

# Disclosure on Risk Based Capital Pillar-3 of Basel III

## Market Discipline

For the year ended December 31, 2022



## BACKGROUND

To strengthen global capital and liquidity rules with the goal of promoting a more resilient banking sector, the Basel Committee on Banking Supervision (BCBS) issued "Basel-III: A global regulatory framework for more resilient banks and banking systems" in December 2010. The objective of the reforms was to improve the banking sector's ability to absorb shocks arising from financial and economic stress, whatever the source, thus reducing the risk of spillover from the financial sector to the real economy. Through its reform package, BCBS also aims to improve risk management and governance as well as strengthen banks' transparency and disclosures.

Basel Committee's comprehensive reform package also addressed the lessons of the economic and financial crisis, which began in 2007, for holding insufficient liquidity buffers and building up excessive on and off-balance sheet leverage that results in a gradual erosion of the level and quality of the capital base.

To cope up with the international best practices and to make the bank's capital shock absorbent, Bangladesh Bank issued 'Guidelines on Risk Based Capital Adequacy (Revised Regulatory Capital Framework for banks in line with Basel-III) in December 2014 with the instructions to maintain the minimum capital requirement under pillar 1, additional capital requirement under pillar 2 and market disclosure requirement under pillar 3. Global Islami Bank Limited (GIB) has put special attention to implement Basel-III inside the Bank.

## INTRODUCTION

The objective of the reforms was to improve the banking sector's ability to absorb shocks arising from financial and economic stress, whatever the source, thus reducing the risk of spillover from the financial sector to the real economy. Through its reform package, BCBS also aims to improve risk management and governance as well as strengthen banks' transparency and disclosures. It effectively exploits the new frontiers of risk management. It seeks to give impetus to the development of a sound risk management system which hopefully will promote a more efficient, equitable and prudent allocation of resources. Both internationally and domestically, the implementation of Basel-III has gripped a lot of interest. To cope with the international best practices and to make the bank's capital more risk sensitive as well as more shock resilient, 'Guidelines on Risk Based Capital Adequacy (RBCA) for Banks' have been introduced by Bangladesh Bank with an action plan for implementing a new Capital Adequacy framework in line with Basel-III. A Basel-III implementation Committee has been formed in Global Islami Bank Limited and the Bank has effectively implemented Basel-III and submitted the quarterly report to Bangladesh bank on time. The disclosure framework (i.e. Pillar-III) is designed to increase the transparency of banker's risk profile by requiring it to give details of its risk management and risk distributions.

### 1. Purpose

- To complement the Minimum Capital Requirement (MCR) under Pillar-1 and the Supervisory Review Process (SRP) under Pillar-2 of Risk Based Capital Adequacy guideline issued by Bangladesh Bank.
- To establish more transparent and more disciplined financial market so that stakeholders can assess the position of a bank regarding holding of assets.
- To identify the risk relating to the assets and capital adequacy to meet probable loss of assets.

### 2. Disclosure Policy

GIB has a disclosure policy fully complied with Bangladesh bank's requirement as noted below:

- Bank has a formal disclosure framework approved by the Board of Directors/ Chief Executive Officer (CEO)
- This disclosure doesn't conflict with the requirements of Accounting Standards as set by Bangladesh Bank from time to time.
- For MCR (pillar-1), Bank uses specified approaches/methodologies to identify as well as minimize the risks it face and the resulting capital requirements.
- The disclosure should be subject to adequate validation. Since information in the annual financial statements would generally be audited, the additionally published with such statements must be consistent with audited statements.
- Bank decides which disclosures are relevant for it based on the materiality concept.
- Bank submits a copy of all required disclosures in both qualitative and quantitative form to DOS (Department off of-site supervision) of Bangladesh Bank and upload the same on the bank's website page as titled "Disclosure on Risk Based Capital (Basel III)" within end march of each year.

- The Bank follows below approaches for calculating Risk Weighted Asset (RWA) as per Basel-III guidelines stated in BRPD Circular No.18 dated December 21, 2014 of Bangladesh Bank:

- Standardized Approach for Investment (credit) Risk
- Standardized approach for Market Risk and
- Basic Indicator Approach for Operational Risk.

## 2.1 Major highlights of Bangladesh Bank regulations:

- To maintain Capital to Risk-weighted Asset Ratio (CRAR) at a minimum of 10% of risk weighted assets as per BRPD Circular No.18 dated December 21, 2014 of Bangladesh Bank.
- To adopt the standardized approach for investment (credit) risk
- To adopt standardized approach for market risk and basic indicator approach for operational risk.
- To submit capital adequacy report to Bangladesh Bank on a quarterly basis.
- To adopt better risk management policy

## 2.2 Factors of Disclosure Framework:

Bangladesh Bank set out the following components in the disclosures under Pillar-3 of Basel III regulations. The following components set out in tabular form are the disclosure requirements:

- Scope of Application
- Capital Structure
- Capital Adequacy
- Investment (Credit) Risk
- Equities: Disclosures for Banking Book Positions
- Profit Rate Risk in Banking Book
- Market Risk
- Operational risk
- Liquidity Ratio
- Leverage Ratio
- Remuneration

## 3. Consistency and Validation

The quantitative disclosures on "Risk Based Capital (Basel III)" has been prepared on the basis of consolidated Un-Audited Financial Statements of Global Islami Bank Limited for the year ended 31 December, 2022.

It was prepared in accordance with the "First Schedule (Section 38)" of the banking companies act 1991 and amendment thereof 2007 and 2013, related International Financial Reporting Standards (IFRS), International Accounting Standards (IAS) adopted by the Institute of Chartered Accountants of Bangladesh (ICAB) and related circulars/instructions issued by Bangladesh Bank from time to time. GIB fully complied with the requirements of laws and regulations from various regulatory bodies.

So, information given in the "Quantitative disclosures" section can easily be verified and validated with the corresponding information presented in the audited consolidated financial statements- 2022. This disclosure is prepared once a year and is available at the website of the bank ([www.globalislamibankbd.com](http://www.globalislamibankbd.com)).

## 4. Scope of Application

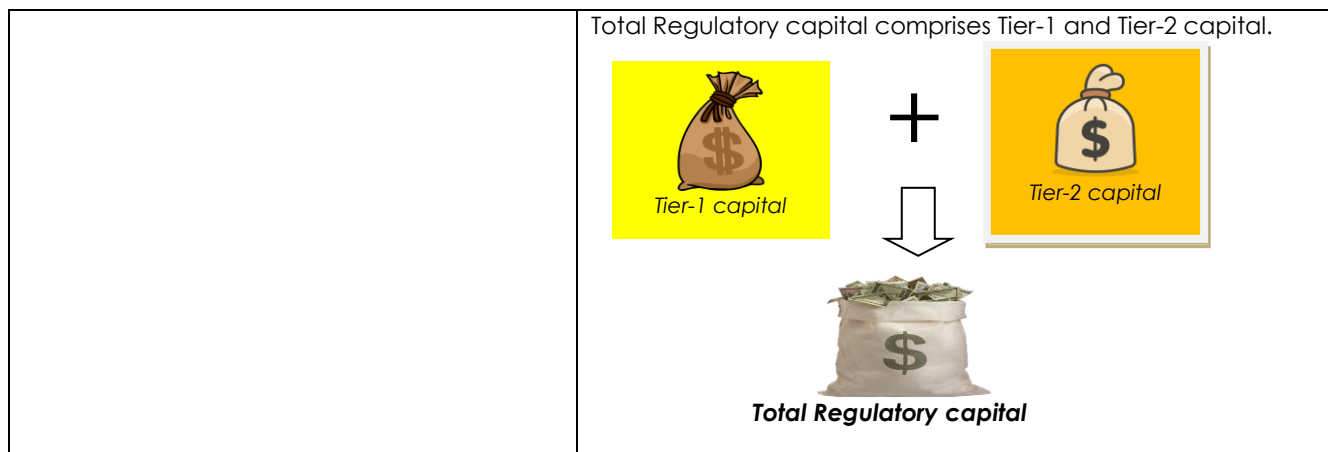
| Qualitative Disclosures:   |   |
|--|---|
| a) The name of the top corporate entity in the group to which this guideline applies.  | Global Islami Bank Limited. The Bank has no subsidiary company as on December 31, 2022.   |
| b) An outline of differences in the basis of consolidation for accounting and regulatory purposes, with a brief description of the entities within the group (a) that are fully consolidated; (b) that are given a deduction treatment; and (c) that are neither consolidated nor deducted (e.g. where the | <b>A brief description of the bank: -</b><br>Global Bank Limited ("the Bank") was incorporated as a public limited company in Bangladesh under Companies Act, 1994 with the registered Office at Saiham Tower, House No. 136, Block-S.E.(c-1), Gulshan Model Town, Dhaka. The Bank commenced banking operation on 23 October 2013 by obtaining license from Bangladesh Bank on 05 August 2013 |

|   |   |
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| investment is risk-weighted).   | under section 32(1) of the Bank Company Act 1991 (amendment up to 2013).<br>Now the number of branches of the Bank is 99 (Ninety-Nine) and sub-branches 122 (One hundred and Twenty-Two) located at different areas of Dhaka, Chattogram, Khulna, Rajshahi, Bogra, Sylhet and Barishal as on 31 December 2022. Currently the Bank does not have any Off-shore Banking Unit (OBU) and subsidiary company. The principal activities of the Bank are to provide all kinds of banking services to its customers through its branches.<br><b>The bank has applied Basel-III on "Solo" basis: -</b> |
| c) Any restrictions, or other major impediments, on transfer of funds or regulatory capital within the group. | Not applicable  |

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|--|----------------|
| <b>Quantitative Disclosures:</b>   |                |
| d) The aggregate amount of surplus capital of insurance subsidiaries (whether deducted or subjected to an alternative method) included in the capital of the consolidated group. | Not Applicable |

## 5. Capital Structure

|   |   |
|---|---|
| <b>Qualitative Disclosures:</b>   |   |
| a) Summary information on the terms and conditions of the main features of all capital instruments, especially in the case of capital instruments eligible for inclusion in CET-1, Additional Tier-1 or Tier-2. | <p>The terms and conditions of the main features of all capital instruments have been segregated in terms of 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.</p> <p><b>Constituents of Capital and Minimum Capital Requirement:</b><br/> <b>A). Components of Capital:</b><br/> For the purpose of calculating capital under capital adequacy framework, the capital of the bank has been classified into two tiers. The total regulatory capital will consist of sum of the following categories:<br/> 1) Tier-1 Capital (going-concern capital)<br/>     <b>a)</b> Common Equity Tier-1<br/>     <b>b)</b> Additional Tier-1<br/> 2) Tier 2 Capital (gone-concern capital)</p> <p><b>Common Equity Tier-1 capital (Going concern capital):</b><br/> Common Equity Tier-1 of Global Islami Bank Limited comprises of;<br/>     <b>a)</b> Paid up capital,<br/>     <b>b)</b> Statutory Reserve,<br/>     <b>c)</b> General Reserve and<br/>     <b>d)</b> Retained Earnings.</p> <p><b>Tire-2 capital (Gone concern capital):</b><br/> Tier-2 capital, also called 'gone-concern capital', represents other elements which fall short of some of the characteristics of the core capital but contribute to the overall strength of a bank.<br/> Tier-2 capital comprises of General Provision (on Unclassified Loans + Off Balance Sheet Exposure), Revaluation Reserves for securities Up to 50%.</p> <p><b>Total Regulatory Capital:</b></p> |



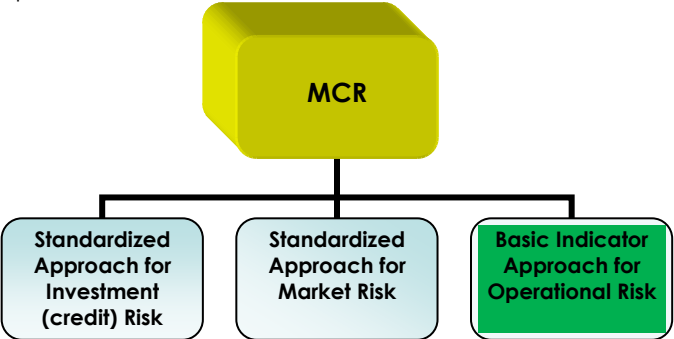
| <b>Quantitative Disclosures:</b>   |                          |
|--|--------------------------|
| <b>Total Regulatory Capital:</b>   | <b>(Figure in Crore)</b> |
| <b>The amount of Common Equity Tier-1 capital, with separate disclosure of Common Equity Tier-1 (CET-1) capital:</b> |                          |
| Paid up capital  | 940.42                   |
| Statutory reserve  | 202.06                   |
| General reserve  | -                        |
| Retained earnings  | 153.95                   |
| <b>Sub Total: Common Equity Tier-1 Capital</b>   | <b>1296.43</b>           |
| <b>Less: Regulatory adjustment:</b>  |                          |
| Deferred tax assets (DTA)  | 8.64                     |
| <b>(A) Common Equity Tier-1 Capital =</b>  | <b>1287.79</b>           |
| <b>Amount of additional Tier-1 capital:</b>  |                          |
| Non-cumulative irredeemable preference shares  | <b>0.00</b>              |
| Instruments issued by the banks that meet the qualifying criteria for AT1  | <b>0.00</b>              |
| Minority Interest  | <b>0.00</b>              |
| <b>(B) Total additional Tier-1 capital =</b>   | <b>0.00</b>              |
| <b>(C) Total Common Equity Tier 1 capital (A+B) =</b>  | <b>1287.79</b>           |
| <b>Tier-2 Capital:</b>   |                          |
| General Provision  | 107.99                   |
| Revaluation Reserves for Securities up to 100%   | -                        |
| Subordinated debt  | -                        |
| <b>Total Tier-2 Capital</b>  | <b>107.99</b>            |
| <b>Regulatory Adjustments/Deductions from capital (D):</b>   |                          |
| Revaluation reserve for fixed assets ,securities & equity securities @100%   | -                        |
| <b>(D) Total Tier-2 Capital Available =</b>  | <b>107.99</b>            |
| <b>Total Regulatory Capital (C+D) =</b>  | <b>1395.78</b>           |

#### Conditions for maintaining regulatory Capital-Limits (Minima and Maxima)

The calculation of Common Equity Tier-1 capital, Additional Tier-1 capital and Tier-2 capital shall be subject to the following conditions:

- a) Common Equity Tier-1 of at least 4.5% of total RWA
- b) Tier-1 capital will be at least 6.0% of total RWA
- c) Minimum CRAR of 10% of total RWA
- d) Additional Tier-1 capital can be admitted maximum up to 1.5% of the total RWA or 33.33% of CET1 capital, whichever is higher.
- e) Tier-2 capital can be admitted maximum up to 4.0% of the total RWA or 88.89% of CET1, whichever is higher.
- f) General provisions/general loan-loss reserve eligible for Tier 2 capital.

## 6. Capital Adequacy

| <b>Qualitative Disclosures:</b>   |   |
|---|---|
| <p>Summary discussion of the bank's approach to assessing the adequacy of its capital to support current and future activities.</p> | <p>The Bank has adopted Standardized Approach (SA) for the computation of capital charge for investment (credit) risk and market risk and Basic Indicator Approach (BIA) for operational risk.</p> <div style="text-align: center;">  <pre> graph TD     MCR[MCR] --- SA[Standardized Approach for Investment (credit) Risk]     MCR --- SMR[Standardized Approach for Market Risk]     MCR --- BIA[Basic Indicator Approach for Operational Risk] </pre> </div> <p>The Bank strictly follows the guidelines of Bangladesh Bank regarding capital adequacy. The Bank has Capital to Risk-weighted Assets Ratio of <b>16.49%</b> as against the minimum regulatory requirement of 10% and capital conservation buffer (CCB) of 2.5%, which denotes a total regulatory capital requirement of 12.50%. Common equity Tier-1 capital adequacy ratio is 15.21% against the minimum regulatory requirement of 4.5%.</p> <p>The Bank's policy is to manage and maintain its capital with the objective of maintaining strong capital ratio and high rating. Due to sustainable growth in all aspects including general investment of BDT 11,868.05 Crore and deposit of BDT 11,880.92 crore, the Bank was able to maintain minimum capital with surplus of BDT 337.68 Crore. The Bank also ensures that the capital level comply with regulatory requirements and satisfy the external rating agencies and other stakeholders including depositors. To ensure adequate capital for sustainable growth, the Management of Global Islami Bank Limited has already taken well planned initiatives which includes but not limited to the followings:</p> <ul style="list-style-type: none"> <li>(a) Consistently encouraging existing corporate clients to complete external investment (credit) rating in a view to assess counterparty Investment (credit) Risk status and to reduce capital requirement.</li> <li>(b) Improving and enhancing eligible collaterals, by way of collateral optimization.</li> <li>(c) Booking new clients are taking into considerations their risk profile and investment (credit) rating.</li> </ul> <p>The Bank's Capital adequacy ratio is periodically assessed and reviewed by the respective department and reported to Bangladesh Bank respectively. The composition of capital in terms of Common Equity Tier-1, Additional Tier-1 and Tier-2 are also analyzed to ensure capital stability and to reduce volatility in the capital structure.</p> |

| <b>Quantitative Disclosures:</b>                 |                          |
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| <b>Particulars</b>                               | <b>(Figure in Crore)</b> |
| Capital requirement for Investment (credit) Risk | 725.19                   |
| Capital requirement for Market Risk              | 33.15                    |

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| Capital requirement for Operational Risk  | 87.61         |
| <b>Total and Tier 1 capital ratio:</b>  |               |
| - For the consolidated (%)  | N/A           |
| - <b>For stand alone</b>  | <b>16.49%</b> |
| Capital Conservation Buffer   | 6.49%         |
| Available Capital under Pillar 2 Requirement*   | 337.68        |
| *After deduction of MCR and Capital Conservation Buffer from total regulatory capital |               |

## 7. Investment (Credit) Risk

| Qualitative Disclosures:   |  |
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| The general qualitative disclosure requirement with respect to investment (credit) risk, including |  |
| <p>i) Definitions of Past Due and impaired (for accounting purpose)</p>                            | <p><b>1. Categories of Loans/Investment and Advances :</b> All Loans/Investment and advances will be grouped into four (4) categories for the purpose of classification, namely- (a) Continuous Loan (b) Demand Loan (c) Fixed Term Loan and (d) Short-term Agricultural &amp; Micro- Credit.</p> <p><b>a) Continuous Loan:</b> The loan accounts in which transactions may be made within certain limit and have an expiry date for full adjustment will be treated as Continuous Loan. Examples are: Cash Credit, Overdraft, etc.</p> <p><b>b) Demand Loan:</b> The Loans/Investment that become repayable on demand by the bank will be treated as Demand Loan. If any contingent or any other liabilities are turned to forced loan (i.e. without any prior approval as regular loan) those too will be treated as Demand Loan. Such as: Forced Loan against Imported Merchandise, Payment against Document, Foreign Bill Purchased, and Inland Bill Purchased, etc.</p> <p><b>c) Fixed Term Loan:</b> The Loans/Investment, which are repayable within a specific time period under a specific repayment schedule, will be treated as Fixed Term Loan.</p> <p><b>d) Short-term Agricultural &amp; Micro-Credit:</b> Short-term Agricultural Credit will include the short-term credits as listed under the Annual Credit Programmes issued by the Agricultural Credit and Financial Inclusion Department (ACFID) of Bangladesh Bank. Credits in the agricultural sector repayable within 12 (twelve) months will also be included herein. Short-term Micro Credit will include any micro-credits not exceeding an amount determined by the ACFID of Bangladesh Bank from time to time and repayable within 12 (twelve) months, be those termed in any names such as Non-agricultural credit, Self-reliant Credit, Weaver's Credit or Bank's individual project credit.</p> <p><b>2. Past Due/Over Due:</b></p> <p>(i) Any Continuous Loan/ Investment if not repaid/renewed within the fixed expiry date for repayment or after the demand by the bank will be treated as past due/overdue from the following day of the expiry date.</p> <p>(ii) Any Demand Loan/ Investment if not repaid within the fixed expiry date for repayment or after the demand by the bank will be treated as past due/overdue from the following day of the expiry date.</p> <p>(iii) Whereas, in case of any installment(s) or part of installment(s) of a Fixed Term Loan/ Investment is not repaid within the fixed expiry date, the amount of unpaid installment(s) will be treated as past due/overdue after six months of the expiry date.</p> <p>(iv) The 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.</p> <p><b>3. Special Mention Account (SMA):</b> A Continuous loan/ investment, Demand loan/ investment or a Term Loan/ Investment which will</p> |

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|  | <p>remain overdue for a period of 02 (two) months or more, will be put into the "Special Mention Account(SMA)".</p> <p><b>4. Loan/ Investment Classification except Cottage, Micro and Small credits under CMSME as follow:</b></p> <p>4.1 A Continuous Loan/ Investment, Demand Loan/ Investment, Fixed Term Loan/ Investment or any installment(s)/part of installment(s) of a Fixed Term Loan/ Investment which will remain past due/overdue for a period of 03 (three) months or beyond but less than 09 (nine) months, the entire loan will be put into the "Sub-standard (SS)".</p> <p>4.2 A Continuous Loan/ Investment, Demand Loan/ Investment, Fixed Term Loan/ Investment or any installment(s)/part of installment(s) of a Fixed Term Loan/ Investment which will remain past due/overdue for a period of 09 (nine) months or beyond but less than 12 (twelve) months, the entire loan will be put into the "Doubtful (DF)".</p> <p>4.3 A Continuous Loan/ Investment, Demand Loan/ Investment, Fixed Term Loan/ Investment or any installment(s)/part of installment(s) of a Fixed Term Loan/ Investment which will remain past due/overdue for a period of 12 (twelve) months or beyond, the entire loan will be put into the "Bad/Loss (B/L)".</p> <p>4.4 The Short-term Agricultural and Micro-Credit will be considered irregular if not repaid within the due date as stipulated in the loan agreement. If the said irregular status continues, the credit will be classified as 'Substandard ' after a period of 12 months, as 'Doubtful' after a period of 36 months and as 'Bad/Loss' after a period of 60 months from the stipulated due date as per the loan agreement.</p> <p><b>5. Loan Classification of Cottage, Micro and Small credits under CMSME as follow:</b></p> <p>5.1 If a Continuous Loan/ Investment, Demand Loan, Fixed Term Loan/ Investment or any installment(s)/part of installment(s) of a Fixed Term Loan/ Investment remain(s) past due/overdue for a period of 06 (six) months or beyond but less than 18 (eighteen) months, the entire loan will be classified as "Sub-standard (SS)".</p> <p>5.2 If a Continuous Loan/ Investment, Demand Loan, Fixed Term Loan/ Investment or any installment(s)/part of installment(s) of a Fixed Term Loan/ Investment remain(s) past due/overdue for a period of 18 (eighteen) months or beyond but less than 30 (thirty) months, the entire loan will be classified as "Doubtful (DF)".</p> <p>5.3 If a Continuous Loan/ Investment, Demand Loan, Fixed Term Loan/ Investment or any installment(s)/part of installment(s) of a Fixed Term Loan/ Investment remain(s) past due/overdue for a period of 30 (thirty) months or beyond, the entire loan will be classified as "Bad/Loss (B/L)".</p> |
| <p><b>ii)</b> Description of approaches followed for specific and general provisions and statistical methods</p> | <p>Provision for Loans/Investment and Advances is created for covering the bank's potential loan losses in future.</p> <ul style="list-style-type: none"> <li>▪ General provision is made on the outstanding amount of loan/investment without considering the classified status following the prescribed rate of Bangladesh Bank.</li> <li>▪ Classified Loans/Investment of the bank are categorized as Sub-Standard (SS), Doubtful (DF) and Bad &amp; Loss (BL) as per Bangladesh Bank circulars. For classified loan/investment, base for provision will be the greater of the following two amounts: <ul style="list-style-type: none"> <li>i. Outstanding balance of the classified loan less the amount of Interest Suspense and the value of eligible collateral; and</li> <li>ii. 15% of the outstanding balance of the loan</li> </ul> </li> <li>▪ Provision for Off-Balance Sheet items is kept as per Bangladesh Bank BRPD circular no. 14 of September, 2012.</li> <li>▪ Profit accrued on SS, DF and BL is transferred to profit suspense account and not considered as profit income for the Islamic banking activities.</li> </ul> <p>The bank is required to maintain the following General and Specific</p>   |



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|   | Provision in respect of Unclassified and Classified Loans/Investment based on Bangladesh Bank guidelines issued from time to time. Rates of provision are noted below: -   |
| General provision on unclassified Small and Medium Enterprise (SME) financing.  | 0.25%  |
| General provision on unclassified Loans/Investment and advances/ investments (other than Consumer Financing, Loans/Investment to Brokerage House, Merchant Banks, Stock Dealers etc., SMA as well as SME Financing).    | 1%   |
| General provision on off-balance sheet exposures (Provision has been made on the total exposure and amount of cash margin & value of eligible collateral were not deducted while computing off-balance sheet exposure). | 1%   |
| General provision on unclassified Loans/Investment and advances for all types of consumer financing except housing finance  | 2%   |
| General provision on unclassified Loans/Investment and advances for housing finance   | 1%   |
| General provision on the unclassified Loans/Investment to Brokerage House, Merchant Banks, Stock Dealers, etc.  | 2%   |
| General provision for Short-term agriculture and Micro investment (credit)  | 1%   |
| General provision on outstanding amount of Loans/Investment kept in Special Mention Account (SMA) will be at the same respective rate as stated above   | (0.25% to 2%)  |
| Specific provision on Sub-Standard Loans/Investment and advances except Cottage, Micro and Small credits under CMSME  | 20%  |
| Specific provision on Doubtful Loans/Investment and advances except Cottage, Micro and Small credits under CMSME  | 50%  |
| Specific provision on bad / loss Loans/Investment and advances except Cottage, Micro and Small credits under CMSME  | 100%   |
| Specific provision on Sub-Standard Loans/Investment and advances on Cottage, Micro and Small credits under CMSME  | 5%   |
| Specific provision on Doubtful Loans/Investment and advances on Cottage, Micro and Small credits under CMSME  | 20%  |
| iii) Discussion on the bank's investment (credit)/investment risk management policy.  | <p>Global Islami Bank has a Board approved Investment Risk Management (IRM) guideline/policy keeping in view of Bangladesh Bank's relevant guidelines to ensure best practices in investment risk management and maintain quality of assets. Some officials are properly delegated in order to check and balance in investment management at every stage. The Bank generally takes collaterals in the form of pledges of sufficient eligible marketable securities, mortgages over the property etc. All of the collaterals taken do not necessarily qualify for availing capital relief under the capital adequacy framework. To ensure with a high degree of certainty that the collateral value will cover the exposure, discounts ("haircuts") are generally applied to the current market value.</p> <p><b>Investment (credit) Risk Mitigation:</b><br/>Potential investment losses from any given account, customer or portfolio are mitigated using a range of tools such as collateral, netting agreements, insurance, and other guarantees. The reliance that can be placed on these mitigates is carefully assessed in light of issues such as legal certainty and enforceability, market valuation correlation and counterparty risk of the guarantor.</p> <p>Risk mitigation policies determine the eligibility of collateral types. Collateral types which are eligible for risk mitigation include: cash; residential, commercial and industrial property; fixed assets such as motor vehicles, plant and machinery; marketable securities; commodities; bank guarantees; and letters of investment (credit). Collateral is valued in accordance with our Methodology for Valuation of Security/Collateral Assets, which prescribes the frequency of</p> |

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|  | <p>valuation for different collateral types, based on the level of price volatility of each type of collateral. Collateral held against impaired loans is maintained at fair value.</p> <p>Investment Division always performs their jobs dedicatedly to mitigate the investment (credit) risk and also ensure the perfection of proper securities. Internal Control and Compliance Division (ICCD) independently assesses the investment (credit) quality and compliance status during their audit at least once a year. Adequate provision is kept against NPI as per Bangladesh Bank guidelines.</p> |
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**Quantitative Disclosures:**

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| <b>a)</b> Total gross investment (credit) risk exposures broken down by major types of investment exposure. | Total gross investment (credit)/investment risk exposures broken down by major types of investment exposures of the bank are as under: - |
|---|--|

**Distribution of Investment (credit) Exposures by Major Types: -**

| Particulars                    | (Fig. in Crore)  |
|--------------------------------|------------------|
| Bai-Murabaha                   | 10,709.57        |
| Bai-Muajjal                    | 140.71           |
| Bai-Murabaha Import            | 11.77            |
| Bai-Murabaha Term Investment   | 36.72            |
| Bai-Muajjal Term Investment    | 19.16            |
| HPSM                           | 807.88           |
| Investment in LDBP/FDBP/IDBP   | 93.48            |
| Staff Investment               | 36.00            |
| Card Investment                | 7.41             |
| Bills purchased and discounted | 5.37             |
| <b>Total</b>                   | <b>11,868.05</b> |


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| <b>b)</b> Geographical distribution of exposures, broken down in significant areas by major types of investment (credit) exposure. | Geographical distribution of exposures, broken down in significant areas by major types of investment exposure are as under: |
|--|--|

| Urban              | (Figure in Crore) |
|--------------------|-------------------|
| Dhaka              | 3,138.26          |
| Chattogram         | 6,532.63          |
| Sylhet             | 3.88              |
| Rajshahi           | 7.76              |
| Rangpur            | -                 |
| Khulna             | 14.55             |
| Barishal           | 3.88              |
| Mymensingh         | -                 |
| <b>Sub-Total</b>   | <b>9,700.96</b>   |
| Rural              |                   |
| Dhaka              | 292.99            |
| Chattogram         | 1873.42           |
| Sylhet             | -                 |
| Rajshahi           | 0.68              |
| Rangpur            | -                 |
| Khulna             | -                 |
| Barishal           | -                 |
| <b>Sub-Total</b>   | <b>2,167.09</b>   |
| <b>Grand Total</b> | <b>11,868.05</b>  |

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| <b>c)</b> Industry or counterparty type distribution of exposures, broken down by major types of investment (credit) exposure. |  |
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| Particulars | (Fig. in Crore) |
|-------------|-----------------|
| Agriculture | 39.33           |

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|---|------------------|
| Commercial real estate financing        | 6.43             |
| Construction                            | 267.98           |
| Consumer finance                        | 17.66            |
| Residential real estate financing       | 22.38            |
| Capital market institution              | 69.54            |
| Transport, storage and communication    | 30.57            |
| Retail investments                      | 225.28           |
| Commercial and trading services         | 9,758.31         |
| Ready Made Garments-RMG                 | 210.75           |
| Small and Medium Enterprise investments | 469.57           |
| Textile industries                      | 274.75           |
| Other manufacturing industries          | 475.51           |
| <b>Total</b>                            | <b>11,868.05</b> |

|   |   |                        |
|---|---|------------------------|
| <b>d) Residual maturity breakdown of the whole portfolio, broken down by major types of investment (credit exposure).</b> |   |                        |
| <b>Particulars</b>  | <b>(Fig. in Crore)</b>  |                        |
| Payable on demand   | 2673.04   |                        |
| Up to 1 month   | -   |                        |
| Over 1 month but not more than 3 months   | 3308.55   |                        |
| Over 3 months but not more than 1 year  | 4140.05   |                        |
| Over 1 year but not more than 5 years   | 1274.06   |                        |
| Over 5 years  | 472.35  |                        |
| <b>Total</b>  | <b>11,868.05</b>  |                        |
| <b>e) By major industry or counterparty type:</b>   | <b>i. Amount of impaired loans and if available, past due loans, provide separately</b>   |                        |
|   | <b>Particulars</b>  | <b>(Fig. in Crore)</b> |
|   | Substandard (SS)  | 79.06                  |
|   | Doubtful (DF)   | 14.46                  |
|   | Bad Loss (BL)   | 438.71                 |
|   | <b>Total</b>  | <b>532.22</b>          |
|   |  <p>A pie chart illustrating the composition of impaired loans. The largest segment is Bad Loss (BL) at 82%, followed by Substandard (SS) at 15%, and Doubtful (DF) at 3%. A legend to the right of the chart identifies the categories: Substandard (SS) in blue, Doubtful (DF) in red, and Bad Loss (BL) in yellow.</p> |                        |
|   | <b>ii. Specific and general provisions:</b>   |                        |
|   | Provision on classified investment  | 149.39                 |
|   | Provision on unclassified investment  | 90.74                  |
|   | Special provision for COVID-19  | 11.42                  |
|   | Provision on Off-balance sheet exposures  | 5.83                   |
| Provision for diminution in value of investments.   | 1.60  |                        |
| <b>Total</b>  | <b>258.98</b>   |                        |
| <b>iii. Charges for specific allowances and charge-offs during the period</b>   |   |                        |
| Provision on classified investment  | 81.38   |                        |
| Provision on unclassified investment  | (2.25)  |                        |
| Special provision for COVID-19  | (2.53)  |                        |
| Provision on Off-balance sheet exposures  | 0.40  |                        |
| Provision for other Assets  | 11.64   |                        |
| Provision for diminution in value of investments.   | (0.40)  |                        |
| <b>Total</b>  | <b>88.24</b>  |                        |

|   |       |
|---|-------|
| <b>f) Gross Non Performing Assets (NPAs):</b>                     |       |
| <b>i) Non-Performing Assets ( NPAs) to Outstanding investment</b> | 4.48% |
| <b>ii) Movement of Non-Performing Assets ( NPAs):</b>             |       |

|   |               |
|---|---------------|
| Opening balance                                       | 238.61        |
| Addition/(Reductions)                                 | 293.62        |
| <b>Closing Balance</b>                                | <b>532.23</b> |
| <b>iii) Movement of specific provisions for NPAs:</b> |               |
| Opening balance                                       | 68.00         |
| Provisions made during the period                     | 81.39         |
| Write-off   | -             |
| Write-back of excess provisions                       | -             |
| <b>Closing Balance</b>                                | <b>149.39</b> |

## 8. Equities: Disclosures for Banking Book Positions

|  |   |
|--|---|
| <b>Qualitative Disclosures:</b>  |   |
| <b>The general qualitative disclosure requirement with respect to equity risk, including: -</b>  |   |
| 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 securities are broadly categorized into two parts:  | <p>i) <b>Quoted Securities</b> (Common or Preference Shares &amp; Mutual Fund) that are traded in the secondary market (Trading Book Assets). -</p> <p>ii. <b>Unquoted securities</b> include shares of Central Depository Bangladesh Limited (CDBL), investment in SWIFT and Market Stabilization Fund (MSF) categorized as banking book equity exposures which are further sub-divided in two groups: a) unquoted securities which are invested without any expectation and will be quoted in near future i.e. Held to Maturity (HTM), b) Securities those are acquired under private placement or IPO and are going to be traded in the secondary market after completing due formalities. It is valued at cost.</p> |
| Discussion of important policies covering the valuation and accounting of equity holdings in the banking book. This includes the accounting techniques and valuation methodologies used, including key assumptions and practices affecting valuation as well as significant changes in these practices | The primary aim is to investment in these equity securities for the purpose of capital gain by selling them in future or held for dividend income. Dividends received from these equity securities are accounted for as and when received. Both Quoted and Un- Quoted equity securities are valued at cost and necessary provisions are maintained if the prices fall below the cost price.   |

| <b>Quantitative Disclosures:</b> |  |         |                 |
|----------------------------------|--|---------|-----------------|
| SI No.                           | Particulars  | At cost | At market value |
| <b>a</b>                         | Value disclosed in the balance sheet of investments, as well as the fair value of those investments; for quoted securities, a comparison to publicly quoted share values where the share price is materially different from fair value.  | 195.12  | 186.51          |
| <b>b</b>                         | <b>The cumulative realized gains (losses) arising from sales and liquidations in the reporting period:</b>   |         |                 |
| <b>c</b>                         | i. Total unrealized gains (losses)   |         | (1.59)          |
|                                  | ii. Total latent revaluation gains (losses)  |         | -               |
|                                  | iii. Any amounts of the above included in Tier-2 capital.  |         | -               |
| <b>d</b>                         | 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 (10% on market value). |         |                 |
|                                  | ▪ Specific Market Risk   |         | 13.08           |
|                                  | ▪ General Market Risk  |         | 13.08           |

## 9. Profit Rate Risk in the Banking Book

|   |   |
|---|---|
| <b>Qualitative Disclosures:</b>   |   |
| The general qualitative disclosure requirement including the nature of IRRBB and key assumptions, including | Interest rate risk is a risk where changes of profit rates in the market might adversely affect bank's financial condition. Changes in interest rates have two following types of impact: - |

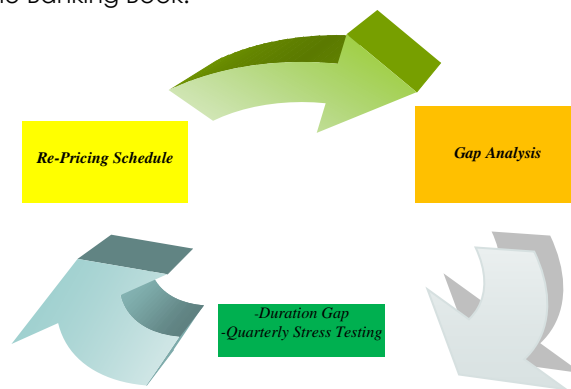
assumptions regarding loan prepayments and behaviour of non-maturity deposits, and frequency of IRRBB measurement.

- a) **Earning Perspective:** It affects a bank's current earnings by changing its net interest/profit income and the level of other interest sensitive income and operating expenses. The short term income of changes in interest rates is on the bank's interest income (NII).
- b) **Economic Value Perspective (Net worth of the bank):** Economic value of the future cash flows changes when interest rate changes. In the long term, changes in interest rates impact the cash flows on the assets, liabilities and off-balance sheets items, giving rise to a risk to the net worth of the bank arising out of all re-pricing mismatches and other interest rate sensitive position.

A maturity mismatch approach is used to measure Global Islami Bank's exposure to interest rate risk. A positive mismatch means that more assets than liabilities are repriced in a given period. With a positive mismatch, a rise in market interest rates will have a positive effect on the bank's earnings. On the other hand, a negative mismatch, where more liabilities are repriced than assets in a given period, means a drop in earnings if interest rates had increased.

GIB has been exercising the Stress Testing using the Duration GAP for measuring the Interest Rate Risk on its banking book for estimating the impact of the net change in the market value of equity on the Capital to Risk Weighted Assets Ratio (CRAR) due to change in interest rates. Bank periodically computes the interest rate risk on the banking book that arises due to re-pricing mismatches in interest rate sensitive assets and liabilities. Details relating to re-pricing mismatches and the interest rate risk thereon are placed to the ALCO on regular basis with proposal for corrective action, if necessary.

GIB applies the following technique to manage the interest rate risk in the Banking Book.



**Re-Pricing Schedules:** It is the simplest technique to measure the bank's interest rate risk exposures and that generates a maturity /a re-pricing schedule that distribute interest sensitive assets, liabilities and OBS position in to a certain number of predetermined time bands according to their maturity (if fixed rate) or time remaining to their next re-pricing (if floating rate).

Those assets and liabilities lacking definitive re-pricing intervals (Sight deposits/saving deposits) or actual maturity that could fluctuate from contractual maturities are assigned re-pricing time bands according to judgement and past experience of banking activities.

**Gap Analysis:** It helps to assess the interest rate risk of current earnings.

|  |  |
|--|--|
|  | To evaluate the earning exposures, interest rate sensitive liabilities in each time band are subtracted from the corresponding interest rate sensitive assets to produce a re-pricing 'gap' for that time band. This gap is multiplied by an assumed change in interest rate to yield an approx. change in net interest income that would result from such interest rate movement. |
|--|--|

| <b>Quantitative Disclosures:</b>   |                       |                      |                       |
|--|-----------------------|----------------------|-----------------------|
| The increase (decline) in earnings or economic value (or relevant measure used by management) for upward and downward rate shocks according to management's method for measuring IRRBB, broken down by currency (as relevant). |                       |                      |                       |
| <b>Particulars</b>   | <b>Up to 3 months</b> | <b>3 to 6 months</b> | <b>6 to 12 months</b> |
| <b>Rate Sensitive Assets</b>   | 2,895.27              | 2,513.32             | 7,383.52              |
| <b>Rate Sensitive Liabilities</b>  | 5,470.44              | 1,607.83             | 4,705.51              |
| Gap  | (2,575.17)            | 905.49               | 2,678.01              |
| Cumulative Gap   | -                     | (1,669.68)           | 1,008.33              |

## 10. Market Risk

| <b>Qualitative Disclosures:</b>                      |  |
|--|--|
| i. Views of BoD on trading/ investment activities    | <p>Market Risk is the risk that the fair value of future cash flows of the financial instruments will fluctuate due to changes in different market variable/factor, namely</p> <ul style="list-style-type: none"> <li>i) <b>Profit rate factor:</b> Likelihood that interest rate will change.</li> <li>ii) <b>Currency factor:</b> Likelihood that Foreign exchange rate will change</li> <li>iii) <b>Equity factor:</b> Likelihood that stock price will change</li> <li>iv) <b>Commodity factor:</b> Likelihood that Commodity price will change</li> </ul> <p>The Board approves all policies related to market risk, sets limits and reviews compliance on a regular basis. The objective is to provide cost effective funding to finance asset growth and trade related transactions.</p>  |
| ii. Methods used to measure Market risk              | Standardized approach has been used to measure the Market risk. The total capital requirement in respect of market risk is the aggregate capital requirement calculated for each of risk sub-categories. For each risk categories minimum capital requirement is measured in terms of two separately calculated capital charges for "specific risk" and "general market risk".   |
| iii. Market risk management system                   | The Treasury Department manages market risk covering liquidity, interest rate and foreign exchange risks with oversight from Asset-Liability Management Committee (ALCO) comprising senior executives of the bank. ALCO is chaired by the Managing Director. ALCO meetings are held at least once in a month.  |
| iv. Policies and process for mitigating Market risk. | <p>There are approved limits for investment (credit) deposit ratio, liquidity asset to total asset ratio, maturity mismatch, commitments for both on-balance sheet and off-balance sheet items and borrowing from money market and foreign exchange position.</p> <p>The limits are monitored and enforced on a regular basis to protect against market risks. The exchange rate committee of the bank meets on daily basis to review the prevailing market condition, exchange rate, foreign exchange position and transaction to mitigate foreign exchange risks. Foreign exchange risk is computed on the sum of net short positions or net long positions, whichever is higher of the foreign currency positions held by the Bank. The Bank adopts maturity method in measuring interest rate risk in respect of securities in trading book.</p> |

| <b>Quantitative Disclosures:</b>     |                       |
|--------------------------------------|-----------------------|
| <b>The capital requirements for;</b> | <b>(BDT In Crore)</b> |
| Profit Rate related instruments      | -                     |
| Equity position risk                 | 26.16                 |
| Foreign Exchange Position            | 6.98                  |
| Commodity Risk                       | -                     |
| <b>Total Capital Requirements</b>    | <b>33.15</b>          |

## 11. Operational Risk

| <b>Qualitative Disclosures:</b>                      |  |
|--|--|
| a) Views of BOD on system to reduce Operational Risk | Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems (for example failed IT systems, internal or external fraud or from external causes, whether deliberate, accidental or natural. It is inherent in all of the Bank's activities. The policy for operational risks including internal control and compliance risk is approved by the Board taking in to account relevant guidelines of Bangladesh Bank. Audit Committee of the Board directly oversees the activities of the respective division to protect against all operational risk.   |
| b) Performance Gap of Executives and Staffs          | <p>Performance is the most important factors to achieve the organizational goals. GIB always tries to be the best pay master in the sector and ensure best workplace safety for its employees to avoid inconsistent employment practices and unsound workplace safety by way of discrimination regarding employee's compensation, health and safety. GIB strongly believe in employee motivation and we do our best for making employee happiness. As a result, there is no significant gap.</p> <p>A half yearly and yearly performance appraisal practices are in place to review achievements based on which rewards and recognition decisions are made. Internal control and compliance Division (ICCD) is continuously monitoring to minimize any potential brand damaging performance gap by employees especially fraud-forgery, misuse of power of attorney, weak customer services, weak internal and regulatory compliance etc.</p> <p>However, our learning and development strategy puts special focus on continuous professional development to strengthen individual's skill level by removing the weakness to perform the assigned job with perfection. We have a wide range of internal and external training programs to enhance capabilities to minimize performance gap and to continuous more to bottom line.</p> |
| c) Potential External Events                         | <p>Normally and by its nature, Operational risk cannot be totally eliminated. All banks operate their business with few potential external events that may significantly affect the banks. GIB is always trying to prevent the potential external events like follows;</p> <ul style="list-style-type: none"> <li>▪ General business environment</li> <li>▪ Country's political condition</li> <li>▪ Price inflation</li> <li>▪ Changes in taxation</li> <li>▪ Risk of litigation process</li> <li>▪ Damage of physical assets</li> <li>▪ Volatility in the capital market and money market</li> <li>▪ ICT security</li> <li>▪ External fraud</li> <li>▪ Business disruption and system failure etc.</li> </ul>  |

|   |   |
|---|---|
|   | Accordingly, the bank invests heavily in IT infrastructure for better automation and online transaction environment. The bank also has huge investment on network links to avoid business description and system failure. Its IT system does not allow any kind of external access to avoid external fraud by way of theft/ hacking of information assets, forgery etc.   |
| d) Policies and process for mitigation operational risk         | <p>The policy for operational risks including internal control &amp; compliance risk is approved by the Board taking in to account relevant guidelines of Bangladesh Bank. The preparation of Policy guidelines on risk based internal audit system is under process.</p> <p>According to the guideline the branches will rate in terms of their risk status. It is the policy of the bank to put all the branches of the bank under any form of audit at least once in a year. To reinforce operational risk by identifying, assessing, monitoring, controlling and mitigating the risk, rectifying operational risk events, and implementing any additional procedures required for compliance with central bank requirements.</p> <p>Apart from that, there is adequate check and balance at every stage of operation, authorities are properly segregated there is at least dual control on each transaction to protect the operational risk.</p>   |
| e) Approach for calculating capital charge for operational risk | <p>Basic Indicator Approach (BIA) is used to calculate the capital requirements against operational risk.</p> <p>Under BIA, the capital charge for operational risk is a fixed percentage, denoted by 'a (alpha)' of average positive annual gross income of the bank over the past three years. Figures for any year in which annual gross income is negative or zero, should be excluded from both the numerator and denominator when calculating the average. The following formula is used in this case;</p> $K = [(GI_1 + GI_2 + GI_3) \alpha] / n$ <p>Where-</p> <p>K = the capital charge under the Basic Indicator Approach<br/> GI = only positive annual gross income over the previous three years (i.e., negative or zero gross income if any shall be excluded)<br/> <math>\alpha = 15\%</math><br/> n = number of the previous three years for which gross income is positive.<br/> Gross income: Gross Income (GI) is defined as "Net Interest Income" plus "Net non-Interest Income".</p> |

|                                     |                |
|-------------------------------------|----------------|
| <b>Quantitative Disclosures:</b>    |                |
| <b>The Capital requirement for:</b> |                |
| Particulars                         | (BDT in crore) |
| Operational risk                    | <b>87.62</b>   |

## 12. Liquidity Ratio

|                                 |  |
|---------------------------------|--|
| <b>Qualitative Disclosures:</b> |  |
| a) Liquidity Risk               | <p>Liquidity risk is the risk that a bank may be unable to meet short term financial demands. This usually occurs due to the inability to convert a security or hard asset to cash without a loss of capital and/or income in the process. Liquidity Risk is often triggered by the consequences of other financial risks such as investment (credit) risk, interest rate risk, foreign exchange risk, etc.</p> <p>Liquidity risk is two types as follows;</p> <ol style="list-style-type: none"> <li>Funding liquidity risk</li> <li>Market liquidity risk</li> </ol> |



|   |   |
|---|---|
| <p>b) Views of BOD in system to reduce liquidity Risk</p> | <p>Sound liquidity risk management engaged in measuring, monitoring and controlling liquidity risk is critical to the viability of the bank.</p> <p>Responsibility of managing and controlling liquidity of the bank lies with Asset Liability Committee (ALCO) and ALCO committee is approved by the Board of Directors of the bank through approval of ALM Policy Guidelines and the committee meets at least once in every month.</p> <p>Asset Liability Management (ALM) desk of the treasury function closely monitors and controls liquidity requirement on a daily basis by appropriate coordination of funding activities and they are primarily responsible for management of liquidity in the bank. A monthly projection of fund flows is reviewed in ALCO meeting regularly. At the same time committee takes permission from the Board of Directors for its any change of interest rates due considering liquidity risk.</p>  |
| <p>c) Methods used to measure Liquidity risk</p>          | <p>At a very basic level, liquidity measurement involves assessing all of a bank's cash inflows against its outflows to identify the potential for any net shortfalls going forward. This also includes funding requirements for off balance sheet commitments.</p> <p>An important aspect of measuring liquidity is making assumptions about future funding needs. While certain cash inflows and outflows can be easily calculated or predicted, bank also make assumptions about future liquidity needs, both in the very short-term and for longer time periods. One important factor to consider is the critical role a bank's reputation plays in its ability to access funds readily and at reasonable terms.</p> <p>We have identified several key liquidity risk indicators, which are monitored on a regular basis to ensure healthy liquidity position. These ratios are:</p> <p>Statutory Liquidity Requirement;</p> <ul style="list-style-type: none"> <li>i) Cash Reserve Ratio (CRR);</li> <li>ii) Liquidity Coverage Ratio (LCR)</li> <li>iii) Net Stable Funding Ratio (NSFR)</li> <li>iv) Advances to Deposit Ratio(ADR);</li> <li>v) Structural Liquidity Profile (SLP);</li> <li>vi) Maximum Cumulative Outflow (MCO);</li> <li>vii) Medium Term Funding Ratio(MTFR);</li> <li>viii) Liquid Asset to Total Deposit Ratio;</li> <li>ix) Liquid Asset to Short Term Liabilities;</li> </ul> |
| <p>d) Liquidity risk management system</p>                | <p>In order to develop comprehensive liquidity risk management framework, we have Contingency Funding Plan (CFP), which is a set of policies and procedures that serves as a blueprint for the bank to meet its funding needs in a timely manner and at a reasonable cost.</p> <p>For day-to-day liquidity risk management, CFP ensures that the bank is best prepared to respond to an unexpected problem. In this sense, a CFP is an extension of ongoing liquidity management and formalizes the objectives of liquidity management by ensuring:</p> <ul style="list-style-type: none"> <li>a) A reasonable amount of liquid assets is maintained;</li> <li>b) Measurement and projection of funding requirements during various scenarios; and</li> <li>c) Management of access to funding sources.</li> </ul> <p>CFP also provides directions for plausible actions in distress and emergency situations. In case of a sudden liquidity stress, it is</p>  |

|   |  |
|---|--|
|   | important for the bank to be seemed organized, can did, and efficient to meet its obligations to the stakeholders. Since such a situation requires a spontaneous action, CFP will put the bank in better position to address the liquidity problem more efficiently and effectively. CFP ensures that bank management and key staffs are ready to respond to any distress situations.  |
| e) Policies and processes for mitigating liquidity risk | <p>Managing the Liquidity risk of our bank attracts much more attention of the regulators and supervisors to comply the regulatory affairs issued by them time to time. The outcome of this concern was well reflected in the activities of the Basel Committee for Banking Supervision while formulating the Basel 2.5 and finally in Basel III documents. Global Islami Bank Limited also formulating &amp; submitting Liquidity (LCR and NSFR) and leverage ratios those are primarily meant to address the above risks. For this Bangladesh Bank has already declared the Roadmap for the implementation of Basel III in the banking sector and our bank is also following these plans &amp; roadmaps very strictly.</p> <p>Maturity ladder of cash inflows and outflows are effective tool to determine banks cash position. A maturity ladder estimates a bank's cash inflows and outflows and thus net deficit or surplus (GAP) both on a day to day basis and over a series of specified time periods. A bucket wise (e.g. call, 2-7 days, 1 month, 1-3 months, 3-12 months, 1-5 years, over 5 years) maturity profile of the assets and liabilities is prepared to understand mismatch in every bucket. A structural maturity ladder or profile is prepared periodically following guidelines of the Bangladesh Bank DOS circular no. 02 dated 29 March 2011.</p> |

| Quantitative Disclosures: |  | (Figure in Crore) |
|---------------------------|--|-------------------|
| (i)                       | Liquidity Coverage Ratio                               | 96.39%            |
| (ii)                      | Net Stable Funding Ratio(NSFR)                         | 109.89%           |
| (iii)                     | Stock of High quality liquid assets                    | 1729.37           |
| (iii)                     | Total net cash outflows over the next 30 calendar days | 1794.14           |
| (iv)                      | Available amount of stable funding                     | 12371.07          |
| (v)                       | Required amount of stable funding                      | 11257.18          |

### 13. Leverage Ratio

| Qualitative Disclosures:   |  |
|--|--|
| a) Views of BoD on system to reduce excessive leverage             | <p>The responsibility of monitoring excessive leverage of the bank lies with the concern division under the guidance of the Board of Directors. The Board decides the strategy, policies and procedures of the bank to manage leverage ratio in accordance with the risk tolerance/limits as per guidelines.</p> <p>The Board also ensure that it understands the nature of the leverage ratio and periodically review related information to maintain this understanding, establishes executive-level lines of authority and responsibility for managing the bank's leverage ratio.</p> |
| b) Policies and Processes for managing on and off Balance leverage | <p>As per Basel III regulation, Leverage Ratio is a non-risk based backstop limit, to supplement risk based capital adequacy. In order to avoid building up excessive on and off-balance sheet leverage in the banking system, a simple, transparent and non-risk based leverage ratio has been introduced by Bangladesh Bank. The leverage ratio is projected to achieve following two objectives;</p> <p>i. Constraint the build-up of leverage in the banking sector for broader financial systems and the economy as well.</p>   |

|                                      |  |
|--------------------------------------|--|
|                                      | ii. Reinforce the risk based requirements with and easy to understand and a non-risk based measure.  |
| c) Approach for calculating exposure | At its highest level, the leverage ratio can be summarized as a measure of capital as a proportion of total adjusted assets. More specifically, it has been defined as the average of the monthly leverage ratio over the quarter based on Tier 1 capital (the capital measure) and total exposure (the exposure measure). The minimum ratio is currently calibrated at 3%.  |
| d) Leverage Ratio                    | A minimum Tier-1 Leverage ratio of 3% has been prescribed by Bangladesh Bank. The bank measures and maintains the leverage ratio on quarterly basis. The status of leverage ratio is at end of each calendar quarter submitted to Bangladesh Bank. The following formula is used to calculate the leverage ratio:<br>$\text{Leverage Ratio} = \frac{\text{Tier -1 Capital (after related deduction)}}{\text{Total exposures (after related deduction)}}$ |

| Quantitative Disclosures:  |                  |
|----------------------------|------------------|
| Particulars                | (BDT In Crore)   |
| Leverage Ratio             | 8.25%            |
| On balance sheet exposure  | 15,381.09        |
| Off balance sheet exposure | 529.23           |
| Regulatory adjustment      | (8.64)           |
| <b>Total exposures</b>     | <b>15,901.68</b> |

#### 14. Remuneration

| Qualitative Disclosures:   |  |      |        |    |   |     |   |     |   |      |   |     |   |
|--|--|------|--------|----|---|-----|---|-----|---|------|---|-----|---|
| (a). Information relating to the bodies that oversee remuneration:   |  |      |        |    |   |     |   |     |   |      |   |     |   |
| i) Name, Composition and Mandate of the main bodies that oversee remuneration.   | Under supervision and direction of the Senior Management of the Bank, the Human Resources Management Division (HRD) oversees the 'remuneration' in line with its Human Resources Management policy.<br>The Managing Director along with other Senior Executives of the Corporate Head Office is the main body of overseeing the remuneration. The Senior Management is the prime organ for overseeing the Bank's remuneration. It assesses the status of remuneration and related matters and recommends to the Board for approval of its reformation, reorganization and alteration matching with the industry practices. |      |        |    |   |     |   |     |   |      |   |     |   |
| ii) External consultants whose advice has been sought, the body by which they were commissioned, and in what areas of the remuneration process.  | No External Consultant is employed in this Bank. So no commission is paid for this purpose.  |      |        |    |   |     |   |     |   |      |   |     |   |
| iii) A description of the scope of the bank's remuneration policy (e.g. by regions, business line), including the extent to which it is applicable to foreign subsidiaries and branches. | The Bank does not have any differentiated Pay Structure and employee benefits by regions/ business line/ activity. The Bank had no foreign subsidiaries and branches outside Bangladesh as on 31 December 2022.  |      |        |    |   |     |   |     |   |      |   |     |   |
| iv) A description of the types of employees considered as material risks takers and as senior managers, including the number of employees in each group.                                 | The bank reckons the members of the senior management team and executives as the material risk takers of the Bank. Accordingly, 48 employees of the bank have been considered as material risk takers as on 31 <sup>st</sup> December, 2022 as follows: <table border="1" data-bbox="722 1759 1490 1936"> <thead> <tr> <th>Rank</th> <th>Number</th> </tr> </thead> <tbody> <tr> <td>MD</td> <td>1</td> </tr> <tr> <td>AMD</td> <td>2</td> </tr> <tr> <td>DMD</td> <td>2</td> </tr> <tr> <td>SEVP</td> <td>-</td> </tr> <tr> <td>EVP</td> <td>5</td> </tr> </tbody> </table>   | Rank | Number | MD | 1 | AMD | 2 | DMD | 2 | SEVP | - | EVP | 5 |
| Rank   | Number   |      |        |    |   |     |   |     |   |      |   |     |   |
| MD   | 1  |      |        |    |   |     |   |     |   |      |   |     |   |
| AMD  | 2  |      |        |    |   |     |   |     |   |      |   |     |   |
| DMD  | 2  |      |        |    |   |     |   |     |   |      |   |     |   |
| SEVP   | -  |      |        |    |   |     |   |     |   |      |   |     |   |
| EVP  | 5  |      |        |    |   |     |   |     |   |      |   |     |   |

|  |  |    |
|--|--|----|
|  | <b>SVP</b>   | 1  |
|  | <b>VP</b>  | 12 |
|  | <b>SAVP</b>  | 25 |
|  | <b>AVP</b>   | 42 |
|  | <b>FAVP</b>  | 54 |
| <b>(b). Information relating to the design and structure of remuneration process</b>   |  |    |
| <b>i.</b> An overview of the key features and objectives of the remuneration policy.   | <p>The purpose of the Bank's remuneration policy is to establish a framework for attracting, relating and motivating employees, and creating incentives for delivering long-term performance with established risk limits.</p> <p>The Bank targets a fair human resources management by using a performance based system. Remuneration and other associated matters are guided by the Bank's Employees' Service Rule as well as direction &amp; supervision from the Board from time to time in line with the industry practices. Accordingly, the bank has a well-structured and competitive pay scale for the regular employees of the bank duly approved by the Board of Directors.</p> |    |
| <b>ii.</b> Whether the remuneration committee reviewed the banks' remuneration policy during the past year, and if so, an overview of any changes that was made.       | <p>The Senior Management under direct supervision and guidance of the Board of Directors reviewed the Banks' remuneration in 2015 by overseeing the Banks remuneration position in the Banking industry especially salary and other benefits of the employees.</p>   |    |
| <b>iii.</b> A discussion of how the bank ensures that risk and compliance employees are remunerated independently of the business they oversee.                        | <p>The risk and compliance employees are carrying out the activities independently as per job assigned to them. Human Resources Management Division does not make any difference with other regular employees regarding remuneration of the risk and compliance employees and sets the remuneration as per the existing service rule of the Bank.</p>  |    |
| <b>(c) Description of the ways in which current and future risk are taken into account in the remuneration processes</b>   |  |    |
| An overview of the key risks that the bank takes into account when implementing remuneration measures.   | <p>The business risk including investment (credit) risk, compliance, reputational, financial and liquidity risk are mostly considered when implementing the remuneration measures.</p>   |    |
| An overview of the nature and type of the key measures used to take account of these risks, including risks difficult to measure.                                      | <p>Different set of measures are in practice based on the nature &amp; types of business segments etc. These measures are primarily focused on the business goals set for each area of operation, branch vis-à-vis the actual results achieved as of the reporting date. The most vital tools &amp; indicators used for measuring the risks are the asset quality (NPL ratio), Net Interest ratio, cost-income ratio, growth of net profit as well as the non-financial indicators namely the compliance status with the regulatory norms, instructions have been brought to the notice of all concerned of the Bank regularly.</p>  |    |
| A discussion of the ways in which these measures affect remuneration.  | <p>All the financial and non-financial indicators as per pre-determined set criteria are considered while evaluating the performance of each employee annually. Accordingly, the result of the performance differs from one to another affecting the remuneration.</p>   |    |
| 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. | <p>No material change has been made during the year 2022.</p>  |    |
| <b>(d) Description of the ways in which the bank seeks to link performance during a performance measurement period with levels of remuneration</b>                     |  |    |
| An overview of main performance metrics for bank, top level business lines and individuals.  | <p>Performance Appraisal Report is set by the Board while approving the business target/ budget for each year for the Bank and business lines/ segment. Appropriate tools, techniques and strategic planning is undertaken by the Management with the approval of the Board to achieve those targets. The most</p>   |    |

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|  | common performance indicators are the achievement of loan, deposit and profit target, yield on loans liquidity position, cost-income ratio, cost of fund etc.   |
| A discussion of how amounts of individual remuneration are linked to bank-wide and individual performance.   | Salary increment, Employee house building loan facilities, Employee Car facilities, promotion and yearly incentive bonus are directly linked with individual performance of the employees.  |
| A discussion of the measures the bank will in general implement to adjust remuneration in the event that performance metrics are weak. This should include the banks' criteria for determining "weak" performance metrics.   | Various Performance facilities i.e. yearly incentive bonus, salary increment, Employee house building loan facilities, Employee car facilities and promotion are determined by the outcome of scorecard in prescribed Performance Appraisal Report.   |
| <b>(e) Description of the ways in which the bank seeks to adjust remuneration to take account of longer-term performance:</b>  |   |
| A discussion of the bank's policy on deferral and vesting of variable remuneration and, if the fraction of variable remuneration that is deferred differs across employees or groups of employees, a description of factors that determine the fraction and their relative importance. | GIB never offer any variable remuneration that may be differed or vested either in the form of cash, share or share linked instruments. However, employees are eligible for variable remuneration arrangements in the form of incentive bonus (non-deferred cash award), applicable to their position.  |
| 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  |
| <b>(f) Description of the different forms of variable remuneration that the bank utilizes and the rationale for using these different forms:</b>   |   |
| An overview of the forms of variable remuneration offered (i.e. cash, shares and share-linked instruments and other forms.   | The structure of remuneration packages for all employees primarily consist of a fixed remuneration component, which is made up of basis salary, allowances and other benefits. Employees are also eligible for variable remuneration arrangements applicable to their position. Variable remuneration consists of incentive bonus.  |
| 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.                  | <p>The following variable remunerations are provided by the bank on the basis of employee's individual performances:<br/>A summary of Short-term and Long-term compensation packages of the Bank are as follows:</p> <p><b>Short-Term Incentives/ Rewards</b></p> <ul style="list-style-type: none"> <li>▪ Yearly incentive bonus;</li> <li>▪ Yearly Increment;</li> <li>▪ Car, fuel and care maintenance allowance for executives;</li> <li>▪ Festival bonuses</li> <li>▪ Boisakhi allowance (Bangla new year)</li> <li>▪ Medical facilities</li> <li>▪ House Rent allowance</li> <li>▪ Entertainment Allowance</li> <li>▪ Conveyance Allowance</li> <li>▪ Utility allowance</li> <li>▪ House Maintenance allowance</li> <li>▪ Newspaper/Internet facility</li> <li>▪ Telephone/Mobile Phone and bill facility</li> </ul> <p><b>Long-Term Incentive/ Rewards</b></p> <ul style="list-style-type: none"> <li>▪ Provident fund</li> <li>▪ Gratuity;</li> <li>▪ Employees House Building loan facilities</li> <li>▪ Provident Fund loan</li> <li>▪ Periodically salary review</li> <li>▪ Guard against Car Leasing Scheme etc.</li> </ul> |

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|  | <ul style="list-style-type: none"> <li>▪ Leave fare assistance</li> <li>▪ Group Life Insurance</li> <li>▪ Leave Encashment</li> <li>▪ Death Benefit</li> <li>▪ Car Maintenance allowance</li> <li>▪ Social Security Benevolent fund</li> <li>▪ Incentive for IBB holders</li> <li>▪ BIM Diploma holders</li> </ul> <p><b>Others Form:</b></p> <ul style="list-style-type: none"> <li>▪ Study leave</li> <li>▪ Foreign training etc.</li> </ul> |
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|   |   |  |  |                    |                       |              |       |            |       |                    |      |            |       |       |       |                             |      |          |      |               |      |                         |      |                     |       |                              |      |                            |       |              |               |
|---|---|--|--|--------------------|-----------------------|--------------|-------|------------|-------|--------------------|------|------------|-------|-------|-------|-----------------------------|------|----------|------|---------------|------|-------------------------|------|---------------------|-------|------------------------------|------|----------------------------|-------|--------------|---------------|
| <b>Quantitative Disclosures:</b>  |   |  |  |                    |                       |              |       |            |       |                    |      |            |       |       |       |                             |      |          |      |               |      |                         |      |                     |       |                              |      |                            |       |              |               |
| <b>A. Number of meetings held by the main body overseeing remuneration during the financial year and remuneration paid to its member:</b>   | Usually, meetings for overseeing remuneration by main body held when required. No additional remuneration is paid to the members for meetings.  |  |  |                    |                       |              |       |            |       |                    |      |            |       |       |       |                             |      |          |      |               |      |                         |      |                     |       |                              |      |                            |       |              |               |
| <b>B. Variable remuneration award during the financial year:</b>  |   |  |  |                    |                       |              |       |            |       |                    |      |            |       |       |       |                             |      |          |      |               |      |                         |      |                     |       |                              |      |                            |       |              |               |
| i. Number of employees having received a variable remuneration award during the year 2022.  | -   |  |  |                    |                       |              |       |            |       |                    |      |            |       |       |       |                             |      |          |      |               |      |                         |      |                     |       |                              |      |                            |       |              |               |
| ii. Number and total amount of guaranteed bonuses awarded during the financial year.  | 2 Festival Bonuses and Boishaki allowance.<br>Total BDT 12.53 crore   |  |  |                    |                       |              |       |            |       |                    |      |            |       |       |       |                             |      |          |      |               |      |                         |      |                     |       |                              |      |                            |       |              |               |
| iii. Number and total amount of sign-on awards made during the financial year.  | -   |  |  |                    |                       |              |       |            |       |                    |      |            |       |       |       |                             |      |          |      |               |      |                         |      |                     |       |                              |      |                            |       |              |               |
| iv. Number and total amount of severance payments made during the financial year  | -   |  |  |                    |                       |              |       |            |       |                    |      |            |       |       |       |                             |      |          |      |               |      |                         |      |                     |       |                              |      |                            |       |              |               |
| <b>C. Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms</b>   | -   |  |  |                    |                       |              |       |            |       |                    |      |            |       |       |       |                             |      |          |      |               |      |                         |      |                     |       |                              |      |                            |       |              |               |
| <b>D. Total amount of deferred remuneration paid out in the financial year.</b>   | -   |  |  |                    |                       |              |       |            |       |                    |      |            |       |       |       |                             |      |          |      |               |      |                         |      |                     |       |                              |      |                            |       |              |               |
| <b>E. Breakdown of amount of remuneration awards for the financial year to show</b>   | <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td colspan="2"><b>Breakdown of Remuneration for the year- 2022 is as under:</b></td> </tr> <tr> <td style="text-align: left;"><b>Particulars</b></td> <td style="text-align: right;"><b>(BDT In Crore)</b></td> </tr> <tr> <td>Basic Salary</td> <td style="text-align: right;">56.72</td> </tr> <tr> <td>House Rent</td> <td style="text-align: right;">27.89</td> </tr> <tr> <td>Medical Allowances</td> <td style="text-align: right;">8.50</td> </tr> <tr> <td>Allowances</td> <td style="text-align: right;">20.58</td> </tr> <tr> <td>Bonus</td> <td style="text-align: right;">28.53</td> </tr> <tr> <td>Provident fund contribution</td> <td style="text-align: right;">5.58</td> </tr> <tr> <td>Gratuity</td> <td style="text-align: right;">7.32</td> </tr> <tr> <td>Arrear salary</td> <td style="text-align: right;">0.89</td> </tr> <tr> <td>Leave encashment salary</td> <td style="text-align: right;">0.78</td> </tr> <tr> <td>Consolidated Salary</td> <td style="text-align: right;">14.27</td> </tr> <tr> <td>Group life insurance premium</td> <td style="text-align: right;">0.20</td> </tr> <tr> <td>Salary to casual employees</td> <td style="text-align: right;">12.16</td> </tr> <tr> <td><b>Total</b></td> <td style="text-align: right;"><b>183.42</b></td> </tr> </table> | <b>Breakdown of Remuneration for the year- 2022 is as under:</b> |  | <b>Particulars</b> | <b>(BDT In Crore)</b> | Basic Salary | 56.72 | House Rent | 27.89 | Medical Allowances | 8.50 | Allowances | 20.58 | Bonus | 28.53 | Provident fund contribution | 5.58 | Gratuity | 7.32 | Arrear salary | 0.89 | Leave encashment salary | 0.78 | Consolidated Salary | 14.27 | Group life insurance premium | 0.20 | Salary to casual employees | 12.16 | <b>Total</b> | <b>183.42</b> |
| <b>Breakdown of Remuneration for the year- 2022 is as under:</b>  |   |  |  |                    |                       |              |       |            |       |                    |      |            |       |       |       |                             |      |          |      |               |      |                         |      |                     |       |                              |      |                            |       |              |               |
| <b>Particulars</b>  | <b>(BDT In Crore)</b>   |  |  |                    |                       |              |       |            |       |                    |      |            |       |       |       |                             |      |          |      |               |      |                         |      |                     |       |                              |      |                            |       |              |               |
| Basic Salary  | 56.72   |  |  |                    |                       |              |       |            |       |                    |      |            |       |       |       |                             |      |          |      |               |      |                         |      |                     |       |                              |      |                            |       |              |               |
| House Rent  | 27.89   |  |  |                    |                       |              |       |            |       |                    |      |            |       |       |       |                             |      |          |      |               |      |                         |      |                     |       |                              |      |                            |       |              |               |
| Medical Allowances  | 8.50  |  |  |                    |                       |              |       |            |       |                    |      |            |       |       |       |                             |      |          |      |               |      |                         |      |                     |       |                              |      |                            |       |              |               |
| Allowances  | 20.58   |  |  |                    |                       |              |       |            |       |                    |      |            |       |       |       |                             |      |          |      |               |      |                         |      |                     |       |                              |      |                            |       |              |               |
| Bonus   | 28.53   |  |  |                    |                       |              |       |            |       |                    |      |            |       |       |       |                             |      |          |      |               |      |                         |      |                     |       |                              |      |                            |       |              |               |
| Provident fund contribution   | 5.58  |  |  |                    |                       |              |       |            |       |                    |      |            |       |       |       |                             |      |          |      |               |      |                         |      |                     |       |                              |      |                            |       |              |               |
| Gratuity  | 7.32  |  |  |                    |                       |              |       |            |       |                    |      |            |       |       |       |                             |      |          |      |               |      |                         |      |                     |       |                              |      |                            |       |              |               |
| Arrear salary   | 0.89  |  |  |                    |                       |              |       |            |       |                    |      |            |       |       |       |                             |      |          |      |               |      |                         |      |                     |       |                              |      |                            |       |              |               |
| Leave encashment salary   | 0.78  |  |  |                    |                       |              |       |            |       |                    |      |            |       |       |       |                             |      |          |      |               |      |                         |      |                     |       |                              |      |                            |       |              |               |
| Consolidated Salary   | 14.27   |  |  |                    |                       |              |       |            |       |                    |      |            |       |       |       |                             |      |          |      |               |      |                         |      |                     |       |                              |      |                            |       |              |               |
| Group life insurance premium  | 0.20  |  |  |                    |                       |              |       |            |       |                    |      |            |       |       |       |                             |      |          |      |               |      |                         |      |                     |       |                              |      |                            |       |              |               |
| Salary to casual employees  | 12.16   |  |  |                    |                       |              |       |            |       |                    |      |            |       |       |       |                             |      |          |      |               |      |                         |      |                     |       |                              |      |                            |       |              |               |
| <b>Total</b>  | <b>183.42</b>   |  |  |                    |                       |              |       |            |       |                    |      |            |       |       |       |                             |      |          |      |               |      |                         |      |                     |       |                              |      |                            |       |              |               |
| <b>F. 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:</b> |   |  |  |                    |                       |              |       |            |       |                    |      |            |       |       |       |                             |      |          |      |               |      |                         |      |                     |       |                              |      |                            |       |              |               |
| Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit and / or implicit adjustment.   | 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  |  |  |                    |                       |              |       |            |       |                    |      |            |       |       |       |                             |      |          |      |               |      |                         |      |                     |       |                              |      |                            |       |              |               |