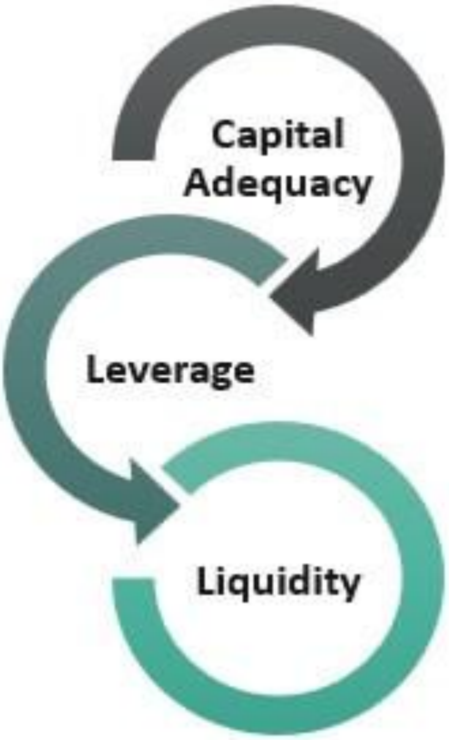
Disclosures on Risk Based Capital under Basel-III

2023

Basel-III Accord



BASIC Bank Limited

Serving people for progress

(A 100% State Owned Commercial Bank)

Disclosures on Risk Based Capital Requirement under Basel-III for the year ended 31 December 2023

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 BRPD Circular No. 18 dated December 21, 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 Regulatory Capital Framework is to complement the Minimum Capital Requirements (MCR) and the Supervisory Review Process (SRP). 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 2023 prepared under relevant International Accounting and Financial Reporting Standards (IFRSs) as adopted by the Institute of Chartered Accountants 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 Guideline 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 Disclosures

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 (CET-1)
- Additional 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 31 December 2023 was TK. (802.78) crore. This had been calculated considering Regulatory Forbearance allowed by Bangladesh Bank for total provision shortfall of TK. 5,343.03 crore against loans and advances till the finalization of Financial Statements for the year 2024 of the Bank vide its letter no# DOS(CAMS)1157/41(Dividend)/2024-1839 dated 30 April 2024. As per the Forbearance, Regulatory Capital was calculated without adjusting shortfall in provision against NPL which was TK. 4,938.10 crore.

Additional Tier-1 (AT-1) Capital shall consist of Non-cumulative Irredeemable Preference Shares account, Instruments issued by the banks that meet the qualifying criteria for the same, Minority Interest etc. after netting regulatory adjustments. On 31 December 2023, the Bank only had a Non-cumulative Irredeemable Preference Shares account for TK. 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 TK. 50.94 crore eligible for Tier-2 Capital on 31 December 2023.

These instructions have been 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:

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

Quantitative Disclosures

(Amount in crore TK.)

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	(4,624.24)		
Others (fresh fund provided by Govt. in the process of converting to capital)	2,600.00		
		(713.07)	
Regulatory Adjustments (from CET-1):			
Shortfall in provisions against NPL	0.00		
Deferred Tax Assets (DTA)	89.71		
Total Deductions from CET-1		(89.71)	
• **Total Common Equity Tier-1 Capital [A]**			**(802.78)**
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]**			**(682.28)**
Tier- 2 Capital (Gone Concern Capital)			
General Provision	50.94		
		50.94	
Regulatory Adjustments (from Tier-2):			
Total Deductions from Tier-2		(0.00)	
• **Total Tier- 2 Capital [C]**			**50.94**
Total Regulatory Capital [A+B+C]*			**(631.34)**

* Regulatory Forbearance was allowed by Bangladesh Bank for total provision shortfall of TK. 5,343.03 crore against loans and advances till the finalization of Financial Statements for the year 2024 of the Bank vide its letter no# DOS(CAMS)1157/41(Dividend)/2024-1839 dated 30 April 2024. As per the Forbearance, Regulatory Capital was calculated without adjusting TK. 4,938.10 crore as shortfall in provision against NPL.

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					1,639.78
c) Capital requirement for Market Risk					28.74
d) Capital requirement for Operational Risk					215.09
e) Capital to Risk Weighted Assets Ratio:	**Total**	**CET-1**	**Tier-1**	**Tier-2**	
• For the consolidated group	N/A	N/A	N/A	N/A	
• For stand alone	-3.35%	-4.26%	-3.62%	0.27%	
f) Capital Conservation Buffer Maintained	(2.50% of CET-1)				0.00
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);

To define past due and impairment through classification and provisioning, BASIC Bank Limited follows Bangladesh Bank circulars and guidelines.

All loans and advances are categorized into 04 (four) types for the purpose of classification, namely-(a) Continuous Loan, (b) Demand Loan, (c) Fixed Term Loan, and (d) Short-term Agricultural & Micro Credit.

The basis for determination of Past Due/Overdue period is as under:

Types of Facility	Past Due/Overdue Period
Continuous Loan	If not repaid/renewed within the fixed expiry date for repayment or after the demand by the Bank is treated as past due/overdue from the following day of the expiry date.
Demand Loan	If not repaid within the fixed expiry date for repayment or after the demand by the Bank is treated as past due/overdue from the following day of the expiry date.
Fixed Term Loan	In case of any installment(s) or part of installment(s) is not repaid within the fixed expiry date, the amount of unpaid installment(s) is treated as past due/overdue after 6 months of the expiry date.
Short-term Agricultural & Micro Credit	If not repaid within the fixed expiry date for repayment is treated as past due/overdue after 6 months of the expiry date.

The summary of objective criteria for loan classification is as below:

Types of Facility	Past Due/Overdue Period for Loan Classification		
	Sub-standard (SS)	Doubtful (DF)	Bad /Loss (B/L)
Continuous Loan & Demand Loan (except CMSME)	3 months or more but less than 9 months	9 months or more but less than 12 months	12 months or more
Fixed Term Loan (except CMSME)	9 months or more but less than 15 months	15 months or more but less than 18 months	18 months or more
Continuous & Demand Loan (BRPD circular no. 16 under CMSME)	6 months or more but less than 18 months	18 months or more but less than 30 months	30 months or more
Fixed Term Loan (BRPD circular no. 16 under CMSME)	12 months or more but less than 24 months	24 months or more but less than 36 months	36 months or more
Short-term Agricultural & Micro Credit	12 months or more but less than 36 months	36 months or more but less than 60 months	60 months or more

- 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	Housing Finance	1%	1%	20%	50%	100%
	Loans to Professionals	2%	2%	20%	50%	100%
	Other than Housing finance and loans to professionals	2%	2%	20%	50%	100%
Loans to Brokerage House, Merchant Bank or Stock Dealers, etc.		1%	1%	20%	50%	100%
CMSME Financing		0.25%	0.25%	5% & 20%	20% &50%	100%
Others		1%	1%	20%	50%	100%
Short term Agri. Credit and Micro Credit		1%	1%	5%	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 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 Division (CRMD) as well as 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 through a well structured delegation of power. Besides, the Board determines Risk Appetite for credit risk of the Bank desiring optimum business mix, risk preference etc. The Bank strictly adheres to the regulatory policies; rules etc. as regard to credit management and are in compliance with regulatory requirements as stipulated by Bangladesh Bank from time to time. The credit assessment process of the Bank is initiated at Branch as well as Circle Offices which include all plausible aspects including eligibility of the borrower, requirement of information and/or documents etc. While assessing the overall rating of borrowers, the Bank follows Bangladesh Bank's prescribed Internal Credit Risk Rating (ICRR) system which captures quantitative and qualitative issues related to financial risk, performance behavior, business and industry risk, management risk, security risk, relationship risk and compliance risk. Collateral values are also accurately identified by using standard evaluation methodologies. Bank procedures require verification including certification by Bank officials during initial, annual and periodic reviews including genuineness checking of collaterals. All these procedures are also ensured before sanction of the loan through Credit Pre-Audit Cell of Audit & Inspection Division under Internal Control & Compliance of the Bank. Respective branch, Circles, as well as Internal Control & Compliance (ICC) 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 time to time and places the observations to All Risk Committee of the Bank.

BASIC Bank Limited is very much concerned with managing non-performing loan (NPL) 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. Targets for the branches are determined to recover classified and write-off loans and advances. Head Office Executives and Officials have also been assigned with the responsibility of recovery of classified and write-off loans of branches of the Bank. Circle Offices are also designated with the responsibility of monitoring recovery of branches of the Bank. Moreover, Write-off Loan Recovery Unit, Intelligence Unit, Special Asset Management Unit (SAM) and Mamla Porjobekkhon Unit are also working in this regard.

Quantitative Disclosures

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

Type	Amount (in crore Tk.)	Percentage
Term Loan	6,790.94	51.63%
Cash Credit	1,987.53	15.11%
Overdraft	1,131.12	8.60%
Export/Packing Credit	41.43	0.32%
Loan Against Trust Receipt	225.53	1.71%
Real Estate Loan	796.42	6.06%
Transport Loan	449.38	3.42%
Micro Credit Financing	106.54	0.81%
Staff Loan	284.48	2.16%
Bill Purchased & Discounted	93.37	0.71%
Others	1,245.74	9.47%
Total	**13,152.48**	**100.00%**

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

Division	Amount (in crore Tk.)	Percentage
Dhaka	7,789.71	59.23%
Chattogram	2,227.88	16.94%
Rajshahi	593.00	4.51%
Khulna	642.01	4.88%
Barishal	84.71	0.64%
Sylhet	126.12	0.96%
Rangpur	847.18	6.44%
Mymensingh	841.87	6.40%
Total	**13,152.48**	**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 Tk.)	(Percent.)
Food & Allied	1,567.30	16.92%
Textile	509.35	5.50%
ERMG	924.53	9.98%
Accessories	197.27	2.13%
Jute Product & Allied	485.77	5.24%
Forest Product & Allied	11.95	0.13%
Paper, Board, Printing & Packaging	442.99	4.78%
Tannery, Leather and Rubber	442.28	4.77%
Chem. Pharm. and Allied	210.75	2.27%
Glass, Plastic, Ceramic & other non-metal	242.34	2.62%
Engineering	683.71	7.38%
Electrical & Electronics	59.60	0.64%
Service Industry	801.50	8.65%
Misc. Industry	2,382.81	25.72%
Industry not elsewhere classified	302.72	3.27%
Total	**9,264.87**	**100.00%**

	Type of credit exposure	Amount (in crore Tk.)	Percentage
e. Residual contractual maturity breakdown of the whole portfolio, broken down by major types of credit exposure.	Up to 01 Month	156.09	1.19%
	Above 1 month but not more than 3 month	1,420.48	10.80%
	Above 3 month but not more than 1 year	2,607.90	19.83%
	Above 1 year but not more than 5 years	6,480.34	49.27%
	Above 5 years	2,487.67	18.91%
	Total	**13,152.48**	**100.00%**

f. By major industry or counterparty type:	(Amount in crore Tk.)
• Amount of impaired loans and if available, past due loans, provided separately;	
Unclassified loans (STD + SMA)	4,819.73
Classified loans (SS + DF + BL)	8,332.75
• Specific and general provisions;	
General provision for loans	35.08
Specific provision for loans	501.12
• Charges for specific allowances and charge-offs during the period.	0.00

g. Movement of NPLs & Provisions:	(Amount in crore Tk.)
Gross Non Performing Loans (NPLs)	8,332.75
Non Performing Loans (NPLs) to Outstanding Loans & Advances	63.35%
Movement of Non Performing Assets (NPAs)	
Opening balance	7,786.65
Additions	643.17
Reductions	(97.07)
Closing balance	8,332.75
Movement of specific provisions for NPAs	
Opening balance	955.47
Provisions made during the period	0.00
Provision provided for Write-off/Interest Waived	(430.33)
Transferred to Provision for Non-Banking Assets	(5.42)
Transferred to Provision for COVID-19	(18.60)
Closing balance	501.12

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	Equity investments of the Bank are mainly for capital gain purpose and dividend earnings from invested securities of various companies. Bank

objectives including for relationship and strategic reasons; and • 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.	also has some equity investment for strategic purpose. The holding of Bank's quoted and unquoted shares are valued at cost price. Provisions are made at the end of the year if total market value of the quoted and un-quoted shares is lower than the cost value of those shares.

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.	Value disclosed (cost value of Quoted & Un-quoted securities) in the balance sheet of investments was Tk. 135.15 crore and market value of which was Tk. 119.84 crore. Cost value of investment in Quoted Securities was Tk. 128.81 crore and market value thereof was Tk. 113.33 crore.
c.	The cumulative realized gains (losses) arising from sales and liquidations in the reporting period.	Nil
d.	• Total unrealized gains (losses)	Total unrealized losses were Tk. 15.30 crore.
	• Total latent revaluation gains (losses)	Nil
	• Any amounts of the above included in Tier-2 capital	Nil
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. 13.51 crore General Market Risk: Tk. 13.51 crore Total capital charge on equities: Tk. 27.02 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. 16,940.33 crore Market Value of Liabilities: Tk. 17,450.37 crore Weighted average of Duration Gap: 0.96 years CRAR after different level of shocks: • Minor Level : -4.17% • Moderate Level : -4.97% • Major Level : -5.77%

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 & Capital Market Services 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. Risk Management Division also reviews the market risk parameters time to time 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, liquid assets to short term liabilities, net open position, LCR, NSFR, WBG, structural liquidity profile, 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	1.47
	Equity Position Risk	27.03
	Foreign Exchange Risk	0.24
	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, Monitoring Division and Compliance Division. Audit and Inspection team regularly works to detect and remove procedural flaws, errors and frauds. Monitoring Division ensures proper implementation of control tools to strengthen internal check and internal control system of the Bank. 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 is 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 & Complaints Management Unit is also engaged in mitigating the operation risks of the Bank. Bank is running through centralized real time online system. External events like natural disasters 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. 215.09 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	The Bank 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 (LCR)	236.14%
	Net Stable Funding Ratio (NSFR)	123.97%
	Stock of High quality liquid assets	Tk. 2,804.08 crore
	Total net cash outflows over the next 30 calendar days	Tk. 1,187.45 crore
	Available amount of stable funding	Tk. 15,254.62 crore
	Required amount of stable funding	Tk. 12,305.34 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	-4.05%
	On-Balance Sheet Exposure	Tk. 16,317.02 crore
	Off-Balance Sheet Exposure	Tk. 606.11 crore
	Total Exposure (after related deductions)	Tk. 16,833.42 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 Resources 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.	At present the Bank is following "Government Pay Scale এস.আর.ও নং-৩৭০-আইন ২০১৫ এর মাধ্যমে প্রণীত চাকরি স্বশাসিত (Public Bodies) এবং রাষ্ট্রায়ত্ত প্রতিষ্ঠানসমূহ (বেতন ও ভাতাদি) আদেশ ২০১৫" as remuneration policy for the employees based on their designation. There are different provisions for those who fall under disciplinary proceedings. The Bank has no foreign subsidiaries and branches.
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 & CEO. As on 31 December 2023, the number of each group is as like as DGM: 36, GM: 08, DMD: 01 & MD: 01.
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.	Remuneration policy is reviewed upon changes made by Govt. as the Bank is following National Pay Scale-2015 approved by the Board of Directors vide its meeting no-487 held on 21/12/2019 effective from 22/12/2019.
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 to Risk-weighted Assets Ratio (CRAR), Liquidity Ratios, Return on Assets (ROA), Cost to Income Ratio, Net Interest Margin (NIM), Non-Performing Loans (NPL) Ratio, 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.

Quantitative Disclosures

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.	Number of employees: 1879 Total amount: TK. 15.50 crore only (for 2 festival bonuses and Boishakhi Bonus).
• Number and total amount of sign-on awards made during the financial year.	No such awards given 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. 9.69 crore only. (Amount includes partial/due payment to the Executives who served during the period).
• 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

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