

Bank of England

Prudential Regulation Authority

ANNEX XXXII

Operational Risk Disclosure – Instructions

UKB ORA - Qualitative Information

Row and Column Table

Rows	Columns	Heading	Description
0010	0010	Description of policies, frameworks and guidelines for the management of operational risk	Firms must provide a description of policies, frameworks and guidelines for the management of operational risk.
0020	0010	Description of the structure and organisation of the operational risk management and control function	Firms must provide a description of the structure and organisation of the operational risk management and control function.
0030	0010	Disclosure of the operational risk measurement system	Firms must provide disclosure of the operational risk measurement system.
0040	0010	Description of the scope and main context of the reporting framework on operational risk to executive management and board of directors	Firms must provide a description of the scope and main context of the reporting framework on operational risk to executive management and board of directors.
0050	0010	Description of the risk mitigation and risk transfer used in the management of operational risk	Firms must provide a description of the risk mitigation and risk transfer used in the management of operational risk.

UKB OR1 - Historical Losses

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Column Table

Columns	Heading	Description
0010	T-9	T-9 the previous nine year-end of the annual reporting period.
0020	T-8	T-8 the previous eight year-end of the annual reporting period.
0030	T-7	T-7 the previous seven year-end of the annual reporting period.
0040	T-6	T-6 the previous six year-end of the annual reporting period.
0050	T-5	T-5 the previous five year-end of the annual reporting period.
0060	T-4	T-4 the previous four year-end of the annual reporting period.
0070	T-3	T-3 the previous three year-end of the annual reporting period.
0080	T-2	T-2 the previous two year-end of the annual reporting period.
0090	T-1	T-1 the previous year-end of the annual reporting period.
0100	T	T denotes the end of the annual reporting period.
0110	Ten year average	The average annual losses net of recoveries and excluded losses over 10 years.

Row Table

Rows	Heading	Description
0010	Total amount of operational losses net of recoveries (no exclusions)	Based on a loss event threshold of £20,000, the total loss amount net of recoveries resulting from loss events above the loss event threshold for each of the last 10 reporting periods. Losses excluded from the operational risk capital calculation must still be included in this row.

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0020	Total number of operational risk losses	Based on a loss event threshold of £20,000, the total number of operational risk losses, for each of the last 10 reporting periods.
0030	Total amount of excluded operational risk losses	Based on a loss event threshold of £20,000, the total net loss amounts above the loss threshold excluded (eg due to divestitures) for each of the last 10 reporting periods.
0040	Total number of exclusions	Based on a loss event threshold of £20,000, the total number of exclusions, for each of the last 10 reporting periods.
0050	Total amount of operational losses net of recoveries and net of excluded losses	Based on a loss event threshold of £20,000, the total amount of operational risk losses net of recoveries and excluded losses, for each of the last 10 reporting periods.
0060	Total amount of operational losses net of recoveries (no exclusions)	Based on a loss event threshold of £90,000, the total loss amount net of recoveries resulting from loss events above the loss event threshold for each of the last 10 reporting periods. Losses excluded from the operational risk capital calculation must still be included in this row.
0070	Total number of operational risk losses	Based on a loss event threshold of £90,000, the total number of operational risk losses, for each of the last 10 reporting periods.
0080	Total amount of excluded operational risk losses	Based on a loss event threshold of £90,000, the total net loss amounts above the loss threshold excluded (eg due to divestitures) for each of the last 10 reporting periods.
0090	Total number of exclusions	Based on a loss event threshold of £90,000, the total number of exclusions, for each of the last 10 reporting periods.
0100	Total amount of operational losses net of recoveries and net of excluded losses	Based on a loss event threshold of £90,000, the total amount of operational risk losses net of recoveries and excluded losses, for each of the last 10 reporting periods.

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0110	Accompanying narrative	Any accompanying narrative which the firm would like to provide.
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UKB OR2 - Business Indicator and subcomponents

Column Table

Columns	Heading	Description
0010	T-2	T-2 the previous two year-end of the annual reporting period.
0020	T-1	T-1 the previous year-end of the annual reporting period.
0030	T	T denotes the end of the annual reporting period.
0040	Average amount	All the terms are calculated as the average over three years (T, T-1 and T-2) as reported in column 0040 for each corresponding item.
0050	Component value	The absolute value is reported, for the corresponding items.

Row Table

Rows	Heading	Description
0010	Business Indicator (BI)	The BI is the sum of the three components: Interest, Lease and Dividend Component (ILDC), Services Component (SC) and Financial Component (FC), in accordance with the Operational Risk (CRR) Part of the PRA Rulebook, paragraphs 5.5 and 5.6. This should equal to the sum of rows 0040, 0090 and 0140.
0020	Business Indicator gross of excluded divested activities	The BI reported in this row includes divested activities as reported on row 0030.
0030	Excluded divested activities	Divested activities where supervisory approval has been given to exclude from the calculation of the BI.

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0040	Interest, Lease and Dividend Component (ILDC)	<p>Min [Abs (Interest income – Interest expense); 2.25%* Interest earning assets] + Dividend income.</p> <p>Interest earning assets are reported in row 0070.</p> <p>Dividend income is reported in row 0080.</p>
0050	Interest income	Interest income from all financial assets and other interest income (includes interest income from financial and operating leases and profits from leased assets).
0060	Interest expense	Interest expenses from all financial liabilities and other interest expenses (includes interest expense from financial and operating leases, losses, depreciation and impairment of operating leased assets).
0070	Interest-earning assets	The interest-earning assets (balance sheet item) are the total gross outstanding loans, advances, interest-bearing securities (including government bonds) and lease assets measured at the end of each financial year.
0080	Dividend income	Dividend income from investments in stocks and funds not consolidated in the bank's financial statements, including dividend income from non-consolidated subsidiaries, associates and joint ventures.
0090	Services Component (SC)	Max (Fee and commission income; Fee and commission expense) + Max (Other operating income; Other operating expense).
0100	Fee and commission income	Income received from providing advice and services. Includes income received by the bank as an outsourcer of financial services.
0110	Fee and commission expense	Expenses paid for receiving advice and services. Includes outsourcing fees paid by the bank for the supply of financial services, but not outsourcing fees paid for the supply of non-financial services (eg logistical, IT, human resources).

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0120	Other operating income	<p>Income from ordinary banking operations not included in other BI items but of a similar nature (income from operating leases should be excluded).</p> <p>Other operating income shall be broken down according to the following items: fair value adjustments on tangible assets measured using the fair value model; rental income from investment property; income on operating leases other than investment property and the rest of operating income.</p>
0130	Other operating expense	<p>Expenses and losses from ordinary banking operations not included in other BI items but of a similar nature and from operational loss events (expenses from operating leases should be excluded).</p> <p>Other operating expenses shall be broken down according to the following items: fair value adjustments on tangible assets measured using the fair value model; direct operating expenses from investment property; expenses on operating leases other than investment property and the rest of operating expenses.</p>
0140	Financial Component (FC)	Abs (Net P&L Trading Book) + Abs (Net P&L Banking Book). In the formula, all the terms are calculated as the average over three years.
0150	Net profit (loss) on trading book	This comprises (i) net profit/loss on trading assets and trading liabilities (derivatives, debt securities, equity securities, loans and advances, short positions, other assets and liabilities); (ii) net profit/loss from hedge accounting; and (iii) net profit/loss from exchange differences.
0160	Net profit (loss) on banking book	This comprises (i) net profit/loss on financial assets and liabilities measured at fair value through profit and loss; (ii) realised gains/losses on financial assets and liabilities not measured at fair value through profit and loss (loans and advances, assets available for sale, assets held to maturity, financial liabilities measured at amortised cost); (iii) net

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		profit/loss from hedge accounting; and (iv) net profit/loss from exchange differences.
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UKB OR3 - Minimum Required Capital

Row and Column Table

Rows	Columns	Heading	Description
0010	0010	Business Indicator Component (BIC)	The BIC is calculated by multiplying the BI by the firm's corresponding regulatory determined marginal coefficient (α_i), in accordance with the operational risk chapter of the PRA Rulebook, paragraphs 5.7 and 5.8
0020	0010	Internal loss multiplier (ILM)	The ILM used for calculating minimum regulatory capital requirements for operational risk. The ILM is set equal to one.
0030	0010	Minimum required operational risk capital (ORC)	The own fund requirement shall be calculated in accordance with the Operational Risk part of the PRA rulebook. The amount shall be calculated by multiplying the BIC (from row 0010 column 0010) and the ILM (from row 0020 column 0010).
0040	0010	Operational risk RWAs	Own funds requirements found in row 0030 multiplied by 12.5 in accordance with article 92(4) of the Required Level of Own Funds (CRR) Part of the PRA Rulebook.
0050	0010	Accompanying narrative	Any accompanying narrative which the firm would like to provide.