Disclosures on Risk Based Capital (Basel III) For the Year Ended December 31, 2024

1. Introduction

The public disclosure of information as specified under the BASEL-III guidelines is an important component of Basel Committee on Banking Supervision's (BCBS) framework of capital measurement and capital adequacy, commonly known as Basel-III. Basel-III, is the latest capital and liquidity standards for banks prescribed by the Basel Committee for Banking Supervision (BCBS). This was introduced in 2010 as the previous version of capital standard, were not fully up to the mark to provide the needed guidance for required capital levels to be maintained by financial institutions during a financial crisis, such as the Sub-prime crisis of 2007-08 that eventually caused a global economic recession. Following that crisis BCBS aimed to introduce new guidelines on global capital and liquidity rules to increase financial sector resilience and to minimize the probable savage impact such crisis could inflicted on the world financial system.

As mentioned, Basel-III capital and liquidity standards had been formulated to increase the shock resilience capacity of the banks. The goal of this guideline is mainly two-fold, by increasing the quality and quantity base of Banks/Financial Institutions capital it seeks to minimize the possible negative impact of a financial and economic crisis on financial instaurations and by introducing global liquidity standards it proposes to ensure the daily operational stability of banks during any liquidity crisis for longer periods and provide easily comparable ratios and standards for banks across the globe.

The purpose of these disclosures is to establish more transparent and more disciplined financial market so that stakeholders can assess the position of the bank regarding holding of assets and to identify the risks relating to the assets and capital adequacy to meet probable loss of assets. To implement the international best practices and to increase Bangladesh Banking systems capital shock absorbent capacity in line with Global Standards, Bangladesh Bank (BB) had issued "The Guidelines on Risk Based capital adequacy" (a revised regulatory capital framework for banks in line with Basel III) in December 2014, with effect from January 01, 2015; all Banks are required to be fully compliant with BASEL-III parameters. In compliance with BRPD circular no. 18 dated December 21, 2014 on 'Guidelines on Risk Based Capital Adequacy', the following detailed quantitative and qualitative disclosures are provided covering the bank capital adequacy framework, risk exposure and assessment methodologies, risk management and mitigation strategies, and other relevant information.

2. Disclosure Policy

This disclosure provides information to market participants for assessing the status of the bank's exposure to various risks and provide a consistent and understandable disclosure framework for easy comparison among banks operating in the same market. The report is prepared once a year and is available in the bank's website at (https://www.nrbcommercialbank.com).

3. Components of Disclosure Framework

As defined and by the Risk Based Capital Adequacy guidelines, information on the following ratios and factors are required to be calculated, assembled and provided:

i) Scope of application
ii) Capital structure
iii) Capital adequacy
iv) Credit risk
v) Equities 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

i) Scope of application

NRBC Bank PLC. (NRBCB) applies capital adequacy framework for both solo and consolidated basis. As such, the information provided in the following sections are given with NRBCB as a single entity (Solo Basis) as well as a consolidated entity (Consolidated Basis), the scope of which is as under:
'Solo Basis' refers only to the affairs of the Bank, which includes the affairs the Off-shore Banking Unit and Islamic Banking as an integral part of its operations.

'Consolidated Basis' refers to the combined affairs of NRBC bank and its two subsidiary companies as listed below:

1. *NRBC Bank Securities Ltd. (NRBCSL):* This is a majority owned subsidiary company which was incorporated as a Public Limited Company on 20 September 2015.The company is engaged in buying, selling and settling of securities on behalf of investors and its own portfolio. Registered office is located at 114 Motijheel C/A, Dhaka -1000.
2. *NRBC Bank Asset Management Ltd. (NRBCAML):* This subsidiary company was incorporated in Bangladesh on December 7, 2021 and is 99.9% owned by NRBC bank and has its registered office at 114 Motijheel C/A, Dhaka -1000. Major activities of the company are asset management through investing in mutual funds for retail and institutional clients and providing portfolio management services to institutional clients.

ii) Capital Structure

Qualitative Disclosure

In Basel-III framework, the quality and quantity of regulatory capital have been enhanced to increase the resilience. Assessing regulatory capital in relation to overall risk exposures of a bank is an integrated and comprehensive process. The regulatory capital under Basel-III is composed of (I) Tier-1 (Going-concern Capital) and (II) Tier-2 (Gone-concern Capital). As per Bank Company Act, 1991 (Amended up to 2018) section 13, the terms and conditions of the main features of all capital instruments have been segregated in terms of the eligibility criteria set forth vide BRPD Circular No. 18 dated 21 December 2014 [Guidelines on Risk Based Capital Adequacy (Revised Regulatory Capital Framework for Banks in line with Basel III)] and other relevant instructions given by Bangladesh Bank from time to time. The main features of the capital instruments are 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 called core capital is the high quality capital that can absorb losses. The Tier 1 capital is divided into two categories which are:

i. Common Equity Tier 1 (CET1) Capital: Common Equity Tier 1 capital (CET1) is the highest quality of regulatory capital, as it absorbs losses immediately when they occur without triggering bankruptcy of the Bank. CET1 of NRBCB consists of:

Paid-up share capital: Issued, subscribed and fully paid-up share capital of the Bank.

Statutory reserve: As per Section 24 of the Bank Company Act, 1991 (Amended up to 2013), an amount equivalent to 20% of the profit before taxes for each year of the Bank has been transferred to the Statutory Reserve Fund.

General Reserve: General reserve created out of profit.

Retained earnings: Amount of profit retained with the banking company after meeting up all expenses, provisions and appropriations.

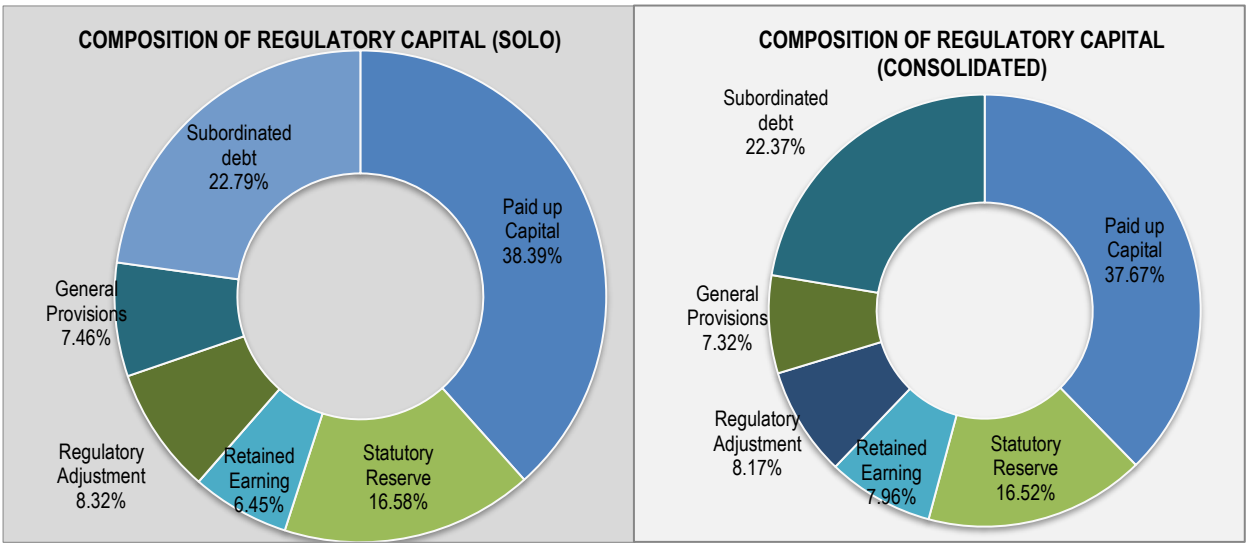
ii. Additional Tier 1 (AT1) Capital: Additional Tier 1 capital (AT 1) also provides loss absorption on a going concern basis. NRBCB has no Additional Tier-1 capital under Tier-1 Capital.

Quantitative Disclosure

(BDT CRORE)

Particulars	Solo	Consolidated
Common Equity Tier-1:		
Paid up Capital	828.65	828.65
Statutory Reserve	357.96	363.30
Retained Earning	139.20	175.15
Minority interest in Subsidiaries	0.00	0.00
Regulatory Adjustments:		
Deferred Tax Assets (DTA)	179.63	179.63
Total Common Equity Tier-1	**1,146.17**	**1,187.47**
Additional Tier-1:	**-**	**-**
Total Tier-1 Capital	1,146.17	1,187.47
Tier-2 Capital:		
General Provisions	161.08	161.08
Subordinated Debt	492.00	492.00
Total Tier-2 Capital	**653.08**	**653.08**
Total Regulatory Capital	**1799.25**	**1840.54**

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



iii) Capital Adequacy

Qualitative Disclosure

NRBC Bank focuses on strengthening the risk management and control environment over increasing capital annually, as part of this may arise from any inefficient risk management, control and compliance processes and procedures, which, if applied properly, may reduce the need for additional equity by yielding better risk indicators and lower capital requirement. The Bank effectively manages its capital to meet the regulatory requirement for capital arising from its annual business growth and the required risk profile needed to generate the growth.

The Bank follows following approaches for calculating Risk Weighted Asset (RWA) as per Basel-III guidelines stated in BRPD Circular No.18 dated December 21, 2014 of Bangladesh Bank:

- 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	1,291.46	1,308.89
Capital Requirement for Market Risk	56.34	60.34
Capital Requirement for Operational Risk	151.23	156.36
Total Capital Requirement	1,499.03	1,525.59
Total Eligible Capital	1799.25	1840.54
Capital to Risk Weighted Asset Ratio (CRAR) (%)	12.00	12.06
Common Equity Tier-1 Capital Ratio (%)	7.65	7.78
Total Tier-1 Capital ratio (%)	7.65	7.78
Total Tier-2 Capital ratio (%)	4.36	4.28
Capital Conservation Buffer *(2.5% of RWA)*	1.65%	1.78%
Available Capital for Pillar II requirement	300.22	314.95

As per Bangladesh Bank letter no. DOS(CAMS)1157/41(Dividend)/2025-3105 dated 21 May 2025, In 31st December 2024, total provision shortfall is BDT 942.95 crore.

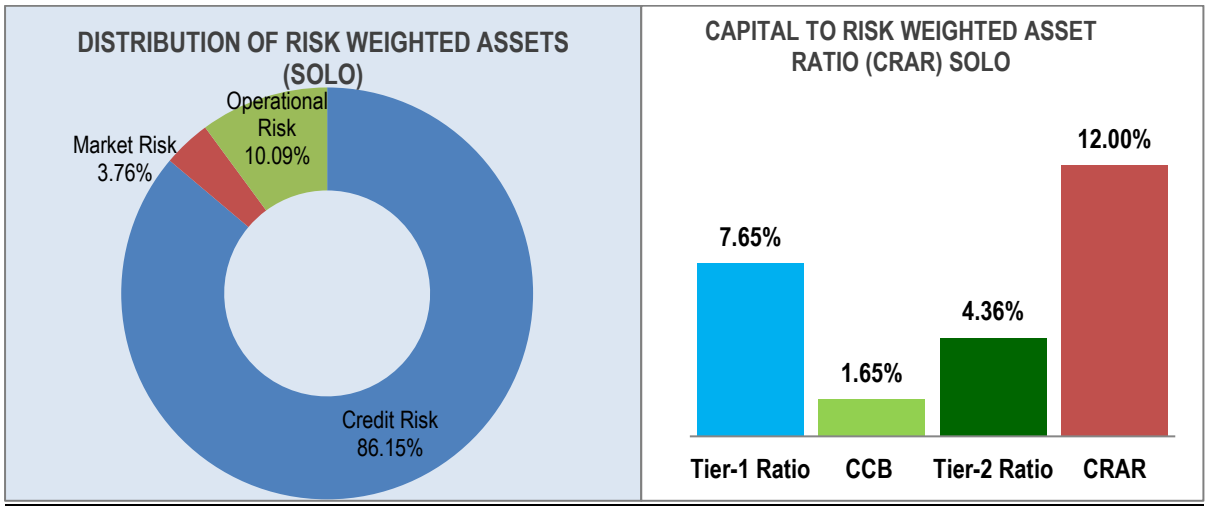


Fig: Banks' Capital Position

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

- ✓ Currently the Bangladesh Bank prescribed Minimum Capital Adequacy Ratio (MCR) is 10%, whereas as on December 2024 the CRAR of the bank was 12.00%.
- ✓ During the same period Minimum Capital Requirement (MCR) of the bank was BDT 1,499.03 crore (solo basis) and eligible capital was BDT 1799.25 crore; i.e. the bank held BDT 300.22 crore surplus capital.

Reduction of Capital Requirement through increasing the number of Rated Clients:

As per Basel-III norms capital adequacy i.e. maintaining buffer capital is compulsory for banks to absorb any possible financial loss arising from the financial activities and unexpected market conditions. Under the Standardized Approach of the RBCA guidelines of Basel-III, counterparties credit rating is determined on the basis of risk profile assessed by the External Credit Assessment Institutions (ECAIs) duly recognized by Bangladesh Bank to derive risk-weights of exposures under the portfolio of claims.

According to the guideline, the rated exposures of a bank will reduce the Risk Weights and the regulatory capital requirement as well as create the room to expand the business of the bank. This will also enable the bank to assess the creditworthiness of the borrowers as well, to an acceptable level.

The Board of Directors & the Senior Management had endorsed the decisions taken in the BRMC, ERMC and SRP Committee on achieving the highest possible rated exposure in 2024 as this would lower our risk profile as well as reduce the capital requirement of the Bank. Accordingly, the Risk Management Division (RMD), Credit Risk Management Division (CRMD), Special Asset Management Division (SAMD) and Credit Administration Department (CAD) along with the CRO and the branch managers made an all-out effort to increase the number of rated corporate borrowers and SME borrowers throughout 2024.

The respective divisions and branches constantly took initiatives under guidance of the Senior Management; which were then disclosed and discussed in a series of meetings, correspondence and awareness programs with the allied concerns i.e. branches of the bank & ECAIs. As a result of strong persuasion & motivation, the number of rated clients increased in the year 2024 from 2023.

iv) Credit Risk

Credit risk is the potential that a bank's borrower or counterparty fails to meet its obligations in accordance with the agreed terms. Bank is exposed to credit risk from its dealing with or lending to corporate, individuals, and other banks or financial institutions. As regards capital charge for Credit Risk, all assets in Banking Book have been risk-weighted strictly based on pre-specified weight as determined by Bangladesh Bank as per RBCA guidelines. However, the bank has conducted proper mapping with the grading of Bangladesh Bank for those exposures or claims graded by External Credit Assessment Institutions (ECAIs).

- ✓ Active monitoring of account level activity and limit utilization trends help to inform the early alert and risk trigger mechanisms. Potential problem accounts are investigated, monitored and appropriate action is taken.
- ✓ NRBCB rigorously emphasizes and takes all-out efforts to maintain the credit rating percentage and to increase the rated number of Corporate and SME borrowers.
- ✓ Standing Committees dedicated to account and portfolio monitoring supported by portfolio information reports are a well-established discipline. The portfolio is monitored from the point of view of industry concentrations, risk grade distribution and tenor and security profiles amongst other parameters.

The Bank has a well-structured delegation of credit approved authority for ensuring good governance and better control in credit approval system. Considering the key elements of credit risk, the bank has established Credit Risk Management framework in line with the Bank's Credit Risk Management (CRM) guideline. This framework defines CRM structure, role, responsibilities and the processes to identify, quantify, and manage risk under the given policy. The CRM guideline is reviewed from time to time to adopt new techniques, policies for measurement, management and mitigation of risks in line with the socioeconomic scenario of the country.

Credit Risk Management has been independent of origination of business functions to establish better control and to reduce conflicts of interest. Status of loans are regularly reported to the Board through Risk Management Paper. The Board of Directors (BoD) sets credit policies and delegates authority to the management for setting procedures, which together has structured the credit risk management framework in the bank. The Credit Policy Manual contains the core principles for identifying, measuring, approving and managing credit risk in the bank and is designed to meet the organizational requirements that exist today as well as to provide flexibility for future. These policies represent the minimum standards for credit extension by the Bank, and are not a substitute of experience and good judgment.

NRBC Bank PLC.'s credit policy is based on the customers' need for their business, earning capacity of borrower, the repayment capability of the business, and the value of collateral. The Credit Policy of the bank focuses on the economic goal of the country and policies adopted by the Government. Bank's Loan Review Policy is in place to address the problem loans and to initiate appropriate action to protect the Bank's interest on a timely basis.

NRBC Bank PLC. strictly adheres to the regulatory policies; rules etc. as regard to credit management and are in compliance with regulatory requirements as stipulated by Bangladesh Bank from time to time. The objective of credit risk management is to minimize the different dimension of risks associated with credit exposures and to maintain credit risk profile of the bank within a tolerable range.

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 2024, the Bank defines the past due and impaired loans and advances for strengthening the credit discipline and mitigating the credit risk of the Bank. The impaired loans and advances are defined on the basis of (i) Objective/ Quantitative Criteria and (ii) Qualitative judgment. For this purpose, all loans and advances are grouped into four (4) categories, namely- (a) Continuous Loan (b) Demand Loan (c) Fixed Term Loan and (d) Short-term Agricultural & Micro Credit. Definition of past due/overdue:

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

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

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

iv. The Short-term Agricultural or Micro-credit is not repaid within the fixed time limit for repayment will be considered "Overdue" after 06(six) months of the expiry date. However, a continuous loan, demand loan or a term loan which will remain overdue for a period of 02 (two) months or more but less than 03 (three) month, will be put into the "Special Mention Account (SMA)", the prior status of becoming the loan into impaired/classified/ nonperforming.

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.

SL	Types of Loans	Classification Status	Period for Classification
1	Continuous Loan	SMA	(>2<3) Month
		SS	(≥3<9) Month
		DF	(≥9<12) Month
		BL	≥12 Month
2	Demand Loan	SMA	(>2<3) Month
		SS	(≥3<9) Month
		DF	(≥9<12) Month
		BL	≥12 Month
3	Fixed Term Loan	SMA	(>8<9) Month
		SS	(≥9<15) Month
		DF	(≥15<18) Month
		BL	≥18 Month
4	Short Term Agricultural & Micro Credit	SS	(>12<36) Month
		DF	(≥36<60) Month
		BL	≥60 Month

Discussion of the Bank's Credit Risk Management Policy

The salient features of NRBC Bank Credit Risk Management Policy and procedures are as under:

 Credit policy approved by the Board: The Board approves the Credit Risk Management Policy of NRBCB for ensuring the best practice in credit risk management and maintaining quality of assets. The credit policy/manual has been put in place in compliance with Bangladesh Bank's guidelines on credit risk management and other rules & regulations circulated by BB from time to time.

 Credit approval is delegated properly: Authorities are properly delegated ensuring check and balance in credit operation at every stage i.e. screening, assessing risk, identification, management and mitigation of credit risk as well as monitoring, supervision and recovery of loans with provision for early warning system.

 Independent Credit Risk Management Division: There is an independent Credit Division (Credit Risk Management Division) to assess credit risks and suggest the mitigation procedures & techniques while processing the credit proposals by the Corporate Banking Division for approval.

 Separate Credit Administration Division: A separate credit administration division confirms that perfected security documents are in place before disbursement. NRBCB is continuing a unique process of rechecking security documentation by a second legal advisor other than the lawyer who vetted it originally.

 Independent Credit Monitoring & Recovery Division and Management Recovery Committee: An independent and fully dedicated Credit Monitoring & Recovery Division monitors the performance and recovery of loans, identify early signs of delinquencies in portfolio and take corrective measures including legal actions to mitigate risks, improve loan quality and to ensure timely recovery of loans.

 Credit operations are subjected to Independent Internal Audit: Internal Control & Compliance Division independently verifies and ensures, at least once in a year, compliance with approved lending guidelines, Bangladesh Bank guidelines, operational procedures, adequacy of internal control, documentation and overall Credit Risk Management System.

 Reporting to Board/Executive committee/Risk Management Committee: Overall quality, performance, recovery status, risks status, adequacy of provision of loan portfolio are regularly reported to the Board of Directors/ Executive Committee/ Risk Management Committee of the Board for information and guidance.

Above all, the Risk Management Division is regularly guiding the Credit Risk Management Division on increasing the collateral coverage, product/sector specific diversification of credit exposures, single borrower exposures limit, large loan portfolio ceiling as stipulated by Bangladesh Bank, improving the asset quality, conducting credit rating of the borrowers to minimize the capital charge against credit risk of the Bank. Adequate provision is maintained against classified loans as per Bangladesh Bank Guidelines. Status of loans is regularly reported to the Board of Directors/ Risk Management Committee of the Board.

Credit Risk Assessment and Measurement

- ✓ Use of credit risk rating system to grade the quality of borrowers. Collection of the Credit Information Bureau (CIB) report of the potential borrower from the Central Bank.
- ✓ Stress Testing of loan portfolios under various scenarios. Ensuring Credit Rating of the Customer from External Credit Rating Agencies.

Credit Risk Control

- ✓ Credit Policy which is the set of formal instructions, typically documented and approved by internal governing bodies, that define in sufficient operational detail an organization's perception and attitude towards the range or credit risks it faces and desires to manage.
- ✓ Requirements relating to what are to be documented and recorded as part of the credit-granting process, including for sampling and audit purposes this should include, at a minimum, the requirements for the completion of credit applications, the qualitative and quantitative rationale/analysis, and all supportive documentation that served as a basis for approving or declining the credit facility.
- ✓ The Credit Policy also contains the general principles to govern the implementation of detailed lending procedures and risk grading systems of borrowers.
- ✓ Requirements for monitoring credit-granting activities, the internal control framework ensure that it covers all phases after the granting of credit.
- ✓ Credit Policy which documents the credit risk rating, collateral policy and policies on rehabilitation and restructuring of problematic and delinquent loans.
- ✓ Efficient credit personnel to deal with the credit approval, processing and review.

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

Loans Classification

Type of Facility	Substandard	Doubtful	Bad & Loss
	Overdue Period	**Overdue Period**	**Overdue Period**
Continuous Loan and Demand Loan	3 months or more but less than 9 months	9 months or more but less than 12 months	12 months or more
Fixed Term Loan (*)	3 or more but less than 9 equal monthly installments	9 or more but less than 12 equal monthly installments	12 or more equal monthly installment
Short Term Agricultural & Micro Credit	12 months or more but less than 36 months	36 months or more but less than 60 months	60 months or more
	Cottage, Micro and Small Credit		
Continuous Loan and Demand Loan	6 months or more but less than 18 months	18 months or more but less than 30 months	30 months or more
Fixed Term Loan (*)	6 or more but less than 18 equal monthly installments	18 or more but less than 30 equal monthly installments	30 or more equal monthly installment

**In case of any installment(s) or part of installment(s) of a Fixed Term Loan is not repaid within the fixed expiry date, the amount of unpaid installment(s) is treated as past due/overdue after six months of the expiry date.*

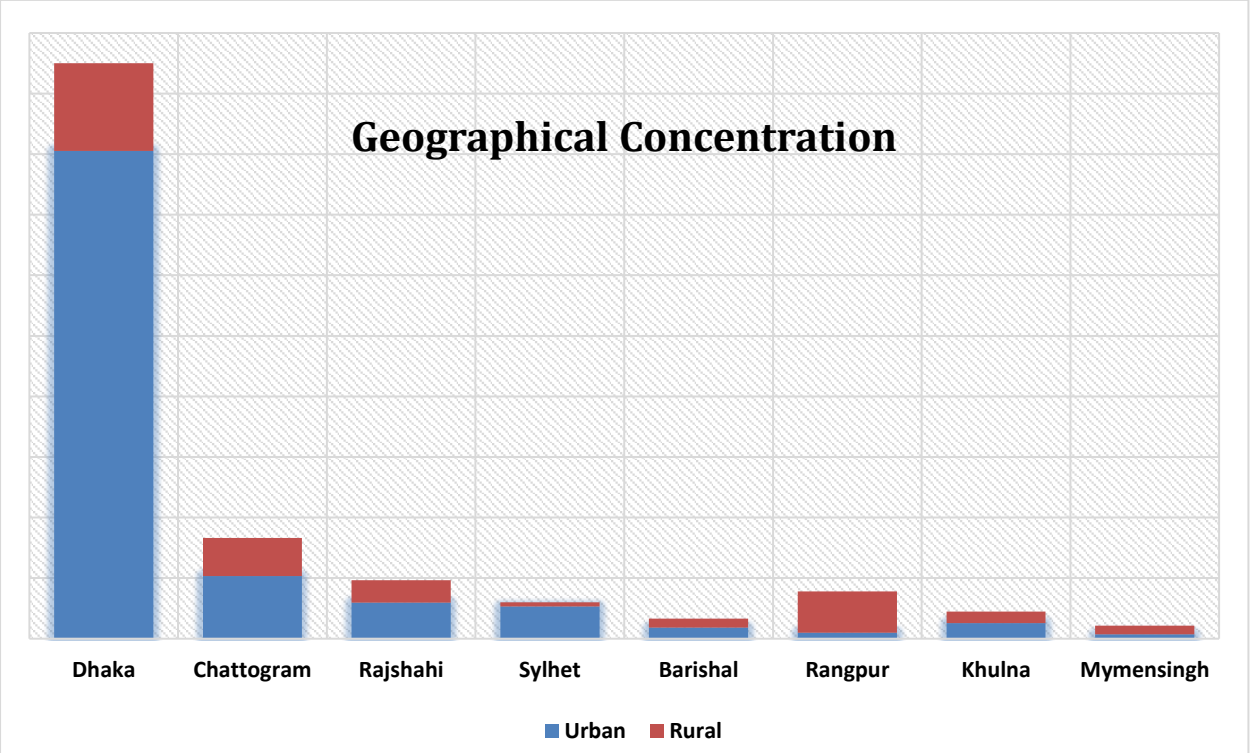
Specific Provision for classified loans and general provisions for unclassified loans and advances and contingent assets are measured following BB prescribed provision rates.

General provision on:

Unclassified small and medium enterprise	0%
Unclassified loans for housing finance and unclassified short term agri. credit and micro credit	1%
Loans to BHs/MBs/SDs against shares etc.	1%
Unclassified consumer financing other than housing finance and Unclassified credit card	2%
Off balance sheet exposures	1%
Specific provision on:	
Substandard Small Cottage and Micro Credit	5%
Substandard & Doubtful short term agri. credit and micro credit	5%
Substandard loans and advances other than short term agri. credit and micro credit	20%
Doubtful Small Cottage and Micro Credit	20%
Doubtful loans and advances other than short term agri. credit and micro credit	50%
Bad/loss loans and advances	100%

Geographical Concentration exposure:

Urban	BDT Crore
Dhaka	8,766.31
Chattogram	999.61
Rajshahi	603.70
Sylhet	460.89
Barishal	156.41
Rangpur	89.16
Khulna	237.17
Mymensingh	73.35
Rural	
Dhaka	1470.32
Chattogram	661.72
Rajshahi	302.39
Sylhet	77.81
Barishal	128.72
Rangpur	489.49
Khulna	141.08
Mymensingh	99.51
Total	**14757.64**



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

Particulars	BDT Crore
Overdraft	2975.54
Cash Credit	513.08
Term loan	4147.99
Lease Finance	24.85
Hire Purchase/HPSM (Transport)	265.68
Time loan	690.18
HBL (Commercial)- Corporate	7.29
Post Import Finance (PIF) - Corporate	0.00
Post Import Finance (PIF)	380.63
Packing Credit	38.48
EDF Loan	105.28
Payment Against Document (PAD)	32.38
SME Credit	1652.82
Retail Credit	2005.67
House Building Loan-Residential	279.68
Staff Loan	83.97
Advance Against Credit Card	99.97
Agriculture and Rural Credit	170.46
Micro Credit	920.50
Other Loans and Advances	79.67
Bai-Murabaha (IBU-Work Order Finance)	2.49
Bai-Murabaha (IBU-Trading)	56.91
Bai-Murabaha (IBU-Working Capital)	55.00
Bai-Murabaha Term (IBU-CMSME- Refinance)	12.77
Bai-Murabaha Term (IBU CMSME-Stimulus)	0.26
Single Bi-Salam (IBU)	0.00
OBU	92.43
Bills	63.66
Total	**14757.64**

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

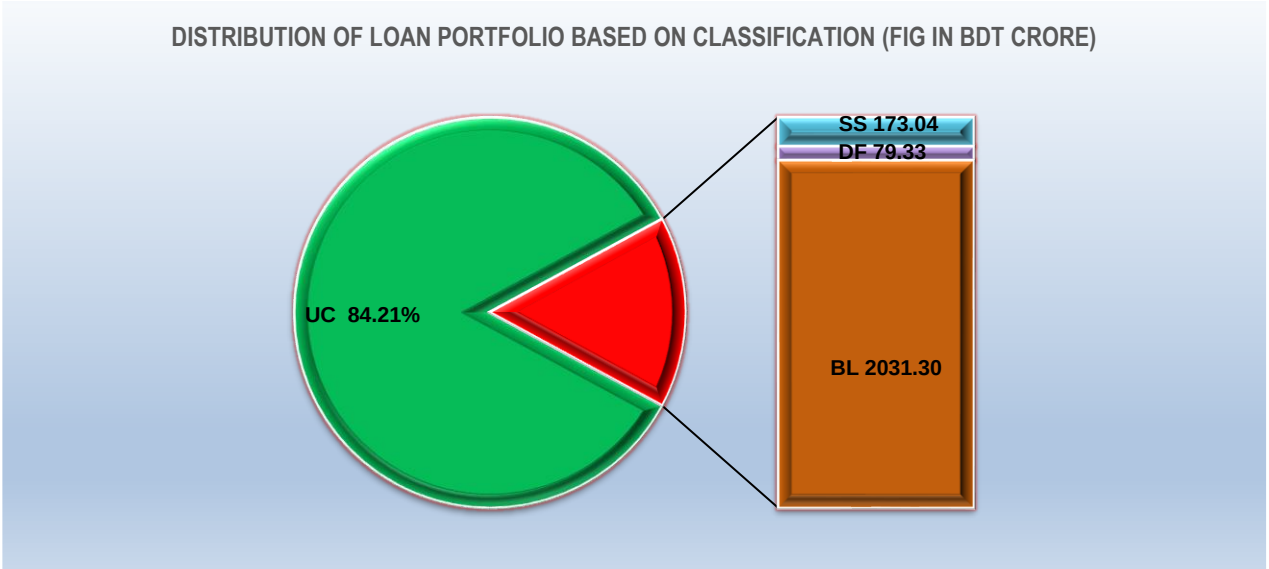
Industries	BDT Crore
Agri cultural Industry	206.73
Textile	229.00
RMG	1018.64
NBFI	85.54
Food	21.96
Beverage	413.77
Pharmaceutical	36.87
Electrical	56.64
Construction	1055.58
House Building Residential	1062.46
Leather	47.25
Service Industry	62.55
Other Services	533.45
Transport	15.88
Capital Market	85.55
Furniture	0.00
Insurance	11.99
Consumer Finance	1892.79
Printing	73.44
Ship Breaking	101.65
SME	4803.95
Staff Loan	82.98
Steel	253.24
Trade Industry	1045.70
Card	99.97
Power	63.56
Ship building	111.32
Cement	137.51
Tobacco	20.46
NGO	81.09
Other Manufacturing Industry	1023.70
Others	22.42
Total	**14757.65**

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

Maturity	BDT Crore
Payable on demand	2239.83
Not more than 3 months	2664.88
More than 3 months but not more than 1 year	1965.64
More than 1 year but not more than 5 years	5993.45
More than 5 years	1893.85
Total	**14757.65**

Gross Non-Performing Asset:

Unclassified	BDT Crore
Standard Including Staff Loan	12181.20
Special Mention Account	292.77
Sub-Total (a)	12473.97
Classified	
Substandard Loan	173.04
Doubtful	79.33
Bad/loss	2031.30
Sub-Total (b)	2283.67
Total (a+b)	**14757.64**



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

Movement of Nonperforming Asset (NPAs)	BDT Crore
Gross Non-Performing Assets (NPAs)	2283.67
Movement of NPAs	
Opening balance	775.57
Addition	1508.10
Reduction	0.00
Closing Balance	**2283.67**
Movement of specific provisions for NPAs	
Opening balance	359.43
Provisions made during the period	146.09
Write-off	1.76
Write-back of excess provisions	0.47
Closing Balance	**504.23**

Provision Information due to deferral facilities:

			BDT Crore
Particulars	**Against Unclassified Loans (STD & SMA)**	**Against Classified/ Non-Performing Loans**	**Against all other items**
Required Provision	218.89	1342.87	-
Maintained Provision	114.60	504.23	-
Provision Surplus/Shortfall	**104.29**	**838.64**	**-**

v) Equities disclosures for banking book positions:

Investment in equity securities by NRBC Bank is broadly categorized into two parts: Quoted securities (Ordinary shares, Mutual Fund) and Un-quoted securities (including preference share and subscription for private placement). Unquoted securities are categorized as banking book exposures which are further subdivided into two groups: unquoted securities which are invested without any expectation that these will be quoted in near future (i.e. held to maturity) and securities that are acquired under private placement or IPO and are going to be traded in the secondary market after completing required formalities. Usually, these securities are held for trading or investment for making capital gains.

Particulars (Solo Basis)	**Cost Price**	**Market Price**	**Unrealized Gain/Loss**
Quoted Share	220.40	116.60	(103.80)
Un-Quoted Share	-	-	
Total			

All investment securities are initially recognized at cost. Premiums are amortized and discount accredited, using the effective yield method and are taken to discount income. The valuation methods of Marking to Market for investment used are

a) Held to Maturity (HTM) and by definition the investments which have “Fixed or determinable” payments and fixed maturity that the group has the positive intent and ability to hold to maturity other than those that meet the definition of 'Held at amortized cost others' are classified as held to maturity. These investments are subsequently measured at amortized cost, less any provision for impairment in value. Amortized cost is calculated by taking into account any discount or premium in acquisition. Any gain or loss on such investments is recognized in the statement of income when the investment is derecognized or impaired as per IAS-39 "Financial Instruments: Recognition and Measurement"

b) Held for Trading (HFT) is a method where investments are acquired principally for the purpose of selling or repurchasing or in short trading or if designated as such by the management. After initial recognition, investments are measured at present value and any change in the fair value is

recognized in the statement of income for the period in which it arises. Transaction costs, if any, are not added to the value of investments at initial recognition.

c) Revaluation: According to DOS Circular no.-05, dated 26th May 2008, the HFT securities are revalued once each week using Marking to Market concept and the HTM securities are amortized once a year according to Bangladesh Bank guidelines. The HTM securities are also revaluated if they are reclassified to HFT category with the Board's approval.

Capital Charge on Equities:

Particulars	Amount	Capital Charge
Specific Risk	241.49	24.15
General Market Risk	241.49	24.15
Total	**482.98**	**48.30**

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

Interest Rate Risk in the Banking Book (IRRBB) is the risk where changes in market interest rates might adversely affect a bank's financial condition. Changes in interest rates affect both the current earnings (earnings perspective) as well as the net worth of the bank (economic value perspective). To evaluate the impact of interest rate risk on the net interest margin, NRBC Bank monitors the size of the gap between rate sensitive assets and rate sensitive liabilities in terms of the remaining period to re-pricing. Re-pricing refers to the point in time when adjustments of interest rates on assets and liabilities occur owing to new contracts, renewal of expiring contracts or that a contract specifies a floating rate that adjusts at fixed time intervals.

A maturity mismatch approach is used to measure NRBC Bank's exposure to interest rate risk. A positive mismatch means that more assets than liabilities are re-priced in a given period. With a positive mismatch, a rise in market interest rates will have a positive effect on the bank's earnings. On the other hand, a negative mismatch, where more liabilities are re-priced than assets in a given period, means a drop in earnings if interest rates had increased. Treasury is responsible for updating policies and implementing required steps related to IRRBB.

Organizational Structure: The Asset Liability Management Committee of the Bank monitors and manages the IRRBB. 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.

IRRBB Management procedure:
IRRBB architecture is the framework to measure, monitor and control the adverse impact of interest rates on the Bank's financial condition within tolerable limits. This impact is calculated from following perspectives:

i) Earning perspective: Indicates the impact on Bank's net interest income (NII) in the short term.
ii) Economic perspective: Indicates the impact on the net-worth of bank due to re-pricing of assets, liabilities and off-balance sheet items.

The ALM & Market Risk Policies define the framework for managing IRRBB through measures such as:

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

b) **Duration Gap Analysis:** Measures the mismatch in duration of assets & liabilities and the resultant impact on market value of equity.
c) **Stress Testing:** It is conducted on quarterly basis as per the directives of Bangladesh Bank to gain better insight into the vulnerable issue of IRRBB. Evaluates the impact on duration of capital of banking book under various stress scenarios.

Quantitative Disclosure:

Particulars	**In Years**
Duration in Asset	2.16
Duration in Liabilities	1.01
Duration Gap (in Years)	1.16

Interest rate risk in banking book as of Dec 31st, 2024 is calculated as change in Market Value (MV) of equity as below:

Interest rate change	1%	2%	3%
Change in market value of equity	(236.75)	(471.49)	(707.24)

The below result implies that bank has more interest rate sensitive assets than interest rate sensitive liabilities and increase in interest rate may cause an increase in the economic value of bank's capital.

Sensitivity Analysis:

BDT Crore

Total Risk Sensitive Asset			9,888.84
Total Risk Sensitive Liabilities			13570.22
Cumulative Gap			
< 3 months			(563.06)
< 6 months			(1573.66)
< 12 months			(1,544.66)
CRAR before shock (Solo)		**12.00%**	
Assumed Change in Interest Rate	**1%**	**2%**	**3%**
Capital after shock	1762.43	1,725.62	1,688.81
CRAR after shock	11.76%	11.51%	11.27%

vii) Market Risk

Market risk is the possibility of losses of assets in balance sheet and off-balance sheet positions arising out of volatility in market variables i.e. interest rate, exchange rate and price. Allocation of capital is required in respect of the exposure to risks deriving from changes in interest rates and equity prices in the bank's trading book, in respect of exposure to risks deriving from changes in foreign exchange rates and commodity price in the overall banking activity.

The major types of market risk as specified in the Risk Based Capital Adequacy (RBCA) are as follows:

- ✓ **Interest Rate Risk** arises due to changes in yield curves, credit spreads and implied volatilities on interest rate options.
- ✓ **Equity Position Risk** arises due to changes in equity price, indices, baskets & implied volatilities on related options.
- ✓ **Foreign Exchange Risk** arises due to changes in exchange rates & implied volatilities on foreign exchange options.
- ✓ **Commodity Risk** arises due to changes in exchange rates & implied volatilities on foreign exchange options.

Among the above list the main type of market risk faced by the Bank are interest rate risk, Equity price risk and foreign exchange risk. The management of Bank has given significant attention to market risk in trading book, to assess the potential impact on the Bank's business due to the unprecedented volatility in financial markets. NRBCB is exposed to market risk mostly stemming from Government Treasury Bills and Bonds, Quoted Equity investment and foreign currency etc.

Views of Board of Directors (BoD) on trading/investment activities:

The Board approves all policies related to market risk, sets limits and reviews compliance on a regular basis. The objective is to obtain maximum returns without taking undue risks.

Methods used to measure Market Risk:

- **Measurement Methodology**

As banks in Bangladesh are now in a stage of developing risk management models, Bangladesh Bank has suggested the banks for using Standardized Approach for credit risk capital requirement for banking book and Standardized (rule based) Approach for market risk capital charge in their trading book. Maturity Method has been prescribed by Bangladesh Bank in determining capital against market risk. In the maturity method, long or short positions in debt securities and other sources of interest rate exposures, including derivative instruments, are slotted into a maturity ladder comprising 13 time-bands (or 15 time bands in case of low coupon instruments). Fixed-rate instruments are allocated according to the residual term to maturity and floating-rate instruments according to the residual term 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 the several market risks the bank formed Asset Liability Management Committee (ALCO) who monitors the Treasury Division’s activities to minimize the market risk. ALCO is primarily responsible for establishing the market risk management and asset liability management of the Bank, procedures thereof, implementing core risk management framework issued by the regulator, best risk management practices followed by globally and ensuring that internal parameters, procedures, practices/polices and risk management prudential limits have been set up and followed.

NRBCB sets limit for various market risks related indicators while preparing business strategies, also NRBCB has a board approved Management Action Trigger (MAT) to effectively address the market risk exposures. The limits and Triggers are monitored regularly and as deemed revised based on the market

dynamism and macroeconomic outlook. The Treasury Division manage market risk covering liquidity, interest rate and foreign exchange risks with oversight from Asset-Liability Management Committee (ALCO) comprising senior executives of the Bank. To manage foreign exchange risk of the bank, the Bank has adopted the limit by central bank to monitor foreign exchange open positions. Foreign Exchange Risk is computed on the sum of net short positions or net long positions, whichever is higher of the foreign currency positions 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 as a result of movements in market interest rates. In the usual course of business, the Bank tries to minimize the mismatch between the duration of interest sensitive assets and liabilities. Effective interest rate management is done through Market Analysis and Gap analysis.

  i. **Market Analysis:** Market analysis over interest rate movements is reviewed by the Treasury Division of the Bank. The type and level of mismatch interest rate risk of the Bank are managed and monitored from two perspectives, being an economic value perspective and an earnings perspective.

  ii. **Gap Analysis:** ALCO has established guidelines in line with the central Bank's policy for the management of assets and liabilities, monitoring and minimizing interest rate risks at an acceptable level.

- **Foreign Exchange Risk Management:** It is the risk that arises from potential fluctuations in the exchange rate, adverse exchange positioning or change in the market. ALMD mitigates this risk by supervising day to day trading activities and by setting limits.
- **Continuous Supervision:** The Bank's Treasury Division manages and controls day-to-day trading activities under the supervision of ALCO that ensures continuous monitoring of the level of assumed risks.
- **Equity Risk Management:** Equity risk is defined as losses due to changes in market price of the equity held. To measure and identify the risk, market valuation of the share portfolio is done.

  iii. **Investment Portfolio Valuation:** Mark-to-Market valuations of the share investment portfolio are followed in measuring and identifying risk.

  iv. **Diversified Investment to minimize Equity Risk:** NRBCB minimizes the Equity Risks by Portfolio diversification as per investment policy of the Bank.

Qualitative Disclosure

BDT Crore

The capital requirements for	Solo	Consolidated
Interest Rate Risk	3.43	3.43
Equity Position Risk	48.30	52.29
Foreign Exchange Risk	4.62	4.62
Commodity Risk	0.00	0.00
Total	**56.34**	**60.34**

viii) Operational Risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. It is the risk of loss arising from fraud, unauthorized activities, error, omission, inefficiency, systems failure or external events. It is inherent in every business organization and covers a wide spectrum of issues. The bank captures some pre-identified risk events associated with all functional departments of the bank through standard reporting format. Audit Committee of the Board directly oversees the activities of internal control and compliances aiming to check all types of lapses and irregularities inherent with operational activities of the Bank and thereby may create a notable downfall risk for the Bank. The Bank seek to minimize exposure to operational risk, subject to cost benefit trade-offs.

Views of BoD on system to reduce operational risk:

The BOD has modified its operational risk management process by issuing high level standards, supplemented by more detailed formal guidance. This explains how the bank manages operational risk by identifying, assessing, monitoring, controlling and mitigating the risk, rectifying operational risk events, and implementing any additional procedures required for compliance with local regulatory requirements. Banks Internal Control & Compliance (ICCD) is the main tool in managing operational risk. Management 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.

Performance gap of executives and staffs:

NRBC bank believes that training and knowledge sharing is the best way to reduce knowledge gap. Therefore, it arranges trainings on a regular basis for its employees to develop their expertise. The bank offers competitive pay package to its employees based on performance and merit. It always tries to develop a culture where all employees can apply his/her talent and knowledge to work for the organization with high ethical standards in order to add more value to the company and for the economy.

Potential external Event:

No potential external event is expected to expose the Bank to significant operational risk.

Policies and processes for mitigating operational risk:

NRBCB has a Risk Management Division for managing and mitigating operational risk in conjunction with other business lines and support functions. The Risk Management Division under 'Chief Risk Officer' (CRO) of the bank review and update operational risks along with all other core risks on systematic basis as essential ensuring that adequate controls exist and that the related returns reflect these risks and the capital allocated to support them. The bank has a strong information systems/MIS inflow and data management capabilities to support the risk management functions of the bank.

Moreover, the Internal Control & Compliance Department (ICCD) conducts risk-based internal audits on the branches periodically. NRBCB's risk governance structure, which includes the risk management committee at the board level; executive risk management committee at the senior management level, ensures inclusive risk management culture. Bank strongly follows KYC norms for its customer dealings and other banking operations. The Bank has board-approved risk management and internal control & compliance policies to ensure effective processes and adequate systems are in place for operational risk management. 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.

Approach for calculating capital charge for operational risk:

The Bank applies 'Basic Indicator Approach (BIA)' as prescribed by Bangladesh Bank in revised RBCA (Risk Based Capital Adequacy) guidelines. Under this approach, banks have to calculate average annual gross income (GI) of last three years and multiply the result by 15% to determine required capital charge. The BIA stipulates the capital charge for operational risk is a fixed percentage, denoted by α (alpha) of average positive annual gross income of the Bank over the past three years. It also states that if the annual gross income for any year is negative or zero, that should be excluded from both the numerator and denominator when calculating the average gross income. The capital charge for operational risk is enumerated by applying the following formula:

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

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	151.22	156.36

ix) Leverage Ratio

As an additional safeguard against model risk, and measurement error by supplementing the risk-based measure, a non-risk based regulatory leverage ratio has been introduced with a simple, transparent and independent measurement of risk.

Views of BOD on system to reduce excessive leverage:

Excessive leverage by banks is widely believed to have contributed to the global financial crisis. Thus, Basel III rules have introduced leverage ratio as a non-risk-based capital requirement. Board of Directors of our Bank continuously monitoring the exposure limit of lending, capital strength of our Bank in order to avoid building-up excessive on and off-balance sheet leverage.

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.

Qualitative Disclosure: **BDT Crore**

Particulars	Solo	Consolidated
Leverage Ratio (*Required 3.5%)*	4.63%	4.76%
On Balance sheet Exposure	22,555.08	22,762.12
Off Balance Sheet Exposure	2,354.74	2,354.74
Total Exposure after Regulatory adjustment	**24,730.19**	**24,937.23**

x) Liquidity Ratio and Risk:

Liquidity ratios are a class of financial metrics used to determine a bank's ability to pay off its short-terms debts obligations. Liquidity risk is the risk that a bank may be unable to meet short term financial demands. This usually occurs due to the inability to convert a security or hard asset to cash without a loss of capital and/or income in the process. This is managed by Treasury under the guidance of ALCO.

Views of BOD on system to reduce Liquidity risk:

The Board Risk Management Committee regularly observe the key liquidity risk indicator i.e. Volatile liability dependency ratio, Liquidity Coverage Ratio (LCR), medium term funding ratio, and Net stable funding ratio and provide their valuable opinion. BRMC can communicate observations to ALCO through the CRO if and when needed.

Methods used to measure Liquidity Risk:

The stress test for liquidity risk evaluates the resilience of the banks towards the fall in liquid liabilities. The ratio "liquid assets to liquid liabilities" is calculated before and after the application of shocks by dividing the liquid assets with liquid liabilities. Liquid assets are the assets that are easily turned into cash without the threat of loss. They include cash, balances with Bangladesh Bank and balances with banks, call money lending, lending under repo and investment in government securities. Liquid liabilities include the deposits and the 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:

NRBCB manages liquidity risk in accordance with its ALM Policy and ALCO decisions through Treasury activity. This policy is framed as per the regulatory guidelines, and is approved by the Board of Directors. The ALM Policy is reviewed periodically to incorporate changes as required by regulatory stipulation or to realign with changes in the economic landscape. NRBCB's ALCO formulates and reviews strategies, and provides guidance to manage liquidity risk within the framework laid out in the ALM Policy. The committee proactively manages liquidity risk as a part of its ALM activities.

In order to develop comprehensive liquidity risk management framework, the bank has a Liquidity Contingency Plan (LCP). A set of policies and procedures that serves as a blueprint for the bank to meet its funding needs in a timely manner and at a reasonable cost. In this sense, LCP is an extension of ongoing liquidity management and formalizes the objectives of liquidity management by ensuring:

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)	153.42%
Net Stable Funding Raito (NSFR)	109.96%
Stock of High-quality liquid assets	5126.57
Total net cash outflow over the next 30 days calendar	3341.62
Available amount of stable funding	18809.38
Required amount of stable funding	17105.79

xi) Remuneration:

The bodies that oversee remuneration

The bank has a Board approved payroll/remuneration policy which is incorporated in the bank HR policy. MANCOM with the consent of the Board monitors, advises and implements the related issues on required basis. The bank has approved reward policy for the performing employees. Financial benefits may be granted to an employee by the Board or any other authority empowered by the Board for meritorious service. An award in cash or in kind may be granted to an employee by the Board or any other authority empowered by the Board for the outstanding academic and professional achievements.

Design and Structure of Remuneration:

The Structure of remuneration arrangements for all employees consists of following components:

- Fixed Remuneration; and
- Variable pay

The fixed remuneration is made up of base remuneration and superannuation. Base remuneration includes salary and allowances paid in cash. Superannuation is paid to the employee at the time of retirement.
Variable pay consists of incentive bonuses award to most of the banks employee which are discretionary and recognize annual performance over the financial year.

In case of following situation remuneration can be adjusted before vesting:

- Disciplinary Action (at the discretion of enquiry committee)
- Resignation of the employee prior to the payment date.

⊙

Qualitative Disclosure	BDT Crore
	2024
Number of meetings held by the main body overseeing remuneration during the financial year and remuneration paid to its member.	17 Meeting Held
Number of employees having received a variable remuneration award during the financial year.	4.55
Number and total amount of guaranteed (festival) bonuses awarded during the financial year.	17.57
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