

MARKET DISCIPLINE

DISCLOSURES ON RISK BASED CAPITAL (BASEL-III)

1. Scope of Application

Qualitative disclosure	a) The name of the top corporate entity in the group to which this guidelines applies.	Prime Bank Limited
	b) An outline of differences in the basis of consolidation for accounting and regulatory purposes, with a brief description of the entities within the group (a) that are fully consolidated; (b) that are given a deduction treatment; and (c) that are neither consolidated nor deducted (e.g. where the investment is risk-weighted).	<p>Prime Bank Limited has 5 (Five) subsidiaries viz. (i) Prime Bank Investment limited, (ii) Prime Bank Securities Limited, (iii) Prime Exchange Co. (Pte.) Limited, Singapore, (iv) PBL Exchange (UK) Limited and (v) PBL Finance (Hong Kong) Limited.</p> <p>A brief description of the Bank and its subsidiaries is given below:</p> <p>Prime Bank Limited:</p> <p>The Prime Bank Limited (“the Bank”) was incorporated as a public limited company in Bangladesh under Companies Act, 1994 with the registered office of the company at 119-120 Motijheel C/A, Dhaka-1000. It commenced its banking business with one branch from April 17, 1995 under the license issued by Bangladesh Bank. Presently the Bank has 145 (One Hundred and Forty Five) branches including 18 (Eighteen) SME Centers/ Branches all over Bangladesh and 2 (Two) booths located at Dhaka Club, Dhaka and at Chittagong Port, Chittagong. Out of the above 145 branches, 05 (five) branches are designated as Islamic Banking branch complying with the rules of Islamic Shariah. Also the Bank has 3 (Three) Off-shore Banking Units (OBU), 5 (Five) subsidiary Companies (3 Foreign subsidiaries & 2 Local subsidiaries). The Bank went for Initial Public Offering in 1999 and its shares were listed with Dhaka Stock Exchange Limited and Chittagong Stock Exchange Limited as a publicly traded company for its general classes of share.</p> <p>The principal activities of the Bank are to provide all kinds of commercial banking services to its customers through different business divisions and branches.</p> <p>Subsidiaries of PBL:</p> <p>i) Prime Bank Investment Limited:</p> <p>Prime Bank Investment Limited (PBIL) is a subsidiary company of Prime Bank Limited incorporated as a public limited company on April 27, 2010 with the registrar of Joint Stock Companies, vide certificate of incorporation no.C-84266/2 dated 28 April 2010 which has commenced its business on the same date.</p> <p>The main objectives of the company are to carry out the business of full-fledged merchant banking activities like issue management, portfolio management, underwriting, corporate advisory services etc.</p> <p>ii) Prime Bank Securities Limited:</p> <p>Prime Bank Securities Limited was incorporated on April 29, 2010 as a private limited company under the Companies Act 1994. The main objectives of the company are to carry on business of stock brokers / dealers in relation to shares and securities dealings and other services as mentioned in the Memorandum and Articles of Association of the Company. The company commenced its operation from May 2011.</p> <p>iii) Prime Exchange Co. (Pte.) Limited, Singapore:</p> <p>Prime Exchange Co. (Pte.) Ltd., Singapore a fully owned subsidiary company of Prime Bank Limited was incorporated in Singapore on January 06, 2006 and commenced its remittance business with one (1) Branch from July 08, 2006. In 2011 the Company has also opened another Branch located at Jurong East Branch, Block: 134 #01-305 Jurong Gateway Road, Singapore 600134. The principal activities of the company are to carry on the remittance business and to undertake and participate in transactions, activities and operations commonly carried on or undertaken by remittance and exchange house.</p> <p>iv) PBL Exchange (UK) Limited:</p> <p>PBL Exchange (UK) Limited was incorporated as a private limited company with Companies House of England and Wales under registration no. 7081093 dated 19 November 2009. The company is a wholly owned subsidiary of Prime Bank Limited. The company commenced its operation on 02 August 2010 with three Branches located at Brick Lane of London, Coventry Road of Birmingham and North Oldham of Manchester. The registered office is located at 16 Brick Lane, London E1 6RF.</p> <p>v) PBL Finance (Hong Kong) Limited:</p> <p>PBL Finance (Hong Kong) Limited, a fully owned subsidiary of Prime Bank Limited. PBL Finance (Hong Kong) Limited was incorporated with Companies Registries of Hong Kong (Certificate of incorporation no. 1584971 and Business Registration no. 58197431 both dated April 7, 2011). PBL Finance (Hong Kong) Limited obtained Money Lending Licenses # 307/2011 issued by Honorable Court of Hong Kong on 28th July 2011. It has commenced its operation from August 2011 with one branch located at 608, 6/F, Admiralty Centre, Tower-2, 18 Harcourt Road, Hong Kong.</p>

	c)	Any restrictions, or other major impediments, on transfer of funds or regulatory capital within the group.	Not applicable
Quantitative disclosure	d)	The aggregate amount of capital deficiencies in all subsidiaries not included in the consolidation that are deducted and the name(s) of such subsidiaries.	Not applicable

2. Capital Structure

Qualitative disclosure	a)	Summary information on the terms and conditions of the main features of all capital instruments, especially in the case of capital instruments eligible for inclusion in CET1, Additional Tier 1 or Tier 2.	<p>As per Guidelines on Risk Based Capital Adequacy (Revised Regulatory Capital Framework for Banks in line with Basel III) introduced by Bangladesh Bank, 'Common Equity Tier-1 (CET 1)' Capital of PBL consists of (i) Paid-up Capital, (ii) Non-repayable Share Premium Account, (iii) Statutory Reserve, (iv) Retained Earnings and (v) Minority Interest in Subsidiaries.</p> <p>Prime Bank does not have 'Additional Tier 1 (AT 1)' Capital since it did not issue any instrument that meets the qualifying criteria for Additional Tier 1 Capital. Subsidiaries did not issue AT 1 capital to third parties as well.</p> <p>Tier-2 Capital consists of (i) General Provision (ii) Subordinated Debt/Instruments issued by the Banks that meet the qualifying criteria for Tier 2 Capital. (iii) Revaluation Reserves (50% of Fixed Assets & Govt. Securities and 10% of equity instruments) subject to regulatory adjustment/deduction i.e. 40% for 2016.</p>
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Quantitative disclosure	b)	The amount of Tier-1 capital with separate disclosure of:	Solo	Consolidated
			Taka in Crore	
		Common Equity Tier 1 (CET 1) Capital:		
		Fully Paid up capital	1,029.35	1,029.35
		Non repayable share premium account	224.12	224.12
		Statutory reserve	920.41	920.41
		General reserve	-	2.80
		Retained earnings	201.79	196.11
		Minority interest in subsidiaries	-	-
		Dividend equalization account	-	-
		Sub-Total	2,375.67	2,372.79
		Additional Tier 1 Capital	-	-
		Total Tier 1 Capital	2,375.67	2,372.79
		Tier 2 Capital	838.73	839.74
		Total amount of Tier 1 and Tier 2 capital	3,214.40	3,212.53
	c)	Regulatory Adjustments/Deductions from capital	(51.19)	(55.93)
	d)	Total eligible capital	3,163.21	3,156.60

3. Capital Adequacy:

Qualitative disclosure	a)	<p>A summary discussion of the bank's approach to assessing the adequacy of its capital to support current and future activities.</p> <p>The Bank has adopted Standardized Approach (SA) for computation of capital charge for credit risk and market risk, and Basic Indicator Approach (BIA) for operational risk. Assessment of capital adequacy is carried out in conjunction with the capital adequacy reporting to the Bangladesh Bank.</p> <p>The Bank has maintained Capital to Risk Weighted Asset Ratio (CRAR) at 12.45% & 12.30% 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 2017) with its eligible capital after considering all regulatory adjustments.</p> <p>The Bank's policy is to manage and maintain its capital with the objective of maintaining strong capital ratio and high rating. The Bank maintains capital levels that are sufficient to absorb all material risks. The Bank also ensures that the capital levels comply with regulatory requirements and satisfy the external rating agencies and other stakeholders including depositors. The main objective of the capital management process in the Bank is to ensure that Bank has adequate capital to meet up its all sorts of obligations any time.</p>
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Quantitative disclosure	Particulars	Solo	Consolidated
		Taka in Crore	
b)	Capital requirement for Credit Risk	22,814.50	22,851.95
c)	Capital requirement for Market Risk	192.54	380.05
d)	Capital requirement for Operational Risk	2,393.11	2,427.53
	Total Risk Weighted Assets (RWA)	25,400.15	25,659.54
	Total Regulatory Capital (Tier 1 & Tier 2)	3,163.20	3,156.61
e)	Capital To Risk Weighted Asset Ratio (CRAR)	12.45%	12.30%
	Common Equity Tier 1 (CET 1) Capital to RWA Ratio	9.30%	9.18%
	Tier 1 Capital to RWA Ratio	9.30%	9.18%
	Tier 2 Capital to RWA Ratio	3.15%	3.12%
	Minimum Capital Requirement (MCR)	2,540.01	2,565.95
f)	Capital Conservation Buffer (2.50% * RWA)	635.00	641.49

- 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)	<p>Definitions of past due and impaired (for accounting purposes):</p> <p>With a view to strengthening credit discipline and bring classification and provisioning regulation in line with international standard, a phase-wise program for classification and provisioning was undertaken by the Bank as per Bangladesh Bank circulars issued from time to time. In this regard, all the loans and advances/investments are grouped into four categories for the purpose of classification, namely (i) Continuous Loan, (ii) Demand Loan, (iii) Fixed Term Loan and (iv) Short-term Agricultural and Micro Credit. They are classified as follow:</p> <p>Continuous & Demand Loan are classified as:</p> <ul style="list-style-type: none"> ▪ Sub-standard- if it is past due/overdue for 03(three) months or beyond but less than 06 (six) months; ▪ Doubtful- if it is past due/overdue for 06 (six) months or beyond but less than 09 (nine) months; ▪ Bad/Loss- if it is past due/overdue for 09 (nine) months or beyond. <p>In case of any installment(s) or part of installment(s) of a Fixed Term Loan amounting up to Taka 1 million is not repaid within the due date, the amount of unpaid installment(s) are treated as "past due or overdue installment". Such types of Fixed Term Loans are classified as under:</p> <ul style="list-style-type: none"> ▪ Sub-standard- if the amount of past due installment is equal to or more than the amount of installment(s) due within 06 (six) months, the entire loans are classified as "Sub-standard". ▪ Doubtful- if the amount of past due installment is equal to or more than the amount of installment(s) due within 09 (nine) months, the entire loans are classified as "Doubtful". ▪ Bad/Loss- if the amount of past due installment is equal to or more than the amount of installment(s) due within 12(twelve) months, the entire loans are classified as "Bad/Loss". <p>In case of any installment(s) or part of installment(s) of a Fixed Term Loan amounting more than Taka 1 million is not repaid within the due date, the amount of unpaid installment(s) are treated as "past due or overdue installment". Such types of Fixed Term Loans are classified as under:</p> <ul style="list-style-type: none"> ▪ Sub-standard- if the amount of past due installment is equal to or more than the amount of installment(s) due within 03 (three) months, the entire loans are classified as "Sub-standard". ▪ Doubtful- if the amount of past due installment is equal to or more than the amount of installment(s) due within 06 (six) months, the entire loans are classified as "Doubtful". ▪ Bad/Loss- if the amount of past due installment is equal to or more than the amount of installment(s) due within 09 (nine) months, the entire loans are classified as "Bad/Loss".

		<p>Short-term Agricultural and Micro Credit will be considered irregular if it is not repaid within the due date as stipulated in the loans agreement and will be classified as under:</p> <ul style="list-style-type: none"> ▪ Sub-standard- if the irregular status continues after a period of 12 (twelve) months, the credits are classified as "Sub-standard". ▪ Doubtful- if the irregular status continue after a period of 36 (thirty six) months, the credits are classified as "Doubtful". ▪ Bad/Loss- if the irregular status continue after a period of 60 (sixty) months, the credits are classified as "Bad/Loss". <p>A Continuous loan, Demand loan or a Term Loan which remained overdue for a period of 02 (two) months or more, is treated as "Special Mention Account (SMA)".</p>																																
	ii) Description of approaches followed for specific and general allowances and statistical methods;	<p>The Bank is required to maintain the following general and specific provision in respect of classified and unclassified loans and advances / investments on the basis of Bangladesh Bank guidelines issued from time to time:</p> <table border="1"> <thead> <tr> <th>Particulars</th> <th>Rate</th> </tr> </thead> <tbody> <tr> <td>General provision on unclassified Small and Medium Enterprise (SME) financing.</td> <td>0.25%</td> </tr> <tr> <td>General provision on unclassified loans and advances/investments other than Consumer Financing, Loans to Brokerage House, Merchant Banks, Stock Dealers etc., SMA as well as SME Financing)</td> <td>1%</td> </tr> <tr> <td>General provision on interest receivable on loans / investments.</td> <td>1%</td> </tr> <tr> <td>General provision on off-balance sheet exposures (Provision has been made on the total exposure and amount of cash margin & value of eligible collateral were not deducted while computing off-balance sheet exposure).</td> <td>1%</td> </tr> <tr> <td>General provision on unclassified loans and advances/investments for housing finance, loans for professionals to set-up business under consumer financing scheme.</td> <td>2%</td> </tr> <tr> <td>General provision on the unclassified loans to Brokerage House, Merchant Banks, Stock Dealers, etc.</td> <td>2%</td> </tr> <tr> <td>General provision on unclassified amount for Consumer Financing.</td> <td>5%</td> </tr> <tr> <td colspan="2"><i>General provision on outstanding amount of loans kept in Special Mention Account (SMA) will be at the same respective rate as stated above (0.25% to 5%) as per BRPD Circular No. 05 dated 29.05.2013.</i></td> </tr> <tr> <td>Specific provision on Sub-Standard loans & advances / investments</td> <td>20%</td> </tr> <tr> <td>Specific provision on Doubtful loans & advances / investments</td> <td>50%</td> </tr> <tr> <td>Specific provision on bad / loss loans & advances / investments</td> <td>100%</td> </tr> </tbody> </table>	Particulars	Rate	General provision on unclassified Small and Medium Enterprise (SME) financing.	0.25%	General provision on unclassified loans and advances/investments other than Consumer Financing, Loans to Brokerage House, Merchant Banks, Stock Dealers etc., SMA as well as SME Financing)	1%	General provision on interest receivable on loans / investments.	1%	General provision on off-balance sheet exposures (Provision has been made on the total exposure and amount of cash margin & value of eligible collateral were not deducted while computing off-balance sheet exposure).	1%	General provision on unclassified loans and advances/investments for housing finance, loans for professionals to set-up business under consumer financing scheme.	2%	General provision on the unclassified loans to Brokerage House, Merchant Banks, Stock Dealers, etc.	2%	General provision on unclassified amount for Consumer Financing.	5%	<i>General provision on outstanding amount of loans kept in Special Mention Account (SMA) will be at the same respective rate as stated above (0.25% to 5%) as per BRPD Circular No. 05 dated 29.05.2013.</i>		Specific provision on Sub-Standard loans & advances / investments	20%	Specific provision on Doubtful loans & advances / investments	50%	Specific provision on bad / loss loans & advances / investments	100%								
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c)	Geographical distribution of exposures, broken down in significant areas by major types of credit exposure.	Geographical distribution of exposures, broken down in significant areas by major types of credit exposure of the Bank:	
		Particulars	Taka in Crore
		Urban:	
		Dhaka Zone	12,281.63
		Chittagong Zone	3,020.00
		Khulna Zone	569.13
		Rajshahi Zone	445.17
		Barishal Zone	11.64
		Sylhet Zone	155.29
		Rangpur Zone	116.75
		Sub-Total	16,599.61
		Rural:	
		Dhaka Zone	199.00
		Chittagong Zone	94.66
		Khulna Zone	6.51
		Rajshahi Zone	62.48
		Rangpur Zone	19.42
		Sylhet Zone	39.50
		Sub-Total	421.57
		Grand Total (Urban + Rural)	17,021.18

d)	Industry or counterparty type distribution of exposures, broken down by major types of credit exposure.	Industry or counterparty type distribution of exposures, broken down by major types of credit exposure of the Bank:	
		Particulars	Taka in Crore
		Commercial Lending	2,204.72
		Export Financing	837.69
		House Building Loan	271.73
		Retail Loan	1,498.94
		Small & Medium Enterprises (SME)	1,819.05
		Special Program Loan	-
		Staff Loan	0.84
		Other Loans & Advances (SOD)	2,565.75
		Loans, Advances & Lease/Investments to Managing Director / CEO and other senior executives	170.71
		Industrial Loans/Investments (Details are given below)	7,651.75
		Total	17,021.18
		Industrial Loans/Investments	
		Particulars	Taka in Crore
		Agriculture	261.56
		Textile Industries	634.83
		Food and allied industries	452.48
		Pharmaceutical Industries	139.00
		Leather , Chemical, Cosmetics, etc.	55.95
		Tobacco Industries	90.42
		Cement and Ceramic Industries	389.26
		Service Industries	1,433.27
		Transport & Communication Industries	241.33
		Other Industries including bills purchased and discounted	3,953.65
		Total	7,651.75

e)	Residual contractual maturity breakdown of the whole portfolio, broken down by major types of credit exposure.	Residual contractual maturity break down of the whole portfolios, broken down by major types of credit exposure of the Bank:																		
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f)	By major industry or counterparty type:																			
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Total	894.57																			
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.																			
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	g)	Gross Non Performing Assets (NPAs).		
		Non Performing Assets (NPAs) to Outstanding loans and advances.		
		Movement of Non Performing Assets (NPAs).	Particulars	Taka in Crore
			Opening balance	1,188.28
			Addition/adjustment during the year	(174.33)
			Closing balance	1,013.95
		Movement of specific provisions for NPAs.	Particulars	Taka in Crore
			Opening balance	532.66
			Provisions made during the period	162.20
			Transferred from unclassified loan & advances including OBU	-
Write-off	(369.93)			
Recoveries of amounts previously written off	15.11			
	Closing Balance	340.04		

5. Equities: Disclosures for Banking Book Positions

Qualitative disclosure	a)	The general qualitative disclosure requirement with respect to equity risk, including:	
		<p>Differentiation between holdings on which capital gains are expected and those taken under other objectives including for relationship and strategic reasons; and</p> <p>Discussion of important policies covering the valuation and accounting of equity holdings in the banking book. This includes the accounting techniques and valuation methodologies used, including key assumptions and practices affecting valuation as well as significant changes in these practices.</p>	<p>Investment in equity securities are broadly categorized into two parts:</p> <p>i) Quoted Securities (Common or Preference Shares & Mutual Fund) that are traded in the secondary market (Trading Book Assets).</p> <p>ii) Unquoted securities include shares of Central Depository Bangladesh Limited (CDBL), investment in SWIFT and Market Stabilization Fund (MSF).</p> <p>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.</p>

Quantitative disclosure		Solo		Consolidated	
		Taka in Crore			
		At cost	At market value	At cost	At market value
b)	Value disclosed in the balance sheet of investments, as well as the fair value of those investments; for quoted securities, a comparison to publicly quoted share values where the share price is materially different from fair value.	29.70	26.98	165.56	120.73
c)	The cumulative realized gains (losses) arising from sales and liquidations in the reporting period.		-		4.75
d)	• Total unrealized gains (losses)		(2.72)		(44.83)
	• Total latent revaluation gains (losses)		-		-
	• Any amounts of the above included in Tier-2 capital.		-		-
e)	Capital requirements broken down by appropriate equity groupings, consistent with the bank's methodology, as well as the aggregate amounts and the type of equity investments subject to any supervisory provisions regarding regulatory capital requirements (10% on market value).				
	• Specific Market Risk	2.70		12.07	
	• General Market Risk	2.70		12.07	

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

Qualitative disclosure	a)	<p>The general qualitative disclosure requirement including the nature of IRRBB and key assumptions, including assumptions regarding loan prepayments and behavior of non-maturity deposits, and frequency of IRRBB measurement.</p>	<p>Interest rate risk is the risk where changes in market interest rates might adversely affect a bank's financial condition. Changes in interest rates affect both the current earnings (earnings perspective) as well as the net worth of the bank (economic value perspective). To evaluate the impact of interest rate risk on the net interest margin, Prime Bank monitors the size of the gap between rate sensitive assets and rate sensitive liabilities in terms of the remaining period to repricing. Repricing refers to the point in time when adjustments of interest rates on assets and liabilities occur owing to new contracts, renewal of expiring contracts or that a contract specifies a floating rate that adjusts at fixed time intervals.</p> <p>A maturity mismatch approach is used to measure Prime Bank's exposure to interest rate risk. A positive mismatch means that more assets than liabilities are repriced in a given period. With a positive mismatch, a rise in market interest rates will have a positive effect on the bank's earnings. On the other hand, a negative mismatch, where more liabilities are repriced than assets in a given period, means a drop in earnings if interest rates had increased.</p> <p>The table presented below showing the Interest Rate Risk Analysis of Prime Bank Limited. The analysis shows that Bank may have a negative earnings impact of Taka 0.671 crore in the first quarter which has become positive (Taka 0.593 crore) in the second quarter. In the third quarter, the total year-to-date accumulated earnings impact has been positive (Taka 0.666 crore). Hence, accumulated earning for the year 2016 owing to a 1% increase in interest rate is a gain of Taka 2.618 crore.</p> <p>The rule of thumb suggests that quarterly gaps, causing an earnings impact of 10% of the Bank's average quarterly net profit for each 1% change in interest rates, should be carefully handled by the Bank's Management. The last row of the following table reveals that earnings impact on Prime Bank's average quarterly net profit is not significant and remains within the acceptable limit as prescribed by Bangladesh Bank.</p>
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Interest Rate Risk Analysis (for 1% change in the market rate of interest)

Quantitative disclosure	b)	<p>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).</p>	<table border="1"> <thead> <tr> <th>Particulars</th> <th>1 to 90 days</th> <th>Over 3 months to up to 6 months</th> <th>Over 6 months to up to 9 months</th> <th>Over 9 months to up to 1 year</th> </tr> </thead> <tbody> <tr> <td colspan="5" style="text-align: center;">Taka in Crore</td> </tr> <tr> <td>Rate Sensitive Assets</td> <td>7,805.18</td> <td>3,480.06</td> <td>1,407.71</td> <td>1352.51</td> </tr> <tr> <td>Rate Sensitive Liabilities</td> <td>8,077.23</td> <td>2,967.49</td> <td>1,346.44</td> <td>862.70</td> </tr> <tr> <td>GAP</td> <td>(272.05)</td> <td>512.57</td> <td>61.27</td> <td>489.81</td> </tr> <tr> <td>Cumulative GAP</td> <td>(272.05)</td> <td>240.52</td> <td>301.79</td> <td>791.60</td> </tr> <tr> <td>Adjusted Interest Rate Changes (IRC)</td> <td>1.00%</td> <td>1.00%</td> <td>1.00%</td> <td>1.00%</td> </tr> <tr> <td>Quarterly earnings impact (Cum. GAP * IRC)</td> <td>(0.671)</td> <td>0.593</td> <td>0.744</td> <td>1.952</td> </tr> <tr> <td>Accumulated earning impact to date</td> <td>(0.671)</td> <td>(0.078)</td> <td>0.666</td> <td>2.618</td> </tr> <tr> <td>Earning impact/Avg. quarterly net profit</td> <td>(1.25%)</td> <td>(0.15)%</td> <td>1.25%</td> <td>4.90%</td> </tr> </tbody> </table>	Particulars	1 to 90 days	Over 3 months to up to 6 months	Over 6 months to up to 9 months	Over 9 months to up to 1 year	Taka in Crore					Rate Sensitive Assets	7,805.18	3,480.06	1,407.71	1352.51	Rate Sensitive Liabilities	8,077.23	2,967.49	1,346.44	862.70	GAP	(272.05)	512.57	61.27	489.81	Cumulative GAP	(272.05)	240.52	301.79	791.60	Adjusted Interest Rate Changes (IRC)	1.00%	1.00%	1.00%	1.00%	Quarterly earnings impact (Cum. GAP * IRC)	(0.671)	0.593	0.744	1.952	Accumulated earning impact to date	(0.671)	(0.078)	0.666	2.618	Earning impact/Avg. quarterly net profit	(1.25%)	(0.15)%	1.25%	4.90%				
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7. Market Risk:

Qualitative disclosure	a)	i) Views of Board of Directors (BOD) on trading/ investment activities.	<p>Market risk is the possibility of losses of assets in balance sheet and off-balance sheet positions arising out of volatility in market variables i.e., interest rate, exchange rate and price. Allocation of capital is required in respect of the exposure to risks deriving from changes in interest rates and equity prices in the bank's trading book, in respect of exposure to risks deriving from changes in foreign exchange rates and commodity price in the overall banking activity. The total capital requirement for banks against their market risk shall be the sum of capital charges against:</p> <ul style="list-style-type: none"> ▪ Interest rate risk ▪ Equity position risk ▪ Foreign exchange (including gold) position risk throughout the bank's balance sheet and ▪ Commodity risk.
		ii) Methods used to measure Market risk.	<p>Measurement Methodology:</p> <p>As banks in Bangladesh are now in a stage of developing risk management models, Bangladesh Bank has suggested the banks for using Standardized Approach for credit risk capital requirement for banking book and Standardized (rule based) Approach for market risk capital charge in their trading book.</p> <p>Maturity Method has been prescribed by Bangladesh Bank in determining capital against market risk. In the maturity method, long or short positions in debt securities and other sources of interest rate exposures, including derivative instruments, are slotted into a maturity ladder comprising 13 time-bands (or 15 time-bands in case of low coupon instruments). Fixed-rate instruments are allocated according to the residual term to maturity and floating-rate instruments according to the residual term to the next re-pricing date.</p> <p>In Standardized (rule based) Approach the capital requirement for various market risks (interest rate risk, price, and foreign exchange risk) are determined separately.</p> <p>The total capital requirement in respect of market risk is the sum of capital requirement calculated for each of these market risk sub-categories. e.g.:</p> <p>a) Capital Charge for Interest Rate Risk = Capital Charge for Specific Risk + Capital Charge for General Market Risk;</p> <p>b) Capital Charge for Equity Position Risk = Capital Charge for Specific Risk + Capital Charge for General Market Risk;</p> <p>c) Capital Charge for Foreign Exchange Risk = Capital Charge for General Market Risk;</p> <p>d) Capital Charge for Commodity Position Risk = Capital charge for general market risk.</p>

	iii) Market Risk Management system.	Treasury Division manages the market risk and ALCO monitors the activities of treasury Division in managing such risk.
	iv) Policies and processes for mitigating market risk.	<p>To mitigate the several market risks the bank formed Asset Liability Management Committee (ALCO) who monitors the Treasury Division's activities to minimize the market risk. ALCO is primarily responsible for establishing the market risk management and asset liability management of the Bank, procedures thereof, implementing core risk management framework issued by the regulator, best risk management practices followed by globally and ensuring that internal parameters, procedures, practices/policies and risk management prudential limits have been set up and followed.</p> <p>The Treasury Division are taking following measures to minimize the several market risks:</p> <p>i) Foreign exchange risk management: it is the risk that the bank may suffer losses as a result of adverse exchange rate movement during a period in which it has an open position in an individual foreign currency. This risk is measured and monitored by the Treasury Division. To evaluate the extent of foreign exchange risk, a liquidity Gap report is prepared for each currency.</p> <p>ii) Equity Risk: Equity risk is defined as losses due to changes in market price of the equity held. To measure and identify the risk, mark to market valuation of the investment portfolios of share is being done. Mark to market valuation is done against a predetermined limit. At the time of investment, following factors are taken into consideration:</p> <ol style="list-style-type: none"> Security of Investment Fundamentals of securities Liquidity of securities Reliability of securities Capital appreciation Risk factors and Implication of taxes etc.

Quantitative disclosure	b)	The capital requirements for:	Solo	Consolidated
			Taka in Crore	
		Interest rate risk	0.01	0.01
		Equity position risk	5.40	24.15
		Foreign exchange risk and	13.85	13.85
		Commodity risk	-	-
	Total Capital Requirement	19.26	38.01	

8. Operational Risk:

Qualitative disclosure	a)	i) Views of BOD on system to reduce Operational Risk	<p>Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk but excludes strategic and reputation risk. It is inherent in every business organization and covers a wide spectrum of issues. The Board of Directors (BOD) of the Bank and its Management firmly believe that an effective internal control systems has been established within the Bank to ensure adequacy of the risk management framework and compliance with a documented set of internal policies concerning the risk management system which mainly include,</p> <ul style="list-style-type: none"> ▪ Top-level reviews of the Bank's progress towards the stated objectives; ▪ Checking for compliance with management controls; ▪ Policies, processes and procedures concerning the review, treatment and resolution of non-compliance issues; and ▪ A system of documented approvals and authorizations to ensure accountability to the appropriate level of management. <p>Bank has ensured some other internal practices to be in place as appropriate to control operational risk. Examples of these include:</p> <ul style="list-style-type: none"> ▪ Close monitoring of adherence to assigned risk limits or thresholds; ▪ Maintaining safeguards for access to, and use of, bank's assets and records; ▪ Ensuring that staffs have appropriate expertise and training; ▪ Regular verification and reconciliation of transactions and accounts. <p>The BOD has modified Bank's operational risk management process by issuing a high level standard like SOP, supplemented by more detailed formal guidance. This explains how the bank manages operational risk by identifying, assessing, monitoring, controlling and mitigating the risk, rectifying operational risk events, and implementing any additional procedures required for compliance with local regulatory requirements.</p> <p>The Bank maintains and tests contingency facilities to support operations in the event of disasters. Additional reviews and tests are conducted in the event that any branch of the bank is affected by a business disruption event, to incorporate lessons learned in the operational recovery from those circumstances. Plans have been prepared for the continued operation of the bank's business, with reduced staffing levels.</p>
		ii) Performance gap of executives and staffs.	<p>Human Resources</p> <p>Motivated and Engaged Employees</p> <p>Prime Bank has a diverse group of motivated and engaged employees. From experience it knows that if employees are properly empowered, they become more engaged and go extra miles to fulfill organization's ambition. Engaged employees are likely to take more responsibility and embrace accountability which helps to achieve the sustainability strategies. The Bank has positioned itself with a performance-driven rewarding work culture; where employees are treated with respect and receive plenty of development opportunities. Prime Bank has a special focus on:</p> <ul style="list-style-type: none"> ▪ Ensuring a balanced diversity ▪ Promoting human capital development ▪ Providing competitive compensation and benefits ▪ Promoting a performance centric culture ▪ Protecting human rights ▪ Ensuring workplace health and safety ▪ Ensuring equal opportunity <p>All the people related issues in Prime Bank are governed by the well-defined policies and procedures which are duly reviewed by the Management time to time.</p>

		<p>Compensation & Benefits</p> <p>To maintain the market competitiveness, the compensation and benefits of Prime Bank are regularly reviewed through market and peer group study. The well-crafted total rewards help the Bank to attract, motivate and retain talent.</p> <p>In PBL, the Board of Directors is not eligible for any compensation. They are paid honorarium for attending meetings only. On the other hand, all employees are paid competitive remuneration package. The remuneration policy of the Bank does not allow any discrimination between male and female employees. In addition, employees are paid bonus based on yearly business performance.</p> <p>In addition to monthly competitive base pay and a good number of allowances (e.g., House Rent allowance, Medical allowance, Conveyance allowance etc.), Prime Bank has variety of market-competitive Benefits schemes designed to motivate the employees. The various cash and non-cash benefits include:</p> <ul style="list-style-type: none"> ▪ Company provided car for top level Executive employees ▪ Car allowance for all Executive level employees ▪ Leave fair assistance allowance ▪ Medical treatment allowance ▪ Maternity benefits ▪ Car loan facility ▪ House loan facility ▪ Staff loan at reduced interest rate ▪ House furnishing allowance ▪ Mobile phone allowance ▪ Travel allowance ▪ Technical allowance ▪ Festival bonus ▪ Allowance for employees' meritorious students ▪ Annual leave ▪ Maternity leave ▪ Study leave etc. <p>The Bank also provides long-term as well as retirement benefits to employees:</p> <ul style="list-style-type: none"> ▪ Leave encashment ▪ Provident fund ▪ Gratuity benefit ▪ Retirement benefit ▪ Partial and full disability benefit ▪ Death benefit to family members etc. <p>Broadbanding Pay Structure:</p> <p>The Management introduced Broadbanding Pay Structure which aims to ensure a performance driven work culture through a strategic compensation plan synced with the performance of individual employee. 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:</p>
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		<p>1. It facilitates/encourages internal /lateral movement (Through Job Rotation)</p> <p>2. It rewards performers than the non performers (Through Pay for Performance)</p> <p>3. It puts added trust & greater autonomy in line management (Through Teamwork/ Relationship)</p> <p>Moreover, the policy states that when one employee reaches the highest grade within a Band, the employee will grow further when he/she is ready to take or has taken higher responsibilities and match the criteria of the next Band.</p> <p>The total compensation and benefits system of Prime Bank tracks costs and is linked with performance, while maintaining a balance with the business affordability.</p> <p>Performance Management Program</p> <p>Prime Bank has a comprehensive performance management program that evaluates employees' yearly performance against business targets at the year-end. 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.</p> <p>Work-life Balance</p> <p>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.</p> <p>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 2016, a total of 59 female employees availed Maternity leave. After completion of the leave, they returned to work and are still continuing with the organization.</p> <p>Culture</p> <p>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' behaviour; 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.</p> <p>Healthy and Safe Work Environment</p> <p>In Prime Bank, the physical, mental and social well-being of the employees always get priority. Healthy, productive and motivated employees are the foundation of a successful organization. Prime Bank helps employees to assume responsibility for their own personal behaviour 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.</p>
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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 labour code of the country. Bank Management believes that the business can grow favourably if the organization enables employees through creating and maintaining a decent workplace.

In Prime Bank, employees have the right to exercise freedom of association or collective bargaining following the legal procedure of country laws. However, employees have never formed or wanted to form any collective bargaining agency. The Bank follows non-discriminatory approach in all HR policies and practices. The salary of an employee is determined based on his/her competency, experience and performance. During the period of 2016 neither any incident regarding discrimination nor any grievance related to labour practices or human right has been reported. The Bank neither employs child labour nor has any provision for forced labour. 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 Labour Code and other applicable laws of the country. Moreover, the procurement decisions are also subject to conformity with International Labour Conventions. The team involved in procurement visits suppliers and contractors' premises on need basis to monitor working conditions and other relevant issues like labour 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.

Employees by age group and gender:

Age group	Grand Total	Percentage
Less than 30 years	390	13.17%
30 to 50 years	2420	81.73%
Over 50 years	142	5.10%
Grand Total	2961	100.00%

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

Employees by religion:

Religion	No. of Emp.	Percentage
Islam	2745	92.71%
Hindu	205	6.92%
Buddhist	11	0.37%
Christian	0	0%
Total	2961	100.00%

Besides, our ration of male and female employees has been increasing over the time. Currently, approximately 22% of total employees are female. On the other hand, almost 16% of the Board of Directors represents females.

Gender diversity among employees:

Gender	No. of Employees	Percentage
Male	2285	77.17%
Female	649	21.93%
Total	2961	100.00%

Increasing percentage of Female over the years:

Year	% of Female Employees
2012	19.77%
2013	20.52%
2014	21.00%
2015	21.64%
2016	21.93%

Gender diversity among Board members:

Gender	No. of Members	Percentage (%)
Male	16	85.21%
Female	03	15.79%
Total	19	100%

New recruitment by gender and age (By Gender):

Gender	No. of Employees	%
Male	134	75.28%
Female	44	24.72%
Total	178	100.00%

By Age:

Age group	Grand Total	%
Below 30 years	73	41.01%
30 to 50 years	104	58.43%
Over 50 years	01	0.56%
Grand Total	178	100.00%

Employee turnover by gender and age:

By Gender:

Gender	No. of Employees	%
Male	130	79.27%
Female	34	20.73%
Total	164	100.00%

By Age:

Age group	Grand Total	%
Below 30 years	19	11.59%
30 to 50 years	128	78.05%
Over 50 years	17	10.37%
Grand Total	164	100.00%

For the year 2016, the turnover rate is 5.56%.

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 2016, Bank's internal HR Training and Development Centre arranged training on different topics for 3777 enthusiastic participants. Besides, a total of 470 employees were sent to participate in various training programs/conferences in home and abroad.

The banking sector is complex and diverse with evolving nature of threats and the risks. So, the training module is updated time to time for employees of the Bank in the changing context of financial market.

Openness in communication for a better employee-management relation

Employee communications and consultation are the lifeblood of any business. Proper exchange of information and instructions help the Bank to function more efficiently and provides the opportunity to build greater trust among employees and management in discussing issues of mutual interest. To ensure effective employee communications, management takes a positive lead.

The Management has introduced a Whistleblower Protection Policy which intendeds to encourage and enable employees and others to raise serious concerns internally so that the Management can address and correct inappropriate conduct and actions. Employees have an avenue to report concerns about violations of code of ethics or suspected violations of law or regulations. The policy covers the protection of a whistleblower in two important areas – confidentiality and against retaliation. An employee who retaliates against someone who has reported a violation in good faith is subject to discipline up to and including termination of employment.

Additionally, now there is an avenue to report sexual harassment in the workplace. The policy aims to ensure a working environment in line with our values, where all individuals are treated equally, fairly and with dignity and also foster compliance with governing laws pertaining to sexual harassment. Such policy creates awareness about the nature of offences and the consequences of an offender. This not only fosters a neutral environment but gives a feeling of assurance that any wrong doing will be strictly addressed by the Management.

		<p>Any operational changes are properly planned and managed. Management follows a participative approach during any major transformation followed by prior communication to the employees. Since there is no trade union or employee association, no notice period regarding operational change is stipulated by any collective agreement.</p> <p>Ethical and Lawful Behavior in Prime Bank</p> <p>Prime Bank is always committed to establish the highest level of ethical standard. Employees are properly oriented to comply with Code of Ethics & Business Conduct. All employees duly signed the 'Code of Ethics & Business Conduct' and the copy is preserved in respective Employee Records. During joining, HR Division makes sure that all the new employees read and accept this policy by signing.</p> <p>Bank also has 'Service Excellence Handbook' & 'General Code & Discipline', which are read by each employee including new employees while joining in the Bank and record of these are preserved in personal file after signing by employees.</p> <p>"The Prime Bank Employee Code of Ethics and Business Conduct" – is a framework of ethical behavior for all the employees of the organization that embodies all the factors mentioned above. It is a reflection of Prime Bank's role as a socially responsible corporate citizen which believes in providing the most courteous and efficient service through innovative banking services and products. However, Prime Bank's most farsighted objective is to uphold and build upon the honour of Bangladesh as a nation, through exhibiting its own competence as a local organization that can perform at least on par with a multinational one, if not better than one.</p> <p>The employees of Prime Bank are trained to put their own duties and ethics before everything else. They treat their colleagues with reverence and honour, and their customers as esteemed guests. They also learn to abide by the laws that govern our business, and contribute to the strength and wellbeing of our community and shareholders. In addition to their regular responsibilities employees are also expected to demonstrate the below ethical behavior:</p> <ul style="list-style-type: none"> ▪ Protect Privacy of Customers' and Confidential Company Information; ▪ Prevent Money Laundering and/or Fraud; ▪ Demonstrate Workplace Respect; ▪ Avoid Offensive Behavior and Sexual Harassment; ▪ Avoid Drug/Substance/Alcohol Abuse in the Workplace; ▪ Protect the Bank's Assets; <p>It is mandatory for every employee of Prime Bank Limited to abide by the 'Employee Code of Ethics and Business Conduct' and also comply with any other orders or directions provided by the Management or Board of Directors from time to time.</p> <p>Human Resources Accounting in PBL:</p> <p>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.</p>
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(Taka in Million)

Particulars	2016	2015
Salary cost per employee	1.24	1.23
Operating cost per employee	2.12	2.10
Operating income per employee	4.06	4.11
Profit before provision per employee	1.94	2.01
Profit before tax per employee	0.79	0.94
Salary cost as percentage of operating cost	58.43	58.41
Salary cost as percentage of operating income	30.45	29.83

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**

Performance of Prime Bank greatly depends on the general economic conditions of the country. Despite the relative calm in the political scenario, private investment has not picked up. In fact, it has been stagnant at around 22 percent of GDP for the past few years. Binding constraints such as the high cost of doing business, difficulties of procuring land, high rates of corporate taxation, severe shortage of energy, the inefficiency of trade logistics and limited availability of skills have to be overcome to win over private investors. All the mega projects in the transport and energy sectors have to be completed within timeline for boosting private sector.

- **Foreign remittance**

Remittance inflow fell by more than 9 percent in 2016 due to oil price on the global market and transfer of money from abroad through illegal means. Foreign exchange reserve will be impacted upon as the remittance inflow remained in the negative zone. The negative growth in remittance is believed to hit the current-account balance in the balance of payment parameter of the economy. It will ultimately lessen the central bank's foreign currency reserve. To overcome this situation, exchange-rate regime should be handled prudently and spread between official channel & unofficial channel should be kept low to attract remittance.

- **Inflation**

Inflation remained stable throughout the year and was much lower than the government's target. The government has aimed to contain inflation within 5.8 percent level. Moderate level of global commodity prices and proactive management of market liquidity may be the main tool to contain inflation.

- **Changes in credit quality of borrowers**

Aggressiveness in disbursement of loans favoring few business people fuelled some credit growth in the banking sector. But, most of those borrowers took fresh loans from the market to repay their previous loans. This is certainly not a good sign for the banking sector. 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**

After finding numerous weaknesses in the global regulatory framework and in banks' risk management practices, the regulatory authorities have focused on streamlining the global capital and liquidity rules (Basel III) with a view to improving and strengthening the banking sector's ability to absorb shocks arising from financial and economic stress. The table presented in the 'Capital Adequacy' part of this document shows that Prime Bank has adequate Tier-1 & Tier-2 Capital to maintain all the ratios at the required level. It has covered both Minimum Capital Requirement (MCR) as well as Capital Conservation Buffer (CCB) with its eligible capital after considering all regulatory adjustments.

		<ul style="list-style-type: none"> ▪ Volatility in equity market The capital market ended 2016 with hope and aspiration as the index recorded an almost 9 percent gain in the course of the year. This current situation would only be sustainable if regulators can overcome hindrance from financial indiscipline and shortage of diversified products in our capital market. ▪ Digital security Cyber heist in banking sector in different countries in recent time has jolted the board and bank management out of the stupor. To prevent cyber heist Banks have become very much alert and are making investment in strengthening their own IT infrastructure. ▪ 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. Major deviation due to external and internal factors will affect the performance of the Bank.
	<p>iv) Policies and processes for mitigating operational risk.</p>	<p>Operational Risk is the risk of financial losses related to breakdown in internal control and corporate governance. Such breakdown can be the result of human error, inadequate or failed internal process and technical system, fraud or any other adverse external event. Operational risk may be the most devastating and at the same time most difficult to anticipate. Risk Management Division (RMD) of the bank is primarily responsible to drive and look after the overall risk management function including operational risk management. RMD under the leadership of Chief Risk Officer (CRO) is entrusted to ensure:</p> <ul style="list-style-type: none"> ▪ Drive and populate the culture of pro-active risk identification and mitigation. ▪ Lead bank wide integrated risk management approach. ▪ Validate and improve the reliability and effectiveness of business operation and the operations of the risk management framework. ▪ Quickly identify the Bank's operational deficiencies. ▪ Increase accuracy and visibility of risk information. ▪ Designing of organizational structure by clearly defining roles and responsibilities of individuals to support the identification, assessment, control and reporting of key risk indicators; ▪ Formulation of overall risk assessment and management policies, methodologies, guidelines and procedures for risk identification, risk measurement, risk monitoring, defining an acceptable level of risk, mitigation of all the core risks in line with their respective guidelines provided by Bangladesh Bank; ▪ Reviewing and updating all risks on systematic basis as necessary at least annually, preferably twice a year, ensuring that adequate controls exist and that the related returns reflect these risks and the capital allocated to support them. Beside the six core risks and operational risk, following risks are also being reviewed by RMD: <ul style="list-style-type: none"> ▪ Legal Risk; ▪ Reputation risk; ▪ Environmental & social risk; ▪ Insurance Risk;

		<ul style="list-style-type: none"> ▪ Strategic risk; and ▪ Sustainability Risk ▪ Setting the portfolio objectives and tolerance limits/parameters for each of the risks; ▪ Developing organizational capability in ensuring safety of the employees; ▪ Development of information systems/MIS inflow and data management capabilities to support the risk management functions of the Bank. ▪ Ensure compliance with the core risks management guidelines at the department level, and at the desk level; ▪ The unit will work under bank's organizational structure and suggest to the management to take appropriate measures to overcome any existing and potential financial crisis; ▪ Analysis of self resilience capability of the Bank; ▪ Initiation to measure different market conditions, vulnerability in investing in different sectors; ▪ The unit will also work for substantiality of capital to absorb the associated risk in banking operation <p>Activities undertaken by "Risk Management Division" since inception and recent approaches</p> <ul style="list-style-type: none"> ▪ Risk Management Division (RMD) is the propagator of effective risk management across the bank; ▪ Aligned the division's structure and committees in line with the central bank directives/circulars; ▪ Ensured all the regulatory reporting are prepared and submitted on time; ▪ Reviewed Product Program Guidelines (PPG) and suggested a standard template to bring discipline and uniformity in managing asset and liability products. ▪ Driving the initiatives of business continuity management across the bank; ▪ Ensured that development or review of internal processes/policies/guidelines/Manuals are vetted by RMD; ▪ RMD played a vital role in determining strategies in consistency with risk management policy, which can measure, monitor, and maintain acceptable risk level of the bank; ▪ Prudently oversaw Capital Management, Internal Capital Adequacy Assessment Process (ICAAP), Credit Risk, Market Risk (Foreign Exchange Risk, Interest Rate Risk, and Equity Risk), Liquidity Risk, Operational Risk (Internal Control & Compliance Risk, Reputation Risk, and Money Laundering Risk) as guided by the central bank; ▪ RMD analyzed the overall portfolio of the Bank through Risk Management Paper, Stress Testing and ICAAP, also effectively engaged in preparation of efficient Management Information System (MIS) report for the higher management and for the Risk Management Committee of the Board. ▪ Risk Management Division has formed a Risk Management Forum (RMF), a common platform among the all divisions for driving the culture of pro-active risk identification and escalation of risk across the bank. The member of Risk Management Forum meets regularly in monthly meeting to analyze identified/potential risks and suggest mitigation followed by monitoring. ▪ Risk Management Division (RMD) has developed an online module named 'Risk Platform' for escalation and reporting of identified & anticipated risk events of the Bank proactively to the management as part of integrated risk management approach.
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		<p>Stress Testing in PBL:</p> <p>Stress testing framework as provided by Bangladesh Bank assesses the impact on CAR due to minor, moderate and major level of shock in terms of credit risk, exchange rate risk, liquidity risk, equity price risk and interest rate risk. Stress testing for credit risk assesses the impact of increase in the level of Non-Performing Loans (NPLs) of the banks for the following scenario -</p> <ul style="list-style-type: none"> ▪ Performing loan directly downgraded to B/L- Sector wise Concentration 1 ▪ Performing loan directly downgraded to B/L- Sector wise Concentration 2 ▪ Increase in NPLs due to default of top large loan borrowers ▪ Negative shift in NPLs categories ▪ Decrease in the Forced Sale Value (FSV) of the collateral <p>The stress testing based on the financial performance of the Bank as on December 31, 2015 has also been completed which shows that the bank has adequate capital to absorb minor level of shocks for combined shock. However, for absorbing moderate and major levels of shock which is very unlikely in the industry, the bank may require additional capital.</p>
	v) Approach for calculating capital charge for operational risk.	<p>The Banks operating in Bangladesh shall compute the capital requirements for operational risk under the Basic Indicator Approach (BIA). Under BIA, the capital charge for operational risk is a fixed percentage, denoted by 'α (alpha)' of average positive annual gross income of the bank over the past three years. Figures for any year in which annual gross income is negative or zero, should be excluded from both the numerator and denominator when calculating the average. The capital charge may be expressed as follows:</p> $K = [(GI_1 + GI_2 + GI_3) \alpha] / n$ <p>Where-</p> <p>K = the capital charge under the Basic Indicator Approach</p> <p>GI = only positive annual gross income over the previous three years (i.e., negative or zero gross income if any shall be excluded)</p> <p>α = 15 percent</p> <p>n = number of positive annual gross income of the bank over the past three years</p> <p>Gross income: Gross Income (GI) is defined as "Net Interest Income" plus "Net non-Interest Income". It is intended that this measure should:</p> <ol style="list-style-type: none"> i) be gross of any provisions; ii) be gross of operating expenses, including fees paid to outsourcing service providers; iii) exclude realized profits/losses from the sale of securities held to maturity in the banking book; iv) exclude extraordinary or irregular items; v) exclude income derived from insurance.

Quantitative disclosure	Particulars	Solo Basis	Consolidated
		Taka in Crore	
b)	The capital requirement for operational risk	2,39.31	242.75

9. Liquidity Ratio:

Qualitative Disclosure	<p>(a)</p> <ul style="list-style-type: none"> - Views of BOD on system to reduce Liquidity Risk - Methods used to measure Liquidity Risk - Liquidity risk management system - Policies and processes for mitigating Liquidity Risk. <p>Bank is maintaining the ratios mentioned in the Bangladesh Bank guideline considering all the relevant factors, policies and procedures to mitigate Liquidity Risk. A brief discussion on the emergence of those ratios and their interpretation is stated in the following part:</p> <p>In the aftermath of the financial crisis of 2008-09, the Basel Committee of Banking Supervision (BCBS) emphasized on a program of sustainability revising its existing guidelines with a goal to promote a more resilient banking sector through further restructuring of the existing approach by strengthening global capital and liquidity rules within the global regulatory framework.</p> <p>BCBS proposed two liquidity ratios in December 2009 i.e. 1. Liquidity Coverage Ratio (LCR) and 2. Net Stable Funding Ratio (NSFR). Following that Bangladesh Bank vide its BRPD Circular No-07 dated March 31, 2014, declared the road map for implementing the Revised Regulatory Capital Framework for banks in line with Basel III in Bangladesh starting from the year 2015. According to the revised road map issued vide BRPD Circular No. 18/2014, from January 2015 and onwards Banks have to maintain a standard LCR and NSFR, the minimum standard of which is defined by Bangladesh Bank.</p> <p>Prior to LCR and NSFR, Cash Reserve Ratio (CRR), Statutory Liquidity Reserve (SLR), and Advance Deposit Ratio (ADR) were grossly used as benchmark parameter of measuring a bank's liquidity in most of the countries. But in the wake of financial crisis due to the limitations, as well as ineffectiveness of those ratios, the BCBS suggested more reforms in the liquidity measures like LCR and NSFR which are more relevant with the structure and mix of Bank's balance sheet as well as funding.</p> <p>For the LCR, the stock of high quality liquid assets is compared with expected cash flows over a 30 day stress scenario. The expected cash outflows are to be covered by sufficient liquid, high quality assets. It aims to ensure that a bank maintains an adequate level of unencumbered, high-quality liquid assets that can be converted into cash to meet its liquidity needs for 30 calendar days. The minimum standard set by BB is that LCR shall be greater than or equal to 100.</p> <p>On the other hand, the NSFR compares available funding sources with funding needs resulting from the assets on the Balance Sheet. Like the LCR, the NSFR calculations assume a stressed environment. It aims to limit over-reliance on short-term wholesale funding (mostly interbank) during times of abundant market liquidity, increase stability of the funding mix, encourage better assessment of liquidity risk across all on- and off-balance sheet items, and promotes funding stability. The minimum standard set by BB is that NSFR shall be greater than 100.</p>
Quantitative Disclosures	<p>(b)</p> <ul style="list-style-type: none"> - Liquidity Coverage Ratio (LCR) : 139.90% - Net Stable Funding Ratio (NSFR): 120.56%% - Stock of High quality liquid assets: BDT 6,505.48 crore - Total net cash outflows over the next 30 calendar days: BDT 4,650.20 crore - Available amount of stable funding: BDT 22,318.85 crore - Required amount of stable funding: BDT 18,512.67 crore <p>(The above ratios and balance are stated as per position of December 31, 2016)</p>

10. Leverage Ratio

Qualitative Disclosures	(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: a) constrain the build-up of leverage in the banking sector which can damage the broader financial system and the economy b) reinforce the risk based requirements with an easy to understand and a non-risk based measure Prime Bank calculates leverage ratio on quarterly basis and submits it to the Department of Off-site Supervision (DOS), Bangladesh Bank along with CRAR report. 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. 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)																																
Quantitative Disclosures	(b) <table border="1" data-bbox="383 782 1445 1084"> <thead> <tr> <th data-bbox="383 782 430 827">Sl.</th> <th data-bbox="430 782 1117 827">Particulars</th> <th data-bbox="1117 782 1284 827">Solo</th> <th data-bbox="1284 782 1445 827">Consolidated</th> </tr> <tr> <th colspan="4" data-bbox="383 827 1445 861">In crore Taka</th> </tr> </thead> <tbody> <tr> <td data-bbox="383 861 430 895">A.</td> <td data-bbox="430 861 1117 895">Tier-1 Capital</td> <td data-bbox="1117 861 1284 895">2,363.38</td> <td data-bbox="1284 861 1445 895">2,356.17</td> </tr> <tr> <td data-bbox="383 895 430 929">B.</td> <td data-bbox="430 895 1117 929">On balance sheet exposure</td> <td data-bbox="1117 895 1284 929">25,305.18</td> <td data-bbox="1284 895 1445 929">25,072.52</td> </tr> <tr> <td data-bbox="383 929 430 963">C.</td> <td data-bbox="430 929 1117 963">Off-balance sheet exposure</td> <td data-bbox="1117 929 1284 963">6,813.18</td> <td data-bbox="1284 929 1445 963">6,813.18</td> </tr> <tr> <td data-bbox="383 963 430 997">D.</td> <td data-bbox="430 963 1117 997">Total deduction from on and off-balance sheet exposure</td> <td data-bbox="1117 963 1284 997">12.29</td> <td data-bbox="1284 963 1445 997">16.62</td> </tr> <tr> <td data-bbox="383 997 430 1031">E.</td> <td data-bbox="430 997 1117 1031">Total exposure (B+C-D)</td> <td data-bbox="1117 997 1284 1031">32,106.07</td> <td data-bbox="1284 997 1445 1031">31,869.08</td> </tr> <tr> <td data-bbox="383 1031 430 1084">F.</td> <td data-bbox="430 1031 1117 1084">Leverage Ratio (A/E)*100</td> <td data-bbox="1117 1031 1284 1084">7.36%</td> <td data-bbox="1284 1031 1445 1084">7.39%</td> </tr> </tbody> </table>	Sl.	Particulars	Solo	Consolidated	In crore Taka				A.	Tier-1 Capital	2,363.38	2,356.17	B.	On balance sheet exposure	25,305.18	25,072.52	C.	Off-balance sheet exposure	6,813.18	6,813.18	D.	Total deduction from on and off-balance sheet exposure	12.29	16.62	E.	Total exposure (B+C-D)	32,106.07	31,869.08	F.	Leverage Ratio (A/E)*100	7.36%	7.39%
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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. 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.	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. Remuneration Committee is generally understood to be derived from among the Board. The Board of Directors of the Bank approves the remuneration policy in accordance with the Remuneration and Increment & Promotion Policy recommended by the Senior Management. The policy approved by the Board of Directors is implemented by the Management with the support and/or under the supervision of Human Resources Division. The officials are evaluated by a Committee which is formed comprising of 05 DMDs and Head of HR. The Committee is responsible for Performance Appraisal Rating, Promotion and implementation of the Pay Progression Strategy of the Bank. 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 Gratuity related provisioning accounting and settlement of end service benefits of the separated employees.
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	<p>(b) Information relating to the design and structure of remuneration processes. Disclosures should include:</p> <p>An overview of the key features and objectives of remuneration policy.</p> <p>Whether the remuneration committee reviewed the firm's remuneration policy during the past year, and if so, an overview of any changes that was made.</p> <p>A discussion of how the bank ensures that risk and compliance employees are remunerated independently of the businesses they oversee.</p>	<p>Policy Objective:</p> <p>Prime Bank Limited aims to create a future-oriented, strategic compensation plan in order to attract and retain its talent through using a modern compensation strategy called "Broadbanding Pay Structure". This policy applies to all the Full Time and Permanent Employees of Prime Bank Limited. The Remuneration Policy is designed to establish broad pay-ranges based on performance, skills or competencies and avoid multiple pay structures. The policy is also empowering managers & encourage the professionals for career development</p> <p>Broadbanding Pay Structure:</p> <p>The Management introduced Broadbanding Pay Structure which aims to ensure a performance driven work culture through a strategic compensation plan synced with the performance of individual employee. It places an increased emphasis on encouraging employees to develop new skills and paying for the skills according to their contribution and equity. In a nutshell, broadbanding is a more flexible pay system for both the employees and for the employers where career progression takes a different route.</p> <p>Salary Structure:</p> <p>Salary component is as under:</p> <p>Part-I:</p> <p>(i) Basic; (ii) House Rent; (iii) Medical Allowance;</p> <p>Part-II:</p> <p>(i) Conveyance; (ii) Leave Fare Assistance</p> <p>Annual Performance Bonus:</p> <p>As a part of employee motivation through monetary incentive, a bonus policy formulated. The Bank has been paying the bonus to the employees every year on the basis of their performance. The objective of bonus policy is to promote the performance of individual employee as well as team.</p>
	<p>(c) Description of the ways in which current and future risks are taken into account in the remuneration processes. Disclosures should include:</p> <p>An overview of the key risks that the bank takes into account when implementing remuneration measures.</p> <p>An overview of the nature and type of the key measures used to take account of these risks, including risks difficult to measure (values need not be disclosed).</p> <p>A discussion of the ways in which these measures affect remuneration.</p> <p>A discussion of how the nature and type of these measures has changed over the past year and reasons for the change, as well as the impact of changes on remuneration.</p>	<p>Bank takes into account the following key risks when managing and determining remuneration arrangements:</p> <p>(a) Financial Risks;</p> <p>(b) Operational Risks; and</p> <p>(c) Compliance Risks.</p> <p>While evaluating the performance of each employee annually, all the financial and non-financial indicators as per pre-determined set criteria are considered and accordingly the result of the performance varies from one to another and thus affects the remuneration as well.</p>

	<p>(d) Description of the ways in which the bank seeks to link performance during a performance measurement period with levels of remuneration. Disclosures should include:</p> <p>An overview of main performance metrics for bank, top-level business lines and individuals.</p> <p>A discussion of how amounts of individual remuneration are linked to bank-wide and individual performance.</p> <p>A discussion of the measures the bank will in general implement to adjust remuneration in the event that performance metrics are weak.</p>	<p>Prime Bank Ltd. uses modern standardized strategies for determining pay progression within the newly proposed Bands to adjust pay rates of individual employees over time. It is determined on the following basis:</p> <ol style="list-style-type: none"> 1. 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. 2. Performance based: It includes process for Performance Planning & Management, Performance Assessment, Incentives and Recognition to determine the amount of pay increases. It differentiates performers from non-performers and also creates positive effects on employee motivation.
	<p>(e) Description of the ways in which the bank seek to adjust remuneration to take account of longer-term performance. Disclosures should include:</p> <p>A discussion of the bank's policy on deferral and vesting of variable remuneration and, if the fraction of variable remuneration that is deferred differs across employees or groups of employees, a description of the factors that determine the fraction and their relative importance.</p> <p>A discussion of the bank's policy and criteria for adjusting deferred remuneration before vesting and (if permitted by national law) after vesting through clawback arrangements.</p>	<p>To maintain the market competitiveness, the compensation and benefits of Prime Bank are regularly reviewed through market and peer group study. The well-crafted total rewards help the Bank to attract, motivate and retain talent. All employees are paid competitive remuneration package. The remuneration policy of the Bank does not allow any discrimination between male and female employees. Prime Bank has variety of market-competitive Benefits schemes designed to motivate the employees. The various cash and non-cash benefits include:</p> <ul style="list-style-type: none"> ▪ Company provided car for top level Executive employees ▪ Car allowance for all Executive level employees ▪ Leave fair assistance allowance ▪ Medical treatment allowance ▪ Maternity benefits ▪ Car loan facility ▪ House loan facility ▪ Staff loan at reduced interest rate ▪ House furnishing allowance ▪ Mobile phone allowance ▪ Travel allowance ▪ Technical allowance ▪ Festival bonus ▪ Allowance for employees' meritorious students ▪ Annual leave ▪ Maternity leave ▪ Study leave etc. <p>The Bank also provides long-term as well as retirement benefits to employees:</p> <ul style="list-style-type: none"> ▪ Leave encashment ▪ Provident fund ▪ Gratuity benefit ▪ Retirement benefit ▪ Partial and full disability benefit ▪ Death benefit to family members etc.

	(f)	<p>Description of the different forms of variable remuneration that the bank utilizes and the rationale for using these different forms. Disclosures should include:</p> <p>An overview of the forms of variable remuneration offered (i.e. cash, shares and share-linked instruments and other forms.</p> <p>A discussion of the use of the different forms of variable remuneration and, if the mix of different forms of variable remuneration differs across employees or groups of employees), a description of the factors that determine the mix and their relative importance.</p>	<p>The Bank pays variable remuneration on cash basis (i.e. direct credit to the employee Bank account and/or Pay Order/ Cheque), as the case may be, as per Employees' Service Rule/ practice.</p> <p>Bank provides annual increments based on performance to the employees with the view of medium to long term strategy and adherence to Prime Bank's values.</p>
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11.2 Quantitative Disclosure:

Quantitative Disclosure	(g)	Number of meetings held by the main body overseeing remuneration during the financial year and remuneration paid to its member.	There were 05 (Five) meetings of the Committee, which is responsible for Performance Appraisal Rating, Promotion and implementation of the Pay Progression Strategy of the Bank, held during the year 2016. All the members of the Committee are from the core banking area/operation of the Bank. No additional remuneration was paid to the members of the Committee for attending the meeting except their regular remuneration.
	(h)	<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"> ▪ Performance Bonus/incentives: BDT 222,532,563 ▪ Number of total festival bonus: 03 ▪ Total amount of festival bonus: BDT 287,229,036.00 ▪ Number of severance payments: 146 ▪ Total amount of severance payments: BDT 296,843,518.25 ▪ (including provident fund, gratuity fund, retirement benefit and leave encashment)
	(i)	<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 2016.
	(j)	<p>Breakdown of amount of remuneration awards for the financial year to show:</p> <ul style="list-style-type: none"> - fixed and variable. - deferred and non-deferred. - different forms used (cash, shares and share linked instruments, other forms). 	<p>Part-I: BDT 2,431,015,000.00 &</p> <p>Part-II: BDT 364,588,142.00</p>
	(k)	<p>Quantitative information about employees' exposure to implicit (e.g. fluctuations in the value of shares or performance units) and explicit adjustments (e.g. clawbacks 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 2016 due to ex post explicit adjustments.</p> <p>There were no reductions during the financial year 2016 due to ex post implicit adjustments.</p>