MARKET DISCLOSURE PILLAR III OF BASEL III

Disclosures on Risk Based Capital (Basel III) For the Year Ended December 31, 2025

1. Introduction

Public disclosure under the Basel III framework is considered one of the most important pillars of risk management and market discipline in the banking industry. The disclosure requirements introduced by the Basel Committee on Banking Supervision (BCBS) are designed to ensure greater transparency in banking operations and to enable market participants to assess the overall risk profile, capital strength, and financial soundness of banks.

Basel III was introduced by the BCBS following the global financial crisis of 2007–2008, which exposed significant weaknesses in the previous regulatory capital framework. The crisis highlighted the necessity for stronger capital buffers, improved liquidity management, enhanced risk governance, and more resilient banking systems worldwide. In response, Basel III established more stringent standards relating to capital adequacy, leverage, liquidity, and risk management.

The key objective of Basel III is to strengthen the quality and quantity of regulatory capital maintained by banks, improve the banking sector's ability to absorb shocks arising from financial and economic stress, reduce the risk of spill over from the financial sector to the real economy, and promote long-term financial stability.

In order to implement international best practices and strengthen the resilience of the banking sector in Bangladesh, Bangladesh Bank issued the "Guidelines on Risk Based Capital Adequacy" in December 2014, aligned with Basel III standards, effective from January 01, 2015. Accordingly, all banks are required to comply fully with Basel III requirements.

In compliance with BRPD Circular No. 18 dated December 21, 2014, on Risk Based Capital Adequacy Guidelines, this report provides detailed qualitative and quantitative disclosures covering capital adequacy, risk exposure, risk assessment methodologies, risk management practices, and related information.

2. Disclosure Policy

This disclosure is intended to provide market participants with relevant information to assess the Bank's exposure to various risks. It also aims to establish a consistent and comprehensible disclosure framework that facilitates easy comparison among banks operating in the same market.

The report is prepared on an annual basis and is made publicly available on the Bank's official website: https://www.nrbcommercialbank.com.

3. Components of Disclosure Framework

As required under the Risk Based Capital Adequacy Guidelines, the Bank calculates, compiles, and discloses information on the following key areas:

i) Scope of application
ii) Capital structure
iii) Capital adequacy
iv) Credit risk
v) Equity disclosures for banking book positions
vi) Interest Rate Risk in the Banking Book (IRRBB)
vii) Market risk
viii) Operational risk
ix) Leverage ratio
x) Liquidity ratio
xi) Remuneration

Scope of Application

NRBC Bank PLC (NRBCB) applies the capital adequacy framework on both a solo and consolidated basis. Accordingly, the disclosures provided in the subsequent sections are presented under both Solo and Consolidated perspectives.

Solo Basis refers to the financial position of NRBC Bank PLC only, including its Offshore Banking Unit and Islamic Banking operations as integral parts of the Bank.

Consolidated Basis refers to the combined financial position of NRBC Bank PLC and its subsidiary companies, as follows:

1. NRBC Bank Securities Ltd. (NRBCSL)

NRBCSL is a majority-owned subsidiary incorporated as a Public Limited Company on 20 September 2015. The company is engaged in buying, selling, and settling securities on behalf of investors as well as managing its own investment portfolio. Its registered office is located at 114 Motijheel C/A, Dhaka-1000.

2. NRBC Bank Asset Management Ltd. (NRBCAML)

NRBCAML was incorporated in Bangladesh on 07 December 2021 and is 99.9% owned by NRBC Bank PLC. The company's registered office is located at 114 Motijheel C/A, Dhaka-1000. Its primary activities include asset management through investment in mutual funds for retail and institutional clients, as well as portfolio management services for institutional investors.

ii) Capital Structure

Qualitative Disclosure

Under the Basel III framework, both the quality and quantity of regulatory capital have been strengthened to enhance the resilience of banks. The assessment of regulatory capital in relation to overall risk exposures is an integrated and comprehensive process.

In Basel III, regulatory capital is composed of the following two main tiers:

- Tier 1 Capital (Going-concern Capital)
- Tier 2 Capital (Gone-concern Capital)

In accordance with Section 13 of the Bank Company Act, 1991 (Amended up to 2018), and the guidelines issued by Bangladesh Bank under BRPD Circular No. 18 dated 21 December 2014 on "Guidelines on Risk Based Capital Adequacy (Revised Regulatory Capital Framework in line with Basel III)", the eligibility criteria and features of capital instruments are determined by regulatory requirements and subsequent instructions issued by Bangladesh Bank from time to time.

Composition of Regulatory Capital

The total regulatory capital of the Bank is defined as follows: Total Regulatory Capital = Tier 1 Capital (Common Equity Tier 1 + Additional Tier 1) + Tier 2 Capital

1. Tier-1 Capital (Going-Concern Capital)

Tier 1 capital, also known as core capital, represents the highest quality of regulatory capital, which is capable of absorbing losses while the bank remains a going concern. Tier 1 capital is broadly divided into two components:

i. Common Equity Tier 1 (CET1) Capital

Common Equity Tier 1 (CET1) capital is the highest quality of regulatory capital, as it absorbs losses immediately when they occur without triggering the bankruptcy of the Bank. The CET1 capital of NRBC Bank PLC consists of the following components:

- Paid-up Share Capital: Issued, subscribed, and fully paid-up share capital of the Bank.
- Statutory Reserve: In accordance with Section 24 of the Bank Company Act, 1991 (amended up to 2013), an amount equivalent to 20% of the Bank's profit before tax for each year is transferred to the Statutory Reserve Fund.
- General Reserve: Reserves created out of accumulated profit.
- Retained Earnings: Profits retained by the Bank after meeting all expenses, provisions, and appropriations.

ii. Additional Tier 1 (AT1) Capital

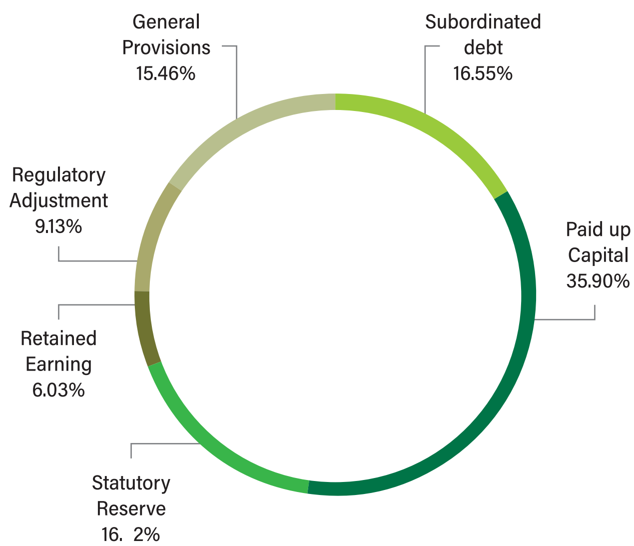
Additionally, Tier 1 (AT1) capital also provides loss absorption on a going-concern basis. However, NRBC Bank PLC does not have any Additional Tier 1 capital under Tier 1 capital.

Quantitative Disclosures

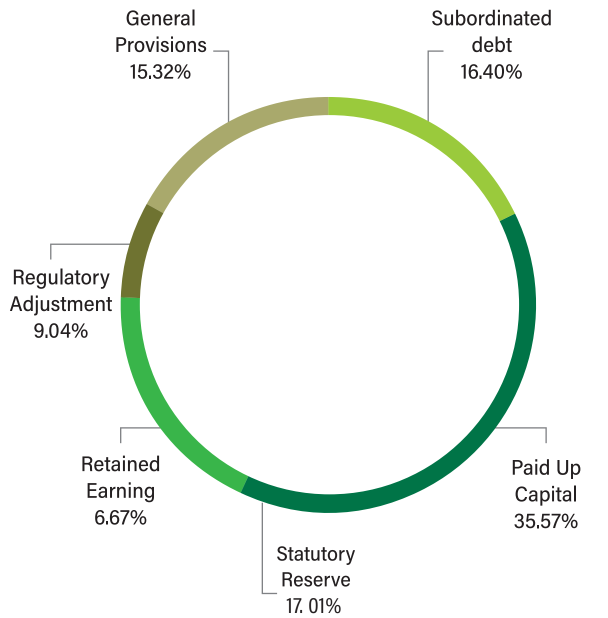
Particulars	Solo	Consolidated
Common Equity Tier-1:		
Paid up Capital	828.65	828.65
Statutory Reserve	390.59	396.21
Retained Earning	139.55	155.51
Minority interest in Subsidiaries	0.00	0.00
Regulatory Adjustments:		
Deferred Tax Assets (DTA)	210.66	210.66
Total Common Equity Tier-1	**1,148.12**	**1,169.70**
Additional Tier-1:	-	-
Total Tier-1 Capital	**1,148.12**	**1,169.70**
Tier-2 Capital:		
General Provisions	356.91	356.91
Subordinated Debt	382.00	382.00
Total Tier-2 Capital	**660.25**	**675.30**
Total Regulatory Capital	**1,808.37**	**1,845.00**

Tier-2 capital is also known as Gone-Concern Capital, is the Capital which absorbs losses only in a situation of liquidation of the bank. Tier-2 capital of NRBCB comprises of General Provisions and Subordinated Debt.

COMPOSITION REGULATORY CAPITAL (SOLO)



COMPOSITION OF REGULATORY CAPITAL (CONSOLIDATED)



iii) Capital Adequacy

Qualitative Disclosure

NRBC Bank PLC places strong emphasis on strengthening its risk management framework and control environment alongside maintaining adequate capital. The Bank recognizes that effective risk management, internal controls, and compliance processes can significantly reduce the likelihood of risk exposures, thereby potentially lowering additional capital requirements.

The Bank actively manages its capital to ensure compliance with regulatory requirements arising from its annual business growth and desired risk profile. Capital planning is aligned with the Bank's strategic objectives to support sustainable growth while maintaining adequate buffers against potential risks.

For the calculation of Risk Weighted Assets (RWA), the Bank follows the methodologies prescribed under Basel III guidelines as outlined in BRPD Circular No. 18 dated 21 December 2014 issued by Bangladesh Bank. The approaches adopted are as follows:

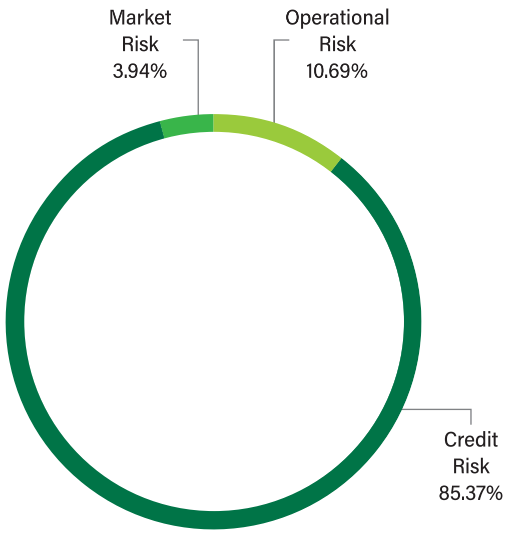
- **Standardized Approach** for Credit Risk
- **Standardized Approach** for Market Risk
- **Basic Indicator Approach** for Operational Risk

Quantitative Disclosure

Particulars	Solo	Consolidate
Capital Requirement for Credit Risk	1,384.19	1,396.62
Capital Requirement for Market Risk	63.81	65.91
Capital Requirement for Operational Risk	173.37	177.45
Total Capital Requirement	1,621.37	1,639.98
Total Eligible Capital	1808.37	1845.00
Capital to Risk Weighted Asset Ratio (CRAR) (%)	11.15	11.25
Common Equity Tier-1 Capital Ratio (%)	7.08	7.13
Total Tier-1 Capital ratio (%)	7.08	7.13
Total Tier-2 Capital ratio (%)	4.07	4.12
Capital Conservation Buffer (2.5% of RWA)	1.08	1.13
Available Capital for Pillar II requirement	187	205.02

NRBC Bank got the NOC via Bangladesh Bank letter no. BSD-6/WING-4/NRBC/2026-331 dated 30 April 2026, for the deferral of total provision shortfall BDT 1,006.22 crore in 31st December 2025. To overcome the shortfall NRBC bank has prepared and following a time-bound action plan for 5 years.

DISTRIBUTION OF RISK WEIGHTED ASSETS (SOLO)



CAPITAL TO RISK WEIGHTED ASSET RATIO (CRAR) SOLO

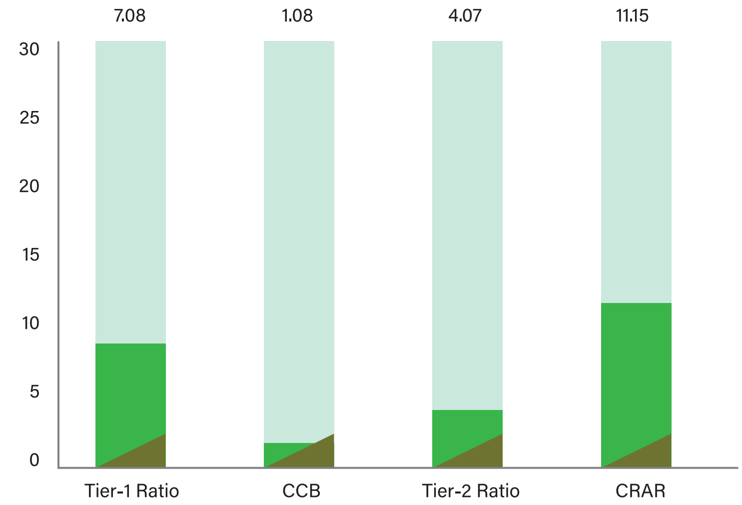


Fig: Bank's Capital Position

In line with the business growth and the subsequent risk profile of the bank, the management effectively manages its capital to ensure full compliance with all regulatory requirements. Some of the regulatory requirements regarding capital management are given:

Currently, the minimum Capital Adequacy Ratio (CAR) prescribed by Bangladesh Bank is 10%, whereas as of December 2025, the CRAR of the bank stood at 11.15%, which is above the regulatory requirement.

During the same period, the Minimum Capital Requirement (MCR) of the bank on a solo basis was BDT 1,621.37 crore, while the eligible capital stood at BDT 1,808.37 crore. Accordingly, the bank maintained a capital surplus of BDT 187 crore, indicating a strong capital position and full compliance with regulatory requirements.

Reduction of Capital Requirement through Increasing the Number of Rated Clients

Under the Basel III framework, maintaining adequate capital buffers is mandatory for banks to absorb potential losses arising from banking operations and adverse market conditions. Under the Standardized Approach of the Risk Based Capital Adequacy (RBCA) guidelines, credit risk weights are determined based on external credit ratings assigned by External Credit Assessment Institutions (ECAIs), which are duly recognized by Bangladesh Bank.

In this regard, higher credit ratings of counterparties result in lower risk weights, thereby reducing the Bank's overall Risk Weighted Assets (RWA) and regulatory capital requirement. This also supports business expansion while enabling a more accurate assessment of borrower creditworthiness.

The Board of Directors and Senior Management endorsed the decisions of the BRMC, ERMC, and SRP Committee to increase the volume of rated exposures during 2025. This initiative aimed to improve the Bank's risk profile and optimize capital requirements.

Accordingly, the Risk Management Division (RMD), Credit Risk Management Division (CRMD), Special Asset Management Division (SAMD), and Credit Administration Department (CAD), along with the Chief Risk Officer (CRO) and branch managers, undertook coordinated efforts to enhance the number of rated corporate and SME borrowers across the Bank.

Under the guidance of Senior Management, continuous initiatives were undertaken through internal coordination, awareness programs, and regular communication with branches and ECAIs. As a result of these efforts, the number of rated clients increased in 2025 compared to 2024.

iv) Credit Risk

Credit risk is defined as the potential that a bank's borrower or counterparty fails to meet its obligations in accordance with agreed terms. The Bank is exposed to credit risk through lending and other financial transactions with corporate, individuals, other banks, and financial institutions.

To capital adequacy under the Risk Based Capital Adequacy (RBCA) guidelines, all banking book exposures are risk-weighted based on pre-defined risk weights prescribed by Bangladesh Bank. In addition, where applicable, exposures rated by External Credit Assessment Institutions (ECAIs) recognized by Bangladesh Bank are mapped with regulatory grading for appropriate risk-weight assignment.

Credit Risk Management Practices

- Active monitoring of account-level activities and limit utilization trends supports early warning and risk trigger mechanisms. Potentially problematic accounts are closely monitored, and appropriate corrective actions are taken.

- The Bank places strong emphasis on improving credit rating coverage and increasing the number of rated corporate and SME borrowers.
- Dedicated standing committees are in place for account and portfolio monitoring, supported by regular portfolio reports. The portfolio is reviewed based on industry concentration, risk grade distribution, tenor, and security coverage among other parameters.

The Bank maintains a structured delegation of credit approval authority to ensure good governance and effective control in the credit approval process. A comprehensive Credit Risk Management (CRM) framework has been established in line with Bangladesh Bank guidelines, defining the structure, roles, responsibilities, and processes for identifying, measuring, and managing credit risk.

The CRM guidelines are reviewed periodically to incorporate updated techniques and regulatory requirements in line with the evolving socioeconomic environment.

Credit Risk Management functions is kept independent from business origination to ensure effective risk control and avoid conflicts of interest. Loan status and portfolio performance are regularly reported to the Board of Directors through Risk Management Papers.

The Board sets credit policies and delegates authority to management for developing procedures, forming a structured credit risk management framework within the Bank. The Credit Policy Manual outlines the core principles for credit appraisal, approval, monitoring, and risk management. These policies establish minimum standards for credit extension and are supplemented by sound judgment and experience.

NRBC Bank PLC's credit policy is based on borrowers' business needs, repayment capacity, cash flow strength, and collateral value, while also aligning with national economic objectives and government policies. The Loan Review Policy is in place to identify problem loans and initiate timely corrective measures to safeguard the Bank's interests.

The Bank strictly complies with all regulatory guidelines and instructions issued by Bangladesh Bank regarding credit risk management. The primary objective of credit risk management is to minimize the different dimensions of credit risk and maintain the Bank's overall credit risk exposure to an acceptable level.

The general qualitative disclosure requirement with respect to credit risk, including:

Definitions of past due and impaired (for accounting purposes)

As per relevant Bangladesh Bank guidelines till the end of 2025, the Bank defines the past due and impaired loans and advances for strengthening the credit discipline and mitigating the credit risk of the Bank. The impaired loans and advances are defined based on (i) Objective/ Quantitative Criteria and (ii) Qualitative judgment. For this purpose, all loans and advances are grouped into four (4) categories, namely- (a) Continuous Loan (b) Demand Loan (c) Fixed Term Loan and (d) Short-term Agricultural & Micro Credit.

Definition of past due/overdue:

i. Any Continuous Loan if not repaid/renewed within the fixed expiry date for repayment or after the demand by the bank will be treated as past due/ overdue from the following day of the expiry date;

ii. Any Demand Loan if not repaid within the fixed expiry date for repayment or after the demand by the bank will be treated as past due/overdue from the following day of the expiry date;

iii. In case of any installment(s) or part of installment(s) of a Fixed Term Loan is not repaid within the fixed expiry date, the number of unpaid installments(s) will be treated as past due/ overdue after three months of the expiry date.

iv. Short-term Agricultural Credit: Short-term Agricultural credit will include the short-term credits as listed under the Agricultural and Rural Credit Policy and Program issued by the Agriculture Credit Department (ACD) of Bangladesh Bank. Credits in the agricultural sector repayable within 12 (twelve) months will also be included herein.

According to the instructions of Bangladesh Bank, all Loans & Advances are classified into four segments. These are:

1. Special Mention Account (SMA)
2. Substandard (SS)
3. Doubtful (DF)
4. Bad / loss (BL)

NRBC Bank PLC. follows strictly all the regulations provided by Bangladesh Bank while calculating the above.

CL Categories		Period of past due or overdue
Unclassified	STD-0	No past due or overdue
	STD-1	≥ 1 day but < 1 month
	STD-2	≥ 1 months but < 2 months
	SMA	≥ 2 months but < 3 months
Classified	SS	≥ 3 months but < 6 months
	DF	≥ 6 monthS but < 12 months
	B/L	≥ 12 monthS

Discussion of the Bank's Credit Risk Management Policy

The salient features of NRBC Bank PLC's Credit Risk Management Policy and procedures are as follows:

- **Credit Policy Approved by the Board:** The Credit Risk Management Policy of NRBC Bank PLC is approved by the Board of Directors to ensure best practices in credit risk management and to maintain asset quality. The policy is formulated in compliance with Bangladesh Bank guidelines on credit risk management as well as other applicable rules and regulations issued from time to time.
- **Proper Delegation of Credit Approval Authority:** Credit approval authority is appropriately delegated to ensure effective checks and balances at every stage of the credit process, including screening, risk assessment, identification, mitigation, monitoring, supervision, and recovery. An early warning system is also in place for timely identification of potential risks.
- **Independent Credit Risk Management Division (CRMD):** An independent Credit Risk Management Division is responsible for assessing credit risk and recommending mitigation measures during the appraisal of credit proposals submitted by the business divisions for approval.
- **Separate Credit Administration Division (CAD):** A dedicated Credit Administration Division ensures that all required security documents are properly perfected prior to disbursement. The Bank also follows a strengthened documentation verification process, including rechecking by an independent legal advisor other than the original vetting lawyer.
- **Independent Credit Monitoring & Recovery Function:** A separate Credit Monitoring & Recovery Division continuously monitors loan performance, identifies early signs of delinquency, and initiates corrective measures, including legal action where necessary, to improve asset quality and ensure timely recovery.
- **Internal Audit and Compliance Review:** The Internal Control & Compliance Division independently reviews credit operations at least annually to ensure compliance with approved lending policies, Bangladesh Bank guidelines, internal procedures, documentation standards, and overall credit risk management effectiveness.
- **Reporting to Board and Committees:** The overall quality, performance, recovery status, risk profile, and adequacy of loan loss provisions are regularly reported to the Board of Directors, Executive Committee, and Risk Management Committee for review, guidance, and decision-making.

Above all, the Risk Management Division regularly provides guidance to the Credit Risk Management Division on strengthening collateral coverage, ensuring product and sector-wise diversification of credit exposures, and maintaining compliance with single borrower exposure limits and large loan portfolio ceilings as prescribed by Bangladesh Bank. The Division also focuses on improving overall asset quality and promoting borrower credit rating to minimize capital charges against credit risk.

Adequate provisions are maintained against classified loans in accordance with Bangladesh Bank guidelines. The status of the loan portfolio is regularly reported to the Board of Directors and the Risk Management Committee of the Board for review and necessary guidance.

Credit Risk Assessment and Measurement

The Bank applies a structured approach to credit risk assessment and measurement through the following key mechanisms:

- A credit risk rating system is used to assess and classify the quality of borrowers, ensuring a consistent evaluation of creditworthiness.
- The Credit Information Bureau (CIB) report of potential borrowers is obtained from the Central Bank as part of the credit appraisal process.
- Stress testing is conducted on loan portfolios under various scenarios to assess potential vulnerabilities under adverse conditions.
- Where applicable, credit ratings of customers are obtained from External Credit Rating Agencies recognized by Bangladesh Bank to support risk assessment and decision-making.

Credit Risk Control

- Credit risk control is governed by the Bank's approved Credit Policy, which defines the Bank's risk appetite and framework for managing credit risk.
- The policy includes detailed requirements for documentation, record-keeping, credit applications, analysis, and supporting documents throughout the credit approval process.
- It establishes general principles for lending procedures and borrower risk grading systems to ensure consistency in credit evaluation and approval.
- The policy defines requirements for post-disbursement monitoring and ensures continuous oversight through the internal control framework.
- It also covers credit risk rating systems, collateral management policies, and guidelines for rehabilitation and restructuring of delinquent loans.
- The Bank ensures the availability of competent and experienced personnel for credit approval, processing, monitoring, and periodic review of credit exposures.

Impaired Credit:

To define past due and impairment for classification and provisioning, the bank follows Bangladesh Bank Circulars and Guidelines. The summary of some objective criteria for loan classification and provisioning requirement as stipulated by the central bank, BRPD circular no. 14 dated 23 September 2012, BRPD circular no 8 dated 2 August 2015, BRPD circular no 12 dated 20 August 2017, BRPD circular no 15 dated 27 September 2017, BRPD circular letter no 1 dated 03 January 2018 and BRPD circular no 01 dated 20 February 2018, BRPD circular no 07 dated 21 June 2018, BRPD circular no 13 dated 18 October 2018 and BRPD Circular no. 03 dated 21 April 2019, BRPD Circular no. 04 dated 19 March 2020, BRPD Circular no. 07 dated 19 March 2020, BRPD Circular no. 16 dated 21 July 2020, BRPD Circular no. 17 dated 28 September 2020, BRPD Circular no. 52 dated 20 October 2020, BRPD Circular no. 56 dated 10 December 2020, BRPD Circular no. 59 dated 30 December 2020, BRPD Circular no. 63 dated 31 December 2020, BRPD Circular no. 03 dated 31 January 2021, BRPD Circular no. 05 dated 24 March 2021, BRPD Circular no. 13 dated 27 June 2021, BRPD Circular no. 19 dated 26 August 2021, BRPD Circular no. 50 dated 14 December 2021, BRPD Circular no. 51 dated 29 December 2021, BRPD Circular no. 52 dated 29 December 2021, BRPD Circular no. 53 dated 30 December 2021, BRPD Circular no. 14 dated 22 June 2022, BRPD Circular no. 51 dated 18 December 2022, BRPD Circular no. 53 dated 22 December 2022, BRPD Circular No. 03 dated 02 February 2023, BRPD Circular no. 11 dated 20 June 2023, BRPD Circular No. 20 dated 21 June 2023, BRPD Circular No. 15 dated 27 November 2024, BRPD Circular No. 04 dated 8 May, 2025, BRPD Circular No. 05 dated 25 June 2025, BRPD Circular No. 22 dated 13October 2025, BRPD Circular No. 29 dated 21 December 2025.

The summary of some objective criteria for loan classification and provisioning requirement is as below:

Loans Classification

Type of Facility	Substandard Overdue Period	Doubtful Overdue Period	Bad & Loss Overdue Period
Continuous Loan and Demand Loan	3 months or more but less than 6 months	6 months or more but less than 12 months	12 months or more
Fixed Term Loan	3 or more but less than 6 equal monthly installment	6 or more but less than 12 equal monthly installments	12 or more equal monthly installment
Short Term Agricultural & Micro Credit	3 months or more but less than 6 months	6 months or more but less than 12 months	12 months or more

Specific Provision for classified loans and general provisions for unclassified loans and advances and contingent assets are measured following BB prescribed provision rates.

General provision on:

Particulars	Rate of Provision
STD-0	1% of loan outstanding
STD-1	1% of loan outstanding
STD-2	1% of loan outstanding
SMA	1% of loan outstanding

Specific provision on:

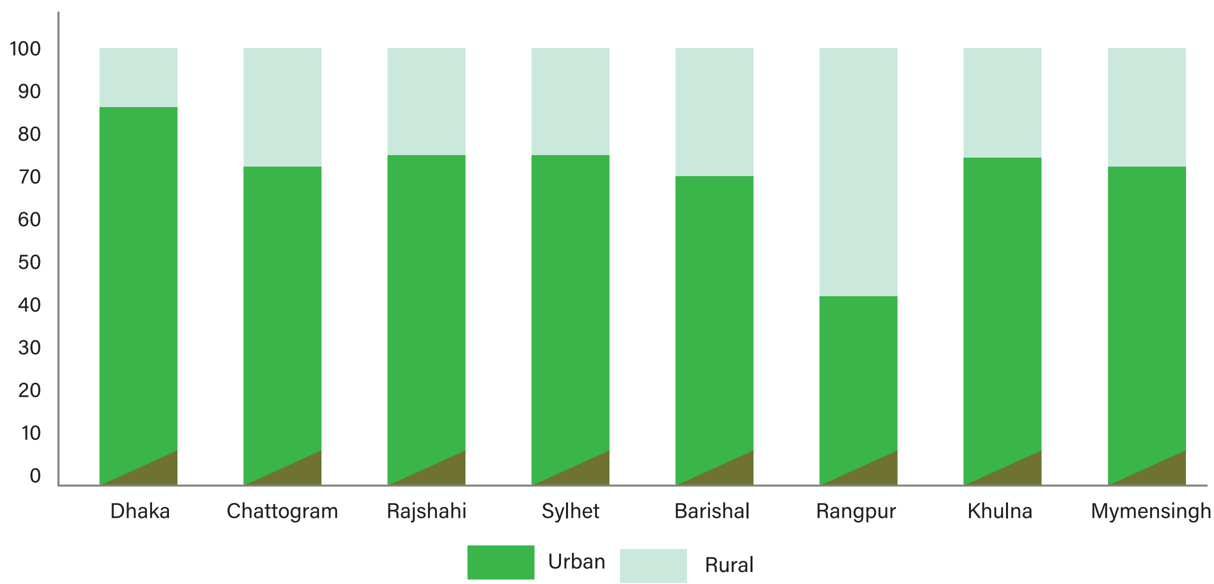
Particulars	Rate of Provision
Sub Standard	20% of base for provision
Doubtful	50% of base for provision
Bad/Loss	100% of base for provision

Geographical Concentration exposure:

Urban	BDT Crore
Dhaka	9746.67
Chattogram	1476.68
Rajshahi	727.18
Sylhet	319.78
Barishal	236.24
Rangpur	244.84
Khulna	399.77
Mymensingh	169.22

Rural	
Dhaka	1397.16
Chattogram	561.39
Rajshahi	234.68
Sylhet	102.86
Barishal	99.10
Rangpur	323.19
Khulna	138.89
Mymensingh	69.32
Total	**16,246.98**

Geographical Concentration



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

Particulars	BDT Crore
Overdraft	2,513.51
Cash Credit	407.55
Term loan	3,582.55
Lease Finance	0.00
Hire Purchase/HPSM (Transport)	263.66
Time loan	595.81
HBL (Commercial)- Corporate	2.39
Post Import Finance (PIF) - Corporate	0.39
Post Import Finance (PIF)	176.20
Packing Credit	17.01
EDF Loan	175.28
Payment Against Document (PAD)	11.09
SME Credit	2,068.24
Retail Credit	3285.81
House Building Loan-Residential	62.65
Staff Loan	87.09
Advance Against Credit Card	115.22
Agriculture and Rural Credit	87.55
Micro Credit	940.55

Other Loans and Advances	58.10
Loan General Special Exit	1,582.54
Bai-Murabaha (IBU-Work Order Finance)	1.59
Bai-Murabaha (IBU-Trading)	57.09
Bai-Murabaha (IBU-Working Capital)	32.57
Bai-Murabaha Term (IBU-CMSME- Refinance)	8.36
Bai-Murabaha Term (IBU CMSME-Stimulus)	0.13
Murabaha Term (Special Exit)	9.07
OBU	26.35
Bills	78.60
Total	**16,246.98**

Industry or counterparty type distribution of exposures, broken down by major types of credit exposures:

Industries	BDT CRORE
Agri Cultural Industry	201.10
Agri-Others	0.07
Beverage	369.59
Brokerage House	125.53
Card	115.22
Cement	104.13
Construction	1,237.95
Electrical	14.32
Food	22.25
Furniture	0.42
Hbl Res	1,000.92
Insurance	11.23
Leather	34.32
Medical Service	78.04
Nbfi	87.31
Ngo	63.02
Other Manufacturing	986.92
Other Services	672.09
Others	21.51
Personal	3,028.71
Pharmaceuticals	38.81
Power	72.37
Printing	118.45
Recreation Service	15.62
Rmg	1,126.40
Ship Breaking	104.16
Ship Building	146.55
Sme	4,936.57
Staff Loan (Sl)	87.09
Steel	257.52
Textile	250.96
Tobacco	130.15
Trade	787.69
Total	**16,246.98**

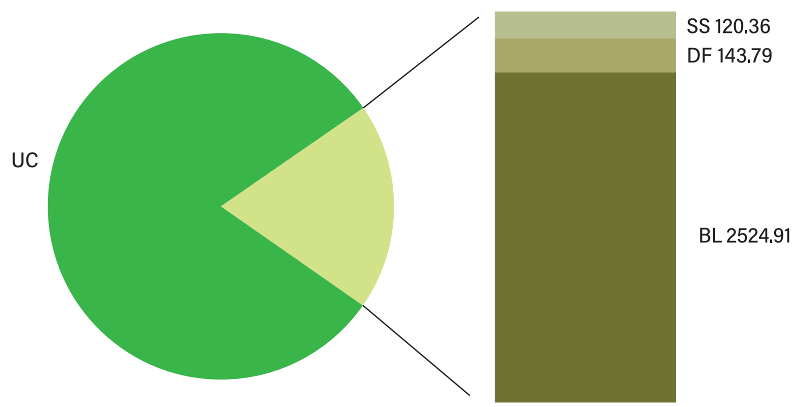
Residual contractual maturity breakdown of the whole portfolio, broken down by major types of credit exposure:

Maturity	BDT Crore
Payable on demand	1,757.69
Not more than 3 months	4,043.76
More than 3 months but not more than 1 year	2,804.24
More than 1 year but not more than 5 years	4,513.20
More than 5 years	3,128.09
Total	**16,246.98**

Gross Non-Performing Asset:

Unclassified	BDT Crore
Standard Including Staff Loan	11,859.55
Special Mention Account	1,598.37
Sub-Total (a)	13,457.97
Classified	
Substandard Loan	120.36
Doubtful	143.79
Bad/loss	2,524.91
Sub-Total (b)	2,789.06
Total (a+b)	**16,246.98**

DISTRIBUTION OF LOAN PORTFOLIO BASED ON CLASSIFICATION (FIG IN BDT CRORE)



Movement of Nonperforming Asset (NPAs) and specific provisions of NRBC Bank:

Movement of Nonperforming Asset (NPAs)	BDT Crore
Gross Non-Performing Assets (NPAs)	2,789.06
Movement of NPAs	
Opening balance	2,283.67
Addition	505.39
Reduction	0.00
Closing Balance	**2,789.06**
Movement of specific provisions for NPAs	
Opening balance	504.23
Provisions made during the period	87.10
Write-off	0.00
Write-back of excess provisions	0.00
Closing Balance	**591.33**

Provision Information due to deferral facilities:

BDT Crore

Particulars	Against Unclassified Loans (STD & SMA)	Against Classified/ Non-Performing Loans
Required Provision	396.33	1511.63
Maintained Provision	310.52	591.33
Provision Surplus/Shortfall	**(85.81)**	**(920.30)**

v) Equities disclosures for banking book positions:

Investment in equity securities by the Bank is mainly classified into quoted and unquoted securities. Quoted securities consist of ordinary shares and mutual funds, while unquoted securities include preference shares and investments made through private placements. Unquoted securities are considered banking book exposures and are further categorized based on the Bank's investment intention. Certain investments are held to maturity without any expectation of being listed in the near future, whereas others are acquired through private placement or IPO with the intention of trading in the secondary market after fulfilling the required formalities. These investments are generally maintained for trading purposes or for generating capital gains.

BDT Crore

Particulars (Solo Basis)	Cost Price	Market Price	Unrealized Gain/Loss
Quoted Share	220.71	117.29	(103.42)
Un-Quoted Share	-	-	-
Total	220.71	117.29	(103.42)

All investment securities are initially recognized at cost. Premiums are amortized and discounts are accredited using the effective yield method, with the resulting income recognized in the statement of income. The Bank applies Marking to Market valuation methods for investment securities in accordance with regulatory guidelines

a) Held to Maturity (HTM):

Investments classified as Held to Maturity (HTM) represent securities with fixed or determinable payments and fixed maturity that the Bank has the positive intent and ability to hold until maturity. These investments are subsequently measured at amortized cost, less any provision for impairment. Any discount or premium arising at acquisition is amortized using the effective yield method. Gains or losses are recognized in the statement of income upon derecognition or impairment in accordance with IAS 39 "Financial Instruments: Recognition and Measurement."

b) Held for Trading (HFT):

Held for Trading (HFT) investments are acquired primarily for short-term trading, resale, or repurchase purposes, or are designated as such by management. After initial recognition, these investments are measured at fair value, and any change in fair value is recognized in the statement of income during the period in which it arises. Transaction costs are not included in the carrying value of investments at initial recognition.

c) Revaluation:

According to DOS Circular No. 05 dated 26 May 2008, HFT securities are revalued weekly under the Marking to Market method, while HTM securities are amortized annually in line with Bangladesh Bank guidelines. HTM securities are also revalued if they are reclassified as HFT securities with the approval of the Board.

Capital Charge on Equities:

BDT Crore

Particulars	Amount	Capital Charge
Specific Risk	223.57	22.36
General Market Risk	223.57	22.36
Total	**447.13**	**44.71**

vi) Interest Rate Risk in the Banking Book (IRRBB)

Interest Rate Risk in the Banking Book (IRRBB) refers to the risk that changes in market interest rates may adversely affect a bank's financial condition. Fluctuations in interest rates impact both current earnings (earnings perspective) and the economic value of the bank (economic value perspective).

To assess the impact of interest rate risk on net interest margin, NRBC Bank monitors the gap between rate-sensitive assets and rate-sensitive liabilities based on their remaining time to re-pricing. Re-pricing refers to the point at which interest rates on assets and liabilities are adjusted due to new contracts, renewal of existing contracts, or because a contract has a floating rate that is reset at fixed intervals.

A maturity mismatch approach is used to measure the Bank's exposure to interest rate risk. A positive mismatch occurs when more assets than liabilities are re-priced within a given period; in such a situation, a rise in market interest rates has a positive effect on the Bank's earnings. Conversely, a negative mismatch arises when more liabilities than assets are re-priced within a given period, which leads to a decline in earnings when interest rates increase.

The Treasury Department is responsible for updating policies and implementing necessary measures related to IRRBB management.

Organizational Structure:
The Asset Liability Management Committee (ALCO) of the Bank is responsible for monitoring and managing Interest Rate Risk in the Banking Book (IRRBB). ALCO oversees the management of the Bank's balance sheet with the objective of keeping market risk exposure within the risk parameters set by the Board of Directors and the Risk Committee.

IRRBB Management Procedure:
The IRRBB framework is designed to measure, monitor, and control the adverse impact of interest rate changes on the Bank's financial condition within acceptable limits. This impact is assessed from two perspectives:

i) **Earning perspective:** It reflects the impact of interest rate changes on the Bank's net interest income (NII) in the short term.

ii) **Economic perspective:** It reflects the impact on the Bank's net worth due to re-pricing of assets, liabilities, and off-balance sheet items.

The ALM and Market Risk Policies define the framework for managing IRRBB through the following tools:

a) **Interest Rate Sensitivity Report:** It identifies mismatches between rate-sensitive assets and liabilities across different tenor buckets based on re-pricing or maturity.

b) **Duration Gap Analysis:** It measures the mismatch in the duration of assets and liabilities and assesses the resulting impact on the market value of equity.

c) **Stress Testing:** It is conducted quarterly as per Bangladesh Bank directives to evaluate the impact of various stress scenarios on the duration and capital of the banking book, providing insight into vulnerabilities related to IRRBB.

vii) Market Risk
Market risk refers to the possibility of losses in on-balance sheet and off-balance sheet positions arising from volatility in market variables such as interest rates, exchange rates, and prices. Capital allocation is required against exposures arising from changes in interest rates and equity prices in the trading book, as well as changes in foreign exchange rates and commodity prices across overall banking activities.
As per the Risk Based Capital Adequacy (RBCA) framework, the major types of market risk are as follows:

- **Interest Rate Risk:** Arises from changes in yield curves, credit spreads, and implied volatilities on interest rate options.
- **Equity Position Risk:** Arises from changes in equity prices, indices, baskets, and implied volatilities on related options.
- **Foreign Exchange Risk:** Arises from changes in exchange rates and implied volatilities on foreign exchange options.
- **Commodity Risk:** Arises from fluctuations in commodity prices and related volatilities.

Among these, the Bank is mainly exposed to interest rate risk, equity price risk, and foreign exchange risk. The management places significant emphasis on market risk in the trading book to assess potential impacts on the Bank's business, particularly due to volatility in financial markets. NRBC Bank's exposure to market risk mainly arises from Government Treasury Bills and Bonds, quoted equity investments, and foreign currency positions.

Views of Board of Directors (BoD) on trading/investment activities:
The Board is responsible for approving all market risk–related policies, setting appropriate risk limits, and regularly reviewing compliance with those limits. The primary objective is to achieve optimal returns while ensuring that undue risk is not taken.

Methods used to measure Market Risk:

Measurement Methodology
Banks in Bangladesh are currently in the process of developing risk management models, and in this regard Bangladesh Bank has instructed the use of the Standardized Approach for calculating credit risk capital requirements in the banking book and the Standardized (rule-based) Approach for determining market risk capital charges in the trading book. For

market risk measurement, the Maturity Method has been prescribed, under which long and short positions in debt securities and other interest rate–sensitive instruments, including derivatives, are allocated into a maturity ladder consisting of 13 time bands (or 15-time bands for low coupon instruments). Fixed-rate instruments are classified based on their residual maturity, while floating-rate instruments are assigned according to the residual time to the next re-pricing date.

In Standardized (rule based) Approach the capital requirement for various market risks (interest rate risk, price, and foreign exchange risk) are determined separately. The total capital requirement in respect of market risk is the sum of capital requirement calculated for each of these market risk subcategories. e.g.:

a) Capital Charge for Interest Rate Risk = Capital Charge for Specific Risk + Capital Charge for General Market Risk;

b) Capital Charge for Equity Position Risk = Capital Charge for Specific Risk + Capital Charge for General Market Risk;

c) Capital Charge for Foreign Exchange Risk = Capital Charge for General Market Risk;

d) Capital Charge for Commodity Position Risk = Capital charge for general market risk.

Market Risk Management System:
To mitigate various market risks, the Bank has established an Asset Liability Management Committee (ALCO), which monitors the activities of the Treasury Division to minimize exposure to market risk. ALCO is primarily responsible for developing the Bank's market risk management and asset-liability management framework, implementing the core risk management guidelines issued by the regulator, adopting globally recognized best practices, and ensuring that internal parameters, procedures, policies, and prudential limits are properly set and followed. Investment committee is responsible for capital market related issues. NRBC Bank sets limits for different market risk indicators while formulating business strategies and has also introduced a Board-approved Management Action Trigger (MAT) to effectively manage market risk exposures. These limits and triggers are regularly monitored and revised when necessary in line with market dynamics and macroeconomic conditions. The Treasury Division manages liquidity, interest rate, and foreign exchange risks under the supervision of ALCO, which consists of senior executives of the Bank. For foreign exchange risk management, the Bank follows central bank-imposed limits to monitor open positions. Foreign exchange risk is calculated based on the higher of net short or net long positions in foreign currency exposures held by the Bank.

The Bank has the following Board approved policies to manage and mitigate market risk:

Interest Rate Risk Management: ALMD reviews the risks of changes in income of the Bank due to movements in market interest rates. In the normal course of business, the Bank aims to reduce the mismatch between the duration of interest sensitive assets and liabilities. Interest rate risk is managed through Market Analysis and Gap analysis.

i. Market Analysis: Interest rate movements are reviewed by the Treasury Division of the Bank. The mismatch and level of interest rate risk are monitored from both an economic value and earnings perspective.

ii. Gap Analysis: ALCO has set guidelines in line with central bank policy for managing assets and liabilities and keeping interest rate risk within acceptable limits.

Foreign Exchange Risk Management: This risk arises from fluctuations in exchange rates, adverse exchange positions, or market changes. Foreign exchange desk manages this risk by supervising daily trading activities and setting limits.

Continuous Supervision: The Treasury Division conducts daily trading operations under the supervision of ALCO, ensuring continuous monitoring of risk levels.

Equity Risk Management: Equity risk refers to losses arising from changes in the market value of equity holdings. The risk is measured through market valuation of the share portfolio by investment committee.

iii. Investment Portfolio Valuation: Mark-to-market valuation is used for the share investment portfolio to identify and measure risk and monitored by Investment committee.

iv. Diversified Investment to Minimize Equity Risk: The Bank reduces equity risk through portfolio diversification in line with its investment policy. Oversees by investment committee.

Qualitative Disclosure

BDT Crore

The capital requirements for	Solo	Consolidated
Interest Rate Risk	15.25	15.25
Equity Position Risk	44.71	46.81
Foreign Exchange Risk	3.85	3.85
Commodity Risk	0.00	0.00
Total	**63.81**	**65.91**

viii) Operational Risk

Operational risk refers to the risk of loss resulting from inadequate or failed internal processes, people, and systems, or from external events. It includes potential losses arising from fraud, unauthorized activities, human error, omission, inefficiency, system failure, or external disruptions. This risk is inherent in all types of business organizations and covers a broad range of operational issues.

The Bank identifies and records pre-defined risk events from all functional departments through a standardized reporting system. The Audit Committee of the Board directly supervises internal control and compliance activities to ensure proper monitoring of operational processes and to detect any lapses or irregularities that may create significant risk for the Bank. The Bank seeks to minimize its exposure to operational risk while considering cost-benefit trade-offs.

Views of BoD on system to reduce operational risk:

The Board of Directors (BOD) has strengthened the operational risk management framework by introducing high-level standards supported by detailed formal guidelines. These guidelines outline how the Bank identifies, assesses, monitors, controls, and mitigates operational risks, as well as how operational risk events are rectified and additional procedures are implemented to ensure compliance with regulatory requirements. The Internal Control & Compliance Division (ICCD) serves as the key mechanism for managing operational risk. The three units of ICCD—Monitoring, Compliance, and Audit & Inspection—oversee the overall operational activities of the Bank, while the Board Audit Committee directly supervises ICCD functions to ensure effective control of operational risk.

Performance gap of executives and staff:

The Bank considers training and knowledge sharing as the most effective way to reduce skill and knowledge gaps. Accordingly, it conducts regular training programs to enhance employee expertise. The Bank also offers competitive compensation packages based on performance and merit. It promotes a work culture where employees can utilize their skills and knowledge effectively, maintain high ethical standards, and contribute value to the organization and the economy.

Potential external event:

No significant potential external events are currently expected that would expose the Bank to material operational risk.

Policies and processes for mitigating operational risk:

NRBC Bank has a dedicated Risk Management Division responsible for managing and mitigating operational risk in coordination with other business and support functions. Under the Chief Risk Officer (CRO), this division regularly reviews and updates operational and other core risks to ensure adequate controls are in place and that risks are properly reflected in returns and capital allocation. The Bank also maintains strong MIS and data management systems to support risk management functions.

In addition, the Internal Control & Compliance Department (ICCD) conducts periodic risk- based internal audits across branches. The Bank's risk governance structure, including the Board Risk Management Committee and Executive Risk Management Committee, ensures a comprehensive risk management culture. Strict adherence to KYC requirements is maintained in all customer and banking operations. The Bank follows Board-approved risk management and internal control policies to ensure effective systems for operational risk management. Furthermore, inspections by ICCD, Bangladesh Bank, and external auditors are regularly conducted, and necessary corrective actions are implemented based on their findings and recommendations.

Approach for calculating capital charge for operational risk:

The Bank applies the 'Basic Indicator Approach (BIA)' as prescribed by Bangladesh Bank under the revised RBCA (Risk Based Capital Adequacy) guidelines. Under this approach, the required capital charge for operational risk is calculated by taking the average annual gross income (GI) of the last three years and multiplying it by 15%. The BIA defines the capital charge as a fixed percentage, denoted by α (alpha), of the Bank's average positive annual gross income over the preceding three years. It further specifies that if the gross income for any year is negative or zero, that year should be excluded from both the numerator and denominator when computing the average gross income. The capital charge for operational risk is enumerated by applying the following formula:

$K = [(GI1+ GI2+ GI3) \times \alpha] / n$

Where: K = the capital charge under the Basic Indicator Approach, GI = only positive annual gross income over the previous three years (i.e., negative or zero gross income if any shall be excluded), α = 15 percent, n = number of the previous three years for which gross income is positive.

Besides, Gross Income (GI) is calculated as "Net Interest Income" plus "Net non-Interest Income". The GI is also the net result of:

i. Gross of any provisions;
ii. Gross of operating expenses, including fees paid to outsourcing service providers;
iii. Excluding realized profits/losses from the sale of securities held to maturity in the banking book;
iv. Excluding extraordinary or irregular items;
v. Excluding the income derived from insurance.

The capital requirement for operational risk is as follows:

Quantitative Disclosure:

BDT Crore

Particulars	Solo	Consolidated
The capital requirement for operational risk	173.37	177.45

ix) Leverage Ratio

As an additional safeguard against model risk and potential measurement errors, a non-risk-based regulatory leverage ratio has been introduced to complement the risk-based capital framework. This ratio provides a simple, transparent, and independent measure of risk by ensuring a minimum level of capital relative to total exposure, thereby strengthening the overall resilience of the Bank.

Views of BOD on system to reduce excessive leverage:

Excessive leverage by banks is widely recognized as one of the key contributing factors to the global financial crisis. In response, Basel III has introduced the leverage ratio as a non-risk-based capital requirement. The Board of Directors of the Bank continuously monitors exposure limits in lending and assesses the capital strength of the Bank to ensure that excessive on-balance sheet and off-balance sheet leverage does not build up.

Approach for calculating exposure:

According to instruction of supervisory body, the bank is calculating leverage ratio and submitted the same to BB on quarterly basis.

Quantitative Disclosure:

BDT Crore

Particulars	Solo	Consolidated
Leverage Ratio (Required 3.5%)	4.17%	4.22%
On Balance sheet Exposure	25,566.96	25,725.19
Off Balance Sheet Exposure	2,193.60	2,193.60
Total Exposure after Regulatory adjustment	**27,549.90**	**27,708.13**

x) Liquidity Ratio and Risk:

Liquidity ratios are a class of financial metrics used to assess a bank's ability to meet its short-term debt obligations. Liquidity risk refers to the risk that a bank may be unable to fulfill its short-term financial commitments. This situation generally arises when the bank is unable to convert securities or other assets into cash without incurring a loss of capital and/or income. The Treasury Division manages this risk under the guidance of the Asset Liability Management Committee (ALCO).

Views of BOD on system to reduce Liquidity risk:

The Board Risk Management Committee (BRMC) regularly monitors key liquidity risk indicators such as the volatile liability dependency ratio, Liquidity Coverage Ratio (LCR), medium-term funding ratio, and Net Stable Funding Ratio (NSFR), and provides observations and recommendations. The BRMC may communicate its observations to ALCO through the Chief Risk Officer (CRO) when necessary.

Methods used to measure Liquidity Risk:

Liquidity risk is assessed through stress testing, which evaluates the Bank's resilience to a decline in liquid liabilities. The ratio of liquid assets to liquid liabilities is calculated before and after applying stress scenarios. Liquid assets include cash, balances with Bangladesh Bank and other banks; call money lending, repo-based lending, and investments in government securities. Liquid liabilities consist of deposits and borrowings. Appropriate shocks will have to be absorbed to the liquid liabilities if the current liquidity position falls at the rate of 10%, 20% and 30% respectively.

Liquidity Risk Management System:

The ALCO of the NRBC Bank regularly monitors the driving factors of liquidity risk called Regulatory liquidity indicators (RLIs). These factors are measures form the following aspects.

- Cash Reserve Requirement (CRR)
- Statutory Liquidity Ratio (SLR)
- Maximum Cumulative Outflow (MCO)
- Advance Deposit Ratio (ADR)
- Liquidity Coverage Ratio (LCR)
- Net Stable Funding Raito (NSFR)

Policies and process for mitigating liquidity risk:

NRBC Bank manages liquidity risk in accordance with its ALM Policy and ALCO decisions through Treasury operations. This policy is formulated in line with regulatory guidelines and is approved by the Board of Directors. The ALM Policy is reviewed periodically to incorporate regulatory changes or to align with shifts in the economic environment. ALCO formulates and reviews strategies and provides guidance to manage liquidity risk within the framework of the ALM Policy. The committee proactively manages liquidity risk as part of its overall ALM responsibilities.

To develop a comprehensive liquidity risk management framework, the Bank has established a Liquidity Contingency Plan (LCP). This plan consists of a set of policies and procedures that act as a blueprint for meeting funding requirements in a timely manner and at a reasonable cost. In this sense, the LCP serves as an extension of ongoing liquidity management and ensures the following objectives:

a) Maintenance of reasonable amount of liquid assets.

b) Measurement and projection of funding requirements and

c) Management of access to funding sources.

Quantitative Disclosure:

Particulars	BDT Crore
Liquidity Coverage Ratio (LCR)	199.65%
Net Stable Funding Raito (NSFR)	104.76%
Stock of High-quality liquid assets	7,166.58
Total net cash outflow over the next 30 days calendar	3,589.61
Available amount of stable funding	20,186.46
Required amount of stable funding	19,269.55

xi) Remuneration:

The bodies that oversee remuneration

The Bank has a Board-approved payroll and remuneration policy, which is incorporated into the HR policy. The Management Committee (MANCOM), with the consent of the Board, monitors, advises, and implements related matters as required. The Bank also maintains an approved reward policy for high-performing employees. Financial benefits may be granted by the Board or any other authority empowered by the Board in recognition of meritorious service. Similarly, cash or non-cash awards may be provided for outstanding academic and professional achievements.

Design and Structure of Remuneration:

The remuneration structure for all employees consists of the following components:

- Fixed remuneration
- Variable pay

Fixed remuneration comprises base pay and superannuation benefits. Base remuneration includes salary and allowances paid in cash, while superannuation benefits are provided to employees at the time of retirement. Variable pay consists of incentive bonuses awarded to most employees, which are discretionary in nature and based on annual performance during the financial year.

Remuneration may be adjusted prior to vesting under the following conditions:

Disciplinary action (as determined by the enquiry committee)

Resignation of the employee before the payment date.

Qualitative Disclosure	BDT Crore
Number of meetings held by the main body overseeing remuneration during the financial year and remuneration paid to its member.	Meetings Held: 32 remuneration paid 0.18 crore
Number of employees have received a variable remuneration award during the financial year.	-
Number and total amount of guaranteed (festival) bonuses awarded during the financial year.	25.19
Number and total amount of sign-on awards made during the financial year.	-
Number and total amount of severance payments made during the financial year	-
Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms.	-
Total amount of deferred remuneration paid out in the financial year.	-
Breakdown of amount of remuneration awards for the financial year to show:	
Fixed and variable, deferred and non-deferred, different forms used (cash, shares and share linked instruments, other forms).	Yet to be decided