UNION BANK LTD
SHARIAH BASED BANK

Market Discipline:
Disclosures on Risk Based Capital (Basel-II) as on 31.12.2014

Background:

The detailed qualitative and quantitative disclosures are provided in accordance with Guidelines on Risk Based Capital Adequacy by Bangladesh Bank. The purpose of these requirements is to complement minimum capital requirement and Supervisory review process. These disclosures are intended for more transparent and more disciplined financial market where the participants can assess key information about the Bank's exposure to various risks.

The disclosures of the Bank under Basel-II requirements based on the position as of 31.12.2014 are presented as per the guidelines of Bangladesh Bank vide BRPD Circular No.24 dated 03.08.2010 and No. 35 dated 29.12.2010 on "Risk Based Capital Adequacy on Banks". These disclosures are intended for stake holders to access key information about the Bank's exposure to various risks and to provide a consistent & understandable framework for easy comparison among peer banks operating in the market.

Validation & Consistency:

The disclosures (qualitative and quantitative) under the revised Risk Based Capital Adequacy (RBCA) framework as advised by Bangladesh Bank, is based on the audited financial position of the bank as of 31 December 2014. Since these disclosures are based on audited financial statements, these are easily verifiable.

Scope of Application:

The name of the corporate entity to which these guidelines applies is Union Bank Limited (on 'Solo' basis).

Disclosure framework:

According to the revised Risk Based Capital Adequacy Guidelines the Bank requires general qualitative disclosure for each separate risk area (e.g. Investment, market, operational, banking book interest rate risk, equity). The Bank must describe their risk management objectives and policies, including:

•Strategies and processes;
•The structure and organization of the relevant risk management function;
•The scope and nature of risk reporting and/or measurement systems;
•Policies for hedging and/or mitigating risk and strategies and processes for monitoring the continuing effectiveness of hedges/mitigations.

The following components set out in tabular form are the disclosure requirements:

A) Scope of Application
B) Capital Structure
C) Capital Adequacy
D) Credit Risk
E) Equities: Disclosures for Banking Book Positions
F) Profit Rate Risk in Banking Book (PRRBB)
G) Market Risk
H) Operational risk

1) Scope of Application

Qualitative disclosure		
a)	The name of the top corporate entity in the group to which this guidelines applies.	Union Bank Limited
b)	An outline of differences in the basis of consolidation for accounting and regulatory purposes, with a brief description of the entities within the group (a) that are fully consolidated; (b) that are given a deduction treatment; and (c) that are neither consolidated nor deducted (e.g. where the investment is risk weighted).	Union Bank Limited (UNBL) was incorporated on 07.03.2013 as a private limited company and started its banking business under the license issued by Bangladesh Bank. Presently the Bank has 27 (Twenty Seven) branches with fully online facility. Considering huge demand of Shariah Based Banking across the country as well as growing demand of quality service in banking we found mammoth respond of our Banking service. To unlock the potentials of missing middle income group who are beyond the coverage of corporate banking service and to focus on rural & micro economic developments we devolved our product & service in line with this. Modern Technology as well as environmental issues was also considered. At present we are following the accounting on solo basis with no deduction as we have no subsidiaries.
c)	Any restrictions, or other major impediments, on transfer of funds or regulatory capital within the group.	Not Applicable
d)	The aggregate amount of capital deficiencies in all subsidiaries not included in the consolidation that are deducted and the name(s) of such subsidiaries.	Not Applicable

2) Capital Structure

Qualitative disclosure		
a)	Summary information on the terms and conditions of the main features of all capital instruments, especially in the case of capital instruments eligible for inclusion in **Tier 1** or in **Tier 2**.	The terms and condition of the main feature of all capital instrument have been segregated in terms of the eligibility criteria set forth vide BRPD circular No 35 dated 29 December 2010 and other relevant instructions given by Bangladesh Bank from time to time. The main features of the capital instruments are as follows: **Tier-1 capital instruments:** Paid up share capital, Share Premium, Statutory Reserve, Dividend equalization account, Retained earnings. **Tier-2 Capital** consists of (i) General Provision against unclassified Investments, Off-balance sheet exposure & Off-shore banking Units), 50% of Asset revaluation reserve, 50% of Revaluation gain/loss on investment (HFT), 10% of Revaluation reserve for equity instruments, Exchange equalization fund etc.

Qualitative disclosure			
b)	**The amount of Tier-1 capital with separate disclosure of:**	**Fig. in Crore**	
		Solo	**Consolidated**
c)	I. Fully Paid up capital	428.00	-
	II. Non repayable share premium account	0.00	-
	III. Statutory reserve	7.56	-
	IV. General reserve	14.57	-
	V. Retained earnings	12.23	-
	VI. Minority interest in subsidiaries	0.00	-
	VII. Non-cumulative irredeemable preference shares	0.00	-
	VIII. Dividend equalization account	0.00	-
	Sub-Total (A)	**462.36**	-
d)	**The total amount of Tier 2 and Tier 3 capital (B)**	32.00	-
e)	Other deductions from capital	0.00	-
f)	**Total eligible capital (A+B)**	**494.36**	-

3) Capital Adequacy

Qualitative disclosure		
a)	A summary discussion of the bank's approach to assessing the adequacy of its capital to support current and future activities.	i). Bangladesh Bank adopted Basel-1 for credit risk through BRPD circular No. 01 dated January 08, 1996. Bank fully complied Basel-I capital requirement. ii). A Quantitative Impact Study (QIS) was done by Bangladesh Bank to implement the Basel-II in Bangladesh in 2007

		iii). To implement Basel-II, Bangladesh Bank has published Roadmap on December 30, 2007 and Basel-II Guidelines through BRPD circular No.09 dated December 31, 2008. iv). Bangladesh Bank has recognized External Credit Assessment Institutions (ECAIs) through BRPD circular No. 05 dated April 29, 2009. v). As per Section 13(2) of the Bank Companies Act 1991and instruction contained in BRPD circular No. 35 dated 29 December 2010 (Guidelines on "Risk based Capital Adequacy for Banks) revised regulatory capital frame work in line with Basel II. vi). Union bank is able to maintain capital adequacy ratio (CAR) at 14.31% on SOLO basis against the regulatory minimum level of 10.00%. Tier-I capital adequacy ratio under "Solo" basis is 13.38% against the minimum regulatory requirement of 5%. Bank's policy is to manage and maintain its capital with the objective of maintaining strong capital ratio and high rating. The Bank also ensures that the capital levels comply with regulatory requirements and satisfy the external rating agencies and other stakeholders including depositors. The whole objective of the capital management process in the Bank is to ensure that the Bank remains adequately capitalized at all times.

Qualitative disclosure

	Particulars	**Fig. in Crore**	
		Solo	**Consolidated**
b)	Capital requirement for credit risk	333.43	-
c)	Capital requirement for market risk	1.72	-
d)	Capital requirement for operational risk	10.38	-
e)	Total and Tier 1 capital ratio:	-	-
	• For the consolidated group; and	-	-
	• For stand alone	93.53%	-
	Minimum capital requirement	400.00	-
	Total Risk Weighted Assets (RWA)	3455.28	-
	Total and Tier-1 Capital Ratio:		-
	• Total CAR	14.31%	-
	• Tier-1 CAR	13.38%	-
	• Tier-2 CAR	0.93%	-

4) Credit Risk

Qualitative disclosure		
a) The General Qualitative disclosure requirement with respect to credit risk, including:		
	Definitions of past due and impaired (for accounting purposes):	To define past due and impairment through classification and provisioning, the bank follows Bangladesh Bank Circulars and Guidelines. The summary of some objective criteria for investment/loan classification and provisioning requirement as stipulated by the central bank BRPD circular no. 14 dated 23 September 2012 and BRPD circular no.16 dated 18 November 2014 are as below:

i) Description of approaches followed for specific and general allowance and statistical methods:

Type of Facility	Loans Classification					
	Sub Standard		Doubtful		Bad & Loss	
	Overdue Period	Provision (%)	Overdue Period	Provision (%)	Overdue Period	Provision (%)
Continuous Loan	3 months or more but less than 6 months	20%	6 months or more but less than 9 months	50%	9 months or more	100%
Demand Loan	3 months or more but less than 6 months	20%	6 months or more but less than 9 months	50%	10 months or more	100%
Fixed Term Loan more than Tk. 10 lac	3 months or more but less than 6 months	20%	6 months or more but less than 9 months	50%	11 months or more	100%
Fixed Term Loan up to Tk. 10 lac	6 months or more but less than 9 months	20%	9 months or more but less than 12 months	50%	12 months or more	100%
Short Term Agricultural & Micro Credit	12 months or more but less than 36 months	5.0%	36 months or more but less than 60 months	5.0%	60 months or more	100%

General provision on: (For both Standard and Special mention account)	Rate
Unclassified general loans and advances	1%
Unclassified small and medium enterprise	0.25%
Loans to BHs/MBs/SDs against shares etc.	2%
Unclassified loans for housing finance and on loans for professionals	2%
Unclassified consumer financing other than housing financing and loans for professionals	5%
Short term agri credit and micro credit	2.50%
Off balance sheet exposures	1%
Specific provision on:	
Substandard loans and advances other than short term agri credit and micro credit	20%
Doubtful loans and advances other than short term agri credit and micro credit	50%
Bad/loss loans and advances	100%
Substandard short term agri credit and micro credit	5%
Doubtful short term agri credit and micro credit	5%

ii)	**Decision of the Bank's Investment (Credit) Risk Management Policy;**	Risk is inherent in all aspects of a commercial operation; however for Banks and financial institutions, investment (credit) risk is an essential factor that needs to be managed. Investment (credit) risk is the possibility that a borrower or counter party will fail to meet its obligations in accordance with agreed terms. Investment (Credit) risk, therefore, arises from the bank's dealings with or lending to corporate, individuals, and other banks or financial institutions. To manage investment (credit) risk Union Bank follows "Bangladesh bank's Circulated Credit Risk Management guidelines".

b) Total gross credit risk exposures by major types: Bangladesh Bank guidelines on Basel II, stipulated to segregate bank's asset portfolio into different categories, and the below table shows our gross exposure in each asset category

Sl. No.	Particulars	Exposure (Fig. in crore)
a.	Cash	18.23
b.	Claims on Bangladesh Government and Bangladesh Bank	418.94
c.	Claims on Banks & NBFIs	
	i) Original maturity over 3 months	656.17
	ii) Original maturity less than 3 months	19.40
d.	Claims on Corporate	
	Different Risk Weights	110.03
	Unrated	1,974.98
e.	Claims on SME	
	Unrated (small enterprise & <BDT 3.00m)	3.51
	Unrated (small enterprise having ≥ BDT 3.00m & Medium Enterprise)	18.03
f.	Claims under Credit Risk Mitigation [From Work Sheet 1(a) of revised RBCA Guidelines]:	
	i)Corporate	377.58
	ii)Retail & Small	55.79
	iii)Consumer finance	12.09

	iv)Commercial real estate	41.49
g.	Claims categorized as retail portfolio (excluding SME, Consumer Finance and Staff loan) upto 1 crore	0.42
h.	Consumer finance	8.52
i.	Claims fully secured by residential property	2.11
j.	Claims fully secured by commercial real estate	216.27
k.	Investments in premises, plant and equipment and all other fixed assets	41.13
l.	All other assets	
	i) Staff loan/investment	6.94
	ii) Other assets (not specified above) [Net of specific provision, if any]	109.46

Quantitative *disclosure*

c) **GeographicalDistribution of exposures, broken down in significant areas by major types of credit exposure.**

		BDT in crore
Sl.	**Division-wise investment**	**Exposure**
1.	Dhaka	1746.89
2.	Chittagong	1078.36
3.	Khulna	0.23
4.	Rajshahi	0.42
5.	Barisal	0.00
6.	Sylhet	0.57
7.	Rangpur	1.31

d) Industry or counterparty type distribution of exposures, broken down by major types of investment exposure

		BDT in crore
Sl.	**Industry-wise Investments**	**Exposure**
1.	Agriculture	45.08
2.	RMG	45.13
3.	Textile	182.92
4.	Other Manufacturing industry	61.52
5.	SME Investment	21.54
6.	Construction	3.92
7.	Transport, Storage & Communication	20.99
8.	Trade Service	2082.74
9.	Commercial real estate financing	253.23
10.	Residential real estate financing	2.11
11.	Consumer Investment (credit)	20.61
12.	Capital Market	8.10
13.	Others	79.89
	Total	**2827.78**

e) Residual contractual maturity breakdown of the whole portfolio, broken down by major types of investment (credit) exposure.

BDT in crore

SL. No.	Particulars	Exposure
1.	Repayable on Demand	0.00
2.	Up to 1 month	210.12
3.	Over 1 month but not more than 3 months	545.73
4.	Over 3 months but not more than 1 year	1927.19
5.	More than 1year but less than 5 year	98.94
6.	Over 5 years	45.79
Total		**2827.78**

f) **By major industry or counterparty type:**

i) Amount of impaired loans and if available, past due investment/ loans, provided separately;

The amount of classified/ past due investment of the bank is as under:

Particulars	**Fig. in Crore**
1. SS –	**0.00**
2. DF–	**0.00**
3. B/L–	**0.00**
Total –	**0.00**

ii) Specific and general provisions; and

Specific and general provisions were made on the amount of classified and unclassified investments/loans and advances, off-balance sheet exposures and off-shore banking units, interest on receivable, diminution in value of investment and other assets-suspense of the Bank according to the Bangladesh Bank guidelines.

Provision required:	**Provisions as on 31.12.2014**
Unclassified Investments	29.83
Classified Investment	0.00
Off-balance sheet	1.47
Total	**31.30**

g) **Gross Non Performing Assets (NPAs):**

Non Performing Assets (NPAs) to Outstanding Investment/loans and advances.

Movement of Non Performing Assets (NPAs).

Particulars	**Fig.in Crore**
Opening balance	0.00
Addition/adjustment during the year	0.00
Closing balance	**0.00**

Movement of specific provisions for NPAs.

Particulars	**Fig.in Crore**
Opening balance	0.00
Provisions made during the period	0.00
Write-off	0.00
Write-back of excess provisions	0.00
Closing Balance	**0.00**

Note: Bank maintained provision is amount 32.00 crore.

5) Equities: Disclosures for Banking Book Positions

	Qualitative Disclosures:	
a)	**The general qualitative disclosures requirement with respect to equity risk, including**	
	Differentiation between Holdings on which capital gains are expected and those taken under other objectives including for relationship and strategic reasons;	Investment of Union Bank in equities is divided into two categories: quoted equities (which are traded in the secondary market) and unquoted equities (which are not traded in the secondary market). Since the intent of holding unquoted equities is not trading, the same are considered as banking book equity exposure.
	Discussion of important policies covering the valuation and accounting of equity holdings in the banking book. This includes the accounting techniques and valuation methodologies used, including key assumptions and practices affecting valuation as well as significant changes in these practices	The banking book securities are shown in cost price and no revaluation reserve has been created against these equities.

b) Quantitative Disclosures:

BDT in crore

		At Cost	At Market Value
b)	Value disclosed in the balance sheet of investments, as well as the fair value of those investments; for quoted securities, a comparison to publicly quoted share values where the share price is materially different from fair value.	4.01	5.34
c)	The cumulative realized gains (losses) arising from sales and liquidations in the reporting (31 December 2014) period.	0.005	
d)	Total unrealized gains (losses)	1.34	
• Total latent revaluation gains(losses)	-		
• Any amounts of the above included in Tier 2 capital.		-	
e) Capital requirements broken down by appropriate equity groupings, consistent with the bank's methodology, as well as the aggregate amounts and the type of equity investments subject to any supervisory provisions regarding regulatory capital requirements		-	

6) Profit Rate Risk in Banking Book (PRRBB)

Qualitative Disclosure:		
a)	The general qualitative disclosure requirement including the nature of PRRBB and key assumptions, including assumptions regarding loan prepayments and behavior of non-maturity deposits, and frequency of PRRBB measurement.	Profit rate risk is the exposure of a bank's financial condition to adverse movements in profit rates. The process of profit rate risk management by the bank involves determination of the business objectives, expectation about future macro variables and understanding the money markets and debt market in which it operates. Profit rate risk is the risk, which affects the Bank's financial condition due to changes in the market profit rates. Changes in profit rates affect both the current earnings (earnings perspective, traditional approach to profit rate risk assessment taken by many banks) as well as the net worth of the Bank (economic value perspective). The risk from earnings perspective measured as impact on the Net Investment Income (NII). Similarly, the risk from economic value perspective which affect the underlying value of the bank's assets, liabilities, and off-balance-sheet (OBS) instruments because the present value of future cash flows (and in some cases, the cash flows themselves) change when profit rates change can be measured in the Economic Value of Equity (EVE). Accordingly, an effective risk management process that maintains profit rate risk within prudent levels is essential to the safety and soundness of banks.

b) Quantitative Disclosure:

To determine the impact of increase in profit rate risk 3 scenarios are tested, in minor level of shock of 1% increase in profit rate cause CAR is14.38%, 2% increase in profit rate cause CAR 14.45%, finally a major shock of 3% increase in profit rate cause CAR is 14.53%.

BDTincrore

Profit Rate Stress	Minor	Moderate	Major
Assumed change in Profit Rate	1%	2%	3%
Net investment income impact			
<12 months	2.52	5.04	7.56
Capital after-shock	496.88	499.40	501.92
CAR after-shock (%)	14.38	14.45	14.53
Change in CAR after-shock (%)	0.07	0.15	0.22

7.MarketRisk

Qualitative disclosure	a)	i)Views of Board of Directors (BOD) on trading/investment activities.	Market risk is the possibility of losses of assets in balance sheet and off-balance sheet positions arising out of volatility in market variables i.e., profit rate, exchange rate and price. Allocation of capital is required in respect of the exposure to risks deriving from changes in profit rates and equity prices in the bank's trading book, in respect to 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 the market risk shall be the sum of capital charges against: i. Profit rate risk ii. Equity position risk iii. Foreign exchange (including gold) position risk throughout the bank's balance sheet and iv. Commodity risk.

		ii) Methods used to measure Market risk.	**Measurement Methodology:**
			As banks in Bangladesh are now in a stage of developing risk management 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 profit 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 then extreme pricing date.
			In Standardized (rule based) Approach the capital requirement for various market risks (profit rate risk, price, and foreign exchange risk) are determined separately. The total capital requirement in respect to market risk is the sum of capital requirement calculated for each of these market risk sub-categories. e.g.:
			a) Capital Charge for Profit 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.

		iii) Market Risk Management system.	Treasury Division manages the market risk and ALCO monitors the activities of treasury Division in managing such risk.

		iv) Policiesand processes for mitigating market risk.	To mitigate the several market risks the bank formed Asset Liability Management Committee (ALCO) who monitors the Treasury Division's activities to minimize the 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 adhere to. **The Treasury Division are taking following measures to minimize the several market risks:** i) **Foreign exchange risk management**: it is the risk that the bank may suffer losses as a result of adverse exchange rate movement during a period in which it has an open position in an individual foreign currency. This risk measured and monitored by the Treasury Division. To evaluate the extent of foreign exchange risk, a liquidity Gap report prepare for each currency. ii) **Equity Risk:** Equity risk is defined as losses due to changes in market price of the equity held. To measure and identify the risk, mark to market valuation to the share investment portfolios are done. Mark to market valuation is done against a predetermined limit. At the time of investment, following factors are taken into consideration: a)Security of Investment b)Fundamentals of securities c)Liquidity of securities d)Reliability of securities e)Capital appreciation f)Risk factors and g)Implication of taxes etc

Quantitative disclosure	b)	The capital requirements for:	Solo	Consolidated
			Fig. in Crore	
		•Profit rate risk	0.00	
		•Equity positionrisk	1.07	
		•Foreign exchange risk and	0.65	
		•Commodity risk	0.00	
		Total Capital Requirement	**1.72**	

8) Operational risk

a. Qualitative Disclosures:

Operational Risk is defined as the risk of loss resulting from in adequate or failed internal processes, people and systems or from external events. It is inherent in all of the Bank's activities. Operational risks are monitored and, to the extent possible, controlled and mitigated. The Bank's approach to operational risk is noted signed 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 the directivities. This is supported by an independent program of periodic reviews undertaken by internal audit, and by monitoring external operational risks events, which ensure that the group stays in line which industry best practice and takes account or lessons from publicized operational failures within the financial services industry.

The difference between the standard / intended and the actual/current performance is known as the performance gap. Union Bank always tries to minimize the performance gap of its employees by providing appropriate training. The bank also encourages practicing ethical behavior by following standard code of conduct. The bank ensures timely compensation claims of the employee; preserve the employee health and safety rules and avoid the discriminatory activities. During the year 2013, the bank significantly reviewed few existing policies for providing more benefit to employees with a view to introducing superior level of job satisfaction. It also ensures Equal Employment Opportunity. Competitive compensation also ensures best workplace safety for the banks' employees to keep away from in compatible employment practices and unhealthy employee turnover.

The potential external events that may pose the bank in to operational risks are as follows.

1. External Fraud: Acts by a third party, of a type intended to defraud, misappropriate property or circumvent the law. Examples include robbery, forgery, and damage from computer hacking.

2. Taxation Risk: Sudden changes in tax laws and regulation that hamper the profitability of a bank.

3. Legal Risk: Legal risk is the risk of the Bank's losses in cases of
i) Incompliance of the Bank with the requirements of the legal regulations
ii) Making legal mistakes in carrying out activities
iii) Imperfection of the legal system iv) Violation of legal regulations, terms and conditions of concluded agreements by the counterparties.

4. Damage of physical asset: Loss or damage to physical assets from natural disaster or other events. Example includes terrorism, vandalism, earthquakes, fires, floods etc.

Policies and processes for mitigating operational risk:	5. Business disruption and system failures: Disruption of business or system failures. Examples include telecommunication problems, utility outages etc. 6. Execution, delivery and process management: Failed transaction processing or process management, and relations with trade counterparties and vendors. Examples include, non-client counterparty mis-performance, vendor disputes etc. The Bank has taken the following policies and processes for mitigating operational risk: 1. Loss prevention: We focus on employee development through training and development programs and review the performance of employees to prevent loss. 2. Loss control: We have in detail planning and defined process in place like back up of computer system controlling the loss. The Bank has formed a separate ‘Risk Management Division’ to review and update operation risks along with all other core risks on systematic basis as necessary ensuring that adequate controls exist and that the related returns reflect these risks and the capital allocated to support them. The Bank has taken initiatives for protecting the information from unauthorized access, modification, disclosure and destruction to protect its’ customers’ interest. The Bank has already developed its own ICT policies for various operation and services, which are closely in line with the ICT Guidelines of Bangladesh Bank. Training is a key component of operational risk management. The Bank has been continuously conducting training sessions (i.e. Operational Procedure, Business Continuity Planning, Disaster Recovery Planning etc.) for relevant employees. The Bank has been maintaining separate insurance coverage for its critical assets. The bank conducts routine audit (both internal and external) and internal ICT audit to all its’ branches and Head Office divisions. The Banks operating in Bangladesh have been computing the capital requirements for operational risk under the Basic Indicator Approach (BIA). Under BIA, 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. Figures for any year in which annual gross income is negative or zero, should be excluded from both the numerator and denominator when calculating the average. The capital charge may be expressed as follows: $K = [(GI\ 1 + GI2 + GI3) \times \alpha]/n$

Approach for calculating capital charge for operational risk:	Where- K = the capital charge under the Basic Indicate or Approach GI = only positive annual gross income over the previous three years(i.e., negative or zero gross income if any shall be excluded) α=15 percent n= number of the previous three years for which gross income is positive. Gross Income (GI) is defined as “Net Investment Income” plus “ Net non-Investment Income”. It is intended that this measures hold: i. Be gross of any provisions; ii. Be gross of operating expenses, including fees paid to out sourcing service providers iii. Exclude realized profits/ losses from the sale of securities held to maturity in the banking book; iv. Exclude extra ordinary or irregular items; v. Exclude income derived from insurance.

b. Quantitative Disclosures:

BDT in crore

The capital requirements for operational risk	10.38

Capital Charge for Operational Risk-Basic Indicator Approach

BDT in Crore

Year	Gross Income(GI)	Average Gross Income(AGI)	Capital Charge=15%of AGI
2012		69.22	10.38
2013	40.16		
2014	98.23		