The Premier Bank Limited

Disclosures on Risk Based Capital Adequacy (Basel II)
For the year ended December 31, 2012

With the growing complexity of operations, service innovations and technology based products, Banks have progressively become exposed to a diverse set of Risks. Basel- I was a one-fits-all approach to address only credit risk where there was no incentive for extending loans and advances to the well governed and better credit rated borrowers. But the New Risk Based Capital Adequacy (Basel – II) addresses three types of Risks namely i) Credit Risk, ii) Market Risk & iii) Operational Risk and requires to allocate capital against those risks. The Premier Bank Limited has formed a Basel - II implementation Committee, a Supervisory Review Process (SRP) Team and a Risk Management Unit (RMU) for developing a process for assessing overall capital adequacy in relation to the Bank's risk profile and strategy for maintaining the Bank's capital at an adequate level following the specific guidelines of Bangladesh Bank. The Premier Bank Limited is conducting intensive training & workshops on Basel – II Implementation on a regular basis. The Premier Bank Limited is following approaches stated below for calculating Risk Weighted Assets (RWA) as per Basel II guidelines of BRPD Circular No.35 dated December 29, 2010 of Bangladesh Bank:

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

The Premier Bank Ltd has effectively implemented Basel II and submitted the quarterly Capital Adequacy report to Bangladesh bank on time.

1. Capital Structure

Qualitative Disclosure

Regulatory capital, as stipulated by Bangladesh Bank guidelines, is categorized into three tiers according to the quality of capital (Tier I, II & III). Tier I or Core Capital comprises the highest quality capital components, Tier II or Supplementary Capital comprises capital elements that fall short of some of the characteristics of core capital but contribute to overall strength of the Bank and Tier III or Additional Supplementary Capital comprises short term subordinated debt with maturity of two to five years.

The capital fund of The Premier Bank Limited stood at Tk. 766.25 crore as of 31st December 2012 comprising of 92.53% Core Capital (Tier -1 Capital) and 7.47% Supplementary Capital (Tier – 2 Capital). Core Capital (Tier -1 Capital) comprises of 60.80% Paid up capital, 25.64% Statutory Reserve & 6.08% Retained Earning and Supplementary Capital (Tier – 2 Capital) 7.19% General Provision & 0.29% Asset Revaluation as a percentage of Total regulatory Capital Fund. The Premier Bank Limited had no Tier – III Capital.

The Bank complied with all the required conditions for calculation of capital as stipulated in the Risk Based Capital Adequacy (RBCA) guidelines by Bangladesh Bank as per following details:

Conditions	Compliance of the Bank
a) The amount of Tier – II capital will be limited to 100% of the amount of Tier – I Capital.	The amount of Tier-II capital of the Premier Bank Limited as of 31st December 2012 is 8.07% of Tier –I capital.
b) 50% of revaluation reserves for fixed assets and securities eligible for Tier – II Capital.	Tier-II Capital of the Premier Bank Limited as of 31st December 2012 includes 50% of revaluation reserves for Fixed assets amounting Tk.2.10 Crore.
c) 10% of revaluation reserves for equity instruments eligible for Tier – II Capital.	Tier-II Capital of the Premier Bank Limited as of 31st December 2012 does not include any revaluation reserves for equity instrument during the reporting period.
d) Subordinated debt shall be limited to a maximum of 30% of the amount of Tier – I Capital.	There is nothing to comply since the Premier Bank Limited does not hold any Subordinated debt during the reporting period.
e) Limitation of Tier – III: A minimum of about 28.50% of Market risk needs to be supported by Tier – I Capital. Supporting of Market Risk from Tier – III Capital shall be limited up to maximum of 250% of a Bank's Tier – I Capital that is available after meeting credit risk capital requirement.	There is nothing to comply since The Premier Bank limited does not hold any Tier-III Capital during the reporting period.

Quantitative Disclosure:

1. Tier-1 (Core Capital)		**Tk. in Crore**
1.1	Fully Paid-up Capital/Capital lien with BB	465.87
1.2	Statutory Reserve	196.50
1.3	Non-repayable Share premium account	0.00
1.4	General Reserve	0.00
1.5	Retained Earnings	46.64
1.6	Minority interest in Subsidiaries	0.00
1.7	Non-Cumulative irredeemable Preferences shares	0.00
1.8	Dividend Equalization Account	0.00
1.9	Other (if any item approved by Bangladesh Bank)	0.00
1.10	**Sub-Total: (1.1 to 1.9)**	**709.01**

Deductions from Tier -1 (Core Capital)		
1.11	Book value of Goodwill and value of any contingent assets which are shown as assets	0.00
1.12	Shortfall in provisions required against classified assets	0.00
1.13	Shortfall in provisions required against investment in shares	0.00
1.14	Reciprocal crossholdings of Bank capital/subordinated debt	0.00
1.15	Any investment exceeding the approved limit under section 26(2) of Bank Company Act	0.00
1.16	Investment in subsidiaries which are not consolidated	0.00
1.17	Other if any	0.00
1.18	Sub Total (1.11 - 1.17)	0.00
1.19	**Total Eligible Tier-1 Capital (1.10 - 1.18)**	**709.01**
2 .Tier-II (Supplementary Capital)		**Tk. in Crore**
2.1	General Provision (Unclassified loans + SMA + off Balance Sheet exposure)	55.14
2.2	Assets Revaluation Reserves up to 50%	2.10
2.3	Revaluation Reserve for Securities up to 50%	0.00
2.4	Revaluation Reserves for equity instruments up to 10%	0.00
2.5	All other preference shares	0.00
2.6	Subordinated debt	0.00
2.7	Other (if any item approved by Bangladesh Bank	0.00
2.8	**Sub-Total (2.1 to 2.5)**	**57.24**
2.9	Deductions if any	0.00
2.10	**Total Eligible Tier-II Capital (2.8 - 2.7)**	**57.24**
Total Capital (Tier – I & Tier – II)		**766.25**

2. CAPITAL ADEQUACY

Qualitative Disclosure:

Capital Management is aimed at ensuring that there is sufficient capital to meet the requirement of the Bank as determined by its underlying business strategy and also that sufficient cushion is available to absorb unexpected shocks that could arise out of adverse market conditions and external factors. To be highly capitalized Bank, The Premier Bank Limited has set a policy to maintain its capital in such a way that maintained capital is higher than the minimum required capital by 1-2% as per Risk Based Capital Adequacy (Basel – II).

The Premier Bank Limited did not require deducting any of the following items as stipulated in the RBCA guidelines by Bangladesh bank from its Capital (Tier –I & Tier-II) for maintaining regulatory capital since such items were not booked into the book of accounts as of 31st December 2012:

a) Intangible asset e.g. Book value of goodwill and value of any contingent assets, etc.
b) Shortfall in provisions required against classified assets.
c) Shortfall in provisions required against investment in shares.
d) Remaining deficit on account of revaluation of investments in securities after netting off form any other surplus on the securities.
e) Reciprocal/crossholdings of Bank's capital /subordinated debt artificially intended to inflate the capital position of Banks
f) Holding equity shares in any form exceeding the approved limit under section 26(2) of Bank Company Act 1991. The additional /unauthorized amount of holdings will be deducted at 50% from Tier – I Capital and 50% from Tier – II Capital.
g) Investment in subsidiaries which are not consolidated. The normal practice is to consolidate subsidiaries for the purposes of assessing the capital adequacy of banking groups. Where this is not done, deduction is essential to prevent the multiple uses of the same capital resources in different parts of the group. The deduction for such investments will be 50% for Tier – I capital and 50% from Tier – II Capital. The assets representing the investments in subsidiary companies whose capital had been deducted from that of the parent would not be included in total assets for the purposes of computing the CAR.

Quantitative Disclosure:

Sl	Particulars	Amount in Crore Taka
1	Capital requirement for Credit Risk	564.76
2	Capital requirement for Market Risk	55.35
3	Capital requirement for Operational Risk	73.99
Total Capital Requirement		**694.11**
4	Tier – 1 Capital	709.01
5	Tier – 2 Capital	57.24
Total Capital Maintained		**766.25**
6	Total Capital Ratio (Maintained)	11.04%
7	Tier - 1 Capital Ratio (Maintained)	10.22%
8	Tier – 2 Capital Ratio (Maintained)	0.82%

3. Credit Risk

Qualitative Disclosure:

Credit risk is the risk of financial loss resulting from failure by a client or counterparty to meet its contractual obligations to the Bank. **Credit risk** arises from the bank's dealings with or lending to corporate, individuals, and other banks or financial institutions.

Definitions of past due and impaired

Sub–standard:
These are the loans where bank has reason to doubt about the repayment of the loan although recovery prospect is encouraging.

Doubtful:
Full repayment of principal and interest is unlikely and the possibility of loss is extremely high.

Bad /Loss:
These are the loans that have a bleak recovery possibility.

Unclassified:
These are the loans where bank is fully satisfied about its repayment.

Special Mention Account:
These assets have potential weaknesses thus deserve management's close attention. If left uncorrected, these weaknesses may result in a deterioration of the repayment prospects of the borrower.

Methods Used to Measure Credit Risk

The Capital requirement for credit risk is based on the risk assessment made by External Credit Assessment Institutions (ECAIs) recognized by Bangladesh Bank for capital adequacy purposes. The Bank assigned risk weights to all their on-balance sheet and off-balance sheet exposures. Risk weights are based on external credit rating (solicited) which mapped with the Bangladesh Bank rating grade or a fixed weight that is specified by Bangladesh Bank.

Credit Risk Management

Credit risk regulatory capital requirements are computed based on the standardized approach prescribed by Bangladesh Bank. In the Standardized Approach credit risk is measured in a standardized manner supported by external credit assessments. Under this approach, risk weightings are mapped to exposure types.

Credit Risk Management Process

A thorough credit risk assessment is done before extending loan. The credit Risk assessment includes borrower risk analysts, industry risk analysts, historical financial analysts, projected financial performance, the conduct of the account, and security of proposed loan. The assessment originates from relationship manager/ account officer and approved by Credit Review Committee at Head

Office. The Credit Committee under elevated authority approves the credit proposals. Executive Committee of the Board approves the proposal beyond the authority limit of the management. The Board of Directors reviews the proposals approved by the Executive Committee.

In determining single borrower/Large loan limit, the instruction of Bangladesh Bank is strictly followed. Segregation of duties has been established for Credit Approval, Relationship Management and Credit Administration. Internal Audit is conducted on periodical interval to ensure compliance of Bank's and Regulatory policies. Loans are classified as per Bangladesh Bank's guidelines.

Credit Risk Mitigation

Mortgage documents are properly vetted by the Bank's Legal advisor. He/she will also certify that proper documentation, borrower's legal standing and enforcement of securities are in place. Finally, Lawyer's satisfaction certificate shall have to be obtained regarding documentation where there are securities/ collateral other than Personal Guarantee and Financial Obligation. Exposures and collateral values are continuously monitored, and margin calls or close-out procedures are enforced, when the market value of collateral falls below a predefined trigger level.

The Premier Bank Limited has also used FDR, MIS (Monthly Income Scheme), MSS (Monthly Savings Scheme), Double Benefit Scheme, Special Deposit Scheme & other collateral securities such as mortgages & listed shares as risk mitigant collateral under Standardized Approach.

Policies and Processes for Collateral Valuation and Management

The Premier Bank Limited has set a policy on Collateral Valuation and Management. The bank appoints approved surveyors for valuation of collateral/securities objectively. The methodology of valuation that the Bank usually applies, are forced sale/ fire sale value, fair/market value etc. The Bank creates legal claims on collateral/securities through mortgage; charge creation, legal documentation etc.

Quantitative Disclosure:

Risk Weighted Assets (RWA)	Tk. In Crore
Credit Risk	
For On- Balance sheet Assets	4,969.56
For Off-Balance sheet Assets	678.05
Total RWA for Credit Risk	**5647.61**

SUMMARY OF CREDIT RISK:

	Amount in Crore Taka	
Exposure Type	Exposure	Risk weighted Asset
04. **Credit Risk for On-Balance Sheet Exposures:**		
Cash	88.59	0.00
Claims on GoB and BB	518.39	0.00
Claims on Public Sector Entities (excluding equity exposure)	9.18	4.59
Claims on Banks and NBFIs (denominated in domestic as well as foreign currency)	958.60	242.52
Claims on Corporate (excluding equity exposures)	2795.36	2557.54
Claims under Credit Risk Mitigation for Corporate	517.72	179.82
Claims under Credit Risk Mitigation for Retail & SME	115.74	1.99
Claims categorized as retail portfolio & Small Enterprise (excluding consumer loan)	710.09	532.57
Consumer finance	94.05	94.05
Claims fully secured by residential property	49.37	24.69
Claims fully secured by commercial real estate	150.62	150.62
Past Due Claims		
Specific Provision <20% of outstanding amount	192.05	288.08
Specific Provision from 20% up to 50% of outstanding amount	11.45	11.45
Specific Provision > 50% of outstanding amount	3.93	1.97
Specific Provision < 50% of outstanding amount in case of Residential Property	4.27	4.27
Capital Market Exposure		
Investment in Venture Capital		
Unlisted equity investments and regulatory capital instruments issued by other banks (other than those deducted from capital) held in banking book.	168.63	210.79
Investments in premises, plant and equipment and all other fixed assets	141.60	141.60
All other assets		
i) Staff loan / investment	38.88	7.78

ii) Claims on Off-shore Banking Units (OBU)	137.34	137.34
iii) Other assets (net off specific provision)	377.91	377.91
Sub Total	**7083.77**	**4969.56**
B. Credit Risk for Off-Balance Sheet Exposures:		
Claims on Corporate	783.26	678.05
Grand Total	**7867.03**	**5,647.61**

4. Equities: Disclosures for Banking Book Position

Qualitative Disclosure:

As per BAS 25, investment is defined as an investment is an asset held by any enterprises for the accretion of wealth through distribution (such as interest, royalties, dividends and rentals), for capital appreciation for other benefits to the investing enterprise such as defined in BAS 2 – Inventories, are not Investments. Property, Plant and Equipment as defined in BAS 16, Property, Plant and Equipment, (other than investment properties) are not investments.

Guidelines on Risk Based Capital Adequacy are formulated to guide the categorization of banking book credit risk exposures of commercial banks, so as to enhance their credit risk management. In the light of Guidelines on Risk Based Capital Adequacy issued by Bangladesh Bank and BAS 25, Equities of Banking Book of a bank are equity investments in unquoted / non-listed shares that are normally held to maturity.

Banking Book Equities Investments of The Premier Bank Limited as of 31st December 2012 were the equity investments of the following companies:

01. Central Depository Bangladesh Limited
02. SWIFT
03. Premier Bank Securities Ltd.
04. Premier Money Transfer Company Ltd.

As per paragraph 23 of BAS – 25, the shares of the above mentioned companies had been shown in the books of Accounts of The Premier Bank Ltd. as of 31st December 2012 at Cost price.

Banking Book Equities Investments of Premier Bank Securities Limited – a subsidiary of The Premier Bank Limited as of 31st December 2012 were the equity investments of the following companies:

01. Dhaka Stock & Exchanges Ltd.
02. Chittagong Stock & Exchanges Ltd.

Quantitative Disclosure:

Banking Book Equities Investments of The Premier Bank Limited as of 31st December 2012 stood at Tk. 51.63 Crore as per following details:

Sl.	Name of Companies	Amount in crore Taka	Remarks
01.	Central Depository Bangladesh Limited	0.51	
02.	SWIFT	0.12	
03.	Premier Bank Securities Ltd.	50.00	Subsidiary company
04.	Premier Money Transfer Company Ltd	0.001	Subsidiary company
	Total	**51.63**	

Banking Book Equities investments of The Bank's subsidiary company namely - Premier Bank securities Limited as of 31st December 2012 stood at Tk. 83.00 crore as per following details

Sl.	Name of Companies	Amount in crore Taka	Remarks
01.	Dhaka Stock & Exchange Ltd.	65.00	
02.	Chittagong	18.00	
Total		**83.00**	

Particulars	Disclosure of the Bank
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.	Investment in equities of banking Book position of The Premier Bank Limited as of 31st December 2012 had been shown at cost Price amounting Tk.51.63 crore.
The cumulative realized gains (losses) arising from sales and liquidations in the reporting period.	No realized gains/ Losses
• Total unrealized gains (losses) • Total latent revaluation gains (losses) • Any amounts of the above included in Tier 2 capital.	No unrealized gains No revaluation gains Not included in Tier-II

5. **Interest Rate Risk in the Banking Book**:

Qualitative disclosure:

Interest rate risk is the risk where changes in market interest rate might adversely affect a bank's financial condition. Changes in interest rates affect both the current earnings (earnings perspective) as well as the net worth of the bank (economic value perspective). Re –pricing risk is often the most apparent source of interest rate risk for a bank and is often gauged by comparing the volume of a bank's assets that mature or re-price within a given time period with the volume of liabilities that do so.

The short term impact of changes in interest rates is on the bank's Net interest Income (NII). In a longer term, changes in interest rates impact the cash flows on the assets, liabilities and off-balance sheet items, giving rise to a risk to the net worth of the bank arising out of all re-pricing mismatches and other interest rate sensitive position.

The responsibility of interest rate risk management rests with the bank's Assets Liability Management Committee (ALCO). The bank periodically computes the interest rate risks in the banking book that arises due to re-pricing mismatches in interest rate sensitive assets and liabilities. Interest rate risk is assessed and managed by GAP analysis as well as Duration Gap Analysis under stress testing.

Quantitative disclosure:

Matuity Bucket

Figure in crore Taka

Particulars	**< 3 Months**	**3 – 6 Months**	**6 – 12 Months**
Gap	416.93	346.88	(97)
Cumulative Gap	416.93	763.81	666.81

Interest Rate Stress Test:

	Minor	**Moderate**	**Major**
Assumed changes in Interest Rate	**1%**	**2%**	**3%**
Net Interest Income Impact			
< 12 Months	6.67	13.34	20.00
Capital after shock	771.54	778.21	784.87
CAR After Shock (%)	**10.74**	**10.83**	**10.93**
Change in CAR after shock(%)	0.09	0.19	0.28
Repricing Impact			
Change in value of the bond portfolio	-27.38	-54.77	-82.15
Capital after shock	744.16	723.44	702.73
CAR After Shock (Percent)	**10.36**	**10.07**	**9.78**
Change in CAR after shock (%)	-0.38	-0.76	-1.14
Overall change in CAR (NII and repricing impact %)	-0.29	-0.58	-0.87

6. Market Risk

Qualitative Disclosure:

Market Risk is the risk of losses in on and off-balance sheet positions arising from movements in market prices. The market risk positions subject of this requirement are:

a) The risks pertaining to interest rate related instruments and equities in the Trading Book.
b) Foreign exchange risk and commodities risk throughout the Bank (both in the Banking and Trading Book).

Market risk arises from the following arenas:

- Interest Rate Risk
- Equity Position Risk
- Foreign Exchange Risk
- Commodity Risk

Methods Used to Measure Market Risk

Under Standardized Approach, The Premier Bank Limited had determined separately the capital requirement for the following market risks:

01. Interest Rate Risk,
02. Equity Price Risk,
03. Commodity Price Risk and
04. Foreign Exchange Risk

Market Risk & Liquidity Risk Management Policies and System

The objective of investment policy covering various facet of Market Risk is to assess and minimize risks associated with treasury operations by extensive use of risk management tools. Broadly it encompasses policy prescriptions for managing systematic risk, credit risk, market risk, operational risk and liquidity risk in treasury operations.

For market arising out of various products in trading book of the Bank and its business activities, the bank sets regulatory internal and ensure adherence thereto. Limits for exposure to counter-parties, industries and countries are monitored and the risks are controlled through Stop Loss limits, Overnight limit, Daylight limit, Aggregate Gap limit, Inter-bank dealing and investment limit etc.

For the Market Risk Management of the bank, it has a mid-office with separate Desks for Treasury & Asset Liability Management (ALM)

Asset Liability Management Committee (ALCO) is primarily responsible for establishing the market risk management, asset liability management of the bank, procedures thereof, implementing core risk management framework issued by regulator, best risk management practices followed globally and ensuring that internal parameters, procedures, practices/polices and risk management prudential limits are adhered to.

Liquidity risk of the bank is assessed through Gap analysis for maturity mismatch based on residual maturity in different time buckets as well as various liquidity ratios and management of the same is done within the prudential limit fixed thereon. Further bank is also monitoring the liquidity position through various stock ratios. The bank is proactively using duration gap and interest rate forecasting to minimize the impact of interest rate changes.

Quantitative Disclosures:

Capital Charges for Market Risk:

Sl.	Details	Capital Charge for Specific Risk	Capital Charge for General Market Risk	Total Capital Charge for Market Risk
1	**2**	**3**	**4**	**5 = (3+4)**
A.	Interest Rate Related instruments	0.00	17.73	17.73
B.	Equities	17.15	17.15	34.30
C.	Foreign Exchange Position	-	3.32	3.32
D.	Commodities	-	-	-
	Total (A+B+C+D)	**17.15**	**38.20**	**55.36**

7. OPERATIONAL RISK

Qualitative Disclosure:

Views of BOD on system to reduce Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems (for example failed IT systems, or fraud perpetrated by a Bank's employee), or from external causes, whether deliberate, accidental or natural. It is inherent in all of the Bank's activities. Operational risks are monitored and, to the extent possible, controlled and mitigated.
The Bank's approach to operational risk is not designed to eliminate risk altogether rather to contain risks within levels deemed acceptable by senior management.

All functions, whether business, control or logistics functions, must manage the operational risks that arise from their activities. Operational risks are pervasive, as a failure in one area may have a potential impact on several other areas. The Bank has therefore established a cross-functional body to actively manage operational risk as part of its governance structure.

The foundation of the operational risk framework is that all functions have adequately defined their roles and responsibilities. The functions can then collectively ensure that there is adequate segregation of duties, complete coverage of risks and clear accountability. The functions use their controls to monitor compliance and assess their operating effectiveness in several ways, including self-certification by staff, tracking of a wide range of metrics (for example, the number and characteristics of client complaints, deal cancellations and corrections, un-reconciled items on cash and customer accounts, and systems failures), and the analysis of internal and external audit findings.

Performance Gap of Executives and Staffs

The Premier Bank Ltd. always tries to be the best pay master in the sector and ensure best workplace safety for its employees to avoid inconsistent employment practices and unsound workplace safety by way of discrimination regarding employee's compensation, health and safety.

Potential External Events

The Bank invests heavily in IT infrastructure for better automation and online transaction environment. The bank also has huge investment on alternative power supply (both UPS & generators) and network links to avoid business description and system failure. The Bank's IT system does not allow any kind of external access to avoid external fraud by way of theft/ hacking of information assets, forgery etc. Premier Bank invests heavily on security from terrorism and vandalism to avoid damage to physical assets.

Approach for calculating Capital Charges for Operational Risks

For local regulatory capital measurement process, the Bank follows the basic indicator approach:

Quantitative Disclosure:
Capital Requirement for operational Risks:

Taka in crore

Particulars	Y-2012	Y-2011	Y-2010
Gross Income*	437.63	500.21	541.98
Total gross Income of three previous	1479.82		
Average Gross Income	493.27		
Previous three years Capital Charge (15% of Average Gross Income)	73.99		

* Including Interest Suspense.

Risk Management Unit

The Premier Bank Limited has formed a separate "Risk Management Unit" under Chief Risk Officer to ensure following things:

- Designing of organizational structure by clearly defining roles and responsibilities of individuals involved in risk taking as well as managing it:
- Formulation of overall risk assessment and management policies, methodologies, guidelines and procedures for risk identification, risk measurement, risk monitoring, defining an acceptable level of risk, mitigation of all the core risks in line with their respective guidelines provided by Bangladesh Bank:
- Reviewing and updating all risks on systematic basis as necessary at least annually, preferably twice a year, ensuring that adequate controls exist and that the related returns reflect these risks and the capital allocated to support them. The main risk areas will be balance sheet Risk Management, Credit Risk, Foreign Exchange Risk, Internal Control and Compliance Risk, Money Laundering Risk and IT Risk. The following risks have also to be reviewed :
    - ✓ Operational Risk
    - ✓ Market Risk
    - ✓ Liquidity Risk
    - ✓ Reputation Risk
    - ✓ Insurance Risk
    - ✓ Sustainability Risk
- Setting the portfolio objectives and tolerance limits/ parameters for each of the risks;
- Formulation of strategies and different models in consistency with risk management policy based on IT policy and in house IT support which can measure, monitor and maintain acceptable risk levels of the bank;
- Development of information systems/MIS inflow and data management capabilities to support the risk management functions of the bank.
- Ensure compliance with the core risks management guidelines at the department level, and at the desk level;

- The unit will work under bank's organizational structure and suggest to the Managing Director to take appropriate measures to overcome any existing and potential financial crisis;
- Analysis of self resilience capability of the bank;
- Initiation to measure different market conditions, vulnerability in investing in different sectors;
- The unit will also work for substantiality of capital to absorb the associated risk in banking operation.

Stress Testing

Risk Management Unit (RMU) of The Premier Bank Limited has already prepared a stress testing model in line with the Bangladesh Bank's guideline which initially focused on " Simple Sensitivity and Scenario Analysis" on the following five risk factors:

- Interest rate;
- Forced sale value of collateral;
- Non-Performing Loans (NPLs);
- Share Prices; and
- Foreign exchange rate.

The Premier Bank Limited follows the General framework as per guidelines of Bangladesh Bank to measure the Stress Testing. The aim of the Stress Testing is

- To identify specific vulnerabilities or areas of concern;
- Constitute a scenario;
- To perform the numerical analysis;
- To consider the numerical analysis and
- Summarizing and interpreting the results.

Stress testing of The Premier Bank Limited reflects the strength of the bank to absorb the shocks against all the risk factors. It has been observed that at any level of shocks, the bank will be able to maintain the capital adequacy ratio at the level which is in line with the standard set by Bangladesh bank.