

Market Discipline
Disclosures on Risk Based Capital (Basel-III)

1. Scope of Application

Qualitative disclosure	a)	The name of the top corporate entity in the group to which this guidelines applies.	Prime Bank Limited
	b)	An outline of differences in the basis of consolidation for accounting and regulatory purposes, with a brief description of the entities within the group (a) that are fully consolidated; (b) that are given a deduction treatment; and (c) that are neither consolidated nor deducted (e.g. where the investment is risk-weighted).	<p>Prime Bank Limited has 5 (Five) subsidiaries viz. (i) Prime Bank Investment limited, (ii) Prime Bank Securities Limited, (iii) Prime Exchange Co. (Pte.) Limited, Singapore, (iv) PBL Exchange (UK) Limited and (v) PBL Finance (Hong Kong) Limited.</p> <p>A brief description of the Bank and its subsidiaries are given below:</p> <p><u>Prime Bank Limited:</u></p> <p>The Prime Bank Limited ("the Bank") was incorporated as a public limited company in Bangladesh under Companies Act, 1994 with the registered office of the company at 119-120 Motijheel C/A, Dhaka-1000. It commenced its banking business with one branch from April 17, 1995 under the license issued by Bangladesh Bank. Presently the Bank has 145 (One Hundred and Forty Five) branches including 18 (Eighteen) SME Centers/ Branches all over Bangladesh and 2 (Two) booths located at Dhaka Club, Dhaka and at Chittagong Port, Chittagong. Out of the above 145 branches, 05 (five) branches are designated as Islamic Banking branch complying with the rules of Islamic Shariah. Also the Bank has 3 (Three) Off-shore Banking Units (OBU), 5 (Five) subsidiary Companies (3 Foreign subsidiaries & 2 Local subsidiaries). The Bank went for Initial Public Offering in 1999 and its shares were listed with Dhaka Stock Exchange Limited and Chittagong Stock Exchange Limited as a publicly traded company for its general classes of share.</p> <p>The principal activities of the Bank are to provide all kinds of commercial banking services to its customers through its branches.</p> <p>Subsidiaries of PBL:</p> <p>i) <u>Prime Bank Investment Limited:</u></p> <p>Prime Bank Investment Limited (PBIL) is a subsidiary company of Prime Bank Limited incorporated as a public limited company on April 27, 2010 with the registrar of Joint Stock Companies, vide certificate of incorporation no.C-84266/2 dated 28 April 2010 which has commenced its business on the same date.</p> <p>The main objectives of the company are to carry out the business of full-fledged merchant banking activities like issue management, portfolio management, underwriting, corporate advisory services etc.</p> <p>ii) <u>Prime Bank Securities Limited:</u></p> <p>Prime Bank Securities Limited was incorporated on April 29, 2010 as a private limited company under the Companies Act 1994. The main objectives of the company are to carry on business of stock brokers / dealers in relation to shares and securities dealings and other services as mentioned in the Memorandum and Articles of Association of the Company. The company commenced its operation from May 2011.</p> <p>iii) <u>Prime Exchange Co. (Pte.) Limited, Singapore:</u></p> <p>Prime Exchange Co. (Pte.) Ltd., Singapore a fully owned subsidiary company of Prime Bank Limited was incorporated in Singapore on January 06, 2006 and commenced its remittance business with one (1) Branch from July 08, 2006. In 2011 the Company has also opened another Branch located at Jurong East Branch, Block: 134 #01-305 Jurong Gateway Road, Singapore 600134. The principal activities of the company are to carry on the remittance business and to undertake and participate in transactions, activities and operations commonly carried on or undertaken by remittance and exchange house.</p>

		<p>iv) PBL Exchange (UK) Limited:</p> <p>PBL Exchange (UK) Limited was incorporated as a private limited company with Companies House of England and Wales under registration no. 7081093 dated 19 November 2009. The company is a wholly owned subsidiary of Prime Bank Limited. The company commenced its operation on 02 August 2010 with three Branches located at Brick Lane of London, Coventry Road of Birmingham and North Oldham of Manchester. The registered office is located at 16 Brick Lane, London E1 6RF.</p> <p>v) PBL Finance (Hong Kong) Limited:</p> <p>PBL Finance (Hong Kong) Limited, a fully owned subsidiary of Prime Bank Limited. PBL Finance (Hong Kong) Limited was incorporated with Companies Registries of Hong Kong (Certificate of incorporation no. 1584971 and Business Registration no. 58197431 both dated April 7, 2011). PBL Finance (Hong Kong) Limited obtained Money Lending Licenses # 307/2011 issued by Honorable Court of Hong Kong on 28th July 2011. It has commenced its operation from August 2011 with one branch located at 608, 6/F, Admiralty Centre, Tower-2, 18 Harcourt Road, Hong Kong.</p>	
	c)	Any restrictions, or other major impediments, on transfer of funds or regulatory capital within the group.	Not applicable
Quantitative disclosure	d)	The aggregate amount of capital deficiencies in all subsidiaries not included in the consolidation that are deducted and the name(s) of such subsidiaries.	Not applicable

2. Capital Structure

Qualitative disclosure	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 CET1, Additional Tier 1 or Tier 2.	<p>As per Guidelines on Risk Based Capital Adequacy (Revised Regulatory Capital Framework for Banks in line with Basel III) introduced by Bangladesh Bank, 'Common Equity Tier-1 (CET 1)' Capital of PBL consists of (i) Paid-up Capital, (ii) Non-repayable Share Premium Account, (iii) Statutory Reserve, (iv) Retained Earnings and (v) Minority Interest in Subsidiaries.</p> <p>Prime Bank does not have 'Additional Tier 1 (AT 1)' Capital since it did not issue any instrument that meets the qualifying criteria for Additional Tier 1 Capital. Subsidiaries did not issue AT 1 capital to third parties as well.</p> <p>Tier-2 Capital consists of (i) General Provision (eligible for inclusion in Tier 2 will be limited to a maximum 1.25 percentage points of credit risk weighted assets calculated under the Standardized Approach) (ii) Subordinated Debt/Instruments issued by the Banks that meet the qualifying criteria for Tier 2 Capital. (iii) Revaluation Reserves (50% of Fixed Assets & Govt. Securities and 10% of equity instruments) subject to regulatory adjustment/deduction i.e. 20% for 2015.</p>
------------------------	----	--	---

Quantitative disclosure	b)	The amount of Tier-1 capital with separate disclosure of:	Solo	Consolidated
			Taka in Crore	
		Common Equity Tier 1 (CET 1) Capital:		
		I. Fully Paid up capital	1,029.35	1,029.35
		II. Non repayable share premium account	224.12	224.12
		III. Statutory reserve	873.50	873.50
		IV. General reserve	-	2.80
		V. Retained earnings	183.59	185.47
		VI. Minority interest in subsidiaries	-	-
		VII. Dividend equalization account	-	-
		Sub-Total	2,310.56	2,315.25
		Additional Tier 1 Capital	-	-
	Total Tier 1 Capital	2,310.56	2,315.25	
Tier 2 Capital	650.07	649.93		
Total amount of Tier 1 and Tier 2 capital	2960.63	2965.18		
c)	Regulatory Adjustments/Deductions from capital	(32.35)	(35.00)	
d)	Total eligible capital	2,928.28	2,930.18	

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.	<p>The Bank has adopted Standardized Approach (SA) for computation of capital charge for credit risk and market risk, and Basic Indicator Approach (BIA) for operational risk. Assessment of capital adequacy is carried out in conjunction with the capital adequacy reporting to the Bangladesh Bank.</p> <p>The Bank has maintained Capital to Risk Weighted Asset Ratio (CRAR) at 12.74% & 12.69% for stand-alone and for consolidated group respectively. As per guideline, Bank is required to maintain a Capital Conservation Buffer (CCB) of 2.50%, comprised of Common Equity Tier-1 (CET-1) Capital, above the regulatory Minimum Capital Requirement (MCR) of 10%. The following table shows that Bank has adequate Tier-1 & Tier-2 Capital to maintain all the ratios at the required level. It has covered both MCR as well as CCB with its eligible capital after considering all regulatory adjustments.</p> <p>The Bank's policy is to manage and maintain its capital with the objective of maintaining strong capital ratio and high rating. The Bank maintains capital levels that are sufficient to absorb all material risks. The Bank also ensures that the capital levels comply with regulatory requirements and satisfy the external rating agencies and other stakeholders including depositors. The main objective of the capital management process in the Bank is to ensure that Bank has adequate capital to meet up its all sorts of obligations any time.</p>
------------------------	----	--	---

Quantitative disclosure	Particulars	Solo	Consolidated
		Taka in Crore	
b)	Capital requirement for Credit Risk	20,225.61	20,133.50
c)	Capital requirement for Market Risk	581.83	708.73
d)	Capital requirement for Operational Risk	2,176.85	2,242.25
	Total Risk Weighted Assets (RWA)	22,984.29	23,084.49
	Total Regulatory Capital (Tier 1 & Tier 2)	2,928.28	2,930.18
e)	Capital To Risk Weighted Asset Ratio (CRAR)	12.74%	12.69%
	Common Equity Tier 1 (CET 1) Capital to RWA Ratio	10.00%	9.96%
	Tier 1 Capital to RWA Ratio	10.00%	9.96%
	Tier 2 Capital to RWA Ratio	2.74%	2.73%
	Minimum Capital Requirement (MCR)	2,298.43	2,308.45
f)	Capital Conservation Buffer (2.50% * RWA)	574.61	577.11

- Minimum Tier 1 Capital Ratio: 6.00%,
- Minimum Total Capital Ratio: 10.00%,
- Capital Conservation Buffer: 2.50%
- Minimum Total Capital plus Capital Conservation Buffer: 12.50%

4. Credit Risk:

Qualitative disclosure	<p>a) The general qualitative disclosure requirement with respect to credit risk, including:</p> <p>i) Definitions of past due and impaired (for accounting purposes);</p> <p>With a view to strengthening credit discipline and bring classification and provisioning regulation in line with international standard, a phase-wise program for classification and provisioning was undertaken by the Bank as per Bangladesh Bank circulars issued from time to time. In this regard, all the loans and advances/investments are grouped into four categories for the purpose of classification, namely (i) Continuous Loan, (ii) Demand Loan, (iii) Fixed Term Loan and (iv) Short-term Agricultural and Micro Credit. They are classified as follow:</p> <p>Continuous & Demand Loan are classified as:</p> <ul style="list-style-type: none"> ➤ Sub-standard- if it is past due/overdue for 03(three) months or beyond but less than 06 (six) months; ➤ Doubtful- if it is past due/overdue for 06 (six) months or beyond but less than 09 (nine) months; ➤ Bad/Loss- if it is past due/overdue for 09 (nine) months or beyond. <p>In case of any installment(s) or part of installment(s) of a Fixed Term Loan amounting up to Taka 1 million is not repaid within the due date, the amount of unpaid installment(s) are treated as “past due or overdue installment”. Such types of Fixed Term Loans are classified as under:</p> <ul style="list-style-type: none"> ➤ Sub-standard- if the amount of past due installment is equal to or more than the amount of installment(s) due within 06 (six) months, the entire loans are classified as “Sub-standard”. ➤ Doubtful- if the amount of past due installment is equal to or more than the amount of installment(s) due within 09 (nine) months, the entire loans are classified as “Doubtful”. ➤ Bad/Loss- if the amount of past due installment is equal to or more than the amount of installment(s) due within 12(twelve) months, the entire loans are classified as “Bad/Loss”. <p>In case of any installment(s) or part of installment(s) of a Fixed Term Loan amounting more than Taka 1 million is not repaid within the due date, the amount of unpaid installment(s) are treated as “past due or overdue installment”. Such types of Fixed Term Loans are classified as under:</p> <ul style="list-style-type: none"> ➤ Sub-standard- if the amount of past due installment is equal to or more than the amount of installment(s) due within 03 (three) months, the entire loans are classified as “Sub-standard”. ➤ Doubtful- if the amount of past due installment is equal to or more than the amount of installment(s) due within 06 (six) months, the entire loans are classified as “Doubtful”. ➤ Bad/Loss- if the amount of past due installment is equal to or more than the amount of installment(s) due within 09 (nine) months, the entire loans are classified as “Bad/Loss”. <p>Short-term Agricultural and Micro Credit will be considered irregular if it is not repaid within the due date as stipulated in the loans agreement and will be classified as under:</p> <ul style="list-style-type: none"> ➤ Sub-standard- if the irregular status continues after a period of 12 (twelve) months, the credits are classified as “Sub-standard”. ➤ Doubtful- if the irregular status continue after a period of 36 (thirty six) months, the credits are classified as “Doubtful”. ➤ Bad/Loss- if the irregular status continue after a period of 60 (sixty) months, the credits are classified as “Bad/Loss”. <p>A Continuous loan, Demand loan or a Term Loan which remained overdue for a period of 02 (two) months or more, is treated as “Special Mention Account (SMA)”.</p>
------------------------	---

	ii) Description of approaches followed for specific and general allowances and statistical methods;	<p>The Bank is required to maintain the following general and specific provision in respect of classified and unclassified loans and advances / investments on the basis of Bangladesh Bank guidelines issued from time to time:</p> <table border="1"> <thead> <tr> <th>Particulars</th> <th>Rate</th> </tr> </thead> <tbody> <tr> <td>General provision on unclassified Small and Medium Enterprise (SME) financing.</td> <td>0.25%</td> </tr> <tr> <td>General provision on unclassified loans and advances/investments other than Consumer Financing, Loans to Brokerage House, Merchant Banks, Stock Dealers etc., SMA as well as SME Financing).</td> <td>1%</td> </tr> <tr> <td>General provision on interest receivable on loans / investments.</td> <td>1%</td> </tr> <tr> <td>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).</td> <td>1%</td> </tr> <tr> <td>General provision on unclassified loans and advances/investments for housing finance, loans for professionals to set-up business under consumer financing scheme.</td> <td>2%</td> </tr> <tr> <td>General provision on the unclassified loans to Brokerage House, Merchant Banks, Stock Dealers, etc.</td> <td>2%</td> </tr> <tr> <td>General provision on unclassified amount for Consumer Financing.</td> <td>5%</td> </tr> <tr> <td colspan="2"><i>General provision on outstanding amount of loans kept in Special Mention Account (SMA) will be at the same respective rate as stated above (0.25% to 5%) as per BRPD Circular No. 05 dated 29.05.2013.</i></td> </tr> <tr> <td>Specific provision on Sub-Standard loans and advances / investments.</td> <td>20%</td> </tr> <tr> <td>Specific provision on Doubtful loans and advances / investments.</td> <td>50%</td> </tr> <tr> <td>Specific provision on bad / loss loans and advances / invests.</td> <td>100%</td> </tr> </tbody> </table>	Particulars	Rate	General provision on unclassified Small and Medium Enterprise (SME) financing.	0.25%	General provision on unclassified loans and advances/investments other than Consumer Financing, Loans to Brokerage House, Merchant Banks, Stock Dealers etc., SMA as well as SME Financing).	1%	General provision on interest receivable on loans / investments.	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 and advances/investments for housing finance, loans for professionals to set-up business under consumer financing scheme.	2%	General provision on the unclassified loans to Brokerage House, Merchant Banks, Stock Dealers, etc.	2%	General provision on unclassified amount for Consumer Financing.	5%	<i>General provision on outstanding amount of loans kept in Special Mention Account (SMA) will be at the same respective rate as stated above (0.25% to 5%) as per BRPD Circular No. 05 dated 29.05.2013.</i>		Specific provision on Sub-Standard loans and advances / investments.	20%	Specific provision on Doubtful loans and advances / investments.	50%	Specific provision on bad / loss loans and advances / invests.	100%												
Particulars	Rate																																					
General provision on unclassified Small and Medium Enterprise (SME) financing.	0.25%																																					
General provision on unclassified loans and advances/investments other than Consumer Financing, Loans to Brokerage House, Merchant Banks, Stock Dealers etc., SMA as well as SME Financing).	1%																																					
General provision on interest receivable on loans / investments.	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 and advances/investments for housing finance, loans for professionals to set-up business under consumer financing scheme.	2%																																					
General provision on the unclassified loans to Brokerage House, Merchant Banks, Stock Dealers, etc.	2%																																					
General provision on unclassified amount for Consumer Financing.	5%																																					
<i>General provision on outstanding amount of loans kept in Special Mention Account (SMA) will be at the same respective rate as stated above (0.25% to 5%) as per BRPD Circular No. 05 dated 29.05.2013.</i>																																						
Specific provision on Sub-Standard loans and advances / investments.	20%																																					
Specific provision on Doubtful loans and advances / investments.	50%																																					
Specific provision on bad / loss loans and advances / invests.	100%																																					
Quantitative disclosure	b)	<p>Total gross credit risk exposures broken down by major types of credit exposure.</p> <table border="1"> <thead> <tr> <th>Particulars</th> <th>Taka in Crore</th> </tr> </thead> <tbody> <tr> <td>Secured Overdraft/Quard Against TDR</td> <td>2,477.67</td> </tr> <tr> <td>Cash Credit/Mudaraba</td> <td>2,266.35</td> </tr> <tr> <td>Loan (General)</td> <td>3,209.79</td> </tr> <tr> <td>House Building Loan</td> <td>330.14</td> </tr> <tr> <td>Loan Against Trust Receipts (LTR)</td> <td>530.36</td> </tr> <tr> <td>Payment Against Documents (PAD)</td> <td>3.19</td> </tr> <tr> <td>Retail Loan</td> <td>1,445.11</td> </tr> <tr> <td>Lease Finance/Izara</td> <td>535.02</td> </tr> <tr> <td>Credit Card</td> <td>112.25</td> </tr> <tr> <td>SME Loan</td> <td>80.43</td> </tr> <tr> <td>Hire Purchase</td> <td>622.55</td> </tr> <tr> <td>Other Loans & Advances</td> <td>2,765.00</td> </tr> <tr> <td>Bill purchased/discounted-Inland</td> <td>382.86</td> </tr> <tr> <td>Bill purchased/discounted-Foreign</td> <td>425.73</td> </tr> <tr> <td>Total</td> <td>15,186.45</td> </tr> </tbody> </table>	Particulars	Taka in Crore	Secured Overdraft/Quard Against TDR	2,477.67	Cash Credit/Mudaraba	2,266.35	Loan (General)	3,209.79	House Building Loan	330.14	Loan Against Trust Receipts (LTR)	530.36	Payment Against Documents (PAD)	3.19	Retail Loan	1,445.11	Lease Finance/Izara	535.02	Credit Card	112.25	SME Loan	80.43	Hire Purchase	622.55	Other Loans & Advances	2,765.00	Bill purchased/discounted-Inland	382.86	Bill purchased/discounted-Foreign	425.73	Total	15,186.45				
	Particulars	Taka in Crore																																				
Secured Overdraft/Quard Against TDR	2,477.67																																					
Cash Credit/Mudaraba	2,266.35																																					
Loan (General)	3,209.79																																					
House Building Loan	330.14																																					
Loan Against Trust Receipts (LTR)	530.36																																					
Payment Against Documents (PAD)	3.19																																					
Retail Loan	1,445.11																																					
Lease Finance/Izara	535.02																																					
Credit Card	112.25																																					
SME Loan	80.43																																					
Hire Purchase	622.55																																					
Other Loans & Advances	2,765.00																																					
Bill purchased/discounted-Inland	382.86																																					
Bill purchased/discounted-Foreign	425.73																																					
Total	15,186.45																																					
	c)	<p>Geographical distribution of exposures, broken down in significant areas by major types of credit exposure.</p> <table border="1"> <thead> <tr> <th>Particulars</th> <th>Taka in Crore</th> </tr> </thead> <tbody> <tr> <td colspan="2">Urban:</td> </tr> <tr> <td>Dhaka Zone</td> <td>10,544.41</td> </tr> <tr> <td>Chittagong Zone</td> <td>3,169.27</td> </tr> <tr> <td>Khulna Zone</td> <td>553.89</td> </tr> <tr> <td>Rajshahi Zone</td> <td>363.11</td> </tr> <tr> <td>Barishal Zone</td> <td>12.13</td> </tr> <tr> <td>Sylhet Zone</td> <td>117.81</td> </tr> <tr> <td>Rangpur Zone</td> <td>84.16</td> </tr> <tr> <td>Sub-Total</td> <td>14,844.79</td> </tr> <tr> <td colspan="2">Rural:</td> </tr> <tr> <td>Dhaka Zone</td> <td>165.09</td> </tr> <tr> <td>Chittagong Zone</td> <td>85.40</td> </tr> <tr> <td>Khulna Zone</td> <td>7.82</td> </tr> <tr> <td>Rajshahi Zone</td> <td>53.99</td> </tr> <tr> <td>Sylhet Zone</td> <td>29.36</td> </tr> <tr> <td>Sub-Total</td> <td>341.66</td> </tr> <tr> <td>Grand Total (Urban + Rural)</td> <td>15,186.45</td> </tr> </tbody> </table>	Particulars	Taka in Crore	Urban:		Dhaka Zone	10,544.41	Chittagong Zone	3,169.27	Khulna Zone	553.89	Rajshahi Zone	363.11	Barishal Zone	12.13	Sylhet Zone	117.81	Rangpur Zone	84.16	Sub-Total	14,844.79	Rural:		Dhaka Zone	165.09	Chittagong Zone	85.40	Khulna Zone	7.82	Rajshahi Zone	53.99	Sylhet Zone	29.36	Sub-Total	341.66	Grand Total (Urban + Rural)	15,186.45
Particulars	Taka in Crore																																					
Urban:																																						
Dhaka Zone	10,544.41																																					
Chittagong Zone	3,169.27																																					
Khulna Zone	553.89																																					
Rajshahi Zone	363.11																																					
Barishal Zone	12.13																																					
Sylhet Zone	117.81																																					
Rangpur Zone	84.16																																					
Sub-Total	14,844.79																																					
Rural:																																						
Dhaka Zone	165.09																																					
Chittagong Zone	85.40																																					
Khulna Zone	7.82																																					
Rajshahi Zone	53.99																																					
Sylhet Zone	29.36																																					
Sub-Total	341.66																																					
Grand Total (Urban + Rural)	15,186.45																																					

d)	Industry or counterparty type distribution of exposures, broken down by major types of credit exposure.	Industry or counterparty type distribution of exposures, broken down by major types of credit exposure of the Bank:	
		Particulars	Taka in Crore
		Commercial Lending	2,913.20
		Export Financing	585.36
		House Building Loan	330.15
		Retail Loan	1,445.11
		Small & Medium Enterprises (SME)	1,782.12
		Special Program Loan	-
		Staff Loan	2.36
		Other Loans & Advances (SOD)	170.57
		Loans, Advances & Lease/Investments to Managing Director / CEO and other senior executives	175.53
		Industrial Loans/Investments (Details are given below)	7,782.05
		Total	15,186.45
		Industrial Loans/Investments	
		Particulars	Taka in Crore
		Agriculture	196.84
		Textile Industries	529.71
		Food and allied industries	381.91
		Pharmaceutical Industries	60.93
		Leather , Chemical, Cosmetics, etc.	40.22
		Tobacco Industries	88.02
		Cement and Ceramic Industries	326.99
		Service Industries	2074.21
		Transport & Communication Industries	313.98
		Other Industries including bills purchased and discounted	3,769.24
		Total	7782.05
		e)	Residual contractual maturity breakdown of the whole portfolio, broken down by major types of credit exposure.
Particulars	Taka in Crore		
Repayable on Demand	-		
Up to 1 month	3,781.36		
Over 1 month but not more than 3 months	2,998.24		
Over 3 months but not more than 1 year	4,106.18		
Over 1 year but not more than 5 years	4,126.82		
Over 5 years	173.85		
Total	15,186.45		
f)	By major industry or counterparty type:		
	i) Amount of impaired loans and if available, past due loans, provided separately;	The amount of classified loans and advances/investments of the Bank are given below as per Bangladesh Bank guidelines.	
		Particulars	Taka in Crore
		Continuous Loans & Advances	4,016.85
		Demand Loans & Advances	4,832.52
		Term Loans & Advances	6,153.38
		Short Term Agro Credit and Micro Credit	183.70
		Total	15,186.45
	ii) Specific and general provisions; and	Specific and general provisions were made on the amount of classified and unclassified loans and advances/investments, off-balance sheet exposures and off-shore banking units, interest on receivable, diminution in value of investment and other assets-suspense of the Bank according to the Bangladesh Bank guidelines.	
		Particulars	Taka in Crore
		Provision on classified loans/investments	532.66
		Provision on unclassified loans/investments	191.50
		Provision on Off-balance sheet exposures	115.69
		Provision for Off-shore Banking Units	53.84
		Provision for interest receivable on loans & advances/investments	0.95
Provision for other assets		11.25	
Provision for diminution in value of investments.	6.83		
Total	912.72		

	iii) Charges for specific allowances and charge-offs during the period.	During the year the specific and general provisions were made on the amount of classified and unclassified loans and advances/investments, off-balance sheet exposure, off-shore banking units, interest on receivable, diminution in value of investment and other assets-suspense of the Bank as per Bangladesh Bank guidelines.	
		Particulars	Taka in Crore
		Provision on classified loans/investments	269.00
		Provision on unclassified loans/investments	29.30
		Provision on Off-balance sheet exposures	6.84
		Provision for Off-shore Banking Units	3.99
		Provision for interest receivable on loans & advances/investments	-
		Provision for other assets	1.79
		Provision for diminution in value of investments	0.70
		Provision for impairment loss for investment in subsidiaries	3.11
Total		314.73	

	g) Gross Non Performing Assets (NPAs).	Non Performing Assets (NPAs) to Outstanding loans and advances.		
		Movement of Non Performing Assets (NPAs).	Particulars	Taka in Crore
			Opening balance	1,121.46
			Addition/adjustment during the year	66.82
			Closing balance	1,188.28
		Movement of specific provisions for NPAs.	Particulars	Taka in Crore
			Opening balance	416.53
			Provisions made during the period	269.00
			Transferred from unclassified loan & advances including OBU	-
			Write-off	(162.66)
Recoveries of amounts previously written off	9.79			
Closing Balance		532.66		

5. Equities: Disclosures for Banking Book Positions

Qualitative disclosure	a) The general qualitative disclosure requirement with respect to equity risk, including:	Differentiation between holdings on which capital gains are expected and those taken under other objectives including for relationship and strategic reasons; and		Investment in equity securities are broadly categorized into two parts: i) Quoted Securities (Common or Preference Shares & Mutual Fund) that are traded in the secondary market (Trading Book Assets). ii) Unquoted securities include shares of Central Depository Bangladesh Limited (CDBL), investment in SWIFT and Market Stabilization Fund (MSF).	
		• 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.	

Quantitative disclosure		Solo		Consolidated		
		Taka in Crore				
		At cost	At market value	At cost	At market value	
	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.	29.70	22.87	153.14	86.32
	c)	The cumulative realized gains (losses) arising from sales and liquidations in the reporting period.	0.008		4.75	
	• Total unrealized gains (losses)	(6.13)		(66.82)		

	d)	• Total latent revaluation gains (losses)	-	-	
		• Any amounts of the above included in Tier-2 capital.	-	-	
	e)	Capital requirements broken down by appropriate equity groupings, consistent with the 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	2.29	8.63	
		• General Market Risk	2.29	8.63	

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

Qualitative disclosure	a)	<p>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.</p>	<p>Interest rate risk is the risk where changes in market interest rates might adversely affect a bank's financial condition. Changes in interest rates affect both the current earnings (earnings perspective) as well as the net worth of the bank (economic value perspective). To evaluate the impact of interest rate risk on the net interest margin, Prime Bank monitors the size of the gap between rate sensitive assets and rate sensitive liabilities in terms of the remaining period to repricing. Repricing refers to the point in time when adjustments of interest rates on assets and liabilities occur owing to new contracts, renewal of expiring contracts or that a contract specifies a floating rate that adjusts at fixed time intervals.</p> <p>A maturity mismatch approach is used to measure Prime 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.</p> <p>The table presented below showing the Interest Rate Risk Analysis of Prime Bank Limited. The analysis shows that Bank may have a positive earnings impact of Taka 0.676 crore in the first quarter and only Taka 0.009 crore in the second quarter (its negative gap offset by previous quarter's positive gap), for a total year-to-date positive earnings impact of Taka 0.685 crore. In the third quarter, the total year-to-date accumulated earnings impact continues to be positive with an increasing trend (Taka 2.75 crore). Here, it is observed that accumulated earnings for the year 2015 owing to a 1% increase in interest rate is a gain of Taka 1.83 crore.</p> <p>The rule of thumb suggests that quarterly gaps, causing an earnings impact of 10% of the Bank's average quarterly net profit for each 1% change in interest rates, should be carefully handled by the Bank's Management. The last row of the following table reveals that earnings impact on Prime Bank's average quarterly net profit is very insignificant and remains within the acceptable limit as prescribed by Bangladesh Bank.</p>
------------------------	-----------	--	--

Interest Rate Risk Analysis (for 1% change in the market rate of interest)

Quantitative disclosure	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).	Particulars	1 to 90 days	Over 3 months to up to 6 months	Over 6 months to up to 9 months	Over 9 months to up to 1 year		
			Taka in Crore						
			Rate Sensitive Assets	8,675.81	2,232.02	1,268.91	694.67		
			Rate Sensitive Liabilities	8,401.75	2,502.04	1,048.31	681.16		
			GAP	274.06	(270.02)	220.60	13.51		
			Cumulative GAP	274.06	4.03	224.63	238.14		
			Adjusted Interest Rate Changes (IRC)	1.00%	1.00%	1.00%	1.00%		
			Quarterly earnings impact (Cum. GAP * IRC)	0.676	0.009	0.553	0.587		
			Accumulated earning impact to date	0.676	0.685	1.24	1.83		
			Earning impact/Avg. quarterly net profit	1.13%	1.15%	2.07%	3.05%		

7. Market Risk:

Qualitative disclosure	a)	i) Views of Board of Directors (BOD) on trading/ investment activities.	<p>Market risk is the possibility of losses of assets in balance sheet and off-balance sheet positions arising out of volatility in market variables i.e., interest rate, exchange rate and price. Allocation of capital is required in respect of the exposure to risks deriving from changes in interest rates and equity prices in the bank's trading book, in respect of exposure to risks deriving from changes in foreign exchange rates and commodity price in the overall banking activity. The total capital requirement for banks against their market risk shall be the sum of capital charges against:</p> <ul style="list-style-type: none"> • Interest rate risk • Equity position risk • Foreign exchange (including gold) position risk throughout the bank's balance sheet and • Commodity risk.
		ii) Methods used to measure Market risk.	<p>Measurement Methodology: As banks in Bangladesh are now in a stage of developing risk management models, Bangladesh Bank has suggested the banks for using Standardized Approach for credit risk capital requirement for banking book and Standardized (rule based) Approach for market risk capital charge in their trading book.</p> <p>Maturity Method has been prescribed by Bangladesh Bank in determining capital against market risk. In the maturity method, long or short positions in debt securities and other sources of interest rate exposures, including derivative instruments, are slotted into a maturity ladder comprising 13 time-bands (or 15 time-bands in case of low coupon instruments). Fixed-rate instruments are allocated according to the residual term to maturity and floating-rate instruments according to the residual term to the next re-pricing date.</p> <p>In Standardized (rule based) Approach the capital requirement for various market risks (interest rate risk, price, and foreign exchange risk) are determined separately.</p> <p>The total capital requirement in respect of market risk is the sum of capital requirement calculated for each of these market risk sub-categories. e.g.:</p> <ul style="list-style-type: none"> a) Capital Charge for Interest Rate Risk = Capital Charge for Specific Risk + Capital Charge for General Market Risk; b) Capital Charge for Equity Position Risk = Capital Charge for Specific Risk + Capital Charge for General Market Risk; c) Capital Charge for Foreign Exchange Risk = Capital Charge for General Market Risk; d) Capital Charge for Commodity Position Risk = Capital charge for general market risk.
		iii) Market Risk Management system.	Treasury Division manages the market risk and ALCO monitors the activities of treasury Division in managing such risk.
		iv) Policies and processes for mitigating market risk.	<p>To mitigate the several market risks the bank formed Asset Liability Management Committee (ALCO) who monitors the Treasury Division's activities to minimize the market risk. ALCO is primarily responsible for establishing the market risk management and asset liability management of the Bank, procedures thereof, implementing core risk management framework issued by the regulator, best risk management practices followed by globally and ensuring that internal parameters, procedures, practices/policies and risk management prudential limits have been set up and followed.</p> <p>The Treasury Division are taking following measures to minimize the several market risks:</p> <p>i) Foreign exchange risk management: it is the risk that the bank may suffer losses as a result of adverse exchange rate movement during a period in which it has an open position in an individual foreign currency. This risk is measured and monitored by the Treasury Division. To evaluate the extent of foreign exchange risk, a liquidity Gap report is prepared for each currency.</p> <p>ii) Equity Risk: Equity risk is defined as losses due to changes in market price of the equity held. To measure and identify the risk, mark to market valuation of the investment portfolios of share is being done. Mark to market valuation is done against a predetermined limit. At the time of investment, following factors are taken into consideration:</p>

			<ul style="list-style-type: none"> a) Security of Investment b) Fundamentals of securities c) Liquidity of securities d) Reliability of securities e) Capital appreciation f) Risk factors and g) Implication of taxes etc. 	
Quantitative disclosure	b)	The capital requirements for:	Solo	Consolidated
			Taka in Crore	
		• Interest rate risk	50.71	50.71
		• Equity position risk	4.57	17.27
		• Foreign exchange risk and	2.90	2.90
		• Commodity risk	-	-
		Total Capital Requirement	58.18	70.87

8. Operational Risk:

Qualitative disclosure	a)	i) Views of BOD on system to reduce Operational Risk	<p>Operational risk is defined as the risk of loss 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. It is inherent in every business organization and covers a wide spectrum of issues. The Board of Directors (BOD) of the Bank and its Management firmly believe that an effective internal control systems has been established within the Bank to ensure adequacy of the risk management framework and compliance with a documented set of internal policies concerning the risk management system which mainly include,</p> <ul style="list-style-type: none"> # Top-level reviews of the Bank's progress towards the stated objectives; # Checking for compliance with management controls; # Policies, processes and procedures concerning the review, treatment and resolution of non-compliance issues; and # A system of documented approvals and authorizations to ensure accountability to the appropriate level of management. <p>Bank has ensured some other internal practices to be in place as appropriate to control operational risk. Examples of these include:</p> <ul style="list-style-type: none"> # Close monitoring of adherence to assigned risk limits or thresholds; # Maintaining safeguards for access to, and use of, bank's assets and records; # Ensuring that staffs have appropriate expertise and training; # Regular verification and reconciliation of transactions and accounts. <p>The BOD has modified Bank's operational risk management process by issuing a high level standard like SOP, supplemented by more detailed formal guidance. This explains how the bank manages operational risk by identifying, assessing, monitoring, controlling and mitigating the risk, rectifying operational risk events, and implementing any additional procedures required for compliance with local regulatory requirements.</p> <p>The Bank maintains and tests contingency facilities to support operations in the event of disasters. Additional reviews and tests are conducted in the event that any branch of the bank is affected by a business disruption event, to incorporate lessons learned in the operational recovery from those circumstances. Plans have been prepared for the continued operation of the bank's business, with reduced staffing levels.</p>
		ii) Performance gap of executives and staffs.	<p>Human Resources</p> <p>People: The Prime Assets!</p> <p>Prime Bank Limited has a favorable image as an employer of choice. The Bank has positioned itself with a performance-driven rewarding work culture; where employees are treated with respect and receive widened opportunities to realize their diverse potentials fully as well as benefit the organization by demonstrating value creating behaviors. A group of motivated and engaged employees with diverse talents are one of the strengths of Prime Bank.</p> <p>Prime Bank has a special focus on converting the human resources into the human capital, i.e., 'knowledge, competency, attitude and behavior embedded in employees'.</p> <p>Manpower Planning and Recruitment</p> <p>The recruitment and selection of Prime Bank follows the 'best fit' approach. As per Bank's requirement, Human Resources Division ensures that the potential candidates are properly assessed, selected and placed on-time as per required competencies</p>

(KSA – Knowledge, Skill & Attributes) and experience.

Prime Bank has a recruitment policy that clearly states the criteria and procedures to recruit fresh and lateral entrants.

The Bank has a Management Trainee Program which is aimed to recruit outstanding fresh graduates and develop them as the future leaders of the Bank.

Diversity in Workplace

Prime Bank believes that diverse, heterogeneous teams generate greater creativity, innovation and business development. Prime Bank is aware of the fact that an inclusive culture maintains and drives workforce diversity by fostering the exchange of ideas and collaboration among individuals and across groups. To speak simply, the constant success of PBL depends in part on maintaining a plurality of perspectives.

No. of employees by age group and gender:

Age group	No. of Emp.	Percentage	Gender	No. of Emp.
Below 30 yrs	481	16.39%	Male	336
			Female	145
30 - 40 yrs	1,771	60.36%	Male	1,364
			Female	407
40 - 50 yrs	540	18.40%	Male	464
			Female	76
50 years and above	142	4.84%	Male	135
			Female	7
	2,934	100%	Total	2,934

PBL practices equal employment opportunity for competent candidates regardless of their gender, age, locality or ethnicity. While recruiting fresh graduates, PBL source the pool from different recognized public and private universities; with a view to creating a diverse work force.

Besides, the ration of male and female employees has been increasing over the time. Currently, approximately 21.00% of employees are female.

Gender diversity among employees:

Gender	No. of Employees	Percentage
Male	2299	78.36%
Female	635	21.64%
Total	2934	100.00%

Increasing ratio of Female over the years:

Year	% of Female Employees
2011	18.59%
2012	19.77%
2013	20.52%
2014	21.00%
2015	21.64%

The ration of male and female employees has been increasing over the time. Currently, approximately 602 of the employees are female. PBL is gradually encouraging the women to take up leadership opportunity which will ensure a more balanced work force.

Learning & Development

Prime Bank continuously strives to transform Human Resources to Human Capital through appropriate learning and development initiatives in every aspects of work area. HR Division regularly undertakes effectively designed training programs targeting the right group of employees through proper training need assessment.

The ‘Management Trainee Development Program’ of Prime Bank is designed for newly recruited Management Trainees (MTs) who receive job rotation across the country and different functions in a structured process. This effectively designed program provides ample opportunities to acquire necessary knowledge, skills and on-the-job-experience. All the MTs who were recruited in 2014 are going through the

		<p>development program.</p> <p>In 2014, Prime Bank’s internal HR Training and Development Centre arranged training on 62 different topics for 4,370 enthusiastic participants. Besides, a total of 644 employees were sent to participate in various training programs/conferences in home and abroad. In total, the number of participants who participated in trainings/conferences has increased by 48% over the last year.</p> <p>The whole capacity building efforts is pivoted on the unique understanding of banking sector as well as required behavioral skills to create a group of competent professionals with strong leadership skill. The banking sector is complex and diverse with evolving nature of threats and the risks. So, the training module is updated time to time for employees of the Bank in the changing context of financial market.</p> <p>Compensation & Benefits</p> <p>Prime Bank has a flexible compensation and benefits system that helps to ensure pay equity, is linked with performance that is understood by employees, and keeps in touch with employee desires and what's coveted in the market, while maintaining a balance with the business affordability. The compensation and benefits are regularly reviewed through market and peer group study. The well-crafted total rewards help the Bank to attract, motivate and retain talent that produces desired business results.</p> <p>All employees are paid competitive remuneration package. The structure and level of remuneration are reviewed time to time based on Bank's performance and affordability.</p> <p>Other than monthly competitive base pay and a good number of allowances, Prime Bank has variety of market-competitive benefits schemes. The various cash and non-cash benefits include: Company car for Top Level Executives, Car maintenance allowance, Leave fair assistance allowance, Medical treatment allowance, Maternity benefits, Car loan facility, House loan facility, Staff loan at discounted interest rate, House furnishing allowance, Travel allowance, Festival bonus, Annual leave etc.</p> <p>PBL also provides long-term as well as retirement benefits to employees, like: Leave encashment, Provident fund, Gratuity benefit, Retirement benefit, Partial and full disability benefit, Death benefit to family members etc.</p> <p>Career Progression & Succession Planning</p> <p>PBL always plans for employees so that they can advance their career goals. This includes advancement into more responsible positions. The company supports career opportunities internally so that talented employees are placed in upgraded positions and thereby enables them to deliver their greatest value to the organization.</p> <p>In addition to vertical career growth, employees may also grow horizontally. Whenever possible, Human Resources Division mobilizes employees across different functions and branches; thus assisting them to progress with varied skills and experience.</p> <p>Besides encouraging individual employee growth and development, the Bank also gives effort to identify and retain the human resources who can potentially be the successors of mission critical roles. Prime Bank acknowledges that Succession Planning & Management is vital to the continued success of the Bank. So, the Bank continuously assesses organizational, divisional and team capability gaps to identify, develop and retain the successors in a timely manner to meet the demands of the future.</p> <p>Performance Management Program</p> <p>Prime Bank has a comprehensive performance management program that evaluates employees' yearly performance against business targets at the year-end. The performance evaluation is a step by step by process where an employee first rates himself/herself. Then s/he is rated by the first level supervisor and then finally by the second level supervisor. To ensure a proper performance evaluation and rate the employees based on their comparative performance, the line Management is guided by the Human Resources Division. This performance appraisal system is considered as crucial for the Bank as this is a very important tool to identify and distinguish the performers and non-performers. Prime Bank believes that a well-executed performance appraisal system can help to reward the deserving employees, as well as help to ensure further development program for the rest.</p> <p>The comprehensive performance management also includes an assessment of employees’ functional and leadership competencies. This appraisal process helps to identify the competency gap and training needs of employees. All permanent employees of PBL undergo annual performance appraisal process.</p>
--	--	--

Reward & Recognition Program

The Bank has a well-designed Reward & Recognition program that gives special attention to employees' actions, efforts, behavior and performance. It meets the intrinsic psychological need for appreciation of employees' efforts and supports business strategy by reinforcing certain behaviors (e.g., extraordinary accomplishments) that contribute to Bank's success.

Followings are the different cash and non-cash awards given to employees for their exemplary works:

- The Chairman's Star of the Stars Award (CSS)
- CEO's Banker with Exceptional Service Traits Award (BEST)
- Outstanding Recovery Initiative Award (ORI)
- Commendable Branch Performance Award (CBPA)
- Trainees with Outstanding Performance Award (TOP)
- Around the Year Appreciation Award (AAA) etc.

Decent Workplace

Prime Bank has a decent work environment where employees can work with dignity, have the freedom to express opinions, can participate in the decision making process that affect their lives, and receive equal treatment and opportunity. The Bank is committed to ensure the best practices in compliance with the labor code of the country. Bank Management believes that the business can grow favorably if the organization enables employees through creating and maintaining a decent workplace.

In Prime Bank, employees have the right to exercise freedom of association or collective bargaining following the legal procedure of country laws. However, employees have never formed or wanted to form any collective bargaining agency. The Bank follows non-discriminatory approach in all HR policies and practices. The salary of an employee is determined based on his/her competency, experience and performance. During the period of 2015 neither any incident regarding discrimination nor any grievance related to labor practices nor human right has been reported. The Bank neither employs child labor nor has any provision for forced labor. Employees have the right to resign from their employment serving proper notice period and following the internal procedures.

Ensuring a decent workplace also encompass Bank's investment decisions as well as agreements with the suppliers and contractors. For instance, human right, as appropriate, is covered as an integral part of decision making for major financial investments. Among all the significant investments, garments and manufacturing industry contain major stakes where issues related to human rights are more relevant and critical. Hence, any such investment agreement is subject to screening of human right issues along with other criteria.

On the other hand, all the agreements of Prime Bank with suppliers or contractors undergo due assessment process which requires complying with Labor Code and other applicable laws of the country. Moreover, the procurement decisions are also subject to conformity with International Labor Conventions. The team involved in procurement visits suppliers and contractors' premises on need basis to monitor working conditions and other relevant issues like labor practices, human right etc.

The security personnel employed by the Bank are formally trained and aware of policies and procedures regarding human right issues. The training requirement also applies to third party organizations that provide security personnel to the Bank.

The most recent addition to encourage female employees at the workplace is that they are now able to avail child day-care facility in Motijheel area. Female employees having offices in Motijheel and peripheral area now can avail child day-care facility where they can keep their children in a safe and secured environment. This will not only help to retain female employees but will relieve them of the dilemma of leaving their child/children at home.

Code of Ethics and Business Conduct

Prime Bank is always committed to establish the highest level of business compliance and ethical standard. The Bank has an '**Employee Code of Ethics and Business Conduct**' – a framework of ethical behaviour for all the employees of the organization.

Prime Bank maintains its reputation as a law-abiding organization and a good corporate citizen. It complies with all the prevailing laws and regulations of the country. Employees are trained and guided to conduct business in compliant manner. The policy and procedures regarding Prime Bank's business process are prepared in adherence to the laws and regulations.

All employees are properly inducted to comply with Code of Ethics and conform to

		<p>the relevant laws and regulations. HR Division makes sure that during joining employees read, understand the ‘Code of Ethics and Business Conduct’ and acknowledge the same by signing.</p> <p>The Board of Directors of Prime Bank approved the ‘Employee Code of Ethics and Business Compliance’ with a commitment to set the high ethical standards so that customers’ expectations and interests are protected in a compliant manner. Employees are encouraged to report any wrong-doing within the Bank. The Head of Internal Control and Compliance and Human Resources Divisions are the primary channel to report any incident.</p> <p>Openness in communication to foster the exchange of knowledge and ideas</p> <p>Employee communications and consultation are the lifeblood of any business. Proper exchange of information and instructions helps the Bank to function more efficiently and provides the opportunity to build greater trust among employees and management in discussing issues of mutual interest. To ensure effective employee communications, management takes a positive lead.</p> <p>The Management has introduced a Whistleblower Protection Policy which intendeds to encourage and enable employees and others to raise serious concerns internally so that the Management can address and correct inappropriate conduct and actions. Employees have an avenue to report concerns about violations of code of ethics or suspected violations of law or regulations. The policy covers the protection of a whistleblower in two important areas -- confidentiality and against retaliation. An employee who retaliates against someone who has reported a violation in good faith is subject to discipline up to and including termination of employment.</p> <p>Additionally, now there is an avenue to report sexual harassment in the workplace. The policy aims to ensure a working environment in line with our values, where all individuals are treated equally, fairly and with dignity and also foster compliance with governing laws pertaining to sexual harassment. Such policy creates awareness about the nature of offences and the consequences of an offender. This not only fosters a neutral environment but gives a feeling of assurance that any wrong doing will be strictly addressed by the Management.</p> <p>In addition to day to day regular communication, Prime Bank has arranged a Town Hall Meeting for 2015 on 12th December, 2015 for the employees of Dhaka Division to discuss on the contemporary issues on Centralization and Broad banding. Such meeting is a first for Prime Bank Limited and it has allowed employees with the opportunity to interact with the top Management and place their concerns regarding the recent changes. This sort of initiative helps to build an improved management-employee relation as it creates an avenue for one to one interaction.</p> <p>Any operational changes are properly planned and managed. Management follows a participative approach during any major transformation followed by prior communication to the employees. Since there is no trade union or employee association, no notice period regarding operational change is stipulated by any collective agreement.</p> <p>Achievements of 2015:</p> <p>The relentless pursuit of HR Division continues throughout the year. Furthermore, it aims to ensure excellence in all HR policies and practices in line with the mission and vision of the Bank. Followings are some of the mentionable activities done in the year 2015:</p> <ul style="list-style-type: none"> - Successfully implemented and ran automation projects including Performance Appraisal System to enhance employee efficiency - Initiated, developed and successfully implemented Broad banding pay structure policy for employees to attract, motivate and retain performers. - Successfully amended/ introduced TE/DE Policy, Sexual Harassment Policy, Whistle Blowing Policy, Leave Policy, Service Rule Book Update etc. <p>Prime Bank is moving forward with the transformational initiatives in order to grow up with the challenge of tapping opportunities to meet both organizational and employee needs. The transformational phase started with introducing HR as “Strategic Business Partner” which already generated value in people & process management. Prime Bank is working to ensure an employee centric work culture with automated HR services & delivery and with focused skill development for employees. In coming days HR will pursue solid contemporary thoughts and action plans to draw results in many fronts as the Change Agent for Employee & Business Development.</p> <p>Human Resources Accounting in PBL:</p> <p>To understand and draw an inference on how well the Human Resources are</p>
--	--	---

yielding on the investment made, Prime Bank tracks the profit and related HR costs. In this process, the costs of recruitment, training, compensation, other direct cost related to employees are measured to estimate the overall investment. The costs are then compared with several parameters. This analysis helps the Bank to have an outlook and make prudent decisions on future HR investment. Valuing the human resources and measuring the direct impact of the cost spent for employees is difficult as there is no specific or widely adopted method. Human Resources accounting is the process of valuing human resources as assets. Presently, this is not accounted in the conventional accounting practices. The period of existence of a set of human resources in an organization cannot be predicted; hence treating and valuing them as assets in strict sense is not plausible. However, Followings are some of the parameters which are tracked year on year.

(Taka in Million)

Particulars	2015	2014
Salary cost per employee	1.23	1.15
Operating cost per employee	2.10	2.01
Operating income per employee	4.11	4.18
Profit before provision per employee	2.01	2.17
Profit before tax per employee	0.94	1.27
Salary cost as percentage of operating cost	58.41	57.09
Salary cost as percentage of operating income	29.83	27.48

	<p>iii) Potential external events</p>	<p>Risk factors/Potential external events:</p> <p>It is needless to say that there are certain risk factors which are external in nature and can affect the business of the Bank. The factors discussed below can significantly affect the business:</p> <ul style="list-style-type: none"> <p>• General business and political condition Performance of Prime Bank greatly depends on the general economic conditions of the country. The political unrest during first quarter of the year has an impact on decrease in bank's loan exposures. Many factors like lack of confidence of private investors, infrastructural development, scarcity of gas & electricity, inflation etc. are responsible for lessening private sector investment growth which affects banks' lending. Political stability is the main precondition to attract private sector investment which directly linked with the credit growth of commercial banks.</p> <p>• Changes in credit quality of borrowers Risk of deterioration of credit quality of borrowers is inherent in banking business. This may be the result of global economic crisis and supply side distortion. Signals received from the global outlook are mixed. While Europe is floundering in near recession, US recovery is evident if not robust. Both 'global economic outlook' and 'national outlook' are not that congenial for the borrowers to run their own business profitably enough to run banks' loan installments. It has ultimately put an impact on banks' asset quality. Deterioration in credit quality requires provisioning.</p> <p>• Changes in policies and practices of regulatory bodies to revise practices, pricing and responsibilities of the financial institutions PBL is subject to regulations and compliance of regulation is must. Changes in policies with regard to interest rates, loan pricing, spread etc. have significant effect on the performance of the Bank. Bangladesh Bank is expected to continue its persuasion to reduce the spread and charges further which is likely to affect the performance. Changes in provisioning requirement have also affected the performance of the bank.</p> <p>• Implementation of Basel-III in Bangladesh After finding numerous weaknesses in the global regulatory framework and in banks' risk management practices, the regulatory authorities have focused on streamlining the global capital and liquidity rules (Basel III) with a view to improving and strengthening the banking sector's ability to absorb shocks arising from financial and economic stress. The table presented in the 'Capital Adequacy' part of this document shows that Prime Bank has adequate Tier-1 & Tier-2 Capital to maintain all the ratios at the required level. It has covered both Minimum Capital Requirement (MCR) as well as Capital Conservation Buffer (CCB) with its eligible capital after considering all regulatory adjustments.</p> <p>• Volatility in equity market The Bangladesh Securities and Exchange Commission and the stock exchanges improved their supervisory role but the equity market is still volatile. The ongoing political unrest has also added to the volatility. If volatility continues it is likely to affect the performance of the Bank.</p> <p>• The risk of litigation In the ordinary course of business, legal actions, claims by and against the bank may arise. The outcome of such litigation may affect the financial performance of the Bank.</p> <p>• Success of strategies PBL is proceeding with its strategic plan and its successful implementation is very important for its financial performance. Major deviation due to external and internal factors will affect the performance of the Bank.</p>
--	---------------------------------------	---

	<p>iv) Policies and processes for mitigating operational risk.</p>	<p>Operational Risk is the risk of financial losses related to breakdown in internal control and corporate governance. Such breakdown can be the result of human error, inadequate or failed internal process and technical system, fraud or any other adverse external event. Operational risk may be the most devastating and at the same time most difficult to anticipate. Risk Management Division (RMD) of the bank is primarily responsible to drive and look after the overall risk management function including operational risk management. RMD under the leadership of Chief Risk Officer (CRO) is entrusted to ensure:</p> <ul style="list-style-type: none"> ▪ Drive and populate the culture of pro-active risk identification and mitigation. ▪ Lead bank wide integrated risk management approach. ▪ Validate and improve the reliability and effectiveness of business operation and the operations of the risk management framework. ▪ Quickly identify the Bank’s operational deficiencies. ▪ Increase accuracy and visibility of risk information. ▪ Designing of organizational structure by clearly defining roles and responsibilities of individuals to support the identification, assessment, control and reporting of key risk indicators; ▪ Formulation of overall risk assessment and management policies, methodologies, guidelines and procedures for risk identification, risk measurement, risk monitoring, defining an acceptable level of risk, mitigation of all the core risks in line with their respective guidelines provided by Bangladesh Bank; ▪ Reviewing and updating all risks on systematic basis as necessary at least annually, preferably twice a year, ensuring that adequate controls exist and that the related returns reflect these risks and the capital allocated to support them. Beside the six core risks and operational risk, following risks are also being reviewed by RMD: <ul style="list-style-type: none"> ✓ Legal Risk; ✓ Reputation risk; ✓ Environmental & social risk; ✓ Insurance Risk; ✓ Strategic risk; and ✓ Sustainability Risk ▪ Setting the portfolio objectives and tolerance limits/parameters for each of the risks; ▪ Developing organizational capability in ensuring safety of the employees; ▪ Development of information systems/MIS inflow and data management capabilities to support the risk management functions of the Bank. ▪ Ensure compliance with the core risks management guidelines at the department level, and at the desk level; ▪ The unit will work under bank’s organizational structure and suggest to the management to take appropriate measures to overcome any existing and potential financial crisis; ▪ Analysis of self-resilience capability of the Bank; ▪ Initiation to measure different market conditions, vulnerability in investing in different sectors; ▪ The unit will also work for substantiality of capital to absorb the associated risk in banking operation. <p>Activities undertaken by “Risk Management Division” since inception and recent approaches</p> <ul style="list-style-type: none"> ▪ Risk Management Division (RMD) is the propagator of effective risk management across the bank; ▪ Aligned the division’s structure and committees in line with the central bank directives/circulars; ▪ Ensured all the regulatory reporting are prepared and submitted on time; ▪ Reviewed Product Program Guidelines (PPG) and suggested a standard template to bring discipline and uniformity in managing asset and liability products. ▪ Driving the initiatives of business continuity management across the bank; ▪ Ensured that development or review of internal processes/policies/guidelines/Manuals are vetted by RMD; ▪ RMD played a vital role in determining strategies in consistency with risk management policy, which can measure, monitor, and maintain acceptable risk level of the bank; ▪ Prudently oversaw Capital Management, Internal Capital Adequacy Assessment Process (ICAAP), Credit Risk, Market Risk (Foreign Exchange Risk, Interest Rate Risk, and Equity Risk), Liquidity Risk, Operational Risk (Internal Control & Compliance Risk, Reputation Risk, and Money Laundering Risk) as guided by the central bank;
--	--	---

		<ul style="list-style-type: none"> ▪ RMD analyzed the overall portfolio of the Bank through Risk Management Paper, Stress Testing and ICAAP, also effectively engaged in preparation of efficient Management Information System (MIS) report for the higher management and for the Risk Management Committee of the Board. ▪ Risk Management Division has recently formed a Risk Management Forum (RMF), a common platform among the all divisions for driving the culture of pro-active risk identification and escalation of risk across the bank. The member of Risk Management Forum meets regularly in monthly meeting to analyze identified/potential risks and suggest mitigation followed by monitoring. <p>Risk Management Division (RMD) has developed an online module named 'Risk Platform' for escalation and reporting of identified & anticipated risk events of the Bank proactively to the management as part of integrated risk management approach.</p> <p><u>Stress Testing in PBL:</u></p> <p>Stress testing framework as provided by Bangladesh Bank assesses the impact on CAR due to minor, moderate and major level of shock in terms of credit risk, exchange rate risk, liquidity risk, equity price risk and interest rate risk. Stress testing for credit risk assesses the impact of increase in the level of Non-Performing Loans (NPLs) of the banks for the following scenario -</p> <ul style="list-style-type: none"> ▪ Performing loan directly downgraded to B/L- Sector wise Concentration 1 ▪ Performing loan directly downgraded to B/L- Sector wise Concentration 2 ▪ Increase in NPLs due to default of top large loan borrowers ▪ Negative shift in NPLs categories ▪ Decrease in the Forced Sale Value (FSV) of the collateral <p>The stress testing based on the financial performance of the Bank as on December 31, 2015 has also been completed which shows that the bank has adequate capital to absorb minor level of shocks for combined shock. However, for absorbing moderate and major levels of shock which is very unlikely in the industry, the bank may require additional capital.</p> <p>The Banks operating in Bangladesh shall compute the capital requirements for operational risk under the Basic Indicator Approach (BIA). Under BIA, the capital charge for operational risk is a fixed percentage, denoted by 'α (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 capital charge may be expressed as follows:</p> $K = [(GI_1 + GI_2 + GI_3) \alpha] / n$ <p>Where-</p> <p>K = the capital charge under the Basic Indicator Approach GI = only positive annual gross income over the previous three years (i.e., negative or zero gross income if any shall be excluded) α = 15 percent n = number of the previous three years for which gross income is positive. Gross income: Gross Income (GI) is defined as "Net Interest Income" plus "Net non-Interest Income". It is intended that this measure should:</p> <ol style="list-style-type: none"> i) be gross of any provisions; ii) be gross of operating expenses, including fees paid to outsourcing service providers; iii) exclude realized profits/losses from the sale of securities held to maturity in the banking book; iv) exclude extraordinary or irregular items; v) exclude income derived from insurance.
	v) Approach for calculating capital charge for operational risk.	

Quantitative disclosure	Particulars	Solo Basis	Consolidated
		Taka in Crore	
b)	The capital requirement for operational risk	217.69	224.23

9. Liquidity Ratio:

Qualitative Disclosure	(a)	<ul style="list-style-type: none"> - Views of BOD on system to reduce Liquidity Risk - Methods used to measure Liquidity Risk - Liquidity risk management system - Policies and processes for mitigating Liquidity Risk.
------------------------	-----	--

		<p>Bank is maintaining the ratios mentioned in the Bangladesh Bank guideline considering all the relevant factors, policies and procedures to mitigate Liquidity Risk. A brief discussion on the emergence of those ratios and their interpretation is stated in the following part:</p> <p>In the aftermath of the financial crisis of 2008-09, the Basel Committee of Banking Supervision (BCBS) emphasized on a program of sustainability revising its existing guidelines with a goal to promote a more resilient banking sector through further restructuring of the existing approach by strengthening global capital and liquidity rules within the global regulatory framework.</p> <p>BCBS proposed two liquidity ratios in December 2009 i.e. 1. Liquidity Coverage Ratio (LCR) and 2. Net Stable Funding Ratio (NSFR). Following that Bangladesh Bank vide its BRPD Circular No-07 dated March 31, 2014, declared the road map for implementing the Revised Regulatory Capital Framework for banks in line with Basel III in Bangladesh starting from the year 2015. According to the revised road map issued vide BRPD Circular No. 18/2014, from January 2015 and onwards Banks have to maintain a standard LCR and NSFR, the minimum standard of which is defined by Bangladesh Bank.</p> <p>Prior to LCR and NSFR, Cash Reserve Ratio (CRR), Statutory Liquidity Reserve (SLR), and Advance Deposit Ratio (ADR) were grossly used as benchmark parameter of measuring a bank's liquidity in most of the countries. But in the wake of financial crisis due to the limitations, as well as ineffectiveness of those ratios, the BCBS suggested more reforms in the liquidity measures like LCR and NSFR which are more relevant with the structure and mix of Bank's balance sheet as well as funding.</p> <p>For the LCR, the stock of high quality liquid assets is compared with expected cash flows over a 30 day stress scenario. The expected cash outflows are to be covered by sufficient liquid, high quality assets. It aims to ensure that a bank maintains an adequate level of unencumbered, high-quality liquid assets that can be converted into cash to meet its liquidity needs for 30 calendar days. The minimum standard set by BB is that LCR shall be greater than or equal to 100.</p> <p>On the other hand, the NSFR compares available funding sources with funding needs resulting from the assets on the Balance Sheet. Like the LCR, the NSFR calculations assume a stressed environment. It aims to limit over-reliance on short-term wholesale funding (mostly interbank) during times of abundant market liquidity, increase stability of the funding mix, encourage better assessment of liquidity risk across all on- and off-balance sheet items, and promotes funding stability. The minimum standard set by BB is that NSFR shall be greater than 100.</p>
Quantitative Disclosures	(b)	<ul style="list-style-type: none"> - Liquidity Coverage Ratio (LCR): 180.99% - Net Stable Funding Ratio (NSFR): 108.33% - Stock of High quality liquid assets: BDT 7,989.73 crore - Total net cash outflows over the next 30 calendar days: BDT 4,414.46 crore - Available amount of stable funding: BDT 20,604.17 crore - Required amount of stable funding: BDT 19,019.15 crore <p>(The above ratios and balance are stated as per position of 31 December, 2015)</p>

10. Leverage Ratio

Qualitative Disclosures	(a)	<p>Views of BOD on system to reduce excessive leverage policies and processes for managing excessive on and off-balance sheet leverage:</p> <p>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. The leverage ratio is calibrated to act as a credible supplementary measure to the risk based capital requirements. The leverage ratio is intended to achieve the following objectives:</p> <ul style="list-style-type: none"> a) constrain the build-up of leverage in the banking sector which can damage the broader financial system and the economy b) reinforce the risk based requirements with an easy to understand and a non-risk based measure <p>Prime Bank calculates leverage ratio on quarterly basis and submits it to the Department of Off-site Supervision (DOS), Bangladesh Bank along with CRAR report.</p> <p>Approach for calculating exposure:</p> <p>A minimum Tier-1 leverage ratio of 3% has been prescribed by Bangladesh Bank to maintain by the Banks both at solo and consolidated level. Accordingly, Prime Bank maintains leverage ratio on quarterly basis. The formula for calculating leverage ratio is as under:</p> <p>Leverage Ratio = Tier-1 Capital (after related deductions)/ Total Exposure (after related deductions)</p>		
Quantitative Disclosures	(b)		Solo	Consolidated
		Sl.	Particulars	
		A.	Tier-1 Capital	
			2,297.66	2,299.90

	B.	On balance sheet exposure	24,641.82	24,773.13
	C.	Off-balance sheet exposure	5,642.46	5,642.46
	D.	Total deduction from on and off-balance sheet exposure	12.90	15.35
	E.	Total exposure (B+C-D)	30,271.37	30,400.24
	F.	Leverage Ratio (A/E)*100	7.59%	7.57%

11. REMUNERATION:

11.1 Qualitative Disclosure:

Qualitative Disclosure	(a)	<p>Prime Bank has a flexible compensation and benefits system that helps to ensure pay equity, is linked with performance that is understood by employees, and keeps in touch with employee desires and what's coveted in the market, while maintaining a balance with the business affordability. The compensation and benefits are reviewed through market and peer group comparison. The balanced total rewards help the Bank to attract, motivate and retain talent that produces desired business results.</p> <p>Remuneration Committee is generally understood to be derived from among the Board. The Board of Directors of the Bank approves the remuneration policy in accordance with the Remuneration and Increment & Promotion Policy recommended by the Senior Management. The policy approved by the Board of Directors is implemented by the Management with the support and/or under the supervision of Human Resources Division. The officials are evaluated by a Committee which is formed comprising of 05 DMDs and Head of HR. The Committee is responsible for Performance Appraisal Rating, Promotion and implementation of the Pay Progression Strategy of the Bank.</p> <p>Though the Bank has no permanent external consultant for managing remuneration, but expert opinion may have been sought by the Management, in case to case basis, regarding taxation issues and settlement of end service benefits of the separated employees.</p>
	(b)	<p><u>Policy Objective:</u></p> <p>Prime Bank Limited aims to create a future-oriented, strategic compensation plan in order to attract and retain its talent through using a modern compensation strategy called “Broadbanding Pay Structure”. This policy applies to all the Full Time and Permanent Employees of Prime Bank Limited. The Remuneration Policy is designed to establish broad pay-ranges based on performance, skills or competencies and avoid multiple pay structures. The policy is also empowering managers & encourage the professionals for career development</p> <p><u>Broadbanding Pay Structure:</u></p> <p>The Management introduced Broadbanding Pay Structure which aims to ensure a performance driven work culture through a strategic compensation plan synced with the performance of individual employee. It places an increased emphasis on encouraging employees to develop new skills and paying for the skills according to their contribution and equity. In a nutshell, broadbanding is a more flexible pay system for both the employees and for the employers where career progression takes a different route.</p> <p><u>Salary Structure:</u></p> <p>Salary component is as under:</p> <p><u>Part-I:</u></p> <p>(i) Basic; (ii) House Rent; (iii) Medical Allowance;</p> <p><u>Part-II:</u></p> <p>(i) Conveyance; (ii) Leave Fare Assistance</p> <p><u>Annual Performance Bonus:</u></p> <p>As a part of employee motivation through monetary incentive, a bonus policy formulated. The Bank has been paying the bonus to the employees every year on the basis of their performance. The objective of bonus policy is to promote the performance of individual employee as well as team.</p>

	<p>(c) Bank takes into account the following key risks when managing and determining remuneration arrangements:</p> <p>(a) Financial Risks; (b) Operational Risks; and (c) Compliance Risks.</p> <p>While evaluating the performance of each employee annually, all the financial and non-financial indicators as per pre-determined set criteria are considered and accordingly the result of the performance varies from one to another and thus affects the remuneration as well.</p>
	<p>(d) Prime Bank Ltd. uses modern standardized strategies for determining pay progression within the newly proposed Bands to adjust pay rates of individual employees over time. It will be as followed:</p> <ol style="list-style-type: none"> 1. <u>Inflation Support based</u>: It includes process for adjusting basic pay increase across the Organization & all employees receive the same amount of percentage increase to maintain & balance lifestyle expenditures; what is commonly referred to as inflation support. 2. <u>Performance based</u>: It includes process for Performance Planning & Management, Performance Assessment, Incentives and Recognition to determine the amount of pay increases. It differentiates performers from non-performers and also creates positive effects on employee motivation.
	<p>(e) To maintain the market competitiveness, the compensation and benefits of Prime Bank are regularly reviewed through market and peer group study. The well-crafted total rewards help the Bank to attract, motivate and retain talent. All employees are paid competitive remuneration package. The remuneration policy of the Bank does not allow any discrimination between male and female employees. Prime Bank has variety of market-competitive Benefits schemes designed to motivate the employees. The various cash and non-cash benefits include:</p> <ul style="list-style-type: none"> ▪ Company provided car for top level Executive employees ▪ Car allowance for all Executive level employees ▪ Leave fair assistance allowance ▪ Medical treatment allowance ▪ Maternity benefits ▪ Car loan facility ▪ House loan facility ▪ Staff loan at reduced interest rate ▪ House furnishing allowance ▪ Mobile phone allowance ▪ Travel allowance ▪ Technical allowance ▪ Festival bonus ▪ Allowance for employees' meritorious students ▪ Annual leave ▪ Maternity leave ▪ Study leave etc. <p>The Bank also provides long-term as well as retirement benefits to employees:</p> <ul style="list-style-type: none"> ▪ Leave encashment ▪ Provident fund ▪ Gratuity benefit ▪ Retirement benefit ▪ Partial and full disability benefit ▪ Death benefit to family members etc.
	<p>(f) The Bank pays variable remuneration on cash basis (i.e. direct credit to the employee Bank account and/or Pay Order/Cheque), as the case may be, as per employees' service rule/practice.</p> <p>Bank provides annual increments based on performance to the employees with the view of medium to long term strategy and adherence to Prime Bank's values.</p>

11.2 Quantitative Disclosure:

Quantitative Disclosure	(g)	There were 05 (Five) meetings of the Committee, which is responsible for Performance Appraisal Rating, Promotion and implementation of the Pay Progression Strategy of the Bank, held during the year 2015. All the members of the Committee are from the core banking area/operation of the Bank. No additional remuneration was paid to the members of the Committee for attending the meeting except their regular remuneration.
	(h)	<ul style="list-style-type: none">• Performance Bonus/incentives: BDT 212,812,286• Number of total festival bonus: 02• Total amount of festival bonus: BDT 260,028,007• Number of severance payments: 120• Total amount of severance payments: BDT 172,636,125 (including provident fund, gratuity fund, retirement benefit and leave encashment)
	(i)	No deferred remuneration was paid out in the financial year 2015.
	(j)	Part–I: BDT 2,335,461,130 & Part–II: BDT 363,202,108
	(k)	No amount is outstanding for deferred remuneration and retained remuneration exposed to ex post explicit and/or implicit adjustments. There were no reductions during the financial year 2015 due to ex post explicit adjustments. There were no reductions during the financial year 2015 due to ex post implicit adjustments.