Community Bank
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Disclosures on Risk Based Capital (Basel III)

Annual disclosure for the year ended 31 December 2019

Disclosures On Risk Based Capital (Basel III)

Disclosures on Risk Based Capital (Basel III) based on 31 December 2019

Introduction

Basel III is a global regulatory capital and liquidity framework established by the Basel Committee on Banking Supervision ('BCBS'). Basel III includes three complementary pillars:

Pillar 1 establishes minimum capital requirements, defines eligible capital instruments, and prescribes rules for calculating Risk Weighted Asset (RWA).

Pillar 2 requires banks to have an internal capital adequacy assessment process and requires that banking supervisors evaluate each bank's overall risk profile as well as its risk management and internal control processes.

Pillar 3 encourages market discipline through disclosure requirements which allow market participants to assess the risk and capital profiles of banks.

Pillar 3 recognizes that market discipline has the potential to reinforce capital regulation and other supervisory efforts to promote safety and soundness in banks and financial systems. Market discipline imposes strong incentives on banks to conduct their business in a safe, sound and efficient manner. It can also provide a bank with an incentive to maintain a strong capital base as a cushion against potential future losses arising from its risk exposures.

In line with the Bangladesh Bank BRPD Circular 18 dated December 21, 2014 on 'Guideline on Risk Based Capital Adequacy', detailed qualitative and quantitative disclosures are provided in accordance with the central bank directions.

Components of Disclosure

Disclosure is organized as per Bangladesh Bank requirement in the following components:

a) Scope of Application
b) Capital Structure
c) Capital Adequacy
d) Credit Risk
e) Equities: Disclosures for Banking Book Positions
f) Interest Rate Risk in the Banking Book
g) Market Risk
h) Operational Risk
i) Leverage Ratio
j) Liquidity Ratio
k) Remuneration

a) Scope of Application:

Qualitative Disclosures	
a) The name of the top corporate entity in the group to which this guidelines applies	**Community Bank Bangladesh Limited**
b) An outline of differences in the basis of consolidation for accounting and regulatory purposes, with a brief description of the entities within the group (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).	**Community Bank Bangladesh Limited** Community Bank Bangladesh Limited (the "Bank") was incorporated in Bangladesh on 10 October 2018 under the Companies Act, 1994 as a Public Limited Company and received it's banking license from Bangladesh Bank on 1 November 2018 as a scheduled commercial bank. The principal activities of the Bank are to provide all kinds of conventional banking services to its customers through its branches, service desks, and vibrant alternative delivery channels (ATM Booths, Mobile Banking app) in Bangladesh.
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

b) 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 capital.	As per Guidelines on Risk Based Capital Adequacy (Revised Regulatory Capital Framework for Banks in line with Basel III) introduced by Bangladesh Bank, 'Common Equity Tier-1 (CET 1)' **Capital of Community Bank Bangladesh Limited consists of** (i) Paid-up Capital, (ii) Statutory Reserve and (iii) Retained Earnings. Community Bank does not have 'Additional Tier 1 (AT 1)' Capital since it did not issue any instrument that meets the qualifying criteria for Additional Tier 1 Capital. Tier-2 Capital consists of General provision against unclassified loans and advances.

	Compliance with Regulatory Requirements by Community Bank: Conditions for maintaining regulatory capital: The Bank complied with all the required conditions for maintaining regulatory capital as stipulated in the Basel III guidelines as per following details:

Particulars	Minimum Criteria	Status of compliance
Common Equity Tier 1 (CET1) Capital Ratio	4.50%	Complied
Tier 1 capital Ratio	6.00%	Complied
Minimum capital to Risk Weighted Asset Ratio (CRAR) including Capital Conservation Buffer	12.50%	Complied
Maximum limit of Tier-2 capital: Tier 2 capital can be maximum up to 4% of the total RWA or 88.89% of CET-1, whichever is higher.		Complied

Quantitative Disclosures

b) The amount of Regulatory capital of Community Bank Bangladesh Limited under Basel-III for 31 December, 2019 as below:

1. Common Equity Tier-1 (Going Concern Capital)	Solo **Amount in Million**
Paid-up Capital	4,000.00
Statutory Reserve	9.33
Retained Earnings	(8.68)
	4,000.65
Less: Regulatory Adjustment for Tier-1 Capital Goodwill and all other intangible assets (WDV of Software)	(23.99)
Total Common Equity Tier-1 Capital	3,976.66
2. Tier-2 Capital (Gone-Concern Capital)	
General Provision	7.54
Revaluation Reserves for Securities up to 50%	-
Less: Revaluation Reserves for Fixed Assets, Securities & Equity Securities (Phase-in deductions as per Basel III Guideline)	-
Total Admissible Tier-2 Capital	7.54
Total Regulatory Capital	3,984.20

c) 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 follows following approaches for calculating Risk Weighted Asset (RWA) as per Basel-III guidelines stated in BRPD Circular No.18 dated December 21, 2014 of Bangladesh Bank: • Standardized approach for credit risk • Standardized approach for Market risk • Basic indicator approach for operational risk

Quantitative Disclosures	
Capital requirement under following Risk:	**Amount in Million**
b) Capital requirement for Credit Risk	248.15
c) Capital requirement for Market Risk	0.96
d) Capital requirement for Operational Risk	16.01
e) Total Capital Requirement (b+c+d)	265.13
Minimum Capital Requirement (MCR) Capital Adequacy Ratio (CRAR):	
1. Common Equity Tier 1 (CET 1) Ratio [%]	149.99%
2. Tier 1 Capital Adequacy Ratio [%]	149.99%
3. Tier-2 Capital Adequacy Ratio [%]	0.28%
Capital to Risk-weighted Asset Ratio (CRAR) [%]	150.28%
f) Capital Conservation Buffer (2.50% of RWA) [Million]	66.28
Minimum Capital Requirement (MCR) [Million]	4,000.00

d) Credit Risk:

Qualitative Disclosures

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

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

As per relevant Bangladesh Bank guidelines, the Bank defines the past due and impaired loans and advances for strengthening the credit discipline and mitigating the credit risk of the Bank. The impaired loans and advances are defined on the basis of (i) Objective/ Quantitative Criteria and (ii) Qualitative judgment. For this purposes, all loans and advances are grouped into 4 (four) categories namely- (a) Continuous Loan, (b) Demand Loan, (c) Fixed Term Loan, and (d) Short-term Agricultural & Micro Credit.

Definition of past due/ overdue

- 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. Whereas, In case of any installment(s) or part of installment(s) of a Fixed Term Loan is not repaid within the fixed expiry date, the amount of unpaid installment(s) will be treated as past due/overdue after six months of the expiry date.

However, a continuous loan, demand loan or a term loan which will remain overdue for a period of 2 (two) months or more, will be put into the “Special Mention Account (SMA)”, the prior status of becoming the loan into impaired/ classified/ non-performing.

Definition of impaired/ classified/ non-performing loans and advances are as follows:

- A Continuous Loan, Demand Loan, Fixed Term Loan or any installment(s)/part of installment(s) of a Fixed Term Loan which will remain past due/overdue for a period of 03 (three) months or beyond but less than 09 (nine) months, the entire loan will be put into the "Sub-standard (SS)".
- A Continuous Loan, Demand Loan, Fixed Term Loan or any installment(s)/part of installment(s) of a Fixed Term Loan which will remain past due/overdue for a period of 09 (nine) months or beyond but less than 12 (twelve) months, the entire loan will be put into the "Doubtful (DF)".

- A Continuous loan, Demand loan, Fixed Term Loan or any installment(s)/part of installment(s) of a Fixed Term Loan which will remain past due/overdue for a period of 12 (twelve) months or beyond, the entire loan will be put into the "Bad/Loss (B/L)".
- Loans have to be treated as defaulted loan as per section 5(GaGa) of the Banking Companies Act, 1991 and to be reported accordingly as per formats given in BRPD Circular No.08 dated August 02, 2015. In this regard, a portion of the "Sub-standard (SS)" loans will be reported as defaulted loan.

Short-term Agricultural and Micro-credit: The Short-term Agricultural and Micro Credit will be considered irregular if not repaid within the due date as stipulated in the loan agreement. If the said irregular status continues, the credit will be classified as 'Sub-standard' after a period of 12 months, as 'Doubtful' after a period of 36 months and as 'Bad/Loss' after a period of 60 months from the stipulated due date as per the loan agreement.

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

Loan Type	Rates of Provision				
	Un- Classified		Classified		
	Standard	SMA	SS	DF	BL
All unclassified loans (other than loans under small enterprise and consumer financing and BHs, MBs, SDs)	1.00%	1.00%	20%	50%	100%
Small and medium enterprise financing	0.25%	0.25%	20%	50%	100%
Consumer financing (other than housing finance, credit card and loans for professionals under consumer financing scheme)	5.00%	5.00%	20%	50%	100%
Consumer financing (for housing finance)	1.00%	1.00%	20%	50%	100%
Consumer financing (for credit card)	2.00%	2.00%	20%	50%	100%
Consumer financing (for professionals)	2.00%	2.00%	20%	50%	100%
Loans to Brokerage Houses (BHs)/ Merchant Banks(MBs)/ Stock Dealers (SDs) against Shares etc.	2.00%	2.00%	20%	50%	100%
Short term Agricultural & Micro-Credits	1.00%	-	5%	5%	100%

iii) Discussion of the Bank's credit risk management policy

The Bank has put in place a well-structured Credit Risk Management Policy duly approved by the Bank's Board of Directors. The Policy document defines Credit risk organization structure, role & responsibilities and the processes whereby Credit Risks carried out by the Bank can be identified, quantified & managed within policy. Credit Risk is monitored on a bank-wide basis and compliance with the risk limits approved by Board/Risk Management Committee of Board.

Community Bank has taken earnest steps to put in place best credit risk management practices in the bank. Besides, the bank has framed a policy on Valuation Methodology with the approval by the Board. According to methodology, such securities normally accepted by the Bank to protect the interest. These securities act as mitigation against the credit risk to which the bank is exposed.

Quantitative Disclosures

(b)Total gross credit risk exposures broken down by major types of credit exposures:

Major types of credit exposure as per disclosures in the audited financial statements as of 31 December 2019

In Million Taka

Particulars	Outstanding Amount	Mix (%)
Overdrafts	105.32	15.43%
Term loans	540.16	79.15%
Staff loans	36.95	5.41%
Bills purchased and discounted	-	0.0%
Total Loans and advances	682.43	100.00%

(c) Geographical distribution of exposures, broken down in significant areas by major types of credit exposure:

Geographical distribution of credit exposures as per the disclosures in the audited financial statements as of 31 December 2019 are as follows:

In Million Taka

Particulars	Outstanding Amount	Mix (%)
Dhaka Division	682.43	100.00%
Chittagong Division	-	0.00%
Khulna Division	-	0.00%
Rajshahi Division	-	0.00%
Barisal Division	-	0.00%
Sylhet Division	-	0.00%
Rangpur Division	-	0.00%
Mymensingh Division	-	0.00%
Total	**682.43**	**100.00%**

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

Industry or counterparty type distribution of exposures, broken down by major types of credit exposures as per the disclosures in the audited financial statements as of 31 December 2019 are as follows:

(i) Loans and Advances including bills purchased and discounted on the basis of significant concentration:

In Million Taka

Particulars	Outstanding Amount	Mix (%)
Commercial lending	-	0.00%
Agricultural loan	-	0.00%
Large industry Loan	98.95	14.50%
Consumer credit scheme	28.88	4.24%
Small and medium enterprise financing	-	0.00%
Staff loan	36.95	5.41%
House building loan (other than the employees)	-	0.00%
Others (Police Portfolio-Salary Back Loan)	517.64	75.85%
Total	**682.43**	**100.00%**

(e) Residual contractual maturity break down of the whole portfolio, broken down by major types of credit exposure:

Residual contractual maturity of exposures as per the disclosures furnished in the audited financial statements as of 31 December 2019 are as follows:

In Million Taka

Particulars	Outstanding Amount	Mix (%)
Repayable on demand	-	0.00%
More than 1 months to 3 months	-	0.00%
More than 3 months to 1 Year	106.27	15.57%
More than 1 year to 5 years	512.32	75.07%
More than 5 years	63.84	9.35%
Total	**682.43**	**100.00%**

(f) By major industry or counterparty type:

a) Amount of impaired loans and if available, past due loans, provided separately: Not applicable

b) Specific and general provisions

Specific and general provisions for loans portfolio and general provision for off-balance sheet exposures of the Bank as per audited financial statements as of 31 December 2019 was as under:

In Million Taka

Particulars of specific and general provisions for entire loan portfolio and off-balance sheet exposures	Amount
Specific provision for loans and advances	-
General provision for loans and advances	7.53
General provision for off-balance sheet exposures	-
Total	**7.53**

	c) Charges for specific allowances and charges-offs (general allowances) during the period The specific and general provisions for loans portfolio and general provision for off-balance sheet exposures of the Bank charged during the year as per audited financial statements for the year ended 31 December 2019 was as under: **In Million Taka**

Particulars	**Amount**
Specific provision for loans and advances	-
General provision for loans and advances	7.53
General provision for off-balance sheet exposures	-
Total	**7.53**

(g) Gross Non Performing Assets (NPAs) : Not applicable

e) Equities: Disclosures for Banking Book Position

Qualitative Disclosures	
(a) The general qualitative disclosure requirement with respect to equity risk, including:	
Differentiation between holdings on which capital gains are expected and those taken under other objectives including for relationship and strategic reasons; and	Not Applicable
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.	at the end of 31 December 2019, the Bank had no investment to the equity instruments/ exposures,
Quantitative Disclosures	
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	Not Applicable
The cumulative realized gains (losses) arising from sales and liquidations in the reporting period. - Realized gain (losses) from equity investments	Not Applicable
• Total unrealized gains (losses) • Total latent revaluation gains (losses) • Any amounts of the above included in Tier 2 capital.	Not Applicable
Capital requirements broken down by appropriate equity groupings, consistent with the bank's methodology, as well as the aggregate amounts and the type of equity investments subject to any supervisory provisions regarding regulatory capital requirements.	Not Applicable

f) Interest rate risk in the banking book (IRRBB):

Qualitative Disclosures:	
(a) The general qualitative disclosure requirement including the nature of IRRBB and key assumptions, including assumptions regarding loan prepayments and behaviour of non-maturity deposits, and frequency of IRRBB measurement	Interest rate risk is the risk where changes in market interest rates might adversely affect a bank's financial condition. Changes in interest rates affect both the current earnings (earnings perspective) as well as the net worth of the bank (economic value perspective). Re-pricing risk is often the most apparent source of interest rate risk for a bank and is often gauged by comparing the volume of a bank's assets that mature or re-price within a given time period with the volume of liabilities that do so.

Qualitative Disclosures:

(b) The impact of changes in interest rate for On-balance sheet Rate sensitive assets and liabilities of Community Bank Bangladesh Limited as of 31 December 2019 is represented below:

In Million Taka

Particulars	3 months	6 months	1 year	above 1 year
Rate sensitive assets **[A]**	4,479.4	136.3	623.1	530.7
Rate sensitive liabilities **[B]**	779.2	553.9	1,027.2	98.9
Net GAP **[A-B]**	3,700.2	(417.6)	(404.1)	431.8
Cumulative GAP	3,700.2	3,282.6	2,878.5	3,310.3
Interest rate change (IRC) **[Note 1]**	1.0%	1.0%	1.0%	1.0%
Net Interest Income (NII) = IRC X gap	9.3	(2.1)	(4.0)	4.3
Negative impact on earnings	(9.3)	2.1	4.0	(4.3)
Adjusted net income [Net profit before provision and tax was Taka 20.2 million for the year ended 31 December 2019) minus negative impact]	11.0	22.4	24.3	16.0

Note 1: Assuming 1% rise in interest rates for both asset and liability portfolio of the Bank.

g) Market Risk:

Qualitative Disclosures	
i) Views of BOD on trading/ investment activities	The Board approves all policies related to market risk, set limits and reviews compliance on a regular basis. The objective is to provide cost effective funding to finance assets growth and trade related transactions. The market risk covers the followings risks of the Bank's balance sheet: i) Interest rate risk; ii) Equity price risk; iii) Foreign exchange risk; and iv) Commodity price risk.
ii) Methods used to measure Market risk	Standardized approach has been used to measure the Market risk. The total capital requirement in respect of market risk is the aggregate capital requirement calculated for each of risk subcategories. For each risk categories minimum capital requirement is measured in terms of two separately calculated capital charges for "specific risk" and "general market risk"
iii) Market Risk Management System	The Treasury Department manages market risk covering liquidity, interest rate and foreign exchange risks with oversight from Asset-Liability Management Committee (ALCO) comprising senior executives of the bank. ALCO is chaired by the Managing Director. ALCO meetings are held at least once in a month.
iv) 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 ALCO of the Bank meets on regular 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 market risk

In Million Taka

The Capital Requirements for:	Amount
• Interest rate risk	0.96
• Equity position risk	-
• Foreign exchange risk	
• Commodity risk	
Total capital requirement for Market risk	**0.96**

h) Operational Risk:

a) Qualitative Disclosures	
i) Views of Board of Directors (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 causes, whether deliberate, accidental or natural. It is inherent in all of the Bank's activities. The policy for operational risks including internal control and compliance risk is approved by the Board taking in to account relevant guidelines of Bangladesh Bank. Audit Committee of the Board directly oversees the activities of the respective division to protect against all operational risk.
ii) Performance gap of executives and staffs	Community Bank is an equal opportunity employer. It has a policy to provide competitive package and best working environment to attract and retain the most talented people available in the industry At Community Bank Bangladesh Limited we recognize the importance of having the right people at right positons to achieve organizational goals.
iii) Potential external events	No potential external events are expected to expose the Bank to significant operational risk.
iv) Policies and processes for mitigating 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: $K = [(GI1 + GI2 + GI3)\ \alpha]/n$ 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.

b) Quantitative Disclosures

The capital requirement for operational risk

In Million Taka

Particulars	Amount
Capital requirement for Operational Risk	16.01
Total Capital Requirement for Operational Risk	**16.01**

i) Liquidity Ratio:

a) Qualitative Disclosures	
i) Views of BoD on system to reduce liquidity Risk	The Board of Directors of Community Bank Bangladesh Limited that has always been giving most importance to minimizing the liquidity risk of the bank. In order to reduce liquidity risk strict maintenance of Cash Reserve Ratio (CRR) and Statutory Liquidity Reserve (SLR) is also being emphasized on a regular basis. As per Basel-III requirement, Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) are also maintained well above the minimum requirement .
ii) Methods used to measure Liquidity risk	Under Basel III, the following methods and tools are mandated for measuring the liquidity risk. a) Liquidity Coverage Ratio (LCR): LCR or Liquidity Coverage Ratio is a new liquidity standard introduced by the Basel Committee. This standard is built on the methodologies of traditional liquidity coverage ratio used by banks to assess exposure to contingent liquidity events. LCR aims to ensure that a bank maintains an adequate level of unencumbered, high-quality liquid assets that can be converted into cash to meet its liquidity needs for 30 calendar days. LCR goes beyond measuring the need for liquid assets over the next 30 days in a normal environment. It measures the need for liquid assets in a stressed environment, in which deposits and other sources of funds (both unsecured and secured) run off, to various extents, and unused credit facilities are also drawn down in various magnitudes. b) Net Stable Funding Ratio (NSFR): NSFR or Net Stable Funding Ratio is another new standard introduced by the Basel Committee. The NSFR aims to limit over-reliance on short-term wholesale funding during times of abundant market liquidity and encourage better assessment of liquidity risk across all On and Off-balance sheet items. The minimum acceptable value of this ratio is 100 percent, indicating that available stable funding (ASF) should be at least equal to required stable funding (RSF). ASF consists of various kinds of liabilities and capital with percentage weights attached given their perceived stability. RSF consists of assets and off-balance sheet items, also with percentage weights attached given the degree to which they are illiquid or “long-term” and therefore requires stable funding. The time horizon of the NSFR is one year. Like the LCR, the NSFR calculations assume a stressed environment. In addition to the above, the following measures have been put in place to monitor the liquidity risk management position of the Bank on a continued manner: a) Asset-Liability Maturity Analysis (Liquidity profile); b) Whole sale borrowing capacity; and c) Maximum Cumulative Outflow (MCO).
iii) Liquidity Risk Management System	The Asset Liability Management Committee (ALCO) of the Bank monitors & manages liquidity and interest rate risk in line with the business strategy. ALM activity including liquidity analysis & management is conducted through coordination between various ALCO support groups residing in the functional areas of balance sheet management,
iv) Policies and Processes for mitigating Liquidity risk	Bank has Asset Liability Management Committee (ALCO) to monitor the liquidity risk on a regular basis. Based on the detail recommendation from ALM desk, ALCO take appropriate action to manage the liquidity risk. Also Bank has internal risk control framework which outlines clear and consistent policies and principles for liquidity risk management.

Quantitative Disclosures		
	Liquidity Coverage Ratio (LCR) [%}	217.72%
	Stock of High quality liquid assets(SHQLA) [Million]	765.69
	Total net cash outflows over the next 30 calendar days [Million]	351.69
	Net Stable Funding Ratio (NSFR) [%}	227.36%
	Available amount of stable funding [Million]	6,579.41
	Required Stable Funding (RSF) [Million]	2,893.85

j) Leverage Ratio:

Qualitative Disclosures	
i) Views of BoD on system to reduce excessive leverage	In order to avoid building-up of an excessive on- and off-balance sheet leverage in the banking system, a simple, transparent and non-risk based leverage ratio has been introduced under the Base III framework. Board of Directors of our Bank continuously monitoring the exposure limit of lending, capital strength of our Bank in order to avoid building-up excessive on- and off-balance sheet leverage
ii) Policies and processes for managing excessive on and off-balance sheet leverage	The Leverage Ratio is intended to achieve the following objectives: a) Constrain the build-up of leverage in the banking sector which could damage the broader financial system and the economy b) Reinforce the risk based requirements with any easy-to-understand and non-risk based measure.
	A minimum Tier 1 leverage ratio of 3% is being prescribed by Bangladesh Bank both at solo and consolidated level. In view of the impact of leverage into the business, our Bank Management takes decision about future investment. Considering the financial strength, the bank also prepares capital planning and business budget to go on a right way.
iii) Approach for calculating exposure	Community Bank meticulously maintain leverage ratio well above the BB minimum requirement. The calculation of leverage ratio at the end of each calendar quarter is required to submit to BB based on the following definition of capital and total exposure: $\text{Leverage Ratio (LR)} = \frac{\text{Tier 1 Capital (after related adjustment)}}{\text{Total Exposure (after related deductions)}} > 3\%$

Quantitative Disclosures:		
	Leverage Ratio [%]	56.72%
	On balance sheet exposure [Million]	7,034.55
	Off balance sheet exposure [Million]	0.00
	Total exposure [Million]	7,034.55

k) Remuneration:

<table>
<tr><th colspan="3">Qualitative Disclosures</th></tr>
<tr><td colspan="3">Information relating to the bodies that oversee remuneration.</td></tr>
<tr><td rowspan="6">a)</td><td>i) Name of the bodies that oversee remuneration</td><td rowspan="6">Community Bank has a competitive compensation and benefits system that helps to ensure pay equity, is linked with performance and affordability. The compensation and benefits policy has been set through market study and peer group comparison. The Board of Directors of the bank approve the remuneration policy recommended by senior management. Though the bank has no permanent external consultant for managing remuneration but expert opinion may have been sought by management in case to case basis.</td></tr>
<tr><td>ii) Composition of the main body overseeing remuneration</td></tr>
<tr><td>iii) Mandate of the main body overseeing remuneration</td></tr>
<tr><td>iv) External consultants whose advice has been sought, the body by which they were commissioned, and in what areas of the remuneration process</td></tr>
<tr><td>v) 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</td></tr>
<tr><td>vi) A description of the types of employees considered as material risk takers and as senior managers, including the number of employees in each group</td></tr>
</table>

b)	Information relating to the design and structure of remuneration processes.	
	i) An overview of the key features and objectives of remuneration policy iii) A discussion of how the bank ensures that risk and compliance employees are remunerated independently of the businesses they oversee.	Community Bank aims to create a future oriented, strategic compensation plan in order to attract and retain its talent. The remuneration policy is designated to establish pay structure based on performance, skills and competencies. Salary Structure: i. Basic, ii). House Rent, iii) Medical iv) Conveyance, v) Leave Fare Assistance Annual Performance Bonus: As a part of employee motivation through monetary incentive, the management is planning to introduce KPI based performance bonus system.
c)	Description of the ways in which current and future risks are taken into account in the remuneration processes.	
	i) An overview of the key risks that the bank takes into account when implementing remuneration measures.	Bank takes into account the following key risks when managing and determining remuneration: i.Financial Risk ii.Operational Risk iii.Compliance risk
	ii) An overview of the nature and type of the key measures used to take account of these risks, including risks difficult to measure.	Both financial and non-financial measures are considered to take account of these risk.
	iii) A discussion of the ways in which these measures affect remuneration.	While evaluating the performance of each employee annually, all financial and non-financial indicators as per pre-determined objectives are considered and accordingly the result of the performance varies from one to another and thus affect the remuneration as well.
	iv) A discussion of how the nature and type of these measures has changed over the past year and reasons for the change, as well as the impact of changes on remuneration.	Not Applicable
	Description of the ways in which the bank seeks to link performance during a performance measurement period with levels of remuneration.	
	i) An overview of main performance metrics for bank, top-level business lines and individuals	The Bank sets the Key Performance Indicators (KPIs) while approving the business target/ budget for each year for the business lines/ segments. The management sets the appropriate tools, techniques and strategic planning (with due concurrence/ approval of the Board) towards achieving those targets. The most common KPIs are the achievement of loan, deposit and profit target with the threshold of NPL ratio, cost income ratio, cost of fund, yield on loans, provision coverage ratio, capital to risk weighted asset ratio (CRAR), ROE, ROA, liquidity position (maintenance of CRR and SLR) etc.

d)	ii) A discussion of how amounts of individual remuneration are linked to bank-wide and individual performance.	The remuneration of each employee is paid based on her/ his individual performance, skills and competencies evaluated as per set criteria. And, accordingly, the aggregate amount of remuneration of the Bank as a whole is linked/ impacted to the same extent.
	iii) A discussion of the measures the bank will in general implement to adjust remuneration in the event that performance metrics are weak. This should include the bank's criteria for determining "weak" performance metrics.	The Bank follows remuneration process as per set criteria with no in general adjustment in the event of weak performance metrics/ scorecard.
e)	Description of the ways in which the bank seek to adjust remuneration to take account of longer-term performance.	
	i) A discussion of the bank's policy on deferral and vesting of variable remuneration and, if the fraction of variable remuneration that is deferred differs across employees or groups of employees, a description of the factors that determine the fraction and their relative importance.	The Bank is planning to introduce variable remuneration i.e. annual increment based on the yearly performance rating on cash basis with the monthly pay. The bank has already introduced the value of longer term variable part of remuneration i.e. the amount of provident fund made provision on aggregate/ individual employee basis; actual payment is made upon retirement, resignation etc. as the case may be, as per rule. The gratuity fund is also ready to be implemented as per bank's approved policy.
	ii) A discussion of the bank's policy and criteria for adjusting deferred remuneration before vesting and (if permitted by national law) after vesting through claw back arrangements.	Not applicable
f)	Description of the different forms of variable remuneration that the bank utilizes and the rationale for using these different forms.	
	i) An overview of the forms of variable remuneration offered (i.e. cash, shares and share-linked instruments and other forms. A description of the elements corresponding to other forms of variable remuneration (if any) should be provided.	The Bank is planning to pay variable remuneration on case to case basis (i.e. direct credit to the employee Bank account and/ or Payment Order/ Cheque), as the case may be, as per rule/ practice.

Quantitative Disclosures		
g)	Number of meetings held by the main body overseeing remuneration during the financial year and remuneration paid to its member.	Not applicable
h)	i) Number of employees having received a variable remuneration award during the financial year.	Not applicable
	ii) Number and total amount of guaranteed bonuses awarded during the financial year.	The total number of employees received guaranteed bonus is 301 and total amount is Taka 8.76 million in the year of 2019.
	iii) Number and total amount of sign-on awards made during the financial year.	NIL
	iv) Number and total amount of severance payments made during the financial year.	NIL
i)	i) Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms.	NIL
	ii) 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:	i) Fixed and variable remuneration paid in 2019 are as follows:

In Million Taka

Particulars	Amount
Fixed pay	147.44
Variable pay	-
Total fixed and variable pay	147.44

<table>
<tr><td></td><td></td><td>ii) Deferred and non-deferred (paid during the year).

In Million Taka
<table><tr><th>Particulars</th><th>Amount</th></tr><tr><td>Deferred</td><td>-</td></tr><tr><td>Non-deferred</td><td>-</td></tr></table>
iii) Different forms used (cash, shares and share-linked instruments, other forms).
• Remuneration is paid on cash basis (i.e. direct credit to the employee Bank account and/or Payment Order/ Cheque), as the case may be, as per rule/ practice.</td></tr>
<tr><td>k)</td><td colspan="2">Quantitative information about employees' exposure to implicit (e.g. fluctuations in the value of shares or performance units) and explicit adjustments (e.g. claw backs or similar reversals or downward revaluations of awards) of deferred remuneration and retained remuneration: **Not Applicable**</td></tr>
<tr><td></td><td>i) Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit and/or implicit adjustments.</td><td>Not Applicable</td></tr>
<tr><td></td><td>ii) Total amount of reductions during the financial year due to ex post explicit adjustments.</td><td>Not Applicable</td></tr>
<tr><td></td><td>iii) Total amount of reductions during the financial year due to ex post implicit adjustments.</td><td>Not Applicable</td></tr>
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