

## **DISCLOSURE UNDER BASEL III as On 30.06.2020**

Banks operating in Bangladesh are maintaining capital since 1996 on the basis of risk weighted assets in line with the Basel Committee on Banking Supervision (BCBS) capital framework published in 1988. Considering present complexity and diversity in the banking industry and to make the bank's capital requirement more risk sensitive, Bangladesh Bank, being the central bank of the country has decided to adopt the Risk Based Capital Adequacy for banks in line with capital adequacy framework devised by the BCBS popularly known as 'Basel II'. Bangladesh Bank prepared a guideline to be followed by all scheduled banks from January 2009. With the above goal, under the process of Market discipline, one of the pillars of BASEL II BKB has started to disclose It's BASEL report to Bangladesh Bank from January 2013.

Basel III reforms have been made to improve the banking sector's ability to absorb shocks arising from financial and economic stress, thus reducing the risk of spillover from the financial sector to the real economy. To cope up with the international best practices and to make the bank's capital shock absorbent Regulatory Capital Framework for banks in line with Basel III came into force from January 2015.

These disclosures have been made in accordance with the Guidelines on "Risk Based Capital Adequacy (Revised Regulatory Capital Framework for banks in line with Basel III)" issued by Bangladesh Bank vide BRPD Circular No-18 of 21 December 2014. The purpose of Market discipline in the Revised Capital adequacy Framework is to complement the minimum capital requirements and the supervisory review process. The aim of disclosure is to establish more transparent and more disciplined information so that stakeholders can assess the position of the bank regarding holding of assets and to identify the risks relating to the assets and capital adequacy to meet probable loss of assets.

The Major focuses of Basel-III are:

- a) Minimum Capital Requirements to be maintained by a bank against credit, market and operational risks
- b) Raise the quality and level of capital to ensure banks are better able to absorb losses on both a going concern and a gone concern basis
- c) Raise the standards for the supervisory review process
- d) Framework of public disclosures on the positions of a bank's risk profiles, capital adequacy and risk management system

The major highlights of the Bangladesh Bank regulations regarding measurement of Risk Weighted Assets and capital requirement:

- a) To maintain Capital to Risk Weighted Assets Ratio (CRAR) at a minimum of 10 percent.
- b) To adopt the standardized approach for credit risk in relation to implementation of Basel-III.
- c) To adopt Standardized (Rule Based) Approach for market risk.
- d) To adopt Basic Indicator Approach for Operational risk.
- e) To submit the returns to Bangladesh bank on a quarterly basis.

According to Bangladesh Bank guideline on Risk Based Capital adequacy for banks, the disclosure on the websites should be made in a web page titled "Disclosure on Risk Based Capital (Basel-III)" and the link to the page should be prominently provided on the home page of the Bank's website. Each of these disclosure pertaining to a financial year should be available on the websites until disclosure of the 4th subsequent annual as on December 31, disclosure is made and here BKB has arranged to disclose It's BASEL report on 30.06.2020 (on Audited Balance Sheet) under BASEL III as per the requirement and indications of Bangladesh Bank.

**This report has been articulated with the following areas:**

- a. Introduction and constituents of Capital,
- b. Credit Risk,
- c. Market Risk,
- d. Operational Risk,
- e. Supervisory Review Process,
- f. Supervisory Review Evaluation Process,
- g. Market Discipline,
- h. Reporting Formats and
- i. Annexure

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

## Disclosure framework

### The general qualitative disclosure requirements

For each separate risk area (e.g. credit, market, operational, banking book, interest rate, equity) risk, bank must describe their risk management objectives and policies, including:

- Strategies and processes,
- The structure and organization of the relevant risk management function,
- The scope and nature of risk reporting and measurement systems,
- Policies for hedging and mitigating risk and strategies /processes for monitoring the continuing effectiveness of hedges/mitigates.

### The following components set out in tabular form are the disclosure requirements:

- a. Scope of application
- b. Capital structure
- c. Capital adequacy
- d. Credit risk
- e. Equities: disclosures for banking book positions
- f. Interest rate risk in the banking book (IRRBB)
- g. Market risk
- h. Operational risk
- i. Leverage Ratio
- j. Liquidity Ratio
- k. Remuneration.

### Scope of application

<b>Qualitative Disclosures</b>	a) The name of the top corporate entity in the group to which this guideline applies.	Bangladesh Krishi Bank (100% state owned 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 (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).	i) Capital to Risk-weighted Assets Ratio (CRAR) report of Bangladesh krishi Bank is submitted to Bangladesh Bank on 'Solo' basis. BKB has no subsidiary company.  ii) The following items are given a deduction treatment- 1) Deferred Tax Assets iii) The accounts of the Bangladesh Krishi Bank has been solo basis. There is no deducted from the capital of BKB.
	c) Any restrictions or other major impediments on transfer of fund 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>	<p>a) Summary information on the terms and conditions of the main features of all capital instruments, especially in the case of capital instruments eligible for inclusion in Tier 1 or in Tier 2.</p>	<p>In terms of Section 13 of the Bank Company Act, 1991 (Amended up to 2013), 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. 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:  The capital of BKB can be classified into two tiers. The total regulatory capital will consist of sum of the following categories:  1. Tier 1 Capital (going-concern capital)  a) Common Equity Tier 1  b) Additional Tier 1  2. Tier 2 Capital (gone-concern capital)  Tier-1 capital consists of CET1 and Additional Tier1 Capital highest quality capital items which are stable in nature and allow a bank to absorb losses on an ongoing basis. CET1 includes paid-up capital, statutory reserve, general reserve, retained earnings, minority interest in subsidiaries.  Tier-2 capital lacks some of the characteristics of the core capital but also bears loss absorbing capacity to a certain extent. Tier-2 Capital consists of General Provision, Asset Revaluation Reserve, Revaluation Reserve for Securities and Revaluation Reserve for Equity Instrument and Balance of Exchange Equalization account.</p>																				
<b>Quantitative Disclosures</b>	<p>b) Amount of Regulatory Capital With separate Disclosure of CET- 1  Additional Tier- 1 Capital  Total Tier 1 Capital  Tier 2 Capital</p>	<p>a. The amount of Tier-1 capital, with separate disclosure of :</p> <p style="text-align: right;">(amount figure in core Tk)</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Paid up capital -----</td> <td style="text-align: right;">900.00</td> </tr> <tr> <td>Re-Capitalization-----</td> <td style="text-align: right;">650.00</td> </tr> <tr> <td>Statutory reserve -----</td> <td style="text-align: right;">23.23</td> </tr> <tr> <td>General reserve -----</td> <td style="text-align: right;">58.81</td> </tr> <tr> <td>Retained earnings -----</td> <td style="text-align: right;">(10078.89)</td> </tr> <tr> <td>Minority interest in subsidiaries -----</td> <td style="text-align: right;">0.00</td> </tr> <tr> <td>Other ( if any item approved by BB) -----</td> <td style="text-align: right;">0.00</td> </tr> <tr> <td><b>b. The total amount of Tier -2 capital -----</b></td> <td style="text-align: right;"><b>197.91</b></td> </tr> <tr> <td>General provision against UC &amp; Off balance sheet exposure-----</td> <td style="text-align: right;">197.91</td> </tr> <tr> <td>Revaluation reserves (50% of fixed assets &amp; securities and 10% of equities)-----</td> <td style="text-align: right;">341.65</td> </tr> </table>	Paid up capital -----	900.00	Re-Capitalization-----	650.00	Statutory reserve -----	23.23	General reserve -----	58.81	Retained earnings -----	(10078.89)	Minority interest in subsidiaries -----	0.00	Other ( if any item approved by BB) -----	0.00	<b>b. The total amount of Tier -2 capital -----</b>	<b>197.91</b>	General provision against UC & Off balance sheet exposure-----	197.91	Revaluation reserves (50% of fixed assets & securities and 10% of equities)-----	341.65
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	<p>c) Regulatory Adjustments/Deductions from capital</p>	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Deductions from Tier -1 capital ---</td> <td style="text-align: right;">0.00</td> </tr> <tr> <td>Deductions from Tier -2 capital -----</td> <td style="text-align: right;">341.65</td> </tr> </table>	Deductions from Tier -1 capital ---	0.00	Deductions from Tier -2 capital -----	341.65																
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	<p>d) Total eligible capital</p>	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Total eligible capital -----</td> <td style="text-align: right;">(8248.94)</td> </tr> </table>	Total eligible capital -----	(8248.94)																		
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## Capital Adequacy

<p><b>Qualitative Disclosures</b></p>	<p>a) A summary discussion of the bank's approach for assessing the adequacy of its capital to support current and future activities</p>	<p>With regard to regulatory capital computation approaches (minimum capital requirement) the bank is following the approach as prescribed by Bangladesh bank. Below are risk wise capital computation approaches that the bank is currently applying:            Credit Risk : Standardized Approach (SA)            Market Risk :Standardized Approach (SA)            Operational Risk: Basic Indicator Approach (BIA).</p> <p>In parallel to business growth, the bank cannot effectively manage its capital to meet regulatory requirement considering the risk profile. Below are few highlights:</p> <p>Currently Bangladesh bank prescribed Minimum Capital to Risk Weighted Assets Ratio (CRAR) is 10% whereas as on June, 2020 the CRAR of the Bank was (-) 41.68%.</p> <p>During the same period Minimum Capital Requirement (MCR) of the bank was BDT 1978.97 crore and Eligible Capital was BDT (8248.94) crore</p>
<p><b>Quantitative Disclosures</b></p>	<p>b) Capital requirement for Credit Risk</p> <p>c) Capital requirement for Market Risk</p> <p>d) Capital requirement for Operational Risk</p> <p>e) Total Capital, CET 1 Capital , Tier-1 Capital and Tier 2 capital ratio</p> <p>f) Capital Conservation Buffer</p>	<p>Capital requirement for Credit Risk -- Tk 19515.02</p> <p>Capital requirement for Market Risk -- Tk.4.30 core</p> <p>Capital requirement for Operational Risk --Tk 23.17</p> <p>Capital Adequacy Ratio----- - 41.68%            Core Capital to RWA (Tier-1)----- - 42.68%            Supplementary Capital to RWA (Tier-2) 1.00%</p> <p>Capital Conservation Buffer (CCB)----- 0.00%</p>
	<p>g) Available Capital under Pillar 2 Requirement</p>	<p style="text-align: center;">Could not maintain</p>



<p>Qualitative Disclosures</p>	<p>a) The General qualitative disclosure requirements with respect to credit risk, including:  i) Definition of past due and impaired (for Accounting purposes)</p> <p>ii) Description of approaches followed for specific and general allowances and statistical methods.</p>	<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. According to the instructions of Bangladesh Bank, all Loans &amp; Advances are classified into four segments. These are:</p> <ol style="list-style-type: none"> <li>1. Special Mention Account (SMA)</li> <li>2. Substandard (SS)</li> <li>3. Doubtful (DF)</li> <li>4. Bad / loss (BL)</li> </ol> <p>Bangladesh krishi Bank follows strictly all the regulations provided by Bangladesh Bank while calculating the above. Any claim or exposure that has been overdue for 90 days or more is called past and impaired loan in accordance with the definition given by Bangladesh Bank as per section 5(CC) of the Bank Companies Act.1991.</p> <p>-The Bank follows the relevant Bangladesh Bank guideline for determination of general and specific allowances for loans and advances. firstly, the base for provision for the unclassified and classified loans are calculated as under:</p> <p>A. Calculation of base for provision for unclassified /standard loans:  Outstanding amount less suspended interest, if any;  B. Calculation of base for provision for the classified loans, the higher of the following two amounts:  i. Outstanding amount less suspended interest less value of eligible securities; ii. or 15% of outstanding amount.</p> <p>Secondly, the following rates are applied on base for provision for determination of general and specific allowances for loans as per BB’s instruction.</p> <p>The Board approves the Credit Management Policy of bkb for ensuring the best practice in credit management and maintaining quality of assets. The credit policy/manual has been put in place in compliance with Bangladesh Bank’s guidelines on credit risk management and other rules &amp; regulations circulated by BB from time to time.</p>
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	<ul style="list-style-type: none"> <li>• Discussion of the Bank's credit risk management policy.</li> </ul>	<p>-Based on CRMG guidelines published by Bangladesh Bank, an updated and well managed Credit Risk Management Policy has been incorporated in Bangladesh Krishi Bank which serves as a guide to effectively avert risks involved in lending of the bank.</p> <p>-The Credit Risk Grading (CRG) has been in place since its introduction in 2005 and it is being used for making proper lending decision and for administering the CRM process.</p> <p>ICRRS has replaced CRG from 1<sup>st</sup> October/ 2019. ICRRS is always done meticulously while appraising a credit/loan proposal ( in case of loan amount Tk 50.00 Lac and above). As per ICRRS guide line for BKB, appraising of a credit/loan proposal in particular sectors below Tk 50.00 Lac/Tk 100.00 Lac, ICRRS is exempted.</p> <p>-Bangladesh Krishi Bank's credit policy is based on the customers' need on their business, security and earning capacity of recipient. The repayment ability of the business follows conservative approach in valuation of collateral.</p> <p>-The Credit policy of the bank is focused on the economic goal of the country and policies adopted by the Government. It strives towards the materialization of the Government policies leading overall economic development of the country.</p> <p>-The policy stresses the need to give special attention to problem loans and to initiate appropriate action for protecting the Banks interest on a timely basis.</p> <p>-Bangladesh Krishi Bank strictly adheres to the regulatory policies; rules etc as regard to credit management and are in compliance with regulatory requirements as stipulated by Bangladesh Bank from time to time.</p> <p>-The objective of credit risk management is to minimize the different dimension of risks associated with credit exposures and to maintain credit risk profile of the bank within tolerable range.</p>
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Quantitative Disclosures	b) Total gross credit risk exposures broken down by major types of credit exposure.	<p style="text-align: right;">(amount figure in core Tk)</p> Funded----- 22993.52 Non funded ----- 792.23 Total ----- 23785.75 <b>Balance sheet Exposures-</b> 1. Cash----- 174.05 2. Claims on Bangladesh Govt. & BB-- 1607.44 3. Claims on Banks and NBFIs---- 83.55 4. Claims on Corporate----- 1547.63 5. Claims categorized as retail portfolio 13988.68 6. Consumer Finance----- 26.69 7. Claims fully secured by residential property- 101.40 8. Claims fully secured by commercial real estate 370.50 9. SME----- 1523.34 10. Past due Claims----- 2732.71 11. Capital Market exposure----- 3.14 12. Un listed Security----- 0.30 13. Investment in premises, Fixed assets, plant-- 792.93 14. All other assets Claims on Bangladesh Govt. & BB----- 458.76 15. Staff loan & other investment----- 1744.93 16. All other assets Cash item in process of collection----- 414.20 17. All other assets----- 3321.27 <b>Off Balance sheet Exposure</b> 1. Claims on Bangladesh Govt. & BB----- 26.38 2. Claims on public sector entities----- 97.53 3. Claims on Corporate----- 37.40
	c) Geographical distribution of exposures, broken down in significant areas by major types of credit exposure	<p style="text-align: right;">(amount figure in core Tk)</p> <u>Balance sheet exposures</u> Dhaka Division----- 7673.74 Mymensingh Division----- 3826.25 Chattogram Division----- 4433.95 Khulna Division----- 4015.19 Barisal Division----- 2423.30 Sylhet Division----- 1413.32 Total----- 23785.75
	d) Industry type distribution of exposures, broken down by major types of credit exposure :	Industry wise distribution of loans and advances: <p style="text-align: right;">(amount figure in core Tk)</p> Agriculture Crop Loan ----- 12273.28 Fishery Loan----- 1378.55 Livestock Loan----- 1565.92 Textile ( Industry & Trade)---- 94.72 Transport ----- 15.21 SME----- 1523.34 RMG ----- 918.23 Leather----- 18.35 Consumer Credit----- 26.69 Trade Financing----- 2705.19 Others industries----- 1725.63 Construction ,Health & Storage--- 248.72 Others ----- <u>1291.92</u> Total ----- 23785.75

	<p>e) Residual contractual maturity breakdown of the whole portfolio broken down by major types of credit exposure.</p>	<p><b>Loan Exposure.</b> (amount figure in core Tk)</p> <table> <tr> <td>Receivable on Demand</td> <td>951.43</td> </tr> <tr> <td>Within 3 months</td> <td>2140.72</td> </tr> <tr> <td>Within 3 months to 12 months</td> <td>6660.01</td> </tr> <tr> <td>Within 1 year to 5 years</td> <td>11892.87</td> </tr> <tr> <td>More than 5 years</td> <td><u>2140.72</u></td> </tr> <tr> <td>Total -----</td> <td><u>23785.75</u></td> </tr> </table>	Receivable on Demand	951.43	Within 3 months	2140.72	Within 3 months to 12 months	6660.01	Within 1 year to 5 years	11892.87	More than 5 years	<u>2140.72</u>	Total -----	<u>23785.75</u>										
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	<p>f) By major industry or counterparty type :</p> <ul style="list-style-type: none"> <li>• Amount of impaired loans and if available past due loans, provided separately</li> <li>• Specific provision</li> <li>• General provisions</li> <li>• Changes for specific allowances and change Off during the period</li> </ul>	<p>(amount figure in core Tk)</p> <p>2732.71 core</p> <p>1697.57core</p> <p>193.71 core</p> <p>Not Applicable</p>																						
	<p>g) Gross Nonperforming Assets (NPAs) Nonperforming Assets (NPAs ) to Outstanding loans &amp; advances</p> <p>Movement of Non Performing Assets (NPAs)</p> <p>Movement of specific provisions for NPAs :</p>	<p>Tk 2732.71 core</p> <p>: 0.1149:1.00</p> <p>(amount figure in core Tk)</p> <table> <tr> <td>Opening balance-----</td> <td>3566.09</td> </tr> <tr> <td>Add: Newly classified-----</td> <td>843.62</td> </tr> <tr> <td>Cash recovery &amp; adjustment-----</td> <td>(243.50)</td> </tr> <tr> <td>Interest Waiver-----</td> <td>(605.30)</td> </tr> <tr> <td>Re-scheduling-----</td> <td>(828.20)</td> </tr> <tr> <td>Closing balance -----</td> <td>2732.71</td> </tr> </table> <p>(amount figure in core Tk)</p> <table> <tr> <td>Opening balance-----</td> <td>1802.43</td> </tr> <tr> <td>Transfer to unclassified loans &amp; advances ---</td> <td>(26.48)</td> </tr> <tr> <td>Transfer to Diminution in Value of Investments--</td> <td>(0.38)</td> </tr> <tr> <td>Transfer to Profit &amp; Loss account -----</td> <td>(78.00)</td> </tr> <tr> <td>Closing balance-----</td> <td>1697.57</td> </tr> </table>	Opening balance-----	3566.09	Add: Newly classified-----	843.62	Cash recovery & adjustment-----	(243.50)	Interest Waiver-----	(605.30)	Re-scheduling-----	(828.20)	Closing balance -----	2732.71	Opening balance-----	1802.43	Transfer to unclassified loans & advances ---	(26.48)	Transfer to Diminution in Value of Investments--	(0.38)	Transfer to Profit & Loss account -----	(78.00)	Closing balance-----	1697.57
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## Equities: Disclosures for Banking Book positions

<p><b>Qualitative Disclosures</b></p>	<p>a) The general qualitative disclosure requirement with respect to equity risk including:</p> <ul style="list-style-type: none"> <li>• Differentiation between holdings on which capital gains are expected and those taken under other objectives including for relationship and strategic reasons.</li> <li>• 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.</li> </ul>	<p>-Basically, there is no differentiation for all equity holdings are held for expected capital gain. However, there are holdings which are kept for relationship and strategic reason apart from capital gains.</p> <p>-Equity holdings in the banking book are recorded in the books of accounts at cost price. In fact there is no valuation methodology used in the bank. Provisions are made against equity holdings when there takes place any decrease in the value of equity holdings.</p> <p>Market value of allotted securities has been determined on the basis of the value of securities at the last trading day of the year. The non-listed investments in securities are shown at cost.</p>
<p><b>Quantitative Disclosures</b></p>	<p>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.</p> <p>c) The cumulative realized gains (losses) arising from sales and liquidations in the reporting period.</p> <p>d) • Total unrealized gains (losses)</p> <ul style="list-style-type: none"> <li>• Total latent revaluation gains (losses)</li> <li>• Any amounts of the above included in Tier 2 capital.</li> </ul> <p>e) Capital requirements broken down by appropriate equity groupings, consistent with the banks methodology as well as the aggregate amounts and the type of equity investments subject to any supervisory provisions regarding regulatory capital requirements.</p>	<p>Investment in shares at cost price:</p> <ul style="list-style-type: none"> <li>a) Quoted shares-----3.14 core</li> <li>b) Un-quoted shares----0.30 core</li> </ul>

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

<p><b>Qualitative Disclosures</b></p>	<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 describes how the bank would be negatively affected with the change in the interest rates on its On-balance sheet and the Off- balance sheet exposures. The Bank uses a simple Sensitivity Analysis as well as Duration Gap Analysis to determine its vulnerability against the adverse moment of market variables.</p> <p>Bangladesh Krishi Bank discusses the interest rate issue in its ALCO/MCC meeting. In addition BKB assesses the interest rate risk using simple duration analysis as per the formula given by Bangladesh Bank in its guidelines on Stress Testing. For change in interest rates, currently, Bangladesh Krishi Bank has become risk sensible for its Assets comparable to its Liabilities.</p> <p>The Bank is on a continuous process of re-structuring in its assets and liabilities to make a balance between them and to bring the situation back in its favour for any change in interest rate.</p>																																																										
<p><b>Quantitative Disclosures</b></p>	<p>b) The increase (decline) in earning or economic value (or relevant measure used by management) for upward and downward rate shocks according to management method for measuring IRRBB, broken down by currency (as relevant)</p>	<p>The bank has been using " Stress Testing" based on the guideline published by Bangladesh Bank to determine the following:</p> <p>-Impact on earning</p> <p>-Impact on Capital requirements</p> <table border="1" data-bbox="695 1178 1430 1892"> <thead> <tr> <th>Sl.No</th> <th>Particulars</th> <th colspan="3">Amount (Tk. In Crore)</th> </tr> </thead> <tbody> <tr> <td>01.</td> <td><b>Total Risk Sensitive Assets</b></td> <td colspan="3" style="text-align: center;"><b>23785.75</b></td> </tr> <tr> <td>02.</td> <td><b>Risk Sensitive Liabilities</b></td> <td colspan="3" style="text-align: center;"><b>22865.59</b></td> </tr> <tr> <td>03.</td> <td><b>Weighted Average Duration of Assets</b></td> <td colspan="3" style="text-align: center;"><b>1.59</b></td> </tr> <tr> <td>04.</td> <td><b>Weighted Average Duration of Liabilities</b></td> <td colspan="3" style="text-align: center;"><b>0.83</b></td> </tr> <tr> <td>05.</td> <td><b>Duration Gap</b></td> <td colspan="3" style="text-align: center;"><b>0.52</b></td> </tr> <tr> <td rowspan="2">06.</td> <td rowspan="2"><b>Assumed change in Interest rate</b></td> <td>1%</td> <td>2%</td> <td>3%</td> </tr> <tr> <td>Minor</td> <td>Moderate</td> <td>Major</td> </tr> <tr> <td colspan="5" style="text-align: center;"><b>Reprising Impact</b></td> </tr> <tr> <td>07.</td> <td><b>Change in value of bond portfolio (Under stress testing)</b></td> <td style="text-align: center;">-</td> <td style="text-align: center;">-</td> <td style="text-align: center;">-</td> </tr> <tr> <td>08.</td> <td><b>Capital After shock</b></td> <td style="text-align: center;">-8357.65</td> <td style="text-align: center;">-8376.11</td> <td style="text-align: center;">-8394.57</td> </tr> <tr> <td>09.</td> <td><b>CRAR aftershock (%)</b></td> <td style="text-align: center;">-42.23%</td> <td style="text-align: center;">-42.33%</td> <td style="text-align: center;">-42.42%</td> </tr> </tbody> </table>	Sl.No	Particulars	Amount (Tk. In Crore)			01.	<b>Total Risk Sensitive Assets</b>	<b>23785.75</b>			02.	<b>Risk Sensitive Liabilities</b>	<b>22865.59</b>			03.	<b>Weighted Average Duration of Assets</b>	<b>1.59</b>			04.	<b>Weighted Average Duration of Liabilities</b>	<b>0.83</b>			05.	<b>Duration Gap</b>	<b>0.52</b>			06.	<b>Assumed change in Interest rate</b>	1%	2%	3%	Minor	Moderate	Major	<b>Reprising Impact</b>					07.	<b>Change in value of bond portfolio (Under stress testing)</b>	-	-	-	08.	<b>Capital After shock</b>	-8357.65	-8376.11	-8394.57	09.	<b>CRAR aftershock (%)</b>	-42.23%	-42.33%	-42.42%
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## Market Risk

**Market risk** is the risk of losses in positions arising from movements in market prices.

There is no unique classification as each classification may refer to different aspects of market risk. Nevertheless, the most commonly used types of market risk are:

- Equity risk, the risk that stock or stock indices prices or their implied volatility will change.
- Interest rate risk, the risk that interest rates or their implied volatility will change.
- Currency risk, the risk that foreign exchange rates or their implied volatility will change.
- Commodity risk, the risk that commodity prices or their implied volatility will change.

<b>Qualitative Disclosures.</b>	<p>a) <b>Views of BOD on investment activities.</b></p> <p><b>Methods used to measure Market Risk</b></p> <p><b>Market Risk Management system</b></p> <p><b>Policies and process for mitigating market risk</b></p>	<p>-The BOD of the Bank views the ' Market Risk' as the risk to the banks earnings and Capital due to change in the market level of interest rates of securities, foreign exchange and equities as well as the volatilities of those changes.</p> <p>-The Bank uses the standardized (Rule Based) approach to calculated market risk for trading book exposures.</p> <p>-ALCO is the key tool for managing market risk. An ALCO is in place in the bank to administer the system.</p> <p>-There are approved limits for loan deposit ratio, liquid assets to total assets ratio, maturity mismatch, commitments for both on and off balance sheet items, borrowing from money market, foreign exchange position and refinance from Bangladesh Bank.</p> <p>The limits are mentioned and enforced regularly to protect against market risk.</p> <p>These limits are reviewed based on prevailing market and economic conditions to minimize risk due to market fluctuation.</p>
<b>Quantitative Disclosures</b>	<p>b) The capital requirements for</p> <p>Interest rate risk</p> <p>Equity position risk</p> <p>Foreign exchange risk</p> <p>Commodity risk</p>	<p style="text-align: right;">(amount figure in core Tk)</p> <p style="text-align: right;">Tk. 0.00</p> <p style="text-align: right;">Tk 0.19</p> <p style="text-align: right;">Tk.4.11</p> <p style="text-align: right;">Tk 0.00</p>

## Operational Risk

**Operational risk** is the prospect of loss, resulting from inadequate or failed procedures, systems or policies, Employee errors, Systems failures, Fraud or other criminal activity.

<p><b>Qualitative Disclosures</b></p>	<p>a) <b>i. Views of Board of Directors (BOD) on system to reduce Operational Risk</b></p> <p><b>ii. Performance gap of executives and staffs</b></p> <p><b>iii. Potential external events</b></p> <p><b>iv. Policies and processes for mitigating operational risk</b></p> <p><b>v. Approach for calculating capital charge for operational risk</b></p>	<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>BKB has a policy to provide competitive package and best working environment to attract and retain the most talented people available in the industry. BKB's strong brand image plays an important role in employee motivation. As a result, there is no significant performance gap.</p> <p>BKB operates its business with few external risk factors relating to the socio-economic condition, political atmosphere, regulatory policy changes, natural disaster etc. based on the overall perspective of the country.</p> <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.</p> <p>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 <math>\alpha</math> (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:</p> $K = [(GI1 + GI2 + GI3) \alpha] / n$ <p>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)  <math>\alpha</math> = 15 percent  n = number of the previous three years for which gross income is positive.</p> <p>Besides, Gross Income (GI) is calculated as "net Interest Income" plus "net non -Interest Income".</p>
<p><b>Quantitative Disclosures</b></p>	<p>b) The capital requirements for Operational risk</p>	<p style="text-align: right;">Tk. 23.17 crore</p>

## Liquidity Ratio

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

<b>Qualitative Disclosures.</b>	<p>a) <b>Views of BOD on system to reduce liquidity Risk.</b></p>	<p>- The Board of Directors reviews the liquidity risk of the Bank on half yearly rest while reviewing the half yearly Financial Statements, quarterly Stress Testing Report etc. Besides, Managing Director also reviews the liquidity position while reviewing the daily fund position. BKB has adopted the Basel III framework on liquidity standards as prescribed by Bangladesh Bank (BB) and has put in place requisite systems and processes to enable periodical computation and reporting of the Liquidity Coverage Ratio (LCR) &amp; Net Stable Funding Ratio (NSFR). The Treasury Management Department computes the LCR &amp; NSFR and reports LCR &amp; NSFR to the Asset Liability Management Committee (ALCO) every month for reviewing where ALCO is chaired by the Managing Director as well as to the Risk Management Committee (Management Level). The Risk Management Committee of the board sits quarterly to discuss the overall risk scenario of the bank.</p>
	<p><b>Methods used to measure liquidity Risk.</b></p>	<p>The following methods are used to measure Liquidity risk;</p> <ul style="list-style-type: none"> <li>Liquidity Coverage Ratio (LCR);</li> <li>Net Stable Funding Ratio (NSFR);</li> <li>Cash Reserve Ratio (CRR);</li> <li>Statutory Liquidity Ratio (SLR);</li> <li>Medium Term Funding Ratio (MTFR);</li> <li>Maximum Cumulative Outflow (MCO);</li> <li>Loan Deposit Ratio (LDR)</li> </ul>

	<p><b>Liquidity Risk Management system</b></p> <p><b>Policies and process for mitigating liquidity risk</b></p>	<p>- The Treasury Management Department of the Bank manages liquidity risk with oversight from Assets-Liability Management Committee (ALCO) comprising senior executives of the Bank. ALCO meets once in a month to review strategies on Asset Liability Management. The Factors related with Liquidity Risk Management system are given below:</p> <ol style="list-style-type: none"> <li>1. ADR maximum up to 85%</li> <li>2. MTF at 30% to 45%</li> <li>3. Wholesale Borrowing up to maximum Taka 1000.00 core</li> <li>4. MCO should not exceed 20%</li> <li>5. Prior intimation for withdrawal of deposit</li> <li>6. Maturity profile of term deposit and advance</li> <li>7. Preparing projected cash flow</li> </ol> <p>- The Liquidity risk management of the Bank is undertaken by the Asset Liability Management group in the Treasury in accordance with the Board approved policies and ALCO approved funding plans.</p> <p>- Treasury Management Department and ALM desk under regular supervision of top management reviews the overall liquidity position of BKB and takes appropriate strategy; process in line with the industry position for managing liquidity risk of the Bank.</p>
<b>Quantitative Disclosures</b>	<p>b) Liquidity Coverage Ratio</p> <p>Net Stable Funding Ratio (NSFR)</p> <p>Stock of High quality liquid assets</p> <p>Total net cash outflows over the next 30 calendar days</p> <p>Available amount of Stable funding</p> <p>Required amount of Stable funding</p>	<p>----- 99.57 %</p> <p>----- 75.03 %</p> <p>----- 1934.87 core</p> <p>----- 1782.26 core</p> <p>----- 16412.76 core</p> <p>----- 21873.86 core</p>



## Leverage Ratio

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

The leverage ratio is intended to achieve the following objectives:

- a. Constrain the build-up of leverage in the banking sector which can damage the broader financial system and the economy; and
- b. Reinforce the risk based requirements with an easy to understand and a non-risk based measure.

<b>Qualitative Disclosures</b>	<p>a) <b>Views of BOD on system to reduce excessive leverage</b></p> <p><b>Policies and process for managing excessive on and off balance sheet leverage-</b></p> <p><b>Approach for calculating exposure</b></p>	<p>In line with the BASEL III guidelines, BKB Board of Directors emphasis to improve Leverage Ratio by enhancing Tier 1 capital.</p> <p>Leverage ratio is calculated dividing the Tier 1 Capital by the total Exposure. Tier 1 Capital is calculated as per BASEL III guidelines. In the case of exposure measure, BKB includes both on balance sheet exposure and off balance sheet exposure.</p> <p>Leverage ratio is calculated dividing the Tier 1 Capital by the total Exposure. Tier 1 Capital is calculated as per BASEL III guidelines. In the case of exposure measure, BKB includes both on balance sheet exposure and off balance sheet exposure</p> <p>- Leverage ratio is calculated dividing the Tier 1 Capital by the total Exposure. The exposure measure for the leverage ratio will generally follow the accounting measure of exposure. In order to exposure consistently with financial accounts, the following will be applied by the bank.</p> <ol style="list-style-type: none"> <li>i. On balance sheet, non derivative exposures will be net of specific provision and valuation adjustments.</li> <li>ii. Physical or financial collateral, guarantee or credit risk mitigation purchased is not allowed to reduce on-balance sheet exposure.</li> <li>iii. Netting of loans and deposit is not allowed.</li> </ol> <p>Leverage ratio of Bank has been worked out under the Basic Indicator Approach of RBCA guidelines in Solo-Basis.</p>
<b>Quantitative Disclosures</b>	<p>b) Leverage Ratio</p> <p>On balance sheet exposure</p> <p>Off balance sheet exposure</p> <p>Total exposure</p>	<p style="text-align: right;">(-)30.88%</p> <p style="text-align: right;">27193.95 core</p> <p style="text-align: right;">161.31 core</p> <p style="text-align: right;">27355.26 core</p>

## Remuneration

<p><b>Qualitative Disclosures</b></p>	<p><b>a) Information relating to the bodies that oversee remuneration: Name, composition and mandate of the main body overseeing remuneration.</b></p> <p><b>External consultants whose advice has been sought, the body by which they were commissioned, and in what areas of the remuneration process.</b></p> <p><b>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.</b></p> <p><b>A description of the types of employees considered as material risk takers and as senior managers including the number of employees in each group.</b></p> <p><b>b) Information relating to the design and structure of remuneration processes:</b></p> <p><b>i) An overview of the key features and objectives of remuneration policy.</b></p> <p><b>ii) Whether the remuneration committee reviewed the firm's remuneration policy during the past year, and if so, and an overview of any changes that were made.</b></p>	<p>-Bangladesh Krishi Bank, one of the state owned specialized banks operating in Bangladesh, has been playing vital role in overall agricultural financing. Being a state owned bank, the remuneration system of Bangladesh Krishi Bank is governed under National Pay Scale declared by Bangladesh Government. There is a fixation cell in the bank which works out the pay fixation as per the national pay scale in force. The remuneration process for the employees was conducted under the National Pay Scale 2015.</p> <p>- Since the bank follows the national pay scal-2015, it requires no advice with regard to the remuneration process from any external consultant and therefore, no commission to this effect is paid to any agencies.</p> <p>- There is no foreign subsidiary and branch of the bank. The remuneration policy follows uniform rule of the national pay scale and does not change due to the employees working at diversified geographical locations.</p> <p>-Usually the branch managers, regional head, divisional head and senior management of the head office are considered as the material risk takers.</p> <p>-The overall design and structure of the remuneration system of Bangladesh Krishi Bank is as per the national pay scale approved by the Government of the People's Republic of Bangladesh.</p> <p>ii) The process is reviewed only when a new national pay scale gets in force. Bangladesh Krishi Bank adopted a new pay scale which was declared by the government of People's Republic of Bangladesh on 15 December 2015 and became effective from 1 July 2015.</p>
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<p><b>iii) A discussion of how the bank ensures that risk and compliance employees are remunerated independently of the businesses they oversee.</b></p> <p><b>c) Description of the ways in which current and future risks are taken into account in the remuneration processes. An overview of the key risks that the bank takes into account when implementing remuneration measures.</b>  <b>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).</b>  <b>A discussion of the ways in which these measures affect remuneration.</b></p> <p><b>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.</b></p> <p><b>d) Description of the ways in which the bank seeks to link performance during a performance measurement period with levels of remuneration:</b>  <b>An overview of main performance metrics for bank, top-level business lines and individuals.</b></p>	<p><b>-Not Applicable</b></p> <p><b>A discussion of the bank's policy on deferral and vesting of variable remuneration and a discussion of the bank's policy and criteria for adjusting deferred remuneration before vesting and after vesting</b></p> <ul style="list-style-type: none"> <li>- The Bank has various schemes in regards to deferred and vested variable remuneration which are as under: <ul style="list-style-type: none"> <li>a. Death cum Survival Superannuation Fund provides superannuation and other benefits to the employees of the Bank on their death, disability, retirement/or being incapacitated at any time or for any other cause that may be deemed fit as per Govt. rule.</li> <li>b. Staff House Building Loan: Permanent employee any rank after completion of 5 (five) years of service, can avail of a House Building Loan at Bank Rate as per policy and approval from the appropriate Authority</li> </ul> </li> <li>- All employees of the bank (including those working in controlling offices) have been imposed a yearly target of deposit mobilization and loan recovery (related personnel). But the target achievement does not affect in the remuneration policy of the bank.</li> </ul> <p><b>Description of the different forms of variable remuneration (i.e. cash, shares, and share -linked instruments and other forms) that the bank utilizes and the rationale for using these different forms</b></p> <ul style="list-style-type: none"> <li>- There is no variable and deferral remuneration existing in the remuneration system. It does not include any reward for longer term performance. Salary and all types of benefits provided by the bank are only in the form of cash.</li> </ul>
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	<p><b>A discussion of how amounts of individual remuneration are linked to bank-wide and individual performance.</b></p> <p><b>A discussion of the measures the bank will in general implement to adjust remuneration in the event that performance metrics are weak.</b></p> <p><b>e) Description of the ways in which the bank seeks to adjust remuneration to take account of longer-term performance:</b></p> <p><b>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.</b></p> <p><b>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.</b></p> <p><b>f) Description of the different forms of variable remuneration that the bank utilizes and the rationale for using these different forms:</b></p> <p><b>An overview of the forms of variable remuneration offered ( ie cash, shares and share-linked instruments and other forms ).</b></p> <p><b>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.</b></p>	<p><b>-Not Applicable</b></p> <p><b>-Not Applicable</b></p>
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<p><b>Quantitative Disclosures</b></p>	<p>g) Number of meetings held by the main body overseeing remuneration during the financial year and remuneration paid to its member.</p> <p>h) Number of employees having received a variable remuneration award during the financial year.</p> <p>Number and total amount of guaranteed bonuses awarded during the financial year.</p> <p>Number and total of sign-on awards made during the financial year.</p> <p>Number and total amount of severance payment made during the financial year.</p> <p>i) Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms. Total amount of deferred remuneration paid out in the financial year.</p> <p>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 ).</p> <p>k) Quantitative information about employees' exposure to implicit ( eg fluctuations in the value of shares or performance units) and explicit adjustments (eg claw backs or similar reversals or downward revaluations of awards ) of deferred remuneration and retained remuneration.</p> <p>Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit and/or implicit adjustments.</p> <p>Total amount of reductions during the financial year due to ex post explicit adjustments.</p> <p>Total amount of reductions during the financial year due to ex post implicit</p>	<p>Bangladesh krishi bank follows Government remuneration Policy. No variable remuneration policy exists in Bangladesh krishi bank.</p> <p>-BKB follows Government remuneration Policy. No variable remuneration policy exists in BKB.</p> <p>-2(Two) number of guaranteed bonus (Festival Bonus) were awarded during the year and the amount of bonus was Tk. 47.55 crore</p> <p><b>-Not Applicable</b></p> <p><b>-Not Applicable</b></p> <p><b>Breakdown of amount of remuneration awards for the financial year (2020-2021) to show:</b> Fixed and variable Fixed remuneration is Tk. 811.40 core and variable remuneration is Tk. 0.00 core.</p> <p><b>Bangladesh krishi Bank follows national pay scale 2015.</b></p> <p><b>-Not Applicable</b></p> <p><b>-Not Applicable</b></p> <p><b>-Not Applicable</b></p>
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