risk
i) Leverage Ratio
j) Liquidity Ratio
k) Remuneration

This report presents information on Social Islami Bank Limited both on a solo basis and a consolidated (conso) basis. All amounts in the disclosure provided under Pillar III are in Bangladesh Taka, unless otherwise specified. It should be noted that some figures in this document have been rounded.

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).	Quantitative disclosures are presented on both a solo and consolidated basis. Social Islami Bank Limited (SIBL) has two subsidiaries, SIBL Securities Ltd and SIBL Investment Ltd, as well as an offshore banking unit. Both the solo and consolidated financial statements have been prepared in accordance with applicable financial reporting standards and related instructions/circulars issued by the Bangladesh Bank. The assets, liabilities, revenues, and expenses of the subsidiaries are aggregated with those of the parent company (SIBL) for consolidation purposes. Therefore, the assets of the subsidiaries and offshore banking unit are risk-weighted, and the equities of the subsidiaries are netted off against SIBL's investment during the consolidation process.
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 I (CET-1, AT-1) and Tier 2.	As per Bangladesh Bank BASEL-III guidelines; **Tier I capital is divided into:** **a)** Common Equity Tier I (CET-1) Capital **b)** Additional Tier I (AT-1) Capital **a) Common Equity Tier-I capital of the Bank consist of -** **Paid up capital:** Issued, subscribed and fully paid up share capital of the Bank. **Statutory reserve:** As per Section 24 of the Bank Company Act, 1991, an amount equivalent to 20% of the profit before taxes for each year of the Bank has been transferred to the Statutory Reserve Fund. **Retained earnings:** Amount of profit retained with the banking company after meeting up all expenses, provisions and appropriations. b) Additional Tier-I capital: **Instruments issued by the banks that meet the qualifying criteria for AT1:** Issued, subscribed and fully paid perpetual subordinated debt/ bond, or other instrument if any which meet the qualifying criteria for AT1 as stipulated in guidelines on Risk Based Capital Adequacy. **Tier-II capital consists of –** **General Provisions:** As per Bangladesh Bank directive, amount of provision maintained against unclassified loans and off-balance sheet exposures as of the reporting date has been considered. **Subordinated debt / Instruments issued by the banks that meet the qualifying criteria for Tier 2 capital:** Outstanding amount of subordinated debt as of the reporting date. **Assets revaluation reserves:** As per Bangladesh Bank's instruction, until 31 December 2014, 50% of incremental value of Bank's assets has been considered. Revaluation Reserve (RR) based on the position as of 31 December 2014 had been deducted @ 20% on yearly basis from 2015 to 2019 under Basel III guideline.

Quantitative Disclosures		
	As on December 31, 2022 (in million taka)	
	Solo	**Consolidated**
Tier-1 Capital (Going Concern Capital):		
Common Equity Tier-1 (CET-1)		
Fully Paid-up Capital	10,341.54	10,341.54
Statutory Reserve	8,386.16	8,386.16
General Reserve	0.00	13.94
Retained Earnings	1,494.12	1,586.16
Adjustment in CET-1 (Intangible Assets i.e Software	(218.44)	(219.44)
Total CET-1	**20,003.38**	**20,108.36**
Additional Tier-1 Capital (AT-1)	4,287.81	4,312.79
Total Admissible Tier-1 Capital	**24,291.19**	**24,421.15**
Tier-2 Capital (Gone Concern Capital) :		
General Provision	5,982.74	5,982.73
Subordinated debt	3,000.00	3,000.00
Revaluation Reserves	0.00	0.00
Others(As per RBCA Guideline of BB)	712.19	687.21
Total Tier-2 Capital	**9,694.92**	**9,669.94**
Total Admissible Tier-2 Capital	**9,694.92**	**9,669.94**
Total Capital	**33,986.12**	**34,091.09**
Regulatory Adjustments:	0.00	0.00
Total Eligible Capital	**33,986.12**	**34,091.09**

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.	Social Islami Bank Limited (SIBL) uses the standardized approach to calculate the capital charge for investment (credit) risk and market risk, and the basic indicator approach for operational risk. The bank assesses its capital adequacy in accordance with the guidelines and regulations issued by the Bangladesh Bank periodically. Evaluating the regulatory capital in relation to the bank's overall risk exposure is a comprehensive and integrated process. SIBL's SRP team is responsible for identifying, measuring, managing, and monitoring all the risks to which the bank is exposed. The assessment of regulatory capital will be consistent with the outcomes of these risk management exercises.

Quantitative Disclosures

Particulars		As on December 31, 2022 (in million taka)	
		Solo	Consolidated
b)	Capital requirements for Investment (Credit) Risk	25,880.01	25,859.29
c)	Capital requirements for Market Risk	567.15	653.21
d)	Capital requirements for Operational Risk	2,138.23	2,167.45
	Total capital requirement	28,585.39	28,679.95
e)	Capital to Risk Weighted Asset Ratio	11.89%	11.89%
	CET-1 Capital Ratio	7.00%	7.01%
	Tier-I Capital Ratio	8.50%	8.52%
	Tier-II Capital Ratio	3.39%	3.37%
f)	Capital Conservation Buffer	As per BB roadmap for implementation of Basel III, creation of Capital Conservation Buffer (CCB) has been made effective from January, 2016. As on 31.12.2022 SIBL maintained the capital conservation buffer as presented below:	

Particulars	Solo	Consolidated
Required CCB	2.50%	2.50%
Maintained CCB	1.89%	1.89%
Required CET-1 Ratio including CCB	7.00%	7.00%
Maintained CET-1 Ratio	7.00%	7.01%
Required CRAR Ratio including CCB	12.50%	12.50%
Maintained CRAR Ratio	11.89%	11.89%

g)	Available Capital under Pillar 2 Requirement	Solo	Consolidated
	Total Eligible Regulatory Capital **[A]**	**33,986.12**	**34,091.10**
	Minimum Capital Requirement under Pillar 1 **[B]**	28,585.38	28,679.95
	Available Capital for Pillar 2 **[C=A-B]**	5,400.74	5,411.15

D) Investment Risk

Qualitative Disclosures

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

As per Bangladesh Bank guidelines, any investment if not paid within the fixed expiry date will be treated as Past due/ Overdue. 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 & Micro Investment.

Any Continuous Loan if not repaid/renewed within the fixed expiry date for repayment or after the demand by the bank will be treated as past due/overdue from the following day of the expiry date. Any Demand Loan if not repaid within the fixed expiry date for repayment or after the demand by the bank will be treated as past due/overdue from the following day of the expiry date. Whereas, In case of any installment(s) or part of installment(s) of a Fixed Term Loan is not repaid within the fixed expiry date, the amount of unpaid installment(s) will be treated as past due/overdue after six months of the expiry date.

A Continuous Loan, Demand Loan, Fixed Term Loan or any installment(s)/part of installment(s) of a Fixed Term Loan which will remain past due/overdue for a period of 03 (three) months or beyond but less than 09 (nine) months, the entire loan will be put into the "Sub-standard (SS)".

A Continuous Loan, Demand Loan, Fixed Term Loan or any installment(s)/part of installment(s) of a Fixed Term Loan which will remain past due/overdue for a period of 09 (nine) months or beyond but less than 12 (twelve) months, the entire loan will be put into the "Doubtful (DF)".

A Continuous loan, Demand loan, Fixed Term Loan or any installment(s)/part of installment(s) of a Fixed Term Loan which will remain past due/overdue for a period of 12 (twelve) months or beyond, the entire loan will be put into the "Bad/Loss (B/L)".

Continuous Investment, Demand Investment or Term Investment which will remain overdue for a period of 2(two) months or beyond but less than 3 (three) months will be put into 'Special Mention Account'.

Loan Classification of Cottage, Micro and Small credits under CMSME:

If a Continuous Loan, Demand Loan, Fixed Term Loan or any installment(s)/part of installment(s) of a Fixed Term Loan remain(s) past due/overdue for a period of 06 (six) months or beyond but less than 18 (eighteen) months, the entire loan will be classified as "Sub-standard (SS)".

If a Continuous Loan, Demand Loan, Fixed Term Loan or any installment(s)/part of installment(s) of a Fixed Term Loan remain(s) past due/overdue for a period of 18 (eighteen) months or beyond but less than 30 (thirty) months, the entire loan will be classified as "Doubtful (DF)".

If a Continuous loan, Demand loan, Fixed Term Loan or any installment(s)/part of installment(s) of a Fixed Term Loan remain(s) past due/overdue for a period of 30 (thirty) months or beyond, the entire loan will be classified as "Bad/Loss (B/L)".

The rates of provisions will be maintained:

Particulars		Short term Agri.Credit/ Microcredit	Consumer Financing			SMEF	CMSME	Loan to BHs/MBs/SDs against Shares etc.	Credit Card	All Others Credit
			Other than HF & LP	HF	LP					
UC	Standard	1%	2%	1%	2%	0.25%	0.25%	2%	2%	1%
	SMA		2%	1%	2%	0.25%	0.25%	2%	2%	1%
Classified	SS	5%	20%	20%	20%	20%	5%	20%	20%	20%
	DF	5%	50%	50%	50%	50%	20%	50%	50%	50%
	B/L	100%	100%	100%	100%	100%	100%	100%	100%	100%

Description of approaches followed for specific and general allowances and statistical method;

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.

The bank has implemented a segregation of duties for officers and executives involved in investment-related activities. To this end, a separate Corporate Division has been established at the Head Office, which is responsible for maintaining strong relationships with customers, marketing investment products, exploring new business opportunities, and other related duties. Furthermore, investment approval, administration, monitoring, and recovery functions have been segregated, resulting in the formation of two separate units: (a) Investment Risk Management Division, and (b) Investment Administration Division. The latter includes an investment monitoring unit. The Investment Risk Management Unit is responsible for maintaining asset quality, evaluating risk in lending to a specific customer,

	approving investments (credit), and formulating policies/strategies for lending operations, among other tasks. Before approving any investment facility, the Investment Risk Management Unit conducts a comprehensive assessment that encompasses borrower risk analysis, financial analysis, industry analysis, evaluation of the customer's historical performance, and security of the proposed investment facility, among other factors. This assessment process commences at the Corporate Division, where the Relationship Manager/Officer is responsible for initiating it, and concludes at the Investment Risk Management Unit. Proposals that fall outside their delegation are reviewed by the Executive Committee and/or the Management for approval or rejection. The bank adheres strictly to the Bangladesh Bank's instructions when determining single borrower/large investment limits. Additionally, internal audits are conducted periodically to ensure compliance with both the bank's policies and regulatory guidelines. Investments are classified in accordance with the Bangladesh Bank's guidelines.

Quantitative Disclosures

b) Total gross Investment/ Credit Risk exposures broken down by major types of Investment exposures.

In million Tk.

Type of Investment	As on 31.12.2022
Musharaka	173.86
Murabaha	9,734.44
Mudaraba	14,521.54
Bai-Muazzal	2,19,134.72
Hire-Purchase Sirkatul Meelk	61,528.39
Quard	17,045.13
Bai-Salam	1,110.96
Staff Loan	2,086.77
Ijarah	362.43
Visa Card	1,060.29
In land Bill Purchase	4,508.91
Foreign Bill Purchased	47.25
Murabaha Bill of Exchange	1,318.44
Baim-Wes bills	10,311.02
Total	**3,42,944.16**

c) Geographical Distribution of exposures, broken down in significant areas by major types of investment (credit) exposure.

In million Tk.

Name of the Division	As on 31.12.2022
Dhaka	2,54,009.38
Chittagong	69,266.64
Sylhet	790.80
Rajshahi	6,560.74
Khulna	7,009.06
Rangpur	2,060.16
Barisal	1,290.20
Mymensingh	1,957.18
Total	**3,42,944.16**

d) Industry or counterparty type distribution of exposures, broken down by major types of Investment/credit exposure.	In million Tk.

Mode of Investment	As on 31.12.2022
RMG	21,854.40
Textile	23,454.13
Food and allied industries	18,744.31
Pharmaceutical Industries	1,489.01
Chemical, Fertilizer, etc.	5,257.54
Cement and Ceramic Industries	5,555.87
Ship building industries	559.63
Ship breaking industries	1,653.00
Power and Gas	11,104.21
Other manufacturing or extractive industries	42,026.22
Service Industries	26,514.80
Other Agro-based industries	4,877.18
Investment to Trade & Commerce	1,08,243.33
Investment to Consumer Finance	4,188.17
Other Investment	67,422.36
Total	**3,42,944.16**

e) Residual contractual maturity break down of the whole portfolio, broken down by major types of investment/credit exposure.	In million Tk.

Particulars	As on 31.12.2022
Re-payable on Demand	52,225.58
Not more than 3 months	77,570.99
Over 3 months but not more than 1 year	1,51,117.16
Over 1 year but not more than 5 years	48,331.58
Over 5 years	13,698.85
Total	**3,42,944.16**

f) By major industry or counterparty type	**Amount of impaired investments and if available, past due investments**

Particulars	As on 31.12.2022
Past Due	-
Special Mentioned Account	13,545.47
Substandard	874.58
Doubtful	410.15
Bad or Loss	15,191.84
Total	**30,107.35**

Specific and general provisions:

Specific Provisions	7,638.56
General Provision	5,982.73
Total	**13,621.29**

	Charges for specific allowances and charge-offs during the period
	Provision on classified investment: 640.47
	Provision on unclassified investment: (1,126.36)
	Special General Provision-COVID-19: 986.65
	Provision on Off-Balance Sheet items: 170.74
	Other provisions (note: 36): 159.05
	Total: 830.55
g) Gross Non Performing Assets (NPAs)	Gross Non Performing Assets of the bank is 16,476.57 Million
Non Performing assets to outstanding investment	Non Performing assets to outstanding investment is 4.80%
Movement of non performing assets	Opening balance: 16,194.08
	Addition: 282.49
	Reduction:
	Closing Balance: 16,476.57
Movement of Specific provisions for Non performing assets	Opening Balance: 7,598.68
	Add: Provision made during the year: 640.47
	Less: Write-off: (677.30)
	Add: Transferred from doubtful income/compensation realized/recovery: 76.71
	Closing balance: 7,638.56

E. Equities: Disclosures for Banking Book Positions

Qualitative Disclosures

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

a) Differences between holdings on which capital gains are expected and those taken under other objectives including for relationship and strategic reasons ;and	Social Islami Bank limited has two categories of equity investments namely (i) Quoted Shares- traded in the secondary market of DSE & CSE like common stock, mutual fund, bond etc. and (ii) Unquoted Shares- currently not tradable in the secondary market. The category of unquoted shares comprises shares and securities that fall under the following classifications: (i) held to maturity, (ii) long-term investments, meaning that the Bank has no intention of selling the securities either immediately or in the near future, and (iii) securities acquired through private placement that can only be traded in the secondary market after fulfilling the necessary legal formalities with the Bangladesh Securities & Exchange Commission (BSEC), DSE, CSE, and other applicable laws.
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.	The Bank invests in shares and securities with the objective of earning dividend income or capital gains. Dividend income is recognized in the Bank's financial statements either when it is received or when the right to receive it is established. Both quoted and unquoted shares are recorded at their cost, and provisions are created if the market price falls below the cost. When calculating the unrealized gains or losses of quoted shares, provisions are made for shares and securities in the financial statements after netting off the values of the portfolios. However, unrealized gains are not recognized. As per Bangladesh Bank guidelines, held-for-trading securities are marked to market once a week, and all such securities are revalued once a year in accordance with the Bangladesh Bank guidelines.

Quantitative Disclosures			
As on December 31,2022 (In million taka)			
	Particulars	**Solo**	**Consolidated**
b)	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.	373.87	803.98
c)	The cumulative realized gains (losses) arising from sales & liquidations in the reporting	-	-

	period.		
d)	Total unrealized gains (losses)	(10.00)	(10.00)
	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	37.38	80.39
	General Market Risk	37.38	80.39

F. Profit Rate Risk in the Banking Book

Qualitative Discloser	
a) The general qualitative discloser 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 risk is a significant risk factor in the banking book. The sources and types of profit rate risks in the banking book include gap or mismatch risk, basic risk, net position risk, and embedded option risk. The financial matters of a bank such as current earnings, net investment income, and net worth may be negatively impacted by changes in profit rates in the market. This impact can be seen in the long run, and it can lead to an asset liability mismatch, affecting the cash flows of the earning assets.
Quantitative Discloser	
(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	1,27,489.80	33,777.90	38,104.10
RSL	1,44,574.30	38,718.20	46,196.60
Gap	-17,084.50	-4,940.30	-8,092.50
Cumulative Gap	-17,084.50	-22,024.80	-13,032.80
Adjusted Profit Rate Change (PRC)	1.00%	1.00%	1.00%
Earnings Impact (Cum. Gap*PRC)	-170.85	-220.25	-130.33
Accumulated Earnings Impact to Date	-170.85	-391.09	-521.42

G. Market Risk

Qualitative Discloser	
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".
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.

Quantitative Disclosure	Figure in Million	
	As on December 31, 2022	
b) The capital requirements for	Solo	Consolidated
Profit rate risk	-	-
Equity position risk	74.80	160.80
Foreign exchange risk	492.30	492.30
Commodity risk	-	-
Total Capital Requirement	567.10	653.10

H. Operational Risk

Qualitative Disclosures	
a)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. 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 (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.
Quantitative Disclosures	
b)As 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. As per risk based capital adequacy guidelines Social Islami bank Limited follows the Basic Indicator Approach for computing capital charge for operational risk.	

As on 31.12.2022	Amount in million Taka	
Capital Requirement for	Solo	Consolidated
Operational Risk	2,138.23	2,167.45

I. Liquidity ratio

In line with the provisions of liquidity risk management under Basel III, Bangladesh Bank on the basis of the relevant guideline of Bank for International Settlements (BIS) has identified the (i) Liquidity Coverage Ratio (LCR); (ii) Net Stable Funding Ratio (NSFR); and (iii) Leverage under the purview of 'Liquidity' ratio vide BRPD Circular No. 18 dated 21 December 2014 and DOS Circular No. 1 dated 1 January 2015.

<table>
<tr><th colspan="3">Qualitative Disclosures</th></tr>
<tr><td>a)</td><td>i) Views of Board of Directors (BOD) on system to reduce Liquidity Risk</td><td>The Board of Directors reviews the liquidity risk of the Bank on quarterly rest while reviewing the Quarterly Financial Statements, Stress Testing Report etc. Besides, the EC of the Board also reviews the liquidity position while reviewing the management information system (MIS) report on monthly basis.

Upon reviewing the overall liquidity position along with the outlook of SIBL funding need, investment opportunity, market/industry trend, the Board takes its strategic decision regarding deposits, funding, investments, loans as well as interest rates polices etc.

The Board of SIBL always strives to maintain adequate liquidity to meet up Bank's overall funding need for the huge retail depositors, borrowers' requirements as well as maintain regulatory requirements comfortably.</td></tr>
<tr><td></td><td>ii) Methods used to measure Liquidity Risk</td><td>The maintenance of Cash Reserve Requirement (CRR) and Statutory Liquidity Ratio (SLR) are considered as the fundamental methods/tools to measure the liquidity position/risk of SIBL.

However, under Basel III, the following methods and tools are mandated for measuring the liquidity risk.

a) Liquidity coverage ratio (LCR): Liquidity Coverage Ratio ensures to maintain an adequate level of stock of high quality liquid assets that can be converted into cash to meet its liquidity needs (i.e. total net cash outflows) over the next 30 calendar days.

b) Net Stable Funding ratio (NSFR): Net Stable Funding Ratio aims to limit over-reliance on short-term wholesale funding during times of abundant market liquidity and encourage better assessment of liquidity risk across all on- and off-balance sheet items. The minimum acceptable value of this ratio is 100 percent, indicating that, available stable funding (ASF) should be at least equal to required stable funding (RSF).

ASF consists of various kinds of liabilities and capital with percentage weights attached given their perceived stability.

RSF consists of assets and off-balance sheet items, also with percentage weights attached given the degree to which they are illiquid or "long-term" and therefore requires stable funding.

In addition to the above, the following measures have been put in place to monitor the liquidity risk management position of the Bank on a continued manner:
a) Asset-Liability Maturity Analysis (Liquidity profile);
b) Whole sale borrowing capacity;
c) Maximum Cumulative Outflow (MCO);

Besides the above, the following tools are also used for measuring liquidity risk:
a) Stress Testing (Liquidity Stress);
b) Net open position limit - to monitor the FX funding liquidity risk;</td></tr>
<tr><td></td><td>iii) Liquidity risk management system</td><td>In SIBL, at the management level, the liquidity risk is primarily managed by the Treasury Division (Front Office) under oversight of ALCO which is headed by the Managing Director & CEO along with other senior management.

Treasury Division (Front Office) upon reviewing the overall funding requirements on daily basis sets their strategy to maintain a comfortable/adequate liquidity position taking into consideration of Bank's approved investment (credit) deposit ratio, liquid assets to total assets ratio, asset-liability maturity profile, Bank's earning/profitability as well as overall market behavior and sentiment etc.

Apart from the above, Risk Management Division also monitors & measures the liquidity risk in line with the Basel III liquidity measurement tools, namely, LCR, NSFR, Leverage Ratio. RMD addresses the key issues and strategies to maintain the Basel III liquidity ratios to the respective division(s) on regular interval.</td></tr>
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<tr><td></td><td>iv) Policies and processes for mitigating Liquidity Risk</td><td>The Asset-Liability (ALCO) policy leads the process & procedures for mitigation of liquidity risk of SIBL. ALCO works under specific Terms of References (functions) approved by the Board.
Treasury Division (Front Office) and ALM desk under regular supervision of Top Management reviews the overall liquidity position of SIBL and takes appropriate strategy, process in line with the industry position for managing liquidity risk of the Bank.</td></tr>
<tr><td colspan="3">Quantitative Disclosures</td></tr>
<tr><td>b)</td><td>i) Liquidity Coverage Ratio (LCR)</td><td>The Liquidity Coverage Ratio (LCR) under Liquidity Ratios of Basel III of Social Islami Bank Limited as of 31 December 2022 was as under:

Liquidity Coverage Ratio (LCR) =Stock of High quality liquid assets /Net cash outflows over the next 30 calendar days
<table>
<tr><th rowspan="2">particulars</th><th colspan="2">Ratio (%)</th></tr>
<tr><th>BB requirement</th><th>SIBL’s position</th></tr>
<tr><td>Liquidity Coverage Ratio (LCR)</td><td>≥ 100%</td><td>61.78%</td></tr>
</table></td></tr>
<tr><td></td><td>ii) Net Stable Funding Ratio (NSFR)</td><td>The Net Stable Funding Ratio (NSFR) under Liquidity Ratios of Basel III of Social Islami Bank Limited as of 31 December 2022 was as under:
Net Stable Funding Ratio (NSFR) =Available amount of stable funding (ASF) /Required amount of stable funding (RSF)
<table>
<tr><th rowspan="2">particulars</th><th colspan="2">Ratio (%)</th></tr>
<tr><th>BB requirement</th><th>SIBL’s position</th></tr>
<tr><td>Net Stable Funding Ratio (NSFR)</td><td>≥ 100%</td><td>117.57%</td></tr>
</table></td></tr>
<tr><td></td><td>iii) Stock of High Quality Liquid Assets (SHQLA)</td><td>As stipulated by BB vide DOS Circular Letter No. 1 dated 1 January 2015, the Stock of High Quality Liquid Assets (SHQLA) of Social Islami Bank Limited as of 31 December 2022 is Tk. 29,064.62 million.</td></tr>
<tr><td></td><td>iv) Total net cash outflows over the next 30 calendar days</td><td>As stipulated by BB vide DOS Circular Letter No. 1 dated 1 January 2015, total net cash outflows over the next 30 calendar days of Social Islami Bank Limited based on the position as of 31 December 2022 is Tk. 47,042.27 million.</td></tr>
<tr><td></td><td>v) Available amount of stable funding</td><td>As stipulated by BB vide DOS Circular Letter No. 1 dated 1 January 2015, the available amount of stable funding (ASF) of Social Islami Bank Limited as of 31 December 2022 was as under:
<table>
<tr><th>Particulars</th><th>Amount (in million)</th></tr>
<tr><td>Available amount of Stable Funding (ASF)</td><td>3,78,872.25</td></tr>
<tr><td>Total</td><td>3,78,872.25</td></tr>
</table></td></tr>
<tr><td></td><td>vi) Required amount of stable funding</td><td>As stipulated by BB vide DOS Circular Letter No. 1 dated 1 January 2015, the required amount of stable funding (RSF) of Social Islami Bank Limited as of 31 December 2022 was as under:
<table>
<tr><th>Particulars</th><th>Amount (in million)</th></tr>
<tr><td>Required amount of Stable Funding (RSF)</td><td>3,22,262.79</td></tr>
<tr><td>Total</td><td>3,22,262.79</td></tr>
</table></td></tr>
</table>

J. Leverage Ratio

Qualitative Disclosures

a)	i) Views of BOD on system to reduce excessive leverage	The Board of Directors of SIBL primarily views on the growth of On and Off balance sheet exposures commensurate with its expected capital growth so that the excessive leverage is reduced. Within the On-balance components, again, the Board emphasizes on the growth of the prime component i.e. the loans and advances and maintaining good asset quality so as to maximize the revenue as well as the capacity to generate capital internally (in the form of retained earnings) to trade-off the excessive leverage supposed to be caused by asset growth. At the outset of asset growth, the Board also views the growth of its sources of fund i.e. deposit growth taking into consideration of projected business growth so that the investment (credit)-deposit ratio is maintained at a sustainable basis as well as to reduce the mismatches of asset- liability gap within the tolerable limit to manage the liquidity risk.
	i) Policies and processes for managing excessive on and off-balance sheet leverage	First and foremost, Bank's policy is to maintain the Leverage Ratio (Tier 1 capital as proportion to total adjusted On and Off balance sheet asset) well above the regulatory requirement. To this end, the striking components of balance sheet, namely, the deposits & borrowing, loans & advances, other liquid assets (treasury bills, bonds, fund placements) are analyzed on monthly basis. Measures are taken to contain the growth of overall size of balance sheet (On and Off balance sheet exposures aggregately) considering short term outlook of the industry indicators as well as possible growth of equity (Tier 1 capital) of the Bank on quarterly rest. With regard to managing the excessive leverage, the regulatory stance through the monetary policy initiatives i.e. the scope of expected business potential (growth), estimated money supply, inflation, resulting the estimated overall liquidity of the industry as well as the Bank in particular is also considered.
	iii) Approach for calculating exposure/Leverage	The exposures of balance sheet representing the overall position of the Bank as of the reporting date are calculated and presented in terms of applicable relevant accounting standards, i.e., IASs (BASs), IFRSs (BFRSs), etc. The accounting values of assets and liabilities are also presented and measured at gross. Netting of assets and liabilities are also made where permitted in compliance with the respective accounting standards and the regulatory instruction. For calculating "leverage", SIBL follows the 'Leverage Ratio' approach/method as suggested by Bangladesh Bank

Quantitative Disclosures

b)	i) Leverage Ratio	Leverage Ratio (LR) under Basel III of Social Islami Bank Limited as of 31 December 2022 was as under: **Leverage Ratio (LR)** =Tier 1 Capital (after related adjustment)/Total Exposure (after related deductions)
	ii) On balance sheet exposure	Total On-balance Sheet exposure for calculating Leverage Ratio under Basel III of Social Islami Bank Limited as of 31 December 2022 is Tk. 4,31,277.56 million.
	iii) Off balance sheet exposure	Total Off-balance Sheet exposure for calculating Leverage Ratio under Basel III of Social Islami Bank Limited as of 31 December 2022 is Tk 15,684.19 million.
	iv) Total exposure	Total Exposures for calculating Leverage Ratio under Basel III of Social Islami Bank Limited as of 31 December 2022 is Tk. 4,46,743.30 million.

Particulars	**Ratio (%)**	
	BB requirement	**SIBL's position**
Leverage Ratio (LR)	> 3%	5.44%

K. Remuneration

Qualitative Disclosures		
a	Information relating to the bodies that oversee remuneration	
	i) Name of the bodies that oversee remuneration	Board of Directors of the Bank is actually the main body to oversee the remuneration. The Board, however, generally suggest the management to place proposal for revision of remuneration from time to time. At the management level, primarily the Human Resources Division oversees the 'remuneration' in line with its HR management strategy/policy under direct supervision and guidance of the Board of Directors.
	ii) Composition of the main body overseeing remuneration	Board of Directors of the Bank form a special committee consisting of competent directors for reviewing the proposal of the MANCOM regarding remuneration. The MANCOM is headed and chaired by the Managing Director& CEO of the Bank; along with other members of top executives and the Heads of different functional divisions of Head Office.
	iii) Mandate of the main body overseeing remuneration	The mandate of MANCOM as the main body for overseeing the Bank's remuneration is to review the position of remuneration and associated matters and recommend to the Board of Directors for approval of its restructuring, rearrangement and modification commensurate with the industry best practices as per requirement.
	iv) External consultants whose advice has been sought, the body by which they were commissioned, and in what areas of the remuneration process.	The Bank has no External Consultant permanently regarding 'remuneration' and its process. However, experts' opinion may have been sought in case to case basis regarding income tax matter, lawyers' opinion for settlement of employees' dues in case of death, penalty etc. if required, by the management.
	v) A description of the scope of the bank's remuneration policy (eg by regions, business lines), including the extent to which it is applicable to foreign subsidiaries and branches.	The Bank does not differentiate the 'Pay Structure' and 'employee benefits' by regions.
	vi) A description of the types of employees considered as material risk takers and as senior managers, including the number of employees in each group.	The Bank has not categorized any group or grade of employees as material risk taker. The risks in different operational events of the Bank are borne by the concerned employees of those particular areas as a team. However, the members of senior management, senior most branch managers and Head of the functional division at Head Office are considered as senior managers.

b	Information relating to the design and structure of remuneration processes.	
	i) An overview of the key features and objectives of remuneration policy.	Remuneration and other associated matters are guided by the Bank's Service Rule as well as instruction, guidance from the Board from time to time in line with the industry practice with the objectives of retention/hiring of experienced, talented workforce focusing on sustainable growth of the Bank.
	ii) Whether the remuneration committee reviewed the bank's remuneration policy during the past year, and if so, an overview of any changes that were made.	Yes. A committee was formed to review the bank's remuneration policy under supervision of board of directors to revise the pay scale in line with the industry practice and accordingly bank allowed a revised pay scale to the employee of SIBL with effect from 01.03.2022.
	iii) A discussion of how the bank ensures that risk and compliance employees are remunerated independently of the businesses they oversee.	The risk and compliance employees are carrying out the activities independently as per specific terms of references, job allocated to them. Regarding remuneration of the risk and compliance employees, Human Resources Division does not make any difference with other mainstream/ regular employees and sets the remuneration as per the prevailing rule of the Bank primarily governed by the employees' service rule of the Bank.
c	Description of the ways in which current and future risks are taken into account in the remuneration processes.	
	i) An overview of the key risks that the bank takes into account when implementing remuneration measures.	The business risk including investment (credit)/default risk, compliance & reputational risk are mostly considered when implementing the remuneration measures for each employee/group of employee. Financial and liquidity risk are also considered.

	ii) An overview of the nature and type of the key measures used to take account of these risks, including risks difficult to measure.	Different set of measures are in practice based on the nature & type of business lines/segments etc. These measures are primarily focused on the business target/goals set for each area of operation, branch vis-à-vis the actual results achieved as of the reporting date. The most vital tools & indicators used for measuring the risks are the asset quality (NPL ratio), Net Interest Margin (NIM), provision coverage ratio, credit- deposit ratio, cost-income ratio, growth of net profit, as well the non-financial indicators, namely, the compliance status with the regulatory norms, instructions has been brought to all concerned of the Bank from time to time. While evaluating the performance of each employee annually, all the financial and non-financial indicators as per pre-determined set criteria are considered; and accordingly the result of the performance varies from one to another and thus affect the remuneration as well.
	iii) A discussion of the ways in which these measures affect remuneration.	While evaluating the performance of each employee annually, all the financial and non-financial indicators as per pre-determined set criteria are considered; and accordingly the result of the performance varies from one to another and thus affect the remuneration as well.
	iv) A discussion of how the nature and type of these measures has changed over the past year and reasons for the change, as well as the impact of changes on remuneration	Considering industry practice and competitiveness the Board of Directors of the bank revised pay scale to the employee of SIBL with effect from 01.03.2022.
d	Description of the ways in which the bank seeks to link performance during a performance measurement period with levels of remuneration.	
	i) An overview of main performance metrics for bank, top-level business lines and individuals.	The Board sets the Key Performance Indicators (KPIs) while approving the business target/budget for each year for the Bank and business lines/segments. The management sets the appropriate tools, techniques and strategic planning (with due concurrence/approval of the Board) towards achieving those targets. The most common KPIs are the achievement of loan, deposit and profit target with the threshold of NPL ratio, cost-income ratio, cost of fund, yield on loans, provision coverage ratio, capital to risk weighted asset ratio (CRAR), ROE, ROA, liquidity position (maintenance of CRR and SLR) etc.
	ii) A discussion of how amounts of individual remuneration are linked to bank-wide and individual performance.	The remuneration of each employee is paid based on her/his individual performance evaluated as per set criteria. And, accordingly, the aggregate amount of remuneration of the Bank as a whole is linked/ impacted to the same extent.
	iii) A discussion of the measures the bank will in general implement to adjust remuneration in the event that performance metrics are weak. This should include the bank's criteria for determining "weak" performance metrics.	The Bank follows remuneration process as per set criteria with no in general adjustment in the event of weak performance metrics/scorecard.
e	Description of the ways in which the bank seek to adjust remuneration to take account of longer-term performance.	
	i) A discussion of the bank's policy on deferral and vesting of variable remuneration and, if the fraction of variable remuneration that is deferred differs across employees or groups of employees, a description of the factors that determine the fraction and their relative importance.	The Bank pays variable remuneration i.e. annual increment based on the yearly performance rating on cash basis with the monthly pay. While the value of longer term variable part of remuneration i.e. the amount of provident fund, gratuity fund are made provision on aggregate/individual employee basis; actual payment is made upon retirement, resignation etc. as the case may be, as per rule.
	ii) A discussion of the bank's policy and criteria for adjusting deferred remuneration before vesting and (if permitted by national law) after vesting through claw back arrangements.	Not Applicable
f	Description of the different forms of variable remuneration that the bank utilizes and the rationale for using these different forms.	

<table>
<tr><td></td><td>i) An overview of the forms of variable remuneration offered (i.e. cash, shares and share-linked instruments and other forms. A description of the elements corresponding to other forms of variable remuneration (if any) should be provided.</td><td>The Bank pays variable remuneration on cash basis (i.e. direct credit to the employee Bank account and/or Payment Order/ Cheque), as the case may be, as per rule/practice.</td></tr>
<tr><td></td><td>ii) A discussion of the use of the different forms of variable remuneration and, if the mix of different forms of variable remuneration differs across employees or groups of employees), a description the factors that determine the mix and their relative importance.</td><td>The following variable remuneration has been offered by SIBL to its employees:
Annual Increment Bank provides annual increments based on performance to the employees with the view of medium to long term strategy and adherence to SIBL values.</td></tr>
<tr><td colspan="3">Quantitative Disclosures</td></tr>
<tr><td>g</td><td>Number of meetings held by the main body overseeing remuneration during the financial year and remuneration paid to its member.</td><td>There were 12 (Twelve) meetings of the MANCOM held during the year 2022. All the members of MANCOM are from the core banking area/operation of the Bank. No additional remuneration was paid to the members of the MANCOM for attending the meeting except their regular remuneration.</td></tr>
<tr><td>h</td><td>i) Number of employees having received a variable remuneration award during the financial year.</td><td>The following Number of Employees were received a variable remuneration during the year 2022:
<table><tr><td>Particulars</td><td>Number</td></tr><tr><td>Number of employees having received a variable remuneration award during the year 2022</td><td>Not Applicable</td></tr></table></td></tr>
<tr><td></td><td>ii) Number and total amount of guaranteed bonuses awarded during the financial year.</td><td>The following number and total amount of Guaranteed bonuses awarded during the year 2022:
All employee of SIBL get two festival bonuses.</td></tr>
<tr><td></td><td>iii) Number and total amount of sign-on awards made during the financial year.</td><td>There was no sign-on awards made in 2022.</td></tr>
<tr><td></td><td>iv) Number and total amount of severance payments made during the financial year.</td><td>There was no severance payment made during the year 2022.</td></tr>
<tr><td>i</td><td>i) Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms.</td><td>Not Applicable</td></tr>
<tr><td></td><td>ii) Total amount of deferred remuneration paid out in the financial year.</td><td>Not Applicable</td></tr>
<tr><td>J</td><td>Breakdown of amount of remuneration awards for the financial year to show:</td><td>i) Fixed and variable remuneration paid in 2022 are as follows:

Amount in Million Taka
<table><tr><td>Fixed pay</td><td>4,347.7</td></tr><tr><td>Variable pay</td><td>-</td></tr><tr><td>Total fixed and variable pay</td><td>4,347.7</td></tr></table></td></tr>
<tr><td></td><td></td><td>ii) Deferred and non-deferred (paid during the year).
Not Applicable</td></tr>
<tr><td></td><td></td><td>iii) Different forms used (cash, shares and share linked instruments, other forms).Remuneration is paid on cash basis (i.e. direct credit to the employee Bank account and/or Payment Order/ Cheque), as the case may be, as per rule/practice.</td></tr>
</table>

k	Quantitative information about employees' exposure to implicit (e.g. fluctuations in the value of shares or performance units) and explicit adjustments (e.g. claw backs or similar reversals or downward revaluations of awards) of deferred remuneration and retained remuneration:	
	i) Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit and/or implicit adjustments.	Not Applicable
	ii) Total amount of reductions during the financial year due to ex post explicit adjustments.	Not Applicable
	iii) Total amount of reductions during the financial year due to ex post implicit adjustments.	Not Applicable