

Disclosure on Risk Based Capital Requirement under Pillar-3 of Basel III As on 31 December, 2015

Disclosure Policy

The following detailed qualitative and quantitative disclosures are provided in accordance with Bangladesh Bank rules and regulations on capital adequacy under Basel III issued through BRPD Circular no. 18 (21 December 2014). The purpose of these requirements is to complement the capital adequacy requirements and the Pillar III – supervisory review process. These disclosures are intended for market participants to assess key information about the Bank’s exposure to various risks and to provide a consistent and understandable disclosure framework as per regulatory requirement. The Bank has spelt out its position as per disclosure requirements set out by the Bangladesh Bank.

The major highlights of the Bangladesh Bank regulations are:

- Maintenance of Capital Adequacy Ratio (CAR) at a minimum of 10% of Risk Weighted Assets (RWA);
- Adoption of the standardized approach for credit risk for implementing Basel III, using national discretion for:
- Following the credit rating agencies as External Credit Assessment Institutions (ECAI) for claims on sovereigns and banks;
- Adopting simple/comprehensive approach for Credit Risk Mitigation (CRM);
- Making unrated corporate exposures risk weighted by assigning a risk weighting of 125%.
- Adoption of the standardized approach for market risk and basic indicator approach for operational risk.
- Furnishing Capital adequacy returns to Bangladesh Bank on a quarterly basis.

Scope of Application

Qualitative Disclosure	(a)	The Risk Based Capital Adequacy (RBCA) framework which is called Basel-III guideline issued by Bangladesh Bank in December-2014 was duly applied to The Farmers Bank Limited.
	(b)	The Farmers Bank Limited prepared its RBCA report on „Solo Basis“ as well as “Consolidated Basis“ where one (01) subsidiary belongs to The Farmers Bank Ltd.
	(c)	No incidence occurred which may cause for imposing any regulatory restriction or impediment on transfer of funds or regulatory capital within the group.
Quantitative Disclosure	(d)	No Capital deficiency in solo and consolidated assessment was observed.

Capital Structure (Qualitative Disclosures)

The Farmers Bank Ltd's capital structure consists of Tier I and Tier II capital which is aligned with regulatory capital structure. Tier I capital is further categorized as Common Equity Tier 1 (CET1) and Additional Tier 1 capital. The computation of the amount of Common Equity Tier I, Additional Tier I and Tier II capital shall be subject to the following conditions:

- The Bank has to maintain at least 4.50% of total Risk Weighted Assets (RWA) as Common Equity Tier I capital.
- Tier I capital will be at least 5.50% of the total RWA.
- Minimum Capital to Risk-weighted Asset Ratio (CRAR) will be 10% of the total RWA.
- Additional Tier I capital can be maximum up to 1.5% of the total RWA or 33.33% of CET 1, whichever is higher.
- Tier II capital can be maximum up to 4% of the total RWA or 88.89% of CET1, whichever is higher.
- In addition to minimum CRAR, Capital Conservation Buffer (CCB) @ 0.625% of the total RWA will be maintained in the form of CET1 in a phased manner from 2015 to 2019.

Tier I capital of the Bank includes fully Paid Up Capital, Statutory Reserve, Minority Interest in Subsidiary and retained earnings. Tier 1 capital is also called 'Core Capital' of the Bank. According to BRPD letter ref no.BRPD(BFIS)661/14B(P)/2015-18014 dated 24 December 2015, 5% of deferred tax recognized on specific provision shall be allowable as CET 1 capital whilst all other deferred tax assets created on other items shall be deducted from the retained earnings when calculating the capital adequacy ratio.

Tier II capital consists of General Provision and revaluation reserve for Held to Maturity (HTM) and Held for Trading (HFT) securities. General provision for inclusion in Tier II capital is limited to a maximum 1.25% of Credit RWA calculated under the standardized approach. Revaluation reserve for securities shown as Tier II capital as on 31 December 2014 will be nullified in a phased manner at the rate of 20% starting from 2015 and will be fully adjusted by 2020.

Quantitative disclosures:

The details of capital structure are provided as under:

Fig in Cr

Particulars	Solo Basis	Consolidated Basis
Fully Paid Up Capital	401.61	401.61
Non-repayable share premium account	Nil	Nil
Statutory Reserve	9.34	9.34
General Reserve	Nil	Nil
Retained Earnings	14.14	14.14
Dividend Equalization Reserve	Nil	Nil
Minority Interest in subsidiaries	Nil	Nil
Others (If Any Item approved by Bangladesh Bank)	Nil	Nil
Sub Total	425.09	425.09
Regulatory Adjustment		
Shortfall in Provisions Required Against NPLs	Nil	Nil
Shortfall in Provisions Required Against Investment in Shares	Nil	Nil
Remaining deficit on account of revaluation of investments in securities after netting off from any other surplus on the securities	Nil	Nil
Goodwill and all other Intangible Assets	Nil	Nil
Deferred Tax Assets (DTA)	Nil	Nil
Defined benefit pension fund assets	Nil	Nil
Gain on sale related to securitization transactions	Nil	Nil
Investment in own CET-1 Instruments/Shares (as per Para 3.4.7 of Basel III Guidelines)	Nil	Nil
Reciprocal Crossholdings in the CET-1 Capital of Banking, Financial and Insurance Entities	Nil	Nil
Any investment exceeding the approved limit under section 26(2) of Bank Company Act, 1991 (50% of Investment)	Nil	Nil
Investments in subsidiaries which are not consolidated (50% of Investment)	Nil	Nil
Others if any	Nil	Nil
Sub Total	Nil	Nil
Total Common Equity Tier-1 Capital	425.09	425.09
Additional Tier I Capital	Nil	Nil
Total Tier I Capital	425.09	425.09

Tier II Capital

Particulars	Solo Basis	Consolidated Basis
General Provision (Eligible for inclusion in Tier 2 will be limited to a maximum 1.25 percentage points of credit risk-weighted assets calculated under the standardized approach)	25.07	25.07
All Other preference shares	Nil	Nil
Subordinated debt/Instruments issued by the banks that meet the qualifying criteria for Tier 2 capital (as per Annex 4 of Basel III Guidelines)	Nil	Nil
Minority Interest i.e. Tier-2 issued by consolidated subsidiaries to third parties (for consolidated reporting only)	Nil	Nil
Revaluation Reserves as on 31 December, 2014 (50% of Fixed Assets and Securities & 10% of Equities)	0.73	0.73
Others (if any item approved by Bangladesh Bank)	Nil	Nil
Sub Total	25.80	25.80
Regulatory Adjustment		
Revaluation Reserves for Fixed Assets, Securities & Equity Securities (follow Phase-in deductions as per Basel III Guidelines)	0.15	0.15
Investment in own T-2 Instruments/Shares (as per Para 3.4.7 of Basel III Guidelines)	Nil	Nil
Reciprocal crossholdings in the T-2 Capital of Banking, Financial and Insurance Entities	Nil	Nil
Any investment exceeding the approved limit under section 26(2) of Bank Company Act, 1991 (50% of Investment)	Nil	Nil
Investments in subsidiaries which are not consolidated (50% of Investment)	Nil	Nil
Others if any	Nil	Nil
Total Tier-2 Capital Available	25.65	25.65
Maximum Limit of Tier-2 Capital (Tier 2 capital can be maximum up to 4.0% of the total RWA or 88.89% of CET1, whichever is higher)	377.87	377.87
Excess Amount over Maximum Limit of T-2	Nil	Nil
Total Admissible Tier-2 Capital	25.65	25.65
Total Regulatory Capital (Tier I + Tier II)	450.75	450.75

Capital Adequacy

For accessing Capital Adequacy the Bank has adopted Standardized Approach for Credit Risk measurement, Standardized (Rule Based) Approach for Market Risk measurement and Basic Indicator Approach for Operational Risk measurement.

Qualitative Disclosures

Adequate capital means enough capital to compensate with Bank's risks profile. For assessing overall risk profile and a strategy for maintaining adequate capital, Bank has developed an Internal Capital Adequacy Assessment Process (ICAAP) for practicing better risk management techniques.

Bank has strengthened effectiveness its risk management process and internal control system in assessing and planning of economic capital against all risks. The strategic planning process critically analyses of bank's current and future capital requirements. The strategic plan includes the bank's capital needs, anticipated capital expenditures, desirable capital level, and external capital sources.

Capital Requirement and Adequacy of the Bank as on December 31, 2015 are as under:

(BDT in Crore)

Particulars	Solo Basis	Consolidated Basis
Capital requirement for Credit Risk	354.47	351.08
Capital requirement for Market Risk	9.96	9.96
Capital requirement for Operational Risk	11.84	11.84
Total Capital Requirement	376.27	372.88
Total Risk Weighted Asset	3762.69	3728.74
Total Capital to Risk Weighted Asset Ratio (CRAR)	11.98	12.09
Tier I Capital to Risk Weighted Asset Ratio	11.30	11.40
Tier II Capital to Risk Weighted Asset Ratio	0.68	0.69
Total Regulatory Capital Surplus	50.75	50.75

Credit Risk

Qualitative Disclosure:

Credit risk is the risk of financial loss resulting from failure by a client or counterparty to meet its contractual obligations to the Bank. Credit risk arises from the bank's dealings with or lending to corporate, individuals and other banks or financial institutions. The

Farmers Bank Ltd. is managing Credit Risk through a robust process that enables the bank to proactively manage loan portfolios in order to minimize losses and earn an acceptable level of return for shareholders.

Past Due/Impaired Loans

Bank classifies loans and advances (loans and bill discount in the nature of an advance) into performing and non-performing loans (NPL) in accordance with the Bangladesh Bank guidelines in this respect. An NPA is defined as a loan or an advance where interest and/ or installment of principal remain overdue for more than 90 days in respect of a Continuous credit, Demand loan or Term Loan .

Classified loan is categorized under following 03 (three) categories:

1. Sub-standard
2. Doubtful
3. Bad & Loss

Any continuous loan will be classified as:

- 'Sub-standard' if it is past due/over due for 3 months or beyond but less than 6 months.
- 'Doubtful' if it is past due/over due for 6 months or beyond but less than 9 months.
- 'Bad/Loss' if it is past due/over due for 9 months or beyond.

Any Demand Loan will be classified as:

- '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.
- '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.
- '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.

Term Loan up to Tk.10.00 lac

- If the amount of past due installment is equal to or more than the amount of installment (s) due within 6 months, the entire loan will be classified as "Sub-standard".
- If the amount of past due installment is equal to or more than the amount of installment (s) due within 9 months, the entire loan will be classified as "Doubtful".
- If the amount of past due installment is equal to or more than the amount of installment (s) due within 12 months, the entire loan will be classified as "Bad /Loss".

Term Loan above Tk.10.00 lac

- In case any installment (s) or part of installment (s) of a Fixed Term Loan above Tk. 10.00 lac is not repaid within the due date, the amount of unpaid installment (s) will be termed as past due /overdue installments from the following day of the due date.
- If the amount of past due installment is equal to or more than the amount of installment (s) due within 3 months, the entire loan will be classified as "Sub-standard".
- If the amount of past due installment is equal to or more than the amount of installment (s) due within 6 months, the entire loan will be classified as "Doubtful".
- If the amount of past due installment is equal to or more than the amount of installment (s) due within 9 months, the entire loan will be classified as "Bad /Loss"

Agricultural Credit & Micro Credit loan will be classified as:

- If not repaid within the fixed expiry date for repayment will be considered past due / overdue after 6 months of the expiry date.
- If irregular status continues, the credit will be classified as 'Substandard ' after a period of 12 months.
- If irregular status continues, the credit will be classified as 'Doubtful' after a period of 36 months.
- If irregular status continues, the credit will be classified as 'Bad or Loss ' after a period of 60 months.

Description of approaches followed for specific and general allowances:

The Farmers Bank Limited follows the General and Specific Provision requirement as prescribed by Bangladesh Bank time to time.

Particulars	Rate (%)
General provision on all unclassified loans of Small and Medium Enterprise	0.25
General provision against all unclassified loans (other than loans under consumer Financing, Loans to Brokerage House, Merchant Banks, Stock Dealers etc. Special Mention Account as well as SME Financing)	1%
General provision on the unclassified amount for Consumer Financing (other than Housing Finance and Loans for professionals to set up business)	5%
General provision on the unclassified amount for Housing Finance and Loans for professionals to set up business under consumer financing scheme	2%
General provision on the unclassified amount for Loans to Brokerage House, Merchant Banks, Stock dealers, etc	2%
General provision on the outstanding amount of loans kept in the Special Mention Account.	5%
General provision on the off-balance sheet exposures	1%
Specific Provision for classified Continuous, Demand and Fixed Term Loans:	
Substandard	20%
Doubtful	50%
Bad/Loss	100%
Specific Provision for Short-term Agricultural and Micro-Credits	
All credits except 'Bad/Loss'	5%
Bad/Loss	100%

Methods used to measure credit risk

In compliance with Risk Based Capital Adequacy, FBL, as per BASEL-II Guideline, uses ratings assigned by External Credit Assessment Agencies (ECAIs) approved by Bangladesh Bank. The rating is used for both fund based and non-fund based exposure for corporate borrowers. FBL also uses the Credit Risk Grading System prepared by Bangladesh Bank before taking any exposure on Corporate and Medium clients.

Credit Risk Management Policy

Given the fast changing dynamic global economy and the increasing pressure of globalization, liberalization, consolidation and disintermediation, The Farmers Bank has a robust credit risk management policy and procedures that are sensitive and responsive to these changes. A clearly defined, well-planned, comprehensive and appropriate Credit Risk Management Policy of the Bank provides a board guideline for the Credit Operation towards efficient management of its Credit portfolio.

The Bank has adopted numerous strategies to manage its credit risk including:

- Creating credit risk awareness culture
- Approved credit policy by the Board of Directors
- Separate credit risk management division
- Formation of law and recovery team
- Independent internal audit and direct access to Board/Audit committee
- Credit quality and portfolio diversification
- Early warning system
- Provision and suspension of interest
- Scientific lending and credit approval process
- Counterparty credit rating
- Strong NPL management system

Distribution of Credit Exposure by Major Types: Quantitative Disclosures

Types of Credit Exposure

	Particulars	Amount in Crore
Types of Credit Exposure	Term Loan	476.37
	Time Loan	134.75
	LTR	197.37
	Packing Credit	2.04
	House Building Loan	61.03
	Lease Finance	9.66
	Hire Purchase	1.68
	EDF Loan	5.34
	Payment Against Documents	1.44
	Cash Credit	1 068.19
	Overdraft	540.91
	Personal Loan	17.22
	Consumer Credit	.33
	Staff Loan	20.87
	Agricultural Credit	26.00
	Bill Purchased and Discounted Inland	5.77
	Bill Purchased and Discounted Foreign	4.62
	Total	2 573.59

Geographical Distribution of Credit Exposure

Division	Amount in Crore
Dhaka	1708.94
Mymensing	454.43
Chittagong	365.63
Rajshahi	2.80
Sylhet	0.00
Khulna	0.52
Rangpur	0.00
Barisal	41.27
Total	2573.59

Industry or counter party type distribution of exposures, broken down by major types of credit exposures	Particulars	BDT in Crore
	Agriculture	26.00
	RMG	71.38
	Textile	46.88
	Ship Building	2.95
	Ship Breaking	0.00
	Other Manufacturing Industry	0.00
	SME Loans	785.41
	Construction	39.73
	Power, Gas	76.88
	Transport, Storage & Communication	32.06
	Trade service	981.48
	Commercial real estate financing	102.97
	Residential real estate financing	36.20
	Consumer Credit	80.22
	Loans to Brokerage House	12.45
	NBFI	0.00
Others	278.98	
Total	2573.59	

Residual Contractual maturity breakdown of the whole portfolio broken down by major types of credit exposures	As on December 31, 2015	BDT in Crore
	Up to 1 (One) Month	431.26
	Over 1 Month but less Than 3 months	245.19
	Over 3 Month but less Than 1year	1295.65
	Over 1 Year but not more than 5 Years	314.34
	Over 5 Years	287.15
	Total	2573.59

Total Loans and Advances & Provision

Particulars	Outstanding Amount (BDT in Crore)	Provision (BDT in Crore)
Un-Classified Loans & Advances	2532.19	21.16
Classified Loans and Advances	41.40	11.42
Substandard (SS)	24.33	1.42
Doubtful (DF)	3.29	1.13
Bad/Los (BL)	13.78	8.87

Equities: Disclosures for Banking Book Positions:

Qualitative Disclosure	(a)	<p>The general qualitative disclosure requirement with respect to the equity risk, including:</p> <p>The Bank does not hold any value which is describe as “Differentiation between holdings on which capital gains are expected and those taken under other objectives including for relationship and strategic reasons” in RBCA Guidelines of Bangladesh bank.</p> <p>Therefore the Bank does not need to narrate any “Discussion of important policies covering the valuation and accounting of equity holding 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”.</p> <p>Apart from above, the Bank has calculated value at cost method for Quoted shares & Unquoted Shares.</p>						
	(b)	<p>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.</p> <table style="width: 100%; margin-left: auto; margin-right: auto;"> <tr> <td></td> <td style="text-align: right;">Tk. Crore</td> </tr> <tr> <td>Quoted shares</td> <td style="text-align: right;">3.00</td> </tr> <tr> <td>Unquoted shares</td> <td style="text-align: right;">290.00</td> </tr> </table>		Tk. Crore	Quoted shares	3.00	Unquoted shares	290.00
		Tk. Crore						
	Quoted shares	3.00						
	Unquoted shares	290.00						
(C)	<p>The cumulative realized gain (losses) arising from sales and liquidations in the reporting period. Realized gain (losses) from equity investments.</p>							
(D)	<table style="width: 100%; margin-left: auto; margin-right: auto;"> <tr> <td>Total unrealized gains (losses) –</td> <td style="text-align: right;">7.39</td> </tr> <tr> <td>Total latent revaluation gains (losses) -</td> <td style="text-align: right;">0.00</td> </tr> <tr> <td colspan="2">Any amounts of the above included in Tier 2 Capital- 0.00</td> </tr> </table>	Total unrealized gains (losses) –	7.39	Total latent revaluation gains (losses) -	0.00	Any amounts of the above included in Tier 2 Capital- 0.00		
Total unrealized gains (losses) –	7.39							
Total latent revaluation gains (losses) -	0.00							
Any amounts of the above included in Tier 2 Capital- 0.00								
(E)	<p>There are no Capital requirements broken down by appropriate equity groupings, consistent with the bank’s methodology, as well as the aggregate amounts and the type of equity investments subject to any supervisory provisions regarding regulatory capital requirements.</p>							

Interest Rate Risk in the Banking Book (IRRBB):

Qualitative Disclosure	(a)	<p>The Banking Book consists of assets and liabilities contracted basically on account of relationship or for steady income and statutory obligations and are generally held till maturity/payment by counter party.</p> <p>The earnings or changes in the economic value are the main focus in banking book. Interest rate risk is the risk that a bank will experience deterioration in its financial position as interest rates move over time. Interest rate risk in the banking book arises from a bank's core banking activities. Interest rate risk is the exposure of a bank's financial condition to adverse movements in interest rates. Changes in interest rates affect a bank's earnings by changing its net interest income and the level of other interest sensitive income and operating expenses.</p>			
	(b)	CAR before-shock (%)	12.09		
		Interest Rate Stress Test	Minor	Moderate	Major
		Assumed change in Interest Rate	1.00%	2.00%	3.00%
		Net interest income impact			
		<12 months	-6.12	-12.24	-18.36
		Capital after-shock	444.63	438.51	432.39
		CAR after-shock (%)	11.92	11.76	11.60
		Change in CAR after-shock (%)	-0.16	-0.33	-0.49
		Re pricing impact			
		Change in the value of the bond portfolio	-8.80	-17.60	-26.40
		Capital after-shock	435.83	420.91	405.99
		CAR after-shock (percent)	11.69	11.29	10.89
		Change in CAR after-shock (%)	-0.24	-0.47	-0.71
		Overall change in CAR (NII and re pricing impact, %)	-0.40	-0.80	-1.20

Market Risk Qualitative Disclosure: Qualitative Disclosures

Market risk is the risk that the fair value of future cash flows of the financial instruments will fluctuate due to changes in different market variables, namely:

- Interest Rate Risk
- Equity Position Risk
- Foreign Exchange Risk
- Commodity Risk

The market risk positions subject to the risks pertaining to interest rate related instruments and equities in the trading book and Foreign exchange risk and commodities risk throughout the Bank. Signifies the risk of loss due to decrease in market portfolio arising out of market risk factors. The bank has considered interest rate risk on banking book separately and the impact of interest rate risk on the trading book will not be considered here. The Board approves all policies related to market risk, sets limits and reviews compliance on a regular basis. The objective is to provide cost effective funding last year to finance asset growth and trade related transaction.

Methods used to measure Market Risk:

Standardized (Rule Based) Approach is used to measure the Market Risk of the Bank whereas for Interest Rate Risk and Equity Risk both General and Specific risk factors are applied for calculating capital charge and for Foreign Exchange and Commodities only General risk factor is applied.

Management System of Market Risk:

The duties of managing the market risk including liquidity, interest rate and foreign exchange risk lies with the Treasury Division under the supervision of ALCO committee. The ALCO committee is comprised of senior executives of the Bank, who meets at least one time in a month during the ALCO meeting. The committee evaluates the current position of the Bank and gives directions to mitigate the market risk exposure to a minimum level.

Capital Charges for Market Risk

Fig in Crore

Market Risk	Capital Charge Solo Basis	Capital Charge Consolidated Basis
Interest Rate Related instruments	4.62	4.62
Equities	2.08	2.08
Foreign Exchange Position	3.26	3.26
Commodities	0.00	0.00

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal process, people and systems (for example failed IT system, or fraud perpetrated by an FBL employee), or from external causes, whether deliberate, accidental or natural. It is inherent in all of the Bank's activities. Operational risks are monitored and, to the extent possible, controlled and mitigated.

Views of BOD on system to reduce Operational Risk

The Bank's approach to operational risk is not designed to eliminate risk altogether but rather, to contain risks within levels deemed acceptable by senior management.

All functions, whether business, control or logistics functions, must manage the operational risks that arise from their activities. Operational risks are pervasive, as a failure in one area may have a potential impact on several other areas. The Bank has therefore established a cross-functional body to actively manage operational risk as part of its governance structure.

The foundation of the operational risk framework is that all functions have adequately defined their roles and responsibilities. The functions can then collectively ensure that there is adequate segregation of duties, complete coverage of risks and clear accountability.

Potential External Events

The bank invests heavily in IT Infrastructure for better automation and online transaction environment. The bank also has huge investment on alternative power supply (both UPS & generators) and network links to avoid system failure. The Farmers Bank invests heavily on security from terrorism and vandalism to avoid damage to physical assets.

Approach for Calculating Capital Charges for Operational Risk

For local regulatory capital measurement purposes, the Bank follows the Basic Indicator Approach.

Particulars	Solo Basis	Consolidated basis
The Capital requirements for Operational Risk	11.84	11.84

Liquidity Ratio

Qualitative disclosures:

Liquidity Risk is the risk that the bank does not have sufficient financial resources to meet its obligations as they fall due or will have to do so at excessive cost. The risk arises from mismatch in the timing of cash flows. The objective of liquidity framework is to allow the Bank to withstand very severe stresses. It is designed to be adaptable to change the business modes, markets and regulators. The liquidity risk management frameworks require:

- Liquidity to managed by Bank on stand-alone basis with no reliance on the Bangladesh Bank
- To comply with all regulatory limits;
- To maintain positive stressed cash flow;
- Monitoring the contingent funding commitments;
- Monitoring the structural term mismatch between maturing assets and liabilities;
- Maintenance of robust and practical liquidity contingency plan;
- Maintain diverse sources of funding and adequate back up lines.

Liquidity management of the Bank is centered on the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) based on BASEL III. The Bank has Asset Liability Management (ALM) desk to manage this risk with active monitoring and management.

The Bank has adopted Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) for liquidity risk Management. LCR ensures that banks maintain enough high quality unencumbered liquid assets to meet its liquidity needs for 30 calendar time-line whereas NSFR ensures availability of stable funding is greater than required funding over 1 year period.

Bank has Asset Liability Management Committee (ALCO) to monitor the liquidity risk on a monthly basis. Based on the detail recommendation from ALM desk, ALCO take appropriate action to manage the liquidity risk. To have more conservative approach towards liquidity risk measurement, the Bank has set internal LCR and NSFR limits which are more stringent and set higher than the regulatory limit of 100%. These ratios are regularly monitored at ALCO. Also Bank has internal risk control framework which outlines clear and consistent policies and principles for liquidity risk management.

Quantitative disclosures: 2015

(Fig BDT Cr)

Particulars	Solo Basis	Consolidated Basis
Liquidity coverage ratio (%)	114.20%	114.20%
Net Stable Funding Ratio (%)	118.41%	118.41%
Stock of High quality liquid assets	687.74	687.74
Total net cash outflows over the next 30 calendar days	0.00	0.00
Available amount of stable funding	3442.36	3442.36
Required amount of stable funding	2907.08	2907.08

Leverage Ratio

Qualitative disclosures:

Leverage ratio is the ratio of tier 1 capital to total on and off-balance sheet exposures. The leverage ratio was introduced into the Basel III framework as a non-risk based backstop limit, to supplement risk-based capital requirements. In order 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 the Bangladesh Bank. The leverage ratio is calibrated to act as a credible supplementary measure to the risk based capital requirements. 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; and
- Reinforce the risk based requirements with an easy to understand and a non-risk based measure.

The Bank has calculated the regulatory leverage ratio as per the guideline of Basel III. The numerator, capital measure is calculated using the new definition of Tier I capital applicable from 01 January 2015. The denominator, exposure measure, is calculated on the basis of the Basel III leverage ratio framework as adopted by the Bangladesh Bank. The exposure measure generally follows the accounting value, adjusted as follows:

- On-balance sheet, non derivative exposures are included in the exposure measure net of specific provision;
- Physical or financial collateral is not considered to reduce on-balance sheet exposure;
- Loans are not netted with deposits; off balance sheet items are converted into credit exposure equivalents through the use of credit conversion factors (CCFs). Depending on the risk category of the exposure a CCF of 20%, 50% or 100% is applied.
- Item deducted from Tier I capital such as deferred tax assets is excluded.

Quantitative disclosures: 2015

(Fig BDT)

Particulars	Solo Basis	Consolidated Basis
Leverage ratio (%)	10.04%	10.04%
On balance sheet exposure	3381.35	3347.41
Off balance sheet exposure	163.35	163.35
Total Exposure	4231.33	4231.33

Remuneration:

Qualitative disclosure	a)	i) Information relating to the bodies that oversee remuneration	The Executive committee of the Bank oversees the remuneration on as and when required basis. No external consultant's advice has been sought. The Bank has approved pay scale approved by the Board of Directors. Employee type in FBL is Regular & Contractual.
		ii) Information relating to the design and structure of remuneration processes	There is a pay scale approved by the competent authority where the salaries and increments are fixed designation wise and the same is followed accordingly.
		iii) Description of the ways in which current and future risks are taken into account in the remuneration processes.	The approved pay scale was initialized considering the packages provided by peer Banks so that the employee retention risk is lower. For the future risks the pay scale is every now and then considered for revision.
		iv) Description of the ways in which the Bank seeks to link performance during a performance measurement period with levels of remuneration.	Half-Yearly and Annual appraisal is sought from the competent authority to link performance during a performance measurement period with levels of remuneration.
		v) Description of the ways in which the bank seek to adjust remuneration to take account of longer-term performance.	To take account of longer-term performance the Bank seeks to adjust remuneration through Promotion.
		vi) Description of the different forms of variable remuneration that the bank utilizes and the rationale for using these different forms	There are no other forms but cash form of variable remuneration is utilized by the Bank.

BDT in Million

Quantitative disclosure	b)			Solo & Consolidated
		Number of meetings held by the main body overseeing remuneration and remuneration paid to its member.		Nil
		Number of employees having received a variable remuneration award (incentive bonus).		N/A
		Number of guaranteed bonuses awarded (festival bonus).		02
		Total amount of guaranteed bonuses awarded.		2.81 Cr
		Number of sign-on awards made.		N/A
		Total amount of sign-on awards made.		N/A
		Number of severance payments made.		N/A
		Total amount of severance payments made.		N/A
		Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms.		N/A
		Total amount of deferred remuneration paid out (incentive bonus).		N/A
		Breakdown of amount of remuneration awards for the financial year to show:		
			BDT in Crore	
		Fixed (Salary & Allowances)	39.32	
		Variable	N/A	
		Deferred	N/A	
		Non- deferred	N/A	
		Different forms used (Cash, shares and share linked instrument, other forms).	N/A	
		Total amount of outstanding deferred remuneration		N/A
		Total amount of retained remuneration exposed to ex post explicit and/or implicit adjustments.		N/A
		Total amount of reductions during the financial year due to ex post explicit adjustments.		N/A
		Total amount of reductions during the financial year due to ex post implicit adjustments		N/A