

MARKET DISCIPLINE DISCLOSURE ON RISK BASED CAPITAL (BASEL-III)

The public disclosure of prudential information is an important component of Basel Committee on Banking Supervision's framework of capital measurement and capital adequacy, known as Basel III. Bangladesh Bank has specified the standard of disclosure through Guidelines on Risk Based Capital Adequacy (December 2010) which revised in Basel III Guideline on December 2014 with effect from January 2015. The standard aims to enhance the transparency in Bangladeshi financial market by setting minimum requirement for the disclosure of information on the risk management practice and capital adequacy. In line with the Bangladesh Bank BRPD Circular no. 35 of December 29, 2010 as to Guidelines on 'Risk Based Capital Adequacy for Banks' and subsequent BRPD Circular 18 dated December 21, 2014 on 'Guideline on Risk Based Capital Adequacy', following detailed qualitative and quantitative disclosures are provided in accordance with the central bank directions covering scope of capital adequacy framework, capital of the bank, risk exposure and assessment methodology, risk mitigation strategies and capital adequacy of the bank.

To cope up with the international best practices and to make the bank's risk absorbent capital 'Guidelines on Risk Based Capital Adequacy (RBCA) for banks' (Revised Regulatory Capital Framework in line with Basel II) was introduced from January 01, 2009 as a parallel run with BRPD Circular No. 10, dated November 25, 2002 (Basel I). At the end of parallel run, Basel II regime started from January 01, 2010 and the guidelines on RBCA came fully into force with its subsequent supplements/revisions. After that, Bangladesh Bank issued 'Guidelines on Risk Based Capital Adequacy (RBCA) for banks' (Revised Regulatory Capital Framework in line with Basel III) vide its BRPD Circular 18 dated December 21, 2014 that Basel III reporting start from January 2015 and full implementation start from January 2019. Instructions regarding Minimum Capital Requirement (MCR), Adequate Capital and Disclosure requirement as stated in the guidelines had to be followed by all scheduled banks for the purpose of statutory compliance.

1. Scope of Application

Qualitative disclosure	a)	The name of the top corporate entity in the group to which these 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 is given below:</p> <p>Prime Bank Limited:</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 146 (One Hundred and Forty Six) Branches including 18 (Eighteen) SME Centers/ Branches all over Bangladesh and 2 (Two) booths located at Dhaka Club, Dhaka and at Chittagong Port, Chattogram.</p>

		<p>Out of the above 146 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 different business divisions and branches.</p> <hr/> <p>Subsidiaries of PBL:</p> <p>i) Prime Bank Investment Limited:</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> <hr/> <p>ii) Prime Bank Securities Limited:</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 stockbrokers / 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 in May 2011.</p> <hr/> <p>iii) Prime Exchange Co. Pte. Limited, Singapore:</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 and in 2016 it has opened its 3rd branch located at Joo Koon Branch, 55 Benoi Road , #01-14, Joo Koon Bus Interchange (Opposite KFC), Singapore-629907. 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> <hr/> <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> <hr/> <p>v) PBL Finance (Hong Kong) Limited:</p> <p>PBL Finance (Hong Kong) Limited, a fully owned subsidiary of Prime Bank 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 September 1, 2011 in Hong Kong and operating with one branch currently located at Unit 1201, 12/F, Taurus Building No 21A and 21B Granville Road Tsim Sha Tsui, Kowloon, Hong Kong.</p>
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	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) General 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 (ii) Subordinated Debt/ Instruments issued by the Banks that meet the qualifying criteria for Tier 2 Capital.</p>
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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	1,132.28	1,132.28
		II. Non repayable share premium account	121.19	121.19
		III. Statutory reserve	1,035.34	1,035.34
		IV. General reserve	-	2.80
		V. Retained earnings	398.69	362.09
		VI. Minority interest in subsidiaries	-	-
		VII. Dividend equalization account	-	-
		Sub-Total	2,687.51	2,653.70
		Additional Tier 1 Capital	-	-
Total Tier 1 Capital	2,687.51	2,653.70		
Tier 2 Capital	1,570.73	1,570.73		
Total amount of Tier 1 and Tier 2 capital	4,258.24	4,224.43		
	c)	Regulatory Adjustments/Deductions from capital	(177.00)	(204.24)
	d)	Total eligible capital	4,081.24	4,020.19

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.	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.
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		<p>The Bank has maintained Capital to Risk Weighted Asset Ratio (CRAR) at 17.28% & 16.98% 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 (required for 2020) 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 at any time.</p>
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Quantitative disclosure	Particulars	Solo	Consolidated
		Taka in Crore	
b)	Capital requirement for Credit Risk	20,871.96	20,612.46
c)	Capital requirement for Market Risk	705.31	971.37
d)	Capital requirement for Operational Risk	2,044.71	2,096.92
	Total Risk Weighted Assets (RWA)	23,621.98	23,680.75
	Total Regulatory Capital (Tier 1 & Tier 2)	4,081.24	4,020.19
e)	Capital To Risk Weighted Asset Ratio (CRAR)	17.28%	16.98%
	Common Equity Tier 1 (CET 1) Capital to RWA Ratio	10.63%	10.34%
	Tier 1 Capital to RWA Ratio	10.63%	10.34%
	Tier 2 Capital to RWA Ratio	6.65%	6.63%
	Minimum Capital Requirement (MCR)	2,952.75	2,960.09
f)	Capital Conservation Buffer (Minimum Requirement)	2.50%	2.50%
g)	Capital Conservation Buffer Maintained	4.63%	4.34%

- 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	a) The general qualitative disclosure requirement with respect to credit risk, including:
	<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 follows:</p> <p>Continuous & Demand Loan are classified as:</p> <p>Any Continuous Loan if not repaid/renewed within the fixed expiry date for repayment or after the demand by the bank will be treated as past due/overdue from the following day of the expiry date.</p>

		<p>Any Demand Loan if not repaid within the fixed expiry date for repayment or after the demand by the bank will be treated as past due/overdue from the following day of the expiry date.</p> <ul style="list-style-type: none"> • Sub-standard- if it is past due/overdue for a period of 03(three) months or beyond but less than 09 (nine) months; • Doubtful- if it is past due/overdue for a period of 09 (nine) months or beyond but less than 12 (twelve) months; • Bad/Loss- if it is past due/overdue for a period of 12 (twelve) months or beyond. <p>In case of any installment(s) or part of installment(s) of a Fixed Term Loan is not repaid within the fixed expiry date, the amount of unpaid installment(s) will be treated as past due/overdue after six months of the expiry date.</p> <ul style="list-style-type: none"> • Sub-standard- if it is past due/overdue for a period of 03(three) months or beyond but less than 09 (nine) months; • Doubtful- if it is past due/overdue for a period of 09 (nine) months or beyond but less than 12 (twelve) months; • Bad/Loss- if it is past due/overdue for a period of 12 (twelve) months or beyond. <p>Cottage, Micro and Small Credits under CMSME:</p> <ul style="list-style-type: none"> • Sub-standard- if it is past due/overdue for a period of 06 (six) months or beyond but less than 18 (eighteen) months; • Doubtful- if it is past due/overdue for a period of 18 (eighteen) months or beyond but less than 30 (thirty) months; • Bad/Loss- if it is past due/overdue for a period of 30 (thirty) months or beyond. <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 continues after a period of 36 (thirty six) months, the credits are classified as "Doubtful". • Bad/Loss- if the irregular status continues 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;	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:				
		<table border="1"> <thead> <tr> <th data-bbox="712 1862 1434 1893">Particulars</th> <th data-bbox="1434 1862 1523 1893">Rate</th> </tr> </thead> <tbody> <tr> <td data-bbox="712 1893 1434 1957">General provision on unclassified Small and Medium Enterprise (SME) financing.</td> <td data-bbox="1434 1893 1523 1957">0.25%</td> </tr> </tbody> </table>	Particulars	Rate	General provision on unclassified Small and Medium Enterprise (SME) financing.	0.25%
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		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 Short-term Agricultural & Micro-credits.	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	1%
		General provision on unclassified loans and advances/ investments 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.	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 2%) as per BRPD Circular No. 05 dated 29.05.2013 and BRPD Circular No. 52 dated 20.10.2020.)</i>	
		Specific provision on Sub-Standard loans & advances / investments	20%
		Specific provision on Sub-Standard loans & advances / investments for Cottage, Micro and Small credits under CMSME	5%
		Specific provision on Doubtful loans & advances / investments	50%
		Specific provision on Doubtful loans & advances / investments for Cottage, Micro and Small credits under CMSME	20%
		Specific provision on Sub-Standard & Doubtful loans & advances / investments for Short-term Agricultural and Micro-Credits	5%
		Specific provision on bad / loss loans & advances / investments	100%
Quantitative disclosure	Total gross credit risk exposures broken down by major types of credit exposure.	Total gross credit risk exposures broken down by major types of credit exposure of the Bank:	
		Particulars	Taka in Crore
		Secured Overdraft/Quard Against TDR	3,724.44
		Cash Credit/Mudaraba	2,024.87
		Loan (General)	6,275.53
		House Building Loan	185.91
		Loan Against Trust Receipts (LTR)	523.57
		Payment Against Documents (PAD)	1.18
		Retail Loan	1,457.06
		Lease Finance/Izara	248.08
		Credit Card	112.00
		Hire Purchase	1,260.63
		Other Loans & Advances	5,431.31
		Bill purchased/discounted-Inland	447.54
		Bill purchased/discounted-Foreign	1,547.89
		Total	23,240.01

c)	Geographical distribution of exposures, broken down in significant areas by major types of credit exposure.	Geographical distribution of exposures, broken down in significant areas by major types of credit exposure of the Bank:																																																		
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	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	996.56
		Addition/adjustment during the year	(193.17)
		Closing balance	803.39
	Movement of specific provisions for NPAs.	Particulars	Taka in Crore
		Opening balance	365.59
		Provisions made during the period	(44.40)
		Transferred from unclassified loan & advances including OBU	-
		Write-off	(0.31)
		Recoveries of amounts previously written off	46.81
		Closing Balance	367.69

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), Central Counterparty Bangladesh Limited (CCBL), investment in SWIFT, Star Ceramics Preference Share, Golden Harvest Ice Cream Ltd 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 invest 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	
		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.	50.85	51.24	228.74	184.27
	c) The cumulative realized gains (losses) arising from sales and liquidations in the reporting period.		-		-
	d) • Total unrealized gains (losses)		0.39		(44.46)
	• 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		5.12		18.43
	• General Market Risk		5.12		18.43

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

Qualitative disclosure	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.	<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 0.82 crore in the first quarter which has also been positive in the second quarter. In the third quarter, the total year-to-date accumulated earnings impact has also been positive (Taka 2.90 crore). Hence, accumulated earnings for the year 2020 owing to a 1% increase in interest rate is a gain of Taka 3.16 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 not significant and remains within the acceptable limit as prescribed by Bangladesh Bank.</p>
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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).	<table border="1"> <thead> <tr> <th data-bbox="710 1296 1026 1440">Particulars</th> <th data-bbox="1026 1296 1149 1440">1 to 90 days</th> <th data-bbox="1149 1296 1271 1440">Over 3 months to up to 6 months</th> <th data-bbox="1271 1296 1394 1440">Over 6 months to up to 9 months</th> <th data-bbox="1394 1296 1525 1440">Over 9 months to up to 1 year</th> </tr> <tr> <td colspan="5" data-bbox="710 1440 1525 1473" style="text-align: right;">Taka in Crore</td> </tr> </thead> <tbody> <tr> <td data-bbox="710 1473 1026 1506">Rate Sensitive Assets</td> <td data-bbox="1026 1473 1149 1506">8,837.40</td> <td data-bbox="1149 1473 1271 1506">4,455.85</td> <td data-bbox="1271 1473 1394 1506">1,720.38</td> <td data-bbox="1394 1473 1525 1506">1,108.67</td> </tr> <tr> <td data-bbox="710 1506 1026 1539">Rate Sensitive Liabilities</td> <td data-bbox="1026 1506 1149 1539">8,505.06</td> <td data-bbox="1149 1506 1271 1539">4,375.70</td> <td data-bbox="1271 1506 1394 1539">1,702.98</td> <td data-bbox="1394 1506 1525 1539">1,431.25</td> </tr> <tr> <td data-bbox="710 1539 1026 1572">GAP</td> <td data-bbox="1026 1539 1149 1572">332.34</td> <td data-bbox="1149 1539 1271 1572">80.15</td> <td data-bbox="1271 1539 1394 1572">17.40</td> <td data-bbox="1394 1539 1525 1572">(322.57)</td> </tr> <tr> <td data-bbox="710 1572 1026 1605">Cumulative GAP</td> <td data-bbox="1026 1572 1149 1605">332.34</td> <td data-bbox="1149 1572 1271 1605">412.49</td> <td data-bbox="1271 1572 1394 1605">429.89</td> <td data-bbox="1394 1572 1525 1605">107.32</td> </tr> <tr> <td data-bbox="710 1605 1026 1683">Adjusted Interest Rate Changes (IRC)</td> <td data-bbox="1026 1605 1149 1683">1.00%</td> <td data-bbox="1149 1605 1271 1683">1.00%</td> <td data-bbox="1271 1605 1394 1683">1.00%</td> <td data-bbox="1394 1605 1525 1683">1.00%</td> </tr> <tr> <td data-bbox="710 1683 1026 1760">Quarterly earnings impact (Cum. GAP * IRC)</td> <td data-bbox="1026 1683 1149 1760">0.82</td> <td data-bbox="1149 1683 1271 1760">1.02</td> <td data-bbox="1271 1683 1394 1760">1.06</td> <td data-bbox="1394 1683 1525 1760">0.26</td> </tr> <tr> <td data-bbox="710 1760 1026 1816">Accumulated earning impact to date</td> <td data-bbox="1026 1760 1149 1816">0.82</td> <td data-bbox="1149 1760 1271 1816">1.84</td> <td data-bbox="1271 1760 1394 1816">2.90</td> <td data-bbox="1394 1760 1525 1816">3.16</td> </tr> <tr> <td data-bbox="710 1816 1026 1875">Earning impact/Avg. quarterly net profit</td> <td data-bbox="1026 1816 1149 1875">1.64%</td> <td data-bbox="1149 1816 1271 1875">3.67%</td> <td data-bbox="1271 1816 1394 1875">5.78%</td> <td data-bbox="1394 1816 1525 1875">6.31%</td> </tr> </tbody> </table>	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	8,837.40	4,455.85	1,720.38	1,108.67	Rate Sensitive Liabilities	8,505.06	4,375.70	1,702.98	1,431.25	GAP	332.34	80.15	17.40	(322.57)	Cumulative GAP	332.34	412.49	429.89	107.32	Adjusted Interest Rate Changes (IRC)	1.00%	1.00%	1.00%	1.00%	Quarterly earnings impact (Cum. GAP * IRC)	0.82	1.02	1.06	0.26	Accumulated earning impact to date	0.82	1.84	2.90	3.16	Earning impact/Avg. quarterly net profit	1.64%	3.67%	5.78%	6.31%
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7. Market Risk:

<p>Qualitative disclosure</p>	<p>a) i) Views of Board of Directors (BOD) on trading/ investment activities.</p>	<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.
	<p>ii) Methods used to measure Market risk.</p>	<p>Measurement Methodology:</p> <p>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 repricing 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.
	<p>iii) Market Risk Management system.</p>	<p>Treasury Division manages the market risk and ALCO monitors the activities of treasury Division in managing such risk.</p>
	<p>iv) Policies and processes for mitigating market risk.</p>	<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 is talking 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 shares 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> <p>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.</p>
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Quantitative disclosure	b)	The capital requirements for:	Solo	Consolidated
			Taka in Crore	
		Interest rate risk	8.34	8.34
		Equity position risk	10.25	36.85
		Foreign exchange risk and	51.95	51.95
		Commodity risk	-	-
		Total Capital Requirement	70.53	97.14

8. Operational Risk:

Qualitative disclosure	a)	<p>i) Views of BOD on system to reduce Operational Risk</p> <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 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.
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		<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>
	<p>ii) Performance gap of executives and staffs.</p>	<p>Motivated and Engaged Employees</p> <p>Prime Bank has a diverse group of motivated and engaged employees. From experience it knows that if employees are properly empowered, they become more engaged and go extra miles to fulfill organization's ambition. Engaged employees are likely to take more responsibility and embrace accountability which helps to achieve the sustainability strategies. The Bank has positioned itself with a performance-driven rewarding work culture; where employees are treated with respect and receive plenty of development opportunities. Prime Bank has a special focus on:</p> <ul style="list-style-type: none"> • Ensuring a balanced diversity • Promoting human capital development • Providing competitive compensation and benefits • Promoting a performance centric culture • Protecting human rights • Ensuring workplace health and safety • Ensuring equal opportunity <p>All the people related issues in Prime Bank are governed by the well-defined policies and procedures which are duly reviewed by the Management from time to time.</p> <p>Compensation & Benefits</p> <p>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.</p> <p>In PBL, the Board of Directors is not eligible for any compensation. They are paid honorarium for attending meetings only. On the other hand, all employees are paid competitive remuneration package. The remuneration policy of the Bank does not allow any discrimination between male and female employees. In addition, employees are paid bonuses based on yearly business performance.</p> <p>In addition to monthly competitive base pay and a good number of allowances (e.g., House Rent allowance, Medical allowance, Conveyance allowance etc.), Prime Bank has a 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

		<ul style="list-style-type: none"> • 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 children • 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>Broad banding Pay Structure:</p> <p>The Management introduced Broad banding Pay Structure which aims to ensure a performance driven work culture through a strategic compensation plan synced with the performance of individual employee. Since its inception, Prime Bank has practiced a scale based pay structure for each grade, so to reward individual performance the new policy offers a flexible pay plan that will compensate the person, not the grade. 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, broad banding is a more flexible pay system for both the employees and for the employers where career progression takes a different route. Given that, the specific reasons behind introduction of this new pay structure is:</p> <ol style="list-style-type: none"> 1. It facilitates/encourages internal /lateral movement (Through Job Rotation) 2. It rewards performers than the non-performers (Through Pay for Performance) 3. It puts added trust & greater autonomy in line management (Through Teamwork/ Relationship) <p>Moreover, the policy states that when one employee reaches the highest grade within a Band, the employee will grow further when he/she is ready to take or has taken higher responsibilities and match the criteria of the next Band.</p> <p>The total compensation and benefits system of Prime Bank tracks costs and is linked with performance, while maintaining a balance with the business affordability.</p>
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Performance Management Program

Prime Bank has a comprehensive performance management program that evaluates employees' yearly performance against business targets at the year-end. In addition, their functional and leadership competencies are also rated by the line management. This appraisal process also identifies the competency gap and training needs of employees. All employees (except employees under probation or training) of the Bank undergo an annual performance appraisal process. The process ensures that clear feedback on improvement points (performance and professional capabilities) is provided to employees by their Managers to promote employees' long-term career development and improved contribution to organizational performance. All regular employees undergo the annual performance and career development review.

Work-life Balance

Prime Bank wants its' employees to balance the work and personal life and has organization-wide practices and policies that actively support employees to achieve success at both work and home. Management is also open and shows flexibility in regard to a balanced work-life.

In Prime Bank, employees are entitled to sufficient annual leave and sick leave with pay. To enjoy vacation with family, Bank provides Leave Fare Assistance Allowance to employees. All female employees are eligible for Maternity Leave (Parental Leave) with pay for a period of six months. In 2020, a total of 37 female employees availed Maternity leave. After completion of the leave, they returned to work and are still continuing with the organization.

Culture

Culture plays a vital role to create a high performance environment that supports sustainability strategy implementation. Prime Bank carefully develop, shape and impact organizational culture by: practicing values appropriate for the bank; defining working relationship and communication pattern between superior and subordinates; governing rules and regulations which control employees' behavior; promoting a strong employer brand through which employees identify with the organization; maintaining effective reward system that affects employees loyalty and empowering employees to demonstrate their innovativeness not only to be competitive in the market but also to achieve a sustainable growth.

Healthy and Safe Work Environment

In Prime Bank, the physical, mental and social well-being of the employees always get priority. Healthy, productive and motivated employees are the foundation of a successful organization. Prime Bank helps employees to assume responsibility for their own personal behavior in health-related matters, and support health-promoting general conditions within the Company. We continuously focus on improving health and safety of employees that includes proper work place design and decoration of head office and branches, maintaining the cleanliness at workspace, holding awareness session related to physical and psychosocial well-being, email communication on various health and safety related topics, sending alerts to employees on emergency situations, arranging fire drill sessions, financial support for medical care etc. Because of the nature of operations, Bank employees are not usually exposed to work-related injury, occupational diseases or fatality. Yet, the Bank remains cautious so as not to create any hazardous work condition.

		<p>Decent Workplace</p> <p>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.</p> <p>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 a non-discriminatory approach in all HR policies and practices. The salary of an employee is determined based on his/her competency, experience and performance. 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.</p> <p>Ensuring a decent workplace also encompasses 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.</p> <p>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.</p> <p>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.</p> <p>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 areas 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.</p>
		<p>Diversity in Workplace</p> <p>Prime Bank believes that diverse, heterogeneous teams generate greater creativity, innovation and business development. An inclusive culture maintains and drives workforce diversity by fostering the exchange of ideas and collaboration among individuals and across groups. To speak simply, our constant success depends in part on maintaining a plurality of perspectives.</p>

Employees by age group and gender:

Age group	No. of Emp.	Percentage
Less than 30 years	209	6.77%
30 to 50 years	2,736	88.54%
Over 50 years	145	4.69%
Grand Total	3,090	100.00%

We practice equal employment opportunity for competent candidates regardless of their gender, age, locality or ethnicity. While recruiting fresh graduates, the Bank sources the pool from different recognized public and private universities; with a view to creating a diverse workforce.

Employees by religion:

Religion	No. of Emp.	Percentage
Islam	2,816	91.13%
Hindu	259	8.38%
Buddhist	12	0.39%
Christian	3	0.10%
Total	3,090	100%

Besides, our ratio of male and female employees has been increasing over the time. Currently, approximately 22.04% of total employees are female. On the other hand, 11.11% of the Board of Directors represents females.

Gender diversity among employees:

Gender	No. of Employees	Percentage
Male	2409	77.96%
Female	681	22.04%
Total	3,090	100.00%

Percentage of female employee over the years:

Year	% of Female Employees
2016	21.93%
2017	20.92%
2018	21.17%
2019	21.83%
2020	22.04%

Gender diversity among Board members:

Gender	No. of Members	Percentage (%)
Male	16	88.89%
Female	02	11.11%
Total	18	100%

New recruitment by gender and age:

By Gender:

Gender	No. of Emp.	%
Male	114	78.08%
Female	32	21.92%
Total	146	100%

By Age:

Age group	No. of Emp.	%
Below 30 years	73	50.00%
30 to 50 years	67	45.89%
Over 50 years	6	4.11%
Grand Total	146	100%

Employee turnover by gender and age:

By Gender:

Gender	No. of Emp.	%
Male	147	81.67%
Female	33	18.33%
Total	180	100%

By Age:

Age group	No. of Emp.	%
Below 30 years	11	6.11%
30 to 50 years	124	68.89%
Over 50 years	45	25.00%
Grand Total	180	100%

For the year 2020, the turnover rate is 5.79%.

Learning & Development

In Prime Bank, Human Resources (HR) Division regularly undertakes effectively designed training programs targeting the right group of employees through proper training need assessment. Prime Bank believes that continuous efforts should be given so that employees acquire and develop the right set of skills required to face the challenge of ever changing market.

In Prime Bank, the employee development plan is based on proper training need assessment. In 2020, Bank's internal HR Training and Development Centre arranged training on different topics for 2449 enthusiastic participants. Besides, a total of 1604 employees were sent to participate in various training programs/conferences in home and abroad.

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.

Openness in communication for a better employee-management relation

Employee communications and consultation are the lifeblood of any business. Proper exchange of information and instructions help 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.

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>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>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>Ethical and Lawful Behavior in Prime Bank</p> <p>Prime Bank is always committed to establish the highest level of ethical standard. Employees are properly oriented to comply with Code of Ethics & Business Conduct. All employees duly signed the 'Code of Ethics & Business Conduct' and the copy is preserved in respective Employee Records. During joining, HR Division makes sure that all the new employees read and accept this policy by signing.</p> <p>Bank also has 'Service Excellence Handbook' & 'General Code & Discipline', which are read by each employee including new employees while joining in the Bank and record of these are preserved in personal file after signing by employees.</p> <p>"The Prime Bank Employee Code of Ethics and Business Conduct" – is a framework of ethical behavior for all the employees of the organization that embodies all the factors mentioned above. It is a reflection of Prime Bank's role as a socially responsible corporate citizen which believes in providing the most courteous and efficient service through innovative banking services and products. However, Prime Bank's most farsighted objective is to uphold and build upon the honor of Bangladesh as a nation, through exhibiting its own competence as a local organization that can perform at least on par with a multinational one, if not better than one.</p>
		<p>The employees of Prime Bank are trained to put their own duties and ethics before everything else. They treat their colleagues with reverence and honor, and their customers as esteemed guests. They also learn to abide by the laws that govern our business, and contribute to the strength and wellbeing of our community and shareholders. In addition to their regular responsibilities employees are also expected to demonstrate the below ethical behavior:</p> <ul style="list-style-type: none"> • Protect Privacy of Customers' and Confidential Company Information; • Prevent Money Laundering and/or Fraud; • Demonstrate Workplace Respect; • Avoid Offensive Behavior and Sexual Harassment; • Avoid Drug/Substance/Alcohol Abuse in the Workplace; • Protect the Bank's Assets; <p>It is mandatory for every employee of Prime Bank Limited to abide by the 'Employee Code of Ethics and Business Conduct' and also comply with any other orders or directions provided by the Management or Board of Directors from time to time.</p>

Human Resources Accounting in Prime Bank

To understand and draw an inference on how well the Human Resources are 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:

Particulars	Amount in BDT Million	
	2020	2019
Salary cost per employee	1.33	1.29
Operating cost per employee	2.25	2.30
Operating income per employee	4.09	4.52
Profit before provision per employee	1.85	2.22
Profit before tax per employee	1.29	1.49
Salary cost as percentage of operating cost	59.24	56.17
Salary cost as percentage of operating income	32.51	28.54

iii) Potential external events

Risk factors/Potential external events:

There are certain risk factors which are external in nature but can affect the business of the Bank. The factors discussed below can significantly affect the banking business:

• General business and political condition

Following the declaration of COVID 19 as a pandemic by the World Health Organization (WHO) in early March 2020, like many other governments, the Governments of Bangladesh introduced restrictive measures including nationwide holidays (from 26 March 2020 to 30 May 2020) to contain further spread of the virus, affecting free movement of people and goods. With the effect of pandemic, some major economic-financial indicators performed well below par in the outgoing calendar year i.e. 2020, casting their adverse impacts on Bangladesh's economic health. In fiscal year 2020, prior to the outbreak of the pandemic, the Bangladesh economy was somewhat under stress due to the weak performance of a few economic indicators such as exports, imports, private investment, foreign direct investment, and revenue mobilization. Besides, the banking sector was suffering from high non-performing loans (NPL).

Though the restriction in purchase of national savings certificates, the net sales of national savings certificates continued to rise over expectation through the year of 2020 leading to low growth in the banking sector and leaving huge liabilities for the government. As our economy is integrated with the global economy, a downward trend was observed in case of exports, outflow of Bangladeshi migrants for work, and foreign investment. On the domestic front, depressed domestic demand has been reflected through low investment. Credit flow to the private sector and import of capital machinery had been low.

Performance of Prime Bank greatly depends on the general economic conditions of the country. For Bangladesh 2020 has been a mixed year of achievements and challenges due to CORONA pandemic. To protect the people and the economy, the government rolled out a massive Tk 120,000 crore stimulus package, one of the largest in the world. Till November 2020, the amount of stimulus packages was equivalent to 4.3 percent of GDP and at the same time Bangladesh Bank also taken different regulatory initiatives such as revision of Bank Rate, CRR and SLR rate, AD ratio, REPO and Reverse repo rate. The Covid-19 impact on Bangladesh economy since March 2020 reflected a sharp decline in growth rate of real gross domestic product (GDP) to 5.24 per cent in FY 2019-20, compared to a record high of 8.15 per cent growth in FY 2018-19. Despite economic slowdown, growth rate of Bangladesh in 2020 was projected to be the highest among all South Asian countries as estimated by the International Monetary Fund (IMF), World Bank (WB) and Asian Development Bank (ADB). Only Bangladesh, Bhutan and Nepal will manage positive growth rates in 2020, where Bangladesh's performance would be much better than others. As per the Eighth Five-Year Plan, the government has set a target of 7.40 per cent GDP growth for FY 2020-21, which is 80 basis points lower than the budget's growth plan of 8.20 per cent.

Like previous years, major boost of growth has come from the industrial sector followed by the services sector. Though average inflation has been around 5.69 percent, while Covid-19 may try to push food prices high for a few more months, the inflation could be negated by satisfactory agricultural production. Investment is a major impetus to Bangladesh's growth. Despite the relative calm in the political scenario, private investment has not picked up. The provisional estimate of GDP, released by Bangladesh Bureau of Statistics (BBS), showed that investment-GDP ratio stood at 31.75 per cent in FY 2019-20 which was 31.57 per cent in FY 2018-19. Gross domestic investment (in current market price) stood at Tk 8.88 trillion in the last fiscal year, registering 10.58 per cent growth over Tk 8.03 trillion in FY19. Due to spread of Covid-19 which severely stalled the economic and business activities in the country during the last quarter (April-June) of the last fiscal year, the government also revised down the target to 20.80 per cent. Big disruption in private investment due to Corona pandemic compelled to revise down the private investment to GDP ratio to 12.72 per cent in FY 2019-20 which was 23.54 per cent in FY 2018-19. The provisional estimate, however, showed that private investment to GDP ratio stood at 23.63 per cent in the last fiscal year while public investment to GDP ratio was 8.03 per cent.

• Good Governance

Institutional strengthening and reform will lead to good governance. For rebuilding the economy from the fallout of the pandemic, public expenditure is the key. Therefore, more fiscal room is to be created through domestic resource mobilization and its efficient utilization. Fiscal discipline through prudent fiscal management will be critical for economic recovery. In this regard, governance of the financial sector will also have to be ensured. In recent times, liquidity situation in the banking system has increased which led to low interest rates. This is due to weak investment demand and Bangladesh Bank's measure to create liquidity space in commercial banks. The volume of the NPL in 2020 may not be a reflection of the real situation since Bangladesh Bank had frozen loan classification from January 1 to December 31, 2020 in view of the pandemic. The embedded weakness of the sector emphasizes the need for reforming the sector and establishing better governance in the system.

		<p>The lack of good governance is another reason for the deterioration of the banking sector's health. Government's move to award licenses to new banks at a time when the sector is struggling may cause further imbalance in the economy. There was a saying that the existing 61 banks cannot cover all the people across the country; the new banks will bring all people under the banking umbrella. Economic experts opined that this is totally wrong because the new banks can never give service in the villages due to high costs, rather the existing banks could have extended their branch network to achieve the same goal.</p> <p>The new law allowing more members of the same family to be directors of the privately owned banks and extension of their tenure are apprehended to further deteriorate the governance in private banks. Despite the central bank's attempt to improve performance of the banking sector, improvements are not visible yet. The independence of the central has been gradually diminishing due to political influence. If reform measures are not taken, the crisis of the banking sector will have serious implications for the economy.</p> <hr/> <p>• Foreign remittance</p> <p>Bangladesh became one of the three large remittance-recipient countries that registered a rise in inward remittance in 2020. In 2020, Bangladesh received about \$19.8 billion in remittance compared to \$18.4 billion it received in 2019 experienced a growth of 8 percent. These included the repatriation of overseas savings by nationals returning home after losing their jobs; this trend was especially notable in the Gulf economies, which suffered greatly amid the crash in oil prices and tourism. The rise in remittances was probably also prompted by the shift in flows to formal channels, as travel restrictions complicated the informal transfer of remittances across borders-effectively meaning that the 2020 rise may be partially explained by an accounting change. The introduction of new remittance tax incentives by the authorities in 2019 could also have boosted flows, but those effects may well be temporary. The Bangladesh Bank as well as the government is working continuously to expedite remittance inflows from different parts of the world through formal banking channel. The depreciating mode of Taka against the US Dollar also played a role for high export and remittances growth to some extent. The country's stable outlook would continue with this upward trend in inward remittances in 2021 as the government has announced 2.0 per cent incentive for remittance receipts.</p> <hr/> <p>• Inflation</p> <p>Inflation increased to 5.69 percent in December 2020, from 5.59 percent a year ago and decreased from 5.73 percent a month ago, riding on an increase in food as well as non-food prices, according to Bangladesh Bureau of Statistics. In 2020, food inflation increased and for the last two months, non-food inflation also increased, the overall inflation increased. The higher price of rice, onion and other consumable items mainly influencing the increase of food inflation. In addition oil price in the global market, higher exchange rate over the year result in higher inflation in December 2020. The government has set the inflation target at 5.4 percent for fiscal 2020-21.</p> <hr/> <p>• Changes in credit quality of borrowers</p> <p>Considering the long-term impact of COVID 19 on most sectors in economy of Bangladesh, Bangladesh Bank (BB) has issued circular dated 28 September 2020 not to downgrade the clients loan classification status from 31 December 2019 even no payment is made. In addition, BB has issued circulars to provide stimulus package for some sectors through commercial bank. Both facilitate to boost the economy and banking operations during this pandemic.</p>
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The suspension of the usual practice of classifying loans that had been put into effect by the central bank in March last year following the outbreak of Covid-19 was largely responsible for the shrinking of the NPL. The share of NPLs in the total outstanding loans came down to 7.66 per cent as of December 31 in 2020 from 8.89 per cent a year before, according to a consolidated statement of such loans. On the other hand, the share of classified loans in the total outstanding loans came down to 8.06 per cent as of December 31 in 2020 from 9.32 per cent in the same period of the previous calendar year, according to the statement that excludes the offshore banking operations. Fresh loans, Recovery and rescheduling of loans have also contributed to squeezing the volume of NPLs in 2020. Some willful defaulters continue to file writ petitions with the High Court to show their loans as unclassified. The habitual defaulters take fresh loans from banks soon after filing the writs as these give them a clean slate. The Credit Information Bureau reports they present then are flawless. "But they do not pay back the loans". Banks are yet to take the requisite tough administrative and legal actions against those habitual defaulters. Credit flow to the private sector needs to be monitored properly to ensure that disbursed loans are being used properly and there is no fund diversion at the borrowers' end.

• Implementation of Basel-III in Bangladesh

In 2020, the banking sector exposed further weaknesses through major indicators such as lower capital adequacy and the overall lack of governance in the sector. Though 2019 was the final phase of BASEL III implementation year and full implementation executed from January 2020, most of the Govt. banks are not prepared and complied with the requirement. On the other hand, most of the private commercial banks have their preparation to achieve required CRAR 12.50%. The government has been recapitalizing the state-owned banks for their loss every year without any fruition. This has been an unfortunate example of using public money towards compensating for the greed of bank defaulters. Bangladesh bank has also recently circulated the dividend policy for the publicly listed bank companies and as per the policy, the capacity of dividend declaration is very much correlated with the maintenance of good CRAR.

• Volatility in equity market

Overall, 2020 was a year of mixed experience in the stock market. DSEX, the benchmark index of the Dhaka Stock Exchange, gained 21.3 per cent (17.03 percent in 2019), the highest among its peers, despite the 66-day recess for the countrywide general shutdown to slow the spread of coronavirus. DSEX closed 2020 at 5,402 points despite being on a free fall between January and March as investors all over the world panic sold as the novel coronavirus from Wuhan, China was putting down its roots everywhere. At one point, the index was the lowest since January 2013. Stock investors were getting their confidence back due to some punitive and reformative actions taken by the BSEC to bring about discipline in the market. The new commission straight away got down to cracking down on junk stocks, narrowing the avenues through which market manipulators operate and tightening the noose on listed companies such that they stayed in order. Meanwhile, in 2020 the Dhaka bourse saw the fourth lowest price-to-earnings (P/E) ratio, which measures a company's current share price relative to its per-share earnings. The ratio of shares on DSE stood at 19.18 at the end of last year. The engineering sector, which comprises 41 companies, generated the highest returns in outgoing year: 133.1 per cent. It was followed by general insurance (97.5 per cent), miscellaneous (49.8 per cent), telecom (49.6 per cent) and services (44.4 per cent). The mutual fund sector, whose abnormal rise in recent months elicited a probe body from the regulator last month, came in next with a return of 38.9 per cent.

		<p>Moreover, approval of initial public offerings of a number of companies, including Walton and Robi Axiata Limited, attracted more investment to the market.</p> <p>To attract entrepreneurs, the government has to set an example by offloading shares of state-owned companies [to the stock market]. Provided that interest rates remain under control and liquidity conditions improve, the market is expected to perform better. Stable political environment will attract foreign investment and improvement of exports and remittance can help ease pressure on currency. The regulator is continuing its effort to build a stable and vibrant capital market through listing of large-cap companies having good fundamentals which also tempted the investors to stay afloat.</p> <hr/> <p>• Liquidity Crisis:</p> <p>Despite low credit growth, liquidity stress in bank has mounted as deposit grew at a slow rate. This is again due to nearly zero interest rate on deposits when interest rate is adjusted with inflation rate and a cap on deposit rate has been fixed at 6 percent. Over the year with the pandemic scenario Bangladesh Bank has taken different initiatives such as to reduce the Bank Rate, CRR and SLR requirement, Repo-Reverse repo rate and increase AD ratio to cope up with the liquidity crisis. The latest volatile situation in the banking sector might also put an adverse impact on depositors' confidence which will add extra pressure on banks' efforts to collect the fund from common people. Higher interest rate on savings tools continues to encourage the common people to keep their money on the instruments avoiding the bank. Such phenomenon has emerged as a challenge for the banks.</p> <hr/> <p>• Digital security</p> <p>Cyber heist in banking sector in different countries in recent time has jolted the board and bank management out of the stupor. SWIFT, the global messaging system used to move trillions of dollars each day, warned banks that the threat of digital heists is on the rise as hackers use increasingly sophisticated tools and techniques to launch new attacks. To prevent cyber heist Banks need to become very much alert and to make investments in strengthening their own IT infrastructure along with security measures.</p> <p>• The risk of litigation</p> <p>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> <hr/> <p>• Success of strategies</p> <p>PBL is proceeding with its strategic plan and its successful implementation is very important for its financial performance.</p> <p>Moreover, management has also assessed the overall impact on COVID 19 and has not identified any indications that may cast doubt on going concern of the group and the bank. Bank's primary business has not impacted expressively as it has a significant growth even the pandemic declared by WHO except trade business. The Management continue to monitor the spread of the virus and its impact. It may have on the bank's operations. Major deviation due to external and internal factors will affect the performance of the Bank.</p>
	iv) Policies and processes for mitigating operational risk.	<p>Prime Bank Limited, being risk management oriented organization, has set of processes, policies, guidelines and procedures clearly defining the elements & mitigates of operational risks. Operational risk management policies, processes, and procedures are appropriately documented and communicated to related staff across the bank. PBL has reviewed its Risk Management Policy, Fraud Detection and Management Process during the year as part of periodic review.</p>

		<p>A documented procedure exists in the bank for risk reporting. The board/senior management receives regular reports on critical risk issues facing the bank and its control/mitigation. As part of risk management framework, Board of Directors (BoD), Board Risk Management Committee (BRMC) designs risk strategy and policy and management transforms the strategic direction into operational, procedures and processes for effective risk management.</p> <p>The 2020 has been marked as the year of new challenges for the bank in the context of Business Continuity and combating Operational Risks as the global economy and society experienced adoption with the New Normal. The unprecedented global outbreak of pandemic caused by COVID-19 has put us in a new reality to continue business operations due to absenteeism of human resources either driven by the individual cases of infections or preventive measures. To respond to this reality, PBL developed specific BCP to negotiate ongoing pandemic disaster situation, the plan provides a framework for the critical Operation/Business of the Bank and also to ensure safeguard of “Man behind the Machine” and keep the business operation going with at least minimum skeleton resources in the eventuality of “Non-availability of personnel”.</p> <p>Since the beginning of the first wave of the outbreak, PBL was following impact of this pandemic very closely in different affected countries who had faced the first blow of the virus and was quick to assess the risk and vulnerability of the business of the Bank in terms of its impact on People, Process, System and Profitability anticipating the probable impact of pandemic in Bangladesh. As the people found to be the most vulnerable component, PBL put utmost priority to safeguard the lives of the employees and their family members in this BCP. PBL closely followed the guidelines suggested by WHO and IEDCR- which is the local governing authority to respond to this pandemic and prepared its BCP which is segregated in following three components:</p> <ul style="list-style-type: none"> A. Promote and ensure hygiene practice among the employees, customers and related stakeholders. B. Stay at Home &/or Work from Home C. Continuation of critical Business operation. <p>As a part of strengthening Operational Risk Management, the Bank has already moved to total centralization of its total general banking operation which has significantly reduced various operational lapses that was prominent in decentralized era. PBL also developed Board approved Trade Based Money Laundering Guideline to strengthen its AML & CFT function. Besides, PBL had arranged subscription of 'Dow Jones Risk & Compliance Data' and upgraded the PBL Automated Sanction Screening Solution. Bank follows Three Lines of Defense (3LOD) model in managing operational risks that includes the concept of segregation of duties and maker-checker process. The Bank has developed several changes in the procedures through Digitalization to deliver services of Liability Operations, Cash Management Operations, Central Clearing Cell, Treasury Operations, Trade Service Division and Remittance Operations under the umbrella of centralized operations team along with Card Operations and Alternative Deliveries Channel (ADC) Operations in this New Normal era to make customer services easier and expedite uninterrupted services.</p>
		<p>Introduction of Call Center (16218) service and coordination of the support service of Call Center for other Customer Service related Centrally Operating Units of the Bank and had a significant impact on customer satisfaction in this New Normal.</p>

	v) Approach for calculating capital charge for operational risk.	The Basel framework provides three approaches for the measurement of the capital charge for operational risk. The simplest is the Basic Indicator Approach (BIA), by which the capital charge is calculated as a percentage (alpha) of Gross Income (GI), a proxy for operational risk exposure. Out of three approaches i.e. Basic Indicator Approach, Standardized Approach and Advanced Measurement Approach, Bangladesh Bank adopted basic indicator approach for calculating capital charge against Operational Risk. Under that approach, PBL calculated capital charge based on a fixed percentage (15%) of average positive annual gross income of the bank of last three years.
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Quantitative disclosure	Particulars	Solo Basis	Consolidated
		Taka in Crore	
b)	The capital requirement for operational risk	204.47	209.69

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 for 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 : 174.68% Net Stable Funding Ratio (NSFR): 124.65% Stock of High quality liquid assets: BDT 7,012.82 Crore Total net cash outflows over the next 30 calendar days: BDT 4,014.61 Crore Available amount of stable funding: BDT 27,088.13 Crore Required amount of stable funding: BDT 21,731.39 Crore <p>(The above ratios and balance are stated as per position of December 31, 2020)</p>

10. Leverage Ratio

Qualitative Disclosures	<p>a) 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> <p>a) constrain the build-up of leverage in the banking sector which can damage the broader financial system and the economy</p> <p>b) reinforce the risk based requirements with an easy to understand and a non-risk based measure</p> <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	<p>b)</p> <table border="1"> <thead> <tr> <th data-bbox="362 805 438 849">Sl.</th> <th data-bbox="438 805 1139 849">Particulars</th> <th data-bbox="1139 805 1333 849">Solo</th> <th data-bbox="1333 805 1523 849">Consolidated</th> </tr> <tr> <th colspan="2"></th> <th colspan="2" data-bbox="1139 849 1523 871">In crore Taka</th> </tr> </thead> <tbody> <tr> <td data-bbox="362 871 438 904">A.</td> <td data-bbox="438 871 1139 904">Tier-1 Capital</td> <td data-bbox="1139 871 1333 904">2,510.50</td> <td data-bbox="1333 871 1523 904">2,449.46</td> </tr> <tr> <td data-bbox="362 904 438 937">B.</td> <td data-bbox="438 904 1139 937">On balance sheet exposure</td> <td data-bbox="1139 904 1333 937">34,382.49</td> <td data-bbox="1333 904 1523 937">34,461.66</td> </tr> <tr> <td data-bbox="362 937 438 971">C.</td> <td data-bbox="438 937 1139 971">Off-balance sheet exposure</td> <td data-bbox="1139 937 1333 971">6,146.77</td> <td data-bbox="1333 937 1523 971">6,146.77</td> </tr> <tr> <td data-bbox="362 971 438 1004">D.</td> <td data-bbox="438 971 1139 1004">Total deduction from on and off-balance sheet exposure</td> <td data-bbox="1139 971 1333 1004">177.00</td> <td data-bbox="1333 971 1523 1004">204.24</td> </tr> <tr> <td data-bbox="362 1004 438 1037">E.</td> <td data-bbox="438 1004 1139 1037">Total exposure (B+C-D)</td> <td data-bbox="1139 1004 1333 1037">40,352.26</td> <td data-bbox="1333 1004 1523 1037">40,404.18</td> </tr> <tr> <td data-bbox="362 1037 438 1077">F.</td> <td data-bbox="438 1037 1139 1077">Leverage Ratio (A/E)*100</td> <td data-bbox="1139 1037 1333 1077">6.22%</td> <td data-bbox="1333 1037 1523 1077">6.06%</td> </tr> </tbody> </table>	Sl.	Particulars	Solo	Consolidated			In crore Taka		A.	Tier-1 Capital	2,510.50	2,449.46	B.	On balance sheet exposure	34,382.49	34,461.66	C.	Off-balance sheet exposure	6,146.77	6,146.77	D.	Total deduction from on and off-balance sheet exposure	177.00	204.24	E.	Total exposure (B+C-D)	40,352.26	40,404.18	F.	Leverage Ratio (A/E)*100	6.22%	6.06%
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11. Remuneration:

11.1 Qualitative Disclosure:

Qualitative Disclosure	<p>(a) Information relating to the bodies that oversee remuneration. Disclosures should include:</p> <p>Name, composition and mandate of the main body overseeing remuneration.</p> <p>External consultants whose advice has been sought, the body by which they were commissioned, and in what areas of the remuneration process.</p> <p>A description of the scope of the bank's remuneration policy (e.g. by regions, business lines), including the extent to which it is applicable to foreign subsidiaries and branches.</p> <p>A description of the types of employees considered as material risk takers and as senior managers, including the number of employees in each group.</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 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 all 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>
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<p>(b)</p>	<p>Information relating to the design and structure of remuneration processes. Disclosures should include:</p> <p>An overview of the key features and objectives of remuneration policy.</p> <p>Whether the remuneration committee reviewed the firm's remuneration policy during the past year, and if so, an overview of any changes that was made.</p> <p>A discussion of how the bank ensures that risk and compliance employees are remunerated independently of the businesses they oversee.</p>	<p>Policy Objective:</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 "Broad banding 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>Broad banding Pay Structure:</p> <p>The Management introduced Broad banding 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, broad banding is a more flexible pay system for both the employees and for the employers where career progression takes a different route.</p> <p>Salary Structure:</p> <p>Salary component is as under:</p> <p>Part-I:</p> <p>(i) Basic; (ii) House Rent; (iii) Medical Allowance;</p> <p>Part-II:</p> <p>(i) Conveyance; (ii) Leave Fare Assistance</p> <p>Annual Performance Bonus:</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)</p>	<p>Description of the ways in which current and future risks are taken into account in the remuneration processes. Disclosures should include:</p> <p>An overview of the key risks that the bank takes into account when implementing remuneration measures.</p> <p>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).</p> <p>A discussion of the ways in which these measures affect remuneration.</p> <p>A discussion of how the nature and type of these measures have changed over the past year and reasons for the change, as well as the impact of changes on remuneration.</p>	<p>Bank takes into account the following key risks when managing and determining remuneration arrangements:</p> <p>(a) Financial Risks;</p> <p>(b) Operational Risks; and</p> <p>(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)</p>	<p>Description of the ways in which the bank seeks to link performance during a performance measurement period with levels of remuneration. Disclosures should include:</p> <p>An overview of main performance metrics for bank, top-level business lines and individuals.</p> <p>A discussion of how amounts of individual remuneration are linked to bank-wide and individual performance.</p> <p>A discussion of the measures the bank will in general implement to adjust remuneration in the event that performance metrics are weak.</p>	<p>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> <p>Inflation Support Based: 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.</p> <p>Performance Based: 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>
<p>(e)</p>	<p>Description of the ways in which the bank seek to adjust remuneration to take account of longer-term performance. Disclosures should include:</p> <p>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.</p> <p>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.</p>	<p>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 children • 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.

(f)	<p>Description of the different forms of variable remuneration that the bank utilizes and the rationale for using these different forms. Disclosures should include:</p> <p>An overview of the forms of variable remuneration offered (i.e. cash, shares and share-linked instruments and other forms).</p> <p>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.</p>	<p>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>
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11.2 Quantitative Disclosure:

Quantitative Disclosure	(g) Number of meetings held by the main body overseeing remuneration during the financial year and remuneration paid to its member.	There were 06 (six) 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 2020. 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) 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 amount of sign-on awards made during the financial year. Number and total amount of severance payments made during the financial year.	<ul style="list-style-type: none"> · Performance Bonus/incentives: BDT 160.00 Million · Number of total festival bonus: 03 · Total amount of festival bonus: BDT 323.57 Million · Number of severance payments: 205 · Total amount of severance payments: BDT 822.00 Million (including provident fund, gratuity fund, retirement benefit and leave encashment) 	
(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.	No deferred remuneration was paid out in the financial year 2020.	
(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).	Part-I: BDT 2,882.59 Million & Part-II: BDT 359.32 Million	

(k)	<p>Quantitative information about employees' exposure to implicit (e.g. fluctuations in the value of shares or performance units) and explicit adjustments (e.g. claw backs or similar reversals or downward revaluations of awards) of deferred remuneration and retained remuneration:</p> <p>Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit and/or implicit adjustments.</p> <p>Total amount of reductions during the financial year due to ex post explicit adjustments.</p> <p>Total amount of reductions during the financial year due to ex post implicit adjustments.</p>	<p>No amount is outstanding of deferred remuneration and retained remuneration exposed to ex post explicit and/or implicit adjustments.</p> <p>There were no reductions during the financial year 2020 due to ex post explicit adjustments.</p> <p>There were no reductions during the financial year 2020 due to ex post implicit adjustments.</p>
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