

SOUTH BANGLA AGRICULTURE & COMMERCE BANK LTD.
Disclosures on Risk Based Capital (Basel III)

As on 31 December 2021

The purpose of Market Discipline in Basel III is to complement the minimum capital requirements and the supervisory review process. The aim of introducing Market Discipline is to establish more transparent and more disciplined financial market so that stakeholders can assess the position of a Bank regarding the holding of assets and to identify the risks relating to the assets and capital adequacy to meet probable loss of assets. For the said purpose, South Bangla Agriculture & Commerce Bank Limited (SBACBL) has developed a set of disclosures called “Disclosures on Risk Based Capital (Basel III)” which contains a key piece of information on the assets, risk exposures, risk assessment process, and hence the capital adequacy to meet the risks in accordance with Bangladesh Bank guidelines.

1.0 Scope of Application:

Qualitative Disclosure	
a)	<p>The name of the top corporate entity in the group to which this guideline applies;</p>
b)	<p>An outline of differences in the basis of consolidation for accounting & 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 investment is risk-weighted);</p>
	<p style="text-align: center;">South Bangla Agriculture & Commerce Bank Limited (SBACBL)</p> <p>The disclosure made in the following sections has addressed SBACBL as a single entity (Solo Basis) as well as a consolidated entity (Consolidated Basis), the scope of which is as under:</p> <ul style="list-style-type: none"> • ‘Solo Basis’ refers to all positions of the Bank including the Offshore Banking Unit. • ‘Consolidated Basis’ refers to all positions of the Bank and its Subsidiaries. <p>The Consolidated Financial Statements of SBACBL include the Financial Statements of:</p> <ul style="list-style-type: none"> • South Bangla Agriculture & Commerce Bank Limited • SBAC Bank Investment Limited <p>A brief description of the Bank and its subsidiaries is given below:</p> <ul style="list-style-type: none"> • South Bangla Agriculture & Commerce Bank Limited (SBACBL) <p>SBACBL was formed as a public limited banking company incorporated in Bangladesh with the primary objective to carry on all kinds of banking business in and outside Bangladesh.</p> <p>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 a license from Bangladesh Bank on 25th March 2013 and started its banking business on 28th April 2013. The number of branches was 84 (eighty four) and sub-branches were 21 (Twenty one) as on 31 December 2021 all over Bangladesh. The principal activities of the Bank are to carry on all kinds of commercial banking business in Bangladesh.</p> <p>Offshore Banking Unit</p> <p>The Off-shore Banking Unit (OBU) of the Bank is a separate business entity governed by the applicable rules & regulations and guidelines of Bangladesh Bank. The Bank obtained permission for</p>

		<p>conducting the activities of OBU under reference letter no. BRPD (03)/744(127)/2020-5140 dated 15 July 2020 of Bangladesh Bank. The Bank started the operation of OBU on 22 October 2020. The number of OBU was one as on 31 December 2021, located at International Division, Head Office, and Dhaka.</p> <p>The principal activities of the OBUs are to provide commercial banking services through its Unit within the rules & regulations and guidelines of Bangladesh Bank applicable for the Off-shore Banking Units.</p> <p>Subsidiaries of South Bangla Agriculture & Commerce Bank Limited:</p> <p>The Bank has 01 (One) Subsidiary company as on 31 December 2021 – 1) SBAC Bank Investment Limited (SBACBIL).</p> <ul style="list-style-type: none"> • SBAC Bank Investment Limited (SBACBIL). <p>SBAC Bank Investment Limited is a Subsidiary Company of SBAC Bank Limited incorporated as a Private Limited Company the Registrar of Joint Stock Companies and Firms vide certificate of incorporation no.C-169950/2021 dated 21 March 2021 under the Companies Act-1994. The Main objective of the company is to act as a full-fledged Stock Broker & Stock Dealer to execute buy and sell orders and to maintain its own portfolio as well as customers' portfolios under the discretion of customers. The company also will perform the other activities related to Capital Market.</p>
c)	Any restrictions, or other major impediments, on the transfer of funds or regulatory capital within the group;	Not applicable.
Quantitative Disclosure		
d)	The aggregate amount of surplus capital of insurance subsidiaries (whether deducted or subjected to an alternative method) is included in the capital of the consolidated group;	Not applicable.

2.00 Capital Structure:

Qualitative Disclosure	
<p>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;</p>	<p>In accordance with the Risk Based Capital Adequacy Guidelines issued by Bangladesh Bank in December 2014, the Capital Structure of the Bank is categorized into two Tiers – 1) Tier I and 2) Tier II. The components of the total regulatory capital are enumerated as under:</p> <ol style="list-style-type: none">1. Tier 1 Capital (going-concern capital)<ol style="list-style-type: none">a. Common Equity Tier 1b. Additional Tier 12. Tier 2 Capital (gone-concern capital) <p>Tier 1 Capital: (Going-concern capital)</p> <p>Going-concern capital is the capital which can absorb losses without triggering the bankruptcy of the Bank. As such, from a regulatory capital perspective, Tier 1 capital is the core measure of a Bank's financial strength.</p> <p>As per the guidelines of Bangladesh Bank, CET-1 Capital is comprised the following:</p> <ol style="list-style-type: none">a) Paid up capitalb) Non-repayable share premium accountc) Statutory reserved) General reservee) Retained earningsf) Dividend equalization reserveg) Minority interest in subsidiaries, i.e. common shares issued by consolidated subsidiaries of the Bank and held by third parties. <p>Additional Tier 1 (AT 1) Capital consists of the following items:</p> <ol style="list-style-type: none">a) Non-cumulative irredeemable preference sharesb) Instruments issued by the Bank that meet the qualifying criteria for AT 1 (The instrument is perpetual i.e. there is no maturity date)c) Minority Interest, i.e., AT 1 issued by consolidated subsidiaries to third parties. <p>Tier 2 Capital: (Gone-concern capital)</p> <p>Gone-concern capital is the capital which will absorb losses only in a situation of liquidation of the Bank. Gone-concern capital is also called Tier 2 capital. Gone-concern capital represents other elements which fall short of some of the characteristics of the core capital but contribute to the overall strength of a bank.</p> <p>Tier 2 Capital consists of following items:</p> <ol style="list-style-type: none">a) General provisions; (maximum 1.25 % of risk weighted assets)b) All other preference sharesc) Subordinated debt/instruments issued by the Bank that meet the qualifying criteria for Tier 2 capital; (Minimum original maturity of at least five years)d) Minority interest i.e. Tier 2 issued by consolidated subsidiaries to third parties; <p>As per the guidelines of Bangladesh Bank, Tier-1 capital of SBACBL consists of (i) Fully paid-up capital, (ii) Statutory reserve, (iii) General reserve, (iv) Retained earnings and (v) Minority interest in subsidiaries.</p>

Quantitative Disclosure

The amount of regulatory capital of the Bank as on 31 December 2021 is stated below:

Sl.	Particulars	BDT in Crore (where applicable)	
		Solo	Consolidated
1	Tier 1 (Going-concern capital)		
1.1	Common Equity Tier 1 (CET 1)		
1.1.1	Paid-up capital	784.65	784.65
1.1.2	Non-repayable share premium account	0.00	0.00
1.1.3	Statutory reserve	194.75	194.75
1.1.4	General reserve	0.00	0.00
1.1.5	Retained earnings	69.94	70.45
1.1.6	Dividend equalization reserve	0.00	0.00
1.1.7	Minority interest in subsidiaries	0.00	0.04
1.1.8	Sub-total (1.1.1 to 1.1.7):	1,049.33	1,049.89
	1.2 Less: Regulatory Adjustment		
1.2.1	Goodwill and all other intangible assets	1.59	2.59
1.2.2	Reciprocal Crossholdings in the CET-1 Capital of Banking, Financial and Insurance Entities	1.26	1.26
1.2.3	Sub-total (1.2.1 to 1.2.2):	2.85	3.85
	Total Common Equity Tier (CET) -1 Capital (1.1.8-1.2.3)	1,046.48	1,046.04
1.3	Additional Tier 1 (AT 1)		
1.3.1	Non cumulative irredeemable preference shares	0.00	0.00
1.3.2	Instruments (perpetual in nature)	0.00	0.00
1.3.3	Minority interest; i.e. AT1 issued by consolidated subsidiaries	0.00	0.00
	Sub-total (1.3.1 to 1.3.3):	0.00	0.00
	Total Tier 1 Capital (CET 1 + AT 1)	1,046.48	1,046.04
2	Tier 2 (Gone-concern capital)		
2.1.1	General provision	36.97	36.97
2.1.2	Subordinated debt	0.00	0.00
2.1.3	Revaluation reserve	--	--
2.1.4	Sub-total (2.1.1 to 2.1.3)	36.97	36.97
	2.2 Less: Regulatory Adjustment		
2.2.1	Subordinated Bond – cross holding	0.00	0.00
2.2.2	Revaluation Reserve	--	--
2.2.3	Sub-total (2.2.1 to 2.2.2)	0.00	0.00
	Total Tier 2 Capital (2.1.4-2.2.2)	36.97	36.97
	Total Eligible Capital (Tier 1 + Tier 2)	1,083.45	1,083.00

* As per Bangladesh Bank letter reference no. DBI-3/132/2022-617 dated April 19, 2022, Bank has total provision shortfall of Tk. 55.79 crore (Tk. 40.03 crore against unclassified loans and advances, Tk. 11.12 crore against classified loans and advances, Tk. 4.64 crore against special general provision for COVID-19). As per Bangladesh Bank letter reference no. DOS (CAMS)1157/41(dividend)/2022-2224 dated April 25, 2022, the Bank has to maintain shortfall specific provision of Tk. 11.12 in the current year and the rest of the amount of Tk. 44.67 crore has to be maintained in the year 2022, 2023 & 2024 equally.

3.00 Capital Adequacy:

Qualitative Disclosure				
a)	A summary discussion of the Bank's approach for assessing the adequacy of its capital to support current and future activities;	<p>Methodology of Capital Adequacy Determination:</p> <p>The Bank has computed the Capital to Risk Weighted Ratio (CRAR) adopting the following approaches:</p> <ol style="list-style-type: none"> a. Standardized Approach for Credit Risk to Compute Capital to Risk Weighted Ratio under Basel III, using national discretion for: <ul style="list-style-type: none"> • Accepting the credit rating agencies as External Credit Assessment Institutions (ECAI) for claims on corporate and eligible SME customers. • Accepting Credit Risk Mitigation (CRM) against the financial securities. b. Standardized (rule based) Approach for Market Risk and c. Basic Indicator Approach for Operational Risk. <p>Assessment of the Adequacy of Capital:</p> <p>For assessing Capital Adequacy, the Bank has adopted a Standardized Approach for Credit Risk measurement, a Standardized (Rule Based) Approach for Market Risk measurement, and Basic Indicator Approach for Operational Risk measurement.</p> <p>The Bank focuses on strengthening risk management and control environment rather than increasing capital to cover up weak risk management and control practices. SBACBL has been generating most of its incremental capital from retained profit (stock dividend and statutory reserve transfer etc.) to support incremental growth of Risk Weighted Assets (RWA). Besides meeting regulatory capital requirements, the Bank maintains adequate capital to absorb material risk foreseen. Therefore, the Bank's Capital to Risk Weighted Assets Ratio (CRAR) remains consistently within the comfort zone. During the year 2021 the CRAR ranges from 12.92 % to 13.91% on a consolidated basis and from 13.01% to 13.94% on a solo basis against a minimum requirement of 10% (12.50% including Capital conservation buffer) of Risk Weighted Assets (RWA). Basel unit is taking active measures to identify, quantify, manage and monitor all risks to which the Bank's is exposed to.</p>		
Quantitative Disclosure				
The Capital Requirement and Capital to Risk Weighted Asset Ratio (CRAR) of the Bank as on 31 December 2021 are as under:				
<i>BDT in Crore (where applicable)</i>				
Particulars	Solo		Consolidated	
	Requirement	Maintained	Requirement	Maintained
Capital Maintained against requirement for credit risk	651.21	907.79	652.74	907.96
Capital Maintained against requirement for market risk	49.25	68.65	49.17	68.40
Capital Maintained against requirement for operational risk	76.56	106.72	76.66	106.64
Total capital requirement under Pillar-I	777.02	1,083.16	778.57	1,083.00
Total capital Maintained against requirement under Pillar-I considering conservation buffer	504.74	971.27	507.28	973.26
Capital to risk weighted assets ratio (CRAR)	10%	13.94%	10.00%	13.91%
Common equity Tier-1 capital to risk weighted assets ratio	4.50%	13.47%	4.50%	13.43%
Tier 1 capital to risk weighted assets ratio	6%	13.47%	6.00%	13.43%
Tier 2 capital to risk weighted assets ratio	-	0.48%	-	0.47%
Capital conservation buffer	2.50%	3.94%	2.50%	3.91%
Available capital for Pillar 2	-	29.22	-	29.22

4.00 Credit Risk:

Qualitative Disclosure		
The general qualitative disclosure requirement with respect to credit risk, including:		
a)	Definitions of past due and impaired (for accounting purposes);	<p>As per relevant guidelines of Bangladesh Bank, the impaired loans and advances are defined on the basis of (i) Objective / Quantitative criteria and (ii) Qualitative judgment. For this purpose, 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.</p> <p>Definition of past due/overdue:</p> <ol style="list-style-type: none"> 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 after 6 (six) months 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. <p>However, a continuous loan, demand loan, or a term loan which will remain overdue for a period of 2 (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.</p> <p>Definition of impaired/classified / non-performing loans and advances are as follows:</p> <p>Classified loans are categorized into:</p> <ol style="list-style-type: none"> 1. Sub-standard 2. Doubtful 3. Bad & Loss <p>Any Continuous, Demand, Fixed Term Loan, or any installment(s)/part of installment(s) of a Fixed Term Loan which will remain past due/ overdue:</p> <ul style="list-style-type: none"> ➤ a period of 3 months or beyond but less than 9 months, the entire loan will be put into the "Sub-Standard (SS)". ➤ a period of 9 months or beyond but less than 12 months, the entire loan will be put into the "Doubtful (DF)". ➤ a period of 12 months or beyond, the entire loan will be put into the "Bad/ Loss (B/L)". <p>In the case of Short-term Agricultural and Micro-Credit, the loans will be considered:</p> <ul style="list-style-type: none"> • 'Sub-standard' if the irregular status continuous for a period of 12 months from the stipulated due date as per the loan agreement; • 'Doubtful' if the irregular status continuous for a period of 36 months from the stipulated due date as per the loan agreement;

		<ul style="list-style-type: none"> • ‘Bad & loss’ if the irregular status continuous for a period of 60 months from the stipulated due date as per loan agreement. <p>In the case of Cottage, Micro, and Small credits under CMSME, the loans will be considered:</p> <ul style="list-style-type: none"> • ‘Sub-standard’ if a Continuous Loan, Demand Loan, Fixed Term Loan or any installment(s)/part of installment(s) of a Fixed Term Loan remain(s) past due/overdue for a period of 06 (six) months or beyond but less than 18 (eighteen) months; • ‘Doubtful’ if a Continuous Loan, Demand Loan, Fixed Term Loan, or any installment(s)/part of installment(s) of a Fixed Term Loan remain(s) past due/overdue for a period of 18 (eighteen) months or beyond but less than 30 (thirty) months; • ‘Bad & loss’ if a Continuous loan, Demand loan, Fixed Term Loan, or any installment(s)/part of installment(s) of a Fixed Term Loan remain(s) past due/overdue for a period of 30 (thirty) months or beyond, the entire loan will be classified as "Bad/Loss (B/L)". <p>N.B: Loans except for Short-term Agricultural & Micro-Credit in the "Special Mention Account" and "Sub-Standard" will not be treated as a defaulted loan for the purpose of section 27KaKa(3) [read with section 5(GaGa)] of the Banking Companies Act, 1991</p>																																																											
b)	Approaches followed for specific and general allowances and statistical methods;	<p>As per the guideline of Bangladesh Bank regarding the provisioning of loans & advances, the Bank has followed the following approaches in calculating the specific & general provisions:</p> <table border="1" data-bbox="596 1173 1445 1733"> <thead> <tr> <th rowspan="2">Types of Loans & Advances</th> <th colspan="5">Rate of provision requirements</th> </tr> <tr> <th>UC</th> <th>SMA</th> <th>SS</th> <th>DF</th> <th>BL</th> </tr> </thead> <tbody> <tr> <td>Consumer</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Credit Card and Loans to Professionals</td> <td>2%</td> <td>2%</td> <td>20%</td> <td>50%</td> <td>100%</td> </tr> <tr> <td>Housing Finance</td> <td>1%</td> <td>1%</td> <td>20%</td> <td>50%</td> <td>100%</td> </tr> <tr> <td>Other than Credit Card, Housing Finance & Loans to Professionals</td> <td>2%</td> <td>2%</td> <td>20%</td> <td>50%</td> <td>100%</td> </tr> <tr> <td>Brokerage House, Merchant Banks, Stock Dealers, etc.</td> <td>2%</td> <td>2%</td> <td>20%</td> <td>50%</td> <td>100%</td> </tr> <tr> <td>Short Term Agri. Credit and Micro Credit</td> <td>1%</td> <td>--</td> <td>5%</td> <td>5%</td> <td>100%</td> </tr> <tr> <td>Small & Medium Enterprise Finance</td> <td>0.25%</td> <td>0.25%</td> <td>5%</td> <td>20%</td> <td>100%</td> </tr> <tr> <td>Others</td> <td>1%</td> <td>1%</td> <td>20%</td> <td>50%</td> <td>100%</td> </tr> </tbody> </table> <p>Methods used to measure Credit Risk:</p> <p>As per Bangladesh Bank Guidelines, the Bank follows Standardized Approach for measurement of Credit Risk adopting the credit rating agencies as External Credit Assessment Institutions (ECAIs) for claims on Bank & Non-banking Financial Institutions (BNBFIs), Corporate & eligible SME Customers and Credit Risk Mitigation (CRM) against the financial securities & guarantees of loan exposure.</p>	Types of Loans & Advances	Rate of provision requirements					UC	SMA	SS	DF	BL	Consumer						Credit Card and Loans to Professionals	2%	2%	20%	50%	100%	Housing Finance	1%	1%	20%	50%	100%	Other than Credit Card, Housing Finance & Loans to Professionals	2%	2%	20%	50%	100%	Brokerage House, Merchant Banks, Stock Dealers, etc.	2%	2%	20%	50%	100%	Short Term Agri. Credit and Micro Credit	1%	--	5%	5%	100%	Small & Medium Enterprise Finance	0.25%	0.25%	5%	20%	100%	Others	1%	1%	20%	50%	100%
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c)	Discussion of the bank's credit risk management policy;	<p>Credit risk arises while the borrowers or counterparty to a financial transaction fails to discharge an obligation as per agreed covenants, resulting in financial loss to the Bank. Credit exposures may arise from both the banking and trading books as well as Off-Balance sheet exposures. Credit risk is managed in the SBACBL through a framework that spells out policies and procedures covering the measurement and management of credit risk. There is a clear segregation of duties between transaction originators in the businesses and approvers in the risk function. All credit exposure limits are approved within a defined credit approval authority framework. Credit policies and standards are considered and approved by the Board of Directors.</p> <p>4.1 Credit Risk Identification</p> <p>Risk measurement plays a central role, along with judgment and experience, in informing risk taking and portfolio management decisions. The Guidelines issued by Bangladesh Bank on Internal Credit Risk Rating (ICRR) System has been following meticulously. The ICRR is used to assess the client along with a range of quantitative and qualitative factors. Our credit grades against Corporate & Medium clients are supported by external credit grades, and ratings assigned by external Rating Agencies.</p> <p>4.2 Credit Approval</p> <p>Major credit exposures to individual borrowers, groups of connected counterparties, and portfolios of retail exposures are reviewed and recommended for approval by the competent authority of the risk review units. All credit approval authorities are delegated by the Board of Directors to executives based on their capability, experience & business acumen. Credit origination and approval roles are segregated in all cases. The ICRR is an integral part of the credit approval process.</p> <p>4.3 Credit Monitoring</p> <p>We regularly monitor credit exposures, portfolio performance, and external trends through the relationship and credit administration team at the Branch and Head Office. Internal risk management reports containing information on key environmental, political, and economic trends across major portfolios, portfolio delinquency & loan impairment performance; as well as credit grade migration are presented to the Credit Risk Management (CRM) Monitoring Cell. The CRM Monitoring Cell meets regularly to assess the impact of external events and trends on the credit risk portfolio and to define and implement our response in terms of appropriate changes to portfolio shape, underwriting standards, risk policy, and procedures. Accounts or Portfolios are placed on Early Alert (EA) when they display signs of weakness or financial deterioration. Account plans are re-evaluated and remedial actions are agreed upon and monitored. In Retail Banking, portfolio delinquency trends are monitored continuously at a detailed level. Individual customer behavior is also tracked and informed in lending decisions. Accounts which are past due are subject to a collections process, monitored in collaboration with the relationship manager by the risk function. Charged-off accounts of the Bank are managed by specialist recovery teams of the Recovery Division.</p>
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4.4 Concentration Risk

Credit concentration risk is managed within concentration caps set for the counterparty or groups of the connected counterparty, for the industry sector; and for the product. Additional targets are set and monitored for concentrations by the credit committee. Credit concentrations are monitored by the responsible risk committees in each of the businesses and concentration limits that are material to the Bank are reviewed and approved at least annually by the Board of Directors.

4.5 Credit Risk Mitigation

Potential credit losses from any given account, customer or portfolio are mitigated using a range of tools such as collateral, netting agreements, insurance, and other guarantees. The reliance that can be placed on these mitigates is carefully assessed in light of issues such as legal certainty and enforceability, market valuation correlation, and counterparty risk of the guarantor. Risk mitigation policies determine the eligibility of collateral types. Collateral types which are eligible for risk mitigation include; cash, residential, commercial, and industrial property; fixed assets such as motor vehicles, plant and machinery, marketable securities, commodities, bank guarantees, and letters of credit. Collateral is valued in accordance with our Methodology for Valuation of Security/Collateral Assets, which prescribes the frequency of valuation for different collateral types, based on the level of price volatility of each type of collateral. Collateral held against impaired loans is maintained at fair value.

Quantitative Disclosures

Distribution of Credit Exposure by Major Types:

Types of Credit Exposure	BDT in Crore	%
Agricultural Loan	185.61	2.81%
Industrial Loan (other than working capital)	412.74	6.26%
Working capital Loan	1403.29	21.28%
Export Credit	309.77	4.70%
Import Credit	428.33	6.49%
Commercial Loan	2349.68	35.63%
RMG & Textile	692.02	10.49%
Ship building and ship breaking Loan	53.27	0.81%
Construction Loan	96.87	1.47%
Transport and Communication Loan	32.69	0.50%
Consumer Credit	90.11	1.37%
All Others Loans	541.19	8.21%
Total	6,595.57	100.00%

Geographical Distribution of Credit Exposure:

Division	BDT in Crore	%
Dhaka Division	4,399.48	66.70%
Chittagong Division	869.45	13.18%
Khulna Division	799.02	12.11%
Rajshahi Division	172.50	2.62%
Sylhet Division	159.96	2.43%
Barisal Division	35.52	0.54%
Rangpur Division	156.67	2.38%
Mymensingh	2.96	0.04%
Total	6,595.57	100.00%

Industry Type Distribution of Exposure:

Types of Credit Exposure	BDT in Crore	%
Agriculture, fisheries, and forestry	18.56	0.28%
Agro base processing industries	573.94	8.70%
Small & medium enterprise financing (SMEF)	2,441.59	37.02%
RMG & textile industries	692.02	10.49%
Hospitals, clinics & medical colleges	53.60	0.81%
Trade & commerce	551.64	8.36%
Transport and communications	32.69	0.50%
Rubber & plastic industries	102.28	1.55%
Iron, steel & aluminum industries	296.36	4.49%
Printing & Packaging industries	9.24	0.14%
Other manufacturing industries	597.58	9.06%
Housing & construction industries	87.09	1.32%
Consumer credit	90.11	1.37%
Others	1,048.85	15.90%
Total	6,595.57	100.00%

Residual Contractual Maturity wise Distribution of Exposure:

Particulars	BDT in Crore
On demand	669.01
Within one month	493.27
Within one to three months	1,641.04
Within three to twelve months	2,410.89
Within one to five years	1,123.30
More than five years	258.05
Total	6,595.57

Loans & Advances and Provision:

Particulars	BDT in Crore	
	Loans & Advances	Provision Against Loans & Advances
Total loans and advances	6,595.57	239.74
Un-classified loans & advances (including special general provision COVID-19)	6,209.48	20.13
Specific provision maintained against unclassified loans (Special rescheduling, Stay order & NOC from Bangladesh Bank)		102.63
Classified loans and advances	386.09	116.98
Sub-standard (SS)	25.94	4.69
Doubtful (DF)	89.02	10.37
Bad & loss (BL)	271.13	101.92
Off-balance sheet Items	1,853.98	16.84

Gross Non Performing Assets (NPAs):

Particulars	BDT in Crore
Gross non-performing assets (NPAs)	386.09
Total loans and advances	6,595.57
NPAs to outstanding loans & advances (%)	5.85%

Movement of Non-Performing Assets (NPAs):

Particulars	BDT in Crore
Opening balance	356.80
Additions	122.72
Reductions	93.43
Closing balance	386.09

Movement of Specific Provisions for NPLs:

Particulars	BDT in Crore
Opening balance	156.68
Less: Adjustment due to write-off	-
Less: Waiver during the year	-
Add: Recoveries of amount previously written off	-
Provisions made during the period	62.94
Closing Balance	219.62

5.00 Equities: Disclosures for Banking Book Positions:

Qualitative Disclosures					
The general qualitative disclosure with respect to equity risk, including:					
a)	Differentiation between holdings on which capital gains are expected and those taken under other objectives including for relationship and strategic reasons; and	The main purpose of holding of equity exposure is for capital gain. The Bank holds equity exposure within set rules of Bangladesh Bank. The quoted shares are valued at market price and the unquoted shares are valued at their cost price.			
b)	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.				
Quantitative Disclosures					
<i>BDT in Crore</i>					
Particulars	Cost Price	Market Price			
Investment In quoted share	126.35	122.71			
Particulars	<i>BDT in Crore</i>				
Realized gains	12.35				
Unrealized gains	1.69				
Unrealized losses	(11.21)				
Net unrealized gains/(loss)	(9.52)				
Capital requirement for equity risk (specific & general)	23.34				
<i>BDT in Crore</i>					
Capital Requirement as per Grouping of Equity:					
Sector	Capital Charge				
	Cost Price	Market Price	Specific Risk	General Market Risk	Total
Bank	12.04	12.53	1.25	1.25	2.51
Financial Institution	6.43	5.25	0.52	0.52	1.05
Insurance	25.61	22.81	2.28	2.28	4.56
Fuel & Power	6.87	6.46	0.65	0.65	1.29
Mutual Fund (UN-BLOCK)	10.17	10.05	1.00	1.00	2.01
Engineering	12.82	11.19	1.12	1.12	2.24
Chemical & Pharmaceutical	26.62	26.21	2.62	2.62	5.24
Textile	5.59	4.19	0.42	0.42	0.84
Service	6.50	5.60	0.56	0.56	1.12
Tannery	0.80	0.69	0.07	0.07	0.14
Telecommunication	6.31	6.14	0.61	0.61	1.23
Cement	1.89	1.35	0.14	0.14	0.27
Miscellaneous	4.69	4.24	0.42	0.42	0.85
Total	126.35	116.71	11.67	11.67	23.34

6.00 Interest Rate Risk in the Banking Book (IRRBB):

Qualitative Disclosures																																																							
a)	<p>The general qualitative disclosure requirement including the nature of IRRBB and key assumptions, including assumptions regarding loan repayments and behavior of non-maturity deposits, and frequency of IRRBB measurement.</p> <p>The interest rate in the Banking Book reflects the shocks to the financial position of the bank including potential loss that the Bank may face in the event of an adverse change in market interest rate. This has an impact on the earnings of the bank through Net Interest Earnings as well as on the Market Value of Equity or net worth. Thus this risk would have an impact on both earning potential and economic value of the Bank.</p> <p>The Bank uses Duration Gap Analysis (DGA) for the deriving value of capital requirement for interest rate risk.</p> <p>The Bank ensures that interest rate risk is not included within the market risk. The Bank has calculated the rate sensitive assets and liabilities with a maturity of up to 12 months bucket and applied the sensitivity analysis to measure the level of interest rate shock on its capital adequacy.</p> <p>***In the ALCO meeting, the committee always discusses about the negative bucket (Up to 3 monthly basis) and advised reducing the negative bucket chronologically.</p>																																																						
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a)	<p>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).</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="4" style="text-align: right;"><i>BDT in Crore</i></th> </tr> <tr> <th style="text-align: center;">Particulars</th> <th style="text-align: center;">Up to 3 months</th> <th style="text-align: center;">3-6 months</th> <th style="text-align: center;">6-12 months</th> </tr> </thead> <tbody> <tr> <td>Rate sensitive assets (RSA)</td> <td style="text-align: right;">1,998.69</td> <td style="text-align: right;">1,918.06</td> <td style="text-align: right;">1,923.08</td> </tr> <tr> <td>Rate sensitive liabilities (RSL)</td> <td style="text-align: right;">3,023.83</td> <td style="text-align: right;">1111</td> <td style="text-align: right;">1113.27</td> </tr> <tr> <td>Gap (RSA-RSL)***</td> <td style="text-align: right;">-1,025.14</td> <td style="text-align: right;">807.06</td> <td style="text-align: right;">809.81</td> </tr> </tbody> </table> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="2" style="text-align: center;"><i>BDT in Crore</i></th> </tr> <tr> <th style="text-align: center;">Interest Rate Shock on Capital</th> <th></th> </tr> </thead> <tbody> <tr> <td>Total regulatory capital</td> <td style="text-align: right;">1,083.45</td> </tr> <tr> <td>Total risk weighted assets (RWA)</td> <td style="text-align: right;">7,770.17</td> </tr> <tr> <td>Capital to risk weighted asset ratio (CRAR)</td> <td style="text-align: right;">13.94%</td> </tr> </tbody> </table> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="4" style="text-align: right;"><i>BDT in Crore (where applicable)</i></th> </tr> <tr> <th style="text-align: center;">Assumed decrease in interest Rate</th> <th style="text-align: center;">1%</th> <th style="text-align: center;">2%</th> <th style="text-align: center;">3%</th> </tr> </thead> <tbody> <tr> <td>Change in market value of equity</td> <td style="text-align: right;">(95.70)</td> <td style="text-align: right;">(191.41)</td> <td style="text-align: right;">(287.12)</td> </tr> <tr> <td>Capital after shock</td> <td style="text-align: right;">987.34</td> <td style="text-align: right;">892.04</td> <td style="text-align: right;">796.33</td> </tr> <tr> <td>CRAR after shock</td> <td style="text-align: right;">12.72%</td> <td style="text-align: right;">11.49%</td> <td style="text-align: right;">10.26%</td> </tr> <tr> <td>Decrease in CRAR</td> <td style="text-align: right;">1.22%</td> <td style="text-align: right;">2.45%</td> <td style="text-align: right;">3.68%</td> </tr> </tbody> </table>	<i>BDT in Crore</i>				Particulars	Up to 3 months	3-6 months	6-12 months	Rate sensitive assets (RSA)	1,998.69	1,918.06	1,923.08	Rate sensitive liabilities (RSL)	3,023.83	1111	1113.27	Gap (RSA-RSL)***	-1,025.14	807.06	809.81	<i>BDT in Crore</i>		Interest Rate Shock on Capital		Total regulatory capital	1,083.45	Total risk weighted assets (RWA)	7,770.17	Capital to risk weighted asset ratio (CRAR)	13.94%	<i>BDT in Crore (where applicable)</i>				Assumed decrease in interest Rate	1%	2%	3%	Change in market value of equity	(95.70)	(191.41)	(287.12)	Capital after shock	987.34	892.04	796.33	CRAR after shock	12.72%	11.49%	10.26%	Decrease in CRAR	1.22%	2.45%	3.68%
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7.00 Market Risk:

Qualitative Disclosures	
<p>Market risk is a trading book concept. It may be defined as the risk of losses in on and off-balance sheet positions arising from movements in market prices. The market risk positions are subject to the risks pertaining to interest rate related instruments & equities in the trading book and foreign exchange risk & commodities risk throughout the Bank. This signifies the risk of loss due to a decrease in market portfolio arising out of market risk factors. It may be mentioned that the Bank considers Interest Rate Risk on Banking Book separately.</p>	
a)	<p>Views of Board of Directors on trading/ investment activities;</p> <p>The Board approves all policies related to market risk, sets limits, and reviews compliance on a regular basis. The objective is to provide cost effective funding last year to finance asset growth and trade related transactions.</p>

b)	Methods used to measure Market Risk;	Standardized (rule based) approach is used to measure the market risk of the Bank whereas for interest rate risk and equity risk both General and specific risk factors are applied for calculating capital charge and for foreign exchange and commodities only general risk factors is applied.
c)	Market Risk Management system;	The duties of managing the market risk including liquidity, interest rate, and foreign exchange risk lies with the Treasury Division under the supervision of ALCO. The ALCO is comprised of senior executives of the Bank, who meets at least once a month. The committee evaluates the current position of the bank and gives direction to mitigate the market risk exposure to a minimum level.
d)	Policies and processes for mitigating market risk;	There are approved limits for Market risk related instruments both on-balance sheet and off-balance sheet items. The limits are monitored and enforced on a regular basis to protect against market risk. The exchange rate committee of the Bank meets on a daily basis to review the prevailing market condition, exchange rate, forex position, and transactions to mitigate foreign exchange risks.

Quantitative Disclosures

Capital Charges for Market Risk	BDT in Crore
Interest Rate Related instruments	15.69
Equities	23.34
Foreign Exchange Position	10.22
Commodities	-
Total	49.25

8.00 Operational Risk:

Qualitative Disclosures		
Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people, and systems or from external events. Recognizing the importance of information technology in the banking business, the Bank has considered information technology risk as an independent risk.		
a)	Views of Board of Directors on the system to reduce Operational Risk;	<p>The policy for operational risks including internal control and compliance risk is approved by the Board in line with the relevant guidelines of Bangladesh Bank. The Audit Committee of the Board directly oversees the activities of the Internal Control and Compliance Division to protect against all operational risks.</p> <p>As a part of continuous surveillance, the Senior Management Team (SMT), 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 mitigating operational risk.</p>
b)	Performance gap of executives and staff;	The Bank identifies the loop holes among the effectiveness of the employees and executives, these loop holes are removed by arranging appropriate training programs, offering competitive packages and providing the best working environment. In this process, the Bank kept the performance gap of executives and staff to a minimum level.

c)	Potential external event;	No potential external event is expected to expose the Bank to significant operational risk. The Bank has a separate Operational Risk Policy addressing specific issues involving Operational Risk.
d)	Policies and processes for mitigating operational risk;	Operational Risk is inherent in every business organization and covers a wide spectrum of issues. In order to mitigate this, internal control and internal audit systems are used as the primary means. SBAC Bank Limited manages this risk through a control based environment in which processes are documented, authorization is independent and transactions are reconciled and monitored. This is supported by an independent program of periodic reviews undertaken by internal audit, and by monitoring external operational risk events, which ensure that the bank stays in line with industry best practices and takes account of lessons learned from publicized operational failures within the financial services industry. SBAC Bank Limited has an operational risk management process which explains how the bank manages its operational risk by identifying, assessing, monitoring, controlling, and mitigating the risk, rectifying operational risk events, and implementing any additional procedures required for compliance with Bangladesh Bank's requirements. Operational risk management responsibility is assigned to different level of management within the business operation. Information systems are used to record the identification and assessment of operational risks and to generate appropriate regular management reporting. Risk assessment incorporates a regular review of identified risks to monitor significant changes.
e)	Approach for calculating capital charge for operational risk;	Basic Indicator Approach is used to measure Operational Risk where capital charge is 15% on last three years average positive gross income of the Bank.

Quantitative Disclosures

Capital Charges for Operational Risk					
					BDT in crore
Basis	Operational Risk	2019	2020	2021	Capital Charge
Solo	Gross Income	472.91	418.45	639.79	76.56
Consolidated	Gross Income	472.91	418.45	640.95	76.62

9.00 Leverage Ratio:

Qualitative Disclosures		
a)	Views of Board of Directors on system to reduce Liquidity Risk;	<p>The Leverage Ratio is a non-risk based measure introduced to monitor and build-up of leverage on credit institutions balance sheets aiming at containing the cyclicity of lending. It is calibrated to act as a credible supplementary measure to the risk based capital requirements. The leverage ratio is calculated by dividing Tier 1 capital by assets (both on and off-balance sheet items).</p> <p>The policy for Leverage Ratio including off and on balance sheet exposure and capital related policy. The Bank has a well-structured delegation and sub-delegation of credit approval authority for ensuring good governance and better control in credit approval system. The Board of Directors and its Executive Committee hold the supreme authority for any credit approval in line with the credit committee consisting of the senior management of the bank.</p>
b)	Policies and processes for managing excessive on and off-balance sheet leverage;	SBAC Bank Limited has policies and processes in place for the identification, management and monitoring of the risk of excessive leverage. SBACBL maintains the leverage ratio above the regulatory limit as a part of the Bank's risk appetite framework.
c)	Approach for calculating exposure;	<p>In order to measure the exposure consistently with financial accounts, the following approaches are applied by the bank:</p> <ol style="list-style-type: none"> I. On-balance sheet, non-derivative exposures are net of specific provisions and valuation adjustments (e.g. surplus/deficit on Available for Sale (AFS)/ Held-for-trading (HFT) positions). II. Physical or financial collateral, guarantee or credit risk mitigation purchased is not allowed to reduce on-balance sheet exposure. III. Netting of loans and deposits is not allowed <p>A minimum Tier-1 leverage ratio of 3% is being prescribed by Bangladesh Bank both at solo and consolidated basis. The Bank maintains leverage ratio on quarterly basis. The status of leverage ratio at the end of each calendar quarter is submitted to Bangladesh Bank showing the average of the month based on capital and total exposure. The formula of Leverage Ratio is as under:</p> $\text{Leverage Ratio} = \frac{\text{Tire - 1 Capital (after related deductions)}}{\text{Total Exposure (after related deductions)}}$
Quantitative Disclosures		
<i>BDT in Crore</i>		
Particulars	Solo	Consolidated
Tier 1 Capital*	1,046.48	1,046.04
On Balance Sheet Exposure	5,662.55	5,677.85
Off-Balance Sheet Exposure	849.56	849.56
Total Deductions from On and Off-Balance Sheet Exposure/ Regulatory adjustments made to Tier 1 capital	2.85	3.85
Total Exposure	10,373.66	10,372.66
Leverage Ratio	10.09%	10.08%
*Considering all regulatory adjustments		

10.00 Liquidity Ratio:

Qualitative Disclosures		
a)	Views of BOD on system to reduce liquidity Risk;	<p>As per the BRPD Circular no. 18 dated 21 December 2014, Bangladesh Bank has strengthened the liquidity framework by developing two minimum standards for funding liquidity. These standards have been developed to achieve two separate but complementary objectives.</p> <p>The first objective is to promote short-term resilience of a bank's liquidity risk profile by ensuring that it has sufficient high quality liquid resources to survive an acute stress scenario lasting for one month. Liquidity Coverage Ratio (LCR) addresses this Objective.</p> <p>The second objective is to promote resilience over a longer time horizon by creating additional incentives for a bank to fund its activities with more stable sources of funding on an ongoing structural basis. The Net Stable Funding Ratio (NSFR) has a time horizon of one year and has been developed to provide a sustainable maturity structure of assets and liabilities.</p>
b)	Methods used to measure Liquidity Risk;	<p>Liquidity measurement involves assessing all of a bank's cash inflows against its outflows to identify the potential for any net shortfalls including funding requirements for off-balance sheet commitments.</p> <p>An important aspect of measuring liquidity is making assumptions about future funding needs, both in the very short-term and for long time periods. Another important factor is the ability to access funds readily and at reasonable terms. Several key liquidity risk indicators monitored on a regular basis to ensure healthy liquidity position are as follows:</p> <ul style="list-style-type: none"> ❖ Cash Reserve Ratio (CRR) ❖ Statutory Liquidity Requirement (SLR) ❖ Credit Deposit Ratio (CDR) ❖ Liquidity Coverage Ratio (LCR) ❖ Net Stable Funding Ratio (NSFR) ❖ Structural Liquidity Profile (SLP) ❖ Maximum Cumulative Outflow (MCO) ❖ Medium Term Funding Ratio (MTFR) ❖ Liquid Asset to Total Deposit Ratio (LATDR) ❖ Liquid Asset to Short Term Liabilities (LASTL) etc.
c)	Liquidity Risk management system;	<p>SBACBL maintains diversified and stable funding base comprising of core retail, corporate and institutional deposits to manage liquidity risk. The prime responsibility of the liquidity risk management of the Bank lies with Treasury Division under the supervision of ALCO, which maintains liquidity based on current liquidity position, anticipated future funding requirement, sources of fund, options for reducing funding needs, present and anticipated asset quality, present and future earning capacity, present and planned capital position etc.</p> <p>The intensity and sophistication of liquidity risk management process depend on the nature, size and complexity of a bank's activities. Sound liquidity risk management employed in measuring, monitoring and controlling liquidity risk is critical to the viability of the bank.</p> <p>The ALCO, which meets at least once in a month, is responsible for</p>

		managing and controlling liquidity of the Bank. Treasury front office closely monitors and controls liquidity requirements on daily basis by appropriate coordination of funding activities and they are primarily responsible for management of liquidity in the Bank. A monthly projection of fund flows is reviewed in ALCO meeting regularly.
d)	Policies and processes for mitigating Liquidity Risk;	<p>In order to develop a comprehensive liquidity risk management framework, the Bank has a Board approved Contingency Funding Plan (CFP). A set of policies and procedures that serves as a blueprint for the Bank to meet its funding needs in a timely manner and at a reasonable cost. In this sense, a Contingency Funding Plan (CFP) is an extension of ongoing liquidity management and formalizes the objectives of liquidity management by ensuring:</p> <ul style="list-style-type: none"> A. Maintenance of a reasonable amount of liquid assets; B. Measurement and projection of funding requirements and C. Management of access to funding sources. <p>CFP also provides directions for plausible actions in distress and emergency situations. In case of a sudden liquidity stress, it is important for the Bank to be seemed organized and efficient to meet its obligations to the stakeholders.</p> <p>Maturity ladder of cash inflows and outflows are effective tool to determine a bank's cash position. A maturity ladder estimates a banks cash inflows and outflows and thus net deficit or surplus (GAP) on a day to day basis and different buckets (e.g. 2-7 days, 1 month, 1-3 months, 3-12 months, 1-5 years and over 5 years).</p>

Quantitative Disclosures

a)	Liquidity Coverage Ratio (LCR) liquid	<p>Liquidity Coverage Ratio (LCR) is a new liquidity standard built on the methodologies of traditional liquidity coverage ratio used by banks to assess exposure to contingent liquidity events. LCR aims to ensure that a bank maintains an adequate level of unencumbered, high-quality liquid assets that can be converted into cash to meet its liquidity needs for 30 calendar days.</p> $LCR = \frac{\text{Stock of high quality liquid assets}}{\text{Total net cash outflows over the next 30 calender days}}$ <p>The minimum standard for LCR is greater than or equal to 100. However, the bank's status as on 31 December 2021 in this ratio is as follows:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="2"></th> <th style="text-align: right;"><i>BDT in crore</i></th> </tr> <tr> <th style="text-align: left;">Particulars</th> <th style="text-align: center;">Regulatory Standard</th> <th style="text-align: center;">31-Dec-21</th> </tr> </thead> <tbody> <tr> <td>Total stock of high quality liquid assets</td> <td></td> <td style="text-align: right;">2,006.28</td> </tr> <tr> <td>Total net cash outflows over the next 30 calendar days</td> <td style="text-align: center;">Greater than or equal to 100%</td> <td style="text-align: right;">1,674.13</td> </tr> <tr> <td>Liquidity Coverage Ratio (LCR)</td> <td></td> <td style="text-align: right;">119.84%</td> </tr> </tbody> </table>			<i>BDT in crore</i>	Particulars	Regulatory Standard	31-Dec-21	Total stock of high quality liquid assets		2,006.28	Total net cash outflows over the next 30 calendar days	Greater than or equal to 100%	1,674.13	Liquidity Coverage Ratio (LCR)		119.84%
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Liquidity Coverage Ratio (LCR)		119.84%															
b)	Net Stable Funding Ratio (NSFR)	<p>Net Stable Funding Ratio (NSFR) is another new liquidity standard introduced by the Basel Committee. The NSFR 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.</p> <p>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</p>															

	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 require stable funding. The time horizon of the NSFR is one year, like the LCA, the NSFR calculations assume a stressed environment. The status of Net Stable Funding Ratio (NSFR) as on 31 December 2021 is as under:												
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Net Stable Funding Ratio (NSFR)		208.84%											

11.00 Remuneration:

Qualitative Disclosures		
a)	Information relating to the bodies that oversee remuneration;	Managing Director, Senior Management Team (SMT) & Head of Human Resources Division govern the remuneration related policies and practices in alignment of the Bank's short & long term objectives. They play an independent role, operating as an overseer; and if required, makes recommendation to the Board of Directors of the Bank for its consideration and final approval for any remuneration related policy. The main work includes presenting recommendations to the Board regarding remuneration, compensation packages of senior management, incentive schemes and retirement benefits. They also assist the Board of Directors to ensure that all employees are remunerated fairly and get performance based compensation by ensuring effective remuneration policy, procedures and practices aligned with the Banks' strategy and applied consistency for all employee levels.
b)	Information relating to the design and structure of remuneration processes;	SBACBL has a flexible compensation and benefits system that helps to ensure pay equity is linked with performance that is understood by employees, and keeps in touch with employee desires and what's converted in the market, while maintaining a balance with the business affordability. The compensation and benefits are regularly reviewed through market and peer group study. The well-crafted total rewards help the Bank to attract, motivate and retain talent that produces desired business results. The structure and level of remuneration are reviewed time to time based on Bank's business performance and affordability. Other than the regular monthly payments and a good number of allowances, SBACBL has variety of market-competitive benefits schemes. The various cash and non-cash benefits include; Bank provided chauffeured car facility for top level executives, car maintenance allowance, leave fare assistance, employee car loan facility, house building loan facility, festival bonus etc. SBACBL also provides long term as well as retirement benefits to employees, like leave encashment, provident fund, benefit under gratuity & superannuation fund etc. The overall objective of the Bank's remuneration policy is to establish a framework for attracting, retaining and motivating employees, and creating incentives for delivering long-term performance within established risk limits.
c)	Description of the	The business risk including credit/default risk, compliance &

	<p>ways in which current and future risks are taken into account in the remuneration processes;</p>	<p>reputational risk is mostly considered when implementing the remuneration measures for each employee/group of employee. Financial and liquidity risks are also considered.</p> <p>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-à-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 have been brought to all concerned of the Bank from time to time.</p> <p>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 affects the remuneration as well.</p> <p>No material change has been made during the year 2021 that could affect the remuneration.</p>
d)	<p>Description of the ways in which the bank seeks to link performance during a performance measurement period with levels of remuneration;</p>	<p>The Board sets the Key Performance Indicators (KPIs) for the senior management 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, the yield on loans, provision coverage ratio, capital to risk weighted asset ratio (CRAR), ROE, ROA, liquidity position (maintenance of CRR and SLR) etc.</p>
e)	<p>Description of the ways in which the bank seek to adjust remuneration to take account of longer-term performance;</p>	<p>The Bank pays variable remuneration i.e. annual increment based on the yearly performance rating on a 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, Superannuation Fund are made provision on aggregate /individual employee basis; actual payment is made upon retirement, resignation, etc. as the case may be, as per rule.</p>
f)	<p>Description of the different forms of variable remuneration that the bank utilizes and the rationale for using these different forms;</p>	<p>A summary of Short-term and Long-term compensation plan are as follows:</p> <p>Total Compensation = Fixed Pay (Salary) + Variable Pay (Bonus) + Variable Pay (Long term incentive).</p> <p>Form of variable remuneration offered by SBAC Bank:</p> <p>Cash Form:</p> <p>Short-Term Incentive/Rewards</p> <ol style="list-style-type: none"> 1. Yearly fixed and incentive bonus; 2. Yearly increment; 3. Business accomplishment financial award; 4. Car fuel and car maintenance allowance for executives; 5. Cash risk allowance for cashier; 6. Charge allowance for branch manager.

		<p>Long-Term Incentive/Rewards</p> <ol style="list-style-type: none"> 1. Provident fund; 2. Gratuity; 3. Employee house building loan with minimum interest rate; <p>Non-Cash Form:</p> <p>1) Short-Term Incentives/Rewards: Accelerate promotion for top talents;</p> <p>2) Long-Term Incentives/Rewards: Foreign training award;</p>
Quantitative Disclosures		
g)	Number of meetings held by the main body overseeing remuneration during the financial year and remuneration paid to its member;	Meeting regarding overseeing the remuneration was held on need basis. No additional remuneration was paid for such meeting.
h)	i) 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 2021 was 997.
	ii) Number and total amount of guaranteed bonuses awarded during the financial year;	Nil
	iii) Number and total amount of sign-on awards made during the financial year;	Nil
	iv) Number and total amount of severance payments made during the financial year;	Nil
i)	i) Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms;	Nil
	ii) 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:	<p>Fixed and variable remuneration paid in 2021 are as follows:</p> <table border="1" data-bbox="580 147 1414 461"> <thead> <tr> <th>Particulars</th> <th>BDT in crore</th> </tr> </thead> <tbody> <tr> <td>Basic salary</td> <td>43.12</td> </tr> <tr> <td>House rent allowance</td> <td>20.58</td> </tr> <tr> <td>Other allowances</td> <td>29.66</td> </tr> <tr> <td>Festival bonus</td> <td>7.45</td> </tr> <tr> <td>Gratuity</td> <td>10.45</td> </tr> <tr> <td>Bank's contribution on provident fund</td> <td>4.17</td> </tr> <tr> <td>Incentive bonus</td> <td>6.14</td> </tr> <tr> <td style="text-align: right;">Total</td> <td>121.58</td> </tr> </tbody> </table> <p>Deferred and non-deferred:</p> <p>Non-deferred paid during the year 2021: Nil</p> <p>Different forms used (cash, shares and share linked instruments, other forms): All the remunerations have provided in the form of cash.</p>	Particulars	BDT in crore	Basic salary	43.12	House rent allowance	20.58	Other allowances	29.66	Festival bonus	7.45	Gratuity	10.45	Bank's contribution on provident fund	4.17	Incentive bonus	6.14	Total	121.58
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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																			
i) Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit and/or implicit adjustments;	Nil																			
ii) Total amount of reductions during the financial year due to ex post explicit adjustments;	Nil																			
iii) Total amount of reductions during the financial year due to ex post implicit adjustments;	Nil																			