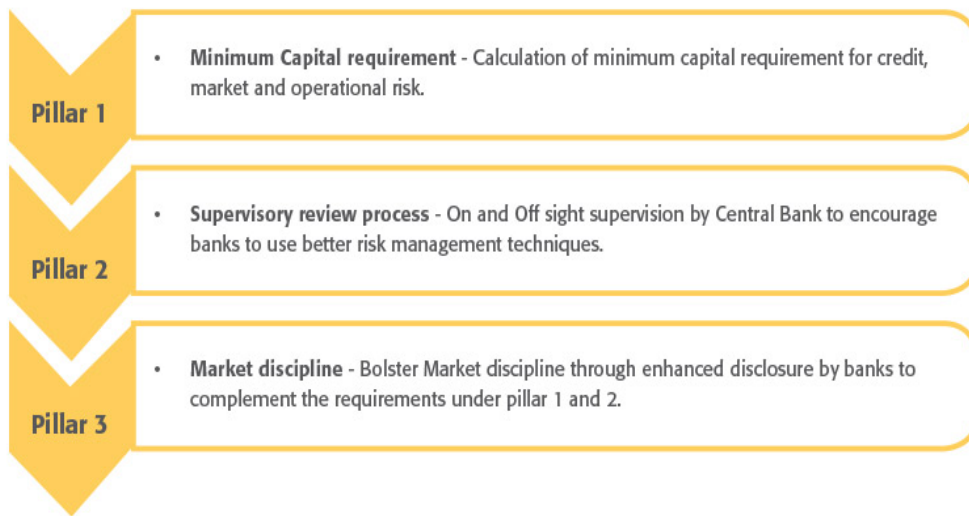


Disclosure on Risk Based Capital under Basel-III

For the year ended 31 December 2024



Disclosure on Risk Based Capital under Basel-III

For the year ended 31 December 2024

Capital Adequacy under Basel-III:

Since 1996, banks in Bangladesh are maintaining capital on the basis of risk weighted assets, in line with the Basel Committee on Banking Supervision (BCBS) capital framework published in 1988.

Considering present complexity and challenges in the banking sector and to make banks' capital requirements more risk-sensitive, Bangladesh Bank, the central bank of the country, decided to adopt the Risk Based Capital Adequacy for banks, in line with capital adequacy framework devised by the BCBS popularly known as 'Basel III'.

Bangladesh Bank prepared a guideline to be followed by all scheduled banks from January 2009. Both the existing capital requirement rules based on Risk Weighted Assets and revised Risk Based Capital Adequacy Framework for Banks as per Basel II were followed simultaneously initially for one year. For the purpose of statutory compliance during the period of parallel run, i.e. 2009, the computation of capital adequacy requirement under existing rules prevailed.

On the other hand, revised Risk Based Capital Adequacy Framework as per Basel II had been practiced by banks during 2009 so that Basel II recommendation could effectively be adopted from 2010 onwards. From January 2010, Risk Based Capital Adequacy Framework as per Basel II has been fully practiced by banks, replacing the previous rules under Basel-I.

Bangladesh Bank adopted "Guidelines on Risk Based Capital Adequacy (Revised Regulatory Capital Framework for banks in line with Basel III)" as per BRPD circular no. 18 dated 21 December 2014, replacing "Guidelines on Risk Based Capital Adequacy (Revised Regulatory Capital Framework for banks in line with Basel III)". This circular came into force with effect from January 01, 2015. Pubali Bank is maintaining its capital requirements at adequate level as per "Guidelines on Risk Based Capital Adequacy (Revised Regulatory Capital Framework for banks in line with Basel III)".

The guideline is structured around the following three pillars of Basel-III:

- i. Minimum capital requirements to be maintained by a bank against credit, market and operational risk;
- ii. Supervisory Review i.e., process for assessing overall capital adequacy in relation to a bank's risk profile and strategy for maintaining its capital at an adequate level; and
- iii. Market Discipline i.e., to make public disclosure of information on the bank's risk profile, capital adequacy and risk management.

Disclosure framework of Pubali Bank

Disclosure includes the following as per Bangladesh Bank guidelines:

- Scope of Application
- Assets under Banking Book and Trading Book
- Credit risk
- Equity disclosure for Banking Book positions
- Interest rate risk in Banking Book (IRRBB)
- Market risk
- Operational risk
- Leverage ratio
- Liquidity ratio
- Remuneration



Disclosure under Pillar III:

Disclosure given below as specified by RBCA Guideline:

A) Scope of Application

Qualitative Disclosure

(a) The name of the top corporate entity in the group to which this guideline applies.	Pubali Bank PLC.
(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>The consolidated financial statements of the bank include the financial statements of (a) Pubali Bank PLC. (b) Pubali Bank Securities Limited. A brief description of these is given below:</p> <p><u>Pubali Bank PLC.</u></p> <p>Pubali Bank Limited (the Bank) was incorporated in the year 1959 under the name and style of Eastern Mercantile Bank Limited under Companies Act, 1913. After the country's liberation in 1971, the bank was nationalized as per policy of the Government of Bangladesh under the Bangladesh Bank (Nationalisation) Order 1972 (PO No. 26 of 1972) and was renamed as Pubali Bank. Subsequently, the bank was denationalized in the year 1983 and was again incorporated in Bangladesh under the name and style of Pubali Bank Limited in that year. The government transferred the entire undertaking of Pubali Bank to Pubali Bank Limited, which took over the same as a going concern. Pubali Bank Limited was subsequently renamed as Pubali Bank PLC. as per BRPD circular letter No. 46 dated 09 October 2023.</p> <p><u>Pubali Bank Securities Limited</u></p> <p>Pubali Bank Securities Limited (PBSL) was incorporated on 21st June 2010 under the Companies Act, 1994 as a public limited company. It is a subsidiary company of Pubali Bank, which holds all the shares of the company, except for thirteen shares that are held by thirteen individuals. The company has been established as per Securities & Exchange Commission's (SEC's) Letter #SEC/Reg/DSE/MB/2009/444 dated 20.12.2009. The Registered Office of the company is situated at A-A Bhaban (7th floor), 23 Motijheel C/A, Dhaka-1000, Bangladesh. The company started commercial activities from 01 February 2011.</p> <p>The main objects of the company are to carry on the business of a stock broker and stock dealer house and to buy, sell and deal in shares, stocks, debentures, bonds and other securities and to carry out any business as is permissible for a broker and dealer house duly licensed by the Securities & Exchange Commission of Bangladesh.</p>
(c) Any restrictions, or other major impediments, on transfer of funds or regulatory capital within the group.	Not applicable



Quantitative Disclosure

(d) The aggregate amount of capital deficiencies in all subsidiaries not included in the consolidation that are deducted and the name(s) of such subsidiaries.	Not applicable
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B) Capital Structure:

Qualitative Disclosure:

(a) Summary information of 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.	<p>The terms and conditions of the main features of all capital instruments have been segregated in line with the eligibility criteria set forth vide BRPD Circular No. 35 dated 29 December 2010 and BRPD Circular No. 18 dated 21 December 2014 and other relevant instructions of Bangladesh Bank from time-to-time. The main features of the capital instruments are as follows:</p> <p><u>Tier – I Capital instruments:</u></p> <p>Paid-up share capital: Issued, subscribed and fully paid-up share capital of the bank. It represents paid-up capital, rights shares as well as bonus shares issued from time-to-time.</p> <p>Statutory reserve: As per Section 24(1) of the Bank Companies Act, 1991, an amount equivalent to 20% of the profit before taxes for each year of the bank has been transferred to the statutory reserve fund until it is equal to the paid-up capital.</p> <p>Pubali Bank is in compliance in this aspect.</p> <p>General reserve: Any reserve created through profit and loss appropriation account for fulfilling any purpose.</p> <p>Pubali Bank is in compliance in this aspect.</p> <p>Retained earnings: Amount of profit retained with the banking company after meeting all expenses, provisions and appropriations.</p> <p>Pubali Bank is in compliance in this aspect.</p> <p><u>Additional Tier-I capital instruments:</u></p> <p>Perpetual Bond of BDT 5,000.00 million was issued in the year 2021, out of which BDT 2,800.00 million was subscribed in the year 2021 and BDT 2,200.00 million was subscribed in 2022.</p> <p><u>Tier-II capital instruments:</u></p> <p>General provision maintained against unclassified loans and off-balance sheet exposures: As per BB directive, amount of provision maintained against unclassified loans and off-balance sheet exposures as of the reporting date has been considered.</p> <p>Pubali Bank 1st Subordinated Bond of BDT 5,000.00 million was issued in the year 2017 and has been fully subscribed.</p> <p>Pubali Bank 2nd Subordinated Bond of BDT 7,500.00 million was issued in the year 2019, out of which BDT 4,000.00 million was subscribed in 2019 and BDT 3,500.00 million was subscribed in 2020.</p> <p>Pubali Bank 3rd Subordinated Bond of BDT 7,000.00 million was issued in the year 2022, out of which BDT 3,500.00 million was subscribed in the year 2022 and BDT 3,500.00 million was subscribed in 2023.</p> <p>Pubali Bank 4th Subordinated Bond of BDT 4,000.00 million was issued in the year 2024 and was fully subscribed.</p>
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Quantitative Disclosure

		<u>In million Tk.</u>	
		<u>Solo</u>	<u>Consolidated</u>
(a) The amount of Tier-I Capital, with separate disclosure of: (as of 31.12.2024) CET-1 Capital	✓ Paid-up capital	11,568.31	11,568.31
	✓ Non-repayable share premium account	-	-
	✓ Statutory reserve	11,568.31	11,568.31
	✓ General reserve	-	-
	✓ Retained earnings	26,426.96	27,358.07
	✓ Minority interest in subsidiaries	-	-
	✓ Non-cumulative irredeemable preference shares	-	-
		49,563.58	50,494.69
Regulatory Adjustment		(7,036.93)	(7,227.85)
Tier-1 Capital		42,526.65	43,266.84
Additional Tier-1 Capital		5,000.00	5,000.00
Total Tier-1 Capital		47,526.65	48,266.84
(b) Total amount of Tier-II Capital		24,988.72	24,988.72
Regulatory Adjustment		-	-
(c) Total Eligible Capital		72,515.37	73,255.56

C) 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.	Capital adequacy is the cushion required to be maintained for covering credit risk, market risk and operational risk so as to protect depositors' and general creditors' interest against such losses. In line with BRPD Circular No. 35 dated 29 December 2010, and BRPD Circular No. 18 dated 21 December 2014, the bank has adopted Standardized Approach for Credit Risk, Standardized (Rule Based) Approach for Market Risk, and Basic Indicator Approach for Operational Risk for computing capital adequacy.
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Quantitative Disclosure

		<u>In million Tk.</u>	
		<u>Solo</u>	<u>Consolidated</u>
(a) Credit risk:		446,179.74	438,551.87
(b) Market risk:		31,705.02	43,041.74
(c) Operational risk:		48,733.05	49,486.87
(d) Total Risk Weighted Assets		526,617.81	531,080.48
(e) Capital requirement with conservation buffer		65,827.23	66,385.06
(f) Total capital available		72,515.37	73,255.56
(g) Total capital, CET-1 Capital, Total Tier-1 Capital and Tier-2 Capital Ratio:		Total = 13.77% CET-1 = 8.08% Tier-1 = 9.02% Tier-2 = 4.75% CCB = 3.02%	Total = 13.79% CET-1 = 8.15% Tier-1 = 9.09% Tier-2 = 4.71% CCB = 3.09%



D) Credit Risk:

Qualitative Disclosure:

<p>(a) The general qualitative disclosure requirement with respect to credit risk, including:</p>	<p>Bank classifies loans and advances (loans and bill discounting in the nature of an advance) into performing and non-performing loans (NPLs) in accordance with Bangladesh Bank guidelines in this respect.</p> <p>An NPA is defined as a loan or an advance where interest and/or installment of principal remains overdue for more than 90 days in respect of a continuous credit, demand loan or term Loan, etc.</p> <p>Classified loan is categorized under following 03 (three) categories:</p> <ul style="list-style-type: none">➤ Sub-standard➤ Doubtful➤ Bad & Loss <p>➤ <u>Definition of past due and impaired (for accounting purpose):</u> Any continuous loan if not repaid/renewed within the fixed expiry date for repayment or after the demand by the bank will be treated as past due/overdue from the following day of the expiry date. Any demand loan if not repaid within the fixed expiry date for repayment or after the demand by the bank will be treated as past due/overdue from the following day of the expiry date. Whereas, in case of any installment(s) or part of installment(s) of a fixed term loan is not repaid within the fixed expiry date, the amount of unpaid installment(s) will be treated as past due/overdue after six months of the expiry date.</p> <p>Any continuous loan will be classified as:</p> <p><u>Cottage, Micro & Small:</u></p> <ul style="list-style-type: none">➤ ‘Sub-standard’ if it is past due/overdue for 6 months or beyond but less than 18 months.➤ ‘Doubtful’ if it is past due/overdue for 18 months or beyond but less than 30 months.➤ ‘Bad/Loss’ if it is past due/overdue for 30 months or beyond. <p><u>Other than Cottage, Micro & Small:</u></p> <ul style="list-style-type: none">➤ ‘Sub-standard’ if it is past due/overdue for 3 months or beyond but less than 9 months.➤ ‘Doubtful’ if it is past due/overdue for 9 months or beyond but less than 12 months.➤ ‘Bad/Loss’ if it is past due/overdue for 12 months or beyond. <p>Any demand loan will be classified as:</p> <p><u>Cottage, Micro & Small:</u></p> <ul style="list-style-type: none">➤ ‘Sub-standard’ if it remains past due/overdue for 6 months or beyond but less than 18 months from the date of claim by the bank or from the date of creation of forced loan.➤ ‘Doubtful’ if it remains past due/overdue for 18 months or beyond but less than 30 months from the date of claim by the bank or from the date of creation of forced loan.➤ ‘Bad/Loss’ if it remains past due/overdue for 30 months or beyond from the date of claim by the bank or from the date of creation of forced loan. <p><u>Other than Cottage, Micro & Small:</u></p> <ul style="list-style-type: none">➤ ‘Sub-standard’ if it remains past due/overdue for 3 months or beyond but less than 9 months from the date of claim by the
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		<p>bank or from the date of creation of forced loan.</p> <ul style="list-style-type: none"> ➤ 'Doubtful' if it remains past due/overdue for 9 months or beyond but less than 12 months from the date of claim by the bank or from the date of creation of forced loan. ➤ 'Bad/Loss' if it remains past due/overdue for 12 months or beyond from the date of claim by the bank or from the date of creation of forced loan. <p>In case of fixed term loans:</p> <p><u>Cottage, Micro & Small:</u></p> <ul style="list-style-type: none"> ➤ Fixed term loan or any installment(s)/part of installment(s) of a fixed term loan which will remain past due/overdue for a period of 9 months or beyond but less than 21 months, the entire loan will be classified as 'Sub-standard'. ➤ Fixed term loan or any installment(s)/part of installment(s) of a fixed term loan which will remain past due/overdue for a period of 21 months or beyond but less than 33 months, the entire loan will be classified as 'Doubtful'. ➤ Fixed term loan or any installment(s)/part of installment(s) of a fixed term loan which will remain past due/overdue for a period of 33 months or beyond, the entire loan will be classified as 'Bad/Loss'. <p><u>Other than Cottage, Micro & Small:</u></p> <ul style="list-style-type: none"> ➤ Fixed term loan or any installment(s)/part of installment(s) of a fixed term loan which will remain past due/overdue for a period of 6 months or beyond but less than 12 months, the entire loan will be classified as 'Sub-standard'. ➤ Fixed term loan or any installment(s)/part of installment(s) of a fixed term loan which will remain past due/overdue for a period of 12 months or beyond but less than 15 months, the entire loan will be classified as 'Doubtful'. ➤ Fixed term loan or any installment(s)/part of installment(s) of a fixed term loan which will remain past due/overdue for a period of 15 months or beyond, the entire loan will be classified as 'Bad/Loss'. <p>In case of Short-term Agricultural and Micro-Credit: The short-term agricultural and micro-credit will be considered irregular if not repaid within the due date as stipulated in the loan agreement. If the said irregular status continues, the credit will be classified as 'Substandard' after a period of 12 months, as 'Doubtful' after a period of 36 months and as 'Bad/Loss' after a period of 60 months from the stipulated due date as per the loan agreement.</p> <ul style="list-style-type: none"> ➤ Rate of provision is as follows: 								
		Short Term Agri. Credit & Micro credit	Consumer Credit				SMEF		Loans BHS/ MBs/ SDs against shares etc.	All other credit
			Other than HF, LP, Credit card	HF	LP	Credit Card	Small, Cottage, Micro	Medium		
UC	Standard	1%	2%	1%	2%	2%	0.25%	0.25%	2%	1%
	SMA	N/A	2%	1%	2%	2%	0.25%	0.25%	2%	1%
Classified	SS	5%	20%	20%	20%	20%	5%	20%	20%	20%
	DF	5%	50%	50%	50%	50%	20%	50%	50%	50%
	B/L	100%	100%	100%	100%	100%	100%	100%	100%	100%



<ul style="list-style-type: none"> Discussion of the Bank's credit risk management policy 	<p>The Board approves the credit policy keeping in view relevant Bangladesh Bank guidelines to ensure best practice in credit risk management and sustenance of quality of assets. Authorities are properly delegated in ensuring checks and balances in credit operation at every stage i.e., screening, assessing risk, identification, management and mitigation of credit risk as well as monitoring, supervision and recovery of loans with provision for early warning system. There is a separate Credit Risk Management Division for ensuring proper risk management of loans and Credit Monitoring and Recovery Division for monitoring and recovery of irregular loans. Adequate provision is maintained against classified loans as per Bangladesh Bank Guidelines. Status of loans are regularly reported to the Board/Board Audit Committee. Besides, credit risk management process involves focused monitoring of top-20 Loans, top-20 defaulters and sectoral exposures viz-a-viz among others limits.</p>
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Quantitative Disclosure:

In million Tk.

<p>(a) Total gross credit risk exposures broken down by major types of credit exposure</p>	<p>Agriculture Industry Constructions Power, Gas, Water & Sanitary Services Transport, Storage & Communication Trade Services Housing Services Banking & Insurance Professional & Misc. Services</p>	<p>11,461.70 369,543.79 32,513.80 16,139.80 5,160.10 100,263.90 18,555.30 3,151.36 72,464.52</p>	
	Total	629,254.27	
	<p>(b) Geographical distribution of exposures, broken down in significant areas by major types of credit exposure</p>	<p><u>In Bangladesh - Urban</u> Dhaka Chittagong Sylhet Barisal Khulna Rajshahi Rangpur Mymensingh</p>	<p>137,605.73 46,534.70 13,764.46 9,263.65 27,187.86 15,480.64 13,324.04 13,173.34</p>
		276,334.42	
		<p><u>In Bangladesh - Rural</u> Dhaka Chittagong Sylhet Barisal Khulna Rajshahi Rangpur Mymensingh</p>	<p>200,929.78 52,895.46 16,324.73 2,317.38 6,372.49 9,933.03 12,958.74 19,193.36</p>
		320,924.97	
		<p><u>Outside Bangladesh</u> Foreign bills/drafts purchase</p>	<p>31,994.88</p>
		Total	629,254.27



Industry or counter party type distribution of exposures, broken down by major types of credit exposure	Agriculture	11,461.73
	Jute	2,684.61
	Textile	75,317.33
	Ready-made garments	75,604.78
	Steel & engineering	29,375.65
	Ship-breaking	3,019.19
	Edible oil	10,382.90
	Cement	12,700.17
	Pharmaceuticals	15,232.28
	Food & allied	41,219.35
	Electrical equipment & electronic goods	22,548.74
	Paper, paper products and packaging	2,717.85
	Leather	705.88
	Printing & dyeing industries	8,165.21
	Other manufacturing industries	48,093.25
	Energy and power	16,139.83
	Hospitals, clinics and other health services	12,884.82
	Construction	32,513.80
	Housing	8,368.83
	Transport and communications	4,474.67
Others service industries	26,632.91	
Trade & commerce	93,599.32	
NBFI (Non-Bank Financial Institution)	3,151.36	
NGO	6,742.12	
Consumer finance	57,482.08	
Others	8,035.61	
	Total	629,254.27
(c) Residual contractual maturity break down of the whole portfolio, broken down by major types of credit exposure.	Loans and advances	
	Repayable on demand	38,543.67
	Up to 3 months	176,091.31
	Over 3 months but below 1 year	160,223.65
	Over 1 year but below 5 years	140,264.78
	Over 5 years	74,416.16
		589,539.57
	Bills purchased and discounted	
	Receivable on demand	212.57
	Below 3 months	25,370.90
Over 3 months but below 6 months	14,131.23	
	39,714.70	
	Total	629,254.27
(d) By major industry or counterparty type:		
i. Amount of impaired loans and if available, past due loans,		27,407.76
ii. Specific and general provisions		30,420.46
iii. Charges for specific allowances and charge-offs during the period		-
(e) Gross Non-Performing Assets (NPAs):	Movement of Non-Performing Assets (NPAs):	
Non-Performing Assets	Opening balance	15,862.02
(NPAs) to Outstanding Loans & advances	Additions	11,545.74
	Reductions/Recovery	-
	Closing Balance	27,407.76



	Movement of Specific Provision for Non-Performing Assets (NPAs): Opening balance 15,468.38 Provision for the year 7,343.47 Fully provided waiver during the year (60.22) Write-off (2,289.85) Recoveries of amounts -Previously write-off 349.90 Provision transferred in 220.00 Provision for off balance sheet transferred in during the year - Reserve transferred from unforeseen loss - Other provisions - Provision transferred from rebate on goods borrower during the year - Closing Balance	21,031.68
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E) Equities: Disclosures for Banking Book Positions

Qualitative Disclosure

<p>(a) The general qualitative disclosure requirement with respect to the equity risk, including:</p> <ul style="list-style-type: none"> differentiation between holdings on which capital gains are expected and those taken under other objectives including for relationship and strategic reasons; and 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 in equity is mainly for capital gains purposes but the bank also has some investment for strategic reasons.</p> <p>Quoted shares are valued at cost. Necessary provision is maintained if market price falls below the cost price. Unquoted shares are also valued at cost.</p>
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Quantitative Disclosure

(b) Value disclosed in the balance sheet of investment, 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.	Cost price of quoted shares is BDT 6,205.35 million and market value of quoted shares is BDT 5,726.40 million
(c) The cumulative realized gains (losses) arising from shares and liquidations in the reporting period.	BDT 2.23 million
(d) * Total unrealized gains (losses) – quoted shares	(BDT 478.86 million)
* Total latent revaluation gain (loses)	BDT Nil
* Any amounts of the above included in Tier 2 capital	BDT Nil



(e) Capital requirements broken down by appropriate equity grouping, 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.	Nil
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F) 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.	<p>Interest rate risk is the potential risk that the value of the on-balance sheet and off-balance sheet position of the bank would be negatively affected with the changes in the interest rate. The vulnerability of an institution during adverse movement of interest rates can be gauged by using the Duration GAP under Stress Testing Analysis.</p> <p>Pubali Bank has also been exercising the Stress Testing using the Duration GAP for measuring the interest rate risk on its on-balance sheet exposure for estimating the impact of the net change in the market value of equity on the Capital-to-Risk Weighted Asset Ratio (CRAR) due to changes in interest rates only on its on-balance sheet position (as the bank holds no interest bearing off-balance sheet positions and or derivatives) under the assumption of three different interest rate changes i.e., 1%, 2% and 3%.</p>
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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 method for measuring IRRBB, broken down by currency (as relevant).	Market value of assets (In million Tk.)	976,291.00
	Market value of liability (In million Tk.)	922,954.10
	Duration GAP (in years)	0.03

G) Market Risk:

Qualitative Disclosure:

(a) Views of BOD on trading / investment activities	The Board approves all policies related to market risk, sets limits and reviews compliance on a regular basis. The objective was to provide cost-effective funding last year to finance asset growth and trade-related transactions.
Methods used to measure Market risk	Standardized approach has been used to measure the market risk. The total capital requirement in respect of market risk is the aggregate capital requirement calculated for each of the risk sub-categories. For each risk category, minimum capital requirement is measured in terms of two separately calculated capital charges for 'specific risk' and 'general market risk'.
Market risk Management system	The Treasury Division manages market risk covering liquidity, interest rate and foreign exchange risks with oversight from Asset-Liability Management Committee (ALCO) comprising senior executives of the bank. ALCO is chaired by the Managing Director and meets at least once in a month.
Policies and process for mitigating market risk	There are approved limits for market risk-related instruments both on-balance sheet and off-balance sheet items. The limits are monitored and enforced on a regular basis to protect against market risks. The Exchange Rate Committee of the bank meets on a daily basis to review the prevailing market condition, exchange rate, forex position and transactions to mitigate foreign exchange risks.



Quantitative Disclosure:

	<u>Solo</u>	<u>In Million Tk.</u> <u>Consolidated</u>
(b) The capital requirements for:		
Interest rate risk	1,817.57	1,817.57
Equity position risk	1,286.42	2,420.09
Foreign exchange risk	66.51	66.51
Commodity risk	-	-

H) Operational Risk

Qualitative Disclosure

➤ Views of BOD on system to reduce Operational Risk	The policy for operational risks, including internal control and compliance risk is approved by the Board, taking into account relevant guidelines of Bangladesh Bank. Audit Committee of the Board oversees the activities of Audit & Inspection Division to protect against operational risks.
➤ Performance gap of executives and staffs	Pubali Bank has a policy to provide competitive package and best working environment to attract and retain the most talented people available in the industry. The bank's strong brand image plays an important role in employee motivation. As a result, there is no significant performance gap.
➤ Potential external events	No potential external events are expected to expose the bank to significant operational risks.
➤ Policies and processes for mitigating operational risk	The policy for operational risks, including internal control & compliance risk is approved by the Board taking into account relevant guidelines of Bangladesh Bank. Policy guidelines on Risk Based Internal Audit system is in operation as branches are rated according to their risk status and branches having more risk score are subjected to more frequent audits by the Audit & Inspection Division. It is the policy of the bank to put all the branches of the bank under any form of audit at least once a year. Head of Audit & Inspection Division reports to the Managing Director and Audit Committee of the Board.
➤ Approach for calculating capital charge for operational risk	Basic Indicator Approach is used for calculating capital charge for operational risk as of the reporting date.

Quantitative Disclosure:

	<u>Solo</u>	<u>In million Tk.</u> <u>Consolidated</u>
(b) The capital requirements for operational risk	48,733.05	49,486.87



D) Liquidity Ratio:

Qualitative Disclosure:

<p>➤ Views of BOD on system to reduce Liquidity Risk:</p>	<p>Liquidity risk is faced by a bank when it is unable to meet its financial obligations when they fall due. Liquidity risk can arise due to market liquidity or funding liquidity. Report on liquidity risk management is regularly submitted to the Risk Management Committee of the Board and they oversee the liquidity position and suggest corrective action/s to ensure better liquidity position of the bank.</p>
<p>➤ Methods used to measure Liquidity Risk:</p>	<p>Various liquidity measurement tools like advance-to-deposit (AD) ratio, liquid assets to total deposit ratio, liquid assets to total assets ratio, snap liquidity ratio, maximum cumulative outflow (MCO), liquidity coverage ratio (LCR), net stable funding ratio (NSFR) and structural liquidity profile, etc., are used to measure liquidity risk.</p>
<p>➤ Liquidity Risk management system:</p>	<p>To manage liquidity risk, ALCO regularly monitors various ratios and parameters and is watchful against risk-related issues and also instructs the concerned department or section to take corrective measures.</p>
<p>➤ Policies and processes for mitigating Liquidity Risk:</p>	<p>To manage liquidity risk, Pubali Bank maintains a diversified and stable funding base. Policies and process incorporated in the ALM manual are used for mitigating liquidity risk. ALCO meets periodically to review different aspects of the bank's portfolio with special emphasis on deposits and liquidity position and determines the direction to be taken by the bank. Parameters set by Bangladesh Bank, especially in regard to CRR, SLR and AD ratio are strictly maintained. A balanced mix of short and long-term deposits to counter maturity gaps is maintained. Annual budget is also formulated with a balance between growth in assets and liabilities.</p>

Quantitative Disclosure:

In million Tk.

Liquidity Coverage Ratio (LCR):	161.80%
Net Stable Funding Ratio (NSFR):	108.40%
Stock of high-quality liquid assets:	235,928.06
Total net cash outflows over the next 30 calendar days:	145,810.83
Available amount of stable funding:	770,038.52
Required amount of stable funding:	710,370.75

J) Leverage Ratio:

Qualitative Disclosure:

➤ Views of BOD on system to reduce excessive Leverage:	Quarterly report on leverage ratio is reviewed by the Risk Management Committee of the Board and it also oversees the leverage position and makes suggestions, ensuring sound position of the bank at all times.
➤ Policies and processes for managing excessive on and off-balance sheet Leverage:	The leverage ratio is calibrated to act as a credible supplementary measure to the risk-based capital requirements and is defined as the capital measure (numerator) divided by the exposure measure (denominator), with this ratio expressed as a percentage. Bangladesh Bank monitors individual banks against an indicative leverage ratio of 3.50%.
➤ Approach for calculating exposure:	The bank's leverage ratio is calculated in accordance with the RBCA guidelines under Basel-III framework of Bangladesh Bank.

Quantitative Disclosure:

	In million Tk.	
	<u>Solo</u>	<u>Consolidated</u>
Leverage Ratio:	4.26%	4.31%
On-balance sheet exposure:	960,171.47	963,232.88
Off-balance sheet exposure:	163,287.31	163,287.31
Total deduction from on and off-balance sheet exposure	7,036.93	7,227.85
Total exposure:	1,116,421.85	1,119,292.34

K) Remuneration:

Qualitative Disclosure:

(a) Information relating to the bodies that oversee remuneration:	
Name, composition and mandate of the main body overseeing remuneration:	<p>Review of salary and related allowances are done through a committee comprising of senior management headed by the Managing Director & CEO of the bank. The mandate of the committee includes – 1) gathering data from 8-10 private banks, analyzing compensation, allowances and benefits of those banks and proposing a pay-scale which is appropriate in terms of attracting, retaining and ensuring competitiveness in the market; 2) the report should include financial involvement of the bank.</p> <p>In addition, the CFO also independently examines the cost-benefit impact in the process.</p> <p>Approving authority: Board of Directors.</p>
External consultant whose advise has been sought, the body by which they were commissioned, and in what areas of the remuneration process:	No external consultants were engaged for determining the salary and allowances for the employees of the bank. But Gratuity and Provident Funds are being administered through two separate Trustee Funds under Central Accounts Division (CAD) as per service rule and approval of the Board.



<p>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:</p>	<p>Pubali Bank maintains a salary structure that is uniform throughout the country.</p> <p>Pubali Bank and its business We are committed to providing private, institutional and corporate clients, as well as retail clients with superior financial products and solutions while generating attractive and sustainable returns for shareholders.</p> <p>Performance measures Our work planning – setting objectives and performance-related key assignments focused on major drivers of business and management. Our senior management reviews the performance of employees on a regular basis by considering prevailing strategy, business conditions and the environment in which we operate.</p>
<p>Description of the types of employees considered as material risk takers and as senior managers, including the number of employees in each group:</p>	<p>a) Potential Risk Taker in Business and Management: i) Senior Management: MD & CEO, Deputy Managing Director-05 nos.-Total 06 Nos.</p> <p>b) Potential Risk Taker in Business: i) General Managers/Deputy General Managers as Branch Managers, Regional Managers, Corporate Branch Managers and at Principal Office - Total 37 Nos. ii) General Managers at Head Office – Total 20 Nos.</p> <p>c) Potential Risk Taker in Management: i) General Managers/Deputy General Managers as Division Heads – Total 37 Nos.</p>
<p>(b) Information relating to the design and structure of remuneration processes:</p>	
<p>Overview of the key features and objectives of remuneration policy:</p>	<p>To stay competitive in the market, retention of employees and creating an environment which is highly competitive, competency-based and provides fair remuneration for achievers.</p>
<p>Whether the remuneration committee reviewed the bank’s remuneration policy during the past year, and if so, an overview of any changes that were made:</p>	<p>The committee/management based on past experience developed a Terms of Reference for the Salary Review Committee to ensure consistency in the review process.</p>
<p>Discussion of how the bank ensures that risk and compliance employees are remunerated independently of the businesses they oversee:</p>	<p>Pubali Bank has a policy to provide competitive remuneration package and enabling working environment to attract and retain the most talented resources in the market.</p> <p>If salary package is inappropriately structured compared to the market, then it might have potential to have a negative and material impact upon the level of risk considered acceptable to the bank.</p>
<p>(c) Description of the ways in which current and future risks are taken into account in the remuneration processes:</p>	
<p>Overview of the key risks that the bank takes into account when implementing remuneration measures:</p>	<p>Key risks measurements of implementing remuneration are as follows:</p> <ul style="list-style-type: none"> ❖ Compliance risk ❖ Operational risk ❖ Financial risk



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):	Key measures used for implementing remuneration process are as follows: ❖ Branch performance ❖ Regulatory compliance ❖ Compliance with Board delegated trigger limits
Discussion of the ways in which these measures affect remuneration:	Bank has strong monitoring systems that thwarts undesired risk formations.
Discussion of how the nature and type of these measures has changed over the past year and reasons for the change, as well as the impact of changes on remuneration:	In relation to the goals in the Performance Appraisal Report, employees are assessed by their supervisors each year at the commencement of the year. There were no material changes from the preceding year to the current year. The measures are considered appropriate for the circumstances of, and environment in which Pubali Bank operates. However, future long-term impact is yet to be seen.
(d) Description of the ways in which the bank seeks to link performance during a performance measurement period with levels of remuneration:	
Overview of main performance metrics for bank, top-level business lines and individuals:	Management is seeking ways to strike a balance between performance metrics, top-level business lines and individuals.
Discussion of how amounts of individual remuneration are linked to bank-wide and individual performance:	Officials work towards achieving their target, which is fixed by the Management. Their group performance score is reflected in their individual performance score.
Discussion of the measures the bank will in general implement to adjust remuneration in the event that performance metrics are weak:	Pubali Bank has robust performance indicators applicable across the bank.
(e) Description of the ways in which the bank seeks to adjust remuneration to take account of longer-term performance:	
Discussion of the bank's policy on deferral and vesting of variable remuneration and, if the fraction of variable remuneration that is deferred differs across employees or groups of employees, description of the factors that determine the fraction and their relative importance:	<p>Pubali Bank adopted a policy for Gratuity Fund in the name of 'Pubali Bank PLC. Gratuity Fund Rules' which is administrated by a Board of Trustees.</p> <p>Board of Trustees and its composition:</p> <p>The Trustees, whose number will be 5 (five), shall be appointed by the Board of Directors of the bank. 03 (three) Trustees present shall constitute a quorum for conducting and executing the transaction of business of the Fund.</p> <p>Entitlement of Gratuity:</p> <p>Employees completing 8 years and more of service will be paid a gratuity of two months average basic salary last drawn by him/her for each completed year of service. Employees completing less than 8 years of service will not be entitled to a Gratuity payment.</p> <p><u>No gratuity shall be paid to an employee-</u></p> <ul style="list-style-type: none"> (i) if he/she has been dismissed or removed from service as a measure of punishment; or (ii) if he/she has not resigned, left or discontinued the service without properly notifying the competent authority.



	<p><u>Gratuity shall be admissible to an employee</u> (even through he/she has not completed 8 (eight) years of service with the Bank)-</p> <ul style="list-style-type: none">(i) in case of death while in the service of the bank;(ii) if terminated from service or compulsory retirement or mental infirmity, provided this has not been caused by irregular or intemperate habits;(iii) if termination of service or compulsory retirement resulting from the abolition of his/her post or bona-fide retirement; <p>Normal Retirement Age:</p> <p>59 years of age (age at which gratuity benefit becomes payable) and for freedom fighters 60 years of age.</p> <p>Gratuity Calculation:</p> <p>The amount of gratuity admissible to an employee shall be a sum equal to 2 (two) months' average basic salary, i.e. double of basic salary drawn in the last month or earned while on duty during 12 (twelve) months immediately preceding the date of proceeding on retirement or of his ceasing to be an employee of the bank or of his death, whichever is favorable to the employees for each completed year of service in the bank. In computing years of service, a period of 6 (six) months or more shall be taken as a year.</p> <p>Bank's Overriding Lien</p> <p>The bank shall be entitled to recover from any employee's account of the Fund any sum which may be due, outstanding or unpaid to the bank or recoverable from the employee concerned against his obligations and liabilities for any loan(s)/advance(s) extended or to be extended by the bank to him/her or otherwise, or which may have been lost or the amount of damages which it may have suffered by reason of the employee's acts, whether due to commission or omission.</p>
Discussion of the bank's policy and criteria for adjusting deferred remuneration before vesting and (if permitted by national law) after vesting through claw-back arrangements:	Employees who served in the bank for less than 8 years were not eligible for gratuity and the amount against those are forfeited accordingly.
(f) Description of the different forms of variable remuneration that the bank utilizes and the rationale for using these different forms:	
Overview of the forms of variable remuneration offered (i.e., cash, share linked instruments and other forms)	<p>Fixed Remuneration:</p> <p>All employees, including regular and contractual, are paid salary under fixed remuneration package.</p> <p>Variable Remuneration:</p> <p>A group of 744 employees of 110 branches were awarded Tk. 15.84 million against recovery of write-off loans in 2024. All amounts were paid to the respective employees through their accounts.</p>



<p>Discussion of the use of the different forms of variable remuneration and, if the mix of different forms of variable remuneration differs across employees or group of employees, a description the factors that determine the mix and their relative importance:</p>	<p>Fixed Remuneration: Salaries of different employees may vary due to rank, service length and promotion, etc., under the pay policy.</p> <p>Variable Remuneration: Reward remuneration for NPL and write-off loan recovery may vary depending on contribution of employees to the recovery process, security against the NPL, amount of recovery, etc.</p>
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Quantitative Disclosure:

<p>(g) Number of the meetings held by the main body overseeing remuneration during the financial year and remuneration paid to its member:</p>	<p>Number of meetings of Board of Directors: 36</p> <p>Remuneration: Tk. 3.27 million</p>
<p>(h) 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>Eligible for Incentive Bonus for 2024: 9,727 employees</p> <p>Two festival bonuses disbursed during the calendar year 2024.</p> <p>Number of employees: 9,727</p> <p>Total amount: Tk. 634.56 million</p> <p>No such payment was made during the calendar year, i.e. 2024.</p> <p>Gratuity Payment*: Number of employees: 105 Total Amount: Tk. 248.06 million</p> <p>Provident Fund Payment*: Number of employees: 166 Total Amount: Tk. 277.94 million</p> <p>* All payments were made in calendar year 2024</p>
<p>(i) Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms: Total amount of deferred remuneration paid out in the financial year:</p>	<p>Deferred Amount: Tk. 6,469.20 million (Gratuity Fund Position on 31.12.2024)</p> <p>Total Amount: Tk. 248.06 million (Gratuity Payment)</p>
<p>(j) Breakdown of amount of remuneration awards for the financial year to show:</p> <p>-fixed and variable:</p> <p>- deferred and non-deferred:</p> <p>- different forms used (cash, shares and share linked instruments, other forms):</p>	<p>Fixed amount: Tk. 8,865.98 million (Salary and Allowances)</p> <p>Variable amount: Tk. 2,031.50 million (Incentive Bonus)</p> <p>Deferred amount: Tk. 526.00 million (Gratuity & Provident fund Payment)</p> <p>Non-deferred amount: Tk. 15.84 million (Remuneration for recovery of write-off loans)</p> <p>Paid in Cash through their respective accounts in calendar year 2024.</p>



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

<ul style="list-style-type: none">- Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit and/or implicit adjustments:	Total amount: Nil
<ul style="list-style-type: none">- Total amount of reductions during the financial year due to ex post explicit adjustments:	Total amount: Nil
<ul style="list-style-type: none">- Total amount of reductions during the financial year due to ex post implicit adjustments:	Total amount: Nil