Agrani Bank Limited

Disclosure under Basel-III
Qualitative and Quantitative Disclosures
Under Pillar-III of Risk Based Capital Adequacy
as of 31st December 2016 (On Audited Accounts)

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

Disclosure Framework:

The following detailed qualitative and quantitative disclosures as on December 31, 2016 are furnished in line with Bangladesh Bank's Risk Based Capital Adequacy (RBCA) guidelines.

Scope of application:

Qualitative Disclosures

a) The name of the top corporate entity in the group to which this guideline applies is Agrani Bank Limited.
b) An outline of differences on the basis of consolidation for accounting and regulatory purposes, with a brief description of the entities within the group:

1) That is fully consolidated.

ABL's Minimum Capital Requirement (MCR) has been arrived at both on Solo & Consolidated Basis.

2) The following items are given a deduction treatment.

- Deferred Tax Assets
- Intangible Assets (Software)

Following are the 5 subsidiary companies of Agrani Bank Limited.

i) Agrani Equity & Investment Limited

Agrani Bank Limited is the parent company of Agrani Equity & Investment Ltd. which is established to perform merchant banking activities in Bangladesh.

Name: Agrani Equity & Investment Ltd.
Date of incorporation: 16.03.2010
Date of Commencement: 16.03.2010
Authorized Capital: Tk. 500,00,00,000
Paid up Capital: Tk. 400,00,00,000
Ownership Interest in Capital : Tk. 400,00,00,000 (100%)

ii) Agrani SME Financing Company Limited

Agrani Bank Limited is the parent company of Agrani SME Financing Company Limited which is established to perform retail banking activities in Bangladesh.

Name: Agrani SME Financing Company Limited
Date of incorporation: 27.10.2010
Date of Commencement: 27.10.2010
Authorized Capital: Tk. 500,00,00,000
Paid up Capital: Tk. 100,00,00,000
Ownership Interest in Capital: Tk. 100,00,00,000 (100%)

iii) Agrani Exchange House Private Limited, Singapore

Agrani Bank Limited is the parent company of Agrani Exchange House Private Limited, Singapore which is established to perform activities as remittance house.

Name: Agrani Exchange House Private Limited, Singapore
Date of incorporation: 04.01.2002
Date of Commencement: 08.02.2002
Authorized Capital: SGD 10,00,000
Paid up Capital: SGD 10,00,000
Ownership Interest in Capital: SGD 10,00,000 (100%)

iv) Agrani Remittance House SDN, BHD, Malaysia

Agrani Bank Limited is the parent company of Agrani Remittance House SDN, BHD, Malaysia which is established to perform activities as remittance house.

Name: Agrani Remittance House SDN, BHD, Malaysia
Date of incorporation: 18.08.2005
Date of Commencement: 13.01.2006
Authorized Capital: MYR 50,00,000
Paid up Capital: MYR 30,00,000
Ownership Interest in Capital: MYR 30,00,000 (100%)

v) Agrani Remittance House Canada, Inc.

Agrani Bank Limited is the parent company of Agrani Remittance House Canada, Inc. which is established to perform activities as remittance house.

Name : Agrani Remittance House Canada, Inc.
Date of incorporation : 11.07.2012
Date of Commencement : 26.05.2014
Authorized Capital : CAD 100
Paid up Capital : CAD 100
Ownership Interest in Capital: CAD 100 (100% owned by Agrani Bank Limited)

3) That is neither Solo nor deducted (e.g. where the investment is risk- weighted).

The accounts Of the ABL's above mentioned subsidiary companies have been consolidated. However, the investment in these subsidiaries has not been deducted from the capital of ABL.

c) Any restrictions or other major impediments on transfer of funds or regulatory capital within the group.

Yes, there are.

d) Quantitative Disclosures

Since the Capital requirement of ABL has been arrived at both on Solo & Consolidated basis as such capital requirement of above mentioned subsidiaries have not been assessed.

2. Capital structure

Qualitative Disclosures

a) The composition of regulatory capital is different from accounting capital in line with Basel regime. As per the RBCA Guidelines each bank has to maintain CRAR on Consolidated basis and solo basis as per instructions given by Bangladesh Bank from time to time. The minimum CRAR for the year ended December 31, 2016 was 10%. The regulatory capital under Basel-III is composed of (i) a. Common Equity Tier-1 Capital (CET-1), b. Additional T-1 Capital and (ii) Tier-2 capital. The capital structure of ABL consists of Common Equity Tier-1 and Tier-2 capital.

Common Equity Tier- 1 Capital comprises of paid up Capital, Statutory Reserve, General Reserve and Retained Earnings.

ABL has no such capital under the criteria of Additional Tier-I capital

Tier-2 Capital consists of General Provision, Revaluation Reserve for fixed assets, Securities and Equity instruments.

Quantitative Disclosures

(Taka in crore)

Particulars	Solo	Consolidated
(A)		
Paid up capital	2072.29	2072.29
Non-repayable share premium account	0.00	0.00
Statutory reserve	585.94	589.70
General reserve	57.80	63.17
Retained earnings	(586.96)	(597.63)
Minority interest in subsidiaries	0.00	0.00
Dividend equalization account	0.00	0.00
Others (if any item approved by BB)	16.81	16.81
Sub-Total (Common Equity Tier-1 Capital)	**2145.88**	**2144.34**
Deductions from Common Equity Tier-1 capital	454.31	454.31
Total Common Equity Tier-I Capital (A)	**1691.58**	**1690.04**
(B)		
Amount of Tier-2 Capital	1243.59	1243.59
Deductions from Tier-2 capital	257.92	257.92
Total Tier-II Capital (B)	**985.67**	**985.67**
Total regulatory capital (A+B)	**2677.25**	**2675.71**

3. Capital Adequacy

Qualitative Disclosures

a) 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)

Capital of the Bank

In parallel to business growth, the bank effectively manages its capital to meet regulatory requirement considering the risk profile. Below are few highlights:

- Currently Bangladesh bank prescribed Minimum Capital to Risk Weighted Assets Ratio (CRAR) is 10% whereas as on December, 2016 the CRAR of the Bank was 10.03%.
- During the same period Minimum Capital Requirement (MCR) of the bank was BDT. 2669.95 crore and Eligible Capital was BDT. 2677.25 crore .

Quantitative Disclosures

	Solo	Consolidated
b) Capital requirement for Credit Risk	2109.74	2047.14
c) Capital requirement for Market Risk	226.83	315.13
d) Capital requirement for Operational Risk	333.38	342.22
e) Total and Tier- 1 capital ratio	1.00 : .63	1.00 : .63
• For the consolidated group and	Yes	
• For stand alone	Yes	
f) Capital Conservation Buffer	Could not maintain	Could not maintain
g) Available Capital under Pillar-2 requirement	Under process	Under process

4. Credit Risk

Qualitative Disclosures

a) Credit risk is the potential that a bank's borrower or counterparty fails to meet its obligations in accordance with the agreed terms. Bank is exposed to credit risk from its dealing with or lending to corporate, individuals, and other banks or financial institutions. As regards capital charge for Credit Risk, all assets in Banking Book have been risk-weighted strictly based on pre-specified weight as determined by Bangladesh Bank as per RBCA guidelines. However, the bank has conducted proper mapping with the grading of Bangladesh Bank for those exposures or claims graded by External Credit Assessment Institution (ECAI).

• Definitions of past due and impaired (for accounting purposes).

As per guideline of Bangladesh Bank, All Loans and Advances are grouped into 4 (four) categories namely- Continuous Loan, Demand Loan, Fixed Term Loan and Short-Term Agricultural Credit & Micro Credit for the purpose of classification. The bank follows Bangladesh Bank circulars and Guidelines related to classification and provisioning to define past due and impairment. General provisions @ 0.25% to 5% under different categories on unclassified loans (standard/SMA) and @ 1% on off balance-sheet exposures, and specific provisions @ 20%, 50% and 100% on classified (substandard/doubtful/bad-loss) loans are made on the basis of instructions contained in BRPD Circular/s. The summary of some objective criteria for loan classification and provisioning requirement is as follows:

Type of Facility	Loans Classification					
	Sub Standard		Doubtful		Bad & Loss	
	Overdue Period	Provision (%)	Overdue Period	Provision (%)	Overdue Period	Provision (%)
Continuous Loan & Demand Loan	3 months or more but less than 6 months	20%	6 months or more but less than 9 months	50%	9 months or more	100%
Fixed Term Loan more than Tk. 10 lac	3 months or more but less than 6 months	20%	6 months or more but less than 9 months	50%	9 months or more	100%
Fixed Term Loan up to Tk. 10 lac	6 months or more but less than 9 months	20%	9 months or more but less than 12 months	50%	12 months or more	100%
Short Term Agricultural & Micro Credit	12 months or more but less than 36 months	5%	36 months or more but less than 60 months	5%	60 months or more	100%

- Description of approaches followed for specific and general allowances and statistical methods.

- The Bank has been following Standardized Approach for assessing the requirement of Capital charge against Credit Risk. The methodology used for this approach is to rate the exposures by the External credit Assessment Institution (ECAI).

- Discussion on the bank's credit risk management policy:

- The Bank has a well structured delegation of credit approved authority for ensuring good governance and better control in credit approval system.

Considering the key elements of credit risk, the bank has established Credit Risk Management framework in line with the Bank's Credit Risk Management (CRM) policy guideline and the Credit Risk Grading (CRG) system. This framework defines CRM structure, role, responsibilities and the processes to identify, quantify, and manage risk under the given policy. The CRM policy is reviewed from time to time to adopt new techniques, policies for measurement, management and mitigation of risks in line with the socioeconomic scenario and investment environment of the country.

ABL's credit policy is based on the customers' need for their business, earning capacity of borrower, the repayment capability of the business, and the value of collateral.

The Credit policy of the bank focuses on the economic goal of the country and policies adopted by the Government. It strives towards the materialization of the Government policies leading to overall economic development of the country.

Bank's Loan Review Policy is in place to address the problem loans and to initiate appropriate action to protect the Bank's interest on a timely basis.

ABL 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. 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 a tolerable range.

Quantitative Disclosures

b) Total (gross) Credit Risk Exposure broken down by major types of credit exposure is appeared below:

(Taka in crore)

	Solo	Consolidated
Funded	46563.46	45981.65
Non Funded	1390.53	1390.53
Total	**47953.99**	**47372.18**

c) Geographical distribution of exposures, broken down to significant areas by major types of credit exposure.

Balance Sheet Exposures (Loans & Advances)

(Taka in crore)

Region	Urban	Rural	Total
Dhaka Region	16,068.61	364.01	16,432.62
Chittagong Region	1,923.77	49.49	1,973.26
Khulna Region	1,350.00	536.27	1,886.27
Rajshahi Region	1,100.57	474.14	1,574.71
Barishal Region	414.23	290.57	704.80
Sylhet Region	298.95	96.40	395.35
Rangpur Region	906.82	376.02	1,282.84
Mymensing Region	591.92	415.65	1,007.57
Comilla Region	507.82	233.95	741.77
Faridpur Region	470.11	117.81	587.92
Sub Total	**23,632.80**	**2,954.31**	**26,587.11**

Off-Balance sheet exposure

Region	(Taka in crore)
Dhaka Region	6,986.39
Chittagong Region	939.56
Khulna Region	190.25
Rajshahi Region	125.64
Barisal Region	23.34
Sylhet Region	23.09
Rangpur Region	64.28
Mymensing Region	8.02
Comilla Region	19.16
Faridpur Region	10.50
Total	**8,390.23**

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

Funded	**(Taka in crore)**
Agriculture & Fishery	1,331.02
Jute & Jute Goods	960.17
Transport, Storage & Communication	370.72
Ship Breaking	147.78
Textile & Readymade Garments	2,604.25
Food & Allied Industry	471.41
Construction & Engineering	552.22
Pharmaceuticals & Chemicals	214.77
Leather Sector	399.32
Power Sector	748.68
Professional & Services	102.49
Housing Services	816.47
Wholesale/ Retail Trading	3,728.69
Personal (Staff & other personal Loan)	3,995.74
Bank & other Non-Financial Institution	-
Electronics & Automobile	-
Cement & Ceramic	-
Others	10,143.39
Total	**26,587.11**

e) Residual Contractual maturity breakdown of the whole portfolio by major types of credit exposure.

	(Taka in crore)
Repayable on Demand	637.02
Not more than 3 months	7,759.28
More than 3 month but not more than 1 year	4,215.58
More than 1 year but not more than 5 years	11,414.29
More than 5 years	2,560.94
Total	**26,587.11**

f) By major industry or counterparty type:

• Amount of impaired loans and if available, past due loans, provided separately: TK 4,422.35 crore

• Specific Provisions : TK. 3,057.45 crore

• General provisions : TK. 501.98 crore

• Charges for specific allowances and charge-offs during the period : Not Applicable

g) Gross Non Performing Assets (NPAs): TK. 6,804.49 crore.

Non Performing Assets (NPAs) to Outstanding Loans & advances: 0.26: 1.00

Movement of Non Performing Assets (NPAs):

	(Taka in crore)
Opening balance	4,640.41
Additions during the year	3,117.66
Reductions during the year	(953.58)
Closing balance	**6,804.49**

Movement of specific provisions for NPAs:

	(Taka In crore)
Opening balance	2,244.52
Provisions made during the period	773.98
Recoveries of amount previously Written-off	65.26
Provision add back during the year	-
Transfer to Profit & Loss A/C	-
Less: Written-off	(26.32)
Closing balance	**3,057.44**

5. Equities: Disclosures for Banking Book

Positions **Qualitative Disclosures**

a) The general qualitative disclosure requirement with respect to equity risk, including:

• Differentiation between holdings on which capital gains are expected and those taken under other objectives including for relationship and strategic reasons; ABL has considerable investment in equity shares of various companies and mutual funds and has active participation in the secondary market. In the investment process ABL strictly follows the internal policies and procedures put into place in this respect. ABL also holds unquoted equities intent of which is not trading and the same are shown as banking book asset in the balance sheet. As these securities are not quoted or traded in the bourses they are shown in the balance sheet at cost price and no revaluation reserve has been created against these equities.

The equity markets are traditionally volatile with a high risk, high- returns profile. In an uncertain market place like the present, investors cannot afford to place all hope in only one product. Therefore, it is very important to protect the total investment value by means of diversification.

• Equity holdings under the banking book are recorded in the books of accounts at cost price.

Quantitative Disclosures

b) Value of investments disclosed in the balance sheet, 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.

Book Value (Quoted Shares)	Market Value (Quoted Shares)
990.79 cr	590.62 cr

Provisions are kept against publicly quoted shares where the share price is materially different from fair value which is negative. However, no unrealized gain from publicly quoted share is accounted for. In case of publicly quoted shares only realized gain is accounted for.

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

period. cumulative realized gain arising from sales of shares : Tk. .33 crore

d)

- Total unrealized gains/ (losses)

  Unrealized gain/ (loss) against investment in quoted shares is Tk. (400.17) crore

- Total latent revaluation gains/ (losses)
- Any amounts of the above included in Tier-2

  capital. Not Applicable

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.

TK. 116.00 crore (Investment in unquoted share Tk. 927.93 Crore × 1.25 Risk weight × 10% Capital requirement) has been assessed against unquoted equity holdings and shown in MCR.

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 loan pre-payments and behavior of non-maturity deposits, and frequency of IRRBB measurement.

Interest rate risk in the banking book arises from mismatches between the future yield of assets and their funding costs. Interest rate risk is the potential that the value of the on- balance sheet and the off-balance sheet positions of the bank would be negatively affected with the change in the interest rates. Changes in interest rates also affect the underlying value of the bank assets, liabilities and off-balance sheet instruments because the economic value of future cash flows changes when interest rates changes. Assets Liabilities committee (ALCO) monitors the interest rate movement on a regular basis.

The bank uses a simple Sensitivity Analysis as well as Duration Gap Analysis to determine its vulnerability against the adverse movement of market variables.

For changes in interest rates, currently, ABL is more risk sensitive for its Assets comparable to its liabilities.

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 favor for any change in interest rate.

Quantitative Disclosures

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

The bank has been exercising 'Stress Testing' based on guidelines published by Bangladesh Bank to determine the following:

1) Impact on earnings and
2) Impact on Capital requirements.

Sl. No.	Particulars	Amount (Tk. In crore)		
01.	Total Risk Sensitive Assets	24515.02		
02.	Risk Sensitive Liabilities	32432.70		
03.	Weighted Average Duration of Assets (DA)	2.19		
04.	Weighted Average Duration of Liabilities (DL)	0.89		
05.	Duration Gap (DA-DL)	1.36		
06.	**Assumed change in Interest rate**	**1%**	**2%**	**3%**
		Minor	**Moderate**	**Major**
	Repricing Impact			
07.	Changes in value of bond portfolio (Under stress testing)	-272.65	-545.30	-817.95
08.	Capital After shock	**2493.00**	**2141.18**	**1789.35**
09.	CRAR after shock (%)	**8.91**	**7.65**	**6.40**

7. Market Risk

Qualitative Disclosures

d) Views of the Board of Directors (BOD) on trading/investment activities.

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

i) Interest rate movements; ii) Currency -foreign exchange rate movements; iii) Equity-Stock price movements; iv) Commodity-Commodity price movements

The BOD of the Bank views the 'Market Risk' as the risk to the bank's earnings and capital due to Changes in the market level of interest rates of securities, foreign exchange and equities as well as the volatilities of those changes. Market Risk Management provides a comprehensive and dynamic framework for measuring, monitoring and managing interest rate, foreign exchange as well as equity risk of a bank that needs to be closely integrated with the bank's business strategy.

Methods used to measure Market risk

The Bank uses the standardized (Rule Based) approach to calculate market risk for trading book exposures

Market Risk Management system

Decision taken in the monthly meeting of Risk Management and ALCOM is an important tool for managing market risk. ALCOM is in place in the bank to administer the system.

Policies and processes for mitigating market risk

The only mitigation tool that the Bank uses is the 'Marking to Market' for mitigating market risk. Besides, a set risk/loss tolerance level is in place to mitigate market risk.

Quantitative Disclosures

	Solo	**Consolidated**
(b) The capital requirements for	(Taka In crore)	(Taka In crore)
Interest rate risk	103.37	103.37
Equity risk	105.50	193.80
Foreign exchange risk	17.96	17.96
Commodity risk	0.00	0.00

8. Operational risk

Qualitative Disclosures

(a) Views of BOD on system to reduce Operational Risk:

The BOD of the bank views risk as Operational Risk those arises from inadequate or failed internal processes, people and systems, or from external causes, whether deliberate, accidental or natural-inherent in all of the Bank's activities. The policy for operational risks management includes internal control and compliance risk approved by the Board, taking into account relevant guidelines of Bangladesh Bank. The audit committee of the Board directly oversees the internal control and Compliance activities with the overall object of mitigating all operational risks.

Performance gap of executives and staffs:

Performance goals are most often attained by executives and staff with a few exceptions.

Potential external events:

No potential external event is expected to expose the Bank to significant operational risk.

Policies and processes for mitigating operational risk:

The ABL manages this risk through a chain based processes which are documented, authorized and independent. Transactions, events etc. that are being taken place at the operational level monitored and reported.

If deviations are found, corrective actions are taken to bring the deviation back into the track.

An MIS is in place and is used to identify record and assess any kind of operational risk and to generate appropriate regular management reporting.

Since inefficiency is one of the root causes of operational risk, the Bank trains its operational staff on regular basis to make them more effective and efficient for mitigating operational risks. Operational Risk Management Framework has been designed to provide a sound and well-controlled operational environment and thereby mitigate the degree of operational risk.

Approach for calculating capital charge for operational risk:

The Bank uses the Basic Indicator Approach to calculate the capital requirement of its operational risk.

Quantitative Disclosures

(b) Capital Requirements for operational risk: **(Tk. in crore)**

Particulars	**Solo**	**Consolidated**
Capital requirements	333.38	342.22

9. Liquidity Ratio

Qualitative Disclosures

(a) Views of BOD on system to reduce liquidity Risk

The Board of Directors of Agrani Bank Limited always strives to maintain adequate liquidity to ensure that sufficient fund is available for bank's day to day operations and to make sure that investment of excess liquidity is utilized in prudent way to optimize income and maintain regulatory requirements. In every Board of Directors meeting, Treasury Division places the liquidity position of the bank before the board to analyze and take decision about liquidity surplus/shortfall on the basis of liquidity position.

(b) Methods used to measure Liquidity risk

- Preparing Structural Liquidity Profile (SLP)
- Liquidity Coverage Ratio (LCR)
- Calculation of Net Stable Funding Ratio (NSFR)
- Leverage Ratio
- Computing Loanable Fund

(c) Liquidity risk management system

To ensure proper liquidity management, the authority of the bank has set some limits and Instructions as follows:

- LCR should be at 150% to 200%
- NSFR should be more than 110%
- ADR should be at 60%-65%
- MTF should be at 30% to 45%
- Wholesale Borrowing Limit should be up to 100% of bank's eligible capital
- Commitment Limit should be up to BDT. 6,740.00 crore
- MCO should not exceed 19%
- Prior intimation for withdrawal of deposit
- Maturity profile of securities, term deposit and advance
- Preparing projected cash flow

(d) Policies and processes for mitigating liquidity risk

Action Plan/ Mitigating Policy:

(i) Short Term Plan:

- Borrowing short term fund from inter-bank money market
- Avail fund from central bank against Repo (ALS) /Special Repo
- Avail unused credit facilities from banks /FI's
- Sell of Govt. Securities
- Collecting short Term Deposit
- Impose margin for L/C opening

(ii) Mid Term Plan :

- Re-fixing interest rate of deposit & advance as per liquidity requirements of the bank
- Recovery from overdue, classified & written-off loan
- Introducing new attractive deposit products
- Strengthen MIS & Reporting line
- Avail alternative sources of fund

Quantitative Disclosures

Figure in Crore Taka

Particulars	December, 2016
Liquidity Coverage Ratio (in %)	360.35%
Net Stable Funding Ratio (in %)	105.26%
Stock of High quality liquid assets	23530.15
Total net cash outflows over the next 30 calendar days	6529.80
Available amount of stable funding	47918.65
Required amount of stable funding	45523.37

10. Leverage ratio

The leverage ratio is 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. The leverage ratio is calibrated to act as a credible supplementary measure to the risk based capital requirements.

Qualitative Disclosures

(a) Views of BOD on system to reduce excessive leverage

The Board of Directors of ABL primarily views on the growth of on and off balance sheet exposures commensurate with its expected capital growth so that the excessive leverage is reduced. Within the On -balance components, the Board emphasizes on the growth of the prime component i.e. the loans and advances and maintaining good asset quality so as to maximize the revenue as well as the capacity to generate capital internally (in the form of retained earnings) to trade-off the excessive leverage supposed to be caused by asset growth.

(b) Policies and processes for managing excessive on and off- balance sheet leverage

The bank reviews its leverage position as per the Guidelines on Risk Based Capital Adequacy (revised regulatory capital framework for banks in line with Basel III). In addition, the bank has a Risk Appetite statement highlighting key risk areas of the bank with a desired internal limit. Bank also employs Annual Budget Plan and Capital Growth Plan for managing excessive on and off balance sheet leverage.

(c) Approach for calculating exposure

Leverage ratio is calculated by dividing Tier 1 capital with Total exposure. The exposure measure for the leverage ratio will generally follow the accounting measure of exposure. In order to measure the exposure consistently with financial accounts, bank also makes the following adjustments:

i. On balance sheet exposures are considered for calculation after netting of specific Provisions , intangible assets (Software) and Deferred Tax Assets (e.g. surplus/ deficit on Available for sale (AFS)/ Held-for-trading (HFT) positions).

ii. Physical or financial collateral, guarantee or credit risk mitigation purchased is not allowed to reduce on-balance sheet exposure.

iii. Netting of loans and deposits is not allowed.

Quantitative Disclosures

Figure in Crore Taka

Particulars	December, 2016	
	Solo	Consolidated
Leverage Ratio (in %)	2.80%	2.79%
On balance sheet exposure	59299.29	59442.47
Off balance sheet exposure	1643.34	1643.34
Total deductions from On and Off Balance sheet exposures	454.31	454.31
Total exposure	60488.32	60631.50

11. Remuneration

(a) **Qualitative Disclosures**

(i) Name, composition and mandate of the main body overseeing remuneration.

At the management level, primarily the HR Planning, Deployment and Opearations Division oversees the 'remuneration' in line with its HR management strategy/policy under direct supervision and guidance of Management Committee (MANCOM) of the Bank.

(ii) External consultants whose advice has been sought, the body by which they were commissioned, and in what areas of the remuneration process.

Agrani Bank Limited follows National Pay Scale. No external advice has been sought for remuneration process.

(iii) A description of the scope of the bank's remuneration policy (e.g. by regions, business lines), including the extent to which it is applicable to foreign subsidiaries and branches

The remuneration policy of Agrani Bank Limited in Bangladesh follows National Pay Scale. Foreign subsidiaries and branches also follow National Pay Scale and the policy announced by the Ministry of Foreign Affairs of the People's Republic of Bangladesh.

(iv) A description of the types of employees considered as material risk takers and as senior managers, including the number of employees in each group

All Branch Manager, Zonal Head, Circle Head and Senior Management at Head Office

(b) **Qualitative Disclosures**

(i) An overview of the key features and objectives of remuneration policy.

Agrani Bank Limited follows National Pay Scale/2015 declared by The Government of the People's Republic of Bangladesh

(ii) Whether the remuneration committee reviewed the firm's remuneration policy during the past year, and if so, an overview of any changes that were made.

The remuneration policy of Agrani Bank limited follows National Pay Scale/2015 from 1st July 2015. The Government of the Peoples Republic of Bangladesh declared National Pay Scale/15 on 15/12/2015 effect from 1st July, 2015 has also been taken as remuneration policy in Agrani Bank limited.

(iii) A discussion of how the bank ensures that risk and compliance employees are remunerated independently of the businesses they oversee.

Agrani Bank Limited follows a uniform salary structure for all employee declared by The Government of the People's Republic of Bangladesh

(c) Qualitative Disclosures

(i) An overview of the key risks that the bank takes into account when implementing remuneration measures.

Agrani Bank Limited follows a uniform salary structure for all employee declared by the Government of the People's Republic of Bangladesh

(ii) 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

(iii) A discussion of the ways in which these measures affect

remuneration. Not Applicable

(iv) A discussion of how the nature and type of these measures has changed over the past year and reasons for the change, as well as the impact of changes on remuneration

Not Applicable

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(d) Qualitative Disclosures

(i) An overview of main performance metrics for bank, top-level business lines and individuals.

Individual employee(Excluding Head Office) has been imposed a yearly target of Deposit Mobilization, Classified Loan recovery, Fees & commission earnings, increasing Foreign remittance etc. But the target achievement does not affect in the remuneration policy of Agrani Bank limited.

(ii) A discussion of how amounts of individual remuneration are linked to bank-wide and individual performance.

Remuneration is not directly linked to individual performance as Agrani Bank limited follows National Pay Scale declared by The Government of the People's Republic of Bangladesh.

(iii) 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) Qualitative Disclosures

(i) A discussion of the bank's policy on deferral and vesting of variable remuneration and, if the fraction of variable remuneration that is deferred differs across employees or groups of employees, a description of the factors that determine the fraction and their relative importance.

The remuneration framework of the national Pay scale describes short term and long term benefits. Short term benefits include salary, festival bonus and incentive bonus as variable payments. Long term benefits include Gratuity, Provident Fund, Superannuation Fund and Leave encashment etc.

(ii) A discussion of the bank's policy and criteria for adjusting deferred remuneration before vesting and (if permitted by national law) after vesting through claw back arrangements.

Not Applicable.

(f) Qualitative Disclosures

An overview of the forms of variable remuneration offered (i.e. cash, shares and share-linked instruments and other forms. 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.

Agrani Bank Limited follows National Pay Scale/2015 declared by The Government of the People's Republic of Bangladesh.

(g) Number of meetings held by the main body overseeing remuneration during the financial year and remuneration paid to its member.

There were 21 (Twenty One) meetings of the Management Committee (MANCOM) held during the year 2016. All the members of MANCOM are from the core banking area/operation of the Bank. No additional remuneration was paid to the members of the Management Committee for attending the MANCOM meeting.

(h) Qualitative disclosure

(i) Number of employees having received a variable remuneration award during the financial year.

Agrani Bank Limited follows Government remuneration Policy. No variable remuneration policy exists in Agrani Bank Limited.

(ii) Number and total amount of guaranteed bonuses awarded during the financial year.

Performance bonuses/Incentives given: 12672 employees (as on 31-12-2015)
Number of total guaranteed bonus (festival bonus): 02 (Two)
Total amount of guaranteed bonus (festival bonus): BDT. 69.02 Crore

(iii) Number and total amount of sign- on awards made during the financial

year. No sign-on award made during the financial year.

(iv) Number and total amount of severance payments made during the financial year.

No severance payments made during the financial year.

(i) Qualitative disclosure

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.

Agrani Bank Limited follows Government remuneration Policy. No deferred remuneration paid during the financial year.

(j) Qualitative disclosure

Breakdown of amount of remuneration awards for the financial year to show:

Agrani Bank Limited follows Government remuneration Policy. No remuneration awards paid during the financial year.

- Fixed and variable.

Not Applicable

- Deferred and non-deferred.

Not Applicable.

- Different forms used (cash, shares and share linked instruments, other

forms) Not Applicable.

(k) Quantitative disclosures

Quantitative information about employees' exposure to implicit (e.g. fluctuations in the value of shares or performance units) and explicit adjustments (e.g. claw backs or similar reversals or downward revaluations of awards) of deferred remuneration and retained remuneration:	Agrani Bank Limited follows National Pay Scale/2015.
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.