Disclosures on Risk Based Capital

(Under Pillar-3 of Basel-III Framework)

For the year ended 31 December 2019

Scope of Application

Qualitative Disclosures:		
a)	The name of the top corporate entity in the group to which this guidelines applies.	South Bangla Agriculture and Commerce Bank Limited (the Bank)
b)	An outline of differences on 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 (e.g. where the credit is risk-weighted).	The Risk Based Capital Adequacy framework applies to South Bangla Agriculture and Commerce Bank Limited on "Solo Basis" as there is no subsidiary of the bank on reporting date. South Bangla Agriculture and Commerce Bank Limited (the Bank) is a scheduled commercial bank. Incorporated as a public limited company under the Companies Act 1994, the Bank obtained license from Bangladesh Bank on 25th March 2013 and started its banking business on 28th April 2013. The number of branches was 82 (eighty two) and sub-branches was 4 (four) as on 31 December 2019 all over Bangladesh. The principal activities of the Bank are to carry on all kinds of commercial banking business in Bangladesh.
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 capital deficiencies in all subsidiaries not included in the consolidation that are deducted and the name(s) of such subsidiaries	Not applicable

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 in Tier 2.	In terms of Section 13 of the Bank Company Act, 1991 (Amended upto 2019), the terms and conditions of the main features of all capital instruments have been segregated in terms of the eligibility criteria set forth vide BRPD Circular No. 18 dated 21 December 2014 [Guidelines on Risk Based Capital Adequacy (Revised Regulatory Capital Framework for Banks in line with Basel III)] and other relevant instructions given by Bangladesh Bank from time to time. The main features of the capital instruments are as follows: **Common Equity Tier 1 (CET1) capital instruments** **Paid-up share capital:** Issued, subscribed and fully paid up share capital of the Bank. **Non-repayable share premium account:** Amount of premium realized with the face value per share at the time of issuing shares through initial public offering. **Statutory reserve:** As per Section 24 of the Bank Company Act, 1991 (Amended upto 2019), every banking company shall create a statutory reserve and if the amount of such fund together with the amount in the share premium account is less than its paid up capital, shall transfer an amount not less than 20% of profit before taxes to the statutory reserve fund. **Retained earnings:** Amount of profit retained with the banking company after meeting up all expenses, provisions and appropriations. **Additional Tier 1 (AT1) capital instruments** **Instruments issued by the banks that meet the qualifying criteria for AT1:** Issued, subscribed and fully paid perpetual subordinate debt/bond which meets the qualifying criteria for AT1 as stipulated guidelines on Risk Based Capital Adequacy. **Tier 2 capital instruments** **General provision against unclassified loans and off-balance sheet exposures:** As per Bangladesh Bank directive, amount of general provision maintained against unclassified loans and off-balance sheet exposures as of the reporting date has been considered. **Subordinated debt capital:** In compliance with BRPD Circular No. 18 dated 21 December 2014, Subordinated Debt is considered as a component of Tier 2 capital. **Assets revaluation reserves:** As per Bangladesh Bank's instruction, until 31 December 2014, 50% of incremental value of Bank's assets has been considered. Revaluation Reserve (RR) based on the position as of 31 December 2014 will be deducted @ 20% on yearly basis from 2015 to 2019 under Basel III guideline.

Capital Structure (continued)

		Revaluation reserves of HTM securities: As per Bangladesh Bank's instruction, until 31 December 2014, 50% of revaluation reserve of HTM securities has been considered. Revaluation Reserve (RR) based on the position as of 31 December 2014 will be deducted @ 20% on yearly basis from 2015 to 2019 under Basel III guideline. **Revaluation reserves of HFT securities:** As per Bangladesh Bank's instruction, until 31 December 2014, 50% of revaluation reserve of HFT securities has been considered. Revaluation Reserve (RR) based on the position as of 31 December 2014 will be deducted @ 20% on yearly basis from 2015 to 2019 under Basel III guideline.

Quantitative Disclosures

b)	The amount of Common Equity Tier 1 (CET1) Capital	The amount of Common Equity Tier 1 (CET1) Capital as per disclosures in the audited financial statements as of 31 December 2019 are as follows:
c)	The amount of Additional Tier 1 (AT1) Capital	The amount of Additional Tier 1 (AT1) Capital as per disclosures in the audited financial statements as of 31 December 2019 are as follows:
d)	The amount of Tier 2 Capital	The amount of Tier 2 Capital as per disclosures in the audited financial statements as of 31 December 2019 are as follows:

b) In million Taka

Particulars	Amount
Paid up capital	6,224.05
Non-repayable share premium account	-
Statutory reserve	1,479.78
General reserve	-
Retained earnings	631.54
Dividend equalization account	-
Other (if any item approved by Bangladesh Bank)	-
Regulatory adjustments	(481.88)
Sub-Total of Tier 1 Capital [A]	**7,853.48**

c) In million Taka

Particulars	Amount
Non-cumulative irredeemable preference shares	-
Instruments issued by the banks that meet the qualifying criteria for AT1	-
Other (if any item approved by Bangladesh Bank)	-
Sub-Total AT1 Capital [B]	**-**

d) In million Taka

Particulars	Amount
General provision against unclassified loans and off-balance sheet exposures	517.58
All other preference shares	-
Subordinate debt	-
Revaluation Reserves as on 31 December 2014 (50% of Fixed Assets and HFT Securities)	22.01
Other (if any item approved by Bangladesh Bank)	-
Sub-Total of Tier 2 Capital [C]	**539.59**

Capital Structure (continued)

<table>
<tr><td>e)</td><td>Regulatory Adjustments / Deductions from Capital</td><td>In million Taka

Particulars	Amount
Deferred tax assets against the specific loan loss provision and other intangible assets (computer software) from CET 1 capital	-
Revaluation Reserves for Fixed Assets, Securities (100% for the year 2019) from Tier 2 Capital	22.01
Sub-Total of Regulatory Adjustments / Deductions from Capital [D]	**22.01**

</td></tr>
<tr><td>f)</td><td>Total Eligible Capital</td><td>In million Taka

Particulars	Amount
Total Eligible Capital [A+B+C-D]	**8,371.06**

</td></tr>
</table>

Capital Adequacy

<table>
<tr><td colspan="3">Qualitative Disclosures</td></tr>
<tr><td>a)</td><td>A summary discussion of the bank's approach to assessing the adequacy of its capital to support current and future activities.</td><td>The Bank assesses the adequacy of its capital in terms of Section 13 (1) of the Bank Company Act, 1991 (Amended up to 2019) and instruction contained in BRPD Circular No. 18 dated 21 December 2014 [Guidelines on 'Risk Based Capital Adequacy for Banks' (Revised regulatory capital framework in line with Basel III)] and other relevant rules & regulation issued by Bangladesh Bank from time to time. However, in terms of the regulatory guidelines, the Bank computes the capital charge / requirement as under:

i. Credit risk : On the basis of Standardized Approach;
ii. Market risk : On the basis of Standardized Approach; and
iii. Operational risk: On the basis of Basic Indicator Approach.

The Bank assesses the capital requirement considering the existing size of portfolio, concentration of portfolio to different risk weight groups, asset quality, profit trend etc. on quarterly rest. The Bank also forecasts the adequacy of capital in terms of its capacity of internal capital generation, maintaining the size of the portfolio, asset quality, conducting credit rating of the borrowers, segregation of portfolio to different risk weight groups etc. As of 31 December 2019, Bank maintained total capital (CET 1 and Tier 2) of Taka 8,371.06 million against the minimum requirement including capital conservation buffer of Taka 7,184.17 million with a surplus of Taka 1,186.90 million.</td></tr>
</table>

Capital Adequacy (continued)

Bank's capital to risk-weighted asset ratio (CRAR) as of 31 December 2019 stood at 14.73% (consisting of 13.82% in CET 1 capital and 0.91% in Tier 2 capital) against the regulatory requirement of minimum including capital conservation buffer 12.50%. This surplus capital both in term of absolute amount and ratio (CRAR) is considered to be adequate to absorb all the material risks to which the Bank may be exposed in future. The Bank maintained more than adequate capital against the regulatory requirement to upheld and strengthen the confidence of its investors, depositors and other stakeholders.

Quantitative Disclosures

b) Capital Requirement for Credit Risk

In million Taka

Particulars	Risk Weighted Assets (RWA)	Minimum Capital Requirement (MCR)
Credit Risk		
On-balance sheet	42,332.79	4,233.28
Off-balance sheet	6,955.32	695.53
Total	**49,288.11**	**4,928.81**

c) Capital Requirement for Market Risk

In million Taka

Particulars	Risk Weighted Assets (RWA) Capital Charge	Minimum Capital Requirement (MCR)
Market Risk		
Interest rate related instruments	571.98	57.20
Equities	1.01	0.10
Foreign exchange position	802.22	80.22
Commodities	-	-
Total	**1,375.21**	**137.52**

d) Capital Requirement for Operational Risk

In million Taka

Particulars	Risk Weighted Assets (RWA)	Minimum Capital Requirement (MCR)
Operational Risk	6,171.11	617.11
Total	**6,171.11**	**617.11**

Capital Adequacy (continued)

e) Total Risk Weighted Assets (RWA), Total Minimum Capital Requirement (MCR) and Total Eligible Regulatory Capital

In million Taka

Particulars	Amount
Total Risk Weighted Assets (RWA)	
Credit Risk	
On-balance sheet	42,332.79
Off-balance sheet	6,955.32
Total Credit Risk [i]	49,288.11
Market Risk [ii]	1,375.21
Operational Risk [iii]	6,171.11
Total Risk Weighted Assets (RWA) [i+ii+iii]	**56,834.43**

Total Minimum Capital Requirement (MCR)	
Credit Risk	
On-balance sheet	4,233.28
Off-balance sheet	695.53
Total Credit Risk [i]	4,928.81
Market Risk [ii]	137.52
Operational Risk [iii]	617.11
Total Minimum Capital Requirement (MCR)	**5,683.44**

Total Eligible Regulatory Capital	**8,371.06**

f) Total capital, CET1 capital, Total Tier 1 capital and Tier 2 capital ratio:

Particulars	Ratio (%)
Total Capital to Risk-weighted Assets Ratio (CRAR)	14.73%
Common Equity Tier 1 Capital to Risk-weighted Assets Ratio	14.67%
Total Tier 1 Capital to Risk-weighted Asset Ratio	13.82%
Tier 2 Capital to Risk-weighted Asset Ratio	0.91%

g) Capital Conservation Buffer

In million Taka

Particulars	Amount
Risk Weighted Assets **[A]**	**56,834.43**
Rate of Capital Conservation Buffer for 2019 in percentage **[B]**	2.50%
Amount of Common Equity Tier 1 (CET 1) Capital is required as per Capital Conservation Buffer [C = A x B]	1,420.86

h) Available Capital under Pillar 2 Requirement

In million Taka

Particulars	Amount
Total Eligible Regulatory Capital **[A]**	**8,371.06**
Minimum Capital Requirement under Pillar 1 **[B]**	5,683.44
Capital Conservation Buffer **[C]**	1,420.86
Minimum Capital Requirement including Capital Conservation Buffer **[D=B+C]**	7,104.30
Available Capital for Pillar 2 **[E=A-D]**	1,266.76

Credit Risk

Qualitative Disclosures		
a)	**The general qualitative disclosure requirement with respect to credit risk, including:**	
	(i) Definitions of past due and impaired (for accounting purposes)	As per Bangladesh Bank guidelines, the Bank defines the past due and impaired loans and advances for strengthening the credit discipline and mitigating the credit risk of the Bank. The impaired loans and advances are defined on the basis of (i) Objective / Quantitative Criteria and (ii) Qualitative judgment. For this purposes, all loans and advances are grouped into four (4) categories namely- (a) Continuous Loan (b) Demand Loan (c) Fixed Term Loan and (d) Short-term Agricultural & Micro Credit. **Definition of past due/overdue:** i) Any Continuous Loan if not repaid/renewed within the fixed expiry date for repayment or after the demand by the bank will be treated as past due/overdue from the following day of the expiry date; ii) Any Demand Loan if not repaid within the fixed expiry date for repayment or after the demand by the bank will be treated as past due/overdue from the following day of the expiry date; iii) In case of any installment(s) or part of installment(s) of a Fixed Term Loan is not repaid within the fixed expiry date, the amount of unpaid installment(s) will be treated as past due/ overdue from the following day of the expiry date; iv) The Short-term Agricultural and Micro-Credit if not repaid within the fixed expiry date for repayment will be considered past due/overdue after six months of the expiry date. However, a continuous loan, demand loan or a term loan which will remain overdue for a period of 02 (two) months or more, will be put into the “Special Mention Account (SMA)”, the prior status of becoming the loan into impaired/classified/ non-performing. **Definition of impaired / classified / non-performing loans and advances are as follows:** **Continuous loan are classified are as follows:** • **Substandard:** If it is past due /overdue for 3 (three) months or beyond but less than 9 (nine) months; • **Doubtful:** If it is past due / overdue for 9 (nine) months or beyond but less than 12 (twelve) months; • **Bad / Loss:** If is past due / overdue for 12 (twelve) months or beyond **Demand loan are classified are as follows:** • **Substandard:** If it remains past due / overdue for 3 (three) months or beyond but not over 9 (nine) months from the date of expiry or claim by the Bank or from the date of creation of forced loan; • **Doubtful:** If it remains past due / overdue for 9 (nine) months or beyond but not over 12 (twelve) months from the date of expiry or claim by the Bank or from the date of creation of forced loan; • **Bad / Loss:** If it remains past due / overdue for 12 (twelve) months or beyond from the date of expiry or claim by the Bank or from the date of creation of forced loan. **Fixed Term Loans are classified are as follows:** **a)** In case of any installment(s) or part of installment(s) of a Fixed Term Loan amounting upto Taka 10 lacs is not repaid within the due date, the classification is as under: • **Substandard:** If the amount of past due installment is equal to or more than the amount of installment (s) due within 9 (nine) months, the entire loan will be classified as ‘Sub- standard’;

Credit Risk (continued)

- **Doubtful:** If the amount of past due installment is equal to or more than the amount of installment (s) due within 15 (fifteen) months, the entire loan will be classified as 'Doubtful';
- **Bad / Loss:** If the amount of past due installment is equal to or more than the amount of installment (s) due within 18 (eighteen) months, the entire loan will be classified as 'Bad/Loss'

;**b)** In case of any installment(s) or part of installment(s) of a Fixed Term Loan amounting more than Taka 10 lac is not repaid within the due date, the classification is as under:

- **Substandard :** If the amount of past due installment is equal to or more than the amount of installment (s) due within 9 (nine) months, the entire loan will be classified as 'Sub- standard';
- **Doubtful:** If the amount of past due installment is equal to or more than the amount of installment (s) due within 15 (fifteen) months, the entire loan will be classified as 'Doubtful';

- **Bad / Loss:** If the amount of past due installment is equal to or more than the amount of installment (s) due within 18 (eighteen) months, the entire loan will be classified as 'Bad/Loss'

Short-term Agricultural and Micro-Credit: The Short-term Agricultural and Micro-Credit will be considered irregular if not repaid within the due date as stipulated in the loan agreement. If the said irregular status continues, the credit will be classified as 'Sub-standard' after a period of 12 months, as 'Doubtful' after a period of 36 months and as 'Bad/Loss' after a period of 60 months from the stipulated due date as per the loan agreement.

ii) Description of approaches followed for specific and general allowances and statistical methods

The Bank follows the relevant Bangladesh Bank guideline for determination of general and specific allowances for loans and advances. Firstly, the base for provision for the unclassified and classified loans are calculated as under:

a) **Calculation of base for provision for unclassified /standard loans:** Outstanding amount less suspended interest, if any;

b) **Calculation of base for provision for the classified loans, the higher of the following two amounts:**
   i. Outstanding amount less suspended interest less value of eligible securities;
   or
   ii. 15% of outstanding amount.

Secondly, the following rates are applied on base for provision for determination of general and specific allowances for loans:

Particulars		Short Term Agriculture and Micro Credit	Consumer Financing			Small Enterprise Financing	Credits to BHs/MBs / SDs	All Other Credits
			Other than HF, CC & LP	HF	CC & LP			
Unclassified	Standard	1%	5%	1%	2%	0.25%	2%	1%
	SMA	1%	5%	1%	2%	0.25%	2%	1%
Classified	SS	5%	20%	20%	20%	20%	20%	20%
	DF	5%	50%	50%	50%	50%	50%	50%
	B/L	100%	100%	100%	100%	100%	100%	100%

HF= House Financing	LP = Loan for Professional	SD = Stock Dealer
BH = Broker House	MB = Merchant Bank	CC = Credit Card

Credit Risk (continued)

		Mentionable that, all interest accrued is credited to interest suspense account instead of crediting the same to income account if the loan is classified as sub-standard and doubtful. However, charging of interest is discontinued when the loan is classified as bad/loss. As per BRPD Circular No. 4 dated 29 January 2015, the restructured large loan facilities have been treated as Special Mention Account (SMA) for the purpose of classification. Provision has also been calculated at existing applicable rate of SMA with additional 1%. The income from restructured loan has been accounted for only when it was actually received.
	(iii) Discussion of the bank's credit risk Management policy	The salient features of the Bank credit risk management policy and procedures are as under: • **Credit policy approved by the Board:** The Board approves the Credit Risk Management Policy of the Bank for ensuring the best practice in credit risk management and maintaining quality of assets. The credit policy/manual has been put in place in compliance with Bangladesh Bank's guidelines on credit risk management and other rules & regulations circulated by BB from time to time. The policy envisages making credit decisions based on sound lending principles and practices supported by reliable and accurate financials, management integrity, industry/ technical analysis, environmental due diligence, industry information of the borrowing entity/ company etc. • **Credit approval is delegated properly:** Authorities are properly delegated ensuring check and balance in credit operation at every stage i.e. screening, assessing risk, identification, management and mitigation of credit risk as well as monitoring, supervision and recovery of loans with provision for early warning system. • **Independent Credit Risk Management Division:** There is an independent Credit Risk Management Division to assess credit risks and suggest the mitigation procedures & techniques while processing the credit proposals by the Credit Division for approval. • **Separate Credit Administration Division:** A separate credit administration division confirms that perfected security documents are in place before disbursement. The division also monitors borrower's compliance with lending covenants and agreed terms and conditions. • **Independent Credit Monitoring & Recovery Division and Management Recovery Committee:** An independent and fully dedicated Credit Monitoring & Recovery Division monitors the performance and recovery of loans, identify early signs of delinquencies in portfolio and take corrective measures including legal actions to mitigate risks, improve loan quality and to ensure timely recovery of loans. This division also monitors risk status of loan portfolio and ensures adequate loan loss provision. There is a dedicated and high-level management recovery committee to deal with the problem loans for early and most appropriate settlements. • **Credit operations are subject to independent internal Audit:** Internal Control & Compliance Division independently verifies and ensures, at least once in a year, compliance with approved lending guidelines, Bangladesh Bank guidelines, operational procedures, adequacy of internal control, documentation and overall Credit Risk Management System.

Credit Risk (continued)

- **Reporting to Board/ Executive Committee/Risk Management Committee:** Overall quality, performance, recovery status, risks status, adequacy of provision of loan portfolio are regularly reported to the Board of Directors/ Executive Committee/ Risk Management Committee of the Board for information and guidance.

Above all, the Risk Management Division is regularly guiding the Credit Risk Management Division (s) on increasing the collateral coverage, product/sector specific diversification of credit exposures, single borrower exposures limit, large loan portfolio ceiling as stipulated by Bangladesh Bank, improving the asset quality, conducting credit rating of the borrowers to minimize the capital charge against credit risk of the Bank.

Adequate provision is maintained against classified loans as per Bangladesh Bank Guidelines. Status of loans are regularly reported to the Board of Directors/ Risk Management Committee of the Board.

Quantitative Disclosures:

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

Major types of credit exposure as per disclosures in the audited financial statements as of 31 December 2019:

In million Taka

Particulars	Exposure	Mix (%)
Overdrafts	19,003.34	33.93%
Cash Credit	17,054.50	30.45%
Loans against Trust Receipt	3,284.25	5.86%
Export Packing Credit	84.23	0.15%
Payment against Document	161.14	0.29%
Time Loans	1,979.26	3.53%
EDF Loans	1,120.55	2.00%
Demand Loans	123.78	0.22%
Lease Finance	455.87	0.81%
House Building Finance	745.08	1.33%
General Term Loans	7,975.27	14.24%
SME Term Loans	1,846.48	3.30%
Agriculture Term Loans	100.58	0.18%
Personal Loans	81.78	0.15%
Auto Loans	11.59	0.02%
Credit Card	208.26	0.37%
Staff Loans	400.66	0.72%
Other Loans	21.51	0.04%
Bills Purchased and Discounted	1,342.61	2.41%
Total	**56,000.74**	**100.00%**

Credit Risk (continued)

<table>
<tr><td>c)</td><td>Geographical distribution of exposures, broken down in significant areas by major types of credit exposure</td><td>Geographical distribution of credit exposures as per the disclosures in the audited financial statements as of 31 December 2019 are as follows:
In million Taka

Particulars	Outstanding Amount	Mix (%)
Urban		
Dhaka Division	30,672.49	54.77%
Chattogram Division	6,751.87	12.06%
Khulna Division	4,812.88	8.59%
Rajshahi Division	1,881.61	3.36%
Barishal Division	1,249.63	2.23%
Sylhet Division	187.68	0.34%
Rangpur Division	1,376.45	2.46%
Mymensingh Division	9.14	0.02%
Sub-total (Urban)	**46,941.75**	**83.82%**
Dhaka Division	4,223.03	7.54%
Chattogram Division	1,571.54	2.81%
Khulna Division	2,718.67	4.85%
Rajshahi Division	57.61	0.10%
Barishal Division	287.56	0.51%
Sylhet Division	131.30	0.23%
Rangpur Division	69.28	0.12%
Mymensingh	-	0.00%
Sub-Total (Rural)	**9,058.99**	**16.19%**
Grand Total	**56,000.74**	**100.00%**

</td></tr>
<tr><td>d)</td><td>Industry or counterparty type distribution of exposures, broken down by major types of credit exposures.</td><td>Industry or counterparty type distribution of exposures, broken down by major types of credit exposures as per the disclosures in the audited financial statements as of 31 December 2019 are as follows:
In million Taka

Particulars	Outstanding Amount	Mix (%)
Agriculture, Fisheries and Forestry	889.38	1.59%
Agro base Processing Industries	5,522.33	9.86%
Small & Medium Enterprise Financing	22,598.46	40.35%
RMG & Textile Industries	5,668.95	10.12%
Hospitals, Clinics & Medical Colleges	431.07	0.77%
Trade & Commerce	4,059.93	7.25%
Transport and Communications	408.21	0.73%
Rubber & Plastic Industries	1,159.70	2.07%
Iron, Steel & Aluminum Industries	1,732.30	3.09%
Printing & Packaging Industries	370.81	0.66%
Other Manufacturing Industries	4,983.24	8.90%
Housing & Construction Industries	596.62	1.07%
Consumer Credit	692.92	1.24%
Others	6,886.82	12.30%
Total	**56,000.74**	**100.00%**

</td></tr>
</table>

Credit Risk (continued)

e) Residual contractual maturity breakdown of the whole portfolio, broken down by major types of credit exposures

Residual contractual maturity of exposures as per the disclosures furnished in the audited financial statements as of 31 December 2019 are as follows:

In million Taka

Particulars	Outstanding Amount	Mix (%)
On Demand	5,749.21	10.27%
Within one month	4,151.76	7.41%
Within one to three months	13,645.06	24.37%
Within three to twelve months	20,626.71	36.83%
Within one to five years	9,619.19	17.18%
More than five years	2,208.81	3.94%
Total	**56,000.74**	**100.00%**

f) Impaired / classified loans by major industry or counterparty type:

a) Amount of impaired / classified loans by major industries / sector-type as of 31 December 2019 was as follows :

In million Taka

Major Industry / Sector type	Status amount of impaired / classified Loans			Total
	Substandard	Doubtful	Bad/Loss	
SMEF	593.20	335.72	623.03	**1,551.95**
Consumer Financing	0.94	-	-	**0.94**
Housing Financing	0.55	-	-	**0.55**
Other Than SMEF	90.23	-	1,765.28	**1,855.51**
Total	**684.92**	**335.72**	**2,388.31**	**3,408.95**

b) Amount of impaired / classified loans by exposure type as on 31 December 2019 was as under :

In million Taka

Major Exposure type	Status amount of impaired / classified Loans			Total
	Substandard	Doubtful	Bad/Loss	
Continuous loan	486.70	311.18	981.90	**1,779.78**
Demand loan	112.94	22.61	107.41	**242.96**
Term loan	85.28	1.93	1,299.00	**1,386.21**
Total	**684.92**	**335.72**	**2,388.31**	**3,408.95**

g) Specific and General Provision

a) Specific and General provision :

Specific and general provision for loans portfolio and general provision for off-balance sheet exposures of the Bank as per audited financial statements as of 31 December 2019 was as under :

In million Taka

Particulars	Amount
General provision for loans and advances	383.92
Specific provision for loans and advances	971.50
General provision for off-balance sheet exposures	133.66
Total	**1,489.08**

Credit Risk (continued)

		b) Charges for Specific and General Provision during the period : Specific and general provision for loans portfolio and general provision for off-balance sheet exposures of the Bank charged during the year as per audited financial statements for the year ended 31 December 2019 was as under :
h)	Gross Non Performing Assets (NPAs)	Position of Non-Performing Loans and Advances including bills purchased and discounted of the Bank as per audited financial statements for the year ended 31 December 2019 was as under :

In million Taka

Particulars	Amount
General provision for loans and advances	39.08
Specific provision for loans and advances	440.91
General provision for off-balance sheet exposures	22.84
Total	**502.83**

In million Taka

Particulars	Amount
Gross Non-Performing Assets (NPAs)	3,408.95
Non-Performing Assets (NPAs) to Outstanding Loans and Advances	6.09%
Movement of Non-Performing Assets (NPAs)	
Opening Balance	991.66
Additions / adjustment during the year (net)	2,417.29
Closing balance	**3,408.95**
Movement of specific provision for NPAs	
Opening balance	530.59
Add : provision made during the year	509.27
Less : Write-off	
Less : Write-back of Specific provision not required	(68.36)
Closing balance	**971.50**

Equities: Disclosures for Banking Book Positions

Qualitative Disclosures:		
a)	**The general qualitative disclosures 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	Not applicable
	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.	Quoted shares are valued at cost. Provisions are made for any loss arising from diminution in value of investment.
Quantitative Disclosures:		
b)	Value disclosed in the balance sheet on 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.	Cost of Quoted Securities Tk. 0.20 million Market Value of Quoted Securities Tk. 0.51 million
c)	The cumulative realized gains (losses) arising from sales and liquidations in the reporting (31 December 2019) period.	Realized Gain Tk. 0.64 million
d)	• Total unrealized gains (losses)	Unrealized Gain Tk. 0.31 million
	• Total latent revaluation gains (losses)	Nil
	• Any amounts of the above included in Tier II capital.	No
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.	Nil

Interest Rate Risk in Banking Book (IRRBB)

Qualitative Disclosure:

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 is the potential impact on the Bank's earnings (Net Interest Income- NII) and net asset values due to changes in market interest rates. Interest rate risk arises when the Bank's principal and interest cash flows (including final maturities), for both On and Off-balance sheet exposures, have mismatched re-pricing dates. The amount at risk is a function of the magnitude and direction of interest rate changes and the size and maturity structure of the mismatch position. The portfolio of assets and liabilities in the banking book sensitive to interest rate changes is the element of interest rate risk. The immediate impact of changes in interest rates is on the Bank's net interest income (difference between interest income accrued on rate sensitive asset portfolio and interest expenses accrued on rate sensitive liability portfolio) for particular period of time, while the long term impact is on the Bank's net worth since the economic value of the Bank's assets, liabilities and off-balance sheet exposures are affected. **Key assumptions on loan prepayments and behavior of non-maturity deposits:** a) Loans with defined contractual maturity are re-priced in the respective time buckets in which it falls as per the loan repayment schedule; b) Loans without defined contractual maturity are segregated into different time buckets based on the past trend, seasonality, geographical perspective and re-priced accordingly; c) Non-maturity deposits namely current, saving deposits are segregated into different time buckets on the basis of past trend of withdrawal, seasonality, religious festivals, geographical perspective and re-priced accordingly. However, the behavior of withdrawal of non-maturity deposits of the Bank is more or less stable. The Bank measures the IRRBB as per the regulatory guidelines on a quarterly rest.

Quantitative Disclosures:

b) The impact of changes in interest rate for On-balance sheet rate sensitive assets and liabilities of the Bank as per the audited financial statements as of 31 December 2019 is furnished below:

In million Taka

Particulars	Residual Maturity Bucket				
	1 month	**3 month**	**6 month**	**1 year**	**1 year above**
Rate Sensitive Assets [A]	2,509.58	1,264.77	944.67	1,062.04	2,122.94
Rate Sensitive Liabilities [B]	1,349.77	1,665.45	1,103.09	875.68	1,528.30
GAP [A – B]	1,159.81	(400.68)	(158.42)	186.36	594.64
Cumulative GAP	1,159.81	759.13	600.71	787.07	1,381.71
Interest Rate Change (IRC) [Note 1]	1%	1%	1%	1%	1%
Quarterly Earnings Impact [GAP X IRC]	11.60	7.59	6.01	7.87	13.82
Cumulative Earnings Impact	11.60	19.19	25.20	33.07	46.88

Note 1: Assuming 1% rise in interest for both asset and liability portfolio of the Bank.

Market Risk

Qualitative Disclosures:

Views of Board of Directors on trading / investment activities:

The Board approves all policies related to market risk, set limits and reviews compliance on a regular basis. The objective is to provide cost effective funding to finance assets growth and trade related transactions. The market risk covers the followings risks of the Bank's balance sheet:

i) Interest rate risk;
ii) Equity price risk;
iii) Foreign exchange risk; and
iv) Commodity price risk.

Methods used to measure Market risk:

As per relevant Bangladesh Bank guidelines, Standardize approach has been used to measure the market risk for capital requirement for of the Bank. The total capital requirement in respect of market risk is the aggregate capital requirement calculated for each of the risk sub-categories. For each risk category minimum capital requirement is measured in terms of two separately calculate capital charges for "Specific Risk" and "General Market Risk" as under :

Component of Market Risk	**Capital Charged for Market Risk**	
	General Market Risk	**Specific Market Risk**
Interest Rate Risk	Applied	Applied
Equity Price Risk	Applied	Applied
Foreign Exchange Risk	Applied	
Commodities Price Risk	Applied	

Market Risk management system:

The Treasury Division of the Bank manages market risk covering liquidity, interest rate and foreign exchange risks with oversight from Assets-Liability Management Committee (ALCO) comprising senior executives of the Bank. ALCO is chaired by the Managing Director. ALCO meet at least once in a month.

The Risk Management Division also reviews the market risk parameters on monthly basis and recommends on portfolio concentration for containing the RWA.

Policies and processes for mitigating market risk

There are approved limits for credit deposit ratio, liquid assets to total assets ratio, maturity mismatch, commitments for both on-balance sheet and off-balance sheet items and borrowing from money market and foreign exchange position. The limits are monitored and enforced on a regular basis to protect against market risks. The exchange rate committee of the bank meets on a daily basis to review the prevailing market condition, exchange rate, foreign exchange position, and transactions to mitigate foreign exchange risks.

Quantitative Disclosures:

The capital requirements for market risk

In million Taka

Particulars	**Amount**
Interest Rate Risk	57.20
Equity Position Risk	0.10
Foreign Exchange Risk	80.22
Commodity Risk	-
Total Capital Requirement of Market Risk	**137.52**

Operational Risk

Qualitative Disclosures	
i) Views of Board of Directors (BOD) on system to reduce Operational Risk	The policy for operational risks including internal control and compliance risk is approved by the Board taking into account relevant guidelines of Bangladesh Bank. Audit Committee of the Board directly oversees the activities of Internal Control and Compliance Division (IC&CD) to protect against all operational risk. As a part of continued surveillance, the management committee (MANCOM), Risk Management Committee (at the management level), independent Risk Management Division regularly reviews different aspects of operational risk. The analytical assessment was reported to the Board/ Risk Management Committee/Audit Committee of the Bank for review and formulating appropriate policies, tools & techniques for mitigation of operational risk.
ii) Performance gap of executives and staffs	The Bank has a policy to provide competitive package and best working environment to attract and retain the most talented people available in the industry. The Bank's strong brand image plays an important role in employee motivation. As a result, there is no significant performance gap.
iii) Potential external events	Like other peers, the Bank operates its business with few external risk factors relating to the socio-economic condition, political atmosphere, regulatory policy changes, natural disaster etc. based on the overall perspective of the country. Potential external events and related downside risk, namely, political impasse, damage of Bank' s delivery channel including ATM, fear of theft/ robbery in banks vaults, compliance/ adjustment due to changes of regulatory policy stance, laws & regulations etc. are managed to keep within tolerable limit.
iv) Policies and processes for mitigating operational risk	The policy for operational risks including internal control and compliance risk is approved by the Board taking into account relevant guidelines of Bangladesh Bank. A policy guideline on Risk Based Internal Audit (RBIA) System is in operation. As per RBIA, branches with high risk status and subjected to more frequent audit by Internal Control and Compliance Division (IC&CD). IC&CD directly reports to Audit Committee of the Board. Currently, the Bank is using some models or 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 Antifraud Internal Control to Bangladesh Bank on quarterly rest. In addition, there is a Vigilance Cell established in 2013 to reinforce the operational risk management of the Bank. Bank's Anti-Money Laundering activities are headed by CAMLCO and their activities are devoted to protect against all money laundering and terrorist finance related activities. The Complaint Management Cell was also engaged in mitigating the operation risks of the Bank. Apart from that, there is adequate check and balance at every stage of operation, authorities are properly segregated and there is at least dual control on every transaction to protect against operational risk.

Operational Risk (continued)

v) Approaches for calculating capital charge for operational risk	The Bank follows the Basic Indicator Approach (BIA) in terms of BRPD Circular No. 18 dated 21 December 2014 [Guidelines on 'Risk Based Capital Adequacy for Banks' (Revised regulatory capital framework in line with Base III)]. The BIA stipulates the capital charge for operational risk is a fixed percentage, denoted by **α** (alpha) of average positive annual gross income of the Bank over the past three years. It also states that if the annual gross income for any year is negative or zero, that should be excluded from both the numerator and denominator when calculating the average gross income. The capital charge for operational risk is enumerated by applying the following formula: $K = [(GI\,1 + GI2 + GI3) \times \alpha] / n$ Where: K = the capital charge under the Basic Indicator Approach GI = only positive annual gross income over the previous three years (i.e., negative or zero gross income if any shall be excluded) α = 15 percent n = number of the previous three years for which gross income is positive. Besides, Gross Income (GI) is calculated as "Net Interest Income" plus "Net non-Interest Income". The GI is also the net result of : i) Gross of any provisions; ii) Gross of operating expenses, including fees paid to outsourcing service providers; iii) Excluding realized profits/losses from the sale of securities held to maturity in the banking book; iv) Excluding extraordinary or irregular items; iv) Excluding income derived from insurance.
Quantitative Disclosures:	
The capital requirements for operational risk	Taka 617.11 million.
Capital Charge for Operational Risk-Basic Indicator Approach	Amount in million Taka

Particulars	**Taka**
Gross Income = Net Interest Income + Non Interest Income + Interest Suspense	
2017	3,482.36
2018	4,130.80
2019	4,729.05
Total Gross Income of Last Three Years	12,342.21
Average Gross Income	**4,114.07**
Capital Charge @ 15%	**617.11**

Liquidity Ratio

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

Qualitative Disclosures	
i) Views of Board of Directors (BOD) on system to reduce Liquidity Risk	The Board of Directors reviews the liquidity risk of the Bank on quarterly rest while reviewing the Quarterly Financial Statements, Stress Testing Report etc. Besides, the EC of the Board also reviews the liquidity position while reviewing the management information system (MIS) report on monthly basis. Upon reviewing the overall liquidity position along with the outlook of the Bank's funding need, investment opportunity, market/ industry trend, the Board takes its strategic decision regarding deposits, funding, investments, loans as well as interest rates polices etc. The Board always strives to maintain adequate liquidity to meet up Bank's overall funding need for the huge retail depositors, borrowers' requirements as well as maintain regulatory requirements comfortably.
ii) Methods used to measure Liquidity Risk	The maintenance of Cash Reserve Requirement (CRR) and Statutory Liquidity Ratio (SLR) are considered as the fundamental methods / tools to measure the liquidity position / risk of the Bank. However, under Basel III, the following methods and tools are mandated for measuring the liquidity risk. **a) Liquidity Coverage Ratio (LCR):** Liquidity Coverage Ratio ensures to maintain an adequate level of stock of high quality liquid assets that can be converted into cash to meet its liquidity needs (i.e. total net cash outflows) over the next 30 calendar days. **b) Net Stable Funding Ratio (NSFR):** Net Stable Funding Ratio aims to limit over-reliance on short-term wholesale funding during times of abundant market liquidity and encourage better assessment of liquidity risk across all on- and off-balance sheet items. The minimum acceptable value of this ratio is 100 percent, indicating that, available stable funding (ASF) should be at least equal to required stable funding (RSF). **ASF** consists of various kinds of liabilities and capital with percentage weights attached given their perceived stability. **RSF** consists of assets and off-balance sheet items, also with percentage weights attached given the degree to which they are illiquid or "long-term" and therefore requires stable funding. In addition to the above, the following measures have been put in place to monitor the liquidity risk management position of the Bank on a continued manner: a) Asset-Liability Maturity Analysis (Liquidity profile); b) Whole sale borrowing capacity; c) Maximum Cumulative Outflow (MCO); Besides the above, the following tools are also used for measuring liquidity risk: a) Stress Testing (Liquidity Stress); b) Net open position limit - to monitor the FX funding liquidity risk.

Liquidity Ratio (continued)

<table>
<tr><td>iii) Liquidity risk management system</td><td>In SBAC Bank Ltd., at the management level, the liquidity risk is primarily managed by the Treasury Division (Front Office) under oversight of ALCO which is headed by the Managing Director along with other senior management.
Treasury Division upon reviewing the overall funding requirements on daily basis sets their strategy to maintain a comfortable/adequate liquidity position taking into consideration of Bank's approved credit deposit ratio, liquid assets to total assets ratio, asset-liability maturity profile, Bank's earning/profitability as well as overall market behavior and sentiment etc.
Apart from the above, Risk Management Division also monitors & measures the liquidity risk in line with the Basel III liquidity measurement tools, namely, LCR, NSFR, Leverage Ratio. RMD addresses the key issues and strategies to maintain the Basel III liquidity ratios to the respective division (s) on regular interval.</td></tr>
<tr><td>iv) Policies and processes for mitigating Liquidity Risk</td><td>The Asset-Liability Management Committee (ALCO) policy leads the process & procedures for mitigation of liquidity risk of the Bank.
ALCO works under specific Terms of References (functions) approved by the Board.
Treasury Division (Front Office) and ALM desk under regular supervision of Top Management reviews the overall liquidity position of the Bank and takes appropriate strategy, process in line with the industry position for managing liquidity risk of the Bank.</td></tr>
<tr><td colspan="2">Quantitative Disclosures</td></tr>
<tr><td>i) Liquidity Coverage Ratio (LCR)</td><td>The Liquidity Coverage Ratio (LCR) under Liquidity Ratios of Basel III of South Bangla Agriculture & Commerce Bank Limited as of 31 December 2019 was as under:

$$\text{Liquidity Coverage Ratio (LCR)} = \frac{\text{Stock of High quality liquid assets}}{\text{Net cash outflows over the next 30 calendar days*}}$$

<table>
<tr><th rowspan="2">Particulars</th><th colspan="2">Ratio (%)</th></tr>
<tr><th>Bangladesh Bank Requirement</th><th>Bank’s Position</th></tr>
<tr><td>Liquidity Coverage Ratio (LCR)</td><td>≥ 100%</td><td>120.17%</td></tr>
</table>

* If total weighted cash inflows over next 30 days is greater than that of outflows then, for calculation of LCR, 25% of total weighted cash outflows over next 30 days will be taken instead of Net cash outflows over the next 30 calendar days.</td></tr>
<tr><td>ii) Net Stable Funding Ratio (NSFR)</td><td>The Net Stable Funding Ratio (NSFR) under Liquidity Ratios of Basel III of South Bangla Agriculture & Commerce Bank Limited as of 31 December 2019 was as under:

$$\text{Net Stable Funding Ratio (NSFR)} = \frac{\text{Available amount of stable funding (ASF)}}{\text{Required amount of stable funding (RSF)}}$$

<table>
<tr><th rowspan="2">Particulars</th><th colspan="2">Ratio (%)</th></tr>
<tr><th>Bangladesh Bank Requirement</th><th>Bank’s Position</th></tr>
<tr><td>Net Stable Funding Ratio (NSFR)</td><td>≥ 100%</td><td>183.97%</td></tr>
</table></td></tr>
</table>

Liquidity Ratio (continued)

iii)	Stock of High Quality Liquid Assets (SHQLA)	As stipulated by Bangladesh Bank vide DOS Circular No. 1 dated 1 January 2015, the Stock of High Quality Liquid Assets (SHQLA) of South Bangla Agriculture & Commerce Bank Limited as of 31 December 2019 was as under:
iv)	Total net cash outflows over the next 30 calendar days	As stipulated by Bangladesh Bank vide DOS Circular No. 1 dated 1 January 2015, total net cash outflows over the next 30 calendar days of South Bangla Agriculture & Commerce Bank Limited based on the position as of 31 December 2019 was as under:
v)	Available amount of stable funding	As stipulated by Bangladesh Bank vide DOS Circular No. 1 dated 1 January 2015, the available amount of stable funding (ASF) of South Bangla Agriculture & Commerce Bank Limited as of 31 December 2019 was as under:
vi)	Required amount of stable funding	As stipulated by Bangladesh Bank vide DOS Circular No. 1 dated 1 January 2015, the required amount of stable funding (RSF) of South Bangla Agriculture & Commerce Bank Limited as of 31 December 2019 was as under:

iii) In million Taka

Particulars	Amount
Cash in hand	759.25
Balance with Bangladesh Bank including foreign currency	3,677.35
Un-encumbered approved securities	15,032.69
Total Stock of High Quality Liquid Assets (SHQLA)	**19,469.29**

iv) In million Taka

Particulars	Amount
Total weighted cash outflows over next 30 days [A]	25,426.28
Total weighted cash inflows over next 30 days [B]	9,225.48
Total net cash outflows over next 30 days [A – B]	**16,200.80**

v) In million Taka

Particulars	Weighted Amount
Available amount of Stable Funding (ASF)	71,619.06

vi) In million Taka

Particulars	Weighted Amount
Required amount of Stable Funding (RSF)	38,930.16

Leverage Ratio

<table>
<tr><td colspan="2">Qualitative Disclosures</td></tr>
<tr><td>i) Views of BOD on system to reduce excessive leverage</td><td>The Board of Directors primarily views on the growth of On and Off balance sheet exposures commensurate with its expected capital growth so that the excessive leverage is reduced. Within the On-balance components, again, the Board emphasises on the growth of the prime component i.e. the loans and advances and maintaining good asset quality so as to maximize the revenue as well as the capacity to generate capital internally (in the form of retained earnings) to trade-off the excessive leverage supposed to be caused by asset growth.
At the outset of asset growth, the Board also views the growth of its sources of fund i.e. deposit growth taking into consideration of projected business growth so that the credit-deposit ratio is maintained at a sustainable basis as well as to reduce the mismatches of asset-liability gap within the tolerable limit to manage the liquidity risk.</td></tr>
<tr><td>ii) Policies and processes for managing excessive on and off balance sheet leverage</td><td>First and foremost, Bank's policy is to maintain the Leverage Ratio (Tier 1 capital as proportion to total adjusted On and Off balance sheet asset) well above the regulatory requirement. To this end, the striking components of balance sheet, namely, the deposits & borrowing, loans & advances, other liquid assets (treasury bills, bonds, fund placements) are analyzed on monthly basis.
Measures are taken to contain the growth of overall size of balance sheet (On and Off balance sheet exposures aggregately) considering short term outlook of the industry indicators as well as possible growth of equity (Tier 1 capital) of the Bank on quarterly rest.
With regard to managing the excessive leverage, the regulatory stance through the monetary policy initiatives i.e. the scope of expected business potential (growth), estimated money supply, inflation, resulting the estimated overall liquidity of the industry as well as the Bank in particular is also considered.</td></tr>
<tr><td>iii) Approach for calculating exposure / Leverage</td><td>The exposures of balance sheet representing the overall position of the Bank as of the reporting date are calculated and presented in terms of applicable relevant accounting standards, i.e., IASs (BASs), IFRSs (BFRSs), etc.
The accounting values of assets and liabilities are also presented and measured at gross. Netting of assets and liabilities are also made where permitted in compliance with the respective accounting standards and the regulatory instruction.
For calculating "leverage", the Bank follows the 'Leverage Ratio' approach / method as suggested by Bangladesh Bank.</td></tr>
<tr><td colspan="2">Quantitative Disclosures</td></tr>
<tr><td>i) Leverage Ratio</td><td>Leverage Ratio (LR) under Basel III of South Bangla Agriculture & Commerce Bank Limited as of 31 December 2019 was as under:
$$\text{Leverage Ratio (LR)} = \frac{\text{Tier 1 Capital (after related adjustment)}}{\text{Total Exposure (after related deductions)}}$$
<table><tr><th rowspan="2">Particulars</th><th colspan="2">Ratio (%)</th></tr><tr><th>Bangladesh Bank Requirement</th><th>Bank's Position</th></tr><tr><td>Liquidity Ratio (LR)</td><td>> 3%</td><td>8.72%</td></tr></table></td></tr>
</table>

Leverage Ratio (continued)

ii) On balance sheet exposure

Total On-balance Sheet exposure for calculating Leverage Ratio under Basel III of South Bangla Agriculture & Commerce Bank Limited as of 31 December 2019 was as under:

In million Taka

Particulars	Amount
Total On Balance Sheet Assets [A]	84,564.01
Less : Total Specific Provision [B]	971.50
Total Adjusted On Balance Sheet Exposure [A – B]	**83,592.51**

iii) Off balance sheet exposure

Total Off-balance Sheet exposure for calculating Leverage Ratio under Basel III of South Bangla Agriculture & Commerce Bank Limited as of 31 December 2019 was as under:

In million Taka

Exposures Types	Notional Amount	Credit Conversion Factor (CCF)	Weighted Amount
1	2	3	4 = 2 X 3
Direct credit substitutes	3,004.83	100%	3,004.83
Performance related contingencies	6,085.78	50%	3,042.89
Short-term self-liquidating trade letters of credit	3,308.91	20%	661.78
Other commitments that can be unconditionally cancelled by any time	1,969.82	10%	196.98
Total			**6,906.48**

iv) Total exposure

Total Exposures for calculating Leverage Ratio under Basel III of South Bangla Agriculture & Commerce Bank Limited as of 31 December 2019 was as under:

In million Taka

Particulars	Amount
Total On Balance Sheet Exposures [A]	**83,592.51**
Total Off Balance Sheet Exposures [B]	6,906.48
Less : Total Deduction / Regulatory adjustments [c]	481.88
Total Adjusted Exposure [A + B – C]	**90,017.11**

Remuneration

Qualitative Disclosures		
a) Information relating to the bodies that oversee remuneration		
i)	Name of the bodies that oversee remuneration	At the management level, primarily the Human Resources Division oversees the 'remuneration' in line with its HR management strategy / policy under direct supervision and guidance of Management Committee (MANCOM) of the Bank.
ii)	Composition of the main body overseeing remuneration	The MANCOM is headed and chaired by the Managing Director of the Bank; along with other members of top executive management (Deputy Managing Directors) and the Heads of different functional divisions of Head Office. The Company Secretary of the Bank acts as the Member Secretary of the MANCOM.
iii)	Mandate of the main body overseeing remuneration	The mandate of the Management Committee (MANCOM) as the main body for overseeing the Bank's remuneration is to review the position of remuneration and associated matters and recommend to the Board of Directors for approval of its restructuring, rearrangement and modification commensurate with the industry best practices as per requirement.
iv)	External consultants whose advice has been sought, the body by which they were commissioned, and in what areas of the remuneration process.	The Bank has no External Consultant permanently regarding 'remuneration' and its process. However, experts' opinion may have been sought in case to case basis regarding income tax matter, lawyers' opinion for settlement of employees' dues in case of death, penalty etc. if required, by the management.
v)	A description of the scope of the bank's remuneration policy (eg by regions, business lines), including the extent to which it is applicable to foreign subsidiaries and branches.	The Bank does not differentiate the 'Pay Structure' and 'employee benefits' by regions. However, variation in remuneration is in practice based on nature of job/business line/activity primarily bifurcated for the employees who are directly recruited by the Bank and the headcounts/employees explored through outsourcing service providers as per rule. As of 31 December 2019, the Bank had no foreign subsidiaries and branches outside Bangladesh.
vi)	A description of the types of employees considered as material risk takers and as senior managers, including the number of employees in each group.	The Bank consider the members of the senior management, branch managers and the employees engaged in different functional divisions at Head Office (except the employees involved in internal control, risk management and compliance) as the material risk takers of the Bank.
b) Information relating to the design and structure of remuneration processes		
i)	An overview of the key features and objectives of remuneration policy.	Remuneration and other associated matters are guided by the Bank's Service Rule as well as instruction, guidance from the Board from time to time in line with the industry practice with the objectives of retention/hiring of experienced, talented workforce focusing on sustainable growth of the Bank.
ii)	Whether the remuneration committee reviewed the bank's remuneration policy during the past year, and if so, an overview of any changes that were made.	Human Resources Division under guidance of MANCOM, the Board and senior management reviews the issues of remuneration & its associated matters from time to time.
iii)	A discussion of how the bank ensures that risk and compliance employees are remunerated independently of the businesses they oversee.	The risk and compliance employees are carrying out the activities independently as per specific terms of references, job allocated to them. Regarding remuneration of the risk and compliance employees, Human Resources Division does not make any difference with other mainstream/ regular employees and sets the remuneration as per the prevailing rule of the Bank primarily governed by the employees' service rule of the Bank.

Remuneration (continued)

c) Description of the ways in which current and future risks are taken in account in the remuneration processes		
i)	An overview of the key risks that the bank takes into account when implementing remuneration measures.	The business risk including credit / default risk, compliance & reputational risk are mostly considered when implementing the remuneration measures for each employee/group of employee. Financial and liquidity risk are also considered.
ii)	An overview of the nature and type of the key measures used to take account of these risks, including risks difficult to measure.	Different set of measures are in practice based on the nature & type of business lines / segments etc. These measures are primarily focused on the business target / goals set for each area of operation, branch vis-a-vis the actual results achieved as of the reporting date. The most vital tools & indicators used for measuring the risks are the asset quality (NPL ratio), Net Interest Margin (NIM), provision coverage ratio, credit-deposit ratio, cost-income ratio, growth of net profit, as well the non-financial indicators, namely, the compliance status with the regulatory norms, instructions has been brought to all concerned of the Bank from time to time.
iii)	A discussion of the ways in which these measures affect remuneration.	While evaluating the performance of each employee annually, all the financial and non-financial indicators as per pre-determined set criteria are considered; and accordingly the result of the performance varies from one to another and thus affect the remuneration as well.
iv)	A discussion of how the nature and type of these measures has changed over the past year and reasons for the change, as well as the impact of changes on remuneration.	No material change has been made during the year 2019 that could the affect the remuneration.
d) Description of the ways in which the bank seeks to link performance during a performance measurement period with levels of remuneration		
i)	An overview of main performance metrics for bank, top-level business lines and individuals.	The Board sets the Key Performance Indicators (KPIs) while approving the business target / budget for each year for the Bank and business lines / segments. The management sets the appropriate tools, techniques and strategic planning (with due concurrence / approval of the Board) towards achieving those targets. The most common KPIs are the achievement of loan, deposit and profit target with the threshold of NPL ratio, cost-income ratio, cost of fund, yield on loans, provision coverage ratio, capital to risk weighted asset ratio (CRAR), ROE, ROA, liquidity position (maintenance of CRR and SLR) etc.
ii)	A discussion of how amounts of individual remuneration are linked to bank-wide and individual performance.	The remuneration of each employee is paid based on her / his individual performance evaluated as per set criteria. And, accordingly, the aggregate amount of remuneration of the Bank as a whole is linked / impacted to the same extent.
iii)	A discussion of the measures the bank will in general implement to adjust remuneration in the event that performance metrics are weak. This should include the bank's criteria for determining "weak" performance metrics.	The Bank follows remuneration process as per set criteria with no in general adjustment in the event of weak performance metrics / scorecard.

Remuneration (continued)

e) Description of the ways in which the bank seek to adjust remuneration to take account of longer-term performance.	
i) A discussion of the bank' s policy on deferral and vesting of variable remuneration and, if the fraction of variable remuneration that is deferred differs across employees or groups of employees, a description of the factors that determine the fraction and their relative importance.	The Bank pays variable remuneration i.e. annual increment based on the yearly performance rating on cash basis with the monthly pay. While the value of longer term variable part of remuneration i.e. the amount of provident fund, gratuity fund are made provision on aggregate / individual employee basis; actual payment is made upon retirement, resignation etc. as the case may be, as per the Bank's rule.
ii) A discussion of the bank' s policy and criteria for adjusting deferred remuneration before vesting and (if permitted by national law) after vesting through claw back arrangements.	Not Applicable
f) Description of the different forms of variable remuneration that the bank utilises and the rationale for using these different forms.	
i) An overview of the forms of variable remuneration offered (i.e. cash, shares and share-linked instruments and other forms. A description of the elements corresponding to other forms of variable remuneration (if any) should be provided.	The Bank pays variable remuneration on cash basis (i.e. direct credit to the employee Bank account and / or Payment Order / Cheque), as the case may be, as per rule / practice.
ii) A discussion of the use of the different forms of variable remuneration and, if the mix of different forms of variable remuneration differs across employees or groups of employees), a description the factors that determine the mix and their relative importance.	The following variable remuneration has been offered by the Bank to its employees: **Annual Increment** Bank provides annual increments based on performance to the employees with the view of medium to long term strategy and adherence to the Bank's values.
Quantitative Disclosures	
i) Number of meetings held by the main body overseeing remuneration during the financial year and remuneration paid to its member.	There were 12 (twelve) meetings of the Management Committee (MANCOM) held during the year 2019. All the members of MANCOM are from the core banking area/operation of the Bank. No additional remuneration was paid to the members of the Management Committee for attending the meeting except their regular remuneration.
ii) Number of employees having received a variable remuneration award during the financial year.	Number of Employees having received a variable remuneration award during the year 2019 was : No. of Employees : 797 Total Amount : Tk 81.43 million

Remuneration (continued)

<table>
<tr><td>iii) Number and total amount of guaranteed bonuses awarded during the financial year.</td><td>The following number and total amount of Guaranteed bonuses awarded during the year 2019:
<table><tr><th>Particulars</th><th>Number of Employees</th><th>Total Amount of Guaranteed Bonuses (in million Taka)</th></tr><tr><td>Guaranteed Bonus awarded during the year 2019</td><td>849</td><td>67.38</td></tr></table></td></tr>
<tr><td>iv) Number and total amount of sign-on awards made during the financial year.</td><td>There was no sign-on awards made in 2019.</td></tr>
<tr><td>v) Number and total amount of severance payments made during the financial year.</td><td>There was no severance payment made during the year 2019.</td></tr>
<tr><td>vi) Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms.</td><td>There was no deferred remuneration, split into cash, shares and share-linked instruments and other forms made in 2019.</td></tr>
<tr><td>vii) Total amount of deferred remuneration paid out in the financial year.</td><td>There was no deferred remuneration paid out in the financial year 2019.</td></tr>
<tr><td>viii) Breakdown of amount of remuneration awards for the financial year.</td><td>Fixed and variable remuneration paid in 2019 are as follows :
In million Taka
<table><tr><th>Particulars</th><th>Amount</th></tr><tr><td>Fixed Pay</td><td>1,041.48</td></tr><tr><td>Variable Pay</td><td>81.83</td></tr><tr><td>Total Fixed and Variable Pay</td><td>1,123.31</td></tr></table></td></tr>
<tr><td colspan="2">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:</td></tr>
<tr><td>ix) Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit and/or implicit adjustments.</td><td>Not Applicable</td></tr>
<tr><td>x) Total amount of reductions during the financial year due to ex post explicit adjustments.</td><td>Not Applicable</td></tr>
<tr><td>xi) Total amount of reductions during the financial year due to ex post implicit adjustments.</td><td>Not Applicable</td></tr>
</table>