



*Any time*  
*Anywhere*

# **disclosures on risk based capital (Basel III)**



# DISCLOSURES ON RISK BASED CAPITAL (BASEL III)



## Scope of Application

Qualitative Disclosures		
a)	The name of the top corporate entity in the group to which this guidelines applies.	Dutch-Bangla Bank PLC. (the Bank)
b)	An outline of differences in the basis of consolidation for accounting and regulatory purposes, with a brief description of the entities within the group	<p>The consolidated financial statements of the Bank include the financial statements of Dutch-Bangla Bank PLC and the Off-shore Banking Units (OBUs). A brief description of the Bank and the OBUs are given below:</p> <p><b>The Bank [Main operation]</b></p> <p>Dutch-Bangla Bank PLC (the Bank) is a scheduled commercial bank set up as a joint venture between Bangladesh and the Netherlands. Incorporated as a public limited company under the Companies Act 1994, the Bank obtained license from Bangladesh Bank on 23 July 1995 and started its banking business with one branch on 3 June 1996. The number of branches was 241 and sub-branches was 209 as on 31 December 2023 all over Bangladesh. The Bank is listed with Dhaka Stock Exchange and Chittagong Stock Exchange as a publicly quoted company.</p> <p>The principal activities of the Bank are to carry on all kinds of commercial banking business in Bangladesh.</p> <p><b>Mobile Banking Services</b></p> <p>The Bank obtained the permission for conducting the Mobile Banking Services from Bangladesh Bank on 28 April 2010. The Bank started operation of Mobile Banking Services on 31 March 2011.</p> <p>The principal activities of the Mobile Banking Services are to provide banking services to Mobile Banking customers through Mobile Phone and multiple delivery channels within the applicable rules &amp; regulations and guidelines of Bangladesh Bank.</p> <p>Mobile Banking Services are part of Main Operation of the Bank.</p> <p><b>Agent Banking Services</b></p> <p>The Bank obtained the permission for conducting the Agent Banking services from Bangladesh Bank on 27 July 2014. The Bank started operation of Agent Banking Services on 19 January 2015.</p> <p>The principal activities of the Agent Banking Services are to provide banking services to the Bank customers through engagement of agents who conducts Banking Transaction on behalf of the Bank under a valid agency agreements rather than Bank's own Tellers/ Cashiers to deliver the services within the applicable rules &amp; regulations and guidelines of Bangladesh Bank.</p> <p>Agent Banking Services are part of Main Operation of the Bank.</p>
	(i) that are fully consolidated;	
	(ii) that are given a deduction treatment; and	
	(iii) that are neither consolidated nor deducted (e.g. where the investment is risk-weighted).	

## Scope of Application (Continued)

		<p><b>Off-shore Banking Unit (OBU)</b></p> <p>The Off-shore Banking Unit (OBU) of the Bank is the separate business entity governed by the applicable rules &amp; regulations and guidelines of Bangladesh Bank. The Bank obtained the permission for conducting the operations of OBU from Bangladesh Bank on 23 February 2010. The Bank started the operation of OBU on 12 July 2010. The number of OBUs was 2 (two) as on 31 December 2023 located at Centralized Processing Centre (CPC), Head Office, Dhaka and Dhaka EPZ Branch, Dhaka.</p> <p>The principal activities of the OBUs are to provide commercial banking services through its Units within the rules &amp; regulations and guidelines of Bangladesh Bank applicable for the Off-shore Banking Units.</p>
c)	Any restrictions, or other major impediments, on transfer of funds or regulatory capital within the group.	Not applicable
<b>Quantitative Disclosures</b>		
d)	The aggregate amount of surplus capital of insurance subsidiaries (whether deducted or subjected to an alternative method) included in the capital of the consolidated group.	Not applicable

## Capital structure

<b>Qualitative Disclosures</b>		
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 CET 1, Additional Tier 1 or in Tier 2 capital.	<p>In terms of Section 13 of the Bank Company Act, 1991 (Amended up to 2023), the terms and conditions of the main features of all capital instruments have been segregated in line with the eligibility criteria set forth vide 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)] and other relevant instructions given by Bangladesh Bank from time to time. The main features of the capital instruments are as follows:</p> <p><b>Common Equity Tier 1 (CET1) capital instruments</b></p> <ul style="list-style-type: none"> <li>i. Paid-up share capital;</li> <li>ii. Non-repayable share premium account;</li> <li>iii. Statutory reserve;</li> <li>iv. Dividend equalization account; and</li> <li>v. Retained earnings.</li> </ul>

## Capital structure (Continued)

		<b>Additional Tier 1 (AT1) capital instruments:</b> Currently, Bank has no AT1 capital instruments. <b>Tier 2 capital instruments</b> <div><div>i. General Provision against unclassified loans and off-balance sheet exposures; and</div><div>ii. Subordinated debt capital.</div></div>																		
Quantitative Disclosures																				
b)	The amount of Common Equity Tier 1 (CET1) capital	<div>The amount of Common Equity Tier 1 (CET1) capital as per disclosures in the audited financial statements as of 31 December 2023 are as follows: <div>In Million Taka</div><table><tr><th>Particulars</th><th>Amount</th></tr><tr><td>Paid-up capital</td><td>7,479.3</td></tr><tr><td>Non-repayable share premium account</td><td>11.1</td></tr><tr><td>Statutory reserve</td><td>9,193.0</td></tr><tr><td>General reserve</td><td>-</td></tr><tr><td>Dividend equalization account</td><td>1,766.8</td></tr><tr><td>Retained earnings</td><td>28,717.1</td></tr><tr><td>Other (If any item approved by Bangladesh Bank)</td><td>-</td></tr><tr><td>Sub-Total CET1 Capital [A]</td><td>47,167.3</td></tr></table></div>	Particulars	Amount	Paid-up capital	7,479.3	Non-repayable share premium account	11.1	Statutory reserve	9,193.0	General reserve	-	Dividend equalization account	1,766.8	Retained earnings	28,717.1	Other (If any item approved by Bangladesh Bank)	-	Sub-Total CET1 Capital [A]	47,167.3
Particulars	Amount																			
Paid-up capital	7,479.3																			
Non-repayable share premium account	11.1																			
Statutory reserve	9,193.0																			
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Dividend equalization account	1,766.8																			
Retained earnings	28,717.1																			
Other (If any item approved by Bangladesh Bank)	-																			
Sub-Total CET1 Capital [A]	47,167.3																			
c)	The amount of Additional Tier 1 (AT1) capital	<div>The amount of Additional Tier 1 (AT1) capital as per disclosures in the audited financial statements as of 31 December 2023 are as follows: <div>In Million Taka</div><table><tr><th>Particulars</th><th>Amount</th></tr><tr><td>Non-cumulative irredeemable preference shares</td><td>-</td></tr><tr><td>Instruments issued by the banks that meet the qualifying criteria for AT1</td><td>-</td></tr><tr><td>Others (if any item approved by Bangladesh Bank)</td><td>-</td></tr><tr><td>Sub-Total AT1 Capital [B]</td><td>-</td></tr></table></div>	Particulars	Amount	Non-cumulative irredeemable preference shares	-	Instruments issued by the banks that meet the qualifying criteria for AT1	-	Others (if any item approved by Bangladesh Bank)	-	Sub-Total AT1 Capital [B]	-								
Particulars	Amount																			
Non-cumulative irredeemable preference shares	-																			
Instruments issued by the banks that meet the qualifying criteria for AT1	-																			
Others (if any item approved by Bangladesh Bank)	-																			
Sub-Total AT1 Capital [B]	-																			
d)	The amount of Tier 2 capital	<div>The amount of Tier 2 capital as per disclosures in the audited financial statements as of 31 December 2023 are as follows: <div>In Million Taka</div><table><tr><th>Particulars</th><th>Amount</th></tr><tr><td>General provision against unclassified loans and off - balance sheet exposures (Including OBU)</td><td>6,804.1</td></tr><tr><td>All other preference shares</td><td>-</td></tr><tr><td>Subordinated debt</td><td>9,000.0</td></tr><tr><td>Revaluation Reserves as on 31 December 2014 (50% of Fixed Assets and HTM Securities)</td><td>-</td></tr><tr><td>Others (if any item approved by Bangladesh Bank)</td><td>-</td></tr><tr><td>Sub-total of Tier 2 capital [C]</td><td>15,804.1</td></tr></table></div>	Particulars	Amount	General provision against unclassified loans and off - balance sheet exposures (Including OBU)	6,804.1	All other preference shares	-	Subordinated debt	9,000.0	Revaluation Reserves as on 31 December 2014 (50% of Fixed Assets and HTM Securities)	-	Others (if any item approved by Bangladesh Bank)	-	Sub-total of Tier 2 capital [C]	15,804.1				
Particulars	Amount																			
General provision against unclassified loans and off - balance sheet exposures (Including OBU)	6,804.1																			
All other preference shares	-																			
Subordinated debt	9,000.0																			
Revaluation Reserves as on 31 December 2014 (50% of Fixed Assets and HTM Securities)	-																			
Others (if any item approved by Bangladesh Bank)	-																			
Sub-total of Tier 2 capital [C]	15,804.1																			

## Capital structure (Continued)

e)	Regulatory Adjustments/ Deductions from capital	In Million Taka	
		Particulars	Amount
		Deferred tax assets against the specific loan loss provision and other intangible assets (computer software) from CET 1 capital	3,874.1
		Revaluation Reserves for Fixed Assets and Securities from Tier 2 capital	-
		<b>Sub-total of deduction [D]</b>	<b>3,874.1</b>
f)	Total eligible capital	In Million Taka	
		Particulars	Amount
		<b>Total eligible capital [A+B+C-D]</b>	<b>59,097.3</b>

## Capital Adequacy

### Qualitative Disclosures

(a)	A summary discussion of the bank's approach to assessing the adequacy of its capital to support current and future activities.	<p>The Bank assesses the adequacy of its capital in terms of Section 13 (1) of the Bank Company Act, 1991 (Amended up to 2023) and instruction contained in 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)] and other relevant rules &amp; regulation issued by BB from time to time.</p> <p>However, in terms of the regulatory guidelines, the Bank computes the capital charge/ requirement as under:</p> <ul style="list-style-type: none"> <li>i. Credit risk: On the basis of Standardized Approach;</li> <li>ii. Market risk: On the basis of Standardized Approach; and</li> <li>iii. Operational risk: On the basis of Basic Indicator Approach.</li> </ul> <p>The Bank assesses the capital requirement considering the existing size of portfolio, concentration of portfolio to different risk weight groups, asset quality, profit trend etc. on quarterly rest. The Bank also forecasts the adequacy of capital in terms of its capacity of internal capital generation, maintaining the size of the portfolio, asset quality, conducting credit rating of the borrowers, segregation of portfolio to different risk weight groups etc. As of 31 December 2023, Bank maintained total capital (CET 1/Tier1 and Tier 2) of Taka 59.1 billion against the minimum requirement plus capital conservation buffer of Taka 45.7 billion with a surplus of Taka 13.4 billion. Bank's capital to risk-weighted asset ratio (CRAR) as of 31 December 2023 stood at 16.16% (consisting of 11.84% in CET 1/Tier1 capital and 4.32% in Tier 2 capital) against the regulatory requirement of minimum plus capital conservation buffer 12.50%. This surplus capital both in term of absolute amount and ratio (CRAR) is considered to be adequate to absorb all the material risks to which the Bank may be exposed in future. The Bank maintained more than adequate capital against the regulatory requirement to uphold and strengthen the confidence of its investors, depositors and other stakeholders.</p>
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## Capital Adequacy (Continued)

Quantitative Disclosures			
(b)	Capital requirement for Credit Risk	In Million Taka	
		Particulars	Risk Weighted Assets (RWA)
		Minimum Capital Requirement (MCR)	
		Credit Risk	
		On-balance sheet	281,213.5
		Off-balance sheet	25,960.3
		<b>Total</b>	<b>307,173.8</b>
(c)	Capital requirement for Market Risk	In Million Taka	
		Particulars	Risk Weighted Assets (RWA)
		Minimum Capital Requirement (MCR)	
		Market Risk	
		Interest Rate related instrument	1,131.2
		Equities	9,024.2
(d)	Capital requirement for Operational Risk	In Million Taka	
		Particulars	Risk Weighted Assets (RWA)
		Minimum Capital Requirement (MCR)	
		Operational Risk	
		Operational Risk	46,345.7
		<b>Total</b>	<b>46,345.7</b>
(e)	Total Risk Weighted Assets (RWA), Total Minimum Capital Requirement (MCR) and Total Eligible Regulatory Capital	In Million Taka	
		Particulars	Amount
		<b>Total Risk Weighted Assets (RWA)</b>	
		Credit Risk	
		On-balance sheet	281,213.5
		Off-balance sheet	25,960.3
		<b>Total Credit Risk [i]</b>	<b>307,173.8</b>
		<b>Market Risk [ii]</b>	<b>12,152.1</b>
		<b>Operational Risk [iii]</b>	<b>46,345.7</b>
		<b>Total Risk Weighted Assets (RWA) [i+ii+iii]</b>	<b>365,671.5</b>
		<b>Total Minimum Capital Requirement (MCR)</b>	
		Credit Risk	
		On-balance sheet	28,121.3
		Off-balance sheet	2,596.0
		<b>Total Credit Risk [i]</b>	<b>30,717.4</b>
		<b>Market Risk [ii]</b>	<b>1,215.2</b>
		<b>Operational Risk [iii]</b>	<b>4,634.6</b>
		<b>Total Minimum Capital Requirement (MCR)</b>	<b>36,567.2</b>
		<b>Total Eligible Regulatory Capital</b>	<b>59,097.3</b>

## Capital Adequacy (Continued)

(f)	Total capital, CET1 capital, Total Tier 1 capital and Tier 2 capital ratio:		
	<b>For The Consolidated Group</b>	<b>Particulars</b>	<b>Ratio (%)</b>
		Total Capital to Risk-weighted Asset Ratio (CRAR)	16.16%
		Common Equity Tier 1 Capital to Risk-weighted Asset Ratio	11.84%
		Total Tier 1 Capital to Risk-weighted Asset Ratio	11.84%
		Tier 2 Capital to Risk-weighted Asset Ratio	4.32%
	<b>For Stand Alone</b>	<b>Particulars</b>	<b>Ratio (%)</b>
		Total Capital to Risk-weighted Asset Ratio (CRAR)	16.16%
		Common Equity Tier 1 Capital to Risk-weighted Asset Ratio	11.84%
		Total Tier 1 Capital to Risk-weighted Asset Ratio	11.84%
		Tier 2 Capital to Risk-weighted Asset Ratio	4.32%
(g)	Capital Conservation Buffer (CCB)	<b>Particulars</b>	<b>Ratio (%)</b>
		Required rate of Capital Conservation Buffer (CCB) for 2023	2.50%
		Capital Conservation Buffer (CCB) Maintained	5.84%
(h)	Available Capital under Pillar 2 Requirement	<b>In Million Taka</b>	
		<b>Particulars</b>	<b>Amount</b>
		Total Eligible Regulatory Capital <b>[A]</b>	59,097.3
		Minimum Capital Requirement under Pillar 1 <b>[B]</b>	36,567.2
		Capital Conservation Buffer <b>[C]</b>	9,141.8
		Minimum Capital Requirement plus Capital Conservation Buffer <b>[D=B+C]</b>	45,708.9
		Available Capital for Pillar 2 requirement <b>[E=A-D]</b>	13,388.4

## Credit Risk

### Qualitative Disclosures

(a)	The general qualitative disclosure requirement with respect to credit risk, including:	
	(i) Definitions of past due and impaired (for accounting purposes);	<p>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 (4) categories namely- (a) Continuous Loan, (b) Demand Loan, (c) Fixed Term Loan, and (d) Short-term Agricultural &amp; Micro Credit.</p> <p><b>Definition of past due/ overdue:</b></p> <p>i) Any Continuous Loan if not repaid/ renewed within the fixed expiry date for repayment or after the demand by the bank will be treated as past due/ overdue from the following day of the expiry date;</p> <p>ii) Any Demand Loan if not repaid within the fixed expiry date for repayment or after the demand by the bank will be treated as past due/ overdue from the following day of the expiry date;</p>





## Credit Risk (Continued)

iii) In case of any installment(s) or part of installment(s) of a Fixed Term Loan is not repaid within the fixed expiry date, the amount of unpaid installment(s) will be treated as past due/ overdue after six months of the expiry date; and

iv) The Short-term Agricultural and Micro - Credit if not repaid within the fixed expiry date for repayment will be considered past due/overdue after six months of the expiry date.

However, a continuous loan, demand loan or a term loan which will remain overdue for a period of 2 (two) months or more, will be put into the **“Special Mention Account (SMA)”**, the prior status of becoming the loan into impaired/ classified/ non-performing.

Definition of impaired/ classified/ non-performing loans and advances are as follows:

### Continuous loans are classified as follows:

- **Substandard:** If it is past due/ overdue for 3 (three) months or beyond but less than 9 (nine) months;
- **Doubtful:** If it is past due/ overdue for 9 (nine) months or beyond but less than 12 (twelve) months; and
- **Bad/ Loss:** If it is past due/overdue for 12 (twelve) months or beyond.

### Demand loans are classified as follows:

- **Substandard:** If it remains past due/ overdue for 3 (three) months or beyond but less than 9 (nine) months from the date of expiry or claim by the Bank or from the date of creation of forced loan;
- **Doubtful:** If it remains past due/ overdue for 9 (nine) months or beyond but less than 12 (twelve) months from the date of expiry or claim by the Bank or from the date of creation of forced loan; and
- **Bad/ Loss:** If it remains past due/ overdue for 12 (twelve) months or beyond from the date of expiry or claim by the Bank or from the date of creation of forced loan.

### Fixed Term Loans are classified as follows:

- **Substandard:** If the amount of past due installment is equal to or more than 3 (three) months but less than 9 (nine) months; the entire loan will be classified as 'Sub-standard';
- **Doubtful:** If the amount of past due installment is equal to or more than 9 (nine) months but less than 12 (twelve) months; the entire loan will be classified as 'Doubtful'; and
- **Bad/ Loss:** If the amount of past due installment more than 12 (twelve) months, the entire loan will be classified as 'Bad/Loss';

**Short-term Agricultural and Micro-credit:** The Short-term Agricultural and Micro Credit will be considered irregular if not repaid within the due date as stipulated in the loan agreement. If the said irregular status continues, the credit will be classified as **'Sub-standard'** after a period of **12 months**, as **'Doubtful'** after a period of **36 months** and as **'Bad/ Loss'** after a period of **60 months** from the stipulated due date as per the loan Agreement.



## Credit Risk (Continued)

		<p><b>Cottage, Micro and Small Credits under CMSME:</b> A Continuous Loan, Demand Loan and Fixed Term Loan will be classified are as under:</p> <ul style="list-style-type: none"><li>• <b>Substandard:</b> If it is past due/ overdue for 6 (six) months or beyond but less than 18 (eighteen) months;</li><li>• <b>Doubtful:</b> If it is past due/ overdue for 18 (eighteen) months or beyond but less than 30 (thirty) months; and</li><li>• <b>Bad/ Loss:</b> If it is past due/ overdue for 30 (thirty) months or beyond.</li></ul>																										
ii) Description of approaches followed for specific and general allowances and statistical methods;	<p>The Bank follows the relevant Bangladesh Bank guideline for determination of general and specific allowances for loans and advances. <b>Firstly</b>, the base for provision for the unclassified and classified loans are calculated as under:</p> <p><b>a) Calculation of base for provision for unclassified/ standard loans:</b> Outstanding amount <i>less</i> suspended interest, if any;</p> <p><b>b) Calculation of base for provision for the classified loans, the higher of the following two amounts:</b></p> <p>i. Outstanding amount <i>less</i> suspended interest <i>less</i> value of eligible securities; <b>or</b></p> <p>ii. 15% of outstanding amount.</p> <p><b>Secondly</b>, the following rates are applied on base for provision for determination of general and specific allowances for loans:</p>																											
	<table><tr><th>General provisions for unclassified loans and advances:</th><th>Rates [%]</th></tr><tr><td>All unclassified loans (Other than loans under special mention account, short term agricultural credit, loans to Brokerage Houses (BHs)/ Merchant Banks (MBs)/ Stock Dealers (SDs) against Shares, consumer financing, small and medium enterprise financing, and staff loans)</td><td>1.00%</td></tr><tr><td>Small and medium enterprise financing</td><td>0.25%</td></tr><tr><td>Consumer financing (other than housing finance, credit card and loans for professionals under consumer financing scheme)</td><td>2.00%</td></tr><tr><td>Consumer financing (for housing finance)</td><td>1.00%</td></tr><tr><td>Consumer financing (for credit card)</td><td>2.00%</td></tr><tr><td>Consumer financing (for professionals)</td><td>2.00%</td></tr><tr><td>Loans to Brokerage Houses (BHs)/ Merchant Banks (MBs)/ Stock Dealers (SDs) against Shares etc.</td><td>1.00%</td></tr><tr><td>Short term Agricultural &amp; Micro -Credits</td><td>1.00%</td></tr><tr><td></td><td></td></tr><tr><th>General provisions against Special Mention Account (SMA) loans and advances:</th><th>Rates [%]</th></tr><tr><td>All unclassified loans (other than loans under small enterprise and consumer financing and BHs, MBs, SDs)</td><td>1.00%</td></tr><tr><td>Small and medium enterprise financing</td><td>0.25%</td></tr></table>	General provisions for unclassified loans and advances:	Rates [%]	All unclassified loans (Other than loans under special mention account, short term agricultural credit, loans to Brokerage Houses (BHs)/ Merchant Banks (MBs)/ Stock Dealers (SDs) against Shares, consumer financing, small and medium enterprise financing, and staff loans)	1.00%	Small and medium enterprise financing	0.25%	Consumer financing (other than housing finance, credit card and loans for professionals under consumer financing scheme)	2.00%	Consumer financing (for housing finance)	1.00%	Consumer financing (for credit card)	2.00%	Consumer financing (for professionals)	2.00%	Loans to Brokerage Houses (BHs)/ Merchant Banks (MBs)/ Stock Dealers (SDs) against Shares etc.	1.00%	Short term Agricultural & Micro -Credits	1.00%			General provisions against Special Mention Account (SMA) loans and advances:	Rates [%]	All unclassified loans (other than loans under small enterprise and consumer financing and BHs, MBs, SDs)	1.00%	Small and medium enterprise financing	0.25%	
General provisions for unclassified loans and advances:	Rates [%]																											
All unclassified loans (Other than loans under special mention account, short term agricultural credit, loans to Brokerage Houses (BHs)/ Merchant Banks (MBs)/ Stock Dealers (SDs) against Shares, consumer financing, small and medium enterprise financing, and staff loans)	1.00%																											
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Consumer financing (other than housing finance, credit card and loans for professionals under consumer financing scheme)	2.00%																											
Consumer financing (for housing finance)	1.00%																											
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General provisions against Special Mention Account (SMA) loans and advances:	Rates [%]																											
All unclassified loans (other than loans under small enterprise and consumer financing and BHs, MBs, SDs)	1.00%																											
Small and medium enterprise financing	0.25%																											



## Credit Risk (Continued)

Consumer financing (other than housing finance, credit card and loans for professionals under consumer financing scheme)	2.00%
Consumer financing (for housing finance)	1.00%
Consumer financing (for credit card)	2.00%
Consumer financing (for professionals)	2.00%
Loans to Brokerage Houses (BHs)/ Merchant Banks(MBs)/ Stock Dealers (SDs) against Shares etc.	1.00%
Short term Agricultural & Micro -Credits	1.00%

As per BRPD Circular Letter No. 50 dated 14 December 2021 and BRPD Circular Letter No. 52 dated 29 December 2021, the Bank has made additional Provision named as "Special General Provision-COVID 19".

Specific provision	Short term Agricultural & Micro - Credits Rates [%]	Cottage, Micro and Small credits under CMSME Rates [%]	All other classified loans and advances Rates [%]
Substandard	5.00%	5.00%	20.00%
Doubtful	5.00%	20.00%	50.00%
Bad/loss	100.00%	100.00%	100.00%

Mentionable that, all interest accrued is credited to interest suspense account instead of crediting the same to income account if the loan is classified as sub-standard and doubtful. However, charging of interest is discontinued when the loan is classified as bad/ loss.

As per BRPD Circular No. 4 dated 29 January 2015, the restructured large loan facilities have been treated as Special Mention Account (SMA) for the purpose of classification. Provision has also been calculated at existing applicable rate of SMA with additional 1%. The income from restructured loan has been accounted for only when it was actually received.

### iii) Discussion of the Bank's credit risk management policy

The salient features of the Bank credit risk management policy and procedures are as under:

- Credit policy approved by the Board;
- Credit approval is delegated properly;
- Independent Credit Risk Management Division for Corporate, Retail and SME portfolio separately;
- Separate Credit Administration Division for Corporate, Retail and SME portfolio;
- Independent Special Asset Management Division;
- Credit operations are subject to independent Internal Audit; and
- Reporting to Board/ Executive Committee/ Risk Management Committee.

Above all, the Risk Management Division is regularly coordinating with the Credit Risk Management Divisions and other Business Units/ Divisions on increasing the collateral coverage, product/ sector specific diversification of credit exposures, single borrower exposures limit, large loan portfolio ceiling as stipulated by Bangladesh Bank, improving the asset quality, conducting credit rating of the borrowers to minimize the capital charge against credit risk of the Bank.

Adequate provision is maintained against classified loans as per Bangladesh Bank Guidelines. Status of loans is regularly reported to the Board of Directors/ Risk Management Committee of the Board.



## Credit Risk (Continued)

### Quantitative Disclosures

(b)	Total gross credit risk exposures broken down by major types of credit exposures	Major types of credit exposure as per disclosures in the audited financial statements as of 31 December 2023:																																																									
		<p style="text-align: right;"><b>In Million Taka</b></p> <table> <tr> <th>Particulars</th><th>Outstanding Amount</th><th>Mix (%)</th></tr> <tr><td>Overdraft</td><td>34,297.5</td><td>8.3%</td></tr> <tr><td>Cash credit</td><td>43,261.9</td><td>10.5%</td></tr> <tr><td>Export cash credit</td><td>9,367.1</td><td>2.3%</td></tr> <tr><td>Transport loan</td><td>1,129.5</td><td>0.3%</td></tr> <tr><td>House building loan</td><td>7,287.8</td><td>1.8%</td></tr> <tr><td>Loan against trust receipt</td><td>15,571.7</td><td>3.8%</td></tr> <tr><td>Term loan - industrial</td><td>106,314.2</td><td>25.8%</td></tr> <tr><td>Term loan - other</td><td>100,369.3</td><td>24.4%</td></tr> <tr><td>Payment against document- cash</td><td>277.5</td><td>0.1%</td></tr> <tr><td>Payment against document - EDF</td><td>1,922.8</td><td>0.5%</td></tr> <tr><td>Consumer Finance</td><td>66,364.7</td><td>16.1%</td></tr> <tr><td>Staff loan</td><td>1,068.6</td><td>0.3%</td></tr> <tr><td>Bills purchased and discounted</td><td>24,840.3</td><td>6.0%</td></tr> <tr><td><b>Total Loans and advances</b></td><td><b>412,073.0</b></td><td><b>100.0%</b></td></tr> </table>	Particulars	Outstanding Amount	Mix (%)	Overdraft	34,297.5	8.3%	Cash credit	43,261.9	10.5%	Export cash credit	9,367.1	2.3%	Transport loan	1,129.5	0.3%	House building loan	7,287.8	1.8%	Loan against trust receipt	15,571.7	3.8%	Term loan - industrial	106,314.2	25.8%	Term loan - other	100,369.3	24.4%	Payment against document- cash	277.5	0.1%	Payment against document - EDF	1,922.8	0.5%	Consumer Finance	66,364.7	16.1%	Staff loan	1,068.6	0.3%	Bills purchased and discounted	24,840.3	6.0%	<b>Total Loans and advances</b>	<b>412,073.0</b>	<b>100.0%</b>												
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(c)	Geographical distribution of exposures, broken down in significant areas by major types of credit exposure.	<p>Geographical distribution of credit exposures as per the disclosures in the audited financial statements as of 31 December 2023 are as follows:</p> <p style="text-align: right;"><b>In Million Taka</b></p> <table> <tr> <th>Particulars</th><th>Outstanding Amount</th><th>Mix (%)</th></tr> <tr><td colspan="3"><b>Urban</b></td></tr> <tr><td>Dhaka Division</td><td>302,350.1</td><td>73.4%</td></tr> <tr><td>Chattogram Division</td><td>39,806.9</td><td>9.7%</td></tr> <tr><td>Khulna Division</td><td>6,030.2</td><td>1.5%</td></tr> <tr><td>Rajshahi Division</td><td>4,443.1</td><td>1.1%</td></tr> <tr><td>Barishal Division</td><td>2,712.5</td><td>0.7%</td></tr> <tr><td>Sylhet Division</td><td>5,535.8</td><td>1.3%</td></tr> <tr><td>Rangpur Division</td><td>5,062.1</td><td>1.2%</td></tr> <tr><td>Mymensingh Division</td><td>19,280.0</td><td>4.7%</td></tr> <tr><td><b>Sub -total (Urban)</b></td><td><b>385,220.6</b></td><td><b>93.5%</b></td></tr> <tr><td colspan="3"><b>Rural</b></td></tr> <tr><td>Dhaka Division</td><td>22,648.3</td><td>5.5%</td></tr> <tr><td>Chattogram Division</td><td>1,449.0</td><td>0.4%</td></tr> <tr><td>Rajshahi Division</td><td>236.1</td><td>0.1%</td></tr> <tr><td>Sylhet Division</td><td>980.1</td><td>0.2%</td></tr> <tr><td>Mymensingh Division</td><td>1,538.9</td><td>0.4%</td></tr> <tr><td><b>Sub-total (Rural)</b></td><td><b>26,852.4</b></td><td><b>6.5%</b></td></tr> <tr><td><b>Grand Total (Urban and Rural)</b></td><td><b>412,073.0</b></td><td><b>100.0%</b></td></tr> </table>	Particulars	Outstanding Amount	Mix (%)	<b>Urban</b>			Dhaka Division	302,350.1	73.4%	Chattogram Division	39,806.9	9.7%	Khulna Division	6,030.2	1.5%	Rajshahi Division	4,443.1	1.1%	Barishal Division	2,712.5	0.7%	Sylhet Division	5,535.8	1.3%	Rangpur Division	5,062.1	1.2%	Mymensingh Division	19,280.0	4.7%	<b>Sub -total (Urban)</b>	<b>385,220.6</b>	<b>93.5%</b>	<b>Rural</b>			Dhaka Division	22,648.3	5.5%	Chattogram Division	1,449.0	0.4%	Rajshahi Division	236.1	0.1%	Sylhet Division	980.1	0.2%	Mymensingh Division	1,538.9	0.4%	<b>Sub-total (Rural)</b>	<b>26,852.4</b>	<b>6.5%</b>	<b>Grand Total (Urban and Rural)</b>	<b>412,073.0</b>	<b>100.0%</b>
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## Credit Risk (Continued)

(d) Industry or counterparty type distribution of exposures, broken down by major types of credit exposures.

Industry or counterparty type distribution of exposures, broken down by major types of credit exposures as per the disclosures in the audited financial statements as of 31 December 2023 are as follows:

(i) Loans and Advances including bills purchased and discounted on the basis of significant concentration:

In Million Taka		
Particulars	Outstanding Amount	Mix (%)
Commercial lending	10,654.0	2.6%
Agricultural loan	9,691.3	2.4%
Export financing	24,711.1	6.0%
Consumer credit scheme	77,065.0	18.7%
Small and medium enterprise financing	56,723.3	13.8%
Staff loan	1,068.6	0.3%
House building loan (other than the employees)	7,294.9	1.8%
Others	224,864.7	54.6%
<b>Total</b>	<b>412,073.0</b>	<b>100.0%</b>

ii) Industry - wise Loans and Advances including bills purchased and discounted:

In Million Taka		
Particulars	Outstanding Amount	Mix (%)
Agriculture, fisheries and forestry	9,691.3	2.4%
Pharmaceutical industries	9,653.1	2.3%
Textile industries	80,862.3	19.6%
Ready - made garment industries	34,872.6	8.5%
Chemical industries	2,560.8	0.6%
Bank and other financial institutions	9,759.2	2.4%
Transport and communication	8,822.4	2.1%
Electronics and automobile industries	14,680.6	3.6%
Housing and construction industries	11,488.9	2.8%
Energy and power industries	11,536.3	2.8%
Cement and ceramic industries	11,352.6	2.8%
Food and allied industries	12,111.8	2.9%
Engineering and metal industries including ship breaking	11,585.6	2.8%
Service industries	29,731.4	7.2%
Other industries	153,364.1	37.2%
<b>Total</b>	<b>412,073.0</b>	<b>100.0%</b>

(e) Residual contractual maturity breakdown of the whole portfolio, broken down by major types of credit exposure.

Residual contractual maturity of exposures as per the disclosures furnished in the audited financial statements as of 31 December 2023 are as follows:

In Million Taka		
Repayable	Outstanding Amount	Mix (%)
On demand	37,215.8	9.0%
Within one to three months	72,508.5	17.6%
Within three to twelve months	77,674.0	18.8%
Within one to five years	131,848.1	32.0%
More than five years	92,826.6	22.5%
<b>Total</b>	<b>412,073.0</b>	<b>100.0%</b>

## Credit Risk (Continued)

(f)	By major industry or counterparty type	<b>a) Amount of impaired loans and if available, past due loans, provided separately</b>				
		i) Amount of impaired/ classified loans by major industry/ sector type as of 31 December 2023 was as under:				
		In Million Taka				
		Major industry/sector type		Outstanding Amount	Mix (%)	
		Agriculture financing		9.0	0.1%	
		Ready made garments (RMG) industries		2,038.9	11.9%	
		Textile industries		1,096.4	6.4%	
		Other manufacturing industries		3,877.1	22.7%	
		Small & medium enterprise (SME) loans		6,246.7	36.6%	
		Commercial real estate including construction industries		1,258.3	7.4%	
		Residential real estate financing		255.5	1.5%	
		Power and Gas industries		3.0	0.0%	
		Transport, storage and communication industries		113.1	0.7%	
		Trade services		790.4	4.6%	
	Consumer credit		693.0	4.1%		
	Others		696.3	4.1%		
	Total		17,077.6	100.0%		
	ii) Amount of impaired/ classified loans by major counterparty type as of 31 December 2023 was as under:					
	In Million Taka					
	Major counterparty type	Status-wise amount of impaired/ classified loans			Total	
Substandard		Doubtful	Bad/Loss			
Continuous loan	681.3	241.8	1,927.7	2,850.7		
Demand loan	196.6	19.8	539.6	755.9		
Term loan	836.4	178.3	12,443.9	13,458.6		
Other loans	7.1	2.5	2.8	12.4		
Total	1,721.3	442.3	14,914.0	17,077.6		
	<b>b) Specific and general provisions</b>					
	Specific and general provisions for loans portfolio and general provision for off-balance sheet exposures of the Bank as per audited financial statements as of 31 December 2023 was as under:					
	In Million Taka					
	Particulars of specific and general provisions for entire loan portfolio and off - balance sheet exposures			Amount		
	Specific provision for loans and advances			10,249.8		
	General provision for loans and advances			6,003.5		
	General provision for off-balance sheet exposures			800.6		
	Total			17,053.9		



## Credit Risk (Continued)

		<div><div>c) Charges for specific allowances and charges - offs (general allowances) during the period</div><div>The specific and general provisions for loans portfolio and general provision for off-balance sheet exposures of the Bank charged during the year as per audited financial statements for the year ended 31 December 2023 was as under:</div><div>In Million Taka</div><table><tr><th>Particulars</th><th>Amount</th></tr><tr><td>Specific provision for loans and advances</td><td>3,416.0</td></tr><tr><td>General provision for loans and advances</td><td>102.6</td></tr><tr><td>General provision for off - balance sheet exposures</td><td>(259.9)</td></tr><tr><td>Total</td><td>3,258.7</td></tr></table></div>	Particulars	Amount	Specific provision for loans and advances	3,416.0	General provision for loans and advances	102.6	General provision for off - balance sheet exposures	(259.9)	Total	3,258.7																
Particulars	Amount																											
Specific provision for loans and advances	3,416.0																											
General provision for loans and advances	102.6																											
General provision for off - balance sheet exposures	(259.9)																											
Total	3,258.7																											
(g)	Gross Non Performing Assets (NPAs)	<div><div>Position of Non Performing Loans and Advances including bills purchased and discounted of the Bank as per audited financial statements for the year ended 31 December 2023 was as under:</div><div>In Million Taka</div><table><tr><th>Particulars</th><th>Amount</th></tr><tr><td>Gross Non Performing Assets (NPAs)</td><td>17,077.6</td></tr><tr><td>Non Performing Assets (NPAs) to Outstanding Loans &amp; advances</td><td>4.1%</td></tr><tr><td colspan="2">Movement of Non Performing Assets (NPAs)</td></tr><tr><td>Opening balance</td><td>15,599.6</td></tr><tr><td>Additions/ adjustment during the year (net)</td><td>1,478.0</td></tr><tr><td>Closing balance</td><td>17,077.6</td></tr><tr><td colspan="2">Movement of specific provisions for NPAs</td></tr><tr><td>Opening balance</td><td>8,124.3</td></tr><tr><td>Add: Provision made during the year</td><td>3,416.0</td></tr><tr><td>Less: Write - off</td><td>1,293.4</td></tr><tr><td>Add: Recoveries of amounts previously written-off</td><td>3.0</td></tr><tr><td>Closing balance</td><td>10,249.8</td></tr></table></div>	Particulars	Amount	Gross Non Performing Assets (NPAs)	17,077.6	Non Performing Assets (NPAs) to Outstanding Loans & advances	4.1%	Movement of Non Performing Assets (NPAs)		Opening balance	15,599.6	Additions/ adjustment during the year (net)	1,478.0	Closing balance	17,077.6	Movement of specific provisions for NPAs		Opening balance	8,124.3	Add: Provision made during the year	3,416.0	Less: Write - off	1,293.4	Add: Recoveries of amounts previously written-off	3.0	Closing balance	10,249.8
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## Equities: Disclosures for Banking Book Positions

### Qualitative Disclosures

a)	The general qualitative disclosure requirement with respect to equity risk, including:	
	Differentiation between holdings on which capital gains are expected and those taken under other objectives including for relationship and strategic reasons; and	<p>Investment in equity securities are broadly categorized into two parts:</p> <ul style="list-style-type: none"> <li>• Quoted Securities; and</li> <li>• Unquoted Securities.</li> </ul>

## Equities: Disclosures for Banking Book Positions (Continued)

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.

At the end of 31 December 2023, the Bank had investment to the equity instruments/ exposures in line with the accounting policies, techniques and valuation methodologies were put in places as under:

Particulars	Valuation method
<b>Shares:</b>	
Quoted	Cost or market price whichever is lower
Unquoted	Cost or Book value, as per latest audited financial statements of that entity (ies), whichever is lower
<b>Bonds:</b>	
Subordinated bonds	At redemption value

### 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.

In Million Taka	
Cost Price	Market Value
4,460.01	4,512.11

c) The cumulative realized gains (losses) arising from sales and liquidations in the reporting period.  
- Realized gain (losses) from equity investments

-

- d)
- Total unrealized gains (losses)
  - Total latent revaluation gains(losses)
  - Any amounts of the above included in Tier 2 capital.

Taka 52.11 million

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e) 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.

- Capital requirements for equity investments
  - For Specific market risk
  - For General market risk

The capital requirements for equity investments as of 31 December 2023 was as under:

In Million Taka

Particulars	Amount (Market Value)	Capital Charge Weight	Capital Charge
Specific Risk	4,512.1	10%	451.2
General Risk	4,512.1	10%	451.2
			902.4



## Interest rate risk in the banking book (IRRBB)

### Qualitative Disclosures

<p>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.</p>	<p>Interest rate risk is the potential impact on the Bank's earnings (Net Interest Income- NII) and net asset values due to changes in market interest rates. Interest rate risk arises when the Bank's principal and interest cash flows (including final maturities), for both On and Off-balance sheet exposures, have mismatched re-pricing dates. The amount at risk is a function of the magnitude and direction of interest rate changes and the size and maturity structure of the mismatch position. The portfolio of assets and liabilities in the banking book sensitive to interest rate changes is the element of interest rate risk.</p> <p>The immediate impact of changes in interest rates is on the Bank's net interest income (difference between interest income accrued on rate sensitive asset portfolio and interest expenses accrued on rate sensitive liability portfolio) for a particular period of time, while the long term impact is on the Bank's net worth since the economic value of the Bank's assets, liabilities and off-balance sheet exposures are affected.</p> <p><b>Key assumptions on loan prepayments and behavior of non-maturity deposits:</b></p> <p>a) Loans with defined contractual maturity are re-priced in the respective time buckets in which it falls as per the loan repayment schedule;</p> <p>b) Loans without defined contractual maturity are segregated into different time buckets based on the past trend, seasonality, geographical perspective and re-priced accordingly; and</p> <p>c) Non-maturity deposits namely current, saving deposits are segregated into different time buckets on the basis of past trend of withdrawal, seasonality, religious festivals, geographical perspective and re-priced accordingly. However, the behavior of withdrawal of non-maturity deposits of the Bank is more or less stable.</p> <p>The Bank measures the IRRBB as per the regulatory guidelines on a Quarterly rest.</p>
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### Quantitative Disclosures

b)

The impact of changes in interest rate for On-balance sheet rate sensitive assets and liabilities of the Bank as per the audited financial statements as of 31 December 2023 is furnished below:

In Million Taka

Particulars	Residual maturity bucket			
	1-90 Days	91-180 Days	181-270 Days	271-364 Days
Rate sensitive assets [A]	212,658.3	69,150.8	32,135.8	34,879.9
Rate sensitive liabilities [B]	142,472.2	51,903.8	22,342.6	25,844.9
GAP [A-B]	70,186.1	17,246.9	9,793.2	9,035.0
Cumulative GAP	70,186.1	87,433.0	97,226.3	106,261.3
Interest rate change (IRC) [Note 1]	1%	1%	1%	1%
Quarterly earnings impact [GAP x IRC]	175.5	43.1	24.5	22.6
Cumulative earnings impact	175.5	218.6	243.1	265.7

Note 1: Assuming 1% rise in interest rates for both asset and liability portfolio of the Bank and vice-versa if 1% reduction in interest rates.

## Market risk

### Qualitative Disclosures

a)	i) Views of Board of Directors (BODs) on trading/ investment activities	The Board approves all policies related to market risk, set limits and reviews compliance on a regular basis. The objective is to provide cost effective funding to finance assets growth and trade related transactions. The market risk covers the followings risks of the Bank's balance sheet: i) Interest rate risk; ii) Equity price risk; iii) Foreign exchange risk; and iv) Commodity price risk .																	
	ii) Methods used to measure market risk	<p>Methods used to measure market risk.</p> <p>As per relevant Bangladesh Bank guidelines, Standardized Approach has been followed to measure the Market Risk for capital requirement for trading book of the Bank. The total capital requirement in respect of market risk is the aggregate capital requirement calculated for each of the risk sub-categories. For each risk category minimum capital requirement is measured in terms of two separately calculated capital charges for "specific risk" and "general market risk" as under:</p> <table border="1"> <thead> <tr> <th rowspan="2">Component of Market Risk</th><th colspan="2">Capital Charged for Market Risk</th></tr> <tr> <th>General Market Risk</th><th>Specific Market Risk</th></tr> </thead> <tbody> <tr> <td>Interest Rate Risk</td><td>Applied</td><td>Applied</td></tr> <tr> <td>Equity Price Risk</td><td>Applied</td><td>Applied</td></tr> <tr> <td>Foreign Exchange Risk</td><td colspan="2">Applied</td></tr> <tr> <td>Commodities Price Risk</td><td colspan="2">Applied</td></tr> </tbody> </table>	Component of Market Risk	Capital Charged for Market Risk		General Market Risk	Specific Market Risk	Interest Rate Risk	Applied	Applied	Equity Price Risk	Applied	Applied	Foreign Exchange Risk	Applied		Commodities Price Risk	Applied	
Component of Market Risk	Capital Charged for Market Risk																		
	General Market Risk	Specific Market Risk																	
Interest Rate Risk	Applied	Applied																	
Equity Price Risk	Applied	Applied																	
Foreign Exchange Risk	Applied																		
Commodities Price Risk	Applied																		
	iii) Market risk management system	<p>The Treasury Division of the Bank manages market risk covering liquidity, interest rate and foreign exchange risks with oversight from Assets-Liability Management Committee (ALCO) comprising senior executives of the Bank. ALCO is chaired by the Managing Director &amp; CEO. ALCO meets at least once in a month.</p> <p>The Risk Management Division also reviews the market risk parameters on monthly basis and recommends on portfolio concentration for containing the RWA.</p>																	
	iv) Policies and processes for mitigating market risk	There are approved limits for credit deposit ratio, liquid assets to total assets ratio, maturity mismatch, commitments for both on-balance sheet and off-balance sheet items and borrowing from money market and foreign exchange position. The limits are monitored and enforced on a regular basis to protect against market risks. The exchange rate committee of the bank meets on a daily basis to review the prevailing market condition, exchange rate, foreign exchange position, and transactions to mitigate foreign exchange risks.																	

### Quantitative Disclosures

b)	The capital requirements for market risk	In Million Taka	
		The Capital Requirements for:	Amount
		• Interest rate risk	113.1
		• Equity position risk	902.4
		• Foreign exchange risk	199.7
		• Commodity risk	-
		Total capital requirement for Market risk	1,215.2

## Operational risk

Qualitative Disclosures	
a) i) Views of Board of Directors (BODs) on system to reduce Operational Risk	<p>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&amp;CD) to protect against all operational risks.</p> <p>As a part of continued surveillance, the Management Committee (MANCOM), Executive Risk Management Committee (ERMC), MLTFPD, Vigilance Cell and independent Risk Management Division regularly review different aspects of operational risk. The analytical assessment was reported to the Board/ Risk Management Committee/ Audit Committee of the Bank for review and formulating appropriate policies, tool &amp; techniques for mitigation of operational risk.</p>
ii) Performance gap of executives and staffs	<p>Dutch-Bangla Bank PLC has a policy to provide competitive package and best working environment to attract and retain the most talented people available in the industry. The Bank's strong brand image plays an important role in employee motivation. As a result, there is no significant performance gap.</p>
iii) Potential external events	<p>Like other peers, Dutch-Bangla Bank PLC 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. Potential external events and related downside risk, namely, damage of Bank's delivery channel including ATM, Fast Track, Agent Banking outlet etc. fear of theft/ robbery in banks vaults, compliance/ adjustment due to changes of regulatory policy stance, laws &amp; regulations etc. are managed to keep within tolerable limit.</p>
iv) Policies and processes for mitigating operational risk	<p>The policy for operational risks including internal control and compliance risk is approved by the Board taking into account relevant guidelines of Bangladesh Bank. A policy guideline on Risk Based Internal Audit (RBIA) System is in operation. As per RBIA, branches with high risk status and subjected to more frequent audit by Internal Control and Compliance Division (IC&amp;CD). IC&amp;CD directly reports to Audit Committee of the Board.</p> <p>In addition, there is a Vigilance Cell established in 2009 to reinforce the operational risk management of the Bank. Bank's Anti- Money laundering activities are headed by CAMLCO and their activities are devoted to protect against all money laundering and terrorist finance related activities. The Central Customer Service &amp; Complaint Management Cell was also engaged in mitigating the operation risks of the Bank. Apart from that, there is adequate check and balance at every stage of operation, authorities are properly segregated and there is at least dual control on every transaction to protect against operational risk.</p>

## Operational risk (Continued)

v) Approach for calculating capital charge for operational risk

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 negative or zero, that should be excluded from both the numerator and denominator when calculating the average gross income. The capital charge for operational risk is enumerated by applying the following formula:

$$K = [(GI1 + GI2 + GI3) \alpha] / n$$

### Where:

K = the capital charge under the Basic Indicator Approach

GI = only positive annual gross income over the previous three years (i.e. negative or zero gross income if any shall be excluded)

$\alpha$  = 15 percent

n = number of the previous three years for which gross income is positive.

Besides, **Gross Income (GI)** is calculated as "**Net Interest Income**" plus "**Net non - Interest Income**". The GI is also the net result of:

- i) Gross of any provisions;
- ii) Gross of operating expenses, including fees paid to outsourcing service providers;
- iii) Excluding realized profits/ losses from the sale of securities held to maturity in the banking book;
- iv) Excluding extraordinary or irregular items; and
- v) Excluding income derived from insurance.

## Quantitative Disclosures

b) The capital requirement for operational risk

In Million Taka

Particulars	Amount
Capital requirement for Operational Risk	4,634.6
<b>Total Capital Requirement for Operational Risk</b>	<b>4,634.6</b>

## Liquidity Ratio

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 Ratio 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

a)	i) Views of Board of Directors (BODs) on system to reduce Liquidity Risk	<p>The Board of Directors reviews the liquidity risk of the Bank on quarterly rest while reviewing the Quarterly Financial Statements, Stress Testing Report etc. Besides, the EC of the Board also reviews the liquidity position while reviewing the management information system (MIS) report on monthly basis.</p> <p>Upon reviewing the overall liquidity position along with the outlook of the Bank funding need, investment opportunity, market/ industry trend, the Board takes its strategic decision regarding deposits, funding, investments, loans as well as interest rates policies etc.</p> <p>The Board of the Bank always strives to maintain adequate liquidity to meet up Bank's overall funding need for the huge retail depositors, borrowers' requirements as well as maintain regulatory requirements comfortably.</p>
	ii) Methods used to measure Liquidity Risk	<p>The maintenance of Cash Reserve Requirement (CRR) and Statutory Liquidity Ratio (SLR) is considered as the fundamental methods/ tools to measure the liquidity position/ risk of Dutch-Bangla Bank PLC.</p> <p>However, under Basel III, the following methods and tools are mandated for measuring the liquidity risk.</p> <p><b>a) Liquidity Coverage Ratio (LCR):</b> Liquidity Coverage Ratio ensures to maintain an adequate level of stock of high quality liquid assets that can be converted into cash to meet its liquidity needs (i.e. total net cash outflows) over the next 30 calendar days.</p> <p><b>b) Net Stable Funding Ratio (NSFR):</b> Net Stable Funding Ratio 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).</p> <p>ASF consists of various kinds of liabilities and capital with percentage weights attached given their perceived stability.</p> <p>RSF consists of assets and off-balance sheet items also with percentage weights attached given the degree to which they are illiquid or "long-term" and therefore requires stable funding.</p> <p>In addition to the above, the following measures have been put in place to monitor the liquidity risk management position of the Bank on a continued manner:</p> <p>a) Asset- Liability Maturity Analysis (Liquidity profile); b) Advance Deposit Ratio (ADR);</p>



## Liquidity Ratio (Continued)

	<p>c) Whole sale borrowing capacity; and d) Maximum Cumulative Outflow (MCO).</p> <p>Besides the above, the following tools are also used for measuring liquidity risk:</p> <p>a) Stress Testing (Liquidity Stress); and b) Net open position limit -to monitor the FX funding liquidity risk.</p>
iii) Liquidity risk managementsystem	<p>In the Bank, at the management level, the liquidity risk is primarily managed by the Treasury Division (Front Office) under oversight of ALCO which is headed by the Managing Director &amp; CEO along with other members of the senior management team.</p> <p>Treasury Division (Front Office) upon reviewing the overall funding requirements on daily basis sets their strategy to maintain a comfortable/ adequate liquidity position taking into consideration of Bank's approved credit deposit ratio, liquid assets to total assets ratio, asset-liability maturity profile, Bank's earning/ profitability as well as overall market behavior and sentiment etc.</p> <p>Apart from the above, Risk Management Division (RMD) also monitors &amp; measures the liquidity risk in line with the Basel III liquidity measurement tools, namely, LCR, NSFR, Leverage Ratio. RMD addresses the key issues and strategies to maintain the Basel III liquidity ratios to the respective division(s) on regular interval.</p>
iv) Policies and processes for mitigating Liquidity Risk	<p>The Asset-Liability (ALCO) policy leads the process &amp; procedures for mitigation of liquidity risk of the Bank.</p> <p>ALCO works under specific Terms of References (functions) approved by the Board.</p> <p>Treasury Division (Front Office) and ALM desk under regular supervision, of Top Management reviews the overall liquidity position of the Bank and takes appropriate strategy, process in line with the industry position for managing liquidity risk of the Bank.</p>

## Quantitative Disclosures

b)	<b>SL No.</b>	<b>Particular</b>	<b>As on 31 December 2023</b>
	i	Liquidity coverage ratio (%)	150.27%
	ii	Net stable funding ratio (%)	108.38%
	iii	Stock of high quality liquid assets (In Million Taka)	124,765.30
	iv	Total net cash outflows over the next 30 calendar days (In Million Taka)	83,028.79
	v	Available amount of stable funding (In Million Taka)	475,742.39
	vi	Required amount of stable funding (In Million Taka)	438,959.32

## Leverage Ratio

### Qualitative Disclosures

a)	i) Views of BODs on system to reduce excessive leverage	<p>The Board of Directors of the Bank primarily views the growth of the On and Off-balance sheet exposures commensurate with its expected capital growth so that the excessive leverage is reduced. Within the On-balance components, again, the Board emphasizes on the growth of the prime component i.e. the loans and advances and maintaining good asset quality so as to maximize the revenue as well as the capacity to generate capital internally (in the form of retained earnings) to trade off the excessive leverage supposed to be caused by asset growth.</p> <p>At the outset of asset growth, the Board also views the growth of its sources of fund i.e. deposit growth taking into consideration of projected business growth so that the credit-deposit ratio is maintained at a sustainable basis as well as to reduce the mismatches of asset liability gap within the tolerable limit to manage the liquidity risk.</p>
	ii) Policies and processes for managing excessive on and off-balance sheet leverage	<p>First and foremost, Bank's policy is to maintain the Leverage Ratio (Tier 1 capital as proportion to total adjusted On and Off - balance sheet asset) well above the regulatory requirement. To this end, the striking components of balance sheet, namely, the deposits &amp; borrowing, loans &amp; advances, other liquid assets (treasury bills, bonds, fund placements) are analyzed on monthly basis.</p> <p>Measures are taken to contain the growth of overall size of balance sheet (On and Off-balance sheet exposures aggregately) considering short term outlook of the industry indicators as well as possible growth of equity (Tier 1 capital) of the Bank on quarterly rest.</p> <p>With regard to managing the excessive leverage, the regulatory stance through the monetary policy initiatives i.e. the scope of expected business potential (growth) estimated money supply, inflation, resulting the estimated overall liquidity of the industry as well as the Bank in particular is also considered.</p>
	iii) Approach for calculating exposure/ Leverage	<p>For calculating "Leverage", the Bank follows the 'Leverage Ratio' approach/ method as suggested by Bangladesh Bank as under:</p> $\text{Leverage Ratio (LR)} = \frac{\text{Tier 1 Capital (after related adjustment)}}{\text{Total Exposure (after related deductions)}}$

### Quantitative Disclosures

b)	<b>SL No.</b>	<b>Particular</b>	<b>As on 31 December 2023</b>
	i	Tier -1 Capital (considering all regulatory adjustments) (In Million Taka)	43,293.21
	ii	On -balance sheet exposure (In Million Taka)	583,633.31
	iii	Off-balance sheet exposure (In Million Taka)	54,284.10
	iv	Total exposure after regulatory adjustments (In Million Taka)	634,043.29
	v	Leverage ratio (%)	6.83%



## Remuneration

### Qualitative Disclosures

a)	Information relating to the bodies that oversee remuneration.	
i) Name of the bodies that oversee remuneration	At the management level, primarily the Human Resources Division oversees the 'remuneration' in line with its HR management strategy/ policy under direct supervision and guidance of Management Committee (MANCOM) of the Bank.	
ii) Composition of the main body overseeing remuneration	The MANCOM is headed and chaired by the Managing Director & CEO of the Bank; along with other members of top executive management (Deputy Managing Directors and CXOs). Head of Human Resources Division acts as the Member Secretary of the MANCOM of the Bank.	
iii) Mandate of the main body overseeing remuneration	The mandate of the Management Committee (MANCOM) as the main body for overseeing the Bank's remuneration is to review the position of remuneration and associated matters and recommend to the Board of Directors for approval of its restructuring, rearrangement and modification commensurate with the industry best practices as per requirement.	
iv) External consultants whose advice has been sought, the body by which they were commissioned, and in what areas of the remuneration process	The Bank has no External Consultant permanently regarding 'remuneration' and its process. However, experts' opinion may have been sought in case to case basis regarding income tax matter, lawyers' opinion for settlement of employees' dues in case of death, penalty etc. if required, by the management.	
v) A description of the scope of the bank's remuneration policy (e.g. by regions, business lines), including the extent to which it is applicable to foreign subsidiaries and branches	The Bank does not differentiate the 'Pay Structure' and 'employee benefits' by regions. However, variation in remuneration is in practice based on nature of job/ business line/ activity primarily bifurcated for the employees who are directly recruited by the Bank and the headcounts/ employees explored through outsourcing service providers as per rule.	
	As of 31 December 2023, the Bank had no foreign subsidiaries and branches outside Bangladesh.	
vi) A description of the types of employees considered as material risk takers and as senior managers, including the number of employees in each group	We consider the members of senior management, branch managers and the employees engaged in different functional divisions at Head Office (except the employees involved in internal control, risk management and compliance) as the material risk takers of the Bank.	
b)	Information relating to the design and structure of remuneration processes.	
i) An overview of the key features and objectives of remuneration policy.	Remuneration and other associated matters are guided by the Bank's Service Rules as well as instruction, guidance from the Board from time to time in line with the industry practice with the objectives of retention/ hiring of experienced, talented workforce focusing on sustainable growth of the Bank.	
ii) Whether the remuneration committee reviewed the bank's remuneration policy during the past year, and if so, an overview of any changes that were made.	Human Resources Division under guidance of MANCOM, the Board and senior management reviews the issues of remuneration & its associated matters from time to time.	
iii) A discussion of how the bank ensures that risk and compliance employees are remunerated independently of the businesses they oversee.	The risk and compliance employees are carrying out the activities independently as per specific terms of references, job allocated to them.	
	Regarding remuneration of the risk and compliance employees, Human Resources Division does not make any difference with other mainstream/ regular employees and sets the remuneration as per the prevailing rule of the Bank primarily governed by the employees' service rule of the Bank.	





## Remuneration (Continued)

c)	Description of the ways in which current and future risks are taken into account in the remuneration processes.	
	i) An overview of the key risks that the bank takes into account when implementing remuneration measures.	The business risk including credit/ default risk, compliance & reputational risk are mostly considered when implementing the remuneration measures for each employee/group of employee.  Financial and liquidity risk are also considered.
	ii) An overview of the nature and type of the key measures used to take account of these risks, including risks difficult to measure.	Different set of measures are in practice based on the nature & type of business lines/ segments etc. These measures are primarily focused on the business target/ goals set for each area of operation, branch vis -a-vis the actual results achieved as of the reporting date. The most vital tools & indicators used for measuring the risks are the asset quality (NPL ratio), Net Interest Margin (NIM), provision coverage ratio, credit- deposit ratio, cost-income ratio, growth of net profit, as well the non-financial indicators, namely, the compliance status with the regulatory norms, instructions has been brought to all concerned of the Bank from time to time.
	iii) A discussion of the ways in which these measures affect remuneration.	While evaluating the performance of each employee annually, all the financial and non- financial indicators as per pre - determined set criteria are considered; and accordingly the result of the performance varies from one to another and thus affect the remuneration as well.
	iv) 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.	No material change has been made during the year 2023 that could affect the remuneration.
d)	Description of the ways in which the bank seeks to link performance during a performance measurement period with levels of remuneration.	
	i) An overview of main performance metrics for bank, top-level business lines and individuals.	The Board sets the Key Performance Indicators (KPIs ) while approving the business target/ budget for each year for the Bank and business lines/ segments. The management sets the appropriate tools, techniques and strategic planning (with due concurrence/ approval of the Board) towards achieving those targets. The most common KPIs are the achievement of loan, deposit and profit target with the threshold of NPL ratio, cost - income ratio, cost of fund, yield on loans, provision coverage ratio, capital to risk weighted asset ratio (CRAR), ROE, ROA, liquidity position (maintenance of CRR and SLR) etc.
	ii) A discussion of how amounts of individual remuneration are linked to bank-wide and individual performance.	The remuneration of each employee is paid based on her/ his individual performance evaluated as per set criteria. And, accordingly, the aggregate amount of remuneration of the Bank as a whole is linked/ impacted to the same extent.
	iii) A discussion of the measures the bank will in general implement to adjust remuneration in the event that performance metrics are weak. This should include the bank's criteria for determining "weak" performance metrics.	The Bank follows remuneration process as per set criteria with no in general adjustment in the event of weak performance metrics/ scorecard.
e)	Description of the ways in which the bank seek to adjust remuneration to take account of longer-term performance.	
	i) 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 factor that determine the fraction and their relative importance.	The Bank pays variable remuneration i.e. annual increment based on the yearly performance rating on cash basis with the monthly pay. While the value of longer term variable part of remuneration i.e. the amount of provident fund, gratuity fund are made provision on aggregate/ individual employee basis; actual payment is made upon retirement, resignation etc. as the case may be, as per rule.

## Remuneration (Continued)

	ii) 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.			
	i) An overview of the forms of variable remuneration offered (i.e. cash, shares and share - linked instruments and other forms. A description of the elements corresponding to other forms of variable remuneration (if any) should be provided.	The Bank pays variable remuneration on cash basis (i.e. direct credit to the employee Bank account and/or Payment Order/Cheque), as the case may be, as per rule/practice.		
	ii) A discussion of the use of the different forms of variable remuneration and, if the mix of different forms of variable remuneration differs across employees or groups of employees), a description of the factors that determine the mix and their relative importance.	<p>The following variable remuneration has been offered by the Bank to its employees:</p> <p><b>Annual Increment</b></p> <p>Bank provides annual increments based on performance to the employees with the view of medium to long term strategy and adherence to Dutch-Bangla Bank values.</p>		
Quantitative Disclosures				
g)	Number of meetings held by the main body overseeing remuneration during the financial year and remuneration paid to its member.	There were 10 (ten) meetings of the Management Committee (MANCOM) held during the year 2023. All of the members of MANCOM are from the core banking area/operation of the Bank. No additional remuneration was paid to the members of the Management Committee for attending the meeting except their regular remuneration.		
h)	i) Number of employees having received a variable remuneration award during the financial year.	The following Number of Employees were received a variable remuneration during the year 2023:		
		Particulars	Number	
		Number of employees having received a variable remuneration during the year 2023	10,844	
	ii) Number and total amount of guaranteed bonuses awarded during the financial year.	The following number and total amount of Guaranteed (Festival) bonuses awarded during the year 2023:		
		Particulars	Number of employees (In Unit)	Total amount of guaranteed bonuses (In Million Taka)
		Guaranteed (Festival) bonuses awarded during the year 2023	10,894	502.54
	iii) Number and total amount of sign - on awards made during the financial year.	There was no sign - on awards made in 2023.		
	iv) Number and total amount of severance payments made during the financial year.	There was no severance payment made during the year 2023.		
i)	i) Total amount of outstanding deferred remuneration, split into cash, shares and share linked instruments and other forms.	There was no deferred remuneration paid out during the year 2023.		
	ii) Total amount of deferred remuneration paid out in the financial year.	-		



## Remuneration (Continued)

j)	Breakdown of amount of remuneration awards for the financial year to show:	<div>i) Fixed and variable remuneration paid in 2023 are as follows:</div> <table><tr><th colspan="2">In million Taka</th></tr><tr><th>Particulars</th><th>Amount</th></tr><tr><td>Fixed pay</td><td>6,956.41</td></tr><tr><td>Variable pay</td><td>196.50</td></tr><tr><td><b>Total fixed and variable pay</b></td><td><b>7,152.91</b></td></tr></table> <div>ii) Deferred and non - deferred (paid during the year): Not Applicable</div> <div>iii) Different forms used (cash, shares and share - linked instruments, other forms).<ul style="list-style-type: none"><li>• Remuneration is paid on cash basis (i.e. direct credit to the employee Bank account and/or Payment Order/ Cheque), as the case may be, as per rules/ practices.</li></ul></div>	In million Taka		Particulars	Amount	Fixed pay	6,956.41	Variable pay	196.50	<b>Total fixed and variable pay</b>	<b>7,152.91</b>
In million Taka												
Particulars	Amount											
Fixed pay	6,956.41											
Variable pay	196.50											
<b>Total fixed and variable pay</b>	<b>7,152.91</b>											
k)	Quantitative information about employees' exposure to implicit (e.g. fluctuations in the value of shares or performance units) and explicit adjustments (e.g. claw backs or similar reversals or downward revaluations of awards) of deferred remuneration and retained remuneration:											
i) Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit and/or implicit adjustments.	Not Applicable											
ii) Total amount of reductions during the financial year due to ex post explicit adjustments.	Not Applicable											
iii) Total amount of reductions during the financial year due to ex post implicit adjustments.	Not Applicable											

