

# **DISCLOSURE UNDER BASEL III**

As on 30 June 2024



**বাংলাদেশ কৃষি ব্যাংক**  
**[www.krishibank.org.bd](http://www.krishibank.org.bd)**

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Banks operating in Bangladesh are maintaining capital since 1996 on the basis of risk weighted assets in line with the Basel Committee on Banking Supervision (BCBS) capital framework published in 1988. Considering present complexity and diversity in the banking industry and to make the bank's capital requirement more risk sensitive, Bangladesh Bank, being the central bank of the country has decided to adopt the Risk Based Capital Adequacy for banks in line with capital adequacy framework devised by the BCBS popularly known as 'Basel II'. To cope up with the international best practices and to make the bank's capital shock absorbent Regulatory Capital Framework for banks in line with Basel III came into force from January 2015.

These disclosures have been made in accordance with the Guidelines on "Risk Based Capital Adequacy (Revised Regulatory Capital Framework for banks in line with Basel III)" issued by Bangladesh Bank vide BRPD Circular No-18 of 21 December 2014. The purpose of Market discipline in the Revised Capital adequacy Framework is to complement the minimum capital requirements and the supervisory review process.

According to Bangladesh Bank guideline on Risk Based Capital adequacy for banks, the disclosure on the websites should be made in a web page titled "Disclosure on Risk Based Capital (Basel-III)" and the link to the page should be prominently provided on the home page of the Bank's website. Each of these disclosure pertaining to a financial year should be available on the websites until disclosure of the 4th subsequent annual as on December 31, disclosure is made and here BKB has arranged to disclose its BASEL report on 30.06.2024 (on Audited Balance Sheet) under BASEL III as per the requirement and indications of Bangladesh Bank.

We hope this disclosure will be able to make the regulatory requirements more appropriate and will also assist the banks to follow the instructions more efficiently for smooth implementation of the Basel-III framework in the banking sector of Bangladesh.

# **1. Capital Structure**

## **Qualitative Disclosures**

a) Summary information on the terms and conditions of the main features of all capital instruments, especially in the case of capital instruments eligible for inclusion in Tier 1 or in Tier 2.

According to the BRPD Circular No. 18 dated 21 December 2014 [Guidelines on Risk Based Capital Adequacy (Revised Regulatory Capital Framework for Banks in line with Basel III)] the capital of BKB can be classified into two tiers. The Total Regulatory Capital will consist of sum of the following categories:

### **1. Tier-1 Capital (Going-Concern Capital):**

Tier 1 capital also called core capital is the high quality capital that can absorb losses. The Tier 1 capital is divided into two categories which are:

**i) Common Equity Tier 1 (CET1) Capital:** Common Equity Tier 1 Capital (CET1) is the highest quality of regulatory capital, as it absorbs losses immediately when they occur without triggering bankruptcy of the Bank. CET 1 of BKB consists of:

**Paid-up Share Capital:** Issued, subscribed and fully paid up share capital of the Bank.

**Statutory Reserve:** As per Section 24 of the Bank Company Act, 1991 (Amended up to 2023), an amount equivalent to 20% of the profit before taxes for each year of the Bank has been transferred to the Statutory Reserve Fund.

**General Reserve:** General reserve created out of profit.

**Retained Earnings:** Amount of profit retained with the banking company after meeting up all expenses, provisions and appropriations.

**ii. Additional Tier 1 (AT1) Capital:** Additional Tier 1 capital (AT 1) also provides loss absorption on a going concern basis. There is no Additional Tier-1 capital instrument at this moment.

### **2. Tier 2 Capital (Gone Concern Capital):**

Tier 2 is an additional component of the bank's core capital base under the Basel accord which will absorb losses only in a situation of liquidation of the Bank. Tier 2 of BKB consists of:

**General Provision:** As per Bangladesh Bank directive, amount of provision maintained by Bank.

## Quantitative Disclosures

b) Amount of Regulatory Capital with separate Disclosure of CET- 1, Additional Tier 1 Capital, Total Tier 1 Capital, Tier 2 Capital	<b>Regulatory Capital</b>	(Tk. in Crore)
	<b>Common Equity Tier 1 Capital (Going Concern Capital)</b>	<b>Solo</b>
	Paid up Capital	900.00
	Re-Capitalization	650.00
	Statutory Reserve	23.23
	General Reserve	142.36
	Retained Earnings	(21631.31)
	Minority interest in subsidiaries	0.00
	<b>Additional Tier 1 (AT1) Capital:</b>	0.00
	<b>Total of Tier 1 Capital [A]:</b>	<b>(19915.72)</b>
	<b>Tier-2 Capital (Gone Concern Capital)</b>	<b>Solo</b>
	General Provision	283.52
	<b>Total of Tier 2 Capital [B]</b>	<b>283.52</b>
	c) Regulatory Adjustment/ Deductions from Capital	<b>Less: Deduction</b>
Goodwill and all other Intangible Assets (Software) [C]		10.64
d) Total Eligible Capital		<b>Solo</b>
	<b>Total Eligible Capital</b>	<b>(19642.84)</b>

### 3. Capital Adequacy

#### Qualitative Disclosures

a) A summary discussion of the bank's approach for assessing the adequacy of its capital to support current and future activities

With regard to regulatory capital computation approaches (minimum capital requirement) the bank is following the approach as prescribed by Bangladesh bank. Below are risk wise capital computation approaches that the bank is currently applying

**Credit Risk**

- Standardized Approach (SA)

**Market Risk**

- Standardized Approach (SA)

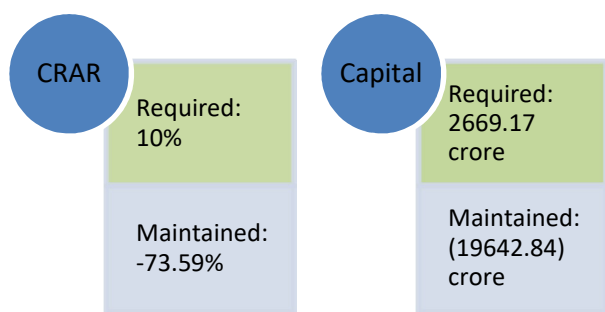
**Operational Risk**

- Basic Indicator Approach (BIA).

In parallel to business growth, the bank cannot effectively manage its capital to meet regulatory requirement considering the risk profile. Below are few highlights:

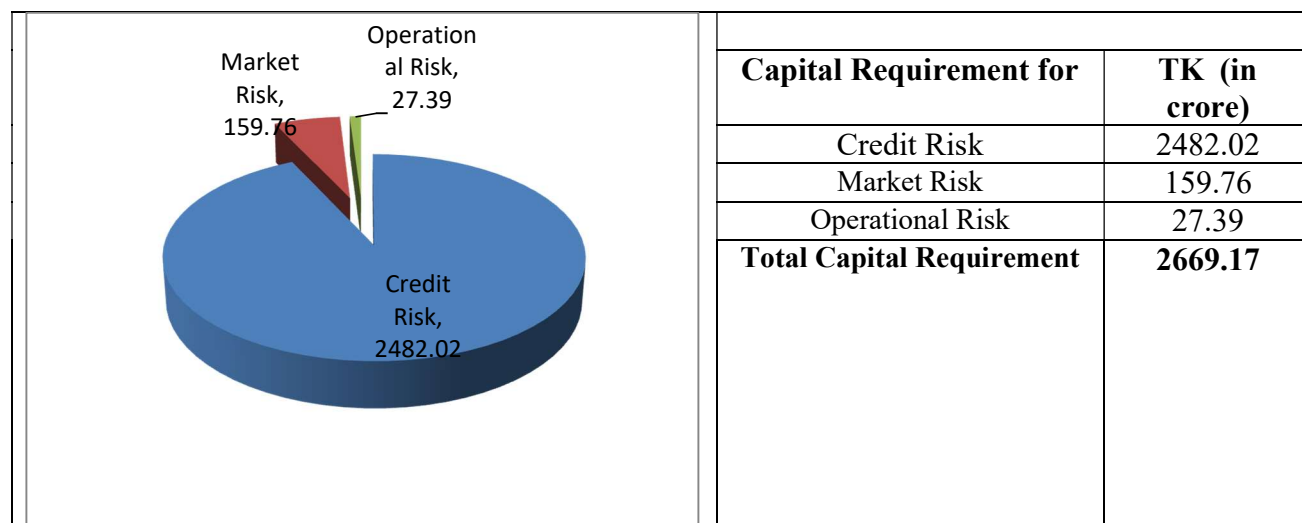
Currently Bangladesh Bank prescribed Minimum Capital to Risk Weighted Assets Ratio (CRAR) is 10% whereas as on June, 2024 the CRAR of the Bank was (-) 73.59%.

During the same period Minimum Capital Requirement (MCR) of the bank was BDT 2669.17 crore and Eligible Capital was BDT (19642.84) crore.



## Quantitative Disclosures

### b) Capital Requirement



### c) Total Capital, CET 1 Capital, Tier-1 Capital and Tier 2 capital ratio

	Capital Adequacy Ratio	-73.59%
	Core Capital to RWA (Tier-1)	-74.65%
	Supplementary Capital to RWA (Tier-2)	1.06%
d)	Capital Conservation Buffer (CCB)	0.00%
e)	Available Capital under Pillar 2 Requirement	Could not maintain

## **4. Credit Risk**

### **Qualitative Disclosure**

a) The General qualitative disclosure requirements with respect to credit risk, including:  
i) Definition of past due and impaired (for Accounting purposes)

Credit risk is defined as the possibility of failure of counterparty to meet its obligation as per agreed terms. Banks are very much prone to credit risk due to its core activities i.e. lending to corporate, SME, individual. The main objects of credit risk management is to minimize the negative impact through adopting proper mitigates and also limiting credit risk exposure within acceptable limit.

As per relevant Bangladesh Bank guidelines, the Bank defines the past due and impaired loans and advances for strengthening the credit discipline and mitigating the credit risk of the Bank. The impaired loans and advances are defined on the basis of (i) Objective / Quantitative Criteria and (ii) Qualitative judgment. For this purposes, all loans and advances are grouped into four categories namely- (a) Continuous Loan (b) Demand Loan (c) Fixed Term Loan and (d) Short-term Agricultural & Micro Credit.

All Loans & Advances are classified into four segments. These are:

- Special Mention Account (SMA)
- Substandard (SS)
- Doubtful (DF)
- Bad / loss (BL)

ii) Description of approaches followed for specific and general allowances and statistical methods

Bangladesh Krishi Bank follows Bangladesh Bank's BRPD circular no-14, Dated 10.09.2012; BRPD circular no-08, Dated 02.08.2015; BRPD circular no-03, Dated 21.04.2019; BRPD circular no-16, Dated 21.07.2020 for classification of loans and advances.

<b>SL</b>	<b>Types of Loans</b>	<b>SMA</b>	<b>SS</b>	<b>DF</b>	<b>BL</b>
a.	Continuous Loan (CMSME)	<6 Months	6<18 Months	18<30 Months	≥30 Months
	Continuous Loan (Other than CMSME)	<3Months	3<9 Months	9<12 Months	≥12 Months
b.	Demand Loan (LIM, FBP, IBP)	<3Months	3<9 Months	9<12 Months	≥12 Months
c.	Fixed Term Loan (CMSME)	8<12 Months	12<24 Months	24<36Months	≥36 Months
	Fixed Term Loan (Other than CMSME)	8<9 Months	9<15 Months	15<18 Months	≥18 Months
d.	Short Term Agriculture & Micro credit	--	>12-36 Months	>36 -60 Months	>60 Months

## Provisioning depending on the group

Particulars		Short Term Agriculture & Micro Credit	Consumer Financing			SMEF	Loans to BHs/SDs	All other Credit
			Other than HF, LP	HF	LP			
UC	Standard	1%	5%	2%	2%	0.25%	2%	1%
	SMA	-	5%	2%	2%	0.25%	2%	*1%
Classified	SS	5%	20%	20%	20%	5%	20%	20%
	DF	5%	50%	50%	50%	20%	50%	50%
	BL	100%	100%	100%	100%	100%	100%	100%

\*In line with BRPD Circular no.04, dated 29 January 2015, provision for restructured loan is calculated at 2%, as per BRPD Circular no.56, dated 10 December 2020 the special general provision is at 2%.

### iii) Discussion of the Bank's Credit Risk Mitigation Policy.

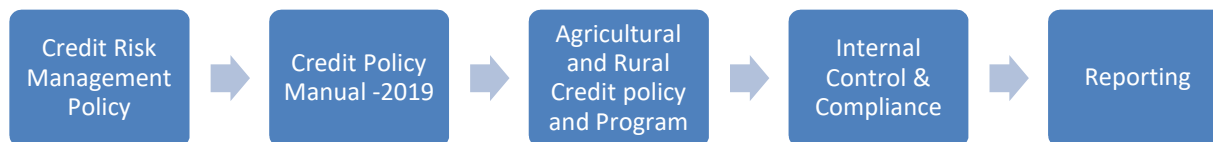
**Credit Risk Management Policy approved by the Board:** The Board approves the Credit Risk Management Policy of BKB for ensuring the best practice in credit risk management and maintaining quality of assets. The credit policy/manual has been put in place in compliance with Bangladesh Bank's guidelines on credit risk management and other rules & regulations circulated by BB from time to time.

**Credit Policy & Operation Manual-2019:** Credit Policy & Operation Manual of BKB describes the policies, rules and processes of lending. It incorporates all necessary circulars, relevant parts of guideline and all other instructions related to credit operations. It ensures discipline and uniformity in credit management of BKB.

**Agricultural and Rural Credit Policy and Program:** Bangladesh Krishi Bank strictly follows the Agricultural and Rural Credit policy and Program of Bangladesh Bank for disbursing agricultural credit. BKB strictly adheres to the regulatory policies; rules etc. as regard to credit management and are in compliance with regulatory requirements as stipulated by Bangladesh Bank from time to time.

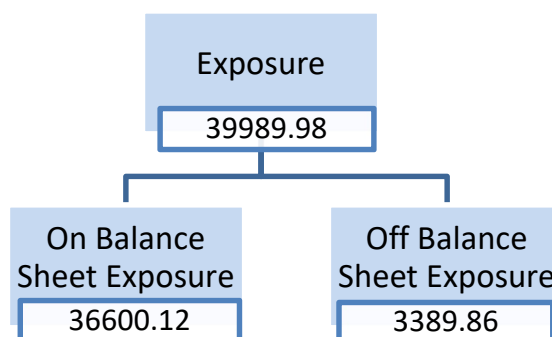
**Credit operations are subject to independent Internal Audit:** Internal Control & Compliance Division independently verifies and ensures, at least once in a year, compliance with approved lending guidelines, Bangladesh Bank guidelines, operational procedures, and adequacy of internal control, documentation and overall Credit Risk Management System.

**Reporting to Board/ Executive Committee/ Risk Management Committee:** Overall quality, performance, recovery status, risks status, adequacy of provision of loan portfolio are regularly reported to the Board of Directors/ Executive Committee/ Risk Management Committee of the Board for information and guidance.



### Quantitative Disclosures

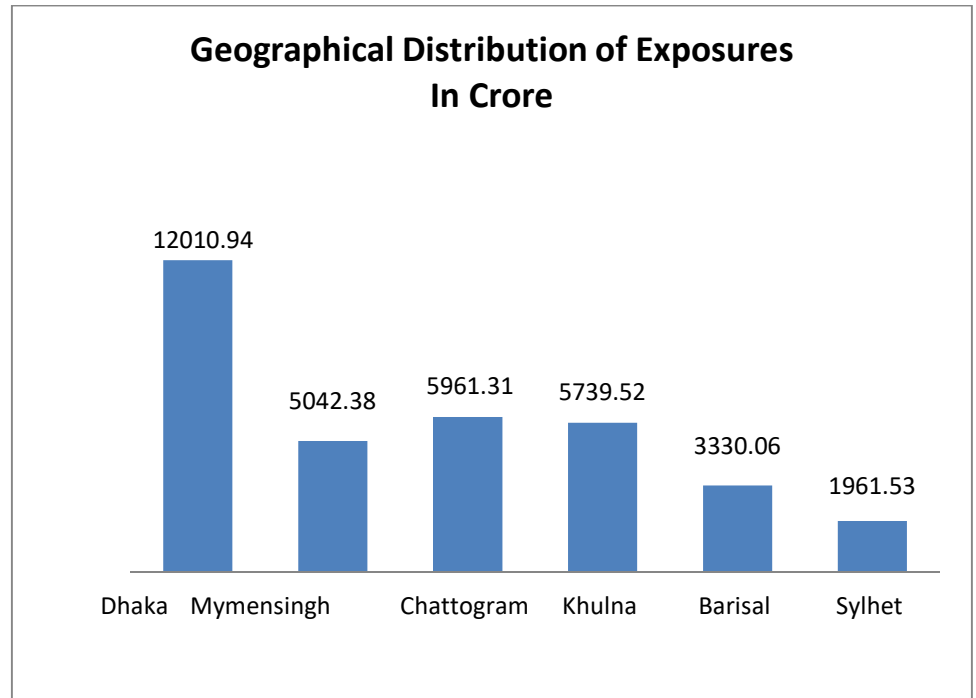
b) Total gross credit risk exposures broken down by major types of credit exposure.



On Balance Sheet Exposure		Off Balance Sheet Exposure	
Sector	Tk in Crore	Sector	Tk in Crore
Claims on Corporate	3260.44	Bills for Collection	22.94
Claims categorized as Retail Portfolio	12278.20	Letter of Guarantee	17.74
Consumer Finance	5.17	Letter of Credit	3349.18
Claims fully secured by residential property	0.00	<b>Total:</b>	<b>3389.86</b>
Claims fully secured by commercial real estate	100.04	<b>Margin Deposit of L/C- 594.83</b>	
SME	3990.95		
Past Due Claims	14147.47		
Staff Loan	2554.38		
<b>Total Outstanding :</b>	<b>36600.12</b>		

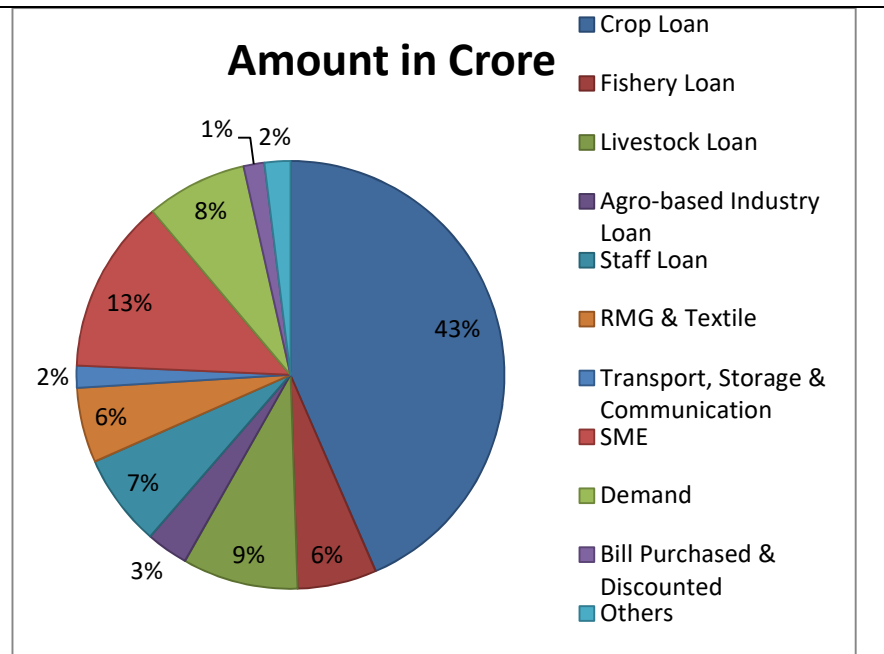
c) Geographical distribution of exposures, broken down in significant areas by major types of credit exposure

SL	Name of the Division	Tk in Crore
a)	Dhaka	12010.94
b)	Mymensingh	5042.38
c)	Chattogram	5961.31
d)	Khulna	5739.52
e)	Barisal	3330.06
f)	Sylhet	1961.53
	<b>Total</b>	<b>34045.74</b>



d) Industry type distribution of exposures, broken down by major types of credit exposure :

Sector	Amount in Crore
Crop Loan	15910.61
Fishery Loan	2191.28
Livestock Loan	3202.17
Agro-based Industry Loan	1162.76
Staff Loan	2554.38
RMG & Textile	2074.50
Transport, Storage & Communication	610.80
SME Loan	4813.97
Demand Loan	2793.92
Bill Purchased & Discounted	572.09
Others	713.64
<b>Total</b>	<b>36600.12</b>



**e) Residual contractual maturity breakdown of the whole portfolio broken down by major types of credit exposure:**

Loan Exposure	Tk in Crore
Receivable on Demand	549.00
Within 3 months	1830.01
Within 3 months to 12 months	9150.03
Within 1 year to 5 years	18300.06
More than 5 years	6771.02
<b>Total</b>	<b>36600.12</b>

**contractual maturity of credit exposure**

Maturity Category	Amount (Tk in Crore)
More than 5 years	6771.02
Within 1 year to 5 years	18300.06
Within 3 months to 12 months	9150.03
Within 3 months	1830.01
Receivable on Demand	549

**f) By major industry or counterparty type :**

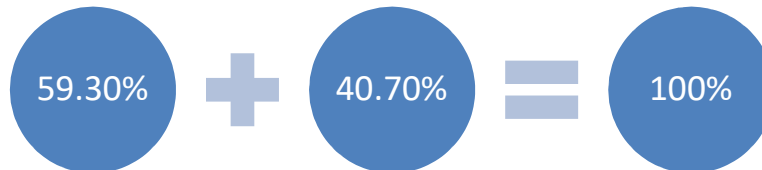
	Tk in crore
i. Amount of impaired loans and if available past due loans, provided separately	14147.47
ii. Specific provision	7077.96
iii. General provision	250.55
iv. Changes for specific allowances and change Of during the period	Not Applicable

Amount in crore Tk

Sector wise impired Loans and Provision				
SL	Sector	Amount of Classified Loan	Required Provision	Maintained Provision
i.	Continuous Loan	1295.10	288.68	288.68
ii.	Demand Loans	724.00	668.32	668.32
iii.	Fixed Loan	1693.16	695.22	695.22
iv.	Short Term Agricultural Credit & Micro Credit	10435.21	5675.90	5675.90
v.	Staff Loan	0.00	0.38	0.39
	<b>Total</b>	<b>14147.47</b>	<b>7328.50</b>	<b>7328.51</b>
	<b>Excess of Provision</b>			<b>0.01</b>

**g) Movement of Non-Performing Assets (NPAs) & Provisions:**

Gross Nonperforming Assets (NPAs) Ratio Nonperforming Assets (NPAs ) to outstanding Loans & Advances	0.593:1
Total Outstanding of Loans & Advances	36600.12
Total Nonperforming Assets (NPAs)	<b>21703.97</b>



**Tk in crore**

<b>Movement of Non-Performing Assets (NPAs)</b>		<b>Movement of Specific Provisions</b>	
Opening balance	6500.88	Opening balance	2276.67
Add: Newly classified	9509.49	Provision made during the year	4742.08
Cash recovery & adjustment	689.41	Transfer from unclassified loans & advances	71.93
Interest Waiver	1.98		
Re-scheduling	1171.51	Transfer to Off-balance Sheet Exposure	(13.11)
<b>Closing Balance</b>	<b>14147.47</b>	<b>Closing Balance</b>	<b>7077.57</b>

**5. Equities: Disclosures for Banking Book positions**

**Qualitative Disclosures**

- a) The general qualitative disclosure requirement with respect to equity risk including:
- i) Differentiation between holdings on which capital gains are expected and those taken under other objectives including for relationship and strategic reasons

Basically, there is no differentiation for all equity holdings are held for expected capital gain. However, there are holdings which are kept for relationship and strategic reason apart from capital gains.

- ii) Discussion of important policies covering the valuation and accounting of equity holdings in the banking book. This includes the accounting techniques and valuation methodologies used including key assumptions and practices affecting valuation as well as significant changes in these practices

Equity holdings in the banking book are recorded in the books of accounts at cost price. In fact there is no valuation methodology used in the bank. Provisions are made against equity holdings when there takes place any decrease in the value of equity holdings.

Market value of allotted securities has been determined on the basis of the value of securities at the last trading day of the year. The non-listed investments in securities are shown at cost.

### **Quantitative Disclosures**

- b) Value disclosed in the balance sheet of investments as well as the fair value of those investments for quoted securities a comparison to publicly quoted share values where the share price is materially different from fair value.

SL	Investment in shares at cost price:	Tk in crore
a)	Quoted shares	3.14
b)	Un-quoted shares	3.03

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

### **Qualitative Disclosures**

- a) The general qualitative disclosure requirement including the nature of IRRBB and key assumptions including assumptions regarding loan prepayments and behavior of non-maturity deposits and frequency of IRRBB measurement.

Interest rate risk describes how the bank would be negatively affected with the change in the interest rates on it's On-balance sheet and the Off-balance sheet exposures. The Bank uses a simple Sensitivity Analysis as well as Duration Gap Analysis to determine its vulnerability against the adverse moment of market variables.

Bangladesh Krishi Bank discusses the interest rate issue in its ALCO/SMT meeting. In addition BKB assesses the interest rate risk using simple duration analysis as per the formula given by Bangladesh Bank in its guidelines on Stress Testing. For change in interest rates, currently, Bangladesh Krishi Bank has become risk sensible for its Assets comparable to its Liabilities.

The Bank is on a continuous process of re-structuring in its assets and liabilities to make a balance between them and to bring the situation back in its favour for any change in interest rate.

## Quantitative Disclosures

b) The increase (decline) in earning or economic value (or relevant measure used by management) for upward and downward rate shocks according to management method for measuring IRRBB, broken down by currency (as relevant)

The bank has been using " Stress Testing" based on the guideline published by Bangladesh Bank to determine the following:

- Impact on Earning
- Impact on Capital Requirements

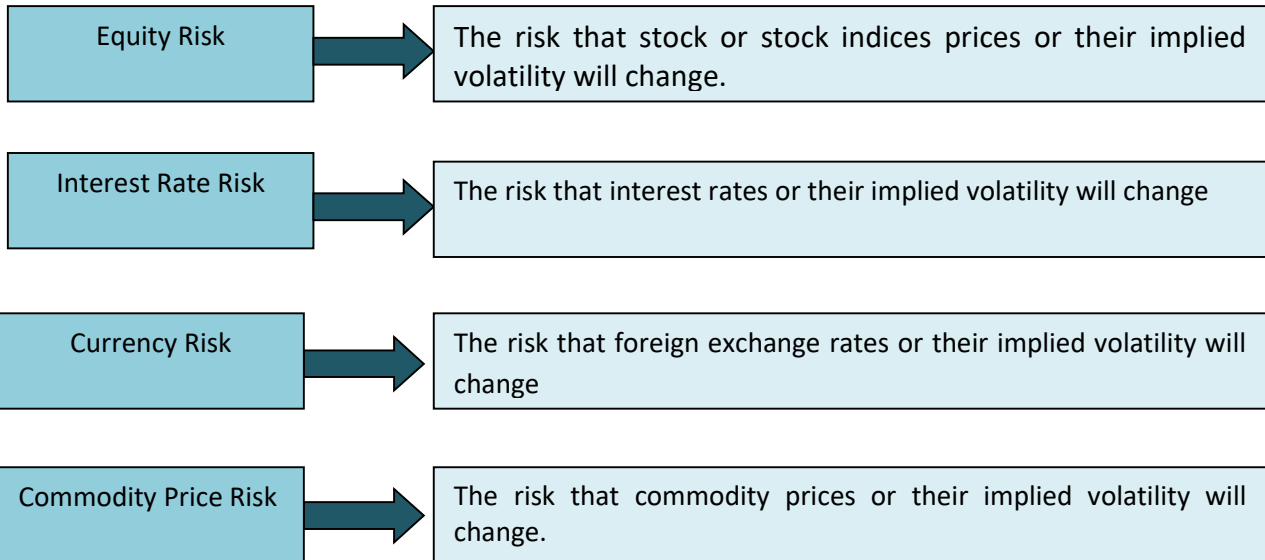
Sl.No	Particulars	Amount (Tk. In Crore)		
01.	Total Risk Sensitive Assets	29716.04		
02.	Risk Sensitive Liabilities	31983.29		
03.	Weighted Average Duration of Assets	1.49		
04.	Weighted Average Duration of Liabilities	1.50		
05.	Duration Gap	-0.49		
06.	Assumed change in Interest Rate	1%	2%	3%
		Minor	Moderate	Major

### Reprising Impact

07.	Change in value of Bond Portfolio (Under Stress Testing)	-	-	-
08.	Capital after shock	-14775.31	-14972.72	-15170.12
09.	CRAR after shock (%)	-118.81%	-120.40%	-121.98%

## 7. Market Risk

Market risk is the risk of losses in positions arising from movements in market prices. There is no unique classification as each classification may refer to different aspects of market risk. Nevertheless, the most commonly used types of market risk are:



<b>a)Views of BOD on investment activities</b>	The BOD of the Bank views the 'Market Risk' as the risk to the Banks earnings and Capital due to change in the market level of interest rates of securities, foreign exchange and equities as well as the volatilities of those changes.
<b>Methods used to measure Market Risk</b>	The Bank uses the standardized (Rule Based) approach to calculated market risk for trading book exposures.
<b>Market Risk Management System</b>	ALCO is the key tool for managing market risk. An ALCO is in place in the bank to administer the system.
<b>Policies and process for mitigating market risk</b>	<p>There are approved limits for loan deposit ratio, liquid assets to total assets ratio, maturity mismatch, commitments for both on and off balance sheet items, borrowing from money market, foreign exchange position and refinance from Bangladesh Bank.</p> <p>The limits are mentioned and enforced regularly to protect against market risk.</p> <p>These limits are reviewed based on prevailing market and economic conditions to minimize risk due to market fluctuation.</p>

## Quantitative Disclosures

b) The capital requirements for Market Risk:

SL No.	Name of Risk	Amount (Tk. In Crore)
i)	Interest rate risk	0.00
ii)	Equity position risk	0.21
iii)	Foreign exchange risk	159.55
iv)	Commodity risk	0.00
	<b>Total Capital Requirement</b>	<b>159.76</b>

### 8. Operational Risk

**Operational Risk** is the prospect of loss, resulting from inadequate or failed procedures, systems or policies, employee errors, systems failures, fraud or other criminal activity.

### Qualitative Disclosures

<b>a) i. Views of Board of Directors (BOD) on system to reduce Operational Risk</b>	The policy for operational risks including internal control and compliance risk is approved by the Board in line with the relevant guidelines of Bangladesh Bank. Audit Committee of the Board directly oversees the activities of Internal Control and Compliance Division (IC&CD) to protect against all operational risks.
<b>ii. Performance gap of executives and staffs</b>	BKB has a policy to provide competitive package and best working environment to attract and retain the most talented people available in the industry. BKB's strong brand image plays an important role in employee motivation. As a result, there is no significant performance gap.
<b>iii. Potential external events</b>	BKB operates its business with few external risk factors relating to the socio-economic condition, political atmosphere, regulatory policy changes, natural disaster etc. based on the overall perspective of the country.
<b>iv. Policies and processes for mitigating operational risk</b>	The policy for operational risks including internal control and compliance risk is approved by the Board taking into account relevant guidelines of Bangladesh Bank.
<b>v. Approach for calculating capital charge for operational risk</b>	The Bank follows the Basic Indicator Approach (BIA) in terms of BRPD Circular No. 18 dated 21 December 2014 [Guidelines on 'risk Based capital Adequacy for Banks' (revised regulatory capital framework in line with Basel III)]. The BIA stipulates the capital charge for operational risk is a fixed percentage, denoted by $\alpha$ (alpha) of average positive annual gross income of the Bank over the past three years. It also states that if the annual gross income for any year is

	<p>negative or zero, that should be excluded from both the numerator and denominator when calculating the average gross income.</p> <p>The capital charge for operational risk is enumerated by applying the following formula:</p> $K = [(GI1 + GI2 + GI3) \alpha]/n$ <p>Where:</p> <ul style="list-style-type: none"> <li>• K = the capital charge under the Basic Indicator Approach</li> <li>• GI = only positive annual gross income over the previous three years (i.e., negative or zero gross income if any shall be excluded)</li> <li>• <math>\alpha</math> = 15 percent</li> <li>• n = number of the previous three years for which gross income is positive.</li> </ul> <p>Besides, Gross Income (GI) is calculated as “net Interest Income” plus “net non -Interest Income”.</p>
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### Quantitative Disclosures

#### b) The capital requirements for Market Risk:

Operational Risk	Amount in crore taka			Capital Charge
	30.06.2022	30.06.2023	30.06.2024	
Gross Income	-153.14	-165.75	182.63	27.39

## 9. Liquidity Ratio

Liquidity risk is the risk that a given security or asset cannot be traded quickly enough in the market to prevent a loss (or make the required profit) or when a bank is unable to fulfill its commitments in time when payment falls due. In line with the provisions of liquidity risk management under Basel III, Bangladesh Bank on the basis of the relevant guideline of Bank for International Settlements (BIS) has identified the (i) Liquidity Coverage Ratio (LCR); (ii) Net Stable Funding Ratio (NSFR); and (iii) Leverage under the purview of 'Liquidity' Ratio vide BRPD Circular No. 18 dated 21 December 2014 and DOS Circular No. 1 dated 1 January 2015.

### Qualitative Disclosures

<p><b>a) Views of BOD on system to reduce liquidity Risk.</b></p>	<p>The Board of Directors reviews the liquidity risk of the Bank on half yearly rest while reviewing the half yearly Financial Statements, quarterly Stress Testing Report etc. Besides, Managing Director also reviews the liquidity position while reviewing the daily fund position. BKB has adopted the Basel III framework on liquidity standards as prescribed by Bangladesh Bank (BB) and has put in place requisite systems and processes to enable periodical computation and reporting of the Liquidity Coverage Ratio (LCR) &amp; Net Stable Funding Ratio (NSFR). The Treasury Management Department computes the LCR &amp; NSFR and reports LCR &amp; NSFR to the Asset Liability Management Committee (ALCO) every month for reviewing where ALCO is chaired by the Managing Director as well as to the Risk Management Committee</p>
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	(Management Level). The Risk Management Committee of the board sits quarterly to discuss the overall risk scenario of the bank.
<b>Methods used to measure liquidity Risk.</b>	The following methods are used to measure Liquidity risk; <ul style="list-style-type: none"> <li>• Liquidity Coverage Ratio (LCR);</li> <li>• Net Stable Funding Ratio (NSFR);</li> <li>• Cash Reserve Ratio (CRR);</li> <li>• Statutory Liquidity Ratio (SLR);</li> <li>• Medium Term Funding Ratio (MTFR);</li> <li>• Maximum Cumulative Outflow (MCO);</li> <li>• Loan Deposit Ratio (LDR)</li> </ul>
<b>Liquidity Risk Management system</b>	The Treasury Management Department of the Bank manages liquidity risk with oversight from Assets-Liability Management Committee (ALCO) comprising senior executives of the Bank. ALCO meets once in a month to review strategies on Asset Liability Management. The Factors related with Liquidity Risk Management system are given below: <ul style="list-style-type: none"> <li>• ADR maximum up to 79.73%</li> <li>• MTF at 30% to 45%</li> <li>• Wholesale Borrowing up to maximum Taka 00.00 core</li> <li>• MCO should not exceed 15.33%</li> <li>• Prior intimation for withdrawal of deposit</li> <li>• Maturity profile of term deposit and advance</li> <li>• Preparing projected cash flow</li> </ul>
<b>Policies and process for mitigating liquidity risk</b>	The Liquidity risk management of the Bank is undertaken by the Asset Liability Management group in the Treasury in accordance with the Board approved policies and ALCO approved funding plans.  Treasury Management Department and ALM desk under regular supervision of top management reviews the overall liquidity position of BKB and takes appropriate strategy; process in line with the industry position for managing liquidity risk of the Bank.

### Quantitative Disclosures

#### b) Liquidity Ratio:

SL	Name of the Ratios	Amount in crore taka
i)	Liquidity Coverage Ratio (LCR)	383.47%
ii)	Net Stable Funding Ratio (NSFR)	86.70%
iii)	Stock of High Quality Liquid Assets	2001.12
iv)	Total net cash outflows over the next 30 calendar days	521.84
v)	Available Amount of Stable Funding (ASF)	28882.51
vi)	Required Amount of Stable Funding (RSF)	33314.41

## **10. Leverage Ratio**

The Leverage Ratio was introduced into the Basel III framework to supplement risk-based capital requirements to avoid building-up excessive on and off-balance sheet leverage in the banking system, a simple, transparent, non-risk based leverage ratio has been introduced by Bangladesh Bank. The Leverage Ratio is intended to achieve the following objectives:

Constrain the build-up of leverage in the banking sector which can damage the broader financial system and the economy;

Reinforce the risk based requirements with an easy to understand and a non-risk based measure.

### **Qualitative Disclosures**

#### **a) Views of BOD on system to reduce excessive leverage**

In line with the BASEL III guidelines, BKB Board of Directors emphasis to improve Leverage Ratio by enhancing Tier 1 capital.

Leverage ratio is calculated dividing the Tier 1 Capital by the total Exposure. Tier 1 Capital is calculated as per BASEL III guidelines. In the case of exposure measure, BKB includes both on balance sheet exposure and off balance sheet exposure.

#### **Policies and process for managing excessive on and off balance sheet leverage**

Leverage Ratio is calculated dividing the Tier 1 Capital by the total Exposure. Tier 1 Capital is calculated as per BASEL III guidelines. In the case of exposure measure, BKB includes both on balance sheet exposure and off balance sheet exposure.

$$\text{Leverage Ratio} = \frac{\text{Tier 1 Capital}}{\text{Total Exposure}}$$

#### **Approach for calculating exposure**

Leverage ratio is calculated dividing the Tier 1 Capital by the total Exposure. The exposure measure for the leverage ratio will generally follow the accounting measure of exposure. In order to exposure consistently with financial accounts, the following will be applied by the bank.

- i. On balance sheet, non-derivative exposures will be net of specific provision and valuation adjustments.
- ii. Physical or financial collateral, guarantee or credit risk mitigation purchased is not allowed to reduce on-balance sheet exposure.
- iii. Netting of loans and deposit is not allowed.

Leverage ratio of Bank has been worked out under the Basic Indicator Approach of RBCA guidelines in Solo-Basis.

## Quantitative Disclosures

### b) Leverage Ratio

		TK in Crore
a)	Tier 1 Capital	(-)19926.36
b)	On balance sheet exposure	36422.15
c)	Off balance sheet exposure	559.74
d)	Total deduction	10.64
e)	Total exposure	36971.25
<b>Leverage Ratio (a/d)</b>		<b>(-)53.90%</b>

## 11. Remuneration

Information relating to the bodies that oversee remuneration: Name, composition and mandate of the main body overseeing remuneration.

Bangladesh Krishi Bank, one of the state owned specialized banks operating in Bangladesh, has been playing vital role in overall agricultural financing. Being a state owned bank, the remuneration system of Bangladesh Krishi Bank is governed under National Pay Scale declared by Bangladesh Government. There is a fixation cell in the bank which works out the pay fixation as per the national pay scale in force. The remuneration process for the employees was conducted under the National Pay Scale 2015.

External consultants whose advice has been sought, the body by which they were commissioned, and in what areas of the remuneration process.

Since the bank follows the national pay scale-2015, it requires no advice with regard to the remuneration process from any external consultant and therefore, no commission to this effect is paid to any agencies.

A description of the scope of the bank's remuneration policy ( eg: by regions, business lines ), including the extent to which it is applicable to foreign subsidiaries and branches.

There is no foreign subsidiary and branch of the bank. The remuneration policy follows uniform rule of the national pay scale and does not change due to the employees working at diversified geographical locations.

A description of the types of employees considered as material risk takers and as senior managers including the number of employees in each group.

Usually the branch managers, regional head, divisional head and senior management of the head office are considered as the material risk takers.

b) Information relating to the design and structure of remuneration processes:

i) An overview of the key features and objectives of remuneration policy.

The overall design and structure of the remuneration system of Bangladesh Krishi Bank is as per the national pay scale approved by the Government of the People's Republic of Bangladesh.

ii) Whether the remuneration committee reviewed the firm's remuneration policy during the past year, and if so, and an overview of any changes that were made.

The process is reviewed only when a new national pay scale gets in force. Bangladesh Krishi Bank adopted a pay scale which was declared by the government of People's Republic of Bangladesh on 15 December 2015 and became effective from 1 July 2015.

A discussion of how the bank ensures that risk and compliance employees are remunerated independently of the businesses they oversee.

**Not Applicable**

c) Description of the ways in which current and future risks are taken into account in the remuneration processes. An overview of the key risks that the bank takes into account when implementing remuneration measures.

(i) An overview of the nature and type of the key measures used to take account of these risks, including risks difficult to measure (values need not be disclosed). A discussion of the ways in which these measures affect remuneration.

A discussion of the bank's policy on deferral and vesting of variable remuneration and a discussion of the bank's policy and criteria for adjusting deferred remuneration before vesting and after vesting. The Bank has various schemes in regards to deferred and vested variable remuneration which are as under:

a. Death cum Survival Superannuation Fund provides superannuation and other benefits to the employees of the Bank on their death, disability, retirement/or being incapacitated at any time or for any other cause that may be deemed fit as per Govt. rule.

b. Staff House Building Loan: Permanent employee any rank after completion of 5 (five) years of service, can avail of a House Building Loan at Bank Rate as per policy and approval from the appropriate Authority.

A discussion of how the nature and type of these measures has changed over the past year and reasons for the change, as well as the impact of changes on remuneration.

All employees of the bank (including those working in controlling offices) have been imposed a yearly target of deposit mobilization and loan recovery (related personnel). But the target achievement does not affect in the remuneration policy of the bank.

d) Description of the ways in which the bank seeks to link performance during a performance measurement period with levels of remuneration:

An overview of main performance metrics for bank, top-level business lines and individuals. A discussion of how amounts of individual remuneration are linked to bank-wide and individual performance. A discussion of the measures the bank will in general implement to adjust remuneration in the event that performance metrics are weak.

Description of the different forms of variable remuneration (i.e. cash, shares, and share -linked instruments and other forms) that the bank utilizes and the rationale for using these different forms

There is no variable and deferral remuneration existing in the remuneration system. It does not include any reward for longer term performance. Salary and all types of benefits provided by the bank are only in the form of cash.

e) Description of the ways in which the bank seeks to adjust remuneration to take account of longer-term performance:

A discussion of the bank's policy on deferral and vesting of variable remuneration and, if the fraction of variable remuneration that is deferred differs across employees or groups of employees, a description of the factors that determine the fraction and their relative importance.

A discussion of the bank's policy and criteria for adjusting deferred remuneration before vesting and ( if permitted by national law ) after vesting through claw back arrangements.

**Not Applicable**

f) Description of the different forms of variable remuneration that the bank utilizes and the rationale for using these different forms:

An overview of the forms of variable remuneration offered ( ie cash, shares and share-linked instruments and other forms ).

A discussion of the use of the different forms of variable remuneration and, if the mix of different forms of variable remuneration differs across employees or groups of employees), a description of the factors that determine the mix and their relative importance.

**Not Applicable**

### **Quantitative Disclosures**

g) Number of meetings held by the main body overseeing remuneration during the financial year and remuneration paid to its member.

Bangladesh krishi bank follows Government remuneration Policy. No variable remuneration policy exists in Bangladesh krishi bank.

h) Number of employees having received a variable remuneration award during the financial year.

Number and total amount of guaranteed bonuses awarded during the financial year.

BKB follows Government remuneration Policy. No variable remuneration policy exists in BKB.

2(Two) number of guaranteed bonus (Festival Bonus) were awarded during the year and the amount of bonus was Tk. 47.32 crore.

Number and total of sign-on awards made during the financial year.

Number and total amount of severance payment made during the financial year.

**Not Applicable**

**i)** Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms. Total amount of deferred remuneration paid out in the financial year.

**Not Applicable**

**j)** Breakdown of amount of remuneration awards for the financial year to show: -fixed and variable. -deferred and non-deferred. different forms used (cash, shares and share linked instruments, other forms).

**Breakdown of amount of remuneration awards for the financial year (2023-2024) to show:**  
Fixed remuneration is Tk. 1300.43 crore and variable remuneration is Tk. 0.00 crore.

**k)** Quantitative information about employees' exposure to implicit ( eg: fluctuations in the value of shares or performance units) and explicit adjustments (eg: claw backs or similar reversals or downward revaluations of awards ) of deferred remuneration and retained remuneration.

Bangladesh Krishi Bank follows National Pay Scale 2015.

Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit and/or implicit adjustments

**Not Applicable**

Total amount of reductions during the financial year due to ex post explicit adjustments.

**Not Applicable**

Total amount of reductions during the financial year due to ex post implicit

**Not Applicable**