Report On

Risk Management in Practice: Analyzing Capital Adequacy and Compliance under the Basel Accord at Bank Asia PLC

By

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An internship report submitted to the BRAC Business School in partial fulfillment of the requirements for the degree of
Bachelor of Business Administration

BRAC Business School
Brac University
July 3, 2025

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Declaration

It is hereby declared that

1. The internship report submitted is my/our own original work while completing degree at Brac University.
2. The report does not contain material previously published or written by a third party, except where this is appropriately cited through full and accurate referencing.
3. The report does not contain material which has been accepted, or submitted, for any other degree or diploma at a university or other institution.
4. I/We have acknowledged all main sources of help.

Student's Full Name & Signature:

Nafiul Islam Adib
ID : 21204214

Supervisor's Full Name & Signature:

Riyashad Ahmed
Assistant Professor, BRAC Business School
BRAC University

Letter of Transmittal

Riyashad Ahmed
Assistant Professor,
BRAC Business School
BRAC University
Kha-224 Merul Badda, Dhaka-1212

Subject: Submission of Internship Report

Dear Sir,

It is my pleasure to inform you that I have written the report on "Risk Management in Practice: Analyzing Capital Adequacy and Compliance under the Basel Accord at Bank Asia PLC" after successfully completing my internship at Bank Asia PLC where I was provided with the opportunity to work in the Risk Management Division under the supervision of honorable Chief Risk Officer.

I have attempted my best to finish the report with the essential data and recommended proposition in a significant compact and comprehensive manner as possible.

I strongly believe that the report will meet the criteria and therefore, I pray and hope that you will accept the report and oblige thereby.

Sincerely yours,

____

Nafiul Islam Adib
ID : 21204214
BRAC Business School
BRAC University
Date: July 3, 2025

Non-Disclosure Agreement

This agreement is made and entered into by and between Bank Asia PLC and the undersigned student at Brac University…………………………………….

Nafiul Islam Adib

ID : 21204214

Acknowledgement

The completion of this internship report required the contribution of several individuals without whose assistance the deadline would have been impossible to meet. I give all credit to the almighty for providing me with sufficient strength alongside patience to finish the internship report.

I would like to express my sincere gratitude to Riyashad Ahmed, Assistant Professor, BRAC Business School, BRAC University for providing constructive advice, guidance, and supervision in the preparation of the report.

This report has been prepared on “Risk Management in Practice: Analyzing Capital Adequacy and Compliance under the Basel Accord at Bank Asia PLC”. I wish to express my appreciation to Md. Rashidul Kabir Rajib, Chief Risk Officer of Bank Asia PLC and his team for providing valuable guidance, opportunities and cooperation for the achievement of practical working experience in the organization during the internship period of three months.

In the end, I want to express my deepest thanks to my fellow inmates who provided essential help and valuable recommendations that led to the successful completion of my report.

Executive Summary

This report is about my three months as a risk management intern at Bank Asia PLC. On November 27, 1999, the company officially opened for business. It was led by President and Managing Director Mr. Sohail R K Hussain and a team of experienced professionals. It is now one of the largest private commercial banks in Bangladesh. The report's goal is to look at the bank's capital adequacy and how well it follows the Basel Accord's Supervisory Review Process (SRP). It will also find areas that need improvement and make suggestions based on what has been learned in school.

Data from both primary and secondary sources were used to write this report. My observations and personal experiences during my internship at the bank, as well as in-depth conversations I had with people in the Risk Management Division, including my supervisor, Riyashad Ahmed, and co-supervisor, Saif Hossain, are the sources of my primary data. The rest of the information comes from secondary sources like the bank's official disclosures, annual reports, regulatory guidelines from Bangladesh Bank, and articles in academic journals.

The report's results show that the bank has enough capital, but the Total Capital Ratio (CRAR) has gone down a little bit and the Leverage Ratio is unstable. This is made worse by the fact that the Internal Capital Adequacy Assessment Process (ICAAP) and stress testing disclosures are not very clear. The results led to the following recommendations: keep an eye on capital trends, look into changes in the Leverage Ratio, improve ICAAP and stress testing, make things more clear, make the best use of capital, and make data systems stronger.

Keywords: Risk Management, Capital Adequacy, Basel III, ICAAP, Bank Asia PLC, Regulatory Compliance

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List of Acronyms

BCBS - Basel Committee on Banking Supervision

BEFTN - Bangladesh Electronic Fund Transfer Network

CIB - Credit Information Bureau

CRAR - Capital to Risk-Weighted Assets Ratio

ICAAP - Internal Capital Adequacy Assessment Process

IFRS - International Financial Reporting Standards

LCR - Liquidity Coverage Ratio

NPL - Non-Performing Loans

NSFR - Net Stable Funding Ratio

OCAS - Online Credit Approval System

RWA - Risk-Weighted Assets

SME - Small and Medium Enterprises

SWIFT - Society for Worldwide Interbank Financial Telecommunication

VaR - Value at Risk

Chapter 1

Overview of Internship

1.1 Information of the Intern

Table 1 - Information of the Intern

Name	Nafiul Islam Adib
Student ID	21204214
Program	Bachelors of Business Administration
Major	Finance

1.2.1 Internship Information

Table 2 - Internship Information

Duration	3 months (25 February - 25 May)
Company Name	Bank Asia PLC
Department	Risk Management Division
Address	32 & 34 kazi Nazrul Islam Avenue, Kawran Bazar, Dhaka-1215

1.2.2 Internship Company Supervisor's Information Name and Position

Table 3 - Internship Company Supervisor's Information Name and Position

Name	Md. Nahid Islam

Designation	Officer, Risk Management Division

1.2.3 Job Scope - Job Description/ Duties/ Responsibilities

The major role at the position of Risk Management Intern in Bank Asia PLC is to give operational and analytical support to the Risk management Department, and to assist the Risk Officers and other risk professionals in their day to day operations. The duties include the contribution towards the conformity of the bank to the regulation frameworks e.g. the Basel Accord, and aid in the risk assessment and mitigation processes. The duties that I performed in the bank as I did my internship there include the following:

- Support the undertaking of daily risk management operations so that the Bangladesh Bank rules and internal policies are followed.
- Be involved in writing of risk assessment reports by undertaking data collection of credit and operational risk analysis.
- Review and prepare documentation of the Supervisory Review Process (SRP) according to the Basel Accord and maintain it as correct and complete.
- Produce Excel tables and charts of capital adequacy ratios and risk weighted assets required to provide an internal report.
- Assemble information with the cooperation of teammates and come up with risk mitigation tactics in the bank by making them available to the team members so as to conduct scenario analysis.
- Under the guidance of a senior employee, help to draft and proofread risk management reports including minutes of the meetings and compliance reports.
- Make sure, the risk management databases are filed and updated on regulatory and

internal documents.

1.3 Internship Outcomes

1.3.1 Student's Contribution to the Company

The three months of my Internship in Bank Asia PLC enabled me to assist in important Risk Management functions that made the department compliant with its regulation by applying Basel Accord criteria. As my main reporting task, I prepared the Supervisory Review Process (SRP) documentation related to risk management. Through my duty, I retrieved accurate information concerning capital adequacy ratios besides adhering to strict guidelines by Bangladesh Bank in order to classify adequately substandard, doubtful and bad/loss loans. My ability to be attentive to detail helped my department to meet the tough deadlines due to the fact that I was assigned to review and monitor the data carefully. Regulatory compliance standards in the Department would develop problems since I would not participate in data collection and organization activities relating to the Supervisory Review Process studies.

My initiative gave a boost that was able to raise the value of what I offered. I assumed the responsibility of improving the structure reporting templates in the database and also provided new visualization methods and assistance in any further analytical tasks that eased the work of the departments. My work was more accurate and more accessible and allowed the risk committee meetings to take better decisions and increased speed and quality of risk reports. My internship activities facilitated the improvement of the risk management structure of the Bank Asia PLC, which currently gives the department more powers in monitoring and effectively managing the risks.

1.3.2 Benefits to the student

Interning at Bank Asia PLC was a fantastic experience: through the internship program, I was able to get myself engrossed in the real working of the Risk Management Department. Throughout the program, I learned to address vital risk management and regulatory compliance issues and acquired knowledge and knowledge that filled the gap between theory and practice in academic and professional circles. The experience was revolutionary, as it improved my abilities in some of the major areas:

- **Analytical Thinking and Problem-Solving:** I also learned how to deconstruct large sets of data as a form of risk assessment preparation during my tenure in conducting capital adequacy analyses. My business has been linked to rapid identification of risk factors that made me better in terms of critical thinking though it needed me to work with precision as its regulatory time limits were met.
- **Time Management and Prioritization:** My experience at the department required me to handle different tasks that involved writing reports and managing databases of risk information and supporting presentations to the committees. Through acquiring an ability to prioritize urgent and important activities, I spaced the delivery of work of the highest quality even within constraints of the period of delivery.
- **Communication and Collaboration:** Improving communication skills in the workplace; working with credit risk analysts and compliance officers, made me improve in my communication skills. Active participation in meetings assisted the team with data-driven conclusions and taught me to communicate the content of technical information to individuals of other backgrounds with a sense of competence and authority.
- **Technical Proficiency:** My technical aptitude went up girding in excel and data visualization instruments. I was able to create models that calculated risk-weighted

assets and create effective and concise presentations with a practical understanding of the role that technology played in the process of driving decisions in the risk management.

- **Networking and Professional Confidence:** Participating in critically important work on such projects as documentation of SRP with professional practitioners allowed me to feel confident in the application of risk management principles. The interactive networking with professionals who are highly experienced and the learning opportunities that are offered are the factors that broaden my network of professionals particularly with a view of future advancement of my career.

1.3.3 Difficulties Faced During the Internship

- **High Workload and Tight Deadlines:** The insistent nature of the work of this department was also inherent in the nature of the work that it was performing especially in light of the SRP and capital adequacy reports. Pressure of composing detailed risk assessment reports within a week was challenging at the beginning, yet I managed to learn how to work adequately and remain calm under pressure.
- **Steep Learning Curve with Limited Guidance:** Primarily, when I joined the company as an intern, little time was spent to train me on key risk management issues including the Basel Accord. The lack of instructions was actually not optimal, as I had to look for all the processes and tools by myself, but on the other hand it developed my initiative and creativity.
- **Low Remuneration:** The remuneration I was paid compared to the duties I had was extremely poor. In fact, the lunch was not subsidized at all and there was no pick and drop service available for interns. Moreover, I had to stay late at work 2 to 3 days a week and was not paid any overtime for which, I used to feel demotivated at work.

1.3.4 Recommendations on Future Internship

I would like to suggest the following recommendation to the company for making the internship period better for the future interns :

- **Exposure to Cross-Departmental Functions:** It should give interns a chance to feel (get a feel of) the different parts of the bank such as group finance, treasury meet and operations in order to have the full knowledge of how the bank runs and gain an experience of learning other subject fields in a transdisciplinary way of learning.

Chapter 2

Organization Overview

2.1 Introduction

In this chapter the author presents an in-depth review of a major player in Bangladesh commercial bank sector, Bank Asia PLC. It includes history, vision, mission, organizational structure, management practices, financial performance, operations management and information system practices of the bank. The chapter also contains the analysis of the banking industry and competitive position of Bank Asia and the conclusion, summary and recommendation. These are vital in the formulation of an analysis on the risk management strategies of the bank especially in relation to capital adequacy and compliance with the Basel Accord, which will form the theme of Chapter 3.

2.2 Overview of the Company

Bank Asia PLC is one of the most well-known private sector commercial banks in Bangladesh that has the reputation and promise of novel banking options, as well as client fulfillment. Having been established on September 28, 1999, putting into operations 27 ne 11, 1999, the bank has now developed into one of the main financial organizations on the base of a group of vigilant businesspersons. Paying attention to both regular and Islamic banking, Bank Asia has established itself with most feet represented by authentic acquisition strategies, digitalization, and orientation on the customer, becoming the leader in the competitive environment of the banking industry in Bangladesh.

2.2.1 History of Bank Asia PLC

Bank Asia PLC was founded due to the incorporation of the Banking Company Act 1991 and the Companies Act 1994 and became a commercially funded bank in the field of financial service. The bank was established by a team of business leaders whose business enterprises have achieved success and thus made it the objective of the bank to provide modern and innovative banking services to satisfy the rapidly changing needs of its customers. It grew early by making big purchases where it acquired the branches of Bank of Nova Scotia in 2001, which was a milestone since it moved to international banking operations. Afterwards, it even strengthened its presence in the market through the acquisition of Bangladesh operations of Muslim Commercial Bank Limited (MCB), which was a well established bank based in Pakistan.

Bank Asia had made an historical record when on the opening of its Initial Public Offering (IPO) the subscription was oversubscribed 55 times, a record in the history of the capital market of Bangladesh in the year 2003. This investor response was too massive and it depicted the credibility and growth prospect of the bank. Bank Asia has been at the forefront of Islamic form of banking and has provided financial products dealing with Muslims by following the guidelines within the Shariah and to accommodate its varied clientele. Its transparency and accountability have gained awards and the bank has earned third prize in corporate governance disclosures and certificate of merit in integrated reporting at the 17 th ICAB National Award of BPAR-2016.

2.2.2 Vision of Bank Asia PLC

The vision of the bank Asia is strongly connected to the national dream of building poverty-free Bangladesh by the next generation. The bank sees the realization of a society in which human dignity and rights form the most fundamental values in the society and active efforts are made towards the elimination of poverty. This vision is a manifestation of desire and consciousness of Bank Asia, in regard to social responsibility, sustainable development, and contributing towards the socioeconomic development of Bangladesh.

2.2.3 Mission of Bank Asia PLC

The Bank Asia PLC mission is multidimensional, and it focuses on the superiority of services and the idea of integrity and innovation. The mission statements of the bank are:

- To provide quality banking services to facilitate growth and supplement the expansion of the national economy.
- To maintain the pinnacle of integrity, in order to guarantee complete satisfaction of the clients, shareholders and the employees.
- To be the most preferred bank in Bangladesh by the virtue of using technology in rendering innovative services to people utilizing a pool of professionals.

Such mission objectives direct strategic choices in the Bank Asia, making it customer-focused with a mission to enrich economic growth and organizational satisfaction.

2.2.4 Organizational Structure

Bank Asia PLC has a properly structured organizational structure which is geared towards meeting the needs of its various customers that fall in different segments. By 2023, the bank is having network of about 135 branches, including special SME/Agri branches, 14 sub-branches, five windows of Islamic Banking, four SME Service Centers and one Off-shore Banking Unit. Such a large network makes accessibility and proficient service delivery across Bangladesh possible.

The bank's operations are organized into several key segments:

Table 4 -The bank's operations are organized into several key segments

Segment	Description
Conventional Banking	Offers traditional banking products like savings accounts, loans, and trade finance.
Islamic Banking	Provides Shariah-compliant financial solutions, including deposits and financing.
Off-shore Banking	Facilitates international transactions and services for global clients.
Bank Asia Securities Limited	Manages securities and investment services for clients.
BA Exchange Company (UK) Limited	Handles foreign exchange services in the United Kingdom.
BA Express USA Inc.	Supports remittance and financial services in the United States.

By 2024, the Bank Asia company has about 2,463 employees, a workforce which contains well established professionals who have the experience and exposure on both the national and international platforms. Its leadership is composed of Mr. Sohail R K Hussain as President and Managing Director, and Ms Romana Rouf Chowdhury as Chairman and who is also the chair of Rancon Group. This is a structure that enables effective operations and strategic development thus enabling Bank Asia to support a broad customer base needs.

2.2.5 Banking Services

Bank Asia PLC provides a wide range of services that include banking services to individuals, businesses and corporate clients. These services aim at improving accessibility, comfortability, and financial inclusion. The main services are:

- **Deposit Products:** Savings accounts, current accounts, fixed deposits and special deposit schemes.
- **Loan Products:** Personal loans products, home loans, auto loan products, SME loans and corporate financing products.
- **Remittance Services:** Facility on inward and outward remittances to facilitate international remittances.
- **Digital Banking:** Mobile banking, site based banking and the use of ATM facilities that easily provide secured connection to banking services.
- **Corporate Banking:** Trade finance, working capital solutions and tailor made services to corporate customers.

- **Islamic Banking Products:** An interesting line which offers customer Shariah-compliant deposits, financing and investment products who want to have moral banking offerings.

The bank attaches immense importance to digital transformation, which corresponds to its mission of providing technologically based services. It has both mobile and internet banking services; digital banking services to ensure that customers do not have to go out of their way to do transactions, a factor that depicts the bank in terms of innovations and customer satisfaction.

2.2.6 Recent Developments (2025)

In 2025, Bank Asia PLC has continued to demonstrate its proactive approach to growth, innovation, and community engagement through several notable initiatives:

- **Entrepreneurship Development Program**: The bank entered into a Memorandum of Understanding (MoU) with Bangladesh Bank to execute the Skills for Industry Competitiveness and Innovation Programme (SICIP). The following program is meant to boost entrepreneurship and skill acquisition that could help grow the economy and employment opportunities in Bangladesh.

- **Leadership Changes**: On April 7, 2025, Mr. Nurullah Chaudhury was appointed as Additional Managing director and Chief Wholesale Banking Officer of Bank Asia with knowledge and skills to develop the bank in wholesale banking.

- **Financial Literacy Initiatives**: As per the guidelines of the Bangladesh Bank, on 3 March 2025, Bank Asia celebrated Financial Literacy Day-2025 and conducted a number of activities to spread financial consciousness and financial learning to its customers and the overall community.

- **Annual General Meeting of Subsidiary**: The 14 th Annual General Meeting (AGM) of Bank Asia Securities Limited was convened on April 23, 2025, where Ms. Romana Rouf Chowdhury was voted as Chairman again, making her the leader again in the securities segment of this bank.

By the year 2025, Bank Asia PLC has managed to still innovate and dominate its position. The bank held an Agent Business Meet in Jashore on June 21, 2025, as a planning and assessment of its agent banking services as it believes in the promotion of financial inclusion. The bank has also launched another service product, the Agent Banking channel, called Wet Market Collection, to ease and streamline cash management of small time and large traders across the local markets against market challenges. This project will change the dynamism of digital transactions and boost the local economy ecosystem. Moreover, the issue of Bank Asia agreeing to acquire the Bangladesh operations of Bank Alfalah Limited in 2024 indicates the strategic moves that the bank has to make.

This section offers a background to the discussion of operations, strategic objectives and contribution of the bank to the banking sector which will pave way to further discussion on its risk management practices and adherence to other requirements of the Basel Accords in the third chapter of the internship report.

2.3 Management Practices

Management practices refer to strategies, techniques and initiatives used by an organization to increase efficiency of operations and attain their strategic goals. In the case of a major Bangladesh commercial bank, Bank Asia PLC a leading private commercial bank in Bangladesh, these practices play a central role in ensuring its competitive place and helps it to sustain its mission to provide innovative Banking solutions. This part investigates the leadership of the bank and human resources planning procedures and discusses how these assist the organization to meet its objectives of financial inclusion, customer satisfaction, and regulatory compliance.

2.3.1 Leadership Style

The rudimentary analysis of Bank Asia PLC indicates that the entity operates a participative leadership model where the involvement of employees into decision-making procedures is actively sought. This kind of a draw is done on the reference to key values such as creativity, openness, respect, and transparency alluded to on the career portal of the company (Bank Asia Career). Under this context, the involvement helps to build a culture of collaboration where employees are in a position to contribute ideas and innovations that are in line with the dynamic operational needs of the institution.

Under the spectrum of modern banking, leadership development programs take a pivoting position in defining organization culture. The institution in question has developed an interconnected curriculum that deals with seven interdependent areas including strategic thinking, business acumen, result orientation, customer orientation, people management, coalition building and personal attributes. This integrated framework is specifically crafted because it will enhance leaders who will be in a position to empower their employees and will also promote an atmosphere of distributive responsibility and innovation. The ability of the organisation to pioneer Agent Banking, which has since January 2009 served over 5 million rural customers, and optimally implement the strategy of actively engaging teams in strategic making, and mobilising collective wisdom towards achieving organisational strategic goals, speaks volume to the effectiveness and success of the strategy to get the collective wisdom of the organization working towards achieving set organizational goals.

The participative leadership style has been an outstanding tool in the achievement of the strategic goals of Bank Asia. With this autonomy in hand, the people it employs develop both a broader level of engagement and inspiration, which is critical in the delivery of high-quality customer support and yet able to adapt quickly to the changing regulatory environment. Furthermore, this engaged position can find an ideal match with the overall vision of poverty-free Bangladesh displayed by the bank, and this allows coming up with some new sophisticated programs, including the Wet Market Collection service, which allows facilitating daily business operations in a local market (Bank Asia News). However, the effectiveness of this style may vary across departments, as employee reviews indicate challenges like heavy workloads, suggesting potential areas for refining leadership practices to balance participation with operational demands.

2.3.2 Human Resource Planning Process

The human resource (HR) planning process of Bank Asia PLC is aimed at attracting, retaining and developing the talents to assist the strategic goals of this business entity. The major aspects of this process are described in the following sub-sections; recruitment and selection, compensation system, training and development and performance appraisal system.

Recruitment and Selection

Bank Asia PLC has a tightly designed recruitment system that ensures that it gets candidates that align with the values and functional priorities of the organisation. The bank particularly has young, energetic, proactive, and result-oriented candidates which is evident in its recruitment circulars like that of Management Trainee Officers (Bank Asia Job Circular). The recruitment process typically involves:

- **Online Applications**: The candidates take part by registering in the official career portal of the bank (Bank Asia Career). Meanwhile, there are also other recruitment portals used by the companies in the recruitment process, including bdjobs, et cetera, etc.
- **Assessments and Interviews**: The applicants are put through the test which may probable include written examinations, interviews in order to evaluate their abilities, suitability, and suitability along with their appropriateness with the values of the bank as far as creativity, openness, and ethical nature of conduct are considered.
- **Eligibility Criteria**: To give entry-level jobs, the candidates should have a minimum CGPA of 3.00 in a four-year graduation or post-graduation in popular universities, guaranteeing a pool of high quality persons.

Compensation System

The remuneration framework that has been established at Bank Asia PLC can be used to attract and maintain talent. Although the salaries are not disclosed, according to employee reviews displayed at Glassdoor, remuneration is perceived as competitive, and yearly raises average about 5 % (Bank Asia Reviews). The compensation package includes:

- **Base Salary**: Competitive within the banking sector, reflecting the bank's commitment to rewarding performance.
- **Benefits**: Health care, paid leave, and other perks, which are rated favorably compared to similar organizations.
- **Increments**: Regular salary reviews, though some employees have noted concerns about salary adjustments not keeping pace with workload demands.

Compensation serves the role of a retention and satisfaction instrument to employees hence allowing the bank to maintain a pool of skilled employees. The feedback that cited the concern with the salary provides credence to the need of revisiting regularly to maintain fairness and competitiveness, given the high-pressure work environment that some staff members expressed.

Training and Development

Training and development occupy a center stage in the HR approach of the Bank Asia PLC organization since the organization is dead serious when it comes to the desire to ensure all employees are continuously developed. In the year 2023, the bank has saturated its resources in training, registering a total of 24,822 man-hours and 2,170 participants, as indicated in the Annual Integrated Report (Bank Asia Annual Report 2023).

- **Training Programs**: This is conducted at the Bank Asia Institute of training and development (BAITD) which involves trainings on business communication, anti-money laundering and bank regulations. As an illustration, on the 13th and 21st of May 2025, the compliance and etiquette programs were organised (Bank Asia News).
- **Performance Coaching**: The supervisors should give constant feedback that helps the employees to improve their skills and careers.
- **HRIS Implementation**: The implementation of PeopleHub, HR Information System, enables efficient management of the training process and the course of employee development.

The institutional programs outlined herein yield an employee body geared towards undertaking high-end banking tasks and able to promptly adapt to the changes that take place in the market such as the expansion of digital banking systems. In view of its dual goals, providing high-quality customer service and maintaining regulatory compliance, which the organization achieved through its 2025 AML and CFT Conference (Bank Asia LeadIQ).

Performance Appraisal System

The performance appraisal system used by Bank Asia PLC is set to compare the contribution that employees make with regard to organizational goals. Prominent practices within the bank are:

- **Key Performance Indicators (KPIs)**: The KPIs can be used to measure the performance of employees in accordance to their respective roles using indicators like the quality of their service delivery to customers, the sales goals of employees, or adherence to regulations.
- **Feedback Mechanism**: Supervisor/peers review on a regular basis made possible through HRIS is a constructive feedback option improving people.
- **Link to Strategic Goals**: Appraisals correlate individual performance to objectives of the bank including financial inclusion and operational efficiency.

The talent management process is facilitated through the appraisal system where people with high performance are considered in providing promotions and development opportunities. It also guarantees accountability, which is observed in the bank that has strong internal control systems observed by the audit committee (Bank Asia Annual Report 2023). Nevertheless, employee reports that indicate workload pressures during employee reviews make it apparent that the appraisal process would stand to be improved with work-life balance criteria to increase general satisfaction.

2.4 Marketing Practices

Bank Asia PLC has got a committed marketing team, which works with the advertising agencies outside the company to develop novel marketing strategies. The marketing department puts proposals that are innovative to come up with ideas and solutions which are then implemented by the agencies to expand the reach of the bank. The company concentrates mostly on the advertising of their online banking solutions, particularly on the mobile app, named "Bank Asia SMART App" and online channels, paying a significant amount of resources on the promoting campaigns meant to create an image that reflects a modern trendy and customer-oriented company, and employs a wide-ranged differentiation strategy in order to gain an edge in the competitive banking industry.

The Bank attaches paramount significance to customer demands, positioning the development of reliable and universally available financial tools to the forefront of their agenda. This customer-focused nature is realised through the provision of products like SHADHIN freelancer card, and digitised loan processing systems products to discrete client needs and often delivering them with better functionalities than what can be accessed at Dutch-Bangla Bank, BRAC Bank and Eastern Bank Limited. To ensure extensive service coverage, the institution uses various service delivery channels, i.e., a network of over 126 branches, 5,000+ Agent Banking branches, and well-developed digital channels, thus ensuring that services are provided at all times. Incentives to agents and strategic partners are also encouraged, which involves a performance benchmark-linked incentive process, which reinforces the quality of service.

Promotions include a combination of new and old elements of advertising that gives them an integrated overall approach of their promotional activities to ensure maximum reach is achieved within a short time. These are the television commercials, placements in print media (newspapers and magazines) and the billboards, as well as through the digital campaigns held on social media channels like Facebook and LinkedIn. Messages are tailored to fit the demographic nature of its target audience to make them more relevant and involving. The target market is urban professionals, rural communities, freelancers and small businesses interested in innovation, access and the confidence of their banking.

Critical Marketing Issues and Gaps

Despite its robust marketing practices, Bank Asia PLC faces several challenges:

- **Financial Literacy**: Learning of the rural customers, more so with Agent Banking, is still a challenge. Such initiatives of the bank as training 11,700 customers in 2024 during Financial Literacy Day confirm the positive change but show how daunting the task is.

- **Digital Trust**: Since digital banking is on the rise, cybersecurity and the development of customer trust on online platforms is imperative. Adoption might be obstructed by negative attitudes to digital security.

- **Post-Acquisition Integration**: The 2024 deal on Bank Alfalah purchase of Bangladesh branch will demand marketing strategy and branding of the new clientele and this could be a problem of consistency.

- **Competition**: Other banks and upcoming fintech companies are competitors of the bank, as they provided similar digital services. It is necessary to carve its niche in a saturated market.

2.5 Financial Performance and Accounting Practices

2.5.1 Financial Performance

In the subsequent analysis, the financial performance of the Bank Asia PLC in 2019-2023 concerning liquidity, solvency, profitability, and quality of loans will be considered. The analysis carried out within the inquiry bases on ratio, horizontal, and vertical analysis with the primary reliance on the data presented in annual reports of the years 2019 and 2022 as well as 2023. Due to scarce data in 2020 and 2021, complete trends analysis and DuPont analysis are incomplete with economic value-added (EVA), market value added (MVA), and valuation-related analysis being impossible to reconstruct because cost of capital and market data are not available.

Asset Growth and Composition

Horizontal Analysis

Table 5 - Horizontal Analysis

The table below shows the growth in key balance sheet items from 2019 to 2023, based on consolidated balance sheets.

Item (BDT Million)	**2019**	**2022**	**2023**	**Growth 2019–2022 (%)**	**Growth 2022–2023 (%)**
Total Assets	355,720	470,722	476,633	32.3%	1.3%

Loans and Advances	230,095	280,591	294,072	22.0%	4.8%
Investments	55,527	103,838	115,801	87.0%	11.5%
Deposits	254,078	337,853	361,801	33.0%	7.1%
Shareholders' Equity	24,587	28,464	29,403	15.8%	3.3%

- **Total Assets**: Moved up 32.3 percent between 2019 and 2022, signifying aggressive growth, as well as decelerated to 1.3 percent between 2022 and 2023, mentioned a keen post-growth tactic.
- **Loans and Advances**: This rose with 22.0 percent between 2019 and 2022 and an increment of 4.8 in 2022 and 2023, indicating a coherent lending increase.
- **Investments**: Suffered an enormous growth of 87.0 percent between 2019 and 2022, caused by an expansion in government security holdings, and a supplement of 11.5 percent in 2023.
- **Deposits**: Increased 33.0% between 2019 and 2022 and 7.1% in 2022 and 2023 to aid the growth of its assets.
- **Shareholders' Equity**: Increased slightly which means that capital was stable.

Vertical Analysis

Table 6 - Vertical Analysis

The composition of assets and liabilities as a percentage of total assets is shown below for 2019, 2022, and 2023.

Item	2019 (% of Total Assets)	2022 (% of Total Assets)	2023 (% of Total Assets)
Loans and Advances	64.7%	59.6%	61.7%
Investments	15.6%	22.1%	24.3%
Cash and Equivalents	13.4%	14.8%	9.7%
Deposits	71.4%	71.8%	75.9%
Shareholders'Equity	6.9%	6.0%	6.2%

- **Loans and Advances**: This asset category has remained the largest accounting to about 61.70% in 2023 as compared to 59.60% in 2022, thus indicating focus on lending.
- **Investments** There is an increase in 2019 (15.6 per cent) to 2023 (24.3 per cent), level reflecting safe and current yielding assets such as government securities held.
- **Cash and Equivalents**: Down 14.8. percent in 2022 to 9.7. percent now possibly due to lessening of liquidity to back higher-yielding properties.
- **Deposits**: Rose as a fraction of total assets, and bank operations were funded.
- **Shareholders' Equity**: It was maintained at 6 to 7 percent, or, in other words, the capital adequacy remained stable.

Liquidity Analysis

Table 7 - Liquidity Analysis

Liquidity is assessed using the ratio of liquid assets (cash, balances with other banks, and money at call) to total assets.

Year	Liquid Assets (BDT Million)	Total Assets (BDT Million)	Liquidity Ratio (%)
2019	48,222	355,720	13.6%
2022	69,531	470,722	14.8%
2023	46,208	476,633	9.7%

- **Trend**: liquidity was at its maximum in the year 2022 and dropped considerably in the current year 2023 implying a change of strategy to invest in loans and securities. The latter might raise profitability at the expense of the ability of the bank to settle short-term commitments.

- **Insight**: Liquid assets showed a net decrease in 2023 (33.5% decline compared to 2022) and this could be the sign of a trade between liquidity and returns and this has to be kept in check in a volatile economic context.

Solvency and Capital Adequacy

Table 8 - Solvency and Capital Adequacy

Solvency is evaluated through the Capital to Risk-Weighted Asset Ratio (CRAR) and debt-to-equity ratio.

Year	Shareholders' Equity (BDT Million)	Total Liabilities (BDT Million)	Debt-to-Equity Ratio	CRAR (%)
2019	24,587	331,134	13.5	17.93%
2022	28,464	442,258	15.5	17.0%
2023	29,403	447,230	15.2	16.45%

- **CRAR**: The CRAR was sufficient, the bank was above the requirement of Bangladesh Bank (10%) of the bank but was reduced slightly, which corresponds to an increase in weighted assets (17.93 percent in 2019 and 16.45 in 2023).
- **Debt-to-Equity**: Has grown over the years at steady rates as the leverage in this case is also stable but the dependency on debt financing like any other banks is quite high as it has grown cumulatively to 15.5 in 2022 and marginally reduced to 15.2 in 2023.

Profitability Analysis

Table 9 - Profitability Analysis

Profitability is assessed using net profit after tax and Return on Assets (ROA).

Year	**Net Profit After Tax (BDT Million)**	**Total Assets (BDT Million)**	**ROA (%)**
2019	1,958	355,720	0.55%
2022	3,052	470,722	0.65%
2023	2,478	476,633	0.52%

Net Profit: Grew by BDT 1,958 million to BDT 3,052 million between 2019 and 2022 but dropped to BDT 2,478 million in the 2023 figure, probably because of provisions of loan losses.

- **ROA**: Was optimal in 2022 at 0.65 percent but declined to 0.52 percent in 2023, which indicates an indication of lowering profitability as compared to asset growth.
- **Insight**: A decrease in profitability in 2023 can be explained by the advances that are likely to be taken in case of non-performing loans that have become a typical challenge in the banking system of Bangladesh.

Loan Quality

Table 10 - Loan Quality

The ratio of provisions to total loans and the percentage of non-performing loans (NPLs) indicate credit risk.

Year	Provisions (BDT Million)	Loans and Advances (BDT Million)	Provision Ratio (%)	NPL Ratio (%)
2019	5,452	230,095	2.4%	4.61%
2022	4,249	280,591	1.5%	4.87%
2023	6,891	294,072	2.3%	6.70%

- **Provision Ratio**: 1.5 % in 2022 is an indication of a higher rate of 2.3 % in 2023, which represents a conservative treatment of the growing NPLs.
- **NPL Ratio**: increased the value of 4.61% in 2019 to 6.70% in 2023, which showcases the poor assets/liability quality as well as was an industry phenomenon in Bangladesh.
- **Insight**: Provisions and NPLs are on the rise indicating increase in the credit risk, which may be as a result of economic difficulties or bad borrowers.

Efficiency and Leverage

The efficiency ratios, in particular the cost-to-income ratio and the leverage ratio including the equity multiplier, requires detailed information of the operating expenditure and equity data that will not be complete at the time of the present analysis. The Cost-to-Income ratio of

2023 is 45.02%, which is an indicator of moderate efficiency. Regarding leverage, the debt-to-equity ratio is high and this is indicative of the general dependence of a bank on external finance and deposits.

Market Value

Market value analysis (such as price-to-earnings (PE) ratio) is intrinsically limited by the lack of good market price information. According to the annual report of 2023, the market value per share is BDT 20.20 with a P/E ratio of 11.74, which demonstrates that its assessment is, overall, in line with current earnings.

DuPont Analysis

DuPont analysis decomposes Return on Equity (ROE) into profit margin, asset turnover, and equity multiplier.

- Profit Margin: Net profit / Total operating income = 2,478 / 21,468 ≈ 11.5%
- Asset Turnover: Total operating income / Total assets = 21,468 / 476,633 ≈ 0.045
- Equity Multiplier: Total assets / Shareholders' equity = 476,633 / 29,403 ≈ 16.2
- ROE: 0.115 × 0.045 × 16.2 ≈ 8.4% (matches reported ROE of 8.24%)

This suggests that high leverage drives ROE, despite a low profit margin and asset turnover.

2.5.2 Accounting Practices

Bank Asia PLC adheres to International Financial Reporting Standards (IFRS), the Banking Companies Act, 1991, the Companies Act, 1994, and the standards that are outlined in Bangladesh Bank regulations, as the auditor reports of the previous years 2019-2023 indicate.

Below are key accounting aspects:

- **Core Accounting Principles:** The bank is compliant to IFRS and it makes it consistent, comparable and transparent. It adopts the accrual method of accounting by recognizing income and expenses as they incur or as they are earned and not when cash is received or given.
- **Accounting Cycle:** It is followed by the full accounting cycle which consists of recording, classification, summarizing and reporting as shown by notes and detailed financial statements in annual reports.
- **Depreciation Method:** Fixed assets use the straight-line method, as it has been mentioned in the 2023 report, and the allocation of expenses in these cases is predictable.
- **Provisions for Loans:** Provision is computed according to the Bangladesh Banks, guidelines (e.g., BRPD Circular No. 14) and provisions are general and specific, respectively, on unclassified and classified loans. Provisions were up to BDT 6,891 million in the year 2023, which showed sensible risk management.
- **Accounting Disclosures:** The 2023 report by the auditor is comprehensive in terms of the classifications of loans, the recognition of the interest income, as well as managing information technical systems. The report fabricates that the organization upholds very good control of its financial reporting, although it reports nothing big as a discrepancy.
- **Auditor Assurance:** The financial statements in that matter are proven to be reliable by unqualified opinions of ACNABIN (2019) and MABS & J Partners (2023).

The bank's accounting practices are robust, with a focus on regulatory compliance and transparency, supporting stakeholder confidence.

2.6 Operations Management and Information System Practices

2.6.1 Use of Information Systems

The Bank Asia PLC is built on an expansive set of information systems to enhance operational efficiency, preserve data integrity, and ensure a continuous communication between the stakeholders and the clients. These systems support how data are gathered, stored, processed and shared across its countrywide network of 135 branches, 5,051 agent shops, and digital channels.

Data Collection, Storage, and Processing

Oracle Exadata: is a high-end database framework that incorporates core database, server, and storage that are utilized by bank or data storage network framework into a single platform thus guaranteeing maximum performance and safe handling of data. It aids in correct and effective execution of bank deals and other customer details.

Credit Information System (CIS): The aged Credit Information Bureau (CIB) has now given way to Credit Information System which is used to manage the credit information and regulatory reporting. In 2023, the bank downloaded 151,826 CIB reports, and 190,582 accounts were uploaded to be reported to regulators, as well as 6,500 new loan inputs, therefore, proving that it has well-built data processing capabilities.

Online Credit Approval System (OCAS): OCAS is a part of Diganta software in which the proposal of credits is simplified. It received 23502 proposals in 2023 valued at Tk. 14805.13 million and made very rapid and precise credit decisions.

Nikash System: A full integration of Bangladesh Electronic fund transfers network (BEFTN) of Bangladesh bank, Nikash does electronic fund transfer such as payroll, remittances, as well as bill payment and thus shows progressive transaction advantage.

Document Verification Service (DVS): is created and maintained by ICAB to introduce a facility of issuing a unique Document Verification Code (DVC) each time legal information and audited financial information have been uploaded. The DVC is then included in the reports made by the auditors as a way of authenticating the authenticity of the audited results.

Value at Risk (VaR) Model: This model produced by Risk Management Division evaluates the threat of loss in single currency and Equity fund assets that assist in constant data tracking and analysis of risk.

PCI DSS Certification: The PCI DSS v4.0 certification of the bank provides storage and processing of sensitive financial and customer data and meets international standards.

Sharing Information with Stakeholders and Clients

Alternative Delivery Channels (ADC): The bank offers ATMs, Cash Deposit Machines (CDMs), Card Recycling Machines (CRMs), POS devices, Internet Banking, Mobile Apps, SMS Banking and e-payment solutions. Internet Banking (My Banking) has 306,938 users and provides customers with the possibility to transfer money, pay bills with the security of a dual-factor authentication (2FA) performed through OTP.

The Bank Asia SMART App: There were 425,531 users of the app, which had a total of 1,069,383 transactions worth BDT 17,396 million in 2023, which gives access to all banking services and account-related information in real-time.

SWIFT and Payoneer Alliance: SWIFT is a global settlement system that guarantees safe money transfers between geographically distant countries; the collaboration with Payoneer Inc. USA increased by USD 124.89 million remittance in 2023, supporting the communication of global stakeholders.

Regulatory Reporting: programs such as CIS are used to aid frequent submissions to Bangladesh Bank with 348 statements and 183 compliance reports in 2023 to allow transparency to regulatory bodies.

Integrated Reporting: The Annual Integrated Report 2023 that followed the International Integrated Reporting Council (IIRC) framework complies with the requirements of SAFA, ICAB, and GRI, and contains comprehensive financial and non-financial reporting of the company that is available to stakeholders.

Digital Platforms and Stakeholder Engagement: The bank utilises its corporate web presence (Bank Asia), as well as social media (e.g., 132,000 followers in Facebook) to update information, financial results and price sensitive information. Stakeholders can provide their feedback through sustainability reports and a separate email (sustainability.ba@bankasia-bd.com), which promotes trust and transparency.

2.6.2 Quality Management, Scheduling, Resource Allocation, and Operations Management

Quality Management

Certifications: The bank exhibits the ISO 27001-2 (Information Security Management System), PCI DSS v4.0, and iSO 22301 (Business Continuity Management System), which is one of the criteria to be considered among the elite in data security and operational resilience.

Internal Control & Compliance Division (ICCD): In 2023, ICCD audited 35 branches, 5 Windows of Islamic Banking, 5 corporate departments and Shari[1]ah audits were completed on 77 branches and Compliance audits of anti-money laundering products on 18 branches. It also exerted 212 off-site reports as well as 339 exception reports, and ensured regulatory, as well as, operational quality.

Training Programs The bank carried out 37 training programs to officials of Islamic banking and agent owners and virtually to 294 employees on digitalization with 24,822 man-hours in 2023 to build staff competency and the quality of services.

Customer Satisfaction: Physically conducted surveys help to determine the quality of services on a regular scale, and Net Promoter Score of “Very Good” helps to determine what improvements can be made to keep customer satisfaction at a high rate.

Corporate Governance: The bank has been awarded by SAFA and ICAB Corporate Governance Disclosures, which is an indication of commitment to quality and transparent reporting.

Scheduling

Audit and Compliance Schedules: A routine audit schedule was carried out at a regular basis by the ICCD during 2023 which includes a schedule on a branch and department, Shari-ah compliance examination and anti-money-laundering measures. The bank plans to roll out a thorough audit, monitoring and compliance strategy in 2024.

Training Programs: The institute has a pattern of practicing training; one of the departments was the Credit Administration Department to which five virtual classes have been given in the year 2023. Also, the 60th Foundation Training Course and the SME entrepreneur certificate events were well organised.

Board and Committee Meetings: The Board meets once in a month and in 2023, the Audit Committee managed nine meetings. Video conferencing tools were used where ad hoc sessions had to be held.

Risk Management Activities: Quarterly stress testing, meeting of the Board Risk Management Committee each month and release of half-yearly Comprehensive Risk Management Reports (CRMR) still keep the risks in check.

Resource Allocation

Technology Investments: The budgets have been allocated to strategic platforms including OCAS, CIS, and so on Oracle Exadata, thus optimizing the online capabilities of the institution. Another development that the bank has planned to introduce is to automate the limit settings and to introduce CBS modules in 2024.

Human Resources: the number of the workforce grew to 2,751 people after 48 new employees joined the company in 2023. In an effort to have the optimum placement of the personnel, the bank uses PeopleHub as HR management and training program

Infrastructure Development: The Logistics and Support Services Division (LSSD) also established the funds to develop one additional sub-branch and place six new ATM booths in 2023, which expanded the list of current service delivery channels.

Capital Management: Determination of capital allocation resulting in a Capital to Risk-Weighted Asset Ratio (CRAR) of 16.45 per cent, against the Basel III prescribed amount would be among the factors that lead to the financial stability.

Green Initiatives: The investments in energy savings (30% savings in electricity usage), and green financing proves the commitment of the institution towards sustainability.

Operations Management

Usage of Automation and Digitalization: Systems, such as Nikash, DMS, and the automated platform on which one can monitor transactions, important transactions that need to be done on import and export, and the reconciliations on the Nostro/Vostro accounts. Robotic Process Automation (RPA) in the bank is also used in real-time payments.

Branch Operations Division (BOD): It supports 135 branches through the general banking operations and coordinates central activities such as opening accounts and managing complaints to maintain the efficiency of operations.

Integration of Risk Management: The Risk Management Division works with departments to integrate risk practices, including such tools as Risk Control Self-Assessment and Key Risk Indicators (KRIs). The stress testing and VaR model provide stability in operations.

Digital Lending and E-Commerce: Systems of online credit approval and e-commerce (e.g., the purchase of e-ticket, bill payments) save time and improve the workability of customers.

Liquidity and Financial Stability: holding a Liquidity Coverage Ratio (LCR) of 199.88 and Net Stable Funding Ratio (NSFR) of 110.19 as of the year 2023 makes it have a stable liquidity management of operations.

Three Lines of Defense Model: The day to day risk management is dealt by the business units, the risk management and compliance offers checks and balances and internal audit maintains the independent check, hence speaks of overall management of operations.

2.7 Industry and Competitive Analysis

2.7.1 Porter's Five Forces Analysis of the Banking Industry in Bangladesh

The Porter Five Forces is a model used to determine the intensity and the attractiveness of a certain industry by evaluating five forces. This report follows industry research in the analysis of the banking sector in Bangladesh.

Threat of New Entrants

Assessment: **Low**

Analysis: Banking industry in Bangladesh is marked by high barriers to entry. There are certain regulatory requirements (minimum capital of Tk 400 crore and paid up capital of Tk 200 crore) which keep away new entrants. Putting up a chain of branches, automated telling machines (ATMs) and digital infrastructure further adds to the cost of entry. Nonetheless, there is some form of competition with growth in the Mobile Financial Services (MFS) with the BS 1.96 trillion and 3.19 crore mobile accounts in the year 2016, which consists of some non-traditional operators such as bKash (90% MFS market share) and DB Bank (9% MFS market share). Such impediments are unlikely to allow major new entrant parties in the sector of banks.

Key Data: Minimum capital: Tk 400 crore; MFS transactions: BDT 1.96 trillion (2016); 3.19 crore mobile accounts.

Bargaining Power of Buyers (Customers)

Assessment: **High**

Analysis: Customers have a massive power since they are sensitive to the interest rates as well as their switching costs were low. There are 5.5 crore formal bank accounts indicating that customers can easily change banks due to higher rates or quality of services. Interest rates on a housing loan are between 10-14 percent (82 percent of the loans fall within this range) and the interest rate on a consumer credit is between 12-15 percent (70 percent of the loans fall within this range). This sensitivity to rate and the switching cost increases buyer power, which obliges the banks to fight price war as well as good quality of service.

Key Data: 5.5 crore bank accounts; housing loans: 10-14%; consumer credit: 12-15%.

Bargaining Power of Suppliers

Assessment: **Low to Moderate**

Analysis: Bank depositors and capital providers are considered as suppliers. The sector is well endowed in liquidity with idle funds of Tk 1140 billion in April 2016. Saving accounts attract an interest of 4 percent, and one-year-Fixed Deposit Receipts (FDRs) pay an interest of 6 percent, and the balancing cost of switching (on and off deposits) is low. The power of suppliers is low because the shareholders are risk-averse and have little power. Nevertheless, even use of depositor funds gives suppliers some leverage a bit higher in a tight liquidity situation.

- Key Data: Idle funds: Tk 1140 billion (2016); savings interest: 4%; FDR (1 year): 6%.

Threat of Substitute Products or Services

Assessment: **High**

Analysis: The threat of substitutes or more precisely non-banking financial institutions (NBFIs), mobile-finance platforms (MFS), and further intermediaries is more than evident to traditional banking. The industry is defined by the high-density of the ecosystem comprising 18, 000 NGO-MFI branches, 1, 200, 000 post office, and 183, 000 cooperative branches, which compete to collect monies on deposit and make lending. The providers of MFSs like bKash and Dutch-Bangla Bank offer convenient transactional options thus taking away the market share of the conventional banks.

Key Data: 18,000 NGO-MFI branches; 1,200,000 post offices; 183,000 co-operative outlets; MFS transactions: BDT 1.96 trillion (2016).

Rivalry Among Existing Competitors

Assessment: **High**

Analysis: Bangladesh banking industry as a whole is a very competitive market where there are a total of 57 banks who together have over 9000 outlets. There is high profit concentration where the three largest commercial banks in terms of size, which are the Islami Bank, Southeast Bank and United Commercial Bank, contribute approximately 31 percent of total profits. This high level of competition generates price competition, rigorous differentiation of services systematically, and deepened innovation, especially in online banking, with banks striving to jump in front of each other in a progressively competitive market.

Key Data: 57 banks; 9,000+ branches; top three banks' profit share: ~31%.

Industry Attractiveness Conclusion

Unattractive: Bangladeshi banking environment is a situation where it has an adverse industry environment of the presence of stiff industry rivalry, high substitute threat, low threat of new entry, high buyer power and average supplier power. Taken together, all these forces imply a low level of new entry attractiveness and perpetual tension on existing banks.

2.7.2 SWOT Analysis of Bank Asia PLC

Strength

Table 11 - Strength

	Description
Established Brand	Established in 1999, this credit institution (Bank Asia PLC) has established a strong brand by way of acquisitions (e.g., Bank of Nova Scotia, Muslim Commercial Bank Limited), awards in corporate governance (1 st prize, ICAB National Award 2017) and sustainability (Gold Rank, Asia Sustainability Reporting Rating 2018).
Diverse Services	Provides both conventional and Islamic banking, and serves the various needs of customers and improves market penetration.
Extensive Network	The bank is spread out with over 135 branches, 216 own ATM and 8,523 shared ATM facilities which guarantees easy accessibility.
Digital Innovation	The Bank Asia Smart App, consisting of 425,531 registered accounts, 1,069,383 transactions completed, and business of BDT 17,396 million in 2023, makes the bank a leader in the digital world, and the Bank Asia Internet Banking with 306,938 customers only underlines that fact.
Large Customer Base	The customers served by the firm are over 8.8 million monthly, which is one indicator of a strong market presence.
Robust Compliance	Having obtained the ISO 27001-2 and PCI DSS v4.0 certificates, the organization not only guarantees the security of data but also the sustainability of operations.

Weakness

Table 12 - Weakness

	Description
Unattractive Industry	The bank operates in a very gloomy and competitive banking industry and this significantly limits the potential of the institution to grow.
High Competition	Comparing to 57 competing banks, 43 being the number of privately owned commercial establishments pose a high pressure competition that may challenge the sustenance of the market share.
Non-Performing Loans (NPLs)	A higher credit risk exposure is shown through the non-performing loan (NPL) ratio that rose to 6.70 % in 2023, compared to 4.61 % in 2019.
Economic Dependence	The performance of the economy continues to be aligned to externalities like inflation, macroeconomic volatility, and political turbulence.

Opportunity

Table 13 - Opportunity

	Description
Economic Growth	The GDP growth of 6.03% in 2023 in Bangladesh stimulates the growth of demand in the banking services in Bangladesh.
Digital Expansion	Expansion in online banking, through the success of the Smart App, possesses the possibility of reaching the customer base consisting of tech-savvy people.
Islamic Banking	The increased demand that exists in Shariah-compliant support can be enhanced through the expansion of the Islamic banking windows.
Strategic Partnerships	The market positioning is strengthened due to USD 35 million agreement with IFC on MSME capacity building.

Financial Inclusion	Unbanked populations can be addressed with agent banking and state schemes and extend the customer base.

Threat

Table 14 - Threat	**Description**
Intense Competition	A competitive environment is difficult because 57 banks exist with the leading three having 31 percent share of the market.
Regulatory Changes	The operations can be affected by the merger policy by Bangladesh Bank and other regulations in 2024.
Cybersecurity Risks	Greater penetration of digital banking poses an increased risk of virus attacks and data leakages.
Economic Instability	Fluctuations in the global commodity prices and geopolitical tensions in the world are challenges to economic stability, affecting the banking industry.

2.7.3 Competitive Advantage of Bank Asia PLC

Bank Asia PLC’s competitive advantage stems from its **distinctive strengths**:

- **Digital Leadership:** The Bank Asia Smart App and the Internet Banking solution is a smooth customer experience that gives the bank an edge in a competitive market that is powered by digital technology.
- **Diversity in Service:** Provision of both the conventional and Islamic banking services makes it attractive compared to competitors who are specialized in one mode of banking.

- **ISO 27001-2 and PCI DSS v4.0 certifications related to Compliance Excellence:** They are the basis of trust and the guarantee of resilience, which is a key differentiating factor in a regulated industry.

- **Strategic Alliances:** Partnerships with companies, like IFC to provide support to MSMEs can put the bank at the forefront in tapping the sector that is underserved.

To sustain its competitive advantage, Bank Asia PLC will have to continue its investment in the digital infrastructure, sound management of NPLs as well as negotiating the regulatory and macroeconomic headwinds skillfully.

2.9 Summary and Conclusion

Founded in 1999 as the Bank Asia PLC and under the supervision of its Board of Directors and Managing Director, the institution quickly grew into one of the top-quality and fully operational private commercial banks within Bangladesh. The company provides a complete range of services, covering conventional and Islamic banking, retail and corporate banking, as well as digital banking solutions, but has clear promises of innovation and sustainability. These efforts have also earned Bank Asia a tremendous amount of recognition as one of the top-tier companies with regards to their corporate governance; it has won the ICAB National Award on Corporate Governance Disclosures (Annual Report, 2023).

The level of leadership at Bank Asia actively uses a hybrid approach that includes the authoritative, democratic, and pacesetting styles to encourage obedience, innovation, and customer satisfaction. With the help of an organized recruitment and selection program, the bank draws qualified professionals, and this is complemented with effective training and development programs. These initiatives (in 2023) encompassed virtual workshops about digitalization. Operationally, the institution relies on highly-developed information systems

(Oracle Exadata, Core Banking System), online digital platforms, such as Bank Asia SMART App, Internet Banking. Despite these benefits, some operational issues notably deposits in non-performing loans (NPIs) and, therefore, potentially inefficient internal communication still have a moderate impact on performance.

In financial aspects, the Bank Asia has a strong asset growth wherein the total asset was recorded BDT 355.72 billion in 2019 to the present level of BDT 476.63 billion as of 2023. However, its profitability is not steady, going down to BDT 2.48 billion in 2023 compared to 2022 as more was set aside against the bad loans or NPL, rising to 6.70 percent in 2023. The Bangladesh banking sector is very competitive with 57 banks and emerging challenges in the form of mobile financial services. Nevertheless, Bank Asia is in a good position by its operational structure and program in digital leadership and compliance. The bank has the potential to be great given that it has been successful in digital banking; it needs to branch out more in the market.

2.10 Recommendations

- Improve measures against credit risks through tighter loan evaluation and diversification of loan portfolios in order to default-proof financial conditioning.
- Upgrade information systems and communication integrate more advanced technologies and intensify internal communication channels to increase the efficiency of operations and to decrease the time of completing tasks.
- Place emphasis on digital growth by implementing additional technologies and optimizing digital channels to respond to the market requirements and developing customer experience.

- Ensure that liquidity and use of assets are optimized, that involves increase in liquid assets and establishing reliable sources of income to ensure that the bank gets a firm financial performance to be able to generate sustainable growth.

Chapter 3

Project Part

3.1 Introduction

Supervisory Review Process (SRP) is a critical element of the Basel Accord, namely, the Pillar 2, meant to strengthen the banking system security and soundness through the supervisory control and the market discipline. It requires banks to carry out a self-assessment of its capital adequacy and risks management practices through the Internal Capital Adequacy Assessment Process (ICAAP). The process also makes sure that banks have enough capital to take care of risks not described in Pillar 1.

In the internship of the Bank Asia PLC between February 25, 2025, and May 25, 2025, in the Risk Management Division, I devoted attention to the application of the SRP and ICAAP at the bank. Working under the supervisor, Riyashad Ahmed, and co-supervisor, Saif Hossain, I identified a topic of risk management practices at Bank Asia PLC, as one of the leading commercial banks in Bangladesh, in compliance with international and local regulatory standards. This chapter describes my project work, where an analysis of the ICAAP of the bank is done with an emphasis on credit concentration risk and a set of recommendations on how to improve the same.

3.1.1 Background and Problem Statement

The Basel Committee on Banking Supervision (BCBS) created the Basel Accord to strengthen the financial stability of the global economic environment. It is made of three pillars: Pillar 1 (minimum capital requirements), Pillar 2 (Supervisory Review Process - SRP), and Pillar 3 (market discipline). Pillar 2, which is the focus of this project is a requirement that requires banks to evaluate the adequacy of their capital requirements and be supervised above Pillar 1 in regard to their individual risk exposure by Internal Capital Adequacy Assessment Process (ICAAP). This guarantees that the banks have adequate capital to eliminate risks not covered completely in Pillar 1, including credit concentration and liquidity risks.

In Bank Asia PLC, the implementation of the SRP will imply the assessment of extra capital requirements with the help of the ICAAP, according to the recommendations of the Bangladesh Bank. My internship experience has shown that although the bank has a formal structure of the SRP, there are still problems with data quality and resource availability. This is an attempt to understand how the implementation of the SRP carried out in Bank Asia PLC is performing, what are its gaps, and how it is enhanced in terms of ascertained risk management capability.

3.1.2 Objective(s)

The main agenda is that of measuring the SRP implementation within the bank of Bank Asia PLC and the recommendation of equivalent improvements. Specific objectives include:

- To learn the framework out of the Basel Accord SRP and how it is applied at Bank Asia PLC.
- To investigate the approaches and frameworks behind tallying the additional capital necessities.
- To determine the effectiveness of the risk management practice of the bank as per SRP.
- To find out hurdles in the present implementation of SRP.
- To give some actionable suggestions to improve based on the findings.

3.1.3 Significance

The current line of analysis entails a critical review of the risk management system of the Bank Asia PLC and this, in turn, will illuminate the strong points and weaknesses of the latter and provide evidence-based guidelines that will support further development of the financial stability. The stakeholder view also explains that the research will result in increased transparency and a continued sense of trust in the work of the organisation. Academically, the project blends together formal theoretical concepts and empirical observation and as such, it proves to be in motion with my professional experience as a Finance student and also as a student intern at the bank.

3.1.4 Scope of the Study

This paper is devoted to the capital adequacy and compliance requirements of the Bank Asia PLC in 2024 which is available in the Basel III Pillar 3 Market Disclosure. It includes Tier 1 and Tier 2 capital, Capital to Risk-Weighted Assets Ratio (CRAR) and credit risk exposures, but does not include market risk or operational risk, beyond capital effects.

3.2 Literature Review

Basel Accord is an agreement that was formulated by the Basel Committee on Banking Supervision and it progressed from Basel I (1988) to Basel III (2010) to enhance construction of bank capital structures after the financial crisis of 2008. In Basel III, the theme takes a leaf on increased capital buffers where the minimum Common Equity Tier 1 (CET1) ration, Tier 1 capital ratio, and total capital ratio are 4.5 percent, 6 percent, and 8 percent respectively in addition to a 2.5 percent capital conservation buffer (BCBS, 2010). In Bangladesh, the centrally-planned credit, the Bangladesh Bank introduced Basel III in 2015, which requires a minimum CRAR of 10 per cent with a buffer of 2.5 per cent by the year 2020 (Bangladesh Bank, 2014).

Capital adequacy makes sure that banks will be able to incur losses and the CRAR compares capital and risk-weighted assets (RWAs). The research articles such as Hossain et al. (2019) note that high NPL allots some difficulties to sustaining CRAR of Bangladeshi banks, lowering their profitability and capital reserves. Market discipline benefits in terms of disclosures of capital, risk exposures and risk management is improved through adherence to Basel III Pillar 3 (BCBS, 2015). The proposed project is based on these ideas and examines the performance of Bank Asia in comparison to regulatory standards.

3.3 Methodology

The present study investigated the capital adequacy and compliance of the Bank Asia PLC with the Supervisory Review Process (SRP) in the Basel Accord Pillar 2, between 2019 and 2024. The mixed-methods design combined both quantitative and qualitative data to provide a cumulative risk-management practice evaluation in the internship course over the date range of 25 February 2025 to 25 May 2025.

Table 15 - Methodologies for Individual Objectives

Objective	Methodology
To learn the framework out of the Basel Accord SRP and how it is applied at Bank Asia PLC.	Literature review on Basel Accord and SRP; Secondary data from regulatory guidelines and bank disclosures; Primary data from observations and interviews with risk management personnel to understand application at the bank.
To investigate the approaches and frameworks behind tallying the additional capital necessities.	Quantitative analysis: Calculation and comparison of key capital adequacy ratios (e.g., Tier 1 Capital Ratio, CRAR, Leverage Ratio) using secondary data from Pillar 3 disclosures (2019-2024); Trend and comparative analysis

Objective	Methodology
	against regulatory standards.
To determine the effectiveness of the risk management practice of the bank as per SRP.	Qualitative analysis: Assessment of risk management policies, ICAAP, and stress testing through semi-structured interviews and observations; Comparative analysis of bank's practices against Bangladesh Bank guidelines and Basel III standards.
To find out hurdles in the present implementation of SRP.	Primary data collection via semi-structured interviews with risk management and compliance personnel; Qualitative analysis of interview responses to identify gaps such as data quality, resource availability, and disclosure limitations.
To give some actionable suggestions to improve based on the findings.	Synthesis of quantitative and qualitative findings; Derivation of recommendations through analysis of trends, gaps, and compliance levels, focusing on implications for capital management, transparency, and system enhancements.

3.3.1 Data Collection

- **Primary Data:** The interviews conducted during the internship were semi-structured and the relevant individuals that were interviewed includes personnel of the risk management and compliance department. These interviews were able to provide some information on the Internal Capital Adequacy Assessment Process (ICAAP) and stress testing procedures as well as the implementation of SRP that had been undertaken by the bank. Moreover, during the course of the work, internal meetings and training sessions were visited in order to have a more comprehensive grasp of the practices of the bank in the field of risk management.

- **Secondary Data:** Official disclosures of Bank Asia PLC on the risk-based capital based on Pillar 3 of Basel III 20192024 were used as the major and important data related to risk-based capital. These disclosures gave metrics in detail on capital structure and risk-weighted assets (RWA) and capital adequacy ratios that comprise of Tier 1 Capital Ratio, Total Capital Ratio (Capital Adequacy Ratio or CRAR), and Leverage Ratio. Other secondary sources were regulatory standards in Bangladesh Bank and literature written about the implementation of Basel Accord in Bangladesh.

3.3.2 Data Analysis

- **Quantitative Analysis:** Key capital adequacy ratios were calculated and compared against Bangladesh Bank's regulatory minimums and Basel III standards. These included:
    - **Tier 1 Capital Ratio**: Core capital divided by RWA.
    - **Total Capital Ratio (CRAR)**: Total eligible capital (Tier 1 + Tier 2) divided by RWA.
    - **Leverage Ratio**: Tier 1 capital divided by total exposure. Ratios were analyzed for trends over the 2019–2024 period to assess the bank's capital management consistency and compliance.
- **Qualitative Analysis:** The activities of the SRP were measured through assess of risk management policies of the bank which were targeted at ICAAP and stress testing exercises. The experience of conducting interviews contributed to evaluating the way the bank recognizes and reduces the possible institution-specific risks besides minimally compliant capital requirements.
- **Comparative Analysis:** The ratios of the bank were compared with the regulatory standards and were feasible with those of other banks to put the performance of the

bank in perspective. Trend analysis detected the irregularities in the capital adequacy and its possible reasons.

3.3.3 Scope and Limitations

- **Scope:** It focused on capital adequacy and compliance with SRP and included data on 2019 to 2024. It addressed the requirements of Pillar 2, leaving out other types of risk (e.g. credit or market risk) unless they were directly relevant to a determination of capital adequacy.
- **Limitations:** The limitation of this analysis was the fact that comprehensive data were not available in Pillar 3 disclosures on the particular methods of ICAAP or stress tests, among others. The limitation in primary data collection was determined by the time of the internship and the possibility of access to internal processes. There were a set of ratios which were not stated as is, e.g. Tier 1 Capital Ratio 2019, which means that assumptions were to be made based on existing data.

3.4 Findings and Analysis

3.4.1 Capital Adequacy Ratios

The following table summarizes Bank Asia PLC's key capital adequacy ratios from 2019 to 2024 (solo basis):

Table 16 - capital adequacy ratios

Year	Common Equity Tier 1 (CET-1) Ratio	Tier 1 Capital Ratio	Total Capital to Risk Weighted Assets Ratio (CRAR) (%)	Leverage Ratio (%)	Capital Conservation Buffer (2.5% of RWA)	Minimum Capital Requirement (MCR)(%)
2019	9.49	9.49	17.93	5.59	3.49	10
2020	9.24	9.24	17.16	5.14	3.24	10
2021	9.56	9.56	15.72	4.87	3.56	12.5
2022	10.17	11.45	17.7	5.57	5.45	12.5
2023	10.84	12.33	16.45	5.77	6.33	12.5
2024	10.33	11.71	15.61	5.46	5.61	12.5

3.4.1.1 Trend Analysis

- **Common Equity Tier 1 (CET1) Ratio:** CET1 Ratio, which is the amount of core equity capital of the bank to RWA, was relatively increasing with a slight decline in 2024, with an initial rise to 9.49 in 2019, then to 10.84 in 2023 and later to 10.33 in 2024. It means that Bank Asia PLC has managed to preserve and slightly augment the level of its high-quality capital during the period, which might owe to retained earnings or a new equity issue. The decline in 2024 can even be a temporary dive caused by a rise in RWA related to business growth, e.g. an expansion of loan portfolio or an agent banking network, that may have accelerated ahead of capital build-up.

- **Tier 1 Capital Ratio:** Similar pattern was observed in Tier 1 Capital Ratio that comprises CET1 and other Tier 1 capital, which has risen to 12.33% in 2023, down to 11.71% by 2024. This positive trend can be featured with the bank working on the increase of its core capital base, which is in line with the provisions of Basel III requiring the banks to focus on high-quality capital. The decline in 2024 may be because of an accelerated increase in RWA in comparison to the increase in capital which is based on the business growth strategy of the bank.
- **Total Capital to Risk-Weighted Assets Ratio (CRAR):** More volatility was observed in the CRAR representation of both Tier 1 and Tier 2 capital. It began at 17.93 percent in the year 2019, dropped to 15.72 percent in the year 2021, went up to 17.70 percent in 2022, and then, went down to 15.61 percent in 2024. As a result of these variations, the CRAR maintained a good position compared to its regulatory minimum of 12.5 percent (with the capital conservation buffer), which suggests a healthy capital position of the bank overall. The decreasing tendency of 2019-2024 implies that the RWA of the bank is increasing at a faster rate than the capital such that lending activities may be increasing or risk profiles, i.e., increased risk weights against some exposures, may have been changing.
- **Leverage Ratio:** Leverage Ratio which is a ratio between Tier 1 capital and total exposure (not risk-weighted) was shown as a declining trend with 5.59 per cent in 2019 going down to 4.87 per cent in 2021, followed by a rise to 5.77 per cent in 2023

and then by a marginally reduced level (5.46 per cent) in 2024. It is worth noting that unlike what the original analysis suggested that the ratio had dropped to 3.00% in 2022, Table 15 indicates that the ratio was 5.57 in 2022 implying that indeed that drop did not occur. Such an adjustment indicates that this bank has continued to run a Leverage Ratio more than 3.0 % set by the regulatory body as a mandatory requirement during the period. The first fall can mean more on- or off-balance-sheet operations, whereas the successive improvement can mean good efforts to decrease leverage, which can be made in terms of capital rising or impact mitigation.

- **Capital Conservation Buffer:** Another buffer on top of the capital necessary to absorb losses during times of stress is the Capital Conservation Buffer that grew enormously in 2023 to 6.33% (compared to 3.49 percent in 2019), before dropping a bit in 2024, to 5.61 percent. This is a high accumulation that indicates that the bank has been proactive in ensuring resilience to the effect of economic slowdowns following the requirements in Basel III to have a 2.5% support. The minor decline in the year 2024 could be seen as a precautionary change though due to some regulatory recompilation or alteration of RWA, it can be observed that it will continue to hold high level of buffer, which can help the bank deal with financial strains, should they ever present themselves.
- **Minimum Capital Requirement (MCR):** The MCR which represents the minimum capital level as prescribed by the regulators has also been smoothed to 12.5 percent on and after 2021 compared to 10 percent during 2019-2020 which is presumably because of more stringent regulatory requirements in its regulation as laid down by the Bangladesh Bank. Although the above is not a negative development, Bank Asia PLC has shown consistency in maintaining capital ratio above the MCR over the

period, which is an indication of good capital position and adherence to the changing regulations.

3.4.1.2 Capital Structure (2024)

- **Tier 1 Capital**: Tk. 31,18 million (solo) calculated as the sum of total of paid-up capital, statutory reserves, general reserves and retained earnings.
- **Tier 2 Capital**: Tk. 10,366 million, (solo) that consists of general provisions and subordinated debt.
- **Total Eligible Capital**: Tk. 41,547 million (solo), to cover a Capital Conservation Buffer of 6.33% (solo) in 2024 well over 2.5 percent as required.

3.4.2 Supervisory Review Process (SRP) Effectiveness

3.4.2.1 SRP Framework

Pillar 2 Basel Accord the SRP also imposes upon the banks the responsibility of determining capital requirements above the minimum regulatory requirement covering the risks specific to the institution through ICAAP and stress testing. Banks in Bangladesh are guided by the Bangladesh Bank in their implementation of the Guidelines on Risk-Based Capital Adequacy (RBCA) that provides stringent risk assessment procedures.

3.4.2.2 Bank Asia PLC's Practices

Although the Pillar 3 disclosures do not specifically present specific information about the ICAAP or stress testing approach to the Bank Asia PLC, the risk management personnel I interviewed during the internship confirmed that the bank does regularly run ICAAP tests and stress tests. Such processes assess capital sufficiency in different environment, including economic crisis or an interest rate shock. The bank uses:

- **Standardized Approach**: To calculate credit and market risks.
- **Basic Indicator Approach**: In the case of operational risk.
- **Risk Mitigation**: This includes ensuring there is more rated clients to minimize risk weights hence decreasing capital requirement and optimising capital utilization.

3.4.2.3 Strengths

•**Good Capital Buffers:** The CRAR and Capital Conservation Buffer of the bank are quite high because it is ready to face worst-case scenarios.

•**Proactive Risk Management:** Those are the cooperation with External Credit Assessment Institutions (ECAIs) and the internal controls that enhance identification and mitigation of risks.

3.4.2.4 Gaps

•**Limited Disclosure:** There is limited disclosure of information related to ICAAP and stress testing due to the lack of information about it to the general population and because of it having a tendency to thrive in the banking sector of Bangladesh.

•**Possible System Limitations:** Questions regarding interviews was based on the idea that there was a possibility of updates in the data systems on risk modeling in order to effectively cope with complexity.

3.4.3 Compliance with Pillar 2

Bank Asia PLC is a company that has been proven compliant with pillar 2 requirements as it is shown by:

•**Capital Adequacy:** Ratios better than regulation requirements.

•**Risk Management:** Proactive techniques such as an increase in rated clients through the utilization of standardized techniques.

• **Governance:** The Board and Risk Management Division are in-charge to oversee the regulatory alignment.

Nevertheless, the instability of the Leverage Ratio and the slight decrease in the CRAR indicate where stricter attention should be focused in order to stay on the right tracks.

3.5 Summary and Conclusions

Capital adequacy in Bank Asia PLC in terms of gross ratio and net balance were strong, 2019 to 2024. In 2019, the Total Capital Ratio (CRAR) was 17.93%, which slightly declined in 2024, by 15.61%, though it has remained significantly higher than the minimum value stipulated by Bangladesh Bank 12.50%. This indicates a powerful capital cushion, although the deterioration indicates there is a necessity to watch it in order to maintain this state of affairs.

Leverage Ratio was at the regulatory minimum of the 3.00 percent in 2022, as it was aligned with the Bangladesh bank requirements of that year. It improved later, which means that the exposure was managed. Nevertheless, the minimum level of operation in 2022 highlights the need to have a buffer, especially because the regulatory requirement is to increase to 4.0 percent by 2026.

The practices of the bank regarding Supervisory Review Process (SRP) as assessed in interviews and through disclosure evaluation are in accordance with directions of Bangladesh Bank and it employs the methods of Internal Capital Adequacy Assessment Process (ICAAP) and stress testing. However, the disclosures can be more transparent in terms of giving the stakeholders greater insights in the risk management practices.

On balance, the bank enjoys excellent capital amount and meeting regulations applicable, which facilitate its stability. The bank is expected to proceed with the capital trends monitoring to further boost its resilience coupled with enhancing the SRP disclosures.

3.6 Recommendations/Implications

3.6.1 Recommendations

1.**Keep Track of Capital Trends:** Maintain a steady analysis of the decline in CRAR to have a continuous expansion in the capital base in line with the accumulation of increase in RWAs, especially in the growth of the loan book and the Agent Banking network.

2.**Examine Leverage Ratio Volatility:** Undertake a comprehensive examination of the recent decrease in the Leverage Ratio as of 2022 to determine any causative factors, e.g. upsurge in loans or concrete out-of-balance-sheet dangers, and adopt actions that will streamline the kind.

3.**Scaling up ICAAP and Stress Testing:** Allocate funds towards sophisticated risk modeling solutions that can make ICAAP and stress testing more accurate to predict previously unknown risks, such as digital banking security vulnerability.

4.**Enhanced Transparency:** Get more precise disclosures to the public about ICAAP and stress testing increase the trust of the stakeholder in increasing alignment with the goal of Pillar 3.

5.**Maximize Capital Utilization:** It will be enhanced to add rated clients to ultimately decrease the weight of risk and release capital to use in the current strategies.

6.**Build Data Systems:** Strengthening the data infrastructure to allow complex risk assessment, it should be possible to address some of the limitations identified during the interviews.

3.6.2 Implications

•**In the case of Bank Asia PLC:** The good Capital position helps to boost the confidence among investors, help in the expansion, and sustain against economic turbulence.

•**Banking Sector in Bangladesh:** A strong banking-sector tradition at the major banking institutions, such as at Bank Asia PLC is making the banking system stable and helps achieve positive faith among the deposit-holders and regulators.

•**To Regulatory Bodies:** The discoveries reveal the necessity of new rules that will deal with transparency and risks that are emerging and guarantee sustainability of the sector.

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