

Report On
Analyzing the performance of Mutual Trust Bank with a close competitor by using CAMEL rating and the Minimum Capital Requirement under BASEL-III compliances

By

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ID: 17304097

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

BRAC Business School
Brac University
February 14, 2022

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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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Supervisor's Full Name & Signature:

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Letter of Transmittal

Riyashad Ahmed

Assistant Professor of Finance & Director Research,

BRAC Business School

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66 Mohakhali, Dhaka-1212

Subject: Submission of internship report on “Analyzing the performance of Mutual Trust Bank with a close competitor by using CAMEL rating and the Minimum Capital Requirement under BASEL-III compliances”

Dear Sir,

It is my pleasure to present this report on “Analyzing the performance of Mutual Trust Bank with a close competitor by using CAMEL rating and the Minimum Capital Requirement under BASEL-III compliances” to you which is a requirement for completing my internship. I have attempted my best to finish the report with the essential data related to evaluate the CAMELS rating of Mutual Trust Bank and analyze minimum capital requirements comparing with a close competitor. The idea about this topic came from my observation while working here which helped me to prepare the report with the direct experience.

I trust that the report will meet the desires.

Sincerely yours,

Fairooz Aniq

ID: 17304097

BRAC Business School

BRAC University

Date: February 14, 2022

Non-Disclosure Agreement

This agreement is between “Mutual Trust Bank” & me as a student of BRAC University to utilize and access all company information in response to my internship assignment, “Analyzing the performance of Mutual Trust Bank with a close competitor by using CAMEL rating and the Minimum Capital Requirement under BASEL-III compliances”

The information & data provided about the company in this report are authorized & done under close supervision of my organizational supervisor. I would like to show my humble gratitude for letting me use the information for preparing my report.

As a part of the course & also as part of working as an intern in Mutual Trust Bank a detailed presentation and the report also needs to be given to the company. The organizational supervisor strictly guided me not to use confidential information. This agreement may not be altered or changed without the written instrument signed by each party.

Name of Company: Mutual Trust Bank

Supervisor Name: Sumaiya Mehjabin, First Asst Vice President at Mutual Trust Bank

Signature:

Name of Student: Fairouz Aniq

Signature:

Address: BRAC University, Mohakhali, Dhaka-1212

Description of the report: **“Analyzing the performance of Mutual Trust Bank with a close competitor by using CAMEL rating and the Minimum Capital Requirement under BASEL-III compliances”**

Acknowledgement

All gratitude is due to Almighty Allah for providing me with the capacity and opportunity to complete my report on time. Completing this report was a difficult undertaking that would have been impossible without the help of a group of people. To begin, I'd want to express my gratitude to Riyashad Ahmed, my internship report coordinator, for his ongoing support and inspiration.

In addition, I'd like to express my gratitude to my supervisors at Mutual Trust Bank, particularly Muhammad Nurul Afsar, Head of Group Finance, and Sumaiya Mehjabin, First Asst Vice President of Mutual Trust Bank, for their unwavering support and assistance in acclimating me to the new environment. There were also other apus and bhaias who were always willing to help me and answer any problems I had throughout my internship.

Finally, I'd want to convey my appreciation to Brac University for their excellent collaboration in assisting me. It would be completely impossible without everyone's help and support.

Executive Summary

The internship report was produced as part of BRAC University's BBA curriculum. The purpose of this paper is to compare Mutual Trust Bank's performance to that of a close rival using the CAMEL rating and the Minimum Capital Requirement under BASEL-III compliances. The goal of this report is to explain the bank's financial performance in Bangladesh to the reader. The purpose of this study is to get insight into the financial performance of Bangladesh's banks.

The financial performance of Mutual Trust Bank from 2016 through 2020 was used to compile this internship report. Mutual Trust Bank Ltd. (MTB) is a Dhaka-based third-generation private commercial bank that was named Best Financial Institution of 2014 at the DHL-Daily Star Business Awards 2015. By including new corporate data, the research expands on the 2016-20 annual report.

The first chapter contains all of the details concerning the internship program. The information about the supervisor's, co-supervisor's and onsite supervisor's contact information. The internship obligations and responsibilities, as well as the information gained via the internship program, are briefly outlined.

The corporate overview and specific information about Mutual Trust Bank is included in the second chapter. It includes the organization's mission, vision, culture, core values, and activities.

The data analysis and interpretation are covered in the third chapter. A chart is used to illustrate and demonstrate data analysis and evaluation. In this chapter, I addressed the Financial Performance Analysis via CAMEL Rating and Minimum Capital Requirement via Basel-III, which I obtained from Mutual Trust Bank's annual report, as well as an explanation of the study's Findings, Contribution & Recommendation, Study Limitation, Conclusion, and References: a supplement (Examples, calculations, tables) A chart is used to illustrate and display data analysis and assessment.

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List of Acronyms

MTB	Mutual Trust Bank
FSP	Festival Shanchay Prokalpa
SME	Small and Medium Enterprises
OBU	Off-shore Banking Unit
PO	Pay Order
DD	Demand Draft
FRM	Financial Risk Manager
CERM	Certified Expert in Risk Management
CDCS	Certified Documentary Credit Specialists

Chapter 1

Overview of Internship

1.1 Student Information

I am Fairouz Aniq and my ID is 17304097. I am studying in BRAC Business School in Bachelor of Business Administration (BBA) and did my major in Finance.

1.2 Internship Information

I was assigned to a three-month internship with an organization after completing my 12th semester of the BBA degree. In September, I began working at Mutual Trust Bank's Corporate Head Office on Gulshan Avenue. Throughout my internship, I was largely assigned to the Accounts Payable Unit, although I did get the opportunity to work on assigning CHO department-wise cost distribution for two months.

I only worked for helping out the Business Finance Unit to prepare annual budget of their institution for two months at start. I was assigned to this section to figure out the CHO department wise cost so that it would be easier for them to identify how much money they have invested in different cost center. Anyone who wants to know department wise cost allocation, they can easily go through the chart to know about the expenses and can create a budget allocation. The rest of my internship was spent in the Accounts Payable Unit, where I was primarily responsible for registering the Inward bills, distributing the bills, calculating and reviewing the total amount of the bill, getting to know about how to write a voucher, knowing about the payment procedures, SOP and GL monitoring, overseeing the payment authorization process. The payment procedure is bit difficult to process. The Head of Group Finance submits everything to the Manager after confirming all of the paperwork and collateral. The Manager double-checks everything and marked the bills to the allocated person for payment and if need, some bills are transferred to the HR department. The payment procedures needed paperwork to calculate the tax and vat if needed. By calculating the tax and vat, it is needed to input the transaction to their official website in order match the debit-credit amount and do the payment accordingly. My supervisor, Sumaiya Mehjabin, First Assistant Vice President, Accounts Payable Unit, often assigned me to work under various officials so that I could get proper knowledge and understanding of the bank. My internship was wonderful, every single person

was really kind and helpful. It has helped me obtain experience working at a bank and learn about business culture.

1.2.1 Period and Organization Name

2021(September to December), Mutual Trust Bank, Corporate Head Office, Gulshan Avenue, Bangladesh.

1.2.2 Internship Company Supervisor's Information

Supervisor Name: Sumaiya Mehjabin

Position: First Asst Vice President

Corporate Head Office, Gulshan Avenue, Dhaka- 1212

1.2.3 Job Scope

During my internship, I was able to learn a lot and get experience in a large company. During my internship at Mutual Trust Bank, I learned and encountered the following things:

- During my internship at Mutual Trust Bank, I worked in the Accounts Payable Unit's Group Finance department, whose main purpose is to communicate with other departments on any issues that emerge. Collaboration was important to solving and speeding up any task, as I witnessed personally.
- I worked in the account payable unit, registering inward bills, tax and vat and payment departments throughout my internship. I also worked on evaluating CHO department wise cost allocation. It was a bit difficult for me at first, but I eventually found it easy and I completed the assignment successfully.

1.3 Internship Outcomes:

The banking sector in Bangladesh is a prosperous one, with everyone focusing on large corporate clients to grow market share and profits. However, despite the fact that SME banking is offered in every bank, only a few banks are focusing on the small business. MTB, being a private bank, encourages investment in small businesses. Working at MTB's Corporate Head Office is a lot of fun since everyone is very kind. The working environment was wonderful and quite pleasant. Customers are upset during rush hour due to a shortage of human resources at

the branch. However, MTB's customer service is generally great, and they maintain a positive relationship with their customers.

1.3.1 Student's contribution to the company

After lengthy discussions with bank workers and seniors, this paper was created. The study's aims are as follows:

- To give a high-level overview of Mutual Trust Bank.
- The goal of this report is to evaluate Mutual Trust Bank's performance.
- To evaluate the bank's financial performance during the last five years.
- To give suggestions for the future growth of Mutual Trust Bank.
- To create a pattern out of the many sorts of payments.
- Payment methods and the introduction of new schemes with distinct characteristics.

1.3.2 Benefits to the Student

- I communicated with employees of Mutual Trust Bank from different units during my internship. That has a big impact on my ability to communicate. And I believe this will be beneficial to me.
- While working at Mutual Trust Bank, I was able to apply my analytical skills, patience, punctuality, teamwork ability, leadership, hard effort, commitment, and other skills to good use. As a consequence, I was able to identify and correct my weaknesses in order to enhance my general shape.

1.3.3 Problems/Difficulties

The research is limited to Mutual Trust Bank, a private bank, and it focuses on MTB's key banking functions, such as the Reporting Unit, credit management, and financial performance.

- I ran into the following restrictions when writing my report: The research was just 3 months long, which was extremely short, much secret information was not revealed by separate department staff; and the officers were quite busy with their daily duties, so they could only give me a limited amount of time.
- Sometimes they didn't always want to oversee because of the stress of the job.
- I did a study like this for the first time. As a result, inexperience was one of the key factors that limited the study's scope.
- The quantity of secondary data available is inadequate.

- Throughout my internship, I was allocated to a variety of areas dependent on the preferences of the supervisors. As a result, I couldn't concentrate on a single subject or department of study.

1.3.4 Recommendations (to the company on future internships)

I had some problems entering any information while working there. During bank hours, IT employees should be vigilant about upgrading software and be aware of their server. They should also set up a customer service desk. The need to replace the traditional financial system with a more modern one is vital. To provide faster service, it should be more automated, meaning a dynamic process. They should extend their space and give additional intern workstations, as well as supply interns with ID cards.

Chapter 2

Organization Part

2.1 Introduction

Bangladesh started its banking operations on the day it declared independence from the United Kingdom in 1971. Since then, 61 banks have been established around the country. Mutual Trust Bank Limited is a private-area planned bank shaped in 1994 under the Field of Company Act. It was set up on September 29, 1999 under the Companies Act 1994 as a public restricted organization restricted by shares to do a wide range of banking activities, with an approved capital of Tk. 38,00,000,000 partitioned into 38 lac loads of Tk. 100 each. The bank's portions are exchanged on the Dhaka and Chittagong Stock Exchanges, and it is a public firm. The bank's approved capital is BDT 10 billion. The Bank's financial activities are carried out through its Dhaka headquarters and 93 branches. Brick by Brick Savings Scheme, Monthly Benefit Plan, Save Everyday Plan, Children's Education Plan, Consumer Credit Scheme, and Best Invest Plan are some of the consumer banking products offered by MTB.

MTBL also offers Online Banking, MTBL Tele Banking, SWIFT Services, Pay Order, Demand Draft Issue, MTBL SMS Banking, Locker Service, Credit Card Service, and Visa Electronic Debit Card Service, among other banking services. Current Deposit, Savings Deposit, Short Term Deposit, and Fixed Deposit Receipt are the different types of accounts offered by MTBL.

There are certain additional sorts of accounts, known as Festival Shanchay Prokalpa (FSP), that are given in conjunction with various religious holidays. Gift cheques are also available from MTBL, which consume interest by storing them. In all brunches, Mutual Trust Bank Ltd has a well-established and, most importantly, dependable General Banking division. In practically every scenario, it satisfies the consumer's wants with respect and integrity, and it always prioritizes customer happiness. Mutual Trust aspires to be among Bangladesh's top banks by continuing to provide these services.

The Company began its banking operations as planned in the Memorandum of Association and as licensed by Bangladesh Bank under the requirements of the Banking Companies Act 1991. The Company is authorized to conduct the following categories of banking business:

- Small and Medium Enterprises (SME) Banking
- NRB Banking
- Privilege Banking
- Card Services
- Treasury Operations
- Wholesale Banking
- Retail Banking
- International Trade Financing
- Small and Medium Enterprises (SME) Banking
- NRB Banking
- Privilege Banking
- Card Services
- Treasury Operations

The Bank (Company) has a head office in Dhaka, as well as 111 branches and 25 SME Service Centers. Through a Global Network of Foreign Correspondent Banks, the Company/Bank does worldwide commerce.

In this period of scarcity, the Bank is focused on remaining by its customers and the more extensive local area. The wellbeing and prosperity of our laborers, clients, and business congruity are of vital importance to them. The bank has fostered a Quick Response Team (QRT) to secure staff' wellbeing while at the same time offering basic types of assistance to customers. During the lockdown, their branches were functional by pivot with confined working hours. Regardless of these troublesome conditions, the Bank sees a chance to work on its computerized venture. The Bank's 'Computerized Transformation' procedure is reflected in their advanced financial stage, which offers types of assistance to an assortment of clients including retail, SME, and corporate clients.

The Bank established an emergency fund, MTB COVID-19 DONATION FUND, at the commencement of the COVID-19 epidemic, with a total value of TK. 14.50 million. MTB provided almost 70% of the fund by donating their one-day wage of TK. 10 million.

Members of the MTB Board of Directors also contributed their honoraria till December 2020. Furthermore, the MTB Foundation has dedicated 40% of its resources to the COVID-19 fund. MTB redirected its CSR funds for a donation of TK. 50 million to the Prime Minister's Relief and Welfare Fund through Bangladesh Association of Banks, in line with the government's strategies to combat the pandemic effectively and quickly while maintaining its image as a reliable and trustworthy brand.

2.2 Overview of the Company

2.2.1 Bank's Current Situation

On September 29, 1999, Mutual Trust Bank Ltd. began operations as a private commercial bank. A contemporary bank's whole operating area may be separated into four sections: general banking, cash, loans and advances, and foreign trade. Dhaka Stock Exchange Ltd. and Chittagong Stock Exchange Ltd. both list the bank. The bank has one hundred and eighteen branches in Bangladesh, together with fourteen SME/Agri Branches, one hundred and sixty-three Agent Banking Centers, and twenty-seven Sub Branches.

2.2.2 The Main Activities

Personal and commercial banking, trade services, cash management, treasury, and security services supplied by a caretaker are among MTB's core operations.

2.2.3 The Mission

In all element of Mutual Trust Bank, they strive to provide the most polite and efficient service possible. Because of the increased competition in the business, banks are constantly seeking for innovative and efficient strategies to acquire and keep valuable customers. Product innovation and customization, transaction convenience, and technology utilization are just a few of the common areas where all of the best bank focus in order to succeed in providing banking services. The desired goal of MTB is to gain an everlasting place in people's hearts as a caring partner in enhancing the national economic standard through continuous upgradation and diversification of MTB customer services in line with national and worldwide demands.

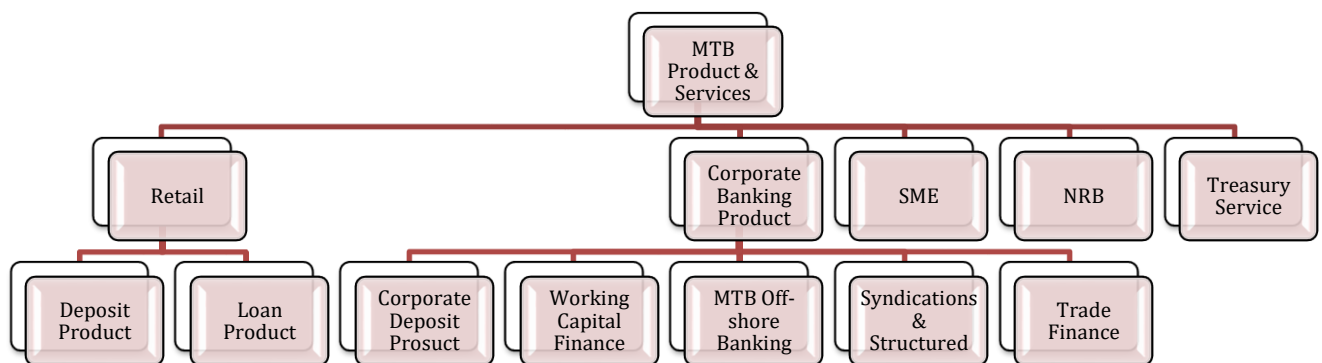
2.2.4 Vision

MTB's vision is to be a trusted source of corporate and individual financial products and services, as well as a preferred investment option for socially aware shareholders and an advocate for a better and healthy society. The MTB3V concept is the foundation of Mutual Trust Bank's vision. MTB aspires to be: The Bank of Choice, A World-Class Bank and One of Bangladesh's most successful banks.

2.2.5 Products and Services of MTB

MTB has geographically expanded its territory by building additional branches in various locations while understanding the financial impact. In the previous five years, MTB has launched 35 new branches and sub branches in various locations around Bangladesh, as well as connecting new ATMs. As of December 2020, there are 145 branches and sub-branch locations, as well as 315 ATMs. Mutual Trust Bank also places a high priority on the continuing growth of a variety of new products and services. Furthermore, as of the reporting date, MTB has three subsidiaries: MTB Securities Ltd, MTB Capital Ltd, and MTB Exchange UK Ltd. MTBSL, MTBCL, and MTBUK were established with the goal of developing commercial sales like a stock broker, merchant bank, and exchange house throughout Bangladesh and internationally. The Bank received authorization from the Off-shore Banking Unit (OBU) to deliver all types of commercial financial services in foreign currencies towards their clients. This variety clearly demonstrates the Bank's long-term commitment.

MTB focuses on a long-term fiscal stimulus based on digital advancement, simplicity of customer services, and even more durable organizational policy. It's no surprise that banks who concentrate in customer satisfaction have a greater access to external finance, higher referral rates, and are far more willing to pass products and services to current clients. MTB has been working to create a long-term digital infrastructure since the emergence of the COVID-19 pandemic. MTB has introduced digital services for stockholders with its diverse financial services, like as MTB internet banking facilities, MTB Smart Banking App, MTB Simple, MTB Green Pin, MTB 24/7 ATMs and CDMs, MTB Call Center, MBot, and so on, to make MTB banking services were easily used in the outbreak of covid.



Products & Services of MTB

2.2.6 The Bank's Objectives

The major objective of the Mutual Trust Bank is to provide a financial market with an interest-free banking system. Aside from that, the bank began operations in the nation with the goal of achieving the following goals:

- To build a collaborative connection with clients and to do away with old banks' debtor-creditor partnership.
- To create a banking system that prioritizes social welfare.
- To channel surpluses into productive industries.
- To finance based on earnings and risk distribution.
- To receive profit-and-loss-sharing deposits.
- To generate jobs by putting money into promising economic areas.
- To provide financial services to the poor, defenseless, and low-income members of society in order to improve their level of living.
- To Assist in the creation of a society through the equal distribution of resources.
- To bring about equity in the country's trade and commerce.
- To provide services in support of the nation's economic growth.

2.2.7 MTB's General Banking

Banking has a set of purposes in general. They labor around the clock to attain their goals. The area of each division is linked to that of the others. As a consequence, there is no analytical

pressure except for the component that has anything wrong with it and has to be fixed by the corresponding section. Furthermore, all sectors are eager to lend a hand in completing their exercises.

The following are some of the department's day-to-day operations.

- Opening an account
- Receiving checks for clearing, transportation, and dispatch
- Issuing a check
- Issuing a PO (Pay Order), DD (Demand Draft), and other documents
- Fund Transfer
- Account Closure and Transfer
- Bank Locker Maintenance
- IBC and OBC Outward Clearing
- FDR and other Scheme Deposits Opening and Maintenance
- GB handled the utility bill, building rent, and accounting duties
- Keeping track of online vouchers

2.2.8 Cash Department

This division is in charge of cash payment and receiving. Employees in this section are also accountable for computerized updating, moving cheques, posting correctness, reconciling on-line transactions, and so on.

2.2.9 Credit Department

The following occupations fall within this department's purview:

1. Preparation of CIB Statements
2. Preparation of Credit Proposal and Statement
3. Preparation of Loan Application Form
4. Administration of Retail Credit

2.2.10 Foreign Exchange Department

- L/C application verification.
- The opening is L/C.
- Providing L/C advice

- Approve the application
- Trade finance for exports
- Remittance.

2.2.11 Smart Banking Platform

Removing obstacles to using digital channels is a fantastic method to enable clients to be more digitally enabled. The implementation of the smart Banking platform's self-registration capability was the most significant move in this direction. Customers may now apply for IB/MB using a debit or credit card from the comfort of their own homes and utilize the IB/MB features to conduct banking. The smart Banking platform has also been updated to provide a variety of quality-of-life enhancements. IB Fund Transfer through NPSB, Fund Transfer to bKash Wallet, Fund Transfer over BEFTN, Paying DPDC Bills, and DESCO Bills are among the enhancements.

2.2.12 MTB's Corporate Strategy

MTB's initiatives are based on their goal of being the bank of choice for their clients by offering world-class banking solutions. They act as a middleman for commerce and investment all throughout the country. They are a commercial bank in Bangladesh that serves all customers. Individuals, major corporations, small and medium companies (SMEs), and institutional investors have typically been their target markets in other markets. They will use digital technology to expand our access to individuals in the future.

As they engage in modernization and collaboration to further promote their products, MTB establish network security plans on the fly to line with the broader corporate strategy and provide stability in regulating Technology threat throughout the Bank. Risk management, not risk aversion, is the primary purpose.

MTB is the most well commercial bank with the widest banking facilities and the capacity supply industrial, domestic, and small-to-medium-sized enterprises with banking services. In several of the areas in which MTB engages, notably in the SME and Agro Sector, significant drivers include a business sales power, well-known trademarks, and a sizable customer loyalty. Because of our scale, we can invest more in goods, services, systems, and training, providing MTB customers with unequalled choice and service. MTB's corporate strategy emphasizes the development of great customer partnerships resulting in long relationships with clients.

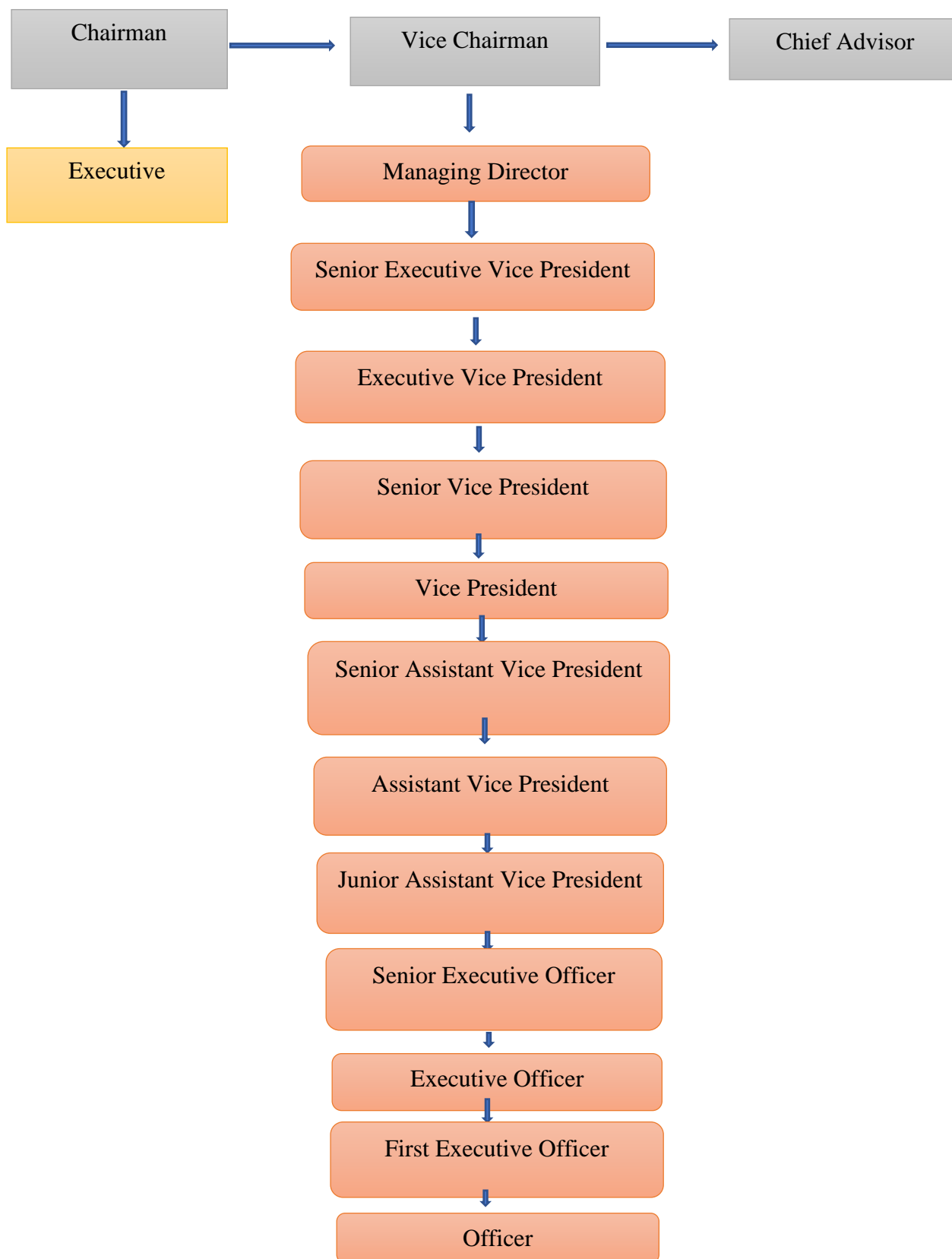
2.2.13 MTB's Green Banking

The Green Banking idea is a constructive and intelligent style of thinking that has a vision for our planet's long-term viability. It takes into account all social and ecological elements in order to conserve the environment and natural resources. Mutual Trust Bank's Green Banking operations include raising awareness about climate change and environmental conservation.

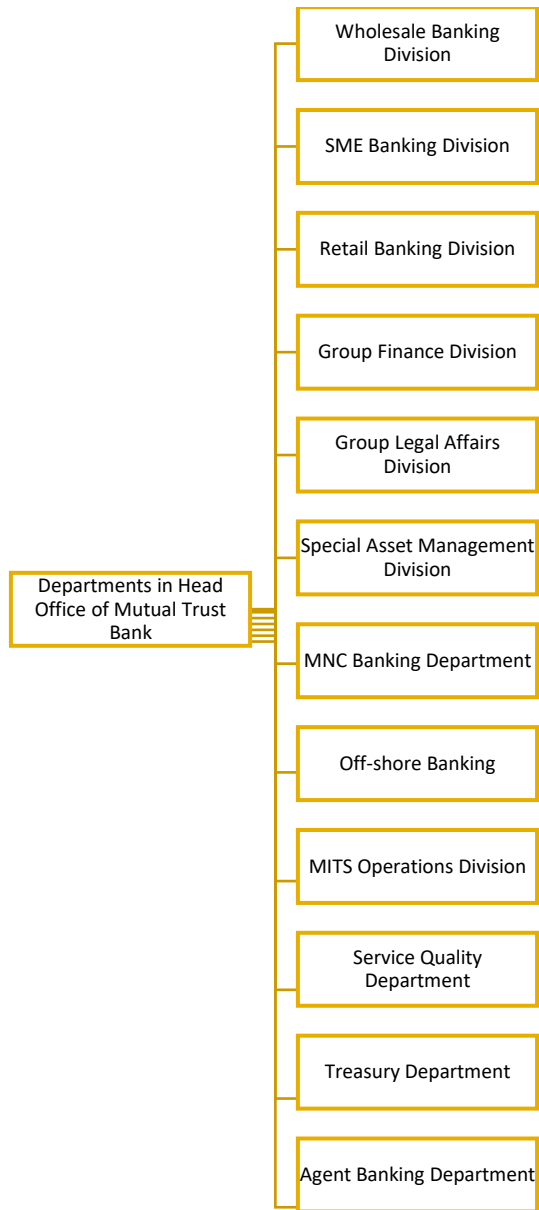
MTB believes green banking as a moral and long-term banking solution. They attempt to minimize using paper as much as possible and instead focus on digital services and transactions. MTB is convinced that reducing paper usage would help to minimize destruction. Another step toward Green Banking is raising awareness of green and commitments among businesspeople and encouraging them to engage in eco - friendly business practices. While financing, we develop and execute environmental criteria that enable ecologically friendly business operations, keeping the Globe extra hospitable for succeeding generations. MTB believes that when customers' requirements are met in an ethically and responsibly, they are served better.

2.2.14 MTB's Management Structure

The corporation has enlarged its authoritative powers, which it had previously had, by expanding its venture operations. The administrative systems are as follows:



Management Structure of MTB



Departments in Head Office of Mutual Trust Bank.

2.3 Management Practices:

2.3.1 Leadership Style

The role of leadership is very essential in terms of creating a vision, mission, determining and establishing objectives, formulating techniques, guidelines, and methods to achieve organizational objectives effectively as well as leading and controlling initiatives and functions of the organization. Among all types of leadership style, MTB's leadership style is Transactional Leadership. Transactional leadership is primarily focused with following a set of procedures for procedures or responsibilities. Transactional managers operate swiftly, and this attribute frequently motivates the employees and subordinates by appreciating them for their accomplishments. As transactional leaders utilize a diversity of incentives and exercise of power, majority of the workers are encouraged and the performance of employees improves.

In MTB, the leaders reassure members and provide adequate instructions on what is expected of them and how long it will take to meet those objectives. Transactional leaders are more focused on ideas including contingency approach and behavioral theory, in which leaders inspires and pushed employees to follow the adequate goals and objectives through doing different organizational tasks. Employees are motivated by their department's head when they exceed his expectations. The employee's superior performance is rewarded by the leaders. Employees participate in the decision-making process. The leader applauds the new imaginative work approaches. The management try to figure out the problem until the situation has grown in size before taking action.

2.3.2 Human Resource Planning Process

MTB's GHR manages a sophisticated personnel record and guarantees that data are recorded in an accurate and prompt manner. It assists upper leadership through delivering the employee records, relevant earnings reports, job experience, and a thorough personnel profile in order for administration and regulatory to make meaningful choice.

2.3.3 Recruitment and Selection Process:

The performance of a banking institution is mainly determined by the level of services that are provided to consumers. The expertise and level of officers and executives determine the quality of the product. Mutual Trust Bank Limited committed to providing its workers a fair salary and compensation in order to get the most out of employees. As a result, the bank's authorities must be cautious when hiring the correct individual for the proper role.

The highest power to penalize or establish extra positions shall be the Board of Directors, acting on the Management's suggestion. The creation of a position entails a long-term major investment. As a result, it is the obligation of management to assess the daily tasks, conduct a job analysis, and investigate the true needs of employees in multiple types to establish whether an excess resource is key element in improving. The necessity of workforce assessment must be appreciated by the Mutual Trust Bank, and an organogram must be produced for the Corporate Headquarters, every Division, and every Branch.

The term "recruitment" refers to announcing the presence of employment at the Bank and requesting candidates to participate. The term "recruitment" refers to the process of locating and as a result, recruiting policies should target the correct type of capabilities. MTB typically advertises for Probationary Officers, Management Trainee Officers, and Trainee Junior Officers in two-national daily. The Department of Human resources is in charge of all aspects of worker recruitment and selection. There are other sources of recruitment such as Employee referral, Job posting on the internet and dally newspapers and Walk-in interview.

The process of recruitment and selection of Mutual Trust Bank is given below:

- To be qualified for Interview, a candidate must score at least 60% in the written examination. If they fulfill the 60 percent minimum mark requirement, the overall candidates summoned for Interview will be four times the number of workers to be hired. The hiring shall be made in compliance with the requirements, based on a list produced by the Recruitment Committee in ranking list, and with the permission of the appropriate authorities.
- Every person nominated by the bank will be subjected to a medical examination by the bank's authorized physician/medical officer to ensure that they are in good physical and mental health. In other circumstances, no one shall be assigned to the Bank's service unless a medical officer of the Bank or any other medical authority designated by the Bank has deemed him or her physically and psychologically healthy.
- If an employee's service is not considered adequate during the probation period, the employee's service may be terminated by giving one month's notice or compensation in lieu of notice. For the same reason, the Bank may prolong the probationary term.

2.3.4 Compensation System:

To keep its employees motivated, MTB offers exceptionally competitive salaries and benefits. Salary and pay are changed in accordance with the Consumer Price Index. Their extensive

absence policies, which includes both paid and unpaid time off, guarantees that employees have a decent work harmony. Another concept is Leave Fair Assistance which is provided as a percentage of an employee's income to cover travel on prearranged leaves with or without his family.

All female employees at MTB are entitled to a 6-month maternity leave. A paternity-leave policies has been implemented for male staff in order to give a consistent degree of assistance to new fathers as they begin their new parenting responsibilities. This also permits workers up to 14 days of medical, sick, or quarantine leave if necessary

MTB offers one of the most mind-blowing pay bundles in the business. Hands on learning and straightforward execution evaluation have been basic elements of High Job Satisfaction among MTBians, along with the foundation of KPI-based sets of responsibilities and a distinct vocation way. In 2018, the Bank got the "Best Employer Award."

2.3.5 Training and Development Initiatives:

Even in a year marred by pandemics and lockdowns, MTB GHR sponsored 70 offline and online training sessions as part of its organizational growth. GHR rose to the occasion by converting its training programs to a digital platform. As difficult as the endeavor was, it resulted in increased accessibility, flexibility, and a decrease in training costs. These sessions were led by in-house trainers, invited visitors, and a partnership with other reputable schools, with a total of 1933 attendees.

MTB has since a long time ago valued giving top notch preparing offices, as demonstrated by its committed cutting edge preparing focus, MTB Training Institute (MTB TI), which shows its obligation to put resources into learning and development. MTB repays for accomplishing declarations in different particular regions like Financial Risk Manager (FRM), Certified Expert in Risk Management (CERM), Certified Documentary Credit Specialists (CDCS), Certified HR Professional, Information Technology Security, etc as a drive to kept learning and improvement.

2.4 Financial Performance and Accounting Practices:

2.4.1 Financial Performance through Dupont Analysis

DuPont analysis could be a strategy for dissecting the various sources of return on equity (ROE). Investors can focus on particular important financial performance parameters to

evaluate strengths and flaws by decomposing ROE. Operating efficiency, asset usage efficiency, and financial leverage are the three key financial indicators that determine return on equity (ROE). Net profit margin, or profits divided by total sales or revenue, could be a live of operation potency. The asset turnover ratio is a metric for measuring asset efficiency. The equity multiplier factor, that is capable of equal to average assets divided by average equity, is employed to calculate leverage.

Particulars	2020	2019	2018	2017	2016
Return on Equity (ROE)	5.83%	9.03%	13.83%	18.35%	15.61%
Net Profit Margin	4.49%	5.53%	8.56%	12.12%	9.75%
Contribution on Net Profit Margin:					
a) Operating Profit Margin	9.75%	11.94%	17.65%	23.33%	19.48%
b) Non-operating Items	7.81%	8.85%	11.56%	10.14%	6.30%
c) Tax Effect	3.97%	7.29%	3.98%	1.71%	6.64%
Asset Turnover (times)	0.05	0.07	0.10	0.09	0.10
Financial Leverage (times)	15.8	16.19	16.94	17.01	16.61%

The greater the negative impact on Return on Equity, the higher the value of all DuPont analysis components. The combined effects of these three components resulted in a fall in Net Profit Margin from 5.53 percent last year to 4.49 percent in 2020. Because of the negative increase of net interest income, which was 28.36 percent over the previous year, the Operating Profit Margin in 2020 drops to 9.75 percent from 11.94 percent in 2019. Loan loss and other provision reduced to 7.81 percent from 8.85 percent, resulting in a 21.06 percent reduction in provision. From 7.29 percent in 2019, the Tax Effect has dropped to 3.97%. Asset usage efficiency as measured by average total assets Due to the repayment of loans and advances, turnover was lower than the previous year. Due to weaker asset growth, the Financial Leverage fell to 15.80 from 16.19 previous year.

2.4.2 Accounting Practices

Under Shareholder's Information, you may get a comparison of significant financial performance and position for the current year and the previous four years, along with explanations. Under the Managing Director and CEO's Statement, there is a discussion of performance and position in comparison to peers, as well as future plans and projections.

Total Assets

In 2020, the Bank's consolidated assets were BDT 269.27 billion, up from BDT 256.91 billion in 2019. MTB's total assets increased by 4.63 percent to BDT 267.91 billion in 2020, compared to BDT 256.06 billion in 2019. By offering fresh and creative goods in the market, MTB has been successful in selling a considerable quantity of loans and advances.

Investments

MTB's consolidated investments grew by BDT 2.46 billion to BDT 36.66 billion during the year under review. To meet the enhanced statutory liquidity requirement, the Bank acquired government treasury bills and bonds. MTB, as a principal dealer bank, was required by Bangladesh Bank to acquire and participate in government securities auctions.

Risk Assets

In 2020, MTB's combined loans and advances were BDT 203.89 billion. Off-shore Banking operations have outstanding loans and advances of BDT 15.60 billion in 2020, up from BDT 11.42 billion in 2019. Due to lower lending rates, the yield on loans and advances fell to 8.13 percent in 2020 from 10.50 percent in 2019. No. 7 of the Notes to the Accounts contains credit information. MTB's nonperforming loan ratio was 4.60 percent in 2020, which was much lower than the industry average of 8.06 percent.

Liabilities

In 2020, the Bank's consolidated total liabilities were BDT 252.26 billion, up from BDT 240.62 billion in 2019. MTB's total liabilities increased by 4.67 percent in 2019 to BDT 251.34 billion from BDT 240.14 billion in 2018. Deposits, other obligations, and borrowings all contributed to the increase in liability.

Depreciation: According to International Accounting Standard (IAS)-16 "Property, Plant, and Equipment," depreciation is charged using the declining balance technique. The following are the depreciation rates that were used:

Category of Fixed Assets	Method of Depreciation	Rate of Depreciation
Land	N/A	N/A
Immovable Property	Reducing Balance Method	2.50%
Furniture & Fixtures	Reducing Balance Method	10%
Office Equipment	Reducing Balance Method	20%
Motor Vehicles	Straight Line Method	20%

2.5 Operation Management and Information System Practices:

Data security, network security, disaster recovery, usage of hardware and software, data disposal, copyright protection, and other critical areas of IT security were all addressed in the Bank's ICT policy. MTB's Board of Directors approves it, and it is reviewed on a regular basis. Below points are the policy's main features:

- To assist the Bank in the establishment of a safe and robust ICT platform.
- Identifying and managing information security threats.
- To reduce the risk associated with electronic banking infrastructure, such as ATMs, CDMs, POS machines, and online banking.
- By holding training sessions on a regular basis, users of information technology will become more aware of their rights.

In 2009, a full-fledged Data Centre (DC) was constructed at MTB Centre in Gulshan as part of the effective centralized control of Banking activities. This DC is outfitted with cutting-edge technology, such as data replication for operations management and centrally managed business processes throughout the world. MTB has taken on the problems of fast IT infrastructure improvement, including information security that satisfies regulatory compliance and protects the information of its clients, in today's digital economy.

MTB has developed a Disaster Recovery Site (DRS) at its own premises at MTB Tower in Bangla Motor as part of its business continuity plan. This DRS is designed to protect customers' sensitive data and transactions in the event that the primary Data Centre (DC) fails due to a disaster.

The Information Technology Security Department was formed in accordance with Bangladesh Bank (BB) ICT Security Guidelines and Industry Standards, and is led by the Chief Information Security Officer (CISO). The department's main responsibilities are to:

- Administer the ICT security policy
- Manage ICT risks and compliance
- Handle incident management
- Assist the Bank in setting up its ICT infrastructure in a secure manner
- Establish a secure environment for data processing
- Establish a holistic approach to ICT risk management. Organize awareness-raising events throughout the year.

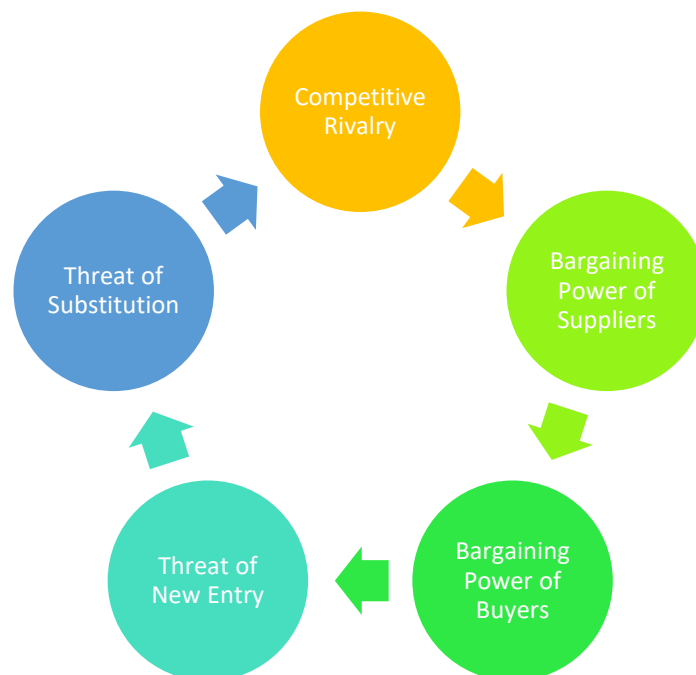
Aside from boosting the ICT infrastructure platform, the department works on keeping security risks to an acceptable level by conducting vulnerability assessments and penetration testing on existing services and any new acquisition on a regular basis. In addition, the bank does Business Continuity Planning based on Business Impact Analysis. Furthermore, the department has built a Security Operation Centre (SOC) to continuously monitor and analyze MTB's security posture. The IT Security Department also responds to ad hoc activities such as forensic investigation, advising stakeholders on how to improve their security posture, and so on.

2.6 Industry and Competitive Analysis

2.6.1 Porter's Five Forces:

MTB is building its strategy with an eye on the future. The Bank's objectives revolve around being both sustainable and efficient. In order to achieve long-term growth, an operational strategy must be developed after a thorough examination of the bank's position in the industry as well as the external variables that may impact the bank's operations. Michael Porter's five forces model is a business analysis tool that looks at the relative strength of five fundamental factors that control competitiveness in almost every sector.

This study assesses the level of competition among the firm's major organizations, as well as four other forces that determine the firm and the achievements of industries inside of it: suppliers' bargaining power, consumers' or clients' bargaining power, the threat of new entrants into the industry, and the threats faced by alternative products.



1. Competitive Rivalry: Switching costs are minimal due to the large concentration of rivals. Competitiveness in an industry, on the other hand, is determined by the intensity and scope of rivalry. Due to varied proportions of investment in technology, not many current financial service providers provide excellent solutions, which may be described as the extent of rivalry. In terms of service quality and customer relationship management, MTB is a front-runner. When many financial institutions compete for the same client base, the intensity of competition rises. More and more financial institutions are focusing on the profitable SME and retail segments, and the government has designated SMEs as the future economic engine. MTB will aim for operational excellence as a result of its continuing investment in technology. Keeping their current consumer base will help businesses stay afloat in a competitive market. To attract clients in new segments, they will expand and enrich their present product matrix. Finding creative methods to give value to customers through a better banking experience.

2. Bargaining Power of Suppliers: The majority of financial institutes' major suppliers are fund providers. They originate from many parts of our consumer base, each of which has a thorough account in our business model. The rate of interest, on the other hand, is mostly determined by the market. In addition, the central bank has the authority to limit interest rates. As a result, bargaining power varies from modest to high depending on market conditions. The impending run of single-digit interest rates will have a big effect, since most financial institutions will focus on obtaining deposits with lower interest rates. However, if the interest rate on national savings certificates is not increased, this might lead to a large number of retail consumers selecting for them. To lessen reliance, MTB will need to work on diversifying its deposit sources. They will concentrate on mobilizing term deposits to limit reliance on the money market, increasing the counter party's negotiating leverage.

3. Bargaining Power of Buyers: The latest trend noticed in the business was an increase in buyer power owing to cheap switching costs, since a large number of financial institutes operate in the market and more are receiving regulatory approval. Higher fixed costs also encourage banks to seek out and recruit new clients, allowing purchasers to show rate sensitivity. Customers in the retail and small business sectors are often more price averse. However, they may now get information from a variety of sources. Price sensitivity has emerged as a result of financial institutions' competition. Prices are vitally important to corporate clients. Despite the fact that they are facing a liquidity crisis, they exploit their negotiating leverage since current FIs are price competitive. MTB will concentrate on improving relationship management with existing corporate clients and boosting the entire MTB experience. This year, we'll focus

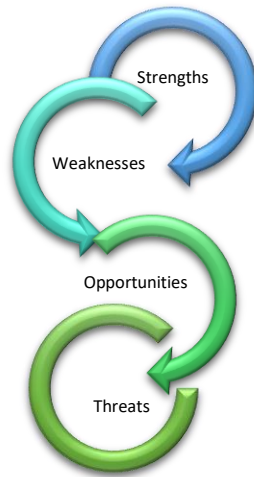
heavily on collecting low-cost-no-cost accounts in order to lower our overall cost of funding. Their top objective will be to grow the revenue pie from commissions.

4. Threat of New Entry: In 2019, another bank received permission. Since 2009, the government has granted licenses to 11 banks. Even though the newly created institutions' performances are not adequate, these new Banks are joining an already congested sector. And a slew of applications for bank and non-bank financial institution licenses are in the works, raising the risk of new entrants. The demographic dividend is predicted to come from the middle-class section of the population, given the increased competition in the SME and retail segments. There are already fast movers in this category who have built a large market share across the country. By delivering accessible financial solutions and quick services, MTB hopes to gain a large share of the business.

5. Threat of Substitution: The threat of substitution is already significant among banks due to the cheap cost of switching. NBFIs also pose a substantial danger of substitution, since they currently provide specialized financial solutions with more favorable terms and conditions. Furthermore, in some segments, there is a danger from sources other than the financial industry. Many consumer goods companies provide installment payments without the participation of banking institutions. The key to increasing market share in the SME and especially retail segments is to adapt to their demands and wants. To acquire an early mover advantage, MTB must always be aware of legislative incentives and spend aggressively in the technology front.

2.6.2 SWOT Analysis:

We eventually begin the SWOT analysis after examining MTB's corporate structure, operational framework, microenvironment analysis, and industry position. SWOT analysis is critical because it may guide subsequent phases in the planning process to attain the goal. First and foremost, decision-makers must examine if the goal is feasible in light of the SWOTs. This SWOT analysis will provide our investors and readers with a complete understanding of all the factors that go into making a business decision, the extent to which they can have an impact, and how we can strengthen and improve existing strengths, turn weaknesses into strengths, capitalize on opportunities, and mitigate threats.



Strengths:

- **Brand Salience:** For its service experience, product innovation, productivity, and maintainable performance, MTB is one of the most respected financial services companies. MTB will continue to develop fresh value propositions in order to maintain the MTB brand.
- **Network and Infrastructure:** They are increasing their geographic reach and including those outside the banking perimeter by strategically situating their client contact points, allowing them to touch their lives with easy financial solutions.
- **Financial Performance:** The Bank has been growing steadily since its founding. The Bank's activities and balance sheet elements, such as capital, deposits, loans, and advances, grew in tandem. The Bank will continue to pursue economies of scale in order to enhance its financial position and outperform rival banks. MTB continuously maintained a lower NPL ratio than the banking sector as a whole. The MTB NPL ratio was 4.60 percent in December 2020, while the industry NPL was 8.06 percent. MTB will continue to strengthen the efforts of its Special Asset Management section in order to initiate careful follow-up, monitoring, and recovery actions.
- **Human Capital Development:** Through MTB Winning and MTB Code of Conduct, they have built a winning culture throughout their business. They will continue to impart MTB ideals and foster a sense of brotherhood among all MTBians through internal procedures. In 2020, the Training Institute at MTB Square trained 1,933 employees through 151 training programs, and it is intended to continue to enhance

human talents in the future by hosting both local and foreign training sessions. MTB's top objective is to improve personnel competence. We will continue to invest in the growth of our employees. They'll keep a clear performance management system in place to foster employee involvement and a sense of ownership and responsibility.

- **Corporate Governance:** MTB is considered as one of the industry's most compliant banks. Compliance has always been a primary focus for our Board and Management. The Bank follows the BSEC and Bangladesh Bank's corporate governance norms. They will convene frequent Board Meetings to keep their valued Board of Directors informed so that they can use their wisdom to limit the danger.
- **Customer Experience:** They believe in enabling their employees to provide simplified and smooth service delivery. They will guarantee that the highest ethical standards and a sense of ownership are upheld in the workplace. Through the integration of modern technologies and centralized processing, they will seek to make their service and service delivery more-easy for their consumers.

Weakness:

- **Business Performance:** Despite their good image as a reputational bank, they have a poor operational profit as compared to third-generation peer banks. They will use effective business processes to prevent income leakage and cautious operating costs to increase the profitability of their main company. They will continue to develop and strategically hire human resources to boost productivity, focusing on digital solutions to reduce costs.
- **Business Model:** The Bank is undergoing a centralized transition. MTB will also deliver a new Core Banking Software in the quickest period feasible. The Bank is raising capital through the issuance of subordinated debt instruments and perpetual bonds to meet the BASEL III criteria.

Opportunities:

- MTB reviews and designs industry-specific financial solutions based on the latest developments in growth-promoting and promising economic sectors. They use technology-driven solutions to reduce their cost of funds and increase profitability in their target areas. They tailor financial products to appeal to a wide range of people

who are otherwise unbanked. Sub branches and Agent Banking centers are examples of cost-effective strategies to cover larger geographic regions and give access to individuals across the country.

- They're transitioning to their new CBS, a robust and timely software that will undoubtedly offer improved customer service, faster and more effective customer data management for strategic planning and decision making, and the confidence to defend the tech-based danger and culprit in 2020. To ensure seamless service delivery, they establish alternate delivery channels, such as the internet and mobile platforms, that are of higher quality than competing peer channels.
- MTB will increase its capital base, look for lower-cost funding options like as current and savings accounts, and assure non-funded revenue. They do superior consumer analyses and apply specialized marketing and sales tactics for TGs, converting them into loyal customers.

Threats:

- When it comes to forming visions, banks and other financial organizations are shortsighted. For the sake of short-term benefit, financial institutions are foregoing long-term vision and objectives. Asset quality is deteriorating, posing a cyclical risk to all sector players. They will develop a strategic competitive edge and build their future around it in order to prevent unhealthy competition by relying on strong brand images and consumer trust. To compensate for the profit loss, they will focus on collecting low-cost funds and increasing non-funded income. To avoid additional deterioration and to strengthen their recovery efforts, they will take a cautious and cautious approach.
- Noncompliance is highly fined, which can reduce the bank's profits. FOREX swings cause a drop in remittances and raise import costs, impacting the local economy and banking sector. MTB works closely with regulatory organizations and keeps up with industry advancements. To reduce risk on their end, they will use FX risk management measures.

2.7 Conclusion

By providing fast service, Mutual Trust Bank may achieve the maximum level of client satisfaction. MTB is a fast-growing bank thus they need do fresh research to provide new and unique services so that they can better understand their customers' needs and the variables that can please them. Furthermore, when they correctly employ their resources, they are able to give adequate service and do it in a more efficient manner. MTB should be concerned with staff training so that employees may understand how to evaluate the needs of customers, how to offer service at the correct time and in the right manner, and how to address mistakes in a suitable manner.

2.8 Recommendations

- Many clients believe that they do not have equal priority at this bank. They think about inequality in particular when they have to wait a long time for a service. High-profile, well-known customers always receive speedier service than others, as well as additional services from the bank; MTB has to hire more employees.
- MTB should be cautious about several products they are now selling. Customers have an unfavorable perception of bank services, especially if the service is not cost-effective. when a financial institution introduces a new service Customers, on the other hand, always go for the financial services that are more safely and comfy.
- Customers are unsatisfied when an employee fails to exhibit desire to help due to a heavy schedule, and this unhappiness stems from a customer's fear of approaching the employee with any questions.

Chapter 3: Project Part: Analyzing the performance of Mutual Trust Bank with a close competitor by using CAMEL rating and the Minimum Capital Requirement under BASEL-III compliances

3.1 Introduction

This is the section where we will get to know about the main findings and analysis of the project. The title of this project also reveals that we will get to know about the performance of Mutual Trust Bank with a close competitor (Bank Asia) by using CAMEL rating and the Minimum Capital Requirement under BASEL-III compliances.

3.1.1 Background:

The banking space of Bangladesh has been attempting to make due over the most recent few years. The majority of the banks are in a difficult situation with respect to advance default, high non-performing credits and different issues. Moreover, the pandemic circumstance has exacerbated things for the entire economy. The banking area which is an indispensable player in a nation's money related and monetary framework kept on confronting the rage of the Covid-19 pandemic. From the beginning of 2020, as a result of the eruption of Coronavirus, our financial undertaking has gone to a gridlock. The financial business in Bangladesh has been reasonably covered in a large number of tricks and abnormalities, including a high volume of nonperforming propels, rising credit benefits, corporate association non-participation, creating capital deficiencies, and a slow recuperation. In the current circumstance, the financial industry is experiencing a salt-to-the-injury condition because of the Coronavirus pandemic. As the ramifications of Coronavirus proceed with this year, new challenges anticipate the whole nation, just as the financial business.

As per the Bangladesh Bureau of Statistics, the development of monetary intermediation has been moving lower throughout the long term, however a critical drop is normal in 2020 when contrasted with the earlier year. Moreover, as per Bangladesh Bank figures, 27,237 business investors have been contaminated with the Covid, with 143 brokers passing on as of June 2021. Despite the central bank's policy support in connection to loan classification, the volume of NPLs increased by more than 7% to Tk. 950.85 billion in January-March 2021 from Tk. 887.34 billion the previous quarter. For this reason, Bangladesh Bank had forecasted that lower asset quality as a result of greater levels of non-performing loans. On the other hand, poor profitability could impact banking sector performance in the coming quarters. Furthermore,

excess liquidity in the banking sector has nearly doubled from Tk 1.03 trillion in January 2020 to Tk 2.05 trillion in December 2020, according to Bangladesh Bank statistics. The capital to risk weighted asset ratio expanded to 11.9 percent in 2019. This rate developed during the remainder of 2020, and it developed considerably more this year. In any case, BRAC Bank has had the best generally speaking exhibition of all banks in net banking, with high capitalization, high subsidizing, and solid resource cordial. These added substances might affect the monetary establishment's exhibition and efficiency.

The industrial banking system plays a critical role in Bangladesh's monetary market. Bangladesh has sixty-one scheduled banks that are overseen and supervised by Bangladesh Bank, which is empowered to do so under the Bangladesh Bank Order, 1972, and the Bank Company Act, 1991. There are a total of 61 scheduled banks, including industrial, public-owned, overseas industrial, and specialized banks. The monetary system is made up of 43 private industrial banks, 6 government-owned banks, nine international industrial banks, and three specialized banks.

Basel III is a globally concurred set of measures created by the Basel Committee on Banking Supervision in light of the monetary emergency of 2007-09 with the view to working on guideline, oversight and hazard the board inside the financial area. In 2014, the national bank delivered explicit guidelines to conform to the Basel panel's proposals. The rule underscores bringing capital step up in contrast with hazard weighted resources, further developing liquidity, raising administrative audit process models, and unveiling revelations. Banks were intended to increase their minimum capital adequacy ratio (CAR) from 10% to 12.5 percent against risk-weighted assets by December 2019 under a roadmap provided by the Bangladesh Bank in 2014, Mutual Trust Bank Limited also follows these rules and regulations created by the Basel Committee. Bangladesh Bank—The national bank of Bangladesh is always accountable for making and authorizing monetary industry laws and guidelines. Bangladesh Bank dispatched the Basel III program as per the Basel Accord to forestall liquidity stuns and work on the capital base against risky ventures. In Basel III, the leverage ratio was implemented with the goal of preventing excessive on and off-balance sheet leverage in the banking sector. The leverage ratio prevents the banking industry from accumulating too much debt, which could harm the financial system and the economy. It also reinforces the risk-based standards with a non-risk-based measure that is simple to understand. As a credible additional metric to risk-based capital needs, MTB implemented leverage ratio in accordance with Basel III criteria.

While managing excessive on and off-balance sheet leverage, the bank follows Bangladesh Bank's updated risk-based capital adequacy criteria.

The CAMELS score surveys the monetary presentation by depending on the bank's definitive information. They appoint each bank a rating on a size of one to five stars. A score of one show that the circumstance is amazing, while a score of five demonstrates that the circumstance is disintegrating as the arrive at expands, uncovering moderate difficulties. Besides, not all puts on the two-point scale are viewed as remarkable, and those with a score of under three are thought of as unimportant. The survey exertion permits us to assess Mutual Trust Bank Limited utilizing the CAMELS rating procedure. The overall show assessment is a strategy for ascertaining an association's standard money related execution utilizing express extents that mirror the organization's monetary circumstance. The appraisal gives understanding into the organization's present tasks and future possibilities. In monetary execution examination, liquidity, productivity, action, and obligation proportions are oftentimes used. In the CAMELS framework, capital adequacy decides the establishment's drawn-out soundness, which depends on loan affiliation designs and disguised presumptions. Moreover, Asset Quality guides in deciding a monetary foundation's capacity to adapt to chance and mirrors the viability of its theoretical technique and methods. The board guarantees that the bank's activities are secure. The bank's capacity to remain in business for the long stretch mirrors earnings. Liquidity controls advance expense hazard by permitting the asset to be changed over into cash and hence keeping away from the exceptional danger. The market peril affectability is addressed by affectability. The CAMELS rating system is broadly perceived and acknowledged by monetary establishment directors.

3.1.2 Objectives of the study:

Broad Objective:

- ✓ To understand the financial performance of Mutual Trust Bank through CAMEL rating and minimum capital requirements under BASEL-III.

Specific Objectives:

- ✓ To figure out the CAMEL rating and minimum capital requirements of MTB.
- ✓ To analyze the non-performing loan of MTB.

- ✓ To find out a suitable rate of return on assets and equity as well as the net interest income and net interest margin.
- ✓ To figure out the cash reserve of MTB.
- ✓ To find out the management policy with the expected outcomes.
- ✓ To understand the condition of the liquidity position of MTB in the financial sector.
- ✓ Analyzing the minimum capital requirements through the annual budget.

3.1.3 Significance:

The report's major goal is to reflect a student's first real-world experience in the banking business so that it may be used as a benchmark in the future. It will address the banking industry's performance in Bangladesh, as well as the financial performance of Mutual Trust Bank Limited and my personal three-month internship experience. It will also include some suggestions for Mutual Trust Bank Limited as well as some for my own growth. I want to review my personal experience and reiterate the learnings that I get to learn throughout my internship program. Furthermore, the second important characteristic of this report is that it allows you to learn a lot while researching it. One more advantage of this report is that the writer will actually want to give his perspective to the per-user and get remarks on the data that was introduced. One more significant part of the report is that it gives the per-user an intensive comprehension of the financial area such as Mutual Trust Bank Limited and the internship experience of the writer. Interestingly, when the per-user sees the issue, he might get a decent comprehension of it from the start to the completion of the whole report. According to the creator's viewpoint, this report will introduce the full circumstances of the banking sector.

3.2 Methodology:

This study follows a methodical approach from the collection of raw data through the authoring of the final report. Moreover, the sources for the study are chosen and gathered in accordance with the norms and regulations of the Banking Act. Classification, analysis, and systematic arrangement were then completed. The general procedure of the methodology is as follows:

3.2.1 Obtaining and selecting data:

This report's material was correctly acquired from both primary and secondary sources. No survey questionnaire method is used here.

Primary Sources: The data that are gathered from primary resources are given below:

- ✓ I gained practical and hands-on experience through working in a variety of work areas.
- ✓ Had discussions with bank employees, officers and managers.
- ✓ Gathered practical knowledge from different departments.

Secondary Sources: The secondary data that are used to form this report is given below:

- ✓ Annual Reports of Mutual Trust Bank Limited over the previous six years.
- ✓ Collected information from the official website of Mutual Trust Bank Limited.
- ✓ Collected centralized documents from the official website of Bangladesh's Central Bank.
- ✓ Used several textbooks and publications to collect different data.
- ✓ Different official record from the official page of Mutual Trust Bank Limited.
- ✓ Countless investigations and articles on the issue.
- ✓ Used different parts of my course that are applicable for my report writing.

3.3 Data Analysis & Interpretation:

CAMELS Rating is a technique through which financial institutions analyze overall financial performance of a bank as well as figure out its strengths and shortcomings. Regulators keep an eye on banks to see if any severe issues arise so that they can be addressed before the bank runs out of money. The public will have more trust in the financial sector if it can prevent any future collapses. The FDIC, the Federal Reserve, and the Comptroller of the Currency all employ the review procedure stated here. Incompetent management is the one of the greatest prevalent causes of bank collapse. Sadly, there are no accurate indicators of inadequate management. As an outcome, banks are examined based on six criteria known as CAMELS ratings. They are:

- a) Capital Adequacy
- b) Asset Quality
- c) Management Efficiency
- d) Earnings Capacity
- e) Liquidity Management
- f) Sensitivity

The six main assessment methods to be judged on a 1 to 5 scale in increasing order are capital adequacy, asset quality, management efficiency, earnings capacity, liquidity management and sensitivity. A listing of the ranking commencements is as follows:

- ✓ A rating of 1 describes outstanding performance of an institution.
- ✓ A scale of 2 connotes better than expected execution that sufficiently guarantees the financial organization's completely secure tasks.
- ✓ A rating of 3 demonstrates a presentation that has a few imperfections.
- ✓ A score of 4 signifies horrible showing that is well less than ideal.
- ✓ A score of 5 signifies dissatisfactory execution which means worst performance that requires prompt change to guarantee the financial organization's endurance.

The approximate rating chart is showed below in the table:

RATINGS		1	2	3	4	5
Capital Adequacy		>15%	12-14.99%	8-11.99%	7-7.99%	<6.99%
Asset Quality (NPLs/TL)		<1.25%	<2.5-1.26%	<3.5-2.6%	<5.5-3.6%	>5.6%
Management Efficiency(cost/income)		<25%	30-26%	38-31%	45-39%	>46%
Earning Capacity	ROA	>1.5%	1.25-1.5%	1.01-1.25%	0.75-1.00%	<0.75%
ROE		>22%	17-21.99%	10-16.99%	7-9.99%	<6.99%
Liquidity (TL/TD)		<55%	62-56%	68-63%	80-69%	>81%

Capital Adequacy: The capital adequacy ratio analyzes a bank's strength to tolerate withdrawals and satisfy most of its customer obligations before shutting down. It can only be addressed by a bank's ability to acquire capital in the volume and quality required. The capital adequacy of a bank is measured by its capital-to-risk-weighted-assets ratio.

Capital Adequacy Ratio (CAR):

The very first element of the CAMELS rating system is a bank's capital adequacy, that evaluates whether the bank has enough reserve to pay its reasonable level of damages. The capital adequacy ratio can be used to measure a bank's capital sufficiency. The CAR ratio is controlled by the central bank of a country. It's being used to minimize the chance of a bank filing for bankruptcy. The CAR ratio is,

$$\text{CAR} = (\text{Tier-I capital} + \text{Tier-II capital}) / \text{risk weighted assets}$$

Capital Adequacy (CAR Ratio)

Banks	2016		2017		2018		2019		2020	
	Ratio	Rating	Ratio	Rating	Ratio	Rating	Ratio	Rating	Ratio	Rating
Mutual Trust Bank Limited	11.51%	2.00	13.80%	2.00	12.82%	2.00	12.86%	2.00	12.75%	2.00
Bank Asia	12.42%	2.00	14.89%	1.00	15.05%	1.00	17.93%	1.00	17.16%	1.00

Ranking Analysis: Through this ranking, we can see that Mutual Trust Bank scores a rank of 2 in 2016, 2017, 2018, 2019 and 2020. It discloses that their performance is stable for over last 5 years. The capital and solvency ratios of Mutual Trust Bank exceed regulatory requirements but problem assets were relatively high. They were trying to maintain sufficient capital for the depositors and investors. In case of Bank Asia, they score 2 in 2016, 1 in 2017, 2018, 2019 and 2020. This indicates that their rank is getting better year by year. Eventually all their capital levels are meeting all regulatory requirements. In the future, they have the ability to raise new capital. They have a strong earnings performance. But they have to be very careful in maintaining the requirements otherwise problem assets can increase.

Time Series Analysis:

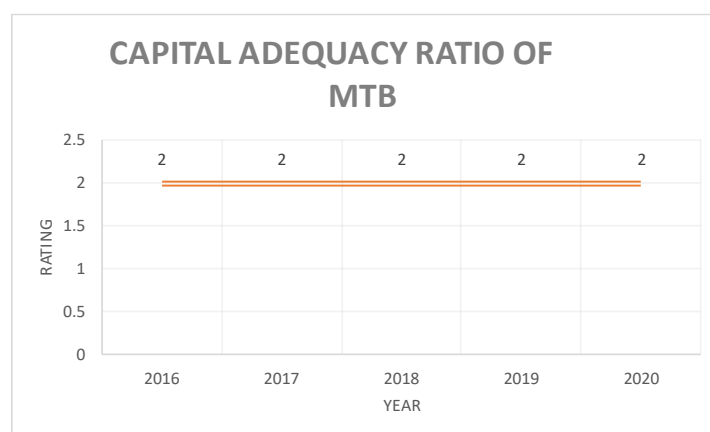


Figure 1: Capital Adequacy Ratio of MTB

Mutual Trust Bank: In 2016, 2017, 2018, 2019 and 2020, the score of capital adequacy ratio was same for the last 5 years of Mutual Trust Bank. This indicates that their performance is constant where the financial organization's regulation is completely secure and safe. Their capital and solvency ratios exceed regulatory requirements but their problem assets were relatively high.

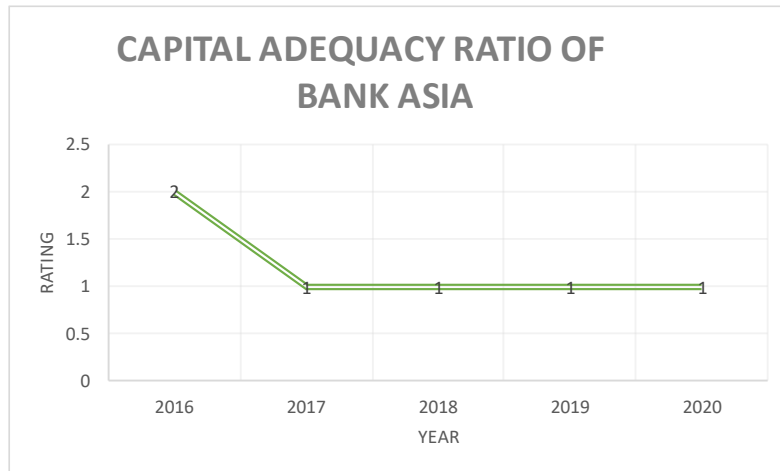


Figure 2: Capital Adequacy Ratio of Bank Asia

Bank Asia: In 2016, the rank of Bank Asia was 2 which reveals that their capital and solvency ratios exceed regulatory requirements but their problem assets were relatively high. In 2017, 2018, 2019 and 2020 the rating got fluctuated and the amount decreased but it decreased in a good manner as we know they ranked 1 which indicates that the bank was outstanding and they were being able to raise new capital.

Asset Quality:

The level of liquidity position of the financial institution may be judged on the basis of the assets that they own, which are loans. As a result, the asset's quality, the majority of which includes loans and advances. Moreover, it is necessary to concentrate on non-performing loans to measure how much of the loans and advances the bank estimates to be in default.

Non-performing loans/total loans:

One of the metrics used to assess the success of credit choices made by bankers is the ratio of non-performing loans to total loans. It collects data of the stability of the bank's loan portfolio where the larger the ratio, the higher the credit risk.

$$\text{Non-performing loans/total loans} = \text{NPL/total loans}$$

Asset Quality (NPL/TL) Ratio

Banks	2016		2017		2018		2019		2020	
	Ratio	Rating	Ratio	Rating	Ratio	Rating	Ratio	Rating	Ratio	Rating
Mutual Trust Bank Limited	4.50%	4.00	4.39%	4.00	5.48%	4.00	4.95%	4.00	5.02%	4.00
Bank Asia	5.41%	4.00	4.38%	4.00	4.10%	4.00	4.61%	4.00	3.24%	3.00

Ranking Analysis:

Through this ranking, we can see that Mutual Trust Bank has a rank of 4 in 2016, 4 in 2017, 4 in 2018, 4 in 2019 and 4 in 2020. It is clear that their performance is very poor for the last 5 years. The bank has a high amount of loss-making loans. Insolvency may develop when the level of problem credits continues to rise. It is mostly caused by a lack of processes and policies. To ameliorate the situation, proper supervision is required. Because it is in a warning condition, which might be much more disastrous for the bank. In case of Bank Asia, they score a rank of 4 in 2016, 4 in 2017, 4 in 2018, 4 in 2019 and 3 in 2020. Their performance was stable for 4 years with a rank of 4. Here, the bank is experiencing high level of past due and rescheduled credits. It is also having underwriting standards. They don't have adequate level of All account balance or reserve. There are inappropriate loans.

Time Series Analysis:

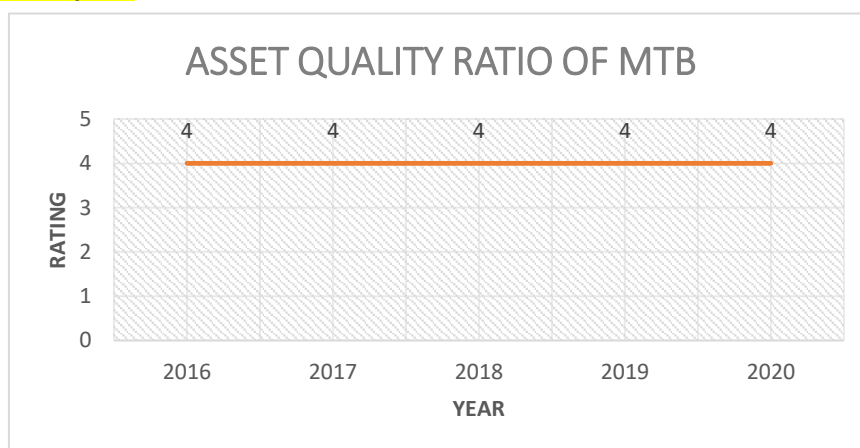


Figure 3: Asset Quality Ratio of MTB

Mutual Trust Bank: In 2016, 2017, 2018, 2019 and 2020, the performance was stable for the last 5 years. They scored a rank of 4 which was alarming for the bank. In such case, the bank has a high amount of loss-making loans which is basically caused for the lack of policies. Their asset quality performance does not develop rather they have poor assessment of risk and planning and lack of addressing the problems so they are being unsolved.

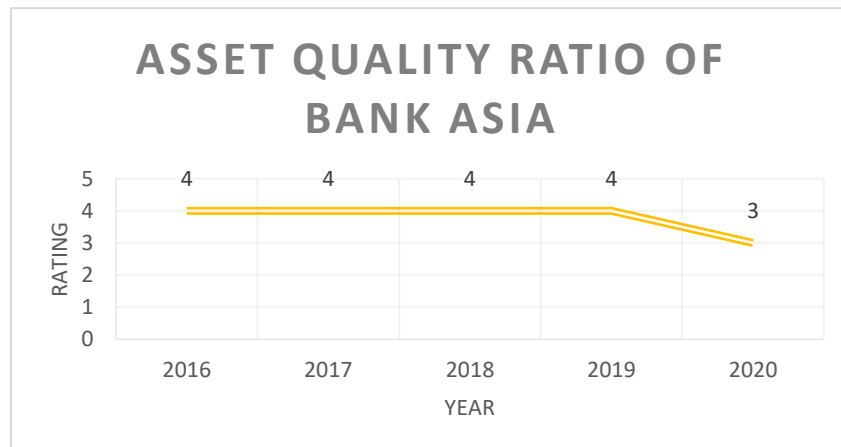


Figure 4: Asset Quality Ratio of Bank Asia

Bank Asia: The performance of Bank Asia was not fluctuating for the last 4 years. From 2016 to 2019, their rank was 4 which indicates they had a very poor performance of asset quality. Bank is experiencing high level of past due and rescheduled credits. It is also having underwriting standards. They don't have adequate level of All account balance or reserve. In 2020, the bank was experiencing high range of overdue loans and the Policies and procedures are not properly implemented by the management of the bank. Bank was lending inappropriate loans to insiders. Also, Non-credit assets display abnormal risks and may pose a threat of loss.

Management Efficiency:

In order to achieve organizational success, management efficiency is essential. If a business's management is capable of dealing with any everyday movement of the firm, the company may make money and gain profit. This parameter assesses management performance in terms of how well they adapt the competitive pressures in the market, how well role and responsibilities are allocated, how well pay plans and work instructions are developed, and so on.

$$\text{Cost/ Income} = \text{Total Operating Expense/ Net Income}$$

Management Efficiency (Cost Income) Ratio

	2016		2017		2018		2019		2020	
Banks	Ratio	Rating	Ratio	Rating	Ratio	Rating	Ratio	Rating	Ratio	Rating
Mutual Trust Bank Limited	280.47%	5.00	229.18%	5.00	302.23%	5.00	458.40%	5.00	696.33%	5.00
Bank Asia	305.27%	5.00	257.86%	5.00	267.50%	5.00	344.32%	5.00	349.17%	5.00

Ranking Analysis:

Both Mutual Trust Bank and Bank Asia has a rating of 5. This management rating of 5 involves rapid and serious regulatory action as the firm has severe faults in every department and has an inadequate financial performance. This is important to change the management team. The financial performance of the employees is less efficient and this bank's profit per employee and business per employees are not enough so the management should take actions to develop the skills of their employees.

Time Series Analysis:

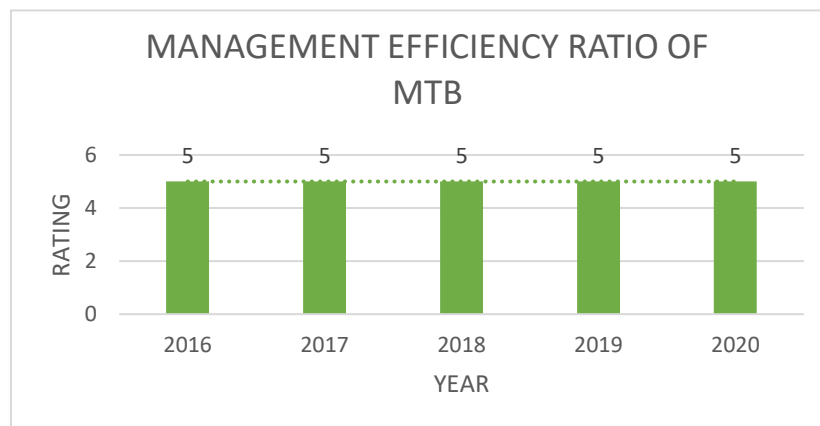


Figure 5: Management Efficiency Ratio of MTB

Mutual Trust Bank: Their rating was same for the last five years which is a rank of 5. that their management efficiency is stable for the past 5 years. A strong supervisory action is needed for them to improve the poor financial performance of the employees and to develop their skills.

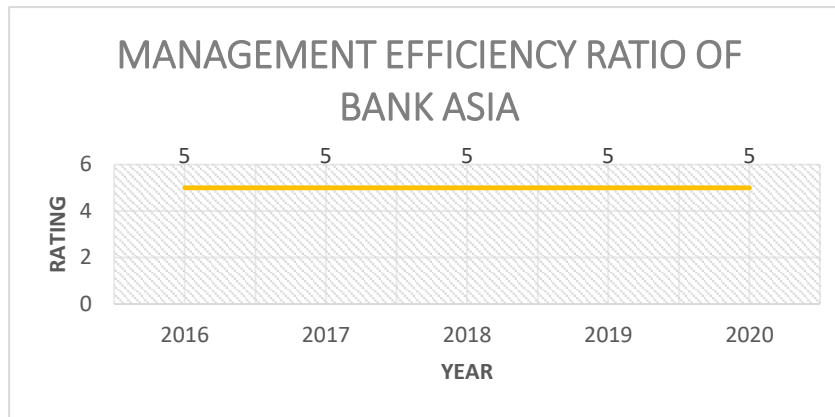


Figure 6: Management Efficiency Ratio of Bank Asia

Bank Asia: The performance of Bank Asia was poor from 2016 to 2020 for which they need regulatory requirements for poor financial performance in one or more of the rating factors. They will require significant supervisory action to improve the employees' low financial performance and expand their talents.

Earnings Capacity:

The "E" in the "CAMEL" assessment instrument stands for earning capacity. Earning capacity is a measure of a bank's ability to regularly earn a profit. A bank's financial status demonstrates the bank's financial capacity to support recent operations and if the bank is financially powerful enough to sustain any unwanted disruptions it may encounter.

Return on Assets: The proportion of how lucrative a company's assets are in producing revenue is called return on assets.

$$\text{Return on Assets (ROA)} = \text{Net profit (loss)} / \text{Total assets}$$

Return on Equity: It assesses a company's profitability in proportion to its shareholders' equity.

$$\text{Return on Equity (ROE)} = \text{Net profit (Loss)} / \text{Shareholder's equity}$$

Earnings Capacity (ROA Ratio)

	2016		2017		2018		2019		2020	
Banks	2016	Rating	2017	Rating	2018	Rating	2019	Rating	2020	Rating
Mutual Trust Bank Limited	0.85%	4.00	0.95%	4.00	0.71%	5.00	0.49%	5.00	0.34%	5.00
Bank Asia	0.61%	5.00	0.71%	5.00	0.74%	5.00	0.55%	5.00	0.50%	5.00

(ROE Ratio)

	2016		2017		2018		2019		2020	
Banks	Ratio	Rating	Ratio	Rating	Ratio	Rating	Ratio	Rating	Ratio	Rating
Mutual Trust Bank Limited	14.35%	3.00	16.42%	3.00	12.14%	3.00	7.94%	4.00	5.43%	5.00
Bank Asia	8.12%	4.00	9.72%	4.00	9.71%	4.00	7.92%	4.00	7.43%	4.00

Ratings Analysis:

ROA: Through the analysis, we can see that Return on Asset rank of Mutual Trust Bank was 4 in 2016 and 2018. This indicates that the bank is in significant financial trouble. To avoid capital loss, strict regulatory oversight is essential. Management must move quickly to increase revenue and reduce costs. Certain activities may need to be put on hold. From 2018, the ROA rating dropped gradually as they had a rating of 5 from 2018 to 2020. In such case, certain negative traits may occur, including such depending on unconventional funding sources in some way. Budgeting, planning, and control mechanisms all need to be improved.

On the other hand, Bank Asia's Return on Asset rank is deteriorating day by day as their score is stabled for the last 5 years. The bank is experiencing more significant losses which may lead to insolvency if strong regulatory supervision does not intervene as the earning rating stood to 5, which is very alarming.

ROE: In terms of Mutual Trust Bank, the ROE rating had been 3 from 2016 to 2018 respectively. The bank's "3" earnings grade implies that it fails to meet several of the grading standards. To guarantee that management takes the essential actions to enhance profits performance, regulatory monitoring is required. Inadequate profits retention might devastate the capital position. In 2019, the rating dropped gradually as the rank was 4 which means it is

in significant financial difficulty. Strict regulatory control is required to avoid capital loss. In 2020, the rank dropped to 5 which is very alarming for the bank.

On the other hand, Bank Asia's rating was 4 from 2016 to 2020, it implies that the bank is in severe financial trouble. In this situation, strict regulatory control is required to avoid capital loss. To enhance income and save expenditures, management must act promptly. It's possible that certain activities will have to be put on pause. Corrective action is required to prevent losses from becoming bankrupt.

Time Series Analysis:

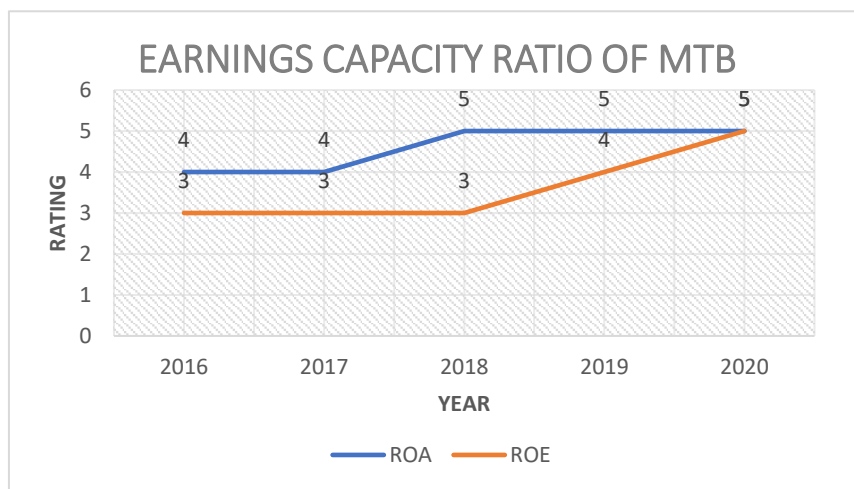


Figure 7: Earnings Capacity Ratio of MTB

Mutual Trust Bank: We can see that Mutual Trust Bank had scored a ROA rank of 4 in 2016 and 2017 and 5 in 2018, 2019 and 2020 respectively. Since the Bank is experiencing major weaknesses in several of the rating factor, Regulatory supervision needs to ensure Bank management is taking appropriate steps to improve performance. The bank management has been unable to make it better, later it falls back to 5 from 2018 to 2020. Moreover, the bank had scored a ROE rank of 3 in 2016, 2017 and 2018 which means the regulatory body should ensure, bank management are taking appropriate measures to improve their earnings

performance, or else the bank might end up worsening their earning capacity. In 2019, the rank dropped to 4 and in 2020, the situation was alarming for the bank.

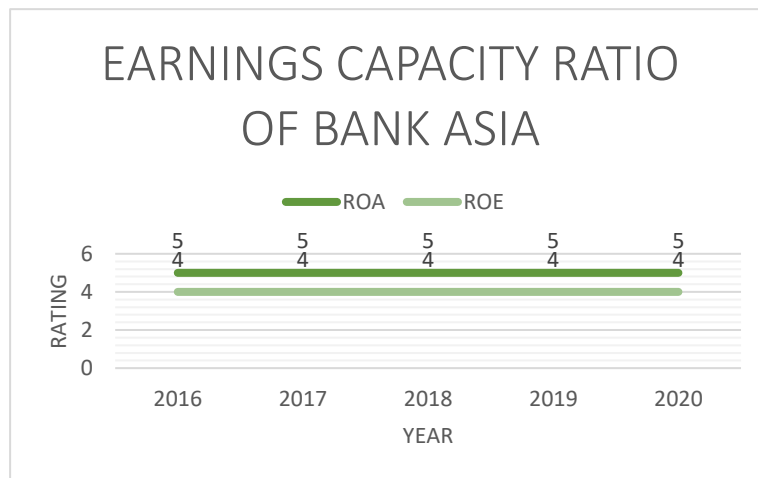


Figure 8: Earnings Capacity Ratio of Bank Asia

Bank Asia: From 2016 to 2020, the ROA rank of Bank Asia was 5 which indicates that the bank needs strong supervision from regulatory body ensuring appropriate steps adoption for improving their earning, even at the expense of suspending some of the bank’s activity. In case of ROE rank, the rating was 4 from 2016 to 2020 respectively. It reveals that even though their net income is positive but it is not sufficient to maintain adequate reserve and capital growth.

Liquidity Management:

Amongst the most vital factors for sustainable financial institutions is liquidity management. It can indicate whether or not such a bank seems to be on the brink of failure. Sufficient liquidity means the amount of liquid money kept on hand by the bank to meet short-term debts. "Liquid fund" refers to assets that can be rapidly converted into cash. Failure of the bank to achieve its short-term liquid need can have a great influence on the liquidity and current efficiency. It indicates that they may not be able to pay the depositor’s money so eventually this determines that whether the banks are sinking in failure or not.

Credit Deposit Ratio: The credit deposit ratio indicates how much a bank lends out of its deposits. If the ratio is too low, it indicates that the bank is losing money. And if it is too large, the financial institution may not have enough assets to transform the unpredicted financial demand or pay/cover the depositor.

$$\text{Credit Deposit Ratio} = \text{Total Loans/Total Deposits}$$

Liquidity Management (TL/TD) Ratio

	2016		2017		2018		2019		2020	
Banks	Ratio	Rating	Ratio	Rating	Ratio	Rating	Ratio	Rating	Ratio	Rating
Mutual Trust Bank Limited	117.56%	5.00	124.55%	5.00	125.25%	5.00	125.48%	5.00	131.86%	5.00
Bank Asia	122.42%	5.00	129.41%	5.00	127.63%	5.00	129.70%	5.00	125.84%	5.00

Ranking Analysis:

Through the analysis, we can see that both the bank, Mutual Trust Bank and Bank Asia scored 5 for over last 5 years from 2016 to 2020. This grade of 5 indicates that Mutual Trust Bank and Bank Asia require outside financial help to satisfy current liquidity requirements in order to avoid bank failure owing to an inability to meet the needs of creditors and depositors. It is a clear indication of a bank failure.

Time Series Analysis:

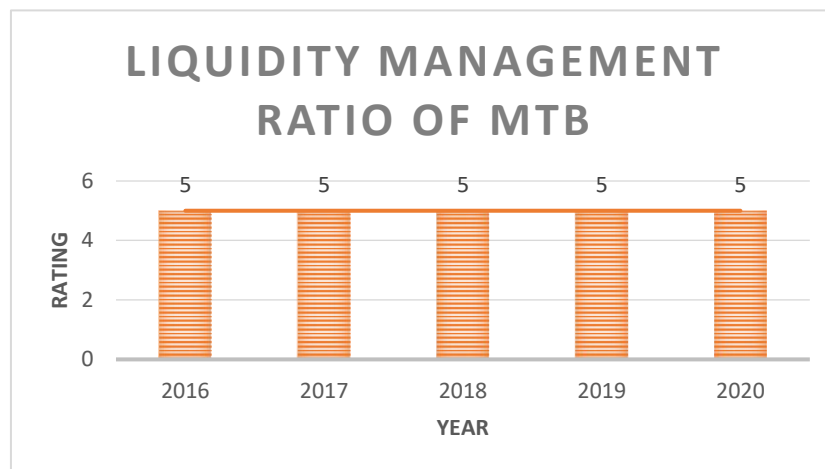


Figure 9: Liquidity Management Ratio of MTB

Mutual Trust Bank: From 2016 to 2020, MTB scored a rank of 5. This shows a strong signal of bank failure. The reason behind this situation can be, management failed to address negative trends immediately to prevent a crisis in daily obligations and immediate attention and regulatory control was not taken.



Figure 10: Liquidity Management Ratio of Bank Asia

Bank Asia: The ranking of Bank Asia is 5 which reveals that Bank Asia needs outside monetary help to manage its ongoing liquidity constraints and prevent mistakes owing to a failing to handle the requirement of creditors and depositors.

3.3.1 Composite CAMEL Rating:

Banks	C	A	M	E	L	Average	Composite Rating
Mutual Trust Bank Limited	2	4	5	4.1	5	4.02	4
Bank Asia	1.2	3.8	5	4.5	5	3.9	4

After calculating the composite rating of these two institutions, Mutual Trust Bank and Bank Asia are rated fourth. We may conclude from the composite rating that Mutual Trust Bank and Bank Asia are in a marginal position. Their financial performance is dissatisfactory and risky, particularly in terms of liquidity management. According to Dhaka Tribute, BB's CRR and SLR rates for 2019 were 5.5 percent and 13 percent, respectively, ensuring the flow of money in the economy and a bank's soundness. The minimal quantities required by BB ultimately have an impact on the bank's liquidity management. They must have this amount of money on hand for each day. They can also not survive company fluctuations and have a low credit deposit ratio. This group of financial institutions engages in dangerous or unsound operations or circumstances. Dissatisfying performance is the result of significant financial or management issues. The deficiencies range from mild to severe from severe to devastating. The problems and issues are not being addressed or resolved sufficiently by the board of directors and management. Banking institutions within that classification, in general, seem to be unable to

withstand business turbulence. There may be widespread violation to the policies and standards. Large banks in this category, as a whole, engage in risky or immoral behavior or conditions. As a result, in such a case, both of the banks require constant supervision to address risk management techniques. To remedy the issues, the central bank must take formal enforcement action as they have a far lower earning capability.

3.3.2 Minimum Capital Requirement under BASEL-III compliances:

Basel III plans to expand financial reliability of the system through implementing specific requirements meant to increase overall ability of compression rescue from the financial and monetary areas, as well as to limit the danger of financial sector spread into the economic growth. The revised criteria take into account the enhancement of risk management, as well as the increased openness of the financial institution. Moreover, those policies impose tighter restrictions on banks in terms of capital adequacy, liquidity, and leverage effect with the primary purpose of mitigating the detrimental consequences of economic collapse.

Bank capital will be split into two categories under Basel III:

- Tier 1 Capital (going-concern capital)
 - Common Equity Tier 1:
 - Fully Paid-up Capital/Funds from HO for the purpose of meeting the capital adequacy
 - Non-repayable share premium account
 - Statutory reserve
 - General reserve
 - Retained earnings
 - Minority interest in subsidiaries.
 - Dividend equalization reserve
 - Actuarial gain/loss
 - Non-repatriable interest-free funds from HO
 - Additional Tier 1
 - Non-cumulative irredeemable preference shares
 - Instruments issued by the banks that meet the qualifying criteria for AT1
 - Minority Interest
 - Head Office borrowings in foreign currency by foreign banks

- Tier 2 Capital (gone-concern capital):
 - General Provision
 - All other preference shares
 - Subordinated debt
 - Minority Interest
 - Head Office (HO) borrowings in foreign currency received that meet the criteria of Tier 2 debt capital
 - Other (if any item approved by Bangladesh Bank)

At all times, Common Equity Tier 1 must be at least 4.5 percent of Risk Weighted Assets (RWA). Tier 1 Capital must always be at least 6.0 percent of RWA. Total Capital (Tier 1 Capital + Tier 2 Capital) must always be at least 10% of RWA.

- Tier 3 capital, as defined by Basel II, has been left out of the definition of capital.

A simple, transparent, non-risk-based leverage ratio has been established to avoid the accumulation of excessive on and off-balance-sheet leverage in the financial system.

The leverage ratio is intended to accomplish the following goals such as it limits the accumulation of leverage in the banking sector, which can harm the broader financial system and

the economy, limit the accumulation of leverage in the banking sector, which can harm the broader financial system and the economy. Also, it reinforces the risk-based necessities with an easy, non-risk-based metric. A minimum Tier 1 leverage ratio of 3% is recommended at both the solo and consolidated levels.

Banks must maintain a capital conservation buffer of 2.5 percent, made up of Common Equity Tier 1 capital, in addition to the regulation minimum capital requirement of 10%. If a bank's capital level falls within this range, it should not distribute capital. When banks' capital levels fall into the range, the distribution limits imposed on them rise as the banks' capital levels approach the minimum requirements. The table below displays the minimum capital conservation ratios that a bank must satisfy at various Common Equity Tier 1 capital ratio levels.

Banking laws are unavoidable when it comes to the soundness of a country's financial system and economy as a whole. Basel III, the banking rule on capital requirements, might have a serious influence mostly on world's largest banking institutions and GDP. Also on positive

note, strengthened capital adequacy regulations should end up making Bangladesh's financial industry more secure.

From the other hand, it's also costlier for financial institutions to store excess money as well as be even more liquid. Moreover, lending as well as other financial sectors will be much more costly and difficult to get, leading to decreased economic and social development as credit prices rise and credit availability decreases.

Regulatory capital is the minimum capital required by regulators. It is the proportion that a financial institution should have in required to operate. The founding principle of a regulator is ensuring there is adequate liquidity to cushion a bank from substantial losses, ensuring that deposits are not jeopardized and the danger of future interruption inside this banking industry is prevented. In a liquidation perspective, regulatory capital might be considered as the minimum capital requirement with the goal of determining whether all debts can be cleared off if a financial institution must be liquidated. The method in which it has been generated is also accessible, allowing for measuring the relationship among banks in accordance with Pillar 3 disclosures.

The table of minimum capital requirement under risk-based capital for Mutual Trust Bank and Bank Asia is given below:

Minimum Capital Requirement (MCR)			
<u>Under Risk Based Capital (Basel-III)</u>			
	As on	31-12-20	31-12-20
Particulars		Amount in BDT for MTB	Amount in BDT for Bank Asia
A. Regulatory Capital :			
1. Tier-1 (2+3)		15,570,504,931.00	23,558,939,369
2. Common Equity Tier -1 Capital (CET-1)		14,920,504,931.00	23,558,939,369
3. Additional Tier -1 Capital (AT-1)		650,000,000.00	0
4. Tier-2 Capital		8,982,248,866.00	20,195,000,000
5. Total Regulatory Capital (1+4) :		24,552,753,797.00	43,753,939,369
B. Total Risk Weighted Assets (RWA):		192,619,716,826.00	254,905,151,741
C. Capital to Risk Weighted Assets Ratio (CRAR) (A5 / B)*100		12.75%	17.16%
D. Common Equity -1 to RWA (A2/B)*100		7.75%	9.24%
E. Tier-1 Capital to RWA (A1/B)*100		8.08%	9.24%
F. Tier-2 Capital to RWA (A4/B)*100		4.66%	7.92%
G. Minimum Capital Requirement (MCR)	10% of RWA	19,261,971,682.60	25,490,515,174.10

Figure 11: Minimum Capital Requirement

In the chart, we can see that Tier 1 capital (MTB= 15,570,504,931 and Bank Asia= 23,558,939,369) is made up of shareholders' equity and retained earnings, which are shown on financial statements which is a major sign of an institution's liquidity position. Monetary reserves are used if a bank makes endure debts while continuing to operate. The bank's major source of finance is Tier 1 capital. It usually contains virtually most of the financial institution's collected money. Those reserves are particularly produced to assist banks whenever deficits are swallowed just so ongoing financial dealings don't get to be terminated.

The minimum tier 1 capital ratio under Basel III is 10.5 percent. It is computed by dividing the bank's tier 1 capital by its total risk-weighted assets (RWA).

Mutual Trust Bank, Minimum Tier 1 Capital Ratio= $15,570,504,931 \div 192,619,716,826 = 8.08\%$

Bank Asia, Minimum Tier 1 Capital Ratio= $23,558,939,369 \div 254,905,151,741 = 9.24\%$

Unspecified resources which do not pop up on a bank's financial statements, revaluation reserves, hybrid capital instruments, subordinated term debt, general loan-loss, reserves are all examples of Tier 2 capital. In the case of real estate, revalued reserves seem to be a method of accounting which automatically changes the present price of such an ownership which is significantly greater than it had been initially stored. Convertible bonds are examples of hybrid capital instruments, which have both the characteristics of equity and debt.

Tier 2 capital is used as a back-up to tier 1 capital as it's less trustable. This is more-hard to quantify precisely because it's made up of assets which are costly for the company.

Mutual Trust Bank, Minimum Tier 2 Capital Ratio= $8,982,248,866 \div 192,619,716,826 = 4.66\%$

Bank Asia, Minimum Tier 2 Capital Ratio= $20,195,000,000 \div 254,905,151,741 = 7.92\%$

Banks are always required to maintain a minimum capital requirement (MCR) of 10% of risk weighted assets (RWA) or Tk 4 billion in capital, whichever one is greater, according to Basel-III. After analyzing the MCR of Mutual Trust Bank and Bank Asia, we can reveal that they have followed the guidance of Basel Accord and based on this, they calculate their minimum capital requirement by using 10% of risk weighted assets. In this case, Bank Asia has more MCR than Mutual Trust Bank.

Leverage ratio laws in the banking industry are intricate. The Federal Reserve established criteria regarding financial holding corporations, however the limits differ based on the bank's grade. Banks that are experiencing significant expansion or are experiencing operational or financial issues must generally maintain greater leverage ratios.

Leverage Ratio Calculation

At both the solo and consolidated levels, a minimum Tier 1 leverage ratio of 3% is required.

Leverage Ratio = Tier 1 Capital (after related deductions)/ Total Exposure (after related deductions)

Mutual Trust Bank:

Particular	Solo	Consolidated
Tier 1 Capital		
Exposure Measures:		
On Balance Sheet Exposure	263,732,149,577	265,088,195,576
Off Balance Sheet Exposure	51,099,567,800	51,099,567,800

Less: Regulatory Adjustment made to Tier 1 Capital		
Total Exposure	313,667,097,098	315,023,143,097
Leverage Ratio	4.96%	5.07%

Bank Asia:

Particular	Solo	Consolidated
Tier 1 Capital	23,559	23,386
Exposure Measures:		
On Balance Sheet Exposure	404,923	406,127
Off Balance Sheet Exposure	53,779	53,779
Less: Regulatory Adjustment made to Tier 1 Capital	44.01	44.01
Total Exposure	458,658	459,861
Leverage Ratio	5.14%	5.09%

Both of the bank has adequate amount of leverage ratio to avoid building-up excessive on and off-balance sheet leverage in the banking system.

3.4 Recommendation:

- Mutual Trust Bank should develop its cash reserves and keep a good capital adequacy ratio. As we know, the smaller the CAR ratio, the healthier the performance of the bank is.
- Nonperforming loans should be reduced by the bank in order to improve asset quality and limit debt amount.
- The institution's management should keep expenditures under control and the cost-to-income ratio within an appropriate-limits. The management of the bank is responsible for securing the bank's expenses are spent appropriately.
- The bank should increase their net income and net interest margin while also should increase their loan products income.
- In order to strengthen overall liquidity, MTB should attempt to target more deposits while maintaining an adequate amount of liquidity.
- MTB should emphasize on expanding capital requirement in addition to improving budgetary implementation. It will really insulate banks from extreme events while

also allowing them to fully embrace economic possibilities and so prolong their fiscal execution.

- To increase asset quality, banks must improve their techniques for screening, credit clients as well as credit risk monitoring. This is an important indicator considering financial institutions have recently struggled with nonperforming loans, resulting in the demise of numerous institutions.

3.5 Conclusion:

Mutual Trust Bank is one of Bangladesh's private banks. It has been a successful private commercial bank in the banking industry. In recent years, the MTB team continuously works tremendously to boost their services as well as its entities' profit and loss accounts. Moreover, they try to raise the Bank's participation of profitable investment opportunities. In my opinion, there will be improvement in core operating profit, the large rise in underwriting coverage and the decline in total non-performing assets. As Bangladesh goes on its route to becoming a financially industrialized country, MTB will strive to increase their shares of the prospects. Their objective is to generate MTB's primary operating margin with lowering lending expenses to even more reasonable rates, generating higher long-term profit growth. In order to minimize excessive on- and off-balance sheet leverage in the financial sector, a straightforward, visible, risk-free leverage ratio has been implemented by MTB. We clearly agree that covid has harmed the economy and our administration is working to repair the economy overall with powerful and responsible administration. MTB is all attempting to contain the epidemic that has created an impossible situation. Substantial government collaborations will aid us through resolving the economic growth stumbling blocks and returning to our predicted development path. Regardless, MTB has most of the capabilities in order to recover their damages.

MTB must recognize their boundaries and undertake initiative to enhance their current situation. In the realm of mechanization, Mutual Trust Bank Limited has been an innovator. A big number of consumers have put their faith in the bank because of its considerable knowledge in an array of financial sectors. For this reason, they are focusing on the aspects at which they need to enhance and advance in order to achieve long-term success.

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Appendix A.

MTB					
Data	2016	2017	2018	2019	2020
Tier-1 Capital	8,983,551,653	9,977,486,493	11,336,321,106	14,221,912,800	15,570,504,931
Tier-2 Capital	4,715,698,045	8,868,987,744	9,463,685,677	9,650,290,758	8,982,248,866
Total Capital	13,699,249,698	18,846,474,237	20,800,006,782	13,699,249,698	24,552,753,797
Risk Weighted Assets	118,991,894,216	136,597,103,874	162,296,651,778	185,612,620,471	192,619,716,826
CAR	11.51%	13.80%	12.82%	12.86%	12.75%
Non-Performing Loans	4,983,088,000	6,268,357,000	8,951,400,745	9,387,732,000	10,227,217,833
Total Loans & Advances	110,834,548,494	142,819,502,800	163,281,709,826	189,729,715,862	203,887,322,069
NPL/Total Loans & Advances	4.50%	4.39%	5.48%	4.95%	5.02%
Total Operating Expense	3,937,263,968	4,391,681,239	4,782,507,070	5,792,803,992	6,262,252,636
Net Income After Tax	1,403,785,702	1,916,223,589	1,582,400,985	1,263,706,056	899,322,753
Cost Income Ratio	280.47%	229.18%	302.23%	458.40%	696.33%
Total Assets	164,480,420,074	201,277,522,404	221,827,582,120	256,056,000,222	267,913,213,577
Return on Assets (ROA)	0.85%	0.95%	0.71%	0.49%	0.34%
Total Equity	9,783,706,892	11,667,540,119	13,031,148,494	15,920,972,270	16,571,932,490
Return on Equity (ROE)	14.35%	16.42%	12.14%	7.94%	5.43%
Total Liabilities	154,696,713,181	189,609,982,285	208,796,433,627	240,135,027,952	251,341,281,087
Total Deposits	131,593,607,611	152,237,160,560	166,700,989,966	191,369,293,195	190,607,261,173
Liability/Deposits	117.56%	124.55%	125.25%	125.48%	131.86%

Bank Asia		
Particular	Solo	Consolidated
Tier 1 Capital	23,559	23,386
Exposure Measures:		
On Balance Sheet Exposure	404,923	406,127
Off Balance Sheet Exposure	53,779	53,779
Less: Regulatory Adjustment made to Tier 1 Capital	44.01	44.01
Total Exposure	458,658	459,861
Leverage Ratio	5.14%	5.09%

Particular	Solo	Consolidated
Tier 1 Capital		
Exposure Measures:		
On Balance Sheet Exposure	263,732,149,577	265,088,195,576
Off Balance Sheet Exposure	51,099,567,800	51,099,567,800
Less: Regulatory Adjustment made to Tier 1 Capital		
Total Exposure	313,667,097,098	315,023,143,097
Leverage Ratio	4.96%	5.07%

Bank Asia					
Data	2016	2017	2018	2019	2020
Tier-1 Capital	16,735,557,168	18,852,663,101	21,165,368,892	22,635,997,852	23,558,939,369
Tier-2 Capital	8,039,044,721	14,061,293,365	13,917,529,155	20,121,138,491	20,195,000,000
Total Capital	24,774,601,889	32,913,956,465	35,082,898,046	42,757,136,343	43,753,939,369
Risk Weighted Assets	199,490,690,895	221,114,649,466	233,085,627,587	238,427,232,656	254,905,151,741
CAR	12.42%	14.89%	15.05%	17.93%	17.16%
Non-Performing Loans	8,847,339,000	8,642,303,000	8,809,830,429	10,479,985,000	7,930,928,302
Total Loans & Advances	163,609,782,739	197,504,138,756	214,618,151,145	227,298,956,048	244,642,030,073
NPL/Total Loans	5.41%	4.38%	4.10%	4.61%	3.24%
Total Operating Expense	4,719,259,963	5,279,834,860	6,062,191,278	6,751,458,339	7,108,051,625
Net Income After Tax	1,545,905,547	2,047,528,759	2,266,276,987	1,960,811,140	2,035,706,683
Cost Income Ratio	305.27%	257.86%	267.50%	344.32%	349.17%
Total Assets	253,195,701,236	288,996,642,751	307,291,400,556	353,800,373,697	408,717,150,859
Return on Assets (ROA)	0.61%	0.71%	0.74%	0.55%	0.50%
Total Equity	19,038,477,725	21,054,493,564	23,340,133,826	24,745,117,918	27,380,895,571
Return on Equity (ROE)	8.12%	9.72%	9.71%	7.92%	7.43%
Total Liabilities	234,157,223,511	267,942,149,188	283,951,266,730	329,055,255,779	381,336,255,288
Total Deposits	191,272,582,777	207,041,471,381	222,471,716,244	253,709,574,615	303,028,106,360
Liability/Deposits	122.42%	129.41%	127.63%	129.70%	125.84%