Market Discipline
Disclosures on Risk Based Capital (Basel-III)

Background: These disclosures under Pillar III of Basel III are made following revised 'Guidelines on Risk Based Capital Adequacy (RBCA)' for banks issued by Bangladesh Bank (Central Bank of Bangladesh) in December 2014. These quantitative and qualitative disclosures are intended to complement the Minimum Capital Requirement (MCR) under Pillar I and Supervisory Review Process (SRP) under Pillar-2 of Basel III.

The purpose of these disclosures is to present relevant information on adequacy of capital in relation to overall risk exposures of the Bank so that the market participants can assess the position and direction of the Bank in making economic decisions.

Consistency and Validation: The quantitative disclosures are made on the basis of audited financial statements of NRB Bank as at and for the year ended 31 December 2015 prepared under relevant international accounting and financial reporting standards as adopted by the Institute of Chartered Accountants of Bangladesh (ICAB) and related circulars/instructions issued by Bangladesh Bank from time to time. So, information presented in the 'Quantitative Disclosures' section can easily be verified and validated with corresponding information presented in the audited financial statements 2015 of NRB Bank. The report is prepared once a year and available on the website of the Bank (www.nrbbankbd.com).

1. Scope of Application:

Qualitative disclosure	a)	The name of the top corporate entity in the group to which this guidelines applies	**NRB Bank Limited**
	b)	An outline of differences in the basis of consolidation for accounting and regulatory purposes, with a brief description of the entities within the group (a) that are given a deduction treatment; and (c) that are neither consolidated nor deducted (e.g. where the investment is risk-weighted)	The Bank has no subsidiaries
	c)	Any restrictions, or other major impediments, on transfer of funds or regulatory capital within the group	Not applicable
Quantitative disclosure	d)	The aggregate amount of capital deficiencies in all subsidiaries not included in the consolidation that are deducted and the name (s) of such subsidiaries	Not applicable

2. Capital Structure:

Qualitative disclosure	a)	Summary information on the terms and conditions of the main features of all capital instruments, especially in the case of capital instruments eligible for inclusion in Tier 1 or in Tier 2.	As per the guidelines of Bangladesh Bank, **Tier-1 Capital** of NRB Bank consists of (i) Fully Paid-up Capital, (ii) Statutory Reserve and (iii) Retained Earnings. **Tier-2 Capital** consists of (i) General Provision against unclassified Loans/Investments and Off-balance sheet exposures and of revaluation reserve on securities.
Quantitative disclosure	b)	**The amount of Tier-1 capital with separate disclosure of:**	
		CET 1 Capital:	***Figure in BDT Crore***
		i.Fully Paid-up Capital	400.00
		ii.Statutory Reserve	7.42
		iii.Retained Earnings	10.68
		A) Sub-Total(CET-1)	**418.10**
		Less: Regulatory Adjustments	11.30
		B) Additional Tier-1 Capital	-
		C) Total Tier-1 Capital (A+B)	**406.80**
	c)	**The total amount of Tier-2:**	
		General Provision	10.01
		General Provision on Off-Balance sheet items	1.03
			11.04
		Less: Regulatory Adjustments	0.25
		D) Total Tier-2 Capital	**10.80**
	e)	**Total Regulatory Capital (C+D)**	**417.59**

3. Capital Adequacy:

Qualitative disclosure	a)	A summary discussion of the bank's approach to assessing the adequacy of its capital to support current and future activities	The Bank has adopted Standardized Approach (SA) for computation of capital charge for credit risk and market risk, and Basic Indicator Approach (BIA) for operational risk. Assessment of capital adequacy is carried out in conjunction with the capital adequacy reporting to the Bangladesh Bank.

			The Bank has maintained capital adequacy ratio of 26.03% respectively as against the minimum regulatory requirement of 10%. Tier-1 capital adequacy ratio was 25.36% against the minimum regulatory requirement of 5.5%. The Bank's policy is to manage and maintain its capital with the objective of maintaining strong capital ratio and high rating. The whole objective of the capital management process in the Bank is to ensure that the Bank remains adequately capitalized at all the times.
Quantitative disclosure		**Particulars**	***Figures in BDT crore***
	b)	Capital requirement for credit risk	133.65
	c)	Capital requirement for market risk	17.94
	d)	Capital requirement for operational risk	8.84
	e)	**Total and Tier-1 capital ratio:**	
		-For the consolidated group (%)	Not Applicable
		-For Standalone Tier-1 capital out of maintained CRAR (%)	25.36%
	f)	Capital Conservation Buffer	Not Required
	g)	Available Capital under Pillar 2 Requirement	Not yet decided

4. Credit Risk:

Qualitative disclosure	a)	**The general qualitative disclosure requirement with respect to credit risk, including:**	
		i) Definitions of past due and impaired (for accounting purposes)	All the loans and advances are grouped into four categories for the purpose of classification, namely (i) Continuous Loan, (ii) Demand Loan (iii) Fixed Term Loan and (iv) Short-term Agricultural and Micro Credit. They are classified as follows: **Continuous & Demand Loan are classified as:** ● **Sub-standard-** if it is past due/overdue for 03(three) months or beyond but less than 06 (six) months; ● **Doubtful-** if it is past due/overdue for 06 (six) months or beyond but less than 09 (nine months); ●**Bad/Loss-** if it is past due/overdue for 09 (nine) months or beyond. In case of any installment(s) or part of installment(s) of a **Fixed Term Loan amounting up to Tk 1 million** is not repaid within the due date, the amount of unpaid installment(s) are treated as "past due or overdue installment". Such types of Fixed Term Loans are classified as under:

			●**Sub-standard-** if the amount of past due installment is equal to or more than the amount of installment(s) due within 06 (six) months, the entire loans are classified as "Sub-standard". ● **Doubtful**- if the amount of past due installment is equal to or more than the amount of installment(s) due within 09 (nine) months, the entire loans are classified as "Doubtful" ●**Bad/Loss-** if the amount of past due installment is equal to or more than the amount of installment(s) due within 12(twelve) months, the entire loans are classified as "Bad/Loss". In case of any installment(s) or part of installment(s) of a **Fixed Term Loan amounting more than Tk 1 million** is not repaid within the due date, the amount of unpaid installment(s) are treated as "past due or overdue installment". Such types of Fixed Term Loans are classified as under: ●**Sub-standard-** if the amount of past due installment is equal to or more than the amount of installment(s) due within 03 (three) months, the entire loans are classified as "Sub-standard". ●**Doubtful-** if the amount of past due installment is equal to or more than the amount of installment(s) due within 06 (six) months, the entire loans are classified as "Doubtful". ●**Bad/Loss-** if the amount of past due installment is equal to or more than the amount of installment(s) due within 09 (nine) months, the entire loans are classified as "Bad/Loss". **Short-term Agricultural and Micro Credit** will be considered irregular if it is not repaid within the due date as stipulated in the loans agreement are classified as under: ●**Sub-standard-** if the irregular status continues after a period of 12 (twelve) months, the credits are classified as "Sub-standard".

			●**Doubtful-** if the irregular status continue after a period of 36 (thirty six) months, the credits are classified as "Doubtful". ●**Bad/Loss**- if the irregular status continue after a period of 60 (sixty) months, the credits are classified as "Bad/Loss". *A Continuous loan, Demand loan or a Term Loan which remained overdue for a period of 02 (two) months or more, are treated as "Special Mention Account (SMA)".*	
		ii) Description of approaches followed for specific and general allowances and statistical methods	The Bank is required to maintain the following general and specific provision in respect of classified and unclassified loans and advances / investments on the basis of Bangladesh Bank guidelines issued from time to time:	
			Particulars	**Rate**
			General provision on unclassified Small and Medium Enterprise (SME) financing.	0.25%
			General provision on unclassified loans and advances/investments.	1%
			General provision on interest receivable on loans/Advances	1%
			General provision on off-balance sheet exposures ***(Provision has been made on the total exposure and amount of cash margin or value of eligible collateral were not deducted while computing off-balance sheet exposure).***	1%
			General provision on unclassified loans and advances for housing finance, loans for professionals to set-up business under consumer financing scheme	2%
			General provision on the unclassified loans to Brokerage House, Merchant Banks, Stock Dealers, etc.	2%
			General provision on unclassified amount for Consumer Financing.	5%
			General provision on outstanding amount for Special Mention Account (SMA).	0.25%-5%
			Specific provision on Sub-Standard loans and advances.	20%
			Specific provision on Doubtful loans and advances.	50%

			Specific provision on Bad /Loss loans and advances	100%
Quantitative Disclosure	b)	**Total gross credit risk exposures broken down by major types of credit exposure**	**Total Gross Credit Risk Exposures broken down by major types of credit exposure of the Bank:**	
			Particulars	***Figures in BDT crore***
			Loan (General)	932.93
			Cash Credit	-
			Overdraft	165.95
			Staff Loan	9.75
			TOTAL	**1,108.63**
	c)	**Geographical distribution of exposures, broken down in significant areas by major types of credit exposure**	**Geographical distribution of exposures, broken down in significant areas by major types of credit exposure of the Bank:**	
			Particulars	***Figures in BDT crore***
			Dhaka Division	928.15
			Chittagong Division	172.89
			Sylhet Division	7.64
			Rajshahi Division	0.56
			Khulna Division	-
			TOTAL	**1,109.24**
	d)	**Industry** or **counterparty type distribution of exposures, broken down by major types of Credit exposure.**	**Industry or counterparty type distribution of exposures, broken down by major types of credit exposure of the Bank:**	
			Particulars	***Figures in BDT crore***
			Commercial and Trading	130.37
			Importer of Commodity	88.06
			Construction	43.02
			Edible Oil Refinery Industry	-
			Electronics Goods	13.17
			Individuals	74.91
			Pharmaceuticals Industries	14.82
			Readymade Garments Industry	10.81
			Ship Breaking Industry	-
			Industries for Steel Products	4.42
			Telecommunication Sector	-
			Textile Mills	74.68
			Power Sector	-
			Others	654.98
			TOTAL	**1,109.24**

	e)	**Residual contractual maturity breakdown of the whole portfolio, broken down by major types of credit exposure.**	**Residual contractual maturity break down of the whole portfolios, broken down by major types of credit exposure of the Bank:**	
			Particulars	***Figures in BDT crore***
			Repayable on demand	159.21
			In more than one month but not more than three months	117.37
			In more than three months but not more than one year	457.32
			In more than one year but not more than five years	310.67
			In more than five years	64.67
			TOTAL	**1,109.24**
	f)	**By major industry or counterparty type:**		
		i) Amount of impaired loans and if available, past due loans, provided separately.		2.21
		ii) Specific and general provisions		10.40
		iii) Charges for specific allowances and charge-offs during the period.		-
	g)	**Gross Non-Performing Assets (NPAs).**		
		Non-Performing Assets (NPAs) to Outstanding loans and advances.		**0.19%**
		Movement of Non-Performing Assets (NPAs):		
		Opening Balance		0.00
		Addition during the period		2.21
		Reductions		-
		Closing Balance		**2.21**
		Movement of Specific Provisions for (NPAs):		
		Opening Balance		-
		Made during the period		0.38
		Write-Off		-
		Write-back of excess provisions		-
		Closing balance		**0.38**

5. Equities: Disclosures for Banking Book Positions

Qualitative disclosures	a)	**The general qualitative disclosure requirement with respect to equity risk, including:**	
		▪ **Differentiation between holdings on which capital gains are expected and those taken**	Investment in equity securities are broadly categorized into two parts:

		under other objectives including for relationship and strategic reasons; and	i) Quoted Securities (Common or Preference Shares & Mutual Fund) that are traded in the secondary market (Trading Book Assets).
			ii) Unquoted securities are categorized as banking book equity exposures which are further sub-divided into two groups: unquoted securities which are invested without any expectation that these will be quoted in near future i.e. held for maturity (HFM), and securities those are acquired under private placement or IPO and are going to be traded in the secondary market after completing required formalities. Unquoted securities are valued at cost.
		▪ **Discussion of important policies covering the valuation and accounting of equity holdings in the banking book. This includes the accounting techniques and valuation methodologies used, including key assumptions and Practices affecting valuation as well as significant changes in these practices.**	The primary aim is to investment in these equity securities for the purpose of capital gain by selling them in future or held for dividend income. Dividends received from these equity securities are accounted for as and when received. Both Quoted and Un-Quoted equity securities are valued at cost and necessary provisions are maintained if the prices fall below the cost price. As per Bangladesh Bank guidelines, the HFT equity securities are revalued once in each week using marking to market concept and HTM equity securities are amortized once a year according to Bangladesh Bank guideline. The HTM equity securities are also revalued if any, are reclassified to HFT category with the approval of Board of Directors.
Quantitative disclosures	b)	Value disclosed in the balance sheet of investments, as well as the fair value of those investments; for quoted securities, a comparison to publicly quoted share values where the share price is materially different from fair value.	**Quoted Shares** ***Figures in BDT crore*** -At Cost Price 36.90 -At Market Value 35.43
	c)	The cumulative realized gains (losses) arising from sales and liquidations in the reporting period.	***Figures in BDT crore*** -Cumulative Realized Gain(Losses) = 2.91
	d)	• Total unrealized gains (losses) • Total latent revaluation gains (losses) • Any amounts of the above included in Tier-2 capital.	***Figures in BDT crore*** -Unrealized gains (losses) = 1.46

	e)	Capital requirements broken down by appropriate equity groupings, consistent with the bank's methodology, as well as the aggregate amounts and the type of equity investments subject to any supervisory provisions regarding regulatory capital requirements	Nil

6. Interest Rate Risk in the Banking Book

<table>
<tr><td rowspan="1">Qualitative disclosures</td><td>a)</td><td>The general qualitative disclosure requirement including the nature of IRRBB and key assumptions, including assumptions regarding loan prepayments and behavior of Non-maturity deposits and frequency of IRRBB measurement.</td><td colspan="2">Interest rate risk is the risk where changes in market interest rates might adversely affect a bank's financial condition. Changes in interest rates affect both the current earnings (earnings perspective) as well as the net worth of the bank (economic value perspective). Re-pricing risk is often the most apparent source of interest rate risk for a bank and is often gauged by comparing the volume of a bank's assets that mature or re-price within a given time period with the volume of liabilities that do so.

The short term impact of changes in interest rates is on the bank's Net Interest Income (NII). In a longer term, changes in interest rates impact the cash flows on the assets, liabilities and off-balance sheet items, giving rise to a risk to the net worth of the bank arising out of all re-pricing mismatches and other interest rate sensitive position.</td></tr>
<tr><td rowspan="5">Quantitative disclosures</td><td rowspan="5">b)</td><td rowspan="5">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).</td><td></td><td>Figures in BDT crore</td></tr>
<tr><td>Total Risk Sensitive Asset</td><td>988.68</td></tr>
<tr><td>Total Risk Sensitive Liabilities</td><td>1,395.76</td></tr>
<tr><td>Cumulative Gap
< 3 month
<6 month
<12 month</td><td>
(446.68)
(195.79)
(407.07)</td></tr>
<tr><td>CRAR before shock (%)</td><td>26.03%</td></tr>
</table>

			Assumed Change in Interest Rate	**1.00%**	**2.00%**	**3.00%**
			Capital After Shock (in BDT Crore)	426.05	421.98	417.91
			CRAR After Shock (%)	**25.78**	**25.52**	**25.27**

7. Market Risk:

Qualitative disclosures	a)	i) **Views of Board of Directors (BOD) on trading/ investment activities.**	Market risk is the possibility of losses of assets in balance sheet and off-balance sheet positions arising out of volatility in market variables i.e. interest rate, exchange rate and price. Allocation of capital is required in respect of the exposure to risks deriving from changes in interest rate and equity prices in the bank's trading book, in respect of exposure to risks deriving from changes in foreign exchange rates and commodity price in the overall banking activity. The total capital requirement for banks against their market risk shall be the sum of capital charge against: *i. Interest rate risk* *ii. Equity position risk* *iii. Foreign exchange (including gold) position risk throughout the bank's balance sheet* *iv. Commodity risk.*
		ii) **Methods used to measure Market risk**	Measurement Methodology: As banks in Bangladesh are now in a stage of developing risk management models, Bangladesh Bank suggested the banks for using Standardized Approach for credit risk capital requirement for banking book and Standardized (rule based) Approach for market risk capital charge in their trading book. Maturity Method has been prescribed by Bangladesh Bank in determining capital against market risk. In the maturity method, long or short positions in debt securities and other sources of interest rate exposures, including derivative instruments, are slotted into a maturity ladder comprising 13 time-bands (or

			15 time-bands in case of low coupon instruments). Fixed-rate instruments are allocated according to the residual term to maturity and floating-rate instruments according to the residual term to the next reprising date.
			In Standardized (rule based) Approach the capital requirement for various market risks (interest rate risk, price, and foreign exchange risk) are determined separately. The total capital requirement in respect of market risk is the sum of capital requirement calculated for each of these market risk sub-categories. e.g.:
			a) **Capital Charge for Interest Rate Risk** = Capital Charge for Specific Risk + Capital Charge for General Market Risk;
			b) **Capital Charge for Equity Position Risk** = Capital Charge for Specific Risk + Capital Charge for General Market Risk;
			c) **Capital Charge for Foreign Exchange Risk** = Capital Charge for General Market Risk;
			d) **Capital Charge for Commodity Position Risk** = Capital charge for general market risk.

		iii) **Market Risk Management system**	Treasury Division manages the market risk and ALCO monitors the activities of treasury Division in managing such risk.
		iv**) Policies and processes for Mitigating market risk.**	To mitigate the several market risks the bank formed Asset Liability Management Committee (ALCO) who monitors the Treasury Division's activities to minimize the market risk. ALCO is primarily responsible for establishing the market risk management and asset liability management of the Bank, procedures thereof, implementing core risk management framework issued by the regulator, best risk management practices followed globally and ensuring that internal parameters, procedures, practices/polices and risk management prudential limits are adhered to. The Treasury Division are taking following measures to minimize the several market risks: i) Foreign exchange risk management: it is the risk that the bank may suffer losses as a result

			of adverse exchange rate movement during a period in which it has an open position in an individual foreign currency. This risk is measured and monitored by the Treasury Division. To evaluate the extent of foreign exchange risk, a liquidity Gap report is prepared for each currency. ii) Equity Risk: Equity risk is defined as losses due to changes in market price of the equity held. To measure and identify the risk, mark-to-market valuation to the share investment portfolios are done. Mark-to-market valuation is done against a predetermined limit. At the time of investment, following factors are taken into consideration: a) Security of Investment b) Fundamentals of securities c) Liquidity of securities d) Reliability of securities e) Capital appreciation f) Risk factors and g) Implication of taxes etc.
Quantitative disclosures	b)	**Capital requirement for:**	**Figures in BDT crore**
		Interest rate related instruments	10.55
		Equities	7.09
		Foreign Exchange position	0.31
		Commodity Risk	0.00
		TOTAL	**17.95**

8. Operational Risk:

Qualitative disclosures	a)	i) **Views of BOD on system to reduce Operational Risk**	Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk but excludes strategic and reputation risk. It is inherent in every business organization and covers a wide spectrum of issues. The Board of Director (BOD) of the Bank and its Management firmly believe that this risk through a control based environment in which processes are documented, authorizations are independent and transactions are reconciled and monitored. This is supported by an independent program of periodic reviews

			undertaken by internal audit, and by monitoring external operational risk events, which ensure that the Bank stays in line with industry best practices and takes account or lessons learned from publicized operational failures within the financial services industry.
		ii) **Potential external events**	**Risk factors/Potential external events:** It is needless to say that there are certain risk factors which are external in nature and can affect the business of the Bank. The factors discussed below can significantly affect the business: • **General business and political condition:** NRB Banks performance greatly depends on the general economic conditions of the country. Political stability is must for growth in business activities. • **Changes in credit quality of borrowers:** Risk of deterioration of credit quality of borrowers is inherent in banking business. This could result due to global economic crisis and supply side distortion. The changes in the import prices affected the commodity sectors and ship breaking industry. Deterioration in credit quality requires provisioning.
		iii) Approach for calculating capital charge for operational risk	The Banks operating in Bangladesh shall compute the capital requirements for operational risk under the Basic Indicator Approach (BIA). Under BIA, the capital charge for operational risk is a fixed percentage, denoted by α (alpha) of average positive annual gross income of the bank over the past three years. Figures for any year in which annual gross income is negative or zero, should be excluded from both the numerator and denominator when calculating the average. The capital charge may be expressed as follows: $K = [(GI\ 1 + GI2 + GI3)\ \alpha]/n$ Where- K = the capital charge under the Basic Indicator Approach GI = only positive annual gross income over the previous three years

			(i.e., negative or zero gross income if any shall be excluded) α = 15 percent n = number of the previous three years for which gross income is positive. Gross income: Gross Income (GI) is defined as "Net Interest Income" plus "Net non-Interest Income". It is intended that this measure should: i). be gross of any provisions; ii). be gross of operating expenses, including fees paid to outsourcing service providers; iii). exclude realized profits/losses from the sale of securities held to maturity in the banking book; iv). exclude extraordinary or irregular items; v.) exclude income derived from insurance.
Quantitative disclosures	b)	**The Capital Requirement for Operational Risk**	*Figure in BDT crore* **8.84**

9. Liquidity Ratio:

A) Qualitative Disclosures	
a) Views of BOD on system to reduce liquidity Risk	**Liquidity Ratio:** It is a risk management indicators pertaining to Liquidity risk that a given security or asset cannot be traded quickly enough in the market to prevent a loss (or make the required profit) or when a bank is unable to fulfill its commitments in time when payment fall due. Thus, liquidity risk can be of two types: **(i)Funding liquidity risk and** **(ii) Market liquidity risk.** NRB Bank Limited maintains diversified and stable funding base comprising of core retail, corporate and institutional deposits to manage liquidity risk. The prime responsibility of managing the liquidity risk of the bank lies with Treasury Division. Different key ratios including LCR and NSFR are regularly discussed in monthly meeting of ALCO of the Bank. The committee meets at least once in every month to review LCR, NSFR report and overall liquidity position of the bank. Treasury Division maintains liquidity based on current liquidity position, anticipated future funding requirement, sources of fund, options for reducing funding needs, present and anticipated asset quality, present and future earning capacity, present and planned capital position, etc.

b) Methods used to measure Liquidity risk	A) A sound liquidity risk management employed in measuring, monitoring and controlling liquidity risk is critical to the viability of the bank. The measurement tools those are used to assess liquidity risks are: 1) Cash Reserve Requirement (CRR); 2) Statutory Liquidity Ratio (SLR); 3) Investment to Deposit Ratio (IDR); 4) Structural Liquidity Profile (SLP); 5) Maximum Cumulative Outflow (MCO); 6) Liquidity Coverage Ratio (LCR); 7) Net Stable Funding Ratio (NSFR); 8) Volatile Liability Dependency Ratio; 9) Liquid Asset to Total Deposit Ratio; 10) Liquid Asset to Short Term Liabilities etc. B) **Diversification to reduce liquidity risk:** A diversified loan & advances as well as investment portfolio are maintained which help the bank to avoid liquidity risk without taking any special steps. A diversified portfolio consists of investments that bank can sell right away, such as bonds, as well as long-term investments that are not liquid, such as CDs. Enough assets liquid are kept by the bank to cover short-term obligations. This will allow us to sell our long-term investments when they have risen in value, not when we are desperate for cash and may need to take a loss or limit our profit.
c) Liquidity risk management system	Liquidity is a financial institution's capacity to meet its cash and collateral obligations without incurring unacceptable losses. Adequate liquidity is dependent upon the institution's ability to efficiently meet both expected and unexpected cash flows and collateral needs without adversely affecting either daily operations or the financial condition of the institution. Liquidity risk is the risk to an institution's financial condition or safety and soundness arising from its inability (whether real or perceived) to meet its contractual obligations. The primary role of liquidity-risk management is to (1) Prospectively assess the need for funds to meet obligations and (2) Ensure the availability of cash or collateral to fulfill those needs at the appropriate time by coordinating the various sources of

	funds available to the institution under normal and stressed conditions. The Asset Liability Committee (ALCO) of our bank, which meets at least once in a month to discuss and monitor for well managing and controlling liquidity of the bank. Treasury Division closely monitors day to day liquidity requirements on a daily basis by appropriate coordination among funding activities. Besides monthly fund flow projection is reviewed in ALCO meeting regularly in order to manage liquidity risk of the bank.
d) Policies and processes for mitigating liquidity risk	a) The bank define and identify the liquidity risk to which it is exposed for all legal entities, branches and subsidiaries in the jurisdictions in which it is active. . b) The bank evaluate each major on and off-balance sheet position, including the effect of embedded options and other contingent exposures that may affect the bank's sources and uses of funds, and determine how it can affect liquidity risk. c) The bank considers the interactions between exposures to funding liquidity risk and market liquidity risk d) Our Bank obtains liquidity from Money markets under conditions of stress e) Our bank ensure that assets are prudently valued according to relevant financial reporting and supervisory standards. f) The bank puts pressure on earnings and capital and further reduce counterparties' confidence in the bank, further constraining its access to funding markets. g) The bank recognize and consider the strong interactions between liquidity risk and the other types of risk to which it is exposed. h) The bank identify events that could have an impact on market and public perceptions about its soundness, particularly in wholesale markets. i) The bank identify, measure, monitor and control its liquidity risk positions for: • future cash flows of assets and liabilities; • sources of contingent liquidity demand and related triggers associated with off-balance sheet positions; • currencies in which a bank is active; and • Correspondent, custody and settlement activities.

B) Quantitative Disclosures	**(BDT in crore)**
Liquidity Coverage Ratio	**147.20%**
Net Stable Funding Ratio (NSFR)	**101.04%**

Stock of High quality liquid assets	**123.24**
Total net cash outflows over the next 30 calendar days	**620.47**
Available amount of stable funding	**1.43**
Required amount of stable funding	**1.42**

10. Leverage Ratio:

A) Qualitative Disclosures	
Views of BOD on system to reduce excessive leverage	As per Bank for International Settlement (BIS), Basel III leverage ratio is defined as the capital measure (the numerator) divided by the exposure measure (the denominator), with this ratio expressed as a percentage: **Leverage ratio = Capital measure/Exposure measure** Too much debt can be dangerous for a company and its investors. Uncontrolled debt levels can lead to credit downgrades or worse. On the other hand, too few debts can also raise questions. If a bank's operations can generate a higher rate of return than the interest rate on its loans, then the debt is helping to fuel growth in profits. A reluctance or inability to borrow may be a sign that operating margins are simply too tight. There are several different specific ratios that may be categorized as a leverage ratio, but the main factors considered are include debt, equity, assets and expenses. A leverage ratio may also refer to one used to measure a company's mix of operating costs, giving an idea of how changes in output will affect operating income. Fixed and variable costs are the two types of operating costs; depending on the company and the industry, the mix will differ. In this perspective, the responsibility of monitoring excessive leverage of the Bank lies with the Concerned Divisions under the guidance of the Board of Directors of the bank. The Board delivers policies and processes from time to time for managing the Bank's leverage ratio up to the mark.
Policies and processes for managing excessive on and off-balance sheet leverage	**Capital measure:** The capital measure for the leverage ratio is the Tier-1 capital of the risk-based capital framework as defined in paragraphs 49 to 96 of the Basel III framework of BIS, taking account of

	the transitional arrangements. In other words, the capital measure used for the leverage ratio at any particular point in time is the Tier-1 capital measure applying at that time under the risk-based framework. **Exposure measure:** The exposure measure for the leverage ratio generally follow the accounting value, subject to the following: a) on-balance sheet, non-derivative exposures are included in the exposure measure net of specific provisions or accounting valuation adjustments (eg accounting credit valuation adjustments); b) Netting of loans and deposits is not allowed. **c)** Unless specified differently below, bank must not take account of physical or financial collateral, guarantees or other credit risk mitigation techniques to reduce the exposure measure. **d)** The bank's total exposure measure is the sum of the following exposures: (a) on-balance sheet exposures; (b) off-balance sheet (OBS) items.
Approach for calculating exposure	**(a) On-balance sheet exposures:** The Bank must include *all* balance sheet assets in its exposure measure, to ensure consistency, balance sheet assets deducted from Tier 1 capital (as set out in paragraphs 66 to 89 of the Basel III framework. 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 approaches are applied by the bank: i. On-balance sheet, non-derivative exposures are being net of specific provisions and valuation adjustments (e.g. surplus/ deficit on Available for sale (AFS)/ Held-for-trading (HFT) positions). ii. Physical or financial collateral, guarantee or investment risk mitigation purchased is not allowed to reduce on-balance sheet exposure. iii. Netting of investments and deposits is not allowed. The Bank has calculated the regulatory leverage ratio as per the guideline of Basel III. The numerator, capital measure is

	calculated using the new definition of Tier I capital applicable from 01 January 2015. **B) Off-balance sheet items** This section explains the incorporation of OBS items as defined in the Basel III framework into the leverage ratio exposure measure. OBS items include commitments (including liquidity facilities), whether or not unconditionally cancellable, direct credit substitutes, acceptances, standby letters of credit and trade letters of credit. In the risk-based capital framework, OBS items are converted under the standardised approach into credit exposure equivalents through the use of credit conversion factors (CCFs).
B) Quantitative Disclosures	
Leverage Ratio	19.01%
On balance sheet exposure	2,043.55
Off balance sheet exposure	85.31
Less: **Regulatory Adjustment**	(11.30)
Total exposure	**2,140.15**

11. Remuneration:

The following are the main disclosures on remuneration that our Bank includes in their Pillar 3 document. The Bank is strongly believe not only to disclose the required information, but to articulate as far as possible how these factors complement and support its overall risk management framework.

The quantitative disclosures detailed below only cover senior management and other material risk takers and be broken down between these two categories:

A) Qualitative Disclosures	
a).Information relating to the bodies that oversee remuneration:	
I. Name, composition and mandate of the main body overseeing remuneration. II. External consultants whose advice has been sought, the body by which they were commissioned, and in what areas of the remuneration process. III. A description of the scope of the bank's remuneration policy (e.g. by regions, business lines), including the extent to which it is applicable to foreign subsidiaries and branches. IV. A description of the types of employees considered as material risk takers and as senior managers, including the number of employees in each group.	Head of Human Resources Division of the Bank deals with the remuneration related issues of employees as per specific provisions laid down in the Employees' Service Rules of the Bank and Pay structure duly approved by the Board of Directors, while the same is governed and oversight by the Managing Director and Management Committee. NRB Bank has a well-defined Employees' Service Rules approved by the Board of Directors, which includes remuneration/compensation packages, retirement benefits of regular employees and incentive schemes etc. The board has also approved a very competitive and rewarding scale of pay for the Employees.

<table>
<tr><td></td><td>Rather, management ensures extremely fair and performance based compensation to all employees. Further, the remuneration of higher Management, Consultants, and contractual appointments are determined and oversight by the Board of Directors on case to case basis and as per requirement.
The Senior Executives of the Bank are considered as material risk takers. As on 31st December 2015, a number of 22 Executives of the Bank has been considered as material risk takers as follows:

Sl# | Designation | Number
1 | MD | 1
2 | DMD | 2
3 | SEVP | 1
4 | EVP | 4
5 | SVP | 5
6 | VP | 9
 | Total | 22</td></tr>
<tr><td colspan="2">b).Information relating to the design and structure of remuneration processes:</td></tr>
<tr><td>I. An overview of the key features and objectives of remuneration policy.
II. 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.
III. A discussion of how the bank ensures that risk and compliance employees are remunerated independently of the businesses they oversee.</td><td>• NRB Bank has a well-structured, competitive and rewarding scale of pay for the regular employees of the bank duly approved by the board of Directors. The pay package of all employees other than Managing Director and Contractual Employees are determined by the management in accordance with the approved scale of pay.
• The compensation package of Managing Director is determined by the Board of Directors and subject to the subsequent approval of the Central Bank, i.e. Bangladesh Bank. Remuneration Package of Contractual Employees, as and when required, are determined and approved by Board of Directors on case to case basis prior to appointment.
• The annual increment and incentive bonuses for the eligible employees are paid on the basis of performances under the purview of Board approved policies in this regard.
• The main objective of the remuneration policy of the bank is to retain the existing human resources, attract/hire the talented &</td></tr>
</table>

	experienced professionals and to motivate the workforce to put their best efforts for sustainable growth of the Bank. • The remuneration policy and pay structure for the employees of the Bank is reviewed and revised/reshuffled from time to time by management and subsequently got approved by the Board of Directors. • The present pay structure of the Bank is very competitive in the industry. • The officials/executives working in the Risk and Compliance areas under Internal Control and Compliance Division have got their specific job descriptions and job allocations and performing their responsibilities independently as per core risk management guidelines on ICCD. However, their service and remuneration are governed under the approved Employees' Service Rules of the Bank and pay structure and there is no differentiation with other employees of the Bank.
c).Description of the ways in which current and future risks are taken into account in the remuneration processes:	
I. An overview of the key risks that the bank takes into account when implementing remuneration measures. II. 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). III. A discussion of the ways in which these measures affect remuneration. IV. 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.	The Management takes into consideration the compensation package of risk taking officials by way of incentives, accelerated promotions etc. for their effective contributions and performances. Performance-based Remuneration Systems are increasingly being implemented by financial institutions to remain competitive. One of the ways to ensure that Banks maintain its competitive edge is to make sure that any increase in remuneration is supported by improved performance.

d).Description of the ways in which the bank seeks to link performance during a performance measurement period with levels of remuneration. Disclosures include:	
I. An overview of main performance metrics for bank, top-level business lines and individuals. II. A discussion of how amounts of individual remuneration are linked to bank-wide and individual performance. III. A discussion of the measures the bank will in general implement to adjust remuneration in the event that performance metrics are weak. IV. Description of the ways in which the bank seek to adjust remuneration to take account of longer-term performance.	• Promotions, annual increments, incentives etc. of employees are completely based on individual performance appraisal. • Bank evaluates performance of all employees on yearly basis which includes qualitative and quantitative judgments. • Achieving of business targets are also rated and appraised. • The performing employees are remunerated by way of effecting annual grade increment, promotion, incentives etc. which in turn accelerates their belongingness to the organization.
f).Description of the different forms of variable remuneration that the bank utilizes and the rationale for using these different forms. Disclosures include:	
I. An overview of the forms of variable remuneration offered (ie cash, shares and share-linked instruments and other forms. II. 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.	Bank mostly offers cash form of remuneration/compensation which includes monthly salary & allowances, bonuses, increments, fixation of salaries upon promotion etc. on current/recurring in nature and future in nature as follows: **Present/prevailing nature:** 1. Monthly salary and allowances 2. Annual increment 3. Festival bonus 4. Incentive bonus 5. Executive Car maintenance allowance 6. Annual Leave Fare Assistance allowance 7. Corporate mobile phone facility 8. Furniture/Home furnishing allowance 9.Financial award for business target achievements. 10. Executive Car Scheme 11.Provident Fund 12.Gratuity 13. Leave Encashment 14. Employees’ House Building Loan facility. **Future options:** 1. Super annuity Fund 2. Social Security Fund

<table>
<tr><td></td><td>Above and beyond, promotion/accelerated promotions are considered as non-cash reward for performing and extra-ordinary performing employees.
Management also selects the performing officials for foreign tours/training and provides certificates for outstanding achievements, which
Are also considered as non-cash award.</td></tr>
<tr><td>B). Quantitative Disclosures</td><td></td></tr>
<tr><td>I. Number of meetings held by the main body overseeing remuneration during the financial year and remuneration paid to its member.</td><td>With the guidance of Managing Director & CEO and Management Committee, Human Resources Division disbursed the remuneration as per HR policy.
No remuneration paid to its member during 2015 for this purpose.</td></tr>
<tr><td>II. Number of employees having received a variable remuneration award during the financial year.</td><td>Nil</td></tr>
<tr><td>III. Number and total amount of guaranteed bonuses awarded during the financial year.</td><td>Festival Bonus has been disbursed twice during 2015. Breakdown is as follows:
Eid-Ul-Fitr Jul 15
<table>
<tr><td>Employment Type</td><td>No of employee</td><td>Festival Bonus</td></tr>
<tr><td>Regular Employee</td><td>220</td><td>7,585,037</td></tr>
<tr><td>HR-Contractual Employee</td><td>76</td><td>649,848</td></tr>
<tr><td colspan="3">Eid-Ul-Azha Sep 15</td></tr>
<tr><td>Regular Employee</td><td>225</td><td>7,709,824</td></tr>
<tr><td>HR-Contractual Employee</td><td>67</td><td>642,048</td></tr>
<tr><td>Total</td><td>588</td><td>16,586,756</td></tr>
</table>
</td></tr>
<tr><td>IV. Number and total amount of sign-on awards made during the financial year.</td><td>Nil</td></tr>
<tr><td>V. Number and total amount of severance payments made during the financial year.</td><td>Nil</td></tr>
<tr><td>VI. Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms.</td><td>Nil</td></tr>
</table>

VII. Total amount of deferred remuneration paid out in the financial year.	**Not Applicable**
VIII. Breakdown of amount of remuneration awards for the financial year to show:	
▪ Fixed and variable.	**Not Applicable**
▪ Deferred and non-deferred.	**Not Applicable**
▪ Different forms used (cash, shares and share linked instruments, other forms).	**Not Applicable**