



EMERGING
Credit Rating Ltd
an independent house of risk assessment

June 20, 2023

Mr. Golam Awlia
Managing Director & CEO
NRB Commercial Bank Limited
114 Motijheel C/A, Dhaka-1000, Bangladesh

Subject: Credit Rating of "NRB Commercial Bank Subordinated Bond".

Dear Sir,

We are pleased to inform you that Emerging Credit Rating Limited (ECRL) has assigned the following rating to **"NRB Commercial Bank Subordinated Bond"**.

Valid From	Valid Till	Rating Action	Long Term Rating	Outlook
June 22, 2023	June 21, 2024	Surveillance-2	A _B	Stable
June 22, 2022	June 21, 2023	Surveillance-1	A _B	Stable
June 22, 2021	June 21, 2022	Initial	A _{-B}	Stable

** B denotes bond*

The long term rating is valid up to June 21, 2024. The rating may be changed or revised prior to expiry, if warranted by extraordinary circumstances in the coupon payment structure, operations and/or performance of the bond rated.

We hope the rating will serve the intended purpose of your organization.

Yours Sincerely,

Arifur Rahman, FCCA, FCA, CSAA
Chief Executive Officer

Enclosed: Two copies of credit rating report of **NRB Commercial Bank Subordinated Bond**.

**Credit Rating Report
Of
NRB Commercial Bank
Subordinated Bond**



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NRB Commercial Bank Subordinated Bond Credit Rating Report

Corporate Bond Rating (Agreement-2021-06-15-48759)


Valid From	Valid Till	Rating Action	Long Term Rating	Outlook
June 22, 2023	June 21, 2024	Surveillance-2	A _B	Stable
June 22, 2022	June 21, 2023	Surveillance-1	A _B	Stable
June 22, 2021	June 21, 2022	Initial	A _{-B}	Stable

* B denotes bond

Date of Incorporation : February 20, 2013
Managing Director & CEO : Mr. Golam Awlia
Issue : Subordinated Bond BDT 3,000 million
Program Tenure : 7 years
Issuer : NRB Commercial Bank Limited
Arranger : City Bank Capital Resources Limited
Trustee : UCB Investment Limited
Issue date : December 26, 2021
Contact Analysts : Md. Fahad Bhuiyan fahad.bhuiyan@emergingrating.com
Md. Harun Chowdhury harun@emergingrating.com

**Credit
Analysis**

**Corporate Bond
Rating**


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Chief Executive Officer
Emerging Credit Rating Limited

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Corporate Bond Rating

CREDIT ANALYSIS

2023 Surveillance Review

NRB Commercial Bank Subordinated Bond

Major Rating Factors

- Strengths**
- Ⓐ Recurring growth to total asset base, gross loans, deposit and investments portfolio in the 2019-2022 period
 - Ⓐ Increased net interest income
 - Ⓐ Lower dependency on large loans
- Challenge/ Risks**
- Ⓐ CRAR fell below regulatory requirement
 - Ⓐ Large increase of non-performing loans in 2022
 - Ⓐ Lower profit after tax in 2022

Rationale Emerging Credit Rating Limited (ECRL) has affirmed the long term credit rating to **A_B** (Pronounced as 'Single A Bond') for NRB Commercial Bank Limited's Subordinated Bond BDT 3,000 million (hereinafter referred to as "The Subordinated Bond" or "The Bond" or "The Issue"). The outlook on the rating is **Stable**. The rating is consistent with ECRL's methodology for this type of financial institutions and bond rating.

The Subordinated Bond, which qualifies as Tier-II Capital for NRB Commercial Bank Limited (hereinafter referred to as "NRBCBL" or "The Bank" or "The Issuer"), is rated lower than NRBCBL's standalone rating, because of the Subordinated position of the bond relative to the NRBCBL's depositors and other senior creditors.

The ratings reflect the strengths of the bank which is backed by consistent sizeable growth to total asset base particularly in gross loans and investments portfolio, lower dependency on large loans and increased net interest income. However, ECRL is concerned about the CRAR falling below regulatory requirement, high increase of non-performing loans and worsened post-tax profit.

The investors of the bond are 3 commercial banks. The issue is floating rate non-convertible unsecured fully-redeemable subordinated bond where City Bank Capital Resources Limited is the arranger and UCB Investment Limited is the Trustee. Issue size of the bond is BDT 3,000.00 million and 20% of the total bond value to be redeemed at the end of each year starting from 3rd year till 7th year. The coupon rate is being determined based on average of most recent month's published highest fixed deposit rates (6 months tenure) of all private commercial banks (excluding Islami banks and Foreign Banks) plus 2.50% margin. However, the rate must be within the minimum and maximum limit of 7.00% and 9.00% respectively. Recently, the first coupon payment was made on June 23, 2022 with a rate of 7.43% and the bank has paid its second coupon payment at a rate of 7.64% to its subscribers.

NRBCBL is experiencing a growing trend over the years mainly fueled by consistent broadening of the gross loan portfolio by 29.82% in FY2022. However, the bank's asset book has reached at BDT 200,356.06 million from BDT 153,552.38 million encountering a significant upsurge of 30.48%. FY2022 while a merely increase growth rate of 31.67% was witnessed by the bank in the prior financial year. As increasing business activities led to higher demand for bank financing, borrowers have requested loans and advances to assist their commercial activity, which has resulted in the expansion of loans category. At the same time, the investment portfolio of the bank had an uplift of 29.63% by increased investment in Government

Arifur Rahman FCCA, FSA, CSAA

Chief Executive Officer

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Treasury Bill and Bond as these provide a secured and risk free income for the bank as well as improving the asset base.

The most important factor in determining the asset quality is the concentration of gross non-performing loans (NPLs) to total loans of a bank. Along with the rising loans and advances, non-performing loans (NPLs) experienced a substantial surge by 33.85% reaching to BDT 6,381.21 million by the end of FY2022 compared to BDT 4,767.33 million in the previous year. It has consequently resulted in a slight upswing in the gross NPL ratio to 4.69% in FY2022, compared to 4.54% in the preceding year. The bank kept the required provision as per regulatory requirement against its loans and advances.

To cover the ongoing Non-Performing Loans (NPLs), the bank rescheduled a total of BDT 15,108.29 million and BDT 538.88 million worth of loans were written off during FY2022. These along with NPL accounted for 16.18% of the bank's total loans and advances in FY2022, demonstrating a surge from 12.30% in the previous financial year.

In FY2022, NRBCBL's exposure to large loans (including funded and non-funded loans exceeding 10% of the bank's total capital) lessened compared to the previous year and amounted to 35,307.50 million; on the contrary it was BDT 47,598.70 million in FY2021. Furthermore, the top 30 funded exposure of the bank amounted to BDT 35,171.51 million during the period that rose from BDT 28,694.10 million in FY2021. Despite that, this top 30 funded exposure constituted 25.83% of the total loan portfolio in 2022, compared to 27.35% in the preceding year. The decreasing large loan dependency of the bank shows higher diversification of loans in 2022 compared to previous year.

However, the bank has not abided by the legal minimum requirement of Bangladesh Bank for 12.50% CRAR and maintained a CRAR of 12.44% in FY2022. Total risk weighted asset of the Bank has witnessed an upsurge of 29.30% due to the increasing non-performing loans while the total capital increased by 19.61%, lowering the CRAR in 2022.

Despite pervasive pressure on deposits, NRBCBL's deposit base climbed up by 28.20%, reaching at BDT 147,274.69 million in FY2022 as the bank increased its geographical presence through opening new branches and new sub branches at different locations in the country and as a result the deposit growth was higher in the 2022.

The interest income of the bank has massively up surged by 41.45%, standing at BDT 11,178.65 million in FY2022 as opposed to BDT 7,902.90 million in the prior year as a result of improving 29.82% of its loan portfolio during FY2022. The net interest income of the bank experienced a relatively modest rise of 34.89%, culminating in a net interest income of BDT 4,496.62 million at the end of FY2022. The total operating income stood at BDT 8,736.50 million, showcasing a growth rate of 15.23% in FY2022 while the total operating costs of the bank took off significantly by 33.16%, increasing the cost to income ratio to 53.77% from 46.53%. The heightened growth in operating costs ultimately led to a 16.53% reduction in the post-tax profit of BDT 1,739.57 million. This marks a notable decrease compared to the significant 55.19% upswing in post-tax profit observed in the previous year.


ECRL views the rating outlook as **Stable** due the bank's current business position and the possibility of maintaining similar business growth in the coming year.

Arifur Rahman FCCA, FCA, CSAA
Chief Executive Officer
Emerging Credit Rating Limited

**Exhibit 1: Financial Highlights: NRB Commercial Bank Limited**

FY 31 December	2022	2021	2020	2019
Total Assets (BDT million)	200,356.06	153,552.38	116,620.41	90,118.08
Asset Growth (%)	30.48	31.67	29.41	34.38
Gross Loans (BDT Million)	136,174.05	104,898.31	74,835.73	62,015.02
Gross Loans Growth (%)	29.82	40.17	20.67	28.88
Deposits (BDT Million)	147,274.69	114,874.87	90,177.26	71,857.90
Deposit Growth (%)	28.20	27.39	25.49	32.87
Gross NPL Ratio (%)	4.69	4.54	2.93	3.20
Loan/Deposit Ratio (%)	84.50	84.17	78.66	82.54
Net Interest Income (BDT million)	4,496.62	3,333.45	1,697.02	2,536.85
Net Interest Income Growth (%)	34.89	96.43	(33.11)	16.89
Non-Interest Income (BDT million)	4,239.87	4,248.56	4,603.03	2,273.84
Non-Interest Income Growth (%)	(0.20)	(7.70)	102.43	47.67
Pre-Tax Profit (BDT million)	2,988.70	3,002.42	2,039.73	2,042.51
Post-Tax Profit (BDT million)	1,739.57	2,083.94	1,342.83	1,148.26
Post-Tax Profit Growth (%)	(16.53)	55.19	16.94	22.90
Post-Tax ROAE (%)	14.06	19.29	14.93	15.07
CRAR (%)	12.44	13.45	12.52	13.40

FY2019-FY2022 Data Extracted from Audited Financials


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 Chief Executive Officer
 Emerging Credit Rating Limited

A. BUSINESS DESCRIPTION

A.1. Company Background

NRB Commercial Bank Limited (NRBCBL) is a fourth generation Private Commercial Bank (PCB) incorporated on February 20, 2013 in Bangladesh as a public limited company under Companies Act 1994. On November 18, 2020, the bank received Initial Public Offering (IPO) Approval by BSEC and listed with Dhaka Stock exchange and Chittagong Stock Exchange on March 10, 2021. The bank's first share trading on stock market started on March 22, 2021. NRBCBL was formally inaugurated on April 2, 2013 focusing on conventional banking with its registered office situated in Dhaka, Bangladesh. The bank has an Islamic Banking Window that was approved by Bangladesh Bank on November 14, 2019 and inaugurated on January 20, 2020. Bangladesh Bank has given permission for Islamic Banking Operation of all NRBC's Branches with letter dated February 08, 2021. The offshore banking license of NRBCBL was obtained on September 22, 2020.

NRBC Bank Securities Limited and NRBC Bank Asset Management Limited are the bank's two subsidiaries. Following Bangladesh Securities and Exchange Commission's guidelines, NRBC Bank Securities Limited was incorporated as a subsidiary business after receiving approval from Bangladesh Bank. It was incorporated on September 20, 2015 under the Companies Act of 1994 and started commercial operation on December 12, 2016. It offers stock brokerage services to local and foreign institutions, as well as retail clients. NRBC Bank Asset Management Limited incorporated as a subsidiary business after receiving approval from Bangladesh Bank. It was incorporated on December 07, 2021 under the Companies Act of 1994.

A.2. Shareholding Structure

NRB Commercial Bank Limited started with an Authorized Capital of BDT 10,000.00 million and having initial paid-up capital of BDT 4,446.06 million by converting the foreign currency of 53 (Fifty three) qualified Non-resident Bangladeshi (NRB). The bank's paid up capital has reached to BDT 7,929.66 million as on December 31, 2022. Majority of the share is held by Sponsors/Promoters (73.49%) followed by Shareholders (23.56%) and Institutions 2.95%.

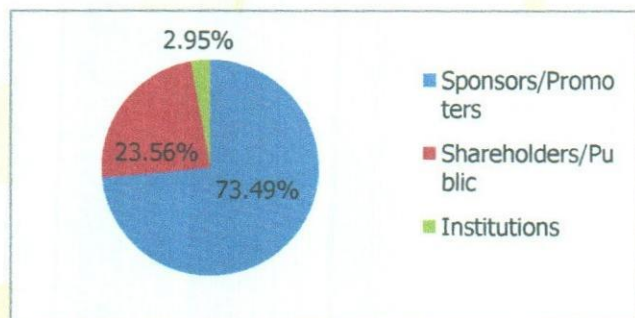


Figure 1: Shareholding position of NRBCBL

A.3. Products & Services

NRBCBL provides abundance of products & services segmented under Retail Banking, SME Banking, Corporate Banking, NRB Banking, Agent Banking and SMS Banking. The products include various types of deposit, loan, online, Islamic banking, cards and services include utilities bill collection, remittance service. NRBC Bank is catering to the domestic and overseas needs of small businesses, medium and large Corporation by offering a wide range of corporate finance products including Construction Finance, Export and Import Finance, Machinery Finance, Stock Finance, Work Order Finance, Business Vehicle Finance etc. For Small and Medium Enterprises, NRBCBL is offering various financial product and services such as Agriculture Finance, Green Finance, House Building Loan or HBL (Residential), SME Finance, Agri. Community Finance. NRBCBL's network across the country provides a comprehensive variety of retail and personal banking products and services such as Auto Finance, Personal Loan, Home Finance for NRB, Retail Finance, Residence Finance, Financial Obligation Finance, Personal Vehicle Loan, NRBC Auto Loan, NRBC Home Loan, NRBC Education Loan. Apart from these, the bank offers a wide range of commercial banking products and services to NRBs and various services such as account opening, deposit, withdrawal, foreign remittance, fund transfer, bill collection etc. services through its agent banking. The deposit product for all clients consists of various savings account, deposit schemes, FDRs as well as current deposit and short notice deposit. The bank's Islamic Banking product portfolio includes shariah based current account, savings account, schemes etc. Besides those, the bank offers various credit card, debit card, ATM, internet banking, NRBC Mobile App PLANET under its services.



A.4. Operational Network

The corporate office of the bank is situated at Motijheel C/A, Dhaka. As on December 31, 2022, NRBC Commercial Bank Limited has a spread network of 103 branches, 224 Sub-branches, 319 Land Registration collection booths and 9 AD branches. The branches cover Dhaka, Chattogram, Rajshahi, Khulna, Barishal, Sylhet, Rangpur, Mymensingh divisions. The Bank has two Off-shore Banking Units (OBU) located at Gulshan Branch and Agrabad Branch. All over the country, the bank has a total of 53 ATM Booths. The bank also offers SMS Banking and Internet Banking services.

A.5. Market Share

NRBCBL's loans & advances and deposit position were BDT 136,174.05 million and BDT 147,274.69 million respectively at the end December 31, 2022. Considering the banking industry as a whole, all scheduled banks' total loans & advances and deposit were BDT 14,411,965.00 million and BDT 14,891,691.00 million respectively at the end of December, 2022. NRBCBL contributed 0.94% of market share in terms of loans and advances and 0.99% of market share in terms of deposit at the end of 2022.

Figure 2: NRBCBL's Market share by Loans & Advances

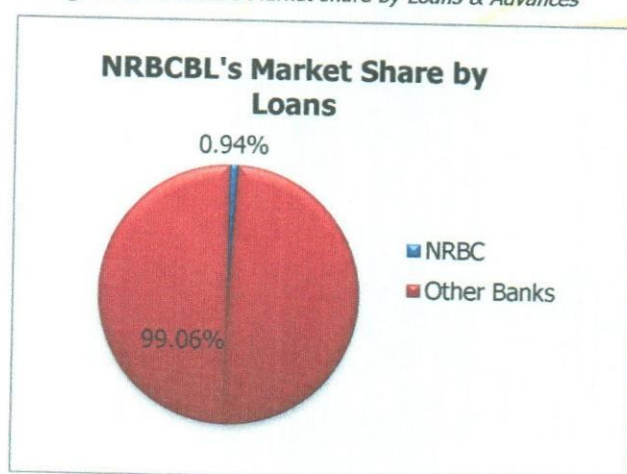
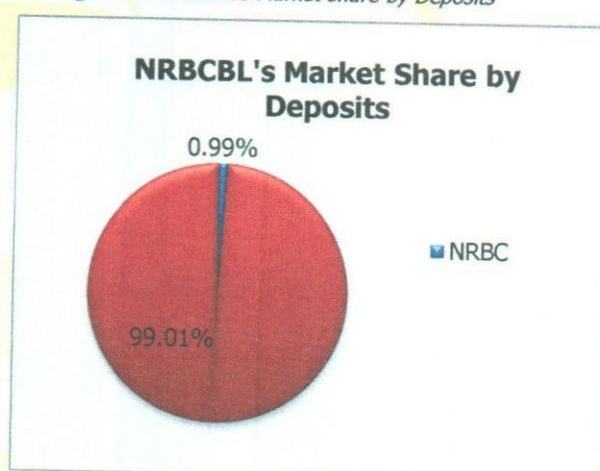


Figure 3: NRBCBL's Market share by Deposits



A.6. Subordinated Bond Issuance Objective

The objective behind issuance of the Subordinated Bond is to further strengthen the capital base as supplementary (Tier-II) capital of the bank and to comply with the capital adequacy requirements as per Basel-III and enable the bank to reach sustainable growth in business. The fund raised through issuing the bond will provide the bank additional capital cushion under risk based capital adequacy framework, and will help the bank to grow its loans and advance portfolio.

A.7. Structure of Subordinated Bond and Terms

Exhibit 2: Structure of Subordinated Bond BDT 3,000 million

Name of the Instrument	NRBC Bank Subordinated Bond-I
Issue Type	Non-convertible Unsecured Fully-redeemable Floating Rate Subordinated Bonds
Issuer	NRB Commercial Bank Limited
Purposes and Objectives	To raise Tier-II Regulatory Capital and thereby enhancing Capital to Risk-weighted Asset Ratio (CRAR) as per "Guidelines on Risk Based Capital Adequacy" of Bangladesh Bank
Arranger	City Bank Capital Resources Limited (CBCRL)
Trustee	UCB Investment Limited
Issue Size	BDT 3,000,000,000.00
No. of Bonds to be issued	300
Face Value	BDT 10,000,000.00 of Each Bond
Minimum Subscription	BDT 10,000,000.00
Tenor	7 Years or 84 Months from the date of Issue
Investors	Institutional investors and high net-worth individual

	investors
Mode of Placement	Private Placement on a best effort basis
Yield to Maturity / Rate of Return	Coupon Rate
Coupon Rate	Reference Rate + Coupon Margin
Reference Rate	<p>The Reference Rate shall be determined by the following method:</p> <p>Average of most recent months published fixed deposit rates (6 months tenor) of Private Commercial Banks (excluding Islamic & Foreign Banks). The issuers 6 months tenor deposit rate to be considered at the time of calculating the average. The published deposit rate to be taken from "Announced Interest Rate Chart of the Scheduled Banks (Deposit Rate)" published by Bangladesh Bank in its website. This will be fixed semi-annually. The Reference Rate will be fixed by the trustee semi-annually on ("Interest Reset Date") the immediately preceding business day of the issuance and afterwards semi-annually throughout the tenor of the bond. For avoidance of doubt, the Reference Rate shall be calculated by the trustee and notified to the issuer and all investors on every Interest Reset Date</p>
Quotation Day	5 business days before the first day of any period for which a coupon rate is to be determined
Coupon Margin	2.50% p.a.
Range of Coupon Rate	7.00% - 9.00% at all times
Coupon Payment	Interest to be paid semi-annually. First interest will be paid after six months of the drawdown date
Non-convertible	NRBC Bank Subordinated Bond-I is not convertible into Ordinary Shares
Non-callable	NRBC Bank Subordinated Bond-I is not callable
Tax Features	According to the laws of Bangladesh
Late Redemption	The Issuer shall pay a late payment penalty of 2% (two per cent) higher than the Coupon Rate and be payable on the amount not paid on the due date till the date of actual payment
Early Redemption	The Issuer shall pay an early redemption penalty of 2% (two per cent) higher than the Coupon rate which will be applicable from end of the second year starting from the drawdown date. In case of early redemption, coupon rate will be paid along with all coupons (accrued and unpaid) to be calculated at last coupon rate along with the redeemed amount.
Description of Collateral Security and type of charges to be created against the issue	Unsecured
Listing	Unlisted
Transferability/Liquidity	Transferable in accordance with the provisions of the Deed of Trust
Governing Law	Laws of Bangladesh

A.8. Rate of Return

The rate of return or the coupon rate of the bond is to be determined in two stages. First, the reference rate is to be determined and then a coupon margin is added to the base rate.

- **Reference Rate:** The reference rate shall be determined by Average of most recent months published fixed deposit rates (6 months tenor) of Private Commercial Banks (excluding Islamic & Foreign Banks). The published deposit rate to be taken from "Announced Interest Rate Chart of



the "Scheduled Banks (Deposit Rate)" published by Bangladesh Bank. This will be fixed semi-annually. The Reference Rate will be fixed by the trustee semi-annually on ("Interest Reset Date") the immediately preceding business day of the issuance and afterwards semi-annually throughout the tenor of the bond. For avoidance of doubt, the Reference Rate shall be calculated by the trustee and notified to the issuer and all investors on every Interest Reset Date.

- **Margin:** 2.50% p.a.
- **Coupon Floor Rate:** 7.00% p.a.
- **Coupon Ceiling Rate:** 9.00% p.a.

A.9. Repayment Schedule

The Subordinated Bond of NRBCBL will be paid in 5 (five) annual tranches commencing at the end of 36th month from the date of drawdown as per following schedules from the Issue Date. The final maturity of the Bond will be at the end of 7th year or 84 Months from the Issue Date. The bond has been subscribed by the following subscribers –

Subscriber's Name	Subscription Amount	Subscription Lot
Janata Bank Limited	2,000,000,000	200
Sonali Bank Limited	500,000,000	50
Agrani Bank Limited	500,000,000	50
Total	3,000,000,000	300

The first coupon payment was made on June 23, 2022 with a rate of 7.43% and the bank has paid its second coupon payment at a rate of 7.64%.

Exhibit 3: Repayment schedule of subordinated bond

Month	Redemption
36 th	20.0%
48 th	20.0%
60 th	20.0%
72 nd	20.0%
84 th	20.0%

B. FINANCIAL RISK ANALYSIS

The financial analysis process has been based on both quantitative and qualitative aspects of the institution. This has mostly been based on the company's policies in relation with the operating strategies, asset quality, composition and trend, fund management, capital adequacy, liquidity management, risk management and ultimate financial goals of the firms. For the purpose of the overall financial risk assessment of the business has been analyzed thoroughly and followed strict evaluation process in the aforementioned sections. Detailed analysis is presented below.

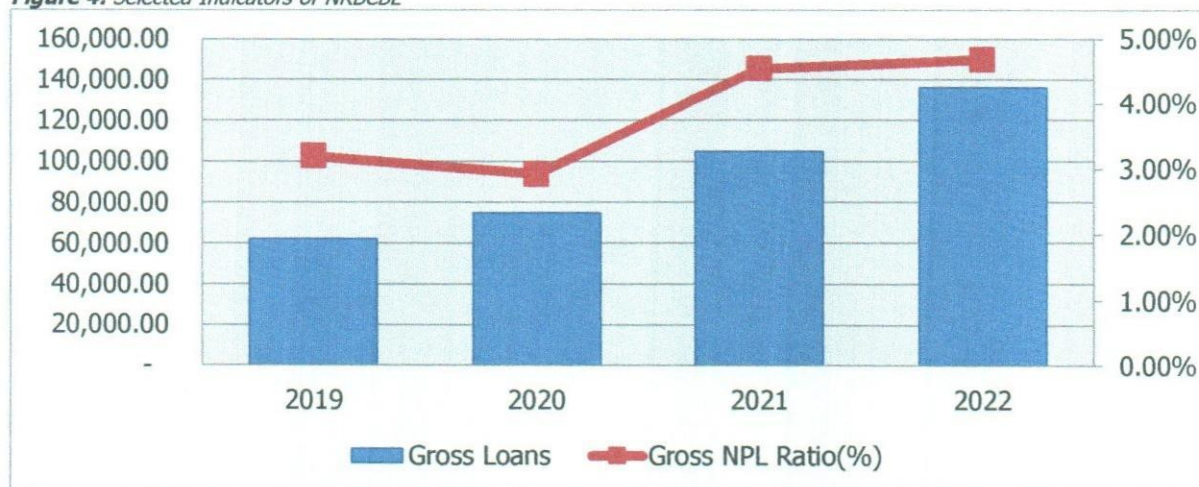
B.1. Asset Composition & Trends

Exhibit 4: Selected Indicators for NRBCBL

FY 31 December	2022	2021	2020	2019
Total Asset (BDT Million)	200,356.06	153,552.38	116,620.41	90,118.08
Asset Growth (%)	30.48	31.67	29.41	34.38
Gross Loans (BDT Million)	136,174.05	104,898.31	74,835.73	62,015.02
Gross Loans Growth (%)	29.82	40.17	20.67	28.88
Investments (BDT Million)	36,996.58	28,541.08	26,367.84	15,298.17
Investments Growth (%)	29.63	8.24	72.36	92.63
NPLs (BDT Million)	6,381.21	4,767.33	2,191.08	1,985.09
NPLs Growth (%)	33.85	117.58	10.38	40.35
Gross Loans to Total Assets (%)	67.97	68.31	64.17	68.82
NPL Ratio (%)	4.69	4.54	2.93	3.20
Net NPLs to Net Loans (%)	0.14	0.09	(1.62)	0.01
Loan Loss Reserve to NPLs (%)	59.95	69.47	118.97	76.08
NPLs to Equity & Loan Loss Reserve (%)	38.07	31.53	17.66	20.46

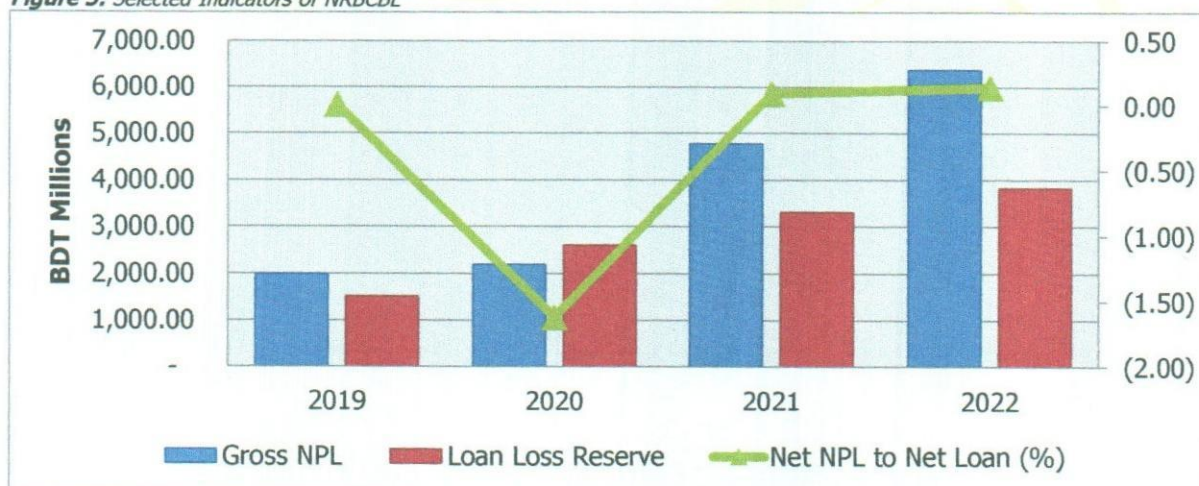
B.1.1. Asset Quality

Figure 4: Selected Indicators of NRBCBL



According to the financials, NRBCBL has consistently demonstrated robust growth in its total asset base over the four-year periods under review being a growing fourth generation bank. The bank's asset portfolio reached BDT 200,356.06 million, marking a significant surge of 30.48% during FY2022 while the bank experienced a growth rate of 31.67% in its asset base during the preceding year. This consistent upward trend highlights the bank's sustained and healthy expansion of its overall asset holdings which was aided by its 29.82% increased loans portfolio during the year as NRBCBL's gross loans and advances accounted for 67.97% of the total assets in FY2022. Notably, investment portfolio of the bank had an uplift of 29.63% from the previous year, a result of increased investment in Government Treasury Bill and Bond as these provide a secured and risk free income for the bank as well as improving the asset base.

Figure 5: Selected Indicators of NRBCBL



Among the total asset, biggest contributor the loans portfolio grew by 29.82% reaching a total of BDT 136,174.05 million in 2022 along with when the economy started recovery from the impact of the COVID-19 pandemic of 2020-2021. As increasing business activities led to higher demand for bank financing, borrowers have requested loans and advances to assist their commercial activity, which has resulted in the expansion of loans category.

However, with the rising loans and advances, non-performing loans (NPLs) experienced a substantial surge by 33.85% reaching to BDT 6,381.21 million by the end of FY2022 compared to BDT 4,767.33 million in the previous year, ultimately covering 4.69% of the total loans which was 4.54% a year ago. The bank's bad/loss loans increased by 50.92% in 2022 and covered 66.91% of its total non-performing loan portfolio in 2022. Notably, as of December 31, 2022, there were 139 accounts totaling BDT 1,964.45 million that has been classified as bad/loss loans for more than two years

which can end up being not recoverable. Thus, the bank's asset quality was impacted by some extent in 2022.

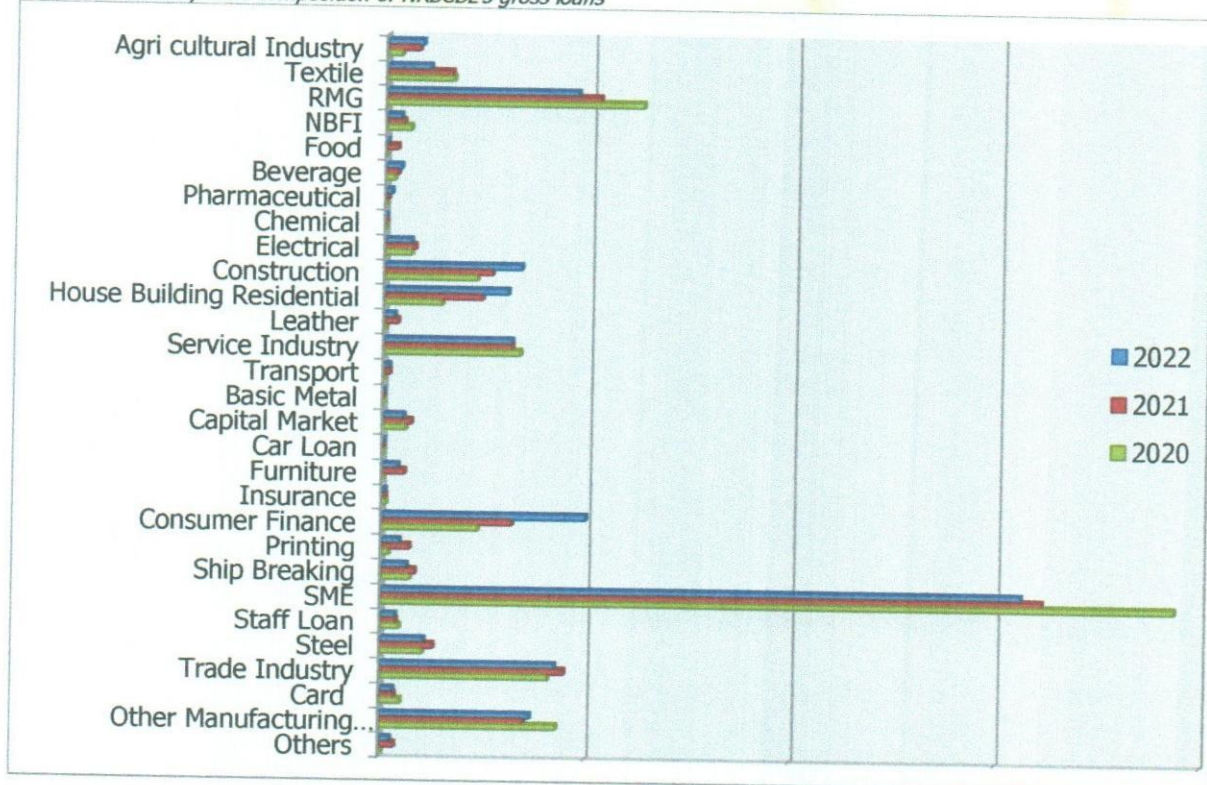
The bank's provision requirement for loan and advances (classified and unclassified) was BDT 3,825.39 million in FY2022 and the bank allocated the same as provision, indicating that there was no surplus or deficit in the provision, effectively covering the total required provision. However, substantial rise in non-performing loans lowered the loan loss reserve coverage from 69.47% to 59.95% in FY2022 illustrating that the coverage provided by the loan loss reserve for potential losses associated with non-performing loans has declined.

B.1.2. Loan Diversification & Concentration

NRBCBL has been effectively managing a well-diversified portfolio with concentration in several sectors of the economy revealed by its sector wise loans and advances. An analysis of the sector-wise concentration exhibits that the majority of NRBCBL's loan portfolio is allocated to SME sector (31.16%) followed by consumer finance (9.90%) and ready-made garment industries (9.30%) at the end of FY2022.

The bank's loans and advances are distributed across different geographic areas, with 23.66% allocated to rural areas and the majority portion (76.34%) focused on urban areas. Among the urban areas, the highest concentration of loans and advances has been observed in the Dhaka division, accounting for 68.13% of the total, followed by the Chattogram division with 10.79% of the distribution.

Figure 6: Industry-wise composition of NRBCBL's gross loans



B.1.3. Rescheduled/Restructured and Written-Off Loans

The bank experienced a significant escalation in rescheduled loans and advances owing to the effects of the COVID-19 pandemic which has increased the non-performing loans in 2021 and 2022 periods. In order to control the non-performing loans as well as giving ease to the borrowers for repayment of facilities, the bank rescheduled a total of BDT 15,108.29 million loans of 338 accounts by the end of FY2022 compared to BDT 8,138.18 million in the prior year. Furthermore, during FY2022, the bank wrote off loans worth BDT 538.88 million, while no loans were written off in FY2021. The rescheduled loans and advances accounted for 11.09% of the total loans and advances in FY2022, compared to 7.76% in FY2021. Furthermore, when considering NPLs, rescheduled loans, and written-off loans



together, they represented a significant portion of 16.18% of the bank's gross loans and advances in FY2022 indicating a moderate surge compared to 12.30% in the preceding financial year.

B.1.4. Large Loan Exposure

During FY2022, the bank's exposure to large loans including both funded and non-funded loans that exceed 10% of the bank's total capital, reduced compared to the previous year to BDT 35,307.50 million from BDT 47,598.70 million in the previous year. These large loans accounted for varying proportions of the total loan portfolio over the past four years, with percentages of 25.93%, 45.38%, 52.82%, and 54.57% respectively. On the other hand, the top 30 funded exposure of the bank amounted to BDT 35,171.51 million during the period that rose from BDT 28,694.10 million in FY2021. Despite that, this top 30 funded exposure constituted 25.83% of the total loan portfolio in 2022, compared to 27.35% in the preceding year. The decreasing large loan dependency of the bank shows higher diversification of loans in 2022 compared to previous year.

B.1.5. Off-Balance Sheet Exposure

In FY2022, the total contingent liabilities of NRBCBL reached BDT 50,265.91 million. During the latest financial year, the off-balance sheet contingent liabilities of NRBCBL were comprised of 20.89% acceptance and endorsements, 11.83% letters of credit, 55.05% letter of guarantee, and 12.23% bills of collection.

B.2. Capital Adequacy

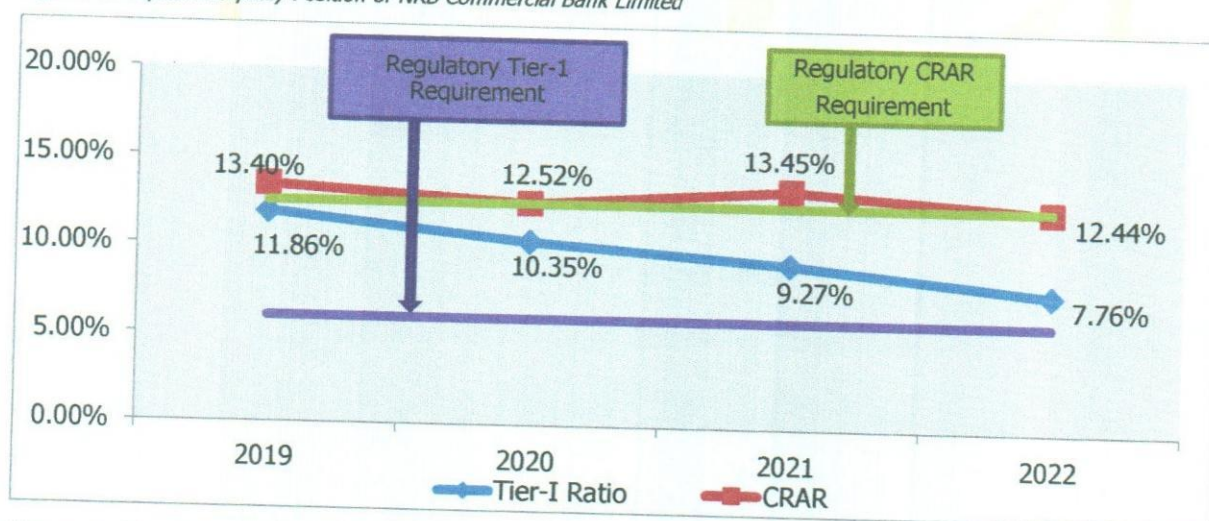
Exhibit 5: Selected indicators of NRBCBL
FY 31 December

	2022	2021	2020	2019
Tier-I Capital (BDT Million)	11,993.55	11,080.48	8,594.24	7,883.22
Total Capital (BDT Million)	19,221.30	16,069.33	10,391.24	8,907.26
Total Risk Weighted Assets (BDT Million)	154,493.40	119,482.86	82,997.69	66,462.20
Tier-I Ratio (%)	7.76	9.27	10.35	11.86
CRAR (%)	12.44	13.45	12.52	13.40

FY2019-FY2022 Data Extracted from Audited Financials

NRBCBL experienced a moderate surge in its Tier-I or core capital by 8.24% from BDT 11,080.48 million to BDT 11,993.55 million at the end of FY2022. Additionally, the bank witnessed a substantial uplift of 44.88% in its Tier-II capital which was primarily due to the issuance of subordinated bond. The total capital of the bank reached at BDT 19,221.30 million at the end of FY2022, compared to BDT 16,069.33 million in the preceding financial year, registering an escalation of 19.61% during the period.

Figure 7: Capital Adequacy Position of NRB Commercial Bank Limited



However, the risk weighted assets of the bank has witnessed a significant surge of 29.30%, standing at BDT 154,493.40 million in FY2022 from BDT 119,482.86 million in the prior year indicating that bank's risk profile has further affected negatively to some extent. Since the growth rate of total risk weighted assets surpassed the growth rate of total eligible regulatory capital, it has led to a marginal



decline in the capital to risk weighted ratio (CRAR) to 12.44% in FY2022 against 13.45% in the former year, which is however slightly lower than the minimum capital requirement of 12.50%.

B.3. Funding and Liquidity

Exhibit 6: Selected indicators of NRBCBL
FY 31 December

	2022	2021	2020	2019
Deposits (BDT in Millions)	147,274.69	114,874.87	90,177.26	71,857.90
Deposit Growth (%)	28.20	27.39	25.49	32.87
Loans to Customers Deposits (%)	84.50	84.17	78.66	82.54
Net Loans to Stable Funding Base (%)	116.05	119.66	100.60	99.09
Net Loans to Customer Deposits (%)	88.25	87.25	79.27	83.54
Deposit to Total Liability & Equity (%)	73.51	74.81	77.33	79.74
Interbank Liabilities to Total Funding Base (%)	4.75	3.54	1.43	0.45

FY2019-FY2022 Data Extracted from Audited Financials

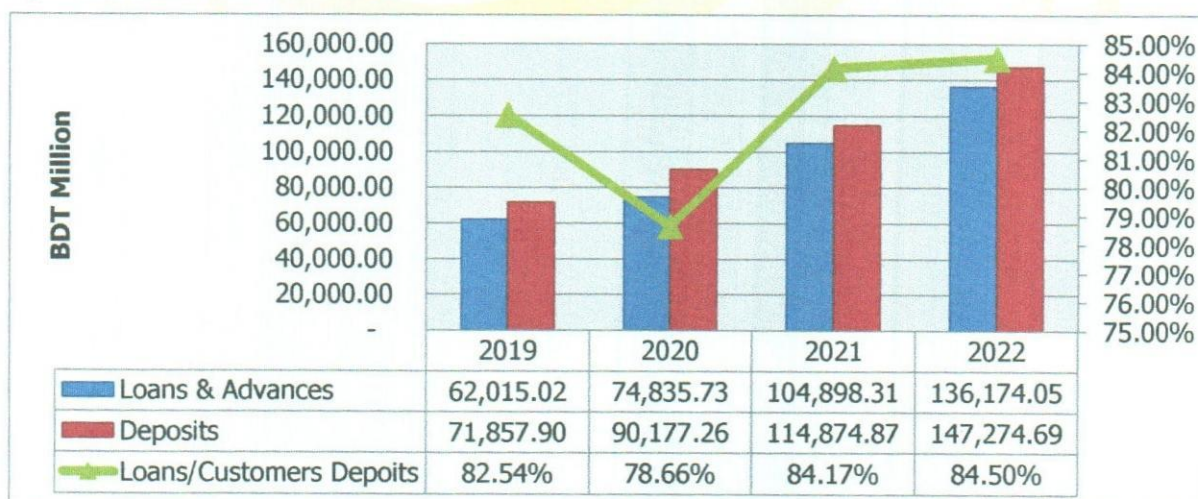
B.3.1. Fund Management

The majority of a bank's funding mainly derives from deposits along with capital, interbank liabilities, subordinated bonds, and other liabilities. According to the financial statements, deposits make up 73.51% of NRBCBL's total funding base at the end of FY2022 followed by other liabilities (11.12%), equity (6.46%), interbank liabilities (6.18%), and subordinated bond (2.75%).

The bank's deposit base has experienced a substantial boost of 28.20%, reaching at BDT 147,274.69 million in FY2022. In the year 2022, the bank has opened 10 (Ten) New Branches and 22 New Sub Branches at different locations in the country and as a result the deposit growth was higher in the 2022.

As per the guidelines established by the central bank, Islamic Shariah-based banks have a maximum allowable limit for the loan/investment to deposit ratio set at 92.00%, while for conventional banks, the maximum allowable limit is 87.00%. The loan to deposit ratio of the bank stood at 84.50%, which was below the maximum limit imposed by the central bank. At the end of FY2022, the net loans (after deducting provisions and interest suspense account from gross loans) amounted to 116.05% of the stable funding base.

Figure 8: Selected indicators of NRBCBL



B.3.2. Liquidity Management

Conventional banks operating in Bangladesh are required to adhere to the regulatory guidelines set by Bangladesh Bank, which include maintaining a Statutory Liquidity Reserve (SLR) of 13.00% and a Cash Reserve Requirement (CRR) of 4.00% on a bi-weekly basis. NRBCBL has been compliant with these requirements, ensuring that the Cash Reserve Ratio (CRR) and the Statutory Liquidity Requirement (SLR) are maintained in accordance with the directives of Bangladesh Bank.



NRBCBL has consistently maintained its Cash Reserve Ratio (CRR) and Statutory Liquidity Requirement (SLR) in accordance with the standards set by Bangladesh Bank. In FY2022, for conventional banking, the bank was required to maintain BDT 5,775.33 million for CRR while NRBCBL held BDT 6,054.07 million as of December 31, 2022. Similarly, the SLR requirement for conventional banking was BDT 18,769.81 million whereas NRBCBL maintained BDT 23,458.12 million for SLR during the same period. Consequently, the bank had a surplus of BDT 278.74 million for CRR and BDT 4,688.31 million for SLR in FY2022. Additionally, for Islamic banking, NRBCBL also met the required CRR with a surplus of BDT 7.82 million and maintained the SLR with a surplus of BDT 822.12 million in FY2022.

The bank's liquidity statement showed liquidity gap in under 1 month, 1 to 3 months and 3 to 12 months categories while the net liquidity considering all the time frames projected net liquidity surplus.

B.4. Earning Trends and Profitability

Exhibit 7: Selected Indicators of NRBCBL
FY 31 December

	2022	2021	2020	2019
Net Interest Income (BDT Million)	4,496.62	3,333.45	1,697.02	2,536.85
Net Interest Income Growth (%)	34.89	96.43	(33.11)	16.89
Non-Interest Income (BDT Million)	4,239.87	4,248.56	4,603.03	2,273.84
Non-Interest Income Growth (%)	(0.20)	(7.70)	102.43	47.67
Pre-Provision Profit (BDT Million)	4,039.13	4,054.46	3,068.00	2,587.14
Pre-Tax Profit (BDT Million)	2,988.70	3,002.42	2,039.73	2,042.51
Post-Tax Profit (BDT Million)	1,739.57	2,083.94	1,342.83	1,148.26
Post-Tax Profit Growth (%)	(16.53)	55.19	16.94	22.90
Post - Tax ROAE (%)	14.06	19.29	14.93	15.07
Interest Spread (%)	3.31	3.84	3.64	5.68
Net Interest Margin (%)	2.84	2.77	1.84	3.61
Cost Income Ratio (%)	53.77	46.53	51.30	46.22

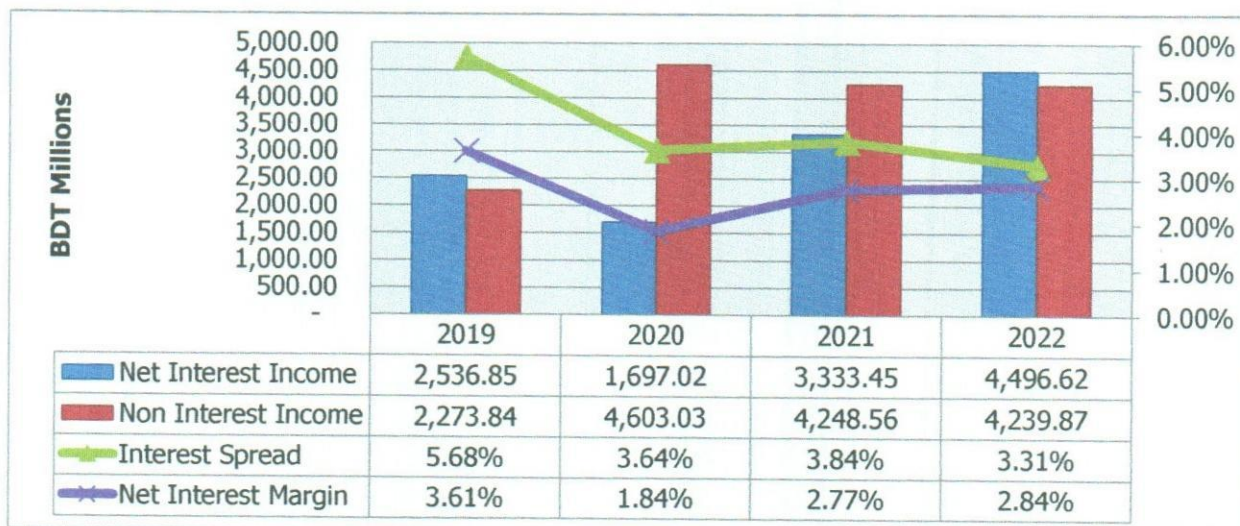
FY2019-FY2022 Data Extracted from Audited Financials

Following the resurgence of economic activity in the post-pandemic period, there has been a notable surge in the demand for credit across the banking sector as a whole. NRBCBL, improved 29.82% of its loan portfolio during FY2022 which led to significant upswing of 41.45% in the bank's interest income, which reached an impressive sum of BDT 11,178.65 million in FY2022, surpassing the BDT 7,902.90 million recorded in the preceding financial year. In contrast, the interest paid on deposits and borrowings experienced a substantial escalation of 46.23%, ultimately reaching BDT 6,682.03 million in FY2022 as the deposits has also improved by 28.20% in the year. As the growth rate of interest paid on deposits and borrowings surpassed that of interest income, the net interest income of the bank experienced a relatively modest rise of 34.89% which is notably lower compared to the substantial 96.43% increase witnessed in the previous year, culminating in a net interest income of BDT 4,496.62 million at the end of FY2022.

Conversely, there has been a slight plummet of 0.20% in the non-interest income which eventually reached BDT 4,239.87 million at the end of FY2022. This decline in non-interest income can primarily be attributed to a 14.30% decrease in income derived from investments during the aforementioned period. Consequently, the total operating income stood at BDT 8,736.50 million, showcasing a growth rate of 15.23% in FY2022, which is comparatively lower than the 20.35% uplift recorded in the previous year. Analyzing the breakdown of the total operating income, it consisted of 51.47% net interest income, 29.49% income generated from investments in shares and securities, 13.21% from commission, exchange, and brokerage fees, and the remaining 5.83% from other operating income.

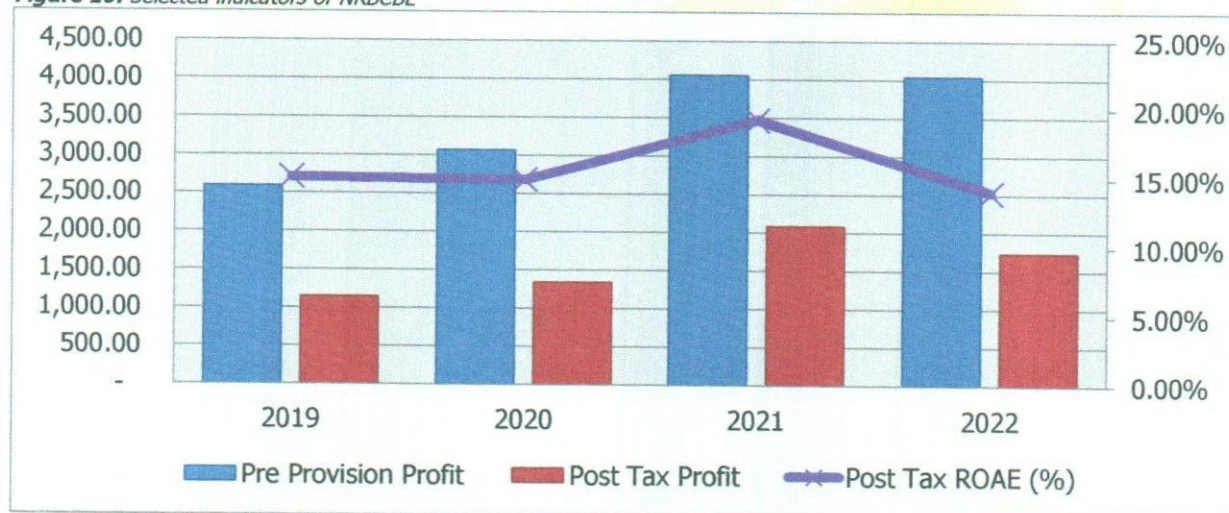


Figure 9: Selected indicators of NRBCBL



In contrast, the total operating costs of the bank took off significantly, experiencing a remarkable surge of 33.16%, ultimately reaching BDT 4,697.37 million in FY2022. Consequently, this substantial increase resulted in a moderate rise in the cost-to-income ratio, which stood at 53.77% for the year, indicating a deterioration compared to the 46.53% ratio recorded in the previous year. The heightened growth in operating costs ultimately led to a slight decline of 0.38% in pre-provision profit, which concluded at BDT 4,039.13 million in FY2022. Furthermore, the post-tax profit witnessed a sizable reduction of 16.53%, resulting in a post-tax profit of BDT 1,739.57 million. This marks a notable decrease compared to the significant 55.19% upswing in post-tax profit observed in the previous year. Moreover, the average interest spread of NRBCBL experienced a slight decrease, concluding at 3.31% in FY2022, as opposed to the 3.84% recorded in the preceding year. The net interest margin however improved to 2.84% from 2.77% in the previous year meaning higher profit generation compared to interest earning assets.

Figure 10: Selected indicators of NRBCBL



C. MARKET RISK ANALYSIS

Markets risks of a Subordinated Bond may arise due to uncertainty related to interest rate risk and pricing risk of the bond. Moreover, bond by nature is exposed to many sources of risk. The term structure of the interest rate can shift and twist in different ways. Issuers may default due to sector wide problems or individual credit difficulties. The debt instrument of NRBCBL will be sensitive towards both market and company specific risks. All investments which offer a balance between risk and potential return are graded to be the higher rated investment. The balance between risk and return varies by the type of investment (in this case Subordinated Bond), the entity that issues it, the



state of the economy and the cycle of the securities markets (this risk is eliminated as it will not be publicly traded in secondary market).

To evaluate the proper pricing and coupon rate structure offered for the instruments ECRL considered the following risk analysis related to the both market and instrument specific risk.

C.1. Interest Rate Risk of the Bond

Interest rate risk affects the value of bonds that arises when an investment's value will change due to a change in the absolute level of interest rates. Coupon rate of the bond is determined by the base rate and then a margin of 2.50% p.a. added to the base rate. The base rate is determined by the Average of most recent month's published highest fixed deposit rates (6 months tenure) of all Private Commercial Banks (excluding Islami banks and Foreign Banks). The published deposit rate is to be taken from "Announced Interest Rate Chart of the Scheduled Banks (Deposit Rate)" published by Bangladesh Bank.

C.2. Pricing Risk

Pricing risk in Bonds is that bond prices are inversely related to interest rate. When market interest rate goes up, bond prices go down, and vice versa. A maturity profile of bonds also affects the bond price. There are two primary reasons why long-term bonds are subject to greater interest rate risk than shorter term bonds. Firstly, there is greater probability that interest rates will move significantly upward or downward, thus upon upward movement it will negatively affect a bond's market price within a longer time period than within a shorter time period. As a result, investors who buy long term bonds but attempt to sell them before maturity may be faced with a deeply discounted market price when they want to sell their bonds. With short term bonds, the risk is not as significant because interest rates are less likely to substantially change in the short term. Shorter term bonds are also easier to hold until maturity, thereby, alleviating an investor's concern about the effect off profit rate driven changes in the price of bonds. Secondly, long term bonds have greater maturity than short term bonds. Because of this, a given interest rate change will have greater effect on long term bonds than short term bonds. However, the Subordinated Bond of NRBCBL has a floor of 7.00% and ceiling of 9.00%. Thus, the interest rate risk on the part of the investors is minimized. But from the point of view of NRBCBL and in the current market situation the bond is likely to increase its cost of fund due to the floor rate.

D. COMPANY SPECIFIC RISK ANALYSIS

Risk is an integral part of financing business and thus every financial institution is exposed to risk of different type and magnitude. So, the prime responsibility of every financial institution is to manage its risk such that its return from business can be maximized. Banks are exposed to six core risks through their operation, which are Credit Risk, Asset/Liability Risk, Foreign Exchange Risk, Internal Control & Compliance Risk, Money Laundering Risk, and Information & Communication Technology (ICT) Security Risk. As a prudent and responsible financial institution, the Company attaches top priority to ensuring safety and security of the finances that are being extended.

D.1. Credit Risk

Credit risk is one of the most important risks for commercial banks like NRB Commercial Bank Limited. Credit risk arises from the default of borrowers. This may be due to our inability or unwillingness to provide previously contractually agreed services. Actual credit risk is the deviation of a portfolio's performance from its expected value. NRBC Bank's lending function is carried out in a compliant manner under strict, prudent and rational lending policies and principles in line with Bangladesh Bank's credit risk management policy. Loan origination and approval are two different things. Individual sanctions are implemented through a very rigorous evaluation process to ensure asset quality and minimize potential losses from potential bad debt. The credit risk policy establishes the credit risk management framework, including the main principles of credit risk management, credit approval process, delegation of authority, internal credit risk rating system "ICRRS", individual borrowing limits, and departmental risk limits. Policies, overall limits where loan applications are forwarded to the Board for approval of collateral security and collateral valuation methods, credit monitoring system to provide early indication/warning of credit deterioration and to prevent bad debt enables effective and rational management of loans.



D.2. Asset Liability Management Risk

Asset Liability Management (ALM) is an integral part of bank management. Therefore, it is important to have a structured and systematic process for managing the balance sheet. Asset liability management is the management of risks arising from mismatches between assets and liabilities. Asset Liability Management (ALM) is a strategic management tool used to manage a bank's interest rate risk, liquidity risk and foreign exchange risk. NRBC Bank's Asset and Liability Risk Management Policy includes a liquidity and interest rate risk management framework that includes an Asset and Liability Management Committee (ALCO) meeting monthly to oversee the bank's liquidity needs. Balance sheet risk management is ALCO's primary responsibility. Asset liability management risk can be divided into three main categories: liquidity risk, interest rate risk and foreign exchange risk.

D.3.1. Liquidity Risk

Liquidity risk refers to the risk of a bank's inability to meet its financial obligations as they fall due without incurring unacceptable costs or losses through fund raising and assets liquidation. Liquidity risk can also arise due to bank's incapability to manage unexpected decrease or change in funding sources. It can negatively affect the earnings and growth potential if the liquidity position constrains a bank from undertaking a transaction at normal market rates/prices. Liquidity risk is often triggered by the consequences of other financial risks such as credit risk, interest rate risk, foreign exchange risk, etc. NRBCBL manages its liquidity risk by maturity bucket analysis being regularly prepared to measure the funding requirements and by continuously monitoring the Regulatory Liquidity Indicators to ensure healthy liquidity position.

D.3.2. Interest Rate Risk

Interest rate risk is the possible loss from adverse movements in market interest rates. Interest rate risk may arise either from trading portfolio or non-trading portfolio. The trading portfolio of the bank consists of government treasury bills. The short-term movement in interest rate is negligible or nil. Interest rate risk of non-trading business arises from mismatches between the future yield of an asset and its funding cost. Changes in interest rates affect a bank's earnings by changing its net interest income and the level of other interest-sensitive income and operating expenses. NRBCBL measures effect of interest rates in two perspectives; Earnings perspective: Gap analysis is used to measure the impact of interest rate on net interest earnings and Economic value perspective: Duration gap analysis is used to measure the impact of interest rate on market value of equity.

D.3.3. Foreign Exchange Risk

Foreign exchange risk is the current or prospective risk to earnings and capital arising from adverse movements in currency exchange rates. Foreign exchange risk is defined as the potential change in earnings due to change in market prices. Managing foreign exchange risk involves prudently managing foreign currency positions in order to control, within set parameters, the impact of changes in exchange rates on the financial position of the bank. At NRBCBL, foreign exchange risks are measured, monitored and addressed by International Division and Treasury division through front office and back office. The Foreign exchange risks are analyzed and managed through various tools and techniques including proper market analysis, real time pricing of Foreign currency and money market products, fixation of different market related limits (overnight limit, stop loss limit and Management Action Trigger), Counter parties credit limits set by the management and Officer, revalue of all Foreign exchange transactions at weighted average exchange rates as provided by Bangladesh Bank at the end of each month, monitor the NOSTRO accounts reconciliation regularly and maintain the net open position at the end of day within the stipulated limits as prescribed by the Bangladesh Bank.

D.4. Operational Risk

Bangladesh Bank defines operational risk as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk may arise from error and fraud due to lack of internal control and compliance. Management through Internal Control and Compliance Division controls operational procedure of the Bank. Through three units of ICCD i.e. monitoring, compliance and Audit & Inspection controls overall operation of the bank. Board audit committee directly oversees the functions of ICCD to prevent operational risk. The objective of the management of operational risk is to minimize the risk in cost effective manner. Currently bank is not



using any model or tool to capture operational loss data for historical analysis rather it is a self-assessment process. Bank's ICC Division is responsible for risk identification, measurement, monitoring, control, and reporting of operational risk. Bank strongly follows KYC norms for its customer dealings and other banking operations. The Internal Control and Compliance Division of the Bank, The inspection teams of Bangladesh Bank and External Auditors conduct inspection of different branches and divisions at Head Office of the Bank and submit reports presenting the findings of the inspections. Necessary control measures and corrective actions have been taken on the suggestions or observations made in these reports.

D.4.1. Anti-Money Laundering Policy

Money laundering risk refers to acquired or earned properties directly or indirectly through illegal means. In broader sense, illegal transfer, conversion, concealment of location or assistance in the above act of the properties acquired or earned directly or indirectly through legal or illegal means. So Anti Money Laundering risk is defined as the loss of reputation and expenses incurred as penalty for being negligent in prevention of money laundering activities. For managing of money laundering risk, NRBC Bank takes various steps. Board and Senior management view Money Laundering Prevention as part of Risk Management strategy and not simply as a stand-alone requirement that is being imposed by legislation but also is fully committed to condemn Money Laundering and Terrorist Financing in all its forms and manifestation. To ensure the prevention of money laundering and Combating Terrorist Financing Bank has developed comprehensive policy on "Money Laundering Prevention & Combating Financing of Terrorism", and "Know Your Customer Policy" approved by the Board of Directors. To prevent money laundering activities NRBC Bank took various initiatives such as every year MD & CEO conveys a special message that clearly sets forth the way forward for the present year and shares the initiatives taken in the last year pertaining to combating Money Laundering and Terrorist Financing, a CAMLCO and a DCAMLCO in place as per instructions of BFIU, nominated Branch Anti Money Laundering Compliance officer (BAMLCO) at every branch to ensure AML & CFT compliance culture throughout the bank, monitor, review and verify the account transactions regularly and prepare Suspicious Transactions Reports (STR) and Cash Transactions Report (CTR), AML & CFT training is conducted on a regular basis to ensure that all the employees are well aware about their activities in light with the related policies, guidelines and instructions.

D.4.2. Internal Control and Compliance (ICC)

Operational loss may arise from error and fraud due to lack of internal control and compliance. Management, through Internal Control and Compliance Division controls operational procedure of the Bank. Internal control is fundamental to the successful operation and day-to-day running of a business and it assists the bank in achieving its business objectives. It encompasses all controls incorporated into the strategic, governance and management processes, covering the bank's entire range of activities and operations, and not just those directly related to financial operations and reporting. Its scope is not confined to those aspects of a business that could broadly be defined as compliance matters, but extends also to the performance aspects of a business.

NRBCBL has established Internal Control and Compliance (ICC) Division to help the bank for better perform through the use of its resources. Through internal control system bank identifies its weakness and takes appropriate measures to overcome the same. The main objectives of ICCD are to maintain the efficiency and effectiveness of overall operating activities, ensure the reliability, completeness and timelines of financial and management information and ensure the robust compliance with applicable laws and regulations.

D.4.3. Information & Communication Technology (ICT) Security System

NRBC Bank takes various information security initiatives to ensure the security of its process and information. The Bank is committed to protect customer information and assets from any type of unauthorized use and/or fraud. As part of ICT risk management bank introduced "IT Security Policy". Review system vulnerability and penetration testing and IT audits to ensure findings are sufficiently addressed. The bank established multi-layered boundary defenses to deploy a security wall (fire wall) between the un-trusted external networks. Furthermore, the bank monitors access to all systems and maintains access control profiles on computer network and systems, tracks documentation of access authorizations to all resources. IT Assets inventory is adequately maintained and reviewed periodically. NRBCBL focusses on developing and/or maintain appropriate segregation of duties within and across applications, research and investigate measures that address data security risks and



potential losses for reporting purposes, install, modify, enhance and maintain data system security software. All changes are managed as per approved policy and process and also maintains all logs/forms, arrange different programs to enhance the Information/Cyber security awareness programs for employees and customers, review system logs for the Bank's infrastructure to identify trends, investigate abnormalities and exceptions to the Bank's Information Security Program and plan for proper disaster management related to ICT services. Establish an IT governance framework inside the bank.

D.5. Other Risks

Reputational risk is another risk faced by most banks which refers to the risk of failure to meet the standards of performances or behaviors mandated by the banks & expected by stakeholders in the way in which business is conducted. It arises from the failure of managing credit, market, liquidity risks etc. It may also arise from non-compliance of social, environmental & ethical standards. To mitigate reputation risk, the bank is aware of market perception at an early stage. To this effect, relevant measures and activities relating to business policy are brought under careful scrutiny. All relevant credit decisions are subjected to individual vote of the members of the credit committee. The votes may result in decline of the credit proposal.

Equity risk arises from movement in market value of equities held. The risks are monitored by Investment Committee under a well designed policy framework. The market value of equities held was, however, lower than the cost price at the balance sheet date of the bank.

Adaptability risk is a fundamental challenge and a potential source of competitive advantage for every organization. Banks also face adaptability risks to cope up with the up to date needs and wants of the customers. The bank provides internal & external training and continuous learning programs to upgrade the level of employee competence and qualification to the current state of developments to fulfill contemporary needs of the customers. To make the employees motivated, the bank provides different types of rewards and benefits to their employees and also inspires a long-grown loyalty and vibrant relationship.

Regulatory risk includes the risk of loss arising from failure to comply with the laws, regulations or codes applicable to the financial services industry. The regulatory risk function within banks compliance & assurance is responsible for developing & maintaining an appropriate framework of regulatory compliance policies & procedures which is the responsibilities of all the employees & monitored by the compliance & awareness function.

E. MANAGEMENT & OTHER QUALITITATIVE FACTORS

E.1. Corporate Governance

NRBC Bank has recognized the importance of corporate governance principles in building a long-term business. NRBC Bank is constantly devoted to achieving the highest levels of corporate governance procedures in order to ensure the organization's long-term growth and to create long-term value for shareholders. NRBC Bank highlights on effective corporate governance standards, openness in business transactions, statutory and legal compliances, shareholder interest protection, and dedication to values and ethical business conduct. The primary goal of NRBC Bank Limited's Board of Directors is to ensure the company's prosperity by collaboratively overseeing the company's business while serving the proper interests of its shareholders and other stakeholders. In addition to commercial and financial issues, the Board addresses difficulties and concerns related to corporate governance, corporate social responsibility, and corporate ethics, as well as ensuring that its organization and operation are in proper and appropriate order at all times. The Board is responsible for, among other things, establishing business objectives, strategies, and goals, developing risk policies, confirming key parts of the Bank's internal organization, and making decisions on the establishment of business units, such as branches/sub-branches/etc.

The Board of Directors (BoD) of the bank currently consists of 11 members including 3 independent directors, and is headed by Mr. S M Parvez Tamal, the Chairman of BoD. The board consists of the following sub-committees described below.

E.1.1. Executive Committee

The Executive Committee of the board of NRBCBL currently constitutes of 5 board members and is chaired by Mr. Mohammed Adnan Imam, FCCA. The Executive Committee is responsible for reviewing policies and guidelines issued by the central bank regarding credit and other aspects of banking industry. The committee oversees the degree of execution of policies and guidelines entrusted with the management. The EC also approves credit proposals in line with approved policies of the BoD.

E.1.2. Audit Committee

The Audit Committee of NRBCBL is comprised of 5 members of the BoD and is led by Air Chief Marshal Abu Esrar (Retd.) who is an independent director of the bank. The Audit Committee is a Board of Directors committee charged with overseeing the financial reporting process, selecting an external auditor, and reviewing both internal and external audit reports. The Committee aids the Board of Directors in carrying out its corporate governance duties and oversees the entity's financial reporting, internal control system, internal and external audit functions, and compliance with all applicable laws, rules, and regulations. The responsibilities of the Audit Committee are reviewing adequacy of Internal Control System, Financial Reporting Process & Financial Statements, Internal Audit & Inspection Reports and External Auditors Report (Management Report), monitoring Internal Control Risk Management Process, compliance culture, recommending appointment of External Auditors, compliance of rules & regulations.

E.1.3. Risk Management Committee

The Risk Management Committee of NRBCBL has been formed to implement and ensure proper risk management practice in the Bank, to carry out the analysis of risk management processes of the bank and monitoring of implementation of overall risk management policies. The committee also provides necessary suggestions and guidelines to the management providing the Board with greater oversight of and advice on the risk management and compliance frameworks. The committee's responsibilities include strengthening the governance, effectiveness and resourcing of the risk management and compliance frameworks, arrangement to oversee policies and procedures of risk management, supervision formation of separate committee in management level and activities, monitoring the due execution of core risk management policy and principles, making recommendations relating to the risk appetite and particular risks or risk management practices. This committee consists of 5 members of the BoD and is chaired by Mr. AKM Mostafizur Rahman.

E.2. Senior Management

The strategic management activities and overall business operations of NRBCBL are supervised and directed by the core management team of the bank. The core management team, as well as the whole bank, is led by the Managing Director & CEO, Mr. Golam Awlia. Mr. Awlia has an M.Com & B.com degree in Finance from the University of Dhaka and started his long 37 years banking career in 1983 from United Commercial Bank limited as a probationary officer. In 2018, he joined Premier Bank Limited as Additional Managing Director. Prior to his joining in Premier bank, He was serving in UCBL as Deputy Managing Director (DMD). He has gained vast experience in the fields of Credit, Retail, Card and Channel Banking operations as well as attended number of programs in home and abroad.

Asset Liability Management Committee (ALCO): The bank has set up Asset Liability Committee consists of 13 members and chaired by Mr. Golam Awlia, Managing Director & CEO. Asset Liability Management Committee (ALCO) analyzes market and determines strategies to attain business goals. The committee's prime roles and responsibilities include receiving and reviewing reports on liquidity risks, market risks and capital management, identifying balance sheet management issues, reviewing deposit-pricing and lending rate strategies, reviewing contingency plans and fund transfer pricing policies. The ALCO is responsible for management of the balance sheet of the Bank with a view to manage the market risk exposure by the Bank within the risk parameters laid down by the Board of Directors/Risk Committee.

Management Committee (MANCOM): MANCOM of NRBCBL comprises of senior executives of the management headed by the Managing Director of the bank who is also the CEO of the Bank. Management exercises absolute power in respect of recruitment, remuneration, posting and promotion of manpower in accordance with Bangladesh Bank's guidelines.



E.3. Human Resources Management

The Human Resources Division, as a strategic partner, strives to create human resources that are in line with the Bank's long-term business goals and vision. NRBC Bank's Human Resources Division (HRD) is working tirelessly to help unlock and maximize actual human capital potential that is aligned with the Bank's vision of success, connecting people for exceptional performance to fulfill the Bank's strategy, and cultivating an empowering culture. The bank emphasizes a skill-based and merit-based recruitment and selection process, as well as a highly competitive remuneration package, adequate training and development programs, career growth with succession planning, a high-performance culture, and a healthy working environment where employees can air their grievances and receive counseling. The total human resources strength of the bank stood at 2,417 employees at the end of 2022. In the year 2022, NRBCBL has recruited 562 and promoted 206 employees.





CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr. SM Parvez Tamal	Chairman
Mr. Rafikul Islam Mia Arzoo	Vice Chairman
Mr. Mohammed Adnan Imam, FCCA	Director
Mr. A M Saidur Rahman	Director
Mr. Mohammed Oliur Rahman	Director
Mr. Loquit Ullah	Director
Mr. Mohammed Nazim	Director
Mr. AKM Mostafizur Rahman	Director
Air Chief Marshal Abu Esrar, BBP, ndc (Retd.)	Independent Director
Dr. Khan Mohammad Abdul Mannan	Independent Director
Mr. Raad Mozib Lalon	Independent Director

SHAREHOLDERS (As on December 31, 2022)

Sponsors/Promoters	73.49%
Shareholders/Public	23.56%
Institutions	2.95%

AUDITOR

Howladar Yunus & Co.
Chartered Accountants

Registered Office

114 Motijheel C/A, Dhaka-1000, Bangladesh

Email: nrbcb@nrbcommercialbank.com

Web: www.nrbcommercialbank.com



BOND RATING SYMBOL

LONG-TERM RATINGS

ECRL's Long-Term Ratings are assigned to debt with maturities of more than one year. These debt ratings specifically assess the likelihood of timely repayment of principal and payment of interest over the term to maturity of such debts.

RATING	
AAA	Indicates that the ability to repay principal and pay interest on a timely basis is extremely high.
AA	Indicates a very strong ability to repay principal and pay interest on a timely basis, with limited increment risk compared to issues rated in the highest category.
A	Indicates the ability to repay principal and pay interest is strong. These issues could be more vulnerable to adverse developments, both internal and external, than obligations with higher ratings.
BBB	This grade indicates an adequate capacity to repay principal and pay interest. More vulnerable to adverse developments, both internal and external, than obligations with higher ratings.
BB	This rating suggests that likelihood of default is considerably less than for lower-rated issues. However, there are significant uncertainties that could affect the ability to adequately service debt obligations.
B	Indicates a higher degree of uncertainty, and therefore, greater likelihood of default. Adverse developments could negatively affect repayment of principal and payment of interest on a timely basis.
C	High likelihood of default, with little capacity to address further adverse changes in financial circumstances.
D	Payment in default.

Notes: Long-Term Ratings from AA to B may be modified by the addition of a plus (+) or minus (-) suffix to show relative standing within the major rating categories. Bank-guaranteed issues will carry a suffix (bg), corporate-guaranteed issues, a (cg), issues guaranteed by a financial guarantee insurer (FGI), an (fg), bond issues will carry a suffix (B) and all other supports, an (s) when such guarantees or supports give favorable effect to the assigned rating.

Rating Outlook

ECRL's Rating Outlook assesses the potential direction of the Bond Issuers over the intermediate term (typically over a one to two-year period). The Rating Outlook may either be :

POSITIVE	which indicates that a rating may be raised;
NEGATIVE	which indicates that a rating may be lowered;
STABLE	which indicates that a rating is likely to remain unchanged; or
DEVELOPING	Which indicates that a rating may be raised, lowered or remain unchanged.

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