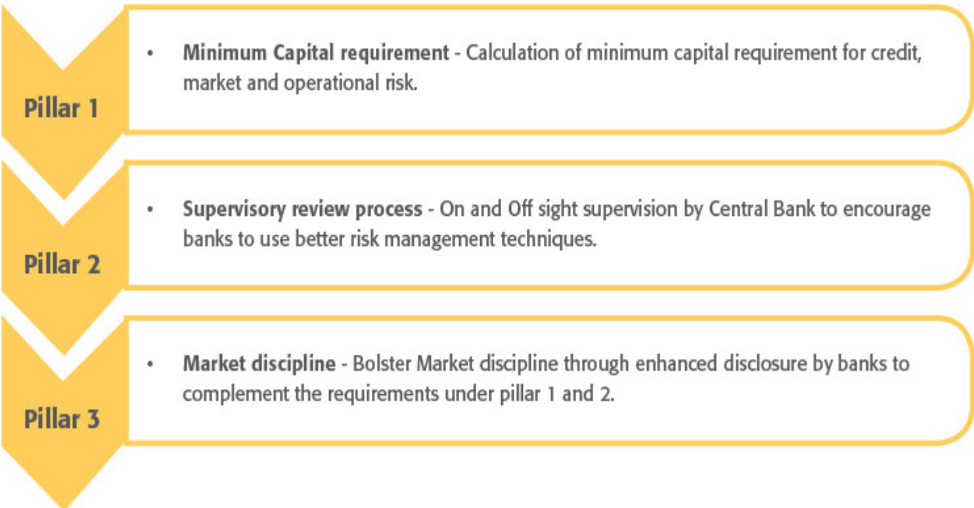
Modhumoti Bank PLC.

Your Access to Success

Disclosures on Risk Based Capital (Basel III) for the year ended December 31, 2025



Pillar 3 Market Discipline

Disclosures on Risk Based Capital (Basel III)
for the year ended December 31, 2025

In an effort to continue to strengthen the risk management frameworks and further enhance long-term stability within banking organizations, the Basel Committee for Banking Supervision (BCBS) introduced a set of regulatory guidelines known as Basel III. Basel III includes three pillars that address:

- Capital adequacy
- Supervisory review
- Market discipline; increased public disclosure requirements

In addition to the three pillars outlined above, Basel III introduced key prudential measures such as the Leverage Ratio and liquidity standards, namely the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR), which carry significant implications for banks' balance sheet management and overall business strategies. Furthermore, under the Market Discipline framework, Basel III requires more extensive and granular disclosures compared to the previous regulatory regime.

These enhanced disclosures are intended to complement and validate the information relating to the Minimum Capital Requirement (MCR) under Pillar 1 and the Supervisory Review Process (SRP) under Pillar 2. They aim to ensure greater transparency regarding the Bank's capital adequacy position, capital framework, risk assessment and mitigation practices, and exposure to various types of risks. This, in turn, enables stakeholders to make informed assessments of the Bank's risk profile and its compliance with applicable regulatory requirements.

The Bank has presented detailed qualitative and quantitative disclosures in the following sections in accordance with the Pillar 3 (Market Discipline) requirements under the *Guidelines on Risk Based Capital Adequacy (RBCA)* of Basel III, issued by Bangladesh Bank on December 21, 2014.

The objective of this report is to complement the disclosures under Pillar 1 (Minimum Capital Requirement – MCR) and Pillar 2 (Supervisory Review Process – SRP) of Basel III, thereby enhancing transparency and providing stakeholders with a comprehensive understanding of the Bank's risk profile and capital adequacy position.

The following components have been disclosed hereunder as per the requirement of RBCA guidelines under Basel-III issued by Bangladesh Bank:

a) Scope of Application
b) Capital Structure
c) Capital Adequacy
d) Investment Risk
e) Equities: Disclosures for Banking Book Positions
f) Interest Rate Risk in the Banking Book (IRRBB)
g) Market Risk
h) Operational Risk
i) Leverage Ratio
j) Liquidity Ratio
k) Remuneration

These disclosures are intended for more transparent and more disciplined financial market where the participants can assess key information about the Bank's exposure in making economic decisions.

A. Scope of Application

Qualitative Disclosure

a) **The name of the top corporate entity to which this framework applies:**

The Risk Based Capital Adequacy Framework applies to Modhumoti Bank PLC., (MMBPLC) on 'solo' basis as there was no subsidiary as on the reporting date (December 31, 2024).

b) **Consistency and Validation:**

The quantitative disclosures have been prepared based on the audited financial statements of the Bank for the year ended December 31, 2025. These financial statements have been prepared under the historical cost convention, except for investments, and in compliance with the "First Schedule" (Section 38) of the Bank Company Act, 1991, as amended by Bangladesh Bank through BRPD Circular No. 14 dated June 25, 2003, along with other relevant circulars, Bangladesh Financial Reporting Standards (BFRSs), the Companies Act, 1994, and other applicable laws and regulations.

Accordingly, the information presented in the *Quantitative Disclosures* section is consistent with, and can be readily verified against, the corresponding figures reported in the audited financial statements of the Bank for the year ended December 31, 2025. This report is prepared on an annual basis and is made available on the Bank's official website.

c) **Any restrictions, or other major impediments, on transfer of funds or regulatory capital to subsidiaries:**

Not applicable for the Bank as there was no subsidiary of the Bank on the reporting date (December 31, 2025). However BRPD Circular No.01, dated, January 16, 2022 regarding 'Single Borrower Exposure Limit' is being applied by the Bank in determining maximum amount of finance.

Quantitative Disclosure

d) 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.

B. Capital Structure

Qualitative Disclosures

a) The regulatory capital under Basel-III is comprised with i) Tier-1 (Going Concern Capital) and ii) Tier-2 (Gone Concern Capital).

Tier-1 Capital (Going Concern Capital) has two components of Tier 1 Capital which are Common Equity Tier 1 Capital and Additional Tier 1 Capital. It consists of highest quality capital items which are stable in nature and allows a bank to absorb losses on an ongoing basis.

Common Equity Tier 1 Capital includes paid-up capital, statutory reserve, general reserve and retained earnings etc. and

Additional Tier 1 Capital will include perpetual bond or non-cumulative preference shares etc.

Tier-2 Capital (Gone Concern Capital) lacks some of the characteristics of the going concern capital but also bears loss absorbing capacity to a certain extent. General provision on unclassified loans and advances, Subordinated debt/instruments issued by the Bank that meet the qualifying criteria for Tier 2 capital, Minority interest i.e. Tier-2 issued by consolidated subsidiaries to third parties.

Compliance Status of MMBPLC as per Conditions for Maintaining Regulatory Capital:

The Bank complied with all the requirement of regulatory capital as stipulated in the revised RBCA Guidelines by Bangladesh Bank as per following details:

Sln.	Limits (Minima and Maxima)	Status of Compliance	
		Complied (√)	Non-complied (√)
1	Common Equity Tier 1 of at least 4.5% of the total RWA	√	
2	Tier 1 capital will be at least 6.0% of the total RWA	√	
3	Minimum CRAR of 10% of the total RWA	√	
4	Additional Tier 1 capital can be admitted maximum up to 1.5% of the total RWA or 33.33% of CET1, whichever is higher	√	
5	Tier 2 capital can be admitted maximum up to 4.0% of the total RWA or 88.89% of CET1, whichever is higher	√	
6	Capital conservation buffer at 2.50% of total RWA	√	

Quantitative Disclosures

a) Regulatory capital of the Bank as of December 31, 2025

The amount of Regulatory Capital as of 31.12.2025 is noted below:

Amount in Million Tk.

Particulars of Regulatory Capital	Solo
Common Equity Tier-1 (Going Concern Capital)	8,699.47
Regulatory adjustment from Common Equity Tier-1 (Going Concern Capital)	15.66
Total Common Equity Tier-1 Capital	**8,683.80**
Additional Tier-1 Capital	-
Tier 1 Capital	**8,683.80**
Tier-2 Capital (Gone Concern Capital)	2,590.09
Total Regulatory Capital	**11,273.89**

C. Capital Adequacy

Qualitative Disclosures

a) Approach to assess the adequacy of capital:

The Bank follows the approaches below for calculating Minimum Capital Requirement (MCR) as per Pillar-I of Basel-III framework as per the guidelines of Bangladesh Bank:

i) Standardized Approach for assessing and mitigating Credit Risk,
ii) Standardized Rule Based Approach for quantifying Market Risk and
iii) Basic Indicator Approach for Operational Risk.

MMBPLC has established a comprehensive process for assessing its overall capital adequacy in relation to its risk profile, along with a well-defined strategy for maintaining adequate capital levels. This process provides reasonable assurance that the Bank holds sufficient capital to support all material risks inherent in its business operations. The Bank identifies, measures, monitors and manages its risk exposures through sound governance and control practices, a robust risk management framework and a structured approach to capital calculation and planning.

The Bank has developed a structured management framework under the Internal Capital Adequacy Assessment Process (ICAAP) to systematically identify and evaluate all material risks that could have a significant adverse impact on its financial position. In line with the Basel III framework, the Bank considers the following key risks in its capital assessment and planning process:

Risks under Pillar 1 MCR		Risks under Pillar 2 SRP	
1	Credit Risk	1	Residual Risk
2	Market Risk	2	Concentration Risk
3	Operational Risk	3	Liquidity Risk
		4	Reputation Risk
		5	Strategic Risk
		6	Settlement Risk
		7	Evaluation of Core Risk Management
		8	Environmental & Climate Change Risk
		9	Other material risks

The surplus capital maintained by MMBPLC serves as a buffer to absorb potential losses arising from all material risks and to support the Bank's future business activities. To ensure the continued adequacy of capital, the Bank conducts periodic assessments of its capital requirements, taking into account projected business growth and evolving risk exposures. The Risk Management Division, under the guidance of the SRP Team and the Executive Risk Management Committee (ERMC), actively undertakes measures to identify, quantify, manage, and monitor all risks to which the Bank is exposed, thereby ensuring a proactive and comprehensive risk management approach.

Quantitative Disclosures:

Risk Weighted Asset (RWA) & Minimum Capital Requirement (MCR):

Amount in Million Tk.

Sln.	Particulars	Solo
1.	**Risk Weighted Assets:**	
	For Credit Risk:	**74,945.14**
	On-Balance Sheet	59,791.91
	Off-Balance Sheet	15,153.23
	For Market Risk	**1,374.36**
	For Operational Risk	**5,730.49**
	Total:	**82,049.99**
2.	**Minimum Capital Requirement (10% of RWA):**	
	For Credit Risk	7,494.51
	For Market Risk	137.44
	For Operational Risk	573.05
	Total:	**8,205.00**
Minimum capital requirement (MCR) Tk.5,000.00 million or 10% of RWA whichever is higher		**8,205.00**

Total Capital, CET-1 Capital, Total Tier-1 Capital, Tier-2 Capital Ratio Available Capital under Pillar 2: Solo

Amount in Million Tk.

Sln.	Particulars	Solo
A.	**Total Regulatory Capital: (a+b)**	**11,273.89**
	a. Tier-1 (Going Concern Capital)	**8,683.80**
	i) Common Equity Tier-1 Capital (CET-1)	**8,683.80**
	ii) Additional Tier-1 Capital (AT-1)	-
	b. Tier-2 (Gone Concern Capital)	**2,590.09**
B	**Minimum capital requirement (MCR- 10% of RWA)**	**8,205.00**
C	**MCR including buffer capital (10%+2.50%=12.50%)**	**10,256.25**
D	**Capital surplus (A-B)**	**3,068.89**
E	**Available Capital Under Pillar 2 Requirement (A-C)**	**1,017.64**
F	**Capital to Risk Weighted Assets Ratio (CRAR)**	**13.74%**
	Common Equity Tier-1 to RWA (≥4.50%)	**10.58%**
	Tier-1 Capital to RWA (≥6.00%)	**10.58%**
	Tier-2 Capital to RWA (≤4.00% or 88.89% of CET1)	**3.16%**
	Capital Conservation Buffer (2.50% of RWA)	**2,051.25**
	Capital Conservation Buffer Maintained (%)	**3.74%**

D. CREDIT RISK

Qualitative Disclosures:

a) The general qualitative disclosure requirement with respect to credit risk:

Definition of Credit Risk:

Credit risk refers to the risk of deterioration in the credit quality of a borrower or counterparty, which may adversely affect the financial performance of the Bank. Losses in credit transactions may arise from the borrower's inability or unwillingness to meet its contractual obligations in accordance with agreed terms. The Bank is primarily exposed to credit risk through its general lending activities, including loans and advances, as well as through its money market and interbank lending operations.

Credit risk management process at MMBPLC:

The Bank's Credit Policy has been formulated in line with the guidelines of Bangladesh Bank and clearly outlines the credit approval process and delegation of authority, which are duly approved by the Board of Directors. The policy ensures a clear segregation between relationship management/marketing functions and the credit approval authority, thereby strengthening independent risk assessment and governance.

Approval authority is delegated across different tiers of management and Board-level committees, with the Board of Directors retaining the highest authority for approving credit proposals and delegating such authority to the Executive Committee and management, as appropriate.

Credit proposals are initiated by the respective business units, including Branches, Corporate & Investment Banking Division, SME Division, and Retail Division, and are subsequently forwarded to the Credit Risk Management Division (CRMD). The CRMD conducts comprehensive due diligence in accordance with the Bank's Credit Policy and relevant regulatory guidelines. Thereafter, the proposals are placed before the Credit Evaluation Committee (CEC) for review and recommendation.

Upon obtaining clearance from the CEC, the proposals are submitted by the CRMD, along with the Managing Director & CEO, to the Executive Committee (EC) or the Board of Directors for final approval, as per the delegated authority structure. Following approval by the competent authority, the Credit Risk Management Division issues the sanction letter to the concerned Branch, with a copy to the Credit Administration Division (CAD) for necessary action.

Credit Administration:

The Credit Administration Division (CAD) ensures that all required documentation and regulatory compliances are duly completed prior to disbursement, thereby minimizing potential credit risk. Branches submit requests to CAD for limit loading upon completion of necessary documentation, supported by the Loan Documentation Checklist (LDCL).

Furthermore, the Bank maintains continuous monitoring of borrowers' repayment behavior, compliance with pre-disbursement conditions, and adherence to covenants during the post-disbursement period, ensuring effective credit risk control throughout the lifecycle of the facility.

Credit Monitoring:

The Bank's loan portfolio, along with the classification status, is reviewed periodically and presented to senior management to highlight issues such as downgrades, overdue accounts, Special Mention Accounts (SMA), classified loans, and rescheduled facilities, as well as early alert items. This ensures that management is informed and can provide appropriate guidance on risk mitigation.

Branches are regularly communicated with through letters and circulars to ensure proper implementation of effective credit risk management practices, including strict adherence to the Bank's internal policies and the regulatory requirements of Bangladesh Bank.

Past Due/Over Due:

A claim that has not been paid as of its due date is termed as past due claim. Payment may be for repayment/renewal/rescheduling or as an installment of a loan. Loans will be treated as past due and or overdue in the following cases:

- Any Continuous Loan if not repaid/renewed within the fixed expiry date for repayment or after the demand by the Bank will be treated as past due/overdue from the following day of the expiry date.
- Any Demand Loan if not repaid within the fixed expiry date for repayment or after the demand by the Bank will be treated as past due/overdue from the following day of the expiry date.
- In case of any installment(s) or part of installment(s) of a Fixed Term Loan is not repaid within the fixed expiry date, the amount of unpaid installment(s) will be treated as past due/overdue from the following day of the expiry date.
- The Short-term Agricultural and Micro-Credit if not repaid within the fixed expiry date for repayment will be considered past due/overdue after six months of the expiry date.

For loan classification and the maintenance of specific and general provisions, the Bank follows the relevant circulars and directives issued by Bangladesh Bank from time to time. Provisions and interest suspense are presented separately under *Other Liabilities* in accordance with the First Schedule of the Bank Company Act, 1991 (as amended), rather than being netted off against loans. A summary of the objective criteria for loan classification and the corresponding provisioning requirements is provided below:

The Bank follows the approaches for calculating specific and general allowances as prescribed by the relevant **BRPD Circulars** issued by Bangladesh Bank from time to time

Particulars		Rate of Provision	
General Provision	STD-0, STD-1, STD-2	1%	for CMS-0.50%
	SMA	5%	
Specific Provision	SS	20%	
	DF	50%	
	B/L	100%	

Subjective/Qualitative Judgment for Loan Classification:

In addition to objective criteria, the Bank may classify a loan based on subjective judgment, considering factors such as uncertainty or doubt regarding repayment, persistent erosion of capital, adverse business or economic conditions, decline in the value of collateral, initiation of legal proceedings, and other relevant risks affecting recoverability.

Condition for Qualitative Judgment:

Classification		Conditions to be fulfilled
Special Mention	i)	Assets must be classified no higher than Special Mention if any of the following deficiencies of bank management is present: • The loan was not made in compliance with the Bank's internal policies; • Failure to maintain adequate and enforceable documentation; and/or • Poor control over collateral.
	ii)	Assets must be classified no higher than Special Mention if any of the following deficiencies of the obligor is present: • Occasional overdrawn within the past year; • Below-average or declining profitability; • Barely acceptable liquidity; and • Problems in strategic planning.
Sub-standard	i)	Assets must be classified no higher than Sub-standard if any of the following deficiencies of the obligor is present: • Recurrent overdrawn; • Low account turnover;

Classification		Conditions to be fulfilled
		• Competitive difficulties; • Location in a volatile industry with an acute drop in demand; • Very low profitability that is also declining; • Inadequate liquidity; • Cash flow less than repayment of principal and interest; • Weak management; • Doubts about integrity of management; • Conflict in corporate governance; • Unjustifiable lack of external audit; and • Pending litigation of a significant nature.
	ii)	Assets must be classified no higher than Sub-standard if the primary sources of repayment are insufficient to service the debt and the bank must look to secondary sources of repayment, including collateral.
	Iii)	Assets must not be classified above Sub-standard where the banking organization has acquired the exposure without adequate and reliable documentation regarding the obligor's net worth, profitability, liquidity, and cash flow, as required under the institution's lending policy, or where there are concerns about the authenticity or accuracy of such documentation.
Doubtful	:	Assets must be classified no higher than Doubtful if any of the following deficiencies of the obligor is present: • Permanent overdrawn; • Location in an industry with poor aggregate earnings or loss of markets; • Serious competitive problems; failure of key products; operational losses; • Liquidity, including the necessity to sell assets to meet operating expenses; • Cash flow less than required interest payments; very poor management; • Non-cooperative or hostile management; • Serious doubts of the integrity of management; • Doubts about true ownership; and • Complete absence of faith in financial statements.
Bad/Loss	:	Assets must be classified no higher than Bad/Loss if any of the following deficiencies of the obligor is present: • The obligor seeks new loans to finance operational losses; • Location in an industry that is disappearing; • Location in the bottom quartile of its industry in terms of profitability; • Technological obsolescence and very high losses; • Asset sales at a loss to meet operational expenses; • Cash flow less than production costs; • No repayment source except liquidation; • Presence of money laundering, fraud, embezzlement, or other criminal activity; and • No further support by owners.

Notwithstanding the applicable rules and regulations, the central bank retains the authority to classify any loan based on its supervisory judgment and may also direct the Bank to maintain additional provisions against non-performing loans, as deemed necessary.

Quantitative Disclosures:

b) Total gross credit risk exposures broken down by major types of credit exposure:

Amount in Million Tk.

Sln.	Major types of loans	2025	2024
1	Cash credit and overdrafts	30,310.31	27,912.75
2	Loans (General)	37,976.55	29,859.60
3	House building loan	1,070.56	1,239.11
4	Loan against trust receipt	2,771.54	1,980.45
5	Bills purchased and discounted	791.14	454.82
6	Other Loans	2694.73	4,930.95
	Total	**75,614.83**	**63,282.60**

c) Geographical distribution of exposures:

Amount in Million Tk.

Particulars	Name of Division	2025	2024
Region Based	Dhaka	64267.70	56,928.82
	Chattogram	5737.66	4,397.45
	Rajshahi	1014.68	942.96
	Sylhet	44.66	33.54
	Khulna	3709.11	3,271.10
	Rangpur	603.39	599.49
	Barisal	85.84	97.38
	Mymensing	151.79	106.93
	Total	**75,614.83**	**66,377.67**
Country Based	Domestic	**75,614.83**	**66,377.67**
	Overseas	-	-

d) Major industry-wise distribution of exposures:

The Bank's major industry-wise credit exposure as at December 31, 2025 is presented below. All exposures remained within the risk appetite limits approved by the Board of Directors.

Amount in Million Tk.

Sln.	Major Industry Types	2025	2024
1	Agriculture, fishing, forestry and dairy firm	644.75	116.18
2	Industry (Other than working capital)	10,725.29	11,690.24
3	Working capital financing	10,357.19	9,403.15
4	Export credit	6,911.40	5,315.97
5	Import credit	7,775.56	7,409.31
6	Commercial credit	8,481.10	4,474.94
7	Constructions	23,300.53	21,094.52
8	Transport and Communication	355.35	366.33
9	Consumer Credit	1,759.48	1,296.08
10	Others	5,304.19	5,210.96
	Total	**75,614.83**	**66,377.67**

e) Residual contractual maturity breakdown of the whole portfolio:

Amount in Million Tk.

Particulars	2025	2024
On demand	4,817.11	4,795.66
Less than three months	9,795.12	13,524.29
More than three months but less than one year	20,434.41	17,371.79
More than one year but less than five years	18,037.72	15,928.68
More than five years	22,530.47	14,757.25
Total	**75,614.83**	**66,377.67**

f) Major industry type amount of impaired loans:

Amount in Million Tk.

Particulars	2025	2024
Agriculture	-	66.40
Industry	867.31	101.99
Constructions	33.91	307.90
Power, Gas, Water & Sanitary Services	171.54	350.90
Transport, Storage & Communication	-	-
Trade Services	333.49	460.10
Housing Services	13.23	52.20
Banking & Insurance	-	136.70
Professional & Misc. services	83.44	52.60
Total	**1,502.92**	**1,528.79**

g) Gross Non-Performing Assets (NPAs)

Amount in Million Tk.

Particulars	2025	2024
Gross Non-Performing Assets (NPAs)	**1,502.92**	**1,528.79**
Nonperforming assets to outstanding loans and advances	1.99%	2.30%
Movement of Non-Performing Assets (NPAs):		
Opening balance	1,528.79	1,054.50
Additions/ (Reductions)	(25.87)	474.28
Closing balance	**1,502.92**	**1,528.79**
Movement of specific provisions for NPAs:		
Opening balance	538.15	714.11
Provision made during the period	483.50	516.60
Write off	(475.64)	(693.31)
Write back of excess provisions	27.58	0.75
Closing balance	**573.58**	**538.15**

E. EQUITIES: DISCLOSURES FOR BANKING BOOK POSITIONS

Qualitative Disclosures:

a) Banking book positions comprise assets that are acquired with the intention of being held until maturity. The Bank classifies unquoted equities under the banking book. As these equities are not traded in stock exchanges or secondary markets, they are recognized in the balance sheet at cost, and no revaluation reserve is maintained against such investments.

Quantitative Disclosures:

b) Values of investments as disclosed in the Balance Sheet:

Amount in Million Tk.

Particulars	Amount (Solo)	
	Cost Price	Market Price
Unquoted Share	43.80	43.80
Quoted Share	1.63	1.29

For Banking Book Equity

Amount in Million Tk.

Sln.	Particulars	Amount (Solo)
c)	The cumulative realized gains (losses) arising from sales and liquidations in the reporting period	-
d)	Total unrealized gains (losses)	(0.34)
	Total latent revaluation gains (losses)	-
	Any amounts of the above included in Tier 2 capital	-

e) **Capital Requirement**

Amount in Million Tk.

Particulars	Amount (Solo)
Unquoted Share	5.47
Quoted Share	0.26

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

Qualitative Disclosures:

Interest Rate Risk (IRR) arises from adverse movements in market interest rates that affect the Bank's interest-sensitive assets, liabilities, and off-balance sheet exposures, thereby impacting its financial condition. Changes in interest rates influence both the Bank's earnings (earnings perspective) and its net worth (economic value perspective). In the short term, such changes affect Net Interest Income (NII), while over the longer term they alter the present value of future cash flows, thereby affecting the Bank's economic value. Re-pricing risk, arising from timing mismatches between the maturities or re-pricing of assets and liabilities, is the most significant component of interest rate risk.

The Bank manages interest rate risk through gap analysis of rate-sensitive assets and liabilities, supported by prudential limits and stress testing. IRR in the Banking Book (IRRBB) is monitored on a monthly basis, and its impact on NII is regularly assessed. The Asset Liability Committee (ALCO) formulates appropriate strategies and policies in line with prevailing market conditions, with the objective of optimizing Net Interest Income while maintaining risk exposures within acceptable limits.

Quantitative Disclosures:

Gap analysis: Duration Gap

The objective of Duration Gap Analysis is to measure the Bank's exposure to interest rate risk by assessing the sensitivity of the Market Value of Equity (MVE) to changes in interest rates. It evaluates the extent to which fluctuations in market rates can impact the economic value of the Bank by analyzing the weighted average duration of assets and liabilities.

The duration gap indicates the degree of mismatch between the cash flow timings of assets and liabilities. A positive duration gap arises when the duration of assets exceeds that of liabilities, implying that the Bank is more sensitive to rising interest rates, which may lead to a decline in the Market Value of Equity.

Amount in Million Tk.

Sl.No.	Particulars	2025	2024
1	Weighted average duration of assets (DA) in years	2.38	2.44
2	Weighted average duration of liabilities (DL) in years	0.67	0.51
3	Duration gap (DA-DL) in years	1.73	2.02

Change of market value of equity due to increase in interest rates as of December 31, 2025

Amount in Million Tk.

Particulars	1%	2%	3%
Change in Market Value of Equity	(1,680.79)	(3,361.58)	(5,042.38)

Interest Rate Risk in the Banking Book under Simple Sensitivity Analysis:

The impact of 1% changes in interest rate sensitive assets and liabilities of the Bank as of December 31, 2025 under earnings perspective with Simple Sensitivity Analysis:

Amount in Million Tk.

Particulars	3 months	6 months	1 year	Above 1 year
Interest sensitive assets	29,641.74	6,647.94	13,295.87	31,766.51
Interest sensitive liabilities	19,979.20	4,849.11	9,698.23	30,780.17
Net gap	9,662.53	1,798.82	3,597.64	986.33
Cumulative gap	9,662.53	11,461.36	15,059.00	16,045.33
Interest rate changes	1%	1%	1%	1%
Yearly earnings impact	96.63	17.99	35.98	9.86
Accumulated earnings impact	96.63	114.61	150.59	160.45

G) Market Risk

Qualitative Disclosures:

a) View of the Board of Directors on trading/investment activities:

Market risk arises from adverse movements in key market variables such as interest rates, foreign exchange rates, equity prices, and commodity prices. Financial instruments held for trading purposes or for hedging various risks are particularly exposed to market risk, as they are typically acquired to generate profit from bid-ask spreads and short-term price fluctuations.

MMBPLC’s exposure to market risk primarily originates from its holdings of Government Treasury Bills and Bonds, as well as positions in foreign currencies. Changes in interest rates and exchange rates can significantly impact the value of these instruments, thereby affecting the Bank’s overall financial performance.

Methods used to measure Market Risk:

There are several methods available to measure market risk, and the Bank applies those that are most appropriate for a given scenario. To assess interest rate risk from an earnings perspective, the Bank employs maturity gap analysis**,** duration gap analysis**,** sensitivity analysis, and the mark-to-market (MTM) method. For measuring foreign exchange risk, the Bank utilizes Value at Risk (VaR) analysis to quantify potential losses arising from adverse currency movements.

The Bank applies the standardized (rule-based) approach to calculate the capital charge for market risks, which forms part of the minimum capital requirement under Basel III.

Market Risk Management System:

The Bank has its own Market Risk Management System which includes Asset Liability Risk Management (ALM) and Foreign Exchange Risk Management under the core risk management guidelines.

Asset Liability Management (ALM): The ALM policy specifically deals with liquidity risk management and interest rate risk management framework.

Foreign Exchange Risk Management: Foreign exchange risk arises when the Bank is involved in foreign currency transactions. These include foreign currency exchange, placement, investments, loans, borrowings and different contractual agreements. We use different hedging techniques to mitigate foreign exchange risks exposed to the Bank.

Policies and processes for mitigating market risk:

- Risk Management and reporting is based on parameters such as Maturity Gap Analysis, Duration Gap Analysis, VaR etc, in line with the global best practices.
- Risk Profiles are analyzed and mitigating strategies are suggested by the Asset Liability Committee.
- Foreign Exchange Net Open Position (NOP) limits (Day limit / Overnight limit), deal-wise trigger limits, Stop-loss limit, Profit / Loss in respect of cross currency trading are properly monitored and exception reporting is regularly carried out.
- Holding equities is monitored regularly so that the investment remains within the limit as set by Bangladesh Bank.
- ALCO analyzes market and determines strategies to attain business goals.
- Reconciliation of foreign currency transactions.

Quantitative Disclosures:

b) The capital requirements:

Amount in Million Tk.

Particulars	2025	2024
Interest rate risk	58.07	38.31
Equity position risk	0.26	0.32
Foreign exchange risk	79.11	7.14
Total	**137.44**	**45.77**

H. OPERATIONAL RISK

Qualitative Disclosures:

a) **View of the Board of Directors on system to reduce Operational Risk:**

Operational Risk refers to the potential for loss arising directly or indirectly from failures in systems, human resources or processes. This definition encompasses legal risk but excludes strategic and reputational risk. The Bank mitigates operational risk through a robust control-based framework, where processes are thoroughly documented, authorizations are independently verified and transactions are continuously reconciled and monitored.

All functions whether business, control or logistics are responsible for managing the operational risks inherent in their activities. These risks are pervasive as a failure in one area can potentially affect multiple other areas. To address this, the Bank has established a cross functional governance body dedicated to the proactive management of operational risk, ensuring a coordinated and comprehensive approach across the organization.

The foundation of the Bank’s operational risk framework lies in the clear definition of roles and responsibilities across all functions. This clarity enables the collective assurance of adequate segregation of duties, comprehensive risk coverage and transparent accountability. The framework is reinforced through periodic reviews conducted by ICCD and by monitoring external operational risk events ensuring that the Bank remains aligned with international best practices.

Performance Gap of Executives and Staffs:

MMBPLC is committed to being an equal opportunity employer**.** We recognize that achieving organizational goals requires placing the right people in the right positions. Our recruitment and selection processes are guided by the principles of fairness, transparency and diversity, ensuring that all candidates are evaluated equitably and that our workforce reflects a broad range of perspectives and talents.

The Bank believes that continuous training and knowledge sharing are essential to bridging knowledge gaps. Accordingly, it organizes regular training programs to enhance employees’ expertise and professional growth. Compensation is structured to remain competitive, with pay packages determined by performance and merit. The Bank is committed to fostering a culture where employees can apply their talents and knowledge with integrity, upholding the highest ethical standards. This approach not only adds value to the organization but also contributes positively to the broader economy.

- **Performance Management Program**

Modhumoti Bank PLC has established a comprehensive performance management program designed to evaluate employees' annual performance against defined business targets. This appraisal process not only measures achievement but also identifies competency gaps and training needs. All regular employees excluding those under probation or training participate in the annual performance appraisal. The process ensures that supervisors provide clear, constructive feedback on both performance and professional capabilities, supporting employees' long-term career development and enhancing their contribution to organizational success.

- **Diversity in Workplace**

Modhumoti Bank PLC firmly believes that diverse and heterogeneous teams foster greater creativity, innovation, and business growth. An inclusive culture sustains and advances workforce diversity by encouraging the exchange of ideas and collaboration among individuals and across groups. Put simply, the Bank's continued success depends on maintaining a plurality of perspectives. The composition of employees by age group and gender as of 2025 is presented below:

01.	Gender diversity among members of the Board of Directors	No. of male members-14	
		No. of female members-02	
02.	Gender diversity among permanent employees	i. Entry level	No. of male employees- 274
			No. of female employees-145
		ii. Mid-level	No. of male employees- 398
			No. of female employees- 13
		iii. Senior Management	No. of male employees- 13
			No. of female employees- 01
03	Gender breakdown by age group for permanent employees	i. < 30 years	No. of male employees- 94
			No. of female employees- 33
		ii. 30-50 years	No. of male employees- 555
			No. of female employees- 123
		iii. > 50 years	No. of male employees- 36
			No. of female employees- 3

Potential External Events (Banking Sector Outlook – 2026)

• Liquidity stress may intensify due to prolonged tight monetary policy, inflationary pressures, and elevated risk aversion in the financial system;

• Deposit growth may remain sluggish as customers shift toward inflation-hedged assets amid rising price levels triggered by global energy shocks;

• Escalation of the Iran–U.S. conflict may disrupt global oil supply chains, particularly through the Strait of Hormuz, leading to higher fuel prices and imported inflation;

• Sustained high oil prices may increase operating costs across industries, weakening borrowers' repayment capacity and increasing credit risk in banks' portfolios;

• Global inflationary pressures arising from energy and commodity price shocks may force central banks to maintain higher interest rates for longer, increasing borrowing costs and suppressing credit demand;

• Exchange rate volatility may intensify in emerging markets, including Bangladesh, due to capital outflows and higher global risk premiums linked to geopolitical tensions;

• Pressure on foreign exchange reserves may increase due to higher import bills (especially fuel and commodities) and slower export growth;

• Trade finance operations may be adversely affected due to disruptions in global shipping routes and higher logistics costs linked to Middle East instability;

• Heightened geopolitical uncertainty may trigger "risk-off" sentiment in global markets, reducing capital inflows and increasing funding constraints for banks;

• Compliance risks may increase significantly due to stricter sanctions regimes, asset freezes, and enhanced scrutiny of cross-border transactions involving high-risk jurisdictions;

• AML/CFT and sanctions screening requirements may become more complex and costly, increasing operational burden and reputational risk for banks;

• Credit risk may rise across sectors—particularly energy-dependent, import-oriented, and consumer-driven industries—due to reduced demand and higher input costs;

• Volatility in global and domestic capital markets may persist, limiting banks' ability to raise capital through bonds, subordinated debt, or equity instruments;

• Increased government borrowing to manage fiscal stress (subsidies, energy support, etc.) may crowd out private sector credit;

• Continued depreciation of local currency combined with inflationary pressures may erode depositor confidence and shift savings behavior;

• Cyber security and operational risks may increase as geopolitical conflicts extend into cyber domains targeting financial infrastructure;

• Global financial fragmentation and potential shifts away from traditional payment systems may complicate cross-border settlements and correspondent banking relationships;

• ESG and climate-related regulatory expectations may tighten further, while banks face resource constraints in implementing these frameworks alongside crisis management priorities.

Policies and processes for mitigating operational risk:

The Operational Risk Management Function is responsible for monitoring, coordinating, and reporting on operational risks, as well as developing the necessary framework, models, and methodologies. The Bank systematically identifies and assesses operational risks inherent in all material products, activities, processes, and systems. Prior to the introduction of any new products, activities, processes, or systems, the Bank ensures that adequate risk assessment procedures are conducted. Operational risks are mitigated through the definition, documentation, and continuous updating of business processes. The Bank also enforces strict rules governing the assignment of duties and responsibilities within and across functions, supported by a robust system of internal control and supervision. A core principle of workflow organization is the segregation of business-generating functions from recording and monitoring functions. Additionally, the continuous development and enhancement of strategic information and communication systems serve as a critical factor in strengthening operational risk mitigation.

The Bank has adopted comprehensive policies to manage various aspects of operational risk. In line with regulatory requirements, the Bank strictly adheres to Know Your Customer (KYC) norms in all customer interactions and banking operations. Oversight is further strengthened through inspections conducted by the Audit & Inspection Unit of the Internal Control and Compliance Division, inspection teams from Bangladesh Bank, and external auditors. These inspections cover branches and head office divisions, with findings formally reported. The Bank takes prompt corrective actions and implements necessary control measures based on the recommendations and observations provided in these reports, thereby reinforcing its commitment to sound risk management practices.

Approach for calculating capital charge for operational risk:

Modhumoti Bank PLC applies the Basic Indicator Approach (BIA) under Basel II, as prescribed by Bangladesh Bank in the revised RBCA Guidelines. Under this approach, the Bank calculates the average annual Gross Income (GI) over the preceding three years and multiplies the result by 15% to determine the required capital charge. Gross Income is defined as the sum of Net Interest Income and Net Non-Interest Income for a given year, or alternatively, the Bank's Total Operating Income with certain prescribed adjustments.

- Be gross of any provision (e.g. for unpaid interest),
- Be gross of operating expenses, including fees paid to outsourcing service providers,
- Exclude realized profits/losses from sale of securities held to maturity in the banking book,
- Exclude extraordinary or irregular items,
- Exclude income derived from insurance and
- Include lost interest i.e. interest suspense on SMA and classified loans.

Quantitative Disclosures:

a) **Capital requirement for operational risk**

Amount in Million Tk.

Particulars	Solo	
	2025	2024
The capital requirements for operational risk	573.05	495.80

Calculation of Capital Charge for Operational Risk: Basic Indicator Approach

Amount in Million Tk.

Year	Gross Income (GI)	Average GI	15% of Average GI
2025	3,442.15	3,820.33	573.05
2024	4,587.72		
2023	3,431.11		
Total	**11,460.98**	**3,820.33**	**573.05**

I. LIQUIDITY RATIO

Qualitative Disclosures:

Views of BOD on system to reduce liquidity Risk:

Liquidity Risk refers to the possibility that a bank may be unable to meet its short-term financial obligations. This risk arises when the institution cannot readily convert securities or fixed assets into cash without incurring a loss of capital and/or income in the process.

In recent years, Banks have faced a wide range of challenges, many of which stem from evolving regulatory requirements. To remain profitable, it is not sufficient for a Bank to merely comply with these regulations; it must also optimize its business model within the regulatory framework. In alignment with this objective, Modhumoti Bank PLC has introduced key regulatory ratios under Basel III—specifically, the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR) as directed by the Board of Directors. These measures strengthen the Bank's resilience and ensure sustainable growth while maintaining compliance with international standards.

To mitigate liquidity risk, the Board of Directors of Modhumoti Bank PLC has established an Asset Liability Committee (ALCO) and an All Risk Committee at the management level, in accordance with the guidelines of Bangladesh Bank. ALCO is tasked with regularly monitoring and ensuring the Bank's liquidity position. As part of its strategic approach, management has prioritized retail and individual (small) deposits over large corporate deposits to strengthen funding stability. In addition, the Bank prepares contingency plans to address extraordinary liquidity risk scenarios, supported by comprehensive scenario analyses. These measures collectively reinforce the Bank's resilience and ability to manage liquidity challenges effectively.

Methods used to measure Liquidity risk:

Liquidity mismatch profile:

The primary tool for monitoring liquidity risk is **maturity mismatch analysis**, which provides a profile of expected future cash flows under predefined scenarios. The Bank conducts liquidity mismatch profiling on a continuous basis, and the results are subject to oversight by the Treasury, the Asset-Liability Committee (ALCO), the Risk Management Division, and ultimately the Executive Risk Management Committee.

Stress testing:

The Bank undertook stress testing and scenario analysis periodically to determine the stress situations on the liquidity of the Bank and ultimate impact of the liquidity risk on the fund management of the Bank.

Liquidity Coverage Ratio (LCR):

The Liquidity Coverage Ratio (LCR) is designed to ensure that banks maintain an adequate level of unencumbered, high-quality liquid assets that can be readily converted into cash to meet liquidity requirements over a 30-day calendar period. The LCR assesses the sufficiency of liquid assets under stressed conditions, where deposits and other funding sources both secured and unsecured—may experience varying degrees of runoff, and where unused credit facilities may be drawn down to different extents.

$$\text{LCR} = \frac{\text{Stock of high quality liquid assets}}{\text{Total net cash outflows over the next 30 days}} \geq 100$$

Stock of high quality liquid asset (SHQLA):

The following components are included in the computation of SHQLA -

1. Cash on hand (Lcy + Fcy)
2. Balance with BB (Lcy+ Fcy, excluding lien)
3. Un-encumbered approved securities (excluding lien)

Net Stable Funding Ratio (NSFR):

The Net Stable Funding Ratio (NSFR) is designed to mitigate excessive dependence on short-term wholesale funding during periods of ample market liquidity. It also seeks to promote a more comprehensive evaluation of liquidity risk across both on-balance sheet and off-balance sheet exposures. The regulatory standard requires that the ratio must not fall below 100 percent, signifying that a bank's available stable funding (ASF) should be at least equal to its required stable funding (RSF).

$$\text{NSFR} = \frac{\text{Available amount of stable funding (ASF)}}{\text{Required amount of stable funding (RSF)}} \geq 100$$

Liquidity risk management system:

Liquidity risk management constitutes a fundamental banking function and forms an essential component of the asset and liability management framework. The primary role of banks is to perform maturity transformation, whereby short-term deposits (liabilities) are converted into long-term loans (assets). This structural characteristic inherently exposes banks to liquidity risk. The transformation process generates mismatches between the maturities of assets and liabilities on the balance sheet, which must be carefully managed through the prudent allocation of available liquidity. This ongoing practice is referred to as liquidity risk management.

The principal objective of liquidity risk management is twofold: first, to proactively evaluate the institution's prospective funding requirements in order to meet its obligations; and second, to ensure the timely availability of cash or eligible collateral to satisfy those requirements. This is achieved by effectively coordinating and mobilizing the various funding sources accessible to the institution under both normal operating conditions and periods of financial stress.

Policies and processes for mitigating liquidity risk:

The Bank has established a Treasury Policy, a Contingency Funding Plan, and a Wholesale Borrowing and Funding Policy to mitigate liquidity risk. To ensure effective liquidity risk management, the Board of Directors and senior management implement the following processes within the institution:

The Bank maintains a structured policy framework that defines its liquidity risk tolerance, funding strategies, and contingency measures. Governance oversight is exercised through active monitoring of liquidity positions and approval of funding strategies by the Board and management. Liquidity risk is identified through continuous assessment of asset–liability mismatches, market conditions, and off-balance sheet exposures. Stress testing is conducted regularly to evaluate resilience under adverse scenarios. A contingency funding plan is maintained to secure access to emergency liquidity when required. Monitoring and reporting mechanisms ensure compliance with regulatory requirements and provide timely information to management and regulators. Finally, diversification of funding sources is pursued to reduce concentration risk and strengthen funding stability.

This integrated approach enables the Bank to safeguard against liquidity shocks, maintain financial stability, and uphold regulatory compliance.

- **Liquidity risk tolerance:** Bank set liquidity risk tolerance (Management Action Trigger) e.g. Maximum Cumulative Outflow (MCO) at 15.50%, AD Ratio at 80%, LCR at 110%, NSFR at 110% etc.;
- Maintaining adequate levels of liquidity considering the average daily withdrawal by the customers;
- Identification and measurement of contingent liquidity risks arising from unseen scenarios.

- **Contingency funding plan:** Contingency funding plans incorporate events that could rapidly affect the bank's liquidity arising from sudden inability to call back long-term loans and advances, or the loss of a large depositor or counterparties.
- Public disclosure in promoting market discipline under Pillar 3 of Basel III.

Quantitative Disclosures:

Amount in Million Tk.

Particulars	2025	2024
Liquidity Coverage Ratio (LCR)	157.65%	165.18%
Net Stable Funding Ratio (NSFR)	114.45%	121.93%
Stock of High quality liquid assets	28,475.90	26,584.55
Total net cash outflows over the next 30 calendar days	18,063.01	16,094.04
Available amount of stable funding	97,645.63	88,325.68
Required amount of stable funding	85,317.49	72,441.11

J. Leverage Ratio

Qualitative Disclosures:

Views of BOD on system to reduce excessive leverage:

Excessive leverage within the banking sector is widely regarded as a significant contributor to the global financial crisis of 2008. In response, the international regulatory community introduced a non-risk-based capital measure, known as the leverage ratio, as an additional prudential safeguard to complement minimum capital adequacy requirements. Consequently, the leverage ratio was incorporated under the Basel III framework. The leverage ratio represents the proportion of Tier 1 capital to the total exposure of the Bank, calculated without applying risk weights. For the year 2025, the minimum requirement has been set at 3.75 percent. Under Basel III, this simple, transparent, and non-risk-based regulatory measure was established to achieve the following objectives:

- Limit leverage within the banking sector, thereby mitigating the risk of destabilizing deleveraging processes that could adversely affect the financial system and the broader economy;
- Enhance safeguards against model risk and measurement errors by complementing the risk-based framework with a straightforward, transparent, and independent risk measure.

The Board Risk Management Committee regularly reviews the leverage ratios and advice the management to strictly monitor the ratio in addition to the Pillar 1 Minimum Capital Requirement.

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

The Bank regularly reviews its leverage position in accordance with the Guidelines on Risk-Based Capital Adequacy, reflecting the revised regulatory capital framework aligned with Basel III. Additionally, the Bank defines its risk appetite through the Credit Risk Management Policy and the Risk Appetite Framework. To manage excessive on- and off-balance-sheet leverage, the Bank also implements its Annual Budget Plan **and** Capital Growth Plan.

Approach for calculating exposure:

The Bank calculates the exposure under standardized approach as per the Guidelines on Risk Based Capital Adequacy (revised regulatory capital framework for banks in line with Basel III).

Quantitative Disclosures:

Amount in Million Tk.

Particulars	2025	2024
Leverage Ratio	6.31%	7.82%
On balance sheet exposure	113,209.54	98,574.30
Off balance sheet exposure	24,435.20	21,766.99
Total exposure	**137,644.74**	**120,341.29**

K. Remuneration

Qualitative Disclosures:

a) Information relating to the bodies that oversee remuneration

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

The Board of Directors of the Bank oversees the remuneration of both employees and Board members. The Bank does not maintain a separate committee for remuneration matters; instead, the Board directly determines competitive salaries and bonuses for employees. Remuneration for Board members is provided in accordance with the guidance of Bangladesh Bank.

The Bank's remuneration strategy is designed to competitively reward the achievement of long-term sustainable performance and to attract and retain highly skilled individuals committed to pursuing a long-term career with the Bank while acting in the best interests of shareholders.

To support this objective, the Bank emphasizes effective governance of its remuneration practices. Oversight by the Board ensures that compensation is aligned with the Bank's business strategy, with performance assessed not only on short- and long-term results but also on how outcomes are achieved, reflecting the Bank's commitment to the long-term sustainability of its business.

External consultants for remuneration process:

There is no external consultant in the bank for setting remuneration for its employees of the Bank.

Scope of the Bank's remuneration policy:

The Board formulates various policies, including the HR Policy, Increment Policy, Promotion Policy, Provident Fund Policy, and Gratuity Fund Policy, which collectively support and supplement employee remuneration.

The Board periodically reviews the adequacy and effectiveness of the Bank's remuneration policies to ensure they remain commercially competitive, financially sustainable, and flexible in response to prevailing circumstances, while maintaining alignment with effective risk management practices.

Types of employees considered as material risk takers and as senior managers:

A total of 62 employees are identified as material risk takers, including the Managing Director & CEO, Chief Risk Officer, Chief Operating Officer, Chief Business Officer, Head of Treasury, Head of Corporate & Investment Banking Division, and 56 Branch Managers.

In addition, employees at the level of Executive Vice President (EVP) and above are considered senior managers, who play a key role in driving the Bank's strategic objectives. Accordingly, the Bank currently has 13 senior managers operating across various functions.

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

Overview of the key features and objectives of remuneration policy:

Key features of the remuneration policy and the structure of remuneration process of the Bank are noted below:

Fixed pay	:	The purpose of fixed pay is to attract and retain talent by offering market-competitive compensation commensurate with the role, skills, and experience required for the Bank's operations. Fixed pay comprises salary, fixed allowances, cash in lieu of pension, and other cash benefits in line with local market practices. These payments are guaranteed and not linked to performance.
Benefits	:	The Bank provides employee benefits in line with prevailing industry practices. These include, but are not limited to, provident fund, gratuity fund, medical allowances, transport loans, and house-building loans, among other benefits.
Annual incentive	:	The Bank provides annual incentives linked to the achievement of its business and profit targets. These performance-based incentives are designed to reward employees for contributing to the Bank's overall success. Bonuses are paid based on the employee's most recent basic salary. However, for the Managing Director & CEO, the bonus is subject to a maximum limit of Tk. 10.00 lakh per annum, in accordance with the guidelines of Bangladesh Bank.

Only cash, and cash equivalent remuneration shall be permitted – no equity or equity linked payments are permitted in the Bank.

Objectives of remuneration policy:

The primary objectives of the Bank's remuneration policy are to attract, retain, and reward talented employees and management by providing competitive compensation within the industry. The policy is designed to motivate management to achieve the Bank's business objectives, encourage high performance, and ensure that the interests of management are aligned with those of the shareholders.

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:

The Bank does not have a Remuneration Committee composed of Board members. However, the Board of Directors establishes and periodically reviews policies related to employee remuneration as necessary. For the year 2025, the Board has approved a performance bonus for eligible employees of the Bank.

Whether risk and compliance employees are remunerated independently of the businesses they oversee:

The Bank has no separate policy for remuneration of the risk and compliance employees of the Bank.

c) Description of the ways in which current and future risks are taken into account in the remuneration processes

Overview of the key risks that the Bank takes into account when implementing remuneration measures:

The Bank's policy ensures that the level and structure of remuneration are appropriate and equitable, taking into account competitive market forces and the interests of the Bank and its shareholders, while maintaining a clear link between compensation and performance in both current and future environments.

In determining employee salaries, the Bank takes into account general inflation, industry pay structures, and the national pay scale. Ensuring a competitive compensation structure is critical, as failure to do so may lead to the attrition of talented employees, which could negatively impact the Bank's operations and business performance.

Overview of the nature and type of the key measures used to take account of these risks, including risks difficult to measure:

The management proposes competitive remuneration along with non-financial benefits, such as promotions and training opportunities, to maintain the employee turnover rate within acceptable limits. In certain cases, where factors such as creativity, customer support and commitment are difficult to quantify, the management applies qualitative judgment in determining remuneration, particularly annual incentives and bonuses.

A discussion of the ways in which these measures affect remuneration:

Qualitative judgment may influence remuneration, as certain aspects cannot be directly measured.

A discussion of how the nature and type of these measures has changed over the past year and reasons for the change, as well as the impact of changes on remuneration:

No changes have been made to the nature or type of measures used in considering key risks when implementing remuneration.

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

An overview of main performance metrics for bank, top-level business lines and individuals:

Staff undergo annual performance management reviews, with remuneration including bonuses aligned to the outcomes. These reviews are based on the Annual Confidential Report (ACR), Annual Performance Appraisal Report (APR), and individual business performance.

A discussion of how amounts of individual remuneration are linked to bank-wide and individual performance:

Modhumoti Bank PLC.
Your Access to Success

Remuneration is tied to bank-wide business performance, including the achievement of profit and loans & advances targets, which directly affect the number and amount of incentive bonuses for the year.

Salary increases occur only if both the Bank's overall performance is positive and the employee exceeds performance expectations.

A discussion of the measures the Bank will in general implement to adjust remuneration in the event that performance metrics are weak:

If the Bank's performance metrics are weak, remuneration increases may not occur despite individual achievements. In such cases, management takes steps to improve performance metrics to prevent prolonged impact on employees' remuneration

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

The Bank's policy on deferral and vesting of variable remuneration is discussed, including an explanation of factors determining the fraction of deferred remuneration. If the deferred portion varies among employees or groups, the policy outlines the factors influencing this variation and their relative importance.

The Bank offers Provident Fund and Gratuity Fund contributions as forms of deferred payment. It does not provide any deferred variable remuneration.

A discussion of the bank's policy and criteria for adjusting deferred remuneration before vesting and (if permitted by national law) after vesting through claw back arrangements:

The Bank does not have clawback arrangements for deferred remuneration (e.g., PF, GF). However, in exceptional cases, management may reclaim vested deferred remuneration.

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

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

The Board may declare a general annual incentive if the Bank meets its business targets. Employees who exceed performance expectations may receive additional variable remuneration. All remuneration is paid in cash.

A discussion of the use of the different forms of variable remuneration and, if the mix of different forms of variable remuneration differs across employees or groups of employees, a description the factors that determine the mix and their relative importance:

The most common forms of variable pay are bonuses and incentives. Contractual employees are not eligible for variable remuneration.

Quantitative Disclosures:

g) Meetings of main body overseeing remuneration and remuneration paid to its member during 2025

Amount in Million Tk.

Particulars	Number	Remuneration
Number of meetings held of Board of Directors	**11**	3.07

h) Variable remuneration, bonuses and other payments during 2025

Amount in Million Tk.

Particulars	Number	Amount
Employees having received a variable remuneration award (Profit Bonuses)	1	75.57
Guaranteed bonuses awarded (Festival Bonuses)	2	72.76
Sign-on awards made	-	-
Severance payments made (PF, GF, Leave Encashment)	PF 40 GF 25 Leave 34	55.18

i) Deferred remuneration in 2025

Amount in Million Tk.

Particulars	Amount
Total amount of outstanding deferred remuneration (PF, GF etc.):	
Cash	481.30
Shares	
Share-linked instruments & others	
Total amount of deferred remuneration paid out in 2023	55.18

j) Breakdown of amount of remuneration

Amount in Million Tk.

Particulars	Amount
Breakdown of amount of remuneration:	
Fixed (Salary & allowances)	1,062.89
Variable (Incentive Bonuses)	75.57
Deferred (PF, GF)	55.18
Non-deferred	-
Different forms used	
Cash	1,193.64
Shares	-
Share-linked instruments & others	-

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

Amount in Million Tk.

Particulars	Amount
Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit and/or implicit adjustments	-
Total amount of reduction during 2024 due to ex post explicit adjustments	-
Total amount of reduction during 2024 due to ex post implicit adjustments	-