

**Market Disclosures for December 2019
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 provisional financial statements of 31 December, 2019 are prepared as per the guidelines of Bangladesh Bank "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 guideline applies.	Bangladesh Development Bank Limited (BDBL).
Scope of Application	Qualitative Disclosure	<p>(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:</p> <p>(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>	<p>Bangladesh Development Bank Limited (BDBL) has 2 (two) subsidiaries viz. (i) BDBL Securities Limited and (ii) BDBL Investment Services Limited.</p> <p>A brief description of the bank and its subsidiaries is stated below:</p> <p>Bangladesh Development Bank Limited:</p> <p>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 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 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:</p> <p>i) BDBL Securities Limited:</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 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 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 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	(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 Tier-2.	<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 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	(b) The amount of Regulatory Capital Tier 1 Capital, with separate disclosure of (as on 31.12.2019)		<u>Solo</u>	<u>Consolidated</u>
			Taka in Thousand	
		Paid up Capital	4000000	4000000
		Statutory reserve	2592421	2592421
		General reserve	4347755	4347755
		Retained earnings	425435	612691
		Total Tier-1 Capital	11365611	11552867
	(c) Tier 2 capital	General Provision	115699	115699
		Asset Revaluation Reserve	0	0
		Total Tier-2 Capital	115699	115699
(d) Total amount of Tier I & Tier II Capital		11481310	11668566	
(f) Other deduction from Capital		1485777	1910291	
(g) Total eligible capital (Tier-1+Tier-2+Tier-3)	Total eligible capital (Tier-1+Tier-2+Tier-3)	9995533	9758275	

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 22.18% on solo basis and 21.40% on consolidated basis against minimum regulatory requirement of 10% on Risk Weighted assets. Tier-I capital adequacy for solo and consolidated basis are 21.92% and 21.15% respectively against the 6% minimum requirement. Capital Conservation Buffer for the year 2019 is 2.50%.</p> <p>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.</p>	
Quantitative Disclosure	Particulars	Solo	Consolidated	
		Taka in Thousand		
	A. Capital Requirement for Credit Risk			
	On-Balance Sheet	33925454		32382516
	Off-Balance Sheet	491821		491821
	B. The capital requirements for Market Risk			
	Interest rate risk	-		-
	Equity position risk	6101422		7975066
	Foreign exchange risk	1112581		1112581
	Commodity risk	-		-
	C. The capital requirements for Operational Risk			
	Total Risk Weighted Assets (RWA)	45068219		45605789
	10% of Risk Weighted Assets	4506822		4560579
	Required Capital (10% of risk weighted assets or 400.00 crore which is higher)	4506822		4560579
	Capital Conservation Buffer @ 2.50% on Risk Weighted Assets	1126705		1140145
	Total Required Capital with Conservation Buffer	5633527		5700724
	Total eligible capital	9995533		9758275
	Capital Surplus	4362006		4057551

- Minimum Tier 1 Capital Ratio: 6.00%,
 • Minimum Total Capital Ratio: 10.00%,
 • Capital Conservation Buffer: 2.50%
 • Minimum Total Capital plus Capital Conservation Buffer: 12.50%

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. 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> <p>i.Sub-standard- if it is past due/overdue for 3 months or beyond but less than 6 months. ii.Doubtful- if it is past due/overdue for 6 months or beyond but less than 9 months. 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. 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. 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 is not repaid within the fixed expiry date, the amount of unpaid installment(s) will be treated as past due/overdue after six months of the expiry date. Such types of Fixed Term Loans are classified as:</p> <p>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> <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</p>
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			<p>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 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>STD</th> <th>SMA</th> <th>SS</th> <th>DF</th> <th>BL</th> </tr> </thead> <tbody> <tr> <td>House Finance</td> <td>1%</td> <td>1%</td> <td>20%</td> <td>50%</td> <td>100%</td> </tr> <tr> <td>Loan to Professionals</td> <td>2%</td> <td>2%</td> <td>20%</td> <td>50%</td> <td>100%</td> </tr> <tr> <td>Consumer Finance</td> <td>5%</td> <td>5%</td> <td>20%</td> <td>50%</td> <td>100%</td> </tr> <tr> <td>Loans to BHs/MBs/SDs</td> <td>1%</td> <td>1%</td> <td>20%</td> <td>50%</td> <td>100%</td> </tr> <tr> <td>Short term Agri. Credit and Micro Credit</td> <td>1%</td> <td>-</td> <td>5%</td> <td>5%</td> <td>100%</td> </tr> <tr> <td>Small & Medium Enterprise</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					STD	SMA	SS	DF	BL	House Finance	1%	1%	20%	50%	100%	Loan to Professionals	2%	2%	20%	50%	100%	Consumer Finance	5%	5%	20%	50%	100%	Loans to BHs/MBs/SDs	1%	1%	20%	50%	100%	Short term Agri. Credit and Micro Credit	1%	-	5%	5%	100%	Small & Medium Enterprise	0.25%	0.25%	20%	50%	100%	Others	1%	1%	20%	50%	100%
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	<p>* Discussion of the Bank's credit risk management policy</p>	<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>																																																					
	(b) Total gross		Solo	Consolidated																																																			

Quantitative Disclosure	credit risk exposures broken down by major types of credit exposure.		Taka in Thousand	
		Cash Credit	4628204	4628204
		Long Term Loan	8864223	8864223
		Over Draft	315177	315177
		Local Documentary Bill Purchase		
			641562	641562
		Consumer Loan	277126	277126
		Loan Under Investors Scheme	1629876	1455892
		Staff Loan	3627735	3627735
		Total Loans & Advances	19983903	19809919
(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	9519800	9345816	
	Mymensingh Division	1404200	1404200	
	Khulna Division	1007800	1007800	
	Chittagong Division	2766200	2766200	
	Rajshahi Division	2404100	2404100	
	Barishal Division	439200	439200	
	Sylhet Division	479400	479400	
	Rangpur Division	1963203	1963203	
Total Loans & Advances	19983903	19809919		
(d)Industry or Counterparty type distribution of exposures, broken down in significant areas by major types Of credit exposure.	Industrial Sector	Solo	Consolidated	
		Taka in Thousand		
	Food & Allied Products	3629788	3629788	
	Jute & Allied Fiber Products	199385	199385	
	Cotton, Woolen & Synthetic Textile	5032538	5032538	
	Paper, Paper Products & Printing	113041	113041	
	Tannery & its Products	40764	40764	
	Non-metallic mineral Products	205717	205717	
	Forest, Wood Products & Saw Mills	161171	161171	
	Metal Products	1092387	1092387	
	Electrical Machinery & Goods	121924	121924	
	Machinery & Spare Parts	40231	40231	
	Transport	91706	91706	
	Chemicals & Pharmaceuticals	261337	261337	
	Petro- Chemicals	103584	103584	
	Service Industries	683516	683516	
	Rubber & Rubber	15477	15477	
Miscellaneous	8191336	8017351		
Total Loans & Advances	19983903	19809919		
(e)Classification Status of Loans and Advances	Classification Status	Solo	Consolidated	
		Taka in Thousand		
	Standard	10700211	10526227	
	Special Mentioned Accounts	1621171	1621171	
	Sub-Standard	264801	264801	
	Doubtful	156293	156293	
	Bad/Loss	7241427	7241427	
Total Loans & Advances	19983903	19809919		

	(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	3298200	3298200
		Over 3 months but below 1 year	3871800	3697816
		Over 1 year but below 5 years	9858400	9858400
		Over 5 years	2955503	2955503
		Total Loans & Advances	19983903	19809919
	(g) Provision Against Loans & Advances	Provision for Un-Classified Loan	Solo	Consolidated
			Taka in Thousand	
		Provision held at the beginning of the year	107000	107000
		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 (+)	(1571)	(1571)
		Specific Provision For Special Mentioned	-	-
		Provision held at the end of the year	105429	105429
	Provision for Classified Loan	Provision for Classified Loan	Solo	Consolidated
			Taka in Thousand	
		Provision held at the beginning of the year	3697632	3697632
		Fully provided debts written off (-)	-	-
		Recoveries of amount Previously Written off (+)	-	-
		Specific provision for the year (+)	34000	34000
		Recoveries & provision no longer required (+)	58898	58898
		Excess provision transferred for Off-		
		Balance Sheet Items(-)	-	-
		Excess provision transferred to provision for unclassified loan(-)	1571	1571
		Provision held at the end of the year	3792101	3792101

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 guidelines, Provision on Shares was TK.1485777 as on 31-12-2019 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. 9360494 - -
		(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	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.
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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	16642600	2825400	5650800
		Risk Sensitive Liabilities	3283600	2102800	4205600
		GAP	13359000	722600	1445200
		Cumulative GAP	13359000	14081600	15526800
		At 1% change in interest, change in net interest income is Tk155300 thousand.			

7. Market Risk

Market Risk	Qualitative Disclosure	(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	6101422	7975066	
		Foreign exchange risk	1112581	1112581	
Commodity risk	-	-			
		7214003	9087647		

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	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). 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 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.		
	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			
		3436941	3643805		

9. Liquidity Ratio

Liquidity Ratio	Quantitative disclosure	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>
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		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
		Liquidity risk management system:	<p>Any gap at a particular maturity bucket, the liquidity risk will be managed through following systems:</p> <ul style="list-style-type: none"> (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-term 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 a Liquidity Contingency Plan has been developed to keep enough liquidity to meet crisis situation.
	Liquidity Ratio	
		Solo
	Liquidity Coverage Ratio	229.21%
	Net Stable Funding Ratio (NSFR)	101.60%
	Stock of High quality liquid assets (In "000")	2372522
	Total net cash outflows over the next 30 calendar days (In "000")	10351
	Available amount of stable funding (In "000")	43280616
	Required amount of stable funding (In "000")	42599364

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	b) Leverage ratio is calculated on the basis of Basel-III guidelines and the bank's outstanding data & information.	Components	Solo	Console
		Taka in Thousand		
		Leverage Ratio	18.39%	17.93%
		On-balance sheet exposure	54603566	55105358
		Off-balance sheet exposure	597679	597679

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;</p> <p>(iii)Medical Allowance</p> <p>Remuneration Type:</p> <ul style="list-style-type: none"> • Employees under pension basis; • Employees under gratuity basis; • Employees under contractual basis;
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	<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 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; • Recreation leave for 15 days after every three year and • Maternity leave as per guidelines.

	<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). 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>Not Applicable</p>	
	<p>h) 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>	<p>Not Applicable</p>	
	<p>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.</p>	<p>Not Applicable</p>	
	<p>j)Breakdown of amount of remuneration awards for the financial year to show:</p> <ul style="list-style-type: none"> - Fixed and variable. - Deferred and non-deferred. - Different forms used (cash, shares and share linked instruments, other forms). 	<p>Particulars</p>	<p>Taka in Thousand</p>
		<p>Fixed Pay(including two festival bonus)</p>	<p>557904</p>
		<p>Variable Pay(3 incentive bonus equivalent to three month's basic salary)</p>	<p>77286</p>
		<p>Total</p>	<p>635190</p>

	<p>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:</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>	<p>Not Applicable</p>
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