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Sonargaon University (SU)
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Dissertation

On

Private Commercial Banking Operations in Bangladesh

"A Case Study of Meghna Bank Limited"

Submitted to

Prof: Abul Kalam
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Submitted by

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Letter of Transmittal

Prof. Abul Kalam
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Subject: **Submission of Thesis Paper**

Dear Sir,

It is my incredible happiness to present the thesis report entitled " **Commercial Banking Operations in Bangladesh**: As experience with **Meghna Bank Limited (MGBL)**". I have attempted my level best to outfit my report with pertinent information, which I have gathered during a quarter of a three Months thesis conduction period. I tried genuine endeavours to concentrate related materials, archives, employee of **MGB**L and analyse significant records for arrangement of the report.

I ask your benevolent reason for the inadvertent mistakes that may happen in the report notwithstanding my best exertion. I trust that you would be benevolent enough to acknowledge this report.

Yours Faithfully,

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Supervisor Declaration

It gives me enormous pleasure to guarantee that the thesis report titled "**Commercial Banking Operations of a Commercial Bank: A Study on MGBL**" has been finished by **Mr. Jonas Ronald Costa** ID: **EMBA2101022007** an understudy of **EMBA** program, Department of Business Administration, Sonargaon University under my supervision and course. To the degree I likely am careful, this is an exceptional work, which has not been passed on in any journal or submitted to any foundation or division for any level of acknowledgment.

I do as such recognize it an absolutely propose Internship report for Submission.

Prof. Abul Kalam
Head of Department, Business Administration
Sonargaon University (SU)

Student's Declaration

I do hereby declare that the thesis report on Commercial Banking Operations of a Commercial Bank: A Study on Meghna Bank Limited is a presentation of my original work. Wherever contributions of others are involved, every effort is made to indicate this clearly, with due reference to the literature, and acknowledgement of collaborative research and discussions. The work was done under the guidance of **Prof. Abul Kalam**, Head of Department of Business Administration, Sonargaon University.

It is also mentioned that this report has not been submitted for any other degree/diploma.

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Table of Contents

Serial Number	Particular	Page Number
Chapter 01 (Introduction & Importance of the Study)		**10**
1.1	Introduction	11
1.2	Rationale of the Study	
1.3	Importance of the Study	
Chapter 02 (Banking Operations & Performance Of Meghna Bank Limited)		**13**
2.1	A Brief Story of MGBL	14
2.2	Vision	
2.3	Mission	
2.4	Core Values	
2.5	Board of Directors	
2.6	Director's Responsibility	15
2.7	Corporate Governance	
2.1.1	Departments of MGBL	
2.1.2	Human Resources Division	16
2.2.1	Corporate Banking	17
2.2.2	Corporate Banking Products	
2.2.3	Trade Services	18
2.2.4	Trade Products:	
2.2.5	Working Capital Management	
2.2.6	Structured Finance Products	19
2.3.1	Project & Cash Management Department	
2.4.1	Retail Banking Division	
2.4.2	Retail Products	
2.4.3	Retail Deposit Products	
2.4.4	Retail Loan	21
2.5	Branch Banking	
2.6.1	Meghna Priority Banking	
2.6.2	Priority Banking Proposition	22
2.7	Islamic Banking	23
2.8	Retail Sales	
2.9.1	Treasury Management	24
2.10.1	Performance of Treasury in 2020 Vs 2019	
2.10.2	Money Market Desk	25
2.10.3	Foreign Exchange Market Desk	
2.10.4	Fixed Income Securities Desk	
2.10.5	Asset- liability Management Desk	
2.11.1	SME Banking	26
2.11.2	Products and Offerings	
2.11.3	Deposit Products	
2.11.4	Asset Products	
2.12	Agent Banking	
2.13.1	Card Business	28
2.13.2	Prepaid & Credit Card	

Serial Number		Particular	Page Number
	2.13.3	Value Added Services	
	2.13.4	Shared ATM (Ek Card a Bangladesh)	28
	2.13.5	Web-based Service Portal	
	2.13.6	Call centre with IVR based service	
	2.13.7	Internet banking for credit card services	28
	2.14.1	Credit Risk Management	
	2.14.2	Credit Risk	
	2.14.3	Credit Risk Management in MGBL	
	2.15.1	Special Asset Management	
	2.15.2	SAMD's responsibilities	
	2.15.3	Stressed Accounts Management Strategy	29
	2.15.4	NPL Accounts Management Strategy	
	2.15.5	Performance of SAMD in 2020	
	2.16.1	Operations	
	2.16.2	Liability Operations	
	2.16.3	Business Operations	
	2.16.4	International Division	30
	2.16.5	Central Trade Operations Division	
	2.16.5.1	Trade performance in 2020	
	2.16.6	Credit Administrative Division	31
	2.16.7	Treasury Operations	
	2.16.7.1	In 2020 the success of this Department are as below	
	2.16.8	Anti-Money Laundering & Combating the Financing of Terrorism Division	
	2.16.9	Information Technology	32
	2.16.9.1	Despite various challenges progress in 2020	
	2.16.10	Internal Control and Compliance	
	2.16.11	Internal Audit	
	2.16.11.1	Compliance	33
	2.16.11.2	Monitoring	
	2.16.12	Financial Administration	34
Chapter 03 (Performance of Meghna Bank Limited)			**35**
	3.2	Principal Activities	
	3.3	Capital Structure of MGBL	36
	3.4	Conditions for Maintaining Regulatory Capital	
	3.5	MGBL Maintaining Regulatory Capital (Solo basis)	
	3.6	MGBL Maintaining Regulatory Capital (Consolidated basis):	37
	3.6.1	Capital Adequacy	
	3.7	Bank's Approach to Assessing Capital Adequacy	38
	3.8	Capital Requirement under Basel III	
	3.9	Shareholders' Equity	
	3.10	Subsidiary of the Bank	
	3.11	Financial position and performance of the bank	39
	3.12	Contribution to national exchequer	
	3.13	Total Assets	
	3.14	Total Liabilities	40
	3.14	Contingent Liabilities	40

Serial Number	Particular	Page Number
3.15	Operating Income	41
3.16	Operating Expense	
3.17	Provision as per regulatory requirement	42
3.18	Recommendation of Dividend	
3.19	Credit Risk	
3.19.1	Total gross credit risk exposures broken down by major types of credit exposure	43
3.19.2	Geographical distribution of exposures	
3.19.3	Industry or counterparty type distribution of exposures	
3.19.4	Residual contractual maturity breakdown of the portfolio	
3.19.5	Provision	45
3.19.6	Movement of Non-Performing Assets	
3.19.7	Capital Requirement for Equity Position Risk :(Consolidated Basis)	
3.19.8	Interest Rate Risk in the Banking Book (IRRBB)	46
3.20	Market Risk	
3.20.1	Method used to measure market risk	
3.20.2	Policies and processes for mitigating market risk	
3.20.3	The capital requirements for Market Risk	47
3.21	Operational risk	
3.21.1	Policies and processes for mitigating Operational Risk	48
3.22	Liquidity Ratio	
3.22.1	Policies and processes for mitigating liquidity risk	
3.22.2	Leverage Ratio	
3.23	Policies & processes for managing excessive on & off –balance sheet leverage	
Chapter 04 (Conclusion, Findings & Recommendation)		**50**
4.1	Conclusion	51
4.2	Findings	
4.3	Recommendation	52
Bibliography		**53**
Book References		53
Recommendations		54
List of Abbreviations		55

Executive Summary

This paper mainly introduces the core operation system of commercial banking this also deals with the structure of the commercial Bank and how they manoeuvre their sourcing and usage of funds. Commercial bank represents a key financial intermediately because they serve all types of surplus and deficit units. In case of institutional and informational structure, the currency of markets is driven primarily by the management of credit risk and price variation in spot currency markets by dispersed information to facilitate my study I have been choose my employer bank as a commercial bank currently operating in our country. I have been studied bank's balance sheets and tried to find out how it gathers funds and in what way it uses collected funds. Moreover, I also attempted to see how manage its capital, risk and asset-liability. The overall process is firstly started with regulation system of the commercial banking and latter it has discussed about the different types of transactions like deposit accounts, borrowing funds, bank capital, loans, investments and other assets and liabilities. I used table for various types of related information. All analysis has been made with the help of the annual reports of MGBL, 2020. The attempt was to examine the basic operations of the bank. The report mainly addresses the commercial bank's funds, their sources of funds, uses of funds and different depository systems that helps us to understand the major operation systems of commercial banking.

Chapter 01

Introduction & Importance of the Study

1.1 Introduction

The Bank Company Act, 1991 brought fundamental changes in the banking operations in Bangladesh as it provided detailed guidelines to the Board of Directors (BoDs), Management and Regulators by defining their selection criteria, roles and responsibilities that also substantially impacted on banks' performance. However, all banks did not incorporate the Acts properly in practice which is reflected from their performances. After two decades of incorporation of the Act, reassessments of performance of bank; particularly, the commercial banks, are very much needed to understand the effect of the Act. This research investigates two performance indicators - Efficiency and Profitability – of 1st (1982-1990), 2nd (1991-1998), 3rd (1999-2012) and 4th (2013) Generations of local conventional Private Commercial Banks (PCBs). By understanding the extent and nature of the performance gap, it identifies the challenges for ensuring better Corporate Governance (CG) practice in the banking sector of Bangladesh.

1.2 Rationale of the Study

It is important to understand and measure the competitiveness and soundness of the banking sector of Bangladesh concentrating on the aspects of corporate governance and ownership influence on banks' performance. The policies introduced in 1991 with assumptions of achieving greater performance and creating a competitive banking environment, need evaluation and modification according to the local and global conditions. Furthermore, the banking sector contributes a substantial portion to the country's overall Gross Domestic Product (GDP) besides ensuring domestic resources mobilization, savings generation and investments in productive sectors. It is crucial to understand, appraise and monitor the factors which affect the sector's performance, in terms of efficiency and profitability using a broad framework of Corporate Governance (CG).

1.3 Importance of the Study

Commercial Banks have been proven as the part and parcel of the modern economy these days. My term paper is mainly related to the "**Banking Operations of Meghna Bank Limited (MBGL)"** as 4th generation private commercial bank in Bangladesh. The total systematic environment of the operations is mainly for benefiting customers and it also creates a potential impact on the growth of the economics which helps to accelerate the flow of financial activities. Commercial bank and its regulation are needed to protect customers who supply funds to the banking system. By preventing bank runs that might occur if customers became concerned about the safety of their deposits, a safer banking environment. The banking system that has been discussed is to enhance the safety of the banking system by overseeing individual banks. We clearly know that the operation system of the commercial bank and fluctuations of economic cycle are related simultaneously. One of the most important point is, the going concern policy as they can operate in any critical situations. In the recent times, the banks are especially cautious because they are already experiencing an increase in problem (potential defaults) loans as a result of weak economy. Therefore, the bank has more money available than they can use for lending. Many banks increased their investments in securities because the demands of the loanable funds have weakened. Bank operations change in response to changing regulations and economic conditions and to managerial policies designed to hedge various form of risk. For example; in the recent year's banks expanded across state lines, diversified their asset portfolios, boosted their capital ratios and expanded their operations into services as insurance, brokerage, underwriting of securities and sales of mutual funds. Large changes in

bank operations typically require restructuring which normally must be assessed and approved by the bank's executives and board of directors.

Decisions to restructure are complex because of their effects on customers, shareholders and employees. A strategic plan to satisfy customers and shareholders will not necessarily satisfy the majority of employees. Here, I am mainly concern about the overall performance of commercial banking systems. Today's economic world is related with the banking system and dynamic flow of financial transactions in the currency markets and these are focused on this paper based of **MGBL's** banking operations and performance.

Chapter 02

Banking Operations & Performance Of Meghna Bank Limited

2.1 A Brief Story of MGBL

Meghna Bank Limited is a scheduled private commercial bank in the private sector established under the Bank Company Act 1991 and incorporated in Bangladesh as a public limited company under the Companies Act 1994 to carry out banking business in Bangladesh. A fourth generation Bank, MGBL commenced its operation from May 09, 2013 with a vision of **"To be recognized as an essential institution for the unbanked through zealous participation in the financial inclusion process"**. Meghna Bank's Pay-Off line **"Together We Sail"** exemplifies our commitment to contribute building up an enlightened and prosperous nation. MGBL running its banking operations with 47 branches all over the Bangladesh. MGBL customers have access to 20 ATMs as a member of ETN. Under the ATM network the Stellar Online Banking Software enables direct linking of a client's account, without the requirement of a separate account. MGBL customers all can access 11,000+ other's bank's VISA ATM without any charges. The Bank is also in the process of setting up its own ATM network with a view to providing retail banking services.

2.2 Vision

To be recognized as an essential Institution for the unbanked through zealous participation in the financial inclusion process.

2.3 Mission

To be among the best service provider in the industry by ensuring complete customer satisfaction through the application of technology, professionalism & nursing.

2.4 Core Values

- To remain, at all times, a completely compliant financial institution and a responsible corporate citizen.
- To ensure a sustained growth of the Institution and meet the desired tangible as well as intangible expectations of the Shareholders.
- Customer needs customer care and customer satisfaction to be central to all our operating activities.
- To foster a healthy work-environment and a pleasant in-house culture in order that Meghna Bank is considered an ideal Institution to be associated with.

2.5 Board of Directors

The Board of Directors ("the Board") is responsible for the adequacy and effectiveness of the internal control mechanism in place at the Meghna Bank Limited. ("The Bank"). Among other oversight responsibilities, Board of Directors (BoDs) has to ensure that the Financial Statements of the Bank and its subsidiary are prepared in accordance with applicable International Financial Reporting Standards (including International Accounting Standards), relevant provisions of the Companies Act 1994, Bank Company Act 1991 (amended in 2013), guidelines of Bangladesh Bank and Bangladesh Securities and Exchange Commission (BSEC) and other applicable laws, rules and regulations.

2.6 Director's Responsibility

The Board has established an on-going process for identifying, evaluating and managing the significant risks faced by the Company and this process includes the system of Internal Control over Financial Reporting. The process is regularly reviewed by the Board.

The Board is of the view that the system of Internal Control over Financial Reporting in place is sound and adequate to provide reasonable assurance regarding the reliability of Financial Reporting, and that the preparation of Financial Statements for external purposes is in accordance with relevant accounting principles and regulatory requirements.

The management assists the Board in the implementation of the Board's policies and procedures pertaining to Internal Control over Financial Reporting. In assessing the Internal Control System Over Financial Reporting, identified officers of the Company collated all procedures and controls that are connected with significant accounts and disclosures of the Financial Statements of the Company & continue to review & update every year. These in turn are being observed and checked by the Internal Audit Department of the Company for suitability of design and effectiveness on an on-going basis.

The Board views the governance and oversight of our distinctive business model and prudent strategy as key to the ongoing creation and delivery of value to our stakeholders, particularly in an economic environment that remains both uncertain and challenging.

At MGBL, the Board's primary role is to provide leadership, ensure that it is appropriately managed and deliver long-term shareholder value. It also sets the Group's strategic objectives and provides direction as a whole. A number of key decisions are reserved for and may only be made by the Board, which enables it and the executive management to operate within a clear governance framework.

2.7 Corporate Governance

The Board is committed to adhere strictly to the statutory obligations and regulatory guidelines. The Bank Directors are responsible for the governance of the Bank. Thus preparation of Annual Report and Financial Statements lies to the Board in accordance with the Companies Act 1994, Bank Company (Amendment) Act, 2013, Bangladesh Financial Reporting Standards (BFRS), Bangladesh Accounting Standards (BAS) and stipulations of Bangladesh Securities and Exchange Commission (BSEC). To discharge the duties and responsibilities of the Board, three Committees i.e. Executive Committee, Audit Committee and Risk Management Committee remained functional with defined responsibilities. Each Committee adheres to a set of terms of reference approved by the Board. Their roles, operating procedures and authorities are clearly defined in the terms of reference which the Board reviews from time to time. During the year 2020, twelve meetings of Board of Directors, six meetings of Executive Committee, four meetings of Audit Committee and four meetings of Risk Management Committee were held.

2.1.1 Departments of MGBL

MGBL is now very well organized in banking operation. Since 2019 MGBL maintaining centralized Asset and Liability operations by considering their interrelationship with allocated in a particular division/ department. MGBL controlling their operations effectively with following divisions/ departments as a modern banking system:

Sl. No	Category of Department	Division/ Department Name
01	Human Resource	1. Human Resources Division

02	Sales Management	2. Corporate Banking Department 3. Retail Banking Department 4. SME Banking Department 5. Meghna Priority Banking 6. Islamic Banking Department 7. Project & Cash Management Department 8. Agent Banking Division 9. Treasury Management Division
03	Money Market Desk	1. Foreign Money Market Desk 2. Fixed Income Security Desk 3. Corporate Dealing Desk 4. Asset-liability Management Desk
04	Credit & Risk Management Division (CRM)	1. Corporate CRM Department 2. Retail CRM Department 3. Islamic CRM Department 4. SME CRM Department
05	Operations	1. Credit Administration Division 2. Central Trade Operations Division 3. Payment System 4. International Division 5. Business Operations 6. Liability Operations 7. General Service Division 8. AML & CFT Division 9. Treasury Operations
06	Internal Control & Compliance	1. Internal Compliance Department 2. Internal Audit Department 3. Monitoring Department
07	Financial Administration Department	1. Financial Recording Department 2. Financial Controlling Department 3. Financial Planning and Analysis Department
08	Collection & Monitoring	1. Suspicious Asset Management Department 2. Recovery & Collection Department
09	Legal	1. Leal Vetting Department
10	Branches Division	1. Branch Banking
11	Information & Technology	1. Hardware & Networking Department 2. Core Banking Solution Department 3. Applications Development Department

2.1.2 Human Resources Division

Meghna Bank Limited strives to create the kind of work environment in which every employee feels proud and is able to develop his or her full potential and capabilities. The Bank recognizes that its success is deeply embedded in the success of its human capital. HR practices play a key role in developing, reinforcing and changing the culture of an organization. Compensation & benefits, performance management, training and development, recruitment & onboarding and

reinforcing the values of the business are all essential elements of business culture covered by HR practices. Human resource practice is the process of linking the human resource functions with the strategic objectives of the Bank in order to improve performance. The efficient HR policies & practices are being designed in Meghna Bank to enhance the performance level to its maximum. To cope up with changing HR needs, the human resource policy of the bank is reviewed from time to time.

In 2020, Meghna Bank HR has streamlined the organogram, job description of employees, introduced KPI based reward system and developed employee benefits related policies to inspire the employees. Mentionable here that Bank has declared good number promotions for the year of 2020 in recognition of the contributions and Bank is also rewarding its employees through its KPI based bonus & reward system. The Bank has revived the salary to keep motivated of the employees. Bank has also introduced employee engagement program like "Coffee with CEO" program.

MGBL has future plan to develop the human resource through HR service automation, reward & recognition, align HR strategy with business strategy, creates employee value proposition and talent Management. The Meghna Bank Limited (MGBL) is committed to creating and maintaining a high-performance culture while maintaining core values of the bank. The Bank has also adopted Performance Improvement Plan (PIP). Performance Improvement Plan is the process through which Bank provides support, guide and advice employees who may be experiencing difficulties in performing their duties to the required standard and to provide managers with a clear framework to manage employees who may be underperforming in their role.

2.2.1 Corporate Banking

MGBL's corporate banking puts people and technology as stronghold pillars of success in business. They continuously reinvent our business to provide the best experience for our clients. MGBL design their services to provide superior customer satisfaction starting from on boarding to post-trade. Under the Corporate Banking division, accounts are managed by a team of relationship managers supported by our geographically diversified platforms. The objective of the relationship team is to ensure on-time delivery with seamless portfolio management.

Relationship managers also engage into discussions with our clients on their future plans and strategies. Apart from traditional corporate credit products, MGBL corporate has a dedicated '**Trade Sales Unit**' to ensure great trade experience and faster processing time to add value to customer businesses.

Attractive source of committed funding, which offers competitive pricing to high credit rated businesses and is scalable to finance trading growth.

- Corporate Banking Services
- Dedicated Relationship Manager 24/7
- One Stop Solution for The Corporate Names
- Same Day Transactions for Day To Day Activities
- Centralized Trade Hub & Trade Express Services
- Dedicated Trade Sales Team
- Dedicated Client Experience Team for Complain & Service Issues

2.2.2 Corporate Banking Products

- Industrial and Project Financing
- Investments/ Capital Market Services
- Transaction services
- Trade Services and FX
- Deposits & Cash Management Solutions
- Structured Finance Solutions
- Risk Management Solutions

2.2.3 Trade Services

Experience our market-leading trade finance solutions that help buyers and suppliers meet their working capital, risk mitigation and cash flow objectives.

- MGBL's corporate support client's working capital with a scalable solution that offers supply chain finance and dynamic discounting.
- Increase confidence knowing your business is supported by the strength, security and scale of Meghna Bank Limited.
- Ensure long-term financial stability for your business and suppliers by taking advantage of our attractive early payment offers.

2.2.4 Trade Products:

- Letter of Credit (Documentary Credit)
- Back-to-back Letter of Credit
- Shipping Guarantee
- Export LC (Advising & Transfer)
- Letter of Guarantee
- Import Bill Handling
- Export Bill Negotiation/Collection
- Import Loan
- Letter of Trust Receipt (LTR)
- Time Loan
- EDF loan
- Refinancing
- Packing Credit
- Time Loan / Short term loan (tailor made)
- Tailor made Structured LC

2.2.5 Working Capital Management

MGBL's regular credit products ranges from short term financing of day-to-day business operations to long term loans for expansion of your business.

- Overdraft
- Cash Credit
- Short Term Loan
- Time Loan
- Local Documentary Bill Purchased (LDBP)
- Foreign Documentary Bill Purchased (FDBP)
- LCs (Cash vs B2B, Sight vs Deferred, UPAS)
- Import Loan / LTR

- EDF
- Packing Credit

2.2.6 Structured Finance Products

- Loan Syndication
- Preference Share Raising
- Commercial Paper
- SPV Administration
- Bonds & Convertibles
- Administrative Agency Services
- Islamic Products

2.3.1 Project & Cash Management Department

MGBL understand the importance of prompt capturing of client's cash flow requirement so that they receive the maximum benefit. MGBL provide client with a choice of ways to deposit their cash and cheques in a systematic and effortless manner. They provide a range of electronic payment mechanisms to meet their unique needs.

- Payment & Collection Solutions
- Bulk Cheque Processing
- Utility Bill Collection
- Vendor/Salary payment
- Cash Pick Up & Delivery
- IPO Processing as Banker of Issue and/or Lead Bank
- Internet Banking
- Automated Cheque Writing Software
- Host-to-Host Connectivity

2.4.1 Retail Banking Division

Retail Banking Division (RBD) is one of the major Business Divisions of Meghna Bank Limited. The division comprises of Retail Products, Branch Banking, Priority Banking, Islamic Banking and Retail sales team. With a vision to be the part of the customers' journey of development and growth, RBD focuses on building and maintaining a long-term mutually beneficial relationship with customers. RBD is focused on achieving its objective, being profitable by adopting customer-centric approach.

2.4.2 Retail Products

RBD is continuously developing customized and flexible Retail products to simplify the complexities of the financial world for the customers and helping them to attain the desired objectives. To meet the diverse financial needs of customers, the Retail Banking Division offers a broad spectrum of products and services. Our Retail Products are designed in such a way that customers get the benefit of easy banking, digital platform and great value from the products and services.

2.4.3 Retail Deposit Products

- **Transactional Account:** To encourage customers on saving we have introduced several products to cater different target groups, like Insurance Backed Saving for HNW customers & Women customers, Senior Citizen Account, Children (students aged 6-18 years) Account and so on.

- **Savers Account:** is a very lucrative savings account with the facility of free insurance coverage for customers. We are offering attractive interest rate against this account which will be credited on monthly basis. As insurance coverage the account holder will be entitled to Accidental death benefit up to BDT 1 crore, living benefit up to BDT 10 Lac for treatment of 18 critical diseases and Normal death benefit up to BDT 50,000, for maintain certain monthly average balance
- **Sreyoshi Savings account:** It has been designed as an exclusive woman banking platform to meet the special needs, requirements and expectation of women from all walks of life. The account holder will get free insurance facility which includes living benefit for treatment of 18 critical diseases up to BDT 10 Lac upon maintaining certain monthly average balance.
- **Senior Citizen Savings account:** This account is specially designed for Bangladeshi Citizens aged over 60 years. This account has no maintenance fee and Debit Card charge and provides Cheque book & Internet Banking Facility.
- **Youngster's Savings Account** is specially designed for the school and college going students to encourage them to save for future. This account has no account maintenance fee and Debit card charge and can avail Internet Banking Service. The account need to be opened jointly with parents/ legal guardian.
- **Regular Current Account**: Regular current account is designed to make day to day transaction with the availability of Debit card, Cheque book and Internet banking.
- **Regular Savings Account:** Regular Savings account is designed to encourage one's savings tendency with a benefit of interest on the half-yearly average balance, Debit card, Cheque book and Internet Banking service
- **Meghna Salary Account:** Medium and Large Corporate Organizations having minimum 25 employees can open Meghna Salary Account for their Employees with no account maintenance fee
- **Fixed Deposit:** Meghna Bank offers attractive interest rate and flexible tenure (1m/3m/91d/ 6m/181d/12m/365d) and also up to 90% of SOD loan facility on the fixed deposit accounts.
- **Meghna Nirapad** is a Fixed Deposit Account with free insurance facility. Minimum FDR amount is BDT 1 Lac. Meghna Nirapad account holders will get Normal Death Benefit of BDT 50,000 and Accidental Death Benefit up to BDT 1.00 Crore based on FDR principal amount. Apart from Death Benefit, Meghna Nirapad Account holder with principal FDR amount of BDT 1.00 Crore and above will get BDT 10 Lac as living benefit for the treatment of 18 diseases. We are offering flexible tenor (03 months/ 06 months/12 months) and also allows to take auto Renewal facility and SOD loan up to 90% of the principal amount with auto renewal facility.
- **Millionaire/Kotipoti Scheme:** We have introduced some special Deposit Scheme products. The details are mentioned below:
- **Meghna Millionaire:** Meghna Millionaire is an exclusively designed recurring deposit Scheme for individual clients who will receive BDT 1,000,000 (One million) after maturity. This account can be maintained with or without monthly installment and have flexible tenure (3y/5y/8y & 10y). This specific product also allows to take SOD loan/Term Loan up to 95% of deposited amount

- **Meghna Money Builder**: This recurring deposit scheme is specially designed for SME and non-individual clients. We are offering flexible tenure (3y/5y/7y & 10y) and allows to take SOD loan/Secured Term Loan facility up to 95% of deposited amount
- **Meghna Kotipoti:** Meghna Kotipoti is an exclusively designed recurring deposit scheme for individual clients who will receive BDT 1 Crore (One Crore) after maturity. This account can be maintain with or without initial balance and have flexible tenure (5y/8y/10y/12y/15y/18y). This specific product also allows to take SOD loan/Term Loan up to 95% of deposited amount.
- **Deposit Pension Scheme:** These schemes are for monthly savings and a great way to fulfil your future financial need. We are offering flexible monthly instalment with flexible tenor (3y/ 4y/ 5y/ 6y/7y/ 9y/10y) and SOD loan up to 90%.

2.4.4 Retail Loan

- **Home Loan:** Meghna Bank Provides Home loan facility to purchase the Home of your dream. We are providing loan up to BDT 2 Crore with loan tenure up to 25 years and offering attractive interest rate with maximum 12 months of grace period. Moreover we are offering Home loan Takeover at 0% processing fees and maximum tenure up to 20 years.
- **Auto Loan:** Meghna Bank allows you to drive your dream car. The allowable limit of this loan is up to BDT 40 Lacs with loan tenure of 6 Years. With this loan, you may purchase brand new/reconditioned/ registered used vehicle.
- **Personal Loan:** Meghna Personal Loan is any purpose loan with maximum limit of BDT 10 Lac and a tenure of up to 5 years at interest rate of 9%.

2.5.1 Branch Banking

Branch Banking plays a significant role in catering financial needs of the customer specially the customers' demand to interact with the bank when, where, and how they want. Meghna Bank has introduced 47 branches in 25 Districts to provide a superior service to our customers all over the country. Our branch team has been emerged to create customer loyalty through brand engagement and customer experience through faster service and providing access to all financial products and services. Notably, we are working as one-stop service provider where the customers can enjoy all types of business solutions under a compliant environment.

However, Meghna Bank has been working to introduce Sub-branch in prospective business hubs which will facilitate all the services that a conventional branch can offer and strengthen the branches network.

2.6.1 Meghna Priority Banking

Meghna Bank Limited launched "Meghna Priority Banking Services" for the "High Net Worth" customers. This new proposition was launched through an exclusive virtual event held on Saturday, June 12, 2021. In order to bring focus on customer's needs and aspirations, Meghna Bank Priority Banking Services categorized the customers into 3 (three) segments, Blue diamond, Jade and Jasper. These segments are designed to meet the evolving needs of High Net Worth customers where customers can take advantage of exclusive perks and benefits.

- **Blue Diamond:** Blue Diamond Banking services will help you to live your dreams & create the life you love. Our Blue diamond banking begins with a host of exclusive

privileges and includes all the existing offers that makes you 'Feel value and rewarded' For any Individual customer who maintain an average balance of BDT 5 crore and above in last six months and for any Non-Individual customer (Corporate) maintaining an average balance of BDT 20 crore and above in last six month will be eligible for Blue Diamond privileges.

- **Jade:** Jade is a special segment offering a unique combination of personalized relationship management, financial solutions and luxury lifestyle services to support the needs of high net worth individuals who maintain deposit threshold of BDT 1 Crore and above but less than BDT 5 Crore.
- **Jasper:** Jasper is the segment for ensuring customers' needs and aspiration where our main focus is to build customer relationship which may help to build value over a lifetime. These are the customers who will have to maintain a deposit threshold of BDT 25 Lac and above but less than BDT 1 Crore.

2.6.6 Priority Banking Proposition

Our Blue Diamond & Jade customers will be eligible to the following privileges:

- **Exclusive Lounge Facility:** Starting from private high tech meeting room for your personal use to luncheon privileges, we have a complete set up to serve you.
- **Dedicated Relationship Manager:** A dedicated & assigned Relationship Manager will advise you on your financial & investment planning and will whole-heartedly support your total financial relationship with the bank, providing proper guidance on enhancing your relationship with the bank.
- **Healthy Living:** In assurance of your healthy living, free annual health-screening service either in Mount Elizabeth, Singapore or Bumrungrad Hospital, Bangkok will be provided to our Blue Diamond customers
- **Holiday Privileges:** As a premium customer, you will be entitled to an extravagant travel package in Singapore/ Kualalampur/ Bangkok/ Dubai which include complementary return air tickets and sumptuous accommodation facilities.
- **Laundry Service:** Relax… We have right choice to cover your laundry service. As a Blue BUILDING A DIGITAL FUTURE MEGHNA BANK LIMITED 95 Diamond or Jade customer, we will offer you laundry service in one of the 5-star hotels of the country.
- **Entertainment:** Premier movie show ticket at country's premium movie theaters and digital international & local entertainment subscriptions like Netflix/Akash DTH.
- **Fine Dine-in:** Enjoy complementary fine dine-in experiences at renowned 5 star eateries in Dhaka as Blue Diamond signifies that your time is well spent along with a good company while dining at some premier venues. Besides, there is Ladies Night for our respected lady customers at Intercontinental Dhaka where they can avail up-to 50% discount on all F & B outlets (applicable only for Saturday and Tuesday).
- **Birthday/ Anniversary celebration:** We want to be a part of your special days and would like to ecstatically celebrate your happy occasions be it your birthday or anniversary.
- **Meet & Greet Assistance:** A premium Meet & Greet services offered to our valued customers at Hazrat Shahjalal International Airport who appreciates the luxury of the personal attention. We would also like to handle airport drop-off and pick-ups for our members. Also you can relax in style and enjoy the luxury at Balaka Lounge.

- **Other Facilities:** As a valued customer, you are also entitled to our Insurance coverage based on the balance you maintain In Nirapad FDR & Platinum Savers account. The coverage Includes: critical Illness, normal death & accidental death.

2.7.1 Islamic Banking

As a large number of the population becomes sensitive to embrace banking as prescribed by the religion and Shariah principles, our country is moving towards embracing Islamic banking in a very significant way. Meghna Bank clearly wants to recognize this as an opportunity to become a part of the Islamic community by Introducing Islamic Banking. We have started the operation of our first Islamic Banking Window in Principal Branch, Gulshan, Dhaka on April 01, 2021. By this year, we are planning to roll out Islamic Banking products & services from all of the 47 branches across the country and create an authentic Shariah-compliant banking platform. To uphold Shariah values, a Shariah supervisory committee has been constructed for supervising Islamic Banking operations and certifies compliance with Shariah principles. Dr. Mohammad Manzur E Elahi is the Chairman of Shariah Supervisory Committee. Other members of the committee are Dr. Md Anwar Hossain Molla, Dr. Muhammad Saifullah, Dr. M. Mohabbat Hossain, Mr. Md. Fariduddin Ahmed and Sohail R. K. Hussain, CEO & MD, Meghna Bank Limited Considering the growing demand of Shariah banking in the country, the department has come

Deposit Products	Investment Products
Al-Wadeeah Current Account	
Mudarabah Short Notice Deposit (MSND) Account	
Mudarabah Savings Account (MSA)	
Mudarabah Term Deposit Receipt Account (MTDRA)	Household Durables Investment Scheme
Mudarabah Monthly Profit Deposit Scheme Account (MMPDSA)	Auto Finance
Mudarabah Bibaho Savings Account (MBSA)	House Finance
Mudarabah Mohor Savings Account (MMSA)	Fixed and Working Capital Finance
Mudarabah Special Savings (Pension) Account (MSSA)	
Mudarabah Hajj Savings Account (MHSA)	

up with products that suits a wide range of customer segments. Our Islamic Banking team has introduced Deposit products on Mudarabah and Al-Wadeeah principle & Investment products based on HPSM and by Murabah mode of Islamic Shariah which are mentioned below:

2.8.1 Retail Sales

The changing demographic patterns of Bangladesh driven by the rising income levels across middle class consumers have created buoyancy in consumer market. The growing midlevel management employees are also contributing to the growth in the consumer market. With the ever-increasing population with rising income levels, the demand for Retail loans & deposits products are expected to keep rising in the years ahead. Various other factors are also fuelling the growth of consumer products. A major factor behind this increasing demand is also attributable to the easy availability of consumer loans & deposits and home services by Direct

Sales Force. Keeping that in mind, Meghna Bank introduced Retail Sales team who will visit door to door to sell Retail Loan & Deposit products. The main goal of Retail sales is to move rapidly to cover every corner of the country from urban metropolitan areas to remote rural regions, to grow more customers and deposit accounts. Currently we are in operation in Dhaka, but in coming years we will cover Chittagong, Sylhet & Cumilla region.

2.9.1 Treasury Management

Treasury Management has become more important, challenging, volatile and sophisticated during these days of BASEL-III regime. Treasury activities now a days involve a number of new critical risks with different dimensions. The banking sector of Bangladesh faced huge challenges amid COVID – 19 pandemic along with paradigm shift of interest rate to single digit. Despite all the unprecedented Challenges, MGBL treasury played the most vital role in driving the bank's overall business strategy, balance sheet growth, maximizing return on capital, minimizing major market risk factors and finally improved the bank's profitability on RAROC basis for the year 2020 and also for the forthcoming years.

2.9.2 Performance of Treasury in 2020 Vs 2019

Particulars	2020	2019	% Growth
Money Market Income	27.20	36.17	(25%)
Investment Income	104.57	34.17	206%
Foreign Exchange Income	5.49	7.20	(24%)
Total Income	**137.26**	**77.54**	**77%**

On a broad scale, the main objectives and responsibilities of treasury are to ensure regulatory compliance, managing balance sheet through ALM process, operate in the money market, FX market, G – sec market, capital market and other non-listed securities market to generate sufficient revenue for the bank as per business plan. Moreover, treasury has to forecast the market liquidity, interest rate movement as well as foreign exchange rate movement for future business strategy setting. As per Board approved organogram, MGBL treasury has the following designated desks:

2.10.1 Money Market Desk

- Foreign Exchange Market Desk;
- Fixed Income Securities Desk;
- Corporate Dealing Desk and
- Asset – liability Management Desk

The main function of MM desk is to ensure Cash Reserve Ratio (CRR). Apart from this, MM desk ensures optimum use of fund as well as day to day liquidity management. Due to COVID -19 pandemic, increased flow of inward remittance, low growth of private sector credit growth, frequent reduction of CRR and reference rate, the market was over flooded with excess liquidity.

In spite of facing many unprecedented challenges, MGBL treasury had been able to shift the banking and trading book as per market trend which helped to add substantial contribution to the bank's profitability, mitigation of risk and sound liquidity management in the year 2020.

2.10.2 Foreign Exchange Market Desk

In spite of COVID – 19 pandemic effect and slow economic projection by the national and international research organizations, Bangladesh's foreign remittance volume increased substantially in 2020 and the FX reserve of the country crossed USD 42 billion. There was also a remarkable improvement in BOP position. Because of this all-favourable condition of the FX market, our treasury had been able to earn a good FX gain from international trade

2.10.3 Fixed Income Securities Desk

In addition to excess liquidity, sluggish demand for private sector credit paved the way for investment in risk free G – sec portfolio. And eventually we availed of the opportunity in right time to invest in G – sec which resulted a huge income for the bank at the end of the year.

2.10.4 Corporate Dealing Desk

In line with the bank's transformation process, we established the corporate dealing desk for providing specialized and tailor-made diversified products to the corporate customers as per their requirement. And in many cases, we provide important market information and outlook to the customers so that they can optimize their return from taking appropriate investment, venture and hedging decisions.

2.10.5 Asset- liability Management Desk

ALM desk has become the most important area for any bank management. The principal objective of the ALM desk is to formulate and implement the bank's balance sheet strategy. Besides, the ALM desk renders the following functions:

- To organize monthly and special ALCO meetings and taking records and minutes of the same and follow up implementation status;
- To prepare and circulate ALCO pack for the ALCO members;
- To identify and manage maturity profile mis-match /Gap for liquidity management;
- To propose interest rate/pricing depending on market and peer group analysis;
- To identify and present the balance sheet dynamics to the ALCO;
- To provide market view on setting balance sheet strategy;
- To prepare new investment plan/product for increasing bank's profitability; and
- To propose appropriate transfer pricing.

During the year 2020, we conducted monthly ALCO meeting regularly and took many optimistic decisions to cope with the market dynamics which helped the bank to close the year with great achievements and growth. Moreover, the ALCO regularly monitored various regulatory requirements like, AD Ratio, Liquidity Coverage Ratio (LCR), Net Stable Funding Ratio (NSFR), Maximum Cumulative Outflow (MCO), etc. to ensure overall financial stability and long-term sustainability of the bank. LCR is calculated as per format provided by Bangladesh Bank. Average LCR for 2020 was 437.09% Net Stable Funding Ratio (NSFR) is calculated as per format provided by Bangladesh Bank. Average NSFR for 2020 was 187.87%.

- Trend of Advances Deposit (AD) Ratio:
- Bar Chart of Advances Deposit Ratio
- Trend of Treasury Bills Yield

- Trend of Treasury Bonds Yield
- Repo, R. Repo, 91 Days T-Bills & Call Money Trend
- Trend of USD/BDT Exchange Rate
- SME Meghna SME Banking - Let's Grow Your Business

2.11.1 SME Banking:

Meghna SME Banking - Let's Grow Your Business

Economy of Bangladesh has changed a lot during last decade in terms of doing business index, regulatory support, and development initiatives by government and international bodies etc. CMSMEs are recognized as engines of economic growth worldwide and in our country, there are about 8.00 million formal CMSMEs doing business with significant contribution to employment, national GDP, foreign trade. But this larger sector our economy often lacks Access to Finance from local formal sector financial institutions more particularly from Banks. For us as a bank, our focus on the SME segment is to, in the main, bridge the yawning gap for capacity building in the small and medium enterprises development space and help SMEs in Bangladesh.

2.11.2 Products and Offerings

MGBL have tailor-made offering for SMEs:

2.11.3 Deposit Products

- Meghna Current Account
- Meghna Liberty – interest bearing current account
- Meghna SND
- Meghna Fixed Deposit

2.11.4 Asset Products

- Overdraft
- Cash Credit (Hypo)
- Secured OD
- Time/Demand Loan
- Short Time Loan
- Term Loan
- Work Order Financing
- Contractor Financing
- Trade Financing

In addition, we offer "Meghna Nabarupa" - a specific loan for Women Entrepreneurs. In order to encourage savings by women- a value packed savings account was also introduced, named as "Meghna Sreyoshi". Moreover, considering the fact, as an agriculturally predominate country, Meghna Bank is financing in agricultural sector with its tailored made agro based products – "Meghna Khamar Rin", "Meghna Fosol Rin".

2.12.1 Agent Banking

The Meghna Bank Limited's Agent Banking started its operation through a soft launch in April 2021 with the objective of being aligned with the Government's financial inclusion goals. The operation was launched amidst a very saturated market, with the sole aim to uphold financial inclusion by providing easily accessible banking services for the masses in a secure and simple manner in regions that are both remote and financially excluded.

The core objective for MGBL has and will be bringing low-income groups into the grasp of banking services and informing them about the benefits of using these services to conduct transactions, practice saving and take loans over existing traditional methods. Agent Banking Division of the bank aims to give its clients better increased control over their financial needs.
The uniqueness of Meghna Bank Agent Banking is how it is expanding to provide additional services to its customer. Meaning, apart from banking services, it is working on providing more and more extra services for the customers. Giving a one stop solution for customers creates and empowers customers as well. Along with financial inclusion, Meghna Bank Agent Banking is bringing its customer in to the grasp of digital inclusion. Some of the services offered to customers include instant fund transfer facilities and various utility bill payments through the agent outlets. This is helping both customers and enterprises, as customers are able to pay on time and enterprises are able to make their collections in a more reliable and timely fashion. Meghna Bank Agent Banking will essentially be providing all sorts of banking services as per the Prudential Guideline of Bangladesh Bank for Agent Banking Operation in Bangladesh.
The rural population holds a great deal of the unbanked individuals in the community and Meghna Bank Agent Banking is working tirelessly in bringing these populous under the grasp of banking services. Currently, Meghna Bank Agent Banking has 12 outlets throughout the country and views to have hundred in the coming year. In view of increasing Meghna Bank Agent Banking's coverage in the rural communities, massive expansion will be taking place in the coming year. The dynamic team members of Meghna Agent Banking are working tirelessly to ensure that this coverage is increased at a phenomenal rate.
The tremendous growth of the Agent Banking Channel in our country is a blessing in the context of financial inclusion. We select agents who are locally known and accepted by the people of that area. This helps in building customer trust as they are known beforehand. Another key area where agent banking has scope to flourish is SME loans. Meghna Bank Agent Banking is emphasizing on this opportunity and is designing special products targeted specifically for this market. By creating targeted products under our micro financing initiative, Meghna Bank Agent Banking will be leading an unprecedented move in the loan segment of the banking industry. Like many other countries and international organizations, the government of Bangladesh has also taken a number of initiatives and formulated national strategy. All these combined with our joined effort will prove fruitful as it will encompass financial inclusion in the country and bring more growth for the bank.

2.13.1 Credit & Debit Card Business

We will Re-launch the Card business coming year with more features for our customers. The new products will be launched with new technological support for our customers. Out of the projected features below are some instances-

- **Launch New Team:** To re-launch MGBL Cards and ensure market growth, the below dynamic team needs to be on boarded to ensure the service, diversified product category, customer satisfaction:
- **Launch New Cards:** To reach more customers, MGBL Card Division is going to introduce new cards in the business portfolio as below:

2.13.2 Prepaid & Credit Card

- Student Prepaid Card.
- Payroll Prepaid Card.

- General Prepaid Card.
- Dual Currency Credit & Debit Card.
- Islamic Banking (Halal) Debit Card.

2.13.3 Value Added Services

Intending to increase MGBL Cards portfolio, MGBL Card Division will be providing several kinds of value-added services as below:

- Welcome Pack (Value Pillar) for Newly issued cards.
- B1G1 Free Meal with 5 Star Hotels.
- Green PIN (no paper PIN) generation service through the call centre.

2.13.4 Shared ATM (Ek Card a Bangladesh)

- Free cash withdrawal with Meghna Debit Card, across Bangladesh.
- Access to approx. 11,000 ATM all-over Bangladesh
- Re-structure Meghna 360 Rewards, to waive cards annual fee from 2nd year & onwards and pay outstanding
- Insurance Coverage (CSP à Credit Shield Premium).

2.13.5 Web-based Service Portal

- The customer will place a service request digitally 24/7

2.13.6 Call centre with IVR based service

- Instant PIN generation
- Credit card and account information by self-service
- Smart IVR
- Utility bill payment
- Fund transfer

2.13.7 Internet banking for credit card services

- Self-registration.
- Real-time fund Transfer through NPSB 24/7.
- Card Activation/Block.
- Self Service Request.
- PIN Generation/Change.

2.14.1 Credit Risk Management (CRM)

2.14.2 Credit Risk

Credit risk refers to the risk of potential losses incurred from the failure of clients, customers or counterparties including sovereigns to honour and fulfil their contractual obligations in terms of banking norms including the full and timely repayment of principal, interest, security or other receivables. Credit risk is the most important risk in terms of liability and capital consumption which includes counterparty risk, country risk and sovereign risk. Meghna Bank manages its credit risk based on the rigorous evaluation of the risk profile of the borrowers or counterparty, repayment sources, nature of the underlying collateral and other support given to prevalent events, conditions and expectations.

2.14.3 Credit Risk Management in MGBL

Meghna Bank amplifies its underwriting and credit risk management practices, as well as credit standards to meet the demands of a fast-transforming economic environment. Further, to mitigate losses and enhance customer support, we have incorporated devastative collection

program and client's support mechanisms. Meghna Bank's credit risk management includes processes and policies relating to problem recognitions, portfolio reviews, stress tests, watch-lists, stressed and classification triggers.

2.15.1 Special Asset Management

SAMD deals with Non-Performing loans and at present scenario after worldwide spread of COVID-19 pandemic, recovery against NPL has become a challenging job. Major activities of this division round the year are as follows:

- Preparation account wise action plan and special focus on recovery strategy.
- Ensuring cash recovery from NPL account for rescheduling and settlement of loans.
- Recovery drive through visiting business and collateral of NPL clients.
- Liaison with the Legal Division to initiate legal action against defaulters for serving of legal notice, publication of auction notice in daily newspapers and fling of case under N.I. Act, 1881 and Artha-Rin-Adalat Ain, 2003.
- Regular follow up meeting with banks enlisted lawyers for quick disposal of cases/suits for recovery against NPL.

2.15.2 SAMD's responsibilities

There are two types of customers dealt by SAMD. One, Stressed Customer and two, NPL Customer.

2.15.3 Stressed Accounts Management Strategy

- Deals with stressed accounts having chronic overdue, EOLs, unpaid interest/ instalment. But these accounts have underlying cash-flows and by way of proper nurturing through restructuring, rescheduling, time extension, extending fresh financial support, etc., their stressed situation can be overcome.

2.15.4 NPL Accounts Management Strategy

- If there is any scope for recovering from the group cash flow, voluntary sale of property, the Bank may take supportive steps to regularize the account by way of rescheduling/ restructuring with a view to help the client and their group to overcome the situation.
- For borrowers that have no underlying cash flow or are wilful defaulters, legal proceedings will be initiated for recovery of Bank dues.

2.15.5 Performance of SAMD in 2020

Undoubtedly, corona virus pandemic has made the year 2020 a bit different considering the past. However, classified loans have reduced from the previous year 2019. MGBL is always cautious and serious against NPL to keep it in a minimum level. Compared with industry average, it has been consistently running with lower rate of CL percentage. The percentage of NPL ratio decreased from 7.41% to 6.80% in Year 2020, compare to previous year.

2.16.1 Operations

Meghna Bank's Operations division has been undergoing through restructuring process with an objective to establish customer centric operational delivery model to provide superior customer experiences. Continuous process reengineering along with enterprise wise automation has always been the main focus to reinforce the bank's proposition in a competitive market place along with strengthening compliance standards. In 2020 Meghna bank's Operations division embraced a centralization drive, consists of a number of

departments working together in synchronization with other business divisions of the bank to achieve both productivity and efficiency gains.

2.16.2 Liability Operations

Liability Operations is established to carry out the bulk processing of the daily works of the branches on liability products like CASA, Scheme & FD Accounts of all segments of business (Retail, SME, Corporate, Wealth Management etc.). In centralized operational processes of the bank, Liability Operations operates as a major function to facilitate such services as opening, maintenance, closing, interest payment etc. of these accounts.

2.16.3 Business Operations

Business Operations is another centralized wing primarily mandated with the responsibility of ensuring smooth operations. Efforts were also invested in substituting existing process through simplification and automation to reduce manual intervention as much as possible.

2.16.4 International Division

Meghna Bank's International Division mainly focuses on two key areas i.e Correspondent Banking and Foreign Remittance.

- **Correspondent Banking:** Meghna Bank maintains active relationships with a reasonable network of banks all over the world considering 8 years of bank's operation. Correspondent network of Meghna Bank includes 117 members, covering 75 banks spread across 45 countries as on December 31, 2020. The Bank also maintains 18 Nostro Accounts in all major currencies with reputed international banks around the world in all the important global financial centres. Meghna Bank enjoys reasonable credit limits with a number of international banks. Besides, Meghna Bank has arrangement with TRADEASSETS, a protected block-chain technology platform to buy and sell trade assets along with instigation of new transactions and arrangement with CCR Manager, Singapore to support buying and selling trade assets faster at better prices for customers.
- **Foreign Remittance:** The Bank has two major streams of inward remittance categorized as Commercial Remittance and Wage Earners Remittance. Both Commercial and Wage Earner remittance contributed significant flows during the year 2020. For wage remittance, Meghna Bank has bilateral business relationship with the exchange houses in the Middle-east, USA, UK and global MTOs.

Payment system includes BACH Operations and EFTN

- **BACH:** BACH is a core operation, performing the crucial role of processing the customer's cheques, pay order under the Bangladesh Bank's BACPS operating rules & procedures. All the inward cheques are being processed centrally from this wing.

2.16.5 Central Trade Operations Division

- Since starting the operations, we have been functioning Trade Operations centrally under two HUBs i.e. CTOD in Dhaka and CTPU in Chittagong.

Due to COVID-19, Global trade business faced huge challenges in 2020. Throughout the year, trade customers in particular were severely impacted by the pandemic. Confronting the pandemic situations, we could not achieve our trade business target in 2020 but run our trade business with full satisfaction of our clients.

2.16.5.1 Trade performance in 2020

Import	Export	Bank Gurantee(BG)
494.25 cr	144.36 cr	163.92

- Amid immense impact of COVID-19, we have added BG (including e-GP) operation under the centralization process to ensure smooth operation during pandemic.
- MGBL have been operating BG (including e-GP) centrally (on partial basis) from July 26, 2020
- We have approved "Trade Based Money Laundering" policy paper within the deadline of BFIU, Bangladesh Bank as per their Guidelines.

2.16.6 Credit Administrative Division

Meghna Credit Administration Division (CAD) is the vital part of the loan business along with mitigation of credit risk under MGBL-Operations. Last year (2020), it has completed its centralized operation successfully. Now, all preapproval loan process such as collection of legal opinion, title search and survey of proposed security are conducted through CAD centrally rapidly. Objective of Centralized Credit Administration are to enhance capacity build up, decrease cost, increase lending profit, streamline process, standardize of documentation for future aids in litigation issue, transparency, zero tolerance in compliance, reduce risk etc. CAD disbursed the loan after full completion of documentation perfectly as per approval. After disbursement CAD execute strong Credit Monitoring process through some tools such as Status of Insurance, Doc Deferral Status and Covenant Status etc. to enhance credit/asset quality. It has been started successfully in 2020.

Submission of Regulatory Reports to central bank is significant which is done by CAD timely and accurately. Observation of external, internal, and Bangladesh Bank audit are compiled by CAD centrally which has been started last year 2020 successfully.

In 2021, CAD has some projects to start such as Management of Past Due and Excess Over Limit (EOL) accounts, Insurance Monitoring and Independent Stock Inspection etc.

2.16.7 Treasury Operations

Meghna Bank's Treasury Operations renders their services as Back Office of the Treasury Business unit to support and execute Service Excellence.

In 2020 the success of this Department are as below

- Treasury Operations handled a substantial amount (approximately BDT 5.87 Billion) of transactions of Govt. Securities (T.Bill & T.Bond) i;e. Purchase, Sale, Repo, ALS etc. From these transactions bank earned the most significant amount of profit which was near about 1.00 billion from T.Bill and T.Bond only.
- Treasury Operations always maintained close liaison and co-operation with business unit to maintain the bank's stipulated internal policy as well as regulatory guidelines for minimizing risk.
- Treasury Operations settled all transactions accurately related to Money Market, Fx, Fixed Income Trading, Capital Market Trading, Branch, Fx transactions related with

CTOD, investments in Commercial Paper, Investments in Preference share and other Investments.

2.16.8 Anti-Money Laundering & Combating the Financing of Terrorism Division

For prevention of Money Laundering and Terrorist Financing, Meghna Bank has a comprehensive policy which is approved by the Board. The Bank has an organizational set up in place to implement and monitor its AML & CFT Program. The Bank has a Central Compliance Committee (CCC) headed by the Chief Anti Money Laundering Compliance Officer at Head Office and BAMLCOs at the branches. The CCC is supported by AML Division headed by Deputy CAMLCO for discharging day to day activities. The regulatory requirements are being complied with and the guidelines are being followed by the bank properly. Branch Anti Money Laundering Compliance officer (BAMLCO) at branches reviews and verifies the transactions of accounts to make Suspicious Transactions Reports (STR), and ensure AML & CFT compliance culture throughout the bank. Training is being conducted continuously for all the offers of the bank to create awareness and develop the skill for ensuring KYC (Know your Clients) compliance and identifying suspicious activities/transactions.

2.16.9 Information Technology

At Meghna Bank, investments in technology to achieve excellence has been a priority since the beginning. The bank's focus on revamping its technological platform to ensure the best business outcomes and provide superlative customer experience has been at the forefront of all of the Information Technology Division's initiatives. IT Division ensured robust and dependable tech-enabled customer services, while also ensuring the best hardware and software support to employees. Also focused on more accurate MIS capture and reporting that enabled improved decision-making among the senior management. IT Division also working on strengthened Bank's image as a digital bank, enabling customers to access a large range of the Bank's products and services conveniently through digital channels.

2.16.9.1 Despite various challenges progress in 2020

The covid-19 crisis will come on top of the pre-crisis challenges of the traditional banking business models, Meghna Bank take multiple measures to support its employees and customers, and help bolster the financial system in a bearable way. It won't be an easy ride ahead. It is essential for Meghna to strengthen its operational resilience and business continuity planning to weather this storm. Below are insights and materials from Meghna Bank's IT teams across help respond the challenges in the present, and prepare for the future and a new reality:

- **Adopting central bank directives:** Implemented complex directives and guidelines from the regulators.
- **Ensuring WFH (work-from-home) preparedness:** Arranged for VPN and VC facilities to provide employees access to the bank's secured network environment from their homes
- **Introduction of Managed Printing Service:** Managed print services (MPS) are services offered by an external provider to optimize or manage a company's document output.
- **Reorganizing of WAN Connectivity:** Restructuring of MGBL WAN Connectivity with Significant Cost Reduction.
- **BankUltimus core banking system upgrade:** This upgrade is a top priority of Meghna Bank, which target implementation date was of mid-2020. The main core banking system of the Bank will be migrated from version 2.0.0.112 to 3.0.0.2 under this initiative. The entire infrastructure and relevant ecosystems are expected to be

configured in the same manner to extend the performance, scalability and security applications of the Bank.

- **iBanking Enhancement:** iBanking is Meghna Bank's mobile app-based internet banking solution that enormously facilitates the digitization aspirations of the Bank. Several new features were incorporated in MGBL iBanking solution in 2020.

2.16.10 Internal Control and Compliance

The Bank's internal control system is designed to facilitate effective and efficient operations and to ensure the quality of internal and external reporting and compliance with applicable laws and regulations. A system of internal control is designed to manage, but not to eliminate, the risk of failure to achieve business objectives and provide a reasonable, but not absolute, assurance against the risk of material misstatement, fraud or losses.

During the year 2020 Internal Control and Compliance Division had carried out various activities and a summary of those activities are given below:

2.16.11 Internal Audit

Summary of activities carried out by Internal Audit Department are as follows:

- Internal Audit: 47 Branches, 05 Divisions, 49 IT Operational Audit (Branches and Head Office), 47 AML Independent Testing Reports and 2 regulatory required audit as per Risk Based approved Annual Audit Plan 2020 and submitted the reports to the Bank Management and Audit Committee of the Board for necessary action and corrective measures
- Special Audit and Investigation: 15 Special Audit/Investigation as required by Bank management and submitted the reports to the Bank Management and Audit Committee of the Board for necessary action and corrective measures.
- Surprise Inspection: Conducted surprise Cash Checking on 5 Branches as per instruction of the Managing Director & CEO.

2.16.11.1 Compliance

Summary of activities carried out by Compliance Unit are as follows:

- **Coordination of Bangladesh Bank Inspection and Compliance thereof:** 3 Branches, 6 Core Risk Inspection, Head office Comprehensive Inspection and 2 Surprise Special Inspection at the Branches of the Bank for base year 2020. Meghna Bank has received 12 new reports from Bangladesh Bank for base date 2020 and previously received 11 reports total 23 compliance reports for follow-up compliance and carried out the compliance thereof.
- **Compliance of Internal Audit Reports:** Compliance of 47 branches and 5 Head office divisions for the year 2020 and previous 47 branches for the year 2019 and 4 Head office Divisions reports for the year 2018 and 2019.
- **Compliance of Management Reports issued by External Auditor:** Compliance of Management Report for the year 2018 and 2019.

2.16.11.2 Monitoring

Summary of activities carried out by Monitoring Unit are as follows:

- Staff Account monitoring
- Calendar of regulatory/external returns by Branches/ Divisions
- Review of Quarterly Operation reports
- Review of Loan Documentation Checklist
- Integrate the Annual Health Report of the Bank

- Self-Assessment of Anti-Fraud Internal Controls of the Bank
- Monitoring of DCFCL of the Branches
- Review and circulation of Regulatory circulars with reporting obligation.

Internal Control and Compliance Division's activities for the year 2021 will be carried on the basis of approved Annual Audit plan for the year 2021 as well as Bank Management, Board and Audit Committee of Board instruction, directives and recommendations.

2.16.12 Financial Administration

Meghna Bank Limited's Financial Administration Division is continuously adopting new technology and automating its process to be aligned with the bank's digital transformation mandate. Since the inception of the banks, this division has evolved itself from a traditional finance department to a developer of strategic decisions and crafter of overall financial strategy. At present, Financial Administration Division has two-dimensional roles; one side is futureproofing the divisions, which requires continuous adaption of technology and evolving workplace culture; another one is performing core finance & accounting functions to support business and different stakeholders needs. Let's explore each in more detail.

- **Recording:** This broad accounting function involves entering, categorizing, and reviewing all financial transactions for the bank. It is essential for maintaining accurate financial records.
- **Controlling:** This function oversees the recording function of the business to ensure company ledgers are accurate and adhere to financial regulations.
- **Financial Planning and Analysis:** This Function involves gathering relevant financial data and synthesizing it into digestible trends and forecasts for making informed business decisions.

Chapter 03

Performance of Meghna Bank Limited

3.1 Principal Activities

The principal activities of the Bank are to provide all kinds of commercial banking service to its customers that include extending credit/lending to different types of customers, receiving deposits, Consumer and SME financing, trade financing, project financing, lease and hire purchase financing, credit cards, remittance services, etc. Meghna Bank is currently providing services to its customers through 47 Branches. In addition to building own ATM network by installing more ATMs gradually, Bank has already joined the largest shared ATM network of the country to cater customer demand. Introduction of Internet Banking, Mobile Banking, Credit Card etc. are ongoing.

3.2 Capital Structure of MGBL

Regulatory capital, as stipulated by the revised RBCA guidelines by BB, is categorized into two tiers as under.

I. Tier 1 Capital (going-concern capital)

a. Common Equity Tier 1 (CET-1)

b. Additional Tier 1

II. Tier 2 Capital (gone-concern capital)

Tier 1 capital (going-concern capital) is the capital which can absorb losses without triggering bankruptcy of the bank.

Tier 2 capital (gone-concern capital) is the capital which will absorb losses only in a situation of liquidation of the bank.

3.3 Conditions for Maintaining Regulatory Capital

The Bank complied with all the required conditions for maintaining regulatory capital as stipulated in the revised RBCA guidelines by Bangladesh Bank as per following details:

SL	Indicator	Bangladesh Bank Criteria	MGBL Position (Solo)	MGBL Position (Conso)	Compliance Status
1.	Common Equity Tier- 1	4.50%	16.09%	16.09%	Complied
2.	Capital Conservation Buffer	2.50%	7.43%	7.43%	Complied
3.	Common Equity Tier -1 plus capital Conservation Buffer (4.50%+2.50%) i.e. 7.00%	7.00%	17.43%	17.43%	Complied
4.	Minimum Tier-l Capital	6.00%	16.09%	16.09%	Complied
5.	Minimum Total Capital Plus Capital Conservation Buffer	12.50%	17.43%	17.43%	Complied
6.	Additional Tier 1 capital can be admitted maximum up to	1.50% of the total RWA or 33.33% of CET1, whichever is higher	NIL	NIL	MGBL has no Additional Tier 1 capital
7.	Leverage Ratio	3.00%	10.83%	10.84%	Complied

3.4 MGBL Maintaining Regulatory Capital (Solo basis)

Particulars	Amount in Taka (Amount in Crore)
The amount of Tier- 1 capital	588.61
Paid up capital	469.90
Non-repayable share premium account	-
Statutory reserve	76.57
General reserve	-
Retained earnings	42.81
Minority interest in subsidiaries	-
Non-cumulative irredeemable preference shares	-
Dividend equalization account	-
The total amount of Tier 2 capital	48.83
Other deductions from capital.	-
Total eligible capital	**637.44**

3.5 MGBL Maintaining Regulatory Capital (Consolidated basis)

Amount in Crore

Particulars	Amount in Taka
The amount of Tier- 1 capital	590.11
Paid up capital	469.90
Non-repayable share premium account	-
Statutory reserve	76.57
General reserve	-
Retained earnings	44.31
Minority interest in subsidiaries	0.00
Non-cumulative irredeemable preference shares	-
Dividend equalization account	-
The total amount of Tier 2 capital	48.83
Other deductions from capital	-
Total eligible capital	**638.94**

3.6 Capital Adequacy

3.6.1 Bank's Approach to Assessing Capital Adequacy

As banks in Bangladesh are now in a stage of developing risk management models, Bangladesh Bank suggested the banks for using Standardized Approach for assessing capital requirement for credit risk for banking book and Standardized (rule based) Approach for assessing capital requirement for market risk in trading book. MGBL used the Basic Indicator Approach (BIA), as prescribed by Bangladesh Bank in determining capital charge against operational risk. Under the Basic Indicator Approach (BIA), the capital charge for operational risk is a fixed percentage (denoted by alpha) of average annual gross income of the bank over the past three years.

MGBL focuses on strengthening and enhancing its risk management culture and internal control environment rather than increasing capital to cover up weak risk management and control practices. It has been generating most of its incremental capital from retained profit to support incremental growth of Risk Weighted Assets (RWA). As of now, the Bank's CRAR remains consistently within the comfort zone after implementation of Basel-III from 2015. During 2020, the CRAR ranges from 16.74% to 19.09% on consolidated and Solo basis against minimum requirement of 12.50% of RWA. Assessing regulatory capital in relation to overall risk exposure of a bank is an integrated and comprehensive process. MGBL, through its Supervisory Review Committee and Management Risk Committee, is taking active measures to identify, quantify manage and monitor all risks to which the Bank is exposed to. Assessment of capital adequacy will be in alignment with the findings of these exercises.

Following table shows component wise allocation of capital to meet three risks and an amount of additional capital maintained over MCR i.e. 12.50% of RWA. As on the reporting date, Meghna Bank Limited maintained a Capital to Risk weighted Asset Ratio (CRAR) of 17.43% on 'Consolidated & Solo Basis against required minimum of 12.50%. We had an excess capital of BDT 180.61 crore (Consolidated) after meeting all three risks as on the reporting date as shown in the following table:

Amount In Crore

Capital Adequacy	Solo	Consolidated
Capital requirement for Credit Risk	412.62	412.62
Capital requirement for Market Risk	7.76	8.44
Capital requirement for Operational Risk	**36.82**	37.27
Total capital requirement	**457.20**	458.33
Minimum Capital requirement (MCR)	**400.00**	400.00
Total Capital Maintained	**637.44**	638.94
Total capital Surplus	**180.24**	180.61
Total Risk Weighted Asset	**3,657.59**	3,666.64
Capital to Risk Weighted Asset Ratio	**17.42%**	17.42%

3.7 Capital Requirement under Basel III

Capital Requirement	2020 (Under Basel III)		2019 (Under Basel III)	
	Required	Holding	Required	Holding
Core Capital	6.00%	16.09%	6.00%	16.80%
Supplementary Capital	6.50%	1.33%	6.50%	1.05%
Total	12.50%	17.42%	12.50%	17.85%

3.8 Shareholders' Equity:

Consolidated shareholders' equity of the Bank and its subsidiary increased by 11.39% at the end of year 2020 and Bank's shareholders' equity also increased by 11.23%. Paid-up capital of Meghna Bank was Tk. 4.698 billion, statutory reserve increased by Tk. 0.12 billion during the year and stood at Tk. 0.77 billion at the end of year 2020.

3.9 Subsidiary of the Bank

Meghna Bank Securities Limited

After commencement of operation on November 19, 2015, Meghna Bank Securities Limited achieved gradual growth in the year 2020. Earning a net profit after tax of Tk. 9.52 million.

3.10 Financial position and performance of the bank

Performance of the Bank during Year 2020 was satisfactory. Various parameters reflect that the Bank maintained to grow in all aspects. Some of the key indicators reflecting growth of the Bank are summarized below as ready reference of the shareholders. Bank's total asset and liability increased by Tk. 3.52 billion showing growth of 7.14% over year 2019. Details of the items which results the overall growth are available in the Audited Financials of the Bank:

3.11 Contribution to national exchequer

Meghna bank regularly pays corporate tax as per regulatory requirement, sometime even before it falls due if demanded by the tax authority. We also deposit excise duty, withheld tax and VAT to govt. exchequer on time deducted from customers, employees' salary as well as on bills from third parties including vendors. During the calendar year 2020 we contributed BDT 722.37 million to national exchequer as tax, VAT and excise duty. We paid advance corporate tax of BDT 268.61 million while deposited withheld tax of BDT 340.84 million, VAT of BDT 52.40 million and Excise Duty of BDT 60.52 million during the year 2020.

3.12 Total Assets

Major contribution in the overall 7.14% growth in assets of the Bank from increase in loans and advances by Tk. 1.48 billion and the growth was 4.30% as compared to previous year. The table below depicts increase in amount and corresponding growth in major heads of Bank's asset:

Amount In Crore

Assets	Year 2020		Year 2019		Growth in 2020	
	Taka	%	Taka	%	Taka	%
Cash	360.22	7%	318.50	6%	41.72	13%
Balance with Other Banks & Fis	252.17	5%	351.30	7%	-99.12	-28%
Money at Call & Short Notice	13.00	0.25%	207.00	4%	-194.00	-94%
Investments	946.41	18%	517.14	10%	429.27	83%
Loans and Advances	3584.06	68%	3436.26	70%	147.80	4%
Fixed Assets	21.86	0.41%	27.88	1%	-6.02	-22%
Other Assets	109.39	2%	76.62	2%	32.77	43%
Total Assets	**5287.11**	**100%**	**4934.69**	**100%**	**352.42**	**7%**

3.13 Total Liabilities

Deposits & Other Accounts increased by Tk. 2.23 billion resulting 5.42% growth over year 2019. Shareholders' Equity increased by Tk. 0.61 billion to Tk 6.00 billion in year 2020 from Tk 5.39 billion in year 2019. Segment wise position of year 2020 compared with year 2019 is below:

Amount In Crore

Particulars	Year 2020		Year 2019		Growth in 2020	
	Taka	%	Taka	%	Taka	%
Borrowings from other Banks Financial Institutions and Agents	55.86	1%	0.03	0%	55.83	172176 %
Deposits & Other Accounts	4333.01	82%	4110.41	83%	222.60	5%
Other Liabilities	298.49	6%	285.04	6%	13.45	5%
Equity	599.75	11%	539.21	11%	60.54	11%
Total Liability	**5287.11**	**100%**	**4934.69**	100%	**352.42**	**7%**

3.14 Contingent Liabilities

The Non-funded business position of the Bank was increased during the year 2020 as reflected in the table below.

Amount in Crore

Particulars	Year 2020		Year 2019		Growth in 2020	
	Taka	%	Taka	%	Taka	%
Acceptance and Endorsement	19.62	4%	73.16	16%	-53.54	-73%
Letters of Guarantee	330.68	66%	277.46	62%	53.22	19%

Irrevocable Letters of Credit	141.81	28%	73.82	16%	67.99	92%
Bills for Collection	10.77	2%	23.42	5%	-12.64	-54%
Total Contingent Liabilities	**502.88**	**100%**	**447.85**	100%	**55.03**	**12%**

3.15 Operating Income

Total operating income of the Bank decreased 8% in year 2020 as compared with year 2019. The reason for decrease of operating income is negative growth of net interest income and commission, exchange & brokerage income. But the bank has covered this negative growth of operating income from investment income and other operating income. The bank has made significant growth in investment income by 206%. In the year 2020, bank recorded Tk. 1.86 billion. Below is the comparative position of Bank's total operating income for the year 2020 and Year 2019:

Amount in Crore

Particulars	Year 2020		Year 2019		Growth in 2020	
	Taka	%	Taka	%	Taka	%
Net Interest Income	61.42	33%	146.29	70%	-84.87	-58%
Investment Income	104.57	56%	34.17	19%	70.39	206%
Commission, Exchange & Brokerage	11.42	6%	14.51	7%	-3.09	-21%
Other Operating Income	8.16	4%	7.78	4%	0.38	5%
Total Operating Income	**185.56**	**100%**	**202.75**	**100%**	**-17.19**	**-8%**

3.16 Operating Expense

No branches were opened during the year 2020 but a number of employees have been recruited for Formation of new Division and few were replaced by new one. Operating expenses decreased by 6.80% in year 2020 as compared to year 2019. Below is the comparative position of Bank's operating expenses for the year 2020 and 2019:

Amount in Crore

Particulars	Year 2020		Year 2019		Growth in 2020	
	Taka	%	Taka	%	Taka	%
Salaries and Allowances	53.33	48%	59.77	50%	-6.44	-11%
Rent, Taxes, Insurances, Electricity etc.	23.91	21%	25.18	21%	-1.27	-5%
Legal Expenses	0.06	0%	0.10	0%	-0.03	-36%

Postage, Stamps, Telecommunications	2.07	2%	1.96	2%	0.11	6%
Stationery, Printings, Advertisements etc.	1.32	1%	1.40	1%	-0.08	-6%
Chief Executive's Salary & Fees	1.71	2%	1.54	1%	0.18	11%
Directors Fee	0.14	0%	0.19	0%	-0.05	-24%
Auditors Fee	0.04	0%	0.04	0%	-0.01	-18%
Depreciation & Repairs	9.10	8%	9.91	8%	-0.81	-8%
Other Expenses	20.52	18%	20.29	17%	0.23	1%
Total Operating Expenses	**112.19**	**100%**	**120.37**	**100%**	**-8.18**	**-7%**

3.17 Provision as per regulatory requirement

Adequate General Provision has been made against unclassified loans and advances and off - balance sheet exposures as per regulatory guideline. During the year bank made general provision of Tk. 150.84 million against year-end position of loans & advances, off-balance sheet exposures and special provision for COVID -19, Tk. 20.40 million Provision released against classified loans and advances, Tk. 15.91 million provision released against diminution in value of investments and Tk. 0.02 million provision released against other assets. The Bank has also made provision of Tk. 118 million for current year income tax.

3.18 Recommendation of Dividend

Having considered the financial position of the Company and existing rules of regulatory authorities in terms of provisions and appropriations, the Board decided to declare 07%(Seven) Stock dividend for the year 2020 and to recommend same to the Shareholders in the 8th Annual General meeting for their approval.

3.19 Credit Risk

Credit risk is the possibility that a borrower will fail to meet its obligation in accordance with agreed terms and conditions. That is credit risk is the risk of loss that may occur from the failure of any counterparty to make required payments in accordance with agreed terms and conditions and/or deterioration of credit worthiness. Credit risk is managed through a frame work set by policies and procedures approved by the Board. The responsibility is clearly segregated between originator of business transaction and approver in the risk function.

3.19.1 Total gross credit risk exposures broken down by major types of credit exposure

Particulars	Amount in Taka
Cash Credit	502.60
Secured overdraft	65.74
General overdraft	579.02
Import finance	146.98
Other Demand Loans	1,056.68
Hire Purchase Finance	0.01
Demand Loan (Forced Loan)	10.16
Consortium/Syndicate Finance	19.73
House Building Loan	232.65
Credit Card A/C	25.00
General Term Loans	755.51
Agricultural and Rural Credit Scheme	144.59
SME Loans and Advances	0.12
Personal/Professionals Loan Scheme	39.43
Inland bills purchased and discounted	3.97
Foreign bills purchased and discounted	1.88
Total	**3,584.06**

3.19.2 Geographical distribution of exposures

Amount in Crore

Name of Area	Amount in Taka
Dhaka	2,507.92
Chittagong	788.73
Sylhet	36.52
Rajshahi	138.31
Rangpur	64.19
Khulna	21.98
Barisal	26.40
Total	**3,584.06**

3.19.3 Industry or counterparty type distribution of exposures

Amount in Crore

Particulars	Amount in Taka
Commercial Lending	465.84
Export Financing	2.84
House Building Loan	220.79
Retail Loan	55.30
Small and Medium Enterprises	333.39
Special Program Loan	0
Industrial Loans Details:	1,850.09
Agricultural industries	174.92
Textile	52.83
Food and allied industries	82.99
Pharmaceutical industries	78.34
Leather, Chemical, Cosmetics	18.07
Tobacco industries	70.47
Cement and Ceramic industries	50.41
Service industries	312.40
Transport and Communication industries	35.66
Other industries including bills purchased and discounted	973.98
Others Loan	500.53
Staff Loan	18.93
Other Loans and Advances (SOD)	136.36
Total	**3,584.06**

3.19.4 Residual contractual maturity breakdown of the portfolio

Particulars	Amount in Taka
Repayable on Demand	0
Not more than 3 months	1,091.82
Over 3 months but not more than 1 year	1,149.96
Over 1 year but not more than 5 years	1,063.13

Over 5 years	279.14
Total	**3,584.06**

3.19.5 Provision

Particulars	Amount in Taka
Provision on Classified loans and Advances	84.43
General Provision for Unclassified Loans and Advances	31.82
General Provision for Off-Balance Sheet Exposures	4.93
Non-Performing Assets (NPAs)	243.57
Non-Performing Assets (NPAs) to Outstanding Loans and advances	6.80%

3.19.6 Movement of Non-Performing Assets

Particulars	Amount in Taka
Opening balance	254.59
Additions	0
Reductions	11.02
Closing balance	243.57
Movement of specific provisions for NPAs	0
Opening balance	86.47
Provisions made during the period	0
Realized	-2.04
Write - off	0
Write- back of excess provisions	0
Closing balance	84.43

3.19.7 Capital Requirement for Equity Position Risk :(Consolidated Basis)

Capital charge for	Market Value	Risk Weight	Required Capital Charge
1	2	3	4=(2*3)
a. Specific Risk:	14.20614066	10%	1.42
b. General Market Risk:	14.20614066	10%	1.42
Total	**28.41228132**		**2.84**

3.19.8 Interest Rate Risk in the Banking Book (IRRBB)

The increase / decline in earnings or economic value for upward and downward rate shocks according to management's method for measuring IRRBB, broken down by currency as under:

Weighted Average Duration of Asset	1.93
Weighted Average Duration of Liability	0.61
Duration GAP	1.39
CAR After different level of Shock	
Minor Level	15.70%
Moderate Level	13.83%
Major Level	11.95%

3.20 Market Risk

Market risk is the possibility of losses in balance sheet and off-balance sheet positions arising out of volatility in market variables i.e., interest rate, exchange rate and price. Allocation of capital is required in respect of the exposure to risks deriving from changes in interest rates and equity prices in the bank's trading book, in respect of exposure to risks deriving from changes in foreign exchange rates and commodity price in the overall banking activity. The total capital requirement for banks against their market risk shall be the sum of capital charges against:

- Interest rate risk
- Equity position risk
- Foreign exchange position risk throughout the bank's balance sheet and Off-Balance sheet exposure. iv. Commodity risk

3.20.1 Method used to measure market risk

The total capital requirement in respect of market risk is the sum of capital requirement calculated for each of these market risk sub-categories. e.g.

a. Capital Charge for Interest Rate Risk = Capital Charge for Specific Risk+ Capital Charge for General Market Risk.

b. Capital Charge for Equity Position Risk = Capital Charge for Specific Risk + Capital Charge for General Market Risk.

c. Capital Charge for Foreign Exchange Risk = Capital Charge for General Market Risk.

d. Capital Charge for Commodity Position Risk = Capital charge for General Market risk.

3.20.2 Policies and processes for mitigating market risk

For Market risk management purpose, The Bank has established internal limit duly approved by the Board besides the regulatory limit. For Foreign Exchange Risk management, the Bank has regulatory net open position (NOP) limit as well as internal limit like Intra- day limit, individual

dealer's limit, stop loss limit, individual currency limit etc. For interest and other market risk management, The Bank has established wholesale borrowing guideline, LD ratio, and Medium-Term Funding ratio (MTFR), Maximum Cumulative Outflow (MCO), and SWAP Fund Guideline, VAR and MAT level. The Bank also maintains Gap limit for maturity profile mismatch. Moreover, The Bank has policy for interest rate sensitivity analysis on monthly basis.

3.20.3 The capital requirements for Market Risk

SL	Market Risk	Total capital charge (Solo)	Total capital charge (consolidate)
A.	Interest Rate Related instruments	1.60	1.60
B.	Equities	2.30	2.84
C.	Foreign Exchange Position	2.31	2.31
D.	Commodities	0.00	0
Total		**6.21**	**6.75**

3.21 Operational risk

Operational Risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk, but excludes strategic and reputational risk. MGBL has established an effective, integrated operational risk management framework to mitigate the operational risk. The focus of operational risk is on low probability/high loss vs. high probability/ low loss events.

Operational risk includes

- Transaction processing
- Operation control
- Technology and systems
- Risks of physical and logical security
- Unique risk arises due to outsourcing

The Bank's approach to operational risk is not designed to eliminate risk altogether but rather, to contain risks within levels deemed acceptable by senior management. All functions, whether business, control or logistics functions, must manage the operational risks that arise from their activities. Operational risks are pervasive, as a failure in one area may have a potential impact on several other areas.

Operational risk is inherent in the Bank's business activities in day-to-day operations. As a part of continuous surveillance, the Senior Management Team (SMT), Risk Management Division, Internal Control and Compliance Division regularly reviews different aspects of operational risk. The analytical assessment was reported to the Board/ Risk Management Committee/Audit Committee of the Bank for review and formulating appropriate policies, tools & techniques for mitigating operational risk.

3.21.1 Policies and processes for mitigating Operational Risk

Bank has established an effective, integrated operational risk management framework to mitigate the operational risk. If any controls are found to be ineffective during the course of Risk & Control Self-Assessment, corrective measures are adopted in due course. A monitoring system is also in place for tracking the corrective actions plan periodically. The various Board approved policies viz., Risk Management Policy, Internal Control & Compliance Policy, Policy on KYC & AML; ICT Policy address issues pertaining to Operational Risk Management. Process reengineering is a continuous phenomenon in the bank to have better customer experiences and also better control over managing the Operation Risk.

3.22 Liquidity Ratio

Views of BOD on system to reduce Liquidity Risk:

- The Bank has Board Approved policy and limit structure for Liquidity Risk Management.

Methods used to measure Liquidity Risk:

- MGBL maintain maturity profile mismatch strictly and maintain prudential limit for each buckets gap.

3.22.1 Policies and processes for mitigating liquidity risk

MGBL have laid down liquidity contingency plan, Funding products and Wholesale borrowing guideline.

Liquidity Coverage Ratio	255.63%
Net Stable Funding Ratio	109.77%
Stock of high-Quality Liquid Asset	1,263.28
Total net cash outflows over the next 30 calendar days	22
Available amount of stable funding	4,233.04
Required amount of stable funding	3,856.37

3.22.2 Leverage Ratio

High leverage levels can lead to an excessive expansion of bank asset size. In the short to medium term banks return on equity. At the same time leverage- fuelled bank capital structures increase bankruptcy risk, since they are an important cause of bank failures. Therefore, to reduce excessive leverage and to manage the overall asset liability position, management has implemented BoDs approved ALM framework within the bank.

3.23 Policies & processes for managing excessive on & off –balance sheet leverage

The Bank has clearly laid down policy and procedure to manage its exposure level (both on and off- balance sheet) enumerated in its Asset Liability Management Policy. Leverage parameter of the policy acts as a credible supplementary measure to the risk-based capital requirement to control the leverage of the bank. This reflects bank's Tier- 1 capital over total exposure of the

bank. Reference level of ratio is currently 3% (minimum). Leverage ratio of the bank is calculated in line with the RBCA guideline of BB. As at 31st December 2020 bank's leverage ratio was 10.84% and it was calculated as follows:

Particulars	Solo	Conso
Leverage Ratio	10.83%	10.84%
On balance sheet exposure	5198.27	5,204.92
Off balance sheet exposure	237.58	237.58
Total deduction from on & off-balance sheet exposure	0.66	0.66
Total exposure	**5435.19**	**5,441.83**

Chapter 04

Conclusion, Findings and Recommendation

4.1 Conclusion

Numerous studies have assessed the commercial banking. With the passage of time many changes have made in rules and regulations of commercial banking. By this time bank has become more efficient and effective on their operational line. So many complex strategies and project designs helps to competes in the prima facie economic situation. The banking system which is widely involves in the risk assessment and conglomerate policy. Risk involve in the operation of banking is the main path of experiencing the management of financial projects. So here, all of the discussion focuses that the regulatory structure and the risk assessment events that have had the greatest impact on commercial banking operations. our basic analytical subject is the commercial bank and institutions. Commercial bank represents a key financial intermediately because they serve all types of surplus and deficit units. In case of institutional and informational structure, the currency of markets is driven primarily by the management of credit risk and price variation in spot currency markets by dispersed information. On the other hand, the role of financial markets represent that they offer deposit accounts with the size and maturity characteristics desired by the surplus units. Their main function is to repackage the funds received from the deposits to provide loans of the size and maturity desired to the deficit units. They have ability to assess the creditworthiness of deficit units that apply for the loans, so that they can limit their exposure to credit risk on the loans they provide.

4.2 Findings

From this study, it is found that MGBL is performing better during the working year than the previous years. It's happing in for experienced BoDs and MANCOM of MGBL. Current MD & CEO of MGBL is very well experienced person in banking sectors of Bangladesh. MGBL offering various type of products, facilities and services to the customers. They launch Islamic Banking, Priority Banking and Agent banking since 2020 to 2021. They are very much concern about customer's safety and better service because MGBL believe that "**Customer satisfaction is a critical business requirement but customer value is an asset to the organization**". Number of customers are increasing in MGBL since 2020.

Employees are enjoying to work with MGBL because HR is very flexible and easy to access. Since past two year HR take various employee benefit initiative. They arranged physical training as well as launch e-learning module and ERP, initiative for health related MOU with various hospital and diagnostic centre and arranged spot health check-up campaign in MGBL Head Office. They are working on insurance facility for each employee. Most important it that Head of HR as well as other staff of HR had a very friendly relationship with all employees of MGBL.

Working environment is user friendly. Working with MGBL is very delightful and challenging. MGBL in on continues development process so there is more opportunity to apply own idea and chance to learn new process. MGBL is going better than other all 4th generation banks. MGBL already implemented minimum ranger of employee salary asper circular of BRPD, BB. MGBL preferred young leadership to perform.

MGBL has well educated and reputed Board of Directors with strong capital structures. BoDs always positive to employee benefits but never compromise in quality customer service. That

is, every year the MGBL is showing progress in its performance. In some days people was unknown to MBGL but now most of the banking customers know the **Meghna Bank Limited**.

In this study I found MGBL is very compliance bank. They are very careful with regulatory reporting, internal audit control and alert in in avoid any type risk. There is no fraud case founded with any customer. Now a days MGBL receiving "4%-6%" complaint from customer. But MGBL taking various type of initiative to control any complaint because MGBL BoDs are zero tolerance in complaint and compliance.

In this study I have been discovered that MGBL taking hand in economic development by investing to different part of the country and different sectors. Corporate Banking Division invested some big project in 2020 like UDDIPAN (United Development Initiatives for Programmed Actions) BDT 725.50 million, TMSS (Thengamara Mohila Sabuj Sangha) BDT 500.00 million, Advanced Chemical Industries Ltd (ACI) for BDT 1,000.00 million, Agro-based industry EON Group BDT 750.00 million.

Overall environment MGBL is a better bank for all customers and very much better place for career.

4.3 Recommendations

In this study and from my twelve years banking experience; I found that MGBL have to take more effective initiative to growth its asset portfolio. After analysing all data from this study I am recommending to MGBL as following:

- There is shortage of customer service/ delivery channel, MGBL need to develop more branches, delivery channel to ensuring easy accessing of customer.
- It required more efficient business team; especially to increased retail and SME portfolio
- MGBL should invest in stock market.
- Implementation of strong recovery team to reducing NPL accounts
- MGBL should more focused in marketing/ media coverage
- They should implement more effective and faster process for better customer service.
- Need more involvement in social activities
- Improvement required in forging exchange business
- Need to development bank related more subsidiary

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17 List of Abbreviations

Short Form	Abbreviation
MGBL	Meghna Bank Limited
BoDs	Board of Directors
CG	Corporate Governance
BAS	Bangladesh Accounting Standards
BFRS	Bangladesh Financial Reporting Standards
HR	Human Resources
KPI	Key Performance Indicator
PIP	Performance Improvement Plan
LATR	Loan Against Trust Receipt
B2B	Back to Back
RBD	Retail Banking Division
CBD	Corporate Banking Division
MMD	Money Market Desk
CRR	Cash Reserve Ratio
FX	Foreign Exchange
BOP	Balance of Payment
ALCO	Asset-Liability Committee
ALM	Asset and Liability Management
LCR	Liquidity Coverage Ratio
MCO	Maximum Cumulative Outflow
NSFR	Net Stable Funding Ratio
AD	Advances Deposit
CMSMEs	Credit Management Small & Medium Enterprise
SME	Small & Medium Enterprise
SND	Special Notice Deposit
OD	Overdraft
B1B1	Buy one get one
IVR	Interactive Voice Response
PIN	Personal Identification Number
NPSB	National Payment Switch Bangladesh
SAMD	Special Asset Management Department
NPL	Non-Performing Loan
CL	Classification of Loan
CASA	Current & Savings Account
FD	Fixed Deposit
MTOs	Money transfer operators
USA	United State of America
UK	United Kingdom
BACH	Bangladesh Automated Clearing House
EFT	Electronic Funds Transfer
BACPS	Bangladesh Automated Check Processing System

BEFTN	Bangladesh Electronic Funds Transfer Network
CTOD	Central Trade Operation Division
CAD	Credit Administration Division
CFT	Combating Financing Of Terrorism
BAMALCO	Branch Anti-Money Laundering Compliance Officer
MIS	Management Information System
WAN	Wide Area Network
DCFCL	Departmental Control Function Check List
ATM	Automated Teller Machine
SOD	Secured Overdraft
BB	Bangladesh Bank
BRPD	Banking Regulation & Policy Department

The End