Disclosures on Risk Based Capital Requirement under Basel-III
for the year ended December 31, 2016

Disclosure Overview

The following detailed qualitative and quantitative disclosures are provided in accordance with the Guidelines on Risk Based Capital Adequacy (Revised Regulatory Capital Framework for banks in line with Basel III) issued by Bangladesh Bank through circular no. BRPD-18 dated 21 December 2014. This is intended to provide the users an insight about various risk exposures, to which the Bank is exposed and maintained adequate capital against them. The users will also be able to compare the Bank's performance within the banking industry.

Scope and purpose

The purpose of Market Discipline in the Revised Capital Adequacy Framework is to complement the Minimum Capital Requirements and the Supervisory Review Process. The aim of introducing Market Discipline in the revised Framework is to establish more transparent and more disciplined financial market so that stakeholders can assess the position of a bank regarding holding of assets and to identify the risks relating to the assets and capital adequacy to meet probable loss of assets.

All the quantitative disclosures furnished here are on ***Solo Basis*** and on the basis of audited financial statements of BASIC Bank Limited for the year ended 31 December 2016 prepared under relevant International Accounting And Financial Reporting Standards as adopted by the Institute of Chartered Accountant of Bangladesh (ICAB) and related circulars/instructions issued by Bangladesh Bank from time to time.

A) Scope of Application

Qualitative Disclosures

a.	The name of the top corporate entity in the group to which this guidelines applies.	**BASIC Bank Limited**
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: (a) that are fully consolidated; (b) that are given a deduction treatment; and (c) that are neither consolidated nor deducted	The Risk Based Capital Adequacy Framework applies to BASIC Bank Limited on **"Solo Basis"** as there are no subsidiaries of the Bank on reporting date.
c.	Any restrictions, or other major impediments, on transfer of funds or regulatory capital within the group.	Not Applicable

Quantitative Disclosure

d.	The aggregate amount of surplus capital of insurance subsidiaries (whether deducted or subjected to an alternative method) included in the capital of the consolidated group.	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 CET-1, Additional Tier- 1 or Tier- 2.

For the purpose of calculating capital under Capital Adequacy Framework, the capital of banks shall be classified into two tiers-

- Tier-1 Capital (Going-Concern Capital)
- Tier-2 Capital (Gone-Concern Capital)

Tier 1 Capital is further classified into two categories-

- Common Equity Tier-1
- Additional Tier-1

Common Equity Tier-1 (CET-1) capital, which is the sum of core capitals like Paid-up Capital, Retained Earnings, Statutory Reserve, General Reserve etc. after netting regulatory adjustments like Shortfall in loan loss provision maintained, Goodwill, Deferred Tax Assets etc., of BASIC Bank as on 31st December 2016 was negative BDT 1,930.09 crore. Here, huge shortfall in maintaining specific provision against NPL of the Bank affects mostly to its strong CET-1 base.

Additional Tier-1 (AT-1) Capital shall consist of Non-cumulative Irredeemable Preference Share account, Instruments issued by the banks that meet the qualifying criteria for the same, Minority Interest etc. after netting regulatory adjustments. On 31st December 2016, the Bank only had a Non-cumulative Irredeemable Preference Share account for BDT 120.50 crore in AT-1 Capital.

On the other hand, Tier-2 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. Tier-2 Capital shall consist of General Provisions, Subordinated Debt / Instruments issued by the banks etc. after netting regulatory adjustments. The Bank had a total of BDT 62.99 crore eligible Tier-2 Capital on 31st December 2016.

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. All banks will be required to maintain the capital adequacy ratios on an ongoing basis as per following table:

	2015	2016	2017	2018	2019	2020
Minimum CET-1 Capital Ratio	**4.50%**	4.50%	4.50%	4.50%	4.50%	4.50%
Minimum T-1 Capital Ratio	**5.50%**	5.50%	6.00%	6.00%	6.00%	6.00%
Minimum Total Capital Ratio	**10.00%**	10.00%	10.00%	10.00%	10.00%	10.00%
Capital Conservation Buffer (CCB)	**-**	0.625%	1.25%	1.875%	2.50%	2.50%
Minimum CET-1 plus CCB	**4.50%**	5.125%	5.75%	6.375%	7.00%	7.00%
Minimum T-1 Capital Ratio plus CCB	**5.50%**	6.125%	7.25%	7.875%	8.50%	8.50%
Minimum Total Capital plus CCB	**10.00%**	**10.625%**	**11.25%**	**11.875%**	**12.50%**	**12.50%**

Quantitative Disclosures

(Amount in crore BDT)

b. The amount of Regulatory Capital, with separate disclosure of: • CET-1 Capital • Additional Tier-1 Capital • Total Tier-1 Capital • Tier-2 Capital	**Tier- 1 Capital (Going Concern Capital)**			
	Common Equity Tier-1			
	Fully Paid-up Capital	1,084.70		
	Statutory Reserve	222.47		
	General Reserve	4.00		
	Retained Earnings	(1,965.08)		
	Others (fresh fund provided by Govt. in the process of converting to capital)	1,600.00		
			946.09	
	Regulatory Adjustments (from CET-1):			
	Shortfall in provisions against NPL	(2,825.89)		
	Deferred Tax Assets (DTA)	(50.29)		
			(2,876.18)	
	• **Total Common Equity Tier-1 Capital [A]**			**(1,930.09)**
	Additional Tier-1 Capital			
	Non-cumulative irredeemable pref. shares	120.50		
	• **Total Additional Tier-1 Capital [B]**			**120.50**
	• **Total Tier- 1 Capital [A+B]**			**(1,809.59)**
	Tier- 2 Capital (Gone Concern Capital)			
	General Provision	54.67		
	Revaluation Reserves as on 31 Dec, 2014	13.86		
			68.53	
	Regulatory Adjustments:			
	40% phase in deduction from Rev. Reserve		(5.54)	
	• **Total Tier- 2 Capital [C]**			**62.99**
	Total Regulatory Capital [A+B+C]			**(1,746.60)**

C) Capital Adequacy

Qualitative Disclosures

a) A summary discussion of the bank's approach to assessing the adequacy of its capital to support current and future activities.	Capital Adequacy is the cushion required to be maintained for covering the Credit Risk, Market Risk and Operational Risk so as protecting the depositors and general creditors' interest against such losses. In line with latest Guidelines on Risk Based Capital Adequacy that has been issued through BRPD Circular no. 18 dated 21 December, 2014, the Bank has adopted Standardized Approach (SA) for computing capital requirement for Credit Risk and Market Risk and Basic Indicator Approach (BIA) for computing capital requirement for Operational Risk.

Quantitative Disclosures

(Amount in crore TK)

b)	Capital requirement for Credit Risk	958.14			
c)	Capital requirement for Market Risk	38.99			
d)	Capital requirement for Operational Risk	122.97			
e)	**Capital Adequacy Ratio:**	**Total**	**CET-1**	**Tier-1**	**Tier-2**
	• For the consolidated group	N/A	N/A	N/A	N/A
	• For stand alone	-15.59%	-17.23%	-16.16%	0.56%
f)	Capital Conservation Buffer	70.01			
g)	Available Capital under Pillar-2 req.	0.00			

D) Credit Risk

Qualitative Disclosures

a. The general qualitative disclosures requirement with respect to credit risk, including:

• Definitions of past due and impaired (for accounting purposes);	Loans and advances (loans and bill discount in the nature of an advance) of a bank are classified into performing and non-performing loans (NPL) in accordance with the Bangladesh Bank Guidelines. An NPL is defined as a loan or an advance where interest and/or installment of principal remain overdue for more than 90 days in respect of continuous credit, demand loan or a term loan etc. Classified loan is categorized under following 03 (three) categories: 1. Sub-standard (SS); 2. Doubtful (DF); 3. Bad & Loss (BL). **Continuous Loan:** Any continuous loan will be classified as: 1. Sub-standard if it is past due/overdue for 3 months or beyond but less than 6 month; 2. Doubtful if it is past due/overdue for 6 months or beyond but less than 9 month; 3. Bad & Loss if it is past due/overdue for 9 months or beyond. **Demand Loan:** Any demand loan will be classified as: 1. Sub-standard if it remains past due/overdue for 3 months or beyond but not over 6 months from the date of claim by the bank or from the date of creation of forced loan; 2. Doubtful if it remains past due/overdue for 6 months or beyond but not over 9 month from the date of claim by the bank or from the date of creation of forced loan; 3. Bad & Loss if it remains past due/overdue for 9 months or beyond from the date of claim by the bank or from the date of creation of forced loan; **Fixed Term Loan:** In case of any installment(s) or part of installment(s) of Fixed Term Loan is not repaid within the due date, the amount of unpaid installment(s) will be termed as "defaulted installment". In case of Fixed Term Loans amounting upto Tk. 10.00 Lacs, 1. If the amount of " defaulted installments" is equal to or more than the amount of installment(s) due within 06 (six) months, the entire loan will be classified as ''Sub-standard''. 2. If the amount of " defaulted installments" is equal to or more than the amount of installment(s) due within 09 (nine) months, the entire loan will be classified as ''Doubtful''. 3. If the amount of " defaulted installments" is equal to or more than the amount of installment(s) due within 12 (twelve) months, the entire loan will be classified as ''Bad/Loss''. In case of Fixed Term Loans amounting more than Tk. 10.00 Lacs, 1. If the amount of " defaulted installments" is equal to or more than the amount of installment(s) due within 03 (three) months, the entire loan will be classified as ''Sub-standard''.

2. If the amount of “defaulted installments” is equal to or more than the amount of installment(s) due within 06 (six) months, the entire loan will be classified as "Doubtful".
3. If the amount of “defaulted installments” is equal to or more than the amount of installment(s) due within 09 (nine) months, the entire loan will be classified as "Bad/Loss".

- Description of approaches followed for specific and general allowances and statistical methods

Type of Loans & Advances		Required Provision (% of Base for Provision)				
		Standard	SMA	SS	DF	BL
Consumer Finance	House building and loans to Professionals	2%	2%	20%	50%	100%
	Other than House building and professional to setup business	5%	5%	20%	50%	100%
Loans to Brokerage House, Merchant Bank or Stock Dealers, etc.		2%	2%	20%	50%	100%
SME Financing		0.25%	0.25%	20%	50%	100%
Others		1%	1%	20%	50%	100%
Short term Agri. Credit and Micro Credit		5%				100%

- Discussion of the bank’s credit risk management policy

Credit risk is defined as the possibility of failure of the Bank’s borrower(s) to meet the financial obligation in accordance with agreed terms. The effective management of credit risk is a critical component of a comprehensive approach to risk management. The main objective of credit risk management is to minimize the negative impact through adopting proper measures and also limiting credit risk exposures within acceptable limit.

BASIC Bank Limited has a Credit Risk Management Committee (CRMC) for prudent management of credit risk. Final authority and responsibility for all activities that expose the Bank to credit risk belong to the Board of Directors. The Board, however, delegated specific authority to the Managing Director and other executives of the Bank.

The credit assessment process of the Bank is initiated at branch as well as credit divisions which include all plausible aspects including eligibility of the borrower, requirement of information and/or documents etc. The Bank follows Bangladesh Bank’s prescribed Credit Risk Grading (CRG) model which captures quantitative and qualitative issues related to management risk, business risk/industry risk, financial risk, security risk and relationship risk, while assessing the overall grading of borrowers.

Credit documentation, administration and disbursement functions of BASIC Bank Limited are strictly handled by the Credit Administration Division (CAD) of the Bank. An effective monitoring procedure has been adopted by the Bank to provide an early indication of the deteriorating financial health of a customer in order to minimize credit losses. Respective branch, credit division as well as Credit Administration Division (CAD) of the Bank are simultaneously engaged in effective credit monitoring of the Bank.

Besides, Risk Management Division of the Bank reviews various parameters of credit risk, e.g. concentration, quality of assets etc. on monthly basis and places the observations to All Risk Committee of the Bank.

BASIC Bank Limited is very much concerned with managing non-performing loan which is being conducted by Recovery Division of the Bank. The Bank follows Bangladesh Bank’s BRPD Circular for classification of loans & advances & provisioning. Recovery positions of the Bank are regularly reviewed and potential alternative actions are relentlessly asserted. For reducing NPL, Recovery Teams have been constituted at branches which continuously contact with the borrowers. Besides, special meetings with the defaulters are arranged by the Recovery Division. Executives in the Head Office have also been assigned with responsibility of recovery from top defaulters of the Bank.

Quantitative Disclosures

b. Total gross credit risk exposures broken down by major types of credit exposure.

Type	Amount (in crore)	Percentage
Term Loan	5,374.60	39.85%
Cash Credit	3,269.50	24.24%
Overdraft	1,615.91	11.98%
Export/Packing Credit	37.56	0.28%
Loan Against Trust Receipt	401.01	2.97%
Real Estate Loan	828.40	6.14%
Transport Loan	664.02	4.92%
Micro Credit Financing	196.45	1.46%
Staff Loan	111.43	0.83%
Bill Purchased & Discounted	106.09	0.79%
Others	883.31	6.55%
Total	**13,488.28**	**100.00%**

c. Geographical distribution of exposures, broken down in significant areas by major types of credit exposure.

Division	Amount (in crore)	Percentage
Dhaka	8,716.85	64.64%
Chittagong	1,830.91	13.57%
Rajshahi	664.59	4.93%
Khulna	542.71	4.02%
Barisal	31.60	0.23%
Sylhet	143.42	1.06%
Rangpur	694.59	5.15%
Mymensingh	863.61	6.40%
Total	**13,488.28**	**100.00%**

d. Industry or counterparty type distribution of exposures, broken down by major types of credit exposure.

Sector (only industrial loan)	Amount (in crore)	(Percent.)
Food & Allied	1,190.03	16.01%
Textile	518.59	6.98%
ERMG	1,139.83	15.33%
Accessories	169.90	2.29%
Jute product & Allied	385.61	5.19%
Forest product & Allied	4.29	0.06%
Paper, Board, Printing & Packaging	350.94	4.72%
Tannery, Leather and Rubber	160.70	2.16%
Chem. Pharm. and Allied	277.87	3.74%
Glass, Plastic, Ceramic & other non-metal	151.55	2.04%
Engineering	286.62	3.86%
Electrical & Electronics	20.94	0.28%
Service Industry	494.39	6.65%
Misc. Industry	2,240.03	30.13%
Industry not elsewhere classified	43.35	0.58%
Total	**7,434.64**	**100.00%**

		Type of credit exposure	Amount (in crore)	Percentage
e.	Residual contractual maturity breakdown of the whole portfolio, broken down by major types of credit exposure.	Up to 01 Month	44.16	0.33%
		Above 1 month but not more than 3 month	2,637.11	19.55%
		Above 3 month but not more than 1 year	2,455.60	18.21%
		Above 1 year but not more than 5 years	4,281.56	31.74%
		Above 5 years	4,069.85	30.17%
		Total	**13,488.28**	**100.00%**

		(Amount in crore)
f.	By major industry or counterparty type:	
	• Amount of impaired loans and if available, past due loans, provided separately;	7,300.69
	• Specific and general provisions; and	1,819.99
	• Charges for specific allowances and charge-offs during the period.	1,378.78

		(Amount in crore)
g.	Movement of NPLs & Provisions:	
	Gross Non Performing Loans (NPLs)	7,300.69
	Non Performing Loans (NPLs) to Outstanding Loans & Advances	54.13%
	Movement of Non Performing Assets (NPAs)	
	Opening balance	6,581.25
	Additions	1,526.89
	Reductions	807.45
	Closing balance	7,300.69
	Movement of specific provisions for NPAs	
	Opening balance	398.43
	Provisions made during the period	1,378.78
	Write-off/Interest Waived	0.00
	Write-back of excess provisions	0.00
	Closing balance	1,777.21

E) 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	Equity investments are mainly for capital gain purpose. Bank also has some equity investment for strategic purpose.

• 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 holding of Bank's quoted and unquoted share are values at cost price. Provisions are made at the end of the year if market price is below the cost price.

Quantitative Disclosures

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.	The Bank invested TK.99.47 crore in quoted and unquoted securities. Out of which the Bank invested TK.96.18 crore in 91 quoted/ listed companies and TK.3.29 crore in 4 unquoted/unlisted companies. Market value of the quoted securities are TK.99.31 crore and un-quoted securities are TK.3.29 crore.

c.	The cumulative realized gains (losses) arising from sales and liquidations in the reporting period.	In the reporting year the cumulative realized gains (as capital gain) was TK.11.05 crore.

d.		
	• Total unrealized gains (losses)	At the end of 2016, market value of quoted securities stood at TK 99.31 crore against cost price of TK 96.18 crore resulting net gain (unrealized) of TK 3.13 crore.
	• 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: TK 9.95 crore General Market Risk: TK 9.95 crore

F) Interest Rate Risk in the Banking Book (IRRBB)

Qualitative Disclosures

a. The general qualitative disclosure requirement including the nature of IRRBB and key assumptions, including assumptions regarding loan prepayments and behavior of non maturity deposits, and frequency of IRRBB measurement.	Interest Rate Risk in the Banking Book is the risk of changes in market interest rate. Any positive or negative movement in the market interest rate affects the value of the banking book. It affects the current earning as well as the net worth of the Bank.

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 for measuring IRRBB, broken down by currency (as relevant).	Market Value of Assets: TK 20,636.38 crore Market Value of Liabilities: TK 17,891.57 crore Weighted average of Duration Gap: 0.66 yr CRAR after different level of shocks: • Minor Level : -16.96% • Moderate Level : -18.08% • Major Level : -19.21%

G) Market Risk

Qualitative Disclosures

a. Views of BOD on trading/investment activities	As the Market Risk is the probability of losing assets in Balance Sheet and Off Balance Sheet position arising out of the volatility in market variables i.e., interest rate, exchange rate and price; the Board of Directors approves all necessary policies related to Market Risk and review them on regular basis.
Methods used to measure Market Risk	Standardized Approach has been used to measure the Market Risk.
Market Risk Management system	Treasury Division, Mid Office Division & Back Office Division of the Bank have been functioning to manage market risk covering liquidity, interest rate and foreign exchange risks with oversight by Asset-Liability Management Committee (ALCO) comprising senior executives and is chaired by the Managing Director of the Bank. The Risk Management Division also reviews the market risk parameters on monthly basis and places the observations to All Risk Committee of the Bank.

Policies and processes for mitigating Market Risk	There are approved limits for advance deposit ratio, liquid assets to total deposit ratio, maturity mismatch, commitments for both on-balance sheet and off-balance sheet items etc. The limits are monitored and enforced regularly to protect the Bank against market risks. These limits are reviewed based on prevailing market and economic conditions to minimize risk due to market fluctuation.

Quantitative Disclosures

b.	The capital requirements for:	(Amount in Crore Tk.)
	Interest Rate Risk;	18.28
	Equity Position Risk;	19.89
	Foreign Exchange Risk; and	0.82
	Commodity Risk.	0.00

H) Operational Risk

Qualitative Disclosures

a.	Views of BOD on system to reduce Operational Risk	As the Operational Risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and system or from external events, the Board of Directors approves all necessary policies related to operational risk and reviews them on regular basis. Bank has internal manuals on Internal Control & Compliance and on Human Resource where details of operational policies, procedures and HR related activities have been stated, which is approved by the Board of Directors.
	Performance gap of executives and staffs	Bank regularly monitors and reviews the performance of executives both quantitatively and qualitatively through analysis of achievement of business target in various parameters and behavioral, tactical and leadership aspects through confidential evaluation process.
	Potential external events	No potential external events are expected to expose the Bank to significant Operational Risk.
	Policies and processes for mitigating Operational Risk	The internal control and compliance policy is approved by the Board taking into account relevant guidelines of Bangladesh Bank for mitigating operational risks. The Bank has three Divisions under Internal Control and Compliance, namely Audit & Inspection Division, Audit Findings Monitoring Division and Compliance Division.

	Audit and Inspection team regularly works to detect and remove procedural flaws, errors and frauds. Audit Findings Monitoring Division ensures compliance of internal audit report. Compliance Division works to ensure all sorts of regulatory and policy compliance to help smooth operation and maintain consistency and thus reduce risk. The Bank are using some tools for mitigating operational risk such as Self Assessment of Anti-fraud Internal Control; Quarterly Operational Report (QOR) and Departmental Control Function Check List (DCFCL) in line with the Bangladesh Bank's relevant Instructions and recommendations. It is required to submit the statement on Self Assessment of Anti-fraud Internal Control to Bangladesh Bank on quarterly rest. Bank's Anti- Money laundering Division is devoted to thwart all money laundering and terrorist finance related activities. The Central Customer Service & Complaint Management Cell is also engaged in mitigating the operation risks of the Bank. Bank is running through centralized real time online system. External events like natural disaster and unauthorized access to Bank's centralized computer system can affect the Bank significantly. Bank has alternative arrangement for disaster recovery and a highly qualified team of IT experts who are working to prevent any type of unauthorized access.
Approach for calculating capital charge for operational risk	Bank uses Basic Indicator Approach for calculating capital charge for Operational Risk as per instruction of Bangladesh Bank.

Quantitative Disclosures

b. The capital requirements for Operational Risk:	TK 122.97 crore

I) Liquidity Ratio

Qualitative Disclosures

a.	Views of BOD on system to reduce liquidity Risk	Board of Directors (BOD) has instructed to follow all the guidelines and instructions related to liquidity risk management with utmost importance. Moreover, the BOD has also instructed to maintain liquidity at an optimum level so that no liquidity ratio can violate regulatory range.
	Methods used to measure Liquidity Risk	BASIC uses 'Cash-Flow Approach' and 'Stock Approach' for measuring Liquidity Risk. Under 'Cash-Flow Approach' Liquidity Risk is tracked through maturity or cash flow mismatches. Calculation of gaps at various 'time-buckets', is adopted as standard tool for measuring Liquidity Risk. While, Liquidity Risk under 'Stock Approach' is measured liquidity position of various Balance-Sheet items.
	Liquidity Risk management system	Liquidity Risk is the potential inability to meet the liabilities as they become due. 'Cash-Flow Approach' and 'Stock Approach' are used for managing, monitoring and measuring Liquidity Risk. The Liquidity/ Funds requirements under Stress Situations, sources of raising the funds and its possible impact on Profit and Loss are also worked out at quarterly interval.
	Policies and processes for mitigating Liquidity Risk	Various regulatory ratios/ limits like ADR, CRR, SLR, LCR, and NFSR, etc. are in place to apply the stock approach to monitor and to control Liquidity Risk and various liquidity related ratios are reported to Bangladesh Bank on weekly, monthly and quarterly basis.

Quantitative Disclosures

b.	Liquidity Coverage Ratio	236.03%
	Net Stable Funding Ratio (NSFR)	88.64%
	Stock of High quality liquid assets	TK 5,741.76 crore
	Total net cash outflows over the next 30 calendar days	TK 2,432.67 crore
	Available amount of stable funding	TK 12,214.10 crore
	Required amount of stable funding	TK 13,779.04 crore

J) Leverage Ratio

Qualitative Disclosures

a.	Views of BOD on system to reduce excessive leverage	The Board of Directors has instructed the management to follow all guidelines and instructions that are given by regulators in order to reduce excessive leverage in the Bank.
	Policies and processes for managing excessive on and off-balance sheet leverage	The Leverage Ratio is calibrated to act as a credible supplementary measure to the risk based capital requirements. The Leverage Ratio is intended to constrain the build-up of leverage in the Bank and to reinforce the risk based requirements with an easy to understand and a non-risk based measure. The Bank has been aware of its leverage and has been trying to increase its core capital as well has controlling the growth of on and off-balance sheet exposure.
	Approach for calculating exposure	The accounting measure of exposure is generally followed to calculate total exposure for leverage ratio. The Bank includes both on and off-balance sheet items for measuring total exposure as instructed by the Guidelines on Risk Based Capital Adequacy of Bangladesh Bank.

Quantitative Disclosures

b.	Leverage Ratio	-9.38%
	On-Balance Sheet Exposure	TK 20,066.30 crore
	Off-Balance Sheet Exposure	TK 525.71 crore
	Total Exposure (after related deductions)	TK 16,484.72 crore

K) Remuneration Policy

Qualitative Disclosures

a. Information relating to the bodies that oversee remuneration.	
Name, composition and mandate of the main body overseeing remuneration.	The Board of Directors of the Bank oversees the remuneration policy. At the beginning, the Board forms "Pay Scale Committee". The committee examines the proposed pay scales, fringe benefits and allowances thoroughly and submits their recommendations after suitable adjustment, amendment or modification where applicable. Eventually, the Board approves the policy. The Human Resource Division executes the approved remuneration structure.
External consultants whose advice has been sought, the body by which they were commissioned, and in what areas of the remuneration process.	Not applicable.
A description of the scope of the bank's remuneration policy (e.g., by regions, business lines), including the extent to which it is applicable to foreign subsidiaries and branches.	The Bank does not differentiate remuneration according to regional segmentation or business lines etc. Moreover, it has no foreign subsidiaries and branches. However, the Remuneration Policy of the Bank includes remuneration practices of the employees based on their designation. There are different provisions for those fall under disciplinary proceedings.
A description of the types of employees considered as material risk takers and as senior managers, including the number of employees in each group.	Senior Management, Branch Managers and Divisional Heads may be considered as material risk takers of the Bank. "Senior Manager" refers to Senior Management in the rank of Deputy General Manager to Managing Director. Presently, the number of each group is as like as DGM: 50, GM:12, DMD:1.
b. Information relating to the design and structure of remuneration processes.	
An overview of the key features and objectives of remuneration policy.	Only cash and cash equivalent remuneration is being permitted whereas there are no equity or equity linked payments. The objectives of the remuneration policy incorporates: • to attract and retain skilled and motivated employees; and • to incentivize executive to lead employees to achieve goals.

Whether the remuneration committee reviewed the firm's remuneration policy during the past year, and if so, an overview of any changes that was made.	Typically, the policy requires revision at every 03 (three) years. For instance, pay scales have been revised in the year 2013, 2010 and 2007. The remuneration policy has been designed to recognize and reward each employee's role with the range of wages/salaries for similar positions.
A discussion of how the bank ensures that risk and compliance employees are remunerated independently of the businesses they oversee.	The policy aims to ensure that quality human resources are being employed, retained and compensated in accordance with their responsibilities and expertise. There is no scope of independent remuneration provision at the current pay scale of the Bank for the risk and compliance employees.
c. Description of the ways in which current and future risks are taken into account in the remuneration processes.	
An overview of the key risks that the bank takes into account when implementing remuneration measures.	The level and composition of the remuneration deems to be appropriate and fair in the context of the interests of the Bank. The Bank aims to maintain a strong risk framework and continuous assessment of the risks in order to protect its resources.
An overview of the nature and type of the key measures used to take account of these risks; including risks difficult to measure (values need not be disclosed).	In this context, Bank employs an array of measures based on the nature and types of business lines/segments. The most effective tools and indicators used for measuring such risks include asset quality ratio (NPL ratio), Net Interest Margin (NIM) ratio, provision coverage ratio, credit-deposit ratio, cost-income ratio as well as some non-financial indicators such as compliance status as per regulatory norms etc.
A discussion of the ways in which these measures affect remuneration.	The key measures of the remuneration policy commensurate with the process of setting targets, Annual Performance Appraisals (APA) and the long term plans of the Bank. At the end of each financial year, the actual performance of the Bank is being assessed with target set at the beginning of the year. Bank evaluates each employee's performance on annual basis based on some pre-determined financial and non-financial indices. However, there are significant implications of the above measures on the remuneration policy of the Bank.

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.	In the previous year, the Bank did not experience any changes of these measures affecting remuneration.
d. Description of the ways in which the bank seeks to link performance during a performance measurement period with levels of remuneration.	
An overview of main performance metrics for bank, top-level business lines and individuals.	The main performance metrics is the outcome of a comprehensive review of some performance indicators such as Profitability, Capital Adequacy Ratio, Liquidity Ratio, Return on Assets (RoA), Cost to Income Ratio, Net Interest Margin (NIM), and Non-performing loans to Total Receivables, Loan Growth, and Deposit Growth etc.
A discussion of how amounts of individual remuneration are linked to bank-wide and individual performance.	Though fixed remuneration pool is defined over the years (generally after 03 years), variable remuneration package (incentives bonus) does not arise unless a predetermined level of profit is achieved despite personal achievements of employees.
A discussion of the measures the bank will in general implement to adjust remuneration in the event that performance metrics are weak.	A set remuneration process is in practice. Weak performance metrics/scorecards hardly affect the remuneration practice.
e. Description of the ways in which the bank seeks to adjust remuneration to take account of longer-term performance.	
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 does not offer any deferred variable remuneration.
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.	
An overview of the forms of variable remuneration offered (i.e., cash, shares and share-linked instruments and other forms)	Only cash based remuneration exists.
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.	Not applicable.

<u>Quantitative Disclosures</u>

g.	Number of meetings held by the main body overseeing remuneration during the financial year and remuneration paid to its member.	In the financial year, remuneration policy was discussed at 03 meetings of the Board of Directors of the Bank.
h.		
	• Number of employees having received a variable remuneration award during the financial year.	Nil
	• Number and total amount of guaranteed bonuses awarded during the financial year.	For 2 festival bonuses, 2132 employees of the Bank are awarded total Tk. 12.54 Crore only.
	• Number and total amount of sign-on awards made during the financial year.	No such awards during the financial year.
	• Number and total amount of severance payments made during the financial year.	Nil
i.	Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms. Total amount of deferred remuneration paid out in the financial year.	Nil
j.	**Breakdown of amount of remuneration awards for the financial year to show:**	
	• Fixed	Tk. 20.07 crore only.
	• Variable.	Nil
	• Deferred and non-deferred.	Nil
	• Different forms used (cash, shares and share linked instruments, other forms).	Cash only

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:	
• Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit and/or implicit adjustments.	Not Applicable
• Total amount of reductions during the financial year due to ex post explicit adjustments.	Not Applicable
• Total amount of reductions during the financial year due to ex post implicit adjustments.	Not Applicable