

Bangladesh Commerce Bank Limited

Market Discipline: Disclosure on Risk Based Capital (Basel-III)

31.12.2015

1. Scope of Application:

1.1 Qualitative Disclosures

(a)	The name of the top corporate entity in the group to which this guidelines applies.	Bangladesh Commerce Bank Limited
(b)	An outline of differences in the basis of consolidation for accounting and regulatory purposes, with a brief description of the entities within the group (a) that are fully consolidated; (b) that are given a deduction treatment; and (c) that are neither consolidated nor deducted (e.g. where the investment is risk-weighted).	<p>The consolidated financial statements of the Bank include the financial statements of Bangladesh Commerce Bank Limited and Commerce Bank Securities and Investment Limited. Bangladesh Commerce Bank holds 100% shares of Commerce Bank Securities and Investment Limited. A brief description of the Bank and its subsidiary are given below:</p> <p>Bangladesh Commerce Bank Limited (BCBL): A public limited company incorporated in Bangladesh on June 01, 1998 under the Companies Act, 1994, the Bank Companies Act, 1991 and Parliamentary Act 12 of 1997.</p> <p>Bangladesh Commerce Bank Limited is known as a commercial bank. Like all commercial banks BCBL's core business is also obtaining deposits and providing loans. It is a financial institution providing services for businesses, organizations and individuals. Services include offering different types of deposit account such as current deposit account, saving deposit account and other scheme account as well as giving loans to organizations and individuals to accelerate economic development.</p> <p>BCB make its profit by taking small, short-term, relatively liquid deposits and transforming these into small, medium, larger loans for short, medium and long term maturity loans. These processes of asset transformation generate net income for BCB. BCB also earned short term profit by investing through treasury functions as well as non funded business.</p> <p>However, BCB is primarily engaged in deposit and lending activities to private and corporate clients in wholesale and retail banking. Other services typically include credit card, mobile banking, custodial service and guarantees, cash management and settlement as well as trade finance.</p> <p>Commerce Bank Securities and Investment limited (CBSIL) Commerce Bank Securities & Investments Limited (CBSIL) is fully owned subsidiary company of Bangladesh Commerce Bank Limited incorporated as a private limited company on 20 September 2010 with the registrar of Joint Stock Companies & Firms, Dhaka vide certificate of incorporation no. C-87050/10. CBSIL started its operation from 01 June 2011. The main objective of the company for which was established are to carry out the business of full-fledged merchant banking activities like issue management, portfolio management, underwriting etc.</p>
(c)	Any restrictions, or other major impediments, on transfer of funds or regulatory capital within the group.	Not Applicable for Bangladesh Commerce Bank Limited

1.2 Quantitative Disclosure

(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 for Bangladesh Commerce Bank Limited
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2. Capital Structure:

2.1 Qualitative Disclosures

(a)	(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 Tier 2.	As per the guidelines of Bangladesh Bank, Common Equity Tier-1 Capital of BCBL consists of (i) Fully Paid-up Capital, (ii) Statutory Reserve, (iii) General Reserve, (iv) Retained Earnings and (v) Minority Interest in Subsidiaries (vi) Right Share Application Money. Tier-2 Capital consists of (i) General Provision against unclassified Loans/Investments, Off-balance sheet exposure, (50% of Asset revaluation reserve, 50% of Revaluation gain/ loss on investment (HFT), 10% of Revaluation reserve for equity instruments) as per guideline the balance of 31.12.2014 is considered after deducting 20%.
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2.2 Quantitative Disclosure

(b)	The amount of Regulatory capital, with separate disclosure of: CET1 Capital Additional Tier 1 Capital Total Tier 1 Capital Tier 2 Capital	<table border="1"> <thead> <tr> <th>Particulars</th> <th>Solo</th> <th>Conso.</th> </tr> </thead> <tbody> <tr> <td>Fully Paid up Capital</td> <td>198.87</td> <td>198.87</td> </tr> <tr> <td>Statutory Reserve</td> <td>22.08</td> <td>22.08</td> </tr> <tr> <td>General Reserve</td> <td>0.89</td> <td>0.89</td> </tr> <tr> <td>Retained Earnings</td> <td>11.23</td> <td>12.68</td> </tr> <tr> <td>Right Share Application Mone</td> <td>95.78</td> <td>95.78</td> </tr> <tr> <td>CET1 Capital</td> <td>328.85</td> <td>330.30</td> </tr> <tr> <td>Additional Tier 1 Capital</td> <td>---</td> <td>---</td> </tr> <tr> <td>Total Tier 1 Capital</td> <td>334.34</td> <td>330.30</td> </tr> <tr> <td>General Provision</td> <td>12.08</td> <td>12.08</td> </tr> <tr> <td>Revaluation Reserve</td> <td>1.59</td> <td>1.59</td> </tr> <tr> <td>Tier 2 Capital</td> <td>13.64</td> <td>13.64</td> </tr> </tbody> </table>	Particulars	Solo	Conso.	Fully Paid up Capital	198.87	198.87	Statutory Reserve	22.08	22.08	General Reserve	0.89	0.89	Retained Earnings	11.23	12.68	Right Share Application Mone	95.78	95.78	CET1 Capital	328.85	330.30	Additional Tier 1 Capital	---	---	Total Tier 1 Capital	334.34	330.30	General Provision	12.08	12.08	Revaluation Reserve	1.59	1.59	Tier 2 Capital	13.64	13.64
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3. Capital Adequacy:

3.1 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 adopted Standardized Approach (SA) for computation of capital charge for credit risk and market risk, and Basic Indicator Approach (BIA) for operational risk. Assessment of capital adequacy is carried out in conjunction with the capital adequacy reporting to the Bangladesh Bank. The Bank has maintained capital adequacy ratio on the basis of "Consolidated" and "Solo" are 3.63% & 3.64% respectively as against the minimum regulatory requirement of 10%. Tier-I capital adequacy ratio for "Consolidated" is 3.12% as well as "Solo" is 3.12% against the minimum regulatory requirement of 5%. The Bank's policy is to manage and maintain its capital with the objective of maintaining strong capital ratio and high rating.
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3.1 Qualitative Disclosures

(b)	Capital requirement for Credit Risk	<table border="1"> <thead> <tr> <th>Particulars</th> <th>Solo</th> <th>Conso.</th> </tr> </thead> <tbody> <tr> <td>Capital requirement for Credit Risk</td> <td>228.43</td> <td>231.91</td> </tr> </tbody> </table>	Particulars	Solo	Conso.	Capital requirement for Credit Risk	228.43	231.91
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(d)	Capital requirement for Operational Risk			
		Particulars	Solo	Conso.
		Capital requirement for Operational Risk	21.59	22.88
(e)	Total capital, CET1 capital, Total Tier 1 capital and Tier 2 capital ratio: • For the consolidated group; and • For stand alone			
		Particulars	Solo	Conso.
		CRAR	3.64%	3.63%
		CET1 Capital Ratio	3.12%	13.12%
		Total Tier 1 Capital Ratio	3.12%	3.12%
		Total Tier 2 Capital Ratio	0.52%	0.51%
(f)	Capital Conservation Buffer	Not Applicable for Bangladesh Commerce Bank Limited		
(g)	Available Capital under Pillar 2 Requirement			

4. Credit Risk:

4.1 Qualitative Disclosures

(a)	<p>The general qualitative disclosure requirement with respect to credit risk, including:</p> <ul style="list-style-type: none"> Definitions of past due and impaired (for accounting purposes); 	<p>With a view to strengthening credit discipline and bring classification and provisioning regulation in line with international standard, a phase-wise program for classification and provisioning was undertaken by the Bank as per Bangladesh Bank circulars issued from time to time. In this regard, all the loans and advances/investments are grouped into four categories for the purpose of classification, namely (i) Continuous Loan, (ii) Demand Loan, (iii) Fixed Term Loan and (iv) Short-term Agricultural and Micro Credit. They are classified as follow:</p> <p>Continuous & Demand Loan are classified as:</p> <ul style="list-style-type: none"> Sub-standard- if it is past due/overdue for 03(three) months or beyond but less than 06 (six) months; Doubtful- if it is past due/overdue for 06 (six) months or beyond but less than 09 (nine) months; Bad/Loss- if it is past due/overdue for 09 (nine) months or beyond. <p>In case of any installment(s) or part of installment(s) of a Fixed Term Loan amounting up to Taka 1 million is not repaid within the due date, the amount of unpaid installment(s) are treated as "past due or overdue installment". Such types of Fixed Term Loans are classified as under:</p> <ul style="list-style-type: none"> Sub-standard- if the amount of past due installment is equal to or more than the amount of installment(s) due within 06 (six) months, the entire loans are classified as "Sub-standard". Doubtful- if the amount of past due installment is equal to or more than the amount of installment(s) due within 09 (nine) months, the entire loans are classified as "Doubtful". Bad/Loss- if the amount of past due installment is equal to or more than the amount of installment(s) due within 12(twelve) months, the entire loans are classified as "Bad/Loss". <p>In case of any installment(s) or part of installment(s) of a Fixed Term Loan amounting more than Taka 1 million is not repaid within the due date, the amount of unpaid installment(s) are treated as "past due or overdue installment". Such types of Fixed Term Loans are classified as under:</p> <ul style="list-style-type: none"> Sub-standard- if the amount of past due installment is equal to or more than the amount of installment(s) due within 03 (three) months, the entire loans are classified as "Sub-standard". Doubtful- if the amount of past due installment is equal to or more than the
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	<ul style="list-style-type: none"> Description of approaches followed for specific and general allowances and statistical methods; 	<p>amount of installment(s) due within 06 (six) months, the entire loans are classified as "Doubtful".</p> <p>Bad/Loss- if the amount of past due installment is equal to or more than the amount of installment(s) due within 09 (nine) months, the entire loans are classified as "Bad/Loss".</p> <p>Short-term Agricultural and Micro Credit will be considered irregular if it is not repaid within the due date as stipulated in the loans agreement and will be classified as under:</p> <ul style="list-style-type: none"> Sub-standard- if the irregular status continues after a period of 12 (twelve) months, the credits are classified as "Sub-standard". Doubtful- if the irregular status continue after a period of 36 (thirty six) months, the credits are classified as "Doubtful". Bad/Loss- if the irregular status continue after a period of 60 (sixty) months, the credits are classified as "Bad/Loss". <p>A Continuous loan, Demand loan or a Term Loan which remained overdue for a period of 02 (two) months or more, is treated as "Special Mention Account (SMA)".</p> <p>The Bank is required to maintain the following general and specific provision in respect of classified and unclassified loans and advances / investments on the basis of Bangladesh Bank guidelines issued from time to time:</p> <table border="1" data-bbox="598 952 1404 1825"> <thead> <tr> <th>Particulars</th> <th>Rate</th> </tr> </thead> <tbody> <tr> <td>General provision on unclassified Small and Medium Enterprise (SME) financing.</td> <td>0.25%</td> </tr> <tr> <td>General provision on unclassified loans and advances/ investments other than Consumer Financing, Loans to Brokerage House, Merchant Banks, Stock Dealers etc., SMA as well as SME Financing).</td> <td>1%</td> </tr> <tr> <td>General provision on interest receivable on loans / investments.</td> <td>1%</td> </tr> <tr> <td>General provision on off-balance sheet exposures (Provision has been made on the total exposure and amount of cash margin & value of eligible collateral were not deducted while computing off-balance sheet exposure).</td> <td>1%</td> </tr> <tr> <td>General provision on unclassified loans and advances/ investments for housing finance, loans for professionals to set-up business under consumer financing scheme.</td> <td>2%</td> </tr> <tr> <td>General provision on the unclassified loans to Brokerage House, Merchant Banks, Stock Dealers, etc.</td> <td>2%</td> </tr> <tr> <td>General provision on unclassified amount for Consumer Financing.</td> <td>5%</td> </tr> <tr> <td colspan="2">General provision on outstanding amount of loans kept in Special Mention Account (SMA) will be at the same respective rate as stated above (0.25% to 5%) as per BRPD Circular No. 05 dated 29.05.2013.</td> </tr> <tr> <td>Specific provision on Sub-Standard loans and advances / investments.</td> <td>20%</td> </tr> <tr> <td>Specific provision on Doubtful loans and advances / investments.</td> <td>50%</td> </tr> <tr> <td>Specific provision on bad / loss loans and advances / invests.</td> <td>100%</td> </tr> </tbody> </table> <p>The Bank has a well structured delegation and sub-delegation of credit approval authority for ensuring good governance and 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</p>	Particulars	Rate	General provision on unclassified Small and Medium Enterprise (SME) financing.	0.25%	General provision on unclassified loans and advances/ investments other than Consumer Financing, Loans to Brokerage House, Merchant Banks, Stock Dealers etc., SMA as well as SME Financing).	1%	General provision on interest receivable on loans / investments.	1%	General provision on off-balance sheet exposures (Provision has been made on the total exposure and amount of cash margin & value of eligible collateral were not deducted while computing off-balance sheet exposure).	1%	General provision on unclassified loans and advances/ investments for housing finance, loans for professionals to set-up business under consumer financing scheme.	2%	General provision on the unclassified loans to Brokerage House, Merchant Banks, Stock Dealers, etc.	2%	General provision on unclassified amount for Consumer Financing.	5%	General provision on outstanding amount of loans kept in Special Mention Account (SMA) will be at the same respective rate as stated above (0.25% to 5%) as per BRPD Circular No. 05 dated 29.05.2013.		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	<ul style="list-style-type: none"> Discussion of the bank's credit risk management policy; and 	<p>and above all maintaining relationship with the branches and customers have so long been done by Credit Management Division (CMD). The function of CMD department has redefined by (i). Credit Assessment, (ii). Credit Monitoring, (iii). Credit Information & Policy Development for smoothly execution of the credit risk management through segregating internal units. Separate segments for Corporate, Retail, SME, Credit Cards have been formed in order to diversify the credit risk. Towards mitigating the risks, BCBL has developed a robust credit approval system. The credit proposals recommended by branches are scrutinized by CMD Department. Sanctions are conveyed to the Branches after getting approval from Credit Committee of Corporate Office or Board of Directors if needed.</p> <p>The standardized approach is applied for risk weighting of exposure as per directive of Bangladesh Bank. It requires banks to use risk assessment. The Bank is following Credit Risk Grading (CRG) manual for assessing a borrower and making decisions of disbursing loans and advances/ investments while nominating the External Credit Assessment Institutions (ECAIs) duly recognized by Bangladesh Bank to derive risk-weights of exposures under the portfolio of claims. Maximum counterparty/group exposure are limited to 15% (funded) of the bank's capital base as stipulated by BB where a higher limit is required for projects of national importance subject to prior approval of Bangladesh Bank. The single borrower exposure limit has been increasing day by day of the bank with the increase of the total capital of the bank. But the management of the bank is exercising the prudential limit to a single borrower in order to minimize concentration risk of the bank considering the security coverage, satisfactory performance, credit risk grading status, earning potentials, capital requirement, etc. against the limit.</p>
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4.2 Quantitative Disclosures

(b)	Total gross credit risk exposures broken down by major types of credit exposure.	Loan Type		BDT in Crore	
		Overdraft		149.28	
		Cash Credit		509.61	
		Industrial Term Loan		249.07	
		Bill Purchase & Discounted		1.04	
		PAD & LTR		333.06	
		Demand Loan		56.80	
		Agricultural Loan		25.71	
		SME Loan		58.87	
		Short Term Loan		110.54	
		Consumer Loan		5.64	
		Staff Loan		32.39	
		Others		73.89	
Total:		1,605.88			
(c)	Geographical distribution of exposures, broken down in significant areas by major types of credit exposure.	Segment		BDT in Crore	
		Dhaka Division		967.54	
		Chittagong Division		423.66	
		Rajshahi Division		55.42	
		Khulna Division		14.26	
		Sylhet Division		19.06	
		Barisal Division		94.67	
		Rangpur Division		31.27	
		Total:		1,605.88	
(d)	Industry or counterparty type distribution of exposures, broken down	Industry		BDT in Crore	

	by major types of credit exposure.	Agriculture	25.71
		Large Scale	435.17
		Small Scale	42.05
		Power, Gas, Water & Sanitary Services	25.89
		Transport, Storage & Communication	15.05
		Trade Services	756.57
		Housing Services	24.36
		Banking & Insurance	32.04
		Professional & Misc. services	249.04
		Total:	1,605.88
(e)	Residual contractual maturity breakdown of the whole portfolio, broken down by major types of credit exposure.	Residual Maturity	
		BDT in Crore	
		Re-payable on demand	22.48
		Not more than 3 months	333.06
		More than 3 Months but less than 1 year	670.17
		More than 1 year but less than 5 years	347.99
		More than 5 years	232.18
Total:	1,605.88		
(f)	By major industry or counterparty type: <ul style="list-style-type: none"> Amount of impaired loans and if available, past due loans, provided separately; Specific and general provisions; and Charges for specific allowances and charge-offs during the period. 		
		Industry	
		BDT in Crore	
		Agriculture	-
		Large Scale	48.82
		Small Scale	19.13
		Power, Gas, Water & Sanitary Services	-
		Transport, Storage & Communication	3.19
		Trade Services	378.69
		Housing Services	1.51
		Banking & Insurance	-
		Professional & Misc. services	52.31
		Total:	503.65
(g)	Gross Non Performing Assets (NPAs) Non Performing Assets (NPAs) to Outstanding Loans & advances Movement of Non Performing Assets (NPAs) Opening balance Additions Reductions Closing balance Movement of specific provisions for NPAs Opening balance Provisions made during the period Write-off Write-back of excess provisions Closing balance	Particulars	
		BDT in Crore	
		Gross Non Performing Assets (NPAs)	503.65
		NPAs to Outstanding Loans & advances	31.36%
		Movement of Non Performing Assets (NPAs)	
		Opening balance	488.58
		Additions Reductions	15.07
		Closing balance	503.65
		Movement of specific provisions for NPAs	
		Opening balance	64.95
		Provisions made during the period	3.36
		Write-off	---
		Write-back of excess provisions	---
		Closing balance	68.31

5. Equities: Disclosure for Banking books position:

5.1 Qualitative Disclosures

(a)	<p>The general qualitative disclosure requirement with respect to equity risk; including</p> <ul style="list-style-type: none"> • differentiation between holdings on which capital gains are expected and those taken under other objectives including for relationship and strategic reasons; and • discussion of important policies covering the valuation and accounting of equity holdings in the banking book. This includes the accounting techniques and valuation methodologies used, including key assumptions and practices affecting valuation as well as significant changes in these practices 	<p>Investment in equity securities are broadly categorized into two parts:</p> <ul style="list-style-type: none"> • Quoted Securities (Common or Preference Shares & Mutual Fund) that are traded in the secondary market (Trading Book Assets). • Unquoted securities include shares of Central Depository Bangladesh Limited (CDBL), investment in SWIFT and Market Stabilization Fund (MSF). <p>The primary aim is to investment in these equity securities for the purpose of capital gain by selling them in future or held for dividend income. Dividends received from these equity securities are accounted for as and when received. Both Quoted and Un- Quoted equity securities are valued at cost and necessary provisions are maintained if the prices fall below the cost price.</p>
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5.1 Qualitative Disclosures

(a)	<p>The general qualitative disclosure requirement with respect to equity risk; including</p> <ul style="list-style-type: none"> • differentiation between holdings on which capital gains are expected and those taken under other objectives including for relationship and strategic reasons; and • 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 	<p>Investment in equity securities are broadly categorized into two parts:</p> <ul style="list-style-type: none"> • Quoted Securities (Common or Preference Shares & Mutual Fund) that are traded in the secondary market (Trading Book Assets). • Unquoted securities include shares of Central Depository Bangladesh Limited (CDBL), investment in SWIFT and Market Stabilization Fund (MSF). <p>The primary aim is to investment in these equity securities for the purpose of capital gain by selling them in future or held for dividend income. Dividends received from these equity securities are accounted for as and when received. Both Quoted and Un- Quoted equity securities are valued at cost and necessary provisions are maintained if the prices fall below the cost price.</p>
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	practices affecting valuation as well as significant changes in these practices																			
(b)	Value disclosed in the balance sheet of investments, as well as the fair value of those investments; for quoted securities, a comparison to publicly quoted share values where the share price is materially different from fair value.	<table border="1"> <thead> <tr> <th rowspan="2">Particulars</th> <th colspan="2">Solo</th> <th colspan="2">Conso.</th> </tr> <tr> <th>Cost</th> <th>Mkt Value</th> <th>Cost</th> <th>Mkt Value</th> </tr> </thead> <tbody> <tr> <td>Share Portfolio</td> <td>37.53</td> <td>22.76</td> <td>37.53</td> <td>22.76</td> </tr> </tbody> </table>	Particulars	Solo		Conso.		Cost	Mkt Value	Cost	Mkt Value	Share Portfolio	37.53	22.76	37.53	22.76				
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(c)	The cumulative realized gains (losses) arising from sales and liquidations in the reporting period.	<table border="1"> <thead> <tr> <th>Particulars</th> <th>Solo</th> <th>Conso.</th> </tr> </thead> <tbody> <tr> <td>Realized gains/(losses)</td> <td>0.36</td> <td>0.36</td> </tr> </tbody> </table>	Particulars	Solo	Conso.	Realized gains/(losses)	0.36	0.36												
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Realized gains/(losses)	0.36	0.36																		
(d)	<ul style="list-style-type: none"> Total unrealized gains (losses) Total latent revaluation gains (losses) Any amounts of the above included in Tier 2 capital. 	<table border="1"> <thead> <tr> <th>Particulars</th> <th>Solo</th> <th>Conso.</th> </tr> </thead> <tbody> <tr> <td>Un-realized gains/(losses)</td> <td>(14.77)</td> <td>(14.77)</td> </tr> </tbody> </table> <table border="1"> <thead> <tr> <th>Particulars</th> <th>Solo</th> <th>Conso.</th> </tr> </thead> <tbody> <tr> <td>Latent revaluation gains/(losses)</td> <td>----</td> <td>----</td> </tr> </tbody> </table> <table border="1"> <thead> <tr> <th>Particulars</th> <th>Solo</th> <th>Conso.</th> </tr> </thead> <tbody> <tr> <td>Amount of above include in capital</td> <td>----</td> <td>----</td> </tr> </tbody> </table>	Particulars	Solo	Conso.	Un-realized gains/(losses)	(14.77)	(14.77)	Particulars	Solo	Conso.	Latent revaluation gains/(losses)	----	----	Particulars	Solo	Conso.	Amount of above include in capital	----	----
Particulars	Solo	Conso.																		
Un-realized gains/(losses)	(14.77)	(14.77)																		
Particulars	Solo	Conso.																		
Latent revaluation gains/(losses)	----	----																		
Particulars	Solo	Conso.																		
Amount of above include in capital	----	----																		
(e)	Capital requirements broken down by appropriate equity groupings, consistent with the bank's methodology, as well as the aggregate amounts and the type of equity investments subject to any supervisory provisions regarding regulatory capital requirements.	<table border="1"> <thead> <tr> <th>Particulars</th> <th>Solo</th> <th>Conso.</th> </tr> </thead> <tbody> <tr> <td>Specific market risk</td> <td>3.75</td> <td>3.75</td> </tr> <tr> <td>General market risk</td> <td>3.75</td> <td>3.75</td> </tr> </tbody> </table>	Particulars	Solo	Conso.	Specific market risk	3.75	3.75	General market risk	3.75	3.75									
Particulars	Solo	Conso.																		
Specific market risk	3.75	3.75																		
General market risk	3.75	3.75																		

6. Interest rate risk in the banking book (IRRBB):

6.1 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.	<p>Interest rate risk is the risk where changes in market interest rates might adversely affect a bank's financial condition. Changes in interest rates affect both the current earnings (earnings perspective) as well as the net worth of the bank (economic value perspective). To evaluate the impact of interest rate risk on the net interest margin, BCBL monitors the size of the gap between rate sensitive assets and rate sensitive liabilities in terms of the remaining period to repricing. Repricing refers to the point in time when adjustments of interest rates on assets and liabilities occur owing to new contracts, renewal of expiring contracts or that a contract specifies a floating rate that adjusts at fixed time intervals.</p> <p>A maturity mismatch approach is used to measure BCBL's exposure to interest rate risk. A positive mismatch means that more assets than liabilities are repriced in a</p>
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		given period. With a positive mismatch, a rise in market interest rates will have a positive effect on the bank's earnings. On the other hand, a negative mismatch, where more liabilities are repriced than assets in a given period, means a drop in earnings if interest rates had increased.
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6.2 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 for measuring IRRBB, broken down by currency (as relevant).	Particulars		Crore BDT		
		Market value of assets		3004.73		
		Market value of liabilities		2664.50		
		Weighted Average of Duration of Liabilities (DL)		2.76		
		Weighted Average of Duration of Assets (DA)		3.09		
		Duration GAP (DA-DL)		0.64		
		Yield to Maturity (YTM -Assets)		9.63%		
		Yield to Maturity (YTM -Liability)		6.33%		
		Particulars		Magnitude of interest rate change		
				1%	2%	3%
Fall in market value of equity		(17.68)	(35.35)	(53.03)		
Stress Testing:						
Particulars		Magnitude of Shock				
		1%	2%	3%		
Regulatory Capital		95.99	95.99	95.99		
RWA		2677.30	2718.01	2758.68		
CRAR		3.59%	3.53%	3.48%		

7. Market risk:

7.1 Qualitative Disclosures

(a)	Views of BOD on trading / investment activities	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 last year to finance asset growth and trade related transaction.
	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 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'
	Market Risk Management system	The Treasury Division manage 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 meets at least once in a month.
	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, forex position and transactions to mitigate foreign exchange risks.

7.1 Quantitative Disclosures

(b)	The capital requirements for: interest rate risk; equity position risk; foreign exchange risk; and Commodity risk.	Particulars	Solo	Conso.
		Interest rate risk	4.21	4.21
		Equity position risk	7.51	7.51
		Foreign exchange risk	1.90	1.90
		Commodity risk	---	---

8. Operational Risk:

8.1 Qualitative Disclosures

(a)	Views of BOD on system to reduce Operational Risk	<p>Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk but excludes strategic and reputation risk. It is inherent in every business organization and covers a wide spectrum of issues. The Board of Directors (BOD) of the Bank and its Management firmly believe that an effective internal control systems has been established within the Bank to ensure adequacy of the risk management framework and compliance with a documented set of internal policies concerning the risk management system which mainly include,</p> <ul style="list-style-type: none"> • Top-level reviews of the Bank's progress towards the stated objectives; • Checking for compliance with management controls; • Policies, processes and procedures concerning the review, treatment and resolution of non-compliance issues; and • A system of documented approvals and authorizations to ensure accountability to the appropriate level of management. <p>Bank has ensured some other internal practices to be in place as appropriate to control operational risk. Examples of these include:</p> <ul style="list-style-type: none"> • Close monitoring of adherence to assigned risk limits or thresholds; • Maintaining safeguards for access to, and use of, bank's assets and records; • Ensuring that staffs have appropriate expertise and training; • Regular verification and reconciliation of transactions and accounts. <p>The BOD has modified Bank's operational risk management process by issuing a high level standard like SOP, supplemented by more detailed formal guidance. This explains how the bank manages operational risk by identifying, assessing, monitoring, controlling and mitigating the risk, rectifying operational risk events, and implementing any additional procedures required for compliance with local regulatory requirements.</p> <p>The Bank maintains and tests contingency facilities to support operations in the event of disasters. Additional reviews and tests are conducted in the event that any branch of the bank is affected by a business disruption event, to incorporate lessons learned in the operational recovery from those circumstances. Plans have been prepared for the continued operation of the bank's business, with reduced staffing levels.</p>
	Performance gap of executives and staffs	<p>BCBL has a policy to provide competitive package and better working environment to attract and retain the most talented people available in the industry. As the employee loyalty is high to the bank the employee turnover in the bank is minimum compared to the industry.</p>
	Potential external events	<p>It is needless to say that there are certain risk factors which are external in nature and can affect the business of the Bank. The factors discussed below can significantly affect the business:</p>

	<p>Policies and processes for mitigating operational risk</p> <p>Approach for calculating capital charge for operational risk</p>	<ul style="list-style-type: none"> • General business and political condition • Changes in credit quality of borrowers • Changes in policies and practices of regulatory bodies to revise practices, pricing and responsibilities of the financial institutions • Implementation of Basel-III in Bangladesh • Volatility in equity market • Changes in market conditions • The risk of litigation • Success of strategies <p>Operational risk, defined as any risk that is not categorized as market or credit risk, is the risk of loss arising from inadequate or failed internal processes, people and systems or from external events. It is inherent in every business organization and covers a wide spectrum of issues. In order to mitigate this, internal control and internal audit systems are used as the primary means. Bangladesh Commerce Bank Limited manages this risk through a control based environment in which processes are documented, authorization is independent and transactions are reconciled and monitored. This is supported by an independent program of periodic reviews undertaken by internal audit, and by monitoring external operational risk events, which ensure that the bank stays in line with industry best practice and takes account of lessons learned from publicized operational failures within the financial services industry.</p> <p>BCBL has operational risk management process which explains how the bank manages its operational risk by identifying, assessing, monitoring, controlling and mitigating the risk, rectifying operational risk events, and implementing any additional procedures required for compliance with central bank requirements. Operational risk management responsibility is assigned to different level of management within the business operation. Information systems are used to record the identification and assessment of operational risks and to generate appropriate regular management reporting. Risk assessment incorporates a regular review of identified risks to monitor significant changes.</p> <p>Banks performance is monthly monitored by Board of Directors as well as Bangladesh Bank through improvement of Directives of Bangladesh Bank (DOBB) which include monthly reporting of improvement of DOBB and Major Performance Indicators to Honorable of Board of Directors and concerned authority of Bangladesh Bank.</p> <p>Basic Indicator Approach was used for calculating capital charge for operational risk as of the reporting date.</p>
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8.2 Quantitative Disclosures

(b)	The capital requirements for operational risk	<table border="1"> <thead> <tr> <th data-bbox="544 1642 1007 1673">Particulars</th> <th data-bbox="1007 1642 1211 1673">Solo</th> <th data-bbox="1211 1642 1418 1673">Conso.</th> </tr> </thead> <tbody> <tr> <td data-bbox="544 1673 1007 1716">Capital requirements for operational risk</td> <td data-bbox="1007 1673 1211 1716">21.59</td> <td data-bbox="1211 1673 1418 1716">22.88</td> </tr> </tbody> </table>			Particulars	Solo	Conso.	Capital requirements for operational risk	21.59	22.88
Particulars	Solo	Conso.								
Capital requirements for operational risk	21.59	22.88								

9. Liquidity Ratio:

9.1 Qualitative Disclosures

(a)	Views of BOD on system to reduce liquidity Risk	<p>Liquidity risk is the risk that a given security or asset cannot be traded quickly enough in the market to prevent a loss (or make the required profit) or when a bank is unable to fulfill its commitments in time when payment falls due. Thus, liquidity risk can be of two types:</p> <p>Funding liquidity risk: The risk that a firm will be unable to meet its current and future</p>
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	<p>Methods used to measure Liquidity risk</p> <p>Liquidity risk management system</p> <p>Policies and processes for mitigating liquidity risk</p>	<p>cash flow and collateral needs without affecting its daily operations or its financial condition</p> <p>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</p> <p>Banking organization, where off-balance sheet exposure is significant or has strong dependency on corporate deposit or experiencing step asset (i.e. primarily credit portfolio or investment book) growth is exposed to high level of Liquidity risk. Liquidity risk should not be seen in isolation, because financial risks are not mutually exclusive and liquidity risk is often triggered by consequence of other financial risks such as credit risk, interest rate risk, foreign exchange risk etc.</p> <p>In context of Pillar 3 (Supervisory Review Process) of RBCA, the necessity of proper assessment and management of liquidity risk carries pivotal role in ICAAP of banks. In the perspective of Bangladesh, identifying and monitoring the driving factors of liquidity risk is viewed from the following aspects:</p> <p>Regulatory Liquidity Indicators (RLIs):</p> <ul style="list-style-type: none"> • Cash Reserve Requirement (CRR) • Statutory Liquidity Ratio (SLR) • Medium Term Funding Ratio (MTFR) • Maximum Cumulative Outflow (MCO) • Advance Deposit Ratio (ADR)/Investment Deposit Ratio (IDR) • Liquidity Coverage Ratio (LCR) • Net Stable Funding Ratio (NSFR) <p>Bank's own liquidity monitoring tools:</p> <ul style="list-style-type: none"> • Wholesale Borrowing and Funding Guidelines • Liquidity Contingency Plan • Management Action Trigger (MAT) <p>Computation of Capital Charge against Liquidity Risk: If annual average of any RLIs of any bank falls below Bangladesh Bank's requirement the bank will be required to maintain additional capital for that RLI (or those RLIs).</p> <p>As per Bangladesh Bank guideline management maintain sufficient CRR and SLR.</p> <p>In December 2014, the Bangladesh Bank started to two new liquidity metrics as part of the implementation of Basel III. These are a short term liquidity stress metric, the Liquidity Coverage Ratio (LCR), and a longer term funding metric, the Net Stable Funding Ratio (NSFR). Banks have to maintain LCR and NSFR are at a minimum of 100%.</p> <p>Bangladesh Commerce Bank Limited Asset-Liability Management Committee (ALCO) has responsibility for monitoring liquidity measures and limits. Liquidity is maintained in excess of the maximum cumulative outflows calculated within these stress tests. Board Risk Management Committee set policies and process to mitigate all risks including Liquidity risk.</p>
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9.1 Quantitative Disclosures

(b)	<p>Liquidity Coverage Ratio</p> <p>Net Stable Funding Ratio (NSFR)</p> <p>Stock of High quality liquid assets Total net</p>	<table border="1"> <thead> <tr> <th data-bbox="550 1916 1220 1950">Particulars</th> <th data-bbox="1220 1916 1418 1950">Crore BDT</th> </tr> </thead> <tbody> <tr> <td data-bbox="550 1950 1220 1984">Liquidity Coverage Ratio</td> <td data-bbox="1220 1950 1418 1984">139.93%</td> </tr> <tr> <td data-bbox="550 1984 1220 2018">Net Stable Funding Ratio (NSFR)</td> <td data-bbox="1220 1984 1418 2018">141.22%</td> </tr> <tr> <td data-bbox="550 2018 1220 2052">Stock of High quality liquid assets</td> <td data-bbox="1220 2018 1418 2052">472.90</td> </tr> </tbody> </table>	Particulars	Crore BDT	Liquidity Coverage Ratio	139.93%	Net Stable Funding Ratio (NSFR)	141.22%	Stock of High quality liquid assets	472.90
Particulars	Crore BDT									
Liquidity Coverage Ratio	139.93%									
Net Stable Funding Ratio (NSFR)	141.22%									
Stock of High quality liquid assets	472.90									

cash outflows over the next 30 calendar days Available amount of stable funding Required amount of stable funding	Total net cash outflows over the next 30 calendar days	(52.93)
	Available amount of stable funding	2185.35
	Required amount of stable funding	1547.47

10. Leverage Ratio:

10.1 Qualitative Disclosures

(a)	Views of BOD on system to reduce excessive leverage	<p>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:</p> <ol style="list-style-type: none"> a) constrain the build-up of leverage in the banking sector which can damage the broader financial system and the economy b) reinforce the risk based requirements with an easy to understand and a non-risk based measure <p>The policy for Leverage Ratio including off and on balance sheet exposure and capital related policy. The Bank has a well structured delegation and sub-delegation of credit approval authority for ensuring good governance and 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.</p>
	Policies and processes for managing excessive on and off-balance sheet leverage	<p>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.</p>
	Approach for calculating exposure	<p>Calculation of Leverage Ratio A minimum Tier 1 leverage ratio of 3% is being prescribed both at solo and consolidated level.</p> $\text{Leverage Ratio} = \frac{\text{Tier 1 Capital (after related deductions)}}{\text{Tier 1 Capital (after related deductions)}}$ <p>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:</p> <ul style="list-style-type: none"> • 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.

10.2 Quantitative Disclosures

(b)	Leverage Ratio On balance sheet exposure Off balance sheet exposure Total exposure				
			Particulars	Solo	Conso.
			Tier-1 Capital (A)	82.31	83.77
			Exposure measure :		
			On balance sheet exposure	2936.96	2957.11
			Off balance sheet exposure	98.96	98.96
			Less: Regulatory adjustment made to Tier I capital	246.53	246.53
			Total exposure (B)	2789.38	2809.54
			Leverage Ratio (A/B)	2.95%	2.98%

11. Remuneration:

11.1 Qualitative Disclosures

(a)	<p>Information relating to the bodies that oversee remuneration. Disclosures should include: Name, composition and mandate of the main body overseeing remuneration. External consultants whose advice has been sought, the body by which they were commissioned, and in what areas of the remuneration process. A description of the scope of the bank's remuneration policy (eg by regions, business lines), including the extent to which it is applicable to foreign subsidiaries and branches. A description of the types of employees considered as material risk takers and as senior managers, including the number of employees in each group.</p>	<p>The Human Resource Division of the Bank is sole responsible for formulation and up-gradation of the bank under the supervision of Managing Director. Though the formulation is done by the management and approved by the Board of Directors at their meeting but before implementation the remuneration package needs to be approved by Bangladesh Bank as per condition implies in Directive of Bangladesh Bank (DOBB).</p> <p>Bank's remuneration policy is designed for permanent, contractual, consultant and advisory service/employees. Bank's subsidiary develops their own remuneration package approved by the Board of Directors.</p> <p>For the purposes of the accompanying remuneration disclosures, the "senior managers" of the bank comprise of Managing Director, Deputy Managing Director and the heads of appropriate big branches, the heads of operation, corporate, and credit risk functions and the company secretary. There were 25 senior managers as at the end of the reporting period.</p>
(b)	<p>Information relating to the design and structure of remuneration processes. Disclosures should include: An overview of the key features and objectives of remuneration policy.</p>	<p>The bank has developed a remuneration package which is competitive compared to the market but at the same time cost effective considering the bank's business volume and financial strength. The underlying objective of the remuneration package</p>

	<p>Whether the remuneration committee reviewed the firm's remuneration policy during the past year, and if so, an overview of any changes that were made.</p> <p>A discussion of how the bank ensures that risk and compliance employees are remunerated independently of the businesses they oversee.</p>	<p>is</p> <ul style="list-style-type: none"> • To offer a satisfactory and motivational compensation package to it's employee • To attract better human resource • Retain the trained and skilled manpower <p>The remuneration package was last upgraded in last part of year 2014 as a result in last year the package doesn't rise the necessity to be reviewed.</p> <p>To motivate contribution in risk management, compliance and business bank has the policy of additional increment in addition of regular increment, special promotion, honorarium as well as special training financed by bank.</p>
(c)	<p>Description of the ways in which current and future risks are taken into account in the remuneration processes. Disclosures should include:</p> <p>An overview of the key risks that the bank takes into account when implementing remuneration measures.</p> <p>An overview of the nature and type of the key measures used to take account of these risks, including risks difficult to measure (values need not be disclosed).</p> <p>A discussion of the ways in which these measures affect remuneration.</p> <p>A discussion of how the nature and type of these measures has changed over the past year and reasons for the change, as well as the impact of changes on remuneration.</p>	<p>While designing a remuneration package bank have to consider the future risk arises. Risk might be came through the employee turnover or through the cost effectiveness. As the remuneration is the highest part of the total administrative expenditure of the banking business bank have to carefully design the remuneration package to maintain the growing profitability. At the same time bank have to consider the competitive forces to sustain its valuable human resources as well as attract skilled human resources.</p> <p>Bank takes following measures to take account the risk associated from the remuneration package:</p> <ul style="list-style-type: none"> • Employee turnover rate • Rate of administrative expenditure • Per employee contribution in profit, deposit, advance • Achievement of business as well as performance target <p>If the employee turnover grow beyond tolerable limit management review the remuneration package and change or update upon approval from the board. Considering the administrative expenditure and per employee contribution in business and earnings banks bonus and business expansion with existing manpower is considered. Achievement of individual business target and performance target is reflected in yearly increment, promotion and bonus etc.</p> <p>No changes occurred in remuneration package or the measuring criteria in past year.</p>
(d)	<p>Description of the ways in which the bank seeks to link performance during a performance measurement period with levels of remuneration. Disclosures should include:</p> <p>An overview of main</p>	<p>Bank has a Key Performance Indicator (KPI) set to evaluate every individual</p>

	<p>performance metrics for bank, top-level business lines and individuals.</p> <p>A discussion of how amounts of individual remuneration are linked to bank-wide and individual performance.</p> <p>A discussion of the measures the bank will in general implement to adjust remuneration in the event that performance metrics are weak.</p>	<p>employee's performance and some key indicators for measuring the performance overall human resources of the bank.</p> <p>Amounts of individual remuneration like yearly increment, bonus, house building loan, promotion is directly linked with their set performance standard and achievement there against.</p> <p>At the event of weak performance metrics individual will lose the benefit as set in the policy and recommended and provided supporting to improve from the weak performance status.</p>
(e)	<p>Description of the ways in which the bank seek to adjust remuneration to take account of longer-term performance. Disclosures should include:</p> <p>A discussion of the bank's policy on deferral and vesting of variable remuneration and, if the fraction of variable remuneration that is deferred differs across employees or groups of employees, a description of the factors that determine the fraction and their relative importance.</p> <p>A discussion of the bank's policy and criteria for adjusting deferred remuneration before vesting and (if permitted by national law) after vesting through clawback arrangements.</p>	<p>Banks remuneration contains two parts one is fixed and another is variable. Variable part depends on the performance of the individual employees. Variable benefit includes increment, bonus, house building loan, promotion etc. These doesn't varies from employees to employees or group to group but performance measuring criteria is different for each group, division or branch level employees.</p>
(f)	<p>Description of the different forms of variable remuneration that the bank utilises and the rationale for using these different forms. Disclosures should include:</p> <p>An overview of the forms of variable remuneration offered (ie cash, shares and</p>	<p>Bangladesh Commerce Bank Limited has no variable remuneration like cash, shares and share linked instruments and other forms.</p>

share-linked instruments and other forms A discussion of the use of the different forms of variable remuneration and, if the mix of different forms of variable remuneration differs across employees or groups of employees), a description the factors that determine the mix and their relative importance.	
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11.2 Quantitative Disclosures

(g)	Number of meetings held by the main body overseeing remuneration during the financial year and remuneration paid to its member.	No meetings of remuneration committee are held during 2015.											
(h)	Number of employees having received a variable remuneration award during the financial year. Number and total amount of guaranteed bonuses awarded during the financial year. Number and total amount of sign-on awards made during the financial year. Number and total amount of severance payments made during the financial year.	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;">Particulars</th> <th style="text-align: center;">BDT in Crore</th> </tr> </thead> <tbody> <tr> <td>Number of employees having received a variable remuneration award during the financial year</td> <td style="text-align: center;">Nil</td> </tr> <tr> <td>Number and total amount of guaranteed bonuses awarded during the financial year.</td> <td style="text-align: center;">Nil</td> </tr> <tr> <td>Number and total amount of sign-on awards made during the financial year.</td> <td style="text-align: center;">Nil</td> </tr> <tr> <td>Number and total amount of severance payments made during the financial year.</td> <td style="text-align: center;">Nil</td> </tr> </tbody> </table>		Particulars	BDT in Crore	Number of employees having received a variable remuneration award during the financial year	Nil	Number and total amount of guaranteed bonuses awarded during the financial year.	Nil	Number and total amount of sign-on awards made during the financial year.	Nil	Number and total amount of severance payments made during the financial year.	Nil
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(i)	Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms. Total amount of deferred remuneration paid out in the financial year.	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;">Particulars</th> <th style="text-align: center;">BDT in Crore</th> </tr> </thead> <tbody> <tr> <td>Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms a variable remuneration award during the financial year</td> <td style="text-align: center;">Nil</td> </tr> <tr> <td>Total amount of deferred remuneration paid out in the financial year.</td> <td style="text-align: center;">Nil</td> </tr> </tbody> </table>		Particulars	BDT in Crore	Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms a variable remuneration award during the financial year	Nil	Total amount of deferred remuneration paid out in the financial year.	Nil				
Particulars	BDT in Crore												
Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms a variable remuneration award during the financial year	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 and variable.	Fixed remuneration of BDT 52.74 Crore has been paid in 2015 and no variable remuneration was paid in said period.											

	<ul style="list-style-type: none"> - Deferred and non-deferred. - Different forms used (cash, shares and share linked instruments, other forms). 	
(k)	<p>Quantitative information about employees' exposure to implicit (eg fluctuations in the value of shares or performance units) and explicit adjustments (eg clawbacks or similar reversals or downward revaluations of awards) of deferred remuneration and retained remuneration:</p> <p>Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit and/or implicit adjustments.</p> <p>Total amount of reductions during the financial year due to ex post explicit adjustments.</p> <p>Total amount of reductions during the financial year due to ex post implicit adjustments.</p>	Not applicable for Bangladesh Commerce Bank Limited.