ONE Bank LIMITED

# Disclosure on Market Discipline
# Under BASEL II Pillar -3
# As on December 31, 2010

The Bank has been maintaining its Regulatory Capital on the basis of Risk Weighted Assets (RWA) in line with the requirement of Basel-II. According to the guideline on Risk Based Capital Adequacy (RBCA) for Banks in Bangladesh (BRPD circular no 35 dated December 29, 2010), ONE Bank Limited is required to maintain 9% capital out of Risk Weighted Assets for the year 2010.

As on December 31, 2010 the Bank maintained its Capital Adequacy Ratio at 9.69%, where the total Regulatory Capital was Tk 595.59 crore out of its total Risk Weighted Assets of Tk 6,147.77 crore. (as mentioned in the Note 15 of the Financial Statement).

The Basel II Guideline has emphasized on the Credit Risk, Market Risk and Operational Risk. Total requirements of Capital for above risks is to compare with the aggregated amount of Capital of Tier I and Tier II.

**Capital Adequacy**

The Bank’s view is to keep the regulatory capital always at an adequate level for covering the risks per BASEL II. The required capital as on December 31, 2010 against the corresponding risk of Credit, Market and Operational was Tk.472.58 crore, Tk.48.73 crore and Tk.31.99 crore respectively.

**Capital Chargeable against Credit Risk:**

As per Bangladesh Bank’s guidelines RWA for Credit Risk includes both Balance Sheet and Off-Balance Sheet exposure. For Credit risk, ONE Bank Limited followed Standardized Approach Method of Basel II. As on December 31, 2010, the RWA of On Balance Sheet exposure and Off Balance Sheet was Tk. 4,424.58 crore and Tk. 826.32 crore respectively.

**Capital Chargeable against Market Risk**

Market risk is the possibility of loss of assets in balance sheet and off-balance sheet items for volatility in the market variables i.e. interest rate, exchange rate and price. as on December 31, 2010 , the capital was required for mitigating market risk of Tk.48.73 crore due to changes in interest rates, Equity position, foreign exchange rates and price of commodity.The above amount was constituted by the amount of Tk.3.18 crore for the changes in Interest Rate Risk, Tk.43.85 crore for the changes in the Equity Position and Tk1.70 crore for foreign exchange risk.:

**Capital Chargeable against Operational Risk**

ONE Bank Limited has computed the capital requirements for operational risk under the Basic Indicator Approach (BIA), where the capital charge for operational risk is a fixed percentage, denoted by alpha of average positive annual gross income of the bank over the past three years. Accordingly the Minimum capital requirement for operational risk was Tk 31.99 crore as equivalent to 15% of the average of the last three years Gross Income.