



Inspiring Excellence

**An Internship Report on
“An Overview of Financial Performance of Bank Asia Limited”**

Prepared By

Md. Mushfiqur Rahman

ID: 15104075

BRAC Business School

BRAC University

Prepared For

Dr. Suman Paul Chowdhury, PhD

Assistant Professor & Coordinator

BRAC Business School

BRAC University

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Letter of Transmittal

May 08, 2019

Dr. Suman Paul Chowdhury, PhD

Assistant Professor

BRAC Business School

BRAC University

Subject: Submission of Internship Report

Sir,

I am here by submitting my internship report on “An Overview of Financial Performance of Bank Asia Ltd.” as an integral part of my BBS program. I have completed my internship program in Bank Asia Ltd, Corporate Office. I have given my utmost effort to make this report informative and credible. I hope that, you will appreciate my hard work and excuse my minor errors.

Nevertheless, I welcome you for any kind of further information or clarification. Lastly, thank you for your support and guidance which helped me to make this report precise and effective.

Sincerely yours,

.....

Md. Mushfiqur Rahman

ID: 15104075

BRAC Business School

BRAC University

Acknowledgement

In the beginning, I would like to express my sincere gratefulness to Almighty Allah, who has given me the chance to finish the report in an amazingly pleasant way.

The internship opportunity I had with Bank Asia Limited was a wonderful possibility for learning and expert improvement. I see myself as an extremely fortunate individual as I was furnished with a chance to be a part of it. I am likewise appreciative for having an opportunity to meet such huge numbers of brilliant individuals and experts who drove me through this internship period. I might want to express gratitude toward my onsite supervisor Md. Shamim Hasnat (FAVP) and Md. Ashfaqul Hoque (AVP) to help me with every one of their capacities and affections.

At last I am extremely grateful to my parents, the ceaseless wellspring of my motivation. Finally, my appreciation goes to my respected advisor Suman Paul Chowdhury, PhD for helping me to finish my report that will be exceptionally useful in my future corporate life.

Executive Summary

In this report the financial performance of Bank Asia Ltd. has been analyzed. It has been one of the leading private commercial banks in Bangladesh and also doing really well over past few years. At the beginning of the report, a precise introduction of banking industry, origin, objectives and scope of the report, methodology and limitations have been discussed to obtain a clear concept about the report. In the second chapter the organization's background has been discussed elaborately and all the necessary corporate information has been covered in this chapter. From this phase of the report readers will get to know about the mission, vision, objectives and core values of the bank, different products and services, several kinds of activities and features of Bank Asia Ltd. In the third chapter, the entire internship experience has been described where I tried to mention what kind of tasks and responsibilities I was assigned to and how did I feel working in that kind of corporate environment. The fourth chapter is the highlighted point of this report where different kinds of financial analysis are done using credible information. DuPont Analysis, Horizontal and Vertical analysis have been discussed comprehensively with individual interpretation using authentic data. In addition, the ratio analysis has been done of last five years performance which will help to understand the current as well as past performance of Bank Asia Ltd. lastly, I have mentioned about some findings or observations and recommended some points to overcome those barriers.

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Chapter 01: Introduction

1.1 Introduction:

Banks are very old form of financial institution that channel excess funds from surplus unit to deficit unit in consideration of a price called Interest. The banking sector is dominating the financial sector of Bangladesh that mobilizes resources for productive investments in a country which in turn contributes to economic development. Like other countries, banking sector plays a vital role in the economic development of Bangladesh. To achieve economic development, a sound and efficient banking systems' importance can't be denied. In Bangladesh, this sector has reached to another level during the last three decades or so, as a result of increased demand of the growing economy. But in the recent times, the banking sector has been going through several uncertainties which is very alarming for the economy. Non-performing loan or default loan is the most concerned issues of the banking sector. Day by day the rate of NPL has been increasing which made the banks very conscious about granting loans to the customers. Furthermore, siphoning money to other foreign countries is also a very alarming issue regarding this sector.

Nevertheless, the sector is yet to improve its performance in terms of trust and confidence. Everybody is trying to bring the sector bank in a stable position because this is the sector which contributes the most to the Bangladesh economy.

1.2 Origin of the report:

This report has been prepared to fulfill the requirement of the researcher for the completion of the internship of the BRAC Business School (BBS) program at BRAC University. Internship is considered as the final semester of this BBS program. Prime goal of the internship report preparation is conducting a study and analysis over the relevant field(s) of the on-the-job learning from the placement.

The BBS program is designed to focus on theoretical and practical development of a student that he/she can take business as a profession and succeed in his/her career. Internship is the integral part of BBS program. For this reason, we have to complete the internship and prepare a report on it. I would like to complete my internship in Bank Asia Limited, one of the leading banks in Bangladesh.

1.3 Objectives of the Report:

The objectives of the report can be divided into two levels. One is primary objective and the other is secondary objectives.

The primary objectives of the report are:

- To fulfill one of the requirements of achieving BBA degree.
- To secure good marks on internship report.
- To adapt with the corporate world.

The secondary objectives of the report are:

- To obtain a clear concept of banking sector in Bangladesh.
- To visualize the prospect of banking.
- To know how Bank Asia operates and manages its activities.
- To relate the theoretical learning with the real life situation.
- To identify their key financial performances for acquiring the knowledge of operational efficiency of Bank Asia Ltd.
- To get acquainted with the ratios which indicate and measure the performance of a bank.
- To focus on facility management and how it's conducted to compare the performance of one bank with others.

1.4 Scope of the Report:

The scope of this report was limited to the publicly available information and the official websites of the Bank Asia as well as some internal information that was accessible from the employee portal of the bank. This internal information has been used for project part. But it does not contain any name or account number anywhere in the report due to the respective organization's confidentiality policy. This report is mainly focused on the activities of Group Finance and financial performance of Bank Asia Limited. In addition, last five years performance evaluation has also been included in this report. Here I tried to cover the activities and rules and regulations related to Financial Performance Analysis of Bank Asia Limited.

1.5 Methodology of the Report:

To prepare this report, both the Primary and Secondary information have been used. The primary information is collected by the following sources:

- Personal observation of banking activities
- Face to face conversation with the divisional head of Bank Asia Limited, Corporate Office
- Discussion with the respective officers and other employees of different divisions.

Secondary Information has collected from the following sources:

- Annual reports of Bank Asia Limited
- Internal records of various Departments.
- Different manuals and publications of Bank Asia Ltd.
- Relevant file study provided by the officers concerned □ Bank Websites: www.bankasia-bd.com
- Bangladesh Bank Website (www.bangladesh-bank.org)

1.6 Limitations:

The objective of this study is to earn real life practical experience in Banking System. It requires long time to acquire to the real experience. Time limitation is the main constrain in this respect. The lack of available of data is another limitation. Maximum banking activities are practical. Just reading the manual is not enough. To earn such practical experience, it requires working with those events.

- Due to privacy reason, certain information was not disclosed to me since I was not a permanent employee. This came up as an obstacle while preparing the report.
- Data accuracy cannot be ensured as mainly secondary data collected from Annual Report 2014 to 2017 and upcoming 2018.
- It was very difficult for the employees to co-operate me since they were occupied with a lot of work. Therefore, it was not always possible for me to reach them.

Chapter 02: Organization's Background

2.1 Overview of Bank Asia Ltd:

The journey of Bank Asia Limited for excellence in Banking as a schedule commercial Bank began in 27th November 1999 as a public Limited company incorporated in Bangladesh under the companies Act 1994. It was the time when a rapid economic development in the country concurrent with urbanization and life style change created demands for new banking products and services.

Bank Asia has been launched by a group of successful entrepreneurs with recognized standing in the society. The management of the Bank consists of a team led by senior bankers with decades of experience in national and international markets.

The senior management team is ably supported by a group of professionals many of whom have exposures in the international market. It sets milestones by acquiring the business operations of the Bank of Nova Scotia in Dhaka, first in the banking history of Bangladesh. It again repeated the performance by acquiring the Bangladesh operations of Muslim Commercial Bank Ltd. (MCB), a Pakistani bank.

In 2003, the Bank again came to the limelight with oversubscription of the Initial Public Offering of the shares of the Bank, which was a record (55 times) in our capital market's history and its shares command a respectable premium.

The asset and liability growth has been remarkable. Bank Asia has been actively participating in the local money market as well as the foreign currency market without exposing the Bank to vulnerable positions. The Bank's investment in Treasury Bills and other securities went up noticeably opening up opportunities for enhancing income in the context of a regime of gradual interest rate decline of the bank.

Bank Asia Limited had started its service with a vision to serve people with modern and innovative banking products and services at an affordable charge. Being parallel to the cutting edge technology the Bank is offering online banking with added delivery channels like ATM, Tele-banking, SMS and Net Banking. And as part of the bank's commitment to provide all modern and value add banking services in keeping the best standard in a globalized world.

The Company Philosophy - "**For A Better Tomorrow**" has been precisely the essence of the legend of the bank's success.

2.2 Corporate Information:

The corporate information of bank Asia Limited is given below:

Table 2.2.1: Corporate Information of Bank Asia Limited

Name of the company	Bank Asia Limited
Corporate office	Rangs Tower (2 nd to 6 th floor) 68, Purana Paltan Dhaka-1000
Year of Establishment	November 27, 1999
Industry type	Banking Industry
Letter of intent received	February 24, 1999
First meeting of promoters	April 15, 1999
Certificate of Incorporation received	September 28, 1999
Certificate of commencement of business	September 28, 1999
First meeting of board of directors held	October 01, 1999
Banking License received	October 06, 1999
First branch license received	October 31, 1999
Inauguration of bank	November 27, 1999
Date of publication of prospectus	June 29, 2003
Date of IPO subscription	September 23, 2003; September 24, 2003
Date of first trading in bourse	January 08, 2004
Date of agreement with CDBL	December 20, 2005
Date of first scrip less trading	January 30, 2006
Number of branches	127(123 branches, 4 SME/Agri branches and 4 SME service centers)
Number of ATMs	149 own ATMs and more than 10,500+ shared

2.3 Vision:

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

2.4 Mission:

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

2.5 Objectives:

- High customer satisfaction.
- Maintaining good relationship with customers and corporate clients.
- Giving importance to the smallest query of the customer.
- Providing better service and product to the customer.
- Serving the whole by establishing branches in every part of the country.
- Value addition to the stakeholders through attaining excellence in banking operations.
- Maintain high ethical standard and transparency in dealings.

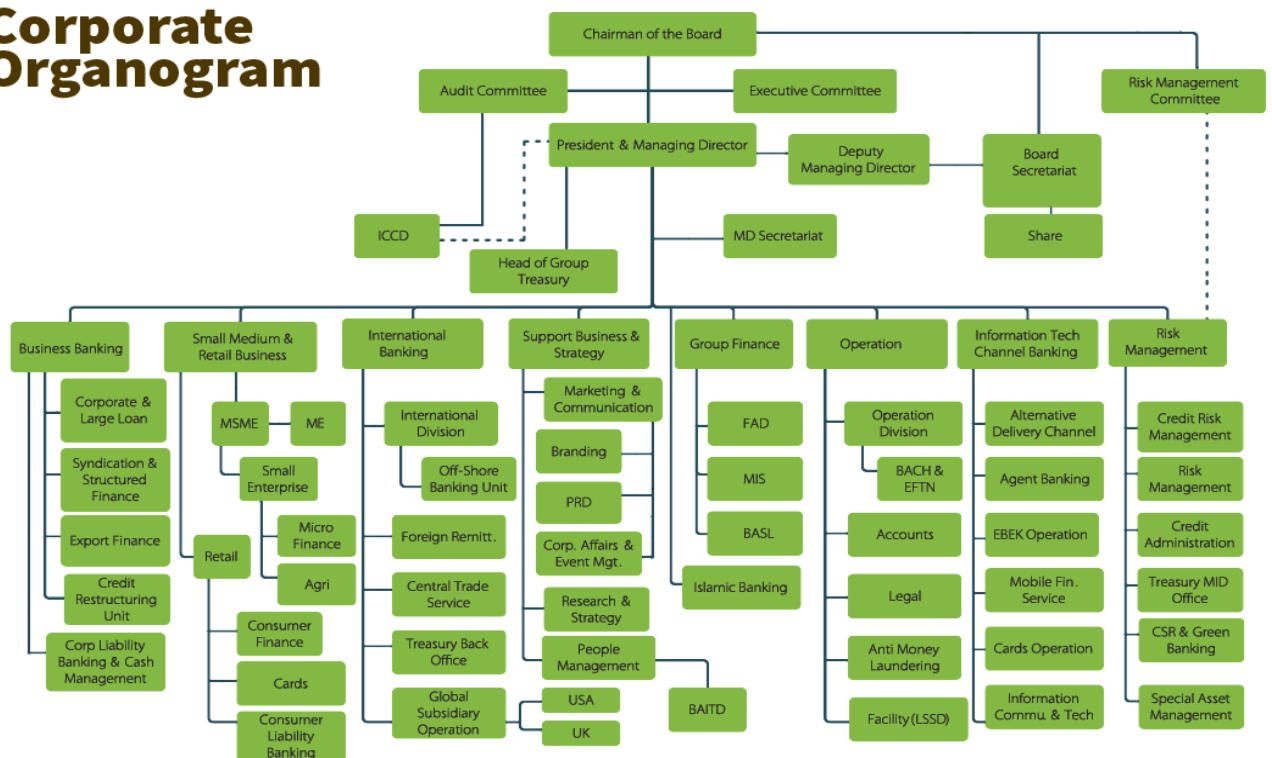
2.6 Core values:

- Place customer interest and satisfaction as first priority and provide customized banking products and services.

- Value addition to the stakeholders through attaining excellence in banking operation.
- Maintain high ethical standard and transparency in dealings.
- Be a compliant institution through adhering to all regulatory requirements.
- Contribute significantly for the betterment of the society.
- Ensure higher degree of motivation and dignified working environment for our human capital and respect optimal work life balance.
- Committed to protect the environment and go green.

2.7 Corporate Organogram:

Corporate Organogram



2.8 Salient Features of Bank Asia Ltd:

- Only Bangladeshi Bank to acquire (Purchase) operations of 02 (two) foreign banks namely: (a) Bank of Nova Scotia of Canada (b) Muslim Commercial Bank of Pakistan.
- Majority stakeholder of ERA INFOTECH, (A joint Venture IT Company).
- Centralized Trade Services Operation (Facilitates Export/ Import and Inward and Outward Remittance for non-AD Branches.)
- Central Clearing Fully Automated
- Online Charges – Free.
- ATM (Own) Charge – Free.
- E-Cash Booth.
- 24 Hours Call Centre
- Member- Dhaka Stock Exchange (DSE)
- Commenced Capital Market Operations (Share Trading).
- Internet Banking
- Mobile Banking
- SME Banking
- Consumer Banking

2.9 Product and service offerings:

Bank Asia is one of the recognized private commercial bank in Bangladesh within a short period of time. Amongst the other 2nd generation banks, Bank Asia has demonstrated an outstanding performance. The performance scenario might well not be favorable to them in each period, but they always endeavor to keep up the consistency. Step by step Bank Asia builds its item list for the significant clients which are mentioned forth a few offerings and plans been stated underneath.

Table 2.9.1: Some Products & Services of Bank Asia Ltd.

RETAIL BANKING	
Deposit Products	
Savings Account	Deposit Pension Scheme Plus(DPS ⁺)
Current Account	Monthly Benefit Plus(MB ⁺)
Short Term Deposit	Double Benefit Plus
Fixed Term Deposit	Triple Benefit Plus
Shanchay Plus	Shonchoy E Kotipoti
Al-Wadiah Current Account (AWCA)	Mudarba hajj Savings Scheme (MHSS)
Mudarba Savings Account (MSA)	Mudarba Deposit Pension Scheme (MDPS)
Mudarba Special Notice Deposit Account (MSNDA)	Mudarba Monthly Profit Paying Deposit Scheme (MMPPDS)
Mudarba Term Deposit Account (MTDA) of different Tenure	Mudarba hajj Savings Scheme (MHSS)
Bai Mudarba Muajjal	Hire Purchase ShirkatulMelk (HPSM)
Consumer Finance	
Auto Loan	Unsecured Personal Loan
House Finance	Loan For Professionals
Senior Citizen Support	
Credit Card	

Visa ERQ Card	Hajj Card
Visa Classic Local Card	Virtual Card
Visa Classic Dual Card	Master Card Silver
Visa Butterfly Card	Master Card Gold
Visa Gold Local Card	SME Card
Visa Gold Dual Card	Visa RFCD Card
SME BANKING	
Secured Products	
Sheba - Secured Service	Shomadhan- Secured
Sondhi- Secured Trading	Shomridhi- Secured Manufacturing
Unsecured Trading	
Subidha- Unsecured Trading	Sristi- Unsecured Manufacturing
Shofol- Unsecured Service	Utsob- seasonal Business
Women Entrepreneur Special Product	
Subarno- Women Entrepreneur	
New Launched Product-2018	
SHADHIN- A Freelancer Card	
Other Services	
ATM Services	Internet Banking
Remittance Service	Remote Banking (EBEK)
Locker Service	Mobile Service

Chapter 03: Internship Experience

3.1 Job Description:

This report is basically prepared on the basis of acquired knowledge, observations and internship experience at Bank Asia Ltd. I was assigned as an intern in the Group Finance Division at Corporate Office. This department and the job really helped me a lot to learn practical knowledge of financial activities and gathered new skills through different aspects of my work in the bank.

3.2 Key Responsibilities:

As the Group Finance Division starts their preparation of making their annual integrated report from December; I was assigned to different types of tasks related to annual report because I joined there almost at the end of January. Basically, I have done checking of different departmental write-ups, went through the previous annual reports to gain proper knowledge of all the financial statements, made some financial analysis based on DuPont analysis, vertical and horizontal analysis, prepared the 'five years performance' by figuring out numerical data from the accounts and calculating those data, prepared some executives' report like MD's Message and Chairman's statement with innovative write-ups, worked with monthly vat and tax statement, updated the full BASEL III report with latest data, worked with different bills and chalan and so on.

3.3 Experience:

As an intern I really enjoyed working in Group Finance of Bank Asia Ltd. The journey of entire three months was not so smooth but the experience I gathered by working in that corporate culture is priceless. All the staffs and employees were very nice to me and they really taught me to do all the tasks on their own; which is very rare scenario in the present corporate culture. The most important thing is that I have gained a lot of practical knowledge about an annual report

and it also helped me to develop a clear concept about all the financial statements and the accounts.

3.4 Overview of Group Finance Division:

Group Finance Division has been working under the supervision of CFO and directly reporting to the President and Managing Director. This division is involved with diversified analysis. MIS, Regulatory reporting, Financial reporting, Financial control, Tax and VAT management of the Bank, Publication and so on. The Board and Management have recognized the valuable contribution of Group Finance and awarded “Best Division” amongst all Corporate Office Divisions. Previously, this division was as Finance & Accounts Division. For better control and management, Accounts division with 50% employees separated from this Division. Group Finance has been discharging all responsibilities of the division with the remaining employees efficiently. Functional Activities of Group Finance in 2018 is mentioned at a glance.

Group Finance

With a view to ensuring safe, secure, stable & effective banking, Group Finance of Bank Asia is operating with utmost efficiency and professionalism. Group Finance team oversee all financial activities of it's three subsidiary companies. The major functions of Group Finance in the year 2018

VAT

Effective management of VAT Audit

Employee Fund Management

Total fund Tk. 2,0584 mln

Tax

- 1 year return submitted
- 2 year assessment finalized
- 1 year Tribunal filed
- 1 year Appeal filed

Bank Budget

160

Branches and Departments

Awards

- 3 for Annual Integrated Report 2017
- 1 for Sustainability Report 2017

8 Business Conferences

- Performance analysis in comparison with the respective budget of the branches, divisions, departments & units

Financial Statement Regulatory Reports

62

Tk. 5,000 million

Issuance of 7 Year Floating Rate Non-Convertible Subordinated Bond-3 of Tk. 5,000 mln

Rating

- CAMELS Rating-half yearly
- Entity Rating-Yearly
- 2 Bonds Rating-Yearly

CL Monitoring

- Identification of Regular CL
- 102 Letters distribution to respective branch for necessary action

Payment Processed
14,619 bills

MIS

- Monthly business unit wise performance tracking 1000+
- Monthly profitability analysis- 12
- Daily position -260

Regulatory Reporting-ISM, FPM, & CDLC Reporting

- 40 reports to Bangladesh Bank
- Provided daily support to 120 branches for smooth reporting
- Conducted 2 trainings regarding ISS

Bank Asia 1st Mutual Fund

Bank Asia launched an open-end Mutual Fund of Tk. 1,000 million

Investment

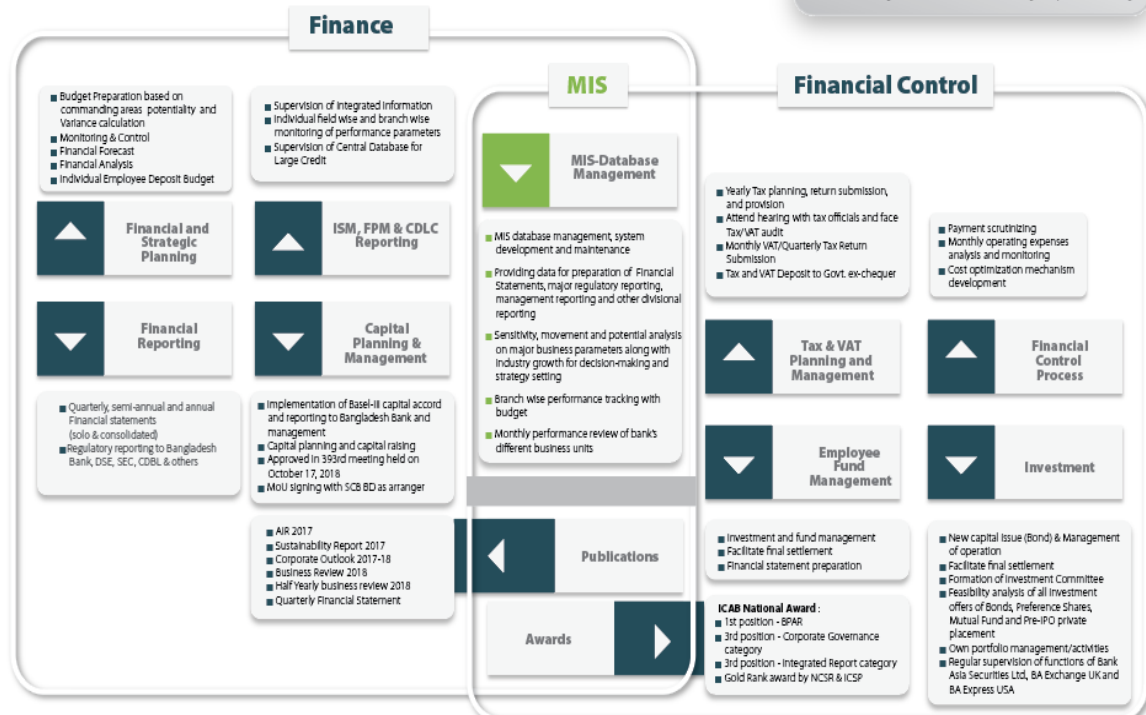
- Fresh Investment Tk. 29.3 mln
- Total Income Tk. 185.41 mln

Interest Rate Monitoring 39 peer banks

- Deposit and advance rate analysis
- T-bill, T-bond rate analysis
- Monitoring of Product wise deposit inclusion –exclusion

9 Publications

(annually-semiannually-quarterly)



3.5 Basic Activities of Group Finance:

1. **Budgeting:** Budgeting is one of the main activities of Group Finance. This department prepares annual budget for all the branches and departments for 2018. For better estimation and monitoring, Bank Asia conducts its budget efficiently.
2. **Investment:** Taking decision is the major functions of Group Finance. This department analyze and make a decision of investment and financing related sectors by using various types of methods like- Bills and Bonds rate analysis, deposit and advance rate analysis, CAMELS rating, entity rating etc. Besides various types of monitoring like- CL monitoring, interest rate monitoring etc.
3. **VAT & TAX:** Bank Asia is careful about its vat and tax obligations. In this reason, Group Finance helps to maintain and submit audit and tax return on periodical basis by calculating it efficiently with the help of their employees.
4. **Employee Fund Management:** Employees are the fundamental part of bank. Taking proper care of them is one of the most important functions. Group Finance co-ordinates employee fund management by totaling tk. 2,058.4 million in 2018 for providing insurance, medical support etc.
5. **Financial Report:** Annual Report is the mirror of an organization. This department takes all the major responsibilities of publishing Annual Integrated Report, Business Review, Sustainability Report, Corporate outlook, Financial Statement in each year under their assessment and monitoring.
6. **Others Activities:** Apart from these, Group Finance Department of Bank Asia Ltd. does Processing of bills payment, Arranging business conferences, Database management and reviews and so on.

Chapter 04: Financial Analysis

4.1 Financial Statement Analysis

Financial statement analysis (or financial analysis) refers to the process of analyzing a company's financial statements to make better financial decisions. Income statement, balance sheet, statement of cash flows, and a statement of changes in equity; all these are included into financial statements. Financial statement analysis is a specific method or process through which financial risks, performance and future prospects of the company is being measured & evaluated.

It is generally used by variety of stakeholders, such as investors, shareholders, managers, the government, the public, and decision-makers within the organization. Common techniques or methods which are mainly used by the companies to perform financial analysis include DuPont analysis, horizontal and vertical analysis and the use of financial ratios. DuPont analysis mainly focuses on ROE and there are some financial metrics which drive the ROE. To decompose the drivers of ROE; DuPont analysis is performed by the companies. In horizontal analysis, the line items are being compared in each financial statement against previous time periods. In vertical analysis each line item is listed as a percentage of a specific base figure within the statement and ratio analysis which calculates statistical relationship between data and it really helps to gain insight into a company's financial performance by comparing information which is available in its financial statements.

4.2 Financial Statements (Balance Sheet):

Bank Asia Limited Balance Sheet

as at 31 December 2018

		<i>Amount in Taka</i>	
	Notes	31 Dec 2018	31 Dec 2017
PROPERTY AND ASSETS			
Cash		15,552,120,728	17,930,274,917
In hand (including foreign currencies)	4.1	2,679,608,726	1,992,044,727
Balance with Bangladesh Bank and its agent bank (including foreign currencies)	4.2	12,872,512,002	15,938,230,190
Balance with other banks and financial institutions		25,865,613,166	29,603,011,389
In Bangladesh	5.1	23,488,274,856	28,766,652,560
Outside Bangladesh	5.2	2,377,338,310	836,358,829
Money at call and on short notice	6	100,000,000	-
Investments	7	35,999,198,344	27,545,818,419
Government		33,133,291,838	24,431,255,000
Others		2,865,906,506	3,114,563,419
Loans and advances/investments	8	214,618,151,145	197,504,138,756
Loans, cash credits, overdrafts, etc/investments		193,721,116,473	181,498,036,483
Bills purchased and discounted		20,897,034,672	16,006,102,273
Fixed assets including premises, furniture and fixtures	9	5,431,553,592	5,329,740,498
Other assets	10	9,724,763,581	11,083,658,773
Non - banking assets		-	-
Total assets		307,291,400,556	288,996,642,751
LIABILITIES AND CAPITAL			
Liabilities			
Borrowings from other banks, financial institutions and agents	11	31,318,674,113	30,268,312,053
Subordinated non-convertible bonds	11 (aa)	7,400,000,000	8,092,588,885
Deposits and other accounts	12	222,471,716,244	207,041,471,381
Current/Al-wadeeah current accounts and other accounts		47,224,630,178	41,999,629,176
Bills payable		4,124,678,804	3,968,967,652
Savings bank/Mudaraba savings bank deposits		39,558,517,712	34,496,938,426
Fixed deposits/Mudaraba fixed deposits		131,563,889,550	126,575,936,127
Bearer certificates of deposit		-	-
Other deposits		-	-
Other liabilities	13	22,760,876,373	22,539,776,869
Total liabilities		283,951,266,730	267,942,149,188
Capital/shareholders' equity			
Total shareholders' equity		23,340,133,826	21,054,493,564
Paid-up capital	14.2	11,103,874,860	9,870,110,990
Statutory reserve	15	8,268,393,179	7,345,137,782
Revaluation reserve	16	2,120,032,204	2,154,384,193
General reserve		8,166,144	8,166,144
Foreign currency translation reserve		-	-
Retained earnings	17	1,839,667,438	1,676,694,455
Total liabilities and shareholders' equity		307,291,400,556	288,996,642,751


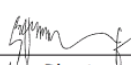
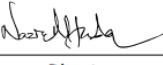


4.3 Financial Statements (Profit & Loss)

Bank Asia Limited Profit and Loss Statement

for the year ended 31 December 2018

		<i>Amount in Taka</i>	
	Notes	31 Dec 2018	31 Dec 2017
OPERATING INCOME			
Interest income	20	20,910,683,339	16,411,574,859
Interest paid on deposits and borrowings, etc	21	13,007,993,495	10,841,556,834
Net interest income		7,902,689,844	5,570,018,025
Investment income	22	2,311,462,131	2,535,391,259
Commission, exchange and brokerage	23	2,990,693,997	3,119,816,288
Other operating income	24	917,723,225	742,166,065
		6,219,879,353	6,397,373,612
Total operating income (A)		14,122,569,197	11,967,391,637
OPERATING EXPENSES			
Salaries and allowances	25	2,882,190,002	2,519,793,179
Rent, taxes, insurance, electricity, etc	26	684,528,849	613,241,644
Legal expenses	27	25,213,849	24,615,519
Postage, stamp, telecommunication, etc	28	108,489,491	89,544,014
Stationery, printing, advertisements, etc	29	133,450,519	97,405,242
Managing Director's salary and fees	30	13,900,000	13,900,000
Directors' fees	31	3,656,000	2,992,000
Auditors' fees	32	875,500	952,100
Depreciation and repairs of Bank's assets	33	475,722,070	459,920,443
Other expenses	34	1,734,164,998	1,457,470,719
Total operating expenses (B)		6,062,191,278	5,279,834,860
Profit before provision (C=A-B)		8,060,377,919	6,687,556,777
Provision for loans and advances/investments			
General provision		990,055,890	1,171,754,018
Specific provision		2,604,517,014	1,234,895,000
	13.2	3,594,572,904	2,406,649,018
Provision for off-balance sheet items	13.3	(172,971,972)	223,379,000
Provision for diminution in value of investments	13.8	10,000,000	-
Other provisions	13.9	12,500,000	-
Total provision (D)	34(b)	3,444,100,932	2,630,028,018
Total profit before tax (C-D)		4,616,276,987	4,057,528,759
Provision for taxation			
Current tax	13.5.1	2,350,000,000	1,968,500,000
Deferred tax	13.5.2	-	41,500,000
		2,350,000,000	2,010,000,000
Net profit after tax		2,266,276,987	2,047,528,759
Appropriations			
Statutory reserve	15	923,255,397	811,505,752
General reserve		-	-
		923,255,397	811,505,752
Retained surplus		1,343,021,590	1,236,023,007
Earnings Per Share (EPS)	37	2.04	1.84

These Financial Statements should be read in conjunction with the annexed notes

 Chairman	 Director	 Director	 Director	 President and Managing Director
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Report of the auditor's to the shareholders:

This is the statement of Consolidated Balance Sheet referred to our report of even date.

Dhaka, Dated
21 March 2019


ACNABIN
Chartered Accountants

4.4 DuPont Analysis:

DuPont Analysis (also known as the DuPont identity, DuPont equation, DuPont Model or the DuPont method) is a framework which breaks down the ROE (return on equity) into three parts.

The name comes from the DuPont Corporation who developed a model in 1920s called DuPont Analysis for the purpose of assessing of the company's profitability.

DuPont analysis is an approach to decompose different drivers of return on equity (ROE). This allows the investors to get informed about which factors contributed the most to the changes in ROE. In the DuPont model, the original equation of ROE is broken down into three components and they are: Net Profit Margin, Total Asset Turnover and Financial Leverage. In the second phase, Net Profit Margin is further broken down into operating profit margin, effect of non-operating items and tax effects.

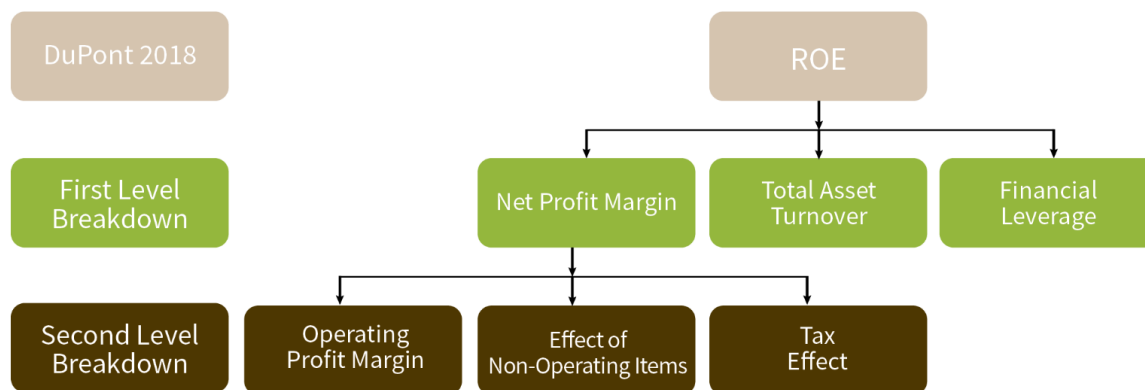


Table 4.4.1: DuPont Analysis Breakdown

Particulars	2018	2017	2016
ROE	10.21%	10.21%	8.13%
Net Profit Margin	8.35%	8.98%	7.28%
Total Asset Turnover	0.0910	0.0841	0.0890
Financial Leverage	13.4315	13.5234	12.5610
Operating Profit Margin	29.71%	29.32%	27.87%
Effect of Non-Operating Items	0.5727	0.6067	0.5552
Tax Effect	0.4909	0.5046	0.4703

The higher value of all components of DuPont analysis mainly indicates that, there is a positive impact on Return on Equity. Net profit margin is further broken down into three important components named operating profit margin, effects on non-operating items and tax effects which are mentioned in the second phase of the analysis. Operating profit margin of 2018 rose up to 29.71% compared to that of 29.32% in 2017 for higher growth of net interest income which achieved 42% growth over previous year.

Effects on non-operating items include loan loss and other provision which decreased to 0.5727 from 0.6067 for the increase of provision by 31%. Tax effect came down to 0.4909 from 0.5046 in 2017. The combined effects of these three components (increase of operating profit margin and decrease of two other components, i.e. effect of non-operating items and tax effect) is the main reason of decreasing net profit margin to 8.35% in 2018 compared to 8.98% of last year.

Efficiency of utilization of assets as implied by average total assets turnover increased to 0.0910 in 2018 from 0.0841 in 2017 which resulted from re-pricing of loans and advances. Bank Asia's financial leverage declined slightly to 13.4315 from last year's 13.5234 for the lower growth of assets.

Table 4.4.2: Return on Equity (ROE) Breakdown

Return on Equity			
2018			
10.21%			
Net Profit Margin	8.35%	Operating Profit Margin	29.71%
		Effect of Non-operating Items	0.5727
		Tax Effect	0.4909
Total Asset Turnover	0.0910		
Financial leverage	13.4315		
Alternative Net Profit Margin	8.35%	Operating Profit Before Provision	8,060
		Revenues	27,131
		Profit Before Tax	4,616
		Taxes	2,350
		Average Total asset	298,144
		Average Shareholders' Equity	22,197
		Net Profit After Tax	2,266
		ROA	0.76%
		Alternative ROE	10.21%

4.5 Vertical and Horizontal Analysis:

Vertical and Horizontal analysis is a way to evaluate the overall weight of the performance of Bank Asia Ltd. according to the balance sheet and profit & loss statement. In Horizontal Analysis, a specific year is assumed as a base year and weighted as 100%. The line items are being compared with that base year. If the values of those line items are above 100% that will be considered as positive growth and vice versa.

In vertical Analysis, Revenue, Total Assets and Total Liabilities will be regarded as base weight and each and every line item will be compared against that base weight. Thus line items on an income statement will be stated as a % of revenue, while the line items on a balance sheet will be stated as a % of total assets and liability.

Horizontal Analysis

For the last five years

Statement of Comprehensive Income

	2018	2017	2016	2015	2014
OPERATING INCOME					
Interest income	150.28%	117.95%	104.71%	99.74%	100.00%
Interest paid on deposits and borrowings, etc	121.57%	101.33%	99.08%	104.40%	100.00%
Net interest income	245.84%	173.28%	123.45%	84.22%	100.00%
Investment income	57.37%	62.93%	88.07%	121.39%	100.00%
Commission, exchange and brokerage	159.26%	166.14%	131.80%	114.82%	100.00%
Other operating income	162.51%	131.42%	114.79%	101.38%	100.00%
Total operating income	145.80%	123.55%	109.85%	106.61%	100.00%
Salaries and allowances	158.24%	138.35%	128.29%	118.36%	100.00%
Rent, taxes, insurance, electricity, etc	159.21%	142.63%	124.10%	119.58%	100.00%
Legal expenses	240.82%	235.11%	153.64%	92.00%	100.00%
Postage, stamp, telecommunication, etc	158.96%	131.20%	119.56%	112.79%	100.00%
Stationery, printing, advertisements, etc	176.64%	128.93%	119.30%	131.88%	100.00%
Managing Director's salary and fees	98.16%	98.16%	110.80%	118.16%	100.00%
Directors' fees	131.99%	108.01%	115.23%	169.39%	100.00%
Auditors' fees	126.88%	137.99%	181.45%	132.61%	100.00%
Depreciation and repairs of Bank's assets	107.96%	104.38%	106.45%	100.12%	100.00%

Other expenses	166.18%	139.67%	112.32%	95.97%	100.00%
Total operating expenses	155.15%	135.13%	120.78%	110.59%	100.00%
Profit before provision	139.48%	115.73%	102.45%	103.93%	100.00%
Provision for loans and advances/investments					
General provision	842.91%	996.47%	472.65%	1308.98%	100.00%
Specific provision	201.75%	95.79%	141.84%	6.18%	100.00%
Provision for off-balance sheet items	-396.45%	511.98%	319.62%	579.64%	100.00%
Provision for diminution in value of investments	17.70%	0.00%	194.69%	0.00%	100.00%
Other provisions	27.27%	0.00%	0.00%	18.18%	100.00%
Total provision	220.51%	168.39%	168.63%	120.48%	100.00%
Total profit before tax	109.47%	96.22%	77.95%	97.79%	100.00%
Provision for taxation					
Current tax	120.69%	101.10%	86.18%	78.82%	100.00%
Deferred tax	0.00%	81.21%	123.29%	29.87%	100.00%
Net profit after tax	102.14%	92.29%	69.68%	116.01%	100.00%

4.5.1 Horizontal Analysis (Profit and Loss Statement)

Horizontal Analysis on Income Statement refers to the process of analyzing the growth of each component of income statement items comparing against the base period. Here the base period is considered as 2014 giving value 100%. After that period, value above 100% will be considered as positive growth and below 100% will be considered as negative growth compared to the base year. The above table demonstrates the consistent growth of total operating income, expenses and operating profit of Bank Asia Ltd. over the periods except the operating profit of 2016. Net interest income (NII) is showing higher growth in 2018 mainly for the growth of interest income that resulted from re-pricing of loans and advances.

Horizontal Analysis
For the last five years
Statement of Financial Position

	2018	2017	2016	2015	2014
PROPERTY AND ASSETS					
Cash	142%	164%	146%	114%	100%
In hand (including foreign currencies)	201%	149%	156%	127%	100%
Balance with Bangladesh Bank and its agent bank (including foreign currencies)	134%	166%	145%	112%	100%
Balance with other banks and financial institutions	3481%	3984%	1786%	1114%	100%
In Bangladesh	3441%	4215%	1568%	1108%	100%
Outside Bangladesh	3925%	1381%	4245%	1180%	100%
Money at call and on short notice					
Investments	93%	71%	102%	121%	100%
Government	95%	70%	104%	125%	100%
Others	75%	81%	85%	84%	100%
Loans and advances/investments	184%	169%	140%	117%	100%
Loans, cash credits, overdrafts, etc/investments	178%	167%	142%	117%	100%
Bills purchased and discounted	260%	199%	107%	117%	100%
Fixed assets including premises, furniture and fixtures	104%	102%	101%	97%	100%
Other assets	97%	110%	108%	119%	100%
Non - banking assets					
Total assets	168%	158%	139%	123%	100%
LIABILITIES AND CAPITAL					
Liabilities					
Borrowings from other banks, financial institutions and agents	399%	386%	240%	157%	100%
Subordinated non-convertible zero coupon bonds	1648%	1802%	712%	738%	100%
Deposits and other accounts	158%	147%	136%	121%	100%
Current/AI-wadeeah current accounts and other accounts	220%	195%	159%	138%	100%
Bills payable	228%	220%	271%	218%	100%
Savings bank/Mudaraba savings bank deposits	239%	208%	168%	128%	100%
Fixed deposits/Mudaraba fixed deposits	130%	125%	123%	114%	100%
Other liabilities	136%	135%	125%	119%	100%
Total liabilities	171%	162%	141%	124%	100%
Capital/shareholders' equity					
Total shareholders' equity	138%	125%	113%	113%	100%
Paid-up capital	146%	129%	115%	110%	100%

Share Premium
 Statutory reserve
 Revaluation reserve
 General reserve
 Retained earnings
Total liabilities and shareholders' equity

164%	145%	129%	116%	100%
79%	80%	83%	95%	100%
100%	100%	100%	100%	100%
123%	112%	97%	144%	100%
168%	158%	139%	123%	100%

4.5.2 Horizontal Analysis (Balance Sheet)

Horizontal Analysis on Balance Sheet refers to the process of analyzing the growth of each component of balance sheet items comparing against the base period. Here the base period is considered as the year 2014 giving a value of 100%. After that period, value above 100% will be considered as positive growth and below 100% will be taken as negative growth compared to the base year. From the above table it is clearly visible that the assets, liabilities and shareholders' equity are exhibiting consistent growth over the last five years which symbolize sustainable balance sheet growth of the bank as a whole. Furthermore, Investment is showing positive growth in 2018 although it started to decline from 2015.

Vertical Analysis

For the last five years

Statement of Comprehensive Income

	2018	2017	2016	2015	2014
OPERATING INCOME					
Interest income	77.07%	71.95%	68.59%	64.56%	68.25%
Interest paid on deposits and borrowings, etc	47.95%	47.53%	49.91%	51.96%	52.49%
Net interest income	29.13%	24.42%	18.68%	12.59%	15.77%
Investment income	8.52%	11.12%	16.71%	22.75%	19.76%
Commission, exchange and brokerage	11.02%	13.68%	11.65%	10.03%	9.21%
Other operating income	3.38%	3.25%	3.05%	2.66%	2.77%
Total operating income	52.05%	52.47%	50.09%	48.04%	47.51%
Salaries and allowances	10.62%	11.05%	11.00%	10.03%	8.93%
Rent, taxes, insurance, electricity, etc	2.52%	2.69%	2.51%	2.39%	2.11%
Legal expenses	0.09%	0.11%	0.08%	0.04%	0.05%
Postage, stamp, telecommunication, etc	0.40%	0.39%	0.38%	0.36%	0.33%

Stationery, printing, advertisements, etc	0.49%	0.43%	0.42%	0.46%	0.37%
Managing Director's salary and fees	0.05%	0.06%	0.07%	0.08%	0.07%
Directors' fees	0.01%	0.01%	0.02%	0.02%	0.01%
Auditors' fees	0.00%	0.00%	0.01%	0.00%	0.00%
Depreciation and repairs of Bank's assets	1.75%	2.02%	2.21%	2.05%	2.16%
Other expenses	6.39%	6.39%	5.52%	4.66%	5.12%
Total operating expenses	22.34%	23.15%	22.22%	20.10%	19.17%
Profit before provision	29.71%	29.32%	27.87%	27.94%	28.35%
Provision for loans and advances/investments					
General provision	3.65%	5.14%	2.62%	7.16%	0.58%
Specific provision	9.59%	5.41%	8.61%	0.37%	6.32%
Provision for off-balance sheet items	-0.64%	0.98%	0.66%	1.18%	0.21%
Provision for diminution in value of investments	0.04%	0.00%	0.52%	0.00%	0.28%
Other provisions	0.06%	0.00%	0.00%	0.05%	0.27%
Total provision	12.69%	11.53%	12.40%	8.75%	7.66%
Total profit before tax	17.02%	17.79%	15.47%	19.18%	20.69%
Provision for taxation					
Current tax	8.66%	8.63%	7.90%	7.14%	9.55%
Deferred tax	0.00%	0.18%	0.30%	0.07%	0.25%
Net profit after tax	8.35%	8.98%	7.28%	11.97%	10.88%

4.5.3 Vertical Analysis (Profit and Loss Statement)

Vertical Analysis on Income Statement refers to the components of income statement items as a % of total revenue over the periods which would be termed as common sizing of income statement. In income side, interest income (77.07%), income from commission, exchange and brokerage (11.02%) and investment income (8.52%) cover the major portion of total revenue. Interest income as % of total revenue started to climb up after 2015 and it increased by a significant margin in 2018 mainly for re-pricing of loans and advances. Lower yield on treasury bill/bond and lower import are responsible for decreasing investment income and commission income respectively as % of total revenue in 2018. Operating expense as a % of total revenue has decreased because of managing the cost efficiently and net profit decreased for keeping higher provision.

Vertical Analysis
For the last five years
Statement of Financial Position

	2018	2017	2016	2015	2014
PROPERTY AND ASSETS					
Cash	5.06%	6.20%	6.31%	5.56%	5.99%
In hand (including foreign currencies)	0.87%	0.69%	0.82%	0.75%	0.73%
Balance with Bangladesh Bank and its agent bank (including foreign currencies)	4.19%	5.52%	5.49%	4.80%	5.26%
Balance with other banks and financial institutions	8.42%	10.24%	5.24%	3.69%	0.41%
In Bangladesh	7.64%	9.95%	4.23%	3.37%	0.37%
Outside Bangladesh	0.77%	0.29%	1.02%	0.32%	0.03%
Money at call and on short notice	0.03%	0.00%	1.92%	1.44%	0.16%
Investments	11.72%	9.53%	15.55%	20.92%	21.17%
Government	10.78%	8.45%	14.26%	19.49%	19.07%
Others	0.93%	1.08%	1.28%	1.44%	2.10%
Loans and advances/investments	69.84%	68.34%	64.62%	60.80%	63.92%
Loans, cash credits, overdrafts, etc/investments	63.04%	62.80%	61.22%	56.60%	59.53%
Bills purchased and discounted	6.80%	5.54%	3.39%	4.19%	4.39%
Fixed assets including premises, furniture and fixtures	1.77%	1.84%	2.07%	2.26%	2.85%
Other assets	3.16%	3.84%	4.28%	5.33%	5.49%
Total assets	100.00%	100.00%	100.00%	100.00%	100.00%
LIABILITIES AND CAPITAL					
Liabilities					
Borrowings from other banks, financial institutions and agents	10.19%	10.47%	7.43%	5.48%	4.29%
Subordinated non-convertible zero coupon bonds	2.41%	2.80%	1.26%	1.48%	0.25%
Deposits and other accounts	72.40%	71.64%	75.54%	75.70%	77.09%

Current/Al-wadeeah current accounts and other accounts	15.37%	14.53%	13.53%	13.20%	11.77%
Bills payable	1.34%	1.37%	1.94%	1.75%	0.99%
Savings bank/Mudaraba savings bank deposits	12.87%	11.94%	10.98%	9.44%	9.06%
Fixed deposits/Mudaraba fixed deposits	42.81%	43.80%	49.10%	51.31%	55.27%
Other liabilities	7.41%	7.80%	8.10%	8.88%	9.14%
Total liabilities	92.40%	92.71%	92.34%	91.54%	90.77%
Capital/shareholders' equity					
Total shareholders' equity	7.60%	7.29%	7.66%	8.46%	9.23%
Paid-up capital	3.61%	3.42%	3.48%	3.74%	4.18%
Statutory reserve	2.69%	2.54%	2.61%	2.62%	2.76%
Revaluation reserve	0.69%	0.75%	0.88%	1.14%	1.47%
General reserve	0.00%	0.00%	0.00%	0.00%	0.00%
Retained earnings	0.60%	0.58%	0.68%	0.96%	0.82%
Total liabilities and shareholders' equity	100.00%	100.00%	100.00%	100.00%	100.00%

4.5.4 Vertical Analysis (Balance Sheet)

Vertical Analysis on Balance Sheet refers to the components of balance sheet items as a % of total Assets and liabilities over the periods which would be termed as common sizing of balance sheet. In asset side, Loans and advances (69.84%) and investment (11.72%) occupied above 80% share of balance sheet. Both the two components are showing growth in 2018 compared to the previous year. In liability side, deposit takes control by holding major portion (72.40%) and exhibiting a decreasing trend after 2014; though it increased by a small margin in 2018.

4.6 Ratio Analysis with Five Years Performance

Ratio analysis is a form of financial statement analysis which is used to evaluate the financial condition of a company regarding some key areas. It is a method through which information

which is readily available in the financial statements, can be compared against the company itself or the overall industry to obtain insight into the financial position. Ratio analysis is very important to assess the performance of a company by analyzing its liquidity, profitability, asset management and efficiency ratios.

4.6.1 Return on Assets (ROA)

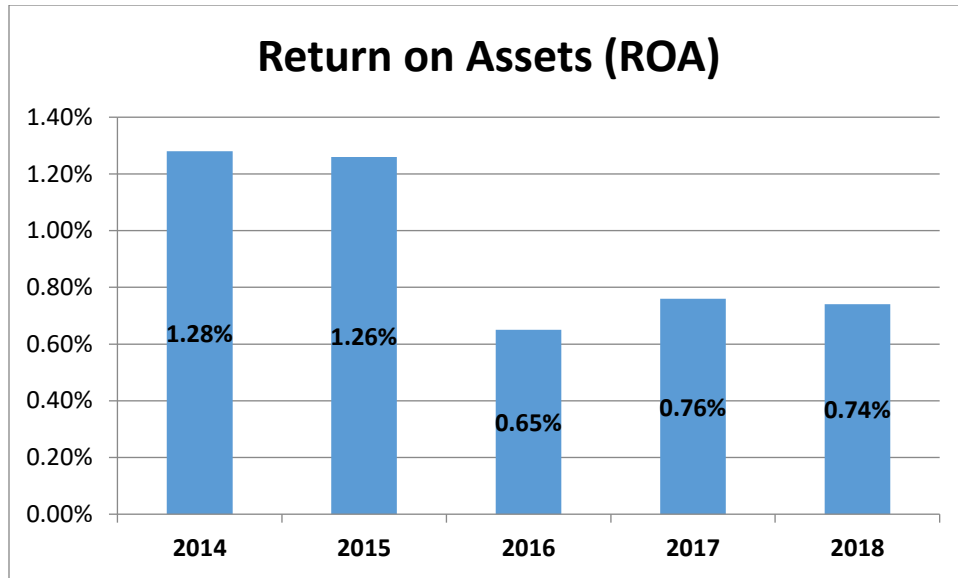
It's a profitability indicator which shows the efficiency of an organization in managing assets to generate income. It is expressed by dividing net profit after tax by total assets. The higher this ratio is, the better it is. The higher level of this ratio indicates that the organization is very efficient at using its resources.

Formula:

$$\text{ROA} = \text{Net Income} / \text{Total Assets}$$

Table 4.6.1.1: Return on Assets (ROA)

Return On Asset (ROA)	Years				
	2014	2015	2016	2017	2018
	1.28%	1.26%	0.65%	0.76%	0.74%



Interpretation:

From the above figure we can see that return on asset was in increasing trend from 2014 to 2015. In 2014 Bank Asia Ltd. Has earned Tk. 1.28 for each taka of assets they have invested. But in 2016 return on asset declines drastically because profit after tax of 2016 was lower than 2014 and 2015 and total asset was higher than 2014 and 2015 and that's why the return on asset declines. In 2017 it again increased because its profit after tax and total asset increased but in 2018, it slightly decreased to 0.74% than the previous year.

4.6.2 Return on Equity (ROE)

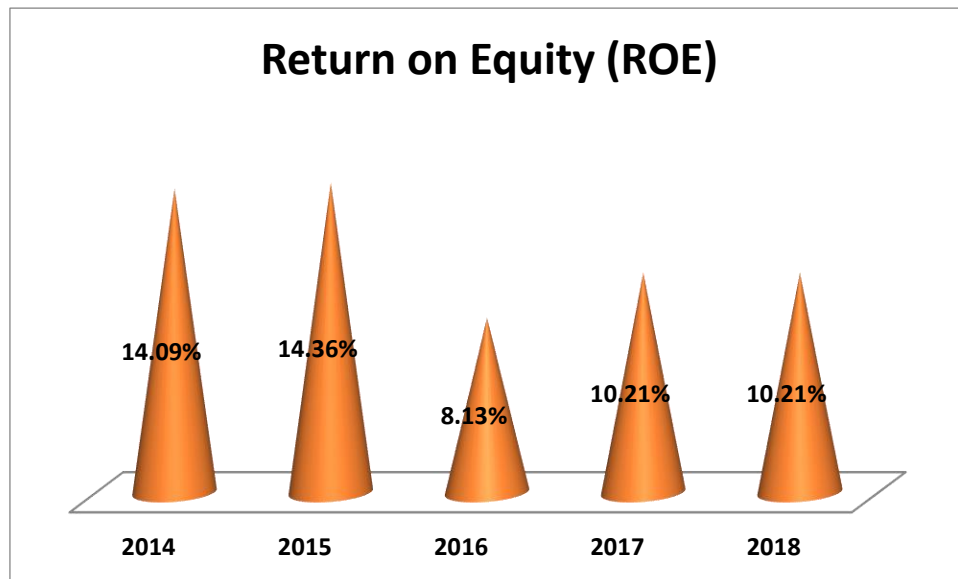
Return on equity (ROE) is a measure of profitability that calculates how much profit a company generates with each of its shareholders' equity. This ratio compares net income to shareholders' equity. Return on equity compares the level of income against the level of shareholders equity invested in an organization. The higher this ratio is the better it is. The higher level of this ratio indicates that the company is very capable to turn its assets into profits.

Formula:

$$\text{ROE} = \text{Net Income} / \text{Total Equity}$$

Table 4.6.2.1: Return on Equity

Return On Equity (ROE)	Years				
	2014	2015	2016	2017	2018
	14.09%	14.36%	8.13%	10.21%	10.21%



Interpretation:

The higher the percentage, the better for the bank as well as for the shareholders. But the return on equity of Bank Asia shows that the shareholders were receiving increasing rate of returns throughout the first two years. In the graph, we can see there is a fluctuation in the ROE of Bank Asia Ltd. In 2016 the bank faced an immense fall in ROE having 8.13%. But in 2015 the ROE

was 14.6% which was higher among all these years. It can be assumed that the Management of Bank Asia was not vigilant enough to manage the funds gingerly which caused them a heavy fall in 2016. Surprisingly, the ROE of both 2017 & 2018 is same which has increased compared to 2016 and it's a positive sign for the bank.

4.6.3 Debt to Equity Ratio:

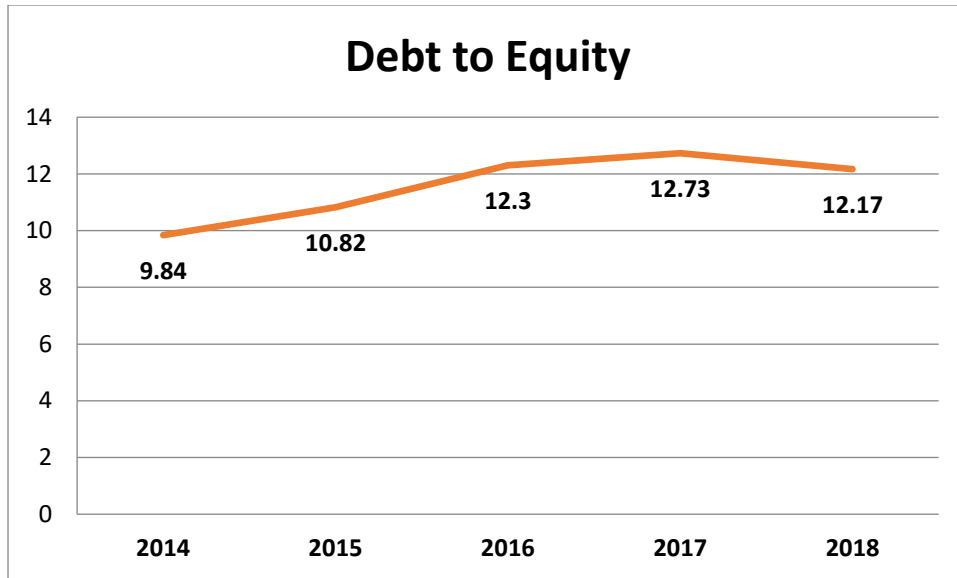
Debt to Equity (DE) ratio is a leverage ratio which measures the degree to which the bank's assets are financed by its debts and by the shareholders' equity. The D/E ratio indicates how much debt a company is using to finance its assets relative to the value of shareholders' equity. A higher debt to equity ratio indicates that the bank financially relies more on external lenders i.e. the bank's assets are crucially backed by the liabilities than the shareholders' equity.

Formula:

$$D/E \text{ Ratio} = \text{Total Liabilities} / \text{Shareholders' Equity}$$

Table 4.6.3.1: Debt to Equity Ratio

Debt to Equity Ratio	Years				
	2014	2015	2016	2017	2018
	9.84	10.82	12.3	12.73	12.17



Interpretation:

From the above scenario we can see that the ratio started to rise after 2014. From the year 2015-2018 the ratio has been higher though it slightly decreased to 12.17 in 2018. It indicates that, the bank is mostly financed by the creditors rather than its own financial resources. If the bank continues running with higher debt to equity ratio then it would be difficult for them to attract additional lending capital.

4.6.4 Non-Performing Loan Ratio

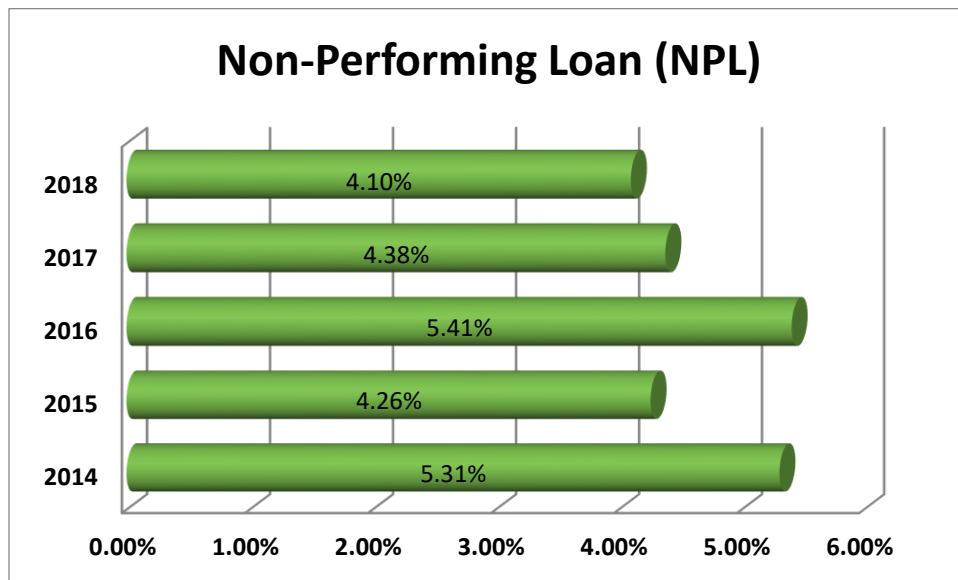
Non-Performing Loan (NPL) is the amount of money lent to the consumers which is either default or close default. If the borrower of the money does not repay the installments for more than 90 days, the loan is classified or Non-Performing Loan.

Formula:

$$\text{NPL} = \frac{\text{Total Non-Performing Loan}}{\text{Total Loans \& Advance}}$$

Table 4.6.4.1: Non- Performing Loan Ratio

Non-Performing Loan Ratio	Years				
	2014	2015	2016	2017	2018
	5.31%	4.26%	5.41%	4.38%	4.10%



Interpretation:

From the above table and graph we can see that, the NPL ratio has been fluctuating over these years. In 2016 the NPL ratio was 5.41%, which was the highest among all these years. However, there is a decline in the ratio in the year 2017 which came down to 4.38%. In 2018, it again decreased to 4.10% which is quite commendable and it really shows that, Bank Asia Ltd. is working very hard to keep their NPL ratio in an optimum level.

The amount of Non-performing loan in the recent 5 years (2014-18) has been fluctuating. This happened either because of:

- 1) poor surveillance of the credit committee
- 2) Repayment ability of the borrower according to their financial status were not strictly monitored
- 3) Recovery procedure had issues.

4.6.5 Net profit margin:

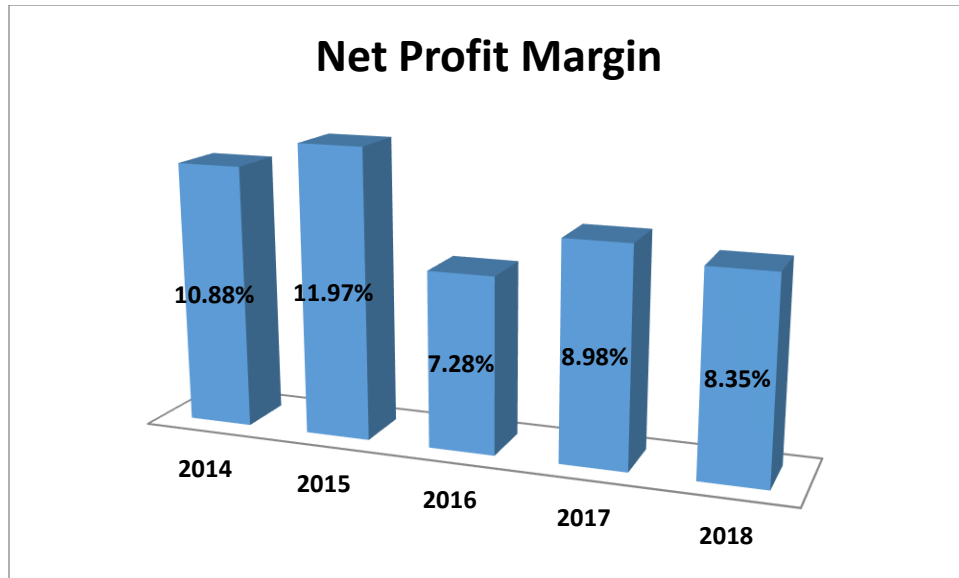
Net profit margin mainly indicates that how much profit is generated by a company from its total revenue. It measures the amount of net profit a company earns by converting its revenue.

Formula:

Net profit margin = Net profit after tax / Revenues

Table 4.6.5.1: Net Profit Margin

Net Profit Margin	Years				
	2014	2015	2016	2017	2018
	10.88%	11.97%	7.28%	8.98%	8.35%



Interpretation:

The net profit margin of Bank Asia is showing an up and down trend over these years. From 2014 to 2015 the net profit margin had increased incredibly because of effective management, low cost structure and strong pricing strategies. In 2016 it dropped down drastically to 7.28. In 2017 it increased a bit but again it declined slightly to 8.35% in 2018 which indicates, they were unable to convert their each taka of revenues into profit.

4.6.6 Earnings per Share

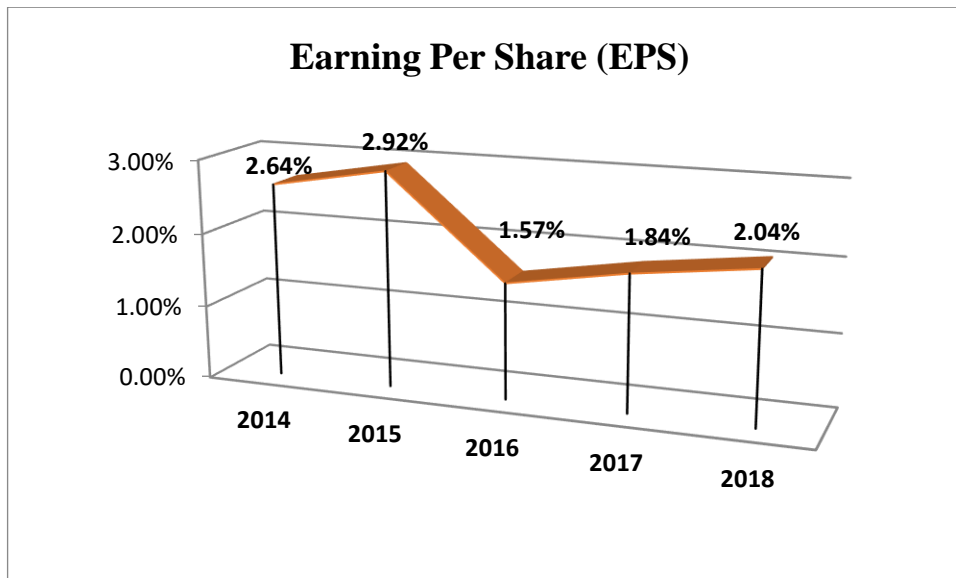
Earnings per share (EPS) are the portion of a company's profit allocated to each outstanding shares of common stock. Earnings per share serve as an indicator of a company's profitability.

Formula:

EPS= Net Income / Number of shares outstanding

Table 4.6.6.1: Earnings per Share

Earnings Per Share	Years				
	2014	2015	2016	2017	2018
	2.64%	2.92%	1.57%	1.84%	2.04%



Interpretation:

Higher earnings per share are always better than a lower ratio because this indicates that the company is more profitable and the company is capable enough to distribute its profits to its shareholders. From the above figure the earnings per share of Bank Asia was higher in 2015 which indicates that the bank was more profitable in comparison with other years. In 2016 the bank got the lowest ratio which was 1.57 which indicates that in 2016 the profit of the bank was low in comparison with the number of share outstanding which resulted in lower earnings

per share. But in 2018 the earnings per share again increased by 2.04% because of the increase of net income and number of outstanding shares in same proportionate.

4.6.7 Net Asset Value Per Share:

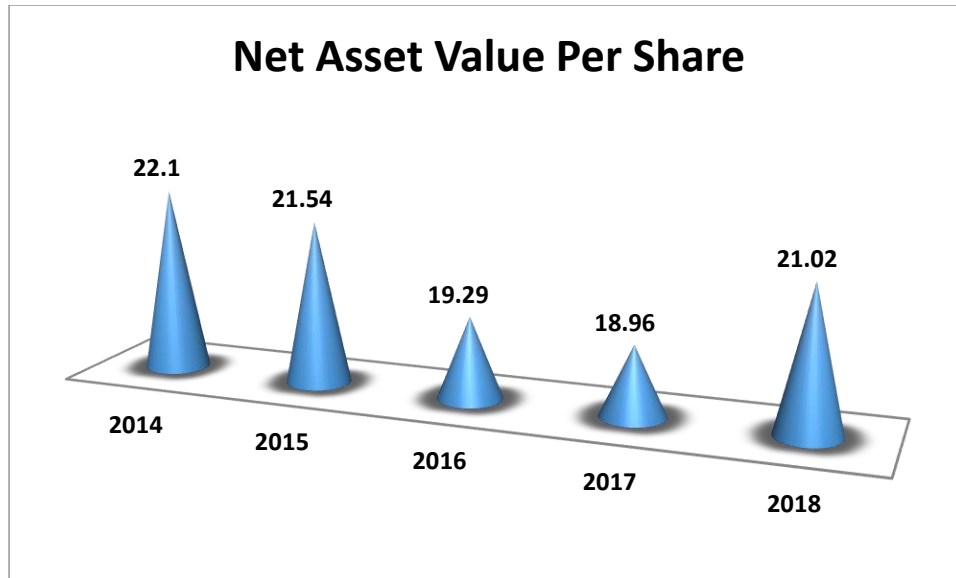
The Net Asset Value Per Share can be defined as an expression for net asset value which calculates the value per share for a fund or a company. It is expressed as subtracting the liabilities from total assets and the outcome will be divided by the no. of outstanding share.

Formula:

$$\text{NAVPS} = \frac{\text{Total Asset} - \text{Total Liabilities}}{\text{No. of Outstanding Shares}}$$

Table 4.6.7.1: Net Asset Value Per Share

Net Asset Value Per Share (Taka)	Years				
	2014	2015	2016	2017	2018
	22.10	21.54	19.29	18.96	21.02



Interpretation:

From the table we can say that in the year 2014 net asset value per share was TK 22.1 which is the highest among last five years. From 2015 it started to decline and it continues decreasing till 2017. In 2018 it again increased to TK 21.02 which indicates that, the value of the securities in the fund also increased because, the NAV is always related to the value of the securities of the fund.

4.6.8 Cost of Deposits (COD)

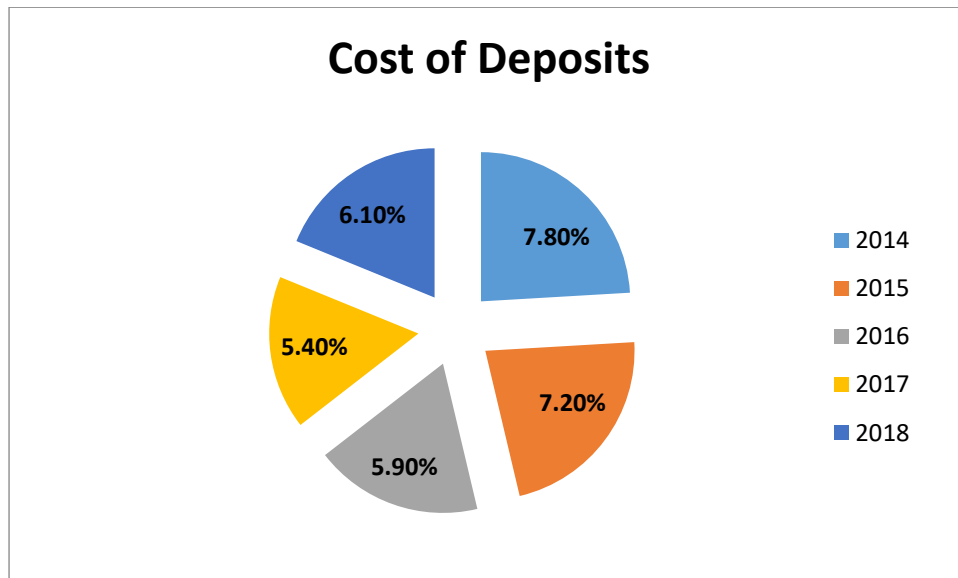
COD refers to the rate of interest paid by the banks against the funds which are collected from public deposits for lending or investing purpose.

Formula:

$$\text{COD} = \text{Interest Expense} / \text{Average Deposits}$$

Table 4.6.8.1: Cost of Deposits

Cost of Deposits	Years				
	2014	2015	2016	2017	2018
	7.8%	7.2%	5.9%	5.4%	6.1%



Interpretation:

From the above figure we can see that there is a declining trend from 2014 to 2017 in cost of deposit. It was decreasing because the interest expense was low compared to total deposits of the bank. But in 2018 the cost of deposit increased to 6.10% than the previous year because of high interest expense.

4.6.9 Spread:

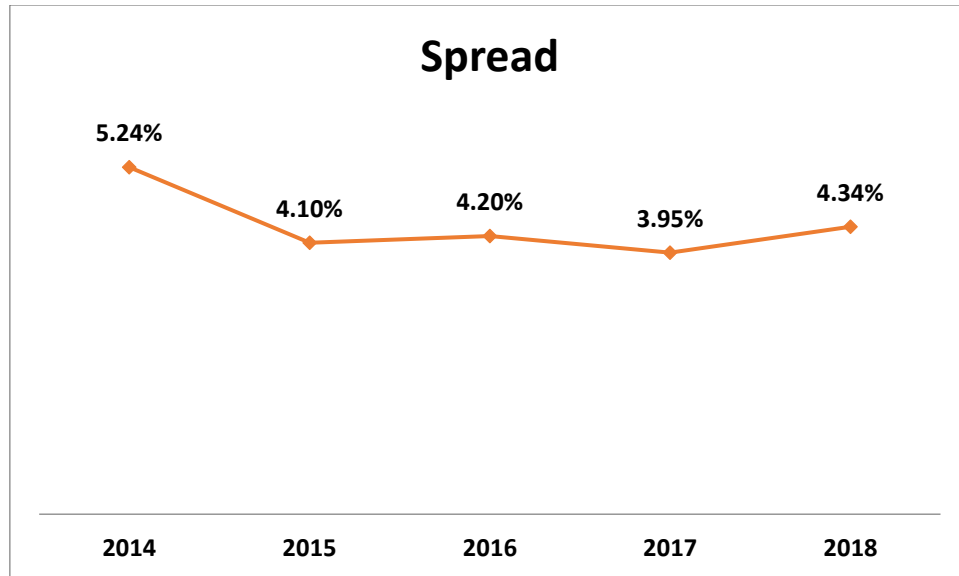
Spread refers to the difference between borrowing and lending rates of financial institutions and it is the one of the most important sources of profit for them. Spread mainly illustrates how much money the bank earns versus how much it pays off.

Formula

Spread = Yield on advance – Cost of deposit

Table 4.6.9.1: Spread

Spread	Years				
	2014	2015	2016	2017	2018
	5.24%	4.10%	4.20%	3.95%	4.34%



Interpretation:

From the above we can see that the curve is quite fluctuating over these years. The spread income was high in 2014 which was 5.24% but after that it started to decline. In 2017 it declines to 3.95% which was the lowest among these five years. In 2018 it increased to 4.34% which means this year the bank earned more interests than paying off to its customers.

4.6.10 Loan Deposit Ratio:

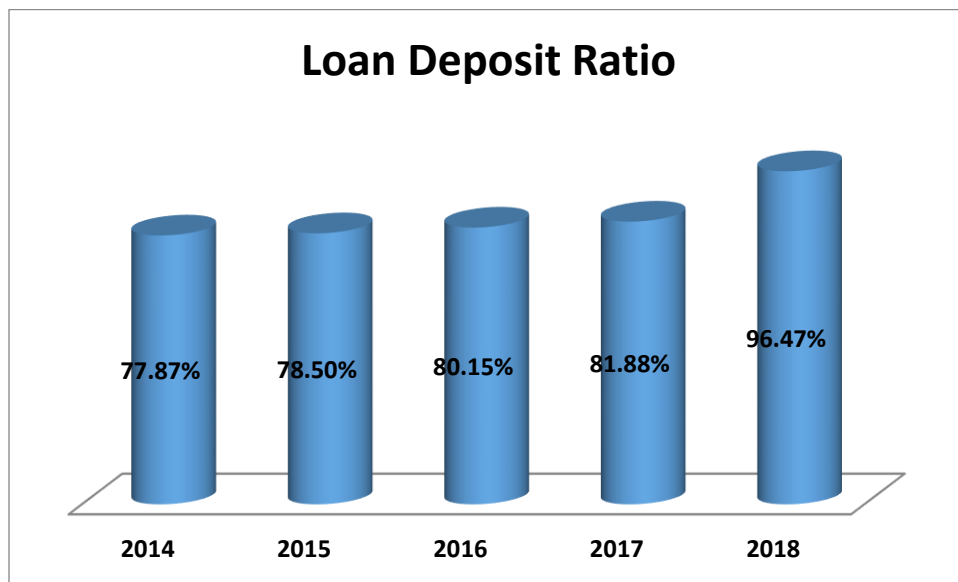
Loan Deposit ratio is mainly used to measure the liquidity of a bank by comparing the bank's total loans and advance to its total deposits. Very low ratio indicates that, the bank is not able to earn as much as it could be. Adversely, a very high ratio indicates that, the bank may not have sufficient liquidity to cover any unexpected fund requirements.

Formula:

Loan Deposit Ratio = Total Loans & Advance / Total Deposit

Table 4.6.10.1: Loan Deposit Ratio

Loan Deposit Ratio	Years				
	2014	2015	2016	2017	2018
	77.87%	78.50%	80.15%	81.88%	96.47%



Interpretation:

From the above figure we can see that there is an increasing trend of credit deposit ratio. In 2014 loan deposit ratio of the bank was 77.87%. After 2014 it started to increase in every year. Loan deposit ratio increases from 2014 to 2018 because the amount of total deposit and total advance increased year to year. Increasing trend indicates that bank is generating higher interest income resulting in higher earnings.

4.6.11 Loan to Asset Ratio:

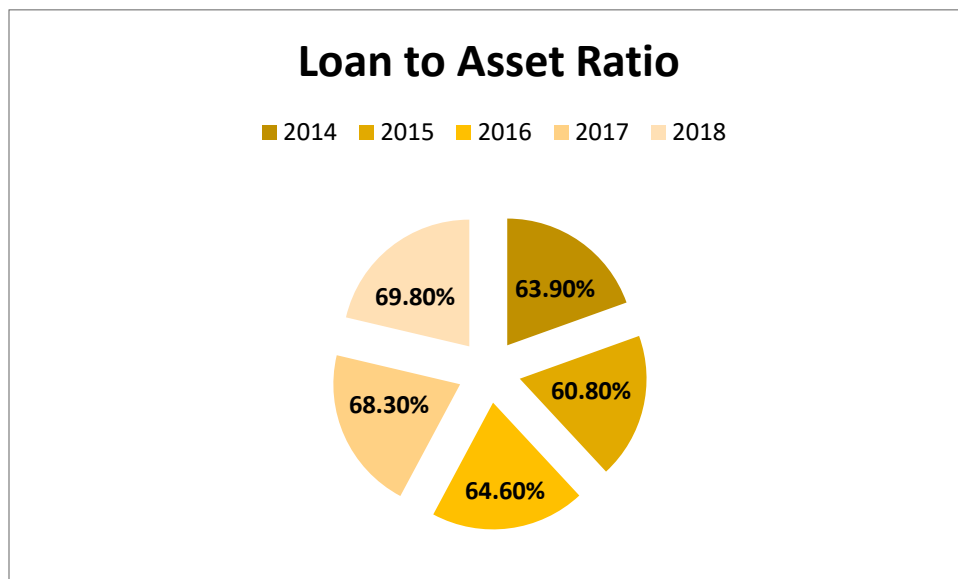
The loan to assets ratio generally assesses the total loans outstanding as a percentage of total assets. The higher the ratio, the higher the liquidity pressure of the company. Higher ratio is very risky for the company which may result in higher defaults.

Formula:

$$\text{Loan to Asset Ratio} = \text{Total Loans \& Advance} / \text{Total Assets}$$

Table 4.6.11.1: Loan to Asset Ratio

Loan to Asset Ratio	Years				
	2014	2015	2016	2017	2018
	63.9%	60.8%	64.6%	68.3%	69.8%



Interpretation:

From the above we can see that in 2014, loan on asset was 63.90% but it decreased to 60.80% in 2015 and after that it started to rise again. This increasing trend shows that the bank is providing more loans compared to the % of its assets. It might be riskier for the bank because providing higher amount of loans will result in increase of liability and liquidity pressure as well.

4.6.12 Burden Ratio:

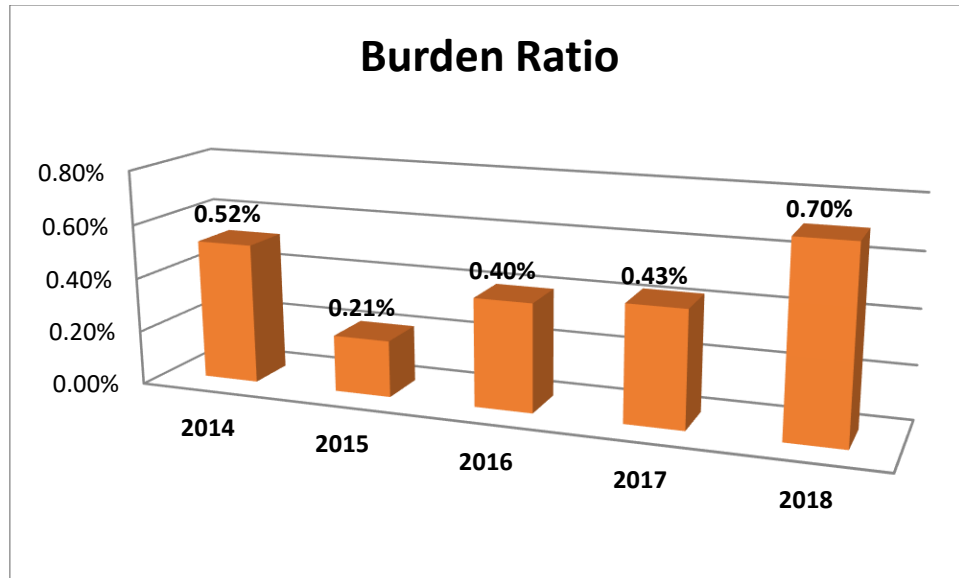
The ratio is typically expressed as the difference between operating expenses less non-interest income divided by Average Assets. If the ratio is a negative number then it would be better for the company because negative burden ratio indicates that the company is efficient to cover its operating expenses by the net interest income.

Formula:

$$\text{Burden Ratio} = \frac{\text{Operating Expense} - \text{Non-Interest Income}}{\text{Average Total Assets}}$$

Table 4.6.12.1: Burden Ratio

Burden Ratio	Years				
	2014	2015	2016	2017	2018
	0.52%	0.21%	0.40%	0.43%	0.70%



Interpretation

Lower ratio indicates that the company is able to handle its operating expense efficiently. From the above figure we can see that burden ratio was 0.52% in 2014 which decreased to 0.21%. But from 2016 it started to increase and in 2018 it stands at 0.70%. This increasing trend exhibits that, the operating expenses are getting higher & higher comparing to the non-interest income. Though the non-interest income increased in 2018 but it was not good enough to cover the operating expenses which resulted in higher burden ratio.

4.6.12 Price Earnings Ratio:

The price-earnings ratio (P/E ratio) is expressed by dividing the stock price by earnings per share. This ratio upholds a better scenario of the value of the company to the investors and through this ratio it can be figured out whether the company is overvalued or undervalued.

Formula:

Price Earnings Share: $\text{Market Value Per Share} / \text{Earnings Per Share}$

Table 4.6.12.1: Price Earnings Ratio

Price Earnings Ratio	Years				
	2014	2015	2016	2017	2018
	5.74 Times	5.65 Times	11.40 Times	11.14 Times	8.68 Times



Interpretation:

From the above figure we can see that P/E ratio was highest in 2016 which is 11.40 times & lowest in 2015 which is 5.65 times. In 2016 & 2017 it was in increasing trend which indicates positive future performance and the investors are really eager to pay more for the bank’s shares. In 2018, the market value per share dropped and it came down to 8.68 times which is not a good sign for the bank. This decreased ratio resulted in issuing lower dividends compared to the previous year.

Chapter 05: Conclusion

Findings:

I got some key findings about the overall performance of Bank Asia Ltd. while doing this report the findings are given below:

- Return on asset was highest in the year 2015 & it was reduced in 2016 and it again increase in 2017. But in 2018, it slightly decreased to 0.74% which indicates that the bank was less efficient to manage its resources compared to the previous year.
- Over past few years' debt to equity ratio is in increasing trend though it decreased a bit in 2018. This higher ratio actually indicates that the bank is dependent more on external lenders than their own shareholders equity.
- Cost of deposit ratio of the bank in 2014 and 2015 was higher due to high interest rate. Then it came down to a commendable position in 2016 and 2017. But the bank couldn't hold the consistency which resulted in increase of the COD ratio in 2018 because of high interest expense.
- Loan Deposit Ratio is in increasing trend and it shows that the bank is providing more loans compared to the % of its assets. It might be riskier for the bank because providing higher amount of loans will result in increase of liability and liquidity pressure as well.
- In 2018, the market value per share decreased and it came down to 8.68 times which is not a good sign for the bank. This decreased ratio resulted in issuing lower dividends compared to the previous year which is 10% in 2018 compared to 12.5% in 2017.
- Spread is the main source of income of a bank. In 2014, the spread was 5.24% which is the highest among last five years. In 2017, spread was 3.95% and it increased to 4.34% in 2018 which is a very positive sign for the bank and it indicates that they are earning more interests than paying off to the depositors.

- Burden ratio of the bank is 0.70% in 2018 which is higher than previous year and it indicates that, the operating expense is so high compared to the net-interest income which makes the bank less efficient to cover its burden.

Recommendations:

After analyzing the results, for the better future of Bank Asia Limited, the following recommendations are given:

- Bank Asia Ltd. has to be more efficient in managing its resources to increase their Return on Assets by utilizing the net income effectively.
- Bank Asia Ltd. should be more rely on their own shareholders equity to finance their assets to decrease the debt to equity ratio.
- The bank needs to be more focused on managing their interest expense to reduce their cost of deposit. They should keep consistency in maintaining their spread rate.
- Bank Asia should take wise decision regarding providing loans to the customers. Their cautiousness will decrease in loan deposit ratio which will ultimately reduce their liability as well as liquidity pressure.
- The bank should put more emphasize on their non-interest income to cover operating expenses which will reduce the burden ratio.
- Bank Asia Ltd. should recruit more capable & experiences employees to finance department to execute the financial plan efficiently.
- Bank Asia Ltd. should be more focused on adopting innovative marketing strategy to reach the customers.
- Bank Asia Ltd. should maintain errors-free customer's record database which will help to identify the major customer's facility requirements.

Conclusion:

Being a 3rd generation bank, Bank Asia is committed enough to provide high quality financial services/products to contribute to the growth of GDP of the country through stimulating trade and commerce, gearing up the pace of industrialization, boosting up export, creating employment opportunity for the educated youth, poverty alleviation, raising standard of living of middle & low class people and overall sustainable socio-economic development of the country.

In the recent times Bank Asia makes a strong position through its' various kinds of activities. Its number of clients, amount of deposit and the rate of investment increases day by day. This bank already has shown impressive performance in investment. Consumer are more or less satisfied with the current services of the bank and to satisfy their customers more Bank Asia is thinking of new innovative products and services with effective marketing strategy. In 2018, the bank has done really well in terms of financial performance which is quite commendable.

In a nutshell, it can be said that, Bank Asia Ltd. is growing rapidly and it has become one of the leading private commercial banks of Bangladesh. Its' contribution in our economy is also undeniable. I hope that, Bank Asia Ltd. will be continuing to show better performance in future by adopting effective and innovative strategies.

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