

Report On
**Descriptive Report on the CAMEL-based Performance of a
Foreign Bank in Bangladesh: A Case of Commercial Bank of
Ceylon, PLC**

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

Brac Business School
Brac University
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Declaration

It is hereby declared that

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

Student's Full Name & Signature:

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Supervisor's Full Name & Signature:

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Manager, Mirpur Branch
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Letter of Transmittal

Dr. Sang H. Lee
Professor and Dean,
Brac Business School
BRAC University
66 Mohakhali, Dhaka-1212


Subject: **Submission of internship report upon completion of the course BUS400 in Fall 2020**

Dear Sir,

With due respect and humble submission, I am submitting my internship report on Descriptive report on the CAMEL-based performance of Commercial Bank of Ceylon PLC Bangladesh. As part of my Bachelor of Business Administration degree, I ought to have prepared this report. I was placed in the Mirpur Branch of the bank and have observed, studied and collected data for further analyzing from that operation. I have prepared this report with my level best.

The following report presents detailed description of the bank's operation and strategies along with a thorough descriptive analysis of its financial performance based on the CAMEL rating system over seven years. This report focuses the unique strategies of CBC that supports it to excel in general banking struggles. I believe this report will contribute in the understanding and knowledge of banking industry.

Sincerely yours,



Stella Scholastica Crowley

ID: 17104245

BRAC Business School

BRAC University

Date: January 13, 2021

Non-Disclosure Agreement

This agreement is made and entered into by and between Commercial Bank of Ceylon Bangladesh Operations and the undersigned student of Brac Business School at Brac University

Stella Scholastica Crowley
.....

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BRAC Business School

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Acknowledgement

First and foremost, I would like to praise Almighty for the strength, patience and ability for the successful completion of this internship report. After that, I would like to express my gratitude toward our honorable Professor and Dean of BRAC Business School, Dr. Sang H. Lee, my supervisor for this report, for his consistent support and guidance throughout the semester in this rather difficult time where scopes are low on every aspect. I am thankful to him for his valuable insights on the topic which was a great learning opportunity. I would like to thank my co-supervisor, Prof. Mohammad Mujibul Haque, for his time and supervision.

Furthermore, I would like to thank Mr. Azad Mahmood Sowgat (Branch Manager, Mirpur), Mr. Bulbul Miah (Assistant Manager and Operations In-charge, CBC, Mirpur) and Ms. Sabina (Officer, Customer Service, CBC, Mirpur) who heartily welcomed me into their working area and generously supported during the internship. I interviewed and asked opinion for the project. I am also immensely grateful toward the officers such as Ms. Afsana, Mr. Ashiqur, Mr. Jaki, Mr. Ashraful and all other employees of the CBC Mirpur Branch who cooperated and helped me learn so much despite their immense workload.

Lastly, I acknowledge the fact that the amicable and inspiring working environment of CBC, Mirpur branch has been a great opportunity for me to learn about the banking activities and strategies of CBC and has enabled me to gain insights into a lot more than a simple report. I offer my heartiest thanks to all the officials of Commercial Bank of Ceylon PLC. Finally, I express my sincere thanks to my family for their inspiration and constant cooperation.

Executive Summary

This report was prepared as a partial requirement of Bachelor of Business Administration degree from Brac University. This thorough and descriptive study has explored the strategic, operational and financial performance of Commercial Bank of Ceylon Bangladesh Operations through its CAMEL-based performance record. Financial data of past seven years and organizational historic information including management structure updates had been collected in preparation of the study. In addition, primary source of practical working experience and observance provided detailed operational information. Analyzing the financial data through various key ratios and conducting CAMEL rating analysis has presented a thorough view from different sectors of the bank performance over time; which has ranged from outstanding to satisfactory in all sector parameters except for liability management. Comparison against local industry average has showed that the bank has been in quite a good position in local economy in terms of recent crises such as NPL than banking industry. The paper was concluded with recommendations of increment of manpower and promotion; which will lead to a decrease in liability, nevertheless, focus on decreasing liability has also been suggested.

Keywords: *Bank Performance; Bank rating; Commercial Bank of Ceylon; CAMEL Rating; Financial Analysis.*

Table of Contents

Declaration	ii
Letter of Transmittal	iii
Non-Disclosure Agreement	iv
Acknowledgement	v
Executive Summary	vi
Table of Contents	vii
List of Tables	ix
List of Figures.....	x
List of Acronyms	xi
Glossary	Error! Bookmark not defined.
Chapter 1 Overview of Internship.....	1
1.1 Internship Details.....	1
1.2 Internship Information	2
1.3 Internship Outcomes	3
Chapter 2 Organization Strategic Analysis.....	4
2.1 Introduction	4
2.2 Overview of the Company	5
2.2.1 History of Commercial Bank of Ceylon PLC	5
2.2.2 Current Position in Bangladesh	6
2.2.3 Mission.....	6
2.2.4 Vision	6
2.2.5 Achievements	6
2.3 Management Practices	7
2.4 Management Practices	8

2.4.1 Products.....	8
2.4.2 Value-added Services.....	10
2.5 Financial Performance & Accounting Practices.....	10
2.5.1 Financial Position	10
2.5.2 Net Profit Movement	11
2.6 Operations Management & Information System Practices.....	11
2.6.1 ICBS.....	11
2.6.2 ABT.....	12
2.7 Industry & Competitive Analysis	12
2.8 Summary & Conclusion.....	13
2.9 Recommendations.....	13
Chapter 3 Project Analysis: CAMEL-based.....	15
3.1 Introduction	15
3.2 Methodology	16
3.3 Findings & Analysis	17
3.3.1 Risk-based Ratios	17
3.3.2 Efficiency	18
3.3.3 Debt Leverage.....	19
3.3.4 Liquidity	20
3.3.5 Return-based Ratios	23
3.3.6 Earning Capacity	24
3.3.7 CAMEL Rating Analysis	25
3.4 Summary & Conclusion.....	27
3.5 Recommendations.....	28
References.....	29
Appendix A.....	30

List of Tables

1.1.1 Table 1: Student Information	1
1.1.2 Table 2: University Supervisor Information	1
1.2.1 Table 3: Placement Information	2
1.2.2 Table 4: Organization Supervisor Information	2
2.7.1 Table 5: SWOT Analysis	12
Table 6: Capital Adequacy Ratio	17
Table 7: Tier-1 Capital Ratio	18
Table 8: Cost to Income Ratio	18
Table 9: Debt to Assets & Debt to Equity Ratios	19
Table 10: Liability to Deposit Ratio	20
Table 11: Loan to Deposit Ratio	21
Table 12: Provisions for Loans Ratio	21
Table 13: Non-performing Loans	22
Table 14: Net Interest Margin	23
Table 15: ROA & ROE	24
Table 16: CAMEL Ratings Result	26

List of Figures

Figure 1: Corporate Management Structure	7
Figure 2: Mirpur Branch Hierarchy	8
Figure 3: Main Deposit Products	8
Figure 4: Other Specialized Products	9
Figure 5: Financial Position	10
Figure 6: Net Profit Movement	11
Figure 7: CRAR Ratio	17
Figure 8: CET1 Ratio	18
Figure 9: Cost to Income Ratio	19
Figure 10: Debt Leverage Ratios	19
Figure 11: Liability to Deposits Ratio	20
Figure 12: Loan to Deposits Ratio	21
Figure 13: Provisions for Loans Ratio	22
Figure 14: Non-Performing Loan Ratio	22
Figure 15: Net Interest Margin	23
Figure 16: Earning Capacity	24

List of Acronyms

CBC	Commercial Bank of Ceylon
PLC	Private Limited Company
CRAR	Capital to Risk-weighted Assets Ratio
CET1	Capital Tier-1
CAMEL	Capital Adequacy, Asset Quality, Management Abilities, Earning Capacity, Liquidity
CEO/COO	Chief Executive/Operations Officer
DGM/AGM	Deputy General Manager/Assistant General Manager
CRISL	Credit Rating Information & Services Limited

Chapter 1

Overview of Internship

1.1 Internship Details

1.1.1 Table 1: Student Information

Name	: Stella Scholastica Crowley
Student ID	: 17104245
Program	: Bachelor of Business Administration
School/Department	: BRAC Business School
Specialization/Major	: Finance & Banking
Minor	: Economics
Email	: stella.scholastica.crowley@g.bracu.ac.bd

1.1.2 Table 2: University Supervisor Information

Supervisor Name (In University)	: Dr. Sang H. Lee
Position	: Dean of BRAC Business School
Contact Email	: lee.sang@bracu.ac.bd
Co-Supervisor Name	: Dr. Mohammad Mujibul Haque
Position	: Assistant Dean of BRAC Business School
Contact Email	: mmujibul.haque@bracu.ac.bd

1.2 Internship Information

1.2.1 Table 3: Placement Information

Organization Name : Commercial Bank of Ceylon PLC Bangladesh

Industry : Banking

Department/ Branch : Mirpur Branch

Job Type : Contractual, Full-time

Duration : Three (3) Months

Address : 623-624, Begum Rokeya Sharani, Genusys Heights, Kazipara,
Mirpur, P.O. Box-3490, Dhaka-1216.

1.2.2 Table 4: Organization Supervisor Information

Supervisor Name : Azad Mahmood Sowgat

Position : Branch Manager

Contact Email : AzadMahmood@combankbd.com

1.2.3 Job Responsibilities

- To collect, understand, process banking and customer related-information for supervisor and other officers
- Assist in preparing analytical and management support work assignments
- Assisting in the preparation of daily, monthly or weekly ATM, Clearing and other reports
- Develop and utilize spreadsheets, databases and other computer applications

- Work closely with customer relationship and learning banking services
- Manage and interact regarding e-statement, e-passbook service

1.3 Internship Outcomes

This internship has been an excellent learning opportunity. Preparing for the great transition from student life to a working environment has been quite seamless through it.

- Opportunity to apply classroom learnings in office environment
- Learning practically and first-hand about the concepts learnt in academia
- Experience of working professionally and co-working in harmony and discipline
- Learning the inner work mechanism of banking industry
- Experiencing and learning various aspects of branch banking such as Cash department, Customer service, Credit etc.
- Learn to interact and deal successfully with a critical situation in a calm manner

Chapter 2

Organization Strategic Analysis

2.1 Introduction

Ahmad et al. (2011) stated that banks and financial institutions are key elements of a sound financial system of the country (as cited by Anojan & Nimalathasan, 2014). Bangladesh banking industry has been blooming since last three decades as more and more of the population are getting access to independent and personal banking with growing number of private, public and foreign commercial banks. Digitalization and technological advancement have enabled banking to reach people of every level with different services such as microcredit and/or micro-finance, agent banking, online or internet and mobile banking facilities. Regulated by the central bank of the country, Bangladesh Bank, there are currently 6 state-owned commercial banks (SOCBs), 3 specialized banks (SDBs), 42 (34 conventional and 8 Shariah-based) private commercial banks (PCBs) and 9 foreign commercial banks (FCBs) according to the Bangladesh Bank (2020). Foreign or international banks has played a major role in this great development with their various affordable and beneficiary products and offers to cater to different market segments. Especially, foreign banks contribute mostly in country GDP by making transactions of largest remittances from overseas. Having secured an internship with the Commercial Bank of Ceylon PLC Bangladesh, Mirpur Branch the report was prepared to analyze the organization through practical learning.

The objective of this study is to explore and experience the inner workings and mechanisms of banking and analyze gathered information and learnings through established framework and methods. The aim is to study many aspects of banking such as management, marketing, financial and operational practices. Through this extensive study on different aspects, well

understanding of foreign bank operation is expected to be achieved. It aspires to explore the bank's stance in the local industry and assess bank position through SWOT analysis.

For the preparation of this study, CBC's annual reports for past several years have been collected. Information regarding products and services, major milestones and other operational activities have been collected and analyzed. Moreover, previous studies on the bank varying in subjects have been gathered and studied. The bank website and Bangladesh bank website also provided useful information.

The detailed operational and functional analysis of a foreign bank such as CBC will provide an opportunity for coming students and researchers as a learning or information source. Further research may be based on this core concepts reviewed in this paper. This analysis mainly focused on the functional activities of the Bangladesh operations of this foreign bank. The SWOT analysis will present a clear view of bank position and banking industry.

2.2 Overview of the Company

2.2.1 History of Commercial Bank of Ceylon PLC

Commercial Bank of Ceylon has started its journey about 100 years ago in 1920. Eastern bank (EBL) had opened its branch in Chatham street of Sri Lanka in that year. In 1957, EBL share capital was bought by the Chartered Bank and in 1969, Commercial Bank of Ceylon was incorporated with EBL by holding 40% of its equity. Taking over EBL in 1971, Chartered bank took over Galle, Jaffna and Kandy branches of Mercantile bank in 1973. Then foreign currency unit was inaugurated in 1979 and Commercial Development Company (CDC) was incorporated with 40% equity for headquarters construction. After 4 years, headquarters of CBC was opened in Commercial House, No. 21, Bristol Street.

The bank started growing through inclining share value, introduction of various technological and inventive services. Chartered bank sold its share to the bank in 1997. On the way of progressive journey, in 2003 Bangladesh operation was started by taking over Credit Agricole Indoseuz, a French multinational bank with its two branches and two booths. Since then, CBC has been contributing largely in especially the remittance sector of Bangladesh.

2.2.2 Current Position in Bangladesh

The Bangladesh operation of CBC has been established in 2003. Nearly 17 years of history in Bangladesh, CBC has come a long way in terms of customer base, recognition, immaculate service and trend setting smooth performance. As of 2021, CBC has 11 branches in Dhaka, Chattogram and Sylhet divisions. Moreover, the bank has two specialized off-shore banking units (OBU) in Dhaka (Gulshan) and Chattogram (CEPZ) and 6 SME centers. Unique product and services, trend setting performance and customer-oriented attitude is the key focus of CBC.

2.2.3 Mission

To deliver optimum value to Customers, Employees, Shareholders & the Nation while ensuring good Corporate Governance.

2.2.4 Vision

To be the Bank of Excellence in Service and Commitments.

2.2.5 Achievements

- Awarded “Best Foreign Bank” in Bangladesh in 2020 and “Best Commercial Bank” in Sri Lanka by Global Business Outlook (GBU).
- Rated “AAA” (Triple A in Long term) and ST-1 (short term) in credit rating for ten (10) consecutive years by CRISL
- Top 1000 banks in world in 2015

- Best Corporate Performance Award in 2014
- FNS Business Award as best performing foreign bank
- Best business award 2008 by Arthakantha Publications
- Best Commercial Bank Award by Financial Mirror in China-Bangladesh Friendship Center.
- Received 12th Best Bank Award in 2010 from Global Finance
- Received FinanceAsia Best Bank Country Awards

2.3 Management Practices

The management structure of CBC is intricately designed. Board of Directors of 12 intellectual personnel, currently chaired by Mr. K Sripavan, are the independent governance of the bank regulating in order to achieve its desired vision. The Commercial Bank of Ceylon PLC has had many panels of board of directors since the beginning. The recent panel was appointed in 2014. Later around 2016 to 2018, more board members were changed or newly appointed. This new board of directors introduced many new and innovative strategies for the whole bank regardless of its branches or locations, which has been quite beneficial for the bank performance improvement. CEO of CBC as whole is Mr. S Renganathan while the CEO or Country Manager for the Bangladesh operations is Mr. Varuna Kolamunna. The corporate management structure for Bangladesh operation is given below.

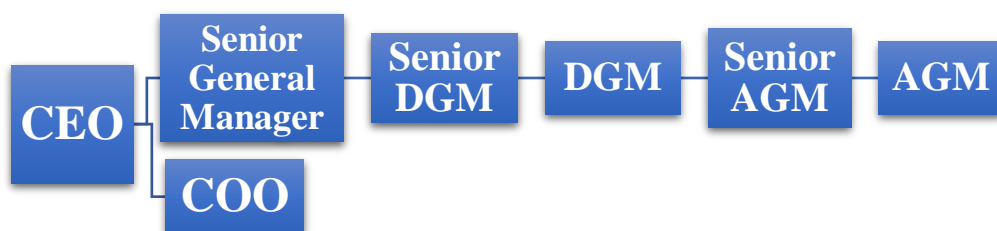


Figure 1: Corporate Management Structure

As the internship placement was in Mirpur Branch of Dhaka, an opportunity to closely observe the management practices in that branch was presented. The Mirpur Branch management hierarchy is as follows:

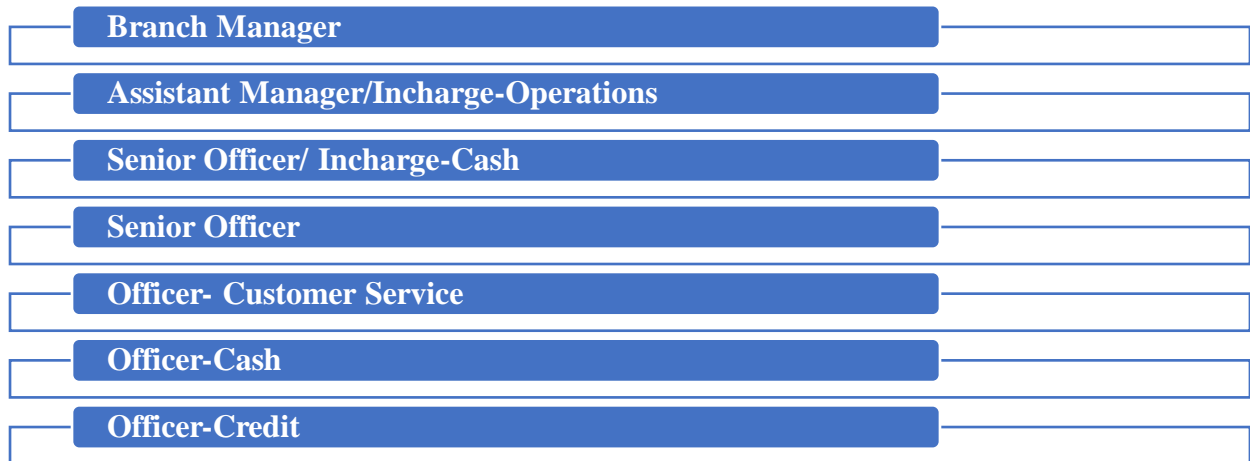


Figure 2: Mirpur Branch Hierarchy

2.4 Management Practices

CBC offers extraordinary and totally customer-oriented products and services. Their marketing practices focuses primarily on establishing and maintaining customer relationship. It is first training that is taught to the newly acquired workers, interns or trainees, to establish smooth and long-lasting customer relations.

2.4.1 Products

CBC mainly offers three (3) types of transaction accounts.

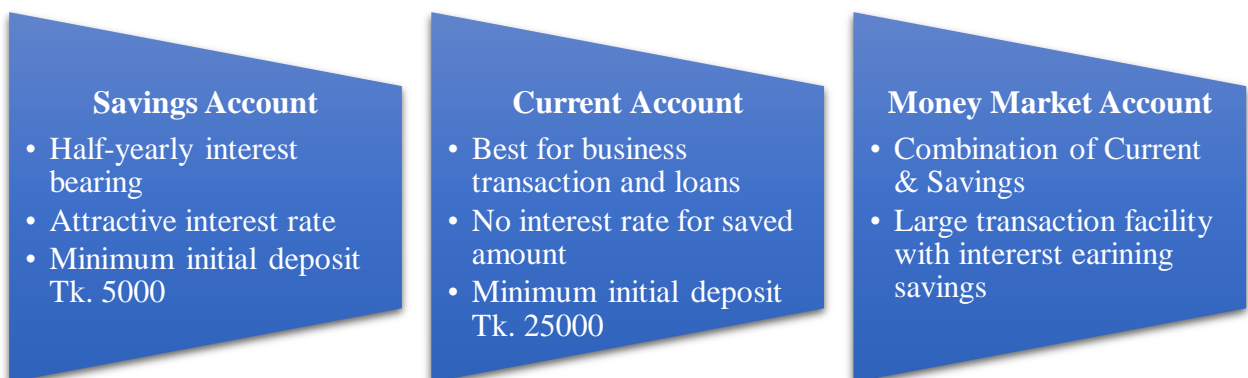


Figure 3: Main Deposit Products

The other special products are as follows:

DPS: Dream Planner Savings	<ul style="list-style-type: none"> ▪ Various deposit amounts starting from Tk. 1000 for 3-7 years ▪ Attractive interest rates ▪ Facility of automated deposit collection at fixed date from supporting savings account
FDR	<ul style="list-style-type: none"> ▪ Time basis fixed deposit product ▪ Floating Interest rate on monthly, daily and yearly basis
STD: Short term Deposit	<ul style="list-style-type: none"> ▪ Fixed deposit product for short term ▪ Daily interest and paid early ▪ Sweep facility
Ananya	<ul style="list-style-type: none"> ▪ Special service for women in general and women entrepreneurs. ▪ Attractive interest rate and free debit card and cheque book for first year ▪ Discount on Locker service
DOTCOM	<ul style="list-style-type: none"> ▪ Special service for minors ▪ Free of service charge and free passport endorsements ▪ Debit card at the age of 12 ▪ 0.5% higher interest rate than regular savings
FreeCom	<ul style="list-style-type: none"> ▪ Free of service charge and SMS alert charge ▪ Free debit card and cheque book ▪ Preferential interest on Home loans, Auto loans and personal Loans
Student File	<ul style="list-style-type: none"> ▪ Transaction of foreign currencies for education purposes ▪ Remittance dealings of studying abroad ▪ Authorization of relatives in absence of the student ▪ Assistance in the whole process
DollarSmart	<ul style="list-style-type: none"> ▪ Service for Foreigners
ATM Card/CBC Shopping Card	<ul style="list-style-type: none"> ▪ 24-hour open ATM booth ▪ Shopping and Withdrawal at any Visa outlet ▪ Draw as low as Tk. 100

Figure 4: Other Specialized Products

2.4.2 Value-added Services

- **E-passbook:** maintaining and viewing account information up to one month
- **E-statement:** electronic bank statements sent to client email address every quarter or month
- **Online Banking:** maintain and do transactions through an online banking portal
- **SMS Alert:** Instant alert of any transaction through SMS service

2.5 Financial Performance & Accounting Practices

Commercial bank of Ceylon PLC has been steadily improving and expanding its territory from the beginning. Their unique services and revolutionary attitude retain its success which is adequately reflected in its financial performances. CBC follows regular banking accounting practices through Finance Department in Headquarters using reports from all branches, SMEs and OBUs.

2.5.1 Financial Position

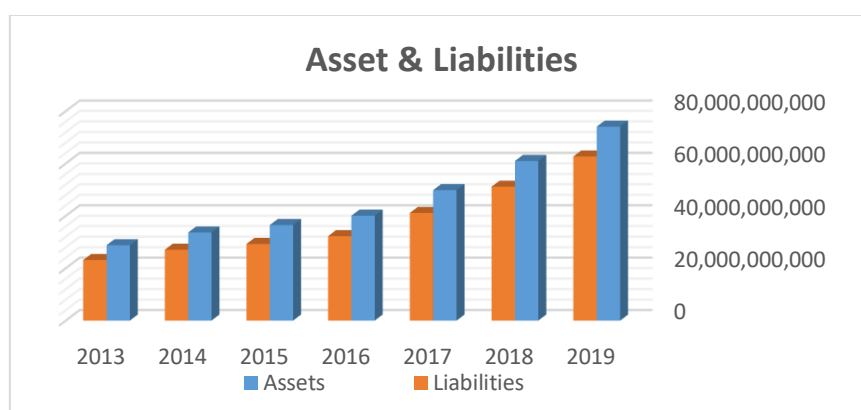


Figure 5: Financial Position

From financial data of past seven years, it can be observed that both assets and liabilities of the bank has been steadily growing over time which indicates towards a healthy rate of growth for

a foreign bank. Nevertheless, asset level is always higher than its liability. Hence, the bank maintains a secure level of liquidity to cushion any crisis.

2.5.2 Net Profit Movement

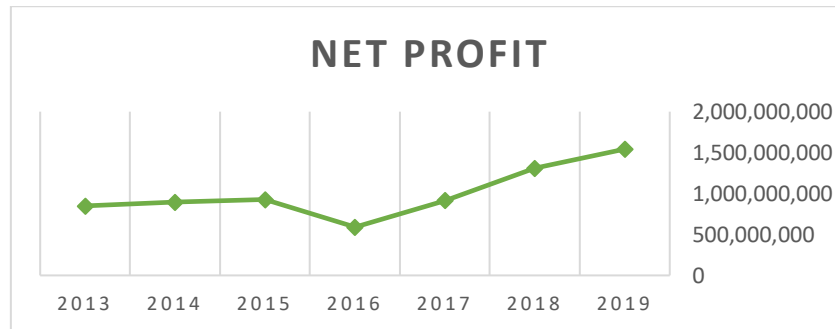


Figure 6: Net Profit Movement

Net Profit analysis over time shows fluctuation with a drastic fall in 2016 but ever since the net profit for the bank has been on a steady incline.

Financial position and net profit movement of bank provides a view of positive improvement in financial performance of CBC.

2.6 Operations Management & Information System Practices

2.6.1 ICBS

The main banking operations are maintained through an intra network system within the bank, which is directly regulated from its headquarters in mother country, Sri Lanka. The core banking software of CBC, International Comprehensive Banking System (ICBS) was introduced in 1993. By 1998, almost all branches were connected to the software. Currently, all banking activities are done using this software regardless of location, branch or any other criteria.

2.6.2 ABT

Alliance Branch Teller or ABT is used for storing and reviewing sensitive information such as cash transactions, client signatures and other similar information. Only In-charges are allowed access to this software. Through this software, information can be viewed from any branch which makes it simple for any branch to serve all customers of the bank.

Besides these main two software, other intranet services are used for internal connection and information flow. Flora network system is used for electronic fund transfer (EFT) and clearing cheques of other banks with the central bank.

2.7 Industry & Competitive Analysis

Banking industry is an expanding one in last few decades in Bangladesh. Foreign banks have become a crucial part of the banking industry with their stellar performance and strong management system. However, every position or situation has its both positive and negative sides. In order to assess CBC in terms of industry and competitiveness, a reputed framework, “SWOT” analysis has been conducted.

2.7.1 Table 5: SWOT Analysis

Parameters	Focus Points
S= Strength	<ul style="list-style-type: none">▪ Reputation and Reliability as customer friendly▪ Healthy performance growth▪ Rising deposits and advances▪ Amicable work environment▪ Unique services and lasting client relations
W= Weakness	<ul style="list-style-type: none">▪ Bound to operate under strict regulation of BB as a foreign bank▪ Insufficient publicity and marketing opportunities▪ Lack of human resources▪ Limited branches and ATM booths

O= Opportunity	<ul style="list-style-type: none"> ▪ Increasing publicity through inventive marketing strategies and promotional activities through technology ▪ Enhancing online banking and other such remote banking facilities ▪ Automated enabling of core facilities such as e-statement ▪ Recruit more human resources
T= Threat	<ul style="list-style-type: none"> ▪ Competition against local banks with lower regulations ▪ Fluctuations in foreign exchange rate ▪ Government controlled policies

2.8 Summary & Conclusion

The purpose of this analysis was to inspect the overall operational activities and practices of the Commercial Bank of Ceylon PLC Bangladesh and assess its position as an organization and in its industry. In brief, CBC management is quite impressive with high authorities as well as authority group in every level, ensuring good corporate governance. They offer a variety of attractive and user-friendly services with customer-oriented attitude. It is a crucial factor in retaining long lasting client relationships. CBC has been performing quite good in terms of financial aspect and their inter-connected software services provide a seamless service for clients anywhere in the country. Despite such activities, CBC faces some weakness and threats in the industry and sole level. By identifying them accurately and taking appropriate measures, issues would be solved and CBC will be improving more in near future.

2.9 Recommendations

Based on the above discussion and SWOT analysis, the following recommendations are presented. To begin with, the publicity and marketing should be increased using advancement of technologies. Keeping up with the unique trendsetter attitude, inventive bank marketing must be initiated. Then, more human resources must be hired in order to improve productivity and efficiency. Publicity of recruitment process among various universities through taking part

in talent hunt and other similar programs can be great start for attracting newest talents. Next, increasing ATM booths across country is a key necessity for the convenience of customers. It is a crucial element in competing against the local banks. Gradually, branch numbers are to be increased as well in prime areas. Moreover, incentives to customers and employees are to be offered in order to compete successfully against local banks. Finally, distributing promotional stationaries are great ways to keep people aware of its services.

Chapter 3

Project Analysis: CAMEL-based

3.1 Introduction

Chien and Danw (2004) found that most previous studies of company performance evaluation focus mainly on operational efficiency and effectiveness which is crucial to the survival of a company. But better efficiency does not always mean better effectiveness. The study of Elizabeth and Elliot in (2004) shows that all financial performance measure as interest margin, return on assets, and capital adequacy are positively correlated with customer service quality. Thus, a customer-oriented approach is an essential element of ensuring effectiveness in not only banking but other businesses as well.

Originally developed by the Uniform Financial Institutions Rating System (UFIRS), CAMELS rating has proved to be an effective internal supervisory tool for evaluating the soundness of a financial firm especially effective for the banking industry. The system also suggests the bank's exposure to operational, financial and market risks based on the composite rating from essential financial ratios of an individual bank (Desta, 2016). The CAMEL model is the most popular model among the academics and concerned authorities and regulators for evaluating the financial performance of banks (Baral, 2005; Dang, 2011, as cited by Desta, 2016). According to the opinion of Dang (2011), the CAMELS framework is often used by academics to evaluate the internal (bank specific) factors of a bank (Desta, 2016).

Therefore, this report is prepared for the purpose of analyzing the overall performance of Commercial bank of Ceylon PLC through its major financial ratios. The objective is to interpret and understand the bank's financial stance in different aspects and categorize the ratios into major categories in order to assess overall performance through CAMEL rating system along with time-series analysis. This report will provide a one-stop view of performance on all sectors

over time of the Commercial Bank of Ceylon PLC Bangladesh. Through this analytical approach, the bank management strategies and their consequences on performance will be assessed especially in case of credit management.

This study will contribute in filling the gap of using CAMEL rating as an evaluation tool of a “singular” bank in Bangladesh. Through this study, the overall fitness of the CBC will be assessed and also the effectiveness of using CAMEL rating as assessment tool in this context will be analyzed. Further research is encouraged to utilize the unique strategies of CBC in other financial organization for both academia and practical purpose. This research will open new opportunities for further research to apply this method for other CBC branches and operations in various countries and other state-owned and commercial banks operating in Bangladesh.

3.2 Methodology

This report has been created through pursuing a three-month long internship with the Commercial Bank of Ceylon PLC Bangladesh, Mirpur Branch. Both primary and secondary sources were utilized for gathering relevant information regarding the bank. Primary information was gathered from daily experiences of interacting with the customers, corporate clients, co-workers and close exposure to regular bank dealings. With close supervision of branch manager and other In-charges, many key relevant information was collected about strategic, operational and technical activities.

Then, secondary information was collected mainly from the commercial bank official website. As annual reports are published as the bank as a whole, and not on country basis, the comprehensive annual reports of those seven years were collected for information on the operational and strategic developments and activities, banking history, local and global overview of the bank etc. Financial Statements of CBC PLC Bangladesh Operations for seven

(7) consecutive years starting from 2013 up to 2019 has been collected and analyzed through various major financial ratios. Moreover, previous studies and reports on CBC were collected for secondary sources. Collected financial information was analyzed through bank ratios. Ratios were categorized and assessed through a global bank rating system named CAMEL rating system. Later, the connection among the strategic and financial analysis were assessed.

3.3 Findings & Analysis

3.3.1 Risk-based Ratios

Table 6: Capital Adequacy Ratio

Ratios	2019	2018	2017	2016	2015	2014	2013
CRAR	32.60%	30.72%	36.62%	42.88%	32.84%	30.00%	24.92%
IA	11.60%						

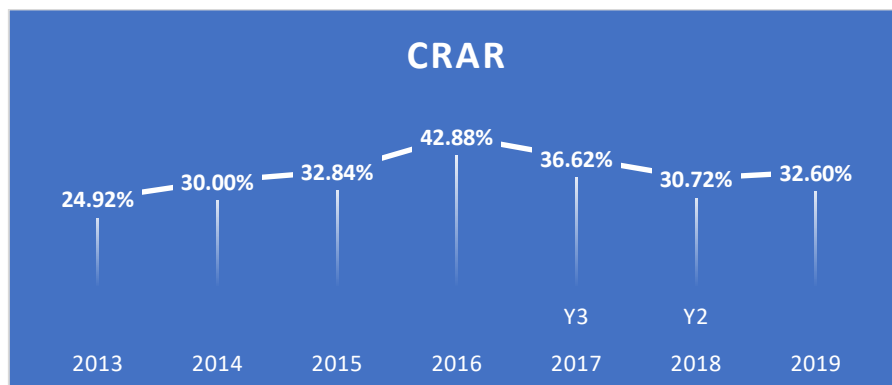


Figure 7: CRAR Ratio

Interpretation: In 2019, CBC had 32.60% total capital against its risk weighted assets which is a great CRAR. From 2013, CRAR has inclined with its highest in 2016 and then dropped for

next two years. It has started to increase again in 2019. Comparing to industry average, the bank is almost three times better performing than the rest of the industry.

Table 7: Tier-1 Capital Ratio

Ratios	2019	2018	2017	2016	2015	2014	2013
CET1 Ratio	30.87%	29.03%	34.49%	40.36%	31.76%	28.78%	23.76%
IA	7.90%						

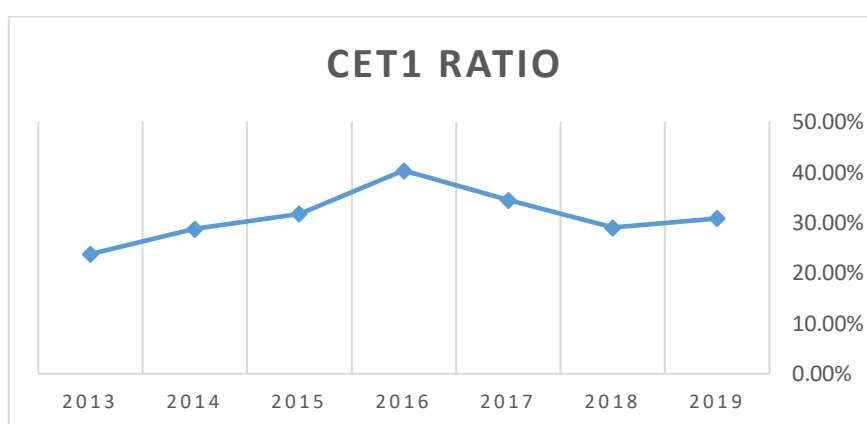


Figure 8: CET1 Ratio

Interpretation: In 2019, CBC had 30.87% of core capital against its total risk weighted assets. Since 2013, CRAR has fluctuated with its peak in 2016 and then dropped for next two years. It started rising again in 2019. Comparing to industry average, the bank is over four times better performing than the rest of the industry.

3.3.2 Efficiency

Table 8: Cost to Income Ratio

Ratios	2019	2018	2017	2016	2015	2014	2013
Cost-Income Ratio	32.17%	32.65%	28.83%	33.64%	25.86%	27.96%	31.25%

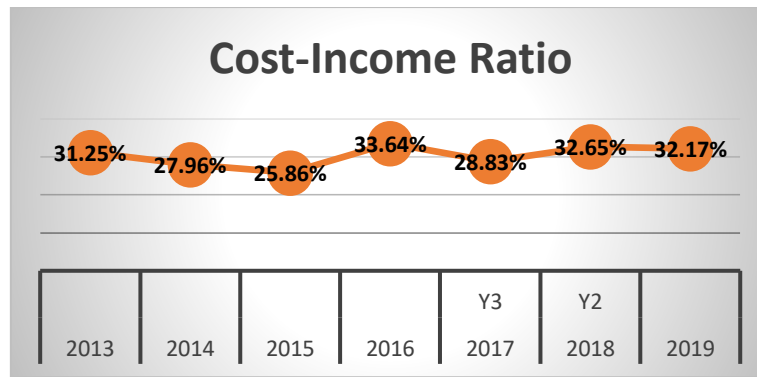


Figure 9: Cost to Income Ratio

Interpretation: In 2019, CBC incurred Tk. 32.17 operational cost to earn every Tk. 100 of operational income. Since 2013, Cost-Income ratio has simultaneously fluctuated with its peak in 2016. For the past two years, it has remained almost stable with albeit slight decrease in last year.

3.3.3 Debt Leverage

Table 9: Debt to Assets & Debt to Equity Ratios

Ratios	2019	2018	2017	2016	2015	2014	2013
Debt-Assets	84.63%	83.88%	82.46%	80.47%	80.17%	80.50%	80.36%
Debt-Equity	550.82%	520.18%	470.21%	411.97%	404.35%	412.93%	409.12%

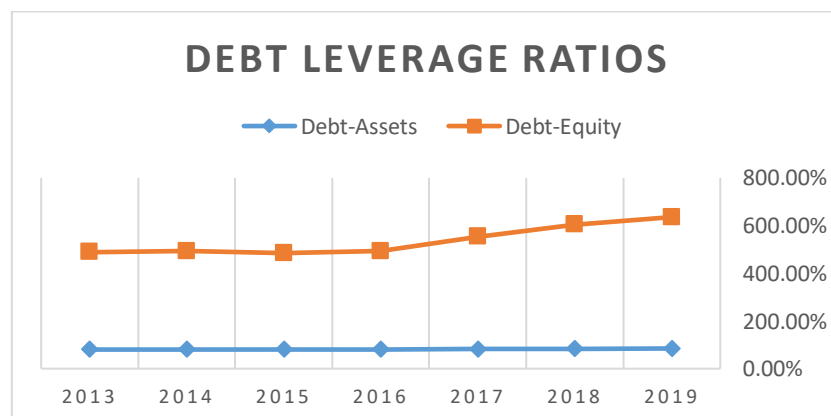


Figure 10: Debt Leverage Ratios

Interpretation: In 2019, CBC owed Tk. 84.63 against every Tk.100 of assets owned and used Tk. 550.82 of its every Tk. 100 of its equity capital. Over the past 7 years, the Debt to Assets ratio has remained somewhat stable. However, the Debt to Equity ratio has been inclining mostly on a steady rate for last seven years with a good increase in the latter years.

3.3.4 Liquidity

Table 10: Liability to Deposit Ratio

Ratios	2019	2018	2017	2016	2015	2014	2013
Total Liabilities / Total Deposit	138.17%	145.18%	142.65%	139.42%	133.42%	145.35%	118.50%

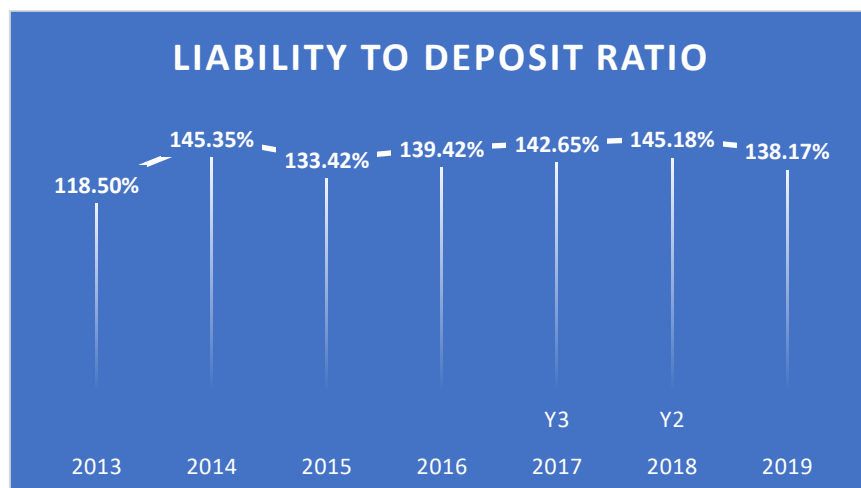


Figure 11: Liability to Deposits Ratio

Interpretation: In 2019, 138.17% of Liability to Deposit ratio means that the bank incurred Tk. 1.38 of liabilities against every taka of deposit collected. Its highest peak in 2014 was followed closely by a drastic decline in 2015. Ever since the ratio has been rising on a steady inclining rate. Although in last year, it had dropped by almost 7 units.

Table 11: Loan to Deposit Ratio

Ratios	2019	2018	2017	2016	2015	2014	2013
Total Loans / Total Deposit	105.79%	110.73%	113.02%	107.12%	103.85%	99.21%	86.33%
IA	76.60%						

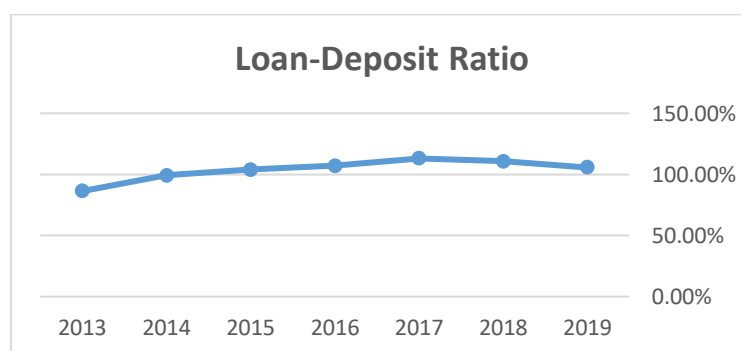


Figure 12: Loan to Deposits Ratio

Interpretation: In 2019, 105.79% of Loan to Deposit ratio means that the bank gave out Tk. 1.0579 of loans against every taka of deposit collected. The ratio has been inclining since 2013 till 2017 and started to decline for past two years. In comparison with the industry benchmark, the bank has been operating in quite a risky method with high liquidity risk.

Table 12: Provisions for Loans Ratio

Ratios	2019	2018	2017	2016	2015	2014	2013
Provision for Loans/ Total Loans	0.14%	0.10%	0.38%	0.93%	0.73%	0.33%	0.02%

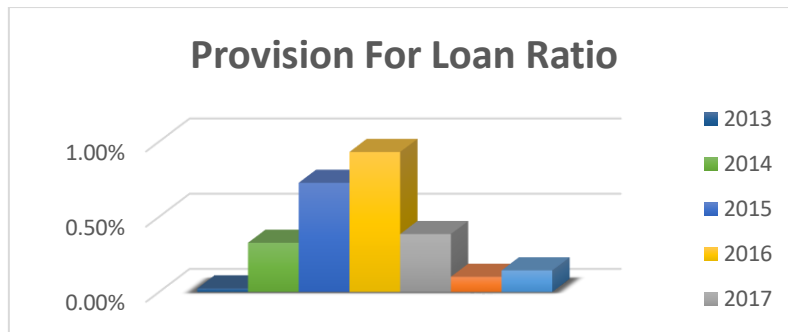


Figure 13: Provisions for Loans Ratio

Interpretation: In 2019, 0.14% PLLs to Total Loans means that for every 100 loans given, 0.14 number of them were risky enough to be expected to turn out uncollectible. The time series analysis projects that PLL for the bank has been fluctuating over the last seven years. With steady incline to 2016, it had started to drop ever since. Meaning the bank had started to become more conservative regarding giving risky loans.

Table 13: Non-performing Loans

Ratios	2019	2018	2017	2016	2015	2014	2013
Non-performing Loans/ Total Loans	0.75%	0.84%	1.00%	2.03%	2.22%	1.27%	0.51%
IA	3.70%						

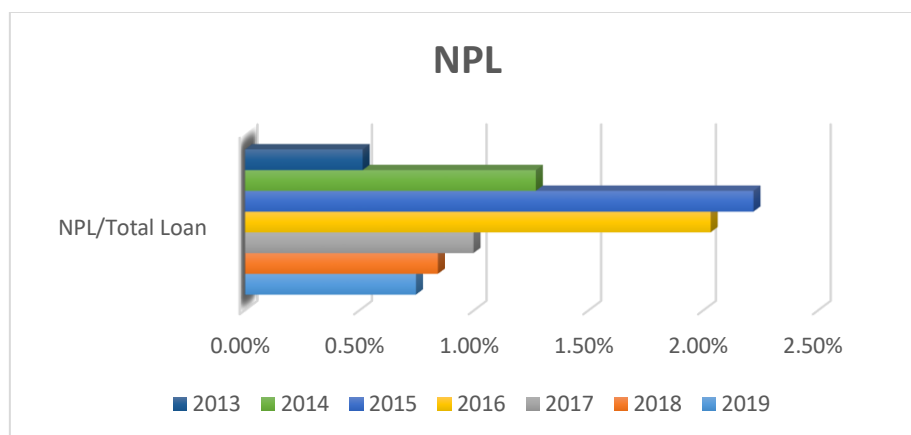


Figure 14: Non-Performing Loan Ratio

Interpretation: In 2019, 0.75% NPLs to Total Loans means that for every 100 loans given, 0.75 number of them were uncollectible. According to the time-series analysis, NPLs had been increasing quite alarmingly till 2015. But from 2016, the NPLs has been falling in quite an impressive rate. In contrast with the industry rate, the bank has been doing great over the years.

3.3.5 Return-based Ratios

Table 14: Net Interest Margin

Ratios	2019	2018	2017	2016	2015	2014	2013
Net Interest Margin	2.61%	2.94%	2.24%	2.31%	2.13%	2.35%	2.68%

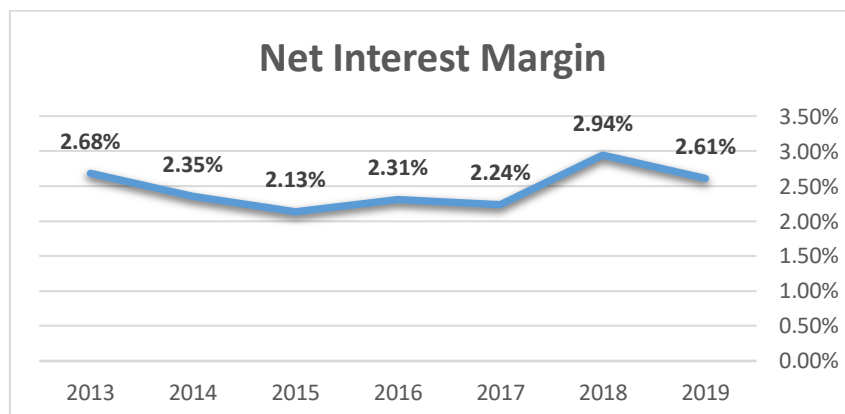


Figure 15: Net Interest Margin

Interpretation: In 2019, 2.61% NIM means that every unit of their asset has earned Tk. 0.0261 of interest income. Over the last seven years, NIM for the bank has been fluctuating at the almost same level.

3.3.6 Earning Capacity

Table 15:ROA & ROE

Ratios	2019	2018	2017	2016	2015	2014	2013
ROA	2.08%	2.14%	1.83%	1.47%	2.54%	2.66%	2.94%
IA	-0.10%						
ROE	13.55%	13.29%	10.46%	7.54%	12.79%	13.62%	14.97%
IA	-1.90%						

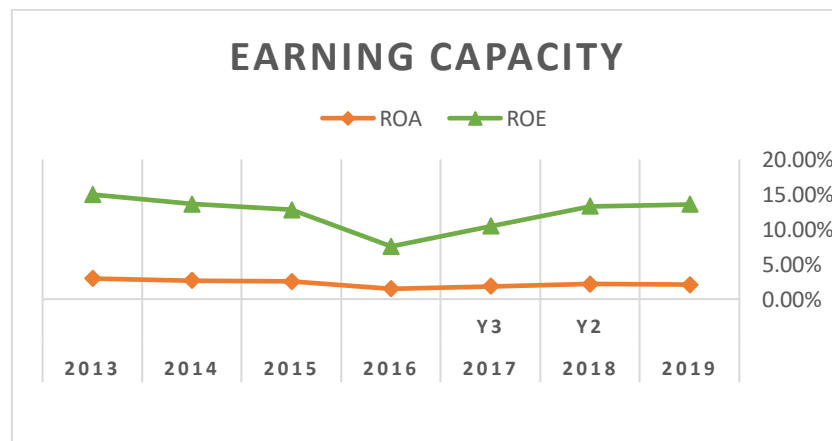


Figure 16: Earning Capacity

Interpretation: In 2019, 2.08% of ROA means that every unit of their assets has earned Tk.0.0208 of income. 13.55% ROE means that every unit of their equity has earned 0.1355 taka of income. From the time-series analysis, although ROA has been stable over the years with slight fluctuations, ROE has dropped dramatically in 2016. However, it had almost recovered as of 2019. CBC has been operating much better at both its ROA and ROE as compared to the industry average of these ratios.

3.3.7 CAMEL Rating Analysis

The major financial ratios of the CBC as derived in the previous section has been assessed using an international performance rating system for banks namely “CAMEL Rating System”. Selected appropriate ratios were divided into five categories to best assess various aspects of the bank for each year. After that, average ratings of the calculated seven-year data in different categories were considered and analyzed. According to Desta (2016) “CAMELS rating is a financial performance evaluation system often applied to the banking industry, which is originally developed by the Uniform Financial Institutions Rating System (UFIRS).” The six components stand as acronyms for the name. The parameters are as follows, C= Capital Adequacy, A= Asset Quality, M= Management Efficiency, E= Earning Capacity, L= Liquidity Management and S= Sensitivity to Market. The sixth parameter is excluded in this study because of lack of information. The selected relevant ratios are rated according to the following table from a study on African banks by Desta (2016).

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

Source: Babar and Zeb (2011) and Rozzani and Rahman (2013), as cited by Desta (2016)

After rating each individual category, an average rating has been derived over time and the rating has been interpreted to provide the final comprehensive report on the organization, as per the following table taken from the above-mentioned study by Desta (2016).

Rating	Rating Range	Rating Analysis	Interpretation
1	1.0 - 1.4	Strong (or outstanding)	The bank is basically good in every aspect.
2	1.6 - 2.4	Satisfactory (or superior)	The bank is primarily good, but has several identified weaknesses.
3	2.6 - 3.4	Fair (or average), with some categories to be watched	The bank have financial, operational, or compliance weaknesses that would give reasons for supervisory concern.
4	3.6 - 4.4	Marginal (or under perform), with some risk of failure	The bank has serious financial weaknesses that could damage future capability to ensure normal growth and development.
5	4.6 - 5.0	Unsatisfactory (or doubtful), with a high degree of failure	The bank has critical financial weaknesses that will give a probability of failure to be extremely high in the near future.

Source: Babar and Zeb (2011) and Rozzani and Rahman (2013), as cited by Desta (2016)

Table 16: CAMEL Ratings Result

CAMEL Parameter	Ratios	2019	2018	2017	2016	2015	2014	2013	Average Rating	Comment
Capital Adequacy	CRAR	32.60 %	30.72 %	36.62 %	42.88 %	32.84 %	30.00 %	24.92 %	1	Strong and Outstanding
	Rating - CAR	1	1	1	1	1	1	1		
Asset Quality	NPL/Total Loan	0.75 %	0.84 %	1.00 %	2.03 %	2.22%	1.27 %	0.51 %	1	Strong and Outstanding
	Rating	1	1	1	2	2	2	1		
Management Efficiency	Total Cost / Total Income	32.17 %	32.65 %	28.83 %	33.64 %	25.86 %	27.96 %	31.25 %	2	Satisfactory
	Rating	3	3	2	3	1	2	2		
Earning Capacity	ROA	2.08 %	2.14 %	1.83 %	1.47 %	2.54%	2.66 %	2.94 %	1	Strong and Outstanding
	Rating - ROA	1	1	1	2	1	1	1		
	ROE	13.55 %	13.29 %	10.46 %	7.54 %	12.79 %	13.62 %	14.97 %	3	Fair or Average
	Rating- ROE	3	3	3	4	3	3	3		
Liquidity Management	Total Liabilities / Total Deposit	138.1 7%	145.1 8%	142.6 5%	139.4 2%	133.4 2%	145.3 5%	118.5 0%	5	Unsatisfactory or Doubtful
	Rating	5	5	5	5	5	5	5		

Interpretation: The above data table shows that CBC has been operating quite successfully as a bank in almost all aspects. The CAMEL rating analysis reveals that the bank is performing strong and outstanding in three of the five categories such as capital adequacy, asset management and ROA of earning capacity. CBC's performance in management efficiency and ROE of earning capacity has been satisfactory and fair respectively. The only lacking of the bank seem to be in liquidity management aspect. Their performance in that department is unsatisfactory or doubtful because of very high usage of liquid assets.

3.4 Summary & Conclusion

The report was prepared intending to analyze the performance of Commercial Bank of Ceylon PLC Bangladesh through a global rating method over past several years. The financial ratios and CAMEL analysis show that Commercial Bank of Ceylon PLC is a sound bank in almost all aspects. Scoring outstanding in three out of five categories is much impressive especially in a time when the banking industry of the country is suffering immensely.

It seems that the main crisis of banking industry, rise of non-performing loans, has not affected CBC that much. Although it was quite high in 2015. But from 2016, NPLs started to drop spectacularly. That is also the time when most of the financial ratios of the bank started improving. From above analysis and study of annual reports, it can be concluded that 2016 was the turning point for CBC PLC Bangladesh. It is the year when CBC PLC Bangladesh operations slightly changed its operation strategies such as becoming more conservative toward giving out loans or choosing loan customers, raising equity capitals etc. However, there has been no specific major event noted in 2016. But there has been a slow on-going change in the bank management since 2014 to 2018 as discussed in chapter 2 of this report. With more appointment of new board members, the financial performances have inclined. Thus, it can be

surely concluded that new strategies adopted by the new panel of board of directors have had a noteworthy impact on the bank's performance. As of 2019, the non-performing loan stands at only 0.75% which is way lower than the industry average of 3.70%. The number of NPL specific to Mirpur Branch is 0. From close inspection, it can be stated that through careful and considerate screening of loaning customers along with establishing reliable customer relationships, non-performing loans can be eliminated almost to 100%.

The only lacking is observed in liquidity management. In spite of good asset, capital management and conservative loan giving, it seems that the bank gives out more liabilities than they collect deposits. In other words, in case of a liquidity crisis, the bank will not be able to pay off their liabilities with liquid deposits.

3.5 Recommendations

CBC is quite impressive and successful in its operative ways as a foreign bank in Bangladesh. Naturally the main suggestion upon inspecting the above analysis would be to improve their weak link, liquidity management. Increasing their deposit collection is highly recommended. Alternatively, working on decreasing liabilities can also be a focus to eradicate this impending crisis. Decreasing operational costs and increasing operational and off-balance sheet incomes is to be recommended to enhance the solvency of the bank.

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Appendix A.

Financial Ratios								
	Formula	2019	2018	2017	2016	2015	2014	2013
CRAR	(Tier1 Capital + Tier 2 Capital)/Total Risk-weighted assets	32.60 %	30.72 %	36.62 %	42.88 %	32.84 %	30.00 %	24.92 %
CET1 Ratio	Tier1 Capital/Total Risk-weighted assets	30.87 %	29.03 %	34.49 %	40.36 %	31.76 %	28.78 %	23.76 %
Cost-Income Ratio	Operating Cost/Operating Income	32.17 %	32.65 %	28.83 %	33.64 %	25.86 %	27.96 %	31.25 %
PLL Ratio	Provision for Loan/ Total Loans	0.14%	0.10%	0.38%	0.93%	0.73%	0.33%	0.02%
NPL-Total Loans Ratio	Non-performing Loans/Total Loans	0.75%	0.84%	1.00%	2.03%	2.22%	1.27%	0.51%
Debt-Assets	Total Debts/Total Assets	84.63 %	83.88 %	82.46 %	80.47 %	80.17 %	80.50 %	80.36 %
Debt-Equity	Total Debts/Total Equity	550.82 %	520.18 %	470.21 %	411.97 %	404.35 %	412.93 %	409.12 %
Net Interest Margin	Net Interest Income/Total Assets	2.61%	2.94%	2.24%	2.31%	2.13%	2.35%	2.68%
ROA	Net Income After Tax/ Total Assets	2.08%	2.14%	1.83%	1.47%	2.54%	2.66%	2.94%
ROE	Net Income After Tax/ Total Equity	13.55 %	13.29 %	10.46 %	7.54% %	12.79 %	13.62 %	14.97 %
EPS	Net Income After Tax/Share Outstanding	32.61 %	27.28 %	18.89 %	13.00 %	20.83 %	20.07 %	18.60 %

Liability-Deposit Ratio	Total Liabilities/Total Deposits	138.17 %	145.18 %	142.65 %	139.42 %	133.42 %	145.35 %	118.50 %
Loan-Deposit Ratio	Total Loans/Total Deposits	105.79 %	110.73 %	113.02 %	107.12 %	103.85 %	99.21 %	86.33 %

Industry Average	
	Sep-19
CRAR	11.60%
CET1 Ratio	7.90%
Cost-Income Ratio	
PLL Ratio	
NPL-Total Loans Ratio	3.70%
Debt-Assets	
Debt-Equity	
Net Interest Margin	
ROA	-0.10%
ROE	-1.90%
EPS	
Liability-Deposit Ratio	
Loan-Deposit Ratio	76.60%

Further detailed calculations can be found in the following excel file.

[Financial Data Analysis ComBank Stella.xlsx](#)