

Report On
Performance Analysis of Selective Private Commercial Banks of
Bangladesh through CAMEL Rating

By

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

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Declaration

It is hereby declared that

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

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Letter of Transmittal

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Subject: Internship report on “Performance analysis of selective private commercial banks through CAMEL rating”

Dear Sir,

This is a great pleasure for me to submit the internship report on “Performance analysis of selective private commercial banks through CAMEL rating” which is a partial requirement of the completion process of my BBA program. While preparing this report, I tried my level best to follow the instruction that my Supervisor has given me.

I request your kind excuse for the mistakes that may take place in this report instead of my best effort.

Sincerely yours,

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Date: August 25th, 2019

Non-Disclosure Agreement

The Non-Disclosure Agreement is entered between Disaster Management Watch and Khusbu Rahman for the purpose of preventing the unauthorized disclosure of any confidential information. The parties have entered into a confidential relationship with respect to the non-disclosure of confidential information that might come across through the courses of work.

Acknowledgement

At first, I would like to express my gratefulness to almighty Allah for granting me the strength and opportunity to complete this internship report successfully. I am grateful to my parents because they have always supported me and have motivated me to give my best effort. Without the help and cooperation of my parents I would not be able to fulfill my dreams and goals. Then I am deeply indebted to my supervisor **Mr. Riyashad Ahmed** (Assistant Professor, BRAC Business School, BRAC University) for his enlightening inspiration and insightful advices during my internship period. Finally I would like to express my gratitude to my colleagues and supervisor at Disaster Management Watch for their immense support and cooperation. I have learnt professionalism, time management and some technical skills which are essential for a successful completion of a research project from my co-workers.

Executive Summary

To analyze the comparative financial position and an overall assessment of three private commercial banks (The City Bank Limited, Eastern Bank Limited and Jamuna Bank Limited) of Bangladesh CAMEL rating is used in this study. Among the three banks the capital adequacy of EBL is the most impressive whereas the ROE is the highest in JBL. Then the asset quality of EBL is the best as it has the least portion of non-performing loans (NPLs). The management capacity of The City Bank Limited is the highest in terms of income per employee and on the contrary the expense per employee is the highest in EBL. The earnings ability and liquidity ratios indicate that the best performing bank is EBL among the three banks.

Keywords: CAMEL rating; financial institutions; banks; performance

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List of Acronyms

ROE	Return on Investment
NPL	Non-Performing Loan
EBL	Eastern Bank Limited
JBL	Jamuna Bank Limited
CAR	Capital Adequacy Ratio

ROI Return on Investment

NIM Net Investment Margin

Chapter 1

1.1 Introduction

Financial environment of a country consists of five major components and they are- money, financial institutions, rules and regulations, financial instruments and money markets (Majumder & Rahman, 2017). Among the many forms of financial institutions bank plays an important role as the intermediary between the lender and the borrower (Dhanabhakym & Kavitha, 2012). Dhanabhakym & Kavitha (2012) cited that the main function of a bank is to maintain the interconnection between the depositors (who provides the financial support) and the lender (who is seeking loan). Bank acts as a cardinal factor to develop the economy of a country. The economic progress of a country mostly depends on the well-being of the banking industry of a nation. Financial position of the banks is correlated with the growth of an economy so the performance of banks is analyzed more frequently (Mohiuddin, 2014). To examine the strength or vulnerability of an economy it is important to analyze the performance of banking industry of a nation (Misra & Aspal, 2013).

CAMEL rating is one of the measures to analyze the performance of the banks. CAMEL stands for **C**apital adequacy, **A**sset quality, **M**anagement quality, **E**arning ability and **L**iquidity. CAMEL rating was first introduced in USA in 1979 and now it is used widely in many countries. In order to analyze the performance of the banks Bangladesh bank also uses this rating system (Majumder & Rahman, 2017). Hence, this paper will evaluate the performance of the three private commercial banks of Bangladesh through CAMEL rating.

1.2 Overview of the Selected Banks

Eastern Bank Limited (EBL): Eastern Bank Limited started its journey in 1992 and since then it has created a great impact in the lives of the people. EBL is known to be the first bank rated by the world famous rating agency Moody's. Moody's has rated it BA3 and for three consecutive years EBL has maintained this rating. The vision of EBL is to create a positive influence on the people by providing excellent banking support and financial solutions. EBL not only focuses on influencing their customers' lives positively but it also emphasizes on providing support to the government of Bangladesh as a whole. EBL is undoubtedly the leader of financing the aviation industry of Bangladesh. Moreover, it has also financed the energy sector of Bangladesh and has financed projects which have the ability to generate 2000MW electricity. EBL is considered as the market leader in the retail banking sector. For its excellent practice in corporate governance, professionalism and company growth it has been awarded the Euromoney best bank of Bangladesh for the last three consecutive years (2016-2018) ("Eastern Bank Limited", 2019).

The City Bank Limited: The City Bank Limited is one of the oldest private Commercial Banks operating in Bangladesh. It started its journey back in 1983. The City Bank Limited is the first bank in Bangladesh which has issued Dual Currency Credit Card. Moreover, it has launched American Express Credit Card and American Express Gold Credit Card in November 2009. By being responsible for all operations supporting the issuing of the new credit cards, including billing and accounting, customer service, credit management and charge authorizations, as well as marketing the cards in Bangladesh, The City Bank Limited acts as the local caretaker of the brand. The City Bank Limited is one of the largest corporate banks in the country with a current business model that heavily encourages and supports the growth of the bank in Retail and SME Banking. According to the website of The City Bank Limited, it has 130 branches, around 3860 employees and around 1,700,000 customers ("Who We Are", 2019).

Jamuna Bank Limited: Jamuna Bank Limited started its operation in early June in 2001 and since then it is contributing in the field of trade, commerce and business. It offers both conventional and Islamic financing in their designated branches. It is known as one of the main quality service provider banks of Bangladesh. As of 2016, JBL had 112 branches, 215 ATM booths, two Islamic banking window and around 2500 customers. The vision of JBL is to become the market leader and play a significant role as a banking problem solution

provider. For its outstanding performance, JBL has been awarded ‘Primary Dealer Bank’ for 14th times by Bangladesh Bank (“Jamuna Bank Limited”, 2016)

Chapter 2

2.1 Objective of the Study

The objective of this study is to find out the overall performance of the three selected banks (Eastern Bank Limited, The City Bank Limited, Jamuna Bank Limited) of Bangladesh. As the CAMEL rating has five areas for the evaluation process, the study will include the following objectives-

- To calculate and analyze the capital adequacy of the selected banks
- To calculate and analyze the asset quality of the selected banks
- To calculate and analyze the management capability of the selected banks
- To calculate and analyze the earnings quality of the selected banks
- To calculate and analyze the liquidity state of the selected banks
- To assess the overall and also the comparative position of the banks in the above mentioned areas.

2.2 Research Methodology

The study has selected three banks of Bangladesh for the research purpose. Five year period from 2012 to 2016 is considered for analyzing the CAMEL ratios. Various scholarly journals, conference papers, books, websites of the banks are used for the secondary research purpose. From the annual reports of the banks the capital adequacy, asset quality, management capacity, earning quality and liquidity have been calculated. After the completion of the ratio or percentage calculation the performance of each banks are analyzed over the years and then a comparative analysis among the banks is also provided.

Chapter 3

3.1 Result and Analysis

A) CAPITAL ADEQUACY

According to researchers, capital adequacy indicates the financial stability of a bank (Mishra, 2012). It shows the internal strengths of a bank and to get an overall analysis of capital adequacy three ratios are analyzed here.

1. Capital Adequacy Ratio (CAR)

The capital adequacy ratio measures a bank's financial strength by using its capital and assets against risk-weighted assets. Generally, a bank with a high capital adequacy ratio is considered as a good financial status because it is likely that it is able to meet its financial obligations.

Capital adequacy ratio = Capital & reserve / Total risk weighted assets

<i>Bank Name</i>	<i>2012</i>	<i>2013</i>	<i>2014</i>	<i>2015</i>	<i>2016</i>	<i>Average</i>
<i>Eastern Bank Limited</i>	<i>12.05%</i>	<i>11.95%</i>	<i>13.22%</i>	<i>14.24%</i>	<i>15.10%</i>	<i>13.32%</i>
<i>Jamuna Bank Limited</i>	<i>10.83%</i>	<i>11.43%</i>	<i>12.95%</i>	<i>11.43%</i>	<i>10.82%</i>	<i>11.49%</i>
<i>The City Bank Limited</i>	<i>11.22%</i>	<i>13.80%</i>	<i>12.43%</i>	<i>14.00%</i>	<i>13.60%</i>	<i>13.01%</i>

Table 1 CAR of three banks (2012-2016)

Interpretation

Eastern Bank Limited: Fluctuations in CAR ratio is seen in EBL from 2012 to 2016. The highest CAR ratio for EBL was in 2016 (15.10%).

Jamuna Bank Limited: For this bank, the ratio has been quite stable from 2012 to 2016. They have been able to sustain it which shows their efficiency in protecting their depositors and creditors.

The City Bank Limited: Over the five years, the entire CAR ratio had fluctuated a bit. In 2015, the ratio was the highest which means they had enough capitals and assets against total risk weighted asset. The ratio was the lowest in 2012.

Rank: Among the three banks, EBL has the average highest rank in CAR ratio which means that this bank has been able to manage to finance their risk weighted asset by their capital most efficiently among these banks.

2. Leverage Ratio

This ratio is calculated to analyze how efficient a company is in terms of meeting its financial obligation. Debt against shareholder's equity identifies if a company is capable enough to finance its debt with its equity.

Leverage Ratio = Debt/ Total Shareholders' Equity

<i>Bank Name</i>	<i>2012</i>	<i>2013</i>	<i>2014</i>	<i>2015</i>	<i>2016</i>	<i>Average</i>
<i>Eastern Bank Limited</i>	<i>5.65</i>	<i>5.58</i>	<i>5.89</i>	<i>6.35</i>	<i>7.40</i>	<i>6.17</i>
<i>Jamuna Bank Limited</i>	<i>12.19</i>	<i>9.11</i>	<i>9.43</i>	<i>7.56</i>	<i>10.08</i>	<i>9.67</i>
<i>The City Bank Limited</i>	<i>6.22</i>	<i>7.11</i>	<i>6.23</i>	<i>7.56</i>	<i>6.11</i>	<i>6.65</i>

Table 2 Leverage ratio of three banks (2012-2016)

Interpretation

Eastern Bank Limited: Over the last five years (2012-2016) the fluctuation in leverage ratio is not that much significant. In 2013, the leverage ratio was the lowest (5.58%) which indicates that they were in less debt.

Jamuna Bank Limited: The leverage ratio of this bank has been fluctuating over the years. In 2012, the liabilities increased in terms of shareholder's equity. In 2015, it has become 7.56% which is the lowest one among the recent five years. This means that they were able to finance their assets depending less on debt.

The City Bank Limited: Over the five years, there is little fluctuations in this ratio. In 2016, they have the lowest leverage ratio which is 6.11%. It means that they were less depended on the debt in that year and which is a very good sign.

Rank: On an average, among the three banks EBL had the lowest leverage ratio which means that EBL is the most efficient in terms of being dependent on debt.

3. Return on Equity:

ROE measures profitability of a company by demonstrating how much profit a company generates with the money shareholders have invested.

Return on Equity = Profit After Tax/ Average equity

<i>Bank Name</i>	<i>2012</i>	<i>2013</i>	<i>2014</i>	<i>2015</i>	<i>2016</i>	<i>Average</i>
<i>Eastern Bank Limited</i>	14.44%	14.44%	10.93%	10.95%	12.28%	12.61%
<i>Jamuna Bank Limited</i>	13.35%	13.20%	13.68%	12.39%	11.89%	12.90%
<i>The City Bank Limited</i>	13.70%	4.30%	7.30%	14.70%	15.50%	11.10%

Table 3 ROE of three banks (2012-2016)

Interpretation

Eastern Bank Limited: The return on equity was quite impressive in EBL in 2012 and in 2013. In 2014 a significant decline in ROE was noticed. In 2016 there was a slight increase in the ROE.

Jamuna Bank Limited: Though Jamuna bank's return on equity dropped in 2016, it has been quite stable from 2012 to 2015. However, the ratio has fallen a bit in 2015 and 2016. Their operating expenses and provision for loans and assets have increased in the last five years. Thus, the net income declined. In 2015 and 2016, the volume of non-performing loans has increased compared to other years. Thereby, the return on equity has decreased.

The City Bank Limited: In 2012, 2015, 2016, they earned a good amount of profit from the investment and the percentages were high. On the other side, ROE performance was not that good in 2013 and in 2014.

Rank: Jamuna Bank Limited has the highest ROE (average) among the three banks mentioned here. It means that they made highest profit against their average equity.

B) ASSET QUALITY

To assess the asset quality of banks percentage of classified loan needs to be identified.

Percentage of classified loan = Non -Performing Loan / Total Loan

<i>Percentage of classified loan</i>	<i>2012</i>	<i>2013</i>	<i>2014</i>	<i>2015</i>	<i>2016</i>	<i>Average</i>
<i>Eastern Bank Limited</i>	3.17%	3.59%	4.36%	3.27%	2.69%	3.42%
<i>Jamuna Bank</i>	9.63%	7.50%	5.60%	6.60%	4.01%	6.67%
<i>The City Bank Limited</i>	7.48%	8.07%	8.00%	6.74%	7.54%	7.57%

Table 4 Percentage of classified loans of three banks (2012-2016)

Interpretation

Eastern Bank Limited: The percentage of non-performing loan against total loans should be lesser. The lesser the percentage the better is for a bank. From the above table it is seen that the percentage slightly increased in 2014 but then it decreased in 2015 and in 2016. It is a positive aspect for a bank.

Jamuna Bank Limited: This ratio has decreased over time from 2012 to 2016 which is a good sign for a bank. It means that the bank has reduced its risk significantly over time.

The City Bank Limited: Over the five years from 2012 to 2016, it was highest in 2013 which is not a good sign at all for The City Bank Limited. It basically means that it is increasing the risk. In 2012, this risk was the lowest which is 7.48%.

Rank: Among the three banks, EBL has the lowest percentage of classified loans which indicates that the asset quality of EBL is the best among these three banks.

C) MANAGEMENT CAPACITY

- 1. Income per Employee:** This measures the efficiency of a company in terms of utilizing its employees. Usually the higher the number, the more proficiently the organization utilizes its workers.

Income per employee = Total Profit / Total Employees

<i>Income per employee (Millions BDT)</i>						
<i>Bank Name</i>	<i>2012</i>	<i>2013</i>	<i>2014</i>	<i>2015</i>	<i>2016</i>	<i>Average</i>
<i>Eastern Bank Limited</i>	<i>1.70</i>	<i>1.52</i>	<i>1.35</i>	<i>1.41</i>	<i>1.69</i>	<i>1.53</i>
<i>Jamuna Bank Limited</i>	<i>0.52</i>	<i>0.53</i>	<i>0.61</i>	<i>0.71</i>	<i>0.73</i>	<i>0.62</i>
<i>The City Bank Limited</i>	<i>4.35</i>	<i>3.89</i>	<i>4.30</i>	<i>3.67</i>	<i>3.54</i>	<i>3.95</i>

Table 5 Income per employee of three banks (2012-2016)

Interpretation:

Eastern Bank Limited: The highest income per employee was in 2012 for EBL and it was lowest in 2014. From 2015 to 2016 the income per employee has increased but it was still lower than that of 2012.

Jamuna Bank Limited: Income per employee of Jamuna Bank Limited, from 2012-2016 did not fluctuate that much. The growth or what we can say the amounts were more or less constant. The highest income per employee was in 2016, and that was 0.73 million and the lowest income per employee among these five years were in 2012 and that was 0.521. In 2016 they could manage their employees better than the rest 4 years. According to the annual report, the profit growth was 25 percent from the previous year. As the profit increased by a satisfactory rate, the income per employee increased. Furthermore, among these five years the lowest income per employee was in 2012. Profit was 1,040.3169 million and the total employees were 1997. Here the decreased but the number of employees increased. As the profit decreased, but the number of employees increased the income per employee decreased. As the number of employees increased, so the total profit was divided by that increasing amount of employees. There was a growth in number of employees but the profit growth rate decreased. The income per employee of Jamuna bank is more or less constant. The reason is their profit did not increase by a significant amount. It was confined between 1 million- 1.6 million. But the number of employees increased every year.

The City Bank Limited: Over the five years, income per employee was quite stable which was highest in 2012 and that year their profit was quite satisfactory. From 2012 to 2016, this ratio fluctuates very little but still it has lowest in 2016 which has a great impact on that year's profit.

Rank: On an average, from 2012 to 2016 income per employee of The City Bank Limited is the highest among the three banks. This means that they are generating more profit with lesser employees than the other two banks.

2. Expense per Employee: By expense per employee we can know the expense of a company per its employee.

Expense per employee= Total cost /Total employee

Expenses per employee(Millions BDT)						
Bank Name	2012	2013	2014	2015	2016	Average
<i>Eastern Bank Limited</i>	2.20	2.65	2.78	2.50	2.57	2.54
<i>Jamuna Bank Limited</i>	1.05	1.26	1.38	1.47	1.61	1.35
<i>The City Bank Limited</i>	2.34	1.06	2.77	2.78	2.64	2.32

Table 6 Expenses per employee of three banks (2012-2016)

Interpretation:

Eastern Bank Limited: The expense per employee had increased from 2012 to 2013 and also from 2013 to 2014. However in 2015, the expense per employee decreased than 2014.

Jamuna Bank Limited: Expense per employee of Jamuna Bank Limited, has increased in each year from 2012 to 2016. In 2012 the expense per employee decreased.

The City Bank Limited: Expenses per employee of The City Bank Limited has increased after 2013 and it was the highest in

2015. Then in 2016 it decreased a bit. In 2013, the expense was the lowest which is 1.06.

Rank: Among the three banks, EBL expends the most per employee.

D) Earnings Ability

1. **Net investment margin** is a performance indicator that measures how successful a company's investment decisions are compared to its debt situation.

Net Investment Margin = Profit from Investment / Total Investment

<i>Bank Name</i>	<i>2012</i>	<i>2013</i>	<i>2014</i>	<i>2015</i>	<i>2016</i>	<i>Average</i>
<i>Eastern Bank Limited</i>	<i>10.51%</i>	<i>9.91%</i>	<i>8.54%</i>	<i>9.50%</i>	<i>12.38%</i>	<i>10.17%</i>
<i>Jamuna Bank</i>	<i>5.13%</i>	<i>10.61%</i>	<i>8.18%</i>	<i>10.90%</i>	<i>12.36%</i>	<i>9.43%</i>
<i>The City Bank Limited</i>	<i>6.78%</i>	<i>7.29%</i>	<i>11.40%</i>	<i>11.55%</i>	<i>14.67%</i>	<i>10.34%</i>

Table 7 Net Investment Margin of three banks (2012-2016)

Interpretation

Eastern Bank Limited: The net investment margin of EBL was in a declining trend from 2012 to 2014. In 2015 it increased slightly than 2014 and in 2016 the increase was significant which indicates a positive side of a company.

Jamuna Bank Limited: The net investment margin has fluctuated significantly from 2012 to 2016. In 2012 it was only 5.13% and within one year in 2013 it became 10.61% which is a good indicator for a bank. Then in 2014 the margin was decreased but they managed to increase the margin in 2015 and 2016.

The City Bank Limited: Over the five years, the net investment margin of The City Bank Limited has increased gradually. In 2016, they invested the highest amount of money and gained a significant amount of profit. The result of 2013, 2014 and 2015 was satisfactory as well. However, this ratio was the lowest in 2012.

Rank: Among the three banks, The City Bank Limited has the highest net invest margin. It means that it has been able to take the best decisions about investment from the other banks.

2. Net profit margin: This ratio may indicate many things such as ability to manage expenditures against generating the revenue or generating profit against total loan and advances. Low ratio of net profit margin indicates that company may struggle to control its expenses. It can also mean that revenue is lesser because of having alternatives option within industry or maybe the company has credit risk. High ratio means the company is able to make profit with proper controlling over its loans. ("Net Profit Margin, 2016)

Net profit margin= Profit After Tax / Total Loan & Advance

Bank Name	2012	2013	2014	2015	2016	Average
<i>Eastern Bank Limited</i>	24.73%	24.95%	17.80%	17.05%	17.46%	20.40%
<i>Jamuna Bank Limited</i>	19.72%	20.14%	22.12%	23.54%	23.12%	21.73%
<i>The City Bank Limited</i>	13.30%	13.30%	8.28%	2.50%	2.24%	7.92%

Table 8 Net Profit Margin of three banks (2012-2016)

Interpretation

Eastern Bank Limited: Though the net profit margin increased in 2013 from 2012, it decreased from 2014 to 2013 and from then the profit margin did not fluctuate much.

Jamuna Bank Limited: From 2012 to 2015, bank's net profit margin has increased. It is because of decrease in expenditure on deposit and borrowings and interest income increased. (Haq, 2014).

The City Bank Limited: In 2012, The City Bank Limited was having a very good condition of net profit margin but after 2013 it started falling and in 2016, 2.24 % was the ratio which is the lowest. That clearly means, The City Bank Limited was losing the ability to keep a healthy condition of earnings in last couple of years.

Rank: Jamuna Bank Limited has the highest profit margin (on an average) among three banks which makes it more efficient at making profits while controlling its expenses.

3. Diversification ratio: This ratio indicates that Bank's income that has been generated by non interest related activities as a proportion of total income. Non-interest incomes are including total investment incomes, total operating income and brokerage, commission and exchange incomes. Though banks are highly depended on interest income but bank should diversify its income sources to avoid default risk.

Diversification ratio= Non-Interest Income / Total Income

Bank Name	2012	2013	2014	2015	2016	Average
<i>Eastern Bank Limited</i>	45.56%	48.33%	60.44%	64.17%	51.75%	54.05%
<i>Jamuna Bank</i>	26.34%	32.07%	31.02%	35.32%	31.39%	31.23%
<i>The City Bank Limited</i>	24.45%	30.20%	32.54%	31.65%	35.06%	30.78%

Table 9 Diversification ratio of three banks (2012-2016)

Interpretation

Eastern Bank Limited: From 2012 to 2015 the diversification ratio of EBL has increased however in 2016, the ratio decreased more than 10% which means that EBL is struggling to diversify its income sources.

Jamuna Bank Limited: From 2012 to 2013, this bank got income from its credit facilities as well as other non-interest sources. The investment portfolio was blended with government treasury bills/ treasury bonds and investing in secondary market (Alam, 2012). In 2014, the ratio decreased but in 2015 again increased that means that this bank is diversifying its income sources and able to stand up against the interest income defaults (Murtoza, 2015). However, again in 2016 the ratio has decreased.

The City Bank Limited: In 2012, the ratio was the lowest which is 24.45%.After that, it started increasing year to year. In 2016, it had the highest Ratio of 35.06 %.This ratio says that The City Bank Limited has not that diversified in their income sources and there is a chance of income defaults.

Rank: EBL has the highest average diversification ratio among the three banks which indicates that this bank has been able to diversify their income sources most efficiently than the other banks.

4. Earnings per share: This ratio identifies the portion of a company's profit against each outstanding share of common stock. A company with, high earnings per share ratio is capable of producing significant dividend for investors.

EPS= Net Income/Total common Share Outstanding

<i>in BDT</i>						
<i>Bank Name</i>	<i>2012</i>	<i>2013</i>	<i>2014</i>	<i>2015</i>	<i>2016</i>	<i>Average</i>
<i>Eastern Bank Limited</i>	<i>3.72</i>	<i>4.20</i>	<i>3.45</i>	<i>3.16</i>	<i>3.78</i>	<i>3.66</i>
<i>Jamuna Bank Limited</i>	<i>2.32</i>	<i>2.55</i>	<i>2.62</i>	<i>2.68</i>	<i>2.92</i>	<i>2.62</i>
<i>The City Bank Limited</i>	<i>1.26</i>	<i>1.09</i>	<i>2.66</i>	<i>4.09</i>	<i>4.49</i>	<i>2.72</i>

Table 10 EPS of three banks (2012-2016)

Interpretation

Eastern Bank Limited: The highest EPS of EBL was in 2014, the common shareholders earned 4.20 BDT per share. The EPS slightly decreased in the 2014 and also in 2015. Then EPS again increased in 2016 from 2015.

Jamuna Bank Limited: In 2016, the common shareholders have earned 2.92 Taka per share. It is found that Jamuna Bank's EPS was stable in the past five years, and it is increasing gradually, which demonstrates positivity in their performance.

The City Bank Limited: The EPS of The City Bank Limited showed an increasing trend from 2014 to 2016 though it slightly decreased in 2013 from 2012. As it showed an increasing trend from 2014 to 2016, it is a good indicator of their performance.

Rank: The EPS is highest in EBL which means that the common shareholders earn the highest amount of money from it.

E) LIQUIDITY

1. Loan to deposit Ratio: This is a tool to measure the liquidity of the institution in terms of the amount of loans granted compared to the amount of deposits. Since loans are counted as asset, on the other hand deposits are liability to a bank; the ratio should be expected to be greater than 100%, which is possible only if the amount of loans granted over a period of time is higher than the deposits received. However, granting loans associates credit risk, which increases the total risk weighted assets and thus lowers the capital adequacy of a bank. So the ideal ratio is considered to be in between 80% to 90% by the bank.

*Loan To deposit = Total Loan/Total
Deposit*

<i>in BDT</i>						
<i>Bank Name</i>	<i>2012</i>	<i>2013</i>	<i>2014</i>	<i>2015</i>	<i>2016</i>	<i>Average</i>
<i>Eastern Bank Limited</i>	<i>105.38%</i>	<i>87.88%</i>	<i>101.28%</i>	<i>101.74%</i>	<i>108.41%</i>	<i>100.94%</i>
<i>Jamuna Bank</i>	<i>68.93%</i>	<i>69.41%</i>	<i>67.95%</i>	<i>73.41%</i>	<i>82.73%</i>	<i>72.49%</i>
<i>The City Bank Limited</i>	<i>88.56%</i>	<i>73.09%</i>	<i>82.54%</i>	<i>77.28%</i>	<i>69.90%</i>	<i>78.27%</i>

Table 11 Loan to Deposit ratio of three banks (2012-2016)

Interpretation

Eastern Bank Limited: As it is mentioned above that loan to deposit ratio should be above 100%, EBL has been doing excellent job in this area. Only in 2013 the percentage decreased than 100% but then it managed to increase it to 100% which shows an excellent performance.

Jamuna Bank Limited: This bank's Loan to Deposit ratio is found to be fluctuating over the five years. This bank maintained its ratio to be within 68-83%. The reason found behind this, is the problems of loan recovery it faced in the past. To control the classified loans, disbursement of risky loans were controlled by the asset liability management committee which ensured the minimization of risk weighted assets by making a monthly based monitoring of lending portfolio.

The City Bank Limited: The ratio of loan to deposit has been fluctuating over the five years. In 2012 it was highest but after that it falls and then again it increased a bit. As all are below 100%, so that means The City Bank Limited is relying on its own deposit to create loans for the clients. In 2012, the ratio was between 80%-90% which is very good for the bank.

Rank: The loan to deposit is the highest in EBL and on an average it is above than 100%. It shows that they have more assets than liabilities which is a positive indicator.

2. Liquid Asset to Total Deposit Ratio: This ratio estimates whether the amount of liquid assets are sufficient enough to payback the depositors in case of liquidation. The total amount of liquid assets includes cash in hand, investments in securities and money at call and short notice. The ratio is calculated by dividing the total liquid asset by the total amount of deposits, which means the higher the amount of liquid asset the higher the ratio. The higher the ratio, the higher the confidence of the depositors to be able to get the deposited money back.

Liquid Asset to Total Deposit Ratio= Liquid Asset/ Total Deposit

<i>Bank Name</i>	<i>2012</i>	<i>2013</i>	<i>2014</i>	<i>2015</i>	<i>2016</i>	<i>Average</i>
<i>Eastern Bank Limited</i>	47.05%	32.35%	35.01%	23.41%	21.45%	31.85%
<i>Jamuna Bank Limited</i>	51.21%	33.61%	24.43%	51.21%	33.70%	38.83%
<i>The City Bank Limited</i>	24.53%	53.44%	33.89%	52.33%	30.04%	38.85%

Table 12 Liquid asset to total deposit ratio of three banks (2012-2016)

Interpretation

Eastern Bank Limited: Over the five years (2012-2016), this ratio has been fluctuating. The ratio decreased from 2012 to 2016, with some slight increases in some years. The lowest ratio was in 2016 and it shows a decreasing trend so the depositors might lose confidence in them.

Jamuna Bank Limited: During these five years this bank's liquid assets remained 20% to 50% of its total deposits. The sudden increase of liquid assets particularly investments in securities in 2012 and 2015, lead to an increase in this ratio.

The City Bank Limited: During the five years, the ratios are between 20% - 55%. In 2013, the amount of liquid assets was the highest and then suddenly it fell in 2014. As it is fluctuating, they should work on increasing the liquid assets.

Rank: The City Bank Limited has the average highest ratio which is good for a bank to gain the trust of the depositors.

3. Earning assets to deposit ratio: Earning asset to total deposit ratio depicts whether the sources of generating income for the bank are sufficient enough to cover its total deposit. This ratio is expected to be high, since the higher the earning assets, the higher its efficiency to utilize its assets. On the other hand, lower ratio suggests that the assets are underutilized.

Earning Assets to Deposit= Earning Asset / Total Deposit

Bank Name	2012	2013	2014	2015	2016	Average
<i>Eastern Bank Limited</i>	160.32%	134.82%	147.37%	148.10%	150.54%	148.23%
<i>Jamuna Bank Limited</i>	74.06%	73.80%	61.58%	65.85%	64.61%	67.98%
<i>The City Bank Limited</i>	67.45%	73.44%	62.35%	63.44%	65.21%	66.38%

Table 13 Earning Assets to Deposit of three banks (2012-2016)

Interpretation

Eastern Bank Limited: The earning asset to deposit ratio of EBL is satisfactory over the five year period as it has an increasing trend from 2013 to 2016. It shows that they have more earning asset than their deposit which indicates good performance.

Jamuna Bank Limited: The earning asset to total deposit ratio of Jamuna Bank is below the range of an efficient ratio. The bank faced shortfalls in meeting the required earning asset ratio against its total deposits. This bank's earning assets were comparatively lower than the deposits it holds.

The City Bank Limited: The earning asset of The City Bank Limited was not stable over the five years. In 2013, it has the highest ratio. After that, it decreased a bit but the ratios were below the efficient ratio.

Rank: EBL has the highest average earning asset to deposit ratio than Jamuna Bank Limited and The City Bank Limited.

Chapter 4

4.1 Conclusion

Banking industry plays a cardinal role in the economy of Bangladesh. Economic growth is contributed significantly by the effectiveness of banking sector by generating resources and minimizing the default risk. After analyzing the CAMEL ratio of the three banks over the five year period, it can be inferred that the ratios are interrelated with each other. To know the historical financial performance and predict the future economic fluctuation, the ratios are important for banks and for the economy of Bangladesh as a whole. To contribute in the economy, the banking industry should have the ability to absorb sudden dilapidation arising from financial and economic crisis. The rules and policies should emphasize on improving risk management and governance of privacy system and strengthen banks' transparency and disclosures. To conclude, in order to play a significant role of contributing towards a stable and sound macroeconomic situation the banking sector should follow all the rules and regulations and legal measures that are set by Bangladesh Bank.

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