NRB Global Bank
great experience

Market Discipline:
Disclosures on Risk Based Capital (Basel-III)

1. Introduction

The detailed qualitative and quantitative disclosures of NRB Global Bank Limited as on December 31,2015 are provided in accordance with Guidelines on Risk Based Capital Adequacy by Bangladesh Bank.The Basel accords are a series of recommendations on banking laws and regulations issued by the Basel Committee on Banking Supervision (BCBS). The Basel Committee on Banking Supervision (BCBS) issued Basel III: A global regulatory framework for more resilient banks and banking systems" in December 2010. The objective of the reforms was to improve the banking sector's ability to absorb shocks arising from financial and economic stress, whatever the source, thus reducing the risk of spillover from the financial sector to the real economy. Through its reform package, BCBS also aims to improve risk management and governance as well as strengthen banks' transparency and disclosures. It effectively exploits the new frontiers of risk management. It seeks to give impetus to the development of a sound risk management system which hopefully will promote a more efficient, equitable and prudent allocation of resources. Both internationally and within Bangladesh, the implementation of Basel-III has gripped a lot of interest. To cope with the international best practices and to make the bank's capital more risk sensitive as well as more shock resilient, 'Guidelines on Risk Based Capital Adequacy (RBCA) for Banks 'have been introduced by Bangladesh Bank with an action plan for implementing a new Capital Adequacy framework in line with Basel-III. A Basel-III implementation Committee has been formed in NRB Global Bank Limited and the Bank has effectively implemented Basel-III and submitted the quarterly report to Bangladesh bank on time. The disclosure framework (i.e. Pillar-III) is designed to increase the transparency of banker's risk profile by requiring it to give details of its risk management and risk distributions.

2. Disclosure Policy

The detail qualitative and quantitative disclosures are provided in accordance with Bangladesh Bank rules and regulations on risk based capital adequacy under Basel-III issued through Guidelines on Risk Based Capital Adequacy (RBCA) December 2014. The purpose of these requirements is to complement the capital adequacy requirements and the Pillar-II: Supervisory Review Process. These disclosures are intended for market participants to assess key information about the bank's exposure to various risks and to provide a consistent and understandable disclosure framework for easy comparison among banks operating in the market. 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:

a) Standardized Approach for Credit Risk

b) Standardized approach for Market Risk and

c) Basic Indicator Approach for Operational Risk.

2.1 The major highlights of Bangladesh Bank regulations:

- To maintain Capital to Risk-weighted Assets Ratio (CRAR) at a minimum of 10% of risk weighted assets as per BRPD Circular No.18 dated December 21, 2014 of Bangladesh Bank.
- To adopt the standardized approach for credit risk
- To adopt standardized approach for market risk and basic indicator approach for operational risk.
- To submit capital adequacy report to Bangladesh Bank on a quarterly basis.
- To adopt better risk management policy

2.3 Disclosure framework:

According to the revised Risk Based Capital Adequacy Guidelines the Bank requires general qualitative disclosure for each separate risk area (e.g. Investment, market, operational, banking book interest rate risk, equity). The Bank must describe their risk management objectives and policies, including:

- Strategies and processes;
- The structure and organization of the relevant risk management function;
- The scope and nature of risk reporting and/or measurement systems;
- Policies for hedging and/or mitigating risk and strategies and processes for monitoring the continuing effectiveness of hedges/mitigations.

The following components set out in tabular form are the disclosure requirements:

A) Scope of Application
B) Capital Structure
C) Capital Adequacy
D) Credit Risk
E) Equities: Disclosures for Banking Book Positions
F) Profit Rate Risk in Banking Book (PRRBB)
G) Market Risk
H) Operational risk

3. Scope of Application:

Qualitative disclosure:

a) The name of the top corporate entity in the group to which this guidelines applies.

NRB Global Bank Limited. The Bank has no subsidiary company as on December 31, 2015.

b) An outline of differences in the basis of consolidation for accounting and regulatory purposes, with a brief description of the entities25 within the group (a) that are fully consolidated; (b) that are given a deduction treatment; and (c) that are neither consolidated nor deducted (e.g. where the investment is risk-weighted).

The NRB Global Bank Limited ("the Bank") was incorporated as a public limited company in Bangladesh under Companies Act, 1994 with the registered office at Khandker Tower, 94 Gulshan Avenue, Gulshan-1, Dhaka-1212. The Bank commenced banking operation on 23 October 2013 by obtaining license from Bangladesh Bank on 05 August 2013 under section 32(1) of the Bank Company Act 1991(amendment up to 2013).The number of branches of the Bank was 26 (Twenty Six) located in different areas of Dhaka,Chittagong,Khulna,Bogara and Sylhet as on 31 December 2015. Currently the Bank does not have any Off-shore Banking Unit (OBU) and subsidiary company. The principal activities of the Bank are to provide all kinds of commercial services to its customers through its branches.

The bank has applied Basel-III on "Solo" basis.

c) Any restrictions, or other major impediments, on transfer of funds or regulatory capital within the group.

Not applicable

Quantitative Disclosure:

d) The aggregate amount of surplus capital of insurance subsidiaries (whether deducted or subjected to an alternative method) included in the capital of the consolidated group.

Not Applicable

4. Capital Structure

Qualitative disclosure:

a) Summary information on the terms and conditions of the main features of all capital instruments, especially in the case of capital instruments eligible for inclusion in CET 1, Additional Tier 1 or Tier 2.

The terms and conditions of the main features of all capital instruments have been segregated in terms of eligibility criteria set forth vide BRPD circular No. 18 dated 21 December 2014 and other relevant instructions given by Bangladesh Bank from time to time. The main features of the capital instruments are as follows:

Common Equity Tier-1 of NRB Global Bank Limited comprises of Paid up capital, Statutory Reserve, General Reserve and Retained Earnings. The Bank does not have any additional Tier 1 capital. Tire-2 capital comprises of General Provision (on Unclassified Loans + Off Balance Sheet Exposure), Revaluation Reserves for securities Up to 50%.

Quantitative Disclosure:

(Figure in Crore)

Total Eligible Capital	Amount
b)The amount of Common Equity Tier-1 capital, with separate disclosure of:	
Common Equity Tier-1:	
Paid up capital	425.00
Statutory reserve	2.40
General reserve	0.00
Retained earnings	(12.50)
Total Common Equity Tier-1Capital (A)	**414.90**
c) The amount of additional Tier-1 capital	
Non-cumulative irredeemable preference shares	**0.00**
Instruments issued by the banks that meet the qualifying criteria for AT1	**0.00**
Minority Interest	**0.00**
Total additional Tier-1 capital (B)	**0.00**
Total Common Equity Tier 1 capital	**414.90**
d) Tier-2 Capital:	
General Provision	22.54
Revaluation Reserves for Securities up to 50%	0.54
Subordinated debt	0.00
Total Tier-2 Capital (C)	**23.08**
e) Regulatory Adjustments/Deductions from capital (D)	**0.00**
Total eligible capital (A+B+C-D)	**437.98**

4.1 Conditions for maintaining regulatory capital

The calculation of Common Equity Tier-1 capital, Additional Tier-1 capital and Tier-2 capital shall be subject to the following conditions:

(a) Additional Tier-1 capital can be admitted maximum up to 1.5% of the total RWA or 33.33% of CET1 capital, whichever is higher.

(b) Tier-2 capital can be admitted maximum up to 4.0% of the total RWA or 88.89% of CET1, whichever is higher

(c) General provisions/general loan-loss reserve eligible for inclusion in Tier 2 will be limited to a maximum 1.25 percentage points of credit risk-weighted assets calculated under the standardized approach.

5. Capital Adequacy

Qualitative disclosure:

a) Summary discussion of the bank's approach to assessing the adequacy of its capital to support current and future activities.

The Bank has adopted Standardized Approach (SA) for computation of capital charge for credit risk and market risk and Basic Indicator Approach (BIA) for operational risk. The Bank strictly follows the guidelines of Bangladesh Bank regarding capital adequacy. The Bank has Capital to Risk-weighted Assets Ratio of 16.04% as against the minimum regulatory requirement of 10%. Common equity Tier-1 capital adequacy ratio is 15.19% against the minimum regulatory requirement of 4.5%. The Bank's policy is to manage and maintain its capital with the objective of maintaining strong capital ratio and high rating. Due to sustainable growth in all aspects including advance of Tk. 2,084.61 Crore, deposit of Tk.2,668.71 crore, the Bank was able to maintain eligible capital with surplus of Tk. 37.99 Crore. The Bank also ensures that the capital level comply with regulatory requirements and satisfy the external rating agencies and other stakeholders including depositors. To ensure adequate capital for sustainable growth the Management of NRB Global Bank Limited has already taken well planed initiatives which includes but not limited to the followings:

(a) Consistently encouraging existing corporate clients to complete external credit rating in a view to assess counterparty Credit Risk status and to reduce capital requirement.

(b) Improving and enhancing eligible collaterals, by way of collateral optimization

(c) Booking new clients are taking into considerations their risk profile and credit rating.

The Bank's Capital adequacy ratio is periodically assessed and reviewed by the respective department and reported to Bangladesh Bank respectively. The composition of capital in terms of Common Equity Tier-1, Additional Tier-1 and Tier- 2 are also analyzed to ensure capital stability and to reduce volatility in the capital structure.

Quantitative Disclosure:

(Figure in Crore)

5.2 Capital Adequacy	**Amount**
Capital requirement for Credit Risk	255.80
Capital requirement for Market Risk	7.54
Capital requirement for Operational Risk	9.77
Total and Tier 1 capital ratio:	0.00
- For the consolidated (%)	0.00
- For stand alone	16.04%
Capital Conservation Buffer	Not Applicable
Available Capital under Pillar 2 Requirement	

6. **Credit Risk:**

Qualitative Disclosure:

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

Credit risk is the risk of financial loss resulting from failure by a client or counterparty to meet its contractual obligations to the Bank. Credit risk arises from the bank's dealings with or lending to corporate, individuals, and other banks or financial institutions. NRB Global Bank Limited is managing Credit Risk through a robust process that enables the bank to proactively manage loan portfolios in order to minimize losses and earn an acceptable level of return for shareholders.

i) Definitions of Past Due and impaired (for accounting purpose)

As per relevant Bangladesh Bank guidelines, depending on type of the loans, it is considered past due after certain time from the expiry date.

ii) Description of approaches followed for specific and general provisions and statistical methods

Particulars	Rate
General provision on unclassified Small and Medium Enterprise (SME) financing.	.25%
General provision on unclassified loans and advances/ investments other than Consumer Financing, Loans to Brokerage House, Merchant Banks, Stock Dealers etc., SMA as well as SME Financing).	1%
General provision on off-balance sheet exposures (Provision has been made on the total exposure and amount of cash margin & value of eligible collateral were not deducted while computing off-balance sheet exposure).	1%
General provision on unclassified loans and advances/ investments for housing finance, loans for professionals to set-up business under consumer financing scheme.	2%
General provision on the unclassified loans to Brokerage House, Merchant Banks, Stock Dealers, etc.	2%
General provision on unclassified amount for Consumer Financing	5%
General provision on outstanding amount of loans kept in Special Mention Account (SMA) will be at the same respective rate as stated above (0.25% to 5%) as per BRPD Circular No. 05 dated 29.05.2013.	
Specific provision on Sub-Standard loans and advances.	20%
Specific provision on Doubtful loans and advances.	50%
Specific provision on bad / loss loans and advances	100%

iii) Credit Risk Management system

Credit risk regulatory capital requirements are computed based on the standardized approach prescribed by Bangladesh Bank. In The Standardized Approach, credit risk is measured in a standardized manner supported by external credit assessments. Under this approach, risk weightings are mapped to exposure types. The standardized approach is applied for risk weighting of exposure as per directive of regulatory body. It requires banks to use risk assessments prepared by External Credit Assessment Institutions (ECAIs) to determine the risk weightings applied to rated counterparties. NRB Global Bank Limited has been continuously collaborating with nominated ECAIs for ratings of its exposures and the working progress is in satisfactory level.

(IV) Credit Risk Mitigation

The bank has the guidelines on the acceptability of specific classes of collateral or credit risk mitigation, and determines suitable valuation parameters. Such parameters are expected to be conservative, reviewed regularly and supported by empirical evidence. Taking collateral is the most common way to mitigate credit risk. The Bank generally takes collaterals in the form of pledges of sufficient eligible marketable securities, mortgages over the property etc. All of the collaterals taken do not necessarily qualify for availing capital relief under the capital adequacy framework. To ensure with a high degree of certainty that the collateral value will cover the exposure, discounts ("haircuts") are generally applied to the current market value.

(V) Policies and Processes for Credit Risk Management

The goal of credit risk management is to maximize the risk-adjusted rate of return of the bank by maintaining credit risk exposure within acceptable parameters. For transparency in the operation, the bank has established separate active departments & unit. These are i) Credit Risk Management Department ii) Credit Administration Department iii) Legal and Recovery Department iv) Internal Control & Compliance Department and v) Risk Management Unit. The board of the Bank approves the credit policy keeping in view relevant Bangladesh Bank guidelines to ensure best practice in credit risk management and maintain quality of assets. Authorities are properly delegated for 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. There is a separate credit risk management division for dedicated credit risk management. There is a separate credit administration division for ensuring perfection of securities and credit monitoring and recovery division for monitoring and recovery of irregular loans. Internal control & compliance division independently assess quality of loans and compliance status of loans at least once in a year. Adequate provision is maintained against loans as per Bangladesh Bank guidelines. Status of loans is regularly reported to the Board/Executive Committee of the Board. The bank has also established separate Risk and Credit Control Department which looks after Loan Review Mechanism and also helps in ensuring credit compliance with the post-sanction processes / procedures laid down by the bank from time to time. Risk department also monitors various credit concentration limits. Maximum counterparty / group exposures are limited to 15 percent (funded) of the bank's capital base as stipulated by Bangladesh Bank where a higher limit is required for projects of national importance subject to prior approval of Bangladesh Bank.

Quantitative Disclosure:

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

(Figure in Crore)

Particulars	**Outstanding**
Term loan	125.20
SME Financing	6.05
Consumer Financing	5.79
Retail Financing	0.00
General Loans	0.00
Payment Against Documents (PAD)	4.91
Trust Receipts	38.53
Lease Finance	0.00
House Building Loan	7.65
Staff/ Employee Loan	10.67
Loans and Advances -Offshore Banking Unit	0.00
Loan by subsidiaries	0.00
Cash Credit	645.43
Overdraft	537.96
Other Loans and Advances	15.21
Bills purchased and discounted	
Payable in Bangladesh	685.35
Payable outside Bangladesh	1.86
Total	**2,084.61**

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

(Figure in Crore)

Urban	**Outstanding**
Dhaka Division	1,213.78
Chittagong Division	760.83
Khulna Division	0.50
Rajshahi Division	1.20
Barisal Division	-
Sylhet Division	0.31
Rangpur Division	-
Sub-Total	**1,976.62**

(Figure in Crore)

Rural	Amount
Dhaka Division	15.54
Chittagong Division	92.45
Khulna Division	0.00
Rajshahi Division	0.00
Barisal Division	0.00
Sylhet Division	0.00
Sub-Total	**107.99**
Grand Total	**2,084.61**

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

(Figure in Crore)

Particulars	Outstanding
Agriculture	38.09
Capital Market Institutions	29.54
Commercial Real Estate Financing	23.89
Construction	180.71
Consumer Finance	6.47
Residential real estate financing	4.42
Transport, storage and communication	16.33
Retail Loan	44.50
Commercial and trading Services	1,248.26
Ready Made Garments-RMG	95.67
Small and Medium Enterprise Loans	36.98
Textiles industries	183.33
Staff/ Employee Loan	10.67
Other Manufacturing Industry	165.74
Total	**2,084.61**

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

(Figure in Crore)

On Demand	-
Not more than three months	1,195.73
More than three months but less than one year	744.91
More than one year but less than five year	86.85
More than five year	57.12
Total	**2,084.61**

f) By major industry or counterparty type:

I) Amount of impaired loans and if available, past due loans, provided separately:

(Figure in Crore)

Particulars	Amount
Substandard (SS)	0.07
Doubtful (DF)	5.74
Bad Loss (BL)	7.42
Total	**13.23**

ii) Specific and general provisions; and

(Figure in Crore)

Particulars	Amount
Provision on classified loans and advances	4.17
Provision on unclassified loans and advances	20.93
Provision on Off-balance sheet exposures	1.61
Provision for diminution in value of investments.	5.13
Total	**31.84**

iii) Charges for specific allowances and charge-offs during the period

(Figure in Crore)

Particulars	Amount
Provision on classified loans and advances	4.17
Provision on unclassified loans and advances	9.85
Provision on Off-balance sheet exposures	.39
Provision for diminution in value of investments.	5.13
Total	**19.54**

g) Gross Non Performing Assets (NPAs):

(Figure in Crore)

Particulars	Amount
Non-Performing Assets (NPAs) to Outstanding Loans & advances	0.00
Movement of Non-Performing Assets (NPAs)	
Opening balance	0.00
Additions	13.24
Reductions	0.00
Closing Balance	**13.24**
Movement of specific provisions for NPAs	
Opening balance	0.00
Provisions made during the period	4.17
Write-off	0.00
Write-back of excess provisions	0.00
Closing Balance	**4.17**

7. Equities: Disclosures for Banking Book Positions

Qualitative Disclosure:

(a) The general qualitative disclosure requirement with respect to equity risk, including:

Differentiation between holdings on which capital gains are expected and those taken under other objectives including for relationship and strategic reasons; and

Investment in equity securities are broadly categorized into two parts:

i. Quoted Securities (Common or Preference Shares & Mutual Fund) that are traded in the secondary market (Trading Book Assets).

ii. Unquoted securities include shares of Central Depository Bangladesh Limited (CDBL), investment in SWIFT and Market Stabilization Fund (MSF).

Discussion of important policies covering the valuation and accounting of equity holdings in the banking book. This includes the accounting techniques and valuation methodologies used, including key assumptions and practices affecting valuation as well as significant changes in these practices

The primary aim is to investment in these equity securities for the purpose of capital gain by selling them in future or held for dividend income. Dividends received from these equity securities are accounted for as and when received. Both Quoted and Un- Quoted equity securities are valued at cost and necessary provisions are maintained if the prices fall below the cost price.

Quantitative Disclosure:

(Figure in Crore)

Sl. No.	Particulars	At cost	At market value
b)	Value disclosed in the balance sheet of investments, as well as the fair value of those investments; for quoted securities, a comparison to publicly quoted share values where the share price is materially different from fair value.	37.43	32.29

c)	The cumulative realized gains (losses) arising from sales and liquidations in the reporting period.	Nil

d)	Total unrealized gains (losses)	(5.13)
	Total latent revaluation gains (losses)	Nil
	Any amounts of the above included inTier-2 capital.	Nil

e)	Capital requirements broken down by appropriate equity groupings, consistent with the bank's methodology, as well as the aggregate amounts and the type of equity investments subject to any supervisory provisions regarding regulatory capital requirements (10% on market value).	
	Specific Market Risk	3.74
	General Market Risk	3.74

8. Interest Rate Risk in the banking book (IRRBB):

Qualitative Disclosure:

The general qualitative disclosure requirement including the nature of IRRBB and key assumptions, including assumptions regarding loan prepayments and behaviour of non-maturity deposits, and frequency of IRRBB measurement.

Interest rate exposure is generally described as the risk of a reduction in a projected or anticipated measure of net interest income (target measure) resulting from changes in market interest rates.

(i) Reprising risk-which arises from mismatches in interest rate periods (ii) Yield curve risk- which is caused by changes in the slope and shape of the yield curve. (iii) Basis risk- which arises from an imperfect correlation in the adjustment of the rates earned and paid on different products with otherwise similar reprising characteristics.

A maturity mismatch approach is used to measure NRB Global Bank's exposure to interest rate risk. A positive mismatch means that more assets than liabilities are repriced 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 repriced than assets in a given period, means a drop in earnings if interest rates had increased.

NRB Global Bank Limited has been exercising the Stress Testing using the Duration GAP for measuring the Interest Rate Risk on its banking book for estimating the impact of the net change in the market value of equity on the Capital Adequacy Ratio (CAR) due to change in interest rates. Bank periodically computes the interest rate risk on the banking book that arises due to re-pricing mismatches in interest rate sensitive assets and liabilities. Details relating to re-pricing mismatches and the interest rate risk thereon are placed to the ALCO on regular basis with proposal for corrective action if necessary.

Quantitative Disclosures:

The increase (decline) in earnings or economic value (or relevant measure used by management) for upward and downward rate shocks according to management's method for measuring IRRBB, broken down by currency (as relevant).

(Figure in Crore)

Particulars	Up to 3 months	3 to 6 months	6 to 12 months
Rate Sensitive Assets	1,602.05	485.81	359.88
Rate Sensitive Liabilities	1,570.56	390.68	359.67

	< 3months	<6 months	<12 months
Cumulative Gap	31.49	126.62	126.63

	Minor-1%	Moderate-2%	Major-3%
Net Interest Income impact	1.27	2.54	3.80

9. Market Risk

(a) Qualitative Disclosures

9.1 Views of BOD on trading/investment activities

Market Risk is the risk that the fair value of future cash flows of the financial instruments will fluctuate due to changes in different market variable/factor, namely

i) Interest rate factor: Likelihood that interest rate will change.
ii) Currency factor : Likelihood that Foreign exchange rate will change
iii) Equity factor: Likelihood that stock price will change
iv) Commodity factor: Likelihood that Commodity price will change

The bank has a comprehensive Treasury Risk Policy which inter alia covers assessment, monitoring and management of all the above mentioned market risks. The Board approves all policies related to market risk, sets limits and reviews compliance on a regular basis. The objective is to provide cost effective funding to finance asset growth and trade related transactions.

9.2 Methods used to measure Market risk

Standardized approach has been used to measure the Market risk. The total capital requirement in respect of market risk is the aggregate capital requirement calculated for each of risk sub-categories. For each risk categories minimum capital requirement is measured in terms of two separately calculated capital charges for "specific risk" and "general market risk".

9.3 Market risk management system

The Treasury Department manages market risk covering liquidity, interest rate and foreign exchange risks with oversight from Asset-Liability Management Committee (ALCO) comprising senior executives of the bank. ALCO is chaired by the Managing Director. ALCO meetings are held at least once in a month.

9.4 Policies and process for mitigating Market risk

There are approved limits for credit deposit ratio, liquidity asset to total asset ratio, maturity mismatch, commitments for both on-balance sheet and off-balance sheet items and borrowing from money market and foreign exchange position. The limits are monitored and enforced on a regular basis to protect against market risks. The exchange rate committee of the bank meets on daily basis to review the prevailing market condition, exchange rate, foreign exchange position and transaction to mitigate foreign exchange risks. 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 adopts maturity method in measuring interest rate risk in respect of securities in trading book.

Quantitative Disclosure

(b) The capital requirements for

(Figure in Crore)

Particulars	Amount
Interest Rate related instruments	0.00
Equities	7.49
Foreign Exchange Position	0.06
Commodity Risk	0.00
Total	7.55

10. Operational Risk:

(a) Qualitative Disclosures

10.1 Views of BOD on system to reduce Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems (for example failed IT systems, or fraud perpetrated by a NRBGBL employee), or from external causes, whether deliberate, accidental or natural. It is inherent in all of the Bank's activities. The policy for operational risks including internal control and compliance risk is approved by the Board taking in to account relevant guidelines of Bangladesh Bank. Audit Committee of the Board directly oversees the activities of the respective division to protect against all operational risk.

10.2 Performance Gap of Executives and Staffs

NRBGBL always tries to be the best pay master in the sector and ensure best workplace safety for its employees to avoid inconsistent employment practices and unsound workplace safety by way of discrimination regarding employee's compensation, health and safety. NRBGBL strong brand image plays an important role in employee motivation. As a result there is no significant gap.

A half yearly and yearly performance appraisal practices are in place to review achievements based on which rewards and recognition decisions are made. Internal control and compliance (ICC) is continuously monitoring to minimize any potential brand damaging performance gap by employees especially fraud-forgery, misuse of power of attorney, weak customer services, weak internal and regulatory compliance etc.

However, our learning and development strategy puts special focus on continuous professional development to strengthen individual's skill level by removing the weakness to perform the assigned job with perfection. We have a wide range of internal and external training programs to enhance capabilities to minimize performance gap and to continuous more to bottom line.

10.3 Potential External Events

The bank invests heavily in IT infrastructure for better automation and online transaction environment. The bank also has huge investment on network links to avoid business description and system failure. The Bank's IT system does not allow any kind of external access to avoid external fraud by way of theft/ hacking of information assets, forgery etc.

10.4 Policies and process for mitigation operational risk

The policy for operational risks including internal control & compliance risk is approved by the Board taking in to account relevant guidelines of Bangladesh Bank. The preparation of Policy guidelines on risk based internal audit system is under process. According to the guideline the branches will rate in terms of their risk status. It is the policy of the bank to put all the branches of the bank under any form of audit at least once in a year. To reinforce operational risk by identifying, assessing, monitoring, controlling and mitigating the risk, rectifying operational risk events, and implementing any additional procedures required for compliance with central bank requirements.

10.5 Approach for calculating capital charge for operational risk

The Banks operating in Bangladesh shall compute the capital requirements for operational risk under the Basic Indicator Approach (BIA). Under BIA, 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. Figures for any year in which annual gross income is negative or zero, should be excluded from both the numerator and denominator when calculating the average. The capital charge may be expressed as follows:

$K = [(GI\ 1 + GI2 + GI3)\ \alpha]/n$

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%

n = number of the previous three years for which gross income is positive.

Gross income: Gross Income (GI) is defined as "Net Interest Income" plus "Net non-Interest Income".

It is intended that this measure should:

i) be gross of any provisions;

ii) be gross of operating expenses, including fees paid to outsourcing service providers;

iii) exclude realized profits/losses from the sale of securities held to maturity in the banking book;

iv) exclude extraordinary or irregular items;

v) exclude income derived from insurance.

Quantitative Disclosure

(C) The Capital requirement for:

Operational Risk

(Figure in Crore)

Year	Gross Income (GI)	Average Gross Income (AGI)	Capital Charge @ 15 % of AGI
2015	124.82	65.15	9.77
2014	58.57		
2013	12.07		

11.00 Liquidity Ratio

Qualitative disclosure:

11.1 Views of BOD in system to reduce liquidity Risk

Liquidity Risk is the potential for loss to a bank arising from either its inability to meet its obligations as they fall due or to fund increases in assets without incurring unacceptable cost or losses. Liquidity Risk is often triggered by the consequences of other financial risks such as credit risk, interest rate risk, foreign exchange risk, etc.

Liquidity Risk governance:

The intensity and sophistication of liquidity risk management processes depend on the nature, size and complexity of a bank's activities. Sound liquidity risk management employed in measuring, monitoring and controlling liquidity risk is critical to the viability of the bank. Our liquidity risk management procedures are comprehensive and holistic.

Responsibility of managing and controlling liquidity of the bank lies with Asset Liability Committee (ALCO) and ALCO committee is approved by the Board of Directors of the bank through approval of ALM Policy Guidelines and the committee meets at least once in every month. Asset Liability Management (ALM) desk of the treasury function closely monitors and controls liquidity requirement on a daily basis by appropriate coordination of funding activities and they are primarily responsible for management of liquidity in the bank. A monthly projection of fund flows is reviewed in ALCO meeting regularly. At the same time committee takes permission from the Board of Directors for its any change of interest rates due considering liquidity risk.

11.2 Methods used to measure Liquidity risk

At a very basic level, liquidity measurement involves assessing all of a bank's cash inflows against its outflows to identify the potential for any net shortfalls going forward. This also includes funding requirements for off balance sheet commitments.

An important aspect of measuring liquidity is making assumptions about future funding needs. While certain cash inflows and outflows can be easily calculated or predicted, bank also make assumptions about future liquidity needs, both in the very short-term and for longer time periods. One important factor to consider is the critical role a bank's reputation plays in its ability to access funds readily and at reasonable terms.

We have identified several key liquidity risk indicators, which are monitored on a regular basis to ensure healthy liquidity position. These ratios are:

i. Statutory Liquidity Requirement;
ii. Cash Reserve Ratio;
iii. Asset to Deposit Ratio;
iv. Structural Liquidity Profile;
v. Maximum Cumulative Outflow;
vi. Medium Term Funding Ratio;
vii. Volatile Liability Dependency Ratio;
viii. Liquid Asset to Total Deposit Ratio;
ix. Liquid Asset to Short Term Liabilities;
x. Liquidity Coverage Ratio (LCR)

11.3 Liquidity risk management system

In order to develop comprehensive liquidity risk management framework, we have Contingency Funding Plan (CFP), which is 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.

For day-to-day liquidity risk management, CFP ensures that the bank is best prepared to respond to an unexpected problem. In this sense, a CFP is an extension of ongoing liquidity management and formalizes the objectives of liquidity management by ensuring:

a) A reasonable amount of liquid assets are maintained;
b) Measurement and projection of funding requirements during various scenarios; and
c) Management of access to funding sources.

CFP also provides directions for plausible actions in distress and emergency situations. In case of a sudden liquidity stress, it is important for the bank to be seemed organized, can did, and efficient to meet its obligations to the stakeholders. Since such a situation requires a spontaneous action, CFP will put the bank in better position to address the liquidity problem more efficiently and effectively. CFP ensures that bank management and key staffs are ready to respond to any distress situations.

Maturity ladder of cash inflows and outflows are effective tool to determine banks cash position. A maturity ladder estimates a bank's cash inflows and outflows and thus net deficit or surplus (GAP) both on a day to day basis and over a series of specified time periods. A bucket wise (e.g. call, 2-7 days, 1 month, 1-3 months,3-12 months, 1-5 years, over 5 years) maturity profile of the assets and liabilities is prepared to understand mismatch in every bucket. A structural maturity ladder or profile is prepared periodically following guidelines of the Bangladesh Bank DOS circular no. 02 dated 29 March 2011.

11.4 Policies and processes for mitigating liquidity risk

Managing the Liquidity risk of our bank attracts much more attention of the regulators and supervisors to comply the regulatory issues are issued by them time to time. The outcome of this concern was well reflected in the activities of the Basel Committee for Banking Supervision while formulating the Basel 2.5 and finally in Basel III documents. NRB Global Bank Limited (NRBGBL) also formulating & submitting Liquidity (LCR and NSFR) and leverage ratios those are primarily meant to address the above risks. For this Bangladesh Bank has already declared the Roadmap for the implementation of Basel III in the banking sector and our bank is also following these plans & roadmaps very strictly. The Liquidity Ratios are already implemented as a prudential requirement since September 2015 & our bank is doing so on. On the other hand, as per BB instruction after final adjustment by BB in 2017, Leverage Ratio requirements will become a separate supplementary pillar-1 capital standard for banks from January 2018 & NRBGBL is also ready follow & welcome the above outcomes as and when required considering its liquidity threads and risks to be mange.

(b) **Quantitative Disclosure**

(i)	Liquidity Coverage Ratio	532.47%
(ii)	Net Stable Funding Ratio(NSFR)	115.59%
(iii)	Stock of High quality liquid assets	488.55
(iii)	Total net cash outflows over the next 30 calendar days	91.75
(iv)	Available amount of stable funding	2,783.94
(v)	Required amount of stable funding	2,408.40

12.00 Leverage Ratio

Qualitative disclosure:

12.1 Views of BOD in system to reduce liquidity Risk

The BOD should have the overall responsibility is to monitor overall activities of the bank. The Board should decide the strategy, policies and procedures of the bank to manage leverage ratio in accordance with the risk tolerance/limits as per the guidelines. The risk tolerance should be clearly understood at all levels of management.

The Board should also ensure that it understands the nature of the leverage ratio. BOD must periodically reviews information necessary to maintain this understanding, establishes executive-level lines of authority and responsibility for managing the bank's leverage ratio. Bank's top management should be responsible for ensuring adherence to the risk tolerance/limits set by the Board as well as implementing the risk management strategy of the bank in line with bank's decided risk management objectives and risk tolerance.

12.2 Policies and processes for managing

The LR playing a key role in avoiding such adverse developments in the future. The LR is a non-risk-based capital measure and is defined as Tier 1 capital over a bank's total exposure measure, which consists of both on and off-balance-sheet items. 3 It is widely expected that the LR will become a Pillar 1 requirement for banks under Basel III.

12.3 Approach for calculating exposure:

At its highest level, the leverage ratio can be summarized as a measure of capital as a proportion of total adjusted assets. More specifically, it has been defined as the average of the monthly leverage ratio over the quarter based on Tier 1 capital (the capital measure) and total exposure (the exposure measure). The minimum ratio is currently calibrated at 3%.

b) Quantitative Disclosure

Components	Amount
Leverage Ratio	12.91%
On balance sheet exposure	3,138.83
Off balance sheet exposure	75.41
Total exposer	3,214.24

13.00 Remuneration

The disclosure requirements on Remuneration allow market participants to assess the quality of the Bank's compensation practices and the incentives towards the risk perceived.

NRB Global Bank Limited is practicing a flexible compensation and benefits system that accommodates to ensure pay equity, further it is linked with performance that is understood by employees and make them aligned with the overall strategy of the Bank. While maintaining a balance with the business affordability, the compensation and benefits are regularly reviewed through market and peer group study. (For instance, salary has been restructured thoroughly with effect from July 01, 2015). The well-crafted inclusive rewards help the Bank to attract, motivate and retain talent that will fetch desired business results.

The structure and level of remuneration are reviewed time to time based on Bank's business performance and financial position. Along with the regular monthly payments and a good number of allowances, NRB Global Bank Limited is providing a wide range of commendable benefit schemes. The various cash and non-cash benefits includes Bank provided chauffeured car facility for

Top Level Executives, car maintenance allowances, Medical treatment support, Maternity support, House Building Loan etc. The Bank also provides retirement benefits, provident fund and gratuity. The Bank also maintaining a social security fund (by both contributions), which is a great help to the employees in case of any uncertainty.

Career Progression & Succession Planning

NRB Global Bank plans for employees so that they can advance their career goals. This includes advancement into more responsible positions.

The organization supports career opportunities internally so that talented employees are placed in upgraded positions and thereby enables them to deliver their greatest value to the organization. In addition to the vertical career growth, employees may also grow horizontally. Whenever essential, Human Resources Division mobilizes employees across different functions and branches. This is how the Management is assisting them to progress with varied skills and experience.

Besides encouraging individual employee growth and development, the Bank also gives effort to identify and retain the human resources who can potentially be the successors of mission critical roles. The Bank acknowledges that succession planning & career management is vital to the growth of the organization. NRB Global Bank continuously assesses organizational, divisional and team capability gaps to identify, develop and nurture the successors in a timely manner to meet the demands of the future.

Performance Management Program

The Bank has a comprehensive performance management program that evaluates employees' yearly performance against the specified targets at the year end. However, the Human Resource Division conducts a quarterly review of the performances. To ensure a proper performance evaluation and rate the employees based on their comparative performance, the line Management is guided by the Human Resources Division. This performance appraisal system is considered as the assessment tool to identify and reward the outstanding performers. Further, it is the armament to make the employees aware that their doings are going to be evaluated anyway. The performance management system is inclusive in such a fashion that it helps to identify the competency gap and training need of the employees of all levels.

Learning & Development

The Management has been continuously pursuing for transforming the Human Resources to Human Capital through Training & Development initiatives. Human Resources Division regularly undertakes apposite training programs targeting the right group of employees through training need assessment. It is worth mentioning that, a Training Institute of NRBGBL is going to established very soon to facilitate the development of the employees.

In the year 2015, the Human Resources Division has arranged almost 80 (Eighty) Training Programs covering various aspects of Banking and other necessary soft skills. A total of 230 (Two Hundred Thirty) officials have attended these programs and become equipped to face the upcoming challenges in Economy and Banking sector.