HABIB Bank Limited
Market Discipline Disclosure Framework
As on December 31, 2016

The following detailed qualitative and quantitative disclosures are provided in accordance with Guidelines on Risk Based Capital Adequacy by Bangladesh Bank. The purpose of these requirements is to complement minimum capital requirement and Supervisory Review Process.

The Bank has an approved disclosure policy to observe the disclosure requirement set out by Bangladesh Bank, International Financial Reporting Standard (IFRS) and International Accounting Standard (IAS) as adopted by the Institute of Chartered Accountants of Bangladesh (ICAB) into Bangladesh Financial Reporting Standard (BFRS) and Bangladesh Accounting Standard (BAS) where relevant to the Bank.

Guidelines on Risk Based Capital Adequacy are structured around the following three aspects or pillars of BASEL-III:

- Minimum capital requirement to be maintained by a bank against credit, market and operational risks;
- Supervisory Review Process i.e. process for assessing overall capital adequacy in relation to a bank's risk profile and a strategy for maintaining its capital at an adequate level; and
- Market Discipline i.e. to make public disclosure of information on the bank's risk profiles, capital adequacy and risk management.

1. Scope of Application

Qualitative Disclosures:

Bank has no subsidiaries or significant investment and BASEL-III is applied at the Bank level only.

2. Disclosure Framework:

The disclosure requirements are as per the Bangladesh Bank guidelines on Risk Based Capital Adequacy (RBCA) for Banks are stated below.

3. Capital Structure:

Qualitative Disclosure:

The Bank's Capital structure consists of Tier -I Capital and Tier-II Capital. Tier I capital is further categorized as Common Equity Tier 1 (CET1) and Additional Tier 1. The composition of the amount of Common Equity Tier I, Additional Tier I and Tier II capital shall be subject to the following conditions:

- The Bank has to maintain at least 4.50% of total Risk Weighted Assets (RWA) as Common Equity Tier I capital;
- Tier I capital will be at least 5.50% of the total RWA;
- Minimum Capital to Risk-weighted Asset Ratio (CRAR) will be 10% of the total RWA;
- Additional Tier I capital can be maximum up to 1.5% of the total RWA or 33.33% of CET 1, whichever is higher;
- Tier II capital can be maximum up to 4% of the total RWA or 88.89% of CET1, whichever is higher; and
- In addition to minimum CRAR, Capital Conservation Buffer (CCB) @ 0.625% of the total RWA will be maintained in the form of CET1 in a phased manner from 2016 to 2019.

Tier I capital of the Bank includes funds deposited with Bangladesh Bank, actuarial gain/ (loss) and retained earnings. Tier 1 capital is also called ‘Core Capital’ of the Bank.

Tier II capital consists of general provision and revaluation reserve for Held to Maturity (HTM) and Held for Trading (HFT) securities. Entire General Provision maintained against unclassified loans and advance as per regulations has been considered as Tier II Capital Revaluation reserve for securities shown as Tier II capital as on 31 December 2014 will be nullified in a phased manner at the rate of 20% starting from 2015 and will be fully adjusted by 2020.

Quantitative Disclosures:

As on the reporting date (31 December 2016), the Bank had a consolidated capital of BDT 4,264.98 million comprising Common Equity Tier-1 Capital (CET-1) of BDT 4,186.09 million and tier 2 Capital (Going-Concern capital) of BDT 78.89 million. Following table presents component wise details of capital (Tier I & II) as on reporting date i.e. 31 December 2016:

Amount in BDT

AS Per BASEL-III		
Regulatory Capital	**2016**	**2015**
Tier-I Capital		
Common Equity Tier-1 Capital (CET-1)	4,186,091,786	4,224,912,674
Additional Tier-1 Capital (AT-1)	-	-
Sub-Total	**4,186,091,786**	**4,224,912,674**
Tier-2 Capital (Going-Concern Capital)		
General Provision	58,500,000	54,405,523*
Revaluation Reserve as on 31 December 2014 (50% of fixed asset and securities and 10% equity) minus (-) Regulatory Adjustment (Revaluation Reserve of fixed assets securities and equity securities (follow phase-in-deduction as per BASEL_III) guideline.	20,391,028	27,188,037
Sub-Total	**78,891,028**	**81,593,560**
Total Regulatory Capital	**4,264,982,814**	**4,306,506,234**

*Eligible for inclusion in Tier-II will be limited to a minimum 1.25% of credit risk weighted assets calculated under the standardized approach

4. Capital Adequacy

Qualitative Disclosure

The Bank's approach to capital management is driven by its desire to maintain a strong capital base to support the development of its business, to meet regulatory capital requirements at all times and to maintain good ratings. HBL focuses on strengthening risk management and control environment for capital maintenance and optimization. Besides meeting regulatory capital requirement, the Bank maintains adequate capital to absorb material risks foreseen. Therefore, the Bank’s Capital to Risk Weighted Assets Ratio (CRAR) remains consistently above the comfort zone.

The Bank uses capital model to assess capital demand for material risks and to support its internal capital adequacy assessment. Each material risk is assessed, relevant mitigates considered and appropriate levels of capital determined. The capital modeling process is a key part of its management disciplines. A strong governance and process framework is embedded in the Bank's capital planning and assessment methodology. Overall responsibility for the effective management of risk rests with the Risk Management Committee.

HBL follows Standardized Approach for computation of capital charge for credit risk, market risk and Basic Indictor Approach is used for assessing operational risk.

Quantitative Disclosures:

Following table shows component wise allocation of capital to meet three risks and an amount of additional capital maintained over MCR i.e. 10% of RWA. As on the reporting date i.e. 31 December 2016, HBL maintained a Capital to Risk Weighted Assets Ratio (CRAR) of 86.61% against required minimum of 10.625%.

Amount in BDT

Risk Weighted Assets	**AS per BASEL-III**	
	2016	**2015**
On balance sheet exposures Off-balance sheet exposures	3,041,173,062 1,144,953,666	3,468,858,954 883,582,851
Total Credit Risk	**4,186,126,728**	**4,352,441,804**
Market Risk	**26,384,460**	**11,932,659**
Operational Risk	**620,816,202**	**607,861,819**
Total Risk Weighted Asset	**4,833,327,390**	**4,972,236,283**

Capital requirement for Credit risk	418,612,673	435,244,180
Capital requirement for Market risk	2,638,446	1,193,266
Capital requirement for Operational risk	62,081,620	60,786,182
Total Capital Requirement as per Basel III	**483,332,739**	**497,223,628**
Minimum Capital Requirement	**4,000,000,000**	**4,000,000,000**
Actual Capital Maintained	**4,264,982,814**	**4,306,506,234**
Surplus	264,982,814	306,506,234

% of Capital Adequacy	**AS per BASEL-III**			
	2016		**2015**	
	Required	**Maintained**	**Required**	**Maintain**
Common Equity Tier I capital	4.50%	86.61%	4.50%	84.96%
Capital Conservation Buffer	0.625%	N/A	N/A	N/A
Tier I capital	5.50%	86.61%	5.50%	84.96%
Total	10.625%	88.24%	10%	86.60%

Risk Management

‘Risk’ is an inherent part of banking business and therefore Risk Management has become the central part of bank’s strategic management. Risk Management needs to be addressed with greater importance due to dynamic environment in which the bank operates such as expanding business arenas, increased level of competition; emergence of new financial products, securitization, outsourcing, specialized processing operations, reliance on rapidly evolving technologies, deregulation and globalization of financial activities. These factors have necessitated a need for an effective and structured Risk Management in Banks.

The risk management of the Bank covers all core risk areas of banking.

As like other banking companies, HBL Bangladesh while conducting day to day operations, usually face the following major risks:

a) Credit risk (including concentration risk, country risk, transfer risk, and settlement risk)

b) Market risk (including interest rate risk in the banking book, foreign exchange risk, and equity market risk)

c) Liquidity Risk

d) Operational Risk

e) Other risks (Compliance, strategic, reputation and money laundering risk)

As to manage the risk in an efficient manner, the core principles of HBL are:

- Strict respect to legislative and regulatory obligations and standards established within the overall risk policies
- A duty to care, rigor and transparency towards our clients, in accordance with our traditions of professionalism and integrity
- A willingness to develop business relations only with the counter parties whose identity is properly established and who share the same spirit of integrity and responsibility as our own
- A paramount importance on rules of prudence and good conduct as well as quality and diversification of risks

5. Credit Risk

Qualitative Disclosures:

Credit risk is the risk of loss due to the failure of a borrower to meet its credit obligations in accordance with agreed contract terms. Credit risk makes up the largest part of bank's risk exposures. The bank's credit process is guided by centrally established credit policies, rules and guidelines continuing a close-to-the market approach with an aim to maintain a well-diversified portfolio of credit risk which produces a reliable and consistent return.

Credit risk policies are established by the Credit Policy Committee and approved by the Board through its Risk Management Committee. The Bank has a system of checks and balances in place around the extension of credit. Salient features of our risk approval process are delineated below:

- Every extension of credit to any counterparty requires approval by the pre-defined level of authority.
- All business groups must apply consistent standards in arriving at their credit decisions.
- Every material change to a credit facility requires approval at the appropriate/pre-defined level
- Credit approval authority is assigned to individuals according to their qualifications and experience.

A comprehensive framework is in place for the management of counterparty credit risk. This includes a structured process for the delegation of credit approval authority and for monitoring compliance. Credit risk management function is independent of business originating functions to establish better control and check, and to reduce conflict of interest. Risk measurement along with judgment and experience play a central role in informed risk taking decisions, and portfolio management.

Potential credit losses from any given account, customer or portfolio are mitigated using a range of tools such as collateral, netting agreements, credit insurance, and other guarantees. The reliance that can be placed on these mitigates is carefully assessed in light of issues such as legal certainty and enforceability, market valuation, and counterparty risk of the guarantor.

To define past due and impairment through classification and provisioning, the bank follows Bangladesh Bank Circulars and Guidelines. The summary of some objective criteria for loan classification and provisioning requirement as stipulated by the central bank BRPD circular no. 14 dated 23 September 2012 and BRPD circularno.16 dated 18 November 2015.

Quantitative Disclosures:

Total gross credit risk exposures by major types: Bangladesh Bank guidelines on Basel II, stipulated to segregate bank's asset portfolio into different categories, and the below table shows our gross exposure in each asset category.

Amount in BDT

Particulars	AS per BASEL-III	
	2016	**2015**
Gross Credit Risk Exposures:		
Funded	12,574,348,820	12,236,733,927
Non-funded	1,460,949,838	1,205,960,803
Total	**14,035,298,658**	**13,442,694,730**
Distribution of Risk Exposures by Claims:		
Cash and cash equivalents	6,047,560,967	6,024,422,088
Claims on Sovereigns and central Bank	-	-
Claims on Banks	973,938,858	515,286,558
Claims on Corporate	3,626,368,084	4,055,614,135
Claims on small and medium enterprise	253,291,437	73,901,533
Claims on consumer's loans		-
Claims secured by residential properties		-
Claims secured by commercial real state		-
Past due loans & NPLs	237,214,837	268,066,949
Total	**11,138,374,183**	**10,937,291,263**

Credit Risk Mitigation:		
Claims secured by financial collateral	396,547,113	244,508,805
Net exposures after the application of haircuts claims secured by eligible guarantee	12,699,183	34,577,930

Geographical Distribution of Credit Exposure:

Particulars	**2016**	**2015**
Dhaka Division	3,399,745,356	3,533,256,239
Chittagong Division	1,308,989,294	1,298,212,863
Sylhet Division	84,004,701	90,059,015
Total	**4,792,739,351**	**4,921,528,117**

Industry Distribution of Exposure:

Particulars	2016	2015
Automobile and transportation equipment	3,565,885	3,565,885
Metals and allied	346,289,552	201,579,763
Chemicals and pharmaceuticals	442,480,436	442,027,171
Electronics and electrical appliances	-	-
Shoes and leather garments	299,579,155	308,420,430
Textile	226,459,988	325,619,032
Foods, tobacco, beverages, and sugar	673,860,017	676,912,426
General traders	860,702,129	1,082,006,610
Others	1,939,802,189	1,881,396,800
Total	**4,792,739,351**	**4,921,528,117**

Maturity breakdown of credit exposures:

Particulars	2016	2015
Repayable on demand	350,502,555	326,185,867
Up to 1 month	214,973,526	297,189,536
Over 1 month but below 3 months	1,505,295,058	1,608,614,005
Over 3 months but below 1 year	1,854,920,365	1,574,484,475
Over 1 year but below 5 years	837,971,768	1,098,628,490
More than 5 years	29,076,078	16,425,744
Total	**4,792,739,350**	**4,921,528,118**

Gross Non-performing Assets (NPAs):

Particulars	AS per BASEL-III	
	2016	2015
Opening balance	475,346,146	627,700,764
Net movement during the year	(2,348,247)	(152,354,618)
Closing balance	**472,997,899**	**475,346,146**
Non-performing asset (NPAs) to outstanding loans and advances	**9.87%**	**9.66%**

Movement of Specific provision for (NPAs)

Particulars	2016	2015
Movement of Specific provision for (NPAs)		
Opening balance of specific provision	248,730,538	356,072,133
Written off during the period	-	(107,993,921)
Recovers during the period	(4,566,718)	(57,883,643)
Provision made during the period	20,623,876	58,535,969
Closing balance of specific provision	**264,787,696**	**248,730,538**

6. Equities: Disclosures for Banking book positions

The Bank does not hold trading position in equities.

7. Interest rate risk in the banking book

Qualitative Disclosure:

Interest rate risk is the risk where changes in market interest rates might adversely affect a bank's financial condition. It is the risk related to interest income arising from a mismatch between the duration of assets and liabilities that arises in the normal course of business activities. ALCO is responsible for management of the balance sheet of the Bank with a view to manage the market risk exposure assumed by the Bank within the risk parameters laid down by the Local Risk Management Committee. The Asset Liability Management Committee at the Bank monitors and manages the risk under the supervision of ALCO. Upon review of the indicators of IRRBB and the impact thereof, ALCO may suggest necessary corrective actions in order to rearrange the exposure with the current assessment of the markets.

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 of measuring IRRBB, broken down by currency.

Qualitative Disclosure:	Qualitative Disclosure:		
Market Value of Assets	1283.05		
Market Value of Liabilities	856.64		
Weighted Average of Duration of Assets (DA)	0.41		
Weighted Average of Duration of Liabilities(DL)	0.20		
Duration GAP (DA-DL)	0.28		
Yield to Maturity (YTM-Assets)	4.49%		
Yield to Maturity (YTM-Liability)	3.68%		
Magnitude of Interest Rate Change	**1%**	**2%**	**3%**
Change in market value of equity due to increase in interest rate (BDT Crore)	(3.4109)	(6.8219)	(10.2329)
Stress Testing	**Minor**	**Moderate**	**Major**
Regulatory capital (after shock)	423.09	419.68	416.27
RWA (after shock)	481.12	481.12	481.12
CAR (after shock)	87.94%	87.23%	86.52%

8. Market Risk

Qualitative Disclosures:

Market risk is the potential for loss of earnings or economic value due to adverse changes in financial market rates or prices.

Interest rate risk occurs when assets and liabilities mature or re-price at different times. If more liabilities than assets are re-priced in a given period and market interest rate are declining, than the asset/liability spread will increase. Conversely, if more assets than liabilities re-price or mature in a given period, then a decline in market interest rate will reduce the asset/liability interest rate spread. Foreign Exchange risk refers to the risk that a Bank may suffer losses as a result of adverse exchange rate movements during a period in which it has an open position, either in the form of a balance sheet asset or liability account or an off-balance sheet item. Foreign exchange risk arises due to structural imbalance between foreign exchange assets and liabilities, transaction with customers in foreign currencies and foreign exchange denominated revenues and costs.

The Bank employs conventional methodologies for the measurement of Market Risk due to operational ease and simplicity. These involve the monitoring of risk by using notional (amount) based limits and sensitivity limits. In addition, stress testing and VaR are being exercised to measure the downside risk under normal conditions. Asset Liability Committee (ALCO) of the Bank reviews and monitors the requisite ratios and limits and ensures maximum benefits out of the resources under the controlled risk management environment.

Qualitative Disclosures:

Capital required for market risk as on the reporting date follows:

Amount in BDT

Particulars	2016	2015
Capital Requirements for:		
Interest rate risk	385,702	623,103
Equity position risk	-	-
Foreign exchange risk	2,252,744	570,163
Commodity risk		-
Total	**2,638,446**	**1,193,266**

9. Operational risk

Qualitative Disclosures:

Operational risk is the potential for loss arising from the failure of people, process or technology or the impact of external events. It is the Banks objective to minimize exposure to operational risk, subject to cost tradeoffs. This object is ensured through a framework of policies and procedures that drive risk identification, assessment, control and monitoring at business/function, country levels.

Bank's Risk Management Committee reviews outstanding operational issues and decides action plans to resolve risk areas by specific individual and/or group within an agreed timeline.

Business operates in an umbrella of inter connected socio-economic and political environment. Few externalities affect business performance directly such as macro-economic conditions, regulatory changes, change in demand, status of infrastructure whereas few factors affect operations of the business directly or indirectly such as force shut down due to political instability, threat of vandalism to the bank's sophisticated physical outlets including IT equipment, etc.

The bank applies ‘Basic Indicator Approach’ of Basel II as prescribed by BB in revised RBCA guidelines. Under this approach, banks have to calculate average annual gross income (GI) of last three years and multiply the result by 15% to determine required capital charge.

Quantitative Disclosures

Capital requirement for Operational risk as on 31 December 2016 is as follows

Last three year's average Gross Income (GI)	413,877,468
Capital charge required 15% of Gross Income (GI)	62,081,620

10. Liquidity Ratio

Qualitative disclosures:

Liquidity Risk is the risk that the bank does not have sufficient financial resources to meet its obligations as they fall due or will have to do so at excessive cost. The risk arises from mismatch in the timing of cash flows. Effective liquidity risk management helps ensure a bank’s ability to meet cash flow obligations, which are uncertain as they are affected by external events and other factors. Liquidity risk management is of paramount importance because a liquidity shortfall at a single institution can have system wide repercussions.

The Liquidity Risk Management Framework of the Bank is based on following principles:

- Establishing liquidity risk tolerance level on the basis of banking operations, client base, funding needs and economic conditions etc.
- Keeping a cushion of liquid assets in order to retain a certain adequate level of liquidity
- Identifying and measuring full range of liquidity risks, including risks posed by off-balance sheet items
- Designing and using stress test scenarios
- Preparing an operational Contingency Funding Plan and
- Managing liquidity on daily basis

Liquidity measurement and management involves Liquidity Maturity Gap analysis and monitoring of different Liquidity Ratios. Besides, as per regulatory guidelines, the Bank has adopted Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) for liquidity risk management as devised by BASEL Committee to strengthen its liquidity framework. LCR ensures that banks maintain enough high
quality unencumbered liquid assets to meet its liquidity needs for 30 calendar time-line whereas NSFR ensures availability of stable funding is greater than required funding over 1 year period.

Asset Liability Management Committee (ALCO) of the Bank reviews and monitors the liquidity parameters and ratios and ensures maximum benefits out of the resources under the controlled risk management environment.

Quantitative disclosures:

Particulars	AS per BASEL-III	AS per BASEL-III
	2016	2015
Liquidity coverage ratio (%	186.65%	203.06%
Net Stable Funding Ratio (%)	102.92%	106.24%
Stock of High quality liquid assets	1,894,789,509	1,934,088,046
Available amount of stable funding (ASF)	9,815,297,206	9,989,523,074
Required amount of stable funding (RSF)	9,537,068,606	9,402,798,695

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11.Leverage Ratio

Qualitative Disclosures:

To constrain the build-up of leverage in the banking sector and to reinforce the risk based requirements with a simple, non-risk based “backstop” measure, the Bank has adopted measuring leverage ratio as per the guidelines of the Central Bank for implementation of guidelines under Basel III Accord. The numerator, capital measure is calculated using the new definition of Tier I capital applicable from 01 January 2015. The denominator, exposure measure, is calculated on the basis of the Basel III leverage ratio framework as adopted by the Bangladesh Bank. The exposure measure generally follows the accounting value, adjusted as follows:

- On-balance sheet, non-derivative exposures are included in the exposure measure net of specific provision;
- Physical or financial collateral is not considered to reduce on-balance sheet exposure;
- Loans are not netted with deposits;
- Off balance sheet items are converted into credit exposure equivalents through the use of credit conversion factors (CCFs). Depending on the risk category of the exposure a CCF of 20%, 50% or 100% is applied. Commitments that are unconditionally cancellable at any time by the bank without prior notice, a CCF of 10% is applied;
- Item deducted from Tier I capital such as deferred tax assets is excluded.

Particulars	AS per BASEL-III	AS per BASEL-III
	2016	2015
Leverage ratio	30.52%	31.28%
On balance sheet exposure	12,177,771,785	12,242,376,559
Off balance sheet exposure	1,538,953,787	1,264,216,165
Total exposure	**13,716,725,573**	**13,506,592,724**

12. Remuneration:

Qualitative	**A.**	**Information relating to the bodies that oversee remuneration. Disclosures should include:** **Name, composition and mandate of the main body overseeing remuneration.** The remuneration of HBL local based employees are administered through the compensation policy of the Bank which is developed with appropriate input and guidance from the Board Human Resource and Remuneration Committee, HBL Head Office, Pakistan (hereinafter referred as HR&RC). The Committee consists of the following members as on Dec 31, 2016:

		• Mr. Sultan Ali Allana, Chairman • Mr. Nauman K. Dar, Member • Mr. Moez Ahamed Jamal, Member • Mr. Sajid Zahid, Member • Mr. Jamal Nasir, Secretary Country Head/ Regional General Manager of HBL Bangladesh recommends necessary changes to Head Office from time to time for onward review by HR, Head Office and onward approval by the HR&RC. **External consultants whose advice has been sought, the body by which they were commissioned, and in what areas of the remuneration process.** HBL does not have any separate body or external consultants for providing advice on regular basis. However, we on-board consultants as and when required for reviewing on the industry practice on remuneration for aligning HBL practices with the market. **A description of the scope of the bank's remuneration policy (eg by regions, business lines), including the extent to which it is applicable to foreign subsidiaries and branches.** HBL's policy is applicable to all the employees of the Bank. **A description of the types of employees considered as material risk takers and as senior managers, including the number of employees in each group**. All Management Committee members of HBL Bangladesh and senior officials of HBL Head Office, Karachi is considered as material risk takers.

	B.	**Information relating to the design and structure of remuneration processes.**
		
		Disclosures should include:
		An overview of the key features and objectives of remuneration policy.
		Whether the remuneration committee reviewed the firm's remuneration policy during the past year, and if so, an overview of any changes that were made.
		
		HBL is committed to providing a total compensation package that enables the Bank to attract and retain highly skilled, talented and motivated employees for all positions.
		HBL goal is three-fold:
		• To compete for qualified staff in an evolving environment,
		• To pay employees equitably and fairly and,
		• To be fiscally responsible
		
		HBL believes in rewarding employees through Total Pay concept. The overall compensation structure is appropriately balanced between Fixed & Variable amounts and includes:
		• Fixed Pay
		    o Basic Pay
		    o Cash Allowances
		    o Guaranteed Benefits
		• Variable Pay

		Fixed Portion of compensation consists of Basic Pay, Cash Allowances & Guaranteed Benefits. Cash Allowances comprise of any allowance or monetized benefit prescribed by the Bank from time to time. Guaranteed benefits include End of service benefits and/or any other benefit prescribed by the Bank. Structure of allowances & benefits stated above depends on the Bank's policy and is applicable to employees as per their entitlements. These allowance & benefits may vary subject to change in Bank's policy, law of land or taxation regulations; however, any change in the structure or entitlement shall be communicated to the employee by the Management. Variable Portion consists of Variable pay in the form of Rewards paid to employees as an incentive for demonstrating highly exemplary performance and contributing significantly towards accomplishing overall units / business objectives that is inspirational to others. Variable incentive is given on an annual basis or depending on performance of organization, business and employee. **A discussion of how the bank ensures that risk and compliance employees are remunerated independently of the businesses they oversee.** As per the Bank's org-chart, risk and compliance functions reports directly to their counterpart at Head Office, Karachi, Pakistan. As such their remuneration is reviewed based on their own performance in their respective areas which is not linked to Bangladesh business performance.
	C.	**Description of the ways in which current and future risks are taken into account in the remuneration processes. Disclosures should include:** **An overview of the key risks that the bank takes into account when implementing remuneration measures.** Financial sector being highly competitive, remuneration process usually driven by the changing market forces. HBL carries out market survey from time to time for taking into consideration of the market dynamics and accordingly takes initiatives to align internal compensation practices. Staff turnover, shortage of skill manpower, attracting and retention of talents, leadership development are some of the risks that the bank in general faces in the country. **An overview of the nature and type of the key measures used to take account of these risks, including risks difficult to measure (values need not be disclosed).** HBL is committed to providing a market driven compensation package reviewed from time to time that enables the Bank to attract and retain highly skilled, talented and motivated employees for all positions. HBL also undertakes market survey on compensation and benefit from time to time to review market dynamics and adjust internal practices accordingly. **A discussion of the ways in which these measures affect remuneration.**

		Above mentioned measures are required to ensure market driven compensation and benefit package for HBL employees ensuring internal and external parity. **A discussion of how the nature and type of these measures has changed over the past year and reasons for the change, as well as the impact of changes on remuneration.** No major change taken place last year.
	D.	**Description of the ways in which the bank seeks to link performance during a performance measurement period with levels of remuneration. Disclosures should include:** **An overview of main performance metrics for bank, top-level business lines and individuals.** HBL aggressively promotes "Pay for Performance Culture" with an objective to encourage a work environment of high performance and merit-based compensation. The Bank aims to effectively manage people's performance and achieve high level of organizational excellence. Performance evaluation of the employees depends on achievement in below three key areas: i. Business Results ii. Customer Satisfaction iii. Employee Satisfaction **A discussion of how amounts of individual remuneration are linked to bank-wide and individual performance.** Annual performance review exercise takes employees achievement's in above three categories for ensuring 'Pay for Performance Culture'. **A discussion of the measures the bank will in general implement to adjust remuneration in the event that performance metrics are weak.** The bank strictly follows performance management guidelines to assess individual performance against assigned Key Performance Indicators.
	E.	**Description of the ways in which the bank seek to adjust remuneration to take account of longer-term performance. Disclosures should include:** **A discussion of the bank's policy on deferral and vesting of variable remuneration and, if the fraction of variable remuneration that is deferred differs across employees or groups of employees, a description of the factors that determine the fraction and their relative importance.** The Bank does not practice deferred payment system as part of variable remuneration. **A discussion of the bank's policy and criteria for adjusting deferred remuneration before vesting and (if permitted by national law) after**

		vesting through clawback arrangements. It is not applicable as the bank does not practice deferred payment system.
	F.	**Description of the different forms of variable remuneration that the bank utilises and the rationale for using these different forms. Disclosures should include:** **An overview of the forms of variable remuneration offered (ie cash, shares and share-linked instruments and other forms** The purpose of variable payment is to provide motivational incentive to employees for improving performance. HBL focuses on rewarding consistently high performers. Following variable remuneration is available at HBL: **Performance reward:** The performance reward system is designed to recognize the employees of the Bank who have made substantial contributions to their divisions or who have otherwise contributed or performed in a manner which shall reflect favorably on the individual and HBL Country office. **Long service awards:** Long service awards are being provided to employees to recognize the dedicated continued service of staff on completion of 10, 20 and 25 years. **A discussion of the use of the different forms of variable remuneration and, if the mix of different forms of variable remuneration differs across employees or groups of employees), a description the factors that determine the mix and their relative importance.** Above mentioned variable payments is applicable to all employees irrespective of grade.

Quantitative	**G.**	Number of meetings held by the main body overseeing remuneration during the financial year and remuneration paid to its member.	**6 meetings**	
	H.	Number of employees having received a variable remuneration award during the financial year.	**144 employees**	
		Number and total amount of guaranteed bonuses awarded during the financial year.	**3 bonus**	**BDT 15,619,014**
		Number and total amount of sign-on awards made during the financial year.	**Nil**	

		Number and total amount of severance payments made during the financial year.	**Nil**
	I.	Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms.	**Nil**
		Total amount of deferred remuneration paid out in the financial year.	**Nil**
	J.	Breakdown of amount of remuneration awards for the financial year to show:	
		- fixed and variable.	**Fixed:** **BDT 15,619,014** **Variable:** **BDT 11,265,705**
		- deferred and non-deferred.	**Nil**
		- different forms used (cash, shares and share linked instruments, other forms).	**Cash**
	K.	Quantitative information about employees' exposure to implicit (eg fluctuations in the value of shares or performance units) and explicit adjustments (eg clawbacks or similar reversals or downward revaluations of awards) of deferred remuneration and retained remuneration: 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.	**Nil** **Nil**