Market Discipline:
Disclosures on Risk Based Capital (Basel-II) as on 31.12.2013

Background:

These disclosures under Pillar III of Basel II are made according to revised 'Guidelines on Risk Based Capital Adequacy (RBCA)' for banks issued by Bangladesh Bank (Central Bank of Bangladesh) in December 2010. These quantitative and qualitative disclosures are intended to complement the Minimum Capital Requirement (MCR) under Pillar I and the Supervisory Review Process (SRP) under Pillar II of Basel II.

The purpose of market discipline in the Revised Capital Adequacy Framework is to disclose relevant information on capital adequacy in relation to various risk of the bank so that stakeholders can assess the position of a bank regarding holding of assets and to identify the risks relating to the assets and capital adequacy to meet probable loss of assets as well as can make the economic decision. The disclosures under Pillar-III of the framework of the bank as on 31 December 2013 are as under:

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 (UBL) was incorporated on 07.03.2013 as a public limited company and started its banking businessunder the license issued by Bangladesh Bank. Presently the Bank has 11 (Eleven) branches with fully online facility. Considering huge demand of Islamic 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	Not Applicable

	transfer of funds or regulatory capital within the group.	
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**.	As per the guidelines of Bangladesh Bank, **Tier-1 Capital of UBL** consists of (i) Fully Paid-up Capital, (ii) Non-repayableShare Premium Account, (iii) Statutory Reserve, (iv) General Reserve (v) RetainedEarnings and (vi) Minority Interest in Subsidiaries. **Tier-2 Capital** consists of (i) General Provision against unclassified Loans/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, PBL unsecured nonconvertible subordinated bond as approved by Bangladesh Bank and 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	3.35	-
	IV. General reserve	14.57	-
	V. Retained earnings	5.39	-
	VI. Minority interest in subsidiaries	0.00	-
	VII. Non-cumulative irredeemable preference shares	0.00	-
	VIII. Dividend equalization account	0.00	-
	Sub-Total (A)	451.31	-
d)	**The total amount of Tier 2 and Tier 3 capital (B)**	7.51	-
e)	Other deductions from capital	0.00	-
f)	**Total eligible capital (A+B)**	458.82	-

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.	In terms of RBCA guidelines on Basel-II framework issued by Bangladesh Bank, the bank has adopted the standardized approach for credit risk, market risk and basic indicator approach for operational risk. As per capital adequacy guidelines, the bank is required to maintain a minimum CAR of 10.00% of risk weighted assets with regards to credit risk, market risk and operational risk. Union Bank focuses on strengthening and enhancing its risk management culture and internal control processes rather than increasing capital to cover up weak risk management and control practices. The bank has been generating most of its incremental capital from retained profit (stock dividend and

		statutory reserve transfer etc.) to support the incremental growth of Risk Weighted Assets (RWA). The bank is in the process of having credit rated of its corporate customers which already have an impact of reducing RWA. The bank is able to maintain capital adequacy ratio (CAR) at 34.46% on SOLO basis against the regulatory minimum level of 10.00%. Tier-I capital adequacy ratio under "Solo" basis is 33.90% 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	1271.12	-
c)	Capital requirement for market risk	0.00	-
d)	Capital requirement for operational risk	60.24	-
e)	Total and Tier 1 capital ratio:	-	-
	• For the consolidated group; and	-	-
	• For stand alone	98.36%	-
	Minimum capital requirement	400.00	-
	Total Risk Weighted Assets (RWA)	1331.34	-
	Total and Tier-1 Capital Ratio:		-
	• Total CAR	34.46%	-
	• Tier-1 CAR	33.90%	-
	• Tier-2 CAR	0.56%	-

4) Credit Risk

Qualitative disclosure

a) The General Qualitative disclosure requirement with respect to credit risk, including:

i)	**Definitions of past due and impaired (foraccounting purposes):**	With a view to strengthening credit discipline and bring classificationand provisioning regulation in line with international standard, a phase wise program for classification and provisioning was undertakenby the Bank as per Bangladesh Bank circulars issued from time to time. In this regard, all the loans and advances are grouped into four categories for the purpose of classification, namely (i) ContinuousLoan, (ii) Demand Loan, (iii) Fixed Term Loan and (iv) Short-term Agricultural and Micro Credit. They are classified as follow: **Continuous Investment are classified as under:** Sub-standard- if it is past due/overdue for 3 months or beyond but less than 6 months Doubtful- if it is past due/overdue for 6 months or beyond but less Than 9 months Bad/Loss- if it is past due/overdue for 9 months or beyond **Demand Loan will be classified as:** i. 'Sub-standard' if it remains past due/overdue for 03 (three) months or beyond but not over 06 (six) months from the date of expiry or claim by the bank or from thedate of creation of forced loan. ii. 'Doubtful' if it remains past due/overdue for 06 (six) months or beyond but notover 09 (nine) months from the date of expiry or claim by the bank or from thedate of creation of forced loan. iii. 'Bad/Loss' if it remains past due/overdue for 09 (nine) months or beyond from thedate of expiry or claim by the bank or from the date of creation of forced loan.

Fixed Term Investment (More than BDT 10.00 Lac) is classified as

i. If the amount of past due installment is equal to or more than the amount ofinstallment(s) due within 03 (three) months, the entire loan will be classified as"Sub-standard".
ii. If the amount of past due installment is equal to or more than the amount ofinstallment(s) due within 06 (six) months, the entire loan will be classified as"Doubtful".
iii. If the amount of past due installment is equal to or more than the amount ofinstallment(s) due within 09 (nine) months, the entire loan will be classified as"Bad/Loss".

Fixed Term Investment (Up to BDT 10.00 Lac) is classified as

i. If the amount of past due installment is equal to or more than the amount ofinstallment(s) due within 06 (six) months, the entire loan will be classified as"Sub-standard".
ii. If the amount of past due installment is equal to or more than the amount ofinstallment(s) due within 09 (nine) months, the entire loan will be classified as"Doubtful".
iii. If the amount of past due installment is equal to or more than the amount ofinstallment(s) due within 12 (twelve) months, the entire loan will be classified as"Bad/Loss".

Short-term Agricultural and Micro Credit are classified as

i. If the amount of past due installment is equal to or more than the amount ofinstallment(s) due within 06 (six) months, the entire loan will be classified as"Sub-standard".
ii. If the amount of past due installment is equal to or more than the amount ofinstallment(s) due within 09 (nine) months, the entire loan will be classified as"Doubtful".
iii. If the amount of past due installment is equal to or more than the amount ofinstallment(s) due within 12 (twelve) months, the entire loan will be classified as"Bad/Loss".

****Description of approaches followed for specific and general allowances and statistical methods:**

We follow the following approach for specific and general allowances and statistical method:

Particulars	**Short Term Agriculture credit and micro credit**	**Consumer Financing**			**Small Enterprise Financing**	**Investment to BHs/MBS/ SDs**	**All other credit**
		Other Than HF & LP	HF	LP			
Unclassified	Standard	5%	5%	2%	0.25 %	2%	1%
	SMA	N/A	5%	5%	5%	5%	5%
Classified	SS	5%	20%	20%	20%	20%	20%
	DF	5%	50%	50%	50%	50%	50%
	B/F	100%	100%	100%	100%	100%	100%

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".

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SHARIAH BASED BANK

Quantitative *disclosure*

b) Total gross Investment/ Credit risk exposures broken down by major types of Investment exposure.

Total gross Investment/ Credit risk exposures broken down by major types of Investment exposure of the Bank are as under:

Particulars	**As on December 31, 2013 (Fig. in Crore)**
Mode wise Investment	
H.P.S.M. (SME)	0.04
BAI-MURABAHA (HYPO)	151.94
H.P.S.M. (CONSUMER DURABLES SCHEME)	0.42
MURABAHA IMPORT BILL (MIB)	0.32
BAI-MURABAHA (GENERAL)	457.01
BAI-MURABAHA AGAINST MTDR	116.11
BAI-MUAZZAL (GENERAL)	0.50
H.P.S.M. (Auto)	0.37
H.P.S.M. REAL EASTE/COMMERCIAL	0.92
QUARD AGAINST TDR	1.21
QUARD AGAINST CAR LEASING SCHEME (STAFF)	2.04
Total	**730.88**

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	730.82
2.	Chittagong	0.06
3.	Khulna	0.00
4.	Rajshahi	0.00
5.	Barisal	0.00
6.	Sylhet	0.00
7.	Rangpur	0.00

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

		BDT in crore
Sl.	**Industry-wise Investments**	**Exposure**
1.	Textile	36.57
2.	Other Manufacturing industry	4.30
3.	Trade Service	644.77
4.	Commercial real estate financing	41.69
5.	Consumer credit	3.51
6.	SME loans	0.04

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

		BDT in crore
SL. No.	**Particulars**	**Exposure**
1.	Repayable on Demand	
2.	Up to 1 month	
3.	Over 1 month but not more than 3 months	
4.	Over 3 months but not more than 1 year	100.00
5.	More than 1year but less than 5 year	630.88
6.	Over 5 years	
Total		730.88

f)		By major industry or counterparty type:
	i) Amount of impaired loans and if available, past due loans, provided separately;	The amount of classified loans and advances/investments of the Bank are given below as per Bangladesh Bank guidelines. **Particulars** **Fig. in Crore** Continuous Loans & Advances- 724.55 Demand Loans & Advances – 0.00 Term Loans & Advances – 4.06 Short Term Agro Credit and Micro Credit- 0.00 Staff Loan- 2.27 **Total – 730.88**
	ii) Specific and general provisions; and	Specific and general provisions were made on the amount of classified and unclassified loans and advances/investments, 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 31.12.2013** Unclassified Investments 7.44 Special mention accounts (SMA) 0.00 **Sub total** 7.44 Substandard 0.00 Doubtful 0.00 Bad/Loss 0.00 **Sub total 0.00** **Total 7.44**
g)		**Gross Non Performing Assets (NPAs):**
		Non Performing Assets (NPAs) to Outstanding 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 period0.00 Write-off0.00 Write-back of excess provisions0.00 **Closing Balance0.00**

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	The banking book securities are shown in cost price and no revaluation reserve has been created against these equities.

	assumptions and practices affecting valuation as well as significant changes in these practices	

Quantitative Disclosures: **BDT in crore**

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.	At Cost: 3.05 At Market Value: 2.67
c)	The cumulative realized gains (losses) arising from sales and liquidations in the reporting (31 December 2012) period.	0.05
d)	• Total unrealized gains (losses)	There is no r unrealized gains (losses)
• 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. The Bank adopted traditional (earnings perspective) Duration Gap Analysis for assessing the impact on the Economic Value of Equity (Economic Value Perspective) by applying a national Profit rate shock up from 100 bps to 300 bps under stress test practice at the bank.

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 is34.50%, 2% increase in profit rate cause CAR 34.55%, finally a major shock of 3% increase in profit rate CAR is 34.59%.

BDTincrore

Profit Rate Stress	Minor	Moderate	Major
Assumed change in Profit Rate	1%	2%	3%
Net investment income impact			
<12 months	0.56	1.12	1.67
Capital after-shock	459.38	459.94	460.49
CAR after-shock (%)	34.50	34.55	34.59
Change in CAR after-shock (%)	0.04	0.08	0.13

7.MarketRisk

Qualitative disclosure	a)	i)ViewsofBoardofDirectors(BOD)on trading/investment activities.	Marketriskisthe possibility oflossesofassetsinbalancesheetandoff-balancesheetpositionsarisingoutofvolatilityinmarketvariablesi.e., interestrate,exchangerateandprice.Allocationofcapitalisrequiredinrespectoftheexposuretorisksderivingfromchangesininterestrates andequitypricesinthebank'stradingbook,in respecttoexposuretorisks derivingfromchangesinforeignexchangeratesandcommoditypriceintheoverall bankingactivity. Thetotalcapitalrequirementforbanksagainstthemarket risk shallbe the sumof capital charges against: i. Interest raterisk ii. Equity positionrisk iii.Foreignexchange(includinggold)positionrisk throughout thebank's balance sheet and iv. Commodity risk.

		ii) Methodsusedtomeasur eMarket risk.	**MeasurementMethodology:**
			AsbanksinBangladesharenowinastageofdevelopingriskmanagement models,BangladeshBanksuggestedthebanksforusingStandardizedApproachf orcreditriskcapitalrequirementforbankingbookandStandardized(rulebased)A pproach formarket risk capital charge in their trading book.
			MaturityMethodhasbeenprescribedbyBangladeshBankindeterminingcapitalagai nstmarketrisk.Inthematuritymethod,longorshortpositionsindebtsecuritiesandoth ersourcesofinterestrateexposures,including derivativeinstruments,areslotted intoamaturityladdercomprising13time-bands(or15time-bandsincaseoflowcouponinstruments).Fixed-rateinstrumentsareallocatedaccordingtotheresidualtermtomaturityandfloating-rateinstruments accordingtotheresidualtermtothenextreme pricingdate.
			InStandardized(rulebased)Approachthecapitalrequirementforvariousmarketr isks(interestraterisk,price,andforeignexchangerisk)aredetermined separately.Thetotalcapitalrequirementin respecttomarketriskisthesumofcapitalrequirement calculated for each of these market risk sub-categories. e.g.:
			a)CapitalChargeforInterestRateRisk=CapitalChargeforSpecificRisk + CapitalCharge for GeneralMarket Risk;
			b)CapitalChargeforEquityPositionRisk=CapitalChargeforSpecificRisk + CapitalCharge for GeneralMarket Risk;
			c)CapitalChargeforForeignExchangeRisk=CapitalChargeforGeneralMarket Risk;
			d)CapitalChargeforCommodityPositionRisk=Capitalchargeforgeneralmarket

		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. **i**

Quantitatied isclosure	b)	Thecapitalrequirements for:	Solo	Consolidated
			Fig. in Crore	
		•Interest raterisk •Equity positionrisk	0.00 0.00	
		•Foreignexchangerisk and	0.00	
		•Commodity risk	-	
		TotalCapitalRequirement	0.00	

7) Operational risk

a) QualitativeDisclosures:	
	OperationalRiskisdefinedastheriskoflossresultingfrominadequateorfailedinternalprocesses,peopleandsystemsorfromexternalevents.ItisinherentinallofTheBank'sactivities.Operationalrisksaremonitoredand,totheextentpossible,controlledandmitigated.TheBank'sapproachtooperationalriskis noted signedtoeliminaterisk altogether butrather,tocontainriskswithinlevelsdeemedacceptablebyseniormanagement.Allfunctions,whetherbusiness,controlorlogisticsfunctions,mustmanagetheoperationalrisksthatarisefromthedirectivities.Thisissupportedbyanindependent program ofperiodicreviewsundertakenbyinternalaudit,andbymonitoringexternaloperationalrisksevents, whichensurethatthegroupstaysinlinewhichindustrybestpracticeandtakesaccountorlessonsfrompublicizedoperationalfailureswithinthefinancialservicesindustry. Thedifferencebetween thestandard/intendedandtheactual/currentperformanceisknownastheperformancegap.Union Bankalwaystriestominimizetheperformancegapofitsemployeesbyprovidingappropriatetraining.Thebankalsoencouragespracticingethicalbehaviorbyfollowingstandardcodeofconduct.Thebankensurestimelycompensationclaimsoftheemployee;preservetheemployeeheathandsafetyrulesandavoidthediscriminatoryactivities.Duringtheyear2013,thebanksignificantlyreviewedfewexistingpoliciesforprovidingmorebenefittoemployeeswithaviewtointroducingsuperiorlevelofjobsatisfaction.ItalsoensuresEqualEmployment Opportunity.Competitivecompensationalsoensuresbestworkplacesafetyforthebanks'employeestokeepawayfromin compatible employmentpracticesandunhealthyemployeeturnover. Thepotentialexternaleventsthatmayposethebankintooperationalrisksare as follows. 1. ExternalFraud:Actsbyathirdparty,ofatypeintendedtodefraud,misappropriatepropertyorcircumventthelaw.Examplesincluderobbery,forgery,anddamagefromcomputerhacking. 2. TaxationRisk:Suddenchangesintaxlawsandregulationthathampertheprofitabilityofabank. 3. LegalRisk:LegalriskistheriskoftheBank'slossesin casesof i) incomplianceoftheBankwith the requirementsofthelegalregulationsii)makinglegalmistakesincarryingoutactivitiesiii) Imperfection ofthelegalsystem iv)Violationoflegalregulations,termsandconditionsofconcludedagreementsbythecounterparties.

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 misperformance, 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
Approach for calculating capital charge for operational risk:	Where- K=thecapitalchargeundertheBasicIndicate orApproach GI=onlypositiveannualgrossincomeovertheprevious threeyears(i.e.,negativeorzerogrossincomeifanyshallbeexcluded) α=15percent n=numberofthepreviousthreeyearsforwhichgrossincomeispositive. GrossIncome(GI)isdefinedas"NetInvestmentIncome"plus"Netnon-InvestmentIncome".Itisintendedthatthismeasures hold: i) Begrossofanyprovisions; ii) Begrossofoperatingexpenses,includingfeespaidtooutsourcingserviceproviders iii) Excluderealizedprofits/lossesfromthesaleofsecuritiesheldtomaturityinthebankingbook; iv) Excludeextraordinaryorirregular items; v) Excludeincomederivedfrominsurance.

b) QuantitativeDisclosures:

BDT in crore

Thecapitalrequirementsforoperationalrisk	60.24

CapitalChargeforOperationalRisk-BasicIndicatorApproach

BDTinCrore

Year	GrossIncome(GI)	AverageGrossIncome(AGI)	CapitalCharge=15%ofAGI
2011		40.16	6.02
2012			
2013	40.16		