BASEL III PILLAR 3

Market Discipline of The City Bank Ltd.

Disclosure on Risk Based Capital
Annual Disclosure for the year ended December 31, 2021

Basel III Pillar 3: Disclosures on Risk Based Capital

Introduction

Capital adequacy is one of the major financial indicators that characterises the stability and soundness of a bank. Strong capital adequacy represents a buffer in safeguarding depositors' funds by absorbing potential losses arising from key risks faced by the bank. Sufficient capital and alignment with prudential norms had become all the more critical in the face of the peak of the Covid-19 pandemic that created largescale disruptions globally. Similarly, adequate capital buffers will also be a bank's key success determinant in the post-pandemic recovery environment. Notably, Capital to Risk Weighted Asset Ratio, or CRAR, is a measure that is used to determine whether a bank has sufficient capital cushions to withstand unexpected losses arising from various risks during the course of business, such as credit risk, market risk, operational risk, etc.

At present, capital adequacy of banks in Bangladesh is computed based on Bangladesh Bank's guidelines centered on the "Basel III Accord", comprising a series of banking regulations set by the Basel Committee on Banking Supervision (BCBS) of the Bank for International Settlement (BIS) in December 2010 (revised in June 2011).

Basel III Accord

In the aftermath of the 2008-09 financial crisis that had a severe impact globally, BCBS initiated reforms to strengthen global capital and liquidity rules with the end goal of promoting banking sector resilience. This progressively led to the articulation of the Basel III accord, which is thus a regulatory response to minimising the possibility of occurrence of a financial crisis. Under the Basel III framework, banks are required to compute Capital to Risk Weighted Asset Ratio (CRAR) in three tiers:

- Common Equity Tier I (CET-I) capital ratio
- Total Tier I capital ratio
- Total capital ratio

• *Risk weighted assets (RWA)*

RWA is a measure of the value of a bank's assets and off-balance sheet exposures, weighted in order of their risks, with each asset class assigned a different risk weightage.

Pillars under the Basel III framework

Three pillars have been introduced under the Basel II regime that continue to be applied in the Basel III regime as well.

- Pillar 1 - Minimum capital requirement
- Pillar 2 - Supervisory review process
- Pillar 3 - Market discipline

• *Pillar 1*

Pillar 1 deals with the maintenance of regulatory capital needed to support the bank's three major risk categories: credit risk, market risk and operational risk. The accord states that Pillar 1 capital requirements shall be maintained as a percentage of RWA calculated based on the following approaches:

  - Standardised approach for credit risk
  - Standardised measurement method for market risk
  - Basic indicator approach, the standardised approach or the alternative standardised approach for operational risk

• *Pillar 2*

Pillar 2 sets forth the framework for the supervisory review process (SRP) to assess the bank's capital adequacy and determine whether the bank should hold additional capital to cover risks that are either not covered or insufficiently covered by the minimum capital requirements under Pillar I. Pillar 2 process encourages banks to:

- Utilise better risk management practices and techniques
- Enhance risk-based supervision in order to correctly assess capital adequacy
- Continuously evaluate their internal capital adequacy assessment process (ICAAP) to determine the level of capital to be maintained against all risks and ensure sufficient capital buffer is available to support all risks

• *Pillar 3*

Pillar 3 presents a number of disclosure requirements aimed at raising the standards of market discipline by enhancing the level of transparency. Pillar 3 disclosures provide external stakeholders a better understanding of capital adequacy calculations by providing an insight into the internal computation procedures followed by the bank. Disclosures under these requirements broadly include regulatory capital requirements and liquidity, risk weighted assets, etc.

City Bank is a licensed and regulatory-compliant bank upholding all rules and guidelines. It thus prepares a comprehensive report on capital adequacy and Basel III disclosure requirements once a year, according to Disclosure Policy of City Bank and Bangladesh Bank's guidelines. For ease of our stakeholders, Disclosures on Risk Based Capital is not only published in the Annual Report of the bank but is also broadcast on the bank's website (www.thecitybank.com).

Key Metrics (Solo Basis):

Capital to Risk Weighted Asset
14.16%
2020: 15.53%

Common Equity Tier 1 Capital ratio
9.32%
2020: 9.88%

Leverage Ratio
5.59%
2020: 6.06%

Total Eligible Capital
Tk 4,321.33 cr
2020: Tk 4,181.69 cr

Common Equity Tier 1 Capital
Tk 2,844.46 cr
2020: Tk 2,661.66 cr

Additional Tier 1 Capital
Tk 400.00 cr
2020: Tk 240.00 cr

Tier 2 Capital
Tk 1,076.87 cr
2020: Tk 1,280.03 cr

Total Risk Weighted Assets
Tk 30,519.38 cr
2020: Tk 26,932.20 cr

Credit Risk RWA
Tk 25,756.83 cr
2020: Tk 23,324.54 cr

Presentation of information

In this report, City Bank's information is presented on both solo and consolidated basis. All amounts in the tables of this Pillar 3 disclosure are denominated in Bangladeshi Taka (BDT), unless stated otherwise. Certain figures in this document have been calculated using rounded figures.

Table 1: SCOPE OF APPLICATION

Qualitative disclosures	
a) The name of the top corporate entity in the group to which this guidelines applies.	The name of the bank is The City Bank Ltd. However, the bank does not belong to any group.
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; (c) That are neither consolidated nor deducted (e.g. where the investment is risk-weighted).	Presently, City Bank does not have any associates and/or joint venture/s, but has four subsidiaries: a. **City Brokerage Limited:** City Brokerage Limited was incorporated in Bangladesh as a private limited company on 31 March 2010, vide registration no. C-83616/10 under the Companies Act, 1994. The legal status of the Company has been converted into public limited company from private limited company in June 2012, in compliance with Bangladesh Securities and Exchange Commission Rules, 2000. Previously, the bank launched its brokerage division on 4 August 2009, which was subsequently separated from the bank on 15 November 2010. On 31 December 2021, the bank held 99.9963% shares of the company. b. **City Bank Capital Resources Limited:** City Bank Capital Resources Limited (CBCRL) was incorporated in Bangladesh as a private limited company on 17 August 2009, vide registration no. C-79186/09 under the Companies Act, 1994. CBCRL provides a wide range of investment banking services, including merchant banking activities such as issue management, underwriting, portfolio management and corporate advisory. On 31 December 2021, the bank held 99.9933% shares of CBCRL. **c. CBL Money Transfer Sdn. Bhd.:** CBL Money Transfer Sdn. Bhd. (CMTS) is a private limited company by shares, incorporated under the laws of Malaysia and registered with the Companies Commission of Malaysia with Registration no. 769212M, conducting money services business under the Money Services Business Act, 2011 under a Class B License No. 00127 from the Bank Negara Malaysia. CMTS is primarily engaged as inbound/outbound remittance services provider. d. **City Hong Kong Limited:** City Hong Kong Limited was incorporated and domiciled in Hong Kong. City Hong Kong is a fully owned (100% shares) subsidiary of City Bank, established at the end of 2019 to facilitate international trade business through advising letter of credit (LC), handling documentary collections and bill financing (discounting) against LC. The financials are fully consolidated of all the subsidiaries, which have been prepared in accordance with IFRS 10 “Consolidated Financial Statements”. Intercompany transactions and balances are eliminated; minority interest of Tk. 0.01 crore has been added in the Tier 1 capital.

c) Any restrictions, or other major impediments, on transfer of funds or regulatory capital within the group.	Not applicable.
Quantitative disclosures	
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.

Table 2: CAPITAL STRUCTURE

Qualitative disclosures	
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.	The bank's regulatory capital is quite different from its accounting capital. As per Bangladesh Bank's guidelines based on Basel III accord, regulatory capital is classified into two broad categories, namely, Tier 1 Capital (going-concern capital) and Tier II Capital (gone-concern capital). Additionally, Tier 1 Capital is further divided into two categories, Common Equity Tier 1 (CET1) and Additional Tier 1 (AT1). ▪ Common Equity Tier-1 (CET1) capital of City Bank consists of fully paid-up capital, statutory reserves, non-repayable share premium, general reserve, retained earnings, dividend equalization reserve and minority interest in its subsidiary (in case of consolidation), less regulatory adjustments applicable on CET1. ▪ Additional Tier 1 (AT-1) capital of City Bank consists of Basel III compliant perpetual bonds. ▪ Tier 2 capital of City Bank consists of general provisions and subordinated debt, less regulatory adjustment applicable on Tier 2 capital.

Quantitative disclosures

Eligible Regulatory Capital Base as on 31 December 2021 (BDT in crore):

Sl. No.	Particulars	Solo	Consolidated
(a)	**Common Equity Tier 1 Capital (CET- 1)**		
a.1	Paid-up Capital	1,067.21	1067.21
a.2	Non-repayable share premium account	150.44	150.44
a.3	Statutory reserve	916.77	916.77
a.4	General Reserve	1.14	1.14
a.5	Retained Earnings	768.70	824.22
a.6	Dividend Equalisation reserve	53.08	53.08
a.7	Minority interest in subsidiaries	0.00	0.01
a.8	**Sub-total Common Equity Tier 1 Capital (CET- 1)**	**2,957.33**	**3,012.87**
(b)	**Deductions from CET-1**		
b.1	Deferred tax assets	112.87	110.93
b.2	100% of Excess Investment in other banks, FI and Ins. Co.	0.00	79.38
b.3	Book value of goodwill which are shown as assets	0.00	3.52
(c)	**Total Common Equity Tier 1 Capital**	**2,844.46**	**2,819.04**
(d)	**Additional Tier 1 Capital**		
d.1	Perpetual Bond	400.00	400.00
(e)	**Total Tier 1 Capital**	**3,244.46**	**3,219.04**
(f)	**Tier 2 Capital**		
f.1	Tier-II subordinated bond	384.40	384.40
f.2	General Provisions (provisions for UC + SMA + OBS exposure)	692.47	692.47
f.3	**Sub-Total of Tier 2 Capital**	**1,076.87**	**1,076.87**
(g)	**Deduction from Tier 2 Capital**		
g.1	100% of Excess investment in equity of other banks, FI and Ins Co.	0.00	79.38
(h)	**Total Tier II Capital**	**1,076.87**	**997.50**
(i)	**Total Eligible Regulatory Capital**	**4,321.33**	**4,216.54**

Table 3: CAPITAL ADEQUACY

Qualitative disclosures	
A summary discussion of the bank's approach to assessing the adequacy of its capital to support current and future activities.	**Approaches followed by the bank for capital calculation:** The banking industry of Bangladesh made the transition to Basel III from Basel II since the beginning of 2015. In this regard, Bangladesh Bank, in line with the Basel Committee on Banking Supervision (BCBS) recommendations and international best practices, issued revised guidelines on Risk Based Capital Adequacy based on Basel III with the purpose of fully implementing it by the end of 2019. Accordingly, City Bank applied the Basel III framework as part of its capital management strategy. The bank applies the following approaches for its risk-wise capital calculation. ▪ Credit Risk: Standardized Approach (SA) ▪ Market Risk: Standardized Approach (SA) ▪ Operational Risk: Basic Indicator Approach (BIA) **Risk Weighted Assets of the bank:** As on 31 December 2021, Total Risk Weighted Asset (RWA) of the bank was Tk 30,519.38 crore on solo basis and Tk 31,505.92 crore on consolidated basis. While credit risk accounted for 84.39% (on solo basis) and 82.15% (on consolidated basis) of RWA, followed by operational risk for 10.98% on solo basis and 11.16% on consolidated basis, market risk comprised 4.63% and 6.69% on both solo and consolidated basis respectively. To improve the capital requirement under credit risk, City Bank continuously pursues external credit rating of its client base. At the end of 2021, City Bank managed to cover around 88% of its total eligible loans under a valid external credit rating. **Compliance with regulatory requirements for Solo and Consolidated basis:** As per Basel III guideline, Minimum Capital Requirement (MCR) for banks in Bangladesh is currently 10.00% of its total RWA, with the addition of Capital Conservation Buffer, which is 2.50% of total RWA. City Bank is well ahead of this minimum target both on solo basis and consolidated basis, as of December 2021. City Bank maintained: ▪ Capital to Risk Weighted Asset Ratio (CRAR) of 14.16% on solo basis and 13.38% on consolidated basis ▪ Common Equity Tier 1 capital ratio of 9.32% on solo basis and 8.95% on consolidated basis ▪ Tier 2 capital of 37.86% of CET 1 on solo basis and 35.38% of CET 1 on consolidated basis, against the maximum limit of 88.89% ▪ Capital Conservation Buffer of 4.16% on solo basis and 3.38% on consolidated basis, against required level of 2.5% of RWA **Excess capital to support current and future activities:** After maintaining the total required capital (minimum capital requirement and capital conservation buffer), City Bank was successful in maintaining surplus capital of 1.66% on solo basis and 0.88% on consolidated basis. The surplus capital maintained by City Bank will act as a cushion to absorb the risk arising from all material risks under Pillar II and to sustain future business growth. Furthermore, forward-looking capital assessment based on prospective business growth is also conducted to comprehend and to manage any future uncertainty.

Qualitative disclosures			
Capital Requirement under Credit, Market and Operational Risk (BDT in cr)			
Sl. No.	**Particulars**	**Solo**	**Consolidated**
1.0	**Capital requirements for credit risk**	**2,575.68**	**2,588.25**
1.1	Portfolios subject to standardised approach-funded	2,029.89	2,042.47
1.2	Portfolios subject to standardised approach-non-funded	545.79	545.79
2.0	**Capital requirements for market risk**	**141.22**	**210.87**
2.1	Interest rate risk (standardised approach)	34.88	34.88
2.2	Equity risk (standardised approach)	93.78	163.43
2.3	Foreign exchange risk (standardised approach)	12.56	12.56
3.0	**Capital requirements for operational risk (basic indicator approach)**	**335.03**	**351.46**
4.0	**Total capital required**	**3,051.93**	**3,150.59**
5.0	**Capital ratios**		
5.1	Total capital ratio	14.16%	13.38%
5.2	CET 1 capital ratio	9.32%	8.95%
5.3	Total Tier 1 capital ratio	10.63%	10.22%
5.4	Tier 2 capital ratio	3.53%	3.17%
6.0	**Capital conservation buffer (minimum requirement is 2.5% of RWA)**	**4.16%**	**3.38%**
7.0	**Available capital under Pillar II requirement**	**506.41**	**278.30**

Table 4: CREDIT RISK

Qualitative disclosures	
The general qualitative disclosure requirement with respect to credit risk ▪ Discussion of the bank's credit risk management policy ▪ Definitions of past due and impaired (for accounting purposes) ▪ Description of approaches followed for specific and general allowances and statistical methods	**Credit Risk:** Credit risk refers to the probability of loss arising from a borrower's failure to repay a loan or meet a contractual obligation. For most banks, loans or financial lending is naturally the largest source of credit risk. However, there are other sources of credit risk both on- and off-balance sheet items. Off-balance sheet items include letter of credit, non-funded loan commitments, etc. Credit risk management is the process of mitigating those losses by identifying and assessing risks associated with lending and, at the same time, understanding the adequacy of both a bank's capital and loan loss reserves to accommodate those risks. **Credit risk management at City Bank:** The mandate of a Credit Risk Management Division (CRM) is to identify, mitigate and control the risks associated with financial lending through pre-defined policies and procedures. It involves a holistic view of identifying, analysing, controlling and deciding credit risk of the entire risk cycle, which incorporates the transaction, customer and the portfolio. At City Bank, along with analysing the customer's financial health, emphasis is placed on the market and industry risks as well as environmental and social aspects associated with the profile. There is a clear segregation of duties between transaction originators in the business and approvers in the risk function. All credit exposure limits are approved within a defined credit approval authority framework. The Board is the apex body for credit approvals at City Bank. The credit approval authority is delegated to the Managing Director, further sub-delegated to officials of CRM based on their credit skills, experience and knowledge. Credit risk of Corporate, Commercial and Medium businesses are being assessed by Credit Risk Management Division (CRMD), while Small and Micro Finance, Credit Card and Retail credit are assessed by Credit & Collection, Retail & Small Business Risk Division. After approval, Credit Administration Division (CAD) completes the required credit documentation, while Asset Operation team of Credit & Collection, Retail & Small Business Risk Division completes the required credit documentation and makes disbursements for the Small and Micro Finance and Retail Credit. These divisions are supported by Legal Division for further legal advice and assistance. Additionally, Internal Control and Compliance Division (ICCD) conducts on-site and off-site audit for all credit decisions as a matter of accountability and transparency. City Bank has a structured Credit Policy Manual (CPM) that is approved by the Board and reviewed every year. CPM defines organisational structure, roles and responsibilities and the processes whereby the credit risk carried by the bank can be identified, quantified and managed within the framework that the bank considers consistent with its mandate and risk tolerance standards. Whilst CPM covers Corporate, Small and Medium Enterprise (SME) and Commercial exposures; Retail, Cards and Small and Microfinance segments offer various customised products and are guided by separate Product Program Guidelines (PPGs) approved by the Board and/or the management. The bank also has a surveillance system of identifying and monitoring problem accounts during the early stages of their delinquency through auto generation of past-due report. In such a scenario, DCMT (Deteriorating Credit Monitoring Team) meetings are held so that timely corrective measures can be initiated. Classified credit cases are handled by Special Asset Management Division (SAMD), whereas those of Retail & Cards business are managed by the Collection team of Credit & Collection Division. **Loan classification criterion:** Loan products are broadly divided into continuous loan, demand loan, fixed term loan and short-term agricultural and micro-credit loan. City Bank follows the relevant

Bangladesh Bank guidelines for classification of its loan products. Presently, there are 5 categories of classification on objective criterion. These are: Standard (STD), Special Mention Account (SMA), Sub-standard (SS), Doubtful (DF) and Bad-loss (BL).
Definition of past due/overdue:

i. Any continuous loan if not repaid/renewed within the fixed expiry date for repayment or after the demand by the bank will be treated as past due/overdue from the following day of the expiry date
ii. Any demand loan if not repaid within the fixed expiry date for repayment or after the demand by the bank will be treated as past due/overdue from the following day of the expiry date
iii. In case of any installment(s) or part of installment(s) of a fixed term loan is not repaid within the fixed expiry date, the amount of unpaid installment(s) will be treated as past due/overdue after six month of the expiry date
iv. The short-term agricultural and micro-credit loan if not repaid within the fixed expiry date for repayment will be considered past due/overdue.

A summary of some objective criteria for loan classification is stated below:

Type of facility	**Overdue period for loan classification**		
	Sub-standard	**Doubtful**	**Bad & loss**
Continuous & demand loan (except CMSME)	3 months or more but less than 9 months	9 months or more but less than 12 months	12 months or more
Continuous & demand loan (BRPD circular no.16 under CMSME)	6 months or more but less than 18 months	18 months or more but less than 30 months	30 months or more
Fixed term loan (except CMSME)	3 months or more but less than 9 months	9 months or more but less than 12 months	12 months or more
Fixed term loan (BRPD circular no.16 under CMSME))	6 months or more but less than 18 months	18 months or more but less than 30 months	30 months or more
Short term agricultural & micro-credit	12 months or more but less than 36 months	36 months or more but less than 60 months	60 months or more
Reschedule accounts	Reschedule accounts will be marked as per BRPD Circular No. 15, September 23, 2012		

Guidelines for loan loss provisions:
Specific provisions for classified loans and general provisions for unclassified loans and advances and contingent assets are measured as per Bangladesh Bank's prescribed provisioning rates, as mentioned below:

General provision:	**Rate**
Unclassified (STD & SMA) general loans and advances	1.00%
Unclassified (STD & SMA) small and medium enterprise	0.25%
Unclassified (STD & SMA) loans to BHs/MBs/SDs against shares, etc.	2.00%
Unclassified (STD & SMA) loans for housing finance and on loans for professionals	1.00%
Unclassified (STD & SMA) consumer financing other than housing finance and loans for professionals	2.00%
Unclassified (STD & SMA) credit card loans under consumer financing	2.00%
Unclassified short term agricultural credit and micro-credit	1.00%
Off balance sheet exposures	1.00%
Unclassified (STD & SMA) general loans and advances-special general provision-COVID-19	2.00%
Unclassified (STD & SMA) CMSME loans and advances- special general provision-COVID-19	1.50%
Specific provision:	
Substandard loans and advances other than short term agricultural credit and micro-credit	20.00%

	Doubtful loans and advances other than short term agricultural credit and micro-credit	50.00%
	Bad & loss loans and advances	100.00%
	Substandard & doubtful short term agricultural credit and micro-credit	5.00%
	Substandard cottage, micro and small credit under CMSME under BRPD circular no. 16 dated 21 July 2020	5.00%
	Doubtful cottage, micro and small credits under CMSME under BRPD circular no. 16 dated 21 July 2020	20.00%

Qualitative disclosures

Total gross credit risk exposures broken down by major types of credit exposure

Type-wise credit exposure	Amount in crore BDT
Continuous loan	**4,392.47**
Small & medium enterprise financing (SMEF)	1,472.41
Consumer Finance	1,263.41
Loans to BHs/MBs/SDs against shares	93.41
Other than SMEF, CF, BHs/MBs/SDs	1,563.24
Demand loan	**9,986.25**
Small & medium enterprise financing (SMEF)	911.40
Consumer finance	-
Loans to BHs/MBs/SDs against shares	1.00
Other than SMEF, CF, BHs/MBs/SDs	9,073.85
Fixed Term loan	**13,592.10**
Small & medium enterprise financing (SMEF)	2,569.42
Consumer finance (including staff, other than HF)	3,043.92
Housing finance (HF)	1,078.21
Loans to professionals for business setup (LP)	-
Loans to BHs/MBs/SDs against shares	-
Other than SMEF, CF, BHs/MBs/SDs	6,900.55
Short term agri. credit and micro-credit	**316.49**
Short term agri. credit	314.10
Microcredit	2.39
Staff loan	350.66
Total credit exposure	**28,637.97**

Geographical distribution of exposures, broken down in significant areas by major types of credit exposure

Geographical exposure	Amount in crore BDT
Dhaka	23,312.55
Chattogram	3,156.59
Rajshahi	847.15
Khulna	676.86
Rangpur	277.51
Sylhet	149.66
Barishal	127.02
Mymensingh	48.26
Outside Bangladesh	42.37
Total exposure	**28,637.97**

Industry or counterparty type distribution of exposures, broken down by major types of credit exposure

Industry-wise distribution of exposure	Amount in crore BDT
Readymade garments industry	5,589.55
Consumer credit	4,857.99
Energy and power industry	3,829.48
Trade service	3,254.17
Other manufacturing industry	2,107.64
Textile & spinning mills	1,458.55
Real estate financing	1,398.17

Steel industry	1,171.42
Agri & micro-credit through NGO	915.06
Service industry	876.48
Others	842.72
Assembling industry	740.07
Pharmaceuticals industry	448.71
Edible oil and food processing	368.75
Construction	242.23
Transport, storage & communication	231.00
Ship breaking & building	140.58
Chemical industry	111.20
Hospitals	54.18
Total exposure	**28,637.97**

Residual contractual maturity breakdown of the whole portfolio, broken down by major types of credit exposure

Residual contractual maturity-wise exposure	**Amount in crore BDT**
Repayable on demand	1,155.22
Not more than 3 months	6,794.19
More than 3 months but not more than 1 year	6,851.18
More than 1 year but not more than 5 years	9,331.69
More than 5 years	4,505.69
Total exposure	**28,637.97**

By major industry or counterparty type:

- Amount of impaired loans and if available, past due loans
- Specific and general provisions; and
- Charges for specific allowances and charge-offs during the period

Counterparty-wise distribution of impaired loans and past due loans	**Amount in crore BDT**	
	NPL	**SMA**
Small & medium enterprise financing (SMEF)	733.62	75.69
Consumer financing (Other than HF &LP)	139.95	28.41
Loans to BHs/MBs/SDs	-	-
Other than SMEF, CF, BHs/MBs/SDs	503.10	89.09
Housing finance (HF)	11.67	1.22
Loans for professionals to setup business (LP)	-	-
Short term Agri. credit	2.28	-
Micro-credit	-	-
Staff loan	-	-
Total exposure	**1,390.61**	**194.41**

Particulars of specific and general provisions for entire loan portfolio and off-balance sheet exposures	**Amount in crore BDT**
Specific provision for loans and advances	560.18
General provision for loans and advances	497.29
General provision for off-balance sheet exposures	195.19

- Gross Non-Performing Assets
- Non-Performing Assets to Outstanding Loans & advances
- Movement of Non-Performing Assets (NPAs)
- Movement of Specific provisions for NPAs

Non-performing assets	**Amount in crore BDT**
Gross non-performing assets (NPAs)	1,390.61
NPAs to outstanding loans and advances (%)	4.86%
Movement of NPAs (gross)	
Opening balance	1085.01
Additions	700.16
Less: Reductions (cash recovery, rescheduling, W/O)	394.56
Closing balance	**1390.61**
Movement of specific provisions for NPAs	
Provision held at the beginning of the year	393.31
Add: Reversal of previously written off loan	18.91

	Add: Transfer to general provision	73.51
	Add: Specific provision made during the year	124.42
	Add: Recoveries of amounts previously written off	88.00
	Add: Provision made for Partially write off loans	0.00
	Less: Fully provided debts written off during year	134.72
	Less: Fully waived during the year	3.26
	Closing balance	**560.18**

Table 05: EQUITIES – DISCLOSURES FOR BANKING BOOK POSITIONS

Qualitative disclosures

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

The bank's investment in equity securities are broadly categorised into two categories:

- **Quoted securities:** The instruments are quoted in active markets. These securities include common shares and mutual funds listed with stock exchanges. These instruments are categorised as trading book assets. Investment in trading book includes securities holding for capital gains, dividend income and securities holding for strategic reasons.
- **Unquoted securities:** Unquoted securities have no active market for price quotation. These instruments are categorised as banking book assets. Once unquoted securities get listed in the secondary market, it is reclassified as quoted and trading book assets.

As per Bangladesh Bank circular (ref: BRPD circular number -14 dated June 25, 2003), the quoted shares are valued as per market price in the stock exchange(s).
Quoted shares under special fund are not revalued at market price according to DOS circular number- 1 dated 10 February 2020.

Equity securities holdings in the banking book or unquoted are recognised at cost price.

Provisions for shares are maintained for unrealised loss (gain net-off) arising from diminution in value of investments. Provision for shares against unrealised loss (gain net-off) has been made according to DOS circular number-04 dated 24 November 2011 and for mutual funds (closed-end) according to DOS circular letter no. 3 dated 12 March 2015 of Bangladesh Bank.

Quantitative disclosures

- Value disclosed in the balance sheet of investments, as well as the fair value of those investments; for quoted securities, a comparison to publicly quoted share values where the share price is materially different from fair value.

Particulars (BDT in cr)	Solo basis		Consolidated basis	
	Cost price	Market value	Cost price	Market value
Value of quoted shares	114.75	268.89	529.05	778.97
Value of unquoted shares	10.00	10.00	10.00	10.00

- The cumulative realized gains (losses) arising from sales and

Particulars (BDT in cr)	Solo basis	Consolidated basis
The cumulative realised gains	20.51	34.73

liquidations in the reporting period.
- Total unrealized gains (losses)
- Total latent revaluation gains (losses)
- Any amounts of the above included in Tier 2 capital.

(losses) arising from sales and liquidations in the reporting period		
Total unrealised gains (losses)	154.14	249.91
Total latent revaluation gains (losses)	-	-
Any amounts of the above included in Tier-2 capital	-	-

- 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.

Risk weighted assets and capital charge for unquoted shares (BDT in crore)	**Solo basis**		**Consolidated basis**	
	Balance sheet amount	**RWA**	**Balance sheet amount**	**RWA**
Unquoted shares	8.80	11.00	8.80	11.00
Unquoted shares (venture capital)	1.20	1.20	1.20	1.20
Total unquoted shares	10.0	12.20	10.00	12.20
Capital requirement @ 10% of RWA	**1.22**		**1.22**	

Table 06: INTEREST RATE RISK IN BANKING BOOK (IRRBB)

Qualitative disclosures

The general qualitative disclosure requirement including the nature of Interest Rate Risk in Banking Book (IRRBB) and key assumptions, including assumptions regarding loan prepayments and behavior of non-maturity deposits, and frequency of IRRBB measurement.

Interest rate risk:

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

Nature of interest rate risk management:

Bank assesses the interest rate risk both in earnings and economic value perspective.

Earning perspective: The focus of this perspective is the impact of variation in interest rates on accrual or reported earnings because reduced earnings can threaten the financial stability of a bank by undermining its capital adequacy and by reducing market confidence.

Economic value perspective: This perspective reflects the sensitivity of the net worth of the bank to fluctuations in interest rates.

Key assumptions for interest risk measurement:

Interest rate risk management policy, targets and controls are comprehended in Asset Liability Management Policy of the bank.

Assumption for assets, liabilities, and instruments with predefined maturity is that these are bucketed as per residual maturity or next repricing date.

Assumption for non-maturity assets, liabilities and instruments is that they can be bucketed based on previously observed withdrawal and payment behaviour patterns.

Interest rate risk in banking book is measured through the following approaches:

1. **Interest rate sensitivity analysis (gap analysis):** Interest rate sensitivity (or interest rate gap) analysis is used to measure and manage interest rate risk exposure specifically and the bank's re-pricing and maturity imbalances. This analysis is conducted on a monthly basis.
2. **Duration analysis on economic value of equity:** A weighted maturity/re-pricing schedule is used to evaluate the effects of changing interest rates on the bank's economic value by applying sensitivity weights to each time band. Such weights are based on estimates of the duration of the assets and liabilities that fall into each time band. The duration analysis is conducted on a quarterly basis.

Stress-testing: It is used for measuring the interest rate risk on the bank's balance sheet exposure for estimating the impact on the Capital to Risk Weighted Assets ratio. Stress-testing is conducted on a quarterly basis.

Quantitative disclosures

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).

The plausible interest rate risk in the banking book as of December 31, 2021 is calculated as below:

Interest rate sensitivity analysis:

Interest rate change	1%	2%	3%
Change in net interest income in short term bucket (BDT in crore)	(24.18)	(48.36)	(72.54)

Duration gap analysis:

Interest rate change	1%	2%	3%
Change in market value of equity (BDT in crore)	(372.07)	(744.14)	(1,116.21)

Table 07: MARKET RISK – DISCLOSURES RELATING TO MARKET RISK IN TRADING BOOK

Qualitative disclosures	
a) Views of BOD on trading/investment activities	Market risk is the risk of potential losses in the on-balance sheet and off-balance sheet positions of a bank and stems from adverse movements in market rates or prices, such as interest rates, foreign exchange rates, equity prices, credit spreads and/or commodity prices. Market risk exposure may be explicit in the bank's trading book and banking book. The objective of the market risk management is to minimise the impact of losses on the bank's earnings and shareholders' equity. The Board establishes trading and investment objectives, limits and other risk controls through different Board-approved policies, guidelines and frameworks. The delegation chain for trading and investment activities originates from the Board, which further establishes control limits and responsibility centers for these activities. Furthermore, the Board regularly reviews trading and investment activities and issues necessary advisories and recommendations.
b) Market risk management system	The bank follows a market risk management process that allows risk-taking within well-defined limits in order to create and enhance shareholder value and to minimise risk. Regular market risk reports are presented to the Board's Risk Management Committee, Assets & Liabilities Management Committee, Executive Risk Management Committee and Investment Committee. The Board and Board's Risk Management Committee have the apex authority to set market risk management strategy. The Board has delegated its technical functions to the Assets & Liabilities Management Committee, Executive Risk Management Committee and Investment Committee. To administer technical policies concerning financial models and risk management techniques and to implement the bank's market risk management policies, procedures and systems, the Asset-Liability Management desk, Market Risk Management desk and Treasury Middle office are functioning in collaboration with each other.
c) Policies and processes for mitigating market risk	The bank has Foreign Exchange Risk Management Policy, Asset Liability Management Policy and Investment Policy, duly approved by the Board. These policies work in unification with the Board-approved Market and Liquidity Risk Management Framework, Risk Management Guidelines of CBL, and other internal risk management policies. These policies outline the management process of market risk factors. The bank reviews these policies on an annual basis for effective management of interest rate risk, liquidity risk and foreign exchange risk. The bank measures its market risk exposure using Value at Risk (VaR) model, which is a quantitative approach to measure potential loss for market risk. Stress-testing is used on asset and liability portfolios to assess sensitivity on the bank's capital in various situations, including stressed scenarios. This test also evaluates resilience capacity of the bank.
d) Methods used to measure Market risk	Major methodologies employed to measure market risk are interest rate sensitivity gap analysis, duration gap analysis, FX VaR, and equity VaR computations. Disciplined presentation and monitoring of these methods and control

	of loss from trading assets are ensured by putting in place Risk Appetite Statement, Management Action Triggers (MAT) and stop-loss limit. Notional limit and exposure limits are set for trading portfolios and foreign exchange open position. Foreign exchange risk is computed on the sum of net short positions or net long positions, whichever is higher, of the foreign currency positions held by the bank.
Quantitative disclosures	
The capital requirements for: ▪ interest rate risk; ▪ equity position risk; ▪ foreign exchange risk; and ▪ Commodity risk.	As on 31 December 2021, capital allocation for market risk using standardised approach is as below:

Solo basis:

Capital requirement for	Amount in BDT crore
Interest rate risk	34.88
Equity position risk	93.78
Foreign exchange risk	12.56
Commodity risk	0.00
Total capital requirement	**141.22**

Consolidated basis:

Capital requirement for	Amount in BDT crore
Interest rate risk	34.88
Equity position risk	163.43
Foreign exchange risk	12.56
Commodity risk	0.00
Total capital requirement	**210.87**

Table 08: OPERATIONAL RISK

Qualitative disclosures		
a)	Views of BOD on system to reduce Operational risk	Operational risk refers to the risk or possibility of loss resulting from inadequate or failed internal processes, people and systems or impact of external events. The definition includes legal risk, but excludes strategic and reputational risk. The Board is relentlessly promoting an organisational culture prioritising effective risk management and adherence to sound operating controls. The Board has approved a structured operational risk management framework to ensure operational risk exposures are managed within acceptable tolerance limits using dynamic tools and techniques following international best practices.
b)	Performance gap of executive and staffs	City Bank demonstrates a strong commitment to achieve team objectives and is dedicated to developing talent that enables the bank to meet its targets and objectives. Employees' performance is assessed according to predefined performance objectives and key performance indicators (KPI) that are shared at the beginning of the year. City Bank aims to create a workplace that rewards individuals for their efforts, promotes work-life balance and offers employees to grow by facilitating personal development through different types of learning interventions including pandemic-triggered online training sessions. In line with this and to enrich the bank's risk culture, 32 awareness sessions were organised on the First Line of Defense. These sessions gave a holistic view of operational risk functions and the role of the Three Lines of Defense. Furthermore, step-by-step meticulous and user-friendly manuals, policies and processes addressing clear responsibilities and accountability towards individual's job help mitigate performance gaps and enable users to operate more efficiently with high chances of success.
c)	Potential external events	External events may derive systematic and unsystematic risk. City Bank remains vigilant about its role against every event, irrespective of its frequency of occurrence. The bank adopts a targetted strategy to mitigate the negative effects of systematic risks within tolerable limit. It has developed different policies and processes to diversify unsystematic risks, such as up-to-date contingency plans against pandemic situations for business continuity, training and raising awareness amongst employees about money laundering, cybercrime, emergency situation, fraud, forgery etc., which are contributing towards managing and minimising operational risk.
d)	Policies and processes for mitigating operational risk	Operational risk is inherent in every business organisation. Therefore, necessary policies and processes are developed by the bank such as: • Operational risk management framework • Revised risk management guideline of CBL • Reviewed crucial policies, processes and products with cross functional teams • Conducted Risk Control Self-Assessment (RCSA) covering 38 areas from 5 divisions and 9 departments Moreover, key operational risk areas of the bank have been identified to manage risk impacts and exposure mitigation tactics. To capture these risks, Departmental Control Function Check List (DCFCL), Quarterly Operation Report (QOR), internal and external audit reports, risk report, etc., are checked. City Bank has a dedicated committee, Operational Risk Management Committee (ORMC), composed of risk champions from cross-functional departments and

	Executive Risk Management Committee (ERMC) comprising members of the senior management of various risk functions aimed to create a common platform for critical analysis of risk aspects and implication of the outcome. Activities of ERMC are implemented through Enterprise Risk Management (ERM) and ORM team under independent Risk Management Division (RMD). RMD pinpoints, analyses and highlights different dimensions of operational risks and reports to the management, Board and stakeholders for necessary actions. Internal Control and Compliance Division (ICCD) assesses and monitors operational procedures of the bank by undertaking periodic and special audit to review the operations and compliance of statutory requirements. The reports are subsequently reviewed by the Audit Committee of the Board (ACB) that directly oversees the activities of ICCD to control operational risks. City Bank also has a Fraud Risk Management (FRM) Division that comprises three distinct departments - Fraud Detection, Investigation & Vigilance, and Chargeback & Dispute Management. These departments are committed to tighten the loose ends that may exist within the operations of the bank.
e) Approach for calculating capital charge for operational risk	City Bank has adopted a Basic Indicator Approach (BIA) to assess the capital charge for operational risk as of the reporting date. Accordingly, the bank's operational risk capital charge has been assessed at 15% of positive annual average gross income over the previous three years, as defined by the guideline of Risk Based Capital Adequacy (RBCA).

Quantitative disclosures

Capital requirement for operational risk for the year 2021:

Sl. No.	Particulars	Amount in BDT crore
01	Capital charge for operational risk under MCR (solo basis)	335.03
02	Capital charge for operational risk under MCR (consolidated basis)	351.46

Table 09: LIQUIDITY RATIO

Qualitative disclosures	
a) Views of BOD on System to reduce liquidity risk b) Liquidity risk management system	Liquidity risk is the risk to the bank's earnings and capital mobilisation activities from its inability to meet obligations when they come due, without incurring unacceptable losses. Liquidity risk primarily arises due to the maturity mismatch associated with assets and liabilities of the bank. Therefore, the Board sets policy, different liquidity ratio limits and risk appetite for liquidity risk management. The Asset and Liability Management Committee is responsible for both statutory and prudential liquidity management. Ongoing liquidity management is discussed as a regular agenda of ALCO meetings, which takes place on a monthly basis. At the ALCO meetings, the bank's liquidity position, limit utilisation, changes in exposure and liquidity policy compliance are presented to the committee. The Asset Liability Management desk closely monitors and controls liquidity requirements on a daily basis.
c) Methods used to measure liquidity risk	Key liquidity metrics on both local currency and foreign currency balance sheets are monitored to evaluate the liquidity mismatches and prudential limits, such as: ▪ Cash Reserve Ratio (CRR) ▪ Statutory Liquidity Requirement (SLR) ▪ Advance to Deposit Ratio (ADR) ▪ Structural Liquidity Profile (SLP) ▪ Maximum Cumulative Outflow (MCO) ▪ Liquidity Coverage Ratio (LCR) ▪ Net Stable Funding Ratio (NSFR) ▪ Liquid Asset to Total Deposit Ratio ▪ Liquid Asset to Short Term Liabilities ▪ Undrawn Commitment Limit ▪ Wholesale Borrowing
d) Policies and process for mitigating liquidity risk	Liquidly risk management is guided by the Asset Liability Management Policy of the bank. Liquidly risk management and liquidity contingency plan are the two major aspects in the ALM policy. The liquidity contingency plan clearly defines the responsibilities of the contingency management team and ensures business continuity through close monitoring of the bank's liquidity position against the pre-defined liquidity Management Action Triggers.

Quantitative disclosures		
Sl. No.	**Particulars**	**Solo**
01	Liquidity Coverage Ratio	151.09%
02	Net Stable Funding Ratio (NSFR)	106.87%
03	Stock of High Quality Liquid Assets (BDT in cr)	7,651.96
04	Total net cash outflows over the next 30 calendar days (BDT in cr)	5,064.58
05	Available amount of stable funding (BDT in cr)	30,509.06
06	Required amount of stable funding (BDT in cr)	28,548.09

Table 10: LEVERAGE RATIO

Qualitative disclosures

a) Views of BOD on System to reduce excessive leverage	Basel III guidelines introduced a simple, transparent, non-risk based ratio known as leverage ratio in order to avoid building excessive on and off balance sheet leverage in the banking system. City Bank has embraced this ratio along with Basel III guideline as it acts as a credible supplementary measure to risk-based capital requirement and assesses the ratio periodically in order to properly address the issue.
b) Policies and processes for maintaining excessive on and off-balance sheet leverage	Revised guideline of RBCA based on Basel III as provided by BRPD of Bangladesh Bank is followed by the bank while managing excessive on- and off-balance sheet leverage of the bank, and the regulatory requirement has been addressed in the ALM Policy of the bank. As per RBCA, leverage ratio shall be Tier I capital divided by total exposure after related deductions.
c) Approach for calculating exposure	City Bank follows the approach mentioned in the revised RBCA for calculating exposure of the bank. The exposure measure for the leverage ratio generally follows the accounting measure of exposure. In order to measure the exposure consistently with financial accounts, the following are applied by the bank: a. On balance sheet, non-derivative exposures will be net of specific provisions and valuation adjustments b. No physical or financial collateral, guarantee or credit risk mitigation is considered c. No netting of loans and deposits is considered

Quantitative disclosures

Sl. No.	Particulars	Solo	Consolidated
01	Leverage ratio (%)	5.59%	5.48%
02	On-balance sheet exposure (in BDT cr)	41,130.06	41,931.27
03	Off-balance sheet exposure (in BDT cr)	17,005.28	17,005.28
04	Total exposure (in BDT cr)	58,022.47	58,742.72

Table 11: REMUNERATION

	Qualitative disclosure
a) Information relating to the bodies that oversee remuneration.	**Governing body of Remuneration Policy and Process:** City Bank has a Board-approved Compensation and Benefit Policy that outlines the rules relating to compensation structure and the benefit package of the organisation and gives detailed procedures for exercising them in order to promote fair treatment and consistency within the bank. The policy is approved by the Board, while it is the management that implements the same across the organisation. However, operational aspects of the policy are being taken care of by the Human Resources (HR) Division of the bank. **External consultants whose advice has been sought, the body by which they were commissioned, and in what areas of the remuneration process:** City Bank takes help of external consultant for certain areas during designing the remuneration under Compensation and Benefit Policy. Assignment of any consultancy services is carried out in line with Board-approved Procurement Policy of the bank, while each consultant is appointed by the management/Board, as appropriate. At City Bank, we follow the practice to appoint the following consultants, as and when required: ▪ Tax advisors on salary and benefits ▪ Actuary for valuation of gratuity ▪ Auditor for provident fund and gratuity ▪ Salary survey vendors ▪ Head hunters, etc. **Scope of the City Bank Remuneration Policy:** Policy applies to all the permanent employees of the bank. Additionally, separate Compensation and Benefit Package is usually approved for temporary and casual staff on case-to-case basis. Any other benefit is guided by the contract agreement with individual employees. **Material Risk Takers and Senior Management of City Bank:** At City Bank, Chief Executive Officer and other members of the Management Committee (MANCOM) hold the prime authority to take key decisions and ultimate implementation. As such, CEO and MANCOM are considered as material risk takers. However in course of the implementation, Division Heads also play a pivotal role in the banking business. Composition of MANCOM as on 31 December 2021 is provided below: ▪ MD & CEO 01 ▪ AMD 01 ▪ DMD 05 ▪ SEVP 04 ▪ EVP 07 ▪ SVP 01
b) Information relating to the design and structure of remuneration processes	**Objectives and key features of the Remuneration Policy:** Compensation and Benefits Policy of City Bank outlines the rules relating to the compensation structure and the benefit package of the organisation and provides detailed procedures for exercising them with the objective of promoting fair treatment and consistency across the bank. Additionally, compensation is commensurate with the individual's performance, desired role in the organisation, quality of past experience, quality of training received and technical competency. Key features of the policy besides the base salary include: ▪ Provident Fund ▪ Gratuity Benefit ▪ Group Term Life Insurance

	▪ Covid-19 Life Insurance ▪ Bonuses ▪ Medical Benefits ▪ Various Allowances ▪ Financial Assistance Schemes ▪ Advance Salary, etc. ▪ House building loan facility ▪ House Building loan insurance ▪ Car loan facility ▪ Bike loan facility for drivers ▪ Provident Fund loan facility **Review of Remuneration Policy:** As per the policy, compensation structure of the bank will be reviewed as and when the management deems appropriate to allow for adjustments in the cost of living and market forces pertaining to the banking industry. The HR Division is responsible for initiating the review process and their recommendations are approved/disapproved or amended by the governing body. In the latest review, City Bank incorporated bike loan facility for drivers, house building loan insurance, and upgraded as well as enhanced the scope of group hospitalization plan, car purchase plan, etc. **Independence of Risk & Compliance of employees from businesses they oversee:** CRO supervises the bank's overall risk management activities, which is independent of business verticals, and reports to the Board's Risk Management Committee. On the other hand, all compliance professionals report to the Head of Internal Control and Compliance Division (ICCD) who reports to the Board's Audit Committee. Hence, their evaluation process is also independent of the businesses they oversee.
c) Information relating to the design and structure of remuneration processes	**Key risks taken into account when implementing remuneration measures:** In the competitive financial sector of Bangladesh, remuneration system is basically driven by market dynamics. Due to the massive competition in a crowded market with a substantial number of participants, restructuring of compensation package is more frequent than other industries. However, such revisions sometimes may lead to market distortion, excessive profit motive and disparity in work-life balance. Nevertheless, City Bank strives to design remuneration strategies so that the high-performing staff members are rewarded a compensation that is in line with industry standards. This apart, City Bank is also committed to ensure maintaining internal equity and fair treatment in its compensation system across the organisation. **Key measures used to take account of these risks:** To make the compensation package judicious, market survey is conducted as and when required so that the package compensates employees for their expertise, time, mental and social engagement with the organisation. **Ways in which these measures affect remuneration:** These measures ensure that the remuneration process of City Bank is: ▪ Commensurate with the individual's performance, desired role in the organisation, quality of past experience, quality of training received and technical competency ▪ Fair and equal for different positions of the bank ▪ In line with the market dynamics and practices **Changes in the nature and type of these measures over the past year:**

	To enhance retention, the management of the bank had revised minimum salary threshold for the grades of SEO and below, effective from July 01, 2021. Based on the salary revision and performance, adjustment had been given to the SEO and lower grades.
d) Description of the ways in which the bank seeks to link performance during a performance measurement period with levels of remuneration	**Overview of the main performance metrics of City Bank:** At City Bank, we believe in a performance-driven culture. As per our Performance Management Policy, all permanent employees need to go through an annual performance evaluation process along with a mid-year review. These enable our employees to keep their own performance objectives vis-à-vis achievements in line of sight and thus make necessary measures to ensure consistent performance. We conduct our performance evaluation based on two principal parameters: • Performance objectives – focuses on core job and key purpose of any position and what value this position adds to the business • Employee's potential – measure of an employee's behavioural aspects, learning agility and reflection of City Bank's values in his/her work **Linkage between remuneration and performance:** The overall performance rating of any employee is based on the cumulative rating of the aforementioned two parameters. In order to translate performance into remuneration, City Bank associates this overall performance rating of an employee with different features of remuneration policy, such as yearly increment, performance bonus, etc. This performance rating is calculated based on a 12-box metrics to ensure fair and transparent evaluation of performance. **Adjustment of remuneration in the event that performance metrics are weak:** City Bank believes that every individual can improve their performance under proper guidance by the organisation, coupled with the right mindset. When performance metrics need a boost for an employee, our structured performance improvement processes helps the employee. During this process, we assist the employee in his/her journey towards performance improvement by adopting necessary development interventions, e.g. coaching, mentoring, classroom training, or digital learning, etc.
e) Description of the ways in which the bank seek to adjust remuneration to take account of longer-term performance	City Bank believes that the individual and team effort and performance should be regularly appreciated and recognised so as to keep our employees motivated to give in their best efforts. And, more importantly, by recognising such performance, we reinforce, with our chosen means of recognition, the actions and behaviours we want City Bank employees to embrace and repeat the most. City Bank relates annual overall rating of individuals, which is based on their performance with different features of remuneration policy, such as yearly increment, bonus, etc. Additionally, two or more years of rating are also considered for promotion recommendation of individuals, if suitable opening is available commensurate with the individual's skills and expertise.
f) Description of the different forms of variable remuneration that the bank utilizes and the rationale for using these different forms	City Bank recognises the efforts and performance of its employees based on its Compensation and Benefit Policy, which consist of base salary and different benefit packages mentioned earlier. However, City Bank occasionally practices commission-based remuneration process for temporary staff, as per their compensation and benefit package. There is also a Reward & Recognition (R&R) program that recognises exemplary contribution not only for business achievements, but also those that inspire and set high-quality services and standards.

Quantitative disclosure	
Number of meetings held by the main body overseeing remuneration during 2021 and remuneration paid to its member	NA*
Number of employees having received a variable remuneration award during 2021 Number and total amount of guaranteed bonuses awarded during 2021 Number and total amount of sign-on awards made during 2021 Number and total amount of severance payments made during 2021	NA** 2 Festival Bonus (BDT 38.05 cr) 1,179 employees and BDT 1.84 cr
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 2021	NA**
Breakdown of amount of remuneration awards for 2021 to show: ▪ Fixed and variable ▪ Deferred and non-deferred ▪ Different forms used (cash, shares and share linked instruments, other forms)	NA
Quantitative information about employees' exposure to implicit and explicit adjustments of deferred remuneration and 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	NA

Note:

** At City Bank, no separate and exclusive meeting of the governing body takes place to oversee the remuneration. Rather, HR is assigned to initiate any proposal on remuneration as per the Compensation and Benefit Policy of the bank and upon consent of the management committee, the same is also placed in regular Board meetings for approval and further actions.*

*** During 2021, Compensation and Benefit Policy of City Bank did not have provision of any kind of variable remuneration, deferred remuneration, severance payment or other forms of remuneration, as mentioned above, for its permanent staff. However, City Bank provides commission-based remuneration to its temporary and casual staff, which doesn't fall under the scope of the above-mentioned policy.*