DISCLOSURES ON RISK BASED CAPITAL (BASEL III)

For The Year 2020

Trust Bank
A Bank for Financial Inclusion

The public disclosure of prudential information is an important component of Basel Committee on Banking Supervision's framework of capital measurement and capital adequacy, known as Basel III. The Bank is required to set out the public disclosure upon its capital requirements, level of risks and risk management system in order to facilitate and enhance greater insight information for the outsiders and market participants to assess and analyze all risks and capital adequacy of the Bank. This disclosure shall be deemed as the essential market mechanism in escorting the Bank to achieve effective risks management system beyond simply the internal control of the Bank and the supervision of Bangladesh Bank.

In line with the Bangladesh Bank BRPD Circular no. 35 of December 29, 2010 as to Guidelines on 'Risk Based Capital Adequacy for Banks' and subsequent BRPD Circular 18, dated December 21, 2014 on 'Guidelines on Risk Based Capital Adequacy', following detailed qualitative and quantitative disclosures are provided in accordance with the central bank directions covering scope of capital adequacy framework, capital of the bank, risk exposure and assessment methodology, risk mitigation strategies and capital adequacy of the bank.

To cope up with the international best practices and to make the bank's capital shock absorbent 'Guidelines on Risk Based Capital Adequacy (RBCA) for banks' (Revised Regulatory Capital Framework in line with Basel II) was introduced from January 01, 2009 as a parallel run with BRPD Circular No. 10, dated November 25, 2002 (Basel I). At the end of parallel run, Basel II regime started from January 01, 2010 and the guidelines on RBCA came fully into force with its subsequent supplements/revisions. After that Bangladesh Bank issued 'Guidelines on Risk Based Capital Adequacy (RBCA) for banks' (Revised Regulatory Capital Framework in line with Basel III) vide its BRPD Circular 18 dated December 21, 2014 that Basel III reporting start from January 2015 and full implementation will start from January 2020. Instructions regarding Minimum Capital Requirement (MCR), Adequate Capital and Disclosure requirement as stated in the guidelines had to be followed by all scheduled banks for the purpose of statutory compliance.

The Basel III framework consists of three-mutually reinforcing pillars:

Pillar 1 (Minimum Capital Requirement): covers the calculation of RWAs for credit risk, market risk and operational risk.

Pillar 2 (Supervisory Review Process): covers the consideration of whether additional capital is required over and above the Pillar 1 risk calculations. Bank's own internal models and assessments support this process.

Pillar 3 (Market Discipline): covers external communication of risk and capital information by banks as specified in the Basel rules to promote transparency and good risk management. Market discipline comprises a set of disclosures on the Capital Adequacy and Risk Management framework of the Bank. Pillar 3 disclosures as per BB circular on Basel-III Capital Regulations are set out in the following sections for information.

Components of Pillar-3 Disclosure Framework:

1. Scope of Application

2. Capital Structure

3. Capital Adequacy

4. Credit Risk

5. Equities: Disclosures for Banking Book Positions

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

7. Market Risk

8. Operational Risk

9. Leverage Ratio

10. Liquidity Ratio

11. Remuneration

1. Scope of Application

Qualitative Disclosures:

(a)The name of the top corporate entity in the group to which this guideline applies:

The framework applies to Trust Bank Limited (TBL) on 'Consolidated Basis' as there are three subsidiaries of the Bank as on the reporting date i.e. December 31, 2020. However, 'Solo Basis' information has been presented beside those of 'Consolidated Basis' to facilitate comparison.

(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 (i) that are fully consolidated; (ii) that are given a deduction treatment; and (iii) that are neither consolidated nor deducted (e.g. where the investment is risk-weighted):

Trust Bank Limited has 3 (Three) subsidiaries i.e.

- Trust Bank Investment Limited
- Trust Bank Securities Limited
- Trust Axiata Digital Limited

A brief description of the Bank and its subsidiary are given below:

Trust Bank Limited: The bank was established as a Public Limited Company (Banking Company) as on the 17th June 1999 under the Companies Act 1994 for carrying out all kinds of banking activities and commenced its operation on the 17th June, 1999 with the permission of Bangladesh Bank.

It was listed with Dhaka Stock Exchange Limited as on 24th September, 2007 and Chittagong Stock Exchange Limited as on 25th September, 2007 respectively.

As on 31st December, 2020 the Bank is operating its business through head office having 106 branches, 06 SME/Krishi branches, 1 SME Service Center, 12 T-Lobby and CDMs (Cash Deposit Machine) and 236 ATMs all over Bangladesh.

Off-shore Banking Unit (OBU): Off-shore Banking Unit is a separate business unit governed by the applicable rules & regulations and guidelines of Bangladesh Bank vide letter no. BRPD(P-3)744(116)/2010-2462 dated: 2nd June, 2010. The number of OBU was 1 (One) as on reporting date 31 December 2020 located at Dilkusha Corporate Branch, Dhaka. Investments in OBUs are risk weighted with the exposure of the Bank.

There are 3 (Three) Subsidiaries of Trust Bank which is as under:

- **Trust Bank Investment Ltd:**

Trust Bank Investment Limited was incorporated as on 9th September, 2010 as a Public Limited Company bearing registration No. C- 86981/10 under the Companies Act, 1994 in Bangladesh. The company accorded consent from the Securities and Exchange Commission on 25th October, 2010 as a fully fledged Merchant Bank bearing Certificate No. MB-45/10.The Company started its operation on 14th November, 2010.The registered office of the Company is located at 36, Dilkusha Commercial Area, Dhaka - 1000.

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.

- **Trust Bank Securities Limited:**

Trust Bank Securities Limited was incorporated as on 7th February, 2013 as a Private Limited Company bearing registration No: C-107267/13 under the companies Act, 1994. The registered office of the company is located at level-01, Shadhinata Tower, Bir Srestha Shaheed Jahangir Gate, Dhaka Cantonment, Dhaka-1206.

The main objective of the company is carry on business of stock broker/dealers in relation to shares and securities dealings and other services as mentioned in the Memorandum and Articles of Association of the Company.

- **Trust Axiata Digital Limited:**

Trust Axiata Digital Limited (TADL) is a Mobile Financial Company that was established on 29th May of 2020. Being authorized by Bangladesh Bank Mobile Financial Services regulatory authority it took the brand name 'tap'. It is jointly ventured with 'Trust Bank Limited, Bangladesh' and 'Axiata Digital Services Sdn Bhd, Malaysia' and was formed under "Bangladesh Mobile Financial Services Regulations, 2018".

Trust Axiata Digital Limited is jointly incorporated as a private limited company with 51% share owned by Trust Bank Limited and 49% share owned by Axiata Digital Services Sdn Bhd, both the companies signed the joint venture agreement to operate Mobile Financial Services (MFS) and Payment Service Provider (PSP) operation in Bangladesh.

With the underlying objective of ensuring a wide range of MFS for banked and unbanked population of Bangladesh, TADL has executed the launch of its MFS product on 30th December 2020 with the brand name "tap". TADL offers the most convenient, flexible, secured and affordable services and it purpose to gain a wide range of financial inclusion of people from all level of income.

(c) Any restrictions, or other major impediments, on transfer of funds or regulatory capital within the group:

Not applicable

Quantitative Disclosures:

(d) The aggregate amount of surplus capital of insurance subsidiaries (whether deducted or subjected to an alternative method) included in the capital of the consolidated group.

Not Applicable

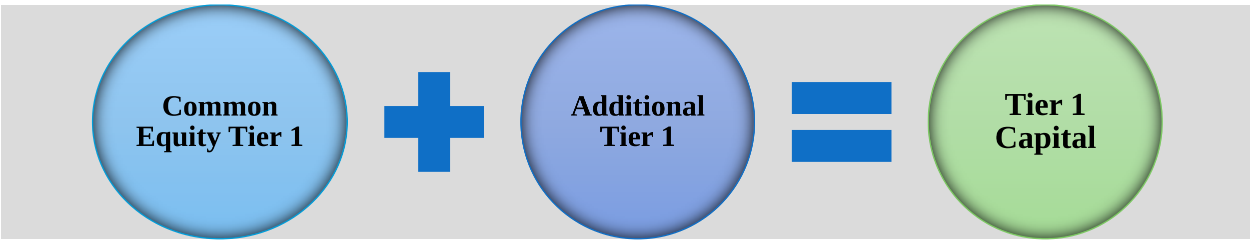
2. Capital Structure

Qualitative Disclosures:

(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 CET 1, Additional Tier 1 or in Tier 2.

For the purpose of calculating capital under capital adequacy framework, the capital of banks shall be classified into two tiers. The total regulatory capital will consist of sum of the following categories:

I. Tier 1 Capital (going-concern capital): This form of capital can absorb losses without triggering bankruptcy of the bank. Hence, it is the core measure of a bank's financial strength from regulator's point of view. The components of Tier 1 Capital are given below:



Common Equity Tier 1 Capital: It is called 'Core Capital' comprises of highest quality of capital elements consists of –

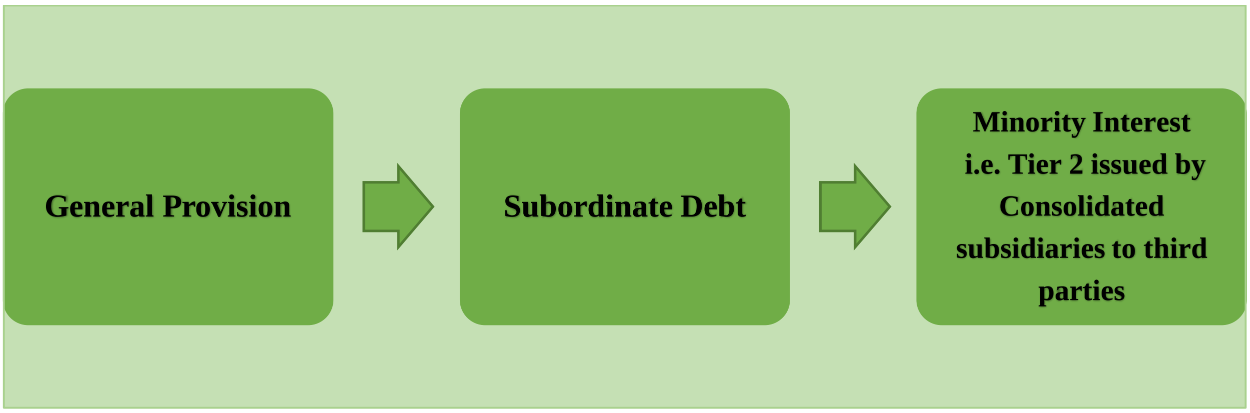
Less: Regulatory adjustments applicable on CET1

Additional Tier 1:

- Non-cumulative irredeemable preference share
- Instruments issued by the banks that meet the qualifying criteria for AT1
- Minority Interest i.e. AT1 issued by consolidated subsidiaries to third parties as specified in Annex-4 of Basel III Guidelines (For Consolidated Reporting)

Less: Regulatory adjustments applicable on AT1

II. Tier-2 Capital: It is called 'gone-concern capital' represents other elements which fall short of some of the characteristics of the core capital consists of-



Less: Regulatory adjustments applicable on Tier-2 capital

Capital Requirement Rules as per RBCA Guidelines of Bangladesh Bank for the year 2020:

- Common Equity Tier 1 of at least 4.5% of the total RWA
- Tier-1 capital will be at least 6.0% of the total RWA
- Minimum CRAR of 10% of the total RWA
- Additional Tier I capital can be admitted maximum up to 1.5% of the total RWA or 33.33% of CET 1, whichever is higher **
- Tier II capital can be admitted maximum up to 4.0% of the total RWA or 88.89% of CET 1, whichever is higher
- In addition to minimum CRAR, Capital Conservation Buffer (CCB) of 2.50% of the total RWA is being introduced which is maintained in the form of CET 1

** Footnote 9: For the purpose of calculating Tier 1 capital and CRAR, the excess Additional Tier 1 capital and Tier-2 capital can only be recognized if the bank has CET1 ratio in excess of the minimum requirement of 7.0% (i.e. 4.5% plus capital conservation buffer of 2.5%). Further, any excess Additional Tier 1 and Tier 2 capital will be recognized in the same proportion as stipulated above i.e. the recognition of excess Additional Tier 1 (above 1.5%) is limited to the extent of 33.3% (1.5/4.5) of the CET1 in excess of 7.0% requirement. Similarly, the excess Tier 2 capital (above 4.0%) shall be recognized to the extent of 88.89% (4.0/4.5) of the CET1 in excess of 7.0% requirement.

Quantitative Disclosures:

(b) The amount of Regulatory capital of Trust Bank Limited under Basel-III during 2020 as below:

(Amount in Million)

Particulars	**Solo**	**Consolidated**
1. Common Equity Tier-1		
Fully Paid-up Capital	6,432.96	6,432.96
Statutory Reserve	6,979.75	6,979.75
Retained Earnings	2,966.44	3,319.30
Minority interest in Subsidiaries	-	217.00
Less: Goodwill and all other Intangible Assets	5.36	5.36
Less: Deferred Tax Assets (DTA)	176.44	180.87
a. Total Common Equity Tier-1 Capital	**16,197.35**	**16,762.79**
b. Additional Tier-1 Capital	**650.0**	**650.0**
c. Total Tier-1 Capital (a+b)	**16,847.35**	**17,412.79**
2. Tier-2 Capital (Gone-Concern Capital)		
General Provision	3,432.99	3,432.99
Subordinated debt	9,600.00	9,600.00
d. Total Available Tier -2 Capital	**13,032.99**	**13,032.99**
e. Total Admissible Tier-2 Capital**	**10,043.73**	**10,489.12**
Total Regulatory Capital (c+e)	**26,891.08**	**27,901.90**

** As per Instructions from Bangladesh Bank based on Paragraph 3.2 (footnote:09) of BRPD Circular No. 18, Dated: December 21, 2014 on "Guidelines on Risk Based Capital Adequacy "; Bank has adjusted Tier-II Capital. If that clause of the Guidelines was not executed, then the Total Capital of the Bank would have **29,880.33** Million (Solo), CRAR **15.25% (Solo)** and **30,445.77** Million (Consolidated), CRAR **15.34%** (Consolidated).

3. Capital Adequacy

Qualitative Disclosures:

(a) A summary discussion of the bank's approach to assessing the adequacy of its capital to support current and future activities:

The Bank has a process for assessing its overall capital adequacy in relation to the Bank's risk profile and a strategy for maintaining its capital levels. The process provides an assurance that the Bank has adequate capital to support all risks inherent to its business and an appropriate capital buffer based on its business profile. The Bank identifies, assesses and manages comprehensively all risks that it is exposed to through comprehensive governance and control practices, strong risk management framework and an elaborate process for capital calculation and planning.

The Bank has a Board approved policy on Internal Capital Adequacy Assessment Process (ICAAP) as stipulated by Bangladesh Bank. The ICAAP also details the Risk Appetite of the Bank, assessment of material risks, the process for capital adequacy assessment to support business projections, adequacy of risk control framework, capital raising plans and Bank-wide stress testing.

The periodic assessment of bank's performance against the Risk Appetite defined under ICAAP and results of stress testing are reported to the Board of Directors for their review. CRAR has been computed based on the Basel III guidelines and it is well above the regulatory minimum level of 10%.

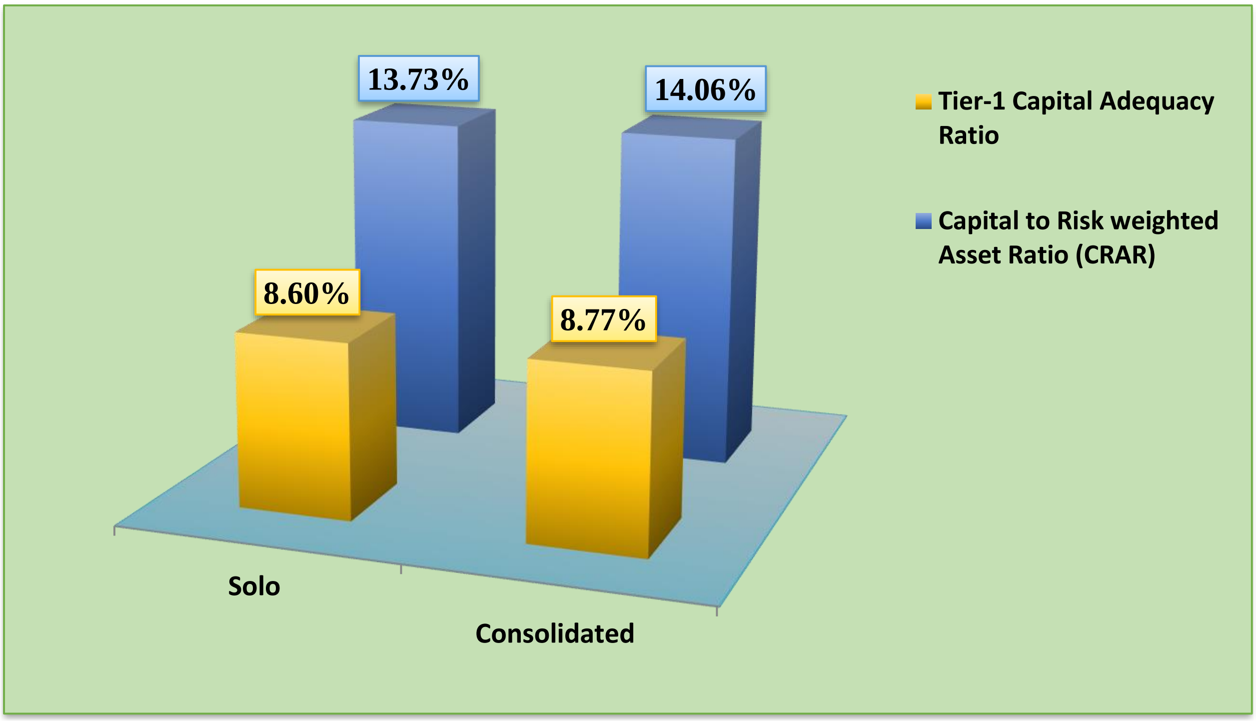
Quantitative Disclosures:

Amount in Million

Particulars	**Solo**	**Consolidated**
b) Capital requirement for Credit Risk	16,991.70	16,873.09
c) Capital requirement for Market Risk	785.34	1,122.59
d) Capital requirement for Operational Risk	1,815.66	1,854.57
Minimum Capital Requirement (MCR) @ 10%	19,592.71	19,850.25
MCR (10%) plus Capital Conservation Buffer (2.50%) @ 12.50%	24,490.88	24,812.81
Total Regulatory Capital	**26,891.08**	**27,901.90**
e) Capital to Risk weighted Asset Ratio (CRAR)	**13.73%**	**14.06%**
I. Common Equity Tier 1 (CET 1) Ratio	8.27%	8.44%
II. Tier 1 Capital Adequacy Ratio	8.60%	8.77%
III. Tier 2 Capital Adequacy Ratio	5.13%	5.28%
Requirement for Capital Conservation Buffer (CCB)	**2.50%**	**2.50%**
Capital Conservation Buffer (CCB) Maintained	**2.60%**	**2.77%**
f) Available Capital under Pillar 2 Requirement*	**2,400.20**	**3,089.09**

* Total Regulatory Capital less MCR with CCB

Capital to Risk-weighted Asset Ratio (CRAR):



4. Credit Risk

Qualitative Disclosures:

(a) The general qualitative disclosure requirement with respect to credit risk:

Credit risk is the possibility of losses associated with diminution in the credit quality of borrowers or counterparties. In a bank's portfolio, losses stem from outright default due to inability or unwillingness of a borrower or counterparty to meet commitments in relation to lending, trading, settlement and other financial transactions. Credit risk management is the process of mitigating those losses by understanding the adequacy of both a bank's capital and loan loss reserves at any given time.

The Bank has a well structured delegation and sub-delegation of credit approval authority for ensuring better control in credit approval system. The Board of Directors and its Executive Committee hold the supreme authority for any credit approval in line with the credit committee consisting of the senior management of the bank. Credit proposal processing, assessment of risks and mitigates there against, placing before credit committee, seeking approval from the competent authority, assisting in completion of documentation formalities and above all maintaining relationship with the branches and customers have so long been done by Credit Risk Management (CRM).

Reduction of Capital Requirement through increasing Rated Clients:

Under the Standardized Approach of the RBCA guidelines of Basel-III, counterparties credit rating is determined on the basis of risk profile assessed by the External Credit Assessment Institutions (ECAIs) duly recognized by Bangladesh Bank to derive risk-weights of exposures under the portfolio of claims. According to the guideline, the rated exposures of a bank will reduce the Risk Weights and the regulatory capital requirement as well as create room to expand the business of the bank.

This will also enable the bank to assess the creditworthiness of the borrowers as well, to an acceptable level. To withstand these challenges, the Board of Directors & the Senior Management of the bank emphasized rigorously round the year 2020 on corporate borrower's credit rating to lower our risk profile as well as to reduce the capital requirement of the bank.

Accordingly, the Risk Management Division (RMD), CRO along with the branches has taken all-out efforts to increase the number of Corporate and SME borrower's exposures rated. They are constantly taking the initiatives through the guidance of the Senior Management; series of meetings, correspondence, awareness program with the allied concerns i.e. branches of the bank & ECAIs. As a result of strong persuasion & drive, a significant number of rated clients increased in the year 2020. Throughout the year 2020, Trust Bank Limited had maintained over 92 percent credit rating from total eligible rated clients.

(i) Definitions of past due and impaired:

Bank classifies loans and advances (loans and bill discount in the nature of an advance) into performing and non-performing loans (NPL) in accordance with the Bangladesh Bank guidelines in this respect. All the loans and advances are grouped into four categories for the purpose of classification, which are as followings:

- Any Continuous Loan if not repaid/renewed within the fixed expiry date for repayment or after the demand by the bank will be treated as past due/overdue from the following day of the expiry date.
- Any Demand Loan if not repaid within the fixed expiry date for repayment or after the demand by the bank will be treated as past due/overdue from the following day of the expiry date.
- In case of any installment(s) or part of installment(s) of a Fixed Term Loan is not repaid within the fixed expiry date, the amount of unpaid installment(s) will be treated as past due/overdue from the following day of the expiry date.
- The Short-term Agricultural and Micro-Credit if not repaid within the fixed expiry date for repayment will be considered past due/overdue after six months of the expiry date.

All classified loans can be defined as below:

Types of Facility	Overdue Period for Loans Classification		
	Sub Standard	**Doubtful**	**Bad & Loss**
Continuous Loan & Demand Loan (Except CMSME)	3 months or more but less than 9 months	9 months or more but less than 12 months	12 months or more
Continuous Loan & Demand Loan (BRPD Circular no.16 under CMSME)	6 months or more but less than 18 months	18 months or more but less than 30 months	30 months or more
Fixed Term Loan (Except CMSME)	3 months or more but less than 9 months	9 months or more but less than 12 months	12 months or more
Fixed Term Loan (BRPD Circular no.16 under CMSME)	6 months or more but less than 18 months	18 months or more but less than 30 months	30 months or more
Short Term Agricultural & Micro Credit	12 months or more but less than 36 months	36 months or more but less than 60 months	60 months or more

* Any Continuous Loan, Demand Loan, Fixed Term Loan under Cottage, Micro and Small Credits under CMSME will be classified according to BRPD Circular No. 16, July 21, 2020. Cottage, Micro and Small credits have been defined in SMESPD Circular No. 02 dated 05 September 2019 under Master Circular on Cottage, Micro, Small and Medium Enterprise (CMSME) Financing.

*As per BRPD circular no. 17, dated 28 September 2020, loans cannot be classified adversely up to December 31, 2020 than its status on January 01, 2020. However, improvement of classification status during this period can be reported.

(ii) Description of approaches followed for specific and general allowances and statistical methods:

Business Unit		Rates of Provision				
		Un-Classified (UC)		**Classified**		
		Standard	Special Mention Account (SMA)	Substandard (SS)	Doubtful (DF)	Bad Loan (BL)
Consumer	House Building	1%	1%	20%	50%	100%
	loans for professionals	2%	2%	20%	50%	100%
	Other than house building and professionals	2%	2%	20%	50%	100%
Loans to BHs/MBs against Share etc.		2%	2%	20%	50%	100%
Cottage, Micro and Small Credits under CMSME		0.25%	0.25%	5%	50%	100%
Medium Enterprise		0.25%	0.25%	20%	50%	100%
Short term Agri-Credit & Micro Credit		1%	1%	5%	5%	100%
All Others		1%	1%	20%	50%	100%
Off Balance		1%	-	-	-	-

(iii) Discussion of the Bank's Credit Risk Management Policy:

The credit risk management policy of the bank aims at a sustained growth of healthy loan portfolio. It articulates while evolving a well-defined system to identify measure, monitor and control various risks attached to credit portfolio of the Bank. This entails reducing exposures in high risk areas, concentrating more on the promising industries / sectors / segments, striking balance between risk and return on assets and ensuring optimization of stake holder's value.

The policy also seeks to achieve prudent credit growth –both qualitative and quantitative- while adhering to the prudential norms with balanced sectoral deployment of credit to control credit concentration across Industries, sectors, segments and at the same time increasing the market share. The policy also aims at consistency and standardization of credit practices. There is a defined credit appraisal & credit approval authority, reporting cum monitoring / follow-up system and loan review mechanism/ credit audit system in place at the Bank as spelt out in board approved Credit Risk Management Policy.

Quantitative Disclosures:

(b) Total Gross Credit Risk Exposure Broken down by Major Types of Credit Exposure:

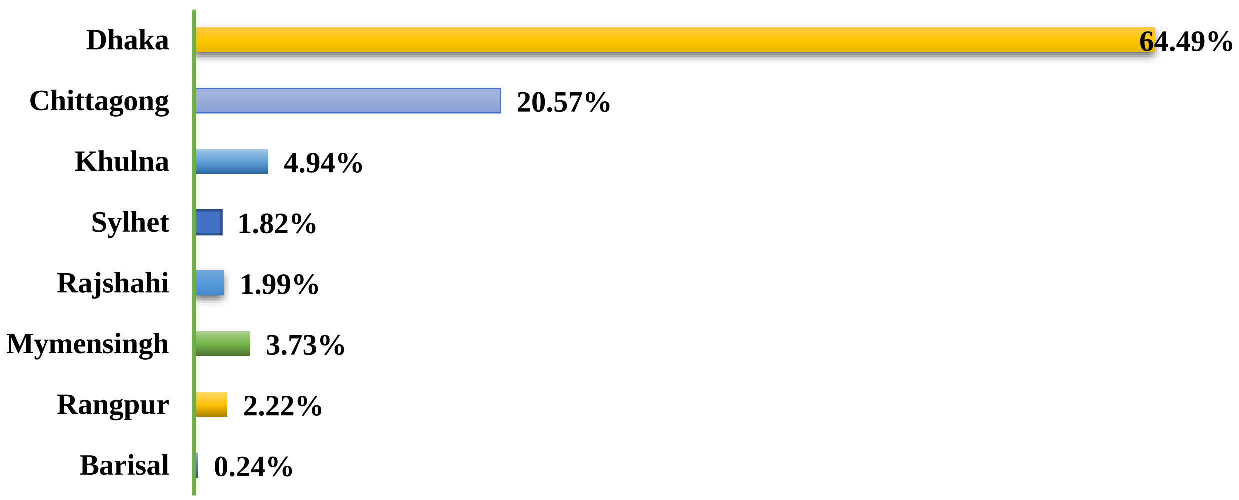
Particulars	Amount in Million
Continuous loan (CL-2)	
Consumer Finance	1,751.55
Small & Medium Enterprise (SME)	10,307.91
Loans to BHs/MBs/SDs against Shares	1039.58
Other Corporate Loans	26,936.19
Total	**40,035.23**
Demand loan (CL-3)	
Small & Medium Enterprise	7,624.43
Consumer Finance	7.97
Corporate Loans	42,620.67
Total	**50,253.07**

Term loan (CL-4)	
Consumer Finance (including staff, other than HF)	2,644.38
Housing Finance (HF)	6,057.39
Small & Medium Enterprise (SME)	6,877.65
Loans to BHs/MBs/SDs against Shares	8.82
Loans to Professionals to setup Business (LP)	4.25
Corporate Loans	107,093.68
Total	**122,686.17**
Short term Agri-credit and microcredit (CL-5)	
Short term Agri-credit	23.47
Total	**23.47**
Staff loan	**1,164.08**
Off Shore Banking	**6,901.67**
Total Exposure of Trust Bank Limited	**221,063.69**

(c) Geographical Distribution, Broken down in Significant Areas by Major Types of Credit Exposures of TBL

Division	Amount in Million
Dhaka	142,563.02
Chittagong	45,463.78
Khulna	10,924.67
Sylhet	4,024.36
Rajshahi	4,394.67
Barisal	541.32
Rangpur	4,901.72
Mymensingh	8,250.15
Total	**221,063.69**

Geographical Concentration of Loans and Advances

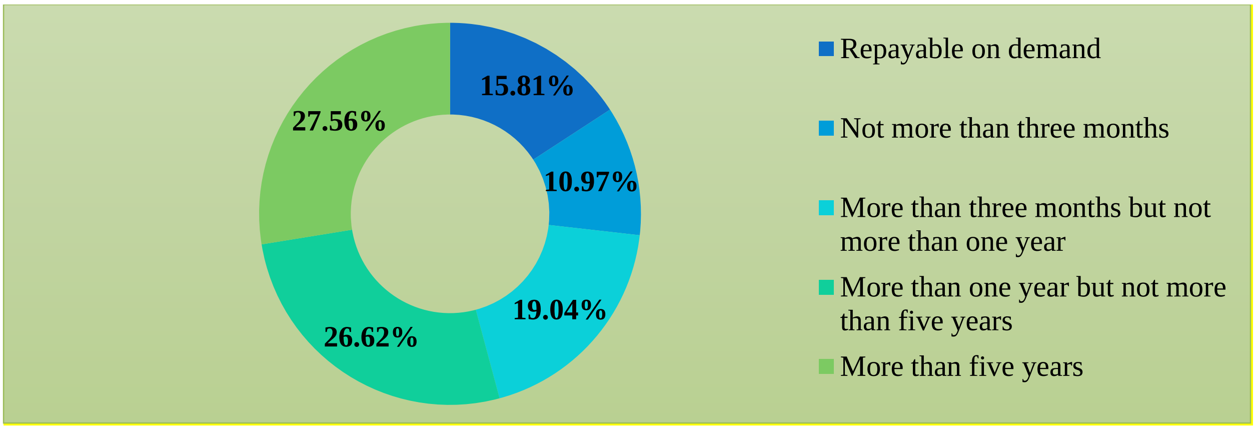


(d) Industry or counterparty type distribution of exposures, broken down by major types of credit exposure of TBL:

Industry Type	**Amount in Million**
Agriculture, Fishing, and Forestry	3,810.25
RMG	26,412.13
Textile	8,428.76
Food and allied industries	15,097.58
Pharmaceutical industries	2,944.07
Chemical, fertilizer, etc.	3,660.76
Cement and ceramic industries	4,717.33
Ship building industries	1,198.21
Ship breaking industries	3,005.93
Power and gas	11,388.74
Other manufacturing or extractive industries	29,369.40
Service industries	16,121.25
Other Industry	466.09
Trade & Commerce	18,473.60
Construction (commercial real estate, construction and land development loans)	33,460.09
Transport	847.31
Consumer financing	35,438.85
Loans to financial institutions	3,862.13
Miscellaneous	2,361.20
Total Exposure	**221,063.69**

(e) Residual Contractual Maturity Breakdown of the Whole Portfolio, Broken down by Major Types of Credit Exposure of TBL:

Particulars	**Amount in Million**
Repayable on demand	34,960.43
Not more than three months	24,256.22
More than three months but not more than one year	42,084.24
More than one year but not more than five years	58,842.84
More than five years	60,919.96
Total	**221,063.69**



(f) By major industry or counterparty type of TBL:

- **Amount of impaired loans and if available, past due loans, provided separately:**

Amount in Million

Industry	Impaired*	Past due
Small & Medium Enterprise Financing	948.30	5,860.40
Consumer Financing	71.31	1,945.06
Housing Finance	-	352.08
Loans for Professionals to setup business	-	-
Loans to BHs/MBs/SDs against Shares etc.	-	-
Other Corporate Credit	4,675.00	18,499.45
Short Term Agri Credit & Micro Credit	-	8.60
Staff Loan	-	-
Total	**5,694.61**	**26,665.59**

*** Impaired Loan is determined from Gross NPL after deducting the value of eligible security.**

- **Specific and general provision (Required):**

Amount in Million

Sector	General Provision	Specific Provision
Small & Medium Enterprise Financing	52.67	1,875.49
Consumer Financing	86.52	56.49
Housing Finance	57.39	48.56
Loans for Professionals to setup business	0.08	-
Loans to BHs/MBs/SDs against Shares etc.	20.97	-
Other Corporate Credit	1,587.86	6,910.00
Short Term Agri Credit & Micro Credit	0.20	0.93
Against Off-Balance Sheet	855.16	-
TBL Total	**2,660.85**	**8,891.47**
"Special General Provision for COVID-19"	69.02	-
Off-shore Banking Unit	**703.12**	**-**
Grand Total	**3,432.99**	**8,891.47**

Charges for specific allowances and charge-offs during the period:

Amount in Million

Against Unclassified Loans & Advances	
Provision held on 1 January	2,995.01
Provisions made during the year	(526.50)
Provision held at end of year	**2,468.51**
Against Special Mention Accounts	
Provision held on 1 January	69.30
Provisions made during the year	(29.00)
Provision held at end of year	**40.30**

General Provision for Off Balance Sheet Exposures	
Provision held on 1 January	793.59
Provisions made during the year	61.57
Provision held at end of year	**855.16**

Provision for Off-shore Banking Units	
Provision held on 1 January	29.78
Provisions made during the year	39.24
Provision held at end of year	**69.02**

(g) Gross Non Performing Assets (NPAs):

Amount in Million

Gross Non Performing Assets (NPAs)	**9,966.15**
Non Performing Assets (NPAs) to outstanding loans & advances	4.51%
Movement of Non Performing Assets for NPAs	
Opening balance	11,577.08
Additions	-
Reductions	1,610.93
Closing Balance	**9,966.15**
Movements of specific provisions for NPAs	
Opening balance	5,758.36
Provision made during the period	3,328.73
Recovery from Previously Written-Off debts	81.20
Write-off	(335.61)
Write back of excess provisions	58.79
Closing Balance	**8,891.47**

5. Equities: Disclosures for Banking Book Positions

Qualitative Disclosures

(a) Differentiation between holdings on which capital gains are expected and those taken under other objectives including for relationship and strategic reasons:

Investment in equity is mainly for capital gain purpose but Bank has some investment for relationship and strategic reasons. Investment in equity securities by TBL is broadly categorized into two parts:

- **Quoted securities** include Common shares, Mutual funds listed with Stock Exchanges. These instruments are categorized as trading book assets. Investment in trading book includes securities holding for capital gains, dividend income and securities holding for strategic reasons.

- **Unquoted securities** are categorized as banking book equity exposures which are further subdivided into two groups: unquoted securities which are invested without any expectation that these will be quoted in near future i.e. held to maturity (HTM) and securities that are acquired under private placement or IPO and are going to be traded in the secondary market after completing required formalities. Usually these securities are held for trading (HFT) or investment for making capital gains.

(b) Discussion of important policies covering the valuation and accounting of equity holdings in the banking book. This includes the accounting techniques and valuation methodologies used, including key assumptions and practices affecting valuation as well as significant changes in these practices:

The equity markets are traditionally volatile with a high-risk, high-returns profile. As such investors in the equity market have to plan and strategize to reduce their risks and increase their returns. The primary aim is capital gain or 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. As per Bangladesh Bank (BB) guidelines, Held for Trading (HFT) equity securities are mark-to-market (revalued) once a week, and HTM equity securities are amortized annually. HTM securities are revalued if reclassified to HFT (with approval of the Board of Directors). The quoted shares of the bank are valued at cost or market price, whichever is lower.

Quantitative Disclosures:

a. Total Unrealized gains/ losses:

Particulars		Amount in Million
(i)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:	Cost Price	**2,929.87**
	Market Price	**1,900.23**
Difference		**(1,029.64)**
(ii) Cumulative realized gains (losses) arising from sales and liquidations in the reporting period		**42.16**
(iii) Total unrealized gains (losses)		**(1,029.64)**

b. Required Capital Charge on Equities

Amount in Million

Particulars	**Solo**	**Consolidated**
General market risk	18.52	187.15
Specific risk	18.52	187.15
Total capital charge	**37.04**	**374.30**

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

Qualitative Disclosure:

(a)The general qualitative disclosure requirement including the nature of IRRBB and key assumptions, including assumptions regarding loan prepayments and behavior of non-maturity deposits, and frequency of IRRBB measurement:

Interest Rate Risk is the risk which affects the Bank's financial condition due to changes of market interest rates. Changes in interest rates affect both the current earnings (earnings perspective) as also the net worth of the Bank (economic value perspective). Bank assesses the interest rate risk both in earning and economic value perspective.

The process of interest rate risk management by the bank involves determination of the business objectives, expectation about future macro-economic variables and understanding the money markets and debt market in which it operates. Interest rate risk management also includes quantifying the appetite for market risk to which bank is comfortable.

The Bank proactively manages impact of IRRBB as a part of its ALM activities. ALM policy defines the different types of interest rates risks that are to be monitored, measured and controlled. ALCO decides strategies for managing IRRBB at the desired level. ALM Committee periodically gives direction for management of interest rate risk on the basis of its expectations of future interest rates. Based on the guidance, ALCO manages the IRRBB with the help of various tools i.e. gap analysis, earning at risk (EaR), duration of equity (DoE) and stress testing for basis risk.
Our interest rate risk management involves the application of four basic elements in the management of assets, liabilities, and OBS instruments.

- **(a) Appropriate senior management oversight**
- **(b) Adequate risk management policies and procedures**
- **c) Appropriate risk measurement, monitoring, and control functions**
- **d) Comprehensive internal controls**

IRRBB Identification, Measurement, Monitoring and Reporting:

IRRBB architecture is the framework to measure, monitor and control the adverse impact of interest rates on the Bank's financial condition within tolerable limits. This impact is calculated from following perspectives:

- **Earnings perspective:** Indicates the impact on Bank's Net Interest Income (NII) in the short term.

- **Economic perspective:** Indicates the impact on the net- worth of bank due to re-pricing of assets, liabilities and off-balance sheet items.

The ALM & Market Risk Policies define the framework for managing IRRBB through measures such as:

- **Quartely Stress Testing**
- **Gap Analysis**
- **Re-pricing Schedule**

- **Stress Testing**: It is used for measuring the Interest rate risk on its Balance Sheet exposure for estimating the impact on the Capital to Risk Weighted Assets Ratio (CRAR).
- **Duration Gap Analysis**: A weighted maturity/re-pricing schedule is used to evaluate the effects of changing interest rates on bank's economic value by applying sensitivity weights to each time band. Such weights are based on estimates of the duration of the assets and liabilities that fall into each time band.
- **Re-pricing Schedule:** This analysis is used to measure and manage interest rate risk exposure specifically, bank's re-pricing and maturity imbalances. Gap reports stratify bank's rate sensitive assets, liabilities, and off-balance sheet instruments into maturity segments (time bands) based on the instrument's next re-pricing or maturity date.

Quantitative Disclosures:

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

Particulars	Amount (BDT)		
Market Value of Assets	357,460.13 (Million)		
Market Value of Liabilities	340,142.59 (Million)		
Weighted Average of Duration of Assets (DA)	2.13		
Weighted Average of Duration of Liabilities (DL)	1.19		
Duration GAP (DA-DL)	1.01		
Yield to Maturity (YTM-Assets)	5.97%		
Yield to Maturity (YTM-Liability)	3.38%		
Magnitude of Interest Rate Change	**1%**	**2%**	**3%**
Change in market value of equity due to and increase in interest rate	(3,391.23) Million	(6,782.46) Million	(10,173.69) Million
Stress Testing	**Minor**	**Moderate**	**Major**
Regulatory capital (after shock)	23,499.90 (Million)	20,108.60 (Million)	16,717.40 (Million)
RWA (after shock)	195,648.60 (Million)	195,648.60 (Million)	195,648.60 (Million)
CAR (after shock)	12.01%	10.28%	8.54%

7. Market Risk

Qualitative Disclosures:

The Bank has set up vigorous Market Risk management process which sets out the broad guidelines for managing Market Risk that the Bank is exposed to. Management of market risk encompasses risk identification, measurement, setting up of limits and triggers, monitoring, control, reporting and taking corrective actions, where warranted.

The Market Risk management process at the Bank ensures that the Treasury dealings in the product that are exposed to market risk are within the risk appetite of the Bank. The Board approved risk appetite is handed down as limits to Financial Markets Group. The prescribed limits are monitored by the Market Risk and reported as per the guidelines laid down from time to time. The Bank manages its market risk by taking equal and opposite derivative positions in the market. Our trading activities are conducted in our Financial Markets and Treasury businesses.

Treasury's trading activity represents dealings that include the management of interest rate, foreign exchange (FX) and credit spread risk associated with wholesale funding, liquid asset portfolios and hedging of foreign currency earnings and capital deployed offshore.

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

There is an approved policy to monitor risks related to changes in market dynamics. The Board approves all policies related to market risk, sets limits and reviews compliance on a regular basis. The objective is to provide cost effective funding to finance asset growth and trade related transactions whilst meeting customers' requirements.

(b) Methods used to Measure Market risk:

The Bank currently follows the standardized approach for computation of market risk as per the guidelines of Bangladesh Bank. The total capital requirement in respect of market risk is the aggregate capital requirement calculated for each of the risk sub-categories. For each risk category minimum capital requirement is measured in terms of two separately calculated capital charges for "specific risk" and "general market risk" as under:

Component of Market Risk	Capital Charged for Market Risk	
	General Market Risk	Specific Market Risk
Interest Rate Risk	Applied	Applied
Equity Price Risk	Applied	Applied
Foreign Exchange Risk	Applied	
Commodity Position Risk	Applied	

(c) Market Risk Management System:

To manage the interest rate risk, ALCO regularly monitors various ratios and parameters. Of the ratios, the key ratios that ALCO regularly monitors are Liquidity Coverage Ratio (LCR), Net Stable Funding Ratio (NSFR), and Maximum Cumulative Outflow (MCO), Liquid asset to total assets, Volatile liability dependency ratio, Snap liquidity ratio and Short term borrowing to Liquid assets ratio. ALCO also regularly monitors the interest rate sensitive gap and duration gap of total portfolio. To manage foreign exchange risk of the bank, the bank has adopted the limit set by central bank to monitor foreign exchange open positions. Foreign exchange risk is computed on the sum of net short positions or net long positions, whichever is higher.

(d) Policies and Processes for mitigating market risk:

There are approved limits for Market risk related instruments both on-balance sheet and off-balance sheet items. The limits are monitored and enforced on a regular basis to protect against market risks. The exchange rate committee of the Bank meets on a daily basis to review the prevailing market condition, exchange rate, foreign exchange position and transactions to mitigate foreign exchange risks.

Quantitative Disclosures:

The Capital requirements for specified risk are as follows:

Amount in Million

Market Risk	Capital Requirement (Solo)	Capital Requirement (Consolidated)
Interest Rate Related instruments	600.69	600.69
Equities	37.05	374.30
Foreign Exchange Position	147.60	147.60
Commodities	-	-
Total	**785.34**	**1,122.59**

8. Operational Risk

Qualitative Disclosures:

(a)Views of BOD on system to reduce Operational Risk:

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. It is inherent in all activities arising out of Bank's business and operations and could result in financial losses, litigation, regulatory fines or other damage to the Bank. The severity of impact on the bank, its employee and customers is dependent on the efficacy with which operational risk is managed by the Bank. The goal is to keep operational risk at appropriate levels, in light of the Bank's financial strength, the characteristics of its businesses, the markets in which it operates, and the competitive and regulatory environment in which it operates. The bank manages these risks through appropriate risk controls and loss mitigation actions. These actions are put in place through the policies, procedures, contractual business continuity arrangements, training, and risk monitoring and reporting.

(b) Performance Gap of Executive and Staff:

Performance of employees is critically important to achieve organizational goals for that reason TBL ensures equal opportunity to its employees. TBL has a policy to provide competitive remuneration package and best working environment to attract and retain the most talented people available in the industry. Our recruitment and selection procedure are governed by the Philosophies of equality, transparency and assortment.

The bank believes that, training and knowledge sharing is the best way to reduce the performance gap. TBL offers a wide range of internal and external training programs to enhance the capabilities of its employees so that they can perform their assigned job more efficiently. As a result, there is no significant performance gap.

(c) Potential external events:

Like other banks, TBL also operates its business with few external risk factors relating to the socio-economic condition, political atmosphere, regulatory policy changes, change in demand , natural disaster etc. Considering the potential external risks, TBL is continuously working on identifying, assessing, mitigating, monitoring such operational risks factors which may have impact on the achievement of the bank's business objectives.

(d) Policies and processes for mitigating operational risk:

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 errors, inadequate or failed internal process and technical system, fraud or any other adverse external event. The Bank has adopted policies to deal with different operational risks. The Internal Control and Compliance Division of the Bank, the inspection teams of Bangladesh Bank, and external auditors had conducted inspections in different branches and divisions at Head office throughout the year and prepared the reports according to the findings of those inspections. Considering the suggestions and observations of those reports management took essential control measures and corrective actions.

In 2020 IC&C Division conducted following No. of audit:

No. of Comprehensive Audit at Branches	95 Branches
No. of Comprehensive Audit at Head Office	31 Divisions/ Departments
No. of Spot audits	**a)** 0 Spot Audit **b)** 28 IT Audit **c)** 64 no. pay point audits
No. of Spot Inspection	23 spot inspection report

TBL strongly follows the KYC norms for its customer dealings and other banking operations. Banks Anti- Money laundering activities are headed by CAMLCO in the rank of Executive Vice President and their activities are devoted to protect against all money laundering and terrorist finance related activities.

The newly established Central Customer Service & Complaint Management Cell was also engaged in mitigating the operation risks of the Bank. Apart from that, there is adequate check and balance at every stage of operation, authorities are properly segregated and there is at least dual control on every transaction to protect against operational risk.

(e) Approach for Calculating Capital Charges for Operational Risk:

The Bank follows the Basic Indicator Approach (BIA) in terms of BRPD Circular No. 18 dated 21 December 2014, Guidelines on Risk Based Capital Adequacy (Revised Regulatory Capital Framework for banks in line with Basel III). The BIA stipulates 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. It also states that if the annual gross income for any year is negative or zero, that should be excluded from both the numerator and denominator when calculating the average gross income. The capital charge for operational risk is enumerated by applying the following formula:

K = [(GI 1 + GI 2 + GI 3) α]/n

Where-

K = the capital charge under the Basic Indicator Approach

GI = only positive annual gross income over the previous three years (i.e., negative or zero gross income if any shall be excluded)

α = 15 percent

n = number of the previous three years for which gross income is positive.

Quantitative Disclosures:

The capital requirements for operational risk:

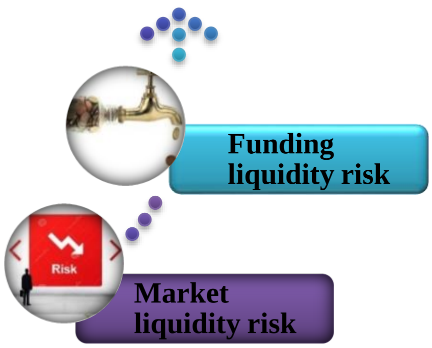
Amount in Million

Particulars	Solo	Consolidated
Minimum Capital Requirement for Operation Risk	**1,815.66**	**1,854.57**

9. Liquidity Ratio

Qualitative Disclosures:

Banks in general are vulnerable to liquidity and solvency problems resulting from asset and liability mismatches. Liquidity Risk is the risk that the bank does not have adequate financial resources to meet its commitments in time as they fall due or will have to do so at excessive cost. Thus, liquidity risk can be of two types:



- **Funding liquidity risk:** the risk that a firm will be unable to fulfill its current and future cash flow and collateral needs without affecting its daily operations or its financial condition

- **Market liquidity risk:** the risk that a firm cannot easily offset or sell a position without incurring a loss because of inadequate depth in the market.

(a) Views of Board of Directors on system to reduce Liquidity Risk:

TBL manages liquidity risk in accordance with its Asset Liability Management (ALM) Policy. This policy is framed as per the extant regulatory guidelines and is approved by the Board of Directors. The ALM Policy is reviewed periodically to incorporate changes as required by regulatory stipulation or to realign with changes in the economic landscape. The Asset Liability Management Committee (ALCO) of the Bank formulates and reviews strategies and provides guidance for management of liquidity risk within the framework laid out in the ALM Policy.

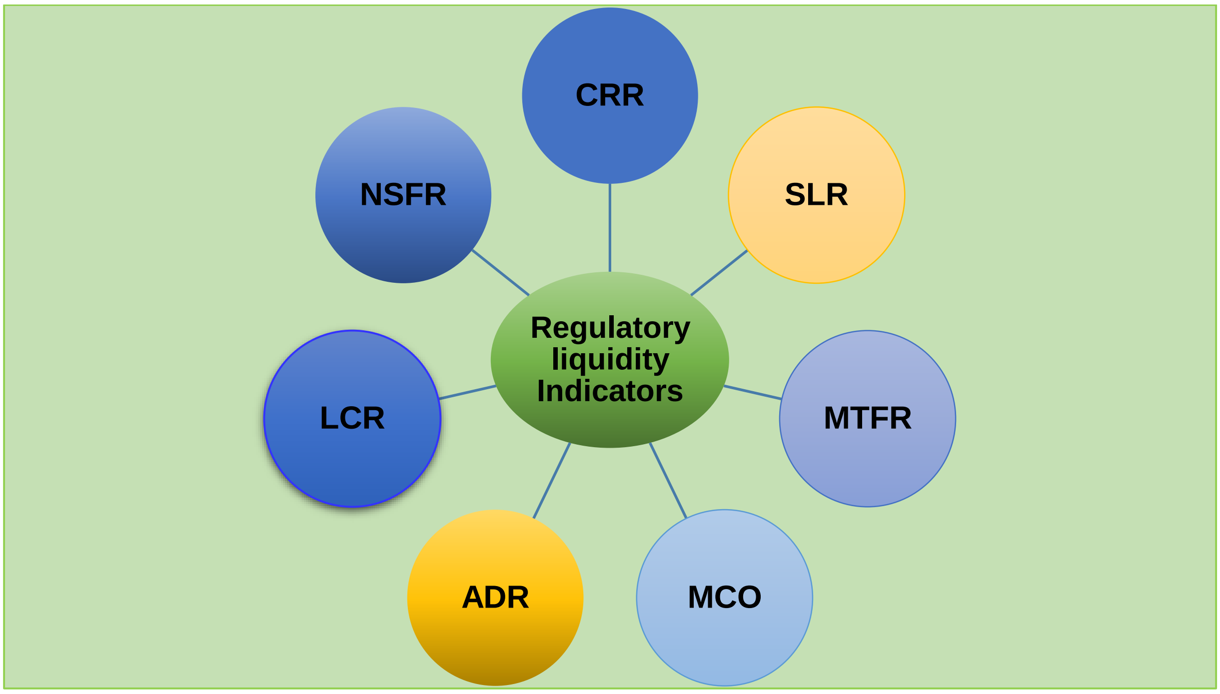
The Bank proactively manages liquidity risk as a part of its ALM activities. The Bank uses various statements, liquidity ratios and stress testing through scenario analysis. TBL has also framed a Liquidity of tight liquidity conditions. The LCP includes various indicators which are monitored regularly, and lays down the mechanism for escalation, remedial action and crisis management until return to normalcy.

(b) Methods used to measure Liquidity risk:

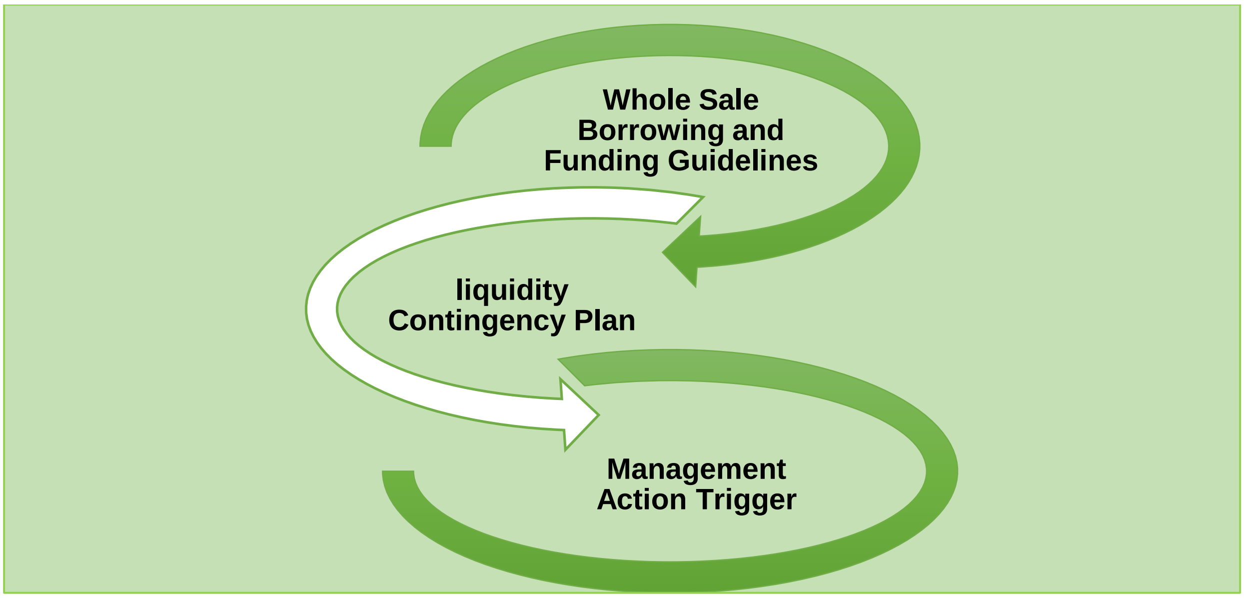
TBL follows Bangladesh Bank's Risk Based Capital Adequacy guideline in line with Basel III for proper assessment and management of liquidity risk of the bank. TBL also started to follow DOS circular no. 1, dated 1st January, 2015, on Implementation of Basel III liquidity ratio.

In the perspective of Bangladesh, identifying and monitoring the driving factors of liquidity risk is viewed from the following aspects:

i. Regulatory liquidity Indicators (RLIs):



ii. Bank's own liquidity monitoring tools:



(c) Liquidity Risk Management System:

ALM strategy of TBL is designed to ensure that funding is available to meet liability repayments on time and to fund all investment opportunities in times of stress either by increasing liabilities or by converting assets into cash expeditiously and at reasonable cost.

Responsibility of managing liquidity lies with Asset Liability Committee (ALCO) of the bank which meets at least once in every month. Asset and Liability Management (ALM) desk closely monitors and controls liquidity requirements on a daily basis by proper coordination of funding activities. A monthly projection of fund flows is reviewed in ALCO meeting on a regular basis.

(d) Policies and processes for mitigating liquidity risk:

At Trust Bank Limited, Asset-Liability Management Committee (ALCO) has responsibility for monitoring liquidity measures and limits. ALCO reviews the policy at least annually or as and when required by taking into consideration of any changes in the market dynamics and appropriateness and put recommendation for changes in policy to the Board for approval. Board Risk Management Committee set policies and process to mitigate all risks including Liquidity risk.

Quantitative Disclosures:

Liquidity Coverage Ratio (%)	316.29%
Net Stable Funding Ratio (%)	122.59%
Stock of High quality liquid assets	102,880.60 (Million)
Total net cash outflows over the next 30 calendar days	32,527.27 (Million)
Available amount of stable funding	298,486.70 (Million)
Required amount of stable funding	243,475.16 (Million)

10. Leverage Ratio

Qualitative Disclosures:

(a) Views of BOD on system to reduce excessive 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 by Bangladesh Bank. The leverage ratio is calibrated to act as a credible supplementary measure to the risk based capital requirements.

The leverage ratio is intended to achieve the following objectives:

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

The policy for Leverage Ratio including on and off balance sheet exposure and capital related policy. Boards of Directors of TBL are continuously monitoring the exposure limit of lending, capital strength of the Bank in order to avoid building-up excessive on- and off-balance sheet leverage. The Board of Directors and its Executive Committee hold the supreme authority for any credit approval in line with the credit committee consisting of the senior management of the bank.

(b) Policies and processes for managing excessive on and off-balance sheet leverage:

TBL follows Bangladesh Bank's Risk Based Capital Adequacy guideline in line with Basel III. There are approved limits for instruments both on-balance sheet and off-balance sheet items. The limits are monitored and enforced on a regular basis to protect against such risk.

(c) Approach for calculating exposure:

The bank will maintain leverage ratio on quarterly basis. The exposure measure for the leverage ratio will generally follow the accounting measure of exposure.

In order to measure the exposure consistently with financial accounts, the following will be applied by the bank:

- On balance sheet, non-derivative exposures will be net of specific provisions and valuation adjustments (e.g. surplus/ deficit on available for sale (AFS)/ Held-for-trading (HFT) positions).
- Physical or financial collateral, guarantee or credit risk mitigation purchased is not allowed to reduce on-balance sheet exposure.
- Netting of loans and deposits is not allowed.

(d) Calculation of Leverage Ratio:

A minimum Tier 1 leverage ratio of 3% is being prescribed both at solo and consolidated level.

Leverage Ratio = Tier 1 Capital (after related deductions)/ Total Exposure (after related deductions)

Quantitative Disclosures:

Amount In Million

Particulars	Solo	Consolidated
Leverage Ratio (%)	4.30%	4.42%
On balance sheet exposure	345,886.86	347,566.30
Off balance sheet exposure	46,324.65	46,385.18
Total exposure	392,029.70	393,765.25

11. Remuneration

Trust bank Limited is committed to ensure remuneration practices that enable the Bank to attract, develop and retain top talents. The remuneration system combines the need to maintain a high performance culture along with market competitiveness. The following remuneration disclosures have been prepared in accordance with 'Guidelines on Risk Based Capital Adequacy (RBCA) for banks' provided by Bangladesh Bank.

The qualitative remuneration disclosures are broader in scope and cover all the employees where as the quantitative information relates to senior managers and material risk takers of the Bank, for the financial year ended December 31, 2020.

Qualitative Disclosures:

(a) Information relating to the bodies that oversee remuneration:

Remuneration Committee provides assistance to the Board of Directors to approve the policies regarding remuneration. The Committee consists of the following members as on Dec 31, 2020:

- Mr. Ahsan Zaman Chowdhury, DMD, Chairman
- Mr. Brig Gen Akhtaruzzaman Siddique (Retd), SEVP
- Mr. Brig Gen Kamrul Islam (Retd), SEVP
- Mr. Md. Mahboob Hossain, EVP
- Ms. Mahmuda Momen, SVP
- Mr. Maj. A B M Nurul Islam (Retd), SVP
- Mr. Md. Mahfuzur Rahman, SAVP

Basically, the committee is responsible for:

- Any change in remuneration policy and structure by outlining the detailed procedure for exercising them
- Offering competitive remuneration packages for employees in each job grade commensurate with their job responsibilities
- Providing basis on which performance based remuneration will be provided to the employee

The Bank has no permanent external consultant for managing remuneration, but expert opinion may be sought by the Management, in case to case basis, regarding taxation, legal and other issues.

The Bank has no foreign subsidiaries; rather it has branches in different regions of the country. The remuneration policy follows same rule and does not change due to the employees working in different regions of the country.

Including MD & CEO the Bank has Thirty nine (39) “Senior managers (SVP & above)”, at the end of the reporting period.

(b) Information relating to the design and structure of remuneration processes:
Objective of Bank’s Compensation policy is:

- To ensure fair reward management system for the employees in line with the Bank’s core values and strategic business goals
- To provide a competitive pay package compared to the best practices in the industry
- To ensure effective governance of compensation

The structure of remuneration packages for employees of the Bank consists of following components:

- Fixed Remuneration;
- Variable Pay &
- Employee Benefits

The fixed remuneration is made up of base remuneration including salary and other fixed allowances paid in cash. Fixed remuneration differs from grade to grade and generally changes with promotion/demotion to the higher/lower grades and increment.

Variable pay consists of incentive bonuses paid on the basis of the individual performance subject to annual profit of the Bank. Therefore, individual performance is measured and reviewed against set goals, which include financial and non-financial metrics.

Gratuity Fund, Provident Fund and Superannuation Funds are maintained by the Bank for employees as a future/long term benefit. Such remunerations differ based on the grade, basic pay and length of service of an employee. In addition, TBL has Employees’ Hospitalization Benefit Scheme to cover employees’ hospitalization expenses.

Moreover, the employees having job responsibilities involving risk factors are allowed risk allowances as prescribed in the policy. In addition, employees with supervisory responsibilities are also provided additional benefits besides their regular pay.

(c) Description of the ways in which current and future risks are taken Into account in the remuneration processes:

Banking sector of Bangladesh being very competitive, remuneration system is basically driven by market dynamics. Due to huge competition in a crowded market with substantial number of participants, restructuring of compensation package is more frequent than other industries. Trust Bank always strives to ensure internal equity and fair treatment in its remuneration system to be competitive in such industry. It takes into account the following key risks when managing and determining remuneration processes:

- Financial Risks
- Compliance Risks

To make the compensation package fair, market survey is conducted from time to time when felt required so that

- The package logically compensates employees for their expertise, time, mental and social engagement with the organization.
- The package ensures internal & external equity

Moreover, the bank manages key risks through its strategic and business unit plans, risk management framework, policies and procedures.

(d) Description of the ways in which the bank seeks to link performance:

Employees' performance is appraised annually in line with the achieved objectives, which have a positive and direct impact in their pay package. Incentive Bonus is directly linked with the employees' individual rating during their performance evaluation process. These ratings are also key parameters for employees to be considered for promotion.

(e) Description of the ways in which the bank seeks to adjust remuneration to take account of longer-term performance:

The Bank's remuneration system is designed to reward long-term as well as short-term performance, encourage retention and recognize special performance in the organization. The Bank provides remuneration considering the long-term performance of the employees (i.e. provident fund, gratuity, superannuation etc.).

In case of following situation remuneration can be adjusted before vesting:

- Disciplinary action (at the discretion of management)
- Resignation of the employee prior to the payment date.

At the same time previously paid or already vested variable pay can also be recovered under the case of disciplinary action (at the discretion of management)

(f) Description of the different forms of variable remuneration that the bank utilizes and the rationale for using those different forms:

The main forms of such variable remuneration includes:

- Monthly Cash benefits (Manager's Charge Allowance, Cash Handling Allowance, Key Holding Allowance etc.)
- Incentive plan for the employees to be paid annually (Incentive Bonus)

The form of variable remuneration depends on the job level of individual, risk involved, the time horizon for review of quality of the assignments performed.

Quantitative Disclosure:

(g) Number of Meeting held by the Remuneration Committee during the financial year and remuneration paid to its member:

The committee held 03 (three) meetings during the financial year.

No fees are paid to remuneration committee member or for attending such meeting.

(h) Number of employees having received a variable remuneration award during the financial year:

- **Incentive Bonuses:** 39 Senior Managers

Number and total amount of guaranteed bonuses awarded during the financial year:

- **Festival bonuses:** On an average 38 no. of employees received 3 number of festival bonuses amounted BDT 12,305,700.

Number and total amount of sign-on award made during the financial year:

Nil

Number and total amount of severance payments made during the financial year:

Nil

(i)Total amount of outstanding deferred remuneration, split into cash, shares and share-lined instruments and other forms:

Nil

Total amount of deferred remuneration paid out in the financial year:

Nil

(j) Breakdown of amount of remuneration awards for the financial year to show:

- Fixed Remuneration: BDT 130,662,725.00
- Variable Remuneration: BDT 633,500.00
- Incentive Bonus: BDT 0.00

(k) 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 revaluation of awards) of deferred remuneration and retained remuneration:

Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit and/or implicit adjustments:

Nil

Total amount of reductions during the financial year due to ex post explicit adjustments:
Nil

Total amount of reduction during the financial year due to ex post implicit adjustments:
Nil