

Report On
Bank Financial Performance:
“A Comparison Between Jamuna Bank & Southeast Bank Ltd”

By
S.M. Mahfuzur Rahman
20364021

An internship report submitted to the Graduate School of Management (GSM)
in partial fulfillment of the requirements for the degree of
Master of Business Administration

Graduate School of Management
BEAC University
December 2022

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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:

S.M. Mahfuzur Rahman
20364021

Supervisor's Full Name & Signature:

Dr. Salehuddin Ahmed
Professor, Brac Business School (BBS)
BRAC UNIVERSITY

Letter of Transmittal

Dr. Salehuddin Ahmed
Professor
Brac Business School (BBS)
BRAC University
66 Mohakhali, Dhaka-1212

Subject: Submission of a Report on “Bank Financial Performance: A Comparison
Between Jamuna Bank & Southeast Bank Ltd”

Dear Sir,

I am extremely delighted to submit my project paper to you titled “Submission of A Report on “Bank Financial Performance: A Comparison Between Jamuna Bank & Southeast Bank Ltd”, which I was appointed by your direction. I am grateful to you for your continuous guidance in preparing this paper.

I have attempted my best to finish the report with the essential data and recommended proposition in a significant compact and comprehensive manner as possible.

I trust that the report will meet the desires.

Sincerely yours,

S.M. Mahfuzur Rahman
ID: 20364021
Graduate School of Management
BRAC University
Date: December 27, 2022

Acknowledgement

At the very beginning, I would like to convey my sincere appreciation to the almighty Allah for giving me the strength and the ability to finish the task within the planned time. Then, I would like to express my sincere gratitude to everyone who contributed towards preparing and making this report successfully.

After passing some difficulties I have been able to complete this report and it has become possible due to persistent support and guidance of my respectable Prof Dr. Salehuddin Ahmed. I am unconditionally admitting that I would not be able to complete this report without his generous support and encouragement. I am taking this opportunity to express my sincerest gratitude to him. I would also like to express gratitude to my University faculty members because they produced the platform of my knowledge.

Finally, I like to say that, I have prepared this report from my own efforts and experience. I am ready to accept my unwilling errors and omission which belong to me.

Executive Summary

Due to globalization and expansion of international business, financing money plays the major roles for the economic development. Banks are essential for the necessity of the use of money and its protection. Every year banking sector contribution growth rate in GDP is increasing. In this report mainly discuss about JBL & SEBL and their profitability analysis by calculating some ratio-analysis of bank. Profitability is a measurement of efficiency and ultimately its success or failure. It is expressed as a relative, not an absolute, amount.

In an Economy, banks work as the balancing sector for channelizing money. To ensure sound circulation of money, transparency in the banking sector is obvious. The data have been used in this study are basically collected informally. Profitability Analysis on Bank: A Report on JBL & SEBL in Bangladesh with the commercial banks having a strong image and they should try to provide proper services.

Keywords: JBL; SEBL; Globalization; GDP; Profitability; Ratio-analysis.

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List of Acronyms

BB	Bangladesh Bank
CA	Current Account
CD	Current Deposit
DD	Demand Draft
PO	Pay Order
AD	Authorized Dealer
TIN	Tax Identification Number
LTR	Loan Trust Receipt
FDR	Fixed Deposit Receipt
SND	Short Notice Deposit
FDR	Fixed Deposit Receipt
MSS	Monthly Savings Scheme
MIS	Monthly Income Scheme
PSS	Pension Saving Scheme
DBS	Double Benefit Scheme
SDBS	Super Double Benefit Scheme
VAT	Value Added Tax
VAR	Value at Risk
IMF	International Monetary Fund
ATM	Automated teller machine
LC	Letter of Credit
GDP	Gross Domestic product
EPS	Earnings Per Share

Glossary

AD	Authorized Dealer
ATM	Automated Teller Machine
BB	Bangladesh Bank
BIBM	Bangladesh Institute of Bank Management
BOD	Board of Directors
CA	Current Account
CD	Certificate of Deposit
DD	Demand Draft
EPS	Earnings Per Share
FDR	Fixed Deposit Receipt
GDP	Gross Domestic Product
GF	Gratuity Fund
IMF	International Monetary Fund
IT	Information Technology
JBL	Jamuna Bank Limited
LC	Letter of Credit
NII	Net Interest Income
NIM	Net Interest Margin
ROA	Return on Assets
ROE	Return on Equity
SME	Small and Medium Enterprise
VAR	Value at Risk
VAT	Value Added Tax

Chapter 1

Introduction

1.1 Introduction of the Study

Because of globalization and expansion of international business, finance plays the major roles for the economic development. The development of a modern economy would not have been possible without the use of money. A fundamental characteristic of money is that it is like a collective commodity. Bank is an important and essential financial institution for the necessity of the use of money and the protection of the money.

So, there is a parallel relationship between the money and banking.

Profitability is closely related to profit, but it is the tool used to determine the scope of a bank profit in relation to the size of the business. Profitability is a measurement of efficiency and ultimately its success or failure.

Profitability can be defined as the ability of a business to produce a return on an investment based on its resources in comparison with an alternative investment. Although a company can realize a profit, this does not necessarily mean that the company is profitable.

Return on Equity (ROE) or Return on Assets (ROA) is a performance measure, where higher these measures than peers indicate high performance bank. Essentially, for a firm to report higher return, it must take on more risk, price assets and liabilities better, or realize cost advantages compared with peers. Profitability analysis of bank measures the amount of profit earned due to the efficiency of any operation in a bank. In this report I am trying to giving information related to profitability and draw a profitability analysis on selective two commercial banks in Bangladesh.

1.2 Background of the Study

As a part of my Masters of Business Administration, Project and Research program is a scope for acquiring knowledge that world. Theoretical knowledge gets a complete shape. After completing MBA I am going to execute advance and first-moving global business environment. The principal emphasis of MBA program is to prepare students in such with financial skills and depth knowledge of business administration. During my last Two months research period I have tried my best to get knowledge about the profitability in aspect of selected Jamuna banks Ltd. & South East Bank Ltd. in Bangladesh. I have prepared this dissertation report on “Profitability Analysis on Bank: A Report on Jamuna Bank Ltd & South East Bank Ltd in Bangladesh”

1.3 Significance of the Study

It is strongly believe that financial system of a country which play a constitutive role in the economic growth and development of a country. The importance of an efficient financial sector lies in the fact that, it ensures domestic resources mobilization, generation of savings, and investments in productive sectors. In fact, it is the system by which a country directs it’s most profitable and efficient sectors to most productive sources of future growth. The main role of a financial system is not only to transfer funds from savers to investors but also to ensure that funds are being transferred to the sectors which are most important for an economy. Banks are the most crucial financial intermediaries in the most economies that render a bundle of different services. Economies that have a profitable banking sector are better able to withstand negative shocks and contribute to the stability of the financial system. On the other hand banks insolvencies can result in systemic crisis. Therefore, it is important to understand the

factors which really affect the banking sector's profitability. Without profitability analysis no more banks can survive long time in this competitive market.

This indicates that banking sector is very much competitive and every bank needs to fight every moment to perform better to survive in intensive competition. Every bank enhances their activities by opening different divisions in the bank. Bank's performance depends on the overall performance of all divisions. When all the divisions of the bank perform well, it can be said that the bank is performing well. Banking Services offered include: savings and checking accounts, mortgages, personal loans, debit cards, credit cards, and so forth. Commercial banks are profit seeking organizations. Portfolio management refers to the management of assets and liabilities in such a way that the profits are maximized. Though banks want to make profits but at the same time they are concerned about liquidity and safety. In fact these three namely liquidity, profitability and safety are the main objectives of a monetary policy.

1.4 Types of the Study

It will be an analytical type of study. The methodology of this report is totally different from conventional reports. Almost the entire report public materials consists information from public source. Basically my topic is "Bank Financial Performance Analysis" A Comparison between Jamuna Bank Ltd & South East Bank Ltd.

1.5 Objectives of the Study

There are two types of objectives of this case study. Those are general objectives and specific objectives. Objectives of the study are summarized in the following manner:

General Objective

- The general objective is to prepare and submit a report on “Bank Financial Performance: A comparison Between Jamuna Bank Ltd & South East Bank Ltd” to fulfill the requirement of the course curriculum.

Specific Objective

- To know NPM of Jamuna Bank & Southeast Bank
- To know ROE of Jamuna Bank & Southeast Bank
- To know ROA of Jamuna Bank & Southeast Bank
- To know Cost Income Ratio of JBL & SEBL
- To know between the two banks which performance is better

1.6 Methodology

Methodology means to the mandatory part of the study and the process of gathering information and arranging it in terms of the relevant issues of the study. I shall organize my report to cover five years Profitability Ratio Analysis of Jamuna Bank Ltd & South East Bank Ltd to make comparison between them. I shall collect all the data by using the internet and visiting many websites and I will design my report in a way so that it correspondent to achieving the objectives of the study.

1.7 Sources of Data

Data can be collected from two places: internal and external sources. The information collected from internal sources is called “primary data,” while the information collected from outside is called “secondary data.”

I will collect all my data basically from secondary sources. Secondary data are collected from the following sources:

- Annual reports of Jamuna Bank Ltd.
- Annual reports of Southeast Bank Bank Ltd.
- Data available with the website of Jamuna Bank Ltd.
- Data available with the website of Southeast Bank Ltd.
- Published documents regarding JBL & SEBL
- Published charts and figures regarding JBL & SEBL
- From my study materials and knowledge in finance

1.8 Limitation of the Study

Like any other study the limitations of this study is not out of questions. But the following factors seem to me as the some points of weakness of this study. Under these limitations stand to create this report-

- Report, Financial Reports, Economic trends are used in this study.
- Data accuracy cannot be ensured as mainly secondary data, collected from Annual
- Lack of field work on this type of study in Bangladesh.
- Lack of my sufficient experience and efficiency to prepare this report.
- Short period of time

Chapter 2

Overview of Bank

2.1 About Jamuna Bank Limited **JAMUNA BANK**

Jamuna Bank Limited (JBL) is a Banking Company registered under the Companies Act, 1994 of Bangladesh with its Head Office currently at Hadi Mansion, 2, Dilkusha C/A, Dhaka- 1000, and Bangladesh. The Bank started its operation from 3rd June 2001.

The bank was established by a group of local entrepreneurs who are well reputed in the field of trade, commerce, industry and business of the country.

The Bank offers both conventional and Islamic banking through designated branches. The Bank is being managed and operated by a group of highly educated and professional team with diversified experience in finance and banking. The Management of the bank constantly focuses on understanding and anticipating customers' needs. Jamuna Bank Ltd. has already achieved tremendous progress since its beginning. The bank has already built up reputation as one of quality service providers of the country.

At present the Bank has real-time Online banking branches (of both Urban and Rural areas) network throughout the country having smart IT-backbone. Besides traditional delivery points, the bank has ATMs of its own, sharing with other partner banks and consortium throughout the country.

Being a 3rd generation Bank of Bangladesh, it focuses on:

1. Remaining with time and managing change accordingly
2. Managing change
3. Developing human capital
4. Creating true customer's value

Nature of Business

1. Providing all kinds of commercial Banking Services to its customers.
2. Providing of all kinds of Islamic banking services to its customers through Islamic banking branches.

2.2 Corporate information of JBL

Table: Corporate Information of JBL

Registered Name	Jamuna Bank Limited
Registered Head office	Hadi Mansion, 2 Dilkusha C/A, Dhaka- 1000.
Phone No. of Bank	+88-02-9570912,9555141,9588397
Fax No	+88-02-9570936, 47118671
SWIFT	JAMUBDDH
Trading code	JAMUNABANK
Company number	11134
E-mail:	jamunabk@bdcom.com
Date of Incorporation	June 03, 2001
Authorized Capital	TK. 10000.00 Million
Paid up Capital	TK. 6,141.2 Million
Reserve & Surplus	TK. 4,697.57Million
Face value	10
Number of Branches	122
Number of employees	2592
Chairman	Engr. A. K. M. Mosharraf Hussain

2.3 Vision, Mission and Focus Vision of JBL

Vision

To become a leading banking institution and play a significant role in the development of the country.

Mission

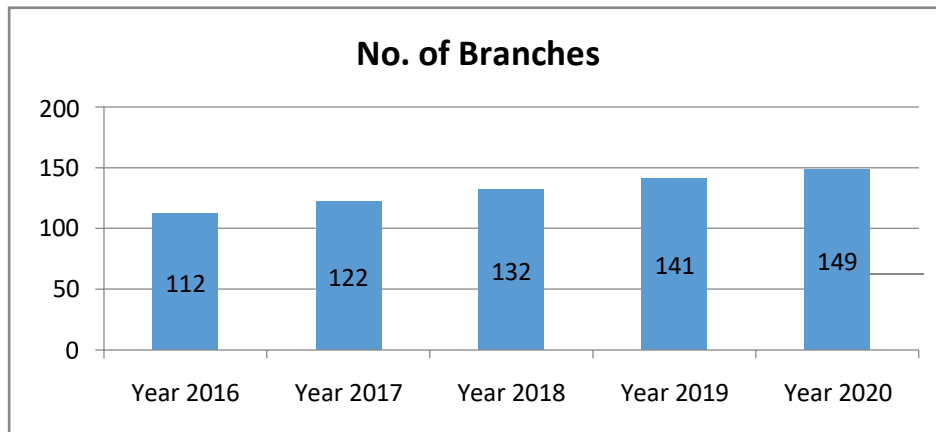
The Bank is committed for satisfying diverse needs of its customers through an array of products at a competitive price by using appropriate technology and providing timely service so that a sustainable growth, reasonable return and contribution to the development of the country can be ensured with a motivated and professional work-force.

Focus

Customer Focus, Trust, Integrity, Commitment, Business, Ethics, Quality, Fairness, Teamwork, Respect, Courtesy, Harmony, Unique Culture, Responsible Corporate Citizen.

2.4 Branch Network of JBL

Currently, Jamuna Bank offers both conventional and Islamic banking through designated 149 branches, 28 sub branches and 15 collection booth/speed centers and 314 ATMS throughout the Country considering the need of the customer and cost effectiveness in mind. We also maintain virtual presence through our web site ([https:// www.jamunabankbd.com](https://www.jamunabankbd.com)).



2.5 Corporate objectives of JBL

- To earn and maintain CAMEL Rating `Strong`
- To establish relationship banking & improve service quality through development of strategies.
- To remain one of the best banks in Bangladesh in terms of Profitability and assets quality.

2.6 Products and Services of JBL

A. Deposit Product:

1. Transactional A/C

- Current Deposit A/C
- Short Notice deposit A/C
- Savings Bank A/C
- Special Savings Bank A/C
 - ✓ Grihini savings Bank A/C
 - ✓ Students savings Bank A/C
 - ✓ Senior citizen savings Bank A/C
 - ✓ Resident foreign currency deposit A/C

2. Fixed Deposit Receipt:

Table: Interest rate on fixed deposit

Particulars	Approved Revised Rate
FDR for one month	5.00%-7.00%
FDR for three month	5.00%-9.00%
FDR for six month	5.00%-9.00%
FDR for twelve month	5.50%-9.00%

- 3. Deposit Scheme:** In 2019-20, JBL launched following products: Lakhpati Deposit Scheme, Kotipati Deposit Scheme, Monthly Benefit Scheme (MBS), Double Growth Deposit Scheme, Triple Growth Deposit Scheme, Monthly Savings Scheme (MSS), Pension deposit scheme, Education savings scheme, Car deposit scheme, Travel deposit scheme, Household durable deposit etc.

B. [Loan Product](#)

Auto loan, Any purpose loan, Personal loan, Salary loan, Doctor's loan, Education loan, Overseas job loan etc.

C. [Alternative delivery channel](#)

ATM, SMS and mobile banking service, Internet banking service

D. [Cards](#)

Visa classic and gold credit card, prepaid gift card, prepaid travel card etc.

2.7 About South East Bank Limited



Southeast Bank Limited was established in 1995 with a dream and a vision to become a pioneer banking institution of the country and contribute significantly to the growth of the national economy. The Bank was established by leading business personalities with stakes in various segments of the national economy. They create and generate an environment of trust and discipline that encourages and motivates everyone in the Bank to work together for achieving the objectives of the Bank. Southeast Bank is run by a team of efficient professionals. A commitment to quality in service is the hallmark of their identity. Southeast Bank takes pride for bringing women into the banking profession in a significant number for gender equality.

2.8 Mission and Vision of SEBL

Mission statements

- Providing high quality financial services with state of art Technology.
- Innovative banking at a competitive price
- Attraction and retention of quality human resource
- Commitment to corporate social responsibility
- Providing excellence customer service
- Sustainable growth strategy
- High ethical standards in business
- Steady return on shareholders' equity

Vision

To be premier banking institution in Bangladesh and contribute significantly to the national economy.

2.9 Corporate information of SEBL

Table: Corporate Information of SEBL

Registered office	Eunoos Trade Centre 52-53, Dilkusha C/A(Level 2,3,4,6,16&17) Dhaka-1000, Bangladesh
Phone:	(88-02) 9571115, 7160866, 9555466, 7173793 Fax: + 88-02-9550093,
Telex:	632425 SBANK BJ
SWIFT	SEBDBDDH
E-mail:	info@southeastbank.com.bd
Date of Incorporation	: (88-02) 9571115, 7160866, 9555466, 7173793
Company Registration No.	+ 88-02-9550093, Telex: 632425 SBANK BJ
Date of Opening of First Branch	SEBDBDDH
Authorized Capita	Public Limited Company
Paid Up Capital	C-27985 (1831)/95
No. of Off-Shore Banking Units	: 02
Stock Details	Dhaka Stock Exchange (DSE) Symbol : SOUTHEASTB,Category: A Listing Date : April 12, 2000, Chittagong Stock Exchange (CSE) Symbol : SOUTHEASTB, Category: A , Listing Date :April 24, 2000
Credit Rating Agency	Credit Rating Information and Services Limited (CRISL)

2.10 Product & Service of SEBL

❖ Conventional Banking Deposit Products

- Savings Account (SB)
- Current Deposit Account (CD)
- Short Notice Deposit (SND)
- Fixed Deposit Receipt (FDR)
- Monthly Savings Scheme (MSS)
- Monthly Income Scheme (MIS)
- Pension Saving Scheme (PSS)
- Double Benefit Scheme (DBS)
- Super Double Benefit Scheme (SDBS)

❖ Card Services

- Southeast Card Service
- Southeast Travel Card
- Southeast Hajj Card
- Southeast Express Card
- Student Debit Card

❖ Corporate Loan

- Working Capital Finance
- Term Finance
- Project Finance
- Work Order Finance
- Trade Finance
- Commercial Finance
- Export Finance

❖ **Islamic Banking Deposit Products**

- Mudaraba Savings Account
- Mudaraba Monthly Savings Scheme
- Mudaraba Monthly Income Scheme
- Mudaraba Pension Savings Scheme
- Mudaraba Double Benefit Scheme
- Mudaraba Super Double Benefit Scheme

❖ **Value Added Services**

- Student File
- Locker Service
- Call Centre (24×7)
- Internet Banking Service
- Mobile Banking Services

❖ **Import Services**

● **Documentary Credit**

- A. Opening Import Documentary Credit
- B. Arranging Add Confirmation through Foreign Correspondent Banks
- C. Arranging Discounting Through Foreign Correspondent Banks

● **Post Import Finance**

- A. Loan Trust Receipt (LTR)
- B. Time Loan
- C. Term Loan

● **Documentary Collection Services**

- A. Documents Collections against Payment
- B. Document Collections against Acceptance

Chapter 3

Bank Data Presentation & Analysis

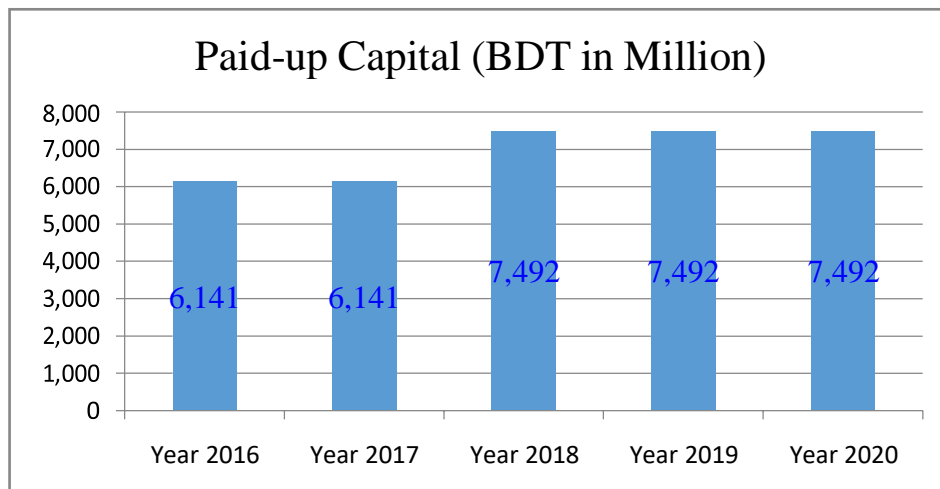
3.1 Jamuna Bank

3.1.1 Share Capital of JBL

The authorized share capital of the bank amounts to tk. 10,000,000,000 divided into 1,000,000,000 ordinary shares of tk. 10 each. The paid up capital of the bank is tk. 4,487,536,620 divided into 448,753,662 ordinary shares of tk. 10 each.

Year	Authorized capital (tk. Million)	Paid up capital (tk. Million)
2016	1000000	6,141.19
2017	1000000	6,141.19
2018	1000000	7,492.26
2019	1000000	7,492.26
2020	1000000	7,492.26

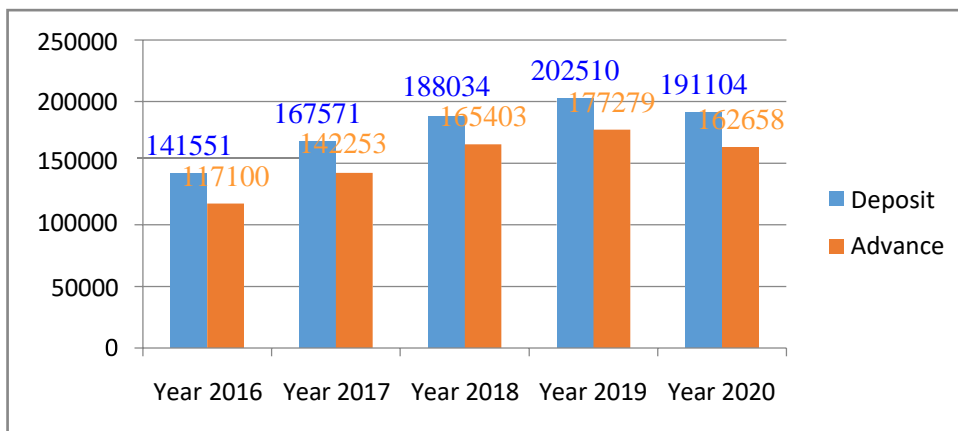
Source: Annual report of JBL



Source: Annual report of JBL

3.1.2 Deposit & Advances of JBL

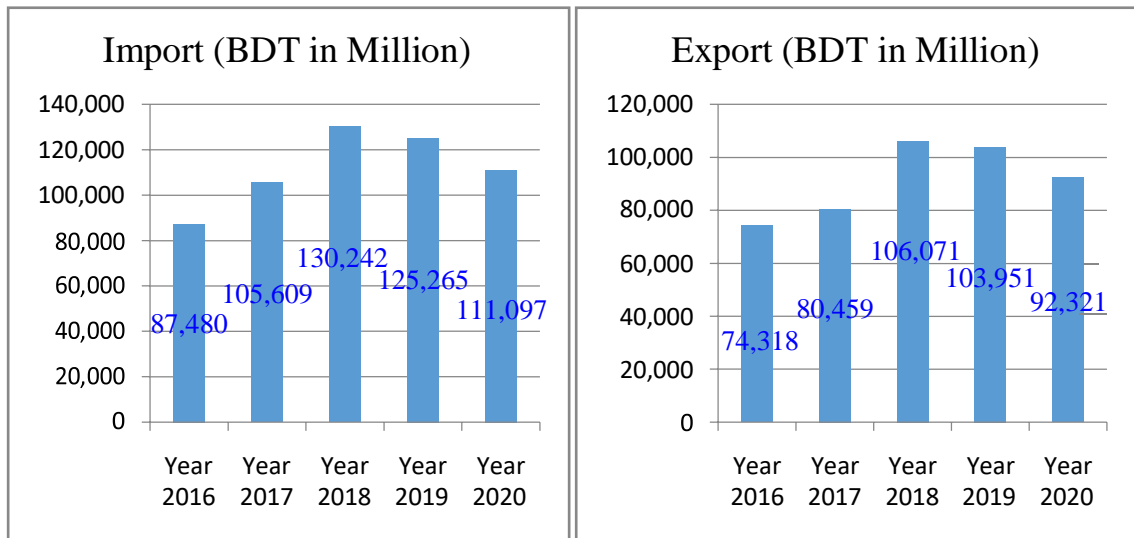
The total deposits of the Bank Decreased by 5.62% to 191,103.99 million against 202,509.52 million last year. Saving Bank deposits reported a strong growth of 17.62% to 162,658 million, while Current Account deposits reported a healthy increase of 19.43% to 23,574.27 million. Besides, Fixed/ Mudaraba fixed deposits reported a strong growth of 40.79% to 72,646.95million.



Source: Annual report of JBL

3.1.3 Import & Export Business of JBL

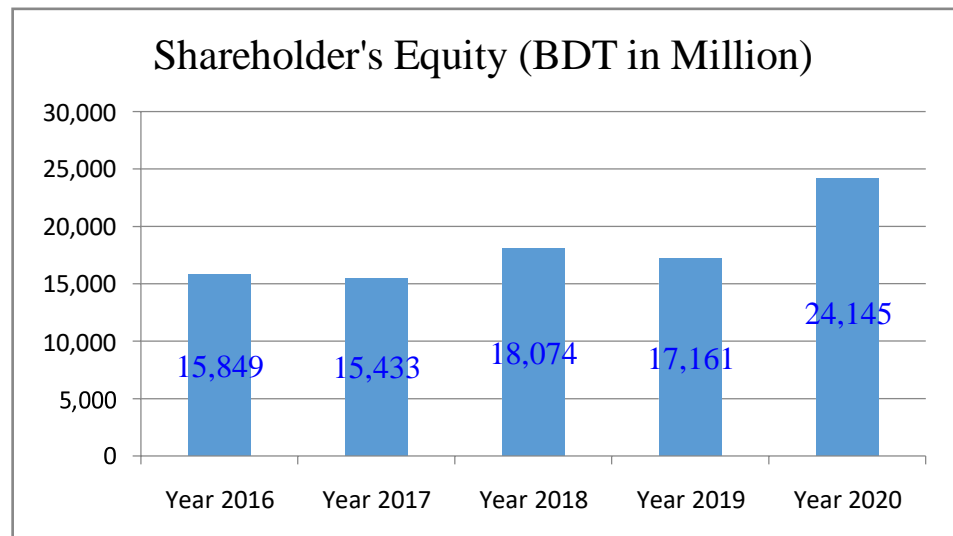
JBL has been showing consistent growth in both its import and export business. In 2020, Import showed a remarkable increase to USD 111,097.00 million. Except Pharmaceutical raw materials, import of all other items including Wheat, Edible Oil, Sugar, Raw Cotton, Fabrics, Synthetic/ Mixed Yarn, Chemicals, Paper, Mobile Accessories, Scrap Vessel etc. increased. The anticipated crisis in food due to the devastating flood in northern districts and stream of Rohingyas taking refuge in southern coastal areas from August 2020 led a significant growth in import of Rice.



Source: Annual report of JBL

3.1.4 Structure of JBL

The shareholder's equity of the bank as on 2020 stood at tk. 24,023.83 million. The paid up capital of the bank was stood at tk. 7,492.26 million as on 2020.

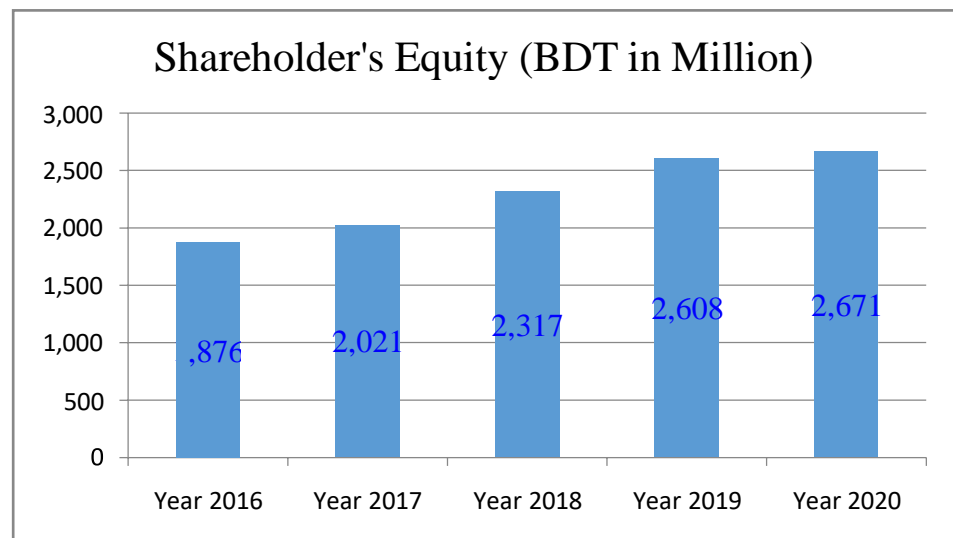


Source: Annual report of JBL

3.1.5 Performance of JBL

Jamuna Bank recorded operating profit of Tk.4,335,41 million in 2020 (solo) with a growth of 3.73% against previous year. Its strong commitment to improve its efficiency and profitability ensuring compliance of all regulatory requirements, the Bank consistently improved its performance. Furthermore, the Bank maintained its financial strength through sound risk, liquidity and capital management. Bank's performance was accomplished mainly from downsizing of loan loss, sticking to core banking business, consolidation of business mix with expanded pie on textile sector, efficient cost management as well as appropriate strategic choice.

Our overall position for the year 2020 suggests that our achievement particularly revenue basket was more viable than we have expected. Bank's Net Interest Income increased by 49.28%, Net Non-Interest Income increased by 29.24%. Although, Investment Income was decreased during.



Source: Annual report of JBL

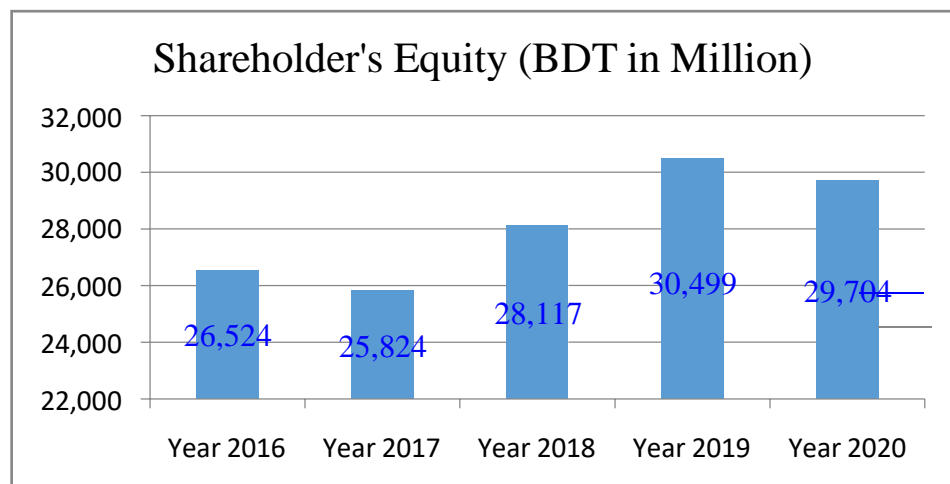
3.2 SOUTH EAST BANK LTD

3.2.1 Share Capital of SEBL

Year	Authorized capital (tk. Million)	Paid up capital (tk. Million)
2016	1500000	9.169.50
2017	1500000	9.169.50
2018	1500000	10.544.93
2019	1500000	11.592.42
2020	1500000	11.889.41

3.2.2 Structure of SEBL

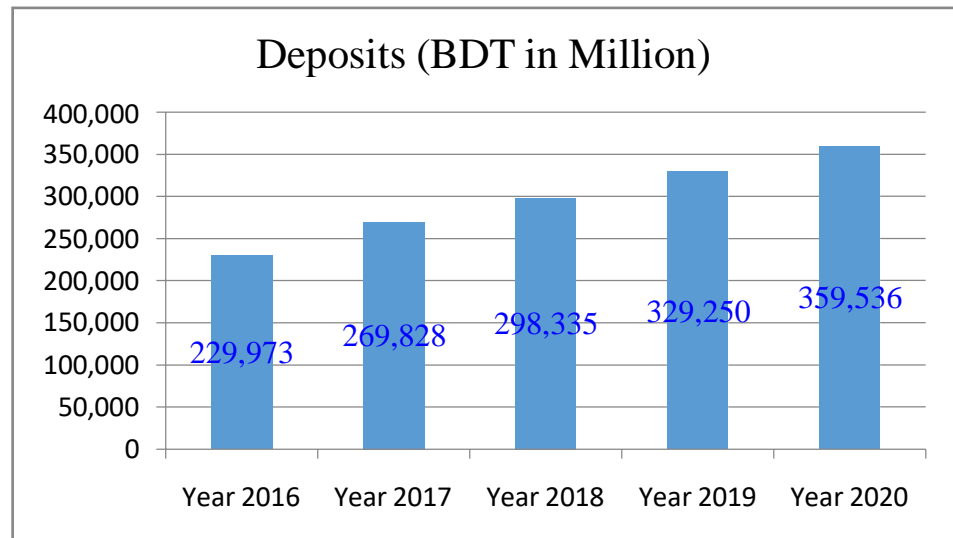
The shareholder's equity of the bank as on 2020 stood at tk. 29,703.77 million. The equity of bank 2019 tk. 30,499.46 million in the year 2017. The Equity Change in 2.61% in 2020 .The paid up capital of the bank was stood at tk. 11,889.41 million as on 2020.



Source: Annual report of SEBL

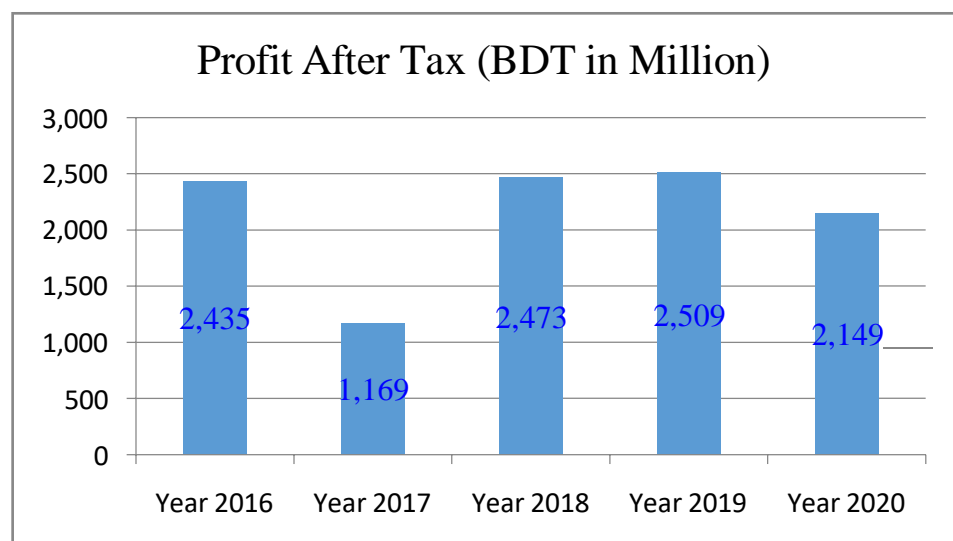
3.2.3 Deposit of SEBL

The total deposits of the Bank increased by 3.59.535.93 million against 3.29.250.27million last year. Saving Bank deposits reported a strong growth of 9.20%. Besides, Fixed/ Mudaraba fixed deposits reported a strong growth 3.59.535.935 million.

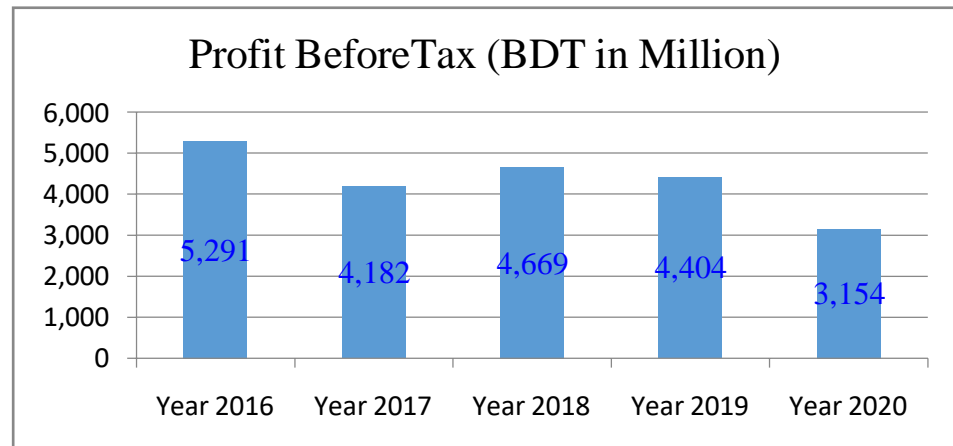


Source: Annual report of SEBL

3.2.4 Profitability of SEBL At A Glance



Source: Annual report of SEBL



Source: Annual report of SEBL

3.2.5 Performance of SEBL

The COVID-19 pandemic has severely affected all areas of economic activities throughout the world. In spite of that, the Bank has registered steady growth in all key areas of business by the grace of Almighty Allah. Bank's total Asset increased by 10.18 percent in line with the Bank's policy of maintaining optimum liquidity. Liquid Assets to total Assets stood at 6.08 percent at the end of 2020. During the year, adequate focus was put on recovery and Liability and Asset Management. It resulted cash recovery against NPLs and written off loans BDT 355.34 million and BDT 501.43 million respectively in the year 2020. As a result, the bank succeeded in trimming down the high-cost deposit base in 2020. In the deposit composition of the Bank, the cost-free and low cost deposit reached 41.97 percent from 35.69 percent as compared to last year. Asset increased by 10.18 percent from BDT 422.31 billion to BDT 465.29 billion over the last year and Shareholders' Equity stood at BDT 29.70 billion in 2020.

Chapter 4

Literature Review

4.1 Performance Evaluation of Bank

Determining how well an organization is doing is simply its performance evaluation. In other words, setting some standards for performance measurement, comparing the performance of an organization in a certain period of time with respect to some established standards- internal or industry wise and determining how well it has confirmed to those standards along with the reasons for that performance is broadly called performance evaluation. A well guided performance evaluation can bring out the strengths and weaknesses of the organization and it also provides a guideline for future improvements. For being the performance evaluation system efficient, it must cover all aspects of the organization.

Performance evaluation is one of the important issues for any bank especially for private commercial banks because a link exists between performance and profit earning. It also helps a bank to determine how well it is performing in compare to others. Performance evaluation is needed for a bank to position itself in a way to see what are needed to add, remove or change to improve the current condition. Simply how well the bank is using its resources to earn profit it indicated by its performance evaluation.

4.2 Advantages of Ratio Analysis

When employed correctly, ratio analysis throws light on many problems of the firm and also highlights some positives. Ratios are essentially whistleblowers; they draw the management's attention towards issues needing attention. Let us take a look at some advantages of ratio analysis.

- Ratio analysis will help validate or disprove the financing, investment and operating decisions of the firm. Financial statement into comparative figures, thus helping the management to compare and financial position of the firm and the results of their decisions.
- It simplifies complex accounting statements and financial data into simple ratios of operating efficiency, financial efficiency, solvency, long-term positions etc.
- Ratio analysis help identify problem areas and bring the attention of the management to such areas. Some of the information is lost in the complex accounting statements, and ratios will help pinpoint such problems.
- Allows the company to conduct comparisons with other firms, industry standards, intra-firm comparisons etc. This will help the organization better understand its fiscal position in the economy.

4.3 Limitations of Ratio Analysis

Ratios are important for financial analysis; but they'd have some limitations, such as

- The firm can make some year-end changes to their financial statements, to improve their ratios. Then the ratios end up being nothing but window dressing.
- Ratios ignore the price level changes due to inflation. Many ratios are calculated using historical costs, and they overlook the changes in price level between the periods.
- Accounting ratios completely ignore the qualitative aspects of the firm. They only take into consideration the monetary aspects.

4.4 Profitability Ratio

- I. **Return on Asset (ROA):** The return on assets ratio measures the net income produced by total assets during a period. In other words, ROA measures how efficiently a company can manage their assets to generate incomes during a period.

$$\text{Return on Asset} = \frac{\text{Net Income}}{\text{Average Total Assets}}$$

- II. **Return on Equity (ROE):** This ratio suggests how profitable a company is in comparison to the net income with the shareholders' equity. In other word, ROE measures the ability of a firm to generate profits from the shareholders investments in the company.

$$\text{Return on Equity} = \frac{\text{Net Income}}{\text{Total Shareholder 's Equity}}$$

Chapter 5

Profitability Analysis

5.1 Profitability Analysis of JBL & SEBL (5 Years)

5.1.1 Net Profit Margin (NPM):

Net profit margin ratio establishes a relationship between net income and operating income that indicates management efficiency in providing services, administrating and selling the product. A higher profit margin ratio indicates a higher margin safety and lower risk for the organization and viceversa.

$$\text{Net Profit margin} = \frac{\text{Net Income}}{\text{Operating Income}}$$

Jamuna Bank Ltd

Table: Net Profit Margin

TK. in BDT Million

Year	2016	2017	2018	2019	2020
Net income	1876	2021	2,317	2,608	2,671
Operating income	8,115	8,786	9,818	11,440	10,861
NPM (%)	23.12	23.00	23.60	22.80	24.59

Source: Annual report of JBL

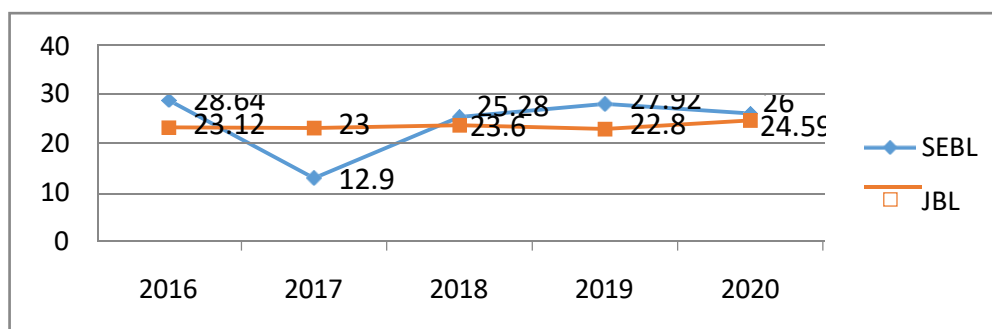
South East Bank Ltd

Year	2016	2017	2018	2019	2020
Net income	2,435	1,169	2,473	2,508	2,149
Operating income	8,503	9,062	9,783	8,983	8,265
NPM (%)	28.64	12.90	25.28	27.92	26.00

Source: Annual report of SEBL

Graph:

Source: Annual report of JBL & SEBL



Interpretation:

From the graph JBL we see that, in 2020 the Net profit margin was 24.59 million and 22.80 million in 2019 which is low may be because of Covid-19.

From the graph SEBL net profit margin is increasing continuously after 2017. It is showing an increasing trend which is not better for the business. It is indicating a lower risk and high margin safety for the business SEBL we see that, in 2020 the Net profit margin was 26.00 million and 27.92 million in 2019. It is indicating a lower risk and High margin safety for the business.

5.1.2 Return On Equity (ROE):

Return on equity indicates the rate on return on equity capital. Generally bank stock holders prefer return on equity to be high.

Table: Return on Equity

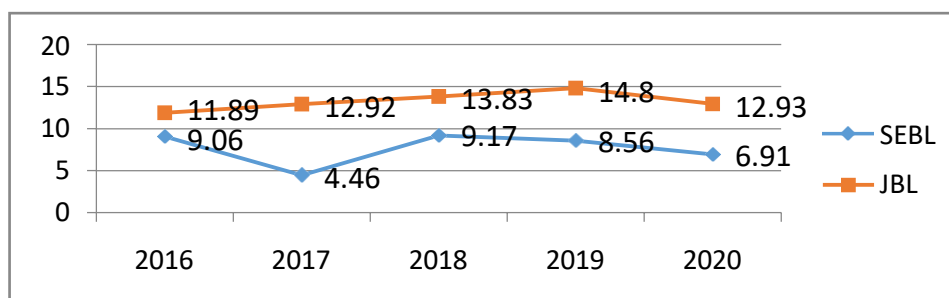
TK. in BDT Million

	2016	2017	2018	2019	2020
ROE (%) SEBL	9.06	4.46	9.17	8.56	6.91
ROE (%) JBL	11.89	12.92	13.83	14.80	12.93

Source: Annual report of JBL & SEBL

Graph:

Source: Annual report of JBL & SEBL



Interpretation:

From the table we can see that Return on equity of JBL was increased continuously from 2016 to 2019 then decreased in 2020. In 2020 it was 12.93 million and in 2019 it was 14.80 million. To improve the ratio, JBL has to increase its net income (NI) more than average common stock-holders equity. SEBL from the table we can see that Return on equity was decreased continuously from 2016 to 2017 then increased in 2018 and then decreased continuously from 2018 to 2020. In 2020 it was 6.91 million and in 2019 it was 8.56 million. To improve the ratio, SEBL has to increase its NI more than average common stock-holders equity.

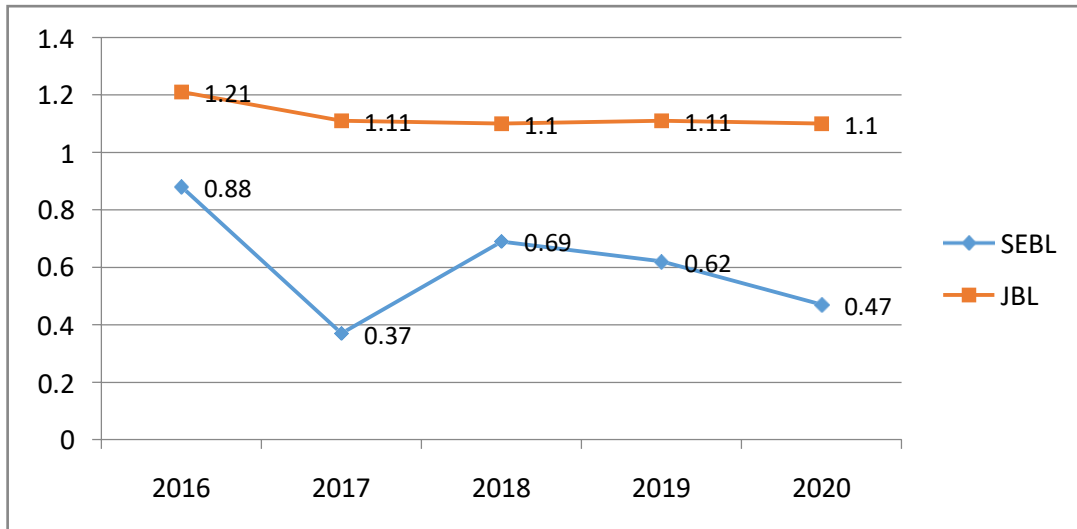
5.1.3 Return On Asset (ROA):

The rate of return on asset (ROA) measures the ability of management to utilize the real and financial resources of the bank to generate returns. Return on asset is most commonly used to evaluate bank management.

	2016	2017	2018	2019	2020
ROA SEBL	0.88	0.37	0.69	0.62	0.47
ROA JBL	1.21	1.11	1.10	1.11	1.10

Source: Annual report of JBL & SEBL

Graph:



Source: Annual report of JBL & SEBL

Interpretation:

Above figure represent the return on asset ratio of JBL and we see that in the year 2020 ROA 1.10 million. JBL was in good profitability position.

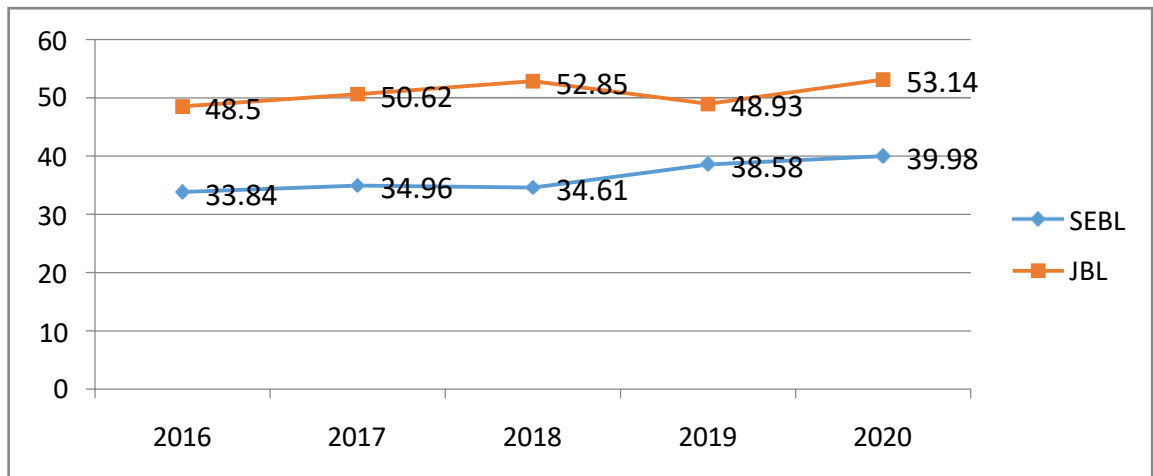
Above figure represent the return on asset ratio of SEBL and we see that in the year ROA 0.47 2020, JBL was in good profitability position.

5.1.4 Cost Income Ratio (CIR):

	2020	2019	2018	2017	2016
Cost-Income Ratio SEBL	39.98	37.58	34.61	34.96	33.84
Cost-Income Ratio JBL	53.14	48.93	52.85	50.62	48.50

Source: Annual report of JBL & SEBL

Graph:



Source: Annual report of JBL & SEBL

Interpretation:

Above figure represent the Cost Income Ratio of SEBL and we see that it has 39.98 in the year 2020. So, in SEBL year by year at increasing Cost Income Ratio at the same JBL Cost Income Ratio in 53.14 in 2020 Increasing.

Findings:

- ROE of most of the JBL & SEBL bank has maintained a level over the year
- Due to Govt. intervention JBL net interest margin allmost same. SEBL also the same but in SEBL net interest margin decreased significantly in 2017.
- By analyzing Cost Income Ratio we found that Jamuna Bank & South East Bank income is higher than respective cost that means they use their deposit more efficiently.
- We found that most of the South East bank's ROA is decreasing trend and Jamuna bank also has decreasing trend but not as much as SEBL.

Conclusion & Recommendation

Banks play a crucial role in an economy, therefore a sound and well-functioning system is essential in providing for sustained growth and development. A profitable banking system is best capable of absorbing negative shocks and sustaining the stability of the whole financial system. Accordingly, this study experiential analyses the determinants of private commercial banks' profitability (measured by ROA), by taking into consideration some bank-specific factors. Profitability seems to have been positively affected by productivity, loan Deposit ratio and negatively by operating expenses, cost income ratio and cost of fund. Mostly, my experiential findings confirm the theoretical predictions.

In order of statistical significance operating expenses are of a supreme importance in affecting the profitability, providing support to the argument that their high ratio lowers efficiency and profitability. Banks tend to be more profitable when they are able to undertake more lending activities, yet due to the credit quality of lending portfolios, a higher level of provision is needed. Banks need to improve profitability by improving screening and monitoring of credit risk. Finally, concerning the fact that the impact of bank size does not significantly determine bank profitability indicates that large banks in the industry have not significantly enjoyed economies of scale.

Overall, the findings suggest that bank profitability could be improved considerably if operating expenses are minimized except for staff expenses and to start exploiting benefits of economies of scale and scope in order to enhance the quality of the banking system, making it thus more profitable. Further development of our banking system depends on its efficiency, profitability and competitiveness. In these circumstances, banks need to find a way to make the optimal utilization of their resources, while minimizing the expenses and losses. That is supposed to enhance their position, resistance and effectiveness, leading to more stable and secure financial system.

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