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, 2018 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 guideline applies.

NRB Global Bank Limited. The Bank has no subsidiary company as on December 31, 2018.

b) An outline of differences in the basis of consolidation for accounting and regulatory purposes, with a brief description of the entities within the group (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 Saiham Tower, House No. 136, Block-S.E.(c-1), Gulshan Model Town, Dhaka. 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 57 (Fifty-Seven) located in different areas of Dhaka, Chattogram, Khulna, Rajshahi, Bogra, Sylhet and Barishal as on 31 December 2018. 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	59.51
General reserve	0.00
Retained earnings	46.89
Sub Total Common Equity Tier-1Capital	**531.40**
Less: Regulatory adjustment	
Deferred tax assets (DTA)	2.72
Total Common Equity Tier-1Capital (A)	**528.68**
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	**528.68**
d) Tier-2 Capital:	
General Provision	76.36
Revaluation Reserves for Securities up to 50%	0.67
Subordinated debt	0.00
Total Tier-2 Capital (C)	**77.03**
e) Regulatory Adjustments/Deductions from capital (D)	
Revaluation reserve for fixed assets ,securities & equity securities @40%	**0.54**
Total Tier-2 Capital Available	**76.49**
Total eligible capital (A+B+C-D)	**605.17**

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 Tier 2 capital.

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 11.89% as against the minimum regulatory requirement of 10%. Common equity Tier-1 capital adequacy ratio is 10.39% 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. 7,155.63 Crore, deposit of Tk. 8,288.28 crore, the Bank was able to maintain eligible capital with surplus of Tk. 96.14 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	460.30
Capital requirement for Market Risk	7.02
Capital requirement for Operational Risk	41.70
Total and Tier 1 capital ratio:	0.00
- For the consolidated (%)	0.00
- For stand alone	11.89%
Capital Conservation Buffer	1.59%
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.	1% & 2%
General provision on the unclassified loans to Brokerage House, Merchant Banks, Stock Dealers, etc.	2%
General provision for Short-term agriculture and Micro credit	1%
General provision against all unclassified credit card loans under consumer financing	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 ECAI**s** 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
Loans, cash credits, overdrafts etc.	**6,162.80**
Term loan	480.40
General Loans	-
Payment Against Documents (PAD)	2.81
Loan Against Trust Receipts	6.64
Lease Finance	0.00
House Building Loan	9.44
Staff/ Employee Loan	21.04
Loan by subsidiaries	-
Cash Credit	3,075.57
Overdraft	2,482.28
Other Loans and Advances	84.62
Bills purchased and discounted	**992.84**
Payable in Bangladesh	992.27
Payable outside Bangladesh	.57
Total	**7,155.64**

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

(Figure in Crore)

Urban	Outstanding
Dhaka Division	2,370.34
Chattogram Division	4,233.59
Khulna Division	7.51
Rajshahi Division	2.93
Barisal Division	-
Sylhet Division	1.12
Rangpur Division	-
Sub-Total	**6,615.49**

(Figure in Crore)

Rural	Amount
Dhaka Division	60.43
Chattogram Division	479.72
Khulna Division	-
Rajshahi Division	-
Barisal Division	-
Sylhet Division	-
Sub-Total	**540.15**
Grand Total	**7,155.64**

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

(Figure in Crore)

Particulars	Outstanding
Agriculture	72.18
Commercial Real Estate Financing	5.88
Construction	201.00
Consumer Finance	48.17
Residential real estate financing	7.93
Capital market institution	42.83
Transport, storage and communication	21.30
Retail Loan	238.72
Staff/ Employee Loan	21.04
Commercial and trading services	5,668.83
Ready Made Garments-RMG	81.94
Small and Medium Enterprise Loans	284.48
Textile industries	135.13
Other manufacturing industries	326.21
Total	**7,155.64**

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

(Figure in Crore)

On Demand	22.66
Not more than three months	2,694.29
More than three months but less than one year	3,655.79
More than one year but less than five year	599.60
More than five year	183.30
Total	7,155.64

f) By major industry or counterparty type:

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

(Figure in Crore)

Particulars	**Amount**
Substandard (SS)	19.44
Doubtful (DF)	5.03
Bad Loss (BL)	119.98
Total	**144.45**

ii) Specific and general provisions; and

(Figure in Crore)

Particulars	**Amount**
Provision on classified loans and advances	31.80
Provision on unclassified loans and advances	68.69
Provision on Off-balance sheet exposures	7.67
Provision for diminution in value of investments.	0.00
Total	**108.16**

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

(Figure in Crore)

Particulars	**Amount**
Provision on classified loans and advances	(1.48)
Provision on unclassified loans and advances	11.43
Provision on Off-balance sheet exposures	0.15
Provision for diminution in value of investments.	-
Total	**10.10**

g) Gross Non Performing Assets (NPAs):

(Figure in Crore)

Particulars	**Amount**
Non-Performing Assets (NPAs) to Outstanding Loans & advances	2.02%
Movement of Non-Performing Assets (NPAs)	
Opening balance	77.48
Addition/(Reductions)	66.97
Closing Balance	**144.45**
Movement of specific provisions for NPAs	
Opening balance	33.29
Provisions made during the period	(1.48)
Write-off	0.00
Write-back of excess provisions	-
Closing Balance	**31.81**

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.	0.00	0.00

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

d)	Total unrealized gains (losses)	Nil
	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	0.00
	General Market Risk	0.00

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	3,060.06	2,283.83	1,868.59
Rate Sensitive Liabilities	2,906.05	2,210.76	1,808.80

	< 3months	<6 months	<12 months
Cumulative Gap	154.01	73.07	59.79

	Minor-1%	Moderate-2%	Major-3%
Net Interest Income impact	2.87	5.74	8.61

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	0.00
Foreign Exchange Position	7.02
Commodity Risk	0.00
Total	**7.02**

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) a]/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)

a = 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
2018	297.30	277.96	41.70
2017	321.11		
2016	215.49		

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	228.91%
(ii)	Net Stable Funding Ratio(NSFR)	108.21%
(iii)	Stock of High quality liquid assets	1,348.03
(iii)	Total net cash outflows over the next 30 calendar days	588.89
(iv)	Available amount of stable funding	7,871.89
(v)	Required amount of stable funding	7,274.91

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 review 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

(Figure in Crore)

Components	Amount
Leverage Ratio	5.81%
On balance sheet exposure	9,217.20
Off balance sheet exposure	755.04
Total exposer	9,972.24

13.00 Remuneration

Qualitative disclosure:

(a). Information relating to the bodies that oversee remuneration:

Name of the bodies that oversee remuneration.
Under supervision and direction of the Senior Management of the Bank, the Human Resources Management Division oversees the 'remuneration' in line with its Human Resources Management policy.

Composition and Mandate of the main body overseeing remuneration.
The Managing Director along with other Senior Executives of the Corporate Head Office is the main body of overseeing the remuneration. The Senior Management is the prime organ for overseeing the Bank's remuneration. It assesses the status of remuneration and related matters and recommends to the Board for approval of its reformation, reorganization and alteration matching with the industry practices.

External consultants whose advice has been sought, the body by which they were commissioned, and in what areas of the remuneration process.

No External Consultant is employed regarding remuneration and its process.

A description of the scope of the bank's remuneration policy (e.g. by regions, business line), including the extent to which it is applicable to foreign subsidiaries and branches.

The Bank does not have any differentiated Pay Structure and employee benefits by regions/ business line/ activity. The Bank had no foreign subsidiaries and branches outside Bangladesh as on 31 December 2018.

A description of the types of employees considered as material risks takers and as senior managers, including the number of employees in each group.

The bank reckons the members of the senior management, branch managers and the employees engaged in different functional divisions at Head Office and branches (except the employees involved in internal control & compliance and risk management) as the material risk takers of the Bank.

(b). Information relating to the design and structure of remuneration process:

An overview of the key features and objectives of the remuneration policy.

The purpose of the Bank's remuneration policy is to establish a framework for attracting, relating and motivating employees, and creating incentives for delivering long-term performance with established risk limits.

The Bank targets a fair human resources management by using a performance based system. Remuneration and other associated matters are guided by the Bank's Employees' Service Rule as well as direction & supervision from the Board from time to time in line with the industry practices.

Whether the remuneration committee reviewed the banks' remuneration policy during the past year, and if so, an overview of any changes that was made.

The Senior Management under direct supervision and guidance of the Board of Directors reviewed the Banks' remuneration in 2015 by overseeing the Banks remuneration position in the Banking industry especially salary and other benefits of the employees.

A discussion of how the bank ensures that risk and compliance employees are remunerated independently of the business they oversee.

The risk and compliance employees are carrying out the activities independently as per job assigned to them. Human Resources Management Division does not make any difference with other regular employees regarding remuneration of the risk and compliance employees and sets the remuneration as per the existing service rule of the Bank.

(c) Description of the ways in which current and future risk are taken into account in the remuneration processes:

An overview of the key risks that the bank takes into account when implementing remuneration measures.

The business risk including credit risk, compliance, reputational, financial and liquidity risk are mostly considered when implementing the remuneration measures.

An overview of the nature and type of the key measures used to take account of these risks, including risks difficult to measure.

Different set of measures are in practice based on the nature & types of business segments etc. These measures are primarily focused on the business goals set for each area of operation, branch vis-à-vis the actual results achieved as of the reporting date. The most vital tools & indicators used for measuring the risks are the asset quality (NPL ratio), Net Interest ratio, cost-income ratio, growth of net profit as well as the non-financial indicators namely the compliance status with the regulatory norms, instructions have been brought to the notice of all concerned of the Bank regularly.

A discussion of the ways in which these measures affect remuneration.

All the financial and non-financial indicators as per pre-determined set criteria are considered while evaluating the performance of each employee annually. Accordingly, the result of the performance differs from one to another affecting the remuneration.

A discussion of how the nature and type of these measures has changed over the past year and reasons for the change, as well as the impact of changes on remuneration.

No material change has been made during the year 2018.

(d). Description of the ways in which the bank seeks to link performance during a performance measurement period with levels of remuneration:

An overview of main performance metrics for bank, top level business lines and individuals.

Performance Appraisal Report is set by the Board while approving the business target/ budget for each year for the Bank and business lines/ segment. Appropriate tools, techniques and strategic planning is undertaken by the Management with the approval of the Board to achieve those targets. The most common performance indicators are the achievement of loan, deposit and profit target, yield on loans liquidity position, cost-income ratio, cost of fund etc.

A discussion of how amounts of individual remuneration are linked to bank-wide and individual performance.

Salary increment, Employee house building loan facilities, Employee Car facilities, promotion and yearly incentive bonus are directly linked with individual performance of the employees.

A discussion of the measures the bank will in general implement to adjust remuneration in the event that performance metrics are weak. This should include the banks' criteria for determining "weak" performance metrics.

Various Performance facilities i.e. yearly incentive bonus, salary increment, Employee house building loan facilities, Employee car facilities and promotion are determined by the outcome of scorecard in prescribed Performance Appraisal Report.

(e). Description of the ways in which the bank seeks to adjust remuneration to take account of longer-term performance:

A discussion of the bank's policy on deferral and vesting of variable remuneration and, if the fraction of variable remuneration that is deferred differs across employees or groups of employees, a description of factors that determine the fraction and their relative importance.

Incentive compensation is delivered to Employees in the form of cash awards subject to performance based on Performance Appraisal Report.

A discussion of the bank's policy and criteria for adjusting deferred remuneration before vesting and (if permitted by national law) after vesting through claw back arrangements.

Not Applicable

(f). Description of the different forms of variable remuneration that the bank utilizes and the rationale for using these different forms:

A summary of Short-term and Long-term compensation packages of the Bank are as follows:

Short-Term Incentives/ Rewards

- Yearly incentive bonus;
- Yearly Increment;
- Special Increment for especial achievement;
- Car, fuel and care maintenance allowance for executives;
- Festival bonuses
- Boisakhi allowance
- Medical facilities

Long-Term Incentive/ Rewards

- Provident fund
- Gratuity;
- Employee's welfare Fund
- Employees House Building loan facilities
- Provident Fund loan
- Periodically salary review (enhancement)
- Employee Car facilities etc.
- Leave fare assistance

Others Form:

- Study leave
- Foreign training etc.

Quantitative Disclosure

(g). Number of meetings held by the main body overseeing remuneration during the financial year and remuneration paid to its member:

Usually, meetings for overseeing remuneration by main body held when required. No additional remuneration is paid to the members for meetings.

(h) Number of employees having received a variable remuneration award during the financial year:

The following Number of Employees were received a variable remuneration during the year 2018:

Particulars	Number
Number of employees having received a variable remuneration award during the year 2018.	Nil

h.1	Number and total amount of guaranteed bonuses awarded during the financial year.	Nil

h.2	Number and total amount of sign-on awards made during the financial year.	Nil

h.3	Number and total amount of severance payments made during the financial year	Nil

(i)	**Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms:**	Nil

i.1	Total amount of deferred remuneration paid out in the financial year.	Nil

(j) Breakdown of amount of remuneration awards for the financial year to show:

Breakdown of Remuneration for the year- 2018 is as under:

(Figure in Crore)

Sl. No.	Particulars	Amount
01	Basic Salary	19.71
02	Allowances	32.52
03	Festival Bonus	4.17
04	Incentive Bonus	6.44
05	Provident fund contribution	1.86
06	Gratuity	2.00
07	Arrear salary	0.49
08	Leave encashment salary	0.17
09	Consolidated Salary	9.03
	Total	**76.39**

(k) Quantitative information about employees' exposure to implicit (e.g. fluctuations in the value of shares or performance units) and explicit adjustments (e.g. claw backs or similar reversals or downward revaluations of awards) of deferred remuneration and retained remuneration:

k.1	Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit and / or implicit adjustment.	Not Applicable

k.2	Total amount of reductions during the financial year due to ex post explicit adjustments.	Not Applicable

k.3	Total amount of reductions during the financial year due to ex post implicit adjustments ex post explicit adjustments.	Not Applicable