

DISCLOSURE OF BASEL III GUIDELINES

As on December 31, 2025

Background:

Basel III is a global regulatory framework for more resilient banks and banking system, issued by the Basel Committee on Banking Supervision (BCBS) of the Bank for International Settlement in December 2010 (Revised in June 2011).

The financial sector plays a fundamental role in the stability and strength of an economy since it is connected to many other large core sectors. It provides vital liquidity that is essential for the operations of these core constituents of the economy. In this realm, banks are vital institutions that are a key part of the financial services industry and through their deposit-taking and lending activities they ensure savings and investment on the one hand and channelization of funds into productive sectors on the other.

Intrinsic to this operation is risk that could spawn from sudden and unanticipated withdrawal of deposits (or redemptions) by deposit-holders and credit losses triggered by loan defaults. Both these scenarios are probable and hence banks, guided by regulatory supervisions such as those of Basel, can prevent the risk from weakening the long-term viability of the bank. This is achieved through enhancing their capacity to absorb risk, even in the worst-case scenario, thus preventing banking and wider economic contagion. These norms have been set especially in the realm of the Lehmann Brothers crisis of 2008.

Since capital buffers are the most fundamental part of Basel III micro-prudential regulations, Meghna Bank ensures an ongoing surveillance and monitoring of capital adequacy.

As part of its assessment of capital adequacy, the bank has chalked out a comprehensive process for assessing its overall capital adequacy in relation to the bank's risk profile and a strategy for maintaining its capital levels. The process provides an assurance that the bank has adequate capital to support all risks inherent to its business and an appropriate capital buffer based on its business profile.

The bank identifies, assesses and manages comprehensively the risks that it is exposed to through sound governance and control practices, robust risk management frameworks, and an elaborate process for capital calculation and planning. The bank has a comprehensive Internal Capital Adequacy Assessment Process (ICAAP). The ICAAP covers the capital management of the bank, sets the process for assessment of the adequacy of capital to support current and future activities/risks, and prepares reports on capital projections.

The bank thus has a structured management framework in the Internal Capital Adequacy Assessment process for the identification and evaluation of the significance of all risks that the bank faces, which may have a material adverse impact on its business and financial position. The bank considers the following as material risks it is exposed to in the course of its

business and therefore, while assessing/planning capital:

- Credit risk, including residual risk
- Market risk
- Operational risk
- Interest rate risk
- Liquidity risk
- Credit concentration risk
- Strategic risk
- Compliance risk

The Basel Committee on Banking Supervision or BCBS is the primary global standard-setter for the prudential regulation of banks and provides a forum for regular cooperation on banking supervisory matters. As part of its supervisory authority, BCBS has published the Basel Accord comprising rules regarding capital requirements to strengthen the regulation, supervision and risk management of the banking sector. This framework stands under the following three pillars:

- Basel I capital measurement system,
- Basel II guidelines that are an updated version of Basel I and highlight credit, market and operational risks, and
- Basel III that lay emphasis on quality, consistency and transparency of the capital base.

Considering the importance of capital sufficiency and efficiency, the Capital to Risk Weighted Ratio or CRAR of a bank has been denoted as a symbol of its operating health, helping protect from excessive leverage and insolvency. It is defined as the ratio of a bank's capital in relation to its current liabilities and Risk Weighted Assets (RWA).

RWA is a measure of the quantum of a bank's assets, adjusted for risk. An appropriate level of capital adequacy ensures that the bank has sufficient capital to expand its business, while at the same time its net-worth is sufficient to absorb any financial losses without becoming insolvent. It is the ratio which determines a bank's capacity to meet the time liabilities and other risks.

At present, capital adequacy of banks in Bangladesh is computed based on Bangladesh Bank's guidelines anchored on the "Basel III Accord", comprising banking regulations of the Basel Committee on Banking Supervision of the Bank for International Settlement (BIS) in December 2010 (revised in June 2011).

Basel III Accord:

Basel III (in continuation with Basel II and Basel I) is an internationally approved set of measures comprising a global voluntary regulatory framework on bank capital adequacy,

stress-testing and market liquidity risk. Basel III is intended to strengthen banks capital requirements by increasing bank liquidity and lowering leverage. The measures aim to fortify the regulation, supervision and risk management of a bank, seeking to improve the overall risk management for financial institutions.

Key features of Best III:

Pillars under Basel III:



Three pillars have been introduced under the Basel II era that continues to be applied in the Basel III regime as well.

- First pillar - Minimum Capital Requirement
- Second pillar - Supervisory Review Process
- Third pillar - Market Discipline

First Pillar: Minimum Capital Requirement:

The first pillar of Minimum Capital Requirement is primarily for total risk, including credit risk, market risk and operational risk.

Second Pillar: Supervisory Review Process (SRP):

The second pillar under the SRP is primarily intended to ensure that banks have adequate capital to support all the risks in their business.

Banks should have an internal supervisory process, which is called ICAAP or Internal Capital Adequacy Assessment Process. With this tool, banks can assess the capital adequacy in relation to their risk profile as well as adopt strategies for maintaining capital levels. This aside, another process comprising the independent assessment of ICAAP is called SREP or Supervisory Review and Evaluation Process. This independent review may suggest prudent measures and supervisory actions, as needed. ICAAP is conducted by banks themselves, and SREP is conducted by the central bank.

Third Pillar: Market Discipline:

The causative concept of the third pillar is to complement the first and second pillars. This pillar comprises a discipline followed by banks, such as disclosing their capital structure, Tier-I and Tier- II capital, and approaches to assess capital adequacy.

Structure of the Report:

1. Capital Adequacy:

- 1.1 Capital Structure.
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- 1.3.a Quantitative Disclosures (solo Basis).
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- 1.4 Capital Adequacy.
- 1.5 Quantitative Disclosures

2. Asset Related Risk:

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 - 2.2 Qualitative Disclosures
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 - ii. Geographical distribution of exposures.
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3. Liquidity and Leverage:

3.1. Liquidity ratio.

- i. Qualitative Disclosure.
- ii. Quantitative Disclosure.

3.2 Leverage Ratio

- i. Views of BOD on system to reduce excessive leverage.
- ii. Policies and processes for managing excessive On and Off -Balance sheet Leverage.
- iii. Approach for calculating exposure.
- iv. Quantitative Disclosure.

4. Disclosure on Remuneration

- A. Information relating to the bodies that oversee remuneration.
- B. Information relating to the design and structure of remuneration processes and the key features and objectives of remuneration policy.
- C. Description of the ways in which current and future risks are taken into account in the remuneration processes. It should include the nature and type of the key measures used to take account of these risks.

D. Description of the ways in which the bank seeks to link performance during a performance measurement period with levels of remuneration.

E. Description of the ways in which the bank seek to adjust remuneration to take account longer-terms performance.

F. Description of the different forms of variable remuneration (i.e. cash, shares, and share-linked instruments and other forms) that the bank utilizes and the rationale for using these different forms.

G. Quantitative Disclosure.

1.1. Capital structure:

Capital Structure of MGBPLC:

Regulatory capital, as stipulated by the revised RBCA guidelines by BB, is categorized into two tiers as under.

I. Tier 1 Capital (going-concern capital)

- a. Common Equity Tier 1 (CET-1)
- b. Additional Tier 1

II. Tier 2 Capital (gone-concern capital)

Tier 1 capital (going-concern capital) is the capital which can absorb losses without triggering bankruptcy of the bank.

Tier 2 capital (gone-concern capital) is the capital which will absorb losses only in a situation of liquidation of the bank.

1.2. Conditions for Maintaining Regulatory Capital:

The Bank complied with all the required conditions for maintaining regulatory capital as stipulated in the revised RBCA guidelines by Bangladesh Bank as per following details:

SL	Indicator	Bangladesh Bank Criteria	MGBPLC Position (Solo)	MGBPLC Position (Conso)	Compliance Status
1.	Common Equity Tier- 1	4.50%	10.81%	10.80%	Complied
2.	Capital Conservation Buffer	2.50%	3.77%	3.75%	Complied
3.	Common Equity Tier -1 plus capital Conservation Buffer (4.50%+2.50%) i.e. 7.00%	7.00%	14.58%	14.55%	Complied
4.	Minimum Tier-I Capital	6.00%	10.81%	10.80%	Complied
5.	Minimum Total Capital Plus Capital Conservation Buffer	12.50%	13.77%	13.75%	Complied
6.	Additional Tier 1 capital can be admitted maximum up to	1.50% of the total RWA or 33.33% of CET1, whichever is higher	NIL	NIL	MGBPLC has no Additional Tier 1 capital
7.	Leverage Ratio	3.00%	5.22%	5.25%	Complied

1.3.a Quantitative Disclosures (Solo basis):

Quantitative Disclosures	Particulars	Amount in Taka
	The amount of Tier- 1 capital	7,042,360,436.00
	Paid up capital	5,573,206,290.00
	Non-repayable share premium account	-
	Statutory reserve	1,377,781,347.00
	General reserve	-
	Retained earnings	282,666,441.00
	Adjustment of Goodwill and all other Intangible Asset	85,583,642.00
	Minority interest in subsidiaries	-
	Non-cumulative irredeemable preference shares	-
	Dividend equalization account	-
	The total amount of Tier 2 capital	1,927,883,255.00
	Other deductions from capital	-
	Total eligible capital	8,970,243,691.00

1.3.b Quantitative Disclosures (Consolidated basis):

Quantitative Disclosures	Particulars	Amount in Taka
	The amount of Tier- 1 capital	7,061,526,351.00
	Paid up capital	5,573,206,290.00
	Non-repayable share premium account	-
	Statutory reserve	1,386,975,878.00
	General reserve	-
	Retained earnings	292,802,567.00
	Minority interest in subsidiaries	104.00
	Non-cumulative irredeemable preference shares	-
	Dividend equalization account	-
	Adjustment of Goodwill and all other Intangible Assets	-
	The total amount of Tier 2 capital	1,928,841,679.00
	Other deductions from capital.	-
	Total eligible capital	8,990,368,030.00

1.4. Capital Adequacy:

Bank's Approach to Assessing Capital Adequacy:

As banks in Bangladesh are now in a stage of developing risk management models, Bangladesh Bank suggested the banks for using Standardized Approach for assessing capital requirement for credit risk for banking book and Standardized (rule based) Approach for assessing capital requirement for market risk in trading book. MGBPLC used the Basic Indicator Approach (BIA), as prescribed by Bangladesh Bank in determining capital charge against operational risk. Under the Basic Indicator Approach (BIA), the capital charge for operational risk is a fixed percentage (denoted by alpha) of average annual gross income of the bank over the past three years.

MGBPLC focuses on strengthening and enhancing its risk

management culture and internal control environment rather than increasing capital to cover up weak risk management and control practices. It has been generating most of its incremental capital from retained profit to support incremental growth of Risk Weighted Assets (RWA). As of now, the Bank's CRAR remains consistently within the comfort zone after implementation of Basel-III from 2015. During 2025, the CRAR ranges from 13.75% to 13.77% on consolidated and Solo basis against minimum requirement of 10.00% of RWA. Assessing regulatory capital in relation to overall risk exposure of a bank is an integrated and comprehensive process. MGBPLC, through its Supervisory Review Committee and Management Risk Committee, is taking active measures to identify, quantify manage and monitor all risks to which the Bank is exposed to. Assessment of capital adequacy will be in alignment with the findings of these exercises.

1.5. Quantitative Disclosures:

We had an excess capital of BDT 308.84 crore on Consolidated and BDT 308.71 crore on solo basis after meeting all three risks as on the reporting date as shown in the following table:

Fig in crore

Capital Adequacy	Solo	Consolidated
Capital requirement for Credit Risk	592.84	592.84
Capital requirement for Market Risk	6.50	7.55
Capital requirement for Operational Risk	52.16	53.32
Total capital requirement	651.50	653.71
Minimum Capital requirement (MCR) @10%	651.50	653.71
Total Capital Maintained	897.02	899.04
Total capital Surplus	245.52	245.33
Total Risk Weighted Asset	6,514.98	6,537.10
Capital to Risk Weighted Asset Ratio	13.77%	13.75%

2.1. Credit Risk:

2.2. Qualitative Disclosures:

Definition of Credit Risk:

Credit risk is the possibility that a borrower will fail to meet its obligation in accordance with agreed terms and conditions. That is credit risk is the risk of loss that may occur from the failure of any counterparty to make required payments in accordance with agreed terms and conditions and/or deterioration of credit worthiness. Credit risk is managed through a frame work set by policies and procedures approved by the Board. The responsibility is clearly segregated between originator of business transaction and approver in the risk function.

2.3. Quantitative Disclosures:

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

Particulars	Amount in Taka
Cash Credit	4,005,489,237
Secured overdraft	2,579,093,089
General overdraft	5783,518,938
Import finance	6,401,033,069
Export finance	101,342,960
Other Demand Loans	19,774,285,472
Hire Purchase Finance	247,154,628
Consortium/Syndicate Finance	1,427,338,998
House Building Loan	1,920,590,983
Credit Card A/C	2,846,201,176
General Term Loans	23,104,353,447
Agricultural and Rural Credit Scheme	1,081,639,497
SME Loans and Advances	1,689,787,263
Personal/Professionals Loan Scheme	439,811,895
Inland bills purchased and discounted	2,450,366,283
Foreign bills purchased and discounted	1,077,393
Total	73,853,084,328

23.ii. Geographical distribution of exposures:

Name of Area	Amount in Taka
Dhaka	60,234,098,180
Chittagong	9,984,487,716
Sylhet	292,089,975
Rajshahi	1,411,223,396
Rangpur	808,845,803
Khulna	988,006,290
Barisal	134,332,968
Mymensingh	-
Total	73,853,084,328

23.iii. Industry or counterparty type distribution of exposures:

Particulars	Amount in Taka
Commercial Lending	4,005,489,237
Export Financing	101,342,960
House Building Loan	1,807,308,221
Retail Loan	3,420,620,021
Small and Medium Enterprises	12,730,360,688
Special Program Loan	-
Industrial Loans Details:	
Agricultural industries	1,081,639,497
Textile	787,001,939
Food and allied industries	6,470,304,222
Pharmaceutical industries	2,432,863,660
Leather, Chemical, Cosmetics	931,715,556
Tobacco industries	320,463,806
Cement and Ceramic industries	1,009,461,952
Service industries	7,153,229,561
Transport and Communication industries	-
Other industries including bills purchased and discounted	13,636,289,790
Others Loan	15,085,684,909
Other Loans and Advances (SOD)	2,580,010,639
Staff Loan	299,297,670
Total	73,853,084,328

23.iv. Residual contractual maturity breakdown of the portfolio:

Particulars	Amount in Taka
Re-payable on Demand	-
Not more than 3 months	29,867,704,324
Over 3 months but not more than 1 year	15,538,032,317
Over 1 year but not more than 5 years	20,634,007,361
Over 5 years	7,813,340,326
Total	73,853,084,328

23.v. Provision:

Particulars	Amount in Taka
Provision on Classified loans and Advances	2,283,636,877
General Provision for Unclassified Loans and Advances	772,072,740
General Provision for Off-Balance Sheet Exposures	275,611,743
Non-Performing Assets (NPAs)	4,217,079,358
Non-Performing Assets (NPAs) to Outstanding Loans and advances	5.71%

23.vi. Movement of Non-Performing Assets:

Particulars	Amount in Taka
Opening balance	323,63,87,332.00
Additions	98,06,92,026.00
Reductions	0.00
Closing balance	421,70,79,358.00
Movement of specific provisions for NPAs	
Opening balance	177,12,87,441.00
Net Provisions made during the period	51,23,49,436.00
Write – off	-
Write- back of excess provisions	-
Closing balance	228,36,36,877.00

2.4. Equities: Disclosures for Banking Book Positions:

Equity Risk:

Equity risk is the risk that one's investments will depreciate because of stock market dynamics causing one to lose money. Investment of MGBPLC in equity securities is broadly categorized into two parts: Securities (Shares-common or preference, Mutual Fund) that are traded in the secondary market (trading book assets) and Un-quoted securities that are categorized as banking book assets.

Capital charge for equities would apply on their current market value in the bank's trading book. This charge for both specific risk and the general market risk will be at the rate of the required minimum capital adequacy ratio. This is applied to all instruments that exhibit market behavior similar to equities. The instruments covered include equity shares, whether voting or non-voting, convertible securities that behave like equities, for example: units of mutual funds, and commitments to buy or sell equity.

2.5. Quantitative Disclosure:

Total Investment in Capital Market (Consolidated Basis):

Name of Stock	Cost Price	Market Price	Profit 2 Loss	Required Provision	Provision Maintained	Total Capital as per BCA 1991	% of investment in capital market to total prescribed capital components
Portfolio: Bank						727.41	15.39%
Shares	15.22	9.05	-6.17	6.17	6.17		
Less Equity investment in subsidiaries other than merchant bank and brokerage subsidiaries							
Mutual Fund/Fund							
Bond/Debentures							
Loans to others for merchant banking and brokerage activities		88.12					
Loan to stock dealer							
Placement/others							
Less placement in subsidiaries							
Portfolio: Subsidiaries							
Shares	7.78	5.28	-2.51	2.51	2.51		
Mutual Fund/Fund							
Bond/Debentures							
Loans:							
Margin loans		1.18					
Bridge loans							
Placement/others							
Total Capital Market Exposure	111.92						

2.6. Capital Requirement for Equity Position Risk: (Consolidated Basis)

Capital charge for	Market Value	Risk Weight	Required Capital Charge
1	2	3	4 = (2*3)
a. Specific Risk:	90,482,709.10	10%	9,048,270.91
b. General Market Risk:	90,482,709.10	10%	9,048,270.91
Total	180,965,418.20		18,096,541.82

2.7. Interest Rate Risk in the Banking Book (IRRBB)

2.8. Qualitative Disclosures:

Interest rate risk is the risk where changes in market interest rates might adversely affect a bank's Financial condition. Changes in interest rates affect both the current earnings as well as the net worth of the bank. Re pricing risk is often the most apparent source of interest rate risk for a bank and is often estimated by comparing the volume of a bank's assets that mature or re-price within a given time period with the volume of liabilities that do so.

The short term impact of changes in interest rates is on the bank's Net Interest Income (NII). In a longer term, changes in interest rates impact the cash flows on the assets, liabilities and off-balance sheet items, giving rise to a risk to the net worth of the bank arising out of all re-pricing mismatches and other interest rate sensitive position.

2.9. Quantitative Disclosures:

The increase / decline in earnings or economic value for upward and downward rate shocks according to management's method for measuring IRRBB, broken down by currency as under:

Weighted Average Duration of Asset	2.42
Weighted Average Duration of Liability	0.55
Duration GAP	1.88
CAR After different level of Shock	
Minor Level	11.98%
Moderate Level	8.64%
Major Level	5.31%

2.10. Market Risk:

2.11. Qualitative Disclosure:

Market risk is the possibility of losses in balance sheet and off-balance sheet positions arising out of volatility in market variables i.e., interest rate, exchange rate and price. Allocation of capital is required in respect of the exposure to risks deriving from changes in interest rates and equity prices in the bank's trading book, in respect of exposure to risks deriving from changes in foreign exchange rates and commodity price in the overall banking activity. The total capital requirement for banks against their market risk shall be the sum of capital charges against:

- i. Interest rate risk
- ii. Equity position risk
- iii. Foreign exchange position risk throughout the bank's balance sheet and Off Balance sheet exposure.
- iv. Commodity risk

2.12. Method used to measure market risk:

As banks in Bangladesh are now in a stage of developing risk measurement models, Bangladesh Bank suggested the

banks for using Standardized Approach for credit risk capital requirement for banking book and Standardized (rule based) Approach for market risk capital charge in their trading book. Maturity Method has been prescribed by Bangladesh Bank in determining capital against market risk. In the maturity method, long or short positions in debt securities and other sources of interest rate exposures, including derivative instruments, are slotted into a maturity ladder comprising 13 time-bands (or 15 time-bands in case of low coupon instruments). Fixed-rate instruments are allocated according to the residual term to maturity and floating-rate instruments according to the residual term to the next repricing date. In Standardized (rule based) Approach the capital requirement for various market risks (interest rate risk, price, and foreign exchange risk) are determined separately. The total capital requirement in respect of market risk is the sum of capital requirement calculated for each of these market risk sub-categories. e.g.

- a. Capital Charge for Interest Rate Risk = Capital Charge for Specific Risk+ Capital Charge for General Market Risk.
- b. Capital Charge for Equity Position Risk = Capital Charge for Specific Risk + Capital Charge for General Market Risk.
- c. Capital Charge for Foreign Exchange Risk = Capital Charge for General Market Risk.
- d. Capital Charge for Commodity Position Risk = Capital charge for General Market risk.

2.13. Market Risk Management System:

The Bank has implemented Foreign Exchange Risk Management Guidelines and Asset Liability Management Guidelines duly approved by the Board for market risk management. Different market risk's issues are discussed in the Asset Liability Management Committee (ALCO) meeting and decisions are taken according to Market situation.

2.14. Policies and processes for mitigating market risk:

ALCO is primarily responsible for establishing the market risk management and asset liability management of the Bank, procedures thereof, implementing core risk management framework issued by the regulator, best risk management practices followed by globally and ensuring that internal parameters, procedures, practices/ polices and risk management prudential limits are adhering to.

For Market risk management purpose, The Bank has established internal limit duly approved by the Board besides the regulatory limit. For Foreign Exchange Risk management, the Bank has regulatory net open position (NOP) limit as well as internal limit like Intra- day limit, individual dealer's limit, stop loss limit, individual currency limit etc. For interest and other market risk management, The Bank has established wholesale borrowing guideline, LD ratio, and Medium Term Funding ratio (MTFR), Maximum Cumulative Outflow (MCO), and SWAP Fund Guideline, VAR and MAT level. The Bank also maintains Gap limit for maturity profile mismatch. Moreover, The Bank has policy for interest rate sensitivity analysis on monthly basis.

2.15. Quantitative Disclosure:

The capital requirements for Market Risk:

SL	Market Risk	Total capital charge (Solo)	Total capital charge (conso)
A.	Interest Rate Related instruments	5,153,169.93	5,153,169.93
B.	Equities	18,096,541.82	28,648,042.24
C.	Foreign Exchange Position	41,741,858.80	41,741,858.80
D.	Commodities	-	-
Total		64,991,570.54	75,543,070.96

2.16. Operational risk:

Qualitative Disclosures:

Operational Risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk, but excludes strategic and reputational risk. MGBPLC has established an effective, integrated operational risk management framework to mitigate the operational risk. The focus of operational risk is on low probability/high loss vs. high probability/ low loss events.

Operational risk includes:

- Transaction processing
- Operation control
- Technology and systems
- Risks of physical and logical security
- Unique risk arises due to outsourcing

The Bank's approach to operational risk is not designed to eliminate risk altogether but rather, to contain risks within levels deemed acceptable by senior management. All functions, whether business, control or logistics functions, must manage the operational risks that arise from their activities. Operational risks are pervasive, as a failure in one area may have a potential impact on several other areas.

Operational risk is inherent in the Bank's business activities in day to day operations. As a part of continuous surveillance, the Senior Management Team (SMT), Risk Management Division, Internal Control and Compliance Division regularly reviews different aspects of operational risk. The analytical assessment was reported to the Board/ Risk Management Committee/Audit Committee of the Bank for review and formulating appropriate policies, tools & techniques for mitigating operational risk.

2.17. Performance gap of executives and staff:

The bank believes that training and knowledge sharing is the best way to reduce knowledge gap. Therefore, it arranges trainings on a regular basis for its employees to develop their expertise. The bank offers competitive pay package to its employees based on performance and merit. Besides, the recruitment policy of the Bank always emphasizes on sorting out fresh graduate from the reputed universities and nurture

them until transformation to a Human Capital of highest quality. It always tries to develop a culture where all employees can apply his/her talent and knowledge to work for the organization with high ethical standards in order to add more value to the company and for the economy.

An accommodating, welcoming, cooperative and congenial work atmosphere motivates its employees to act as a family towards achievement of goal. As such, there exists no performance gap in the Bank.

2.18. Potential external events:

No potential external events occurred during the reporting period ended 31st December 2025. The Bank has a separate Operational Risk Policy addressing specific issues involving Operational Risk.

2.19. Policies and processes for mitigating Operation Risk:

Bank has established an effective, integrated operational risk management framework to mitigate the operational risk. If any controls are found to be ineffective during the course of Risk & Control Self-Assessment, corrective measures are adopted in due course. A monitoring system is also in place for tracking the corrective actions plan periodically. The various Board approved policies viz., Risk Management Policy, Internal Control & Compliance Policy, Policy on KYC & AML; ICT Policy address issues pertaining to Operational Risk Management.

2.20. Approach for calculating capital charge for operational risk:

The Bank follows the Basic Indicator Approach (BIA) in terms of BRPD Circular No. 18 dated 21 December 2014 Guidelines on Risk Based Capital Adequacy (Revised Regulatory Capital Framework for banks in line with Basel III). The BIA stipulates the capital charge for operational risk is a fixed percentage, denoted by α (alpha) of average positive annual gross income of the Bank over the past three years. It also states that if the annual gross income for any year is negative or zero, that should be excluded from both the numerator and denominator when calculating the average gross income. The capital charge for operational risk is enumerated by applying the following formula: $K = [(GI_1 + GI_2 + GI_3) \alpha] / n$

2.21. Quantitative Disclosures:

The capital requirements for operational risk (Solo): 52.16 crore

The capital requirements for operational risk (Conso): 53.32 crore

3. Liquidity Ratio:

3.1.i. Qualitative Disclosures:

Views of BOD on system to reduce Liquidity Risk:

The Bank has Board Approved policy and limit structure for Liquidity Risk Management.

Methods used to measure Liquidity Risk:

We maintain maturity profile mismatch strictly and maintain prudential limit for each buckets gap.

Liquidity Risk management system:

We strictly maintain maximum cumulative outflow (MCO), Medium Term Funding Ratio (MTFR) and conduct cash flow forecasting for liquidity risk management.

Policies and processes for mitigating liquidity risk:

We have laid down liquidity contingency plan, Funding products and Wholesale borrowing guideline.

3.1.ii. Quantitative Disclosures:

Liquidity Coverage Ratio	139.17%
Net Stable Funding Ratio	149.15%
Stock of high Quality Liquid Asset	33,353,914,520.00
Total net cash outflows over the next 30 calendar days	23,966,310,641.66
Available amount of stable funding	131,108,801,169.00
Required amount of stable funding	87,906,183,742.05

3.2. Leverage Ratio:

Qualitative Disclosures:

3.2. iv. Quantitative Disclosures:

Particulars	Solo	Conso
Leverage Ratio	5.22%	5.25%
On balance sheet exposure	119,591,372,472.00	119,134,266,843.00
Off balance sheet exposure	15,448,780,713.51	15,448,780,713.51
Total deduction from On & Off balance sheet exposure	191,293,642.00	191,458,488.00
Total exposure	134,848,859,543.51	134,391,589,068.51

3.2.i. Views of BOD on system to reduce excessive leverage

High leverage levels can lead to an excessive expansion of bank asset size. In the short to medium term banks return on equity. At the same time leverage- fueled bank capital structures increase bankruptcy risk, since they are an important cause of bank failures. Therefore, to reduce excessive leverage and to manage the overall asset- liability position, management has implemented BOD approved ALM framework within the bank.

3.2.ii. Policies & processes for managing excessive On & Off –balance sheet leverage:

The Bank has clearly laid down policy and procedure to manage its exposure level (both on and off- balance sheet) enumerated in its Asset Liability Management Policy. Leverage parameter of the policy acts as a credible supplementary measure to the risk based capital requirement to control the leverage of the bank. This reflects bank's Tier- 1 capital over total exposure of the bank. Reference level of ratio is currently 4% (minimum).

3.2.iii. Approach for calculating exposure:

Leverage ratio of the bank is calculated in line with the RBCA guideline of BB. As at 31st December 2025 bank's leverage ratio was 5.25% (consolidated basis) and it was calculated as follows:

Measured Used		Description
Numerator	Tier 1 Capital	Tier 1 capital constitutes the components specified in the RBCA guideline, December 2014
Denominator	Exposure	This is an approximation to the credit risk exposure used for regulatory capital purposes. It consists of the sum of the balance sheet assets as specified in the RBCA Guidelines, December 2014

4. Qualitative Disclosures

A. INFORMATION RELATING TO THE BODIES THAT OVERSEE REMUNERATION.

The Management of Meghna Bank PLC (MGBPLC) holds the responsibility relating to Remuneration of the Bank. The overall compensation structure is reviewed and implemented to maintain competitive incentives, perquisites, other financial options etc. with a view to attract, motivate and retain competent employees. And if situation requires review and revise compensation package to be at par with the market to maintain its competitive edge.

One of the major factors of remuneration management is to cover all type of risk. MGBPLC always does environmental scanning. Gathering Market intelligence, analyze and if required propose for modification in compliance with relevant laws and rules and compliance issues. To maintain the effective alignment, Management works in close coordination with the Risk Management Committee of the Bank. The cost Management also ensures that the cost/income ratio of the Bank supports the remuneration package consistent with maintenance of sound capital adequacy ratio.

MGBPLC reviewed the remuneration policy in 2022 to comply with Bangladesh Bank guidelines about minimum pay structure of entry level officers and support staff.

Meghna Bank so far has not sought advice from any external consultants to date.

B. INFORMATION RELATING TO THE DESIGN AND STRUCTURE OF REMUNERATION PROCESSES AND THE KEY FEATURES AND OBJECTIVES OF REMUNERATION POLICY.

The substantive pays and other allowances including perquisites, where applicable, to the employees including all subordinates, officers and executives up to the rank of SEVP are designed/structured in line with the competitive remuneration structure prevailing in the industry. In respect of executives above the rank of SEVP i.e. AMD, DMD & MD, the individual remuneration is fixed by the Board of Directors. Pay Structure and perquisites payable to the employees have been approved by the Board of Directors of the Bank. While determining the remuneration package, the Management and the Board take into consideration the following factors:

1. Experience
2. Qualification
3. Level of Risk involved
4. Leadership
5. Criticality of the job
6. Creativity required in the job
7. Problem solving ability
8. Salesmanship
9. Corporate Rank etc.

The remuneration structure for the Managing Director (MD) of the Bank is subject to approval of the Central Bank i.e. Bangladesh Bank.

C. DESCRIPTION OF THE WAYS IN WHICH CURRENT AND FUTURE RISKS ARE TAKEN INTO ACCOUNT IN THE

REMUNERATION PROCESSES. IT SHOULD INCLUDE THE NATURE AND TYPE OF THE KEY MEASURES USED TO TAKE ACCOUNT OF THESE RISKS.

The people who are involved in risk factors are regularly monitored. The functions that mainly deal with the risk factors of the Bank include: Cash Management, Credit Risk Management, Operational Risk, Trade Finance etc. It has been observed that employees working in these particular fields are more in demand in the market. Naturally, their remuneration goes up. On the other hand, employees working in the cash department are often paid Cash Risk Allowance.

The Board of Directors through the Management exercises oversight and effective governance over the framing and implementation of the remuneration policy. Human Resource Management under the guidance of MD administers the Compensation and Benefit structure in line with the best suited practices and statutory requirements as applicable. The trend has changed as the job responsibility also has gone up and the efficiency of the employees has also improved a lot.

D. DESCRIPTION OF THE WAYS IN WHICH THE BANK SEEKS TO LINK PERFORMANCE DURING A PERFORMANCE MEASUREMENT PERIOD WITH LEVELS OF REMUNERATION

It is a competitive world. In the Banking sector also performance plays every vital role on determining someone's remuneration. Right from the entry into the job performance is evaluated and salary is fixed accordingly. Yearly increment, Performance bonus and other benefits are in the process of being linked up with performance of the employee. In the yearly performance review there are different Ratings. The factors taken into account for the annual review and revision in the variable pay and performance bonus are: The performance of the Bank, The performance of the business unit, Individual performance of an employee, other risk perceptions and economic considerations and Future Business Outlook. There is also option of alerting the poor performers as they may have to exit if performance is not improved after certain observation time

E. DESCRIPTION OF THE WAYS IN WHICH THE BANK SEEK TO ADJUST REMUNERATION TO TAKE ACCOUNT LONGER-TERMS PERFORMANCE.

The Bank has various schemes in regards to deferred and vested variable remuneration which are as under:

- PF (Vesting or entitlement to employer's contribution happens on completion of 03 (three) years of regular service and the Bank contributes equal amount of contribution as contributed by the employee) @ 10% of substantive pay.
- Gratuity (Vesting or entitlement to employer's contribution happens on completion of 5 (five) years of regular service in the Bank) @ one basic pay for each completed year of service and for the fraction of 6 months and above. This increases depending on years of service i.e. @1.5 if completed 8 years and 02 (two) months' last drawn basic for 10th (tenth) completed year and onward services respectively.

Employee Group Insurance (provides benefits to the employees of the Bank on their death, disability, retirement/or being incapacitated at any time or for any other cause that may be deemed fit as per approved policy.

F. DESCRIPTION OF THE DIFFERENT FORMS OF VARIABLE REMUNERATION (I.E. CASH, SHARES, AND SHARE-LINKED INSTRUMENTS AND OTHER FORMS) THAT THE BANK UTILIZES AND THE RATIONALE FOR USING THESE DIFFERENT FORMS.

Variable pay, as the term denotes usually does not defer between the employees of the same rank. Depending on

- experience, jobs performed and other traits new hire in the same rank the individuals are offered remuneration that varies from each other. While in the service on recommendation and according to performance extra increment or bonus may be awarded to the employees. Other than this, ex-gratia payment for other employees who are not eligible for performance linked incentives, difference awards on extra-ordinary performance and Leave Fare Assistance (LFA) are paid to the employees according to their rank. The difference that is made in these kinds of payments that is only for their rank in the hierarchy.

G. Quantitative disclosures

I	Number of meetings held by the main body overseeing remuneration during the financial year	00
	Remuneration paid to its members.	00
II	Number of employees having received a variable remuneration award during the financial year.	00
	Number and total amount of guaranteed bonuses awarded during financial year.	00
	Number and total amount of sign-on awards made during the financial year.	00
	Number and total amount of severance payments made during the financial year.	00
III	Total amount of outstanding deferred remuneration, split into cash, share and share-linked instruments and other forms.	00
	Total Amount of deferred remuneration paid out in the financial year.	00
IV	Breakdown of amount of remuneration awards for the financial year to show:	
	• Fixed and variable	00
	• Deferred and no-deferred	00
	• Different forms used (cash, shares and share linked instruments, other forms).	00
V	Quantitative information about employees' exposure to implicit (e.g. fluctuations in the value of shares or performance units) and explicit adjustments (e.g. claw backs or similar reversals or downward revaluations of awards) of deferred remuneration and retained remuneration:	00
	Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit and /or implicit adjustments.	00
	Total amount of reductions during the financial year due to ex post explicit adjustments.	00
	Total amount of reductions during the financial year due to ex post implicit adjustments.	00