

Report On  
Impact of Covid-19 on Profitability and Efficiency of  
Private Commercial Banks (PCBs)  
through the lens of Bank Asia Limited

By

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An internship report submitted to the Brac Business School in partial fulfillment of the  
requirements for the degree of  
Bachelor of Business Administrations

Brac Business School  
Brac University  
January, 2021

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## **Declaration**

It is hereby declared that

1. The internship report submitted is my/our own original work while completing degree at Brac University.
2. The report does not contain material previously published or written by a third party, except where this is appropriately cited through full and accurate referencing.
3. The report does not contain material which has been accepted, or submitted, for any other degree or diploma at a university or other institution.
4. I/We have acknowledged all main sources of help.

**Student's Full Name & Signature:**

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**Rifat Morshed**  
17204093

**Supervisor's Full Name & Signature:**

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**Mohammad Mujibul Haque, PhD**  
**Professor and Associate Dean**  
Brac Business School

## **Letter of Transmittal**

Mohammad Mujibul Haque, PhD,  
Professor and Associate Dean,  
Brac Business School,  
BRAC University  
66 Mohakhali, Dhaka-1212

Subject: Submission of Internship Report on “Impact of Covid-19 on Profitability and Efficiency of Private Commercial Banks (PCBs) through the lens of Bank Asia Limited”

Dear Sir,

This is to inform you that I have completed a report on the impact of Covid-19 on banks based on my research and experience working as an intern for the Group Finance Division of Bank Asia Limited. I have spent considerable amount of time to delve into matters which would play in to assess the impact of Covid-19 pandemic on the profitability and efficiency of private commercial banks to make the report more substantive and accepted. I hope this report can be used extensively by others to get a better understanding of the banking sector during this pandemic. I am ever grateful for your invaluable insights and direction at every stage and would therefore, kindly request you to evaluate my paper and provide feedback. Thank you

Sincerely yours,

---

Rifat Morshed

17204093

BRAC Business School

BRAC University

Date: January 14, 2021

## **Non-Disclosure Agreement**

This agreement is made and entered into by and between Bank Asia Limited and the undersigned student at Brac University to complete this internship report and respect the confidentiality clauses of the company to avoid unapproved disclosure of information

.....

Bank Asia Limited

## **Acknowledgement**

I am grateful to the Professor Mujibul Haque for his guidance and I thank the Bank Asia Team especially Mr. Ashfaqul Haque and Mr Safayet Amin for their immense support along with the CFO Sir of Bank Asia Limited. I would like to dedicate this paper to my wife to-be who sadly passed away in fall of 2019. Thank you everyone including my parents for your immense support.

## **Executive Summary**

This internship report wishes to analyze the overall situation of the banking sector during Covid-19 pandemic. Relevant parameters are used to streamline objective judgments. Those judgments being that even though we are currently enduring a pandemic, there is a positive growth in the amount of loans for most banks. However, all of the banks' interest income had reduced significantly by the ongoing pandemic due to single digit interest rate, inefficiency and unwillingness of most banks to give out fresh loans in 2020. Amazingly, there is still a positive growth in the amount of deposit for most. It is wise to state that most banks saw a rise in deposits even though interest offered was very minimal due to depositors' perception to save more money during the ongoing pandemic. All of the banks' interest expense had reduced significantly. Most PCBs increased their investment portfolio with flying colors. All the banks reported a negative growth in their operating profit September 2020.

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## List of Acronyms

PCB	Private Commercial Bank
BB	Bangladesh Bank
BA	Bank Asia
CFO	Chief Financial Officer
HR	Human Resources
MoU	Memorandum of Understanding
SME	Small and Medium Enterprises
ROE	Return on Average Equity
ROA	Return on Assets
Avg	Average
Inv	Investment
Int	Interest
Inc	Income
EBL	Eastern Bank Limited
IBBL	Islami Bank Bangladesh Limited
DBBL	Dutch Bangla Bank Limited
UCBL	United Commercial Bank Limited
Dept.	Department

Tab	Table
Fig	Figure
Bn	Billion
M	Million
BracU	Brac University
LY	Last Year

# **Chapter 1**

## **Overview of Internship**

### **1.1 Student Information**

The report is written by Rifat Morshed, a student of Brac University enrolled in the Bachelor of Business Administration degree, double majoring in Finance and HR functions and bearing the ID of 17204093.

### **1.2 Internship Information**

#### 1.2.1 Period, Company name, Department/Division, Address

In partial fulfilment of the requirements of the degree of Bachelor of Business Administration, I have been enlisted as an Intern of Group Finance Division, Bank Asia Limited Corporate Headquarters which is located at Bank Asia Tower, 32 - 34, Kazi Nazrul Islam Avenue, Karwan Bazar, Dhaka. The tenure of my internship was from September 28, 2020 till December 27, 2020.

#### 1.2.2 Internship Company Supervisor's Information: Name and Position

I have been privileged to have three different supervisors at different stages of my internship. I have been blessed to have worked with Mr. Mohammad Ibrahim Khalil, SVP and CFO, Bank Asia Limited on 'Industry Presentation and Analysis: A comparative study.' Furthermore, I have been supervised by Mr. Ashfaque Hoque, AVP, Bank Asia on Basel III reporting, "Profitability and Efficiency of top PCBs" and various other projects. During my whole tenure, I have been constantly been guided by Mr. Safayet Amin, Junior Officer, Group Finance Division.

#### 1.2.3 Job Scope

During my tenure at Bank Asia, I have been involved with a lot of projects and work assignments but in general I was assigned to collect, understand, process, verify and report financial information to my work lead. I provided assistance in preparing day to day duties, monthly presentations and monthly profitability memos to the Board while developing and utilizing spreadsheets, databases and other computer applications to manage specialized information, reports, forms dealing with fees, billing among others.

## 1.3 Internship Outcomes

### 1.3.1 Student's contribution to the company

*Table 1: Work Report (Sept 27- Dec 27, 2020)*

<b>Date</b>	<b>Tasked By</b>	<b>Details</b>
28-Sep-20	Mr. Safayet Amin	Learned the process of dispatching bills
28-Sep-20	Ms. Nahid Tania Khan	Tasked with analyzing the Annual Integrated Report
29-Sep-20	Mr. Safayet Amin	Wrote a requisition list for office supplies
29-Sep-20	Mr. Safayet Amin	Analyzed the industry average profitability report
30-Sep-20	Mr. Md Shamim Hasnat	Wrote 29 letters requesting the submission of
30-Sep-20	Mr. Md Shamim Hasnat	Tasked to write a letter addressing Budget
30-Sep-20	Mr. Safayet Amin	Tasked to entry 28 Banks' profitability for August
1-Oct-20	Mr. Safayet Amin	Cross-checked profitability of banks with database
1-Oct-20	Mr. Safayet Amin	Entries of Financial information for Sept 2020
1-Oct-20	Mr. Md Shamim Hasnat	Proofread 97 pages of the Sustainability Report
4-Oct-20	Mr. Mohammad Hamidul Kabir	Made slides of negative growth branches Sep 2020
4-Oct-20	Mr. Md Shamim Hasnat	Fixed errors on Sustainability Report 2019
4-Oct-20	Mr. Ashfaqu Hoque	Made an efficiency report for top banks
4-Oct-20	Mr. Safayet Amin	Entries of bills on file
5-Oct-20	Mr. Ashfaqu Hoque	Data entry for Pubali Bank's efficiency report
5-Oct-20	Mr. Ashfaqu Hoque	Helped in making an Industry strength of different
5-Oct-20	Mr. Mohammad Saiful Islam	Cross-checked tax data
6-Oct-20	Mr. Mahbub-Ul-Anam Khan	Tasked with writing/formatting a letter to
6-Oct-20	Mr. Safayet Amin	Made 3 slides for monthly presentation
6-Oct-20	Mr. Md Shamim Hasnat	Data entry for a client's statement
7-Oct-20	Mr. Ashfaqu Hoque	Worked on Profitability Memo Sep 2020
7-Oct-20	Mr. Md Shamim Hasnat	Made final touches on the Sustainability Report



11-Oct-20	Mr. Ashfaqul Hoque	Tasked to find the Product wise profitability
11-Oct-20	Mr. Md Shamim Hasnat	Tasked to compile and record branch budgets 2021
14-Oct-20	Mr. Ashfaqul Hoque	Tasked to make 135 slides for all branches'
15-Oct-20	Mr. Safayet Amin	Made and added 3 charts to the Sep Profitability
18-Oct-20	Mr. Md Shamim Hasnat	Tasked to make Budget Submission List
19-Oct-20	Mr. Mohammad Abdullah Al-	Made a list of the Board Directors of Islami Bank
19-Oct-20	Mr. Md Shamim Hasnat	Updated the Budget 2021 submission list
19-Oct-20	Mr. Safayet Amin	Made a Region-wise CL
19-Oct-20	Mr. Mohammad Abdullah Al-	Wrote a paragraph for a letter to be issued
20-Oct-20	Mr. Md Shamim Hasnat	Tasked to make an email compilation of Division
21-Oct-20	Mr. Ashfaqul Hoque	Updated the Efficiency report with Non-funded
21-Oct-20	Mr. Safayet Amin	Entries of info for slide cards for management
22-Oct-20	Mr. Ashfaqul Hoque	Gathered data for industry trend analysis
22-Oct-20	Mr. Ashfaqul Hoque	Gathered data for Sector wise loan for different
25-Oct-20	Mr. Ashfaqul Hoque	Resourced Commission Income 2019 for top 11
25-Oct-20	Mr. Ashfaqul Hoque	Identified BRAC and DBBL's core strength VS
27-Oct-20	Mr. Ashfaqul Hoque	Evaluated BA vs. City CARD portfolio analysis
28-Oct-20	Mr. Ashfaqul Hoque	Evaluated BA vs. DBBL Deposit Mix
29-Oct-20	Mr. Ashfaqul Hoque	Made 4 slides for Deposit, Loan, Investment and
3-Nov-20	Mr. Mohammad Abdullah Al-	Entries of market rate for different shares
4-Nov-20	Mr. Safayet Amin	Started working on profitability memo Oct 2020
5-Nov-20	Mr. Ashfaqul Hoque	Made graphs for Industry Cost of Deposit and Cost
8-Nov-20	Mr. Ashfaqul Hoque	Started compiling PL and Balance Sheet of 28
9-Nov-20	Mr. Safayet Amin	Updated Oct 2020 Memo
9-Nov-20	Mr. Safayet Amin	Made 9 graphs to add to annexure of Memo
9-Nov-20	Mr. Ashfaqul Hoque	Finished compiling PL and Balance Sheet of 28
10-Nov-20	Mr. Ashfaqul Hoque	Compiled top performance parameters for 28 banks
11-Nov-20	Mr. Ashfaqul Hoque	Ratio Analysis for 28 Banks
12-Nov-20	Mr. Safayet Amin	Updated Annexure of Oct Profitability Memo
15-Nov-20	Mr. Ashfaqul Hoque	Updated Profitability data of 28 banks
16-Nov-20	Mr. MD Ibrahim Khalil	Tasked to do a industry analysis of 28 banks
17-Nov-20	Mr. Safayet Amin	Updated the annexure of Profitability memo Oct
18-Nov-20	Mr. Md Shamim Hasnat	Made slides for 20 branches budget 2021
19-Nov-20	Mr. MD Ibrahim Khalil	Made a database of key parameters of 28 banks for
22-Nov-20	Mr. MD Ibrahim Khalil	Started creating an industry comparative analysis of
23-Nov-20	Mr. Safayet Amin	Included growth of 28 banks in Oct Profitability
24-Nov-20	Mr. Ashfaqul Hoque	Changed the outlook of the profitability memo 1st 4
25-Nov-20	Mr. Safayet Amin	Made a database of agent banking analysis of BD
26-Nov-20	Mr. Md Shamim Hasnat	Made a list of client base of all branches
29-Nov-20	Mr. MD Ibrahim Khalil	Made final touches on the Industry Comparative
29-Nov-20	Mr. Ashfaqul Hoque	Started helping in preparing CFO sir's monthly
1-Dec-20	Mr. Md Shamim Hasnat	Updated list of pipeline clients for budget 2021
2-Dec-20	Mr. MD Ibrahim Khalil	Made segment analysis for CFO sir's presentation
3-Dec-20	Mr. Ashfaqul Hoque	Started working on CFO sir's write up in annual
3-Dec-20	Mr. Safayet Amin	Updated Profitability memo DEC 2020
5-Dec-20	Mr. MD Ibrahim Khalil	Industry Presentation
6-Dec-20	Mr. Safayet Amin	Changed the front page of profitability memo Dec
7-Dec-20	Mr. Md Shamim Hasnat	Idea generation for Annual Report 2020

### 1.3.2 Benefits to the student

During my period at Bank Asia Limited, I have worked with diverse set of people with different skill sets which practically allowed me to hone my technical and professional skills at a workplace. I have honed my skills on contemporary software used by Bank Asia including Microsoft and Google Suites. I have become more adaptable to a fast paced environment which basically bolstered my multitasking ability. Not to mention, gaining real world knowledge of the banking industry during the pandemic is the most valuable insight I have earned at Bank Asia Limited.

### 1.3.3 Problems/Difficulties (if any faced during the internship period)

I am glad to state that during my period at the company, I have not faced any difficulties too great to manage or overcome. Bank Asia hosts and boasts a pretty hospitable and empowering environment to both staff and interns.

### 1.3.4 Recommendations (for and suggestions to the company on future internships)

Bank Asia hires interns internally and I would like to suggest that the HR team of Bank Asia attracts more youth of our nation through social media sites and LinkedIn for a better and competitive selection of Interns.

## **Chapter 2**

### **Organization Part: Overview, Operations and a Strategic Audit**

#### **2.1 Introduction**

##### 2.1.1 Objective

The primary objective of this chapter is to provide the readers with a basic understanding on how Bank Asia Limited functions in the banking and financial ecosystem. One should also be able to portray an idea on the hierarchical structure and different strategies employed by the bank to reach a desired performance level.

##### 2.1.2 Methodology

In understanding and quantifying the different functional areas of the bank, I have tried to base my research on secondary data published and audited in different mediums. To narrow the scope and further the effectiveness of this chapter, I have decided to use last three (3) years' of published annual financial statements of the private commercial banks and other forms of data such as newspaper articles, research papers on said topic, Bangladesh Bank editorials and publications where it is relevant.

##### 2.1.3 Scope

Since there is an ongoing pandemic in Bangladesh, we will also try to look at the strategies and decisions made by the Bank to minimize the risk and overcome the crisis as well as if the Bank presented any financial, managerial or other issues. This will help to understand how other competing banks might perform operationally during this pandemic.

##### 2.1.4 Limitation

Primary data may be subjective in cases and certain information and initiatives taken by the Bank during this pandemic has remained confidential to preserve intellectual property.

### 2.1.5 Significance

I have been interning in the Group Finance Division of Bank Asia which looks into the Financial and Strategic Planning, Financial Process Reporting with Capital Planning and Financial Control of the bank. Hence, getting valuable insights on how a top tier bank is performing amidst the pandemic both in functional and non-functional areas, is very significant in terms of research. We can actually navigate the effects of Covid-19 through the scrutinizing past performances of the bank which can be used as a base to get a general understanding on how the overall banking industry of Bangladesh is faring amidst unprecedented pandemic.

## **2.2 Overview of the company**

Bank Asia commenced its operations on November 27, 1999 with the aim to offer state of the art technology driven financial services to the unbanked people of Bangladesh led by a group of successful entrepreneurs who had the essential goal of formalizing excellent banking services and active participation in the development and expansion of the national economy. [1] Bank Asia Limited is a Private Commercial Bank (PCB) in Bangladesh founded under the Banking Company Act, 1991 and incorporated as a Public Limited Company under the Company Act, 1994 on September 28, 1999. The Bank successfully received its Certificate of Incorporation and Certificate of Commencement of Business on September 28, 1999 and banking permit on October 06, 1999. By February 2001, Bank Asia Limited had successfully taken over Bangladesh operations of The Bank of Nova Scotia which was quite a huge feat as that was the first time a local bank managed to acquire the business operations of a foreign bank. In accordance and retrospect, Bank Asia had also managed to take over the Bangladesh operations of Muslim Commercial Bank of Pakistan in December 2001. With tremendous success in the private sector, the Bank decided to list itself in Dhaka Stock Exchange (DSE) and Chittagong Stock Exchange (CSE) on January 06, 2004. [2]

Thanks to its unremitting efforts and 21 years of experience, Bank Asia today proudly stands among the top rated banks of Bangladesh with an extensive network of business outlets comprising of conventional banking branches, Islamic windows, off-shore banking unit, brokerage branches, agricultural branches, SME centers and agent outlets. It has the firm commitment to provide all modern and value added banking services in keeping with the very best standard in globalized world.

### 2.2.1 Corporate Structure

Bank Asia has the followed the corporate structure showcased below:

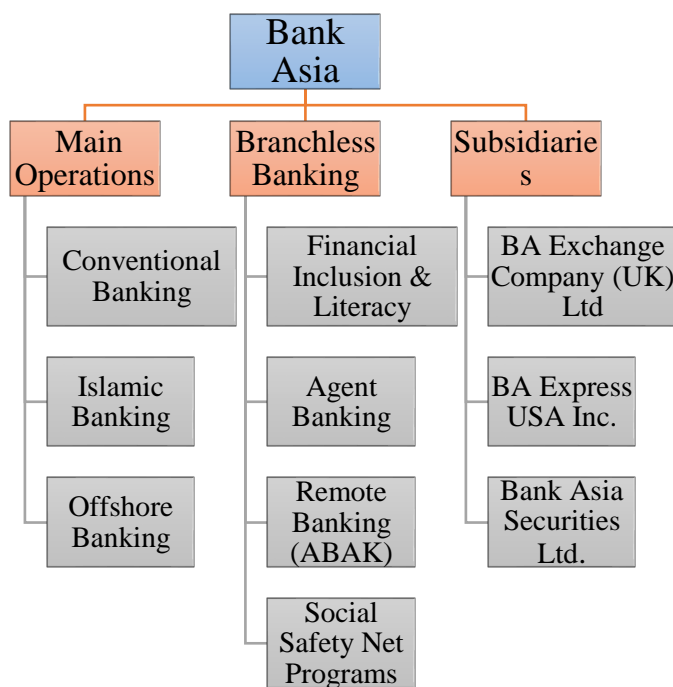


Figure 1: Corporate Structure of Bank Asia [3]

Since inception it has been able to cover major parts of the country by extending and expanding its network by opening of branches, agent banking outlets etc. The Bank started its Islamic banking operation in 2008. It established the 1st subsidiary company ‘Bank Asia Securities Limited’ on March 16, 2011, then ‘BA Exchange Company (UK) Limited’ in London, United Kingdom on May, 2011 and ‘BA Express USA Inc.’ in Jamaica, New York, USA on June 01, 2014. At present

Bank Asia has 128 Branches, 5 Islamic Windows, 4 SME Service Centers, 1 Of-shore Banking Unit and 3 Subsidiaries. With an aim to serve the unbanked people, Bank Asia is now operating ABAK (AmarBari Amar Khamar) banking services in 31 districts having 222 upazilas and 1.2 million beneficiaries. The Bank has implemented 3,525 agent banking outlets in 64 districts to provide banking services to geographically diverse rural poor segment of the society. [3]

### 2.2.2 Bank Asia at a Glance

<b>Name of the company</b>	<b>Bank Asia Limited</b>
Corporate office	Bank Asia Tower, 32-34 Kazi Nazrul Islam Avenue, Dhaka
Year of Establishment	27 November, 1999
Industry type	Banking Industry
Letter of intent received	24 February, 1999
First meeting of promoters	15 April, 1999
Certificate of Incorporation received	28 September, 1999
Certificate of commencement of business	September 28,1999
First meeting of board of directors held	October 01,1999
Banking License received	6 October, 1999
First branch license received	October 31,1999
Inauguration of bank	27 November, 1999
Date of publication of prospectus	29 June, 2003
Date of IPO subscription	23 September, 2003
Date of first trading	8 January, 2004
Date of agreement with CDBL	20 December, 2005
Date of first scrip less trading	30 January, 2006
Number of branches	127(123 branches, 4 SME/Agri Branches)
Number of ATMs	149 own ATMs and more than 10,500+ shared
Agent Outlet	3,686
Male Employee	1,885
Female Employee	557
Foreign Correspondent Bank	673
Number of Nostro account	29
Foreign banks having credit line	83
Number of Brokerage house	1
Deposits	Tk. 271,106 million
Loans and Advances	Tk. 233,234 million
Import	Tk. 64,872 million
Export	Tk. 46,478 million
Remittance (Inward)	Tk. 40,574 million
Operating Profit	Tk. 3,505 million

Table 2: Bank Asia at a Glance [1]

### 2.2.3 Vision

The vision of Bank Asia is dissected into two dimensions which are written as follows:

- *To have a poverty free Bangladesh in course of a generation in the new millennium, reflecting the national dream [3]*
- *To build a society where human dignity and human rights receive the highest consideration along with reduction of poverty [3]*

#### 2.2.4 Mission

Over the years, the Bank has continuously outlined its three (3) primary mission which are as follows:

- *To assist in bringing high quality service to our customers and to participate in the growth and expansion of our national economy [1]*
- *To set high standards of integrity and bring total satisfaction to our clients, shareholders and employees [1]*
- *To become the most sought after Bank in the country, rendering technology driven innovative services by our dedicated team of professionals [1]*

#### 2.2.5 Core Values

In essence, Bank Asia has seven (7) fundamental principles on which its belief are established [3] which are as follows:

- Place customer interest and satisfaction as first priority and provide customized banking products and services
- Value addition to the stakeholders through attaining excellence in banking operation
- Maintain high ethical standard and transparency in dealings
- Be a compliant institution through adhering to all regulatory requirements

- Contribute significantly for the betterment of society
- Ensure higher degree of motivation and dignified working environment for our human capital and respect optimal work-life balance
- Committed to protect the environment and go green [3]

## 2.3 Management Practices

The management of Bank Asia Limited is conventional to any generic bank in Bangladesh with added emphasis on technology based solutions to reach the unbanked population of the country.

### 2.3.1 Organogram

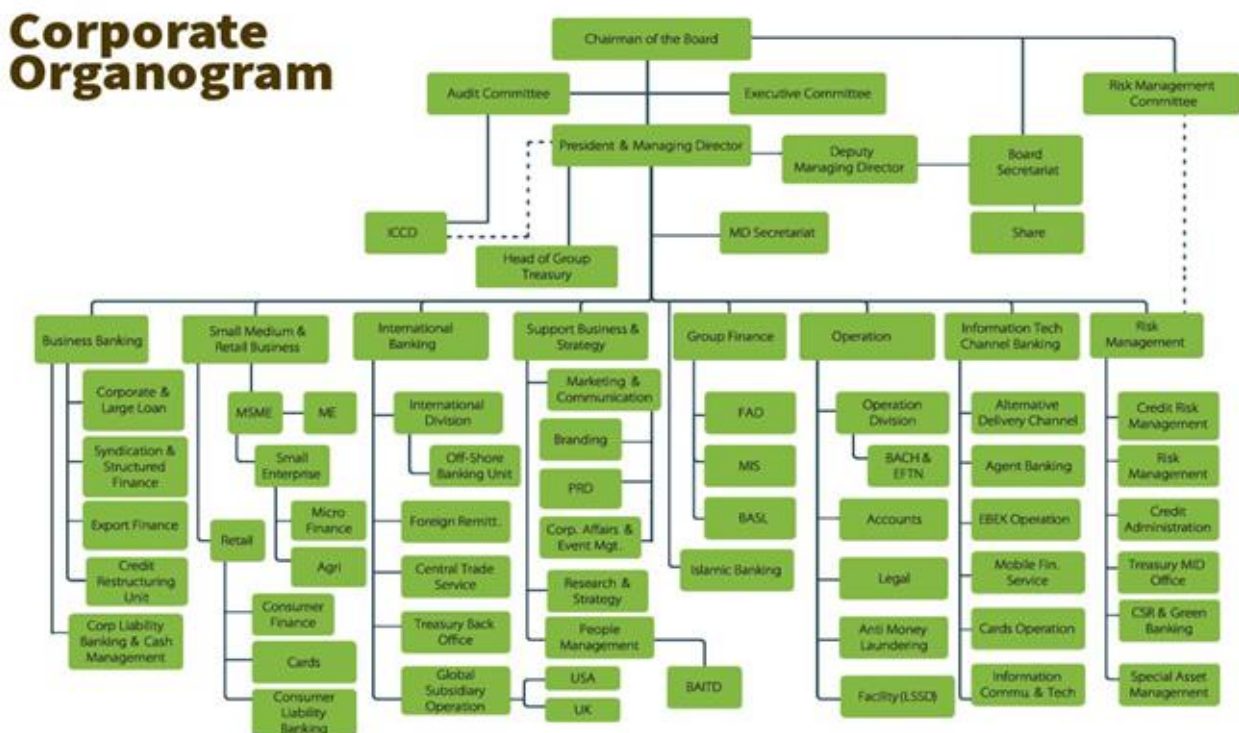


Figure 2: Organogram of Bank Asia Limited

Bank Asia has its own hierarchical structure following a mix of divisional and matrix organizational chart.



Few positions are set up in a matrix grid people with similar skills are pooled for work assignments, resulting in more than one manager to report to. While, most of the positions are aligned with what we call a divisional organizational charts where there are distinct divisions corresponding to a specific goal and aligned with the overall organization strategy. For instance, the Group Finance Division sees that it has the necessary resources and functions needed to support the finance function of the whole Bank. This creates an independent operational flow and can maximize output of each divisions however it can also cause serious operational inefficiencies from separating specialized functions which lead to certain disadvantages such as an increase in accounting taxes [4].

### **2.3.2 Corporate Governance**

Being a public limited company, Bank Asia believes that having a concrete corporate governance policy is imperative to gain the trust of the stakeholders. As such, the Bank continuously strives to streamline its management practices to be more transparent, stable while uplifting the efficiency and effectiveness of the operations of the Board of Directors (BoD). The key features of Bank Asia's corporate governance practices are [1]:

- Members of the Board shall be non-executive except the Managing Director.
- There shall be proper proportion and representation of independent directors.
- Members of the Board shall have wide knowledge and experience in the field of finance, accounting, economics, management, marketing and business administration. [3]
- There shall be adequate representation of women on the Board.
- The management policies should follow industry standards to ascertain that the strategic objectives of the Bank are in line to create an environment that promises long-term sustainable growth to stakeholders.

### **2.3.3 Human Resources**

The HR policies of Bank Asia mainly delves in creating an environment that emphasizes performance driven culture and rewards success to push employees to take control of their personal development to enable them to think, behave, take actions in a correct and ethical way. [1]

#### 2.3.3.1 Performance Management System

Bank Asia established a real-life SMART KPI to evaluate the contribution of all employees in a transparent manner to assess quantitative and qualitative performance against pre-defined standards or target of a given year. The Bank believes in utilizing 80/20 strategy in performance measurement system; as such 80% Objective and 20% Organizational & Personnel behavior factors are introduced. The parameters and goals of using said KPI are the following [1]:

- Reduce the number of decisions and make decisions based on objectivity and facts.
- Quantify the achievement of goals.
- Focus on facts and see where individual improvement is needed.
- As individual initiative grows, it becomes more difficult to remain as close to the operational details as it is, in such case, KPI results can bring back to reality.
- Employees are clear about his/her obligations to deliver during the year and accordingly would be able to plan to meet the expectation.
- Last but not the least, unbiased performance evaluation at the end of the year [1]

#### 2.3.3.2 Salary Policy

The salary policy is based on a performance centric system that targets a non-discriminatory human resources management at every branch and division. Increments to salary are also given periodically based on pre-defined performance standards. No gender pay gap is seen between male and female employees. [1]

#### 2.3.3.3 Benefits to employees

Bank Asia’s benefit schemes other than basic and non-basic salaries are as follows:

Fringe Benefit Schemes	Other Benefit Schemes
<ul style="list-style-type: none"> <li>• House rent allowance</li> <li>• Conveyance allowance</li> <li>• Medical allowance</li> <li>• Entertainment allowance</li> <li>• House maintenance allowance</li> <li>• Utilities allowance</li> <li>• Car maintenance allowance</li> </ul>	<ul style="list-style-type: none"> <li>• Group health insurance</li> <li>• Benevolent</li> <li>• Leave fare assistance</li> <li>• Furniture allowance</li> <li>• House building loan (HBL)</li> <li>• Car loan</li> <li>• Provident fund loan</li> <li>• Mobile phone allowance (talk time)</li> <li>• Mobile handset allowance</li> <li>• Ex-gratia payment</li> <li>• Provident fund</li> <li>• Gratuity</li> <li>• Superannuation</li> <li>• Leave encashment</li> </ul>

Table 3: Employee Benefits [1]

## 2.4 Marketing Practices

### 2.4.1 The Marketing Mix

The 7Ps model was originally devised by *E. Jerome McCarthy* and published in 1960 in his book *Basic Marketing. A Managerial Approach*.



Figure 3: The Marketing Mix Model

#### 2.4.1.1 Products and Services

Bank Asia hosts a long range of products and services catering to different segments of the market. While names of all of products and services cannot be listed due to digression, primary categories and brands are listed below.

The products and services are categorized as follows:

<b>RETAIL BANKING</b>	
Deposit Products	
Low Cost/No Cost Deposit Accounts	Term Deposit (s)
Scheme Deposit (s)	
Loan Products	
Consumer Finance	Credit Card
Islamic Credit Card	
<b>ISLAMIC BANKING</b>	
Deposit Products	Investment Products
<b>MICRO, SMALL, MEDIUM AND AGRICULTURE BANKING</b>	
Deposits Product	Micro & Small Enterprise Finance
Agriculture Finance	
Medium Enterprise Finance	
Funded Products	Non Funded Products
<b>CORPORATE BANKING</b>	
Cash Management Products	Funded Products
Non Funded Products	Structured Financing Services
<b>OFF-SHORE BANKING UNIT (OBU)</b>	

<b>AGENT BANKING</b>	
<b>TREASURY Products and Services</b>	
Money Market	Fixed Income
Capital Market Services	Foreign Exchange Services
<b>CAPITAL MARKET SERVICES</b>	

Table 4: Categories of products and services of Bank Asia [3]

The primary products and brands of Bank Asia Limited are as follows [2]:

<b>RETAIL BANKING</b>	
Deposit Products	
Savings Account	Deposit Pension Scheme Plus(DPS+)
Current Account	Monthly Benefit Plus(MB+)
Short Term Deposit	Double Benefit Plus
Fixed Term Deposit	Triple Benefit Plus
Shanchay Plus	Shonchoy E Kotipoti
Al-Wadiah Current Account (AWCA)	Mudarba hajj Savings Scheme (MHSS)
Mudarba Savings Account (MSA)	Mudarba Deposit Pension Scheme (MDPS)
Mudarba Special Notice Deposit Account (MSNDA)	Mudarba Monthly Profit Paying Deposit Scheme (MMPPDS)
Mudarba Term Deposit Account (MTDA) of different tenure	Mudarba hajj Savings Scheme (MHSS)
Bai Mudarba Muajjal	Hire Purchase Shirkatul Melk (HPSM)
Consumer Finance	
Auto Loan	Unsecured Personal Loan
House Finance	Loan For Professionals
Senior Citizen Support	
Credit Card	
Visa ERQ Card	Hajj Card
Visa Classic Local Card	Virtual Card
Visa Classic Dual Card	Master Card Silver
Visa Butterfly Card	Master Card Gold
Visa Gold Local Card	SME Card
Visa Gold Dual Card	Visa RFCD Card
<b>SME BANKING</b>	
Secured Products	
Sheba - Secured Service	Shomadhan- Secured
Sondhi- Secured Trading	Shomridhi- Secured Manufacturing
Unsecured Trading	
Subidha- Unsecured Trading	Sristi- Unsecured Manufacturing
Shofol- Unsecured Service	Utsob- seasonal Business
<b>Women Entrepreneur Special Product</b>	
Subarno- Women Entrepreneur	
New Launched Product-2018	
SHADHIN- A Freelancer Card	
<b>Other Services</b>	
ATM Services	Internet Banking
Remittance Service	Remote Banking (EBEK)
Locker Service	Mobile Service

#### 2.4.1.2 Promotion

Bank Asia uses a lot of different tools to promote their products and services. Some of the tool used are: Newspaper advertisement; Social media marketing such as Facebook, Instagram etc.; Leaflets and Billboard posters and not to mention, the company hosts an updated website that showcases all the activities and services offered by Bank Asia. [3]

#### 2.4.1.3 Price

The pricing strategy of Bank Asia is primarily in the form of interest income, investment income and commission income from different products and services. [1]

#### 2.4.1.4 Place

There are currently 129 branches and more than 10,500 ATMs of Bank Asia in different regions of Bangladesh [1]. These locations have been chosen based on market demand of Bank Asia's products and services and where there is unexploited opportunity of targeting a mass number of unbanked clients. All their regional offices, corporate offices and customer care centers are placed in rightful areas to make the operations easier to run. [3]

#### 2.4.1.5 People

The HR policies of Bank Asia mainly delves in creating an environment that emphasizes performance driven culture and rewards success to push employees to take control of their personal development to enable them to think, behave, take actions in a correct and ethical way. [1] As such, the employees and people involved with Bank Asia are the generally, the cream of the crop of the banking industry. Not to mention, Bank Asia emphasis on training and development and competitive remuneration packages leads to low turnover rate every year. [1]

#### 2.4.1.6 Process

Bank Asia has been known to be efficient in processing of accounts when it comes to agent banking. Bank Asia is currently in second in terms number of agent banking accounts opened. [4]

#### 2.4.1.7 Physical Evidence

Bank Asia publishes quarterly, annually and half yearly financial reports to the all the relevant stakeholders which are publicly available. [1]

#### 2.4.2 Deposit Strategies

- Use more agent banking activities to increase deposit mobilization and marketing [3]
- Increasing the number low cost sub-branches at vital locations to reach more of the unbanked population through post office banking [1]
- Reinforcing corporate liability marketing dept.
- Looking for opportunities in different government agencies e.g. Foreign Missions, Roads & Highway, LGED, Bangladesh Bridge Authority etc. and also other different corporate houses, e.g. Foreign Air Lines, Telecom companies etc. to mobilize deposit products to diverse segment of the population [1]
- Upselling and cross selling of different products [1]
- Bolstering and marketing vital channels such as ABAK (Amar Bari Amar Khamar), a govt. project to collect and distribute funds to the mass people Offering cash management services, i.e. collection of institutional accounts and effective use of EFTN service to ensure fast & secure cash service. [1]

- More enriched and purposeful marketing campaigns such as the Hajj deposits campaign [3]
- Utilize mobile banking services to attract the massive low cost domestic remittance and offer products for mobile wallet to facilitate retail shopping. [1]

#### 2.4.3 Advance Business Strategies

- Optimize and focus lending options to new and thriving industries such as the ship building and break industry, power and pharmaceutical industries [1]
- Optimize lending options to already existing high profit sectors such agro based industries, leather, frozen food, textile industries [1]
- Backward linkage industries to be targeted which will provide a good source of SME business through availing the benefit of supply chain management. [1]
- Prioritizing export finance bolster forex flow and generate revenue through multi-level channels which will help increase zero cost fund of the Bank. [1]
- Expansion of SME credit portfolio to gain higher yields than before while also ascertaining credit limit for reducing risk from high volume defaults [1]
- Identifying future problematic accounts through Early Warning System ('EWS') and taking appropriate care of those and formulating exit plan [1]

#### 2.4.4 Import and Export Business Strategies

- Facilitating more foreign trade especially import finance by locking credit lines at a competitive rate from international agencies which will also help to boost foreign exchange reserve for the country. [1]



- Creation of more unilateral, bilateral MoUs with different European and Chinese counterpart banks to route their transactions into Bangladesh through our bank. [1]
- Increasing Bank Guarantee business by utilizing Bid Bond with local repo offices in Bangladesh of the foreign contractors offering competitive rate to facilitate mega projects like Metrorail, Padma Bridge, Six lane and eight lane high ways etc. [1]
- Get more access to overseas funds by establishing more bilateral contracts overseas banks and financial institutions to take advantage of the fact that LIBOR Rate is steadily decreasing which will decrease the import cost for industrial and local importers and manufacturers [1]
- Marketing for not only renowned businesses but also the potential clients who show strong will to sustain and profit in the market [1]
- Focus on credit rated clients from the Garments sector to take advantage of calculative risk return trade-of. [1]
- Exploit new possibilities in the emerging sectors such as the ship building and ship breaking industries which will verily increase the foreign trade business of the bank [1]
- Pool more resources to attract more clients from tech based industries [1]

#### 2.4.5 Corporate Social Responsibility (CSR)

Corporate social responsibility (CSR) is a self-regulating business model that helps a company be socially accountable—to itself, its stakeholders, and the public. [5] . In 2019, Bank Asia has spent an amount of Tk.116.15 million in different sectors for the overall betterment of the nation. [1]

**Donation for Societal Improvement by CSR in matrix:**

Million Taka

Initiatives	Donation	Percentage
Education	33.18	28.57%
Health	29.12	25.07%
Disaster Management	40.71	35.05%
Sports	0.02	0.02%
Art & Culture	0.62	0.53%
Others	12.50	10.76%
<b>Total</b>	<b>116.15</b>	<b>100.00%</b>

Figure 4: CSR activities' percentage in different sectors

## 2.5 Financial Performance and Accounting Practices

### 2.5.1 Credit Rating

According to the Credit Rating Agency of Bangladesh Ltd. (CRAB), Bank Asia ensures stable banking through maintaining strong repayment capacity and very low credit risk over the years.

The bank is rated ST-2 in the Short Run and AA2 in the Long Run valid up to June 30, 2021. [3]

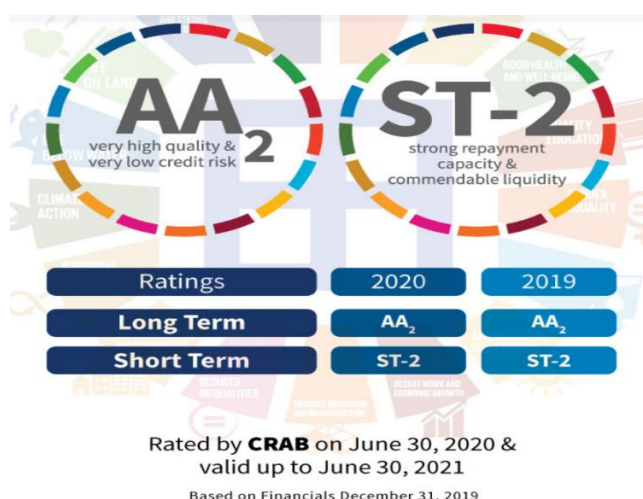


Figure 5: Credit Rating of Bank Asia Limited [1]

## 2.5.2 Financial Highlights

Figures in million taka

<b>PARTICULARS</b>	<b>30-SEP-20</b>	<b>2019</b>	<b>2018</b>
Total Assets	391,529	353,800	307,291
Deposits	289,173	253,710	222,472
Loans & Advances	232,683	227,299	214,618
Import	99,045	158,115	165,203
Export	79,253	132,465	136,733
Remittance (Inward)	67,155	79,750	60,113
Operating Profit	5,365	9,322	8,060
ROE	11.86%	8.16%	10.21%
ROA	0.82%	0.59%	0.76%
EPS (BDT)	1.97	1.68	1.94
Yield on Advance	8.50%	10.19%	9.99%
Cost of Deposit	5.38%	5.67%	5.65%
Cost of Fund	7.56%	8.26%	8.25%
Cost of Operation	2.34%	2.59%	2.60%
Spread	3.12%	4.52%	4.34%
Net Interest Margin	2.93%	3.96%	3.80%
Burden Ratio	0.67%	0.67%	0.70%
CRAR (Capital to Risk	16.77%	17.93%	15.05%

*Table 5: Financial Highlights of Bank Asia [3]*

### 2.5.3 Three Years' Performance with Growth Percentage

Table 6: Three years' performance with growth [1]

Particulars	2019	2018	Growth %	2017
<b>BALANCE SHEET MATRIX</b>				
Authorized Capital	15,000.00	15,000.00	0.00%	15,000.00
Paid up Capital	11,659.07	11,103.87	5.00%	9,870.11
Reserve Fund & Surplus	13,086.05	12,236.26	6.94%	11,184.38
Total Shareholders' Equity	24,745.12	23,340.13	6.02%	21,054.49
Deposits	253,709.57	222,471.72	14.04%	207,041.47
Loans and Advances	227,298.96	214,618.15	5.91%	197,504.14
Investments	54,932.58	35,999.20	52.59%	27,545.82
Fixed Assets	7,025.60	5,431.55	29.35%	5,329.74
Total Assets	353,800.37	307,291.4	15.14%	288,996.64
Total Off Balance Sheet Items	120,617.28	137,459.26	-12.25%	136,156.44
Interest Earning Assets	312,059.88	278,695.30	11.97%	256,765.52
Non-Interest Earning Assets	41,740.49	28,596.10	45.97%	32,231.12
<b>INCOME STATEMENT</b>				
Interest Income	22,863.14	20,910.68	9.34%	16,411.57
Interest Expenses	14,462.38	13,007.99	11.18%	10,841.56
Investment Income	3,293.06	2,311.46	42.47%	2,535.39
Non-Interest Income	4,380.10	3,908.42	12.07%	3,861.98
Non-Interest Expenses	6,751.46	6,062.19	11.37%	5,279.83
Total Income	30,536.30	27,130.56	12.55%	22,808.95
Total Expenditure	21,213.84	19,070.18	11.24%	16,121.39
Operating Profit	9,322.46	8,060.4	15.66%	6,687.56
Profit Before Tax	3,920.81	4,616.3	-15.07%	4,057.53
Net Profit After Tax	1,960.81	2,266.28	-13.48%	2,047.53
<b>CAPITAL MEASURES</b>				
Risk Weighted Assets	238,427.23	233,085.63	2.29%	221,114.65
Core Capital (Tier-I)	22,635.99	21,165.37	6.95%	18,852.66
Supplementary Capital (Tier-II)	20,121.11	13,917.53	44.57%	14,061.29
Total Capital	42,757.10	35,082.90	21.87%	32,913.96
Capital Surplus over Minimum	18,914.38	11,774.34	60.64%	10,802.49
Capital Surplus over	12,953.70	7,403.98	74.96%	8,038.56
Tier I Capital Ratio	9.49%	9.08%		8.53%
Tier II Capital Ratio	8.44%	5.97%		6.36%
Capital to Risk Weighted Asset	17.93%	15.05%		14.89%
<b>CREDIT QUALITY</b>				
Classified Loans	10,479.99	8,809.83	18.96%	8,642.30
Provision for Unclassified Loans	7,674.46	5,091.24	50.74%	4,101.19
Provision for Classified Loans	4,604.66	3,892.76	18.29%	3,740.00
Provision for Contingent	961.65	1,158.03	-16.96%	1,331
NPLs % to total Loans and	4.61%	4.10%		4.38%
<b>FOREIGN BUSINESS</b>				
Import	158,115	165,203.00	-4.29%	181,468.00
Export	132,465	136,733.00	-3.12%	118,172.00

Remittance (Inward)	79,750	60,113.00	32.67%	51,778.00
<b>OPERATING PROFIT</b>				
Credit Deposit Ratio	76.47%	81.75%		81.88%
Cost of Deposit	5.67%	5.65%		5.08%
Cost of Deposit & Borrowing	5.68%	5.65%		5.23%
Administrative Cost	2.59%	2.60%		2.50%
Yield on Loans and Advances	10.19%	9.99%		9.03%
Spread	4.52%	4.34%		3.95%
Return on Assets	0.59%	0.76%		0.76%
Return on Equity	8.16%	10.21%		10.21%
Current Ratio	1.05	1.07		1.05
Debt Equity Ratio	13.30	12.17		12.73
<b>PERFORMANCE RATIOS</b>				
Profit per Employee	3.92	3.57		3.20
Operating profit as % of Working	2.82%	2.51%		2.47%
NII as % of Working Fund	3.51%	3.14%		2.89%
Burden Coverage	64.88%	64.47%		73.15%
Burden Ratio	0.67%	0.70%		0.43%
Expense Coverage	66.01%	66.24%		78.04%
Ratio of Fees Income	20.91%	21.18%		26.07%
Salary Exp. to total Overhead	48.63%	47.77%		47.99%
Salary Exp. to Fees Income	97.67%	96.84%		81.21%
Cost to Income/Efficiency ratio	42%	42.93%		44.12%
<b>DIVIDEND AND RIGHTS</b>				
Cash	10%	5%		
Stock		5%		12.50%
Total Dividend	10%	10%		12.50%
Rights Issue				
<b>SHARES INFOMATRIX</b>				
No. of Shares Outstanding	1,165.91	1,110.39		987.01
Earnings Per Share (Taka)	1.68	1.94		1.84
Number of Shareholders	8960	10344		10,681
Market Value Per Share (Taka)	18.2	17.7		23.10
Price Earnings Ratio	10.83	8.67		11.14
Net Asset Value Per Share (Taka)	21.22	20.02		18.96
Dividend Coverage ratio	1.68	2.04		1.66
<b>OTHER INFORMATION</b>				
Number of Branches	129	127		116
Number of SME Service Centers	4	4		4
Number of Islamic Windows	5	5		5
Number of Employees	2,376	2,256		2087
Number of Foreign	677	698		727

## 2.5.4 Horizontal and Vertical Analysis

### Horizontal Analysis

#### Profit and Loss Statement

Table 7: Horizontal Analysis, Profit and Loss Statement [1]

	For the last five years, profit and Loss Statement				
	2019	2018	2017	2016	2015
<b>OPERATING INCOME</b>					
Interest income	164.75%	150.68%	118.26%	104.98%	100.00%
Interest paid on deposits and borrowings, etc	129.47%	116.45%	97.06%	94.90%	100.00%
<b>Net interest income</b>	310.28%	291.89%	205.73%	146.58%	100.00%
Investment income	67.33%	47.26%	51.84%	72.55%	100.00%
Commission, exchange and brokerage	155.90%	138.71%	144.70%	114.78%	100.00%
Other operating income	177.94%	160.29%	129.63%	113.23%	100.00%
<b>Total operating income</b>	155.65%	136.75%	115.89%	103.03%	100.00%
Salaries and allowances	151.52%	133.69%	116.88%	108.38%	100.00%
Rent, taxes, insurance, electricity, etc	85.60%	133.14%	119.28%	103.78%	100.00%
Legal expenses	213.18%	261.76%	255.55%	167.00%	100.00%
Postage, stamp, telecommunication, etc	161.70%	140.94%	116.33%	106.01%	100.00%
Stationery, printing, advertisements, etc	157.26%	133.94%	97.76%	90.46%	100.00%
Managing Director's salary and fees	99.05%	83.07%	83.07%	93.77%	100.00%
Directors' fees	72.98%	77.92%	63.77%	68.03%	100.00%
Auditors' fees	161.55%	95.68%	104.05%	136.83%	100.00%
Depreciation and repairs of Bank's assets	189.06%	107.83%	104.25%	106.32%	100.00%
Other expenses	188.48%	173.15%	145.52%	117.03%	100.00%
<b>Total operating expenses</b>	156.24%	140.29%	122.18%	109.21%	100.00%
<b>Profit before provision</b>	155.23%	134.21%	111.35%	98.58%	100.00%
<b>Provision for loans and advances/investments</b>					
General provision	185.02%	64.39%	76.13%	36.11%	100.00%
Specific provision	3523.33%	3266.78%	1551.06%	2296.62%	100.00%
Provision for off-balance sheet items	-77.65%	-68.40%	88.33%	55.14%	100.00%
Provision for diminution in value of investments					
Other provisions	250.00%	150.00%	0.00%	0.00%	100.00%

<b>Total provision</b>	287.06%	183.03%	139.77%	139.96%	100.00%
<b>Total profit before tax</b>	95.07%	111.94%	98.39%	79.70%	100.00%
Provision for taxation					
Current tax	127.71%	153.12%	128.26%	109.33%	100.00%
Deferred tax	0.00%	0.00%	271.93%	412.81%	100.00%
<b>Net profit after tax</b>	76.18%	88.05%	79.55%	60.06%	100.00%

### Horizontal Analysis (Profit and Loss Statement)

Horizontal Analysis method uses a base period and each component's growth is measured as a percentage of that base year. Here, 2015 is the base year and hence 100% is assigned to it. If we look carefully, we can see that the total operating income, expenses and operating profit of Bank Asia are show signs of steady growth over most of years other than 2016. Provisions kept by Bank Asia increased in 2019 and hence, net profit declined. [1]

### Horizontal Analysis

#### Balance Sheet

*Table 8: Horizontal Analysis, Balance Sheet [1]*

	For the last five years balance Sheet				
	2019	2018	2017	2016	2015
<b>PROPERTY AND ASSETS</b>					
<b>Cash</b>	192%	125%	144%	128%	100%
In hand (including foreign currencies)	192%	159%	118%	123%	100%
Balance with Bangladesh Bank and its agent bank	192%	119%	148%	129%	100%
<b>Balance with other banks and financial institutions</b>	279%	313%	358%	160%	100%
In Bangladesh	258%	311%	380%	142%	100%
Outside Bangladesh	507%	333%	117%	360%	100%
<b>Money at call and on short notice</b>					

<b>Investments</b>	117%	77%	59%	84%	100%
Government	119%	76%	56%	83%	100%
Others	85%	89%	97%	101%	100%
<b>Loans and advances/investments</b>	167%	157%	145%	120%	100%
Loans, cash credits, overdrafts, etc/investments	164%	153%	143%	122%	100%
Bills purchased and discounted	205%	222%	170%	91%	100%
<b>Fixed assets including premises, furniture and fixtures</b>	138%	107%	105%	103%	100%
<b>Other assets</b>	107%	81%	93%	91%	100%
<b>Total Assets</b>	158%	137%	129%	113%	100%
<b>LIABILITIES AND CAPITAL</b>					
Liabilities					
Borrowings from other banks, financial institutions and agents	280%	255%	246%	153%	100%
Subordinated non-convertible zero coupon bonds	356%	223%	244%	96%	100%
<b>Deposits and other accounts</b>	149%	131%	122%	113%	100%
Current/Al-wadeeah current accounts and other accounts	160%	159%	142%	116%	100%
Bills payable	95%	105%	101%	125%	100%
Savings bank/Mudaraba savings bank deposits	228%	187%	163%	131%	100%
Fixed deposits/Mudaraba fixed deposits	134%	114%	110%	108%	100%
<b>Other liabilities</b>	146%	114%	113%	105%	100%
<b>Total liabilities</b>	160%	138%	130%	114%	100%
<b>Capital/shareholders' equity</b>					
<b>Total shareholders' equity</b>	130%	123%	111%	100%	100%
Paid-up capital	139%	132%	118%	105%	100%
Statutory reserve	154%	141%	125%	111%	100%
Revaluation reserve	81%	83%	84%	88%	100%
General reserve	100%	100%	100%	100%	100%
<b>Retained earnings</b>	91%	85%	78%	67%	100%
<b>Total Liabilities and Shareholders' Equity</b>	158%	137%	129%	113%	100%

### Horizontal Analysis (Balance Sheet)

Horizontal Analysis method uses a base period and each component's growth is measured as a percentage of that base year. Here, 2015 is the base year and hence 100% is assigned to it. If we look carefully, we can understand that bank had a consistent balance sheet growth over the years



especially in items such as total assets, liabilities and shareholders' equity. However, investment did show a decreasing trend from 2016 but later picked up in 2019 which is mainly due a higher demand for government borrowing through T-bill & bond. [1]

## Vertical Analysis

### Profit and Loss Statement for last 5 years

*Table 9: Vertical Analysis, Profit and Loss Statement [1]*

	2019	2018	2017	2016	2015
<b>OPERATING INCOME</b>					
Interest income	74.87%	77.07%	71.95%	68.59%	64.56%
Interest paid on deposits and borrowings, etc	47.36%	47.95%	47.53%	49.91%	51.96%
<b>Net interest income</b>	27.51%	29.13%	24.42%	18.68%	12.59%
Investment income	10.78%	8.52%	11.12%	16.71%	22.75%
Commission, exchange and brokerage	11.01%	11.02%	13.68%	11.65%	10.03%
Other operating income	3.34%	3.38%	3.25%	3.05%	2.66%
<b>Total operating income</b>	52.64%	52.05%	52.47%	50.09%	48.04%
Salaries and allowances	10.70%	10.62%	11.05%	11.00%	10.03%
Rent, taxes, insurance, electricity, etc	1.44%	2.52%	2.69%	2.51%	2.39%
Legal expenses	0.07%	0.09%	0.11%	0.08%	0.04%
Postage, stamp, telecommunication, etc	0.41%	0.40%	0.39%	0.38%	0.36%
Stationery, printing, advertisements, etc	0.51%	0.49%	0.43%	0.42%	0.46%
Managing Director's salary and fees	0.05%	0.05%	0.06%	0.07%	0.08%
Directors' fees	0.01%	0.01%	0.01%	0.02%	0.02%
Auditors' fees	0.00%	0.00%	0.00%	0.01%	0.00%
Depreciation and repairs of Bank's assets	2.73%	1.75%	2.02%	2.21%	2.05%
Other expenses	6.18%	6.39%	6.39%	5.52%	4.66%
<b>Total operating expenses</b>	22.11%	22.34%	23.15%	22.22%	20.10%
<b>Profit before provision</b>	30.53%	29.71%	29.32%	27.87%	27.94%
Provision for loans and advances/investments					
General provision	9.33%	3.65%	5.14%	2.62%	7.16%
Specific provision	9.19%	9.59%	5.41%	8.61%	0.37%
Provision for off-balance sheet items	-0.64%	-0.64%	0.98%	0.66%	1.18%

Provision for diminution in value of investments	-0.26%	0.04%	0.00%	0.52%	0.00%
Other provisions	0.08%	0.06%	0.00%	0.00%	0.05%
<b>Total provision</b>	17.69%	12.69%	11.53%	12.40%	8.75%
<b>Total profit before tax</b>	12.84%	17.02%	17.79%	15.47%	19.18%
Provision for taxation					
Current tax	6.42%	8.66%	8.63%	7.90%	7.14%
Deferred tax	0.00%	0.00%	0.18%	0.30%	0.07%
<b>Net profit after tax</b>	6.42%	8.35%	8.98%	7.28%	11.97%

### Vertical Analysis (Profit and Loss Statement)

Vertical Analysis method measures each component's growth as a percentage of total income of the periods. If we look carefully, we can understand that the top contributors of income are from interest income (74.87%), income from commission, exchange and brokerage (11.01%) and investment income (10.78%). It should also be noted that interest income decreased in 2019 and investment income increased which generally increased the operating income of the Bank. Additionally, the overall cost efficiency of the Bank improved over the years as evidenced by the decreasing trend of operating expense since 2017. [1]

### Vertical Analysis

#### Balance Sheet for last 5 years

*Table 10: Vertical Analysis, Balance Sheet [1]*

	2019	2018	2017	2016	2015
<b>PROPERTY AND ASSETS</b>					
<b>Cash</b>	6.78%	5.06%	6.20%	6.31%	5.56%
In hand (including foreign currencies)	0.92%	0.87%	0.69%	0.82%	0.75%
Balance with Bangladesh Bank and its agent bank	5.86%	4.19%	5.52%	5.49%	4.80%
<b>Balance with other banks and financial institutions</b>	6.53%	8.42%	10.24%	5.24%	3.69%
In Bangladesh	5.51%	7.64%	9.95%	4.23%	3.37%
Outside Bangladesh	1.02%	0.77%	0.29%	1.02%	0.32%
<b>Money at call and on short notice</b>	1.30%	0.03%	0.00%	1.92%	1.44%
<b>Investments</b>	15.53%	11.72%	9.53%	15.55%	20.92%
Government	14.75%	10.78%	8.45%	14.26%	19.49%

Others	0.77%	0.93%	1.08%	1.28%	1.44%
<b>Loans and advances/investments</b>	64.24%	69.84%	68.34%	64.62%	60.80%
Loans, cash credits, overdrafts, etc/investments	58.80%	63.04%	62.80%	61.22%	56.60%
Bills purchased and discounted	5.44%	6.80%	5.54%	3.39%	4.19%
<b>Fixed assets including premises, furniture and fixtures</b>	1.99%	1.77%	1.84%	2.07%	2.26%
<b>Other assets</b>	3.63%	3.16%	3.84%	4.28%	5.33%
<b>Total assets</b>	100.00%	100.00%	100.00%	100.00%	100.00%
<b>LIABILITIES AND CAPITAL</b>					
<b>Liabilities</b>					
Borrowings from other banks, financial institutions and agents	9.72%	10.19%	10.47%	7.43%	5.48%
Subordinated non-convertible zero coupon bonds	3.34%	2.41%	2.80%	1.26%	1.48%
<b>Deposits and other accounts</b>	71.71%	72.40%	71.64%	75.54%	75.70%
Current/Al-wadeeah current accounts and other accounts	13.41%	15.37%	14.53%	13.53%	13.20%
Bills payable	1.06%	1.34%	1.37%	1.94%	1.75%
Savings bank/Mudaraba savings bank deposits	13.65%	12.87%	11.94%	10.98%	9.44%
Fixed deposits/Mudaraba fixed deposits	43.59%	42.81%	43.80%	49.10%	51.31%
<b>Other liabilities</b>	8.24%	7.41%	7.80%	8.10%	8.88%
<b>Total liabilities</b>	93.01%	92.40%	92.71%	92.34%	91.54%
<b>Capital/shareholders' equity</b>					
<b>Total shareholders' equity</b>	6.99%	7.60%	7.29%	7.66%	8.46%
Paid-up capital	3.30%	3.61%	3.42%	3.48%	3.74%
Statutory reserve	2.56%	2.69%	2.54%	2.61%	2.62%
Revaluation reserve	0.58%	0.69%	0.75%	0.88%	1.14%
General reserve	0.00%	0.00%	0.00%	0.00%	0.00%
Retained earnings	0.55%	0.60%	0.58%	0.68%	0.96%
<b>Total liabilities and shareholders' equity</b>	100.00%	100.00%	100.00%	100.00%	100.00%

### Vertical Analysis (Balance Sheet)

Vertical Analysis method measures each component's growth as a percentage of total income of the periods. If we look carefully, we can understand that the top contributors of the asset size are Loans and advances (64.44%) and investment (15.57%) which constitute almost 80% share of balance sheet. Furthermore, 2019 investment increased due to lower demand for advances and higher demand for T-bill and bond as a mean of sourcing fund by the government. On the other hand Deposit is the top contributor to the liability portion of the balance sheet in 2019. [1]

### 2.5.5 DuPont Analysis

DuPont analysis gives us a better understanding of the components contributing to ROE and which component caused the most change in the ROE. For in-depth analysis, 5-factor DuPont analysis is used which constitutes net profit margin (which can be further broken down to operating profit

margin, effect of non-operating items and tax effects), total asset turnover and financial leverage.

[6]

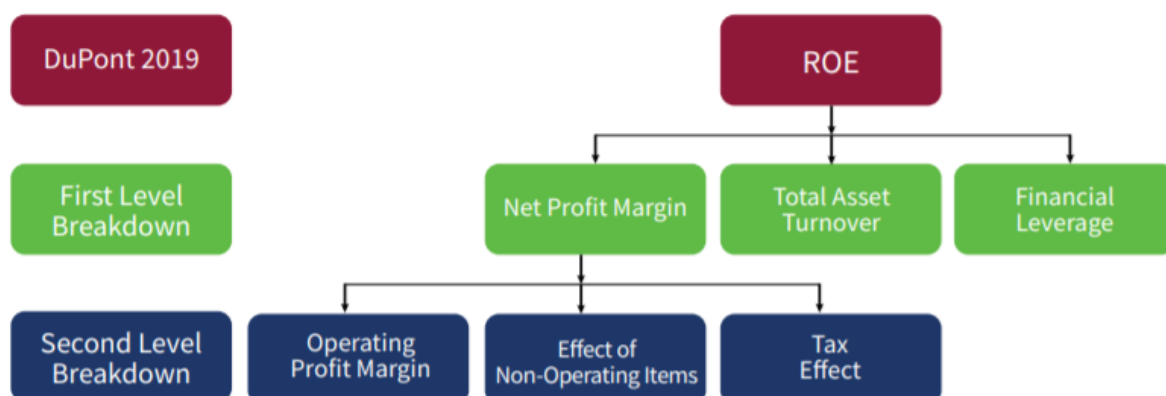


Figure 6: DuPont Analysis

Table 11: Breakdown of ROE and DuPont Analysis [1]

Particulars	2019	2018	2017
<i>ROE</i>	8.16%	10.21%	10.21%
<i>Net Profit Margin</i>	6.42%	8.35%	8.98%
<i>Total Asset Turnover</i>	0.0924	0.0910	0.0841
<i>Financial Leverage</i>	13.7483	13.4315	13.5234
<i>Operating Profit Margin</i>	30.53%	29.71%	29.32%
<i>Effect of Non-operating Items</i>	0.4206	0.5727	0.6067
<i>Tax Effect</i>	0.5001	0.4909	0.5046

The higher the contributing factors value is, the greater the change in ROE will be. If we look carefully, we can see that the operating profit margin had increased over the years to 30.53% in 2019 to that of 29.71% in 2018 [2]

Effects on non-operating items include loan loss and other provision which decreased to 0.4206 from 0.5727 for the increase of provision by 57%. Tax effect increased to 0.5001 from 0.4909.

The combined effects of these three components (increase of operating profit margin, decrease of effect of non-operating items and increase of tax effect) resulted in decrease of net profit margin to 6.42% in 2019 from 8.35% of last year.

Efficiency of utilization of assets as implied by average total assets turnover which was higher than previous year. Bank Asia's financial leverage slightly increased to 13.7483 from last year's 13.4315. [2]

## 2.6 Operations Management and Information System Practices

### 2.6.1 Business Model

Figure 7: Bank Asia's Business Model

## Bank Asia's Business Model



## 2.6.2 Review of Operations of Bank Asia in 2019

In 2019 the economy grew moderately but the banking still had its own sets of challenges such as rising NPLs and classified loans. Yield of Advance (YoA) of the bank increased by 20 basis points to a peak of 10.19% in 2019 while cost of deposit (CoD) of the bank ever so increased from 5.65% to 5.67%. This difference in YoA and CoD has increased the interest spread from 4.34% to 4.52%. [3]

In 2019, total assets grew by 15% to a peak of Tk. 353,800 million while total capital grew 22% to Tk. 42,757 million [1]

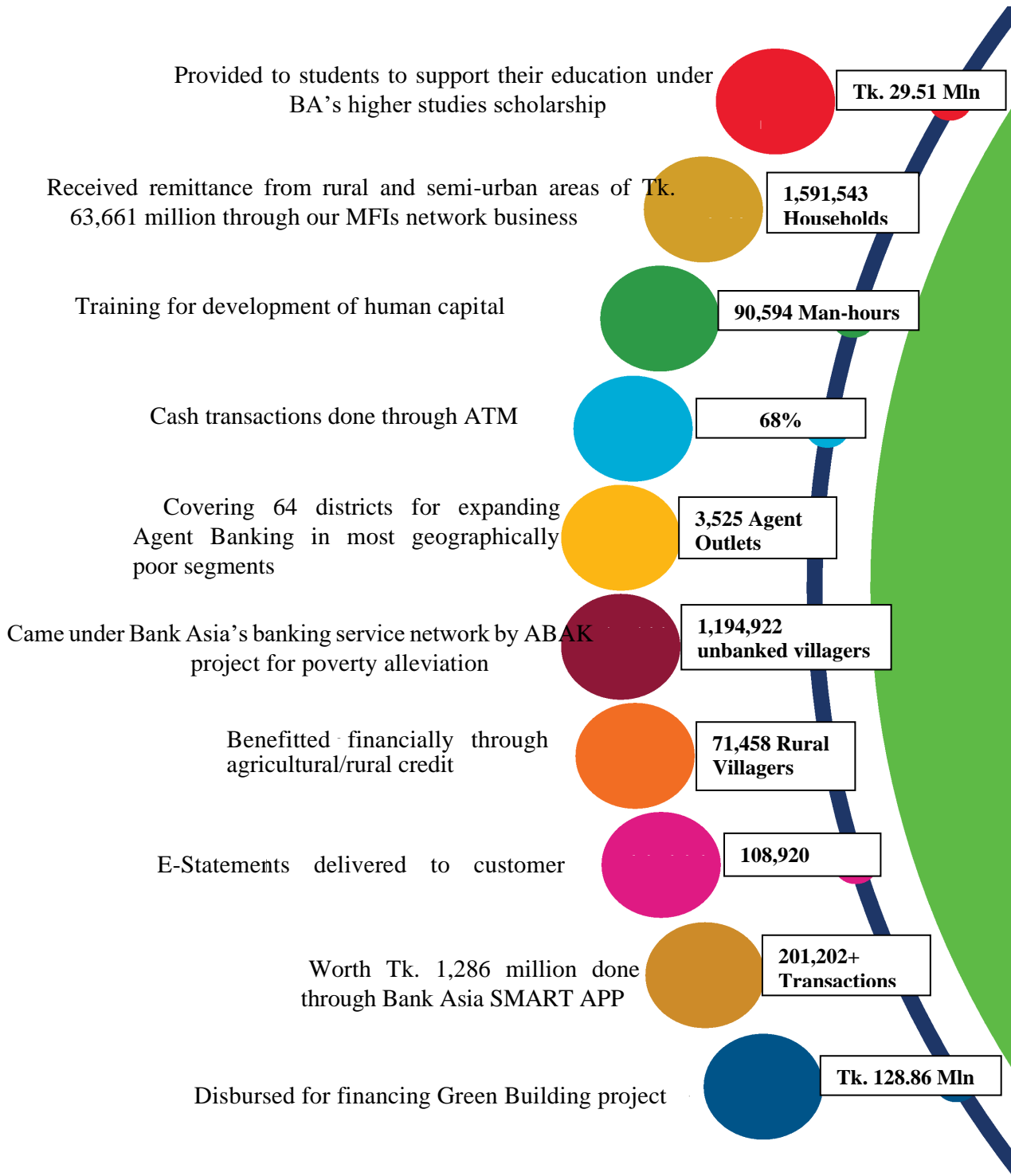
Deposits grew 14% to a total amount of Tk. 253,710 million and Loans and Advances grew 6% to a total amount of Tk. 227,299 million. Bank's import decreased by 6.95% and stood at USD 1.860 million. Export decreased by -2.49% and reached USD 1,567 million. Inward remittance in 2019 showed a growth of 22% and reached USD 897 million compared to USD 735 million in 2018. The bank closed in with an Operating profit of Tk. 9,332 million while having a net profit after tax of Tk. 1,961 million. [1]

It is important to note the failed to perform better in terms of halting the rising growth of classified loans in 2019 having a CL ratio of 4.61% but it is to be commended on a strong capital base having a Capital to Risk Weighted Assets Ratio (CRAR) of 17.93%. [1]

With 128 branches, 3,525 Agent outlets, 4 SME service centers, 5 Islamic windows, 180 own ATMs with more than 12,500+ shared ATMs, 1 Brokerage Company in Bangladesh and 2 exchange houses located in UK and USA, the Bank hopes sustain a smooth distribution network. [3]

## 2.6.3 Sustainable Banking Operations 2019

## Sustainable Banking Operations



### 2.6.4 Logistics and Support Services

Bank Asia is proud of its logistics support service which is crucial for a bank to perform daily to daily instructions. Bank Asia believes in an integrated logistics support services that provides



planning, design and support of business operation of infrastructure development, procurement, inventory, warehousing, distribution, transportation, customer support among others [1]

Logistics and support services major activities in 2019

- In 2019, Bank Asia opened up 01 (one) new branch, 02 (two) Collection Booth, 05 (five) City Digital Center (CDC) and 15 (fifteen) new ATM booths at different places of the country. Remodeling of Gulshan Branch (renovation and interior decoration), establishment of 3 (three) new Cluster Hub Office at Sylhet zone, 3 (three) new Foreign Exchange Reporting Hub, Outbound Services of FRD at Bank Asia Tower.
- Construction work of 12 (twelve) storied commercial building at Bank's own land at 32-34 Kazi Nazrul Islam Avenue, Kawranbazar, Dhaka is in progress.
- Construction work of 10 (ten) storied commercial building at Bank's own land at Holding #2, Shukrabad, Mirpur Road, Dhaka is in progress.
- Establishment of Central Store at Bank's own premises at Bank Asia Tower, 32-34 Kazi Nazrul Islam Avenue, Kawranbazar, Dhaka.

#### 2.6.5 Information Technology

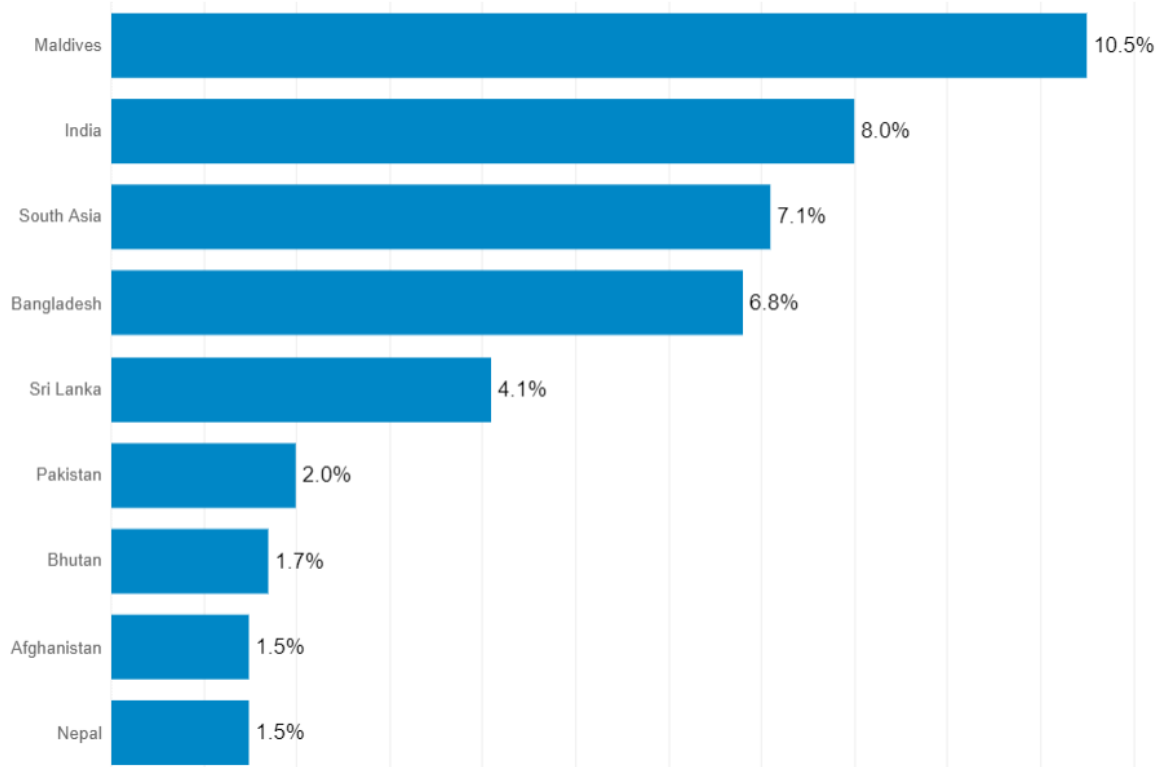
Bank Asia was certified with ISO/IEC 27001:2013 in compliance of all necessary cyber infrastructure. The constantly introduces Deep Learning and Machine Learning applications such as Smart Banking, My Family App, Online Credit Approval System (OCAS) - Diganta, Online CIB which ensures automated and swift processing of customer requirements. Management Information System (MIS) is heavily given preference in the Bank. [3]

## **2.7 Industry and Competitive Analysis**

### 2.7.1 World Economy

The global economy is expected to expand 4% in 2021, assuming an initial COVID-19 vaccine rollout becomes widespread throughout the year. A recovery, however, will likely be subdued, unless policy makers move decisively to tame the pandemic and implement investment-enhancing reforms, the World Bank says in its January 2021 *Global Economic Prospects*. [7]

Although the global economy is growing again after a 4.3% contraction in 2020, the pandemic has caused a heavy toll of deaths and illness, plunged millions into poverty, and may depress economic activity and incomes for a prolonged period. Top near-term policy priorities are controlling the spread of COVID-19 and ensuring rapid and widespread vaccine deployment. To support economic recovery, authorities also need to facilitate a re-investment cycle aimed at sustainable growth that is less dependent on government debt.



Source: Asian Development Bank. Asian Development Outlook (ADO) 2020 Update (September 2020)

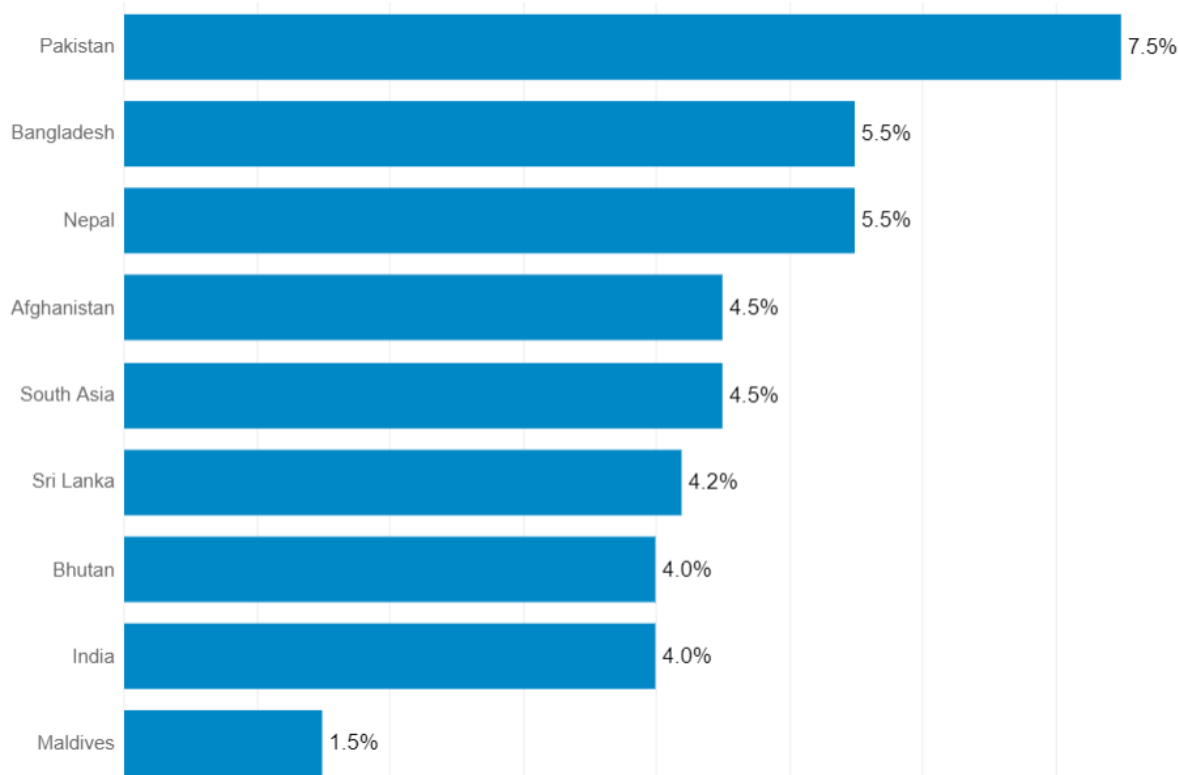
Figure 8: GDP growth forecast for 2021 [8]

The near-term outlook remains highly uncertain, and different growth outcomes are still possible, as a section of the report details. A downside scenario in which infections continue to rise and the rollout of a vaccine is delayed could limit the global expansion to 1.6% in 2021. Meanwhile, in an upside scenario with successful pandemic control and a faster vaccination process, global growth could accelerate to nearly 5 percent.

In advanced economies, a nascent rebound stalled in the third quarter following a resurgence of infections, pointing to a slow and challenging recovery. U.S. GDP is forecast to expand 3.5% in 2021, after an estimated 3.6% contraction in 2020. In the euro area, output is anticipated to grow 3.6% this year, following a 7.4% decline in 2020. Activity in Japan, which shrank by 5.3% in the year just ended, is forecast to grow by 2.5% in 2021.

Aggregate GDP in emerging market and developing economies, including China, is expected to grow 5% in 2021, after a contraction of 2.6% in 2020. China's economy is expected to expand by

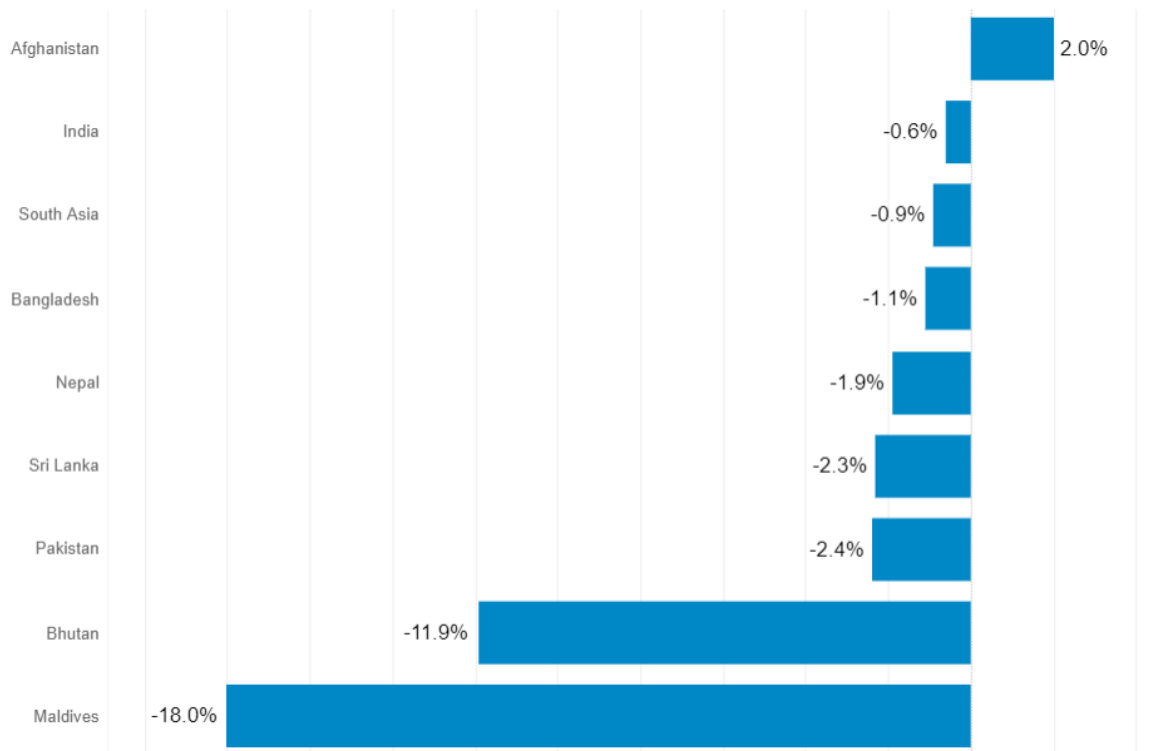
7.9% this year following 2% growth last year. Excluding China, emerging market and developing economies are forecast to expand 3.4% in 2021 after a contraction of 5% in 2020. Among low-income economies, activity is projected to increase 3.3% in 2021, after a contraction of 0.9% in 2020. [9]



Source: Asian Development Bank. Asian Development Outlook (ADO) 2020 Update (September 2020)

Figure 9: Inflation 2021 forecast (% per year)

The scale of disruption of the global labor market that took place in 2020 is now coming into focus, according to the International Labor Organization (ILO). Specifically, the ILO says that 8.8% of global working hours were lost in 2020 relative to the fourth quarter of 2019. That translates into about 255 million full-time jobs. This is about four times more than what took place during the global financial crisis in 2008-09. Moreover, the ILO's baseline forecast is that there will be job growth in 2021, but not enough to offset the loss since the crisis began. As such, the ILO predicts that, for all of 2021, the loss of employment relative to the pre-crisis level will be the equivalent of 90 million full time jobs. [10]

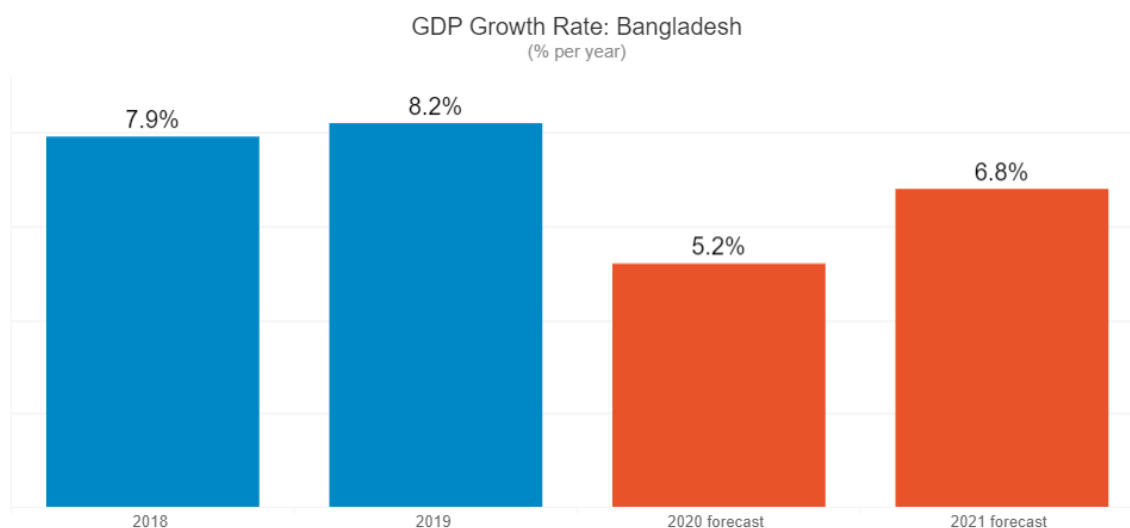


Source: Asian Development Bank. Asian Development Outlook (ADO) 2020 Update (September 2020)

Figure 10: Projected Current Account Balance 2021

### 2.7.2 Bangladesh Economy

Bangladesh has more than halved its incidence of poverty over the past 25 years. The country gained lower middle income status in 2015 and met the criteria to graduate from least-developed country status in March 2018. Bangladesh’s economic expansion has been robust over the past decade and in fiscal year (FY) 2019 the economy grew by 8.2%, the highest in the Asia and Pacific region. [8]



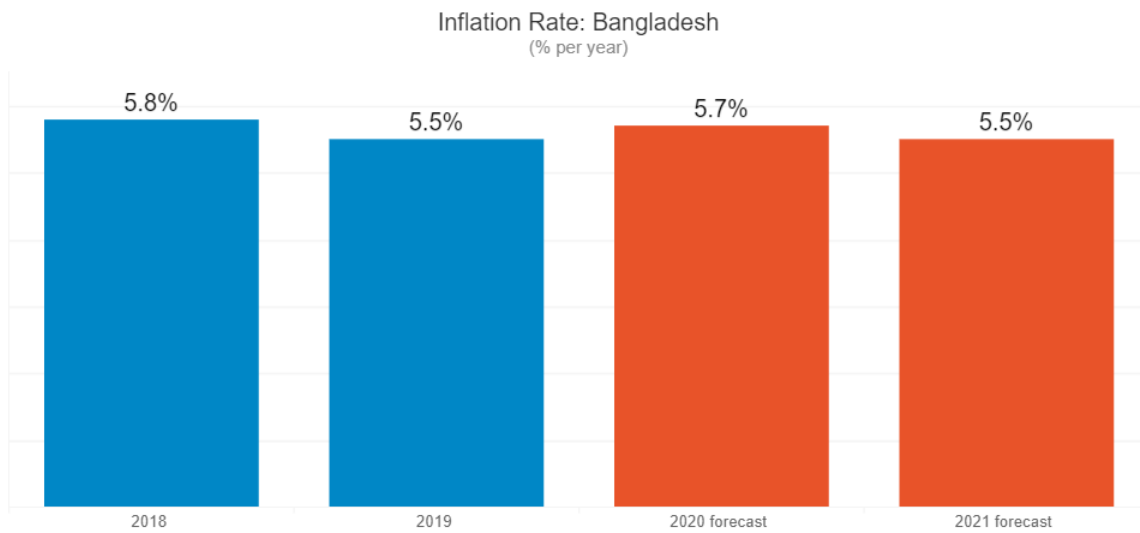
Source: Asian Development Bank. Asian Development Outlook (ADO) 2020 Update (September 2020)

*Figure 11: GDP Growth Rate Bangladesh [8]*

Growth plunged to an over 10-year low in FY 2020 (July 2019–June 2020), amid unprecedented contractions in merchandise exports, industrial production and remittances due to Covid-19 in Q4. Turning to FY 2021, economic conditions seem to have been gradually improving after the easing of restrictions in May, supported by expansionary fiscal and monetary policies. Merchandise exports rebounded in Q1 2021 (July–September) as the easing of lockdown measures globally boosted demand for clothing. Moreover, remittances—a key source for consumer spending—soared 48.5% in the same period. In turn, the spike in remittances and lower trade deficit led to a marked improvement in the current account balance in Q1 2021. That said, although authorities ruled out strict lockdown restrictions at home, the recent surge in Covid-19 infections globally could reduce foreign demand, boding ill for the economic recovery.

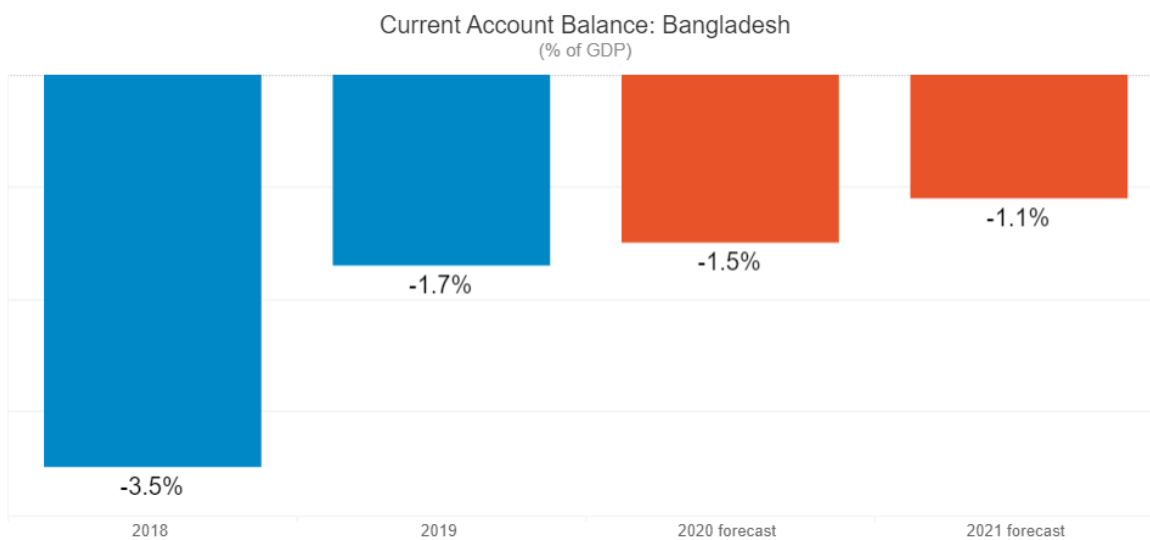
Growth is expected to regain momentum this fiscal year (July 2020–June 2021) as the external sector strengthens, while supportive fiscal and monetary stimulus measures bolster domestic demand. That said, uncertainty over the course of pandemic, the country’s poor health infrastructure and a fragile global economy cloud the outlook. FocusEconomics panelists project GDP to expand 5.9% in FY 2021, which is down 0.8 percentage points from last month’s forecast,

and 7.1% in FY 2022.



Source: Asian Development Bank. Asian Development Outlook (ADO) 2020 Update (September 2020)

Figure 12: Inflation Rate: Bangladesh [8]



Source: Asian Development Bank. Asian Development Outlook (ADO) 2020 Update (September 2020)

Figure 13: Current Account Balance: Bangladesh [8]

### 2.7.3 Banking Industry

The banking in Bangladesh and globally took it hard. On top of that the banks barely coping up the Pre-Covid environment. NPLs are high and

spreads are lowering which is clear sign that the pandemic could not come at a worse time. The Bank Bank directive to halt payments till Dec 31 might cause more problems than it seems. Here's an outlook:

- The lending cap that BB has imposed has led banks not being to price their products effectively which in turn, will lead to commercial banks' lending less to small and medium sized enterprises because the profit margin is significantly reduced. These CMSE are the most affected by the pandemic and they are the ones opted out of the deal when liquidity of these CMSE is highly required. [12]
- After the BB moratorium, the banking sector saw a BDT 18.2 bn fall in default loans and a 9% NPL in Mar'20 to help businesses tide over the coronavirus pandemic. [5]
- The real underlying problem with toxic assets is still to be addressed. They are piling up more and more and BB seeks to overlook the problem [12]
- There's a huge liquidity crisis that may come up soon and on top of that the govt. increased borrowing might show symptoms of large crowding out effects [11]
- There is virtually no credit guarantee. Banks cannot lend to large corporate without a strong credit guarantee which further makes the stimulus of package of more than Tk. 1 trillion ineffective. However, the govt. is currently joining hands with World to bring a partial credit guarantee scheme with an initial USD 300 MN credit



guarantee scheme. [10]

- Moreover, asking banks to disburse the stimulus funds within August of 2020 is completely impractical without credit guarantee. This could very well lead of increase of bad assets and NPLS/toxic assets for the banks. [11]

- It is no secret that non-operating income such as income from commissions, brokerage fell drastically due to decreased Letter of Credit (LC). However, the income pickup up massive due to a huge influx of inward remittances. [11]
- The Capital to Risk-weighted Assets Ratio (CRAR) of the banking industry stood at 11.6% at the end of December 2019, which was 10.5% in 2018. Out of 58 scheduled banks, 48 banks maintained a CRAR of 10% or higher as of December 2019. Total capital shortfall stood at nearly BDT 236 bn in Dec'19. Since banks now have to keep lower provisioning which could signal that should a crisis arise the banks would be unable to bail out due to the shortage of capital. In retrospect, BB's directive to stop dividend payments till September 2020 could give banks some breathing room. [10]
- Among all Bangladeshi banks, BRAC Bank is best placed to deal with the pandemic due to its strong asset quality, high capitalization, high investment in digital banking and its 51% stake in bKash - the leading MFS operator in Bangladesh. [4]

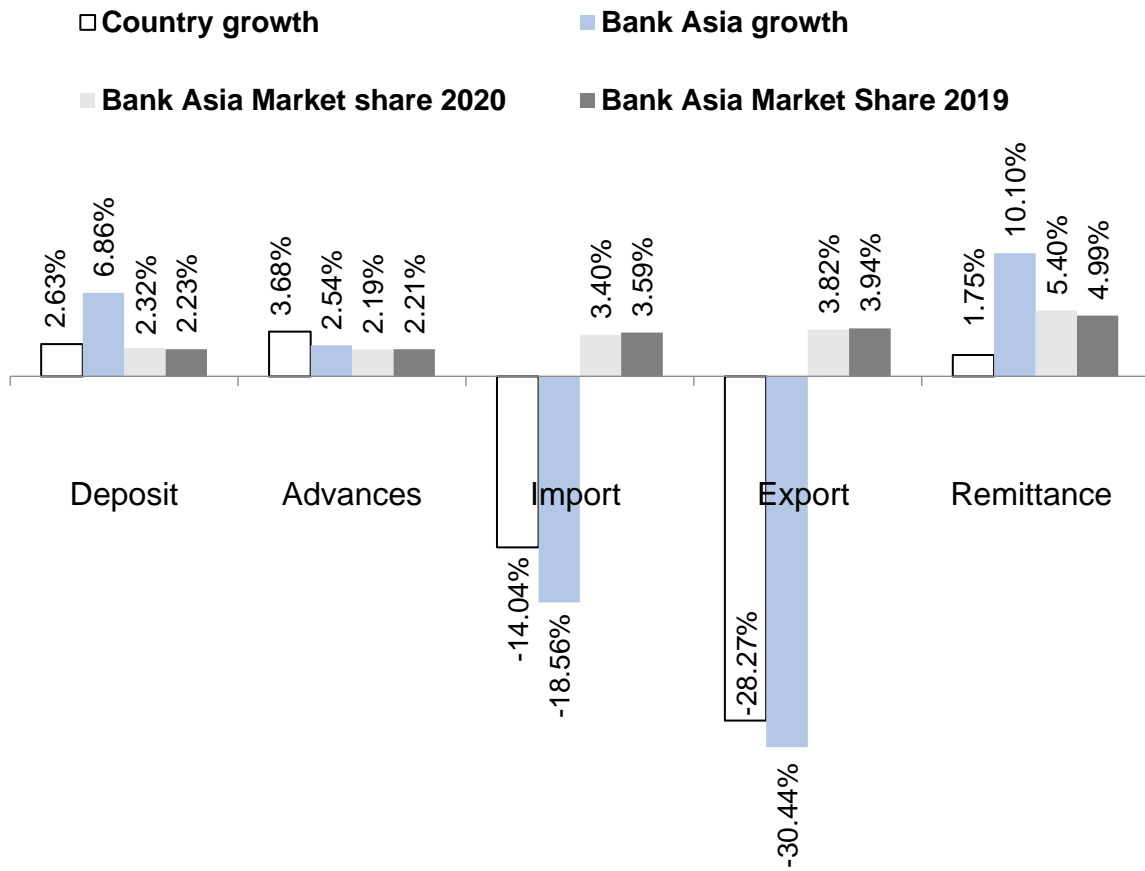


Figure 14: Bank Asia's Overall Growth Position

If we look at the above graph, we can see that Bank Asia's deposits and inward remittance had a massive growth doing better than overall country's growth while its foreign exchange trade a big hit. However loans and advances performed with a steady growth rate.

## 2.7.4 SWOT

### **Strengths**

#### 1. Strong Financial Inclusive Programs

Bank Asia is dominating the financial inclusion scene of the country through innovative services and products like Agent Banking, Post Office Banking, ABAK, Social Safety Net Program and Agri-loans. Bank Asia has received Bangladesh Business Innovation Award for “Agent Banking Business Model” by Bangladesh Brand Forum [3]

#### 2. Strong Asset and Capital Base

Bank Asia has successfully maintained CRAR of 17.93% and managed to reduce cost to income ratio to 42% (approx.). [3]

#### 3. Brand Value

Conforming to intense regulatory practices and showing sustainable operational values has earned the Bank numerous awards including 1st prize in the category of Corporate Governance Disclosures by SAFA and ICSB 1st prize as the Best Presented Annual Report by ICAB “GOLD RANK” – Asia Sustainability Reporting Rating (ASR) 2018 by NCSR of Indonesia for Sustainability Report 2018. [1]

#### 4. Significant Remittance Growth

In 2019, remittance of Bank Asia increased to USD 897 million recording a growth of almost 22%. [1]

#### 5. Accessible and Strong Banking Channels

Bank Asia has 3,525 agent outlets, 128 branches, 4 SME centers, 168 ATM booths (12,500+ shared ATM) in the country while having a remarkable 677 Foreign Correspondent Banks in 166 countries, 46 exchange houses in 10 countries and 3 subsidiary companies (2 abroad and

1 in the country). [1]

#### 6. Efficient Human Resources

Bank Asia trains its employees, state and national level, on a regular lead to an increase efficiency of all its core employees. In 2019, 90,594 man hours of training was imparted to 4,750 participants [1]

#### 7. Progressive Technology

Bank Asia leverages current and trending technological platforms and applications to access far reach clients to provide the best customer service possible. Initiatives such as Online Banking Platform, MyApp, Shadhin for freelancers, online payment gateway service like Payoneer, Online credit approval system for CMSEs among others are integrated to provide better service. [6]

### **Weaknesses**

#### 1. Cyber infrastructure

Cyber security has always a huge talking point in Bangladesh but unfortunately almost none of the large stake investors are divulge into the idea that good strong cyber network is a an essential part of banking. Since now more than banks are paving towards Digitalization, it is crucial to invest in cyber platform and train core employees in cyber training. [12]

#### 2. Default Loan Management

The NPL of Bank Asia stood at 4.61% where the industry average was 12% but further actions is needed to disburse loans after careful evaluation and to ensure the recovery of the classified loans [1]

Digitalization of the banking and financial sector-maintaining large stakeholders, has paved the way for cybercrimes. It is imperative to increase investment in the IT sector to develop

physical infrastructure, to ensure software upgrades and to disperse awareness and IT training among the staff. Bank Asia is already developing cyber security measures but more has to be done in this field. [3]

## **Threats**

### Soundness of Banking Industry

#### 1. Banking Industry Competitive Index

According to the “Global Competitiveness Report 2019”, Bangladesh ranked 130th out of 141 countries due to rising toxic assets, NPLs, widespread loan fraud, non-intensive audits and ineffective regulators. Bank Asia should put more rigorous and intensive checks in their banking systems to avoid such crises. [4]

#### 2. Foreign Reserve

Foreign exchange reserve decreased slightly to \$32.72 billion in 2019 than the last year’s \$32.9 billion. This was likely to happen due to ever growing stress from higher import payment obligations- petroleum products (especially LNG), construction materials, capital machinery for power plants and fertilizer. Furthermore, mega infrastructure projects under ADP, including Padma Bridge, Rooppur Nuclear Power Plant (NPP), Payra Port, Metro Rail Project and Dhaka Elevated Expressway accounts are stressing the foreign reserve even more. As a result, more and more foreign reserve bills are being sold to commercial in increase liquidity. Bank Asia should use this opportunity as the central bank has so far sold more than \$2.0 billion from the reserves directly already. [4]

#### 3. Non-performing Loans

NPL accounts for 12% of the total loans in the industry which is eroding the confidence of customers and depositors in the banking sector, exacerbating the liquidity crisis and curbing the capacity of banks to give out loans. In order to stabilize the situation, BB has allowed 2 per

cent down payment to avail a 9 per cent interest rate for 10 years, including one year's grace period, to pay back their loans. Bank Asia should be credit rating their customers who will be availing these loans. [4]

#### 4. Investment in the Private Sector

Private sector credit growth remains stagnant caused by a combination of policy pressure and cautious stance by banks concerning the pandemic amid rising NPL which took to the figure to 10.68 percent in August 2019 from 14.94 percent last year. [10]

#### 5. Coronavirus

The second largest economy in the world, China is Bangladesh's leading trading partner, with a \$14.48 billion bilateral trade since last fiscal year making up 26.1% of the total \$56 billion worth of goods Bangladesh imports from around the world. As a result of the coronavirus outbreak, Bangladesh's manufacturing sector, especially readymade garments, textile, plastic and leather, is set to face a supply disruption as the outbreak has cut communications between the two countries to some extent. Delivery of most of the capital machineries which are imported from China will be delayed causing new investments to take a hit too. The economic fallout will hit the lives of the consumers in a major way, with prices of onion, garlic and ginger imported from China facing a sharp rise that will push the inflation up. Besides, the prices of electronic products, smartphones and other gadgets will go up in Bangladesh's markets, which the Chinese products dominate. [10]

#### 6. Single Digit Interest Rate

To facilitate investment in the private sector, the central bank has decided to set 9% and 6% interest rates respectively for lending and deposits in the banking but unfortunately this initiative might backfire as more and more investors are securing high yield government

savings instruments. Moreover, interest income will drastically decrease for every single bank and experts have shown concern over these fixed interest rates [4]

## **Opportunities**

### **1. GDP growth**

With a commendable growth rate of 8.13% in the 2018-2019 Fiscal Year, Bangladesh is one of the fastest growing economies of the world and is striding boldly to become a middle income country with GDP Per Capita reaching USD 1,828 in Jun 2019, compared with USD 1,675 in Jun 2018. [12]

### **2. Growth in the Agent Banking Sector**

The country also has 600,000 IT freelancers. Bank Asia's own freelancer card 'Shadhin' will support the needs on the freelancing community and not to mention Bank Asia is the pioneer in agent banking having over 3,525 outlets opened. Bank Asia was enjoying 75.85% share of the total loan disbursement through agent banking. The central bank data show that Bank Asia accounted for 18 percent of the total deposit collected through agent banking, and 76 percent of the total loan disbursed. [12]

### **3. Remittance**

Remittance being one of the main economic growth drivers of Bangladesh, accounted for 5.40% of the GDP in the 2018-2019 fiscal year, hitting an all-time high of \$ 16.40 billion in 2019 from \$14.98 billion of the previous year giving a boost to the foreign exchange reserves. [12]

## **2.8 Summary and Conclusion**

Established in November 27, 1999, Bank Asia Limited is a private sector commercial bank in Bangladesh whose principles are aligned to support economic growth, through credit,



investment capital, trade finance and infrastructure financing we facilitate allocation of capital. [1]

In essence Bank Asia's primary creates value by as follows: [1]

- Facilitate access to financial services, enabling socioeconomic development and personal wealth creation, which are relevant to the markets in which we operate [6]
- Provide effective markets to encourage banking activities of customers and clients through secure and reliable transactional systems and processes [3]
- Enable financial protection and diversification through risk transfer [3]
- To ensure customers have safe as well as convenient access to their savings and funds we deploy and maintain the integrity of banking infrastructure [1]
- Focused on technologically advanced banking systems appropriate to our industry to make banking more facile & interactive for customers [1]
- Build and maintain a good governance framework to protect and enrich value creation [3]
- Actively make progress against our strategic priorities to achieve our vision [1]
- Engage with stakeholders and responsive to their concerns [1]
- Entrench our code of ethics and values [1]
- Reduce our operational impacts and promote positive change [1]

## **2.9 Recommendation**

Bank Asia should formulate better plans and diverse forms of deposit schemes through assessment in terms of risk exposure, capital adequacy, loan provision and regulators' instructions in advancing loans and making investment. The Bank should look to providing satisfactory return to shareholders and maintaining sustainable growth with strong financial stability.

More integrated training schedules should be devised by the Bank for their employees in order to motivate and support their decision making skills which helps to retain experienced and skilled employees and develops human resources towards company's vision & growth.

Bank Asia should focus on a strong internal business process platform that emphasizes technological innovation. The bank should carefully manage their operations to address and protect the customer needs.

The Bank should also try introducing new products and services and reduce service waiting time while at the same time, conducting customer service quality survey, to stay at top of the market.

## **Chapter 3**

### **Project part: Impact of Covid-19 on profitability and efficiency of PCBs**

#### **3.1 Introduction**

##### 3.1.1 Background

Banking sector of Bangladesh commenced as part of his economic rebuilding movement in the newly independent Bangladesh in a situation of difficult economic and natural shocks. The newly independent nation inherited a fragile banking structure consisting of two Bangladeshi banks with 155 branches, 10 Pakistani banks with 920 branches, and three foreign banks with 14 branches. There is no doubt that banking sector of the country improved in terms of services, profitability, efficiency, and risk absorption capacity over the years. It is, however, not easy to capture and compare periodical and inter-bank group performance status of the banking activities of the country when their purposes, operational procedures are different. And, the estimation processes of certain indicators in line with the regulatory requirements changed over time. Though private and foreign banks have been consistently focusing on profit motives in their operations as commercial banking entities, the focus and operational processes for state-controlled banks have mainly targeted attainment of national goals and priority sectors. Specialised banks have been designed for supporting priority sectors. However, despite notable improvement, banking sector of Bangladesh has challenges associated with the key indicators of financial health: non-performing loans and corporate governance practices. The banking sector is presently fighting the corona situation and supporting the government efforts for handling the crisis. It is high time for banks to reassess existing policy and business strategy and to move beyond crisis management. A wide-ranging transformation covering human resources, organisational structure, governance and culture might be on the card. It might

include significant workplace transformation, renewed and remarkable boost of IT and fintech, and moving towards comprehensive digitalisation. Also, banks are expected to play lead roles in the country's upcoming green financing and the green growth movements. For policy-making bodies, boards, and top management associated with banks, it is about shouldering greater responsibilities and reflecting accountability to the society for the sake of the long term business, economic and social benefits in this crisis-ridden environment. Thus, it is imperative that we study the effect of this pandemic on the existing banking sector of Bangladesh. To focus and narrow our objective, I have chosen top 28 private commercial banks of Bangladesh and used different avenues of research to build up a case to offer insights on how the banking sector is performing. My hypothesis (H1) is that the private commercial banks including Bank Asia are less efficient and less profitable during this pandemic.

### 3.1.2 Objective

The objective of this paper is gain an overall understanding of the banking sector amidst the Covid-19 pandemic by comparing and contrasting top 28 Banks with Bank Asia's performance in Sept 2020 from previous years using data from research papers, newspaper articles, televised content, annual publications from BB and all other banks.

### 3.1.3 Scope

This paper should also be able to outline the pandemic's impact on financial statements of top banks in the banking sector. Future banking trends can also be estimated from the data gathered in this paper. Financial, managerial and other issues could be highlighted for banks who are performing below par. However market capitalization of the banks is not taken into account since I have worked in a department that specializes in the main operations of the banks and does not deal with other subsidiaries of Bank Asia.

### 3.1.4 Significance

I have been interning in the Group Finance Division of Bank Asia which looks into the Financial and Strategic Planning, Financial Process Reporting with Capital Planning and Financial Control. I have been working on an industry analysis project for 2 months and added valuable insights to my division. A presentation was given by the Chief Financial Officer to the Management based on my industry analysis which provided guidance to the Management. The banking industry of Bangladesh has been struck hard by the current pandemic and I intend place an overview of the current state of the industry through the lens of these 28 bank's efficiency and profitability analysis. It is of everyone's interest in Bangladesh to understand whether there will be an expected shock coming our way like the 2008 financial crash. My analysis of lowering provisioning for loans and advances will give banks increased risk which, essentially, means in 2021 after the moratorium of declassification of non-performing loans (NPLs) is lifted; the country will be flooded with Doubtful, Substandard and Bad Loans. This will, in turn, affect the banking industry and the whole economy negatively. My wish is to find out, through an industry analysis using Bank Asia as a basis, whether the industry is headed towards a financial shockwave in the near future.

### 3.1.5 Limitation

During my analysis part there are some limitation while collecting data because of internal security and confidentiality of the company. To sustain in the market and bit the competition most of the time company prefers to keep data and other information related to analysis as confidential. So to do my whole research on Bank Asia I faced the problem of lacking information especially on strategic analysis..

## 3.2 Methodology

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The analysis of the paper is done on top 28 private commercial banks (PCBs) by comparing and contrasting top 28 Banks performance parameter (which are outlined below) with Bank Asia's performance parameters in Sept 2020 from previous years' parameters using data from research papers, newspaper articles, televised content, annual publications from BB and all other banks. I have data of September 2020 as my baseline because when I started to do this research, September 2020 data was the last available.

Before going into the details, I would like to state that to focus my study improve my results, I did have had to omit a few banks from consideration during research due to the fact that they were either not competitive enough (for Bank Asia based on Operating Profit Sep 2020) to be included in the list or that the data they were recording were so huge that it was skewing the overall outcome such as Islami skewing almost all constructive results. Furthermore, Balance Sheet items are compared with December ending amount while Profit and Loss items are compare Year-on-Year basis. For instance, Sep 20 total asset figure will be compared with Dec 19 figure while Sep 20 interest income figure will be compared with Sep 19 interest income figure.

Parameters

I have used 12 essential parameters to streamline objective judgment to understand the situation in the overall banking (PCBs) industry of the country. These are:

1. Loans and Advances
  - a. This analysis includes Loans and Advances growth of top Banks and their efficiency with write-off level

2. Deposit
  - a. This analysis includes Deposit growth of top Banks and their efficiency rate in acquiring and cost of every deposit acquired
3. Investment
  - a. This analysis includes Investment growth of top Banks and their efficiency
4. Operational Efficiency
  - a. This analysis delves into cost of operation and their effectiveness in running those banks during the pandemic
5. Profitability
  - a. This analysis will tell you how operating profit are taking a hit due to lowering interest income but net profit is increasing due to lowering provisioning requirement.
6. OPEX (Operating Expenditure)
  - a. This analysis tells how the OPEX of every bank is reducing and reasons behind that is also outlined.
7. NII (Net Interest Income)
  - a. This analysis will be able to grasp the idea that since interest income is decreasing, so is NII.
8. Profit and Loss and Balance Sheet growth over last year
  - a. This is done just to show how last year profit and loss account and balance performed with September 2020
9. Remittance

- a. This will tell us why Bangladesh had record inward remittance in Sep 2020 and how the banks are using this opportunity.

10. Comparative Ratios

- a. Certain ratios are used to analyze the overall performance of a particular bank.

Please note Bank Asia uses these ratios to analyze competitor banks.

Sl. No.	Ratio Analysis Equations:	
1	ROA	$(\text{Net profit after tax})/(\text{Avg. Total Assets})$
2	ROE	$(\text{Net profit after tax})/(\text{Avg. Total Shareholders' Equity})$
3	Cost to income	$\text{Total operating expense}/\text{Total operating income}$
4	Yield on advance(YoA)	$(\text{Interest Income})/(\text{Avg. Loans and advances}/\text{Investment})$
5	Cost of deposit (CoD)	$(\text{Interest Paid on deposit and borrowings})/(\text{Avg. Deposits and other accounts})$
6	Cost of Fund (CoF)	$(\text{Interest Paid on deposit and borrowings}+\text{Total operating expense})/(\text{Avg. Deposits and other accounts})$
7	Cost of operation (CoO)	$(\text{Total operating expense})/(\text{Avg Deposits and other accounts})$
8	Spread (incl lending and borrowing)	$\text{Yield on advance} - \text{Cost of deposit \& Borrowing}$
9	Burden ratio	$[\text{Total operating expense}-(\text{Other operating income}+\text{Commission exchange \& brokerage})]/(\text{Avg. Total Assets})$
10	Burden coverage ratio	$(\text{Other operating income}+\text{Commission exchange \& brokerage})/\text{Total operating expense}$
11	Salary to opex	$(\text{Salaries and allowances})/(\text{Total operating expense})$

11. Human Capital Productivity

- a. Here we look into items such as profit per employee or profit per branch to assess productivity.

12. Agent Banking

- a. Since Bank Asia is a pioneer in Agent Banking, it would be unjust not to include this parameter of comparison



This research also delves into the aspect of measures taken by Bank Asia and the government to tackle the impact of Covid-19 and their effectiveness of strategic decisions during this pandemic such as the halt of classification of non-performing loans till Dec 31 issued by Bangladesh Bank. Useful insights will be brought in, primarily, from all relevant published data from 2018 till 2020.

Firstly, we compare the individual portfolio growth of 28 banks. This is done by comparing growth and amount of loan, deposit, investment, investment income, interest income and expense with Net Interest Income, foreign exchange trade. Useful insights will be generated from these data to figure out the growth and efficiency of different portfolios by different banks during the pandemic. This will basically tell us how different banks are handling their portfolio and whether their stance towards this pandemic is aggressive or conservative.

For the sake of betterment, if a certain portfolio size increases we shall call that action as aggressive and if it does not than it conservative. For instance, if Bank Asia's loan size increased from last year even through this pandemic, then we can safely call that the bank is in an aggressive stance. Bank Asia's portfolios are held as the basis of the analysis to understand who are more/less efficient than Bank Asia. We move on to profitability of these 28 banks, which is the heart of the research, to understand the impact of Corona virus on their profit and loss statements. We compare Sept 2020 and Sep 2019 data to gather useful insights on how the banks are actually performing amidst this pandemic. Important parameters such as provision on loans and advances are taken here to understand whether an increase in profitability is impacted by Bangladesh Bank's decision of lowering provisions requirement kept by the 28 banks. We gather information on which banks are the close competitors of Bank Asia and which have surpassed Bank Asia in terms of profitability. We will strategically start to analyze top banks (based on Operating Profit Sept 20) to find out cost efficiency from deposit, revenue

efficiency from loan, revenue efficiency from treasury investment. This is rather an in depth analysis of the efficiency analysis done in the beginning. Here we also point banks who are doing better than Bank Asia and those who moved up ahead in this current scenario. Afterwards, a thorough ratio analysis is done on 28 banks based on Sept 2020 and Dec-19 data for comparison. We can figure out which banks performed better in terms of efficiency and profitability than Bank Asia and also take into account their position last year using Dec 19 data

We also look at the record remittance growth and loan losses of different banks. We also analyze of the human resources employed by these 28 banks and what cost is incurred per employee and what profit is generated per employee in these difficult times. We will also delve into the non-funded income generation of each bank and talk about the reasons for variance. Additionally, we will single out OPEX and find out which item contributes the largest amount to this expenditure for each bank.

### 3.3 Findings and Analysis

#### 3.3.1 Overview of Top 28 PCBs

Table 12: Profitability and Efficiency Parameters of 28 PCBs (in million taka)

	Parameters	Bank Asia	DBBL	BRAC	EBL	City	Trust
Loans	Loan Dec-18	214,618	218,037	238,008	209,306	231,391	197,128
	Loan Dec-19	227,299	242,878	264,091	232,051	246,944	210,767
	Loan Sep-20	232,638	263,085	265,037	232,343	296,472	217,923
	Loan Growth(over Dec19)	5,339	20,207	946	292	49,528	7,156
	Avg. Loan(Dec 19)	220,959	230,458	251,050	220,679	239,168	203,948
	Avg. Loan(Sep 20)	229,969	252,982	264,564	232,197	271,708	214,345
	Int. Inc (Dec 19)	22,863	24,944	29,692	23,164	26,819	19,722
	Int. Inc (Sep 20)	14,761	16,399	19,216	15,586	18,089	14,215
	<b>YOA(Dec 19)</b>	<b>10.35%</b>	<b>10.82%</b>	<b>11.83%</b>	<b>10.50%</b>	<b>11.21%</b>	<b>9.67%</b>
	<b>YOA(Sep 20)</b>	<b>8.56%</b>	<b>8.64%</b>	<b>9.68%</b>	<b>8.95%</b>	<b>8.88%</b>	<b>8.84%</b>
CL % (Dec-19)	4.61%	4.40%	3.99%	3.35%	5.77%	5.49%	
Deposit	Deposit Dec-18	222,472	262,434	228,622	199,629	205,170	212,681
	Deposit Dec-19	253,710	302,159	268,309	240,164	246,441	242,025
	Deposit Sep-20	289,173	349,563	283,111	237,957	270,806	277,925
	Deposit Growth	35,463	47,404	14,802	(2,207)	24,365	35,900
	Avg. Dep.(Dec 19)	238,091	282,297	248,466	219,897	225,806	227,353
	Avg. Dep.(Sep 20)	271,442	325,861	275,710	239,061	258,624	259,975

	Int. Exp. (Dec 19)	14,462	7,384	14,654	15,005	15,987	13,474
	Int.Exp (Sep 20)	11,392	6,246	10,779	11,045	12,033	11,105
	<b>COD(Dec 19)</b>	<b>6.07%</b>	<b>2.62%</b>	<b>5.90%</b>	<b>6.82%</b>	<b>7.08%</b>	<b>5.93%</b>
	<b>COD(Sep 20)</b>	<b>5.60%</b>	<b>2.56%</b>	<b>5.21%</b>	<b>6.16%</b>	<b>6.20%</b>	<b>5.70%</b>
	<b>Spread (Dec 19)</b>	<b>4.27%</b>	<b>8.21%</b>	<b>5.93%</b>	<b>3.67%</b>	<b>4.13%</b>	<b>3.74%</b>
	<b>Spread (Sep 20)</b>	<b>2.96%</b>	<b>6.09%</b>	<b>4.47%</b>	<b>2.79%</b>	<b>2.67%</b>	<b>3.15%</b>
Investment	Inv. Dec-18	35,999	32,208	25,765	27,720	27,882	32,305
	Inv. Dec-19	54,933	55,105	45,943	39,797	39,452	41,042
	Inv. Sep-20	86,377	112,332	67,419	61,385	39,041	84,310
	Invest. Growth	31,444	57,227	21,476	21,588	(411)	43,268
	Avg. Inv (Dec-19)	45,466	43,657	35,854	33,759	33,667	36,674
	Avg.Inv (Sep-20)	70,655	83,719	56,681	50,591	39,247	62,676
	Inv. Inc (Dec-19)	3,293	3,412	3,072	2,752	2,086	2,877
	Inv. Inc (Sep-20)	4,689	5,089	4,781	3,670	2,887	4,460
	<b>Yield on invest.(Dec-19)</b>	7.24%	7.82%	8.57%	8.15%	6.20%	7.84%
	<b>Yield on invest.(Sep-20)</b>	<b>8.85%</b>	<b>8.10%</b>	<b>11.25%</b>	<b>9.67%</b>	<b>9.81%</b>	<b>9.49%</b>
	Others	Total Op. Inc (Dec 19)	16,074	26,710	21,388	14,597	18,285
Total Op. Inc (Sep 20)		10,539	18,966	15,031	10,329	12,751	8,837
Total Asset Dec-18		307,291	339,356	315,417	282,451	324,780	259,638
Total Asset Dec-19		353,800	379,952	369,464	335,163	354,689	294,892
Total Asset Sep-20		391,529	450,869	389,631	336,519	406,304	341,108
Avg Total Asset (Dec 19)		330,546	359,654	342,441	308,807	339,735	277,265
Avg Total Asset (Sep 20)		372,665	415,411	379,548	335,841	380,497	318,000
FA Jun-20		6,853	5,327	7,843	7,443	5,866	1,709
Shareholder Equity-Dec-18		23,340	22,646	31,638	22,966	24,430	12,888
Shareholder Equity-Dec-19		24,745	26,772	38,970	25,567	25,416	14,940
Shareholder Equity-Sep-20		27,005	30,128	43,151	28,610	27,188	17,481
Avg. Shareholders' Equity(Dec 19)		24,043	24,709	35,304	24,267	24,923	13,914
Avg. Shareholders' Equity(Sep 20)		25,875	28,450	41,061	27,089	26,302	16,211
Ratios	<b>ROA (Dec 19)</b>	<b>0.59%</b>	<b>1.14%</b>	<b>1.65%</b>	<b>1.30%</b>	<b>0.73%</b>	<b>0.73%</b>
	<b>ROA (Sep 20)</b>	<b>0.82%</b>	<b>1.11%</b>	<b>0.98%</b>	<b>1.14%</b>	<b>0.98%</b>	<b>1.09%</b>
	<b>ROE (Dec 19)</b>	<b>8.16%</b>	<b>16.63%</b>	<b>15.99%</b>	<b>16.52%</b>	<b>9.92%</b>	<b>14.60%</b>
	<b>ROE (Sep 20)</b>	<b>11.86%</b>	<b>16.21%</b>	<b>9.08%</b>	<b>14.09%</b>	<b>14.21%</b>	<b>21.29%</b>
	<b>Cost to Inc (Dec 19)</b>	<b>42.00%</b>	<b>58.70%</b>	<b>53.49%</b>	<b>43.76%</b>	<b>54.68%</b>	<b>36.05%</b>
	<b>Cost to Inc (Sep 20)</b>	<b>49.09%</b>	<b>67.11%</b>	<b>60.23%</b>	<b>45.85%</b>	<b>63.43%</b>	<b>33.65%</b>
	<b>Opex (Dec 19)</b>	6,751	15,680	11,440	6,387	9,998	4,009
	<b>Opex (Sep 20)</b>	5,174	12,729	9,053	4,736	8,088	2,974
	<b>Operating Profit</b>	<b>3,505</b>	<b>4,017</b>	<b>3,519</b>	<b>3,635</b>	<b>3,058</b>	<b>3,692</b>
	<b>COO (Dec 19)</b>	<b>2.84%</b>	<b>5.55%</b>	<b>4.60%</b>	<b>2.90%</b>	<b>4.43%</b>	<b>1.76%</b>
	<b>COO (Sep 20)</b>	<b>2.54%</b>	<b>5.21%</b>	<b>4.38%</b>	<b>2.64%</b>	<b>4.17%</b>	<b>1.53%</b>
	<b>COF (Dec 19)</b>	<b>8.91%</b>	<b>8.17%</b>	<b>10.50%</b>	<b>9.73%</b>	<b>11.51%</b>	<b>7.69%</b>
	<b>COF (Sep 20)</b>	<b>8.14%</b>	<b>7.76%</b>	<b>9.59%</b>	<b>8.80%</b>	<b>10.37%</b>	<b>7.22%</b>
	Provision	845	292	1,249	770	927	1,000
	<b>PAT (Dec 19)</b>	<b>1,961</b>	<b>4,109</b>	<b>5,646</b>	<b>4,008</b>	<b>2,472</b>	<b>2,032</b>
	<b>PAT (Sep 20)</b>	<b>2,301</b>	<b>3,458</b>	<b>2,796</b>	<b>2,863</b>	<b>2,804</b>	<b>2,588</b>
	<b>Burden Ratio (Dec 19)</b>	<b>0.72%</b>	<b>2.76%</b>	<b>2.38%</b>	<b>0.87%</b>	<b>1.36%</b>	<b>0.73%</b>
	<b>Burden Ratio (Sep 20)</b>	<b>0.96%</b>	<b>2.89%</b>	<b>2.54%</b>	<b>1.04%</b>	<b>1.50%</b>	<b>0.72%</b>
	Other Operating Income (Dec-19)	1,019	3,809	128	239	1,986	507
	Other Operating Income (Sep-20)	623	2,377	64	170	1,411	322
	Commission Ex Brokerage (Dec-	3,361	1,929	3,151	3,448	3,381	1,491
	Commission Ex Brokerage (Sep 20)	1,858	1,346	1,748	1,948	2,397	945
	Salaries Allowances (Dec 19)	3,266	4,804	5,579	3,739	5,247	2,130
Salaries Allowances (Sep 20)	2,547	4,019	4,750	2,869	4,002	1,659	

	<b>Burden Coverage Ratio (Dec 19)</b>	64.88%	36.59%	28.66%	57.73%	53.68%	49.84%
	<b>Burden Coverage Ratio (Sep 20)</b>	63.94%	39.00%	26.69%	59.63%	62.78%	56.80%
	<b>Salary to Opex (Dec 19)</b>	48.38%	30.64%	48.77%	58.54%	52.48%	53.13%
	<b>Salary to Opex (Sep 20)</b>	49.23%	31.57%	52.47%	60.58%	49.48%	55.78%

	<b>Parameters</b>	<b>SEBL</b>	<b>Pubali</b>	<b>Islami</b>	<b>UCBL</b>	<b>Prime</b>	<b>AB</b>
Loans	Loan Dec-18	265,204	270,910	805,760	294,672	205,810	241,070
	Loan Dec-19	295,015	287,035	899,013	322,728	213,955	256,512
	Loan Sep-20	318,387	297,303	974,157	351,371	213,140	369,242
	Loan Growth(over Dec19)	23,372	10,268	75,144	28,643	(815)	112,730
	Avg. Loan(Dec 19)	280,110	278,973	852,387	308,700	209,883	248,791
	Avg. Loan(Sep 20)	306,701	292,169	936,585	337,050	213,548	312,877
	Int. Inc (Dec 19)	26,242	26,061	75,749	30,949	19,957	26,715
	Int. Inc (Sep 20)	17,047	17,126	53,939	20,413	12,216	16,450
	<b>YOA(Dec 19)</b>	<b>9.37%</b>	<b>9.34%</b>	<b>8.89%</b>	<b>10.03%</b>	<b>9.51%</b>	<b>10.74%</b>
	<b>YOA(Sep 20)</b>	<b>7.41%</b>	<b>7.82%</b>	<b>7.68%</b>	<b>8.08%</b>	<b>7.63%</b>	<b>7.01%</b>
CL % (Dec-19)	4.87%	4.38%	3.82%	3.63%	4.66%		
Deposit	Dep. Dec-18	398,321	308,900	822,573	297,173	197,518	235,445
	Dep. Dec-19	329,797	359,419	946,292	330,787	216,444	279,458
	Dep. Sep-20	363,811	416,504	1,093,744	353,608	228,746	272,474
	Deposit Growth	34,014	57,085	147,452	22,821	12,302	(6,984)
	Avg. Dep.(Dec 19)	364,059	334,160	884,433	313,980	206,981	257,452
	Avg. Dep.(Sep 20)	346,804	387,962	1,020,018	342,198	222,595	275,966
	Int. Exp. (Dec 19)	22,027	17,692	44,941	20,151	11,684	18,847
	Int.Exp (Sep 20)	15,433	14,262	32,355	13,935	8,188	15,306
	<b>COD(Dec 19)</b>	<b>6.05%</b>	<b>5.29%</b>	<b>5.08%</b>	<b>6.42%</b>	<b>5.64%</b>	<b>7.32%</b>
	<b>COD(Sep 20)</b>	<b>5.93%</b>	<b>4.90%</b>	<b>4.23%</b>	<b>5.43%</b>	<b>4.90%</b>	<b>7.40%</b>
<b>Spread (Dec 19)</b>	<b>3.32%</b>	<b>4.05%</b>	<b>3.81%</b>	<b>3.61%</b>	<b>3.86%</b>	<b>3.42%</b>	
<b>Spread (Sep 20)</b>	<b>1.48%</b>	<b>2.91%</b>	<b>3.45%</b>	<b>2.65%</b>	<b>2.72%</b>	<b>-0.38%</b>	
Investment	Inv. Dec-18	62,884	57,660	41,611	50,831	26,046	43,594
	Inv. Dec-19	74,484	100,604	54,138	57,801	46,914	61,579
	Inv. Sep-20	94,949	148,828	61,100	73,597	70,043	52,160
	Invest. Growth	20,465	48,224	6,962	15,796	23,129	(9,419)
	Avg. Inv (Dec-19)	68,684	79,132	47,875	54,316	36,480	52,587
	Avg. Inv (Sep-20)	84,717	124,716	57,619	65,699	58,479	56,870
	Inv. Inc (Dec-19)	5,252	7,132	1,627	4,853	2,865	3,193
	Inv. Inc (Sep-20)	4,466	8,042	1,271	4,487	3,586	4,883
	<b>Yield on invest.(Dec-19)</b>	<b>7.65%</b>	<b>9.01%</b>	<b>3.40%</b>	<b>8.93%</b>	<b>7.85%</b>	<b>6.07%</b>
	<b>Yield on invest.(Sep-20)</b>	<b>7.03%</b>	<b>8.60%</b>	<b>2.94%</b>	<b>9.11%</b>	<b>8.18%</b>	<b>11.45%</b>
Others	Total Op. Inc (Dec 19)	14,211	18,410	43,190	20,709	14,131	12,884
	Total Op. Inc (Sep 20)	9,074	12,662	29,767	14,381	9,322	6,961
	Total Asset Dec-18	381,095	409,744	997,430	401,076	293,901	322,526
	Total Asset Dec-19	422,431	474,356	1,141,493	446,760	322,417	365,569
	Total Asset Sep-20	463,766	543,532	1,315,706	495,100	343,030	365,244
	Avg Total Asset (Dec 19)	401,763	442,050	1,069,462	423,918	308,159	344,048
	Avg Total Asset (Sep 20)	443,099	508,944	1,228,600	470,930	332,724	365,407
	FA Jun-20	8,934	5,587	16,032	14,455	8,139	
	Shareholder Equity-Dec-18	28,051	27,377	54,896	28,000	26,181	22,650
Shareholder Equity-Dec-19	30,419	28,553	58,652	32,783	26,780	22,840	

	Shareholder Equity-Sep-20	33,746	34,088	60,630	34,435	26,838	23,455
	Avg. Shareholders' Equity(Dec 19)	29,235	27,965	56,774	30,392	26,481	22,745
	Avg. Shareholders' Equity(Sep 20)	32,083	31,321	59,641	33,609	26,809	23,148
Ratios	<b>ROA (Dec 19)</b>	<b>0.63%</b>	<b>0.48%</b>	<b>0.50%</b>	<b>0.65%</b>	<b>0.65%</b>	<b>0.05%</b>
	<b>ROA (Sep 20)</b>	<b>0.83%</b>	<b>0.77%</b>	<b>0.38%</b>	<b>0.48%</b>	<b>0.47%</b>	<b>0.06%</b>
	<b>ROE (Dec 19)</b>	<b>8.62%</b>	<b>7.66%</b>	<b>9.38%</b>	<b>9.12%</b>	<b>7.57%</b>	<b>0.74%</b>
	<b>ROE (Sep 20)</b>	<b>11.51%</b>	<b>12.58%</b>	<b>7.92%</b>	<b>6.78%</b>	<b>5.78%</b>	<b>0.88%</b>
	<b>Cost to Inc (Dec 19)</b>	<b>36.99%</b>	<b>48.63%</b>	<b>49.26%</b>	<b>60.02%</b>	<b>50.82%</b>	<b>49.94%</b>
	<b>Cost to Inc (Sep 20)</b>	<b>42.53%</b>	<b>54.95%</b>	<b>59.60%</b>	<b>73.84%</b>	<b>57.18%</b>	<b>61.41%</b>
	<b>Opex (Dec 19)</b>	5,256	8,952	21,276	12,430	7,181	6,434
	<b>Opex (Sep 20)</b>	3,859	6,958	17,740	10,619	5,330	4,275
	<b>Operating Profit</b>	<b>3,458</b>	<b>3,957</b>	<b>9,654</b>	<b>2,033</b>	<b>2,482</b>	
	<b>COO (Dec 19)</b>	<b>1.44%</b>	<b>2.68%</b>	<b>2.41%</b>	<b>3.96%</b>	<b>3.47%</b>	<b>2.50%</b>
	<b>COO (Sep 20)</b>	<b>1.48%</b>	<b>2.39%</b>	<b>2.32%</b>	<b>4.14%</b>	<b>3.19%</b>	<b>2.07%</b>
	<b>COF (Dec 19)</b>	<b>7.49%</b>	<b>7.97%</b>	<b>7.49%</b>	<b>10.38%</b>	<b>9.11%</b>	<b>9.82%</b>
	<b>COF (Sep 20)</b>	<b>7.42%</b>	<b>7.29%</b>	<b>6.55%</b>	<b>9.57%</b>	<b>8.10%</b>	<b>9.46%</b>
	Provision	740	1,070	2,763	446	932	
	<b>PAT (Dec 19)</b>	<b>2,521</b>	<b>2,143</b>	<b>5,328</b>	<b>2,772</b>	<b>2,004</b>	<b>168</b>
	<b>PAT (Sep 20)</b>	<b>2,770</b>	<b>2,954</b>	<b>3,542</b>	<b>1,709</b>	<b>1,162</b>	<b>153</b>
	<b>Burden Ratio (Dec 19)</b>	<b>0.13%</b>	<b>1.37%</b>	<b>0.98%</b>	<b>1.74%</b>	<b>1.36%</b>	<b>1.34%</b>
	<b>Burden Ratio (Sep 20)</b>	<b>0.26%</b>	<b>1.36%</b>	<b>1.18%</b>	<b>2.04%</b>	<b>1.45%</b>	<b>1.22%</b>
	Other Operating Income (Dec-19)	979	1,158	4,578	138	825	70
	Other Operating Income (Sep-20)	610	627	2,500	116	458	29
	Commission Ex Brokerage (Dec-	3,765	1,752	6,177	4,920	2,168	1,753
	Commission Ex Brokerage (Sep 20)	2,383	1,129	4,412	3,300	1,249	904
	Salaries Allowances (Dec 19)	2,142	5,434	15,092	7,129	4,023	2,733
	Salaries Allowances (Sep 20)	1,503	4,262	12,381	5,117	3,207	2,084
	<b>Burden Coverage Ratio (Dec 19)</b>	<b>90.26%</b>	<b>32.51%</b>	<b>50.55%</b>	<b>40.69%</b>	<b>41.68%</b>	<b>28.33%</b>
	<b>Burden Coverage Ratio (Sep 20)</b>	<b>103.41%</b>	<b>33.65%</b>	<b>51.95%</b>	<b>42.89%</b>	<b>42.70%</b>	<b>29.10%</b>
<b>Salary to Opex (Dec 19)</b>	<b>40.75%</b>	<b>60.70%</b>	<b>70.93%</b>	<b>57.35%</b>	<b>56.02%</b>	<b>42.48%</b>	
<b>Salary to Opex (Sep 20)</b>	<b>38.95%</b>	<b>61.25%</b>	<b>69.79%</b>	<b>48.19%</b>	<b>60.17%</b>	<b>48.75%</b>	

	Parameters	Al-Arafah	Dhaka	Exim	FSIBL	IFIC	Jamuna
Loans	Loan Dec-18	261,874	180,626	305,036	311,685	206,930	165,403
	Loan Dec-19	288,486	195,635	343,287	364,848	228,589	177,279
	Loan Sep-20	309,119	195,349	386,061	403,789	250,268	168,492
	Loan Growth(over Dec19)	20,633	(286)	42,774	38,941	21,679	(8,787)
	Avg. Loan(Dec 19)	275,180	188,131	324,162	338,267	217,760	171,341
	Avg. Loan(Sep 20)	298,803	195,492	364,674	384,319	239,429	172,886
	Int. Inc (Dec 19)	28,571	21,590	31,983	38,801	24,426	17,826
	Int. Inc (Sep 20)	20,440	13,584	22,696	31,470	16,250	11,290
	<b>YOA(Dec 19)</b>	<b>10.38%</b>	<b>11.48%</b>	<b>9.87%</b>	<b>11.47%</b>	<b>11.22%</b>	<b>10.40%</b>
	<b>YOA(Sep 20)</b>	<b>9.12%</b>	<b>9.26%</b>	<b>8.30%</b>	<b>10.92%</b>	<b>9.05%</b>	<b>8.71%</b>
CL % (Dec-19)							
Deposit	Dep. Dec-18	266,205	197,189	300,787	320,022	226,333	188,034
	Dep. Dec-19	297,242	204,530	355,817	376,622	258,368	202,510
	Dep. Sep-20	316,568	201,184	374,259	402,249	283,263	203,131
	Deposit Growth	19,326	(3,346)	18,442	25,627	24,895	621
	Avg. Dep.(Dec 19)	281,724	200,860	328,302	348,322	242,351	195,272
	Avg. Dep.(Sep 20)	306,905	202,857	365,038	389,436	270,816	202,821
	Int. Exp. (Dec 19)	18,421	17,040	24,383	28,887	18,028	11,392
	Int.Exp (Sep 20)	12,961	10,713	18,087	23,628	14,209	8,137

	<b>COD(Dec 19)</b>	<b>6.54%</b>	<b>8.48%</b>	<b>7.43%</b>	<b>8.29%</b>	<b>7.44%</b>	<b>5.83%</b>
	<b>COD(Sep 20)</b>	<b>5.63%</b>	<b>7.04%</b>	<b>6.61%</b>	<b>8.09%</b>	<b>7.00%</b>	<b>5.35%</b>
	<b>Spread (Dec 19)</b>	<b>3.84%</b>	<b>2.99%</b>	<b>2.44%</b>	<b>3.18%</b>	<b>3.78%</b>	<b>4.57%</b>
	<b>Spread (Sep 20)</b>	<b>3.49%</b>	<b>2.22%</b>	<b>1.69%</b>	<b>2.83%</b>	<b>2.05%</b>	<b>3.36%</b>
Investment	Inv. Dec-18	12,215	27,620	24,530	15,982	31,304	31,649
	Inv. Dec-19	16,171	36,682	43,173	17,528	45,500	39,201
	Inv. Sep-20	18,717	40,077	33,250	20,748	50,346	53,798
	Invest. Growth	2,546	3,395	(9,923)	3,220	4,846	14,597
	Avg. Inv (Dec-19)	14,193	32,151	33,852	16,755	38,402	35,425
	Avg. Inv (Sep-20)	17,444	38,380	38,212	19,138	47,923	46,500
	Inv. Inc (Dec-19)	770	2,568	2,272	767	2,626	2,322
	Inv. Inc (Sep-20)	452	2,242	702	426	2,658	2,824
	<b>Yield on invest.(Dec-19)</b>	<b>5.43%</b>	<b>7.99%</b>	<b>6.71%</b>	<b>4.58%</b>	<b>6.84%</b>	<b>6.55%</b>
	<b>Yield on invest.(Sep-20)</b>	<b>3.45%</b>	<b>7.79%</b>	<b>2.45%</b>	<b>2.97%</b>	<b>7.40%</b>	<b>8.10%</b>
Others	Total Op. Inc (Dec 19)	14,044	10,800	13,017	12,208	11,120	11,440
	Total Op. Inc (Sep 20)	10,006	7,147	7,077	9,218	6,090	7,718
	Total Asset Dec-18	338,465	273,976	370,997	371,336	283,073	225,018
	Total Asset Dec-19	381,052	285,009	431,941	437,179	316,950	242,928
	Total Asset Sep-20	410,132	286,346	458,065	474,345	347,536	253,382
	Avg Total Asset (Dec 19)	359,759	279,493	401,469	404,258	300,012	233,973
	Avg Total Asset (Sep 20)	395,592	285,678	445,003	455,762	332,243	248,155
	FA Jun-20						
	Shareholder Equity-Dec-18	21,715	16,616	28,141	13,258	22,116	18,074
	Shareholder Equity-Dec-19	22,499	17,211	29,158	15,315	24,597	17,161
Shareholder Equity-Sep-20	22,550	17,974	29,775	16,565	25,507	20,616	
Avg. Shareholders' Equity(Dec 19)	22,107	16,914	28,650	14,287	23,357	17,618	
Avg. Shareholders' Equity(Sep 20)	22,525	17,593	29,467	15,940	25,052	18,889	
Ratios	<b>ROA (Dec 19)</b>	<b>0.67%</b>	<b>0.56%</b>	<b>0.61%</b>	<b>0.51%</b>	<b>0.81%</b>	<b>1.11%</b>
	<b>ROA (Sep 20)</b>	<b>0.48%</b>	<b>0.56%</b>	<b>0.61%</b>	<b>0.37%</b>	<b>0.35%</b>	<b>1.28%</b>
	<b>ROE (Dec 19)</b>	<b>10.92%</b>	<b>9.29%</b>	<b>8.48%</b>	<b>14.40%</b>	<b>10.46%</b>	<b>14.80%</b>
	<b>ROE (Sep 20)</b>	<b>8.50%</b>	<b>9.05%</b>	<b>9.18%</b>	<b>10.45%</b>	<b>4.62%</b>	<b>16.85%</b>
	<b>Cost to Inc (Dec 19)</b>	<b>44.45%</b>	<b>43.53%</b>	<b>46.84%</b>	<b>51.62%</b>	<b>53.95%</b>	<b>48.93%</b>
	<b>Cost to Inc (Sep 20)</b>	<b>54.04%</b>	<b>48.86%</b>	<b>60.15%</b>	<b>59.98%</b>	<b>63.83%</b>	<b>52.94%</b>
	<b>Opex (Dec 19)</b>	6,243	4,701	6,097	6,302	5,999	5,598
	<b>Opex (Sep 20)</b>	5,407	3,492	4,257	5,529	3,887	4,086
	<b>Operating Profit</b>						
	<b>COO (Dec 19)</b>	<b>2.22%</b>	<b>2.34%</b>	<b>1.86%</b>	<b>1.81%</b>	<b>2.48%</b>	<b>2.87%</b>
	<b>COO (Sep 20)</b>	<b>2.35%</b>	<b>2.30%</b>	<b>1.55%</b>	<b>1.89%</b>	<b>1.91%</b>	<b>2.69%</b>
	<b>COF (Dec 19)</b>	<b>8.75%</b>	<b>10.82%</b>	<b>9.28%</b>	<b>10.10%</b>	<b>9.91%</b>	<b>8.70%</b>
	<b>COF (Sep 20)</b>	<b>7.98%</b>	<b>9.34%</b>	<b>8.16%</b>	<b>9.98%</b>	<b>8.91%</b>	<b>8.04%</b>
	Provision						
	<b>PAT (Dec 19)</b>	<b>2,414</b>	<b>1,571</b>	<b>2,430</b>	<b>2,057</b>	<b>2,444</b>	<b>2,608</b>
	<b>PAT (Sep 20)</b>	<b>1,436</b>	<b>1,194</b>	<b>2,029</b>	<b>1,249</b>	<b>868</b>	<b>2,387</b>
	<b>Burden Ratio (Dec 19)</b>	<b>0.87%</b>	<b>0.36%</b>	<b>0.74%</b>	<b>1.18%</b>	<b>1.30%</b>	<b>1.25%</b>
	<b>Burden Ratio (Sep 20)</b>	<b>1.12%</b>	<b>0.68%</b>	<b>0.75%</b>	<b>1.34%</b>	<b>1.00%</b>	<b>1.26%</b>
	Other Operating Income (Dec-19)	337	261	853	642	446	681
	Other Operating Income (Sep-20)	188	134	522	393	324	370
	Commission Ex Brokerage (Dec-	2,787	3,421	2,292	885	1,650	2,002
	Commission Ex Brokerage (Sep 20)	1,887	1,899	1,243	556	1,066	1,372
	Salaries Allowances (Dec 19)	4,109	2,285	3,624	3,660	2,564	3,318
Salaries Allowances (Sep 20)	3,697	1,772	2,320	3,236	1,862	2,359	
<b>Burden Coverage Ratio (Dec 19)</b>	<b>50.04%</b>	<b>78.32%</b>	<b>51.58%</b>	<b>24.23%</b>	<b>34.94%</b>	<b>47.93%</b>	
<b>Burden Coverage Ratio (Sep 20)</b>	<b>51.17%</b>	<b>77.63%</b>	<b>55.28%</b>	<b>22.89%</b>	<b>47.68%</b>	<b>56.84%</b>	

	<b>Salary to Opex (Dec 19)</b>	65.82%	48.61%	59.44%	58.08%	42.74%	59.27%
	<b>Salary to Opex (Sep 20)</b>	68.37%	50.74%	54.50%	58.53%	47.90%	57.73%

	<b>Parameters</b>	<b>MBL</b>	<b>MTBL</b>	<b>NBL</b>	<b>NCC</b>	<b>ONE</b>	<b>Premier</b>	
Loans	Loan Dec-18	224,231	166,145	314,507	173,867	198,909	159,133	
	Loan Dec-19	236,890	186,769	360,770	179,037	215,228	188,945	
	Loan Sep-20	250,739	202,332	389,427	180,532	223,730	206,631	
	Loan Growth(over Dec19)	13,849	15,563	28,657	1,495	8,502	17,686	
	Avg. Loan(Dec 19)	230,561	176,457	337,639	176,452	207,069	174,039	
	Avg. Loan(Sep 20)	243,815	194,551	375,099	179,785	219,479	197,788	
	Int. Inc (Dec 19)	23,082	18,275	34,704	20,415	23,356	19,574	
	Int. Inc (Sep 20)	14,774	12,034	22,954	12,552	15,236	13,419	
	<b>YOA(Dec 19)</b>	<b>10.01%</b>	<b>10.36%</b>	<b>10.28%</b>	<b>11.57%</b>	<b>11.28%</b>	<b>11.25%</b>	
	<b>YOA(Sep 20)</b>	<b>8.08%</b>	<b>8.25%</b>	<b>8.16%</b>	<b>9.31%</b>	<b>9.26%</b>	<b>9.05%</b>	
	CL % (Dec-19)							
Deposit	Dep. Dec-18	247,821	166,160	315,206	191,344	202,631	169,498	
	Dep. Dec-19	270,632	191,369	366,299	200,018	228,091	209,346	
	Dep. Sep-20	278,518	194,907	394,531	199,998	231,305	226,311	
	Deposit Growth	7,886	3,538	28,232	(20)	3,214	16,965	
	Avg. Dep.(Dec 19)	259,227	178,765	340,753	195,681	215,361	189,422	
	Avg. Dep.(Sep 20)	274,575	193,138	380,415	200,008	229,698	217,829	
	Int. Exp. (Dec 19)	18,116	12,990	24,248	14,018	17,957	13,160	
	Int.Exp (Sep 20)	12,976	9,218	20,960	9,343	12,631	11,224	
	<b>COD(Dec 19)</b>	<b>6.99%</b>	<b>7.27%</b>	<b>7.12%</b>	<b>7.16%</b>	<b>8.34%</b>	<b>6.95%</b>	
	<b>COD(Sep 20)</b>	<b>6.30%</b>	<b>6.36%</b>	<b>7.35%</b>	<b>6.23%</b>	<b>7.33%</b>	<b>6.87%</b>	
	<b>Spread (Dec 19)</b>	<b>3.02%</b>	<b>3.09%</b>	<b>3.16%</b>	<b>4.41%</b>	<b>2.94%</b>	<b>4.30%</b>	
<b>Spread (Sep 20)</b>	<b>1.78%</b>	<b>1.88%</b>	<b>0.81%</b>	<b>3.08%</b>	<b>1.92%</b>	<b>2.18%</b>		
Investment	Inv. Dec-18	38,978	27,388	57,870	33,471	28,724	30,117	
	Inv. Dec-19	49,756	33,195	62,878	37,739	33,728	39,207	
	Inv. Sep-20	48,097	35,464	64,670	41,328	35,652	54,635	
	Invest. Growth	(1,659)	2,269	1,792	3,589	1,924	15,428	
	Avg. Inv (Dec-19)	44,367	30,292	60,374	35,605	31,226	34,662	
	Avg.Inv (Sep-20)	48,927	34,330	63,774	39,534	34,690	46,921	
	Inv. Inc (Dec-19)	3,829	2,481	3,097	2,877	1,874	2,008	
	Inv. Inc (Sep-20)	3,089	2,730	4,417	2,587	2,163	2,309	
	<b>Yield on invest.(Dec-19)</b>	<b>8.63%</b>	<b>8.19%</b>	<b>5.13%</b>	<b>8.08%</b>	<b>6.00%</b>	<b>5.79%</b>	
	<b>Yield on invest.(Sep-20)</b>	<b>8.42%</b>	<b>10.60%</b>	<b>9.23%</b>	<b>8.73%</b>	<b>8.31%</b>	<b>6.56%</b>	
	Others	Total Op. Inc (Dec 19)	13,176	10,821	15,656	11,544	9,335	12,952
Total Op. Inc (Sep 20)		7,575	7,247	7,692	7,449	6,037	7,162	
Total Asset Dec-18		291,386	222,445	407,227	240,528	266,050	216,810	
Total Asset Dec-19		316,363	256,056	463,575	256,887	297,874	261,900	
Total Asset Sep-20		338,199	275,988	497,972	256,164	305,725	295,751	
Avg Total Asset (Dec 19)		303,875	239,251	435,401	248,708	281,962	239,355	
Avg Total Asset (Sep 20)		327,281	266,022	480,774	256,526	301,800	278,826	
FA Jun-20								
Shareholder Equity-Dec-18		18,684	13,279	44,809	17,677	14,392	15,417	
Shareholder Equity-Dec-19		20,908	15,921	49,038	19,367	16,052	18,604	
Shareholder Equity-Sep-20		22,168	17,238	50,939	20,018	16,666	20,012	
Avg. Shareholders' Equity(Dec 19)		19,796	14,600	46,924	18,522	15,222	17,011	
Avg. Shareholders' Equity(Sep 20)		21,538	16,580	49,989	19,693	16,359	19,308	
Rat		<b>ROA (Dec 19)</b>	<b>0.72%</b>	<b>0.53%</b>	<b>0.96%</b>	<b>0.86%</b>	<b>0.59%</b>	<b>1.39%</b>
		<b>ROA (Sep 20)</b>	<b>0.66%</b>	<b>0.62%</b>	<b>0.36%</b>	<b>0.87%</b>	<b>0.46%</b>	<b>0.70%</b>

<b>ROE (Dec 19)</b>	<b>10.99%</b>	<b>8.66%</b>	<b>8.87%</b>	<b>11.52%</b>	<b>10.91%</b>	<b>19.62%</b>
<b>ROE (Sep 20)</b>	<b>10.02%</b>	<b>10.00%</b>	<b>3.51%</b>	<b>11.29%</b>	<b>8.44%</b>	<b>10.10%</b>
<b>Cost to Inc (Dec 19)</b>	<b>44.17%</b>	<b>53.53%</b>	<b>43.89%</b>	<b>41.81%</b>	<b>55.88%</b>	<b>43.50%</b>
<b>Cost to Inc (Sep 20)</b>	<b>59.01%</b>	<b>62.95%</b>	<b>67.29%</b>	<b>45.94%</b>	<b>61.42%</b>	<b>60.60%</b>
<b>Opex (Dec 19)</b>	5,820	5,793	6,872	4,827	5,216	5,634
<b>Opex (Sep 20)</b>	4,470	4,562	5,176	3,422	3,708	4,340
<b>Operating Profit</b>						
<b>COO (Dec 19)</b>	<b>2.25%</b>	<b>3.24%</b>	<b>2.02%</b>	<b>2.47%</b>	<b>2.42%</b>	<b>2.97%</b>
<b>COO (Sep 20)</b>	<b>2.17%</b>	<b>3.15%</b>	<b>1.81%</b>	<b>2.28%</b>	<b>2.15%</b>	<b>2.66%</b>
<b>COF (Dec 19)</b>	<b>9.23%</b>	<b>10.51%</b>	<b>9.13%</b>	<b>9.63%</b>	<b>10.76%</b>	<b>9.92%</b>
<b>COF (Sep 20)</b>	<b>8.47%</b>	<b>9.51%</b>	<b>9.16%</b>	<b>8.51%</b>	<b>9.48%</b>	<b>9.53%</b>
Provision						
<b>PAT (Dec 19)</b>	<b>2,175</b>	<b>1,264</b>	<b>4,164</b>	<b>2,133</b>	<b>1,660</b>	<b>3,338</b>
<b>PAT (Sep 20)</b>	<b>1,619</b>	<b>1,244</b>	<b>1,316</b>	<b>1,667</b>	<b>1,035</b>	<b>1,462</b>
<b>Burden Ratio (Dec 19)</b>	<b>0.47%</b>	<b>1.14%</b>	<b>1.10%</b>	<b>1.03%</b>	<b>1.12%</b>	<b>0.46%</b>
<b>Burden Ratio (Sep 20)</b>	<b>0.73%</b>	<b>1.43%</b>	<b>1.08%</b>	<b>0.92%</b>	<b>1.08%</b>	<b>0.80%</b>
Other Operating Income (Dec-19)	1,431	584	678	601	642	1,014
Other Operating Income (Sep-20)	1,054	439	343	413	503	698
Commission Ex Brokerage (Dec-19)	2,951	2,471	1,425	1,669	1,420	3,515
Commission Ex Brokerage (Sep 20)	1,634	1,263	937	1,241	766	1,960
Salaries Allowances (Dec 19)	2,416	3,177	3,888	2,836	2,957	2,276
Salaries Allowances (Sep 20)	2,120	2,627	3,223	2,210	2,076	1,841
<b>Burden Coverage Ratio (Dec 19)</b>	<b>75.29%</b>	<b>52.74%</b>	<b>30.60%</b>	<b>47.03%</b>	<b>39.53%</b>	<b>80.39%</b>
<b>Burden Coverage Ratio (Sep 20)</b>	<b>80.18%</b>	<b>49.74%</b>	<b>32.97%</b>	<b>64.45%</b>	<b>45.63%</b>	<b>81.66%</b>
<b>Salary to Opex (Dec 19)</b>	<b>41.51%</b>	<b>54.84%</b>	<b>56.58%</b>	<b>58.75%</b>	<b>56.69%</b>	<b>40.40%</b>
<b>Salary to Opex (Sep 20)</b>	<b>47.43%</b>	<b>57.58%</b>	<b>62.27%</b>	<b>64.58%</b>	<b>55.99%</b>	<b>42.42%</b>

	<b>Parameters</b>	<b>Shahajalal</b>	<b>SIBL</b>	<b>Standard</b>	<b>Uttara</b>
Loans	Loan Dec-18	186,090	238,654	143,730	118,790
	Loan Dec-19	197,286	264,269	158,080	124,671
	Loan Sep-20	200,071	290,210	160,806	120,866
	Loan Growth(over Dec19)	2,785	25,941	2,726	(3,805)
	Avg. Loan(Dec 19)	191,688	251,462	150,905	121,731
	Avg. Loan(Sep 20)	198,679	277,240	159,443	122,769
	Int. Inc (Dec 19)	20,291	27,797	17,184	12,857
	Int. Inc (Sep 20)	13,434	19,891	10,949	8,639
	<b>YOA(Dec 19)</b>	<b>10.59%</b>	<b>11.05%</b>	<b>11.39%</b>	<b>10.56%</b>
	<b>YOA(Sep 20)</b>	<b>9.02%</b>	<b>9.57%</b>	<b>9.16%</b>	<b>9.38%</b>
CL % (Dec-19)					
Deposit	Dep. Dec-18	176,862	248,324	154,959	153,058
	Dep. Dec-19	203,384	287,937	175,466	156,921
	Dep. Sep-20	216,382	307,516	174,507	170,633
	Deposit Growth	12,998	19,579	(959)	13,712
	Avg. Dep.(Dec 19)	190,123	268,131	165,213	154,990
	Avg. Dep.(Sep 20)	209,883	297,727	174,987	163,777
	Int. Exp. (Dec 19)	13,112	18,429	12,949	5,922
	Int.Exp (Sep 20)	8,575	15,063	8,897	4,373
	<b>COD(Dec 19)</b>	<b>6.90%</b>	<b>6.87%</b>	<b>7.84%</b>	<b>3.82%</b>
	<b>COD(Sep 20)</b>	<b>5.45%</b>	<b>6.75%</b>	<b>6.78%</b>	<b>3.56%</b>
	<b>Spread (Dec 19)</b>	<b>3.69%</b>	<b>4.18%</b>	<b>3.55%</b>	<b>6.74%</b>
	<b>Spread (Sep 20)</b>	<b>3.57%</b>	<b>2.82%</b>	<b>2.38%</b>	<b>5.82%</b>
	Inv. Dec-18	12,321	13,087	26,507	28,669



Investment	Inv. Dec-19	15,639	19,119	32,689	29,903
	Inv. Sep-20	22,963	18,239	31,881	45,953
	Invest. Growth	7,324	(880)	(808)	16,050
	Avg. Inv (Dec-19)	13,980	16,103	29,598	29,286
	Avg. Inv (Sep-20)	19,301	18,679	32,285	37,928
	Inv. Inc (Dec-19)	479	761	1,706	2,821
	Inv. Inc (Sep-20)	177	393	1,213	2,320
	<b>Yield on invest.(Dec-19)</b>	3.43%	4.73%	5.76%	9.63%
	<b>Yield on invest.(Sep-20)</b>	<b>1.22%</b>	<b>2.81%</b>	<b>5.01%</b>	<b>8.16%</b>
	Others	Total Op. Inc (Dec 19)	10,506	12,283	7,486
Total Op. Inc (Sep 20)		6,904	6,632	4,041	7,582
Total Asset Dec-18		243,660	307,305	195,764	190,030
Total Asset Dec-19		266,104	345,056	220,478	193,162
Total Asset Sep-20		292,475	366,022	222,122	209,613
Avg Total Asset (Dec 19)		254,882	326,181	208,121	191,596
Avg Total Asset (Sep 20)		279,290	355,539	221,300	201,388
FA Jun-20					
Shareholder Equity-Dec-18		14,789	15,750	14,831	14,743
Shareholder Equity-Dec-19		16,507	17,271	16,291	15,662
Shareholder Equity-Sep-20		17,583	17,989	15,986	17,014
Avg. Shareholders' Equity(Dec 19)		15,648	16,511	15,561	15,203
Avg. Shareholders' Equity(Sep 20)		17,045	17,630	16,139	16,338
Ratios		<b>ROA (Dec 19)</b>	<b>0.67%</b>	<b>0.47%</b>	<b>0.72%</b>
	<b>ROA (Sep 20)</b>	<b>0.74%</b>	<b>0.27%</b>	<b>0.06%</b>	<b>1.01%</b>
	<b>ROE (Dec 19)</b>	<b>10.98%</b>	<b>9.21%</b>	<b>9.63%</b>	<b>12.30%</b>
	<b>ROE (Sep 20)</b>	<b>12.07%</b>	<b>5.42%</b>	<b>0.77%</b>	<b>12.47%</b>
	<b>Cost to Inc (Dec 19)</b>	<b>44.17%</b>	<b>48.36%</b>	<b>56.89%</b>	<b>57.48%</b>
	<b>Cost to Inc (Sep 20)</b>	<b>51.52%</b>	<b>66.62%</b>	<b>83.37%</b>	<b>61.24%</b>
	<b>Opex (Dec 19)</b>	4,641	5,940	4,259	6,497
	<b>Opex (Sep 20)</b>	3,557	4,418	3,369	4,643
	<b>Operating Profit</b>				
	<b>COO (Dec 19)</b>	<b>2.44%</b>	<b>2.22%</b>	<b>2.58%</b>	<b>4.19%</b>
	<b>COO (Sep 20)</b>	<b>2.26%</b>	<b>1.98%</b>	<b>2.57%</b>	<b>3.78%</b>
	<b>COF (Dec 19)</b>	<b>9.34%</b>	<b>9.09%</b>	<b>10.42%</b>	<b>8.01%</b>
	<b>COF (Sep 20)</b>	<b>7.71%</b>	<b>8.72%</b>	<b>9.35%</b>	<b>7.34%</b>
	Provision				
	<b>PAT (Dec 19)</b>	<b>1,718</b>	<b>1,521</b>	<b>1,499</b>	<b>1,870</b>
	<b>PAT (Sep 20)</b>	<b>1,543</b>	<b>717</b>	<b>93</b>	<b>1,528</b>
	<b>Burden Ratio (Dec 19)</b>	<b>0.70%</b>	<b>1.16%</b>	<b>1.30%</b>	<b>2.58%</b>
	<b>Burden Ratio (Sep 20)</b>	<b>0.81%</b>	<b>1.13%</b>	<b>1.56%</b>	<b>2.42%</b>
	Other Operating Income (Dec-19)	791	687	522	693
	Other Operating Income (Sep-20)	554	406	208	384
	Commission Ex Brokerage (Dec-19)	2,058	1,466	1,023	854
	Commission Ex Brokerage (Sep 20)	1,314	1,005	568	611
	Salaries Allowances (Dec 19)	2,911	3,383	2,743	4,572
	Salaries Allowances (Sep 20)	2,355	2,714	2,085	3,461
	<b>Burden Coverage Ratio (Dec 19)</b>	<b>61.39%</b>	<b>36.25%</b>	<b>36.28%</b>	<b>23.81%</b>
	<b>Burden Coverage Ratio (Sep 20)</b>	<b>70.02%</b>	<b>42.58%</b>	<b>30.71%</b>	<b>28.57%</b>
	<b>Salary to Opex (Dec 19)</b>	<b>62.72%</b>	<b>56.95%</b>	<b>64.40%</b>	<b>70.37%</b>
	<b>Salary to Opex (Sep 20)</b>	<b>66.21%</b>	<b>61.43%</b>	<b>61.89%</b>	<b>74.54%</b>

We will now delve deeper to better understand the financial performance of these banks.

### **3.3.2 Loans and Advances**

#### **Industry Insights**

Even though we are currently enduring a pandemic, there is a positive growth in the amount of loans for most banks with Bank Asia seeing a 2.35% or 5,339 M growth till September 2020 over Dec 2019 which is slightly less than Bank Asia's 2019 loan growth of almost 5.91%. BRAC Bank and EBL is seen here trying to hold its fort and be steady in loan disbursement as their loan growth is relative lower than average loan growth signaling the banks' unwillingness to give out fresh loans. Interestingly, few banks went on the aggressive during this pandemic as seen by AB bank's loan portfolio which grew exponentially and, might I say abnormally, by a whopping 112,730 M or 44% followed by City Bank, Islami Bank and Exim Bank to name a few.

It is wise to state that the reduction in the loan growth by almost half is mainly due to PCBs being more cautious and implementing new credit barriers to better vet clients to offset future losses/defaults amidst the current pandemic in case the clients cease to make payments.

Moreover, it is interesting that few banks went on the defensive when it comes to lending. Prime Bank, Dhaka Bank, Jamuna Bank and Uttara Bank have all assumed a negative loan growth in 2020 signaling the banks' interest in reducing risks it is incurring by lending. It should also be stated this could also mean that during 2020, these banks have suffered huge amount of bad loans which had to be written off potentially reducing the total outstanding loan and reduced the growth rate to negative.

The average loan portfolio of most banks is around the 200,000-300,000 M range with the exception of Islami Bank boasting a massive loan portfolio of 974,157 M by Sep 2020.

All of the banks' interest income had reduced significantly by the ongoing pandemic with Islami bank losing a monstrous 21,810 M in 9 months and National Bank, BRAC Bank and United Commercial Bank following suit each losing an average 10,921 M in 2020. Bank Asia's interest income has reduced to 14,761 M till Sep 2020. This reduction in income is mostly due to Bangladesh Bank directive to reschedule interest payments till Dec 31, 2020 or that most banks are sitting on a pile of Non-performing loans or bad debts which could explode in 2021 just like the bad mortgage backed securities which caused the housing crisis in 2007 and the eventual financial crash in 2008. Another reason could be the inefficiency and unwillingness of most banks to give out fresh loans in 2020 following the international Covid-19 crisis due to a belief that the costs and risk associated to finance/service the loan would be greater and hence reduced portfolio has led to a reduced interest income. We should also talk about the single digit interest rate, of mainly 9% on common loans, fixed for all PCBs by Bangladesh Bank to tackle the ongoing pandemic has further reduced the income spectrum.

Furthermore, since all banks' interest income has reduced more in relative to outstanding loan portfolio, the yield earned on every 100 taka of loan has reduced in turn. We can see clearly that every bank's YoA (Yield on Advance) has reduced by 1 or 2% with Bank Asia earning 8.56% on every 1 taka of loan compared to 10.35% in 2019. We should also note that First Security Islami Bank (FSIBL) and Brac Bank are keeping it tight with 10.92% and 9.68% earning on every taka. Most banks' YoA has been close to 9% due to the restriction of Bangladesh Bank on a fixed interest rate of 9% on most common loans.

#### **ADVANCE GROWTH**

Sln	Banks	Sep-20	Dec-19	Growth	Growth Ranking	Last Year RANK
1	Islami	974,157	899,013	75,144	1	1
2	First Security	403,789	364,484	39,305	4	2
3	NBL	389,427	360,770	28,657	5	3
4	Exim	386,061	343,287	42,774	3	4
5	UCBL	351,371	322,728	28,643	6	5

6	SEBL	318,387	295,015	23,372	8	6
7	Al-Arafah	309,119	288,486	20,633	10	7
8	Pubali	297,302	287,035	10,267	15	8
9	City	296,472	247,778	48,694	2	13
10	SIBL	290,210	264,269	25,941	7	9
11	AB Bank	269,342	256,512	12,830	14	11
12	BRAC	265,036	264,091	945	23	10
13	DBBL	263,085	256,240	6,845	18	12
14	Mercantile	250,739	236,890	13,849	13	14
15	IFIC	250,268	228,589	21,679	9	16
16	Bank Asia	232,883	227,299	5,584	19	17
17	EBL	232,340	232,051	289	24	15
18	One Bank	223,730	215,228	8,502	16	18
19	Trust	217,923	210,767	7,156	17	20
20	Prime	213,140	213,955	(815)	26	19
21	Premier	206,631	188,945	17,686	11	23
22	MTBL	202,332	186,769	15,563	12	24
23	Shahajalal	200,071	197,286	2,785	20	21
24	Dhaka Bank	195,349	195,634	(285)	25	22
25	NCC	180,532	179,037	1,495	22	25
26	Jamuna	168,492	177,279	(8,787)	28	26
27	Standard	160,806	158,080	2,726	21	27
28	Uttara	120,866	124,671	(3,805)	27	28

Table 13: Loans and Advance Growth of Top 28 PCBs (in million taka)

From the above table 13, we can see that Bank Asia ranked 16th in loan portfolio and 19th in loan growth potential. However, we should also point out, in favor of Bank Asia, that the rank in terms of portfolio size has improved from last year's position of being 17th in the list. In addition, even though Bank Asia could boast a higher loan size in 2020 but their YoA or earnings from every 100 taka of loan has decreased in 2020 mainly due to the single digit interest rate restriction imposed by Bangladesh Bank and the effects of the ongoing pandemic.

Amidst the international Covid-19 crisis, few banks are racing ahead to utilize this opportunity and improve their portfolio size and growth prospect. One Bank, Trust Bank, Premier Bank and Mutual Trust Bank Limited (MTBL) have improved their standing in terms of loan portfolio in 2020 due to its improved growth rate in giving out fresh loans in 2020. These 4 banks are growing faster than Bank Asia. It is utmost importance that Bank Asia look at this and take measures to not lose their rank in the list in the coming months. However, in retrospect, Eastern Bank Limited (EBL), is faring worse than 2019 as its growth ranking is one of the

lowest and therefore, its size ranking has also taken a hit but it should be noted that EBL is the closest competitor of Bank Asia in terms of portfolio size and growth prospect.

Table 14: Loan and Advance Parameters of Top 9 PCBs Sept 2020 basing Bank Asia (in million taka)

Banks	Islami	DBBL	BRAC	Trust	Pubali	EBL	Bank Asia	SEBL	City
Int. Inc	53,939	16,399	19,216	14,215	17,126	15,586	14,761	17,047	18,089
Rank	1	6	2	9	4	7	8	5	3
Growth over BA	39,178	1,638	4,455	-546	2,365	825	-	2,286	3,328
<b>YO A</b>	<b>7.68%</b>	<b>8.64%</b>	<b>9.68%</b>	<b>8.84%</b>	<b>7.82%</b>	<b>8.95%</b>	<b>8.56%</b>	<b>7.41%</b>	<b>8.88%</b>
Rank	8	5	1	4	7	2	6	9	3
Growth over BA	-0.88%	0.08%	1.13%	0.28%	-0.74%	0.39%	-	-1.15%	0.32%
<b>W.A. Rate</b>	<b>7.17%</b>	<b>8.33%</b>	<b>9.21%</b>	<b>8.28%</b>	<b>8.41%</b>	<b>8.54%</b>	<b>8.05%</b>	<b>6.85%</b>	<b>8.42%</b>
Growth over BA	-0.88%	0.28%	1.16%	0.23%	0.36%	0.49%	-	-1.20%	0.37%

Loan	974,157	263,085	265,037	217,923	297,303	232,343	232,638	318,387	296,472
Rank	1	6	5	9	3	8	7	2	4
Growth over BA	741,519	30,447	32,399	-14,715	64,665	-295	-	85,749	63,834
Growth	75,144	20,207	946	7,156	10,268	292	5,339	23,372	49,528
Avg. Loan	936,585	252,982	264,564	214,345	292,169	232,197	229,969	306,701	271,708
Corporate:SME/Retail			36:64			68:21	72:26		
CL % (Dec-19)	3.82%	4.40%	3.99%	5.49%	4.38%	3.35%	4.61%	4.87%	5.77%
Written off-loan OS	12,168	7,111	20,058	1,420	16,644	13,465	12,868	12,230	16,962
Written off-during	No Write Off	4,160	817	81	1,210	No Write Off	2,716	13	790
Recovery during	84	63	786	49	82	636	146	917	248

In further analysis by looking at Table 14, we can understand the overall environment concerning loans and advances in 2020 of Bank Asia compared to close and top performers with Islami Bank leading the group with a massive 53,939 M taka. In this table, it is outlined that Bank Asia's interest income has taken a huge hit in 2020 assuming a rank of 8<sup>th</sup> position among top 9 PCBs. Only Trust Bank has earned less by 546 M than Bank Asia by Sep 2020 while Islami Bank dominating Bank Asia earning 39,178 M taka more than the latter.

When it comes to YoA, almost all banks competed aggressively for the top spot with Brac Bank taking the eventual lead earning 9.68 taka on every 100 taka of loan. Brac Bank earned more than 1.13 taka every 100 taka of loan compared to Bank Asia who ranked a mere 6<sup>th</sup> in

the list in terms of YoA. The weighted average (W.A) rate published by Bangladesh Bank taking in account portfolio also paints a similar with Brac Bank leading the group. One of reasons that Brac Bank is doing better than Bank Asia is because the former loan portfolio consists of 64% SME/Retail producing less risk and more income while Bank Asia directs a massive 72% to corporate clients.

In terms of loan portfolio size, Islami Bank leads the pack having more than 741,519 M taka more loan portfolio than Bank Asia who ranks 7<sup>th</sup> in the group. Only Trust Bank and EBL are behind Bank Asia.

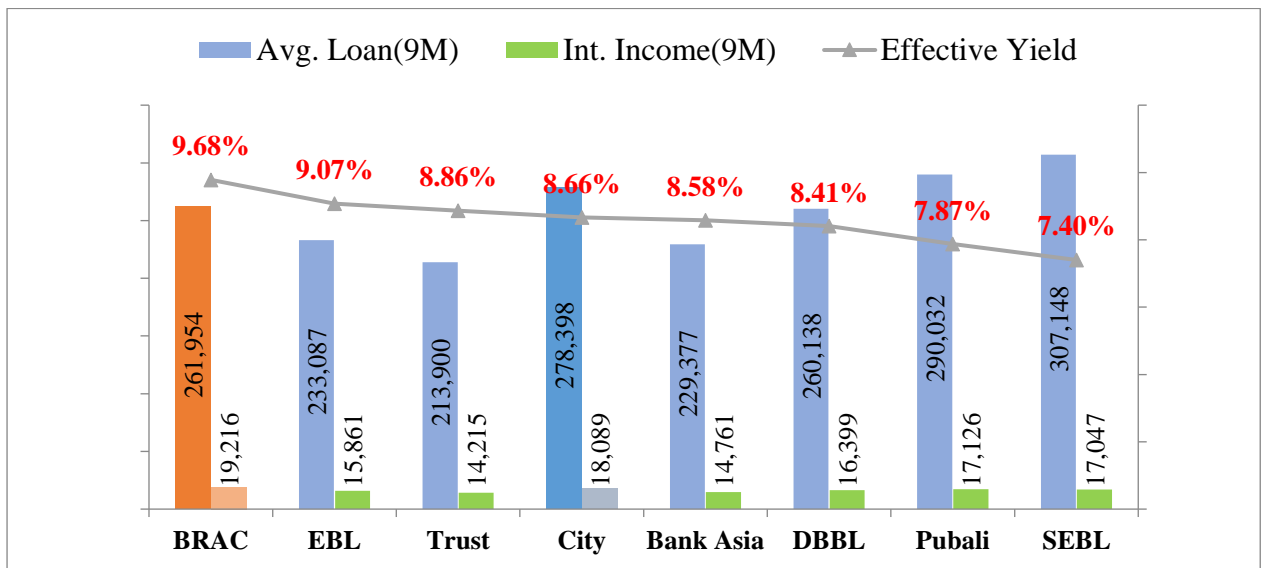
Interestingly, even though holding the largest portfolio of loans, Islami Bank still books a 3.82% Classified Loan (CL) percentage in 2019 which is the lowest in the industry. This could be mainly due the bank's massive resources that are allocated in credit rating and lower profit associated with Mudraba, Murabaha and other Islamic Finance instruments. Only Islami Bank and EBL did write off any loans in 2019 signaling a healthy credit system. In contrast, Bank Asia had written off 2,716 M taka of loans in 2019 with 636 M taka being recovered from bad loans.

#### Loan and Advance Efficiency

	Avg. Loan(9M)	Int. Income(9M)	Effective Yield
BRAC	261,954	19,216	9.68%
EBL	233,087	15,861	9.07%
Trust	213,900	14,215	8.86%
City	278,398	18,089	8.66%
Bank Asia	229,377	14,761	8.58%
DBBL	260,138	16,399	8.41%
Pubali	290,032	17,126	7.87%
SEBL	307,148	17,047	7.40%

*Table 15: Yield on Advance till Sep 2020 for top PCBs*

Figure 15 Yield on Advance Graph till Sep 2020 for top PCBs

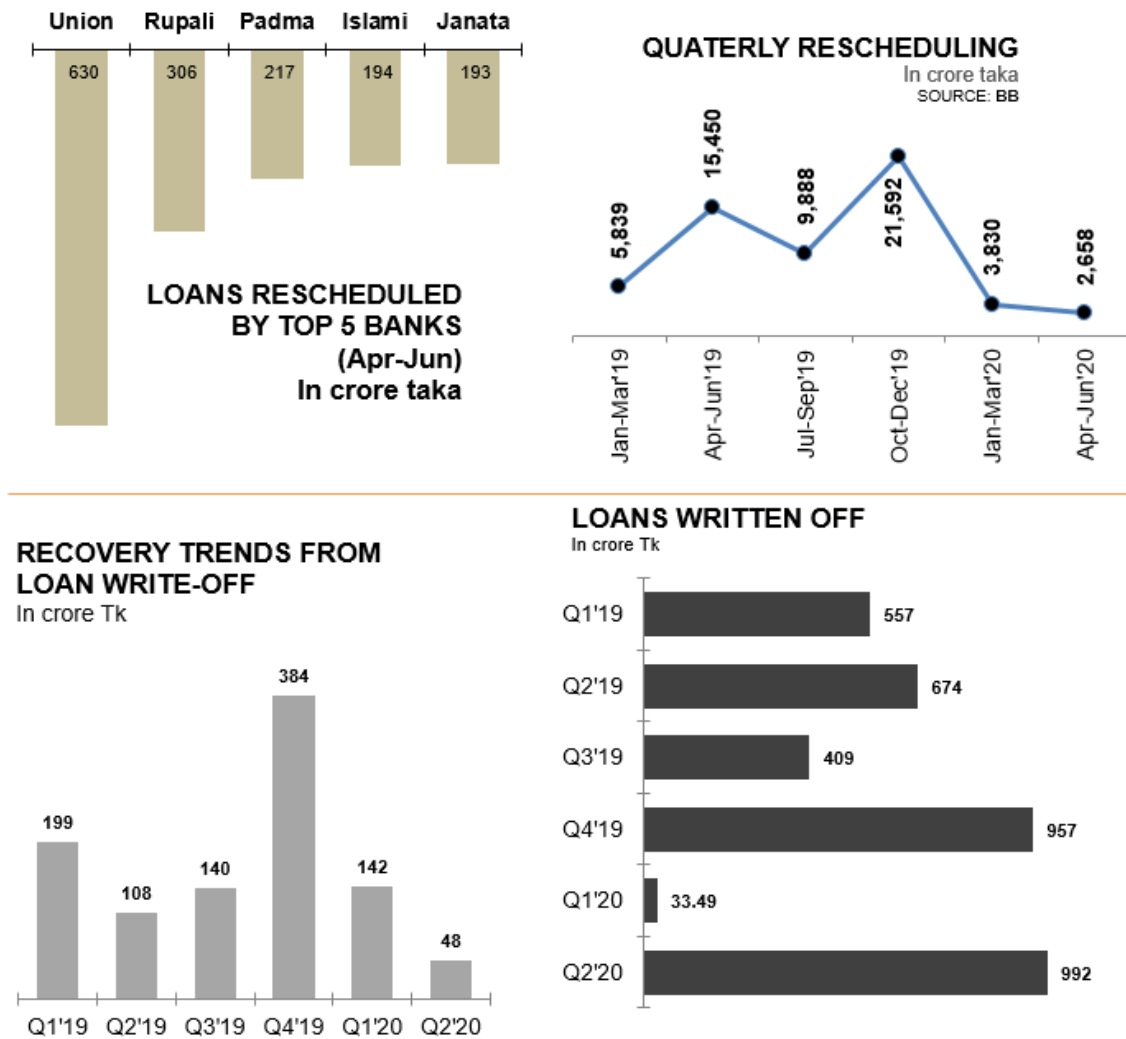


If we analyze Table 15 and Figure 24, we can clearly understand that Brac Bank seems to be the most efficient when it comes to loan disbursement/servicing and generates the most amount of money for every 1 taka of loan. Brac earns 9.68 taka for every 100 taka of loan it disbursed or serviced and is therefore, the market leader when it comes to Yield of Advance among top PCBs. That being said, let's look at Bank Asia and its close competitors.

Quite interesting, City Bank and Brac Bank has much bigger loan portfolio yet they both earn more than Bank Asia making a close 8.66 taka and 9.68 taka respectively on every 100 taka of loan. Furthermore, EBL services almost the same amount of loans as Bank Asia, yet it too earns more than the latter. However, in the case of Trust Bank we should before put our judgment as we need to consider the fact that Trust Bank smaller portfolio could lead to an overstated yield value and therefore stating that Trust Bank is faring than Bank Asia would not be wise.

## Write Off

Figure 16: Industry Write Off and Rescheduling



Loan rescheduling in the banking sector declined further in the second quarter of the year on the back of the ongoing loan moratorium facility introduced to help borrowers navigate the uncharted waters of the pandemic

Between April and June, banks rescheduled defaulted loans amounting to Tk 2,658 crore, down 30.60 per cent from three months earlier and 481 per cent from a year ago, according to data from the central bank. It is widely believed that both the volume of classified and rescheduling of loans will increase exponentially once the moratorium is lifted.



Despite the moratorium, non-performing loans went up to Tk 96,116.65 crore in the first half this year. It was Tk 94,313 crore in December last year.

Bank Asia should preserve extra provisions to tackle extra NPLs when moratorium is lifted.

Bank Asia should preserve extra provisions to tackle extra NPLs when moratorium is lifted.

### **3.3.2 Deposit**

#### **Industry Insights**

It should be noticed considering the current pandemic in Bangladesh, there is still a positive growth in the amount of deposit for most banks with Bank Asia seeing a 14% or 35,463 M growth till September 2020 over Dec 2019 which is exactly similar to Bank Asia's 2019 deposit growth of almost 14.04%. Deposits rose significantly for Islami Bank by more than 147,452 M to a massive 1,093,744 M deposit portfolio followed by Pubali Bank boasting a decent growth amount of 57,085 M to a total of 416,504 M taka.

It is wise to state that most banks saw a rise in deposits event though interest offered is very minimal, is due to depositors' perception to save more money during the ongoing pandemic. Another reason could be that during the lockdown period and beyond, most businesses closed down which meant more and more people spent less together with the influx of record breaking remittance has showered banks with a unexpected positive deposit growth causing a surplus in idle money in banks on which no income is earned yet the banks have a pay a cost to service the deposits. In accordance, Bank Asia had around 1,500 crore idle money incurring more and more costs as time goes by.

Moreover, it is interesting that few banks had lesser deposits in 2020 than last year when it comes to deposits. EBL, Dhaka Bank, AB Bank and Dhaka Bank, NCC and Standard Bank have all assumed a negative deposit growth in 2020 signaling the banks' interest in reducing the costs of deposit. The average deposit portfolio of most banks is around the 200,000-300,000 M range with the exception of Islami Bank boasting a massive deposit portfolio of 1,093,744 M by Sep 2020.

All of the banks' interest expense had reduced significantly by the ongoing pandemic with Uttara Bank leading the pack with 4,373 M in 9 months and Dutch Bangla Bank Limited (DBBL) following suit with 6,246 M in 2020. However, it should be wise to point out that Uttara Bank low interest expense does not necessarily mean it is more efficient than DBBL and the rest. It could very well just mean that Uttara Bank handles a smaller deposit portfolio and as such incurs a lower interest expense. DBBL on the other hand handles a massive 349,563 M deposit portfolio with only incurring 6,246 M cost which basically signals that DBBL is the most efficient in handling deposits among all banks. Furthermore, Bank Asia's interest expense has reduced to 11,392 M till Sep 2020. This reduction in expense is mostly due to competitive and low interest rate offered by all banks including Bank Asia due to excess money supply in the market.

Furthermore, since all banks' interest expense has reduced more in relative to increase in deposit portfolio, the cost incurred on every 100 taka of deposit has reduced in turn. We can see clearly that every bank's cost of deposit (CoD) has reduced by a close 1% with the exception of AB Bank and National Bank Limited (NBL) incurring more cost per 100 taka deposit in 2020 than last year. This exception is mainly due to the 2 banks being inefficient in money management and deposit schemes. In addition, Bank Asia incurred 5.6% on every 1 taka of deposit compared to 6.07% in 2019. It is important to note that DBBL is leading the

market in deposit efficiency with its remarkable 2.56% cost incurred on every 1 taka of deposit kept and AB is the most inefficient incurring 7.40% cost per 1 taka of deposit.

Table 16: Deposit Growth of 28 PCBs

DEPOSIT GROWTH						
Sln	Banks	Sep-20	Dec-19	Growth	Growth Ranking	LY RANK
1	Islami	1,093,774	946,292	147,482	1	1
2	Pubali	416,504	359,419	57,085	2	4
3	First Security	402,249	376,622	25,627	8	2
4	NBL	394,531	366,299	28,232	7	3
5	Exim	374,259	355,817	18,442	14	5
6	SEBL	363,811	329,797	34,014	6	7
7	UCBL	353,608	330,787	22,821	11	6
8	DBBL	349,563	302,159	47,404	3	8
9	Al-Arafah	316,568	297,242	19,326	13	9
10	SIBL	307,516	287,937	19,579	12	10
11	Bank Asia	289,173	253,710	35,463	5	15
12	IFIC	283,263	258,368	24,895	9	14
13	BRAC	283,111	268,309	14,802	16	13
14	Mercantile	278,518	270,632	7,886	20	12
15	Trust	277,925	242,025	35,900	4	17
16	AB Bank	272,474	279,458	(6,984)	28	11
17	City	270,806	246,441	24,365	10	16
18	EBL	237,960	240,164	(2,204)	26	18
19	One Bank	231,305	228,091	3,214	22	19
20	Prime	228,746	216,444	12,302	19	20
21	Premier	226,311	209,346	16,965	15	21
22	Shahjalal	216,282	203,384	12,898	18	23
23	Jamuna	203,131	202,510	621	23	24
24	Dhaka	201,184	204,530	(3,346)	27	22
25	NCC	199,998	200,018	(20)	24	25
26	MTBL	194,907	191,369	3,538	21	26
27	Standard	174,507	175,466	(959)	25	27
28	Uttara	170,633	156,921	13,712	17	28

If we look at table 16, we can see that Bank Asia ranked 11th in deposit portfolio size and overall 5th in growth prospect. Bank Asia improved its position by 4 spots from last year's position of 15th in deposit portfolio. Islami Bank shows the highest growth prospect ranking in 1st position with a monstrous 147,482 M growth to be the only bank to have more than 1000 BN taka deposit in 2020. Trust Bank is the close competitor to Bank Asia in growth perspective

who has the 4th highest growth and improved its portfolio size positions by 2 spots from 17th of last year to 15th in 2020. Bank Asia should really take note of Trust Bank's progress if they should retain their current spot otherwise the latter is going to race ahead leaving behind Bank Asia.

Uttara Bank has least size in terms of deposit portfolio which has lead the bank to have a very small cost of deposit value. Moreover, Dhaka bank had an abnormal negative growth rate while most banks enjoyed a positive growth. This could be due to Dhaka Bank's inefficiency of attracting low cost deposits into the bank over the years.

Table 17: Deposit Parameters of Top 9 PCBs basing Bank Asia (in million taka)

	Islami	DBBL	BRAC	Trust	Pubali	EBL	Bank Asia	SEBL	City
Int.Expense	32,355	6,246	10,779	11,105	14,262	11,045	11,392	15,433	12,033
Rank	9	1	2	4	7	3	5	8	6
Growth over BA	20,963	-5,146	-613	-287	2,870	-347	0	4,041	641
<b>COD</b>	<b>4.23%</b>	<b>2.56%</b>	<b>5.21%</b>	<b>5.70%</b>	<b>4.90%</b>	<b>6.16%</b>	<b>5.60%</b>	<b>5.93%</b>	<b>6.20%</b>
Rank	2	1	4	6	3	8	5	7	9
Growth over BA	-1.37%	-3.04%	-0.38%	0.10%	-0.69%	0.56%	0.00%	0.34%	0.61%
<b>W.A. Rate</b>	<b>4.34%</b>	<b>1.86%</b>	<b>3.64%</b>	<b>4.56%</b>	<b>4.60%</b>	<b>4.35%</b>	<b>4.63%</b>	<b>5.41%</b>	<b>4.15%</b>
Growth over BA	-0.29%	-2.77%	-0.99%	-0.07%	-0.03%	-0.28%	0.00%	0.78%	-0.48%

Dep. Dec-18	822,573	262,434	228,622	212,681	308,900	199,629	222,472	398,321	205,170
Dep. Dec-19	946,292	302,159	268,309	242,025	359,419	240,164	253,710	329,797	246,441
Deposit	1,093,744	349,563	283,111	277,925	416,504	237,957	289,173	363,811	270,806
Rank	1	4	6	7	2	9	5	3	8
Deposit Growth	147,452	47,404	14,802	35,900	57,085	-2,207	35,463	34,014	24,365
Avg. Dep.(Dec 19)	884,433	282,297	248,466	227,353	334,160	219,897	238,091	364,059	225,806
Growth over BA	804,571	60,390	-6,062	-11,248	127,331	-51,216	0	74,638	-18,367
Avg. Deposit	1,020,018	325,861	275,710	259,975	387,962	239,061	271,442	346,804	258,624
Int. Exp. (Dec 19)	44,941	7,384	14,654	13,474	17,692	15,005	14,462	22,027	15,987
<b>COD(Dec 19)</b>	<b>5.08%</b>	<b>2.62%</b>	<b>5.90%</b>	<b>5.93%</b>	<b>5.29%</b>	<b>6.82%</b>	<b>6.07%</b>	<b>6.05%</b>	<b>7.08%</b>
<b>Spread (Dec 19)</b>	<b>3.81%</b>	<b>8.21%</b>	<b>5.93%</b>	<b>3.74%</b>	<b>4.05%</b>	<b>3.67%</b>	<b>4.27%</b>	<b>3.32%</b>	<b>4.13%</b>
<b>Spread (Sep 20)</b>	<b>3.45%</b>	<b>6.09%</b>	<b>4.47%</b>	<b>3.15%</b>	<b>2.91%</b>	<b>2.79%</b>	<b>2.96%</b>	<b>1.48%</b>	<b>2.67%</b>
LC	43%	72%	50%	30%	38%	36%	40%	30%	39%
HC	57%	28%	50%	70%	62%	64%	60%	70%	61%

In further analysis, we can look at table 15 to understand the overall environment concerning deposits in 2020 of Bank Asia compared to close and top performers with Islami Bank leading

the group with a massive 1,093,744 M taka. In this table, it is outlined that even though Bank Asia's interest expense has reduced to 11,392 M but it still less than most since it assumed the rank of 5<sup>th</sup> in terms of least interest expense among top 9 PCBs. City Bank, Pubali Bank, Southeast Bank Limited (SEBL) and Islami incurred more than Bank Asia. However it should be noted that in the case of Islami, SEBL and Pubali, a higher interest expense than Bank Asia could be the result of a larger portfolio than Bank Asia and does not mean these banks are less efficient than Bank Asia. However, only in the case of City Bank is the table reversed as the bank incurs more expense than Bank Asia while handling a smaller deposit portfolio and as such one could argue that Bank Asia is more efficient than City Bank when it comes to deposits. In the case of cost of deposits, Bank Asia ranks in 5<sup>th</sup> position incurring a cost of 5.6 taka for every 100 taka of deposit it attracts while DBBL leading the group at a remarkable 2.56%. We can clearly see the margin of difference between Bank Asia and DBBL is a shocking 3.04% which means DBBL earns 3.04 taka more than Bank Asia on every 100 taka of deposits. Interestingly, the weighted average rate which considers the size of deposit portfolio awards DBBL with a better value of cost of deposit, incurring only 1.86 taka over 100 taka of deposits. Furthermore, it is easy to understand that a bank with a low cost of deposit and relatively high yield of advance would have the most favorable spread. As such, DBBL enjoys a luxurious 6.09 taka on every 100 taka of income it generates while Bank Asia receives a spread of only 2.56%. In this current pandemic, it is difficult to pull off a feat that DBBL has showcased mainly due to single digit interest rate when it comes to lending and minimalistic interest rate offered to depositors which leads to a small spread (Spread= YoA- CoD). However, DBBL commendable performance in attracting more lenders through agent banking and mobilizing deposits efficiently has awarded the bank with a 6.07% spread. In addition, it is clear that 72% of deposits of DBBL are low cost deposits and 28% High cost while Bank Asia features a striking 60% high cost deposit.

## Deposit Efficiency

Table 18: Cost of Deposit Parameters Sep 2020 for top 9 PCBs (in million taka)

	Avg. Deposit(9M)	Int.Expense(9M)	Cost Of Deposit
DBBL	323,372	6,246	2.6%
Pubali	382,550	14,262	5.0%
BRAC	275,443	10,779	5.2%
Trust	260,482	11,105	5.7%
Bank Asia	266,097	11,393	5.7%
SEBL	340,509	15,433	6.0%
City	265,434	12,033	6.0%
EBL	239,906	11,222	6.2%

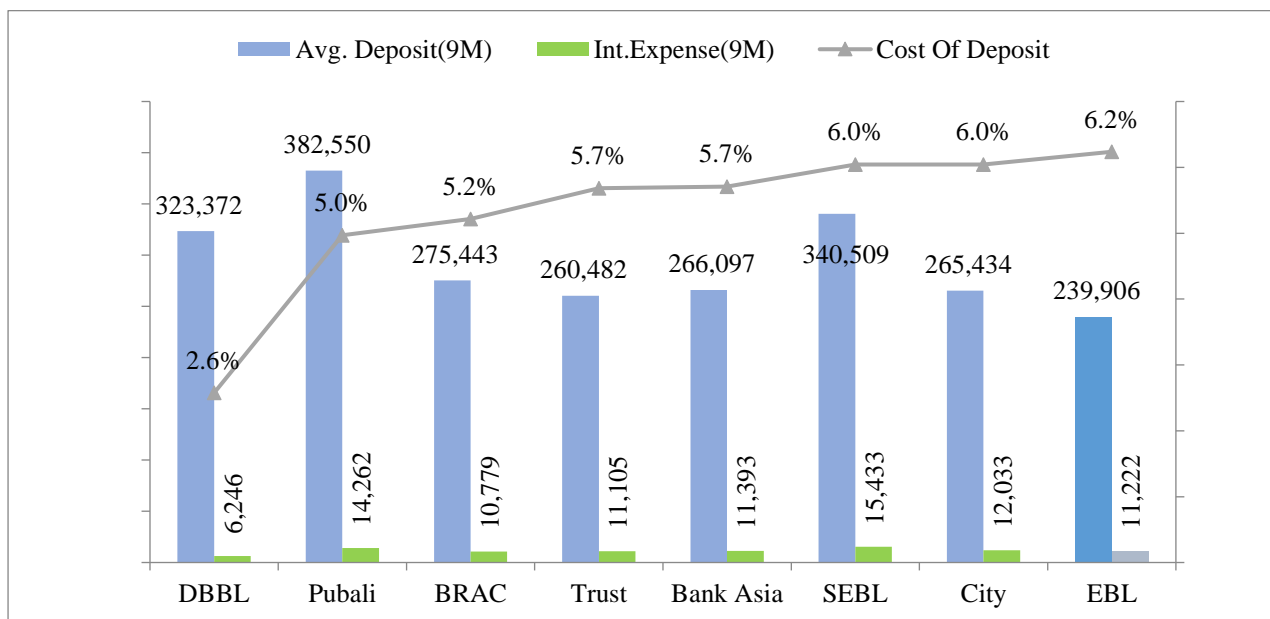


Figure 17: Cost of Deposit Graph for top 9 PCBs Sep 2020

If we analyze Table 18 and figure 23, we can clearly understand that DBBL is leading the pack in terms of cost incurred per deposit. DBBL is boasting the lowest cost of deposit of 2.6% in the industry which basically means that on every 100 taka of deposit it takes in, it only incurs a cost of 2.6 taka while EBL shows the least promise incurring a cost of 6.2 taka for every 100 taka of deposit among the top PCBs. In other words, DBBL is the most efficient and EBL is

the least efficient in terms of deposit servicing and mobilization. That being said, let's look closely at Bank Asia's close competitors.

Bank Asia is pulling a moderate 5.7 taka cost for every 100 taka of deposit it brings in. However, having a close deposit size itself, Brac Bank is incurring a remarkably better value than Bank Asia costing 5.2 taka for every 100 taka of deposit. Furthermore, it should be pointed out that both DBBL and Pubali handle larger deposit portfolio yet seem to incur much less cost than Bank Asia with Pubali incurring only 5 taka per 100 taka of deposit.

### 3.3.3 Investment

#### Industry Insights

If we look carefully at Table 12, we can understand that most PCBs increased their investment portfolio with flying colors. This is true in the case of DBBL who increased their investment portfolio by 57,227 M to 112,332 M within Sept 2020. Bank Asia, on the other hand, had a moderate increment of investment portfolio to 86,377 M. Most Bank invested heavily in govt. securities due to lucrative rate the govt. was offering due to the pandemic and since there is a lot of idle money and banks' unwilling to give out fresh loans has opted to them to look for alternatives sources income, i.e. investment income.

In contrast, I am surprised to find a few banks who actually did invest heavily to reap future profits. City Bank, AB Bank, EXIM Bank, MBL, SIBL and Standard Bank opted to play defensively and did not increase their investment portfolio like others have. In fact, AB Bank investment decreased by 9,419 M by Sep 2020. The average investment of all the banks stood at 49,844 M by Sep 2020.

Interestingly, even though most banks invested heavily on govt. securities, it is clear that they are yet to see profit from them as most banks income grew negatively with EXIM Bank having decreased its investment income by 1,570 M taka. Bank Asia had a moderate increase by 1,396 M to a decent income 4,689 M taka.

Table 19: Investment Growth with Bank Asia for Top 9 PCBs (in million taka)

<b>INVESTMENT GROWTH</b>						
Sl	Banks	Sep-20	Dec-19	LY Rank	Growth	Growth Ranking
1	Pubali	148,828	100,604	1	48,224	2
2	DBBL	112,332	55,105	4	57,227	1
3	SEBL	94,949	74,484	2	20,465	8
4	Bank Asia	86,377	54,933	5	31,444	4
5	Trust	84,310	41,042	10	43,268	3
6	UCBL	73,597	57,801	3	15,796	9
7	Prime	70,043	46,914	7	23,12 9	5
8	BRAC	67,419	45,943	8	21,476	7
9	EBL	61,385	39,797	11	21,588	6
10	Islami	61,100	54,138	6	6,962	10
11	NCC	41,328	37,739	12	3,589	11
12	Dhaka	40,077	36,682	13	3,395	12
13	City	39,041	43,649	9	(4,608)	15
14	First Security	20,748	17,528	14	3,220	13
15	Al-Arafah	18,717	16,171	15	2,546	14

According to Table 19, we can see that Bank Asia ranked 4<sup>th</sup> in terms of investment portfolio size which is an improvement from 2019's position of 5<sup>th</sup>. This is primarily due to Bank Asia's commendable efforts in increasing their investment portfolio heavily and has such the bank has a growth ranking of 4<sup>th</sup> among top 15 PCBs. It should be mentioned that event though Pubali is leading the pack with the largest investment portfolio, DBBL is the one growing the fastest and in due time will be placed at the top position.

Most banks opted for higher investment in govt. securities to offset losses in interest income



Trust bank is predicted to catch up to Bank Asia and therefore, is the closest competitor to Bank. Both banks have a similar portfolio size but Trust Bank has an edge here because it is growing faster than Bank Asia.

14 out of 15 banks portfolio grew positively

Table 20: Investment Parameters of Top 9 PCBs with Bank Asia Sept 2020 (in million taka)

	Islami	DBBL	BRAC	Trust	Pubali	EBL	Bank Asia	SEBL	City
Inv. Income	1,271	5,089	4,781	4,460	8,042	3,670	4,689	4,466	2,887
Rank	9	2	3	6	1	7	4	5	8
Growth over BA	-3,418	400	92	-229	3,353	-1,019	-	-223	-1,802
<b>YOI</b>	<b>2.94%</b>	<b>8.10%</b>	<b>11.25%</b>	<b>9.49%</b>	<b>8.60%</b>	<b>9.67%</b>	<b>8.85%</b>	<b>7.03%</b>	<b>9.81%</b>
<b>Rank</b>	<b>9</b>	<b>7</b>	<b>1</b>	<b>4</b>	<b>6</b>	<b>3</b>	<b>5</b>	<b>8</b>	<b>2</b>
Growth over BA	-5.91%	-0.74%	2.40%	0.64%	-0.25%	0.82%	-	-1.82%	0.96%

Investment	61,100	112,332	67,419	84,310	148,828	61,385	86,377	94,949	39,041
Rank	8	2	6	5	1	7	4	3	9
Growth over BA	-25,277	25,955	-18,958	-2,067	62,451	-24,992	-	8,572	-47,336
Invest. Growth	6,962	57,227	21,476	43,268	48,224	21,588	31,444	20,465	-411
Avg. Investment	57,619	83,719	56,681	62,676	124,716	50,591	70,655	84,717	39,247
Growth over BA	-13,036	13,064	-13,974	-7,979	54,061	-20,064	-	14,062	-31,409

If we look at Table 20, we can see that Pubali Bank is the market leader in terms of investment income boasting a remarkable 8,042 M investment income. Pubali is known to deal heavily in marketable securities and their heavy involvement in stock market and treasury market has led to their eventual position at the top of the list. Bank Asia, on the other hand, is ranked a moderate 4<sup>th</sup> position. We can also see that Bank Asia seems to be efficient in managing their investment portfolio as most banks score poor income than Bank Asia with Islami Bank having an income which is 3,418 M less than the former.

#### Investment Efficiency

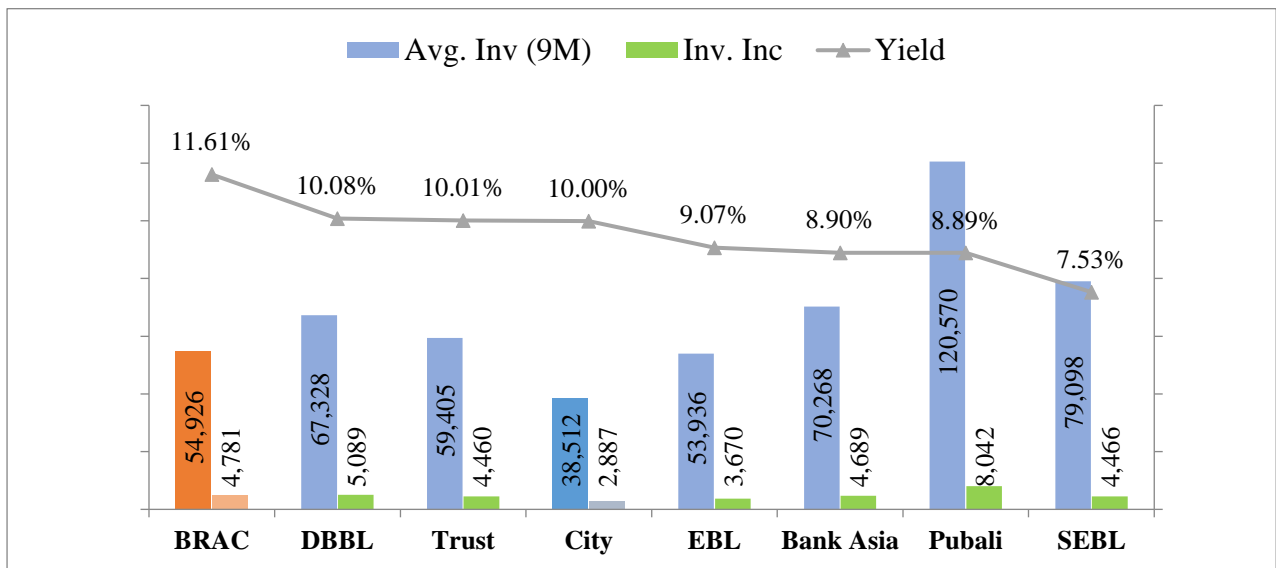
	Avg. Inv (9M)	Inv. Inc	Yield
Brac	54,926	4,781	11.61%
DBBL	67,328	5,089	10.08%
Trust	59,405	4,460	10.01%
City	38,512	2,887	10.00%

EBL	53,936	3,670	9.07%
Bank Asia	70,268	4,689	8.90%
Pubali	120,570	8,042	8.89%
SEBL	79,098	4,466	7.53%

Table 21: Investment Yield for Top 9 PCBs till Sep 2020

If we look at Table 21, it is evident that Brac Bank is leading pack in terms of yield generated from the investment portfolio having a remarkable earning of 11.61 taka per 100 taka of investment among the top 9 PCBs. However, we should also point out that Brac Bank has a smaller portfolio size which could lead to it having an impressive 11.61% yield on investment (YoI). On the other hand, Pubali earns the highest income but it is the not the most efficient when it comes to effective yield. The least efficient seems to SEBL earning a mere 7.53 taka per 100 taka of investment and the most efficient seems to be Brac Bank earning 11.61 taka per 100 taka of investment.

Figure 18: Investment Yield Graph for top 9 PCBs Sep 2020



In further analysis, figure 25 paints a different story. Even though Bank Asia investment is similar to Pubali, but we have state that Pubali is more efficient than Bank Asia due to overwhelming fact that Pubali handles almost twice the portfolio of Bank Asia. According to figure 25, Bank Asia’s close competitor could be DBBL who handles a similar portfolio to

Bank Asia but gets the award in being efficient as DBBL earns more than Bank Asia in terms of yield.

### 3.3.4 Operational Efficiency

	Avg. Deposit(9M)	Avg. Loan(9M)	Avg. Inv (9M)	Total Portfolio	COO (Avg. Dep)	Opex	Rank
SEBL	340,509	307,148	79,098	726,756	1.51%	3,859	1
Trust	260,482	213,900	59,405	533,788	1.52%	2,974	2
FSIBL	387,201	387,032	19,468	793,701	1.90%	5,529	3
NCC	201,099	181,620	38,842	421,560	2.27%	3,422	4
Dhaka	200,276	196,026	34,807	431,109	2.32%	3,492	5
Al-Arafah	301,093	297,397	17,844	616,333	2.39%	5,407	6
Pubali	382,550	290,032	120,570	793,151	2.43%	6,958	7
Bank Asia	266,097	229,377	70,268	565,742	2.59%	5,174	8
EBL	239,906	233,087	53,936	526,928	2.63%	4,736	9
Prime	221,388	210,877	57,795	490,060	3.21%	5,330	10
UCBL	338,410	332,408	63,790	734,608	4.18%	10,619	12
City	265,434	278,398	38,512	582,344	4.06%	8,088	11
BRAC	275,443	261,954	54,926	592,323	4.38%	9,053	13
DBBL	323,372	260,138	67,328	650,838	5.25%	12,729	14

Table 22: Cost of Operations (COO) for top PCBs Sep 2020

Cost of operations refers to expenses incurred executing the operations of bank. It is calculated by dividing operating expenditure (OPEX) with average total deposits. If we look at table 22, we can clearly see that SEBL is the most efficient in their operations incurring a miniscule 1.51 taka per 100 taka of deposits it receives to run the bank. In contrast, United Commercial Bank Limited (UCBL) is least efficient in operations incurring a cost of 4.18 taka per 100 taka of deposit it attracts. In addition, UCBL also has the highest OPEX of 10,619 M taka. Bank Asia is in 8<sup>th</sup> position in terms of cost of operations incurring a cost of 2.59 taka per 100 taka of deposits.

### 3.3.5 Profitability

Operating Profit September 2020

Operating Profit						
Sl	Banks	Cum. Sep 20	Cum. Sep 19	LY Rank	Growth	%
1	Islami	12,027	16,367	1	-4,340	-27%
2	DBBL	6,236	7,626	2	-1,390	-18%
3	Brac	5,978	7,204	4	-1,226	-17%
<b>4</b>	<b>Trust</b>	<b>5,863</b>	<b>5,326</b>	10	<b>537</b>	<b>10%</b>
5	EBL	5,594	6,166	7	-572	-9%
6	EBL	5,594	6,166	7	-572	-9%
<b>7</b>	<b>Bank Asia</b>	<b>5,366</b>	<b>6,927</b>	<b>5</b>	<b>-1,561</b>	<b>-23%</b>
8	SEBL	5,215	6,902	6	-1,687	-24%
9	City	4,663	5,933	8	-1,270	-21%
10	Al Arafah	4,599	5,314	11	-715	-13%
11	NCC	4,028	5,397	9	-1,369	-25%
12	Prime	3,991	4,970	13	-979	-20%
13	UCBL	3,761	5,314	11	-1,553	-29%
14	FSIBL	3,688	4,010	20	-322	-8%
15	Dhaka	3,654	4,106	19	-452	-11%
16	Jamuna	3,633	4,711	15	-1,078	-23%
17	Shahajalal	3,347	4,822	14	-1,475	-31%
18	MBL	3,105	4,526	16	-1,421	-31%
19	Uttara	2,939	3,637	23	-698	-19%
20	Premier	2,822	3,927	22	-1,105	-28%
21	Exim	2,820	2,958	25	-138	-5%
<b>22</b>	<b>AB Bank</b>	<b>2,686</b>	<b>955</b>	28	<b>1,731</b>	<b>181%</b>
23	MTBL	2,685	3,972	21	-1,287	-32%
24	NBL	2,516	4,413	18	-1,897	-43%
25	One	2,330	2,915	26	-585	-20%
26	SIBL	2,214	3,359	24	-1,145	-34%
27	IFIC	2,203	4,479	17	-2,276	-51%
28	Standard	672	1,991	27	-1,319	-66%

Figure 19: Operating Profit Growth Sep 2020 (in million taka)

## **Industry Insights**

In this paper, I have used the Operating Ranking of September 2020 as basis for all further analysis. Top 15 PCBs in the list outlined in figure 16 will be used in most analysis to narrow down our inference and conclusions.

If we look the figure above, we can point out that Bank Asia ranked 7<sup>th</sup> in terms of operating profit. Due to ongoing pandemic and various restrictions from Bangladesh Bank, Bank Asia's position deteriorated have a -23% growth by Sep 2020. Last year the Bank's position stood at 5<sup>th</sup> among top 28 PCBs.

We can very clearly point out how the pandemic affected the banks in Bangladesh. Most banks witnessed sharp fall in operating profit mainly for 9% rate capping on loans and limited scale banking operations. All the banks reported a negative growth in their operating profit September 2020 with the exception of Trust Bank and AB Bank which are the only banks to report positive growth in operating profit.

Having a close look at Bank Asia's competitors, it is easy to see that both Trust Bank and EBL superseded Bank Asia in 2020. In 2019, Trust and EBL were behind Bank Asia. (LY Rank: Trust 10<sup>th</sup>; EBL 7<sup>th</sup>)

Interesting, amidst this global pandemic, AB Bank's operating profit grew by over 181% which is quite frankly very abnormal. It is deduced that this has happened mainly due to Bank's investment income which grew by 3000 M taka.

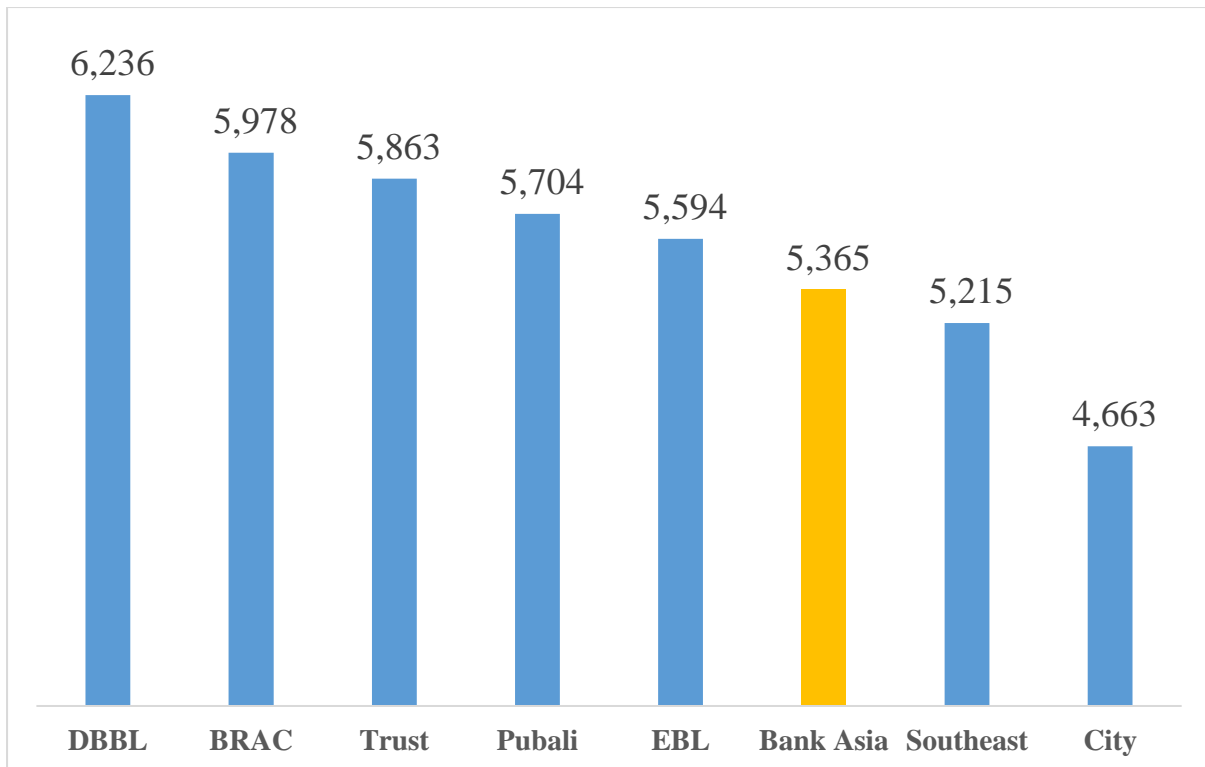


Figure 20: Top 8 PCBs based on Operating Profit September 2020 (in million taka)

Even though Islami Bank is leading the group in terms of operating profit having a massive 12,027 M taka profit, it is best exclude Islami Bank from the graph in Figure 17 due to the uncomfortable fact that the values for Islami Bank skews the overall datasets. Therefore, practically speaking, DBBL is the top contender having an operating profit of 6,236 M and close of a competitor to Bank Asia than Islami Bank. The least performer among the top 8 PCBs seems to be City Bank having a profit of 4,663 M taka.

#### Net Profit September 2020

Table 23: Net and Operating Profit with Provisioning Sep 2020 for top 15 PCBs (in million taka)

Sl	Banks	20-Sep				19-Sep				
		OP	Total Provision	Net Profit	NP Rank	OP	Rank	Total Provision	Net Profit	NP Rank
1	Islami	12,027	3,546	3,542	1	16,367	1	6,438	3,505	2
2	DBBL	6,236	368	3,458	2	7,626	2	1,888	3,363	3
3	Brac	5,978	1,833	2,796	6	7,204	4	1,127	3,704	1

4	Trust	5,863	1,105	2,588	8	5,326	10	1,703	1,596	11
5	Pubali	5,704	1,104	2,954	3	7,320	3	2,454	2,571	5
6	EBL	5,594	750	2,863	4	6,166	7	1,750	2,318	7
<b>7</b>	<b>B Asia</b>	<b>5,366</b>	<b>1,585</b>	<b>2,301</b>	9	<b>6,927</b>	5	<b>2,585</b>	<b>2,272</b>	8
8	SEBL	5,215	1,286	2,770	7	6,902	6	1,438	3,272	4
9	City	4,663	263	2,804	5	5,933	8	1,154	2,526	6
10	AI	4,599	1,467	1,436	12	5,314	11	3,291	258	15
11	NCC	4,028	943	1,667	11	5,397	9	1,562	1,915	9
12	Prime	3,991	1,332	1,162	15	4,970	13	1,302	1,548	12
13	UCBL	3,761	764	1,709	10	5,314	11	1,923	1,817	10
14	FSIBL	3,688	1,359	1,249	13	4,010	15	1,812	1,106	13
15	Dhaka	3,654	1,620	1,194	14	4,106	14	2,057	1,074	14

## Industry Insights

If we look carefully at table 23, most of the banks' net profit has not changed much by the ongoing pandemic. There is a reason for this: provisioning requirement. Bangladesh Bank issued a directive to all PCBs that within 2020 banks are not required to keep the provisioning requirement like it was in 2019. This had a big impact on the net profit of every bank due to the fact that you have to subtract provisions from 'Profit before provision/Operating profit' which essentially mean having small value for provisions will inflate your net profit value. Banks would want an inflated net profit to increase their earnings per share (EPS) value to look good for the shareholders and promise a better dividend in this pandemic. However, the only bank who did not reduce their provisioning is Brac Bank. In fact, Brac has increased its provisioning to better sustain and offset losses in interest income caused by this pandemic and as such from holding the 1<sup>st</sup> position in net profit in 2019, Brac's net profit rank deteriorated to 6<sup>th</sup> place in 2020.

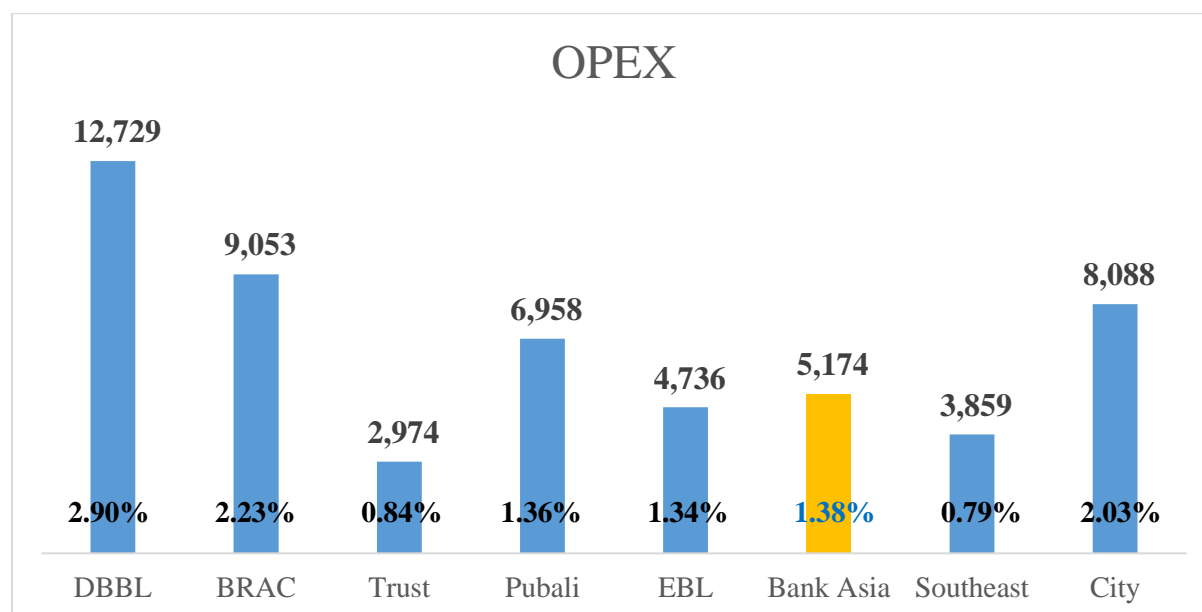
Furthermore, even though Bank Asia has halved its provisioning in 2020, its net profit still deteriorated by 1 position to hold 9<sup>th</sup> place.

### 3.3.6 Operating Expenditure (OPEX)

	Islami	DBBL	BRAC	Trust	Pubali	EBL	Bank Asia	SEBL	City
Salary	12,381	4,019	4,750	1,659	4,262	2,869	2,547	1,503	4,002
Other OPEX	5,360	8,710	4,302	1,316	2,695	1,867	2,627	2,356	4,086
Total OPEX	17,741	12,729	9,052	2,975	6,957	4,736	5,174	3,859	8,088
Growth over BA	12,567	7,555	3,878	-2,199	1,783	-438	-	-1,315	2,914
Salary to OPEX	69.79%	31.57%	52.47%	55.76%	61.26%	60.58%	49.23%	38.95%	49.48%
Rank	9	1	5	6	8	7	3	2	4
COO	2.32%	5.21%	4.38%	1.53%	2.39%	2.64%	2.54%	1.48%	4.17%
Rank	3	9	8	2	4	6	5	1	7
Growth over BA	-0.22%	2.67%	1.84%	-1.02%	-0.15%	0.10%	-	-1.06%	1.63%
No. of Employees	16,807	9,988	8,160	1,941	8,153	1,892	2,376	2,885	4,493
Cost per Employee	1.06	1.27	1.11	1.53	0.85	2.50	2.18	1.34	1.80
Operating profit	12,027	6,236	5,978	5,863	5,704	5,594	5,365	5,215	4,663
Profit per Employee	0.72	0.62	0.73	3.02	0.70	2.96	2.26	1.81	1.04

Table 24: OPEX Parameters for top 9 PCBs Sept 2020 with Bank Asia (in million taka)

Figure 21: OPEX for top 8 PCBs Sep 2020





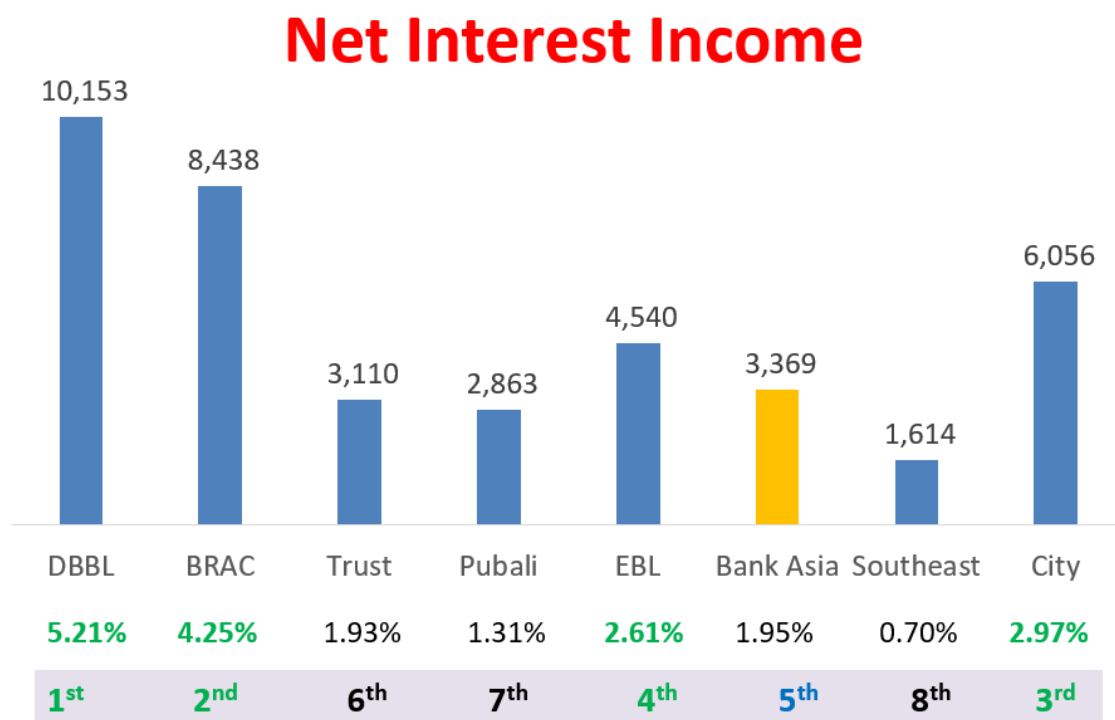
## Industry Insights

Operating Expenditure (OPEX) is an ongoing cost for running a product, business, or system. There are lot of items that contribute to OPEX in a profit and loss statement but, undoubtedly, the item ‘salaries and allowance’ contributes the most. We can see in table 24, that Bank Asia spends 2,547 M taka on salaries and allowances. Islami Bank spends the most on salaries and SEBL spending the least. Higher salaries’ expense might not actually mean that the employees are high efficient and productive. Rather, it could just point out that quantity of employees might be significant in the bank. For instance, Islami bank has a massive 16,807 employees and it’s only natural for Islami bank to spend more on salaries and hence, in OPEX. In fact, the bank spends 69.79% of OPEX on salaries while Bank Asia spends 49.23%. Trust Bank has the least OPEX among the top 9 PCBs recording 2,974 M taka of OPEX. Islami bank and DBBL spends the most recording at 17,741 M and 12,729 M.

Furthermore, it is quite imperative to understand that Bank Asia earns 2.26 taka profit from every employee while incurring a cost of 2.18 per employee which is quite high in the current market. EBL records the highest cost per employee incurring 2.5 taka per employee while Pubali incurs the lowest cost of 0.85 taka per employee. Trust bank profits the most from its employees having a 3.02 taka profit per employee while DBBL profits the least.

### 3.3.7 Net Interest Income

Figure 22: Net Interest Income for Top 8 PCBs in Sep 2020 (in million taka)



#### Loans & Advance compared to Bank Asia

30,402	32,354	(14,760)	64,620	(340)	-	85,704	63,788
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#### Industry Insights

Net interest income is the difference between revenues generated by interest-bearing assets and the cost of servicing liabilities. We can see clearly from figure 20 that DBBL generates the highest net interest income (NII) of 10,153 M while Bank Asia records a moderate 3,369 M. Low NII could mean that the interest expense the bank pays is considerably large or the interest income the bank receives is considerably small. This could be the case for SEBL which has a NII of 1,614 M, the lowest among the top 9 PCBs.

### 3.3.8 Profit and Loss Statement and Balance Sheet Growth

Table 25: Profit and Loss Statement Growth Impact over Dec 2019 for Top PCBs Sep 2020 (million taka)

Banks	DBBL	BRAC	Trust	Pubali	EBL	Bank Asia	SEBL	City
Interest Income	16,399	19,216	14,215	17,126	15,586	14,761	17,047	18,089
Growth	-2,354	-2,802	-412	-2,452	-1,465	-2,329	-2,724	-1,604
Interest Expense	6,246	10,779	11,105	14,262	11,045	11,393	15,433	12,033
Growth	680	66	1,539	1,467	224	799	-819	380
<b>NII</b>	<b>10,153</b>	<b>8,438</b>	<b>3,110</b>	<b>2,863</b>	<b>4,540</b>	<b>3,369</b>	<b>1,614</b>	<b>6,056</b>
Growth	-3,033	-2,868	-1,951	-3,918	-1,689	-3,128	-1,905	-1,985
Investment Income	5,089	4,781	4,460	8,042	3,670	4,689	4,466	2,887
Growth	2,926	2,676	2,707	3,208	1,853	2,525	901	1,508
Commission Ex Brokerage	1,346	1,748	945	1,129	1,948	1,858	2,383	2,397
Growth	-140	-506	-78	-171	-625	-627	-402	71
Other Operating Income	2,377	64	322	627	170	623	610	1,411
Growth	-491	-53	-27	-79	16	-65	-64	-364
<b>Total Operating Income</b>	<b>21,752</b>	<b>17,201</b>	<b>11,466</b>	<b>15,699</b>	<b>11,557</b>	<b>12,437</b>	<b>9,572</b>	<b>14,330</b>
Salaries and Allowances	4,019	4,750	1,659	4,262	2,869	2,547	1,503	4,002
Other Expenses	8,710	4,302	1,316	2,695	1,867	2,627	2,356	4,086
<b>Total Operating Expense</b>	<b>12,729</b>	<b>9,053</b>	<b>2,974</b>	<b>6,958</b>	<b>4,736</b>	<b>5,174</b>	<b>3,859</b>	<b>8,088</b>
Growth	651	574	115	656	126	267	216	500
<b>Operating Profit</b>	<b>9,022</b>	<b>8,148</b>	<b>8,492</b>	<b>8,741</b>	<b>6,821</b>	<b>7,263</b>	<b>5,714</b>	<b>6,242</b>
Growth	1,397	844	3,167	1,421	656	336	-1,189	308

<b>Total Provision</b>	368	1,833	1,105	1,105	751	1,585	1,286	263
Current Tax	2,571	1,869	2,175	1,657	2,102	1,479	1,150	1,382
Deferred Tax	-160	-520	-6	-12	-123		9	215
<b>Total Tax</b>	<b>2,410</b>	<b>1,349</b>	<b>2,169</b>	<b>1,645</b>	<b>1,979</b>	<b>1,479</b>	<b>1,159</b>	<b>1,596</b>
<b>Net Profit After Tax</b>	<b>6,244</b>	<b>4,966</b>	<b>5,218</b>	<b>5,991</b>	<b>4,091</b>	<b>4,199</b>	<b>3,268</b>	<b>4,382</b>
EPS	6.29	2.11	4.02	2.87	3.53	1.97	2.39	2.76

Let us know look at the impact of Covid-19 on the Profit and Loss statement of top 8 PCBs.

If we look at table 25, the interest income of all of the banks declined in 2020 with SEBL losing the most at around 2,724 M by Sep 2020 and Trust Bank doing considerably better than the rest recording only a 412 M taka loss by Sep 2020. Moreover, the interest expense of most banks grew in 2020 with the exception of SEBL reducing its expense by 819 M taka in Sep 2020. In retrospect, since most banks witnessed a decline in interest income and rise in interest expense in 2020, it is only natural to see that Net Interest Income (NII) of all the banks declined significantly with Pubali Bank losing a massive 3,918 M taka by Sep 2020.

Furthermore, as witnessed in previous ‘Investment’ sub-chapter, the investment income of all the banks grew in 2020 due to the underlying fact that all of the banks had excess liquidity which they decided to invest in lucrative govt. securities with Pubali leading the pack having increased their income by 3,208 M taka by Sep 2020. In contrast, the commission exchange and brokerage income of most banks declined due to this ongoing pandemic with Bank Asia losing around 627 M taka by Sep 2020.

Interestingly, due to rather large investment income, banks have managed to offset losses in interest income with Trust Bank seeing a growth of 3,167 M taka in their operating profit. Moreover, due low provisioning, most banks have managed to increase their net profit and record better Earnings per share (EPS).

*Table 26: Balance Sheet Growth Impact over Dec 2019 for Top PCBs Sep 2020 (million taka)*

<b>Banks</b>	<b>DBBL</b>	<b>BRAC</b>	<b>Trust</b>	<b>Pubali</b>	<b>EBL</b>	<b>Bank Asia</b>	<b>SEBL</b>	<b>City</b>
Loans and advances	263,085	265,037	217,923	297,303	232,343	232,683	318,387	296,471
<b>Growth</b>	<b>20,207</b>	<b>946</b>	<b>7,156</b>	<b>10,268</b>	<b>292</b>	<b>5,384</b>	<b>23,372</b>	<b>49,527</b>
Investments	112,332	67,419	84,310	148,828	61,385	86,377	94,949	39,041
<b>Growth</b>	<b>57,227</b>	<b>21,476</b>	<b>43,268</b>	<b>48,224</b>	<b>21,588</b>	<b>31,444</b>	<b>20,465</b>	<b>(411)</b>
Fixed assets	5,219	7,521	1,904	5,789	7,421	6,739	8,967	5,131
<b>Growth</b>	<b>(162)</b>	<b>(668)</b>	<b>(26)</b>	<b>608</b>	<b>72</b>	<b>(287)</b>	<b>212</b>	<b>(544)</b>

Total Assets	450,869	389,631	341,108	543,532	336,519	391,529	463,766	406,304
<b>Growth</b>	<b>70,917</b>	<b>20,227</b>	<b>46,216</b>	<b>69,176</b>	<b>1,356</b>	<b>37,729</b>	<b>41,335</b>	<b>51,615</b>
Deposits	349,563	283,111	277,925	416,502	237,956	289,173	363,811	270,806
<b>Growth</b>	<b>47,454</b>	<b>14,802</b>	<b>35,901</b>	<b>57,083</b>	<b>(2,207)</b>	<b>35,463</b>	<b>34,013</b>	<b>24,102</b>
Current accounts	83,254	86,643	33,102	47,946	25,674	55,534	69,631	46,216
<b>Growth</b>	<b>16,984</b>	<b>16,255</b>	<b>(2,250)</b>	<b>6,942</b>	<b>738</b>	<b>8,080</b>	<b>20,823</b>	<b>5,426</b>
Bills payable	3,940	2,555	6,415	18,397	1,703	3,053	3,666	2,195
<b>Growth</b>	<b>(392)</b>	<b>644</b>	<b>3,099</b>	<b>3,794</b>	<b>571</b>	<b>(690)</b>	<b>(429)</b>	<b>311</b>
Fixed deposits	96,423	139,214	194,857	248,313	119,662	172,776	255,177	166,226
<b>Growth</b>	<b>10,670</b>	<b>(10,165)</b>	<b>27,586</b>	<b>34,836</b>	<b>(12,073)</b>	<b>18,557</b>	<b>8,699</b>	<b>8,564</b>
Savings deposits	165,946	52,255	43,551	93,658	58,176	57,810	35,337	56,169
<b>Growth</b>	<b>20,192</b>	<b>7,717</b>	<b>7,466</b>	<b>10,983</b>	<b>7,962</b>	<b>9,516</b>	<b>4,920</b>	<b>9,802</b>
Other deposits		2,444		8,188	32,741			
<b>Growth</b>	<b>-</b>	<b>351</b>	<b>-</b>	<b>528</b>	<b>595</b>			
Paid up Capital	5,500	13,259	6,433	10,283	8,118	11,659	11,599	10,164
<b>Growth</b>	<b>500</b>	<b>925</b>	<b>306</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Total shareholders' equity	30,128	43,151	17,481	34,088	28,610	27,005	33,746	27,188
<b>Growth</b>	<b>3,357</b>	<b>4,232</b>	<b>2,541</b>	<b>5,535</b>	<b>3,043</b>	<b>2,260</b>	<b>3,327</b>	<b>1,772</b>
Total OBS	71,767	99,151	88,977	121,023	101,007	121,175	144,039	130,514
<b>Growth</b>	<b>(3,539)</b>	<b>(986)</b>	<b>3,855</b>	<b>12,523</b>	<b>2,226</b>	<b>558</b>	<b>20,890</b>	<b>12,185</b>

Let us now look at impact of Covid-19 on the balance sheet of top PCBs.

If we look at table 27, we can see that total asset of all the banks has increased during this pandemic with DBBL growing more than 70,917 M in 2020 compared to 2019. All of the banks had such a boost mostly because their ability to increase their investment portfolio and their aggression in giving out good credit rated loans.

With the exception of EBL, deposit portfolio of all the banks increased significantly during this pandemic with Pubali growing more than 57,083 M in 2020 compared to 2019. This is due to the banks' ability to attract different deposit schemes catering to different segment of the

population. Total shareholders' equity has also increased for all the banks together with off-balance sheet items (OBS).

### 3.3.9 Remittance

Table 27: Remittance till 2019 for PCBs

Sl	Banks	Dec-19	Dec-18	Rank	Growth	Growth Ranking
1	Islami	305,514	275,212	1	30,302	1
2	SEBL	138,272	116,803	2	21,469	2
<b>3</b>	<b>Bank Asia</b>	<b>79,750</b>	<b>60,113</b>	<b>5</b>	<b>19,637</b>	<b>3</b>
4	DBBL	79,032	79,032	4	-	12
5	BRAC	73,344	84,178	3	(10,834)	15
6	Prime	58,160	45,755	7	12,405	6
7	Pubali	52,660	40,565	9	12,095	7
8	Trust	48,865	50,113	6	(1,248)	13
9	UCBL	48,764	<b>32,206</b>	11	<b>16,558</b>	<b>4</b>
10	EBL	48,256	45,197	8	3,059	9
11	NCC	42,850	29,493	12	13,357	5
12	Al-Arafah	37,713	36,917	10	796	11
13	City	37,286	28,631	13	8,655	8
14	First Security	14,914	12,995	14	1,919	10
15	Dhaka	10,385	12,146	15	(1,761)	14

### Industry Insights

If we analyze table 28, we can point out that Bank Asia ranked 3<sup>rd</sup> in both size and growth which commendable recording a growth of 19,637 M. It is important to state that the remittance values of PCBs in 2020 has not been published while writing this report and therefore, 2019 values are used instead. Islami Bank dominated the remittance market in 2019 having a massive 305,515 M inward remittance portfolio and growing by 30,302 M. 12 out of 15 banks grew positively in 2019 when it came to inward remittances. Brac bank performed poorly having a negative growth of 10,834 M taka.

Figure 23: Industry Record Remittance in 2020 I

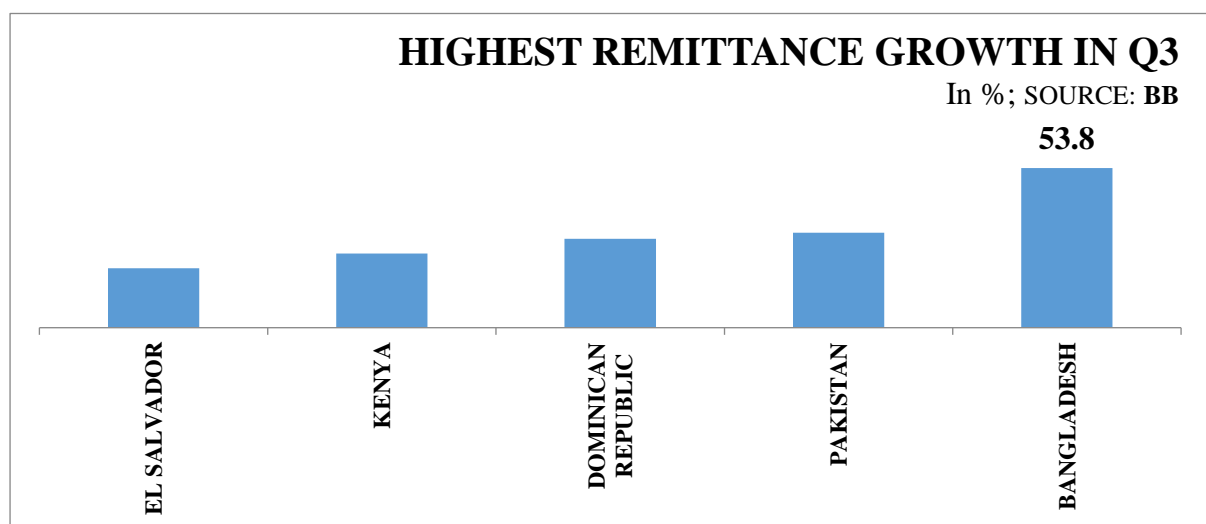
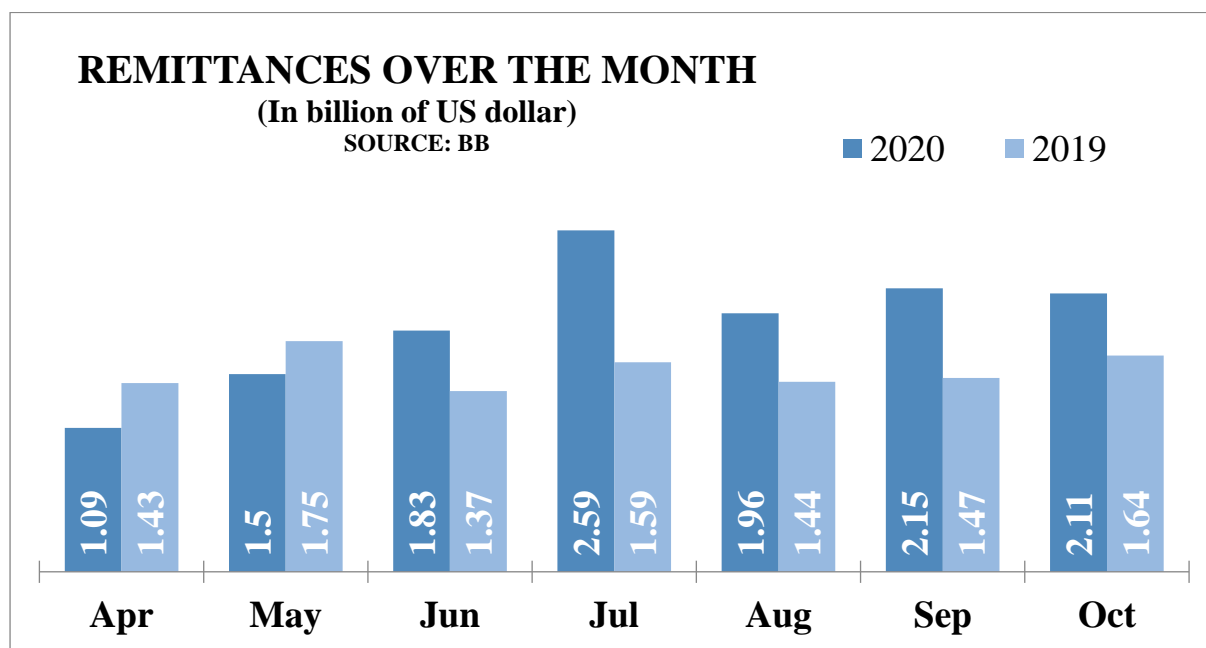


Figure 24: Industry Record Remittance in 2020 II

However, it is without doubt that in 2020 Bangladesh had a record inward remittance inflow especially in Q3 of 2020. This is mostly due to following points:

- Restrictions on informal channels (Hundi System). People are using formal banking channels to send remittance now.
- Travel Restrictions. People are not being able to carry money with them to Bangladesh

- Easier fund transfer due to strong Mobile Financial System and Agent Banking
- Low Interest rate in Developed countries to remit money
- 2% govt. incentive on inward remittance and loss of migrant jobs has forced people to send all their savings to Bangladesh
- Heavy floods and Eid came during pandemic which meant more remittance during this period

### 3.3.10 Comparative Ratios

We have calculated most commonly used ratios in the banking sector and made a mini map on how these comparative ratios are holding up in 2020 amidst the pandemic with 2019 values kept as comparison. Return on total assets (ROA) shows the percentage of how profitable a company's assets are in generating revenue and I have used ROA to sort my data in these ratio charts. For an easier understanding, I have outlined the formulas of the comparative ratios below:

Sl. No.	Ratio Analysis Equations:	
1	ROA	$(\text{Net profit after tax})/(\text{Avg. Total Assets})$
2	ROE	$(\text{Net profit after tax})/(\text{Avg. Total Shareholders' Equity})$
3	Cost to income	$\text{Total operating expense}/\text{Total operating income}$
4	Yield on advance(YoA)	$(\text{Interest Income})/(\text{Avg. Loans and advances}/\text{Investment})$
5	Cost of deposit (CoD)	$(\text{Interest Paid on deposit and borrowings})/(\text{Avg. Deposits and other accounts})$
6	Cost of Fund (CoF)	$(\text{Interest Paid on deposit and borrowings}+\text{Total operating expense})/(\text{Avg. Deposits and other accounts})$
7	Cost of operation (CoO)	$(\text{Total operating expense})/(\text{Avg Deposits and other accounts})$
8	Spread (incl lending and borrowing)	$\text{Yield on advance} - \text{Cost of deposit \& Borrowing}$
9	Burden ratio	$[\text{Total operating expense}-(\text{Other operating income}+\text{Commission exchange \& brokerage})]/(\text{Avg. Total Assets})$
10	Burden coverage ratio	$(\text{Other operating income}+\text{Commission exchange \& brokerage})/\text{Total operating expense}$



11	Salary to opex	(Salaries and allowances)/(Total operating expense)
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Table 28: Equations of Comparative Ratios Sep 2020

Table 29: Comparative Ratios Sep 2020 I

Banks	ROA		ROE		Cost to Income		YOA		COD	
	Sep-20	Dec-19	Sep-20	Dec-19	Sep-20	Dec-19	Sep-20	Dec-19	Sep-20	Dec-19
Jamuna	1.28%	1.11%	16.85%	14.80%	52.94%	48.93%	8.71%	10.40%	5.35%	5.83%
EBL	1.14%	1.30%	14.09%	16.52%	45.85%	43.76%	8.95%	10.50%	6.16%	6.82%
DBBL	1.11%	1.14%	16.21%	16.63%	67.11%	58.70%	8.42%	10.52%	2.56%	2.62%
Trust	1.09%	0.73%	21.29%	14.60%	33.65%	36.05%	8.84%	9.67%	5.70%	5.93%
Uttara	1.01%	0.98%	12.47%	12.30%	61.24%	57.48%	9.38%	10.56%	3.56%	3.82%
City	0.98%	0.73%	14.21%	9.92%	63.43%	54.68%	8.88%	11.21%	6.20%	7.08%
BRAC	0.98%	1.65%	9.08%	15.99%	60.23%	53.49%	9.68%	11.83%	5.21%	5.90%
NCC	0.87%	0.86%	11.29%	11.52%	45.94%	41.81%	9.31%	11.57%	6.23%	7.16%
Southeast	0.83%	0.63%	11.51%	8.62%	42.53%	36.99%	7.41%	9.37%	5.93%	6.05%
Bank Asia	<b>0.82%</b>	<b>0.59%</b>	<b>11.86%</b>	<b>8.16%</b>	<b>49.09%</b>	<b>42.00%</b>	<b>8.56%</b>	<b>10.35%</b>	<b>5.60%</b>	<b>6.07%</b>
Pubali	0.77%	0.48%	12.58%	7.66%	54.95%	48.63%	7.82%	9.34%	4.90%	5.29%
Shahajjalal	0.74%	0.67%	12.07%	10.98%	51.52%	44.17%	9.02%	10.59%	5.45%	6.90%
Premier	0.70%	1.39%	10.10%	19.62%	60.60%	43.50%	9.05%	11.25%	6.87%	6.95%
MBL	0.66%	0.72%	10.02%	10.99%	59.01%	44.17%	8.08%	10.01%	6.30%	6.99%
MTBL	0.62%	0.53%	10.00%	8.66%	62.95%	53.53%	8.25%	10.36%	6.36%	7.27%
Exim	0.61%	0.61%	9.18%	8.48%	60.15%	46.84%	8.30%	9.87%	6.61%	7.43%
Dhaka	0.56%	0.56%	9.05%	9.29%	48.86%	43.53%	9.26%	11.48%	7.04%	8.48%
Al-Arafah	0.48%	0.67%	8.50%	10.92%	54.04%	44.45%	9.12%	10.38%	5.63%	6.54%
UCBL	0.48%	0.65%	6.78%	9.12%	73.84%	60.02%	8.08%	10.03%	5.43%	6.42%
Prime	0.47%	0.65%	5.78%	7.57%	57.18%	50.82%	7.63%	9.51%	4.90%	5.64%
ONE	0.46%	0.59%	8.44%	10.91%	61.42%	55.88%	9.26%	11.28%	7.33%	8.34%
Islami	0.38%	0.50%	7.92%	9.38%	59.60%	49.26%	7.68%	8.89%	4.23%	5.08%
FSIBL	0.37%	0.51%	10.45%	14.40%	59.98%	51.62%	10.92%	11.47%	8.09%	8.29%
NBL	0.36%	0.96%	3.51%	8.87%	67.29%	43.89%	8.16%	10.28%	7.35%	7.12%
IFIC	0.35%	0.81%	4.62%	10.46%	63.83%	53.95%	9.05%	11.22%	7.00%	7.44%
SIBL	0.27%	0.47%	5.42%	9.21%	66.62%	48.36%	9.57%	11.05%	6.75%	6.87%
Standard	0.06%	0.72%	0.77%	9.63%	83.37%	56.89%	9.16%	11.39%	6.78%	7.84%
AB Bank	0.06%	0.05%	0.88%	0.74%	61.41%	49.94%	7.01%	10.74%	7.40%	7.32%
Bank Asia's Position	10	20	9	25	6	4	17	19	10	10
		<b>1st</b>	<b>2nd</b>	<b>3rd</b>						

If we look at Table 29, Jamuna Bank has the best ROA among the top 28 PCB during this pandemic recording a value of 1.28% by Sep 2020 which essentially means that Jamuna earns 1.28 taka as net profit on every 100 taka of average total assets. Jamuna is followed by EBL

and DBBL. Even though Jamuna had an upsurge in ROA since 2019, both EBL and DBBL had witnessed decline in their ROA. Nevertheless, they have managed to lead the private banking industry in terms of ROA. Moreover, it is imperative to note that Bank Asia too saw an increment of its ROA from 0.59% to 0.82% which raised their rank from 20<sup>th</sup> in 2019 to 10<sup>th</sup> in 2020. In addition, Brac Bank was leading the group in 2019 with its high 1.65% but fell short in 2020 to a shocking 7<sup>th</sup> place. In contrast, AB bank has historically shown poor performance over the years and it is not surprising to see the bank record a poor 0.06% in 2020. Interesting, the ROA of most of the top PCBs has risen amidst the Covid-19 crisis. One theory is that since most PCBs are keeping lower provisions, it could very well inflate the net profit value which will raise the ROA value. In addition, a fair rise in investment could increase the total assets' value leading to a higher ROA in Sep 2020.

The return on equity (ROE) is a measure of the profitability of a business in relation to the equity. Trust Bank is the market leader in terms of ROE recording an impressive 21.29% which means that the shareholders' earn 21.29 taka for every 100 taka they invest in Trust Bank. Jamuna and DBBL are also pulling off their recording a decent 16.85% and 16.21% respectively. It is worthwhile to point out that DBBL has been consistent in its ROE performance ranking 2<sup>nd</sup> in 2019 and 3<sup>rd</sup> in 2020. Most banks showed a rise in ROE due to an increase in net profit earned by lowering provisions. In contrast, Standard Bank has performed very in 2020 witnessing a 0.77% ROE from 9.63% in 2019. It is also evident that Premier Bank who ranked 1<sup>st</sup> in 2019 scored short of impressive with ROE of only 10.10%. Furthermore, Bank Asia has also started to perform better during this pandemic being ranked 25<sup>th</sup> in 2019 and then pulling off weight to rank 9<sup>th</sup> in 2020 recording a decent 11.86% ROE.

Cost-to-income ratio is important for determining the profitability of a bank. The cost to income ratio is one of the efficiency ratios which is used to gauge the efficiency of an organization. It is worthwhile to see that Trust Bank has been consistently performing well in

its cost-to-income ratio witnessing a remarkably low 33.65% in 2020 and 36.05% in 2019 which basically means that in Sep 2020, the bank incurred a cost of 33.65 taka for every 100 taka of income it earned. Interestingly, in both years, Trust Bank ranked 1<sup>st</sup> in cost-to-income ratio. Such a feat was pulled off by Trust Bank due to underlying fact that the Bank managed to restrict its OPEX to 2,975 M by Sep 2020, the lowest among the top 10 PCBs. In addition, it should also be pointed out that both NCC and SEBL has consistently performed well recording a 45.94% and 42.53% respectively due to their low OPEX during 2020. In contrast, Standard Bank has performed the worst during this pandemic witnessing a very high 83.37% due to its inefficient management of OPEX in 2020. On the other hand, Bank Asia performed slightly less than what was expected of it recording 49.09% in 2020.

The yield on advances ratio gives the average lending rate of the loan portfolio and tells us how much a bank earns on every 100 taka of loan. Interestingly, First Security Islami Bank (FSIBL) overtakes Brac Bank in terms of YoA scoring an impressive 10.92% in 2020 while Brac recording 9.68% which basically means that FSIBL earns a good 10.92 taka per 100 taka of its loan portfolio. Both FSIBL and BRAC are consistent performers in terms of YoA over the years having a diverse and segmented loan schemes catering to different parts of the population leading them to earn a handsome interest income in both 2019 and 2020. This actually sets precedence in the current scenario of the pandemic and how others banks should manage their loan portfolio in this unprecedented times. In contrast, AB bank has been performing poorly over the years witnessing a low 7.01% YoA in 2020. Additionally, Bank Asia's YoA seemed to decline in 2020 witnessing 8.56% in 2020 from 10.35% of last year.

The cost of deposit (CoD) has a direct impact on banks' profitability. With cheaper funds, banks can lend at a better profit. The cost of deposit charts had rather been unchanged in 2020 since all the banks had seen rise in deposit portfolio and had a similar fixed interest rate to offer. As such, the top 3 contenders of the chart in 2020 are the same as the ones in 2019. DBBL is

leading the race with a very low 2.56% CoD while being followed by Uttara Bank and Islami Bank having a CoD of 3.56% and 4.23%. DBBL, having a CoD of 2.56%, means that it incurs a cost of 2.56 taka for every 100 taka of deposit it brings. It is not surprising that these banks are the top during this pandemic due to the fact they are seen to be the pioneers of deposit mobilization and agent banking. In contrast, FSIBL recorded a very high 8.09% in 2020 while Bank Asia held its ground scoring 5.6% in 2020.

Table 30: Comparative Ratios Sep 2020 II

Banks	COF		COO		Spread	
	Sep-20	Dec-19	Sep-20	Dec-19	Sep-20	Dec-19
Jamuna	8.04%	8.70%	2.69%	2.87%	3.36%	4.57%
EBL	8.80%	9.73%	2.64%	2.90%	2.79%	3.67%
DBBL	7.76%	8.17%	5.21%	5.55%	5.86%	7.90%
Trust	7.22%	7.69%	1.53%	1.76%	3.15%	3.74%
Uttara	7.34%	8.01%	3.78%	4.19%	5.82%	6.74%
City	10.37%	11.51%	4.17%	4.43%	2.67%	4.13%
BRAC	9.59%	10.50%	4.38%	4.60%	4.47%	5.93%
NCC	8.51%	9.63%	2.28%	2.47%	3.08%	4.41%
Southeast	7.42%	7.49%	1.48%	1.44%	1.48%	3.32%
Bank Asia	8.14%	8.91%	2.54%	2.84%	2.96%	4.27%
Pubali	7.29%	7.97%	2.39%	2.68%	2.91%	4.05%
Shahajalal	7.71%	9.34%	2.26%	2.44%	3.57%	3.69%
Premier	9.53%	9.92%	2.66%	2.97%	2.18%	4.30%
MBL	8.47%	9.23%	2.17%	2.25%	1.78%	3.02%
MTBL	9.51%	10.51%	3.15%	3.24%	1.88%	3.09%
Exim	8.16%	9.28%	1.55%	1.86%	1.69%	2.44%
Dhaka	9.34%	10.82%	2.30%	2.34%	2.22%	2.99%
Al-Arafah	7.98%	8.75%	2.35%	2.22%	3.49%	3.84%
UCBL	9.57%	10.38%	4.14%	3.96%	2.65%	3.61%
Prime	8.10%	9.11%	3.19%	3.47%	2.72%	3.86%
ONE	9.48%	10.76%	2.15%	2.42%	1.92%	2.94%
Islami	6.55%	7.49%	2.32%	2.41%	3.45%	3.81%
FSIBL	9.98%	10.10%	1.89%	1.81%	2.83%	3.18%
NBL	9.16%	9.13%	1.81%	2.02%	0.81%	3.16%
IFIC	8.91%	9.91%	1.91%	2.48%	2.05%	3.78%
SIBL	8.72%	9.09%	1.98%	2.22%	2.82%	4.18%
Standard	9.35%	10.42%	2.57%	2.58%	2.38%	3.55%
AB Bank	9.46%	9.82%	2.07%	2.50%	-0.38%	3.42%
Bank Asia's Position	11	9	17	18	10	7

Let's look at Table 30 now for analyze the 2<sup>nd</sup> part of the ratio chart.

The cost of funds (CoF) is the interest rate that financial institutions are paying on the funds they use in their business. It is interesting to see that during this pandemic, most banks' cost of fund have declined which a good sign of recovery for the banks. Islami bank has always led the market when it comes to CoF. Even though it has largest OPEX and 'profit paid on investments,' it still manages to have low CoF of 6.55% due to massive deposit portfolio which brings the CoF figure significantly. This means Islami Bank spends around 6.55 taka for interest/profit rate for every 100 taka deposit it brings. Moreover, both Pubali and Trust handles their deposit portfolio efficiency scoring 7.29% and 7.22%. In contrast, City Bank has not managed its funds efficient in 2020 due to high OPEX and interest expense it bears on every 100 taka of deposits recording a high 10.37% CoF. In addition, it seems that Bank Asia has done better on paper in 2020 but however, other banks have performed much better which means the Bank's CoF rank has declined from 9<sup>th</sup> to 11<sup>th</sup> in 2020.

Cost of Operations (CoO) are the cost of resources used by an organization just to maintain its existence. SEBL and Trust are the consistent performers of CoO ratio having 1.48% and 1.53% respectively. These banks have managed to lower its OPEX significantly during this pandemic which led to them to be the front runner with SEBL incurring a cost of operations of 1.48 taka per 100 taka of deposit it takes in. The cost of operations of most banks have declined which is good but not because of better OPEX management but because of rising deposit portfolio for all the banks. Suprisingly, DBBL incurred a 5.21 CoO in 2020 which mainly due to its high OPEX. On the other hand, Bank Asia recorded a 2.54% CoO in 2020.

The net interest rate spread is the difference between the interest rate a bank pays to depositors and the interest rate it receives from loans to consumers. The net interest rate spread is instrumental to a bank's profitability. It is imperative to note that the spread of most banks have

declined during this pandemic mainly due to the BB's directive to charge a fixed interest rate and the competent low interest rate offered by the banks which led to a decline in interest income and a rise in interest expense. DBBL leads the pack with a very high spread of 5.86% in 2020 which means that DBBL earned a profit of 5.86 taka after 100 taka of lending and deposits. In contrast, AB bank has been losing money during this pandemic having a shocking spread of -0.38% while Bank Asia's spread has declined heavily from 4.27% in 2019 to 2.96% in 2020.

Table 31: Comparative Ratios Sep 2020 III

Banks	Burden Ratio		Burden Coverage Ratio		Salary to OPEX	
	Sep-20	Dec-19	Sep-20	Dec-19	Sep-20	Dec-19
Jamuna	1.26%	1.25%	56.84%	47.93%	57.73%	59.27%
EBL	1.04%	0.87%	59.63%	57.73%	60.58%	58.54%
DBBL	2.89%	2.76%	39.00%	36.59%	31.57%	30.64%
Trust	0.72%	0.73%	56.80%	49.84%	55.78%	53.13%
Uttara	2.42%	2.58%	28.57%	23.81%	74.54%	70.37%
City	1.50%	1.36%	62.78%	53.68%	49.48%	52.48%
BRAC	2.54%	2.38%	26.69%	28.66%	52.47%	48.77%
NCC	0.92%	1.03%	64.45%	47.03%	64.58%	58.75%
Southeast	0.26%	0.13%	103.41%	90.26%	38.95%	40.75%
Bank Asia	0.96%	0.72%	63.94%	64.88%	49.23%	48.38%
Pubali	1.36%	1.37%	33.65%	32.51%	61.25%	60.70%
Shahajalal	0.81%	0.70%	70.02%	61.39%	66.21%	62.72%
Premier	0.80%	0.46%	81.66%	80.39%	42.42%	40.40%
MBL	0.73%	0.47%	80.18%	75.29%	47.43%	41.51%
MTBL	1.43%	1.14%	49.74%	52.74%	57.58%	54.84%
Exim	0.75%	0.74%	55.28%	51.58%	54.50%	59.44%
Dhaka	0.68%	0.36%	77.63%	78.32%	50.74%	48.61%
Al-Arafah	1.12%	0.87%	51.17%	50.04%	68.37%	65.82%
UCBL	2.04%	1.74%	42.89%	40.69%	48.19%	57.35%
Prime	1.45%	1.36%	42.70%	41.68%	60.17%	56.02%
ONE BANK	1.08%	1.12%	45.63%	39.53%	55.99%	56.69%
Islami	1.18%	0.98%	51.95%	50.55%	69.79%	70.93%
First Security	1.34%	1.18%	22.89%	24.23%	58.53%	58.08%
NBL	1.08%	1.10%	32.97%	30.60%	62.27%	56.58%
IFIC	1.00%	1.30%	47.68%	34.94%	47.90%	42.74%
SIBL	1.13%	1.16%	42.58%	36.25%	61.43%	56.95%
Standard	1.56%	1.30%	30.71%	36.28%	61.89%	64.40%
AB Bank	1.22%	1.34%	29.10%	28.33%	48.75%	42.48%
Bank Asia's Position	9	6	7	5	8	7

The Burden Ratio is the measure of the difference between Non-Interest Income and Non-Interest Expenses expressed as a ratio to Average Assets. SEBL is the consistent performer here recording an impressive 0.26% Burden Ratio in 2020 which means that the bank earns 0.26 taka non-interest income for every 100 taka of assets. In contrast, Uttara bank has not being able to perform well in this pandemic witnessing a 2.42% burden ratio in 2020 while Bank Asia’s position also deteriorated by witnessing 0.96% burden ratio.

The Burden Coverage ratio is calculated by dividing a company's non-interest income by the company's OPEX. The lower the ratio, the more the company is burdened by debt expense. SEBL has a massive ratio of 103.41% in 2020 which means that for every 100 taka of expense in covered by 103.41 non-interest income. FSIBL did not do well in 2020 recording 22.89% while Bank Asia remained steady in its burden ratio. It is important to note that most banks saw a rise in burden coverage ratio during the pandemic due to a rise in Commission income.

Salary to OPEX ratio tell us how much does ‘salaries and allowances’ item in profit and loss statement account for total OPEX of a bank. DBBL has the lowest salary to OPEX ratio of 31.57% which means that for every 100 taka of OPEX, 31.57 taka is contributed by salaries of employees. Uttara bank has the highest contribution of 74.54 % while Bank Asia contributes 49.23%.

### 3.3.11 Productivity

Table 32: Employee and Branch Productivity Sep 2020

Sln	Banks	Operating Profit		2019		2020	
		Sep-20	Dec-19	Profit per Employee	Profit per Branch	Profit per Employee	Profit per Branch
1	Trust	5,863	7,114	3.67	67.11	3.02	55.31
2	EBL	5,594	8,210	4.34	96.59	2.96	65.81
3	Bank Asia	5,366	9,322	3.92	72.83	2.26	41.92
4	NCC	4,028	6,717	3.13	55.51	1.88	33.29
5	Dhaka	3,654	6,099	3.11	59.21	1.86	35.48
6	SEBL	5,215	8,955	3.10	66.33	1.81	38.63

7	Prime	3,991	6,950	2.22	47.60	1.28	27.34
8	Al-Arafah	4,599	7,802	2.06	42.87	1.21	25.27
9	City	4,663	8,287	1.84	62.78	1.04	35.33
10	UCBL	3,761	8,279	1.99	42.46	0.91	19.29
11	FSIBL	3,688	5,907	1.41	32.10	0.88	20.04
12	BRAC	5,978	9,948	1.22	82.90	0.73	49.82
13	Islami	12,027	21,914	1.30	61.38	0.72	33.69
14	Pubali	5,704	9,458	1.16	19.62	0.70	11.83
15	DBBL	6,236	11,030	1.10	56.56	0.62	31.98

## Industry Insights

If we look at table 32, we can see the productivity levels of employee and branches of top 15 PCBs and it is imperative to note that Banks have been sorted according to their profit generated per employee in 2020.

Trust Bank is leading the group in terms of profit generated per employee earning 3.02 taka from each of their permanent employee. In contrast, DBBL has the least productive employees during this pandemic earning only 0.62 taka per employee. However, it should also be mentioned that due the current scenario of the pandemic, employees are not being to work as efficiently and effectively as they had previously done in 2019 as witness by the decline in profit earned per employee for all the banks in 2020 including Trust Bank who showed decline from 3.67 in 2019 to 3.02 in 2020. Moreover, Bank has been doing quite well recording a profit of 2.26 taka per employee and ranked at 3<sup>rd</sup> position.

Considering profit generated per branch, EBL is leading the pack with 65.81 taka profit earned from each of its sales branches. In contrast, Pubali has fallen behind having recorded only 11.83 taka earned from each of its branches.



### 3.3.12 Agent Banking

Table 33: Agent Banking Parameters Sep 2020

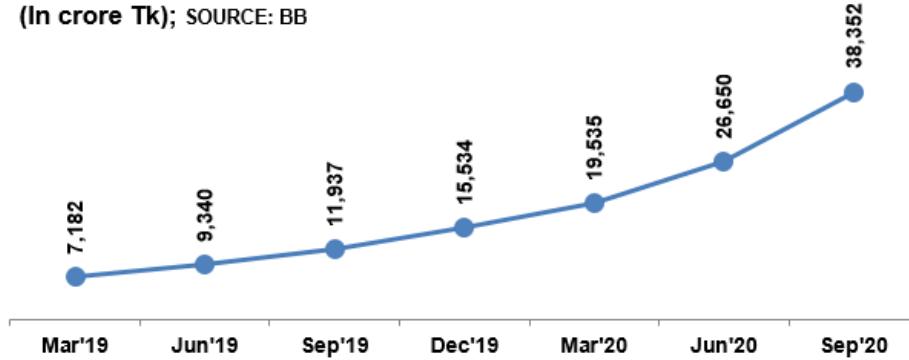
	BA Sep-20	BA Market Share	BA Market Position	Others Position & Portfolio
Agents	3,889	38.27%	1 <sup>st</sup>	2 <sup>nd</sup> IBBL: 1,581 3 <sup>rd</sup> City: 1,064
Outlets	4,008	28.60%	2 <sup>nd</sup>	1 <sup>st</sup> DBBL: 4,234 3 <sup>rd</sup> IBBL: 1,581
A/C	3,243,675	39.45%	1 <sup>st</sup>	2 <sup>nd</sup> DBBL: 2,734,564 3 <sup>rd</sup> IBBL: 972,017
Female A/C	1,965,843	52.44%	1 <sup>st</sup>	2 <sup>nd</sup> DBBL: 849,410 3 <sup>rd</sup> IBBL: 338,660
Deposit (mln Tk.)	22,980	17.62%	2 <sup>nd</sup>	1 <sup>st</sup> IBBL: 37,914 3 <sup>rd</sup> DBBL: 22,577
Loan disbursement (mln Tk.)	2,998	27.58%	2 <sup>nd</sup>	1 <sup>st</sup> BRAC: 5,538 3 <sup>rd</sup> City: 1,986
Remittance (mln Tk.)	54,000	14.09%	3 <sup>rd</sup>	1 <sup>st</sup> IBBL: 172,653 2 <sup>nd</sup> DBBL: 109,273

It has been widely demonstrated that rise in deposits, loans and remittances during covid-19 pandemic is mainly driven by Agent Banking and Mobile Financial Services (MFS). In accordance, Bank Asia is the pioneer in agent banking in Bangladesh having the highest number of agents (3,889), highest number of accounts (3,243,675) and highest number of female accounts (1,965,843) among all other banks. In terms of agent outlets, DBBL is leading the category and in terms deposits and remittance, Islami Bank is the front runner.

Figure 25: Industry Agent Banking

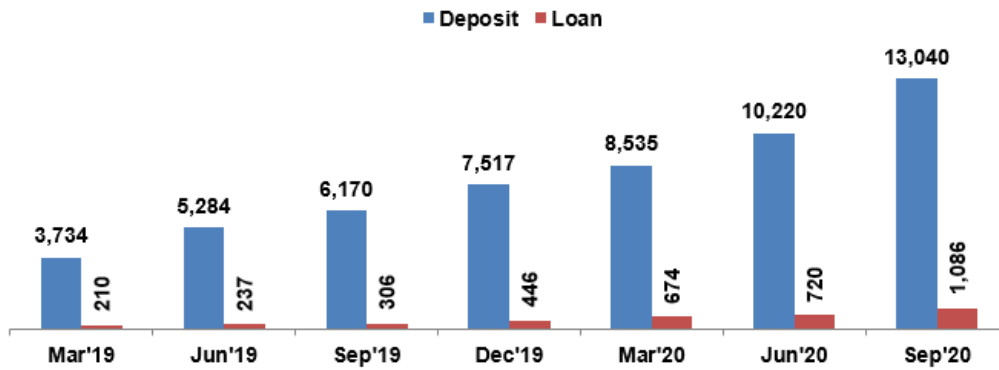
### Inward Remittance through Agent Banking

(In crore Tk); SOURCE: BB



### Agent Banking Deposit Mobilisation and Loan Disbursement

(In crore Tk); SOURCE: BB



### Industry Insights

- Loan disbursement through the channel up by 61.3% amid pandemic
- Deposit collection through the agent banking stood at Tk 13,040.6 crore at the end of September.

### 3.4 Summary and Conclusions

#### Advance

Even though we are currently enduring a pandemic, there is a positive growth in the amount of loans for most banks with Bank Asia seeing a 2.35% or 5,339 M growth till September 2020 over Dec 2019 which is slightly less than Bank Asia's 2019 loan growth of almost 5.91%. All of the banks' interest income had reduced significantly by the ongoing pandemic with Islami bank losing a monstrous 21,810 M in 9 months and National Bank, BRAC Bank and United Commercial Bank following suit each losing an average 10,921 M in 2020. Bank Asia's interest income has reduced to 14,761 M till Sep 2020. This reduction in income is mostly due to Bangladesh Bank directive to reschedule interest payments till Dec 31, 2020 or that most banks are sitting on a pile of Non-performing loans or bad debts which could explode in 2021 just like the bad mortgage backed securities which caused the housing crisis in 2007 and the eventual financial crash in 2008. Another reason could be the inefficiency and unwillingness of most banks to give out fresh loans in 2020 following the international Covid-19 crisis due to a belief that the costs and risk associated to finance/service the loan would be greater and hence reduced portfolio has led to a reduced interest income. We should also talk about the single digit interest rate, of mainly 9% on common loans, fixed for all PCBs by Bangladesh Bank to tackle the ongoing pandemic has further reduced the income spectrum.

#### Deposit

It should be noticed considering the current pandemic in Bangladesh, there is still a positive growth in the amount of deposit for most banks with Bank Asia seeing a 14% or 35,463 M growth till September 2020 over Dec 2019 which is exactly similar to Bank Asia's 2019 deposit growth of almost 14.04%. It is wise to state that most banks saw a rise in deposits even though interest offered is very minimal, is due to depositors' perception to save more money during

the ongoing pandemic. Another reason could be that during the lockdown period and beyond, most businesses closed down which meant more and more people spent less together with the influx of record breaking remittance has showered banks with a unexpected positive deposit growth causing a surplus in idle money in banks on which no income is earned yet the banks have a pay a cost to service the deposits. All of the banks' interest expense had reduced significantly by the ongoing pandemic with Uttara Bank leading the pack with 4,373 M in 9 months and Dutch Bangla Bank Limited (DBBL) following suit with 6,246 M in 2020.

### Investment

If we look carefully at Table 12, we can understand that most PCBs increased their investment portfolio with flying colors Most Bank invested heavily in govt. securities due to lucrative rate the govt. was offering due to the pandemic and since there is a lot of idle money and banks' unwilling to give out fresh loans has opted to them to look for alternatives sources income, i.e. investment income. In contrast, I am surprised to find a few banks who actually did invest heavily to reap future profits. City Bank, AB Bank, EXIM Bank, MBL, SIBL and Standard Bank opted to play defensively and did not increase their investment portfolio like others have.

### Profitability

We can very clearly point out how the pandemic affected the banks in Bangladesh. Most banks witnessed sharp fall in operating profit mainly for 9% rate capping on loans and limited scale banking operations. All the banks reported a negative growth in their operating profit September 2020 with the exception of Trust Bank and AB Bank which are the only banks to report positive growth in operating profit. If we look carefully at table 23, most of the banks' net profit has not changed much by the ongoing pandemic. There is a reason for this: provisioning requirement. Bangladesh Bank issued a directive to all PCBs that within 2020 banks are not required to keep the provisioning requirement like it was in 2019. This had a big

impact on the net profit of every bank due to the fact that you have to subtract provisions from 'Profit before provision/Operating profit' which essentially mean having small value for provisions will inflate your net profit value. Banks would want an inflated net profit to increase their earnings per share (EPS) value to look good for the shareholders and promise a better dividend in this pandemic. However, the only bank who did not reduce their provisioning is Brac Bank. In fact, Brac has increased its provisioning to better sustain and offset losses in interest income caused by this pandemic.

### **3.5 Recommendations**

- Bank Asia should heavily invest on its technological infrastructure and start investing in digital banking system
- Bank Asia should start real-time bank just like City Bank
- The Bank has slow processing time in regards to information. The bank should improve its integrated management system and MIS.
- The Bank should start focusing on options, future contracts market
- The Bank should invest in block chain and fintech

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