Janata Bank Limited

Market Disclosure for December 2021 Under Pillar-III of Basel III

The purpose of Market disclosure in the Revised Capital Adequacy Framework under Pillar-III of Basel III is to complement the minimum capital requirement and the supervisory review process. The aim of introducing market disclosure in the revised framework is to establish more transparent and more disciplined financial market so that stakeholders can assess the position of a bank regarding holding of assets, identify the risks relating to the assets and capital adequacy to meet probable losses. The reports will enable market participants to assess key information relating to bank's regulatory capital and risk exposures more effectively in order to instill confidence about a bank's exposure to risk and overall regulatory capital adequacy.

In a nutshell, the purpose of the disclosure report is to exhibit how Janata Bank Limited complies with requirement of the Piller-3 of Basel-3.

The qualitative and quantitative disclosures of the bank under Basel-III requirements based on the audited financial statements as of 31 December 2021 have been prepared in accordance with the "Guidelines on Risk Based Capital Adequacy" of Bangladesh Bank to establish more transparent and more disciplined financial market.

1. Scope of Application:

Qualitative disclosure	a) The name of the top corporate entity in the group to which this guidelines applies	**Janata Bank Limited** **[A State Owned Commercial Bank]**
	b) An outline of differences in the basis of consolidation for accounting and regulatory purposes, with a brief description of the entities within the group that are (i) fully consolidated; (ii) given a deduction treatment; and (iii) neither consolidated nor deducted (e.g., where the investment is risk-weighted).	Janata Bank Limited is a state owned commercial bank which was incorporated on 21 May 2007 under the Company Act 1994 as a Public Limited Company and governed by the Bank Company Act 1991 (as amended upto 2018). Janata Bank Limited took over the businesses, assets, liabilities, right, power, privilege and obligation of erstwhile Janata Bank through a vendor agreement signed between the People's Republic of Bangladesh and Janata Bank Limited on 15 November 2007 with a retrospective effect from 1 July 2007. Janata Bank was established by the Bangladesh Banks Nationalization Order 1972 (P.O. 26 of 1972) and is fully owned by the Government of the People's Republic of Bangladesh. The bank has 914 branches in Bangladesh and 4 overseas branches in UAE. Bangladesh Bank issued license on 31 May 2007 in the name of Janata Bank Limited to conduct the banking business. Capital to Risk-weighted Assets Ratio (CRAR) report of Janata Bank Limited is submitted to Bangladesh Bank on 'Solo' and 'Consolidated' basis. 'Solo Basis' refers to all position of the bank and its local and overseas branches/offices and 'Consolidated Basis' refers to position of the bank and its subsidiary companies.

1. Scope of Application

<table>
<tr>
<td rowspan="3">Qualitative disclosure</td>
<td></td>
<td>

Subsidiaries:

1. Janata Capital and Investment Limited, Dhaka

Janata Capital and Investment Limited (JCIL) Dhaka was incorporated on 13 April 2010 vide incorporation certificate no. C-83898/10 issued by the Registrar of Joint Stock Companies and Firms (RJSC) with 100% ownership of Janata Bank Limited having authorized capital of BDT 5000 million. Its paid-up capital is BDT 4274 million. The Company started its operations on 26 September 2010. Its main functions are issue management, underwriting and portfolio management.

2. Janata Exchange Company Srl, Italy

Janata Exchange Company Srl. Italy was incorporated on 18 January 2002 vide Ministry of Finance letter no # অম/অবি/ব্যাংকিং/শা-৭/বিবিধ-১২(২) ২০০০ dated 3 January 2001 and letter no # অম/অবি/ব্যাংকিং/শা-৭/১২(২)২০০০/১৬৪ dated 27 June 2001 with 100% ownership of Janata Bank Limited having authorized capital of ITL 1000 million. Its Paid-Up Capital is EURO 600,000.

Apart from Rome Branch, JEC, Italy has another branch in Milan which was established vide MOF’s approval letter # অম/অবি/ব্যাংকিং নীঃ/শা-১ /১২/(২)/২০০/৩/৩৫২ dated 24 November 2002.

3. Janata Exchange Co. Inc. New York, USA

Janata Exchange Co. Inc. USA was incorporated on 10 April 2012 vide Bangladesh Bank letter # BRPD(M)204/7/2011-342 dated 28 December 2011 and New York State Department Of Financial Services Certification no. MTM103045 with 100% ownership of Janata Bank Limited having paid up capital of USD 1.00 Million.

</td>
</tr>
<tr>
<td>c) Any restrictions, or other major impediments, on transfer of funds or regulatory capital within the group.</td>
<td>Not applicable</td>
</tr>
<tr>
<td>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.</td>
<td>Not applicable</td>
</tr>
</table>

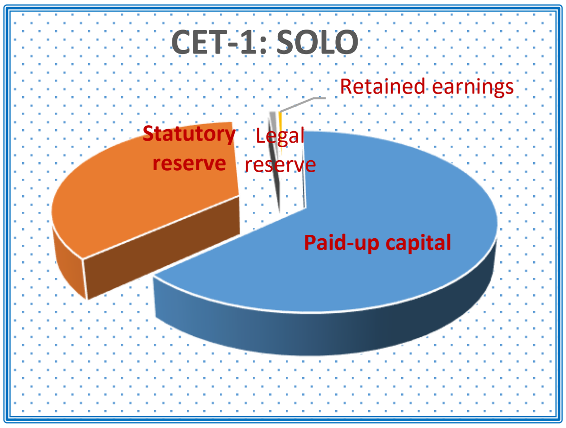
2. Capital Structure

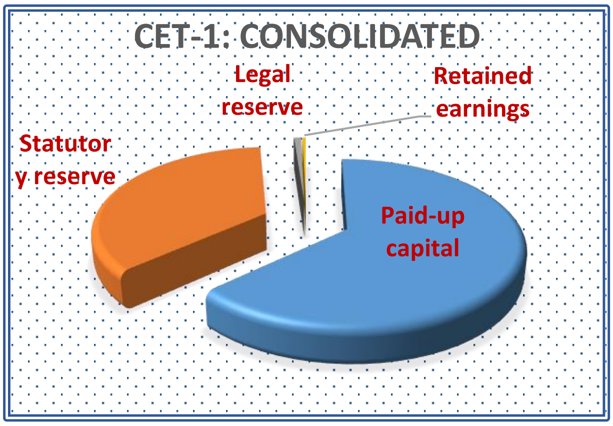
Qualitative Disclosures	a) Summary information on the terms and conditions of the main features of all capital instruments, especially in the case of capital instruments eligible for inclusion in CET 1, Additional Tier 1 or in Tier 2.	In Basel-3 framework, the quality and quantity of regulatory capital has been enhanced to increase the resilience. Assessing regulatory capital in relation to overall risk exposures of a bank is an integrated and comprehensive process. Janata Bank Limited follows the 'asset based' rather than 'capital based' approach in assessing the adequacy of capital to support current and projected business activities. As per Bank Company Act, 1991 (Amended up to 2018) section 13, the terms and conditions of the main features of all capital instruments have been segregated in terms of the eligibility criteria set forth vide BRPD Circular No. 18 dated 21 December 2014 [Guidelines on Risk Based Capital Adequacy (Revised Regulatory Capital Framework for Banks in line with Basel III)] and other relevant instructions given by Bangladesh Bank from time to time. The main features of the capital instruments are as follows: Total Regulatory Capital= Tier-1 Capital (Common Equity Tier-1 +Additional Tier-1)+ Tier-2 Capital **1. Tier-1 Capital (going-concern capital):** From regulatory capital perspective, going-concern capital is the capital which can absorb losses without triggering bankruptcy of the Bank. a) Common Equity Tier-1 or CET-1 b) Additional Tier-1 Tier-1 capital consists of CET-1 and Additional Tier-1 capital, highest quality capital items which are stable in nature and allow a bank to absorb losses on an ongoing basis. CET-1 includes paid-up capital, statutory reserve, general reserve, retained earnings, minority interest in subsidiaries. **2. Tier-2 Capital (gone-concern capital)** Gone-concern capital is the capital which will absorb losses only in a situation of liquidation of the Bank. Tier-2 capital lacks some of the characteristics of the core capital but bears loss absorbing capacity to a certain extent. Capital consists of applicable percentage of revaluation reserves and general provision (against unclassified loans, SMA and off-balance sheet exposures). Janata Bank Limited issued subordinated bond for Tk. 15,000 million for increasing Tier-2 Capital.

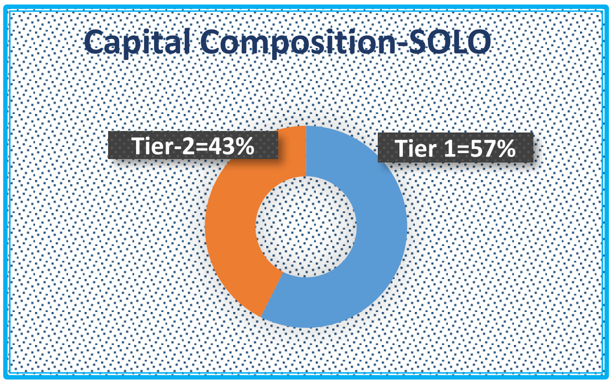
2. Capital Structure

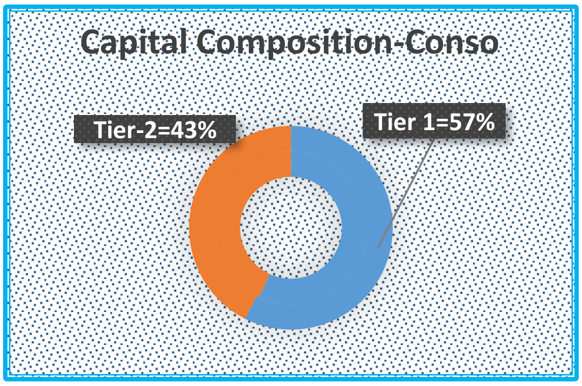
			Solo	Consolidated
Quantitative Disclosure	b) Amount of Regulatory Capital with separate Disclosure of CET-1, AT-1, T-1 and T-2 capital		Taka in million	
		CET-1 Capital		
		Paid-up capital	23,140.00	23,140.00
		Statutory reserve	13,026.39	13,026.39
		Legal reserve	289.27	289.27
		Retained earnings	171.24	134.91
		Total Tier-1 Capital	36,626.90	36590.57
		Additional Tier-1 Capital	-	-
		Tier-2 Capital	27166.40	27804.63
	c) Regulatory Adjustment/Deductions from capital	Less: deduction	-	-
	d) Total eligible capital	Total Eligible Capital	63793.30	64395.20

Note: Bangladesh bank through letter no: BRPD(BS) 661/14(B)P/2022-4295 Date: 26/04/2022, Bangladesh Bank has given permission to amortize at defined rate of Sub-ordinated bond at end of the year instead of beginning of the year and through letter no: BRPD(BS) 661/14(B)P/2022-1735 Date: ১৭/০২/২০২২ Bangladesh Bank has given exemption regarding deduction of deferred tax assets 95% (Amt: 793.17 Crore) and Intangible Assets 100% (Amt: 169.97 Crore) from Common Equity Tier-1 (CET-1) Capital.









3. Capital Adequacy

Qualitative Disclosure	a) A summary discussion of the bank's approach to assessing the adequacy of its capital to support current and future activities	Janata Bank Limited is very much aware of maintaining Capital to support its current and future activities. The Bank assesses the adequacy of its capital in terms of Bank Company Act, 1991 and BRPD Circular 18/2014 RBCA guideline (Revised regulatory capital framework in line with Basel III)]. However, in terms of the regulatory guidelines, the Bank computes the capital charge / requirement as under: i. Credit risk: On the basis of Standardized Approach; ii. Market risk: On the basis of Standardized Approach; and iii. Operational risk: On the basis of Basic Indicator Approach Risk weighted assets are determined by multiplying the exposure amount of assets with their respective risk weights prescribed in Basel III guidelines. RWA for market & operational risk are calculated by multiplying the capital charge for these risks by the reciprocal of minimum capital adequacy ratio. Assessment of capital adequacy is carried out in conjunction with the capital adequacy reporting to Bangladesh Bank. The bank has policy to manage and maintain its future capital considering all material risks that are covered under pillar-2 of Basel III and result of stress tests. The primary objective of the capital management is to optimize the balance between return and risk, while maintaining economic regulatory capital in accordance with risk appetite. The maintained capital adequacy ratio by the bank on the solo & consolidated basis is 8.98% & 8.99% respectively against the minimum regulatory requirement of 10.00%. Tier-I capital adequacy ratio for solo & consolidated are 5.16% & 5.11% respectively against the minimum regulatory requirement of 6.00%.		
Quantitative Disclosure	b) Capital Requirement		**Solo**	**Consolidated**
			Taka in million	
		For Credit Risk	63,598.55	63,426.01
		For Market Risk	2,597.52	3,349.62
		For Operational Risk	4,827.69	4,856.04
		Total Capital Requirement	**71,023.76**	**71,631.67**
	c) Total Capital, CET 1 Capital , Tier-1 Capital and Tier 2 capital ratio:	Capital to Risk Weighted Assets Ratio(CRAR)	8.98%	8.99%
		Common Equity Tier-1 Capital Ratio	5.16%	5.11%
		Additional Tier-1 Ratio	-	-
		Total Tier-1 Capital Ratio	5.16%	5.11%
		Total Tier-2 Capital Ratio	3.82%	3.88%
	d) Capital Conversion Buffer		-	-
	e) Available Capital under Pillar 2 Requirement		-	-

Note: Janata Bank Limited has calculated the required provision against unclassified and classified loans & advances including writ as per Bangladesh Bank letter ref: DOS(CAMS)1157/41(Dividend)/2022-2296 Dated 28 April 2022. Capital has been calculated considering the Regulatory forbearance. Without considering the forbearance, bank supposed to keep provision amounting to BDT 19460.79 crore. Considering the allowed forbearance, the bank maintained provision amounting to BDT 8660.92 crore. Therefore, provision shortfall stood BDT 10,799.88 crore at the end of the year 2021 that is deferred by Bangladesh Bank in their above-mentioned letter.

4. Credit Risk

Qualitative disclosure

Credit risk is the potential loss that may arise from a borrower's failure to repay a loan or meet its obligation in accordance with agreed term. Banks are very much prone to credit risk due to its core activities i.e. lending to corporate, SME, individual, other bank/FI or to other countries.

As per Bangladesh Bank guidelines, the past due and impaired loans and advances are defined for strengthening the credit discipline and mitigating the credit risk of the Bank. The impaired loans and advances are defined on the basis of (i) Objective / Quantitative Criteria and (ii) Qualitative judgment. For these purposes, all loans and advances are grouped into four (4) categories namely-

1. Continuous Loan
2. Demand Loan
3. Fixed Term Loan and
4. Short-term Agricultural & Micro Credit.

According to the instructions of Bangladesh Bank, all Loans & Advances are classified into four segments. These are:

1. Special Mention Account (SMA)
2. Substandard (SS)
3. Doubtful (DF)
4. Bad / loss (BL)

	Classification Sl.	Types of Loans	Classification Status	Period for classification past due/months
a) (i) JBL follows Bangladesh Bank's BRPD Circular No.14 Dated 23 September 2012 and subsequent modification in rules for changes in classification of loans & advances	**1**	**Continuous loan** (Overdraft, Cash Credit-Hypo, Cash Credit-Pledge etc)	SMA	(≥2 <3) M
			SS	(≥3 < 9) M
			DF	(≥9 < 12) M
			BL	≥12 M
	2	**Demand loan** (Forced Loan, PAD, LIM, FBP, IBP etc.)	SMA	(≥2 <3) M
			SS	(≥3 < 9) M
			DF	(≥9 < 12) M
			BL	≥12 M
	3	**Fixed term loan** (Repayable under a specific repayment schedule.)		Number of Instalments due
			SMA	(≥8 <9) M
			SS	(≥9 < 15) M
			DF	(≥15 < 18) M
			BL	≥18 M
	4	**Short Term Agriculture & Micro Credit**		past due/months
			SMA	-
			SS	(≥12 < 36) M
			DF	(≥36 < 60) M
			BL	≥60 M

4. Credit Risk

Qualitative disclosure

For Cottage, Micro, Small loans under CMSME

a) (i) JBL follows Bangladesh Bank's BRPD Circular No.14 Dated 23 September 2012 and subsequent modification in rules for changes in classification of loans & advances

Classification Sl.	Types of Loans	Classification Status	Period for classification (past due/months)
1	**Continuous loan** (Overdraft, Cash Credit-Hypo, Cash Credit-Pledge etc)	SMA	(≥2 <6) M
		SS	(≥6 < 18) M
		DF	(≥18 < 30) M
		BL	≥30 M
2	**Demand loan** (Forced Loan, PAD, LIM, FBP, IBP etc.)	SMA	(≥2 <6) M
		SS	(≥6 < 18) M
		DF	(≥18 < 30) M
		BL	≥30 M
3	**Fixed term loan** (Repayable under a specific repayment schedule.)		**Number of instalments Due**
		SMA	≥8 <12
		SS	≥12 < 24
		DF	≥24 < 36
		BL	≥36

(ii) Provisioning depending on the group:

	Particulars	Short Term Agricul ture & Micro Credit	Consumer Financing: Other than HF, LP	Consumer Financing: HF	Consumer Financing: LP	Cottage, micro, small	Medium Enterprise	Loan to BHs/ MBs/ SDs	All other Credit
UC	Standard	1%	2%	1%	2%	0.25%	0.25%	2%	1%
UC	SMA	-	2%	1%	2%	0.25%	0.25%	2%	1%
Classified	SS	5%	20%	20%	20%	5 %	20%	20%	20%
Classified	DF	5%	50%	50%	50%	20%	50%	50%	50%
Classified	BL	100%	100%	100%	100%	100%	100%	100%	100%

HF=Housing Finance, LP=Loans to professionals to setup business, SMEF=Small & Medium Enterprise Financing, BHs= Loans to Brokerage House, MBs= Loans to Merchant Bank, SDs = Loans to Stock Dealers.

Accrued interest is credited to interest suspense account instead of crediting to income account if the loan is classified as sub-standard and doubtful. Charging of interest is discontinued when the loan is classified as bad/loss.

4. Credit Risk

Qualitative disclosure	(iii) Discussion of the bank's credit risk management policy:	Janata Bank has credit policy and procedures for sound credit operation. As per instructions of Bangladesh Bank's credit risk management policies, Credit Policy and Credit Risk Management (CRM) has been prepared and approved by JBL's Board of Directors. The key principle of credit risk management is client due diligence, which is aligned with our country and industry portfolio strategies. Before sanction of any credit facility as per CRM policies which emphasizes on the size & type, purpose, structure (term, conditions, repayment schedule & interest rate) and securities of the loan proposed. For actively aiming to prevent concentration (single borrower/group borrower/geographical/Sectorial concentration) and long tail-risks (large unexpected losses; JBL follows different prudential guidelines of its own and Bangladesh Bank. In all market conditions, the bank's capital is effectively protected by ensuring a diversified and marketable credit portfolio. Risk appetite for credit risk of JBL is determined by its Board of Directors desiring optimum business mix, risk preferences, the acceptable trade-off between risk & reward etc. Internal Credit Risk Rating System has been adopted by Janata Bank Limited as per Bangladesh Bank's instruction that defines the risk profile of borrower's to ensure that account management, structure and pricing are commensurate with the risk involved. Reporting to Board/ executive committee/risk Management committee: Overall quality, performance, recovery status, risks status, adequacy of provision of loan portfolio are regularly reported to the Board of Directors/ Executive Committee/ Risk Management Committee of the Board for information and guidance. The assessment process is initiated at branch/credit division and placed before Management Credit Committee or approval Authority/Board for approval. The approval authority has been delegated by Board of Directors. Janata bank Limited is very much concerned about managing non-performing loan. There are policies in line with regulatory instructions for managing special assets. JBL follows Bangladesh Bank's instruction for classification of loans & advances and provisioning. Targets to recover classified loans & advances are determined for the branch, area office & divisional office at the beginning of the year. Continuous communication with the borrowers, special meeting with the defaulters, formation of special task forces, Announcement of special program are emphasized. There is a Special Asset Management Division headed by a General Manager for efficient and prudent management of special assets.

4. Credit Risk

Quantitative Disclosures

b) Total gross credit risk exposure broken down by major types of credit exposure

	Solo	Consolidated
	Taka in million	
Rural Credit	38,409.82	38,409.82
Loan to small scale industries	153,370.00	153,370.00
Transport Loan	581.28	581.28
General house building loan	3,615.42	3,615.42
Loan against Import Merchandise	523.27	523.27
Payment Against Document	194,077.14	194,077.14
Loan Against Trust Receipt	36,157.43	36,157.43
Demand Loan	15,628.13	15,628.13
Cash Credit	134,511.30	134,510.79
Overdrafts	7,016.56	7,016.56
Term Loan Deferred LC	-	-
Other Loans	98,425.27	98,025.27
Margin Loan	-	2264.31
Bills Purchased and Discounted	17,341.14	17,341.14
Total	**699,656.76**	**701,520.56**

c) Geographical distribution of exposures broken down by major types of credit exposure:

	Solo	Consolidated
	Taka in million	
Dhaka	513,642.16	515,505.96
Chattogram	97,794.34	97,794.34
Khulna	29,626.96	29,626.96
Rajshahi	20,659.16	20,659.16
Sylhet	4,135.53	4,135.53
Barishal	7,825.85	7,825.85
Rangpur	12,752.39	12,752.39
Mymensingh	6,196.62	6,196.62
Overseas (UAE branches)	7,023.75	7,023.75
Total	**699,656.75**	**701,520.56**

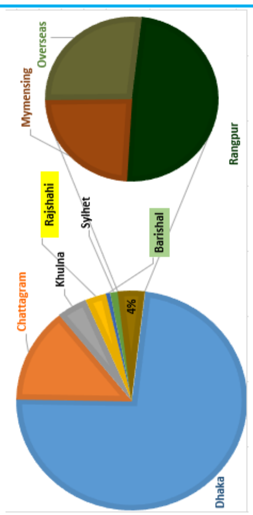
Major types of credit exposure

Solo

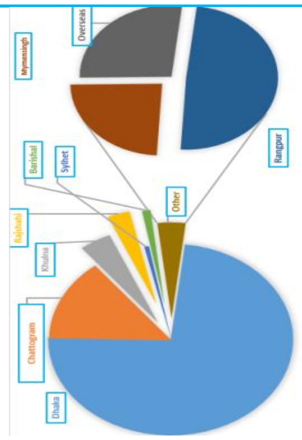
Consolidated

Geographical distribution of exposures

Solo



Consolidated

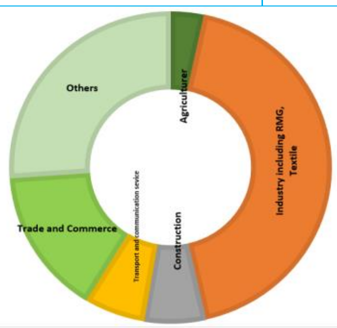


4. Credit Risk

Quantitative Disclosures

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

	Solo	Consolidated
	Taka in million	
Agriculture	23,453.80	23,453.80
RMG	121,798.40	121,798.40
Textile	82,330.90	82,330.90
Ship building and ship breaking	6,659.20	6,659.20
Agro based industry	34,003.30	34,003.30
Other industrial (large scale)	43,271.20	43,271.20
Other industrial (small, medium & cottage)	13,617.10	13,617.10
Construction	43,284.30	43,284.30
Transport & communication	4,792.40	4,792.40
Other service industries	38,025.70	38,025.70
Consumer credit	2,022.10	2,022.10
Trade & commerce	105,689.50	105,689.50
Loan to purchase share	-	226.43
Other	180,708.86	182,346.23
Total	**699,656.76**	**701,520.56**



e) Residual contractual maturity breakdown of the whole portfolio, broken down by the major type of credit exposure

Maturity Grouping of loans and advances

	Solo	Consolidated
	Taka in million	
Repayable on Demand	-	-
Not more than one month	95,782.49	95,782.49
Not more than 3 months	91,879.26	91,879.26
More than 3 months but not more than 1 years	168,574.97	168,574.97
More than 1 years but not more than 5years	189,587.66	189,587.66
More than 5 years	153,832.38	155,696.18
Total	**699,656.76**	**701,520.56**

f) Major counterparty wise amount of impaired loans & Provision:

Loans and advances on the basis of significant concentration

	Solo
	Taka in million
Advances to allied concerns of directors	-
Advances to Managing Directors and other Senior Executives	468.78
Advances to customer group (amounting more than 10% of banks total capital)	343,014.30
Other customers	303474.56
Advance to staff	52,699.10
Total	**699,656.76**

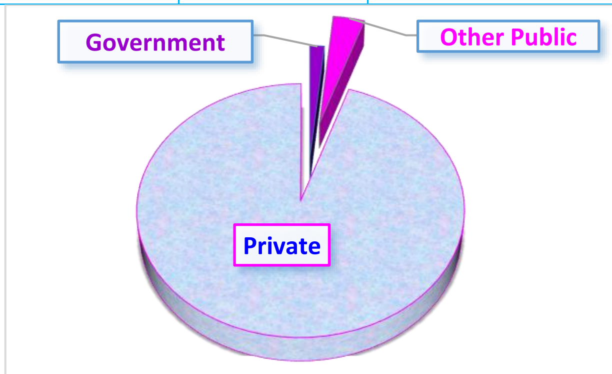
4. Credit Risk

Quantitative Disclosures

f) Major counterparty wise amount of impaired loans & Provision:

Sector wise loans and advances

Solo			(Taka in Million)
	Unclassified	Classified	Total
Government	10,780.38	119.84	10,900.22
Other public	23,943.52	539.09	24,482.61
Private	541,732.94	122,540.99	664,273.93
Total	576,456.84	123,199.92	699,656.76



Provisioning against loan & advances

	Loan Amount	Provision Amount
Standard	415,175.88	8071.90
SMA (Including RST)	161,280.96	5961.60
Total Unclassified	**576,456.84**	**14033.50**
Substandard	3,164.70	313.10
Doubtful	1,213.56	677.10
Bad & Loss	118,821.66	36116.20
Total Classified	**123,199.92**	**37106.40**
Total	**699,656.76**	**51139.90**

(g) Movement of NPA & Provisions

	Taka in million
Gross non-performing loans (NPLs)	123,199.92
Non-performing loans (NPLs) to outstanding loans & advance	17.61%
Movement of NPLs (Gross)	
Opening balance	**137,362.19**
Add: Newly during the year	17,716.44
Less: Cash Recovery	**2,834.00**
Written-Off	10.60
Interest waiver	88.60
Re-scheduling & Restructuring	28,945.50
Closing balance	**123,199.92**
Movement of specific provisions for NPAs	
Opening balance	31,637.04
Less: Fully provided debts written off	197.05
Add: Exchange fluctuation	1.17
Recoveries of written off	761.46
Provision made during the year	4,903.77
Transfer from provision	-
Closing Balance	**37,106.40**

5. Equities: Disclosures for Banking Book Positions

Qualitative Disclosure:

Investment in equity securities are broadly classified into two categories:

Quoted securities: These securities are bought and held primarily for the purpose of selling them in future or holding for dividend income and these are reported at Market Prize. Unrealized gains are not recognized in the profit and loss statement. However, required provisions are kept for diminution in value of the investment.

Unquoted securities: Investment in unlisted securities is reported at cost under the cost method.

Adjustment is given for any shortage of book value over cost for determining the carrying amount of investment in unlisted securities.

The primary aim of investing in these equity securities is selling them in future for capital gains or holding for dividend income. As per BRPD Circular No. 14 dated June 25, 2003, investments in quoted shares and unquoted shares are revalued at the year-end at market price and as per book value of the last audited balance sheet of that company, respectively. Provision should be made for any loss arising from diminution in value of investments (portfolio basis), otherwise investments are recognized at cost.

Investments in shares and securities generally fall either under "At fair value through Profit or Loss Account" or under "Available for sale", where any change in fair value at year-end is taken to the Profit or Loss Account or Revaluation Reserve Account, respectively.

Investment Class	Initial recognition	Measurement After Recognition	Recording of Changes
Un-quoted shares	Cost	Lower of cost or NAV of last Audited account.	Profit or Loss account.
Quoted Shares	Cost	Lower of cost or market price at Balance Sheet date.	Loss to Profit or Loss account.

Quantitative Disclosure

Taka in Million

Particulars	Solo basis			Consolidated basis		
Particular	**Cost of holding**	**Market Value**	**Unrealized Gain**	**Cost of holding**	**Market Value**	**Unrealized Gain**
Ordinary shares	9369.78	15401.15	6,031.37	13100.86	19132.23	6,031.37
Un-quoted shares	11379.20	11379.20	-	11379.20	11379.20	-

Required Capital Charge on Equities **(Taka in million)**

	Solo	Consolidated
General Market Risk	**560.73**	**936.78**
Specific Risk	**560.73**	**936.78**
Total Capital Charge	**1121.46**	**1,873.56**

The cumulative realized gains (losses) arising from sales and liquidations in the reporting period	365.96

6. Interest Rate Risk in the Banking Book (IRRBB)

Interest Rate Risk in the Banking Book reflects the shocks to the financial position of the bank including potential loss that the bank may face in the event of adverse change in market interest rate. This has an impact on earning of the bank through Net Interest Earning as well as on Market Value of Equity or Net Worth.

Qualitative Disclosures	(a) The general qualitative disclosure requirement including the nature of IRRBB and key assumptions, including assumptions regarding loan prepayments and behavior of non-maturity deposits, and frequency of IRRBB measurement.	To manage this risk in the banking book, bank considers the impact of interest rate changes on both assets and liabilities, and its particular features including, among other things, terms and timing. Changes in interest rates affect both the current earnings (earning perspective) as well as the net worth of the bank (economic value perspective). JBL periodically computes the interest rate risk on the banking book that arises due to re-pricing mismatches in interest rate sensitive assets and liabilities. For computation of the interest rate mismatches the guidelines of Bangladesh Bank are followed. Details relating to re-pricing mismatches and the interest rate risk thereon are placed to the ALCO regularly.
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).	At 1% increase/ decline in Interest Rate, change in net interest income is Tk 156.20 Million

7. Market Risk

Market risk is defined as the possibility of loss to a bank caused by changes/movements in the market variables such as interest rates, foreign currency exchange rates, equity prices and commodity prices. Bank's exposure to market risk arises from investments (interest related instruments and equities) in trading book [HFT categories] and the foreign exchange positions. The objective of the market risk management is to minimize the impact of losses on earnings and equity.

Qualitative Disclosures	(a) Views of BOD on trading/ investment activities	The Board approves all policies related to market risk, sets limits and reviews compliance on a regular basis. The objective is to obtain maximum returns without taking undue risks.
	Methods used to measure market risk	Standardized Approach (SA) is used for calculating capital charge against market risk (interest rate risk, equity position & foreign exchange risk) which is determined separately. The total capital requirement in respect of market risk is the sum of capital requirement measured in terms of two separately calculated capital charges for specific market risk and general market risk for each of these market risk sub-categories.
	Market Risk Management System	Janata Bank Limited makes investment decision based on historical data of market movements of all comparable financial instruments to avoid general market risk. For managing specific risk, JBL gives importance on investment in government treasury bonds and quality financial instruments, which are less volatile in nature. Treasury Front Office, Back Office & Mid Office have been established and functioning through an independent organizational chain as per the instruction of the manual.

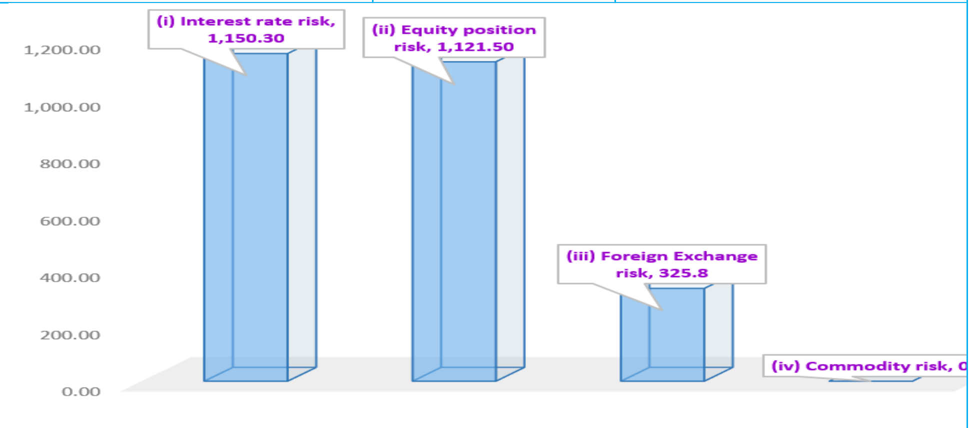
7. Market Risk

Qualitative Disclosures	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, borrowing from money market and foreign exchange position. The limits are monitored and enforced regularly to protect against market risks. These limits are reviewed based on prevailing market and economic conditions to minimize risk due to market fluctuation.

Quantitative Disclosures

b) The capital requirements for:

	Solo	Consolidated
	Taka in million	
(i) Interest Rate Risk	1,150.30	1,150.30
(ii) Equity Position Risk	1,121.50	1,873.60
(iii) Foreign Exchange Risk	325.80	325.80
(iv) Commodity Risk	Nil	Nil
Total Requirement	**2,597.60**	**3,349.70**



8. Operational Risk:

Operational Risk is defined as the risk of losses resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk, but excludes strategic and reputation risk. Bank strictly follows KYC norms for its customer dealings and other banking operations. Bank has systems, policies and processes for internal control and compliance for the purpose of managing operational risk.

Qualitative Disclosures	• Views of BOD on system to reduce Operational Risk	Internal Control & Compliance (ICC) is the main tool in managing operational risk. Management, through three units of ICC i.e. Monitoring, Compliance and Audit & Inspection; controls overall operation of the bank. Board audit committee directly oversees the functions of ICC in managing operational risks.
	• Performance gap of executives and staffs	There is no significant performance gap as Janata Bank Limited takes necessary steps for Human Resource development and ensures proper distribution of its human resources.
	• Potential external events	No potential external event is expected to expose the bank to significant operational risk. But, there are few external risk factors relating to the socio-economic condition, political atmosphere, regulatory policy changes, natural disaster etc. based on the overall perspective of the country. Potential external events and related downside risk, namely, political impasse, damage of Bank's delivery channel including ATM, fear of theft/ robbery in banks vaults, compliance/adjustment due to changes of regulatory policy stance, laws & regulations etc. are managed to keep within tolerable limit.

8. Operational Risk:

<table>
<tr><td rowspan="2">Qualitative Disclosures</td><td>• Policies and processes for mitigating operational risk</td><td>Janata Bank Limited has formed MANCOM (Management Committee) to identify measure, monitor and control the risks through framing required policies and procedures. The policy of managing operational risk through internal control and compliance is approved by the board of directors taking into account the relevant guidelines of Bangladesh Bank. DCFCL (departmental control function check list) and QOR (quarterly operation report) are applied for evaluation of the branches operational performance. Manuals related to credit, human resources, finance & accounts, treasury, audit and inspection etc. have been prepared for continuous recognition and assessment of all material risk that could adversely affect the achievement of Banks goal. The Audit & Inspection division makes a year wise risk based audit plan to carry out comprehensive audits & inspections on the banking operations and procedures are in place & complied with.
As a part of continued surveillance, MANCOM, Risk Management Committee (at the management level), Risk Management Division, Vigilance Department, Disciplinary Department, Audit and Inspection and Monitoring Division regularly review 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, tools & techniques for mitigation of operational risk. Roles responsibility and authority are clearly defined at different levels.</td></tr>
<tr><td>• Approach for calculating capital charge for operational risk</td><td>The bank applies ‘Basic Indicator Approach’ of Basel III as prescribed by Bangladesh Bank in revised RBCA guidelines. Under this approach, banks have to calculate average annual gross income (GI) of last three years and multiply the result by 15% to determine required capital charge. Gross Income is the sum of ‘Net Interest Income’ and ‘Net non-interest income’ of a year or it is ‘Total Operating Income’ of the bank with some adjustments as noted below. 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 capital charge may be expressed as follows:
$K= [(GI1 + GI2 + GI3) \times \boldsymbol{\alpha}] /n$
Where,
K = Capital charge under the basic indicator approach
GI= Only Positive annual gross income over the previous three years
α = 15%
n = Number of the previous three years of which gross income is positive
Gross income: Gross income (GI) is defined as net “Net Interest Income” plus “Net Non-interest income”. It is intended that this measure should:
• be gross of any provision
• be gross of operating expenses, including fees paid outsourcing service provider;
• exclude realized profit/losses from the sale of securities held to maturity in banking book;
• exclude extraordinary or irregular items,
• Exclude income derived from insurance.</td></tr>
<tr><td>Quantitative Disclosures</td><td>b) The capital requirements for operational risk</td><td>

Solo	Consolidated
Taka in million	
4,827.70	4,856.00

</td></tr>
</table>

9. Liquidity Ratio:

Qualitative Disclosures	**(a)** Views of BOD on systems to reduce liquidity risk	The board of directors of Janata Bank Limited has always been conscious of managing the assets and liabilities of the bank in order to maximize the shareholders' value, enhance profitability and increase capital to protect the bank from any adverse financial consequences arising from liquidity risks. The board oversees the measurement and management of liquidity risk profile. BOD plays pivotal roles in controlling the overall liquidity risk through reviewing various reports and ensuring necessary steps taken by the management. All strategies and policies pertaining to liquidity management require approval of BOD.
	Methods of measuring liquidity risk	The aim of bank is to maintain adequate liquidity required at all times and in all circumstances. To maintain this goal Janata Bank Ltd identifies and monitors the driving factors of liquidity risk considering the following aspects: • Cash Reserve Requirement (CRR) • Statutory Liquidity Ratio (SLR) • Medium Term Funding Ratio (MTFR) • Maximum Cumulative Outflow (MCO) • Advance Deposit Ratio (ADR)/Investment Deposit Ratio (IDR) • Liquidity Coverage Ratio (LCR) • Net Stable Funding Ratio (NSFR) Bank uses its own liquidity monitoring tool: Liquidity Contingency Plan
	Liquidity risk management system	Liquidity Risk Management System of Janata Bank Limited has the following objectives: • To provide adequate liquidity to the bank by reducing maturity mismatches within manageable permitted levels. • To ensure that the current and potential demand for funds is supported by cash and liquid assets. The possible needs of liquidity shall be measured keeping in view: • The need to replace the net outflow of funds-Funding Risk • The need to compensate for the non-receipt of expected inflows-Time Risk • The need to meet contingent liabilities when they become due – Call Risk • The need to undertake a new transaction.
	Policies and processes for mitigating liquidity risk	The main objective of liquidity policy is to ensure that liquidity positions are sufficient to meet day to day, cyclical and long-term requirements at the lowest possible cost. The approach will be governed by prudence and, in accordance with the applicable laws and regulations, best international practice and the competitive situation within which bank operate in the local and international financial markets. In order to manage the liquidity risk, the BOD of the bank has formed Asset Liability Management Committee (ALCO) which meets at least once a month to monitor the liquidity position and take appropriate steps to manage liquidity risk. The bank has a treasury manual as policy support to combat liquidity risk. A Liquidity Contingency Plan has been developed keeping in mind that enough liquidity is available to meet the fund requirements in liquidity crisis situation.

9. Liquidity Ratio:

Quantitative Disclosures			
		Liquidity Ratio (Solo)	
	b)	**Particulars**	
		Liquidity Coverage Ratio (LCR)	357.78%
		Net Stable Funding Ratio (NSFR)	111.86%
			Taka in million
		Stock of High-Quality Liquid Assets	412784.35
		Total net cash outflows over the next 30 calendar days	115373.79
		Available amount of stable funding	978189.83
		Required amount of stable funding	874480.38

10. Leverage Ratio:

Qualitative Disclosures

(a) Views of BOD on system to reduce excessive leverage	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 in Basel III. The leverage ratio is calibrated to act as a credible supplementary measure to the risk based capital requirements. The board of directors regularly reviews the leverage ratio and ensures that the management strictly maintains the leverage ratio as prescribed by Bangladesh Bank through Guidelines on Risk Based Capital Adequacy.
Policies and processes for managing excessive on and off-balance sheet leverage	A minimum Tier-1 leverage ratio of 3% is being prescribed by Bangladesh Bank both at solo and consolidated basis. The bank maintains leverage ratio on quarterly basis. The status of leverage ratio at the end of each calendar quarter is submitted to Bangladesh Bank showing the average of the month based on capital and total exposure. The leverage ratio is calculated using the following formula: **Leverage Ratio = Tier-1 Capital (after related deductions)/Total Exposure (after related deductions)** The capital measure for the leverage ratio will be based on the new definition of Tier 1 capital as specified in Guidelines on Risk Based Capital Adequacy. Items which are deducted completely from capital do not contribute to leverage and will therefore also be deducted from the measure of exposure.
Approach for calculating exposure	The exposure measure for the leverage ratio will generally follow the accounting measure of exposure. In order to measure the exposure consistently with financial accounts, the following will be applied by the bank: i. On balance sheet, non-derivative exposures will be net of specific provisions and valuation adjustments (e.g. surplus/ deficit on Available for Sale (AFS)/ Held-for-trading (HFT) positions). ii. Physical or financial collateral, guarantee or credit risk mitigation purchased is not allowed to reduce on-balance sheet exposure. iii. Netting of loans and deposits is not allowed.

Quantitative Disclosures

(b)

Particulars	Taka in million	
	Solo	Consolidated
Leverage Ratio	2.94%	2.93%
On balance sheet exposure	1212433.90	1214307.30
Off balance sheet exposure	34392.44	34392.44
Total exposure	1246826.34	1248699.74

11. Remuneration:

Qualitative Disclosures	**(a) Information relating to the bodies that oversee remuneration:** Name, composition and mandate of the main body overseeing remuneration. External consultants whose advice has been sought, the body by which they were commissioned and the remuneration. A description of the scope of the bank's remuneration policy (eg by regions, business lines), including the extent to which it is applicable to foreign subsidiaries and branches. A description of the types of employees considered as material risk takers and as senior managers including the number of employees in each group.	Janata Bank Limited, one of the state owned commercial banks (SCB) operating in Bangladesh, has been playing pivotal role in overall financial system of the country. Being a state owned bank, the remuneration system of Janata Bank Limited is governed under National Pay Scale declared by Bangladesh Government. There is a fixation cell in the bank which works out the pay fixation as per the national pay scale in force. The remuneration process for the employees was conducted under the National Pay Scale 2009 till June 2015 and since July 2015 onward National Pay Scale 2015 was being applied. The remuneration of home-based employees of overseas branches and foreign subsidiaries are made under the National Pay Scale and policy announced by the Ministry of Foreign Affairs of the People's Republic of Bangladesh. The local recruits of UAE branches and foreign subsidiaries are remunerated through a pay structure approved by the Board of Directors. Janata Capital and Investment Ltd, a local subsidiary of Janata Bank Ltd, has a separate pay structure for its employees. Usually the branch managers, area head, divisional head and senior management of the head office are considered as the material risk takers.
	(b) Information relating to the design and structure of remuneration processes: i) An overview of the key features and objectives of remuneration policy. ii) Whether the remuneration committee reviewed the firm's remuneration policy during the past year, and if so, and an overview of any changes that were made. iii) A discussion of how the bank ensures that risk and compliance employees are remunerated independently of the businesses they oversee.	i) The overall design and structure of the remuneration system of Janata Bank Ltd are as per the national pay scale approved by the Government of the People's Republic of Bangladesh. ii) The process is reviewed only when a new national pay scale gets in force. Janata Bank Limited adopted a new pay scale which was declared by the government of People's Republic of Bangladesh on 15 December 2015 and became effective from 1 July 2015. iii) Not applicable
	(c) Description of the ways in which current and future risks are taken into account in the remuneration processes. An overview of the key risks that the bank takes into account when implementing remuneration measures. An overview of the nature and type of the key measures used to take account of these risks, including risks difficult to measure (values need not be disclosed). A discussion of the ways in which these measures affect remuneration. A discussion of how the nature and type of these measures has changed over the past year and reasons for the change, as well as the impact of changes on remuneration.	Not applicable

11. Remuneration:

Qualitative Disclosures	**(d) Description of the ways in which the bank seeks to link performance during a performance measurement period with levels of remuneration:** An overview of main performance metrics for bank, top-level business lines and individuals. A discussion of how amounts of individual remuneration are linked to bank-wide and individual performance. A discussion of the measures the bank will in general implement to adjust remuneration in the event that performance metrics are weak.	Not applicable
	(e) Description of the ways in which the bank seeks to adjust remuneration to take account of longer-term performance: A discussion of the bank's policy on deferral and vesting of variable remuneration and, if the fraction of variable remuneration that is deferred differs across employees or groups of employees, a description of the factors that determine the fraction and their relative importance. A discussion of the bank's policy and criteria for adjusting deferred remuneration before vesting and (if permitted by national law) after vesting through clawback arrangements.	Not applicable
	(f) Description of the different forms of variable remuneration that the bank utilizes and the rationale for using these different forms: An overview of the forms of variable remuneration offered (ie cash, shares and share-linked instruments and other forms). A discussion of the use of the different forms of variable remuneration and, if the mix of different forms of variable remuneration differs across employees or groups of employees), a description of the factors that determine the mix and their relative importance.	There is no variable and deferral remuneration existing in the remuneration system. It does not include any reward for longer term performance. However, an incentive system for the employees on overall performance (net profit) of Janata Bank Limited prevails which may be considered as variable remuneration. Salary and all types of benefits provided by the bank are only in the form of cash.
Quantitative Disclosure	**(g)** Number of meetings held by the main body overseeing remuneration during the financial year and remuneration paid to its member.	Not applicable.
	(h) Number of employees having received a variable remuneration award during the financial year. Number and total amount of guaranteed bonuses awarded during the financial year. Number and total of sign-on awards made during the financial year. Number and total amount of severance payment made during the financial year.	Not applicable.
	(i) Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms. Total amount of deferred remuneration paid out in the financial year.	Not applicable.

11. Remuneration:

Quantitative Disclosure

(j) Breakdown of amount of remuneration awards for the financial year to show:
-fixed and variable.
-deferred and non-deferred.
-different forms used (cash, shares and share linked instruments, other forms).

Particulars	Taka in million
Fixed Pay (including bonus)	11615.08
Variable Pay	-
Total	**11615.08**

Particulars	Taka in million
Deferred Pay	-
Non-deferred Pay	**11615.08**
Total	**11615.08**

(k) Quantitative information about employees' exposure to implicit (eg fluctuations in the value of shares or performance units) and explicit adjustments (eg claw backs or similar reversals or downward revaluations of awards) of deferred remuneration and retained remuneration.

Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit and/or implicit adjustments.

Total amount of reductions during the financial year due to ex post explicit adjustments.
Total amount of reductions during the financial year due to ex post implicit adjustments.

Not applicable.