



## Shimanto Bank Limited

### Disclosures on Risk Based Capital (Basel III) based on 31 December 2019

These disclosures have been made in accordance with the Bangladesh Bank BRPD Circular no. 18 of 21 December, 2014 as to Guidelines on 'Risk Based Capital Adequacy for Banks' in line with Basel III.

#### 1. Capital Adequacy under Basel-III

To cope with the international best practices and to make the Bank's capital more risk sensitive as well as more shock resilient, 'Guidelines on Risk Based Capital Adequacy (RBCA) for Banks' (Revised regulatory capital framework in line with Basel III) have been introduced from January 01, 2015. The guidelines were issued by Bangladesh Bank (BB) under section 13 and section 45 of the Bank Company (Amendment up to 2013) Act, 1991.

Basel III guidelines are structured on the following aspects:

- a) Minimum capital requirements to be maintained by a Bank against credit, market, and operational risks.
- b) Process for assessing the overall capital adequacy aligned with risk profile of a Bank as well as capital growth plan.
- c) Framework of public disclosure on the position of a Bank's risk profiles, capital adequacy, and risk management system

#### 2. Scope of application

Basel III guidelines apply to all scheduled banks on 'Solo' basis as well as on 'Consolidated' basis where-

- 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 (including its local and overseas branches/offices) and its subsidiary company (ies) engaged in financial (excluding insurance) activities like merchant banks, brokerage firms, discount houses, etc. (if any).

**Shimanto Bank Ltd. followed the scope narrated above. Bank has Tier 1 Capital (Going concern) and tier 2 Capital (Gone concern) structure at the moment.**

#### 3. Capital base

Regulatory capital has been categorized into following way:

- 1) Tier 1 Capital (going-concern capital)
  - a) Common Equity Tier I
  - b) Additional Tier I
- 2) Tier 2 Capital (Gone concern)

##### 1. (a) Common Equity Tier 1 Capital

For the local banks, Common Equity Tier 1 (CET1) capital shall consist of sum of the following items:

- a) Paid up capital
  - b) Non-repayable share premium account
  - c) Statutory reserve
  - d) General reserve
  - e) Retained earnings
  - f) Dividend equalization reserve
  - g) Minority interest in subsidiaries
- Less: Regulatory adjustments applicable on CET1

##### 1. (b) Additional Tier 1 Capital

For the local banks, Additional Tier 1 (AT1) capital shall consist of the following items:



- a) Instruments issued by the banks that meet the qualifying criteria for AT1 as specified at Annex4.
- b) Minority Interest i.e. AT1 issued by consolidated subsidiaries to third parties (for consolidated reporting only);  
Less: Regulatory adjustments applicable on AT1 Capital

## 2. Tier 2 Capital

Tier 2 capital, also called ‘Gone-Concern Capital’, represents other elements which fall short of some of the characteristics of the core capital but contribute to the overall strength of a bank. For the local banks, Tier 2 capital shall consist of the following items:

- a) General Provisions; (General provisions/general loan-loss reserve eligible for inclusion in Tier 2 will be limited to a maximum 1.25 percentage points of credit risk-weighted assets calculated under the standardized approach)
- b) Subordinated debt / Instruments issued by the banks that meet the qualifying criteria for Tier 2 capital;
- c) Minority Interest i.e. Tier-2 issued by consolidated subsidiaries to third parties as specified  
Less: Regulatory adjustments applicable on Tier-2 capital;

## 4. Limits (Minima and Maxima)

These instructions will be adopted in a phased manner starting from the January 2015, with full implementation of capital ratios from the beginning of 2019. Banks will be required to maintain the following ratios on an ongoing basis:

- a) Common Equity Tier 1 of at least 4.5% of the total RWA.
- b) Tier-1 capital will be at least 6.0% of the total RWA.
- c) Minimum CRAR of 10% of the total RWA.
- d) Additional Tier 1 capital can be admitted maximum up to 1.5% of the total RWA or 33.33% of CET1, whichever is higher
- e) Tier 2 capital can be admitted maximum up to 4.0% of the total RWA or 88.89% of CET1, whichever is higher
- f) In addition to minimum CRAR, Capital Conservation Buffer (CCB) of 2.5% of the total RWA is being introduced which will be maintained in the form of CET1.

### Following is the phase-in arrangement for the implementation of minimum capital requirements

Phase-in arrangement of minimum capital requirements

	2015	2016	2017	2018	2019
Minimum Common Equity Tier-1 Capital Ratio	4.50%	4.50%	4.50%	4.50%	4.50%
Capital Conservation Buffer	-	0.63%	1.25%	1.88%	2.50%
Minimum CET-1 plus Capital Conservation Buffer	4.5%	5.13%	5.75%	6.38%	7.00%
Minimum T-1 Capital Ratio	5.50%	5.50%	6.00%	6.00%	6.00%
Minimum Total Capital Ratio	10.00%	10.00%	10.00%	10.00%	10.00%
Minimum Total Capital plus Capital Conservation Buffer	10.00%	10.63%	11.25%	11.88%	12.50%

## 5. Capital Conservation Buffer

Banks are required to maintain a capital conservation buffer of 2.5%, comprised of Common Equity Tier 1 capital, above the regulatory minimum capital requirement of 10%. Banks should not distribute capital (i.e. pay dividends or bonuses in any form) in case capital level falls within this range. However, they will be able to conduct business as normal when their capital levels fall into the conservation range as they experience losses. Therefore, the constraints imposed are related to the distributions only and are not related to the operations of banks. The distribution constraints imposed on banks when their capital levels fall into the range increase as the banks’ capital levels approach the minimum requirements. The Table below shows the minimum capital conservation ratios a bank must meet at various levels of the Common Equity Tier 1 capital ratios. Bank’s minimum capital conservation standards



CET-1 Ratio	Minimum Capital Conservation Ratio (expressed as percentage of earnings)
4.5% - 5.125%	100%
5.75%	80%
6.375%	60%
7.0%	40%
>7.0%	0%

## 6. Regulatory Adjustments / Deductions

In order to arrive at the eligible regulatory capital for the purpose of calculating CRAR, banks are required to make the following deductions from CET1/Capital:

- Shortfall in provisions against NPLs and Investments
- Goodwill and all other Intangible Assets
- Deferred tax assets (DTA)
- Defined benefit pension fund assets
- Gain on sale related to securitization transactions
- Investment in own shares
- Investments in the Capital of Banking, Financial and Insurance Entities  
(Reciprocal crossholdings in the Capital of Banking, Financial and Insurance Entities)

## Transitional Arrangements for Capital Deductions

Currently, 10% of revaluation reserves for equity instruments and 50% of revaluation reserves for fixed assets and securities are eligible for Tier 2 capital. However, Bangladesh Bank, in the light of Basel III proposals, has harmonized deductions from capital which will mostly be applied at the level of Tier 2. The regulatory capital adjustment will start in a phased manner from January, 2015 in the following manner:

### Transitional Arrangements for Capital Deductions

Phase-in of deductions from Tier 2	2015	2016	2017	2018	2019
RR for Fixed Assets	20%	40%	60%	80%	100%
RR for Securities	20%	40%	60%	80%	100%
RR for Equity Securities	20%	40%	60%	80%	100%

## 7. Leverage Ratio

A minimum Tier 1 leverage ratio of 3% is being prescribed both at solo and consolidated level

The banks will maintain leverage ratio on quarterly basis. The calculation at the end of each calendar quarter will be submitted to BB showing the average of the month end leverage ratios based on the following definition of capital and total exposure.

$$\text{Leverage Ratio} = \frac{\text{Tier 1 Capital (after related deductions)}}{\text{Total Exposure (after related deductions)}}$$



### **Transitional Arrangements**

The parallel run period for leverage ratio will commence from January, 2015 and run until December 31, 2017. During this period, the leverage ratio and its components will be tracked to assess whether the design and calibration of the minimum tier 1 leverage ratio of 3% is appropriate over a credit cycle and for different types of business models, including its behavior relative to the risk based requirements.

Bank level disclosure of the leverage ratio and its components will start from January 1, 2015. However, banks should report their Tier 1 leverage ratio to the BB (Department of Off-Site Supervision) along with CRAR report from the quarter ending March, 2015. Based on the results of the parallel run period, any final adjustments to the definition and calibration of the leverage ratio will be made by BB in 2017, with a view to setting the leverage ratio requirements as a separate capital standard from January 1, 2018.

**Bank complied with the conditions as embodied in this respect wherever applicable.**

### **8. a) Credit Risk**

Credit risk is the potential that a bank borrower or counterparty fails to meet its obligation in accordance with agreed term.

**Bank followed the suggested methodology, process as contained in the Guidelines.**

#### **b) Methodology**

Bangladesh Bank adopted Standardized Approach for calculating Risk Weighted Assets. The capital requirement for credit risk is based on the risk assessment made by external credit assessment institutions (ECAIs) recognized by BB for capital adequacy purposes. Banks are required to assign a risk weight to all their on-balance sheet and off-balance sheet exposures. Risk weights are based on external credit rating (solicited) which was mapped with the BB rating grade or a fixed weight that is specified by Bangladesh Bank.

#### **c) Credit Risk Mitigation**

Shimanto Bank is under taking the following techniques to reduce its credit risk to which the Bank is exposed. For example, exposures may be collateralized by first priority claims, in whole as in part with cash or securities, a loan exposure may be guaranteed by a third party. Additionally, Bank may agree to net loans owed to them against deposits from the same counterparty.

Bank uses Comprehensive Approach as adopted by the Central Bank. In this approach when taking collateral, Bank will need to calculate adjusted exposure to a counterparty for capital adequacy purposes in order to take account of the effects of that collateral. Using haircut, Bank is required to adjust both the amount of the exposure to the counterparty and the value of any collateral received in support of that counterparty to take account of possible future fluctuations in the value of either, occasioned by market movements. This will produce volatility adjusted amounts for both exposure and collateral.

### **9. a) Market Risk**

Market risk is defined as the risk of losses in on and off-balance sheet positions arising from movements in market prices. The market risk positions subject to this requirement are:

- i) The risks pertaining to interest rate related instruments and equities in the trading book; and
- ii) Foreign exchange risk and commodities risk throughout the bank (both in the banking and in the trading book).

#### **b) Methodology**

In Standardized Approach, the capital requirement for various market risks (interest rate risk, equity price risk, commodity price risk, and foreign exchange risk) is determined separately. The total capital requirement in respect of market risk is the sum of capital requirement calculated for each of these market risk sub-categories. The



methodology to calculate capital requirement under Standardized Approach for each of these market risk categories is as follows:

- a) Capital Charge for Interest Rate Risk = Capital Charge for Specific Risk + Capital Charge for General Market Risk.
- b) Capital Charge for Equity Position Risk = Capital Charge for Specific Risk + Capital Charge for General Market Risk.
- c) Capital Charge for Foreign Exchange Risk = Capital Charge for General Market Risk
- d) Capital Charge for Commodity Position Risk = Capital Charge for General Market Risk

**Bank followed the suggested methodology, process as contained in the Guidelines.**

**10. a) Operational Risk**

Operational Risk is defined as the risk of losses resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk, but excludes strategic and reputation risk.

**b) Measurement Methodology**

Banks operating in Bangladesh shall compute the capital requirements for operational risk under the Basic Indicator Approach (BIA). Under BIA, the capital charge for operational risk is a fixed percentage, denoted by (alpha), of average positive annual gross income of the bank over the past three years. Figures for any year in which annual gross income is negative or zero, should be excluded from both the numerator and denominator when calculating the average.

**Bank followed the suggested methodology, process as contained in the Guidelines.**

**11. Disclosure under Pillar III**

Disclosure given below as specified by RBCA Guidelines dated 21 December 2014:

**Market Discipline**

Disclosures on Risk Based Capital (Basel-III)

**1. Scope of Application:**

<b>Qualitative disclosure</b>	a)	The name of the top corporate entity in the group to which this guidelines applies	<b>Shimanto Bank Limited</b>
	b)	b) An outline of differences 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).	<b>Shimanto Bank Limited</b> <b>Shimanto</b> Bank Limited was formally inaugurated on 1 <sup>st</sup> September 2016 by the Honorable Prime Minister <b>Sheikh Hasina</b> , and incorporated as a Public Limited Company (Banking Company) under the Companies Act 1994 for carrying out all kinds of banking activities.  Presently the Bank is operating its business activities through Head Office with



			<b>Eighteen branches</b> (Principal branch, Mymensing branch, Agrabad Branch, Satkania Branch, Benapole Branch, Motijheel Branch, Bibir Bazar Branch, Cox's Bazar Branch, Teknaf Branch, LalMonirhat Branch, SeedStore Branch, Champaknagar Branch, Sylhet Branch, Pragpur Branch, Uttara Branch, Hazaribag Branch, Khulna Branch, and Gadkhali branch)
	c)	Any restrictions, or other major impediments, on transfer of funds or regulatory capital within the group	Not applicable
<b>Quantitative disclosure</b>	d)	The aggregate amount of capital deficiencies in all subsidiaries not included in the consolidation that are deducted and the name (s) of such subsidiaries	Not applicable

**2. Capital Structure:**

<b>Qualitative disclosure</b>	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 in Tier 2.	As per the guidelines of Bangladesh Bank, <b>Tier-1 Capital</b> of Shimanto Bank Limited consists of (i) Fully Paid-up Capital, (ii) Statutory reserve and (iii) Retained Earnings.  <b>Tier-2 Capital</b> consists of (i) General Provision against unclassified Loans/Investments.
	b)	The amount of Tier-1 capital with separate disclosure of:	<i>Figure in BDT Crore</i>
		i. Fully Paid-up Capital	400.00
		ii. Statutory reserve	10.13
		iii. Retained Earnings	16.54
		<b>Sub-Total (A)</b>	<b>426.67</b>
	c)	The total amount of Tier-2 and Tier-3 capital <b>(B)</b>	<b>7.88</b>
	d)	Other deductions from capital	-
	e)	<b>Total eligible capital (A+B)</b>	<b>434.55</b>



**3. Capital Adequacy:**

Qualitative Disclosures	
<p>a) A summary discussion of the bank’s approach to assessing the adequacy of its capital to support current and future activities.</p>	<p>The Bank has computed the Capital to Risk Weighted Ratio (CRAR) adopting the following approaches:</p> <p>a. Standardized Approach for Credit Risk to Compute Capital to Risk Weighted Ratio under Basel III, using national discretion for:</p> <ul style="list-style-type: none"> <li>▪ Accepting the credit rating agencies as External Credit Assessment Institutions (ECAI) for claims on corporate and eligible SME customers.</li> <li>▪ Accepting Credit Risk Mitigation (CRM) against the financial securities.</li> </ul> <p>b. Standardized (rule based) Approach for Market Risk and</p> <p>c. Basic Indicator Approach for Operational Risk.</p> <p>Besides computing CRAR under the Pillar I requirement, the Bank also undertakes stress testing periodically in various risk areas to assess the impact of stressed scenario or plausible events on asset quality, liquidity, profitability and capital adequacy.</p>
Quantitative Disclosures	
Capital requirement under following Risk:	Amount in Crore
b) Capital requirement for Credit Risk	741.21
c) Capital requirement for Market Risk	0.00
d) Capital requirement for Operational Risk	79.29
<b>Total Capital Requirement (b+c+d)</b>	<b>820.49</b>
Minimum Capital Requirement (MCR) Capital Adequacy Ratio (CRAR):	
1. Common Equity Tier 1 (CET 1) Ratio	52.00%
2. Tier 1 Capital Adequacy Ratio	52.96%
3. Tier-2 Capital Adequacy Ratio	0.96%
Capital to Risk-weighted Asset Ratio (CRAR)	52.96%
Capital Buffer	40.46%
Available Capital under Pillar 2 Requirement	7.88
Minimum Capital Requirement (MCR)	<b>400.00</b>



4. Credit Risk:

Qualitative disclosure	a)	The general qualitative disclosure requirement with respect to credit risk, including:	
	i) Definitions of past due and impaired (for accounting purposes)	<p>All the loans and advances are grouped into four categories for the purpose of classification, namely (i) Continuous Loan, (ii) Demand Loan (iii) Fixed Term Loan and (iv) Short-term Agricultural and Micro Credit.</p> <p>In case of <b>Continuous Loan, Demand Loan, Fixed Term Loan</b>, the past due/overdue calculation and classification structure will be as follows:</p> <p><b>Past due/Overdue:</b></p> <ul style="list-style-type: none"><li>• 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.</li><li>• 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.</li><li>• 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.</li></ul> <p><b>Special Mention Account (SMA):</b> Continuous loan, Demand loan or Fixed Term Loan or any installment(s)/part of installment(s) of a Fixed Term Loan which remain overdue for a period of 02 (two) months or beyond but less than 03 (three) months, the entire loan will be treated as "Special Mention Account (SMA)".</p> <p><b>Loan Classification structure:</b> They are classified as follows:</p> <ul style="list-style-type: none"><li>• <b>Substandard (SS):</b> 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)".</li><li>• <b>Doubtful (DF):</b> 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)".</li><li>• <b>Bad/Loss (B/L):</b> 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)".</li></ul>	





			<p><b>Short-term Agricultural and Micro Credit</b> will be considered irregular if it is not repaid within the due date as stipulated in the loans agreement are classified as under:</p> <ul style="list-style-type: none"> <li>• <b>Substandard (SS):</b> if the irregular status continues after a period of 12 (twelve) months, the credits are classified as “Sub-standard”.</li> <li>• <b>Doubtful (DF):</b> if the irregular status continue after a period of 36 (thirty six) months, the credits are classified as “Doubtful”.</li> <li>• <b>Bad/Loss (B/L):</b> if the irregular status continue after a period of 60 (sixty) months, the credits are classified as “Bad/Loss”.</li> </ul> <p><b>Defaulted Loan:</b> Loans have to be treated as defaulted loan as per section 5(GaGa) of the Banking Companies Act, 1991. In this regard, a portion of the "Sub-standard (SS)" loans will be reported as defaulted loan.</p>												
		<p>ii) Description of approaches followed for specific and general allowances and statistical methods</p>	<p>The Bank is required to maintain the following general and specific provision in respect of classified and unclassified loans and advances / investments on the basis of Bangladesh Bank guidelines issued from time to time:</p> <table border="1"> <thead> <tr> <th>Particulars</th> <th>Rate</th> </tr> </thead> <tbody> <tr> <td>General provision on unclassified Small and Medium Enterprise (SME) financing.</td> <td>0.25%</td> </tr> <tr> <td>General provision on unclassified loans and advances/investments.</td> <td>1%</td> </tr> <tr> <td>General provision on unclassified loans and advances for housing finance</td> <td>1%</td> </tr> <tr> <td>General provision on off-balance sheet exposures (Provision has been made on the total exposure and amount of cash margin or value of eligible collateral were not deducted while computing off-balance sheet exposure).</td> <td>1%</td> </tr> <tr> <td>General provision on unclassified loans and advances for Credit card, loans for professionals to set-up business under consumer financing scheme</td> <td>2%</td> </tr> </tbody> </table>	Particulars	Rate	General provision on unclassified Small and Medium Enterprise (SME) financing.	0.25%	General provision on unclassified loans and advances/investments.	1%	General provision on unclassified loans and advances for housing finance	1%	General provision on off-balance sheet exposures (Provision has been made on the total exposure and amount of cash margin or value of eligible collateral were not deducted while computing off-balance sheet exposure).	1%	General provision on unclassified loans and advances for Credit card, loans for professionals to set-up business under consumer financing scheme	2%
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			<table border="1"> <tbody> <tr> <td>General provision on the unclassified loans to Brokerage House, Merchant Banks, Stock Dealers, etc</td> <td>2%</td> </tr> <tr> <td>General provision on unclassified amount for Consumer Financing other than Housing finance, Credit card, loans for professionals to set-up business under consumer financing scheme</td> <td>5%</td> </tr> <tr> <td>General provision for all regular short term agri. and micro credit</td> <td>1%</td> </tr> </tbody> </table>	General provision on the unclassified loans to Brokerage House, Merchant Banks, Stock Dealers, etc	2%	General provision on unclassified amount for Consumer Financing other than Housing finance, Credit card, loans for professionals to set-up business under consumer financing scheme	5%	General provision for all regular short term agri. and micro credit	1%						
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General provision for all regular short term agri. and micro credit	1%														



			General provision on outstanding amount for Special Mention Account (SMA)	5%
			Specific provision on Sub-Standard loans and advances	20%
			Specific provision on Doubtful loans and advances	50%
			Specific provision for Sub-Standard and Doubtful short term agri. and micro credit	5%
			Specific provision on Bad /Loss loans and advances	100%
<b>Quantitative Disclosure</b>	b)	Total gross credit risk exposures broken down by major types of credit exposure	<b>Total Gross Credit Risk Exposures broken down by major types of credit exposure of the Bank:</b>	
			<b>Particulars</b>	<b>Figure in BDT crore</b>
			Loan (General)	544.84
			Cash Credit	0.00
			Overdraft	166.64
			Staff Loan	5.87
			<b>TOTAL</b>	<b>717.35</b>
	c)	Geographical distribution of exposures, broken down in significant areas by major types of credit exposure	<b>Geographical distribution of exposures, broken down in significant areas by major types of credit exposure of the Bank:</b>	
			<b>Particulars</b>	<b>Figure in BDT crore</b>
			<b>Urban:</b>	
			Dhaka Division	456.83
			Chattogram Division	117.86
			Sylhet Division	10.74
			Khulna Division	32.30
			Mymensingh Division	26.20
			Rangpur Division	14.45
			Rajshahi	-
			<b>Rural:</b>	
			Chattogram Division	41.68
			Dhaka Division	55.42
Khulna Division	0.75			
		<b>TOTAL</b>	<b>717.35</b>	
d)	Industry or counterparty type distribution of exposures, broken	Industry or counterparty type distribution of exposures, broken down by major types of credit exposure of the Bank:		
		<b>Particulars</b>	<b>Figure in BDT crore</b>	
		Commercial and Trading	2.67	



	down by major types of Credit exposure.	Importer of Commodity	Nil
		Construction	58.00
		Edible Oil Refinery Industry	Nil
		Electronics Goods	15.45
		Consumer Credit	532.31
		Pharmaceuticals Industries	Nil
		Readymade Garments Industry	Nil
		Ship Breaking Industry	Nil
		Industries for Steel Products	Nil
		Telecommunication Sector	Nil
		Textile Mills	Nil
		Power Sector	51.68
		Others	57.24
		<b>TOTAL</b>	<b>717.35</b>
e)	Residual contractual maturity breakdown of the whole portfolio, broken down by major types of credit exposure.	Residual contractual maturity break down of the whole portfolios, broken down by major types of credit exposure of the Bank:	
		<b>Particulars</b>	<b>Figure in BDT crore</b>
		Repayable on demand	50.01
		In more than one month but not more than three months	0.00
		In more than three months but not more than one year	166.80
		In more than one year but not more than five years	135.83
		more than five years	364.70
		<b>TOTAL</b>	<b>717.35</b>
f)	<b>By major industry or counterparty type:</b>		
	i) Amount of impaired loans and if available, past due loans, provided separately	Nil	
	ii) Specific and general provisions	Nil	



	iii) Charges for specific allowances and charge-offs during the period.	Nil
g)	<b>Gross Non-Performing Assets (NPAs). Non-Performing Assets (NPAs) to Outstanding loans and advances.</b>	
	Movement of Non-Performing Assets (NPAs).	0.43%
	Movement of Specific Provisions for (NPAs).	Nil

**5. Equities: Disclosures for Banking Book Positions**

Qualitative disclosures	a)	The general qualitative disclosure requirement with respect to equity risk, including:
	•Differentiation between holdings on which capital gains are expected and those taken under other objectives including for relationship and strategic reasons; and	Investment in equity securities are broadly categorized into two parts: i) Quoted Securities (Common or Preference Shares & Mutual Fund) that are traded in the secondary market (Trading Book Assets). ii) Unquoted securities are categorized as banking book equity exposures which are further sub-divided into two groups: unquoted securities which are invested without any expectation that these will be quoted in near future i.e. held for maturity (HFM), and securities those are acquired under private placement or IPO and are going to be traded in the secondary market after completing required formalities. Unquoted securities are valued at cost.
	•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 primary aim is to investment in these equity securities for the purpose of capital gain by selling them in future or held for dividend income. Dividends received from these equity securities are accounted for as and when received. Both Quoted and Un Quoted equity securities are valued at cost and necessary provisions are maintained if the prices fall below the cost price. As per Bangladesh Bank guidelines, the HFT equity securities are revalued once in each week using marking to market concept and HTM equity securities are amortized once a year according to Bangladesh Bank guideline. The HTM equity securities are also revalued if any, are reclassified to HFT category with the approval of Board of Directors.



<b>Quantitative disclosures</b>	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.	<b>Nil</b>
	c)	The cumulative realized gains (losses) arising from sales and liquidations in the reporting period.	<b>Nil</b>
	d)	<ul style="list-style-type: none"> <li>• Total unrealized gains (losses)</li> <li>• Total latent revaluation gains (losses)</li> <li>• Any amounts of the above included in Tier-2 capital.</li> </ul>	<b>Nil</b>
	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	<b>Nil</b>

**6. Interest Rate Risk in the Banking Book**

<b>Qualitative disclosures</b>	a)	The general qualitative disclosure requirement including the nature of IRRBB and key assumptions, including assumptions regarding loan repayments and behavior of non-maturity deposits, and frequency of IRRBB measurement.	Interest rate risk is the risk where changes in market interest rates might adversely affect a bank's financial condition. Changes in interest rates affect both the current earnings (earnings perspective) as well as the net worth of the bank (economic value perspective). Re-pricing risk is often the most apparent source of interest rate risk for a bank and is often gauged by comparing the volume of a bank's assets that mature or re-price within a given time period with the volume of liabilities that do so.
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			<p><b>Risk management framework:</b> The Asset Liability Management Committee (ALCO) consisting of Bank's senior management is responsible for ensuring adherence to the limits set by the Board as well as for deciding the business strategy of the Bank (for the assets and liabilities) in line with the Bank's budget and decided risk management objectives. ALCO decides strategies and specifies prudential limits for management of interest rate risk in the banking book within the broad parameters laid down by Board of Directors. These limits are monitored periodically and the breaches, if any, are reported to ALCO.</p>					
Quantitative disclosures	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 of measuring IRRBB, broken down by currency.	<b>Total Risk Sensitive Asset</b>		<b>745.13</b>			
			<b>Total Risk Sensitive Liabilities</b>		<b>772.93</b>			
			<b>Cumulative Gap</b>					
			< 3 month				219.70	
			3-6 month				137.20	
			6-12 month				-27.80	
CAR before shock (%)				52.96%				
<b>Assumed Change in Interest Rate</b>		<b>1.00%</b>	<b>2.00%</b>	<b>3.00%</b>				
<b>Capital After Shock</b> (in BDT Crore)		434.27	433.99	433.72				
<b>CAR After Shock (%)</b>		52.93%	52.89%	52.86%				

7. Market Risk:

Qualitative disclosures	a)	i) Views of Board of Directors (BOD) on trading/ investment activities.	There is an approved policy to monitor risks related to changes in market dynamics. The Board approves all policies related to market risk, sets limits and reviews compliance on a regular basis. The objective is to obtain the best balance of risk and return whilst meeting customers' requirements.			
		ii) Methods used to measure Market risk	Standardized approach has been 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. The methodology to calculate capital requirement under Standardized Approach for each of these market risk categories is as follows:  a)Capital charges for interest rate risk=			



			<p>Capital Charge for General Market Risk b)Capital charges for Equity Position Risk= Capital Charge for Specific Risk+ Capital Charge for General Market Risk c)Capital charges for Foreign Exchange Risk= Capital Charge for General Market Risk d)Capital charges for Commodity Position Risk= Capital Charge for General Market Risk.</p>
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		iii) Market Risk Management system	The Treasury Division of the Bank manages market risk covering liquidity, interest rate and foreign exchange risks with oversight from Assets- Liability Management Committee (ALCO) comprising senior executives of the Bank. ALCO is chaired by the Managing Director. ALCO meets at least once in a month.
		iv) Policies and processes for mitigating market risk.	<p>There are approved limits for Market risk related instruments both on-balance sheet and off-balance sheet items. The limits are monitored and enforced on a regular basis to protect against market risks. The exchange rate committee of the Bank meets on regular basis to review the prevailing market condition, exchange rate, foreign exchange position and transactions to mitigate foreign exchange risks.</p> <p>Policies and processes for mitigating market risk are mentioned below-</p> <p>Risk Management and reporting is based on parameters such as Maturity Gap Analysis, Duration Gap Analysis with the global best practices.</p> <p>Risk Profiles are analyzed and mitigating strategies/ processes are suggested by the Asset Liability Committee (ALCO).</p> <p>Asset Liability Management Committee (ALCO) analyzes market and determines strategies to attain business goals.</p> <p>Reconciliation of foreign currency transactions.</p>
<b>Quantitative disclosures</b>	b)	<b>Capital requirement for:</b>	<b>Figures in BDT crore</b>
		Interest rate related instruments	0.00
		Equities	0.00
		Foreign Exchange position	0.00
		Commodity Risk	0.00
		<b>TOTAL</b>	<b>0.00</b>



**8. Operational Risk:**

<p><b>Qualitative disclosures</b></p>	<p>a)</p>	<p>i) Views of BOD on system to reduce Operational Risk</p>	<p>Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk but excludes strategic and reputation risk. It is inherent in every business organization and covers a wide spectrum of issues. The Board of Director (BOD) of the Bank and its Management firmly believe that this risk through a control based environment in which processes are documented, authorizations are independent and transactions are reconciled and monitored. This is supported by an independent program of periodic reviews undertaken by internal audit, and by monitoring external operational risk events, which ensure that the Bank stays in line with industry best practices and takes account or lessons learned from publicized operational failures within the financial services industry.</p>
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		<p>ii) Performance gap of executives and staffs</p>	<p>The bank believes that training and knowledge sharing is the best way to reduce knowledge gap. Therefore, it arranges trainings on a regular basis for its employees to develop their expertise. The bank offers competitive pay package to its employees based on performance and merit. It always tries to develop a culture where all employees can apply his/her talent and knowledge to work for the organization with high ethical standards in order to add more value to the company and for the economy.</p>
		<p>iii) Potential external events</p>	<p>No potential external events are expected to expose the Bank to significant operational risk.</p>
		<p>iv) Policies and Processes for mitigating operational risk:</p>	<p>Internal control mechanism is in place to control and minimize the operational risks. If any controls are found to be ineffective during the course of Risk &amp; Control Self-Assessment, corrective measures are adopted in due course. A monitoring system is also in place for tracking the corrective actions plan periodically. The various Board approved policies viz., Internal Control &amp; Compliance Policy, Internet Banking Security Policy; Policy on KYC &amp; AML; ICT Policy addresses issues pertaining to Operational Risk Management.</p>

		iii) Approach for calculating capital charge for operational risk	<p>The Bank follows the Basic Indicator Approach (BIA) in terms of BRPD Circular No. 18 dated 21 December 2014 Guidelines on Risk Based Capital Adequacy (Revised Regulatory Capital Framework for banks in line with Basel III). The BIA stipulates the capital charge for operational risk is a fixed percentage, denoted by <math>\alpha</math> (alpha) of average positive annual gross income of the Bank over the past three years. It also states that if the annual gross income for any year is negative or zero, that should be excluded from both the numerator and denominator when calculating the average gross income. The capital charge for operational risk is enumerated by applying the following formula:</p> $K = [(GI_1 + GI_2 + GI_3) \alpha] / n$
<b>Quantitative disclosures</b>	b)	<b>The Capital Requirement for Operational Risk</b>	<b>Figure in BDT crore 79.27</b>

### 9. Liquidity Ratio:

<b>Qualitative Disclosures:</b>	
i) Views of BoD on system to reduce liquidity Risk	<p>The Board of Directors of the bank set policy, different liquidity ratio limits, and risk appetite for liquidity risk management as per regulatory guidelines. The ALM Policy, the most important policy for Liquidity Risk Management is reviewed periodically to incorporate changes as required by regulatory stipulation or to realign with changes in the economic landscape. The ALCO of the Bank formulates and reviews strategies and provides guidance for management of liquidity risk within the framework laid out in the ALM Policy.</p>
ii) Methods used to measure Liquidity risk	<p>In the perspective of Bangladesh, identifying and monitoring the driving factors of liquidity risk is viewed from the following aspects:</p> <p><b>Regulatory Liquidity Indicators (RLIs):</b></p> <ul style="list-style-type: none"> <li>Cash Reserve Requirement (CRR)</li> <li>Statutory Liquidity Ratio (SLR)</li> <li>Medium Term Funding Ratio (MTFR)</li> <li>Maximum Cumulative Outflow (MCO)</li> <li>Loan Deposit Ratio /ADR</li> <li>Liquidity Coverage Ratio (LCR)</li> <li>Net Stable Funding Ratio (NSFR)</li> </ul> <p><b>Bank's own liquidity monitoring tools:</b></p> <ul style="list-style-type: none"> <li>Wholesale Borrowing and Funding Guidelines</li> <li>Liquidity Contingency Plan</li> <li>Management Action Trigger (MAT)</li> </ul> <p>Computation of Capital Charge against Liquidity Risk: If annual average of any RLIs of any bank falls below Bangladesh Bank's requirement the bank will be required to maintain additional capital for that RLI (or those RLIs) in SRP.</p>

iii) Liquidity Risk Management System	The Asset Liability Management Committee (ALCO) of the Bank monitors & manages liquidity and interest rate risk in line with the business strategy. ALM activity including liquidity analysis & management is conducted through coordination between various ALCO support groups residing in the functional areas of Balance Sheet Management, Treasury Front Office, Budget and Planning etc.	
iv) Policies and Processes for mitigating Liquidity risk	An effective liquidity risk management process will include systems to identify measure, monitor and control its liquidity exposures.  Bank has Asset Liability Management Committee (ALCO) to monitor the liquidity risk on a regular basis. Based on the detail recommendation from ALM desk, ALCO take appropriate action to manage the liquidity risk. Also Bank has internal risk control framework which outlines clear and consistent policies and principles for liquidity risk management.	
<b>Quantitative Disclosures:</b>		Amount in Million (BDT.)
	Liquidity Coverage Ratio	299.30%
	Net Stable Funding Ratio (NSFR)	155.63%
	Stock of High quality liquid assets	2034.26
	Total net cash outflows over the next 30 calendar days	1778.80
	Available amount of stable funding	14135.13
	Required amount of stable funding	9082.30

**10. Leverage Ratio:**

<b>Qualitative Disclosures:</b>	
i) Views of BoD on system to reduce excessive leverage	In order to avoid building-up of an excessive on- and off-balance sheet leverage in the banking system, a simple, transparent and non-risk based leverage ratio has been introduced under the Base III framework. Board of Directors of our Bank continuously monitoring the exposure limit of lending, capital strength of our Bank in order to avoid building-up excessive on- and off-balance sheet leverage.

ii) Policies and processes for managing excessive on and off balance sheet leverage	<p>The leverage ratio is intended to achieve the following objectives: a) constrain the build-up of leverage in the banking sector which could damage the broader financial system and the economy b) reinforce the risk based requirements with any easy-to-understand and non-risk based measure.</p> <p>At the end December 2019, the minimum requirement for leverage ratio was 28.79% on solo bases. But Higher leverage ratio can decrease the profitability of banks because it means banks can do less profitable lending. However, increasing the leverage ratio means that banks have more capital reserves and can more easily survive a financial crisis.</p> <p>In view of the impact of leverage into the business, our bank management takes decision about future investment. Considering the financial strength, Bank also make Capital planning and business budget to go on a right way.</p>								
iii) Approach for calculating exposure	<p>The leverage ratio is a volume-based measure and is calculated as Basel III Tier I capital divided by total on and off-balance sheet exposures. A minimum Tier 1 leverage ratio of 3% is being prescribed both at solo and consolidated level.</p> $\text{Leverage Ratio} = \frac{\text{Tier 1 Capital (after related deductions)}}{\text{Total Exposure (after related deductions)}}$								
<b>Quantitative Disclosures:</b>									
	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 60%;">Leverage Ratio</td> <td style="text-align: right;">28.79%</td> </tr> <tr> <td>On balance sheet exposure</td> <td style="text-align: right;">1482.20 (crore)</td> </tr> <tr> <td>Off balance sheet exposure</td> <td style="text-align: right;">Nil</td> </tr> <tr> <td>Total exposure</td> <td style="text-align: right;">1482.20 (crore)</td> </tr> </table>	Leverage Ratio	28.79%	On balance sheet exposure	1482.20 (crore)	Off balance sheet exposure	Nil	Total exposure	1482.20 (crore)
Leverage Ratio	28.79%								
On balance sheet exposure	1482.20 (crore)								
Off balance sheet exposure	Nil								
Total exposure	1482.20 (crore)								

**11. Remuneration:**

Qualitative Disclosures	(a)	<p><b>Information relating to the bodies that oversee remuneration:</b></p> <p>The remuneration issues in Shimanto Bank are overseen by top Management comprising the Managing Director &amp; CEO, Deputy Managing Directors &amp; CRO and the Head of HR. The primary functions of the Remuneration Committee are to determine, review and propose principles and governance framework for all decisions relating to remunerations of the employees of Shimanto Bank. While the Human Resources Division is responsible for preparing and recommending reward plans and compensation, the committee's duties are to assess and review these recommendations and submit them to the Board of Directors for approval.</p>
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	(b)	<p><b>Information relating to the design and structure of remuneration process:</b></p> <p>The key features and objectives of remuneration policy:</p> <ul style="list-style-type: none"> <li>▪ Appropriately compensate Employees for the services they provide to the Bank;</li> <li>▪ Attract and retain Employees with skills required to effectively manage the operations and growth of the business;</li> <li>▪ Be consistent and appropriate having regard to the performance of the Bank and the relevant Employees;</li> <li>▪ Motivate Employees to perform in the best interests of the Bank and its shareholders;</li> <li>▪ Motivate Employees to pursue long term growth and success of the Bank within the Board approved control framework;</li> <li>▪ Manage the risks associated with remuneration in a manner that supports the Bank’s risk management frameworks by applying an appropriate balance between fixed and variable remuneration, reflecting short and long term performance objectives to the Bank’s circumstances and goals;</li> <li>▪ Apply key short term and long term key performance indicators, including financial and nonfinancial measures of performance, to eligible employees;</li> <li>▪ Demonstrate a clear relationship between individual performance and rewards;</li> <li>▪ Comply with all regulatory and legal requirements; and</li> <li>▪ Provide an appropriate level of transparency.</li> </ul> <p>In the year 2019, the salary structure of the bank was reviewed by the committee and finally approved by the Board, where the structure was adjusted with the then inflation rate.</p> <p>The structure of remuneration arrangements for all employees consists of following components:</p> <ul style="list-style-type: none"> <li>• Fixed Remuneration; and</li> <li>• Performance-based remuneration</li> </ul>
		<p><b>Fixed remuneration:</b> This includes base salary, fixed benefits and superannuation. Base salaries are determined to attract and retain employees with skills required to effectively manage the operations and growth of the business to reflect best market practice for the specific circumstances of the Bank. Fixed remuneration is benchmarked against the financial services industry through the use of external remuneration market surveys, conducted by professional, independent benchmarking organizations.</p> <p><b>Performance-based remuneration:</b> Employee remuneration packages may include a ‘variable’ component with short term and long term incentive plans.</p> <p>Moreover, the employees whose job nature shows risk factors are allowed risk allowances as prescribed in the policy. In addition, employees with compliance and supervisory responsibilities are also provided additional benefits besides their regular pay.</p>

	(c)	<p><b>Description of the ways in which current and future risks are taken into account in the remuneration processes.</b></p> <p>The Bank’s remuneration practices are carefully managed takes into account the following key risks when implementing remuneration measures:</p> <ul style="list-style-type: none"> <li>• Financial Risks</li> <li>• Compliance Risks</li> </ul> <p>Risk and compliance requirements represent a gateway to whether an incentive bonus payment is made and the size of the payment. Despite, if the individual does not meet or only partially meets compliance requirements, no award or a reduced award may be made.</p>
	(d)	<p><b>Description of the ways in which the bank seeks to link performance :</b></p> <p>❖ <b>Overview of main performance metrics for the Bank, top level business lines and individuals-</b>  The main performance metrics include profits, loan growth, deposit growth, risk metrics (such as quality of assets), compliance with regulatory norms, refinement of risk management processes and customer service. The specific metrics and weightages for various metrics vary with the role and level of the individual.</p> <p>❖ <b>Discussion of how amounts of individual remuneration are linked to the Bank-wide and individual performance-</b></p> <p>The Performance Appraisal Form (PAF) takes into consideration all the above aspects while assessing individual performance and making compensation-related recommendations to the Remuneration Committee regarding the level of increment and performance bonus for employees. The performance assessment of individual employees is undertaken based on achievements visà-vis their goal sheets, which incorporate the various aspects/metrics.</p>

	(e)	<p><b>Description of the ways in which the bank seeks to adjust remuneration to take account of longer-term performance.</b></p> <p>The Bank’s remuneration system is designed to reward long-term as well as short-term performance, encourage retention and recognize special performance in the organization. The Bank provides reasonable remuneration for short-term performance besides for long-term performance the bank has some deferred payment options (i.e. incentive bonus, gratuity, superannuation etc.)</p> <p>In case of following situation remuneration can be adjusted before vesting:</p> <ul style="list-style-type: none"> <li>• Disciplinary Action (at the discretion of Enquiry committee)</li> <li>• Resignation of the employee prior to the payment date.</li> </ul> <p>At the same time previously paid or already vested variable pay can also be recovered under the case of disciplinary action (at the discretion of the Enquiry Committee and approval of Executive Committee)</p>
	(f)	<p><b>Description of the different forms of variable remuneration that the bank utilities and the rationale for using these different forms.</b></p> <p>The main forms of such variable remuneration include:</p> <ul style="list-style-type: none"> <li>• Monthly Cash benefits</li> <li>• Incentive plan for the employees to be paid annually</li> </ul> <p>The form of variable remuneration depends on the job level of individual, risk involved, the time horizon for review of quality of the assignments performed.</p>
<b>Quantitative Disclosures</b>	(g)	<p>Number of Meeting held by the Remuneration Committee during the financial year and remuneration paid to its member.</p> <p><b>Nil</b></p>
	(h)	<p>Number of employees having received a variable remuneration award during the financial year. <b>Nil</b></p> <p>Number and total amount of guaranteed bonuses awarded during the financial year: <b>BDT. 1.00 Crore</b></p> <p>Number and total amount of sign-on award made during the financial year. <b>Nil</b></p> <p>Number and total amount of severance payments made during the financial year. <b>Nil</b></p>

	(i)	<p>Total amount of outstanding deferred remuneration, split into cash, shares and share-lined instruments and other forms.  <b>= 1.5 Crore</b></p> <p>Total amount of deferred remuneration paid out in the financial year: Nil</p>																					
	(j)	<p><b>Breakdown of amount of remuneration awards for the financial year to show.</b>  <b>Fixed and Variable:</b></p> <p><b>Breakdown of Remuneration (Fixed and Variable) is as follows (Amount in Crore)</b></p> <table border="1" data-bbox="477 506 1398 821"> <tr> <td data-bbox="477 506 586 552">Basic Salary</td> <td data-bbox="586 506 992 552">7.47</td> <td data-bbox="992 506 1398 552"></td> </tr> <tr> <td data-bbox="477 552 586 598">Allowances</td> <td data-bbox="586 552 992 598">10.75</td> <td data-bbox="992 552 1398 598"></td> </tr> <tr> <td data-bbox="477 598 586 644">Festival Bonus</td> <td data-bbox="586 598 992 644">1.17</td> <td data-bbox="992 598 1398 644"></td> </tr> <tr> <td data-bbox="477 644 586 690">Gratuity</td> <td data-bbox="586 644 992 690">0.34</td> <td data-bbox="992 644 1398 690"></td> </tr> <tr> <td data-bbox="477 690 586 737">Provident Fund Contribution</td> <td data-bbox="586 690 992 737">0.73</td> <td data-bbox="992 690 1398 737"></td> </tr> <tr> <td data-bbox="477 737 586 783">Performance Bonus</td> <td data-bbox="586 737 992 783">1.00</td> <td data-bbox="992 737 1398 783"></td> </tr> <tr> <td data-bbox="477 783 586 821"><b>Total</b></td> <td data-bbox="586 783 992 821"><b>21.46</b></td> <td data-bbox="992 783 1398 821"></td> </tr> </table>	Basic Salary	7.47		Allowances	10.75		Festival Bonus	1.17		Gratuity	0.34		Provident Fund Contribution	0.73		Performance Bonus	1.00		<b>Total</b>	<b>21.46</b>	
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<b>Total</b>	<b>21.46</b>																						
	(k)	<p>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 revaluation of awards) of deferred remuneration and retained remuneration:</p> <p>Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit and/or implicit adjustments.  <b>Nil</b></p> <p>Total amount of reductions during the financial year due to ex post explicit adjustments.  <b>Nil</b></p> <p>Total amount of reduction during the financial year due to ex post implicit adjustments.  <b>Nil</b></p>																					