

Agrani Bank Limited

Disclosure under Basel-III

Qualitative and Quantitative Disclosures Under Pillar-III of Risk Based Capital Adequacy as of 31st December 2015 (on Audited accounts)

These disclosures have been made in accordance with the Bangladesh Bank BRPD Circular No-18 of 21 December 2014 as to Guidelines on "Risk Based Capital Adequacy (Revised Regulatory Capital Framework for banks in line with Basel III)". 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.

Basel-III Guidelines are structured on the following aspects:

- 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 ; Increase the risk coverage of the capital framework
- c) Introduce leverage ratio to serve as a backstop to the risk-based capital measure
- d) Raise the standards for the supervisory review process
- e) 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 Banks regulations in this regard are-

- 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 and the Standardized 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, 2015 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.

- a) Remaining value of Valuation Adjustment
- b) Benefit of Deferred Tax Assets

Following are the 6 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 Exchange Co. (Australia) Pty. Limited

Agrani Bank Limited is the parent company of Agrani Exchange Co. (Australia) Pty. Limited which is Established to perform activities as remittance house.

Name : Agrani Exchange Co. (Australia) Pty.
Limited Date of incorporation : 19.12.2011
Date of Commencement : 10.04.2014
Authorized Capital : AUD 50,000
Paid up Capital : AUD 50,000
Ownership Interest in Capital : AUD 50,000 (100% owned by Agrani Bank Limited)

vi) 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 1,00 (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, 2015 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 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	585.93	589.21
General reserve	53.65	59.12
Retained earnings	93.36	75.80
Minority interest in subsidiaries	0.00	0.00
Dividend equalization account	0.00	0.00
Others (if any item approved by BB)	41.72	41.72
Sub-Total(Common Equity Tier-1 Capital)	2846.95	2838.14
Deductions from Tier-1 capital	1100.47	1100.47
Total Common Equity Tier-I Capital (A)	1746.48	1737.67
(B)		
Amount of Tier-2 Capital	906.28	898.08
Deductions from Tier-2 capital.	128.96	128.96
Tier-II Capital (B)	777.32	769.12
Total regulatory capital (A+B)	2523.80	2506.79

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, 2015 the CRAR of the Bank was 9.54%
- During the same period Minimum Capital Requirement (MCR) of the bank was BDT. 2646.87 crore and Eligible Capital was BDT. 2523.80 crore

Quantitative Disclosures

	Solo	Consolidate
b) Capital requirement for Credit Risk	2091.94	2026.33
c) Capital requirement for Market Risk	251.26	329.82
d) Capital requirement for Operational Risk	303.67	312.93
e) Total and Tier- 1 capital ratio	1.00 : .69	1.00 : .69
• For the consolidated group and	Yes	
• For stand alone	Yes	

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).

Definition of Past due and impaired credit: The bank follows Bangladesh Bank circulars and Guidelines related to classification and provisioning to define past due and impairment. Following Table summarizes the objective criteria for loan classification and provisioning as stipulated by the central bank vide BRPD circular No. 14 dated 23 September 2012:

Type of credit facility	Loan classification							
	SMA		Sub standard		Doubtful		Bad & Loss	
	Overdue period	Provision (%)	Overdue period	Provision (%)	Overdue period	Provision (%)	Overdue period	Provision (%)
Continuous Loan	60 days or more	5%	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%
Demand Loan	60 days or more	5%	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	60 days or more	5%	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	60 days or more	5%	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 Agriculture & Micro credit	90 days or more	5%	12 months or more but less than 36 months	20%	36 months or more but less than 60 months	50%	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:

	Solo	Consolidated
		(Taka in crore)
Funded	46342.15	45747.34
Non Funded	1443.95	1443.95
Total	47786.10	47191.29

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

Balance sheet exposure

(Taka in crore)

Region	Urban	Rural	Total
Dhaka Region	14464.20	476.48	14940.68
Chittagong Region	2272.84	43.33	2316.17
Khulna Region	1204.75	380.85	1585.60
Rajshahi Region	981.98	405.70	1387.68
Barishal Region	574.35	275.65	850.00
Sylhet Region	233.30	135.95	369.25
Rangpur Region	669.29	306.08	975.37
Mymensing Region	504.96	271.90	776.86
Comilla Region	556.15	182.53	738.68
Faridpur Region	448.11	91.78	539.89
Sub Total	21909.93	2570.25	24480.18

Off-Balance sheet exposure

Region	(Taka in crore)
Dhaka Region	7408.73
Chittagong Region	891.92
Khulna Region	442.43
Rajshahi Region	86.14
Barisal Region	31.92
Sylhet Region	14.02
Rangpur Region	99.44
Mymensing Region	6.29
Comilla Region	19.20
Faridpur Region	6.80
Total	9,006.89

(Not yet available)

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

Funded	(Taka in crore)
Agriculture & Fishery	1187.46
Jute & Jute Goods	979.99
Transport, Storage & Communication	345 .66
Ship Breaking	119.35
Textile & Readymade Garments	2035.92
Food & Allied Industry	280.00
Construction & Engineering	106.91
Pharmaceuticals & Chemicals	151.79
Leather Sector	383.87
Power Sector	904.68
Professional & Services	160.51
Housing Services	335.82
Wholesale/ Retail Trading	2730.01
Personal (Staff & other personal Loan)	2908.47
Bank & other Non-Financial Institution	-
Electronics & Automobile	-
Cement & Ceramic	-
Others	11849.74
Total	24480.18

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

	(Taka in crore)
Repayable on Demand	2973.13
Not more than 3 months	3127.14
More than 3 month but not more than 1 year	7812.01
More than 1 year but not more than 5 years	3989.59
More than 5 years	6578.31
Total	24480.18

f) By major industry or counterparty type:

- Amount of impaired loans and if available, past due loans, provided separately: TK 3,336.62 crore
- Specific Provisions : TK. 2,244.52 crore
- General provisions : TK. 450.25
- Charges for specific allowances and charge-offs during the period : Not Applicable

g) Gross Non Performing Assets (NPAs): TK. 4,640.41 crore.

Non Performing Assets (NPAs) to Outstanding Loans & advances: 0.19: 1.00

Movement of Non Performing Assets (NPAs): (Taka in crore)

Opening balance	3965.95
Additions during the year	1767.25
Reductions during the year	(1092.79)
Closing balance	4640.41

Movement of specific provisions for NPAs:

(Taka In crore)

Opening balance	1930.01
Provisions made during the period	494.87
Recoveries of amount previously Written-off	40.13
Provision add back during the year	(73.29)
Transfer to Profit & Loss A/C	-
Less: Written-off	(147.19)
Closing balance	2244.52

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. Board, Executive and Investment committee oversee the management of investment portfolio and its associated risk to which bank may be exposed. 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.

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.

d) •Total unrealized gains (losses)

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

e) Capital requirements broken down by appropriate equity groupings, consistent with the banks methodology, as well as the aggregate amounts and the type of equity investments subject to any Supervisory provisions regarding regulatory capital requirements. TK. 126.27 crore (Investment in unquoted share Tk. 1010.12 Crore \times 1.25 Risk weight \times 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 change in interest rates, currently, ABL is more risk sensible 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.

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, commodity price 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

(b) The capital requirements for	(Taka In crore)
Interest rate risk	95.50
Equity risk	98.22
Foreign exchange risk	57.54
Commodity risk	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 exception .

Potential external events:

ABL, as a state owned commercial bank, is exposed to 'directed loans' as the major external event.

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	303.67	312.93

9. Liquidity Ratio

Qualitative Disclosures

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

The Board of ABL always strives to maintain adequate liquidity to meet up Bank's overall funding need for the huge retail depositors, borrowers' requirements as well as maintain regulatory requirements comfortably. The Treasury Division places the liquidity position of the bank before the board in every Board of Directors meeting. The board takes investment decision on the basis of liquidity position.

(b) Methods used to measure Liquidity risk

- i) Computing loanable fund
- ii) Preparing Structural Liquidity Profile (SLP)
- iii) Liquidity Coverage Ratio (LCR)
- iv) Calculation of Net Stable Funding Ratio (NSFR)

(c) Liquidity risk management system

- i) CDR maximum up to 70%
- ii) Investment Deposit Ratio within 45%
- iii) MTF at 30% to 45%
- iv) Wholesale Borrowing up to maximum Taka 3,000.00 crore
- v) MCO should not exceed 20%
- vi) Prior intimation for withdrawal of deposit
- vii) Maturity profile of securities, term deposit and advance.
- viii) Preparing projected cash flow.

(d) Policies and processes for mitigating liquidity risk

Action Plan/ Mitigating Policy:

Short Term :

- i) Request to central bank for Repo/special Repo
- ii) Sell of Govt. Securities
- iii) Avail unused credit facilities from banks /FI's
- iv) Restriction in purchase of T. bills, bonds/loan
- v) Collecting short Term Deposit
- vi) Impose margin for L/C opening

Mid Term :

- i) Increase deposit & advance rates
- ii) Recovery of classified loan
- iii) Introducing attractive deposit products
- iv) Strengthen MIS.
- v) Identify alternative funding sources

Quantitative Disclosures

Figure in Crore Taka	
Particulars	December, 2015
Liquidity Coverage Ratio (in %)	173.18%
Net Stable Funding Ratio (in %)	111.34%
Stock of High quality liquid assets	19206.91
Total net cash outflows over the next 30 calendar days	11090.72
Available amount of stable funding	45827.31
Required amount of stable funding	41158.45

10. 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. 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, again, the Board emphasizes on the growth of the prime component i.e. the loans and advances and maintaining good asset quality so as to maximize the revenue as well as the capacity to generate capital internally (in the form of retained earnings) to trade-off the excessive leverage supposed to be caused by asset growth.

(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 Risk Appetite as per Credit Risk Management Policy. 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, the following will be applied by the bank:

- i. On balance sheet, non-derivative exposures will be net of specific provisions and valuation adjustments (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, 2015
Leverage Ratio (in %)	3.18%
On balance sheet exposure	54290.62
Off balance sheet exposure	1721.79
Total deductions from On and Off Balance sheet exposures	1100.47
Total exposure	54911.94

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 Operations 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 (eg 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 committees reviewed the firm's remuneration policy during the past year, and if so, an overview of any changes that were made.

Agrani Bank limited follows National Pay Scale/2009 from 1st July 2009 to 30 June 2015. The Government of the Peoples Republic of Bangladesh declared National Pay Scale/2015 on 15/12/2015 effective 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.

The risk and compliance employees are carrying out the activities independently as per specific terms of references, job allocated to them. However, 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 employees are given a yearly target of Deposit Mobilization, Classified Loan recovery, fees & commission earnings, foreign remittance etc.

(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 18 (Eighteen) meetings of the Management Committee (MANCOM) held during the year 2015. 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: 13414 employees (as on 31-12-2014)
Number of total guaranteed bonus (festival bonus): 02 (Two)
Total amount of guaranteed bonus (festival bonus): BDT. 37.35 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 (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:

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.