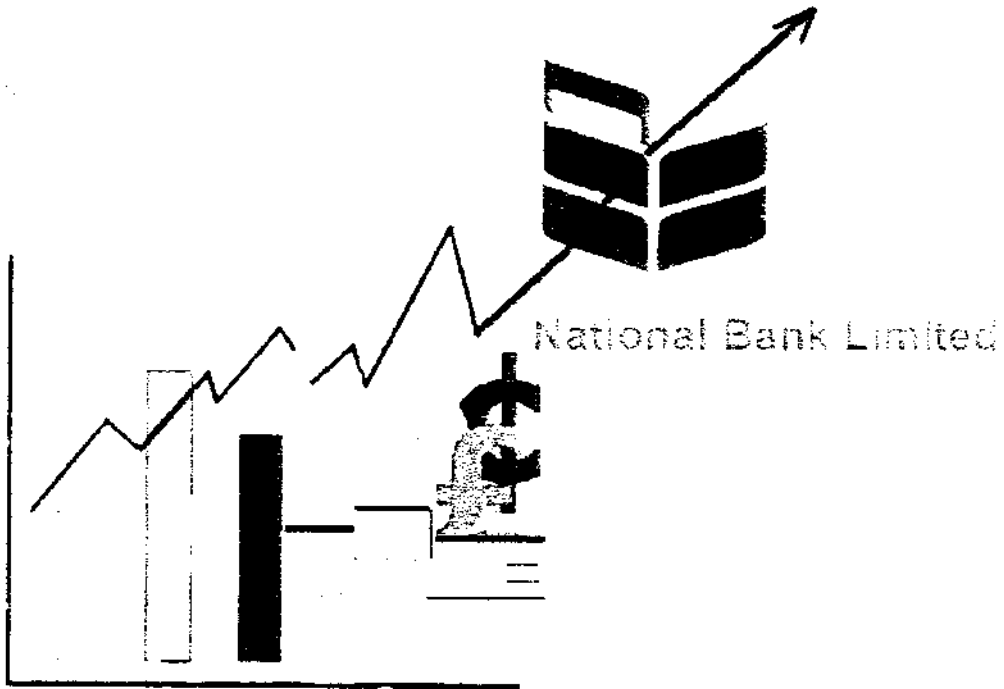


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# An Internship Report on Understanding and Overcoming Adverse Economic Condition at National Bank Limited



**An Internship Report**  
**On**  
***"Understanding and Overcoming Adverse Economic Condition***  
***At National Bank Limited"***

**Prepared for:**

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**ID # 1998-1-10-011**

**East West University, Dhaka**  
**September 05, 2002**

Report - SA

September 05, 2002.

Dr. Tanbir Ahmed Chowdhury  
Associate Professor  
Department of Business Administration  
East West University  
45-46 & 53, Mohakhali C/A, Dhaka.

Dear Sir:

This is the Internship Report on "*Understanding and Overcoming Adverse Economic Condition at National Bank Limited*" that I was required to prepare at the completion of my Internship at National Bank Limited. To prepare this report, I took advantage of the data that were available to me. The sources of the collected data have been mentioned at the end of this report. Probably you would remember a supplementary that I submitted to you containing all the newspaper material that had been used in this study. I hope that was useful to you.

The preparation of this report faced quite a few hurdles because of lack of suitable information to prepare a report on a concentrated subject. As a result of that a broader perspective had to be chosen.

I would hope that the report satisfies all the requirements that I need to comply with. I would also hope that you would accept this report and evaluate the quality of its compilation. I would like to end with a heartfelt gratitude for you because of your patient and expert guidance during the preparation of this report.

Sincerely yours,



Ahmed Sharif  
ID # 1998-1-10-011.

## *Acknowledgements*

It would be unfair to start this report without acknowledging the supports of the people without whose wholehearted help the effort to write this report would have been futile. The first thanks go to the former Career Counsellor of East West University Mr. Kanchan Khisha. He was the one who arranged my Internship program at National Bank Limited. The University authority also gets my gratitude for allowing this opportunity to get a real life experience. My Internship course advisor Dr. Tanbir Ahmed Chowdhury is another person worthy of remembering. He not only provided me with valuable suggestions, and advices, but also helped me with material that I gratefully used in this report.

And now I have to offer my biggest gratitude to the authorities of National Bank Limited and especially the officers and employees of NBL Elephant Road Branch. I cannot fully describe the support that I had received from them during my three-month stay there. Their completely voluntary practical support helped me to get a very factual picture of the banking system, its operations, services and limitations. Their cooperation would be virtually impossible to forget. I proudly declare that for those three months I was in fact an employee of National Bank Limited Elephant Road Branch!

## *Executive Summary:*

National Bank Limited (NBL) is a first generation private sector bank of Bangladesh, which started operation in 1983. This report is a follow-up of the three-month internship that the author of this report had done at the Elephant Road Branch of the Bank. Because of the limitations imposed by the lack of available information, efforts had been made to compile this report based mainly of secondary information.

The current economic condition of the country is a vital part of this study as there had been a lot of changes in both domestic and international arena. The government has implemented changes to the economic policy to deal with international problem, loss of export market, withdrawal of IMF support, etc. The changes in the banking sector include reforming nationalised commercial banks to make them more efficient and transparent, and to recover bad loans. The current Finance Minister has taken a tough stance against banks making unfair profit and made rules like withdrawal of funds from newer banks, ban on the use of foreign currency in cash reserve ratio, limitations on big loan disbursements, exclusion of defaulting bank directors, etc. More changes are on the way.

NBL has a better financial base than before. Its asset, capital, loan and deposit all increased dramatically over the years. Its profitability had been a little volatile, but efficiency ratios show good result. Its capital risk is a little high. The competitors of NBL are the first generation private banks like Arab Bangladesh Bank, The City Bank, IFIC Bank and UCBL. If financial analysis, it can be found that NBL has the largest assets, deposit, loan, and capital size within this group. Profitability had been volatile for everyone, but it had been a little better for NBL. The loan ratio shows that NBL depends less on deposits for sources of funds. Liquidity of NBL is lesser than others. But operating efficiency of NBL is the best among all. Its branch network and employee efficiency is the best, although the difference is slowly decreasing.

The strengths of NBL include long-standing reputation, long experience of management, widespread branch network, big asset base, Western Union Money Transfer, quality service, MasterCard and SWIFT services. Weaknesses include classified loans, partially computerised branches, lack of company website, lack of diversified services, lack of dynamism, and lack of decoration. The opportunities for NBL include growing middle class base, increased remittances, opportunity of strategic alliance, government rule affecting newer banks, and new rules curbing illegal remittance. The threats include new banks, adverse economic conditions, new services of other banks, expansion of other banks, government pressure to reduce interest rates, other banks improving loan quality and using high technology.

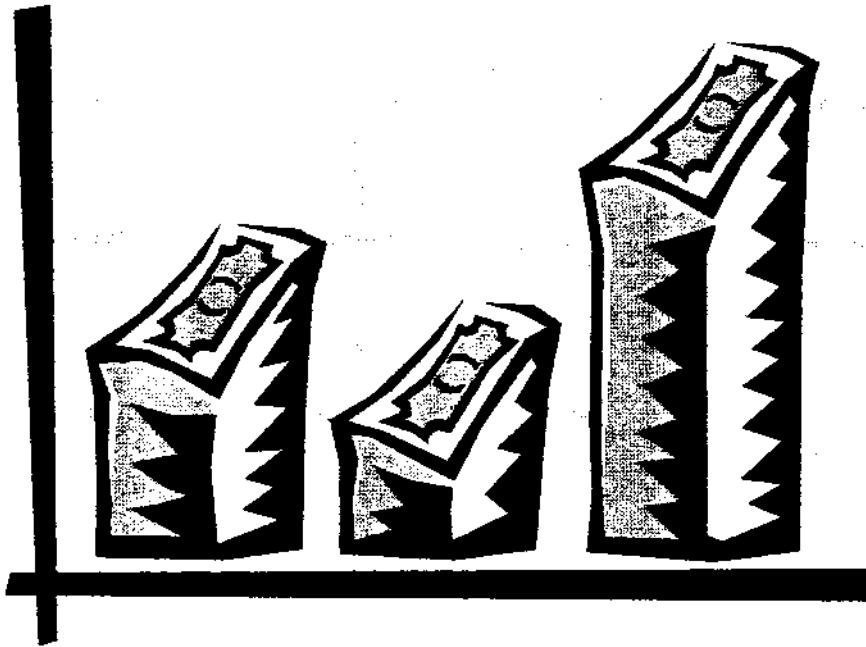
The recommended plan of action include reduce classified loans, reduce dependence on foreign exchange business, form strategic alliances with other companies, introduce new services, make management more dynamic, make branches fully computerised, start company website, improve branch decorations, offer gifts to customers on special occasions, and give more importance to remittance business.

In conclusion, it can be said that if the management of NBL follows these steps they might get benefited in the unpredictable days ahead.

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# Part I: Introduction







*Understanding and Overcoming Adverse Economic Condition at National Bank Limited*

## ***Introduction:***

Commercial banks have for many centuries played a vital role in the financial system. That vital role continues today, although, as with other financial institutions, the functions of commercial banks have changed as the need of the economy has changed. This is no different in the case of Bangladesh. The country's banking sector has undergone a lot of changes during the short history of the country. The number of banks has increased several folds as the economy has become more and more dependent on the banking system. The contribution of the banking sector in the development of the country's economy cannot be ignored. The tasks of commercial banks including acting as intermediaries and performing social responsibilities have helped the country's business sector as well as the general people. The flow of the people's surplus money to the needy sectors had been spearheaded by the banks. No other financial institution had been able to perform such an important role better. The country's most important business sectors are now almost totally dependent on the services provided by the commercial banks.

The task of social responsibility has been something of a real success for the country's banks. The banks that were established by the local sponsors, had been trying their best to make sure that the services provided by the commercial banks are not out of reach of the general population. The banks that had been established by the foreign enterprises had unfortunately not kept their promises to the people of the country. While profit had not been the only reason for establishing a bank in the case of our country, the foreign investors had not totally shared the idea. In fact, in a lot of cases, a possibility of gaining a higher profit had encouraged foreigners to establish banking operation in the country. In contrast, the local banks, although plagued by various problems, had stayed ahead of the foreign banks to render service to the common. They have all the reason to take pride in that.



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Although the banking sector of Bangladesh has been under quite a bit of controversy as a result of the high profile loan defaulters, the general situation in the sector cannot be termed as a total failure. People, who do not even have any educational background, are also becoming clients of banks. The affordability of the services provided by the commercial banks has increased over the years. The services have truly reached the doorsteps of the general population. It can be argued that where the biggest percentage of the country's population is extremely poor and totally illiterate, the effect of the banking sector is going to be minimum. In a lot of cases, this is true. But effort is being made by all quarters to bring the poor under the umbrella of the commercial banks.

A lot is still to be learned by the banking sector of the country, but the successes should not be ignored either. The examples set by the successful banking systems of other countries can be learned and adapted to suit our own requirements. After all, the best ideas can be imported that do more good rather than harm.

### *Origin of the Report:*

This report had been an effort to put forward the lessons that I had gathered during my three-month long internship period at National Bank Limited. Although I had been assigned to a specific branch, the Elephant Road Branch to be precise, the dealings of the branch in almost all of the areas of banking gave me a good first-hand knowledge about the activities of commercial banks in our country. The active cooperation of the bankers with me had helped me to get a clear idea about the impact of the current economic situation on the banking system, especially on the activities of National Bank Limited. This experience led me to concentrate on my effort to gather sufficient information and knowledge on the recent economic trends and their impact on National Bank Limited and on the overall banking system. Hence, the subject of the internship report had been "Understanding and Overcoming Economic Difficulties at National Bank Limited".



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Therefore, at the end of my internship period, I had been putting all my effort on the preparation of a report, which is now one of the requirements for my BBA graduation. All the intention had been there to make the report useful for the institution (National Bank Limited) that helped me gather such an important experience.

### ***Objectives:***

The report had been prepared with the following objectives in mind:

- a) Analysis of the performance of National Bank Limited in comparison with other commercial banks in Bangladesh.
- b) Analysis of the current trends in the economy of Bangladesh and their impact on National Bank Limited and the overall banking system of the country.
- c) Finding some recommendations that can help National Bank Limited overcome recent unfavourable trends in the general economy.

### ***Scope of the Report:***

Although my internship had been concentrated on just one branch of National Bank Limited, I had been able to get a fairly good first hand knowledge of the banking system. The recent trends in the economy had been quite visible from my position at the Elephant Road Branch of the bank. The main reason for this was the involvement of the bank in virtually all the sectors that commercial banks deal with in our country. The experience of sharing information with the customers of the bank also gave me ideas that helped me compile this report.

The multi-dimensional activities of the branch thus helped me set the scope of my report at a much broader sphere. The report covers the activities of National Bank Limited in all the sectors of the economy.



## ***Methodology:***

### ***Primary and Secondary Data:***

The information gathered for the study had been found from different sources that include both primary and secondary data. The company-specific data had been gathered from primary data. While the industry data and economic data had been gathered from secondary sources. Published journals and periodicals of government agencies had played a big part in the accumulation of the information for the study. The newspapers played an important part here too. The latest information about the economic indicators and the changes in the fiscal and monetary policies had been available from newspapers. These data are prone to some errors as some are yet to get permanency in their existence. Yet they are to be considered if the latest trends are to be included in the analysis and the subsequent recommendations. Some primary data had been gathered from the bank officials in the form of open-ended questions. These data are studied in a subjective analysis of the bank's services and the ways for their improvements. The opinions of the bank's clients had also been incorporated in the study. No objective study had been conducted because of the time constraints and their relatively low importance for the main purpose of the study.

### ***Mechanisms Utilised:***

The method of the study in this report had been a mixture of various analytical ways and tools. The lack of primary objective data had excluded the use of some analysis in the study. But the availability of some subjective data had helped to do a fairly good subjective analysis of the situation prevailing at the bank. The available economic data had been used wherever available to analyse the bank's current condition and the feasibility of its future actions. The financial data of National Bank Limited and that of other banks had been used in spreadsheets. The Financial Analysis here is the core of the report as the institution under scrutiny happens to be a commercial bank. The



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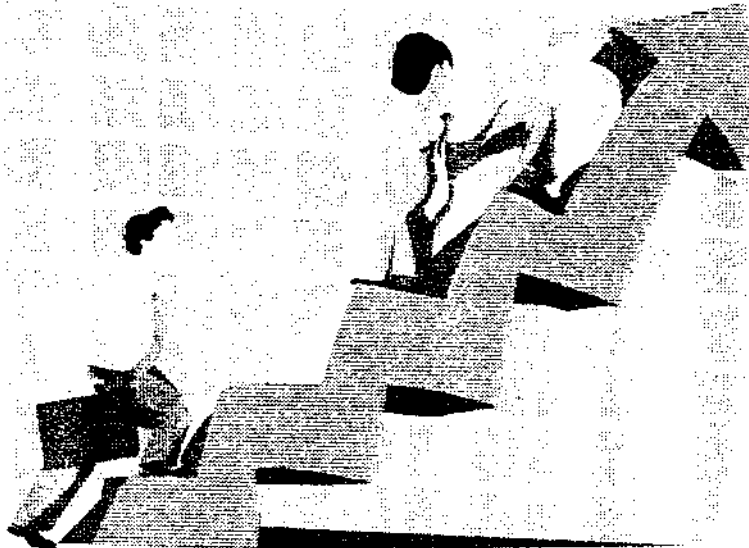
Competitive Analysis had been made to portray the position of National Bank Limited in comparison to others in the industry. The selection of the competitors had been made based on the establishment date of the banks and the relative size of their businesses. Graphical Presentation had been made wherever possible to clarify the competitive position and to reach certain conclusions more easily. The benchmark for the specific industry can be obtained from the comparative analysis. The use of Ratio Analysis made the job of analysis of comparative performance much easier. The ratios that had been used are presented in the appended part of this report. The SWOT Analysis had been used to get a clearer idea of the current position of the bank. All these analysis had been considered while making recommendations.

### *Limitations of the Study:*

The study had been done with the utmost dedication; yet there had been quite a good number of loopholes in the study that had been beyond my capacity to seal off. These are:

- a) The time that I had gained for the study was too short to get a better knowledge about all of the activities that are dependent on seasonal variations.
- b) The confidential nature of certain data had precluded their use in this study.
- c) Lack of time and opportunity had prevented me from gaining knowledge about the activities of other branches of National Bank Limited.
- d) The unavailability of certain latest economic and monetary data had forced me to rely on information that may be prone to change in recent future.
- e) Time constraints had prevented me from gathering objective data that could have helped me to get more backups for the recommendations made.

# Part II: Organisation





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## ***A Brief History of NBL:***

National Bank Limited is one of the biggest private sector banks in Bangladesh. It is regarded as the pioneer in the private sector banking in Bangladesh. National Bank Limited started its journey way back on the 23rd of March 1983. It was the first private sector bank in the country, fully owned by the local entrepreneurs. The Board of Directors of the Bank consists of the finest intellects of the country's business, commerce and banking areas. The acumen with their business and extensive experiences acquired over the years guided NBL to a great success and fresher altitude. NBL inaugurated a change when it substituted the prevalent and austere cold banking atmosphere with an intimate and warm one. The success of NBL is largely credited to its friendly, co-operative approach, understanding the special banking needs of each and every client and concern for their benefits and welfare. From the beginning, the prime objective of NBL was to increase capitalisation, to maintain disciplined growth and high corporate ethics standard and enhance the wealth of the shareholders.

### ***The Reach of NBL:***

NBL is scattered all over the world consisting a network of 75 branches and two booths. In 1995 NBL acquired equity and capital management of Nepal Arab Bank Limited and in 1996 NBL opened representative office in Myanmar. With a strong sense in all business area of commercial banking, NBL could foresee tremendous growth in homebound remittance from Bangladeshi expatriates in the USA, the UK, the Middle East and in other different countries of the world. Consequently NBL established a unique money remittance system with Western Union of the USA for inbound and outbound remittance. At present NBL is the only authorised agent for this unique service in Bangladesh. Through an online computer system funds can be transferred instantly to 26,000 locations in 100 countries of the world. In addition, there are a number of drawing arrangements with banks and exchange houses particularly in the USA and Europe, the Middle East and South East Asia to facilitate remittance back home.



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### ***Expanding Services:***

The popularity of the Bank gained momentum with the introduction of the Monthly Savings Scheme, Savings Insurance Scheme and launching credit card operations under license MasterCard International. NBL has also ventured into the field of ATM services for its customers. The introduction of the Monthly Savings Scheme helped to get a good number of new customers who probably could not have come to the Bank for lack of fund. The special utility of the scheme also helped to increase the customer base of the Bank. The reputation of NBL was given a boost with the introduction of credit card operations. The Bank was able to get a new type of customers through this service. The new service also allowed the Bank to compete directly with the foreign banks of the country. The ATM service improved the convenience of the customers. The newest addition to NBL services is the E-Cash Card. The card allows the customer to get cash with the help of a card. The service patches the drawbacks of the credit card.

### ***Social Responsibility:***

The Bank is also committed to fulfil its responsibilities to the society and the country. The branch banking operations of NBL is one of the best examples of social responsibility. One of the most important functions of commercial banks is social responsibility. And NBL seems to have braced it closely. The reach of the Bank all over the country has allowed a lot of people in remote places to get access to quality banking services. The small requirement for opening accounts at the Bank is another example of serving the people. The least balance required to keep an account at NBL is within reach of almost everyone. Whereas this is exactly the opposite in the case of posh foreign banks operating in the country. These least requirements are also supported by the least amount of service charges for keeping the account. In addition, NBL participated in the Barind Multi-purpose Project, a major enterprise undertaken for improvement of ecological balance and the socio-economic condition of the farmers in the northern region of the country. Establishing the National Bank Limited Foundation, which operates National





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Bank Public School and College and sponsoring various sports tournaments are few of the mentionable projects that display NBL's commitments to the society.

***The Management:***

The Bank is governed by a team of highly qualified and experienced professionals, at the zenith of which is the Managing Director and Chief Executive Officer of the Bank who has extensive banking experience at home and abroad. There are three Deputy Managing Directors after the Managing Director. The position of Executive Vice President is next in line and there are currently seven people in these posts. There are thirteen Senior Vice Presidents next in the hierarchy. Vice President is the next post; currently there are forty-six Vice Presidents serving at NBL. Assistant Vice Presidents are the next in line. Eighty-three Assistant Vice Presidents are now serving at NBL. The experience of the managers at NBL have proven very valuable indeed, as the Bank has undertaken a mission of spreading its wings all over the country. Already there are 75 branches in the country, the maintenance of which could not have been possible without the experience of its executives. The value of local experience has helped the organisation as well as the individual executives.

***Expanding Forex Business:***

The Bank was ever eager to invest in the foreign exchange business of the country. During the '80s and the '90s, the country's garments sector was booming and one of the reasons behind this boom was the wholehearted support of the local commercial banks like National Bank Limited. NBL extended substantial support to the garments exporters by providing back-to-back L/C facilities. The system required the banks to take a lot of risk, as the banks were financing virtually the whole of the manufacturing operation. This risk was worthwhile as long as the bankers were not let down by the manufacturers. Thus the choice of exporter was of extreme importance. The success of NBL in this sector shows the prudence of the executives in the selection of export clients. The venture also shows the commitment of the Bank in the development of the country's most important



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foreign exchange earner. Not all of the private banks of the country were willing to commit this much to this sector. The leadership of NBL was determined to concentrate their effort no matter what others think about it. Being a pioneer in the private sector banking of the country, NBL enjoyed a special attention of the business community. And their confidence in the Bank was displayed by a lot of garments exporters as they flocked together at NBL.

***Entering the Remittance Business:***

As mentioned earlier, one of the efforts of NBL to expand its list of services was to enter the remittance business through a pact with Western Union. The beauty of the system was that the customer gets his/her payment instantly. Any other money transfer system requires a lot of complex formalities and as a result, those are very clumsy in their execution. The service has gone a long way to support the expatriate Bangladeshis. The Bank's remittance clients are increasing day by day. One thing of worry was that the Bankers were finding it hard to cope with the rapid increase of this business. The existing facilities for the service are totally inadequate for the high demand of it. Unless NBL takes measures to rapidly improve the facilities, there might be a number of dissatisfied customers willing to show their anger.



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## ***The Mission of NBL:***

The mission statement of National Bank Limited says that it is "***A Bank for Performance with Potential***". This statement has been authenticated by the actual performance of the company over the years. The company had been a pioneer of private sector banking in Bangladesh. Of the first generation banks, NBL had proven itself to be a real survivor. This favourable result had been achieved because of the utmost commitment of the employees and shareholders of the company. They started operation when the people of this country had no idea about private banking and in a lot of cases people had been somewhat sceptical about the reliability of a private bank. The bank had to overcome people's reservations and prove that all the negative ideas about private banking that had been clouding the minds of the people were nothing but misconceptions. The rapid growth of the bank's business since its inception has answered all critics. The growth also portrays the potential of the bank even when it has reached maturity and has been encountering competition from second and third generation banks. Throughout these years, the bank had overcome economic and political volatility and proved the soundness of its concept. The policymakers of the company had always been careful to keep an eye on the goal they had set. And their efforts had been largely successful in keeping the bank on track. The shareholders had also been prudent in selecting the right people for the right job. The experienced and innovative executive cadre of the bank have been increasing the bank's reputation ever since. The mission of the bank had been strongly ingrained into the hearts of the employees too. That is why everyone had been working hard and in close cooperation with a single goal ahead. As the mission states, National Bank Limited has been displaying its performance ever since and it has the potential to go even further.



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## ***The Products and Services of NBL:***

### ***Savings Bank Account (SB):***

For savings account, a balance of Taka 500 is required. This is quite meagre compared to the same services offered by other banks. The intention here was to reach as many of the general population as possible. A new account holder needs an introducer who happens to have an account with NBL. This provides authentication for the new account holder. The SB Account holders of NBL come from very different backgrounds because of this. Although individuals are usually the holders of such accounts, there are exceptions to this. Clubs, charities, associations, etc. can also hold saving bank accounts. The interest rate for the scheme is 7.25% annually and it is applied at the end of each month. It is a full-fledged account on which the holder can issue cheques. The account holder cannot issue more than two cheques per week. Although some banks penalise the holders financially for bounced cheques, NBL does not have such a policy.

### ***Current Account (CD):***

This is an account mainly for businesses. The account holder gets some privileges that are required for most businesses. The account holder can be classified in the following manner:

- i) Current Account for Individual
- ii) Proprietorship Account
- iii) Partnership Account
- iv) Limited Company Current Account

The requirements for opening the account differ somewhat according to the type of current account. For the individual and proprietorship accounts, a copy of trade license has to be produced before the bank. The partnership account demands a partnership deed in addition. The account for limited companies require somewhat more formalities because of the complexities involved. A certified copy of memorandum and articles of



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association is required, along with Certificate of Incorporation, Certificate of Commencement of Business (mandatory in case of public limited companies), a list of directors, a copy of resolution of the board of directors and finally the list of names and specimen signatures of those persons authorised to operate the account duly certified by the chairman/ the managing director. The account has the basic features of the saving bank account, but no interest is given here. There is also no restriction on the number of cheques that the holder can issue in a week. The formalities associated with this account is a little lengthier because a lot of other services are directly associated with a current account.

***Short-term Deposit (STD):***

This account is mostly the same as current account. The facilities offered to a holder of a short-term deposit account are the same as those of a current account, but there are some additional benefits. The holder gets an annual interest of 5.5 percent against the balance.

***Fixed Deposit Receipt (FDR):***

This is an instrument that provides interest to the holder, but does not provide any checking facility. The deposit has specific maturity dates after which the client can withdraw the principal amount with interest. The rate of interest carried by the instrument differs according to their maturity period. For a 3-month FDR, the rate is 8 percent; for a 6-month FDR, it is 8.25 percent; for 12-month FDR, the rate is 8.5 percent, and for 2-year FDR, it is 9.25 percent. The client's identity is carefully verified at the maturity of the instrument to make sure that the right person is withdrawing the amount.

***Bearer Certificate of Deposit (BCD):***

This is an instrument that has some unique features. There is no name mentioned in the certificate. Interest is paid in advance since there is no name required. Anyone who has the in hand can draw money on maturity. Usually this account is opened by institutions like clubs, associations, charities, etc.



**Special Deposit Scheme (SDS):**

National Bank Limited offers a very unique type of account called the special deposit scheme. The deposit allows the holder to withdraw interest at the end of every month. The interest is then transferred to the holder through cash or cheque. If the holder has an account and if he/she wishes, the interest is transferred to that account at the end of every month. This system of interest withdrawal has proven very successful, as a lot of clients prefer to get periodic income from their investment. The deposit has a five-year maturity, after which the client can withdraw the principal amount with interest. The deposited money is fully refundable at the expiry of the term. At the same time, during the term period they can enjoy a monthly profit corresponding to their deposited amount. As for instance, under the scheme a deposit of Tk. 55,000 gives a monthly income of Tk. 500. The following is a list of monthly benefits for some corresponding amounts:

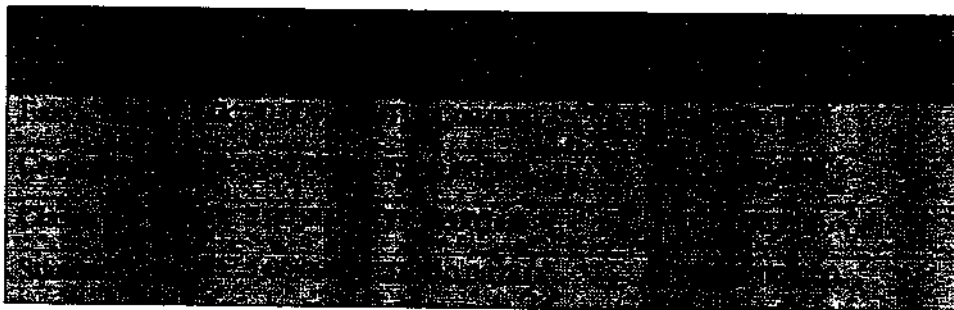
**Monthly Savings Scheme (MSS):**

This scheme is specifically designed to benefit the limited income group members. This helps to accrue small monthly savings into a significant sum at the end of the term. So, after the expiry of the term period the depositor will have a sizeable amount. The people who have a regular, but small savings can open such an account. This avoids their having to deposit the whole amount together. Benefit amounts are presented below:



### ***Savings Insurance Scheme (SIS):***

This scheme of NBL gives protection against the insecurities of life. It is first of its kind in Bangladesh. It combines the benefits of regular savings and insurance scheme. This allows the client to get a usual rate of interest on the deposited amount and at the same time allows comprehensive insurance coverage. Under this scheme, the beneficiary (ies) get twice the deposit in case of natural death of the account holder, whereas in the event of accidental death of the account holder, the beneficiary (ies) will receive thrice the deposit at any time during its currency. As for example, if a customer picks up Easy Class (Tk. 50,000), he/she will get Tk. 1,00,000 for a natural death and Tk. 1,50,000 for accidental death along with usual interest. The list of benefits are shown below:



### ***NBL MasterCard:***

National Bank Limited was the first local bank to introduce MasterCard in the country. The services offered by this plastic card opened a new dimension for the clients of the bank. This is new lifestyle concept imported by NBL. The service assures Local MasterCard Credit Card for use in Bangladesh and International MasterCard Credit Card for use abroad. It also allows cash withdrawal from ATM with the MasterCard. The service includes International Roaming Service (mobile phone) with International NBL MasterCard. When the client is a holder of NBL Gold MasterCard, he/she is automatically covered under Personal Accident Insurance against loss of life for as high as Tk. 5,00,000 in case of air travel free of cost. It is a revolving loan facility to purchase goods from merchant establishments. The client can avail a maximum of 45 days free



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credit facility. If the card is lost/stolen, the holder must report it to the Credit Card Division of NBL in writing/telex/fax and he/she will get a Replacement Card on payment of prescribed fees. No authorised transaction will be allowed through the missing/stolen card. Using the card, the holder can withdraw cash from any NBL branch at a nominal fee. The holder will receive a monthly statement showing the details of purchase in the previous 30 days. The client has two options:

- ♪ Pay within 15 days from the statement date and thus get a maximum of 45 days free credit facility.
- ♪ Pay 10% of the outstanding or Tk. 500/- for Local Card or USD 25 for International Card (whichever is greater) within 15 days and ask for revolving of the rest of the amount.

The holder can also opt for supplementary cards. While supplementary member will have his/her own independent usage, the expenses will be charged to the account of the principal cardholder.

***NBL ATM Service:***

National Bank Limited has introduced ATM service for its customers. The card itself is able to save the customers from any kind of predicament in emergency situation and time-consuming formalities. NBL ATM card gives distinguished clients the opportunity to withdraw cash at any time, even in holidays, 24 hours a day, 7 days a week.

***Western Union Money Transfer:***

Joining with the world's largest money transfer service Western Union, National Bank Limited has introduced Bangladesh to the fastest track of money remittance. In this system the money transfer between Bangladesh and any other part of the globe is safer and faster than ever before. This simple transfer system, being online, eliminates the complex process and makes it easy and convenient for both the sender and the receiver. Through NBL-Western Union Money Transfer Service, the money of the client will reach its destination within a few minutes from any location in the world.





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**SWIFT Service:**

SWIFT, which stands for Society for Worldwide Interbank Financial Telecommunication is the fastest track of telecommunication services around the world. NBL has affiliations with SWIFT. Erasing the complex process and troublesome hazards for the sender and receiver, SWIFT becomes the fastest and easiest of all telecommunication services. Through SWIFT of NBL, a client can receive and send financial messages to any desired place within the shortest possible time.

**Consumer Credit Scheme:**

The consumer credit scheme of NBL gives a client a great opportunity to buy household and office items on easy instalments. This scheme offers the advantage of part payment to cope with the high cost of many necessary home and office appliances. Television, refrigerator, VCR, personal computer, photocopier, washing machine, furniture, microwave oven, car and a number of other expensive items are covered by this scheme. With this scheme, NBL makes better living possible for people living on fixed income. Customers can buy those home appliances without over-taxing their budget.



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## ***Departments of NBL:***

### ***Credit Department:***

This section provides loans to customers. This section generates a significant portion of the revenue of the Bank. The responsibilities of this department are quite important, as the clients for the loans have to be chosen in the right manner. The burden of classified loans can only be averted through a careful selection of the loan seekers. The department handles various types of loans and other things.

### ***Cash Credit (CC):***

This is a continuous loan. Its duration is one year. It has two types according to the collateral. If the collateral is 50 percent of the goods of the business, it is called CC (Hypothecation) and if the goods are kept under the direct control of the Bank, it becomes CC (Pledge). Most loans are of the first category. The client is set a limit for the loan at the beginning which dependent on the capability of the client. The client can draw no more than the limit amount at any time. The client is required to adjust the balance every three months. In the case of CC (Hypothecation), the client retains the ownership of the goods. The interest rate is 16 percent. The goods are the security against the loan.

### ***Secured Overdraft (SOD):***

This is usually called Contractor's Finance. The loan is advanced against a contractor's document, e.g. a contract for building a road. This is a continuous loan. The client is set a limit for the loan at the beginning which dependent on the capability of the client. The client can draw no more than the limit amount at any time. But whatever amount he takes, he must repay it within one year. The interest is 16 percent and applied monthly on daily average balance. The account of the client bears a negative balance when he/she withdraws an amount. This negative balance must be shown nil at least once during the year.



***Loan (ADB):***

This is a special type of loan for medium enterprises. This loan is given through an ADB project supporting industrial growth in the country. The loan is set to be disbursed under some special incentives. The most important of those is that the interest rate is 12 percent instead of the usual 16 percent.

***Loan (General):***

This is a one-time disbursement loan. The loan can be given to companies or individuals. The use of the loan can be for personal or for company purpose. The scheme does not have a specific time limit for the maturity of the loan. But the minimum duration is one year. The interest is applied on a quarterly basis. The repayment is in monthly instalments. The loan usually given against financial instruments or any other collateral.

***House Building Loan (HBL):***

This loan is only provided for building houses. The client can get the loan for a period of 5 or 7 or 10 years, depending on his/her requirement. The security for the loan is usually the land on which the building is being erected. The interest rate is usually 16 percent.

***Staff House Building Loan:***

This loan is disbursed among the staff of NBL and the purpose must be house building. Because the loan is only for staffs, there are certain incentives. The interest rate is 9 percent. To get the loan facility, the employee must have a minimum of eight years' service at NBL. The loan has virtually no chance of default. This is one of the reasons behind the lower interest rate.

***Loan Against Import Merchandise (LIM):***

This loan is advanced on special occasions. When a customer is unable to pay for the remaining balance of a letter of credit, this facility is offered depending on the reputation



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of the client. The Bank keeps the goods at the Bank's own warehouse and the client can get his goods released in part after paying for it with interest. The rate of interest is 16 percent. The duration of the loan is dependent on negotiation.

***Consumer Credit Scheme (CCS):***

This loan, as described in a previous section, is advanced to service people without any security. A respectable person should be a guarantor. Maximum limit for the loan is Tk.80,000. Up to 80 percent of the purchase price can be disbursed as loan. The rest 20 percent is taken as down payment. The repayment is on a monthly instalment basis and the interest rate is 14 percent.

***Inland Bills Purchase (IBP):***

Under this system, a client can present a cheque (usually) drawn on Bangladesh Bank or Sonali Bank and get immediate credit from the Bank. The cheque may take several days to process because of specific reasons. This loan allows the client an immediate access to funds. The client is charged interest and commission on the amount paid to him/her against the cheque (usually 80 percent of the cheque amount). The client gets the margin back when the cheque is processed. The interest is 16 percent, which is applied on daily average balance. The interest is thus dependent on the number of days it takes to process the cheque. The margin is kept so that the Bank can recover at least the interest and commission. Sometimes exceptions are made by taking cheques drawn on other banks, or by making loan without margin. The commission charged is 0.15% for up to Tk. 1 lac; 0.10% for up to Tk. 5 lac, and 0.05% for Tk. 5 lac or above.

***Bank Guarantee:***

The Bank gives guarantee for any supplier or contractor. The security covers 100 percent of the guarantee amount. Usually the security is in the form of FDR or sometimes in total or in part in cash. The guarantee is for a specified period. The Bank keeps commission against the guarantee, which is 0.60 percent.



***Loan Classification:***

A loan is classified after a specific number of instalments are defaulted. There are some stages of classification. The stages are given below:



The interest incurred since the loan's classification date is transferred to an account named Interest Suspense. The interest is not calculated for loans overdue for 1 year or more (Bad Loans). A Base for Provision is showed to portray a reserve for the classified loans. This is showed below:



***Judging the Soundness of a Loan:***

A term is used at NBL to find out the soundness of a loan--Recycling. Recycling is the number of times a loan has utilised its loan limit during a year. It must be at least once a year to be considered sound. The total credit (deposit) figures for the year is divided by the loan limit. It shows the solvency of the client and also shows whether the client needs



more than the limit or not. A high figure for this recycling is to be considered as a sign of solvency and the inadequacy of the loan limit.

### ***General Banking:***

The following divisions are within the spheres of General Banking:

- i) Account Opening
- ii) Cash Department
- iii) Remittance

### ***Account Opening:***

The Account Opening Section handles all the functions related to opening an account, issuing chequebooks, applying interest to accounts at maturity, retiring accounts, charging interest and commission, etc. The section is the first department for a new account holder. There are various types of accounts and there are different specifics related to them, which had been described in a previous section.

### ***Cash Department:***

At NBL, each branch is authorised a specific amount of cash balance, which should be maintained all the time. The security of this section is always the highest within the bank branch. Like any other department of the bank, the responsibility of the department does not let anyone overlook anything. The in-charge of Cash Section must determine the amount in the vault and find out whether the cash is adequate or not. Any extra amount has to be sent the head office to avoid extra liquidity. Any potential shortage has to be reported to the Branch Manager, who will then take appropriate measures. Various financial instruments are handled in this department, which ranges from simple cash deposit to repayment of loans, bills, disbursement of funds, etc. These instruments, which are presented, have to follow certain policies and procedures. When a cheque is presented, it goes through a process of signature verification and balance determination, after satisfying everything, the payment is then made. Buying and selling Prize Bonds



and receiving Sheba Telecom bill payments are additional responsibility of this department.

***Remittance:***

This is another important part of General Banking. The Bank receives and transfers various types of bills through the Remittance Section. Various types of commission is charged for these services. The section handles Pay Order (PO), Demand Draft (DD), Pay Slip (PS), Telephonic Transfer (TT), Local Bills for Collection (LBC), Inland Bills for Collection (IBC), Outward Bills for Collection (OBC), cheque clearing, etc.

***Foreign Trade:***

This is the trade finance department of NBL that provides services regarding financing of international trade to its customers. Financing can be in terms of both funded and non-funded facilities. Major types of services include financing of Letter of Credit, Bills against Letter of Credit, Loan against Trust Receipt, Loan against Imported Goods and other services. The department also handles Western Union Money Transfer dealings. This is another major department as it is a big revenue earner for the Bank.

***L/C Opening:***

This section mainly emphasises on the Letter of Credit opening function. In the case of international business, buyers and seller are in different countries and there may not be any face-to-face contact between them. Thus the biggest concern for all the parties concerned would be trust. This trust is provided by the banks. Reputed banks trust each other and they do the dealings on behalf of their clients. Bank only deals with documents. And one of the documents is a Letter of Credit or L/C. This is an account opened by the importer. The applicant must fulfil certain requirements after which he/she is granted the permission to open the account. The importer makes partial payment for the contract to the bank and the bank makes full payment to the exporter when proper documents showing signs of goods delivery are presented to the Bank. The outstanding amount is



then received from the importer if everything goes accordingly. The percentage amount that the Bank receives from the importer in the first place is called the L/C Margin. This margin is differs according to the nature of goods and the client. But most of the times it is around 50 percent. The Bank takes various commissions from the client and charges interest if the client do not pay the outstanding amount within stipulated time. In the retirement of the documents, if the party failed to pay for the import amount to the bank, then the bank provide a credit to the importer, which is known as Bills against Letter of Credit or BLC. Another document, which creates the banker's lien over the goods and particularly amounts to hypothecation of the proceeds of sale in discharge of the lien. The customer holds the goods or their sales proceeds in the trust for the bank till such time. Thus this Loan against Trust Receipt (LTR) is fully paid off. The Loan Against Import Merchandise (LIM) had been discussed in a previous section.

### ***Export Finance:***

Export financing is quite a complex process involving many parties. For example, an importer places an order to a Bangladeshi exporter through sending a L/C document, which is called Export L/C. The exporter opens a back-to-back L/C against that Export L/C and prepares to import raw materials in order to start production. The Bank pays for the raw materials through extending Back-to-Back L/C facility to the exporter. After the manufacture of the goods are completed and shipment is made, the Bank gets payment from the importer and makes payment to the raw material supplier and to the exporter. The exporter even gets credit from the Bank to meet the working capital requirements of the company. This credit is called Packing Credit. After paying for the Back-to-Back credit (which is usually up to 75 percent of the Export L/C value), Packing Credit (which is up to 10 percent of the Export L/C value), and all the interests and commissions, the exporter only receives the net profit. The Bank makes money out of this business through various commissions and interests.





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### ***Western Union Money Transfer:***

As described in a previous section, this service is a new addition to the service expansion of NBL. This system is handled by the Foreign Trade Department. The quick effectiveness of this new service has increased the Bank's customer base.

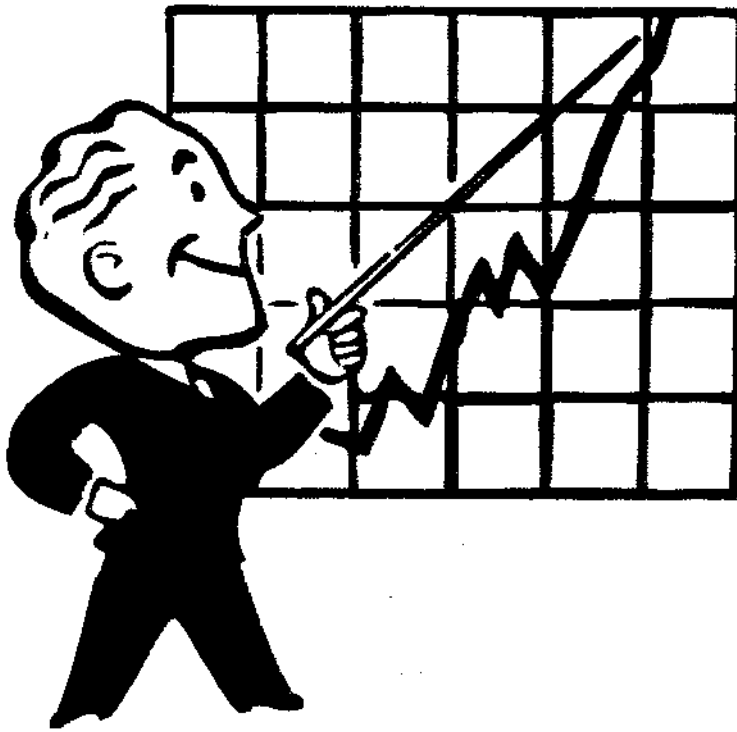
### ***Accounts Department:***

This department is the hub of all activity. All the transactions are recorded and summarised in this section. All the vouchers, transaction summaries, statements and balances pass through this department. The Bank's overall performance cannot be judged without analysing the data available in this department. Although this department is not in direct contact with customers, its role could hardly have been greater. The department helps in the audit function too. Any error in any other department would be visible in this section. Every branch has an accounts section.

### ***Computer Division:***

This is a part of NBL which, like the accounts department, not directly serving clients. The department is vital for the smooth functioning of the Bank. Ever since the introduction of computer, the Bank has become very much dependent on machines. The complex calculations and record keeping have become easy like anything. The department is based in the Headquarters in Dhaka. The computers in all the branches are operated by normal employees, whereas this division gives guidance, training, does troubleshooting, and develops new software.

# Part III: The Project





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## ***Current Economic Condition:***

The condition of the economy of Bangladesh is a very important portion of this study. The position of National Bank Limited is to a large extent dependent on this. The economic environment is largely out of control of NBL. This is why the question arises about the adaptability of the Bank. There is no point standing ground when there is certainly no benefit in it. So, the management of NBL must take new measures to adjust the company to its surrounding condition. This makes it mandatory to get a clear picture of the situation that prevails in the market. The pros and cons of the recent changes in the economy have to be understood and analysed. All the recommendation would thus depend on a detailed picture of the country's economic environment.

### ***Political Change at the Top:***

There had been a change in the government of the country. The new government has adopted newer policies that do not necessarily match those of the previous regime. The economic policy changes have been affecting the whole nation in recent times. The foreign reserve had been at a record low level recently, which prompted the government to opt for drastic changes in the fiscal and monetary policies. The government resorted to various new measures from the very first day at office. The adverse economic condition prevailing in the rest of the world has also influenced the government to make changes. The country's reliance of foreign help has also prompted newer reform plans. The general poor condition of the economy is making the newer measures look even tougher. The new government's pledges are also prompting new measures, which are remarkably different from those of the previous government. The government's dealings with the donor agencies in recent times have also fetched headlines. The tough conditions imposed by the donors have often become reasons for dispute between the government and the donors. Widespread reform measures in various sectors of the economy have been put into effect to put the economy back on track.



### ***Effect of International Recession:***

The health of the biggest economy in the world had been reeling under pressure from possible recession from the start of year 2001. There had been widespread job cuts throughout the United States. The general condition of the economy had not looked good for other countries too. In this age of globalisation it is difficult to keep anyone out of any significant event. The recession in the US affected others too. Countries of Europe and Asia began to feel the pain very soon. The countries that have important economic relationship with the US suffered immediately. Bangladesh is one such country that happens to have a significant amount of trade with the US. The US is our biggest export market. So when the US began to show reluctance in helping our products in their markets, it immediately affected our whole economy.

### ***September 11th and the Afghan War:***

The terrorist attack on the US on September 11 2001 complicated the already poor economic condition of the US and also the world. The plans of job cuts in the US companies were accelerated since then. Airline companies reduced workforce and some had to file for bankruptcy. Aircraft manufacturing giant Boeing had to lay off 30,000 workers to stay in business. The war in Afghanistan that followed the September attacks also hurt the already reeling economy. The events affected our export business very seriously indeed. US officials were clearly indicating to us that their country simply could not give duty-free access to our garments exports as a result of the recession and the ongoing war.

### ***Reeling Export Sector:***

The US is our biggest export market. Garments, our largest foreign exchange earner, go to a very small number of countries. The US holds a 45 percent stake in our garments export market. Since September 11, the US importers have showed their extreme reluctance to import our garments. The US allows duty-free and quota-free access to 72 countries of Sub-Saharan Africa and the Caribbean. Bangladeshi government and



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business leaders have been lobbying hard to restore Bangladesh's position in the US market, but things do not look too good as exports continue to dwindle every month. The total export earnings of the country fell by 10 percent during the first four months of FY02. The export volume went down by 9.74 percent during the period. The frozen food sector suffered the biggest shock with a 32.84 percent reduction. The garments sector had a downfall of 9.47 percent. The export target for the FY03 had to be set lower than that of the previous year. This is the first time such a thing has happened in the country. According to experts, this huge reduction in export business can have a spiralling effect on the economy as a whole. All the institutions related to the export sector, such as banks, insurance companies, accessories manufacturers, and others probably would suffer because of this. There had already been 1,300 closures in the garments industry because of the global recession. Four million workers have been made unemployed and the situation looks quite dim.

The import sector of the country is also showing signs of shock. The import for the first four months of FY02 dwindled by 5.53 percent. This is the first reduction in import figures for the last twenty years. L/C opening at banks have also declined by 5.56 percent during the same period.

***Dwindling Foreign Reserve:***

The current government began to talk about the poor foreign reserve from their first day at office. The downward trend in the country's export earnings and the increasing gap between import and exports led to the continuous reduction in the country's foreign exchange reserve. The reserve stood at \$1,108.60 million in November 2001. This was a 16.62 percent reduction from the corresponding period of the previous year. Even though the import figures have shown a downward trend, they are still lesser than that of export figures. As a result, the trade gap did not show signs of reduction. The foreign remittance, meanwhile, posted a big increase during the period. The relatively lesser effect of global recession on the countries where expatriates work and the tougher measures taken to stop



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illegal transfer of funds resulted in this increase. The remittance earning had not been going well in recent times, so an increase came as welcome news. This increase in remittance has of course not proven enough to stop the fall in reserve balance. Drastic measures are now being taken by the Ministry of Finance and Bangladesh Bank to raise the level of reserve. The reserve improved somewhat because of the measures and stood at \$1,673 million on August 12 2002.

**Government-IMF Disputes:**

Another talking point of recent times has been the dispute between the government and the International Monetary Fund (IMF). The IMF has set quite a few conditions before the sanctioning of aid for the Bangladesh government. The organisation clearly indicated that the government of Bangladesh has to satisfy a few conditions before the sanctioning of any economic bailout package. The conditions set by the IMF included slashing the current Annual Development Plan (ADP) budget, market-based determination of exchange rate and savings certificates, reforms for Bangladesh Bank and the nationalised commercial banks (NCB), import liberalisation, etc. A lot of foreign financial assistance is conditional and the government is finding it hard to satisfy those conditions. The conditions imposed by the IMF led to a good number of meetings between the government and the IMF. The most recent of these was the January 2002 visit of an IMF delegation to Bangladesh. The delegation demanded a monthly reporting system from the Bangladesh government to monitor more closely. This resulted from the fact that Transparency International listed Bangladesh as the most corrupt nation on earth. After such listing, the IMF gave more importance to cutting corruption through close supervision. The government promised reforms suggested by the IMF, such as closing down loss-making bank branches, capping expenditure, planning massive privatisation programmes and keeping recruitment on the hold. But the donor organisation found the effort too little. All talks for a bailout package broke down in February 2002 as the IMF continued to push for a massive cut in the budget and a free-float of the exchange rate. The unsuccessful bid by the government to get economic assistance from the IMF is a



very significant event of recent times as this has far reaching consequences as far as the economy of Bangladesh is concerned.

### **Government Borrowing:**

As a result of the government's failure to gather financial assistance package from the international donor agencies and the reduction in revenue collection, the government was forced to increase its borrowing both from the public and the banking system. Government borrowing through savings instruments went up by 14.25 percent during the July-April period of FY02. The interest paid on these instruments also increased by a big margin. Compared to the corresponding period of the previous year, the interest paid increased sharply by 24.24 percent. Even though the government implemented a reduction in interest rates on a number of savings instruments, the borrowing still continued to rise. The gross sales increased by 29 percent. The sales target was achieved in only 10 months of the FY02, leaving two months to surpass the sales target. Now it is obvious that the government would have to bear an even bigger interest payment. According to the Asian Development Bank (ADB), this high-yield government savings schemes are hampering the growth of private sector debt instruments.

The government borrowing from the banking sector has been something of a talking point for some years. The recent government borrowing from the banking sector took an upward trend as a result of the government's lack of sources of funds. This is having a 'crowding out effect' on the private borrowing sector. The bankers are always interested to lend to the government as it is considered completely secured.

### **Call Money Chaos:**

While the visiting IMF team was still in the country, Bangladesh Bank took a decision on February 11 2002 to not to let commercial banks use foreign currency as part of the mandatory Cash Reserve Ratio (CRR) balance to be kept with Bangladesh Bank. This move of the central bank was preceded by another circular that stated that commercial



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banks had to keep 50 percent of their foreign currency holdings with Bangladesh Bank. But now with this new rule, the banks had to replace more of their foreign currency with Taka. The banks risked penalty from the central bank if they had failed to keep 4 percent of their deposits as CRR in local currency. Before this rule, the banks had been reluctant to keep the mandatory CRR with local currency. The new rule prompted many commercial banks to convert their foreign currency balance in the CRR into local currency. As these banks did not have local currency balance immediately, they began to borrow from other banks that held surplus liquidity. Thus the call money rate soon began to climb. On February 12 the rate reached as high as 28 percent. The matters were complicated even further by the coming Eid-ul-Azha. People had been withdrawing money from the banking system when this crisis hit the market. Many banks were converting their Treasury Bills before maturity to meet the crisis. The call rate reached a peak of 51 percent on February 17. The situation was tackled by when banks began to take advantage of the Rediscount facility offered by Bangladesh Bank. Under this facility, banks were getting funds at central bank rate (6 percent). At least 15 commercial banks took the central bank facility. The call rate was around 10 percent at most places by February 20.

This problem started with a decision by Bangladesh Bank, the main purpose of which was to increase the foreign exchange reserve of the country. The IMF delegation had been visiting the country at that time. This may have encouraged the central bank authority to take the decision on that particular time. But the prudence of this sudden decision was questioned by many authorities. The nationalised commercial banks (NCB) were the biggest gainers out of this crisis. The crisis hit those banks hardest, which were five year old or younger. The government had earlier decided to withdraw all funds from banks five year of age or younger. That decision put these third generation banks in a fund-starved situation and now this new problem hit them even harder. Some banks were even finding it hard to open letter of credit or to conduct clearinghouse activities.





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## ***Banking Sector Reforms:***

### ***NCB Boards' Authority Reduced:***

In a move of reform for the nationalised commercial banks (NCB) and financial institutions, the government decided to curb the power of the banks' Board of Directors. From now on, the Board would be reduced to more of a monitoring body and their power to intervene in the daily affairs of management have been severely reduced. The new policy proposes that the boards will draw up policies for promotion, recruitment and loan disbursement which the management will follow. In case of large loans, accounting for four to seven percent of the capital, the Boards will review these and take decisions. But all other loans will be independently assessed and sanctioned by the management. However, the Board will constitute a special audit team to oversee if any anomalies took place in loan sanctioning. In case of promotion and recruitment, there will be a selection committee constituted by the Board. The Bangladesh Bank and the Ministry of Finance will select the Board. Regarding loan rescheduling, the policy suggests that the management will handle the first-time applicants. But for second-time or subsequent applicants, the Boards will take the decisions. It was also decided in the policy that for their efforts in recovering classified loans, the staff would get six percent of the recovered bad loans, four percent of the doubtful loans, and one percent of the sub-standard loans if they can recover the same.

### ***Restriction on Large Loans:***

Another new rule created by the central bank curtailed commercial banks' abilities to disburse large loans. The rule says that the banks with large loans above the ceiling as the per the new rule will not be allowed to seek fresh permission from the central bank to sanction new large loans. They can only seek Bangladesh Bank's approval for the renewal of existing large loans. The new rule prescribes that the banks with net classified loans of up to five percent will be allowed to sanction a maximum of 56 percent of the total loans and advances as large loans. Earlier, they could lend up to 80 percent. The



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banks with classified loans of five to ten percent can now lend 52 percent of their portfolio as against previous 70 percent. The banks in the next slot of 10 to 15 percent classified loans can lend 52 percent of the loan portfolio as against the previous 60 percent. For the next slot with 15 to 20 percent, the limit is 44 percent instead of previous 50 percent. Surprisingly, the worst performing slot with over 20 percent net classified loans does not suffer because of this new policy. They retained their previous 40 percent large loan limit. According to the existing rules, banks have to seek permission of Bangladesh Bank for approval of any loan exceeding 15 percent of their capital. With the fresh restriction, it will become very difficult for the newer banks to disburse big loans. The central bank authority gave the reasoning that this rule was created to encourage banks to give loans to small and medium sized projects for diversified industrial development. But the bankers have debated this by saying that without creating the proper infrastructure first, the government cannot favour small businesses overnight.

### *Action Against Defaulting Directors of Banks:*

The central bank, through a circular, ordered the private commercial banks to take steps against the defaulting directors of the banks. The circular from Bangladesh Bank was sent as there had been no significant move from the banks to recover loans from the directors. Bank Company Law says that if a director does not renew or repay within two months of being termed defaulter, he/she cannot remain a director. The central bank has ordered the private commercial banks to act according to this rule. So far, 139 directors had been sent notice. Out of that, 58 directors repaid, 19 got stay orders from court to remain directors, and 47 had been removed from their authority. 25 directors had been acquitted.

### *VAT Imposed on Bank Services:*

The government imposed value added tax (VAT) on the services of commercial banks from August 2002. Previously there was VAT only on letter of credit (L/C). Now there are VAT on bank guarantee, demand draft (DD), pay order (PO), telephonic transfer (TT), and mail transfer (MT). The banks now have to pay 15 percent VAT on the



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commission they charge clients. But there is no VAT on the interest earned against loans and savings certificates. Following the budget declaration, the banks decided to reduce commissions and charges to reduce the burden on their clients. Bank officials now think that their profits would be reduced in this way.

***Syndicated Bank Loans:***

The Governor of Bangladesh Bank has indicated in August 2002 that the central bank will frame rules to make it mandatory for syndication of bank loans in case of sanctioning large loans. Earlier, the government reduced the lending limit of commercial banks through another circular.

***The Finance Minister and the Banking Sector:***

The current Minister for Finance and Planning, Mr. M. Saifur Rahman has been very vocal about reforms in almost every sector of the economy. Mr. Rahman held talks with the delegations of the IMF, which ended in failure as a result of strict conditions from the IMF and the stubborn stance of the Minister. The low foreign reserve has been a talking point for some time and a lot of decisions made by the Finance Minister had been directed at increasing this reserve. The failure of the government to secure a loan package from the IMF has been the prime reason behind most of the new reforms of Mr. Rahman. He has now concentrated his efforts to gather revenue from internal sources to meet the needs of the governments. The drastic measures unveiled by the Finance Minister has been criticised by many as being too harsh.

His reform package for the nationalised commercial banks is taking effect slowly. He indicated towards making rules to cut the profit margin of commercial banks. He has been particularly severe on the newer banks and foreign banks for keeping lending rates high even though they have low default loans. He threatened smaller banks with restrictive rules to forbid them from declaring unreasonable dividends. He has already said that he would take steps to increase the capital size of newer banks from around Tk



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40 crore to Tk. 100 crore. Most of his decisions regarding private sector banking have hurt newer smaller banks. His overall effort seems to be encouraging commercial banks to merge. His conviction probably is that lack of growth would force smaller banks to merge. With this motive in mind, he made decisions on withdrawing government funds from young banks, forbidding the use of foreign currency to meet Cash Reserve Ratio (CRR), reducing the limit of big loans, etc. He has also threatened banks to reduce interest rates to an acceptable level or the banks would have to face 100 percent tax. In this case, he has been extremely severe on the foreign banks. He accused them of making supernormal profits through unreasonable lending rates.

He has already started his journey towards decommissioning as many as 800 loss-making branches of nationalised commercial banks (NCB). He has reduced the power of NCB Board members and announced special incentives for bank employees for recovery of classified loans. His efforts to increase foreign remittance through legal channels are making some progress in recent times. He has been particularly severe on the loan defaulters and ordered the private commercial banks (PCB) to remove defaulting directors from the boards.

As the central bank is still under the influence of the Ministry of Finance, Mr. Saifur Rahman seems to be the omnipotent power in the country's economic and financial environment. His decisions are likely to be taken seriously by all.



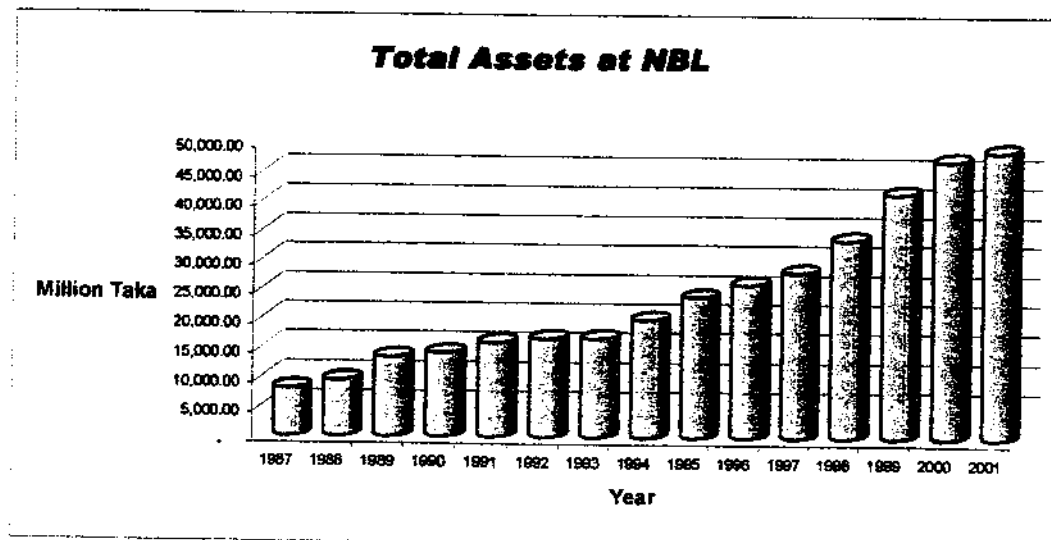
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## ***Financial Position of NBL:***

National Bank Limited had been putting all the effort since its inception to maximise shareholder value. The Bank had been expanding its business ever since and making a large contribution in the overall development of the country. The Bank has been participating in virtually all the sectors of the economy spreading its name to the four corners of Bangladesh. The operations of the Bank have not stayed within the boundaries of the country only. The company had been participating in the foreign exchange business and as such been at the forefront of representation for the country. The enviable service offered to everyone by National Bank Limited has established the name based on quality service. And all these effort has made sure that the financial health of the company not only pushed Bank forward, but also made the shareholders happy.

### ***Increasing Asset Base:***

When the Bank started its operation, it was fighting an unequal battle with the big nationalised commercial banks (NCB). The NCBs were already in place with their huge asset base and branch network. NBL had no other option but to provide incentive to the clients so that the Bank could get out of the jinx of low customer confidence on private





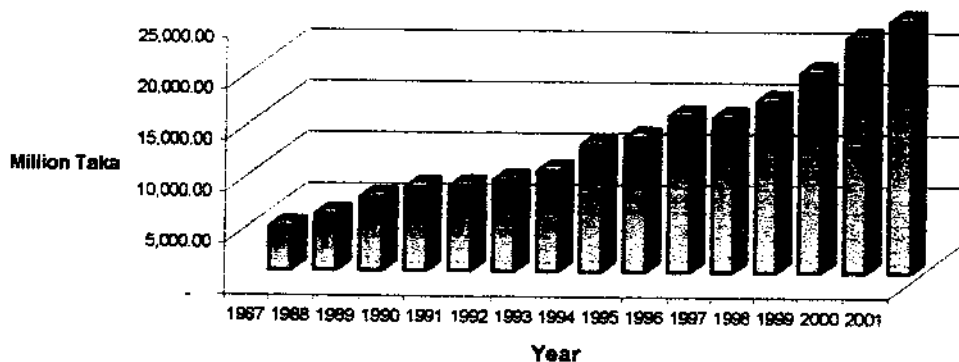
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banks. Superior service soon made a lot of customers flock around NBL. The asset base of the Bank began to grow and the never had to look back. The surge continued and the NBL was soon leading the first generation private banks. The asset base of NBL was quite a small one for the first few years of operation. But as businesses grew and the Bank began to invest in new areas, the amount of total assets began to surpass all previous records. The total assets of NBL were Tk. 8,080.24 million in 1987. This figure increased to Tk. 19,921.01 million in 1994, an increase of more than 146 percent in seven years. This performance was repeated for the next seven years. The total asset of the company stood at Tk. 48,732.10 million in 2001, an increase of almost 145 percent over that of 1994.

**Successful Deposit Mobilisation:**

A bank cannot function without a satisfactory source of fund. The biggest source of fund for a bank is its deposit base. A bank has to make every effort to woo funds into the bank. The bank can then invest this fund and earn profit over it. The lesser chance a bank has of bankruptcy, the better chance the bank has of gathering funds. The cost of gathering funds would also come down. This deposit gathering depends a lot on the publicity of the

**Total Deposits at NBL**



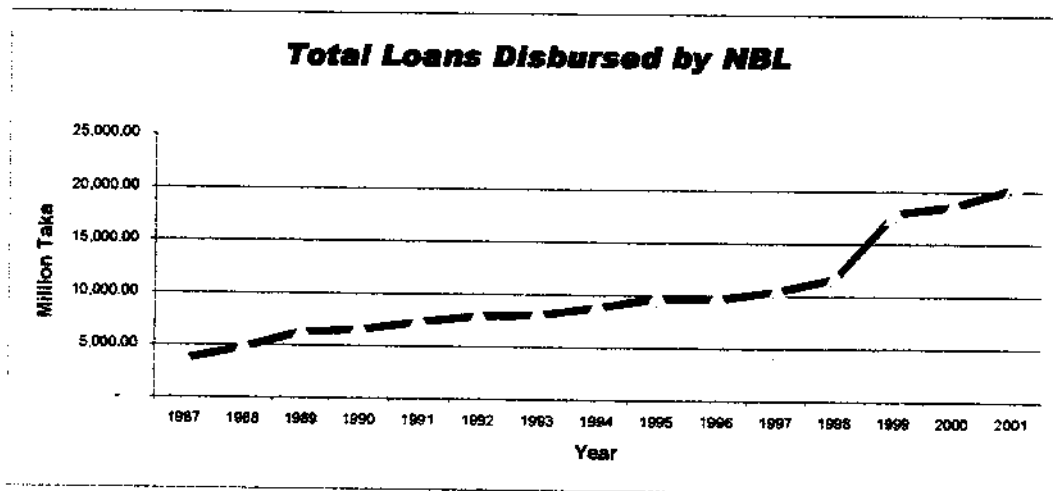


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bank and the confidence that people have over the bank's performance. Depositors are more concerned about the probability of default than anything else. Higher interest rate, better service, convenience location, etc, can encourage customers to choose a bank. NBL had been greatly successful in gathering funds from various sources. The Bank's deposit mobilisation over the last decade or so had been quite spectacular. In 1987, NBL's total deposit was Tk. 4,236.99 million. This deposit base grew to Tk. 12,339.34 million in 1994; an increase of more than 191 percent in seven years. Total deposits stood at Tk. 24,546.19 million in 2001; an increase of almost 99 percent in seven years.

**Disbursed Loans and Advances:**

A bank has to invest the funds it has acquired from various sources in income-generating activities. The gathered funds have a cost and this cost has to be covered by the earnings from investment, and at the same time, this earning have to cover the cost of operations and earn a profit for the shareholders. The rate of interest in the investment thus has to be above the rate of interest paid on deposits, but it cannot be too high, otherwise potential loan seekers would leave the bank and look for an alternative less costly solution. This is why it requires expert management to utilise the funds of a bank properly. NBL has been able to built sufficient expertise to manage these funds carefully and efficiently. Loans



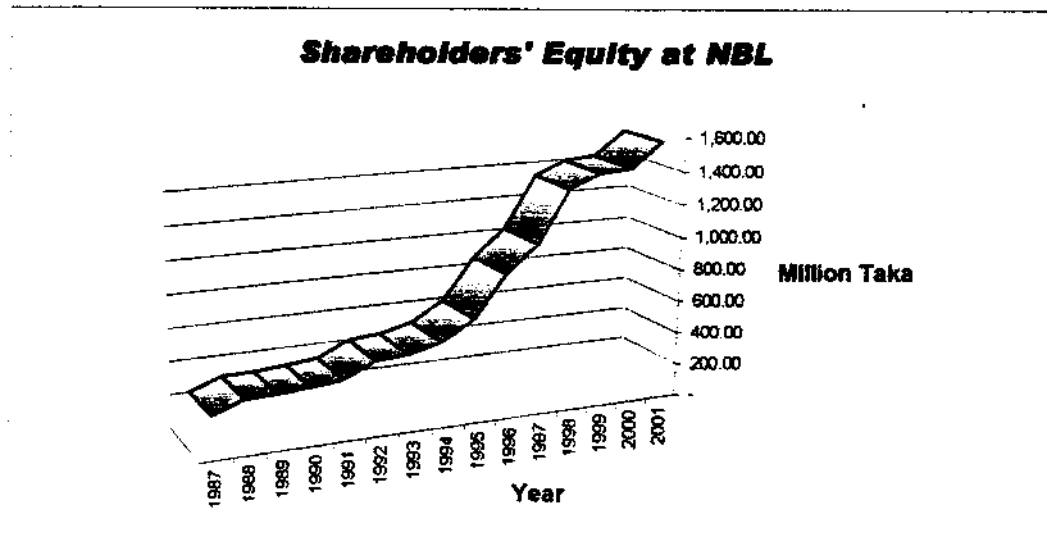


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carry the highest rate interest and so it is always the focus of banks to invest in loans rather than in any other areas. But the risk of default is the highest in the case of loans, and as a result, the caution needed in this sector is also the highest. NBL's experienced managers had been able to utilise the funds at their disposal quite efficiently as shown by the increase in the Bank's advances. The Bank had disbursed a total of Tk. 3,626.31 million by 1987, which had increased to Tk. 8,766.20 million by 1994; an increase of almost 142 percent. This total has further increased and stood at Tk. 20,200.64 million by the end of 2001; an increase of more than 130 percent over that of 1994.

**Rapidly Growing Capital Base:**

A bank is a business of risk. And the biggest risk that a bank carries is that it does business with a remarkably small amount of capital. The chance of bankruptcy in the case of a bank is a lot more than any other business organisation. The small capital base is a very small protection for a big loss. The liquidity needs of a bank also have to be satisfied from the capital base. The capital of a bank is thus highly regulated by the central bank. A substantial loss in one year can find a bank reeling with a negative capital. Careful management is thus a very essential thing in the case of a bank's capital structure. The highly experienced management of National Bank Limited has ensured that the bank







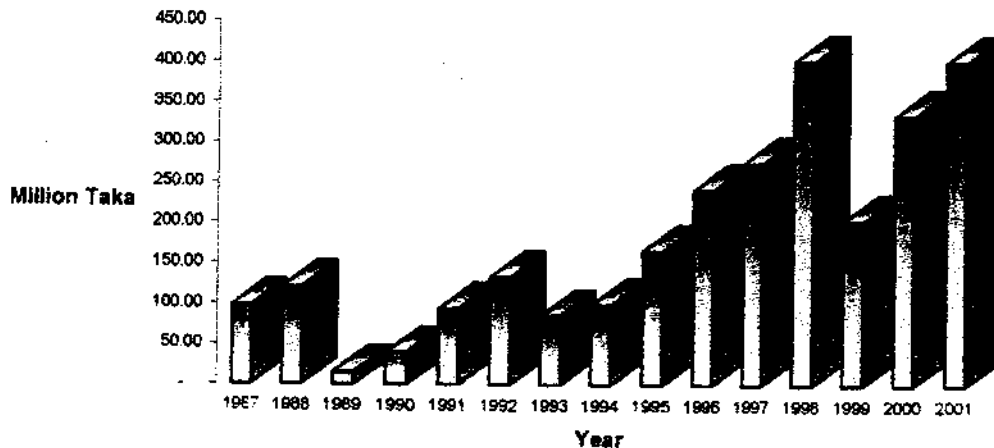
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never had to face a crisis in its capital structure management. Among the first generation private banks of the country NBL had been a model in capital management. The bank had not encountered a negative growth in its capital before the year 2000. NBL's equity stood at Tk. 230.42 million in 1987. This capital base had grown to Tk. 493.35 million; an increase of 114 percent. In 2001 the equity base of NBL stood at Tk. 1,572.75 million; an increase of almost 219 percent in seven years! This is a staggering achievement indeed.

***Volatile Profitability:***

Even though a bank performs well in generating funds and investing them in right places, there are certain places where things can go wrong. The profitability of a bank depends, to a large extent, on the difference between the interest paid on deposits and that earned on investments, which is called net interest margin. The operating cost of the bank then has to be satisfied from that interest difference. If the cost cannot be met, there is going to be loss. The margin of error here is actually very thin. It does not take a lot for something to go wrong. Thus extra careful management is required to keep a bank profitable. This effort was always there from the employees of NBL. As a result of that, NBL did not

***Net Profit at NBL***



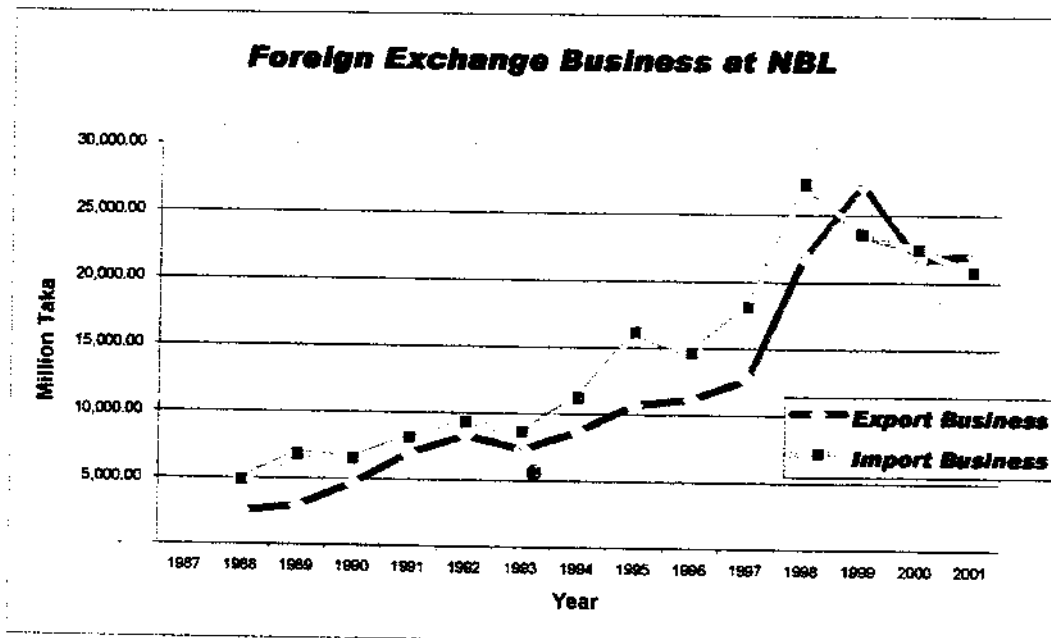


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make loss for a single year. For some year the profits were somewhat disappointing, but the Bank was at least not making losses while some other banks were in fact making losses. We can say that the Bank's profitability had been volatile over the last decade or so. The Bank's pre-tax profit was Tk. 98.40 million for the year 1987. This profit came down in 1989 (Tk. 15.24 million) and 1990 (Tk. 39.54 million). A short increase in profit was brought down in 1993 (Tk. 85.37 million) from that of 1992 (Tk. 133.26 million). And again there was a slump in profit in 1999. But the profit had again been on the increase since 2000. In 2001 this profit figure was Tk. 400.64 million a huge increase from that of 1987, when it was only Tk. 98.40 million. This had been an increase of more than 307 percent. So we can actually say that there had been a general trend towards increase in profitability over a longer period, although over shorter periods profitability was volatile.

**Foreign Exchange Business Rapidly Improving:**

The country's foreign exchange business had been spearheaded by the commercial banks of the country. Foreign exchange is essentially a high-risk business as the bank only deals





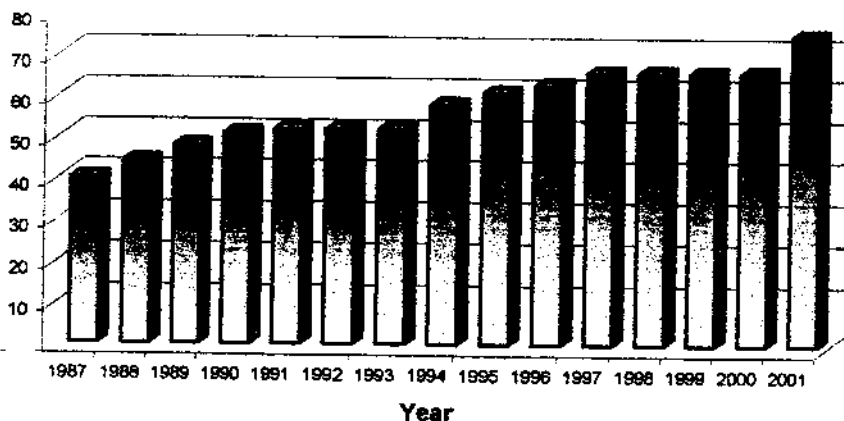
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only with documents whereas the parties involved here are many and spread over a wide geographic area. If something goes wrong, it becomes very difficult to trace everyone. Even though banks deal directly with banks in other countries, there are a lot of chances that play a play here. Any one of those chances can spell disaster for a bank if the bankers are not careful enough. Bangladeshi private banks, especially NBL, had been a keen investor in the garments export sector. The Bank had been providing all the help necessary for exporters. The incentives helped the exporters build their business base. The foreign exchange business of NBL had been highly profitable. But the foreign business had been encountering some problems over the years. There had been a few hitches, notably in 1993 and in 1996 when there had been some negative movements. But the real problem started in 1998-1999, when there started a significant fall in foreign exchange business of NBL. This seems to be alarming news for the future.

**Branch Network Widening:**

Retail banking requires a widespread branch network. In Bangladesh most banks are retail banks and all the banks had been keen to invest in spreading their branch network. National Bank Limited had not been any exception to this. The bank's expansion of

**Number of NBL Branches**



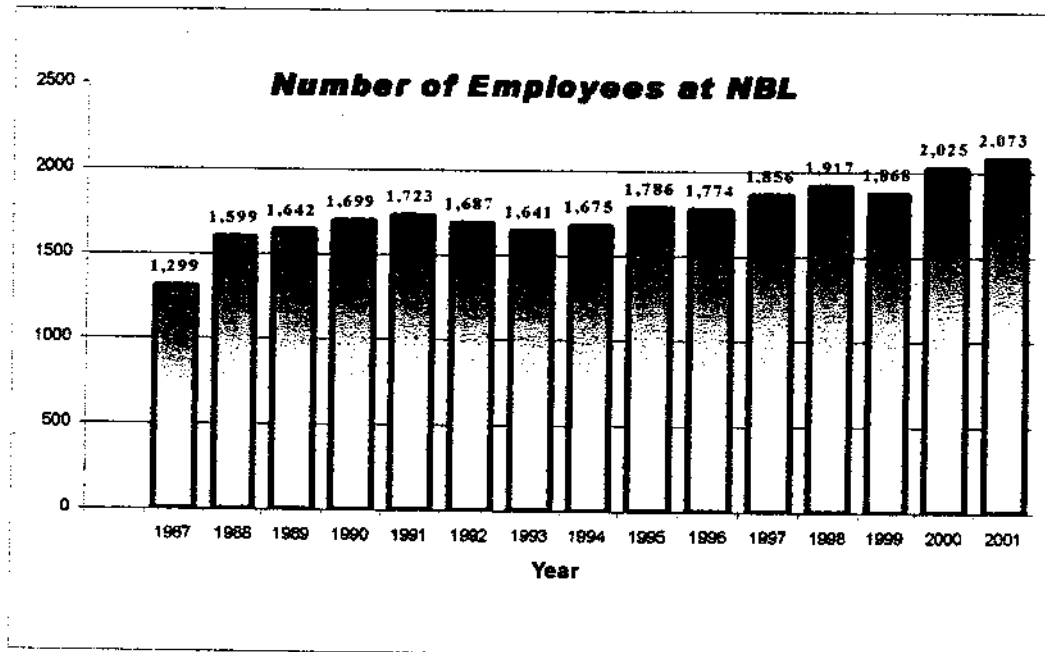


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branch network had been quite spectacular. While in 1987 the Bank had 40 branches, it rose to 58 by 1994 and then shot to 76 by February 2002. This widespread network has allowed the Bank to reach to a wide range of customers with their different backgrounds. The Bank had been very successful in gathering funds from all corners of Bangladesh and then investing the funds in the appropriate places within the country. The branch network had also been successful in publicising the efforts of the Bank. The network had been at the forefront of NBL's publicity campaign.

**Increasing Human Resources Base:**

A bank is a service organisation; its products are not visible. That makes the employees the most important resource of a bank. NBL had been nurturing its human resources from the start to exert the presence of the Bank in the banking sector of the country. The growth in the human resource base of NBL had been quite spectacular. The Bank's employee base had risen from 1,299 in 1987 to 2,073 in 2001.





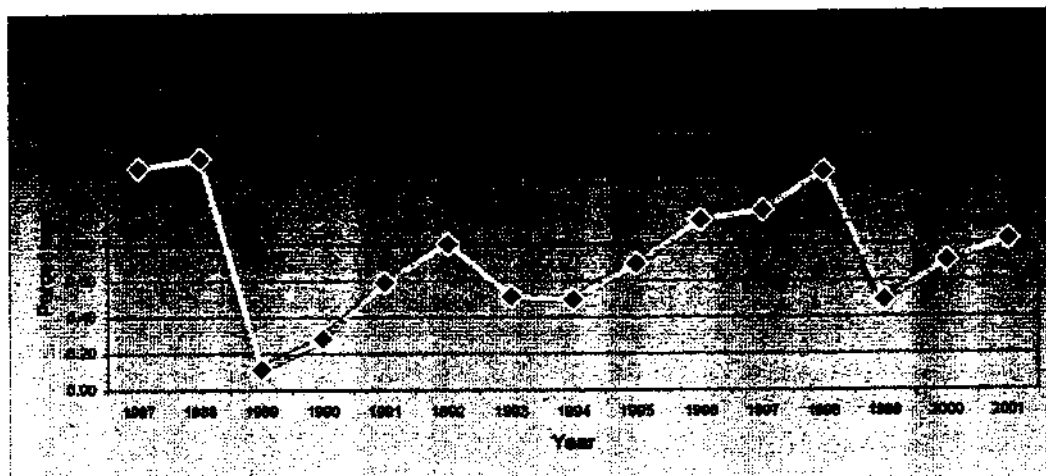
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## Ratio Analysis of NBL:

To properly measure the historical performance of a bank, it is necessary to apply certain techniques that can figure out the relative importance in the movement of certain parameters. Ratio Analysis is such a tool that can help us understand the actual position rather than what is generally visible. The ratios that had been used here are presented in their theoretical form in the Appendix part of this project. Only the ratio analysis of National Bank Limited has been discussed here.

### Profitability:

To measure the profitability of NBL, *Return on Equity (ROE)*, *Return on Assets (ROA)* and *Net Interest Margin (NIM)* had been used. The ROE is something that the shareholders would be very much interested in. A bank's capital is a small portion of total assets. This makes the return on equity somewhat larger. A bank's ROE can portray some erroneous results because of fluctuations in net profit. A net loss along with a negative capital (which is a real possibility in case of a bank) can make the ROE look good, whereas the ROA would show a negative result. In such a case, the ROA becomes more practical. The ROA of NBL, as portrayed in the following graph, has seen some volatility

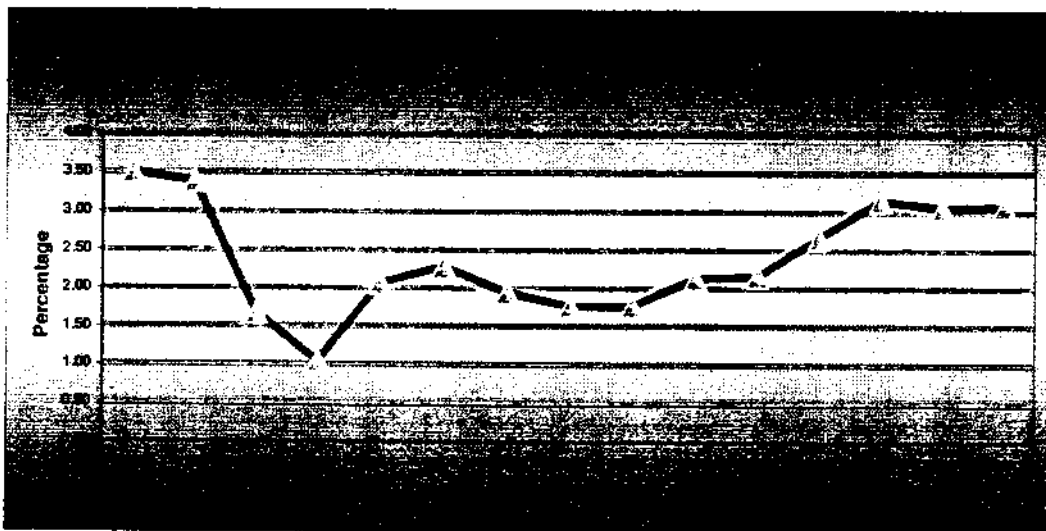




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over the years. This is mainly because of the volatility of net profit and not of total assets, as shown by the analysis of NBL's financial position in the previous section. One thing to note here is that NBL did not suffer a negative ROA since 1987, as the Bank had not encountered a loss during this period. The ROE of course does not show extreme figures, as NBL's equity also did not touch the negative line. But still, because of the non-static ratio between capital and total assets, the ROA seems more logical to consider.

The Net Interest Margin (NIM) is a very important ratio as far as banks are concerned. The NIM is a ratio that portrays the capability of a bank to be profitable. The profitability of a bank depends, to a large extent, on the difference between the interest paid on deposits and that earned on investments, which is measured by NIM. The operating cost of the bank then has to be satisfied from that interest difference. If the cost cannot be met, there is going to be loss. The interest differential is divided by the total earning assets of the bank. These earning assets are calculated by deducting assets that do not generate any revenue for the bank, like cash and fixed assets. The NIM of NBL had been dipping up to the year 1990, after which there had been a general trend upwards, even though the upward trend did not actually get moving before 1995. Recent NIM had been generally satisfactory.





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the bank management to disburse the loans among the soundest areas. A lower LR would mean lower risk, and hence, lower return. The LR of NBL, as presented in graphical form on the previous page, shows that it had been more or less stable between 1987 and 1993. There had been a decline in it since 1994, and this continued up to 1998. From 1999 onwards, the loan ratio has been showing an increasing trend. This probably shows an increasing preference of the bank's management to invest in higher risk ventures to earn higher return.

The Advance-Deposit Ratio (ADR) is a measurement that shows the utilisation of the overall deposit of the bank. The higher the ADR, the more the chances that the bank can earn a higher return to cover the costs of deposits. A low ADR might indicate towards the possibility of a low capacity of the bank to meet the operating costs. The ADR of NBL had been showing a more or less similar picture. It had been somewhat stable up to 1992 and there had been a decline up to 1998 and there has been an increase since 1999. The data of NBL's ADR had been presented in Table A07 and the accompanying graph in the appended part.

#### **Operating Efficiency:**

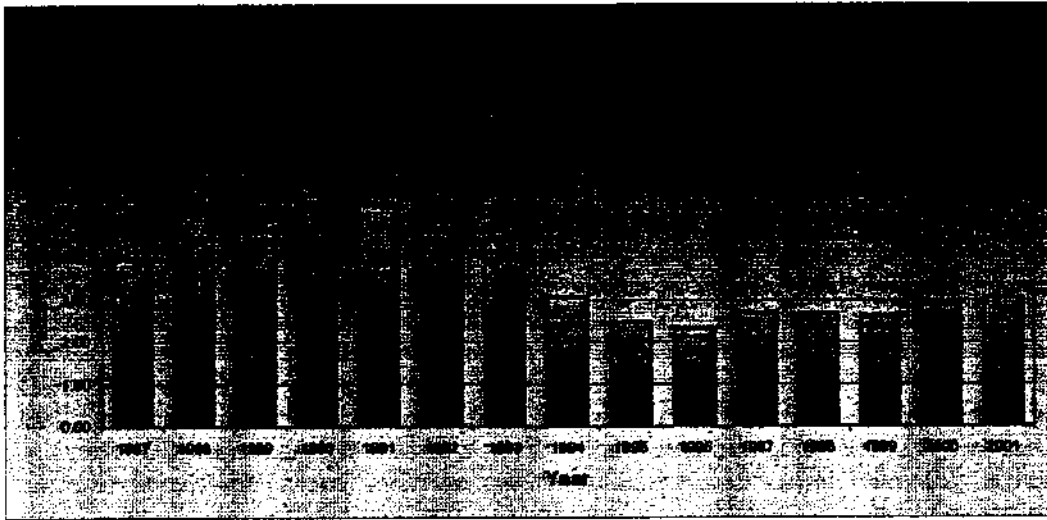
To find out how efficient the management of NBL is, analysis had been made of some costs of NBL along with the efficiency of the Bank's employees and branches in generating profit for the Bank. To perform this analysis, *Interest Expense (Interest Expense/Total Assets) Ratio*, *Wages and Salaries (Wages & Salaries / Total Assets) Ratio*, *Earnings Per Employee*, *Earnings Per Branch* and *Deposits Per Branch* had been used.

The Interest Expense (Interest Expense/Total Assets) Ratio (IER) is very important for a bank since the biggest expense a bank has to deal with is interest paid on the gathered funds. The more interest expense a bank has to bear, the tougher it becomes for the bank management to make profit. Total assets are used in the denominator as it represents the



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most stable of all the parameters of a bank. The IER of NBL shows some interesting things, as portrayed by the following chart. The IER shows a general trend towards



increase up to the year 1999. And then the trend is towards a lower position up till 1999. The interest cost had been increasing slowly since 1997. Although the cost does not seem too worrying for the time being, it can be a cause for concern in the years to come.

Wages and Salaries (Wages & Salaries / Total Assets) Ratio (WSR) is another important ratio that portrays the benefit package for the bank's employees in relation to the performance of the bank. The total assets of the bank have been used here again as denominator for its stability. A higher WSR would mean the employees are better paid, and at the same time, it would mean that the employees are not efficient enough in compiling a bigger asset base for the bank. NBL's WSR had been showing a decreasing trend up to 1995. But since then, the WSR has been on the increase, indicating towards higher pay and lower efficiency. The data of WSR has been presented in Table A08 and the accompanying chart in Appendix.

Earnings Per Employee (EPE) has been used in this analysis to find out how much profit each employee has been generating on average for the shareholders. A higher EPE would certainly mean that the employees are very efficient. NBL's EPE shows that it had been

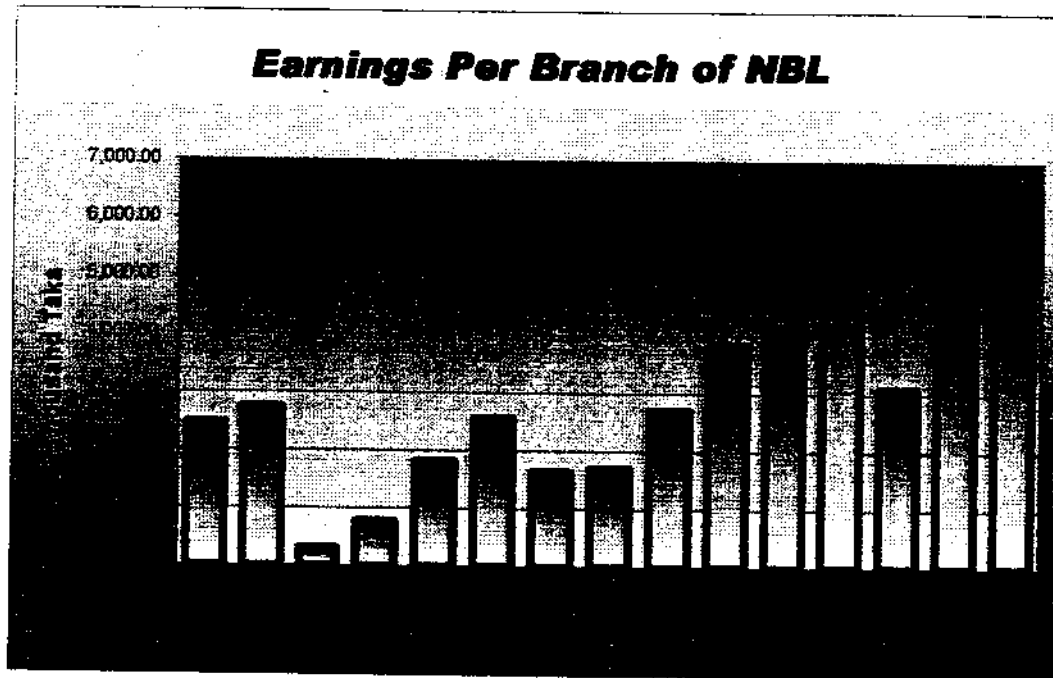




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generally volatile as a result of volatile profit. But it still shows a general movement towards increase since 1990. On the short term, there had been some fluctuations, but the longer term looks better for the Bank. The data of EPE is presented in Table A09 and the accompanying chart in the appended part.

Earnings Per Branch (EPB) has been used to figure out whether the bank's branch network had been profitable enough. Because of a relatively small number in the denominator, the ratio is more dependent on the net profit generated by the bank. The

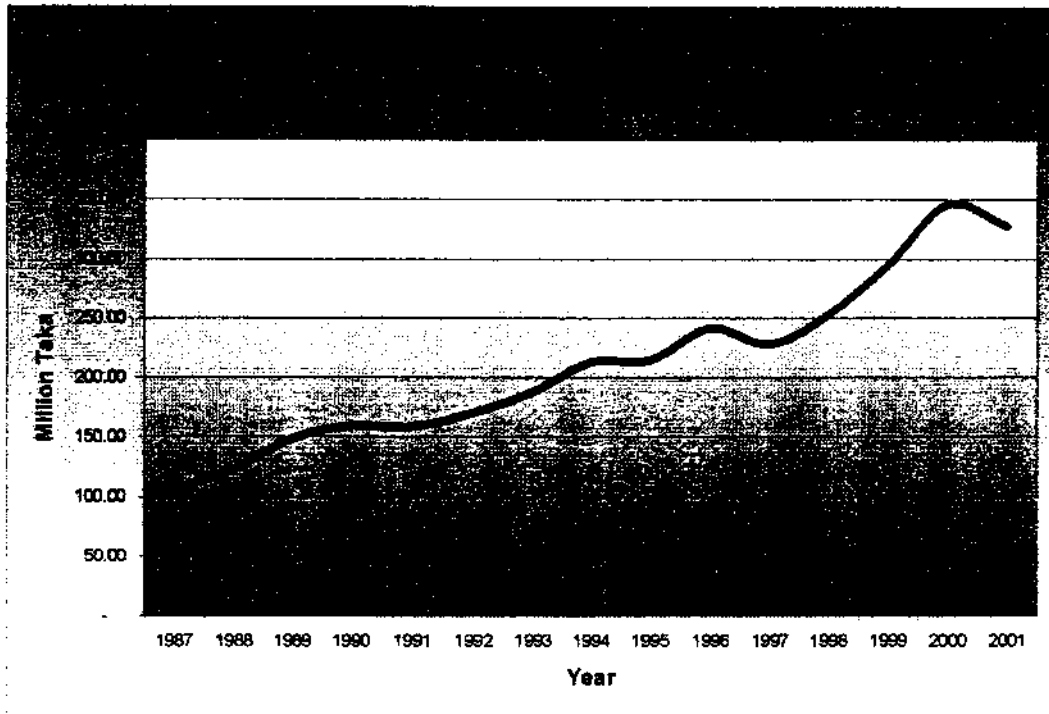


EPB of NBL, as graphically presented above, shows that it had been quite volatile. Even though there has been an increase in the number of branches, the EPB does not show a lower trend. In fact, even though it has been volatile, the EPB is a little better since 1995.

Deposits Per Branch (DPB) has been one of the success stories of NBL. This is a ratio used to determine whether the branch network had been sufficiently active in generating funds for the Bank. The number of branches certainly increased over the years, and as portrayed by the following chart, the deposits certainly increased. The branch network, it



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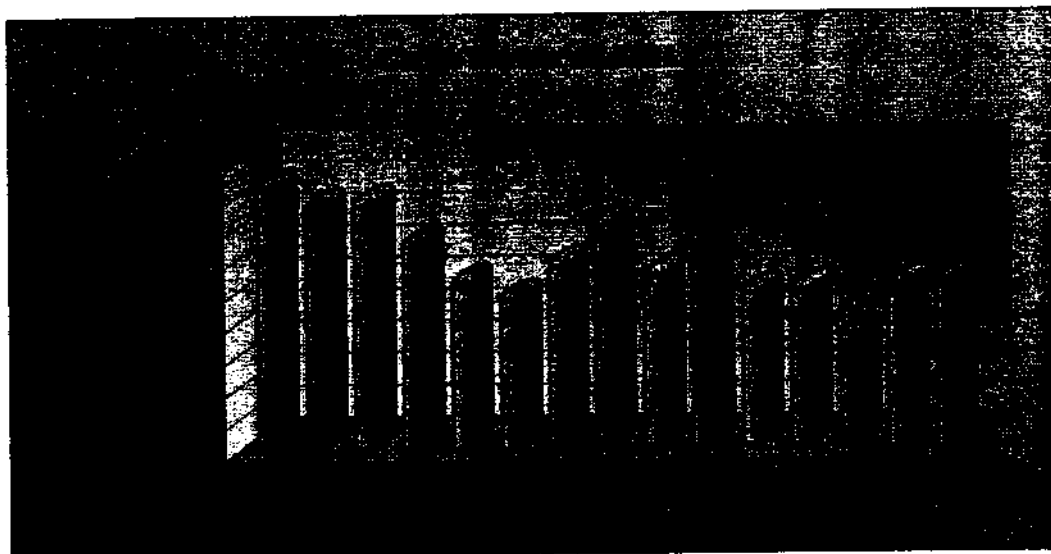
seems, had been highly successful in generating funds. But the alarming thing is that latest figure shows a downward trend. Unless this is addressed accordingly, the bank may find it tricky to handle the problem.

**Liquidity:**

Liquidity is a very important thing as far as banks are concerned. A bank must have enough cash in hand to satisfy any request for withdrawal of fund or to invest in a good sector as presented by opportunity. To measure liquidity of NBL, *Cash Ratio* and *Cash-Deposit Ratio* had been used. The Cash Ratio (CR) is a ratio that measures the amount of liquid assets the bank has as against total assets. The higher the CR, the lesser the liquidity risk. But a higher CR would also mean idle resources that earn no interest. This would, in turn, raise operating risks. So, as long as the bank is not under any liquidity pressure, an increase in CR is preferable, as this would help to reduce non-earning assets. The CR of NBL, as portrayed in the following chart, shows that there had been a decline



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since 1987. Although there have been some increases in the period between 1992 and 2001, the long-term CR has not increased.

The Cash-Deposit Ratio (CDR) has been used to determine how much liquidity the bank has to satisfy the liquidity needs of the depositors. As long as there is no unusual ratio between the deposits and total assets, the cash ratio and the cash-deposit ratio would be similar. If a bank relies on deposits more than any other sources to generate funds for investment, there is more likely to be a higher liquidity need. The CDR of NBL shows trends quite similar to the cash ratio. There had been a decline up to 1992, and then apart from some short-term increases, the CDR has not increased, rather it declined somewhat. The data of CDR has been presented in Table A11 and the accompanying chart in the appended part of this report.



## ***Competitive Analysis:***

If we go on analysing the performance of National Bank Limited from the perspective of only NBL, there are likely to be some blind spots. There would be some areas where it might seem a good prospect for the Bank, yet the position of the Bank in its immediate environment may not be that encouraging. For this reason, it is necessary to compare the performance of NBL with that of other banks.

### ***Selection Criteria for Competitors:***

There are now more than fifty banks operating in Bangladesh. Almost all of the banks are potential competitor of NBL. But there are some differences among the banks. Apart from the classification of private banks, foreign banks, etc., there are areas where private commercial banks differ. There are differences in their dates of establishment, asset size, number of branches, etc. Consideration had been given to these things while selecting the competitors. The selected competitors are Arab Bangladesh Bank Limited, United Commercial Bank Limited, IFIC Bank Limited and The City Bank Limited. The reasons for their selection are:

- i) All of these banks were established in the early 1980s.
- ii) These banks started operation with similar asset size.
- iii) These banks have established 50-80 branches.
- iv) These are the first generation private commercial banks of Bangladesh.

### ***The Profiles of Competitors:***

#### ***Arab Bangladesh Bank Limited:***

Arab Bangladesh Bank Limited started its journey from 12th April 1982. It incorporated in Dhaka on 31st December 1981. Mr. M. Matiul Islam and Mr. Hafizul Islam were the first Chairman and Managing Director respectively. The joint venture Bank started its function with the active participation of Dubai Bank Limited. Galadari brothers were the



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main shareholders. In 1986, the Union Bank of the Middle East Limited inherited the shares of Dubai Bank Limited and continued as shareholders till early part of 1987, when they decided to offload their investment in Bangladesh and concentrate their activities in the U.A.E. The shares held by them in the company were transferred to Group "A" shareholders i.e. Bangladeshi sponsors & shareholders. At present the authorised and paid up capital of the Bank are 800.00 million and 409.94 million respectively. The sponsors and general shareholders won 95% of the share capital of the Bank and 5% by the Government of the Peoples Republic of Bangladesh. During the last 20 years, Arab Bangladesh Bank Limited has 67 branches operating in different business centers of the country, one foreign branch in Mumbai and two Representative Office, one in London and the other in Yangon, Myanmar.

***The City Bank Limited:***

The City Bank Limited is one of the first private sector banks in Bangladesh. It was incorporated on 14th March 1983 and started operation on the 27th of that month with a branch at Bangabandhu Avenue. The initial authorised capital of the Bank was Tk. 400 million. Under the guidance of 12 prominent and leading businessmen of the country, the Bank began to grow. The company went public in 1987. It participated in the creation of Industrial Development and Leasing Company (IDLC) of Bangladesh Limited with International Finance Corporation (IFC), an affiliate of World Bank. To day the Bank serves its customers at home and abroad with 76 branches spread over the country and about 300 overseas connections. The City Bank Limited has already introduced some new Banking Products like Credit Card, ATM, and SWIFT etc, which created attraction among the clients. The Bank hopes to introduce Real Time On-line Integrated Banking System, with all modern delivery channels etc. in the near future. The City Bank Limited was one of the 12 Bangladeshi banks among the 500 banks in Asia for its Asset, Deposit & Profit as evaluated by Asia Week in the year 2000. Besides the Bank received 'Top Ten Company' award from the Prime Minister of The People's Republic of Bangladesh in the year 1992-93 which was declared by Securities and Exchange Commission.



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***International Finance Investment and Commerce Bank Limited:***

IFIC was one of the pioneers in the private banking sector of Bangladesh. After starting operation in 1983, the Bank has come a long way. Guided by the principles of dynamic leaders of the country's business sector, the bank developed innovative ideas in banking. The Bank's name made it imperative that the Bank concentrates on international business. This they did to a large extent. IFIC Bank Limited did export business worth Tk. 19,432 million and import business worth Tk. 17,410.30 million during the year 2001. It is one of the few banks of the country that has done more business in the export sector than the import sector. The Bank's other operations have not stood by either. IFIC Bank established its 53rd and 54th branches in January 2002. The total assets of the Bank stood at Tk. 27,258.69 million at the end of 2001. The total deposit of the Bank now stands at Tk. 17,281.27 million.

***United Commercial Bank Limited:***

Sponsored by 17 dynamic and reputed entrepreneurs and eminent industrialists of the country, UCBL was incorporated on June 26th 1983 and started operations on the 28th of that month. The Bank has since been able to establish the largest network of 80 branches among the first generation banks in the private sector. With its firm commitment to the economic development of the country, the Bank has already made a distinct mark in the realm of Private Sector Banking through personalised services, innovative practices, dynamic approach and efficient Management. The Bank, aiming to play a leading role in the economic activities of the country, is firmly engaged in the development of trade, commerce and industry through a creative credit policy. During the year 2001, UCBL posted an operating profit of Tk. 503 million. Its deposit base stood at Tk. 14,245.59 million and loans stood at Tk. 10,942 million. The Bank did foreign business worth Tk. 18,442.20 million during the year.



### ***Comparative Financial Position:***

If the performance of a bank is to be analysed, the analysis has to be based on financial data. And to get a clearer picture of the bank's position, its performance has to be compared with that of similar banks. The competitors as selected in the previous section of this report, share similarity, but their performances differ significantly, as would be shown by the following analysis of their financial position.

#### ***Total Assets: NBL Leads***

From the standpoint of total assets, National Bank Limited clearly leads the way. In fact, NBL was in the leading position from the '80s. The second position here is occupied by Arab Bangladesh Bank Limited. The difference between the assets of these two leading banks was a staggering Tk. 19,697.85 million! Thus, in terms of size, we can easily say that NBL now stands as the biggest of the first generation private banks. The data on total assets is presented in Table A17 and its accompanying chart in Appendix.

#### ***Total Deposits: NBL has the Largest Deposit***

When the total deposits are considered, NBL again surpasses everyone else. Up till 1998, IFIC Bank was close to NBL and there was not much to distinguish between the two. IFIC Bank's deposits dwindled for the last couple of years and that of Arab Bangladesh increased. This put Arab Bangladesh Bank in the second position behind NBL. But NBL had been able to create a difference of significant proportions during the last several years. The difference between the year 2001 deposit balance of NBL and Arab Bangladesh stood at a massive Tk. 5,136.31 million. These data are presented in Table A18 and its accompanying chart in Appendix.

#### ***Loans and Advances: NBL Takes Lead***

In the loan field too, NBL has a leadership. This position was contested by IFIC Bank up to the year 1998. But after that, NBL took a sharp increase and that put them far ahead of everyone. Even though IFIC also came back on the heels of NBL, the latter retained the



leadership position. Arab Bangladesh Bank is in the third position. These data are presented in Table A16 and the accompanying graph in Appendix.

### ***Shareholders' Equity: NBL Far Ahead of Others***

The capital base of NBL is again far bigger than others. The Bank held a neck-and-neck position with IFIC Bank up to 1993. But since then NBL is in undisputed territory. The second position of IFIC was lost to Arab Bangladesh in the year 2001. The difference between the year 2001 capital base of NBL and that of Arab Bangladesh Bank stood at Tk. 399.91 million. The difference is 34 percent of the capital base of Arab Bangladesh Bank! These data are presented in Table A19 and the accompanying graph in Appendix.

### ***Pre-tax Profit: Everyone has a Rough Ride***

The profit made by the competing banks had been quite volatile. The ups and downs had been quite heavy among all of the banks. But even within this turmoil, NBL has taken and so far kept the lead position from 1994 up to 2000. During the year 2001 NBL slipped from its position and Arab Bangladesh Bank took the lead. The lead is not significant, but the fact that they came to lead from third position really tells a story. These data are presented in Table A20 and the accompanying graph in Appendix.

### ***Net Interest Income: NBL has a Huge Lead***

This is yet another area where NBL is leading. NBL took the leading position during 1995. And since 1997, the lead has increased to a dramatic level. This clearly shows the earning potential of NBL's assets. The second position is disputed by IFIC, Arab Bangladesh and UCBL. With UCBL taking a back seat, Arab Bangladesh and IFIC compete for a second position. The year 2001 difference between the net interest income of NBL and that of Arab Bangladesh, which is now in second position, stood at Tk. 480.92 million, which is 57.33 percent of AB Bank's net interest income. These data are presented in Table A21 and the accompanying graph in Appendix.





### ***Foreign Exchange Business: NBL Leads***

This is no exception either. NBL leads the group in both export and import business. In the export business, NBL has the lead from the 1980s. Only during 1997 IFIC disputed NBL's lead position. The years 2000 and 2001 had been bad years for NBL in export business. There had been a sharp fall in 2000, which was slightly stabilised in 2001. For others, it was only the year 2001, which went somewhat badly. So, a big investment by NBL in the export sector now reducing the gap between NBL and others. The massive difference between the first and second positions are no longer there even though NBL still holds on to the lead position in export.

The import section is led by NBL. The difference here is again quite big. The ride has not been smooth for anyone since 1998. NBL suffered a big drop in import business since 1998. While NBL had a Tk. 9,796.50 million lead over the second position holder (IFIC) in 1998, it stood at Tk. 3,362.90 million in 2001. The gap is steadily shortening. It is significant that banks other than NBL have not suffered too big a fall in foreign exchange business in recent times. This is a big worry for NBL, as the investment of NBL in this business is quite big indeed. The data related to foreign exchange business are presented in Tables A22 and A23 and their accompanying graphs in Appendix.

### ***Branch Network and Workforce Size***

All the banks have been expanding their business and the most visible part of this expansion has been the branch network. UCBL has the largest number of branches up to the year 2002 (80). NBL is in second position after inaugurating their 76th branch in February 2002. In the workforce size, there is not a lot to write about. At the end of 2001, NBL had the largest workforce with 2,073 employees. UCBL was in second position. These data are presented in Tables A24 and A25 and their accompanying charts in Appendix.



### **Comparative Ratio Analysis:**

After the comparison among the banks in the sizes of some of their important parameters, it is now necessary to bring all the data down to one level to compare the performance of the banks. The ratios used here in this analysis has been presented in the Appendix part of this report. The ratios have been divided among various categories and the overall categories have been discussed here.

#### ***Profitability: Volatile for Everyone***

The profitability of the companies have been analysed with *Return on Equity (ROE)*, *Return on Assets (ROA)* and *Net Interest Margin (NIM)*. The ROE shows a tremendous volatility among all the banks. This is because of the volatility in net profit of the banks. The City Bank has been excluded from the ROE analysis because of the appearance of some erroneous figures as a result of negative equity and negative profit for some years. The ROA looks a more favourable option to judge profitability. In terms of ROA, it again becomes quite difficult to judge performance. The volatility in net profit makes it difficult to put any bank in any position. But in terms of NIM, it is possible to make a judgement of some sort. Even though the NIM is almost as volatile as ROE and ROA, there still is an indication that UCBL has a lead. However volatile the profit had been, UCBL's NIM never came to a second place since 1992. The second place is disputed by NBL, AB Bank, IFIC and The City Bank. Whatever the case, the profitability does not make any of the banks more preferable to the rest. All the data related to ROE, ROA and NIM have been presented in Tables A26, A27 and A28 and their accompanying charts.

#### ***Capital Risk: NBL has Higher Risk***

To judge capital risk of the banks, *Equity Multiplier (EM)* has been used. A higher EM represents a higher risk. The City Bank has been omitted from this analysis because of its negative equity for some years. For the rest, it is a volatile picture. Up to about 1990-91, the general trend is upwards. And from then on, all the banks have been reducing their EM. This means that all the banks have become conscious of their capital risk over the



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last decade. Since 1999, though, NBL has the highest EM (30.99) with IFIC in distant second position (26.49). From this point, of course, NBL has a higher capital risk. All of these data are presented in Table A29 the accompanying chart in Appendix.

***Asset Quality: NBL has Comparatively Lesser Risky Assets***

To measure asset quality, the *Loan Ratio (LR)* and the *Advance-Deposit Ratio (ADR)* have been used. The LR does not show any bank in a clear lead for most of the last decade or so. But this began to change since 1998. The banks, most of them, began to raise their loan ratio from then on. This created a clear difference among the banks, with NBL having a very low LR. IFIC has the highest LR with 61.42 percent, while NBL has the lowest with only 41.45 percent. The difference of almost 20 percentage points is quite significant. But this does not count much for NBL since they already have the biggest loan portfolio from 1998 onwards. ADR, on the other hand, shows that NBL has had the highest ratio for quite a few years. This shows that NBL's loan portfolio is relatively larger compared to deposits than total assets. The conclusion is that NBL is relying more on non-deposit sources for financing than other banks. That is, NBL has been relying comparatively heavily on liabilities other than deposits. This again becomes less significant as NBL easily has the biggest deposit balance. In conclusion, it can be said that compared to others, NBL has been relying less on loans to earn interest. But they also have been relying less on deposits compared to others to gather funds. All the data related to LR and ADR have been presented in Tables A31 and A32 and their accompanying charts.

***Operating Efficiency: NBL Keeping Efficiency***

To measure operating efficiency, *Interest Expense (Interest Expense/Total Assets) Ratio*, *Wages and Salaries (Wages & Salaries / Total Assets) Ratio*, *Earnings Per Employee*, *Earnings Per Branch* and *Deposits Per Branch* has been used. The Interest Expense Ratio (IER) shows that there has been a general trend towards lower IER from 1990 up to 1996. This began to change from then on to a higher position. But this



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increase has not been too big. The most significant fact here is that NBL has a very low IER, showing excellent efficiency in debt management. This is probably because of the fact that NBL gets its deposits at a lower cost and also that it depends comparatively less on deposits for its funds. The IER for NBL was 3.05 percent for the year 2001 and only 2.88 percent for the year 2000. UCBL, on the other hand, had an IER of 3.67 in 2000. This is a difference of more about 0.74 percentage points. If converted to a percentage of the IER of NBL, we can say that NBL's IER for the year 2000 was 25 percent better than that of UCBL (in second position) in the year 2000. This good position may not remain so if the current increase in IER continues. The NBL management has to be careful to keep the current good position. All of these data are presented in Table A30 the accompanying chart in Appendix.

Wages and Salaries (Wages & Salaries / Total Assets) Ratio (WSR) has been showing that the workforce of NBL had been more successful than others in generating more assets for the bank. This leading position went to AB Bank in the year 2000. But it still is good. The general trend is towards a higher WSR in the near future. Probably the efficiency of NBL management has declined somewhat in recent years. All of these data are presented in Table A33 the accompanying chart in Appendix.

Earnings Per Employee (EPE) has been used to find out how much profit a bank makes compared to the number of employees. This ratio shows that NBL had had a leading position despite volatile net profit. This lead went to AB Bank in the year 2000. The profitability of NBL has to improve if they want to regain their previous position. All of these data are presented in Table A34 the accompanying chart in Appendix.

Earnings Per Branch (EPB) is another ratio that shows similar pattern to the earnings per employee. The lead of NBL has been snatched by AB Bank in the year 2000. But still, the position is good enough. All of these data are presented in Table A37 the accompanying chart in Appendix.



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The Deposits Per Branch (DPB) ratio shows that NBL had been in the second position for most of the years. But NBL took the lead from IFIC in the year 2000. This lead of course came down somewhat in the year 2001. If this downward trend continues, there are chances that NBL would not be able to keep a lead. The general direction of DPB is towards increase. All the banks had been able to gather more funds through their branch network. NBL's story here is satisfactory enough. All of these data are presented in Table A38 the accompanying chart in Appendix.

***Liquidity: NBL has Higher Liquidity Risk***

The liquidity position of the banks has been analysed using *Cash Ratio* and *Cash-Deposit Ratio*. The Cash Ratio (CR) shows a high volatility among all of the banks. But even within this volatility, NBL is clearly in the bottom position since 1996. This position of NBL is in fact, a lot further away from its competitors. Its CR in the year 2001 was 19.96 percent, whereas, that of The City Bank (in second position) was 29.41. This indicates a higher liquidity risk for NBL. The Cash Deposit Ratio (CDR) shows a similar trend. The CDR also shows NBL in the lowest position. So, it can be concluded that NBL has a liquidity risk, which is much higher than others. All of these data are presented in Tables A35 and A36 and their accompanying charts in Appendix.



## **SWOT Analysis of NBL:**

### **Strengths:**

#### ***1. Long-standing reputation***

National Bank Limited is one of the first generation private banks in the country. As a bank of early reputation, there is a tremendous respect for the bank and its services in the market. The bank started its journey at a time when the nationalised commercial banks (NCB) dominated the banking arena. Once they were able to win the hearts of the customers through their superior service, there was no turning back. Even though the banking sector depends heavily on public confidence, the reputation created by NBL over the years had been enough to create a good customer base for the bank. And now this customer base speaks for itself, as there is a certain amount of confidence placed on the banks and its management by the customers.

#### ***2. Long experience in banking***

The experience of the bankers at National Bank Limited is something to say about. To manage a banking company efficiently, there is a big need for experience. Banking business is necessarily a business of managing risks. And the more experience a management would have in managing these risks, the more better would be the performance of the bank. And naturally this high performance would bring in high confidence on the bank among the customers.

#### ***3. Widespread branch network***

A well-spread branch network is a necessity for retail banking in Bangladesh. To reach the widest number of customers and to get a geographical diversification, there is a need for a good branch network. As an early bank in the private sector, NBL had to enter into an unfair competition with the NCBs. The already huge number of in-place branches of



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these NCBs posed a huge challenge for the management of NBL. But with the help of superior service and gradual increase in competence the Bank was able to build up a name for itself. The branch network acted as a big marketing platform for the Bank. The network spread the name of the Bank at the remotest parts of the country when people were not aware of any bank other than the private banks. Now with 76 branches, NBL holds one of the biggest branch bases among the private commercial banks of the country. The reach of the Bank had been widened more than ever before. Having access to the funds of the people living in various areas of the country gives the Bank a certain amount of advantage over the banks that started operation only recently. This is an advantage that needs some time to build up.

#### ***4. Big asset base***

The big asset base of National Bank Limited, which had been developed over the years, is a big strength for NBL. The bank is always capable of disbursing big loans and their asset base makes them out of reach of recent government regulations on disbursing large loans. The asset base, along with the Bank's big capital base puts the bank in a strong position financially, which would help NBL in times of economic crisis.

#### ***5. Affiliation with Western Union Money Transfer***

National Bank Limited had had a tremendous success with its affiliation with the Western Union Money Transfer System. This worldwide network of remittance transfer is something of a novelty and represents the edge of banking efficiency. The tremendous speed of the service provided under this affiliation allows NBL to post a certain degree of advantage over its competitors. Because of this, there is no other bank in the country that can provide remittance transfer service within such a short time. The expatriates Bangladeshis and their families had been using this service for some time now. Their satisfaction with the service is the reason why they keep their faith on NBL. This service also brings in a lot of customers who do not have an account with NBL. Thus the service



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also plays the important part of publicising the bank. There had been a lot of records of the Bank getting new clients through this service.

#### ***6. Introduction of NBL MasterCard***

With the introduction of MasterCard, National Bank Limited entered a new era in consumer banking. The services of the Bank reached a new height and the reputation of the Bank took a new turn. The high-end customers had now entered the sector of influence of NBL. The convenience of the customers had increased dramatically with this service. The categories of the MasterCard have also helped the customers to choose the particular service they require for themselves. From the now on NBL would be able to compete directly with the foreign commercial banks that have operations in the country and a substantial base for their credit card services. Entering this customer base is likely to give NBL access to a new source of revenue as well as opportunity to find out even newer ways of earning. The margin of profit is also quite high for this service, so it is for most part, a better option to invest in.

#### ***7. SWIFT providing fast communication facilities***

National Bank Limited had been using this service for some time now and has already made a name in this business. The speed and convenience of the service put it at the forefront of technological edge of banking. The service offered to the various departments of NBL and to other clients have helped the Bank to find a good source of revenue as well as building a reputation as a provider of high-tech services. It helps to build a name for the Bank as well as to improve the services of other departments.

#### ***8. Innovativeness of the Bank's management***

The management of Prime Bank always try to put innovative ideas into effect. They constantly focus on understanding and anticipating customer needs. As the banking scenario undergoes changes so is the bank and it repositions itself in the changed market condition. The company recruited bankers with a high degree of expertise and a proven





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track record. This itself was enough to get the company going. And once the initial difficulty was averted, there was no turning back. The superior service made the bank a symbol of successful banking. The newer and better services of the bank made the customers not just happy, but in a lot of cases, ecstatic.

#### ***9. Quality service***

Whereas most other banks in the country only cared making the maximum amount of profit in the shortest possible time, National Bank Limited made sure that the customer confidence becomes the prime driving force for the company. The newer and better services of the bank made the customers not just happy, but in a lot of cases, ecstatic. This is especially true because of the fact that when the Bank started operation, there were only NCBs all around and the confidence of the people stood with them. It was only the quality of service that helped NBL to create a competitive advantage.

#### ***10. Successful operation of NBL Training Institute***

The National Bank Limited Training Institute was set up with the aim to build up a strong and skilled workforce. The institute is located at the Shyamoli area of the capital. The new entrants to the Banks had had a good introduction with the banking practices of NBL here. They become aware of the corporate culture as well as the goal that drives everyone in the company. During the year 2000, the institute organised four training courses on basic foundation of banking, international trade finance, and foreign exchange and lending risk analysis, which were participated by over a hundred participants. The institute also conducted seven workshops where a total of 245 participants attended. Apart from the senior executives of the bank, eminent educationists and professionals were invited as guest speakers.

#### ***11. Highly successful foreign exchange business***

Over the years, foreign trade operations of the Bank played a pivotal role in its overall business development. The Bank has established relationship with as many as 110 new



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foreign correspondents abroad thereby raising the total number of correspondents to 350. During the year 2001, the bank did export business worth Tk. 22,071.00 million and import business worth Tk. 20,773.20 million. The financing the export sector by the Bank has gone a long way over the years to drive economic growth in the country. Export financing is a highly risky business, yet the NBL management was committed to the development of this sector no matter the cost. This service has in fact been one of the best revenue earners for the Bank.

***12. Introduction of E-Cash Card***

National Bank Limited introduced E-Cash Card service in joint venture with five other banks. This venture is going give the customers of NBL and those of others a new horizon in banking service. The Card would allow the holders to withdraw cash from ATM. This operation is not allowed for a Credit Card, which can only allow the customer to buy things from shops. The holders of E-Cash Cards can withdraw cash, pay their telephone and utility bills, and check their account balances.

***13. Sponsoring sporting events***

National Bank Limited had been keen to sponsor sporting events, which go a long way to popularise the Bank in front of current and potential customers of the Bank. The most recent such sponsoring effort is the National Bank Premier Division Football League. It is a very successful venture of NBL.



## **Weaknesses:**

### ***1. Classified loans***

The high percentage of classified loans had been a tremendous problem for National Bank Limited over the years. This has made the Bank suffer from a loss of big investments as well as losing a portion of profits. Although the percentage of classified loans has decreased over the years, there still is a big portion reeling under the satisfactory level. The efforts of the Bank management had been directed at reducing the amount of bad loans. This effort has paid dividends so far, but there is lot more to be done before the Bank can declare itself free of the clutches of classified loans.

### ***2. The branches are not fully computerised***

Even though the branch network of National Bank Limited has been developed quite well, there is one deficiency that the Bank management has not solved as yet. Almost all branches of NBL have some computerised processes, but not all of them are. The efficiency of the computer over the manual work is known to virtually everyone. The time saved in the computerised system cannot be measured. The chances of mistakes also come down significantly if a manual system is replaced by a computer system. Even the branches of Dhaka are sometimes less than adequately equipped with computers. This situation is not good for the Bank, as the newer banks coming up have been employing the latest technologies from the very start. These banks are slowly but surely proving their superiority over the traditional banks with lesser computerisation.

### ***3. Lack of a company website***

This is the age of Internet and the people judge a company from the technological point of view. Technology improves the services of a company and it also improves the image. And in case of a bank, the image is almost as important as anything else. Most big companies now-a-days prefer to have an identity on the Internet. This provides the



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customer base with that sort of demand on service. The example that can be provided is the special banking service introduced for women by Al Baraka Bank Bangladesh Limited.

***7. Less importance given to decoration***

The branches of a bank is not just an outlet for doing business, they are marketing tools of some sort. Their image is very important as far as the bank is concerned. As the service of a bank is not visible, the branches play a big part to show off the face of the service. This makes it imperative for the branches of a bank to attract the attention of the customers. National Bank Limited's branches seem to be neglecting this side of their service. While almost all the other banks are investing in the decoration of their branches to exert a dynamic image, NBL management seems to be in no hurry whatsoever. As the market becomes more and more competitive, the decoration is going to play a bigger part in providing competitive advantages.



## **Opportunities:**

### ***1. The middle class customer base is growing***

There is a big opportunity for the banks of Bangladesh to expand their business through catering to the needs of the middle class people of the country. This specific group of people are well educated and usually have the habit of saving money. Banks like National Bank Limited can use such opportunity to expand their business.

### ***2. People living in foreign countries are sending remittances at an increasing rate***

There are a lot of Bangladeshis living abroad and work there. These people send a large amount of remittances to the country using illegal routes. They try to avoid the legal channels as a result of their slow and cumbersome service. National Bank Limited can use their excellent networks to cater to the services of these people.

### ***3. New government rules restricting the growth of newer banks***

The new rules imposed by the government in recent times have severely regulated the activities of newer, smaller banks. These banks are banks of high performance and they have been posing a big threat to National Bank Limited. New rules like withdrawing government funds from newer banks, disallowing use of foreign currency in cash reserve ratio, restricting the limits for big loans, etc. have hurt the newer banks more than the older ones like NBL. The coming rules are going to hurt these banks even harder. This is an opportunity for NBL to take their place as a bank of high performance.

### ***4. Opportunity to enter into strategic alliances with other successful business organisations***

There were other banks entering into strategic alliances with other business organisations to circulate the use of their service. These services are helping both sides of the deal. The



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increased use of the service make the companies' revenue grow and make the service even more acceptable for the customers. One such example would be the strategic alliance between Standard Chartered Grindlays and Malaysia Airlines. National Bank Limited can also utilise such kinds of deals.

***5. Opportunity to use the bank's branch network to reach a bigger customer base***

National Bank Limited has already built a branch network that spreads throughout the country. This network has made the bank able to find and cater to the needs of a more varied and diversified customer base. The service requirement and the quality requirement is not the same for all the regions of the country. Thus there is likely to be a different kind of customer base in any new area where the bank opens its branch. Such diversification would be able to reduce the risk of NBL.

***6. New government rules restricting illegal remittance collection***

There are a lot of Bangladeshis living abroad and work there. These people send a large amount of remittances to the country using illegal routes. They try to avoid the legal channels as a result of their slow and cumbersome service. The government has introduced new rules that would make it difficult for the illegal channels to make money out of remittance business. These businesses would henceforth go to the commercial banks of the country. National Bank Limited can use their excellent networks to cater to the services of these people.



## **Threats:**

### ***1. New banks have come up***

Bangladesh is now a country of banks. The Bangladeshi banking sector has been getting new entrants literally every day. The current number of banks operating in the country stands at 51. Of these, 4 are nationalised commercial banks, 5 are specialised commercial banks, 12 are foreign banks, 26 are local private commercial banks, and 4 are Islamic banks. Such growing number of banks is presenting a formidable threat to a first generation private commercial bank like NBL.

### ***2. Adverse international economic situation***

The international economic condition is not in the best of places. The biggest economy in the world, the United States, is suffering from recession. This country alone made a lot of other economies survive. The very size of this country's economy and the close involvement of American businesses all other world has made the other countries suffer too. Bangladesh is no different; and the Bangladeshi businesses having transactions with the US have suffered. These sufferings have been transferred to the banking sector that play the intermediary in such international transactions. The garments sector, the biggest export product of our country, has its biggest market in the US. This market has been shrinking alarmingly. So, foreign exchange business, which is a significant earner of revenue for the banks, is shrinking rapidly.

### ***3. Other private banks introducing new services***

There are many other banks in the country that are struggling hard to make them heard all over the country. These banks are now desperately introducing newer services to compete with the older banks like National Bank Limited. These competing banks are making the job of management at NBL very difficult. The newer high performance banks have



started the competition, and now even the older banks are introducing radical new services, which carry tremendous threat for NBL.

#### ***4. Competing banks increasing the number of branches***

The competitors of National Bank Limited had been hard on the heels. There had been a large expansion effort undertaken by many banks in recent times. These expansion measures are making NBL management work hard for their establishment. Wherever there is an established NBL branch, there is at least one other bank starting their operations.

#### ***5. Government pressure on commercial banks to reduce lending rate***

The international economic condition as well as the poor state of the local economy has made the government take steps that are making the operations of local banks difficult. The profitability of the local banks may be in question. The government at this point is introducing new rules including the reduction of landing rate at commercial banks. The new rules are likely make the banks suffer further.

#### ***6. Others banks improving quality of loans***

National Bank Limited had been struggling to reduce the percentage of classified loans. Although the percentage has decreased somewhat, there still is a long way ahead for NBL. But NBL cannot come ahead on many by improving the quality of their loans, as a lot of banks facing bad loan problems are entering into deals to recover the loans. The latest such deal had been between IFIC Bank Limited and two agents: M/S The People's Development Services Corporation Limited and M/S Idris Bhuiyan & Associates.

#### ***7. Use of high technology by many competing banks***

The high-tech operations at NBL are not that much spread out. There are a lot NBL branches that do not have sufficient computerisation. Other competing banks are rapidly computerising their branches. Many banks are using, buying, or developing high-quality





banking software to make their operations more efficient. Thus NBL is slowing finding it hard to stay neck and neck with others.

### ***8. Introduction of ReadyCash service by other banks***

The ReadyCash introduced by other banks came as a big threat for National Bank Limited. This new venture has the potential to grab a big share of the market for credit cards. The recently introduced ReadyCash service by Sonali Bank enables the cardholder to make cashless purchases and pay utility bills such as water, telephone, and gas avail themselves of online banking facilities from participating branches of the bank.

### ***9. Competing banks reducing fees on remittance***

National Bank Limited has entered the remittance collection business to serve the people living abroad and sending money to their loved ones at home. This business of the bank is now under threat from other banks that are willing to encourage remittance collection by reducing fees. The latest such effort came from Agrani Bank, which decided to drop all collection charges on remittance money except postage and telex charges.

### ***10. Introduction of any bank service by other banks***

National Bank Limited does not have the advantage of its own online banking service, which enables the customers of the bank to conduct transactions from any branches of the bank. But other banks have been prompt at introducing such services. The most recent entrants into this arena are Bank Asia Limited and Dhaka Bank Limited.



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## ***Recommended Plan of Action:***

After analysing all the pros and cons of National Bank Limited, it becomes necessary to devise a plan of action that the company management might consider to keep the company running in good shape during the unpredictable and turbulent economic environment of the recent future. The plan of action should contain the following points:

### ***1. Reduce the percentage of classified loans***

The high percentage of classified loans had been a tremendous problem for National Bank Limited over the years. This has made the Bank suffer from a loss of big investments as well as losing a portion of profits. Although the percentage of classified loans has decreased over the years, there still is a big portion reeling under the satisfactory level. The efforts of the Bank management had been directed at reducing the amount of bad loans. This effort has paid dividends so far, but there is lot more to be done before the Bank can declare itself free of the clutches of classified loans. To reduce the percentage of classified loans, the Bank can take the following measures:

#### ***A) Sign deals with management firms to recover bad loans***

Although the percentage of classified loans at NBL has decreased somewhat, there still is a long way ahead for NBL. But NBL cannot come ahead on many by improving the quality of their loans, as a lot of banks facing bad loan problems are entering into deals to recover the loans. The latest such deal had been between IFIC Bank Limited and two agents: M/S The People's Development Services Corporation Limited and M/S Idris Bhuiyan & Associates. NBL management can resort to such measures to recover loans.

#### ***B) Provide incentives to employees for recovering bad loans***

Just like the action taken at nationalised commercial banks (NCB) National Bank Limited can provide incentives to the employees of branches for recovering bad loans. Recently at



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NCBs it has been declared that employees, if they can recover classified loans, would get 6 percent of bad loans, 4 percent of doubtful loans and 1 percent of sub-standard loans if they can recover so. This seems to be a good act to follow.

## **2. Reduce dependence on foreign exchange business**

The international economic condition is not in the best of places. The biggest economy in the world, the United States, is suffering from recession. This country alone made a lot of other economies survive. The very size of this country's economy and the close involvement of American businesses all other world has made the other countries suffer too. Bangladesh is no different; and the Bangladeshi businesses having transactions with the US have suffered. These sufferings have been transferred to the banking sector that play the intermediary in such international transactions. The garments sector, the biggest export product of out country, has its biggest market in the US. This market has been shrinking alarmingly. So, foreign exchange business, which is a significant earner of revenue for the banks, is shrinking rapidly. NBL now needs to reduce dependence on foreign exchange business, which will stand the company in good stead.

## **3. Form strategic alliance with other organisations**

There were other banks entering into strategic alliances with other business organisations to circulate the use of their service. These services are helping both sides of the deal. The increased use of the service make the companies' revenue grow and make the service even more acceptable for the customers. One such example would be the strategic alliance between Standard Chartered Grindlays and Malaysia Airlines. National Bank Limited can also utilise such kinds of deals. The opportunity is there for NBL to form such strategic alliances with other partners to increase new horizons in business for NBL. Such a deal can help both sides of the contract and at the same time, improve service and thereby further satisfy customers.



#### **4. Introduce new services to cater to the needs of specific niche markets**

National Bank Limited had not devised any plan to serve a specific niche market with needs for special treatment. There are some other banks that are making efforts to capture a specific market by catering to their special needs. Prime Bank thus is about to lose the customer base with that sort of demand on service. The example that can be provided is the special banking service introduced for women by Al Baraka Bank Bangladesh Limited. If NBL can start such service to cater to the niche markets, there is every chance that NBL would be able to improve its revenue earning and at the same time, improve its own image.

#### **5. Management has to act more dynamically**

The management of National Bank Limited has brought the company a long way no doubt, but there been a sort of slowdown on their part in recent times. Actually the changing circumstances in the banking sector demands banks to be more innovative and conscious of their surroundings. The management of NBL is one of traditional nature. There still is some resistance to changes. To plan and implement these changes, the management needs to be more dynamic; but unfortunately, NBL seems to be lacking in this field for the moment. To compete in the highly competitive environment of today, NBL management needs to be more dynamic and flexible to act according to the needs of the market.

#### **6. Make the branches fully computerised**

Even though the branch network of National Bank Limited has been developed quite well, there is one deficiency that the Bank management has not solved as yet. Almost all branches of NBL have some computerised processes, but not all of them are. The efficiency of the computer over the manual work is known to virtually everyone. The time saved in the computerised system cannot be measured. The chances of mistakes also



come down significantly if a manual system is replaced by a computer system. Even the branches of Dhaka are sometimes less than adequately equipped with computers. This situation is not good for the Bank, as the newer banks coming up have been employing the latest technologies from the very start. These banks are slowly but surely proving their superiority over the traditional banks with lesser computerisation. To survive in such competitive environment, NBL needs to fully computerise its branches.

### **7. Start a company website**

This is the age of Internet and the people judge a company from the technological point of view. Technology improves the services of a company and it also improves the image. And in case of a bank, the image is almost as important as anything else. Most big companies now-a-days prefer to have an identity on the Internet. This provides the company with an identity that has a global reach. This helps a bank when the bank is engaged in international business. In international business, a good reputation is the most important thing. A website goes a long way to show off this reputation and becomes almost impossible to display the same amount of reputation in any other way. National Bank Limited still does not have a website, while many other banks in the country already possess websites. This also displays somewhat reluctance on the part of the Bank management to rely on technology to spread its identity. Even if a website does not bring revenue for NBL, it will help to put NBL in the world stage and secure its position as a bank of real quality.

### **8. Improve decorations of branches**

The branches of a bank is not just an outlet for doing business, they are marketing tools of some sort. Their image is very important as far as the bank is concerned. As the service of a bank is not visible, the branches play a big part to show off the face of the service. This makes it imperative for the branches of a bank to attract the attention of the customers. National Bank Limited's branches seem to be neglecting this side of their service. While almost all the other banks are investing in the decoration of their branches



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to exert a dynamic image, NBL management seems to be in no hurry whatsoever. As the market becomes more and more competitive, the decoration is going to play a bigger part in providing competitive advantages. So, to attract more customers and to put the Bank at the forefront of banking service, better decoration is a must for NBL.

### **9. Offer gifts on special occasions**

Whereas most other banks in the country only cared making the maximum amount of profit in the shortest possible time, National Bank Limited made sure that the customer confidence becomes the prime driving force for the company. The newer and better services of the bank made the customers not just happy, but in a lot of cases, ecstatic. The management made sure that their eyes and ears were kept open and there were no new things developing in the country's financial arena without being unknown to the bank management. The management was thus always able to provide services that were better than that of its competitors. The services of National Bank Limited are well known to everyone because of their quality, and this quality comes as a result of real care by the management and workforce of the bank to create a long-term relationship with the customers. This effort can be improved by ventures like sending gifts and other items to their valued customers on special occasions. These efforts should get more emphasis in the near future to distinguish their services from that of its competitors.

### **10. Give more emphasis on remittance business**

There are a lot of Bangladeshis living abroad and work there. These people send a large amount of remittances to the country using illegal routes. They try to avoid the legal channels as a result of their slow and cumbersome service. National Bank Limited can use their excellent networks to cater to the services of these people. The already in-place remittance business of NBL can be improved to earn more revenue from this business.



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### **11. Keep liquidity at optimum level**

The liquidity of National Bank Limited seems a little lower than the selected group. This may become a cause for concern unless attention is given to it. So, the management of NBL should lift the liquidity of the Bank to a slightly higher level so that there is no real difference between NBL and others in terms of liquid assets. At a time of adverse economic condition, a good liquidity position can only help the Bank.

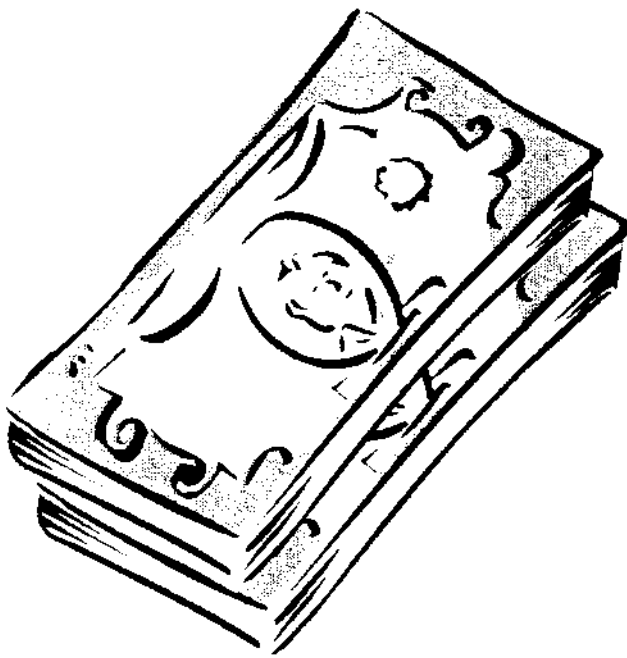


## ***Conclusion:***

In the end, it cannot be said with a hundred percent authority where the economy would go, or where National Bank would go. But the unpredictability of NBL can be reduced somewhat if the recommended plan of action is followed. The Bank does not have to deal with all of them or even they can plan more and even devise newer ideas. Whatever they opt for, it can be said with much certainty that in the upcoming days, when the economy of the country and the world as a whole is likely to be even more volatile, a specific plan of action, along with a flexible and dynamic leadership would be a must for a first generation private bank like NBL to survive. Only wish and hope may not be enough for anyone at a time when survival of the fittest is going to be the order of the day.



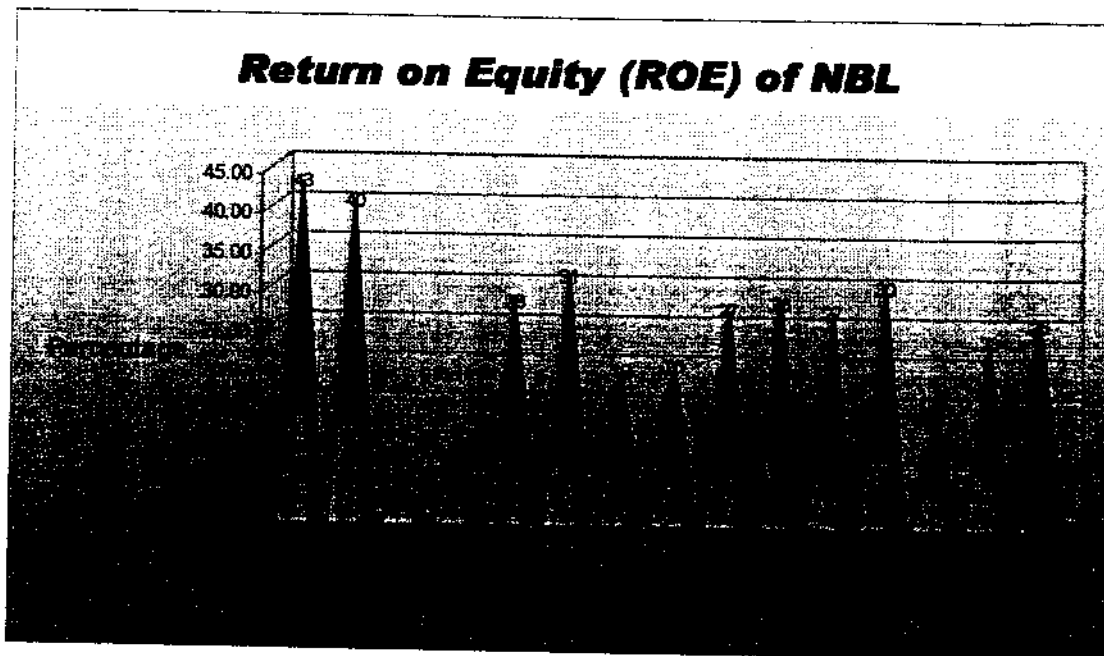
# Appendix





Understanding and Overcoming Adverse Economic Condition at National Bank Limited

**Graphical Presentation of Ratio Analysis of NBL:**



*Table A01: Return on Equity of NBL (in percentage)*

	1987	1988	1989	1990	1991
					32
1992	1993	1994	1995	1996	1997
28	27	27	27	27	27
1998	1999	2000	2001		
27	27	27	25.47		



Understanding and Overcoming Adverse Economic Condition at National Bank Limited

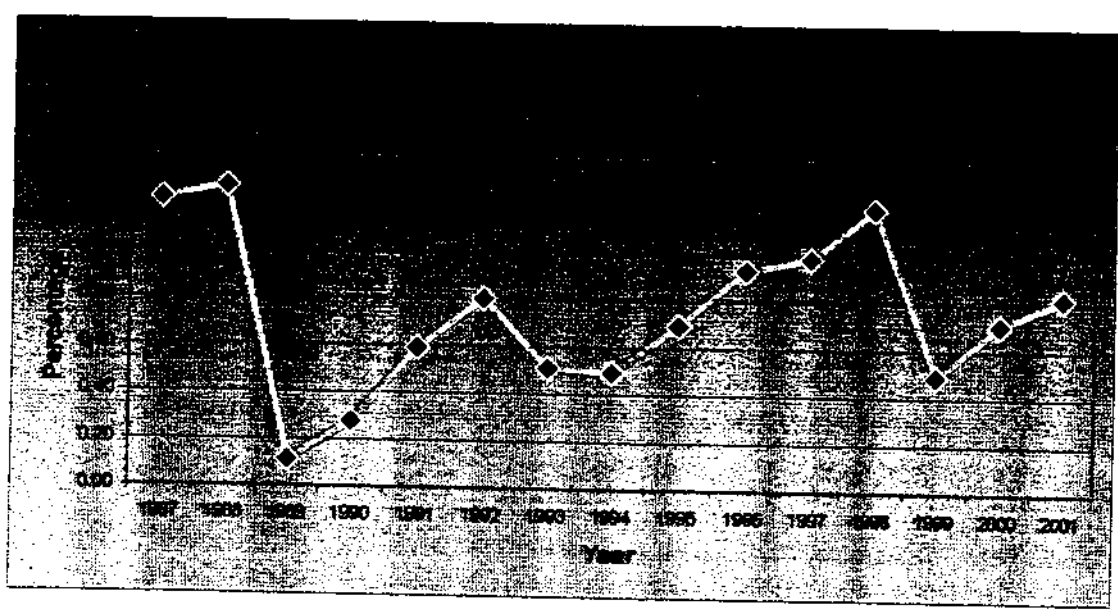


Table A02: Return on Assets of NBL (in percentage)

	1987	1988	1989	1990	1991	
Return on Assets	0.18	0.18	0.05	0.08	0.12	
	1992	1993	1994	1995	1996	1997
	0.15	0.12	0.11	0.13	0.15	0.16
	1998	1999	2000	2001		
	0.18	0.11	0.14	0.16		



Understanding and Overcoming Adverse Economic Condition at National Bank Limited

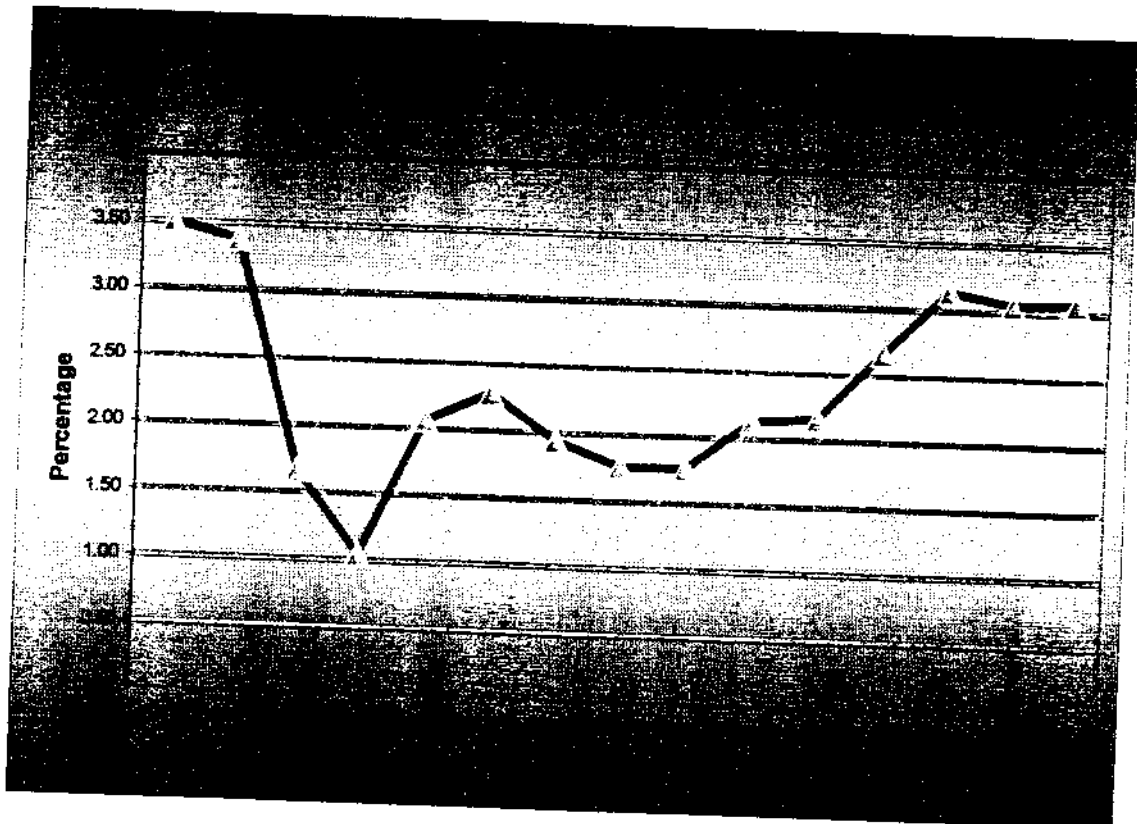


Table A03: Net Interest Margin of NBL (in percentage)

	1987	1988	1989	1990	1991
Net Interest Margin	3.4	1.6	1.0	1.9	2.2
1992	1993	1994	1995	1996	1997
	3.0	3.1	3.2	3.3	3.4
1998	1999	2000	2001		
	3.6	3.7	3.8	3.9	

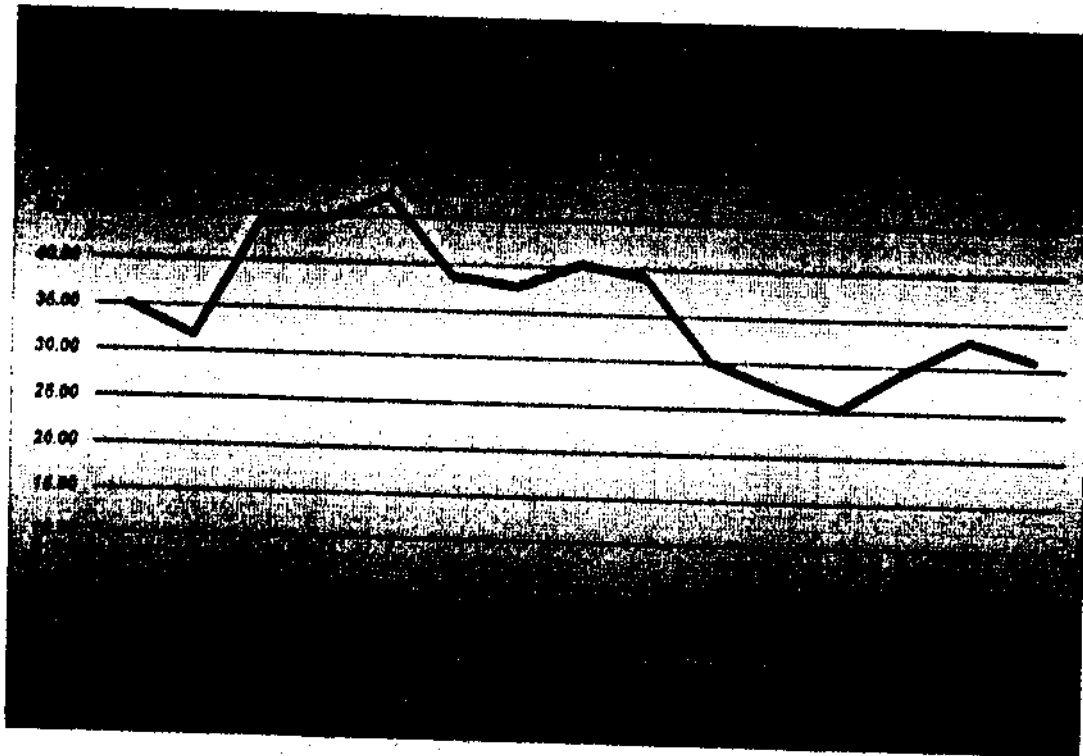


Table A04: Equity Multiplier (Asset / Equity) of NBL (in percentage)

	1987	1988	1989	1990	1991
1992	1993	1994	1995	1996	1997
1998	1999	2000	2001		

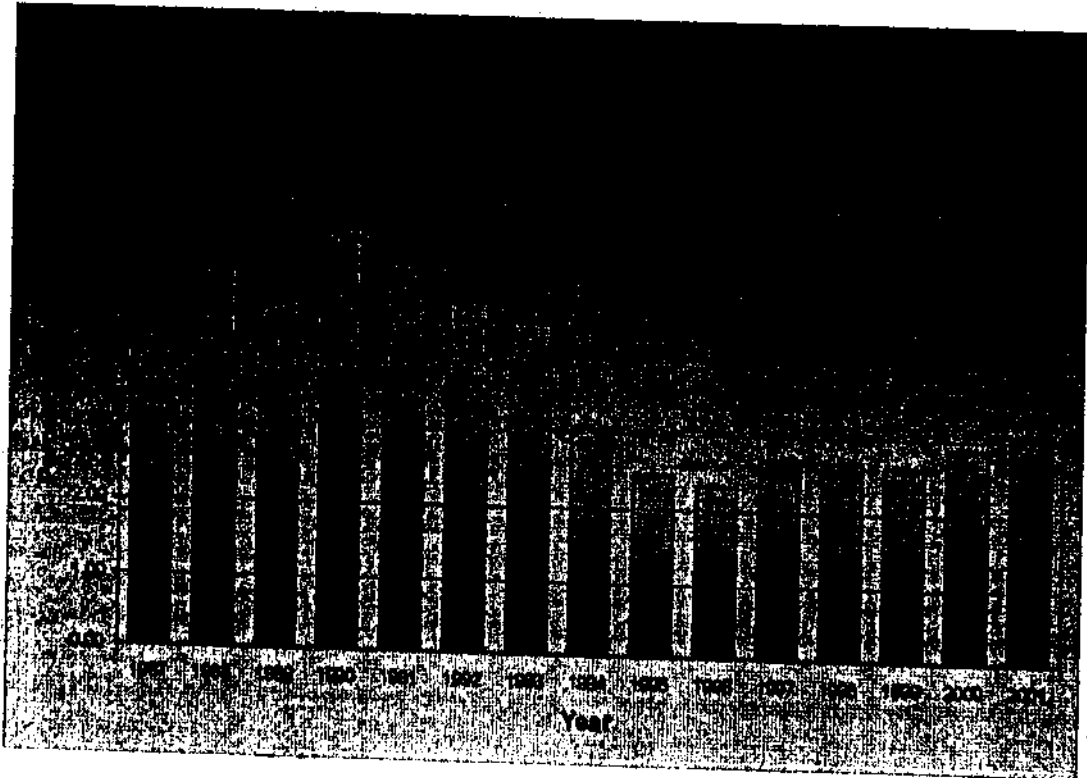


Table A05: Interest Expense (Interest Expense/Total Assets) of NBL (in percentage)

						1987	1988	1989	1990
1991	1992	1993	1994	1995	1996				
1997	1998	1999	2000	2001					

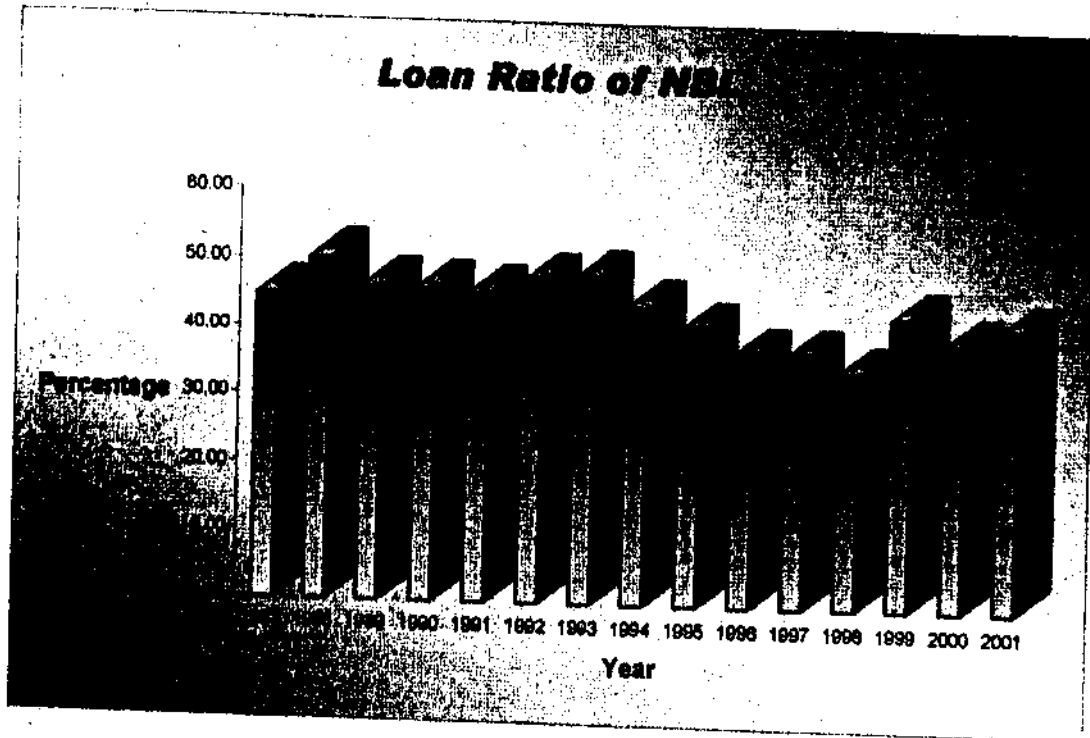
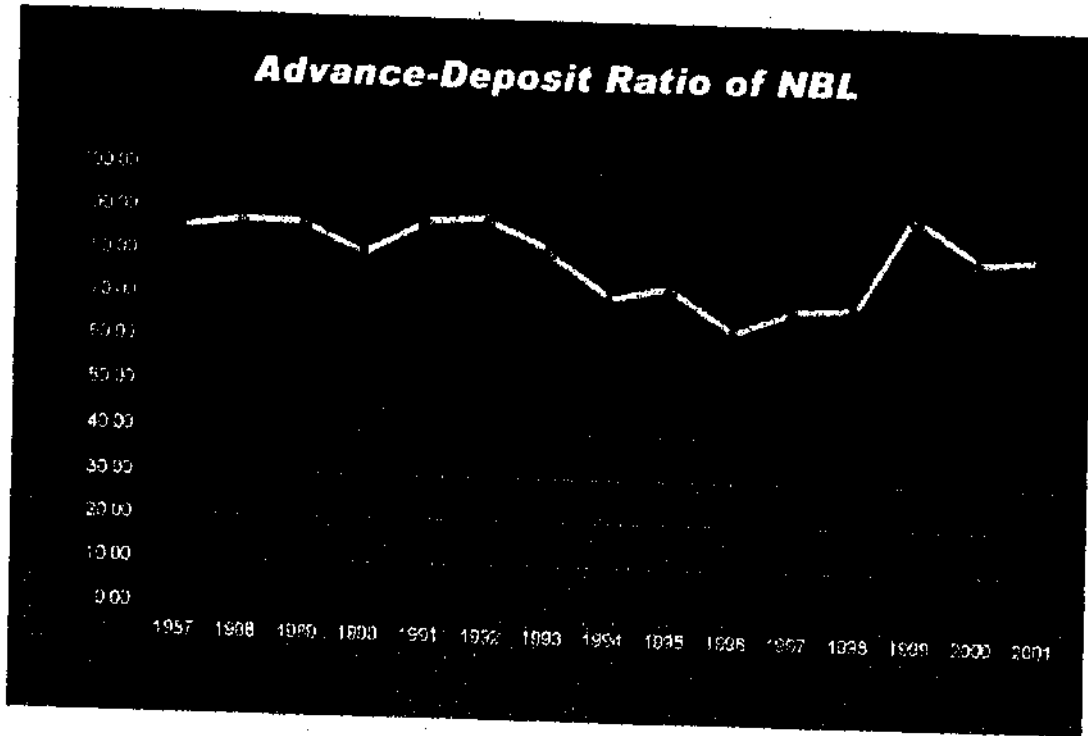


Table A06: Loan Ratio of NBL (in percentage)

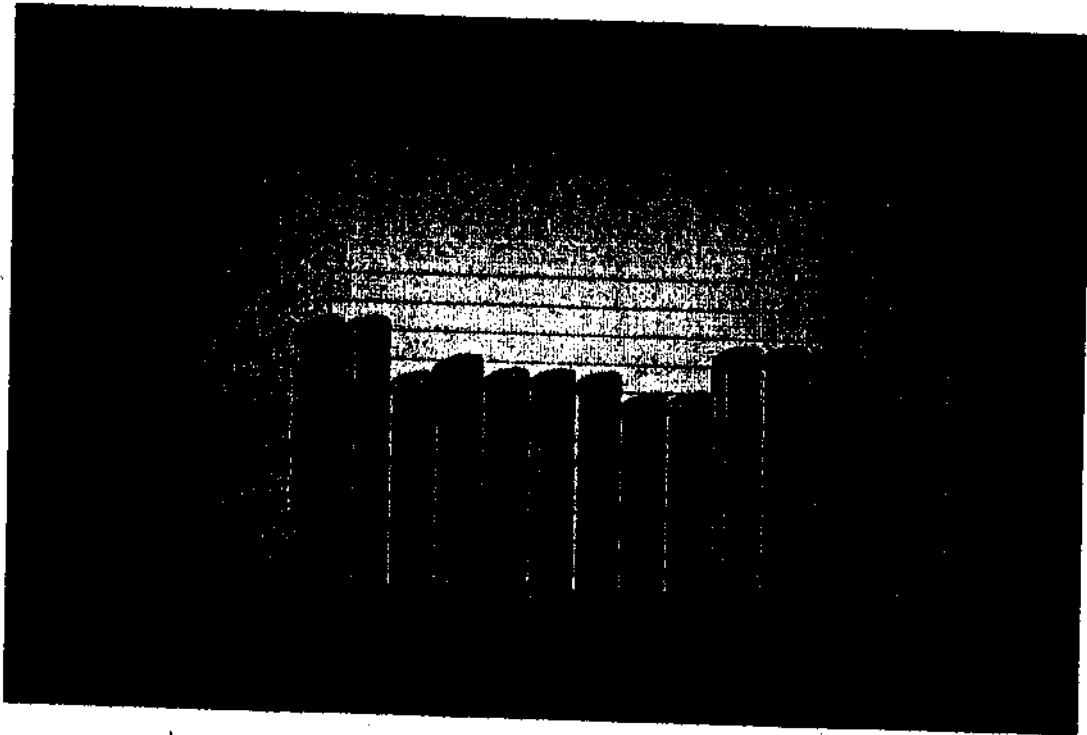
				1987	1988	1989	1990		
				1991	1992	1993	1994	1995	1996
				1997	1998	1999	2000	2001	



**Table A07: Advance-Deposit Ratio of NBL (In percentage)**

	1987	1988	1989	1990	
1991	1992	1993	1994	1995	1996
1997	1998	1999	2000	2001	





*Table A08: Wages and Salaries Expense (Wages & Salaries Expense / Total Assets) of NBL (in percentage)*

	1987	1988	1989	1990	
1991	1992	1993	1994	1995	1996
1997	1998	1999	2000	2001	



Understanding and Overcoming Adverse Economic Condition at National Bank Limited

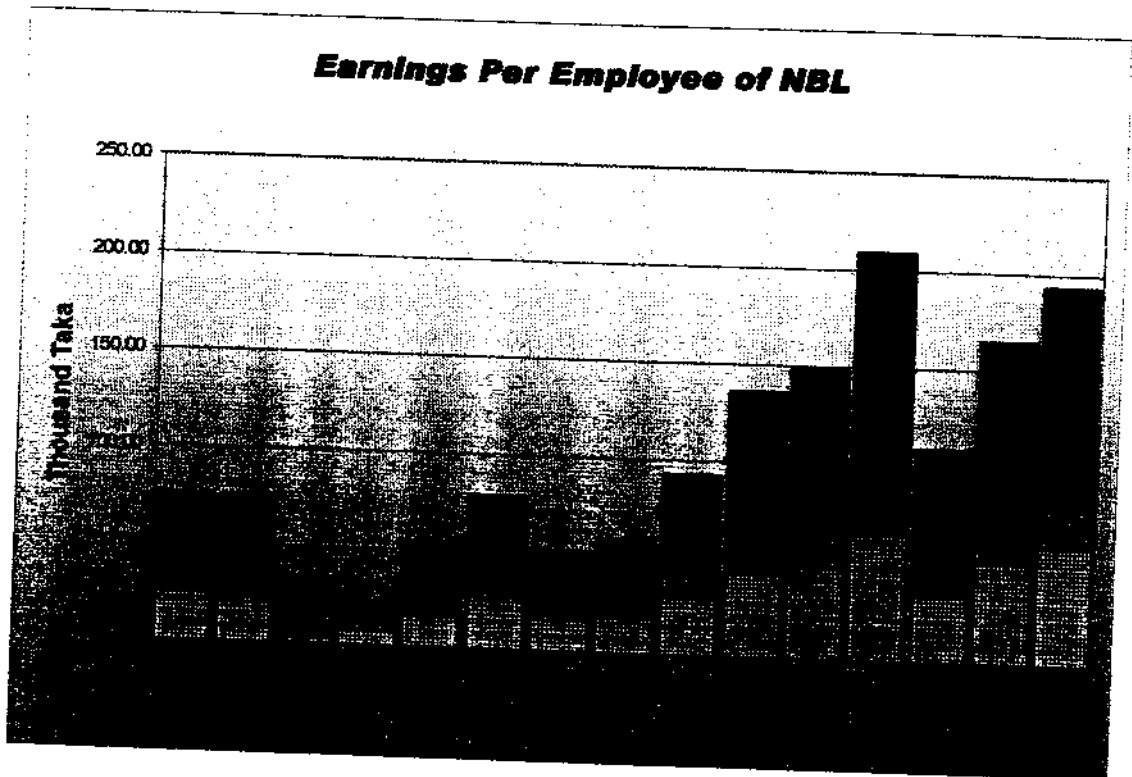


Table A09: Earnings Per Employee of NBL (in thousand Taka)

	1987	1988	1989	1990	
1991	1992	1993	1994	1995	1996
1997	1998	1999	2000	2001	

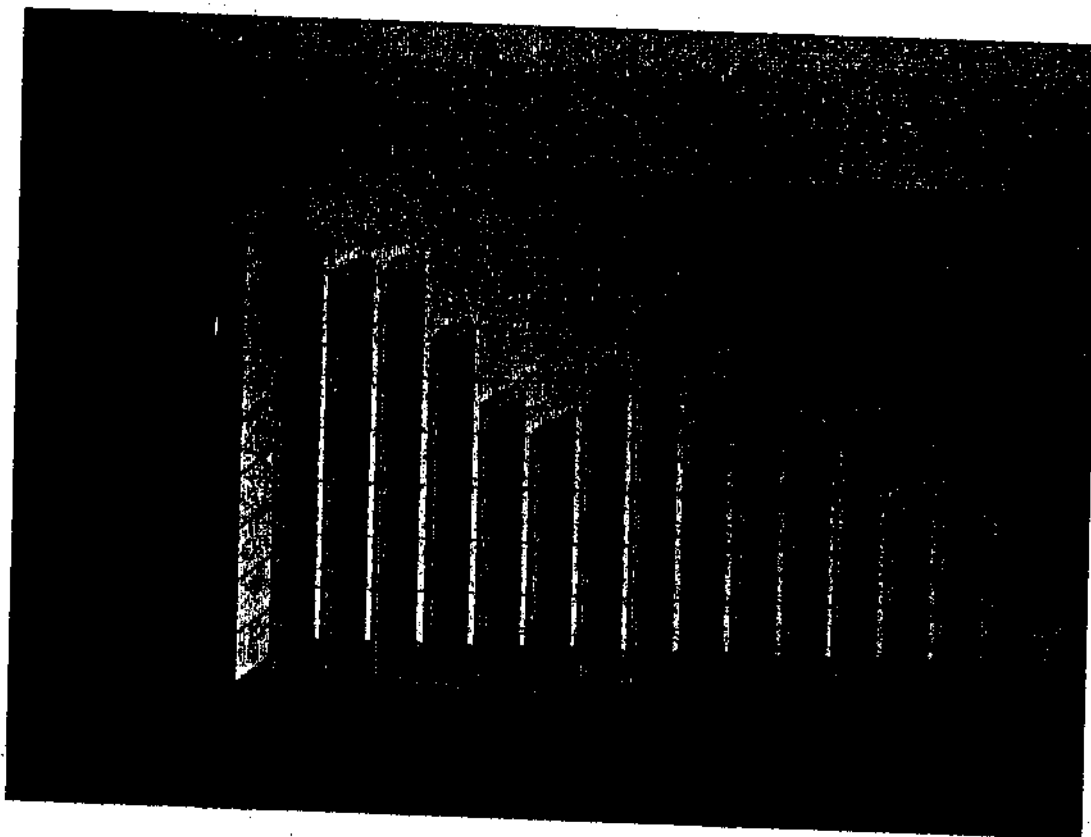


Table A10: Cash Ratio of NBL (in percentage)

	1987	1988	1989	1990	
1991	1992	1993	1994	1995	1996
1997	1998	1999	2000	2001	



Understanding and Overcoming Adverse Economic Condition at National Bank Limited

### Cash-Deposit Ratio of NBL

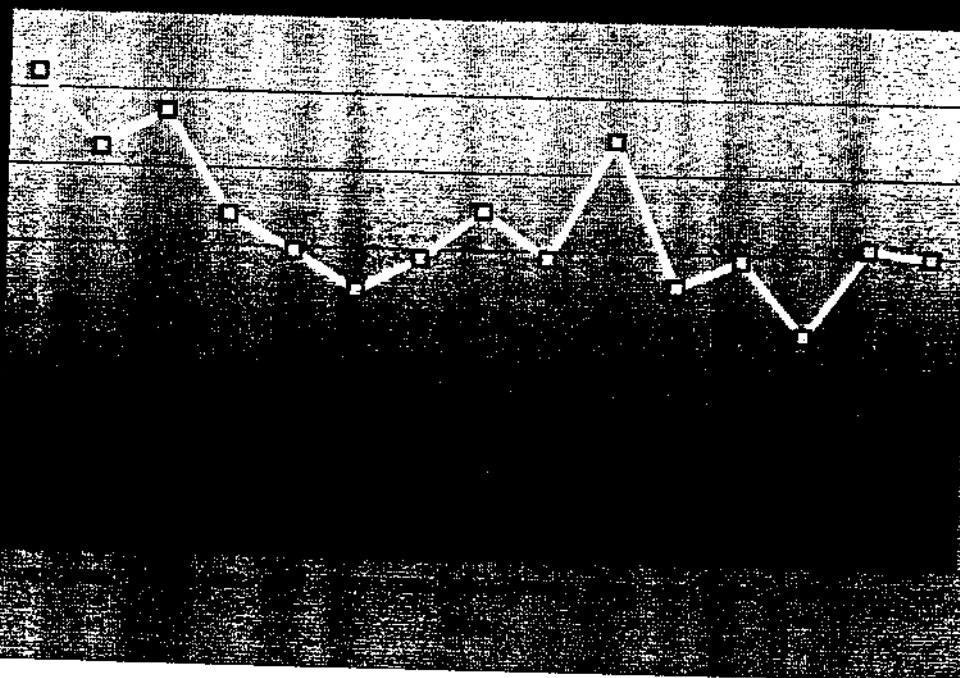


Table A11: Cash-Deposit Ratio of NBL (in percentage)

	1987	1988	1989	1990	
Cash-Deposit Ratio	21.99	22.50	18.50	17.50	
1991	1992	1993	1994	1995	1996
	19.50	18.50	17.50	18.50	19.50
1997	1998	1999	2000	2001	
	17.50	18.50	19.50	18.50	



### Earnings Per Branch of NBL

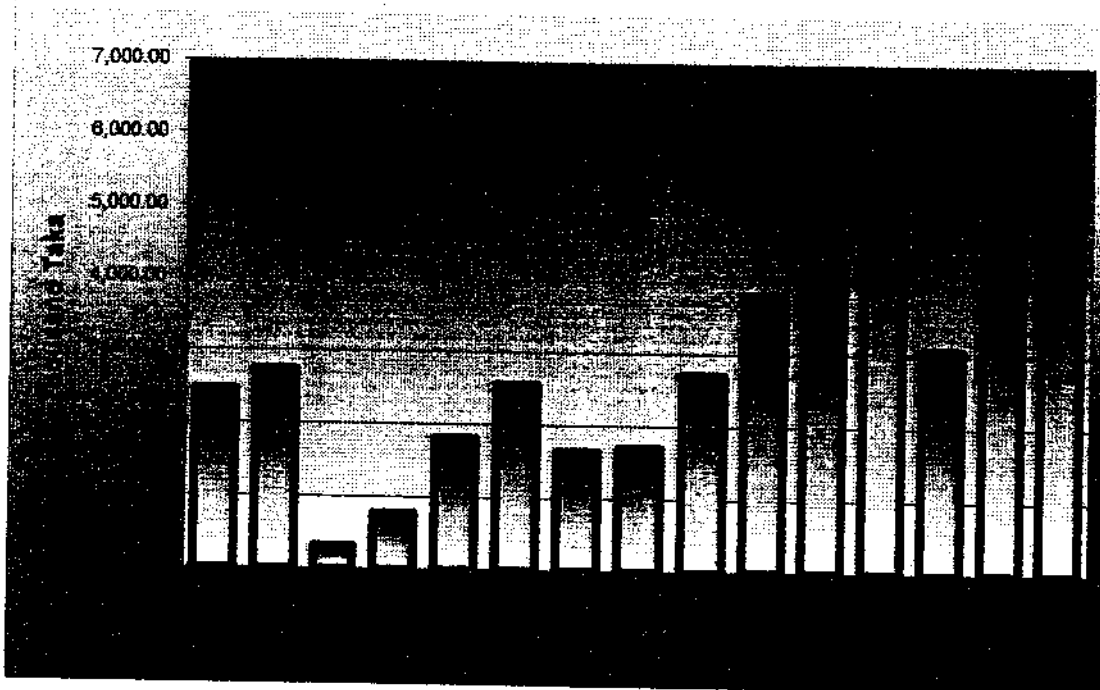


Table A12: Earnings Per Branch of NBL (in thousand Taka)

	1987	1988	1989	1990		
Earnings	1,150	2,200	2,500	2,800		
1991	1992	1993	1994	1995	1996	
Earnings	2,800	1,000	1,200	2,800	2,200	2,200
1997	1998	1999	2000	2001		
Earnings	3,200	4,200	4,200	5,200	4,200	



Understanding and Overcoming Adverse Economic Condition at National Bank Limited

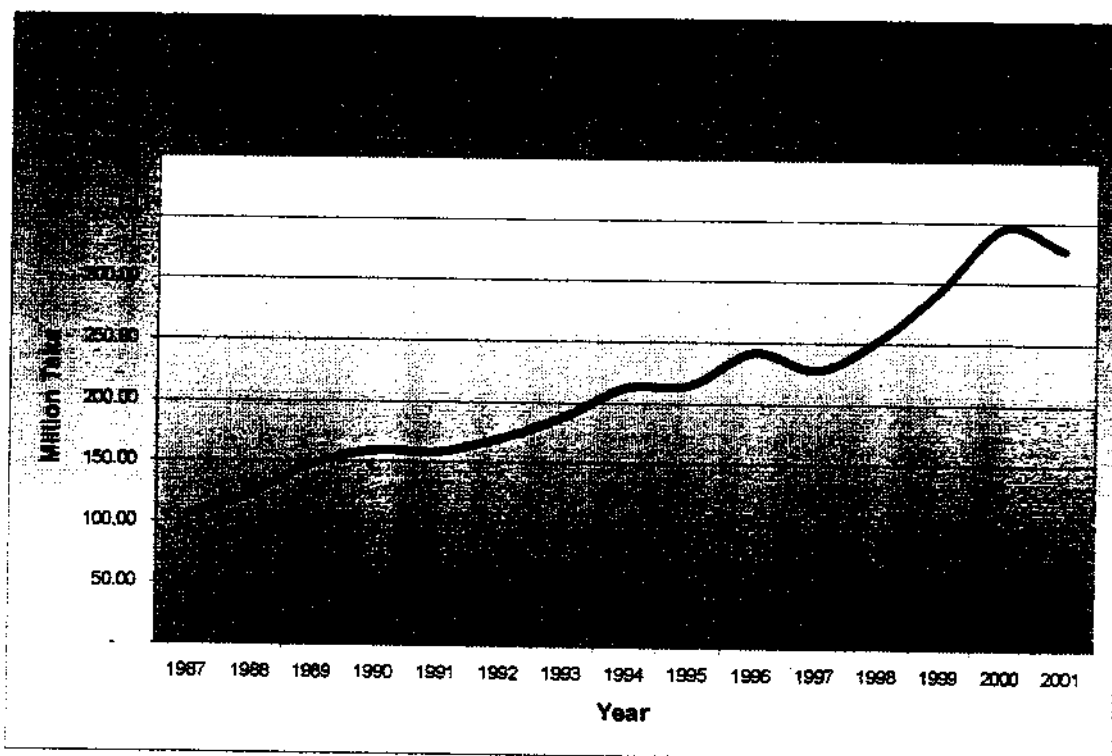


Table A13: Deposits Per Branch of NBL (in million Taka)

	1987	1988	1989	1990	
1991	1992	1993	1994	1995	1996
1997	1998	1999	2000	2001	

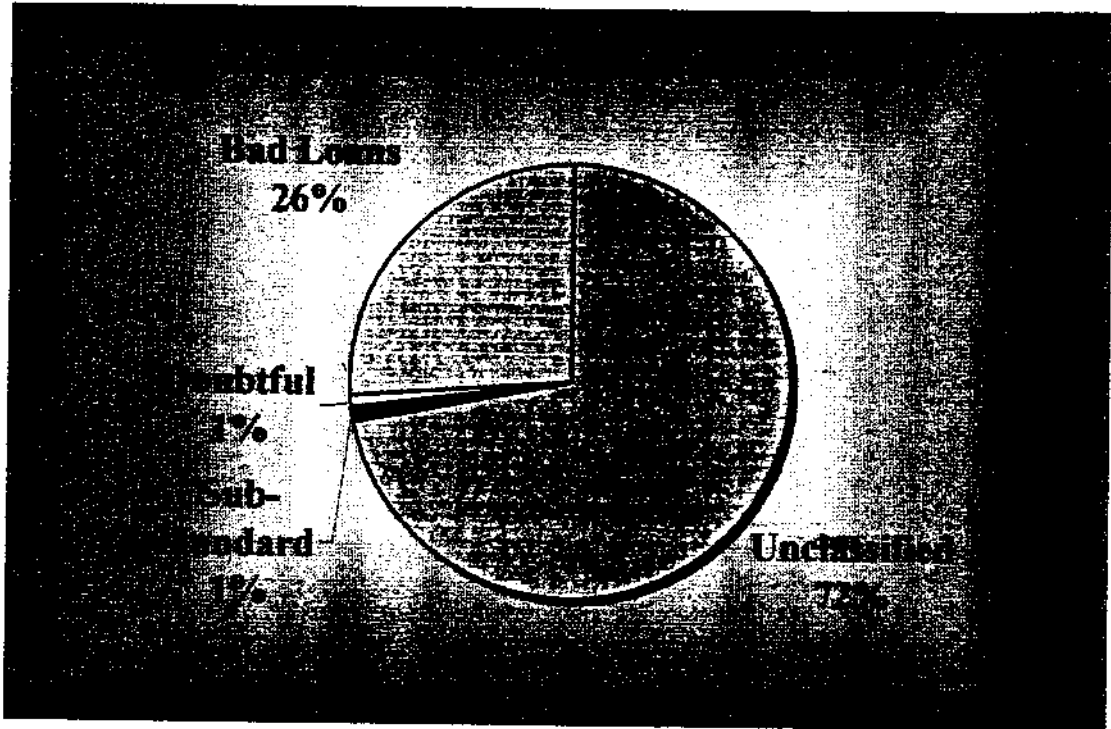


Table A14: Loan Classification of NBL: 2001



Understanding and Overcoming Adverse Economic Condition at National Bank Limited

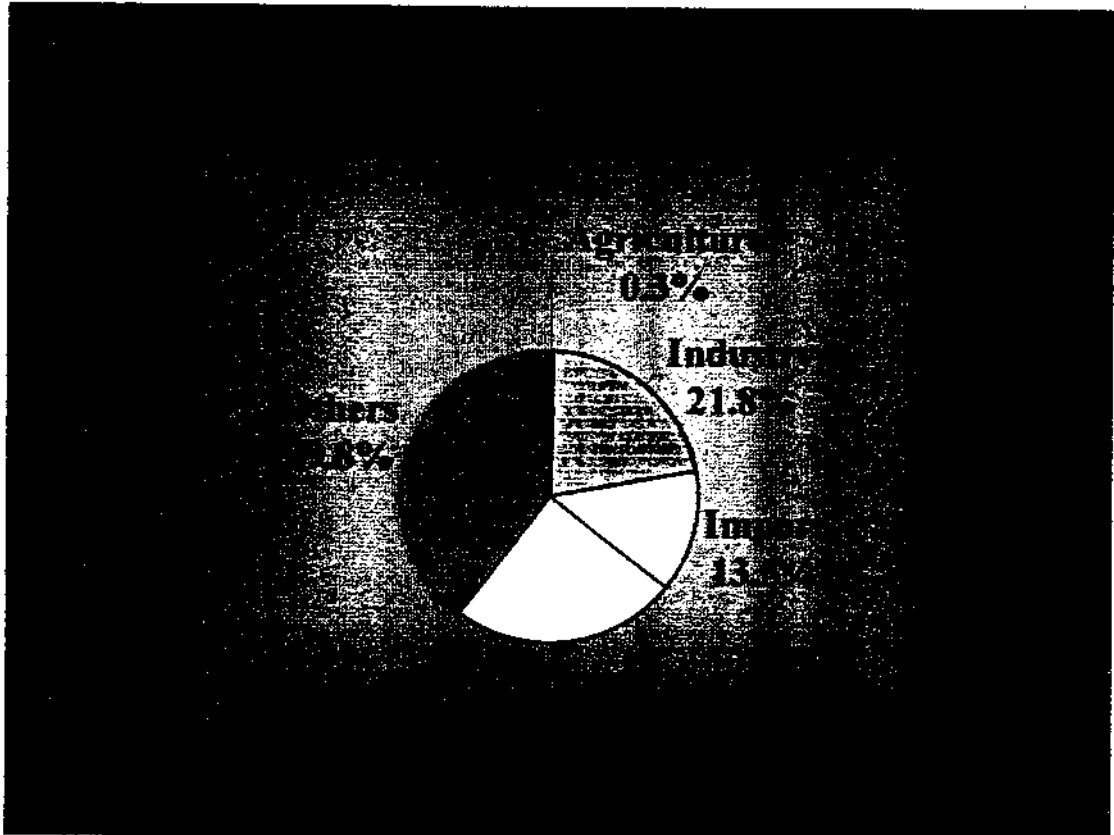


Table A15: Sector wise Distribution of Loans at NBL

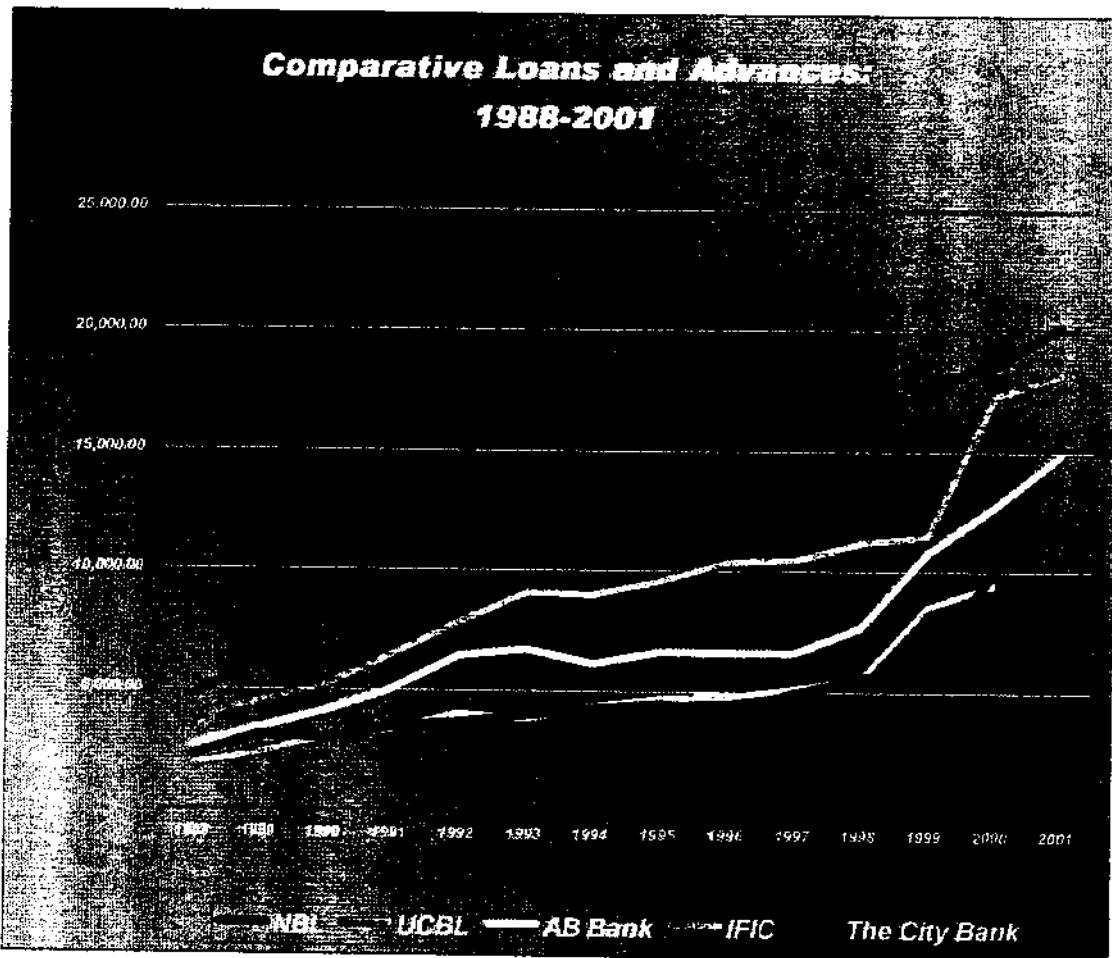
Sector	Percentage
Retail	58%
Industry	21.8%
Imports	13.2%
Agriculture	0.3%





Understanding and Overcoming Adverse Economic Condition at National Bank Limited

### Comparative Financial Position:



**Table A16: Comparative Loans and Advances (in million Taka)**

				4,772.92	6,221.89	6,515.26	7,270.88	7,869.15
				1,888.76	2,364.75	3,034.39	3,365.60	4,048.83
				2,662.45	3,402.21	4,106.89	5,022.54	6,463.27
				3,867.74	4,519.20	5,172.66	6,495.19	7,849.46
				2,256.24	3,133.36	2,997.94	3,485.54	3,664.21

8,005.89	8,766.20	9,711.43	9,658.06	10,410.30	11,682.18	17,864.33	18,553.67	20,200.64
3,833.04	4,379.75	4,717.43	4,798.99	5,152.56	5,554.16	8,557.91	9,443.87	
6,747.94	6,143.18	6,643.83	6,623.00	6,632.86	7,689.34	10,768.81	12,682.18	14,861.98
9,071.80	9,006.35	9,589.64	10,385.89	10,494.80	11,199.80	11,475.24	17,312.79	18,189.70
4,013.16	4,271.17	4,460.26	4,191.30	4,940.25	5,535.68	6,171.84	9,964.54	12,729.22



Understanding and Overcoming Adverse Economic Condition at National Bank Limited

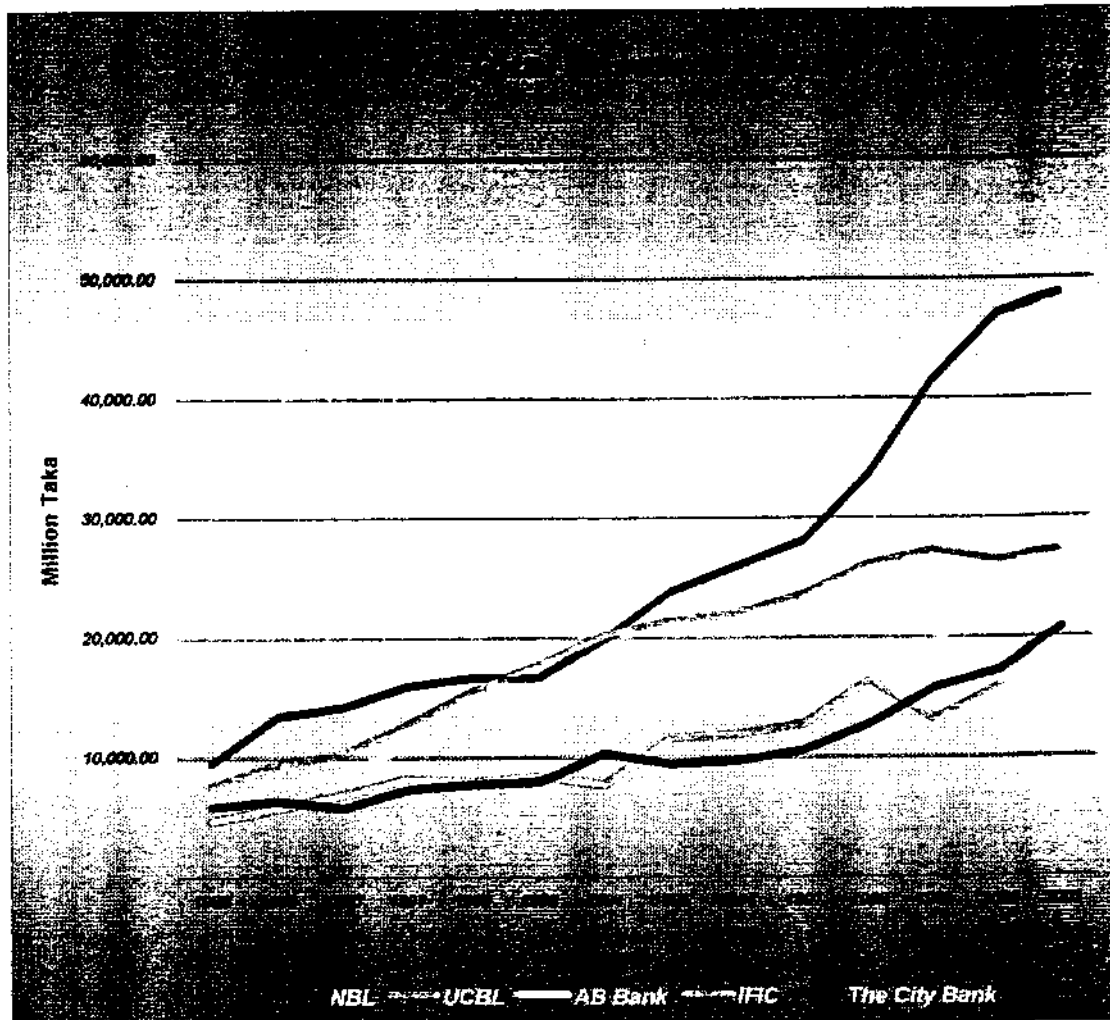


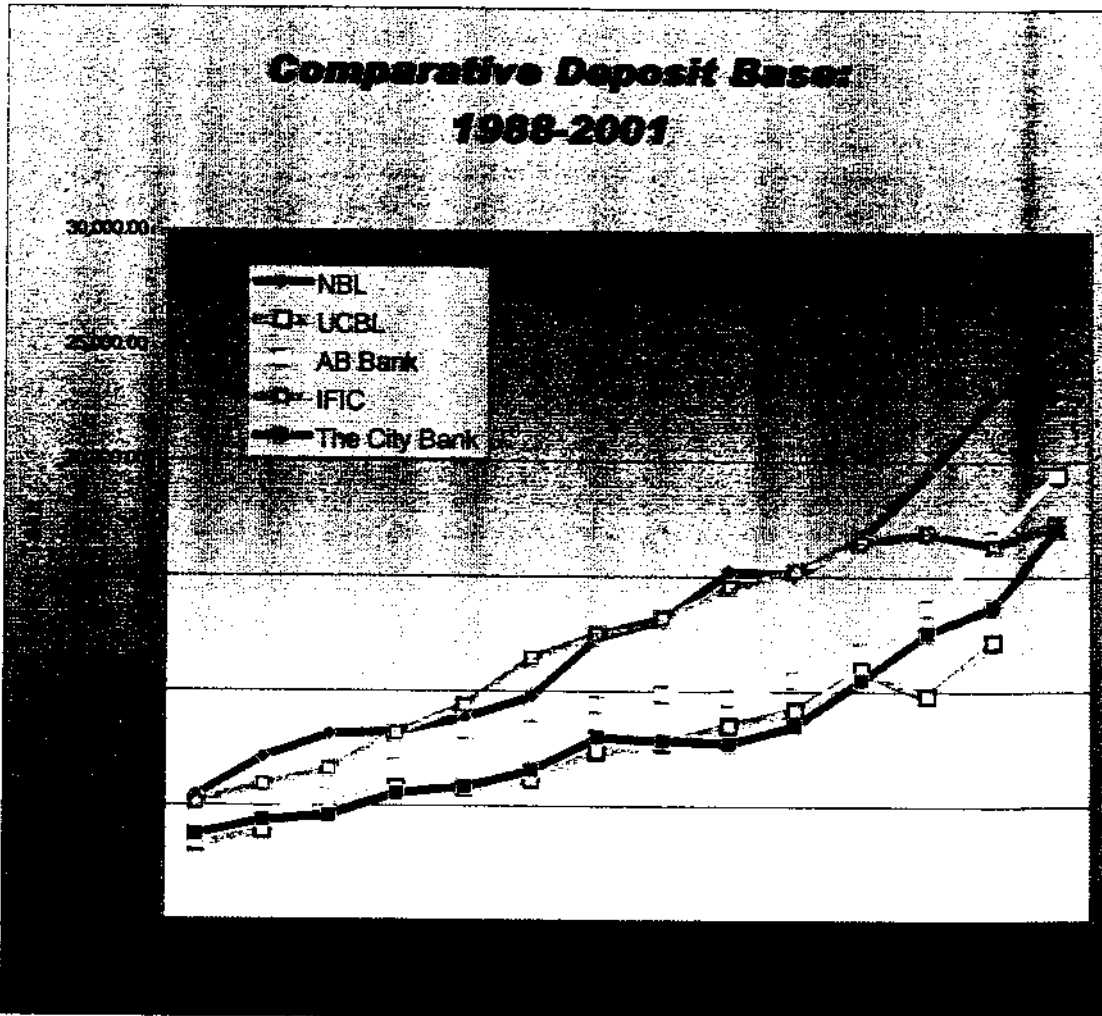
Table A17: Comparative Total Assets (in million Taka)

NBL	9,511.29	13,428.76	14,158.96	15,954.14	16,639.27
UCBL	4,714.39	5,793.56	6,869.48	8,261.59	7,933.27
AB Bank	5,835.17	7,856.26	8,451.84	11,043.56	12,613.47
IFIC	7,576.42	9,452.21	10,282.78	12,719.37	15,466.34
The City Bank	5,869.70	6,393.08	5,744.89	7,338.14	7,732.63

16,695.89	19,921.01	23,816.00	25,947.11	28,042.71	33,617.50	41,548.01	47,148.08	48,732.10
8,428.40	7,701.98	11,652.33	11,883.66	12,784.82	16,396.45	13,143.39	15,919.61	
13,090.79	14,568.14	14,688.14	14,244.28	16,021.12	17,558.31	19,204.72	25,168.18	29,034.25
17,855.64	20,251.77	21,393.00	22,000.12	23,585.73	26,175.82	27,249.98	26,417.12	27,258.69
7,956.67	10,353.32	9,432.65	9,685.77	10,556.67	12,729.73	15,735.19	17,208.06	20,726.35



Understanding and Overcoming Adverse Economic Condition at National Bank Limited



**Table A18: Comparative Deposit Base (in million Taka)**

<b>NBL</b>				5,440.20	7,128.86	8,127.77	8,235.35	8,842.44
<b>UCBL</b>				3,271.78	3,845.50	5,002.59	5,780.11	5,769.06
<b>AB Bank</b>				3,449.13	4,586.54	5,378.65	6,688.29	8,275.40
<b>IFIC</b>				5,098.66	5,912.78	6,594.94	8,165.98	9,393.13
<b>The City Bank</b>				3,725.83	4,357.54	4,552.84	5,540.13	5,824.18

9,762.97	12,339.34	13,082.35	15,225.11	15,036.60	16,688.12	19,475.75	22,810.04	24,546.19
6,150.93	7,341.66	7,707.78	8,497.68	9,187.16	10,899.90	9,806.48	12,158.08	
9,014.39	9,438.04	9,863.93	9,710.51	10,506.56	11,716.21	13,625.27	16,596.53	19,409.88
11,424.00	12,462.32	13,150.83	14,529.98	15,205.48	16,461.99	16,893.18	16,353.12	17,281.27
6,558.70	8,005.31	7,846.85	7,724.06	8,502.08	10,509.86	12,544.19	13,695.95	17,051.14



Understanding and Overcoming Adverse Economic Condition at National Bank Limited

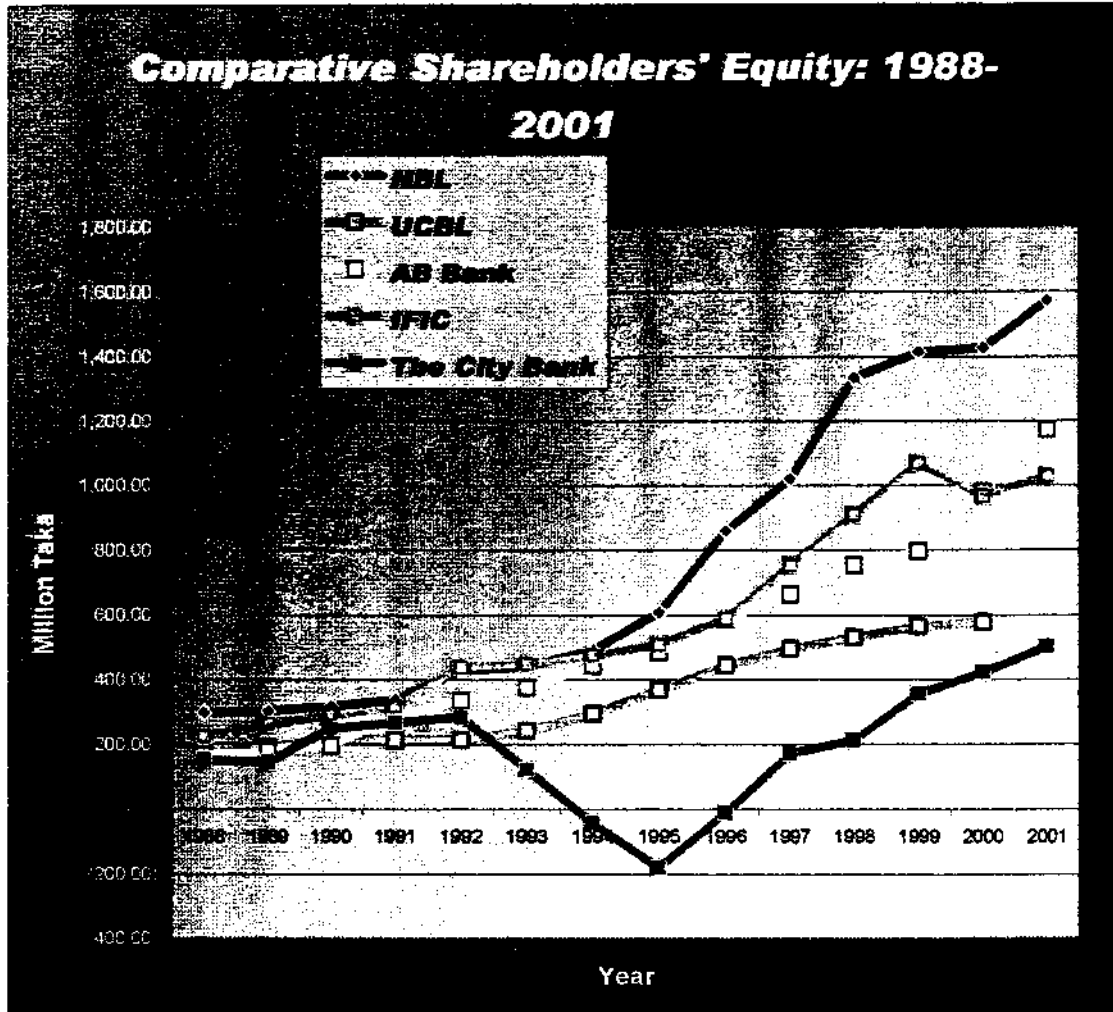


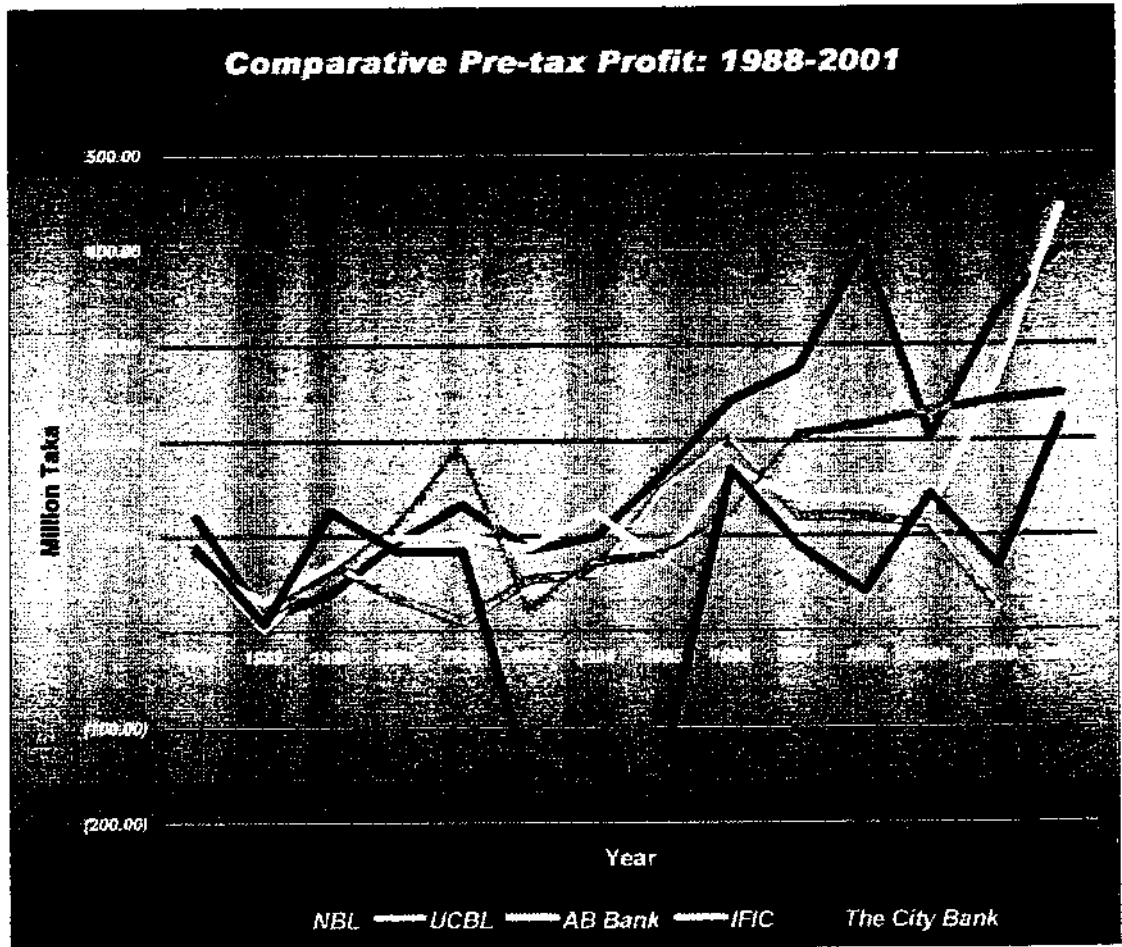
Table A19: Comparative Shareholders' Equity (in million Taka)

HBL	299.41	305.02	318.80	338.18	428.81
UCBL	190.32	190.54	217.97	212.98	215.13
AB Bank	168.88	180.42	194.97	286.85	337.19
IFIC	225.57	263.01	291.37	317.20	440.01
The City Bank	155.32	144.85	250.80	267.42	285.26

441.49	493.35	609.41	860.47	1,021.66	1,335.06	1,413.91	1,427.39	1,572.75
242.41	295.56	366.90	444.49	495.85	531.75	564.94	578.93	
376.36	444.92	485.36	588.65	663.06	753.26	797.24	980.07	1,172.84
450.34	477.34	508.95	589.62	755.17	910.19	1,067.06	965.99	1,028.92
123.80	(41.09)	(179.50)	(8.61)	171.32	212.20	356.45	423.12	503.12



Understanding and Overcoming Adverse Economic Condition at National Bank Limited



**Table A20: Comparative Pre-tax Profit (in million Taka)**

Year	1988	1989	1990	1991	1992	1993	1994
NBL	120.59	15.24	39.54	94.26	133.26		
UCBL	79.63	0.61	72.18	35.51	10.75		
AB Bank	70.20	30.55	69.30	98.68	100.45		
IFIC	86.03	16.82	59.32	110.01	194.81		
The City Bank	88.87	8.53	127.00	84.04	84.07		

85.37	98.77	165.27	241.21	275.07	400.97	203.59	333.76	400.64
54.56	60.10	150.19	203.43	120.20	120.40	111.02	22.89	
87.17	125.36	71.44	173.30	139.55	138.44	127.85	263.86	443.28
22.70	72.86	80.05	118.53	207.04	216.22	231.06	242.16	248.01
(161.46)	(164.90)	(138.41)	170.89	89.05	40.88	144.26	66.67	222.59



Understanding and Overcoming Adverse Economic Condition at National Bank Limited

### Comparative Net Interest Income: 1988-2001

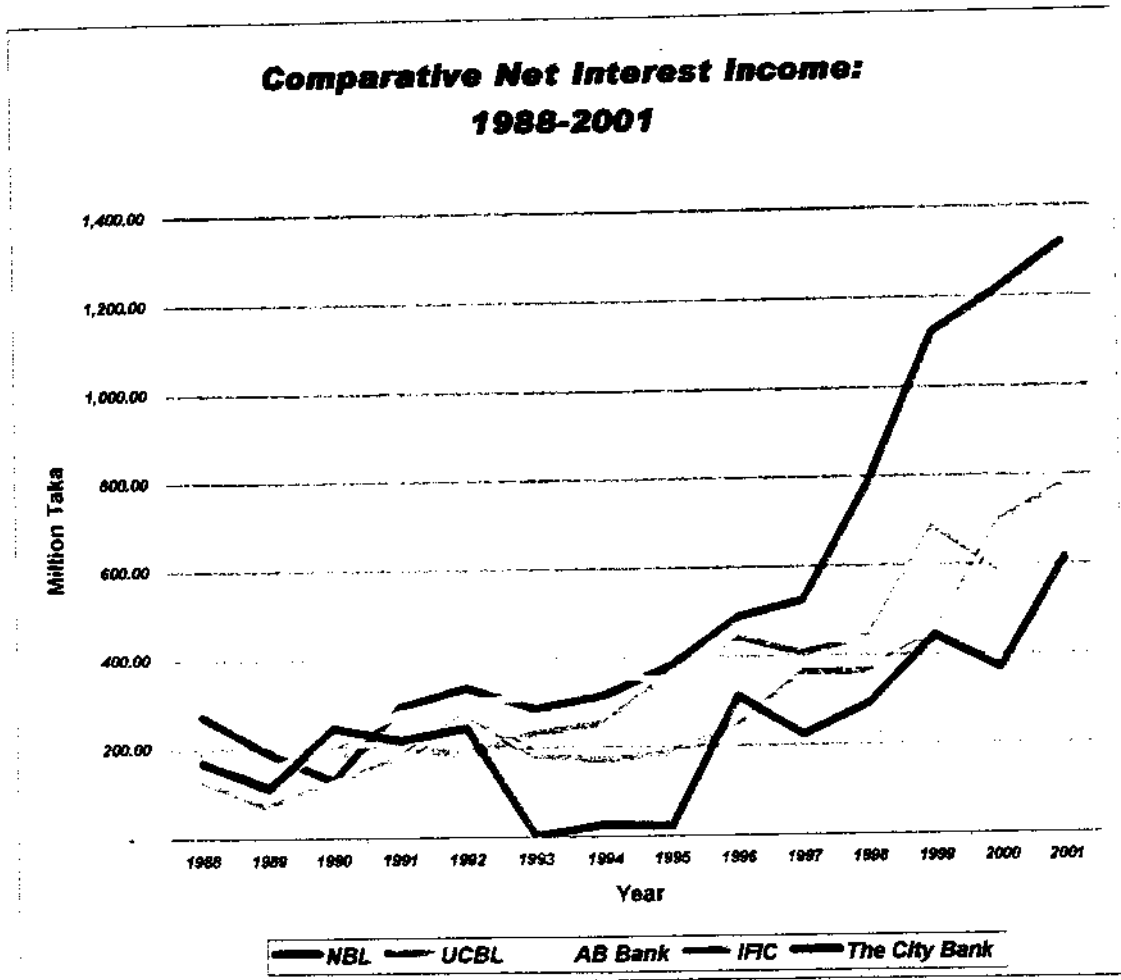


Table A21: Comparative Net Interest Income (in million Taka)

NBL	274.39	190.35	128.24	293.20	334.35
UCBL	188.92	119.71	214.29	205.95	183.87
AB Bank	173.64	153.81	214.17	278.57	303.30
IFC	130.79	71.81	124.29	178.38	276.79
The City Bank	170.23	111.09	246.92	218.69	244.47

286.38	316.37	382.07	488.35	524.04	785.60	1,122.50	1,216.39	1,319.79
231.27	253.83	364.84	445.27	406.07	439.95	688.55	588.00	
313.76	365.16	345.05	459.08	443.86	432.52	409.47	494.53	838.87
180.88	172.47	183.42	245.04	362.58	363.25	445.99	696.14	776.09
2.05	27.33	22.34	311.65	223.78	291.96	442.67	367.41	614.34

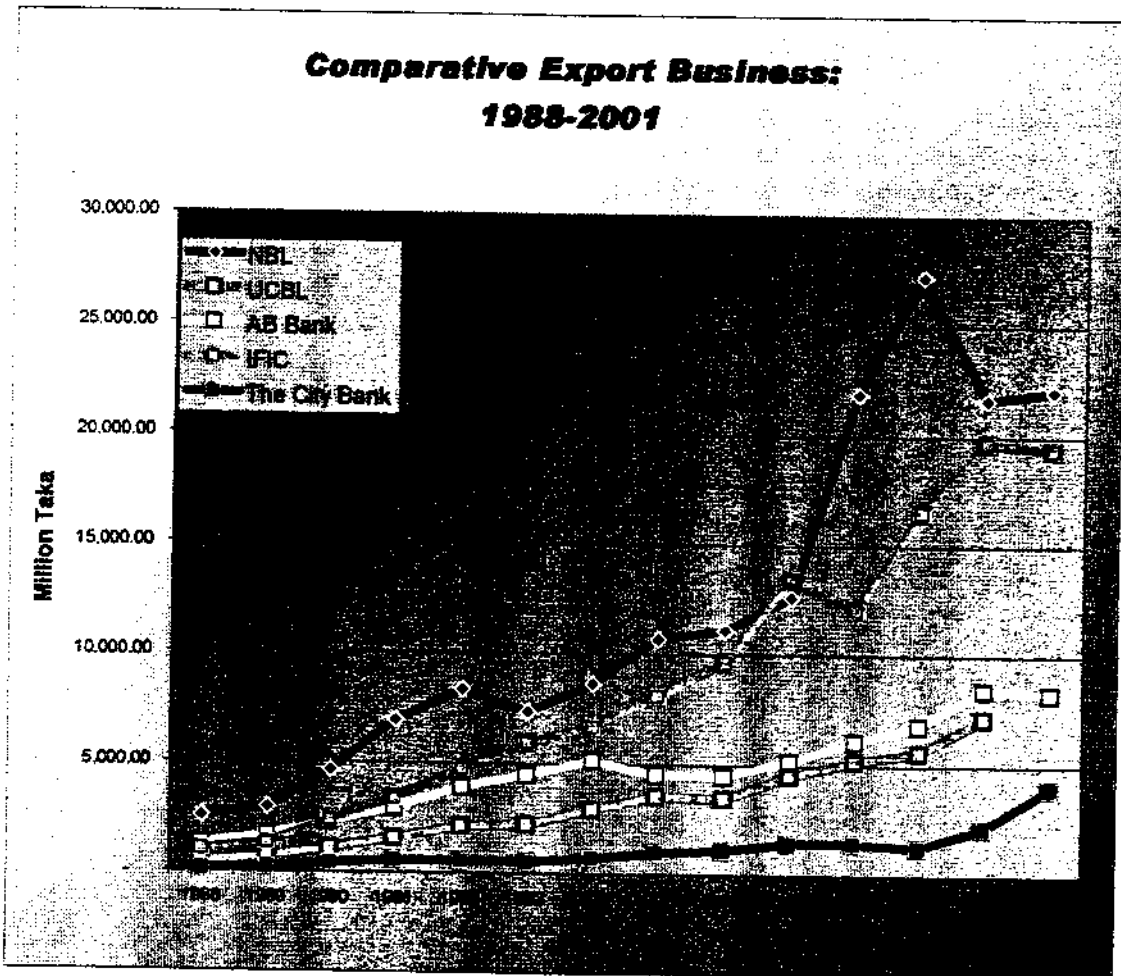


Table A22: Comparative Export Business (in million Taka)

	2,554.40	2,944.90	4,642.30	6,960.29	8,337.60
	436.50	716.73	1,094.40	1,570.40	2,142.88
	1,264.00	1,677.00	2,311.00	2,966.00	3,919.00
	1,015.70	1,335.11	2,373.30	3,404.50	4,748.10
	120.69	222.52	418.47	554.80	532.95

7,349.80	8,666.40	10,715.30	11,136.20	12,651.80	21,884.52	27,236.50	21,671.61	22,071.00
2,250.70	2,952.20	3,566.50	3,467.40	4,529.20	5,192.40	5,616.50	7,178.90	
4,474.00	5,144.00	4,534.00	4,489.00	5,181.00	6,080.00	6,818.00	8,436.00	8,275.00
5,954.40	6,693.70	8,115.90	9,636.60	13,513.80	12,109.90	16,546.00	19,711.60	19,432.00
508.17	735.00	989.80	1,101.10	1,456.28	1,465.08	1,308.60	2,171.90	3,982.10



Understanding and Overcoming Adverse Economic Condition at National Bank Limited

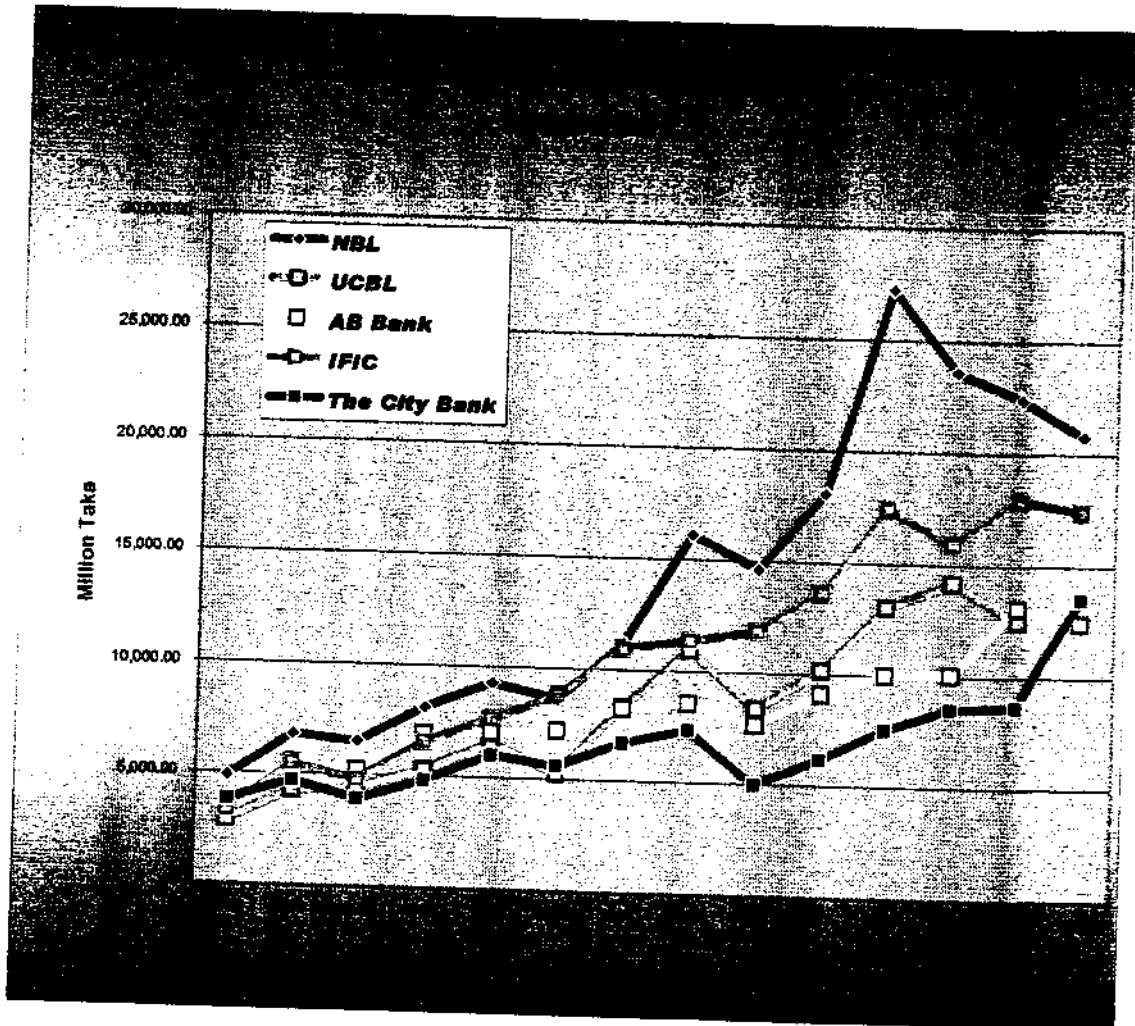


Table A23: Comparative Import Business (in million Taka)

NBL	4,859.80	6,790.70	6,502.40	8,127.15	9,286.00
UCBL	2,890.70	4,235.68	4,381.30	5,297.20	6,535.23
AB Bank	3,714.00	5,492.00	5,219.00	6,929.00	7,040.00
IFIC	3,352.43	5,470.15	4,769.90	6,572.00	7,663.20
The City Bank	3,797.42	4,693.12	3,904.68	4,795.50	6,000.39

8,618.90	11,195.10	16,113.40	14,622.60	18,082.40	27,236.50	23,597.10	22,420.05	20,773.20
5,244.00	8,297.20	10,956.00	8,377.50	10,176.70	13,049.90	14,150.90	12,534.40	
7,190.00	8,276.00	8,573.00	7,646.00	9,115.00	10,001.00	10,065.00	13,119.00	12,428.00
8,793.00	10,964.60	11,366.70	11,845.20	13,628.10	17,440.00	15,886.10	17,939.10	17,410.30
5,583.42	6,704.24	7,353.20	4,955.70	6,181.68	7,539.84	8,529.70	8,665.90	13,503.20





Understanding and Overcoming Adverse Economic Condition at National Bank Limited

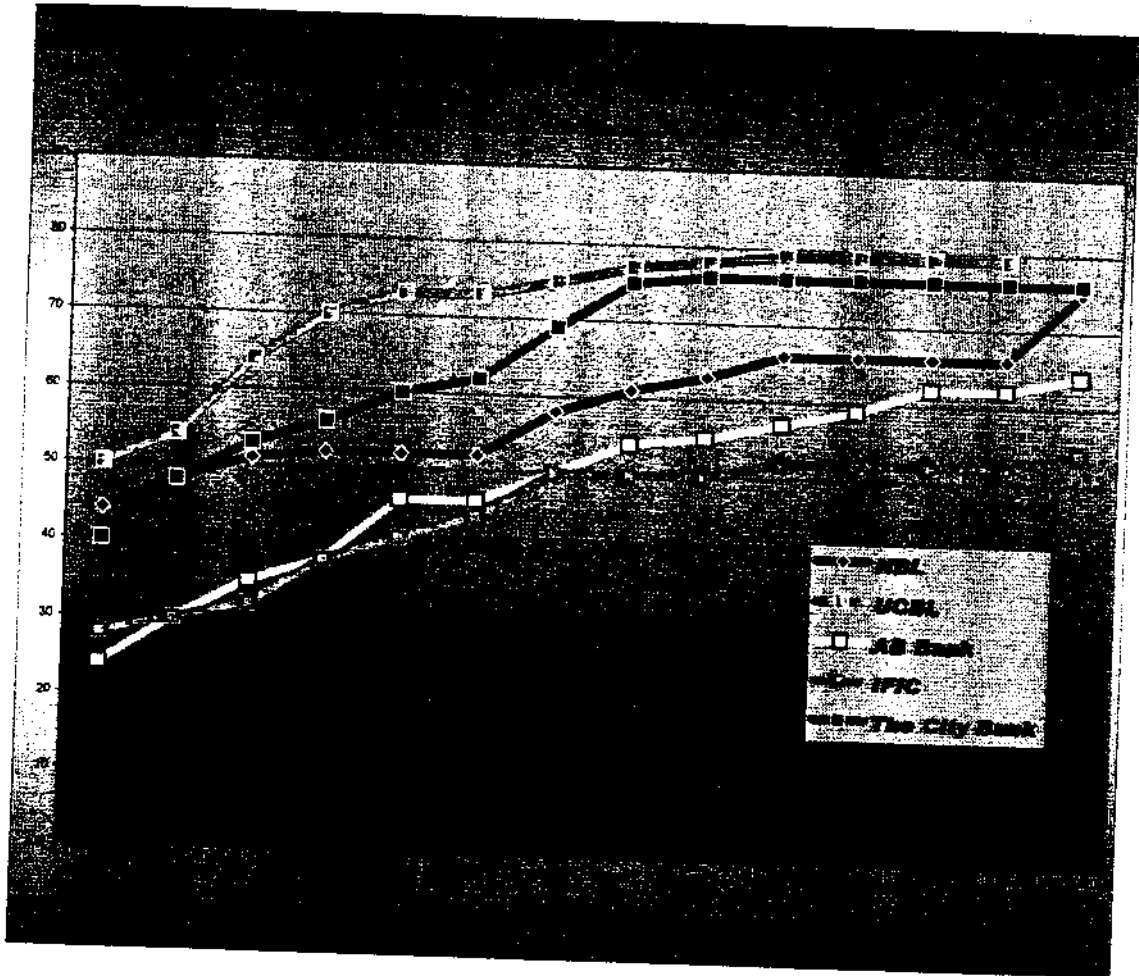
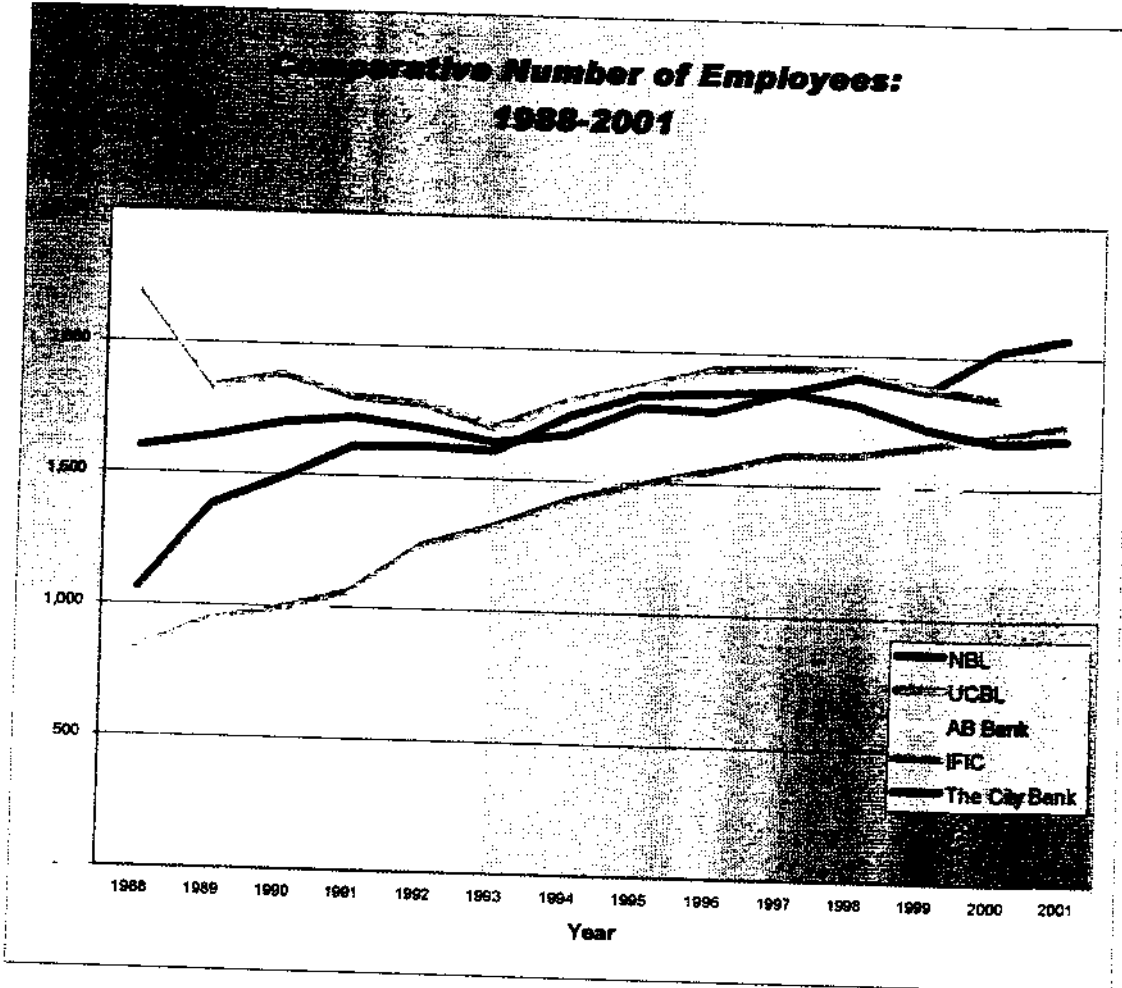


Table A24: Comparative Number of Branches

	44	48	51	52	52
	50	54	64	70	73
	24	30	35	38	46
	28	30	32	38	41
	40	48	53	56	60
	52	58	61	63	66
	73	75	77	78	79
	46	50	54	55	57
	44	50	50	50	52
	62	69	75	76	76



**Table A25: Comparative Number of Employees**

	1,599	1,642	1,699	1,723	1,687
	2,188	1,831	1,883	1,803	1,781
	697	838	960	1,038	1,246
	827	945	992	1,062	1,243
	1,064	1,381	1,491	1,612	1,619

1,641	1,675	1,786	1,774	1,856	1,917	1,868	2,025	2,073
1,695	1,805	1,866	1,938	1,948	1,947	1,878	1,842	
1,353	1,454	1,538	1,542	1,540	1,540	1,472	1,555	1,590
1,320	1,425	1,495	1,549	1,614	1,619	1,659	1,700	1,737
1,607	1,747	1,833	1,845	1,855	1,811	1,724	1,674	1,688



Understanding and Overcoming Adverse Economic Condition at National Bank Limited

### Comparative Ratio Analysis:

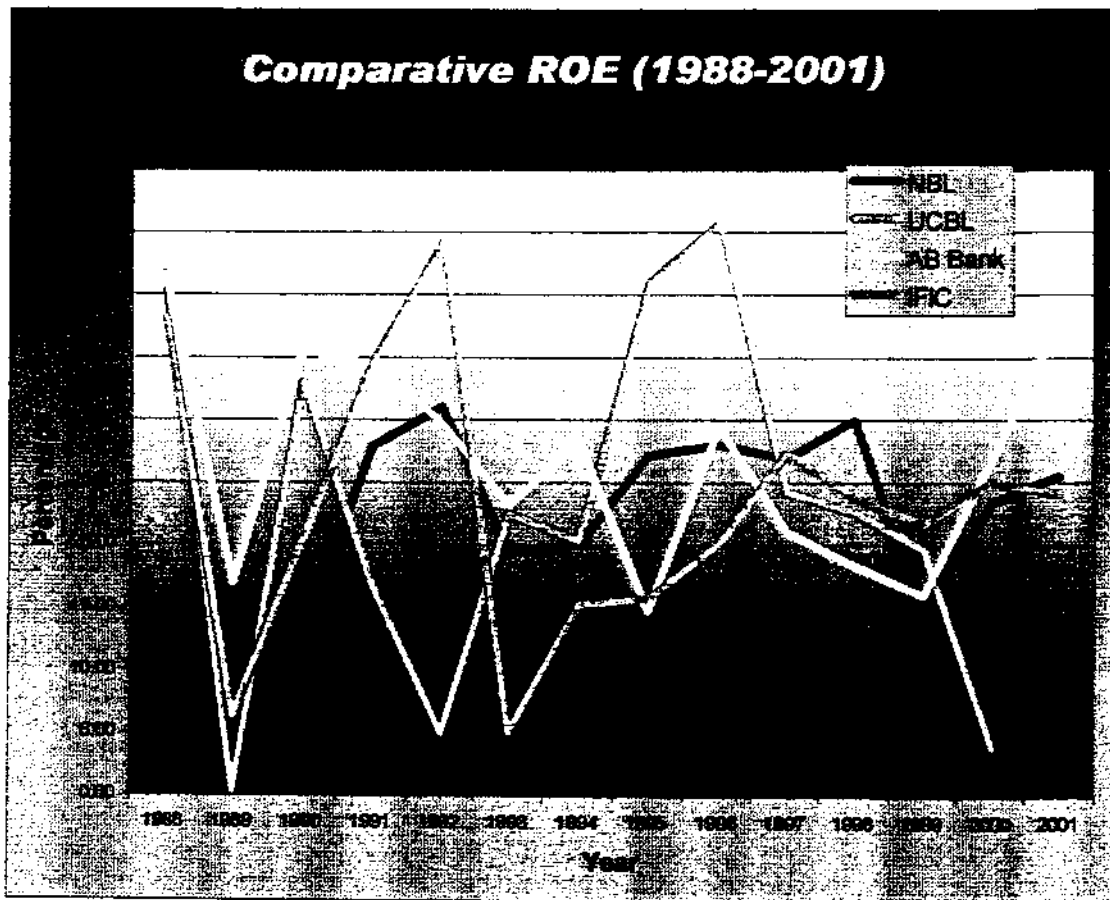


Table A26: Comparative Return on Equity (ROE) (in percentage)

NBL	40.28	5.00	12.40	27.87	31.08
ICBL	41.84	0.32	33.11	16.67	5.00
AB Bank	41.57	16.93	35.54	34.40	29.79
IFIC	38.14	6.39	20.36	34.68	44.27

19.34	20.02	27.12	28.03	26.92	30.03	14.40	23.38	25.47
22.51	20.33	40.94	45.77	24.24	22.64	19.65	3.95	
23.16	28.18	14.72	29.44	21.05	18.38	16.04	26.92	37.80
5.04	15.26	15.73	20.10	27.42	23.76	21.65	25.07	24.10



Understanding and Overcoming Adverse Economic Condition at National Bank Limited

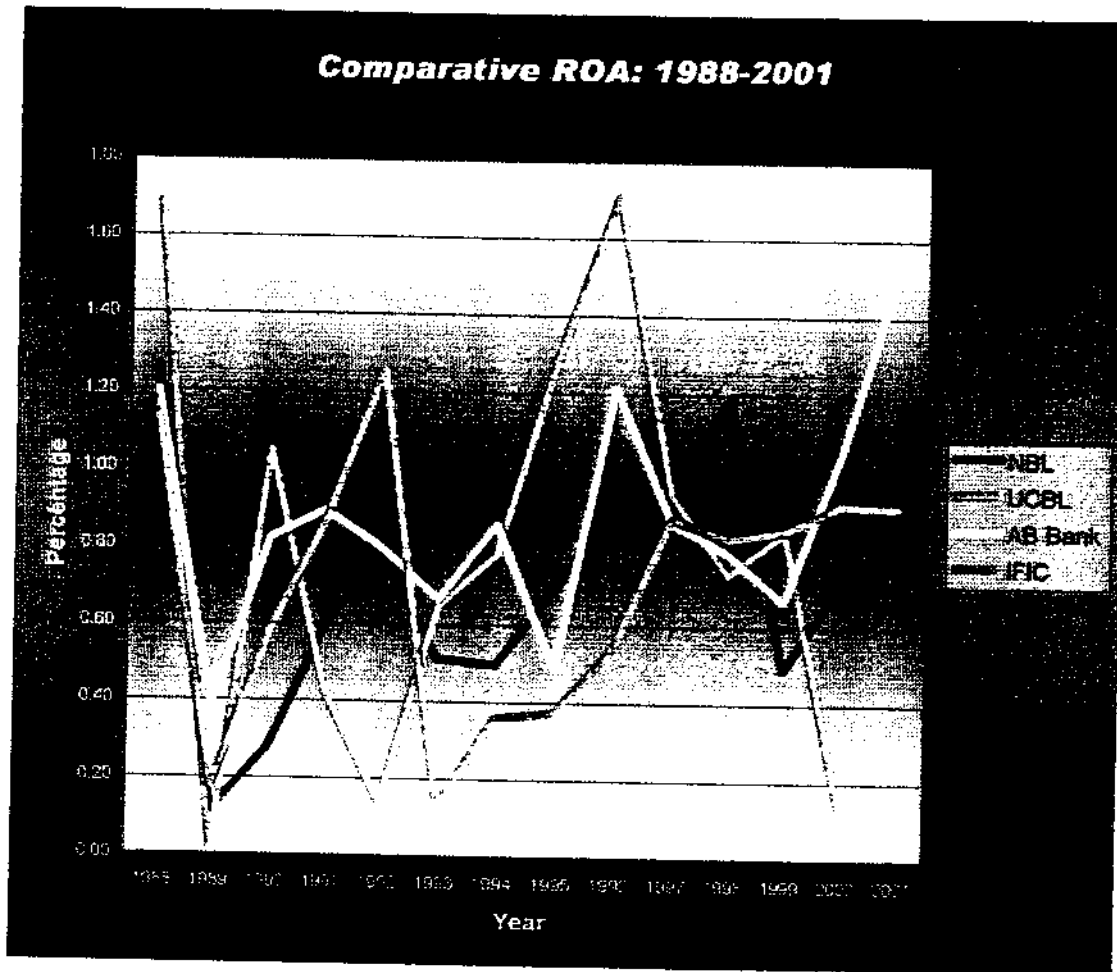


Table A27: Comparative Return on Assets (ROA) (in percentage)

NBL	1.27	0.11	0.28	0.59	0.80
LCBL	1.69	0.01	1.05	0.43	0.14
AB Bank	1.20	0.39	0.82	0.89	0.80
IFIC	1.14	0.18	0.58	0.86	1.26

0.51	0.50	0.69	0.93	0.98	1.19	0.49	0.71	0.82
0.65	0.78	1.29	1.71	0.94	0.73	0.84	0.14	
0.67	0.86	0.49	1.22	0.87	0.79	0.67	1.05	1.53
0.13	0.36	0.37	0.54	0.88	0.83	0.85	0.92	0.91



### Comparative Net Interest Margin: 1988-2001

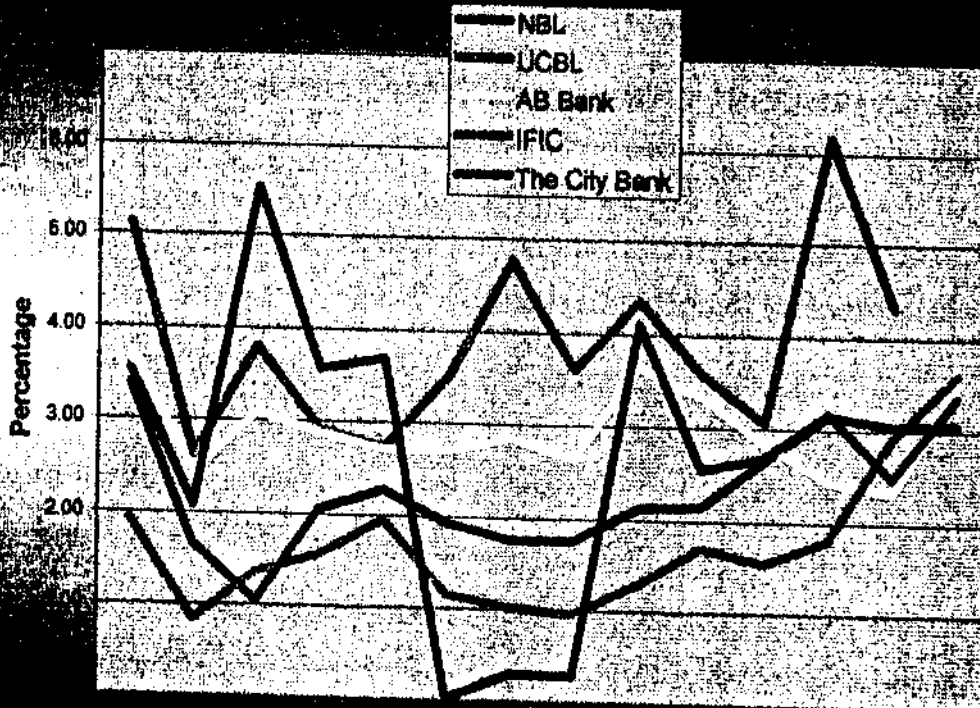


Table A28: Comparative Net Interest Margin (in percentage)

				3.38	1.67	1.05	2.06	2.28
				5.13	2.62	3.80	2.92	2.73
				3.73	2.43	3.08	2.88	2.72
				1.94	0.85	1.36	1.56	1.96
				3.53	2.10	5.53	3.57	3.69

1.94	1.76	1.76	2.13	2.16	2.66	3.15	3.05	3.07
3.51	4.77	3.61	4.35	3.58	3.06	6.17	4.32	
2.70	2.85	2.64	3.63	3.33	2.84	2.44	2.33	3.43
1.15	1.03	0.96	1.29	1.71	1.54	1.81	2.92	3.59
0.03	0.32	0.30	4.11	2.55	2.69	3.18	2.48	3.36



### Comparative Equity Multiplier: 1988-2001

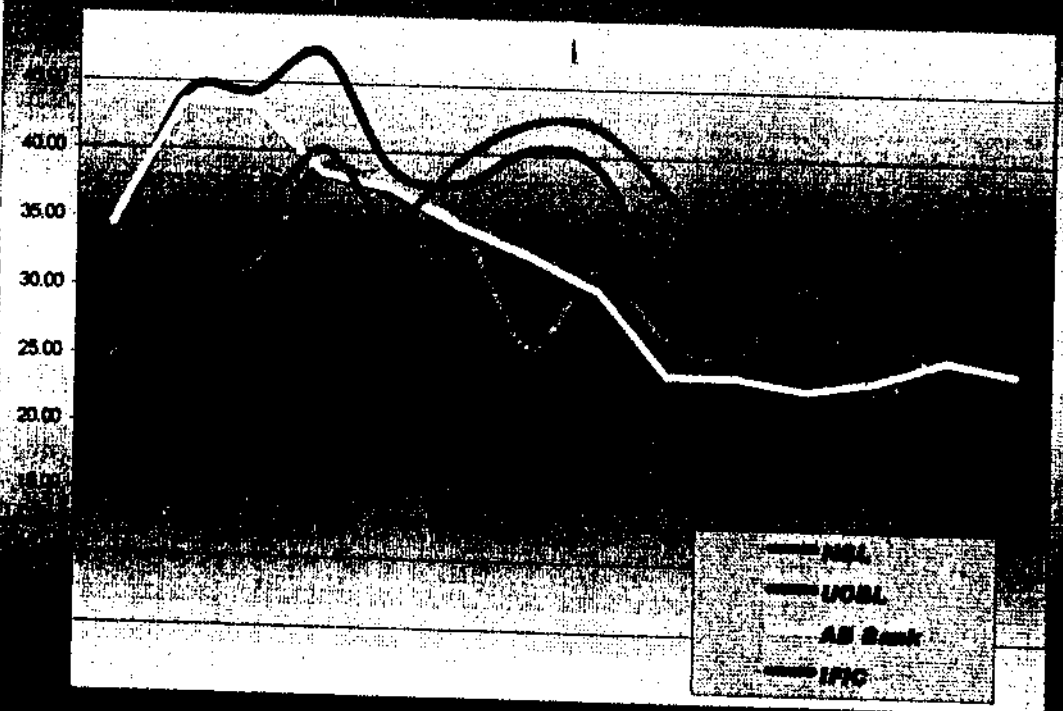
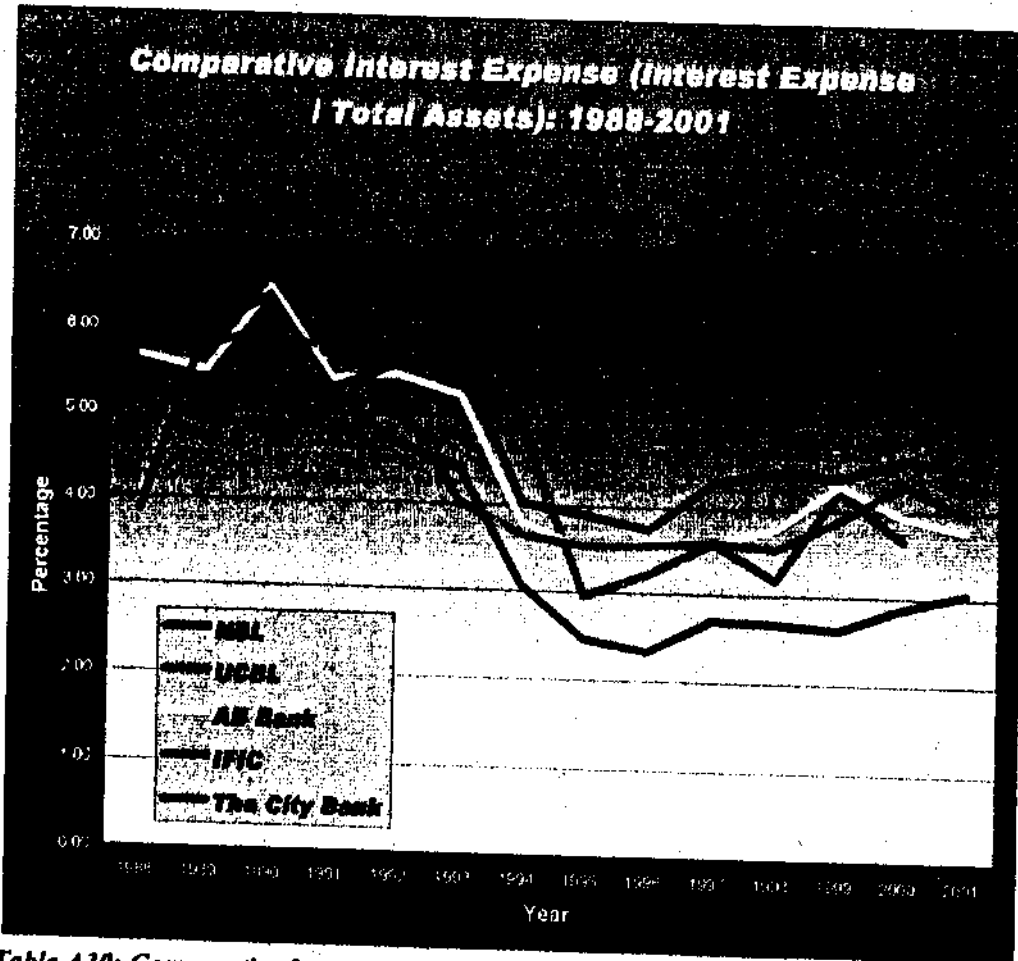


Table A29: Comparative Equity Multiplier (Asset / Equity) (in percentage)

	31.77	44.03	44.41	47.18	38.80
	24.77	30.41	31.52	38.79	36.88
	34.55	43.54	43.35	38.50	37.41
	33.59	35.94	35.29	40.10	35.15

37.82	40.38	39.08	30.15	27.45	25.18	29.39	33.03	30.99
34.77	26.06	31.76	26.74	25.78	30.84	23.27	27.50	
34.78	32.74	30.26	24.20	24.16	23.31	24.09	25.68	24.76
39.65	42.43	42.03	37.31	31.23	28.76	25.54	27.35	26.49



**Table A30: Comparative Interest Expense (Interest Expense/Total Assets) (in percentage)**

				5.08	4.67	5.68	5.26	4.70	
				4.93	5.00	5.39	5.71	5.98	
				5.66	5.49	6.48	5.43	5.49	
				5.85	5.77	6.02	5.71	5.24	
				3.87	5.99	6.38	5.30	5.61	
	4.43	3.07	2.46	2.33	2.70	2.67	2.61	2.88	3.05
	4.94	4.87	2.96	3.22	3.61	3.18	4.24	3.67	
	5.26	3.80	3.51	3.60	3.59	3.78	4.30	3.95	3.79
	4.03	3.65	3.54	3.56	3.60	3.54	3.90	4.33	3.97
	5.65	4.04	3.91	3.74	4.30	4.44	4.38	4.60	4.51



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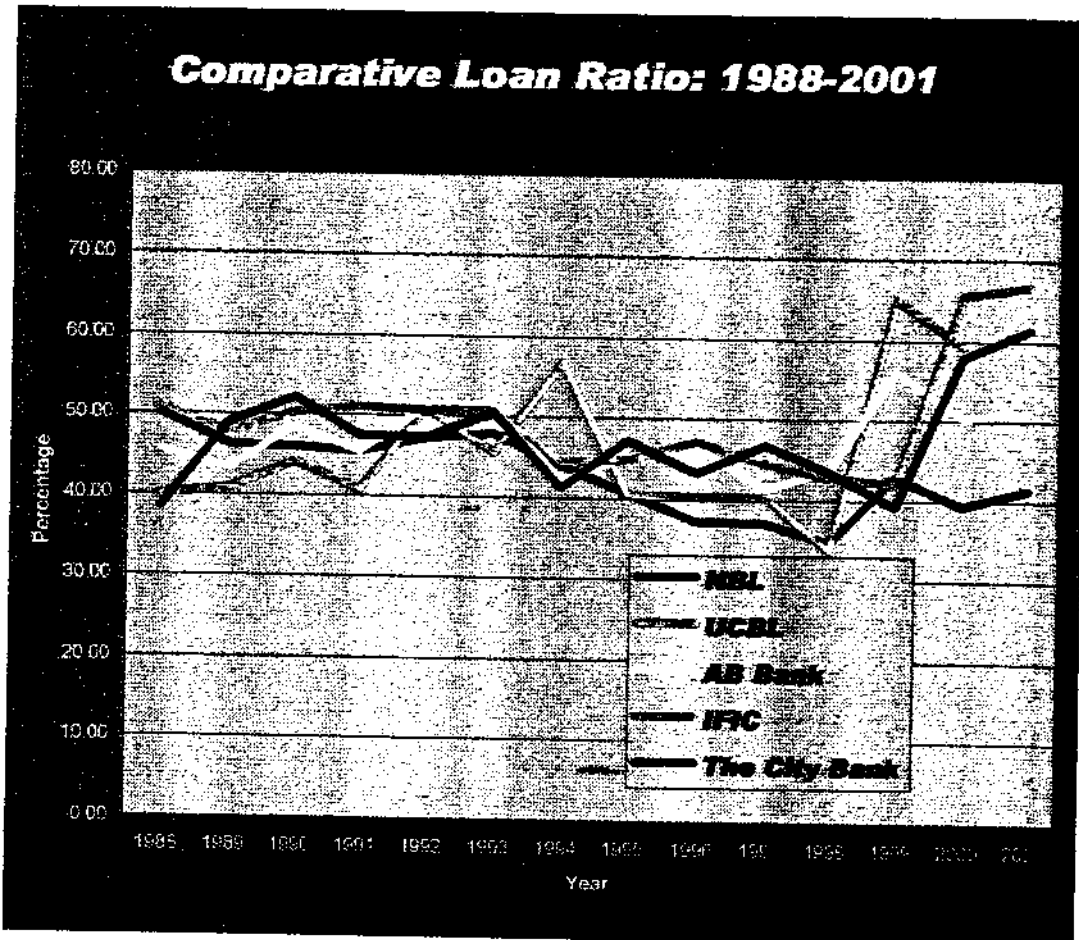


Table A31: Comparative Loan Ratio (in percentage)

				50.18	46.33	46.02	45.57	47.29
NBL				40.06	40.82	44.17	40.74	51.04
UCBL				45.63	43.31	48.59	45.48	51.24
AB Bank				51.05	47.81	50.30	51.07	50.75
IFIC				38.44	49.01	52.18	47.50	47.39

47.95	44.00	40.78	37.22	37.12	34.75	43.00	39.35	41.45
45.48	56.87	40.48	40.38	40.30	33.87	65.11	59.32	
51.55	42.17	45.23	46.50	41.40	43.79	56.07	50.39	51.19
50.81	44.47	44.83	47.21	44.50	42.79	42.11	65.54	66.73
50.44	41.25	47.29	43.27	46.80	43.49	39.22	57.91	61.42





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### Comparative Advance-Deposit Ratio: 1988-2001

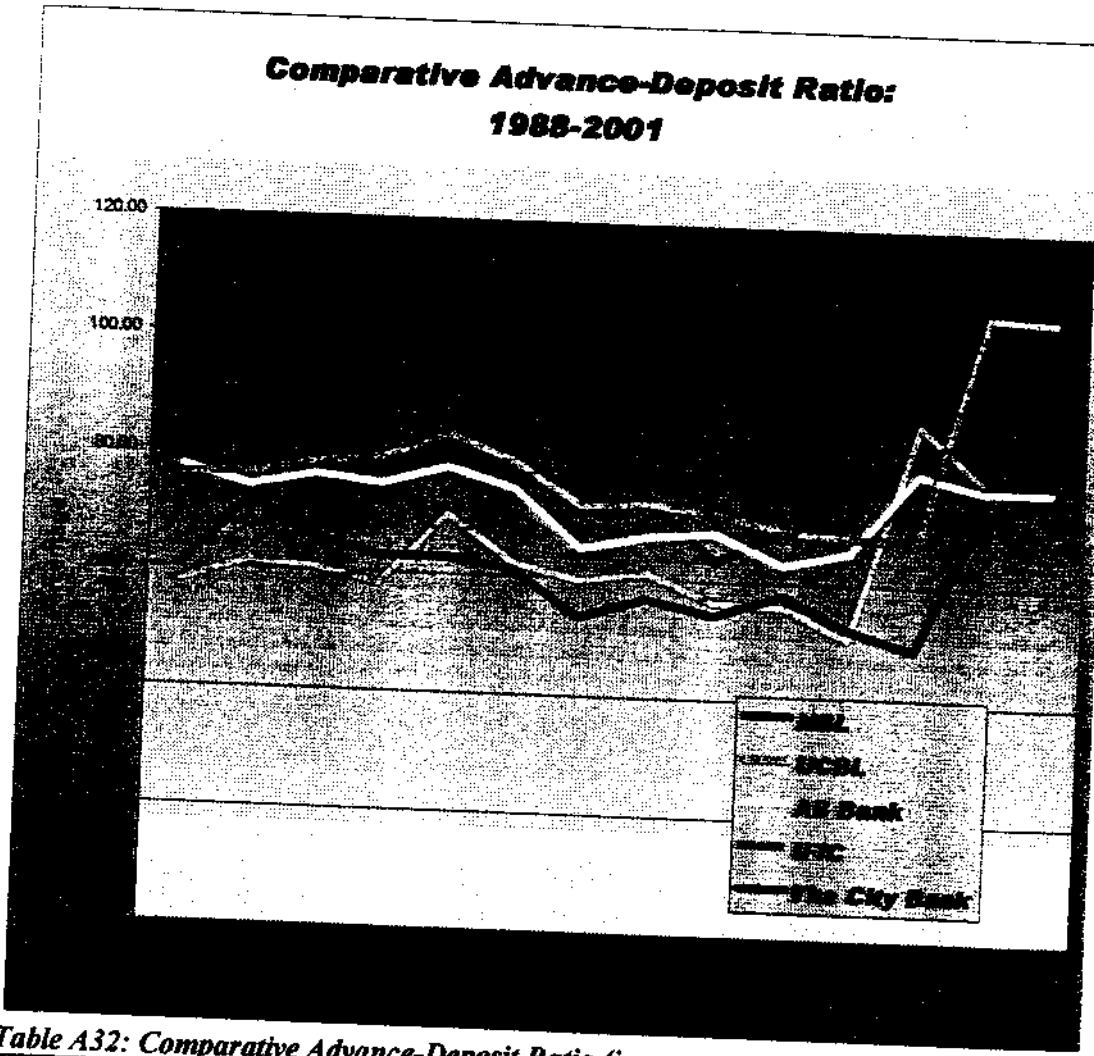


Table A32: Comparative Advance-Deposit Ratio (in percentage)

Year	NBL	NCBL	AB Bank	BSC	The City Bank
1988	87.73	57.73	77.19	75.86	60.56
1989	87.28	61.49	74.18	76.43	71.91
1990	80.16	60.66	76.36	78.43	65.85
1991	88.29	58.23	75.09	79.54	62.91
1992	88.99	70.18	78.10	83.57	62.91

82.00	71.04	74.23	63.44	69.23	70.00	91.73	81.34	82.30
62.32	59.66	61.20	56.47	56.08	50.96	87.27	77.68	
74.86	65.09	67.35	68.20	63.13	65.63	79.04	76.42	76.57
79.41	72.27	72.92	71.48	69.02	68.03	67.93	105.87	105.26
61.19	53.35	56.84	54.26	58.11	52.67	49.20	72.76	74.65



Understanding and Overcoming Adverse Economic Condition at National Bank Limited

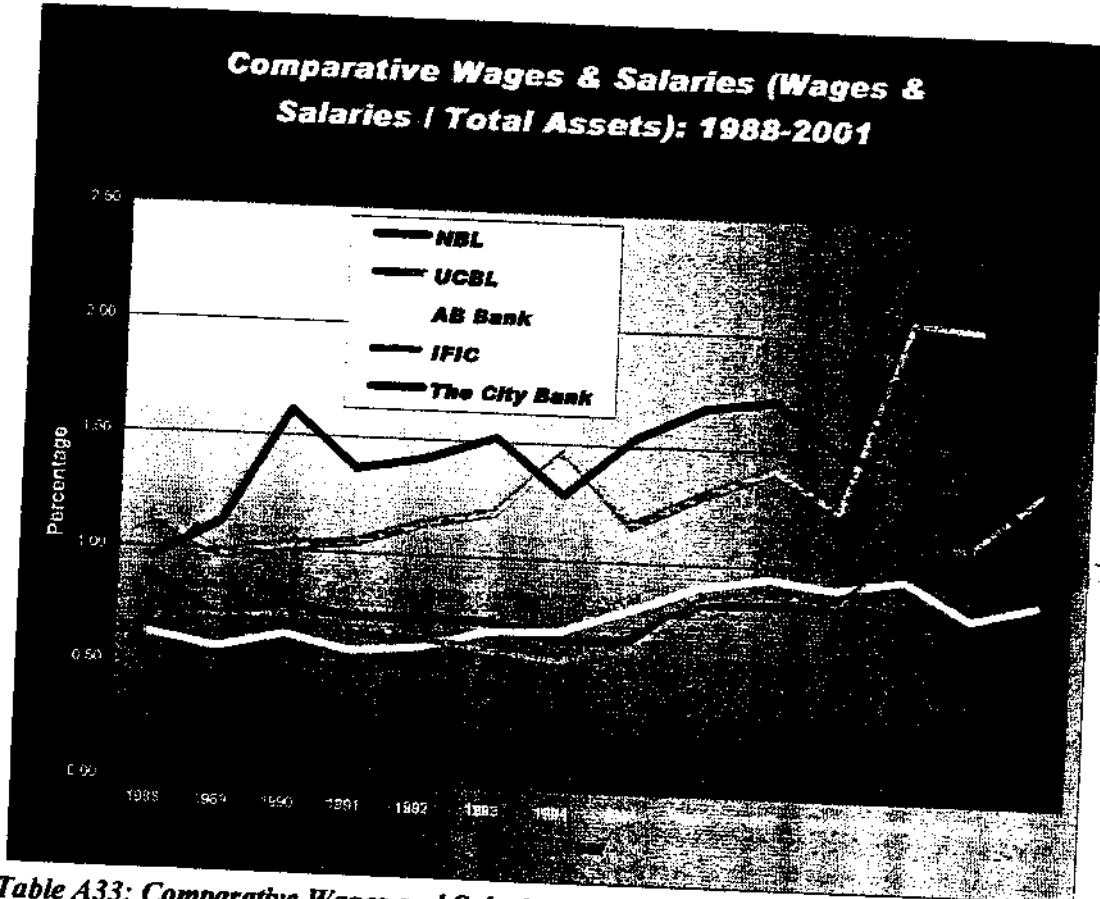


Table A33: Comparative Wages and Salaries (Wages & Salaries / Total Assets) (in %)

				0.90	0.71	0.77	0.73	0.73
				1.13	0.98	1.03	1.05	1.14
				0.63	0.57	0.64	0.57	0.60
				0.69	0.71	0.71	0.66	0.64
				0.95	1.12	1.62	1.37	1.42
	0.72	0.65	0.66	0.83	0.83	0.84	0.81	0.92
	1.20	1.47	1.16	1.30	1.42	1.25	2.08	2.05
	0.68	0.69	0.79	0.90	0.95	0.91	0.96	0.80
	0.59	0.56	0.62	0.85	0.89	0.84	1.07	1.11
	1.52	1.28	1.54	1.68	1.72	1.50	1.42	1.37
								1.16



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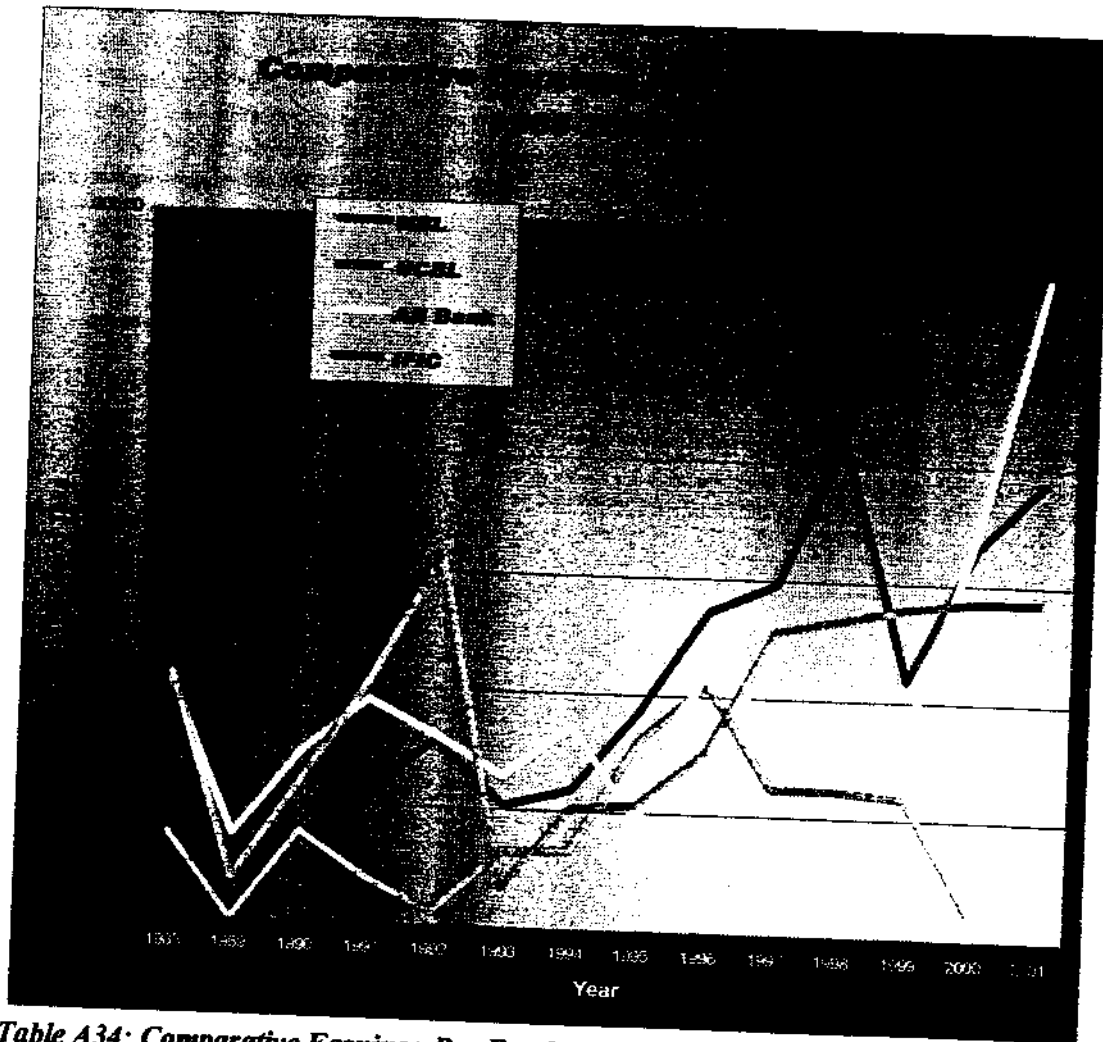


Table A34: Comparative Earnings Per Employee (in '000 Taka)

	75.42	9.28	23.27	54.71	78.99
	36.39	0.33	38.33	19.69	6.03
	100.72	36.45	72.19	95.06	80.62
	104.03	17.80	59.80	103.59	156.73

52.02	58.97	92.53	135.97	148.21	209.16	108.99	164.82	193.27
32.19	33.30	80.49	104.97	61.71	61.84	59.12	12.43	
64.42	86.22	46.45	112.38	90.61	89.90	86.86	169.68	278.79
17.20	51.13	53.55	76.52	128.28	133.55	139.27	142.45	142.78



Understanding and Overcoming Adverse Economic Condition at National Bank Limited

### Comparative Cash Ratio: 1988-2001

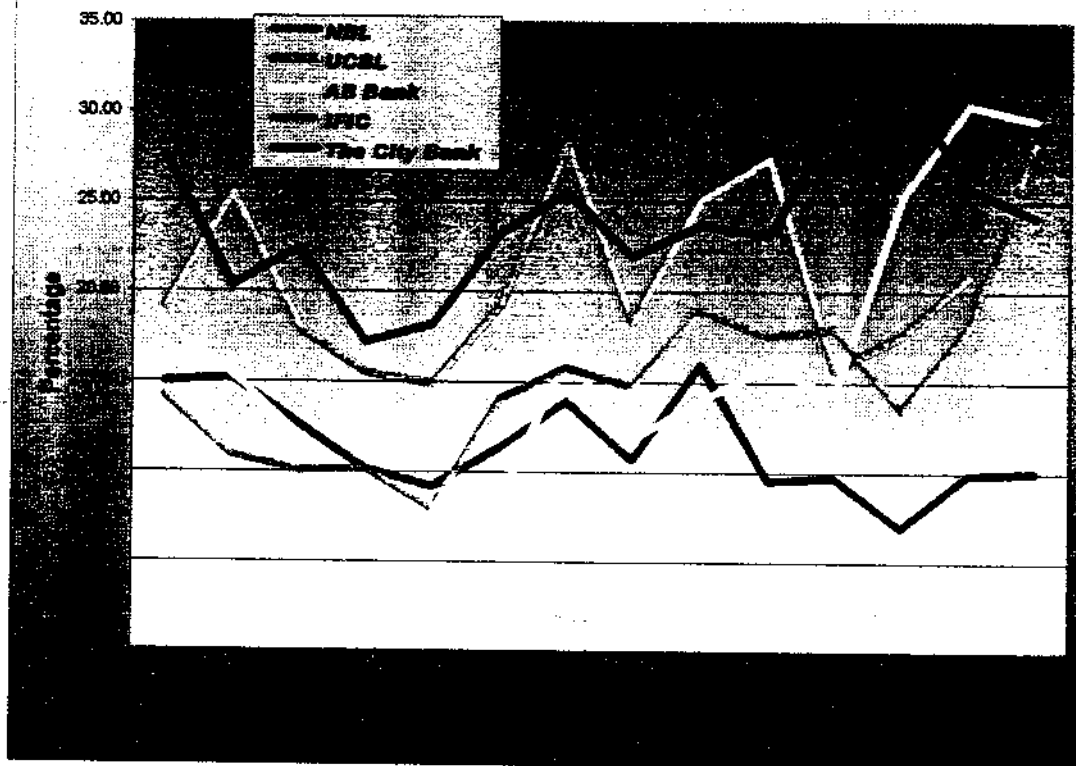


Table A35: Comparative Cash Ratio (in percentage)

NBL	26.19	28.62	21.99	19.71	17.28
UCBL	27.64	38.37	24.68	22.17	20.49
AB Bank	30.72	26.38	18.92	15.62	9.59
FIC	21.14	17.46	15.66	15.84	13.14
The City Bank	43.38	29.86	28.37	22.74	24.14

19.37	22.50	19.48	27.21	17.79	19.59	14.82	20.44	19.96
26.37	29.63	27.70	35.18	38.11	23.65	23.63	27.35	
12.04	25.48	17.58	20.54	24.20	21.43	35.67	46.04	44.19
21.96	25.70	24.07	28.76	27.21	28.59	21.84	29.11	44.68
28.19	33.06	26.40	29.72	28.75	36.01	39.72	32.44	29.41



Understanding and Overcoming Adverse Economic Condition at National Bank Limited

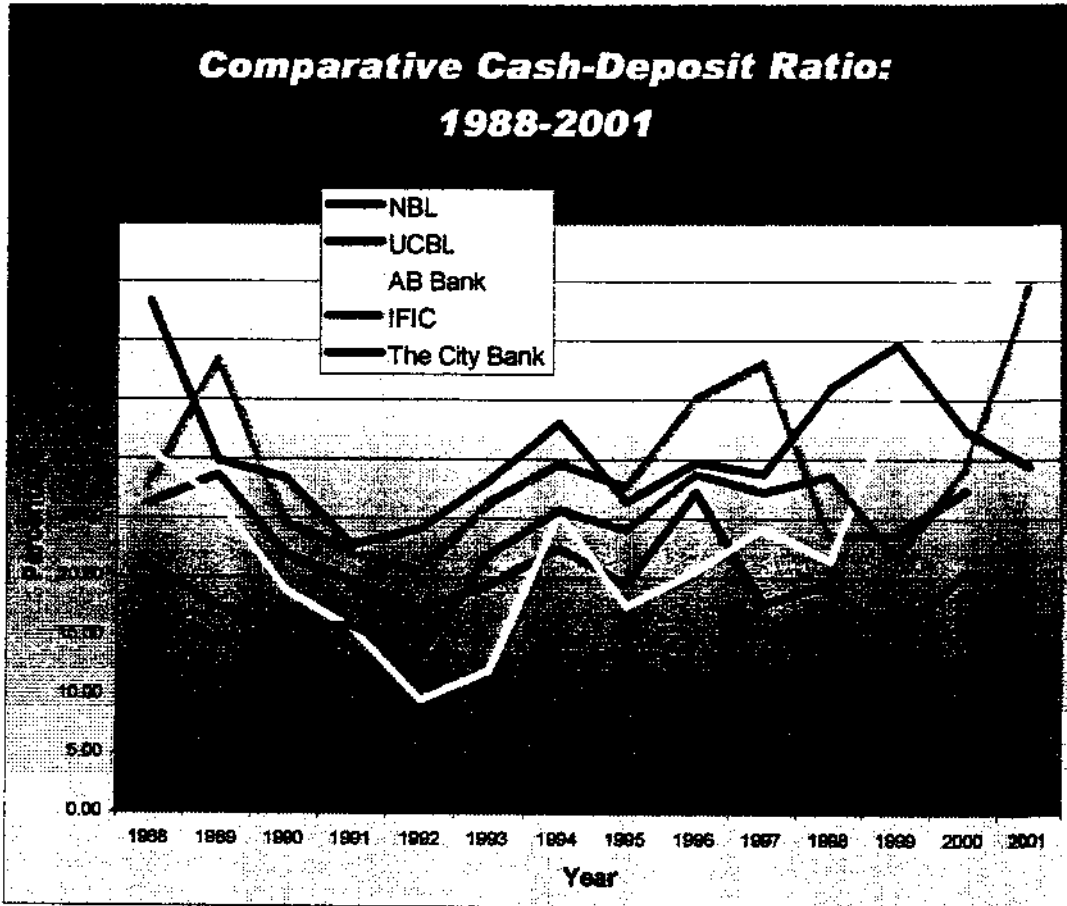


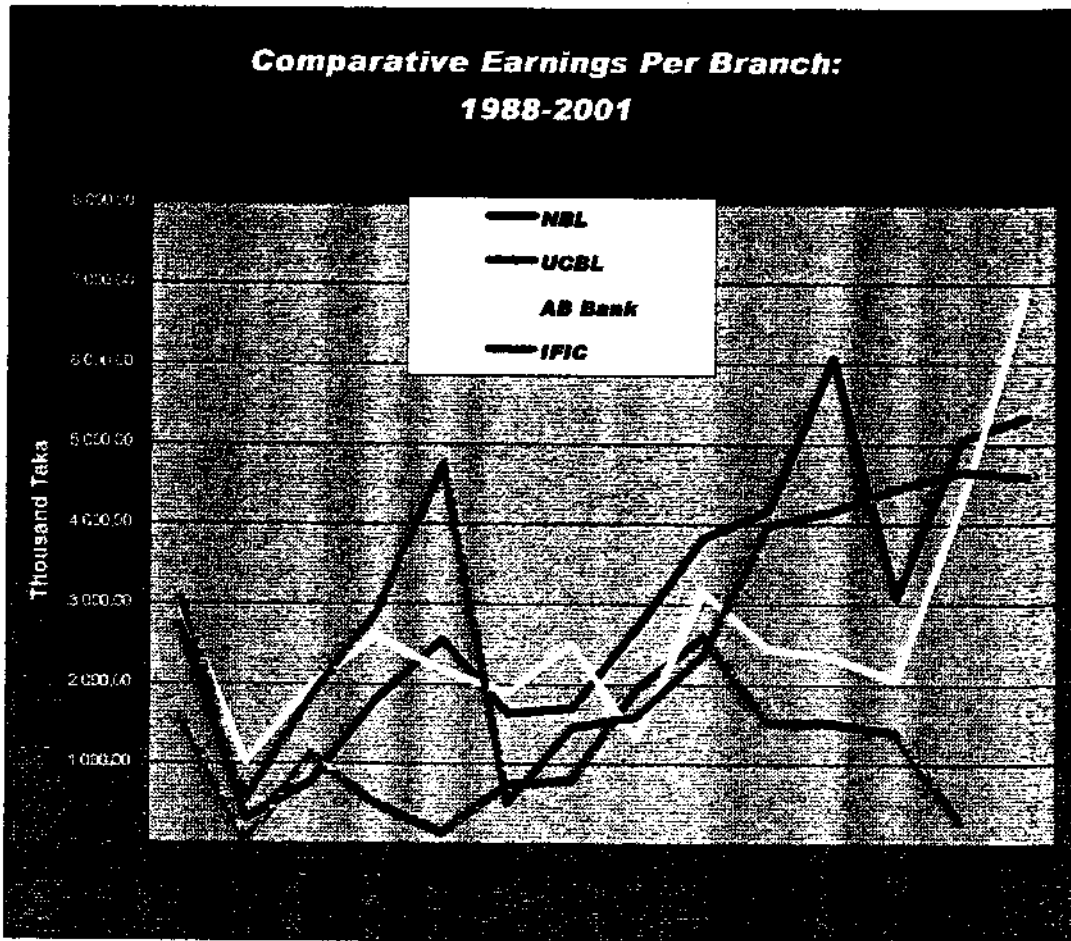
Table A36: Comparative Cash-Deposit Ratio (in percentage)

					26.19	28.62	21.99	19.71	17.28
					27.64	38.37	24.68	22.17	20.49
					30.72	26.38	18.92	15.62	9.59
					21.14	17.46	15.66	15.84	13.14
					43.38	29.86	28.37	22.74	24.14

19.37	22.50	19.48	27.21	17.79	19.59	14.82	20.44	19.96
26.37	29.63	27.70	35.18	38.11	23.65	23.63	27.35	
12.04	25.48	17.58	20.54	24.20	21.43	35.67	46.04	44.19
21.96	25.70	24.07	28.76	27.21	28.59	21.84	29.11	44.68
28.19	33.06	26.40	29.72	28.75	36.01	39.72	32.44	29.41



Understanding and Overcoming Adverse Economic Condition at National Bank Limited



**Table A37: Comparative Earnings Per Branch (in '000 Taka)**

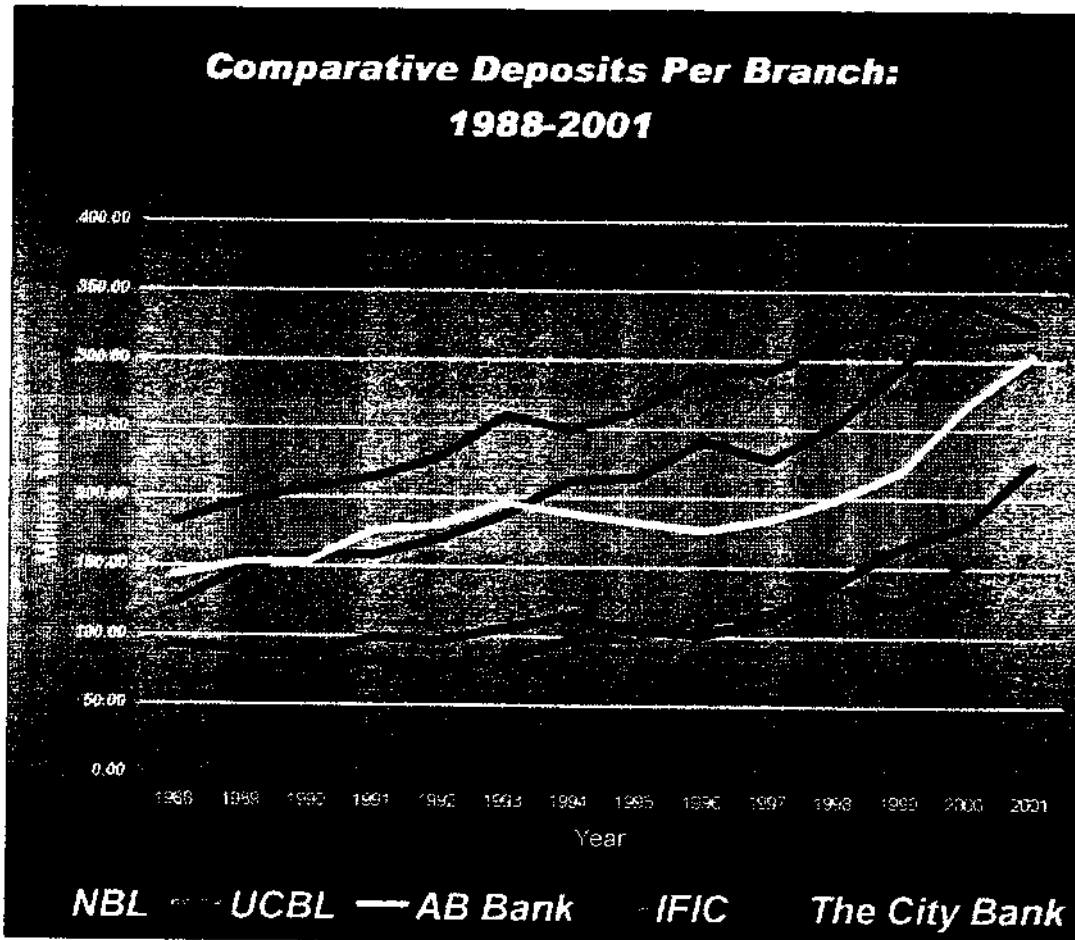
	2,740.67	317.55	775.24	1,812.63	2,562.60
	1,592.50	11.34	1,127.80	507.27	147.21
	2,925.08	1,018.25	1,980.00	2,596.72	2,183.62
	3,072.51	560.65	1,853.78	2,895.13	4,751.53

1,641.78	1,702.94	2,709.29	3,828.78	4,167.78	6,075.25	3,084.73	5,056.93	5,341.89
747.35	801.35	1,950.57	2,608.07	1,521.56	1,524.07	1,405.33	289.76	
1,894.90	2,507.28	1,322.90	3,150.82	2,448.16	2,346.51	2,062.15	4,255.74	6,926.22
515.91	1,457.23	1,601.06	2,370.66	3,981.48	4,158.05	4,443.39	4,656.89	4,592.69



Understanding and Overcoming Adverse Economic Condition at National Bank Limited

### Comparative Deposits Per Branch: 1988-2001



**Table A38: Comparative Deposits Per Branch (in million Taka)**

	123.64	148.52	159.37	158.37	170.05
	65.44	71.21	78.17	82.57	79.03
	143.71	152.88	153.68	176.01	179.90
	182.09	197.09	206.09	214.89	229.10
	93.15	90.78	85.90	98.93	97.07

187.75	212.75	214.46	241.67	227.83	252.85	295.09	345.61	327.28
84.26	97.89	100.10	108.94	116.29	137.97	124.13	153.90	
195.97	188.76	182.67	176.55	184.33	198.58	219.76	267.68	303.28
259.64	249.25	263.02	290.60	292.41	316.58	324.87	314.48	320.02
105.79	116.02	104.62	101.63	111.87	138.29	165.06	180.21	224.36



Understanding and Overcoming Adverse Economic Condition at National Bank Limited

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- The Daily Prothom Alo***
- The Daily Jugantor***
- The Daily Janakantha***
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*Understanding and Overcoming Adverse Economic Condition at National Bank Limited*

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*<http://www.secbd.org>*

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