Bangladesh Commerce Bank Limited

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

31.12.2023

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).	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: **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. 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, saving and other scheme as well as giving loans to organizations and individuals to accelerate economic development. BCBL makes it's profit by taking small, short-term, relatively liquid deposits and transforming these into small, medium and larger loans for short, medium and long term maturity. These processes of asset transformation generate net income for BCBL. BCBL also earned short term profit by investing through treasury functions as well as non funded business. However, BCBL 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 guarantees, cash management and settlement as well as trade finance. **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 to carry out the business of full-fledged merchant banking activities like issue management, portfolio management, underwriting etc.
(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.

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 and (vi) Right Share Application Money. Tier-2 Capital consists of (i) General Provision against unclassified Loans/Investments, (ii) Off-balance sheet exposure and (iii) 50% of Revaluation gain/ loss on investment (HFT) as per guideline the balance of 31.12.2014 is considered after deducting 40%.

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

BDT in Crore

Particulars	Solo	Conso.
Fully Paid up Capital	198.87	198.87
Share Capital BCI	1.53	1.53
Statutory Reserve	27.51	27.51
General Reserve	0.89	0.89
Retained Earnings	-1159.77	-1143.99
Right Share Application Money	91.73	91.73
CET1 Capital	**-839.24**	**-823.46**
Additional Tier 1 Capital	0.00	0.00
Total Tier 1 Capital	**-839.24**	**-823.46**
General Provision	15.96	15.97
Revaluation Reserve	0	0
Tier 2 Capital	**15.56**	**15.56**

(c) Regulatory Adjustments/Deductions from capital

BDT in Crore

Particulars	Solo	Conso.
Provision Shortfall in NPL	----	----
Provision Shortfall in Share	----	----
Total Adjustment	----	----

(d) Total eligible capital

BDT in Crore

Particulars	Solo	Conso.
Total eligible capital	**-823.68**	**-807.91**

Bangladesh Bank identified provision shortfall of Taka 469.26 crore against loans and advances, off balance sheet exposures and other assets as on 31 December 2023 and the provision was deferred before finalizing the Financial Statements of 2024 vide their letter ref: DOS(CAMS)1157/41(Dividend)/2024-1712 dated: 25/04/2024.

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 -21.37% & -22.79% respectively as against the minimum regulatory requirement of 12.50%. Tier-I capital adequacy ratio for "Consolidated" is -21.78% as well as "Solo" is -23.22% 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.

3.1 Qualitative Disclosures

<table>
<tr><td>(b)</td><td>Capital requirement for Credit Risk</td><td>BDT in Crore
<table>
<tr><th>Particulars</th><th>Solo</th><th>Conso.</th></tr>
<tr><td>Capital requirement for Credit Risk</td><td>344.83</td><td>361.55</td></tr>
</table></td></tr>
<tr><td>(c)</td><td>Capital requirement for Market Risk</td><td>BDT in Crore
<table>
<tr><th>Particulars</th><th>Solo</th><th>Conso.</th></tr>
<tr><td>Capital requirement for Market Risk</td><td>4.11</td><td>4.11</td></tr>
</table></td></tr>
<tr><td>(d)</td><td>Capital requirement for Operational Risk</td><td>BDT in Crore
<table>
<tr><th>Particulars</th><th>Solo</th><th>Conso.</th></tr>
<tr><td>Capital requirement for Operational Risk</td><td>12.44</td><td>12.44</td></tr>
</table></td></tr>
<tr><td>(e)</td><td>Total capital, CET1 capital, Total Tier 1 capital and Tier 2 capital ratio:
• For the consolidated group; and
• For stand alone</td><td>
<table>
<tr><th>Particulars</th><th>Solo</th><th>Conso.</th></tr>
<tr><td>CRAR</td><td>-22.79%</td><td>-21.37%</td></tr>
<tr><td>CET1 Capital Ratio</td><td>-23.22%</td><td>-21.78%</td></tr>
<tr><td>Total Tier 1 Capital Ratio</td><td>-23.22%</td><td>-21.78%</td></tr>
<tr><td>Total Tier 2 Capital Ratio</td><td>0.43%</td><td>0.41%</td></tr>
</table></td></tr>
<tr><td>(f)</td><td>Capital Conservation Buffer</td><td>For bank the requirement of capital conservation buffer is 2.50%. The Bank maintained 0% capital conservation buffer as on 31/12/2023.</td></tr>
<tr><td>(g)</td><td>Available Capital under Pillar 2 Requirement</td><td></td></tr>
</table>

4. Credit Risk:

4.1 Qualitative Disclosures

<table>
<tr><td>(a)</td><td>The general qualitative disclosure requirement with respect to credit risk, including:
• Definitions of past due and impaired (for accounting purposes);</td><td>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:

Continuous & Demand Loan will be classified as:
• 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.

Fixed term loan will be classified as:
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:

• 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”.

Fixed term loan will (amounting more than BDT 10 lac) be classified as:
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:

• 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</td></tr>
</table>

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 06 (six) 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 09 (nine) months, the entire loans are classified as “Bad/Loss”.

Short term agricultural and micro credit will be classified as:

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:

- 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”.

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)”.

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

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:

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.	
Specific provision on Sub-Standard loans and advances / investments.	20%
Specific provision on Doubtful loans and advances / investments.	50%
Specific provision on bad / loss loans and advances / invests.	100%

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

	• Discussion of the bank's credit risk management policy;	competent authority, assisting in completion of documentation formalities and above all maintaining relationship with the branches and customers have so long been done by Credit 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. 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.

4.2 Quantitative Disclosures

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

Loan Type	*BDT in Crore*
Demand Loan	50.94
Loan General	414.20
Cash Credit (Hypo)	296.48
Agriculture Loan	71.80
Overdraft	147.72
SME Loan	656.71
Payment Against Document (PAD)	105.20
Loan against Trust Receipt (LTR)	163.79
House Building Loan	125.89
Credit Card	28.25
Consumer Credit	7.56
Staff Loan	58.67
Loans & Advances (BCI)	47.49
Bills Purchased and Discounted	2.09
Islamic Banking	220.75
Total	**2397.54**

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

Segment	*BDT in Crore*
Dhaka Division	1534.94
Chittagong Division	462.30
Rajshahi Division	139.73
Khulna Division	136.13
Sylhet Division	42.13
Barisal	19.25
Rangpur	38.17
Mymenshingh	24.88
Total	**2397.54**

(d) Industry or counterparty type distribution of

Industry	*BDT in Crore*

exposures, broken down by major types of credit exposure.

Food & Beverage industries	58.84
Furniture & Fixture	2.37
Printing, publishing & allied industries	8.92
Petroleum & coal Products	26.45
RMG & Textile	283.31
Non-metallic mineral products	60.91
Basic metal products	5.77
Cement industries	9.24
Small Scale Industries	133.93
Power Generation & Gas	32.82
Other manufacturing industries	155.33
Rural Credit & Agri Loan	71.80
Import Credit	374.03
Trade & Commerce	1068.57
Others	105.22
Total	**2397.54**

(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	835.38
Not more than 3 months	390.25
More than 3 Months but less than 1 year	579.93
More than 1 year but less than 5 years	591.99
More than 5 years	
Total	**2397.54**

(f) By major industry or counterparty type:

- 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**
Agricultural Loan	71.80
Industrial Loan (other than working capital)	132.87
Working capital Loan	361.74
Import Credit	353.68
Commercial Loan	914.40
RMG & Textile	283.31
Construction Loan	125.89
Transport and Communication Loan	11.61
Consumer Credit	35.81
All Others Loans	106.42
Total	**2397.54**

(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)	1238.35
NPAs to Outstanding Loans & advances	51.65%
Movement of Non Performing Assets (NPAs)	
Opening balance	1042.35
Additions/(Reductions)	196.00
Closing balance	**1238.35**
Movement of specific provisions for NPAs	
Opening balance	358.58
Provisions made during the period	---
Write-off	0.03)
Write-back of excess provisions	---
Closing balance	**358.55**

5. Equities: Disclosure for Banking Books position:

5.1 Qualitative Disclosures

<table>
<tr><td>(a)</td><td>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
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</td><td>Investment in equity securities are broadly categorized into two parts:
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).
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.</td></tr>
<tr><td>(b)</td><td>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.</td><td>BDT in Crore<table><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><tr><td>Share Portfolio</td><td>54.94</td><td>33.91</td><td>50.94</td><td>33.91</td></tr></table></td></tr>
<tr><td>(c)</td><td>The cumulative realized gains (losses) arising from sales and liquidations in the reporting period.</td><td>BDT in Crore<table><tr><th>Particulars</th><th>Solo</th><th>Conso.</th></tr><tr><td>Realized gains/(losses)</td><td></td><td></td></tr></table></td></tr>
<tr><td>(d)</td><td>Total unrealized gains (losses)
Total latent revaluation gains (losses)
Any amounts of the above included in Tier 2 capital.</td><td>BDT in Crore<table><tr><th>Particulars</th><th>Solo</th><th>Conso.</th></tr><tr><td>Un-realized gains/(losses)</td><td>(17.03)</td><td>(17.03)</td></tr></table><table><tr><th>Particulars</th><th>Solo</th><th>Conso.</th></tr><tr><td>Latent revaluation gains/(losses)</td><td>----</td><td>----</td></tr></table><table><tr><th>Particulars</th><th>Solo</th><th>Conso.</th></tr><tr><td>Amount of above include in capital</td><td>----</td><td>----</td></tr></table></td></tr>
<tr><td>(e)</td><td>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.</td><td>BDT in Crore<table><tr><th>Particulars</th><th>Solo</th><th>Conso.</th></tr><tr><td>Specific market risk</td><td>3.39</td><td>3.39</td></tr><tr><td>General market risk</td><td>170</td><td>170</td></tr></table></td></tr>
</table>

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.	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 re-pricing. Re-pricing 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. 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 re-priced in a 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 re-priced than assets in a given period, means a drop in earnings if interest rates had increased.

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	*BDT in Crore*
Market value of assets	5561.87
Market value of liabilities	6391.13
Weighted Average of Duration of Liabilities (DL)	4.26
Weighted Average of Duration of Assets (DA)	3.67
Duration GAP (DA-DL)	0.59
Yield to Maturity (YTM -Assets)	7.65%
Yield to Maturity (YTM -Liability)	4.37%

Particulars	Magnitude of interest rate change		
	1%	2%	3%
Fall in market value of equity	-0.25	-0.51	-0.76

Stress Testing:

Particulars	Magnitude of Shock *(BDT in Crore)*		
	1%	2%	3%
Regulatory Capital	-902.47	-902.73	-902.98
RWA	3539.20	3539.20	3539.20
CRAR	-25.50%	-25.51%	-25.51%

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

<table>
<tr><td>(b)</td><td>The capital requirements for:
interest rate risk;
equity position risk;
foreign exchange risk; and
Commodity risk.</td><td>BDT in Crore
<table><tr><th>Particulars</th><th>Solo</th><th>Conso.</th></tr><tr><td>Interest rate risk</td><td>1.70</td><td>1.70</td></tr><tr><td>Equity position risk</td><td>5.09</td><td>5.09</td></tr><tr><td>Foreign exchange risk</td><td>4.13</td><td>4.13</td></tr><tr><td>Commodity risk</td><td>---</td><td>---</td></tr></table></td></tr>
</table>

8. Operational Risk:

8.1 Qualitative Disclosures

<table>
<tr><td>(a)</td><td>Views of BOD on system to reduce Operational Risk</td><td>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;
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.
Bank has ensured some other internal practices to be in place as appropriate to control operational risk. Examples of these include:
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.
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.
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.</td></tr>
<tr><td></td><td>Performance gap of executives and staffs</td><td>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.</td></tr>
<tr><td></td><td>Potential external events</td><td>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:
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</td></tr>
</table>

	Policies and processes for mitigating operational risk	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. 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. 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.
	Approach for calculating capital charge for operational risk	Basic Indicator Approach was used for calculating capital charge for operational risk as of the reporting date.

8.2 Quantitative Disclosures

(b)	The capital requirements for operational risk	***BDT in Crore*** <table><tr><th>Particulars</th><th>Solo</th><th>Conso.</th></tr><tr><td>Capital requirements for operational risk</td><td>12.44</td><td>12.44</td></tr></table>

9. Liquidity Ratio:

9.1 Qualitative Disclosures

(a)	Views of BOD on system to reduce liquidity Risk	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: **Funding liquidity risk:** The risk that a firm will be unable to meet its current and future cash flow and collateral needs without affecting its daily operations or its financial condition **Market liquidity risk:** The risk that a firm cannot easily offset or sell a position without incurring a loss because of inadequate depth in the market 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.
	Methods used to measure Liquidity risk	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: Regulatory Liquidity Indicators (RLIs):

	Liquidity risk management system	• 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 Raito (NSFR) Bank's own liquidity monitoring tools: • Wholesale Borrowing and Funding Guidelines • Liquidity Contingency Plan • Management Action Trigger (MAT) Computation of Capital Charge against Liquidity Risk: If annual average of any RLIs of any bank falls bellow Bangladesh Bank's requirement the bank will be required to maintain additional capital for that RLI (or those RLIs). As per Bangladesh Bank guideline management maintain sufficient CRR and SLR. 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) a longer term funding metric and the Net Stable Funding Ratio (NSFR). Banks have to maintain LCR and NSFR are at a minimum of 100%.
	Policies and processes for mitigating liquidity risk	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.

9.1 Quantitative Disclosures

(b)	Liquidity Coverage Ratio Net Stable Funding Ratio (NSFR) Stock of High quality liquid assets Total net cash outflows over the next 30 calendar days Available amount of stable funding Required amount of stable funding	see table below

Particulars	***BDT in Crore***
Liquidity Coverage Ratio	100.01%
Net Stable Funding Ratio (NSFR)	130.11%
Stock of High quality liquid assets	723.51
Total net cash outflows over the next 30 calendar days	723.44
Available amount of stable funding	3358.00
Required amount of stable funding	2580.83

10. Leverage Ratio:

10.1 Qualitative Disclosures

(a)	Views of BOD on system to reduce excessive leverage	In order to avoid building-up excessive on- and off-balance sheet leverage in the banking system, a simple, transparent, non-risk based leverage ratio has been introduced by Bangladesh Bank. The leverage ratio is calibrated to act as a credible supplementary measure to the risk based capital requirements. The leverage ratio is intended to achieve the following objectives: 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
	Policies and processes for managing excessive on and off-balance sheet leverage	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.

	Approach for calculating exposure	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. **Calculation of Leverage Ratio:** A minimum Tier 1 leverage ratio of 3% is being prescribed both at solo and consolidated level. $\text{Leverage Ratio} = \dfrac{\text{Tier 1 Capital (after related deductions)}}{\text{Total Exposure (after related deductions)}}$ The exposure measure for the leverage ratio will generally follow the accounting measure of exposure. In order to measure the exposure consistently with financial accounts, the following will be applied by the bank: • On balance sheet, non-derivative exposures will be net of specific provisions and valuation adjustments (e.g. surplus/ deficit on Available for sale (AFS)/ Held-for-trading (HFT) positions). • Physical or financial collateral, guarantee or credit risk mitigation purchased is not allowed to reduce on- balance sheet exposure. • Netting of loans and deposits is not allowed.

10.2 Quantitative Disclosures

(b)	Leverage Ratio On balance sheet exposure Off balance sheet exposure Total exposure	***BDT in Crore***

Particulars	Solo	Conso.
Tier-1 Capital (A)	-839.24	-823.46
Exposure measure :		
On balance sheet exposure	5204.05	5204.05
Off balance sheet exposure	539.03	539.03
Less: Regulatory adjustment made to Tier I capital	....	.....
Total exposure (B)	5743.08	5743.08
Leverage Ratio (A/B)	-14.61%	-14.34 %

11. Remuneration

11.1 Qualitative Disclosures

(a)	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.	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 imply in Directive of Bangladesh Bank (DOBB). 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. 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. List of executives who considered as material risk takers are given below:

Designation of the employees	Number of Employees
Managing Director	01
Additional Managing Director	--
Deputy Managing Director	01
Senior Executive Vice President	02
Executive Vice President	01
Senior Vice President	08
Vice Prescient	07

(b)	Information relating to the design and structure of remuneration processes. Disclosures should include: An overview of the key features and objectives of remuneration policy. 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. A discussion of how the bank ensures that risk and compliance employees are remunerated independently of the businesses they oversee.	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 is • To offer a satisfactory and motivational compensation package to its employee • To attract better human resource • Retain the trained and skilled manpower The remuneration package was last upgraded in last part of year 2022 as a result in last year the package doesn't rise the necessity to be reviewed. 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.
(c)	Description of the ways in which current and future risks are taken into account in the remuneration processes. Disclosures should include: An overview of the key risks that the bank takes into account when implementing remuneration measures. 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). A discussion of the ways in which these measures affect remuneration. 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.	While designing a remuneration package bank have to consider the future risk arises. Risk might be come 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. Bank takes following measures to take account the risk associated from the remuneration package: • Employee turnover rate • Rate of administrative expenditure • Per employee contribution in profit, deposit, advance • Achievement of business as well as performance target If the employee turnover grows 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. No changes occurred in remuneration measuring criteria in past year.
(d)	Description of the ways in which the bank seeks to link performance during a performance measurement period with levels of remuneration. Disclosures should include: An overview of main performance metrics for bank, top-level business lines and individuals. A discussion of how amounts of individual	Bank has a Key Performance Indicator (KPI) set to evaluate every individual employee's performance and some key indicators for measuring the performance overall human resources of the bank. Amounts of individual remuneration like yearly increment, bonus, house building loan, promotion is directly linked with their set performance standard and achievement there against. 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.

	remuneration are linked to bank-wide and individual performance. A discussion of the measures the bank will in general implement to adjust remuneration in the event that performance metrics are weak.	
(e)	Description of the ways in which the bank seek to adjust remuneration to take account of longer-term performance. Disclosures should include: 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. 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.	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. This 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.
(f)	Description of the different forms of variable remuneration that the bank utilises and the rationale for using these different forms. Disclosures should include: An overview of the forms of variable remuneration offered (ie cash, shares and 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.	Bangladesh Commerce Bank Limited has no variable remuneration like cash, shares and share linked instruments and other forms.

11.2 Quantitative Disclosures

<table>
<tr><td>(g)</td><td>Number of meetings held by the main body overseeing remuneration during the financial year and remuneration paid to its member.</td><td>Several meetings of the special committee formed for increasing remuneration held in 2017 to finalize the increase of salary package for the bank.</td></tr>
<tr><td>(h)</td><td>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.</td><td>
<table>
<tr><th>Particulars</th><th>BDT in Crore</th></tr>
<tr><td>Number of employees having received a variable remuneration award during the financial year</td><td>Nil</td></tr>
<tr><td>Number and total amount of guaranteed bonuses awarded during the financial year.</td><td>Two festival bonus paid to employees worth BDT 8.29 Crore.</td></tr>
<tr><td>Number and total amount of sign-on awards made during the financial year.</td><td>Nil</td></tr>
<tr><td>Number and total amount of severance payments made during the financial year.</td><td>Nil</td></tr>
</table>
</td></tr>
<tr><td>(i)</td><td>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.</td><td>
<table>
<tr><th>Particulars</th><th>BDT in Crore</th></tr>
<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>Nil</td></tr>
<tr><td>Total amount of deferred remuneration paid out in the financial year.</td><td>Nil</td></tr>
</table>
</td></tr>
<tr><td>(j)</td><td>Breakdown of amount of remuneration awards for the financial year to show:
- Fixed and variable.
- Deferred and non-deferred.
- Different forms used (cash, shares and share linked instruments, other forms).</td><td>Fixed remuneration of BDT 109.31 Crore has been paid in 2023 and no variable remuneration was paid in said period.</td></tr>
<tr><td>(k)</td><td>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</td><td>Not applicable for Bangladesh Commerce Bank Limited.</td></tr>
</table>

	retained remuneration: Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit and/or implicit adjustments. Total amount of reductions during the financial year due to ex post explicit adjustments. Total amount of reductions during the financial year due to ex post implicit adjustments.	