



Rupali Bank Limited

“Disclosures on Risk Based Capital (Basel-III)” as on December 2017

The purpose of market disclosure is to complement the operation of minimum capital requirement (Pillar-1) and the supervisory review process (Pillar 2) in the Revised Capital Adequacy Framework (Basel-III). It allows market participants to assess key pieces of information on the scope of application, capital adequacy, risk exposures, risk assessment and its management processes. Market disclosures have the potential to reinforce capital regulation & other supervisory efforts to promote safety & soundness in bank.

The qualitative and quantitative disclosures of the bank under Basel-III requirements based on the audited financial position as of 31 December 2017 are prepared as per the guidelines of Bangladesh Bank on “Risk Based Capital Adequacy for Banks” to establish more transparent and more disciplined financial market.

1. Scope of Application	
Qualitative Disclosures	
(a) The name of the top corporate entity in the group to which this guidelines applies	Rupali Bank Limited
(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 (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).	Rupali Bank Limited (RBL) is a state-owned commercial bank. Basel-III is applied by the bank on “solo” & “consolidated” basis. Rupali Investment Limited (RIL) a fully owned subsidiary company of RBL, incorporated as a public limited company on August 27, 2010 with the registrar of Joint Stock Companies & approved by Bangladesh Securities & Exchange Commission on August 09, 2011 to perform full-fledged merchant banking activities like portfolio management, underwriting, stock trading business etc. Investment in the subsidiary company RIL is risk weighted in the bank’s exposures. Rupali Bank Securities Ltd. (RBSL) is also a subsidiary company of RBL which was incorporated as a Private Limited Company on 29 th August, 2013 vide registrar of Joint Stock Companies and Firms, Dhaka certificate of incorporation No. C-110969/13 under Companies Act 1994. The main objective of the Company is to act as, and carry on the business of a stock broker & stock dealer and to engage in all types of stock broking business.
(c) Any restrictions, or other major impediments, on transfer of funds or regulatory capital within the group.	Not applicable
Quantitative Disclosures	
(d) The aggregate amount of surplus capital of insurance (whether deducted or subjected to an alternative method) included in the capital of the consolidated group.	Not applicable

2. Capital Structure	
Qualitative Disclosures	
(a) Summary information on the terms and conditions of the main features of all capital instruments, especially in the case of capital instruments eligible for inclusion in CET 1, Additional Tier 1 or Tier 2.	<p>Common Equity Tier 1 capital, also called as going-concern capital of RBL consists of paid-up capital, statutory reserve, general reserve, retained earnings and share money deposit. Tier 2 capital, also called as gone-concern capital of RBL consists of general provision (against unclassified loans, SMA and Off-Balance Sheet exposures), revaluation reserves for fixed assets (50%), securities (50%) and equity instruments (10%).</p> <p>Total Regulatory Capital = (Common Equity Tier 1 capital + Additional Tier 1 capital+ Tier 2 Capital)</p>



Capital Structure contd.

Quantitative Disclosures			
	Particulars	Solo	Consolidated
		Amount in BDT Crore	
(b) Amount of regulatory capital, with separate disclosure of:	Paid-up capital	303.64	303.64
	Statutory reserve	310.78	310.78
	General reserve	-	-
	Retained earnings	73.12	84.05
	Share money deposit	380.00	380.00
	Sub Total	1067.54	1078.47
	(c) Regulatory Adjustments/ Deductions from capital	Regulatory Adjustment	
Intangible Assets		14.71	14.71
Deferred Tax Assets (DTA)		56.12	56.12
Common Equity Tier 1 capital		996.71	1007.64
Additional Tier 1 Capital		0.00	0.00
Total Tier 1 Capital		996.71	1007.64
	Tier 2 Capital	306.18	306.18
(d) Total Regulatory capital	Total Regulatory capital	1302.89	1313.82

Category	Solo (BDT Crore)	Consolidated (BDT Crore)
Tier 1 Capital	996.71	1007.64
Tier 2 Capital	306.18	306.18
Total Regulatory capital	1302.89	1313.82

3. Capital Adequacy

Qualitative Disclosures	
<p>(a) A summary discussion of the bank's approach to assessing the adequacy of its capital to support current and future activities</p>	<p>i) The bank has adopted Standardized Approach (SA) for computation of capital charge for credit risk and market risk and Basic Indicator Approach (BIA) for operational risk. Assessment of capital adequacy is carried out in conjunction with the capital adequacy reporting to Bangladesh Bank.</p> <p>The bank has maintained Capital to Risk Weighted Assets Ratio (CRAR) on the solo & consolidated at 6.53 percent & 6.55 percent against the minimum regulatory requirement of 10 percent. Tier-I capital to Risk Weighted Assets ratio for solo & consolidated are 4.99 percent & 5.02 percent against the minimum regulatory requirement of 6 percent.</p> <p>The bank's policy is to manage and maintain its future capital considering all material risks that are covered under pillar-2 of Basel III as well as the result of Stress Tests. The primary objective of the capital management is to optimize the balance between return and risk, while maintaining economic regulatory capital in accordance with risk appetite.</p> <p>ii) RBL determines its risk weighted assets (RWA) by multiplying the exposure amount of assets with their respective risk weight given in Basel III guidelines by Bangladesh Bank. RWA for market & operational risks are calculated by multiplying the capital charge for these risks by the reciprocal of minimum capital adequacy ratio (10%).</p>



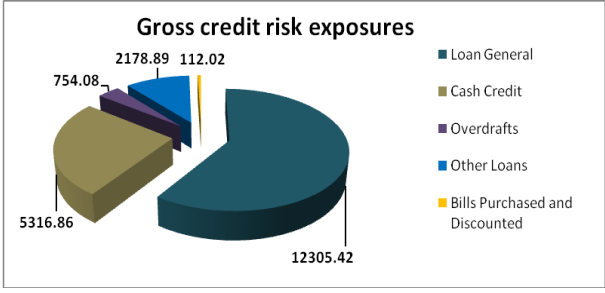
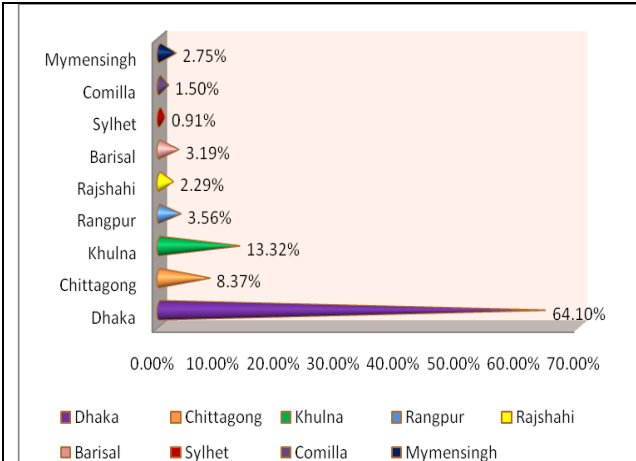
Capital Adequacy contd.

Quantitative Disclosures		
Particulars	Solo	Consolidated
	Amount in BDT Crore	
(b) Capital Requirement For Credit Risk	1732.24	1739.53
(c) Capital Requirement For Market Risk	47.93	47.93
(d) Capital Requirement For Operational Risk	215.79	217.64
(e) Capital ratio :		
Capital To Risk Weighted Assets Ratio (CRAR) %	6.53%	6.55%
CET-1 to RWA Ratio	4.99%	5.03%
Tier-1 capital to RWA ratio	4.99%	5.03%
Tier -2 capital to RWA Ratio	1.53%	1.53%
(f) Capital Conservation Buffer	N/A	N/A
(g) Available Capital under Pillar 2 Requirement	730.71	730.71

Note:- Financial Institutions Division, Ministry of Finance already sent a DO letter no. 53.00.0000.432.20.001.16-15 dated on 11th March 2018 to Finance Division, Ministry of Finance for Tk. 300.00 (Three Hundred) crore as Capital of Rupali Bank Ltd. and this amount might be got within June 30, 2018 and the Board of Directors of Rupali Bank Ltd. has decided to issue subordinated bond of 600.00 (Six Hundred) crore which is under approval of Bangladesh Securities and Exchange Commission (BSEC). Those amounts of capital elements will meet up the shortfall of Capital.

4. Credit Risk									
Qualitative Disclosures									
a(i) Definitions of past due and impaired (for accounting purpose)	Rupali Bank Ltd. follows Bangladesh Bank's BRPD Circular No.14 Dated 23 September 2012 for classification of loans & advances								
	Classification SL	Types of Loans	Classification Status			Period for classification			
	1	Continuous Loan (Overdraft, Cash credit-Hypo, Cash credit-pledge etc)	SMA			2 Months			
			SS			3M			
			DF			6M			
			BL			9M			
	2	Demand Loan (Forced Loan, PAD, LIM, FBP, IBP etc.)	SMA			2M			
			SS			3M			
			DF			6M			
			BL			9M			
	3	Term Loan (which are repayable under a specific repayment schedule-within 5 years.)	SMA			2M			
			SS			3M			
			DF			6M			
			BL			9M			
4	Term Loan (which are repayable under a specific repayment schedule-above 5 years.)	SMA			2M				
		SS			3M				
		DF			6M				
		BL			9M				
5	Short term Agriculture & Micro credit	SMA			-				
		SS			12M				
		DF			36M				
		BL			60M				
a(ii) Provisioning depending on the group:	UC	Standard	2.5%	5%	1%	2%	0.25%	2%	1%
		SMA	-	5%	2%	2%	0.25%	2%	1%
	Classified	SS	5%	20%	20%	20%	20%	20%	20%
		DF	5%	50%	50%	50%	50%	50%	50%
		BL	100%	100%	100%	100%	100%	100%	100%
	HF=Housing Finance, LP=Loans for professionals to setup business, SMEF=Small & Medium Enterprise Financing, BHs= Loans to Brokerage House, MBs= Loans to Merchant Bank, SDs = Loans to Stock Dealers.								

<p>a(iii) Discussion of the bank's credit risk management policy:</p>	<p>On the basis of Bangladesh Bank's credit risk management policies, a manual of Credit Risk Management (CRM) has been formulated and approved by RBL's Board of Directors. The key principle of credit risk management is client due diligence, which is aligned with our country and industry portfolio strategies before sanction of any credit facility as per CRM policies which emphasizes on the size & type, purpose, structure (term, conditions, repayment schedule & interest rate) and securities of the loan proposed.</p> <p>For actively aiming to prevent concentration (Single borrower/group borrower/geographical/sectoral concentration) and long tail-risks (large unexpected losses; RBL follows different prudential guidelines of its own and Bangladesh Bank. In all market conditions, the bank's capital is effectively protected by ensuring a diversified and marketable credit portfolio.</p> <p>Risk appetite for credit risk of RBL is determined by its Board of Directors desiring optimum business mix, risk preferences, the acceptable trade-off between risk & reward etc as per Bangladesh Bank's Department of Off-site Supervision circular no-13.</p> <p>The assessment process is initiated at branch/credit division and placed before Management Credit Committee (MCC) or Board for approval. This process includes borrower analysis, industrial analysis, historical financial analysis, repayment sources analysis, mitigating factors etc. Credit risk grading system has been adopted by RBL as per Bangladesh Bank's instruction that defines the risk profile of borrower's to ensure that account management, structure and pricing are commensurate with the risk involved.</p> <p>RBL is very much concerned in managing non-performing loan. RBL follows Bangladesh Bank's BRPD Circular for classification of loans & advances and provisioning. Targets to recover classified loans & advances are determined for the branch, zonal Office and divisional office at the beginning of the year. Continuous contact with the borrowers, special meeting with the defaulter, recruitment of recovery specialist, formation of special task forces, announcement of special program are emphasized.</p>												
	<p>Amount in BDT Crore</p>												
	<table border="1"> <thead> <tr> <th style="background-color: #e1e5e7;">Risk Weighted Assets(RWA) for Credit Risk</th> <th style="background-color: #e1e5e7;">Solo</th> <th style="background-color: #e1e5e7;">Consolidated</th> </tr> </thead> <tbody> <tr> <td>On-Balance Sheet</td> <td style="text-align: right;">17285.84</td> <td style="text-align: right;">17358.79</td> </tr> <tr> <td>Off-Balance Sheet</td> <td style="text-align: right;">36.55</td> <td style="text-align: right;">36.55</td> </tr> <tr> <td>Total Credit Risk</td> <td style="text-align: right;">17322.38</td> <td style="text-align: right;">17395.34</td> </tr> </tbody> </table>	Risk Weighted Assets(RWA) for Credit Risk	Solo	Consolidated	On-Balance Sheet	17285.84	17358.79	Off-Balance Sheet	36.55	36.55	Total Credit Risk	17322.38	17395.34
Risk Weighted Assets(RWA) for Credit Risk	Solo	Consolidated											
On-Balance Sheet	17285.84	17358.79											
Off-Balance Sheet	36.55	36.55											
Total Credit Risk	17322.38	17395.34											

Quantitative Disclosures																					
<p>(b) Gross credit risk exposures</p>	<div style="display: flex; justify-content: space-between;"> <div style="width: 45%;">  <p style="text-align: center;">Gross credit risk exposures</p> </div> <div style="width: 45%; text-align: right;"> <p>Amount in BDT Crore</p> <table> <tr><td>Loan General</td><td style="text-align: right;">12305.42</td></tr> <tr><td>Cash Credit</td><td style="text-align: right;">5316.86</td></tr> <tr><td>Overdrafts</td><td style="text-align: right;">754.08</td></tr> <tr><td>Other Loans</td><td style="text-align: right;">2178.89</td></tr> <tr><td>Bills Purchased and Discounted</td><td style="text-align: right;"><u>112.02</u></td></tr> <tr><td>Total</td><td style="text-align: right;"><u>20667.27</u></td></tr> </table> </div> </div>	Loan General	12305.42	Cash Credit	5316.86	Overdrafts	754.08	Other Loans	2178.89	Bills Purchased and Discounted	<u>112.02</u>	Total	<u>20667.27</u>								
Loan General	12305.42																				
Cash Credit	5316.86																				
Overdrafts	754.08																				
Other Loans	2178.89																				
Bills Purchased and Discounted	<u>112.02</u>																				
Total	<u>20667.27</u>																				
<p>(c) Geographical distribution of exposures:</p>	<div style="display: flex; justify-content: space-between;"> <div style="width: 45%;">  </div> <div style="width: 45%; text-align: right;"> <table> <tr><td>Dhaka</td><td style="text-align: right;">13248.63</td></tr> <tr><td>Chittagong</td><td style="text-align: right;">1729.84</td></tr> <tr><td>Khulna</td><td style="text-align: right;">2752.68</td></tr> <tr><td>Rangpur</td><td style="text-align: right;">736.10</td></tr> <tr><td>Rajshahi</td><td style="text-align: right;">473.13</td></tr> <tr><td>Barisal</td><td style="text-align: right;">660.24</td></tr> <tr><td>Sylhet</td><td style="text-align: right;">188.54</td></tr> <tr><td>Comilla</td><td style="text-align: right;">310.53</td></tr> <tr><td>Mymensingh</td><td style="text-align: right;"><u>567.58</u></td></tr> <tr><td>Total</td><td style="text-align: right;"><u>20667.27</u></td></tr> </table> </div> </div>	Dhaka	13248.63	Chittagong	1729.84	Khulna	2752.68	Rangpur	736.10	Rajshahi	473.13	Barisal	660.24	Sylhet	188.54	Comilla	310.53	Mymensingh	<u>567.58</u>	Total	<u>20667.27</u>
Dhaka	13248.63																				
Chittagong	1729.84																				
Khulna	2752.68																				
Rangpur	736.10																				
Rajshahi	473.13																				
Barisal	660.24																				
Sylhet	188.54																				
Comilla	310.53																				
Mymensingh	<u>567.58</u>																				
Total	<u>20667.27</u>																				



(d) Industry or counterparty type distribution of exposures	Sector	Amount in BDT Crore
	Jute Industry (Govt. & Private)	845.17
Tannery Industry	447.54	
Jute Business	851.80	
Bricks	117.30	
Cold Storage/Ice plant	163.81	
Textile	4370.81	
Garments	1006.54	
Engineering	695.08	
Food	394.02	
Chemicals	859.60	
Shipping/ Transport	145.37	
Shoe	57.36	
Services	242.47	
Ceramic	9.27	
Plastic	74.02	
Dairy	0.53	
Printing & Publications	106.80	
Other	<u>10279.78</u>	
Total	<u>20667.27</u>	

(e) Residual contractual maturity breakdown of the whole portfolio, broken down by major types of credit exposure.	Particulars	Amount in BDT Crore
	Repayable on Demand	413.35
Over 1 month but not more than 3 months	6853.47	
Over 3 months but not more than 1 year	5554.15	
Over 1 year but not more than 5 years	4045.96	
Over 5 years	<u>3800.34</u>	
Total	<u>20667.27</u>	

(f) Major counterparty wise amount of impaired loans :		Unclassified:	Amount in BDT Crore
		Government	Standard Special Mention Account(SMA)
	Classified: Substandard Doubtful Bad & Loss	21.49	
	Sub Total	21.49	
Other Public	Unclassified: Standard Special Mention Account (SMA)	896.29	
	Sub total	896.29	
	Classified: Substandard Doubtful Bad & Loss	<u>27.80</u>	
	Sub total	27.80	
Private	Unclassified: Standard SMA	14319.53 <u>869.39</u>	
	Sub Total	15188.92	
	Classified: Substandard Doubtful Bad & Loss	36.84 243.05 <u>4252.88</u>	
	Sub total	4532.77	
	Grand Total	<u>20667.27</u>	



Credit Risk contd.

Summary		
Amount in BDT Crore		
Unclassified		
Standard	15215.82	
SMA	<u>869.39</u>	
Sub Total	16085.21	
Classified		
Substandard	36.84	
Doubtful	243.05	
Bad & Loss	<u>4302.17</u>	
Sub Total	4582.06	
Grand Total	<u>20667.27</u>	
Total Loans And Advance		
(g) Movement of NPAs & specific provisions for NPAs	Particulars	Amount in BDT crore
	Gross Non Performing Assets (NPAs)	4582.06
	Non Performing Assets (NPAs) to outstanding Loans & advance	23.40 %
	Movement of NPAs (Gross)	
	Opening balance	3484.85
	Additions during the year	2350.40
	Reductions (Cash Recovery during the year)	(303.93)
	Reductions (Adjustment during the year)	(949.26)
	Closing balance	4582.06
	Movement of specific provisions for NPAs	
	Opening balance	848.91
	Provisions made during the period	253.80
	Recovered from previously written off loans	
	Fully Provided debts Write-off	
	Transferred from off-balance sheet exposure	
	Closing Balance	1102.71

5. Equities: Disclosures for banking book positions

Qualitative Disclosures

a(i) Differentiation between holdings on which capital gains are expected and those taken under other objectives including for relationship and strategic reasons

Investment in equity securities are broadly categorized into two parts:

- i. Quoted Securities** (Common or Preference Shares & Mutual Fund) that are traded in the secondary market (Trading Book Assets).
- ii. Unquoted securities** include shares of Central Depository Bangladesh Limited (CDBL), investment in SWIFT and Market Stabilization Fund (MSF).

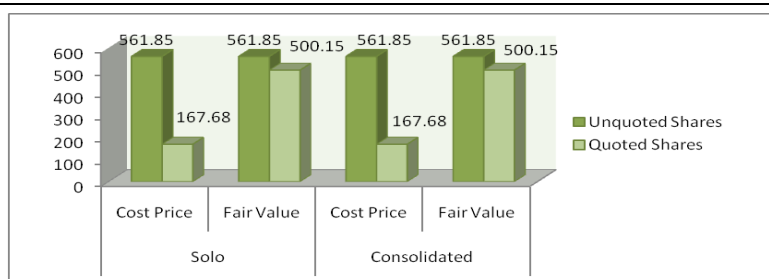
a(ii) Discussion of important policies covering the valuation and accounting of equity holdings in the banking book. This includes the accounting techniques and valuation methodologies used, including key assumptions and practices affecting valuation as well as significant changes in these practices.

The primary aim is to invest in these equity securities for the purpose of capital gain by selling them in future or held for dividend income. Dividends received from these equity securities are accounted for as and when received. Both Quoted and Un-Quoted equity securities are valued at cost and necessary provisions are maintained if the prices fall below the cost price.

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.

Particulars	Solo		Consolidated	
	Amount in BDT Crore			
	Cost Price	Fair Value	Cost Price	Fair Value
Unquoted Shares	561.85	561.85	561.85	561.85
Quoted Shares	167.68	500.15	167.68	500.15
Total	729.53	1062.00	729.53	1062.00



c) The cumulative realized gains (losses) arising from sales and liquidations in the reporting period.

48.08

d(i) Total unrealized gains(losses)

332.48

d(ii) Total latent revaluation gains (losses)

195.82

d(iii) Any amounts of the above included in Tier 2 capital

Nil

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.

Required Capital Charge on Equities

Particulars	Solo	Consolidated
	Amount in BDT Crore	
	Specific Risk	16.77
General Market Risk	16.77	16.77

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

Qualitative Disclosures

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

To manage this risk in the banking book, bank considers the impact of interest rate changes on both assets and liabilities, and its particular features including, among other things, terms and timing. Changes in interest rates affect both the current earnings (earning perspective) as well as the net worth of the bank (economic value perspective). RBL periodically computes the interest rate risk on the banking book that arises due to re-pricing mismatches in interest rate sensitive assets and liabilities. For computation of the interest rate mismatches the guidelines of Bangladesh bank are followed. Details relating to re-pricing mismatches and the interest rate risk thereon are placed to the ALCO regularly. Following techniques for managing the IRRBB in Rupali Bank Ltd. are applied:

Re-pricing Schedules: It is the simplest techniques for measuring a bank's interest rate risk exposure and that is generating a maturity/re-pricing schedule that distributes interest-sensitive assets, liabilities, and OBS positions into a certain number of predefined time bands according to their maturity (if fixed-rate) or time remaining to their next re-pricing (if floating-rate). Those assets and liabilities lacking definitive re-pricing intervals (e.g. sight deposits or savings accounts) or actual maturities that could vary from contractual maturities are assigned to re-pricing time bands according to the judgment and past experience of the bank.

Gap Analysis: It helps to assess the interest rate risk of current earnings. To evaluate earnings exposure, interest rate-sensitive liabilities in each time band are subtracted from the corresponding interest rate-sensitive assets to produce a re-pricing "gap" for that time band. This gap is then multiplied by an assumed change in interest rates to yield an approximation of the change in net interest income that would result from such an interest rate movement.

- i. **Duration:** A maturity/re-pricing schedule is also used to evaluate the effects of changing interest rates on a bank's economic value by applying sensitivity weights to each time band. Typically, such weights are based on estimates of the duration of assets and liabilities that fall into each time band.
- ii. **Quarterly Stress Testing:** It is conducted on quarterly basis as per the directives of Bangladesh Bank to gain better insight into the vulnerable issue of IRRBB.

Quantitative Disclosures

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

Particulars	Amount in BDT Crore		
Market Value of Assets	38186.36		
Market Value of Liabilities	36909.80		
Weighted Average of Duration of Assets (DA)	1.30		
Weighted Average of Duration of Liabilities (DL)	1.10		
Duration GAP (DA-DL)	0.20		
Yield to Maturity (YTM-Assets)	10.58%		
Yield to maturity (YTM-Liabilities)	6.61%		
Magnitude of Interest Rate Change	1%	2%	3%
Change in market value of equity due to and increase in interest rate	-81.45	-162.90	-244.35
Stress Testing	Minor	Moderate	Major
Regulatory Capital (after shock)	1221.55	1140.10	1058.65
RWA (after shock)	19908.96	19908.96	19908.96
CRAR (after shock)	6.14%	5.73%	5.32%

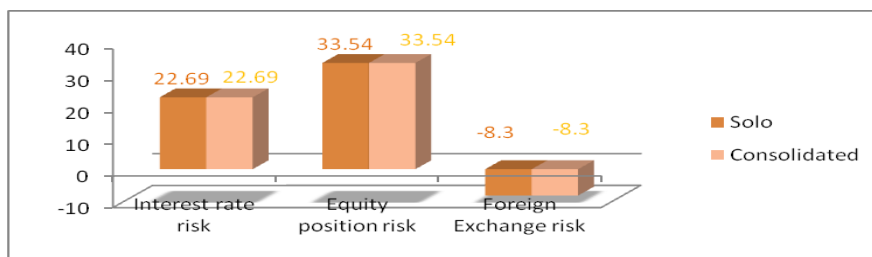
7. Market Risk

Qualitative Disclosures

a(i) Views of BOD on trading/investment activities	The Board of Directors approves all policies related to market risk, sets limits and reviews compliance on a regular basis. The objective is to obtain maximum returns (without taking undue risks) by reducing the negative effect of the risk.
a(ii) Methods used to measure Market risk	Standardized Approach (SA) is used for calculating capital charge against market risk (interest rate risk, equity position & foreign exchange risk) which is determined separately. The total capital requirement in respect of market risk is the sum of capital requirement measured in terms of two separately calculated capital charges for specific market risk and general market risk for each of these market risk sub-categories.
a(iii) Market Risk Management system	RBL makes investment decision based on historical data of market movements of all comparable financial instruments to avoid general market risk. For managing specific risk RBL emphasizes on investment in Government treasury bonds and quality financial instruments, which are less volatile in nature. Treasury Front Office, Back Office & Mid Office have been established and functioning through an independent organizational chain in line with the manual.
a(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, borrowing from money market and foreign exchange position. The limits are monitored and enforced regularly to protect against market risks. These limits are reviewed based on prevailing market and economic conditions to minimize risk caused by market fluctuation.

Quantitative Disclosures

	The capital requirements for	Solo	Consolidated
		Amount in BDT Crore	
	Interest rate risk	22.69	22.69
	Equity position risk	33.54	33.54
	Foreign Exchange risk	-8.30	-8.30
	Commodity risk	Nil	Nil



8. Operational Risk

Qualitative Disclosures

<ul style="list-style-type: none"> Views of BOD on system to reduce Operational Risk 	Internal control & compliance (ICC) is the main tool in managing operational risk Management which through three units of ICC i.e. monitoring, compliance and Audit & Inspection; controls overall operation of the bank. Board audit committee directly oversees the functions of ICC to prevent operational risks.
<ul style="list-style-type: none"> Performance gap of executives and staffs 	RBL has a Human Resource Policy with the formal rules and guidelines to recruit, train, assess and reward employees. This policy is applied consistently and fairly across the bank. RBL ensures posting of right persons in the right places identifying ideal performers and rewarding them with desired promotion and posting. Extensive training programs are also taken for every level of employees ensuring to build professionals with a blend of technical, business and leadership skills.
<ul style="list-style-type: none"> Potential external events 	External events may affect business operations directly or indirectly. These external events may stem from the socio-economic and political environment within which the bank is operating. In order to minimize effects of unexpected external events RBL aims at and relies on collecting and analyzing information on a continuous and timely manner.

<ul style="list-style-type: none"> • Policies and processes for mitigating operational risk 	<p>RBL has formed MANCOM (Management Committee) to identify measure, monitor and control the risks through framing required policies and procedures. The policy of managing operational risk through Internal Control and Compliance is approved by the Board of Directors taking into account the relevant guidelines of Bangladesh Bank. DCFCL (departmental control function check list) and QOR (quarterly operation report) are applied for evaluation of the branches operational performance. Manuals related to Credit, Human Resources, Finance & Accounts, Treasury, Audit and Inspection etc. have been prepared for continuous recognition and assessment of all material risk that could adversely affect the achievement of RBL's goal. The audit & inspection division makes a year wise risk based audit plan to carry out comprehensive audits & inspections on the banking operations to ensure procedures are in place & complied with.</p>						
<ul style="list-style-type: none"> • Approach for calculating capital charge for operational risk 	<p>RBL uses the basic indicator approach (BIA) to calculate its operational risk. Under BIA, the capital charge for operational risk is a fixed percentage denoted by α (alpha) of average positive annual gross income (GI) of the bank over the past three years. The capital charge may be expressed as follows:</p> $K = [(GI1 + GI2 + GI3) \times \alpha] / n$ <p>Where, K = Capital charge under the basic indicator approach GI= Only Positive annual gross income over the previous three years $\alpha = 15\%$ N = Number of the previous three years of which gross income is positive</p>						
Quantitative Disclosures							
<ul style="list-style-type: none"> • The capital requirements for operational risk 	<table border="1" style="width: 100%; text-align: center;"> <thead> <tr> <th style="width: 50%;">Solo</th> <th style="width: 50%;">Consolidated</th> </tr> </thead> <tbody> <tr> <td colspan="2">Amount in BDT Crore</td> </tr> <tr> <td>215.79</td> <td>217.64</td> </tr> </tbody> </table>	Solo	Consolidated	Amount in BDT Crore		215.79	217.64
Solo	Consolidated						
Amount in BDT Crore							
215.79	217.64						

9. Liquidity Ratio

Qualitative Disclosures	
<ul style="list-style-type: none"> • Views of BOD on system to reduce liquidity risk 	<p>Liquidity risk is a financial risk that for a certain period of time a given financial asset, security or commodity cannot be traded quickly enough in the market without impacting the market price. RBL is blessed with a prudent Board of Directors that has always been giving utmost importance to minimize the liquidity risk of the bank. The prime responsibility of the liquidity risk management of the bank rests with Treasury Division under the supervision of ALCO Committee, which maintains liquidity based on current liquidity position, anticipated future requirement, sources of fund, options for reducing funding needs, present and anticipated asset quality, present and future earning capacity, present and planned capital position, etc.</p>
<ul style="list-style-type: none"> • Methods used to measure liquidity risk 	<p>To identify and monitor the driving factors of liquidity risk, it is viewed from the following aspects:</p> <ul style="list-style-type: none"> ➤ Cash Reserve Ratio (CRR) ➤ Statutory Liquidity Ratio (SLR) ➤ Liquidity Coverage Ratio (LCR) ➤ Net Stable Funding Ratio (NSFR) ➤ Structural Liquidity Profile (SLP) ➤ Advance Deposit Ratio (ADR) ➤ Medium Term Funding Ratio (MTFR) ➤ Maximum Cumulative Outflow (MCO) <p>RBL's own liquidity monitoring tools:</p> <ul style="list-style-type: none"> ➤ Wholesale Borrowing and Funding Guidelines ➤ Liquidity Contingency Plan ➤ Management Action Trigger
<ul style="list-style-type: none"> • Liquidity risk management system 	<p>According to liquidity contingency plan we have incorporated all the strategic decision to tackle any sort of liquidity crisis. The Asset Liability Committee (ALCO), which meets at least once in a month, is responsible for managing and controlling liquidity of the bank. Treasury front office closely monitors and controls liquidity requirements on a daily basis by appropriate coordination of funding activities and they are primarily responsible for management of liquidity in the bank. A monthly projection of fund flows is reviewed in ALCO meeting regularly.</p>

<ul style="list-style-type: none"> • Policies and processes for mitigating liquidity risk 	Asset-Liability Committee (ALCO) is responsible for monitoring liquidity measures and limits in RBL. Liquidity is maintained in excess of the maximum cumulative outflows calculated within these stress tests. Board Risk Management Committee set policies and process to mitigate all risks including liquidity risk.
Quantitative Disclosures	
Particulars	Amount in BDT Crore
Liquidity Coverage Ratio	504.73%
Net Stable Funding Ratio (NSFR)	101.31%
Stock of High quality liquid assets	6556.35
Total net cash outflows over the next 30 calendar days	1298.98
Available amount of stable funding	31449.87
Required amount of stable funding	31041.86

10. Leverage Ratio		
Qualitative Disclosures		
<ul style="list-style-type: none"> • Views of BOD on system to reduce excessive leverage 	<p>In order to avoid building-up excessive on and off-balance sheet leverage in the banking system, a simple, transparent, non-risk based leverage ratio has been introduced by Bangladesh Bank. The leverage ratio is calibrated to act as a credible supplementary measure to the risk based capital requirements. Banks are highly leveraged organizations which facilitate leverage for others.</p> <p>The responsibility of monitoring excessive leverage of the bank lies with the concerned divisions under the guidance of the Board of Directors of RBL. Policies and processes for keeping the bank's leverage ratio up to the mark are reviewed by the Board of Directors on a regular basis.</p>	
<ul style="list-style-type: none"> • Policies and processes for managing excessive on and off balance sheet leverage 	<p>The bank reviews its leverage position as per the Guidelines on Risk Based Capital Adequacy (Basel III). To manage excessive leverage, the bank follows all regulatory requirements for capital, liquidity, commitment, Advance Deposit Ratio (ADR), Maximum Cumulative Outflow (MCO), large exposures which are eventually reinforcing different standards set by Bangladesh Bank. The aim is to ensure that the high leverage inherent in banking business models is carefully and prudently managed.</p>	
<ul style="list-style-type: none"> • Approach for calculating exposure 	<p>A minimum Tier 1 leverage ratio of 3% is being prescribed both at solo and consolidated level. Accordingly RBL maintains leverage ratio on quarterly basis.</p> <p>Leverage Ratio = Tier 1 Capital (after related deductions)/Total Exposure (after related deductions)</p> <p>The exposure measure for the leverage ratio generally follows the accounting measure of exposure. In order to measure the exposure consistently with financial accounts, the following is applied by the bank:</p> <ol style="list-style-type: none"> On balance sheet, non-derivative exposures are net of specific provisions and valuation adjustments (e.g. surplus/ deficit on Available for sale (AFS)/ Held-for-trading (HFT) positions). Physical or financial collateral, guarantee or credit risk mitigation purchased is not allowed to reduce on balance sheet exposure. Netting of loans and deposits is not allowed. 	
Quantitative Disclosures		
Particulars	Solo	Consolidated
	Amount in BDT Crore	
Leverage Ratio	2.60%	2.63%
On balance sheet exposure	37138.31	37187.63
Off balance sheet exposure	1210.46	1210.46
Total Deduction From On and Off-Balance Sheet Exposure	70.83	70.83
Total exposure	38277.94	38327.26

11. Remuneration

The disclosure requirement on remuneration allows market participants to assess the quality of the bank's compensation practices and the incentives towards risk taking the supports. The overall objective of the Bank's remuneration policy is to establish a framework for attracting, retaining and motivating employees and creating incentives for delivering long-term performance within established risk limits. Performance is judged on both the achievement and values of the bank.

Qualitative Disclosure

Sl no.	Name, composition and mandate of the main body overseeing remuneration.	The human resource division of the bank oversees the remuneration in line with its human resource policy under direct guidance of Board of Directors of the bank.																		
a.	External consultants whose advice has been sought, the body by which they were commissioned, and in what areas of the remuneration process.	The bank does not have any external consultant in preparing and implementation of remuneration process.																		
	A description of the scope of the bank's remuneration policy (eg by regions, business lines), including the extent to which it is applicable to foreign subsidiaries and branches.	RBL follows National Pay Scale. The bank follows a non-discriminatory policy in respect of remuneration and benefits for head quarter and regions. RBL has no foreign subsidiaries and branches.																		
	A description of the types of employees considered as material risk takers and as senior managers, including the number of employees in each group.	Types of employees considered as material risk takers: <table border="1" style="width: 100%; margin-top: 5px;"> <thead> <tr> <th style="text-align: center;">Employees</th> <th style="text-align: center;">No.</th> </tr> </thead> <tbody> <tr> <td>Managing Director and CEO</td> <td style="text-align: center;">01</td> </tr> <tr> <td>Deputy Managing Director</td> <td style="text-align: center;">03</td> </tr> <tr> <td>General Manager</td> <td style="text-align: center;">17</td> </tr> <tr> <td>CFO</td> <td style="text-align: center;">01</td> </tr> <tr> <td>Divisional & Local Office Head (GM)</td> <td style="text-align: center;">11</td> </tr> <tr> <td>Divisional Head of Head Office</td> <td style="text-align: center;">34</td> </tr> <tr> <td>Zonal Managers</td> <td style="text-align: center;">25</td> </tr> <tr> <td>Branch Managers</td> <td style="text-align: center;">563</td> </tr> </tbody> </table>	Employees	No.	Managing Director and CEO	01	Deputy Managing Director	03	General Manager	17	CFO	01	Divisional & Local Office Head (GM)	11	Divisional Head of Head Office	34	Zonal Managers	25	Branch Managers	563
	Employees	No.																		
Managing Director and CEO	01																			
Deputy Managing Director	03																			
General Manager	17																			
CFO	01																			
Divisional & Local Office Head (GM)	11																			
Divisional Head of Head Office	34																			
Zonal Managers	25																			
Branch Managers	563																			
b.	An overview of the key features and objectives of remuneration policy.	There is no separate remuneration structure in RBL. RBL follows the national pay scale introduced by The Government of The Peoples' Republic of Bangladesh.																		
	Whether the remuneration committee reviewed the firm's remuneration policy during the past year, and if so, an overview of any changes that was made.	RBL followed National Pay Scale-2009 from 1 st July 2009 to 30 June 2015. The Government of the Peoples Republic of Bangladesh introduced national pay scale-2015. The same has been approved in 987 th board meeting held on December 27, 2015 and confirmed in 988 th board meeting held on December 30, 2015. A circular has been issued on January 7, 2015 July 01, 2015 on December 15, 2015 effective from 1 st July, 2015 in this regard.																		
	A discussion of how the bank ensures that risk and compliance employees are remunerated independently of the businesses they oversee.	RBL follows National Pay Scale.																		
c.	An overview of the key risks that the bank takes into account when implementing remuneration measures.	RBL follows National Pay Scale.																		
	An overview of the nature and type of the key measures used to take account of these risks, including risks difficult to measure (values need not be disclosed).	Not applicable.																		
	A discussion of the ways in which these measures affect remuneration.	Not applicable.																		
	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.	Not applicable.																		



d.	An overview of main performance metrics for bank, top-level business lines and individuals.	Not applicable.
	A discussion of how amounts of individual remuneration are linked to bank-wide and individual performance	Not applicable.
	A discussion of the measures the bank will in general implement to adjust remuneration in the event that performance metrics are weak	Not applicable.
e.	A discussion of the bank's policy on deferral and vesting of variable remuneration and, if the fraction of variable remuneration that is deferred differs across employees or groups of employees, a description of the factors that determine the fraction and their relative importance.	The pay scale describes short time and long term benefits. Short time benefits include salary, festival bonus and incentive bonus. Long term benefits include gratuity and pension, provident fund and leave encashment.
	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.	An overview of the forms of variable remuneration offered (ie cash, shares and share-linked instruments and other forms)	Not applicable.
	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 the factors that determine the mix and their relative importance.	Not applicable.

Quantitative Disclosures								
g.	Number of meetings held by the main body overseeing remuneration during the financial year and remuneration paid to its member.	Not applicable						
h.	Number of employees having received a variable remuneration award during the financial year.	Not applicable.						
	Number and total amount of guaranteed bonuses awarded during the financial year.	Not applicable.						
	Number and total amount of sign-on awards made during the financial year.	Not applicable.						
	Number and total amount of severance payments made during the financial year.	Not applicable.						
i.	Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms.	Not applicable.						
	Total amount of deferred remuneration paid out in the financial year	Not applicable.						
j.	Breakdown of amount of remuneration awards for the financial year to show: - fixed and variable. - deferred and non-deferred. - different forms used (cash, shares and share linked instruments, other forms).	<table border="1"> <thead> <tr> <th>Particulars</th> <th>Amount in BDT Crore</th> </tr> </thead> <tbody> <tr> <td>Fixed</td> <td>392.91</td> </tr> <tr> <td>Variable</td> <td>44.31</td> </tr> </tbody> </table>	Particulars	Amount in BDT Crore	Fixed	392.91	Variable	44.31
		Particulars	Amount in BDT Crore					
		Fixed	392.91					
Variable	44.31							
k.	Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit and/or implicit adjustments.	Not applicable.						
	Total amount of reductions during the financial year due to ex post explicit adjustments.	Not applicable.						
	Total amount of reductions during the financial year due to ex post implicit adjustments.	Not applicable.						