DISCLOSURE ON RISK-BASED CAPITAL UNDER BASEL III

For the Year Ended on December 31, 2025

BRAC BANK
আস্থা অবিচল



Background

The Basel III framework was introduced by the Basel Committee on Banking Supervision (BCBS) with the aim of 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.

After the 2008 global financial crisis, it was imminently necessary to update the existing Basel norms to further reduce the risk in the banking system, improve financial institutions' ability to handle shocks from financial stress and strengthen their transparency and disclosure practices. Pillar III Market discipline was introduced, enabling stakeholders to assess the position of a bank.

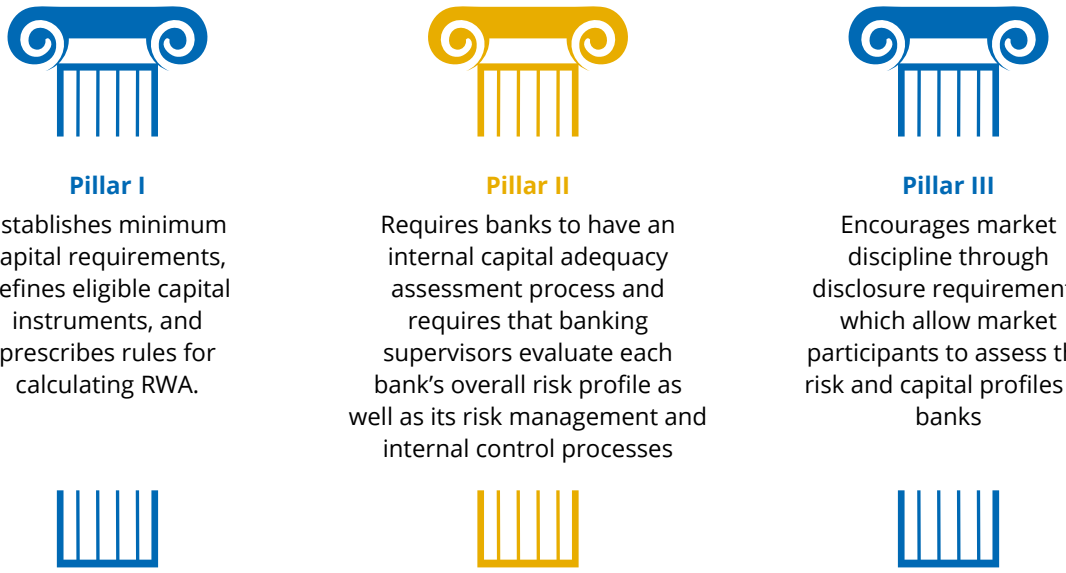
BRAC Bank PLC has adopted the Basel III framework as part of its capital management strategy in accordance with the guidelines on Risk-Based Capital Adequacy (RBCA) provided by the Bangladesh Bank. The Pillar III disclosure framework includes comprehensive information on the scope of application, capital, 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 Metrics 2025

Particulars	Minimum Regulatory Requirement	2025		2024	
		Solo	Consolidated	Solo	Consolidated
CRAR	12.50%	15.63%	19.64%	14.90%	19.00%
CET 1 Ratio	7.00%	12.16%	16.46%	12.26%	16.55%
CCB	2.50%	5.63%	9.64%	4.90%	9.00%
Leverage Ratio	3.75%	5.87%	7.76%	5.99%	7.80%
LCR	≥100%	291.95%	N/A	212.93%	N/A
NSFR	>100%	108.20%	N/A	112.36%	N/A
Total Eligible Capital (BDT mn)	5,000	93,142	127,427	71,429	98,474
Total RWA (BDT mn)	N/A	596,041	648,694	479,281	518,414

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, 2025, 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 2025 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

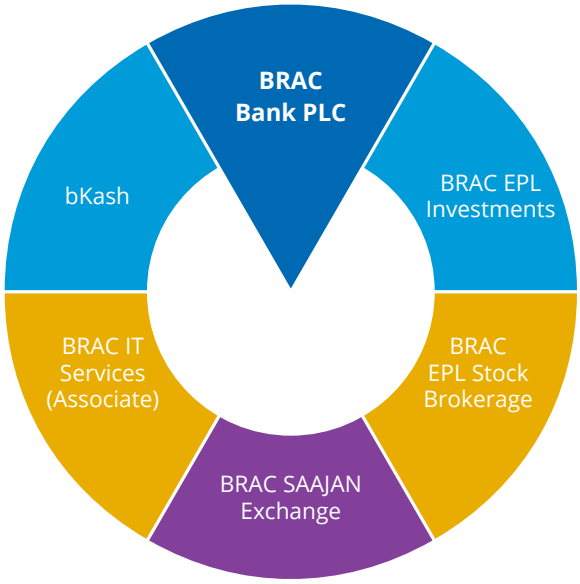
The framework applies to BRAC Bank PLC. on a 'Consolidated Basis' as there were four subsidiaries of the Bank and one associate as of the reporting date, December 31, 2025. However, 'Solo Basis' information has been presented, in addition to the 'Consolidated Basis,' to facilitate comparison.

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. 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 194 banking branches, 116 sub-branches, 281 Area offices, 446 SME unit offices, 1,122 agent banking outlets, 329 ATMs and 68 RCDMs spread across the country.

Subsidiaries: Subsidiaries are entities controlled by the Group. Control exists when the Group has power over an entity, is exposed to or has rights to variable returns from its involvement and can influence those returns through its power. The Group reassesses control if circumstances change, including when protective rights become substantive. Financial statements of subsidiaries are consolidated from the date control commences until the date it 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% share 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 (250,0000 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" (BSEL). BRAC SAAJAN Exchange Limited was established to offer remittance and exchange services in the UK.

Currently, BRAC Bank PLC. holds 98.08% shares (4,250,000 no. of shares out of the total 4,333,333 shares) of BRAC SAAJAN Exchange Ltd.

(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.

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standard (IFRS) 10: Consolidated Financial Statements. The consolidated financial statements are prepared to a common reporting year ended 31 December 2025. Intra-company transactions, balances and intra-group gains on transactions between group companies are eliminated on consolidation.

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

The rules and regulations of Bangladesh Bank's BRPD that govern the 'Single Borrower Exposure Limit' for customers are equally applicable to the Bank in financing its own subsidiaries. The Bank is following the latest Bangladesh Bank circular to determine the maximum amount of finance for its subsidiaries.

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.

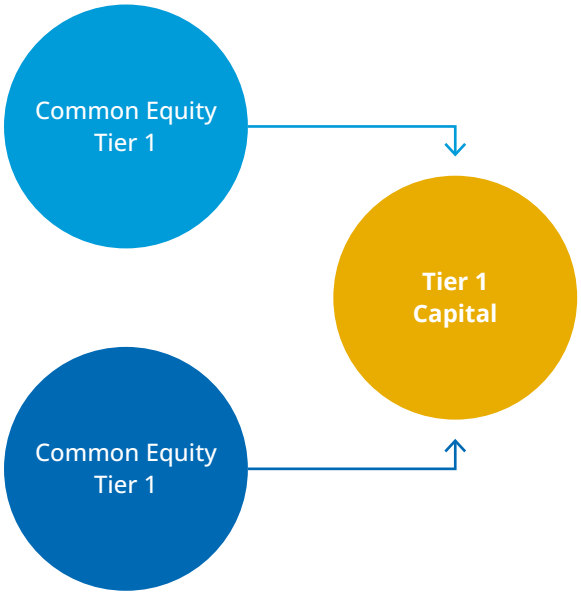
2. Capital Structure

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:

1. **Paid up capital**
2. **Non-repayable share premium account**
3. **Statutory reserve**
4. **General reserve**
5. **Retained earnings**
6. **Dividend equalization reserve**
7. **Minority interest in subsidiaries**

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:

General Provision

All other preference shares

Subordinate debt

Minority interest

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

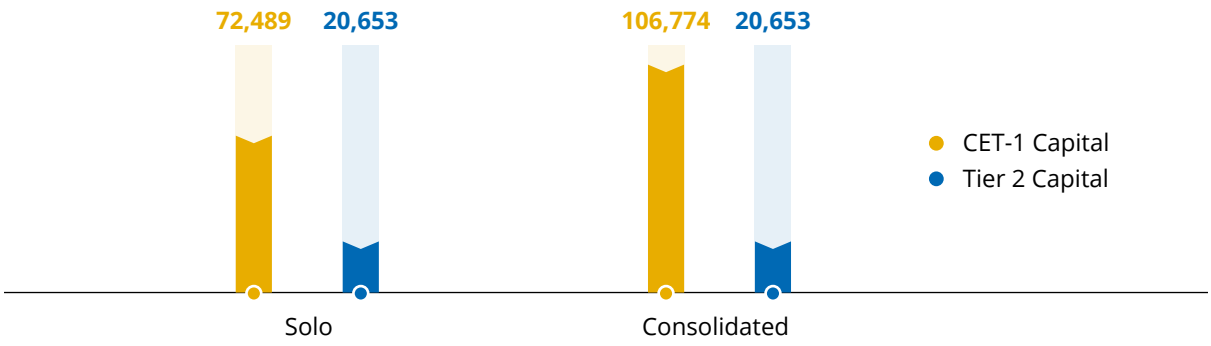
Quantitative Disclosures

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	19,909	19,909
a.2	Non-Repayable Share Premium account	3,854	3,854
a.3	Statutory Reserve	16,055	16,257
a.4	Retained Earning	38,965	51,953
a.5	Dividend Equalization Reserve	355	355
a.6	Minority Interests in Subsidiaries	-	26,764
a.7	**Sub-total(a.1 to a.6)**	**79,138**	**119,091**
(b)	Less: Regulatory Adjustments	-	-
b.1	Goodwill and all other intangible Assets	907	4,788
b.2	Deferred Tax Assets (DTA)	5,743	7,529
(c)	**Total common equity Tier-1 capital (CET-1)**	**72,489**	**106,774**
(d)	Additional Tier-1 Capital	-	-
(e)	**Total Tier-1 Capital (Core Capital)**	**72,489**	**106,774**
(f)	Tier-2 Capital (Supplementary Capital)	-	-
f.1	General Provision	7,116	7,116
f.2	Subordinated Bond	13,537	13,537
(g)	Less: Regulatory Adjustments	-	-
(h)	**Total Admissible Tier-2 capital**	**20,653**	**20,653**
(i)	**Total Eligible Regulatory Capital**	**93,142**	**127,427**

Capital Composition BDT mn



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 has developed its own capital management pillars, meticulously aligned with regulatory requirements and Basel guidelines, to calculate the capital-to-risk weighted asset ratio (CRAR) and secure adequate capital to cover the risks faced from the perspective of facilitating a sound business.

While doing so, the Board and Management actively define the goals of capital management, such that capital levels (CRAR) consistently exceed the bank's regulatory requirements by at least 1%. We strive to ensure that our capital levels remain aligned with the risks prevailing in the business and are consistent with our strategic plans. We also ensure that capital levels maintain an appropriate balance between maximizing shareholder value and protecting the interests of deposit holders and other creditors.

Various stress scenarios are also considered, as they are reliable indicators of future adversities. While we consider capital position in determining our risk appetite, fortified measures are also undertaken so that there are no deficiencies at any given point in time. The results of our prudent and ring-fenced capital management strategy comprise:

- A capital plan that meets the needs of the bank over a five-year horizon
- An ICAAP that determines accurate levels of required capital according to the measures of balance sheet capital and regulatory capital (Tier-1 and Tier-2)
- A process for regularly evaluating available capital against current and projected solvency needs and addressing deficiencies promptly.
- A methodology that ensures improvement in the superintendence of stress scenarios

Our approach to capital management is driven by our strategic goals. We ensure that regulatory requirements, capital targets, and risk appetite are met at all times and in all conditions..

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 2025, 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:

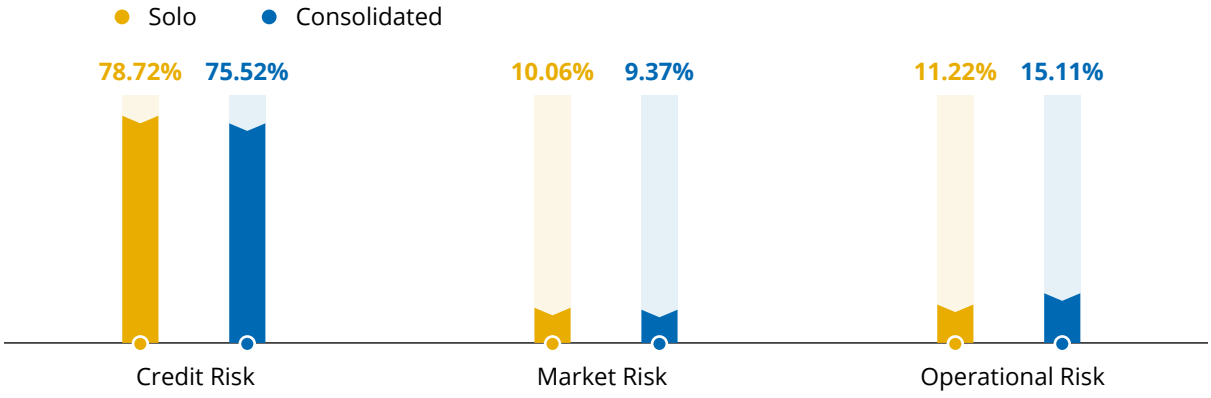
BRAC Bank managed to maintain surplus capital of 3.13% on a solo basis and 7.14% on a consolidated basis in addition to regulatory requirements. The surplus capital maintained by BRAC Bank will act as a cushion to absorb the risks that arise from other risks under Pillar II and to support the future business growth of the Bank.

Quantitative Disclosures

Figures in BDT Million

Sl.	Particulars	Solo	Consolidated
(b)	Capital Requirement for Credit Risk	46,920	48,991
(c)	Capital Requirement for Market Risk	5,997	6,075
(d)	Capital Requirement for Operational Risk	6,687	9,803
	Minimum Capital Requirement (MCR)	**59,604**	**64,869**
(e)	Capital Ratio:		
	CET 1 Capital	72,489	106,774
	Total Tier 1 Capital	72,489	106,774
	Total Tier 2 Capital	20,653	20,653
	Total Capital	93,142	127,427
	Total Risk-Weighted Assets (RWA):	596,041	648,694
	Capital to Risk-Weighted Assets Ratio (CRAR)	**15.63%**	**19.64%**
	CET 1 Capital Ratio	12.16%	16.46%
	Tier-1 Capital Ratio	12.16%	16.46%
	Tier-2 Capital Ratio	3.47%	3.18%
(f)	Capital Conservation Buffer (CCB) (Maintained)	5.63%	9.64%
(g)	Available Capital under Pillar 2 Requirement	33,538	62,558

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 constitutes one of the most critical pillars of a bank's overall risk management framework. It encompasses the policies, processes, and practices designed to minimize the risk of financial loss arising from a borrower's failure to repay a loan or meet contractual obligations. Robust credit risk management safeguards the Bank's financial health, preserves asset quality, ensures regulatory compliance, and underpins long-term institutional sustainability.

Governance Framework & Credit Policy

Effective credit risk management at BRAC Bank begins at the apex of institutional governance. The Board of Directors retains supreme authority over all credit risk exposures, setting the strategic risk appetite and establishing the overarching policy framework within which all credit activities are conducted. Operational responsibility is delegated to the Managing Director & CEO and designated officers within the Credit Risk Management (CRM) Division.

Board-Approved Credit Risk Management Policy

BRAC Bank operates under a Board-approved Credit Risk Management Policy—a comprehensive framework designed to protect the Bank against credit exposures across all business segments. In line with evolving regulatory requirements and industry best practices, this policy is reviewed annually by the Board of Directors to ensure its continued relevance, rigor and responsiveness to dynamic market conditions.

Credit Policy Alignment

BRAC Bank's credit policy is fully aligned with Bangladesh Bank's Core Risk Management Guidelines. This dynamic policy framework establishes the principles necessary to ensure the quality and sustainability of the Bank's asset portfolio, prescribing detailed methodologies for credit origination, assessment, approval, grading, monitoring, and recovery. Covering corporate, retail, and SME segments, the policy has institutionalized a structured, standardized risk management process in full alignment with Central Bank guidelines.

Independence of the Credit Risk Function

A defining feature of BRAC Bank's governance architecture is the strict separation of credit risk management from business origination. This independence safeguards robust internal controls, ensures objective credit assessment and mitigates potential conflicts of interest—reinforcing the integrity of the Bank's credit decision-making at every level.

Credit Origination & Due Diligence Process

Consistent with BRAC Bank's centralized operational architecture, the Bank has established a streamlined and efficient loan processing system. The Relationship Manager (RM) serves as the primary point of origination—identifying prospective business opportunities while strictly adhering to BRAC Bank's risk acceptance criteria, including the foundational "5Cs" of credit evaluation: Character, Capacity, Capital, Collateral and Conditions.

The Credit Proposal Journey

Each credit facility follows a structured, multi-stage approval workflow:

1. The Relationship Manager (RM) prepares the credit proposal and submits it for independent review.
2. The CRM or Underwriting Division conducts a rigorous assessment against the applicable regulatory framework, internal policies, prescribed risk rating models and environmental and social risk parameters.
3. The proposal, along with a clear recommendation, is escalated to the designated approving authority for a final credit decision.
4. Upon approval, the Asset Operations Division or Credit Administration team executes loan documentation and disbursement with precision.

Due Diligence Framework

Prior to extending any credit facility, BRAC Bank undertakes an exhaustive due diligence exercise. Each transaction or project proposal is subject to an in-depth analysis spanning:

- The applicant's business model, market standing, reputation, industry dynamics and competitive positioning.
- Sponsor directors' and key management personnel's expertise, experience and succession planning capabilities.
- Borrower's corporate governance standards and ethical standing.
- Historical and projected financial statements, cash flow forecasts and debt service capacity.
- Independent verifications including CIB reports, search reports and legal title checks.

Physical Verification & Site Visits

Where preliminary findings confirm client suitability, Relationship Managers conduct physical visits to manufacturing facilities or trading outlets to validate the operational realities underlying the financing request. Detailed site visit and stock verification reports are maintained in each client's credit file as essential reference points for ongoing monitoring and future credit reviews.

Credit Assessment & Grading

A disciplined credit appraisal system underpins the integrity of the Bank's lending decisions. BRAC Bank's credit evaluation rigorously examines the full scope of a borrower's credit relationship, encompassing liability status, security arrangements with other lenders, internal and external credit ratings (particularly for Corporate and SME clients), proposed collateral structures, environmental risk ratings and all covenants prescribed under internal policies.

Know Your Customer (KYC)

KYC constitutes the foundational step in establishing the banker-customer relationship. It ensures full identification and background verification of the borrower, sponsor directors, and key management personnel—providing the Bank with a comprehensive understanding of the client's profile before any credit commitment is made.

Credit Evaluation Dimensions

Each loan proposal is assessed across the following dimensions:

- **Borrower Assessment:** Financial strength, repayment history, credit bureau standing (CIB) and overall creditworthiness.
- **Industry & Market Analysis:** Sector dynamics, competitive landscape, cyclicality and growth prospects.
- **Financial Analysis:** Historical performance, projected cash flows, leverage ratios and debt service coverage.
- **Security Coverage:** Nature, value, enforceability and liquidity of proposed collateral.
- **Account Conduct:** Historical relationship performance, transaction patterns and covenant compliance.
- **Environmental & Social Risk:** Assessment against ESRM Guidelines and the Bank's Exclusion List.

Segregated Responsibilities

To preserve objectivity and maintain robust internal control throughout the credit lifecycle, responsibilities are clearly segregated: Relationship Managers originate and propose facilities; the Credit Division independently appraises and recommends; and Credit Administration disburses upon receipt of complete documentation. This three-way segregation ensures that no single function exercises undue influence over the end-to-end credit process.

Credit Risk Mitigation

Mitigating potential credit risk is a foundational priority. The Bank employs a layered set of controls and collateral arrangements to secure its exposures and reinforce resilience against borrower defaults and market uncertainties.

Security & Collateral Framework

- Primary and collateral securities comprising cash, real property, plant and machinery and marketable securities.
- Thorough physical verification by Bank officials, complemented by independent professional valuation from approved valuers.
- Legal review of the enforceability of all security instruments to confirm realizability under adverse scenarios.

Environmental & Social Risk Management (ESRM)

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

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.

Definitions of Past Due and Impaired Loans (for Accounting Purposes)

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

All the loans will be treated as past due/overdue from the following day of the expiry date or from the creation of the forced loan or from the due date if not repaid/renewed depending on different loan categories namely- (a) Continuous Loan (b) Demand Loan (c) Fixed Term Loan and (d) Short-term Agricultural Credit. However, in case of any installment(s) or part of installment(s) of a Fixed Term Loan is not repaid within the fixed expiry/ due date, the amount of unpaid installment(s) will be treated as past due/overdue from the following day of the expiry/due date.

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 classification into Sub-Standard, Doubtful, and Bad & Loss categories under objective criteria, as summarized in the table below:

Loan Category	Classification	Past Due Period
Unclassified	STD-0	No Past Due / Overdue
	STD-1	≥ 1 day < 1 month
	STD-2	≥ 1 month < 2 months
	SMA	≥ 2 months < 3 months
Classified	SS	≥ 3 months < 6 months
	DF	≥ 6 months < 12 months
	BL	≥ 12 months

Source: BRPD Circular No. 15, dated 27 November 2024

Besides, under qualitative judgment, any loan can be classified based on the perceived risk and/or if full repayment is unlikely even if it has no past due or overdue on the basis of objective criteria. Such classification should reflect the degree of deterioration in the borrower's creditworthiness and the anticipated impact on repayment.

Approaches for Specific and General Provisions and Statistical Methods

BRAC Bank adopts a systematic and proactive approach to provisioning, maintaining the highest standards to guard against potential credit losses. Provisioning is calibrated to reflect the risk profile of each exposure, with differentiated rates applied across business units and customer segments.

Provisioning Framework

- **General Provisions:** Applied uniformly across unclassified loans to anticipate potential future losses, in accordance with provisioning rates prescribed by Bangladesh Bank.
- **Specific Provisions:** Allocated for loans classified as Sub-Standard, Doubtful, or Bad/Loss, adjusted for eligible collateral and interest suspense balances.
- **Off-Balance Sheet Exposures:** Provisions maintained to address contingent liabilities in accordance with applicable regulatory instructions.

Impairment Assessment

At each reporting date, BRAC Bank conducts objective impairment assessments on financial assets, incorporating evidence of credit deterioration identified after initial recognition. Where impairment losses are identified, they are recorded over and above regulatory provisions to maintain the integrity of the Bank's financial statements.

Write-Off Policy

Loan write-offs are administered judiciously, strictly in accordance with BRPD Circular No. 04, dated 18 February 2024, ensuring that the Bank's legal rights of recovery remain fully preserved. Rigorous record-keeping and active monitoring of written-off accounts reinforce the Bank's disciplined credit management practices.

Applicable Provisioning Rates — December 2025

As of December 2025, BRAC Bank is required to maintain general and specific provisions on classified and unclassified loans and advances/investments in accordance with Bangladesh Bank guidelines, as detailed below:

Type of Provision	Loan Category	Provisioning Rate
General Provision	STD-0	1% of Loan Outstanding
	STD-1	1% of Loan Outstanding
	STD-2	1% of Loan Outstanding
	SMA*	5% of Loan Outstanding
Specific Provision	SS	20% of Base for Provision
	DF	50% of Base for Provision
	BL	100% of Base for Provision

**For loans granted to Small, Cottage & Micro enterprises under CMSME and Short-Term Agricultural credits, the provisioning rate for all unclassified loans (STD-0, STD-1, STD-2 & SMA) is 1%. (Ref: BRPD Circular Letter No. 22, dated 13 October 2025)*

Master Circular Ref: BRPD Circular No. 15, dated 27 November 2024

Portfolio Monitoring, Recovery & Sustainable Banking

Robust credit risk management does not end at disbursement. BRAC Bank maintains active oversight of its loan portfolio through a decentralized collection model, specialized recovery infrastructure, and an unwavering commitment to sustainable, responsible banking.

Ongoing Portfolio Monitoring

A decentralized collection model ensures sustained borrower engagement for timely repayments. Relationship Managers and field teams maintain regular contact with borrowers, enabling early identification of signs of financial stress or covenant breach. Early Alert Accounts are closely monitored by their respective business units, allowing proactive intervention before exposures deteriorate further.

Special Asset Management (SAM)

The Special Asset Management wing addresses non-performing assets through a structured suite of recovery mechanisms, including negotiated settlements, decree execution, and auctions of collateralized properties. This dedicated function ensures that the Bank's recovery efforts are systematic, legally sound, and value-maximizing.

Credit Risk Management Philosophy

Credit Risk Management (CRM) at BRAC Bank is conceived not merely as a defensive function, but as a proactive and developmental discipline—one that balances financial prudence with a commitment to socio-economic and environmental well-being. The overarching objective is to optimize risk-adjusted returns while maintaining robust asset quality standards.

While the traditional mandate of CRM centres on maximizing risk-adjusted returns through stringent underwriting, BRAC Bank extends this responsibility significantly further. The Bank adopts a holistic, forward-looking approach that 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 champions sustainable development over mere growth, and long-term value creation over short-term value extraction.

Given that a significant proportion of BRAC Bank's revenues is derived from SME financing, the sustainability of its business is intrinsically linked to the quality of its asset base. The meticulous management of loans and advances is therefore not merely a regulatory obligation—it is a strategic imperative that defines the Bank's enduring commitment to financial sustainability, institutional integrity, and responsible growth.

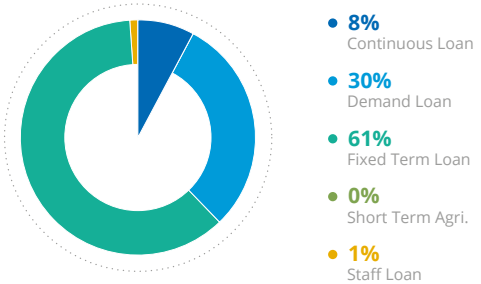
Quantitative Disclosures

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

BDT million

Categories of loans	Outstanding
Continuous Loans (CL-2)	**56,752**
i. Small & Medium Enterprises Financing (SMEF)	
a. Small, Cottage & Micro Enterprises	9,602
b. Medium Enterprises	6,469
ii. Consumer Financing (CF)	17,429
iii.Loans to BHs/MBs/SDs against share, etc.	553
iv. Other than SMEF,CF,BHs/MBs/SDs	22,699
Demand Loans (CL-3)	**219,974**
i.Small & Medium Enterprises Financing (SMEF)	
a. Small, Cottage & Micro Enterprises	14,137
b. Medium Enterprises	2,778
ii. Consumer Financing (CF)	13
iii.Loans to BHs/MBs/SDs against share etc.	-
iv.Other than SMEF,CF,BHs/MBs/SDs	203,047
Fixed Term Loan (CL-4)	**372,125**
i. Small & Medium Enterprises Financing (SMEF)	
a. Small, Cottage & Micro Enterprises	251,719
b. Medium Enterprises	20,998
ii. Consumer Financing (Other than HF & LP)	85,222
iii. Housing Finance (HF)	13,818
iv.Loans for professionals to Set up business (LP)	5,995
V.Loans to BHs/MBs/SDs	-
vi. Other than SMEF,CF,HF, LP, BHs/MBs/SDs	70,614
Short Term Agri. credit and Micro Credit (CL-5)	**546**
Staff loan	**5,021**
Grand Total	**730,659**

Gross Credit Exposure

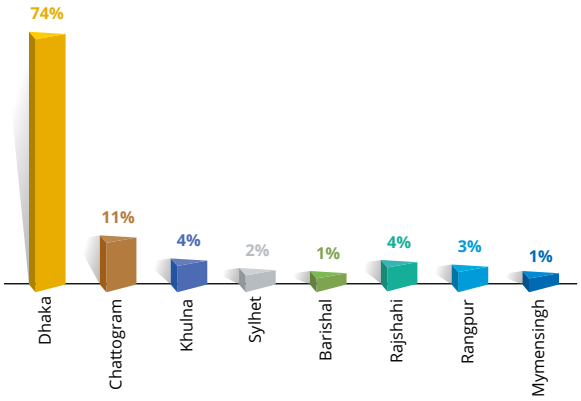


III. Geographical distribution of exposures, broken down in sigsnificant areas by major types of credit exposure:

BDT million

Division	Outstanding
Dhaka	538,242
Chattogram	80,163
Khulna	32,747
Sylhet	12,997
Barisal	9,357
Rajshahi	29,935
Rangpur	20,167
Mymensingh	7,050
Grand Total	**730,659**

Geographical Distribution



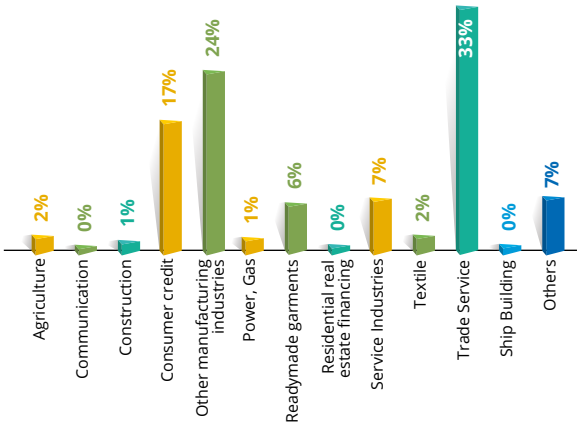
IV. Industry or counterparty type distribution of exposures, broken down by major types of credit exposure:

BDT million

Industry/Counterparty	Outstanding
Agriculture	11,217
Communication	3,441
Construction	6,826
Consumer credit	127,505
Other manufacturing industries	177,548
Power, Gas	8,520
Readymade garments	43,312
Residential real estate financing	1,466
Service Industries	47,919
Textile	11,235
Trade Service	241,740
Ship Building	81
Others	49,848
Grand Total	**730,659**

Industry

BDT mn



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

BDT million

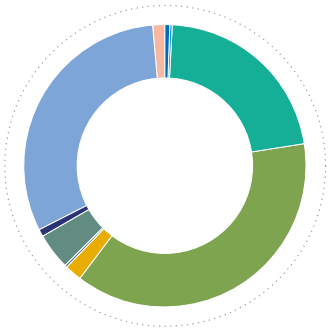
Residual Contractual Maturity	Outstanding
Repayable on demand	1,390
Up to 1 month	74,463
Not more than 3 months	127,032
More than 3 months but not more than 1 Year	297,118
More than 1 year but not more than 5 years	214,223
More than 5 years	16,433
Grand Total	**730,659**

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:

BDT million

Sector wise NPL	Outstanding
Agriculture	102
Construction	82
Consumer credit	3,580
Other manufacturing industries	6,239
Readymade garments	314
Residential real estate financing	1
Ship building	81
Service industries	660
Textile	134
Trade service	5,164
Others	213
Grand Total	**16,569**

NPL Composition



- 0.6% Agriculture
- 0.5% Construction
- 21.6% Consumer credit
- 37.7% Other manufacturing industries
- 1.9% Readymade garments
- 0.0% Residential real estate financing
- 0.5% Ship building
- 4.0% Service industries
- 0.8% Textile
- 31.2% Trade service
- 1.3% Others

Status	Outstanding loans and advances 2025	Base for provision	% of required provision	Required provision 2025
Unclassified				
All unclassified loans (Other than Small and Medium Enterprise Financing, Consumer Financing, BHs/MBs/SDs, Housing and loans for professional*)	284,757	284,757	1%	2,848
All unclassified loans (Other than Small and Medium Enterprise Financing, Consumer Financing, BHs/MBs/SDs, Housing and loans for professional*)	4,845	4,845	5%	242
Consumer finance	83,738	83,738	1%	837
Consumer finance	553	553	5%	28
Consumer finance (Credit Card)	15,327	15,327	1%	153
Consumer finance (Credit Card)	93	93	5%	5
Housing Finance	13,194	13,194	1%	132
Housing Finance	114	114	5%	6
Loans for professionals to Set up business (LP)	5,858	5,858	1%	59
Loans for professionals to Set up business (LP)	20	20	5%	1
Loans to BHs/MBs/SDs against share etc.*	553	553	1%	6
Short Term Agricultural and Micro Credit	539	539	1%	3
Small and Medium Enterprise Financing	269,257	269,257	1%	1,346
Small and Medium Enterprise Financing	29,644	29,644	1%	296
Small and Medium Enterprise Financing	31	31	5%	2
Staff Loan	5,021	-		-
Provision made under special provision against UC as advised by BB	546	-		-
Subtotal	**714,090**	**708,522**		**5,962**
Classified - Specific provision				
Sub-standard	2,832	2,477	20%	495

Status	Outstanding loans and advances 2025	Base for provision	% of required provision	Required provision 2025
Doubtful	2,609	1,976	50%	988
Bad/Loss	11,128	8,502	100%	8,502
Additional General Provision (as advised by BB)		4,108		2,357
Subtotal	**16,569**	**17,064**		**12,344**
Grand Total	**730,659**	**725,586**		**18,306**
Total required provision for loans and advances				18,306
Total provision maintained				18,750
Excess provision over minimum required provision prescribed by Bangladesh Bank				444

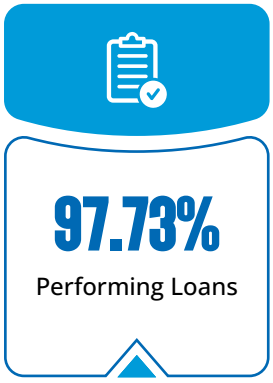
** BHs = Brokerage Houses, MBs = Merchant Banks, SDs = stock dealers against shares*

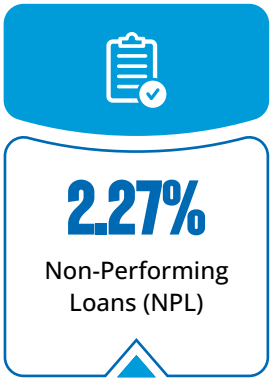
*** For rescheduled loans, 50% and 100% provision has been made as guided by Bangladesh Bank.*

****In the year 2025, loans and advances have been segregated by classification and presented in accordance with the prescribed provision rate under the BRPD Circular of Bangladesh Bank.*

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	730,659
Non-Performing Loans	16,569
NPL %	**2.27%**





Movement of Non-Performing Loans (NPL):

BDT million

Non-Performing Loans	Outstanding
Opening balance	16,403
Additions during the year	9,380
Reductions during the year	(9,215)
Closing Balance	**16,569**

Movement of Specific Provisions for NPLs:

BDT million

Particulars	Amount
Provisions held at the beginning of the year (i)	13,263
Add: Transfer from general provision (ii)	-
Less: Write off during the year (iii)	(7,247)
Add: Net Provision charged for the year (iv)	6,616
Add: Recovery of written off bad debts (v)	1,052
Less: Adjustment/Release during the year (vi)	(902)
Provisions held at the end of the year (i+ii-iii+iv+v-vi)	**12,782**

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:

i. **Held to Maturity (HTM):** Investments which have fixed or determinable payments and fixed maturity that the group has the positive intent and ability to held 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, less any provision for impairment in value. Amortized cost is calculated considering any discount or premium in acquisition. Any gain or loss on such investments is recognized in the statement of income when the investment is de-recognized or impaired.

ii. **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 market 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 26 May 2008, DOS Circular no. 05, dated 28 January 2009 and DOS Circular no. 02, dated 19 January 2012, HFT securities are revalued once each week using marking-to-market concept, and the HTM securities are amortized once a year according to Bangladesh Bank guidelines. HTM securities are also revalued if they are reclassified to HFT category with the Board's approval. Moreover, as per DOS circular letter no. 27 dated 04 December 2023, amortization on HTM securities can be taken into profit and loss account before maturity. Gains arising from revaluation of HFT securities on 'Marking to Market' basis are recognized in revaluation reserve account while losses from revaluation of the same securities are recognized in profit and loss account.

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	Amortized gain to revaluation reserve and loss to profit and loss
Bond/Debenture	Cost	Cost	Profit & Loss Account
Quoted shares	Cost	Lower of cost or market price at balance sheet date	Loss (net off gain) to Profit and Loss Account but no unrealized gain booking
Un-quoted Shares	Cost	Lower of cost or Net Asset Value (NAV) of last audited account	Profit and Loss Account
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.

Figures in BDT million

Particulars	Solo		Consolidated	
	Cost Price	Market Value	Cost Price	Market Value
Value of Quoted Share	8,130	7,637	8,519	8,026
Value of Unquoted Share	580		667	

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

Figures in BDT million

Sl.	Particulars	Solo	Consolidated
c)	The cumulative realized gains (losses) arising from sales and liquidations in the reporting period.	(17.80)	(78.22)
d)	Total unrealized gains (losses)	(493.08)	(493.08)
	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	764	803
General Market Risk	764	803
Total Capital Charge	**1,527**	**1,605**

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 (ΔEVE) and earnings-based (ΔNII) 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 (ΔEVE) and Net Interest Income (ΔNII) 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 (ΔEVE) for the banking book positions from interest rate shock scenarios-

All figures in BDT million

Shock Scenario	ΔEVE (31-Dec-25)	ΔNII (31-Dec-25)
Parallel up (+4%)	(10,264)	(5,074)
Parallel down (−4%)	17,923	4,952
Steepener	(6,947)	-
Flattener	6,196	-
Short rate up	(975)	-
Short rate down	762	-
Maximum Loss	(10,264)	(5,074)
Tier-1 Capital	**72,489**	**72,489**

As seen above, the maximum adverse impact on Economic Value of Equity (ΔEVE) as of December 31, 2025, is BDT 10,264 million under the parallel upward rate shock, which represents approximately 14.16% of Tier-1 capital. For Net Interest Income (ΔNII), the maximum negative impact is BDT 5,074 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	4,377	4,377
Equity position risk	1,527	1,605
FX Risk	93	93
Commodity risk	-	-
Total	**5,997**	**6,075**

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 for financial institutions is defined as the possibility of loss resulting from internal failures, human error or external shocks. At BRAC Bank PLC, the Board of Directors (BOD) maintains a steadfast commitment to a robust risk management framework, ensuring the effectiveness of mitigation strategies and strict adherence to approved policies. The bank's risk management policy, approved by the Board, is fully aligned with the relevant guidelines issued by Bangladesh Bank.

As the banking landscape becomes increasingly digital, our Board and management remain dedicated to maintaining a high-standard internal control environment that ensures compliance while fostering operational agility. By embedding a 'risk-first' mindset across all business units, we promote a culture of accountability and transparency. The BOD takes a proactive approach to managing operational risk by implementing advanced technological solutions, stringent control measures and continuous monitoring processes. Ultimately, BRAC Bank PLC aims to safeguard its reputation, financial stability, and stakeholder trust, ensuring resilience and an unshakable foundation amidst rapid digital transformation.

Performance gap of executives and staff

Ensuring high performance across all levels of staff is vital for organizational efficiency and long-term success. At BRAC Bank PLC, identifying and bridging performance gaps is a top priority in our pursuit of a culture of excellence.

The Board of Directors and senior management actively track performance metrics and ranging from sales targets and Key Performance Indicators (KPIs) to customer service standards to pinpoint areas for enhancement. To empower our workforce, the bank provides targeted training, strategic mentorship and the technical resources necessary to elevate professional capabilities.

Our robust framework of regular evaluations and feedback mechanisms is designed to drive continuous improvement and career growth. Furthermore, BRAC Bank PLC combines a competitive compensation structure with a dynamic work environment to attract and retain the industry's finest talent. Bolstered by a strong brand reputation, these initiatives foster high employee engagement and motivation. By proactively investing in its people, BRAC Bank PLC ensures its workforce remains aligned with its core mission, fueling sustained growth and institutional resilience.

Potential external events

External events beyond the bank's control, including natural disasters, geopolitical instability and rapid technological shifts can significantly impact operational stability and financial reputation. Furthermore, economic fluctuations and escalating cybersecurity threats introduce risks that require sophisticated management and constant vigilance.

To navigate these challenges, BRAC Bank PLC has implemented comprehensive risk management protocols and scenario planning. These measures are supported by continuous external monitoring and proactive engagement with stakeholders to neutralize potential disruptions.

The bank maintains a high state of readiness through its Business Continuity Plan (BCP), which covers all branches and departments. To ensure this framework remains effective, the bank conducts regular training and unannounced BCP drills, such as the major surprise drill executed in late 2025 at its Savar disaster recovery site. Simultaneously, the IT Security team manages robust defenses to protect the bank's digital infrastructure against evolving cyber risks

Policies and processes for mitigating operational risk

Operational risk defined as the potential for loss resulting from inadequate internal processes, human error, system failures, or external events is an inherent component of banking that requires a rigorous, structured mitigation strategy. At BRAC Bank PLC, we maintain a robust control-based environment characterized by transparent documentation, independent authorizations and continuous transaction reconciliation.

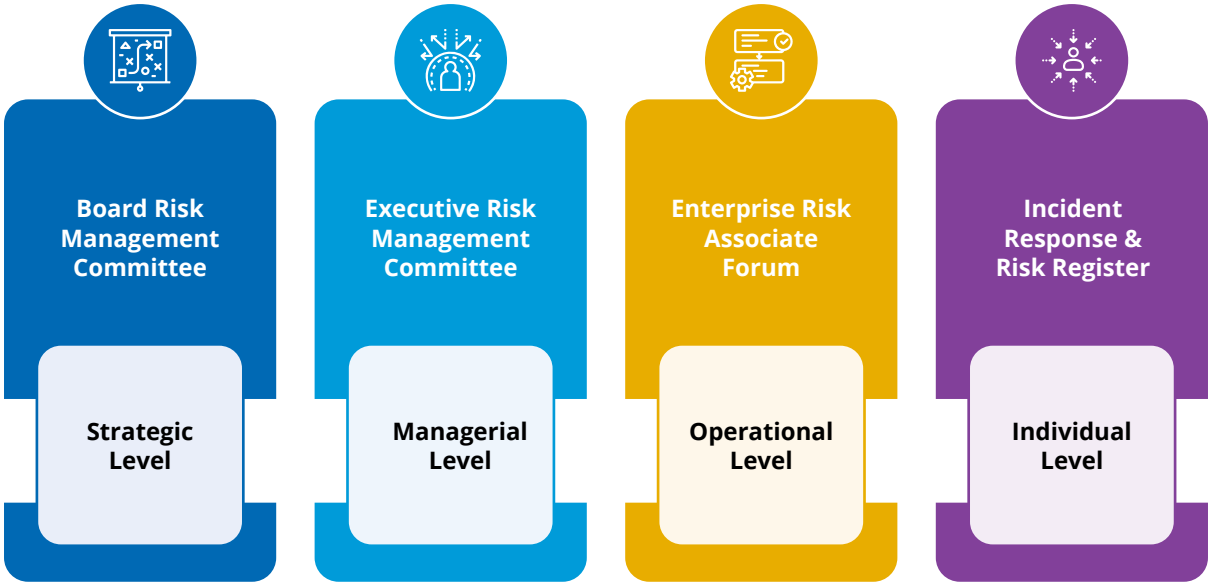
A specialized unit within the Risk Management Division (RMD) serves as the central pillar for identifying and assessing vulnerabilities. Operating under Board-approved policies, this unit coordinates specialized risk forums to ensure that emerging threats are escalated and addressed with precision.

To further bolster institutional resilience, the bank proactively enhances its Operational Risk Management (ORM) framework through the following strategic pillars::

- **Dynamic Risk Mitigation:** Continuous identification and assessment processes that are regularly updated to reflect the evolving financial landscape.
- **Culture of Accountability:** Cultivating a 'risk-aware' mindset across all departments through intensive employee training and transparent reporting channels.
- **Technological Integration:** Leveraging advanced digital solutions and internal control systems to ensure operational stability and provide uninterrupted service to our customers.

Through these measures, BRAC Bank PLC ensures that its internal infrastructure remains resilient against both systemic challenges and day-to-day operational complexities.

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 α (alpha) of the bank's average positive gross annual income over the past three years.

K = [(GI 1 + GI2 + GI3) x α]/n

Where:-

K = the capital charge under the Basic Indicator Approach

GI = only positive annual gross income over the previous three years (i.e. negative or zero gross income, if any, shall be excluded)

α = 15%

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

Quantitative Disclosures

b) The capital requirements for operational risk:

Figures in BDT million

Particulars	Solo	Consolidated
Gross Income (Last 3 Years)	133,737	196,068
Average GI	44,579	65,356
15% of Average GI	6,687	9,803
Capital Charge for Operational Risk	**6,687**	**9,803**

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

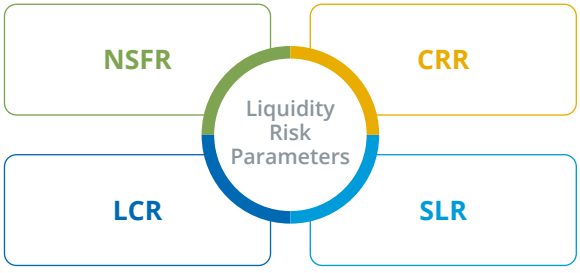
Liquidity risk is the risk that a given security or asset cannot be traded quickly enough in the market to prevent a loss or when a bank is unable to fulfil its commitments in time when payment falls due. Liquidity risk can be of two types:

a) **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.

b) **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

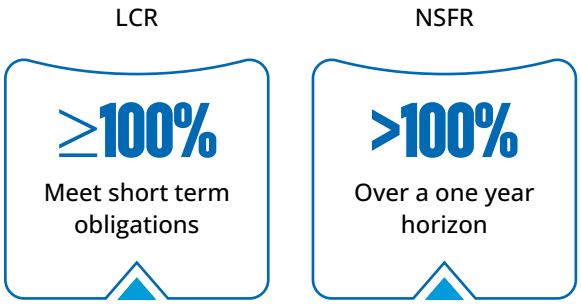
The Board of Directors of BRAC BANK has always given utmost importance to minimizing the liquidity risk of the Bank. In order to reduce liquidity risk, strict maintenance of the Cash Reserve Ratio (CRR) and Statutory Liquidity Reserve (SLR) is also being emphasized on a regular basis. Apart from these, 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 an 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 December 2024. The policy was revised to accommodate regulatory changes and ensure better risk management.

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

BDT million

Particulars	Amount
Liquidity Coverage Ratio	291.95%
Net Stable Funding Ratio (NSFR)	108.20%
Stock of High-quality liquid assets	345,283
Total net cash outflows over the next 30 calendar days	118,267
Available amount of stable funding	994,964
Required amount of stable funding	919,528

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 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)	72,489	106,774
On- Balance Sheet Exposure	1,166,890	1,314,110
Off-Balance Sheet Exposure	74,125	74,125
Total Deduction from On and Off-Balance Sheet Exposure/Regulatory adjustments made to Tier 1 capital	6,649	12,317
Total Exposure	1,234,366	1,375,918
Leverage Ratio	**5.87%**	**7.76%**
Leverage Ratio (Required)	3.75%	3.75%

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 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 people 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 maintain 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 the time. We believe that well-established and clearly communicated core remuneration values drive fairness and consistency across our bank.

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

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

Bank has different Job Grades for various levels of employee. Job grade is 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.

THE FOLLOWING ARE THE JOB GRADES OF BRAC BANK PLC.:

- Additional Managing Director
- 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 this job grade is reviewed from time to time by the management committee and approved by the Board of Directors.

In addition to this, an employee receives 2 guaranteed festival bonuses in two festivals each equal to one basic. He/ She also receives Leave Fair Allowance equal to one Basic salary at the time of his Annual Mandatory Leave. He/ She may also receive performance bonus/ 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 from 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 for 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 on 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 utilities 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 Bonus, Incentives and Maternity Benefits, 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, 2025. 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. **9,738** Total Amount: **BDT 2,357,967,237**
	Number and total amount of guaranteed bonuses awarded during the financial year.	Employee No. **10190** Total Festival Bonus: **BDT 836,680,007**
	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. **43** Termination Payments: **BDT 4,970,100**
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 10,726,882,806**
	ii. Deferred and non-deferred; and	Variable: **BDT 2,357,967,237**
	iii. The different forms used (cash, shares and, share-linked instruments and other forms).	N/A 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