

**INTERNSHIP REPORT  
ON  
FINANCIAL PERFORMANCE ANALYSIS OF BANGLADESH COMMERCIAL BANK LIMITED.**



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**INTERNSHIP REPORT  
ON  
FINANCIAL PERFORMANCE ANALYSIS OF BANGLADESH COMMERCIAL BANK LIMITED.**

**Submitted To:**

Gourango Chandra Debnath

Associate Professor and Head

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Department of Business Administration

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**Date: 11/11/2019**

## LETTER OF TRANSMITAL

23 September, 2019.

**Gourango Chandra Debnath**

Associate Professor and Head.

Department of Business Administration.

Faculty of Business & Entrepreneurship.

Daffodil International University, Dhaka-1207.

**Subject: Submission of Internship Report.**

Dear Sir,

The division Business Administration for your consideration is pleased to have the opportunity to submit a report in “Finance Performance Analysis of Bangladesh Commerce Bank Limited” as required by the BBA program of Business Administration. I complete the report on time, with all of the proposed objectives. In addition to the academic knowledge gained, this internship program and report preparation has given me the opportunity to understand the subject matter.

I have made every effort to prepare this report and make it as valuable. It was a helpful experience and an opportunity for me to work at this national organization. It was a great pleasure for me to have the opportunity to work on the above.

It must be noted that I would not be able to complete this report without your advice and assistance. I will be grateful to you if you receive the report.

Yours Sincerely,

---

Umme Habiba

Id: 161-11-5008, BBA in Finance.

Department of Business Administration.

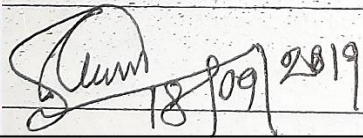
Faculty of Business & Entrepreneurship.

Daffodil International University.

### APPROVAL CERTIFICATE

This is certify that **Umme Habiba, ID # 161-11-5008, BBA (Finance)**, is a regular student of Department of Business Administration, Faculty of Business and Entrepreneurship, Daffodil International University. She has successfully completed her internship program at **Bangladesh Commercial Bank Limited** and has prepared this internship under my direct supervision. Her assigned internship topic is **“Financial Performance Analysis of Bangladesh Commercial Bank Limited”**. I think that the report is worthy of fulfilling the partial requirements of BBA program. I also declare that the study has been prepared for academic purposes only and this paper may not be used in actual market scenario.

I have gone through the report and found it is a well written report. She has completed the report by herself. I wish her every success in life.



*Gourango Chandra Debnath*  
18/09/2019

**Gourango Chandra Debnath**  
Associate Professor and Head.  
Department of Business Administration.  
Faculty of Business & Entrepreneurship.  
Daffodil International University, Dhaka-1207.

## ACKNOWLEDGMENT

In the name of Allah, the Beneficent the Merciful. I would like to express my gratitude and grateful to those who have given me the opportunity to complete this report. Special thanks to Gourango Chandra Debnath, my advisor and Associate Professor and Head of Department of Business and Entrepreneurship, whose help, encouragement , advice and encouragement helped me co-ordinate my project, especially in writing this report.

I would also like to extend my sincere appreciation to all the senior officers who created the opportunity to achieve practical knowledge. Also through this internship program, I perceived importance of working all together as a team and as a new sagacity in work place, which challenges us every minute.

Lest but not least, many thanks to Mr. Shamim Raja, the branch manager of Green Road, who have given his best attempt to lead me into Bangladesh Commerce Bank Limited.



## ABSTRACT

Here, try to measure the financial performance of Bangladesh Commerce Bank Limited (BCBL), which is one of the largest and most demanding private commercial bank in Bangladesh. Including this, Bangladesh commerce Bank Limited is registered as a leading and desirous commercial bank. The bank expand its functionality covering an extensive range of banking and operational performance to individual, companies, corporate entities and other multinational agencies. Within this report, I have viewed the financial performance and activities of Bangladesh Commerce Bank Limited (BCBL). Financial Performance Analysis inflict the current performance condition of this Bank to be compared to past performance. BCBL's financial performance analysis mainly covers ratio analysis (liquidity ratio, credit risk ratio, efficiency ratio etc.). General Banking is a very impressive unit of Bangladesh Commerce Bank as the banking sector in Bangladesh is exposed to the trouble of the culture. Which is mostly the result of low performance of bank results. Skilled implementation of its strategies depending on the directorship ability to prepare strategic design and the performance of the bank. The study findings can always be favorable for the direction of Bangladesh Tread Bank Limited to promote policies to heighten the financial performance of the private commercial banks of Bangladesh and rise their performance. The exploration also measure particular field for banks to lead which can assure sustainable outgrowth for these banks.



BCBL

BANGLADESH COMMERCE BANK LIMITED

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**Chapter: 01**

**INTRODUCTION**

**B C C B**

Business and Management Studies

## INTRODUCTION:

Bangladesh Commerce Bank Limited (BCBL) is a Bangladesh based financial institution that provide banking services like personal and business banking, loan lending, credit card, online banking and money transferring etc. services. BCBL is completely different among all other banks in Bangladesh. Bangladesh Commerce Bank was founded by recognizing the ancient Bangladesh Commerce and Investment Limited (BCIL) through passing act 12 of 1997 in the parliament of the people's republic of Bangladesh having paid up capital amounting to take 92 core consisting of take 40 core cash money paid by government and 3 state- owned banks and 52 core of BCIL depositors money. The commercial activities of the bank were conducted since September 16, 1999. The main branch and also more 20 branch had been opened since 31<sup>st</sup> December 1999, with the title of "A People's Bank with Mission." Through several things like personal service, innovation study and practice, progressive pathway and efficient regulation, this bank has already made a mark on the private banking sector. Bangladesh Commerce Bank Ltd. announced vision which are the first choice of commercial banking and also will make a significant contribution not only to the society bit also to the whole economy of country. To build a proficient and devoted workplace for acquire sustainable growth for the bank and also for overall society, it's the mission of BCBL. And also Included, the bank thinks it introduce the stake holders to gain more returns. So the report show the financial analysis of the Bangladesh Commerce Bank Ltd. which representing an overall financial performance of a financial institution by a structured and logical way. It assist in valuation and judge mentation to make profitable and right business investment. As a result, stakeholder try to focus on getting an overall business overview by seeing profitability, liquidity, assets management and solvency ratio analysis. These ratios not only help to decision making process related factors but also emphasize risk avoidance and profit growth. To calculate these ratios, it's necessary to collect quantitative data from bank trading activities and other sources. These ratios provide idea about different companies in same sector how they stack up and also an idea of comparative value.

The logo for Bangladesh Commerce Bank Limited (BCBL) features the letters 'B', 'C', and 'B' in a stylized, blocky font. The first 'B' and the second 'B' are purple, while the 'C' in the middle is orange. The letters are set against a white background with a faint, light blue grid pattern.

Bangladesh Commerce Bank Limited

## BACKGROUND OF STUDY:

As a prerequisite for the Bachelor of Business Administration (BBA) degree from Daffodil International University (DIU), it must to complete an internship from a reputed business organization & prepare a report. So according to the rule, I have completed Three (3) months internship from Bangladesh Commercial Bank Limited in Dhaka. And now I have prepared internship report named “Financial Performance Analysis of Bangladesh Commercial Bank Limited” by using real life experience of internship at BCBL.

## SCOPE OF THE STUDY:

The study covers general banking activities and financial Performance analysis of BCBL.

Main focus of this report is to analyze:

1. General Banking Activities
2. Ratio Analysis
3. Trend Analysis
4. Common Size Analysis

## OBJECTIVES OF THE STUDY:

The objectives of the this study are given below-

### GENERAL OBJECTIVE:

To analyze the financial statements of Bangladesh Commercial Bank Limited with the key focus of its overall financial performance for four years.

### SPECIFIC OBJECTIVES:

1. To know the current financial position and activities of Bangladesh Commercial Bank Limited.
2. Calculate and analyze the various ratios of BCBL's four-year financial performance.
3. Identify issues related to the BCBL's banking activities and financial workplace.
4. Some potential recommendations or solutions to overcome problems.

## METHODOLOGY OF THE STUDY:

### TYPE OF RESEARCH:

This report is a descriptive study because the overall activities performed by the BCB are summarized here. This has been mainly done through the collection of secondary information. The BCB's annual reports were the main secondary data source in this regard. Ratio analysis and trend analysis have been used as major tools for financial performance analysis. This study is done on the basis of data obtained from different sources collected using a specific method. This report is analytical in nature.

### DATA COLLECTION:

Regulatory process is required from the selection of topics to the presentation of the final report to the study. In this study a descriptive approach was taken to gain insight and understanding of the financial performance of BCBL. Data sources were identified and collected for the purpose of the study, they were categorized, analyzed, interpreted and presented in a systematic manner, and key issues were found. This overall process of the procedure is given below that is followed by the study.

#### Sources of data:

The data used to complete this report has been collected from the Primary sources & Secondary sources.

#### Primary Sources:

- Discussion with officials of BCBL.
- Face to face conversation with all officers and manager of the branch
- Exposure on different desk of the bank
- Face to face conversation with customers.

#### Secondary Sources:

- Web site of BCBL(<https://www.bcblbd.com>)
- BCBL Annual report 2014-2017.
- Product brochure of BCBL.

#### Data Analysis:

- To analyze the data, MS Excel has been used.

## LIMITATIONS OF THE STUDY:

There were some limitations in completing the report with rich resources. Some of these are below:

- The time period of 3 months, is insufficient to learn about all the banking activities of any branch.
- A single workstation cannot be a complete to all study on banking system.
- It is very difficult to collect all the actual information from various personnel for their job discipline.
- As some of the banking fields are not covered by our courses, there was difficulty to understand some activities.
- Confidential Policy of Bank is not disclosing data & information is a big obstacle in preparing the report.
- Because of limited information, in some cases assumptions adopted. Therefore, there may be some mistakes in assuming.
- Available information on the BCBL Website was not enough up-to-date.

The logo for the Bangladesh Central Bank (BCBL) is displayed. It consists of the letters 'B', 'C', and 'B' in a stylized, bold font. The first 'B' is purple, the 'C' is red, and the second 'B' is purple. The letters are set against a background of a large, stylized 'A' shape that is split diagonally into purple and red sections.

www.bcb.gov.bd

**Chapter: 02**

**ABOUT BANGLADESH COMMERCIAL BANK LIMITED**



**B C B**

বাংলাদেশ বাণিজ্যিক ব্যাংক লিমিটেড

## **BACKGROUND OF BANGLADESH COMMERCIAL BANK LIMITED:**

Bangladesh Commerce Bank Limited, which was organized in Bangladesh as a banking company on 1 June 1998 and then it started banking activities with a sanctioned and paid up of saving of taka 2000 million and taka 920 million gradually. The share of Bangladesh Government was paid up taka 300 million capital of the bank and also contributed taka 520 million by the depositor of the previous Bangladesh Trade and Investment Limited (BCIL). The balance of Taka 100 million will be required to authorize to the banks and financial institutions under the leading and observation of Bangladesh Bank. Preceding BCIL was established as a non-bank financial institution on January 27<sup>th</sup> 1986 which running its activities until April 1992. Due to liquidity crisis, Bangladesh Bank stopped its business on April 1992. Results of, company's investors face huge loss and also its employees were unemployed. By different ways, depositor and unemployed workers were demanded to reopen the company and they also raised voice for their money and arrears. The Government of Bangladesh founded the Bangladesh Trade Bank as an underworld to break the BCIL because to protect the benefit of depositor, employees and the common people and salt down the banking process from contagious effects of banking failure. Following this, the Government formed a ten member's board of directors to create and exchange BCIL into BCBL on 8 February 1998 and also took control the matter of the bank. As a full-fledged branch of BCBL, 24 branch are responded. Now a days, the broad objective of the Bank is leading all types of commercial banking activities and rejoin speedily to the verities of demands of the modern banking services and products.

From 16 September to 31 December in 1999, within this three months, BCBL had mobilized deposit of taka million. To further enhance of its deposit collection, BCBL has launched a large number of deposit schemes according to the demand of all section of society. In 1999 and 2000, the Bank's main priority was repayment of previous loan of the BCIL. The Bank paid up capital taka 920 million, when capital of BCBL is taka 2000million. The contribution of this paid up, Government part is taka 300 million, previous BCIL provide taka 529 million and the rest part of fund were raised from three public sector bank. The board of directors of Bangladesh Commerce Bank Limited is formed by total 11 members among them 7 persons are nominated by Government and the remaining 4 persons arise from private shareholder. This bank is an exceptional example of public-private partnership.



### **MISSION OF BANGLADESH COMMERCIAL BANK LIMITED:**

Bangladesh Commerce Bank Limited is committed to catering to customer needs and their first choice in banking so as to ensure a stable growth, reasonable return and development of the country through motivated and professional workforce.

### **VISION OF BANGLADESH COMMERCIAL BANK LIMITED:**

Customers become the first choice bank with a credible and meaningful contribution to society.

### **GOAL OF BANGLADESH COMMERCIAL BANK LIMITED:**

Create an automated and computerized environment delivery service to find innovative modern banking at a new level and prepare itself to address the new.

### **STRATEGIC PRIORITIES OF BANGLADESH COMMERCE BANK LTD.:**

#### **Strategic Priorities**

- To maintain a growth of business in all core activities with desired level.
- To follow state-of-the-art technologies and adopt innovative ideas for financial inclusion.
- To strengthen the risk management technique and compliance culture.
- To enlarge the customer base and maintain an incremental deposit & reduce the non-performing assets.
- To guide appropriate corporate governance system and culture with best practice.
- To establish relationship banking & continuously improve service level.
- To expand banking services to all classes of people.
- To ensure different types of investment according to people demand in line with the “Green Banking Guideline” issued by Bangladesh Bank.
- To take effective measures to increase capital base and provision shortfall.
- To best management capacity & human resources quality and develop a pro-active work force with a suitable compensation package.
- To be determined in the socio-economic development of the country.

### **SERVICES OF BANGLADESH COMMERCE BANK LTD.:**

- Retail Banking
- Corporate Banking
- SME Banking

- Agricultural Banking
- NRB Services
- Loan and Advances
- Western Union
- MoneyGram
- Xpress Money
- IME
- Locker Service

**HIERARCHY OF BANGLADESH COMMERCIAL BANK LIMITED:**

**3.8 Hierarchy of position in BCBL**

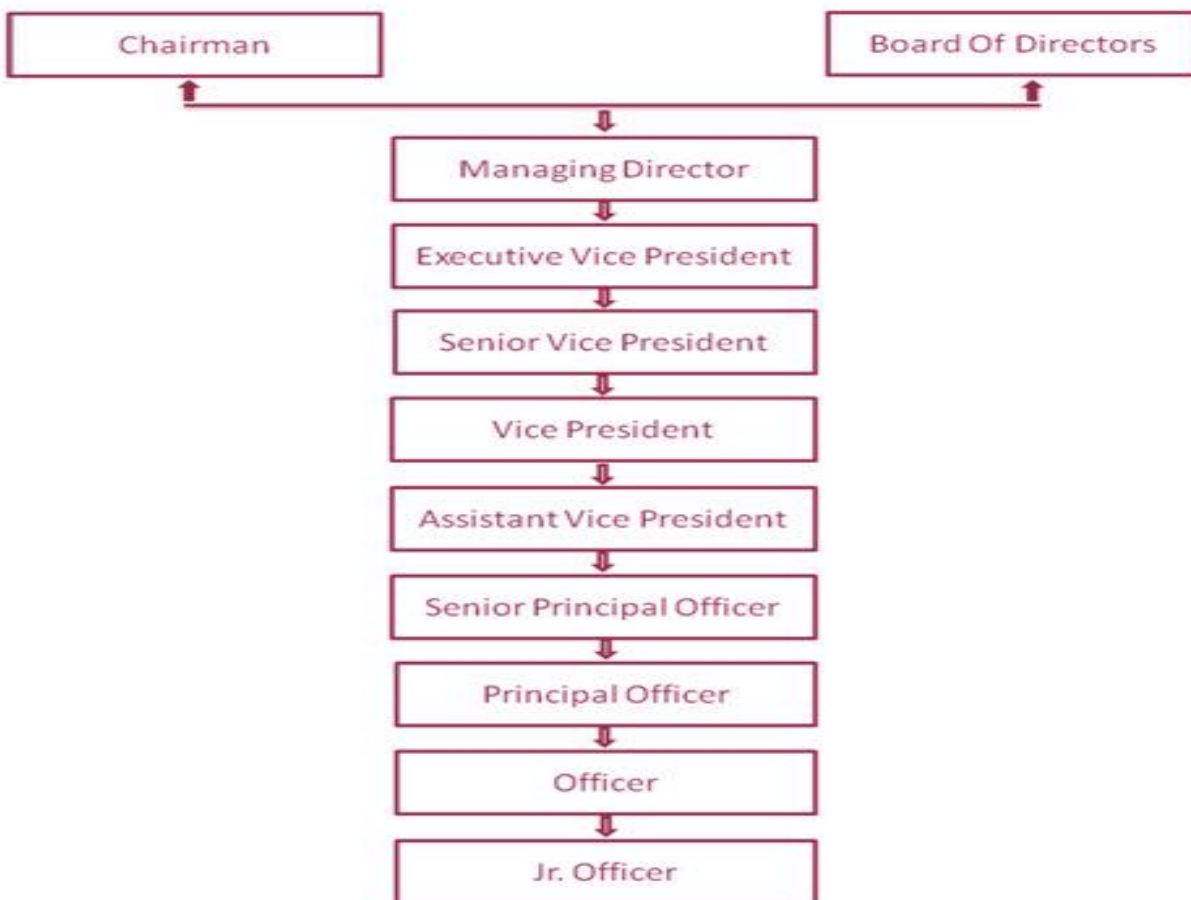


Figure i: Organization Structure

## **PRODUCTS OFFERED BY BCBL:**

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### **1. Deposit Schemes:**

Current and savings accounts of BCBL provide a good number of deposit schemes. These are essentially the practice of saving people and giving them a good profit margin. Deposit projects are showed below:

- Special Notice Deposit
- Fixed deposit Receipt
- Pension Savings Scheme
- Double Benefit scheme
- Triple Benefit Scheme
- Lakhpati Deposit Scheme
- Millionaire Deposit Scheme
- Kotipoti Deposit Scheme
- Marriage Deposit Scheme
- Education Savings Scheme

So BBBL provides a chance to save today for a really comfortable tomorrow with a versatile name. The profit rate is good enough.

### **2. Credit Schemes:**

Bangladesh Commerce Bank Limited provides large number of credit schemes for the customers. The schemes are given below:

- Export and Import.
- Trading.
- Stock & share.
- Project Loan.
- Corporate Loan.
- Syndicate Finance.
- Credit for nonbank financial institutions.

- Bank Guarantee.
- SME Finance.
- Agriculture & Rural Development.
- Home loan.
- Car Loan.
- Consumer credit.

Bangladesh Commerce Bank addresses all important areas of economic activities of the country as well as takes care of the personal needs of the people. For developing countries like Bangladesh, SMEs and rural development projects are even more important. The BCBL has emphasized these two issues. There are three categories of SME schemes, namely Small Business Credit, Small Credit Facility and Cash Credit for Small Enterprise. All of these programs are well designed to meet the needs of SME development and achieve a sustainable growth. The middle industries of the country are also on BCBL's priority list. For this reason, BCBL provides project planning, ongoing capital loan and export import from this bank.

### **3. Trade Financing:**

1. Letter of Credit (Documentary Credit)
2. Back-to-back Letter of Credit
3. Shipping Guarantee
4. Export LC (Advising & Transfer)
5. Letter of Guarantee
6. Import Bill Handling
7. Export Bill Negotiation/Collection
8. Import Loan
9. Letter of Trust Receipt (LTR)

### **4. Utility Bills Pay Service:**

1. Titas Gas.
2. Bangladesh Telegraph and Telephone Board.
3. Rural Electrification Board.
4. Dhaka Power Distribution Company.
5. WASA.
6. West Zone Power Distribution Company.
5. **BCBL Debt Card Service.**
6. **BCBL Credit Card Service.**
7. **Foreign Remittance Service.**
8. **Sure Cash( Mobile Banking.**
  - Free Sure Cash account opening.
  - Cash Deposit, Withdrawal & Transfer.

- Utility bill & School fee Payment.
- Payment facility through Merchant account.
- Mobile account recharge like Flexi load, Top up.
- Countrywide Sure Cash Agent along with BCB Branches.

**9. Locker Service.**

- **Small Size Locker:** BDT 2000.00 (excluding insurance premium)
- **Medium Size Locker:** BDT 2500.00 (excluding insurance premium)
- **Large Size Locker:** BDT 3000.00 (excluding insurance premium)

**10. Upcoming Services:**

- Export Financing.
- Import Financing.
- Syndicate Financing.
- Working Capital Financing.



**Chapter: 03**

**THEORY ANALYSIS**

## RATIO ANALYSIS:

Ratio analysis is the comparison relationship between a business financial statements. Evaluates a company's operating and financial performance by analyzing its efficiency, liquidity, profitability and transparency ratio. These ratios verify whether the company is improving or declining over time. Ratios can be expressed as percentages, rates, or ratios that are a technique for analyzing financial statements. Different users like investors, management, bankers and creditors lenders use the ratio to make perfect decisions as it analyzes the financial situation of a company. Here, this report show the most common ratios and analyze to evaluate the operating and financial performance of Bangladesh Commence Bank Limited (BCBL) over the years 2014, 2015, 2016 and 2017.

In different financial reporting periods, to set up tread line for a company's performance by Ratio analysis. When a given ratio describe only one point view where ratio analysis highlight the overall changes and comparative movement also. Another useful application for ratio analysis is to compare a company to its counterpart or its industry average. Compete on given industry its must necessary because compering sets of firms can revel both positive and negative information. Because company in similar field, usually use same fund formation and investment in fixed assets. The results of different ratios may mean that a firm has a potential problem and is undermining the efficiency of the competition, but they can also imply that a particular firm is much better at earning profits than its peers. Many analysts look for the largest and least valuable companies in the group and use ratios to review the sector. This section describes an important set of financial ratios and its applications. The selected ratios are organized into four building blocks of financial statement analysis. These are as follows:

- (i) Liquidity Ratio
- (ii) Activity Ratio
- (iii) Efficiency Ratio
- (iv) Profitability Ratio
- (v) Credit Risk Ratio

## LIQUIDITY RATIO:

Liquidity ratio help to measure firm's efficiency to pay its short time debt agreement. When investor observe initially the ability of financial position in a firm at first they notice liquidity in hand. If a firm going into a crisis to meet short time debt that means have chance to become bankruptcy. Because liquidity ratio is one of the favorable scale to understand what is going on into a firm and also take a concept overall financial condition about the firm.

- The liquidity ratio is an important class of financial metrics that is used to measure the debt lender's efficiency to repay its short time debt obligations without increasing external capital.
- Liquidity ratio determines an organization's efficiency to make up short-time liabilities and cash flows, while liquidity ratios relate to the long-term ability of ongoing payday repayments.

**Cash Ratio:** Cash and short time investment are defined as cash ratio. So cash ratio include these assets or investment which can convert cash instantly.

**Quick Ratio:** As like as cash ratio but have extra inclusion that mean account receivable also consider as assets but this ratio definitely reject inventory because its complex to convert into cash.

**Current Ratio:** Define to all current assets and all current liabilities. But another thing this ratio also included inventory but its pretense cause it not liquid.

**Cash to Assets Ratio:** This ratio determine cash ratio divided by current liability. It show that a higher portion of the firm's current assets inform of cash and other highly liquid assets.

**Cash to Deposit Ratio:** Cash to deposit show the maximum limit of a bank which a bank can lead. That means it indicate the amount which is a bank's core capital to use for main banking activities.

**Loan to Deposit Ratio:** Loan to deposit ratio use to compare a bank's total loan debt with its total deposit for the same time which public by percentage. If the percentage of this ratio is too high that means bank don't have adequate liquidity assets to face unanticipated financial requirement. On the other hand, if the percentage of this ratio become too low, that means the bank can't able to grow enough revenue as how much the bank should.



## **EFFICIENCY RATIO:**

The efficiency ratio measure how a firm conduct its assets and liability inwardly to determine turnover, labiality re- financing, amount and equity utilization and general use of inventory and equipment. It must be an essential part for analyzing and tracking the performance of commercial and investment banks.

Here describe the key factors which relevant to efficiency ratio:

- Expense Control Efficiency.
- Operating Expense Ratio.
- Interest Coverage Ratio.

### **Expense Control Efficiency:**

For converting assets into income, the efficiency ratio is the easy and most effective way. High rate to expense control efficiency is the signal of less expending on management that means have strong control on expense that carry more revenue. In contrast to low ratio of expense control efficiency show more expending into management which carry less revenue.

### **Operating Expense Ratio:**

Management expense is linked to managing day to day core business operations. Operating expenses are a key component of operation income calculations and operating income is an important component of many financial system.it show the expense related to the income of a company. To get the ratio, divide management expenses by operating income, such as administrative and fixed expenses (salary and property but not bad debt, which are discontinued). The lower the operating cost of a company, the higher the profit is usually.

### **Interest Coverage Ratio:**

A company's Efficiency to meet its interest is determined by interest coverage ratio. Interest coverage ratio determined income before interest and taxes (EBIT) divided by interest expense. Interest coverage ratio is the amount of interest which paid by a company to repay its debt through EBIT. And the total repay interest from borrower is compared with the bank also repay against its own loan. So it show how technically bank manage interest income and interest expense.

So lower percentage of interest coverage ratio indicate that firms have debt obligation and also have chance to become bankruptcy and defaulter. In construes higher percentage of interest coverage ratio indicate better financial condition that means firm have ability to meet interest obligation Cause have operating income. It also say that firms have in save zoon and meet profit and have chance to maximize the profit also.

## PROFITABILITY RATIO:

Profitability ratio balance income statement accounts and divisions to show profits form a firm's management. The profitability ratio mail concentrate on firm's return from its investment. By effective management how much profit can make a firm this ratio determine the things. For judging a company's return on the related investment of its company's assets that means how much will be the sufficient profit from their assets. In this sense, profit ratio are related to efficiency ratio because they also show how much companies are using their resoures to make profit.

### Types of Profitability Ratio

1. Return on Equity.
2. Earnings per Share.
3. Dividend per Share.
4. Price Earnings Ratio.
5. Return on Capital Employed.
6. Return on Assets.
7. Gross Profit.
8. Net Profit.

**I. Return on Equity:** Return on equity use to determining upcoming profitability by investing company's equity funds and also Show Company's profitability against from the owner's funds. So the higher percentage of this return is better for a company's position in market.

**II. Earnings Per Share:** Profitability for general shareholder's perspective is standardized by Earning Per Share. Because the higher ratio represents better position for the company in field.

**III. Return on Capital Employed:** Capital Employed (ROCE), the ratio of profit to return, determine the efficiency for a company to judge its capital effectively. Simply put, ROCE measures how effectively a company leads its capital to make a profit. Return on employed capital is considered one of the best profitable ratios, and investors generally use it to determine whether a company is worth investing in. A high percentage of this ratio illustrate better efficiency and responsibility.

**IV. Return on Assets:** Another name of return on assets is return on total assets. So it means the net income which grow from total assets over a period of time by comparing average gross assets with total time assets. In other words, the ratio also measure how efficiently a company can manage its assets to generate profit over a period of time. So the up word going ratio act better position of company.

**V. Gross Profit Ratio:** Gross profit margin technic that use to evaluate a firm's financial condition and also help to become a business model by exposing the capital leave over from selling after deducting the cost of goods sold. Mainly gross profit margin show the percentage of sold in a company that means if the percentage is high which mean company perfectly manage cost of sale.

**VI. Net Profit Ratio:** Net profit margin means the percentage of revenue that mean portion of net income or profit. Also included net profit is part of total profit to revenue into firms. Net profit margin show both form of percentage and decimal. Up grow form of the percentage is positive symbol for firms.

## ACTIVITY RATIO:

Activity ratio is most essential part of financial analysis which effectively lead of business assets and convert them into sale and for making more profit. It also supervise a business fixed assets, inventory and account receivable for achieving more efficiency. Its express different things like firm's market financial position, included tell perfect use of balance sheet material.

- The more common term used for activity ratios is efficiency ratios.
- Activity ratio formulas also help analysts to analyze the business's current or short term performance.
- An improvement in the ratios depicts improved profitability.

### Multiple types of Activity Ratio are:

1. Total Assets Turnover Ratio.
2. Current Assets Turnover Ratio.

**Total Assets Turnover Ratio:** The asset turnover ratio is a ratio of efficiency that compares net sales to the average total assets of a company by measure its ability to generate sales from its assets. Total assets turnover ratio measure how efficiency an entity use its assets to sell. A high proportion is favored because there is an emulation that the company is efficiency at generating sales or revenue. A low ratio for example that a company is not using resources efficiency and has internal problems.

### Current Assets Turnover:

The current assets turnover ratio indicates that current assets have become more and more sale. Values may different between business and industry, and normative value is missing. However, high current asset turnover compare with opponent showing position of use of current assets. Up wording move of this ratio expose better use of firm's policies that means inventory account receivable, cash and other assets. Other side low position expose less movement of firms operations or assets. That means a massive portion of financial firms can be used to intensify current operation or to invest. It show the growing need for a firms money sources. If financial production is confined then it will be a reason of organization to rise its financial costs.

## CREDIT RISK RATIO:

Credit lending risk by the lender not repay the loan. In other words, we may define it as a risk that the borrower cannot pay part or all of the principle amount or its associated interest, in whole or in part. This disrupts the cash flow and disrupts the lender in the form of increased collection costs. While it is impossible to know exactly who will default to the obligation, managing the risk of property evaluating and crediting can reduce the severity of the loss. Interest payments from debtor borrower or debt obligation provider's rewards creditors or investors for taking on credit risk.

There have three types of credit risk:

- Credit spread risk occurring due to volatility in the difference between investments' interest rates and the risk free return rate.
- Default risk arising when the borrower is not able to make contractual payments.
- Downgrade risk resulting from the downgrades in the risk rating of an issuer.

The key ratios relevant to credit risk activity ratio:

### **Debt Ratio:**

A debt ratio is a financial ratio which collected from outside of the firms and its means the amounts of firm's debt. The perfect percentage of this ratio are vary from firm to firm. But assume that the lower portion is more suitable than higher. Because low debt commonly mention more static position of longevity.

### **Equity Capital Ratio:**

This ratio mention self-dependency and own financial power of a firm. It's the portion into capital which invest by shareholder that means it mention the portion that funded by investor or the firm's funded copartner. Company with up word movement refers strong and secure position into market which increase share value and also increase invertor. And then it create favorable rank into market. This rank provide more favorable and risk free position to gain more profit and lead business smoothly.

## **Chapter: 04**

### **FINANCIAL PERFORMANCE OF BCBL BY RATIO ANALYSIS**

## RATIO ANALYSIS:

### LIQUIDITY RATIO:

Cash Ratio:  $(\text{Cash} + \text{Marketable Securities}) / \text{Current Liabilities}$ .

Quick Ratio:  $\text{Total current assets} - \text{Inventory} - \text{Prepaid Expense} / \text{Current Liability}$ .

Current Ratio:  $\text{Current Assets} / \text{Current Liability}$ .

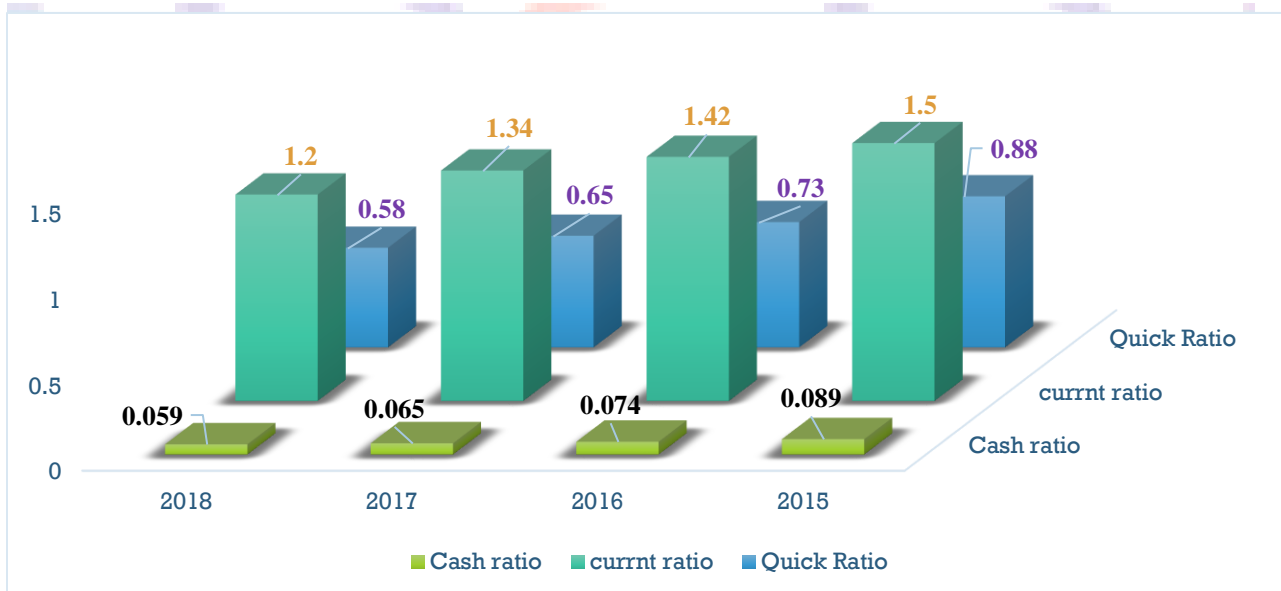
Cash to Assets:  $\text{Cash} / \text{Assets}$ .

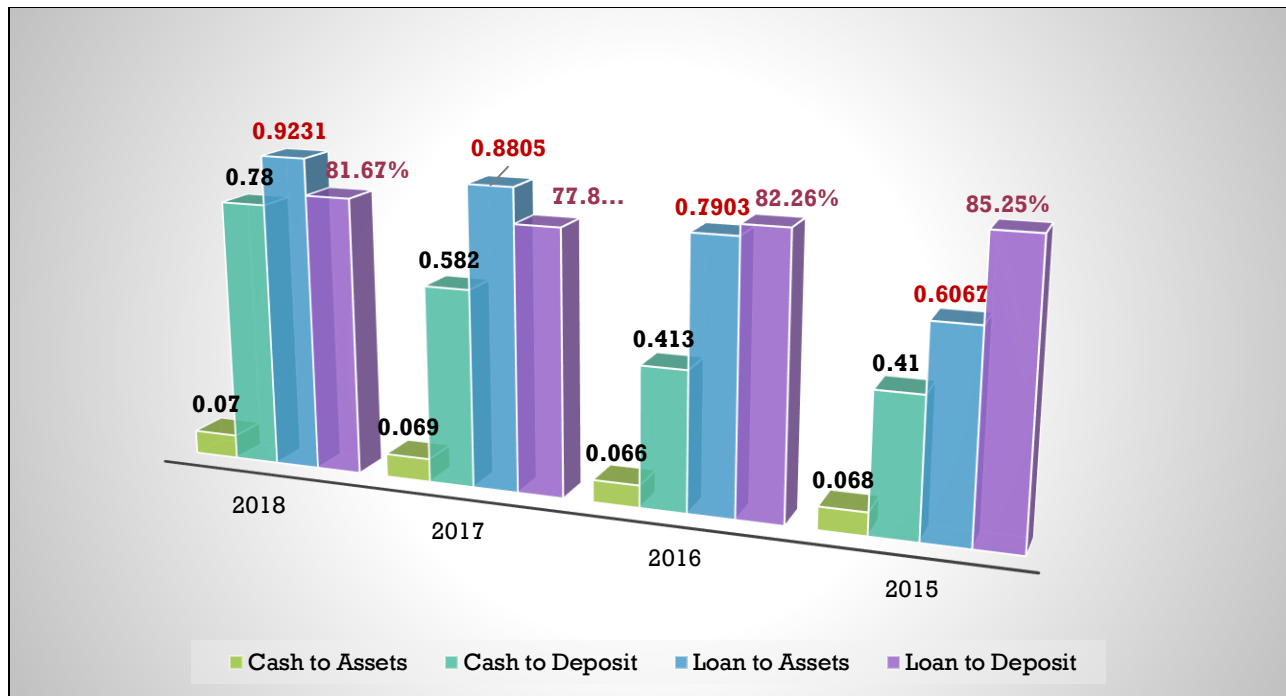
Cash to Deposit:  $\text{Cash} / \text{Assets}$ .

Loan to Assets:  $\text{Loan} / \text{Assets}$ .

Loan to Deposit:  $\text{Loan} / \text{Deposit}$ .

Liquidity Ratio				
Particular	2018	2017	2016	2015
Cash Ratio	.060	.063	.074	.089
Current Ratio	1.2	1.34	1.42	1.50
Quick Ratio	.58	.65	.73	.88
Cash to Assets	.070	.069	.066	.068
Cash to Deposit	.780	.582	.413	.341
Loan to Assets	.9231	.8805	.7903	.6067
Loan to Deposit	81.67	77.82	82.26	85.25





### INTERPRETATION:

The liquidity term is defined the financial obligations of a company. The cash ratio or cash coverage ratio measures a firm's ability to pay off its current liabilities with only cash and cash equivalents. Cash Ratio and Current Ratio from 2015 to 2018 decrease which is not good for the BCBL.

And Quick ratio means to turn assets to cash which decrease because BCBL has not well enough financial condition. Because of some loan default.

Cash to asset ratio shows the current value of marketable securities and cash, divided by the company's current liabilities. And till now Cash to Asset ratio is still growing level. Like Cash to Assets Ratio of BCBL is 2015 was 0.068 then it increase and now 0.070 in 2018. The cash-deposit ratio of scheduled BCBL is observed to be high at 0.780,0.582,0.413 and as at 2018, 2017 & 2016 and 2015. The cash to deposit ratio is increase gradually from 2015-2017 which is good side for the bank. Investors monitor the Loan to Deposit (LDR) of banks to make sure there's adequate liquidity to cover loans in the event of an economic downturn resulting in loan defaults. So in BCBL, Loan to Deposit Ratio is increase gradually every year in 2018 it was 81.67% and in 2015 was 85.25%. It good to keep the ratio in among 80% to 90% which almost

happened in BCBL. Loans to assets ratio is a financial ratio that usually is applied for banks to measure the relation of the bank's loan portfolio to the total assets. Banks Loans to Total Assets ratio also Increased in BCBL.

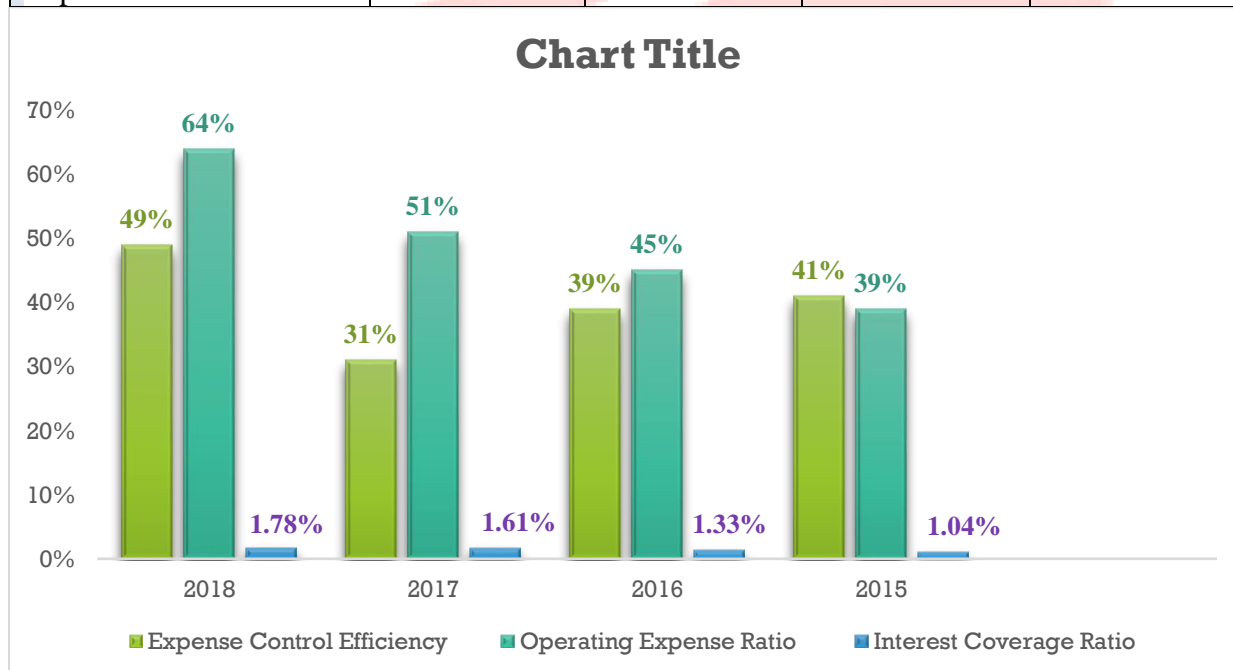
## EFFICIENCY RATIO:

**Expense Control Efficiency:** Net income before tax and gain/ Total operating Revenue.

**Operating Expense Ratio:** Operating Expense/ Revenue.

**Interest Coverage Ratio:** EBIT / Interest expenses.

Efficiency Ratio:				
Particular	2018	2017	2016	2015
Expense Control Efficiency	49%	31%	39%	41%
Operating Expense Ratio	64%	51%	45%	39%
Interest Income to Expense	1.78%	1.61%	1.33%	1.04%





## INTERPRETATION:

For Bangladesh Commerce Bank, we are seeing a very disproportionate trend in their Expense Control Efficiency ratio from 2015 to 2018, with their less improvement in the ratio of expense control efficiency. It has decreased from 2012 to 2016. But in 2016, it has fallen down to 0.31. The reason behind this discrepancy is the proportionate change in the net income before tax & gains (Losses) and total operating revenue. But then 2018 it get some increase which is good for bank.

There is an increasing in the Operating Expense Ratio of Bangladesh Commerce Bank from 2015 to 2018 which is not good for bank. The lower the operating cost of an organization, the higher the profit is usually. Increasing in the OER indicate whether the company can't increase income without proportionately increasing operating expenses.

When a company's interest coverage ratio is only 1.5 or less, its ability to meet interest expense can be questioned. The interest coverage ratio below 1.0 indicates that the business is having difficulty generating the cash required to repay its interest obligations. So here in 2015 and 2016 year interest coverage ratio was less than 1.5 but then 2017 and 2018 it become over 1.5 which is good for BCBL.

## PROFITABILITY RATIO:

**Return on Equity:** Net Income/ Shareholder Equity.

**Earnings per Share:** Net Income – Preferred Dividends / End of the Period Common Share Outstanding.

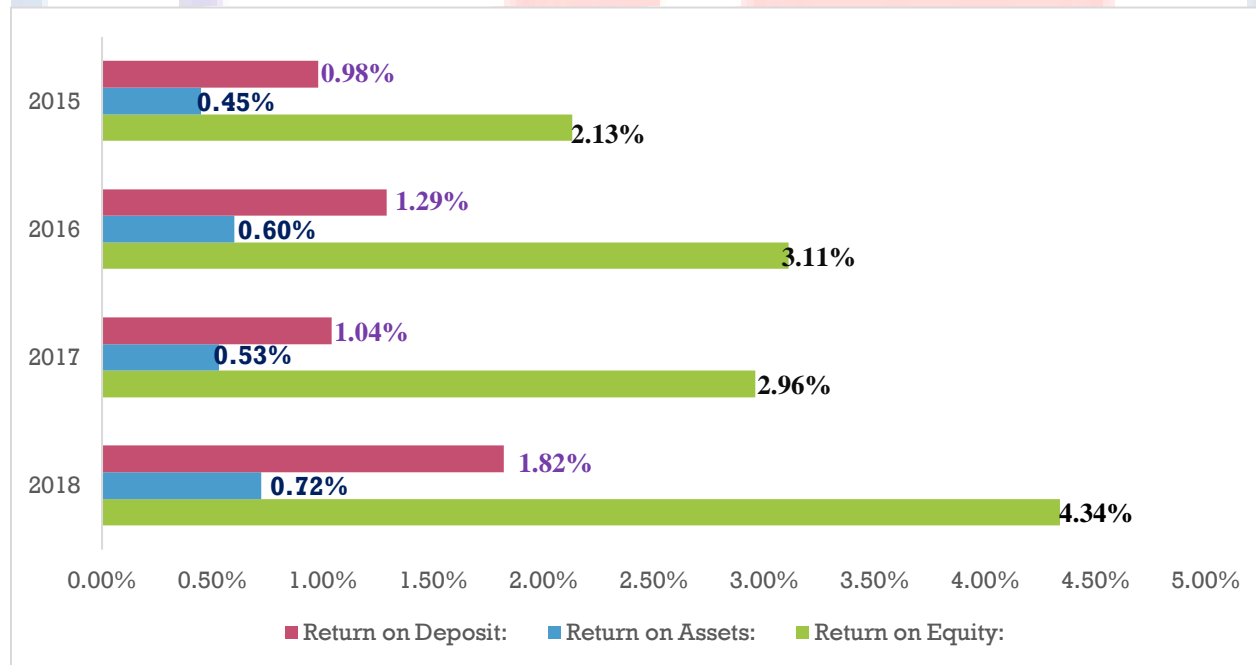
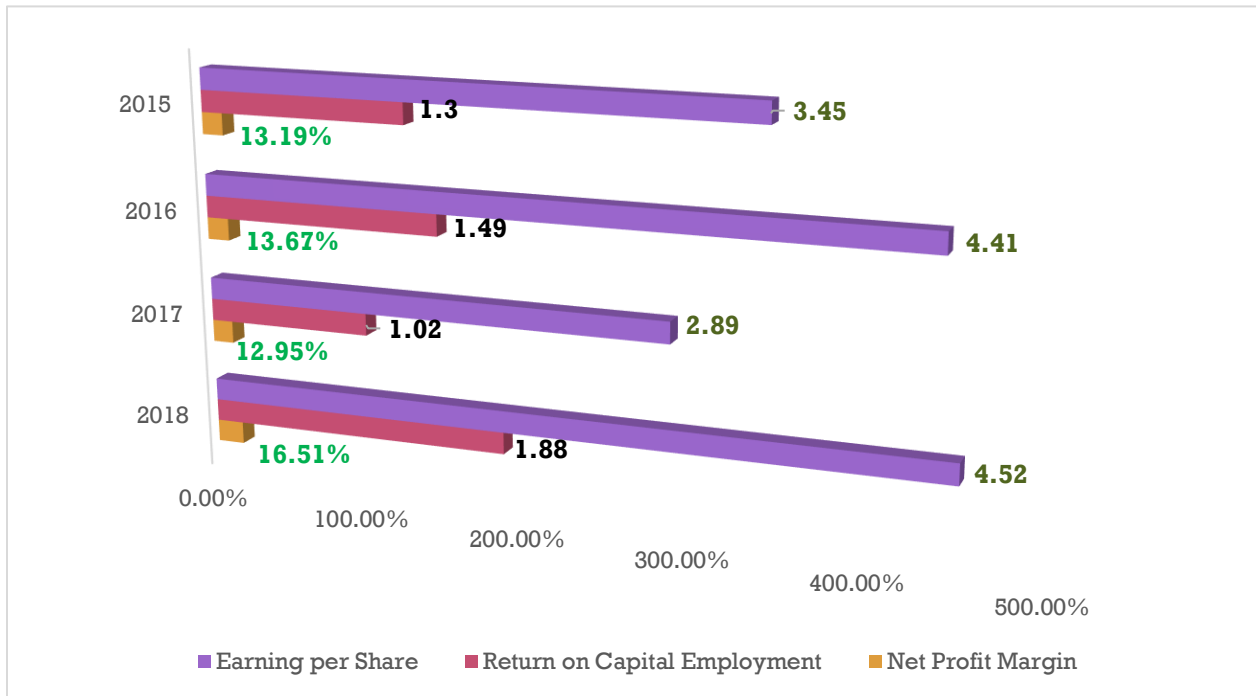
**Return on Capital Employed:** Net Operating Profit or EBIT/ Total Assets – Current Liability.

**Return on Assets:** Net Income /Assets.

**Net Profit Margin:** Net income /Sales.

**Return on Deposit:** Liquidity and Loan / Deposit

<b>Profitability Ratio:</b>				
<b>Particular</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Return on Equity:	4.34%	2.96%	3.11%	2.13%
Earnings per Share:	4.52tk	2.89tk	4.41tk	3.45tk
Return on Capital Employed:	1.88	1.02	1.49	1.30
Return on Assets:	.72%	.53%	.60%	.45%
Net Profit Margin:	16.51%	12.95%	13.67%	13.19%
Return on Deposit:	1.82%	1.04%	1.29%	.98%



## INTERPRETATION:

The return on equity (ROE) measures the return earned on the owner's (both preferred and common stockholders') investment. Generally the higher the return, the better off the owner's. In return on equity 2017 it fall down to 2.96% than last year return 4.34% otherwise from 2015 and 2016 return on equity was in upward trend which is tremendous performance of the bank. So the management provide best effort to increase the return on equity.

Earnings per share (EPS) are generally of interest to present or prospective stockholders and management. EPS is growing position which is good syndrome for bank.

Return on Capital Employed (ROCE) measures how efficiently a company can generate profits from its capital employed by comparing net operating profit to capital employed. By ROCE of BCBL can evaluate its longevity. Hare bank has a growing level.

The Return on Asset (ROA), which show the firm's return on total assets. The higher the ratio is better. So From the analysis, it demonstrates that in 2015 to 2018 it goes up surprisingly 0.45% to 0.72% that means the bank has earn more profit compare with the every previous year.

The Net Profit Margin (NPM) measures the percentage of each sales remaining after paying all expenses, including taxes. From the analysis, years in 2018 to 2015the bank's net profit margin was in fluctuating mood. But in 2016 it achieved high than last three years. Overall their profit margins were Satisfactory.

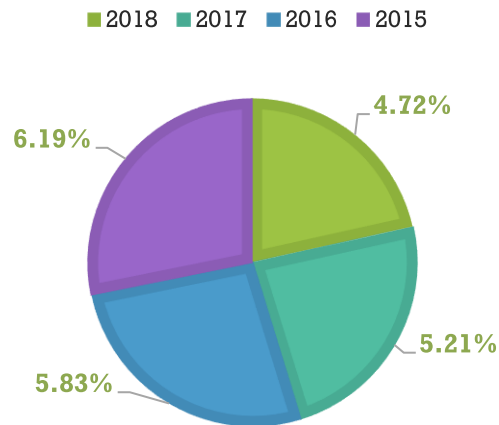
## ACTIVITY RATIO:

Total Assets Turnover:  $\text{Net sales} / \text{Total Asset}$ .

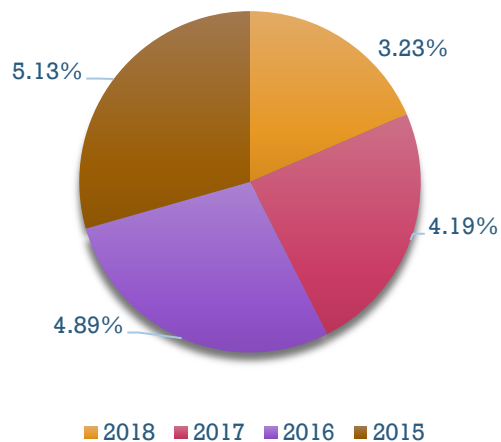
Current Assets Turnover:  $\text{NET SALES} / \text{AVERAGE CURRENT ASSETS}$ .

<b>Activity Ratio:</b>				
<b>Particular</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Total Assets Turnover :	4.72%	5.21%	5.83%	6.19%
Current Assets Turnover:	3.23%	4.19%	4.89%	5.13%

## TOTAL ASSETS TURNOVER



## Current Assets Turnover



### INTERPOLATION:

From 2015 to 2018 Total Assets Turnover was in a declining trend compare with other years which is not good sign. That happen because of unstable political condition private sector growth was in negative trend, bank has huge idle money which invested in low yielding options and a big amount of loans and advances gone bad because of unstable political condition. But in 2018 it become to upward again which is good.

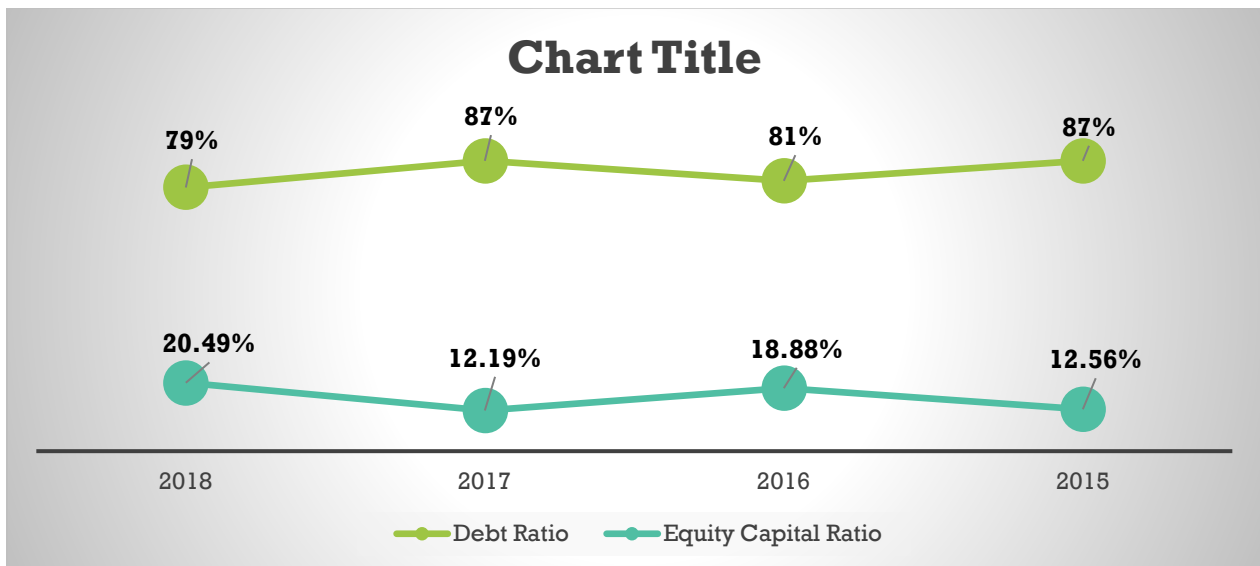
The decreasing trend of the Current Assets Turnover ratio means that the bank is not working on the consistent improvement of its policies in accounts receivable, cash and other current assets management. Current Assets Turnover in bank of BCBL is decreasing in every year from 2015 to 2018 which is not good sign for the bank.

### CREDIT RISK RATIO:

Debt Ratio: Total Liability /Total Assets.

Equity Capital Ratio = Total Shareholder's Equity /Total Assets.

Credit Risk Ratio				
Particular	2018	2017	2016	2015
Debt Ratio:	79%	87%	81%	87%
Equity Capital Ratio	20.49%	12.19%	18.88%	12.56%



### INTERPRETATION:

The line of Debt Ratio shows that, in 2016 and 2018 the debt ratio was decreased because of new capital injection from shareholders. But After the year of 2017 and 2015 both year it grow gradually as the deposit rise which is the common nature of the business. Lower the ratio, it is less risky. Since it is in an increasing trend which is not a good sign for a bank.

The line of equity capital ratio in 2016 and 2018 was increased. But in 2017 and 2015 was to a decreasing mood. In 2016 and 2018 equity is increased due to capital injection by the shareholders the ratio increased. So the equity capital ratio of BCBL should better in future and that need to be internal capital generation.



**Chapter: 05**

**PROBLEMS, RECOMMENDATION & CONCLUSION**

## PROBLEMS IDENTIFIED:

1. BCBL's cash ratio was decreasing from 2015. Considering liquidity of the bank, it's critical situation and need to be addressed.
2. Bank's cash to asset ratio is to fluctuating mood so as early as possible it's needed to be solved.
3. The Banks total assets turnover tend to decrease in every year. Since, Asset Turnover ratio is often use as an indicator of the efficiency, bank should take care of it.
4. The Bank's current asset turnover also decreasing in every year but not have huge difference between the years 2015 to 2017. So it time to finding the reason.
5. Return on Assets and Return on Equity both are fluctuating mood especially in 2017 both are decrease and then in 2018 increase again.
6. Net Profit Margin is increasing but not satisfactory level. So it's time to concern.
7. Expense Control Efficiency ratio was grow in the last tear before that it was downward.
8. Growing of Operating Expense Ratio is problem because it's a reason of less profit.



## RECOMMENDATIONS FOR BCBL:

Through three months' work experience, it's really difficult to draw recommendation. It would be audacious for me to provide suggestions to the people who have better understanding and expertise than me. However, there have few areas which can improve:

1. The bank should focus on cash ratio and also figure out the way to increase it. If bank falls in a liquidity crisis, which make unable to pay current obligation.
2. The bank should focus also on proper utilization of its assets because its help to increase Current Asset turnover and Total asset turnover will be increased in coming years.
3. Bank should too much concern about providing loan to client because last year bank face some defaulter which make loss for bank.
4. Return on Assets and Return on Equity is a fluctuating mood so try to fix it to upward.
5. Need a satisfactory level of Net Profit which increase value of bank.
6. Try to improve the level of Expense Efficiency ratio.
7. Improve management level because lack of proper management create high level of Operating Expense Ratio.
8. Try to decrease debt and increase Equity which make the bank more worthy.

## CONCLUSION:

Bangladesh Commerce Bank Limited is one of the leading commercial banks in our country. In all the economic conditions of our country, Bangladesh Commerce Bank Limited is working with great confidence and has a great competition with the multinational banks, the government-based banks, the local commercial banks. Despite the dire adverse economic conditions of the past few years, BCBL has achieved decent performance in all key areas of banking activities. Bangladesh Commerce Bank Limited has always endeavored to do better financially

Despite trying in some ways, Bangladesh Commerce Bank Limited faced some financial problems from time to time. Some of the problems are - excessive bad loans, debt and advances, lack of cash due to vault restrictions etc. These problems are aroused from time to time due to economic slowdown, interest rate fluctuations, emerging capital markets, inflation in the money market. Fighting all these problems and competing with other banks at the moment, the bank is trying to do its best.



## REFERENCES:

1. Annual Report of Bangladesh Commercial Bank Limited 2015 and 2018.

### Web Site:

1. <https://bcblbd.com/>
2. <https://en.wikipedia.org>
3. <http://bankinfobd.com>





