
Disclosure on Risk Based Capital requirement under Pillar- 3 of Basel II

1. Prelude

The Banking has become too complex to be addressed by the simplistic approach of Basel-1. Basel II Accord aims to align banks capital with their basic risk profiles. It is very elaborate and specific in terms of its coverage and details. It exploits effectively the new frontiers of risk management. It seeks to give impetus to the development of a sound risk management system which hopefully will promote a more efficient, equitable and prudent allocation of resources. Both internationally and within Bangladesh, the implementation of Basel-II has gripped a lot of interest. Bangladesh Bank issued an action plan for implementing a new Capital Adequacy framework in line with Basel-II. A Basel II Implementation Committee has been formed in Bank Asia Ltd. following the specific guidelines of Bangladesh Bank. The Bank follows following approaches for calculating Risk Weighted Asset (RWA) as per Basel II guidelines stated in BRPD Circular No.09 dated December 31, 2008 of Bangladesh Bank:

- a) Standardized Approach for Credit Risk
- b) Standardized approach for Market Risk and
- c) Basic Indicator Approach for Operational Risk.

The Bank has effectively implemented Basel II and submitted system generated quarterly report to Bangladesh Bank on time.

The disclosure framework (i.e. Pillar-3) is designed to increase the transparency of banker's risk profile by requiring it to give details of its risk management and risk distributions.

2. Bangladesh Bank Regulations

The major highlights of Bangladesh Bank regulations are

- To maintain Capital Adequacy Ratio (CAR) at a minimum of 9% of risk weighted assets as per revised BRPD Circular No.10 dated 10th March, 2010.
- To adopt the standardized approach for credit risk
- To adopt standardized approach for market risk and basic indicator approach operational risk
- Submission of capital adequacy report to Bangladesh Bank on a quarterly basis.
- To adopt better risk management policy

3. Disclosure Policy

The following detail qualitative and quantitative disclosures are provided in accordance with Bangladesh Bank rules and regulations on risk based capital adequacy under Basel II issued through Revised RBCA Guidelines dated December 29, 2010. The purpose of these requirements is to complement the capital adequacy requirements and the pillar II – Supervisory Review Process. These disclosures are intended for market participants to assess key information about the bank's exposure to various risks and to provide a consistent and understandable disclosure framework for easy comparison among banks operating in the market. The bank has an approved disclosure policy to observe the disclosure requirements set out by the Bangladesh Bank and International Financial Reporting Standard (IFRS) and International Accounting Standards (IAS) as adopted by the Institute of Chartered Accounts of Bangladesh (ICAB) into Bangladesh Financial Reporting Standards (BFRS) and Bangladesh Accounting Standards (BAS) where relevant to the bank.

4. Scope of Application

This disclosure framework has been developed based on the risk events applicable to the core operations and functions of the Bank.

5. Capital Structure

Core Capital (Tier-1) of Bank Asia comprising of paid up capital, Statutory

Reserve and Retained Earnings. Supplementary capital (Tier-2) comprising of General Provision (Unclassified Loans + Off Balance Sheet Exposure), Assets Revaluation Reserves Up to 50%. The Bank does not have any Tier-3 capital.

Total Eligible Capital	Million Taka
The amount of Tier 1 capital, with separate disclosure of:	
Tier-1 Capital	
Paid up capital	3,002.74
Non-repayable share premium account	—
Statutory reserve	2,272.92
General reserve	—
Retained earnings	1,293.50
Minority interest in subsidiaries	—
Non-cumulative irredeemable preference shares	—
Dividend equalization account	—
Total Tier-1 capital	6,569.16
Tier-2 capital	—
General Provision	1,338.32
Asset Revaluation Reserves up to 50%	241.31
Other reserve	8.17
Total Tier-2 capital	1,587.80
Tier-3 capital	—
	—
Total eligible capital	8,156.96

The calculation of Tier-1 capital, Tier 2 capital, and Tier 3 capital shall be subject to the following conditions:

- a) The amount of Tier-2 capital will be limited to 100% of the amount of Tier-1 capital.
- b) 50% of revaluation reserves for fixed assets and securities eligible for Tier-2 capital.
- c) 10% of revaluation reserves for equity instruments eligible for Tier-2 capital.
- d) Subordinated debt shall be limited to a maximum of 30% of the amount of Tier-1 capital.
- e) Limitation of Tier-3: A minimum of about 28.5% of market risk needs to be supported by Tier-1 capital. Supporting of Market Risk from Tier-3 capital shall be limited up to maximum of 250% of a bank's Tier-1 capital that is available after meeting credit risk capital requirement

6. Capital Adequacy

6.1 Capital Calculation Approach

Assessment of Capital adequacy is carried out in conjunction with the capital Adequacy reporting to the Bangladesh Bank and following approaches were pursued to calculate Minimum Capital Requirement. Credit Risk - Standardized Approach (SA) Market Risk - Standardized Approach (SA) and Operational Risk - Basic indicator Approach (BIA)

6.2 Capital of the Bank

Bank has Capital Adequacy ratio

of 8.11% as against the minimum regulatory requirement of 9%. Tier I capital adequacy ratio is 6.53% against the minimum regulatory requirement of 4.5%. The Bank policy is to manage and maintain its capital with the objective of maintaining strong capital ratio and high rating. Due to tremendous growth in all aspects including advance Tk. 79,504.23 million , deposit Tk. 83,104 million, export Tk. 57,282 million, Import Tk. 110,418 million total eligible capital of the Bank fell short by only 0.89. To meet up the slight shortage and to ensure adequate capital for sustainable growth the Management of Bank Asia has already taken well planed initiatives which includes but not limited to the followings :

- Issuance of subordinated debt in the form of zero coupon bond to raise Tier-2 capital and to minimize gap between Tier-1 and Tier-2 capital.
- Revaluation of land properties and building by a top graded valuer. Fifty percent (50%) of the revalued gain will be recognized as Tier-2 capital subject to consideration of incremental capital requirement for the revalued amount.
- Raising Capital through Rights issue to boost up Tier-1 capital.
- Consistently encouraging existing corporate clients to complete external credit rating in a view to assess counterparty Credit Risk status and to reduce capital requirement.
- Improving and enhancing eligible collaterals, by way of collateral optimization

- Booking new clients taking into considerations their risk profile and credit rating.

The Bank's Capital adequacy ratio is periodically assessed and reviewed by the ALCO (Asset and Liability Management Committee) and reported to head office. The composition of capital in terms of Tier 1, 2 and 3 are also analyzed to ensure capital stability and to reduce volatility in the capital structure.

6.3 Capital Adequacy	Million Taka
Capital requirement for Credit Risk	8,031.93
Capital requirement for Market Risk	311.76
Capital requirement for Operational Risk	705.42
Total and Tier 1 capital ratio:	
- For the consolidated group	80.51%
- For stand alone Tier-1 capital out of 8.11%	6.53%

7. Credit Risk

Risk is inherent in all aspects of a commercial operation; however for Banks and financial institutions, credit risk is an essential factor that needs to be managed. Credit risk is the possibility that a borrower or counterparty will fail to meet its obligations in accordance with agreed terms.

Past due and impaired exposure may be define as the unsecured portion of any claim or exposure (other than claims

secured by residential property) that is past due for 90 days or more, net of specific provisions (including partial write-off) will be risk weighted as per prescribed format of Basel II. For the purpose of defining the net exposure of the past due loan, eligible financial collateral (if any) may be considered for Credit Risk Mitigation. General provision maintained against Special Mention Account (SMA) loan will not be eligible for such net off.

7.1 Credit Risk Management

The goal of credit risk management is to maximize the risk-adjusted rate of return of the bank by maintaining credit risk exposure within acceptable parameters. Considering the key elements of credit risk, the bank has segregated duties of the officers / executives involved in credit related activities. Separate departments for Corporate, Retail, SME, Credit Cards have been formed in order to diversify the credit risk. For transparency in the operation, the bank has established separate departments within the credit division. These are i) Credit Risk Management Department ii) Credit Administration Department iii) Legal and Recovery Department. Towards mitigating the risks, Bank Asia has developed a robust credit approval system. Under the ongoing system, the approval and disbursement of all business loans are centralized at Corporate Office. The credit proposals recommended by branches are scrutinized by CRM Department. Sanctions are conveyed to the Branches after getting approval from Credit Committee of Corporate Office or Board of Directors if needed. Limits are loaded

into the system by Credit Administration Department but it is not operative until the branch complies all the terms and conditions incorporated in the sanction advice. The above arrangement ensures the segregation of duties & responsibilities and thus minimizes the credit risk.

It is Bank Asia Limited policy to establish that loans are within the customer's capacity to repay, rather than to rely excessively on security. Depending on the customer standing and the type of product, facilities may be unsecured. Collateral can be an important mitigate of credit risk.

The bank has guidelines on the acceptability of specific classes of collateral or credit risk mitigation, and determine stable valuation parameter. Such parameters are expected to be conservative reviewed regularly and supported by empirical evidence. Security structures and legal convents are required to be subject to regular review to ensure that they continue to

fulfill their intended purpose and remain in line with local market practice.

Special attention is paid to problem loans and appropriate action is initiated to protect the bank's position on a timely basis and to ensure that loan impairment methodologies result in losses being recognized when they are incurred. The objective of credit risk management is to minimize the probable losses and maintain credit risk exposure within acceptable parameters.

Customer's risk grading parameters are financial condition and performance, quality of disclosure and management, facility structure, collateral and risk assessment where necessary. Maximum counterparty/group exposure are limited to 15% (funded) of the banks capital base as stipulated by Bangladesh Bank where a hire limit is required for projects of national importance subject to prior approval of Bangladesh Bank.

7.2 Credit Risk	Million Taka
a) Total gross credit risk exposures broken down by major types of credit exposure	79,504.23
Chief Executives & Others senior executives	63.90
Consumers	41,814.57
Industries	33,848.52
Infrastructural	3,777.23
b) Geographical distribution of exposures, broken down in significant areas by major types of credit exposure.	79,504.23
Dhaka Division	47,954.88
Chittagong	23,557.13
Khulna	915.52
Raishahi	1,221.52
Sylhet	589.71
Rural	5,265.44
c) Industry or counterparty type distribution of exposures, broken down by major types of credit exposure.	79,504.23
Agricultural and Jute	1,075.18
Readymade Garments	4,113.97
Textile	5,829.13
Food and allied	2,326.25
Chemical	348.72
Cement	498.29
Electronics	205.53
Steel	3,864.93
Paper	1,762.97
Real estate	2330.64
Other	57,148.40
d) Residual contractual maturity breakdown of the whole portfolio, broken down by major types of credit exposure	—

e) By Major Industry or Counterparty Type or Sector Wise Past Due Loan

		Million Taka
Sl.No	Sector Name	Exposure
1	Textile Mill	10.14
2	Garments Factory	71.31
3	Import Finance	1,157.03
4	Construction Companies	35.40
5	Self employed & Professional	3.78
6	Small scale Manufacturing	2.84
7	Hotel & Restaurant	1.04
8	Retailer	7.32
9	Service Holder (Working in Country)	6.07
10	Rubber & Plastic Industries	0.0075
11	Other Individuals	53.48
12	Importer & Exporters	32.43
13	Food Ministry Include Directorate of Food	79.28
14	Others Factories	1.30
15	Electricity Company	36.28
16	Whole Sale traders	8.37
17	Steel Mills	137.89
18	Brick & sand (Large scale Industries)	.093
19	Steel engineering & Metallic	28.30
20	Other service oriented Firm	1.79
21	Private University	98.23
22	Printing & Dying Industries	6.67
23	Spinning Industries	107.24
24	Paper & Paper Products Industries	22.34
25	Poultry Firms	1.42
26	Retail Traders	4.07
27	Handicrafts Factories	0.0071
28	Others Business	199.96
29	Others	135.23
30	Others Native Firms	10.61
Total		2,260.16

7.3 Non Performing Asset

The Bank follows Bangladesh Bank guidelines regarding loan classifications, provisioning and any other issues related to Non Performing Loan (NPL).

Bank's internal credit guidelines also directs on managing of NPL, loan provisioning review procedure, debt write-off, facility grading, reporting requirements, interest recognitions. However, Bank's guidelines will not supersede central bank regulations. Thus dealing with NPL, the Bank's decision is always complied by regulator's rules.

Throughout the year the Bank reviews loans and advances to assess whether objective evidence that impairment of a loan or portfolio of loans has arisen supporting a change in the classification of loans and advance which may result in a change in the provision required in accordance with BRPD Circular No.5 (5 June 2006).

	Million Taka
f) Gross Non Performing Assets (NPAs)	2,559.73
Non Performing Assets (NPAs) to Outstanding Loans & advances	3.21
Movement of Non Performing Assets (NPAs)	
Opening balance	1,067.40
Additions	3,013.63
Reductions	1,521.30
Closing balance	2,559.73
Movement of specific provisions for NPAs	
Opening balance	355.38
Provisions made during the period	140.79
Write-off	141.54
Write-back of excess provisions	-
Closing balance	354.63

8. Equities: Disclosures for Banking Book Positions

Unlike other types of market structures, the capital market is unique in both features and operational fundamentals. The Market has therefore come to be recognized as the pillar in every strong and dependable economy all over the world owing to its vital role in creating avenues for investors and companies to raise long-term funds for their investment purposes.

Bank Asia has been operating in the capital market of Bangladesh since 2009. The Bank invested in shares both in primary as well as secondary market. The Bank obtained dealer registration from Security & Exchange Commission (SEC) in 2010 and since then the Bank was mainly involved in "Own Portfolio Management" activity.

Investments in shares of Bank Asia are made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of capital as well as the probable income to be derived. The Bank recognizes that no investment is totally free from risk and that occasional measured losses are inevitable in a diversified portfolio and will be considered within the context of the overall portfolio's return, provided that adequate diversification has been implemented and that the sale of a security is in the best interest of the Bank.

Investment team of Bank Asia follows top-down approach where they review and analyze economy outlook, Sectoral growth and specific company analysis. Company specific risk is minimized through proper diversification. To manage market risk, we follow economic research. Moreover, it has been noted that, the major source of market risk comes from the frequent change of regulation. Thus, it is important to maintain close relationship

with the regulator body and keep aware if there is any upcoming regulation change.

The Management of the Bank has constituted an Investment Committee comprising of members from the senior executives of the Bank who have experiences and knowledge on Capital Market activities.

Our investment in shares are being monitored and controlled by the Investment Committee on schedule basis and are reflected in accounts through proper methodologies and accounting standards of the local & international. Investments are valued on mark to mark basis on a particular period.

8.1 Equities

Million Taka

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.	Cost price	393.57
	Market price	464.69
	Difference	71.12
b) The cumulative realized gains (losses) arising from sales and liquidations in the reporting period.		85.70
c) Total unrealized gains (losses)		(23.82)
d) Total latent revaluation gains (losses)		N/A
e) Any amounts of the above included in Tier 2 capital.		N/A
f) 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 Risk	28.30
	General Market Risk	28.30

9. Interest Rate Risk in the Banking Book

Interest rate risk is the potential that the value of the on-balance sheet and the off-balance sheet positions of the bank would be negatively affected with the change in the interest rates. The vulnerability of an institution towards the adverse movements of the interest rate can be gauged by using Duration GAP under stress testing analysis.

Bank Asia has also been exercising the Stress Testing using the Duration GAP for measuring the Interest Rate Risk on its on-balance sheet exposure for estimating the impact of the net change in the market value of equity on the Capital Adequacy Ratio (CAR) due to change in interest rates only on its on-balance sheet positions (as the bank holds no interest bearing off-balance sheet positions and/or derivatives) under the assumption of three different interest rate changes i.e. 1%, 2%, and 3%.

Quantitative Disclosure		Million Taka		
Market Value of Assets		105,396.18		
Market Value of Liabilities		98,138.11		
Leverage Adjusted Duration of Liabilities(DL)		0.77		
Weighted Average of DA		1.34		
Duration GAP (DA-DL)		0.57 years		
Yield to Maturity (YTM)		9.26%		
Magnitude of Interest Rate Change		1.00%	2.00%	3.00%
Fall in Market Value of Equity		(553.77)	(1,107.55)	(1,661.32)
Tax adjusted loss		(318.42)	(636.84)	(955.26)

10. Market Risk

Market Risk is the risk of loss to the bank's earnings and capital due to changes in the market level of interest rates or prices of securities, foreign exchange and equities, as well as the volatilities of those changes. This can be explained as exposure to a change in value of market variables or risk factors such as:

Interest rate factor : Probability that interest rate will change.

Currency factor : Probability that Foreign exchange rate will change

Equity factor : Probability that stock price will change

Commodity factor : Probability that Commodity price will change

The Bank uses the standardized (market risk) approach to calculate market risk for trading book exposures. Trading book consists of positions in financial instruments held with trading intent or in order to hedge other elements of the Trading Book. A capital charge will be applicable for financial instruments which are free from any restrictive covenants on tradability, or able to be hedged completely. Generally, investments in held for trading portfolios are focal parts of the Trading Book.

Capital charge means an amount of regulatory capital which the bank is required to hold for an exposure to a relevant risk which, if multiplied by 9, becomes the risk-weighted amount of that exposure for that risk.

Bank has defined various internal limits to monitor market risk and is computing the capital requirement as per standardized approach of Basel II.

Details of various market risks faced by the Bank are set out below:

Interest rate risk in the trading book

Bank adopts maturity method in measuring interest rate risk in respect of securities in trading book. The capital charge for entire market risk exposure is computed under the standardized approach using the maturity method and in accordance with the guideline issued by Bangladesh Bank.

Interest rate exposures in the banking book

Interest rate risk is the risk where changes in market interest rate might adversely affect a bank's financial condition. The immediate impact of changes in interest rates is on the Net Interest Income (NII). A long term impact of changing interest rates is on the Bank's net worth since the economic value of a Bank's assets liabilities and off-balance sheet positions get affected due to variation in market interest rates. The responsibility of interest rate risk management rests with the Bank's Asset and Liability Management Committee (ALCO). Bank periodically computes the interest rate risk on the banking book that arises due to re-pricing mismatches in interest rate sensitive assets and liabilities.

Details relating to re-pricing mismatches and the interest rate risk thereon are placed to the ALCO on regular basis with proposal for corrective action if necessary.

Foreign Exchange Risk

Foreign Exchange Risk is defined as the risk that a bank may suffer losses as a result of adverse exchange rate movements during a period in which it has an open position, either spot or forward, or a combination of the two, in an individual foreign currency. The responsibility of Management of foreign exchange risk rests with the Treasury Department of the bank. Bank's involvement in foreign exchanges transactions mainly lies on import, export, inward and out ward remittances. Treasury front office monitor the inflow and outflow of foreign exchange transactions and take necessary steps to manage foreign exchange risk. Treasury operations are clearly segregated between treasury front office which carries out deals and manage the foreign exchange risk and back office process the deals and verify accordingly. Both offices have separate and independent reporting lines to ensure minimizing of risk. Foreign exchange risk is computed on the sum of net short positions or net long positions, whichever is higher of the foreign currency positions held by the Bank.

10.1 Quantitative Disclosure		Million Taka
The Capital requirement for :		
Interest Rate Risk	206.70	
Equity Position Risk	56.60	
Foreign exchange & Commodity Risk	48.50	
		311.80

11. Operational Risk

Operational risk is the risk of loss arising from fraud, unauthorized activities, error, omission, inefficiency, system failure or external events. It is inherent in every business organization and covers a wide spectrum of issues. The Bank manages this risk through a control based environment in which processes are documented, authorization is independent and transactions are reconciled and monitored. This is supported by an independent programme of periodic reviews undertaken by internal audit, and by monitoring external operational risk events, which ensure that the bank stays in line with industry best practice and takes account of lessons learned from publicized operational failures within the financial services industry.

The Bank has operational risk management process which explains how the bank manages its operational risk by identifying, assessing, monitoring, controlling and mitigating the risk, rectifying operational risk events, and implementing any additional procedures required for compliance with central bank requirements. Operational risk management responsibility is assigned to different level of management within the business operation. Information systems are used to record the identification and assessment of operational risks and to generate appropriate regular management reporting. Risk assessment incorporates a regular review of identified risks to monitor significant changes.

11.1 Quantitative Disclosure		Million Taka
The Capital requirement for :		
Operational Risk		705.10

12. Supervisory Review Process (SRP) of Bank Asia Limited

As per Risk Based Capital Adequacy (RBCA) guidelines, Bangladesh Bank instructed banks to form an exclusive body Supervisory Review Process (called SRP team) where risk management unit is an integral part, and to develop a process document (called Internal Capital Adequacy Assessment Process-ICAAP) for assessing their overall risk profile, and a strategy for maintaining enough capital to compensate all the risks in their business, and to develop & practice better risk management techniques in monitoring and managing their risks. Furthermore, determination of level of adequacy capital will be subject to evolution and dialogue between Bangladesh Bank's Supervisory Review Evaluation Process (SREP) team and banks SRP team. In the context of adaptation of Basel-II accord (live)

during the year 2010, Bangladesh Bank initiated several regulatory and supervisory measures for the banks to improve the overall banking sector performance and to implement of risk management in banks.

Considering the gravity of the guidance, Bank Asia Limited established separate Risk Management Unit and formed an exclusive SRP team as approved by the Board of Directors. Since the inception, the Risk Management Committee including the SRP team has been continually concentrating on identifying, measuring, monitoring, controlling & managing the various risks –underlying in day-to-day business & operational activities.

Moreover, the Risk Management Unit consisting of Risk Management Committee & SRP team has been regularly addressing & developing the risks profile of the bank considering

the internal and external risk factors. The management has also been taken several strategies for developing and practicing better risk management techniques (i.e. Modules, Models or Templates) in monitoring & managing the risks. These strong initiatives will be developed our risk management culture, strengthen the bank's risk management and internal control processes. So, we are in optimistic that the bank will be able to move forward in developing the required process document i.e. ICAAP as well as gradually adaptation of more advance approaches of calculating RWA for better utilization of economic capital.

It is mentionable that we are regularly submitting the Risk Management Paper, Stress Testing report for compliance of regulatory requirement considering & reviewing with the concurrent issues and trends.

12.1 Flow Chart of Supervisory Review Process

Process Flow	Description
<pre> graph TD 1.1[1.1 Ongoing identification of risks] --> 1.2[1.2 Prepare Risk Register] 1.2 --> 1.3[1.3 Assess Risks] 1.3 --> MoreRisks{More Risks?} MoreRisks -- Yes --> 1.2 MoreRisks -- No --> 1.5[1.5 Calculate impact on Capital Requirement] 1.4[1.4 Conduct Stress Testing] --> 1.5 1.6[1.6 Assess Adequacy of Capital under Pillar 1 MCR Calculations] --> CS1{Capital Shortfall?} 1.7[1.7 Projected Capital on 5 years Business Plan] --> CS2{Capital Shortfall?} CS1 -- Yes --> 1.8[1.8 Assess overall Capital Requirement] CS1 -- No --> 1.5 CS2 -- Yes --> 1.8 CS2 -- No --> 1.5 1.5 --> 1.8 </pre>	<p>Input : ongoing identification of risks, stress testing results, capital planning and minimum regulatory capital requirement calculations.</p> <p>1.1. The Implementation team will identify risks as an ongoing basis covering risks covered by minimum regulatory capital requirement, risks not covered by MCR and risk factors external to the Bank.</p> <p>1.2. The RMU will prepare a risks register of identified major risks which will cover among other things concentration risk, residual risk, interest rate risk, liquidity risk, settlement risk, reputation risk, strategic risk etc.</p> <p>1.3. The SRP team will assess risks and link their impact to the Banks' assets and capital adequacy. The SRP team will also review the risk management process to ensure its integrity, accuracy, and reasonableness.</p> <p>1.4. The Risk Management Unit (RMU) will conduct stress testing by way of simple sensitivity analysis of five different factors, viz. interest rate, forced sale value of collateral, non-performing loans (NPLs) stock price and foreign exchange rate. The RMU will share the result of stress testing with the SRP team to facilitate the calculation of impact on capital requirement.</p> <p>1.5. The Basel Committee will calculate the impact of risks on capital requirement. It will also consider the result of stress testing in calculating impact of capital requirement.</p> <p>1.6. The SRP will assess the report on minimum regulatory capital requirement (MCR) under Pillar 1 of Basel II Capital Accord and check whether there is any capital shortfall. If there is any capital shortfall it will be considered for the assessment of overall capital requirement.</p> <p>1.7. The SRP Team will assess the projected capital planning prepared by Finance Dept. based on 5 years Business Plan which covers Bank's capital requirement anticipated capital expenditures desirable capital level etc.</p> <p>1.8. The SRP team will assess overall capital requirement and Capital Adequacy Ratio based on the calculated impact of risks, stress testing, MCR and Capital planning.</p> <p>Output : Adequate capital and Capital Adequacy Ratio.</p>