

Report on Human Resources



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1. Human Resource (HR)

It goes without saying that the most crucial asset of any institution, especially a bank, is its human resources. In today's competitive banking industry, timely and efficient customer service is paramount. Employees at Bangladesh Development Bank PLC play a pivotal role in delivering superior customer service with personalized attention, thereby fostering strong and enduring business relationships. They are considered among the most valuable assets of the bank, embodying its dedication to maximizing its wealth.

2. Employee Information

As on 31 December 2023, the Board of Directors approved total manpower in the Bank is 1499. Currently, there are 651 employees working within this approved capacity. The bank oversees operations across 50 branches, 6 zonal offices, 30 departments, 11 divisions, 1 institute, 2 subsidiary companies, and 4 bank offices with its existing workforce. Below is a breakdown of employee distribution and roles within the organization:

2.1 Discipline of the Employees

Officers working in different disciplines including staff position are mentioned below:

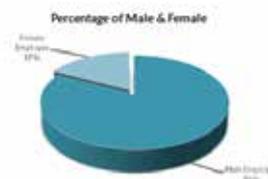
Discipline	Numbers
Lawyers	7
Economists	21
Engineers	47
Financial Analysts	61
Statisticians	19
IT	19
Others	364
Staff	113
Total	651



2.2 Male and Female Employees

It's notable that as of December 31, 2023, the bank's workforce included 88 female employees, constituting approximately 17.36% of the total human resources. This reflects a positive and encouraging level of female participation in the corporate culture.

Number of Male/Female	Officer	Staff	Total
Male Employee	456	82	538
Female Employee	107	6	113
Total	563	88	651



2.3 Recruitment of Officer

The bank has adopted comprehensive plans to recruit, develop, and retain its workforce, focusing on acquiring the appropriate skills and talent to fulfill present and future requirements. In 2023, the bank appointed 51 officers to various positions as follows:

Post	Numbers
Senior Officer	27
Senior Officer (IT)	5
Officer	14
Officer (Cash)	5
Total	51



2.4 Promotion

Promotion stands as the most effective method for rewarding, motivating, and enhancing employees' skills and job satisfaction. In 2023, the bank granted promotions to 129 officers across various posts and grades, as detailed below:

Post	Numbers
General Manager (GM)	1
Deputy General Manager (DGM)	2
Assistant General Manager (AGM)	58
Senior Principal Officer (SPO)	40
Principal Officer (PO)	23
Senior Officer (SO)	5
Total	129

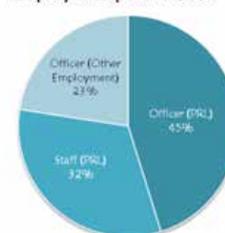


2.5 Employee Departure

In 2023, a total of 28 officers and 20 staffs across various posts or grades took Post Retirement Leave (PRL). Additionally, 14 officers in different positions resigned from their jobs for other employment opportunities during the same period.

Post	Numbers
Officer (PRL)	28
Staff (PRL)	20
Officer (Other Employment)	14
Total	62

Employee Departure 2023



3. Health Facility

The physical and mental well-being of the employees are very important especially, the stressful effects of the performance driven culture in the Banking Sector. Effective counseling and proper treatment for employees plays pivotal role in this respect. To get the immediate treatment, the bank appointed two doctors on part time basis at two intervals in Head Office, Zonal and Branch Offices. Moreover, area-wise part time doctors will be also appointed by the bank for general treatment.

4. Leave Facility

All the employees of the bank are entitled to various types of leaves as per government and BB regulations. Given the stressful and challenging nature of banking, periodic breaks are essential to enhance integrity, consistency, responsibility, and overall effectiveness at work. In 2023, 198 employees availed recreational leave. Additionally, employees have availed casual leave, sick leave, educational leave, extraordinary leave, earned leave, and ex-Bangladesh leave, among others.

5. Day Care Centre

The Bank operates its own Day Care Center at the Head Office, offering childcare services for employees' children. This setup allows parents to have their children nearby during working hours, providing both convenience and peace of mind. Having a daycare center on-site or nearby is a significant employee benefit that helps attract and retain top talent for the bank. It promotes work-life balance by supporting working parents and alleviating the stress associated with childcare arrangements.

6. Pro-Women Work Environment

The Bank is committed to implementing policies and practices that promote gender equality, support the advancement of women, and ensure a safe and inclusive workplace for all employees. The bank guarantees equal access for women to job opportunities, promotions, and career development programs, and has instituted transparent, merit-based processes for recruitment, performance evaluations, and promotions, ensuring no gender bias. Regular assessments of these initiatives are conducted, adjustments are made as necessary, and the bank cultivates a culture that celebrates diversity and inclusion.

7. Employees' Welfare

The BoD and Management of the Bank are always cordial in extending facilities relating to the needful welfare of the employees. Some of the areas of welfare as follow:

- Advance facility for house building;
- Executive car loan facility;
- Motorcycle/Bicycle loan and computer loan facility;
- Transport facility;
- Financial assistance for treatment;
- Educational stipend for the children of the employees;
- Financial assistance to the families of late and retired employees;
- Financial aid to the distressed families for cloths in religious festivals;
- Providing NOC for passport;
- Providing insurance coverage;
- Doctor facility at the time of office;
- Medicine aid at the time of office;
- Giving incentive every year;
- Suddhachar Award for integrity;
- Appreciation Letter for best employees;
- Providing Day Care Centre;
- Providing Harassment less free-fair work environment;
- Ensuring pro-women work environment;
- All Govt. Leave facility (Including Maternity, Recreation, Education Leave);
- Ensuring equal opportunity for all;
- Providing performance based succession;
- Providing local and foreign training facility;
- Opportunity for higher education;
- Opportunity to seat Banking Professional Examination; and so on.

8. HR & Payroll Management System

The HR & Payroll Management System introduced by the Bank is a software application designed to manage human resources and payroll processes. It integrates functions such as employee management, attendance tracking, leave management, payroll processing, and reporting. HR & Payroll Management System is equipped with-

- **Employee Database Management:** The system allows the Bank to maintain a centralized employee database with relevant information such as personal details, employment history, job roles and contact information, etc.
- **Attendance and Leave Management:** It helps to track employee attendance, leaves, and time-off requests. It can automatically calculate leave balances and allow employees to submit leave requests online.
- **Payroll Processing:** The system automates payroll calculations using predefined salary structures, tax regulations, and deductions. It generates pay slips, manages bonuses, calculates overtime, and processes reimbursements.
- **Taxation and Compliance:** The system ensures tax regulation compliance through automated tax calculations, tax form generation, and tracking tax-related information, including employee deductions and employer contributions.
- **Performance Management:** It offers tools for managing employee performance, setting goals, conducting performance reviews, and tracking progress. It assists in identifying top performers, providing feedback, and supporting performance-related decisions.
- **Employee Self-Service:** The system usually features a self-service portal enabling employees to access personal information, view pay stubs, update contact details, and submit requests for leaves or reimbursements.
- **Reporting:** It provides reporting capabilities to generate a variety of HR and payroll reports, including employee attendance reports, payroll summaries, tax reports, and employee performance metrics. These reports offer insights into HR and payroll data to support decision-making.

- *Integration:* The system can integrate with other systems such as time and attendance tracking devices, accounting software, and third-party applications.

The HR & Payroll Management System has boosted efficiency, accuracy, and compliance in HR and payroll processes. It has reduced administrative burdens, enhanced data security, improved employee self-service capabilities, and facilitated better decision-making with access to real-time HR and payroll information.

9. Development of Human Resource

Bangladesh Development Bank PLC's success and competitiveness prevailing at the pinnacle of the banking sector of Bangladesh for it's believe that developed human resources can catch the falling star. The Bank focuses on the following aspects in the development of human resources:

- *Selection and Recruitment:* Bangladesh Bank has established effective selection processes to attract and hire talented individuals with the necessary skills and qualifications for various roles within Bangladesh's banking sector. Following this, Bangladesh Development Bank PLC implements recruitment procedures that assess candidates' competency, aptitude, cultural fit, health fitness, police verification, and other relevant criteria.
- *Training and Development:* Through its Training Institute along with institutions like BIBM and BBTA, the Bank offers comprehensive training programs aimed at enhancing employees' knowledge, skills, and capabilities. These programs cover technical areas such as banking regulations and software systems, alongside soft skills like customer service, communication, and leadership development. In 2023, the institute conducted several training sessions attended by 1627 participants/employees.
- *Performance Management:* Establish a robust performance management system that sets clear goals, offers regular feedback, and evaluates employee performance effectively. Utilize performance appraisals to pinpoint areas for improvement, acknowledge achievements, and align individual performance with the bank's objectives.
- *Career Development:* The Bank has developed a structured career development framework that enables employees to advance within the organization. It offers opportunities for job rotations, promotions, and cross-functional experiences to expand skill sets and facilitate career advancement.
- *Succession Planning:* The Bank identifies high-potential employees and develops succession plans to ensure smooth transitions for key roles within the organization. This involves grooming employees for leadership positions and implementing strategies to retain top talent.
- *Employee Engagement:* The Bank has created a positive work environment that promotes employee engagement and satisfaction through competitive compensation, recognition of contributions, and opportunities for work-life balance.
- *Diversity and Inclusion:* The Bank promotes diversity and inclusion throughout its operations by fostering a diverse workforce and inclusive environment. It implements training programs to promote understanding and reduce bias.
- *Talent Analytics:* The Bank utilizes data and analytics to gain insights into workforce trends, identify skill gaps, and make informed decisions regarding human resource planning and development strategies.
- *Continuous Learning:* The Bank fosters a culture of continuous learning and professional development, encouraging employees to participate in workshops, conferences, and industry events to stay abreast of the latest trends and best practices in the banking sector.
- *Leadership Development:* The Bank invests in developing strong leaders from within, offering leadership training programs, coaching, and mentoring opportunities to develop the essential skills and competencies required to lead teams and drive the bank's success.

Directors' Report: 2023

Bangladesh Development Bank PLC.

Directors' Report briefly describes the global and domestic economic environment prevailing during the year 2023, with a view to enable understanding and appreciation of the intensely overall challenging macro-economic environment within which Bangladesh Development Bank PLC. had to carry out its banking and allied business operation.

This Report also presents analysis and evaluation of the key operational and financial performance of the Bank during 2023, based on which business goals for 2024 have been formulated.

Directors' Report : 2023

The Board of Directors of Bangladesh Development Bank PLC. is delighted to welcome you all to the 14th Annual General Meeting (AGM) of the bank. We are pleased to present the Audited Financial Statements for the year ending on December 31st, 2023, for your review and deliberation.

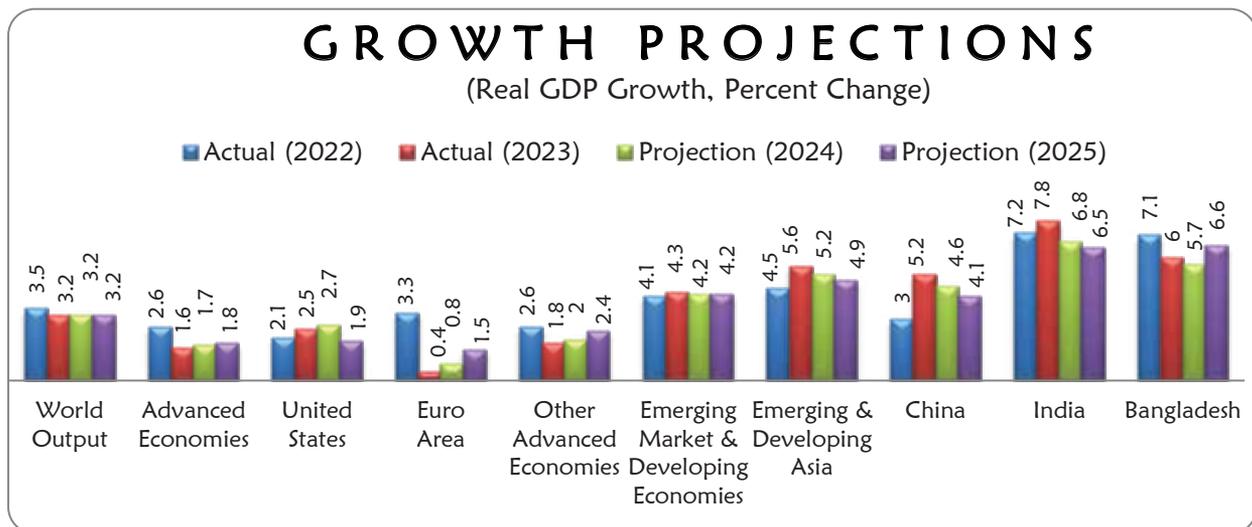
Before delving into the main report, a concise overview of the global economic scenario along with the performance of the domestic economy in 2023 has been provided. This aims to offer a comprehensive understanding of the then prevailing operational environment.

GLOBAL ECONOMIC SCENARIO

Economic activity was surprisingly resilient during the global disinflation of 2022–23. Growth in employment and incomes has held steady as favorable demand and supply developments have supported major economies, despite rising central bank interest rates aimed at restoring price stability. As inflation converges toward target levels and central banks pivot toward policy easing, a tightening of fiscal policies aimed at curbing high government debt levels, with higher taxes and lower government spending, is expected to weigh on growth. The pace of expansion is also expected to remain low by historical standards as a result of factors including the long-term consequences of the COVID-19 pandemic, Russia's invasion of Ukraine, weak growth in productivity, and increasing geo-economics fragmentation.

The baseline forecast is for the world economy to continue growing at 3.2% during 2024 and 2025, at the same pace as in 2023. A slight acceleration for advanced economies—where growth is expected to rise from 1.6 % in 2023 to 1.7 % in 2024 and 1.8 % in 2025—will be offset by a modest slowdown in emerging market and developing economies from 4.3 % in 2023 to 4.2 % in both 2024 and 2025.

The year-over-year world economic growth scenario is presented as follows:



Source: IMF, World Economic Outlook Update, October, 2023 & April 2024.

GLOBAL INFLATION SCENARIO

The fall in headline inflation since 2022 reflects the fading of relative price shocks—notably those to energy prices—as well as lower core inflation. The decline in energy prices reflects not only increased global energy supply, but also the effects of tight monetary policies. The monetary tightening by central banks in major advanced economies during 2022–23 may have contributed strongly to lowering energy prices owing to its high degree of synchronization and the associated effect on curbing world energy demand. Core inflation has declined as a result of the fading of effects of pass-through from past shocks to headline inflation, as well as because labor market pressures have eased. Pass-through effects include the effects of past relative price shocks—notably those to the price of energy and supply shifts in various industries—on prices and costs in other industries through supply-chain inputs and wage demands.

In 2023, headline inflation neared its pre-pandemic level in most economies for the first time since the start of the global inflation surge. Global headline inflation is expected to fall from an annual average of 6.8% in 2023 to 5.9% in 2024 and 4.5% in 2025. In 2024, core inflation is expected to fall by 1.2% points after contracting by just 0.2% point in 2023.

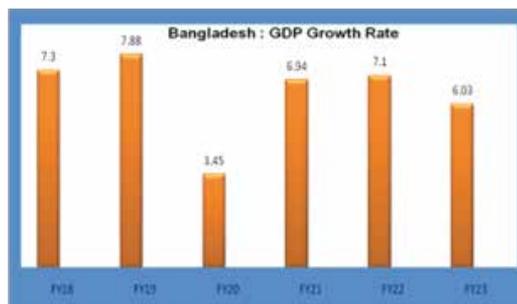
WORLD TRADE VOLUME

The growth of world trade volume went down almost half way from 10.9% in 2021 to 5.1% in 2022. Anticipated trade volume growth is set to decelerate, dropping to 0.9% in 2023, mirroring the global demand slowdown following two years of rapid post-pandemic recovery. This slowdown affects both advanced and emerging market economies and influenced by factors such as the shift from traded goods to domestic services, increased trade barriers, and the lingering impact of the 2022 US dollar appreciation. In summary, the trade outlook for 2023 points to a less robust growth trend compared to the two decades before the pandemic, which averaged 4.9%. But in 2024 the growth of trade volume is expected to bounce back and increase a little to 3.5%.

A REVIEW OF BANGLADESH ECONOMY IN FY 2022-23

Bangladesh’s robust economic recovery from the COVID-19 pandemic has been interrupted by the war in Russia-Ukraine, resultant supply-chain disruptions, global oil and food price spikes, slowdown in external demand, weak remittance inflow, shortfall in revenue collection and slow public expenditure, rise in inflation, widening of current account deficit, depreciation of the Taka and a decline in foreign exchange reserves. Unemployment situation and low investment are other challenges. To overcome the challenges, the government took quick and decisive measures to address the economic fallout. The government also needs to take more actions to stable foreign exchange reserve, manage inflation, enhance revenue earnings, ensure proper electricity and gas supply for economic activities, and extend social safety net programs. Nevertheless, the economy has been showing some signs of improvement in the review period (FY23). Exports and imports are two important drivers of the economy, and amid the present situation, both the areas have done comparatively well. The export-oriented garment, leather and domestic market-oriented steel, food-processing and transport sectors are running in full scale. Foreign currency reserve is still somewhat in a satisfactory position but into a weaker trajectory. The exchange rate has long been remained stable but depreciated notably in recent months.

Despite a number of external sector related difficulties, Bangladesh's economy exhibited a reasonably strong real GDP growth in FY23. This growth was achieved with a number of fiscal and monetary policy measures aimed at increasing investment and generating employment opportunities. The Bangladesh Bureau of Statistics (BBS) has provisionally estimated a 6.03% real GDP growth rate for FY23, which was 7.10% in FY22.



Source: Bangladesh Bureau of Statistics

Agriculture contributed 11.20% of GDP in FY23, with slower growth from 3.05% in FY22 to 2.61% in FY23. During this period, the growth of forest and related services; and animal farming sub-sectors increased slightly compared to the previous year. However, the growths in crops and horticulture; and fishing sub-sectors fell significantly to 2.26% and 1.14% respectively in FY23 from 2.61% and 2.64% in FY22.

The industrial sector contributed 37.56% of GDP in FY23 and grew by 8.18%, lower than 9.86% growth in FY22. This growth was supported by the growths of mining and quarrying (5.74% in FY23 from -1.12% in FY22); and water supply, sewerage, waste management and remediation activities (10.02% in FY23 from 9.54% in FY22) sub-sectors. On the other hand, manufacturing; electricity, gas, steam, and air conditioning supply; and construction sub-sector recorded lower growth in FY23 as compared to the previous year.

The services sector accounts for the largest share of GDP. This sector contributed 51.24% of GDP in FY23, slight lower than 51.48% in FY22. Services sector grew by 5.84% in FY23, lower than 6.26% growth in FY22. Among the components of services sector, wholesale and retail trade, and repair of motor vehicles and motorcycles; financial and insurance activities; education; and human health and social service activities exhibited lower growths in FY23 than those of the previous year.

On the contrary, transportation and storage; accommodation and food service activities; information and communication; public administration and defense, compulsory social security; real estate activities; arts, entertainment and recreation; and other service activities showed higher growths in FY23 compared to FY22.

On the demand side of GDP, private consumption grew by 3.63% due to the relaxation of the economy from restrictions imposed over the last couple of years to contain the spread of the COVID-19 pandemic. Furthermore, public consumption increased by 10.46% during the same period. As a result, total consumption spending grew by 4.19%, which contributed 2.99% points to the total growth of GDP. Total investment increased by 2.89% and contributed 0.95% point to GDP growth. The contribution of net exports to GDP became positive due to the positive growth of exports and a negative growth of imports.



Bangladesh Tax revenue percentage of GDP was reported at 7.8% in Dec 2023. On the other hand, per capita national income in FY 2022-23 stood at BDT. 2,70,414.00 up from BDT. 2,41,047.00 in the previous fiscal year. In US dollar, per capita GDP and GNI stood at US\$ 2,657.00 and US\$ 2,765.00 respectively in FY 2022-23 compared to US\$ 2,687.00 and US\$ 2,793.00 respectively in FY 2021-22. Broad Money data was reported at BDT. 2,30,01,446.00 in 2023. This records an increase from the previous number of BDT. 2,14,94,016.00 for 2022. Broad money (M2) and domestic credit were programmed to be within 11.5% and 18.5% respectively in FY23.

Gross international foreign exchange reserves stood at USD. 31,202.98 million at the end of June 2023, sufficient for covering 4.9 months of prospective import payments which was USD. 41,826.73 million at the end of June 2022. A significant deficit in financial account along with a deficit in the current account led to a sharp fall of foreign exchange reserves.

In FY23, the volatility of the world foreign exchange market was relatively higher than previous year. Bangladesh Bank tried to stabilize the foreign exchange market by selling a huge amount of USD. For this purpose, Bangladesh Bank sold USD 13,578.20 million while purchased only USD 193.00 million during

FY23. However, the annual average exchange rate stood at BDT. 99.46 per USD in FY23 which was BDT. 86.30 per USD in FY22, indicating depreciating pressure on nominal exchange rate. The nominal effective exchange rate (NEER) index as calculated with a trade weighted 15-currency basket (base: FY16=100) decreased by 13.01% in FY23. Similarly, the real effective exchange rate (REER) index decreased by 8.34% in the period under report, indicating depreciating pressure on BDT. against the basket of currencies of the Bangladesh's trade partners' countries. Bangladesh's economy slowed in fiscal 2022-23 although growth bounced back to 5.78% by the end of the year's fourth quarter, government data shows. In 2023, the inflation rate in Bangladesh amounted to about 9.02% compared to the previous year. For the next few years, inflation in Bangladesh is forecast to stay around 5.5%. Bangladesh is a mixed economy on the rise, with a soaring gross domestic product (GDP) and steady economic growth.

SECTORAL GROWTH PERFORMANCE

Agriculture Sector

The growth of agriculture sector decreased to 2.61% in FY23 from 3.05% in FY22. The decline of growth in this sector occurred mainly from less production of crops and horticulture; and fishing subsectors. In contrast, the growth of animal farming; and forest and other related subsectors increased notably during the period under review. Among various subsectors, the growth of forest and other related subsector was the highest which increased to 5.16% in FY23 from 5.08% in FY22. On the contrary, fishing subsector experienced more than a double-growth fall achieving only 1.14% growth in FY23 which was 2.64% in FY22. Growth in crops and horticulture subsector also fell from 2.61% in FY22 to 2.26% in FY23.

Agriculture contributed 11.20% of GDP in FY23, with slower growth from 3.05% in FY22 to 2.61% in FY23. During this period, the growth of forest and related services; and animal farming sub-sectors increased slightly compared to the previous year. However, the growths in crops and horticulture; and fishing sub-sectors fell significantly to 2.26% and 1.14% respectively in FY23 from 2.61% and 2.64% in FY22.

Industry Sector

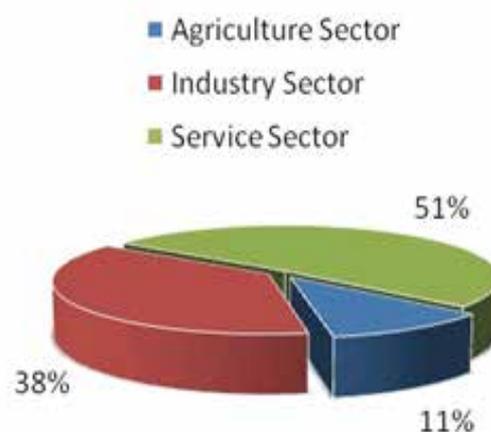
Owing to downward trend in foreign exchange reserves, the inflow of imported raw materials and capital goods was interrupted which in turn disrupted the regular growth trend in industrial production. In addition to that, energy price hike has also slightly hampered the manufacturing production and construction. These unexpected phenomena led the industry sector to downcast growth to 8.18% in FY23, from 9.86% in the previous fiscal year. Among the industry subsectors, the growth in the mining and quarrying subsector boomed from (-) 1.12% in FY22 to 5.74% in FY23. Similarly, water supply, sewerage, waste management and remediation activities subsectors have also experienced somewhat an elevated growth of 10.02% in FY23 as compared to 9.54% in FY22. Conversely, electricity, gas, steam and air conditioning supply, and construction subsectors achieved somewhat a slower growth of 4.54 and 6.41% respectively in FY23 than that of 6.15 and 8.71% respectively in FY22. Of the manufacturing subsectors, the growth of large industry sharply decelerated to 8.46% in FY23 from 15.68% in FY22.

Cottage industry also registered lower growth of 10.69% in FY23 from 11.12% in FY22. However, the growth of small, medium and micro industry increased to 9.73% in FY23 from 4.84% in FY22 because of different stimulus packages mainly through re-finance/pre-finance loans at a concessional interest rate provided by government and Bangladesh Bank.

The industrial sector contributed 37.56% of GDP in FY23 and grew by 8.18%, lower than 9.86% growth in FY22. This growth was supported by the growths of mining and quarrying (5.74% in FY23 from -1.12% in FY22); and water supply, sewerage, waste management and remediation activities (10.02% in FY23 from 9.54% in FY22) sub-sectors. On the other hand, manufacturing; electricity, gas, steam, and air conditioning supply; and construction sub-sector recorded lower growth in FY23 as compared to the previous year.

Services Sector

Growth in services sector, comprising more than half of gross value added (GVA), slightly distracted from its recovery phase in FY23 achieving growth of 5.84% against 6.26% in FY22. Within the services sector, a large growth impulse in FY23 primarily came from human health and social work activities; and public administration and defense, compulsory social security. Among various sub-sectors of services, human health and social work activities; public administration and defense, compulsory social security; education; wholesale and retail trade, repair of motor vehicles, motorcycles and personal and household goods; arts, entertainment and recreation; administrative and support service activities; transport and storage; and accommodation and food service activities registered the growth of 8.36, 6.95, 6.88, 6.65, 6.36, 6.13, 5.99 and 5.89% in FY23 which were 9.88, 4.91, 7.87, 8.46, 6.07, 6.01, 5.75 and 5.37% respectively in FY22.



Source: BB's Annual Report, FY 2022-23.

The services sector accounts for the largest share of GDP. This sector contributed 51.24% of GDP in FY23, slight lower than 51.48% in FY22. Services sector grew by 5.84% in FY23, lower than 6.26% growth in FY22. Among the components of services sector, wholesale and retail trade, and repair of motor vehicles and motorcycles; financial and insurance activities; education; and human health and social service activities exhibited lower growths in FY23 than those of the previous year.

OTHER MACRO ECONOMIC INDICATORS

Savings

Gross national savings as a percentage of GDP increased to 30.22% in FY23 from 29.35% in FY22. Gross domestic savings (GDS) stood at 26.02% of GDP in FY23 which was 25.22% of GDP in the previous fiscal year. Gross national savings (GNS) increased to 30.22% of GDP in FY23 from 29.35% in FY22. At current market prices, growth of gross domestic savings was 15.31%.

Investment

Investment as percentage of GDP decreased to 31.25 in FY23 from 32.05 in FY22. However, public investment to GDP ratio slightly increased to 7.61% in FY23 from 7.53% while private investment to GDP decreased to 23.64% from 24.52% over the same period due mainly to import reduction and global supply chain disruptions. At current market prices, investment growth was 9.01%. Therefore, a higher growth in gross domestic savings resulted in the decrease in domestic savings-investment gap as percentage of GDP to (-) 5.23% in FY23 from (-) 6.83% in FY22.

Savings and Investment			
(As percentage of GDP)			
Particulars	FY21	FY22	FY23(p)
Investment	31.02	32.05	31.25
Private	23.70	24.52	23.64
Public	7.32	7.53	7.61
Domestic savings	25.34	25.22	26.02
National savings	30.79	29.35	30.22

p= Provisional.
Source: Bangladesh Bureau of Statistics (BBS).



Price Developments

During FY23, twelve-month average Consumer Price Index (CPI) inflation showed an upward trend throughout the year. In the beginning of FY23 (July 2022), twelve-month average CPI inflation was 6.33% and reached with a sharp increase of 9.02% at the end of FY23. Inflation was 1.52% points higher than the targeted ceiling of 7.50% in FY23. The higher general CPI inflation was the result of the increase in both food and non-food inflation in FY23 compared to the previous year. Food and non-food inflation increased to 8.71% and 9.39% in June 2023 from 6.05% and 6.31% respectively in June 2022. The surge in both food inflation and non-food inflation indicates strong inflationary pressure due mainly to disruptions in the supply chains.

Import Growth

Due to the global business uncertainties and the ongoing depreciating pressure on exchange rate, import growth faced a drastic fall in FY23. Total import (fob) decreased by 15.76% to USD 69495.40 million in FY23 from USD 82495.10 million in FY22. Various measures taken by the government as well as Bangladesh Bank ease the import demand of non-essential items which help to mitigate the pressure on foreign exchange reserves in FY23. Import payments almost all the imported items like consumer goods (2.20%), intermediate goods (19.79%), and capital goods (17.36%) significantly declined in FY23. On the contrary, import payments for few items such as rice, spices, pulses, and fertilizer increased in FY23.

Export Growth

Amid tepid global demand and economic downturn triggered by COVID-19 pandemic as well as geopolitical crisis coupled with high inflationary pressures, Bangladesh's export earnings was inspiring in FY23. Export earnings were about 12.24% of GDP in FY23. According to Export Promotion Bureau (EPB), total export earnings in FY23 increased by 6.67 percent to USD 55558.77 million from USD 52082.66 million in FY22.

Remittances Mobilization

Remittances considered as an important source of foreign currency earnings in Bangladesh which have tremendous impact on country's GDP. Amid global uncertainties and dwindling trend of foreign exchange reserve, remittances play a significant role for the improvement of country's external situation in FY23. Current account deficit decreased in FY23 due to higher secondary income especially high inward remittance flows from the migrants as well as lower trade deficit. Remittance earnings of Bangladesh increased by 2.75% to USD 21610.73 million in FY23 from USD 21031.68 million in FY22.

Foreign Exchange Reserves

Foreign exchange reserves, refers to foreign assets held or controlled by central bank that acts as important indicator for any economy's ability to absorb external shocks. Bangladesh Bank's gross foreign reserves comprise major currencies (G-7), gold and special drawing rights (SDR); are used to finance Balance of payments obligations and/or to control exchange rates regime. The global war scenario and the pandemic situation had highly elevated commodity and energy prices resulting in surge in import payment growth relative to export earnings. Higher Balance of payments deficit (USD 8.2 billion) and BB's huge amount of USD net sale (13.39 billion) in FY23, caused a decrease in foreign exchange reserves to USD 31.2 billion (equivalent to 4.6 months of imports of goods and services) at the end of June 2023 from USD 41.8 billion at the end of June 2022.

Foreign Aid

Total official foreign aid receipts decreased by 15.52% and stood at USD 9267.32 million in FY23 against the USD 10969.29 million received in FY22. Total foreign aid commitment stood at USD 8798.62 million in FY23 which was USD 10173.24 million in FY22. The disbursement of food aid stood at USD 52.50 million in FY23 which was USD 18.96 million in FY22. The disbursement of project aid stood at USD 9214.82 million in FY23 which was USD 10950.33 million in FY22.

Total outstanding official external debt as of 30 June 2023 stood at USD 62312.72 million (13.73% of GDP in FY23) against USD 55601.72 million as of 30 June 2022 (12.08% of GDP in FY22). Repayment of official external debt and services amounted to USD 2670.22 million (excluding repurchases from the IMF) in FY23 which was 32.32% higher than the repayment of USD 2017.96 million in FY22. Out of the total repayments, principal payments amounted USD 1734.56 million while interest payments was USD 935.66 million in FY23, against USD 1526.71 and USD 491.25 million respectively in FY22. The debt service payment as percentage of exports stood at 5.10% in FY23 which was 4.10% in FY22.

Source: *Bangladesh Bank's Annual Report, FY 2022-2023*

NEAR AND MEDIUM TERM OUTLOOK FOR BANGLADESH ECONOMY

The growth of Bangladesh's economy in FY23 was lower than the previous year due to several shocks in the domestic and external sectors. Bangladesh's economy is yet to resume its pre-COVID-19 pandemic level of buoyant growth. Rising inflation, declining foreign exchange reserves and volatile exchange rate have negatively affected private investment as well as credit to the private sector. This was reflected in lower demand both from the domestic and international markets, as indicated by negative import growth and a slow growth of exports. The Government and Bangladesh Bank took various policy measures for controlling inflation, stabilizing exchange rate and building up foreign exchange reserves during FY23. In the light of Governments' ongoing development activities and further development opportunities created with the completion of some of government mega investment projects, the targets for real GDP growth and inflation rate have been set at 6.5% and 7.5% respectively for the FY24. However, high inflationary and exchange rate pressures, high non-performing loans (NPLs) and decreasing trend of foreign exchange reserves may pose severe challenges to this growth and inflation outlook.

The increase in investment in both the private and public sectors is crucial for the growth outlook. The withdrawal of the deposit rate cap is inducing to increase savings growth which may also influence to increase investment. The government has invested a huge amount of money in power and energy, and transportation and communication sectors as part of its Annual Development Program (ADP) especially in the recent years. Currently, the economy is getting benefit from the completion of some mega projects of the Government. It is expected that domestic economic activities will further gear up with the opening of railway connectivity over the Padma Bridge. Moreover, metro rail and elevated expressway in Dhaka city, Karnaphuli tunnel in Chattogram, Dhaka-Cox's Bazar railway and many other bridges and roads across the country are expected to bring positive impact on Bangladesh economy.

In FY23, Bangladesh experienced significant inflationary pressure, driven by both food and non-food items primarily due to fuel price adjustments, global commodity price hikes, exchange rate pass-through effects, and market failures. It was projected that global commodity prices would decline in 2024 (according to World Economic Outlook, October 2023), which was expected to ease inflationary pressures on the economy in the upcoming months. However, addressing the easing of exchange rate pressure remained a substantial challenge.

Bangladesh Bank had adopted a contractionary monetary policy stance (MPS) for the second half of FY24 to maintain the inter-bank call money rate near the policy rate of 8.00%. This stance included a ± 150 basis

point symmetric corridor, with a standing lending facility rate at 9.50% and a standing deposit facility rate at 6.50%. This approach aimed to prioritize containing inflation at desired levels while ensuring sufficient funds flow to productive and employment-generating activities to support growth targets.

In June 2023, the lending rate cap was lifted, introducing a market-driven reference rate known as "SMART" (the six-month moving average rate of Treasury bills). Banks were given the flexibility to set loan interest rates by adding up to 3.75% to the SMART rate. The establishment of the market-driven reference rate and the policy rate corridor created a market mechanism that effectively responded to money demand and supply by adjusting rates and controlling demand-pull inflation.

Bangladesh Bank provided a sufficient flow of funds for agriculture, CMSMEs, and import-substituting industries through its pre-finance and re-financing schemes, which had a positive impact on growth. However, for smooth flow of funds to the private sector, banks need to strengthen the recovery drive of NPLs, otherwise, the increase in NPLs can limit credit to the private sector which may negatively affect the growth. Credit to the public sector has increased sharply in recent years due to financing for mega development projects. In the past two years, government's borrowing from the banking system, particularly from Bangladesh Bank has increased tremendously, which ultimately contributed to inflation hike. Higher government borrowing from the banking system could increase lending rate in 2024. Resultantly, credit flows to the private sector might be slowed down in FY24. Due to import-limiting measures, the trade deficit narrowed in the last fiscal year, but the deficit in the financial account became larger. The continued import-limiting measures would further improve trade balance, but the reduction of imports may affect overall economic activities in the economy negatively. To prevent the deficit in the financial account, all possible ways will have to be explored.

PERSPECTIVE PLAN 2021-2041

The Government has adopted "Making Vision 2041 a Reality: Perspective Plan of Bangladesh 2021-2041" which highlights Interventions in socio-economic areas critical for realization of the dream of Father of the Nation Bangabandhu Sheikh Mujibur Rahman is to end absolute poverty and to graduate into higher middle-income status by 2031, and eradicate poverty on way to becoming a developed nation by 2041. The Perspective Plan 2021-2041 has been prepared to translate the policies and programs enshrined in the Vision 2041 into development strategies. It is the development vision of the Government for a prosperous Bangladesh, a strategic description of the goals and objectives and a roadmap for its implementation.

The following strategic goals will be pursued as the essential components of economic policy over the long-term:-

- Eradication of Extreme Poverty by 2031; reducing Poverty to less than 3% by 2041.
- Achieving Upper middle-income country status by FY 2031; High-income country by 2041.
- Industrialization with export-oriented manufacturing will drive structural transformation into the future.
- Paradigm shifts in Agriculture will enhance productivity and ensure nutrition and food security for the future.
- A Service sector of the future will provide the bridge for the transformation of the rural agrarian economy to a primarily industrial and digital economy.
- The Urban transition will be an essential part of the strategy to move to a high-income economy Perspective Plan of Bangladesh, 2021-2041.
- Efficient Energy and Infrastructure will be essential components of the enabling environment that facilitates rapid, efficient and sustainable growth.
- Building a Bangladesh resilient to climate change and other environmental challenges.
- Establishing Bangladesh as a knowledge hub country for promoting a skill-based society.

REVIEW OF BANKING BUSINESS ENVIRONMENT

The primary focus of the Bangladesh Bank (BB) as the supervisor of the banking system is to maintain the stability of the banking system and the economy as a whole. As a result of prudent and planned policy actions by BB, the economy of Bangladesh experienced a resilient recovery from the economic shocks of the COVID-19 pandemic. To support smooth operation of the schedule banks and non-banking financial institutions (NBFIs) under this critical juncture, Bangladesh Bank has emphasized the continuance of the prudential measures taken at the inception of the pandemic, though with some fine-tuning. However, the outbreak of the Russia-Ukraine war posed significant challenges to the effort to accelerate growth. Particularly, the supply-chain shocks in terms of higher fuel and commodity prices and disruptions in the global delivery system has put pressure in the country's external balances which in turn, in the form of the exchange rate shock, has affected the balance sheet of the banking sector. To address the external shocks, Bangladesh Bank has decided to move toward a more market-based interest rate and exchange rate regime. Nonetheless, FY23 saw significant liquidity pressure in the banking sector, especially in the case of several Islamic banks. To mitigate the liquidity shocks and prevent spillover effect of these shocks in other parts of the economy, Bangladesh Bank has opened special liquidity support facilities for banks and will continue to provide assistance until the risk subsides. In its effort to strengthen the supervisory framework, Bangladesh Bank has introduced several reform programs with the technical assistance of the IMF and the IFC, namely, the implementation of the risk-based supervisory framework. Also, to improve governance of selected banks with deteriorating financial conditions, Bangladesh Bank has initiated a three-year special supervisory program. Under this program, selected banks have been given concrete, time-bound targets and are being monitored meticulously as per the terms and conditions of Memorandum of Understandings (MoU). BB, as part of its regular supervisory activities, has continued its offsite supervision and onsite inspections throughout the year.

Depending on the ownership structure the banking system of Bangladesh fall into four categories: State-Owned Commercial Banks (SCBs), Specialized Banks (SBs), Private Commercial Banks (PCBs) and Foreign Commercial Banks (FCBs). Below is the comparative picture of indicators of banking system structure of Bangladesh in 2022 and 2023.

Bank types	2022 (June)						2023 (June)					
	Number of banks	Number of branches	Total assets	Share in industry assets (in percent)	Total deposits	Share in industry deposits (in percent)	Number of banks	Number of branches	Total assets	Share in industry assets (in percent)	Total deposits	Share in industry deposits (in percent)
SCBs	6	3810	5080.5	24.9	3991.2	26.3	6	3836	5600.7	24.2	4324.6	25.4
SBs	3	1512	445.9	2.2	412.2	2.7	3	1523	539.1	2.3	467.8	2.8
PCBs	43	5550	13769.0	67.4	10136.0	66.8	43	5666	15688.3	67.8	11385.7	67.1
FCBs	9	65	1133.9	5.5	642.0	4.2	9	63	1314.7	5.7	802.9	4.7
Total	61	10937	20429.3	100	15181.4	100	61	11088	23142.8	100	16981.2	100

Source: Department of Off-site Supervision and Banking Regulation and Policy Department, Bangladesh Bank.

REVIEW OF BANGLADESH DEVELOPMENT BANK PLC.'s BUSINESS STRATEGY AND OPERATIONS DURING 2023:

As a state-owned commercial bank, Bangladesh Development Bank PLC. conducts various commercial banking operations, including foreign exchange transactions and international trade financing. It remains dedicated to actively participating in industrial financing endeavors, as it has done historically. In this realm, the bank extends loans to environmentally sustainable projects and other ventures crucial to the economy's growth. Furthermore, it offers working capital advances and trade financing solutions to corporate clients, loans tailored for SME traders, entrepreneurs, including women, and retail credit options

such as agricultural, housing, and personal loans. Its foreign exchange services are administered through five Authorized Dealer (AD) branches: Principal branch, Motijheel, Karwan Bazar, Agrabad, and Narayanganj. Additionally, the bank contributes significantly to the country's capital market development through its two wholly-owned subsidiary companies.

The bank offers a range of special deposit schemes designed to cater to the needs of both retail and institutional clients. Currently, it operates 17 rural branches with the primary objectives of bolstering agricultural productivity, creating employment opportunities, and fostering income generation within the rural regions of the country.

The year 2023 posed significant challenges for banking operations, notably influenced by the Russia-Ukraine war and the lingering effects of the COVID-19 pandemic. Despite these obstacles, the bank's Board of Directors responded by implementing diverse initiatives aimed at enhancing policy flexibility to navigate through this demanding period. In 2023, five core risk manuals have been revised. Furthermore, the institution has implemented a range of policies and guidelines to enhance its operations, such as cluster-based financing for the CMSME sector, an e-Account (e-KYC) policy, a Start-up Fund policy, a Mobile App & Internet Banking usage & Security Policy, an Internet Bandwidth Management Policy, and a Debit Card Management Policy. These measures aim to steer the institution towards becoming a dynamic and sustainable banking entity.

DOMESTIC NETWORK:

In pursuit of inclusive banking and effective business expansion and management, the bank established a new Anti-Money Laundering and Combating Financing of Terrorism Department (AML & CFTD) in 2023. The bank operates 50 branches across six zonal offices situated in Dhaka North, Dhaka South, Chattogram, Rajshahi, Khulna and Sylhet. Among these branches, 33 are in urban areas, while 17 are located in rural areas, strategically positioned in commercially and geographically significant regions of the country.

HUMAN RESOURCES:

Unquestionably, the foremost resource of any institution, more so for a bank, is its human resources. Ensuring equal opportunities regardless of gender, the Board of Directors of the bank has already adopted a number of administrative policies focusing on improvement of skill and performance of its human resources. Among these initiatives, noteworthy aspects include regular promotions, postings and transfers, employee welfare programs such as the Day Care Center, and training activities for skill development. As on December 2023, total 651 employees (563 Officers & 107 Staffs) were working for the bank. Of this workforce, 113 were female employees, accounting for 17.36% of the total employees.

CAPACITY DEVELOPMENT:

The bank's vision is to empower its human resources by equipping them with the requisite knowledge, skills, abilities, and personal attributes to become productive human capital. Continuous knowledge and skill development is facilitated through comprehensive training. The bank operates its own training institute in Karwan Bazar, Dhaka, aimed at enhancing the operational skills and efficiency of its officers. Additionally, the bank regularly sends a significant number of officers to participate in various external training programs, workshops, and seminars conducted by institutions like the Bangladesh Institute of Bank Management (BIBM), Bangladesh Bank Training Academy (BBTA), and other external entities.

DEVELOPMENT OF ICT:

As a part of the Government's "Smart Bangladesh" program for technological development, the Bank has undertaken an action plan to automate all banking activities and introduce a new smart service to serve the client.



The Bank has served the customers with Core Banking Solution (CBS) according to the guidelines of Bangladesh Bank. All branches are, therefore 'real-time online' while carrying out all banking transactions on the CBS.

Adhering to Bangladesh Bank's plan for automation of the payment system of the country, Bangladesh Automated Clearing House (BACH) is in operation since its inception at Bangladesh Development Bank PLC. The two components of BACH namely the Bangladesh Automated Cheque Processing System (BACPS) and Bangladesh Electronic Funds Transfer Network (BEFTN) are functioning in the bank. The Real-Time Gross Settlement (RTGS) system is operating in all branches smoothly. Foreign Exchange/Trade Finance transaction facility is given to clients through Authorized Dealer (AD) branches by bank's own the Society for Worldwide Interbank Financial Telecommunication (SWIFT).

The Bank has set up a corporate email system under its own domain, "bdb.com.bd," for all officers. Additionally, it has implemented a human resources payroll management system and centralized the activities of payroll and staff loan processing.

The Bank has implemented the Loan Classification report module from its CBS, providing crucial information about borrower loan statuses. Moreover, the Bank submits monthly Credit Information Bureau (CIB) reports using a separate system that draws data from the CBS. As per Government instructions bank has started d-Nothi activities & e-Attendance System as a part of e-Governance.

The services presently provided by the Bank for its customers are:

- i. e-Account: It provides the opportunity for the new customer to open an account using the National ID from home by his/her smart phone or computer. Moreover, customers are having the facility to open the bank account on nearest branch with onboard technology.
- ii. Debit Card: An account holder of the Bank can avail of the opportunity of a 24/7 banking transaction facility using the Debit Card.
- iii. Internet Banking: Registered account holder of the Bank can avail of the opportunity for Money Transfer within Bank/ to other Bank and Mobile Financial Services (MFS): Bkash, Nagad, etc, Top-Up/Mobile recharge facility, and Utility Bill Pay.
- iv. Mobile Apps: Registered Account holder of the Bank can avail of the opportunity for Money Transfer within Bank/ to other banks and MFS, Mobile recharge facility, and Utility Bill Pay.
- v. QR Pay: A new cash withdrawal system has been introduced at the Bank, allowing customers to withdraw money over-the-counter (OTC) by scanning a QR code. This method offers cheque-less and charge-free quick cash withdrawals. Users can withdraw up to BDT 1,00,000 (One Lac) per transaction and a maximum of BDT 5,00,000 (Five Lac) per day using this system.
- vi. Facilities to Walk-in-Customers: The service allows for instant cash transactions without requiring the sender or receiver to have an account with the Bank. Transactions are facilitated using mobile numbers, secret PINs and NID card verification. Each transaction is capped at BDT 1,00,000 with a maximum of 5 transactions per day. Both walk-in-customers and account holder customers can utilize this service.
- vii. E-commerce facility: Account holders can purchase online using the Bank's Debit Card in NPSB and Q-Cash Network.
- viii. A-Challan System: The Bank can collect Treasury Challan on behalf of the Bangladesh Government.

- ix. National Savings Schemes (Shanchaypatra): Customers can avail Shanchaypatra facility from the Bank on behalf of the Department of Savings, Bangladesh Government.
- x. Utility Bills: The Bank is giving the facilities to take electricity and gas bills on OTC (Over the Counter), mobile apps and Internet Banking system. Customers can now pay their utility bills (such as Titas gas, Bakhrabad gas, NESCO, DPDC etc.) at any time by online system.
- xi. Foreign Remittance Collection: Foreign remittance has a lot of impact on our economy. The Bank is collecting foreign remittance through Western Union and Ria Money Transfer.
- xii. Mobile Recharge: Customers can recharge their mobile balances conveniently using the Bank's Mobile App and iBanking services without visiting physical stores. This service supports major mobile operators in Bangladesh and offers a quick and straightforward process. Users choose their operator, enter their mobile number and recharge amount, and complete the payment through their bank account. It enhances connectivity by providing a hassle-free solution for staying connected on the go.
- xiii. Indian Visa Application Fee Collection: In line with its digitalization efforts, the Bank has introduced a system for processing Indian Visa Application fees. Through this initiative, all Bank customers can conveniently submit their Indian visa fees via their own accounts using the Mobile App and iBanking platforms.

Furthermore, alongside the introduction of new Fintech solutions, the Bank has installed modern security devices and implemented cutting-edge measures to safeguard against cyber-attacks, thereby bolstering cyber security. These measures enable security experts within the Bank to monitor all systems simultaneously.

CREDIT RATING:

Bangladesh Bank has declared credit rating to be mandatory for commercial banks and to be conducted by recognized rating agencies. Accordingly, Credit Rating Agency of Bangladesh (CRAB) had been assigned to rate the bank and accordingly they have graded the Bank on the basis of bank's Audited Financial Statements 2023, and also provided additional qualitative and quantitative information. The latest rating was as follows:

Date of Declaration	Valid Till	Rating mode	Long Term Rating	Short Term Rating	Outlook
25 June, 2024	30 June, 2025	Government Support	AAA (Extremely Strong Capacity)	ST-1 (Highest Capacity)	Stable
		Without Government Support	A ₃ (Strong Capacity)	ST-3 (Average Capacity)	Stable

CORPORATE GOVERNANC:

Bangladesh Development Bank PLC. adheres to sound corporate governance principles, aligning with the company's direction and regulatory standards. This commitment ensures transparency, accountability, responsibility, and fairness across all facets of its operations, aiming to optimize performance while upholding governance standards.

To ensure accountability and transparency in business, financial and administrative affairs, the Bank maintains four high-powered board committees. The graph provided illustrates the committee names and the number of meetings conducted in 2023.





INTERNAL CONTROL AND COMPLIANCE:

Banking business involves complex and diversified financial activities with high risks. Therefore, an effective internal control system, corporate governance, transparency, and accountability are crucial to ensuring the bank's smooth operational performance. The Internal Control Process is driven by the active participation of the company's Board of Directors, Management, and other relevant personnel. It is designed to provide reasonable assurance regarding the achievement of objectives related to the effectiveness and efficiency of operations, the reliability of financial reporting, and compliance with applicable laws, regulations, and internal policies.

Internal Controls are the policies and procedures established and implemented, either independently or in conjunction with other policies or procedures, to manage and control specific risks or business activities or a combination of risks and business activities the company is exposed to or engaged in.

Bangladesh Development Bank PLC. has established an appropriate and effective internal control environment to ensure sound and prudent management and control of the bank. The Bank identifies its weaknesses through the internal control system and takes appropriate measures to address them.

The Board of Directors has empowered the Board Audit Committee to monitor the effectiveness of the bank's internal control system. The Board Audit Committee meets with senior management periodically (holding eight meetings in 2023) to discuss the effectiveness of the internal control system and ensure that management takes appropriate actions based on the recommendations of the Auditors and the Internal Control and Compliance Division (ICCD).

CUSTOMER CARE:

In compliance with the Right to Information Act-2009, the Bank has issued a circular instructing all concerned officials to ensure the free flow of information and uphold people's right to information. Additionally, to enhance client service standards, a Central Client Service & Complaint Management Cell has been established under the Compliance Department. Complaint boxes have been installed in all branches and the Head Office to address customer complaints promptly and seriously. The Bank also maintains a help desk on the ground floor of the Head Office, managed by the Human Resource Management Department (HRMD). Following regulatory directives, a citizen charter is displayed at the entrance of the Head Office and in all branches.

RISK MANAGEMENT

Risk Management has become one of the most sensitive and crucial factors in banking business all over the world. In the course of banking operations, banks are invariably faced with different types of risks that may have a potentially adverse effect on their business. Bangladesh Development Bank PLC. has established an appropriate and effective internal control environment to ensure that the bank is managed and controlled in a sound and prudent manner.

The bank has its own full-fledged Risk Management Department (RMD) and 07 (seven) distinct Core Risk Management Committees to identify, evaluate, monitor and supervise its entire risk related works as per guidelines and directions of Bangladesh Bank with the approval of Board of Directors and competent authorities.

The Executive Risk Management Committee (ERMC) of the bank has been formed to establish a comprehensive risk management process in the bank and to ensure a continuous sound banking practice. The committee is constituted with 10 (ten) members and headed by the Chief Risk Officer (CRO) of the bank.

The bank has an exclusive body called Supervisory Review Process (SRP) team where RMD is an integral part. The team comprises 08 (Eight) members and headed by the Managing Director & CEO of the bank. It assesses capital adequacy in relation to overall risk profile of the bank, implements strategy for maintaining capital at an ‘adequate level’ through monitoring and reporting.

The bank has a high powered Board Risk Management Committee (BRMC) comprising five members of the Board of Directors as per the directives of Bangladesh Bank. BRMC reviews risk management policies and monitors the overall risk management system of the bank and updates to the Board of Directors from time to time. Board of Directors formulates the guiding policies and procedures of overall risk management of the bank.

RISK MITIGATION

Smooth banking operation requires several strategic steps for risk identification and its mitigation. The vital and first step of risk mitigation is the identification, analysis and measurement of risks. For these purposes ‘Monthly Risk Management Report (MRMR)’ and Half-Yearly ‘Comprehensive Risk Management Report (CRMR)’ are prepared covering all potential key risks to bank’s assets, liabilities, liquidity & earnings. The Risk Management Committee discusses on the reports in its monthly meeting, identifies the risks and gives direction to mitigate them.

Risk Management Department (RMD) of the bank prepares quarterly ‘Stress Testing Report’ to assess Capital to Risk Weighted Asset Ratio (CRAR) of the bank considering specific shock factors and shock levels. RMD also reviews position of credit rating, abnormal change in AD Ratio, recovery position, self-assessment of internal control and other core risk factors associated with banking activities. To mitigate those risk factors, appropriate steps are taken under the supervision of the top management of the bank continuously.

RMD, under direct supervision of SRP team, prepares ‘Internal Capital Adequacy Assessment Process (ICAAP) Report’ for assessing the bank’s overall capital adequacy. The bank has a capital plan to raise its capital against risks to fulfill the Bangladesh Bank’s regulatory requirement. The overall focus of Risk Management of the bank in 2023 was on maintaining the risk profile in line with its strategy, strengthening its capital base and supporting the strategic goals.

The bank has separate mitigation methodology for each core risk which is given below:

Risk Types	Definition of Risks	Governing Documents	Summary of Mitigation Activities
Credit Risk	Risk arising from contractual failure of the borrower with the Bank. The failure may result from unwillingness or inability of the counter party in discharging financial obligation.	<ol style="list-style-type: none"> 1. Credit Risk Management Manual; 2. Credit Policy; 3. Interest Waiver Policy; 4. Loan Reschedule Policy; 5. CMSME Manual; 6. Start-up fund Policy; 7. Internal Credit Risk Rating System (ICRRS) Guideline; 8. Risk Appetite Statement; 9. Credit Risk Assessment & Resolution Report 	<ul style="list-style-type: none"> • Overall planning of credit operations. • Credit analysis and approval. • Credit supervision and monitoring. • Internal Credit Risk Rating. • Accurate collateral value identification. • Credit concentration analysis

Risk Types	Definition of Risks	Governing Documents	Summary of Mitigation Activities
Asset-Liability Management Risk	Risk arising from imbalance of assets and liabilities in times of volatile interest rates and more generally a continuously changing economic environment.	<ol style="list-style-type: none"> 1. Asset Liability Risk Management Manual & Checklist; 2. Liquidity Contingency Plan; 3. ICAAP Manual & Checklist; 4. Stress Testing Report; 5. Recovery Plan 	<ul style="list-style-type: none"> • Overall planning for funding and treasury operation. • Maintaining standard liquidity profiles. • Duration Gap Analysis. • Forecasting money market and capital market trend. • Limits to control the maximum net cash outflow.
Foreign Exchange Risk	Possibility of losses due to change in exchange rates according to market forces.	Foreign Exchange Risk Management Manual	<ul style="list-style-type: none"> • Monitoring Foreign Exchange Transactions. • Set limit for open position. • Monitor market movements.
Money Laundering and Terrorist Financing Risk	Risk of unusual/suspicious transaction through banking channel.	<ol style="list-style-type: none"> 1. Money Laundering & Terrorist Financing Risk Prevention Manual; 2. Prevention of Trade Based Money Laundering Manual 	<ul style="list-style-type: none"> • Implementation of uniform Know Your Customer (KYC) and Transaction Profile (TP). • Monitoring unusual/suspicious transactions. • Cash transaction report to Bangladesh Bank. • Arrange training/workshops for developing awareness and skill.
Internal Control and Compliance Risk	Risk arising from errors and fraud due to regulatory failure of Internal Control and Compliance.	<ol style="list-style-type: none"> 1. Internal Control & Compliance Risk Management Manual; 2. Audit Manual 	<ul style="list-style-type: none"> • Ensuring compliance of regulatory requirements. • Maintaining efficiency and effectiveness of overall operating activities.
ICT Security Risk	Risk of hardware and software failure, human error, spam, viruses and malicious attacks as well as natural disasters such as fires, cyclones or floods.	<ol style="list-style-type: none"> 1. ICT Security Policy; 2. Data Backup & Recovery Policy; 3. Business Continuity Plan; 4. Disaster Recovery Plan; 5. IT Asset Management and Disposal Policy; 6. E-mail and Internet Usage Policy; 	<ul style="list-style-type: none"> • Building standard and compliant Data Centre (DC). • Set up Near Far Disaster Recovery Site (DRS). • Sufficient physical as well as logical access control systems. • Keeping sensitive information in the restricted area of networking environment.
Environmental and Social Risk	Risk arising from environmental and social concerns that might affect performance of the bank.	Environmental and Social Risk Management Policy	<ul style="list-style-type: none"> • Ensuring that projects are developed in a socially responsible manner. • Enhancement of green finance.

BRAND IMAGE:

Bangladesh Development Bank PLC. was established through the merger of Bangladesh Shilpa Bank (BSB) and Bangladesh Shilpa Rin Sangstha (BSRS). These two institutions, being the prime Development Financing Institutions (DFIs), had built a strong brand image by accelerating the country's industrial development. Following the merger, the Bank became a public limited company and now operates as a state-owned commercial bank. The employees are well-trained to deliver smart and efficient services, further enhancing the brand image with a strong focus on customer satisfaction, quality service, and customer rights. One of the Bank's primary objectives is to establish itself as a superior institution compared to other banks and financial institutions in the same category.

OPERATIONAL PERFORMANCE:

Deposit:

Deposit mobilization is a crucial source of liquidity for banking operations. In 2023, the Bank's deposit balance grew by about 4.77%, reaching BDT 3053.56 crore compared to BDT 2914.50 crore in 2022.

Loans and Advances:

The Bank has reviewed its Credit Policy periodically with a view to providing prompt and efficient services to the clients in a consistent manner. The loans and advances of the Bank posted an increase by about 7.15% to BDT. 2657.11 crore in 2023 over BDT. 2479.66 crore in 2022.

The Bank's loan portfolio remained highly diversified, encompassing a wide range large, small and medium enterprises and businesses. This included sectors such as food and allied products, jute and jute goods, cotton, woolen and synthetic textiles, power generation plants, paper and paper products, printing, electrical machinery, machinery spare parts, water transport, chemical and pharmaceuticals, petrochemical products, service industries, real estate, consumer schemes, and various trading businesses.

Long Term Loan:

The bank extends long term credit facilities for establishing new projects, balancing, modernization, replacement of machinery and expansion (BMRE) of existing capacity of the projects.

SME Financing:

For enhancing domestic investment to meet rising demand for employment generation, women's empowerment and regional development, the role of CMSME is indispensable. In line with the Government and Bangladesh Bank's policy guidelines, promoting a dynamic CMSME sector is a priority for the bank to reduce poverty and stimulate economic growth.

For achieving these objectives as well as for financial inclusion of unbanked people, the SME Department of the Bank is entrusted with the following tasks:-

- To emphasize financing activities for priority sectors of CMSMEs in line with the policy guidelines of the Government and Bangladesh Bank.
- To guide, monitor and supervise CMSME related activities.
- To follow up and monitor timely implementation of projects under CMSME.
- To ensure regular recovery of CMSME loan so that loans do not turn into classified loan.

The Bank has signed the following 5 (Five) refinancing agreements with Bangladesh Bank:-

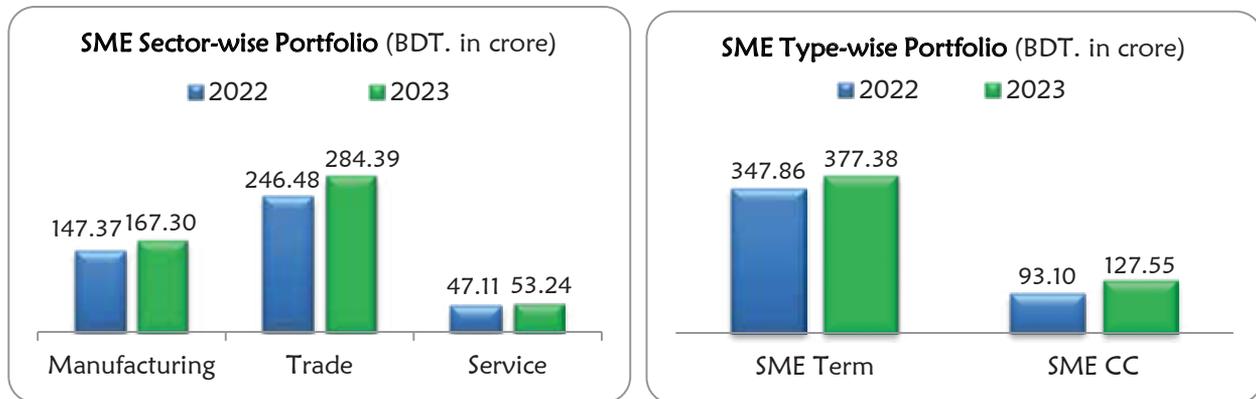
- Refinance Scheme for disbursement of term and working capital loan to Cottage, Micro, Small and Medium (CMSME) sectors;
- Refinance Scheme for providing working capital loan facility to support Covid-19 affected CMSMEs;
- Small enterprise refinance scheme;
- Refinance scheme for setting up agro-based products processing industries in rural areas;
- Refinance scheme for new entrepreneurs in Cottage, Micro and Small Enterprise sector.

The Bank took several steps for enhancing and accelerating CMSME loan portfolio, some of which were:

- Fixation of delegation power categorically for sanctioning of CMSME loan by the Branch Manager, Zonal Manager and Executives concerned in Head Office;
- Fixation of target as per SMESPD Circular Letter No.04, dated 16-03-2023;
- For the convenience of selecting CMSME Projects, a list based on divisions area, sectors and clusters was prepared and sent to all branches and zonal offices;
- Nomination of one Focal Officer in each branch and zonal office as well as in SME department at Head Office;
- Set up of CMSME cell, a help desk / Women Entrepreneur Dedicated Desk at all branch offices to advise and assist CMSME entrepreneurs particularly, women entrepreneurs for advisory services including all related assistance;
- Preparation of CMSME Manual relating to rules, regulations and other related up-to-date information;
- Creation of Database along with Women Entrepreneurs Reporting;
- Input Template fund on Bangladesh Bank e-refinance system;
- Input of Database on Dashboard Reporting of Covid-19 CMSME package as per Software provided by Bangladesh Bank;
- Arrangement of different training programs by the Bank on CMSME related issues for enhancing knowledge and awareness of the employees along with Entrepreneurs on CMSME financing;
- Participation in different CMSME fairs and seminars and
- Participation of CMSME meeting quarterly at Bangladesh Bank for achievement and implement the instruction given by Bangladesh Bank;

SME Portfolio Position:

The below graph illustrates the SME loan portfolio positions as of 31-12-2022 and 31-12-2023.



Green Financing:

As a financial intermediary and environmentally conscious institution, the Bank has been actively involved in mitigating environmental risks through green banking initiatives. The Bank allocated a significant portion of its annual budget to green banking efforts, disbursing BDT 1.96 crore in 2023.

Foreign Exchange and International Trade Financing:

The Bank has been performing Foreign Exchange and International Trade Financing under the International Banking Department. Experienced and efficient officers are deployed in this department to manage foreign exchange business smoothly. Five AD (Authorized Dealers) branches namely; Principal, Motijheel, Karwan Bazar, Narayanganj and Agrabad deal with foreign exchange business.

As a part of primary effort, the bank has been running its foreign exchange business such as open local and foreign sight L/C, deferred L/C and back to back L/C, Bill Purchase, Bill Collection, provide PIF facility, Acceptance of Bill, etc. The Bank provides with Packing Credit (PC) and open L/C under Export Development Fund (EDF) from Bangladesh Bank to facilitate client’s export business. Besides these, the Bank is doing Foreign Currency money market activities.

Foreign Trade Financing & Foreign Exchange Business:

Bangladesh Development Bank PLC. extends all sorts of foreign trade related business facilities.

Export Finance:

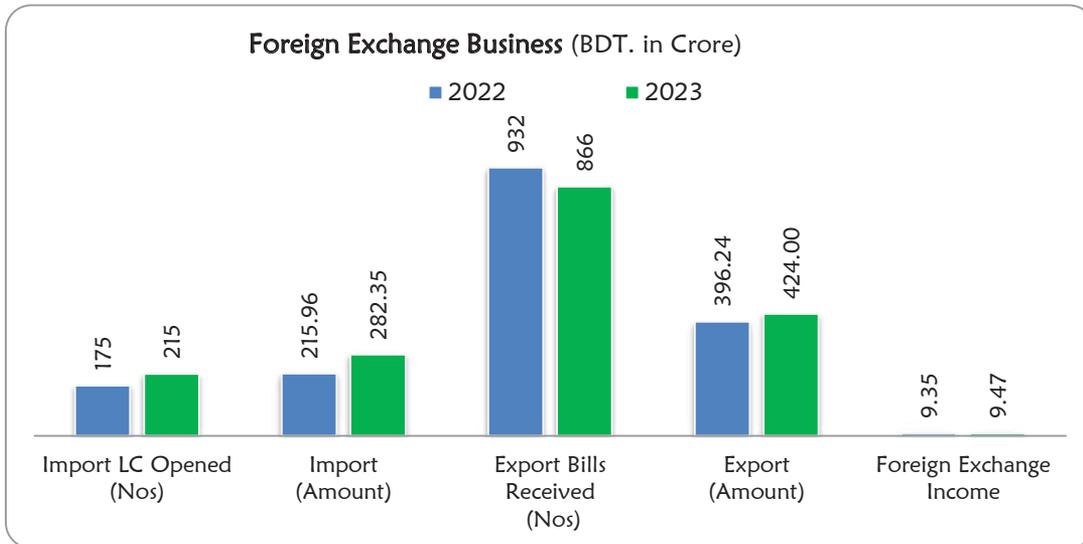
- ❖ Export Cash Credit (ECC);
- ❖ Packing Credit (PC);
- ❖ Back to Back L/C;
- ❖ Advising of Export L/C;
- ❖ Export bill collection;
- ❖ Letter of Credit Confirmation;
- ❖ Advance against Bills for Collection; and
- ❖ Purchase of local & foreign documentary bills

Import Finance:

- ❖ Letter of Credit (local & foreign) issuance;
- ❖ Post Import Financing (LIM, LTR, etc.);
- ❖ Payment against Documents (PAD)and
- ❖ Counter guarantee issuance.

Treasury and Money Market:

- ❖ Foreign currency buy & sale;
- ❖ Foreign currency lending and borrowing;
- ❖ Foreign currency overnight (call); and
- ❖ Remittance Service through SWIFT, RIA and Western Union



➤ **Plan for 2024:**

- ❖ To solicit good exporter/importer for doing business with the Bank;
- ❖ To increase income from treasury and money market activities;
- ❖ To increase remittance business through Exchange House like SWIFT Go/ Placid/ Money Gram/ Instant Cash/UAE Exchange/IME etc.;
- ❖ To increase the number of RMA worldwide;
- ❖ To increase clientele base; and
- ❖ To ensure better service to attract potential clientele and generate more revenue.

PERFORMANCE AND BUSINESS ACHIEVEMENTS IN 2023:

The banking business of the Bank comprised of mainly deposits, loans and advances, export, import, remittance, investment, non-funded facilities along with recovery of regular and Non-Performing Loans (NPLs).

Disbursement of Loans and Advances:

Due to Russia-Ukraine war and the impact of COVID pandemic the year 2023 was very challenging for banking business. In spite of this, the Bank disbursed loans and advances of BDT. 1501.94 crore against the target of BDT. 1608.43 crore, a 93.38% achievement against annual target.

Recovery of Loans and Advances:

For 2023, the Bank had set a loan recovery target of BDT. 912.72 crore including BDT. 91.59 crore from classified loans and BDT. 8.65 crore from written-off loans. Against these targets, total BDT. 1103.16 crore was recovered, out of which BDT. 894.23 crore were from unclassified loans, BDT. 173.90 crore from classified and BDT. 35.03 crore from written-off loan, representing 120.87% of the target.

Throughout 2023, the Board of Directors along with the Bank's senior management maintained regular reminder and follow up for bringing down the level of classified loans and accelerating recovery from written-off projects. The Bank management endeavored to minimize the existing classified loans by way of cash recovery and regularization through rescheduling. As a part of regular recovery, the written off loan amount of the Bank brought down to BDT. 1326.96 crore in 2023 from BDT. 1520.42 crore in 2022. No classified loans have been written-off during the year 2023.

Provision for Loans and Advances:

In accordance with Bangladesh Bank's policy, classification of a loan is made on the basis of its quality, performance and risk involved in its recovery. A provision has to be made against a loan on a particular date for protecting the interest of shareholders and depositors.

In 2023, required provision against loans & advances was BDT. 361.37 crore and the Bank maintained a provision of BDT. 382.71 crore with a surplus of BDT. 21.34 crore.

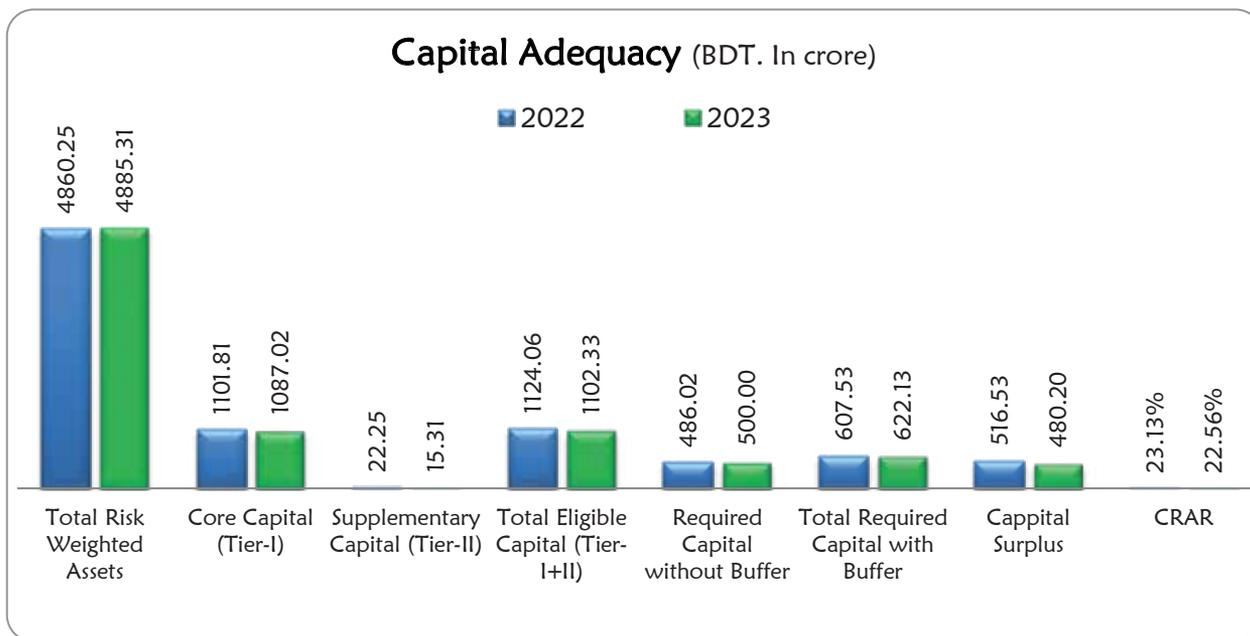
Portfolio in Share Market:

In 2023, the Bank invested BDT 65.70 crore in shares, bonds, and debentures of various companies from both primary and secondary markets. Simultaneously, the Bank sold shares of listed companies amounting to BDT 42.72 crore. During the year, the Bank achieved BDT 6.31 crore in capital gains and received BDT 21.78 crore in dividends from these investments. Additionally, it sponsored BDT 106.00 crore in the Bangladesh Fund.

CAPITAL ADEQUACY:

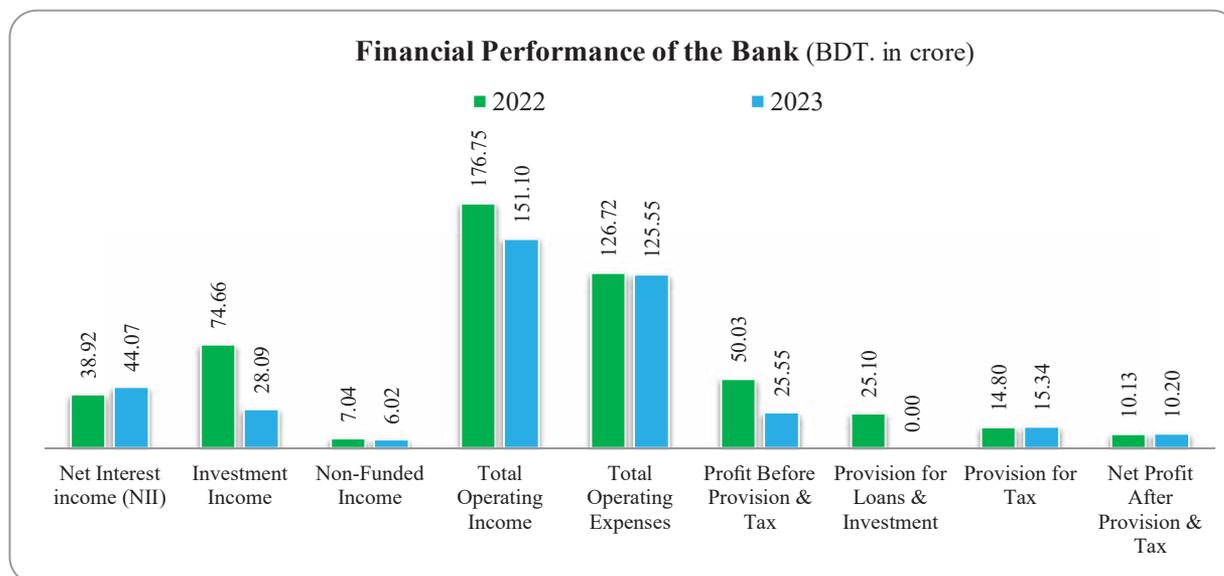
To cope with the international best practices and to raise quality capital, Bangladesh Bank issued Basel-III guidelines for all scheduled banks on "Risk Based Capital Adequacy (RBCA)" to report their capital requirement which came into effect from 2015.

As on December 31, 2023, the Bank's Capital to Risk Weighted Asset Ratio (CRAR) on solo basis stood at 22.56% (Core Capital 22.25% and Supplementary Capital 0.31%) as against mandatory requirement of 10% and with conservation buffer of 2.50% of total risk weighted assets, which indicates the Bank's strong capital base.

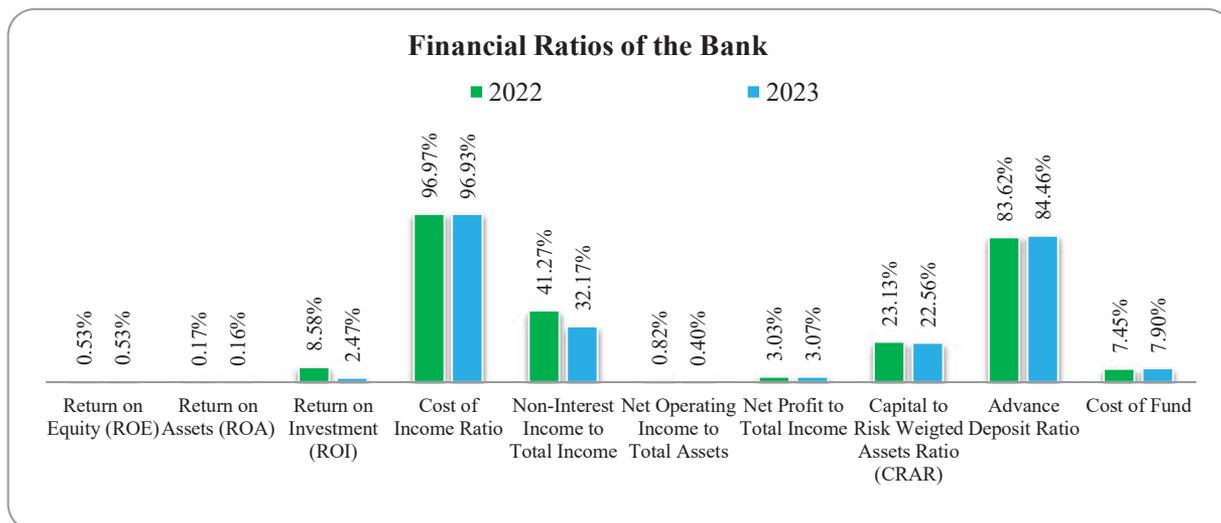


FINANCIAL PERFORMANCE OF THE BANK IN 2023:

The Bank successfully operated its business in an exceedingly challenging environment. Despite a significant downturn in capital gains, dividend income, and foreign exchange gains due to the stock market downtrend, imposition of floor-price technique and dollar crisis in foreign trade, the Bank achieved an operating profit of BDT. 25.55 crore in the past year.

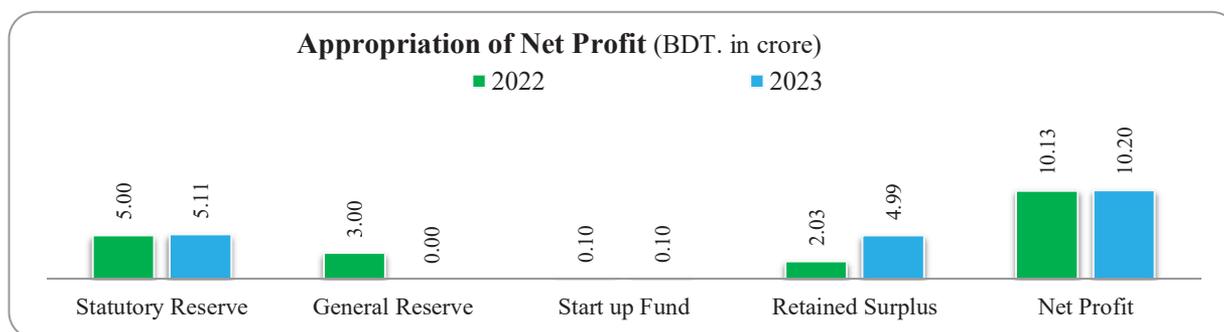


The profit before provisions and taxes saw a decrease of 48.93%, leading to negative changes in most recorded financial ratios. Net profit after provision and tax increased by 0.69% to BDT. 10.20 crore during 2023 over the previous year. Earnings per Share was BDT. 1.70 in 2023 and BDT. 1.69 in 2022.



APPROPRIATION OF PROFIT:

Net profit after provision and taxes for the year 2023 stood at BDT. 10.20 crore. Appropriation of Profit has been shown graphically:



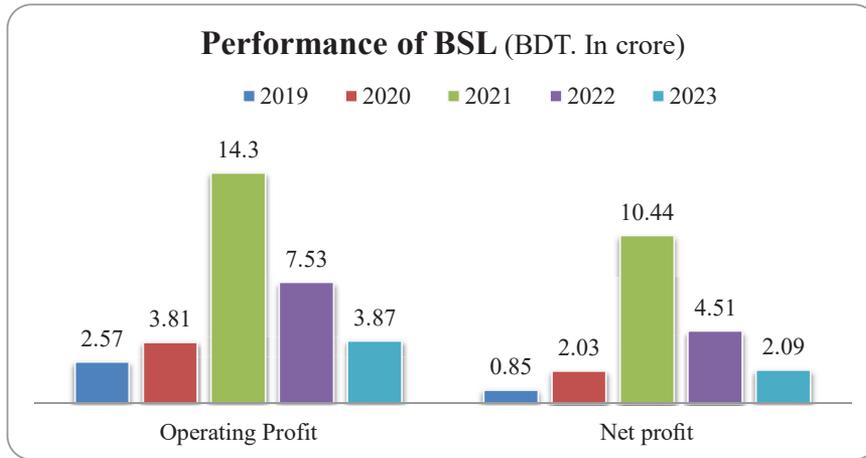
SUBSIDIARY ORGANIZATIONS:

Bangladesh Development Bank PLC. inherited membership of Dhaka Stock Exchange Limited and Chittagong Stock Exchange Limited at the time of amalgamation. In order to keep core banking activities, separate from capital market operation, the Bank created two subsidiary companies namely (i) BDBL Securities Limited (BSL) and (ii) BDBL Investment Services Limited (BISL).

BDBL Securities Limited (BSL), Dhaka:

BDBL Securities Limited (BSL) is a subsidiary of Bangladesh Development Bank PLC., located at 12 Karwan Bazar, Dhaka-1215. It was incorporated as a public company under the Companies Act, 1994, with registration number C-92946/11 on 23rd May 2011. It received the certificate to commence business on the same day. The company began its commercial operations on 1st March 2012. It was established by acquiring membership No. 20 of Dhaka Stock Exchange Ltd. (held by erstwhile Bangladesh Shilpa Rin Sangastha) and membership No. 78 of Chittagong Stock Exchange Ltd. (held by erstwhile Bangladesh Shilpa Bank). These memberships were later converted into Trading Right Entitlement Certificates TREC-20 for Dhaka Stock Exchange and TREC-78 for Chittagong Stock Exchange under the Demutualization Act-2013.

As of December 31, 2023, the company has an authorized capital of BDT. 400.00 crore and a paid-up capital of BDT. 50.00 crore. It maintains 8635 Beneficiary Owners' (BO) accounts.



Nature of Business

The main object of BDBL Securities Limited is to act as a TREC holder of stock exchanges, the central depository system (CDS) companies and to carry on the business of broker, jobbers or dealers in stocks, shares, securities, bonds, debentures etc. The Company is also authorized to buy, sell, hold or otherwise acquire or invest the capital of the Company in shares, stocks and fixed income securities of public companies.

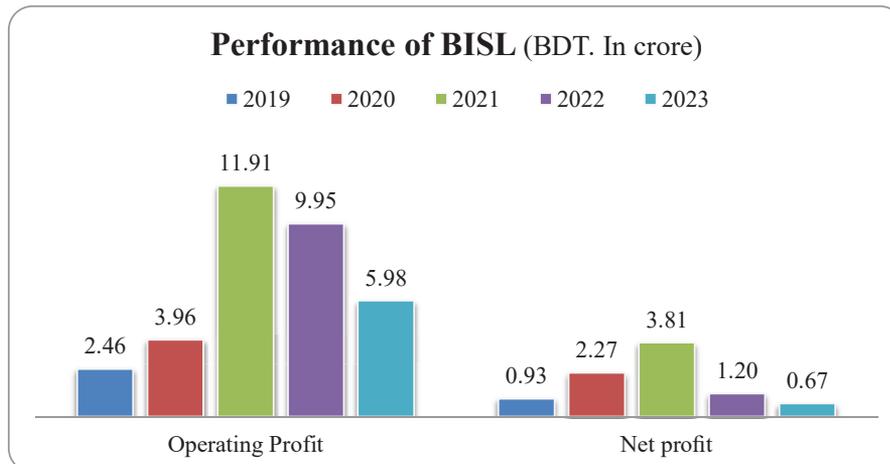
BSL Services:

- BO Account Opened in Fast & Easy Way
- Competitive Trading Commission
- Mobile Trading Through Android & IOS
- Daily Email & SMS Service
- Full Service DP
- One Stop Service
- IPO Facilities
- G-Sec Trading
- Margin loan Facilities
- BEFTN & NPSB Service
- Trading Facilities DSE & CSE
- Well Furnished Infrastructure

The company is committed to provide a high level of professional and personalized services to its client by maintaining strong moral and ethical practices and effective presence in the capital market.

BDBL Investment Services Limited (BISL):

BDBL Investment Services Limited (BISL) is a public company limited by shares and a fully owned subsidiary of Bangladesh Development Bank PLC. It was incorporated under the companies Act, 1994 on 06 August 2014 with a view to act as stock dealer and stock broker of Dhaka Stock Exchange Ltd (DSE). BISL is constituted by acquiring and taking over membership No. 152 of Dhaka Stock Exchange Ltd. held by erstwhile Bangladesh Shilpa Bank. The company started its operation on 13 July 2016 after completion of required formalities with DSE and BSEC. Its authorized capital is BDT. 50 crore and paid up capital is also BDT. 50 crore. BISL maintains 1670 Beneficiary Owners' (BO) accounts as on December 31, 2023.



BISL Services:

- BO Account Opening
- IPO Application
- Trading of Securities
- G-Sec Trading
- Margin Loan Facilities
- SMS Service
- Daily Emailing of Portfolio
- Internet Trading & Mobile Trading
- BEFTN Service
- One Stop Service

CONTRIBUTION TO THE NATIONAL EXCHEQUER:

The Bank consistently pays income taxes on its earnings in accordance with applicable laws and regulations. Furthermore, as part of its banking services, the Bank deducts income tax, value-added tax, and excise duty at source on behalf of the Government from various transactions and services as mandated by law. These amounts are subsequently deposited into the national exchequer.

CONTRIBUTION TO THE NATIONAL ECONOMY:

Bangladesh Development Bank PLC plays a pivotal role in fostering both urban and rural economies within the country. With a current network of 50 branches nationwide, the Bank extends vital banking services across various districts. It actively addresses unemployment by participating in employment generation initiatives. Since its establishment, the bank has been proactive in providing industrial and commercial loans, aiming to spur the country's industrial growth.

The Bank supports employment creation by financing diverse industrial ventures that produce goods and services domestically. In response to the economic challenges posed by the Covid-19 pandemic, the Government has introduced several financial incentive packages for borrowers. The Bank is actively contributing to this sector by disbursing loans totaling approximately BDT. 100.29 crore in 2023.

ANNUAL PERFORMANCE AGREEMENT (APA):

In 2015, the Financial Institution Division of the Ministry of Finance, Government of Bangladesh introduced the "Annual Performance Agreement (APA)" methodology to enhance the performance of state-owned commercial banks in line with the Government's Election Manifesto, Perspective Plan 2021-2041, and Eighth Five Year Plan 2021-2025.

Continuing this initiative, an "Annual Performance Agreement (APA)" was signed for the fiscal year 2023-24 between the Secretary of the Financial Institution Division and the Bank's Managing Director and CEO. In the previous fiscal year (2022-2023), the Bank achieved the 5th position in the APA rankings. Periodic evaluation reports assessing various targets and criteria were submitted to the Ministry of Finance as per their directives, covering quarterly, half-yearly, and annual periods.

SWOT ANALYSIS:

S = Strength	<ul style="list-style-type: none"> • 100% Government owned Commercial bank. • Strong capital base. • Capital surplus after maintaining required Capital Adequacy as per Basel-III. • Long experience regarding Industrial Development Financing. • Adequate provision against Non Performing Loans (NPLs).
W = Weakness	<ul style="list-style-type: none"> • Insufficient number of branches across the country. • Huge amount of Non Performing Loans (NPLs). • Shortage of manpower as per approved organogram.

O = Opportunity	<ul style="list-style-type: none"> • Low lending rate compared to private commercial banks. • Diversification of asset portfolios through introducing new products and services fulfilling customers' requirement. • Scope of expansion of branch banking network. • Scope of financing to large and reputed local corporate groups.
T = Threat	<ul style="list-style-type: none"> • Impact of conflict between Russia and Ukraine. • Global economic slowdown. • Strict capital requirement under Basel-III. • Increasing business risk. • Intense competition in the domestic market. • Sharp rise in the interest rate on deposit.

The Bank has identified the following challenges it expects to encounter and resolve in 2024:

- Significant reduction in interest income from loans and advances due to the impacts of the Russia-Ukraine war and COVID-19 fallout on businesses.
- Loans & Advances are expected to remain low, with Earning Assets not increasing as projected.
- Non-Interest Income is expected to decrease significantly.
- Reduction in fees, commissions, income from the capital market, and other sources, including rent, alongside increasing overall expenditures.
- Limited availability of low-cost deposits in the Bank's deposit mix.
- Inadequate branch presence across all districts and upazilas.
- Withdrawal of Government institutional funds and other deposits.
- High levels of classified loans (NPL) and declining recovery rates.
- Shortage of promising entrepreneurs and customers.
- Insufficient skilled and trained manpower.

FUTURE OUT LOOK FOR THE BANK IN 2024:

Given the macroeconomic and global economic conditions, ongoing liquidity challenges, prevailing market interest rates, and the monetary policy stance, the Bank plans to bolster its growth trajectory and enhance its brand image in 2024. This will primarily involve expanding business operations, with a special focus on SMEs, agro-based industries, green banking, trade finance, export-import activities, foreign remittance, and retail banking.

Aligned with the Bank's objectives, targeted growth has been set for deposits, loans, and advances, particularly emphasizing SME loans and green banking, as well as export-import operations and other strategic areas. To support this growth, the Bank will introduce several new products and services, with a particular emphasis on SMEs, retail banking, and export-import activities. It will also expand its branch network, upgrade its IT platform, and enhance its online banking systems to deliver high-quality and efficient services to customers. Strengthening human resources is also a priority to improve operational efficiency and overall productivity.

Besides, the Bank plans to implement the following initiatives:

- In order to bring modern smart services to the customers such as Bangla QR Code Based Payment System for Cashless Banking, IVAC (Indian Visa Fee Collection), BREB (Prepaid Bill Collection), Online Merchant Payment and SOC (Security Operational Centre) will be set up for cyber security monitoring and immediate remedial/preventive measures.

- To increase the amount of interest free and low interest-bearing deposits by mobilizing retail deposits, through various fairs/programs with a view to increase retail deposit to at least 35% of the total deposits.
- Targeting a reduction of Non-Performing Loans (NPL) to BDT 855.00 crore by the end of 2024, down from BDT 993.41 crore.
- Strengthen the due diligence practices and monitoring activities towards curbing increase of fresh Non-Performing Loans.
- Disburse BDT. 1424 crore loans during 2024 to various business segments.
- Increase digital banking activities.
- Decrease the number of loss incurring branches.
- Basis of Promotion and posting of employees will be on merit and performance.
- Improve corporate governance, strengthen internal control and compliance.
- Top Management & the Board will proactively participate in the loan recovery from the large defaulters.
- Towards recognizing good borrowers allowing rebate/incentive facilities to as per guidelines of the central bank; and
- Aligning repayment schedule of the projects with the nature of projects and ground realities.

In order to support sustainable long-term growth and profitability and for the benefit of all stakeholders, the Bank will continue to adhere to good corporate governance practices, sound risk management policies and prudent credit policies and practices. The Bank looks forward to greater success in enhancing Shareholders' value in 2024.

ACKNOWLEDGEMENT:

The Board of Directors of the Bank would like to place on record their gratitude to the depositors, customers, patrons, well-wishers, auditors & other stakeholders for their continued support and cooperation, without which the bank would not have been able to make progress.

The Board also places on record its appreciation for the senior management team, officers and staff for their dedicated and committed services.

In particular, the Board offers sincere thanks for the guidance and generous co-operation received from the Financial Institutions Division, Ministry of Finance, Government of the People's Republic of Bangladesh and Bangladesh Bank. Bangladesh Securities and Exchange Commission, Registrar of Joint Stock Companies and Firms, Dhaka Stock Exchange Limited and Chittagong Stock Exchange Limited deserve our gratitude for their valuable support, co-operation and assistance for enabling the bank to undertake new measures and initiatives since its inception.

The Board also expresses its appreciation to UHY Syful Shamsul Alam & Co. and Basu Banerjee Nath & Co. the Auditors of the Bank, for completion of the audit in time.

Finally, the Board thanks the representatives of shareholder i.e. Government of Bangladesh and assure them of its commitment to add value to the shareholders' wealth and to develop the bank as a service-oriented and environment-friendly modern, dynamic and forward-looking financial institution in future.

On behalf of the Board of Directors,



Shamima Nargis
Chairman, Bangladesh Development Bank PLC.

Report on Credit Rating

In compliance with the circular of Bangladesh Bank, Bangladesh Development Bank PLC. appointed Credit Rating Agency of Bangladesh (CRAB) to evaluate the Credit Rating of the bank.

The Credit Rating of the Bank for the year 2024-2025 is as follows:-

Credit Rating awarded by Credit Rating Agency of Bangladesh (CRAB)

Date of declaration	Valid till	Rating mode	Long Term Rating	Short Term Rating	Outlook
25 June, 2024	30 June, 2025	With Government Support	AAA	ST-1	Stable
		Without Government Support	A ₃	ST-3	Stable

Rating	Meaning
AAA	Indicates Extremely Strong Capacity
A ₃	Indicates Strong Capacity
ST-1	Indicates Highest Capacity
ST-3	Indicates Average Capacity
Stable	Means Rating is likely to remain unchanged

The above rating has been declared by Credit Rating Agency of Bangladesh (CRAB) on the basis of bank's Audited Financial Statements of 2023 as well as the following quantitative and qualitative factors :-

A. Quantitative Factors:	B. Qualitative Factors:
i) Capital Adequacy	i) Govt. Support
ii) Assets Quality	ii) Ownership
iii) Funding & Leverage	iii) Management Quality
iv) Liquidity & Requirements	iv) Risk Management
v) Earning and Profitability	v) MIS & IT
vi) Sector wise Loan and Advance & Top-50 Loan Exposure	vi) Corporate Governance
vii) Investment	vii) Area and Size of Market
viii) Interest Rate Risk	
ix) Foreign Exchange Risk	
x) Off Balance Sheet Exposure	



Report of the Audit Committee

The Audit Committee of Bangladesh Development Bank PLC was established in accordance with specific guidelines, including the Bank Companies Act, Bangladesh Bank's guidelines, notifications from the Bangladesh Securities & Exchange Commission (BSEC), and international best practices of corporate governance. Formed by the Board of Directors, the Audit Committee aims to ensure the bank's objectives are met, operations are efficient, and all applicable laws, regulations, and internal policies are followed. Achieving these goals will make the bank a unique, strong, and dependable institution for all stakeholders, particularly shareholders, depositors, and society at large.

Objectives of the Audit Committee

- Review the financial reporting process, the system of internal control and compliance approach to manage risks, the audit process, findings of the Central Bank's comprehensive audit, and the Bank's processes for monitoring compliance with laws and regulations and its own code of business conduct.
- Assist the Board in fulfilling its oversight responsibilities, including the implementation of the objectives, strategies, policies, and overall business plans set by the Board for the effective functioning of the bank.

Role and Responsibilities of the Audit Committee

The roles and responsibilities of the Audit Committee of the bank have been outlined based on BRPD Circular No. 11 dated October 27, 2013, corporate governance notification issued by BSEC on August 7, 2012, and other best practice corporate governance guidelines and standards. The important roles and responsibilities of the Audit Committee are described below:

- i) Review the Internal Control System of the bank to ensure that a sufficient Risk Management System is in place to manage the core risks of the bank.
- ii) Consider reports related to fraud, forgery, deficiencies in internal control, or other similar issues detected by internal and external auditors and inspectors of the regulatory authority, and place them before the Board after reviewing whether necessary corrective measures have been taken by the management.
- iii) Review the Internal Audit Procedure.
- iv) Review the efficiency and effectiveness of the Internal Control System.
- v) Consider the recommendations made by the internal and external auditors.
- vi) Ensure fair presentation of financial statements in compliance with the Bangladesh Accounting Standards and Bangladesh Financial Reporting Standards.
- vii) Review compliance with the applicable rules and regulations of Bangladesh Bank, BSEC, the Bank Companies Act of 1991 (amended in 2023), and the Companies Act of 1994.
- viii) Report immediately to the Board of Directors on conflicts of interest.

Composition of the Committee

The Audit Committee was reconstituted by the Board of Directors of the bank with the following members:-

SL. No.	Name	Status with the Bank	Status with the Committee
1.	Mr. Md. Ekhlashur Rahman	Director	Chairman
2.	Mr. Md. Abu Hanif Khan	Director	Member
3.	Mr. Subhash Chandra Sarker	Director	Member
4.	Mr. Quazi Shairul Hassan	Director	Member

Meetings of the Audit Committee

In 2023, the Audit Committee held eight (8) meetings.

Activities during the year

The Audit Committee carried out the following activities during 2023:

- Reviewed the comprehensive inspection report of Bangladesh Bank, evaluated the compliance status, and advised the bank management to take necessary action as required.
- Reviewed the performance of internal audit, 2022.
- Reviewed audited accounts and the report of 2022, and recommended the audited report to the Board.
- Reviewed the inspection reports of different branches conducted by the Audit & Inspection Department of the bank, and advised management to rectify the irregularities detected by the inspection team without delay.
- Reviewed the cost of funds of the bank.
- Reviewed the compliance status of audit objections and advised management to ensure full compliance with regulatory and legal issues meticulously.
- Reviewed the annual financial statements of the bank with the appointment of external auditors prior to submission to the Board for approval.
- Reviewed the Internal Audit Procedure and the Internal Audit Program for 2023.
- Reviewed and approved the action plan for turning loss-incurring branches into profitable branches.
- Reviewed the revised annual budget of 2022, including the estimated budget of 2023, and recommended measures to achieve targets for deposits, loan disbursement, and recovery of classified loans.
- Reviewed the quarterly, half-yearly, and interim financial statements of the bank before recommending them to the Board for review.
- Reviewed the operational performance of the bank periodically and recommended remedies for performance improvement.
- Reviewed the overall IT system of the bank.

Acknowledgement

In conclusion, I would like to extend my sincere thanks to all members of the Audit Committee for allotting their valuable time and providing continuous support to carry out the tasks of the Audit Committee. I also express my profound gratitude to the members of the Board for allowing the Committee to discharge its due role independently.

I extend my thanks and gratitude to the management, auditors, regulatory authorities, particularly Bangladesh Bank and the Financial Institutions Division of the Ministry of Finance, for their cordial cooperation in performing our duties.

For and on behalf of Audit Committee



Md. Ekhlashur Rahman
Chairman
Audit Committee

Report of the Risk Management Committee

Risk is an integral part of banking business activities. The core risks for banking business are Credit risk, Asset-Liability Management Risk, Foreign Exchange risk, Money Laundering and Terrorist Financing Risk, Internal Control & Compliance risk, ICT Security Risk and Environmental and Social Risk. Therefore, risk management is an essential part of planning for business especially for banking business where liquid assets are involved.

The main objectives of the Risk Management Committee (RMC) are to set a comprehensive risk management policy and process for the Bank and to ensure a continuous sound banking practices through identifying, assessing, prioritizing and managing different types of risks. Risk management is also designed to protect all stakeholders of the bank from negative impacts of lurking potential risks.

Composition of Risk Management Committee (RMC)

In compliance with the Bank Company Act 1991 (Amended 2023) and BRPD Circular No. 11 dated 27 October 2013, the Board of Directors of Bangladesh Development Bank PLC constituted the Risk Management Committee with the following honorable members as of 25 May 2023:

SL. No.	Name	Status with the Bank	Status with the Committee
1.	Shamima Nargis	Chairman	Chairman
2.	Mr. Md. Abu Hanif Khan	Director	Member
3.	Mr. Quazi Shairul Hassan	Director	Member
4.	Mr. Md. Azizur Rahman	Director	Member
5.	Mr. K. M. Tariqul Islam	Director	Member

Responsibilities and functions of RMC

The Risk Management Committee performs the following important responsibilities and functions:

- Reviewing risk management policies and strategies for sound risk management;
- Monitoring implementation of risk management policies & process to ensure effective prevention and control measures;
- Supervising the activities of Executive Risk Management Committee (ERMC);
- Monitoring compliance of BB instructions regarding implementation of core risk management;
- Reviewing risk appetite, limits and recommending these to Board of Directors for their review and approval;
- Approving adequate record keeping & reporting system and ensuring its proper use;
- Analyzing all existing and probable risk issues in the meeting, taking appropriate decisions for risk mitigation, incorporating the same in the meeting minutes and ensuring follow up of the decisions for proper implementation;
- Reviewing instructions issued from time to time by the regulatory body;
- Submitting proposal, suggestions & summary of RMC meetings to board of directors at least on quarterly basis; and
- Assessing overall effectiveness of risk management functions on yearly basis.

Meeting of the Risk Management Committee (RMC) in 2023

The RMC of the bank held 02 (two) meetings during 2023, having detailed discussions and review sessions with the Chief Risk Officer (CRO) regarding their findings, observations, and recommendations on issues of the bank's affairs that need improvement. The major areas covered by the RMC were as follows:

- Review of various risk-related business activities with a view to taking corrective measures for the improvement of Core Risk Management Manuals and the Comprehensive Risk Management Manual;
- Review of various circulars of Bangladesh Bank relating to risk management;
- Review of the activities of ERMC with a view to making the committee more dynamic;
- Review of risk management reports and statements of the bank;
- Review of the management of Non-Performing Loans (NPLs) of the bank and thereafter initiating action plans to reduce classified loans;
- Review of litigation measures against written-off and defaulted projects to expedite the overall recovery of the bank;
- Review of the Top 20 defaulters and Top 20 borrowers;
- Review of credit concentration and market concentration from different points of view to identify potential risks and suggest preventive and remedial measures;
- Review and approval of the Internal Capital Adequacy Assessment Process (ICAAP) report in relation to the overall risk profile of the bank to increase shock resilience;
- Evaluation of the “Review Report of Risk Management Policies and Effectiveness of Risk Management Functions” in order to assess the Risk Management Policies and Effectiveness of Risk Management Functions of the bank;
- Review of the “Risk Appetite Statement (RAS)” to set Risk Appetite, Risk Tolerance, and Risk Limit for the current year's target in line with strategic planning; and
- Review of the liquidity position of the bank on a regular basis.

The RMC will need to maintain vigilant and watchful monitoring in the coming months to anticipate and manage potential risks before they become a threat to the effective running of the bank. It appears that the Bank's Internal Control and Compliance Division needs a thorough overhaul, including structural, operational, and human resources, to ensure that the bank remains risk-free in its main areas of operations. In the future, another critical area for the RMC will be monitoring the bank's investment of its surplus funds.

In conclusion, I would like to express my heartfelt thanks to the members of the RMC for their valuable contribution and guidance. I am also thankful to the executives and officers of the Risk Management Department for their efforts in carrying forward the function of risk management. I take this opportunity to extend my sincere thanks to the Board of Directors of the bank for encouraging the RMC to perform its responsibilities according to the directions set by the Central Bank as well as the Board of Directors of the bank.

On behalf of the Board Risk Management Committee



(Shamima Nargis)

Chairman

Board Risk Management Committee

Report on Risk Management



Our effort is to build up a strong shield against risk throughout the bank. Our aim is to minimize risk by developing an early alert system and avoiding internal and external vulnerabilities. Risk management of the bank strives for keeping everything safe and secure. We believe our wealth maximization goal founded on a sound risk culture and a strong capital base.

Report on Risk Management

Risk Management has become one of the most sensitive and crucial factors in the banking business all over the world. Risks in banking are getting diversified more rapidly than it can be imagined. Banks are obliged to establish a comprehensive and reliable risk management system, integrated in all business activities and providing for the bank risk profile to be always in line with the established risk propensity.

To mitigate those risk factors, appropriate steps are being taken under the supervision of the top management of the bank continuously. The overall focus of Risk Management of the Bank in 2023 was on maintaining the risk profile in line with its strategy, strengthening its capital base and supporting the strategic goals.

RISK MANAGEMENT PROCESS

The process of assessing or measuring the actual or potential dangers of a particular situation can be defined as Risk Management. This process provides a foundation and organizational arrangement to design, implement, monitor, review and continually improve risk management throughout the bank. To ensure proper management of future events, an organization may use risk assumption, risk avoidance, risk retention, risk transfer, or any other strategy.



Diagram: Risk Management Process of the Bank

RISK CULTURE

Risk culture is the norms and traditions of behavior of all level of employees within the Bank that determine the way in which they identify, understand, manage the risks considering risk tolerance and appetite. A sound risk culture encourages effective risk management, promotes sound risk-taking and ensures that risk-taking activities beyond the Bank’s risk appetite are recognized, assessed, reported and addressed in a timely manner. Weaknesses in risk culture are often the root cause for occurrence of significant risk events, financial institution failures, and financial crisis.

To develop a sound and consistent risk culture, employees at all levels of the bank must follow the latest risk management Manual of the bank and be trained regarding their responsibilities for risk. Business and operational units of the bank have the primary responsibility for managing risk on day-to-day basis, considering risk tolerance and risk appetite, and in line with Bank’s risk guidelines and procedures.

RISK STRATEGY AND RISK APPETITE

Since the total business of Bank involves risk taking, the bank has set the risk appetite and risk limit in major indicators as per instruction of BB. Risk appetite is the level of risk that the Bank is prepared to accept while risk tolerance relates to the actual limits that the Bank has set. Risk appetite statement plays an important role in passing the risk strategy down through the institution.

The bank has strategy to achieve long term and short-term goals and objectives. Along with business goals, bank needs to have risk goals and risk strategies which enable them to achieve the desired risk profile. The board of directors sets the strategies and the senior management is responsible for implementing those strategies and communicating them throughout the organization.

RISK GOVERNANCE

Risk governance refers to the structure, rules, processes, and mechanisms by which decisions about risks are taken and implemented. It covers the questions about what risk management responsibilities lay at what levels and the ways the board influences risk-related decisions; and the role, structure, and staffing of risk organization. The board has regular involvement in managing key risk issues, and risk management responsibilities are proportionate to the risks assumed at a particular level or unit. The Bank follows the three-lines-of-defense-model in risk governance throughout the organization.

First Line of Defense: Business and operation units of the bank are responsible for identifying, assessing, measuring, monitoring, mitigating, and reporting the risks properly.

Second Line of Defense: Implemented by Compliance Department and Monitoring Department that ensures effective and efficient operations.

Third Line of Defense: Consists of the bank's internal audit that performs independent periodic reviews of the first two lines of defense, provides assurance and informs strengths and potential weaknesses of the two first lines.

RISK MANAGEMENT FRAMEWORK

The primary goals of risk management are to ensure that the outcomes of risk-taking activities are consistent with the bank's strategies and risk appetite, and that there is an appropriate balance between risk and reward in order to maximize return. The bank's risk management framework provides the foundation for achieving these goals. This framework is subject to constant evaluation to ensure that it meets the challenges and requirements of the market in which the bank operates, including regulatory standards and industry best practices. Risk Management organogram of the bank is as follows:

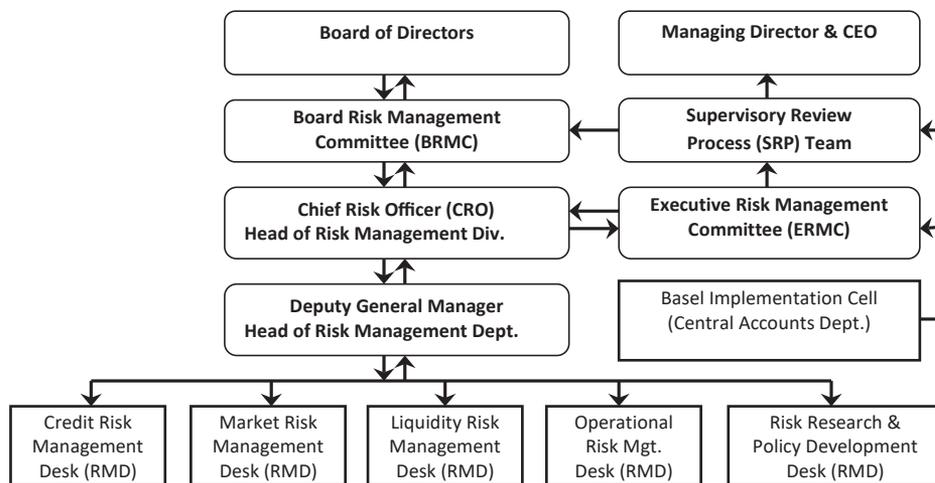


Diagram: Risk Management Framework

- Board of Directors (BoD) ➤ Approve policies and procedures of Risk Management .
- Board Risk Management Committee (BRMC) ➤ Reviews risk management policies and risk related activities of the bank.
- Supervisory Review Process (SRP) Team ➤ Assesses overall capital adequacy in relation to the risk profile of the Bank, implements strategy for maintaining capital at an adequate level through monitoring and reporting.
- Executive Risk Management Committee (ERMC) ➤ Monitors and reviews adequacy & efficacy of control systems by organizing monthly meeting on various risk issues to determine strategies in consistent with risk management policy.
- Core Risk Management Committees ➤ Core Risk Management Committees are playing their due role in addressing, assessing, monitoring, reporting, mitigating and controlling various risks at different levels in order to strengthen risk management culture.

The Bank has established a separate Risk Management Department as per the guidelines of Bangladesh Bank. The department is fully guided by bank's Chief Risk Officer (CRO) with the responsibilities to upgrade, develop and implement the policies and guidelines of Bangladesh Bank for addressing the core risks of the bank.

Management of Credit, Market, Liquidity and Other Risks

In managing credit, market, liquidity and operational risks, the bank has prepared core risk management manuals/policies on Credit, Foreign Exchange, Asset-Liability, Internal Control & Compliance, ICT security, Prevention of money laundering & terrorist financing and Environmental & Social risk management as per instructions/guidelines given by BB.

The bank has developed different tools and models for measuring credit, market and liquidity risks. For example: GINI Coefficient, Herfindahl–Hirschman Index (HHI) for measuring concentration risk, Credit Risk Modeling for measuring Expected Loss, Interest rate sensitivity and duration analysis for interest rate risk, Stress testing for credit, market and liquidity risk, structural liquidity profile for liquidity risk etc. guided by BB.

Core Risk Management is vital for continuous and harmonious improvement of the bank. The bank is managing 07 (seven) core risks aiming to minimize the risks existing in banking business. Core Risks are as follows:

1. Credit Risk
2. Asset Liability Management Risk
3. Foreign Exchange Risk
4. Money Laundering and Terrorist Financing Risk
5. Internal Control and Compliance Risk
6. Information & Communication Technology Security Risk
7. Environmental Risk Management and Green Banking

1. Credit Risk Management:

Credit risk is one of the major risks faced by the bank. This can be described as potential loss arising from contractual failure of the borrower with the bank. The failure may result from unwillingness or inability of the counter party in discharging financial obligation. Therefore, bank's Credit risk management activities have been designed to address all these issues. The bank reviews Credit Risk Management Manual as per updated Credit Policy-2022 (Board approved) and the updated Credit Risk Management Guideline of the Bangladesh Bank.

CRM Activities of the bank:

To manage the overall Credit Risk of the bank, the following principles are maintained:

- Client due diligence, which is aligned with our country and industry portfolio strategies also emphasize on the size & type, purpose, structure (term, conditions, repayment schedule & interest rate) and securities of the loan proposed.
- Prevent undue concentration and large unexpected losses by ensuring a diversified and marketable credit portfolio.
- Assess and manage client, industry and product-specific concentrations actively against the bank's risk appetite.
- Initiate and review the assessment process periodically at Branch/Head Office level which is placed before Executive Committee (EC) of Board for approval. The process includes borrower analysis, industrial analysis, repayment sources analysis, mitigating factors etc.
- Strictly follow the conditions and instructions of the Bangladesh Bank and the bank's Credit Policy to set up single borrower exposure or large loan limit.

Credit risk in the bank's Portfolio is monitored, reviewed and analyzed by the Loan Operation Department, SME Department and General Advances Department. Credit Risk Management Committee of the bank independently coordinates the overall Credit Risk Management activities of the bank. Internal Credit Risk



Rating System (ICRRS) is followed by the bank as per Bangladesh Bank's instruction following all the criteria. The bank also follows Bangladesh Bank guidelines regarding CIB reporting, Credit Rating Status Report, Loan Classification & provisioning, bad debts written-off and interest suspense.

2. Asset and Liability Risk Management

The bank has an “Asset Liability Committee (ALCO)” comprising of eleven (11) members headed by Managing Director. The Committee monitors and controls balance sheet risk, liquidity risks, advance deposit ratio (ADR), deposit mix, credit mix, gap analysis etc. under the leadership of Managing Director & CEO of the bank. ALCO reviews liquidity requirement of the bank, the maturity of assets and liabilities, deposit and credit pricing strategy, sensitivity of assets and liabilities, management indicators/ratios and the liquidity contingency plan. The bank is always maintaining optimum liquidity with required regulatory compliance. The bank has its own Board approved Asset Liability Management Manual & Checklist as per Bangladesh Bank updated ALM Guideline.

Asset Liability Committee of the bank regularly reviews risk exposures in the following manner:

- It analyses and advises for both the opportunities and threats to its liquidity and balance sheet position as well as positions of maturing assets and liquidity contingency plan.
- It oversees the liquidity management of treasury by-
 1. Setting tolerance for cumulative cash flow mismatches (maximum cumulative outflow limit 17% of balance sheet assets);
 2. Setting limit on loan to deposit ratio (87% maximum); and
 3. Setting limit on dependence on institutional deposits that are volatile in nature.
- ALCO also monitors the rate sensitive assets and liabilities of the bank.

ALCO paper is the main support for ALCO meeting in taking decision. This paper is prepared by the Treasury Department of the bank. The paper contains all the information regarding liquidity based on historical requirements, current liquidity position, current interest sensitive assets-liabilities position, anticipated future funding requirement, sources of fund and options for reducing funding needs, present and anticipated asset quality, present and future earning capacity along with capital position. Thus, all the decisions made by ALCO are based on practical scenario.

3 Foreign Exchange Risk Management

Foreign Exchange Risk is defined as the possibility of losses due to change in exchange rates according to market forces. The Foreign Exchange Risk of the bank is minimal as all the transactions are carried out on behalf of the customers against underlying Foreign Exchange transactions. Treasury Section independently conducts the transactions and the Back Office of Treasury is responsible for verification of the deals and passing of their entries in the books of account. All foreign exchange transactions are revalued at Mark-to-Market rate as determined by the Bangladesh Bank at the month-end. All Nostro accounts are reconciled on monthly basis and outstanding entries beyond 30 days are reviewed by the Management for settlement.

On the basis of Bangladesh Bank's Foreign Exchange Risk Management Policy and Guideline, Foreign Exchange Risk Management Manual has been updated with the approval of Board of Directors. The Foreign Exchange Risk Management Manual and Foreign Exchange Risk Management Committee of the bank plays vital role in assessing, measuring and mitigating foreign exchange risks.

4. Money Laundering and Terrorist Financing Risk Management

Money laundering risk is defined as the loss of reputation and expenses incurred as penalty for being negligent in prevention of money laundering. For mitigating the risk, the bank has designated Chief Compliance Officer and Deputy Compliance Officer at Head Office and Compliance Officer at branches,

who independently review the transactions of the accounts to verify suspicious transactions. Risk Management Guideline & Manual for Prevention of Money Laundering and Terrorist Financing has been prepared and uniform Know Your Customer (KYC) and Transaction Profile (TP) have been introduced. Moreover, Executives and Officers are being provided in-house, BIBM and Bangladesh Bank training sessions/workshops for developing awareness and skill for identifying suspicious transactions and other Money Laundering related activities.

The bank has a Central Compliance Committee (CCC) headed by the Chief Anti Money Laundering Compliance Officer (CAMLCO) designated as Deputy Managing Director to supervise the overall Anti Money Laundering (AML) and Combating Financing of Terrorism (CFT) activities. Besides, Deputy Anti Money Laundering Compliance Officer (Deputy CAMLCO) designated as Deputy General Manager of Branch Management Department also plays vital role to combat Money Laundering Risk under the supervision of Chief Anti Money Laundering Compliance Officer. Moreover, each branch of the bank has Branch Anti Money Laundering Compliance Officer (BAMLCO) who is responsible for compliance of Bangladesh Bank instructions relating to AML/CFT activities in the branch. Risk is identified by the Branch through analyzing the KYC (Know Your Customer), TP (Transaction Profile) and Suspicious Transaction Report (STR) indicator. CTR (Cash Transaction Report) is sent to the Head Office on monthly basis for cash transaction of 10 (ten) lac and above of an account in a day. All these reports are sent to Bangladesh Bank through special software, goAML. If any suspicious transaction happens as per Bangladesh Bank's instruction STR is reported to convey the message to regulatory body.

5. Internal Control and Compliance Risk Management

Operational loss may arise from errors and fraud due to regulatory failure of Internal Control and Compliance. Internal Control and Compliance Division undertakes periodical and special audit of the branches and Departments at Head Office for review of the operation and compliance of the statutory requirement. The Audit Committee of the Board regularly reviews the report of the Internal Control and Compliance Division. Besides, Internal Control & Compliance Risk Management Manual of the bank plays crucial role in addressing, assessing, monitoring, mitigating and controlling the risks associated with Internal Control and Compliance (ICC).

Internal Control and Compliance (ICC) Division comprises with the three Departments mention below, to manage and monitor the cross divisional and cross regional operational risk as well as risk concentrations at branch level.

Audit & Inspection Department:

The department carries out general & specialized audit on all units of the Bank in order to identify, assess and measure the level of risks (High, Medium and Low).

Compliance Department:

The department monitors compliance activities of all branch, Office and sub-divisions under internal and external audit (Bangladesh Bank Audit/Inspection, Commercial Audit, External Audit /statutory audit and other regulatory authorities).

Monitoring Department:

- i) Verifies the internal control system & operational activities by implementing of Departmental Control Function Checklist (DCFCL), Quarterly Operations Report (QOR), Loan Documentation Checklist (LDCL) at Branch level;
- ii) Ensures timely and effective audit including ICT Audit by Internal Control Team;
- iii) Assists Audit & Inspection Department in Risk Based Internal Audit by assessing department wise risk (Off sight Analysis) with grading of all branches;
- iv) Prepares and submits Self-Assessment of Anti-Fraud Internal Controls report and Bank's Health report to Bangladesh Bank.

6. ICT Security Risk Management

Information Technology has improved over the years and the bank is gradually becoming dependent on its use for performing most of the activities. Information & Communication Technology (ICT) encompasses all fields of data/information processing, transmission and communications by means of computers and telecommunication techniques.

For smooth operation of the bank's activities with desirable efficiency, a network-based computerized system is established in the bank. A reliable computer-based information system is essential for efficient management and operation of all the areas of the organization and the bank is moving towards that direction. The bank follows the guidelines of the Bangladesh Bank as well as its own "ICT Security Risk Management Policy" to govern and control the ICT areas, covering the functions of all the departments in the head office, the zonal offices and the branches located in different districts of Bangladesh. These policies are strictly followed at each level in the bank.

Risk management is an important business discipline that an organization should embrace to minimize the effects of risks on its returns and capitals. Bank has introduced the following departments and units to manage all the IT activities in sound, compliant and standard manner.

IT Operation Department: The department is assigned to develop IT infrastructure for sound implantation of digital services. The department has built standard and compliant Data Centre (DC). Also, a near Disaster Recovery Site (DRS) has been established. Far DRS is being planned to set up in Hi-tech Software Park in Jashore in collaboration with other government banks and financial institutions.

IT System Department: The department is responsible for deployment and secure operation of different software including Core Banking Solution (CBS). The department is also engaged in introducing new software to meet the updated demand of the customers. The department plays vital role in monitoring bank's assets and liabilities through analysis of database. At present money laundering related issues are completely identified and observed by the help of this department.

IT Security Unit: The unit has been launched to ensure data security more effective. The unit is maintaining sufficient physical as well as logical access control systems to protect the bank's IT assets and client interest usefully. The sensitive information is kept in the restricted area in the networking environment. Besides, the unit is ensuring execution of different relevant Policies & Plans of IT Operation, IT Security, IT Risk Management, IT Fraud Control and IT Audit for the bank as per the requirement of regulatory body.

Card Management Unit: The unit under IT System Department is ensuring sound implementation and maintenance of 24x7 uninterrupted debit card service. Collecting applications, verification of applications, card production, PIN issuing and card distribution to customers, renewal of expired cards, Card PIN changing, card activation/deactivation, blocking, account settlement, dispute settlement and account reconciliation, maintenance of software platforms to run the services 24x7, providing service on emergency situations/events to stakeholders are the major responsibilities of the unit.

Alternative Payment Management Unit: The unit under IT System Department is ensuring monitoring/maintenance of Mobile App, Merchant Payment and Internet Banking services with assistance of vendors that ensures uninterrupted services. Troubleshooting issues of customer and provide assistance, preparing and updating user manual for internet banking and mobile apps, settlement/reconciliation of Mobile apps and internet banking related transaction, maintaining Play Store and App Store Account to upload update version of mobile apps, notifying customers about different update news information through SMS and App notifications, collecting commission for Mobile Financial Services (MFS) transaction, Maintaining constant communication with the Digital Help Desk Officers at each bank branch to address any problems pertaining to the bank's digital services are the major responsibilities of the unit.

Above all, for oversight of ICT Security Risk in bank, there is an ICT Security Committee which plays a vital role in identifying, assessing and mitigating ICT Security Risks.

7. Environmental and Social Risk Management

Environmental risk is a facilitating element of credit risk arising from environmental issues. These increase risks as they bring an element of uncertainty or possibility of loss in the context of a financing transaction.

To address the environmental and social risks the bank has a BoD approved Environmental and Social Risk Management Policy. The main objective of the policy is to contribute to establish an environment friendly banking business system which may be achieved through proper utilization of human & physical resources and encouraging channeling of fund to projects/businesses those expose no or very little risk to the environment/climate. Besides, Sustainable Finance Committee is working to mitigate risks arising from business operation.

Arrangement of Annual Risk Conference in the bank

In order to strengthen the effectiveness of risk management function across the organization, the Bank arranges Annual Risk Conference on 23 September 2023. Mr. Md. Habibur Rahman Ghazi, Managing Director and CEO presided over the day-long conference. The Deputy Managing Director, Chief Risk Officer, Chief Financial Officer and all General Managers, Zonal Managers and concerned department heads were present in the conference. Besides, branch managers, second officers and reporting officers at the branch level were connected to the Zoom platform.

Risk Management Report

As per the instruction of Bangladesh Bank, the bank prepares and submits ‘Monthly Risk Management Report’ and ‘Half-Yearly Comprehensive Risk Management Report (CRMR)’ to Bangladesh Bank. The reports are prepared by the Risk Management Department and reviewed by the Executive Risk Management Committee (ERMC) and the Board Risk Management Committee (BRMC) of the bank. Here it is to be noted that, Comprehensive Risk Management Report (CRMR) covers the core risk issues of the bank.

Risk management Department also prepares "Credit Risk Assessment & Resolution Report" focusing Top 20 borrowers of the bank. The report is prepared on quarterly basis and reviewed by Managing Director & CEO and BoD of the bank. The department also reports "Interest Rate Risk in Banking Book (IRRBB)" to Bangladesh Bank on half yearly basis.

Besides, the department prepares "Risk Appetite Statement" on yearly basis and Stress Testing Report on quarterly basis. Stress Testing is a series of tests to quantify the impact of changes in a number of risk factors on the assets and liabilities using a set of exceptional but reasonable events in abnormal market condition. Different shocks in stress testing are: Minor shock, Moderate shock and Major shock and Risk Factors are: Credit Risk, Interest Rate Risk, Exchange Rate Risk, Equity Price Risk and Liquidity Risk.

Risk management Department also prepares "Recovery Plan for bank" and "Internal Capital Adequacy Assessment Process (ICAAP)" reports on yearly basis and submits all these reports to Bangladesh Bank in due time. The (ICAAP) report is reviewed by Supervisory Review process (SRP) Team, Board Risk Management Committee and Board of Directors.

In order to assess, monitor and mitigate core risks, RMD prepared the following reports in 2023 and submitted to Bangladesh Bank as per approval of competent authority of the bank:

Sr. No.	Name of Reports	Types of Report	Number of report	Reviewed by
1.	Monthly Risk Management Report (Except June & Dec.)	Monthly	10	Executive Risk Management Committee, and Managing Director & CEO
2.	Stress Testing Report	Quarterly	4	Managing Director & CEO and Chairman of Board of Directors.
3.	Credit Risk Assessment & Resolution Report	Quarterly	4	Board of Directors.
4.	Comprehensive Risk Management Report (Only June & Dec.)	Half Yearly	2	Executive Risk Management Committee & Board Risk Management Committee.
5.	Interest Rate Risk in Banking Book (IRRBB)	Half Yearly	2	Managing Director & CEO
6.	Recovery Plan for banks	Yearly	1	Board of Directors.
7.	Risk Appetite (Risk Appetite, Risk tolerance, Risk Limit)	Yearly	1	Executive Risk Management Committee, Board Risk Management Committee and Board of Directors.
8.	Review report of Risk Management Policies and effectiveness of risk management functions.	Yearly	1	Executive Risk Management Committee, Board Risk Management Committee and Board of Directors.
9.	ICAAP Report and Supplementary Documents.	Yearly	1	Supervisory Review process Team, Board Risk Management Committee and Board of Directors.

CAPITAL MANAGEMENT

Capital management in the bank usually refers to implementing measures aimed at maintaining adequate capital, assessing internal capital adequacy of the bank and calculating its capital adequacy ratio. Risk management is increasingly becoming difficult to separate from capital management. Most banking risks can be quantified as numerical indicators, and this quantification naturally leads to the principle that increased capital can be held to cover unexpected losses at a certain confidence level. The followings indicate the relationship between risk management and capital requirement:

- a) Capital management helps to ensure that the bank has sufficient capital to cover the risks associated with its activities;
- b) As part of the internal capital adequacy assessment process (ICAAP), management identifies the risks that the bank is exposed to, and determines the means by which these will be mitigated;
- c) Capital is used to cover some of these risks, and the remainder of these risks is mitigated by means of collateral or other credit enhancements, contingency planning, additional reserves and valuation allowances, and other mechanisms.

Basel-III Implementation

The Basel Accord is the cornerstone of international risk-based banking regulation and banking supervision. The Basel Framework is a banking risk and capital management framework dealing with three distinct areas commonly known as pillars where-

Pillar-1: Minimum Capital Requirement (MCR)

Pillar-2: Supervisory Review Process (SRP)

Pillar-3: Market Discipline through disclosure of material information

Basel-III is an extended version of Basel-II. In fact, it is a part of continuous effort made by the Basel Committee on Banking Supervision (BCBS) to enhance the Banking regulatory framework by improving the regulation, supervision and risk management within the Banking sector. Basel-III also contains entirely new liquidity requirements: the Net Stable Funding Ratio (NSFR) and the Liquidity Coverage Ratio (LCR). It mainly focuses on:

- (a) Strengthening Capital Base;
- (b) Maintaining Liquidity Standards;
- (c) Seeks to improve the Banking sector’s ability to deal with financial and economic stress;
- (d) Improved risk management;
- (e) Strengthen the Bank’s transparency and
- (f) Foster greater resilience at the individual Bank level.

Following “Guidelines on Risk Based Capital Adequacy (Revised Regulatory Capital Framework for banks in Line with Basel III) December 2014” of Bangladesh Bank and related BB circulars/instructions, the bank has established capital management systems in order to calculate the capital adequacy ratio and secure adequate capital to cover the risks it faces, from the standpoint of ensuring soundness and appropriateness of the businesses.

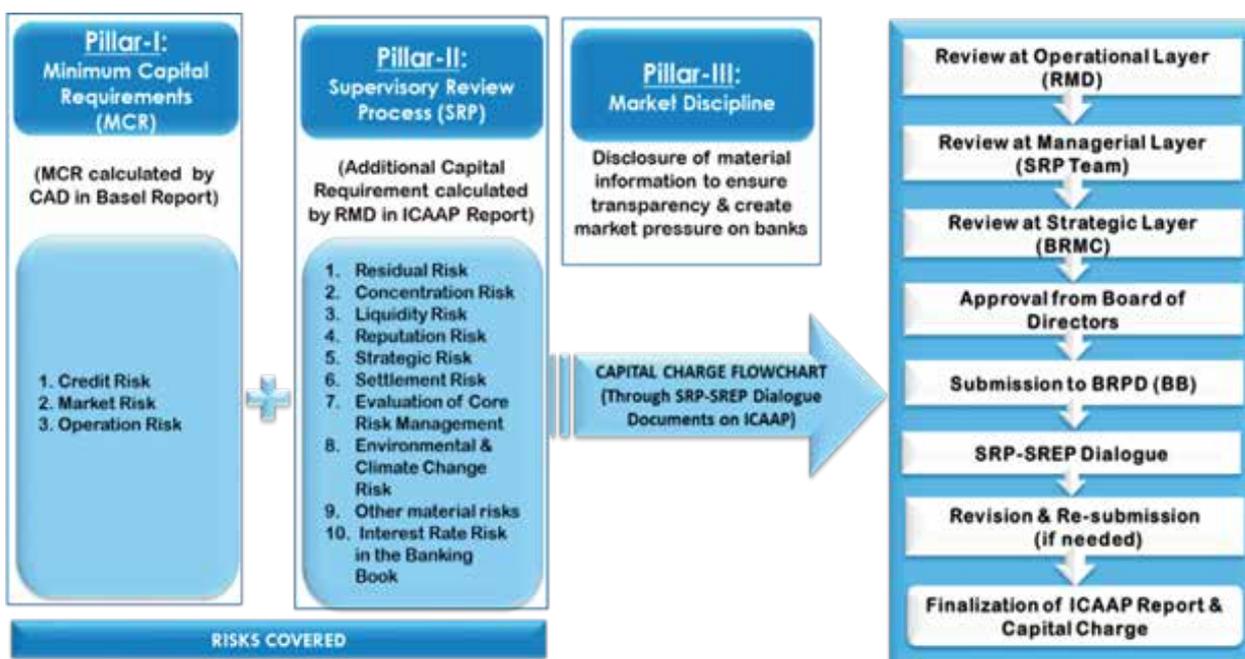


Diagram: Risk Based Capital Adequacy Framework

Pillar-1: Minimum Capital Requirement (MCR) under Risk Based Capital Adequacy

The first pillar deals with maintenance of regulatory capital calculated for three major components of risk that a Bank faces, i.e. credit risk, operational risk and market risk. Comparative scenario of Minimum Capital Requirement (MCR) of the Bank as per Risk Based Capital Adequacy Statement (Basel-III) is as follows:

(Tk. in Crore)

SL.	Regulatory Capital (Solo Basis)	December 2023	December 2022
1	Tier-1 Capital [Common Equity Tier-1 Capital (CET-1) (i.e. Going-Concern Capital) + Additional Tier-1 Capital (AT-1)]	1,087.02	1101.81
2	Tier -2 Capital (Gone -Concern Capital)	15.31	22.25
3	Total Regulatory Capital (1+2)	1,102.33	1124.06
4	Credit Risk Weighted Assets	3770.17	3783.66
5	Market Risk Weighted Assets	885.19	860.37
6	Operational Risk Weighted Assets	229.95	216.22
7	Total Risk Weighted Assets (RWA) (4+5+6)	4885.31	4860.25
8	Minimum Capital Requirement (MCR) without Conservation Buffer (10% of RWA)	500.00	486.02
9	Capital Conservation Buffer (2.5% of RWA)	122.13	121.51
10	Minimum Capital Requirement (MCR) with Conservation Buffer (8+9)	622.13	607.53
11	Capital Surplus (3-10)	480.20	516.53
12	Capital to Risk Weighted Assets Ratio (CRAR)	22.56%	23.13%
13	Tier -1 Capital to RWA	22.25%	22.67%
14	Tier -2 Capital to RWA	0.31%	0.46%

Pillar-2: Supervisory Review Process (SRP)

Supervisory Review Process (SRP) of Risk Based Capital Adequacy Framework is intended to ensure that banks have adequate capital to support all the risks in their business and at the same time to encourage banks to develop and use better risk management techniques in monitoring and managing their risks. The key principle of the SRP as per Bangladesh Bank's 'Revised Process Document for SRP-SREP Dialogue on ICAAP (May 2014)' is that "banks have a process for assessing overall capital adequacy in relation to their risk profile and a strategy for maintaining their capital at an adequate level".

The Bank has an exclusive body called SRP team where RMD is an integral part. RMD, under direct supervision of SRP team of the Bank, prepares Internal Capital Adequacy Assessment Process (ICAAP) Report for assessing the bank's overall risk profile and a strategy for maintaining adequate capital. The following risks are considered to assess required capital under pillar-2: Residual risk, Credit concentration risk, Interest rate risk in the banking book, Liquidity Risk, Settlement risk, Strategic risk and other material risk. The Bank has a capital plan to raise its capital against risks to fulfill the Bangladesh Bank's requirement.

Pillar-3: Market Discipline through Disclosure of Material Information

The Bank has its own disclosure framework for disclosure of its material information that is the requirement of pillar-3 of Basel III. It includes both qualitative and quantitative information that are important for the stakeholders. The disclosure framework of the Bank is approved by the bank's Board of Directors and it describes the bank's risk management objectives and policies for each separate risk area (credit, market, operational, banking book interest rate risk, equity), including:

- strategies and processes;
- the structure and organization of the relevant risk management function;
- the scope and nature of risk reporting and/or measurement system;
- policies for hedging and/or mitigating risk and strategies and processes for monitoring the continuing effectiveness of hedges/mitigates.

The Bank also disclosed (in website & annual report) the following components in a tabular form:

- Scope of Application
- Capital Structure
- Capital Adequacy
- Credit Risk
- Equities: Disclosure for Banking Book Positions
- Interest Rate Risk in the Banking Book (IRRBB)
- Market Risk
- Operational Risk
- Liquidity Ratio
- Leverage Ratio
- Remuneration

Market Disclosures for December 2023 Under Pillar-III of Basel III

The regulatory requirement of market disclosure is imposed by Bangladesh Bank to ensure the implementation of Risk Based Capital Adequacy (RBCA) – Basel-III and making banks more transparent to the stakeholders so that they can take rational economic decision. The reports will enable market participants to assess more effectively key information relating to a bank’s regulatory capital and risk exposures in order to instill confidence about a bank’s exposure to risk and overall regulatory capital adequacy.

The qualitative and quantitative disclosures of the bank under Basel-III requirements based on the audited financial statements of 31 December, 2023 are prepared as per the guidelines of Bangladesh Bank “Risk Based Capital Adequacy for Banks” to establish more transparent and more disciplined financial market.

(a) Scope of application

Qualitative Disclosures	(a)	The name of the top corporate entity in the group to which this guideline applies.	Bangladesh Development Bank PLC.
Qualitative Disclosures	(b)	<p>An outline of differences in the basis of consolidation for accounting and regulatory purposes, with a brief description of the entities within the group</p> <p>(a) that are fully consolidated;</p> <p>(b) that are given a deduction treatment; and</p> <p>(c) that are neither consolidated nor deducted (e.g. where the investment is risk-weighted).</p>	<p>Bangladesh Development Bank PLC. has 2 (two) subsidiaries viz. (i) BDBL Securities Limited (BSL) and (ii) BDBL Investment Services Limited (BISL).</p> <p>A brief description of the bank and its subsidiaries is stated below:</p> <p><u>Bangladesh Development Bank PLC.</u></p> <p>Bangladesh Development Bank PLC. was incorporated on 16 November 2009 under the Companies Act, 1994 as a public limited company and governed by the bank company Act, 1991 (as amended in 2018) to acquire and take-over, as going concern, the undertakings and businesses of statutory bodies of Bangladesh Shilpa Bank (BSB) and Bangladesh Shilpa Rin Sangstha (BSRS) constituted respectively under the Bangladesh Shilpa Bank Order, 1972 (President Order No.129 of 1972) and Bangladesh Shilpa Rin Sangstha Order, 1972 (President Order No.128 of 1972) with all of their assets, benefits, rights, powers, authorities, privileges, liabilities, borrowings and obligations and to carry on with the same business. Two vendors agreement were executed between the Government of the People’s Republic of Bangladesh and Bangladesh Development Bank PLC. on 31 December 2009 in this regard.</p> <p><u>Subsidiaries of Bangladesh Development Bank PLC.</u></p> <p><u>i) BDBL Securities Limited:</u></p> <p>BDBL Securities Limited, a fully owned subsidiary company which was incorporated on 23 May, 2011 with the Registrar of Joint Stock Companies & Firms with authorized and paid-up capital of Tk. 4000.00 million and 500.00 million respectively. The company is a member of Dhaka Stock Exchange Ltd. (DSE) and Chittagong Stock Exchange Ltd. and obtained Stock Broker and Stock Dealer License of DSE on 18.01.2012 and CSE on 15.05.2012.</p>

			<p>ii) BDBL Investment Services Limited:</p> <p>BDBL Investment Services Limited, a fully owned subsidiary company which was incorporated on 06 August, 2014 with authorized and paid-up capital of Tk. 500.00 million and 500.00 million respectively. A vendors Agreement was signed on 11 September, 2014 between Bangladesh Development Bank PLC. and BISL for transfer of membership of DSE Trading Right Entitlement Certificate (TREC) # 152 & Shares (7215106 share 10TK per). DSE approved conversion of DSE TREC # 152 & Shares in favor of BISL at its 813th Board Meeting held on 26 November 2015 and then BSEC issued Stock Dealer and Stock Broker Registration Certificate in favor of BISL on 19 January 2016.</p>
Qualitative Disclosures	(c)	Any restrictions, or other major impediments, on transfer of funds or regulatory capital within the group.	Not Applicable
Quantitative Disclosures	(d)	The aggregate amount of surplus capital of insurance subsidiaries (whether deducted or subjected to an alternative method) included in the capital of the consolidated group.	Not Applicable

(b) Capital structure

As per Guidelines on Risk Based Capital Adequacy (Revised Regulatory Capital Framework for Banks in line with Basel III) the structure of regulatory capital consists of Tier 1, Tier 2 & Tier 3. Basel requirement for the regulatory capital is assessed in relation to overall risk exposures of a bank.

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 CET1, Additional Tier-1 or Tier-2.	<p>The capital of Bank can be classified into two tiers. The total regulatory capital will consist of sum of the following categories:</p> <p>1. Tier 1 Capital (going-concern capital)</p> <p>a) Common Equity Tier 1 b) Additional Tier 1</p> <p>2. Tier-2 Capital (gone-concern capital)</p> <p>Tier-1 capital consists of CET1 and Additional Tier1 Capital highest quality capital items which are stable in nature and allow a bank to absorb losses on an ongoing basis. CET1 includes paid-up capital, statutory reserve, general reserve, retained earnings, minority interest in subsidiaries, dividend equalization account etc.</p> <p>Tier-2 capital lacks some of the characteristics of the core capital but also bears loss absorbing capacity to a certain extent. Capital consists of applicable percentage of revaluation reserves (assets, securities & equities) and general provision (against unclassified loans, SMA and off-balance sheet exposures). Presently the bank does not have any debt instruments eligible for capital counting.</p>
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Quantitative Disclosures	(b)	The amount of Regulatory Capital, with separate disclosure of: CET1 Capital Additional Tier 1 Capital Total Tier 1 Capital	Particulars	Solo	Consolidated
			Taka in Thousand		
			Paid up Capital	6000000	6000000
			Statutory reserve	2765971	2765971
			General reserve	2377755	2377755
			Retained earnings	610856	942269
			Total Tier-1 Capital	11754582	12085995
Quantitative Disclosures	(c)	Tier 2 Capital	General Provision	153129	153129
			Total Tier-2 Capital	153129	153129
		Total amount of Tier I & Tier II Capital	Total Tier 1 & Tier 2 Capital	11907711	12239124
Quantitative Disclosures	(d)	Regulatory Adjustments/ Deductions from capital	Shortfall provision in share	(884395)	(935112)
Quantitative Disclosures	(e)	Total eligible capital	Total Eligible Capital	11023316	11304012

(c) Capital Adequacy

Qualitative Disclosures	(a)	A summary discussion of the bank's approach to assessing the adequacy of its capital to support current and future activities.	For computing capital adequacy, the bank has adopted standardized approach for credit risk measurement, market risk measurement and basic indicator approach for operational risk measurement. Assessment of capital adequacy is carried out in combination with the capital adequacy reporting to the Bangladesh Bank. The bank has maintained Capital to Risk Weighted Asset Ratio (CRAR) at 22.56% on solo basis and 22.10% on consolidated basis against minimum regulatory requirement of 10% on Risk Weighted assets. Tier-1 capital adequacy for solo and consolidated basis is 22.25% and 21.80% respectively against the 6% minimum regulatory requirement. Capital Conservation Buffer (CCB) for the year 2023 is 12.56% on solo basis and 12.10% on consolidated basis. The bank's policy is to manage and maintain strong capital base considering all material risk of Basel III and the result of stress tests. The bank maintains sufficient capital level complying with the regulatory requirement to absorb all material risk and also to satisfy all other external stakeholders including depositors. The main objective of capital management process of bank is to ensure adequate capital to meet up its all sorts of obligations any time even in adverse condition as well as steady growth.

Quantitative Disclosures	(b)	Capital Requirement for Credit Risk	Particulars	Solo	Consolidated																		
			Taka in Thousand																				
			On-Balance Sheet	37192802	35964088																		
			Off-Balance Sheet	508854	508854																		
			Total Credit Risk	37701656	36472942																		
Quantitative Disclosures	(c)	The capital requirements for Market Risk	Interest rate risk	-	-																		
			Equity position risk	7831573	11040173																		
			Foreign exchange risk	1020326	1020326																		
			Commodity risk	-	-																		
			Total Market Risk	8851899	12060499																		
Quantitative Disclosures	(d)	The capital requirements for Operational Risk	Operational risk	2299541	2620702																		
			Total Operational Risk	2299541	2620702																		
Quantitative Disclosures	(e)	Total capital, CET 1 capital, Total Tier 1 capital and Tier 2 capital ratio:	Components	Ratio																			
			Total Capital	22.56%	22.10%																		
			CET 1 capital	22.25%	21.80%																		
			Tier 1 capital	22.25%	21.80%																		
			Tier 2 capital	0.31%	0.30%																		
Quantitative Disclosures	(f)	Capital Conservation Buffer	Capital Conservation Buffer (CCB)	12.56%	12.10%																		
			<table border="1"> <tbody> <tr> <td>Total Risk Weighted Assets (RWA)</td> <td>48853096</td> <td>51154143</td> </tr> <tr> <td>10% of Risk Weighted Assets</td> <td>4885310</td> <td>5115414</td> </tr> <tr> <td>a. Required Capital (10% of risk weighted assets or 500.00 crore which is higher)</td> <td>5000000</td> <td>5115414</td> </tr> <tr> <td>b. Capital Conservation Buffer @ 2.50% on Risk Weighted Assets</td> <td>1221327</td> <td>1278854</td> </tr> <tr> <td>1. Total Required Capital with Conservation Buffer (a+b)</td> <td>6221327</td> <td>6394268</td> </tr> <tr> <td>2. Total eligible capital</td> <td>11023316</td> <td>11304012</td> </tr> <tr> <td>Capital Surplus (2-1)</td> <td>4801989</td> <td>4909744</td> </tr> </tbody> </table>			Total Risk Weighted Assets (RWA)	48853096	51154143	10% of Risk Weighted Assets	4885310	5115414	a. Required Capital (10% of risk weighted assets or 500.00 crore which is higher)	5000000	5115414	b. Capital Conservation Buffer @ 2.50% on Risk Weighted Assets	1221327	1278854	1. Total Required Capital with Conservation Buffer (a+b)	6221327	6394268	2. Total eligible capital	11023316	11304012
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2. Total eligible capital	11023316	11304012																					
Capital Surplus (2-1)	4801989	4909744																					
Quantitative Disclosures	(g)	Available capital under Pillar 2 Requirement	Taka in Thousand 386600																				

(d) Credit Risk

Qualitative Disclosures	(a)	The general qualitative disclosure requirement with respect to credit risk, including:	<p>Bank classifies loans and advances into performing and non-performing loans (NPL) in accordance with the Bangladesh Bank guidelines in this respect.</p> <p>An NPA (impaired) is defined as a loan or an advance where interest and/or Installments of principal remain overdue for more than 90 days in respect of a Continuous credit, Demand loan or Term Loan etc. Classified loan is categorized under following 03(three) categories:</p> <ul style="list-style-type: none"> i. Substandard ii. Doubtful iii. Bad& Loss
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	<ul style="list-style-type: none"> • Definitions of past due and impaired (for accounting purposes); 	<p><u>Any continuous loan will be classified as:</u></p> <ul style="list-style-type: none"> i. Sub-standard- if it is past due/overdue for 3 months or beyond but less than 9 months. ii. Doubtful- if it is past due/overdue for 9 months or beyond but less than 12 months. iii. Bad/Loss- if it is past due/overdue for 12 months or beyond. <p><u>Any Demand Loan will be classified as:</u></p> <ul style="list-style-type: none"> i. Sub-standard- if it remains past due/overdue for 3 months or beyond but not over 9 months from the date of claim by the bank or from the date of creation of forced loan. ii. Doubtful- if it remains past due/overdue for 9 months or beyond but not over 12 months from the date of claim by the bank or from the date of creation of forced loan. iii. Bad/Loss- if it remains past due/overdue for 12 months or beyond from the date of claim by the bank or from the date of creation of forced loan. <p><u>Term Loan will be classified as:</u></p> <p>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 three months of the expiry date. Such types of Fixed Term Loans are classified as:</p> <ul style="list-style-type: none"> i. Sub-standard- any installment(s)/ part of installment(s) of a Fixed Term Loan which will remain past due/ overdue for a period of 03 (three) months or beyond but less than 09 (nine) months, the entire loan will be put into the “Sub-standard”. ii. Doubtful- any installment(s)/ part of installment(s) of a Fixed Term Loan which will remain past due/overdue for a period of 09 (nine) months or beyond but less than 12 (twelve) months, the entire loan will be put into the “Doubtful”. iii. Bad/Loss- any installment(s)/ part of installment(s) of a Fixed Term Loan which will remain past due/overdue for a period of 12(twelve) months or beyond, the entire loan will be put into the “Bad/Loss”. <p><u>Short-term Agriculture and Micro Credit will be classified as:</u></p> <p>Short-term Agriculture and Micro Credit will be considered irregular if it is not repaid within the due date as stipulated in the loans agreement and will be classified as:</p> <ul style="list-style-type: none"> i. Sub-standard-if the irregular status continues after a period 12 (twelve) months, the credit is classified as “Sub-standard”. ii. Doubtful-if the irregular status continues after a period 36 (thirty-six) months, the credit is classified as “Doubtful”. iii. Bad/Loss-if the irregular status continues after a period 60 (sixty) months, the credit is classified as “Bad/Loss”.
	<ul style="list-style-type: none"> • Description of approaches followed for specific and general allowances and statistical methods; 	<ul style="list-style-type: none"> > If the amount of 'defaulted installment' is equal to or more than the amount of installment(s) due within 18 (eighteen) months, the entire loan will be classified as "Doubtful". > If the amount of 'defaulted installment' is equal to or more than the amount of installment(s) due within 24 (twenty-four) months, the entire loan will be classified as "Bad/Loss".

Types of loans	Provision				
	STD	SMA	SS	DF	BL
House Finance	1%	1%	20%	50%	100%
Loan to Professionals	2%	2%	20%	50%	100%
Consumer Finance	2%	2%	20%	50%	100%
Loans to BHs/MBs/SDs	1%	1%	20%	50%	100%
Short term Agri. Credit and Micro Credit	1%	1%	5%	5%	100%
Small & Medium Enterprise	0.25%	0.25%	5%	20%	100%
Others	1%	1%	20%	50%	100%

		<ul style="list-style-type: none"> • Discussion of the Bank's credit risk management policy; 	<p>Credit risk is the risk that the counterparty of a financial institution fails to meet its obligation and causes to incur a financial loss. Concentration of credit risk arises when a number of counter parties are engaged in similar business activities or activities in the same geographical region or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Credit risk in the Bank's Portfolio is monitored, reviewed and analyzed by the Credit Risk Management Department (CRMD). CRMD determines the quality of the credit portfolio and assists in minimizing potential losses.</p>
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Quantitative Disclosures	(b)	Total gross credit risk exposures broken down by major types of credit exposure.	Nature wise	Solo	Consolidated
				Taka in Thousand	
			Cash Credit	4979318	4979318
			Long Term Loan	14312355	14312355
			Over Draft	746702	746702
			Local Documentary Bill Purchase	524934	524934
			Consumer Loan	705611	705611
			Loan against trust receipt & others	1867411	1669821
			Staff Loan	3434737	3434737
			Total Loans & Advances	26571068	26373478

Quantitative Disclosures	(c)	Geographical distribution of exposures, broken down in significant areas by major types of credit exposure.	Division wise	Solo	Consolidated
				Taka in Thousand	
			Dhaka Division	12101268	11903678
			Mymensingh Division	505870	505870
			Chittagong Division	1516457	1516457
			Khulna Division	746746	746746
			Rajshahi Division	4198167	4198167
			Sylhet Division	1150243	1150243
			Barisal Division	2796501	2796501
			Rangpur Division	3555816	3555816
Total Loans & Advances	26571068	26373478			

Quantitative Disclosures	(d)	Industry or Counterparty type distribution of exposures, broken down by major types of credit exposure.	Industrial Sector wise	Solo	Consolidated
			Taka in Thousand		
			Food & Allied Products	4831255	4831255
			Jute & Allied Fiber Products	196514	196514
			Cotton, Woolen & Synthetic Textile	5973034	5973034
			Paper, Paper Products & Printing	125541	125541
			Tannery & its Products	49175	49175
			Non-metallic mineral Products	308568	308568
			Forest, Wood Products & Saw Mills	267167	267167
			Metal Products	1586932	1586932
			Electrical Machinery & Goods	210437	210437
			Machinery & Spare Parts	71135	71135
			Transport	100155	100155
			Chemicals & Pharmaceuticals	344912	344912
			Petro- Chemicals	148153	148153
Service Industries	1025869	1025869			
Rubber Goods	26792	26792			
Miscellaneous	11305429	11107839			
Total Loans & Advances	26571068	26373478			
Quantitative Disclosures	(e)	Residual Contractual maturity breaks down of the whole portfolio, broken down by major types of credit exposure.	Maturity wise	Solo	Consolidated
			Taka in Thousand		
			Repayable – on demand	-	-
			Up to 3 months	3739900	3739900
			Over 3 months but below 1 year	8406070	8208480
			Over 1 year but below 5 years	10002100	10002100
Over 5 years	4422998	4422998			
Total Loans & Advances	26571068	26373478			
Quantitative Disclosures	(f)	By major industry or counterparty type: • Amount of impaired loans and if available, past due loans, provided separately; • Specific and general provisions; and • Charges for specific allowances and charge-offs during the period.	Not Available		
Quantitative Disclosures	(g)	Gross Non-Performing Assets (NPAs)	TK in thousand 9934140		
		Non-Performing Assets (NPAs) to Outstanding Loans & advances	37.39%		
Quantitative Disclosures		Movement of Non-Performing Assets (NPAs)	Particulars	TK in thousand	
			Opening balance	10258982	
			Additions	257800	
			Deductions	(582642)	
			Closing balance	9934140	

	Movement of specific provisions for NPAs	Particulars	TK in thousand
		Opening balance	3649090
		Provisions made during the period	
		Write-off	(1449)
		Interest waiver of staff Loan	
		Excess provision transferred to other asset and Investment	(57700)
		Excess provision transferred from Unclassified Loan	46196
		Closing balance	3636137

(e) Equities: Disclosures for Banking Book Positions

Qualitative Disclosures	(a)	<p>The general qualitative disclosure requirement with respect to equity risk, including:</p> <ul style="list-style-type: none"> • differentiation between holdings on which capital gains are expected and those taken under other objectives including for relationship and strategic reasons; and • discussion of important policies covering the valuation and accounting of equity holdings in the banking book. This includes the accounting techniques and valuation methodologies used, including key assumptions and practices affecting valuation as well as significant changes in these practices. 	Investment in equity is mainly for investment like investment in shares, Marketable securities, Bond, Debentures etc. Quoted shares are valued at cost. Sufficient provision is maintained as per requirement. Unquoted shares are valued at cost. As per Basel-III guidelines, shortfall of provision on Shares was TK. 88,43,95,318.00 as on 31-12-2023 and it was deducted from common equity tier-1 capital accordingly for calculation of regulatory capital.
Quantitative Disclosures	(b)	Value disclosed in the balance sheet of investments, as well as the fair value of those investments; for quoted securities, a comparison to publicly quoted share values where the share price is materially different from fair value.	Value of quoted and unquoted shares has been shown at cost and market price in the financial statements as well as in the Basel-III statement.
Quantitative Disclosures	(c)	The cumulative realized gains (losses) arising from sales and liquidations in the reporting period.	The cumulative realized gains (losses) arising from sales and liquidations is shown in the financial statements at reporting period.
Quantitative Disclosures	(d)	<ul style="list-style-type: none"> • Total unrealized gains (losses) • Total latent revaluation gains (losses) • Any amounts of the above included in Tier 2 capital. 	TK in thousand 14503246 - -

Quantitative Disclosures	(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.	Regulatory capital requirement has been calculated through breaking down equities consisting with the bank's methodology. Such as Investment in quoted and unquoted shares.
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(f) Interest Rate Risk in the Banking Book (IRRBB)

Qualitative Disclosures	(a)	The general qualitative disclosure requirement including the nature of IRRBB and key assumptions, including assumptions regarding loan prepayments and behavior of non-maturity deposits, and frequency of IRRBB measurement.	To manage this risk in the banking book, bank considers the impact of interest changes on both assets and liabilities. Changes in interest rates affect both the current earnings as well as net worth of the bank. The bank periodically determine and reports the interest rate risk to the board and regulatory authority that arises due to re-pricing mismatches in interest rate sensitive assets and liabilities.																									
Quantitative Disclosures	(b)	The increase (decline) in earnings or economic value (or relevant measure used by management) for upward and downward rate shocks according to management's method for measuring IRRBB, broken down by currency (as relevant).	<table border="1"> <thead> <tr> <th rowspan="2">Particulars</th> <th><3 Months</th> <th>3-6 Months</th> <th>6-12 Months</th> </tr> <tr> <th colspan="3">Taka in Thousand</th> </tr> </thead> <tbody> <tr> <td>Risk Sensitive Assets</td> <td>11267521</td> <td>3732397</td> <td>7464793</td> </tr> <tr> <td>Risk Sensitive Liabilities</td> <td>7977718</td> <td>3705785</td> <td>7411571</td> </tr> <tr> <td>GAP</td> <td>3289802</td> <td>26611</td> <td>53222</td> </tr> <tr> <td>Cumulative GAP</td> <td>3289802</td> <td>3316413</td> <td>3369635</td> </tr> </tbody> </table>			Particulars	<3 Months	3-6 Months	6-12 Months	Taka in Thousand			Risk Sensitive Assets	11267521	3732397	7464793	Risk Sensitive Liabilities	7977718	3705785	7411571	GAP	3289802	26611	53222	Cumulative GAP	3289802	3316413	3369635
Particulars	<3 Months	3-6 Months	6-12 Months																									
	Taka in Thousand																											
Risk Sensitive Assets	11267521	3732397	7464793																									
Risk Sensitive Liabilities	7977718	3705785	7411571																									
GAP	3289802	26611	53222																									
Cumulative GAP	3289802	3316413	3369635																									

(g) Market Risk

Qualitative Disclosures	(a)	Views of BOD on trading/investment activities	The Board Of Directors (BOD) keeps tight watch on the activities and trading in order to maximize profit without violating banking rules, regulations.		
		Methods used to measure Market risk	Standardized approach has been used to measure the market risk. The total capital requirement in respect of market risk is the aggregate capital requirement calculated for each of the risk according to sub-categories. For each risk category, minimum capital requirement is measured separately. Capital is charged for 'specific risk' and 'general market risk' respectively.		
		Market Risk Management system	Bank makes investment decision based on historical data of market movements of all comparable financial institution instruments to avoid market risk. For managing specific risk bank emphasizes on investment in bonds and quality financial instruments, which are less volatile in nature. A separate section under central accounts department has been established for treasury related activities. Asset-Liability Management Committee (ALCO) comprising senior executives of the Bank. ALCO is chaired by the Managing Director. ALCO meeting is held at least once in a month.		

		Policies and processes for mitigating market risk	There are approved policies for Market risk related instruments both on-balance sheet and off-balance sheet items. The investments are monitored and enforced on a regular basis to protect against market risks. Prevailing market condition, exchange rate, forex position and transactions are reviewed time to time to mitigate market risks.		
Quantitative Disclosures	(b)	The capital requirements for: *interest rate risk; *equity position risk; *foreign exchange risk; and *commodity risk.	Particulars	Solo	Consolidated
			Taka in Thousand		
			Interest rate risk	-	-
			Equity position risk	7831573	11040173
			Foreign exchange risk	1020326	1020326
			Commodity risk	-	-
Total			8851899	12060499	

(h) Operational Risk

Operational risk is defined as the risk of losses resulting from inadequate or disrupted internal process, people and systems or from external events.

Qualitative Disclosures	(a)	Views of BOD on system to reduce Operational Risk	<p>The BOD keeps tight watch on the activities and trading in order to maximize profit without violating banking rules, regulations. The policy for operational risks including internal control & compliance risk is approved by the board taking into account relevant guidelines of Bangladesh bank.</p> <p>Audit committee of the Bank oversees the activities of Internal Control & Compliance Division (ICCD) to protect against all operational risk.</p>
		Performance gap of executives and staffs	Bank has a policy to provide equal opportunity and best working environment to the employees. Bank's strong image plays an important role in employee motivation. As a result, there is no significant performance gap.
		Potential external events	No potential external events are expected to expose the Bank to significant operational risk.
		Policies and processes for mitigating operational risk	<p>The policy for operational risks including internal control & compliance risk is approved by the Board taking into account relevant guidelines of Bangladesh bank. Policy guidelines on Internal Audit system is in operation. Branches are audited regularly by Internal Control & Compliance Division (ICCD).</p> <p>It is the policy of the bank to put all the branches of the bank under any form of audit at least once in a year. The audit & inspection department makes a year wise risk based audit plan to carry out comprehensive audits & inspection on the banking operations. Moreover, each and every state owned bank is audited by Government auditors and external audit firms.</p> <p>ICCD directly report to Audit Committee of the Bank. Bank's Anti- Money laundering activities are supervised by CAMLCO and their activities are devoted to protect against all money laundering and terrorist finance related activities. Apart from that, there is adequate check & 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.</p>
		Approach for calculating capital charge for operational risk	Basic Indicator Approach was used for calculating capital charge for operational risk as of the reporting date.

Quantitative Disclosures	(b)	The capital requirements for Operational Risk	Particulars	Solo	Consolidated
				Taka in Thousand	
			The capital requirements for Operational Risk	2299541	2620702

(i) Liquidity Ratio

Qualitative Disclosures	(a)	Views of BOD on system to reduce liquidity risk	<p>Liquidity risk is the risk that a given security or assets cannot be traded quickly in the market to prevent a loss (or make the required profit) or when a bank is unable to fulfill its commitments in time when payments falls due. Liquidity risk can be categorized into two types:</p> <p>i. Funding liquidity risk: The risk that a firm may be unable to meet its current and future cash flow and collateral needs without affecting its daily operation.</p> <p>ii. Market liquidity risk: The risk that a firm cannot easily offset or sell a position without incurring a loss due to inadequate depth in the market.</p> <p>The Board Of Directors (BOD) of bank keeps tight watch on managing the assets and liabilities of the bank in order to maximize shareholders' value and profitability and also to increase capital to protect the bank from any adverse financial consequences arising from liquidity risk. Various liquidity measurement reports are viewed by board. BOD plays important role in controlling the overall liquidity risk.</p>
		Methods used to measure liquidity risk	<p>The bank always tries to maintain adequate required liquidity at all times and in all situations (favorable or unfavorable). To maintain adequate liquidity bank identifies and monitors the driving factors of liquidity risk considering the following aspects:</p> <ol style="list-style-type: none"> Cash Reserve Requirement(CRR) Advance Deposit Ratio(ADR)/Investment Deposit Ratio(IDR) Liquidity Coverage Ratio(LCR) Net Stable Funding Ratio(NSFR) <p>The bank also uses its own liquidity monitoring tool:</p> <ol style="list-style-type: none"> Liquidity Contingency Plan Whole Sale Borrowing & Funding Guideline
		Liquidity risk management system	<p>Any gap at a particular maturity bucket, the liquidity risk will be managed through following systems:</p> <ol style="list-style-type: none"> Fund will be mobilized first from money market. Balance deposited with other banks will be withdrawn. The excess amount of CRR with BB will be withdrawn. Marketable securities will be sold with no or very negligible losses. Fund will be mobilized through Repo or Reverse Repo activities
		Policies and process for mitigating liquidity risk	<p>Liquidity ratios are a class of financial metrics used to determine a company's ability to pay off its short-terms debts obligations at the lowest possible time and lowest possible cost. Generally, the higher the value of the ratio, the larger the safety that indicates the company is able to cover short-term debts. A company's ability to turn short-term assets into cash to cover debts is of the utmost importance when creditors are seeking payment. For this purpose the BOD of the bank has formed Asset Liability Management Committee (ALCO) which meets at least once a month to monitor the liquidity position and take necessary steps to manage liquidity risk. The bank maintains a board approved treasury manual and Liquidity Contingency Plan has been developed to keep enough liquidity to meet crisis situation.</p>

Quantitative Disclosures	(b)	*Liquidity Coverage Ratio	Liquidity ratio	SOLO
		*Net Stable Funding Ratio (NSFR)	Liquidity Coverage Ratio	129.80%
		*Stock of High quality liquid assets	Net Stable Funding Ratio (NSFR)	105.13%
		*Total net cash outflows over the next 30 calendar days	Stock of High quality liquid assets (In “000”)	3919175
		*Available amount of stable funding	Total net cash outflows over the next 30 calendar days (In “000”)	3019395
		*Required amount of stable funding	Available amount of stable funding (In “000”)	52705607
			Required amount of stable funding (In “000”)	50133847

(j) Leverage Ratio

Qualitative Disclosures	(a)	Views of BOD on system to reduce excessive leverage	<p>In order to avoid excessive leverage in the banking system, a simple, transparent, non-risk-based leverage ratio has been introduced. The leverage ratio is calibrated to act as a credible supplementary measure to the risk-based requirements. The leverage ratio is intended to achieve the following objectives:</p> <ul style="list-style-type: none"> a) Constrain the build-up of leverage in the banking sector which can damage the broader financial system and the economy b) Reinforce the risk-based requirements with an easy to understand and a non-risk-based measure. <p>Bank calculates leverage ratio on quarterly basis as prescribed by Bangladesh Bank through Guidelines on Risk Based Capital Adequacy and submits to Bangladesh Bank.</p> <p>The board of directors regularly reviews the leverage ratio and ensures that the management strictly maintains the leverage ratio as prescribed by Bangladesh Bank through Guidelines on Risk Based Capital Adequacy.</p>																	
		Policies and processes for managing excessive on and off-balance sheet leverage	<p>A minimum Tier 1 leverage ratio of 3% is being prescribed by Bangladesh Bank both at solo and consolidated basis. Bank maintains leverage ratio on quarterly basis. The formula for calculating leverage ratio is:</p> $\text{Leverage Ratio} = \frac{\text{Tier 1 Capital (after related deduction)}}{\text{Total Exposure (after related deduction)}}$																	
		Approach for calculating exposure	<p>The exposure measure for the leverage ratio will generally follow the Accounting measure of exposure. In order to measure the exposure consistently with financial accounts, the following will be applied by the bank:</p> <ul style="list-style-type: none"> i. On balance sheet, non-derivative exposures will be 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. Netting of loans and deposits is not allowed. 																	
Quantitative Disclosures	(b)	*Leverage Ratio *On balance sheet exposure *Off balance sheet exposure Total exposure	<table border="1"> <thead> <tr> <th rowspan="2">Particulars</th> <th>SOLO</th> <th>CONSOL</th> </tr> <tr> <th colspan="2">TK in Thousand</th> </tr> </thead> <tbody> <tr> <td>Leverage Ratio</td> <td>18.32%</td> <td>18.47%</td> </tr> <tr> <td>On balance sheet exposure</td> <td>37192802</td> <td>35964088</td> </tr> <tr> <td>Off balance sheet exposure</td> <td>508854</td> <td>508854</td> </tr> <tr> <td>Total exposure</td> <td>37701656</td> <td>36472942</td> </tr> </tbody> </table>	Particulars	SOLO	CONSOL	TK in Thousand		Leverage Ratio	18.32%	18.47%	On balance sheet exposure	37192802	35964088	Off balance sheet exposure	508854	508854	Total exposure	37701656	36472942
Particulars	SOLO	CONSOL																		
	TK in Thousand																			
Leverage Ratio	18.32%	18.47%																		
On balance sheet exposure	37192802	35964088																		
Off balance sheet exposure	508854	508854																		
Total exposure	37701656	36472942																		

(k) Remuneration

<p>Qualitative Disclosures</p>	<p>(a)</p>	<p>Information relating to the bodies that oversee remuneration. Disclosures should include: Name, composition and mandate of the main body overseeing remuneration.</p> <p>External consultants whose advice has been sought, the body by which they were commissioned, and in what areas of the remuneration process.</p> <p>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.</p> <p>A description of the types of employees considered as material risk takers and as senior managers, including the number of employees in each group.</p>	<p>Bangladesh Development Bank PLC. is one of the state owned specialized commercial banks operating in Bangladesh, has been playing important role in the overall financial development of the country especially in the industrial development of the country since inception. As BDBPLC. is a state owned bank, the remuneration system is governed under National Pay Scale announced by the Government of the People’s Republic of Bangladesh time to time. A fixation unit of Human Resource Department works on pay fixation as per national pay scale. National Pay Scale 2015 is being fully exercised and will continue till new pay scale is declared by the Government of the People’s Republic of Bangladesh.</p> <p>The branch managers, zonal head, divisional head and senior management of the head office are considered as the material risk takers.</p>
<p>Qualitative Disclosures</p>	<p>(b)</p>	<p>Information relating to the design and structure of remuneration processes. Disclosures should include:</p> <p>An overview of the key features and objectives of remuneration policy.</p> <p>Whether the remuneration committee reviewed the firm’s remuneration policy during the past year, and if so, an overview of any changes that was made.</p> <p>A discussion of how the bank ensures that risk and compliance employees are remunerated independently of the businesses they oversee.</p>	<p>The remuneration process is reviewed only when a new national pay scale is declared by the Government of the People’s Republic of Bangladesh.</p> <p>Not Applicable</p> <p>Salary Structure: Salary component is as under: (i) Basic salary (ii) House Rent Allowance (iii) Medical Allowance and (iv) Other allowances</p> <p>Remuneration Type:</p> <ul style="list-style-type: none"> • Employees under pension basis; • Employees under gratuity basis; • Employees under contractual basis;
<p>Qualitative Disclosures</p>	<p>(c)</p>	<p>Description of the ways in which current and future risks are taken into account in the remuneration processes. Disclosures should include:</p> <p>An overview of the key risks that the bank takes into account when implementing remuneration measures.</p>	<p>Not Applicable</p>

		<p>An overview of the nature and type of the key measures used to take account of these risks, including risks difficult to measure (values need not be disclosed).</p> <p>A discussion of the ways in which these measures affect remuneration.</p> <p>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.</p>	
Qualitative Disclosures	(d)	<p>Description of the ways in which the bank seeks to link performance during a performance measurement period with levels of remuneration. Disclosures should include:</p> <p>An overview of main performance metrics for bank, top-level business lines and individuals.</p> <p>A discussion of how amounts of individual remuneration are linked to bank-wide and individual performance.</p> <p>A discussion of the measures the bank will in general implement to adjust remuneration in the event that performance metrics are weak.</p>	Not Applicable
Qualitative Disclosures	(e)	<p>Description of the ways in which the bank seek to adjust remuneration to take account of longer-term performance. Disclosures should include:</p> <p>A discussion of the bank's policy on deferral and vesting of variable remuneration and, if the fraction of variable</p> <p>Remuneration that is deferred differs across employees or groups of employees, a description of the factors that determine the fraction and their relative importance.</p> <p>A discussion of the bank's policy and criteria for adjusting deferred remuneration before vesting and (if permitted by national law) after vesting through clawback arrangements.</p>	<p>As a state owned entity the remuneration system is governed under National Pay Scale announced by the Government of the People's Republic of Bangladesh. Moreover, various cash and non-cash benefits are provided as per the approval of the Board of Directors as follows :</p> <ul style="list-style-type: none"> • Bank provides car facilities for level executive level employees; • Car loan facility; • Staff loan at bank rate; • Travel allowance/TA/DA as required; • Festival bonus; • Allowance for employees' meritorious students; • Recreations leave for 15 days after every three year and Maternity leave as per guidelines.

Qualitative Disclosures	(f)	<p>Description of the different forms of variable remuneration that the bank utilizes and the rationale for using these different forms. Disclosures should include:</p> <p>An overview of the forms of variable remuneration offered (i.e. cash, shares and share-linked instruments and other forms).</p> <p>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.</p>	There are no different forms of variable remuneration (i.e. cash, shares and share-lined instruments and other forms). There are no performance-based rewards. But in some special cases an increment is added as reward for outstanding performance of any employee. However, there is an incentive system on overall performance (based on profit). Salary and all types of benefits provided by the bank are in the form of cash.								
Quantitative Disclosures	(g)	Number of meetings held by the main body overseeing remuneration during the financial year and remuneration paid to its member.	Not Applicable								
Quantitative Disclosures	(h)	<p>Number of employees having received a variable remuneration award during the financial year.</p> <p>Number and total amount of guaranteed bonuses awarded during the financial year.</p> <p>Number and total amount of sign-on awards made during the financial year.</p> <p>Number and total amount of severance payments made during the financial year.</p>	Not Applicable								
Quantitative Disclosures	(i)	<p>Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms.</p> <p>Total amount of deferred remuneration paid out in the financial year.</p>	Not Applicable								
Quantitative Disclosures	(j)	Breakdown of amount of remuneration awards for the financial year to show: <ul style="list-style-type: none"> - fixed and variable. - deferred and non-deferred. - different forms used (cash, shares and share linked instruments, other forms). 	<table border="1"> <thead> <tr> <th data-bbox="844 1581 1222 1608">Particulars</th> <th data-bbox="1222 1581 1412 1608">Taka in Thousand</th> </tr> </thead> <tbody> <tr> <td data-bbox="844 1608 1222 1661">Fixed Pay (including two festival bonus and Nabo barsha bonus)</td> <td data-bbox="1222 1608 1412 1661">382296</td> </tr> <tr> <td data-bbox="844 1661 1222 1745">Variable Pay (House rent and 01 incentive bonus equivalent to one-month basic salary)</td> <td data-bbox="1222 1661 1412 1745">171689</td> </tr> <tr> <td data-bbox="844 1745 1222 1772" style="text-align: right;">Total</td> <td data-bbox="1222 1745 1412 1772">553985</td> </tr> </tbody> </table>	Particulars	Taka in Thousand	Fixed Pay (including two festival bonus and Nabo barsha bonus)	382296	Variable Pay (House rent and 01 incentive bonus equivalent to one-month basic salary)	171689	Total	553985
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Quantitative Disclosures	(k)	<p>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:</p> <p>Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit and/or implicit adjustments.</p> <p>Total amount of reductions during the financial year due to ex post explicit adjustments.</p> <p>Total amount of reductions during the financial year due to ex post implicit adjustments.</p>	Not Applicable
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Report on Sustainable Banking



Report on Sustainable Banking

Sustainable development is a state of development that meets the needs of the present without destroying the ability of future generation to meet their own needs.

A sustainability report is a report published by a company or an organization about the economic, environmental and social impacts caused by its everyday activities. So a sustainability report presents the organization's values, governance model and demonstrate the link between its strategy and its commitment to a sustainable global economy.

Systematic sustainability reporting helps organizations to measure the impacts they cause or experience, set goals and manage change. A sustainability report is the key platform for communicating sustainability performance and impacts-whether positive or negative.

But here sustainability for banks means building a successful business today and delivering value over the long term. So, sustainability is a journey for long term. Along the way, organizations need to set goals, measure performance and integrate a sustainable strategy into their core planning.

A sustainable economy should combine long term profitability with ethical behavior, social justice and environmental care. This means that when companies or organizations consider sustainability and integrate it into how to operate, they must consider four key areas of their performance and impacts:

- Economical;
- Environmental;
- Social; and
- Human Rights.

According to Global Reporting Initiative's (GRI's) Sustainability Reporting Framework, Bangladesh Development Bank PLC is reporting on sustainable banking system that enables it to measure, understand and communicate this information. The Bank's missions are to:

- Make sustainable long term financial performance.
- Provide sustainable and responsible financial services.
- Contribute significantly in socio-economic development.
- Create good governance, regulation and stakeholder engagement.
- Help in building green environment.
- Make a positive and consistent employee experience.

BUSINESS PARTNERS

Customers and clients are our business partners. Our relationship with them is based on mutual trust and respect. We sincerely strive to improve business relationship with them for mutual benefits and proudly offer various contemporary financial products and services to meet their needs without any hidden cost. We are fully aware of increasing the shareholders' value by optimizing financial performance at least cost.

REGULATORY AUTHORITIES

Being a responsible corporate body, we conform to all stringent regulations issued by the Government of Bangladesh, Bangladesh Bank and Bangladesh Securities & Exchange Commission.

ECONOMIC CONTRIBUTION

Bangladesh Development Bank PLC. contributes indirectly to the economies by way of providing loans & advances to the industrial ventures which ultimately produce goods & services and create employment opportunities for the people of the country. The loans & advances provided to different industrial ventures by the Bank was Tk.2,657.11 crore in 2023 against Tk.2,479.66 crore in 2022.

The Bank has contributed significantly to the Government's drive in collection of revenue. As per law, the Bank deducts taxes, VAT and excise duty at source from various payments and services and deposits the same to government exchequer. Besides, the Bank also pays income tax on its earnings.

Future Outlook

- Manage the Bank's capital prudently which will enable it to meet future requirements.
- Operate in emerging markets for taking advantage of growth opportunities.
- Price the Bank's products appropriately which will increase sales opportunities and competitiveness.
- Lend more responsibly to mitigate the risk of the customers on their repayments.
- Offer secured banking structures which will reduce the risk of financial crime and engenders trust and confidence among our customers.

ENVIRONMENTAL CONTRIBUTION

GREEN BANKING

As a part of green banking, Bangladesh Development Bank PLC. is attaching importance to the activities that are not harmful to the environment. It has established a separate sustainable finance unit and various measures have been adopted to ensure green banking. The Bank has established Dedicated Sustainable Finance Help Desk at Head Office and Branch Offices to ensure the sustainable financing of the Bank. Among others, green financing, creating awareness among employees for efficient use of water, electricity and paper giving preference to preservation of ecosystem while financing commercial projects and reuse of equipment are some initiatives for turning the Bank as a green bank.

The Bank is following the Sustainable Finance Policy for Banks and Financial Institutions which is prepared by Bangladesh Bank. As per Bangladesh Bank's guidelines, the Bank has been taken initiatives to prepare its own Sustainable Finance Policy.

Alongside Internal Credit Risk Rating (ICRR), Environmental and Social Due Diligence (ESDD) checklist, Environmental Risk Rating (ERR) has been made obligatory by the Central Bank for all banks at the time of processing of loan proposals. With the concurrence of the Central Bank's guidelines, the Bank has formulated Environment Risk Management Manual and conducting ERR for the projects as well as the credit facilities that fall within the threshold limit.

For in-house Environmental Management, the Bank has installed solar power system on its roof top for energy efficiency. Besides, in order to reduce paper based work, e-recruitment, e-procurement, documentation management system, leave management system, personal file update system, online salary and account statement, online office orders etc. have been introduced through intranet of the Bank. In addition, all the offices of the Bank have been brought under computer network (WAN, LAN). For availability of open data, the Bank has introduced its own website which is updated all time. Most of the regulatory reporting from bank is done through web upload and Enterprise Data Warehouse (EDW) System. Bangladesh Automated Cheque Processing System (BACPS), Bangladesh Electronic Fund Transfer Network (BEFTN), Credit Information Bureau (CIB) Online, online NID verification and Enterprise Resources Planning (ERP), Data Verification System (DVS) have already started operation.

The Bank has signed 01 (one) refinancing agreements with Bangladesh Bank named Refinance scheme for green products/Initiatives.

Lastly, as a responsible corporate organization, the Bank has arranged a number of trainings, seminars, workshops etc. for making its employees environment sensitized.

The Bank monitors evolving environmental regulations and put in place the necessary measures to comply. It is actively engaging with government to ensure effective balance between addressing climate change and the impacts of related regulation on the economy and business. The Bank has an obligation to manage the environmental and social impacts by its activities, products and services have on society, and to respond strategically to the risks that global environmental and social pressures place on our ability to create sustainable value for the stakeholders.

Future Outlook

- Manage and measure our own carbon footprint in Bangladesh by investing in technology and resources.
- Reduce our resource consumption which will alleviate environmental impact and reduce operational cost.
- Encourage a further reduction in paper use by giving clients the option of ending printed communication for more and more products in the years ahead and by communicating digitally even more frequently.
- Encourage bank's officers and staff to use less paper by reducing the number of available printers and steadily promoting use of digital resources.
- Continue to focus beyond its own internal operation in the year ahead.
- Invest more in carbon finance and trading which will reduce carbon dioxide (CO₂) emissions while generating revenue.
- Discourage projects with unacceptable levels of carbon emission.

SOCIAL CONTRIBUTION

“Building sustainable society”

As a state-owned commercial bank, the Bank is making strong contribution to create wealth for the communities in which we operate, providing inclusive financial services and supporting SMEs, micro-credit providers, etc.

FINANCIAL INCLUSION

Financial inclusion is one of the most important tools for ensuring financial and social stability, especially in the developing countries. Access to finance by the poor and vulnerable groups is a pre-requisite for poverty reduction and social balance. This has become an integral part of our efforts to promote inclusive growth. The Bank is dedicated to serve financial services at an affordable cost to the vast sections of the disadvantaged and low-income groups. The various financial services include: credit in the form of short, medium and long term loans & advances facilities, savings by opening of various accounts and schemes and foreign exchange business including remittance facilities.

The objective of financial inclusion is to extend the scope of activities of the organized financial system to include people with low incomes within its network. The Bank's policies aim at increasing the income and employment opportunities on the one hand and on the other; it tries to finance programs which are conducive to make the growth more inclusive.

In Year 2023

- Number of deposit A/Cs is 163,826 in 2023, as against 154,630 in 2022.
- Total deposits in 2023 is BDT. 3,053.56 crore, as against BDT. 2,914.50 crore in 2022.
- Total loan & advances in 2023 is BDT. 2,657.11 crore, as against BDT. 2,479.66 crore in 2022.
- Number of Branches (50) remained same as 2022.

HUMAN RESOURCES

Human resource development is one of the key competencies to enable individuals in any organization to perform current and future jobs in a strategic way. Bangladesh Development Bank PLC. treats its human resource as distinctive resource and true capital rather only the employees. The Bank has integrated the use of training and development as a path to improve quality and capability of the officers. The Training Institute of the Bank imparts training and arranges workshop on different contemporary areas of banking for its employees. Besides, the Bank ensures gender equality for women workforce in terms of promotion and placement. Following the rules and regulations of the Government, women employees enjoy up 6 (six) months maternity leave with other facilities.

The Bank is maintaining a welfare fund namely Benevolent Fund taking contribution from employees and the bank to support the employees and their families on the ground of medical, maternity, retirement, disability and death claim.

Staff Welfare Fund is being run by the bank out of the employees' regular contribution to stand before them for their well-being. The physical and mental well-being of the officers and staff are very important especially for the stressful effects of the performance driven culture in the Banking Sector.

Effective counseling and proper treatment for employees plays pivotal role in this respect. To get the immediate treatment, the Bank appointed two doctors on part time basis at two intervals in Head Office, zonal and branch offices. Besides, area-wise part time doctors were also appointed by the Bank for general treatment.

The Board and Management of the bank are always cordial in extending facilities relating to the needful welfare of the employees. Some of the areas of welfare are: contributory provident fund facility, gratuity fund, retirement benefits, leave encashment, two festival bonuses, incentive performance bonus, advance facilities for house building, transport facilities, financial assistance for complicated and expensive treatment, scholarship and educational stipend for the meritorious children of the employees, a lump sum grant/monthly grant to the families of late and retired employees and financial aid to the distressed families for purchasing cloths in religious festivals.

Report on Green Banking



Report on Green Banking

GREEN BANKING

Green Banking is a component of the global initiative by a group of stakeholders to save environment. Bangladesh is one of the most climate change vulnerable country. In line with global development and response to the environment degradation, financial sector in Bangladesh must play an important role as one of the key stakeholders. As a part of financial intermediation, Bangladesh Development Bank PLC. is also responsible for safeguarding the environment.

POLICY FORMULATION AND GOVERNANCE

In accordance with Bangladesh Bank Circular No. BRPD-02, dated 27-02-2011, the Bank undertook required steps to implement the Green Banking Guidelines in three phases:-

- Formulated Green Banking Policy and Strategy approved by the Board of Directors.
- Approved a considerable fund in the annual budget for green banking.
- Established Sustainable Finance Unit with the responsibilities of performing green banking and corporate social responsibility (CSR) activities effectively and efficiently and also established a sustainable finance committee to review, evaluate and approve the activities taken by Sustainable Finance Unit.
- Prepared Environmental & Social Risk Management Policy.

Apart from these, the Bank also undertook the following action plan under different phases according to policy guidelines for green banking given by Bangladesh Bank:-

- Formulating sector specific environmental policy.
- Applying green strategic planning while financing projects.
- Financing of Green Products.
- Setting up of Green Branches considering the following factors:-
 - maximum use of natural light.
 - use of online banking.
 - use of renewable energy.
 - use of energy saving bulb and other equipment.
 - use of reduced water and electricity.
 - use of recycled water.
- Introducing improved in-house Environmental Management in order to save electricity and reduce water and paper consumption.
- Formulating bank specific environmental risk management plan and guidelines.
- Adopting rigorous programs to educate clients.
- Making disclosures and reporting green banking.

IN-HOUSE ENVIRONMENT MANAGEMENT

The Bank took a number of steps for in-house environment management in congruence with Green Banking Policy. The following initiatives were taken to activate in-house environment management:

- A general circular was issued for efficient use of electricity, water, paper, eco-friendly ink, stationary, gas, fuel, etc.;
- Steps took for using energy savings bulbs instead of traditional bulbs/lights;
- Duplex printer, pen-drive, e-mail, e-statement, automated power switching, etc. were introduced as a cohesive custom;
- LCD monitors were used instead of CRT for CCTV system for power consumption;
- Instructions were given to ensure cleanliness in bank premises; and
- Solar panels were installed in Head Office and some branches.

COMPLIANCE OF ENVIRONMENT & SOCIASL RISK MANUAL (ESRM)

Bank took steps to assess environmental risk along with existing credit risk to assess the credit risk measure. All projects would be rated as high, moderate and low using Environmental Due Diligence (EDD) checklist. The Bank will also prepare data-base on the number of projects applicable for EDD checklists for environmental risk rating, number and amount disbursed to the rated projects financed and status of loan classification for rated projects financed. General and sector specific EDD checklists will be introduced covering poultry, dairy, cement, chemicals, pesticides, pharmaceuticals, engineering, housing, pulp & paper, sugar & distilleries, tannery, textile & apparels, ship breaking, etc.

GREEN FINANCING

Since its inception the Bank financed many projects which were environmentally responsive and avoided those projects which were harmful. Financing eco-friendly projects that helped mitigate environmental degradation by lending more for renewable energy, effluent treatment plants and other projects like bio-fertilizer plants, waste management plants, mushroom projects, etc. are priority for the Bank. Generation plants based on solar power, bio-gas and wind, and automatic brick manufacturing plants that use modern environment-friendly technology are especially favored projects.

GREEN MARKETING

The Bank is always keen to raise green awareness among its clients, stakeholders, entrepreneurs, employees, etc. Among other, it has also included installation of solar panel, bio-gas, tree plantation and agro-based projects as priority sectors in its SME loan portfolio. The Training Institute of the Bank regularly arranges training, seminar and workshop on green banking to create awareness for green banking activities of the bank.

ONLINE BANKING

Online Banking is one of the important and easiest ways to save environment by doing paperless banking. It decreases use of paper, waste of paper along with reduction of carbon emission and printing & postal expenses. At present, all branches along with Head Office are fully online for banking. The Bank has established data center, implemented core banking software (CBS) and launched its mobile banking app & digital platform for its wide range of customers.

TRAINING AND AWARENESS

Training Institute of the Bank has organized several training courses on green banking. Executives/ officers of related desk participated in these training courses. The Bank has planned to train up its clients and business houses to be encouraged and influenced to comply with the environmental regulations and undertake resource efficient and environmental activities as well as increase knowledge/awareness about green banking.

DISCLOSURE OF GREEN BANKING ACTIVITIES

- The Bank has regularly been exposing its green banking activities in the Annual Report.
- It also discloses green banking activities in the website of the Bank.

MANAGEMENT APPROACH TO GREEN BANKING

Management of the bank has focused on socially responsible investment, designed to aid environmentally conscious businesses and consumers through better loan rates and other incentives. The Bank has planned to increase sustainable green finance and has continued to increase its exposure to the sector. The Bank has also a future plan to set up “Green Branch” and solar panels in all branches.

COMPLIANCE STATUS OF GREEN BANKING IN THE BANK

Issue	Compliance Status
Own green banking policy guidelines	Yes
Green banking committee	Yes
Green banking unit	Yes
Budget allocation	Yes
Incorporation of ESRM in core risk management	Yes
In-house environment management	Yes
Introduction of green banking guide	Yes
Introduction of green finance	Yes
Introduction of green product	Yes
Creation of climate risk fund	Yes
Introduction of green marketing	-
Online Banking	Yes
Employee training	Yes
Consumer awareness	Yes
Sector specific environmental policy	Yes
Green strategic planning	Yes
Setting up green branches	-
Disclosure and reporting of green banking activities	Yes

Report on Financial Inclusion



Report on Financial Inclusion

Financial inclusion is currently considered one of the most effective tools for ensuring financial and social stability, especially in developing countries. It promotes access to appropriate financial services or products at an affordable cost. Bangladesh Bank has taken various initiatives to bring the large number of financially excluded people under financial services. It issued directives to banks for opening No-Frill Accounts (NFAs) for farmers, freedom fighters, beneficiaries under social security programs, small life insurance policyholders, hardcore poor beneficiary workers, banking for minors, school banking, and banking for working/street children.

Bangladesh Development Bank PLC's Initiative for Financial Inclusion

Financial inclusion promotes inclusive growth, enhances productive capacity, boosts youth employment, and combats poverty by providing advancement opportunities for the disadvantaged poor. Without access to basic financial services, significant social exclusion occurs in education, employment, and social safety nets. Long-term stability relies heavily on the quality of economic and social growth that includes all segments of the population in the development process.

To ensure the promotion of financial inclusion, a committee has been established to oversee the issue according to BB guidelines. To deliver financial inclusion services to beneficiaries, the following arrangements have been implemented:

- Bank account for the hardcore poor;
- Bank account for garment workers;
- Bank account for the elderly, disabled, widows, and women discarded by their husbands;
- Bank account for beneficiaries of social safety network programs;
- Bank account for freedom fighters;
- Countrywide expansion of branches;
- Bank account for unemployed youth;
- BACH, NPSB, BEFTN & RTGS operations;
- Arrangement of small-scale loans;
- Banking for working/street children;
- Online Sanchayapatra selling service;
- Titas Gas (Meter & Non-Meter), e-Gp, e-Tender, Automated Challan Service;
- Mobile apps, e-account;
- NESCO, DPDC, BGDCL bill collection; and
- Debit card, internet banking.

FUTURE OUTLOOK

- Supporting the government's inclusive growth strategy, the Bank will actively implement additional measures to serve underserved/un-served economic sectors and population segments. This includes providing credit facilities to SME entrepreneurs, and supporting agricultural, rural, urban farm, and non-farm productive activities.
- Continuing the expansion of rural branches of the bank.
- Collaborating with mutually-owned cooperative societies to offer financial and other specified services.
- The Bank is currently working with Bangla QR Code, which will soon be operational.

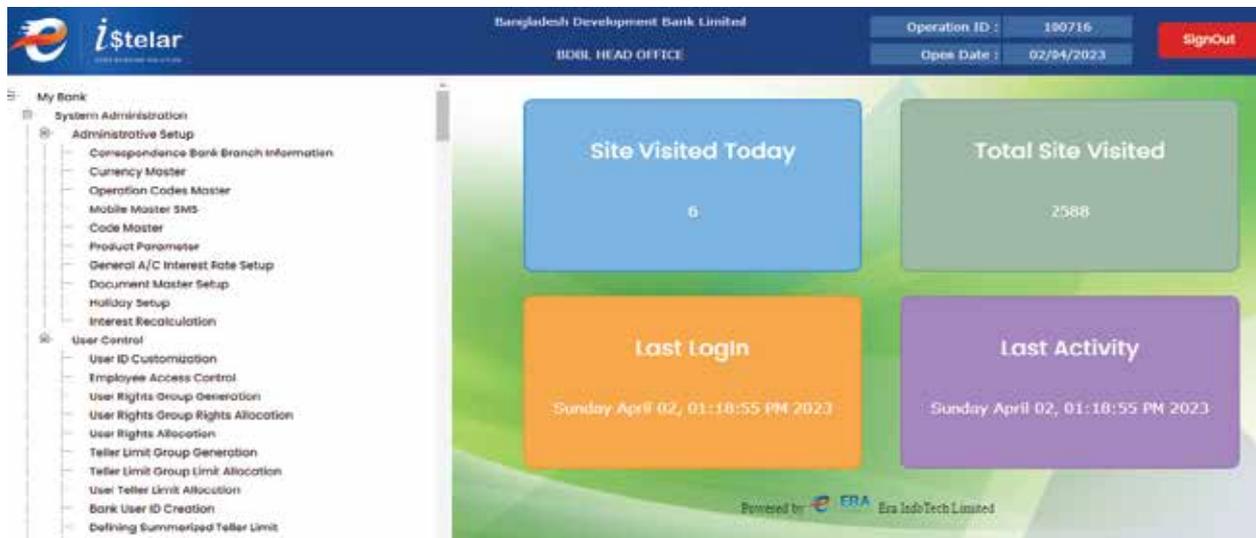
Report on Automation



Report on Automation

Core Banking Solution (CBS)

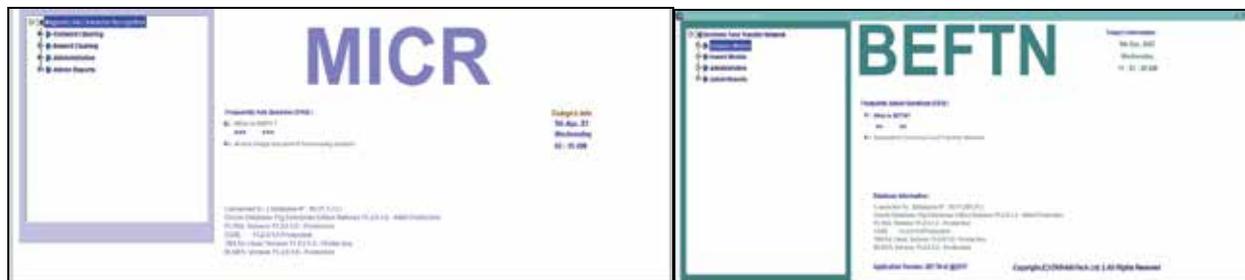
As part of the Government's 'Smart Bangladesh' program for technological development, Bangladesh Development Bank PLC. has undertaken an action plan to automate all banking activities and implemented a Core Banking Solution (CBS) according to the guidelines of Bangladesh Bank. The Bank commenced live CBS operations on July 1, 2015. Consequently, all branches are 'Real-Time-Online' for carrying out all banking transactions through CBS. The Bank continuously updates the CBS in accordance with the requirements of Bangladesh Bank.



Deposit/Payment System of cash in Bangladesh Development Bank PLC.

- **BACH (Bangladesh Automated Clearing House)**

Adhering to Bangladesh Bank's plan for automation of payment system of the country, Bangladesh Automated Clearing House (BACH) is in operation since its inception at the bank. The two components of BACH namely Bangladesh Automated Cheque Processing System (BACPS) and Bangladesh Electronic Funds Transfer Network (BEFTN) are functioning in the bank. All branches are operating BACPS and BEFTN smoothly. BACPS and BEFTN software have been interfaced with CBS for sound & secured operation.



- **Real Time Gross Settlement (RTGS)**

Real Time Gross Settlement (RTGS) mechanism has opened a new horizon in the payment eco-system, accommodating instant settlement of large value and time critical payment in the country. RTGS payment is a special type of payment where the transfer of money takes place from one bank to another within Bangladesh on a real time and gross basis. Conceptually, RTGS is a highly developed technology that makes possible fund transfers between Banks on real time basis.

The minimum amount for an RTGS payment is BDT 1,00,000.00 (One Lac). Bangladesh Bank introduced the RTGS service in Bangladesh on October 29, 2015. The Bank has seamlessly integrated and offered the RTGS system to its valued customers since its inception. Customers can conveniently transfer funds from any branch, and this service is also available through internet banking and mobile apps. Additionally, BDRTGS launched a foreign currency fund transfer system on September 4, 2022.

BD RTGS Time Schedule:

1. Customer Transaction: 10.00 to 15.30
2. Custom Duty, Foreign Currency Transaction: 10.00 to 16.30
3. Treasury Transaction: 10.00 to 16.30

BD RTGS transaction time schedule can be changed by Bangladesh Bank.



e-KYC:

The 'BDBL e-Account' online service/app has been launched to open bank accounts at home, aiming to bring banking services to the customer's doorstep. With 'BDBL e-Account,' customers can open their own accounts using their National ID in a short period of time. Moreover, customers have the facility to open a bank account at the nearest branch with onboard technology.

Debit Card:

An account holder of the bank can avail themselves of the opportunity for 24/7 banking transactions using a Debit Card. The bank commenced its first Debit card operations on both Q-cash and NPSB Networks on March 15, 2022. Through the bank's debit card, customers can access 24/7 banking services, including cash withdrawals and shopping, across 12,000+ ATMs and POS terminals of all banks nationwide. To date, more than 4,100 customers have received the bank's Debit Card. A separate Card Unit is responsible for monitoring card transactions, providing card information, and issuing debit cards as per the requirements of branch offices.

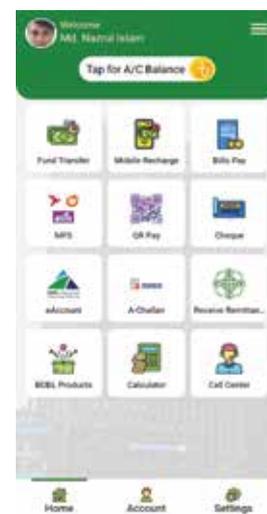
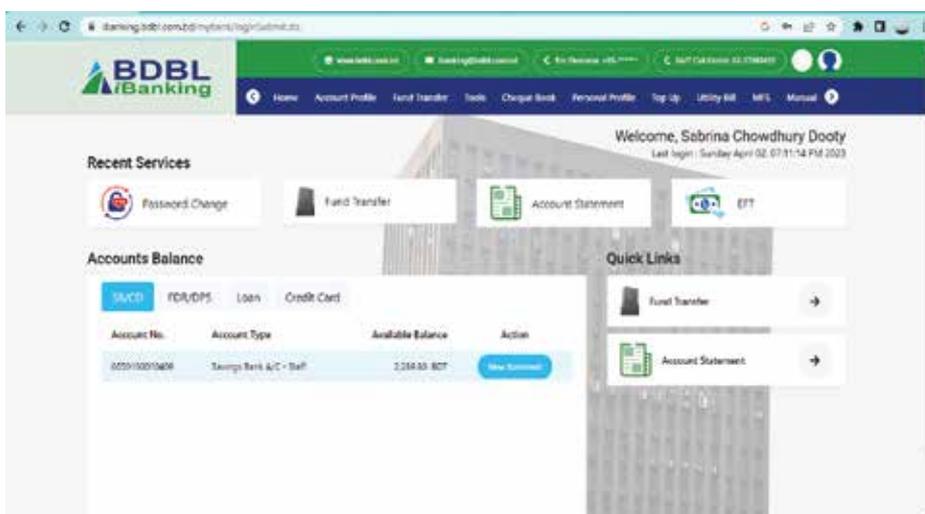


Internet Banking & Mobile Apps:

The financial sector of Bangladesh is continuously growing in response to the evolving needs of the economy. The rapid expansion of mobile phone users, modernization of payment and financial systems based on IT infrastructure, and the country-wide reach of mobile operators' networks and the internet have opened up opportunities for innovating cost-efficient and prompt Mobile App Services for both urban and rural populations.

To ensure orderly, efficient, and optimal use of new opportunities while extending traditional financial services, Bangladesh Development Bank PLC. has launched Internet Banking and Mobile App for its registered account holders. These services enable users to transfer funds within the bank and to other banks via EFT, RTGS, and NPSB. Additionally, customers can transfer funds to Mobile Financial Services (MFS) like bKash and Nagad. The applications also allow for utility bill payments as needed. Customers can securely and instantly recharge their mobile phones using the Mobile App and iBanking. Moreover, our mobile apps and Internet Banking provide the following features:

- View Account Statement
- Checkbook requisition
- Instruction of Stop Payment
- Instruction of Positive Pay



Cash Withdrawal Facility from Over the Counter (OTC) by Scanning QR Code

Cash withdrawal facility from Over-the-counter (OTC) by scanning QR code is introduced in the Bank. This System provides the facility of free and quick withdrawal of money without cheque. A maximum of 1,00,000 (one lac) taka at a time and a maximum of 5,00,000 (five lac) taka per day can be withdrawn in this method. Each branch of the bank has its own QR code. Customers scan the QR code by logging into their account only through the bank mobile apps. Two-factor method is used for verification. If it is possible to introduce QR Code based payment system in the bank, the users of mobile apps is being benefited by taking the said services easily. With the facility of cheque less and charge free cash withdrawal, the Bank's customer base is expected to increase at a higher rate.

In-House Software:

The bank has developed in-house software, including the File Transfer System (FTS), Online CIB Batch, Asset Management System, Training Management System (TMS), BDDB MIS Software, BDDB Lawsuit Management, Monitoring System, and e-Telephone Guide, among others.

Website:

The Bank also developed an informative website containing description of its various products & services, audited annual accounts and other information about the bank. The web address www.bdbl.com.bd has been working as a primary source of information of the bank. Now bank's website is connected with Bangladesh Government National portal developed by a2i (Aspire to Innovate). This site is available in both English and Bangla Language.



Domain Controller:

The bank has implemented secure Domain Controller service to bring all computers and servers under a common umbrella prohibiting unnecessary software installation, USB/CDROM restrictions etc. IT Departments can monitor logging information on each PC of the network and take necessary actions if needed.

Email and E-mail Security System:

As the sophistication of cyber attacks increases, phishing attacks against email security are getting popular. The bank has established corporate e-mail service/system for all officers in its own domain bdbl.com.bd. Moreover, with email security system bank can restrict promotional emails and emails from unauthorized domain. The bank can monitor all incoming emails with details and filter spam if required. Bank has prepared Internet and email usage policy as per instructions of ICT Ministry and Bangladesh Bank.

D-Nothi Implementation:

D-Nothi is the application of information and communication technology (ICT) for delivering government services, exchange of information, communication transactions, integration of various stand-alone systems and services between government-to-citizen, government-to-business, government-to-government, government-to-employees as well as back-office processes and interactions within the entire government framework. The bank has already trained up employees to implement D-Nothi and started its operation in head office.



e-GP:

National e-Government Procurement (e-GP) portal of the Government of the People's Republic of Bangladesh is developed, owned and being operated by the Central Procurement Technical Unit (CPTU), IME Division of Ministry of Planning. The e-GP system provides an on-line platform to carry out the procurement activities by

the Public Agencies - Procuring Agencies (PAs) and Procuring Entities (PEs). This complete e-GP solution introduced under the Public Procurement Reform (PPR) Program is being supported by the World Bank and gradually used by all government organizations. The bank purchase goods and services according to the rules of Public Procurement Rules in vogue through e-GP System.

SWIFT:

Bangladesh Development Bank PLC., as a member of Society for Worldwide Interbank Financial Telecommunication (SWIFT), provides facilities of foreign exchange/foreign trade transactions through its secured financial messaging system of SWIFT from its Authorized Dealer (AD) branches. The SWIFT code of the bank is BDDBBDDH. Automated Sanctions Screening System from SWIFT has been introduced in the Bank. It alerts unwanted transaction in favor of any sanctioned people, institutions, organizations, banks or countries.

e-Attendance System:

The Bank has implemented an e-Attendance system across all branches, zones, and the head office. This system allows employees to register their attendance using facial recognition, palm, and fingerprint scans. All branches are centrally connected through this system, which integrates with the HR and Payroll management system. When an employee is transferred, their templates are centrally transferred to the designated machine.



Video Conferencing System:

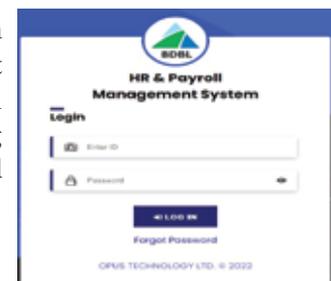
The bank has implemented automated and modern technology based conferencing facilities through Zoom. This enables officials from different branches to join online conferences hosted by the bank authority, reducing transportation costs and saving valuable time.

Data Center and Disaster Recovery Site (DRS)

The bank has established a standard and compliant Data Center at its Head Office and a Disaster Recovery Site (DRS) at the bank's Karwan Bazar Bhaban to safeguard the CBS and ensure business continuity and system recovery in case of any unexpected disaster. Additionally, the bank, along with other government banks (Agrani, Janata, Sonali, Rupali, BKB) and financial institutions, led by the Bangladesh Computer Council (BCC), High-Tech Park Authority, and Investment Corporation of Bangladesh (ICB), has formed a company named "Bangladesh Data Center and Disaster Recovery Site (DRS) Limited." The company has been registered with the Registrar of Joint Stock Companies. Its purpose is to establish a DRS in Jashore and allocate space to its members for setting up Far DRS or for rental. We are hopeful that the company will commence operations very soon.

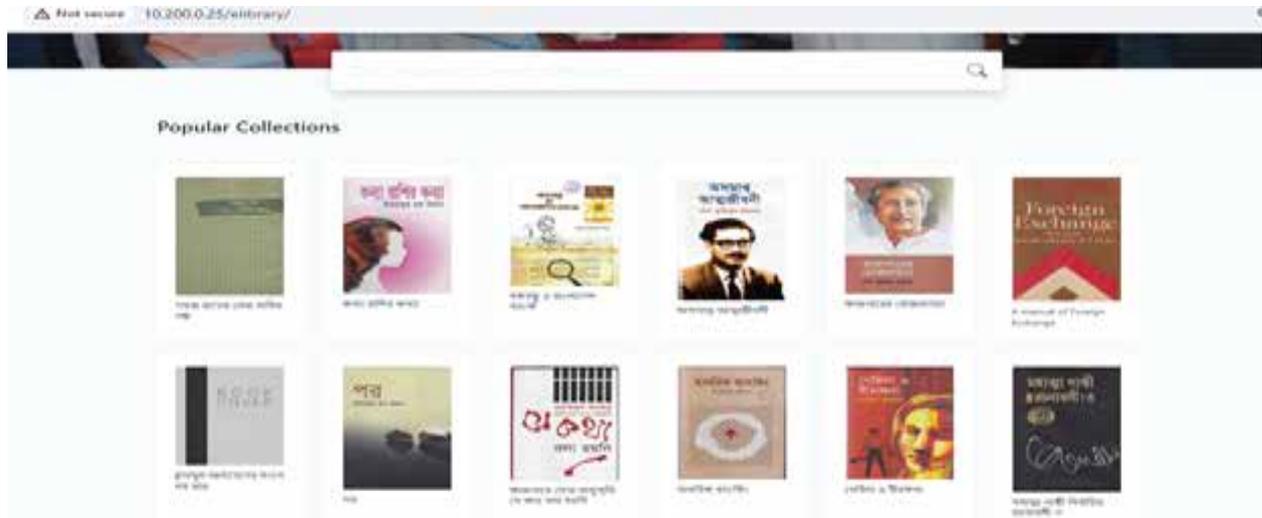
HR & Payroll Management System:

The bank has implemented an HR & Payroll Management System. The Human Resource Management Department and the Central Accounts Department utilize this system for various activities, including centralized payroll processing, maintaining detailed salary records for every employee, tracking deductions, managing salary fixation, allowances, bonuses, staff loans, and overseeing leave and attendance.



Digitalization of the Library:

The bank has introduced an e-Library system, enabling employees to borrow books from the library. The library officials have scanned over 3,000 book covers and updated them in the digital library system. Additionally, readers can access and read e-books through this system.



E-commerce:

Online business has become increasingly popular, offering customers the convenience of securely storing payment information and making payments with just a few clicks. Account holders can make online purchases using the bank's Debit Card through the NPSB and Q-Cash networks.

VAPT (Vulnerability Assessment & Penetration Testing) for Servers and Application:

A team from the Bangladesh Computer Council (BCC) has completed Vulnerability Assessment and Penetration Testing (VAPT) on the bank's servers, network devices, web applications, and mobile applications, in accordance with Bangladesh Bank's ICT security guidelines. We have addressed and rectified the security issues identified by the team.



Cyber Security System:

A dedicated IT Security Unit has been established to enhance the bank's cyber security. This unit continuously monitors the bank's servers, network devices, and applications using security tools and takes immediate action to address any intrusions after notifying the management authorities. Additionally, if any backdoors or malware are detected within the bank's network, the unit informs the National CIRT of Bangladesh (N-CIRT), which assists in developing various IT security policies and guidelines for the bank. The IT Security Unit also conducts awareness workshops for general officers to ensure the bank's cybersecurity. To ensure the smooth operation of the bank's IT activities, the unit performs IT audits of all branch, zonal offices, and the head office. This unit collaborates with the BCC VAPT Team to address and resolve issues identified in the VAPT report.

A-Challan System:

Automated Challan System (A-Challan System) has been introduced for online submission of various government service fees. This system facilitates the quick and secure deposit of VAT, taxes, government fees, passport fees, and more. The bank is connected with Bangladesh Government's A-Challan System, enabling all branches to collect Treasury Challans on behalf of the Bangladesh Government.

National Savings Scheme (Shanchaypatra):

The National Savings Certificate in Bangladesh comprises various savings schemes managed by the National Savings Department, under the supervision of the Internal Resources Division of the Ministry of Finance of the Bangladesh Government. The Bank offers the Shanchaypatra facility to customers on behalf of the Department of Savings, Bangladesh Government.

Indian Visa Application Fee:

As part of its digitalization efforts, the Bank has introduced digital banking services such as processing Indian Visa Application Fees. Subscribers can conveniently submit their Indian visa fees through their accounts using the bank's mobile apps and internet banking platforms.

Foreign Remittance Collection:

Foreign remittances play a significant role in our economy. The bank facilitates the collection of foreign remittances through services like Western Union and Ria Money Transfer.

Facilities to Walk-in Customers (without accounts):

This service allows for instant cash transactions within the country without the need for a bank account. Utilizing a mobile number, secret PIN, and NID card verification, both senders and recipients can conduct transactions at any branch of the bank nationwide. Each transaction is capped at BDT 1,00,000 (one lac) with a maximum of 5 transactions per day. This service ensures swift remittances, withdrawals, and account-free cash receipts with full security assurance. By offering cost-effective, account-less cash withdrawal options, the bank anticipates expanding its customer base and market reach significantly. This service is available to both Walk-in Customer (without account) and existing bank customers.

Future Plan

Bangla QR: Bangla QR Payment technology utilizes Push payments, enabling transactions through smart phones, tablets, desktops, or other applications. Customers can make payments to any merchant by scanning the Bangla QR code. As per the directives of Bangladesh Bank, we will be introducing Bangla QR technology very soon.



Software-Defined Networking (SDN) for proper utilization of Data Center (DC) and Disaster Recovery Site (DRS): Implementing Software-Defined Networking (SDN) is crucial for centrally monitoring and controlling the bank's network system, including all branches, through software. SDN will be deployed following the implementation of a Security Operations Center (SOC). This integration will enhance the reliability of the bank's network connectivity and expedite disaster recovery processes. Moreover, it will streamline network management, ensuring enhanced security, speed, and efficiency.

Establishment of Security Operation Center (SOC): The Bank has already implemented Network Operation Center (NOC) as per the guidelines and ICT policy of Bangladesh Bank. Data is being collected and reviewed from various banks for implementation of SOC under the direction of Bangladesh Bank.

Launch of Visa, Master Debit / Credit Card and Contactless Payment Service: The bank has taken initiative to introduce EMV Chip based Visa/Master Card. Data is being collected and reviewed from various banks with a view to introduce Chip based Debit / Credit Card in the bank. If it is possible to introduce such technology cards, the trust and acceptance of the bank towards the customers will increase.

Interoperable Digital Transaction Platform (IDTP): Bangladesh Bank has formulated policy 2022 for MFS (Mobile Financial Service) to MFS and MFS to Bank fund transfer. Under the said policy, if IDTP is implemented under the supervision of Bangladesh Bank, Bank to Bank, Bank to MFS (Mobile Financial Services e.g. bKash, Nagad etc.) and MFS to Bank will get the benefit of instant 24/7 fund transfer. The bank has already made all the preparations and it will be implemented in this bank as soon as Bangladesh Bank starts live operation.

Report on Corporate Social Responsibility

Corporate Social Responsibility:

CSR, also known as Corporate Citizenship or Sustainable Responsible Business, is a form of corporate self-regulation integrated into business models. A CSR Policy serves as a self-regulatory mechanism through which businesses monitor and ensure their active compliance with legal, ethical standards, and international norms. CSR aims to embrace responsibility for corporate actions and foster a positive impact on the environment and stakeholders, including customers, employees, investors, communities, and others. Fundamentally, CSR embodies a sense of responsibility towards the community and the environment, promoting inclusive development where no one is left behind.

CSR mainly focuses on promoting environmentally sustainable societal development through awareness and proactive measures. CSR initiatives aim to mitigate various environmental impacts of business activities while also addressing inequalities and poverty within communities across the country.

CSR Activities:

Bangladesh Development Bank PLC, a state-owned commercial bank with 50 branches and 651 employees, acknowledges its responsibility towards society and actively contributes to improving the social well-being of marginalized communities. The bank has formulated its CSR Policy in alignment with the Sustainable Development Goals (SDGs). The primary objective of the bank's CSR activities is to foster a sustainable society. The CSR budget is funded from the bank's annual profits. Since its inception, the bank has utilized BDT 4.53 crore towards various CSR initiatives.

Directors' Responsibility For Financial Reporting & Internal Control

The Board of Directors of Bangladesh Development Bank PLC is responsible for overseeing the preparation of the Bank's financial statements to ensure they present a true and fair view of its financial position. The Directors must ensure that these financial statements are prepared in accordance with the requirements of the Bangladesh Accounting Standards, as adopted by the Institute of Chartered Accountants of Bangladesh (ICAB), the Companies Act of 1994, the Bank Companies Act of 1991 (Amended in 2023), and the Bangladesh Securities and Exchange Commission Rules of 1987, as deemed relevant and appropriate under the circumstances. The financial information and data provided in this Annual Report are fully consistent with the financial statements.

The financial statements are required by law and International Accounting Standards, as adopted by ICAB, to present a fair view of the company's financial position and performance for the period. In preparing the financial statements, the following principles are observed:

- Select suitable accounting policies and apply them consistently;
- Make judgments and estimates that are reasonable and prudent;
- Ensure that the financial statements are prepared in accordance with International Accounting Standards (IAS) adopted by ICAB; and
- Prepare the financial statements on a going concern basis unless it is appropriate to presume that the company will not continue in business.

In compliance with the requirements of the BSEC's Notification dated August 7, 2012, the Directors are also required to declare the following matters in the report:

- The financial statements prepared by the management fairly represent the company's state of affairs, the results of its operations, cash flows, and changes in equity;
- Proper books of accounts have been maintained;
- Appropriate accounting policies have been consistently applied in the preparation of the financial statements, and accounting estimates are based on reasonable and prudent judgment;
- International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS), as applicable in Bangladesh, have been followed in the preparation of the financial statements with appropriate disclosures;
- The system of internal control is sound in design and has been effectively implemented and monitored;
- There is no significant doubt about the company's ability to continue as a going concern. If the company is not considered to be a going concern, the fact along with the reasons should be disclosed; and
- Significant changes in the company's operating results from the previous year should be highlighted, and the reasons should be explained.

The Directors fully confirm the following procedures while preparing the annual accounts for the year 2023:

- The accounting policies, framed in accordance with the guidelines of Bangladesh Bank, are consistently applied;
- Adequate accounting records are efficiently maintained in accordance with the provisions of the applicable laws governing banks in Bangladesh;
- Practical, reasonable judgment and estimates are applied to provide a clear and accurate depiction of the state of affairs and the profit of the Bank for the year 2023;
- Accounts have been prepared on a "going concern" basis; and
- Statutory payments have all been made up to date to the full satisfaction of the Directors.

Responsibility for Internal Control

To ensure adequate internal control, the Bank has taken proper and sufficient measures to establish a system of internal control that is reviewed, evaluated, and updated on an ongoing basis. The Compliance Department conducts periodic audits to provide reasonable assurance that the established and approved policies and procedures of the Bank are consistently followed.

The auditors of the Bank, UHY Syful Shamsul Alam & Co. and Basu Banerjee Nath & Co., Chartered Accountants, have carried out annual audits to review the internal control system, as they consider appropriate and necessary, to express their opinion on the financial statements. They have also examined the financial statements provided by the management, along with all financial records, related data, minutes of shareholders and Board meetings, and relevant policies, and have expressed their opinion accordingly.

The Board of Directors is responsible for ensuring adequate internal control over financial transactions and reporting. To ensure effective risk management, the Board ensures that an adequate internal control system is in place and consistently followed. This provides reasonable assurance that financial records are reliable for the preparation of financial statements, maintains the quality of financial reporting, safeguards the Bank's assets against unauthorized use or disposition, and ensures accountability for assets and business transactions. The Board continuously monitors and updates internal control procedures.

The Bank's accounting policies, financial reporting, and internal control are under the direct supervision of the Audit Committee of the Board, which reports to the Board of Directors for general oversight and supervision. The Audit Committee is fully independent of Executive Management. The Committee regularly reviews reports prepared by the Internal Control & Compliance Division (ICCD), covering all the Bank's business operations, with particular focus on core risks.

The ICCD of the bank works in close coordination with the Audit Committee to ensure better internal control, effective operational procedures, and reliable financial reporting. The ICCD conducts detailed audits of the activities of Branches and the Head Office on a regular basis. Its reports are presented directly to the Audit Committee. The ICCD also has direct access to the Audit Committee to discuss any matters related to their audits, the adequacy of internal control procedures, compliance, and overall risk management of the Bank. The auditors have full access to the Audit Committee to discuss any matters related to their audit to ensure the reliability of financial reporting and the effectiveness of internal control procedures.

In conclusion, the Board believes that effective control was maintained over the preparation of financial statements for the year ended December 31, 2023.

With best regards
On behalf of the Board of Directors



(Shamima Nargis)
Chairman