



*Any time
Anywhere*

disclosures on risk based capital (Basel II)





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Scope of application

Qualitative Disclosures	(a)	<p>The name of the top corporate entity in the group to which this guidelines applies.</p> <p>- Dutch-Bangla Bank Limited.</p>
	(b)	<p>An outline of differences in the basis of consolidation for accounting and regulatory purposes, with a brief description of the entities within the group (a) that are fully consolidated; (b) that are given a deduction treatment; and (c) that are neither consolidated nor deducted (e.g. where the investment is risk weighted).</p> <ul style="list-style-type: none"> The consolidated financial statements of the Bank include the financial statements of Dutch-Bangla Bank Limited and the Off-shore Banking Units (OBUs). A brief description of the Bank and the OBUs are given below: <ul style="list-style-type: none"> The Bank [Main operation] Dutch-Bangla Bank Limited (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 licence from Bangladesh Bank on 23 July 1995 and started its banking business with one branch on 3 June 1996. The number of branches was 111 as on 31 December 2011 all over Bangladesh. The Bank is listed on Dhaka Stock Exchange and Chittagong Stock Exchange as a publicly quoted company. Mobile Banking Services The Bank obtained the permission for conducting the Mobile Banking services under reference letter no. DCMPS/PSD/37(H)/2010-408 dated 28 April 2010 of Bangladesh Bank. The Bank started Operation of Mobile Banking Services during the year 2011. The principal activities of the Mobile Banking services are to provide banking services to customers through Mobile Phone within the applicable rules & regulations and guidelines of Bangladesh Bank. Mobile Banking Services are part of Main Operation of the Bank. Off-shore Banking Unit (OBU) The Off-shore Banking Unit (OBU) of the Bank is the separate business entity governed by the applicable rules & regulations and guidelines of Bangladesh Bank. The number of OBUs were two as on 31 December 2011 located at Agrabad Branch - Chittagong and Dhaka EPZ Branch- Dhaka. Investments in OBUs are risk weighted with the exposure of the Bank.

Scope of application (Continued)

Qualitative Disclosures	(c)	Any restrictions, or other major impediments, on transfer of funds or regulatory capital within the group. - Not applicable
	(d)	The aggregate amount of capital deficiencies in all subsidiaries not included in the consolidation that are deducted and the names(s) of such subsidiaries. - Not applicable

Capital structure

Qualitative Disclosures	(a)	<p>Summary information on the terms and conditions of the main features of all capital instruments, especially in the case of capital instruments eligible for inclusion in Tier 1 or in Tier 2.</p> <p>- The terms and conditions of the main features of all capital instruments have been segregated in terms of the eligibility criteria set forth vide BRPD Circular No. 35 dated 29 December 2010 and other relevant instructions given by Bangladesh Bank from time to time. The main features of the capital instruments are as follows:</p> <p>Tier 1 capital instruments</p> <p>Paid-up share capital: Issued, subscribed and fully paid-up share capital of the Bank.</p> <p>Share premium: Amount of premium realised with the face value per share at the time of issuing shares through initial public offering.</p> <p>Statutory Reserve: As per Section 24(1) of the Bank Companies Act, 1991, an amount equivalent to 20% of the profit before taxes for each year of the Bank has been transferred to the Statutory Reserve Fund.</p> <p>Dividend equalization account: As per BRPD Circular Letter No.18 dated 20 October 2002 issued by Bangladesh Bank, 'Dividend Equalization Account' has been created by transferring the amount from the profit that is equal to the cash dividend paid in excess of 20%.</p> <p>Retained earnings: Amount of profit retained with the banking company after meeting up all expenses, provisions and appropriations.</p> <p>Tier 2 capital instruments</p> <p>General provision maintained against unclassified loans and off-balance sheet exposures: As per Bangladesh Bank directive, amount of provision maintained against unclassified loans and off-balance sheet exposures as of the reporting date has been considered.</p> <p>Subordinated debt capital: Eligible subordinated debt within 30% of Tier 1 capital has been considered.</p> <p>Assets revaluation reserves: As per Bangladesh Bank's instruction, 50% of incremental value from the revaluation of Bank's assets has been considered.</p> <p>Revaluation reserves of HTM securities: As per Bangladesh Bank's instruction, up to 50% of revaluation reserves of HTM securities has been considered.</p> <p>Revaluation reserves of HFT securities: As per Bangladesh Bank's instruction, up to 50% of other reserve (revaluation reserves of HFT securities) has been considered.</p>
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Capital structure (Continued)

Quantitative Disclosures	(b)	The amount of Tier 1 capital, with separate disclosure of:	
		Paid up capital	2,000.0
		Non-repayable share premium account	11.1
		Statutory reserve	3,657.7
		General reserve	-
		Retained earnings	2,047.9
		Minority interest in subsidiaries	-
		Non-cumulative irredeemable preference shares	-
		Dividend equalization account	257.4
		Total of Tier 1 capital	7,974.0
	(c)	Total amount of Tier 2 and Tier 3 capital	3,011.8
	(d)	Other deductions from capital [Deferred tax asset against the specific loan loss provision] *	451.0
	(e)	Total eligible capital	10,534.9

* In compliance with the instruction contained in BRPD Circular No. 11 dated 12 December 2011.

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. - As per Section 13 (2) of the Bank Companies Act, 1991 and instructions contained in BRPD Circular No. 35 dated 29 December, 2010 [Guidelines on 'Risk Based Capital Adequacy for Banks' (Revised regulatory capital framework in line with Basel II)]	
Quantitative Disclosures	(b)	Capital requirement for Credit Risk	8,093.8
	(c)	Capital requirement for Market Risk	252.2
	(d)	Capital requirement for Operational Risk	1,037.8
	(e)	Total and Tier 1 capital ratio :	
		For the consolidated group	
		Total	11.2%
		Tier 1	8.0%
	For stand alone		
	Total	11.2%	
	Tier 1	8.0%	

Credit Risk

Qualitative Disclosures	(a)	The general qualitative disclosure requirement with respect to credit risk, including: <ul style="list-style-type: none"> Definitions of past due and impaired (for accounting purposes) <ul style="list-style-type: none"> As per relevant Bangladesh Bank guidelines, depending on type of the loans, it is considered past due from the following date of the expiry date or after six months of expiry date. If the loan is past due for three months or beyond then it is considered Special Mention Account (SMA). Again depending on type of the loans, if the loan is overdue for 6 months or beyond or if defaulted installment is equal to or more than the installment(s) due within six months /12 months then it is considered sub-standard. Then if the loan is overdue for 9 months or beyond or if defaulted installment is equal to or more than the installment(s) due within 12 months / 18 months then it is considered doubtful. Then if the loan is overdue for 12 months or beyond or if defaulted installment is equal to or more than the installment (s) due within 18 / 24 months then it is considered bad / loss.
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Credit Risk (Continued)

Qualitative Disclosures	<ul style="list-style-type: none"> ● Description of approaches followed for specific and general allowances and statistical methods <ul style="list-style-type: none"> - As per relevant Bangladesh Bank guidelines, 1% to 5% provision is maintained against good loans, 5% provision is maintained against SMA loans, 20% provision is maintained against sub-standard loans, 50% provision is maintained against doubtful loans and 100% provision is maintained against bad/loss loans after deducting value of eligible security, if any, as per Bangladesh Bank guidelines. All interest is suspended /discontinued if the loan is identified as SMA or classified as sub-standard, doubtful or bad / loss. ● Discussion of the Bank's credit risk management policy <ul style="list-style-type: none"> - The Board approves the credit policy keeping in view relevant Bangladesh Bank guidelines to ensure best practice in credit risk management and maintain quality of assets. Authorities are properly delegated ensuring check and balance in credit operation at every stage i.e. screening, assessing risk, identification, management and mitigation of credit risk as well as monitoring , supervision and recovery of loans with provision for early warning system. There is a separate credit risk management division for dedicated credit risk management, separate credit administration division for ensuring perfection of securities and credit monitoring and recovery division for monitoring and recovery of irregular loans. Internal control & compliance division independently assess quality of loans and compliance status of loans at least once in a year . Adequate provision is maintained against classified loans as per Bangladesh Bank guidelines. Status of loans are regularly reported to the Board /Executive Committee of the Board. 																												
Quantitative Disclosures	<p>(b) Total gross credit risk exposures broken down by major types of credit exposures</p> <p style="text-align: right;">In million Taka</p> <p>- Major types of credit exposure as per disclosures in the audited financial statements as of 31 December 2011</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;"></td> <td style="text-align: right;">79,660.7</td> </tr> <tr> <td>Overdraft</td> <td style="text-align: right;">10,437.2</td> </tr> <tr> <td>Cash credit</td> <td style="text-align: right;">17,115.2</td> </tr> <tr> <td>Export cash credit</td> <td style="text-align: right;">863.8</td> </tr> <tr> <td>Transport loan</td> <td style="text-align: right;">590.2</td> </tr> <tr> <td>House building loan</td> <td style="text-align: right;">241.7</td> </tr> <tr> <td>Loan against trust receipt</td> <td style="text-align: right;">11,209.0</td> </tr> <tr> <td>Term loan- Industrial</td> <td style="text-align: right;">22,760.2</td> </tr> <tr> <td>Term loan- other (including agriculture)</td> <td style="text-align: right;">3,497.8</td> </tr> <tr> <td>Payment against document- cash</td> <td style="text-align: right;">704.8</td> </tr> <tr> <td>Payment against document- DEF</td> <td style="text-align: right;">292.4</td> </tr> <tr> <td>Consumer loans</td> <td style="text-align: right;">1,604.9</td> </tr> <tr> <td>Staff loans</td> <td style="text-align: right;">247.4</td> </tr> <tr> <td>Bills purchased and discounted</td> <td style="text-align: right;">10,096.1</td> </tr> </table>		79,660.7	Overdraft	10,437.2	Cash credit	17,115.2	Export cash credit	863.8	Transport loan	590.2	House building loan	241.7	Loan against trust receipt	11,209.0	Term loan- Industrial	22,760.2	Term loan- other (including agriculture)	3,497.8	Payment against document- cash	704.8	Payment against document- DEF	292.4	Consumer loans	1,604.9	Staff loans	247.4	Bills purchased and discounted	10,096.1
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Credit Risk (Continued)

Quantitative Disclosures	(c)	<p>Geographical distribution of exposures, broken down in significant areas by major types of credit exposure</p> <p>- Geographical distribution of credit exposures as per the disclosures in the audited financial statements as of 31 December 2011 are as follows:</p> <table border="0"> <tr> <td></td> <td style="text-align: right;">79,660.7</td> </tr> <tr> <td>Urban</td> <td style="text-align: right;">72,218.6</td> </tr> <tr> <td> Dhaka Division</td> <td style="text-align: right;">62,473.2</td> </tr> <tr> <td> Chittagong Division</td> <td style="text-align: right;">8,211.3</td> </tr> <tr> <td> Khulna Division</td> <td style="text-align: right;">606.6</td> </tr> <tr> <td> Sylhet Division</td> <td style="text-align: right;">316.1</td> </tr> <tr> <td> Barisal Division</td> <td style="text-align: right;">69.5</td> </tr> <tr> <td> Rajshahi Division</td> <td style="text-align: right;">416.4</td> </tr> <tr> <td> Rangpur Division</td> <td style="text-align: right;">125.4</td> </tr> <tr> <td>Rural</td> <td style="text-align: right;">7,442.1</td> </tr> <tr> <td> Dhaka Division</td> <td style="text-align: right;">1,423.9</td> </tr> <tr> <td> Chittagong Division</td> <td style="text-align: right;">5,638.7</td> </tr> <tr> <td> Khulna Division</td> <td style="text-align: right;">114.6</td> </tr> <tr> <td> Sylhet Division</td> <td style="text-align: right;">199.9</td> </tr> <tr> <td> Barisal Division</td> <td style="text-align: right;">-</td> </tr> <tr> <td> Rajshahi Division</td> <td style="text-align: right;">-</td> </tr> <tr> <td> Rangpur Division</td> <td style="text-align: right;">65.1</td> </tr> </table>		79,660.7	Urban	72,218.6	Dhaka Division	62,473.2	Chittagong Division	8,211.3	Khulna Division	606.6	Sylhet Division	316.1	Barisal Division	69.5	Rajshahi Division	416.4	Rangpur Division	125.4	Rural	7,442.1	Dhaka Division	1,423.9	Chittagong Division	5,638.7	Khulna Division	114.6	Sylhet Division	199.9	Barisal Division	-	Rajshahi Division	-	Rangpur Division	65.1
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	(d)	<p>Industry or counterparty type distribution of exposures, broken down by major types of credit exposures.</p> <p>- 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 2011 are as follows:</p> <table border="0"> <tr> <td></td> <td style="text-align: right;">79,660.7</td> </tr> <tr> <td>Agriculture, fisheries and forestry</td> <td style="text-align: right;">1,299.1</td> </tr> <tr> <td>Pharmaceutical industries</td> <td style="text-align: right;">1,855.2</td> </tr> <tr> <td>Textile industries</td> <td style="text-align: right;">13,983.0</td> </tr> <tr> <td>Ready- made garment industries</td> <td style="text-align: right;">15,915.6</td> </tr> <tr> <td>Chemical industries</td> <td style="text-align: right;">518.5</td> </tr> <tr> <td>Bank and other financial institutions</td> <td style="text-align: right;">1,404.6</td> </tr> <tr> <td>Transport and communication</td> <td style="text-align: right;">1,369.1</td> </tr> <tr> <td>Electronics and automobile industries</td> <td style="text-align: right;">1,792.8</td> </tr> <tr> <td>Housing and construction industries</td> <td style="text-align: right;">4,501.6</td> </tr> <tr> <td>Energy and power industries</td> <td style="text-align: right;">5,177.8</td> </tr> <tr> <td>Cement and ceramic industries</td> <td style="text-align: right;">1,198.2</td> </tr> <tr> <td>Food and allied industries</td> <td style="text-align: right;">4,893.1</td> </tr> <tr> <td>Engineering and metal industries including ship breaking</td> <td style="text-align: right;">4,801.7</td> </tr> <tr> <td>Service industries</td> <td style="text-align: right;">5,891.5</td> </tr> <tr> <td>Other industries</td> <td style="text-align: right;">15,059.1</td> </tr> </table>		79,660.7	Agriculture, fisheries and forestry	1,299.1	Pharmaceutical industries	1,855.2	Textile industries	13,983.0	Ready- made garment industries	15,915.6	Chemical industries	518.5	Bank and other financial institutions	1,404.6	Transport and communication	1,369.1	Electronics and automobile industries	1,792.8	Housing and construction industries	4,501.6	Energy and power industries	5,177.8	Cement and ceramic industries	1,198.2	Food and allied industries	4,893.1	Engineering and metal industries including ship breaking	4,801.7	Service industries	5,891.5	Other industries	15,059.1		
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Credit Risk (Continued)

In million Taka

Quantitative Disclosures	(e)	Residual contractual maturity breakdown of the whole portfolio, broken down by major types of credit exposures	
		- Residual contractual maturity of exposures as per the disclosures furnished in the audited financial statements as of 31 December 2011 are as follows:	79,660.7
		Payable On demand Within one to three months Within three to twelve months Within one to five years More than five years	13,746.4 15,822.8 30,957.9 15,187.5 3,946.1
	(f)	By major industry or counterparty type:	
		<ul style="list-style-type: none"> ● Amount of impaired loans and if available, past due loans, provided separately ● Specific and general provisions ● Charges for specific allowances and charge - offs during the period 	2,186.8 2,006.4 146.3
	(g)	Gross Non Performing Assets (NPAs)	2,186.8
		Non Performing Assets (NPAs) to Outstanding Loans & advances	2.7%
		Movement of Non Performing Assets (NPAs)	
		Opening balance	1,665.7
		Additions (net)	521.1
		Reductions	-
		Closing balance	2,186.8
		Movement of specific provisions for NPAs	
		Opening balance	884.1
		revision made during the period	148.3
		Write-off	-
		Write-back of excess provisions	28.7
		Closing balance	1,061.1

Equities: Disclosures for Banking Book Positions

Qualitative Disclosures	(a)	<p>The general qualitative disclosure requirement with respect to the equity risk, including:</p> <ul style="list-style-type: none"> ● Differentiation between holdings on which capital gains are expected and those taken under other objectives including for relationship and strategic reasons; and <ul style="list-style-type: none"> - Not applicable ● 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. <ul style="list-style-type: none"> - Quoted shares are valued at cost or market price whichever is lower. Unquoted shares are valued at cost price or book value, as per latest audited accounts, which ever is lower.
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Equities: Disclosures for Banking Book Positions (Continued)

In million Taka

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. - Unquoted shares in (i) Central Depository Bangladesh Limited (CDBL) (ii) Market Stabilization Fund (MSF) Asset Management Company Limited - Quoted shares in RAK Ceramics (BD.) Limited	 6.3 5.0 0.01
	(c)	The cumulative realized gain (losses) arising from sales and liquidations in the reporting period. - Realized gain (losses) from equity investments	 -
	(d)	<ul style="list-style-type: none"> • Total unrealized gains (losses) • Total latent revaluation gains (losses) • Any amounts of the above included in Tier 2 capital 	 - - -
	(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.	-

Market risk

Qualitative Disclosures	(a)	<p>Views of BOD on trading / investment activities</p> <ul style="list-style-type: none"> - 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 to finance asset growth and trade related transactions. <p>Methods used to measure Market risk</p> <ul style="list-style-type: none"> - Standardized approach has been used to measure the Market risk. The total capital requirement in respect of market risk is the aggregate capital requirement calculated for each of the risk 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". <p>Market Risk Management system</p> <ul style="list-style-type: none"> - The Treasury Division manage market risk covering liquidity, interest rate and foreign exchnage risks with oversight from Asset-Liability Management Committee (ALCO) comprising senior executives of the Bank. ALCO is chaired by the Managing Director . ALCO meets at least once in a month. <p>Policies and processes for mitigating market risk</p> <ul style="list-style-type: none"> - 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 forex 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, forex position and transactions to mitigate foreign exchange risks.
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Market risk (Continued)

In million Taka

Quantitative Disclosures	(b)	The capital requirements for:	
		Interest rate risk	201.3
		Equity position risk	-
		Foreign exchange risk	50.9
		Commodity risk	-

Operational risk

Qualitative Disclosures	(a)	Views of BOD on system to reduce Operational Risk	
		<p>- The policy for operational risks including internal control & compliance risk is approved by the Board taking into account relevant guidelines of Bangladesh Bank. Audit Committee of the Board directly oversee the activities of Internal Control & Compliance Division (IC & CD) to protect against all operational risk.</p> <p>Performance gap of executives and staffs</p> <p>- DBBL has a policy to provide competitive package and best working environment to attract and retain the most talented people available in the industry. DBBL's strong brand image plays an important role in employee motivation. As a result, there is no significant performance gap.</p> <p>Potential external events</p> <p>- No potential external events is expected to expose the Bank to significant operational risk.</p> <p>Policies and processes for mitigating operational risk</p> <p>- The policy for operational risks including internal control & compliance risk is approved by the Board taking into account relevant guidelines of Bangladesh Bank. Policy guidelines on Risk Based Internal Audit system is in operation. As per RBIA branches are rated according to their risk status and branches scoring more on risk status are subjected to more frequent audit by Internal Control & Compliance Division (IC&CD). IC&CD directly report to Audit Committee of the Board. In addition there is a Vigilance Cell established in 2009 to reinforce 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. Apart from that, there is adequate check & balance at every stage of operation, authorities are properly segregated and there is at least dual control on every transaction to protect against operational risk.</p> <p>Approach for calculating capital charge for operational risk</p> <p>- Basic Indicator Approach was used for calculating capital charge for operational risk as of the reporting date.</p>	
Quantitative Disclosures	(b)	The capital requirements for operational risk	1,037.8