MARKET DISCLOSURE UNDER BASEL-III

Annual Disclosure for the year ended 31 December 2015

Overview

With a view to ensuring transparency in the financial sector, in line with the recommendations of Basel Committee on Banking Supervision popularly known as Basel Accords, Bangladesh Bank has formulated "Guidelines on Risk Based Capital Adequacy (Revised Regulatory Capital Framework for banks in line with Basel III)" in terms of Bangladesh context. Under this guideline, market disclosure occupies a decisive share since the public disclosure of prudential information is an important component of Basel-III framework of capital measurement and capital adequacy. This disclosure aims at enhancing transparency in the financial market of Bangladesh through setting up minimum requirement for disclosure of information on the risk management and capital adequacy.

The following detailed qualitative and quantitative disclosures of the Bank are furnished in accordance with the BRPD Circular No: 18 of 21 December 2014 to enable our stakeholders make informed assessment regarding the bank's financial health and to identify the risks relating to the assets and capital adequacy as on 31 December 2015.

Qualitative Disclosures

1. SCOPE OF APPLICATION:

a.	The name of the top corporate entity in the Group to which this guidelines applies	**Uttara 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 **i.** That are fully consolidated **ii.** That are given a deduction treatment and **iii.** That are neither consolidated nor deducted (e.g. where the investment is risk weighted)	Uttara Bank Limited (The Bank) had been a nationalized bank in the name of Uttara Bank under the Bangladesh Bank (Nationalization) order 1972, formerly known as the Eastern Banking Corporation Limited. The Bank started functioning on and from 28 January 1965. Consequently upon the amendment of Bangladesh Bank (Nationalization) Order 1972, Uttara Bank was converted into Uttara Bank Limited as a public Limited company in the year 1983. Uttara Bank Limited was incorporated as a banking company on 29 June 1983 and obtained business commencement certificate on 21 August 1983. The Bank floated its shares in the year 1984. The Bank is listed in the Dhaka Stock Exchange Limited and Chittagong Stock Exchange Limited as a publicly quoted company for trading of its shares. The Registered Office of the Bank is located at 47, Shahid Bir Uttam Ashfaqus Samad Sarak, Motijheel C/A Dhaka- 1000. It has 227 branches all over Bangladesh through which it carries out all its banking activities. In the consolidated accounts Bank's subsidiary/ Associates and Joint venture are treated as under:

		i. "UB Capital and Investment Limited" and **ii. "Uttara Bank Securities Limited".** The descriptions of those subsidiaries companies are given below: **i. UB Capital and Investment Limited:** "UB capital and Investment Limited" was incorporated as a public limited company with the Registrar of Joint Stock Companies and Firms, Dhaka Bangladesh on 28 September 2010 under the companies Act, 1994 bearing registration no C-87220/10. The main activities of the company is to act as a full-fledged merchant banker and portfolio manager to provide services like underwriting public issue of shares, buy and sell of shares/securities on behalf of clients under portfolio management operation etc. The company is also authorized to buy, sell, hold or otherwise acquire or investment the capital of the company in shares, stock and fixed income securities. The Registered office of the company is at 47, Shahid Bir Uttam Ashfaqus Samad Sarak, Dhaka- 1000. License to be obtained from Securities and Exchange Commission for starting operation. **ii. Uttara Bank Securities Limited:**"Uttara Bank Securities Limited" (the company) was incorporated as a public limited company with the Registrar of Joint Stock Companies and Firms, Dhaka Bangladesh on 13 June 2013 under the Companies Act, 1994 bearing registration No.109691/13. The Registered Office of the company is at 47, Shahid Bir Uttam Asfaques Samad Sarak Dhaka. **Associates:** Presently Bank has no associates. **Joint venture:** Bank has no joint venture.
c.	Any restrictions, or other major impediments, on transfer of funds or regulatory capital within the Bank.	Not Applicable.

Quantitative Disclosures

a.	The aggregate amount of surplus capital of insurance subsidiaries (whether deducted or subjected to an alternative method) included in the capital of the consolidated group.	Not Applicable.

2. Capital Structure:

Qualitative Disclosures

a.	Summary information on the terms and conditions of the main features of all capital instruments, especially in case of capital instruments eligible for inclusion in CET 1, Additional Tier 1 or Tier 2	The guidelines of Bangladesh Bank states that the components of CET-1 for local banks are as follow: **i.** Fully Paid-up Capital, **ii.** Non-repayable Share Premium Account **iii.** Statutory Reserve **iv.** General Reserve **v.** Retained Earnings **vi.** Dividend Equalization Reserve and **vii.** Minority Interest in Subsidiaries.

Quantitative Disclosures

a.	The amount of Regulatory capital			BDT 12,105,093,901
	CET-1 Capital	**Sl. No.**	**Particulars**	**Figure in BDT**
		1	Fully Paid up Capital	4,000,803,370
		2	Statutory Reserve	4,330,837,039
		3	General Reserve	435,633,339
		4	Retained Earnings	1,309,461,093
		5	Dividend Equalization Reserve	64,427,000
		6	Minority Interest in Subsidiaries	38,744
	Additional Tier-1 Capital	Not Applicable.		
	Tier-2 Capital	**Sl. No.**	**Particulars**	**Figure in BDT**
		1	General Provision	862,500,000
		2	Revaluation Reserve	1,101,393,315
b.	Regulatory Adjustments/Deduction from Capital			
	CET-1 Capital	No adjustment required		
	Additional Tier-1 Capital	No adjustment required.		
	Tier-2 Capital	**Sl. No.**	**Particulars**	**Figure in BDT**
		1	Phase out of 20% of Revaluation Reserves for Fixed Assets, Securities & Equity Securities.	275,348,329
c.	Total Eligible Capital			BDT 12,105,093,901

3. Capital Adequacy:

Qualitative Disclosures

a.	A summary discussion of the bank's approach to assessing the adequacy of its capital to support current and future activities.	In line with the industry practice in Bangladesh, Uttara Bank Limited has adopted Standardized Approach for computation of capital charge for credit risk and market risk, and Basic Indicator Approach for operational risk. The bank carries out capital adequacy assessment in conjunction with the capital adequacy reporting to Bangladesh Bank. The bank's policy is to manage & maintain its capital with the objective of maintaining strong capital ratio and high rating. The bank maintains sufficient capital level to be able to absorb all material risks.

Quantitative Disclosures

Figure in BDT

Sn	Particulars	Solo	Consolidated
a	Capital Requirement for Credit Risk	7,616,643,145	7,541,734,903
b	Capital Requirement for Market Risk	679,907,099	679,907,099
c	Capital Requirement for Operational Risk	1,263,000,819	126,300,819
d	Total Capital Adequacy Ratio	12.61%	12.76%
e	CET-1 Capital Ratio	10.56%	10.69%
f	AT-1 Capital Ratio	0.00%	0.00%
g	Total Tier-1 Capital Ratio	10.56%	10.69%
h	Tier-2 Capital Ratio	2.05%	2.07%
i	Total Risk Weighted Assets (RWA)	95,595,510,627	94,846,428,214
j	Minimum Capital Requirement	9,559,551,063	9,484,642,821
k	Capital Conservation Buffer		Yet to be built
l	Available Capital under Pillar 2 Requirement	**Solo**	2,499,806,654
		Consolidated	2,620,451,079

4. Credit Risk

Qualitative Disclosures

a.	The general qualitative disclosure requirement with respect to credit risk, including:	
	Definitions of past due and impaired (for accounting purpose):	Credit Risk is the risk of financial loss resulting from failure by a client or counterparty to meet its contractual obligations to the Bank. **Default and Classified Assets:** Default loan in respect to which recipient beneficiary fails to make timely payment of interest or principal as per the agreed schedule for repayment. Classified loans are bank loans that have been issued according to the terms and regulations of the bank, but later become suspect of recovery in terms of unpaid interest and principal outstanding. The claim which is due for more than 90 days is termed as "SMA". The 4 (four) types of past due claims are discussed below: i. **Special Mention Accounts (SMA):** These assets need constant monitoring as it has shown signs of weakness and the repayment prospects of the borrower may decline if no effort is exerted to regularize the accounts.

ii. Sub-Standard (SS): The repayment of the loan has been put in doubt but the recovery is not unlikely.

iii. Doubtful (DF): There is less possibility of recovery of the overdue amount and probability of loss is high.

iv. Bad/Loss (B/L): These are the loans which have almost turned unrecoverable.

Bank has a separate Monitoring Cell under Recovery Departmenr which is assigned with Monitoring & Recovery of classified loans.

Description of approaches followed for specific & general allowances and statistical methods

The Bank is required to maintain the following general and specific provision in respect of classified and unclassified loans and advances / investments on the basis of Bangladesh Bank guidelines issued from time to time:

Particulars	**Rate**
General provision on unclassified Small & Medium (SME) Enterprise Financing	0.25%
General provision on unclassified loans and advances/ investments other than Consumer Financing, Loans to Brokerage House, Merchant Banks, Stock Dealers etc., SMA as well as SME Financing).	1%
General provision on interest receivable on loans/investments	1%
General provision on off-balance sheet exposures (Provision has been made on the total exposure and amount of cash margin & value of eligible collateral were not deducted while computing off-balance sheet exposure).	1%
General provision on unclassified loans and advances/ investments for housing finance, loans for professionals to set-up business under consumer financing scheme.	2%
General provision on the unclassified loans to Brokerage House, Merchant Banks, Stock Dealers, etc.	2%
General provision on unclassified amount for Consumer Financing.	5%
General provision on outstanding amount of loans kept in ***Special Mention Account (SMA)***	0.25%-5%
Specific provision on Sub-Standard loans and advances / investments.	20%
Specific provision on Doubtful loans and advances/ investments.	50%
Specific provision on Bad/Loss loans and advances/ investments.	100%

Discussion of the bank's credit risk management policy	Credit Risk is defined as the risk that arises from the uncertainties of counterparty's ability to meet its obligations to the Bank as they become due. Our endeavour in identifying, measuring, monitoring and controlling credit risk for each borrower and also at the portfolio level are working as the guiding principles of credit risk management. Uttara Bank Limited always acknowledges effective Risk Management as the key to steady and stable growth for the Bank. The Bank's own lending policy has been introduced in the Bank in line with the directives received from the Bangladesh Bank and the Government. The Branches are the business unit of the banking system. The loan application assessment process starts at branch level by the Relationship Managers (RM) through zonal office and ends at Credit Division, Approval Department and Head Office. The Credit Division Administration and Monitoring Department analysis the proposal from different perspectives in line with lending policy of the Bank. If the proposal is found business worthy the Department places it to the Credit Committee with its recommendations. Mentionable that Credit approval authority has been delegated to the individual executives. Proposal beyond their delegation is submitted to the Executive Committee and the top management.

Quantitative Disclosures:

a.	Total gross credit risk exposure broken down by major types of credit exposure	**Sl. No.**	**Particulars**	**Amount**
		1	Agricultural, Fisheries & forestry	1,891,128,696
		2	Industry	8,998,500,000
		3	Construction	2,891,582,092
		4	Transport & Communication	
		5	Storage	399,484
		6	Business	41,397,618,537
		7	Consumer Financing	3,556,705,102
		8	Miscellaneous	17,070,954,197
			Total	**75,806,888,108**
b.	Geographical distribution of exposures, broken down in significant areas by major types of credit exposure	**Sl. No.**	**Particulars**	**Amount**
		1	Dhaka Division	46,333,302,782
		2	Chittagong Division	10,659,937,797
		3	Khulna Division	4,803,593,018
		4	Barisal Division	3,927,536,536
		5	Rajshahi Division	4,499,811,200
		6	Sylhet Division	1,948,011,316
		7	Rangpur Division	3,634,695,823
			Total	**75,806,888,472**

c.	Industry or counterparty type distribution of exposures, broken down by major types of credit exposure	**Sn**	**Particulars**	**Amount**
		1	**Total Exposures of credit risk**	**75,417,349,035**
			Funded	**67,981,986,675**
			Domestic	67,981,986,675
			Overseas	
			Non-Funded	**7,435,362,360**
			Domestic	7,435,362,360
			Overseas	
		2	Highest exposure to single sector	2,372,150,024
d.	Residual contractual maturity breakdown of the whole portfolio, broken down by major types of credit exposure		Repayable on demand upto 1 month	12,851,603,247
			Over 1 month but not more than 3 months	5,084,407,543
			Over 3 months but not more than 1 year	33,709,619,236
			Over 1 year but not more than 5 years	14,518,253,057
			Over 5 years	6,935,850,460
e.	By major exposure or counterparty type: Amount of impaired loans and if available, past due loans provided separately; Specific and general provisions; and Charges for specific allowances and charge-offs during the period.		Provision held at the beginning of the year	1,088,988,567
			Fully provided debts written off	(1,240,973,583)
			Specific provision for the year	1,265,500,000
			Amount transferred from un-classified loans & advances	-
			Adjustment of written off amount	2,161,712
			Amount transferred from Off balance sheet exposures	29,000,000
			Recoveries and provision no longer required	-
			Net charge to profit and loss account	-
				1,144,676,696
			Movement in gen provision on UC loans & advances	
			Provision held at the beginning of the year	453,000,000
			Amount transferred to classified loans and advance	-
			General provision for the year	184,500,000
				637,500,000
				1,782,176,696
f.	NPA to Outstanding Loans and advances			8.27%

g. Credit Risk Exposures

Sl.		Rating	Risk weight	Exposure (In Taka)	RWA (In Taka)	RWA (In Crore Taka)
a.	Cash		0.00	2,563,655,628	-	-
b.	Claims on Bangladesh Government (other than PSEs) and Bangladesh Bank		0.00	39,413,115,310	-	-
c.	Claims on other Sovereigns & Central Banks		0.50		-	-
d.	Claims on Bank for International Settlements, International Monetary Fund and European		0.00		-	-
e.	Claims on Multilateral Development Banks					

	i) IBRD , IFC, ADB, AFDB, EBRD, IADB, EIB, EIF, NIB, CDB, IDB, CEDB		0.00		-	-
	ii) Other MDBs	1	0.20		-	-
		2,3	0.50		-	-
		4,5	1.00		-	-
		6	1.50		-	-
		Unrated	0.50		-	-
f.	Claims on Public Sector Entities (other than Government) in Bangladesh (excluding Equity	1	0.20		-	-
		2,3	0.50		-	-
		4,5	1.00		-	-
		6	1.50		-	-
		Unrated	0.50		-	-
g.	Claims on Banks & NBFIs					
	i) Original maturity over 3 months	1	0.20		-	-
		2,3	0.50	6,658,270,384	3,329,135,192	333
		4,5	1.00		-	-
		6	1.50		-	-
		Unrated	1.00		-	-
	ii) Original maturity up to 3 months		0.20	10,662,844,929	2,132,568,986	213
h.	Claims on Corporate (excluding Equity	1	0.20	1,508,208,643	301,641,729	30
		2	0.50	1,310,063,520	655,031,760	66
		3,4	1.00	3,984,249,180	3,984,249,180	398
		5,6	1.50		-	-
		Unrated	1.25	15,048,466,227	18,810,582,783	1,881
h (1)	Claims on SME	SME 1	0.20	22,316,721	4,463,344	-
		SME 2	0.40	16,135,634	6,454,253	1
		SME 3	0.60	3,729,869,814	2,237,921,888	224
		SME 4	0.80	2,640,253,632	2,112,202,906	211
		SME 5	1.20		-	-
		SME 6	1.50		-	-
		Unrated (small enterprise & <BDT 3.00m)	0.75	10,075,314,203	7,556,485,652	756
		Unrated (small enterprise having ≥ BDT 3.00m & Medium Enterp.)	1.00	10,459,409,679	10,459,409,679	1,046
i.	Claims under Credit Risk Mitigation	PSE				-
		Banks & NBFIs				-

		Corporate		1,016,099,626	803,308,805	80
		Retail		2,887,969,406	2,283,173,022	228
		SME		-	-	-
		Consumer finance		-	-	-
		Residential property		-	-	-
		Commerci al real estate		-	-	-
j.	Claims categorized as retail portfolio (excluding SME, Consumer Finance and Staff		0.75	1,091,854,017	818,890,512	82
k.	Consumer finance		1.00	1,840,382	1,840,382	-
l.	Claims fully secured by residential property		0.50	2,330,864,005	1,165,432,003	117
m.	Claims fully secured by commercial real estate		1.00	-	-	-
n.	1.Past Due Claims that is past due for 60 days or more (Risk weights are to be assigned net of specific provision):					
	Where specific provisions are less than 20% of the outstanding amount of the past due claim		1.50	159,343,833	239,015,750	24
	Where specific provisions are no less than 20% of the outstanding amount of the past due		1.00	168,319,651	168,319,651	17
	Where specific provisions are more than 50% of the outstanding amount of the past due		0.50	341,739,897	170,869,949	17
	2. Claims fully secured against residential property that are past due for more than 60 days and/or impaired specific provision held		1.00	1,007,659,735	1,007,659,735	101
	3. Loans and claims fully secured against residential property that are past due for more than 60 days and /or impaired and specific provision held there-against is more than 20%		0.75	5,462,275,160	4,096,706,370	410
o.	Capital market exposure		1.25	-	-	-
p.	Investment in equity and other regulatory capital instruments issued by other banks and Merchant Banks/Brokerage Houses/Exchange Houses which are not listed in the Stock		1.25	1,024,184,806	1,280,231,007	128
q.	Investments in venture capital		1.50	-	-	-
r.	Investments in premises, plant and equipment and all other fixed assets		1.00	3,345,514,218	3,345,514,218	335
s.	Claims on all fixed assets under operating		1.00	-	-	-
t.	All other assets			-	-	-
	i) Claims on GoB & BB		0.00	8,686,654,774	-	-
	ii) Staff loan/investment		0.20	3,179,210,196	635,842,039	64
	iii) Cash items in Process of Collection		0.20	254,130,674	50,826,135	5
	iv) Claims on Off-shore Banking Units		1.00	136,386,000	136,386,000	14
	v) Other assets (not specified above) [Net of specific provision, if any]		1.00	187,823,744	187,823,744	19
	Total			**139,374,043,626**	**67,981,986,675**	**6,798**

5. Equities: Disclosures for Banking Book Positions

Qualitative Disclosures

a.	The general qualitative disclosure requirement with respect to equity risk, including:	
	Differentiation between holdings on which capital gains are expected and those taken under other objectives including for relationship and strategic reasons.	Investment in equity securities are broadly categorized into two classes: **Quoted securities** which are placed into the trading book assets, are traded in the secondary market. **Unquoted securities** are categorized as banking book equity exposure. Unquoted securities are valued at cost.
	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.	Investments in these equity securities have been initiated with a view to making capital gain by selling them in the future or hold for dividend income. Both quoted and un-quoted equity securities are valued at cost and requisite provisions are maintained to offset the price shock i.e if prices fall below the cost price.

Quantitative Disclosures:

(Figure in BDT)

		At Cost Price	At Market Value
a	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.	303,823,500	1,819,295,705
	The cumulative realized gains (losses) arising from sales and liquidations in the reporting period.		
	Total unrealized gains (losses) Total latent revaluation gains (losses) Any amounts of the above included in Tier 2 capital.		
	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. Specific Market Risk General Market Risk	 1,819,295,705 1,819,295,705	 1,819,295,705 1,819,295,705

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

Qualitative Disclosures

a.	The general qualitative disclosure requirement including the nature of IRRBB and key assumptions, including assumptions regarding loan prepayments and behaviour of non-maturity deposits, and frequency of IRRBB measurement.	Interest rate risk in the banking book arises out of mismatches between the future yield of an asset and its funding cost. ALCO of the banks monitors the interest rate movement on regular basis. UBL measures the interest rate risk by calculating Duration Gap i.e positive duration gap affects bank's profitability adversely with the increase of interest rate and vice versa.

Quantitative Disclosures

a — The increase (decline) in earnings or economic value (or relevant measure used by management) for upward and downward rate shocks according to management's method for measuring IRRBB, broken down by currency (as relevant).

Increase of Interest Rate affects the Bank in the following ways:

Particulars	Minor Shock	Moderate Shock	Major Shock
Shock	1%	2%	3%
DGAP(Years)	0.69	0.69	0.69
Regulatory Capital	1212.51	1212.51	1212.51
RWA (Crore Taka)	9484.64	9484.64	9484.64
CAR	12.78%	12.78%	12.78%
After Shock Capital	1118.94	1025.36	931.79
After Shock RWA	9391.07	9297.49	9203.92
After Shock CAR	11.91%	11.03%	10.12%

7. Market Risk

Qualitative Disclosures

a. Views of BOD on trading/investment activities

Market Risk is the possibility of losing assets in balance sheet and off-balance sheet positions arising out of volatility in market variables i.e interest rate, exchange rate and price. Total capital requirement for the banks against their market risk is the sum of the following:

- Interest Rate risk.
- Equity position risk.
- Foreign Exchange risk.
- Commodity risk.

All the market risk related policies/guidelines are duly approved by the BOD. The BOD sets limit, review and update the compliance on regular basis targeting to mitigate market risk.

	Methods used to measure Market risk	With a view to calculating the market risk for trading book objective the bank follows Standardized Approach where capital charge for interest rate risk, price and foreign exchange risk is determined separately. The total capital requirement in respect of market risk is the sum of capital requirement calculated for each of these market sub-categories as mentioned below: • Capital Charge for Interest Rate Risk = Capital Charge for Specific Risk + Capital Charge for General market Risk. • Capital Charge for Equity Position Risk = Capital Charge for Specific Risk + Capital Charge for General market Risk. • Capital Charge for Foreign Exchange Risk = Capital Charge for General market Risk. • Capital Charge for Commodity Position Risk = Capital Charge for General market Risk.
	Market Risk Management system	Asset & Liability Management Department under Treasury Division manages the market risk and ALCO monitors the market risk management activities.
	Policies and processes for mitigating market risk	The Asset & Liability Management Department (ALMD) takes following measures in mitigating market risks: **Interest Rate RiskManagement:** ALMD reviews the risks of changes in income of the Bank as a result of movements in market interest rates. In the usual course of business, the Bank tries to minimize the mismatch between the duration of interest sensitive assets and liabilities. Effective interest rate management is done through market analysis and Gap analysis. **Foreign Exchange Risk Management:** It is the risk that arises from potential fluctuations in the exchange rate, adverse exchange positioning or change in the market. ALMD mitigates this risk by supervising day to day trading activities and by setting limits. **Equity Risk Management :** Equity risk is defined as losses due to changes in market price of the equity held. To measure and identify the risk, market valuation of the share portfolio is done.

Quantitative Disclosures

a.	The capital requirements for: Interest rate risk: equity position risk; foreign exchange risk; and Commodity risk.		(Figure in BDT)
		Particulars	**Capital Requirement**
		Interest Rate Risk	248,488,186
		Equity Position Risk	363,859,141
		Forex Risk	67,559,772
		Commodity Risk	-
		Total Capital Charge	679,907,099

8. Operation Risk

Qualitative Disclosures

a.	Views of BOD on system to reduce Operational Risk	All the policies/guidelines including Internal Control and Compliances and Board audit are duly approved by BOD. Audit Committee of the Board directly oversees the activities of internal control and compliances aiming to check all types of lapses and irregularities inherent with operational activities of the Bank and thereby may create a notable downfall risk for the Bank. Operational risk includes legal risk, but excludes strategic and reputation risk. Operational Risk includes: • Transaction processing • Operation control • Technology and systems • Risks of physical and logical security • Unique risk arises due to outsourcing
	Performance gap of executives and staffs	The BOD of the Bank is always keen to provide a competitive, attractive and handsome remuneration package for its employees. Besides, the recruitment policies of the Bank always emphasizes on sorting out fresh graduate from the reputed universities and nurture them until transformation to a 'Human Capital' of highest quality. Besides, the Bank's name and fame as top tier. Bank of the country acts as moral boosting factor for the employees. An accommodating, welcoming, co-operative and congenial work atmosphere motivates its employees to act as a family towards achievement of goal. As such, there exists no performance gap in the bank.
	Potential external events	We understand that business operates in an umbrella of inter connected socio-economic and political environment. Few externalities affect business performance directly such as macro-economic conditions, regulatory changes, change in demand, status of infrastructure whereas few factors affect operations of the business directly or indirectly such as force shut down due to political instability, threat of vandalism to the bank's sophisticated physical outlets including IT equipment's etc.
	Policies and processes for mitigating operational risk	Operational Risks results from inadequate or failed internal process, people and systems or from external events. Within the Bank, Operational Risk may arise from negligence and dishonesty of the employees, lack of management supervision, inadequate operational control, lack of physical security, poor technology, lack of automation, non- compliance of regulatory requirements, internal and external fraud etc. Operational Risk Management Framework has been designed to provide a sound and well-controlled operational environment and thereby mitigate the degree of operational risk.
	Approach for calculating capital charge for operational risk	The bank applies 'Basic Indicator Approach' of Basel II as prescribed by BB in revised RBCA guidelines. Under this approach, banks have to calculate average annual gross income of last three years and multiply the result by 15% to determine required capital charge.

Quantitative Disclosures

a.	The capital requirements for operational risk	BDT 1,26,30,00,819

9. Liquidity Ratio

Qualitative Disclosures

a.	Views of BOD on system to reduce Liquidity risk	The Board of Directors of UBL assumes the responsibility of ensuring that the bank's liquidity is adequate for both normal operations and unanticipated stress events. By approving the policy statement, the Board specifically: • Approves policy limits, monitoring and reporting systems • Sets up line management responsibilities. • Puts systems in place to review actual performance relative to policies and controls. • Agrees to hold management accountable to measure, monitor, and control liquidity risk. • Reviews liquidity reports on a regular basis to ensure liquidity risk is within policy limits. • Reviews Contingency Funding Plans.
	Methods used to measure Liquidity risk	Banks provide maturity transformation. Taking deposits that are callable on demand or that on average has shorter maturity than the average maturity of the financing contracts they sell. While maturity transformation provides liquidity insurance to the depositors, which is valued by them, it exposes banks to liquidity risk themselves. Since banks specialize in maturity transformation they take pool deposits and take care to match their cash inflows and outflows in order to address the liquidity risk they face. Following are the ways to measure liquidity risk: • Judging the timing of bank's cash in- and out-flows. • Anticipating change in the cost of capital or availability of funding. • Abnormal behaviour of financial markets under stress. • Range of assumptions used in predicting cash flows. • Breakdown in payments and settlement system • Macroeconomic imbalances.
	Liquidity risk management system	• Identify the primary sources of funding. • Provide for alternative responses to business scenarios. • Deal with temporary, short-term and long-term liquidity disruptions. • Operate within liquidity risk tolerance levels. • Consider and manage volatile liability dependence • Consider contingent exposures like undrawn credit lines.
	Policies and processes for mitigating liquidity risk	Liquidity risk management process has been developed with the objective of optimizing the relationship between liquidity risk and other forms of risk such as interest rate risk, credit risk and capital risk, while providing maximum returns to stockholders. The process includes:

		• Identify the primary sources of funding. • Provide for alternative responses to business scenarios. • Deal with temporary, short-term and long-term liquidity disruptions. • Operate within liquidity risk tolerance levels. • Incorporate periodic review of assumptions used in liquidity projections. • Utilize cash flow projections. • Maintain target levels of unpledged liquid asset reserves. • Consider and manage volatile liability dependence. • Address funding concentrations. • Consider contingent exposures like undrawn credit lines. • Provide management reporting of the type and frequency specified in the policy.

Quantitative Disclosures

(Figure in BDT)

a.	Liquidity Coverage Ratio(LCR)	154.51%
	Net Stable Funding Ratio (NSFR)	107.04%
	Stock of High quality liquid assets	51,484,915,680
	Total net cash outflows over the next 30 calendar days	33,321,413,290
	Available amount of stable funding	120,814,440,721
	Required amount of stable funding	112,863,506,082

10. Leverage Ratio

Qualitative Disclosures

a.	Views of BOD on system to reduce excessive leverage	The BOD understands that increasing quality capital base as well as reducing bad assets is the ways to latch on to the dependency on the excessive leverage. Leverage being the staple feature of banking business cannot be minimized but careful management would certainly yield profit from this.
	Policies and processes for managing excessive on and off-balance sheet leverage	Banks either have to reduce their asset base, increase their capital, or both. They can achieve this by selling assets, reducing outstanding credit on their books by calling back loans, issuing additional share capital and retaining earnings. In many cases a combination of all these will be pursued. However, the issuance of new share capital is largely the resort of the truly desperate.

	Approach for calculating exposure	The exposure measure for the leverage ratio will generally follow the accounting measure of exposure. In order to measure the exposure consistently with financial accounts, the following will be applied by the bank: **i.** On balance sheet, non-derivative exposures will be net of specific provisions and valuation adjustments (e.g. surplus/ deficit on Available for sale (AFS)/ Held-for-trading (HFT) positions). **ii.** Physical or financial collateral, guarantee or credit risk mitigation purchased is not allowed to reduce on-balance sheet exposure. **iii.** Netting of loans and deposits is not allowed. Banks will calculate the off-balance sheet (OBS) items specified in Credit Risk chapter (Table 12) under the section of "Risk Weights Off-Balance Sheet Exposure" by applying a uniform 100% credit conversion factor (CCF). For any commitments that are unconditionally cancellable at any time by the bank without prior notice, a CCF of 10% will be applied.

Quantitative Disclosures

(Figure in BDT)

a.	Particulars	Solo	Consolidated
	Leverage Ratio	6.40%	6.44%
	On balance sheet exposure	150,139,480,639	149,895,571,696
	Off balance sheet exposure	7,624,497,964	7,624,497,964
	Total exposure	157,763,978,603	157,520,069,660

11. Remuneration

The following are the main disclosures on remuneration that banks should include in their Pillar 3 document. Banks are strongly encouraged not only to disclose the required information, but to articulate as far as possible how these factors complement and support their overall risk management framework.

The requested quantitative disclosures detailed below should only cover senior management and other material risk takers and be broken down between these two categories.

Quantitative Disclosures

a.	Information regarding bodies that oversee remuneration.	
i	Name of the bodies that oversee remuneration	The remuneration of the bank is governed by the' Pay Structure' of the bank which is approved by the Board from time to time. Human Resources Division is solely responsible for overseeing the pay structure followed by the HR policy Guidelines.
ii	Composition of the main body overseeing remuneration	Structure or composition of HRD. Managing Director → Deputy Managing Director → General Manager → Assistant General Manager → Other operational officer.

iii	Mandate of the main body overseeing remuneration	As a main body for overseeing the bank's remuneration, the HRD places the position of remuneration, the matters and recommendations associated to it before the Board of Directors for approval of its restructuring, rearrangement modification in line with the industry best practices as per requirement.
iv	External consultants whose advice has been sought, the body by which they were commissioned, and in what areas of the remuneration process	The bank did not deploy any external consultant regarding remuneration and its process as on 31 December 2015.
v	A description of the scope of the bank's remuneration policy (eg by regions, business lines), including the extent to which it is applicable to foreign subsidiaries and branches	The remuneration policy does not discriminate by regional basis and business lines. The bank did not have any foreign subsidiaries branches outside Bangladesh as on 31 December 2015.
vi	A description of the types of employees considered as material risk takers and as senior managers, including the number of employees in each group	Actually, the senior management, branch manager and employees engaged in different departments & division at Head Office (except the employees involved in internal control and compliance, risk management consider as main risk takers of UBL) are considered as main risk takers of UBL.
b.	Informationrelatingto the designandstructure of remuneration	
i	An overview of the key features and objectives of remuneration policy	**1.** Avoid decimation in the pay structure of the bank **2.** Retention of interest of the stakeholders of the bank. **3.** To cope up with the industry practice **4.** To focus on sustainable growth of the bank & **5.** To bring employees satisfaction of the bank.
ii	Whether the remuneration committee reviewed the bank's remuneration policy during the past year, and if so, an overview of any changes that were made	In the last financial year, bank did not bring any changes in the remuneration policy.
iii	A discussion of how the bank ensures that risk and compliance employees are remunerated independently of the businesses they oversee	The performance of each employee is evaluated annually as per Predetermined set criteria and accordingly the result of the performance varies from one to another and this is considered only for promotion purposes.
c.	Description of the ways in which current and future risks are taken into account in the remuneration processes	
i	An overview of the key risks that the bank takes into account when implementing remuneration measures	The key risks that the bank takes into account when implementing remuneration measures: **1.** Default risk that arises from providing loans. **2.** Reputation risk arising from not providing satisfactory customer services. **3.** Liquidity risk that arises from unavailability of payment obligations. **4.** Compliance risk arising due to comply the pay structure perfectly.

ii	An overview of the nature and type of the key measures used to take account of these risks, including risks difficult to measure	Risk is difficult to measure in absolute figures. Risk can be minimized in various ways if the institutions try and take account of those risks seriously. The bank at first makes a budget of loans, deposits and profit and tries to achieve the target by taking measure of reducing NPL, sustaining growth rate of credit deposit ratio increasing asset quality, minimizing cost of fund and maximizing spread of income, increasing provision coverage ratio as well as doing compliance status accurately and satisfactory up to the regulatory bodies from time to time.
iii	A discussion of the ways in which these measures affect remuneration	Remuneration is the main and largest components of administrative cost of a bank. So, effective management of remunerating depends on the proper implementation of the above measures. (c, ii)
iv	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 material changes had been made during the year 2015 that could affect the remuneration.
d.	Description of the ways in which the bank seeks to link performance during a performance measurement period with levels of remuneration	
i	An overview of main performance metrics for bank, top-level business lines and individuals	Business target is fixed up upon some key performance indicators (KPIs) which are set and approved by the Board and senior management of the bank. The management set appropriate tools, techniques, and business planning and strategic planning in line with set target. The most common KPI's are LD ratio, NPL ratio, cost of fund, yield of funds, CRAR, ROA, ROE, LCR, CRR, SLR etc.
ii	A discussion of how amounts of individual remuneration are linked to bank-wide and individual performance	Remuneration of the employees of the bank is paid based on bank's service rule (set in HR policy). Sometimes (though rare in our bank, three (03) special increments may be granted to an individual based up on his best performances by desecrating power of CEO.
iii	A discussion of the measures the bank will in general implement to adjust remuneration in the event that performance metrics are weak. This should include the bank's criteria for determining "weak" performance metrics	In fact no adjustment was made in payment of remuneration for weak performance metrics.
e.	Description of the ways in which the bank seek to adjust remuneration to take account of longer-term performance	
i	A discussion of the bank's policy on deferral and vesting of variable remuneration and, if the fraction of variable remuneration that is deferred differs across employees or groups of employees, a description of the factors that determine the fraction and their relative importance	As per our HR policy the Managing Director may allow at best three (03) special increment for best performers. But in the last financial year, the bank did not allow any such increments. The banks' remuneration is paid on cash basis. So no deferred remuneration was found in the last financial year.

ii	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	Not applicable.
f.	Description of the different forms of variable remuneration that the bank utilises and the rationale for using these different forms	
i	An overview of the forms of variable remuneration offered (i.e. cash, shares and share-linked instruments and other forms. A description of the elements corresponding to other forms of variable remuneration (if any) should be provided	Under our HR policy , the bank offers two forms of variable remuneration to the best performers in the banking business: • **Special Increments-** the Managing Director may allow at best three special increment. • **Cash Rewards-** a lump sum amount in the form of cash is given to the performers.
ii	A discussion of the use of the different forms of variable remuneration and, if the mix of different forms of variable remuneration differs across employees or groups of employees), a description the factors that determine the mix and their relative importance	In the last financial year, the bank paid no such variable remuneration. So there was no use of the different forms of variable remuneration.

Quantitative Disclosures

a.	Number of meetings held by the main body overseeing remuneration during the financial year and remuneration paid to its member	There is no specific committee for remuneration.		
b				
i	Number of employees having received a variable remuneration award during the financial year.	Not applicable.		
ii	Number and total amount of guaranteed bonuses awarded during the financial year	**Particulars**	**No. of Employees**	**Amount (In Tk)**
		Net bonus paid to employees during 2015	3,740	132,373,081
iii	Number and total amount of sign-on awards made during the financial year.	There is no sign-on awards made in 2015.		
iv	Number and total amount of severance payments made during the financial year	No such payment was made during the fiscal year.		

c.		
i	Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms	Not applicable.
ii	Total amount of deferred remuneration paid out in the financial year.	Not applicable.
d	Breakdown of amount of remuneration awards for the financial year to show	
i	Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms	
ii	Total amount of deferred remuneration paid out in the financial year	Not applicable.
iii	Different forms used (cash, shares and share linked instruments, other forms)	Not applicable.
e	Quantitative information about employees' exposure to implicit (e.g. fluctuations in the value of shares or performance units) and explicit adjustments (e.g. claw backs or similar reversals or downward revaluations of awards) of deferred remuneration and retained remuneration:	
i	Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit and/or implicit adjustments	Not applicable.
ii	Total amount of reductions during the financial year due to ex post explicit adjustments	Not applicable.
iii	Total amount of reductions during the financial year due to ex post implicit adjustments	Not applicable.