Disclosures on Risk Based Capital (Basel III)

Market discipline is an essential element of the Basel III framework, forming the third pillar in addition to supervisory review and minimum capital requirements. It is designed to improve transparency and accountability in the banking sector by mandating that financial institutions disclose critical information regarding their financial health, capital adequacy, and risk exposures.

Market discipline is essential for the development of trust among stakeholders, regulators, investors, and depositors in the context of NRB Bank PLC. The bank promotes stability in the financial system and discloses its risk management practices by adhering to the disclosure requirements established by Basel III. Ultimately, this pillar contributes to a more resilient and sustainable banking environment by emphasizing the significance of informed decision-making by market participants.

NRB Bank PLC. can guarantee long-term growth and financial stability by effectively implementing market discipline, which will reinforce its dedication to sound governance, regulatory compliance, and risk transparency.

The primary objective of the Basel-III norms is to:

a) Enhance the quality of capital to guarantee that banks are able to sustain losses on both a going concern and gone concern basis, and
b) Expand 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

<u>Phase-in Arrangements</u>

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%

Liquidity Coverage Ratio	≥100%	≥100%	≥100%	≥100%	≥100%
Net Stable Funding Ratio	>100%	>100%	>100%	>100%	>100%

In addition, Bangladesh Bank has instructed commercial banks to elevate their leverage ratio from 3% to 4% in order to enhance their risk tolerance in the event of unforeseen loss. The purpose of this ratio is to regulate the amount of leverage a bank possesses and to reinforce the risk-based requirements by utilizing a back-stop safeguard measure. It measures the amount of core capital a bank has in relation to its total assets. The following implementation plan has been prescribed for the Leverage Ratio in accordance with BRPD Circular No: 18, dated August 18, 2021:

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

The Basel III framework is composed of three-mutually reinforcing pillars:

- **Pillar 1** concerns the calculation of risk-weighted assets and the minimum capital requirement for credit risk, market risk, and operational risk
- **Pillar 2** (Supervisory Review Process) is designed to guarantee that banks have sufficient capital to mitigate all risks associated with their operations.
- **Pillar 3** is dedicated to maintaining market discipline by providing stakeholders with sufficient information.

Limits (Minima and Maxima) under Basel lll:

SL	Particulars	Prescribed	NRB Bank PLC. (December, 2024)	
			SOLO	CONSOLIDATED
1	Common Equity Tier 1	4.5%	12.61%	12.70%
2	Minimum T-1 Capital Ratio	6%	12.61%	12.70%
3	Minimum Capital to Risk Weighted Asset Ratio	10%	14.54%	14.66%
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	1.94%	1.95%
5	Minimum Total Capital plus Capital Conservation Buffer	12.50%	14.54%	14.66%
6	Leverage Ratio	≥ 3.50%	7.80%	7.83%
7	Liquidity Coverage Ratio	≥ 100%	204.51%	204.51%
8	Net Stable Funding Ratio	> 100%	108.54%	108.54%

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 PLC.**
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 PLC. has 1 (One) subsidiary viz. NRB Bank Securities PLC A brief description of the Bank and its subsidiary are given below: **<u>NRB Bank PLC.</u>** NRB Bank PLC. (NRBB) was duly established on August 4, 2013 as a Public Limited Company (Banking Company) under the Companies Act, 1994, with the purpose of conducting all types of banking activities. At present, the Bank is conducting business through its Corporate Head Office, which has the following number of branches, agent banking, and other facilities throughout Bangladesh as of December 31, 2024: No. of Branches: 54 No. of Sub Branches: 44 No of Islamic Banking Windows: 28 No. of DESCO Bill Collection Booths: 13 No. of ATM Booths: 51 **<u>NRB Bank Securities PLC</u>** NRB Bank Securities PLC. (the company) was established in Bangladesh on March 16, 2021, as a Public Limited Company under the Companies Act 1994, as evidenced by certificate

	of incorporation no. C-169869/2021. It is a subsidiary company of NRB Bank PLC., a banking company that was established in Bangladesh under the Banking Companies Act 1991. The company's registered office is located 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, especially in the case of capital instruments eligible for inclusion in CET 1, Additional Tier 1 or Tier 2.	As per the Guidelines on Risk-Based Capital Adequacy (Revised Regulatory Capital Framework for Banks in Line with Basel III) introduced by Bangladesh Bank, the term "Common Equity Tier-1 (CET 1)" is used. (i) Paid-up capital, (ii) Statutory reserve, and (iii) retained earnings comprise the capital of NRB Bank. NRB Bank does not possess "Additional Tier 1 (AT 1)" Capital as it has not issued any instrument that satisfies the qualifying criteria for Additional Tier 1 Capital. Tier 2 Capital is comprised of (i) General Provision.

Compliance with Regulatory Requirements by NRB Bank:

The Bank has met all of the necessary conditions for maintaining regulatory capital, as outlined in the Basel III guidelines, as indicated by the following:

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 12.50% 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 regulatory capital of NRB Bank PLC. under Basel-III as of December 31, 2024, is as follows:

(Amount in Million)

Common Equity Tier-1 (Going Concern Capital)	**Solo**	**Consolidated**
Fully Paid-up Capital/Capital Deposited with BB	6,905.87	6,905.87
Statutory Reserve	1,212.92	1,212.92
Retained Earnings	601.23	603.88
Minority Interest in Subsidiaries	0.00	0.00
General Reserve	0.00	0.05
Less: Regulatory Adjustment for Tier-1 Capital	(837.08)	(837.55)
Total Common Equity Tier-1 Capital	**7,882.94**	**7,885.18**
Tier-2 Capital (Gone-Concern Capital)		
General Provision	1,211.59	1,212.12
Total Admissible Tier-2 Capital	**1,211.59**	**1,212.12**
Total Regulatory Capital	**9,094.53**	**9,097.30**

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's capital adequacy assessment approach:** NRB Bank PLC. follows the RBCA Guidelines of the Bangladesh Bank when determining its capital adequacy requirement. The Standardized Approach was implemented by the Bank for credit and market risk exposures, while the Basic Indicator Approach was implemented for operational risk exposure. When evaluating our capital base, we prioritize the subsequent principles: • Maintaining a robust Capital to Risk Weighted Asset Ratio (CRAR); • Ensuring that capital is at a sufficient level to manage all material risks; **Capital Management:** The Bank receives an indicative resolution for its capital requirement through the Capital Adequacy calculation. Conversely, capital management is essential for maintaining an appropriate level of capital. A sound capital assessment procedure is the foundation of NRBB's capital management, which is subsequently followed by a risk-based long-term capital planning approach. Some of the noteworthy initiatives to guarantee the Bank's sufficient capital include: ▪ Promoting the completion of external credit ratings by borrowers to evaluate the credit risk status of counterparties and reduce regulatory capital requirements; ▪ Enhancing and enhancing collateral coverage by pursuing sufficient eligible collateral; ▪ Emphasizing internal capital accretion. Nevertheless, if necessary, subordinated debt may be issued to satisfy the capital requirement. ▪ Projection of growth in accordance with the composition of Risk Weighted Assets (RWA) and the trajectory of capital planning. ▪ Evaluation of the risk profile of new clients and enrollment of clients with a satisfactory external credit rating.

	The CRAR status is routinely monitored by the Basel Implementation Unit (BIU) and Risk Management Division (RMD) of NRBB, which provides periodic reports to the Board, the Risk Management Committee of the Board, and Senior Management.

Quantitative Disclosures

(Amount in Million)

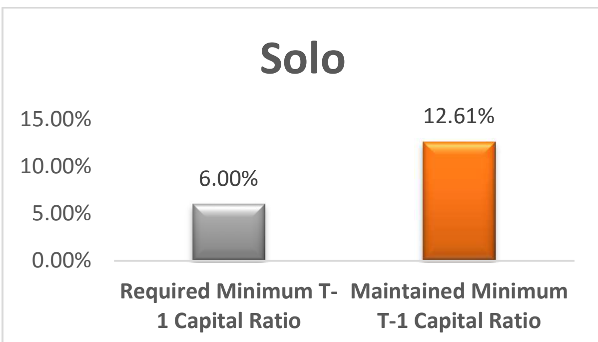
Capital requirement under following Risk:	**Solo**	**Consolidated**
b) Capital requirement for Credit Risk	5,375.23	5,325.88
c) Capital requirement for Market Risk	289.85	289.85
d) Capital requirement for Operational Risk	588.16	591.20
Total Capital Requirement (b+c+d)	**6,253.24**	**6,206.94**
Capital Adequacy Ratio (CRAR):	**Solo**	**Consolidated**
Common Equity Tier 1 (CET 1) Ratio	12.61%	12.70%
Tier 1 Capital Adequacy Ratio	12.61%	12.70%
Tier-2 Capital Adequacy Ratio	1.94%	1.95%
Capital to Risk-weighted Asset Ratio (CRAR)	14.54%	14.66%
Capital Conservation Buffer (2.50%)	4.54%	4.66%
Minimum Capital Requirement (MCR)	**6,253.24**	**6,206.94**

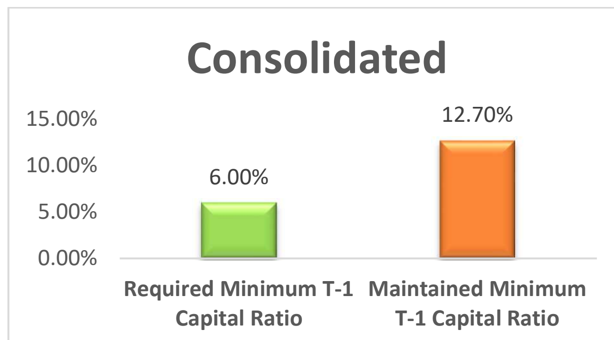
Note: As per Bangladesh Bank NOC ref. on. DOS(CAMS)1157/41(Dividend)2025-3113 dated 22nd May 2025 and Bank's calculation, shortfall of provision that have been approved by DOS to be deferred was Taka 2700.00 million and presented above as provision will be maintained in future.

Eligible Capital:

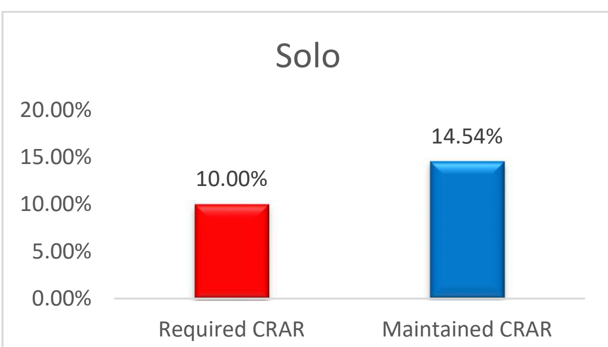
(Amount in Million)

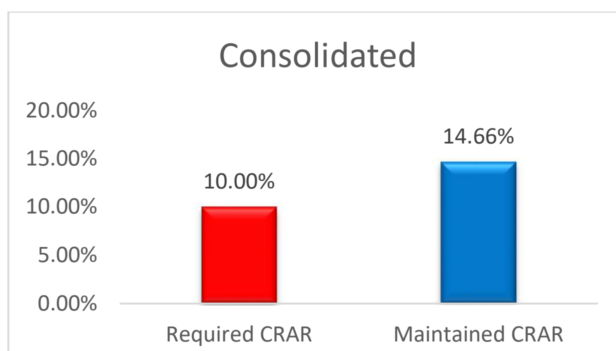
Minimum T-1 Capital Ratio:





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	(see below)

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%

NRBB defines past due and impaired loans and advances in accordance with the pertinent Bangladesh Bank guidelines to enhance credit discipline and reduce the bank's credit risk. The definition of impaired loans and advances is based on (i) objective/quantitative criteria and (ii) qualitative judgment.

To achieve this objective, all loans and advances are classified into four categories:
(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

<table>
<tr><td></td><td>installment(s) will be treated as past due/overdue after six months of the expiry date.</td></tr>
<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>NRB Bank PLC. has implemented a Credit Risk Management Policy that has been duly approved by the Board of Directors. The Policy document delineates the organization structure, roles and responsibilities, and procedures for the identification, quantification, and management of Credit Risks within the framework that the Bank deems to be consistent with its mandate and risk tolerance.

Compliance with the risk limits approved by the Board of Directors/Risk Management Committee of the Board is ensured through bank-wide monitoring of credit risk.

Also, the Bank has implemented dule diligence measures to establish the most effective credit risk management practices within the organization. Additionally, the Board of Directors has authorized the bank to establish a policy on Valuation Methodology. The Bank acquires eligible securities in order to safeguard its interests, as per the methodology. These securities serve as a safeguard against the default risk to which the bank is susceptible.</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	2,842.92	4,369.57	10,759.27	-	17,971.76
Consumer Financing	3,497.16		1,228.55	-	4,725.71
Loans to BHs/MBs/Sds against Share	-	-	-	-	0.00
Housing Finance	-	-	732	-	732.00

Loan for Professionals to setup business (LP)	-	-	-	-	0.00
Short Term Agri. Credit	-	-	-	984.7	984.70
Others	7,378.31	21,425.07	13,727.60	-	42,530.98
Staff Loans	-	-	296.74	-	296.74
Total exposure	**13,718.39**	**25,794.64**	**26,748.36**	**984.7**	**67,241.89**

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

(Amount in Million)

Geographical Distribution	Amount
Dhaka Division	45841.78
Chittagong Division	12369.16
Sylhet Division	2590.33
Rajshahi Division	1259.27
Khulna Division	3721.29
Barisal Division	18.47
Rangpur Division	14.08
Mymensingh Division	1427.51
Grand Total Division	**67241.89**

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	1,006.10
Food & allied industries	3,317.18
Tobacco	-
Readymade garments	4,441.21
Textiles	6,225.34
Ship breaking & ship building	1,405.81
Basic metal & steel engineering	3,656.39
Non-metallic mineral products	1,687.00
Pharmaceuticals industry	113.36
Chemical & chemical products	11.47
Rubber & plastic industries	1,534.53
Leather & leather products	501.82
Wood, furniture & fixtures	35.64
Paper & paper products	723.26
Electronic goods & machineries	3,584.71
Power & gas	1,035.45
Other manufacturing industries	301.34

Construction & commercial real estate	8,542.75
Transport & communication	393.66
IT & telecommunication	743.14
Medical services	305.76
Hotel & restaurant services	2.72
Printing & publishing industries	49.09
Other service industries	1,142.51
NBFIs	964.60
Trade & commerce	13,389.85
Consumer credit	4,111.30
Credit card	3,497.16
Staff loan	296.74
Others	4,222.00
Total	**67,241.89**

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		393.16	-	-	-	
1 to 3 months	23.62	1,848.05	0.18	-	-	23.62
3 to 6 months	9.53	5,248.59	0.47	-	-	9.53
6 to 12 months	374.32	13,843.96	36.21	68.28	-	374.32
1 to 2 years	3,075.29	3,201.43	993.35	916.41	1.47	3,075.29
2 to 3 years	1,692.95	524.74	694.55	-	2.58	1,692.95
3 to 4 years	1,951.30	381.33	2,816.49	-	0.9	1,951.30
4 to 5 years	386.27	16.78	2,740.92	-	0.94	386.27
5 to 7 years	3,416.07	336.57	13,647.89	-	144.29	3,416.07
7 to 10 years	1,669.65	0.02	4,852.39	-	27.47	1,669.65
Over 10 years	1,115.22	-	669.17	-	119.08	1,115.22
Total	**13714.22**	**25794.63**	**26451.62**	**984.69**	**296.73**	**67,241.89**

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	4,644.90	2,819.26
Consumer Financing	420.35	211.52
Housing Finance	79.53	21.69

Loans for Professionals to setup business	-	-
Loans to BHs/MBs/SDs against Shares etc.	-	-
Other Corporate Credit	5,352.96	7,473.10
Short Term Agri Credit & Micro Credit	-	186.38
Staff Loan	-	-
Total	**10,497.74**	**10,711.95**

- ***Specific and General Provision Maintained***

(Amount in Million)

Sector	General Provision	Specific Provision
Small & Medium Enterprise Financing	147.50	774.90
Consumer Financing	86.11	315.80
Housing Finance	6.52	16.91
Loans for Professionals to setup business	-	-
Loans to BHs/MBs/SDs against Shares etc.	-	-
Other Corporate Credit	827.83	1,067.18
Short Term Agri Credit & Micro Credit	9.85	-
Staff Loan	2.97	-
Against Off-Balance Sheet	130.81	-
Grand Total	**1,211.59**	**2,174.79**

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

Against Classified Loans & Advances	(Amount in Million)
Provision held on 1 January, 2024	1,053.28
Fully provided debts written off	(61.39)
Recoveries from previously written off debts	7.05
Provisions made during the year	1,175.85
Net Charge to the Profit & Loss Account	-
Provision held at end of year, 2024	**2,174.79**

Against Unclassified Loans & Advances	(Amount in Million)
Provision held on 1 January, 2024	571.06
Add: Provisions made/ (released) during the year	509.72
Provision held at end of year, 2024	**1080.78**

General Provision for Off Balance Sheet Exposures	(Amount in Million)
Provision held on 1 January, 2024	106.26
Provisions made during the year	24.54
Provision held at end of year, 2024	**130.81**

g) Gross Non-Performing Assets (NPAs) of NRB Bank PLC.

Gross Non-Performing Assets (NPAs)	
Non-Performing Assets (NPAs) to outstanding loans & advances	
Movement of Non-Performing Assets for NPAs	
Opening balance	2,992.63
Additions	7,731.67
Reductions	(226.56)
Closing Balance	**10,497.74**

Movements of specific provisions for NPAs	
Opening balance	1,053.28
Provision made during the period	1,175.85
Write-off	(61.39)
Write back of excess provisions	7.05
Closing Balance	**2,174.79**

h) 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 PLC. maintains two categories of equity investments: (i) Quoted Shares, which are transacted in the secondary market of DSE & CSE, such as common stock, mutual fund, and bond, and (ii) Unquoted Shares, which are currently not tradable in the secondary market. Unquoted shares are securities and shares that are classified as (i) held to maturity (ii) long-term investment (iii) acquired under private placement (iv) and will be traded in the secondary market only after the completion of the necessary legal formalities with the BSEC (Bangladesh Securities & Exchange Commission), DSE, and CSE in accordance with prevailing laws. The Bank does not intend to sell these securities immediately or in the near future.
Discussion of important policies covering the valuation and accounting of equity holdings in the banking book, This includes the accounting techniques and valuation methodologies used, including key assumptions and practices affecting valuation as well as significant changes in these practices	The purpose of investing in shares and securities is to generate capital gains and dividend income. Dividend income is recorded in the bank's books of accounts upon receipt of the dividend and the establishment of the right to receive it. Both quoted and unquoted shares are valued at cost, and necessary provisions are maintained in the event that the price descends below the cost. When the unrealized gain or loss of quoted shares is calculated, the books of accounts make adequate provisions for shares and securities after netting off the portfolio values. However, unrealized gains are not accounted for. HFT (Held for Trading)

	securities are revalued once a week using the marking to market concept, and all such securities are revalued once a year based on the Bangladesh Bank's 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)	1,221.15
	Fair Market Value of shares in Listed Securities	633.99
▪ The cumulative realized gains (losses) arising from sales and liquidations in the reporting period.		6.27
* Total unrealized gains (losses)		587.15
* 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 2024 was as under: (Amount in Million)	

Particulars	Amount (MV)	Weight	Capital Charge
Specific Risk	114.20	10%	11.42
General Market Risk	114.20	10%	11.42
Total	**228.40**		**22.84**

i) 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	The prospective impact on the Bank's earnings (Net Interest Income-NII) and net asset values due to changes in market interest rates is referred to as Interest Rate Risk in the Banking Book (IRRBB). The risk occurs when the re-pricing dates of the Bank's principal and interest cash flows (including ultimate maturities) for both On and Off-balance sheet exposures are mismatched. The size and maturity structure of the discrepancy position, as well as the magnitude and direction of interest rate

deposits, and frequency of IRRBB measurement.	changes, determine the amount at risk. The element of interest rate risk is the portfolio of assets and liabilities in the banking account that are susceptible to fluctuations in interest rates. The Bank's net interest income (the difference between interest income accrued on rate-sensitive asset portfolio and interest expenses accrued on rate-sensitive liability portfolio) is immediately impacted by changes in interest rates for a specific period. The long-term impact is on the Bank's net worth, as the economic value of the Bank's assets, liabilities, and off-balance sheet exposures is impacted. **Key assumptions regarding loan prepayments and the behavior of non-maturity deposits include the following:** a) Loans with a defined contractual maturity are re-priced in the respective time buckets in which they fall, in accordance with the loan repayment schedule. b) Loans without a defined contractual maturity are segregated into different time buckets based on the past trend, seasonality, and geographical perspective, and re-priced accordingly. c) Non-maturity deposits, such as current and savings deposits, are segregated into different time buckets based on the past trend of withdrawal, seasonality, religious festivals, and geographical perspective, and re-priced accordingly. As a result, the withdrawal of non-maturity deposits from NRBB is more or less consistent.

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)	28,135.32	10,369.29	5,506.40	28,135.32
Interest Sensitive Liabilities (B)	24,125.32	13,461.27	14,305.02	20,549.39
GAP (A-B)	**4,010.00**	**9,18.02**	**-7,880.60**	**7,054.55**

j) *Market Risk:*

Qualitative Disclosures:	
Views of BOD on trading/ investment activities	Market Risk is the possibility that the value of a portfolio, whether it be an investment portfolio or a trading portfolio, will diminish as a result of fluctuations in the value of market risk factors. Equity prices, interest rates, foreign exchange rates, and commodity prices comprise the four conventional market risk factors. The objectives of our market risk policies and processes are to achieve the optimal balance of risk and return while simultaneously satisfying the needs of our customers. The bank's principal categories of market risk include: **Interest Rate Risk:** The potential for loss as a consequence of fluctuations in interest rates. As a consequence of the disparity between the interest rates of its assets and liabilities and/or the timing of their maturity. **Foreign Exchange Risk:** This refers to the potential loss of capital and earnings as a result of fluctuations in currency exchange rates. It denotes the effect of adverse fluctuations in currency exchange rates on the value of an open foreign currency position. In addition, there is the risk of settlement and the default of the counter parties. **Equity Price Risk:** This risk arises from fluctuations in the value of equity-related portfolios. **Commodity Price Risk:** Commodity price risk refers to fluctuations in commodity prices and implied volatilities in commodity options, which encompass energy, precious metals, base metals, and agriculture. We do not currently have any exposure to commodity financing.
Methods used to measure Market risk	The market risk has been quantified using the Standardized Approach. The aggregate capital requirement calculated for each of the risk sub-categories is the total capital requirement in respect of market risk. The Standardized Approach methodology for calculating the capital requirement 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	NRB Bank PLC. has established the Asset-Liability Committee (ALCO) and Executive Risk Management Committee (ERMC) to oversee, monitor, and regulate the aforementioned risks. These committees are composed of all Heads and Senior Executives. They convene on a monthly basis to deliberate on the various positions and take immediate action as needed to resolve any issues. Various ratios and parameters are routinely monitored by ALCO to mitigate the interest rate risk. Liquid asset to total assets, volatile liability dependency ratio, medium-term funding ratio, and short-term borrowing to liquid assets ratio are the main ratios that the Committee regularly monitors. ALCO also conducts routine monitoring of the interest rate sensitive gap and duration gap of the total portfolio. NRB Bank PLC. consistently maintains its net open position within the central bank's established limit in order to mitigate exchange rate risk. Additionally, in order to mitigate exchange rate risk in cross-currency transactions, the Bank consistently converts its exposure to USD or squares its position in cross-currency. In order to monitor and manage the risk, the Bank has established relationships with numerous foreign institutions and closely monitors the incoming and outgoing sources, as well as the payment schedule of foreign currency. The Bank ensures that prudent investment decisions are made in accordance with the sectoral preference established by the bank's investment policy and the capital market exposure limit established by BB in order to manage equity risk. Additionally, the Investment Committee-Capital Market convenes on a regular basis to evaluate the Bank's market portfolio.

Policies and processes for mitigating market risk:	Market Risk-related instruments, including both on-balance sheet and off-balance sheet items, are subject to approved limits. In order to safeguard against market risks, the limits are consistently monitored and enforced. The ALCO of the bank convenes on a regular basis to evaluate the current market conditions, exchange rates, foreign exchange positions, and transactions in order to reduce 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	10.28
B	Equities	228.40
C	Foreign Exchange Position	51.17
D	Commodities	0.00
	Total	**289.85**

k) Operational Risk:

Qualitative Disclosures:	
i) Views of BoD on system to reduce Operational Risk	Operational Risk is the potential for losing money as a result of internal processes, people, or systems that are inadequate or fail, or from external events. It encompasses legal risk, but it does not include strategic and reputational risk. The Bank's business activities are inherently characterized by operational risk in their daily operations. The Senior Management Team (SMT) and Internal Control and Compliance Division (ICCD) conduct routine evaluations of various operational risk components as part of ongoing surveillance. The analytical assessment is submitted to the Bank's Board of Directors/Risk Management Committee/Audit Committee for review and guidance in the development of operational risk mitigation policies, tools, and techniques.
ii) Performance gap of executives and staffs	NRBB PLC. is of the opinion that the most effective method of reducing the knowledge divide is through training and knowledge sharing. Consequently, it conducts training sessions on an ongoing basis to enhance the skills of its employees. The bank provides its employees with a competitive compensation program that is determined by their performance and merit. It consistently endeavors to cultivate a culture in which all employees are able to utilize

	their talents and expertise to contribute to the organization in a manner that is consistent with high ethical standards, thereby enhancing the company's value and the economy.
iii) Potential external events	It is anticipated that no external event will pose a substantial operational risk to the Bank. The Bank maintains distinct Operational Risk Policies for various operational entities, each of which addresses specific operational risk-related issues.
iv) Policies and Processes for mitigating operational risk:	Operational hazards are mitigated through the implementation of an internal control mechanism. In the event that any controls are determined to be ineffective during the Risk & Control Self-Assessment process, corrective measures are implemented appropriately. A monitoring system is also in place to periodically monitor the corrective actions plan. The Operational Risk Management is addressed by the numerous Board-approved policies, including the CRM Policy, Internal Control & Compliance Policy, Policy on ML & FT, ICT Security Policy, Treasury Management Policy, and Risk Management Policy. **In 2024, Audit Department conducted following no. of audit:**

No. of Comprehensive Audit on branches	51
No. of Comprehensive Audit on Sub-branches	29
No. of Comprehensive Audit at Head Office	34
No. of Spot audits	08
No. of Utility Booth Audit	13
No. of Agent Outlet	06
No. of IT Audit: Branches	51
No. of IT Audit: Sub-Branches	29
No. of IT Audit: Head Office, Divisions	06
No. of Spot Inspection on Anti-Fraud Internal Control (AML)	07
Other (If any)	15

v) Approach for calculating capital charge for operational risk	NRBB adheres to the Basic Indicator Approach (BIA) as outlined in BRPD Circular No. 18 dated 21 December 2014, which is part of the revised regulatory capital framework for banks in accordance with Basel III. The capital charge for operational risk is a fixed percentage, denoted by α (alpha), of the average positive annual gross income of the Bank over the past three years, as stipulated by the BIA. It is also stated that the average gross income should exclude negative or zero annual gross income from both the numerator and denominator. The formula below is used to calculate the capital charge for operational risk: $K = [(GI\ 1 + GI\ 2 + GI\ 3)\ \alpha]/n$
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	5881.55	588.16	5912.01	591.20

l) Liquidity Ratio:

Qualitative Disclosures:	
i) Views of BoD on system to reduce liquidity Risk	The Bank's measurement and management of liquidity requirements are essential functions. Liquidity management can mitigate the likelihood of an adverse situation by guaranteeing the Bank's capacity to satisfy its obligations as they become due. The significance of liquidity is not limited to individual banks; rather, it can have a ripple effect on the entire banking system if a single bank experiences a liquidity shortage. The liquidity stance of NRB Bank is monitored and managed by a Board-approved ALM policy.
ii) Methods used to measure Liquidity risk	In order to identify the potential for any net shortfalls, liquidity measurement involves evaluating all of a bank's total inflows against its outflows, including funding requirements for off-balance sheet commitments.

	Making assumptions about future funding requirements, both in the very short term and for longer time periods, is a critical component of liquidity measurement. An additional critical factor is the essential role that a bank's reputation plays in its capacity to access funds at reasonable terms and with ease. The following are a number of critical liquidity risk indicators that are regularly monitored to ensure a healthy liquidity position: **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 Reports **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:** The bank will be obligated to maintain additional capital in SRP for that RLI (or those RLIs) if the annual average of any RLI of any bank falls below Bangladesh Bank's requirement.
iii) Liquidity Risk Management System	The ALCO of the bank is responsible for the monitoring and management of liquidity and interest rate risk in accordance with the business strategy. The coordination of ALM activity, which includes liquidity analysis and management, is carried out by a variety of ALCO support groups located in the functional areas of finance and accounts, finance and accounts, treasury front office, treasury mid-office, and treasury back office.
iv) Policies and Processes for mitigating Liquidity risk	Systems for identifying, measuring, monitoring, and controlling liquidity exposures are essential components of an effective liquidity risk management process. The liquidity risk is regularly monitored by the Asset Liability Management Committee (ALCO) of the bank. In accordance with the detailed recommendation from the ALM division, ALCO implements the necessary measures to mitigate

	liquidity risk. Additionally, the Bank maintains an internal risk control framework that delineates explicit and consistent policies and principles for liquidity risk management.	
Quantitative Disclosures:		(Amount in Million)
	Liquidity Coverage Ratio	204.51%
	Net Stable Funding Ratio (NSFR)	108.54%
	Stock of High-quality liquid assets	1,8078.32
	Total net cash outflows over the next 30 calendar days	8,839.96
	Available amount of stable funding	78,908.31

m) Leverage Ratio:

Qualitative Disclosures:	
i) Views of BoD on system to reduce excessive leverage	In order to prevent the accumulation of excessive on- and off-balance sheet leverage in the banking system, the leverage ratio was instituted in Basel III. The following objectives are intended to be achieved by the leverage ratio: • prevent the accumulation of leverage in the banking sector, which has the potential to harm the economy and the broader financial system • reinforce the risk-based requirements with a non-risk-based measure that is easily comprehensible. As a credible supplementary measure to the risk-based capital requirements, NRBB implemented the leverage ratio in accordance with the Basel III guidelines.
ii) Policies and processes for managing excessive on and off-balance sheet leverage	NRBB manages excessive on and off-balance sheet leverage in accordance with the revised risk-based capital adequacy guidelines of Bangladesh Bank.
iii) Approach for calculating exposure	The leverage ratio is a volume-based metric that is determined by dividing Basel III Tier I Capital by Total On and Off-balance Sheet Exposures. A minimum Tier 1 Leverage Ratio of 3.50% 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	7.80%	7.83%
	On balance sheet exposure	95,959.22	95,698.69
	Off balance sheet exposure	5,907.25	5907.25
	Regulatory Adjustments	837.08	837.55
	Total exposure	1,01,029.39	1,00768.39

n) Remuneration:

The following are the primary disclosures regarding remuneration that the Bank incorporates in Pillar-III documents. The Bank is strongly encouraged to not only disclose the necessary information, but also to clearly articulate the ways in which these factors complement and support their overall risk management framework. The quantitative disclosures requested below should be limited to senior management and other material risk takers and delineated 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.

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.** 2 numbers of guaranteed festival bonuses amounted BDT 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	30	890
	(Amount in Million)	
Basic Salary	404.91	
Festival Bonus	64.75	
Performance Bonus	25.79	
Gratuity	14.65	
Provident Fund Contribution	39.81	

	(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