

**Market Disclosures for December 2017
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 as of 31 December 2017 are prepared as per the guidelines of Bangladesh Bank on “Risk Based Capital Adequacy for Banks” to establish more transparent and more disciplined financial market.

1. Scope of Application

		(a) The name of the corporate entity in the group to which this guidelines applies	Bangladesh Development Bank Limited
Scope of Application	Qualitative Disclosure	(b) An outline of the differences in the basis of consolidation for accounting and regulatory purposes, with a brief description of the entities within the group: (i) that are fully consolidated; (ii) that are given a deduction treatment and (iii) that are neither consolidated nor deducted (e.g. where the investment is risk-weighted).	<p>A brief description of the bank and its subsidiaries are stated below:</p> <p>Bangladesh Development Bank Limited Bangladesh Development Bank Limited (“BDBL” or the “Bank”) 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 2013) 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 was executed between the Government of the Peoples Republic of Bangladesh and Bangladesh Development Bank Limited on 31 December 2009 in this regard.</p> <p>Subsidiaries of BDBL: i) BDBL Securities Limited BDBL Securities Limited, a fully owned subsidiary company which was incorporated on 23 May, 2011 with the Registrar of Joint Stock Companies & Firms with paid up capital of Tk. 200.00 million. The company is a member of Dhaka Stock Exchange Ltd. (DSE) and Chittagong Stock Exchange Ltd. and obtained Stock</p>

			<p>Broker and Stock Dealer License of DSE on 18.01.2012 and CSE on 15.05.2012.</p> <p>ii) BDBL Investment Services Limited: 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 200.00 million respectively. A vendors Agreement was signed on 11 September, 2014 between BDBL and BISL for transfer of membership of DSE Trading Right Entitlement Certificate (TREC) # 152 & Shares (7,215,106 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>
		(c) Any restrictions, or other major impediments, on transfer of funds or regulatory capital within the group.	Not Applicable
	Quantitative Disclosure	(d) The aggregate amount of capital deficiencies in all subsidiaries not included in the consolidation that are deducted and the names of such subsidiaries.	Not Applicable

2. 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.

Capital Structure	Qualitative Disclosure	<p>(a) Summary information on the terms and conditions of the main features of all capital components, especially in the case of eligible capital components for inclusion in CET1, Additional Tier-1 and in Tier-2.</p>	<p>The capital of BDBL can be classified into two tiers. The total regulatory capital will consist of sum of the following categories:</p> <ol style="list-style-type: none"> 1. Tier 1 Capital (going-concern capital) <ol style="list-style-type: none"> a) Common Equity Tier 1 b) Additional Tier 1 2. Tier-2 Capital (gone-concern capital). <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</p>
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			<p>basis. CET1 includes paid-up capital, statutory reserve, general reserve, retained earnings, minority interest in subsidiaries.</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 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 Disclosure		<u>Solo</u>	<u>Consolidated</u>
			<u>Taka in Thousand</u>	
	(b) The amount of Regulatory Capital Tier 1 Capital, with separate disclosure of (as on 31.12.2017)	Paid up Capital	4000,000	4000,000
		Statutory reserve	2335421	2335421
		General reserve	4047755	4047755
		Retained earnings	367945	527434
		Total Tier-1 Capital	10751121	10910610
	(c) Tier 2 capital	General Provision	92354	92354
		Asset Revaluation Reserve	1340007	1340007
		Total Tier-2 Capital	1432361	1432361
	(d) Total amount of Tier I & Tier II Capital		12183482	12342971
	(f) Other deduction from Capital		205788	216602
	(g) Total eligible capital(Tier-1+Tier-2+Tier-3)	Total eligible capital(Tier-1+Tier-2+Tier-3)	11977694	12126369

3. Capital Adequacy

Capital Adequacy	Qualitative Disclosure	<p>(a)A summary discussion of the bank's approach to assessing the adequacy of its capital to support current and future activities.</p> <p>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.</p> <p>The bank has maintained Capital to Risk Weighted Asset Ratio (CRAR) at 26.61% on solo basis and 26.55% on consolidated basis against minimum regulatory requirement of 10%.Tier-I capital adequacy for solo and consolidated basis are 23.43% and 23.42% respectively against the minimum requirement of 6%.</p>
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			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 BDBL is to ensure adequate capital to meet up its all sorts of obligations any time even in adverse condition.	
Quantitative Disclosure	Particulars		Solo	Consolidated
			Taka in Thousand	
	A.Capital Requirement for Credit Risk			
	On-Balance Sheet		3084666	3012870
	Off-Balance Sheet		24853	24853
	B.The capital requirements for Market Risk			
	Interest rate risk		-	-
	Equity position risk		1021018	1146076
	Foreign exchange risk		13238	13238
	Commodity risk		-	-
	C.The capital requirements for Operational Risk		357890	369773
	Total Risk Weighted Assets (RWA)		45016642	45668092
	10% of Risk Weighted Assets		4501664	4566809
	Required Capital (10% of risk weighted assets or 400.00 crore which is higher)		4501664	4566809
	Capital Conservation Buffer @ 1.25% on Tier-1 Capital		131817	133675
Total Required Capital with Conservation Buffer		4633481	4700484	
Total eligible capital		11977694	12126369	
Capital Surplus		7344213	7425885	

4. Credit Risk

Credit Risk	Qualitative Disclosure	<p>(a)The general qualitative disclosure requirement with respect to credit risk, including: *Definitions of past due and impaired (for accounting purposes) as per master circular for loan classification issued by Bangladesh Bank time to time.</p>	<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> <p>I. Substandard ii. Doubtful iii.Bad & Loss</p> <p>Any continuous loan will be classified as:</p>
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			<p>i. Sub-standard- if it is past due/overdue for 3 months or beyond but less than 6 months.</p> <p>ii. Doubtful- if it is past due/overdue for 6 months or beyond but less than 9 months.</p> <p>iii. Bad/Loss- if it is past due/overdue for 9 months or beyond.</p> <p>Any Demand Loan will be classified as:</p> <p>i. Sub-standard- if it remains past due/overdue for 3 months or beyond but not over 6 months from the date of claim by the bank or from the date of creation of forced loan.</p> <p>ii. Doubtful- if it remains past due/overdue for 6 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.</p> <p>iii. Bad/Loss- if it remains past due/overdue for 9 months or beyond from the date of claim by the bank or from the date of creation of forced loan.</p> <p>Term Loan will be classified as:</p> <p>(A) In case of any installment(s) or part of installment(s) of a Fixed Term Loan amounting upto Tk.10.00 Lacs is not repaid within the due date, the amount of unpaid installment(s) will be termed as past 'due or overdue installment'. Such types of Fixed Term Loans are classified as:</p> <p>i. Sub-standard- if the amount of past due installment is equal to or more than the amount of installment(s) due within 06 (six) months, the entire loan will be classified as "Sub-standard".</p> <p>ii. Doubtful- if the amount of past due installment is equal to or more than the amount of installment(s) due within 09 (nine) months, the entire loan will be classified as "Doubtful".</p> <p>iii. Bad/Loss- if the amount of past due installment is equal to or more than the amount of installment(s) due within 12 (twelve) months, the entire loan will be classified as "Bad/Loss".</p> <p>(B) In case of any installment(s) or part of installment(s) of a Fixed Term Loan amounting more than Tk.10.00 Lacs is not repaid within the due date, the amount of unpaid installment(s) will be termed as past 'due or overdue installment'. Such types of Fixed Term Loans are classified as:</p> <p>i. Sub-standard- if the amount of past due installment is equal to or more than the amount of installment(s) due within 03 (three) months, the entire loan will be classified as "Sub-standard".</p> <p>ii. Doubtful- if the amount of past due installment is equal to or more than the amount of installment(s) due within 006(six) months, the entire loan will be classified as "Doubtful".</p> <p>iii. Bad/Loss- if the amount of past due installment is equal to or</p>
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		<p>more than the amount of installment(s) due within 09 (nine) months, the entire loan will be classified as “Bad/Loss”.</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> <p>i. Sub-standard-if the irregular status continues after a period 12 (twelve) months, the credit is classified as “Sub-standard”.</p> <p>ii. Doubtful-if the irregular status continues after a period 36 (thirty six) months, the credit is classified as “Doubtful”.</p> <p>iii. Bad/Loss-if the irregular status continues after a period 60 (sixty) months, the credit is classified as “Bad/Loss”.</p>
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	<p>*Description of approaches followed for specific and general provision and statistical methods:</p>	<p>> 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".</p> <p>> 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".</p>																																															
		<table border="1"> <thead> <tr> <th rowspan="2">Types of loans</th> <th colspan="5">Provision</th> </tr> <tr> <th>UC</th> <th>SMA</th> <th>SS</th> <th>DF</th> <th>BL</th> </tr> </thead> <tbody> <tr> <td>House building And professionals</td> <td>1%</td> <td>1%</td> <td>20%</td> <td>50%</td> <td>100%</td> </tr> <tr> <td>Other than Housing Finance</td> <td>5%</td> <td>5%</td> <td>20%</td> <td>50%</td> <td>100%</td> </tr> <tr> <td>Professionals to setup business</td> <td>2%</td> <td>5%</td> <td>20%</td> <td>50%</td> <td>100%</td> </tr> <tr> <td>Short term Agri. Credit and Micro Credit</td> <td>2.5%</td> <td>2.5%</td> <td>5%</td> <td>5%</td> <td>100%</td> </tr> <tr> <td>Small & Medium Enterprise</td> <td>0.25%</td> <td>0.25%</td> <td>20%</td> <td>50%</td> <td>100%</td> </tr> <tr> <td>Others</td> <td>1%</td> <td>1%</td> <td>20%</td> <td>50%</td> <td>100%</td> </tr> </tbody> </table>	Types of loans	Provision					UC	SMA	SS	DF	BL	House building And professionals	1%	1%	20%	50%	100%	Other than Housing Finance	5%	5%	20%	50%	100%	Professionals to setup business	2%	5%	20%	50%	100%	Short term Agri. Credit and Micro Credit	2.5%	2.5%	5%	5%	100%	Small & Medium Enterprise	0.25%	0.25%	20%	50%	100%	Others	1%	1%	20%	50%	100%
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		* Discussion of the Bank's credit risk management policy	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.		
Quantitative Disclosure	(b) Total gross credit risk exposures broken down by major types of credit exposure.			Solo	Consolidated
				Taka in Thousand	
		Cash Credit		4470649	4470649
		Long Term Loan		7597344	7597344
		Over Draft		448317	48317
		Local Documentary Bill Purchase		212582	212582
		Bridge Loan			
		Consumer Loan		261151	261151
		Loan Under Investors Scheme		1428982	1428982
		Staff Loan		3526943	3526943
		Total Loans & Advances	17945968	17545968	
Quantitative Disclosure	(c) Geographical distribution of exposures, broken down in significant areas by major types of credit exposure.	Division wise Loans and Advances:		Solo	Consolidated
				Taka in Thousand	
		Dhaka Division		8411185	1230568
		Mymensingh Division		1630568	1630568
		Khulna Division		770758	770758
		Chittagong Division		2877786	2877786
		Rajshahi Division		2454679	2454679
		Barishal Division		432431	432431
		Sylhet Division		271375	271375
		Rangpur Division		1097186	1097186
		Total Loans & Advances	17945968	17545968	
Quantitative Disclosure	(d) Industry or Counterparty type distribution of exposures, broken down in significant areas by major	Industrial Sector		Solo	Consolidated
				Taka in Thousand	
		Food & Allied Products		3438805	3438805
		Jute & Allied Fiber Products		174197	174197
		Cotton, Woolen & Synthetic Textile		4564658	4564658
		Paper, Paper Products & Printing		104513	104513

	types Of credit exposure.	Tannery & its Products	20746	20746
		Non-metallic mineral Products	194263	194263
		Forest, Wood Products & Saw Mills	113970	113970
		Metal Products	762040	762040
		Electrical Machinery & Goods	116143	116143
		Machinery & Spare Parts	17670	17670
		Transport	76928	76928
		Chemicals & Pharmaceuticals	299778	299778
		Petro- Chemicals	141236	141236
		Service Industries	705219	705219
		Rubber & Rubber	8744	8744
		Miscellaneous	7207058	6807058
		Total Loans & Advances	17945968	17545968
(e) Classification Status of Loans and Advances	Classification Status	Solo	Consolidated	
		Taka in Thousand		
	Standard	8820085	8420085	
	Special Mentioned Accounts	775587	775587	
	Sub-Standard	184356	184356	
	Doubtful	196607	196607	
	Total Loans & Advances	17945968	17545968	
(f) Residual Contractual maturity breaks down of the whole portfolio, broken down by major types of credit exposure.		Solo	Consolidated	
		Taka in Thousand		
	Repayable – on demand	-	-	
	Up to 3 months	1994200	1594200	
	Over 3 months but below 1 year	4015800	4015800	
	Over 1 year but below 5 years	8911100	8911100	
	Total Loans & Advances	17945968	17545968	
(g) Provision Against Loans & Advances	Provision for Un-Classified Loan	Solo	Consolidated	
		Taka in Thousand		
	Provision held at the beginning of the year	877882	877882	
	Fully provided debts written off (-)	-	-	

			Recoveries of amount Previously Written off (+)		
			Specific provision for the year (+)	-	-
			Provision Transfer to other Assets	-	-
			Excess provision		
			Excess provision transferred from provision to CI Loan (+)	(791348)	(791348)
			Specific Provision For Special Mentioned	-	-
			Provision held at the end of the year	86534	86534
		Provision for Classified Loan	Provision for Classified Loan	Solo	Consolidated
				Taka in Thousand	
			Provision held at the beginning of the year	2422019	2422019
			Fully provided debts written off (-)	-	-
			Recoveries of amount Previously Written off (+)	-	-
			Specific provision for the year (+)	345050	345050
			Recoveries & provision no longer required (-)	-	-
			Excess provision transferred for Off-	-	-
			Balance Sheet Items(-)	-	-
			Excess provision transferred from provision for unclassified loan(-)	888886	888886
			Provision held at the end of the year	3655955	3655955

**5. Equities: Disclosures for Banking Book Positions
Qualitative Disclosure**

Equities: Disclosures for Banking Book Positions	Qualitative Disclosure	(a) The general qualitative disclosure requirement with respect to the equity risk, including : <input type="checkbox"/> Differentiation between holdings on which capital gains are expected and those taken under other objectives including for relationship and strategic reasons; and <input type="checkbox"/> 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, Provision on Shares was TK. 205788 as on 31-12-2017 and it was deducted from common equity tier-1 capital accordingly for calculation of regulatory capital.
		(b) Value disclosed in the balance sheet of investment, as well as the fair value of those investments for quoted securities, a comparison to publicly quoted share values where 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.
		(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.
		(d)* Total unrealized gains (losses) *Total latent revaluation gains (losses) *Any amounts of the above included in Tier 2 capital	TK. 21059655 - -
		(e) Capital requirements broken down by appropriate equity grouping, 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.

6. Interest Rate Risk in the Banking Book (IRRBB)

Interest Rate Risk in the Banking Book	Qualitative Disclosure	(a)The general qualitative disclosure requirement including the nature of IRRBB and key assumptions, including assumption 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. BDBL 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 Disclosure	(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).	Particulars	<3 Months	3-6 Months	6-12 Months
			Taka in Thousand			
			Risk Sensitive Assets	14892513	2224298	4448597
			Risk Sensitive Liabilities	1246694	2433513	4867026
			GAP	13645819	-209215	-418429
			Cumulative GAP	14892513	13436604	13018175
At 1% change in interest, change in net interest income is Tk 155600 thousand.						

7. Market Risk

Market Risk	Qualitative	(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	BDBL makes investment decision based on historical data of market movements of all comparable financial institution instruments to avoid market risk. For managing specific risk BDBL 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 process 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 Disclosure	(b) The capital requirements for:		Solo	Consolidated
				Taka in Thousand	
			Interest rate risk	-	-
			Equity position risk	1021018	1146077
			Foreign exchange risk	13238	13237
			Commodity risk	-	-
		1034256	1159314		

8. 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.

Operational Risk	Qualitative Disclosure	(a) Views of BOD on system to reduce Operational Risk	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. Audit committee of the Bank oversees the activities of Internal Control & Compliance Division (ICCD) to protect against all operational risk.
		Performance gap of executives and staffs	BDBL has a policy to provide equal opportunity and best working environment to the employees. BDBL'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. ICCD directly report to Audit Committee of the Bank. Bank's Anti- Money laundering activities are supervised by CAMELCO 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 disclosure	b) The capital requirements for Operational Risk	Solo	Consolidated
			Taka in Thousand	
			357890	369773

9. Liquidity Ratio

Liquidity Ratio	Qualitative Disclosure	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> <ul style="list-style-type: none"> a) 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. b) 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>The Board Of Directors (BOD) of Bangladesh Development Bank Limited 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 BDBL identifies and monitors the driving factors of liquidity risk considering the following aspects:</p> <ul style="list-style-type: none"> a) Cash Reserve Requirement(CRR) b) Advance Deposit Ratio(ADR)/Investment Deposit Ratio(IDR) c) Liquidity Coverage Ratio(LCR) d) Net Stable Funding Ratio(NSFR) <p>The bank also uses its own liquidity monitoring tool:</p> <ul style="list-style-type: none"> a) Liquidity Contingency Plan b) Whole Sale Borrowing & Funding Guideline

Quantitative disclosure	Liquidity risk management system:	At any gap at any particular maturity bucket, the liquidity risk will be managed through following systems: (i) Fund will be mobilized first from money market. (ii) Balance deposited with other banks will be withdrawn. (iii) The excess amount of CRR with BB will be withdrawn. (iv) Marketable securities will be sold with no or very negligible losses. (v) Fund will be mobilized through Repo or Reverse Repo activities
	Policies and process for mitigating excessive on and off-balance sheet leverage:	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 margin of 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 formulation of a treasury manual policy is under final stage. A Liquidity Contingency Plan has been developed to keep enough liquidity to meet crisis situation.
	Liquidity Ratio	Solo
	Liquidity Coverage Ratio	571.47%
	Net Stable Funding Ratio (NSFR)	100.30%
	Stock of High quality liquid assets (In “000”)	2048069
	Total net cash outflows over the next 30 calendar days (In “000”)	4472500*
	Available amount of stable funding (In “000”)	55282309
	Required amount of stable funding (In “000”)	55114592

10. Leverage Ratio

Leverage Ratio	Qualitative Disclosure	<p>a) Views of BOD on system to reduce excessive leverage policies and processes for managing excessive on and off-balance sheet leverage</p>	<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>BDBL 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>Approach for calculating exposure</p>	<p>A minimum Tier 1 leverage ratio of 3% is being prescribed by Bangladesh Bank both at solo and consolidated basis. BDBL maintains leverage ratio on quarterly basis. The formula for calculating leverage ratio is:</p> $\text{Leverage Ratio} = \frac{\text{Tier 1 Capital (after related deduction)}}{\text{Total Exposure (after related deduction)}}$		
Qualitative Disclosure	<p>b) Leverage ratio is calculated on the basis of Basel-III guidelines and the bank's outstanding data & information.</p>	Components	Solo	Console	
		Taka in Thousand			
		Leverage Ratio	19.28%	19.44%	
		On-balance sheet exposure	58057982	58399148	
Off-balance sheet exposure	581914	581914			

11. Remuneration:

Remuneration	Qualitative Disclosure	<p>a)Information relating to the bodies that oversee remuneration. Disclosure should include:</p> <p>Name, composition and mandate of the main body overseeing remuneration.</p> <p>External consultant 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 (e.g. by region, 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>b)Information relating to the design and structure of remuneration processes:</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 last year, and if so, and an overview of any changes that were made.</p> <p>A discussion of how the bank ensures that risk and compliance employees are remunerated independently of the business they oversee.</p>	<p>Bangladesh Development Bank Limited 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 BDBL 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>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:</p> <p>Salary component is as under:</p> <p>(i)Basic salary;(ii)House Rent Allowance and; (iii)Medical Allowance.</p>
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			<p>Remuneration Type:</p> <ul style="list-style-type: none"> • Employees under pension basis; • Employees under gratuity basis; • Employees under contractual basis; • Employees under outsourcing basis.
		<p>c)Description of the ways in which current and future risks are taken into account in the remuneration process:</p> <p>An overview of the key risks that the bank takes into account when implementing remuneration measures.</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>	<p>Not Applicable</p>
		<p>d) 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>	<p>Not Applicable</p>

	<p>e) 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 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 claw back 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 on-cash benefits are provided as per the approval of the Board of Directors. The various cash and non-cash benefits include:</p> <ul style="list-style-type: none"> • Bank provides car for top level Executive employees • Car loan facility • House loan facility • Staff loan at reduced interest rate • Travel allowance/TA/DA as required • Festival bonus • Allowance for employees’ meritorious students • Recreation leave for 15 days after every three year • Maternity leave
	<p>f)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 of the factors that determine the mix and their relative importance.</p>	<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) that is considered variable remuneration. Salary and all types of benefits provided by the bank are in the form of cash.</p>
	<p>g) Number of meetings held by the main body overseeing remuneration during the financial year and remuneration paid to its member.</p>	<p style="text-align: center;">Not Applicable</p>
	<p>k) 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</p>	<p style="text-align: center;">Not Applicable</p>

		payments made during the financial year.		
		i) Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms. Total amount of deferred remuneration paid out in the financial year.	Not Applicable	
		j)Breakdown of amount of remuneration awards for the financial year to show: - Fixed and variable. - Deferred and non-deferred. - Different forms used (cash, shares and share linked instruments, other forms).	Particulars	Taka in Thousand
			Fixed Pay(including 2 festival bonus)	352443
			Variable Pay(3 incentive bonus equivalent to 3 month's basic salary)	75523
			Total	427966
		k)Quantitative information about employees 'exposure to implicit (e.g. fluctuations in the value of shares or performance units) and explicit adjustments (e.g. claw backs or similar reversals or downward revaluations of awards) of deferred remuneration and retained remuneration: Total amount of outstanding deferred Remuneration and retained remuneration exposed to ex post explicit and/or implicit adjustments. Total amount of reductions during the financial year due to ex post explicit adjustments. Total amount of reductions during the financial year due to ex post implicit adjustments.	Not Applicable	