

DISCLOSURE ON RISK-BASED CAPITAL UNDER BASEL III

For the Year Ended
on December 31, 2024

BRAC Bank PLC

Anik Tower, 220/B, Tejgaon Gulshan Link Road
Tejgaon, Dhaka 1208.

Background

Basel III is an internationally agreed regulatory framework on capital adequacy developed by the Basel Committee on Banking Supervision (BCBS) in response to the financial crisis of 2007-09. The aim of Basel III framework is strengthening the financial system and improving the shock resilience capacity of banks. This framework comprises capital rules that establish minimum capital ratios, overall capital adequacy standards, and liquidity standards to ensure that banks remain financially stable. To enhance transparency and discipline in the financial market, Pillar III

Market discipline was introduced, enabling stakeholders to assess the position of a bank. BRAC Bank PLC has adopted the Basel III framework as part of its capital management strategy in accordance with the guidelines on Risk-Based Capital Adequacy (RBCA) provided by the Bangladesh Bank. The Pillar III disclosure framework includes comprehensive information on the scope of application, capital, risk exposures, risk assessment processes, capital adequacy, liquidity position, and leverage of the bank. This framework serves as a testament to BRAC Bank's commitment to ensuring the safety and soundness of its operations.

Key Basel III Matrices

Particulars	Minimum Regulatory Requirement	2024		2023	
		Solo	Consolidated	Solo	Consolidated
CRAR	12.50%	14.90%	19.00%	13.99%	18.60%
CET 1 Ratio	7.00%	12.26%	16.55%	12.43%	17.16%
CCB	2.50%	4.90%	9.00%	3.99%	8.60%
Leverage Ratio	3.50%	5.99%	7.80%	6.36%	8.43%
LCR	≥100%	212.93%	N/A	170.38%	N/A
NSFR	>100%	112.36%	N/A	120.72%	N/A
Total Eligible Capital (BDT mn)	5,000	71,429	98,474	55,093	79,655
Total RWA (BDT mn)	N/A	479,281	518,414	393,753	428,328

Basel Framework at a Glance

The Basel framework consists of a three "Pillar" approach:



Pillar I

Establishes minimum capital requirements, defines eligible capital instruments, and prescribes rules for calculating RWA.



Pillar II

Requires banks to have an internal capital adequacy assessment process and requires that banking supervisors evaluate each bank's overall risk profile as well as its risk management and internal control processes



Pillar III

Encourages market discipline through disclosure requirements which allow market participants to assess the risk and capital profiles of banks

Bangladesh's banking sector began implementing Basel regulations in 1996. The phase-in arrangement for Basel III implementation started in 2015 and was completed in 2019.

Consistency and Validation

The quantitative disclosures are made based on consolidated audited financial statements of BRAC Bank and its Subsidiaries for the year ended on December 31, 2024, and prepared according to the relevant International Accounting and Financial Reporting Standards and related circulars/instructions issued by Bangladesh Bank from time to time. The information presented in the “Quantitative Disclosures” section can easily be verified and validated with corresponding information presented in the consolidated audited financial statements 2024 of BRAC Bank and its Subsidiaries along with separate audited financial statements of the Bank available on the website of the Bank (www.bracbank.com). The report is prepared once a year and is available on the website.

1. Scope of Application

Qualitative Disclosures

a) *The name of the top corporate entity in the group to which this guideline applies*



The framework applies to BRAC Bank PLC on a ‘Consolidated Basis’ as there were four subsidiaries of the Bank and one associate as of the reporting date, December 31, 2024. However, ‘Solo Basis’ information has been presented, in addition to the ‘Consolidated Basis,’ to facilitate comparison.

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: (i) that are fully consolidated, (ii) that are given a deduction treatment, and (iii) that are neither consolidated nor deducted*

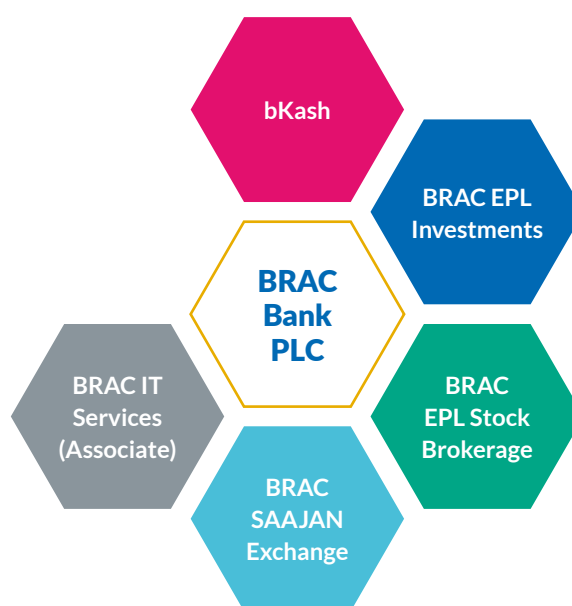
BRAC Bank PLC:

BRAC Bank PLC is one of the third-generation private commercial banks (PCBs), which inaugurated its banking operation on July 4, 2001, under the Banking Companies Act 1991. The Bank went for public issue of its shares in 2006, and its shares were listed with Dhaka Stock Exchange Limited and Chittagong Stock Exchange Limited in 2007. At present, the bank has 189 banking branches, 74 sub-branches, 198 Area offices, 446 SME unit offices, 1,119 agent banking outlets, 329 ATMs and 68 RCDMs and spread across the country.

Subsidiaries: Subsidiaries are all entities over which the Bank has the power to govern the financial and operating

policies generally accompanying a shareholding of more than one-half of the voting rights. A parent of a subsidiary should present consolidated financial statements according to BAS-27: Consolidated and Separate Financial Statements and BFRS 10: Consolidated Financial Statements. The financial statements of the subsidiary are included in the consolidated financial statements from the date that control effectively commences until the date that the control effectively ceases.

The Bank has four subsidiary companies and one associate:



(i) bKash Limited (Subsidiary)

BRAC Bank PLC formed bKash Limited, a private company limited by shares incorporated on March 01, 2010, under the Companies Act, 1994. bKash Limited was established to introduce mobile financial services in Bangladesh. The Bank has obtained a license from Bangladesh Bank for bKash Limited to render mobile financial services. BRAC Bank currently holds 51% equity shares in the company.

With the consent of all existing shareholders, in 2014, Bill & Melinda Gates Foundation (B&M), in 2018, Alipay Singapore E-Commerce Private Limited (“Alipay”), and in 2021, SoftBank further invested in bKash Limited in the form of convertible preference shares. As on 31 December 2023, out of the total 956,110,570 convertible preference shares, B&M holds 132,040,849 shares, Alipay holds 324,946,520 shares and SoftBank holds 499,123,201 shares. Preference shareholders do not have any voting rights but have the same rights as equity shareholders with respect to an economic interest in the company. These preference shares are convertible at a 1:1 basis to ordinary shares subject to consent of regulators. Consolidated financial statements have been

prepared using 35.74% instead of 51% considering the potential dilution or otherwise according to economic interest on bKash.

(ii) BRAC EPL Investments Limited (Subsidiary)

BRAC Bank acquired 51% of Equity Partners Limited on July 31, 2009. This entity was incorporated in Bangladesh on April 19, 2000, as a private limited company under the Companies Act 1994 and was subsequently renamed "BRAC EPL Investments Limited." Since 2019, BRAC Bank has held 99.945% of the total shares.

BRAC EPL Investments was established to cater to the needs of Bangladesh's fast-growing capital markets. It is a merchant bank with a full-fledged merchant banking license from the Bangladesh Securities and Exchange Commission (BSEC). The company's service portfolio comprises lead management of initial public offerings, domestic and international placements, portfolio management, project development, and consultancy.

(iii) BRAC EPL Stock Brokerage Limited (Subsidiary)

BRAC Bank PLC acquired 51% shares of Equity Partners Securities Limited on July 31, 2009. Equity Partners Securities Limited was incorporated in Bangladesh on May 16, 2000, as a private limited company under the Companies Act, 1994. Subsequently, the management decided to rename Equity Partners Securities Limited as BRAC EPL Stock Brokerage Limited. In 2011, the Bank acquired an additional 39% shares of EPL Stock Brokerage Limited. As a result, the Bank's controlling interest has risen to 90% of EPL Stock Brokerage Limited.

BRAC EPL Stock Brokerage Limited was established to serve the brokerage business in Bangladesh. It has corporate memberships in both the Dhaka Stock Exchange and the Chittagong Stock Exchange.

(iv) BRAC SAAJAN Exchange Limited (Subsidiary)

At its inception, BRAC Bank PLC acquired 75% of the shares (250,000 shares out of the total 333,333 shares) of "SAAJAN Worldwide Money Transfer Limited" (SWMTL) in the UK. Bangladesh Bank provided necessary approvals of GBP 500,000 to acquire SWMTL and set up two new branches in Luton and Bradford, UK. As per permission of Bangladesh Bank, SWMTL has been renamed as "BRAC SAAJAN Exchange Ltd" (BSE). BRAC SAAJAN Exchange Limited was established to offer remittance and exchange services in the UK.

Currently, BRAC Bank PLC holds 97.06% shares (2,750,000 no. of shares out of the total 2,833,333 shares) of BRAC SAAJAN Exchange Ltd (BSEL).

(v) BRAC IT Services Limited (Associate)

BRAC IT Services Ltd. (BITS) was initially founded as Documenta™ Ltd, a digital archiving firm, in 1999. BRAC IT Services Ltd. was then formed in April 2013 through the merger of Documenta™ Ltd and the IT Division of BRAC Bank. BRAC Bank acquired 51% shares of BRAC IT Services Limited, a private company limited by shares under the Companies Act, 1994, incorporated on 9 April 2013. It currently operates as an IT services company. In the year 2017, BRAC Bank reduced its holding in BRAC IT Services Limited from 51% to 48.67% by selling 1,034 shares to BRAC. Due to this disinvestment, BRAC IT Services Limited was converted from an 'Associate' of the bank at the end of the year 2017 from a 'Subsidiary' status. However, due to the new investment by BRAC in 2020, the holding percentage of BRAC Bank was further reduced to 12.92% at the end of the year 2020.

In 2022, BRAC Bank further disposed off 6,818 no. of shares (2.92% shareholding) to BRAC upon approval from Bangladesh Bank and the bank's shareholding in BITS reduced to 9.9996%. Considering the significant management involvement, the company is still considered as an associate of the Bank as per international accounting standards (IASs).

Basis of Consolidation

Consolidated financial statements include financial statements of BRAC Bank PLC and its subsidiaries, BRAC EPL Investments Limited, BRAC EPL Stock Brokerage Limited, bKash Limited and BRAC SAAJAN Exchange Limited, as those of a single economic entity.

Quantitative Disclosures

a) 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 to the Bank

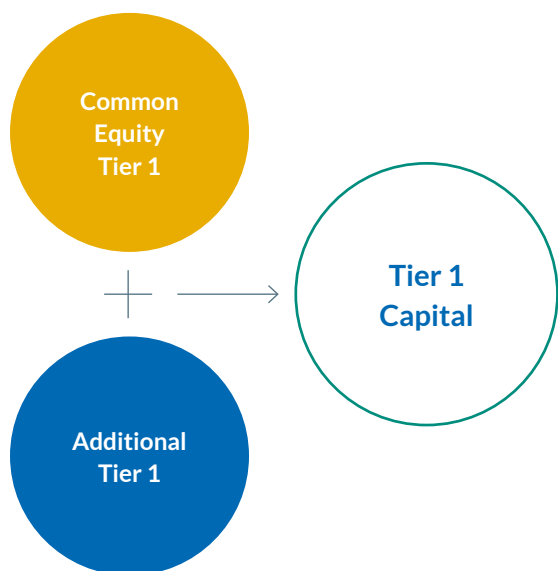
2. Capital Structure

Qualitative Disclosures

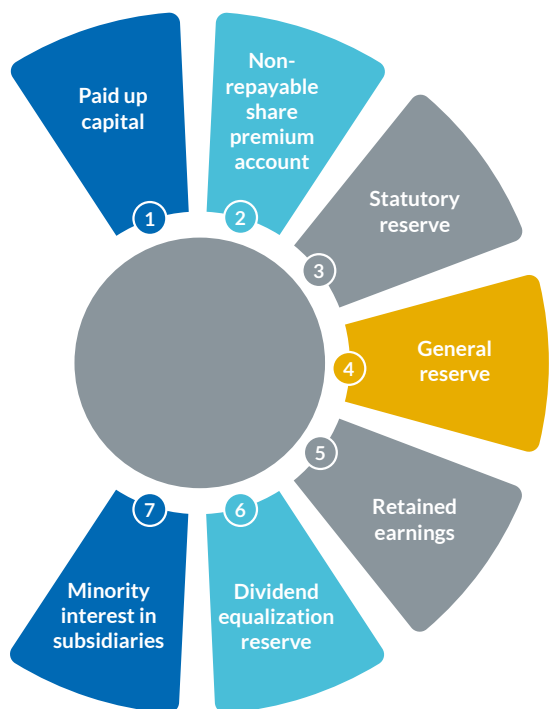
a) Summary information on the terms and conditions of the main features of all capital instruments, especially in the case of capital instruments eligible for inclusion in CET 1, Additional Tier 1 or Tier 2.

As per RBCA guidelines provided by Bangladesh Bank, regulatory capital is quite different from accounting capital. As per BB guidelines based on the Basel III accord, regulatory capital has two broad categories, namely, Tier 1 Capital (going-concern capital) and Tier II Capital (gone-concern capital).

Tier 1 Capital: This form of capital can absorb losses without triggering the bankruptcy of the Bank. Hence, it is the core measure of a bank's financial strength from the regulator's point of view. The components of Tier 1 Capital are given below:



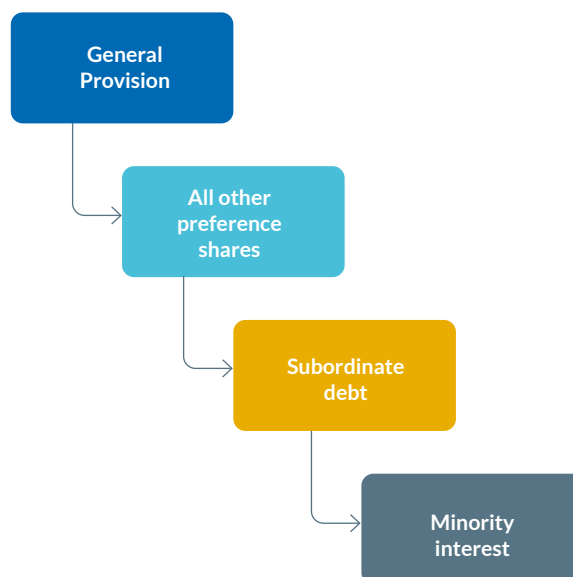
Common Equity Tier 1 (CET1): The main components that comprise the CET-1 Capital are as below



Additional Tier 1 (AT1):

- Non-cumulative irredeemable preference share
- Instruments issued by banks that meet the qualifying criteria for AT1 (the instrument is perpetual, i.e. no maturity date)
- Minority interest (AT1 issued by consolidated subsidiaries to the third parties)

Tier 2 Capital: Gone concern capital represents other elements that fall short of some of the characteristics of core capital but contribute to the overall strength of the Bank. Tier 2 capital consists of the following items:



Compliance Status

As per RBCA guidelines 2014, banks are required to maintain regulatory capital in accordance with the following ratios on an ongoing basis. BRAC Bank has been maintaining the regulatory capital as stipulated by Bangladesh Bank.

Conditions for Maintaining Regulatory Capital	Compliance Status
Common Equity Tier 1 of at least 4.5% of the total RWA	Complied
Tier 1 capital will be at least 6.0% of the total RWA	Complied
Minimum CRAR of 10% of the total RWA	Complied
Additional Tier 1 capital can be admitted a maximum of up to 1.5% of the total RWA or 33.33% of CET1, whichever is higher	Complied
Tier 2 capital can be admitted to a maximum of up to 4.0% of the total RWA or 88.89% of CET1, whichever is higher	Complied
Capital Conservation Buffer (CCB) of 2.5% of the total RWA in the form of CET1	Complied

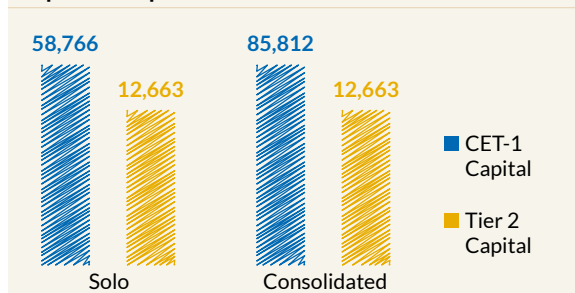
Quantitative Disclosures

b) The amount of Regulatory capital, with separate disclosures of CET1 Capital, Additional Tier 1 Capital, Total Tier 1 Capital, Tier 2 Capital

Figures in BDT Million

Sl. No.	Particulars	Solo	Consolidated
(a)	Common Equity Tier-1 Capital (CET-1)		
a.1	Paid up capital	17,697	17,697
a.2	Non-Repayable Share Premium account	3,854	3,854
a.3	Statutory Reserve	13,843	14,038
a.4	Retained Earning	29,737	40,311
a.5	Dividend Equalization Reserve	355	355
a.6	Minority Interests in Subsidiaries	-	22,510
a.7	Sub-total(a.1 to a.6)	65,487	98,766
(b)	Less: Regulatory Adjustments	-	-
b.1	Goodwill and all other intangible Assets	781	5,056
b.2	Deferred Tax Assets (DTA)	5,939	7,898
(c)	Total common equity Tier-1 capital (CET-1)	58,766	85,812
(d)	Additional Tier-1 Capital	-	-
(e)	Total Tier-1 Capital (Core Capital)	58,766	85,812
(f)	Tier-2 Capital (Supplementary Capital)	-	-
f.1	General Provision	6,376	6,376
f.2	Subordinated Bond	6,287	6,287
(g)	Less: Regulatory Adjustments	-	-
(h)	Total Admissible Tier-2 capital	12,663	12,663
(i)	Total Eligible Regulatory Capital	71,429	98,474

Capital Composition



3. Capital Adequacy

Qualitative Disclosures

a) A summary discussion of the Bank's approach to assessing the adequacy of its capital to support current and future activities.

Capital Adequacy Management Strategy:

BRAC Bank PLC with its focused strategy on risk management, has always been consistent in maintaining a capital adequacy ratio above the regulatory requirements. The Bank focuses on strengthening the risk management and control environment rather than increasing capital to cover up weak risk management and control practices. BRAC Bank has been successfully managing the incremental growth of risk-weighted assets (RWA) by diversifying its portfolio in the SME, retail, and corporate segments. However, RWA is also managed by taking collateral against loans. We strive to ensure that the borrowers duly do external credit ratings.

The Bank's policy is to manage and maintain its capital with the objective of maintaining a strong Capital ratio and high rating. The Bank maintains capital levels that are sufficient to absorb all material risks. The Bank also ensures that the Capital levels comply with regulatory requirements and satisfy the external rating agencies and other stakeholders, including depositors.

Calculation Approach:

Assessment of capital adequacy is carried out in conjunction with reporting to the Bangladesh Bank on capital adequacy. The Bank has adopted the following approach for calculating risk-weighted assets (RWA) and capital adequacy.

- Credit Risk: Standardized Approach (SA)
- Market Risk: Standardized Approach (SA)
- Operational Risk: Basic Indicator Approach (BIA)

Compliance with Regulatory Requirements:

As per Bangladesh Bank's Risk-Based Capital Adequacy (RBCA) guideline 2014, the Minimum Capital Requirement (MCR) for Bangladeshi banks is currently 10% of their total RWA, with the addition of the Capital Conservation Buffer, which is 2.5% of the total RWA. As of December 2024, BRAC Bank was well ahead of this minimum target both on a solo and a consolidated basis.

Surplus Capital to Support Current and Future Activities:

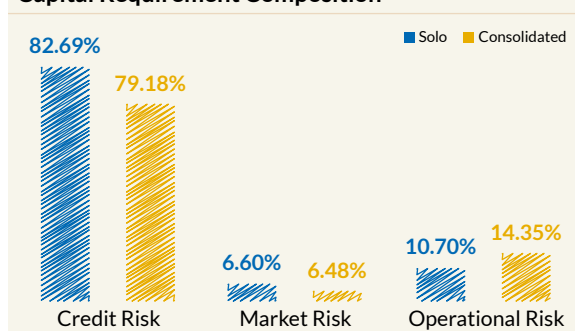
BRAC Bank managed to maintain surplus capital of 2.40% on a solo basis and 6.50% on a consolidated basis in addition to regulatory requirements. The surplus capital maintained by BRAC Bank will act as a cushion to absorb the risks that arise from other risks under Pillar II and to support the future business growth of the Bank.

Quantitative Disclosures

Sl. No.	Particulars	Solo	Consolidated
(b)	Capital Requirement for Credit Risk	39,633	41,046
(c)	Capital Requirement for Market Risk	3,165	3,357

Sl. No.	Particulars	Solo	Consolidated
(d)	Capital Requirement for Operational Risk	5,130	7,438
	Minimum Capital Requirement (MCR)	47,928	51,841
(e)	Capital Ratio:		
	CET 1 Capital	58,766	85,812
	Total Tier 1 Capital	58,766	85,812
	Total Tier 2 Capital	12,663	12,663
	Total Capital	71,429	98,474
	Total Risk-Weighted Assets (RWA):	479,281	518,414
	Capital to Risk-Weighted Assets Ratio (CRAR)	14.90%	19.00%
	CET 1 Capital Ratio	12.26%	16.55%
	Tier-1 Capital Ratio	12.26%	16.55%
	Tier-2 Capital Ratio	2.64%	2.44%
(f)	Capital Conservation Buffer (CCB) (Maintained)	4.90%	9.00%
(g)	Available Capital under Pillar 2 Requirement	23,501	46,633

Capital Requirement Composition



4. Credit Risk

Qualitative Disclosures

I. The general qualitative disclosure requirement with respect to credit risk:

- *Definitions of past due and impaired (for accounting purposes)*
- *Description of approaches followed for specific and general allowances and statistical methods*
- *Discussion of the Bank's credit risk management policy*

Credit Risk Management at BRAC Bank:

Credit risk management is one of the most critical components of a bank's overall risk management

framework. It refers to the processes, policies, and practices employed to minimize the risk of loss arising from a borrower's failure to repay a loan or meet contractual obligations. Effective credit risk management safeguards a bank's financial health, maintains asset quality, supports regulatory compliance, and enhances long-term sustainability.

BRAC Bank has been steadfastly adhering to its Board-approved Credit Risk Management Policy, a cornerstone framework meticulously crafted to safeguard the Bank against credit exposures. In alignment with the evolving landscape of regulatory directives and industry best practices, this policy undergoes an annual review by the Board of Directors, ensuring its continued relevance, rigor, and responsiveness to dynamic market realities.

True to the centralized business model that defines BRAC Bank's operational architecture, the Bank has established a streamlined, efficient loan processing system. Within this system, the Relationship Manager (RM) serves as the primary vanguard, diligently identifying prospective business opportunities while maintaining unwavering fidelity to BRAC Bank's risk acceptance criteria, including the critical "5Cs" of credit evaluation.

In the onboarding journey, the RM meticulously prepares the credit proposal, which is subsequently routed to the Credit Risk Management or Underwriting Division for rigorous assessment and appraisal. The CRM, functioning as the guardian of the Bank's asset quality, evaluates each proposal against prevailing regulatory frameworks, internal policies, prescribed risk rating models, and broader environmental and social risk parameters. Following thorough scrutiny, the proposal, accompanied by clear recommendations, is escalated to the designated approving authority for a final decision – to approve or to decline.

Upon approval, the final stages of loan documentation and disbursement are executed with precision by the Asset Operations Division or Credit Administration team. At every juncture of this process, the Bank enforces a stringent, multi-layered risk assessment protocol, leaving no stone unturned in its endeavor to eliminate, manage, and mitigate credit risk comprehensively.

Beyond strict regulatory compliance, BRAC Bank's risk evaluation rigorously examines the borrower's full credit relationship – encompassing liability status, security arrangements with other lenders, internal and external credit ratings (particularly for Corporate and SME clients), detailed KYC profiling, proposed collateral structures, environmental risk ratings, and all covenants stipulated under internal policies. Every measure is purposefully undertaken with a singular mission: to robustly defend against credit risk and uphold the integrity of the Bank's asset base.

Prior to extending any credit facility, BRAC Bank embraces a robust, multi-faceted credit assessment

process. Each transaction or project proposal is subject to an exhaustive due diligence exercise, commencing with an in-depth analysis of the applicant's business information, prospects, market standing, reputation, industry dynamics, and competitive positioning. This evaluation is complemented by a meticulous review of the sponsor directors' and key management personnel's expertise, experience, and succession planning capabilities; the borrower's corporate governance standards; historical and projected financial statements; cash flow forecasts; as well as independent verifications such as CIB and search reports.

Should the preliminary findings establish the client's suitability, all legal and financial documentation is diligently prepared, negotiations are conducted with precision, and comprehensive risk assessments are finalized. Furthermore, the RM conducts physical visits to factories (for manufacturing concerns) or retail outlets (for trading concerns) to validate the operational realities underpinning the financing request. Detailed stock verification reports and site visit assessments are maintained in the client's credit file, serving as critical reference points in ongoing monitoring.

Importantly, BRAC Bank's commitment to responsible banking extends beyond financial metrics to encompass environmental and social considerations. In every lending decision, the Bank faithfully observes its Exclusion List and adheres to the Environmental and Social Risk Management (ESRM) Guidelines, ensuring that its credit activities contribute positively to broader societal goals.

Thus, through unwavering diligence, a rigorously structured process, and a value-driven philosophy, BRAC Bank fortifies its credit portfolio, nurturing both financial sustainability and institutional integrity.

i) Definitions of past due and impaired (for accounting purposes):

BRAC Bank adheres meticulously to the regulatory framework prescribed by Bangladesh Bank in classifying and provisioning for loans and advances. Past due or overdue facilities are defined in the following manner:

- **Continuous Loans:** Treated as past due the day following the fixed expiry date or after a repayment demand by the Bank.
- **Demand Loans:** Considered past due similarly after expiry or upon demand.
- **Fixed-Term Loans:** Where any installment or part thereof remains unpaid for six months beyond the scheduled date, the overdue status applies.
- **Short-Term Agricultural and Micro-Credit:** Loans unpaid six months after the repayment date fall under past due classification.

Loans and advances are grouped into four broad categories: Continuous Loans, Demand Loans, Fixed-Term Loans, and Short-Term Agricultural and Micro Credit, with overdue periods determining classifications into Sub-Standard, Doubtful, and Bad & Loss categories.

Type of Facility	Borrower Type	2024		
		Sub Standard (Overdue Period)	Doubtful (Overdue Period)	Bad & Loss (Overdue Period)
Continuous Loan, Demand Loan & Fixed Term Loan	CMS*	6 months or more but less than 18 months.	18 months or more but less than 30 months.	30 months or more.
	Other than CMS	3 months or more but less than 9 months.	9 months or more but less than 12 months.	12 months or more.
Short Term Agricultural & Micro Credit		12 months or more but less than 36 months	36 months or more but less than 60 months	60 months or more

*CMS means Cottage, Micro & Small credits defined in SMESPD Circular No. 02 dated September 05, 2019

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

BRAC Bank adopts a systematic, proactive approach to provisioning, upholding the highest standards to protect against possible credit losses.

- **General Provisions:** Applied uniformly across unclassified loans to anticipate potential future losses, adhering to prescribed rates by Bangladesh Bank.
- **Specific Provisions:** Allocated for loans categorized as Sub-Standard, Doubtful, or Bad/Loss, with

adjustments for eligible collateral and interest suspense accounts.

- **Off-Balance Sheet Exposures:** Provisioning maintained to address contingent liabilities, as per regulatory instructions.

Besides, Loan Write-offs are administered judiciously, strictly following BRPD Circular No. 01, dated February 18, 2024, ensuring that legal rights for recovery remain unaffected. Comprehensive record-keeping and vigilant monitoring of written-off accounts reinforce the Bank's disciplined management.

At each reporting date, BRAC Bank conducts objective impairment assessments on financial assets, incorporating evidence of deterioration post-initial recognition. Impairment losses, when identified, are recorded beyond regulatory provisions to maintain financial statement integrity.

The Bank applies differentiated provisioning rates depending on business units and customer segments, ensuring a risk-sensitive financial posture.

As of Dec 24, the Bank is required to maintain the following general and specific provisions in respect of classified and unclassified loans and advances/investments on the basis of Bangladesh Bank guidelines issued from time to time:

Business Unit		Rates of Provision				
		Un-classified (UC)		Classified		
		Standard	Special Mention Account (SMA)	Substandard (SS)	Doubtful (DF)	Bad loan (BL)
Consumer	House building	1%	1%	20%	50%	100%
	Loans for professionals	2%	2%	20%	50%	100%
	Other than house building and professionals	2%	2%	20%	50%	100%
Loans to BHs/ MBs/ SDs against share etc.		1%	1%	20%	50%	100%
Cottage, Micro & Small Credit under CMSME		0.25%	0.25%	5%	20%	100%
Medium enterprise		0.25%	0.25%	20%	50%	100%
Short term Agri/ Micro credit		1%		5%	5%	100%
Credit Card		2%	2%	20%	50%	100%
All others		1%	1%	20%	50%	100%
Off Balance Sheet		1%	-	-	-	-

iii) Discussion of the Bank’s credit risk management policy;

Credit Policy

BRAC Bank’s credit operations are governed by a Board-approved Credit Policy, fully aligned with Bangladesh

Bank’s Core Risk Management Guidelines. This dynamic policy framework establishes principles to ensure the quality and sustainability of the Bank’s asset portfolio, prescribing detailed methodologies for credit origination, assessment, approval, grading, monitoring, and recovery.

Thus, it specifically addresses the areas of:



Credit Risk Mitigation

Mitigating potential credit risk is paramount. The Bank secures exposures through:

- Primary and collateral securities such as cash, properties, plant and machinery, and marketable securities.
- Thorough physical verification by Bank officials complemented by independent valuation.
- Verification of enforceability by legal professionals to ensure security realizability in adverse scenarios.

These measures fortify the Bank's resilience against borrower defaults and market uncertainties.

Credit Assessment and Grading

A disciplined credit appraisal system ensures the sanctity of the Bank's lending decisions:

- Know Your Customer (KYC): Foundational to establishing the banker-customer relationship.
- Credit Evaluation: Includes borrower, industry, financial, security, account performance, and environmental/social risk assessments.
- Segregated Responsibilities: Relationship Managers propose, Credit Division appraises, and Credit Administration disburses facilities post-documentation, preserving objectivity and internal control.

Each loan is subjected to rigorous scrutiny, ensuring that financial strength, market positioning, management expertise, and risk mitigation strategies are duly validated.

Credit Risk Management

Credit Risk Management (CRM) at BRAC Bank is not merely a defensive strategy but a proactive, developmental function, enhancing socio-economic and environmental well-being alongside financial prudence i.e. optimizing the risk-adjusted return by maintaining an appropriate standard.

Traditionally, the core mandate of Credit Risk Management lies in maximizing risk-adjusted returns from a bank's Loans and Advances through stringent underwriting standards. However, at BRAC Bank, this responsibility extends well beyond the conventional remit. Adopting a holistic and forward-looking approach, BRAC Bank places pronounced emphasis on the socio-economic and environmental consequences of its credit decisions—an ethos that distinguishes its credit risk management philosophy. The Bank advocates for sustainable development over mere expansion, and for value creation rather than mere value extraction.

To realize this vision, BRAC Bank exercises diligent management of credit risk both at the transaction level and across its entire loan portfolio, recognizing effective

risk management as a cornerstone of institutional resilience.

In recent years, BRAC Bank has progressively integrated environmental risk management into its credit practices, guided by the standards of international Development Finance Institutions (DFIs) and evolving regulatory directives. By embedding social and environmental considerations within its credit approval framework, the Bank actively contributes to broader societal welfare. Given that a significant proportion of BRAC Bank's revenues emanate from SME financing, the sustainability of its business is inextricably linked to the quality of its asset base. Thus, the meticulous management of Loans and Advances remains an imperative of the highest order.

To support this, a decentralized collection model ensures persistent borrower engagement for timely repayments. The Special Asset Management (SAM) wing addresses non-performing assets through negotiated settlements, decree execution, and auctions of collateralized properties, while Early Alert Accounts are closely monitored by respective units.

Ultimately, the Board of Directors retains supreme authority over all credit risk exposures, though operational delegation has been conferred upon the Managing Director, CEO, and select officers within the CRM Division. The Bank's Credit Policy enshrines fundamental principles for the identification, assessment, approval, and management of credit risk, designed to meet both present needs and future exigencies. Covering corporate, retail, and SME segments, the policy has institutionalized a structured, standardized risk management process in alignment with Central Bank guidelines. Furthermore, the independence of the credit risk management function from business origination safeguards robust internal control and mitigates potential conflicts of interest.

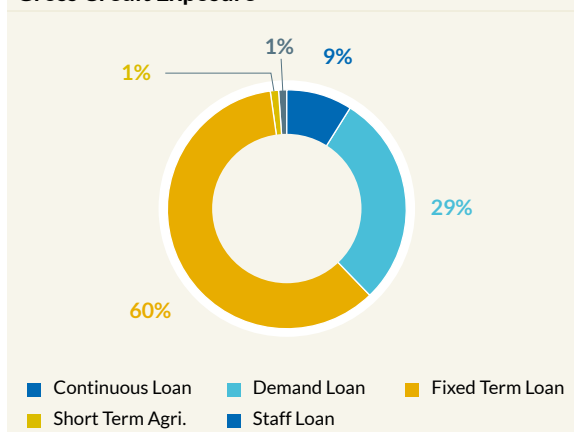
Quantitative Disclosures

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

Categories of loans	Outstanding (BDT million)
Continuous Loans (CL-2)	58,002
i. Small & Medium Enterprises Financing (SMEF)	
a. Small, Cottage & Micro Enterprises	9,338
b. Medium Enterprises	2,557
ii. Consumer Financing (CF)	14,942
iii. Loans to BHs/MBs/SDs against share, etc.	895
iv. Other than SMEF,CF,BHs/MBs/SDs	30,270

Categories of loans	Outstanding (BDT million)
Demand Loans (CL-3)	184,582
i.Small & Medium Enterprises Financing (SMEF)	
a. Small, Cottage & Micro Enterprises	18,133
b. Medium Enterprises	1,231
ii. Consumer Financing (CF)	46
iii.Loans to BHs/MBs/SDs against share etc.	-
iv.Other than SMEF,CF,BHs/MBs/SDs	165,171
Fixed Term Loan (CL-4)	372,125
i. Small & Medium Enterprises Financing (SMEF)	
a. Small, Cottage & Micro Enterprises	219,550
b. Medium Enterprises	4,989
ii. Consumer Financing (Other than HF & LP)	60,916
iii. Housing Finance (HF)	12,108
iv.Loans for professionals to Set up business (LP)	5,621
V.Loans to BHs/MBs/SDs	-
vi. Other than SMEF,CF,HF, LP, BHs/MBs/SDs	68,941
Short Term Agri. credit and Micro Credit (CL-5)	4,547
Staff loan	4,116
Grand Total	623,372

Gross Credit Exposure

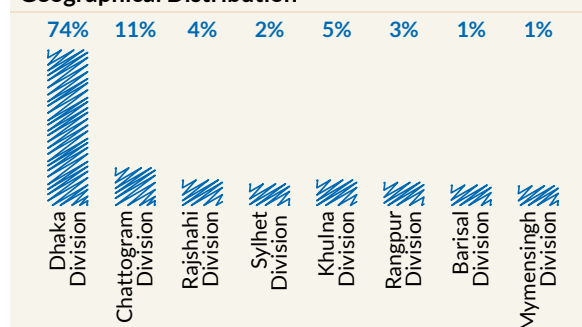


III. Geographical distribution of exposures, broken down in significant areas by major types of credit exposure:

Division	Outstanding (BDT million)
Dhaka	459,067
Chattogram	67,120

Division	Outstanding (BDT million)
Rajshahi	25,953
Sylhet	10,357
Khulna	28,215
Rangpur	17,518
Barisal	8,722
Mymensingh	6,420
Grand Total	623,372

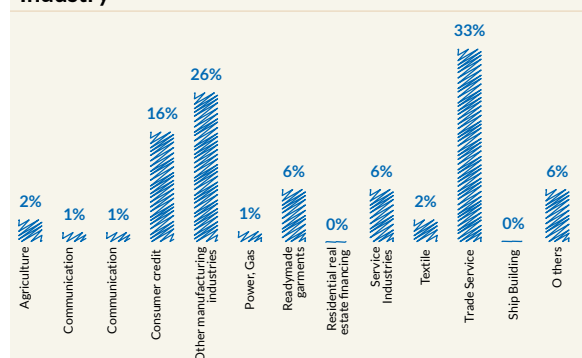
Geographical Distribution



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

Industry/Counterparty	Outstanding (BDT million)
Agriculture	10,511
Communication	3,230
Construction	7,002
Consumer credit	97,771
Other manufacturing industries	162,557
Power, Gas	8,226
Readymade garments	39,023
Residential real estate financing	633
Service Industries	39,563
Textile	9,561
Trade Service	206,932
Ship Building	85
Others	38,276
Grand Total	623,372

Industry



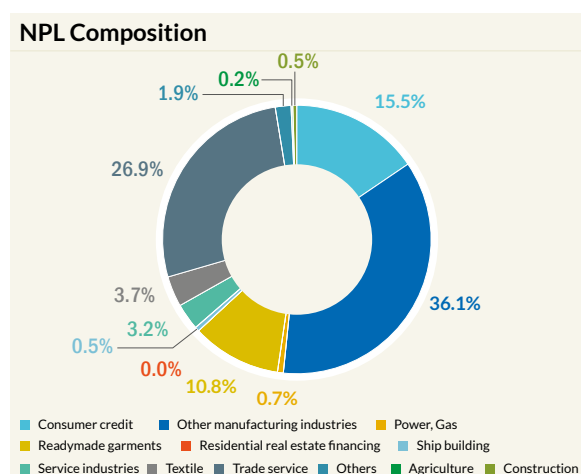
V. Residual contractual maturity breakdown of the whole portfolio, broken down by major types of credit exposure:

Residual Contractual Maturity	Outstanding (BDT million)
Repayable on demand	8,036
Up to 1 month	50,763
Not more than 3 months	114,819
More than 3 months but not more than 1 Year	258,653
More than 1 year but not more than 5 years	165,569
More than 5 years	25,533
Grand Total	623,372

VI. By major industry or counterparty type: Amount of impaired loans and if available, past-due loans, provided separately; Specific and general provisions; and Charges for specific allowances and charge-offs during the period:

NPL Composition	Outstanding (BDT million)
Agriculture	35
Construction	82
Consumer credit	2,543
Other manufacturing industries	5,922

NPL Composition	Outstanding (BDT million)
Power, Gas	116
Readymade garments	1,767
Residential real estate financing	1
Ship building	85
Service industries	526
Textile	603
Trade service	4,414
Others	309
Grand Total	16,403



Status	Outstanding loans and advances 2024	Base for provision	% of required provision	Required provision 2024
Unclassified				
All unclassified loans (Other than Small and Medium Enterprise Financing, Consumer Financing, BHs/MBs/SDs, Housing and loans for professional*)	255,844	252,752	1%	2,528
Small and Medium enterprise financing	250,477	250,454	0.25%	626
Loans to BHs/MBs/SDs against share etc.	895	895	1%	9
Housing Finance	11,659	11,659	1%	117
Loans for professionals to Set up business (LP)	5,526	5,526	2%	111
Consumer finance	60,652	60,652	2%	1,213
Consumer finance (Credit Card)	13,254	13,254	2%	265
Short Term Agricultural and Micro Credit	4,545	4,545	1%	45
Staff Loan	4,116	-	1%	-
Subtotal	606,969	599,737		4,913
Classified - Specific provision				
Sub-standard	2,288	1,775	20%**	222
Doubtful	737	651	50%***	210
Bad/Loss	13,378	10,378	100%****	10,490
Additional Provision (as advised by BB)				1,186
Subtotal	16,403	12,804		12,108
Total required provision for loans and advances				17,021
Total provision maintained				18,490
Excess provision over minimum required provision prescribed by Bangladesh Bank				1,468

* BHs = Brokerage Houses, MBs = Merchant Banks, SDs = stock dealers against shares

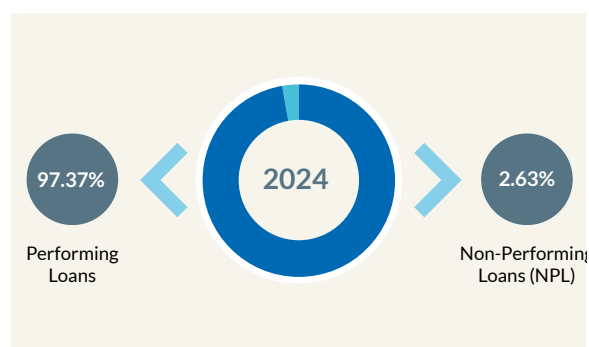
** For rescheduled loans, 50% and 100% provision has been made as per NOC circular and for small, micro & cottage enterprises under CMSME financing, provision requirement is 5% for sub-standard classification as per BRPD

*** For small, micro & cottage enterprises under CMSME financing, provision requirement is 20% for doubtful classification as per BRPD circular

**** COVID 19 provision amounting Tk. 447,598,873 has been shifted to specific provision in compliance with the Bangladesh Bank's BRPD Circular #58 dated 31 December 2024.

VII. Gross Non-Performing Assets; Non-Performing Assets to Outstanding Loans & advances; Movement of Non-Performing Assets NPAs); Movement of Specific provisions for NPAs

Particulars	(BDT million)
Outstanding Loans & Advances	623,372
Non-Performing Loans	16,403
NPL %	2.63%



Movement of Non-Performing Loans (NPL):

Non-Performing Loans	Outstanding (BDT million)
Opening balance	17,534
Additions during the year	4,049
Reductions during the year	(5,179)
Closing Balance	16,403

Movement of Specific Provisions for NPLs:

Particulars	Amount (BDT million)
Provisions held at the beginning of the year (i)	11,667
Add: Transfer from general provision (ii)	784
Add: Transfer from interest suspense (iii)	302
Less: Write off during the year (iv)	(3,357)
Add: Provision charged for the year (v)	3,752
Add: Recovery of written off bad debts (vi)	925
Add: Exchange difference (vii)	114
Net charge to Profit and Loss A/C (viii) = (v)-(vi)	2,827
Provisions held at the end of the year (i+ii+iii+iv+vi+vii+viii)	13,263

5. Equities: Disclosures for Banking Book Positions

Qualitative Disclosures

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;

Investments in equity securities are broadly categorized into two parts:

- **Quoted Securities:** These securities are bought and held primarily to sell them in the future or held for dividend income, which is reported at cost. Unrealized gains are not recognized in the profit and loss statement. However, the required provisions are kept for the diminution of the value of the investment.
- **Unquoted Securities:** Investment in unlisted securities is reported at a cost under the cost method. Adjustment is given for any shortage of book value over cost to determine the carrying amount of investment in unlisted securities.

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

The primary aim is to invest in these equity securities for the purpose of capital gain by selling them in the future or holding them for dividend income. As per BRPD Circular no. 14, dated June 25, 2003, investments in quoted shares and unquoted shares are revalued at the year-end at market price and as per the book value of the last audited balance sheet of that company, respectively. Provision should be made for any loss arising from diminution in the value of investments (portfolio basis), otherwise, investments are recognized at cost.

Recognition and Measurement: Investments in shares and securities generally fall either under "at fair value through Profit or Loss Account" or under "available for sale," where any change in fair value at the year-end is taken to the Profit or Loss Account or Revaluation Reserve Account, respectively.

The valuation methods of Marking to Market for investment used are:

- **Held to Maturity (HTM):** By definition, the Investments that have fixed or determinable payments and fixed maturity that the group has the positive intent and ability to hold to maturity, other than those that meet the definition of 'Held at amortized cost others' are classified as held to maturity. These investments are subsequently measured at amortized cost, with

less provision for impairment in value. Amortized cost is calculated by taking into account any discount or premium in acquisition. Any gain or loss on such investments is recognized in the statement of income when the investment is derecognized or impaired.

- **Held for Trading (HFT)** Investments classified in this category are acquired principally for the purpose of selling or repurchasing - in short trading or if designated as such by the management. After initial recognition, investments are measured at present value, and any change in the fair value is recognized in the statement of income for the period in which it

arises. Transaction costs, if any, are not added to the value of investments at initial recognition.

- iii. **Revaluation:** According to DOS Circular no. 05, dated May 26, 2008, DOS Circular no. 05, dated January 28, 2009, and DOS Circular no. 02, dated January 19, 2012, HFT securities are revalued once each week using the marking-to-market concept, and the HTM securities are amortized once a year according to Bangladesh Bank guidelines. HTM securities are also evaluated if they are reclassified to the HFT category with the Board's approval.

VALUATION & ACCOUNTING OF INVESTMENT

INVESTMENT CLASS	INITIAL RECOGNITION	MEASUREMENT AFTER RECOGNITION	RECORDING OF CHANGES
Govt. T-Bills/ Bonds - HFT	Cost	Marking to Market/ fair value	Loss to profit and loss a/c, gain to revaluation reserve
Govt. T-Bills/ Bonds - HTM	Cost	Amortized cost	An increase in the value of securities is booked to equity but decreases to the profit and loss account.
Bond/Debenture	Cost	Cost	Profit & Loss Account
Quoted Shares	Cost	Lower of cost or market price at balance sheet date	Provision for revaluation loss (net off gain) is charged to the profit and loss account, but there is no unrealized gain booking.
Un-Quoted Shares	Cost	Lower of cost or Net Asset Value (NAV) of last audited account	Provision for unrealized loss to profit and loss Account but no unrealized gain booking.
Mutual Fund (Closed-End)	Cost	Lower of cost and (higher of market value and 85% of NAV)	Provision for unrealized loss to profit and loss account but no unrealized gain booking.
Mutual Fund (Open-End)	Cost	Lower of cost and 95% of NAV	Provision for unrealized loss to profit and loss account but no unrealized gain booking.
Prize Bond	Cost	Cost	N/A

Quantitative Disclosures

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.

Particulars	Solo		Consolidated	
	Cost Price	Market Value	Cost Price	Market Value
Value of Quoted Share	7,076	7,145	8,030	8,100
Value of Unquoted Share	599		685	

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

d) Total unrealized gains (losses); Total latent revaluation gains (losses); Any amounts of the above included in Tier 2 capital

Sl.	Particulars	Solo	Consolidated
c)	The cumulative realized gains (losses) arising from sales and liquidations in the reporting period.	(0.68)	(0.68)
	Total unrealized gains (losses)	104.32	104.32
d)	Total latent revaluation gains (losses)	-	-
	Any amounts of the above included in Tier 2 capital.	-	-

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.

Figures in BDT million

Capital Charge for Equities	Solo	Consolidated
Specific Risk	715	812
General Market Risk	715	812
Total Capital Charge	1,429	1,623

6. Interest rate risk in the banking book (IRRBB)

Qualitative Disclosures

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 in the banking book (IRRBB) refers to the current or potential risk to Bank's earnings and capital arising from adverse movements in interest rates affecting banking book positions. Changes in interest rates influence the present value and timing of future cash flows from assets, liabilities, and off-balance sheet exposures, thereby impacting the Bank's economic value and net interest income (NII).

BRAC Bank believes that effective IRRBB management is an essential component of safe and sound banking practices and has a direct impact on the BRAC Bank's earnings and equity. The Bank ensures alignment between rate-sensitive assets and liabilities across various time buckets to reduce exposure to both parallel and non-parallel shifts in the yield curve. Both economic value (Δ EVE) and earnings-based (Δ NII) approaches are used to monitor and manage interest rate risk.

The Board of Directors oversees IRRBB management. It is executed via delegated authority to the Asset Liability Management Committee (ALCO). The Committee is responsible for the implementation of limits that are within the policy and maintenance of the ratios & limits. It is also responsible for ensuring that appropriate processes and controls are in place so that all risks are identified, measured and reported against approved risk limits as well as authorizing appropriate action (as required) if there is a limit breach. ALCO also delegates operational mandates and authorities to individual business and Treasury.

Rate-sensitive items are placed in time buckets based on residual maturity. Non-sensitive items such as cash, balance with Bangladesh bank, classified loan, non-

rate sensitive investments, fixed assets, other assets, capital and other liabilities are excluded. The Bank constructs its own yield curve based on Treasury bill/bond rates and applies it consistently across products. A behavioral approach is applied to non-maturity deposits (NMDs), placing them in appropriate time buckets. Loan prepayment assumptions are currently constant across all-time buckets.

The Bank uses six interest rate shock scenarios prescribed by the Basel Committee on Banking Supervision (BCBS):

1. Parallel shock up (+4%)
2. Parallel shock down (-4%)
3. Steepener
4. Flattener
5. Short rate shock up
6. Short rate shock down

The worst change in Economic Value of Equity (Δ EVE) and Net Interest Income (Δ NII) is reported to assess the Bank's IRRBB exposure.

Quantitative Disclosures

The following table shows the impact on the BRAC Bank's net interest income (NII) in the banking book as well as the change in the economic value (Δ EVE) for the banking book positions from interest rate shock scenarios-

Figures in BDT million

Shock Scenario	Δ EVE (31-Dec-24)	Δ NII (31-Dec-24)
Parallel up (+4%)	-8770	-2400
Parallel down (-4%)	10,820	1220
Steepener	-7860	0
Flattener	7820	0
Short rate up	-2940	0
Short rate down	1640	0
Maximum Loss	-8770	-2400
Tier-1 Capital	58,766	58,766

As seen above, the maximum adverse impact on Economic Value of Equity (Δ EVE) as of December 31, 2024, is BDT 8,770 million under the parallel upward rate shock, which represents approximately 14.92% of Tier-1 capital. For Net Interest Income (Δ NII), the maximum negative impact is BDT 2,400 million under the same shock.

The Bank continues to monitor IRRBB closely to ensure exposures remain well within its internal risk appetite and regulatory expectations.

7. Market risk

Qualitative Disclosures

a) (i) Views of BOD on trading/investment activities (ii) Methods used to measure Market risk; (iii) Market Risk Management system; (iv) Policies and processes for mitigating market risk

Views of BOD

Market risk arises due to changes in market variables such as interest rates, foreign currency exchange rates, equity prices, and commodity prices. The financial instruments that are held with trading intent or to hedge against various risks are purchased to make a profit from spreads between the bid and ask price and are subject to market risk.

BRAC BANK has a Foreign Exchange Risk Management Guideline that has been entirely customized as per our bank's needs since 2004. The guidelines have been prepared as per Bangladesh Bank guidelines and appraised by our Board of Directors. All financial activities are susceptible to different degrees of risk. Measuring, monitoring, and managing these risks would be crucial for the survival and good health of the organization. Within the Bank, the treasury is vested with the responsibility to measure and minimize the risks associated with the Bank's assets and liabilities. Managing foreign exchange risk is one of the prime responsibilities of the treasury.

Treasury is responsible for managing the balance sheet according to ALCO's recommendation to minimize risk and maximize returns. The committee holds a meeting at least once every month to set and review strategies for ALM. The ALCO process or ALCO meeting reviews the ALCO paper along with the prescribed agendas. Based on the analysis and views, the committee makes decisions to reduce balance sheet risk while maximizing profits.

At BRAC Bank, the Board approves all market risk policies, sets limits, and reviews compliance on a regular basis. The objective is to obtain the best balance of risk and return while meeting customers' requirements.

Market Risk Measurement

There are several methods used to measure market risk, and the Bank uses those methods which are deemed fit for a particular scenario. For measuring interest risk from an earnings perspective, the Bank uses maturity gap analysis, Duration Gap analysis, and Sensitivity Analysis. The standardized (Rule-Based) method is used to calculate capital charges against market risks for the minimum capital requirement of the Bank under Basel-III. For each risk category, the minimum capital requirement is measured in terms of two separately calculated capital charges for 'specific risk' and 'general market risk'.

Market Risk Management

The Treasury Division manages market risk covering liquidity, interest rate, and foreign exchange risks with oversight from the Asset-Liability Management Committee (ALCO) comprising senior executives of the Bank. ALCO is chaired by the Managing Director.

Policies and Processes

• Asset Liability Management:

BRAC Bank PLC puts adequate emphasis on ensuring that balance sheet risks are effectively managed. Appropriate policies and procedures have been established as per the guidelines of the Bank's Board of Directors (BOD), including relevant circular guidelines of Bangladesh Bank to control and limit these risks, and proper resources are available for the evaluation and control of these risks. The Asset Liability Committee (ALCO) of the Bank monitors the Balance Sheet and liquidity risk of the Bank.

• Foreign Exchange Risk Management:

Foreign exchange risk (also known as FX risk, exchange rate risk, or currency risk) is a financial risk that exists when a financial transaction is denominated in a currency other than that of the base currency. The risk is that adverse fluctuations in exchange rates may result in a loss in earnings. We have our own board-approved policy for the management of FX risk.

There are approved limits for market risk-related instruments, including both on-balance sheet and off-balance sheet items. The limits are monitored and enforced on a regular basis to protect against market risks.

Quantitative Disclosures

b) The capital requirements for interest rate risk, equity position risk, foreign exchange risk, and Commodity risk.

Figures in BDT million

Capital Charge for Market Risk	Solo	Consolidated
Interest Rate risk	1,613	1,613
Equity position risk	1,429	1,623
FX Risk	123	123
Commodity risk	-	-
Total	3,165	3,360

8. Operational risk

Qualitative Disclosures

a) Views of BOD on system to reduce Operational Risk; Performance gap of executives and staffs; Potential external events; Policies and processes for mitigating operational risk; Approach for calculating capital charge for operational risk

Views of BOD on the system to reduce Operational Risk

Operational risk implies the potential loss resulting from inadequate or failed internal processes, people, systems or external events. It is an inherent part of every business operation and encompasses a broad range of risks.

At BRAC Bank PLC, the Board of Directors (BOD) and Management are committed to maintaining a robust risk management framework. A comprehensive internal control system is in place to ensure the effectiveness of risk mitigation strategies and compliance with approved policies. The bank's risk management policy is approved by the Board which aligns with the relevant guidelines of Bangladesh Bank.

The BOD takes a proactive approach to operational risk management by implementing advanced technological solutions, stringent control measures and continuous monitoring processes. They emphasize fostering a risk-aware culture across the organization, promoting accountability, transparency and adherence to best practices. By prioritizing risk mitigation, BRAC Bank PLC aims to safeguard its reputation, financial stability and stakeholder trust while ensuring resilience in an evolving business environment.

Performance gap of executives and staff

Safeguarding high performance among executives and staff is essential for organizational success and efficiency. At BRAC Bank PLC, identifying and addressing performance gaps is a key priority in fostering a culture of excellence.

The Board of Directors and senior management actively monitor performance metrics to determine areas for improvement, whether in meeting sales targets, achieving key performance indicators or delivering exceptional customer service. To support employees at all levels, the bank provides targeted training, mentorship and necessary resources to enhance skills and performance.

Regular performance evaluations and feedback mechanisms are in place to drive continuous improvement and professional development. Additionally, BRAC Bank PLC offers a competitive compensation package and a dynamic work environment to attract and retain top industry talent. The bank's strong brand reputation further reinforces employee motivation and engagement. By proactively addressing performance gaps and investing in its workforce, BRAC Bank PLC ensures alignment with its mission, driving sustained growth and long-term success.

Potential external events

External events beyond the bank's control can significantly impact operations, reputation and financial stability. These include natural disasters, geopolitical instability, economic fluctuations, regulatory changes, cybersecurity threats, pandemics and disruptions in the global supply chain. Additionally, economic downturns, market volatility, mergers and acquisitions and rapid technological advancements can introduce operational risks affecting the bank's control environment and risk management capabilities.

To address these challenges, BRAC Bank PLC has established comprehensive risk management procedures and contingency plans. These measures include continuous monitoring of external factors, scenario planning and proactive engagement with stakeholders to mitigate potential risks.

The bank remains vigilant against external threats that could disrupt daily operations. A robust Business Continuity Plan (BCP) is in place across all branches and departments, ensuring preparedness for severe adverse situations. This policy is reviewed annually and BCP drills are conducted regularly for training purposes. Additionally, the IT Security team oversees cybersecurity measures to safeguard the bank's digital infrastructure.

By proactively managing external risks and strengthening resilience, BRAC Bank PLC is committed to maintaining operational stability, preserving its reputation and ensuring long-term value for stakeholders.

Policies and processes for mitigating operational risk

Operational risk, distinct from market and credit risk, refers to the potential for loss arising from inadequate or failed internal processes, people, systems or external events. As an inherent aspect of every business, it requires a structured approach to mitigation. The bank employs a control-based environment, ensuring that processes are well-documented, authorizations remain independent, and transactions are continuously reconciled and monitored. A dedicated unit within the Risk Management Division (RMD) is responsible for identifying, assessing and implementing risk mitigation strategies across the organization. This unit operates under the Board-approved Risk Management Policy and Operational Risk Management Policy, coordinating various risk forums to escalate and address identified risks effectively.

To strengthen resilience, BRAC Bank PLC continuously evaluates vulnerabilities and proactively enhances its risk management framework. This includes:

- Comprehensive risk identification, assessment and mitigation measures that are regularly reviewed and updated.

- A strong culture of risk awareness and accountability, reinforced through employee training and clear communication channels.
- Integration of advanced technology solutions and internal controls to ensure operational stability and uninterrupted service delivery.

By maintaining rigorous risk management practices, BRAC Bank PLC is committed to safeguarding its reputation, ensuring financial stability and delivering long-term value to its stakeholders.



Approach for calculating the capital charge for operational risk

Basic Indicator Approach (BIA) is followed to calculate the capital charges for Operational Risk as per the guidelines of Bangladesh Bank.

As per BIA, the capital charge for Operations Risk is a fixed percentage denoted by Q (alpha) of the bank's average positive gross annual income over the past three years.

$$K = [(GI_1 + GI_2 + GI_3) \times Q] / n$$

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)

Q = 15%

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

Quantitative Disclosures

b) The capital requirements for operational risk:

Figures in BDT million

Particulars	Solo	Consolidated
Gross Income (Last 3 Years)	102,590	148,769
Average GI	34,197	49,590
15% of Average GI	5,130	7,438
Capital Charge for Operational Risk	5,130	7,438

9. Liquidity Ratio

Qualitative Disclosures

a) Views of BOD on the system to reduce liquidity Risk; Methods used to measure Liquidity risk; Liquidity risk management system; Policies and processes for mitigating liquidity risk

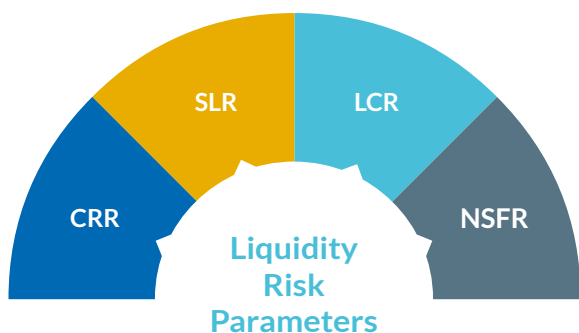
Liquidity Risk

Liquidity risk is the risk that a given security or asset cannot be traded quickly enough in the market to prevent a loss or when a bank is unable to fulfil its commitments in time when payment falls due. Liquidity risk can be of two types:

- Funding liquidity risk:** the risk that a firm will be unable to meet its current and future cash flow and collateral needs without affecting its daily operations or its financial condition.
- Market liquidity risk:** the risk that a firm cannot easily offset or sell a position without incurring a loss because of inadequate market depth.

Views of BOD on system to reduce liquidity Risk

The Board of Directors of BRAC BANK has always given utmost importance to minimizing the liquidity risk of the Bank. In order to reduce liquidity risk, strict maintenance of the Cash Reserve Ratio (CRR) and Statutory Liquidity Reserve (SLR) is also being emphasized on a regular basis. Apart from these, as a part of Basel-III requirements, Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) are also maintained under the guidance and sharp insight of our honourable Board of Directors.



BRAC BANK follows Bangladesh Bank’s Risk-Based Capital Adequacy guideline in accordance with Basel III. The bank also follows DOS circular no. 1, dated January 01, 2015, on implementing the Basel III liquidity ratio.

Methods used to measure Liquidity risk

Liquidity Coverage Ratio: The liquidity coverage ratio (LCR) refers to highly liquid assets held by financial institutions in order to meet short-term obligations. The Liquidity coverage ratio is designed to ensure that financial institutions have the necessary assets on hand to ride out short-term liquidity disruptions. Banks are required to hold an amount of highly liquid assets, such as cash or Treasury bonds, equal to or greater than their net cash outflows over a 30-day period (having at least 100% coverage)

Net stable funding ratio (NSFR): The NSFR presents the proportion of long-term assets funded by stable funding and is calculated as the amount of Available Stable Funding (ASF) divided by the amount of Required Stable Funding (RSF) over a one-year horizon. This ratio must exceed 100%.



Liquidity risk management system

Liquidity is the ability of a bank to generate funds for increasing assets and meet obligations as they come due without incurring an unacceptable cost. The fundamental role of Banks in the maturity transformation of short-term deposits into long-term loans makes banks inherently vulnerable to liquidity risk. Effective liquidity

risk management helps ensure a bank’s ability to meet cash flow obligations, which are uncertain as they are affected by external events and other agents’ behaviour. Liquidity risk management is of paramount importance because a liquidity shortfall at a single institution can have system-wide repercussions.

The Asset Liability Management Committee (ALCO), which meets regularly, is responsible for managing and controlling BRAC Bank’s liquidity. The Asset and Liability Management (ALM) desk closely monitors and controls liquidity requirements on a daily basis by appropriate coordination of funding activities, and it is primarily responsible for managing liquidity in the Bank.

Policies and processes for mitigating liquidity risk

Asset Liability Management (ALM) is the core job and integral part of Bank Management. Changes in market liquidity and interest rates expose the Bank’s business to the risk of loss, which may, in extreme cases, threaten the survival of the institution. As such, it is important that the level of balance sheet risks is effectively managed, appropriate policies and procedures are established to control and limit these risks, and proper resources are available for evaluating and controlling these risks. Asset Liability Management policy is implemented to monitor, measure, and manage the risks associated with the balance sheet and guard the Bank against any unforeseen loss/threat of survival. The Asset Liability Management policy was last updated and approved by the Board in February 2021. The policy was revised to accommodate regulatory changes and ensure better risk management.

The Board of Directors approves the LRM Policy. The Asset Liability Committee (ALCO) reviews the policy at least annually or as and when required, considering any changes in market dynamics and appropriateness and recommending changes to the Board for approval. The LRM Policy is guided by international best banking practices, the local banking and regulatory environment, and the prudent guidelines of the Central Bank.

Quantitative Disclosures

b) Liquidity Coverage Ratio; Net Stable Funding Ratio (NSFR); Stock of High quality liquid assets; Total net cash outflows over the next 30 calendar days; Available amount of stable funding; Required amount of stable funding

Particular	Amount (BDT million)
Liquidity Coverage Ratio	212.93%
Net Stable Funding Ratio (NSFR)	112.36%
Stock of High-quality liquid assets	218,490
Total net cash outflows over the next 30 calendar days	102,610
Available amount of stable funding	774,860
Required amount of stable funding	689,620

10. Leverage Ratio

Qualitative Disclosures

a) Views of BOD on the system to reduce excessive leverage; Policies and processes for managing excessive on and off-balance sheet leverage; Approach for calculating exposure

Views of BOD on the system to reduce excessive leverage

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.

Banks have a range of financial incentives to operate with high leverage. But it creates risk when it crosses a certain point. Therefore, the Board views that sound prudential controls are needed to ensure that the organization maintains a balance between its debt and equity. The Board also believes that the Bank should maintain its leverage ratio on and above the regulatory requirements, which will eventually increase public confidence in the organization.

Policies and processes for managing excessive on and off-balance sheet leverage

To manage excessive leverage, the Bank follows all regulatory requirements for capital, liquidity, commitment, Advance Deposit Ratio (ADR), Maximum Cumulative Outflow (MCO), and other standards set by Bangladesh Bank. The aim is to ensure that the high leverage inherent in banking business models is carefully and prudently managed.

Approach for calculating exposure

BRAC Bank calculates the leverage ratio on a quarterly basis as per the RBCA guideline of the Bangladesh Bank and submits it to the Department of Off-site Supervision (DOS), Bangladesh Bank, along with the CRAR report.

The leverage ratio reflects the Bank's tier 1 capital (the numerator) over total exposure (the denominator), which includes its balance sheet exposures and certain off-balance sheet exposures. The capital measure for the leverage ratio is based on the Tier 1 capital.

The exposure measure for the leverage ratio follows the accounting measure of exposure. In order to measure the exposure consistently with financial accounts, the following are applied by the Bank:

- On-balance sheet, non-derivative exposures are net of specific provisions and valuation adjustments.
- Physical or financial collateral, guarantee, or credit risk mitigation purchased is not considered to reduce on-balance sheet exposure.

- Netting of loans and deposits is not considered.

Leverage Ratio = Tier 1 Capital (after related deductions) / Total Exposure (after related deductions)

Quantitative Disclosures

b) Leverage Ratio; On balance sheet exposure; Off balance sheet exposure; Total exposure

Figures in BDT million

Particular	Solo	Consolidated
Tier-1 Capital (considering all regulatory adjustments)	58,766	85,812
On- Balance Sheet Exposure	916,870	1,042,249
Off-Balance Sheet Exposure	71,198	71,198
Total Deduction from On and Off-Balance Sheet Exposure/ Regulatory adjustments made to Tier 1 capital	6,721	12,954
Total Exposure	981,347	1,100,493
Leverage Ratio	5.99%	7.80%
Leverage Ratio (Required)	3.50%	3.50%

11. Remuneration

Qualitative Disclosures

a) Information relating to the bodies that oversee remuneration. Disclosures must include:

(i) Name, composition and mandate of the main body overseeing remuneration:

The remuneration issues in BRAC Bank are overseen by the Mancom. It comprises the Managing Director & CEO, the Deputy Managing Directors and the Divisional Heads.

Remuneration during Joining:

Head of Human Resources, Head of Compensation & Rewards, along with concerned Functional Head fix the remuneration based on fitment analysis of the incoming employee.

Remuneration after Joining:

Head of Human Resources along with concerned Functional Heads review the Remuneration of the Bank from time to time and adjust it based on performance, importance of the role and market benchmark upon approval of the MD & CEO.

Merit Increment is given to the eligible employees as per Bank's policy on annual basis.

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

N/A

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

The remuneration policy of the bank covers all persons engaged in service of the bank. The Salary structure of the Bank is based on Job Grades. Job grades are decided on the basis of an analytic assessment of the position based on the size, responsibilities, decision-making authorities, nature and scope of the job.

(iv) A description of the types of employees considered as material risk takers and as senior managers including the number of persons in each group.

The bank has identified employees in key areas and functions whose impact on the risk profile of the bank will always be material that includes the members of the management body in its supervisory function, whose professional activities have a material impact on the institution's risk profile because of their responsibilities. In particular, all members of Mancom and department heads have been identified as senior managers and material risk takers.

b) Information relating to the design and structure of remuneration processes:

(i) An overview of the key features and objectives of remuneration policy;

BRAC Bank is committed to maintaining fair, competitive, and performance-oriented remuneration policies and practices that align with long-term employee and shareholder interests. The bank believes in rewarding employees for performing in a way that creates sustainable values for the bank and its shareholders over time. We believe that well-established and clearly communicated core remuneration values drive fairness and consistency across our bank.

Upon recommendation from the Management, the Board of Directors has the authority to approve and amend the policy.

The remuneration policy of the Bank covers all persons engaged in permanent service of the Bank.

Banks have different Job Grades for various levels of employees. Job grades are decided based on an analytic assessment of the position's size, responsibilities, decision-making authorities, nature, and scope of job.

The following are the job grades of BRAC Bank PLC:

- Deputy Managing Director
- Senior Executive Vice President

- Executive Vice President
- Senior Vice President
- Vice President
- Senior Assistant Vice President
- First Assistant Vice President
- Assistant Vice President
- Senior Principal Officer
- Principal Officer
- Senior Officer, Young Leader
- Officer Grade-II
- Officer Grade I

The position of Managing Director and CEO is not permanent. It is a fixed-term contractual position, as per Bangladesh Bank's approval.

The monthly gross salary of an employee has the following components which may vary depending on the employee's grades:

- Basic salary
- House rent
- Medical allowance
- Conveyance
- Festival Bonus Monthly Part
- Leave Fair Allowance Monthly Part
- Others

Salaries are confidential between the employees concerned and the Management. The salary ranges for these job grades are reviewed from time to time by the management committee and approved by the Board of Directors.

In addition to this, an employee receives two guaranteed festival bonuses in two festivals, each equal to one basic salary. He/she also receives a Leave Fair Allowance equal to one Basic salary at the time of his/her Annual Mandatory Leave. He/she may also receive performance bonuses/awards/grants.

(ii) Whether the Remuneration Committee reviewed the firm's Remuneration policy during the past year and, if so, an overview of any changes that were made.

N/A

(iii) A discussion of how the Bank ensures that risk and compliance employees are remunerated independently of the businesses they oversee.

Employees engaged in control functions (risk management, human resources, audit, compliance, etc.) are independent of the business units they oversee, have appropriate authority, and are compensated in accordance with the achievement of the objectives linked

to their functions, independent of the performance of the business areas they control.

c) Description of the ways in which current and future risks are considered in the remuneration processes.

(i) An overview of the key risks that the Bank takes into account when implementing remuneration measures;

BRAC Bank takes into account all current and future risks, whether on or off-balance sheet, differentiating amongst risks relevant to business units and individuals. However, for managing and determining remuneration arrangements, key risks like- Financial Risks, Operational Risks, Compliance Risks, Market Risks, Reputational Risks, and Employee Turnover Risks etc. are usually taken into account. All of our remuneration practices are carefully managed within the risk-taking capacity of the bank.

(ii) An overview of the nature and type of the key measures used to take account of these risks, including risks difficult to measure (values need not be disclosed);

N/A

(iii) A discussion of the ways in which these measures affect remuneration;

We approach all of our remuneration arrangements, especially the periodic fixed remuneration enhancements and the variable compensation arrangements, through an integrated risk, finance, compensation, and performance management framework.

The way in which each individual contributes to or impacts the key criteria differs depending on the area of the business in which they operate and their level of seniority. These differences are reflected in the expected outcomes and performance indicators developed for each individual employee/role, and satisfactory performance against these indicators is required to qualify for change in remuneration.

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

All measures remain unchanged during the past year.

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

(i) An overview of the main performance metrics for the Bank, top-level business lines and individuals;

- Based on the Bank's profit, the Board of Directors at their discretion declare a certain percentage of the pre-tax profit as Performance Bonus.
- The method of distribution is based at Management discretion.

- No bonus will be applicable to the employees rating with needs improvement/unacceptable performance.
- Bonus is declared as per individual employee performance. The ratings and associated bonus amount is decided by the Management committee.
- Performance is measured as per pre-defined criteria and set targets at the beginning of the year. Assessment is divided in two categories: A) Business Objective B) Value based objective.
- Eligibility criteria are as follows:
- Confirmed Employees joined within 30th June of the performing year and confirmed within 31st December of that year.
- However, bonus will be calculated on Pro Rata Basis based on joining date for the rest of the calendar year.
- In case of retired employee, he/she will be eligible for proportionate bonus subject to his/her stay for at least one quarter of respective financial year.

(ii) A discussion of how amounts of individual remuneration are linked to institution-wide and individual performance;

Though individual remuneration amounts do not contain any direct formulaic link between business income and individual reward but in case of variable remuneration, we always consider concerned division performance while assessing the employees attached to it. Differentiating performance and value ratings at all levels enable us to target spending towards those who have made the most effective contribution to the bank's performance and unique culture to recognize and motivate performers and retention of them

(iii) A discussion of the measures in general implement to adjust remuneration in the event that performance metrics are weak.

N/A

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

(i) 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 persons or groups of persons, a description of the factors that determine the fraction and their relative importance;

Currently, we do not offer variable remuneration that may be deferred or vested in cash, shares, or share-linked instruments.

(ii) A discussion of the Bank's policy and criteria for adjusting deferred remuneration before vesting and after vesting through claw back arrangements.

N/A

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

(i) an overview of the forms of variable remuneration offered (i.e., cash, shares and share-linked instruments and other forms)

Apart from fixed remuneration components, employees are also eligible for variable remuneration arrangements consisting of Performance Bonuses and Incentives; however, such bonuses are currently offered only in cash form.

(ii) a discussion of the use of the different forms of variable remuneration and, if the mix of different forms of variable remuneration differs across persons or groups of persons, a description the factors that determine the mix and their relative importance.

Variable remuneration arrangements differ across groups of employees. Performance Bonus awards are discretionary and recognize annual performance of the non-sales employees over the immediate past financial year. Performance is measured and reviewed against set goals, which include financial and value metrics, on the other hand incentive bonuses are non-discretionary and normally paid to salespeople on monthly basis who meet established business goals, generate new business, and retain current customers.

Quantitative Disclosures

g)	Number of meetings held by the main body overseeing remuneration during the financial year and the remuneration paid to its members.	The Senior Management met several times during the year ended 31, December, 2024. No payment is made to Committee members for their membership of the Committee.
h)	The number of persons having received a variable remuneration award during the financial year.	Employee No. 9,667 Total Amount: BDT 1,358.97 million
	Number and total amount of guaranteed bonuses awarded during the financial year.	Employee No. 8,719 Total Festival Bonus: BDT 726.54 million
	Number and total amount of sign-on awards made during the financial year.	N/A
	Number and total amount of termination payments made during the financial year.	Employee No. 16 Termination Payments: BDT 2.94 million
i)	Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms.	N/A
	Total amount of deferred remuneration paid out in the financial year.	N/A
J)	Breakdown of the amount of remuneration awards for the financial year to show:	
	i. Fixed and variable;	Fixed: BDT 8,966.06 million Variable: BDT 1,358.97 million
	ii. Deferred and non-deferred; and	N/A
	iii. The different forms used (cash, shares and, share-linked instruments and other forms).	N/A
k)	Quantitative information about persons' exposure to implicit (e.g. fluctuations in the value of shares or performance units) and explicit adjustments (e.g. malus, clawbacks or similar reversals or downward revaluations of awards) of deferred remuneration and retained remuneration:	
	i. Total amount of outstanding deferred remuneration and retained remuneration exposed to ex-post explicit and/or implicit adjustments.	N/A
	ii. Total amount of reductions during the financial year due to ex post explicit adjustments.	N/A
	iii. Total amount of reductions during the financial year due to ex post implicit adjustments.	N/A