

Report On
An Overall Business Position Analysis of AB Bank Ltd

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
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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:

Shaafi Ahmed Wayes Kurni
Student ID - 14304145

Supervisor's Full Name & Signature:

Sharif Mohammad Mahsin
Senior Vice President
AB Bank Ltd.

Letter of Transmittal

Riyashad Ahmed
Assistant Professor of Finance & Director of Research
Brac Business School
BRAC University
66 Mohakhali, Dhaka-1212

Subject: Internship report submission

This is my pleasure that I have got the opportunity to do my internship under your supervision and here I am presenting my internship report named as “An Overall Business Position Analysis of AB Bank Ltd.” which I was completed by with your direction and help.

I have made a great effort to do my best to finish the report with my academic knowledge and three month experience in AB Bank as an intern. I have also input all the essential data and recommended proposition in a significant compact and comprehensive manner as possible.

Lastly, I will be grateful if you provide me feedbacks on my report and excuse any mistakes that I made regardless of my effort.

Sincerely yours,

Shaafi Ahmed Wayes Kurni
Student ID - 14304145
BRAC Business School
BRAC University
Date: 16th of February, 2022

Non-Disclosure Agreement

This agreement is made and entered into by and between AB Bank Ltd. and the undersigned student at BRAC University named Shaafi Ahmed Wayes Kurni as a commitment of non disclosing any information which is confidential

AB Bank Limited

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Shaafi Ahmed Wayes Kurni

.....

Executive Summary

In a developing country such as Bangladesh, banks play the role of key financial institutions of the economy. This report focuses on AB Bank, the first private sector bank of the country. It was prepared during a three-month internship program at the bank. It includes an overview of the entire internship program, a dedicated chapter on the organization with in-depth discussion on the bank's business practices and financial position and a project part where "An Overall Business Position Analysis" was done.

In the first chapter, a detailed overview of the internship program was given including the time period over which the internship took place and details about the internship supervisor. Moreover, the scope of the job was also discussed. This chapter also focuses on what benefits the internship program in the specific organization will provide for the student along with criticism and recommendations regarding the program.

In the organization part of the report, the organizations leadership style, its flow of authority and its human resource practices are discussed. This section also includes AB Bank's marketing practices with special focus on its promotional practices.

A very detailed analysis on the bank's financial performance is done in the report with focus on the bank's leverage, profitability, efficiency and liquidity. These analyses are followed by a DuPont analysis to give a better idea about the organization's recent financial performance. Along with its financial performance, its accounting practices are also discussed in this section.

There is also discussion on AB Bank's IT infrastructure and its use of information systems in its day to day operations. An entire separate section of the chapter is dedicated to analyzing AB Bank's industry position and its competitiveness. The organization part ends with a

summary of the entire chapter and recommendations from personal experience and observation.

The project part of the report begins with a detailed introduction of the project. The methodology followed in doing the project was explained followed by the findings & analysis of the project. Analysis in this part of the report helped paint a more complete picture of AB Bank's overall business position. Finally, the project was summarized and recommendations from personal observation were given.

Keywords: Financial Analysis, Management Practices, Industry Position, Competitiveness.

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List of Acronyms

AB Bank: Arab Bangladesh Bank

SME: Small to Medium Enterprises

NRB: Non-resident Bangladeshi

ABIFL: AB International Finance Limited

HR: Human Resource

EDF: Export Development Fund

MNC: Multinational Company

ROA: Return on Assets

ROE: Return on Equity

IAS: International Accounting Standards

IFRS: International Financial Reporting Standards

ICT: Information and Communication Technology

PCT DSS: Payment Card Industry Data Security Standard

EBA: Euro Banking Association

SWOT: Strengths, Weaknesses, Opportunities & Threats

DBBL: Dutch-Bangla Bank Limited

BRAC: Building Resources Across Communities

BDT: Bangladesh Taka

BBA: Bachelor of Business Administration

LD: Loan-deposit

FDR: Fixed Deposit Receipts

SND: Special Notes Deposits

ATM: Automated Teller Machine

Chapter 1:

Overview of Internship

1.1 Student Information:

Name: Shaafi Ahmed Wayes Kurni

ID:14304145

Program: Bachelor of Business Administration

Major: Finance

1.2 Internship Information:

Period, Company Name, Department/Division, Address

I have completed my internship from the head office of AB Bank under “SME” division. I had the opportunity to work with 9 highly eligible and experienced Credit Risk Analysts and 2 highly esteemed Credit Reviewers of SME division. The duration of my internship was from 10th of June, 2021 to 12th of September, 2021. The location of AB Bank Head Office is at The Skymark, 18 Gulshan Avenue, Dhaka-1212.

Internship Company Supervisor’s Information: Name and Position

Name of the Supervisor: Sharif Mohammad Mahsin

Designation: Senior Vice President (SVP)

1.3 Job Scope – Job Description/Duties/Responsibilities

This report is being assigned as a part of the Bachelor's Degree, BUS400 Course (Internship). To prepare this report under the state as per University's requirement, I accommodate my internship program in AB Bank Ltd, SME Division. This report is being formed to reflect AB Bank's business position in different portfolios and how the Bank has evolved over the years. From the very beginning I had the opportunity to work closely to the highly experienced and adequately trained team of AB Bank's SME Division. Therefore, my aim was to present a report that has the collective data in place and provides a better understanding of AB Bank's overall standing as a business entity.

Student's contribution to the company

As an Intern my duties included different segments of the SME Team's work process. My work experience was dynamic throughout which allowed me to gather all the knowhow's of how an SME team functions which is detailed as under:

1. Understanding the policies implied by Bangladesh Bank and how SME team functions in accordance to that
2. Report generation. Hence, the same forwarded to Bangladesh Bank ensuring all the policies are complied
3. Making Branch calls to gather details of the SME customers, status of the loans availed by them and make necessary adjustments complied with the guidelines set by Bangladesh Bank.
4. Understanding the SME segregation based on a concerns annual turnover, number of employees and limits which can be availed based on that.
5. Understanding and processing of the Quarterly, semiannual and year end statements

6. Processing of the MIS of the SME customers of AB Bank
7. Disbursement Permission Processing for the SME customers
8. Understanding of the SME products offered by AB Bank
9. Bringing in new customers and deposits for the Bank

Benefits to the student

- Better understanding policies and circulars circulated by Bangladesh Bank
- Better communication and understanding of the SME part of a Bank as the job includes regular communication with the Bank's 104 Branches all over the nation
- During the quarter end period the work pressure is immense which helped me to be better at working under circumstances like this
- Excelling my database making skills and forming realistic projections

Problems/Difficulties (faced during the internship period)

I have not faced any mentionable difficulties in my internship period as my team members and supervisor was really helpful and co-operative throughout the time.

Recommendations (to the company on future internships)

AB Bank is a very nice place to work in as it offers a friendly and inspiring environment to their interns. However, they can organize intern orientation programs for new interns so that they do not feel isolated. Moreover, they will get to know what is expected from them and what kind of work they have to do.

Chapter 2

Organization Part

2.1 Introduction

In this section of the report, different functional areas of the organization's operations will be discussed. A complete analysis of AB Bank's financial performance will be done, including studies of the organization's liquidity, efficiency, profitability, and leverage, among other aspects. In addition, AB Bank's management and marketing techniques will also be reviewed in this section.

2.2 Overview of AB Bank

Founded in 2nd April 1982, AB Bank is the first private commercial bank of Bangladesh. The bank caters to a broad spectrum of customers as it offers products & services such as loans for SMEs, Women Entrepreneurs as well as more specialized products & services such as structured finance for corporate entities and other specialized products for NRBs.



Apart from its main banking operations, the bank has five subsidiary companies: AB International Finance Limited, AB Investment Limited, AB Securities Limited, Arab Bangladesh Bank Foundation and the most recently acquired CashLink Bangladesh Limited. AB Bank also has an international presence as it has an overseas branch in Mumbai, a representative office in Yangon, Myanmar and its foreign subsidiary ABIFL in Hong Kong.

The Bank is currently governed by a seven-member board of directors. It currently has a workforce of 2202 employees, with females representing approximately 25% of its total

workforce. Its total assets stood at 385,762 million BDT in 2020 and EPS for 2020 was .49 BDT.

2.3 Management Practices

AB Bank's leadership style can be described as autocratic with an emphasis on participative innovation. The President & Managing Director of the organization, Mr. Tarique Afzal has the highest authority in the organization. The organization is governed by a seven-member board of directors, of which the President is also a member. Then there is a senior management team consisting of 18 members. This team is comprised of heads, presidents & vice-presidents of various divisions of AB Bank. Banking is one of the most highly regulated businesses and therefore in order for a bank to comply with the countless industry regulations while at the same time to ensure profitability requires a culture of discipline throughout the organization. In my experience as an intern in the organization, I have observed that across all divisions of the bank, the seniors devote a great deal of time and effort into shaping the new recruits into disciplined and sincere employees. Employees across all levels are, in fact, expected by the senior management to do whatever is necessary for building an organizational culture that emphasizes discipline and sincerity. This approach is reflected in the customer satisfaction and high customer retention rate.

Human Resource Planning Process:

In my observation, I have found AB Bank's HR planning practices to be on par with the standard practices followed in the industry. For the most part, AB Bank's recruitment & selection is done following the below steps:

- 1. Receiving Manpower Requisition:** At first, manager and heads of different branches and departments within the organization assess and express their HR needs. After receiving a go-ahead from the senior management the later steps are followed.

2. **Job Analysis:** The HR team then carefully conducts a job analysis of the relevant position so as to realize the core responsibilities, specifications and requirements for the job. In doing the job analysis the HR officer sometimes takes help from the managers and current employees of the relevant department.
3. **Job Advertisement:** After the job analysis is done, the vacancy is then advertised through various mediums and platforms. The organization posts the vacancy under the careers page of their website as well as other digital platforms such as LinkedIn. Vacancies are also published on newspapers as well.
4. **Primary Examination & Shortlisting:**After receiving the resumes for the relevant job they are sorted and put through a primary examination. After that, promising candidates are shortlisted and called for later assessments.
5. **Assessments:** Shortlisted candidates are put through various assessments such as interviews, written exams, stress tests etc. The type and intensity of the assessment can vary greatly between different jobs.
6. **Selection:** After the assessments, the best and most suitable candidates are selected and informed about their selection status.
7. **Compensation:** Compensation and benefits are discussed with candidates at this point. Great deal of care is taken in educating prospective employees about exactly what benefits they will be able to enjoy. For some specialized posts and skilled candidates, salary is sometimes negotiated.
8. **Background Check:** After the compensation has been taken care of, the HR team conducts a mandatory background & reference check so as to make sure of the integrity of the candidate's application.

9. Signing of Appointment Letter: Lastly, candidates are welcomed into the organization through the signing of their official appointment letter and employment contract.

Training & Development

As an intern, I have noticed that the senior management of AB Bank puts a great deal of emphasis into the training & development of their employees. The managers and senior executives are often sent to leadership and management training by the organization. Moreover, the organization also arranges for in-house training for its mid & root level employees. The organization has its own training facility for its employees called “AB Training Academy”.



AB Bank organized a training program of Financial Statement Analysis



Banking Foundation Course for the Front Desk Officers organized by AB Training Academy

2.4 Marketing Practices

Since AB Bank has such a wide range of products and services, it is difficult to delineate its marketing practices while respecting the brevity of the report. However, this report will include an analysis of some of AB Bank's products and services through the lens of marketing which will hopefully be sufficient for understanding the banks marketing practices.

AB Janmabhumi: AB Janmabhumi is a regular savings account for Non-Resident Bangladeshis (NRBs)



who live abroad. The main appeal of this account is that it offers the owner 0.25% higher interest than regular savings account. It is pretty obvious that this product is targeted towards Bangladeshi workers living abroad and their remittance money. In order to market this product AB Bank uses direct sales as its primary marketing channel.

Corporate Finance: Besides loans for SMEs and various kinds of deposit accounts for individual customers, AB Bank also offers numerous corporate finance services such as

buyers credit, bank guarantee, overdraft, foreign bill purchase, EDF loans etc. These products and services are targeted mostly towards Multinational Companies (MNCs) and thus in order to market these products and services AB Bank mainly uses professional network marketing and direct selling as its marketing channel.

AB Bank tries to position itself as the people's bank. Its branding activities are focused on positioning the bank as a reliable, trustable and professional institution for anyone's financial needs, small or big.



Agreement signing ceremony between AB Bank and Pan Pacific Sonargaon, Dhaka extending banking services



AB Jonmohumi - a new product launched for encouraging remittance

AB Bank also uses **AB Agent Banking** in order to take its banking services to the unbanked segment of the Bangladeshi population, especially to people who come from geographically dispersed locations. The agent banking operations at AB Bank started in 2018 with just 23 outlets and has now developed into a full blown division of AB Bank with a vision to increase to 500 outlets by the end of 2021 according to their 2020 annual report.



As an organization, digital marketing and social media presence don't seem to be AB Bank's main focus. The bank's facebook page can be seen to be inconsistent in terms of posting regularly. The bank also runs very few digital media advertisements.

2.5 Financial Performance and Accounting Practices

2.5.1 Financial Performance:

This part of the report will include analyses of AB Bank's performance across dimensions such as liquidity, efficiency, profitability, and leverage so as to gain a better understanding of the bank's financial performance.

Leverage:

Leverage ratios give us insight on an organization's ability to meet its liabilities. There are various types of leverage ratios. In this report, debt-to-equity ratio, debt-to capital ratio and the equity multiplier will be discussed in order to gain better understanding of AB Bank's financial performance in terms of leverage.

Debt-to-Equity:

Debt-to-Assets ratio is a common ratio used very widely to assess an organization's financial position in terms of its debt and equity. It helps in understanding the balance of the

organization's debt in relation to its equity. In preparing this report, the following formula was used to calculate debt-to-equity ratio:

$$\text{Debt} - \text{to} - \text{Equity} = \frac{\text{Total Debt}}{\text{Total Equity}}$$

The graph below depicts AB Bank's debt-to-equity performance over the last four years.

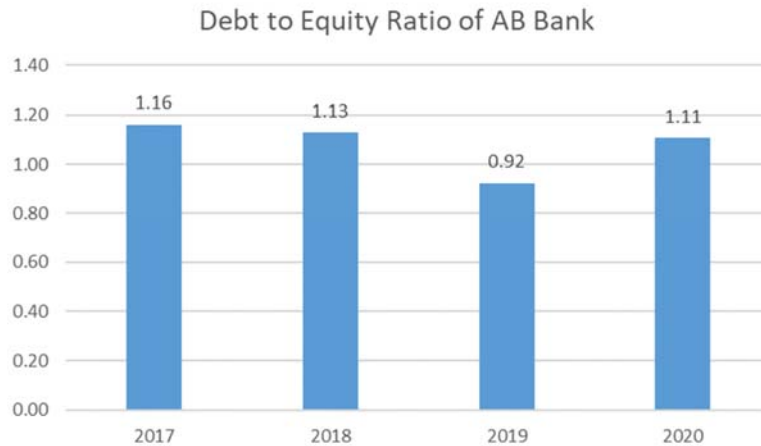


Figure 1: Debt-to-Equity Ratio of AB Bank

As evident from the graph, AB Bank's debt-to-equity ratio has been mostly slightly above one in the last 4 years except for in 2019 when it was a ratio of 0.92. AB Bank had an average debt-to-equity ratio of 1.08 in the last four years. This indicates a good balance between AB Bank's investors and creditors. Generally, a debt-to-equity ratio of lower than 1.5 is considered good. Therefore, AB Bank seems to have performed well in this regard.

Debt-to-Capital Ratio:

Debt-to-Capital ratio another widely used indicator of an organization's financial leverage. It is a ratio that tells us how much of the total capital is represented by debt. Debt-to-Capital ratio is calculated using the following formula:

$$\text{Debt} - \text{to} - \text{Capital} = \frac{\text{Total Debt}}{\text{Total Debt} + \text{Total Equity}}$$

For the purpose of better understanding, the ratios in the figure below are represented as percentage. The following graph shows AB Bank's debt-to-capital ratio as debt as a percentage of total capital.

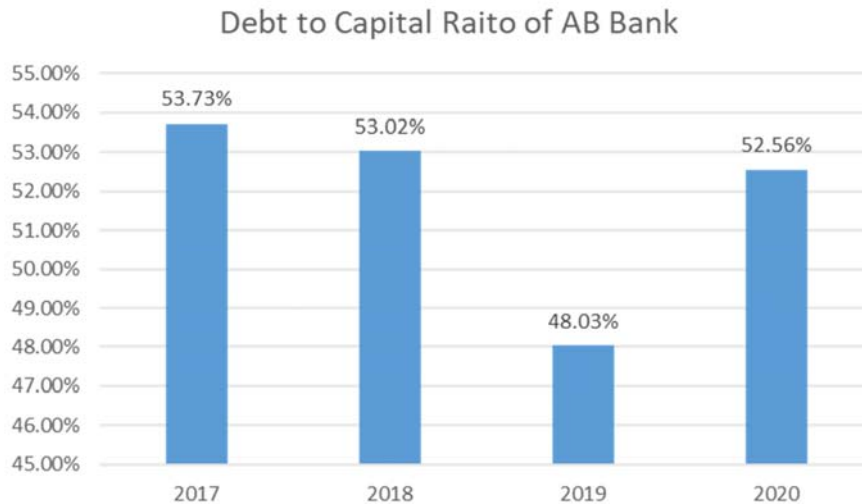


Figure 2: AB Bank's Debt-to-Capital Ratio

As previously seen from the debt-to-equity ratio, the debt-to-capital ratio also shows that debt has represented roughly half of AB Bank's capital pool in the last four years. The debt-to-capital ratio for banks tend to go up when they choose to finance most of their lending by borrowing from other banks and financial institutions. This can sometimes be bad for investors as a higher debt-to-capital ratio could indicate reckless and sloppy borrowing practices; increasing risk for the investors. AB Bank has had a stable debt-to-capital ratio and a stable debt-to-equity balance over the last four years which is good news for its investors and other stakeholders.

Equity Multiplier:

The equity multiplier is a ratio that represents the ratio of an organization's assets to its equity. It tells us how much of the organization's assets are being accumulated by using the stockholder's equity. The formula for equity multiplier is:

$$\text{Equity Multiplier} = \frac{\text{Total Assets}}{\text{Total Equity}}$$

The graph below illustrates AB Bank's equity multiplier over the last four years. For a more meaningful interpretation, AB Bank's total assets have also been included in the graph.

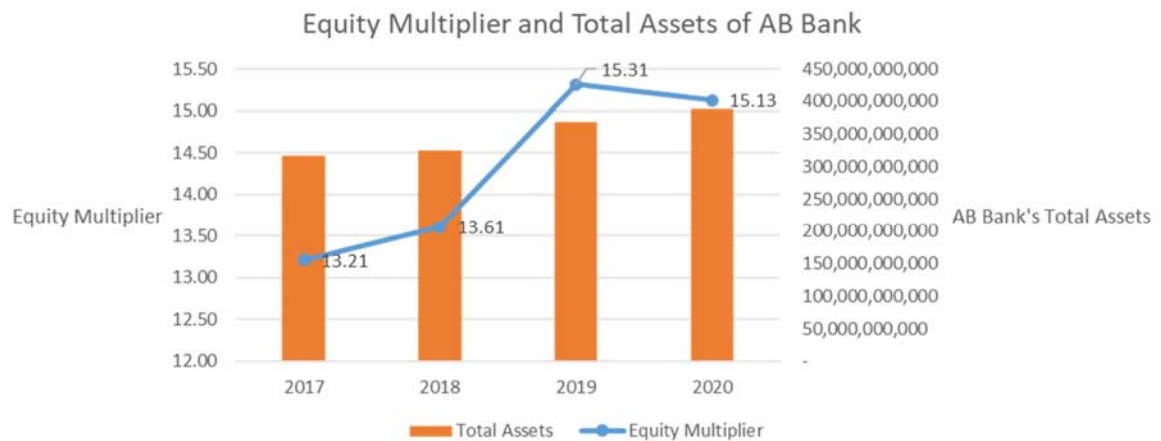


Figure 3: AB Bank's Equity Multiplier over the last four years

By convention, investors prefer to invest in organizations that have a lower equity multiplier as it indicates the organization is using more of its equity to finance its assets and not taking much debt which is good from a leverage perspective. However, banking is a heavily leveraged sector and a lot of the times it is cheaper for banks to finance accumulation of assets through debt rather than through equity. We can see from the graph that the equity multiplier has mostly had an upward facing trend in the last four years. On the other hand, AB Bank's assets have also been increasing in the last four years. This could be an indication that perhaps AB Bank has found taking on more and more debt to be more profitable than using equity to finance its accumulation of assets. The graph below draws a comparison between AB Bank and City Bank which is another giant name in the banking sector of Bangladesh.

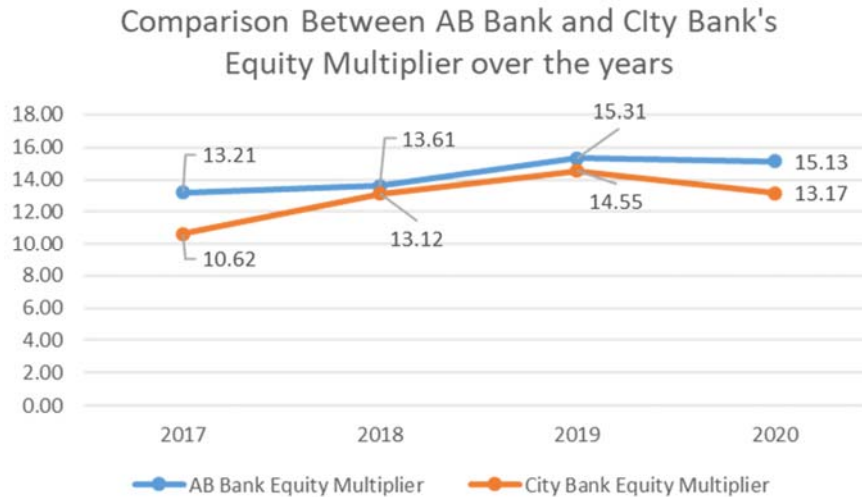


Figure 4: Comparison of AB Bank & City Bank's Equity Multiplier

The equity multiplier ratio usually differs from industry to industry. In most industries a lower equity multiplier numbers are considered conservative and are generally desired. However, in the highly leveraged business of banking, a higher equity multiplier figure doesn't have to necessarily mean bad for the company. That is why comparisons between similar companies in the same sector are used to determine an organization's financial performance. As we can see from the comparison graph above, City Bank which is one of the prominent private sector banks of Bangladesh, had equity multiplier numbers very similar to AB Bank. Therefore, the assumption can be made that in the banking industry higher equity multiplier ratios are normal and AB Bank has been performing in accordance with those norms.

Liquidity:

In broad terms, liquidity of an organization refers its ability to meet short term liabilities and obligations. Liquidity ratios are analyzed by investors to determine how much of a firm's assets are liquid and can be turned into cash. Cash, of course, is the most liquid asset. In order

to measure AB Bank's liquidity performance, credit-to-deposit ratio, current ratio, and cash ratio will be discussed.

Credit-to-Deposit Ratio:

This is the ratio between the credit issued by the bank and the deposits that the bank is holding as liabilities. It tells us how much deposit it has for every unit of currency it lends out to as loan and thus gives an idea regarding the bank's liquidity. This ratio is calculated using the following formula:

$$\text{Credit - to - Deposit Ratio} = \frac{\text{Total Loans}}{\text{Total Deposits}}$$

A low credit-to-deposit ratio may indicate poor utilization of funds in case of banks. This is because, the primary revenue stream for banks is the interest earned on the money that they loan out, majority of which comes from the deposits that people hold in those banks. A low ratio such as 0.2 means the bank is not using the opportunity to loan out more of its deposits and is therefore being deprived of potential revenue and income. However, a very high ratio such as 2.5 is not good either as it indicates a lack of liquidity on the bank's part. Moreover, such a high ratio also means that the bank is financing the loans that its giving out through more and more debt, which further hampers the bank's liquidity performance.

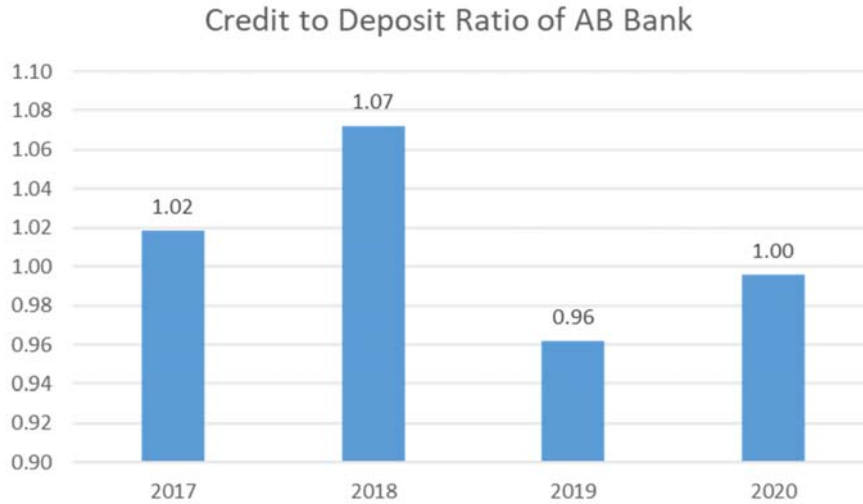


Figure 5: AB Bank's Credit-to-Deposit Ratio

The graph shows us that over the last four years AB Bank has been able to strike a pretty nice balance in terms of its credit-to-deposit ratio. The ratio has ranged from 0.96 to 1.07. This tells us that they have maintained a good balance between how much they loan out and how much they hold as deposit.

Current Ratio:

Current ratio is a very widely used metric that tells us how able an organization is to meet its current liabilities by using its current assets. The formula for current ratio is:

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

This ratio is a very strong indicator of a firm's liquidity as it tells us whether or not an organization would need to sell its long-term and fixed assets to meet its current liabilities if need be. A ratio of over 1 is always desirable as it implies that the organization's all current liabilities can be paid for by only selling its current assets. The graph below illustrates the current ratio trend of AB Bank over the last four years.

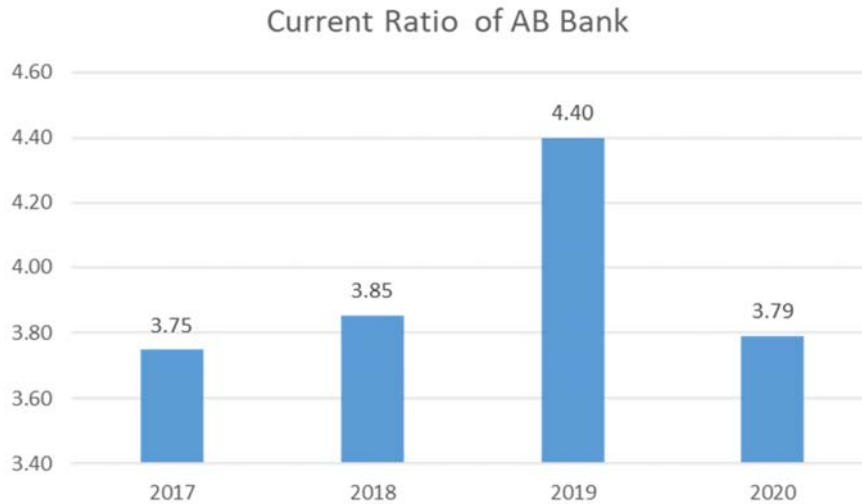


Figure 6: AB Bank's Current Ratio Performance

As we can see from the graph, AB Bank has consistently maintained a current ratio that is well over 1 over the last four years. The ratio has mostly been around 3.8 with a spike to 4.4 in 2019. Therefore, it can be deduced that according to this metric, AB Bank has performed well in the last four years.

Cash Ratio:

Cash ratio tells us how much of the organization's current liabilities can be covered by using cash and near cash assets only. Thus, it is the most restrictive measure of liquidity amongst the ones covered in this report. In this report the cash ratio for AB bank has been calculated using the following formula:

$$\text{Cash Ratio} = \frac{\text{Cash} + \text{Marketable Securities}}{\text{Current Liabilities}}$$

Much like the credit-to-deposit ratio, a high cash ratio could indicate under-utilization of assets and a very low cash ratio could point to liquidity risks regarding the organization. The graph below illustrates AB Bank's cash ratio over the last four years.

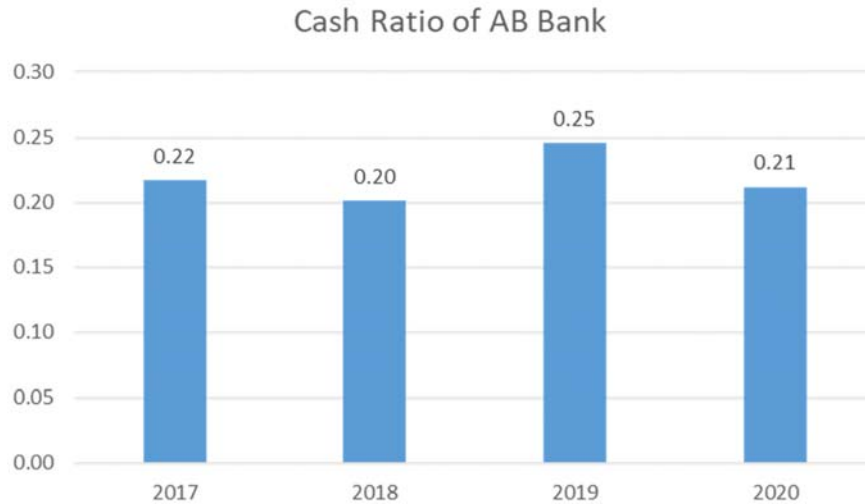


Figure 7: AB Bank's Cash Ratio

According to the above graph, AB Bank's cash ratio performance might be lacking over the last four years. Investors usually prefer a cash ratio of no less than 0.5 as it ensures that the organization would always have at least 50% of its current liabilities ready in the form of cash to be paid out if need arises. AB Bank's cash ratio has been hovering around 0.2 which could pose a liquidity threat.

Efficiency Ratios:

Efficiency in a business context refers to how well it is using its assets to generate income. It also provides insight into the bank's profitability. This section of the report will cover two efficiency ratios:

1. Efficiency ratio for banks
2. Asset turnover ratio

Efficiency Ratio for Banks:

This is a bank-specific ratio. This ratio directly tells us how efficient the bank is at managing the balance between its non-interest expenses and its revenue. It is calculated using the following formula:

$$\text{Efficiency Ratio for Banks} = \frac{\text{Non - Interest Expenses}}{\text{Operating Income}}$$

Usually, a ratio of 50% or below is desired. A ratio of 50% means for every unit of currency the bank generates in revenue, it spends 0.5 unit of currency in the form of non-interest expenses. AB Bank's efficiency ratio is depicted in the following graph:

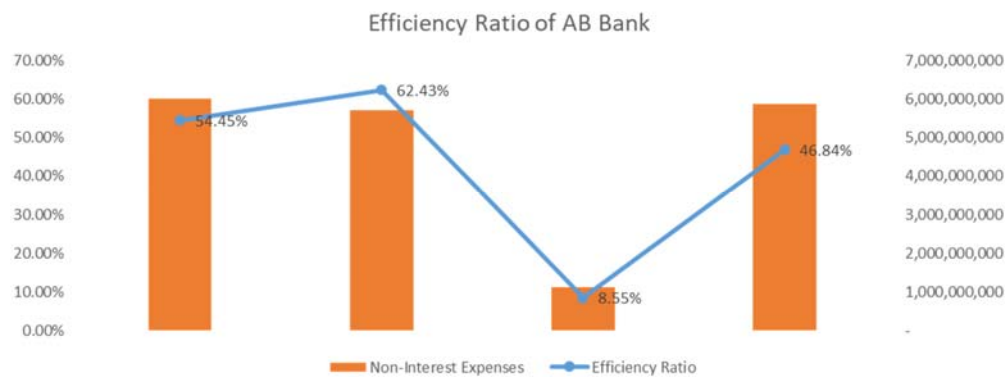


Figure 8: AB Bank's Efficiency Ratio

The graph indicates AB Bank's efficiency ratio has been slightly less than satisfactory in two out of the last four years. It is also noticeable that as AB Bank's non-interest expense took a dip in 2019, so did its efficiency ratio.

Asset Turnover Ratio:

This ratio measures how efficient an organization's assets are at generating revenue. In this report, it has been calculated using the below formula:

$$\text{Asset Turnover Ratio} = \frac{\text{Operating Income}}{\text{Total Assets}}$$

This formula gives us how much every taka worth of asset generates in revenue for AB Bank. Therefore, a higher asset turnover ratio is always desired. The below graph illustrates AB Bank's asset turnover figures over the last four years:

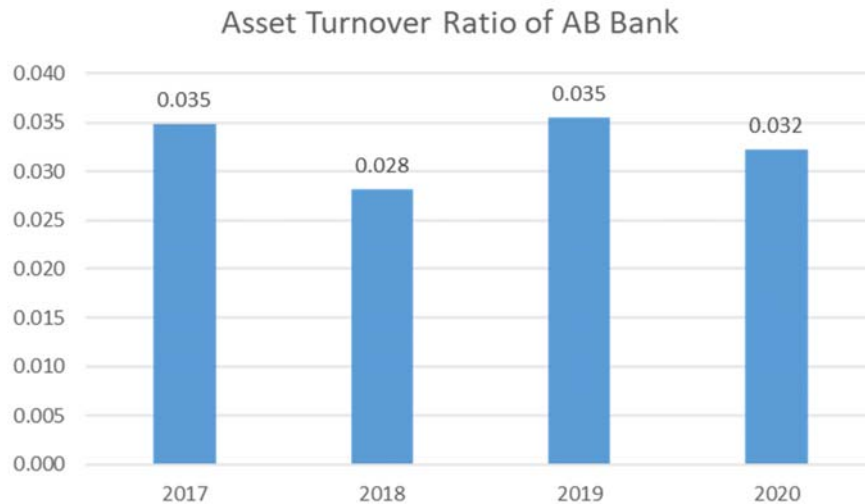


Figure 9: AB Bank's Asset Turnover Ratio

AB Bank had an inconsistent asset turnover ratio over the last four years. If the ratios are too low compared to similar banks in the industry, then that could be an indication of poor asset utilization by the management.

Profitability:

Profitability analysis allows us to measure the business on the basis of its fundamental function, which is to make profit. In assessing AB Bank's profitability performance, return on assets (ROA), return on equity (ROE) and net profit margin will be discussed in this report.

Return on Assets:

Return on assets simply means the returns an organization is making on its total assets. For banks and in this report it is calculated using the following formula:

$$\text{Return on Assets} = \frac{\text{Net After - Tax Income}}{\text{Total Assets}}$$

As this ratio is directly telling us how much profit the business is generating over every unit of currency of its total assets, a higher ratio is generally desired. The graph below depicts AB Bank's return on assets trend over the last four years.

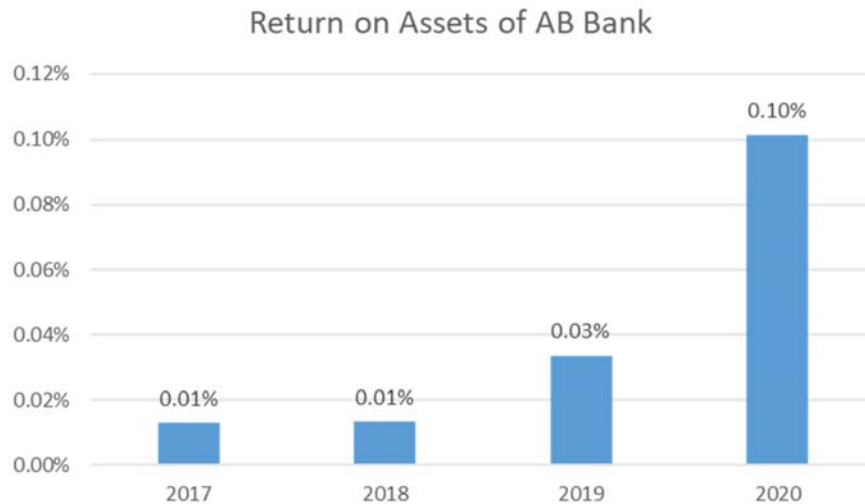


Figure 10: AB Bank's Return on Assets Ratio

As seen from the graph, AB Bank has had an increasing trend over the last four years. However, this doesn't prove that AB Bank's ROA performance has been satisfactory. Even though it is increasing it is still very low if we compare it to City Bank's ROA figures. AB Bank had a 0.1% ROA rate in 2020 whereas City Bank's ROA for 2020 was 1.12%. There can be a lot of explanations behind poor ROA performance such as low sales or high provisions for loan losses.

Return on Equity:

Return on equity is a very widely used indicator of a profitability of an organization. It tells us how much money a business is making for its owners. It is calculated using the below formula:

$$Return\ on\ Equity = \frac{Net\ After - Tax\ Income}{Total\ Equity}$$

Much like ROA, return on equity (ROE) should also be high as a higher ratio means more profit being generated by the business for its investors and owners. The following graphs shows us AB Bank’s ROE trend over the last four years.

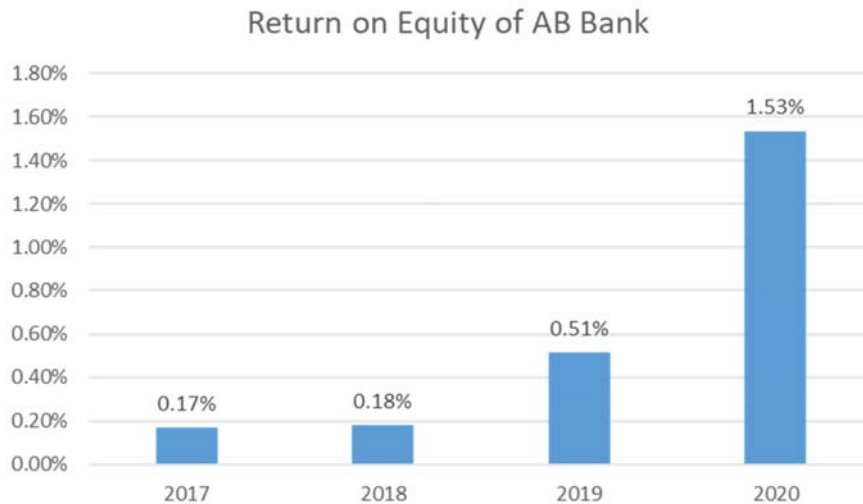


Figure 11: AB Bank's Return on Equity Ratio

As we can see from the graph, AB Bank experienced dramatic growth in terms of its ROE in 2020. However, like ROA, AB Bank’s ROE figured too are miniscule when compared to other banks of Bangladesh. In 2020, City Bank had an ROE of 14.79%, Dutch Bangla Bank Limited had an ROE of 18.4% and BRAC Bank’s ROE was 10.58%. This indicates that AB Bank has performed poorly in terms of its ROE ratio.

Net Profit Margin:

Net profit margin is one of the most widely used indicators of profit for any industry. It tells us how much real income an organization is generating against its revenue. For banks it is calculated as:

$$Net\ Profit\ Margin = \frac{Net\ After - Tax\ Income}{Operating\ Income - Provisions\ for\ Loan\ Losses}$$

The following graph represents AB Bank’s net profit margin figures over the last four years:

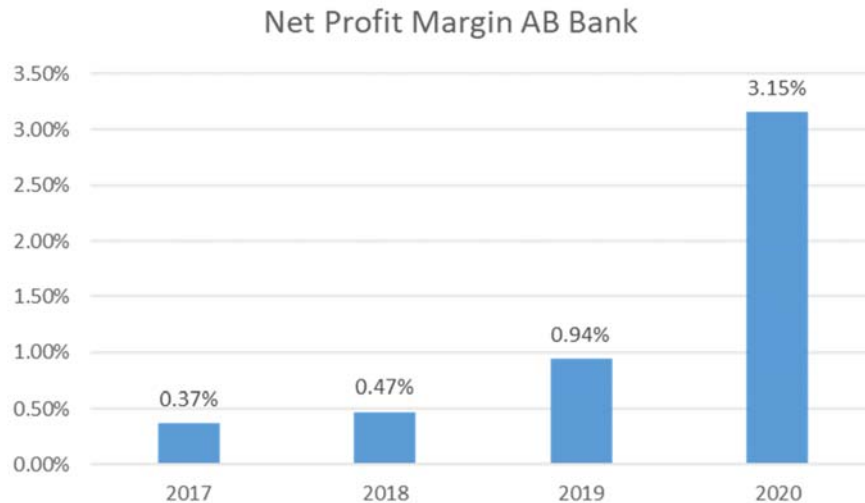


Figure 12: AB Bank's Net Profit Margin

As we can see, in the last four years (2017-2020), AB Bank's net profit margin growth has been stagnant or zero up until 2020 when it realized a 235% growth and skyrocketed to 3.15% net profit margin. Even though these numbers are very small when compared to other banks such as City Bank (25.5% net profit margin in 2020), the positive trend still deserves to be mentioned keeping in consideration the 2020 spike in AB Bank's net profit margin.

DuPont Analysis:

DuPont analysis is a technique of analyzing a business in the dimensions of efficiency, leverage and profitability through the return on equity (ROE) ratio. It is named after the DuPont Corporation that invented it. In this analysis the ROE is taken and broken down into three or five individual ratios that influence the ROE. In this report, the three-step DuPont analysis will be conducted in which the ROE is assessed in terms of efficiency, profitability and leverage. The following formula will be used for the purpose of doing so:

$$ROE = Net\ Profit\ Margin \times Asset\ Turnover\ Ratio \times Equity\ Multiplier$$

Where Net Profit Margin represents a business's profitability, Asset Turnover Ratio represents its efficiency and the Equity Multiplier represents the business's leverage.

The following table depicts AB Bank's DuPont analysis over the years 2017-2020:

	2017	2018	2019	2020
<i>AB Bank Equity Multiplier</i>	13.21	13.61	15.31	15.13
<i>Asset Turnover Ratio</i>	0.035	0.028	0.035	0.032
<i>Net Profit Margin</i>	0.37%	0.47%	0.94%	3.15%
<i>Return on Equity</i>	0.17%	0.18%	0.51%	1.53%

Figure 13: AB Bank's Du Pont Analysis

In order to get a visual understanding of AB Bank's DuPont analysis, the following graph will also be used:

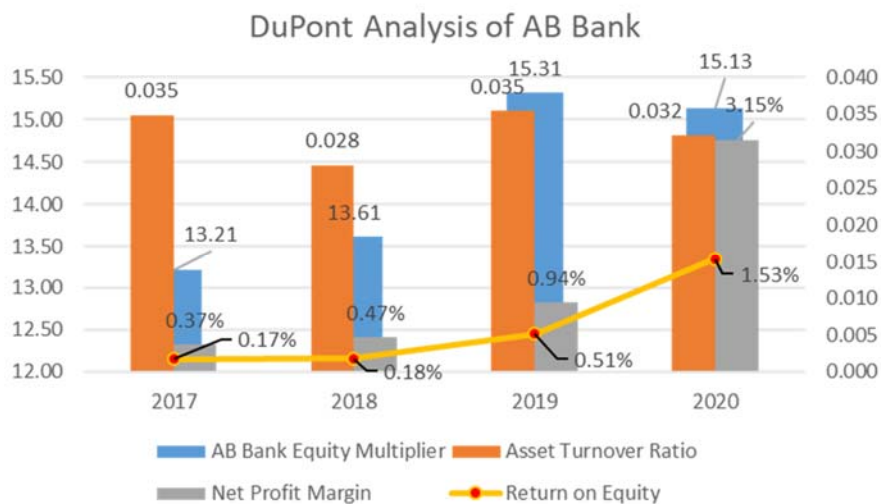


Figure 14: Visual Representation of AB Bank's DuPont Analysis

As the graph illustrates, AB Bank's ROE increased significantly in 2019 and 2020. But upon a closer look we can see that the increase in 2019 was driven by both equity multiplier and net profit margin. An increase in net profit margin is definitely good for AB Bank as it suggests AB Bank made more profit during this period. An increase in equity multiplier, however, can be detrimental to the organization. This is because equity multiplier increases when companies take on debt to increase their assets. Therefore, even though it temporarily contributes towards the ROE increasing, it can have detrimental effects in the longer run as

the interest expense on those debts can really accumulate and hamper the net income over time.

Upon a further look at the chart we see that AB Bank had an even greater increase of its ROE in 2020. This time, however, the increase was driven entirely by a big spike in net profit margin. Asset turnover and equity multiplier both had decreased slightly but the big increase in net profit margin made the ROE increase significantly.

After the above analysis it can be said that even though ROE increased significantly in 2019 and 2020, the increase in 2020 indicated better and stronger financial performance from AB Bank.

2.5.2 Accounting Practices:

According to my observation, the accounting practices at AB Bank are on par with the standard practices and norms that are generally followed and accepted in the industry. The organization prepares both consolidated and separated financial statements as per the requirements of International Accounting Standards (IAS) & International Financial Reporting Standards (IFRS). The financial statements of the organization include its consolidated and separate balance sheets, profit or loss accounts, cash flow statements, statements of changes in equity, liability statements. The organization provides relevant notes and disclosures in reporting the statements wherever necessary.

In preparing the financial statements, the organization follows historical cost principal. An exception to this is the investments made by the organization into treasury securities. I have observed that the 8-step accounting cycle is very promptly followed in the organization. The newly recruited employees are trained by their seniors so as to build up the habit of following all the steps of the accounting cycle in their job.

As for their accounting disclosures, the organization publishes regular quarterly financial statements, credit rating reports, shareholding reports, dividend distribution policy etc. In addition, AB Bank also publishes annual reports and their audited financial statements every year.

2.6 Operations Management and Information System Practices

This section of the report will discuss AB Bank's operations management and information systems practices of AB Bank. The bank has built its core IT infrastructure in compliance with the ICT policies set by Bangladesh Bank and other industry standards such as Payment Card Industry Data Security Standard (PCI DSS). For its internal day-to-day operations, the bank uses infrastructure that is built on Microsoft Active Directory and Microsoft Exchange Email system along with enhanced cloud security.

The bank, up until 2020, had been using the European Banking Authority (EBA) teller software which it is replacing with a more advanced FB Teller Solution. It also uses a system called RemitBook in order to facilitate faster inward foreign remittance and integration with exchange houses. Furthermore, the bank has also developed a dispute management and tracking system in order to improve its e-business customer service.

For running its core banking activities, the organization uses Misys Equation which is an integrated, multi-lingual and multi-currency banking solution. Other than this, the bank also has a well optimized and interactive website which it uses to educate its customers about its products & services. The website is also used in order to publish its financial statements & annual reports.

2.7 Industry and Competitive Analysis

In this part of the report, AB Bank's industry and competitive analysis will be conducted. In order to get a clear understanding of the industry competitiveness of AB Bank, Porter's Five Forces Model will be used. Furthermore, a SWOT analysis will also be used for the purpose of identifying the organization's common, imitable and distinctive strengths so as to identify its competitive advantage.

Porter's Five Forces Model:

Porter's Five Forces Model is a model developed by Harvard professor Michael Porter. It is an analysis method that is widely used to gain insight on a company's competitiveness by analyzing external factors within the industry of the company.

The main outcome of Porter's Five Forces models is the **level of competition among existing and established competitors**. In this model, there are five factors that affect the level of competition among existing competitors.

1. Bargaining Power of Buyers
2. Bargaining Power of Suppliers
3. Threat of Substitute Products
4. Threat of New Entrants
5. Competition from Rivals:

All five of these factors will now be individually assessed in the context of AB Bank in order to understand its competitiveness.

Bargaining Power of Buyers:

Bargaining power of buyers/consumers depends on a myriad of different factors including the number of alternatives, the number of customers, the cost of switching etc. The buying power

also fluctuates across the spectrum of clients. For example: individual clients for a bank are plenty in number and the business they bring in is relatively smaller in size. Therefore, they don't have a lot of buying power with the bank as a loss of their individual account wouldn't amount to much for the bank. On the other hand, institutional clients, corporate clients and high net-worth individuals have immense bargaining power with the banks as they are fewer in numbers and they make a greater contribution to the bank's bottom line.

In order to manage bargaining power of its customers, AB Bank tries to get its customers to sign up for its various additional services such as AB Proshar, AB Uddog, AB Awparajita and its Islami Banking Services etc. This increases the switching cost of its customers to other alternatives which makes them more likely to want to avoid hassle of switching to some other bank.

Bargaining Power of Suppliers:

For banks the main supplier of their funds are their depositors. Much like in case of customers, individual suppliers or, in this case, individual depositors do not really hold a lot of bargaining power because of the high number of individual depositors and the relatively low amount of deposits that they hold. However, corporate depositors and high net-worth depositors can still pose a threat to the supply of funds of the bank as they can pull funds during times of liquidity crunch.

Apart from funds, human resource is another big capital factor for banks, the supplier of which are its employees. Even though individual employees hold little to no bargaining power as they are easily replaceable, higher level executives can have a lot of bargaining power in situations where their leaving the organization could result to big short or long term operations disruptions. AB Bank deals with this problem through its attractive salary and benefits package as discussed before.

Threat of Substitute Products:

In the recent years, the banking industry in Bangladesh has faced some threats as the economy has witnessed the widespread adoption of mobile banking and mobile wallet services such as Bkash and Nagad. Even though these services don't offer the wide range of loan-products and specialized services that the traditional banks such as AB Bank do, they still pose somewhat of a threat considering how immensely popular they are in the country. It should be mentioned that AB Bank too, has its mobile banking application and service. It is, however, not as optimized and refined as the alternatives.

Threat of New Entrants:

Banking is a highly capital-intensive industry to penetrate into. Therefore, the threat of new entrants is low in this industry, However, keeping in mind the tremendous growth the Bangladeshi economy has experienced over the last few years, it is very likely that big foreign players will look to enter the market. That could pose a significant threat for not only AB Bank but also the entire banking industry of Bangladesh.

Competition from Rivals:

As one of the leading private sector banks in Bangladesh, AB Bank faces immense competitions from other industry leaders like the City Bank, BRAC Bank, DBBL to name a few. In order to deal with the competition, AB Bank tries to differentiate itself from the rival banks by focusing on customer relations and cost-efficiency. The bank also regularly introduces new products so as to offer the most amount of convenience possible which adds to customer satisfaction.

Next, a SWOT analysis will be used to understand the organization's competitive advantages by focusing on its strengths.

SWOT Analysis:

A SWOT analysis provides a birds-eye-view of the organization as it covers its strengths, weaknesses, opportunities and threats.

Strengths

1. A well-defined service standard that is followed in the root level operations.
2. High retention of clients.
3. A diverse range of products and services offered.
4. Great financial performance in terms of leverage and liquidity
5. Excellent brand image.
6. Interactive and well-optimized website for new customers.

Weaknesses:

1. Less than satisfactory performance in terms of efficiency and profitability relative to other organizations in the industry.
2. Some of the services and products such as Fixed Deposit Receipt take longer to be delivered.
3. Weak advertising strategy.
4. Lack of relevant marketing campaigns.

Opportunities:

1. A growing economy might be a big opportunity for the bank to improve its performance and expand.
2. Opportunity to gain new customers through the improvement of their mobile banking services.
3. Opportunity to expand to neighboring markets such as India and China.

4. Opportunity to diversify its investment portfolio by investing in local industries.

Threats

1. Changing government regulations.
2. International players such as Barclays.
3. Failure to recover bad debt.
4. Competition from mobile banking giants.
5. Unpredictable economy due to Covid-19.

2.8 Summary and Conclusion

To summarize AB Bank's organizational overview, AB Bank is a first and one of the leading private sector banks of Bangladesh. The bank provides its customers with a broad range of products and services. The bank has five subsidiary companies, 2202 employees and BDT 385,762 million in assets as of 2020.

The leadership style of AB Bank may be regarded as autocratic, with a focus on participatory innovation. The organization is led by a seven-member board of directors, which includes the President. The bank also has a senior management team which is made up of 18 members. The HR planning procedures used by AB Bank are, for the most part, in line with industry standards. To ensure the integrity of the candidate's application, HR undertakes a background and reference check. In-house training is also provided for the organization's mid- and lower-level personnel. The "AB Training Academy" is AB Bank's own training center for its staff.

Reliability, professionalism and trust are the core ideas reflected in the bank's branding activities. The bank markets its numerous products and services through professional network

marketing and direct selling by its trained banking officers. A lack of digital marketing activity is noticeable across the bank's social media pages.

As for AB Bank's financial performance, the bank had satisfactory performance in terms of its leverage. Its Debt-to-Equity ratio, Debt-to-Capital ratio and equity multiplier figures were found to be ranging from modest to good after analysis. Moreover, the bank's liquidity performance was also good. It had good credit-to-deposit and current ratios. It was also observed to have had a good cash ratio. In terms of efficiency and profitability, AB Bank's performance was found to be less than satisfactory. However, its DuPont analysis showed promising results.

AB Bank's accounting procedures are in line with industry standards and regulations. Conforming to the regulations set by International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS), the company generates both consolidated and separate financial statements (IFRS). The 8-step accounting cycle is also followed fairly strictly.

The bank's core IT infrastructure was created in accordance with Bangladesh Bank's ICT regulations as well as other industry standards such as the Payment Card Industry Data Security Standard (PCI DSS). The bank's internal day-to-day operations are supported by Microsoft Active Directory and the Microsoft Exchange Email system, as well as increased cloud security. In order to allow speedier inward foreign remittance and integration with exchange houses, it also employs a system called RemitBook.

Competitive Analysis of the bank revealed that the bank had quite a few strengths such as high client retention and a potent brand image which add to its competitive advantage. The bank's weaknesses, opportunities and possible threats were also identified.

2.9 Recommendations/Implications

After AB Bank's organizational overview, I have the following recommendations to make:

- AB Bank should make arrangements for more leadership training for its mid-level managers.
- It should also train the representatives in its agent banking outlets so as to ensure customer satisfaction.
- More emphasis should be given to its currently weak marketing and advertising strategy.
- Non-performing assets should be dealt with as soon as possible so as to improve asset utilization and profitability.
- Special measures should be taken in order to get its mobile banking operations up to speed.

Chapter 3 Project Part

3.1 Introduction

This chapter of this report will discuss in details the primary project that was undertaken by me as part of my internship at AB Bank Ltd. The background of the project, the general & specific objectives of the project and the significance of the project for the internship are also discussed. This chapter also includes the methodology of the project and the findings and analysis that have resulted from the project. Finally, a conclusion is drawn for the chapter and any recommendations/implications are stated.

3.1.1 Background

The BUS400 internship is a requirement for all of the graduating students of the BRAC Business School in order for them to finish their degree. Internships are considered

professional learning experiences for graduating students who are about to enter the workforce. They are popularly used across the world to equip students with the basic skills that they need to get started on their way of becoming a professional in their relevant industries. For my internship program, I was given an opportunity to work at AB Bank as an intern. My period there as an intern included learning a lot about organizational behavior and practices. The main project of my internship was “An Overall Business Position Analysis of AB Bank”.

3.1.2 Objectives

The report has the following objectives:

General Objectives:

- Learning about AB Bank’s organizational structure.
- Learning about AB Bank’s organizational culture and practices.
- Understanding AB Bank’s Business operations.
- Preparing the report based on my experience.

Specific Objectives:

- Analyzing data of AB Bank’s financial performance.
- Assessing AB Bank’s overall business position with a focus on its financial performance.

3.1.3 Significance

The significance of this internship can be described through the following points:

- Improvement in soft skills such as communication in a business environment that are necessary for organizational efficiency.

- A real-life assessment of the critical thinking abilities acquired throughout the undergraduate academic career.
- In depth understanding of the day-to-day operations of a bank.

3.2 Methodology

Since this is a project-based report, different analyses techniques were used in preparing it. Moreover, knowledge gained from the undergraduate courses of the BBA program at BRAC Business School and knowledge from the internet was also used. For quantitative analyses and graphical representation Microsoft Excel was used.

Primary Sources of Data:

- Data Collected from relevant internal departments of the organization.
- Direct observation of the operations at AB Bank.
- Regular interaction and consulting with the internship supervisor at the organization.

Secondary Sources:

- News articles.
- Annual reports of other banks.
- Internet Articles.
- AB Bank's website.

3.3 Findings & Analysis

In analyzing AB Bank's business position, the main focus was its financial performance. The main financial metric for the analysis was its leverage position but various financial trends derived from its balanced sheets and from internal sources and its loan and deposit mix were

also analyzed. Moreover, a comparison was also drawn between AB Bank and some other leading private sector banks so as to get a better understanding of AB Bank's market position.

3.3.1 Financial Competency of AB Bank

Leverage Position:

Leverage refers to the amount of debt a business uses to finance its assets. It is one of the most important metric of financial performance analysts look at when analyzing financial institutions. The graph below represents AB Bank's LD ratio from 2012 till the beginning of 2022.

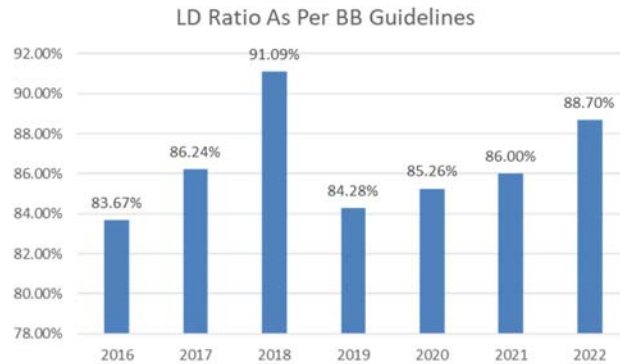


Figure 15: LD Ratio As Per Bangladesh Bank Guidelines

For LD Ratios the ideal range is 80-90% which is what we see AB Bank maintaining from 2016 till the beginning of 2022. Therefore, the analysis finds that the bank had satisfactory performance in terms of its liquidity.

AB Bank's Increase in Assets:

From 2011 to 2020, AB Bank's assets can be observed to have increased astronomically. The below graph depicts:

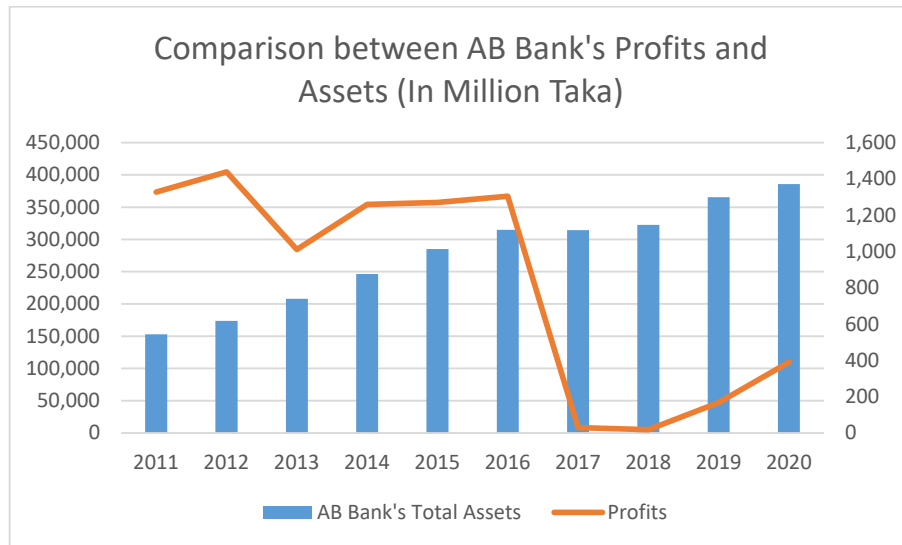


Figure 16: Total Assets of AB Bank

As seen from the graph, AB Bank's assets increased from around BDT 150 billion to around 385 billion in 2020, realizing a staggering 152.19% growth over the ten-year period. However, the graph also shows how AB Bank's profits have been inconsistent over the years. Profits hit an all-time low in 2018 at only BDT 18 million before they gradually increased to BDT 391 million in 2020. This shows that even though AB Bank's assets have been increasing over the ten-year period, the scenario is different when it comes to its profits which is governed by a lot of different factors other than total assets.

Loan Mix:

In case of banks, analyzing their loan mix provides great insight into its revenue streams and the type of bank it operates as. The below pie chart represents AB Bank's average loan mix through the years 2012 to the beginning of 2022

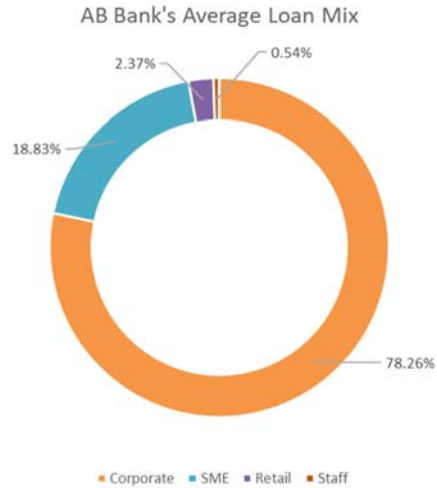


Figure 17: Average Loan Mix of AB Bank

As the chart shows, the majority of AB Bank’s loans in the last decade were represented by corporate loans. 18.83% of the total loans were given out to SMEs and a very small amount of the loans was used for the retail and staff needs of the banks.

The services offered to AB Bank’s corporate clients are:

- Project Finance
- Working Capital Finance
- Trade Finance
- Offshore Banking
- International Banking
- Islami Banking Finance

For its SME division, AB Bank has various long and short term loan options such as AB Gati, AB Proshar, AB Uddog etc.

After the above analysis, it is safe to say that AB Bank operates as mainly a corporate bank with its secondary focus being the retail banking sector in Bangladesh.

Deposit Mix

Deposit mixes are helpful for analyzing a bank's financial position as they are in most cases indicative of a bank's short and long term liabilities. They also provide insight on how much the bank is spending on interest expenses.

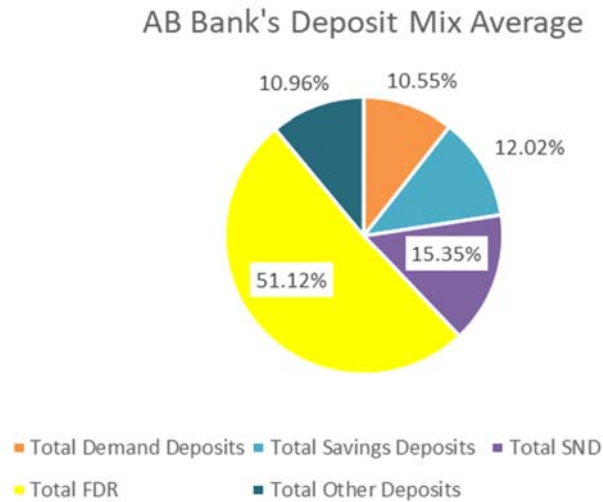


Figure 18: Average Deposit Mix Of AB Bank

We can see from the chart that almost half on AB Bank's deposits are represented by Fixed Deposit Receipts (FDRs). Deposit accounts that fall under this category are accounts that provide their holders higher interest than other deposit accounts but the customers won't have access to their money up until a fixed maturity date. The next biggest contributor in AB Bank's deposit pool is the Special Notice Deposit accounts (SND). These accounts also pay their holders a higher interest rate than current deposit and demand deposit accounts but the holders need to provide the bank with advance notice in order to withdraw their money.

The demand deposits which are deposit accounts that pay little to no interest to the holder of those accounts is shown to have the lowest average weight in AB Bank's deposit pool.

AB Bank's Revenue Stream

For banks, their primary revenue comes from the interest they earn on the loans that they issue. Banks also need to pay interest on the deposits that are kept by people and any money they might have borrowed through other channels. The difference between the interest earned and interest paid is called net interest income. For banks its favorable if net interest income doesn't represent a huge percentage of their total revenue. This is because net interest income is heavily influenced by the interest rates which are in turn heavily influenced by economic conditions and government policy. Bank's ideally, try to charge fees on the various products and services such as consultation that they offer in order to diversify their revenue stream so that even if the interest rates are not in favor of the bank there are still other sources of revenue for it. For the purpose of analyzing AB Bank's financial position, its net interest income has been represented as a percentage of its total revenue in the below graph.

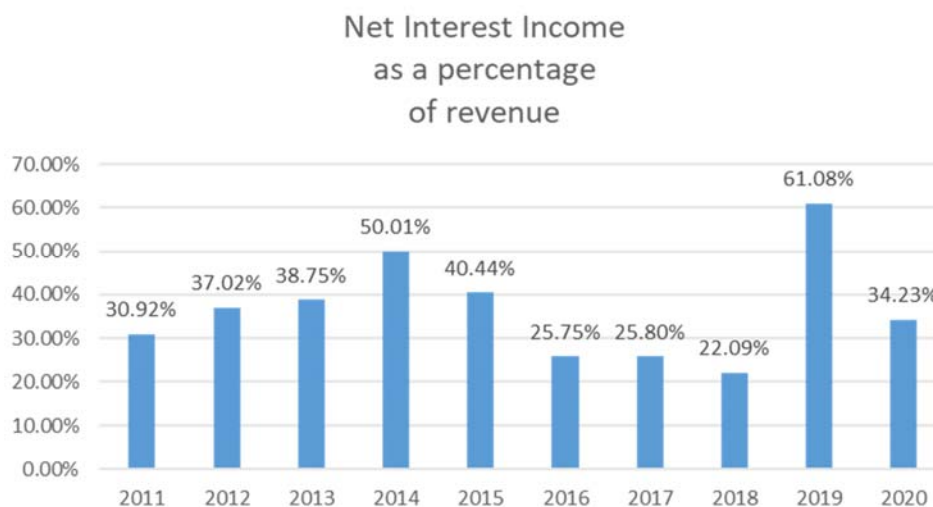


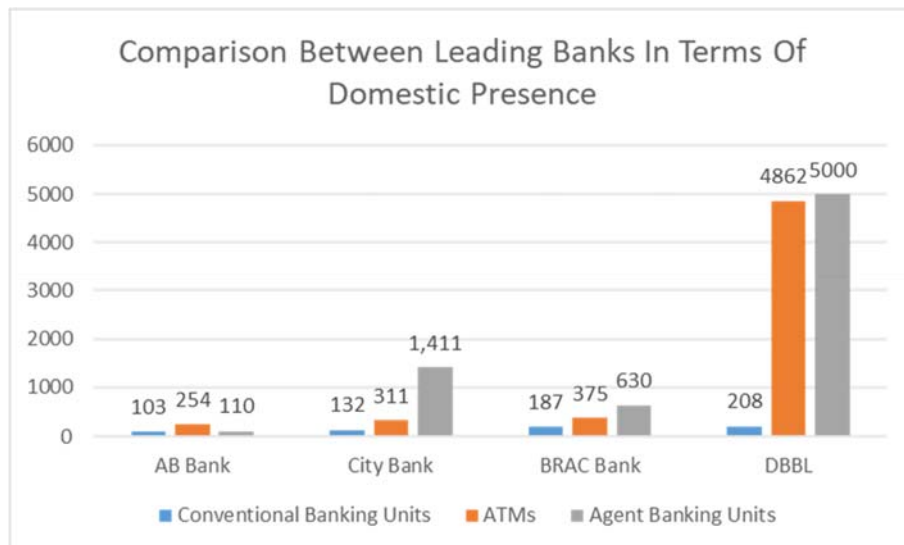
Figure 19: Net Interest Income As A Percentage Of Revenue

As evident from the graphs, in the years 2011-2020, except for years 2014 and 2019, AB Bank's net interest income has represented less than 50% of its revenues. Put differently, more than half of AB Bank's revenues in those years has come from other operating activities

such as investment, commission and brokerage. This is seemingly good news for AB Bank’s shareholders because it means that AB Bank is not heavily dependent on its interest income for its revenues and that it has figured out other ways to earn revenue.

3.3.2 AB Bank’s Market Positioning

Earlier in this report, AB Bank’s marketing practices have been discussed. This section of the report will continue on the premise of the previous discussion. This section of the report will attempt to distinguish AB Bank’s positioning in the market. Across the world, commercial banks have usually three main divisions; corporate, retail and SME. This also applies to a developing country such as Bangladesh where the financial sector is dominated by private banks. However, strategies are usually adopted by banks in order to focus more on one division. The following graph will help us understand this better.



The figure draws a comparison between four of the leading private sector banks in Bangladesh; AB Bank, City Bank, BRAC Bank and DBBL. The banks are compared in three criteria; number of conventional banking units or branched, number of ATMs and number of Agent banking units. From the figure, City Bank can be seen to have to the most number of agent banking units or outlets among itself, AB Bank & BRAC Bank which can be indicative

of its desire to attract new retail customers. However, AB, City & BRAC Bank's number of ATMs and agent banking outlets are absolutely dwarfed by those of Dutch Bangla Bank Limited (DBBL). DBBL has an astronomical 4862 ATMs and 5000 agent banking outlets which points to its very obvious focus on retail banking. This is also reflected in their advertisement campaigns as they are heavily targeted towards the emerging rural middle class.

As for AB Bank's positioning, it is clear that right now, retail banking is not their main focus. This was also hinted when AB Bank's loan mix was analyzed. AB Bank is primarily a corporate bank and that's the division that brings in the most revenue for them. But, they are also focused on the SME sector as we have previously seen. However, according to AB Bank's 2020 annual report, they have remodeled their internal business operations so as to put more emphasis and focus on retail banking as they move forward. AB Bank's goal to open 500 agent banking outlets is a reflection of that. Therefore, in the near future, AB Bank can be expected to be making an impact in the retail banking sector.

3.4 Summary & Conclusion

To summarize, the outcome of the study was that AB Bank's overall business position seems fine in the short run but uncertain in the long run. This is because even though the business is profitable and performing well in terms of leverage and diversification of its revenue, its low profits in the recent year and declining trend of its share price along with the threats it faces from local and foreign competitors could be a point of concern.

Furthermore, its late efforts to put more focus on its retail division could also prove to be a competitive disadvantage for the bank as Bangladesh witnesses unprecedented rise of the middle-class population.

3.5 Recommendations/Implications

The following are my recommendations for AB Bank to improve its business position:

- Focusing on increasing after tax profit figures by taking better measures to deal with classified loans
- Improving brand presence across digital media platforms.
- Taking better planning steps to reach its goals regarding retail banking.

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Appendix A.