Disclosure under Basel III is a way to ensure that stakeholders have access to key risk information that would enable them to gain a thorough understanding and knowledge of a deposit-taking institution's activities. The importance of disclosure is recognized by various bodies as a key tool for decision-making and market discipline. Accordingly, disclosures helps the bank to meet its mandate of protecting interest of depositors by ensuring that appropriate information is available for the public to understand the financial condition of NRB Bank and the risks to which we are exposed.

Implementation of Basel III:

Basel III refers to the latest capital and liquidity standards prescribed by the Bank for International Settlements (BIS). Bangladesh has entered into the Basel III regime effective from January 01, 2015. Bangladesh Bank (BB) had amended its capital standard which was based on Basel II and circulated a new regulatory capital and liquidity guidelines in line with Basel III of BIS. This new capital and liquidity standards has great implications for banks. The guidelines provide a transition schedule for Basel III implementation up to 2019. Upon full implementation of Basel III guidelines target, minimum capital to risk weighted assets ratio (CRAR) would be 12.50% and minimum Tier-1 Capital ratio would be 6.00%.

The Basel III framework consists of three-mutually reinforcing pillars:

(i) Pillar 1: Minimum Capital Requirement (MCR)
(ii) Pillar 2: Supervisory Review Process (SRP)
(iii) Pillar 3: Market Discipline

Phase-in Arrangements

The phase-in arrangements for Basel III implementation are as follows:

	2015	2016	2017	2018	2019
Minimum Common Equity Tier-1 (CET-1) Capital Ratio	4.50%	4.50%	4.50%	4.50%	4.50%
Capital Conservation Buffer	--	0.625%	1.25%	1.875%	2.50%
Minimum CET-1 plus Capital Conservation Buffer	4. 50%	5.125%	5.75%	6.375%	7.00%
Minimum T-1 Capital Ratio	5. 50%	5.50%	6.00%	6.00%	6.00%
Minimum Total Capital Ratio	10.00%	10.00%	10.00%	10.00%	10.00%
Minimum Total Capital plus Capital Conservation Buffer	10.00	10.625%	11.25%	11.875%	12.50%
Leverage Ratio	3%	3%	3% Readjustment	Migration to Pillar 1	
Liquidity Coverage Ratio	≥100%	≥100%	≥100%	≥100%	≥100%
Net Stable Funding Ratio	≥100%	≥100%	≥100%	≥100%	≥100%

Components of Disclosure:

Disclosure is organized as per Bangladesh Bank requirement in the following components:

1. Scope of Application
2. Capital Structure
3. Capital Adequacy
4. Credit Risk

5. Equities: Disclosures for Banking Book Positions
6. Interest Rate Risk in the Banking Book
7. Market Risk
8. Operational Risk
9. Leverage Ratio
10. Liquidity Ratio
11. Remuneration

a) Scope of application:

Qualitative Disclosures	
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 **(i)** that are fully consolidated; **(ii)** that are given a deduction treatment; and **(iii)** that are neither consolidated nor deducted (e.g. where the investment is risk-weighted).	**NRB Bank Limited** NRB Bank Limited was formally inaugurated on 4th August, 2013 as a Public Limited Company (Banking Company) under the Companies Act 1994 for carrying out all kinds of banking activities. Presently the Bank is operating its business centrally through corporate head office having 36 branches, 06 DESCO Bill Collection Booths, 8 BRTA Collection Booths and 36 ATM booths all over Bangladesh.
c) Any restrictions, or other major impediments, on transfer of funds or regulatory capital within the group.	Not applicable
Quantitative Disclosures	
d) The aggregate amount of surplus capital of insurance subsidiaries (whether deducted or subjected to an alternative method) included in the capital of the consolidated group.	Not applicable

b) Capital Structure:

Qualitative Disclosures	
a) Summary information on the terms and conditions of the main features of all capital instruments,	As per Guidelines on Risk Based Capital Adequacy (Revised Regulatory Capital Framework for Banks in line with Basel III) introduced by Bangladesh Bank, 'Common Equity Tier-1 (CET

especially in the case of capital instruments eligible for inclusion in CET 1, Additional Tier 1 or Tier 2.	1)' Capital of NRBBL consists of (i) Paid-up Capital, (ii) Statutory Reserve and (iii) Retained Earnings. NRB Bank does not have 'Additional Tier 1 (AT 1)' Capital since it did not issue any instrument that meets the qualifying criteria for Additional Tier 1 Capital. Tier-2 Capital consists of (i) General Provision (ii) Revaluation Reserves as on 31st December, 2014 (50% of Fixed Assets instruments) subject to regulatory adjustment/deduction i.e. 60% for 2017.
	Compliance with Regulatory Requirements by NRB Bank: Conditions for maintaining regulatory capital: The Bank complied with all the required conditions for maintaining regulatory capital as stipulated in the Basel III guidelines as per following details:

Particulars	Status of compliance
The bank has to maintain at least 4.50% of total Risk Weighted Assets (RWA) as Common Equity Tier 1 capital.	Complied
Tier 1 capital will be at least 6.00% of the total RWA.	Complied
Minimum capital to Risk Weighted Asset Ratio (CRAR) will be 11.25% of the total RWA.	Complied
Maximum limit of Tier-2 capital: Tier 2 capital can be maximum up to 4% of the total RWA or 88.89% of CET-1, whichever is higher.	Complied

Quantitative Disclosures	
b) The amount of Regulatory capital of NRB Bank Limited under Basel-III for 2017 is, as below:	
1. Common Equity Tier-1 (Going Concern Capital)	**Solo**
	Amount in Million
Fully Paid-up Capital/Capital Deposited with BB	4,000.00
Statutory Reserve	339.38
Retained Earnings	329.81
Total Common Equity Tier-1 Capital	**4,669.19**
2. Tier-2 Capital (Gone-Concern Capital)	
General Provision	268.19
Revaluation Reserves for Securities up to 50%	12.33
Less: Revaluation Reserves for Fixed Assets, Securities & Equity Securities (followed Phase-in deductions as per Basel III) Guideline	(7.40)

Total Admissible Tier-2 Capital	**273.12**
Total Regulatory Capital	**4942.31**

c) Capital Adequacy:

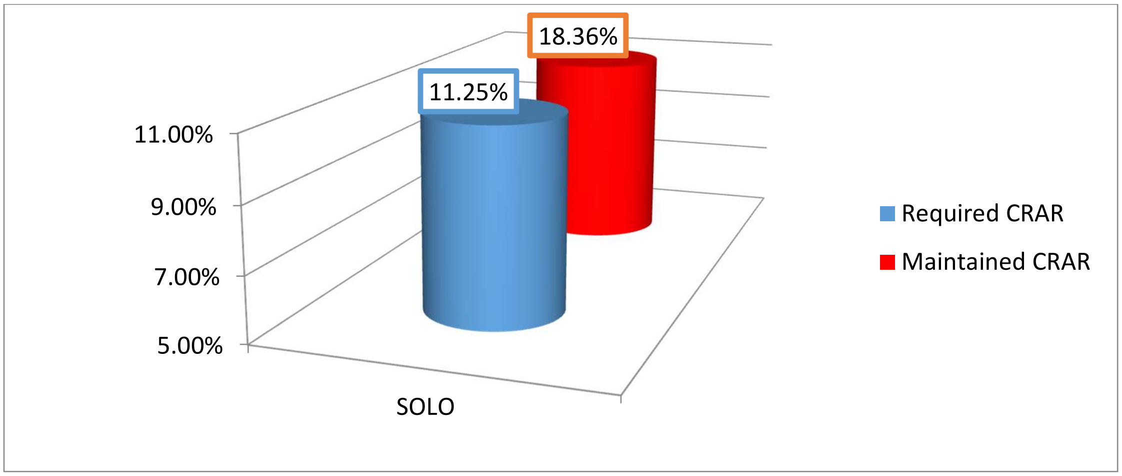
Qualitative Disclosures	
a) A summary discussion of the bank's approach to assessing the adequacy of its capital to support current and future activities.	Assessing regulatory capital in relation to overall risk exposures of a bank is an integrated and comprehensive process. The Bank focuses on strengthening risk management and control environment rather than increasing capital to cover up weak risk management and control practices. NRBBL has been generating most of its incremental capital from retained profit. 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) remained consistently within the comfort zone during 2017. The surplus capital maintained by NRBBL will act as buffer to absorb all material risks and to support the future activities. To ensure the adequacy of capital to support the future activities, the bank assesses capital requirements periodically considering future business growth. The Bank has computed the Capital Adequacy Ratio adopting the following approaches: a. Standardized Approach for Credit Risk to Compute Capital to Risk Weighted Ratio under Basel III, using Bangladesh Bank's prescription for: ▪ Accepting the credit rating agencies as External Credit Assessment Institutions (ECAI) for claims on corporate and eligible SME customers. ▪ Accepting Credit Risk Mitigation (CRM) against the financial securities. b. Standardized (rule based) Approach for Market Risk. and c. Basic Indicator Approach for Operational Risk. Besides computing CRAR under the Pillar I requirement, the Bank also undertakes stress testing periodically in various risk areas to assess the impact of stressed scenario or plausible events on asset quality, liquidity, profitability and capital adequacy. The Bank has a Board approved policy on Internal Capital Adequacy

	Assessment Process (ICAAP) as stipulated by Bangladesh Bank. The bank conducts Internal Capital Adequacy Assessment Process (ICAAP) on annual basis to assess the sufficiency of its capital funds to cover the risks specified under Pillar- II of Basel guidelines. The adequacy of Bank's capital funds to meet the future business growth is being assessed in the ICAAP document. Risk Management Division (RMD) under guidance of the SRP team/ERMC (Executive Risk Management Committee), is taking active measures to identify, quantify, manage and monitor all risks to which the Bank is exposed to.

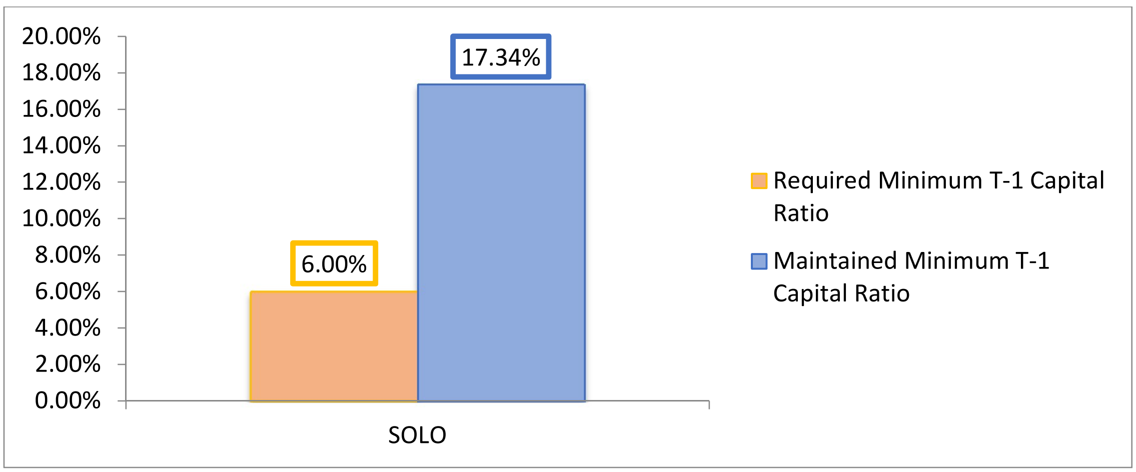
Quantitative Disclosures

Capital requirement under following Risk:	**Amount in Million**
b) Capital requirement for Credit Risk	2,273.55
c) Capital requirement for Market Risk	173.30
d) Capital requirement for Operational Risk	245.56
Total Capital Requirement (b+c+d)	**2,692.40**
Minimum Capital Requirement (MCR) Capital Adequacy Ratio (CRAR):	
1. Common Equity Tier 1 (CET 1) Ratio	17.34%
2. Tier 1 Capital Adequacy Ratio	17.34%
3. Tier-2 Capital Adequacy Ratio	1.01%
Capital to Risk-weighted Asset Ratio (CRAR)	18.36%
Capital Conservation Buffer	336.55
Minimum Capital Requirement (MCR)	**4,000.00**
Available Capital under Pillar 2 Requirement	942.32

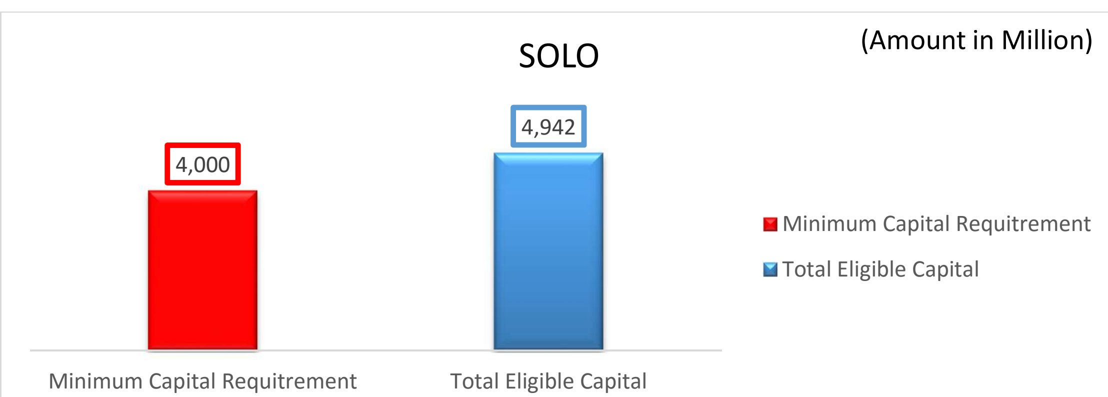
Capital to Risk-weighted Asset Ratio (CRAR):



Minimum T-1 Capital Ratio:



Eligible Capital:



d) Credit Risk:

Qualitative Disclosures	a) The general qualitative disclosure requirement with respect to credit risk:
i) Definitions of past due and impaired	As per relevant Bangladesh Bank guidelines, the bank defines the past due and impaired loans and advances for strengthening the credit discipline and mitigating the credit risk of the Bank. The impaired loans and advances are defined on the basis of (i) Objective/ Quantitative Criteria and (ii) Qualitative judgment. For this purpose, all loans and advances are grouped into four (4) categories, namely- (a) Continuous Loan (b) Demand Loan (c) Fixed Term Loan and (d) Short-term Agricultural & Micro Credit. **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 from the following day 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 past due/overdue after six months of the expiry date. However, a continuous loan, demand loan or a term loan which will remain overdue for a period of 02 (two) months or more, will be put into the status of "Special Mention Account (SMA)", the prior status of becoming the loan into impaired/classified/ nonperforming. **Definition of impaired / classified /non-performing loans and advances are as follows:** Continuous loan is classified as follows: **Substandard:** If it is past due /overdue for 3 (three) months or beyond but less than 6 (six) months; **Doubtful**: If it is past due / overdue for 6 (six) months or beyond but less than 9 (nine) months; and **Bad/Loss**: If it is past due / overdue for 9 (nine) months or beyond. Demand loan is classified as follows: **Substandard:** If it remains past due / overdue for 3 (three) months or beyond but not over 6 (six) months from the date of expiry or claim by the Bank or from the date of creation of forced loan;

	Doubtful: If it remains past due / overdue for 6 (six) months or beyond but not over 9 (nine) months from the date of expiry or claim by the Bank or from the date of creation of forced loan; **Bad/Loss**: If it remains past due / overdue for 9 (nine) months or beyond from the date of expiry or claim by the Bank or from the date of creation of forced loan. Fixed Term Loans are classified as follows: In case of any installment(s) or part of installment(s) of a Fixed Term Loan is not repaid within the due date, the amount of unpaid installment(s) will be termed as 'past due or overdue installment'. In case of Fixed Term Loans: - **Substandard:** 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 loan will be 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 loan will be 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 loan will be classified as ''Bad/Loss''. In case of any installment (s) or part of installment(s) of a Fixed Term Loan amounting up-to Taka 10 lacs is not repaid within the due date, the classification is as under: **Substandard:** If the amount of past due installment is equal to or more than the amount of installment (s) due within 6 (six) months, the entire loan will be 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 9 (nine) months, the entire loan will be 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 loan will be classified as 'Bad/Loss'. Short-term Agricultural and Micro-Credit is classified as follows: The Short-term Agricultural and Micro-Credit will be considered irregular if not repaid within the due date as stipulated in the loan agreement. If the said irregular status continues, the credit will be classified as 'Substandard ' after a period of 12 months, as 'Doubtful' after a period of 36 months and as 'Bad/Loss' after a period of 60 months from the stipulated due date as per the loan agreement.

<table>
<tr><td rowspan="10">ii) Description of approaches followed for specific and general allowances and statistical methods</td><td rowspan="3">Loan Type</td><td colspan="5">Rates of Provision</td></tr>
<tr><td colspan="2">Un- Classified</td><td colspan="3">Classified</td></tr>
<tr><td>Standard</td><td>SMA</td><td>SS</td><td>DF</td><td>BL</td></tr>
<tr><td>House Building and loans for Professionals</td><td>2%</td><td>2%</td><td>20%</td><td>50%</td><td>100%</td></tr>
<tr><td>Other than house building and professionals</td><td>5%</td><td>5%</td><td>20%</td><td>50%</td><td>100%</td></tr>
<tr><td>Loans to BHs/MBs against share</td><td>2%</td><td>2%</td><td>20%</td><td>50%</td><td>100%</td></tr>
<tr><td>Small & Medium Enterprise</td><td>0.25%</td><td>0.25%</td><td>20%</td><td>50%</td><td>100%</td></tr>
<tr><td>Short term Agri /Micro Credit</td><td>2.5%</td><td>-</td><td>5%</td><td>5%</td><td>100%</td></tr>
<tr><td>All Others</td><td>1%</td><td>1%</td><td>20%</td><td>50%</td><td>100%</td></tr>
<tr><td>Off Balance Sheet</td><td>1%</td><td>-</td><td>-</td><td>-</td><td>-</td></tr>
</table>

iii) Discussion of the Bank's Credit risk management policy.	The Bank has put in place a well-structured Credit Policy duly approved by the Bank's Board of Directors. The Policy document defines organizational structure, role & responsibilities and, the processes whereby the Credit Risks carried out by the Bank can be identified, quantified & managed within the framework that the Bank considers consistent with its mandate and risk tolerance. Credit Risk is monitored on a bank- wide total portfolio basis and compliance with the risk limits are approved by Board/Risk Management Committee of Board. NRB Bank has taken earnest steps to put in place best credit risk management practices in the bank. Besides, the bank has framed a policy on Valuation Methodology with the approval by the Board. According to the methodology, such securities are normally accepted by the Bank that can protect the interest. These securities act as mitigation against the credit risk to which the bank is exposed.

Quantitative* Disclosures*:

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

(Amount in Million)

Major Types	Continuous Loan	Demand Loan	Fixed Term Loan	Total
Small & Medium Enterprise Financing	2,763.45	5,273.48	3,396.84	11,433.77
Consumer Financing	1,026.35	0	817.07	1,843.42
Loans to BHs/MBs/Sds against Share	0	0	0	0
Housing Finance	0	0	256.78	256.78
Loan for Professionals to setup business (LP)	0	0	0	0
Short Term Agri. Credit	0	0	0	0
Others	1,391.07	6,145.18	1,563.22	9,099.47
Staff Loan	0	0	287.47	287.47
Total exposure	**5,180.87**	**11,418.66**	**6,321.38**	**22,920.91**

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

(Amount in Million)

Geographical Distribution	Amount	Grand Exposure
Urban		
Dhaka	16,926.83	**21,570.25**
Chittagong	3,968.81	
Sylhet	238.76	
Rajshahi	393.22	
Barishal	-	
Khulna	42.63	
Rangpur	-	
Mymensingh	-	
Rural		
Dhaka	1,299.88	**1,350.66**
Chittagong	35.06	
Sylhet	15.72	
Rajshahi	-	
Barishal	-	
Khulna	-	
Rangpur	-	
Mymensingh	-	
Total		**22,920.91**

d) Industry or counterparty type distribution of exposures, broken down by major types of credit exposure of NRBBL:

(Amount in Million)

Industry Type	Amount
Agriculture	642.96
Food & allied industries	1,037.25
Tobacco	101.93
Readymade garments	398.70
Textiles	2,734.16
Ship breaking & ship building	28.86
Basic metal & steel engineering	1,385.43
Non-metallic mineral products	258.92
Pharmaceuticals industry	-
Chemical & chemical products	363.68
Rubber & plastic industries	1,000.67
Leather & leather products	464.84
Wood, furniture & fixtures	230.36
Paper & paper products	28.44

Electronic goods & machineries	1,005.22
Power & gas	74.42
Other manufacturing industries	1,489.46
Construction & commercial real estate	2,116.05
Transport & communication	102.60
IT & telecommunication	337.48
Medical services	16.51
Hotel & restaurant services	21.89
Printing & publishing industries	44.51
Other service industries	663.56
NBFIs	545.19
Trade & commerce	4,527.93
Consumer credit	922.50
Credit card	603.80
Staff loan	287.47
Others	1,486.11
Total	**22,920.91**

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

(Amount in Million)

Time band	Continuous Loan	Demand Loan	Term Loan	Agricultural Credit	Staff Loan	Total
Up to 1 month	520.36	3,794.70	37.51	0	0	4,352.57
1 to 3 months	999.47	2,429.92	1.07	51.29	0	3,481.75
3 to 6 months	1,103.72	3,419.95	106.71	386.50	0	5,016.88
6 to 12 months	1,953.51	764.20	316.68	205.17	0	3,239.56
1 to 2 years	10.60	366.93	583.29	0	0.65	961.47
2 to 3 years	117.74	0	522.31	0	5.36	645.41
3 to 4 years	75.34	0	604.17	0	18.45	697.96
4 to 5 years	400.14	0	2,691.77	0	15.88	3,107.79
5 to 7 years	0	0	591.66	0	81.59	673.25
7 to 10 years	0	0	408.54	0	38.06	446.60
Over 10 years	0	0	170.20	0	127.47	297.67
Total	**5,180.88**	**10,775.7**	**6,033.91**	**642.96**	**287.46**	**22,920.91**

f) By major industry or counterparty type of NRBBL:

• ***AMOUNT OF IMPAIRED LOANS AND IF AVAILABLE, PAST DUE LOANS, PROVIDED SEPARATELY:***

(Amount in Million)

Industry	Impaired	Past due
Small & Medium Enterprise Financing	503.87	865.91
Consumer Financing	59.46	23.63
Housing Finance	0	0.47
Loans for Professionals to setup business	0	0
Loans to BHs/MBs/SDs against Shares etc.	0	0
Other Corporate Credit	0	1,315.86
Short Term Agri Credit & Micro Credit	0	0
Staff Loan	0	0.11
Total	**563.33**	**2,205.98**

• ***SPECIFIC AND GENERAL PROVISION (REQUIRED)***

(Amount in Million)

Sector	General Provision	Specific Provision
Small & Medium Enterprise Financing	37.41	143.67
Consumer Financing	48.83	40.22
Housing Finance	5.14	0
Loans for Professionals to setup business	0	0
Loans to BHs/MBs/SDs against Shares etc.	0	0
Other Corporate Credit	84.57	0
Short Term Agri Credit & Micro Credit	6.43	0
Against Off-Balance Sheet	85.81	0
Grand Total	**268.19**	**183.89**

• CHARGES FOR SPECIFIC ALLOWANCES AND CHARGE-OFFS DURING THE PERIOD.

Against Classified Loans & Advances	Amount in Million
Provision held on 1 January , 2017	84.80
(-) Fully provided debts written off	-
(-)Recoveries from previously written off debts	-
(+)Provisions made during the year	99.01
Net Charge to the Profit & Loss Account	99.09
Provision held at end of year	183.81

Against Unclassified Loans & Advances	Amount in Million
Provision held on 1 January, 2017	98.71
Provisions made during the year	77.46
Provision held at end of year	176.17
Against Special Mention Accounts	
Provision held on 1 January, 2017	3.38
Provisions made during the year	2.83
Provision held at end of year	6.21

General Provision for Off Balance Sheet Exposures	Amount in Million
Provision held on 1 January , 2017	18.39
Provisions made during the year	67.42
Provision held at end of year	85.81

g) Gross Non-Performing Assets (NPAs) of NRBBL:

(Amount in Million)

Gross Non-Performing Assets (NPAs)	**563.33**
Non-Performing Assets (NPAs) to outstanding loans & advances	
Movement of Non-Performing Assets for NPAs	
Opening balance	245.08
Additions	360.08
Reductions	(41.83)
Closing Balance	**563.33**
Movements of specific provisions for NPAs	
Opening balance	84.80
Provision made during the period	99.01
Write-off	0
Write back of excess provisions	0
Closing Balance	**183.81**

e) *Equities: Disclosures for Banking Book Position*

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	Investment of NRB Bank in equities is divided into two categories: quoted equities (which are traded in the secondary market) and unquoted equities (which are not traded in the secondary market). Since the intent of holding unquoted equities is not trading, the same are considered as banking book equity exposure.
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	Important policies covering equities valuation and accounting of equity holdings in the Banking Book are based on the use of the cost price method for valuation of equities. The primary aim is to invest in these equity securities for the purpose of capital gain by selling them in the 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 to Bangladesh Bank guidelines,

<table>
<tr><td></td><td colspan="4">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 the Board of Directors. Preference is given to purchase of shares of strong companies at face value through placement/ IPO.</td></tr>
<tr><td>Quantitative Disclosure</td><td colspan="4"></td></tr>
<tr><td rowspan="3">Value disclosed in the balance sheet of investments, as well as the fair value of those investments; for quoted securities, a comparison to publicly quoted share values where the share price is materially different from fair value.</td><td colspan="2">Value of Investments in Balance Sheet</td><td colspan="2">Amount in Million</td></tr>
<tr><td colspan="2">Shares in Listed Companies (Valuation at average cost price)</td><td colspan="2">761.72</td></tr>
<tr><td colspan="2">Fair Market Value of shares in Listed Securities</td><td colspan="2">751.67</td></tr>
<tr><td>▪ The cumulative realized gains (losses) arising from sales and liquidations in the reporting period.</td><td colspan="2"></td><td colspan="2">173.49</td></tr>
<tr><td>* Total unrealized gains (losses)</td><td colspan="2"></td><td colspan="2">(10.04)</td></tr>
<tr><td>* Total latent revaluation gains (losses)</td><td colspan="2"></td><td colspan="2">Nil</td></tr>
<tr><td>* Any amounts of the above included in Tier – 2 capital.</td><td colspan="2"></td><td colspan="2">Nil</td></tr>
<tr><td rowspan="5">▪ Capital requirements broken down by appropriate equity groupings, consistent with the bank's methodology, as well as the aggregate amounts and the type of equity investments subject to any supervisory provisions regarding regulatory capital requirements.</td><td colspan="4">The capital requirements for equity investments as of 31 December 2017 was as under:
(Amount in Million)</td></tr>
<tr><td>Particulars</td><td>Amount (MV)</td><td>Weight</td><td>Capital Charge</td></tr>
<tr><td>Specific Risk</td><td>751.68</td><td>10%</td><td>75.17</td></tr>
<tr><td>General Market Risk</td><td>751.68</td><td>10%</td><td>75.17</td></tr>
<tr><td>Total</td><td>1503.36</td><td></td><td>150.34</td></tr>
</table>

f) *Interest rate risk in the banking book (IRRBB):*

<table>
<tr><td>Qualitative Disclosures:</td><td></td></tr>
<tr><td>(a) 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>The Executive Level Committee - Asset Liability Management Committee (ALCO) has the overall responsibility of managing the interest rate risk in the banking book of the Bank. ALCO fixes the deposit and lending rates of the Bank and directs the investment activities of the Bank in line with its interest rate view. Limits are fixed from both Earnings and Economic Value Perspective and adherence monitored on a monthly basis.

<u>The Bank follows following viewpoints to manage the IRR:</u>

a) Earnings perspective: Indicates the impact on Bank's Net Interest Income (NII) in the short term.

b) Economic perspective: Indicates the impact on the net-worth of bank due to re-pricing of assets, liabilities and off-balance sheet items.

Risk measurement and reporting framework:

I. Interest Rate Sensitivity Report: Measures mismatches between rate sensitive assets and rate sensitive liabilities in various tenor buckets based on re-pricing or maturity, as applicable.

II. Duration Gap Analysis: A weighted maturity/ reprising schedule is used to evaluate the effects of changing interest rates on 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.

III. Stress Testing: This analysis is used for measuring the Interest rate risk on its Balance Sheet exposure for estimating the impact on the Capital to Risk Weighted Assets Ratio (CRAR).</td></tr>
</table>

Quantitative Disclosures:

(b) The increase (decline) in earnings or economic value (or relevant measure used by management) for upward and downward rate shocks according to management's method of measuring IRRBB, broken down by currency.

(Amount in Million)

Interest Rate Risk in the banking book	Residual maturity bucket			
	3 months	6 months	1 year	Above 1 year
Interest Sensitive Assets (A)	10,784.27	5,596.88	33,43.09	10,245.41
Interest Sensitive Liabilities (B)	11,206.18	3,837.31	37,28.59	7,844.50
GAP (A-B)	-421.90	1,759.57	-385.50	2,400.91
Cumulative GAP	-421.90	1,337.67	952.17	3,353.08

CRAR after Shock:

(Amount in Million)

Magnitude of Shock	Situation-1 1%	Situation-2 2%	Situation-3 3%
Regulatory Capital (After shock)	4659.50	4369.10	4078.60
RWA (After shock)	26902.70	26902.70	26902.70
CRAR (After shock)	17.32%	16.24%	15.16%
Total Assets	34940.10	34940.10	34940.10
Duration Gap in years	0.90	0.90	0.90
Changes in Market value of Equity due to an increase in interest Rate, Δ MVE	(290.47)	(580.93)	(871.40)

g) *Market Risk:*

Qualitative Disclosures:	
Views of BOD on trading/ investment activities	The Board approves all policies related to market risk, set limits and reviews compliance on a regular basis. The objective is to provide cost effective funding to finance assets growth and trade related transactions. The market risk covers the followings risks of the Bank's balance sheet: i) Interest rate risk; ii) Equity price risk; iii) Foreign exchange risk; and iv) Commodity price risk.
Methods used to measure Market risk	Standardized approach has been used to quantify the market risk. The total capital requirement in respect of market risk is the aggregate capital requirement calculated for each of the risk sub-categories. The methodology to calculate capital

	requirement under Standardized Approach for each of these market risk categories is as follows: **a) Capital charges for interest rate risk=** Capital Charge for General Market Risk **b) Capital charges for Equity Position Risk=** Capital Charge for Specific Risk+ Capital Charge for General Market Risk **c) Capital charges for Foreign Exchange Risk=** Capital Charge for General Market Risk **d) Capital charges for Commodity Position Risk=** Capital Charge for General Market Risk.
Market Risk Management System	To manage the interest rate risk, ALCO regularly monitors various ratios and parameters. Of the ratios, the key ratios that ALCO regularly monitors are Liquidity Coverage Ratio (LCR), Net Stable Funding Ratio (NSFR), and Maximum Cumulative Outflow (MCO), Liquid asset to total assets, Volatile liability dependency ratio and Short term borrowing to Liquid assets ratio. ALCO also regularly monitors the interest rate sensitive gap and duration gap of total portfolio. To manage foreign exchange risk of the bank, the bank has adopted the limit set by Bangladesh Bank to monitor foreign exchange open positions. Foreign exchange risk is computed on the sum of net short positions or net long positions, whichever is higher. The Risk Management Division also reviews the market risk parameters on monthly basis and recommends on portfolio concentration for containing the RWA.
Policies and processes for mitigating market risk:	There are approved limits for Market risk related instruments both on-balance sheet and off-balance sheet items. The limits are monitored and enforced on a regular basis to protect against market risks. The ALCO of the Bank meets on regular basis to review the prevailing market condition, exchange rate, foreign exchange position and transactions to mitigate foreign exchange risks.

Quantitative Disclosures:	
The Capital requirements for specified risk are as follows:	

(Amount in Million)

SL	Market Risk	Capital Requirement
A	Interest Rate Related instruments	11.64
B	Equities	150.34
C	Foreign Exchange Position	11.32
D	Commodities	0
	Total	**173.30**

h) *Operational Risk:*

Qualitative Disclosures:	
i) Views of BoD on system to reduce Operational Risk	Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people or systems or from external events. It includes legal risk but excludes strategic and reputation risk. Operational risk is inherent in the Bank's business activities in day to day operations. As a part of continuous surveillance, the Senior Management Team (SMT), Risk Management Division, Internal Control and Compliance Division regularly reviews different aspects of operational risk. The analytical assessment was reported to the Board/ Risk Management Committee/Audit Committee of the Bank for review and formulating appropriate policies, tools & techniques for mitigating operational risk.
ii) Performance gap of executives and staffs	The bank believes that training and knowledge sharing is the best way to reduce knowledge gap. Therefore, it arranges trainings on a regular basis for its employees to develop their expertise. The bank offers competitive pay package to its employees based on performance and merit. It always tries to develop a culture where all employees can apply his/her talent and knowledge to work for the organization with high ethical standards in order to add more value to the company and for the economy.
iii) Potential external events	No potential external event is expected to expose the Bank to significant operational risk. The Bank has a separate Operational Risk Policy addressing specific issues involving Operational Risk.
i) Policies and Processes for mitigating operational risk:	Internal control mechanism is in place to control and minimize the operational risks. If any controls are found to be ineffective during the course of Risk & Control Self-

<table>
<tr><td rowspan="5"></td><td colspan="2">Assessment, corrective measures are adopted in due course. A monitoring system is also in place for tracking the corrective actions plan periodically. The various Board approved policies viz., Risk Management Policy, Internal Control & Compliance Policy, Policy on KYC & AML; ICT Policy address issues pertaining to Operational Risk Management.

In 2017 IC&C Division conducted following No. of audits:</td></tr>
<tr><td>No. of Comprehensive Audit on branches</td><td>25</td></tr>
<tr><td>No. of Comprehensive Audit at Head Office</td><td>1</td></tr>
<tr><td>No. of Spot audits</td><td>6 DESCO Booth</td></tr>
<tr><td>No. of IT Audit</td><td>1</td></tr>
<tr><td>v) Approach for calculating capital charge for operational risk</td><td colspan="2">The Bank follows the Basic Indicator Approach (BIA) in terms of BRPD Circular No. 18 dated 21 December 2014 Guidelines on Risk Based Capital Adequacy (Revised Regulatory Capital Framework for banks in line with Basel III). The BIA stipulates 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. It also states that if the annual gross income for any year is negative or zero, that should be excluded from both the numerator and denominator when calculating the average gross income. The capital charge for operational risk is enumerated by applying the following formula:
$K = [(GI\ 1 + GI\ 2 + GI\ 3)\ \alpha]/n$</td></tr>
<tr><td>Quantitative Disclosures:</td><td colspan="2"></td></tr>
</table>

b)The capital requirements for operational risk

(Amount in Million)

Particulars	**RWA**	**Capital Requirement**
Minimum Capital Requirement: Operation Risk	2,455.55	245.56

i) *Liquidity Ratio:*

Qualitative Disclosures:	
i) Views of BoD on system to reduce liquidity Risk	NRB Bank has proficient Board of Directors that has always been giving utmost importance to minimizing the liquidity risk of the bank. In order to reduce liquidity risk, strict maintenance of Cash Reserve Ratio (CRR) and Statutory Liquidity Reserve (SLR) is also emphasized on a regular basis. As per Basel-III requirement, Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) are also maintained under the guidance of our honorable Board of Directors. The Board of Directors of the Bank sets policy, different liquidity ratio limits, and risk appetite for liquidity risk management as per regulatory guidelines. The ALM Policy, the most important policy for Liquidity Risk Management is reviewed periodically to incorporate changes as required by regulatory stipulation or to realign with changes in the economic landscape. The ALCO of the Bank formulates and reviews strategies and provides guidance for management of liquidity risk within the framework laid out in the ALM Policy.
ii) Methods used to measure Liquidity risk	Liquidity measurement involves assessing all of a bank's cash inflows against its outflows to identify the potential for any net shortfalls including funding requirements for off balance sheet commitments. An important aspect of measuring liquidity is making assumptions about future funding needs, both in the very short-term and for longer time periods. Another important factor is the critical role a bank's reputation that plays import part in its ability to access funds readily and at reasonable terms. Several key liquidity risk indicators monitored on a regular basis to ensure healthy liquidity position are, as follows: **Regulatory Liquidity Indicators (RLIs):** Cash Reserve Requirement (CRR) Statutory Liquidity Ratio (SLR) Medium Term Funding Ratio (MTFR) Maximum Cumulative Outflow (MCO)

	Advance Deposit Ratio (AD Ratio) Liquidity Coverage Ratio (LCR) Net Stable Funding Raito (NSFR) **Bank's own liquidity monitoring tools:** Wholesale Borrowing and Funding Guidelines Liquidity Contingency Plan Management Action Triggers (MAT) Liquid Asset to Total Deposit Ratio Liquid Asset to Short Term Liabilities, etc. **Computation of Capital Charge against Liquidity Risk:** If annual average of any RLIs of any bank falls below Bangladesh Bank's requirement, the bank will be required to maintain additional capital for that RLI (or those RLIs) in SRP.	
iii) Liquidity Risk Management System	The Asset Liability Management Committee (ALCO) of the Bank monitors & manages liquidity and interest rate risk in line with the business strategy. ALM activity including liquidity analysis & management is conducted through coordination between various ALCO support groups residing in the functional areas of Balance Sheet Management, Treasury Front Office, Treasury Mid-Office, Budget and Planning, etc.	
iv) Policies and Processes for mitigating Liquidity risk	An effective liquidity risk management process will include systems to identify measure, monitor and control its liquidity exposures. Bank has Asset Liability Management Committee (ALCO) to monitor the liquidity risk on a regular basis. Based on the detail recommendation from ALM desk, ALCO take appropriate action to manage the liquidity risk. The Bank also has internal risk control framework which outlines clear and consistent policies and principles for liquidity risk management.	
Quantitative Disclosures:		**Amount in Million**
	Liquidity Coverage Ratio	103.85%
	Net Stable Funding Ratio (NSFR)	108.59%
	Stock of High quality liquid assets	6,876.85
	Total net cash outflows over the next 30 calendar days	6,621.78
	Available amount of stable funding	25,923.76

j) *Leverage Ratio:*

Qualitative Disclosures:	
i) Views of BoD on system to reduce excessive leverage	Banks are highly leveraged organizations which facilitate leverage for others. Leverage, in simple terms, it is the extent to which a bank funds its assets with borrowings rather than capital. More debt relative to capital means a higher level of leverage. Banks have a range of financial incentives to operate with high leverage. But it creates risk when it crosses a certain point. Therefore, the Board views that sound prudential controls are needed to ensure that the organization maintains a balance between its debt and equity. The Board also believes that the bank should maintain its leverage ratio on and above the regulatory requirements which will eventually increase the public confidence on the organization.
ii) Policies and processes for managing excessive on and off-balance sheet leverage	The Leverage Ratio is intended to achieve the following objectives: a) Constrain the build-up of leverage in the banking sector which could damage the broader financial system and the economy; b) Reinforce the risk based requirements with any easy-to-understand and non-risk based measures. At the end December 2017, the minimum requirement for leverage ratio was 3% on both solo and consolidated bases. But a larger leverage ratio can decrease the profitability of banks because it means banks can do less profitable lending. However, increasing the leverage ratio means that banks have more capital reserves and can more easily survive a financial crisis. In view of the impact of leverage into the business, our Bank Management takes decision about future investment. Considering the financial strength, the bank also prepares capital planning and business budget to go on a right way.
iii) Approach for calculating exposure	The leverage ratio is a volume-based measure and is calculated as Basel III Tier I capital divided by total on and off-balance sheet exposures.

	A minimum Tier 1 leverage ratio of 3% is being prescribed both at solo and consolidated level. $$\text{Leverage Ratio} = \frac{\text{Tier 1 Capital (after related deductions)}}{\text{Total Exposure (after related deductions)}}$$	
Quantitative Disclosures:		
	Leverage Ratio	11.85%
	On balance sheet exposure	34756.20
	Off balance sheet exposure	4635.80
	Total exposure	39392.00

k) *Remuneration:*

NRB Bank is committed to ensure that its remuneration practices enable the Bank to attract, develop and retain high caliber individuals to deliver the Bank's objectives and drive business growth in a competitive environment. The performance based components of remuneration are designed to encourage behavior that supports the Bank's long-term financial soundness and the risk management frameworks of the Bank.

The qualitative remuneration disclosures are broader in scope and cover all the individuals whereas the quantitative information relates to senior management and material risk takers of the NRB Bank Limited, assessed for the financial year ended December 31, 2017.

Qualitative Disclosures	**(a)**	**Information relating to the bodies that oversee remuneration:** At the management level, primarily the Human Resources Management Division oversees the 'remuneration' in line with its Human Resources Management strategy/policy under direct supervision and guidance of the Top Management of the Bank. The primary functions of the Remuneration Committee are to determine, review and propose principles and governance framework for all decisions relating to remunerations of the employees of NRB Bank. While the Human Resources Division is responsible for preparing and recommending reward plans and compensation, the committee's duties are to assess and review these recommendations and submit them to the Board of Directors for approval. They also oversee performance oriented incentives, perquisites, other financial options etc. to attract, motivate and retain employees and review compensation packages/pay structure in

		comparison to that of other Banks to enjoy competitive advantages in this industry.
	(b)	**Information relating to the design and structure of remuneration process:** The key features and objectives of remuneration policy: ▪ Appropriately compensate Employees for the services they provide to the Bank; ▪ Attract and retain Employees with skills required to effectively manage the operations and growth of the business; ▪ Be consistent and appropriate having regard to the performance of the Bank and the relevant Employees; ▪ Motivate Employees to perform in the best interests of the Bank and its shareholders; ▪ Motivate Employees to pursue long term growth and success of the Bank within the Board approved control framework; ▪ Manage the risks associated with remuneration in a manner that supports the Bank's risk management frameworks by applying an appropriate balance between fixed and variable remuneration, reflecting short and long term performance objectives to the Bank's circumstances and goals; ▪ Apply short term and long term key performance indicators, including financial and nonfinancial measures of performance, to eligible employees; ▪ Demonstrate a clear relationship between individual performance and rewards; ▪ Comply with all regulatory and legal requirements; and ▪ Provide an appropriate level of transparency. In the year 2016, the salary structure of the bank was reviewed by the committee and finally approved by the Board, where the structure was adjusted with the then inflation rate. The structure of remuneration arrangements for all employees consists of following components: • Fixed Remuneration; and • Performance-based remuneration

		Fixed remuneration: This includes base salary and fixed benefits. Base salaries are determined to attract and retain employees with skills required to effectively manage the operations and growth of the business to reflect best market practice for the specific circumstances of the Bank. Fixed remuneration is benchmarked against the financial services industry through the use of external remuneration market surveys, conducted by professional, independent benchmarking organizations. **Performance-based remuneration:** Employee remuneration packages may include a 'variable' component with short term and long term incentive plans like increment and performance reward. In addition, employees with compliance and supervisory responsibilities are also provided additional benefits besides their regular pay.
	(c)	**Description of the ways in which current and future risks are taken into account in the remuneration processes.** The Bank's remuneration practices are carefully managed taking into account the following key risks when implementing remuneration measures: • Financial Risks • Compliance Risks Risk and compliance requirements represent a gateway to whether an incentive bonus payment is made and the size of the payment. Despite, if the individual does not meet or only partially meets requirements, no award or a reduced award may be made.
	(d)	**Description of the ways in which the bank seeks to link performance :** ❖ **Overview of main performance metrics for the Bank, top level business lines and individuals-** The main performance metrics include profits, loan growth, deposit growth, risk metrics (such as quality of assets), compliance with regulatory norms, refinement of risk management processes and customer service. The specific metrics and weightages for various metrics vary with the role and level of the individual. ❖ **Discussion of how amounts of individual remuneration are linked to the Bank-wide and individual performance-** The Annual Performance Appraisal (APA) takes into consideration all the above aspects while assessing individual performance and making compensation-related recommendations to the Remuneration Committee regarding the level of increment and performance bonus for employees. The performance assessment

		of individual employees is undertaken based on achievements vis-à-vis their goal sheets, which incorporate the various aspects/ metrics.
	(e)	**Description of the ways in which the bank seeks to adjust remuneration to take account of longer-term performance.** The Bank's remuneration system is designed to reward long-term as well as short-term performance, encourage retention and recognize special performance in the organization. The Bank provides reasonable remuneration for short-term performance; besides, for long-term performance the bank has some deferred payment options (i.e. performance bonus, provident fund, gratuity etc.) In case of following situation remuneration can be adjusted before vesting: • Disciplinary Action (at the discretion of Enquiry Committee) • Resignation of the employee prior to the payment date. At the same time previously paid or already vested variable pay can also be recovered under the case of disciplinary action (at the discretion of the Disciplinary Committee and approval of Management)
	(f)	**Description of the different forms of variable remuneration that the bank utilizes and the rationale for using these different forms.** The main forms of such variable remuneration include: • Monthly Cash benefits • Incentive plan for the employees to be paid annually The form of variable remuneration depends on the job level of individual, risk involved, the time horizon for review of quality of the assignments performed.

Quantitative Disclosures	**(g)**	**Number of Meeting held by the Remuneration Committee during the financial year and remuneration paid to its member.** Meeting regarding overseeing remuneration was held on need basis. No fees paid to the Committee Members as remuneration for attending such meetings.
	(h)	**Number of employees having received a variable remuneration award during the financial year.** In 2017 total 11 number of Senior Management received performance bonus. **Number and total amount of guaranteed bonuses awarded during the financial year :**

2 numbers of guaranteed festival bonuses amounted BDT 6.18 Million for Senior Management.

Number and total amount of sign-on award 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-lined 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:
Breakdown of Remuneration (Fixed and Variable) is as follows :

Details	SVP & Above	Other
No of Employees	18	535
	(Amount in Million)	
Basic Salary	185.10	
Allowances	181.02	
Festival Bonus	31.03	
Provident Fund Contribution	17.70	
Performance Bonus	17.26	

(k) **Quantitative Information about employees' exposure to implicit (e.g. fluctuations in the value of shares or performance units) and explicit adjustments (e.g. claw backs or similar reversals or downward revaluation 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.
Nil

Total amount of reductions during the financial year due to ex post explicit adjustments.

		Nil **Total amount of reduction during the financial year due to ex post implicit adjustments.** Nil