REPORT ON

The Effect of T-bond Interest Rate on the Bond Market: A Case Study on Bank Asia PLC.

By

Tabassum Alam Joye

21204151

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

BRAC BUSINESS SCHOOL

BRAC UNIVERSITY

February, 2026

DECLARATION

It is hereby declared that

1. The internship report submitted is my own original work while completing a 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:

Tabassum Alam Joye

Student ID: 21204151

Supervisor's Full Name & Signature:

Abu Saad Md. Masnun Al Mahi, PhD

Associate Professor, BRAC Business School

Brac University

Letter of Transmittal

Abu Saad Md. Masnun Al Mahi, PhD

Associate Professor

BRAC Business School

BRAC University

Kha 224, Pragati Sarani, Merul Badda, Dhaka 1212

Subject: Internship report on "The Effect of T-bond Interest Rate on the Bond Market: A Case Study on Bank Asia PLC"

Dear Sir,

I have the pleasure to pass on my experience during my internship in a report entitled "The Effect of T-bond Interest Rate on the Bond Market: A Case Study on Bank Asia PLC" reflecting my summary of the things I have learned and accomplished during the internship. This report was prepared under your kind guidance and it embodies practical experience and analytical skill as obtained during my internship in the Group Finance & Accounting division.

I have endeavored to draw up this report based on facts and in a concise, structured but yet complete form. I hope the report confirms your academic expectations as it details the standards.

Sincerely yours,

____

Tabassum Alam Joye

BRAC Business School

BRAC University

Date: February 7, 2026

Non-Disclosure Agreement

This report is compiled based on the information available to the public regarding Bank Asia PLC, including its annual reports and published material. No sensitive or new data from the company was used, hence no NDA was required.

Name of the Company: Bank Asia PLC

Supervisor Name: Mohammad Abdullah Almamun

Position: First Vice President & Head of Investment Banking Operation

Address: Bank Asia Tower, 32 & 34, Kazi Nazrul Islam Avenue, Karwan Bazar, Dhaka

Name of the Student: Tabassum Alam Joye

Student ID: 21204151

Description of the Report: "The Effect of T-bond Interest Rate on the Bond Market: A Case Study on Bank Asia PLC"

Executive Summary

This study examines the effect of Treasury bond (T-bond) interest rate movements on the bond market, with a specific focus on Bank Asia PLC. In Bangladesh, T-bond yields act as the primary benchmark for pricing corporate and bank-issued bonds. Any fluctuation of interest rates of government securities will have a direct effect on the cost of funds, demand of funds and yield expectations in the bond market.

The results show that the increase in the interest rates of T-bonds makes the required returns on the bond of the Bank Asia PLC to rise, which result in high coupon rates and low prices of bonds in the secondary market. On the other hand, decreasing T-bond yields reduce the cost of financing to the bank and encourage investor and corporate bonds demand because they want to get higher returns than government securities. The paper also notes that the bond issuance strategy of Bank Asia is more or less in tune with the monetary policy position of Bangladesh Bank, and the current trend of T-bond yields.

In general, the interest rates of T-bonds have a significant effect on the bond pricing, the issuance of the bonds and demand by the investors of Bank Asia PLC.

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Chapter 1: Overview of Internship

1.1: Student Information

Name: Tabassum Alam Joye

ID: 21204151

Program: Bachelor of Business Administration

Major/Specialization: Major was Finance, and minor in Management of Information System (MIS)

1.2: Internship Information

1.2.1: Internship Details

Period: 3 Months

Company Name: Bank Asia PLC

Division: Group Finance and Accounts Division (GFAD)

Address: Bank Asia Tower, 32 & 34, Kazi Nazrul Islam Avenue, Karwan Bazar, Dhaka

1.2.2: Internship Company Supervisor's Information

Name: Mohammad Abdullah Almamun

Position: First Vice President & Head of Investment Banking Operation

Division: Group Finance

1.2.3: Job Scope – Job Description or duties or responsibilities

Preparing and managing documentation of bond selling campaigns (4th perpetual Subordinated bond) for investors and issuer in Bank Asia PLC during 3 months of internship. The key duties included:

Bond Agreement Documentation:

● Preparing bond subscription agreement.

● Ensuring all information of investors is included in the subscription form and if not notify the supervisor.

● Managing and updating subscription file Database.

Verification of Trustee Letters:

● Data Validation, verifying adjusted date and corresponding record date

● Semi-annual coupon payment calculation and notify supervisor if error found

● Notifying the trustee and asking for rectification.

Preparing Ledger for investors:

● Create the ledger of investors that contains investors subscription amount

● Update and balance the ledger with actual payments on a regular basis.

Support performance reward system:

● Preparing incentive list for winners

● Writing appreciation letters to provide recognition.

● Communicating with employees and collecting accounts informations

● Issuing Pay Orders for clients.

● Design Bond Subscription Campaigns in Canva

1.3: Internship Outcomes

1.3.1: Student's contribution to the company

During my 3-month internship at Bank Asia, I had the privilege of working in fund management operations through bond selling projects. My work helped the bank better to raise funds efficiently, manage liquidity and maintain financial stability.
operational flow. Here's how I contributed:

1. Documentation of Issuing Bonds: I have prepared subscription agreements between the investors and the issuer (Bank Asia PLC) for every bond that has been sold. The agreement includes basic information about investors (contact, bank details, TIN, NID, address), investor subscription terms, legal regulations and issuer obligations and instrument details (bond type, coupon rate, maturity) etc. Moreover, I kept all records and updated the subscription file Database.

2. Auditing and management of Trustee files: In order to verify the accuracy of the coupon rate, coupon calculation basis, and payment schedule, I reviewed the trustee files. In essence, I have verified coupon payment amounts with issuer confirmation and subscription principal and confirmed semi-annual coupon payment dates against bond term sheet and trust deed requirements. In addition, I have to notify any corrections and rectifications to my supervisor and trustee. Additionally, for audit, compliance, and monitoring purposes, I have arranged digital recordings of verified trustee files.

3. Preparing Ledgers for Investors: I have established and kept updated ledgers for each investor that detail their specific subscription amounts, entitlements to coupons, and payment statuses.I routinely modified ledger entries for the payment of any principal amounts, any revisions, and for any semi-annual payments.

4. Contribution to the Performance Reward System: I have supported the organization's Performance Reward System by preparing incentive eligibility lists for employees who sold bonds.These procedures motivate the staff of Bank Asia.To celebrate and recognize the top performers and establish a healthy sales environment, I have written and designed appreciation letters and acknowledgment letters using Canva.In order to create a streamlined process, I collaborated with eligible staff, obtained the necessary account details, and maintained current records.I also assisted employees who were issuing Pay Orders to streamline the process for incentive distribution.This promotion of sales resulted in increased sales, staff motivation, and a direct correlation between the provided incentives and actual performances.

5. Documentation and File Management: For retrieval purposes and compliance, I arranged and kept files of bond agreements and trustee documents.Daily, I updated records with the latest confirmations, revisions, and trustee and issuer letters.

6. Problem solving: The internship helped me understand market-linked bond pricing, use basic decision-support systems, and improve my statistical skills, which enhanced my problem solving skills.

1.3.2: Benefits to the student

I have received valuable insights into the operations of bonds and the fund raising which will enable me to understand the real world work practices and processes of corporate finance and give me exposure to work practices in the banking and capital markets.

1. Knowledge of Fund Management and Investor Relations: In the course of the internship, I learned the whole process of bond funding including issues of bond issues to bond closure and how interest rates impact it. The direct work with bond subscription data and investor records provided me with a working exposure to fund management issues and helped me to have a better understanding of how the contributions of investors are tracked and managed and reconciled.
2. Bond Issuance Process Exposure: I gained extensive experience with the bond issuance lifecycle having prepared bond subscription agreements and trustee letters. Additionally, I got to know the role of banks in handling the entitlement of investors, how they liaise with the trustees, and make certain that bond conditions are adhered to, such as how to draft an agreement to ensure the coupon rates and payment volumes are fulfilled and met, are all important aspects of accessing the capital in the financial markets.
3. Precision and Adherence to Financial Records: The computations of semi-annual coupon payment and inspection of trustee letters enhanced my focus and understanding of regulatory compliance. Moreover, the importance of accuracy in all the investor data and

payment information prepared me to value the importance of diligence and integrity in corporate financial operations.

4. Corporate Workflow and Professional Coordination: I was exposed to the corporate workflow and teamwork by helping in the performance reward system and coordinating with the employees in processing incentives. I was taught to use communication. Moreover, documentation, and interdepartmental coordination made me more competent in terms of organization in a professional setting.
5. Time Management and Prioritization Skills: As an intern, I was required to handle several tasks including updating investor ledgers, preparing subscription agreements, and even helping in reward distribution; these needed to be managed well in terms of time. In essence, I was taught to ensure the prioritization of responsibilities, meeting deadlines, and being consistent in a fast-moving business environment through balancing verification, reporting, and creative campaign development.
6. Experiences in the Corporate Finance and Banking Practices: In general, the internship has provided an in-depth understanding of the operations of corporate finance, banking systems, and capital market operation. My encounter with bond operations, fund mobilization, and investor service enhanced my professional workflow, practicality, and appropriateness to work in the fields of finance and investment management in future.

1.3.3: Difficulties encountered during the internship time

Another significant problem that was encountered during the internship was the absence of, or the incompleteness of, data in bond-related documentation and investment reports. Some of the data (address, phone number, email, subscription date) that were required when preparing the bond agreement were not found on the subscription forms. I was forced to report it to my supervisor who helped me to obtain correct and precise information. Furthermore, supporting documentation, or approval remarks were not easily available in a single file in keeping trustee files. It required constant cross-checking with various departments and at times delayed the performance of certain tasks.

The other dilemma was to make sure that the information given by the trustee was true (BRAC EPL). The trustee letters have vital bond related data such as subscription dates, coupon payment dates, coupon period and coupon rates. My duty was to make sure that the coupon payment and the amount payable after tax as stated in the letters was the right amount. To accomplish this, coupon interest had to be calculated using Excel formulas which were founded on applicable day count conventions, coupon periods and coupon rates. The difficulty was in the technicality of bond computations, frequent changes of coupon period and high level of accuracy required even minor errors could cause financial discrepancies. Also, in cases where errors were identified in the trustee letters, the misappropriated papers needed to be substituted with corrected and reviewed letters, and files sorted and re-indexed. This was a time-consuming process and demanded a high level of care in keeping versions, accuracy in documentation, and following the corporate requirements of maintaining records.

Time pressure was also a problem especially when it comes to reporting and compliance deadlines. The tasks related to the preparation of ledgers, documentation update, and records of the performance reward system were compulsory to be completed in strict deadlines and multitasking was linked with supervision.

1.3.4: Future Internship Recommendations

- Availability of the Relevant Learning Resources.
- The controlled access of the relevant internal documents, software demonstrations, and practical case materials should be provided to the interns so that they can learn how to do without any failure to confidentiality.
- Frequent Feedback and Evaluation System.
- Conducting regular feedback sessions would enable the interns to understand their weaknesses at an early stage, be able to rectify, and have a more valuable professional experience.

Chapter 2: Overview of the Company

2.1 Introduction

One of the Bangladesh active customers centred and technology based and private commercial banks was the Bank Asia PLC, which was founded in 1999 and its vision is to offer innovative technology based customer-oriented banking services. Bank Asia has demonstrated leadership and dynamism since its first milestone of acquisition of foreign bank operations in Bangladesh to the leader of agent banking. The bank offers a broad range of services that include retail and corporate banking, SME financing, Islamic banking, trade finance and remittance services.

2.1.1 Objective

Broad Objective: To examine the management, financial performance, marketing mix and the operations systems of Bank Asia PLC and analyze the impacts on the Bangladesh banking sector.

Specific Objectives:

- To examine the leadership style, staff development programs and HR procedures at the bank.
- To provide an overview of the financial performance of Bank Asia PLC in the last few years.
- Bank marketing policies were analyzed in terms of the STP framework and brand-building programs.
- Porter's five forces and SWOT will measure the external forces of competition in the firm and internal strengths and weaknesses to make more informed strategic decisions.

2.1.2 Scope of the Study

The paper will concentrate on Bank Asia PLC, its management practices, organizational structure, and human resource policies of 2020-24. It emphasizes leadership approaches, employee training programs, and productivity to learn of management performance within. The study also judges the financial performance of the bank in the same period; to determine the overall sustainability and stability mainly looking at the key drivers of the financial performance which include profitability, quality of the assets and growth trends. As well, marketing strategies are discussed based on the STP framework and brand-building activities whereas external competitiveness can be analyzed through SWOT and Porters Five Forces where it can be emphasized how Bank Asia can be evaluated in the context of the Bangladesh banking industry.

2.1.3 Methodology

Data Sources:

1. **Secondary Data:** Secondary data collected from the annual reports (2020-2024), audited financial statements of Bank Asia, Bangladesh Bank website, and other regulatory bodies publications about the performance of the banking sector. The case studies, industry reports, and research articles examining the banking trends, risk management, and market strategies. The news and press releases in the media to get information on current events and strategic plans.
2. **Primary Data:** Primary data were collected from internal documents of Bank Asia PLC, including human resources procedures, branding initiatives, supplemented by expert opinions and professional experiences of bank officials.

Data Collection Techniques:

- **Qualitative Analysis:** The analysis of organizational structure and management, HR policies and customer service strategies of Bank Asia. Marketing and communication strategy, corporate social responsibility and efficiency analysis. Collection of professional opinion and stakeholder reaction with the aim of understanding strategic decision making.

- **Quantitative Analysis**: An assessment of the financial performance in terms of the main key financial performance indicators such as profitability ratios, liquidity ratios, capital adequacy and growth trends. Statistical analysis of loans, deposits and investment portfolios to define the performance patterns in 2020-2024.

2.1.4: Significance of Study

Academic Value:

This research has added to the academic knowledge about the banking operations, management strategies, and financial performance analysis in Bangladesh context. Through the analysis of the Bank Asia PLC, it offers practical details regarding the impacts of the current banking patterns on the growth, customer satisfaction, and efficiency of the operations. The results may be used as a source of information by the student, researchers and academicians dealing with the trends of banking sector and finance management.

Institutional Implications:

In the case of Bank Asia PLC as well as other financial institutions, the research has highlighted strengths and weaknesses in the areas where the bank can improve on its management, service delivery and efficiency in its operations. The insights may be used to inform the strategic planning process, development of policy and best practice adoption to improve the overall institutional performance.

Practical Implications:

The study provides viable suggestions to the decision-makers such as optimization of financial operations, Customer relationship management, and designing effective marketing strategies. It also helps investors, regulators and other stakeholders to be aware of the way the bank manages its performance and its management of risk.

Researchers' Originality:

The study can be considered as a demonstration of originality, as it is a qualitative and quantitative analysis with the inclusion of secondary and primary sources of data and a detailed assessment of the performance of Bank Asia PLC during 2020-2024. The combination methodology guarantees the balanced approach, which is the combination of theoretical information and practical banking activities.

2.1.5: Limitation

- **Depending on Secondary Data:** The research is mainly based on secondary sources, such as annual reports, sustainability reports, published articles, and online databases. Lack of primary survey information of staff, clients or on-site information visit restricts the possibility of capturing the internal process and direct customer experience.
- **Time Constraints:** The research would encompass the business of Bank Asia PLC in 202024. As a result of time constraints, some aspects like detail level performance by each branch, micro risk management and international operations were not explored in depth.
- **Confidential Information Unavailable:** The company does not make public internal documents such as strategic plans, compliance reports, and internal audit findings. This narrowed the research to information available in the public and this limited the analysis of some of the managerial and operational facets.
- **Potential Reporting Bias:** Data provided in the official publications of Bank Asia can be institutionalized and focus on the successful experiences, and underreport the negative issues or failures in the functioning.

2.2 Overview of the company

Bank Asia PLC is a private commercial bank, which was incorporated on 28 September 1999, and started operations on 27 November 1999 as a modern, technology-based bank with the goal of offering banking services. The bank was created by a team of the most prominent entrepreneurs and was soon differentiated by acquiring the Bangladesh business of The Bank of Nova Scotia (Scotiabank)- a first of its kind in the banking industry of the country. Since its IPO in the capital market in 2003, Bank Asia has diversified its operations in different sectors and became a growth-oriented privately owned bank that has been used to promote the development of the national economy.

The financial indicators of the Bank Asia over the course of the past decade indicate the evident growth in size, especially in deposits and advances. The annual reports of the bank show that total deposits grew nearly BDT 225 billion in 2015 to more than BDT 416 billion in 2024 and is a positive indication of the growing customer confidence and balance sheet strength. Likewise, loans and advances increased to more than BDT 360 billion in the last few years after being approximately BDT 173 billion in 2015 due to the corporate, SME, and consumer financing. There was also an increase in trade related activities: the import financing continued to rise, the export financing rose according to the export oriented industries in Bangladesh, although both had a temporary decline during this time frame of the COVID-19 period before returning to the usual growth in later years. The amount of inward remittance rose remarkably which was backed by the comprehensive remittance arrangements and network of agent banks by the bank which have played significant contributions in mobilizing deposits.

Regarding profitability and asset quality, Bank Asia had positive profits during the decade, with the net profit increasing as compared to the mid-2010s (BDT 1 billion) to exceed BDT 2.2 billion over the years, even as the industry environment was impacted by the demands of provisioning. The variation in classified advances and NPL ratios during the ten years enabled a wider stress on the banking sector though the bank persistently made the provisions in accordance with the regulations. Though the NPL ratio was comparatively moderate in the previous years (around 3 5 percent), it has in the recent years in response to the macroeconomic difficulties and tighter rules being enforced upon the financial institutions, the NPL ratio has seen an upsurge, causing the bank to augment its credit risk management and recovery activities. Comprehensively, the comparison over the ten years demonstrates that Bank Asia PLC has attained significant growth in deposits, advances, trade finance, and remittance, as well as remained profitable and concentrated on improving the quality of the assets, which highlights its new status as a stable-lived private commercial bank in Bangladesh.

2.2.1 Historical Background and Achieved Award

According to Bank Asia PLC 2024 annual report says

1999	Inauguration of Bank Asia, obtained banking license
2001	Acquisition of Bangladesh operation of Nova Scotia of Canada
2002	Acquisition of Bangladesh operation of Muslim Commercial Bank (MCB) of Pakistan
2003	This year Bank Asia started Online Banking Operations
2004	Bank Asia was listed with Dhaka Stock Exchange (DSE) and Chittagong Stock Exchange (CSE)
2008	This year started Islamic Banking Operation
2011	Started CTSU to facilitate Non-AD branches foreign trade operations and operation of BA Exchange Company (UK) Ltd. In London
2013	Awarded as the first Bangladeshi Bank with GRI certification and started Agent Banking Operation
2014	Obtained registration of Bank Asia Foundation and started operation of the 2nd overseas company in USA, BA Express USA Inc. at NY, USA
2015	Through Agent Banking outlet it started Country’s first School Banking service
2016	Unveiled the construction work of Bank Asia’s own Building Introduced TAB based DISANTA OCAS and introduced A-Card to get agri loan

2018	Awarded 1st prize for Best Presented Annual Report 2017 in ICAB National Award
2019	Awarded 1st prize by SAFA and ICAB for Annual Integrated report 2018
2020	1st prize Winner among all Private Banks in South Asia for Best Presented Annual report 2019 by SAFA
2021	For the first time, Bank Asia has been awarded as Overall winner among the SAARC countries by SAFA for BPAR 2020 & Corporate Governance category
2022	Awarded as Overall Winner among the private sector banks in Bangladesh by securing 1st position in all three categories of banking sector by ICAB
2023	1st prize winner by ICAB & SAFA for Corporate Governance disclosures and launched Digital Nano Loan
2024	Awarded as Overall Winner among the private sector banks in Bangladesh by securing 1st position in all three categories of banking sector by ICAB

Table 1: Historical Background of Bank Asia PLC

2.2.2 Mission and Vision

Mission: Bank Asia's mission is to participate in the growth and expansion of the national economy by providing high quality service to the customers. Bank Asia wants to provide complete satisfaction to their customers, shareholders and staff while upholding the highest standards of integrity. Moreover, the bank wants to become the nation's most sought-after bank by providing technology-driven innovative services through their dedicated team of experts.

Vision: The vision of Bank Asia is to accomplish the national dream of a poverty-free Bangladesh within a generation in the new millennium. Moreover, Bank Asia's vision is to develop a society that prioritizes human rights and dignity while simultaneously reducing poverty.

2.2.3 Organizational structure of Bank Asia PLC

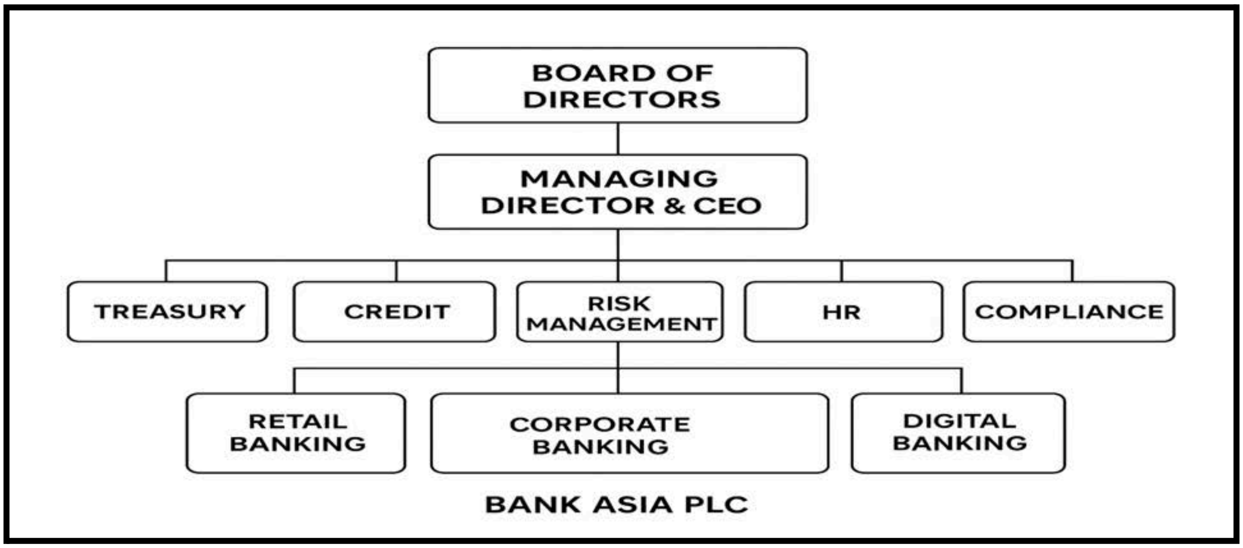


Figure 1: Organizational Structure of Bank Asia PLC

The Bank Asia PLC has a hierarchical organizational structure which helps in the governance, efficiency in operations and adherence to the regulations of Bangladesh Bank. On the top are the Board of Directors that offers strategic advice and oversight, and the Managing Director and CEO who operate on day-to-day operations. The major departments that are managed by the senior management include Treasury, Credit, Risk Management, HR, IT, and Compliance. The functional divisions will be further broken down into specialized units of retail banking, corporate banking, SME financing, and digital banking services. This organizational structure is such that there is clarity in reporting lines, accountability and harmony of operations of the office in the corporate office and the network of branches on which decisions are made and services are delivered efficiently (Bank Asia PLC, 2024).

2.3 Management Practices

Bank Asia PLC follows a structured and professional management practice guided by strong corporate governance and regulatory compliance. Its leadership style is participative and policy-driven, ensuring transparency and accountability in decision-making. The bank adopts a formal, merit-based human resource management and recruitment process for both fresh graduates and experienced professionals. The compensation system is market-oriented, combining salary, allowances, and performance-based incentives. Bank Asia emphasizes continuous training and development through in-house and external programs. Its performance appraisal system is systematic and target-based, linking performance with promotions, rewards, and career growth.

2.3.1 Leadership Style at Bank Asia PLC

The leadership model of bank Asia PLC is largely participative and policy-oriented, and this is indicative of the approach the bank takes to ensure that it complies with regulations and corporate governance. In order to preserve accountability and transparency, senior executives and department heads are involved in planning and operational decisions, where the top management and the Board of Directors are planning strategic decisions according to Bangladesh Bank policies (Annual Report, 2024).

Bank Asia is very keen on risk management, discipline and ethical banking. The leadership does not take big risks instead focusing on sustainable growth, regulatory compliance, and quality of the assets. Managerial actions are regulated by certain policies, internal control and standard operating procedure, creating a structured environment ensuring the consistency of operations (Directors' Report, 2024).

Performance oriented and staff development are also encouraged in the leadership. The top management is very supportive of training programs, career promotion schemes and performance based rewards, which inspire employees and increase productivity. Leadership control and guidance ensure that efficiency and professionalism despite the corporate culture being strict and hierarchical. Overall, the leadership of Bank Asia advocates long-term sustainability and confidence of the stakeholders through a balance between strong control and participatory decision-making.

2.3.2: Human Resource Management and recruitment Process

At Bank Asia, strategic human resource management (HRM) is highly emphasized in that the employees are considered to be the important assets, which propel the performance and service delivery of the bank. The Human Resources Division (HRD) of Bank Asia is charged with all-inclusive HR functions that include HR planning, sourcing, compensation and benefits, compliance, employee relations, training and development, and organizational development. Bank Asia has a well-organized recruitment process.

The first stage starts with job requirement analysis, or establishing the number of personnel required, qualification, skills, and schedule to hire staff, upon which all the recruitment processes are based. The vacancies can be as a result of expansion, internal promotions, transfers, and attrition. Bank Asia applies both fresh and lateral recruitment in their efforts to advertise vacant positions within their careers page, newspapers, online job portal in order to get a broad range of candidates. The HRD receives the resumes, makes the selection, and organizes the series of interviews of both general staff and officer jobs. In the case of panel interviews, we can assess the technical skills, cultural fit and communication skills. Cognitive and professional skills are assessed by the bank with the help of written tests and interviews when it comes to competitive programs like Management Trainees. The new hires are appointed through official letters of appointment and these letters have the details of the terms of service. New hires should complete the paperwork, take the code of conduct, and not only acquire credentials before receiving orders to be posted.

Bank Asia also pays a great deal of attention to continuous professional development so that the staff skills and leadership potential could be enhanced. In this regard, it provides full training courses by means of external seminars and its own training facility.

2.3.3: Compensation and Benefits

Bank Asia PLC is always dedicated to providing compensation and benefit packages that attract and retain employees. Attractive salary packages, festival bonuses, performance bonuses, gratuity funds, provident funds, group insurance (life and medical), and many more alluring features are all part of Bank Asia's compensation and benefits package. Bank Asia PLC tries to maintain their compensation structure aligned with the market standards and evaluate periodically in order to maintain the industry standards. Recently, two new initiatives were introduced to improve employee satisfaction and productivity; employee wellness programme and extension of health insurance coverage.

2.3.4: Training and development initiatives

Bank Asia PLC has a commitment of continuous learning. In order to fulfill that, the Human Resource Division expanded the scope of its training and development programs in 2024. They provided a variety of courses, workshops, e-learning modules, and training that addressed soft skills, leadership development, and technical abilities. The successful completion of 137 training programs totaling 23,705 training hours this year was a noteworthy accomplishment that has created a more skilled and adaptable workforce. Based on Training Needs Assessments, HRD created the Training Calendar 2024 at the start of the year and used virtual platforms and the Bank Asia Institute for Training & Development (BAITD) to execute the training in accordance with it. Additionally, regulatory agencies and international organizations outsourced a variety of domestic and international training, workshops, and seminars. All these initiatives help to develop careers of the staff, eventually assisting the bank.

2.3.5: Performance appraisal system

Bank Asia PLC consistently fosters a culture of reward and recognition based on performance. All monetary and non-monetary benefits are awarded based on how effectively employees perform. The organization rewarded its employees with annual Increment, General Incentive and Performance Bonus. In addition to the aforementioned, Crest, Cash Incentives, Letters of Appreciation, Home or Abroad Tour with or without Spouse, etc. are examples of establishing a performance-based culture for rewarding and recognizing Bank Asia PLC workers who perform well.

2.3.6: Organizational Division and Department

Division:

1. Branch Operations Division
2. ICT Division
3. Logistics & Support Services Division
4. International Division
5. Channel Banking CRM
6. Human Resources Division
7. Internal Control & Compliance Division

Department:

1. Accounts Department
2. Agricultural Credit Department
3. Brand Communications & Public Relations
4. Consumer Finance
5. CMSE
6. Central Trade Services Unit (CTSU)
7. Central Trade Processing Centre - Principal Hub
8. Credit Administration Department
9. Export Finance Department
10. Foreign Remittance Department
11. Legal-Department
12. Payment Service Department

13. Post Office Banking
14. SMR

2.4: Marketing Practices

2.4.1 Marketing Strategy

1. Customer-Centric Digital Transformation: In order to provide quicker, more convenient service, the bank is digitizing important procedures such as account opening, lending, remittances, and transactions. These digital products are used as a marketing strategy to attract tech-savvy retail consumers in particular. A large portion of card and retail transactions are now processed by the Bank Asia SmartApp and other digital services, emphasizing digital convenience in brand marketing (Hasan, 2025).

2. Agent Banking: In order to position itself as the bank of underprivileged and rural clients, Bank Asia was the first bank in Bangladesh to introduce Agent Banking in 2014. With millions of accounts opened mostly in rural areas and mostly aimed at women and low-income groups. The network currently has over 5,000 agent locations and is a crucial distinction for the brand. Customized services such as savings with zero balance, biometric KYC, microloans, and remittance accounts promote inclusion and integrate Bank Asia (Report, 2025).

3. Promotion of Sustainability & Social Impact: According to the Bank Asia sustainability report, using public communication channels like social media, newspaper, advertisement Bank Asia promote low-carbon practices and rural lending impact supporting Bank Asia's moral values (*Bank Asia Limited*, n.d.-b)

4. Strategic Partnerships and Co-Brand Marketing: Bank Asia is open to partnerships to enhance the benefit to the client and brand appeal. The association with US-Bangla Airlines e.g. offered special incentives to the credit/debit cardholders, which included a reduction in fares, which in turn motivated the cross-promotional and the use of the card. Such collaborations increase the card usage and enhance the reputation of Bank Asia as a value addition financial partner (Bank Asia Limited, n.d.-c).

5. Retail & SME Business Growth as a Brand Strategy: According to Daily Star, targeted marketing and market positioning are supported by reorganizing sales teams and redesigning products to better suit consumer wants. Moreover, branches are being converted into retail sales and service centers, and products are tailored to target markets. Among other strategies cross-selling items and offering incentives increase engagement and marketing results for reactivating dormant accounts (W. Rahman, 2024).

2.4.2 STP Strategy

Market Segmentation: Bank Asia has segmented the broad market into three discrete client groups based on similar demands in order to better customize services.

- Demographic Segmentation: Bank Asia provides customized services and digital banking features especially to the working individuals, women and young people. Moreover, Bank Asia has a special focus on small and medium-sized businesses (W. Rahman, 2024).

- Geographic Segmentation: For urban areas Bank Asia has traditional branches and online banking facilities. On the contrary, rural and underserved areas are the main focus of Agent Banking networks, which span more than 64 districts and thousands of locations.

  The majority of rural and isolated people, particularly low-income clients and marginal farmers, are served by Bank Asia's agent banking. Strong rural segmentation is seen in agent channels, where 64% of users are female and 91% of accounts are in rural areas (The Business Standard, 2025).

- Behavioral & Usage Segmentation: The Bank Asia Smart App, facilitates mobile transactions and QR-based payments to the customers who have adopted digitalization. Moreover, financial inclusion clients are those who require microloans, basic banking, and remittances through agent channels. SME growth-seekers are companies looking for small-business banking solutions and working capital (The Business Standard Report, 2025).

Targeting: Primarily Bank Asia decides on particular customer groups it plans to serve, and then it focuses its resources on growth and competitive advantage. First, retail and SME clients can be developed and have potential to grow on a long-term basis and have reduced concentration risk as compared to corporate portfolios. Therefore, Bank Asia is actively shifting its lending portfolio to 50 percent retail and SME lending. In addition, there are also other clients that Bank Asia targets that include low-income rural residents, women, market vendors and micro business proprietors who utilize agent banking. The second target of the bank is the corporate and premium Banking clients, especially those in need of specific liability services such as cash management and payroll accounts, and the special products of the high-net-worth customers, as illustrated by the branch service models and Priority Banking services. Furthermore, the fintech and digital technologies at Bank Asia support payment and transaction services of micro-merchants customers (Bank Asia Limited, n.d.).

Positioning:

a. Centric Bank Client-Tech-Driven.

Offering a digital experience across the board, Bank Asia makes itself an image of a customer-centered bank with the technology that simplifies banking to all the levels of users, both traditional savers and digital-first customers. Also, Smart App and digital services reduced the necessity to visit the branch and provided the rapidity of transactions.

b. Financial Inclusion Leadership.

Bank Asia has a solid focus on financial inclusion, particularly in micro-merchant networks and rural agent banking. The bank is made to be the banking of all by serving the clients in non-urban locations and bridging the gaps in the financial accessibility. This perception is supported by the fact that they are financially inclusive and rural penetrative, especially among women.

c. Sustainable Banking

Bank Asia participates in green finance, corporate social responsibility (CSR), and ESG, which implies a sustainability and social value position. It helps in its attracting regulatory stakeholders as well as socially conscious consumers (Bank Asia Limited, n.d.).

d.Balanced Growth

Bank Asia is positioned as a balanced-growth institution that can cater to both mass markets and higher-value segments thanks to its strategy drive toward retail & SME growth and digital transformation (Hasan, 2025).

2.4.3 Marketing Channels

Bank Asia PLC employs a variety of marketing and service distribution methods to serve clients throughout the country. Its primary physical channels are 131 branches, 15 sub-branches, and 4 SME/Agri service centers across the country. With more than 5,000 agent outlets spread over 64 districts, the bank has established a vast agent banking network that provides services to underserved and rural areas. Moreover, ATM services give access to 14,000+ shared ATMs and 217 owned ATMs for cash access around-the-clock. Furthermore, Bank Asia Smart App and online banking facilitates over 227,054 active internet users and a robust growth in mobile transactions. Again, in order to encourage digital payments, the bank also installs 3,170 POS/micro-ATM terminals and collaborates with more than 28,800 micro-merchants (Annual Report, 2024).

2.4.4 Branding Activities

Employee Branding & Internal Campaigns: In order to increase retail deposits and credit card sales, Bank Asia conducted a silver Jubilee Sales campaign that strengthened internal brand culture and frontline involvement by rewarding and rewarding 30 top branch employees which was an important Branding Activities for Partnerships.

Branding Activities through Partnership: Bank Asia engages in partnership activities not alone to make profit but also branding activities are enhanced. Some key partnerships are:

- **Special Occasions:** Bank Asia reinvented its brand among the high-end lifestyle customers by giving its cardholders exclusive discounts on Iftar and Suhoor buffet deals in these luxurious hotels during Ramadan (Bank Asia Partners With the Westin Dhaka, Sheraton Dhaka for Exclusive Ramadan Benefits, 2025.).
- **Co-branding US-Bangla airlines:** To highlight the benefits of lifestyle travelling, the debit and credit cardholders of Bank Asia were offered a 10 per cent discount on the base tickets of the domestic flights with US-Bangla Airline (News and events for 2025, 2025).
- **Sayeman Beach Resort (Cox's Bazar):** In line with advancing the benefits of travel and leisure, Bank Asia collaborated with Sayeman Beach Resort to offer its cardholders a Buy 1 Get 2 Nights Stay (valid September-December 2025).
- **Guardian Life Insurance:** Bank Asia and Guardian Life entered into an agreement to provide exclusive financial protection benefits to Star Savers and remitter clients (The Business Standard, 2025).
- **Momen Real Estates:** Momen Real Estates will form a strategic partnership with Bank Asia to enhance the reputation of the Bank regarding mortgage services by offering the clients of Momen Real Estate access to priority home financing services by the Bank (News and Events to 2025, 2025).

- **Bangladesh Ansar and VDP Welfare Trust:** Bank Asia has developed its brand to institutional and welfare banking, as well as digital inclusion, and that is why it is the primary banking partner of over 6 million members (The Business Standard, 2025).

Workshops & Trainings: To gain more customer confidence and awareness of the banking services, Bank Asia conducts financial literacy and agent training sessions. This supports the brand as inclusive and educative.

2.4.5 Critical Marketing Issues:

There are several operational and marketing weaknesses that affect the growth of Bank Asia. Compared to its competitors, its advertising and promotional activities have been criticized as poor in that it has been constrained in creating brand awareness. The lack of advancement of the conventional marketing functions such as active campaigns and special marketing departments seemingly impairs product exposure and client acquisition. Moreover, some of the products such as personal credit are underutilized due to poor marketing and promotion and this reduces their market share. These issues provide evidence of the necessity of greater promotion in digital media, a stronger marketing strategy, and education of consumers so that the company can efficiently use its service portfolio.

2.4.6 The Seven Ps of Bank Asia PLC

Product

Bank Asia has a diverse array of financial products that target individual, SME, corporate and rural customers. They are credit facilities (personal, SME, corporate loans), credit/debit cards, house loans, car loans, deposit (savings, current, FD/DPS), and Islamic banking windows, offshore banking, and digital (online banking, Bank Asia Smart App) services (*Home - Bank Asia PLC*, n.d.).

Price

Bank Asia pricing strategy is within the market competitiveness and Bangladesh Bank regulations. A deposit, loan, credit product interest rate are determined to attract clients, and the interest rates are reduced as much as possible to reduce the risk. Special pricing incentives are also applied to agent banking, low-cost savings accounts, and promotional rates on digital transactions. Its pricing is competitively aligned, which helps it achieve its retail and SME growth objectives. Furthermore, Bank Asia offers segment based products of liabilities and premium banking to attract high value customers (Annual Report, 2023).

Place

The bank uses numerous distribution channels to access clients in all regions of the country. It has over 131 branches and 15 sub-branches, SME/Agri service centers and over 5,000 agent banking outlets in 64 districts that increase its reach to the rural markets considerably. The physical ATM network that uses 217 private ATMs together with over 14,000 shared ATMs provides customers with access to services 24/7. Physical locations are further supplemented by digital means, such as POS terminals, QR payments, and online and mobile banking (Annual Report, 2024).

Promotion

The most important activities by which Bank Asia is promoting its brand and products are traditional and online marketing, collaborating with lifestyle and travel partners on co-branding opportunities (discount and benefits), financial literacy, award-recognition (including the FinTech Innovation Award on financial inclusion), agent business meetings and educating the customers. Sales incentive programmes and agent recognition events are some of the internal marketing initiatives that will enhance brand awareness and uptake of the product (Annual Report, 2023).

People

The human resources and the bank agent network are very significant in service delivery by Bank Asia. Both urban and rural markets are served by the trained staff, relationship managers, and a large base of agents (approximately 2,689 employees) (Annual Report, 2024). Bank Asia also conducts training and agent business meetings to enhance the level of engagement and quality of services.

Process

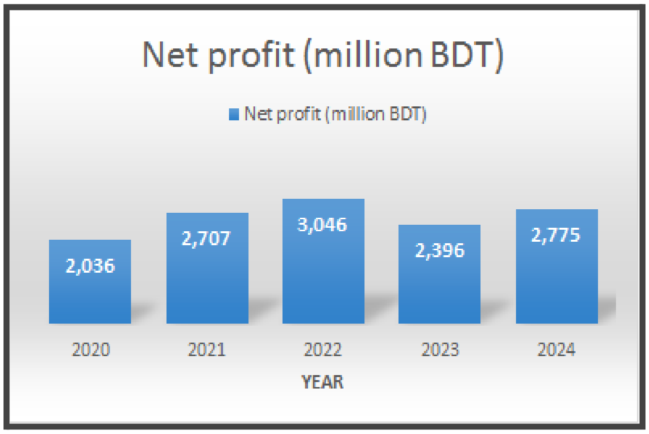
Bank Asia focuses on effective service operations by automating the onboarding process, 24/7 banking using ATMs and digitalization, facilitating transactions using its Smart App, and yet credit, remittances, and utility payments are standardized. The existence of alternative delivery channels allows fast and reliable access to segments (*Home - Bank Asia PLC*, n.d.).

Physical Evidence

Customers experience the Bank Asia products via branches, agent shops, branded cards, ATM booths, digital interfaces, promotional materials and formal documents. These physical and online touchpoints enhance trust and brand credibility in the urban and rural markets (Annual Report, 2022).

2.5: Financial Performance (2020-2024) & Accounting Practices

2.5.1: Profitability Analysis



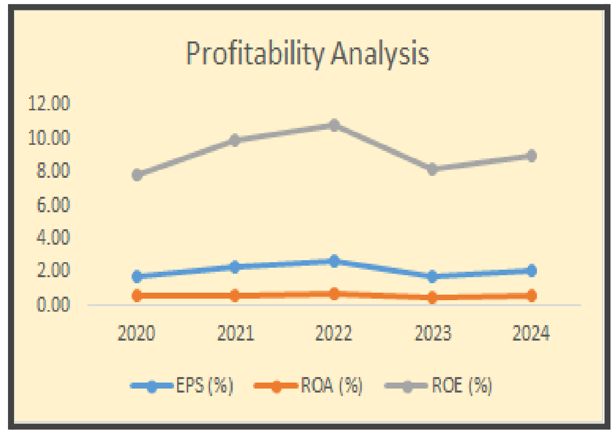


Figure 2: Profitability Indicators

Net Profit: Net profit of Bank Asia PLC has an upward trend between the periods between 2020 and 2024, with minor variations, with the net profit changing between BDT 2,036 million and BDT 2,775 million. Profit peaks in the year 2022 to BDT 3,046 million. The profit fell to BDT 2,396 million in the year 2023 but went back to BDT 2775 million in 2024. Generally, the bank experienced steady long-term growth and strong profit stability.

ROA: The ROE of Bank Asia PLC was increasing between the years 2020 to 2024 with some minor fluctuations. In 2022. ROE was at its maximum and was 10.88. Although there was a minor decline in 2023 ROE increased further in 2024 with 9.04.

EPS: The EPS of Bank Asia increased steadily between 1.75 in 2020 and a high of 2.61 in 2022, which has shown excellent growth over the last two years. However, the following year EPS fell at 1.72 in 2023 and regained at 2.06 in 2024. The overall trend shows a continuous growth of shareholder value notwithstanding the fluctuations in the short run.

ROE: The ROE of Bank Asia has increased steadily from 7.81 percent to 10.88 percent, which indicates an increasing efficiency in generating returns to shareholders. The ROE rose to 9.04% in 2024 although this went down to 8.24 in 2023. In general, the profitability curve of the bank was strong and stable at that period of time.

2.5.2: Operational Efficiency

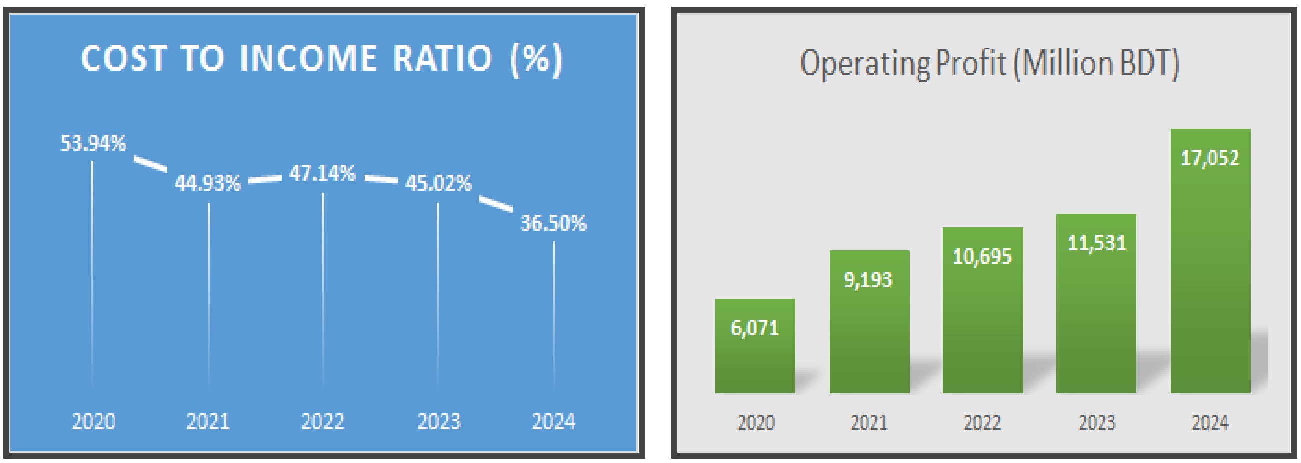


Figure 3: Cost to Income Ratio & Operating Profit (2020–2024)

Cost-to-income ratio: Cost-to-income ratio (CIR) will enable us to gauge the efficiency of the Bank Asia by ratios of its operating expenses to its operating income. The trend is negative as indicated in the graph and this is more favorable to the Bank Asia PLC since it is reflecting that the bank is more efficient in making profit compared to its cost. The ratio exceeded 50 percent in 2020 and this was quite alarming. Bit by bit the situation was getting better with slight fluctuation. In 2024, the cost to Income Ratio of Bank Asia PLC reduced to 36.5 per cent that indicates an increase in operating expenses under 36.5 per cent lower than operating income which depicts a high profitability.

Operation revenues: The operating profit graph indicates an upward trend, which is an indicator of improved performance compared to the previous years. The operating profit of Bank Asia in 2020 was BDT 6,071 million which rose to BDT 17,052 million in 2024. It demonstrates increased cost-effectiveness and revenue operation in terms of interest and non-interest. The increase in revenue also proves that the bank has been becoming more profitable in general and has strengthened the sources of income and managed expenses.

2.5.3: Liquidity and Credit Deployment

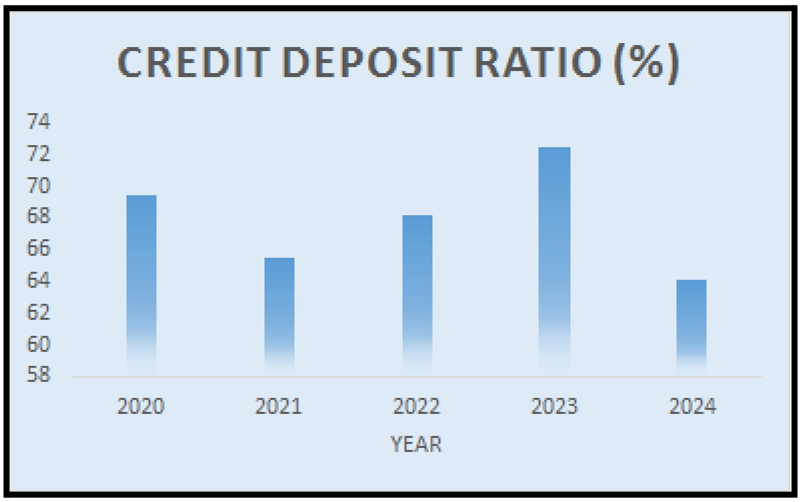


Figure 4: Credit Deployment Ratio

Credit Deposit Ratio (CDR): The Credit Deposit Ratio (CDR) at bank Asia was moderate during the past years. CDR has declined in 2021 compared to 2020 and indicated a reduced pace of credit expansion compared to deposits. Subsequently, it was observed to have stronger loan deployment through further growth later in 2022 and reaching its peak in 2023 at 72%. The CDR dropped to 64 percent in 2024, signifying either more restrictive lending or quicker deposit development. Overall, the trend is characterized by periods of tightening lending and credit growth.

2.5.4: Revenue and Expense Trends

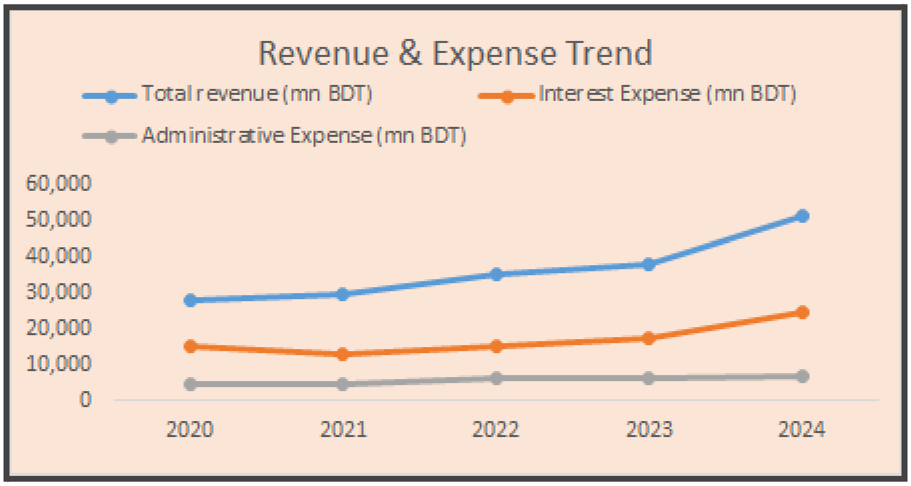


Figure 5: Revenue and Expense Trend

Revenue Growth: The overall revenue of Bank Asia increased consistently in the last five years, starting with BDT 28,105 million in 2020 up to BDT 51,338 million in 2024. Behind this ever-increasing trend, there is strong corporate expansion and increased revenue generating activities.

Expense Analysis: The interest expense marginally dropped in 2021 but then it is projected to BDT 24,484 million in 2024. Moreover, the administrative expenses grew annually increasing since 2020 when it was BDT 4,363 million and in 2024 the yearly amount was BDT 6,802 million. All of these trends indicate an increased cost of funding and growth in operations..

2.5.5: DuPont Analysis

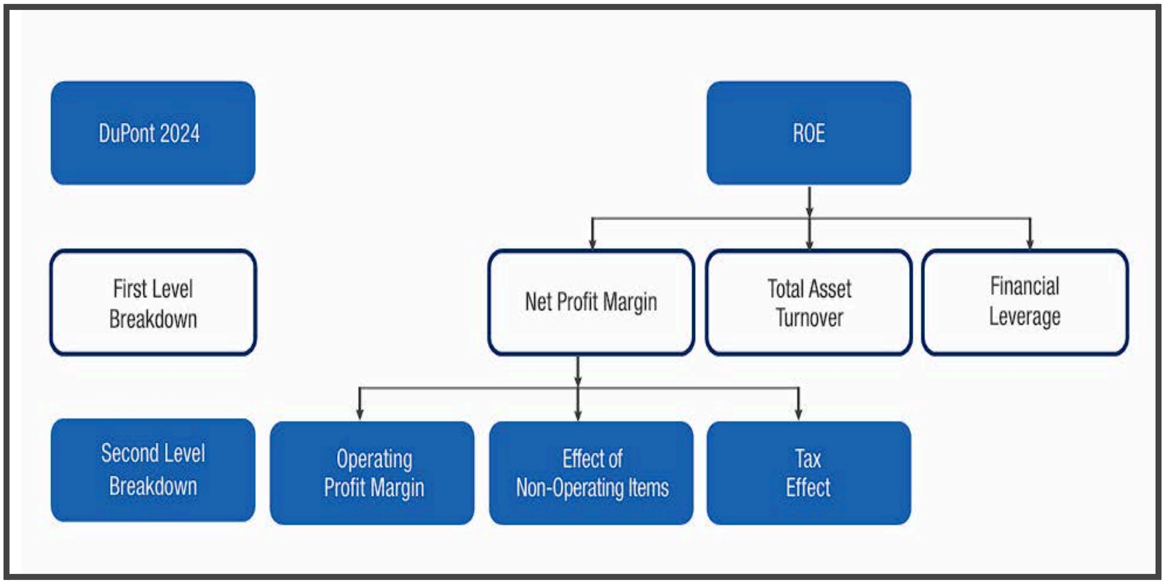


Figure 6: Dupont Component

The DuPont components' positive contribution to Return on Equity (ROE) is stronger when their values are higher. According to the second-level breakdown, there are three main factors that affect net profit margin: operating profit margin, non-operating items (such provisions), and tax effects.

Bank Asia's operating profit margin increased from 21.60% in 2020 to 33.22% in 2024, showing higher core operating efficiency.

The effect of non operating items however, went down to 0.3691 in 2024, primarily due to an increase of 57 per cent in total provisions whose value slipped by Tk. 6,835 million to Tk. 10, 758 million. The tax effect has also decreased to 0.4408 in 2024, as compared to 0.5144 in 2020. These adjustments (large operational margin and less non-operating and tax impacts) caused a reduction in the net profit margin of 7.24% in 2020 to 5.40% in 2024.

An overall improvement in ROE was supported by rising asset utilization and financial leverage, even in a backdrop of a decrease in net profit margin. The average total asset turnover increased to 0.1020, indicating improved asset income generation efficiency. Additionally, financial leverage increased slightly, from 14.6 in 2020 to 16.4 in 2024. As a result, ROE increased from 7.81% in 2020 to 9.04% in 2024 (Annual report, 2020-2024).

2.5.6 Market Value Added (MVA) Analysis

Year	Market Value (mn BDT)	Book Value (mn BDT)	Market Value added (mn BDT)
2020	21,221	19,388	4,165
2021	25,417	19,388	6,029
2022	23,553	19,388	4,165
2023	23,553	19,388	4,165
2024	19,820	19,388	432

Table 2: MVA Analysis

In the same period of five years, the market value of Bank Asia has grown by BDT 21,221 million in 2020 to a high of BDT 25,417 million in 2021. Subsequently, the value of the market declined considerably to BDT 19,820 million in 2024. The book value was consistent over time with the underlying equity being BDT 19,388 million. Also, since the investor confidence declined, and the market premium over book value has declined in recent years, Market Value Added (MVA) has made comparable swings, reaching its peak in 2021 and plummeting to only BDT 432 million in 2024.

2.5.7 Accounting Practices

Fundamentals of Accounting:

Bank Asia PLC keeps its books in line with the International Financial Reporting Standards (IFRS) and regulatory requirements by the Bangladesh Bank and accounting policies are applied uniformly. Accounting transactions are documented using the accrual basis, which acknowledges the revenue and expense as it is due or owed. The total assets and profits of Bank Asia showed an increase as of 2024, and this indicates a going-concern assumption in the financial statements of the bank. Going Concern is shown by the increase of total assets between BDT 408,717 million in 2020 and 532,901 million in 2024. Besides, net profit after tax also grew in 2024 (Tk 2,775 million) compared to 2020 (Tk 2036 million), which contributes to its further functioning and development.

Accounting Cycle:

The accounting cycle involves the recording, posting of transactions (loan, deposit, investments), preparation of trial balances and corrections (including provisions) and the preparation of complete financial statements (income statement, balance sheet, cash flows, and notes) which are then closed by entries.

Depreciation Method:

Bank Asia amortizes its fixed assets including land and buildings, furniture and equipment by the straight-line method over their useful life as estimated. The carrying amount of property, plant and equipment rose to BDT 985 million in 2024, up by BDT 849 million in 2020, which shows that the additions of assets and the practices of depreciation remained steady according to the BAS 16.

Accounting Disclosures:

The bank also reveals the important financial details such as

- Revenue recognition
- Loan provisioning and Non-performing loan rates (3.24% as of 2020 to 11.40% in 2024)
- Capital Adequacy Ratio (CRAR: 17.16% in 2020 to 15.61% in 2024),
- EPS (1.75% in 2020 to 2.06% in 2024), and
- NAV per share (17.16% in 2020 to 27.31% in 2024)

as a reaction to regulatory and investor provisions.

Analytical Comments:

The profitability and balance sheet strength of Bank Asia has been enhanced, even though the bank is still struggling with issues like assets comprising a greater percentage of non-performing loans and changes in interest rates. There is transparency due to comprehensive annual disclosure..

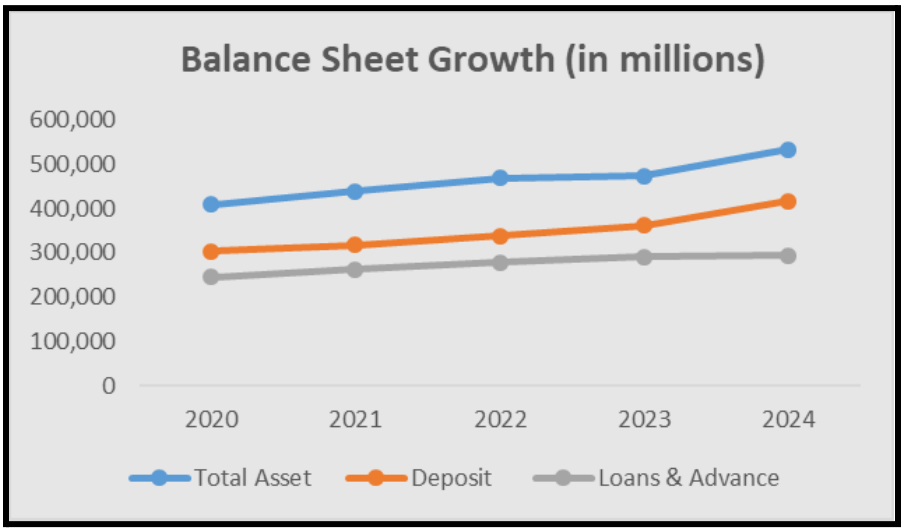


Figure 7: Balance Sheet Growth (2020-2024)

Over the period 2020 to 2024, the total assets of the Bank Asia are regularly increasing, and this is an indication that the balance sheet is growing steadily. The deposits were increasing gradually year after year and particularly in the year 2024 the growth rate increased signifying the increased confidence of the customers. Within the timeframes, the growth of loans and advances turned out to be rather moderate, which suggests the tamed growth of credit and prudent risk management.

2.6 Management and Information System Practices: Operations Management.

2.6.1 Data Collection, Storage and Processing

Database Systems and Core Banking

Bank Asia has an enhanced Core Banking System (CBS) supported by high availability database architecture, through systems such as Oracle RAC and Oracle Exadata to facilitate quick processing, reliability and scalability to the branches. Furthermore, database infrastructure helps in transaction processing, customer record, account management, remittance processing and compliance reporting where data is stored, replicated and fail-protected.

Automation and Improvement of the Process

The bank has deployed technologies like Robotic Process Automation (RPA) in the onboarding and remittance of funds which is used to verify the face and NID of the consumer thereby improving the speeds and reducing the workload. Moreover, an automated system has been implemented to help in interaction of data with the use of a chatbot that complements the activities of a call-center and helps to process some of the customer demands (Annual Report, 2022).

2.6.2 Sharing information with its stakeholders and clients (transparently)

Customer Channels

- The Bank interacts with and informs customers using digital platforms including online banking, the Bank Asia Smart App, ATM/SMS banking and agent banking networks giving customers real-time access to their banking information.

- An internal communication tool named MyFamily App that is used to provide communication and operational coordination between employees of different departments (Safayet, GFAD).

Extrinsic and Legislative Stakeholder Reporting

- Information systems can be used to report and comply with the regulators such as Bangladesh Bank by automated mechanisms of monitoring (e.g. AML and Suspicious Transaction Reporting modules).
- Communication with shareholders and external partners is also supported by making use of digital platforms with the help of annual reports and integrated reporting.

2.6.3 Database and Office Management Software

HR and Enterprise Software Tools

Human Resource Information System (HRIS) like Orbit and Stelar are utilised by Bank Asia to gather, store and process information of employees during recruitment up to the termination of their employment. The HR departments and employees receive role-based access so that they can view and update the data and maintain quality records (*Iffat Ara, HRM)*.

Other Systems

It has department-specific systems i-Hikmah to Islamic banking operations and this serves to show that specific banking software is used in line with a particular service segment (*Bank Asia Limited*, n.d.-d).

2.6.4 Quality Management Practices

The practice of quality management in the present case will cover the following areas: vision, mission, values, and objectives of the company.

Data Protection and Regulatory

Bank Asia has achieved ISO/IEC 27001 information security standards and PCI DSS compliance card data security standards to ensure quality in the data control and data security measures.

The certifications are indicators of best-practice in the prevention of violation of customers data and operations.

Surveillance and Tracking Softwares

The bank has adopted systems such as MISDB, which generates quality reports in the form of analytical graphs to support the performance and decision making.

2.7 Industry and Competitive Analysis

2.7.1 Porter’s Five Forces Analysis

Bargaining power of Buyer (Moderate):

- The large number of financial institutions in the country gives consumers more purchasing power because they may easily switch banks or maintain accounts with several banks that provide them with better services.
- Compared to retail and SME clients, corporate clients are more sensitive to interest rates. Customers are becoming more price conscious when it comes to interest rates and fees because so many banks provide comparable services (loans, checking and savings accounts).
- A customer's choice and acceptance may be influenced by digital channels, alternative delivery methods, and other location-independent services.
- Transparency in prices and other features provided by online comparison platforms and mobile financial platforms enhance customer bargaining power.
- By providing some alternative services (such transfers and short-term credit), non-bank financial institutions (NBFIs) and mobile financial services (MFS) give consumers more options.

Supplier power (Moderate to High):

- Deposits are the source of funding for Bank Asia. Depositors have some bargaining power because numerous banks compete for these deposits, particularly when there is a shortage of liquidity and attractive interest rates are being provided. Employees and individual depositors have less negotiating power.
- Banks rely on digital platforms, cybersecurity, fintech linkages, and core banking software. Although larger banks may frequently negotiate better prices, these technology

vendors may have negotiating power. IT providers are more powerful than regular suppliers because of their heavy reliance on IT infrastructure.

- In a market where certain talents are in short supply, competition for expertise in risk management, digital banking, and compliance drives up costs.
- The bank can be significantly impacted by corporations, high net worth individuals (HNWIs), and senior management personnel.

Threat of new entrants (Low to moderate):

- Banks in Bangladesh entail heavy capitals, licensing by the Bangladesh Bank and adherence to the prudential regulations, and an effective risk-management system. These demands increase the entry cost and complexity. Barrier entry is great because of high initial capital requirements and the regulatory requirements.
- The branch network, technology, and brand awareness of well-known banks like Bank Asia are all enhanced by their size. To effectively compete, new entrants must make significant infrastructural investments.
- Loyalty and trust of customers is a factor here because lots of clients experience long-term banking relationships with the already established banks, and migration is rather rare.
- Fintech and digital banking platforms, including mobile financial services, are new competitive factors that could reduce effective entry barriers in some markets, particularly digital wallets and payment services, even when traditional hurdles are still high.

Threat of Substitute (High)

- Threat of substitute is high because of immense competition from NBFIs for delivering appealing products, such as EMI services on automobiles, furniture, and home appliance makers, without the need for financial intermediaries.

- Bangladesh relies less on traditional bank channels for basic financial services because of the widespread usage of modern Fin-Tech services like bKash, Nagad, and others for payments and transfers.
- Since there isn't a direct counterpart for our deposit and loan products, the threat of a replacement is essentially nonexistent.

Competitive Rivalry (High)

- The banking sector of Bangladesh offers a lot of competition in terms of deposits and loans and consists of a number of commercial banks, public banks and foreign banks in addition to the NBFIs.
- Digital services, interest rates, and service charges are common competition factors among banks which strain profits. Depositors can therefore change their deposit cheaply.
- The embrace of online and mobile banking is a major point of difference causing incumbents to keep on enhancing customer experiences and platforms.
- FIs have the same client and are strongly targeting the retail and SME target rather than corporate.
- The structural issues in the industry, including the presence of large non-performing loans (NPLs) and ineffective governance of some banks, cause competitive anomalies and the differences on risk behavior among banks.

2.7.2 SWOT Analysis

Strengths

- Bank Asia is financially well established and its capital adequacy ratio along with effective risk management facilitates stability and growth.
- By developing a huge network of branches and agent banking points, the bank has highly enhanced financial inclusion in both rural and urban regions of Bangladesh.
- The national and international awards the bank has received in the field of sustainability reporting and corporate governance have helped to enhance the reputation of Bank Asia.
- To enhance service delivery, the bank focuses on the digital banking products and modern banking technologies, with future plans of having a digital bank.
- The educated management and skilled workers come in handy when it comes to operations, dealing with customers and implementation of strategies.
- Sustainability reviews have placed the bank highly as the bank is engaged in sustainable finance which includes green finance and socially responsible finance.
- Cost to Income ratio stands in low positions.
- Developed Cyber security and defenses with customer retention as the primary priority first through providing high standards of customer services.
- Flexibility to changing environments and ability to make profit out of change in regulations.
- Ensure that there is strict compliance with regulations in order to ensure corporate governance.

Weakness

- The bank's advertising and marketing initiatives are perceived as being less effective than those of some rivals, which could reduce brand awareness.
- Focused on the major industrial sector

- Slower expansion of the foreign trade industry
- Weaker marketing and product distribution techniques result in the underutilization of some products, such as personal credit lines.
- The lack of comprehensive training in a part of the agent banking staff and officers will potentially impact the quality of service delivery in the remote offices.

Opportunities

- Expansion in online financial services provides a chance to engage more people and create new product lines outside of the conventional markets.
- Continuous government efforts related to financial inclusion and the support of the banking industry will strengthen the growth of Bank Asia.
- The Bangladesh market has an opportunity of offering customized loan products and corporate services because of the growth in the economy and increased SME demand.
- Bank Asia has a potential to introduce derivative and other diversified financial services like insurance.
- Further spread of agent banking will bring new clients and enhance penetration of the unserved markets.
- Unveil the insurance products in banking services
- Market driven Interest Rate Corridor by regulators
- Development of Digital Banking product
- Focusing on ESG and SME backed loan portfolio brings sustainable long term grow

Threats

- Performance may be impacted by risks like inflation, currency depreciation, and shifting international trade conditions.
- Slow loan growth has affected the banking sector as a whole, which may limit revenue growth.
- Regular changes in regulations and policies may increase the expense of compliance or interfere with strategic planning.

- Market share and pricing power may be weakened by increased competition from traditional banks and fintech/MFS firms.
- Systemic concerns that could impact Bank Asia include growing loan defaults and problems with asset quality in the industry as a whole.

2.8 Summary and Conclusions

Bank Asia is a third-generation commercial bank in Bangladesh and is a public limited company, which was incorporated in Bangladesh in 1999 and has a countrywide network of branches, ATMs and digital channels. It has traditional and Islamic windows and provides retail, SME, corporate, remittance and trade services. The bank has established itself as a mid-tier, technology-advanced and diversified non-bank subsidiary bank. The bank has focused on formal corporate governance, independent audit committee, and board-level control of risks and compliance in accordance with Bangladesh Bank. The internal control, compliance with Basel III, emphasis on the quality of assets and digital transformation are disclosed in the Management disclosures and a Directors' Report. The latest shift in leadership can be attributed to active stewardship of the board and focus on governance. Bank Asia is a promoter of branch relationship banking, digital (mobile/Internet banking, agent networks) promoting products (such as insurance), and fintech (financial inclusion) (micro-merchant and agent banking). Brand push in ESG and fintech recognition is seen in public sustainability and awards. The campaigns combine product-level promotions (cards, home loans, SME products) with the corporate-image communications.

Throughout 2020-2024 the bank has recorded strong growth in core operating income and an increasing asset base, and has managed margin pressure, increased provisioning and a difficult macro environment. According to Annual Integrated Report 2024 the net profit and capital adequacy have improved in recent filings, as demonstrated in annual and interim reports, though loans and provisioning are still identified as problematic areas where the management has implemented recoveries and stricter credit controls.

Bank Asia is operating within a highly competitive industry in Bangladesh banking that is dominated by bigger and private and state banks. It has a competitive advantage of both niche digital products and branch footprint and focus on SME/remittance segments; scale, price pressure and compliance costs of regulations continue to pose a competitive challenge. Medium-term gains in market share will be pegged on further investment in technology, risk management, and acquisition of customers.

2.9 Recommendations

- **Increase credit risk management and quality of assets:** In SME and corporate loans, the Bank Asia needs to enhance credit assessment and post-disbursement monitoring particularly. The profitability level will be stabilized and the burden of providing will be reduced through enhanced early warning mechanisms, sector exposures and expedited settlement of classified loans.
- **Improve information processing and digitalization:** Although Bank Asia has already achieved success in digital banking up to the present, they could use more resources in the sphere of cybersecurity, AI-based credit scoring, and data analytics. The increase in the scope of the available mobile banking services and the implementation of digital onboarding is expected to minimise the operating expenses and enhance the client retention.
- **Enhance efficiency:** Bank Asia should proceed with centralization of back-office operations, process mechanization and streamlining of branches. The improvement of the cost to income ratio will boost the competitiveness in the long run, particularly with the bigger banks, which are privately owned.

- **Improve transparency and management:** This increase in the corporate governance, independence and quality of disclosures will increase investor confidence as it keeps on improving. It is advised to be aligned with the international best practices by using stress tests and open communication of risks exposures.
- **Stress on inclusive and sustainable banking:** The bank ought to increase agent banking, SME support and green lending in the underbanked areas. The lending practice will be consistent with the ESG and will facilitate the long-term growth, brand regard, and conformity.

Chapter 3: Project Part

The Effect of T-bond Interest Rate on the Bond Market: A Case Study on Bank Asia PLC

3.1: Introduction

The bond industry is an important instrument that the businesses and governments of various countries use to raise long-run capital because of its financial infrastructure. The bond market has traditionally been dominated by Government treasury bonds T-Bonds in Bangladesh and bills. These securities serve as reference interest-rate assets to the entire fixed-income environment. As such, variation in the interest rates of T-Bond substantially affects corporate bonds, bond yields in the banking sector as well as the behavior of investors besides the costs of government borrowing.

Recent events in our country show how sensitive bond yields are to fluctuations in macroeconomic factors. For instance, in late 2025, rates on two-year T-Bond auctions increased from approximately 9.44% to approximately 10.10% as banks shifted their focus from government assets to alternative uses of liquidity. In the meantime, yields on longer-term T-Bonds, including 10-year bonds, increased as banks began to avoid long-duration securities in an unstable economic situation. In Bangladesh high yields on government bonds tend to increase demand for corporate bonds. According to analysts, large investors like banks, large companies, and pension funds usually want to invest in government securities like T-bonds because these securities are safer (guaranteed repayment) than corporate bonds. Because of this situation, changes in T-Bond interest rates could have a substantial impact on the market value of bonds issued by Bank Asia and other comparable institutions (if they are sold on secondary markets) as well as the yield these bonds must provide in order to draw investors.

The inverse relationship between interest rates and bond prices helps to situate the Bangladesh experience in a broader theoretical and empirical context. Previously issued bonds with lower coupons generally lose market value when new bonds are issued at higher interest rates because investors want rewards that match the current market conditions.

The need to systematically explore the impacts of the alterations in the T-Bond interest rates on the market value and yield of the Bank Asia bonds is evident. This study sheds some light on how sensitive investor demand is to change of interest rate. Besides the bank bondholders and the management, this will also give details to the regulators, portfolio investors and policy-makers who desire to enhance the stability and infrastructure of the bond market in Bangladesh.

Therefore, the present study, with its focus on an in-depth, empirical case study of Bank Asia PLC, aims at filling the gap in the literature. This will be explained through the analysis of market data, bond coupon/yield structures, and interest-rate variations to explain how the interest-rate risk is transferred between government securities and bank-issued corporate bonds. This is the region that is gaining significance in the changing financial environment in Bangladesh.

3.2: Background and Problem Statement

Bangladesh financial market has shown a high dependency on interest rate changes in 2018 through changes in monetary policy, tightening liquidity condition, and increase in government borrowing in terms of Treasury bonds (T-bonds). In 2020-2023, the global and domestic economy strained jointly in terms of the increase in T-bond rates. The price of corporate bonds in our country has a moderate correlation with the yield of T-bonds. This is why market value of current bonds tends to fall due to increase in interest rates. Quite on the contrary, in case of a decline in rates, investors reconsider the price in accordance with the future estimated profit. In such a way, investors and issuers face lack of certainty as to their investment.

Interest rate movements are particularly sensitive when it comes to bank issued subordinated bonds. Increasing T-bond interest rates leads to the investors seeking a greater yield and hence, the market value of the existing bonds declines. As the interest rates go down, investors reprice the bonds according to the expectations of the lower yields in the future. In the case of these constant changes, issuers and investors will find it difficult to accurately find out the value of bonds and returns.

Despite the extensive research on the impact of interest rates on the macroeconomic activity, there have been little research studies on the impact of fluctuations on the benchmark interest rates on the pricing of particular corporate bonds more so in developing markets such as Bangladesh. This is a wide gap because the corporate bond market is highly shallow and trade constrained with poor price discovery. In the absence of credible pricing signals, it is not easy to operationalize whether the variations in prices of bonds are as a result of market inefficiencies or actual market impacts of the interest rate.

Using the case study of Bank Asia PLC, which is among the leading issuers of subordinated bonds in Bangladesh, this study attempts to establish how the potential investors adjust the value of their holdings to the variation in the benchmark interest rates. Are market prices falling due to the demands by investors to have higher yields? Or are there circumstances to the actual effect of interest rates which conditions illiquid trade? The issuers of bonds, policymakers and players in the market, who desire stable bond markets, proper pricing and effective financial planning, are confronted with a strategic dilemma.

3.3 Objectives of the Study

Main Objective: The general objective of this study is to examine the effect of Treasury Bond (T-bond) interest rates on the yield and market value of private banks's subordinated bonds with a study on Bank Asia PLC's in Bangladesh and determine whether changes in benchmark interest rates have a substantial impact on the market value and yield of Bank Asia's subordinated bonds

Specific Objectives:

- Apply statistical model and regression research to measure how sensitive Bank Asia bonds are to changes in interest rates.

- To analyse the Bank Asia bond pricing trend throughout the chosen study period with the T-bond rate trend.
- To determine the dependency of Bank Asia bonds on monetary policy and understand market behaviour.
- Identifying the challenges Bank Asia faces regarding their bonds.

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3.4: Significance

This study will assist regulators in determining how monetary policies affect private bond markets, guide investors in correctly valuing Bank Asia's bonds in context of fluctuating T-Bond rates, and assist Bank Asia in organizing bond issuances that are competitive and appealing even in the context of changes in government yields.

3.5: Scope of the Study

The Effect of Interest Rate on the Bond Sector: A Case Study on Bank Asia PLC (2020–2024).

The study content area comprises:

- Interest Rate Trends: A review of the interest rates changes in Bangladesh Government Treasury Bonds (T-Bonds) between 2019 and 2025 focusing on the role played by the macroeconomic factors and the policy changes affecting the fixed-income market.
- Bank Asia PLC Bonds: Evaluation of the bond performance of Bank Asia under the different interest rate settings, the concentration on the alteration of the bond yield along with the market value and the investor response to the changes in interest rates.
- Industry Benchmarking: The comparison of bond performance indicators with certain industry competitors in the banking industry to identify whether the results of Bank Asia are actual market trends or the performance is weak due to institutional causes.
- Methodology: The analysis mostly uses Primary data (Subordinate bond yield and market price) and secondary data such as financial statements, market prices and yield data on government bonds. The relationship between T-Bond interest rates (an

independent variable) and the market value and yield of Bank Asia bonds (dependent variables) will be ascertained using analytical methods including regression and correlation.

3.6 Research Gaps and Synthesis

The existing research on the bond market has been done with major concentration to macro level interest rates and government securities. There are limited emphasis on micro level studies particularly, (1) how variation in T-bond interest rates is transmitted to pricing, yield and market value of individual bank-issued bonds in the context of Bangladesh; (2) existing studies usually use single analytical methods which disregards the use of a combination of descriptive analysis, regression models and correlation analysis in order to analyze dependency and directional relationships with the benchmark interest rate; and (3) the absence of institution-specific case studies which encompass other affecting factors and practical issues that banks are confronted while managing bond portfolios. My case study on Bank Asia PLC tries to fill these gaps by investigating the effects of T-bond rates on bond price and yield through numerous statistical packages, dependency on other market variables, and real-life problems in the management of bonds.

3.7 Literature review

Theoretical & Analytical Framework: The current work is based on the basic financial theory according to which bond prices and interest rates vary in an inverse manner due to the fact that the market is hoping to gain more profit, and the fixed coupon becomes less attractive. Since the rates of the Treasury Bond (T-Bond) are the main determinants of the benchmark yields in Bangladesh, and the monetary operations have a direct impact on the market value and yield of corporate bonds of Bank Asia, a change in the rates of the Treasury Bond (T-Bond) will have an immediate effect on the market value and yield on Bank Asia corporate bonds.

The theoretical basis is the Risk-Free Benchmark Theory that relies on the sovereign bond yields to establish a price of a debt in the individual sector and the Interest Rate Risk Pricing Theory which argues that investors must be compensated when the market rates increase. Moreover, the Cost of Capital Theory indicates that an increase in market interest rates will increase the cost of borrowing by banks, which in turn will impact on the demand and valuation of corporate bonds.

Correlation analysis is analytically adopted to investigate the strength and direction of the relationship between T-Bond interest rate movements and the yield and prices of the bond market offered by Bank Asia. The regression analysis is used to measure the extent to which the variation in the Bank Asia bond performance can be statistically attributed to the change in the interest rates on the benchmark rates. This framework is useful in determining whether the changes in prices are caused by systematic effects of interest rates as opposed to internal bank-specific factors.

Role of Bonds in Bank Funding and Bank-Issued Bonds: Bank-issued bonds (subordinated and perpetual bonds) play an important role in capital management in terms of funding and regulatory capital. Bank bonds also have fixed coupons unlike stocks, but they are at higher credit and liquidity premia than government yields. Such instruments are priced based on benchmark (risk-free) rates, issuer credit quality and liquidity in the market, as such, changes in benchmark yields have significant impacts on issuer funding costs and the valuations of such instruments in secondary markets. The financial leverage of the debt in the funding mix and the susceptibility of the cost of funding to the state of the market are mentioned in both the 2024 annual report and market filings of Bank Asia (Annual report, 2024).

Transmission of the Monetary Policy to Corporate Bonds: The transmission of the changes in central bank policy rates to the bond markets is through the money-market rates, liquidity and expectation. As the policy rate of the Bangladesh bank increases, the market interest rates and Treasury bond yields increase which increases the cost of funding Bank Asia and drives its bond yields up. This leads to reduced market value due to increased yields and spread of credit because investors desire greater returns when taking risk. On the other hand, an expansionary strategy can decrease yields and the issuance situation of Bank Asia (Sensarma & Bhattacharyya, 2016). The tightening in Bangladesh has been supported by sharp escalation in the treasury rates that have increased the cost of borrowing by the issuers and reduced the attractiveness of the corporate issues.

Market Structure, Liquidity & Price Discovery in Bangladesh: An area of the literature and anecdotal discussion is the lack of a deep corporate bond market and ineffective secondary trading in Bangladesh. Large concentration of investors (banks, insurance companies) and low market-making increases price fluctuations and decreases transparency. Institutional reassignments to sovereigns result in crowding- out when the treasury yield increases, thereby reducing the corporate subscription and secondary liquidity. It is also more challenging to determine yield determinants empirically because of this structural thinness, and it increases realized volatility (Tanjim, 2024).

Market Behavior: Recent increases in T-Bond rates, which are projected to increase to 12-13 percent in 2024, have caused most institutional investors to shift to government securities, which give high, risk-free returns. The perception of investors in the bond market of Bangladesh is very yield-oriented. This reduces the demand of corporate and subordinated bonds of banks like Bank Asia forcing issuers to pay higher coupons to remain in the market (TBS News, 2024). Investors are further discouraged by the existence of bad liquidity and weak secondary market (The Daily Star, 2023). Consequently, despite the superb returns provided by subordinated bonds held by Bank Asia, a majority of investors opt to invest in the T-Bonds because of the perceived low risk. Thus, it reduces the interest of the market in the bond instruments of Bank Asia since monetary tightening raises investor preference to government papers.

3.8 Hypothesis Development

H_0: The yield and market value of Bank Asia's bond are not significantly impacted by changes in Treasury bond (T-bond) interest rates.

H_1: The yield and market value of Bank Asia's bond are significantly impacted by changes in Treasury bond (T-bond) interest rates.

3.9 Methodology

The research design adopted in this study is quantitative research design based on research on the impact of Treasury Bond (T-bond) interest rates on the corporate bond market. It focuses on the yield and market value of subordinated bonds issued by Bank Asia PLC. The design is explanatory since it seeks to establish a causal relationship between the pricing behavior of Bank Asia's bond (dependent variables) and T-bond interest rates (independent variable). Regression modeling and correlation analysis are two statistical methods used to evaluate the strength and direction of the relationship.

3.9.1 Data Collection

This research relies mostly on primary data and secondary data, collected from the following sources:

1. Macro-Level Data (T-bond Interest Rates & Reference Rate): The official database (Bangladesh Bank website) and Govt. report (Bangladesh Government Securities Report, 2019-2025) has been used to collect yearly T-bond Yield of the last 7 years and the average of 6 month fixed deposit rates of private banks (2019-2025) for the reference rate of corporate banks bond. As private bank bonds are of 7 years maturity, to match the maturity period, the average of 5 year tenure and 10 year tenure of T-bond yield has been used in analysis.

2. Bank-Specific Information (Corporate Bond Data): Subordinated bond coupon rate and Market value or indicative trading data was collected from Bank Internal data source and from my field supervisor for semiannual period of last 7 years. Moreover, Prospectus of Bank Asia’s subordinated bond issued under Basel III guidelines has also been considered.

3. Market Data Sources: Market data has been collected from Bangladesh Bank Securities Report, internal Source of Bank Asia and Business newspapers (The Business Standard, The Financial Express) for commentary on bond market movements and interest rate changes.

The study covers **seven years (2019–2025) semiannual data** to capture multiple interest rate environments of T-Bond.

3.9.2 Variables

- **Independent Variable:** Treasury Bond (T-bond) Yield
- **Dependent Variables:**
    1. Bank Asia Subordinated Bond Market Value
    2. Bank Asia Bond Yield

3.9.3 Analytical Methods

The coupon rate of Bank Asia's bond is determined by this formula,

Reference Rate (average of 6 months FD rate) + Margin = Coupon Rate

The statistics used only of Microsoft Excel follows,

Descriptive Statistics

● Descriptive statistics (mean, median, standard deviation, and overall movement) will be reported for T-Bond interest rates, market value of Bank Asia bonds, and Bank Asia bond yields from 2019–2025.

● Trends in bond prices and yields will be compared with significant interest-rate changes during the study period.

Correlation Analysis

The direction, strength, and linearity of the relationship between the variables will be examined using Pearson correlation:

- T-Bond interest rate vs. market value of Bank Asia bonds
- T-Bond interest rate vs. Bank Asia bond yield

Regression Analysis

Simple Linear Regression has been conducted to examine the direct impact of T-Bond interest rate on Bank Asia bond value and yield.

Peer Bank Comparison:

This study will compare Bank Asia with the three comparable peer banks such as BRAC Bank PLC, Eastern Bank PLC, and Prime Bank Limited to evaluate Current bond performance and estimate future returns for investors. The selection of these banks is based on the fact that they are large to mid-sized privately owned commercial banks, are subject to the same Basel III capital regulations, and have been issuing subordinated or similar bond instruments in the recent past. They are also active in the corporate bond market with a similar level of operation, hence they are suitable to assess the price of the bonds and interest sensitivity of Bank Asia.

3.10 Findings and Analysis

According to the analysis, government bond yields have directly increased as a result of rises in Bangladesh Bank's policy rate, decreasing the appeal of corporate bonds and raising their needed returns. As a result, during tightening periods, investor demand switched toward safer high-yield Treasury securities, increasing funding costs for banks such as Bank Asia.

3.10.1 Descriptive Statistics

This section presents and discusses the descriptive statistics of the T-Bond interest rates, Bank Asia bond market value, and Bank Asia bond yields in terms of central tendency, dispersion, and general movement over the period of study (2019-2025).

1. T-Bond Interest Rate

Kurtosis	0.378675907
Skewness	-0.239186781

Mean: 0.0873 (8.73%)

Median: 0.0836

Standard Deviation: 0.0228

Range: 0.0776 (Minimum 4.64%, Maximum 12.40%)

The interest rate of T-Bond exhibits a moderate change within the period. The median and the mean are similar implying a steady central tendency. The skew (0.239) is slightly negative and indicates that higher interest rates were marginally more frequent than lower rates. Moreover, the kurtosis is low (0.38) implies that the distribution is rather normal and not extreme. In general, the trend of T-Bond interest rate indicates slow shifts under the impact of macroeconomic factors and the decisions of monetary policy within Bangladesh.

In 2020-22', Bangladesh has faced massive inflation. To mitigate the loss of purchasing power, the government has increased treasury bond yield to attract investors. Thus, the t-bond yield trend has more higher value than lower rates.

2. Bank Asia Bonds Value on the market

Kurtosis	-0.741951738
Skewness	0.6070009

Mean: BDT 10,567,714.27

Median: BDT 10,415,183.50

Standard Deviation: BDT 739,904.48

Range: BDT 2,349,111.22

Bank Asia bonds have moderate volatility in the market value in the study period. The average is a little bit more than the median. The positive skewness (0.607) means that there were sometimes when the prices of the bonds were high. But most of the time, the prices of bonds were in moderate to low value. The negative kurtosis (-0.742) indicates the preference of a flatter distribution, which implies that there are fewer extreme changes in prices. The change in interest rates is a major cause of change in bond prices as is in line with bond valuation theory.

3. Bank Asia Bond Yield

Mean: 9.80%

Median: 9.57%

Standard Deviation: 1.90

Range: 5.40 (Minimum 7.52%, Maximum 12.92%)

Kurtosis	-1.528880462
Skewness	0.352278523

Bank Asia bond yield is relatively volatile over the years. The average yield exceeds the median and the skewness (0.35) is positive indicating that the yield is sometimes high. This is shown by the negative kurtosis (-1.53), which represents a wide and flat distribution and focuses the variability and not on the mean. The yield movements are seen to be sensitive to shifts in the benchmark T-Bond rates and market conditions.

Most of the time, Bank Asia bond yield was slightly higher than t-bond. Though sometimes there were high valued yields, most of the values were near average to low value. Furthermore, in some period Bank Asia bond yield has declined than t-bond because the reference rate (average of 6 months fixed deposit rate) used to determine coupon rate has a high degree of persistence and it is less responsive with the market.

Overall, this analysis helps the issuer to make their bond competitively priced. On the contrary, the investor will be able to evaluate price stability and improve portfolio allocation decisions.

3.10.2 Pearson correlation analysis

Pearson Coefficient of correlation is a measurement of direction, strength and linearity of relationship between two variables. Its value ranges from –1 to +1.

1. T-Bond Interest rate vs market value of Bank asia bonds

Correlation coefficient: –0.6001

Direction: Negative

Strength: There is a moderate negative relationship.

This finding implies that a rise in the T-Bond interest rate is linked to a fall in the market value of the Bank Asia bonds and the opposite is also true.

As the risk-free interest rates (T-Bond rates) increase, the current bonds of Bank Asia that had lower coupon rates will no longer be appealing, and hence their market value will decrease. This negative correlation is in line with the conventional bond valuation theory.

2. T-Bond Interest rate and Bank Asia Bond Yield

Correlation coefficient: +0.7988

Direction: Positive

Strength: Strong positive relationship.

This finding indicates that positive growth in T-Bond interest rate is closely related to higher yield of Bank Asia bonds. Private bank bonds have to pay higher yields in order to be competitive as benchmark risk-free rates increase prove it a strong positive relationship.

Overall, the interest rates of T-Bond affect the market value and yield of Bank Asia bonds significantly.

3.10.3 Interpreting statistical outcomes from regression

Independent variable: T-bond yield

Dependent variable: Market value of Bank Asia PLC

R square is 0.36; means only 36% of changes of bonds market value can be explained by the changes in the T-bond yield

Multiple R	0.600070872
R Square	0.360085051
Adjusted R Square	0.306758806
Coefficients	-19450015.6
P-value	0.023287818

Figure 8: regression 1

and they have a moderately strong relationship in between. Negative co-efficient represents that when the government bond yields go up, corporate bond's market value goes down as investors want to transfer their money in safer securities. P-value is less than 0.05; means the negative impact of T-bond yield on Bank Asia's market value is statistically significant.

The other reasons behind the market value changes can be ,

In the year 2022-23, Bank Asia faced a higher probability of default risk. Thus, the demand for higher yield from investors declines the market value of existing bonds. Moreover, long-term bonds like Bank Asia have more price volatility because of economic sentiment and financial stress.

Dependent variable: Subordinated bond yield of Bank Asia PLC

Independent variable: T-Bond Yield

R square is 0.64; means 64% of changes of bank's bonds yield can be explained by the changes in the T-bond yield and they have a strong relationship in between.

Multiple R	0.798758983
R Square	0.638015913
Adjusted R Square	0.607850572
Coefficients	66.61715831
P-value	0.000612008

Figure 9: regression 2

Positive co-efficient represents that when the government bond yields go up, corporate bond's yield must increase to keep the bond attractive to investors. P-value is very less than 0.05; meaning the positive impact of T-bond yield on Bank Asia's bond yield is statistically significant.

3.10.4 Peer Comparison

Bank Name	Bond Type	Issue Size (Tk crore)	Pricing Structure	Margin over Reference Rate	Effective Coupon Rate	Remarks
BRAC Bank	Subordinated Bond (Basel III Tier-II)	Not specified	Floating-rate	3%	10% – 12.5%	Coupon varies with prevailing market interest rates; standard industry pricing
Eastern Bank	Subordinated Bond (Basel III Tier-II)	800	Floating-rate	3%	Not stated	Bond Issued in line with prevailing industry practice
Prime Bank Limited	Subordinated Bond (Basel III Tier-II)	300	Floating-rate	Not specified	6% – 10%	Coupon depends on market conditions and issuance timing
Bank Asia	Subordinated Bond (Basel III Tier-II)	400	Floating-rate	3%	12.99%	Higher effective coupon indicating aggressive pricing amid tighter monetary conditions

Table 3: Peer Comparison

The subordinated bonds of BRAC Bank PLC are normally designed to be floating-rate instruments, traded at a reference rate with 3 per cent margin. Therefore, the effective coupon rate normally lies between 10% -12.5% based on the existing interest rates. Another peer is Eastern Bank PLC, which was permitted to issue a sub-ordinated bond in value of Tk 800 crore as a floating rate instrument, charged on a reference rate and a 3% margin which is in line with the current industry practice. Prime Bank Limited, on the same note, received regulatory permission to issue a Tk 300 crore subordinated bond of which the coupon rates were reportedly between 6% and 10% depending on market conditions. These banks are mid to large size privately owned banks whose bond structure is similar to Bank Asia.

In contrast, Bank Asia PLC used a similar margin-based pricing structure but issued subordinated bonds with a higher effective coupon rate of 12.99%. A more aggressive pricing approach is suggested by this higher coupon, which may reflect the timing of the issuance during tighter monetary circumstances or a larger risk premium to draw investors. Instead of focusing only on margin, comparing Bank Asia with similar peers reveals variations in effective coupon rates, issuance context, and investor posture. From the previous 7 years analysis, we can see the market value of Bank Asia bonds remain moderate to low, it means offering higher coupon rates may provide high yield to the investors.

3.10.5 Impact of Monetary Policy on Corporate Bonds

According to the analysis and news article (TBS Report, 2025), the Bangladesh government is offering higher yield at T-bond. The market price and coupon of Bank Asia's subordinate bonds are being influenced by current interest rates. In July 2025, a higher general yield environment has raised the required return for investors that has pushed up the coupon payment (for new issues) and pushed down the market value of existing fixed-coupon bonds.

As government assets are now offering high returns and are regarded "risk-free," many institutional investors and banks prefer them over corporate (or subordinated) bonds, which are generally riskier. This "crowding-out" effect affects investor appetite for subordinated corporate bonds – requiring issuers to provide larger yields to entice purchasers to invest in low demand corporate bond.

3.11 Challenges

- **Low demand & attractiveness**: Because government securities offer comparable or better yields with lower risk, subordinated bonds face weaker demand. As observed in the wider corporate bond market in Bangladesh, many issuers are struggling to complete subscriptions or attract investors.

- **Need to offer higher coupon to compensate risk**: To lure investors away from safe government bonds, Bank Asia have to offer higher coupon rates — increasing its cost of capital.
- **Volatility in interest rates / yields** : If interest rates rise after issuance, the market value of fixed-rate subordinated bonds can drop. This could reduce liquidity (difficulty selling) or make refinancing (if early redemption or new issuance) more expensive.
- **Regulatory & capital-structure factors:** Subordinated bonds are generally issued to fulfill regulatory capital requirements (Tier-2), rather than necessarily to fund operations. The utility of raising through subordinated bonds may be reduced in an environment characterized by slowing lending and weakening credit demand (because of tight policy).

3.12 Conclusion

Generally, the corporate bond market in Bangladesh is strongly affected by the investor risk preferences and the monetary conditions. The increase in T-Bond yields and the poor secondary market discourage private bond issuers hence private banks such as Bank Asia PLC find it difficult to attract investors without paying high premiums. The capacity of the subordinated bonds issued by Bank Asia relies on the faith of the investors, liquidity in the market, and the comparative attractiveness of the government securities although they are also an essential instrument in strengthening capital. The improvement of market infrastructure and stabilization of interest rates would significantly improve the perspectives of the bond issuance of Bank Asia and the overall corporate bond.

3.13 Recommendation

- Bank Asia is advised to pay close attention to the fluctuations in interest rates and actively control its bond portfolio.
- An increase in T-Bond yields has the effect of lowering the value of the market value of existing fixed rate subordinated bonds resulting in higher funding costs. The bank may consider T-bond yield for deciding coupon rate, but they should also consider policy related risk and bank-specific risk for expected market value of bond.
- Interest rate swaps and frequent stress testing are hedging methods that will help to protect profits. Timing the issuance of bonds to market conditions will ensure competitive yields and curb the exposure of the interest rates so that the company is stable in the long-term and in shareholder value.

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Appendix

Chapter 2

Year	Net profit (million BDT)
2020	2,036
2021	2,707
2022	3,046
2023	2,396
2024	2,775

Year	Operating Profit
2020	6,071
2021	9,193
2022	10,695
2023	11,531
2024	17,052

Year	EPS (%)	ROA (%)	ROE (%)
2020	1.75	0.53	7.81
2021	2.32	0.64	9.89
2022	2.61	0.67	10.88
2023	1.72	0.51	8.24
2024	2.06	0.55	9.04

Year	Operating Expense	Operating Income	Ratio
2020	7,108,051,625	13,178,888,017	53.94%
2021	7,500,876,750	16,693,408,816	44.93%
2022	9,537,555,584	20,232,360,528	47.14%
2023	9,442,768,443	20,973,509,276	45.02%
2024	9,801,696,816	26,853,837,663	36.50%

Cost to Income Ratio	
Year	Cost to income Ratio
2020	53.94%
2021	44.93%
2022	47.14%
2023	45.02%
2024	36.50%

Chapter 3

Descriptive Analysis

T-Bond Interest Rate	
Mean	0.087328571
Standard Error	0.006100905
Median	0.0836
Mode	0.0827
Standard Devia	0.022827495
Sample Varianc	0.000521095
Kurtosis	0.378675907
Skewness	-0.239186781
Range	0.0776
Minimum	0.0464
Maximum	0.124
Sum	1.2226
Count	14

Market value of bank Asia Bond	
Mean	10567714.27
Standard Error	197747.7893
Median	10415183.5
Mode	11150376.2
Standard Deviation	739904.4764
Sample Variance	5.47459E+11
Kurtosis	-0.741951738
Skewness	0.6070009
Range	2349111.217
Minimum	9650045.197
Maximum	11999156.41
Sum	147947999.8
Count	14

Bank Asia Yield	
Mean	9.802857143
Standard Error	0.508820472
Median	9.565
Mode	10.5
Standard Deviatior	1.903831879
Sample Variance	3.624575824
Kurtosis	-1.528880462
Skewness	0.352278523
Range	5.4
Minimum	7.52
Maximum	12.92
Sum	137.24
Count	14

Regression (Independent T-bond yield, dependent Bank Asia Yield)

SUMMARY OUTPUT

Regression Statistics	
Multiple R	0.798758983
R Square	0.638015913
Adjusted R Square	0.607850572
Standard Error	1.192214467
Observations	14

ANOVA

	df	*SS*	*MS*	*F*	*Significance F*
Regression	1	30.06298168	30.06298168	21.1506285	0.000612008
Residual	12	17.05650403	1.421375336		
Total	13	47.11948571			

	Coefficients	*Standard Error*	*t Stat*	*P-value*	*Lower 95%*	*Upper 95%*	*Lower 95.0%*	*Upper 95.0%*
Intercept	3.985275875	1.304484684	3.055057622	0.009990378	1.14304791	6.827503841	1.14304791	6.827503841
T-Bond Interest Rate	66.61715831	14.48519895	4.598981245	0.000612008	35.05662099	98.17769562	35.05662099	98.17769562

Regression (Independent T-bond yield, dependent Bank Asia Yield)

SUMMARY OUTPUT			Independent	T-Bond Interest Rate				
			Dependent	Market value of bank Asia Bond				
Regression Statistics								
Multiple R	0.600070872							
R Square	0.360085051							
Adjusted R Square	0.306758806							
Standard Error	616052.6581							
Observations	14							
ANOVA								
	df	*SS*	*MS*	*F*	*Significance F*			
Regression	1	2.56271E+12	2.56271E+12	6.752492067	0.023287818			
Residual	12	4.55425E+12	3.79521E+11					
Total	13	7.11696E+12						
	Coefficients	*Standard Error*	*t Stat*	*P-value*	*Lower 95%*	*Upper 95%*	*Lower 95.0%*	*Upper 95.0%*
Intercept	12266256.35	674066.0166	18.19741101	4.18928E-10	10797592.66	13734920.03	10797592.66	13734920.03
T-Bond Interest Rate	-19450015.6	7484932.922	-2.598555766	0.023287818	-35758283.48	-3141747.719	-35758283.48	-3141747.72

Co-relation

	Market value of bank Asia Bond	*T-Bond Interest Rate*
Market value of ba	1	
T-Bond Interest Rat	-0.600070872	1

	T-Bond Interest Rate	*Bank Asia Yield*
T-Bond Interest Rate	1	
Bank Asia Yield	0.798758983	1