

Sl. No.	Particulars	Compliance Status
(c)	BB can remove Directors or Chairman of a bank company other than the State-owned banks for doing any activity that is detrimental to the interest of the banks depositors or against the public interest under Section 46 and can also dissolve the Board of a bank company under Section 47 of Bank Company Act, 1991 (Amended in 2013).	No Such Incident
1.3	Removal of Directors from office: With the prior approval of Bangladesh Bank, any Director of a bank company other than Specialized banks can be removed from his office for the reasons specified in its Articles of Association. The reason and grounds of the dismissal/removal and the copy of such decision taken by BOD and a list of Directors shall be submitted to Bangladesh Bank. Such removal shall be effective from the date of BB's approval.	N/A
1.4	Appointment of Alternate Director: An alternate Director can be appointed to act for a Director during his absence for a continuous period of not less than three months from Bangladesh by fulfilling the following instructions:	All Board Members are nominated by the Government. They are treated as independent director.
(a)	Bank has to collect and properly maintain the documentary evidences relating to departure and arrival of the original Director while traveling abroad. If there is any exception, the CEO should immediately inform it to BB.	N/A
(b)	The copy of the decision of the BOD regarding appointment of alternate Director, with original Director's probable returning date from abroad should be sent to BB within 7 days of taking the decision and the Director's arrival date must be intimated to BB immediately after his/her return.	N/A
(c)	Any loan defaulter or any person who is not eligible to become a Director as per any relevant guiding rules and regulations will not be appointed as an alternate Director.	N/A
(d)	As an alternate Director is appointed temporarily; therefore, he/she will not be included in any kind of committee constituted by the BOD.	N/A
(e)	The alternate Director or his/her affiliated organization will not get any kind of loan facilities from the bank. In case of previous loan, enhancement of limit or extension of time period or any kind of exemption or interest waiver will not be allowed. Moreover, all restrictions applicable to Directors according to rules and regulations will also be applicable to the alternate Director.	N/A
2.	Director from Depositors: As per Bank Company Act, 1991 (amended in 2013) appointment of Directors from depositors is no longer required. But, in compliance with the provision of section 15 (9) of Bank Company Act, 1991 (amended in 2013), bank company may consider the tenure of existing Directors from depositors or may appoint them as the Independent Director of the company.	N/A
3.	Information regarding Directors: Banks are advised to take the following steps regarding Directors information:	
(a)	Every bank should keep an updated list of bank Directors.	Complied
(b)	Banks should send a Directors' list to other banks or Financial Institutions immediately after the appointment or release of Directors.	Complied
(c)	Banks should display a list of Directors on the website and update it on a regular basis.	Complied
4.	Responsibilities of the Board of Directors (BOD)	
4.1	Responsibilities and Authorities of the BOD:	

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(a)	<p>Work planning and strategic management</p> <p>(i) The BOD shall determine the objectives and goals and to this end shall chalk out strategies and work plans on annual basis. It shall analyze/monitor at the quarterly rests the development of implementation of work plans.</p>	Complied
	<p>(ii) The BOD shall have its analytical review presented in the Annual Report as regard to success/failure in achieving the business and other targets as set out in its annual work plan and shall apprise the shareholders of its opinions/recommendations on future plans and strategies. It shall set the Key Performance Indicators (KPIs) for the CEO and executives immediate two tiers below the CEO and have it evaluated at times.</p>	Complied
(b)	Loan and Risk Management:	
	<p>(i) The policies, procedures, strategies, etc. in respect of appraisal of loan/investment proposal, sanction, disbursement, recovery, re-scheduling and write-off thereof shall be made with the BOD's approval under the purview of the existing laws, rules and regulations. The BOD shall specifically distribute the power of sanction of loan/investment and such distribution should desirably be made among the CEO and his subordinate executives as much as possible. No Director, however, shall interfere, directly or indirectly, into the process of loan approval.</p>	Complied
	<p>(ii) The Board shall frame policies for Risk Management and get them complied with and shall monitor the compliance at quarterly rests and review the concerned report of the risk management team and shall compile in the minutes of the board meeting. The BOD shall monitor the compliance of the guidelines of BB regarding key risk management.</p>	Complied
(c)	<p>Internal Control management:</p> <p>The Board shall be vigilant on the internal control system of the bank in order to attain and maintain satisfactory health or grade of its loan/investment portfolio. The Board will establish such an internal control system so that the internal audit process can be conducted independently from the management. It shall review at quarterly rests the reports submitted by its audit committee regarding the compliance of recommendations made in internal and external audit reports and the BB inspection reports.</p>	Complied
(d)	<p>Human Resources (HR) Management and Development:</p> <p>(i) Policies relating to recruitment, promotion, transfer, disciplinary and punitive measures, human resources development etc. and service rules shall be framed and approved by the BOD. The Chairman or the Directors shall in no way involve themselves and interfere into or influence over any administrative affairs including recruitment, promotion, transfer and disciplinary measures as executed under the set service rules. No member of the BOD shall included in the selection committees for recruitment and promotion to different levels. Recruitment, promotion, transfer and punishment of the executives immediate two tiers below the CEO shall, however, rest upon the BOD. Such recruitment and promotion shall have to be carried out complying with the service rules i.e. policies for recruitment and promotion.</p>	<p>Complied</p> <p>BDBL Board approves HR Policy from time -to- time and related works done accordingly</p>

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	(i) The BOD shall place special attention to the development of skills set of bank's staff in different fields of its business activities including prudent appraisal of loan/investment proposals, and to the adoption of modern electronic and information technologies, and the introduction of effective Management Information System (MIS). The BOD shall get these programs incorporated in its annual work plan.	Complied
	(ii) The BOD will compose Code of Ethics for every tier of employees and they will follow it properly. The BOD will promote healthy code of conducts for developing a compliance culture.	Complied
(e)	Financial Management :	
	(i) The annual budget and the statutory financial statements will be prepared with the approval of the BOD. It will at quarterly rests review/monitor the positions in respect of bank's income, expenditure, liquidity, non-performing assets, capital base and adequacy, maintenance of loan loss provision and steps taken for recovery of defaulted loans including legal measures.	Complied
	(ii) The BOD will frame the policies and procedures for bank's purchase and procurement activities and shall accordingly approve the distribution of power for making such expenditures. The maximum possible delegation of such power shall rest on the CEO and his subordinates. The decision on matters relating to infrastructure development and purchase of land, building, vehicles etc. for the purpose of bank's business shall, however, be taken with the approval of BOD.	Complied
	(iii) The BOD will review whether the Asset-Liability Committee (ALCO) has been formed and it is working according to BB guidelines.	Complied
(f)	Appointment of Chief Executive Officer (CEO): In order to strengthen the financial base of the bank and obtain confidence of the depositors, one of the major responsibilities of the BOD is to appoint an honest, efficient, experienced and suitable CEO or Managing Director. The BOD will appoint a competent CEO for the bank with the approval of BB.	Complied
(g)	Other Responsibilities of the BOD: In accordance to BB Guidelines issued from time to time.	Always Complied
4.2	Meetings of the Board of Directors: Board of Directors may meet once or more than once in a month upon necessity and shall meet at least once in every three months. Excessive meetings are discouraged.	Complied
4.3	Responsibilities of the Chairman of the BOD:	
(a)	As the Chairman of the BOD or Chairman of any committee formed by the BOD or any Director does not personally possess the jurisdiction to apply policy making or executive authority, he/she shall not participate in or interfere into the administrative or operational and routine affairs of the bank.	Complied
(b)	The Chairman may conduct on-site inspection of any bank branch or financing activities under the purview of the oversight responsibilities of the BOD. He may call for any information relating to bank's operation or ask for investigation into any such affairs; he may submit such information or investigation report to the meeting of the BOD or the Executive Committee and if deemed necessary, with the approval of the BOD, he shall effect necessary action thereon in accordance with the set rules through the CEO. However, any complaint against the CEO shall have to be apprised to BB through the BOD along with the statement of the CEO.	Complied

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(c)	The Chairman may be offered an office room, a personal secretary/assistant, a peon/MLSS, a telephone at the office, a mobile phone usable inside the country and a vehicle in the business interest of the bank subject to the approval of the BOD.	Complied
5.	Formation of Supportive Committees of the Board: The BOD of every bank company can form only three supporting committees of the BOD i.e. Executive Committee (EC), Audit Committee (AC) and Risk Management Committee (RMC).	Complied
5.1	<p>Executive Committee (EC): EC is to be formed for taking decision on urgent and day-to-day or routine activities between the intervals of two BOD meetings. The EC will perform according to the terms of reference set by the BOD.</p> <p>The EC will be formed with maximum of 07 (seven) members for a period of 03(three) years. The Chairman of the BOD can also be the member of the EC. The company secretary of the bank shall act as the secretary of the EC. EC members, besides being honest and sincere, should have reasonable knowledge on banking business, its operations and risk management and be capable of making valuable and effective contributions in the functioning of the committee. The committee shall discharge responsibilities and take decision on the matters as instructed by the BOD except discharging of those responsibilities and taking decisions that are specifically assigned to the full BOD by the Bank Company Act, 1991(Amended in 2013) or other related laws and regulations. The decisions taken by the committee shall be ratified in the next BOD meeting. Upon necessity the committee can call meeting at any time. The committee may invite CEO, Chief Risk Officer or any Executive to attend the committee meeting.</p>	Complied
5.2	Audit Committee (AC): The AC should have maximum five members and two of them shall be Independent Directors. It should be constituted of such members who are not members of the EC of the BOD. The members of the committee may be nominated for three years and the company secretary of the bank shall act as the secretary of the committee.	Complied
5.3	<p>Risk Management Committee (RMC): The RMC is to be formed to mitigate impending risks which could be arisen during implementation of BOD approved policies, procedures and strategies. This committee is entrusted to examine and review whether management is properly working on identifying and mitigation of credit risk, foreign exchange risk, internal control and compliance risk, money laundering risk, information and communication technology risk, operation risk, interest rate risk and liquidity risk and keeping adequate capital and provision against the risks identified.</p> <p>The RMC is to be formed with maximum five members who will be appointed for 03 (three) years. Each member should be capable of making valuable and effective contributions in the functioning of the committee. The company secretary of the bank shall act as the secretary of the committee. RMC shall review the risk management policy and guidelines of the bank at least once in a year, make necessary modifications as per requirement and submit the same to the BOD for approval. Besides, lending limits and other limits should be reviewed at least once in a year and should be amended, if necessary.</p>	Complied
6.	Training of the Directors: The Directors of the Board will acquire appropriate knowledge of the banking laws and other relevant laws, rules and regulations to effectively discharge the responsibilities as a Director of the bank.	Complied
7.	Intimation of the Circular to the Board and related persons by CEO: The CEO will inform about this Circular to the Directors and other related persons.	Complied

2. Appointment and Responsibilities of Chief Executive Officer

Sl. No.	Particulars	Compliance Status
A.	Rules and regulations for appointment of the CEO	
1.	<p>Moral Integrity: In case of appointment to the post of CEO, satisfaction in respect of the concerned person should be ensured to the effects that:</p> <ul style="list-style-type: none"> a) He has not been convicted by any Criminal Court of Law. b) He has not been punished for violating any rules, regulations or procedures/norms set by any regulatory authority. c) He has not associated with any such company/organization; registration or license of which has been cancelled. 	Complied
2.	<p>Experience and Suitability:</p> <ul style="list-style-type: none"> a) For appointment as a CEO, the concerned person must have experience in banking profession for at least 15 (fifteen) years as an active officer and at least 02 (two) years experience in a post immediate below the CEO of a bank. b) He must have a Master's degree at minimum from any recognized university. Higher academic education in the field of Economics, Banking and Finance or Business Administration will be treated as additional qualification for the concerned person. c) In respect of service, the concerned person should have excellent track record of performance. d) Satisfaction should be ensured that the concerned person was not dismissed from service when he was Chairman/Director/Official of any company. e) Any Director of any bank or Financial Institution or any person who has business interest in the concerned bank will not be eligible for appointment to the post of the CEO. 	Complied
3.	<p>Transparency and Financial Integrity: Before making appointment as a CEO, satisfaction should be ensured to the effects that:</p> <ul style="list-style-type: none"> a) The concerned person was not involved in any illegal activity while performing duties in his own or banking profession. b) He has not deferred payment to creditors or has not compromised with his creditors to be relieved from debts or he is not a loan defaulter. c) He is not a tax defaulter. d) He has never been adjudicated a bankrupt by the Court. 	Complied
4.	<p>Age Limit: No person crossing the age of 65 years shall hold the post of CEO of a bank.</p>	Complied
5.	<p>Tenure: The tenure of the CEO shall not be more than 03 (three) years, which is renewable. If the candidate has less than 3 years left to attain 65 years, he/she can be appointed for that shorter period.</p>	Complied
6.	<p>Guidelines in fixing the salary and allowances: Banks are required to follow the guidelines stated below while determining the salary and allowances of the CEO and submitting such proposal to BB:</p> <ul style="list-style-type: none"> a) In fixing the salary and allowances of the CEO, financial condition, scope of operation, business-volume and earning capacity of the bank; qualifications, achievement of the candidate in the past, age and experience and the remuneration paid to the persons occupying same position in the peer banks shall have to be taken into consideration. 	Complied

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	<p>b) Total salary shall be comprised of direct salary covering “Basic Salary” and “House Rent” and allowances as “Others”. The allowances (e.g. provident fund, utility bill, leave-fare assistance) in “Others” head should be specified in amount/ceiling. Besides, other facilities (e.g. car, fuel, driver etc.), as far as possible, shall have to be converted in the monetary value and thus determining monthly total salary, it shall have to be mentioned in the proposal submitted to BB. In the proposal, basic Salary, House Rent, Festival Allowance, other allowances and other facilities shall have to be specified in Taka amount.</p> <p>c) Without improving the bank’s major financial indicator like CAMELS, annual salary increment will not be payable.</p> <p>d) Terms of salary-allowances and other facilities as specified in the terms and conditions of appointment cannot be changed during the tenure. In case of renewal, proposal may be made for re-fixation of the salary considering the work performance of the current CEO.</p> <p>e) The CEO so appointed shall not get any other direct or indirect facilities (e.g. dividend, commission, club expense, etc.) other than the salary-allowances and other facilities as enumerated in clause (b) above.</p> <p>f) The bank shall not pay any income tax for the CEO, i.e. the CEO so appointed shall have to pay it.</p>	Complied
7.	Incentive Bonus: The CEO will get incentive bonus subject to paying incentive bonus to all executives/officers/workers of the bank and the said bonus amount will not exceed BDT1,000,000 in a year.	Complied
8.	Honorarium for attending the Board Meeting: Being a salaried Executive, CEO will not get any honorarium for attending the Board meeting or Board formed committee meeting.	Complied
9.	Evaluation Report: For reappointment of the CEO, the Chairman of the bank shall have to submit a Board approved evaluation report to BB.	Complied
10.	Prior Approval from Bangladesh Bank: Prior Approval from Bangladesh Bank is mandatory before appointing CEO as per section 15(4) & (5) of Bank Company Act, 1991 (amended up to 2013). For processing such approval, along with the proposal signed by the Chairman of the BOD, the selected person’s complete resume, offer letter, (mentioning the direct & indirect remuneration and facilities) and copy of Board’s approval must be submitted to BB. The selected person must also submit declarations as per Annexure A & Annexure B to BB.	Complied
11.	Decision of Bangladesh Bank is final: The decision of BB for appointment of the CEO will be treated as final and the CEO such appointed cannot be terminated, released or removed from his/her office without prior approval from BB.	Complied
B.	Responsibilities and Authorities of the CEO: The CEO of the bank, whatever name called, shall discharge the responsibilities and exercise the authorities as follows:	

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	a. In terms of the financial, business and administrative authorities vested upon him by the BOD, the CEO shall discharge his own responsibilities. He shall remain accountable for achievement of financial and other business targets by means of business plan, efficient implementation thereof and prudent administrative and financial management.	Complied
	b. The CEO shall ensure compliance of the Bank Company Act, 1991 and other relevant laws and regulations in discharging of routine functions of the bank.	Complied
	c. The CEO shall include clearly any violation from Bank Company Act, 1991 (amended in 2013) and/or other relevant laws and regulations in the "Memo" presented to the meeting of the BOD or any other committee(s) engaged by the BOD.	Complied
	d. The CEO shall report to Bangladesh Bank of issues in violation of the Bank Company Act, 1991 (amended in 2013) or of other laws/regulations.	Complied
	e. The recruitment and promotion of all staffs of the bank except those in the two tiers below him/her shall rest on the CEO. He/she shall act in such cases in accordance with the approved service rules on the basis of the human resources policy and approved delegation of employees as approved by the BOD.	Complied
	f. The authority relating to transfer of and disciplinary measures against the staff, except those at two tiers below the CEO, shall rest on him/her which he/she shall apply in accordance with the approved service rules. Besides, under the purview of the human resources policy as approved by the BOD, he/she shall nominate officers for training etc.	Complied

3. Contractual appointment of Advisor and Consultant

Sl. No.	Particulars	Compliance Status
A.	Rules and regulations for appointment of an Advisor	
1.	Experience and Suitability: For appointment as Advisor, the concerned person will have to fulfill the following requirements with regard to experience and qualifications: <ul style="list-style-type: none"> a. Experience in banking or administration for at least 15 (fifteen) years or have a long experience in social activities. b. Higher academic education in the field of Economics, Banking and Finance or Business Administration will be treated as additional qualification for the concerned person. c. Satisfaction should be ensured that the concerned person was not dismissed from his service when he was Chairman/Director/Executive of any company. d. The person who is working in any bank or Financial Institution or who has business interest in that bank will not be eligible for appointment to the post of Advisor. e. Satisfaction should be ensured that the concerned person is not a loan defaulter or tax defaulter and has never been adjudicated a bankrupt by the Court. 	N/A
2.	Responsibilities of the Advisor: The roles and responsibilities of the Advisor should be defined specifically. The Advisor can advise the Board of Directors or CEO only on those matters specified in the appointment letter. The routine and general activities of the bank will not be included in his terms of reference. He will not be entitled to exercise any power or involved himself in the decision making process of financial, administrative, operations or other activities of the bank.	N/A

Sl. No.	Particulars	Compliance Status
3.	Prior approval from Bangladesh Bank: Prior approval from BB is mandatory before appointing an Advisor. For such appointment, the justifications of the post of Advisor, responsibilities or terms of reference, complete resume of the concerned person, terms of appointment (mentioning remuneration and facilities) and copy of BOD's approval shall be submitted to BB. The nominated person has to make a declaration as per Annexure A. This declaration shall also be submitted to BB.	N/A
4.	Remuneration and other facilities of Advisor: The post of Advisor is not a fixed and substantive post in the bank's organization structure. Advisor will not be entitled to salaries and allowances as regular employee except gross amount of remuneration, transport and telephone facilities. Remunerations inconsistent with the terms of reference of the Advisor will not be considered as acceptable to BB.	N/A
5.	Tenure of Advisor: The tenure of the Advisor shall be maximum 01 (one) year, which is renewable. An evaluation report (by the Chairman that is approved by the BOD) of previous tenure should be submitted to BB with the re-appointment proposal.	N/A
6.	Appointment of Ex-executive: For ensuring good governance, any former Director, CEO or any other Executive of the bank will not be eligible to become an Advisor in the same bank immediately after their retirement or resignation. However, after one year from such retirement or resignation, he/she will be eligible for appointment as Advisor.	N/A
B.	Rules and Regulations for Appointment of a Consultant	
1.	Terms of reference of Consultant: Consultant can be appointed for specialized tasks like tax, law and legal procedures, engineering and technical works, information technology, etc. Consultants' appointment should be avoided as much as possible for those works that could be done by regular employees of the bank.	Complied
2.	Responsibilities of a Consultant: The responsibilities or terms of reference of a Consultant should be specified. He/she should not be involved in any activities beyond his/her terms of references and he/she cannot exercise any kind of power in bank operation or cannot participate in the decision making process.	Complied
3.	Appointment of a Consultant: A Consultant can be appointed with the approval of BOD. After such appointment the bank shall send the Consultant's complete resume, terms of reference and details of remuneration to BB immediately.	Complied
4.	Tenure of a Consultant: The tenure of a Consultant should be consistent with the terms of reference, but would not exceed 02 (two) years. Generally the consultant will not be eligible for re-appointment. But to complete the unfinished tasks, his contract may be extended for maximum period of 01 (one) year with the approval of BB. The Chairman of the bank upon approval of the BOD shall have to submit the extension proposal to BB with the evaluation report of his previous tenure.	Complied
5.	Remuneration/honorarium of a Consultant: The Consultant's remuneration should be in the form of monthly or single lumpsum payment, and he is not entitled to any other facilities.	Complied
6.	Appointment of Ex-executive: For ensuring good governance, any former Director, CEO or any other Executive of the bank will not be eligible for appointment as a Consultant in the same bank immediately after their retirement or resignation. However, after one year from such retirement or resignation, he/she will be eligible for appointment as a Consultant.	Complied

Compliance Status of Bangladesh Securities and Exchange Commission Guidelines for Corporate Governance for the year ended 31 December, 2016.

Status of compliance with the conditions imposed by the Commission's Notification No. SEC/CMRRC-D/2006-158/134/Admin/44 dated 07 August, 2012 subsequently amended through their Notification No. SEC/CMRRC-D/2006-158/147/Admin/48 dated 21 July, 2013 issued under section 2CC of the Securities and Exchange Ordinance, 1969 :

Condition No.	Title	Compliance Status (Put ✓ in the appropriate column)		Remarks (if any)
		Complied	Not Complied	
1.0	Board of Directors			
1.1	Board's size: Board members shall not be less than 5 (five) and more than 20 (twenty)	✓		Stated in Annual Report
1.2	Independent Director			
1.2 (i)	At least one fifth (1/5) of the total number of directors in the company's board shall be independent directors. Independent Director for the purpose of this clause "Independent Director" means a Director.	✓		All Board members are nominated by Government, holding one share face value BDT 100. They are treated as Independent Directors
1.2 (ii) a)	Independent Directors do not hold any share or holds less than one percent (1%) shares of the total paid-up capital;	✓		-Do-
1.2 (ii) b)	Independent Directors are not connected with the company's Sponsor or Director or shareholder who holds one percent (1%) or more shares;	✓		-Do-
1.2 (ii) c)	Independent Directors do not have any other relationship, whether pecuniary or otherwise, with the company or its subsidiary/associated companies;	✓		-Do-
1.2 (ii) d)	Independent Directors are not members, directors or officers of any stock exchange;	✓		-Do-
1.2 (ii) e)	Independent Directors are not Shareholder, directors or officers of any member of stock exchange or an intermediary of the capital market;	✓		-Do-
1.2 (ii) f)	Independent Directors are not the partners or executives during the preceding 3 (three) years of the concerned company's statutory audit firm;	✓		-Do-

Condition No.	Title	Compliance Status (Put ✓ in the appropriate column)		Remarks (if any)
		Complied	Not Complied	
1.2 (ii) g)	They are not the Independent Directors in more than 3 (three) listed companies;	✓		-Do-
1.2 (ii) h)	They have not been convicted by a court of competent jurisdiction as a defaulter in payment of any loan to a bank or a Non-Bank Financial Institution (NBFI);	✓		-Do-
1.2 (ii) i)	They have not been convicted for a criminal offence involving moral turpitude.	✓		-Do-
1.2 (iii)	The Independent Director(s) shall be appointed by the Board of Directors and approved by the shareholders in the Annual General Meeting (AGM).	✓		Approved the Government Order
1.2 (iv)	The post of Independent Director(s) cannot remain vacant for more than 90 (ninety) days.	✓		-
1.2 (v)	The Board shall lay down a code of conduct of all Board members and annual compliance of the code to be recorded.	✓		-
1.2 (vi)	The tenure of office of an Independent Director shall be for a period of 3 (three) years which may be extended for 1 (one) term only.	✓		-
1.3	Qualification of Independent Director			
1.3 (i)	Independent Director shall be knowledgeable individual with integrity	✓		Stated in their C.V.
1.3 (ii)	The Independent Director must have at least 12 (twelve) years of corporate management/professional experiences.	✓		-Do-
1.3 (iii)	In special cases the above qualifications may be relaxed subject to approval of the commission.			No such case
1.4	Chairman of the Board and Chief Executive Officer			
	Separate Chairman and CEO and their clearly defined roles and responsibilities.	✓		-
1.5	Directors' Report to Shareholders			
1.5 (i)	Industry outlook and possible future developments in the industry	✓		Stated in Annual Report
1.5 (ii)	Segment-wise or product-wise performance			Stated in Annual Report
1.5 (iii)	Risks and concerns	✓		-Do-

Condition No.	Title	Compliance Status (Put ✓ in the appropriate column)		Remarks (if any)
		Complied	Not Complied	
1.5 (iv)	A discussion on Cost of Goods sold, Gross Profit Margin and Net Profit Margin.	✓		-Do-
1.5 (v)	Discussion on continuity of any Extra-ordinary gain or loss			No such gain or loss
1.5 (vi)	Basis for related party transactions -a statement of all related party transactions should be disclosed in the Annual Report.	✓		-
1.5 (vii)	Utilization of proceeds from public issues, rights issues and/or through any other instruments.			N/A
1.5 (viii)	An explanation if the financial results deteriorate after the company goes for Initial Public Offering (IPO), Repeat Public Offering (RPO), Rights Offer, Direct Listing, etc.			N/A
1.5 (ix)	If significant variance occurs between Quarterly Financial performance and Annual Financial Statements the management shall explain about the variance on their Annual Report.	✓		Stated in Annual Report
1.5 (x)	Remuneration to Directors including Independent Directors.	✓		-Do-
1.5 (xi)	The financial statements prepared by the management of the issuer company present fairly its state of affairs, the results of its operations, cash flows and changes in equity.	✓		-Do-
1.5 (xii)	Proper books of account of the issuer company have been maintained.	✓		-Do-
1.5 (xiii)	Appropriate accounting policies have been consistently applied in preparation of the financial statements and that the accounting estimates are based on reasonable and prudent judgment.	✓		-Do-
1.5 (xiv)	International Accounting Standards (IAS)/ Bangladesh Accounting Standards (BAS)/ International Financial Reporting Standards (IFRS)/ Bangladesh Financial Reporting Standards (BFRS), as applicable in Bangladesh, and any departure there-form has been adequately disclosed.	✓		-Do-
1.5 (xv)	The system of internal control is sound in design and has been effectively implemented and monitored.	✓		-Do-

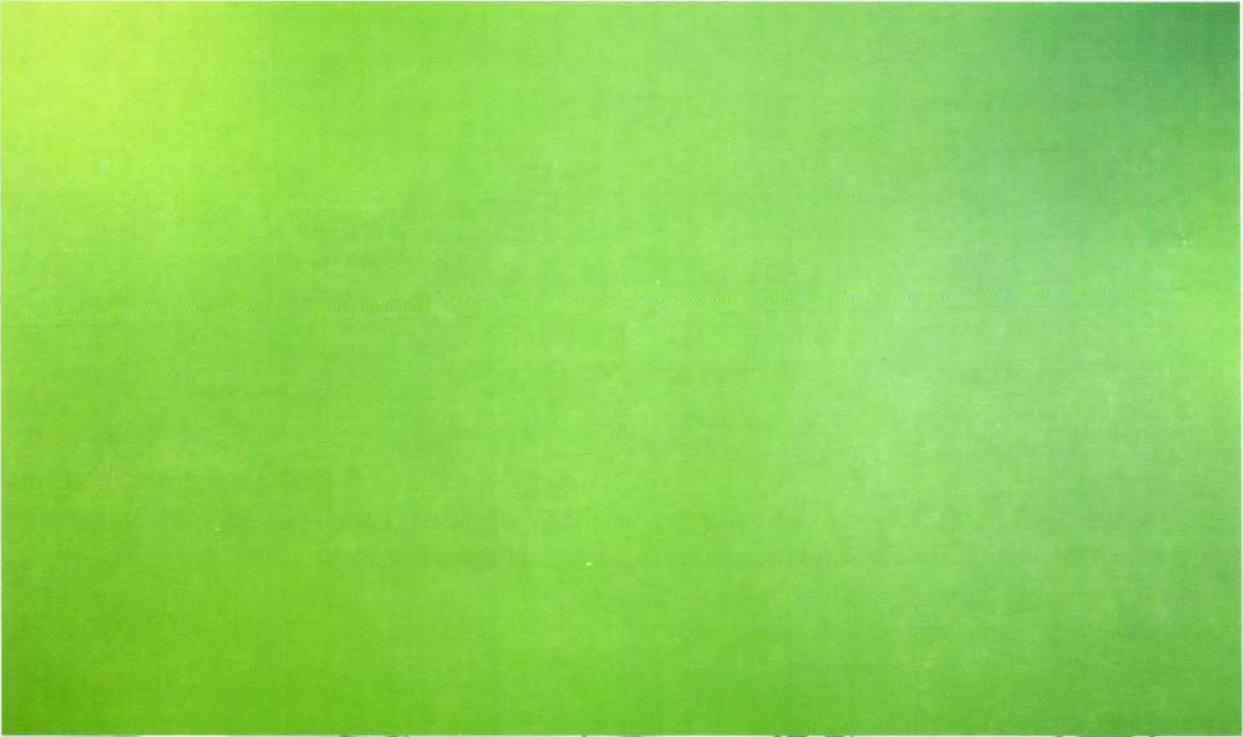
Condition No.	Title	Compliance Status (Put ✓ in the appropriate column)		Remarks (if any)
		Complied	Not Complied	
1.5 (xvi)	There are no significant doubts upon the issuer company's ability to continue as a going concern. If the issuer company is not considered to be a going concern, the fact along with reasons thereof should be disclosed.	✓		-Do-
1.5 (xvii)	Significant deviations from the last year's operating results of the issuer company shall be highlighted and the reasons thereof should be explained.	✓		-Do-
1.5 (xviii)	Key operating and financial data of at least preceding 5 (five) years shall be summarized.	✓		-Do-
1.5 (xix)	If the issuer company has not declared dividend (cash or stock) for the year, the reasons thereof shall be given.	✓		-Do-
1.5 (xx)	The number of Board meetings held during the year and attendance by each director shall be disclosed.	✓		Stated in Attendance Register
1.5 (xxi)	The pattern of shareholding shall be reported to disclose the aggregate number of shares (along with name-wise details where stated below) held by:	✓		-
1.5 (xxi) a)	Parent/Subsidiary/Associated Companies and other related parties (name-wise details)	✓		-
1.5 (xxi) b)	Directors, Chief Executive Officer, Company Secretary, Chief Financial Officer, Head of Internal Audit and their spouses and minor children;	✓		-
1.5 (xxi) c)	Executives (top five salaried employees of the company other than stated in 1.5 (xxi) b);	✓		-
1.5 (xxi) d)	Shareholders holding ten percent (10%) or more voting interest in the company (name-wise details).	✓		-
1.5 (xxii)	In case of appointment/re-appointment of a Director the Company shall disclose the following information to the Shareholders:			
1.5 (xxii) a)	A brief resume of the Director;	✓		-
1.5 (xxii) b)	Nature of his/her expertise in specific functional areas;	✓		-
1.5 (xxii) c)	Names of companies in which the person also holds the directorship and the membership of committees of the Board.	✓		Stated in Annual Report

Condition No.	Title	Compliance Status (Put ✓ in the appropriate column)		Remarks (if any)
		Complied	Not Complied	
2.0	Chief Financial Officer, Head of Internal Audit & Company Secretary			
2.1	Appointment of CFO, Head of Internal Audit and Company Secretary and their clearly defined roles, responsibilities and duties.	✓		-
2.2	Attendance of CFO and the Company Secretary at Board of Directors meeting	✓		-
3.	Audit Committee:			
3 (i)	Audit Committee shall be the sub-committee of the Board of Directors.	✓		-
3 (ii)	The Audit Committee shall assist the Board of Directors in ensuring that the financial statements reflect true and fair view of the state of affairs of the company and in ensuring a good monitoring system within the business.	✓		-
3 (iii)	The Audit Committee shall be responsible to the Board of Directors. The duties of the Audit Committee shall be clearly set forth in writing.	✓		Stated in their C.V.
3.1	Constitution of the Audit Committee			
3.1 (i)	The Audit Committee shall be composed of at least 3 (three) members.	✓		-
3.1 (ii)	Constitution of Audit Committee with Board Members including one independent director.	✓		All Board members are nominated by Government, holding one share face value BDT 100. They are treated as Independent Directors
3.1 (iii)	All members of the Audit Committee should be “financially literate” and at least 1 (one) member shall have accounting or related financial management experience.	✓		Stated in their C.V.
3.1 (iv)	Filling of Casual Vacancy in Committee			N/A
3.1 (v)	The Company Secretary shall act as the secretary of the Committee.	✓		-
3.1 (vi)	The quorum of the Audit Committee meeting shall not constitute without at least 1 (one) independent director.	✓		-

Condition No.	Title	Compliance Status (Put ✓ in the appropriate column)		Remarks (if any)
		Complied	Not Complied	
3.2	Chairman of the Audit Committee			
3.2 (i)	Chairman of the Audit Committee shall be an independent director.	✓		-
3.2 (ii)	Chairman of the Audit Committee shall remain present in the Annual General Meeting (AGM).	✓		Stated in their Attendance Register
3.3	Role of Audit Committee			
3.3 (i)	Oversee the financial reporting process.	✓		-
3.3 (ii)	Monitor choice of accounting policies and principles.	✓		-
3.3 (iii)	Monitor Internal Control risk Management Process.	✓		-
3.3 (iv)	Oversee hiring and performance of External Auditors.	✓		-
3.3 (v)	Review along with the management, the Annual financial statements before submission to the Board for approval.	✓		-
3.3 (vi)	Review along with the management, the quarterly and half yearly financial statements before submission to the Board for approval.	✓		-
3.3 (vii)	Review the adequacy of internal audit function.	✓		-
3.3 (viii)	Review statement of significant related party transactions submitted by the management.	✓		-
3.3 (ix)	Review Management Letters/Letter of Internal Control weakness issued by statutory auditors.	✓		-
3.3 (x)	When money is raised through Initial Public Offering (IPO)/ Repeat Public Offering (RPO)/Rights Issue the company shall disclose to the Audit Committee about the uses/applications of funds by major category (capital expenditure, sales and marketing expenses, working capital, etc.), on a quarterly basis, as a part of their quarterly declaration of financial results.			N/A
3.4	Reporting of Audit Committee			
3.4.1	Reporting of the Board of Directors			
3.4.1 (i)	The Audit Committee shall report on its activities to the Board of Directors.	✓		

Condition No.	Title	Compliance Status (Put ✓ in the appropriate column)		Remarks (if any)
		Complied	Not Complied	
3.4.1 (ii)	The Audit Committee shall immediately report to the Board of Directors on the following findings, if any:			
3.4.1 (ii) a)	Report on conflicts of Interests;	✓		No such matter arouse as stated by the management
3.4.1 (ii) b)	Suspected or presumed fraud or irregularity or material defect in the internal control system;	✓		
3.4.1 (ii) c)	Suspected infringement of laws, including securities related laws, rules and regulations;	✓		
3.4.1 (ii) d)	Any other matter which shall be disclosed to the Board of Directors immediately.	✓		
3.4.2	Reporting of anything having material financial impact to the Commission.	✓		-Do-
3.5	Reporting to the Shareholders and General Investors.	✓		-
4	External/Statutory Auditors:			
4 (i)	Appraisal or valuation services or fairness opinions.	✓		-
4 (ii)	Financial information systems design and implementation.	✓		-
4 (iii)	Book-keeping or other services related to the accounting records or financial statements.	✓		-
4 (iv)	Broker-dealer services.	✓		-
4 (v)	Actuarial services.	✓		-
4 (vi)	Internal audit services	✓		-
4 (vii)	Any other service that the Audit Committee determines.	✓		-
4 (viii)	No partner or employees of the external audit firms shall possess any share of the company they audit at least during the tenure of their audit assignment of that company.	✓		-
4 (ix)	Audit/certification services on compliance of corporate governance as required under clause (i) of condition no. 7	✓		-
5	Subsidiary Company			
5 (i)	Provisions relating to the composition of the Board of Directors of the holding company shall be made applicable to the composition of the Board of Directors of the subsidiary company.	✓		-

Condition No.	Title	Compliance Status (Put ✓ in the appropriate column)		Remarks (if any)
		Complied	Not Complied	
5 (ii)	At least 1 (one) Independent Director on the Board of Directors of the holding company shall be a Director on the Board of Directors of the subsidiary company.	✓		-
5 (iii)	The minutes of the Board meeting of the subsidiary company shall be placed for review at the following Board meeting of the holding company.	✓		-
5 (iv)	The minutes of the respective Board meeting of the holding company shall state that they have reviewed the affairs of the subsidiary company also.	✓		-
5 (v)	The Audit Committee of the holding company shall also review the Financial Statements, in particular the investments made by the subsidiary company.	✓		-
6	Duties of Chief Executive Officer (CEO) and Chief Financial Officer (CFO)			
6 (i)	They have reviewed Financial Statements for the year and that to the best of their knowledge and belief.			-
6 (i) a)	These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading.	✓		-
6 (i) b)	These statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards and applicable laws.	✓		-
6 (ii)	There are, to the best of knowledge and belief, no transaction entered into by the company during the year which are fraudulent, illegal or violation of the company's code of conduct.	✓		-
7	Reporting and Compliance of Corporate Governance			
7 (i)	The company shall obtain a certificate from a professional Accountant/Secretary (CA/CMA/CS) regarding compliance of conditions of Corporate Governance Guidelines of the Commission and shall send the same to the shareholders along with the Annual Report on a yearly basis.	✓		-
7 (ii)	The Directors of the company shall state, in accordance with the Annexure attached, in the directors' report whether the Company has complied with these conditions.	✓		-



Report on Human Resource



Report on Human Resource

HUMAN RESOURCE (HR)

It goes without saying that the most important resource of any institution, more so for a bank, is its human resource. Timely and efficient customer service is very important in present competitive banking industry. Employees of a bank play significant role in providing better customer service with personal care which eventually builds a strong and ever-lasting business relationship with the customers. Employees are one of the most valuable assets of BDBL, embodying its commitment to maximizing wealth of the bank.

As on December 31, 2016, the total human resource was 774. Among these, officers working in different disciplines including staff position are mentioned below:

SL. No	Discipline	Numbers
1.	Accountants	01
2.	Lawyers	12
3.	Economists	43
4.	Engineers	37
5.	MBA / Financial Analysts	123
6.	Statisticians	18
7.	IT	18
8.	Others	357
9.	Staff	166
	Total	774

It is worth mentioning here that, among total human resource of BDBL 128 were female employees as on December 31, 2016 which is about 17 percent, showing a healthy picture of woman participation in corporate culture.

PROMOTION

Promotion is the most effective way for reward and motivation as well as improvement of employee's skill and job satisfaction. In 2016, the bank gave promotion to 121 officers and 148 staff in different posts and grades shown below :

SL. No	Post	Numbers
1.	General Manager	4
2.	Deputy General Manager	7
3.	Assistant General Manager	18
4.	Senior Principal Officer	12
5.	Principal Officer	51
6.	Senior Officer	19
7.	Officer	10
8.	Staff Promotion	148
	Total	269

DEPARTURE

02 officers left the bank in 2016. Besides, 44 officers and staff in different grades went to Post Retirement Leave (PRL) during the period under review.

HEALTH FACILITY

The physical and mental well-being of the officers and staff 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. Besides, area-wise part time doctors were also appointed by the bank for general treatment.

RECREATION LEAVE

As banking job is a stressful job, employees in this sector need refreshment which will increase their integrity, regularity, responsibility and ability to work successfully. In the year 2016, total 201 employees of BDBL availed recreation leave.

EMPLOYEES' WELFARE

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 as follows :-

- Advance facilities for house building ;
- Executive car loan, motorcycle loan and computer loan facilities ;
- 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.

PERSONNEL MANAGEMENT INFORMATION SYSTEM (PMIS)

BDBL introduced a web based real time Personnel Management Information System (PMIS) which contains all the basic and necessary information of employees. All Human Resource related functions will be conducted through using the database of PMIS.

DEVELOPMENT OF HUMAN RESOURCE

Knowledge and skill development is a continuous process, which is enriched by proper training. In order to enhance operational skill and efficiency of the officers, the bank established a Training Institute of its own. BDBL sent a large number of officers to participate in different training programs, workshops and seminars arranged by BIBM and Bangladesh Bank Training Academy including other institutions.

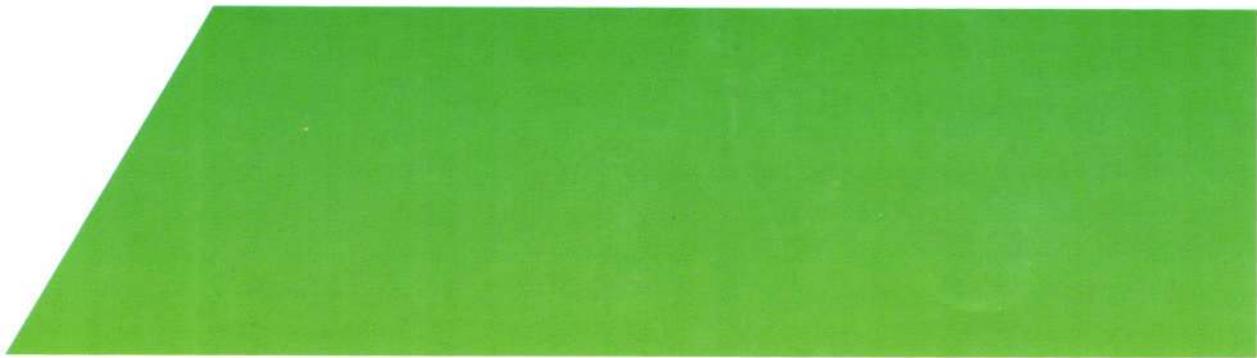
Besides, in house need-based training courses were also arranged with resource persons drawn from inside as well as from outside to keep the officers abreast of the latest development in the banking and financial sector.

Following training programs held in 2016:-

Sl. No.	Subject	Number of Participants	Duration	Training Institute
A.	Training Courses (Local)			
1.	IT Security and Fraud Prevention in Banks	04	24/01/2016 to 28/01/2016	BIBM
2.	Legal Aspects of General Banking and Credit	01	24/01/2016 to 28/01/2016	BIBM
3.	Bangladesh Labour Law 2006 and Bangladesh Labour Rules 2015	01	30/01/2016 to 31/01/2016	Bangladesh Employers Federation
4.	SME Financing & Green Banking	52	19/01/2016 to 21/01/2016 and 09/08/2016 to 11/08/2016	Training Institute, BDBL
5.	Appraisal and Management of Working Capital Financing	02	01/02/2016 to 04/02/2016	BIBM
6.	Prevention of Financial Crimes in Banks	01	23/02/2016 to 25/02/2016	BIBM
7.	Anti Money Laundering & Combating Financing of Terrorism	35	03/02/2016	Training Institute, BDBL
8.	Rationalized Input Template (RIT)	18	25/02/2016	Training Institute, BDBL
9.	Trade Risk Management	02	05/03/2016 to 06/03/2016	Financial Excellence Limited
10.	Risk Management Process & Compliance Issues	21	23/03/2016 to 24/03/2016	Training Institute, BDBL
11.	Financial Analysis for Bankers	01	17/04/2016 to 21/04/2016	BIBM
12.	Cyber Investigation and Vulnerability Assessment	02	17/04/2016	Bangladesh Computer Council
13.	Project Appraisal and Agriculture & Rural Credit	24	24/04/2016 to 28/04/2016	Training Institute, BDBL
14.	IFRS and Financial Statements of Banks	01	24/05/2016 to 26/05/2016	BIBM
15.	Foreign Exchange & International Trade Finance	19	15/05/2016 to 19/05/2016	Training Institute, BDBL
16.	Core Banking Solution & Payment Systems	30	19/07/2016 to 21/07/2016	Training Institute, BDBL
17.	Credit Risk Management in Banks	01	18/08/2016 to 18/08/2016	BIBM
18.	Banking Laws & Regulations	01	25/09/2016 to 29/09/2016	BIBM
19.	Inclusive Banking & Financial Literacy	01	28/09/2016 to 29/09/2016	BIBM
20.	Credit Access for Women Entrepreneurs	01	16/10/2016 to 20/10/2016	BIBM

Sl. No.	Subject	Number of Participants	Duration	Training Institute
21.	SME Credit Risk Management	01	24/10/2016 to 27/10/2016	BIBM
22.	International Trade Payment & Finance	01	01/11/2016 to 10/11/2016	BIBM
23.	Oracle Based Database Application Design	01	06/11/2016 to 20/12/2016	NAPD
24.	Asset -Liability Management in Banks	01	13/11/2016 to 17/11/2016	BIBM
25.	Forex Dealing with Bourse Game	01	20/11/2016 to 24/11/2016	BIBM
26.	Commercial Bank Officials	02	05/12/2016	International Institute of Currency Technology
27.	Money and Banking Data Reporting	01	07/12/2016 to 08/12/2016	Bangladesh Bank
28.	Other Courses	379	-	Training Institute, BDBL, BIBM, Bangladesh Bank and Different Institutions
B.	Training Courses/Seminar (Foreign)			
1.	Program on Leading in the Open Source Century	01	04/10/2016 to 06/10/2016	Kuala Lumpur, Malaysia
2.	Forum on Dun & Bradstreet Knowledge	01	04/10/2016 to 07/10/2016	Kuala Lumpur, Malaysia
C.	Seminar / Workshop			
1.	Seminar on Central Database for Large Credit (CDLC)	01	24/01/2016	Bangladesh Bank
2.	Workshop on Debt Securities in Bangladesh	01	27/01/2016 to 28/01/2016	BIBM
3.	Credit Risk Grading for Lending Decision	03	27/01/2016 to 29/01/2016	BIBM
4.	Convention on Engineers for Sustainable Development	01	05/02/2016 to 07/02/2016	Engineers Institute
5.	Training Workshop on Basel-III: Regulatory Banking Systems Framework for Resilient	02	10/02/2016 to 11/02/2016	BIBM
6.	Workshop on Integrated Supervision System (ISS)	02	10/02/2016	Bangladesh Bank
7.	International Conference on Green Banking for Green Industry & Green Energy	10	09/04/2016	Institute of Energy and Greentech Foundation Bangladesh
8.	Seminar on Cyber Defense: Don't wait to be breached, know your risks	03	07/05/2016	BIBM
9.	Seminar on Implications of Loan Rescheduling and Write-off on the Performance of Bank	01	11/08/2016	BIBM
10.	Workshop on Nagorik Sebai Udvabon	26	28/09/2016 to 29/09/2016	Training Institute, BDBL
11.	Green Financing Specially Emphasis on Bio-gas Plant under SME	34	22/10/2016	Training Institute, BDBL
12.	Workshop on Transaction of Remittance/ Money Through Express Money Service Ltd.	35	17/11/2016	Training Institute, BDBL
13.	Workshop on UCP-600 and Related ICC Guidelines	01	18/12/2016 to 20/12/2016	BIBM
14.	Others	442	-	BIBM, Bangladesh Bank and Different Institutions

In the year 2016, the bank allocated a total amount of Tk. 0.30 crore for training, seminar, workshop, etc.



Directors' Report: 2016



Directors' Report concisely describes the Global and Domestic economic scenario of 2016 to get an overview on the challenging macro environment prevailed in the business operation. We also review our operational and financial performance through analyzing our key operational areas and the activities of the bank during 2016 and suggesting the business goals of 2017 in light of the previous year's evaluation.

Directors' Report : 2016

I, on behalf of the Board of Directors, cordially welcome you all to the seventh Annual General Meeting of Bangladesh Development Bank Limited (BDBL). With great pleasure, I am presenting before you the audited financial statements and Directors' Report for the year ended on 31 December, 2016 for your consideration.

Before presenting the report, a brief review of the global economic situation along with the performance of the Domestic Economy in 2016 would appear to be in order.

GLOBAL ECONOMIC SCENARIO

The world economy has been passing through a disappointing path. Global economic growth is slower due to global financial crisis, ranging from debt overhangs to high unemployment which is ultimately leading to an uncertain future. As a result, global growth is projected to be 3.10 percent in 2016 and 3.40 percent in 2017. In the Advanced economies, downward growth revisions reflect a deterioration of economic activities in Euro area following the exit process of UK from EU (Brexit) and its subsequent impact on the US and Japanese economies. The economic growth of the United States is projected to be decreased to 1.60 percent in 2016 from 2.60 percent in 2015 and increased to 2.20 percent in 2017. Reflecting the adverse impact from Brexit, growth in the Euro area has been revised downward to 1.70 percent and 1.50 percent in 2016 and 2017 respectively from 2.00 percent in 2015. The economic growth in Japan is however, projected to be 0.50 percent in 2016 as in 2015 and is expected to grow by 0.60 percent in 2017. In the Emerging market & developing economies, growth is projected to be 4.20 percent in 2016, while it is expected to increase up to 4.60 percent in 2017.

According to IMF's latest World Economic Outlook Update (WEO, October 2016), the global economic growth has been revised for 2016 from 3.20 percent to 3.10 percent. The growth for 2017 has been projected to be 3.40.

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

Overview of the World Economic Outlook Projections (percent)

World Economy	2014	2015	Projections	
			2016	2017
World Output	3.40	3.20	3.10	3.40
Advanced economies	1.90	2.10	1.60	1.80
United States	2.40	2.60	1.60	2.20
Euro area	1.10	2.00	1.70	1.50
Other Advanced economies	2.80	2.00	2.00	2.30
Emerging market & developing economies	4.60	4.00	4.20	4.60
South Asia				
Bangladesh*	6.30	6.80	6.90	6.90
India	7.20	7.60	7.60	7.60
Pakistan	4.10	4.00	4.70	5.00
SriLanka	4.90	4.80	5.00	5.00

Source: World Economic Outlook Update, October 2016, IMF and Annual Report 2015-2016, Bangladesh Bank.

*GDP Growth Rate of Bangladesh

GDP Growth Rate	2014	2015	2016	2017 (Projection)
		6.06	6.55	7.11

* Source: GDP of Bangladesh: 2016-2017, Bangladesh Bureau of Statistics.

GLOBAL INFLATION SCENARIO

Global inflation remained stable in 2016. Consumer prices in advanced economies are expected to increase by 0.80 percent in 2016 from 0.30 percent in 2015 and then by 1.70 percent in 2017. In contrast, consumer prices in emerging markets and developing economies are expected to decrease to 4.50 percent in 2016 from 4.70 percent in 2015 due to the declining oil and other commodities prices. It is projected to further decline to 4.40 percent in 2017.

WORLD TRADE VOLUME

World trade volume growth is projected to decrease from 2.60 percent in 2015 to 2.30 percent in 2016 and then increase to 3.80 percent in 2017. The balance of trade in advanced economies is expected to deteriorate in 2016 and 2017, since export growth is projected to be weaker than import growth. The growth rate of imports for advanced economies is expected to decrease from 4.20 percent in 2015 to 2.40 percent in 2016 and increase to 3.90 percent in 2017. However, the balance of trade in emerging markets and developing economies is expected to improve in 2016 and 2017 due to projected stronger export growth than that of import.

In the Emerging markets and developing economies, growth rate of imports is projected to increase from negative 0.60 percent in 2015 to 2.30 percent in 2016, and then rise to 4.10 percent in 2017. Exports of advanced economies are expected to grow by 1.80 percent and 3.50 percent in 2016 and 2017 respectively while the same in emerging markets and developing economies are expected to grow by 2.90 percent and 3.60 percent during the same period.

A REVIEW OF BANGLADESH ECONOMY IN FY 2016

In the midst of global economic slowdown and challenging domestic environment, the Bangladesh economy provisionally maintained a steady growth of 7.11 percent during FY 2016 exceeding the 7.00 percent growth target and the 6.55 percent growth rate achieved in FY 2015. This strong growth was mainly supported by 11.10 percent growth in industry and 6.30 percent growth in service sectors. It is proved that Bangladesh Economy maintained its macro- economic stability and high growth trajectory by overcoming all types of (both internal and external) barriers. In FY2016, Bangladesh graduated to the status of a lower-middle income country from the low income country.

The average inflation, measured in terms of Consumers Price Index (CPI) showed a downward trend mainly due to decrease in food prices although the non-food inflation was marginally higher during the same period. Annual average CPI inflation in Bangladesh declined to 5.90 percent in FY 2016 against the target of 6.20 percent set in the Monetary Policy Statement while it was 6.40 percent in FY 2015. A cautious but inclusive growth and investment friendly monetary policy stance was implemented during FY 2016 to support economic growth and contain inflationary pressure at desired level.

Broad Money (M2) registered a higher growth of 16.30 percent in FY 2016 against the targeted growth of 15.00 percent. In FY 2015, it was 12.40 percent. The higher growth in Broad Money was driven mainly by Net Foreign Asset (NFA) which grew by 22.80 percent in FY 2016 against the target of 11.10 percent. The actual growth of NFA was 21.30 percent in FY 2015. Domestic credit from the banking system grew by 14.30 percent, below the targeted growth of 15.50 percent for FY 2016 but higher than the actual 10.10 percent growth in FY 2015. The lower than the targeted growth in domestic credit resulted from the public sector credit growth reflecting public financing mostly through National Saving Directorate (NSD) instruments and higher profits by state owned Bangladesh Petroleum Corporation (BPC). However, private sector credit growth was 16.80 percent in FY 2016, above the targeted growth of 14.80 percent which was 13.20 percent in the preceding fiscal year. Lower lending rate, foreign financing facilities and political stability contributed to higher growth against the target of private sector credit.

SECTORAL GROWTH PERFORMANCE

Agriculture Sector

The agriculture sector, which contributes 15.40 percent of the total Gross Domestic Product (GDP) in FY 2016, includes two sub-sectors namely (i) agriculture and forestry and (ii) fishing. The overall growth rate of the agriculture sector in FY 2016 declined by 0.50 percent to 2.80 percent over 3.30 percent in FY 2015. This happened mainly due to fall in growth of crop and horticulture sub-sectors of agriculture and forestry.

Industry Sector

The industry sector is comprised of the sub-sectors of (a) mining and quarrying, (b) manufacturing, (c) power, gas & water supply and (d) construction showed provisionally an increased growth trend by 1.40 percent points to 11.10 percent in FY 2016 which was higher than that of 9.70 percent in FY 2015. This sector contributed 31.50 percent of GDP in FY 2015. The contribution of industry sector to GDP increases year-on-year gradually indicating an inroad of Bangladesh's economy towards a modern developing economy.

The manufacturing sector which is composed of two sub-sectors - (i) large & medium scale industries and (ii) small scale industries - posted a growth rate of 11.70 percent in FY 2016 from 10.30 percent in FY 2015. The better performance in manufacturing sector was achieved due to extended growth of large & medium scale industries and small scale industries by 12.30 and 9.10 percent respectively in FY 2016 compared to 10.70 and 8.50 percent respectively in FY 2015. It is to be mentioned that the overall industry sector's growth increased in FY 2016 due to higher growth of all the sub-sectors of industry sector.

Services Sector

The services sector, the largest sector in the economy, provisionally contributed 53.10 percent of the total GDP in FY 2016. In FY 2016, the services sector grew at a rate of 6.30 percent compared to that of 5.80 percent in FY 2015. The Services Sector is composed of (i) wholesale & retail trade (ii) hotel & restaurants (iii) transport, storage & communication (iv) financial intermediations (v) real estate, renting & business activities (vi) public administration & defence (vii) education (viii) health & social work (ix) community, social and personal services. The growth rate of services sector was mainly driven by wholesale and retail trade, public administration & defence, education and health & social work sub-sectors.

Source: Bangladesh Bank's Annual Report, FY 2015-2016.

OTHER MACRO ECONOMIC INDICATORS

Savings

The national savings rate as a percentage of GDP improved to 30.80 percent in FY 2016 from 29.00 percent in FY 2015. The Gross Domestic Savings as percentage of GDP increased to 25.00 percent in FY 2016 from 22.20 percent in FY 2015. The Gross Domestic Savings at current market price grew by 28.90 percent in FY 2016 from 21.20 percent in FY 2015.

Investment

Investment as a percentage of GDP increased marginally to 29.70 percent in FY 2016 from 28.90 percent in FY 2015. The ratio of private investment to GDP increased to 23.00 percent in FY 2016 from 22.10 percent in FY 2015. The ratio of public investment to GDP declined from 6.80 percent in FY 2015 to 6.70 percent in FY 2016. The domestic savings - investment gap as percentage of GDP declined from 6.70 percent in FY 2015 to 4.70 percent in FY 2016. The domestic savings - investment gap was met with the help of the Net Factor Income (NFI) and Net Current Transfer (NCT).

Export

The growth of export earnings showed a tremendous improvement of 8.90 percent in FY 2016 from 3.10 percent in FY 2015, although it as percentage of GDP decreased marginally from 15.70 percent in FY 2015 to 15.10 percent in FY 2016. In absolute terms, aggregate export earnings increased from USD 312.09 billion in FY 2015 to USD 342.57 billion in FY 2016, showing a growth of 9.80 percent over the previous year. The items in export basket like woven garments and knitwear, petroleum by-products, raw jute, engineering products, vegetables and footwear showed a positive growth; some of the export items like shrimps, tobacco, cut flower, fruits, fish and home textile however experienced a negative growth.

Import

Import payments as a percentage of GDP decreased from 19.30 percent in FY 2015 to 17.90 percent in FY 2016. However, import grew at a rate of 5.50 percent in FY 2016 compared with 3.00 percent growth in FY 2015. Import payments in FY 2016 stood at USD 397.15 billion registering a positive growth of 5.50 percent over USD 376.62 billion in FY 2015. The total import bills for all items except food grains (rice and wheat), fertilizer, sugar, plastic and rubber articles thereof, clinker, milk & cream, raw cotton and iron, steel & other base metals, oil seeds, edible oil, sugar, pharmaceuticals product and increased in FY 2016 compared to FY 2015.

Most external sector indicators showed improvements in FY 2016. Current account balance as percentage of GDP stood at 1.70 percent in FY 2016 against 1.50 percent in FY 2015. External debt to GDP ratio declined further and stood at 11.70 percent. Real Effective Exchange Rate (REER) index appreciated by 5.60 percent but export performance held up well.

Source: Bangladesh Bank's Annual Report , FY 2015-2016 .

Workers' Remittances

The flow of inward remittances from Bangladeshi nationals working abroad has been playing an important role in strengthening the current account balance of the country. In FY 2016 workers' remittances showed a fair earnings of USD 149.31 billion in FY 2016 which is 2.52 percent lower compared to USD 153.17 billion in FY 2015. The factors worked behind the fall in workers' remittances were prolonged decline in oil prices and economic downturn in the Gulf Cooperation Council (GCC) countries.

Foreign Aid

Total official foreign aid is composed of food aid, commodity aid and project aid. The flow of foreign aid increased by 13.30 percent to USD 34.50 billion in FY 2016 from USD 30.44 billion in FY 2015 mainly due to rise of project assistance. No commodity aid was received in FY 2016 as in the preceding year.

Foreign Exchange Reserves

The gross foreign exchange reserves held by Bangladesh Bank comprises foreign exchange, holdings of gold and Special Drawing Rights (SDR). Foreign exchange reserves grew steadily over FY 2016, which crossed USD 30 billion mark on 27 June, 2016. At the end of FY 2016, reserves stood at USD 30.17 billion. Bangladesh Bank affords best efforts to maintain optimum return from foreign exchange reserve investment by diversifying the foreign asset portfolio in bonds (issued by sovereign, supranational and highly reputed foreign commercial banks), Treasury Bills and Treasury Notes of US Government and in short term deposits with internationally reputed foreign commercial banks.

Sovereign Ratings

Standard and Poor (S&P) and Moody's Investors Service continue to rate Bangladesh at Ba3 (Moody's) and BB- (S&P) with stable outlook for the sixth consecutive years (2011-2016). Stable real GDP growth and strong external balances have helped Bangladesh to achieve BB- rating with stable outlook from Fitch Ratings for the fourth time.

NEAR AND MEDIUM TERM OUTLOOK FOR BANGLADESH ECONOMY

The prospects of the Bangladesh economy over the near and medium terms looks reasonably good. The strong domestic demand base, gradually improving investment climate, decreasing uncertainty and reduced inflation are expected to lead the economy to perform better in the coming days. The GDP growth in Bangladesh will continue to grow at an expected rate, in the neighborhood of above 7 percent in the near to medium term.

It is observed that, Global economic prospects remain sluggish and growth has been revised downward, particularly for the advanced countries (WEO, October, 2016). Most of the macroeconomic indicators in Bangladesh are performing well and domestic demand remain buoyant. Nonetheless, any fallout from the weaker external demand from a mediocre global growth needs to be closely monitored.

In 2015, Bangladesh reached the lower middle income country status and expects to reach upper middle income countries by 2030 or earlier. The government's focus on easing infrastructure bottlenecks and improving business climate would support potential growth and medium-term growth performance. The Government's prudent fiscal policy, accompanied by the Bangladesh Bank's monetary policy and effective supervision are expected to support macro-financial stability.

Source: Bangladesh Bank's Annual Report, FY 2015-2016.

Aided by pragmatic policy support from the Bangladesh Government and Bangladesh Bank, the low and stable inflation accompanied by a macroeconomic environment helped Bangladesh become a role model of sustainable finance. In this regard, banks and financial institutions are playing a significant role by providing credit to the un-banked, un-served and underserved people, particularly women supported by the low cost refinance windows of Bangladesh Bank for Micro, Small and Medium Enterprises (MSMEs) output initiatives and eco-friendly green projects. These policies would make finance and growth more sustainable.

Looking ahead, in FY 2017 domestic credit is projected to grow by 16.40 percent (year-of-year) with private sector credit growing by 16.50 percent and credit to the public sector by 15.90 percent. In FY 2017 imports are projected to grow by 8.50 percent, exports by 8.50 percent and remittances by 10 percent. The foreign exchange reserves are projected to reach USD 33.04 billion or higher in FY 2017 from USD 30.17 billion in FY 2016.

From a macro perspective, domestic demand growth is expected to remain robust over the near and medium-term reflecting demographics, investments and improving infrastructure and cost of doing business. Furthermore, favorable monetary conditions would likely support growth but economic spillovers from weaker external demand need to be closely monitored.

PERSPECTIVE PLAN 2010-2021

The Government keeping in view the Golden Jubilee of Independence has formulated "Bangladesh Perspective Planning 2010-2021", in the light of Vision- 2021 to attain a definite set of objectives that relate to economic and social development of Bangladesh.

The Plan contains necessary strategies to overcome the challenges in terms of turning the country into a medium income economy. The major goals of the Vision 2021 are:-

- To accelerate the growth rate up to 10 percent by 2021;
- To raise per capita income up to US\$ 2,000;
- To reduce the number of population living under poverty line to 15 percent;
- To reduce the unemployment rate to 15 percent;
- To increase annual per head electricity consumption to 600 Kilowatt hour;
- To strengthen IT sector for building a Digital Bangladesh; and
- To reduce maternal mortality into 100 in 1,00,000.

REVIEW OF BANKING BUSINESS ENVIRONMENT

The financial sector of Bangladesh is dominated by the banking sector, which is termed as engine of growth of the economy. With the view of enhancing the role of the banking sector to the growth and development of the economy, the Government including the Central Bank introduced further policy and regulations to maintain strong discipline in the banking business activities.

Despite a few setback in the year 2016, a lot of positive changes took place in the country's banking sector with the introduction of mobile-based banking, online banking facilities, ATM services, credit cards, debit cards, etc. Besides, the year 2016 in the banking industry may be termed as the year of 'Inclusive Banking'. Reaching out to the unbanked population of the country through mobile banking network and opening of "Farmers' Account", Bank Accounts for hardcore poor, freedom fighters, unemployed youth and Bank Account for Beneficiaries under Social Security Program for a nominal amount were the highlights of inclusive banking.

As per Central Bank's guidelines, for more inclusive and equitable economic growth, the banking sector of the country initiated a good number of ventures aiming to strengthen the goals on SME, Agro-Economy and IT driven technology. At the same time, banks were encouraged to expand and adopt enlarged Green Banking operations for sustainability of the economy.

With a view to maintaining sound, efficient and stable financial system, Bangladesh Bank has initiated a number of policy measures giving utmost emphasis on (i) risk management & corporate governance in the banks, (ii) guidelines for rescheduling of various types of loans, (iii) tightening provisions for Non-Performing Loans (NPLs), (iv) periodic review of stability of the individual of the bank as well as the whole banking system, (v) exercise of stress testing, (vi) monitoring of large borrowers, (v) monitoring of fraud-forgery with strengthening internal control and (vi) compliance thorough self assessment of anti-fraud internal controls.

Basel –III, the revised regulatory capital framework, has also been implemented by Bangladesh Bank to improve the resilience of individual banking institutions during periods of stress, while addressing system-wide risks that arrives across the banking sector. Two new tools namely (i) Liquidity Coverage Ratio (LCR) and (ii) Net Stable Funding Ratio (NSFR) have been introduced for measuring liquidity under Basel-III to ensure stronger and more targeted liquidity management of banks.

Monitoring of investment in shares by the scheduled banks has been stringent in light of the amendment brought in the Bank Company Act, 1991 (amended up to 2013). Risk Management Committee at the board level has been made mandatory with regular evaluation. A revised risk guideline has already been put into effect for banks to improve resiliency. Besides, all core risks management guidelines including Asset Liability Management Guideline have been revised recently for timely identification, measurement, control and monitoring of all existing and probable risks of banks.

Alongside of positive changes, the banking industry had to sustain different challenges in terms of excess liquidity management, low credit growth, high rate of Non-Performing Loan (NPL), maintenance of increased rate of CRR and SLR, Central Bank's regulations to contain CDR (Credit to Deposit Ratio), interest rate margin, Central Bank's new rules for loan classification, decrease in Government spending, devaluation of local currencies, etc. This was further accentuated by bearish nature of capital market operation for lack of confidence and liquidity pressure.

The banking sector dominates the financial system. It is also called the engine of growth of the economy as because it mobilizes savings & deposits, provides loans & advances for industry and export-import business and add values to the economy. At present, the banking sector is dominated by 57 banks.

The banking system structure is mentioned below including bank types, number of banks and number of branches in FY 2016:

Bank Types	Number of Banks	Number of Branches
State owned Commercial Banks (SCBs)	6	3690
Specialized Banks	2	1406
Private Commercial Banks (PCBs)	40	4226
Foreign Commercial Banks (FCBs)	9	75
Total	57	9397

REVIEW OF BDBL'S BUSINESS STRATEGY AND OPERATIONS IN 2016

Bangladesh Development Bank Limited (BDBL) was established on November 16, 2009 by amalgamation of former Bangladesh Shilpa Bank (BSB) and Bangladesh Shilpa Rin Sangstha (BSRS). BDBL formally started its operation on January 3, 2010. The year 2016 may be termed as the year of challenges concerning banking business. However, in order to face this challenging situation, the Board of Directors of BDBL undertook various initiatives with policy flexibility and set directions for the institution to become a dynamic and viable banking company.

As a state owned specialized commercial bank, BDBL is committed to provide industrial financing as before. It is also mandated to operate commercial banking activities including foreign exchange and international trade financing as per Memorandum and Articles of Association. BDBL has been playing a significant role in capital market development through its two subsidiary companies. In industrial financing, the bank provides loans to eco-friendly projects including other projects of great significance to the economy. It also provides working capital loans and trade finance for corporate customers, SME loans to traders, business and women entrepreneurs, personal and retail loans including agro and agro-based loans, house building loans, car loans and other need-based loans for retail customers. Commercial banking products and services along with foreign exchange and foreign trade financing activities have been launched and running in good pace. Besides, there are various special deposit schemes which are suitable for retail and institutional customers.

DOMESTIC NETWORK

Since inception, for expansion of business activities with the mission of inclusive banking, BDBL has opened new branches in commercially and geographically important places of the country. With the addition of 6 new branches in 2016, total number of branches has increased to 42 under 4 zonal offices in Dhaka, Chittagong, Khulna and Rajshahi. Among the total branches, 30 branches are located in urban areas and 12 branches in rural areas including 5 Authorized Dealer (AD) branches namely Principal branch, Motijheel branch, Karwan Bazar branch, Agrabad branch and Narayanganj branch. As of now, BDBL has 42 branches with 774 human resources.

HUMAN RESOURCE AND ITS DEVELOPMENT

It goes without saying that the most important resource of any institution, more so for a bank, is its human resource. 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 human resource. Among these, a revised Organogram, new service rules, performance based promotion; posting and transfer, employee's welfare, training activities and skill development are notable.

Knowledge and skill development is a continuous process, which is enriched by proper training. In order to enhance operational skill and efficiency of the officers, the bank established a Training Institute of its own at Karwan Bazar, Dhaka. At present, 774 people are working in the bank among which officers and staff are 608 and 166 respectively. BDBL is working with a vision of converting human resource into productive human capital through appropriate knowledge, skills, abilities and personal attribution.

BDBL also sent a large number of officers to participate in different training programs, workshops and seminars arranged by Bangladesh Institute of Bank Management (BIBM) and Bangladesh Bank Training Academy (BBTA) including other institutions.

BANK AUTOMATION AND CORE BANKING SOLUTION

As a part of Government's "Digital Bangladesh" program for technological development, the Bank formulated an action plan to automate all banking activities and implemented Core Banking Solution (CBS) according to the guidelines of Bangladesh Bank.

Core Banking Solution

The CBS started live operation from 01 July 2015. All branches are now working their all general banking on the Core Banking Solution. Online transaction between branches is being performed through CBS.

BACH & BEFTN

As per the plan of Bangladesh Bank for automation of payment system of the country, Bangladesh Automated Clearing House (BACH) has been introduced in the bank since its inception. The two components of BACH namely Bangladesh Automated Cheque Processing System (BACPS) and Bangladesh Electronic Fund Transfer Network (BEFTN) are functioning in the bank. A total of 42 branches are operating BACPS successfully. BACH & BEFTN software has been interfaced with CBS. For this purpose, hardware, MICR cheque scanner, network connectivity has been installed at all branches.

RTGS

Bank introduced Real Time Gross Settlement (RTGS) system and interfaced with CBS from 29 October, 2015. Now all branches are operating RTGS successfully.

In-House Software

In house developed software such as Payroll, Provident Fund, Personnel Management Information System (PMIS), Investment, goAML, CIB online and Staff Loan Management are currently running in bank.

Website

BDBL has developed an informative website containing description of its various products, services, annual accounts and other up-to-date information about the bank. The web address www.bdbl.com.bd has been working as a primary source of information of the bank. Also e-Recruitment and e-Tendering system have been established with the website.

e-mail

The bank has opened corporate e-mail accounts for all officers in its own domain bdbl.com.bd.

e-Tender

BDBL is processing tenders through e-Tender portal www.etender.bdbl.com.bd which is powered by Bangladesh Bank.

SWIFT

BDBL, 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 SWIFT on behalf of its AD branches. The SWIFT code of the bank is BDDBBDDH. SWIFT is being used to deliver and receive messages relating to export-import bill. Automated Terrorists Screening System has been introduced to the SWIFT system for preventing unwanted transaction in favor of any sanctioned people, institutions, organizations, banks or countries.

Data Center and Disaster Recovery Site (DRS)

BDBL has built a standard and compliant Data Center at its Head Office premises as well as a temporary Near DRS at its BDBL Bhaban, Karwan Bazar for security of core IT assets and to ensure business continuity and recovery of the systems after unexpected disaster. BDBL has a plan to implement far DRS at its Khulna Bhaban.

CREDIT RATING

Bangladesh Bank has declared credit rating to be mandatory for commercial banks and to be conducted by recognized rating agencies. Accordingly, Alpha Credit Rating Limited (Alpha Rating) has assigned the following rating to BDBL on the basis of Bank's Audited Financial Statements of 2014 and 2015 as well as other qualitative and quantitative information like very good liquidity profile, strong capital base, good corporate governance, highly qualified management team, efficient fund management capacity and efficient human resource :

Date of declaration	Valid till	Rating mode	Long Term Rating	Short Term Rating	Outlook
06 November, 2016	05 November, 2017	Government Support	AAA	AR-1	Stable
		Without Government Support	A-	AR-3	

Rating	Meaning
AAA	Indicates Exceptionally Strong Capacity
A-	Indicates Strong Capacity
AR-1	Indicates Superior Capacity
AR-3	Indicates Adequate Capacity
Stable	Means Rating is likely to remain unchanged

CORPORATE GOVERNANCE

BDBL complies with good corporate governance practices in line with the direction and control measures of the company and regulatory requirements ensuring transparency, accountability, responsibility and fairness in each and every area of its business operations to maximize better performance with governance. BDBL has formed following three high powered Board Committees to ensure proper accountability and transparency in business, financial and administrative activities :-

1. Audit Committee
2. Executive Committee
3. Risk Management Committee

INTERNAL CONTROL AND COMPLIANCE

Banking business encompasses a complex and diversified financial activities involving high risks. Consequently, the issue of effective internal control system, corporate governance, transparency and accountability has become significant issues to ensure smooth operational performance of the bank.

Internal Control Process is the process, affected by a company's Board of Directors, Management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in 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 alone, or in concert with other policies or procedures, to manage and control a particular risk or business activity or combination of risks and business activities to which the company is exposed or in which it is engaged.

BDBL 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 identified its weaknesses through internal control system and took appropriate measures to overcome the weaknesses. The Board of Directors of the bank established an Audit Committee to monitor the effectiveness of internal control system of the bank. The Audit Committee met the senior management periodically to discuss the effectiveness of the internal control system of the bank and ensure that the management took appropriate actions as per the recommendations of the Auditors and the Internal Control and Compliance Department (ICCD).

CUSTOMER CARE

According to the Right to Information Act - 2009, BDBL issued a circular instructing all concerned to ensure free flow of information and people's right to information. Besides, in order to improve clients' service standard, a Central Client service and Complaint Management Cell has been formed under Compliance Department to be headed by Head of Compliance Department. Apart from this, complaint boxes have been set up in all branches and Head Office of BDBL. Reasonable complaints of customers are instantly met with due attention. BDBL has introduced a help desk in the ground floor of Head Office under the control of Human Resource Management Department (HRMD).

As per regulatory directives, citizen charter has also been displayed on the wall at the entrance of the Head Office as well as in all other branches. Customers have easy access to necessary facilities through it as the same is available in our website.

RISK MANAGEMENT

BDBL has created Risk Management Department, which identifies, evaluates, monitors and supervises its entire risk related works as per guidelines and directions of Bangladesh Bank with the approval of Board of Directors and competent authorities. The bank formulated seven following core risks manuals as per guidelines provided by Bangladesh Bank:

- Credit Risk Management
- Asset Liability Risk Management
- Foreign Exchange Risk Management
- Money Laundering Risk Management
- Internal Control and Compliance Risk
- Information & Communication Technology Risk
- Environment Risk Management and Green Banking Manual

The bank operates its activities following these manuals. BDBL 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 identified its weaknesses through internal control system and took appropriate measures to overcome the weaknesses.

AWARDS AND RECOGNITION

Since inception, BDBL has been following good corporate governance including strong internal control and compliance. This has resulted in recognition through getting two prestigious 2nd and 3rd awards in a year given by The Institute of Chartered Accountants of Bangladesh (ICAB) and The Institute of Cost and Management Accountants of Bangladesh (ICMAB) respectively. BDBL has obtained second prize in the ICAB's 14th National Award for Best Presented Annual Reports-2013 under the Category-1: Public Sector Banks.

In addition, BDBL also obtained Third prize as the Best Corporate in the Banking Sector (State-owned Commercial Bank) given by The Institute of Cost and Management Accountants of Bangladesh (ICMAB) in its Best Corporate Award-2014.

BRAND IMAGE

It was well known that BDBL was established through amalgamation of Bangladesh Shilpa Bank (BSB) and Bangladesh Shilpa Rin Sangstha (BSRS). These two institutions, BSB and BSRS, being the prime Development Financing Institutions (DFIs) have created a brand image for accelerating the pace of industrial development of the country. After amalgamation, it has become a public limited company and operating its business activities as a state owned specialized commercial bank.

Employees are being well trained to provide smart and efficient services to enhance the brand image further, where focus on customers, quality services to the customers and customers' right are prime concern. It is one of the major objectives of BDBL to make it different from others in respect of economic, commercial and social services.

OPERATIONAL PERFORMANCE OF BDBL

Deposit and Deposit Product Mix

Deposit mobilization is considered as a vital source of fund for commercial banking. The deposit balance at the end of 2015 was Tk. 2337.17 crore which increased to Tk. 2637.49 crore at the end of 2016, showing a growth of 12.85 percent over the previous year. Of the total deposits in 2016, no-cost and low-cost deposits comprised of 22 percent and the rest was high cost deposit.

Loans and Advances

Bank formulated a Credit Policy with a view to providing speedy and efficient services to the clients in a consistent manner. The loans and advances of the bank posted a declining growth by about 0.33 percent to Tk. 1807.84 crore in 2016 over Tk. 1813.75 crore in 2015.

The loan portfolio of the bank was well diversified and consisted of large, small and medium enterprises and businesses. The loans and advances portfolio included food & allied products, jute & jute goods, cotton, woolen and synthetic textiles, paper, paper products and printing, electrical machinery, machinery spare parts, water transport, chemical and pharmaceuticals, petro chemical products, service industries, real estate, loans under consumer's scheme, various trading businesses, etc.

Long Term Loan

The bank provided long term credit facilities for establishing new projects and balancing, modernization, replacement of machinery and expansion 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 SME is indispensable. In line with the Government and Bangladesh Bank's policy guidelines, promoting a dynamic SME 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 was entrusted with the following tasks:-

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

The bank has signed the following 6 (six) refinancing agreements with Bangladesh Bank:-

- Refinancing scheme under ADB fund.
- Refinancing scheme for Agro-products processing industries.
- Bangladesh Bank Fund (Women Entrepreneurs)
- Refinancing scheme for renewable energy and environment-friendly projects
- Refinancing scheme for new Entrepreneurs in cottage, micro and small enterprise sector
- Refinancing scheme for 10 taka account holder

Under these schemes, bank has so far financed 714 projects with Tk.62.64 crore.

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

- Fixation of delegation of power categorically for sanctioning of SME loan by the zonal, branch head and officers concerned in Head Office;
- Fixation of target for General and Women Entrepreneurs (10 percent for cluster projects, 25 percent for Green banking and 65 percent for other projects);
- For the convenience of selecting SME Projects, a list based on area, sectors and clusters was prepared and sent to all branches;
- Nomination of one Focal Officer in each branch as well as in SME department at Head Office;
- Set up of SME cell, a help desk / Women Entrepreneur Dedicated Desk at all branch offices to advise and assist SME entrepreneurs particularly, women entrepreneurs for advisory services including all related assistance;
- Set up of Women Entrepreneur Development Unit at all branch and zonal offices as per instruction of Bangladesh Bank;
- Compilation of NGO-Linkage Wholesale Credit Policy;
- Preparation of SME Manual relating to rules, regulations and other related up-to-date information;
- Introduction of 4 new SME products namely “Ashar Alo” (for women entrepreneurs), “Koler Chaka Takar Jhaka” (industrial loan), “Khamar Bari” (loans for processing of agricultural products) and “Proshar” (Business loan) ;
- Creation of Database & Market Segmentation Reporting as per Software given by Bangladesh Bank;
- Creation of database of Women Entrepreneurs Reporting as per software given by Bangladesh Bank;
- Arrangement of Area-Based meeting with the entrepreneurs on a regular basis;
- Preparation of a comprehensive report on Flower Cultivation for financial inclusion of flowers cultivators according to instruction of Bangladesh Bank;
- Arrangement of different training programs by the bank on SME related issues for enhancing knowledge and awareness of the employees on SME financing; and
- Participation in different SME fairs and seminars.

SME Portfolio Position

The portfolio position of SME loan as on 31-12-2015 and 31-12-2016 are shown below: (Tk. in crore)

SME sector	2015	2016	Growth (%)
Service	87.65	64.52	(26.39)
Trade	111.39	126.44	13.51
Manufacturing	35.41	61.70	74.24
Total	234.45	252.66	7.77
% of women entrepreneurs in total loans	37.16	38.72	4.20

Green Financing

As a part of financial intermediary as well as environmentally conscious bank, BDBL has been playing an important role in mitigating environmental hazards through green banking. The bank approved a considerable fund in the annual budget for green banking and disbursed a handsome amount in 2016.

Cash Credit, Working Capital & Local Documentary Bill Purchase

This is an important area of commercial banking business. In the year 2016, the bank disbursed Tk. 101.93 crore as cash credit and working capital and Tk. 91.94 crore for local documentary bill purchase.

Personal Loan under Retail Banking

The business activities of the bank are not limited to corporate financing only. The bank launched Personal Loan Scheme under retail banking. The response so far is positive. The primary objective of our retail banking is to sell need-based products and services to the customers. As on December 2016, the bank disbursed Tk. 12.32 crore under retail banking.

FOREIGN EXCHANGE AND INTERNATIONAL TRADE FINANCING

The bank embarked on this business in 2011 under the new department named as International Banking Department. Experienced and efficient officers are deployed in this department to run foreign exchange business smoothly.

5 (Five) AD branches namely; Principal branch, Motijheel branch, Karwan Bazar branch, Narayanganj branch and Agrabad branch deals with foreign exchange business. As a part of primary effort, BDBL has been running its foreign exchange business such as open local and foreign sight and deferred L/C, open back to back L/C, Bill Purchase, Bill Collection, provide LTR facility, Acceptance of Bill, etc. including other related businesses, BDBL provide with Packing Credit (PC) and open L/C under Export Development Fund (EDF) from Bangladesh Bank to facilitate client's export business.

Foreign Trade Financing & Foreign Exchange Business:

BDBL 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

Import Finance:

- ❖ Purchase of local & foreign documentary bills
- ❖ Local L/C
- ❖ Import L/C (foreign) – Cash, Sight & Deferred
- ❖ Post Import Financing (LIM, LTR, etc.)
- ❖ Payment Against Documents (PAD)
- ❖ Foreign currency buy & sale.
- ❖ Issuance counter guarantee
- ❖ Remittance Service through Xpress Money Service Ltd.

A comparative picture of foreign exchange business for last 2 (Two) years of the bank are depicted below:
(Tk. in crore)

SL	Name of Branches	2015		2016 (LTR)			(%)
		Target	Actual	No. of Import LC Opened	Target	Actual	
1.	Principal Branch	80.00	48.42	45	80.00	47.94	59.93
2.	Motijheel Branch	30.00	2.08	1	30.00	0.01	0.03
3.	Karwan Bazar Branch	12.00	13.20	125	12.00	2.27	18.91
4.	Narayanganj Branch	15.00	14.34	9	15.00	12.22	81.47
5.	Agrabad Branch	5.00	0.00	12	5.00	1.36	27.20
6.	Khatungonj Branch	10.00	5.82	-	10.00	-	-
Total :		152.00	83.86		152.00	63.80	41.97

(Tk. in crore)

Export Finance							
Sl. No.	Name of Branches	2015		2016 (LDBP)			(%)
		Target	Actual	No. of Export Bill	Target	Actual	
1.	Principal Branch	25.00	36.49	418	25.00	69.58	278.32
2.	Motijheel Branch	15.00	3.64	15	15.00	5.10	34.00
3.	Karwan Bazar Branch	2.00	-	113	2.00	-	-
4.	Narayanganj Branch	2.00	20.86	0	2.00	16.56	828.00
5.	Agrabad Branch	2.00	-	0	2.00	-	-
6.	Khatungonj Branch	2.00	-	0	2.00	-	-
Total :		48.00	60.99	546	48.00	91.24	190.08

(Amount in Tk.)

Income			
Sl. No	Name	2015	2016
1.	L/C Commission	21,43,225.00	34,62,537.00
2.	Exchange Commission	85,65,472.00	1,02,07,032.00

➤ Future plan in 2017

- ✓ To open Nostro Account in USD & UKP.
- ✓ To increase remittance business through Exchange House like Western Union/Money Gram/RIA/Instant Cash/UAE Exchange/IME etc.
- ✓ To increase clientele base.
- ✓ To find out good exporter/importer for our business.
- ✓ To strengthen dealing room operation as per new Foreign Exchange Risk Manual.
- ✓ To ensure better service to attract potential clientele and earn more profit.

PERFORMANCE AND BUSINESS ACHIEVEMENT IN 2016

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

Recovery of Loans and Advances

For 2016, BDBL set a loan recovery target of Tk. 670.20 crore including Tk. 135.80 crore from classified loan and Tk. 50.50 crore from written-off loan. Against this, Tk. 521.38 crore was recovered, representing 78 percent of the target achieved.

Classified and Written-off Loans

Throughout 2016, the Board of Directors along with bank's senior management maintained both pressure and vigilance for bringing down the level of classified loans and accelerating recovery from written-off projects. In 2016, Tk. 98.40 crore and Tk. 39.31 crore were recovered from classified loan and written off loan respectively.

However, the bank management was endeavoring hard to minimize the existing classified loans by way of new injection of quality loans, cash recovery and regularization through rescheduling. As a part of regular recovery, the written off loan amount of BDBL went down to Tk. 1820.97 crore in 2016 from Tk. 2437.96 crore in 2010.

Provision for Classified Loan

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 this loan on a particular date for protecting the interest of shareholders and depositors. In 2016, requirement of provision against loans & advances as per Bangladesh Bank's inspection report was Tk. 326.20 crore. But, the bank maintained a provision of Tk. 329.99 crore, which left a surplus of Tk. 3.79 crore during the period under reference.

CAPITAL MANAGEMENT PLAN & CAPITAL ADEQUACY RATIO

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 fully into effect from 2015. As on December 31, 2016, the bank's Capital to Risk Weighted Asset Ratio (Basel-III) stood at 25.76% (core capital 21.01 percent and supplementary capital 4.75 percent) as against 10.625% of total risk weighted assets, which indicates bank's strong capital base.

Comparative picture of risk weighted assets, minimum capital requirement and the Capital to Risk Weighted Asset Ratio and capital surplus of BDBL for 2015 and 2016 are presented below:

(Tk. in crore)

Particulars	2016	2015
Total Risk Weighted Assets	4666.50	4684.27
Core Capital (Tier I)	980.33	913.50
Supplementary Capital (Tier II)	221.52	293.49
Total Capital	1201.85	1206.99
Required	466.65	468.43
Tier I Capital Adequacy Ratio	21.01%	19.50%
Tier II Capital Adequacy Ratio	4.75%	6.27%
Capital to Risk Weighted Asset Ratio (CRAR)	25.76%	25.77%
Capital Surplus	735.20	738.56

SUBSIDIARY ORGANIZATIONS

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

BDBL Securities Ltd (BSL), Dhaka

BDBL Securities Ltd (BSL), Dhaka was formed as per directives of Bangladesh Bank. After completion of all regulatory requirements, the company was incorporated on April, 03, 2011 with the Registrar of Joint Stock Companies & Firms as a stock dealer and stock broker in dealing security business under capital market. The Registrar of Joint Stock Companies & Firms issued Certificate of Incorporation and Certificate of Commencement of business in favor of BDBL on May 23, 2011. The Vendor's Agreement was signed on July 17, 2011 between the Board of Directors of BDBL and BSL.

The authorized capital is Tk. 50 crore and its paid up capital is Tk. 20 crore. As on December 31, 2016, 8632 Beneficiary Owners' (BO) accounts are maintained by this Brokerage house. The Net profit of the company during the last five years is shown below:

Years	Net profit	Growth
2012	0.08	-
2013	1.70	2025%
2014	1.35	(21%)
2015	2.66	97%
2016	0.69	(74%)

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

BDBL Investment Services Ltd (BISL), Dhaka

BDBL Investment Services Ltd (BISL), Dhaka was formed on August 06, 2014 with authorized capital TK. 50 crore and paid up capital TK. 20 crore. The company completed all formalities of regulatory authorities and started its operation in 2016. As on December 31, 2016, 2600 Beneficiary Owners' (BO) accounts are maintained by this Brokerage house. The Net profit of the company during the 2016 was Tk. 1.04 crore.

Bangladesh Development Bank Limited (BDBL) invested TK. 23.73 crore by purchasing shares, bonds and debentures of various companies from the primary and secondary market during 2016. At the same time, BDBL sold shares of various listed companies valued TK. 42.57 crore. BDBL also invested TK. 106.00 crore in Bangladesh Fund as sponsor. In 2016, it was able to earn Tk. 11.49 crore as capital gain, TK. 72.67 crore as dividends and TK. 6.88 crore as interest on Bond & Debenture from such investment.

FINANCIAL PERFORMANCE OF THE BANK IN 2016

In the midst of so many challenges and risks, the bank directed its business activities and earned operating profit Tk. 65.05 crore in 2016, which was Tk. 121.02 crore in 2015, indicating a decrease of about 46 percent over the previous year.

The targeted and actual financial performances including achievement of the target of the bank during 2016 are shown below in summarized form:

(Tk. in crore)

Sl. No.	Particulars	Target December, 2016	Actual December, 2016	Target Achieved
1.	Net Interest Income (NII)	13.33	30.49	232.22%
2.	Investment Income	101.73	90.81	89.27%
3.	Non Funded Income	56.78	69.16	121.80%
4.	Total Operating Income	171.84	190.46	110.84%
5.	Total Operating Expenditure	127.94	125.41	98.02%
6.	Net Profit Before Provision & Tax (4-5)	43.90	65.05	148.18%
7.	Total Loan Provision	10.00	15.00	150%
8.	Provision for Tax	18.00	11.82	65.67%
9.	Net Profit After Tax and Provision	25.90	38.23	147.61%

Net profit after provision and taxes decreased by about 46 percent to Tk. 38.23 crore during 2016 over the previous year. As a result, some of the ratios including Return on Average Equity (ROE) and Return on Average Assets (ROA) changed accordingly. The comparative picture of major financial ratios during 2015 & 2016 is depicted below:

Sl. No.	Particulars	Year 2016	Year 2015
1.	Return on Average Equity (ROE)	2.10%	2.88%
2.	Return on Average Assets (ROA)	0.70%	1.01%
3.	Return on Investment (ROI)	8.09%	13.79%
4.	Cost to Income Ratio	89.40%	87.27%
5.	Non-Interest Income to Total Income	44.35%	45.67%
6.	Net Operating Income to Total Assets	1.19%	2.35%
7.	Net Profit to Total Income	10.60%	12.72%
8.	Capital to Risk Weighted Asset Ratio (CRAR)	25.76%	25.77%
9.	Earning Per Share (In Tk.)	9.56	12.93

APPROPRIATION OF PROFIT

Net profit after provision and taxes for the year 2016 stood at Tk.38.23 crore. Appropriation has been shown below:

(Tk. in crore)

Sl. No.	Particulars	December 2016	December 2015	Growth Rate
1.	Statutory Reserve	10.02	12.65	(20.79)
2.	General Reserve	17.00	28.00	(39.29)
3.	Dividend to the Government	10.00	10.00	-
4.	Retained Surplus	1.21	1.08	12.04
	Total	38.23	51.73	(26.10)

CONTRIBUTION TO THE NATIONAL EXCHEQUER

Bangladesh Development Bank Limited pays income taxes regularly on its income. It also deducts income tax, value added tax and excise duty at source as per law for various payments and services. It deposits the same to the national exchequer.

CONTRIBUTION TO THE NATIONAL ECONOMY

The bank plays an important role in the development of urban and rural economy. At present, it has got 42 branches across the country. The bank operates through these branches in different districts to provide the banking services to the people. It also plays an important role in reducing unemployment problem by way of participating in different employment generation activities. Since its inception, the bank has been highly active in providing industrial loan as well as loans for commercial business operations to accelerate industrial development of the country. The bank also created employment generation opportunities by providing loans to different industrial ventures along with production of goods and services in the country.

DIVIDEND DECLARATION

In light of the proposed appropriation of profit for the year 2016, the bank's Board of Directors have been pleased to recommend Tk. 10 crore as cash dividend (2.50 percent of paid up capital) to be paid to the Government in a consistent manner as before subject to the approval in the forthcoming seventh Annual General Meeting (AGM) of the Shareholders.

APPOINTMENT OF AUDITORS

In terms of Article 157 of the Articles of Association, BDBL at each Annual General Meeting shall appoint an Auditor or Auditors being a chartered accountant who will be responsible as Auditors until the next Annual General Meeting. The Board of Directors of BDBL in its 6th AGM held on July 14, 2016 appointed S.F. AHMED & CO and KHAN WAHAB SHAFIQUE RAHMAN & CO as the statutory auditors for the year 2016. As per BRPD circular no. 12, dated 11 July 2001 of Bangladesh Bank, they are eligible for reappointment. The circular of Bangladesh Bank states that a competent audit firm can be appointed for 3 (three) terms consecutively. Both firms have already performed 1 year (2016) as statutory auditors of the bank.

OUTLOOK 2017

Considering the macro and global economic scenario, ongoing liquidity pressure and an interest rate in the market along with monetary policy stance, the bank in 2017 will continue to strengthen its growth and brand image by expanding business activities, particularly in the area of SME and agro-based industries, green banking, trade finance, export and import business, foreign remittance and retail banking. Keeping in view the bank's goals, targeted growth in the annual budget has been determined for deposit, loans and advances specially loan for SMEs and green banking, export and import business including other activities.

The targeted growth will be supported by introduction of a number of new products and services particularly in SME, retail banking, export and import business along with expansion of new branches and up gradation of IT and online banking system to provide quality and faster services to the customers. Human resources will also be strengthened to improve operational efficiency and productivity.

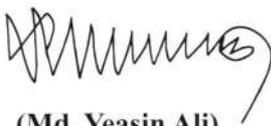
In order to support sustainable long-term growth and profitability and for the benefit of all stakeholders, the bank will continue to adhere to good corporate governance practices, sound risk management policies and prudent credit policies and practices. The bank looks forward to greater success in enhancing Shareholders' value in 2017.

ACKNOWLEDGEMENT

The Board extends thanks to the valued customers, entrepreneurs, and others for their continued support and co-operation. The Board also places on record its appreciation for the senior management team including 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 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 deep appreciations to S.F. AHMED & CO and KHAN WAHAB SHAFIQUE RAHMAN & CO, the Auditors of the bank, for completion of audit in time. Finally, the Board thanks the respected shareholders who at present are all government representatives and assure them of its commitment to add to the shareholders' wealth and to develop the bank as a service-oriented and 'environment-friendly modern, dynamic and forward-looking financial institution in which they have placed their trust and confidence.

On behalf of the Board of Directors



(Md. Yeasin Ali)
Chairman

Report on Credit Rating

In compliance with the circular of Bangladesh Bank, Bangladesh Development Bank Limited appointed Alpha Credit Rating Limited to evaluate the Credit Rating of the bank.

The Credit Rating of the bank for the year 2016 was as follows:-

Credit Rating awarded by Alpha Credit Rating Limited

Date of Declaration	Valid Till	Rating Mode	Long Term Rating	Short Term Rating	Outlook
06 November, 2016	05 November, 2017	Government Support	AAA	AR-1	Stable
		Without Government Support	A-	AR-3	

Rating	Meaning
AAA	Indicates Exceptionally Strong Capacity
A-	Indicates Strong Capacity
AR-1	Indicates Superior Capacity
AR-3	Indicates Adequate Capacity
Stable	Means Rating is likely to remain unchanged

The above rating has been declared by Alpha Credit Rating Limited on the basis of bank's Audited Financial Statements of 2014, 2015 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 Quality	v) Compliance with the Statutory Reserve
vi) Market Sensitivity	vi) Accounting Quality
	vii) Area and Size of Market



Report of the Board Audit Committee

In compliance with the guidelines of Bank Companies Act, Bangladesh Bank's guidelines, notifications of Bangladesh Securities & Exchange Commission (BSEC) and International Best Practices of Corporate Governance, the Audit Committee of the Board of Bangladesh Development Bank Limited was formed by the Board of Directors of the Bank with a view to ensuring the achievement of objectives of the Bank, efficiency of operations and compliance with applicable laws, rules, regulations and internal policies to make the Bank a unique, strong and dependable organization for all stakeholders, specially shareholders, depositors and the society as a whole.

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 of laws and regulations and its own code of business conduct.
- Assist the Board in fulfilling its oversight responsibilities including implementation of the objectives, strategies, policies and overall business plans set by the Board for effective functioning of the Bank.

Role and Responsibilities of the Committee

The roles and responsibilities of Audit Committee of BDBL have been chalked out on the basis of BRPD Circular No. 11 dated 27 October, 2013, new corporate governance notification issued by BSEC, dated 07 August, 2012 and other best practices of corporate governance guidelines and standards. The important roles and responsibilities of audit committee are described below:

- i) Review the Internal Control System of the Bank to ensure that sufficient Risk Management System is in place to manage core risk of the Bank.
- ii) Review the Internal Audit Procedure
- iii) Review the efficiency and effectiveness of Internal Control System.
- iv) Consider the recommendations made by the internal and external auditors.
- v) Ensure fair presentation of financial statements in compliance with the Bangladesh Accounting Standards and the Bangladesh Financial Reporting Standards.
- vi) Review compliance with the applicable rules and regulations of Bangladesh Bank, BSEC, Bank Companies Act- 1991 (amended in July, 2013) and Companies Act. 1994.
- vii) Report immediately to the Board of Directors on conflicts of interest.
- viii) Report to the Board of Directors on frauds or irregularities or material defects in the Internal Control System.

Composition of the Committee

The Audit Committee was constituted by the Board of Directors of the Bank with the following 4 (Four) members :

Sl. No.	Name	Qualification	Status with the Bank	Status with the Committee
1.	Mr. Md. Ekhlasur Rahman	BSS (Hon's), MSS, MBA, Post Graduate Diploma in International Relations and Development	Director	Chairman
2.	Mr. Mushtaque Ahmed	B.A (Hon's), M.A	Director	Member
3.	Mr. Md. Abu Hanif Khan	B.Sc (Hon's), M.Sc.	Director	Member
4.	Syed Aftear Hussain Pear	B.Com	Director	Member

Meetings of the Audit Committee

In 2016, 8 (eight) meetings of the Committee were held.

Activities during the year

The Audit Committee carried out the following activities during 2016:

- Reviewed the comprehensive inspection report by Bangladesh Bank, evaluated compliance status thereof and advised the Bank management to take necessary action as required.
- Reviewed performance of internal audit, 2015.
- Reviewed audited accounts and report of 2015 and recommended those audited report to place to the Board.
- Reviewed inspection report of different branches of the Bank conducted by Internal Control and Compliance Department of the Bank and advised the Bank management to rectify the irregularities detected by the inspection team very shortly.
- Reviewed the cost of fund of the Bank.
- Reviewed the compliance status of audit objections and advised the management to ensure full compliance of regulatory and legal issues meticulously.
- Reviewed annual financial statements of the Bank with appointment of external auditors prior to submission to the Board for their approval.
- Reviewed Internal Audit Procedure of the Bank and Internal Audit Program for 2016.
- Reviewed and approved action plan for turning loss-incurring branches into profitable branches.

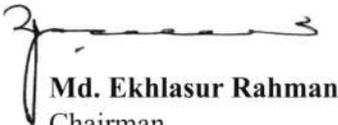
- Reviewed revised annual budget-2015 including estimated budget-2016 and recommended measures to achieve the target in respect of deposit, loan disbursement and recovery of classified loan.
- Reviewed quarterly, half yearly and interim financial statements of the Bank and put specific recommendations for further review by the Board.
- Reviewed operational performance of the Bank from time to time and recommended remedies for improvement of performance of the Bank.
- Reviewed 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 with continuous support to go ahead with the task of Audit Committee and also express my profound gratitude to the members of Board for allowing the committee to discharge its due role independently.

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

For and on behalf of Audit Committee



Md. Ekhlasur Rahman
Chairman
Board Audit Committee

Report of the Risk Management Committee

Risk is an integral part of banking business activities. This includes Credit risk, Foreign Exchange risk, Money Laundering risk, Asset- Liability risk, Environment risk, Internal Control & Compliance risk, Information Technology risk, etc. So, risk management is an essential part of planning for business especially for banking business where liquid assets are involved.

The main objectives of the committee are to set a comprehensive risk management policy and process of 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 the employees, customers and general public from negative events.

Composition of the Committee

In compliance with BRPD Circular, the Board of Directors of BDBL constituted the Risk Management Committee (RMC) with the following 5 (Five) honorable members :-

Sl. No.	Name	Status with the Bank	Status with the Committee
1.	Mr. Shahabuddin Ahmed	Director	Chairman
2.	Mr. Md. Abu Hanif Khan	Director	Member
3.	Dr. A.K. Ubaidur Rob	Director	Member
4.	Syed Aftear Hussain Pear	Director	Member
5.	Salma Nasreen, NDC	Director	Member

Roles and Responsibilities of RMC

The roles and responsibilities of RMC of BDBL have been framed in line with the provisions of BRPD Circular No. 11, dated 27 October, 2013 including other best practices and standards. The important roles and responsibilities as framed by the Board are highlighted below:

- To assess and identify risks and formulation of strategy to control risk.
- To design organizational structure for assessing and monitoring credit risk, foreign exchange risk, internal control & compliance risk, money laundering risk, IT risk etc.
- To review and approve Risk Management Policies & Guidelines at least once in a year and amendment of the policies with the approval of the Board of Directors.
- To review and monitor Risk Reporting System.
- To supervise overall Risk Management Policy Implementation and take necessary steps to mitigate credit risk, market risk, operational risk including other risks.

Compliance with Existing Laws and Regulations

The committee reviews whether the laws and regulations introduced by the Central Bank and internal circulars/instructions/policies regulations approved by the Board of Directors are complied appropriately.

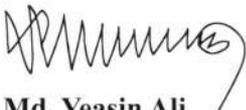
Meetings of the Risk Management Committee (RMC) in 2016

The RMC of BDBL held 5 (five) meetings during 2016 having detailed discussions and review sessions with Chief Risk Officer (CRO) regarding their findings, observations and recommendations on the issues of the Bank affairs that need improvement. The major areas covered by RMC are as follows:

- Reviewed various risk related business activities and advised to take corrective measures for improvement of Risk Management Policy and checklist;
- Reviewed various circulars of Bangladesh Bank relating to risk management;
- Reviewed activities of Management Level Risk Management Committee and advises for making the committee more dynamic;
- Reviewed monthly and quarterly Risk Management Report of the bank;
- Reviewed movement of Non-performing Loans (NPLs) of the bank and advised to initiate action plan to reduce NPLs;
- Reviewed litigation measures against written-off and defaulted projects to expedite overall recovery of the bank;
- Reviewed top 20 (twenty) defaulted borrowers and advised to recover or declassify these loan accounts;
- Reviewed large loan borrowers of the bank;
- Reviewed Stress Testing Reports of the bank;
- Reviewed and approved Internal Capital Adequacy Assessment Process (ICAAP) report; and
- Reviewed time-to-time liquidity position of the bank.

In conclusion, I would like to express my heartiest 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 activities to carry forward the function of risk management. I take the advantage of extending my sincere thanks to the Board of Directors of the bank for encouraging the RMC to perform its responsibilities with the right directions as set by the Central Bank as well as by the Board of Directors of the bank.

On behalf of the Risk Management Committee



Md. Yeasin Ali
Chairman, Risk Management Committee

Report on Risk Management



Report on Risk Management

Risk:

A form of uncertainty about outcomes that may have a potentially adverse effect on an individual or an entity. In fact, Risk is a probability or threat of loss, injury, damage, liability, or any other negative occurrence that is caused by internal or external vulnerabilities, and that may be avoided through anticipatory action.

Risk is subjective as perceived by the entity that would sustain the loss or injury. In other words, the probability that an actual return on an investment will be lower than the expected return. Financial Risk is divided into the following categories: Basic risk, Capital risk, Country risk, Default risk, Delivery risk, Economic risk, Exchange rate risk, Interest rate risk, Liquidity risk, Operations risk, Payment system risk, Political risk, Refinancing risk, Reinvestment risk, Settlement risk, Sovereign risk, Underwriting risk etc.

Risk Management:

The process of assessing or measuring the actual or potential dangers of a particular situation can be defined as Risk Management. It focuses on reporting, oversight and segregation of duties within the organization.

A risk management framework is a set of components that provide the foundations and organizational arrangements for designing, implementing, monitoring, reviewing and continually improving risk management throughout the organization.

In fact, Risk Management encompasses identification, analysis, assessment, control, and avoidance, minimization, or elimination of unacceptable risks. To ensure proper management of future events, an organization may use risk assumption, risk avoidance, risk retention, risk transfer, or any other strategy (or combination of strategies).

Risk Management has become one of the most sensitive and crucial factors in the banking business all over the world. Bangladesh Development Bank Ltd. (BDBL) is very much aware and careful about the risk factors related to the banking business. To mitigate those risk factors, appropriate steps are being taken under the instruction of the top management of the bank continuously. The overall focus of Risk Management of BDBL in 2016 was on maintaining bank's risk profile in line with bank's strategy, strengthening its capital base and supporting the bank's strategic goals. The flow chart of Risk Management is as follows:



Risk Management framework of BDBL:

The key objective(s) of the risk management of BDBL is:

- To analyze the risks associated with banking business;
- To protect the bank's capital;
- To preserve financial resources from spoilage;
- To augment regular growth of profitability from various units.

BDBL has introduced individual Risk Management Department under the guidance of a General Manager, Information Technology and Risk Management Division, with the responsibilities to upgrade, develop and implement of the core risk management of the bank. The Risk Management Department has already upgraded the existing Risk Management Policy. As per Bangladesh Bank guidelines, separate set of policies for the management of most of the core risks are established / being updated / reviewed. Risk Management of BDBL is conducted by a group of officers' who are able to analyze and manage banking risk efficiently and create positive business environment. A number of techniques are applied efficiently to manage operational risk in BDBL's business.



Management Organization:

The Risk Management governance structure is demonstrated as:

Board of Directors	➤	Approve policies and processes of Risk Management (RM).
Board Risk Management Committee	➤	Reviews risk management policies and 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.
Management-Level Risk Management Committee	➤	Monitors and reviews adequacy & efficacy of control systems by organizing monthly meeting on various risk issues regarding the Risk Management Report to determine strategies in consistency with risk management policy and findings of the reports.
Core Risk Management Committees (Credit, Asset Liability Committee (ALCO), Foreign Exchange, Money Laundering & Terrorist Financing (Central Compliance Unit), Internal Control and Compliance, Information & Communication Technology Security, Environment & Green Banking)	➤	Play vital role in assessing, monitoring, mitigating and controlling various risks at different levels.

As per DOS Circular Letter No.13, dated 09/09/2015, bank's Deputy Managing Director (DMD)-2 is the as Chief Risk Officer (CRO) who is not in charge of the Internal Control and Compliance (ICC) Division. The CRO plays due role for overall risk management function.

Scope of Risk Policy:

The Lending/Credit Policy, SME Manual, Credit Risk Management Manual & Checklist, Risk Management Policy of the bank cover full range of commercial lending activities, project loan, SME loan and all other operational activities of the bank and shall apply to all the branches, zonal offices and departments.

Risk Management Department, in association with other relevant departments, is involved in the compilation, renewal and up gradation process of the Core Risk Management Policies / Manuals on the basis of latest Bangladesh Bank regulations/guidelines/instructions, Board's feedback, market events and preparation of due diligence Checklists for each and every 7 (seven) core risk aiming to appropriate implementation of Core Risk Management Manuals. 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.

Credit Risk Management:

Credit risk is one of the key risks of a bank. It signifies the potential loss arising from contractual failure of the borrower with the bank. The failure may be resulted from unwillingness of the borrower or due to decline of the financial conditions. BDBL emphasizes to manage credit risk in the entire range as well as the risk in individual credits or transactions. The effective management of credit risk is a critical component of a comprehensive approach to risk management and essential to the long-term success of BDBL.

On the basis of Bangladesh Bank's Credit Risk Management policy/guideline and in line with the bank's lending /credit policy, bank's 'Credit Risk Management (CRM) Manual & Checklist' has been approved by BDBL's Board of Directors. The bank reviews / updates the manual as per the bank's board approved updated / revised Lending / Credit policy and the updated Credit Risk Management Guideline of the Bangladesh Bank. The duties of the executives & officers working in the credit areas like credit approval, administration, monitoring and recovery functions have been segregated for smooth functioning.

CRM Activities of BDBL:

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 BDBL'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 Lending/Credit Policy to set up single borrower or large loan limit.

Credit risk in the bank's Portfolio is monitored, reviewed and analyzed by the Loan Operation Department, SME Department; General Advances Department determines the quality of the credit portfolio and assists in minimizing potential losses. Credit Risk Management Committee of the bank independently co-ordinates the overall Credit Risk Management activities of the bank.

Credit Risk Grading (CRG) system is followed by BDBL as per Bangladesh Bank's instruction considering the criteria as mentioned below:

Financial Risk	Leverage
	Liquidity
	Profitability
	Coverage
Business / Industry Risk	Size of Business
	Age of Business
	Business Outlook
	Industry Growth
	Market Competition
Management Risk	Experience
	Succession
	Team work
Security Risk	Security Coverage
	Collateral
	Support
Relationship Risk	Account Conduct
	Utilization of Limit
	Compliance of Covenants
	Personal Deposits

BDBL also follows Bangladesh Bank guidelines regarding CIB reporting, provisioning, write off of bad debts and suspension of interest.

Picture of Total Loans and Advances of BDBL

Particulars	December, 2016	December, 2015
Total Loans and Advances	1807.84	1813.75
Classified amount (Opening)	694.56	524.83
Less total recovery adjustment during the year	98.40	34.38
Add newly classified during the year	134.05	204.11
Classified amount (Closing)	730.21	694.56
% of Classified loan	49.58%	46.18%

Asset and Liability Risk Management:

Asset and Liability Management (ALM) is one of the key areas of managing the bank's balance sheet efficiently. The main objectives of ALM are to manage balance sheet risk i.e. liquidity risk & interest risk and to maintain adequate capital. The risk associated with asset liability management is identified, monitored, mitigated and managed by the Asset Liability Committee (“ALCO”) of the bank. As part of Asset Liability Risk Management, monthly ALCO paper is prepared according to the guidelines of Bangladesh Bank. Maturity gap of assets and liabilities and interest rate movement are strongly monitored. As a result, the bank is always maintaining optimum liquidity with required regulatory compliance.

BDBL has its own Manual / Guideline for asset and liability management and the bank reviews / updates its Asset Liability Risk Management Manual & Checklist as per the updated regularity ALM guideline. Considering all risk factors, the bank has established an effective ALM process for assessing, analyzing and reviewing various kinds of risk exposures arising from composition and dynamics of the balance sheet.

The Asset Liability Committee of the bank was constituted with the following officials, where the Managing Director is the Chairman of the Committee:-

1.	Managing Director	Chairman
2.	Deputy Managing Director-1	Member
3.	Deputy Managing Director-2	Member
4.	General Manager of Finance & Accounts Division	Member
5.	General Manager of Legal Affairs & Recovery Division	Member
6.	General Manager of Branch Banking Division	Member
7.	General Manager of Development Banking Division	Member
8.	General Manager of SME & General Advances Division	Member
9.	Head of International Banking Department	Member
10.	Head of Risk Management Department	Member
11.	Head of Central Accounts Department	Member-Secretary

Asset Liability Committee (ALCO) of BDBL 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-
 - (i) Setting tolerance for cumulative cash flow mismatches (maximum cumulative outflow limit 20% of balance sheet assets),
 - (ii) Setting limit on loan to deposit ratio (85% maximum)
 - (iii) Setting limit on dependence on institutional deposits that are volatile in nature.
- ALCO also monitors the rate sensitive assets and liabilities of the bank.

ALM desk plays vital role in managing liquidity, interest sensitive assets and interest sensitive liabilities. ALCO paper is the main support for ALCO meeting in taking decision. This paper is prepared by the ALM desk of Central Accounts Department of the bank. In BDBL, ALCO paper contains all the information regarding liquidity based on historical requirements, current liquidity 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 are made based on practical scenario.

Statutory Liquidity Position of BDBL

BDBL maintains its regulatory requirement of CRR. Liquidity position and lending as well as borrowing scenario of BDBL during 2016 and 2015 are shown below:

Maintaining Statutory Liquidity in BDBL

(Tk. in crore)

Particulars		December 2016		December 2015	
		%	Tk.	%	Tk.
Cash Reserve Requirement	Required	6.50	172.52	6.50	140.55
	Maintained	6.91	183.38	6.60	142.71
Surplus		0.41	10.86	0.10	2.16

As per the structural liquidity profile of BDBL, Medium Term Funding (MTF) Ratio and Maximum Cumulative Outflow (MCO) as on December, 2016 are as follows:

Particulars	December 2016	Ideal Scenario
MTF Ratio	1.01:1	30% to 40%
MCO	1.70%	≤20%
Loan Deposit Ratio	68.54%	80%-85%

Interest Rate Risk

According to Duration Gap Analysis, the fall in market value of equity due to 1% change in interest rate for 31 December, 2016 is Tk. 56.00 crore.

Interest Earning Assets

(Tk. in crore)

Particulars	December 2016	December 2015
Balance with other Banks & FIs	1110.25	832.76
Investments	45.40	58.50
Money at Call & Short Notice	-	-
Loans & Advances	1807.04	1813.75
Others	-	-
Total	2963.49	2705.01

Interest bearing Liabilities

(Tk. in crore)

Particulars	December 2016	December 2015
Borrowing	33.47	40.44
Deposits and other A/Cs	2594.17	2337.17
Total	2627.64	2377.61

Net Interest Income

(Tk. in crore)

Particulars	December 2016	December 2015
Total Interest income	200.76	220.88
Total interest expense	170.27	189.03
Net Interest Income	30.49	31.85

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 their settlement. On the basis of Bangladesh Bank's Foreign Exchange Risk Management Policy and Guideline, a manual of Foreign Exchange Risk Management has been approved by BDBL's Board of Directors. Foreign Exchange Risk Management Committee of the bank plays vital role in assessing, monitoring and mitigating Foreign Exchange Risk.

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 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. Training has been continuously given to all the categories of Executives and Officers for developing awareness and skill for identifying suspicious transactions and other Money Laundering related activities.

BDBL has a Central Compliance Unit (CCU) headed by the Chief Anti Money Laundering Compliance Officer (CAMLCO) designated as General Manager to supervise the overall Anti Money Laundering (AML) and Combating Financing of Terrorism (CFT) activities. Each branch of BDBL 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 Taka 10 (ten) lac or above in a day. All these reports are sent to Bangladesh Bank through special software, goAML.

Internal Control and Compliance Risk Management:

Operational loss may arise from errors and fraud due to regulatory failure of Internal Control and Compliance. Management through Internal Control and Compliance Division controls procedures of the bank. 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 subsequently reviews the report of the Internal Control and Compliance Division.

Internal Control and Compliance (ICC) structure of BDBL is shown below:

	Managing Director	
	Head of Internal Control and Compliance Division (ICCD)	
Head of Audit & Inspection Department		Head of Compliance Department

The functions of two departments (Audit & Inspection department and Compliance department) of Internal Control and Compliance (ICC) division are to manage the cross divisional and cross regional operational risk as well as risk concentrations at branch level. These departments ensure a consistent application of the operational risk management strategy across the bank.

Audit & Inspection department performs risk-oriented reviews of the design and operating effectiveness of BDBL's system of internal controls. Internal audit is conducted at periodic intervals to ensure compliance of the policies of the bank and regulatory bodies. Bank's Internal Control and Compliance Risk Management Manual has been approved by the Board of Directors according to Bangladesh Bank's Guidelines on Internal Control & Compliance Risk Management. For oversight of Internal Control and Compliance Risk in bank, bank's Internal Control & Compliance Risk Management Committee plays crucial role in assessing, monitoring, mitigating and controlling the risk(s) associated with Internal Control and Compliance (ICC).

Information & Communication Technology Risk Management

Information technology has improved over the years and the bank is gradually becoming dependent on its use for performing our 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.

In order 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, the bank follows the Guidelines of the Bangladesh Bank. 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 two different departments namely IT Operation and IT System department to manage all the IT activities in sound, compliant and standard way/manner. IT Operation department is assigned to develop IT infrastructure and IT System department is responsible for deployment and secure operation of different software including Core Banking Solution (CBS). This year bank has built standard and compliant Data Centre (DC) in its Head Office premises. Also, a near Disaster Recovery Site (DRS) has been placed at bank's Karwan Bazar Bhaban, Dhaka. There are 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.

For oversight of ICT Security Risk in bank, there is a ICT Security Risk Management Committee which plays vital role in assessing and mitigating ICT Security Risks.

Environmental Risk Management and Green Banking

Environmental risk is a facilitating element of credit risk arising from environmental issues. These can be due to environmental impacts caused by and / or due to the prevailing environmental conditions. These increase risks as they bring an element of uncertainty or possibility of loss in the context of a financing transaction.

Objectives of Environmental Risk Management

The main objective of the policy will be to contribute to the national/global interest through establishing 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.

The objectives of the policy are:

- i) To promote sustainable environment friendly initiatives undertaking through adoption of a set of principles and strict adherence to those principles.
- ii) To contribute to the national/global interest through avoidance of financing in specific industry(ies)/project(s)/process(es)/business(es), being harmful or tend to be causing harm to the environment even if they are financially viable;
- iii) To create an atmosphere for the bank and/or its both existing and potential clients to work within an ideal business environment through innovative marketing of innovative banking products;
- iv) To encourage the employees, the existing and potential clients and other stakeholders to develop, practice & promote for developing & using Environment friendly/Green Technology/products/production process;
- v) To develop the attitude among the employees to motivate, encourage the stakeholders through initialization of appropriate in-house environmental risk management system through introduction of appropriate technology;
- vi) To sponsor awareness programs for environment friendly products/technology through practice of Corporate Social Responsibilities (CSR);

In order to identify, monitor, manage and control Environmental risk and the risk(s) related to Green banking, Environmental Risk Management & Green Banking committee of the bank plays key role.

Board Risk Management Committee

Board Risk Management Committee of BDBL formed as per Bank Company Act, 1991 (Amended in 2013) and BRPD Circular 11 dated 27 October, 2013. The bank reformed Board Risk Management Committee with the following Board of Directors:

1.	Mr. Shahabuddin Ahmed, Director	Chairman of the Committee
2.	Mr. Md. Abu Hanif Khan, Director	Member
3.	Dr. A.K. Ubaidur Rob, Director	Member
4.	Syed Aftear Hussain Pear, Director	Member
5.	Salma Nasreen, NDC, Director	Member

The Board Risk Management Committee is entrusted with the following responsibilities and functions:

- Identify risk and set strategy to manage it;
- Prepare organizational framework;
- Overview Risk Management Policy & Guidelines from time to time, analysis and approval;
- Analyze data preservation & reporting system and approve it, The committee also supervise whether the system is used or not; and
- Supervise overall Risk Management System.
- Other responsibilities:
 1. Committee's decision and suggestions should be submitted to the Board of Directors quarterly in short form;
 2. Comply instructions issued time to time by the controlling body;
 3. Internal & external auditor will submit respective evaluation report whenever required by the committee.

Management-Level Risk Management Committee

Management-Level Risk Management Committee in a bank can play a vital role in managing and mitigating risk by critical risk assessment and management as well as regular monitoring. According to Bangladesh Bank instruction, the Management-Level Risk Management Committee of BDBL has been formed with the vision to establish a comprehensive risk management process in the bank and to ensure a continuous sound banking practice. The main objective of Management-Level Risk Management Committee is to prevent bank from taking excessive risk.

Structure of Management-Level Risk Management Committee of BDBL is shown below:

1.	Deputy Managing Director-1	Chairman
2.	General Manager, Branch Banking & Investment Banking Division	Member
3.	General Manager, IT & Risk Management Division	Member
4.	Head of Central Accounts Department	Member
5.	Head of Branch Management Department	Member
6.	Head of Audit & Inspection Department	Member
7.	Head of Risk Management Department	Member-Secretary
8.	Head of Budget Department	Member
9.	Head of International Banking Department	Member
10.	Head of Loan Operation Department	Member
11.	Head of Compliance Department	Member
12.	Head of IT System Department	Member

The Management-Level Risk Management Committee will take advance preparation to address any kind of financial stress and inform the Chief Executive Officer.

Role of Management-Level Risk Management Committee

The Management-Level Risk Management Committee is concerned with providing comprehensive and effective framework for measuring, monitoring and mitigating risk exposures in the context of business strategy of BDBL. The functions of Management-Level Risk Management Committee are:

- To observe and ensure compliance with Core Risk Management Guidelines at division, department level and desk level of the Head Office, the zonal offices and the branches.
- To analyze data/information through preparation of Risk Management Report.
- To analyze the bank's own resilience capacity towards facing financial difficulties of the bank.
- To conduct periodic stress tests so that no inexplicable error exists in operations of the bank.
- To oversee the capital management function of the bank in line with Basel III accords.
- To review market conditions and take precautionary measures toward facing abnormal market situation and vulnerability of investment of the bank.
- To highlight risky portfolio in the monthly meeting based on the reports of Risk Management Committees on timely manner to the senior management.

Initiatives taken by Management-Level Risk Management Committee

- The Management-Level Risk Management Committee of BDBL is engaged in coordinating the Risk Management Activities, BASEL III implementation and stress testing by providing regular risk management report(s) regarding various risk position to the senior management as well as to the Bangladesh Bank.
- Management-Level Risk Management Committee convenes monthly meeting on various issues to determine strategies in consistency with Risk Management Policy, which can measure, monitor and maintain acceptable risk level of the bank. Minutes of each meeting are submitted to the Bangladesh Bank on monthly basis.
- In addition, Monthly Risk Management Report is prepared on monthly basis by Risk Management Department (RMD) addressing different areas of risk and meeting their tools and techniques and submitted to the Bangladesh Bank as well as to Board Risk Committee on quarterly basis.
- Risk Management department, as an integral part of Supervisory Review Process (SRP) team is also engaged in preparing Internal Capital Adequacy Assessment Process (ICAAP) for BDBL.

Risk Management Report

BDBL has to prepare and submit 'Monthly Risk Management Report' and 'Half-Yearly Comprehensive Risk Management Report (CRMR)' to the Bangladesh Bank. These reports cover various aspects related to Credit, Market, Liquidity, Operational and Reputational Risks.

'Monthly Risk Management Report' and 'Half-Yearly Comprehensive Risk Management Report (CRMR)' are prepared by the Risk Management department and reviewed by the Management-Level Risk Management Committee of BDBL according to the prescribed format of the Bangladesh Bank. Monthly meeting of Management-Level Risk Management Committee is conducted on the basis of analysis and recommendations made in the 'Monthly Risk Management Report'.

For all months other than June and December, 'Monthly Risk Management Report' is submitted to the Department of Off-Site Supervision, Bangladesh Bank along with the minutes of the meeting of Management-Level Risk Management Committee by the end of the following month.

The soft copy of the 'Half-Yearly Comprehensive Risk Management Report (CRMR)' is submitted to the Department of Off-Site Supervision, Bangladesh Bank along with the minutes of the meeting of Management-Level Risk Management Committee by August 10 (based on June 30 data) and February 10 (based on December 31 data) for determination of the risk rating as per following sequences:

- Credit Risks
- Market Risks
- Liquidity Risks
- Operational Risks
- Reputational Risk
- Core Risk Management
- Compliance Risks
- Environmental Risk Management status
- Capital Management
- Composition of Risk Weighted Asset (RWA) of loan portfolio
- Bank's resilience capacity
- Money Laundering Risks
- Recommendations, Suggestions and steps taken

Basel Accord & Framework

The Basel Accord is the cornerstone of international risk-based banking regulation 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) under Risk Based Capital Adequacy

Pillar-2: Supervisory Review Process (SRP)

Pillar-3: Market Discipline through disclosure of material information

BDBL started to implement revised regulatory capital framework "Risk Based Capital Adequacy for Banks" from January 2009. At present, the bank is following "Guidelines on Risk Based Capital Adequacy (Revised Regulatory Capital Framework for banks in Line with Basel III) December 2014" of the Bangladesh Bank. Regular reporting is ensured by Central Accounts Department (CAD) to the Department of Offsite Supervision (DOS) of Bangladesh Bank by the end of each quarter.

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: credit risk, operational risk and market risk.

Comparative scenario of Minimum Capital Requirement (MCR) of BDBL as per Risk Based Capital Adequacy Statement (Basel III) is as follows:

(Tk. in crore)

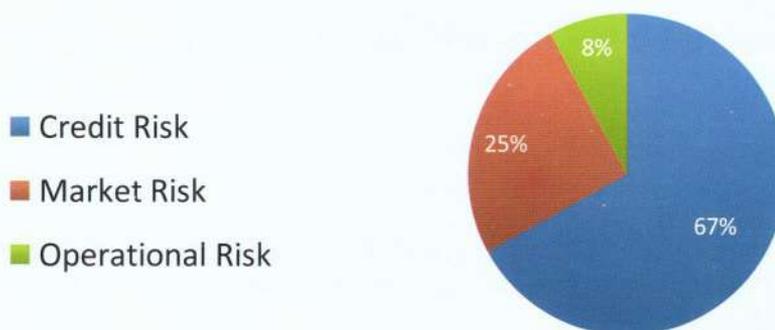
Regularity Capital	December 2016	December 2015
Tier-1 Capital [Common Equity Tier-1 Capital (CET-1) (i.e. Going-Concern Capital) + Additional Tier-1 Capital (AT-1)]	980.33	913.50
Tier-2 Capital (Gone-Concern Capital)	221.52	293.49
Total Regularity Capital	1201.85	1206.99
Total Risk Weighted Assets (RWA)	4666.50	4684.27
Capital to Risk Weighted Assets Ratio (CRAR)	25.76%	25.77%
Tier-1 Capital to RWA	21.01%	19.50%
Tier-2 Capital to RWA	4.75%	6.27%
Minimum Capital Requirement (MCR)	466.65	468.43
Capital Surplus	735.20	738.56

Comparative scenario of Risk Weighted Assets (solo) as per Statement of Risk Based Capital Adequacy (Basel III) is as follows:

(Tk. in crore)

Risk Weighed Assets (RWA)	December 2016	December 2015
Credit Risk Weighted Assets	3105.02	3185.24
Market Risk Weighted Assets	1143.92	1107.21
Operational Risk Weighted Assets	417.56	391.82
Total Risk Weighted Assets (RWA)	4666.50	4684.27

Capital Requirement in 2016



Pillar-2 Supervisory Review process

The key principle of the Supervisory Review process (SRP) as per Bangladesh Bank Guidelines 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”.

BDBL has an exclusive body called SRP team where RMD is an integral part. RMD, under direct supervision of SRP team of BDBL, prepares ICAAP (Internal Capital Adequacy Assessment Process) for assessing the bank’s overall risk profile and a strategy for maintaining adequate capital. BDBL has a capital plan to raise its capital against risks to fulfill the Bangladesh Bank’s requirement.

Supervisory Review process (SRP) Team

Supervisory Review process (SRP) Team of the bank is reformed with the following members:

Sl. No.	Designation	Position in SRP Team
1.	Managing Director	Chairman
2.	Deputy Managing Director-1	Member
3.	Deputy Managing Director-2	Member
4.	General Manager / Internal Control & Compliance Division	Member
5.	General Manager / Legal Affairs and Recovery Division	Member
6.	General Manager / IT and Risk Management Division	Member
7.	Department Head, Risk Management Department	Member-Secretary

To assess required capital in pillar-2, the risk that should be considered are:

- Residual Risk
- Concentration Risk
- Liquidity Risk
- Settlement Risk
- Strategic Risk
- Interest Rate Risk in the Banking Book
- Reputation Risk
- Appraisal of Core Risk Management
- Environmental and Climate change Risk and
- Other material Risk.

Residual risk

BDBL has proper risk management procedures in place to control the risk that result from the use of credit risk mitigating techniques, including residual operational and legal risks.

The following factors are considered under residual risk while preparing ICAAP:

- a) **Error in Documentation:** Bank collects and preserves documents against loans and advances to have legal protection in case of adverse events like default of loan. Lack of required and duly filled-up documents and erroneous or fake or forged documents will lead to the amplification of overall risk aspects of loan portfolio and the reduction in the strength of legal shield that slacks the ownership of the bank on collateral and consequently hinders the recovery of loan.
- b) **Error in valuation of collateral:** Bank requires appropriate valuation of collateral (both physical collateral i.e. land, building, apartment, moving vehicles, machineries and financial collateral) and guarantee (bank guarantee and personal guarantee) against loans and advances for mitigation of default probability. The improper valuation or overvaluation of collateral can lead to overstated scenario of risk mitigation for collateralized loan. That will raise the default probability of the loan.

BDBL has appropriate governing and control systems, valuation procedures, internal regulations and responsible individuals assigned for the prudent handling of these risks.

Credit concentration risk

Credit concentration risk has the potential to be a source of extensive losses. Thus, the policy to handle this risk is an integral part of risk management system of BDBL. The following concentration is considered under SRP of BDBL:

- (i) By economic sector or geographical location
- (ii) In a specific foreign currency.
- (iii) Of credit-risk mitigating techniques (concentration of collaterals or the type or issuer of such assets).

Interest rate risk in the banking book

BDBL has taken Interest rate risk in the banking book also as a potential risk. Sources and types of interest rate risks in banking book are:

- (i) Gap or mismatch risk
- (ii) Basis risk
- (iii) Net interest position risk
- (iv) Embedded option risk etc.

Liquidity Risk

Liquidity Risk occurs when a bank is unable to fulfill its commitments in time when payment falls due. BDBL estimates liquidity risk by comparing liquid assets to short-term liabilities. BDBL analyzes the expected changes of its liquidity by comparing the maturity of its receivables and payables. BDBL has contingency plans approved by the Board for handling potential liquidity crisis.

Settlement risk

Settlement risk is also considered by the SRP of BDBL. Settlement risk arises when an executed transaction is not settled as the standard settlement system suggests or within predetermined method. The bank poses to the risk when it fulfills its contractual obligations (payment or delivery), but the counterparty fails or defaults to do the same. Non-receiving or delayed receiving of receivable bills (foreign & domestic) are evaluated to assess settlement risk where number of such cases and the total value in taka are examined.

Settlement risk addresses to the credit risk and liquidity risk elements. Treasury transactions, trading book items (deals) and capital market dealings concluded as part of investment services convey a settlement risk that is a specific mix of credit and liquidity risk.

Reputation risk

Reputation risk is the current or prospective indirect risk to earnings and capital arising from adverse perception of the image of the financial institution on the part of customers, counterparties, shareholders, investors or regulators. BDBL provides training to the manpower, applies modern technology, performs corporate social responsibilities etc. to ensure quality customer services.

Strategic risk

Strategic risk means the current or prospective risk to earnings and capital arising from changes in the business decisions, or from the overlooking of changes in the business environment. BDBL regularly revise its strategy in line with clearly articulated requirements of regulators and trends of the economic environment to manage strategic risk.

Environmental and climate change risk

Environment risk has taken into account by BDBL under SRP as environmental and climate change risk refers to the uncertainty or probability of losses that originates from any adverse environmental or climate change events (natural or man-made) and/or the non-compliance of the prevailing national/BB environmental regulations. Environmental and climate change risk can hamper the business stability of the borrowers in respect of both-

- i) Profitability and
- ii) Reputation.

Consequentially, the extent of risk for the bank will be higher.

Other material risk

SRP of BDBL also covers risk if any, not been identified earlier but are material for the bank's internal capital allocation process.

Pillar – 3: Market Discipline through disclosure of material information

BDBL has its own disclosure framework for disclosure of its material information which 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 BDBL 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.

BDBL also disclosed the following components in a tabular form:

- Scope of application
- Capital structure
- Capital adequacy
- Minimum Capital Requirement
- Credit risk
- Equities; disclosure for banking book positions
- Interest rate risk in the banking book (IRRBB)
- Market risk
- Operational risk
- Liquidity Ratio
- Leverage Ratio

The disclosure of BDBL based on audited financial statement is available in the bank's website and annual report.

Stress Testing:

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 plausible events in abnormal market condition.

Stress Testing is performed by RMD on quarterly basis for managing risk proactively in an adverse economic condition. RMD ensures regular reporting to the senior management of BDBL as well as the Financial Stability Department of Bangladesh Bank by the end of each quarter.

Stress Testing Methodology:

Different shocks in stress testing are:

- (i) Minor shock
- (ii) Moderate shock
- (iii) Major shock

Risk Factors in Stress Testing:

- (i) Credit Risk
- (ii) Interest Rate Risk
- (iii) Exchange Rate Risk
- (iv) Equity Price Risk
- (v) Liquidity Risk

Basel III Implementation

Basel III is a new regulatory framework recommended by Basel Committee. Following the framework, Bangladesh Bank has conducted Quantitative Impact Study (QIS) to assess the preparedness of banks for implementing Basel III in Bangladesh.

Based on the findings of the last Quantitative Impact Study (QIS), an Action Plan/Roadmap is finalized with the approval of the competent authority. The Action Plan /Road Map towards the implementation of Basel III in Bangladesh is as follows:

Action	Deadline
Issuance of Guidelines on Risk Based Capital Adequacy	December 2014
Commencement of Basel III Implementation process	January 2015
Capacity Building of bank and BB officials	January 2015-December 2019
Initiation of Full Implementation of Basel III	January 2020

In fact, Basel-III 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. 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.

Basel III also contains entirely new liquidity requirements: the Net Stable Funding Ratio (NSFR) and the Liquidity Coverage Ratio (LCR).

Strengthening Capital Base

Capital base would be strengthened through raising the quality, consistency and transparency. The predominant form of Tier 1 capital must be common shares and retained earnings. In addition, Tier 2 capital instruments will be harmonized and so-called Tier 3 capital instruments, which were only available to cover market risks, will be eliminated. Finally, to improve market discipline, the transparency of the capital base will be improved with all elements of capital required to be disclosed along with a detailed reconciliation to the reported accounts.

Maintaining Liquidity Standard

For maintaining liquidity, Basel III introduced two global liquidity standards called Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR).

Liquidity Coverage Ratio (LCR)

The LCR is intended to promote resilience to potential liquidity disruptions over a thirty day horizon. It will help ensure that global banks have sufficient unencumbered, high quality liquid assets to offset the net cash outflows it could encounter under an acute short term stress scenario.

Net Stable Funding Ratio (NSFR)

The NSFR requires a minimum amount of stable sources of funding at a bank relative to the liquidity profiles of the assets, as well as the potential for contingent liquidity needs arising from off-balance sheet commitments over a one- year horizon.

The NSFR aims to limit over-reliance on short-term wholesale funding during times of abundant market liquidity and encourage better assessment of liquidity risk across all on- and off-balance sheet items. The minimum acceptable value of this ratio is 100 percent, indicating that Available Stable Funding (ASF) should be at least equal to Required Stable Funding (RSF).

BDBL's preparation for Basel -III

- Tier 1 capital of the BDBL includes paid up capital, statutory reserve, general reserve, retained earnings and share deposit whereas Tier 2 capital consists of general provision, revaluation reserves for fixed assets, securities and equity instruments. Tier 2 capital is already harmonized in BDBL as per guidelines of Bangladesh Bank. Eliminating Tier 3 is not applicable for BDBL as the bank does not have any Tier 3 capital.
- BDBL can raise its capital through increasing its operating profit. The bank has a five year capital plan for Strengthening Capital Base.
- BDBL is now preparing itself for maintaining its LCR & NSFR at an adequate level. Statements regarding LCR & NSFR have been prepared and sent to Bangladesh Bank as per their requirement. BDBL is calculating and maintaining Cash Reserve Requirement (CRR) regularly. BDBL's position in call money market is satisfactory.
- BDBL performs scenario analysis, sensitivity analysis and stress testing as per the guidelines of Bangladesh Bank.
- BDBL reports Liquidity profile to Bangladesh Bank on monthly basis within the first five working days of the following month.

BDBL continuously strives to improve its risk and capital management and needs to anticipate all market developments, in particular those of an extreme nature.

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 2016 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</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 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:</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	<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 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>

Quantitative Disclosure	(b) The amount of Regulatory Capital Tier 1 Capital, with separate disclosure of (as on 31.12.2015)		Solo	Consolidated
			Taka in Thousand	
		Paid up Capital	4000,000	4000,000
		Statutory reserve	2174421	2174421
		General reserve	3767755	3767755
		Retained earnings	345782	421536
		Total Tier-1 Capital	10287958	10363712
	(c) Tier 2 capital	General Provision	174833	174833
		Asset Revaluation Reserve	2040365	2117155
		Total Tier-2 Capital	2215198	2291988
(d) Total amount of Tier I & Tier II Capital		12503156	15655700	
(f) Other deduction from Capital		484696	493553	
(g) Total eligible capital (Tier- 1+Tier-2+Tier-3)	Total eligible capital (Tier-1+Tier-2+Tier-3)	12018460	12162147	

3. Capital Adequacy

	<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>
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Capital Adequacy	Qualitative Disclosure	<p>The bank has maintained Capital to Risk Weighted Asset Ratio (CRAR) at 25.76% on solo basis and 25.64% on consolidated basis against minimum regulatory requirement of 10%. Tier-I capital adequacy for solo and consolidated basis are 21.01% and 20.80% respectively against the minimum requirement of 6%.</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>
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	Particulars	Solo	Consolidated
		Taka in Thousand	
Quantitative Disclosure	A.Capital Requirement for Credit Risk	-	-
	On-Balance Sheet	30623501	30360403
	Off-Balance Sheet	426688	426688
	B.The capital requirements for Market Risk	-	-
	Interest rate risk	-	-
	Equity position risk	11282110	12210510
	Foreign exchange risk	157136	157136
	Commodity risk	-	-
	C.The capital requirements for Operational Risk	4175581	4287236
	Total Risk Weighted Assets (RWA)	46665016	47441973
	10% of Risk Weighted Assets	4666501	4744197
	Required Capital (10% of risk weighted assets or 400.00 crore which is higher)	4666501	4744197
	Total eligible capital	12018460	12162147
	Capital Surplus	7351959	7417950

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>
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			<p>Any continuous loan will be classified as:</p> <ul style="list-style-type: none"> 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>Any Demand Loan will be classified as:</p> <ul style="list-style-type: none"> 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>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> <ul style="list-style-type: none"> 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". 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". 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>(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>
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			<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 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>																																															
		<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" data-bbox="783 1535 1406 1910"> <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>2%</td> <td>2%</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	2%	2%	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	<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>		
	Qualitative Disclosure	(b) Total gross credit risk exposures broken down by major types of credit exposure.		Solo	Consolidated
			Taka in Thousand		
			Cash Credit	4222060	4222060
			Long Term Loan	8056030	8056030
			Over Draft	455072	55072
			Local Documentary Bill Purchase	314066	314066
			Bridge Loan	4326	4326
			Consumer Loan	307558	307558
			Loan Under Investors Scheme	1370161	1500793
			Staff Loan	3349096	3349096
			Total Loans & Advances	18078369	17809001
		(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	12041537	11772170
			Mymensingh Division	650841	650841
			Khulna Division	766387	766387
			Chittagong Division	1060477	1060477
			Rajshahi Division	1832017	1832017
			Barishal Division	426351	426350
			Sylhet Division	212245	212245
			Rangpur Division	1088514	1088514
			Total Loans & Advances	18078369	17809001
		(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	3327914	3327914
			Jute & Allied Fiber Products	184544	184544
			Cotton, Woolen & Synthetic Textile	4720325	4720325
			Paper, Paper Products & Printing	106389	106389
			Tannery & its Products	58200	58200
			Non-metallic mineral Products	199703	199703
			Forest, Wood Products & Saw Mills	115624	115624
			Metal Products	522287	522287
			Electrical Machinery & Goods	117287	117287
			Machinery & Spare Parts	15529	15529
			Transport	74484	74484
			Chemicals & Pharmaceuticals	319062	319062
			Petro- Chemicals	291120	291120
			Service Industries	763371	763371
			Rubber & Rubber	9458	9458
			Miscellaneous	7253072	6983704
			Total Loans & Advances	18078369	17809001