# Disclosures on Risk Based Capital Requirement under Basel-III for the year ended December 31, 2015

## 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 disclosure furnished here are on ***solo basis*** and on the basis of audited financial statement of BASIC Bank Limited for the year ended 31 December 2015 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**

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| **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:<br>(a) that are fully consolidated;<br>(b) that are given a deduction treatment; and<br>(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**

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|---|---|---|
| **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

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| **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-<br>• Tier 1 Capital (going-concern capital)<br>• Tier 2 Capital (gone-concern capital)<br><br>Tier 1 Capital is further classified into two categories-<br>- Common Equity Tier 1<br>- Additional Tier 1<br><br>Common Equity Tier 1 (CET1) 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 2015 was negative BDT 1,029.29 crore. Here, huge shortfall in maintained specific provision against NPL of the Bank affects mostly to its strong CET1 base.<br><br>Additional Tier 1 (AT1) 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 2015, the Bank only had a Non-cumulative Irredeemable Preference Share account for BDT 120.50 crore in AT1 capital.<br><br>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 57.54 crore eligible Tier-2 capital on 31st December 2015.<br><br>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)

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|---|---|---|---|---|---|
| **b.** The amount of Regulatory capital, with separate disclosure of:<br>• CET1 Capital<br>• Additional Tier 1 Capital<br>• Total Tier 1 Capital<br>• Tier 2 Capital | **Tier 1 Capital (Going Concern Capital)** | | | | |
| | **Common Equity Tier 1** | | | | |
| | Fully Paid-up Capital | 1084.70 | | | |
| | Statutory Reserve | 222.47 | | | |
| | General Reserve | 4.00 | | | |
| | Retained Earnings | (472.04) | | | |
| | Others (fresh fund provided by Govt. in the process of converting to capital) | 1,600.00 | | | |
| | | | 2,439.13 | | |
| | **Regulatory Adjustments (from CET 1):** | | | | |
| | Shortfall in provisions against NPL | (3,424.40) | | | |
| | Deferred Tax Assets (DTA) | (44.02) | | | |
| | | | (3,468.42) | | |
| | • **Total Common Equity Tier 1 Capital** | | | **(1,029.29)** | |
| | **Additional Tier 1 Capital** | | | | |
| | Non-cumulative irredeemable pref. shares | 120.50 | | | |
| | • **Total Additional Tier 1 Capital** | | | **120.50** | |
| | • **Total Tier 1 Capital** | | | | **(908.79)** |
| | **Tier 2 Capital (Gone Concern Capital)** | | | | |
| | General Provision | 46.45 | | | |
| | Revaluation Reserves as on 31 Dec, 2014 | 13.86 | | | |
| | | | 60.31 | | |
| | **Regulatory Adjustments**: | | | | |
| | 20% phase in deduction from Rev. Reserve | | (2.77) | | |
| | • **Total Tier 2 Capital** | | | | **57.54** |
| | **Total Regulatory Capital** | | | | **(851.24)** |

## C) Capital Adequacy

### Qualitative Disclosures

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| 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 Standardised Approach for computing capital requirement for credit risk, Standardized Measure Method for 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 | 994.98 | | | |
| **c)** Capital requirement for Market Risk | 35.17 | | | |
| **d)** Capital requirement for Operational | 97.19 | | | |
| **e) Capital Adequacy ratio:** | **Total** | **CET1** | **Tier 1** | **Tier 2** |
| • For the consolidated group | N/A | N/A | N/A | N/A |
| • For stand alone | -7.55% | -9.13% | -8.06% | 0.51% |
| **f)** Capital Conservation Buffer | N/A | | | |
| **g)** Available Capital under Pillar-2 req. | 0.00 | | | |

## D) Credit Risk

### Qualitative Disclosures

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

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| • 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.<br>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.<br><br>Classified loan is categorized under following 03(three) categories:<br>1. Sub-standard (SS);<br>2. Doubtful (DF);<br>3. Bad & Loss (BL).<br><br>**Continuous Loan:** Any continuous loan will be classified as:<br>1. Sub-standard if it is past due/overdue for 3 months or beyond but less than 6 month;<br>2. Doubtful if it is past due/overdue for 6 months or beyond but less than 9 month;<br>3. Bad & Loss if it is past due/overdue for 9 months or beyond.<br><br>**Demand Loan:** Any demand loan will be classified as:<br>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;<br>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;<br>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;<br><br>**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".<br><br>In case of Fixed Term loans amounting more than Tk. 10.00 lac,<br><br>1. If the amount of "defaulted installments" is equal to or more than the amount of installment(s) due within 3 month, the entire loan will be classified as Sub-standard.<br>2. If the amount of "defaulted installments" is equal to or more than the amount of installment(s) due within 6 month, the entire loan will be classified as Doubtful.<br>3. If the amount of "defaulted installments" is equal to or more than the amount of installment(s) due within 9 month, the entire loan will be classified as Bad & Loss. |

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| • Description of approaches followed for specific and general allowances and statistical methods; | (see provision table below) |

| Type of loans & Advances | | Standard | SMA | SS | DF | BL |
|---|---|---|---|---|---|---|
| | | Required Provision (% of Base for Provision) | | | | |
| 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% |

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| • Discussion of the bank's credit risk management policy | As per guidelines of Bangladesh Bank for Risk Based Capital Adequacy for Banks Standardized Approach for Credit Risk measurement has been applied. Standardized approach requires risk weight based on risk assessment done by External Credit Assessment Institutions (ECAI) recognized by Bangladesh Bank. Credit exposure not rated by any ECAI will get fixed weight as per Standardized approach. |

**Quantitative Disclosures**

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

| Type | Amount (in crore) | Percentage |
|---|---|---|
| Term Loan | 4,499.79 | 34.93% |
| Cash Credit | 3,271.71 | 25.40% |
| Overdraft | 1,817.54 | 14.11% |
| Export/Packing Credit | 37.79 | 0.29% |
| Loan Against Trust Receipt | 805.45 | 6.25% |
| Real Estate Loan | 754.05 | 5.85% |
| Transport loan | 652.36 | 5.06% |
| Micro Credit Financing | 210.32 | 1.63% |
| Staff Loan | 96.54 | 0.75% |
| Bill Purchased & Discounted | 112.15 | 0.87% |
| Others | 623.00 | 4.84% |
| **Total** | **12,880.70** | **100%** |

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

| Division | Amount (in crore) | Percentage |
|---|---|---|
| Dhaka | 10,825.33 | 84.05% |
| Chittagong | 1,155.87 | 8.97% |
| Rajshahi | 246.00 | 1.91% |
| Khulna | 318.20 | 2.47% |
| Barisal | 23.71 | 0.18% |
| Sylhet | 107.34 | 0.83% |
| Rangpur | 182.70 | 1.42% |
| Mymensingh | 21.55 | 0.17% |
| **Total** | **12,880.70** | **100%** |

**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 | 1,211.83 | 9.41% |
| Textile | 498.51 | 3.87% |
| ERMG | 984.01 | 7.64% |
| Accessories | 154.94 | 1.20% |
| Jute product & Allied | 405.25 | 3.15% |
| Forest product & Allied | 5.44 | 0.04% |
| Paper, Board, Printing & Packaging | 269.45 | 2.09% |
| Tannery, Leather and Rubber | 169.03 | 1.31% |
| Chem. Pharm. and Allied | 664.59 | 5.16% |
| Glass, Plastic, Ceramic & other non-metal | 129.83 | 1.01% |
| Engineering | 207.83 | 1.61% |
| Electrical & Electronics | 23.41 | 0.18% |
| Service Industry | 457.79 | 3.55% |
| Misc. Industry | 3,041.68 | 23.61% |
| Industry not elsewh.ere classified | 16.64 | 0.13% |
| **Total** | **8,240.23** | **63.96%** |

**e.** Residual contractual maturity breakdown of the whole portfolio, broken down by major types of credit exposure.

| Type of credit exposure | Amount (in crore) | Percentage |
|---|---|---|
| Up to 01 Month | 957.27 | 7.43% |
| Above 1 month but not more than 3 month | 1,058.42 | 8.22% |
| Above 3 month but not more than 1 year | 2,526.37 | 19.61% |
| Above 1 year but not more than 5 years | 4,500.05 | 34.94% |
| Above 5 years | 3,838.59 | 29.80% |
| **Total** | **12,880.70** | **100%** |

**f.** By major industry or counterparty type:

| | (Amount in crore) |
|---|---|
| • Amount of impaired loans and if available, past due loans, provided separately; | 6,581.25 |
| • Specific and general provisions; and | 434.26 |
| • Charges for specific allowances and charge-offs during the period. | 1.96 |

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|---|---|---|
| **g.** | Gross Non Performing Assets (NPAs) Non Performing Assets (NPAs) to Outstanding Loans & advances | (Amount in crore) |
| | **Movement of Non Performing Assets (NPAs)** | |
| | Opening balance | 5,109.12 |
| | Additions | 3,984.07 |
| | Reductions | 2,511.94 |
| | Closing balance | 6,581.25 |
| | **Movement of specific provisions for NPAs** | |
| | Opening balance | 396.47 |
| | Provisions made during the period | 1.96 |
| | Write-off/**Interest Waived** | 0.00 |
| | Write-back of excess provisions | 0.00 |
| | Closing balance | 398.43 |

## E) Equities: Disclosures for Banking Book Positions

**Qualitative Disclosures**

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|---|---|
| **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**

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|---|---|---|
| **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 48.41 crore in quoted and unquoted securities. Out of which the bank invested TK 44.79 crore in 76 quoted/ listed companies and TK 3.62 crore in 4 unquoted/unlisted companies. |

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| **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 30.96 crore. |

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|---|---|---|
| **d.** | | |
| | • Total unrealized gains (losses) | At the end of 2015 market value of securities stood at TK 48.06 crore against cost price of TK 44.79 crore resulting net gain (unrealized) of TK 3.27 crore. |
| | • Total latent revaluation gains (losses) | Not applicable. |
| | • Any amounts of the above included in Tier 2 capital. | Not applicable. |

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|---|---|---|
| **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: 4.84 crore<br>General Market Risk: 4.84 crore |

## F) Interest rate risk in the banking book (IRRBB)

**Qualitative Disclosures**

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|---|---|---|
| **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: 19,579.26 crore<br>Market Value of Liabilities: 16,796.32 crore<br>Weighted average of Duration Gap: 0.55 yr<br>CAR after different level of shocks:<br>• Minor Level : -8.50%<br>• Moderate Level : -9.38%<br>• Major Level : -10.25% |

## G) Market Risk

**Qualitative Disclosures**

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| **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 Director 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 | Bank uses standardized approach to calculate market risk for trading book exposure as per instruction of Bangladesh Bank. Trading book exposures consists of position in financial instruments held with trading intent. Generally investment in Held for Trading (HFT) category is main part of trading book exposures. |
| | Policies and processes for mitigating market risk | Trading decisions are taken after considering regular updates about the market. Bank diversifies its assets in various categories. Bank also has a concentration limit to mitigate unwanted market risk factors. |

**Quantitative Disclosures**

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|---|---|---|
| **b.** | The capital requirements for: | (Amount in Crore Tk.) |
| | Interest rate risk; | 22.49 |
| | Equity position risk; | 9.68 |
| | Foreign exchange risk; and | 3.00 |
| | Commodity risk. | 0.00 |

## H) Operational Risk

**Qualitative Disclosures**

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| **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 Director approves all necessary policies related to operational risk and review them on regular basis.<br><br>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 Director. |
| | Performance gap of executives and staffs | Bank regularly monitor 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 | For this purpose, the Bank has three divisions under Internal Control and Compliance Risk, namely Audit & Inspection Division, Audit Findings Monitoring Division and Compliance Division. Audit and Inspection team regularly work to detect and remove procedural flaws, error and fraud. Compliance Division is working to ensure all sorts of regulatory and policy compliance to help smooth operation and maintain consistency and thus reduce risk.<br><br>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 is 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: | 97.19 crore |

## I) Liquidity Ratio

**Qualitative Disclosures**

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|---|---|---|
| **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**

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|---|---|---|
| **b.** | Liquidity Coverage Ratio | 274.04% |
| | Net Stable Funding Ratio (NSFR) | 80.54% |
| | Stock of High quality liquid assets | 4,632.44 |
| | Total net cash outflows over the next 30 calendar days | 1,690.43 |
| | Available amount of stable funding | 12,839.61 |
| | Required amount of stable funding | 15,942.36 |

## J) Leverage Ratio

**Qualitative Disclosures**

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|---|---|
| **a.** Views of BOD on system to reduce excessive leverage | The Board of Directors has instructed 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.<br><br>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**

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|---|---|
| **b.** Leverage Ratio | -5.65% |
| On-Balance Sheet Exposure | 19,058.66 |
| Off-Balance Sheet Exposure | 490.90 |
| Total Exposure (after related deductions) | 16,081.14 |

## 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 through the Pay scales Committee (PSC) shall oversee the remuneration policy. The Committee is generally comprised of three members. The committee examines the proposed pay scales, fringe benefits thoroughly along with other allowances of bank & submits their recommendations after suitable adjustment, amendment or modification where applicable. Human Resource Division under the guidance of PSC shall execute the remuneration structure in line with the best suited practices and statutory requirements as applicable. |
| External consultants whose advice has been sought, the body by which they were commissioned, and in what areas of the remuneration process. | No advice has been sought from external consultants for the last financial period. |
| 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 scope of the Remuneration Policy encompasses remuneration practices in relation to all employees based on their position and whose activities, individually or collectively, may affect the financial soundness of the Bank with the exception of those covered under disciplinary action. |
| A description of the types of employees considered as material risk takers and as senior managers, including the number of employees in each group. | By definition there are no material risk takers. In case of Bank "material risk-taker" refers to persons other than responsible persons and risk and financial control personnel. In general "Senior Manager" refers to each responsible person from Deputy General Manager to Managing Director. |

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| **b. Information relating to the design and structure of remuneration processes.** | |
| An overview of the key features and objectives of remuneration policy. | Remuneration arrangements include measures of performance of the bank, the forms of remuneration and the timing and eligibility of employees to receive payments. Only cash, and cash equivalent remuneration shall be permitted – no equity or equity linked payments is permitted. Main objectives are: 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. | The policy has been revised every after about 03 (three) years. For example, pay scales were revised in 2013, 2010, 2007 etc. and is reviewed annually with no material changes. 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 seeks to ensure that quality employees are employed retained and are remunerated in accordance with their responsibilities and experience. |
| **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. | Bank ensures that the level and composition of remuneration is appropriate and fair and the interests of the bank, its shareholders, and its stakeholders are clear in present and future environments. Bank aims to maintain a strong risk framework and continuous self-assessment of risk across bank to protect capital, losses, safety, people, etc. which is involved with implementing remuneration measures. |

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| 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). | • Manage all loan arrears to acceptable levels<br>• Ensure that the Bank meets all its regulatory obligations within designated timeframes<br>• Manage all compliance requirements of Bank to a standard that protects Bank from regulatory/financial reputational risk<br>• Deliver risk guidelines for all existing and new products<br>• Job responsibilities & job rotation.<br>• Repercussions for deceptive behavior |
| A discussion of the ways in which these measures affect remuneration. | The financial performance objectives are profit before income tax and after income tax compared to budgeted amounts. At the end of the financial year, the board assesses the actual performance of the bank with the objectives set at the beginning of the financial year. So the profit depends on the fair achievement of those measures periodically. |
| 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. | The key measures relating to remuneration are seen as appropriate and as such our existing process of setting targets, Key Performance Indicators (KPIs) and the long term plan remain applicable to the financial year. It is observed that risks surrounding the remuneration policy will be minimized through maintaining measures taken by the pay scale committee. |
| **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 depends on the Boards' review on the basis of the following performance metrics: Profit, 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. |

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| | A discussion of the measures the bank will in general implement to adjust remuneration in the event that performance metrics are weak. | If the Bank performance is weak, no increases in remuneration will take place despite personal achievements of employees. |
| **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 offers cash based remuneration. |
| | 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 as the bank only offers cash based remuneration. |

**Quantitative Disclosures**

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|---|---|---|
| **g.** | Number of meetings held by the main body overseeing remuneration during the financial year and remuneration paid to its member. | Nil |
| **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. | There are no guaranteed bonuses. |
| | • 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. 15.24 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 |