BASEL III PILLAR 3

Market Discipline of The City Bank Ltd.

Disclosure on Risk Based Capital
Annual Disclosure for the year ended December 31, 2022

Basel III Pillar 3: Disclosures on Risk Based Capital

Primer

A robust and vibrant banking system plays an important role in sustaining economic activity and satisfying the financial needs and requirements of all segments of society, thus contributing to the overall development of a country.

Banks are exposed to various types of risks in financial intermediation, that is while granting loans and advances to various sectors. In order to absorb any losses which they may face from this activity, it is imperative for them to have sufficient capital. This capital which banks hold, as required by financial regulations, is known as minimum capital requirement. Thus, if banks have adequate capital, they can protect depositors from unforeseen contingencies as well promote the stability and efficiency of the overall financial system.

The current scenario of bank run-ins is a classical case in point of how depletion of regulatory capital, together with frenzied deposit withdrawals by deposit-holders, can render a bank unviable and insolvent.

Thus, sound risk management is the core to any banking service and therefore the need for sufficient Capital Adequacy Ratio is paramount. Under prudential norms, regulation of capital assumes critical importance to ensure structural stability of the banking system and protect depositors.

The Basel Committee on Banking Supervision (BCBS) is the primary global standard-setter for the prudential regulation of banks and provides a forum for regular cooperation on banking supervisory matters. As part of its supervisory authority, BCBS has published the Basel Accord comprising rules regarding capital requirements to strengthen the regulation, supervision and risk management of the banking sector. This framework is under the Basel 1 capital measurement system, Basel II guidelines that are an updated version of Basel I and highlight credit, market and operational risks, and Basel III that lay emphasis on quality, consistency and transparency of the capital base.

Considering the importance of capital sufficiency, the Capital Adequacy Ratio of a bank has been denoted as a symbol of its operating health, helping protect from excessive leverage and insolvency. It is defined as the ratio of a bank's capital in relation to its current liabilities and Risk Weighted Assets (RWA).

RWA is a measure of the quantum of a bank's assets, adjusted for risk. An appropriate level of capital adequacy ensures that the bank has sufficient capital to expand its business, while at the same time its net-worth is sufficient to absorb any financial losses without becoming insolvent. It is the ratio which determines a bank's capacity to meet the time liabilities and other risks.

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

Basel III Accord

Basel III (in continuation with Basel II and Basel I) is an internationally agreed set of measures evolved by the BCBS in response to the 2008 financial crisis. It is a global voluntary regulatory framework on bank capital adequacy, stress-testing and market liquidity risk. Basel III is intended to strengthen bank capital requirements by increasing bank liquidity and decreasing leverage. The measures aim to strengthen the regulation, supervision and risk management of a bank, seeking to improve the overall risk management for financial institutions.

Under the Basel III framework, banks are required to compute Capital-to-Risk Weighted Asset Ratio (CRAR) under three tiers:

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

Key features of Basel III in a nutshell:
- Better capital quality
- Leverage ratio
- Liquidity ratio
- Countercyclical and capital conservation buffer

Pillars under the Basel III

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

- First pillar - Minimum Capital Requirement
- Second pillar - Supervisory Review Process
- Third pillar - Market Discipline

First Pillar: Minimum Capital Requirement

The first pillar of Minimum Capital Requirement is mainly for total risk, including credit risk, market risk as well as operational risk.

Second Pillar: Supervisory Review Process

The second pillar under the Supervisory Review Process is primarily intended to ensure that banks have adequate capital to support all the risks in their business.

Banks should have an internal supervisory process, which is called ICAAP or Internal Capital Adequacy Assessment Process. With this tool, banks can assess the capital adequacy in relation to their risk profile as well as adopt strategies for maintaining capital levels. This apart, another process comprising the independent assessment of ICAAP is called SREP or Supervisory Review and Evaluation Process. This independent review may suggest prudent measures and supervisory actions, as needed. ICAAP is conducted by banks themselves, and SREP is conducted by the central bank.

Third Pillar: Market Discipline

The underlying concept of the third pillar is to complement the first and second pillars. This pillar comprises a discipline followed by banks, such as disclosing their capital structure, Tier-I and Tier-II capital, and approaches to assess capital adequacy.

To summarise, Basel III comprise a set of guidelines that focus on ensuring adequate capital management in banks and minimise the risk to depositors. The cornerstone of Basel III are capital adequacy and risk mitigation.

Key Metrics **(Solo Basis)**:

Capital-to-Risk Weighted Asset Ratio 14.46% 2021: 14.16%	**Common Equity Tier-1 Capital Ratio** 8.51% 2021: 9.32%	**Leverage Ratio** 5.32% 2021: 5.59%
Total Eligible Capital Tk 5,219.97 cr 2021: Tk 4,321.33 cr	**Common Equity Tier-1 Capital** Tk 3,070.79 cr 2021: Tk 2,844.46 cr	**Additional Tier-1 Capital** Tk 400.00 cr 2021: Tk 400.00 cr
Tier-2 Capital Tk 1,749.18 cr 2021: Tk 1,076.87 cr	**Total Risk Weighted Assets** Tk 36,090.61 cr 2021: Tk 30,519.38 cr	**Credit Risk RWA** Tk 30,335.14 cr 2021: Tk 25,756.83 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-off figures.

Table 1: SCOPE OF APPLICATION

<table>
<tr><th colspan="2">Qualitative disclosures</th></tr>
<tr><td>a) The name of the top corporate entity in the group to which this guidelines applies.</td><td>The name of the bank is The City Bank Ltd. However, the bank does not belong to any group.</td></tr>
<tr><td>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).</td><td>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 2022, 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 2022, 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. 0.02 crore has been added in the Tier 1 capital.</td></tr>
</table>

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 (CET-1) and Additional Tier-1 (AT-1). ▪ Common Equity Tier-1 (CET-1) capital of City Bank consists of 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 CET-1. ▪ 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 2022 (BDT in crore):

Sl. No.	Particulars	Solo	Consolidated
(a)	**Common Equity Tier-1 Capital (CET- 1)**		
a.1	Paid-up Capital	1,200.61	1,200.61
a.2	Non-repayable share premium account	150.44	150.44
a.3	Statutory reserve	1,050.17	1,050.17
a.4	General Reserve	1.14	1.14
a.5	Retained Earnings	728.76	816.53
a.6	Dividend Equalisation reserve	53.08	53.08
a.7	Minority interest in subsidiaries	0.00	0.02
a.8	Capital Reserve	0.00	3.83
a.9	**Sub-total Common Equity Tier-1 Capital (CET- 1)**	**3,184.19**	**3,275.81**
(b)	**Deductions from CET-1**		
b.1	Deferred tax assets	108.74	107.50
b.2	Excess Investment in other banks, FI and Ins. Co.	0.00	79.44
b.3	Book value of goodwill which are shown as assets	0.00	4.01
b.4	Reciprocal crossholdings of capital	4.66	4.66
(c)	**Total Common Equity Tier-1 Capital (CET-1)**	**3,070.79**	**3,080.21**
(d)	**Additional Tier-1 Capital**		
d.1	Perpetual Bond	400.00	400.00
(e)	**Total Tier-1 Capital**	**3,470.79**	**3,480.21**
(f)	**Tier-2 Capital**		
f.1	Tier-II subordinated bond	862.90	862.90
f.2	General Provisions (provisions for UC + SMA + OBS exposure)	886.28	886.28
f.3	**Sub-Total of Tier-2 Capital**	**1,749.18**	**1,749.18**
(g)	**Deduction from Tier-2 Capital**		
g.1	Excess investment in equity of other banks, FI and Ins Co.	0.00	79.44
(h)	**Total Tier-II Capital**	**1,749.18**	**1,669.74**
(i)	**Total Eligible Regulatory Capital**	**5,219.97**	**5,149.95**

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 2022, Total Risk Weighted Asset (RWA) of the bank was Tk 36,090.61 crore on solo basis and Tk 36,985.84 crore on consolidated basis. While credit risk accounted for 84.05% (on solo basis) and 82.40% (on consolidated basis) of RWA, followed by operational risk for 10.80% on solo basis and 11.04% on consolidated basis, market risk comprised 5.15% and 6.56% 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 2022, City Bank managed to cover around 89% 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 31 December 2022. City Bank maintained: ▪ Capital to Risk Weighted Asset Ratio (CRAR) of 14.46% on solo basis and 13.92% on consolidated basis ▪ Common Equity Tier 1 capital ratio of 8.51% on solo basis and 8.33% on consolidated basis ▪ Tier 2 capital of 56.96% of CET 1 on solo basis and 54.21% of CET 1 on consolidated basis, against the maximum limit of 88.89% ▪ Capital Conservation Buffer of 3.62% on solo basis and 3.41% 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 1.96% on solo basis and 1.42% 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.

Quantitative disclosures			
Capital Requirement under Credit, Market and Operational Risk (BDT in cr)			
Sl. No.	**Particulars**	**Solo**	**Consolidated**
1.0	**Capital requirements for credit risk**	**3,033.51**	**3,047.81**
1.1	Portfolios subject to standardised approach-funded	2,372.77	2,387.07
1.2	Portfolios subject to standardised approach-non-funded	660.74	660.74
2.0	**Capital requirements for market risk**	**185.71**	**242.64**
2.1	Interest rate risk (standardised approach)	2.02	2.02
2.2	Equity risk (standardised approach)	103.60	160.53
2.3	Foreign exchange risk (standardised approach)	80.09	80.09
3.0	**Capital requirements for operational risk (basic indicator approach)**	**389.84**	**408.13**
4.0	**Minimum Capital requirement**	**3,609.06**	**3,698.58**
5.0	**Capital ratios**		
5.1	Total capital ratio	14.46%	13.92%
5.2	CET-1 capital ratio	8.51%	8.33%
5.3	Total Tier-1 capital ratio	9.62%	9.41%
5.4	Tier-2 capital ratio	4.84%	4.51%
6.0	**Capital conservation buffer (minimum requirement is 2.5% of RWA)**	**3.62%**	**3.41%**
7.0	**Available capital under Pillar II requirement**	**708.64**	**526.72**

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 resulting from a borrower's failure to repay a loan or meet contractual obligations. Financial institutions face different types of credit risks—default risk (Unable to repay the loan obligation on time), concentration risk (heavy reliance on a particular sector or industry), country risk (probability of a foreign government defaulting on its financial obligation), downgrade risk (loss caused by falling credit ratings), and institutional risk (failure to comply on pre-determined rules, regulations, covenants or conditions). For most banks, default risk is the largest and most obvious source of credit risk. However, apart from the one stated above, there are other sources of credit risk both on and off-the balance sheet items. Off-balance sheet items include letters of credit, non-funded loan commitments etc. Credit risk management is the process of mitigating those losses by identifying and assessing the 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 job of a Credit Risk Management Division (CRM) is about identifying, mitigating and controlling the risks associated with financial lending through pre-defined policies and procedures. It involves measuring and mitigating the risks associated with the amount of loan underwriting and at the same time being aware of the bank's reserves to be used at any given time. It entails a holistic view of identifying, analyzing, controlling and deciding credit risk of the entire risk cycle, which incorporates the transaction, customer and the portfolio. At City Bank, along with analyzing the customer's financial health, emphasis is put on the market and industry risks as well as environmental and social aspects associated with the profile. The key responsibility entrusted to the Credit Risk Management Division (CRM), a critical function of the bank, is to identify, mitigate and control the risks associated with financial lending. It adopts a comprehensive 360-degree view of the portfolio with a view to identifying existing or emerging credit risk threats, while maintaining observation across the full loan lifecycle – from transaction to customer and portfolio. In addition, CRM also places due importance on analysing the customer's financial health to appraise creditworthiness in the underwriting process, as well as scrutinising relevant market and industry risks as well as environmental and social aspects associated with the customer's loan application to address all known and unforeseen risks while onboarding a customer. There is a clear segregation of duties between transaction originators in the business segments and approvers in the Risk function. All credit exposure limits are approved within a defined credit approval authority framework. City Bank's Board is the apex body for credit approval at City Bank. Though the credit approval authority vests with the Managing Director & CEO, it is further sub-delegated to officials of CRM based on their credit skills, experience and knowledge. The Board broadly defines the credit framework of the bank, based on which CRM, in collaboration with other stakeholders; adopt a well-documented Credit Risk Management Policy (CRMP) containing the core principles for identifying, measuring, approving and managing credit risk. This helps to maintain strong asset quality by mitigating probable unforeseen risks. Our CRMP covers Corporate and Small & Medium Enterprise (SME) exposures. The standardized process of CRMP helps us to achieve systematic credit risk management at both the account and portfolio levels. Furthermore, CRMP also covers all our credit-related policies and evolves with time to incorporate the market dynamics. It also incorporates a comprehensive credit appraisal process, including factors used to assess industry risk, business risk, management risk, financial risk, reputational risk, facility structuring risk, security risk, environmental and social risk.

Whilst CRMP covers Corporate and SME exposures; retail, cards and small & micro finance segment offer different customized products and are guided by separate Product Program Guidelines (PPGs) approved by the Board and/or management.

Credit risk of Corporate and SME business 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 for Corporate and SME while Asset Operation team of Credit & Collection, Retail & Small Business Risk Division completes the required credit documentation and disbursement 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 credits for accountability and transparency.

City Bank also has a system of identifying and monitoring problem accounts at the early stages of their delinquency through auto generation of past- due report and DCMT (Deteriorating Credit Monitoring Team) meetings so that timely corrective measures are initiated. Classified credits are handled by Special Asset Management Division (SAMD) whereas those of Retail & Cards business are managed by 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. City Bank is following the relevant Bangladesh Bank guidelines for classification of its loan products. Presently, there are 5 categories of classification on objective criterion, they 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 if not repaid within the fixed expiry date for repayment will be considered as past due/overdue from the following day of the expiry date

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)	9 months or more but less than 15 months	15 months or more but less than 18months	18 months or more
Fixed Term Loan (BRPD circular no.16 under CMSME))	12 months or more but less than 24 months	24 months or more but less than 36 months	36months 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.16 dated July 18, 2022 & BRPD Circular Letter No. 33 dated August 03, 2022

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%

Quantitative disclosures

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

Type-wise credit exposure	Amount in crore BDT
Continuous loan	**5,314.69**
Small & medium enterprise financing (SMEF)	1,829.12
Consumer Finance	1,363.93
Loans to BHs/MBs/SDs against shares	74.11
Other than SMEF, CF, BHs/MBs/SDs	2,047.53
Demand loan	**13,262.41**
Small & medium enterprise financing (SMEF)	998.72
Consumer finance	-
Loans to BHs/MBs/SDs against shares	-
Other than SMEF, CF, BHs/MBs/SDs	12,263.69
Fixed Term loan	**16,112.52**
Small & medium enterprise financing (SMEF)	3,699.65
Consumer finance (including staff, other than HF)	3,895.05
Housing finance (HF)	1,383.66
Loans to professionals for business setup (LP)	-
Loans to BHs/MBs/SDs against shares	-
Other than SMEF, CF, BHs/MBs/SDs	7,134.16
Short term agri. credit and micro-credit	**441.42**
Short term agri. credit	424.04
Microcredit	17.38
Staff loan	346.32
Total credit exposure	**35,477.37**

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

Geographical exposure	**Amount in crore BDT**
Dhaka	29,081.81
Chattogram	3,634.20
Rajshahi	1,000.81
Khulna	903.33
Rangpur	300.10
Sylhet	189.58
Barishal	177.01
Mymensingh	84.25
Outside Bangladesh	106.28
Total exposure	**35,477.37**

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	6,024.91
Consumer credit	5,875.24
Trade service	5,046.55
Other manufacturing industry	4,026.61
Energy and power industry	3,719.21
Textile & spinning mills	1,731.83
Real estate financing	1,715.25
Agri & micro-credit through NGO	1,606.33
Steel industry	1,107.19
Assembling industry	974.60
Service industry	960.71
Construction	852.72
Pharmaceuticals industry	541.65
Edible oil and food processing	330.97
Others	287.17
Transport, storage & communication	234.21
Chemical industry	205.20
Ship breaking & building	185.75
Hospitals	51.27
Total exposure	**35,477.37**

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	1,735.67
Not more than 3 months	9,766.04
More than 3 months but not more than 1 year	8,304.89
More than 1 year but not more than 5 years	10,836.35
More than 5 years	4,834.41
Total exposure	**35,477.37**

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

Counterparty-wise distribution of impaired loans and past due loans	**Amount in crore BDT**	
	NPL	**SMA**
Small & medium enterprise financing (SMEF)	706.55	108.65
Consumer financing (Other than HF &LP)	184.06	49.85
Loans to BHs/MBs/SDs	-	-
Other than SMEF, CF, BHs/MBs/SDs	455.70	177.20
Housing finance (HF)	18.36	5.09
Loans for professionals to setup business (LP)	-	-
Short term Agri. credit	2.29	-

charge-offs during the period	Micro-credit	0.20	-
	Staff loan	-	-
	Total exposure	**1,367.15**	**340.79**
	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		545.08
	General provision for loans and advances		691.09
	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)	1,367.15
	NPAs to outstanding loans and advances (%)	3.85%
	Movement of NPAs (gross)	
	Opening balance	1390.61
	Additions	723.53
	Less: Reductions (cash recovery, rescheduling, W/O)	746.99
	Closing balance	**1367.15**
	Movement of specific provisions for NPAs	
	Provision held at the beginning of the year	560.18
	Fully provided debts written off during the year	(167.72)
	Fully waived during the year	(1.35)
	Recoveries of amounts previously written off	53.52
	Specific provision made during the year	19.99
	Reversal of previously written off loan	-
	Provision made for partially write off	-
	Transfer (to)/from general provision	80.46
	Closing balance	545.08

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	Bank's investment in equity securities are broadly categorized into two categories: ▪ **Quoted Securities:** The instruments are quoted in active markets. These securities include Common shares, Mutual funds listed with Stock Exchanges. These instruments are categorized 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 categorized as banking book assets. Once unquoted securities get listed in secondary market, 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 held in the banking book or unquoted securities are recognised at cost price.

	Provisions for shares are maintained for unrealized loss (gain net off) arising from diminution in value of investments. Provision for shares against unrealized 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	213.98	313.39	648.10	756.92
Value of unquoted shares	10.00	10.00	13.75	13.75

- The cumulative realized gains (losses) arising from sales and liquidations in the reporting period.
- Total unrealized gains (losses)
- Total latent revaluation gains (losses)
- Any amounts of the above included in Tier 2 capital.

Particulars (BDT in cr)	Solo basis	Consolidated basis
The cumulative realised gains (losses) arising from sales and liquidations in the reporting period	2.19	9.06
Total unrealised gains (losses)	91.22	102.55
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	11.01	12.55	15.69
Unquoted shares (venture capital)	1.20	1.20	1.20	1.20
Total unquoted shares	10.0	12.21	13.75	16.89
Capital requirement @ 10% of RWA	**1.22**		**1.69**	

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

<table>
<tr><th colspan="2">Qualitative disclosures</th></tr>
<tr><td>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.</td><td>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 fluctuate in interest rates.
Key assumptions for interest rate risk measurement:
Interest rate risk management policy, targets and controls are comprehended in Asset Liability Management Policy of the bank.
Bangladesh Bank introduced "Guidelines on Interest Rate Risk in the Banking Book (IRRBB)" on 13 April 2021 and this guideline will be fully implemented by June 2024.
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 behavior 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.</td></tr>
</table>

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, 2022 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)	(25.71)	(51.43)	(77.14)

Duration gap analysis:

Interest rate change	1%	2%	3%
Change in market value of equity (BDT in crore)	(537.48)	(1,074.95)	(1,612.43)

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 2022, capital allocation for market risk using standardised approach is as below:

Solo basis:

Capital requirement for	Amount in BDT crore
Interest rate risk	2.02
Equity position risk	103.60
Foreign exchange risk	80.09
Commodity risk	0.00
Total capital requirement	**185.71**

Consolidated basis:

Capital requirement for	Amount in BDT crore
Interest rate risk	2.02
Equity position risk	160.53
Foreign exchange risk	80.09
Commodity risk	0.00
Total capital requirement	**242.64**

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 process, people and system or impact of external events that can disrupt the flow of business operations which eventually hinder to obtain the goal. The Board of Directors (BOD) is persistently promoting an organizational culture prioritizing effective risk management and adherence to sound operating controls. BOD has approved a structured operational Risk Management (ORM) who is working unswervingly to ensure operational risk exposures are managed within acceptable tolerance limits using dynamic tools and techniques following international best practices. Additionally, Honorable BOD has engaged International Finance Corporation (IFC), one of the best advisory solutions, to alleviate the operational risk exposures by enlightening the governance.
b) Performance gap of executive and staffs	City Bank demonstrates commitment to achieve team objectives and is dedicated to develop and make an individual confident enough to perform surpassing the limits. Employees' performance is assessed according to predefined performance objectives and Key Performance Indicators (KPI) which are shared at the beginning of the year. In addition, Key Performance indicators (KPIs) against risk indicators for both the business and support roles have been incorporating in performance as new parameters. City Bank aims to create a workplace which rewards individuals for their efforts, promotes work-life balance, offers employees to grow by facilitating personal development through different types of learning intervention. In line with this, during pandemic online training session was widely used and several sessions and workshops were provided towards the key personnel from all divisions across the pan bank in collaboration of IFC. Moreover, dedicated Risk Champions from cross functional divisions are promoted to enhance the mind set of risk culture. Earlier, 32 Awareness Sessions were conducted on the First Lines of Defense. These sessions gave a view of Operational Risk functions and the role of Three Lines of Defense. Furthermore, step by step meticulous and user-friendly manuals, policies and processes addressing clear responsibilities and accountabilities towards individual's job mitigate performance gaps and enable users to operate more efficiently with least chances of failure.
c) Potential external events	External events may derive systematic and unsystematic risk. City Bank remains vigilant about its role against every event irrespective of their frequency of occurrence. The Bank adopts different strategy to mitigate the negative effect of systematic risk within tolerable limit. It has developed different policies and processes to diversify unsystematic risk such as up-to-date contingency plans against pandemic situation for business continuity, train up and aware the employees about money laundering, cybercrime, emergency situation, fraud, forgery etc. which are contributing towards managing operational risk.
d) Policies and processes for mitigating operational risk	Operational risk is inherent in every business organization. Therefore, necessary policies and processes are developed by the bank to ensure the sound governance, such as • Revamped the Operational Risk Management Framework. • Synchronize the Governance structure of Operational Risk Management.

	• Redesign the Operational Risk Management Committee and Risk Champions Group. • Reviewed crucial policies, processes and product with cross functional teams • Conducted Risk Control Self-Assessment (RCSA) to cover the key risk exposures in business and support functions with collaboration of Risk Owner and Subject Matter Expertise. • Developing Key Risk Indicators for monitoring the trend at periodical basis. 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. The dedicated committees named, Operational Risk Management Committee (ORMC) composed of divisions & departments Heads from cross business and functional areas and Executive Risk Management Committee (ERMC) composed of members of senior management of various risk functions aimed to create 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). Moreover, ORM team also conducted monthly meeting with risk champions to discuss risk matters as well as opportunities regarding the business and functional areas. RMD pinpoints, analyzes, 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 procedure of the bank by undertaking periodic and special audit to review the operation and compliance of statutory requirements. The reports are subsequently reviewed by the Audit Committee of the Board (ACB) who directly oversees the activities of ICCD to control operational risks. Nevertheless, Fraud Risk Management (FRM) Division and IT Governance also are pledged to tighten the loose rivets that may exist within the operations of the bank.
e) Approach for calculating capital charge for operational risk	City Bank has adopted Basic Indicator Approach (BIA) to assess the capital charge for operational risk as of the reporting date. Accordingly, 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 2022:

Sl. No.	Particulars	Amount in BDT crore
01	Capital charge for operational risk under MCR (solo basis)	389.84
02	Capital charge for operational risk under MCR (consolidated basis)	408.13

Table 09: LIQUIDITY RATIO

Qualitative disclosures	
a) Views of BOD on System to reduce liquidity risk	Liquidity risk is the risk to the bank's earnings and capital arising from its inability to timely 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 of Directors of the bank set policy, different liquidity ratio limits and risk appetite for liquidity risk management.
b) Liquidity risk management system	The Board of Directors of the bank set policy, different liquidity ratio limits, and risk appetite for liquidity risk management. 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 meeting, which takes place on a monthly basis. At the ALCO meeting, bank's liquidity position, limit utilization, changes in exposure and liquidity policy compliance are presented to the committee. 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) and Investment to Deposit Ratio (IDR) ▪ 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	Liquidity Risk Management is guided by 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 the 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	220.14%
02	Net Stable Funding Ratio (NSFR)	103.09%
03	Stock of High Quality Liquid Assets (BDT in cr)	8,555.97
04	Total net cash outflows over the next 30 calendar days (BDT in cr)	3,886.54
05	Available amount of stable funding (BDT in cr)	35,321.67
06	Required amount of stable funding (BDT in cr)	34,261.63

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 off of loans and deposits is considered

Quantitative disclosures

Sl. No.	Particulars	Solo	Consolidated
01	Leverage ratio (%)	5.32%	5.27%
02	On-balance sheet exposure (in BDT cr)	50,139.61	50,946.10
03	Off-balance sheet exposure (in BDT cr)	15,271.47	15,271.47
04	Total exposure (in BDT cr)	65,297.68	66,021.97

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 organization and gives detailed procedures for exercising them in order to promote fair treatment and consistency within the Bank. The policy is approved by Board, while it is the Management that implements the same across the organization. However, operational aspects of the policy are being taken care by Human Resource (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 City Bank, while each consultant is appointed by Management/Board, as appropriate. At City Bank we have practice to appoint 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 ▪ 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 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 implementation Division Heads also play a pivotal role in banking business. Composition of MANCOM as on 31 December 2022 is provided below: ▪ MD & CEO 01 ▪ AMD 02 ▪ DMD 04 ▪ SEVP 08 ▪ EVP 04
b)	Information relating to the design and structure of remuneration processes	**Objectives and key features of Remuneration Policy:** Compensation and Benefits policy of City Bank outlines the rules relating to the compensation structure and the benefit package of the organization and gives detailed procedures for exercising them with the objective of promoting fair treatment and consistency across the Bank. Additionally, compensation to be commensuration to individual's performance, desired role in the organization, quality of past experience, quality of training received, technical competency. Key features of the policy besides the base salary are ▪ Provident Fund ▪ Gratuity Benefit ▪ Group Term Life Insurance ▪ Covid19 Life Insurance

	▪ Medical Benefits ▪ Bonuses ▪ Various Allowances ▪ Financial Assistance Schemes ▪ Advance Salary ▪ 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 management deem 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 minimum salary for the entry level positions prescribed by the central bank, Bike Loan facility for drivers, House Building Loan Insurance, and upgraded as well as enhanced the scope of Group Hospitalization Plan, Car Purchase Plan. **Independence of Risk & Compliance employees from businesses they oversee:** CRO supervises bank's overall risk management activities which is independent from business verticals and reports to Board's Risk Management Committee. On the other hand, all compliance professionals report to Head of Internal Control and Compliance Division (ICCD), who reports to 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 like Bangladesh, remuneration system is basically driven by market dynamics. Due to huge competition in a crowded market with 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 always strives to design the remuneration strategies so that the competitive staff members are rewarded compensation package they really deserve. On top of it, City Bank is committed to ensure maintaining internal equity and fair treatment in its compensation system across the organization. **Key measures used to take account of these risks:** To make the compensation package judicious, market survey is conducted as and when felt required so that the package logically compensates employee for their expertise, time, mental and social engagement with the organization. **Ways in which these measures affect remuneration:** These measures ensure that the remuneration process of City Bank is ▪ Commensuration to individual's performance, desired role in the organization, quality of past experience, quality of training received, technical competency. ▪ Fair and Equal for different position 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 increase the retention, Management of The City Bank Limited 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 below grades. Besides, to remain compliant with central bank directives, City Bank implemented minimum salary scale for the entry level positions from April 01, 2022.
d)	Description of the ways in which the bank seeks to link performance during a performance measurement period with levels of remuneration	**Overview of main performance metrics of City Bank:** At City Bank Limited, we believe in a performance driven culture. As per our Performance Management Policy, all permanent employees need to go through annual performance evaluation process along with a mid-year review. These help 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 main 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 behavioral 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 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 the performance with proper nurturing by the organization coupled with own right mindset. When performance metrics need boosting for an employee, our structured performance improvement process helps that employee. During this process, we assist the employee in his / her journey towards performance improvement by making necessary development intervention e.g. coaching, mentoring, class room 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 recognized so as to keep our employees motivated to give in their best efforts. And more importantly by recognizing these performances, we reinforce, with our chosen means of recognition, the actions and behaviors we want City Bank employees to repeat most. City Bank relates yearly overall rating of individuals which is based on their performance with different features of remuneration policy such as yearly increment, bonuses etc. Additionally, two or more years of rating are also considered for promotion recommendation of individuals if suitable opening is available commensurate with individual 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 recognizes the effort 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 practice commission based remuneration process for temporary staffs as per their Compensation and Benefit Package. There is also a Reward & Recognition (R&R) program that recognizes extraordinary contribution not only for business gain but also those that inspire and set high quality services, support or standard.

Quantitative disclosure	
Number of meetings held by the main body overseeing remuneration during 2022 and remuneration paid to its member	NA*
Number of employees having received a variable remuneration award during 2022 Number and total amount of guaranteed bonuses awarded during 2022 Number and total amount of sign-on awards made during 2022 Number and total amount of severance payments made during 2022	NA** 2 Festival Bonus (48.86 Crore) 2,940 employees and 2.30 Crore
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 2022	NA**
Breakdown of amount of remuneration awards for 2022 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:

** In 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 same is also placed to regular Board meeting for approval and further actions.*

*** During 2022, 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 staffs which doesn't fall under the scope of above mentioned policy.*