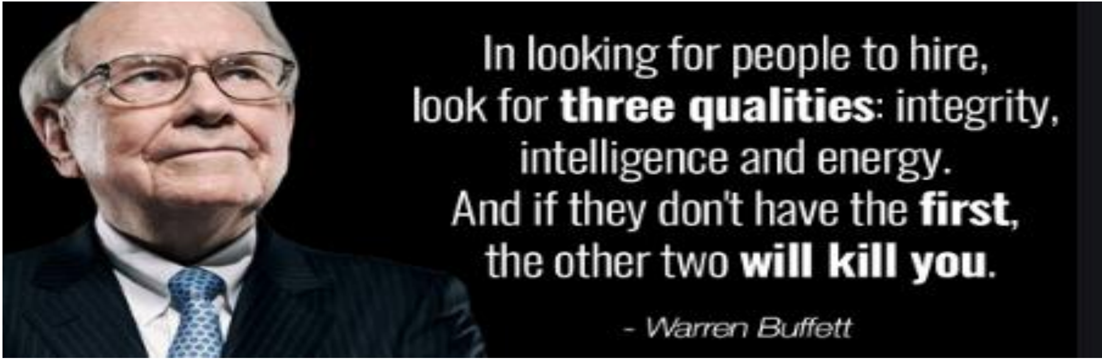


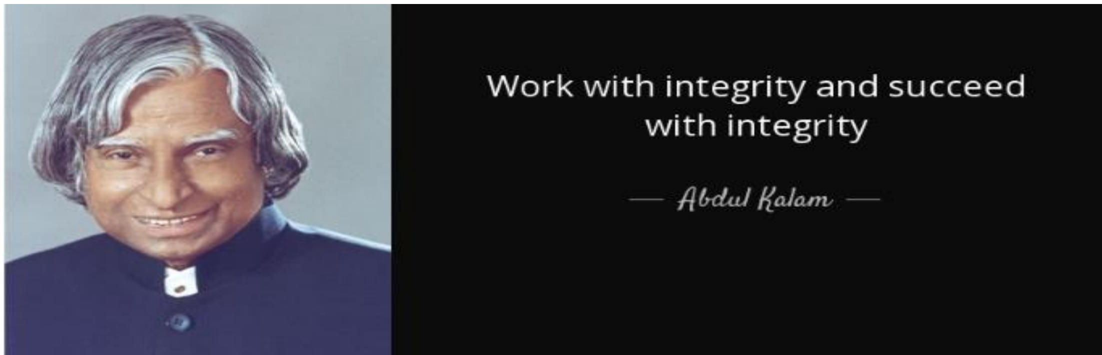

*The greatness of a man is not in how much wealth he acquires, but in his integrity and his ability to affect those around him positively.*

– Bob Marley

*The strength of a nation derives from the integrity of the home.*

– Confucius

# Best Practices of Bank:

1. **Capital Adequacy:**

Capital adequacy focuses on the total position of banks' capital and the protection of depositors and other creditors from the potential losses that a bank might incur. It helps absorbing all possible financial risks related to credit, market, operation, interest rate, liquidity, reputation, settlement, strategy, environment & climate change etc. Under Basel-III, banks in Bangladesh are instructed to maintain the Minimum Capital Requirement (MCR) at 10.0 percent of the Risk Weighted Assets (RWA) or BDT 4.0 billion as capital, whichever is higher. Under the Supervisory Review Process (SRP), banks are directed to maintain a level of "adequate" capital which is higher than the minimum required capital and sufficient to cover for all possible risks in their business.

2. **Asset Quality:**

Loans and advances are the major components in the asset composition of all commercial banks. The high concentration of loans and advances increases the vulnerability of assets to credit risk. However, investment of banks in bills, bonds, shares etc. also demonstrates somewhat concentration.

The most important indicator to demonstrate the asset quality in the loan portfolio is the ratio of gross Non-Performing Loans (NPLs) to total loans and net NPLs to net total loans.

3. **Management Soundness**:

Sound management is the most important pre-requisite for the strength and growth of any financial institution.

The total expenditure to total income, operating expenses to total expenses, earnings and operating expenses per employee and interest rate spread are generally used to determine management soundness.

Technical competence and leadership of mid and senior level management, compliance with banking laws and regulations, adequacy, compliance of sound internal policies, ability to plan and respond to consideration to illustrate the quality of management.

4. **Liquidity:**

Maintaining a sound liquidity position is one of the significant indicators of bank's solvency. Without ensuring adequate liquidity the banking sector will fail to mobilize its resources for earnings profit and they maintain adequate liquidity for ensuring safety and security. The most useful indicators for evaluating the liquidity position in the banking sector are advance deposit ratio (ADR), interbank call money rate, repo rates, liquidity coverage ratio (LCR) and net stable funding ratio (NSFR).

5. **CAMELS Rating:**

CAMELS rating is a supervisory tool to assess and review the financial soundness of the banking companies. It helps BB to remain always vigilant over the banks and identify those banking companies, which have problems and require close supervision.

6. **Islamic Banking:**

7. **Digital Banking:**