Annex A

Commercial Bank of Ceylon PLC - Bangladesh Operations
Disclosures on Risk based Capital Requirement under Pillar III of Basel III
For the year ended 31 December 2017

1 Disclosure Policy:

In accordance with Bangladesh Bank's revised guidelines on risk based capital adequacy under Basel III issued through BRPD circular no. 18 dated December 21, 2014, the purpose of these requirements is to complement the capital adequacy requirements and Pillar III - Supervisory review process. Commercial Bank of Ceylon PLC has approved policy to observe the disclosure requirements set out by the Bangladesh Bank (BB).

The major highlighted regulations of the Bangladesh Bank are:

a. To comply with international best practices and make the Bank's capital more risk-absorbent;

b. To maintain minimum capital requirement by the Bank against credit, operational and market risk;

c. To maintain capital adequacy ratio as per Bangladesh Bank's time to time Requirements;

d. To adopt the credit rating agencies as external credit assessment institutions (ECAI);

e. To adopt standardised approach for both credit and market risk and basic indicator approach for operational risk;

f. To submit Capital Adequacy returns to Bangladesh Bank on a quarterly basis.

2 Scope of Applications:

Risk based capital adequacy framework applies to Commercial Bank of Ceylon PLC, Bangladesh Operations, on " Solo Basis" as the Bank has no subsidiaries or significant investments rather operating as a foreign Branch of Commercial Bank of Ceylon PLC incorporated in Srilanka.

3 Disclosures Framework:

Disclosures requirements as per Bangladesh Bank Basel III Guidelines are enumerated below:

3.1 Capital Structure

Qualitative Disclosure

The aim is for the capital structure to be as efficient as possible, both in terms of cost and in terms of compliance with the requirements of Bangladesh Bank. Bank's total capital as of 31 December 2017 was BDT 9,180.39 million out of which BDT 8,646.45 million was under Tier-I capital (out of that BDT. 4,841.32 million was Deposit kept with Bangladesh Bank as per section 13 (4) of Banking Companies Act 1991 and remaining BDT 3,805.13 million was Retained Profit after regulatory deduction) and remaining BDT 533.94 million was under Tier-II capital (General Provision of BDT 430.50 million and remaining 3.44 million was revaluation gain on treasury bills/bond).

Quantitative Disclosure:	**BDT**
a) Amount of Tier I Capital	
i) Common equity Tier 1 (CET 1)	
Fully paid-up capital / capital deposited with Bangladesh Bank	4,841,319,249
Statutory Reserve	-
Actuarial gain/loss	-
Retained earnings	3,889,286,065
Non-repatriable interest-free fund	-
	8,730,605,314
Amount deducted from CET 1 Capital (Regulatory Adjustments)	
• Good will	-
• Shortfall	-
• Deferred tax assets	84,155,901
• Others	-
Total CET 1 Capital	**8,646,449,413**
ii) Additional Tier I capital	-
Total Tier I Capital (i+ii)	**8,646,449,413**
b) Total Tier II capital	**533,937,618**
Total eligible capital (a+b)	**9,180,387,031**

3.2 Capital Adequacy

Qualitative Disclosure of Capital Adequacy

Bank is maintaining adequate capital to cover all material risk and while doing so bank has established an Internal Capital Adequacy Assessment Process (ICAAP) in-line with Bangladesh Bank. The objective of the Bank's capital planning is to ensure that the bank is adequately capitalized.

At the end of 31 December 2017 bank maintained capital of BDT 9,180.39 million (Tier 1: going-concern capital of BDT 8,646.45 million plus Tier 2: gone-concern capital of BDT 533.94 million) against its total Risk Weighted Asset (RWA) of BDT 25,071.72 million which leads to a Capital to Risk-weighted Asset Ratio (CRAR) of 36.42%, where the minimum requirement is 11.25% as per BRPD circular no. 18 dated 21 December 2014. Tier-I capital was 34.49% of RWA against minimum requirement of 6% of RWA. As a result the Bank has a buffer Capital of BDT 5,180.39 million to maintain to mitigate the additional uncertain risks which are not covered under Pillar-II.

Quantitative Disclosure of Capital Adequacy

		BDT
a) Amount of Regulatory Capital to meet unforeseen loss:		
Amount of Capital required to meet Credit Risk		2,106,074,302
Amount of Capital required to meet Market Risk		45,029,613
Amount of Capital required to meet Operational Risk		356,067,694
		2,507,171,609
b) Actual Capital Maintained:		
Total CET 1 Capital		8,646,449,413
Total Tier I Capital		8,646,449,413
Total Tier II Capital		533,937,618
Total capital		**9,180,387,031**
% of Capital to risk weighted assets (CRAR)		
	Required	**Maintained**
CET 1	4.50%	34.49%
Tier I	6.00%	34.49%
Tier II		2.13%
Total	**11.25%**	**36.62%**
c) Capital conservation buffer	1.25%	1.25%
d) Available capital under pillar 2 requirement		**5,180,387,031**

3.3 Credit Risk

Qualitative Disclosures:

General qualitative disclosure requirement with respect to credit risk includes the following:

Definition of past due and impaired

According to the Bangladesh Bank's guidelines on Risk Based Capital Adequacy (RBCA), dated December 2014, claims that are past due for 60 days or more are clubbed under this past due category.

Apart from the Basel III requirement, for accounting purpose bank is maintaining its past due loan in accordance with the BRPD Master circular no. 14 dated 23 September 2012 on "Loan Classification & Provisioning" and its related subsequent instructions.

Description of approaches followed for specific & general allowances and statistical methods

Bank is following the general and specific provision requirement as prescribed by Bangladesh Bank time to time.

Discussion of the bank's credit risk management policy

Credit risk is one of the most significant risks in terms of sustainability, regulatory and capital requirements, which the bank is exposed to. Bank's policy is to develop a high quality and diversified credit portfolio comprised of corporate, SME and retail / personal customers in Bangladesh towards better credit risk management.

With a view to segregate credit risk from credit marketing, as also in line with Basel-III requirement, an independent Credit Risk Department is in existence in the bank since inception. Credit risk management focuses on the quality of customer's individual loans as well as the overall loans and advances portfolio, examining and reporting the underlying trends, concentrations and ensuring a sustainable credit risk culture throughout the Bangladesh operation.

Objectives of the bank's credit risk management practices are to maintain credit portfolio quality in line with risk appetite, through risk control and risk management.

Credit risk management system of the bank also closely monitors changes in economic and market conditions and guides business and functional management, at all levels, on their credit portfolio. It works towards maintaining a robust credit culture through prudent strategies, credit policies, procedures, and management of credit portfolio. Thus the scope of credit risk management and identification practices needs to follow the procedures below:

To identify and manage credit risk, the bank engages in procedures such as:

i. Set up strategy for credit origination and relationship management.
ii. Credit risk management.
iii. Loan documentation and credit administration.
iv. Recovery and management of problem loans.
v. Portfolio management
vi. Conveying credit status through reporting

Bank uses internal lending guidelines and procedures to ensure that all lending officers understand the Bank's appetite for risk in servicing counter party requirements, and thus facilitates evaluation and approval of individual credit transactions.

Bank has standard methods of analysing various risk aspects involved in extending credit, considering risk areas such as business risk, financial risk, management risk, security risk, etc. besides continuously reviewing the exposures and concentrations of the customer, group, industry, geography and lending type. Outcome of these risk analyses are used to establish internal credit risk grading for each borrower.

Quantitative Disclosure **BDT**

Total exposures of credit risk

A) Broken down by major types of credit exposure

a) Cash and cash equivalents	269,143,044
b) Claims on Bangladesh Government and Bangladesh	8,284,581,351
c) Claims on other sovereigns and Central Banks*	-
d) Claims on Bank for international settlements,	-
e) Claims on Multilateral Development Banks (MDBs)	-
f) Claims on Public Sector Entities (other than Govt. of Bangladesh) in BGD	-
g) Claims on Banks & NBFIs:	-
Maturity Over 3 Months	1,678,432,812
Maturity less than 3 Months	1,835,091,510
h) Claims on Corporate	18,372,466,849
i) Claims under Credit Risk Mitigation	1,050,517,018
j) Claims categorized as retail portfolio and small & medium enterprise (excluding consumer finance)	447,650,118
k) Consumer finance	153,838,493
l) Claims fully secured by residential property	344,909,893
m) Claims fully secured by commercial real estate	75,863,472
n) Past due loans/NPL	445,247,027
o) Investments in premises, plant and equipment and all other fixed assets	80,207,755
p) Claims on Fixed Assets under Operating Lease	-
q) All Other Assets	
i) Claims on GoB and BB (Advance Income Tax)	3,434,979,163
ii) Staff loan/investments	85,762,119
iii) Other assets	6,380,689,430
r) Off-balance sheet items:	
Claims on banks:	
Maturity Over 3 Months	144,709,026
Maturity less than 3 Months	22,181,628
Claims on corporate	4,662,803,924
Retail portfolio and small & medium enterprises	202,949,717
	47,972,024,349

B. Geographical Distribution of Exposure **BDT**

Category	Dhaka	Chittagong	Sylhet	Total
Balance Sheet Items				
Claims on sovereigns and central banks	8,455,485,162	77,706,263	20,532,970	8,553,724,395
Claims on banks and NBFIs	3,513,524,322	-	-	3,513,524,322
Claims on corporate	17,108,188,023	2,573,495,459	262,410,884	19,944,094,366
Claims on retail portfolio and consumer finance	859,934,185	64,369,923	22,094,396	946,398,504
Fixed assets	76,136,961	3,247,684	823,110	80,207,755
Staff loan	85,762,119	-	-	85,762,119
All other assets	7,939,978,903	1,841,963,773	33,725,917	9,815,668,593
Total on balance sheet items	**38,039,009,675**	**4,560,783,102**	**339,587,277**	**42,939,380,054**
Off Balance Sheet Items				
Claims on banks	166,890,654	-	-	166,890,654
Claims on corporate	3,618,939,577	1,043,864,347	-	4,662,803,924
Claims on retail portfolio and consumer finance	65,322,551	50,732,236	86,894,930	202,949,717
Total off balance sheet items	**3,851,152,782**	**1,094,596,583**	**86,894,930**	**5,032,644,295**
Total	**41,890,162,457**	**5,655,379,685**	**426,482,207**	**47,972,024,349**

C. Industry or Counterparty type distribution of exposures **BDT**

Category	Bank and NBFIs	Manufacturing industries	Retail and Consumer	Others	Total
Balance Sheet Items					
Claims on sovereigns and central banks	8,553,724,395	-	-	-	8,553,724,395
Claims on banks and NBFIs	3,513,524,322	-	-	-	3,513,524,322
Claims on corporate	-	19,944,094,366	-	-	19,944,094,366
Claims on retail portfolio	-	-	946,398,504	-	946,398,504
Fixed assets	-	-	-	80,207,755	80,207,755
Staff loan	-	-	-	85,762,119	85,762,119
All other assets	-	-	-	9,815,668,593	9,815,668,593
Total on balance sheet items	**12,067,248,717**	**19,944,094,366**	**946,398,504**	**9,981,638,467**	**42,939,380,054**

Off-balance sheet items

Claims on banks	166,890,654	-	-	-	166,890,654
Claims on corporate	-	4,662,803,924	-	-	4,662,803,924
Claims on retail portfolio and consumer finance	-	-	202,949,717	-	202,949,717
Total off balance sheet items	**166,890,654**	**4,662,803,924**	**202,949,717**	**-**	**5,032,644,295**
Total	**12,234,139,371**	**24,606,898,290**	**1,149,348,221**	**9,981,638,467**	**47,972,024,349**

D. Residual Contractual Maturity **BDT**

Residual contractual maturity	Balance sheet items	Off-balance sheet items	Total
Up to 1 month maturity	18,173,817,019	300,533,762	18,474,350,781
1-3 months maturity	7,892,548,108	1,504,023,355	9,396,571,463
3-12 months maturity	11,595,052,081	2,957,288,434	14,552,340,515
1-5 years maturity	3,853,073,185	270,798,744	4,123,871,929
Above 5 years maturity	1,424,889,661	-	1,424,889,661
Total	**42,939,380,054**	**5,032,644,295**	**47,972,024,349**

E. Major Industry or Counterparty Type (past due) **BDT**

i) Amount of impaired / classified loans by major industry/ sector type

Major industry/sector	
Bank and NBFIs	-
Manufacturing industries	212,070,971
Retail and Consumer finance	10,250,750
Others	102,402,800
Total	324,724,521

ii) Specific and general provision

General provision	
Loans and advances	327,000,000
Off-Balance sheet items	203,500,000
	530,500,000
Specific provision	220,217,927

iii) Charges for specific allowance and charges-offs during the year

Specific provisions made during the period	2,789,343
Write-back of excess specific provisions	57,351,281

	BDT
F) Gross non-performing assets (NPAs)	**324,724,521**
Total loans & advances	23,296,566,183
Non-performing loans and advances	**324,724,521**
Sub-standard	374,266
Doubtful	635,852
Bad/ Loss	323,714,403
Non-Performing Assets (NPAs) to Outstanding Loans and advances	**1.39%**

G) Movement of Non-Performing Assets (NPAs)

Opening balance	503,237,394
Add: Addition during the year	535,911
Less: Reduction during the year	179,048,784
Closing balance	**324,724,521**

H) Movement of specific provisions for NPAs

Opening balance	274,806,970
Add: Provisions made during the period	2,789,343
Less: Write-off	-
Less: Write-back of excess provisions	57,351,281
Closing balance	**220,245,032**

3.4 Equities: Disclosures for Banking Book Positions

Qualitative Disclosure

The bank has no investments in quoted Shares. The Bank has only equity investments in Central Depository Bangladesh Limited (CDBL) shares as unquoted investment.

Quantitative Disclosures Details of Unquoted Investments **BDT**

Banking Book Assets

Particulars	Number of shares	Face Value	Cost
CDBL Shares (Initial)	600,000	6,000,000	6,000,000
Bonus received for the year 2009	600,000	6,000,000	-
Purchased on October 14, 2010	341,666	3,416,660	3,416,660
Bonus declared for the year 2010	1,200,000	12,000,000	-
Bonus declared for the year 2011	685,417	6,854,170	-
Total of CDBL Shares	**3,427,083**	**34,270,830**	**9,416,660**

3.5 Interest rate risk in the banking book (IRRBB)

Qualitative Disclosure

Interest rate risk refers to fluctuations in Bank's net interest income and the value of its assets and liabilities arising from internal and external factors.

Internal factors include the composition of the Bank's assets and liabilities, quality, maturity, interest rate and re-pricing period of deposits, borrowings, loans and investments.

External factors cover general economic conditions:

Interest rates volatility has impact on the Bank depending on balance sheet positioning. Interest rate risk in prevalent on both the assets as well as the liability sides of the Bank's balance sheet.

Assets - Liability Management Committee (ALCO) periodically monitors and controls the risks and returns, funding and deployment, setting Bank's lending and deposit rates, and directing the investment activities of the Bank. ALCO decides on the fixation of interest rates on both assets and liabilities after considering the macro or micro economic outlook - both global and domestic, as also the macro aspects like cost- benefit, financial inclusion and host of other factors.

Credit shock under Basel III (balance sheet exposure) **BDT in Crore**

Magnitude of Shock	Minor	Moderate	Major
Weighted average yield on assets (%)	10.00	10.00	10.00
Total Assets	4,797.20	4,797.20	4,797.20
Total RWA before shock	2,507.17	2,507.17	2,507.17
Total increase in RWA after shock	29.85	59.69	89.52
Total increase Capital requirement after shock	2.99	5.97	8.95
Total RWA after shock	2,537.02	2,566.86	2,596.69
Eligible capital	918.04	918.04	918.04
Capital adequacy ratio after shock (%)	36.19	35.77	35.35
Capital adequacy ratio before shock (%)	36.62	36.62	36.62
Changes in CRAR (%)	(0.43)	(0.85)	(1.26)

Credit Shock under Basel III (Off Balance Sheet Exposure) **BDT in Crore**

Magnitude of Shock	Minor	Moderate	Major
Weighted Average yield on assets (%)	10.00	10.00	10.00
Total Assets	4,797.20	4,797.20	4,797.20
Total RWA before shock	2,507.17	2,507.17	2,507.17
Total increase in RWA after shock	4.35	8.71	13.06
Total increase in capital requirement after shock	0.44	0.87	1.31
Total RWA after shock	2,511.52	2,515.88	2,520.23
Eligible capital	918.04	918.04	918.04
Capital Adequacy Ratio after shock (%)	36.55	36.49	36.43
Capital Adequacy Ratio before shock (%)	36.62	36.62	36.62
Changes in CRAR (%)	(0.06)	(0.13)	(0.19)

Combined Shock **BDT in Crore**

Magnitude of Shock	Minor	Moderate	Major
Capital Adequacy Ratio before shock (%)	36.62	36.62	36.62
Decrease in the FSV of the collateral	-0.08	-0.16	-0.33
Increase in NPLs	-1.01	-3.37	-6.60
Negative shift in NPLs categories	-0.08	-0.17	-0.33
Interest rate	-0.03	-0.07	-0.10
FEX: Currency appreciation	-0.05	-0.10	-0.15
Equity shock	0.00	-0.01	-0.01
Total change	-1.26	-3.87	-7.53
CRAR after shock (%)	35.35	32.75	29.09

3.6 Market Risk

Qualitative Disclosure

Market risk is the risk of adverse revaluation or movement of any financial instrument as a consequence of changes in market prices or rates.

Market risk exists in all trading, banking and investment portfolios but for the purpose of this report, it is considered as a risk specific to trading book of the Bank.

The major types of market risk as specified in the Risk Based Capital Adequacy (RBCA) are as follows:

i. Interest rate risk
ii. Equity position risk
iii. Foreign exchange risk and
iv. Commodity risk

Among the above list the main type of market risk faced by the Bank are interest rate risk and foreign exchange risk. 'Bank Management committee of Bangladesh Operations has given significant attention to market risk in trading book, to asses the potential impact on the Bank's business due to the unprecedented volatility in financial markets.

Methods used to measure market risk:

According to Bangladesh Bank guideline, Commercial Bank of Ceylon PLC, Bangladesh Operation is presently following the standardized approach for market risk under Basel III.

Market risk management system and policies and processes for mitigating market risk:

Bank has an independent market risk framework to assess, manage and control the risk management function, which is responsible for measuring market risk exposures in accordance with prescribed policies, and monitoring and reporting these exposures against the approved limits on a regular basis according to Bank's appetite for market risk.

Interest rate risk

Interest Rate Risk (IRR) is a major source of market risk and is unavoidable in any financial institution where the re-pricing of assets and liabilities are not identically matched. The ALCO of Bangladesh Operations manages the potential impact, which might be caused by the volatility of changes in the market interest rates and yield curves.

The securities (Treasury bills/bonds) acquired with the intention to trade by taking advantage of short-term price and interest rate movement is classified under the trading book. The marked to market (MTM) of securities in the trading book is done at market value as per the Bangladesh Bank guidelines.

Foreign exchange risk

All foreign exchange exposures and related risks are reviewed by the ALCO monthly, which provides additional guidance to treasury dealing room in managing the risks. This is to ensure that any adverse exchange rate movements on the results of the Bank due to un-hedged foreign exchange positions are restrained within acceptable parameters.

In addition to regular revaluation of spot position and forward positions, Value at Risk (VaR) is calculated/exercised for FX portfolio. VaR provides a single number to the management that reflects the maximum loss, which can occur within a confidence level over a certain period of time.

Market risk on Trading Book	**BDT**
The capital requirements for:	
A. Interest Rate Risk	5,925,570
B. Equity Position Risk	-
C. Foreign Exchange Risk	39,104,043
D. Commodity Risk	-
	45,029,613

3.7 Operational risk

Qualitative disclosure

Views of BOD on system to reduce operational risk

Operational risk is inherent to all products, activities, processes and systems and is generated in all business and support areas. For this reason, all employees are responsible for managing and controlling the operational risks generated in their area of action. In order to reduce and manage the operational risk of the bank, Management Committee has implemented the Operational Risk Management framework approved by the BOD.

Performance gap of executives and staffs

Performance of employees is critically important to achieve organizational goals. Bank has put in place a well defined performance management process which aims to clarify what is expected from its different level of employees as well as how it is to be achieved. At the beginning of a year objectives is communicated to the employees who includes what are expected from him/her during the ensuing period through their direct reporting heads. A half yearly and yearly performance appraisal practices are in place to review achievements based on which rewards and recognition decisions are made.

Potential external events

By its nature, Operational Risk cannot be totally eliminated. Like other banks, our bank also operates its business with few external risk factors relating to the socio-economic condition, political atmosphere, regulatory policy changes, technological changes, natural disaster, external frauds etc. However, bank has established methodology which defines the Bank's approach in identifying, assessing, mitigating, monitoring and reporting such operational risks factors which may impact the achievement of the bank's business objectives.

Policies and processes for mitigating operational risk

Operational Risk Management in the Bank is governed by the well-defined Operational Risk Management Policy that is clearly communicated across the Bank. Bank adopts three lines of defence for management of operational risk, the first line of defence represented by various heads of the departments, different business unit/or support unit; second line of defence is represented by the Operational Risk Unit under IRMD to oversee the operational risk management, and the third line of defence represented by Inspection & Audit Division which is challenge function to the first two lines of defence.

Various operational risk aspects like Key operational Risk Indicators (KORIs), analysis of historical loss data, Risk & Control Self-Assessments (RCSAs) exercise is done and placed before the Risk Management Committee to initiate necessary corrective actions with respect to management/mitigation of the operational risks. The internal controls are supplemented by an effective audit function that independently evaluates the control systems within the organization.

Approach for calculating capital charge for operational risk

Presently bank is following the Basic Indicator Approach (BIA) for calculating its operational risk capital charge and at 31 December 2017 bank's operational capital requirement was Tk. 35.61 crore which was adequately maintained.

Quantitative Disclosure	**BDT**
The capital requirements for operational risk is Taka	**356,067,694**

3.8 Liquidity ratio

Qualitative disclosure

Views of BOD on system to reduce liquidity risk

Banks in general are vulnerable to liquidity and solvency problems resulting from asset and liability mismatches. Therefore, the principle objective in liquidity risk management is to assess the need for funds to meet obligations and to ensure the availability of adequate funding to fulfil those needs at the appropriate time, both under normal and stressed conditions. In order to reduce and manage the liquidity risk of the bank, MANCOM has implemented the liquidity risk management framework approved by the BOD.

Methods used to measure liquidity risk

Bank uses numerous methods to assess/measure its liquidity risk e.g. through gap analysis for maturity mismatch based on residual maturity in different time buckets as well as various liquidity ratios and management of the same is done within the prudential limits fixed thereon. Advance techniques such as stress testing, simulation, sensitivity analysis etc. are used on regular intervals to draw the contingency funding plan under different liquidity scenarios.

Liquidity risk management system

Bank continuously analyses and monitors its liquidity profile, maintains an adequate margin of safety in high quality liquid assets and access to diverse funding sources such as inter-bank market, assets and investments available-for-sale and has contingency funding plan to meet liquidity requirements. Bank thereby ensures availability of adequate liquidity to fund its existing asset base and grow its business whilst maintaining sufficient liquidity buffers to operate smoothly under varying market conditions including any short-term, medium or long-term market disruptions.

Policies and processes for mitigating liquidity risk

Bank has put in place its Asset Liability Management Policy, Contingency Funding Plan duly approved by the board and ALCO is managing the liquidity risk of the bank.

Quantitative Disclosure	**BDT**
Liquidity coverage ratio	129.45%
Net stable funding ratio	115.59%
Stock of high quality liquid assets	3,711,269,000
Total net cash outflows over the next 30 calendar days	2,866,951,719
Available amount of stable funding	30,627,235,900
Required amount of stable funding	26,496,360,850

3.9 Leverage ratio

Qualitative disclosure

Views of BOD on system to reduce excessive leverage

High leverage levels can lead to an excessive expansion of bank asset size, which maximizes, in the short to medium term, banks' return on equity. At the same time, leverage-fuelled bank capital structures increase bankruptcy risk, since they are an important cause of bank failures. Therefore, to reduce excessive leverage and to manage the overall asset-liability position, management has implemented BOD approved ALM framework within the bank.

Policies and processes for managing excessive on and off-balance sheet leverage

Bank has clearly laid down policy and procedure to manage its exposure level (both on and off-balance sheet) enumerated in its Asset Liability Management policy. Leverage parameter of the policy acts as a credible supplementary measure to the risk based capital requirement to control the leverage of the bank. This reflects bank's tier 1 capital over total exposure of the bank. Reference level of leverage ratio is currently 3% (minimum) and it is expected to be reviewed in 2017 in line with the BB directive.

Approach for calculating exposure

Leverage ratio of the bank is calculated in line with the RBCA Guideline of BB. As at 31st December 2017 bank's leverage ratio was 17.89% and it was calculated as follows:

	Measured used	Description
Numerator	Tier 1 Capital	Tier 1 capital constitutes the components specified in the RBCA Guideline, December 2014.
Denominator	Exposure	This is an approximation to the credit risk exposure used for regulatory capital purposes. It consists of the sum of the balance sheet assets as specified in the RBCA Guideline, December 2014.

Quantitative Disclosure	**BDT**
Leverage ratio	**17.89%**
On balance sheet exposure	43,361,040,508
Off balance sheet exposure	5,046,088,669
Total exposure	48,407,129,177
Less: Regulatory adjustments	84,155,901
Total exposure for the purpose of leverage ratio	48,322,973,276

3.10 Remuneration

Information relating to the bodies that oversee remuneration

The Bank is dedicated to uphold the principle of equality in offering our employees both career opportunities and competitive remuneration at an excellent working condition in compliance with relevant laws and rules. Considering the gravity of importance the Bank has a Human Resource Steering Committee reporting to the Management Committee, which oversee the remuneration related policies and practices under the direct supervision of Remuneration Committee at Head Office in Sri Lanka.

Name, composition and mandate of the main body overseeing remuneration.

Country Manager, Chief Operating Officer, Senior General Manager, Financial Controller & Head of Human Resource administers the Banks remuneration policies. They play an independent role, operating as an overseer, and if necessary, make recommendations to the Board of Director (Sri Lanka) of the bank for it's consideration and final approval for any remuneration related policy. They also assist the Board of Directors to ensure that all employees are remunerated fairly and get performance based compensation.

External consultants whose advice has been sought, the body by which they were commissioned and in what areas of the remuneration process.

In 2015 to study the market situation and compare the salaries up to a certain level of employees the bank had appointed 'Cerebrus Consultants Pt. Ltd. Mumbai, India'. The Bangladesh Management of the Bank has commissioned this company.

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.

The Bank does not discriminate employees and/or differentiate employee remunerations by gender, nationality, religion, race, caste etc. The Bank even does not differentiate the remuneration considering the business lines and/or considering the functions known as revenue generating activities or revenue-prone work force. Bank maintains the same Remuneration Package and apply Human Resource policies for all of its branches, departments and Units.

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

Employees considered as material risk takers and as senior managers are:

Material Risk Takers	Composition	Number of Employees
Senior Managers	Members of Management Committee(CM, COO, SGM, SDGM, DGM, SAGM, AGM)	8
Other material risk takers	Head of Branches and SME Centres	16
	Head of Units, Corporate Banking	3
	Head of Departments, Units	13
Total		40

Information relating to the design and structure of remuneration processes

Bank is committed to maintain an equitable and consistent reward structure to ensure that employees' contributions to the business are recognized in different ways. This helps us to attract and retain staff while encouraging their efforts towards the achievement of the bank's strategic goals. In view of that bank is maintaining a fair remuneration policy in line with the Market Standard. Bank believes that employee remuneration should not be inconsistent with the market and the employees should be provided with the other standard benefits and facilities that commensurate the best in the industry. Bank has been maintaining the Objectives based Performance Appraisal of the employees and provides the annual increment and incentive bonus on the basis of their performance and achievement of objectives.

The ways in which current and future risks are taken into account in the remuneration processes

The overall compensation package and its structure have to be competitive, making it easier to attract, keep and reward the employees properly. While doing so bank has considered the following key risks to implement remuneration measures:

i. Staff turnover rate
ii. Identifying the future leaders
iii. Market standard of salary and benefits
iv. Achievement of objectives leading the overall achievement of Bank's target
v. Succession plan

Keeping in mind the above risk aspects bank used to identify the potential employees i.e. the future leaders and arranges necessary training for those employees both at home and abroad. In a few cases the bank also looked at accelerated career advancement of the employees who are identified as potential employees and shown the capacity as future leaders. Outstanding employees used to get Incentive bonus and salary increment at the rate of the best in the scheme which all together have impact on the remuneration as a whole.

The ways in which bank seeks to link performance during a performance measurement period

Annual budget of the bank is the main growth factors for performance measurement such as Advance, Deposit and Profitability is being distributed among the top level business lines and individuals. On achievement of targets for these broad factors bank achieves its growth in terms of revenue and size of balance sheet. Bank's overall success depends on the success of top level business lines and individuals. Following performance matrix is used to determine the level of Performance Rating of the individual:

O =	Outstanding	This person is an Outstanding Performer, is competent, committed, performance driven and is relatively better than a person rated "Excellent".
EX =	Excellent	This person is an Excellent Performer, regularly exceeds requirements in most significant aspects of the job and is relatively better than a person rated "Very Good"
VG =	Very Good	This person is rated as Very Good Performer, performs the job in a completely expectable manner and relatively better than a person rated "Good"
G =	Good	This person is rated as Good and relatively better than a person rated "Below Expectation
BE =	Below Expectations	This person is rated as Below Expectations and relatively better than a person rated "Marginal"
Mg =	Marginal	This person is rated as Marginal and displays Marginal Performance as against others.

The employee performance is being evaluated on the basis of achievement of objectives set upon discussion between the job holder and the Supervisor at the beginning of the year on agreed basis. On achievement of targets of top level business lines and individuals bank achieves the budgeted profitability and announces the annual incentive bonus which is known as Annual Performance Bonus. Any individual having proven achievements of targets get recognition through the Performance Ratings done by the Supervisor in agreement with the job holder. The higher the ratings are the higher the Bonuses are paid and Increments are awarded.

Different forms of variable remuneration

Bank's overall remuneration can be bifurcated in to two groups i.e. fixed remuneration and variable remuneration. Variable remuneration is comprised of the performance bonus and the rate of salary increment decided based on the performance rating of the employee for the preceding year.

Quantitative Disclosure

Quantitative disclosures reflect remuneration payment for senior managers and material risk takers of the bank during the financial year.

Number of meetings held by the main body overseeing remuneration during the financial year	3
Remuneration paid to the member of the main body overseeing remuneration during the financial year	Nil*

*We do not have any system of paying remuneration for attending meeting

Particulars	No. of employee	BDT
Variable remuneration awarded	40	25,674,401
Guaranteed bonuses awarded	40	8,534,333
Sign-on awards	-	-
Severance payments	3	2,443,156

Particulars	BDT
Outstanding deferred remuneration:	
Cash	-
Shares and share-linked instruments and	-
Other forms	-
Deferred remuneration paid out	-

Details of remuneration awards	Cash	Shares and share-linked instruments	Other forms
Fixed	115,896,967		-
Variable	25,674,401		-
Deferred and non-deferred			-

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.

Particulars	BDT
Total amount of outstanding for deferred remuneration and retained remuneration exposed to ex-post explicit and/or implicit adjustments	-
Total amount of reductions during the financial year due to ex-post explicit adjustments	-