Disclosures on Risk Based Capital (BASEL III)

For the year ended 31 December, 2020

Introduction

In Compliance with Pillar III of the revised Framework for International Convergence of Capital Measurement and Capital Standards (BASEL III) and adopted under the Bangladesh Bank rules and regulations on risk based capital adequacy as per BRPD circular no 18 dated December 21, 2014 (Implementation of BASEL III in Bangladesh), more elaborate and expended public disclosure is required regarding risk profile as per following breakdown.

Components of Disclosure Framework

1. Scope of application
2. Capital Structure
3. Capital Adequacy
4. Credit Risk
5. Equities: disclosures for banking book positions
6. Interest rate risk in the banking book (IRRBB)
7. Market risk
8. Operational Risk
9. Liquidity Ratio
10. Leverage Ratio
11. Remuneration

1. Scope of application

The Risk Based Capital Adequacy framework applies to all banks on Solo and consolidated basis, where 'Solo' basis refers to all positions of the bank and 'Consolidated' basis includes subsidiary company of ONE Securities Limited.

a)	The name of the top corporate entity in the group to which this guidelines applies.	ONE Bank Limited
b)	An outline of differences in the basis of consolidation for accounting and regulatory purposes, with a brief description of the entities within the group: (i) that are fully consolidated (ii) that are given a deduction treatment; and (iii) that are neither consolidated nor deducted (e.g. where the investment is risk weighted).	The consolidated financial statements of the Bank include the financial statements of (i) ONE Bank Limited, and (ii) ONE Securities Limited. ONE Bank holds 99.99%, shares of ONE Securities Limited. The bank has an approved disclosure policy to observe the disclosure requirements set out by the Bangladesh Bank and International Financial Reporting Standard (IFRS) and International Accounting Standards (IAS) as adopted by the Institute of Chartered Accountants of Bangladesh (ICAB) into Bangladesh Financial Reporting Standards (BFRS) and Bangladesh Accounting Standards (BAS) where relevant to the bank. ONE Bank Ltd. (the "Bank") is a private sector commercial bank incorporated with the Registrar of Joint Stock Companies under the Companies Act 1994. The Bank commenced its banking operation on 14 July, 1999 by obtaining license from the Bangladesh Bank on 2 July, 1999 under section 31 of the Bank Company Act 1991. ONE Securities Limited (OSL) is a subsidiary of ONE Bank Limited. OSL was incorporated on May 04, 2011 under the Companies Act (Act XVIII) of 1994 as a Private Limited Company. Subsequently, it was converted into Public Limited Company on December 24, 2014 after completion of due formalities with Registrar of Joint Stock Companies and Firms (RJSC). ONE Investments Limited (OIL) is a subsidiary of ONE Bank Limited. OIL was incorporated on April 26, 2018 under the Companies Act (Act XVIII) of 1994 as a Private Limited Company after completion of the formalities with the Registrar of Joint Stock Companies and Firms (RJSC). The Registered Office of the Company is situated at HRC Bhaban, 46 Kawran Bazar C.A., Dhaka-1215.

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

2. Capital Structure

a. Qualitative Disclosures

a)	Summary information on the terms and conditions of the main features of all capital instruments, especially in the case of capital instruments eligible for inclusion in Tier 1, Additional Tier 1or in Tier 2.	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 and other relevant instructions given by Bangladesh Bank from time to time. The main features of the capital instruments are as follows: **1. Tier 1 Capital (a+ b) (Going-concern capital)** **a) Common Equity Tier-1 Capital (CET-1):** ✓Paid-up share capital ✓Non-repayable share premium ✓Statutory Reserve ✓General Reserve ✓Retained Earnings ✓Dividend Equalization Fund ✓Minority Interest in Subsidiaries **Regulatory Adjustments from Tier-1 capital-** • Shortfall in provisions required against Non Performing Loans • Shortfall in provisions required against investment in shares • Goodwill and all other Intangible Assets (if derecognized by relevant Accounting Standards) • Deferred Tax Assets (DTA) • Defined benefit pension fund assets • Gain on sale related to securitization transactions • Investment in own CET-1 Instruments/Shares • Reciprocal Crossholdings in the CET-1 Capital of Banking, Financial and Insurance Entities • Investments in subsidiaries which are not consolidated (50% of Investment) **b) Additional Tier-1 Capital :** ✓ Perpetual Instrument.

		2. Tier-2 Capital (Gone-concern capital) : ✓ General Provision ✓ All Other preference shares ✓ Subordinated debt ✓ Minority Interest i.e. Tier-2 issued by consolidated subsidiaries to third parties ✓ Revaluation Reserves (50% of Fixed Assets and Securities & 10% of Equities) **Regulatory Adjustments from Tier-2 capital-** • 20% of Revaluation Reserves for Fixed Assets, Securities & Equity Securities each year from 2015 to 2019 • Investment in own T-2 instruments/Shares • Reciprocal crossholdings in the T-2 Capital of Banking, Financial and Insurance Entities • Any investment exceeding the approved limit under section 26 ka(1) of Bank Company Act, 1991 • Investments in subsidiaries which are not consolidated (50% of Investment)

b. Quantitative Disclosures

Amount in crore Taka

a)	**Tier-1 Capital (Going-concern capital)**	**Solo**	**Consolidated**
	1. Common Equity Tier-1		
	✓ Paid up capital ✓ Statutory Reserve ✓ Retained Earnings ✓ Minority Interest in Subsidiaries	885.35 643.08 165.06 -	885.35 643.08 180.14 3.19
	Sub total	**1,693.49**	**1,711.76**
	Adjustment: ✓ Deferred Tax Assets (DTA) ✓ Goodwill and all other Intangible Assets ✓ Reciprocal Crossholdings	 7.69 0.10 0.47	 7.69 0.10 5.94
	Total Common Equity Tier-1 Capital	**1,685.23**	**1,698.03**
	2. Additional Tier-1 Capital	**50.00**	**50.00**
b)	**Tier-2 Capital (Gone-concern capital)**		
	✓ General Provision ✓ Subordinated debt	299.83 560.00	299.82 560.00
	Total Tier-2 Capital	**859.83**	**859.82**
	Total Eligible Capital	**2,595.06**	**2,607.85**

3. Capital Adequacy

a. Qualitative Disclosures

a)	A summary discussion of the Bank's approach to assessing the adequacy of its capital to support current and future activities.	The Bank assesses the adequacy of its capital in terms of Section 13 (1) of the Bank Company Act, 1991 (Amended up to 2013) and instruction contained in BRPD Circular No. 18 dated 21 December 2014 (Implementation of Basel III in Bangladesh). However, in terms of the regulatory guidelines, the Bank computes the capital charge / requirement as under: (a) Credit risk : On the basis of Standardized Approach (b) Market risk : On the basis of Standardized Approach; and (c) Operational risk: On the basis of Basic Indicator Approach. As per Basel-III norms, capital adequacy i.e. buffer capital is must for banks to protect the unexpected losses against the risk profile and future business growth of the bank. As per new guidelines, Capital Conservation Buffer @ 2.50% in the form of tier-1 capital is to maintain to absorb more shocks in addition to 10% in earlier requirement. Under the Standardized Approach of the RBCA guidelines of Basel-III, counterparties credit rating are determined on the basis of risk profile assessed by the External Credit Assessment Institutions (ECAIs) duly recognized by Bangladesh Bank to derive risk-weights of exposures under the portfolio of claims. According to the guideline, the rated exposures of a bank will reduce the Risk Weights and the regulatory capital requirement as well as create the room to expand the business of the bank. This will also enable the bank to assess the creditworthiness of the borrowers as well, to an acceptable level. To maintain adequate capital OBL has already issued three Subordinated Bonds i. e., (a) Subordinated Bond-1 of Tk. 220 crore issued on 26th December 2013 (qualifying amount as on 31st December, 2020 is nil), (b) Subordinated Bond-2 of Tk. 400 crore issued on 27th October 2016 (qualifying amount as on 31st December, 2020 is Tk. 160 crore) and (c) Subordinated Bond-3 of Tk. 400 crore issued in 2019(qualifying amount as on 31st December, 2020 is Tk. 400 crore). To strengthen the tier-1 capital, issuance of perpetual Bond of Tk. 400 crore is under process and a portion thereof Tk. 50 crore has already been issued by December 2020. The remaining portion of the perpetual bond will be issued hopefully very soon. As a result, OBL has adequate capital against the regulatory requirement to upheld and strengthen the confidence of its investors, Depositors and other stakeholders. The Board of Directors & the Senior Management of the bank emphasized rigorously round the year 2020 on corporate borrowers credit rating to lower our risk profile as well as to reduce the capital requirement of the bank. Accordingly, Asset Marketing & Credit Risk Management (CRM) teams have taken all-out efforts to increase the number of corporate borrower's exposures under rated. They are constantly taking the initiatives through guidance of the Senior Management; series of meetings,

		correspondence, awareness program with the allied concerns i.e. branches of the bank & ECAIs. As per BASEL-III Guidelines, a BASEL Committee comprised of senior Management / Department Heads of relevant sectors have been formed to conduct quarterly meeting chaired by Managing Director to supervise and implement the instructions of regulatory requirement as per Bangladesh Bank Guidelines.

b. Quantitative Disclosure:

Amount in crore Taka

Particulars	Solo	Consolidated
Credit Risk Weighted Assets	17,394.33	17,154.95
On- Balance sheet	*16,533.15*	*16,293.77*
Off-Balance sheet	*861.18*	*861.18*
Market Risk Weighted Assets	359.93	599.48
Operational Risk Weighted Assets	2,181.62	2,203.97
Total Risk Weighted Assets	19,935.88	19,957.70
Required Capital against Credit, Market and Operational Risk	1,993.59	1,995.77
1. Tier-1 Capital (2+3)	1,735.23	1748.03
2. Common Equity Tier-1 Capital (CET-1)	1,685.23	1,698.03
3. Additional Tier-1 Capital (AT-1)	50.00	50.00
4. Tier-2 Capital	859.83	859.83
Total Regulatory Capital (1+4) :	**2,595.06**	**2,607.85**
Capital to Risk Weighted Assets Ratio (CRAR)	13.02%	13.07%
Common Equity Tier-1 to RWA	8.45%	8.51%
Tier-1 Capital to RWA	8.70%	8.76%
Tier-2 Capital to RWA	4.31%	4.31%

ONE Bank Ltd finalised the Financial Statements of 2020 considering the instruction given by Bangladesh Bank vide letter DBI-1/112/2021-664 dated 10 March 2021. As per the instruction of the said letter, the Bank is under provision-deferral amounting to Tk. 80.52 crore which is to be maintained in 2021.

4. Credit Risk

a. Qualitative Disclosure:

Credit risk is the risk of financial loss resulting from failure by a client or counterparty to meet its contractual obligations to the Bank. Credit risk arises from the bank's dealings with or lending to corporate, individuals and other banks or financial institutions. ONE Bank is managing Credit Risk through a robust process that enables the bank to proactively manage loan portfolios in order to minimize losses and earn an acceptable level of return for shareholders.

4.1. Definitions of past due and impaired

ONE Bank Limited follows the Bangladesh Bank guidelines and definitions of past due and impaired loans as below:

Loan Type	Default		Classified / Impaired		
	Past due	**Special Mention**	**SS**	**DF**	**BL**
Continuous Loan	If not repaid/renewed within the fixed expiry date for repayment or after the demand by the Bank is treated as past due/overdue from the following day of the expiry date.	A continuous Credit, Demand Loan or a Term Loan which will remain overdue for a period of 02 (two) months or more will be treated as Special Mention Account (SMA).	If it remains past due /overdue for 3 months or beyond but less than 9 months.	If it remains past due /overdue for 9 months or beyond but less than 12 months.	If it remains past due /overdue for 12 months or beyond.
Demand Loan	If not repaid within the fixed expiry date for repayment or after the demand by the bank will be treated as past due/overdue/ overdue from the following day of the expiry date.		If it remains past due/overdue for 3 months or beyond but less than 9 months from the date of expiry / claim by the bank or from the date of creation of the	If it remains past due/ overdue for 9 months or beyond but less than 12 months from the date of claim by the bank or from the date of creation of the	If it remains past due/ overdue for 12 months or beyond from the date of claim by the bank or from the date of creation of the forced loan

Loan Type	Default		Classified / Impaired		
	Past due	Special Mention	SS	DF	BL
			forced loan	forced loan	
Term Loan upto Tk.10.00 lac	In case any installment (s) or part of installment (s) of a Fixed Term Loan upto Tk.10.00 lac is not repaid within the due date, the amount of unpaid installment (s) will be termed as past due /overdue installments from the following day of the due date		If the amount of past due installment is equal to or more than the amount of installment (s) due within 3 months, the entire loan will be classified as ``Sub-standard".	If the amount of past due installment is equal to or more than the amount of installment (s) due within 9 months, the entire loan will be classified as "Doubtful".	If the amount of past due installment is equal to or more than the amount of installment (s) due for 12 months or beyond, the entire loan will be classified as "Bad /Loss"
Term Loan above Tk.10.00 lac	In case any installment (s) or part of installment (s) of a Fixed Term Loan above Tk. 10.00 lac is not repaid within the due date, the amount of unpaid installment (s) will be termed as past due /overdue installments from the following day of the due date		If the amount of past due installment is equal to or more than the amount of installment (s) due within 3 months, the entire loan will be classified as ``Sub-standard".	If the amount of past due installment is equal to or more than the amount of installment (s) due within 9 months, the entire loan will be classified as "Doubtful".	If the amount of past due installment is equal to or more than the amount of installment (s) due for 12 months or beyond, the entire loan will be classified as "Bad /Loss"
Short-term Agricultural and Micro - Credit	If not repaid within the fixed expiry date for repayment will be considered past due / overdue after six months of the expiry date.		If irregular status continues, the credit will be classified as 'Substandard ' after a period of 12 months,	after a period of 36 months	after a period of 60 months

ONE Bank Limited follows the Bangladesh Bank guidelines and definitions of past due and impaired loans of CMSME as below:

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<tr><th rowspan="2">Loan Type</th><th colspan="2">Default</th><th colspan="3">Classified / Impaired</th></tr>
<tr><th>Past due</th><th>Special Mention</th><th>SS</th><th>DF</th><th>BL</th></tr>
<tr><td>Continuous Loan</td><td rowspan="2">If not repaid/renewed within the fixed expiry date for repayment or after the demand by the Bank is treated as past due/overdue from the following day of the expiry date.</td><td rowspan="3">A continuous Credit, Demand Loan or a Term Loan which will remain overdue for a period of 02 (two) months or more will be treated as Special Mention Account (SMA).</td><td rowspan="2">If it remains past due /overdue for a period of 6 months or beyond but less than 18 months.</td><td rowspan="2">If it remains past due /overdue for 18 months or beyond but less than 30 months.</td><td rowspan="2">If it remains past due /overdue for a period of 30 months or beyond.</td></tr>
<tr><td>Demand Loan</td></tr>
<tr><td>Fixed Term Loan</td><td>In case any installment (s) or part of installment (s) of a Fixed Term Loan is not repaid within the due date, the amount of unpaid installment (s) will be termed as past due /overdue installments from the following day of the due date</td><td>If the amount of past due installment is equal to or more than the amount of installment (s) past due/overdue for a period of 6 months or beyond but less than 18 months, the entire loan will be classified as ``Sub-standard".</td><td>If the amount of past due installment is equal to or more than the amount of installment (s) past due/overdue for a period of 18 months or beyond but less than 30 months, the entire loan will be classified as ``Doubtful".</td><td>If the amount of past due installment is equal to or more than the amount of installment (s) past due/overdue for a period of 30 months or beyond, the entire loan will be classified as ``Bad/Loss".</td></tr>
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4.2 Description of approaches followed for specific and general allowances

ONE Bank Limited follows the General and Specific Provision requirement as prescribed by Bangladesh Bank from time to time.

4.3 Methods used to measure credit risk

In compliance with Risk Based Capital Adequacy, OBL, as per BASEL-III Guideline, uses ratings assigned by External Credit Assessment Agencies (ECAIs) approved by Bangladesh Bank. The rating is used for both fund based and Non-fund based exposure for corporate borrowers. Corporate, which are yet to get the ratings from these rating agencies, are treated as 'Unrated'.

OBL also uses the Credit Risk Grading System as introduced by Bangladesh Bank before taking any exposure on Corporate and Medium clients.

4.4 Credit Risk Management System

Credit Risk Management includes a host of management techniques, which help the banks in mitigating the adverse impacts of credit risk. The objective of the Credit Risk Management is to identify measure, monitor and control credit risk by adopting suitable methodology.

OBL Credit Policy laid down clear outlines from managing credit risk of the Bank. It gives organization structure, defines role and responsibilities of credit handling officials and processes to identify, quantify and manage credit risk.

Credit Risk management system of the Bank clearly defines the roles and responsibilities of the Marketing Division, CRM Division & Credit Administration Department. Marketing division is responsible for Business Solicitation / Relationship Management. CRM Division has been vested with the responsibilities relating to credit approval, credit review, risk grading, credit MIS. The Bank has setup Project Appraisal & Monitoring [PAM] Department under CRM Division manned with qualified Engineers for pre-sanction project appraisal & monitoring of post-disbursement project implementation. Special Asset Management Department also reports to Head of CRM Division relating to the management of impaired assets. Credit Administration Division has been entrusted with completion of documentation formalities, loading of credit limits in the system, monitoring of account movements & repayments.

The policy covers a structured and standardized credit approval process including a comprehensive credit appraisal procedure. In order to assess the credit risk associated with any financing proposal, the Bank assesses a variety of risks relating to the borrower and the relevant industry. The Bank evaluates borrower risk by focusing:

- Borrower’s standing
- Borrower’s business and market position
- Financial position of the borrower by analyzing the financial statements, its past financial performance, its financial flexibility in terms of ability to raise capital and its cash flow adequacy.

The Board of Directors of the Bank has delegated Business Approval Power to the Head of CRM and Managing Director. Credit facilities beyond the delegation are approved by the EC and / or Board.

The Bank manages its credit risk through continuous measuring and monitoring of risks at each obligor (borrower) and portfolio level. ONE Bank is also considering credit ratings of the client assessed by ECAIs while initiating any credit decision. A well structured Delegation and Sub- delegation of Credit Approval Authority is prevailing at ONE Bank Limited for ensuring goods governance and better control in credit approval and monitoring.

4.5 Credit Risk Mitigation

Banks, for mitigating credit risks, usually accepts collaterals viz. cash and cash equivalents, registered mortgage on land and building and hypothecation of inventory, receivables and machinery, motor vehicles, aircraft etc. Housing loans are secured by the property/ asset being financed.

However, in compliance with Risk Based Capital Adequacy as prescribed by Bangladesh Bank OBL only considers eligible financial collateral for risk mitigation as per Basel III guidelines.

The Bank accepts guarantees from individuals with considerable net worth and the Corporate, besides guarantee issued by Government, other Commercial banks in line with present BASEL-III guidelines.

4.6 Policies and Processes for Collateral Valuation and Management

OBL has specific stipulations about acceptability, eligibility and mode of valuation of real estate collaterals whereby independent qualified surveyors have been enlisted to perform the valuation job. Apart from professional valuation, RMs and credit officers at Branch level physically verify the collateral offered and cross check the professional valuation. Subsequently entire chain documents of the collateral are checked and vetted both by OBL enlisted Panel Lawyers and Head Office Loan Administration Division so as to ensure clean title and enforceability of the collateral.

b. Quantitative Disclosure:

a)	Total gross credit risk exposures broken down by major types of credit exposures	Major types of credit exposure as per disclosures in the audited financial statements as of 31 December, 2020

Particulars	**Outstanding** Amount	**Mix** (%)
Overdraft	4,426.54	20.10%
Export cash credit	477.45	2.16%
Transport loan	127.65	0.58%
House building loan	882.10	4.00%
Loan against trust receipt	665.56	3.02%
Term loan	8,736.21	39.65%
Payment against document	976.39	4.43%
Consumer Finance	259.22	1.17%
Staff loan	72.31	0.33%
Bills purchased and discounted	202.42	0.92%
Others	5,208.30	23.64%
Total loans and advances	**22,034.15**	**100%**

b) Geographical distribution of exposures, broken down in significant areas by major types of credit exposure

Geographical distribution of credit exposures as per the disclosures in the audited financial statements as of 31 December, 2020 are as follows:

Amount in crore Taka

Particulars	**Outstanding Loan**	**Mix (%)**
Urban		
Dhaka Division	14,976.31	67.97%
Chattogram Division	4,337.83	19.69%
Khulna Division	759.86	3.44%
Rajshahi Division	388.12	1.76%
Rangpur Division	80.63	0.37%
Barishal Division	63.32	0.29%
Sylhet Division	31.18	0.14%
Sub-total (Urban)	**20,637.25**	**93.66%**
Rural		
Dhaka Division	895.00	4.06%
Chattogram Division	418.27	1.90%
Khulna Division	27.31	0.12%
Rajshahi Division	32.42	0.15%
Barishal Division	0	0
Rangpur Division	0	0
Sylhet Division	23.90	0.11%
Sub-total (Rural)	**1,396.90**	**6.34%**
Grand Total (Urban + Rural)	**22,034.15**	**100%**

c) By major industry or counterparty type

(a) Amount of impaired loans and if available, past due loans, provided separately

Amount of impaired / classified loans by major industry/sector-type as of 31 December, 2020 was as under:

Major industry/sector type	**Outstanding Amount in crore**	**Mix (%)**
Agriculture Financing	6.02	0.32%
Readymade Garments (RMG) Industries	228.20	12.04%
Textile Industries	216.94	11.44%
Ship Breaking	135.40	7.14%
Other Manufacturing Industries	147.39	7.77%
Small & Medium Enterprise (SME) Loans	457.97	24.16%
Construction Industries	25.62	1.35%
Power and Gas Industries	17.52	0.92%
Transport and Storage	24.73	1.30%
Trade Services	534.58	28.20%
Commercial Real Estate Financing	52.82	2.79%
Residential Real Estate Financing	9.50	0.50%
Consumer Credit	12.91	0.68%
Non-Bank Financial Institution	22.33	1.18%
Others	3.81	0.20%
Total	**1,895.74**	**100%**

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b) Specific and general provisions

Specific and general provisions for loans portfolio and general provision for off-balance sheet exposures of the Bank as per audited financial statements as of 31 December, 2020 was as under:

Particulars of specific and general provisions for entire loan portfolio and off-balance sheet exposures	Amount in crore Taka
Specific provision for loans and advances	814.27
General provision for loans and advances	190.35
General provision for off-balance sheet exposures	53.48
Total	**1,058.10**

c) Charges for specific allowances and charges-offs (general allowances) during the period

The Specific and general provisions for loans portfolio and general provision for off-balance sheet exposures of the Bank charged during the year as per audited financial statements for the year ended 31 December, 2020 was as under:

Particulars	Amount in crore Taka
Specific provision for loans and advances	79.44
General provision for loans and advances	48.17
General provision for off-balance sheet exposures	(9.19)
Total	**118.42**

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Non Performing Assets (NPAs)

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Position of Non Performing Loans and Advances including bills purchased and discounted of the Bank as per audited financial statements for the year ended 31 December, 2020 was as under:

Movement of Non-Performing Assets (NPAs)	Amount in crore Taka
Opening Balance	1,989.50
Additions	27.89
Reductions	(121.65)
Closing Balance	**1,895.74**
Movement of specific provisions for NPAs	
Opening Balance	733.11
Provision made during the period	98.62
Recovery of written off Loan	1.72
Write back of excess provision	(19.18)
Closing balance	**814.27**

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5. Equities: disclosures for Banking Book Positions

a. Qualitative Disclosures

a)	The general qualitative disclosure requirement with respect to the equity risk, including:	
	Differentiation between holdings on which capital Gains are expected and those taken under other Objectives including for relationship and strategic reasons; and	Investment in equity mainly for capital gain purpose but Bank has some investment for relationship and strategic reasons.
	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.	Our investment in shares are being monitored and controlled by the Investment Committee are reflected in accounts through proper methodologies and accounting standards of the local & International. The accounting policies, techniques and valuation methodologies were put in places as under:

Particulars	Valuation method
Shares:	
Quoted	At cost price. Adequate Provision is made if the aggregated market value falls below the cost price..
Unquoted	At cost price.
Bonds:	
Subordinated bonds	At redemption value.

b. Quantitative Disclosures

a)	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.	Amount in crore Taka

Particulars	Cost		Market Value	
	Bank Position	Consolidated Position	Bank Position	Consolidated Position
Quoted Share	56.94	233.32	94.03	213.80
Unquoted share	13.82	13.82	13.82	13.82

b)	The cumulative realized gain (losses) arising from sales and liquidations in the reporting period. - Realized gain (losses) from equity investments	The cumulative realized gain (losses): Amount in Crore Taka

Bank Position	Consolidated Position
0	0

c)	• Total unrealized gains (losses) • Total latent revaluation gains (losses) • Any amounts of the above included in Tier 2 capital	Total unrealized gains (losses) Amount in Crore Taka

Bank Position	Consolidated Position
37.09	(19.52)

d) Capital requirements broken down by appropriate equity groupings, consistent with the bank's methodology, as well as the aggregate amounts and the type of equity investments subject to any supervisory provisions regarding regulatory capital requirements.

a) Capital requirements for equity investments
- For Specific market risk
- For General market risk

The capital requirements for equity investments as of 31 December, 2020 was as under:

Amount in crore Taka

Particulars	Amount (Market Value)	Weight	Capital Charge
Specific Risk	91.92	0.10	9.19
General Market Risk	91.92	0.10	9.19
Total			**18.38**

6. Interest rate risk in the Banking Book (IRRBB)

a. Qualitative Disclosures

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

Interest rate risk is the potential impact on the Bank's earnings and net asset values due to changes in market interest rates. Interest rate risk arises when the Bank's principal and interest cash flows (including final maturities), for both On and Off-balance sheet exposures, have mismatched re-pricing dates. The amount at risk is a function of the magnitude and direction of interest rate changes and the size and maturity structure of the mismatch position. The portfolio of assets and liabilities in the banking book sensitive to interest rate changes is the element of interest rate risk.

The immediate impact of changes in interest rates is on the Bank's net interest income (difference between interest income accrued on rate sensitive asset portfolio and interest expenses accrued on rate sensitive liability portfolio) for particular period of time, while the long term impact is on the Bank's net worth since the economic value of the Bank's assets, liabilities and Off -balance sheet exposures are affected.

Key assumptions on loan prepayments and behavior of non-maturity deposits:

a) loans with defined contractual maturity are re-priced in the respective time buckets in which it falls as per the loan repayment schedule;

b) loans without defined contractual maturity are segregated into different time buckets based on the past trend, seasonality, geographical perspective and reprised accordingly;

c) Non-maturity deposits namely current, saving deposits are segregated into different time buckets on the basis of past trend of withdrawal, seasonality, religious festivals, geographical perspective and re-priced accordingly. However, the behavior of withdrawal of non-maturity deposits of OBL is more or less stable.

d) OBL measures the IRRBB as per the regulatory guidelines on a quarterly rest.

b. Quantitative Disclosures

The impact of changes in interest rate for On-balance sheet rate sensitive assets and liabilities of OBL as per the audited financial statements as of 31 December, 2020 is furnished below:

Amount in crore Taka

Particulars	Residual maturity bucket			
	1-90 Days	**91-180 Days**	**181-270 Days**	**271-364 Days**
Rate sensitive assets **[A]**	8,029.12	3,547.21	1,530.05	12,541.92
Rate sensitive liabilities [B]	9,729.40	4,224.41	2,039.46	6,961.23
GAP **[A-B]**	(1,700.28)	(677.20)	(509.41)	5,580.69
Cumulative GAP	(1,700.28)	(2,377.48)	(2,886.89)	2,693.80
Interest rate change (IRC) **[Note 1]**	0.0025	0.0025	0.0025	0.0025
Quarterly earnings impact [Cumulative GAP x IRC]	(4.25)	(5.94)	(7.22)	6.73
Cumulative earnings impact	(4.25)	(10.19)	(17.41)	(10.68)
Note 1: Assuming 1% rise in interest rates for both asset and liability portfolio of the Bank.				

7. Market Risk

a. Qualitative Disclosures:

i) Views of Board of Directors (BOD) on trading / investment activities	The Board approves all policies related to market risk, set limits and reviews compliance on a regular basis. The objective is to provide cost effective funding to finance assets growth and trade related transactions. The market risk covers the followings risks of the Bank's balance sheet: i) Interest rate risk; ii) Equity price risk; iii) Foreign exchange risk; and iv) Commodity price risk
ii) Methods used to measure Market risk	As per relevant Bangladesh Bank guidelines, Standardized Approach has been used to measure the Market Risk for capital requirement for trading book of the Bank. The total capital requirement in respect of market risk is the aggregate capital requirement calculated for each of the risk sub-categories. For each risk category minimum capital requirement is measured in terms of two separately calculated capital charges for "specific risk" and "general market risk" as under:
iii) Market Risk Management system	The Treasury Division of the Bank manages market risk covering liquidity, interest rate and foreign exchange risks with oversight from Assets- Liability Management Committee (ALCO) comprising senior executives of the Bank. ALCO is chaired by the Managing Director. ALCO meets at least once in a month

Component of Market Risk	Capital Charged for Market Risk	
	General Market Risk	**Specific Market Risk**
Interest Rate Risk	Applied	Applied
Equity Price Risk	Applied	Applied
Foreign Exchange Risk	Applied	
Commodities Price Risk	N/A	

	The Risk Management Division also reviews the market risk parameters on monthly basis and recommends on portfolio concentration for containing the RWA.
iv) Policies and processes for mitigating market risk	There are approved limits for credit deposit ratio, liquid assets to total assets ratio, maturity mismatch, commitments for both on-balance sheet and off-balance sheet items and borrowing from money market and foreign exchange position. The limits are monitored and enforced on a regular basis to protect against market risks. The exchange rate committee of the bank meets on a daily basis to review the prevailing market condition, exchange rate, foreign exchange position, and transactions to mitigate foreign exchange risks.

b. Quantitative Disclosure:

Amount in Crore

Particulars	Solo	Consolidated
The capital requirements for:		
Interest Rate Risk	10.30	10.30
Equity Position risk	18.38	42.34
Foreign Exchange Risk	7.30	7.30
Commodity Risk	-	-
Total	35.99	59.95

8. Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal process, people and systems (for example failed IT system, or fraud perpetrated by OBL employee), or from external causes, whether deliberate, accidental or natural. It is inherent in all of the Bank's activities.

a. Qualitative Disclosure:

i) Views of Board of Directors (BOD) on system to reduce Operational Risk	The policy for operational risks including internal control and compliance risk is approved by the Board taking into account relevant guidelines of Bangladesh Bank. Audit Committee of the Board directly oversees the activities of Internal Control and Compliance Division (IC&CD) to protect against operational risks. As a part of continued surveillance, the Management Committee (MANCOM), Risk Management Committee (at the management level), independent Risk Management Division regularly reviews different aspects of operational risk. The analytical assessment was reported to the Board / Risk Management Committee /Audit Committee of the Bank for review and formulating appropriate policies, tool & techniques for mitigation of operational risk.
ii) Performance gap of executives and staffs	OBL has a policy to provide competitive package and best working environment to attract and retain the most talented people available in the industry. OBL strong brand image plays an important role in employee motivation. As a result, there is no significant performance gap.

iii) Potential external event	Like other peers, OBL operates its business with few external risk factors relating to the socio-economic condition, political atmosphere, regulatory policy changes, natural disaster etc. Considering the potential external risk, the bank invests heavily in IT infrastructure for better automation and online transaction environment.
iv) Policies and processes for mitigating operational risk	The policy for mitigating operational risks including internal control and compliance risk is approved by the Board taking into account relevant guidelines of Bangladesh Bank. A policy guideline on Risk Based Internal Audit (RBIA) system is in operation. Currently, OBL is using some models or tools for mitigating operational risk such as Self Assessment of Anti-fraud Internal Control; Quarterly Operational Report (QOR) and Departmental Control Function Check List in line with the Bangladesh Bank's relevant Instructions and recommendations. It is required to submit the statement on Self Assessment of Anti-fraud Internal Control to Bangladesh Bank on quarterly rest. Bank's Anti- Money laundering activities are headed by CAMELCO in the rank of Senior Executive Vice President and their activities are devoted to protect against all money laundering and terrorist finance related activities. The newly established Central Customer Service & Complaint Management Cell was also engaged in mitigating the operation risks of the Bank. Apart from that, there is adequate check and balance at every stage of operation, authorities are properly segregated and there is at least dual control on every transaction to protect against operational risk.

b. Quantitative Disclosure:

Amount in Crore

Particulars	Solo	Consolidated
The capital requirements for: Operational Risk	218.16	220.40

9. 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. Thus, liquidity risk can be of two types:

a. Qualitative Disclosure:

i) Views of Board of Directors on system to reduce Liquidity Risk	OBL 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) & Net Stable Funding Ratio (NSFR). The mandated regulatory threshold as per the transition plan is embedded into the Risk Appetite Statement of the Bank thus subjecting LCR & NSFR maintenance to Board oversight and periodical review. The Treasury Department computes the LCR & NSFR and reports the same to the

	Asset Liability Management Committee (ALCO) every month for review 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. The Bank has been submitting LCR reports monthly & NSFR quarterly to BB as per prescribed guideline.
ii) Methods used to measure Liquidity risk	The following methods are used to measure Liquidity risk- ✓ Liquidity Coverage Ratio (LCR) ✓ Net Stable Funding Ratio (NSFR) ✓ Cash Reserve Ratio (CRR), ✓ Statutory Liquidity Ratio (SLR) ✓ Maximum Cumulative Outflow (MCO) ✓ Advance Deposit Ratio (ADR)
iii) Liquidity risk Management system	The Treasury Division 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. Liquidity Risk is measured using flow approach and stock approach. Flow approach involves comprehensive tracking of cash flow mismatches. Stock approach involves measurement of critical ratios in respect of liquidity risk. Analysis of liquidity risk also involves examining how funding requirements are likely to be affected under crisis scenarios. The Bank has a Board approved contingency action plan to manage stressed liquidity guided by the regulatory instructions. The Bank has an extensive intraday liquidity risk management framework for monitoring intraday positions during the day.
iv) Policies and processes for mitigating Liquidity risk	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. The Risk & Treasury department measures and monitors the liquidity profile of the Bank with reference to the Board approved limits, on a static as well as on a dynamic basis by using the gap analysis technique supplemented by monitoring of key liquidity ratios and periodical liquidity stress testing.

b. Quantitative Disclosure:

Particulars	Amount in crore Taka
Liquidity Coverage Ratio (LCR)	164.82%
Net Stable Funding Ratio (NSFR)	114.13%
Stock of High Quality Liquid Assets	5496.42
Total Net cash Outflows over the next 30 Calendar days	3,334.77
Available amount of stable funding	23,679.50
Required amount of stable funding	20,747.84

10. Leverage Ratio:

In order to avoid building-up excessive on- and off-balance sheet leverage in the banking system, a simple, transparent, non-risk based leverage ratio has been introduced by Bangladesh Bank. The leverage ratio is calibrated to act as a credible supplementary measure to the risk based capital requirements. 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.

a. Qualitative Disclosure:

1. In line with the BASEL III guidelines, OBL Board of Directors emphasis to improve Leverage Ratio by enhancing Tier 1 capital either plausible dividend policy or enhancing profitability.

2. 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, OBL includes both on balance sheet exposure and off balance sheet exposure. Here, On Balance Sheet exposure is ascertained taking into consideration of accounting balance sheet netting of specific provision and off balance sheet exposure is ascertained applying 100% credit conversion factor.

b. Quantitative Disclosure:

Amount in crore Taka

Particulars	Solo	Consolidated
Leverage Ratio	5.61%	5.65%
Adjusted Tier 1 Capital	1,735.23	1,748.03
On balance sheet exposure	29,537.42	29,552.58
Off balance sheet exposure	1,423.90	1,423.91
Deductions	(8.25)	(13.73)
Total exposure	**30,953.07**	**30,962.76**

11. Remuneration

a) Qualitative Disclosure:

a)	Information relating to the bodies that oversee remuneration and mandate of the Management.	The OBL Remuneration Committee i.e. the Management is responsible for overseeing, review and implementation of Bank's overall compensation structure and related policies regarding remuneration packages for all / specialized employees and the Directors/MD/any other Bank appointed/engaged person(s)/Material Risk Takers of the Bank. They also oversee performance linked incentives, perquisites, other financial options etc. with a view to attract, motivate and retain talents and review compensation packages/pay structure in comparison to that of other Banks and the industry in general to maintain its competitive edge. The Management works in close coordination with the Risk Management Committee of the Bank, in order to achieve effective

		alignment between remuneration and risks. The Management also ensures that the cost/income ratio of the Bank supports the remuneration package consistent with maintenance of sound capital adequacy ratio. In addition, the Management of OBL performs the following: - Conduct the annual review of the Compensation Policy. - Fulfill such other powers and duties as may be delegated to it by the Board. Till date, the Bank has not yet engaged any External Consultants for conducting such exercise since those were done by the Bank's Management. OBL Remuneration Policy covers the principles and rules regarding remuneration being paid/to be paid to Directors and all employees of the Bank including the Management, its review, market intelligence, analysis and proposals for modification commensurate with changed situations in compliance with relevant laws and rules & regulations. An employee is considered a Material Risk Taker if he/she is the Head of a significant business line, or any individuals within their control who have a material impact on the Bank's risk profile. The prevailing policies regarding remuneration and other financial/non financial benefits of employees have been implemented with the approval of the Board of Directors.
b)	Information relating to the design and structure of remuneration processes and the key features and objectives of remuneration policy	The substantive pay and other allowances including perquisites, where applicable, to the employees including all subordinates, officers and executives up to the rank of SEVP are designed/structured in line with the competitive remuneration structure prevailing in the industry. In respect of executives above the rank of SEVP i.e. ADMD, DMD & MD, the individual remuneration is fixed by the Board of Directors. Pay Structure and perquisites payable to the employees have been approved by the Board of Directors of the Bank. While determining the remuneration package, the Management and the Board take into consideration the following factors. 1. Minimum Qualification required 2. Experience 3. Level of Risk involved 4. Criticality of the job 5. Creativity required in the job 6. Salesmanship 7. Leadership 8. Corporate Rank etc. The remuneration structure for the Managing Director (MD) of the Bank is subject to approval of the Central Bank i.e. Bangladesh Bank. Review of the remuneration policy was not required during the year 2020 since the Bank's overall remuneration structure has remained competitive.

c)	Description of the ways in which current and future risks are taken into account in the remuneration processes. It should include the nature and type of the key measures used to take account of these risks.	The Management time to time reviews the remuneration package/structure of the key employees/positions who are involved in the functions that deal with the risk factors (both current and future positions). Though risk is prevalent in all the functions of a commercial bank, the functions that mainly deal with the risk factors of the Bank include: - Marketing - CRM - Operations - Trade Finance etc. The Board of Directors through the Management exercises oversight and effective governance over the framing and implementation of the remuneration policy. Human Resource Management under the guidance of MD administers the compensation and Benefit structure in line with the best suited practices and statutory requirements as applicable.
d)	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.	The Bank has various schemes in regards to deferred and vested variable remuneration which are as under: - PF (Vesting or entitlement to employer's contribution happens on completion of 03 (three) years of regular service and the Bank contributes equal amount of contribution as contributed by the employee) @ 10% of substantive pay. - Gratuity (Vesting or entitlement to employer's contribution happens on completion of 05 (five) years of regular service in the Bank) @ one substantive pay for each completed year of service and for the fraction of 6 months and above. - 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 Board's approved policy. - Furniture & Fixture allowances (the executives of the Bank are entitled to a rank-wise specific amount to meet the cost of furnishing of residence with furniture and fixture). The amount is amortized in 05 years of continuous service of the respective employee. - Staff House Building Loan (a permanent employee in the rank of Principal Officer or above, 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). The Board may adopt principles for mauls / claw back before or after vesting, if such situation arises and the law(s) of the country

		permits the same.
e)	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.	Variable pay means the compensation as fixed by the Board on recommendation of the Management, which is based on the performance appraisal of an employee in that role, that is, how well they accomplish their goals. It may be paid as: ▪ Performance Linked Incentives to those employees who are eligible for incentives. ▪ Ex-gratia for other employees who are not eligible for Performance linked Incentives. ▪ Different awards based on extra-ordinary performance & achievement. ▪ Employee/Manager of the Month/Quarter award. ▪ Reimbursement/award for brilliant academic/professional achievement. ▪ Leave Fare Assistance (LFA)

b) Quantitative Disclosure:

(a)	Number of employees having received a variable remuneration award during the financial year.	No employee received the variable remunerations during the year 2020.
	Number and total amount of guaranteed bonuses awarded during financial year.	2 (two) number of guaranteed bonus (Festival Bonus) were awarded during the year and the amount of bonus was Tk. 22.82 crore.
(b)	Total amount of outstanding deferred remuneration, split into cash, share and share-linked instruments and other forms.	Total amount of outstanding deferred remunerations (i.e., Gratuity) is Tk. 111.14 crore as of 31st December, 2020.
	Total Amount of deferred remuneration paid out in the financial year.	Total amount of deferred remunerations paid is Tk. 6.57 crore during the year 2020 (Gratuity amount paid to the outgoing employees during the year 2020).
(c)	Breakdown of amount of remuneration awards for the financial year to show:	
	- Fixed and variable	Fixed remuneration is Tk. 278.50 crore and variable remuneration disbursed is Nil
	- Deferred and no-deferred	Deferred remuneration awarded (account for during the year) is Tk. 8.63 crore and non-deferred remuneration is Tk. 269.87 crore.
	- Different forms used (cash, shares and share linked instruments, other forms).	N/A
(d)	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:	N/A