

MARKET DISCIPLINE DISCLOSURE ON RISK BASED CAPITAL (BASEL-III)

1. SCOPE OF APPLICATION

Qualitative Disclosure	a)	The name of the top corporate entity in the group to which this guidelines applies	National Bank Limited
	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).	<p>National Bank Limited has 7 (seven) subsidiaries (i) NBL Securities Ltd. (ii) NBL Capital & Equity Management Ltd (iii) NBL Money Transfer Pte. Ltd. Singapore (iv) NBL Money Transfer Sdn Bhd. Malaysia (v) NBL Money Transfer (Maldives) Private Ltd. (vi) NBL Money Transfer Payment Foundation S.A., Greece (vii) NBL Money Transfer INC., USA</p> <p>National Bank Limited: NBL was incorporated in Bangladesh as a public limited company with limited liability as on 15 March 1983 under Companies Act 1913 (Companies Act 1994) to carry out banking business. It obtain license from Bangladesh Bank to Carrying out banking business on 22 March 1983. The Bank has been engaged in Banking activities through its one hundred ninety nine (191) branches including sixteen (16) SME / Agri branches throughout the country. The Bank is listed with both Dhaka Stock Exchange Limited and Chittagong Stock Exchange Limited.</p> <p>NBL Securities Limited: NBL Securities Limited, a subsidiary company of National Bank Limited was incorporated as a public Limited Company with the Registrar of Joint Stock Companies and Firms in Dhaka, Bangladesh bearing Registration No-C-82154/10 Dated February 01, 2010 under the Companies Act, 1994.</p> <p>The main objectives of the company are to carry on the business as Stock Broker/ Stock Dealer of stock exchanges, depository participants of Central Depository Bangladesh Limited (CDBL), underwriter, placement agent and to carry on the business of broker, jobber or dealer in stocks, shares, securities, commodities, commercial papers, bonds, debentures, treasury bills and financial instruments.</p> <p>NBL Capital & Equity Management Ltd.: NBL Capital & Equity Management Ltd. is fully owned subsidiary company of National Bank Limited incorporated as a private limited company with the registrar of Joint</p>

		<p>Stock Companies, Dhaka, Bangladesh vide Certificate of incorporation No-C-82157/10 Dated February 01,2010 under the Companies Act,1994. The functions of Merchant Banker were separated from National Bank Limited by forming a subsidiary company namely NBL Capital & Equity Management Limited as per Bangladesh Bank's BRPD Circular no. 12 dated 14.10.2009.</p> <p>NBL Money Transfer Pte. Ltd., Singapore: The Company is incorporated as Private Limited Company and domiciled in the Republic of Singapore. The principal activity of the company is that of money remittance agency.</p> <p>NBL Money Transfer Sdn Bhd. Malaysia: The Company is a Private Limited Company, incorporated and domiciled in Malaysia. It is principally engaged in business of currency remittance services.</p> <p>NBL Money Transfer (Maldives) Private Ltd. The Company was incorporated under the Act No. 10/96 in the Republic of Maldives on 29 August 2011. The objective of the company is to operate money remittance and money exchange business. The company commenced its commercial operations on 23 December 2011.</p> <p>NBL Money Transfer INC., USA The company was incorporated on march 9, 2011 under the laws of the State of New York. On June 11, 2013 the company received license as an international money transmitter from the State of New York Department of Financial Services.</p>
	c)	<p>Any restrictions, or other major impediments, on transfer of funds or regulatory capital within the group.</p> <p>Not applicable</p>
Quantitative Disclosure	d)	<p>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</p> <p>Not applicable</p>

2. CAPITAL STRUCTURE

Qualitative Disclosure	a)	<p>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 CET1, Additional Tier 1 or Tier 2.</p>	<p>As per Guidelines on Risk Based Capital Adequacy in line with Basel III Common Equity Tier – 1 (CET1) Capital of NBL consists of (i) Paid-up Capital (ii) Statutory Reserve (iii) General Reserve (iv) Retained Earnings and (v) Minority interest in Subsidiaries.</p> <p>NBL and its subsidiaries do not have Additional Tier 1 (AT1) Capital as they did not issue any instrument that meets the qualifying criteria for Additional Tier1 Capital.</p> <p>Tier -2 capital consists of (i) General Provision (ii) Subordinated Debt/instruments that meet the qualifying criteria for Tier 2 Capital (iii) Revaluation Reserves (50% of Fixed Assets & Securities and 10% of Equities) after regulatory adjustment of 20% in each year from the year 2015.</p>
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Quantitative Disclosure	b)	The amount of Regulatory capital with separate disclosure of:	Solo	Consolidated
			Taka in Crore	
		Common Equity Tier 1 (CET1) Capital:		
		Fully paid up capital	1,975.38	1,975.38
		Non repayable share premium account	-	-
		Statutory reserve	1,139.24	1,139.24
		General reserve	-	5.25
		Retained earnings	396.47	382.35
		Minority interest in subsidiaries	-	0.01
		Dividend equalization account	-	-
		Additional Tier 1 (AT1) Capital	-	-
		Total Tier 1 Capital	3,511.09	3,502.23
		Tier 2 Capital	518.18	518.18
		Total Amount of Tier 1 and Tier 2 Capital	4,029.27	4,020.41
	c)	Regulatory Adjustments/ Deductions from Capital	287.03	287.07
	d)	Total Eligible Capital	3,742.24	3,733.34

3. CAPITAL ADEQUACY

Qualitative Disclosure	a)	A summary discussion of the bank's approach to assessing the adequacy of its capital to support current and future activities.	NBL has an exclusive body called Risk Management Division (RMD) for assessing overall risk profile and a strategy for maintaining adequate capital. Adequate capital means enough capital to compensate all the risks in their business, and to develop and practice better risk management techniques in monitoring and managing the risks. The Bank has adopted Standardized Approach (SA) for computation of capital charge for capital risk and Basic Indicator Approach (BIA) for operational risk. As per capital adequacy guideline, the bank is required to maintain Capital to Risk Weighted Assets Ratio (CRAR) of 10.625% including Capital Conservation Buffer of 0.625% with regards to credit risk, market risk and operational risk.
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Quantitative Disclosure		Particulars	Solo	Consolidated
			Taka in Crore	
	b)	Capital requirement for Credit Risk	24,449.93	24,485.39
	c)	Capital requirement for Market Risk	1,817.65	1,874.26
	d)	Capital requirement for Operational Risk	2,095.29	2,143.89
		Total Risk weighted Assets (RWA)	28,362.88	28,503.54
		Total Regulatory Capital (Tier 1 & Tier 2)	3,742.23	3,733.34
	e)	Capital to Risk Weighted Assets Ratio (CRAR)	13.19%	13.10%
		Common Equity Tier 1 (CET 1) Capital to RWA Ratio	11.37%	11.28%
		Tier 1 Capital to RWA Ratio	11.37%	11.28%
		Tier 2 Capital to RWA Ratio	1.82%	1.82%
		Minimum Capital Requirement (MCR)	2,836.29	2,850.35
	f)	Capital Conservation Buffer	177.27	178.15
	g)	Available Capital under Pillar 2 requirement	338.70	338.70

4. CREDIT RISK

Qualitative Disclosure	The General qualitative disclosure requirement with respect to credit risk, including:	
	a) i) Definition of past due and impaired (for accounting purpose)	<p>A claim that has not been paid as of its due date is termed as past due claim. As per Bangladesh Bank circulars issued from time to time all the loans and advances are grouped into four categories for the purpose of classification, namely (i) Continuous Loan (ii) Demand Loan (iii) Fixed Term Loan and (iv) Short –Term Agriculture and Micro Credit .</p> <p>Continuous & Demand Loan are classified as:</p> <ul style="list-style-type: none"> • Sub – standard: if it is past due /overdue for three (03) months or more but less than six (06) months; • Doubtful: if it is past due /overdue for six (06) months or more but less than nine (09) months; • Bad / Loss: if it is past due /overdue for nine (09) months or more. <p>Fixed Term Loan (up to 1 million) are classified as:</p> <ul style="list-style-type: none"> • Sub – standard: if the amount of past due installment is equal to or more than the amount of installment(s) due within six (06) months, the entire loans are classified as “Sub- standard”; • Doubtful: if the amount of past due installment is equal to or more than the amount of installment(s) due within nine (09) months, the entire loans are classified as “Doubtful”; • Bad / Loss: if the amount of past due installment is equal to or more than the amount of installment(s) due within twelve (12) months, the entire loans are classified as “bad/ Loss”. <p>Fixed Term Loan (more than 1 million) are classified as:</p> <ul style="list-style-type: none"> • Sub – standard: if the amount of past due installment is equal to or more than the amount of installment(s) due within three (03) months, the entire loans are classified as “Sub- standard”; • Doubtful: if the amount of past due installment is equal to or more than the amount of installment(s) due within six (06) months, the entire loans are classified as “Doubtful”;

		<ul style="list-style-type: none"> • Bad / Loss: if the amount of past due installment is equal to or more than the amount of installment(s) due within nine (09) months, the entire loans are classified as “bad/ Loss”. <p>Short Term Agricultural and Micro Credit are classified as:</p> <ul style="list-style-type: none"> • Sub – standard: if the irregular status continues after a period of twelve (12) months, the credits are classified as “Sub- standard”; • Doubtful: if the irregular status continues after a period of thirty six (36) months, the credits are classified as “Doubtful”; • Bad / Loss: if the irregular status continues after a period of sixty (60) months, the credits are classified as “Bad/ Loss”. <p>A Continuous loan, Demand loan or Term loan which remained overdue for a period of two (02) months or more, is treated as “Special Mention Account (SMA)”.</p>																				
	<p>ii) Description of approaches followed for specific and general allowances and statistical methods;</p>	<p>The Bank is required to maintain the following general and specific provision in respect of classified and unclassified loans advances/ investments on the basis of Bangladesh Bank guidelines issued from time to time:</p> <table border="1" data-bbox="802 1182 1359 1953"> <thead> <tr> <th>Particulars</th> <th>Rate</th> </tr> </thead> <tbody> <tr> <td>General Provision on unclassified Small & Medium Enterprise (SME) financing</td> <td>0.25%</td> </tr> <tr> <td>General Provision on unclassified loans & advances other than Consumer Financing, Loans to Brokerage House, Merchant Banks, Stock Dealers etc., SMA as well as SME financing.</td> <td>1%</td> </tr> <tr> <td>General provision on interest receivable on loans</td> <td>1%</td> </tr> <tr> <td>General provision on off balance sheet exposure</td> <td>1%</td> </tr> <tr> <td>General Provision on unclassified loans & advances for housing finance & loans for professionals</td> <td>2%</td> </tr> <tr> <td>General Provision on unclassified amount for Consumer Financing</td> <td>5%</td> </tr> <tr> <td>Specific provision on Sub-Standard loans & advances</td> <td>20%</td> </tr> <tr> <td>Specific provision on Doubtful loans & advances</td> <td>50%</td> </tr> <tr> <td>Specific provision on Bad/ Loss loans & advances</td> <td>100%</td> </tr> </tbody> </table>	Particulars	Rate	General Provision on unclassified Small & Medium Enterprise (SME) financing	0.25%	General Provision on unclassified loans & advances other than Consumer Financing, Loans to Brokerage House, Merchant Banks, Stock Dealers etc., SMA as well as SME financing.	1%	General provision on interest receivable on loans	1%	General provision on off balance sheet exposure	1%	General Provision on unclassified loans & advances for housing finance & loans for professionals	2%	General Provision on unclassified amount for Consumer Financing	5%	Specific provision on Sub-Standard loans & advances	20%	Specific provision on Doubtful loans & advances	50%	Specific provision on Bad/ Loss loans & advances	100%
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Quantitative Disclosure	b)	Total gross credit risk exposures, broken down by major types of credit exposure.	
		Particulars	Taka in Crore
		Secured Overdraft	4,660.06
		Cash Credit	4,917.55
		Loans (General)	8,544.56
		House Building Loans	1,267.70
		Lease Finance	11.93
		Loans against Trust Receipts	506.72
		Payment against Documents	63.13
		Credit Card	117.81
		Other Loans and Advances	504.44
		Bill Purchased & Discounted- Inland	144.98
		Bill Purchased & Discounted- Foreign	254.03
		Total	20,992.91
	c)	Geographical distribution of exposures, broken down in significant areas by major types of credit exposure.	
		Particulars	Taka in Crore
		Dhaka Division	12,897.89
		Chittagong Division	6,249.82
		Khulna Division	464.06
		Rajshahi Division	824.97
		Barisal Division	154.20
		Sylhet Division	113.57
		Rangpur Division	288.40
	Total	20,992.91	
	d)	Industry or counterparty type distribution of exposure broken down by major types of credit exposure.	
		Particulars	Taka in Crore
		Agriculture	228.72
		Term Loan to Small Cottage Industries	186.68
		Term Loan to Large & Medium Cottage Industries	6,172.97
		Working Capital to Industry	4,354.94
		Export Credit	413.76
		Trade Finance	4,883.01
		Consumer Credit	90.31
Credit Card		117.81	
Others	4,544.71		
Total	20,992.91		
e)	Residual contractual maturity break down of the whole portfolio, broken down by major types of credit exposure.		
	Particulars	Taka in Crore	
	Repayable on Demand	307.37	
	Up to 1 month	2,132.89	
	Over 1 month but not more than 3 months	4,265.79	
	Over 3 month but not more than 1 year	5,374.11	
	Over 1 month but not more than 5 years	7,172.02	
	Over 5 years	1,740.73	
Total	20,992.91		

	f)	By major industry or counterparty type:	
		a) Amount of impaired loans and if available, past due loans, provided separately	
		Particulars	Taka in Crore
		Sub – Standard	112.30
		Doubtful	153.65
		Bad / Loss	1,906.76
		Total	2,172.71
		ii) Specific and General Provisions	
		a) Specific Provision	
		Opening Balance	397.61
		Waiver during the year	-
		Release of Provision	4.51
		Adjustment/ Recovery in kinds on account of properties	-
		Transfer from general provision unclassified loan	-
		Transfer from general provision Off B/S	-
		Provision made during the year	111.20
		Closing Balance	513.32
		b) General Provision	
Opening Balance	172.48		
Transfer from/to other provision	36.09		
Provision made during the year	121.80		
Closing Balance	330.37		
c) General Provision against Off B/S			
Opening Balance	53.15		
Transfer to specific provision	(5.60)		
Provision made during the year	-		
Closing Balance	47.55		
d) General Provision against good borrower			
Opening Balance	1.00		
Provision made during the year	-		
Paid during the year	-		
Closing Balance	1.00		
iii) Charges for specific allowances and charge –offs during the period			
Provision on classified loans and advances	513.32		
Provision on unclassified loans and advances	330.37		
Provision on Off Balance Sheet exposure	47.55		
Provision for Good Borrower	1.00		
Provision for other assets	4.23		
Provision for diminution in value of investments	87.00		

g)	Gross Non Performing Assets (NPAs)		
	Non Performing Assets (NPAs) to Outstanding loans and advances		10.35%
	Movement of Non Performing Assets (NPAs)		
	Opening balance		1,304.60
	Additions		868.11
	Reductions		-
	Closing balance		2,172.71
	Movement of specific provisions for NPAs		
	Opening balance		397.61
	Provisions made during the period		111.20
	Recovery of Write off		-
	Release of provision		4.51
	Closing balance		513.32

5. Equities: Disclosures for Banking Book Positions

Qualitative Disclosure	a)	The general qualitative disclosure requirement with respect to equity risk, including:			
		<p>i) Differentiation between holdings on which capital gains are expected and those taken under other objectives including for relationship and strategic reasons</p>	<p>Investment in equity securities are broadly categorized in to two parts:</p> <p>i) Quoted securities: Ordinary Shares, Mutual Fund that are traded in the secondary market (Trading Book Assets).</p> <p>ii) Unquoted securities: Preference Share and Subscription for Private Placement that are not traded in the secondary market (Banking Book Assets)</p>		
		<p>ii) 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.</p>			
		Investment Class	Initial recognition	Measurement after initial recognition	Recording of changes
		Shares (Quoted)	Cost	Lower of cost or market value (overall portfolio)	Loss (net of gain) to Profit & Loss account but no unrealized gain booking.
		Shares (Unquoted)	Cost	Lower of cost or Net Asset Value (NAV)	Loss to Profit & Loss account but no unrealized gain booking.
		Mutual fund (Closed end)	Cost	Lower of cost and (higher of market value and 85% of NAV)	Loss (net) to Profit & Loss account but no unrealized gain booking.

Quantitative Disclosure	Particulars	Solo		Consolidated	
		Taka in Crore			
		Cost Price	Market Price	Cost Price	Market Price
b)	Value disclose 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	590.10	503.55	632.79	531.85
c)	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.				
	i) Specific Risk		50.36		53.19
	ii) General Market Risk		50.36		53.19

6. INTEREST RATE RISK IN THE BANKING BOOK (IRRBB)

Qualitative Disclosure	a)	The general qualitative disclosure requirement including the nature of IRRBB and key assumptions, including assumptions regarding loan prepayments and behavior of non-maturity deposits, and frequency of IRRBB measurement.	Interest rate risk is the risk where changes in market rates might adversely affect a bank's financial condition. Changes in interest rates affect both the current earnings as well as the net worth of the bank. To evaluate the impact of the interest rate risk on the net interest margin, NBL monitors the size of the gap between rate sensitive assets and rate sensitive liabilities in terms of the remaining period to re-pricing. A maturity mismatch approach is used to measure Bank's exposure to interest rate risk. Interest Rate Risk in the Banking Book arises when there is a mismatch between the maturity profiles of Rate Sensitive Assets (RSA) and Rate Sensitive Liabilities (RSL). Interest rate risk has short term impact on Bank's net interest income and long term impact on Bank's Net Worth since the Economic value of Bank's assets, liabilities and off-balance sheet exposures is affected.																																								
Quantitative Disclosure	b)	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)	<table border="1"> <thead> <tr> <th>Particulars</th> <th>1-30 days</th> <th>Over 1 month to 3 months</th> <th>Over 3 months to 1 year</th> <th>Above 1 year</th> </tr> </thead> <tbody> <tr> <td>Rate Sensitive Assets</td> <td>2,632</td> <td>3,675</td> <td>8,461</td> <td>11,648</td> </tr> <tr> <td>Rate Sensitive Liabilities</td> <td>3,242</td> <td>4,180</td> <td>4,408</td> <td>7,082</td> </tr> <tr> <td>GAP</td> <td>2,124</td> <td>(4,290)</td> <td>4,173</td> <td>9,438</td> </tr> <tr> <td>Cumulative GAP</td> <td>2,124</td> <td>(2,166)</td> <td>2,007</td> <td>11,445</td> </tr> <tr> <td>Adjusted Interest Rate Changes (IRC) for 1% increase</td> <td>0.08%</td> <td>0.17%</td> <td>0.75%</td> <td>1.00%</td> </tr> <tr> <td>Quantity interest impact (Gap x IRC)</td> <td>1.69</td> <td>(7.29)</td> <td>31.30</td> <td>94.38</td> </tr> <tr> <td>Accumulative interest impact (GAP x CIRC)</td> <td>1.69</td> <td>(5.60)</td> <td>25.70</td> <td>120.08</td> </tr> </tbody> </table>	Particulars	1-30 days	Over 1 month to 3 months	Over 3 months to 1 year	Above 1 year	Rate Sensitive Assets	2,632	3,675	8,461	11,648	Rate Sensitive Liabilities	3,242	4,180	4,408	7,082	GAP	2,124	(4,290)	4,173	9,438	Cumulative GAP	2,124	(2,166)	2,007	11,445	Adjusted Interest Rate Changes (IRC) for 1% increase	0.08%	0.17%	0.75%	1.00%	Quantity interest impact (Gap x IRC)	1.69	(7.29)	31.30	94.38	Accumulative interest impact (GAP x CIRC)	1.69	(5.60)	25.70	120.08
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7. MARKET RISK

Qualitative Disclosure	a)	i) Views of BOD on trading/ investment activities	Market risk may be defined as the possibility of losses of assets arising out from the volatility in the market variables i.e. rate of interest, prices of securities and foreign exchange rate.
		ii) Methods used to measure market risk	The Bank applies maturity method in measuring interest rate risk for securities in trading book. As per Bangladesh Bank suggestion the capital charge for market risk exposure is computed under standardized approach using the maturity method.
		iii) Market risk management system	Treasury Division manages the market risk and ALCO regularly monitors the activities of Treasury Division in managing such risk. The Bank has adopted the limit by central bank to monitor foreign exchange open positions. Foreign exchange risk is computed on the sum of net short positions or net long positions, whichever is higher of the foreign currency positions held by the Bank.
		iv) Policies and processes for mitigating market risk	<p>The Bank has formed Asset Liability Management Committee (ALCO) who monitors the activities of Treasury Division to minimize the market risk.</p> <p>i) Foreign Exchange risk is the risk that Bank may suffer losses as a result of adverse exchange rate movement during a period. To evaluate the extent of foreign exchange risk, a liquidity Gap report is prepared for each currency.</p> <p>ii) Equity risk is defined as losses due to changes in market price of the equity held. To manage equity risk, the Investment Committee of the Bank ensures taking prudent investment decisions as per investment policy of the bank and capital market exposure limit set by Central Bank.</p>

Quantitative Disclosure	b)	The capital requirements for :	Solo	Consolidated
			Taka in Crore	
		i) Interest rate risk	61.79	61.79
		ii) Equity risk	100.71	106.37
		iii) Foreign exchange risk	19.27	19.27
		iv) Commodity risk	-	-
Total capital requirement	181.77	187.43		

8. OPERATIONAL RISK

Qualitative Disclosure	a)	Views of BOD on system to reduce Operational Risk	Operational risk is the risk of losses arising from human error, inadequate or failure of internal process and technical system, fraud or any other adverse external event. The Bank seeks to minimize exposure to operational risks subject to cost benefit trade offs. The Bank captures some pre identified risk events associated with all functional departments of the bank through standard reporting format.
		Performance gap of executives and staff	NBL recognize the importance of having right person at right place to achieve the organizational goals. The performance management process aims to clarify what is expected from employees as well as how it is to be achieved. The Bank puts special focus on learning and continuous development of individual's skill level by removing the weakness to perform the assigned job efficiently. The Bank arranges wide range of internal & external training programs to enhance capabilities as well as minimize performance gap that will contribute more to the organization.
		Potential external events	There are certain risk factors which are external in nature and can affect the business of the Bank such as Macro –economic conditions, regulatory changes, change in demand, whereas few factors affect operations of the business directly or indirectly such as political instability,
		Policies and processes for mitigating operational risk	Operational risk is the risk of losses arising from human error, inadequate or failure of internal process and technical system, fraud or any other adverse external event. The Bank has adopted policies which deal with managing different operational risks. Risk Management Division (RMD) of the Bank is primarily responsible to drive and look after the overall risk management function including operational risk management. The Internal Control and Compliance Division of the Bank, the inspection teams of Bangladesh bank and External Auditors conduct inspection on different branches and divisions at Head Office of the Bank and submit reports presenting the findings of the inspections. Necessary control measures and corrective actions have been taken on the suggestions or observations made in these reports. .
		Approach for calculating capital charge for operational risk	The Bank has adopted “Basic Indicator Approach” for calculating capital charge for operational risk as per Bangladesh Bank Guidelines. Under this approach, banks have to calculate average annual gross income (GI) of last three years and multiply the result by 15% to determine required capital charge. Gross income is defined as “Net Interest Income” plus “Net Non Interest Income” of a year.

Quantitative Disclosure	b)	Particulars	Solo	Consolidated
			Taka in Crore	
		The Capital requirements for operational risk	209.53	214.39

9. Liquidity Ratio:

<p>Qualitative Disclosure</p>	<p>a)</p>	<p>Views of BOD on system to reduce Liquidity Risk</p>	<p>Liquidity risk is considered as the core risk factor in banking operation. Our BOD has a conscious eye on the liquidity condition of the bank. To reduce liquidity risk BOD has specified the maximum level of some liquidity ratios such as Advance Deposit Ratio, Maximum cumulative Outflow (MCO), Liquidity Coverage Ratio (LCR) & Net Stable Funding Ratio (NSFR). To mitigate liquidity risk BOD has approved total commitment limit. BOD has also approved a Liquidity Contingency Plan (LCP) to meet the fund requirements in liquidity crisis situation. To monitor the liquidity risk & manage it properly, Treasury Division prepares a liquidity position sheet on daily basis for onward submission to the Honorable Chairman.</p>
		<p>Methods used to measure Liquidity risk</p>	<p>National Bank Ltd. measures liquidity risk by calculating some key ratios of liquidity measure. The ratios we use to measure liquidity risk are- Advance Deposit Ratio (ADR); Liquidity Coverage Ratio (LCR); Net Stable Funding Ratio (NSFR); Structural Liquidity Profile (SLP); Maximum Cumulative Outflow (MCO) & unused commitment.</p>
		<p>Liquidity Risk measurement system</p>	<p>National Bank Ltd. is managing its liquidity risk mainly through ALCO meeting. Different aspects of both Micro & Macro environment, which is articulated in ALCO paper, regarding liquidity risk has analyzed in ALCO meeting. Based on the discussion & analysis, corrective decision & reactive measure has taken to manage liquidity risk. Additionally, bank has a BOD approved Liquidity Contingency Management Team (LCMT) headed by Honorable Managing Director. This team is responsible to assess the level of crisis & steps to be taken to overcome the crisis.</p>
		<p>Policies and processes for mitigating liquidity risk</p>	<p>To manage liquidity risk, we closely monitor the correlation between the growth of loan & advance with the growth of deposit. To mitigate liquidity risk, National Bank Ltd. firstly eyeing for deposit mobilization. Afterward, we consider our next options like- borrow from money market, Foreign Currency SWAP, sale of securities etc. We have a BOD approved Liquidity Contingency Plan (LCP) which addresses alternative funding if initial projections of funding sources and uses are incorrect or if a liquidity crisis arises. This contingency plan helps to ensure that the Bank can prudently and efficiently manage routine & extra ordinary fluctuations in liquidity.</p>

Quantitative Disclosure	b)	Liquidity Coverage Ratio	178.81%
		Net Stable funding Ratio	110.24%
		Stock of High Quality Liquidity Asset	BDT 6,965.76 Crore
		Total net cash outflows over the next 30 calendar days	BDT 3,895.62 Crore
		Available amount of stable funding	BDT 25,504.69 Crore
		Required amount of stable funding	BDT 23,134.75 Crore

10. Leverage Ratio:

Qualitative Disclosure	a)	Views of BOD on system to reduce excessive leverage, Policies and processes for managing excessive on and off-balance sheet leverage	Leverage ratio is the ratio of tier 1 capital to total on and off-balance sheet exposures. In order to avoid building-up excessive on and off-balance sheet leverage in the banking system, a simple, transparent, non-risk based leverage ratio has been introduced. The leverage ratio is calibrated to act as a credible supplementary measure to the risk based capital requirements. The leverage ratio is intended to achieve the following objectives: i) Constrain the build-up of leverage in the banking sector which can damage the broader financial system and the economy; ii) Reinforce the risk based requirements with an easy to understand and a non risk based measure.
		Approach for calculating exposure	A minimum tier -1 leverage ratio of 3% has been prescribed by Bangladesh Bank to maintain by the Banks both at solo and consolidated level.NBL maintains leverage ration quarterly basis

Quantitative Disclosure	b)	SI.	Particulars	Solo	Consolidated
				Taka in Crore	
		A	Tier-1 Capital	3,224.06	3,215.17
		B	On- Balance Sheet Exposure	30,048.35	30,142.16
		C	Off- Balance Sheet Exposure	2,398.72	2,398.72
		D	Total deduction from On and Off Balance Sheet Exposure	287.03	287.07
		E	Total Exposure (B+C-D)	32,160.04	32,253.81
		F	Leverage Ratio (A/E)*100	10.03%	9.97%

11. Remuneration:

<p>Qualitative Disclosure</p>	<p>a)</p>	<p>Information relating to the bodies that oversee remuneration</p>	<p>The Human Resources Division of the Bank oversees the remuneration in line with its HR policy under direct guidance of the Board of Directors of the Bank.</p> <p>A committee comprising of few members of Senior Management led by the Managing Director is responsible for formulating remuneration policy. The Head of Human Resources Division acts as the Member Secretary of the committee.</p> <p>The remuneration committee is the main body for overseeing the Bank's remuneration. The committee reviews the position of remuneration and recommend to the Board of Directors for approval considering the present cost of living, rate of inflation and existing remuneration of peer banks.</p> <p>The Bank does not have any external consultant in preparing and implementing the remuneration policy.</p> <p>The Bank follows a non discriminatory policy in respect of remuneration and benefits for Head quarter and regions. However, a foreign posting allowance in remuneration is in practice for employees who are posted outside Bangladesh.</p>
	<p>b)</p>	<p>Information relating to the design and structure of remuneration processes</p>	<p>The objective of the remuneration policy is to attract and retain productive employees who can contribute substantially to the overall growth of the Bank. The remuneration policy is carefully designed and regularly updated to provide adequate incentives so that the employees are fully committed to do their best to achieve the operational goals of the Bank.</p> <p>The committee reviewed the Bank's remuneration policy in the year 2016. The Board approved upward revision of salary structure of the employees of the Bank as an incentive for posting better result. Changes were also made in annual increment structure in pay scales, certain allowances etc. to bring about more uniformity in the remuneration package.</p> <p>The risk and compliance related employees are carrying out the activities independently in line with delegation of powers and job descriptions approved by appropriate authorities.</p>

	c)	Description of the ways in which current and future risks are taken into account in the remuneration processes:	<p>When implementing remuneration measures, the Bank considers business risk, financial and liquidity risk, compliance and reputation risk for each official.</p> <p>Various types of measures are taken into account in determining these risks. The measures focus on the organizational goals set for operational areas. Asset quality (NPL ratio), cost-income ratio, net profit growth etc. are used for measuring the risks.</p> <p>The performance of each employees is evaluated for a particular period especially annually against performance indicators set and agreed with the officials at the beginning of the year.</p>
	d)	Description of the ways in which the bank seeks to link performance during a performance measurement period with levels of remuneration.	<p>The Bank has one set of Performance Appraisal Form to evaluate the performance of all categories of officials of the bank.</p> <p>Decision about promotion, granting of annual increment and incentive bonus are linked to the performance of the employees against set key performance indicators.</p>
	e)	Description of the ways in which the bank seek to adjust remuneration to take account of longer –term performance	The Bank does not seek to adjust remuneration to take account of longer – term performance
	f)	Description of the different forms of variable remuneration that the bank utilizes and the rationale for using these different forms:	The Bank pays variable remuneration such as, hardship allowance for Card Division and charge allowance for Divisional Head and Head of Branches. Those allowances are paid taking into account the special and technical nature of the job they perform.

Quantitative Disclosure	g)	Number of meetings held by the main body overseeing remuneration during the financial year and remuneration paid to its member	Not Applicable
	h)	<p>Number of employees having received a variable remuneration award during the financial year.</p> <p>Number and total amount of guaranteed bonuses awarded during the financial year.</p> <p>Number and total amount of sign – on awards made during the financial year.</p> <p>Number and total amount of severance payments made during the financial year.</p>	<p>Not Applicable</p> <p>02 (two) Basic Pay as festival bonus amounting to Tk. 22.53 crore.</p> <p>Not Applicable</p> <p>Not Applicable</p>
	i)	<p>Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms.</p> <p>Total amount of deferred remuneration paid out in the financial year.</p>	<p>Not Applicable</p> <p>Not Applicable</p>
	j)	<p>Breakdown of amount of remuneration awards for the financial year to show:</p> <ul style="list-style-type: none"> - Fixed and variable - Deferred and non –deferred - Different forms used (cash, shares and share linked instruments, other forms) 	Not Applicable
	k)	<p>Quantitative information about employees' exposure to implicit (eg fluctuations in the value of shares or performance units) and explicit adjustments (eg clawbacks or similar reversals or downward revaluations of awards) of deferred remuneration and retained remuneration:</p> <p>Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit and/ or implicit adjustments.</p> <p>Total amount of reductions during the financial year due to ex post explicit adjustments.</p> <p>Total amount of reductions during the financial year due to ex post implicit adjustments.</p>	<p>Not Applicable</p> <p>Not Applicable</p> <p>Not Applicable</p>