

## BASEL III Pillar 3: MARKET DISCIPLINE DISCLOSURES ON RISK BASED CAPITAL

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 also start from January 2020. 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 this guidelines applies.	<b>Prime Bank Limited</b>
	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><b>Prime Bank Limited:</b></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, Chittagong. 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 &amp; 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>

Qualitative disclosure

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).

The principal activities of the Bank are to provide all kinds of commercial banking services to its customers through different business divisions and branches.

#### Subsidiaries of PBL:

##### i) Prime Bank Investment Limited:

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.

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.

##### ii) Prime Bank Securities Limited:

Prime Bank Securities Limited was incorporated on April 29, 2010 as a private Limited company under the Companies Act 1994. The main objectives of the company are to carry on business of stock brokers / dealers in relation to shares and securities dealings and other services as mentioned in the Memorandum and Articles of Association of the Company. The company commenced its operation from May 2011.

##### iii) Prime Exchange Co. (Pte.) Limited, Singapore:

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.

##### iv) PBL Exchange (UK) Limited:

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.

Qualitative disclosure

**v)PBL Finance (Hong Kong) Limited:**

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.

c)	Any restrictions, or other major impediments, on transfer of funds or regulatory capital within the group.	Not applicable
d)	The aggregate amount of capital deficiencies in all subsidiaries not included in the consolidation that are deducted and the 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 <b>CET1, Additional Tier 1 or Tier 2.</b>	As per <b>Guidelines on Risk Based Capital Adequacy (Revised Regulatory Capital Framework for Banks in line with Basel III)</b> 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.
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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.

**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.

Qualitative disclosure

b	The amount of Tier-1 capital with separate disclosure of:	Solo	Consolidated
		Taka in Crore	
	<b>Common Equity Tier 1 (CET 1) Capital:</b>		
	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	544.09	521.39
	VI. Minority interest in subsidiaries	-	-
	VII. Dividend equalization account	-	-
	<b>Sub-Total</b>	<b>2,832.90</b>	<b>2,813.00</b>
	<b>Additional Tier 1 Capital</b>	<b>-</b>	<b>-</b>
	<b>Total Tier 1 Capital</b>	<b>2,832.90</b>	<b>2,813.00</b>
	<b>Tier 2 Capital</b>	<b>1,490.48</b>	<b>1,490.48</b>
	<b>Total amount of Tier 1 and Tier 2 capital</b>	<b>4,323.38</b>	<b>4,303.48</b>

Qualitative disclosure

c)	Regulatory Adjustments/Deductions from capital	(238.41)	(272.59)
d)	<b>Total eligible capital</b>	<b>4,084.97</b>	<b>4,030.89</b>

**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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The Bank has maintained Capital to Risk Weighted Asset Ratio (CRAR) at 17.17% & 16.86% 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 2021) with its eligible capital after considering all regulatory adjustments.

The Bank's policy is to manage and maintain its capital with the objective of maintaining strong capital ratio and high rating. The Bank maintains capital levels that are sufficient to absorb all material risks. The Bank also ensures that the capital levels comply with regulatory requirements and satisfy the external rating agencies and other stakeholders including depositors. The main objective of the capital management process in the Bank is to ensure that Bank has adequate capital to meet up its all sorts of obligations any time.

Qualitative disclosure

Particulars	Solo	Consolidated
	Taka in Crore	
b) Risk Weighted Assets (RWA) for Credit Risk	20,884.89	20,458.12
c) Risk Weighted Assets (RWA) for Market Risk	689.20	1,167.46
d) Risk Weighted Assets (RWA) for Operational Risk	2,222.73	2,284.30
Total Risk Weighted Assets (RWA)	23,796.81	23,909.87
Total Regulatory Capital (Tier 1 & Tier 2)	4,084.97	4,030.89
e) Capital To Risk Weighted Asset Ratio (CRAR)	17.17%	16.86%
Common Equity Tier 1 (CET 1) Capital to RWA Ratio	10.90%	10.62%
Tier 1 Capital to RWA Ratio	10.90%	10.62%
Tier 2 Capital to RWA Ratio	6.26%	6.23%
Minimum Capital Requirement (MCR)	2,379.68	2,390.99
f) Capital Conservation Buffer (Minimum Requirement)	2.50%	2.50%
g) Capital Conservation Buffer Maintained	4.90%	4.62%

- 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:

i) Definitions of past due and impaired (for accounting purposes);

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:

**Continuous & Demand Loan are classified as:**

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. 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.

- **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.

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.

- **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.

**Cottage, Micro and Small Credits under CMSME:**

- **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.

**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:**

- **Sub-standard-** if the irregular status continues after a period of 12 (twelve) months, the credits are classified as "Sub-standard".
- **Doubtful-** if the irregular status continue after a period of 36 (thirty six) months, the credits are classified as "Doubtful".
- **Bad/Loss-** if the irregular status continue after a period of 60 (sixty) months, the credits are classified as "Bad/Loss".

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)**".

Qualitative disclosure

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:

Particulars	Rate
General provision on unclassified Small and Medium Enterprise (SME) financing.	0.25%
General provision on unclassified loans and advances/investments other than Consumer Financing, Loans to Brokerage House, Merchant Banks, Stock Dealers etc., SMA as well as SME Financing).	1%
General provision on 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%
General provision on outstanding amount of loans kept in <b>Special Mention Account (SMA)</b> 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.)	
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%

Qualitative disclosure

b)	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:																																		
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Qualitative disclosure

e)	Residual contractual maturity breakdown of the whole portfolio, broken down by major types of credit exposure.	<b>Industrial Loans/Investments</b>																						
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f)	Residual contractual maturity break down of the whole portfolios, broken down by major types of credit exposure of the Bank:	<table border="1"> <thead> <tr> <th>Particulars</th> <th>Taka in Crore</th> </tr> </thead> <tbody> <tr> <td>Repayable on Demand</td> <td>-</td> </tr> <tr> <td>Up to 1 month</td> <td>1,763.56</td> </tr> <tr> <td>Over 1 month but not more than 3 months</td> <td>7,990.36</td> </tr> <tr> <td>Over 3 months but not more than 1 year</td> <td>8,018.64</td> </tr> <tr> <td>Over 1 year but not more than 5 years</td> <td>7,051.86</td> </tr> <tr> <td>Over 5 years</td> <td>1,477.11</td> </tr> <tr> <td><b>Total</b></td> <td><b>26,301.53</b></td> </tr> </tbody> </table>	Particulars	Taka in Crore	Repayable on Demand	-	Up to 1 month	1,763.56	Over 1 month but not more than 3 months	7,990.36	Over 3 months but not more than 1 year	8,018.64	Over 1 year but not more than 5 years	7,051.86	Over 5 years	1,477.11	<b>Total</b>	<b>26,301.53</b>						
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Qualitative disclosure

iii) Charges for specific allowances and charge-offs during the period. During the year the specific and general provisions were made on the amount of classified and unclassified loans and advances/investments, off-balance sheet exposure, off-shore banking units, interest on receivable, diminution in value of investment and other assets-suspense of the Bank as per Bangladesh Bank guidelines.

Particulars	Taka in Crore
Provision on classified loans/investments	180.50
Provision on unclassified loans/investments	(34.74)
Provision on Off-balance sheet exposures	70.50
Provision for Off-shore Banking Units	22.00
Special general provision-COVID 19	21.98
Provision for interest receivable on loans & advances/investments	-
Provision for other assets	-
Provision for diminution in value of investments	-
Provision for Start-up fund	(0.80)
Provision for impairment loss for investment in subsidiaries	5.00
<b>Total</b>	<b>264.44</b>

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	803.39
	Addition/adjustment during the year	467.89
	<b>Closing balance</b>	<b>1,271.28</b>

Movement of specific provisions for NPAs	Particulars	Taka in Crore
	Opening balance	359.35
	Provisions made during the period	180.50
	Transferred from unclassified loan & advances including OBU	-
	Write-off	(10.33)
	Recoveries of amounts previously written off	15.36
	Transferred to provision against Non-Banking Assets	(22.05)
	<b>Closing Balance</b>	<b>522.83</b>

## 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:

- Quoted Securities (Common or Preference Shares & Mutual Fund) that are traded in the secondary market (Trading Book Assets).
- Unquoted securities include shares of Central Depository Bangladesh Limited (CDBL), Central Counterparty Bangladesh Limited (CCBL) and investment in SWIFT, Golden Harvest Ice Cream Ltd, United Mymensingh Power 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.

Qualitative disclosure

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.

	Solo		Consolidated	
	At cost	At market value	At cost	At market value
<b>Taka in Crore</b>				
	67.47	80.64	335.10	319.77
c) The cumulative realized gains (losses) arising from sales and liquidations in the reporting period.	-	-	-	-
d) • Total unrealized gains (losses)	-	13.17	-	(15.33)
• 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		8.06		31.98
• General Market Risk		8.06		31.98

## 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.

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.

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.

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 1.97 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 4.22 crore). Hence, accumulated earning for the year 2021 owing to a 1% increase in interest rate is a gain of Taka 3.07 crore.

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.

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

Qualitative disclosure

b) The increase (decline) in earnings or economic value (or relevant measure used by management) for upward and downward rate shocks according to management's method for measuring IRRBB, broken down by currency (as relevant).

Particulars	1 to 90 days	Over 3 months to up to 6 months	Over 6 months to up to 9 months	Over 9 months to up to 1 year
Rate Sensitive Assets	11,271.27	4,465.58	1,601.49	1,014.15
Rate Sensitive Liabilities	10,474.13	4,737.29	1,738.33	1,869.83
GAP	797.14	(271.71)	(136.84)	(855.68)
Cumulative GAP	797.14	525.43	388.59	(467.09)
Adjusted Interest Rate Changes (IRC)	1.00%	1.00%	1.00%	1.00%
Quarterly earnings impact (Cum. GAP * IRC)	1.97	1.30	0.96	(1.15)
Accumulated earning impact to date	1.97	3.26	4.22	3.07
Earning impact /Avg. quarterly net profit	2.53%	4.19%	5.42%	3.94%

## 7. Market Risk:

Qualitative disclosure

a) i) Views of Board of Directors (BOD) on trading/ investment activities.

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:

- Interest rate risk
- Equity position risk
- Foreign exchange (including gold) position risk throughout the bank's balance sheet and
- Commodity risk.

ii) Methods used to measure Market risk.

### Measurement Methodology:

As banks in Bangladesh are now in a stage of developing risk management models, Bangladesh Bank has suggested the banks for using Standardized Approach for credit risk capital requirement for banking book and Standardized (rule based) Approach for market risk capital charge in their trading book.

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

Qualitative disclosure

maturity and floating-rate instruments according to the residual term to the next re-pricing date.

In Standardized (rule based) Approach the capital requirement for various market risks (interest rate risk, price, and foreign exchange risk) are determined separately.

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.:

- a) Capital Charge for Interest Rate Risk = Capital Charge for Specific Risk + Capital Charge for General Market Risk;
- b) Capital Charge for Equity Position Risk = Capital Charge for Specific Risk + Capital Charge for General Market Risk;
- c) Capital Charge for Foreign Exchange Risk = Capital Charge for General Market Risk;
- d) Capital Charge for Commodity Position Risk = Capital charge for general market risk.

iii) Market Risk Management system.

Treasury Division manages the market risk and ALCO monitors the activities of treasury Division in managing such risk.

iv) Policies and processes for mitigating market risk.

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.

The Treasury Division are taking following measures to minimize the several market risks:

**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.

**ii) Equity Risk:** Equity risk is defined as losses due to changes in market price of the equity held. To measure and identify the risk, mark to market valuation of the investment portfolios of share is being done. Mark to market valuation is done against a predetermined limit. At the time of investment, following factors are taken into consideration:

- 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.

Qualitative disclosure

b) The capital requirements for:	Solo	Consolidated
	Taka in Crore	
• Interest rate risk	6.55	6.55
• Equity position risk	16.13	63.95
• Foreign exchange risk and	46.24	46.24
• Commodity risk	-	-
<b>Total Capital Requirement</b>	<b>68.92</b>	<b>116.75</b>

8. Operational Risk:

Qualitative disclosure

a) i) Views of BOD on system to reduce Operational Risk

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,

- # 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.

Bank has ensured some other internal practices to be in place as appropriate to control operational risk. Examples of these include:

- # 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.

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.

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.

Qualitative disclosure

ii) Performance gap of executives and staffs.

#### Motivated and Engaged Employees

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:

- 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

All the people related issues in Prime Bank are governed by the well-defined policies and procedures which are duly reviewed by the Management time to time.

#### Compensation & Benefits

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.

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 bonus based on yearly business performance.

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 variety of market-competitive Benefits schemes designed to motivate the employees. The various cash and non-cash benefits include:

- Company provided car for top level Executive employees
- Car allowance for all Executive level employees
- Leave fair assistance allowance
- Medical treatment allowance
- Maternity benefits
- Car loan facility
- House loan facility
- Staff loan at reduced interest rate
- House furnishing allowance
- Mobile phone allowance
- Travel allowance
- Technical allowance
- Festival bonus
- Allowance for employees' meritorious students
- Annual leave
- Maternity leave
- Study leave etc.

Qualitative disclosure

ii) Performance gap of executives and staffs.

The Bank also provides long-term as well as retirement benefits to employees:

- Leave encashment
- Provident fund
- Gratuity benefit
- Retirement benefit
- Partial and full disability benefit
- Death benefit to family members etc.

#### Broadbanding Pay Structure:

The Management introduced Broadbanding Pay Structure which aims to ensure a performance driven work culture through a strategic compensation plan synced with the performance of individual employee. Since 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, Broadbanding 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:

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)

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.

The total compensation and benefits system of Prime Bank tracks costs and is linked with performance, while maintaining a balance with the business affordability.

#### 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 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.



Qualitative disclosure

ii) Performance gap of executives and staffs.

#### **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 2021, 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 gets 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 work space, 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.

#### **Decent Workplace**

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

Qualitative disclosure

ii) Performance gap of executives and staffs.

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

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

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

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

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

#### **Diversity in Workplace**

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.

Qualitative disclosure

ii) Performance gap of executives and staffs.

**Employees by age group and gender:**

Age group	No. of Emp.	Percentage
Less than 30 years	164	5.47%
30 to 50 years	2,664	88.89%
Over 50 years	169	5.64%
<b>Grand Total</b>	<b>2,997</b>	<b>100.00%</b>

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 create a diverse work force.

**Employees by religion:**

Religion	No. of Emp.	Percentage
Islam	2,733	91.19%
Hindu	250	8.34%
Buddhist	12	0.40%
Christian	02	0.07%
<b>Total</b>	<b>2,997</b>	<b>100%</b>

Besides, our ration of male and female employees has been increasing over the time. Currently, approximately 22.39% of total employees are female. On the other hand, 12.50% of the Board of Directors represents females.

**Gender diversity among employees:**

Gender	No. of Employees	Percentage
Male	2,326	77.61%
Female	671	22.39%
<b>Total</b>	<b>2,997</b>	<b>100.00%</b>

**Percentage of female employee over the years:**

Year	% of Female Employees
2017	20.92%
2018	21.17%
2019	21.83%
2020	22.04%
2021	22.39%

**Gender diversity among Board members:**

Gender	No. of Members	Percentage (%)
Male	14	87.50%
Female	02	12.50%
<b>Total</b>	<b>16</b>	<b>100%</b>

Qualitative disclosure

ii) Performance gap of executives and staffs.

**New recruitment by gender and age:****By Gender:**

Gender	No. of Emp.	%
Male	103	83.74%
Female	20	16.26%
<b>Total</b>	<b>123</b>	<b>100%</b>

**By Age:**

Age group	No. of Emp.	%
Below 30 years	26	21.14%
30 to 50 years	94	76.42%
Over 50 years	03	2.44%
<b>Grand Total</b>	<b>123</b>	<b>100%</b>

**Employee turnover by gender and age:****By Gender:**

Gender	No. of Emp.	%
Male	185	86.45%
Female	29	13.55%
<b>Total</b>	<b>214</b>	<b>100%</b>

**By Age:**

Age group	No. of Emp.	%
Below 30 years	19	8.88%
30 to 50 years	185	86.45%
Over 50 years	10	4.67%
<b>Grand Total</b>	<b>214</b>	<b>100%</b>

For the year 2021, the turnover rate is 7.03%.

**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 2021, Bank's internal HR Training and Development Centre arranged training on different topics for 7,960 enthusiastic participants. Besides, a total of 266 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.

Qualitative disclosure

ii) Performance gap of executives and staffs.

**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.

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.

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.

**Ethical and Lawful Behavior in Prime Bank**

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.

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.

"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.

Qualitative disclosure

ii) Performance gap of executives and staffs.

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:

- 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;

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.

**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	
	2021	2020
Salary cost per employee	1.37	1.33
Operating cost per employee	2.06	2.25
Operating income per employee	5.02	4.09
Profit before provision per employee	2.75	1.85
Profit before tax per employee	1.87	1.29
Salary cost as percentage of operating cost	60.28	59.24
Salary cost as percentage of operating income	27.27	32.51

Qualitative disclosure

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**

Early in 2021, the 50th year of Bangladesh's independence, the country received the good news that the UN would approve its graduation from a Least Developed Country (LDC). It was a moment that brought to fruition the dreams of an entire nation and put a feather in the cap of a government that promised development powered by an economy marching full steam ahead, regardless of the barriers.

The COVID-19 pandemic with its lengthening shadows was a staggering blow to Bangladesh's economy, dragging GDP growth in fiscal 2019-20 down to 3.51 percent, its lowest level in three decades. In 2021, the surge of the delta variant saw an even more severe second wave of infections and deaths in the country.

Import spending is on the rise as remittances decline. A spike in consumer prices, spurred by rising oil prices, threatens to squeeze a population that has already tightened their belts due to the pandemic.

This year was a different story. As pandemic restrictions eased in July, exports saw a new dynamism. In the first 11 months of 2020, export earnings were about \$30 billion. Over the same period in 2021, exports topped \$56 billion.

Import spending has, however, risen in line with export orders. According to Bangladesh Bank, the country imported \$42.15 billion worth of goods in the first 10 months of 2021, compared to \$33 billion a year earlier. While import spending has shot up due to dramatic hikes in global commodity prices with the corresponding rise in exports, the outlook for the sector is quite positive overall.

Another positive indicator is that Bangladesh's foreign currency reserves have grown about 9 percent year-on-year, despite the increase in import spending, the appreciation of the dollar and the jump in international prices. However, one major contributor to the reserves, the inflow of remittance, was down this year. During the pandemic, expatriate workers chose to send money home through mostly legal means. But, as the pandemic has abated in recent months, they have once again resorted to using hundis and other illegal methods, which has removed these inflows from the government's records.

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 2021 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 2021 has been a mixed year of achievements and challenges due to CORONA pandemic. The GDP growth rate, that marked a fall to 3.45 per cent in fiscal year 2019-20 due to the pandemic, rose to 5.43 per cent last fiscal year (2020-21) due to different initiatives taken by the government. As per the Eighth Five-Year Plan, the

Qualitative disclosure

iii) Potential external events

government has set a target of 7.20 per cent GDP growth for FY 2021-22, which is 100 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 5.54 percent, while Covid-19 and Russia-Ukraine war 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 Bangladesh Investment accounted for 31.0 % of its Nominal GDP in Jun 2021, compared with a ratio of 31.3 % in the previous year. Private investment in Bangladesh fell to its lowest level in 14 years in the last fiscal year owing to the lingering uncertainty caused by the coronavirus pandemic and continuing structural weaknesses. In 2020-21, the private investment-to-gross domestic product (GDP) ratio declined to 21.25 per cent, provisional data from the Bangladesh Bureau of Statistics (BBS) showed. This is the lowest ratio since 2007-08.

- **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.

The embedded weakness of the sector emphasizes the need for reforming the sector and establishing better governance in the system. 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.

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.

- **Foreign remittance**

The country's remittance earnings reached record high of \$22.07 billion in the year 2021 despite a slowdown in the earnings in the second half of the year, according to Bangladesh Bank data. The amount of remittances the country received in the previous fiscal year was \$21.74 billion. Restoration of connectivity and travel along with the gradual economic recovery are major reasons for the decline in the country's remittance earnings in the second half of 2021. Though the country's remittance earnings reached a record high, the growth in remittance inflow dropped to 1.51 per cent in 2021.

Qualitative disclosure

iii) Potential external events

The growth rate was 18.6 per cent in 2020. Many expatriates had to return to the country during the Covid pandemic with their entire savings. The expatriates who were still abroad had supported their family members with all their earnings during the period. The introduction of 2 per cent incentive against remittance as well as channeling of all the money through the formal channel in absence of any other scope had played as catalysts behind the sharp increase in remittance inflow after the Covid outbreak. In the meantime, the number of overseas employment dropped and some of the existing overseas employees spent for employment contract renewal.

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 enhanced cash incentive and the appreciation of the US dollar against the taka would have a positive impact on remittance inflow in the coming days. The country's stable outlook would continue with this upward trend in inward remittances in 2022 as the government has announced 2.5 per cent incentive for remittance receipts.

#### • Inflation

Inflation decreased to 5.54 percent in December 2021, from 5.69 percent a year ago and increased from 5.48 percent a month ago, riding on an increase in food as well as non-food prices, according to Bangladesh Bureau of Statistics. Although 12-month average food inflation is seen to be moving marginally downward from 5.68 per cent in July 2021 to 5.30 per cent in December 2021, 12-month average non-food inflation increased substantially from 5.33 per cent in July 2021 to 5.93 per cent in December 2021. Moreover, the 12-month average core inflation, which excludes food, oil, and other volatile commodity prices, kept rising steadily to 6.98 per cent in December 2021, indicating rising inflationary pressure. 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 2021. The government has set the inflation target at 5.30 percent for fiscal 2021-22.

#### • Changes in credit quality of borrowers

Non-performing loans (NPLs) in the country's banking sector increased 16.38 per cent year-on-year to Tk 103,274 crore in 2021 despite a relaxed loan classification policy taken by the Bangladesh Bank. The ratio of default loans to outstanding loans and advances stood at 7.93 per cent last year in contrast to 7.66 per cent in 2020. As per the central bank rules, borrowers were allowed to avoid the default zone by giving only 15 per cent of their total instalments of loans payable for last year. Classified loans in the banking sector stood at Tk 88,734 crore in 2020 compared to Tk 94,331 crore the year before. Borrowers also enjoyed a moratorium facility to repay loans throughout 2020 as the central bank took the move to offset the business slowdown emanating from the coronavirus pandemic. And the amount of classified loans will go ballooning further if the amount of write-offs is included in the figure. The outstanding amount of written-off credits came to Tk 43,609 crore on September last year.

The borrowers were allowed to avail a fresh chance to remain unclassified if they repay minimum 15 per cent of the total outstanding amount of loans for the whole calendar year by December 31, 2021. The remaining 85 per cent of the outstanding credits during the period from January to December 31 last calendar year would be payable within one year from the date of expiry of the loan tenure. Recovery as well as rescheduling of loans has also helped

Qualitative disclosure

iii) Potential external events

keep the amount of NPLs at a 'reasonable level' at the final quarter of 2021. Meanwhile, the total amount of default loans with the six state-owned commercial banks (SoCBs) rose to Tk 44,977 crore in the Q4 of 2021 from Tk 42,273 crore a year before. The amount was Tk 44,016 crore in the Q3 of 2021. On the other hand, the total amount of NPLs with the 42 private commercial banks reached Tk 51,521 crore as on December 31 last, from Tk 40,361 crore on the same day of 2020. It was Tk 50,743 crore in the Q3 of 2021.

Fresh loans, Recovery and rescheduling of loans have also contributed to squeezing the volume of NPLs in 2021. 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 2021, 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, 2021 was a year of mixed experience in the stock market. The market finished the year on low note despite 1,354.6 points aggregate gain as the reopening of business activities in full swing after the Covid outbreak-related closure diverted a huge amount of funds from the market to the productive sectors. DSEX, the key index of the Dhaka Stock Exchange, advanced by 25.08 per cent to close at 6,756.65 points on December 30 after gaining 950 points in the previous year. In line with the previous year, the market remained bullish from the beginning of 2021 amid growing investor participation driven by various regulatory measures and favourable macro-economic conditions.

Regulatory policies and reforms, including raising paid-up capital of small-capitalised companies, forcing directors to maintain 30 per cent joint shareholding, restructuring board of weak and non-compliant companies and abolishment of over-the-counter market boosted the investors' confidence in the market, market. Moreover, expansionary monetary policy, lower interest rates on bank deposits and lack of investments options during the Covid pandemic prompted investors to channel funds to the stock market.

The daily average turnover on the DSE jumped to Tk 1,475.22 crore in 2021 from Tk 648.95 crore in the previous year. The market capitalization of the DSE soared by 20 per cent or Tk 93,966 crore to close at Tk 5.86 lakh crore on

Qualitative disclosure

iii) Potential external events

December 30. The capital market of the country had an exceedingly strong performance in the early 2021, but the market witnessed volatility and scrip-wise price corrections in the last few months since September'2021.

The money market started feeling liquidity contraction as rising inflation prompted the Bangladesh Bank to introduce Bangladesh Bank Bill as part of a precautionary measure to avert possible asset bubble which added more stress to the capital market. Consequently, rising interest rate enticed investors into channelling funds from the stock market to the other investment options. Besides, price manipulation involving a number of companies' shares had also affected the market badly. The recent tussle between the BB and the BSEC over stock market related issues weighed heavily on the market. Moreover, a continued share sales by foreign investors were also a concern for investors over the year.

2022 might be an even year for the capital market compared with the year we passed due to an anticipated spike in interest rates as well as inflation. The economy is now shifting from the recovery to the growth phase, which should result in a monetary and fiscal policy setback in 2022 as against the previous expansionary stance in order to tame accelerating inflation. Rising of private sector credit, selling dollars to maintain the exchange rate, re-setting bank deposit rate above inflation rate, limiting liquidity on money market by bills auctions may put further pressure on the money market. Unlike 2021, which has been the year of bull-run for the broad market, companies with sound fundamentals from the consumer goods, pharmaceuticals, engineering sectors, well-governed bank, NBF and insurance stocks may stand out in 2022 based on the rebound of the economy.

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.

- **Liquidity Crisis:**

Rising import costs, demand for credit, international price hikes, and a return to normal economic activities could soon lead to a liquidity crisis in the country's banking sector. Surplus funds in the banking industry stood at Tk219,600 crore as of September, down by 5% from a month ago. Back in June, excess liquidity had risen to a record high of Tk 231,711 crore.

Even then in that situation, the central bank revived the Bangladesh Bill – an instrument used to mop up excess liquidity from the money market – in August. Meanwhile, the yield on the 10-year Treasury bonds stood at 6.8% in October compared to 5.63% in the same month a year ago. The government borrows funds by issuing securities, and banks mostly provide the funds by taking part in auctions. In addition, the disbursement of term loans, whose repayment tenures are more than one year, is rising, which is a sign of fresh industrial investment. As a result, the stress on liquidity has already become visible in some banks as it has accelerated interbank borrowing. Many businesses were utilizing working capital to speed up production, putting a positive impact on credit growth. This will bring back the momentum to money that has been lying idle in the banks for so long. The continuous remittance deficit, keeping pace with rising international inflation, the declining value of taka against the US dollar, and rising imports, could lead to a liquidity crisis for banks.

Qualitative disclosure

iii) Potential external events

Despite low credit growth, liquidity stress in bank has mounted as deposit grew at a slow rate. This is again due to 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, ORR and SLR requirement, Repo-Reverse repo rate and increase AD ratio to cope up with the liquidity crisis. 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.

- **Digital security**

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.

- **The risk of litigation**

In the ordinary course of business, legal actions, claims by and against the bank may arise. The outcome of such litigation may affect the financial performance of the Bank.

- **Success of strategies**

PBL is proceeding with its strategic plan and its successful implementation is very important for its financial performance. 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. 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.

Qualitative disclosure

iv) Policies and processes for mitigating operational risk.

Prime Bank Limited has set of processes, policies, guidelines and procedures clearly defining the elements & mitigation practice of operational risks. Policies, processes, and procedures of Operational Risk Management are appropriately documented and communicated to related staff across the Bank. Besides, PBL has developed a central **Business Continuity Plan (BCP)** Document in 2021 to define the business continuity & recovery strategies and procedures for Prime Bank Limited which has been designed as a guide to recover business processes within agreed timeframe.

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.

2021 continued with challenges for the bank in the context of Business Continuity and combating Operational Risks as the global economy and society experienced the in-progress challenges in adoption with the changes caused by the prolongation of global outbreak of COVID-19 pandemic. PBL has taken initiatives towards digitalization of product and services in respond to the challenges and accelerate ease and constant customer services. Customer onboarding has been digitalized through introduction of PRIMEPLUS, the online A/C opening platform through eKYC.

Prime Bank has already moved to centralization of its entire general banking operation and upgraded the PBL Automated Sanction Screening Solution with arranged subscription of 'Dow Jones Risk & Compliance Data'. PBL also introduced few digitized developments in Liability Operations, Cash Management Operations, Central Clearing Cell, Treasury Operations, Trade Service Division, Remittance Operations, Card & Alternative Deliveries Channel (ADC) Operations and Internet Banking System with additional features to expedite easier and uninterrupted customer services. Besides, our 24/7 **Call Center (16218)** service has extended its wings of services and have gained customer satisfaction and reputation in the industry for service standard.

As the 3rd wave of the outbreak continued, PBL followed its BCP by prioritizing to safeguard the lives of the employees and their family members and PBL closely followed the guidelines suggested by WHO, IEDCR and directives of the other regulatory bodies and all instructions from Bangladesh Bank in this regard.

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.

Qualitative disclosure

Particulars

Solo Basis

Consolidated

Taka in Crore

	Solo Basis	Consolidated
b) The capital requirement for operational risk	222.27	228.43

## 9. Liquidity Ratio:

Qualitative disclosure

(a)

- 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.

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:

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.

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.

Prior to LCR and NSFR, Cash Reserve Ratio (CRR), Statutory Liquidity Reserve (SLR), and Advance Deposit Ratio (ADR) were grossly used as benchmark parameter of measuring a bank's liquidity in most of the countries. But in the wake of financial crisis due to the limitations, as well as ineffectiveness of those ratios, the BCBS suggested more reforms in the liquidity measures like LCR and NSFR which are more relevant with the structure and mix of Bank's balance sheet as well as funding.

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.

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.

Qualitative disclosure

- (b)
- Liquidity Coverage Ratio : 128.50%
  - Net Stable Funding Ratio (NSFR): 116.89%
  - Stock of High quality liquid assets: BDT 6,921.52 Crore
  - Total net cash outflows over the next 30 calendar days: BDT 5,386.26 Crore
  - Available amount of stable funding: BDT 27,654.06 Crore
  - Required amount of stable funding: BDT 23,658.77 Crore
- (The above ratios and balance are stated as per position of December 31, 2021)

## 10. Leverage Ratio

Qualitative disclosure

- (a) **Views of BOD on system to reduce excessive leverage policies and processes for managing excessive on and off-balance sheet leverage:**

In order to avoid building-up excessive on- and off-balance sheet leverage in the banking system, a simple, transparent, non-risk based leverage ratio has been introduced. 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:

- constrain the build-up of leverage in the banking sector which can damage the broader financial system and the economy
- reinforce the risk based requirements with an easy to understand and a non-risk based measure

Prime Bank calculates leverage ratio on quarterly basis and submits it to the Department of Off-site Supervision (DOS), Bangladesh Bank along with ORAR report.

### Approach for calculating exposure:

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. As per BRPD Circular No-18 dated 18 August 2021, banks need to gradually increase the ratio @ 0.25% per year from 2023 to 2026. Accordingly, Prime Bank maintains leverage ratio on quarterly basis. The formula for calculating leverage ratio is as under:  
Leverage Ratio = Tier-1 Capital (after related deductions)/ Total Exposure (after related deductions)

Qualitative disclosure

Sl. Particulars	Solo	Consolidated
	Taka In crore	
A. Tier-1 Capital	2,594.49	2,540.41
B. On balance sheet exposure	38,456.67	38,656.36
C. Off-balance sheet exposure	7,184.31	7,184.31
D. Total deduction from on and off-balance sheet exposure	238.41	272.59
E. Total exposure (B+C-D)	45,402.56	45,568.08
F. Leverage Ratio (A/E)*100	5.71%	5.57%

## 11. REMUNERATION:

### 11.1 Qualitative Disclosure:

Qualitative disclosure

- (a) Information relating to the bodies that oversee remuneration. Disclosures should include:
- Name, composition and mandate of the main body overseeing remuneration.
- External consultants whose advice has been sought, the body by which they were commissioned, and in what areas of the remuneration process.
- 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.

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.

A description of the types of employees considered as material risk takers and as senior managers, including the number of employees in each group.

- (b) Information relating to the design and structure of remuneration processes. Disclosures should include:

An overview of the key features and objectives of remuneration policy.

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.

A discussion of how the bank ensures that risk and compliance employees are remunerated independently of the businesses they oversee.

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 AMD, 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.

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.

### Policy Objective:

Prime Bank Limited aims to create a future-oriented, strategic compensation plan in order to attract and retain its talent through using a modern compensation strategy called "Broadbanding Pay Structure". This policy applies to all the Full Time and Permanent Employees of Prime Bank Limited. The Remuneration Policy is designed to establish broad pay-ranges based on performance, skills or competencies and avoid multiple pay structures. The policy is also empowering managers & encourage the professionals for career development.

### Broadbanding Pay Structure:

The Management introduced Broadbanding Pay Structure which aims to ensure a performance driven work culture through a strategic compensation plan synced with the performance of individual employee. It places an increased emphasis on encouraging employees to develop new skills and paying for the skills according to their contribution and equity. In a nutshell, broadbanding is a more flexible pay system for both the employees and for the employers where career progression takes a different route.

### Salary Structure:

Salary component is as under:

#### Part-I:

- (i) Basic; (ii) House Rent; (iii) Medical Allowance;





**(c)** Description of the ways in which current and future risks are taken into account in the remuneration processes. Disclosures should include:

An overview of the key risks that the bank takes into account when implementing remuneration measures.

An overview of the nature and type of the key measures used to take account of these risks, including risks difficult to measure (values need not be disclosed).

A discussion of the ways in which these measures affect remuneration.

A discussion of how the nature and type of these measures has changed over the past year and reasons for the change, as well as the impact of changes on remuneration.

**(d)** Description of the ways in which the bank seeks to link performance during a performance measurement period with levels of remuneration. Disclosures should include:

An overview of main performance metrics for bank, top-level business lines and individuals.

A discussion of how amounts of individual remuneration are linked to bank-wide and individual performance.

A discussion of the measures the bank will in general implement to adjust remuneration in the event that performance metrics are weak.

**Part-II:**

(i) Conveyance; (ii) Leave Fare Assistance

**Annual Performance Bonus:**

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.

Bank takes into account the following key risks when managing and determining remuneration arrangements:

(a) Financial Risks;  
(b) Operational Risks; and  
(c) Compliance Risks.

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.

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:

**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.

**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.

**(e)** Description of the ways in which the bank seek to adjust remuneration to take account of longer-term performance. Disclosures should include:

A discussion of the bank's policy on deferral and vesting of variable remuneration and, if the fraction of variable remuneration that is deferred differs across employees or groups of employees, a description of the factors that determine the fraction and their relative importance.

A discussion of the bank's policy and criteria for adjusting deferred remuneration before vesting and (if permitted by national law) after vesting through clawback arrangements.

**(f)** Description of the different forms of variable remuneration that the bank utilizes and the rationale for using these different forms. Disclosures should include:

An overview of the forms of variable remuneration offered (i.e. cash, shares and share-linked instruments and other forms.

A discussion of the use of the different forms of variable remuneration and, if the mix of different forms of variable remuneration differs across employees or groups of employees, a description of the factors that determine the mix and their relative importance.

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:

- Company provided car for top level Executive employees
- Car allowance for all Executive level employees
- Leave fair assistance allowance
- Medical treatment allowance
- Maternity benefits
- Car loan facility
- House loan facility
- Staff loan at reduced interest rate
- House furnishing allowance
- Mobile phone allowance
- Travel allowance
- Technical allowance
- Festival bonus
- Allowance for employees' meritorious students
- Annual leave
- Maternity leave
- Study leave etc.

The Bank also provides long-term as well as retirement benefits to employees:

- Leave encashment
- Provident fund
- Gratuity benefit
- Retirement benefit
- Partial and full disability benefit
- Death benefit to family members etc.

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.

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.

## 11.2 Quantitative Disclosure:

Quantitative disclosure

<b>(g)</b>	Number of meetings held by the main body overseeing remuneration during the financial year and remuneration paid to its member.	There were 04 (four) 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 2021. 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.
<b>(h)</b>	<p>Number of employees having received a variable remuneration award during the financial year.</p> <p>Number and total amount of guaranteed bonuses awarded during the financial year.</p> <p>Number and total amount of sign-on awards made during the financial year.</p> <p>Number and total amount of severance payments made during the financial year.</p>	<ul style="list-style-type: none"> <li>• Performance Bonus/incentives: BDT 311.42 Million</li> <li>• Number of total festival bonus: 03</li> <li>• Total amount of festival bonus: BDT 330.15 Million</li> <li>• Number of severance payments: 216</li> <li>• Total amount of severance payments: BDT 388.43 Million</li> </ul> <p>(including provident fund, gratuity fund, retirement benefit and leave encashment)</p>
<b>(i)</b>	<p>Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms.</p> <p>Total amount of deferred remuneration paid out in the financial year.</p>	No deferred remuneration was paid out in the financial year 2021.
<b>(j)</b>	<p>Breakdown of amount of remuneration awards for the financial year to show:</p> <ul style="list-style-type: none"> <li>• fixed and variable.</li> <li>• deferred and non-deferred.</li> <li>• different forms used (cash, shares and share linked instruments, other forms).</li> </ul>	Part-I: BDT 2,765.95 Million & Part-II: BDT 288.36 Million

Qualitative disclosure

<b>(k)</b>	<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 2021 due to ex post explicit adjustments.</p> <p>There were no reductions during the financial year 2021 due to ex post implicit adjustments.</p>
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