



Performance Analysis of 4G Banks

Submitted To

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Chapter 1 (Introduction and Literature Review)

Literature Review:

According to a News report published in Daily industry (October 15, 2017)

In 2016, bank's total asset has increased 12.8% from 2015. In that report it was also mentioned that, ROA which greatly indicates a bank's performance, was less in SCB and DFI than the industry had. Here in this report it was also mentioned that, to improve the banks' performance Bangladesh Bank has introduced Basel III Capital Adequacy frame work.

Jamal (2018) mentioned in an article published in Daily Star that, In Bangladesh traditional banking norms and culture is changing. Here in that report he also mentioned that, like everywhere around the world rich is getting richer and poor is getting poorer. It is a result that, in total 57 banks in Bangladesh they have approximately 80,397 crore BDT nonperforming loans.

Mawla (2018) has said that, at least 10 banks of Bangladesh are suffering from deficit of Capital. The situation has gone too bad that, now the banks are using their core capital. In that report Mawla suspected that, now the only solution for the bank is to stop operating their functions.

Mahmud (2018) referring to the business leader stated that, bank should improve their capacity so that they can help the privet sectors. It will be a help for Bangladesh Govt. to attain the SDG. He added that \$928 Billion is needed during 2017-2030 to fully obtain the SDG. And to obtain SDG banks can play a pivotal role.

Introduction:

A country's economy is heavily dependent on the performances of the country's banks' performances. Currently Bangladesh's banking sector is in the growing stage. Though it is in the growing stage, but according to experts, the stock market crash happened in 2017, banking sector is still recovering that shock. Currently 57 Banks are operating in the country including foreign, private and state owned bank. Among them 8 are Foreign, 9 are State owned and the rest are private banks.

Bangladeshi banking sector is facing few problems currently among them, deposit/ liquidity crisis and rising amount of nonperforming loans are major.

The bank I have chosen to prepare my internship report is NRB Bank Limited which is comparatively new in the industry and is termed as 4G bank along with some other contemporary banks.

Objective of the Report:

The main objective of the report is to find out the performance of NRB Bank in the last three years. For this I have incorporated few financial ratios of the bank and I have analyzed them.

Another objective of the report is to analyze the performance of the 4G banks. Finally, after analyzing the performance, I have compared the industry average with NRB Bank.

The main objective of the report, is to come up with the some recommendations, which could be helpful for increasing the performance of NRB Bank Limited.

Chapter 2 (NRB Bank at a glance)

About the Bank:

NRB Bank follows Migrant Sponsored Banking System. It is a newly discovered banking system. In this system, the Bank's initial capital is funded by Non Resident Nationals. These Non Resident Nationals deposit their money in the bank and the bank lends that money to the local resident of the country.

From 1990 Bangladeshi People living in abroad was demanding such kind of a bank where they could invest their money. Finally in 2007, Bayazid Sarker, an Economist and Central Bank Official proposed a theoretical structure of this kind of Bank. He at first proposed this idea in one of his research papers named "Alternative Resource of World Bank for External financing in Bangladesh: A foreign remittance approach"

Finally, in 2011 Bangladesh Bank granted this theory and in 2013, 3 New Banks were established following the structure of Sponsored Banking. Here it is needed to mention that, Bangladesh is the pioneer of Sponsored Banking System. NRB Bank started its operation on 28 May, 2013 with a paid up Capital of 400 Million. Total Capital 4942 Million (Tier 1, Tier 2) .1 st Principal branch of the bank was established on 4 Aug, 2013. Currently there are 36 branches around Bangladesh and 765 employees working in this organization. Though the bank has typical deposit lending function within this the bank perform multiple functions. The initial goal is to provide a platform for NNs to invest money in Bangladesh. However, the ultimate goal of the organization is to reduce foreign dependency on international financial organizations for investments.

Vision:

NRB Bank started its journey with a vision to give the people of Bangladesh living abroad a platform to invest money in Bangladesh. Also the value of the bank is to provide opportunities to Bangladeshi people and companies to invest in international market.

Mission:

To support the vision of the organization the mission of the organization is to provide financial service to both resident and nonresident Bangladesh. The company believes that, this will be a stepping stone for investing inside and outside of the country. The company aims to provide expertise and professional financial service which will encourage the investor to invest further.

So the goal of the bank is to work as a platform for Bangladeshi people so that they can invest their money both in and outside of the country. And the bank is in the path of attaining that goal by providing professional and expert financial service to its clients.

Values and Goals:

The main value of the organization is to give its customers global banking experience yet the bank emphasizes on local roots.

The goal of the bank is to satisfy the employees and create a loyal customer base. Another goal of the bank is to increase the shareholders' value

Products and Services:

NRB Bank basically provides 3 types of services like other commercial banks. Those are: Corporate service, Retail Service and SME Services. NRB Bank, first introduced internet banking for consumer and corporate Account holders. The bank has a 24 hours call center, also have student banking.

Chapter 3 (Learning From Internship)

During my internship tenure, I worked in the Finance and Accounting division of NRB Bank. The learning from the Department is summarized below:

There are 3 core Departments under Finance and Accounting Division. Those are: MIS (Management Information System), Vat and Tax and Payment Department. I had the privilege to a work experience of all the 3 Departments.

In MIS I have understood the financial statements of the bank and their components. Also I got to know, if any component varies over the period of time, what affect could it make to the overall performance of the bank. Also, I got a brief idea about the reporting procedure to Bangladesh Bank.

In Vat and Tax Department, I mostly did the data entry work, for the last few years. I prepared a detailed data base of vendors for Vat and Tax Departments. There in that data base I have incorporated the data for the last 2 years which is very helpful for the Department.

In Payment Department I mostly worked in convenience bill, entertainment bill, pocket allowance and mobile bill, adjustment advance bill etc. I had to check the authenticity of the bills, matched the allowance ceiling etc.

Also CFO involved me in a discussion of investment banking and portfolio management.

Chapter 4: Performance Analysis of 4G Banks

Reasons behind conducting Performance Analysis:

Performance analysis of banks refers to analyze the various indicators of banks in order to know the bank's profitability over the years and financial soundness. We analyze the financial statements of banks along with some key ratios and try to interpret the overall performance of a bank. There are various ways of doing the analysis however; trend analysis might give a clear idea about banks' performance over the years. This is because in trend analysis we need to take the past few years data to interpret the financial performance from year to year. Moreover, performance or key ratios can be compared to the other banks under the same industry. This is known as cross-sectional analysis where sometimes we also consider the industry average so that we can see whether the bank is performing below or above the industry average. All these analysis give the investors and stakeholders a brief idea of making decisions for their investment in banks.

In my report I have tried to analyze the key ratios as well as the financial statements to find out the NRB Bank's performance by doing the trend analysis as well as cross sectional analysis.

Horizontal Analysis of Balance Sheet:

PROPERTIES AND ASSETS	2015	2016	2017
Cash			
Cash in hand (including foreign currencies)	100%	175%	173%
Balance with Bangladesh Bank and its agent bank(s)	100%	11%	223%
	100%	128%	210%
Balance with other banks and financial institution			
In Bangladesh	100%	119%	172%
outside Bangladesh	100%	96%	30%
	100%	119%	166%
Money at call and short notice			
Investment			
Government	100%	137%	88%
Others	100%	109%	103%
	100%	129%	92%
Loans and advances			
Loans cash credits overdraft etc.	100%	114%	207%
Bill Purchased and discounted	100%	39%	270%
	100%	113%	207%
Fixed Assets including premises, furniture and fixtures	100%	113%	126%

PROPERTIES AND ASSETS	2015	2016	2017
Other Assets	100%	171%	150%
Non- Banking Asset			
Total Asset	100%	120%	170%
LIABILITIES AND CAPITALS			
LIABILITIES			
Borrowings from other banks, financial institutions and agents	100%	61%	235%
Deposits and other accounts			
Cueerent accounts and other accounts	100%	347%	588%
Bills payable	100%	248%	517%
Savings Bank Deposits	100%	186%	308%
Fixed Deposits	100%	112%	141%
Bearer Certificates of Deposits			
Others Deposits			
	100%	131%	179%
Other Liabilities	100%	136%	233%
TOTAL LIABILITIES	100%	123%	189%
Capital/Shareholder's Equity			
Paid up Capital	100%	100%	100%
Statutory Reserve	100%	294%	457%
Other Reserve	100%	119%	0%
Surplus in Profit and Loss Account Retained Earnings	100%	457%	309%
TOTAL CAPITAL/ SHAREHOLDER'S EQUITY	100%	113%	104%
TOTAL LIABILITIES AND CAPITAL/SHAREHOLDER'S EQUITY	100%	120%	170%

Income statement and horizontal analysis of income statement:

OPERATING INCOME	2015	2016	2017
Interest Income	100%	125%	155%
Interest paid on deposits and borrowings	100%	111%	126%
Net Interest Income	100%	178%	266%
Income from investments	100%	139%	135%
Commission, exchange and brokerage	100%	144%	354%
Other operating income	100%	163%	254%
	100%	140%	151%
Total operating income(A)	100%	149%	180%
TOTAL OPERATING EXPENSE			
Salaries and allowances	100%	129%	182%
Rent, taxes, insurance, electricity etc.	100%	145%	164%
Legal expenses	100%	113%	119%
Postage, stamp, telecommunications	100%	115%	134%
Stationary, printing and advertisement etc.	100%	103%	179%
Chief executives salary and fees	100%	91%	142%
Director's fees	100%	94%	248%
Auditor's fees	100%	124%	152%
Depreciation and repair of bank's asset	100%	143%	209%
other expenses	100%	79%	109%
Total operating expense(B)	100%	119%	160%
Profit/loss before provision(C=A-B)	100%	206%	217%
Provision for loans and advances			
General Provision	100%	1%	227%
Specific Provision	100%	2130%	2604%
Provision for off-balance sheet items	100%	652%	5401%
provision for diminution in value of investment	100%		6%
Other provision			
Total provision(d)	100%	183%	496%

OPERATING INCOME	2015	2016	2017
Total profit/loss before tax e= (C-D)	100%	209%	176%
Provision for Taxation (f)			
Current tax	100%	206%	175%
Deferred tax expense	100%	-122%	-125%
	100%	180%	152%
Net profit/loss after tax (g=e-f)	100%	222%	187%
Appropriations			
Statutory Reserve	100%	209%	176%
General Reserve			
Dividends			
	100%	209%	176%
Retained Earnings	100%	228%	192%
Earnings per share(EPS)	100%	222%	188%

Trend Analysis of NRB Bank:

NRB Bank LTD. Key Ratios				
1	Loan to Deposits Ratio (total loan/total deposit)	82.51%	72.08%	81.18%
2	% of NPL against total loans and advances	0.02%	1.95%	2.46%
3	ROI	8.72%	8.27%	5.70%
4	ROA	2.02%	2.32%	1.48%
5	EPS	0.59	1.31	1.11
6	CRAR	26.03%	27.40%	18.40%
7	ROE	5.28%	10.38%	9.48%
8	NIM	2.54%	3.99%	3.28%
9	NPM	9%	15%	13%

Key Ratios Analysis:

CRAR: Capital to Risk-weighted Asset Ratio is calculated by dividing the total capital (Tier-1 and Tier-2 capital) by total risk-weighted assets of a bank. CRAR refers the amount of capital a bank should be maintained against its risk-weighted assets. Risk-weighted assets include loans and advances, balance with other banks and off-balance sheet items etc. Bangladesh Bank, the regulatory bank of the country has set a standard for maintaining the CRAR. The regulatory standard was 11.25% in 2017. Bangladesh Bank has instructed all the banks to maintain this ratio in order to make the banks capable of absorbing risk generated from the risk weighted assets. Moreover, a high CRAR shows that, the bank has enough capital against its risk weighted assets which and also ensures its depositors that bank is in a safer position in terms of risky assets. Capital to risk weighted assets also indicates bank's stability and financial strength.

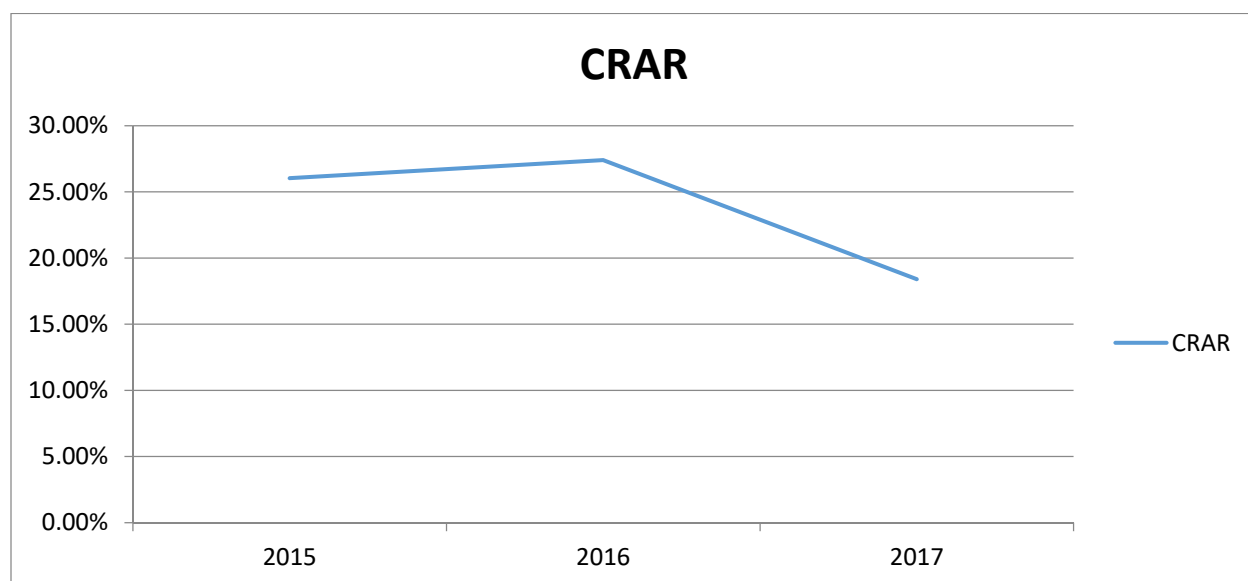


Fig 1: Time Series Graph of NRB Bank on Capital to Risk-Weighted Asset ratio

Years	2015	2016	2017
Income Statement item			
Provision for loans and advances	49842145	91110581	247322718
Total profit/loss before tax	343928218	719317470	606341565
Provision for Taxation			
Current tax	99238083	204197374	173858261
Deferred tax expense	8343971	-10165102	-10439791
	107582054	194032271	163418470
Net profit/loss after tax	236346164	525285199	442923095

Years	2015	2016	2017
Income Statement item			
Appropriations			
Statutory Reserve	68785643	143863494	121268313
General Reserve	-	-	-
Dividends	-	-	-
	68785643	143863494	121268313
Retained Earnings	167560521	381421705	321654782
Balance Sheet Items			
	2015	2016	2017
off balance sheet items			
contingent liabilities			
letter of guarantee	268471645	296793759	1217446861
irrevocable letters of credit	241204274	824271388	4977846446
bills for collection	489892050	690530901	2231154287
other contingent liabilities	25407470	27366401	155089622
total off balance sheet items and contingent liabilities	1024975439	1838962449	8581537216

Determinants and Impact of CRAR in NRB Bank's Balance Sheet and Income Statement items:

From the chart it is visible that CRAR has declined from 2015 to 2017. However, in 2017 CRAR was 7.5% higher than the regulatory standard. When total eligible capital decreases and the total risk weighted assets increases, the capital to risk-weighted assets ratio decreases. However, from the table we can see that the statutory reserve and retained earnings has decreased in 2017 than 2016 due to the decrease in Returns on Assets, Return on Investment and Net Profit Margin. Moreover, the risky assets such as loans and advances, balance with other banks had doubled in 2017 than 2016. The off-balance sheet items which are also considered as risky assets had increased five times higher than other two years. Thus, it can be assumed that in 2017, increase in risk-weighted assets and decrease in total capital are responsible for the overall decrease in Capital to risk-weighted asset ratio.

Net Profit Margin: Net profit margin is an important financial performance indicator because it helps the stakeholders to know how effectively a bank is converting its revenue into profit

available for them. The higher net profit margin, the better the profitability after all its expenses including interest and tax.

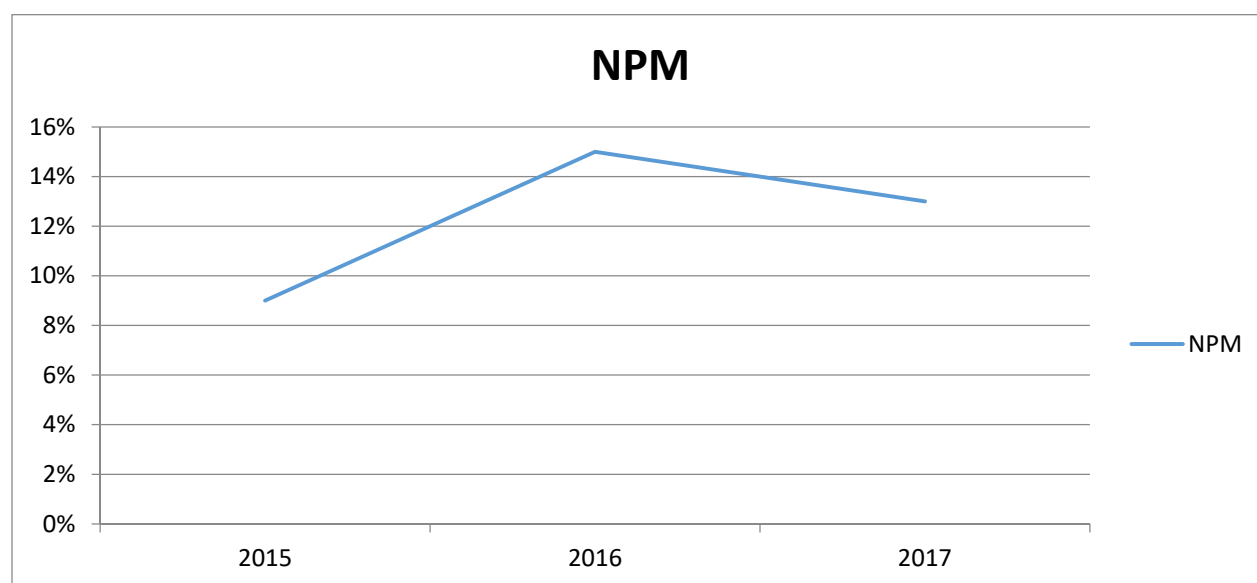


Fig-2: Time series Analysis of NRB Bank on Net Profit Margin

	2015	2016	2017
Interest Income	1384095384	1723870906	2139473152
Interest paid on deposits and borrowings	-	-	-
Net Interest Income	1101908248	1220400726	1388549734
Total operating income(A)	282187136	503470180	750923418
Total operating expense(B)	2025171018	1680373080	1124289559
Cost of Deposit			6.24%

Determinants: The main reason behind declining NPM in 2017 is, the cost of deposit has increased in 2017 thus the net interest income has decreased. It affected the Net Profit Margin. Another reason is increase in operating expense than operating income. NRB Bank expanded their business in 2017 by opening new branches and ATM booths which eventually increased the operating expense and it had a negative effect on NPM.

% of NPL Against Total Loans and Advances: Non- performing loans or classified loans refers the loans which are not being scheduled by the bank's regulation. According to Bangladesh Bank if any borrower fails to repay the installment consecutively for 90 days or three

months, that loan falls under classified or non-performing loan. However, the income from this loan will go to interest suspense in lieu of interest income. In our banking industry it has been said that, if the percentage of NPL remains within 5%, the bank is in good position.

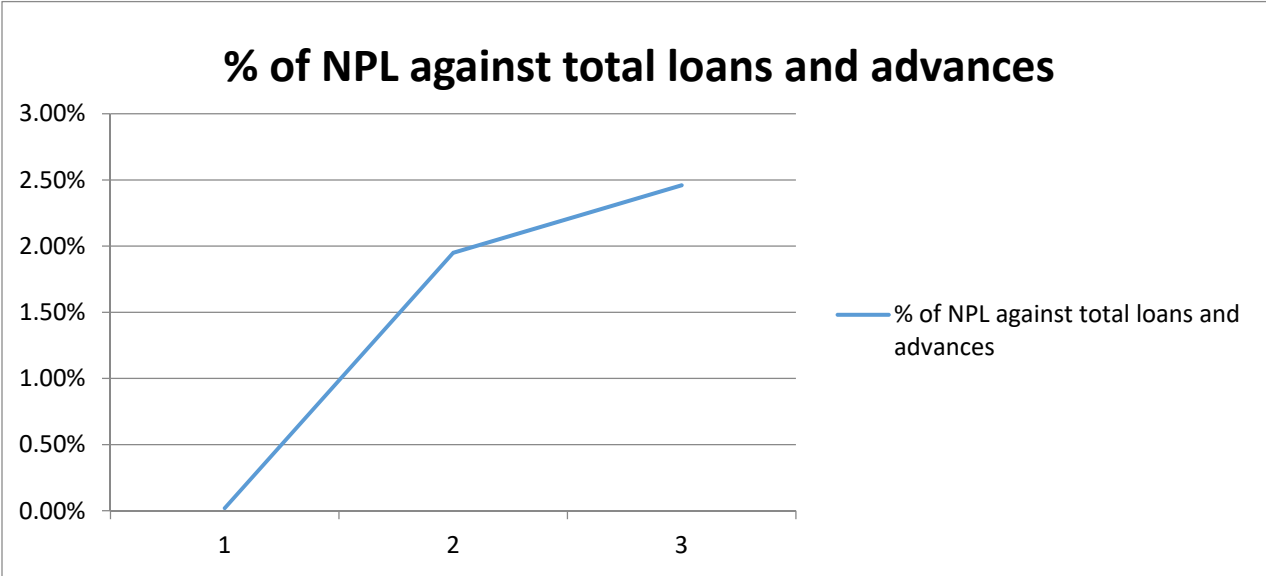


Fig-3: Time series analysis of NRB Bank on the % of NPL against total loans and advances

Total provision(d)	49842145	91110581	247322718
Net profit/loss after tax (g=e-f)	236346164	525285199	442923095

Determinants of the increase in % of NPL:

From the past three years data, we can see that the % of NPL against total loan and advances has been increased significantly. In 2017, 31 customers were large loan holders. Large loans holders refers the customers who hold 10% of total capital. If any one of them defaults the proportion of non- performing loan will increase which eventually raises the % of non-performing loan against total loans and advances. One large loan holder among 31 of NRB Bank was unable to repay that large amount of loan which has increased the percentage of NPL. One other reason behind the increase of NPL is that, before providing the loan, bank does not maintain customer due diligence. Which means, sometimes the bank gets unaware of the business purpose of the lender and without doing investigation when bank approves the loan, then there is a high chance of loan default.

From the table we can see that total provisions kept for non- performing loans against total loans and advances is higher in 2017 than 2015 and 2016. This higher provision for non-performing loans has an impact on NRB Bank's Net Income in 2017. The higher amount of total provisions against loans and advances makes the net income lower. As a result, net profit margin or NPM also decreases.

Net Interest Margin (NIM):

NIM is typically used in banks for measuring profitability and growth. Mainly NIM is the difference between bank's earnings from its assets (loans) and bank's expense on its deposits. NIM is calculated by dividing the net interest income by total earning assets. A higher NIM indicates that bank is utilizing its assets while a negative NIM indicates that the bank cannot make the proper use of its assets because the investment income from those assets cannot offset the interest expense.

Determinants and Impact of NIM in Income statement and balance sheet

In 2017, NIM has declined because the amount of non-performing loan has increased in 2017 compare to 2017. Moreover, after revising the cost of deposit, it increased a bit to attract customers as bank was facing deposit crisis. Because of this increase in COD, interest spread has gone down. As result, bank has not been able to generate interest income as much as it was expected. However, the net interest income was higher in 2017 which means bank was doing well even the amount of NPL was increasing.

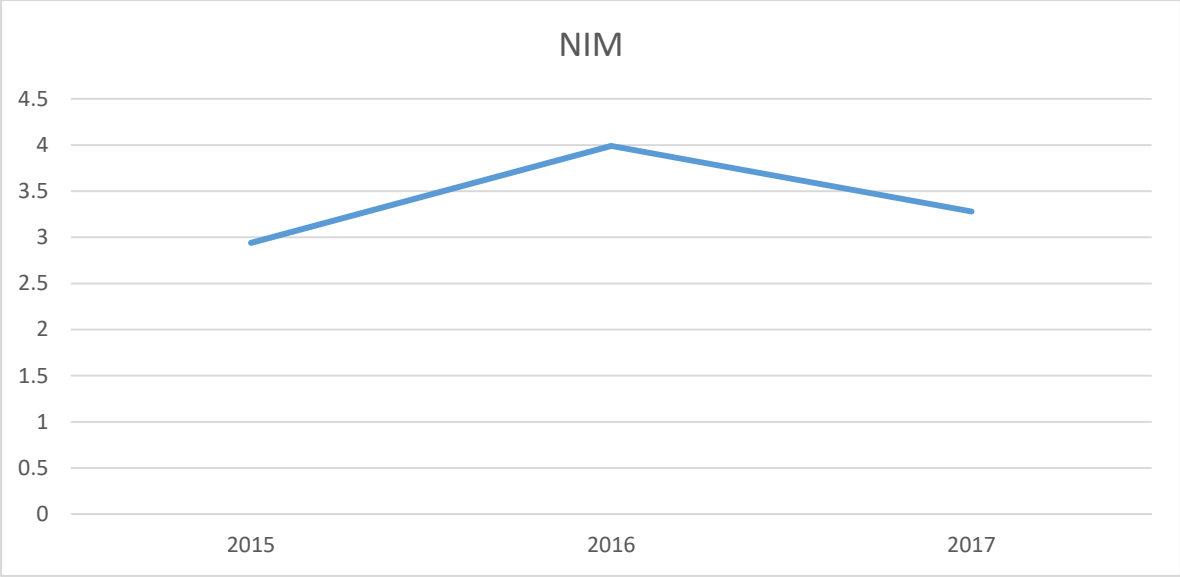


Fig-3: Time series analysis of Net Interest Margin of NRB Bank

Return on Asset (ROA)

Return on Asset measures the management efficiency to use its assets in terms of generating profit. It also determines the bank’s financial strength and level of profit maximization by utilizing its assets. The higher ROA ratio indicates higher efficiency of the management. It is calculated by dividing the net profit after tax by the total asset of the organization.

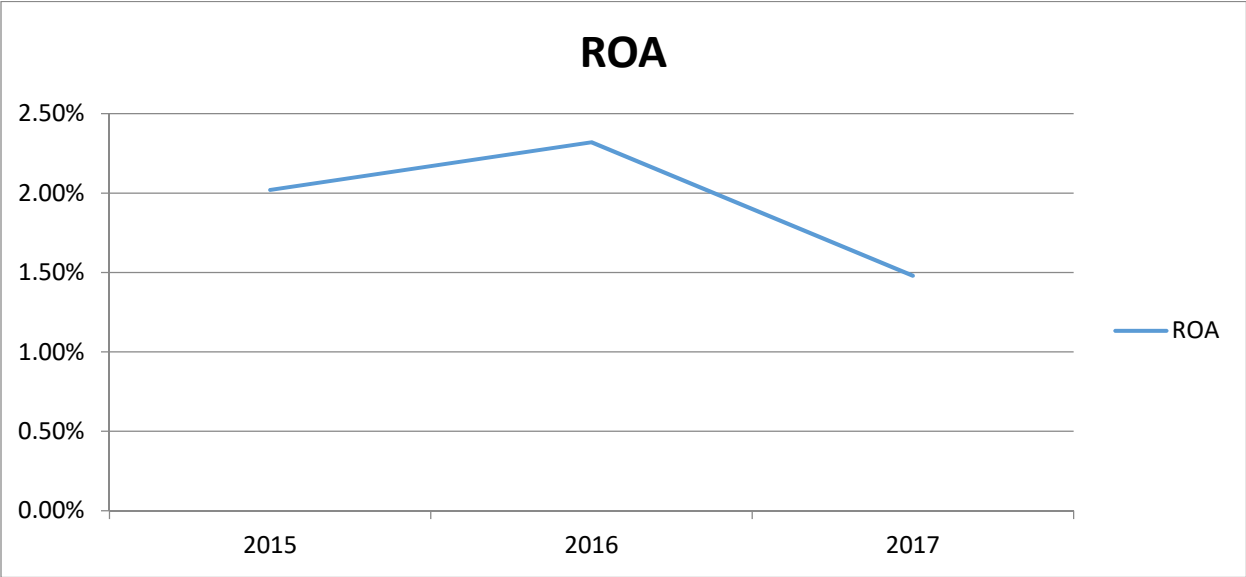


Fig-4: Time series analysis of Return on Assets of NRB Bank

Determinants and Effects on Income statement and balance sheet:

The line chart shows that ROA has declined in 2017 than 2015 and 2016. The main reason for the declining, is generating less income from the investment. Due to an upward trend of rate in government investment, NRB bank's earning has declined in 2017 from the investment in government bills and bonds. This decrease in investment income has affected the net profit after tax.

Return on Equity (ROE)

It is considered as key profitability ratio for any organization. For Banks, ROE is a measurement tool for its shareholders to determine how much profit the banks are generating from their investment. It also shows the banks efficiency and profitability.

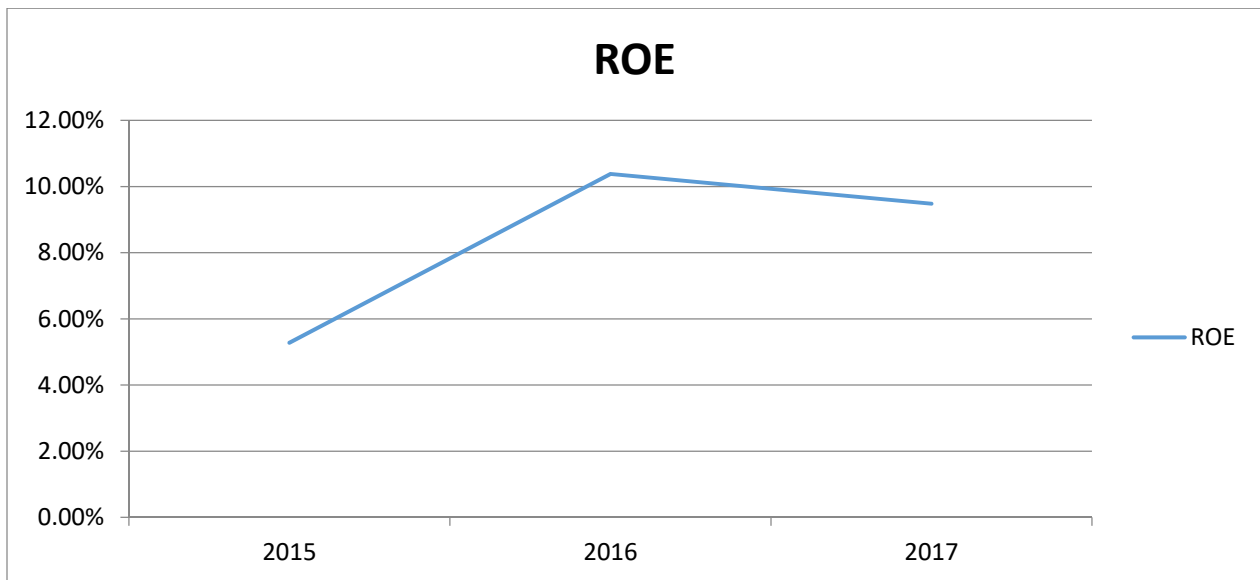


Fig-5: Time series analysis of Return on Equity of NRB Bank

Determinants and Effects on Income statement and balance sheet:

Here, the ROE of NRB Bank has been decreased in 2017 compare to 2016. Due to decrease in income from investment in 2017 because of Govt. securities upward trend for rate. The deposit

crisis has also the reason behind the decrease in ROE. If deposits were higher, bank could offer more loans to the customers which could affect positively the interest income of the bank.

Return on Investment (ROI)

Return on Investment is another key performance indicator which measures success over time for any bank or organization. Higher the ratio better the bank's financial strength as it shows how efficiently bank is generating profit from its investment.

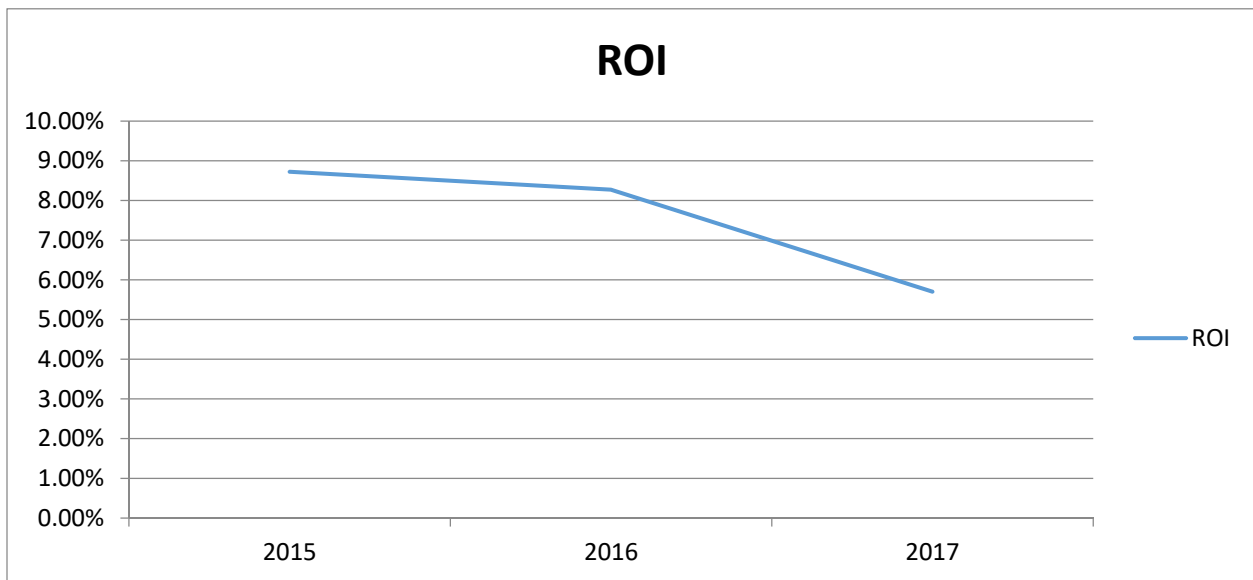


Fig-6: Time series analysis of Return on Investment of NRB Bank

Determinants and impact in Bank's overall performance

In 2017, the rate of government securities such as T-bonds and T-bills increased as a result the price of those securities fell and bank had a revaluation loss for the change in rate. However, in 2016 the rate of government securities was comparatively low and bank had revaluation gain, thus the ROI is higher in 2016.

Though the income from investment was low in 2017 compare to 2016, total operating income had increased because Net interest income increased significantly in 2017. Even in an adverse situation NRB Bank was successful enough to run its core business. However, the growth of operating income was comparatively low.

AD Ratio or Loan to Deposit Ratio

Loan to Deposit Ratio measures total loans and advances against total deposits. Bangladesh Bank has set up a limit for this loan to deposit ratio so that all the banks maintain a required portion of liquidity. The standard of loan to deposit ratio by the central bank is 81%, which means if a bank has 100tk in its deposit account, bank is allowed to lend only 81 tk. Rest of the money should be kept as CRR and SLR form. In 2016 and 2017 overall banking industry have faced deposit crisis in the money market. Bangladesh Bank strictly monitors this AD ratio so that banks have enough cash to face any adverse situation. However, another objective is to reduce the credit growth so that banks can maintain profitability.

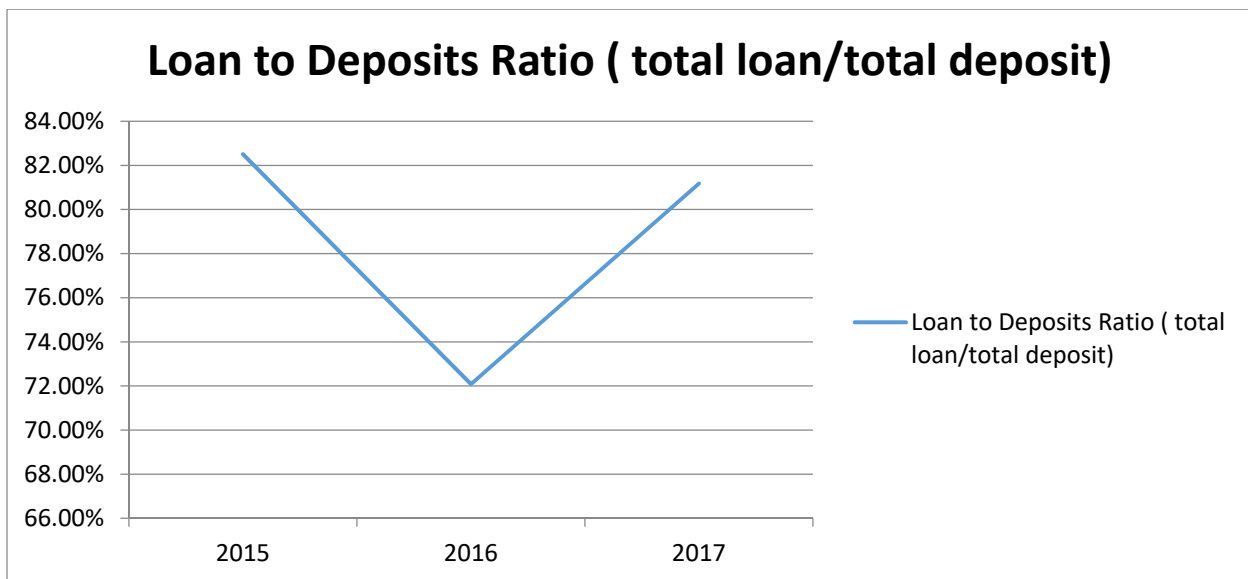


Fig-7: Time series analysis of Loan to Deposit ratio of NRB Bank

Determinants and Effects on Income statement and balance sheet:

In 2015 and 2017 bank had successfully maintained the standard of Bangladesh Bank. However, in 2016 the AD ratio was only 72% because at that time bank has invested more in government securities and other securities in lieu of loans and advances.

From the table we can see that in 2016 the investment in government and other securities was higher than 2017 and loans and advances as well as deposits were significantly low in 2016.

Earnings per Share (EPS)

Looking at EPS an investor can assume whether the bank is financially doing good or not. EPS refers the return or profit the bank is making for its shareholders. Bank having a higher EPS ratio means he bank is in a better position.

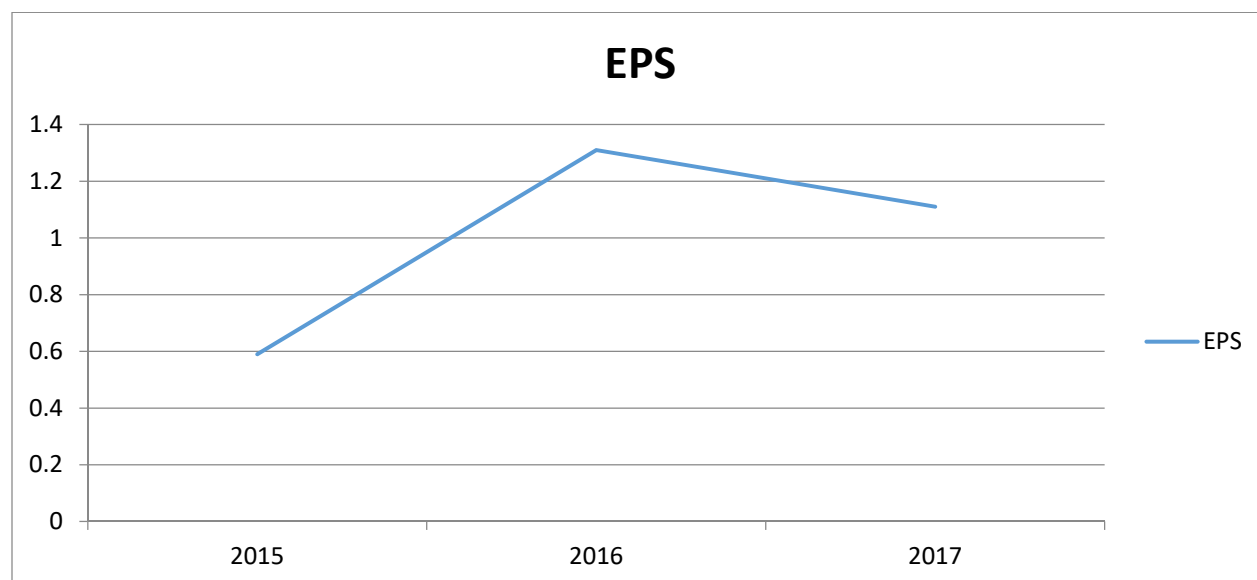


Fig-8: Time series analysis of Earning per share ratio of NRB Bank

Determinants and Effects on Income statement and balance sheet:

Net income has declines in 2017 compare to 2016, moreover dividend of 2016 had been disbursed in 2017. This disbursement of dividend made the net income significantly low as a result EPS fell in 2017.

Cross Sectional Analysis:

		Bank's NAME						
SL.	Key Financial Ratios	NRBC	NRB Global	MIDLAND BANK	MEGHNA BANK	MODHU MATI BANK	NRB Bank Ltd.	INDUSTRY AVERAGE
1	CRAR	13.58%	11.26%	21.03%	19.55%	16.76%	18.40%	11.25%
2	NPM	13.92%	5.02%	17.00%	11.07%	18.40%	13.00%	13.07%
3	NPL	2.46%	1.31%	1.68%	3.00%	0.29%	2.46%	5.00%

4	ROA	1.67%	0.15%	1.65%	1.18%	1.93%	1.48%	1.34%
5	ROE	15.30%	7.79%	12.30%	8.49%	13.01%	9.48%	11.06%
6	ROI	15.30%	6.59%	11.82%	14.52%	1.74%	5.70%	9.28%
7	AD Ratio	93.07%	85.00%	79.72%	85.00%	90.87%	81.18%	81.00%
8	EPS	1.89	0.92	1.44	0.95	1.65	1.11	1.33
9	NIM	0.79%	4.40%	3.78%	3.66%	4.26%	3.28%	3.36%
10	Cost of Fund	9.00%	9.65%	7.64%	9.51%	7.16%	8.91%	8.65%
11	Cost of Deposits	6.47%	6.40%	5.91%	5.53%	4.73%	6.24%	5.88%
12	Yields on loans	11.75%	6.91%	8.69%	9.46%	8.28%	10.81%	9.32%

Capital to Risk-Weighted Asset Ratio:

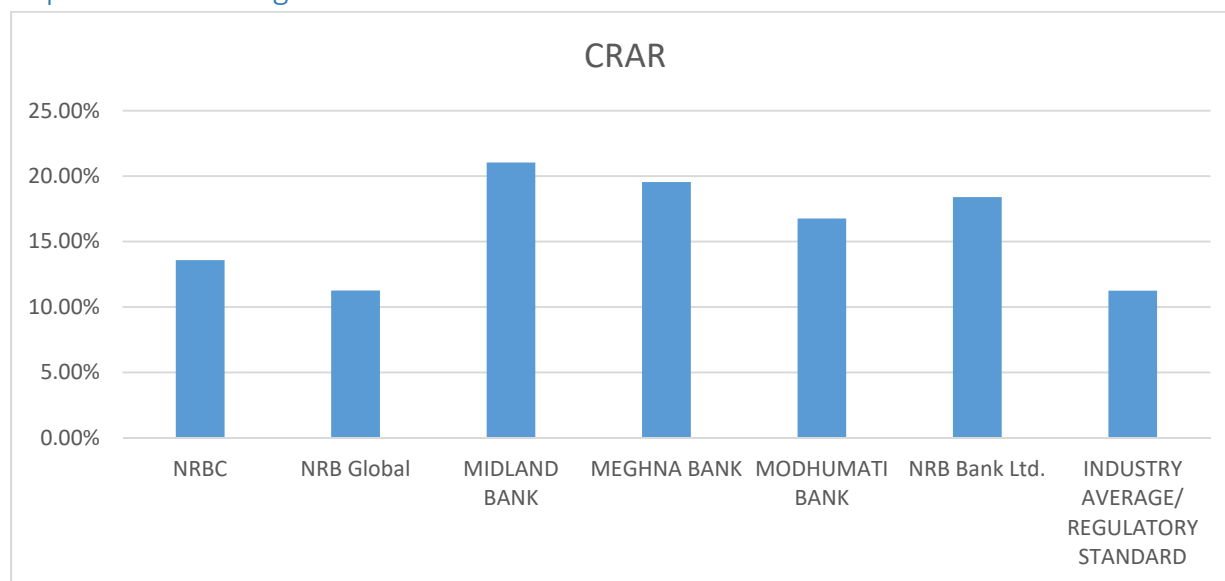


Fig-9: Cross sectional Analysis of CRAR

Interpretation

NRB Bank's performance compare to Industry Average is satisfactory. This means NRB bank has successfully maintained the central bank's requirement for CRAR ratio. However, Meghna and Modhumati Bank have higher CRAR than NRB Bank. These two banks has successfully maintain their total capital or it can be said that their total capital was higher than their risk-weighted assets. However, a high CRAR does not always mean that bank is doing well, sometimes less utilization of capital may increase the CRAR.

Net Profit Margin:

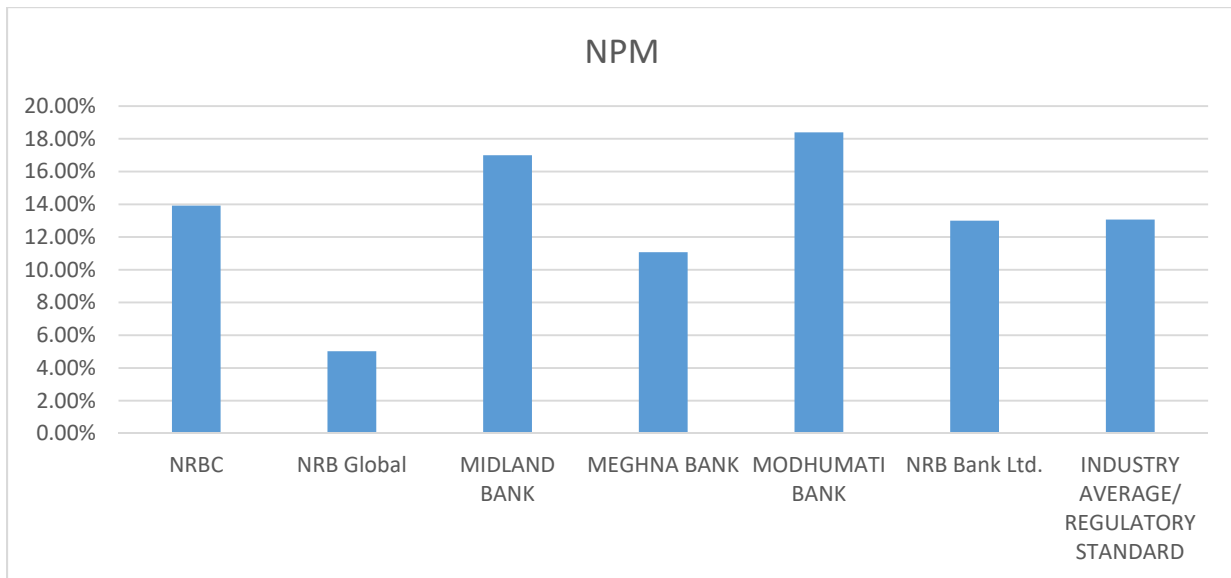


Fig-10: Cross sectional Analysis of Net Profit Margin

Interpretation: NRB Bank is very much close to industry average, thus we can say that NRB Bank's performance is satisfactory. However, Modhumoti Bank, Midland Bank and NRBC Bank have very high Net Profit Margin than NRB Bank. These banks have successfully control their operating expense and their income from investment, net interest income are higher than other banks as well as their net profit. They have outperformed than the industry average.

% Of Non-Performing Loan Against:

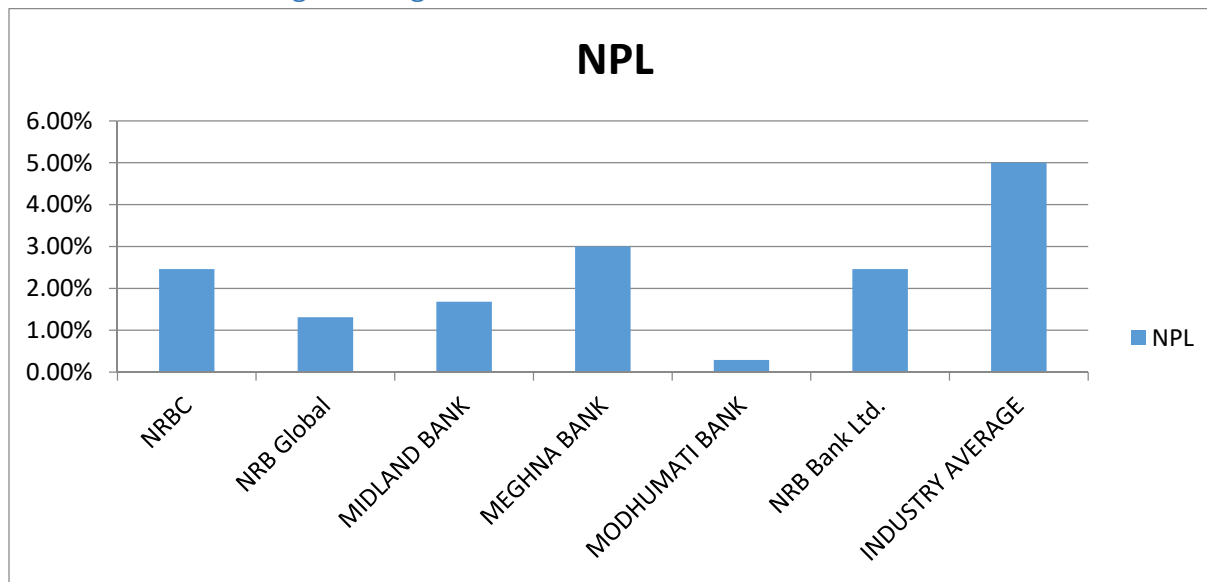


Fig-11: Cross sectional Analysis of % of non-performing loan

Interpretation: In overall banking industry if the NPL remains between 5% of total loans and advances it can be said that the banks are in less risk. The lower % of NPL, the better the bank's profitability. Modhumoti Bank, NRB Global and Midland Bank have less NPL than other banks. The reasons for high NPL are choosing the wrong customers for loans, increase in proportion of large loan (if one large loan holder defaults, it will significantly increase the amount of NPL), excessive competition in the market for doing business etc. However, all the new banks have successfully maintained their NPL in terms of Industry average which is a good sign for new banks. Thus, NRB Bank's performance is satisfactory.

Return on Asset (ROA):

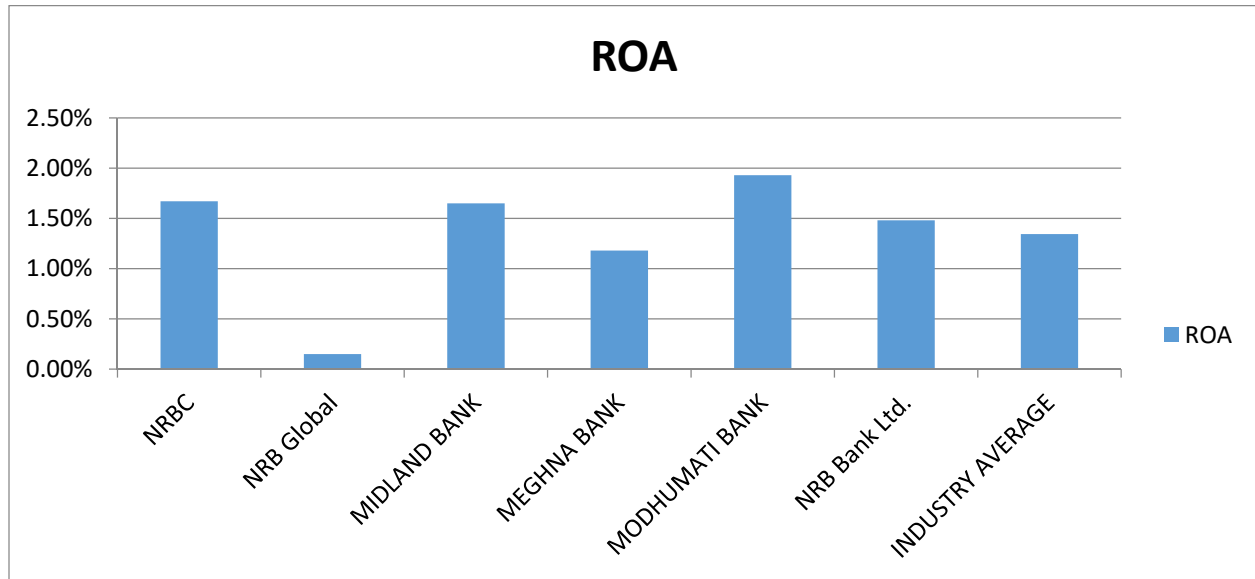


Fig-12: Cross sectional Analysis of ROA

Interpretation: from the bar diagram we can see that except for NRB Global Bank all the other banks have been successful enough managing their assets efficiently in terms of generating returns. However, low ROA indicates management's inefficiency utilizing assets. Banks which outperformed than industry average may be capable of boosting their net profit margin and net income in 2017.

Return on Equity (ROE):

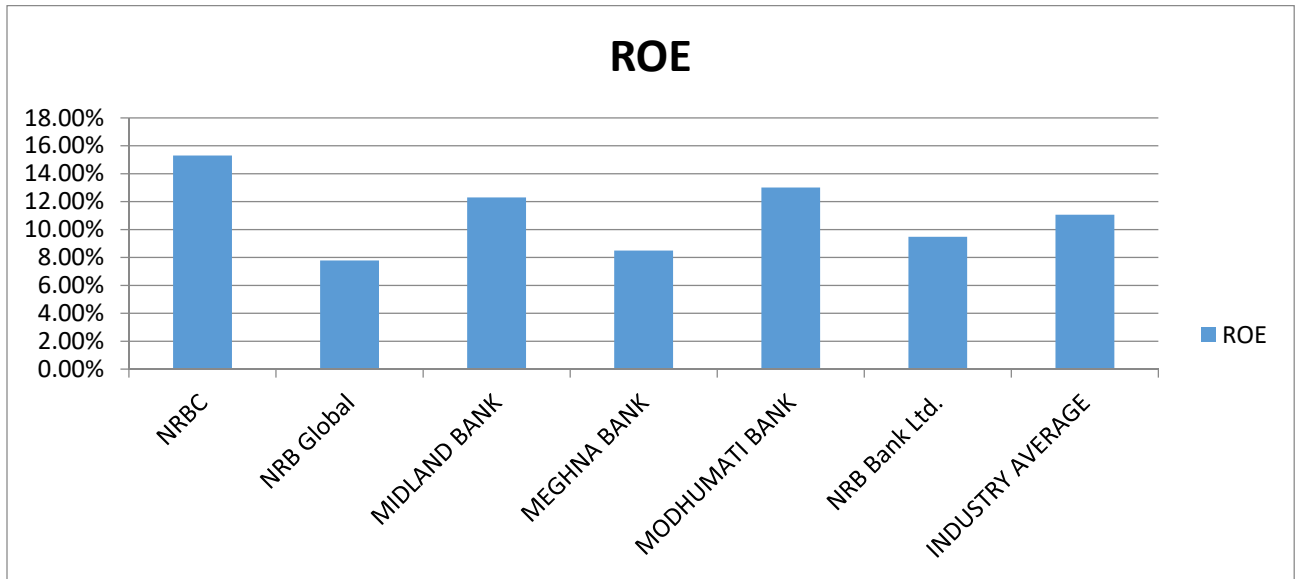


Fig-13: Cross sectional Analysis of ROE

Interpretation

NRB Bank's performance compared to industry average is not satisfactory because NRB Bank's income from investment was low in 2017. However, NRBC Bank, Modhumoti Bank and Midland Bank have outperformed which means these banks have successfully made profit from their shareholder's investment.

Return on Investment (ROI):

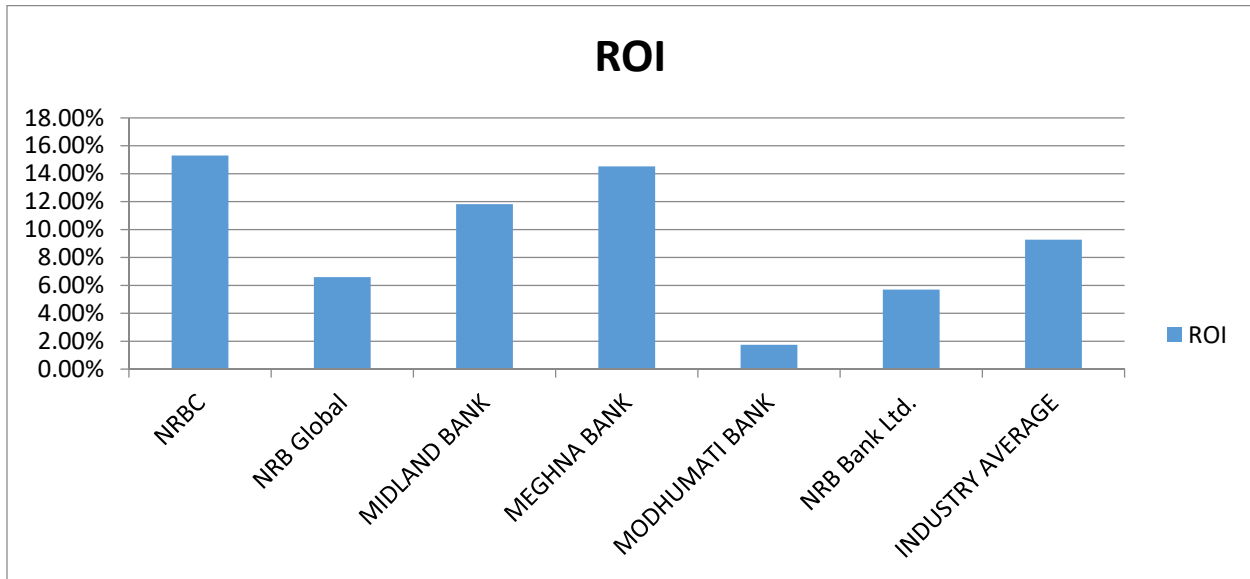


Fig-14: Cross sectional Analysis of ROI

Interpretation

Again NRB Bank has performed below the industry average as income from government investment was low in 2017. However, NRBC Bank, Midland Bank and Meghna Bank have outperformed. These banks were capable of generating income from their government and other investments.

Loan to Deposit Ratio (AD Ratio):

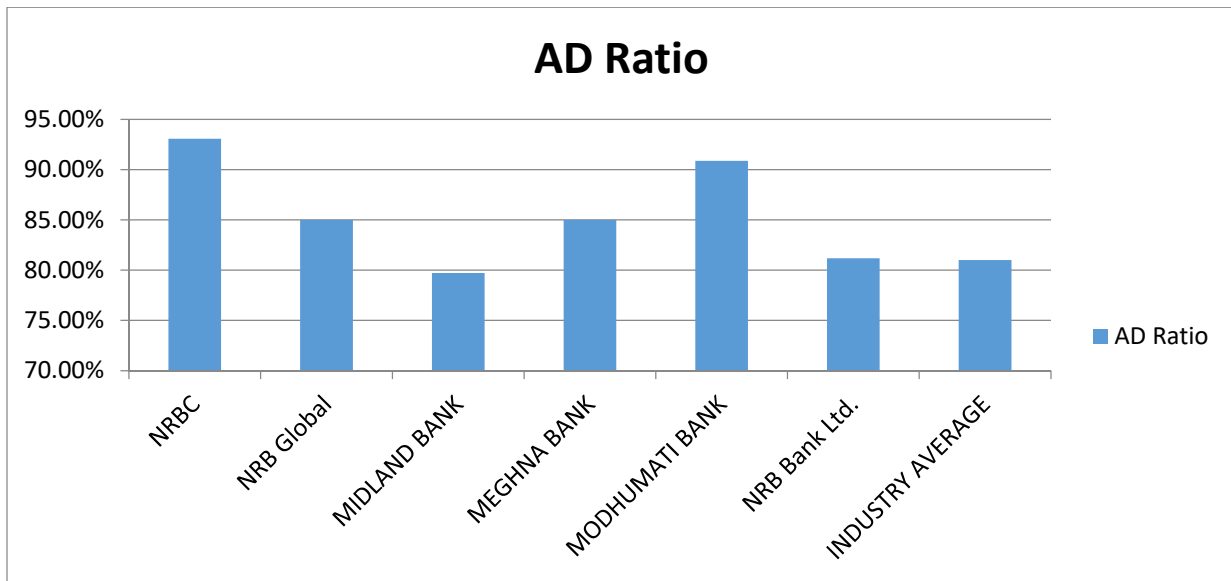


Fig-15: Loan to Deposit ratio

Interpretation: From the bar diagram we can say that NRB Bank has maintained the AD ratio according to the regulatory standard. Bangladesh Bank however considers up this AD ratio up to 85%. However, Modhumoti Bank and NRBC Bank's AD ratios are higher than the standard which means these banks had higher amount of deposit compare to loans and advances. Having more deposits than loans is considered as good sign because these banks are more capable of absorbing the loss and maintaining profitability and liquidity as well.

Earnings Per Share (EPS) :

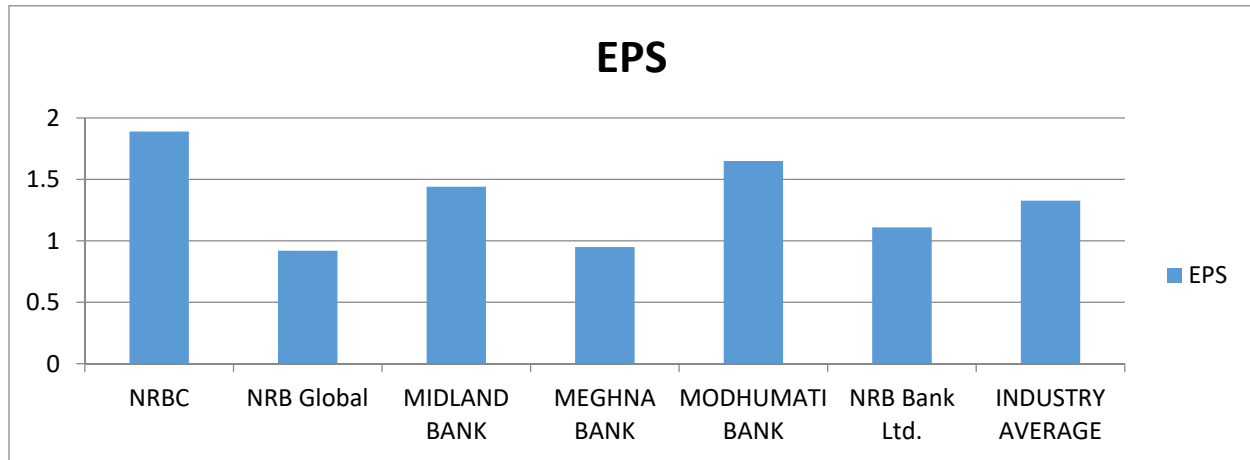


Fig-16: Earning Per Share

Interpretation:

NRB Bank's earnings per share is below the industry average thus the performance is not satisfactory. NRBC Bank, Modhumoti Bank and Midland Bank have again outperformed than industry average referring that these banks have higher net income after tax and they have been successful to generate profit for their shareholders.

Net Interest Margin:

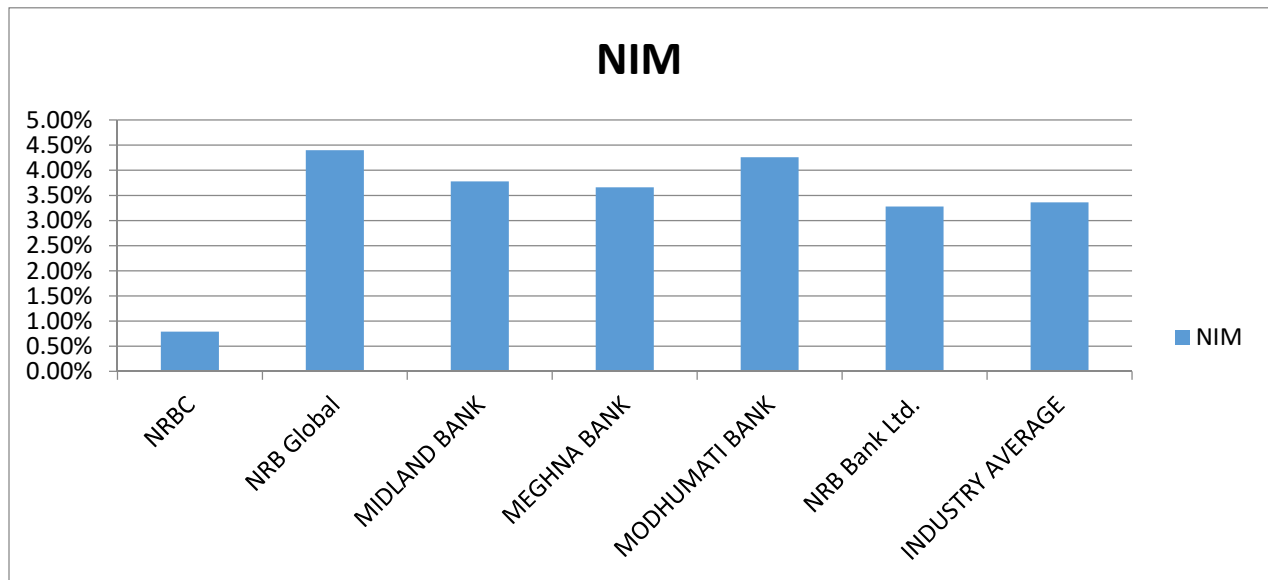


Fig-17: Net Interest margin

Interpretation: NRB Bank's NIM is close to industry average thus it can be said that the performance of NRB Bank in terms of earning income from interest is satisfactory. However, NRB Global Bank has the highest NIM which suggests that their loans are higher than their deposits and it is not a good sign for any bank's profitability. On the other hand, NRBC Bank has the lowest NIM referring that bank is not capable enough to run its core business. Moreover, Meghnaa Bank, Modhumoti Bank and Midland Bank's performance is satisfactory.

Cost Of Fund:

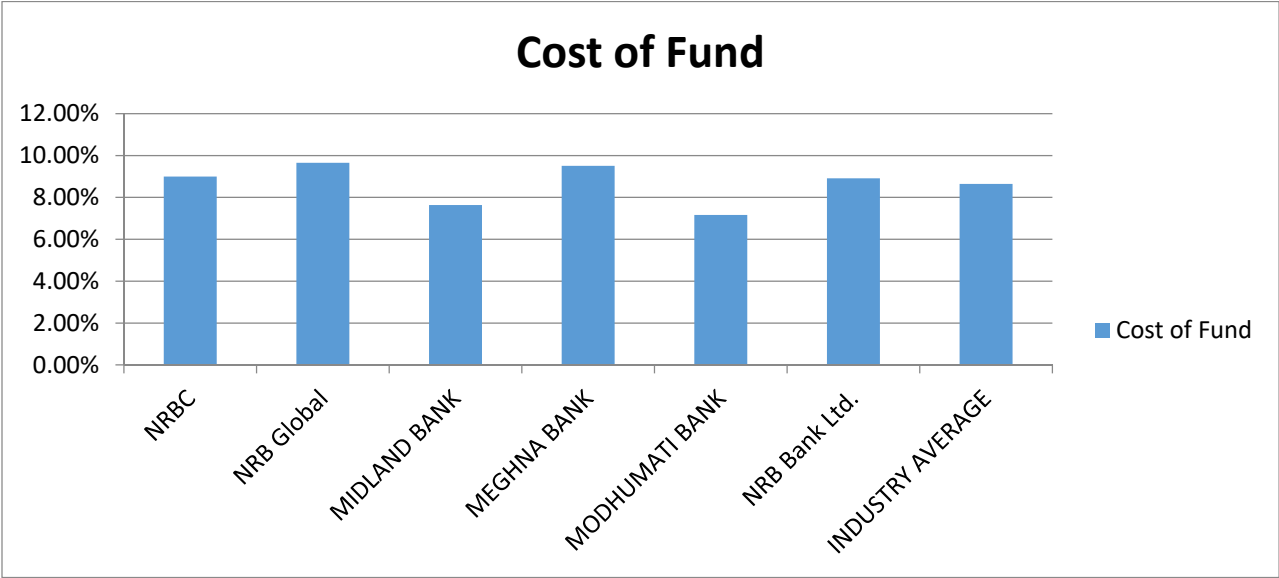


Fig-18: Cost of fund

Interpretation: Lower COF than industry average represents the higher financial performance by a bank. NRB Bank’s cost of fund was a bit higher than industry average. Modhumoti Bank and Midland Bank’s cost of funds are lower than industry average. Thus we can say that, Modhumoti Bank and Midland Banks’ interest earning is higher than their interest expense.

Cost of Deposit:

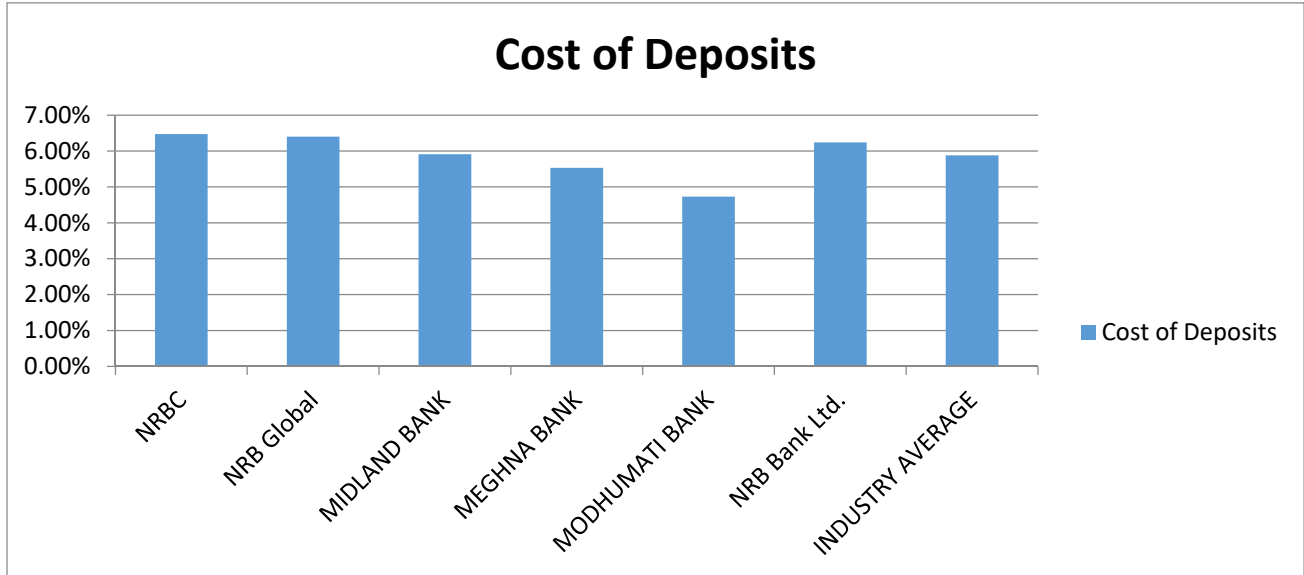


Fig-19: Cost of Deposit

Interpretation: Lower cost of deposit refers that bank's interest expense will be less and the difference between interest income and interest expense will be higher. This higher difference will eventually increase the total operating income and net income after tax. From the bar diagram, it is visible that Modhumati bank's deposit rate is the lowest among all the banks. NRB Bank's deposit rate is higher than industry average, however, it does not refer that the bank's performance is dissatisfactory. NRB Bank has increased or revised the deposit rate in order to attract new depositors. Thus, NRB Bank's high deposit rate is justified.

Yields on Loans and advances:

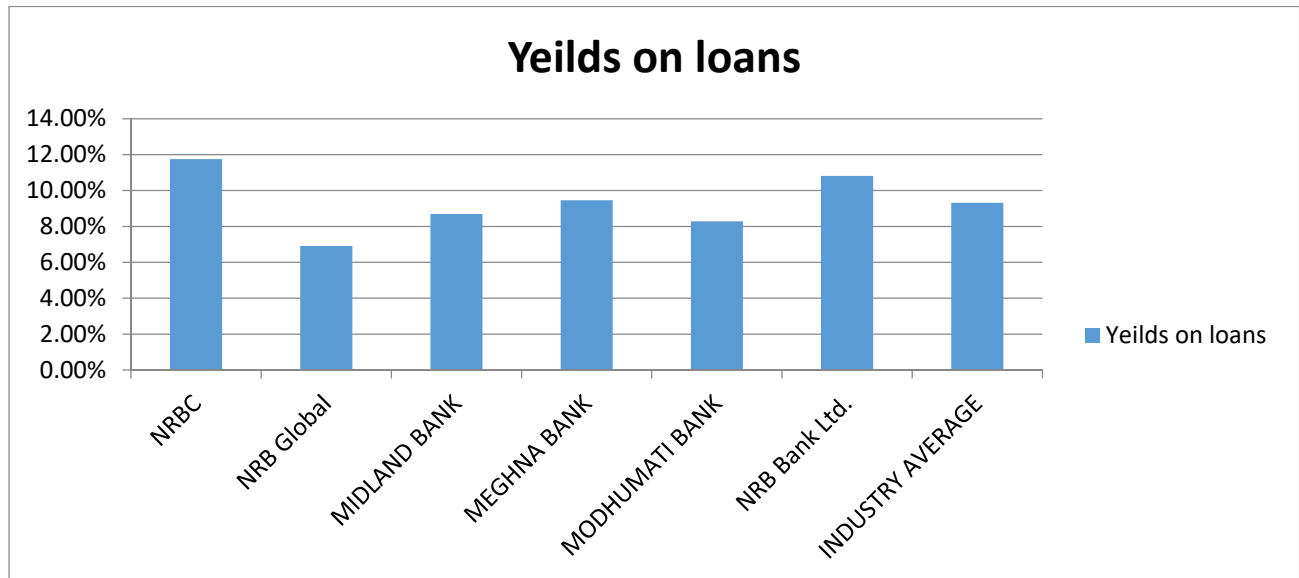


Fig-20: Yields on Loans

Interpretation: Here, NRB Bank is offering more yields than industry average which suggests that bank is optimistic about running the core business. NRBC Bank is in the top position. A higher percentage of yields is better for banks because it increase the spread between interest expense and interest income. Moreover, a higher yields indicates a higher interest income.

Chapter 5 (Recommendation and Conclusion)

Recommendation:

The ratios we have calculated here in this report is measured are linked through net profit. In 2017, because net profit went down, so all the ratios did not come up to the mark. The main three reasons behind this are, firstly, the amount of NPL has increased. Secondly deposit crisis not only in NRB Bank but also in the banking industry. Last but not the least, due to expansion of business, operating expenses went up and as a result net profit went down.

Measures to reduce NPL:

To reduce the NPL, NRB bank has to maintain Central Bank's regulation before disbursing loans to customers. Before disbursing loans bank should analyze the customers' past behavior regarding repayment of installments. Bank should look after the customers' credit rating. Also bank should look for the trend analysis of the business for which the customer is taking loans. Most importantly after disbursing the loan, a bank should regularly monitor if the customer is conducting the business for which the customers mainly took the loan.

NRB Bank has recently opened a new Department named Special Asset Management Department for recovering that nonperforming loan. Also, bank is taking more securities before disbursing any loan.

Measures to Mitigate Deposit Crisis:

To mitigate deposit crisis bank should launch new products such as FinTech based products, Payment Gateway, Mobile and Internet Banking etc. Also marketing dept. should be monitored regularly so that, they can perform their job in a better way. Also they should be given incentive to attract more customers. The team should be trained and give advertisement.

Moreover, bank should revise the deposit rate in order to attract new customers. Employee can be given increment for bringing new customers for deposit. Targets may be given to relationship managers a part of deposit campaign.

Measures for Increasing Net Profit:

When there is no deposit crisis, NPL will go down and automatically net profit will increase. Because at that time bank will be able to provide more loans which are considered bank's main business. The more amount of loan is disbursed by the bank, the more interest income the bank will generate. Also, to cover up the operation cost for new branches, banks are given a 18 months' time line and it is expected that, with in this time, the branches will be in a profitable position.

Conclusion: After doing all the performance analysis of NRB Bank, I can conclude by saying that as a new bank it is doing well in comparison to industry average. However, in 2017 bank's financial performance declined due to some major issues I already have mentioned. If NRB Bank

can take those recommended steps regarding NPL and liquidity crisis bank's prospect would be better in near future. Moreover, the management committee is very much optimistic about NRB Banks' future performance as the management has invested a lot for expanding their business. They believe within next two to three years NRB Bank's profitability will be increased significantly when all the branches will be capable of generating profit by doing business.

We all know that because of Farmer Bank's incident, people have less faith on new bank for depositing their money. It not only affects NRB Bank but also it has a negative impact on the overall banking industry. NRB Bank should focus more on creating their brand image in order to get more customers. Thus, NRB Bank should try to attract more Bangladeshi and non-Bangladeshi Resident to give them a better platform for investing their money in NRB Bank.

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