

Disclosure per Basel III guidelines

As on December 31, 2017

Background:

The Disclosures given in the following pages on the position of the Bank's risk profiles, capital adequacy and risk management system under pillar-III of Basel-III are prepared by following the revised "Guidelines on Risk Based capital Adequacy" (RBCA) for banks issued by Bangladesh Bank in December 2014. These quantitative and qualitative disclosures are intended to complement the Minimum Capital Requirement (MCR) under pillar-I and Supervisory Review Process (SRP) under pillar-II of Basel-III.

The Purpose of these disclosures is to establish a transparent and disciplined financial market so that stakeholders can assess the position of the bank's regarding assets and related risk and capital adequacy to meet probable loss of assets.

Scope of application:

The Risk Based Capital Adequacy framework applies to Meghna Bank Limited (MGBL) on 'Solo' basis as well as 'Consolidated' basis as there were one subsidiaries of the bank as on the reporting date i.e. 31st December 2017. The name of the subsidiary company is "Meghna Bank Securities Limited".

Consistency and Validation:

The quantitative disclosures are made on the basis of consolidated audited financial statements of MGBL and its subsidiary as at and for the year ended 31st December 2017 prepared under relevant international accounting and financial reporting standards as adopted by the institute of Chartered Accountants of Bangladesh (ICAB) and related circulars/ instructions issued by Bangladesh Bank from time to time. The assets, liabilities, revenues and expenses of the subsidiaries are combined with those of the parent company (MGBL), eliminating inter-company transactions. So assets of the subsidiaries were risk weighted and equities of subsidiaries were crossed out with the investment of MGBL while consolidating.

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- F. Description of the different forms of variable remuneration (i.e. cash, shares, and share-linked instruments and other forms) that the bank utilizes and the rationale for using these different forms.
- G. Quantitative Disclosure.

1.1. Capital structure:

Capital Structure of MGBL:

Regulatory capital, as stipulated by the revised RBCA guidelines by BB, is categorized into two tiers as under.

- I. Tier 1 Capital (going-concern capital)
 - a. Common Equity Tier 1 (CET-1)
 - b. Additional Tier 1

- II. Tier 2 Capital (gone-concern capital)

Tier 1 capital (going-concern capital) is the capital which can absorb losses without triggering bankruptcy of the bank.

Tier 2 capital (gone-concern capital) is the capital which will absorb losses only in a situation of liquidation of the bank.

1.2. Conditions for Maintaining Regulatory Capital:

The Bank complied with all the required conditions for maintaining regulatory capital as stipulated in the revised RBCA guidelines by Bangladesh Bank as per following details:

SL	Indicator	Compliance Status
1.	Common Equity Tier 1 of at least 4.5% of the total RWA.	Complied
2.	Capital Conservation Buffer 1.25%	Complied
3.	Common Equity Tier -1 plus capital Conservation Buffer (4.50%+1.25%) i.e 5.75%	Complied
4.	Tier-I Capital will be at least 6.00% of the total RWA.	Complied
5.	Minimum Capital to Risk weighted Asset Ratio (CRAR) of 11.25% of the RWA	Complied
6.	Additional Tier 1 capital can be admitted maximum up to 1.50% of the total RWA or 33.33% of CET1, whichever is higher	MGBL has no Additional Tier 1 capital

1.3. Quantitative Disclosures:

Quantitative Disclosures	Particulars	Amount in Taka
	The amount of Tier 1 capital	5,244,883,441
	Paid up capital	4,433,000,000.00
	Non-repayable share premium account	-
	Statutory reserve	458,627,974.00
	General reserve	-
	Retained earnings	277,198,268.00
	Minority interest in subsidiaries	101.00
	Non-cumulative irredeemable preference shares	-
	Dividend equalization account	-
	The total amount of Tier 2 capital	292,538,166.00
	Other deductions from capital.	
	Total eligible capital	5,442,209,607.00

1.4. Capital Adequacy:

Bank's Approach to Assessing Capital Adequacy:

As banks in Bangladesh are now in a stage of developing risk management models, Bangladesh Bank suggested the banks for using Standardized Approach for assessing capital requirement for credit risk for banking book and Standardized (rule based) Approach for assessing capital requirement for market risk in trading book. MGBL used the Basic Indicator Approach (BIA), as prescribed by Bangladesh Bank in determining capital charge against operational risk. Under the Basic Indicator Approach (BIA), the capital charge for operational risk is a fixed percentage (denoted by alpha) of average annual gross income of the bank over the past three years.

MGBL focuses on strengthening and enhancing its risk management culture and internal control environment rather than increasing capital to cover up weak risk management and control practices. It has been generating most of its incremental capital from retained profit to support incremental growth of Risk Weighted Assets (RWA). As of now, the Bank's CRAR remains consistently within the comfort zone after implementation of Basel-III from 2015. During 2017, the CRAR ranges from 17.87% to 19.55% on consolidated and Solo basis against minimum requirement of 11.25% of RWA. Assessing regulatory capital in relation to overall risk exposure of a bank is an integrated and comprehensive process. MGBL, through its Supervisory Review Committee and Management Risk Committee, is taking active measures to identify, quantify manage and monitor all risks to which the Bank is exposed to. Assessment of capital adequacy will be in alignment with the findings of these exercises.

1.5. Quantitative Disclosures:

Following table shows component wise allocation of capital to meet three risks and an amount of additional capital maintained over MCR i.e. 11.25% of RWA. As on the reporting date, Meghna Bank Limited maintained a Capital to Risk weighted Asset Ratio (CRAR) of 19.52%~19.55% on 'Consolidated & Solo Basis against required minimum of 11.25%. We had an excess capital of BDT 144.22 crore (Consolidated) after meeting all three risks as on the reporting date as shown in the following table:

Capital Adequacy	Fig in crore	
	Consolidated	Solo
Capital requirement for Credit Risk	284.67	284.67
Capital requirement for Market Risk	8.20	7.84
Capital requirement for Operational Risk	20.51	20.52
Minimum Capital requirement (MCR)	400.00	400.00
Total Capital Maintained	544.22	543.92
Total Risk Weighted Asset	2787.31	2782.44
Capital to Risk Weighted Asset Ratio	19.52%	19.55%

2.1. Credit Risk:

2.2. Qualitative Disclosures:

Definition of Credit Risk:

Credit risk is the possibility that a borrower will fail to meet its obligation in accordance with agreed terms and conditions. That is credit risk is the risk of loss that may occur from the failure of any counterparty to make required payments in accordance with agreed terms and conditions and/or deterioration of credit worthiness. Credit risk is managed through a frame work set by policies and procedures approved by the Board. The responsibility is clearly segregated between originator of business transaction and approver in the risk function.

2.3. Quantitative Disclosures:

2.3.i. Total gross credit risk exposures broken down by major types of credit exposure:

Particulars	Amount in Taka
Cash Credit	5,709,372,023.68
Secured overdraft	2,496,102,679.10
General overdraft	5,470,263,466.04
Import finance	1,962,741,768.74
Export Finance	9,272,509.19
Other Demand Loans	2,569,942,426.39
Hire Purchase Finance	3,602,713.29
Demand Loan (Forced Loan)	153,393,453.74
Consortium/Syndicate Finance	277,789,299.02
House Building Loan	2,375,270,480.39
Credit Card A/C	105,520,355.20
General Term Loans	5,004,296,640.01
Agricultural and Rural Credit Scheme	870,316,844.44
SME Loans and Advances	1,182,384.75
Personal/Professionals Loan Scheme	255,379,740.04
Inland bills purchased and discounted	192,150,535.34
Foreign bills purchased and discounted	1,300,572.97
Total	27,457,897,892.33


2.3.ii. Geographical distribution of exposures:

Name of Area	Amount in Taka
Dhaka	20,504,916,414.22
Chittagong	4,619,753,137.72
Sylhet	471,309,462.29
Rajshahi	732,967,443.09
Rangpur	557,528,743.81
Khulna	179,133,648.17
Barisal	392,289,043.03
Total	27,457,897,892.33

2.3.iii. Industry or counterparty type distribution of exposures:

Particulars	Amount in Taka
Commercial Lending	2,991,665,604.86
Export Financing	128,971,193.08
House Building Loan	2,302,633,230.02
Retail Loan	298,888,394.09
Small and Medium Enterprises	6,586,285,627.34
Special Program Loan	
Industrial Loans Details :	9,872,559,778.86
Agricultural industries	989,649,819.47
Textile industries	193,284,484.66
Food and allied industries	436,644,964.03
Pharmaceutical industries	401,321,064.29
Leather, Chemical, Cosmetics etc.	-
Tobacco industries	-
Cement and Ceramic industries	20,031,175.54
Service industries	2,892,104,898.37
Transport and Communication Industries	14,515,819.42
Other industries including bills purchased and discounted	4,925,007,553.08
Others Loan	2,786,429,304.96
Staff Loan	134,648,951.52
Other Loans and Advances (SOD)	2,355,815,807.60
Total	27,457,897,892.33


2.3.iv. Residual contractual maturity breakdown of the portfolio:

Particulars	Amount in Taka
Re-payable on Demand	-
Not more than 3 months	10,990,853,623
Over 3 months but not more than 1 year	9,625,248,417
Over 1 year but not more than 5 years	4,121,240,605
Over 5 years	2,720,555,247
Total	27,457,897,892

2.3.v. Provision:

Particulars	Amount in Taka
Amount of impaired loans and if available, past due loans	NIL
Specific and general provisions; and	217,800,000.00
General Provision for Unclassified Loans and Advances	228,000,000.00
General Provision for Off-Balance Sheet Exposures	64,300,000.00
Gross Non Performing Assets (NPAs)	931,179,152.30
Non-Performing Assets (NPAs) to Outstanding Loans and advances	3.39%

2.3.vi. Movement of Non-Performing Assets:

Particulars	Amount in Taka
Opening balance	207,675,404.12
Additions	723,925,105.84
Reductions	421,357.66
Closing balance	931,179,152.30
Movement of specific provisions for NPAs	
Opening balance	13,676,000.00
Provisions made during the period	204,124,000.00
Write - off	-
Write- back of excess provisions	-
Closing balance	217,800,000.00

2.4. Equities: Disclosures for Banking Book Positions:

Equity Risk:

Equity risk is the risk that one's investments will depreciate because of stock market dynamics causing one to lose money. Investment of MGBL in equity securities is broadly categorized into two parts: Securities (Shares-common or preference, Mutual Fund) that are traded in the secondary market (trading book assets) and Un-quoted securities that are categorized as banking book assets.

Capital charge for equities would apply on their current market value in the bank's trading book. This charge for both specific risk and the general market risk will be at the rate of the required minimum capital adequacy ratio. This is applied to all instruments that exhibit market behavior similar to equities. The instruments covered include equity shares, whether voting or non-voting, convertible securities that behave like equities, for example: units of mutual funds, and commitments to buy or sell equity.

2.5. Quantitative Disclosure:

Total Investment in Capital Market (Consolidated Basis):

Name of Stock	Cost Price	Market Price	Profit / Loss	Required Provision	Provision Maintained	Total Capital as per BCA 1991	% of investment in capital market to total prescribed capital components
Portfolio: Bank						518.79	13.43%
Shares	14.65	14.25	-0.40	0.40	0.71		
Less Equity investment in subsidiaries other than merchant bank and brokerage subsidiaries							
Mutual Fund/Fund	0.00	0.00	0.00	0.00	0.00		
Bond/Debentures	0.00	0.00	0.00	0.00	0.00		
Loans to others for merchant banking and brokerage activities	0.00	0.00	0.00	0.00	0.00		
Loan to stock dealer	0.00	54.00	0.00	0.00	0.00		
Placement/others	0.00	0.00	0.00	0.00	0.00		
Less placement in subsidiaries	0.00	0.00	0.00	0.00	0.00		
Portfolio: Subsidiaries							
Shares	1.59	1.59	0.00	0.40	0.00		
Mutual Fund/Fund	0.00	0.00	0.00	0.00	0.00		
Bond/Debentures	0.00	0.00	0.00	0.00	0.00		
Loans:							
Margin loans	0.00	1.43	0.00	0.00	0.00		
Bridge loans	0.00	0.00	0.00	0.00	0.00		
Placement/others	0.00	0.00	0.00	0.00	0.00		
Total Capital Market Exposure	13.43%						

2.6. Capital Requirement for Equity Position Risk: (Consolidated Basis)

Capital charge for	Market Value	Risk Weight	Required Capital Charge
1	2	3	4=(2*3)
a. Specific Risk:	142,486,046.30	10%	14,248,605
b. General Market Risk:	142,486,046.30	10%	14,248,605
Total	284,972,093		28,497,209

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

2.8. Qualitative Disclosures:

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 as well as the net worth of the bank. Re-pricing risk is often the most apparent source of interest rate risk for a bank and is often estimated 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.

The short term impact of changes in interest rates is on the bank's Net Interest Income (NII). In a longer term, changes in interest rates impact the cash flows on the assets, liabilities and off-balance sheet items, giving rise to a risk to the net worth of the bank arising out of all re-pricing mismatches and other interest rate sensitive position.

2.9. Quantitative Disclosures:

The increase / decline in earnings or economic value for upward and downward rate shocks according to management's method for measuring IRRBB, broken down by currency as under:

Weighted Average Duration of Asset	1.71
Weighted Average Duration of Liability	0.62
Duration GAP	1.17
CAR After different level of Shock	
Minor Level	18.43%
Moderate Level	16.91%
Major Level	15.38%

2.10. Market Risk:

2.11. Qualitative Disclosure:

Market risk is the possibility of losses in balance sheet and off-balance sheet positions arising out of volatility in market variables i.e., interest rate, exchange rate and price. Allocation of capital is required in respect of the exposure to risks deriving from changes in interest rates and equity prices in the bank's trading book, in respect of exposure to risks deriving from changes in foreign exchange rates and commodity price in the overall banking activity. The total capital requirement for banks against their market risk shall be the sum of capital charges against:

- i. Interest rate risk
- ii. Equity position risk
- iii. Foreign exchange position risk throughout the bank's balance sheet and Off Balance sheet exposure.
- iv. Commodity risk

2.12. Method used to measure market risk:

As banks in Bangladesh are now in a stage of developing risk measurement models, Bangladesh Bank suggested the banks for using Standardized Approach for credit risk capital requirement for banking book and Standardized (rule based) Approach for market risk capital charge in their trading book. Maturity Method has been prescribed by Bangladesh Bank in determining capital against market risk. In the maturity method, long or short positions in debt securities and other sources of interest rate exposures, including derivative instruments, are slotted into a maturity ladder comprising 13 time-bands (or 15 time-bands in case of low coupon instruments). Fixed-rate instruments are allocated according to the residual term to maturity and floating-rate instruments according to the residual term to the next reprising date. In Standardized (rule based) Approach the capital requirement for various market risks (interest rate risk, price, and foreign exchange risk) are determined separately. The total capital requirement in respect of market risk is the sum of capital requirement calculated for each of these market risk sub-categories. e.g.

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

2.13. Market Risk Management System:

The Bank has implemented Foreign Exchange Risk Management Guidelines and Asset Liability Management Guidelines duly approved by the Board for market risk management. Different market risk's issues are discussed in the Asset Liability Management Committee (ALCO) meeting and decisions are taken according to Market situation.

2.14. Policies and processes for mitigating market risk:

ALCO is primarily responsible for establishing the market risk management and asset liability management of the Bank, procedures thereof, implementing core risk management framework issued by the regulator, best risk management practices followed by globally and ensuring that internal parameters, procedures, practices/ polices and risk management prudential limits are adhere to.

For Market risk management purpose, The Bank has established internal limit duly approved by the Board besides the regulatory limit. For Foreign Exchange Risk management, the Bank has regulatory net open position (NOP) limit as well as internal limit like Intra- day limit, individual dealer's limit, stop loss limit, individual currency limit etc. For interest and other market risk management, The Bank has established wholesale borrowing guideline, LD ratio, Medium Term Funding ratio, maximum cumulative outflow, and SWAP Fund Guideline, VAR and MAT level. The Bank also maintains Gap limit for maturity profile mismatch. Moreover, The Bank has policy for interest rate sensitivity analysis on monthly basis.

2.15. Quantitative Disclosure:

The capital requirements for Market Risk (Consolidated Basis):

SL	Market Risk	Total capital charge
A.	Interest Rate Related instruments	45,422
B.	Equities	28,497,209
C.	Foreign Exchange Position	44,347,645
D.	Commodities	-
Total		72,890,276

2.16.Operational risk:

Qualitative Disclosures:

Operational Risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk, but excludes strategic and reputational risk. MGBL has established an effective, integrated operational risk management framework to mitigate the operational risk. The focus of operational risk is on low probability/high loss vs. high probability/ low loss events.

Operational risk includes:

- i. Transaction processing.
- ii. Operation control.
- iii. Technology and systems.
- iv. Risks of physical and logical security.
- v. Unique risk arises due to outsourcing.

The Bank's approach to operational risk is not designed to eliminate risk altogether but rather, to contain risks within levels deemed acceptable by senior management. All functions, whether business, control or logistics functions, must manage the operational risks that arise from their activities. Operational risks are pervasive, as a failure in one area may have a potential impact on several other areas. The Bank has therefore established a cross-functional Risk Management Committee headed by a senior management performed as Chief Risk Officer to actively manage operational risk as part of its governance structure. The foundation of the operational risk framework is that all functions have adequately defined their roles and responsibilities. The functions can then collectively ensure that there is adequate segregation of duties, complete coverage of risks and clear accountability.

2.17.Performance gap of executives and staff:

The Bank offers a competitive compensation package to the employees based on performance and merit. The bank has developed one of the finest teams of efficient and responsible officers with high ethical standards who are working in a congenial atmosphere. The BOD of the Bank is always keen to provide a competitive, attractive and handsome remuneration package for its employees. Besides, the recruitment policy of the Bank always emphasize on sorting out fresh graduate from the reputed universities and nurture them until transformation to a Human Capital of highest quality. An accommodating, welcoming, cooperative and congenial work atmosphere motivates its employees to act as a family towards achievement of goal. As such, there exists no performance gap in the Bank.

2.18.Potential external events:

No potential external events occurred during the reporting period ended 31st December 2017.

2.19. Policies and processes for mitigating Operation Risk:

The Bank has established an effective, integrated operational risk management framework to mitigate the operational risk; Internal Control and Compliance Division of the bank with other departments have been performing the supervisory and monitoring works to manage this risk.

2.20. Approach for calculating capital charge for operational risk:

The Bank has adopted Basic Indicator Approach (BIA) to compute capital charge against operational risk under Basel-III as per the Bangladesh Bank Guidelines.

2.21. Quantitative Disclosures:

The capital requirements for operational risk: 18.40 crore

3. Liquidity Ratio:

3.1.i. Qualitative Disclosures:

Views of BOD on system to reduce liquidity Risk:

The Bank has Board Approved policy and limit structure for liquidity risk Management.

Methods used to measure Liquidity risk:

We maintain maturity profile mismatch strictly and maintain prudential limit for each buckets gap.

Liquidity risk management system:

We strictly maintain maximum cumulative outflow (MCO) Medium Term Funding Ratio (MTFR) and conduct cash flow forecasting for liquidity risk management.

Policies and processes for mitigating liquidity risk:

We have laid down liquidity contingency plan, Funding products and Wholesale borrowing guideline.

3.1.ii. Quantitative Disclosures:

Liquidity Coverage Ratio	303.02%
Net Stable Funding Ratio	121.82%
Stock of high Quality Liquid Asset	5,086,472,669.15
Total net cash outflows over the next 30 calendar days	28,097,832.49
Available amount of stable funding	34,895,011.00
Required amount of stable funding	28,645,247.87

3.2.Leverage Ratio:

Qualitative Disclosures:

3.2.i.Views of BOD on system to reduce excessive leverage:

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

3.2.ii. Policies & processes for managing excessive On & Off –balance sheet leverage:

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

3.2.iii. Approach for calculating exposure:

Leverage ratio of the bank is calculated in line with the RBCA guideline of BB as at 31st December 2017 bank’s leverage ratio was 12.10% and it was calculated as follows:

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

3.2.iv. Quantitative Disclosures:

Leverage Ratio	12.10%
On balance sheet exposure	3,958.16
Off balance sheet exposure	300.65
Total exposure	4,256.89

Main disclosures on Remuneration

4. Qualitative Disclosures

A. INFORMATION RELATING TO THE BODIES THAT OVERSEE REMUNERATION.

The Management of Meghna Bank Limited (MGBL) holds the responsibility relating to Remuneration of the Bank. The overall compensation structure is reviewed and implemented to maintain competitive incentives, perquisites, other financial options etc. with a view to attract, motivate and retain competent employees. And if situation requires review and revise compensation package to be at par with the market to maintain its competitive edge.

One of the major factors of remuneration management is to cover all type of risk. MGBL always does environmental scanning. Gathering Market intelligence, analyze and if required propose for modification in compliance with relevant laws and rules and compliance issues. To maintain the effective alignment, Management works in close coordination with the Risk Management Committee of the Bank. The cost Management also ensures that the cost/income ratio of the Bank supports the remuneration package consistent with maintenance of sound capital adequacy ratio.

MGBL reviewed the remuneration policy in 2017.

Meghna Bank so far has not sought advice from any external consultants to date.

B. INFORMATION RELATING TO THE DESIGN AND STRUCTURE OF REMUNERATION PROCESSES AND THE KEY FEATURES AND OBJECTIVES OF REMUNERATION POLICY.

The substantive pay and other allowances including perquisites, where applicable, to the employees including all subordinates, officers and executives up to the rank of SEVP are designed/structured in line with the competitive remuneration structure prevailing in the industry. In respect of executives above the rank of SEVP i.e. AMD, DMD & MD, the individual remuneration is fixed by the Board of Directors. Pay Structure and perquisites payable to the employees have been approved by the Board of Directors of the Bank. While determining the remuneration package, the Management and the Board take into consideration the following factors:

1. Experience
2. Qualification
3. Level of Risk involved
4. Leadership
5. Criticality of the job
6. Creativity required in the job
7. Problem solving ability
8. Salesmanship
9. Corporate Rank etc.

The remuneration structure for the Managing Director (MD) of the Bank is subject to approval of the Central Bank i.e. Bangladesh Bank.

C. DESCRIPTION OF THE WAYS IN WHICH CURRENT AND FUTURE RISKS ARE TAKEN INTO ACCOUNT IN THE REMUNERATION PROCESSES. IT SHOULD INCLUDE THE NATURE AND TYPE OF THE KEY MEASURES USED TO TAKE ACCOUNT OF THESE RISKS.

The people who are involved in risk factors are regularly monitored. The functions that mainly deal with the risk factors of the Bank include: Cash Management, Credit Risk Management, Operational Risk, Trade Finance etc. It has been observed that employees working in these particular fields are more in demand in the market. Naturally, their remuneration goes up. On the other hand employees working in the cash department are often paid Cash Risk Allowance.

The Board of Directors through the Management exercises oversight and effective governance over the framing and implementation of the remuneration policy. Human Resource Management under the guidance of MD administers the Compensation and Benefit structure in line with the best suited practices and statutory requirements as applicable. The trend has changed as the job responsibility also has gone up and the efficiency of the employees has also improved a lot.

D. DESCRIPTION OF THE WAYS IN WHICH THE BANK SEEKS TO LINK PERFORMANCE DURING A PERFORMANCE MEASUREMENT PERIOD WITH LEVELS OF REMUNERATION.

It is a competitive world. In the Banking sector also performance plays a very vital role on determining someone's remuneration. Right from the entry into the job performance is evaluated and salary is fixed accordingly. Yearly increment, Performance bonus and other benefits are in the process of being linked up with performance of the employee. In the yearly performance review there are different Ratings. The factors taken into account for the annual review and revision in the variable pay and performance bonus are: The performance of the Bank, The performance of the business unit, Individual performance of an employee, other risk perceptions and economic considerations and Future Business Outlook. There is also option of alerting the poor performers as they may have to exit if performance is not improved after certain observation time

E. DESCRIPTION OF THE WAYS IN WHICH THE BANK SEEK TO ADJUST REMUNERATION TO TAKE ACCOUNT LONGER-TERMS PERFORMANCE.

The Bank has various schemes in regards to deferred and vested variable remuneration which are as under:

- ✓ PF (Vesting or entitlement to employer's contribution happens on completion of 03 (three) years of regular service and the Bank contributes equal amount of contribution as contributed by the employee) @ 10% of substantive pay

- ✓ Gratuity (Vesting or entitlement to employer's contribution happens on completion of 5 (five) years of regular service in the Bank @ one basic pay for each completed year of service and for the fraction of 6 months and above. From 6th year @ two basic pay for each completed year of service and for the fraction of 6 months and above
- ✓ Employee Group Life Insurance (provides benefits to the employees of the Bank on death/accidental death, permanent and partial disabilities)

F. DESCRIPTION OF THE DIFFERENT FORMS OF VARIABLE REMUNERATION (I.E. CASH, SHARES, AND SHARE-LINKED INSTRUMENTS AND OTHER FORMS) THAT THE BANK UTILIZES AND THE RATIONALE FOR USING THESE DIFFERENT FORMS.

Variable pay, as the term denotes usually does not defer between the employees of the same rank. Depending on experience, jobs performed and other traits new hire in the same rank the individuals are offered remuneration that varies from each other. While in the service on recommendation and according to performance extra increment or bonus may be awarded to the employees. Other than this, ex-gratia payment for other employees who are not eligible for performance linked incentives, difference awards on extra-ordinary performance and Leave Fare Assistance (LFA) are paid to the employees according to their rank. The difference that is made in these kinds of payments that is only for their rank in the hierarchy.

G. Quantitative disclosures

I	Number of meetings held by the main body overseeing remuneration during the financial year	03
	Remuneration paid to its members.	00
II	Number of employees having received a variable remuneration award during the financial year.	00
	Number and total amount of guaranteed bonuses awarded during financial year.	02
	Number and total amount of sign-on awards made during the financial year.	00
	Number and total amount of severance payments made during the financial year.	00
III	Total amount of outstanding deferred remuneration, split into cash, share and share-linked instruments and other forms.	00
	Total Amount of deferred remuneration paid out in the financial year.	00
IV	Breakdown of amount of remuneration awards for the financial year to show:	
	- Fixed and variable	00
	- Deferred and no-deferred	00
	- Different forms used (cash, shares and share linked instruments, other forms).	00
V	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:	00
	Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit and /or implicit adjustments.	00
	Total amount of reductions during the financial year due to ex post explicit adjustments.	00
	Total amount of reductions during the financial year due to ex post implicit adjustments.	00