Disclosures on Risk Based Capital (Basel III)

Market Discipline, the third pillar of Basel III complements the minimum regulatory capital (Pillar I) and supervisory review process (Pillar II), with requirement of sufficient transparency to stakeholders to make their own assessments about the risk profile of banks. This pillar requires banks to comply as per Bangladesh Bank guideline on "Risk Based Capital Adequacy "Revised Regulatory Capital Framework for banks in line with Basel III published on 21st December, 2014 by providing sufficient qualitative and quantitative disclosures on audited material information on a regular basis.

The Basel-III norms mainly seek to:

a) Raise the quality of capital to ensure that the Banks are capable to absorb losses on both as going concern and as gone concern basis, and

b) Increase the risk coverage of the capital framework.

Action Plan/Roadmap Action

Action	Deadline
Issuance of Guidelines on Risk Based Capital Adequacy	December 2014
Commencement of Basel III Implementation process	January 2015
Capacity Building of the Banks	January 2015 - December 2019
Initiation of Full Implementation of Basel III	January 2020

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%

Furthermore, Bangladesh Bank has directed commercial banks to increase their leverage ratio from 3 percent to 4 percent in order to increase the banks' risk tolerance against any unexpected losses. This ratio measures the amount of core capital a bank has in relation to its total assets and was introduced to keep a check on the amount of leverage a bank possesses and reinforce the risk-based requirements through the use of a back-stop safeguard measure. As per BRPD Circular No: 18, Dated: 18th August, 2021 following implementation plan has been prescribed against Leverage Ratio:

Leverage Ratio	2023	2024	2025	2026
	3.25%	3.50%	3.75%	4.00%

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

- **Pillar 1** covers the calculation of risk-weighted assets and minimum capital requirement for credit risk, market risk and operational risk
- **Pillar 2** (Supervisory Review Process) intends to ensure that the Banks have adequate capital to address all the risks in their business
- **Pillar 3** speaks of ensuring market discipline by disclosing adequate information to the stakeholders

Limits (Minima and Maxima) under Basel III:

SL	Particulars	Prescribed	NRB Bank Ltd. (December, 2023)	
			SOLO	CONSOLIDATED
1	Common Equity Tier 1	4.5%	14.19%	14.33%
2	Minimum T-1 Capital Ratio	6%	14.19%	14.33%
3	Minimum Capital to Risk Weighted Asset Ratio	10%	15.44%	15.59%
4	Tier 2 Capital to Risk Weighted Asset Ratio	Maximum up to 4.0% of the total RWA or 88.89% of CET1, whichever is higher	1.25%	1.26%
5	Minimum Total Capital plus Capital Conservation Buffer	12.50%	15.44%	15.59%
6	Leverage Ratio	≥ 3%	8.63%	8.66%
7	Liquidity Coverage Ratio	≥ 100%	161.95%	161.95%
8	Net Stable Funding Ratio	> 100%	107.03%	107.03%

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 guideline 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 has 1 (One) subsidiary viz. NRB Bank Securities PLC A brief description of the Bank and its subsidiary are given below: **NRB Bank Limited** NRB Bank Limited (NRBB) 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 through Corporate Head Office having following no. of branches, agent banking and other facilities all over Bangladesh as on 31st December, 2023: No. of Branches: 51 No. of Sub Branches: 29 No. of DESCO Bill Collection Booths: 08 No. of ATM Booths: 51 **NRB Bank Securities PLC** NRB Bank Securities PLC (the company) was incorporated in Bangladesh as on 16th March, 2021 as a Public Limited Company under the Companies Act 1994 vide certificate of incorporation no. C-169869/2021. It is a subsidiary company of NRB Bank Limited, a banking company incorporated in Bangladesh under the Banking Companies Act 1991 having its registered office at Uday Sanz, Plot # 2/B, Road # 134, Block - SE(A), Gulshan South Avenue, Gulshan - 1, Dhaka - 1212.
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 1)'

<table>
<tr><td>especially in the case of capital instruments eligible for inclusion in CET 1, Additional Tier 1 or Tier 2.</td><td>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.</td></tr>
<tr><td></td><td><u>Compliance with Regulatory Requirements by NRB Bank:</u>
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:
<table>
<tr><th>Particulars</th><th>Status of compliance</th></tr>
<tr><td>The bank has to maintain at least 4.50% of total Risk Weighted Assets (RWA) as Common Equity Tier 1 capital.</td><td>Complied</td></tr>
<tr><td>Tier 1 capital will be at least 6.00% of the total RWA.</td><td>Complied</td></tr>
<tr><td>Minimum capital to Risk Weighted Asset Ratio (CRAR) will be 12.50% of the total RWA.</td><td>Complied</td></tr>
<tr><td>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.</td><td>Complied</td></tr>
</table></td></tr>
<tr><td>Quantitative Disclosures</td><td></td></tr>
</table>

b) The amount of Regulatory capital of NRB Bank Limited under Basel-III for 31st December, 2023 is as follows:

(Amount in Million)

Common Equity Tier-1 (Going Concern Capital)	**Solo**	**Consolidated**
Fully Paid-up Capital/Capital Deposited with BB	5,905.87	5,905.87
Statutory Reserve	1,199.96	1,199.96
Retained Earnings	1,027.87	1,025.33
Minority Interest in Subsidiaries		0.00
Less: Regulatory Adjustment for Tier-1 Capital	419.87	420.42
Total Common Equity Tier-1 Capital	**7,713.83**	**7,710.73**
Tier-2 Capital (Gone-Concern Capital)		
General Provision	677.33	677.33
Total Admissible Tier-2 Capital	**677.33**	**677.33**
Total Regulatory Capital	**8,391.16**	**8,388.06**

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.	**Bank Calculation Approach:** NRB Bank Limited adheres to the RBCA Guidelines of Bangladesh Bank while calculating its capital adequacy requirement. The Bank adopted Standardized Approach for credit & market risk exposures, and Basic Indicator Approach for operational risk exposure. We emphasize the following principles while assessing our capital base: • A strong Capital to Risk Weighted Asset Ratio (CRAR); • Maintaining capital at a reasonable level to absorb all material risks; **Capital Management:** Capital Adequacy calculation gives the Bank an indicative resolution for the capital requirement. Capital management, on the other hand, plays a vital role in maintaining the overall capital at an adequate level. NRBB's capital management is underscored by a sound capital assessment process, followed by a risk-based long-term capital planning approach. Some of the mentionable initiatives to ensure adequate capital of the Bank are as follows: • Encouraging borrowers to complete external credit rating to assess counterparty credit risk status, and minimizing regulatory capital requirements; • Improving and enhancing collateral coverage through efforts to obtain adequate eligible collateral; • Stressing internal capital accretion. However, if needed, issuing subordinated debt to meet capital requirement; • Growth projection in line with Risk Weighted Assets (RWA) composition and capital planning trajectory; • Assessing risk profile of new clients and onboarding clients with satisfactory external credit rating. NRBB's Basel Implementation Unit (BIU) and Risk Management Division (RMD) monitors CRAR status regularly and reports to the Senior Management and the Board periodically.

Quantitative Disclosures

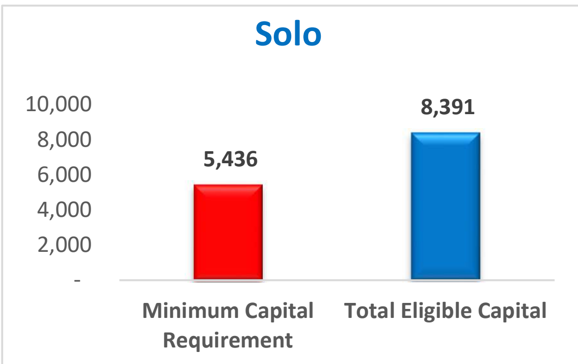
(Amount in Million)

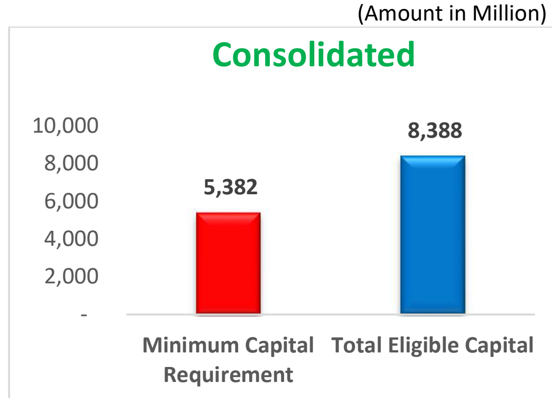
Capital requirement under following Risk:	Solo	Consolidated
b) Capital requirement for Credit Risk	4,595.30	4,539.68
c) Capital requirement for Market Risk	364.41	364.41
d) Capital requirement for Operational Risk	476.60	477.67
Total Capital Requirement (b+c+d)	**5,436.32**	**5,381.76**

Minimum Capital Requirement (MCR) Capital Adequacy Ratio (CRAR):	Solo	Consolidated
1. Common Equity Tier 1 (CET 1) Ratio	14.19%	14.33%
2. Tier 1 Capital Adequacy Ratio	14.19%	14.33%
3. Tier-2 Capital Adequacy Ratio	1.25%	1.26%
Capital to Risk-weighted Asset Ratio (CRAR)	15.44%	15.59%
Capital Conservation Buffer (2.50%)	5.44%	5.59%
Minimum Capital Requirement (MCR)	**5,436.32**	**5,381.77**

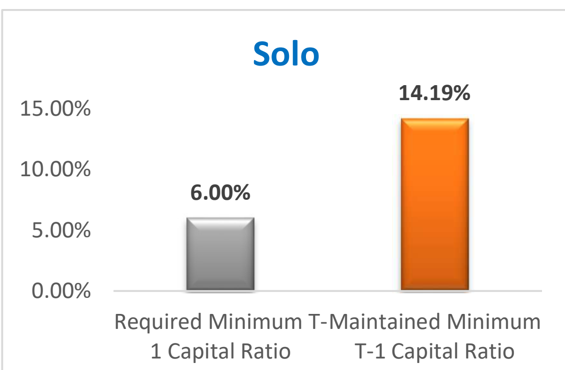
Eligible Capital:

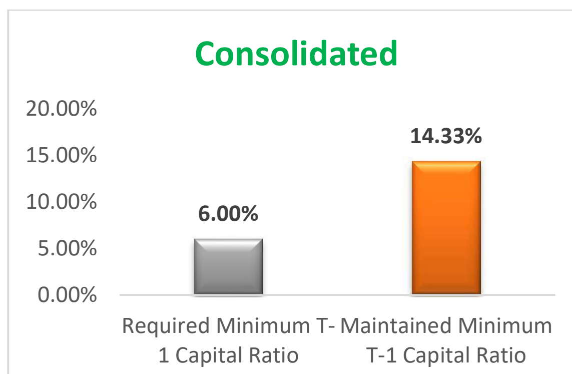
(Amount in Million)



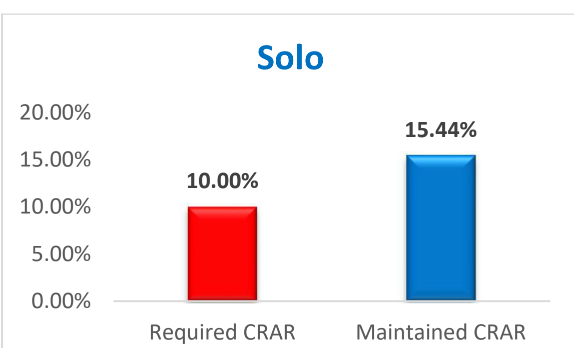


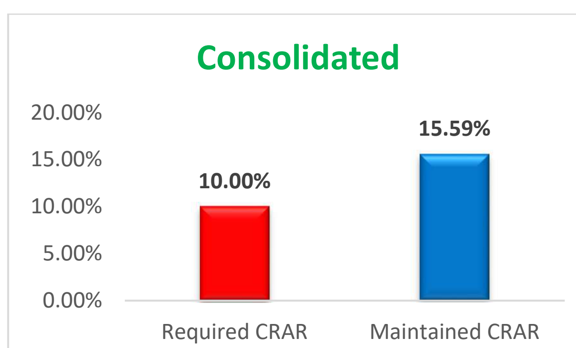
Minimum T-1 Capital Ratio:





Capital Adequacy to Risk Weighted Asset Ratio (CRAR):





d) Credit Risk:

Qualitative Disclosures

a) The general qualitative disclosure requirement with respect to credit risk:

i) Definitions of past due and impaired

Particulars		**Short Term Agri. Credit & Microcredit**	**Consumer Financing**			
			Other than HF, LP & Card	**HF**	**LP**	**Credit Card**
UC	Standard	1%	2%	1%	2%	2%
	SMA	0%	2%	1%	2%	2%
Classified	SS	5%	20%	20%	20%	20%
	DF	5%	50%	50%	50%	50%
	B/L	100%	100%	100%	100%	100%

As per relevant Bangladesh Bank guidelines, NRBB 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.

Cottage, Micro and Small Credits under CMSME:

Loan Type	**Figure in months**				
	STD	**SMA**	**SS**	**DF**	**BL**
Continuous Demand Fixed Term Loan*	<2	≥2 but <6	≥6 but <18	≥18 but <30	≥30

Other than Cottage, Micro and Small Credits under CMSME:

Loan Type	**Figure in months**				
	STD	**SMA**	**SS**	**DF**	**BL**
Continuous Demand Fixed Term Loan*	<2	≥2 but <3	≥3 but <9	≥9 but <12	≥12
Short Term Agricultural and Micro Credit	<12		≥12 but <36	≥36 but <60	≥60

* Note: 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 total amount of unpaid installment(s) will be treated as past due/overdue after six months of the expiry date.

<table>
<tr>
<td>ii) Description of approaches followed for specific and general allowances and statistical methods</td>
<td>
<table>
<tr><th colspan="2" rowspan="2">Particulars</th><th colspan="2">Small & Medium Enterprise Financing</th><th rowspan="2">Loans to BHs/ MBs/SDs</th><th rowspan="2">All other Credit</th></tr>
<tr><th>Cottage, Micro & Small Credits under CMSME</th><th>Medium Enterprise Financing</th></tr>
<tr><td rowspan="2">UC</td><td>Standard</td><td>0.25%</td><td>0.25%</td><td>1%</td><td>1%</td></tr>
<tr><td>SMA</td><td>0.25%</td><td>0.25%</td><td>1%</td><td>1%</td></tr>
<tr><td rowspan="3">Classified</td><td>SS</td><td>5%</td><td>20%</td><td>20%</td><td>20%</td></tr>
<tr><td>DF</td><td>20%</td><td>50%</td><td>50%</td><td>50%</td></tr>
<tr><td>B/L</td><td>100%</td><td>100%</td><td>100%</td><td>100%</td></tr>
</table>
</td>
</tr>
<tr>
<td>iii) Discussion of the Bank’s Credit risk management policy.</td>
<td>The Bank has put in place a well-structured Credit Risk Management Policy duly approved by the Bank’s Board of Directors. The Policy document defines organization 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 basis and compliance with the risk limits approved by Board of Directors/Risk Management Committee of the Board.

NRB Bank Limited 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 of Directors. According to the methodology, eligible securities accepted by the Bank are taken to protect the interest. These securities act as mitigation against the default risk to which the bank is exposed.</td>
</tr>
</table>

Quantitative **Disclosures*:***

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

(Amount in Million)

Major Types	Continuous Loan	Demand Loan	Fixed Term Loan	Short Term Agri. Credit & Micro Credit	Total
Small & Medium Enterprise Financing	2,472.84	4,601.32	9,267.99	-	**16,342.15**
Consumer Financing	2,953.80	-	1,356.56	-	**4,310.35**
Loans to BHs/MBs/Sds against Share	-	-	-	-	**-**
Housing Finance	-	-	716.15	-	**716.15**
Loan for Professionals to setup business (LP)	-	-	-	-	**-**
Short Term Agri. Credit	-	-	-	1,250.05	**1,250.05**
Others	6,790.62	18,302.13	12,137.07	-	**37,229.83**
Staff Loans	-	-	222.37	-	**222.37**
Total exposure	**12,217.26**	**22,903.45**	**23,700.15**	**1,250.05**	**60,070.90**

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		**57,015.54**
Dhaka	44,175.22	
Chittagong	9,995.28	
Sylhet	1,386.84	
Rajshahi	1,201.44	
Barishal	15.90	
Khulna	240.85	
Rangpur	-	
Mymensingh	-	
Rural		**3,055.36**
Dhaka	2,434.57	
Chittagong	479.40	
Sylhet	141.39	
Rajshahi	-	
Barishal	-	
Khulna	-	
Rangpur	-	
Mymensingh	-	
Total		**60,070.90**

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

(Amount in Million)

Industry Type	Amount
Agriculture	1,264.46
Food & allied industries	1,860.93
Tobacco	0.00
Readymade garments	3,288.21
Textiles	4,595.24
Ship breaking & ship building	1,624.54
Basic metal & steel engineering	3,167.32
Non-metallic mineral products	1,755.67
Pharmaceuticals industry	418.55
Chemical & chemical products	41.50
Rubber & plastic industries	1,410.95
Leather & leather products	359.84
Wood, furniture & fixtures	36.17
Paper & paper products	491.22
Electronic goods & machineries	3,116.56
Power & gas	1,587.82
Other manufacturing industries	1,413.28

Construction & commercial real estate	7,745.40
Transport & communication	164.36
IT & telecommunication	915.55
Medical services	15.39
Hotel & restaurant services	3.60
Printing & publishing industries	46.79
Other service industries	1,351.44
NBFIs	1,033.65
Trade & commerce	11,062.07
Consumer credit	3,641.29
Credit card	2,953.80
Staff loan	222.37
Others	4,482.90
Total	**60,070.90**

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

(Amount in Million)

Time band	Continuous Loan	Demand Loan	Term Loan	Agricultural Credit	Staff Loan	Total
Up to 1 month	2,513.43	5,301.99	922.23	0.21	-	8,737.86
1 to 3 months	2,092.55	7,037.75	46.96	83.06	0.22	9,260.54
3 to 6 months	2,559.01	7,047.16	187.07	265.58	0.32	10,059.13
6 to 12 months	2,705.53	3,197.94	553.68	901.19	1.96	7,360.31
1 to 2 years	359.61	207.08	2,453.67	-	10.04	3,030.39
2 to 3 years	356.59	39.80	3,913.46	-	5.21	4,315.05
3 to 4 years	765.09	71.74	5,162.45	-	35.66	6,034.94
4 to 5 years	865.45	-	6,402.94	-	34.08	7,302.48
5 to 7 years	-	-	3,203.48	-	52.66	3,256.15
7 to 10 years	-	-	366.18	-	33.14	399.32
Over 10 years	-	-	265.67	-	49.07	314.74
Total	**12,217.26**	**22,903.45**	**23,477.77**	**1,250.05**	**222.37**	**60,070.90**

[

f) By major industry or counterparty type of NRBB:

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

(Amount in Million)

Industry	Impaired	Past due
Small & Medium Enterprise Financing	1,503.01	1,084.36
Consumer Financing	427.00	10.65
Housing Finance	82.62	4.02
Loans for Professionals to setup business	-	-
Loans to BHs/MBs/SDs against Shares etc.	-	-

Other	980.00	2,320.22
Short Term Agri Credit & Micro Credit	0.01	0.20
Staff Loan	-	-
Total	**2,992.63**	**3,419.46**

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

(Amount in Million)

Sector	General Provision	Specific Provision
Small & Medium Enterprise Financing	77.91	540.30
Consumer Financing	55.82	127.01
Housing Finance	8.74	25.24
Loans for Professionals to setup business	23.21	172.66
Loans to BHs/MBs/SDs against Shares etc.		
Other Corporate Credit	390.66	188.08
Short Term Agri Credit & Micro Credit	12.50	0.00
Staff	2.22	-
Against Off-Balance Sheet	106.26	-
NRBBL Total	**677.33**	**1,053.28**

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

Against Classified Loans & Advances	(Amount in Million)
Provision held on 1 January, 2023	926.66
(+) On Recovery from loans written off earlier	7.24
(+) Provisions made/(released) during the year	119.38
Provision held at end of year, 2023	**1,053.28**

Against Unclassified Loans & Advances	(Amount in Million)
Provision held on 1 January, 2023	516.74
Add: Provisions made/ (released) during the year	54.33
Provision held at end of year, 2023	571.06

General Provision for Off Balance Sheet Exposures	(Amount in Million)
Provision held on 1 January, 2023	109.16
Provisions made during the year	(2.89)
Provision held at end of year, 2023	**106.26**

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

Gross Non-Performing Assets (NPAs)	(Amount in Million)
Non-Performing Assets (NPAs) to outstanding loans & advances	
Movement of Non-Performing Assets for NPAs	
Opening balance	1,592.18
Additions	1,889.42
Reductions	488.97
Closing Balance	**2,992.63**

Movements of specific provisions for NPAs	
Opening balance	1,443.40
Provision made during the period	390.12
Write-off	20.07
Write back of excess provisions	-
Closing Balance	**1,053.28**

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	NRB Bank Limited has two categories of equity investments namely (i) Quoted Shares- traded in the secondary market of DSE & CSE like common stock, mutual fund, bond etc. and (ii) Unquoted Shares- currently not tradable in the secondary market. Unquoted shares include shares and securities which are characterized and categorized as (i) Held to maturity (ii) long term investment i.e. the Bank does not have any intention to sell securities immediately or in the near future (iii) Securities acquired under private placement which will be traded in the secondary market only after completion of required legal formalities with the BSEC (Bangladesh Securities & Exchange Commission), DSE, CSE as per prevailing laws etc.	
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	Investment in Shares and Securities are for gaining dividend income and capital gain. Dividend income are recognized in the books of accounts of the bank as and when such dividend is received and right to receive such dividend is established. Both Quoted shares and unquoted shares are valued at cost and necessary provisions are maintained if the price falls below the cost. At the time of calculation of unrealized gain or loss of quoted shares, sufficient provisions on shares & securities are made in the books of accounts after netting off the values of the portfolios but however unrealized gains are not accounted for. As per Bangladesh Bank guidelines, HFT (Held for Trading) securities are revalued once in a week using marking to market concept and all such securities are revalued once in a year according to the Bangladesh bank guidelines.	
Quantitative Disclosure		
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.	**Value of Investments in Balance Sheet**	(Amount in Million)
	Shares in Listed Companies (Valuation at average cost price)	1,176.00
	Fair Market Value of shares in Listed Securities	730.23
▪ The cumulative realized gains (losses) arising from sales and		2.16

liquidations in the reporting period.		
* Total unrealized gains (losses)		(445.77)
* Total latent revaluation gains (losses)		0
* Any amounts of the above included in Tier – 2 capital.		0
▪ 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.	The capital requirements for equity investments as of 31st December 2023 was as under: (Amount in Million)	

Particulars	Amount (MV)	Weight	Capital Charge
Specific Risk	1,515.41	10%	15.15
General Market Risk	1,515.41	10%	15.15
Total	**3,030.82**		**303.08**

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

Qualitative Disclosures:	
(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.	Interest Rate Risk in the Banking Book (IRRBB) is the potential impact on the Bank's earnings (Net Interest Income- NII) and net asset values due to changes in market interest rates. The risk arises when the Bank's principal and interest cash flows (including final maturities), for both On and Off-balance sheet exposures, have mismatched re-pricing dates. The amount at risk is a function of the magnitude and direction of interest rate changes and the size and maturity structure of the mismatch position. The portfolio of assets and liabilities in the banking book sensitive to interest rate changes is the element of interest rate risk. The immediate impact of changes in interest rates is on the Bank's net interest income (difference between interest income accrued on rate sensitive asset portfolio and interest expenses accrued on rate sensitive liability portfolio) for a particular period of time, while the long-term impact is on the Bank's net worth since the economic value of the Bank's assets, liabilities and off-balance sheet exposures are affected. **Key assumptions on loan prepayments and behavior of non-maturity deposits:** a) Loans with defined contractual maturity are re-priced in the respective time buckets in which it falls as per the loan repayment schedule; b) Loans without defined contractual maturity are segregated into different time buckets based on the past trend, seasonality, geographical perspective and re-priced accordingly; and c) Non-maturity deposits namely current, saving deposits are segregated into different time buckets on the basis of past trend

	of withdrawal, seasonality, religious festivals, geographical perspective and re-priced accordingly. However, the behavior of withdrawal of non-maturity deposits of NRBB is more or less stable.

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)	21,453.30	10,022.35	7,251.24	32,300.52
Interest Sensitive Liabilities (B)	26,925.23	10,867.95	11,850.98	15,696.00
GAP (A-B)	**-5,471.94**	**-845.60**	**-4,599.74**	**16,604.51**

CRAR after Shocks:

(Amount in Million)

Magnitude of Shock	Minor 1%	Moderate 2%	Major 3%
Regulatory Capital (After shock)	8,096.40	7,652.60	7,208.80
RWA (After shock)	53,566.10	53,566.10	53,566.10
CRAR (After shock)	15.11%	14.29%	13.46%
Total Assets	86,618.20	86,618.20	86,618.20
Duration Gap in years	0.56	0.56	0.56
Changes in Market value of Equity due to an increase in interest Rate, Δ MVE	443.80	887.60	1,331.50

g) *Market Risk:*

Qualitative Disclosures:	
Views of BOD on trading/ investment activities	Market Risk is the risk that the value of a portfolio, either an investment portfolio or a trading portfolio, will decrease due to the change in value of the market risk factors. The four standard market risk factors are equity prices, interest rates, foreign exchange rates and commodity prices. The objectives of our market risk policies and processes are to obtain the best balance of risk and return whilst meeting customers' requirements. The primary categories of market risk for the bank are: **Interest Rate Risk:** The risk of loss resulting from changes in interest rates. As a result of mismatch of interest rates on its assets and liabilities and/or timing differences in the maturity thereof. **Foreign Exchange Risk:** It is the risk to earnings and capital arising from adverse movements in currency exchange rates. It refers to the impact of adverse movement in currency exchange rates on

	the value of open foreign currency position and. There are also the risk of default of the counter parties and settlement risk. **Equity Price Risk:** It is risk that results from adverse changes in the value of equity related portfolios. **Commodity Price Risk:** Commodity price risk arises from changes in commodity prices and implied volatilities in commodity options, covering energy, precious metals, base metals and agriculture. Currently we do not have any exposure in commodity financing.
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, monitors & control the above risks, NRB Bank Limited has in place the Asset-Liability Committee (ALCO) and Executive Risk Management (ERMC) comprising the al Heads and Seniors Executives. They sit in every month to discuss the various positions and takes immediate steps as and when required to mitigate the issues. To manage the interest rate risk, ALCO regularly monitors various ratios and parameters. Among the ratios, the key ratios that the Committee regularly monitors are Liquid asset to total assets, Volatile Liability dependency ratio, medium term funding 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 exchange rate risk, NRB Bank Limited always keep its net open position within the limit set by central bank. Also, to manage exchange rate risk in cross currency, Bank always square its position in cross currency or convert its exposure to USD. For monitoring and controlling the risk Bank has made contacts with several foreign banks and closely monitors the incoming and outgoing sources & payment schedule of foreign currency.

	To manage equity risk, the Bank ensures taking prudent investment decisions complying sectoral preference as per investment policy of the bank and capital market exposure limit set by BB.
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. Bank's ALCO 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 Market risk are as follows:

(Amount in Million)

SL	Market Risk	Capital Requirement
A	Interest Rate Related instruments	0.11
B	Equities	303.08
C	Foreign Exchange Position	61.22
D	Commodities	0.00
	Total	**364.41**

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) and Internal Control and Compliance Division (ICCD), regularly reviews different aspects of operational risk. The analytical assessment is reported to the Board of Directors/ Risk Management Committee/Audit Committee of the Bank for review and guidance towards formulating appropriate policies, tools & techniques for mitigating operational risk.
ii) Performance gap of executives and staffs	NRBB 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 Policies at different operational units addressing specific issues involving Operational Risk.
iv) 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-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., CRM Policy, Internal Control & Compliance Policy, Policy on ML & FT, ICT Security Policy, Treasury Management Policy, Risk Management Policy, etc. addresses issues pertaining to Operational Risk Management. **In 2023, Audit Department conducted following no. of audit:**

No. of Comprehensive Audit on branches	50
No. of Comprehensive Audit on Sub-branches	22
No. of Comprehensive Audit at Head Office	33
No. of Spot audits	09
No. of DESCO Booth Audit	07
No. of Agent Outlet	12
No. of IT Audit: Branches	50
No. of IT Audit: Branches	24
No. of IT Audit: Head Office, Divisions	6
No. of Spot Inspection on Anti-Fraud Internal Control (AML)	07
Other (If any)	07

v) Approach for calculating capital charge for operational risk	NRBB follows the Basic Indicator Approach (BIA) in terms of BRPD Circular No. 18 dated 21 December 2014 under 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: $K = [(GI\ 1 + GI\ 2 + GI\ 3)\ \alpha]/n$
Quantitative Disclosures:	

b) The capital requirements for operational risk

(Amount in Million)

Particulars	SOLO		Consolidated	
	RWA	**Capital Requirement**	**RWA**	**Capital Requirement**
Minimum Capital Requirement: Operational Risk	4,766.03	476.60	4,776.69	477.67

i) Liquidity Ratio:

Qualitative Disclosures:	
i) Views of BoD on system to reduce liquidity Risk	Measurement and managing liquidity needs are vital activities of the Bank. By assuring the Bank's ability to meet its liabilities as they become due, liquidity management can reduce the probability of developing an adverse situation. The importance of liquidity transcends individual Banks, as liquidity shortfall in one Bank can have repercussions on the entire Banking system. NRB Bank has a Board-approved ALM policy to monitor and manages the liquidity stance of the Bank
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 plays 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) Stress Testing **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	Bank's ALCO 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, Treasury Back Office, Finance & Accounts etc.	
iv) Policies and Processes for mitigating Liquidity risk	An effective liquidity risk management process includes systems to identify measure, monitor and control its liquidity exposures. Bank's Asset Liability Management Committee (ALCO) monitors the liquidity risk on a regular basis. Based on the detail recommendation from ALM desk, ALCO take appropriate action to manage the liquidity risk. Also, Bank 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	161.95%
	Net Stable Funding Ratio (NSFR)	107.03%
	Stock of High-quality liquid assets	13,914.71
	Total net cash outflows over the next 30 calendar days	8,592.08
	Available amount of stable funding	67,872.73

j) Leverage Ratio:

Qualitative Disclosures:	
i) Views of BoD on system to reduce excessive leverage	Leverage ratio was introduced in Basel III with an aim to avoid building-up excessive on and off-balance sheet leverage in the Banking system. The leverage ratio is intended to achieve the following objectives: • constrain the build-up of leverage in the Banking sector which can damage the broader financial system and the economy • reinforce the risk-based requirements with an easy to understand and a non-risk-based measure NRBB adopted leverage ratio in line with Basel III guidelines as a credible supplementary measure to the risk-based capital requirements.
ii) Policies and processes for managing excessive on and off-balance sheet leverage	NRBB adheres to the revised risk-based capital adequacy guidelines of Bangladesh Bank while managing excessive on and off-balance sheet leverage.
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 3.25% is being prescribed both at solo and consolidated level. $\text{Leverage Ratio} = \dfrac{\text{Tier 1 Capital (after related deductions)}}{\text{Total Exposure (after related deductions)}}$

Quantitative Disclosures:		Solo	Consolidated
	Leverage Ratio	8.63%	8.66%
	On balance sheet exposure	84,627.00	84,252.01
	Off balance sheet exposure	5,156.82	5,156.82
	Regulatory Adjustments	419.87	420.42
	Total exposure	89,363.95	88,988.41

k) Remuneration:

The following are the main disclosure on remuneration that Bank includes in their Pillar-III documents. The Bank is strongly encouraged not only to disclose the required information, but to articulate as far as possible how these factors complement and support their overall risk management framework. This requested quantitative disclosures detailed below should only cover senior management and other material risk takers and be broken down between these two categories.

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 Policy version 4 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 NRBB. 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 key 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. 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 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 Key Performance Indicators (KPIs) set beforehand, 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 utilities 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.

<table>
<tr><td rowspan="4">Quantitative Disclosures</td><td>(g)</td><td>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.</td></tr>
<tr><td>(h)</td><td>Number of employees having received a variable remuneration award during the financial year.
2 numbers of guaranteed festival bonuses amounted BDT 7.31 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</td></tr>
<tr><td>(i)</td><td>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</td></tr>
<tr><td>(j)</td><td>Breakdown of amount of remuneration awards for the financial year to show.
Fixed and Variable:
Breakdown of Remuneration (Fixed and Variable) is as follows :
<table>
<tr><th>Details</th><th>SVP & above</th><th>Other</th></tr>
<tr><td>No of Employees</td><td>19</td><td>890</td></tr>
<tr><td></td><td colspan="2">(Amount in Million)</td></tr>
<tr><td>Basic Salary</td><td colspan="2">351.63</td></tr>
<tr><td>Festival Bonus</td><td colspan="2">57.13</td></tr>
<tr><td>Incentive Bonus</td><td colspan="2">27.53</td></tr>
<tr><td>Gratuity</td><td colspan="2">15.59</td></tr>
<tr><td>Provident Fund Contribution</td><td colspan="2">32.17</td></tr>
<tr><td>Performance Bonus</td><td colspan="2">27.53</td></tr>
</table>
</td></tr>
</table>

	(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