



# **Financial Performance Analysis of Southeast Bank Limited: A Study on Ashulia Branch**



**Daffodil**  
*International*  
**University**

## **Financial Performance Analysis of Southeast Bank Limited: A Study on Ashulia Branch**

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**Date of Submission: 21 September, 2022**

## Letter of Transmittal

Date: 07 September, 2022

**Mr. Md. Arif Hassan**

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**Subject: Submission of internship report on “Financial Performance Analysis of Southeast Bank Limited: A Study on Ashulia Branch”**

Honorable sir,

This is a great pleasure for me to submit my internship report on “Financial Performance Analysis of Southeast Bank Limited: A Study on Ashulia Branch” as a requirement for internship course of BBA program. I have undertaken earnest effort for successful completion of this internship report. I have worked as an intern for 3 months in Southeast Bank Ltd, Ashulia Branch to gather practical knowledge use them to complete this report. I have also collected data from the website of Southeast Bank Ltd and other sources for this internship report.

It has to be mentioned further that without your advice and cooperation it would not be possible for me to complete this internship report.

Therefore, I expect your kind consideration in this regard, I will be very grateful if you accept my internship report and oblige thereby.

Sincerely,



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**Atiqul Islam**

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## Declaration

I hereby declare that the internship report on “Financial Performance Analysis of Southeast Bank Limited: A Study on Ashulia Branch” has been prepared by me after completing my internship in Southeast Bank Ltd, Ashulia branch, under the supervision of Mr. Md. Arif Hassan, Assistant Professor and Head, Department of Business Administration, Daffodil International University.

I further declare that this report has been prepared as a requirement for my internship program and not this report or no part of this report has been copied from any research or submitted to any other institutions.



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## Certificate of Approval

This is to certify that the internship report on “Financial Performance Analysis of Southeast Bank Limited: A Study on Ashulia Branch” has been prepared by Atiqul Islam, ID: 183- 1 1-66 1, Department of Business Administration, Daffodil international University. He has completed this report as a requirement of BBA program under my supervision and guidance. To the best of my knowledge, not a part of this report has been submitted for any degree or certificate

This report is allowed for submission. I wish him all success in life.



---

**Mr. Md. Arif Hassan**

Assistant Professor and Head

Department of Business Administration

Faculty of Business & Entrepreneurship

Daffodil International University

## Acknowledgement

In our daily life we take help from experts, professionals or skilled people to complete any work or task more beautifully. Many people helped me and played an important role to complete this report perfectly.

First of all, I would like to express my respect and gratitude to my supervisor Mr. Md. Arif Hassan, Assistant professor and head, Department of Business administration, Daffodil International University For his help, advice and guidance to complete this report.

I am also grateful to all the officials and staffs of SEBL, Ashulia branch for their cooperation. I would like to thanks Mohammad Mizanur Rahaman, Senior Assistant Vice President and Head of Branch and Md. Saiful Haque, First Assistant Vice president and manager operation of SEBL, Ashulia branch for giving me the opportunity to work as an intern in their branch. I am also grateful to Binoy Kumar Howlader, officer and Md. Muradul Haque, officer for their endless support and guidance to gather practical banking knowledge throughout my internship. I would also like to convey my thanks to other officials and staffs of SEBL, Ashulia branch for their help support and friendly behavior.

Finally, I am thankful for the hospitality I have received from SEBL, Ashulia branch. Also thankful to those people whose books, research paper, journal and other writings helped and supported me for completing this report.

## **Executive Summary**

Bangladesh is a developing country. As a private commercial bank of Bangladesh, Southeast Bank Limited has been contributing for the economic development of this country by following rules, regulations and orders from Bangladesh Bank. The purpose of this research is to determine the Southeast Bank Limited's financial strengths and weaknesses by properly studying financial statements such as the balance sheet, income statement, and cash flow statement. SEBL's financial performance analysis includes four types of ratio analysis: liquidity ratio, solvency ratio, efficiency ratio and profitability ratio. The analysis covers four years of financial performance, from 2017 to 2020, and the data was gathered from SEBL's annual reports.

The company's liquidity position has been weak in past years, particularly in 2020. It was a reflection of the companies' ability to meet short-term obligations on time. Company's performance in solvency ratio shows a good result. They still need some improvement. Efficiency ratio of the is doing good. It shows that the company using resources very well to generate income. But again, the year 2020 is dissatisfying compared to past years. Profitability ratio was reducing continuously every year which is a threat. The company should take steps to solve the problem.

The study on SEBL does not compare with any other company or industry. The analysis is crucial in understanding the firm's liquidity, solvency, efficiency, and profitability, as well as other indicators of a reasonable and regular corporate operation. The study will assist investors in determining the nature of Southeast Bank Limited and in making investment decisions.

## Table of Contents

<b>Chapter 01: Introduction</b>	
1.1 Introduction	2
1.2 Background of the Study	2
1.3 Objectives of the Study	3
1.4 Methodology of the Study	3
1.4.1 Data source	3
1.4.2 Time Frame	4
1.5 Limitations of the Study	4
<b>Chapter 02: An Overview on Southeast Bank Ltd</b>	
2.1 History	6
2.2 Vision of SEBL	7
2.3 Mission of SEBL	7
2.4 Core Objectives of SEBL	7
2.5 Priorities of SEBL	8
2.6 Values of SEBL	8
2.7 Strengths of SEBL	9
2.8 Code of conduct of SEBL	9
2.9 Product and services of SEBL	11
2. 10 SEBL special accounts	12
2.11 Short Profile of SEBL	14
2.12 Board of Directors of SEBL	14
2.13 My learnings from SEBL, Ashulia branch	15
<b>Chapter 03: Theories</b>	
3.1 Types of Financial Performance Analysis	18
3.2 Types of Ratio Analysis	18
3.2.1 Liquidity ratio	19
3.2.2 Solvency Ratio	20
3.2.3 Efficiency Ratio	21
3.2.4 Profitability Ratio	21
3.3 Financial Statements	23
3.3.1 Balance sheet	23



3.3.2 Income statement	23
3.3.3 Cash flow statement	23
<b>Chapter 04: Financial Performance Analysis</b>	
4.1 Liquidity ratio	26
4.1.1 Current ratio	26
4.1.2 Cash Ratio	27
4.2 Solvency Ratio	28
4.2.1 Debt to Asset Ratio	28
4.2.2 Debt to Equity Ratio	29
4.3 Efficiency Ratio	30
4.3.1 Fixed Asset Turnover Ratio	30
4.3.2 Total Asset Turnover Ratio	31
4.4 Profitability Ratio	32
4.4.1 Return on Asset (ROA)	32
4.4.2 Return on equity (ROE)	33
4.4.3 Net Interest Margin (NIM)	34
<b>Chapter 05: Findings, Recommendations and Conclusion</b>	
5.1 Findings	36
5.2 Recommendations	37
5.3 Conclusion	38
<b>References</b>	39

## *Chapter-01*

# *Introduction*

## 1.1 Introduction

Financial performance refers to a company's overall financial health over a given period of time. The technique of determining a firm's financial characteristics from financial statements is known as financial performance analysis. The purpose of this type of study is to figure out how efficient and effective a company's management is, as evidenced by financial records and reports. The analyst tries to assess the company's liquidity, solvency, efficiency and profitability to know about the company's financial condition and performance. An organization's ability to analyze its financial situation is important for enhancing its competitive position. The organization can determine possibilities to improve department, unit, or overall performance by carefully analyzing its financial performance.

Southeast Bank Limited is one of the top commercial banks of Bangladesh, which is playing a key role in developing our economy. The company can identify possibilities to improve sector, unit, or overall performance by carefully analyzing its financial performance. This type of analysis will help both the company and the investors. Company can make improvement decision and investors can make their investment decision from this type of financial performance decision.

## 1.2 Background of the Study

As a requirement of BBA program of Daffodil International University, every student must complete their 3-to-6-month long internship from a reputed business organization and also write a report as a requirement of internship. I had got the opportunity work as an intern for three month and completed my internship from Southeast Bank Limited, Ashulia branch. I am writing this report after getting practical experience and knowledge from bank officials. I have gathered data from various sources and start analyzing the company's financial performance to know the area where company should make improvement and give them some recommendations.

## 1.3 Objectives of the Study

The general objective of this study is to analyze the financial statements of SEBL and know their financial condition.

The specific objectives of this study are,

- ❖ To know about the tools, use to determine the financial performance.
- ❖ To evaluate the financial performance of Southeast Bank Limited using ratio analysis for last 4 years.
- ❖ To identify problems related to SEBL's financial performance from this report.
- ❖ To recommend some possible suggestions to overcome these problems.

## 1.4 Methodology of the Study

### 1.4.1 Data source

There are two options for a researcher to collect data which are primary data and secondary data. Primary data means data gathered by the researcher himself by surveys, observations, experiments, interview etc. Secondary data means data collected from websites, books, journal articles etc.

The majority of this study is based on yearly reports of Southeast Bank Limited from the Dhaka Stock Exchange. The data was gathered majorly using secondary data that was available on the internet as well as the DSE library.

My main sources of secondary data are,

- ❖ SEBL Annual report from 2017 to 2020.
- ❖ Dhaka Stock Exchange.
- ❖ Company's website ([www.southeastbank.com.bd](http://www.southeastbank.com.bd))
- ❖ [lankabd.com](http://lankabd.com).
- ❖ Other finance related websites

### **1.4.2 Time Frame**

To prepare the term paper I took 4 years (2017-2020) data set of Southeast Bank Limited.

### **1.5 Limitations of the Study**

There are so many limitations that I have faced to complete this report. The major limitations are,

- ❖ Financial statements of bank are different from other business organizations which is difficult to understand.
- ❖ Information about ratio analysis of bank is not that much available on internet.
- ❖ It was difficult to study about everything within a short period of internship in the bank.
- ❖ To maintain secrecy, bank doesn't share their sensitive information.
- ❖ Lack of my own experience in this type of analysis was one of the major limitations.

## *Chapter-02*

### *An Overview on Southeast Bank Ltd*

## 2.1 History

Southeast Bank Limited was founded on March 12, 1995 and start its journey as a public limited company on the same day. northeast Bank Limited was founded with the aim and ambition of being the country's leading banking company and making a significant contribution to the country's economic prosperity. The Bank was founded by major business figures and distinguished industrialists from around the country. On March 23, 1995, the Bangladesh Bank granted the SEBL a banking license. On May 25, 1995, M. Saifur Rahman, the Finance Minister of Bangladesh of that time, as the chief guest launched the Bank's first branch at 1, Dilkusha Commercial Area. Credit Rating Information and Services Limited (CRISL) rated the Bank AA (Double A) for the long term and ST-2 for the short term.

Mr. Alamgir Kabir, FCA, a professional Chartered Accountant, is the current Chairman of the Bank. SEBL's Board of Directors is made up of distinguished persons with backgrounds in industry, finance, and operations. There are 13 members on the board, including three independent directors and the managing director. Mr. M. Kamal Hossain, the Bank's Managing Director, is an innovative, professional, and prominent banker with 38 years of expertise in banking.

It offers a wide range of products and services that are meticulously developed to meet the needs of all types of consumers. Customers' unique and often complicated needs are addressed through the bank's operating strategy. In 2009, the Northeast Bank Foundation established a scholarship program for deserving students. Till now, the Foundation has awarded 827 scholarships to secondary students, with 1263 scholarships awarded to higher secondary school students. The curriculum has been increased to include students at the graduating level from 2011. Scholarships were awarded for the first time to 75 students admitted to public institutions, medical colleges, engineering universities, and agricultural universities.

The Bank's practice of maintaining a pleasant work environment has also allowed employees to better compare themselves to management standards. Their identity is defined by a commitment to quality and service excellence. Southeast Bank is proud of its efforts to increase the number of women in the banking sector in order to achieve gender equality. Women currently make up 18.14 percent of SEBL's workforce, which will climb to 45 percent in the next 5 years.

## 2.2 Vision of SEBL

The vision of SEBL is to become one of the Bangladesh's leading banking institutions and also making a significant contribution to the country's economy.

## 2.3 Mission of SEBL

- Fast and quality customer service
- Contain high ethical ideals in the company
- Ensure innovative banking at a low rate/cost
- Committed to CSR (Corporate Social Responsibility)
- Compatible/balanced return on equity of shareholders
- Long-term growth tricks/strategies
- Attracting and holding high-quality employees
- Substantial financial services utilizing cutting-edge technologies

## 2.4 Core Objectives of SEBL

- Recruiting experts with extensive experience and knowledge
- Seeking out new growth and profit opportunities
- Enhancing technology that decrease operational risk and encourage the adoption of industry best practice
- Using proper risk management technique for all six main risks in banking operation as well as green banking and ecological risk management
- Holding a portfolio of high-quality assets in order to provide significant and long-term return while also increasing shareholders value
- Focusing on the bank's fundamental principles of great customer service, teamwork, professionalism and honesty increasing consumer trust and collaboration.
- Keeping sufficient capital in line with the bank's riskiness
- Ensuring effective internal control monitoring method while conducting efficient corporate governance and compliance processes by meeting all regulatory requirements and disclosure in accordance with national and international best practices



- Giving stipends to disadvantaged students and providing warm clothing to the homeless are examples of our Corporate Social Responsibility (CSR). People have been affected by the winter, which has resulted in financial difficulties. aid to the underprivileged and making donations to several relief organizations. They also pay taxes and contribute to society timely national budge
- Maintaining the bank's reputation as a customer friendly institution through accurate and faster customer service, product variety and long-term lucrative relationships with other customers
- Providing Banking device to the financially excluded in order to increase financial inclusion and address socioeconomic needs

## 2.5 Priorities of SEBL

- Balancing process and stability
- Outstanding customer service
- Culture and employee management
- Management of expense and efficiency

## 2.6 Values of SEBL

- Dignity
- Integrity
- Equity
- Harmony
- Group spirit
- Generosity
- Ethics of business
- Responsibility
- Quality service
- Ardor for work

## 2.7 Strengths of SEBL

- Sufficient capital base
- Pleased customers
- Accurate and timely decision making
- Productive group of performance
- Professional board of directors
- Strong internal management
- Effective risk management
- Customer service of the highest standard
- A solid base of asset
- Corporate culture is very different
- Focused on diversity
- Board and management functions are clearly separated

## 2.8 Code of conduct of SEBL

While dealing with customers, SEBL follow the following principles,

- Always use ethical business procedures
- All customer is treated fairly
- Fast customer service at low cost
- Privileges or gift from customers are avoided
- Ensure customer account privacy
- Give customer a high rate of return on their deposit
- Respond to client complaint as soon as possible
- Maintain constant contact with customers

While dealing with shareholders, SEBL follow the following principles,

- Appropriate publication of company data and result of operations to assist them in making right investment decision
- Constant dividend policy

- Effective management of risk
- Insider trading prohibition
- Ensuring that financial reporting and recordkeeping are accurate and fair
- All shareholder receives the same treatment regardless of their shareholding level
- Consult with them and take their opinions into account

While dealing with employees, SEBL follow the following principles,

- No discrimination by religion, sex or race to employees or while recruiting
- Provide well deserved employee a suitable remuneration package
- There is zero tolerance for any unethical action
- Employee follow a strict code of ethics
- Ensure a respectful working atmosphere
- Each employee's duties and responsibilities are clearly stated
- Encourage employees to share their thought on how to improve the bank's quality and quantity

While dealing with society, SEBL follow the following principles,

- SEBL thinks that the bank's business is sustained by the society in which it operates and that it is consequently responsive to the culture and community in the best possible manner
- Avoid funding projects that are harmful to the environment
- Providing material assistance for pollution control
- Help the needy vulnerable and person who have been affected by natural disaster
- Moving quickly on green banking to fight climate change

## 2.9 Product and services of SEBL

### ❖ Conventional banking

▪ Savings account- SB	▪ Ananya: Special savings account for female client
▪ Current account- CD	▪ Bichokkhon savings account
▪ Special notice deposit- SND	▪ ESTEEM -Priority banking service
▪ Monthly savings scheme- MSS	▪ School banking
▪ Fixed deposit receipt- FDR	▪ Taroka
▪ Pension savings scheme- PSS	▪ Nokkhotro: Student Savings Account aged from 18 to below 28 years
▪ Millionaire deposit scheme- MDS	▪ Royal savings account
▪ Monthly income scheme- MIS	▪ Savings fast account
▪ Double benefit scheme- DBS	

### ❖ Islamic banking

▪ Mudaraba savings account- SB	▪ Mudaraba pension savings scheme
▪ Al- Wadiah current account- CD	▪ Mudaraba monthly savings scheme
▪ Mudaraba term deposit receipt	▪ Mudaraba monthly income scheme
▪ Mudaraba special notice deposit	▪ Mudaraba millionaire deposit scheme

### ❖ Loan and advances

▪ Working capital finance	▪ Car loan
▪ Overdraft- OD	▪ Home loan
▪ Project finance	▪ Packing credit
▪ Real estate finance	▪ Loan against export bill
▪ Syndicated loan	▪ Loan against trust receipt

### ❖ Treasury

### ❖ Foreign trade

- Import-export service
- Off-shore Banking: Deals with non-resident Bangladeshi citizens and only does foreign currency transactions.
- Foreign Account Tax Compliance Act (FATCA) Compliance

### ❖ Foreign remittance

### ❖ SEBL cards

- SEBL credit card
- SEBL debit card
- SEBL prepaid card /INSTA prepaid card
- SEBL agent banking debit card
- ❖ SME banking
- ❖ ATM service
- ❖ Locker service
- ❖ SWIFT service
- ❖ Bill payment service
  - Utility bills
  - Tuition fees of universities
- ❖ E-statement service
- ❖ SMS alert service
- ❖ Internet banking
- ❖ SEBL mobile app
- ❖ Mobile financial service

## 2. 10 SEBL special accounts

- ❖ **Ananya:** Ananya is an exclusive savings product for women launched by SEBL in 2016. This innovative product will assist ladies in obtaining various services like,
  - special interest rate
  - Online banking is totally free
  - Free ATM card
  - 50 % discount on credit card
  - No charge for internet banking
  - E-statement
  - Free SMS alert
  - 50 percent discount on account maintenance fee for lifetime
  - 50 % discount on locker fee
  - First checkbook is free

- ❖ **Bichokkhon:** Bichokkhon is an exclusive savings account service for senior citizens launched by SEBL in 2016. This new service will help senior citizens to get,
  - 1% higher interest rate on savings deposit
  - Free online banking
  - Totally free internet banking
  - Free ATM Card
  - E-statement
  - Free SMS alert service
  - 50% discount on account maintenance fee for lifetime
  - 50% waiver on locker fee
  - First cheque book is free
  
- ❖ **Taroka:** Taroka is a school banking savings account for student aged 6-18 years. Parents are capable of handling it. The initial outlay is just 100 takas. Student also can get,
  - A free debit card
  - First checkbook is free
  - No minimum balance required
  - Interest rate on daily basis
  - 0.25% extra interest than a traditional savings account
  - No taxes
  
- ❖ **Nokkhotro:** Nokkhotro is a savings account for student aged from 18 to below 28 years. Taka 200 is the minimum initial deposit amount. Students can also get,
  - Free ATM card
  - No account maintenance cost.
  - Interest rate on daily basis
  - 0.25% higher interest than prevailing Savings Rate
  - 50% waiver on processing fee of Virtual Card (to pay exam fee of SAT, GMAT, IELTS, ACCA, CIMA, CFA etc.)

## 2.11 Short Profile of SEBL

Category	Information
Full name	Southeast Bank Limited
Status	Public limited company
Founded	12 <sup>th</sup> March, 1995
Authorized Capital	BDT 15,000 million (2020)
Year of IPO	1999
No. of employees	2859
No. of branches	135
No. of Off-Shore Banking Units	02
No. of Outstanding Shares	1,188,940,521
Face Value Per Share	BDT 10.00
Earnings per share	BDT 1.81
Stock symbol	Symbol: “SOUTHEASTB” (For both DSE and CSE)
No of shareholders as of 2020	31,881
Profit in the year 2020	BDT 2149. 10 million
Total asset as of 2020	BDT 465,293.41 million
ROE as of 2020	7. 14%
ROA as of 2020	0.47%
No. of branches	135
Chairman	Alamgir Kabir, FCA
Managing Director	M Kamal Hossain
Headquarter	Eunoos Trade Center, 52-53 Dilkusha Commercial Area, Dhaka 1000, Bangladesh.
Website	www.southeastbank.com.bd
Email	info@southeastbank.com.bd

## 2.12 Board of Directors of SEBL

Designation	Name
Chairman	Mr. Alamgir Kabir, FCA
Vice Chairperson	Mrs. Duluma Ahmed
Director	Mr. M. A. Kashem
Director	Mr. Azim Uddin Ahmed
Director	Mrs. Jusna Ara Kashem
Director	Mrs. Rehana Rahman
Director	Mr. Md. Akikur Rahman
Director	Mr. Raiyan Kabir
Director	Bay Leasing & Investment Limited

Independent Director	Mr. Syed Sajedul Karim
Independent Director	Dr. Quazi Mesbahuddin Ahmed
Independent Director	Mr. Mohammad Delwar Husain
Managing Director	Mr. M. Kamal Hossain
Advisor	Mr. Zakir Ahmed Khan

## 2.13 My learnings from SEBL, Ashulia branch

I have completed my 3-month long internship program in Southeast Bank Limited, Ashulia branch under general banking (GB) Section. I have learned a lot and gathered practical experience which are not given our academic courses. I have gained practical experience in,

- ❖ Types of accounts: There are so many types of bank account which are new to me like, ESTEEM -Priority banking service, Modaraba accounts, Al Wadiah account, Bichokkhon, Nokkhotro etc.
- ❖ Requirements for account opening: Requirements for opening a bank account are,
  - NID/ Passport/ Birth Registration copy of account holder and nominee
  - Two copy passport size photo of account holder and one copy of nominee
  - Valid trade license copy (Corporate account)
  - An introducer with an existing account (Optional)
  - Initial deposit amount
- ❖ Remittance: There are many companies like xpress money, moneygram, small world etc. working as third party for sending remittance in our country. Government also gives 2.50% incentive on the remittance amount.
- ❖ Account dormant: An account become inoperable after six months without any activity to the account and become dormant after six more months.
- ❖ Cheque clearing: If a cheque of “X bank” is deposited to “Y bank”, then the Y bank will collect the amount from “X bank” by the help of central bank. There are two types to cheque clearing which are high value and low value. The amount of cheque has to be 5 lac or more for high value clearing, but regular value clearing can be done in any amount.

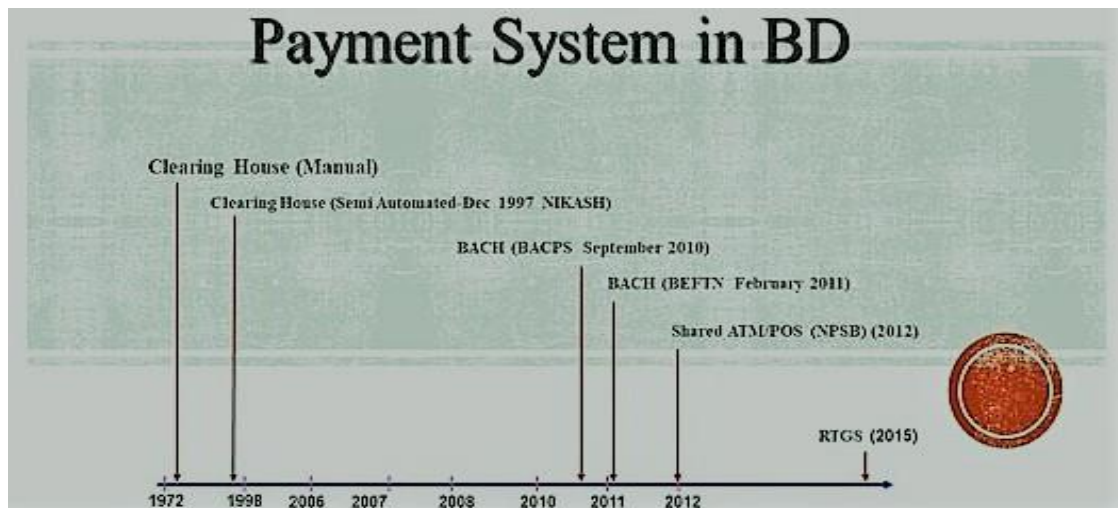
Clearing settlement time:

Clearing session	Presentment	Return	Settlement
High value (HV)	12.00 pm	3.00 pm	3.01 pm
Regular value (RV)	12.30 pm	5.00 pm	5.01 pm



Presentment of both HV and RV instrument is possible for three times. There are two types of clearing process which are outward processing and inward processing.

- ❖ BACH: Bangladesh Automated Clearing House. It is a computer-based system that allow banks to exchange electronic bank instruments. There are two BACH components which are BACPS and BEFTN.
- ❖ BACPS: Bangladesh Automated Cheque Processing System. It is a tool for clearing cheques and authorized payment items for bank businesses in Bangladesh.
- ❖ BEFTN: Bangladesh Electronic Fund Transfer Network. It is an electronic distribution and settlement system operated by Bangladesh Bank.
- ❖ RTGS: Real Time Gross Settlement. It is a special fund transfer system that transfer money or securities from one bank to another in real time. Transactions are settled immediately once they are completed. The minimum amount for RTGS is BDT 1 lac.



Southeast Bank Limited is one of the top private banks of Bangladesh. SEBL always give their best service and keep a good relation with their customer. They have their own customer care service, card division, southeast app, online banking service for their customer. Customer can call to 16206 to talk with customer care and card division directly. They also have cash deposit system in their ATM machine. Customer can both cash out or deposit in ATM by using their debit card.

## *Chapter-03*

# *Theories*

### 3.1 Types of Financial Performance Analysis

The purpose of financial performance analysis is to use financial data to examine a company's present and previous performance as well as its long-term potential. It determines how well a firm earns profits and maintains its assets, liabilities, and interests of its shareholders and investors. There are so many ways to analyze the financial performance of a company. Some of the major types of financial analysis are,

1. **Horizontal Analysis:** Horizontal analysis compares financial data from various years to one another to calculate a growth rate. This will make it easier for an analyst to see significant trends and evaluate if a company is expanding or falling. It assists in comparing a company's growth and financial situation to those of its competitors.
2. **Vertical Analysis:** Vertical analysis is a technique for examining financial statements where each line item is expressed as a percentage of the statement's base amount. With each subsequent line item reflecting a percentage of the total, the initial line of the statement always displays the base value at 100%. The outcomes of this activity should be compared to those of other businesses in the same sector to see how well the company is functioning for maximum effectiveness. This method enables an analyst to compare businesses of various sizes by analyzing their margins rather than their dollar amounts.
3. **Ratio Analysis:** Ratio analysis is a mathematical way of determining a company's financial condition, operating efficiency, and profitability. Future performance of a company can be estimated by ratio analysis of that company's present and past performance.

One of the most used and effective way to analyze a company's financial performance is "Ratio Analysis".

### 3.2 Types of Ratio Analysis

Ratio analysis may not give solution to all of the enquiries about the firm's performance but it will in formulating questions for future investigation. An analyst can make two types of comparison by ratio analysis which are,

- Time-series comparison
- Cross-sectional comparison

In time-series comparison, analyst can compare between some selected year's performance of the same company. In cross-sectional comparison, analyst can compare the performance of a company within its industry.

Four categories of ratio are used to analyze the performance of SEBL which are

### 3.2.1 Liquidity ratio

Liquidity ratio help to determine the adequacy of a company's cash resources to pay its cash obligations. There are many components of liquidity ratio The components of liquidity ratio which will be used to analyze financial performance of SEBL are,

- **Current ratio:** It describes a company's ability to pay its current obligations/debt from its current assets. Current ratio provides information about how much of current asset a company has for repaying each taka (1 taka) of current liabilities/debt. For example, if a company's current ratio is 1.44 than it describes that the company has 1.40 taka of asset for each taka of liabilities/debt. Higher current ratio indicates better condition of the company.

Formula to calculate current ratio is,

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

- **Cash Ratio:** Cash ratio calculate the ratio of total cash and cash equivalent of a company. Cash ratio measure company's ability to repay its current/short term liabilities with cash and cash equivalents. It shows how much cash and cash equivalent the company has to repay each taka (1 taka) of current/short term liabilities. Higher cash ratio is a positive sign for the company.

Formula for cash ratio is,

$$\text{Cash Ratio} = \frac{\text{Cash and Cash Equivalents}}{\text{Current Liabilities}}$$

### 3.2.2 Solvency Ratio

Solvency ratio is used to assess the ability of a company to meet long-term debt obligations. Solvency ratio is an indicator of a company's financial health that determines if its cash flow is able to cover its long-term obligations. An unfavorable ratio can indicate some likelihood that a company will default on its debt obligations. Although both solvency and liquidity ratios are used to assess a company's financial condition, solvency ratios have such a longer-term perspective than liquidity ratios. The debt to assets ratio and debt to equity ratio are the most important solvency ratios.

- **Debt to Asset Ratio:** The debt to assets ratio compares the overall debt of a corporation to its total assets. It calculates a firm's leverage and shows the company's ability to repay debt with available assets. This figure shows the proportionate claims of creditors and shareholders on the company's assets. The debt ratio indicates how much money is contributed by creditors and how well the company's assets protect creditors. Lenders desire a low or moderate debt to asset ratio. A low or moderate debt to asset ratio gives creditors additional security in the event of a company's financial difficulties.

Debt to assets ratio formula is,

$$\text{Debt to Asset Ratio} = \frac{\text{Total Liabilities}}{\text{Total Assets}}$$

- **Debt to Equity Ratio:** The debt-to-equity ratio is the amount of debt compared to the amount of equity. The link between long-term funds provided by creditors and those contributed by the company's owners is depicted by this ratio. It examines the funds provided by creditors and shareholders. The lower the ratio, the more conservative and safer the company is. A debt-to-equity ratio of 1.5 or less is preferred, and a ratio of more than 2 is regarded unfavorable. Debt to equity ratios differ greatly per industry. A comparatively high debt to equity ratio is common in the banking industry. Banks have greater debt levels because they own considerable fixed assets in the form of banking facilities.

The formula of debt-to-equity ratio is,

$$\text{Debt to Equity Ratio} = \frac{\text{Total Liabilities}}{\text{Total Shareholder's Equity}}$$

### 3.2.3 Efficiency Ratio

Efficiency ratios assess how effectively a business uses its assets to produce revenue and maximize profits. It assesses a company's capacity to produce revenue from its assets. If all other factors remain constant, the higher the rate of turnover or conversion, the more efficient the asset usage. Fixed asset turnover ratio and total asset turnover are some key efficiency ratios that are used in this report.

- **Fixed Asset Turnover Ratio:** Fixed asset turnover ratio shows how well company has been able to use fixed capital to generate ever-increasing revenue. If the fixed asset turnover ratio is low, it indicates that the firm's fixed asset investment is excessive.

Formula for fixed asset turnover ratio is,

$$\text{Fixed Asset Turnover Ratio} = \frac{\text{Revenue}}{\text{Fixed Assets}}$$

- **Total Asset Turnover Ratio:** Total asset turnover ratio demonstrates how well a business can utilize its assets to produce revenue. It estimates revenue as a percentage of assets to demonstrate how much revenue is generated for each taka invested in the company. A ratio of 0.5 suggests that each taka of assets creates 0.5 taka in revenue.

Total asset turnover ratio formula is,

$$\text{Total Asset Turnover Ratio} = \frac{\text{Revenue}}{\text{Total Assets}}$$

### 3.2.4 Profitability Ratio

Profitability ratios measure a company's capability to generate profit from sales, operating cost, balance sheet assets, and shareholders' equity. It shows how well a business produces profit and value for its shareholders.

Return on equity (ROE), return on assets (ROA), net interest margin (NIM) are the profitability ratios that are used in this report.

- **Return on Asset (ROA):** ROA evaluate company's overall efficacy in generating profits using the company's available assets. A company is effective if it can provide a sufficient return with the least number of resources.

Formula for return on asset is,

$$\text{Return on Asset (ROA)} = \frac{\text{Net Income}}{\text{Total Asset}}$$

- **Return on equity (ROE):** The return on equity ratio (ROE) assesses a company's ability to earn profit from its shareholders' investments. Equity investors and analysts pay close attention to return on equity ratio. A high ROE ratio is sometimes suggested as a cause to invest in a company's shares. Company with high return on equity are able to generate cash internally and reducing their need on debt funding. The return on equity ratio indicates how much profit is generated by each taka of stockholders' equity.

Formula for calculating return on equity is,

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

- **Net Interest Margin (NIM):** The difference between the interest income made by banks and the amount of interest paid to borrowed funds, relative to the amount of their assets is known as net interest margin. Net interest margin indicates a bank's profitability and growth. It displays how much interest the bank earns from its loans versus how much interest it pays out for its deposits.

Formula for net interest margin is,

$$\text{Net Interest Margin (NIM)} = \frac{\text{Interest Income} - \text{Interest expence}}{\text{Total Asset}}$$

Analyst uses financial statements like balance sheet and income statement of a company for ratio analysis.

### 3.3 Financial Statements

Financial statements are condition of a business that detail a company's operations and financial performance. It has the goal of providing data on a company's financial status, performance, and effect on financial condition that is useful to people to make decisions. It should be easy to comprehend, relevant, trustworthy, and comparable. Financial performance analysis is a process of analyzing the financial statements of a company and understanding the company's financial condition. There are three major financial statement which are

- Balance sheet,
- Income statement and
- Cash flow statement.

#### 3.3.1 Balance sheet

It provides information about a company's assets, liabilities and shareholder's equity. Under asset there are current asset and fixed assets which calculate total asset. Under liabilities there are current liabilities and long-term liabilities that calculate total liabilities. Shareholder's equity is the difference between Total asset and total liabilities. Amount of total asset and amount of total liabilities plus shareholder's equity must be equal in balance sheet.

#### 3.3.2 Income statement

It provides information about a company's income and expense on a specific period. Total income is the amount of all kind of income or revenue and total expense is the amount of all kind of expenses over the specific period. The difference between total income/revenue and total expense is net income or loss.

#### 3.3.3 Cash flow statement

It provides Information about how a company collects cash, support operating costs and invest. Cash flow statement can be calculated by three steps

- Operating activities
- Investing activities
- Financing activities



Operating activities in cash flow describe source of cash and use of cash from operating business and selling products or services. Investing activities describe source of cash and use of cash from buying or selling long-term assets. Financing activities describe source and use of cash from debt and equity financing.

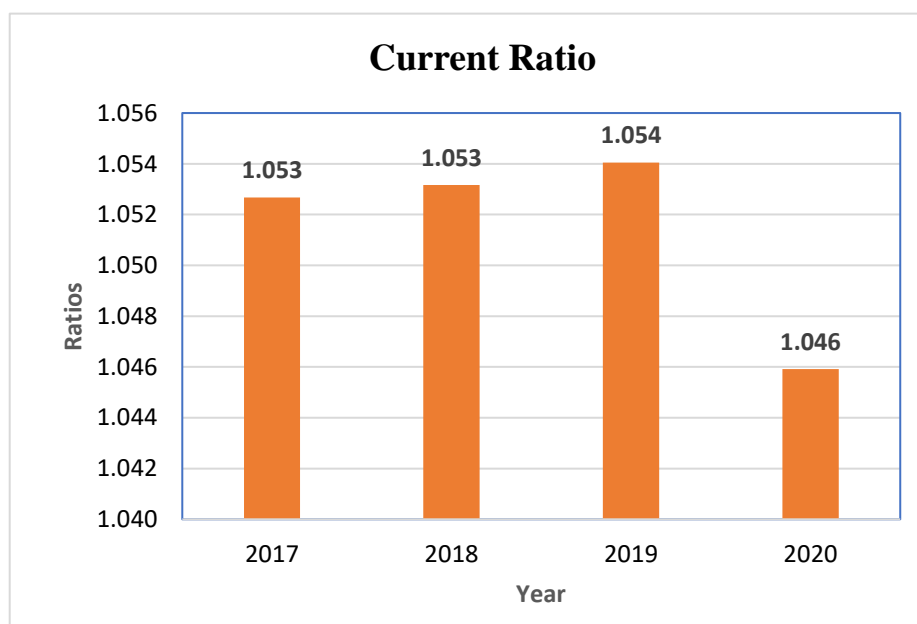
## *Chapter-04*

# *Financial Performance Analysis*

## 4.1 Liquidity ratio

### 4.1.1 Current ratio

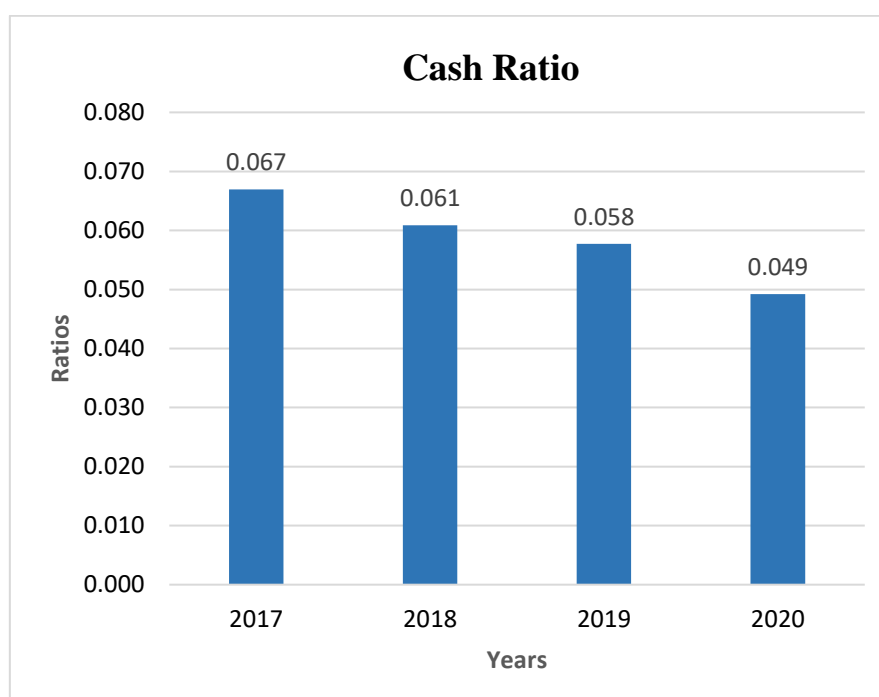
Current Ratio				
Year	2017	2018	2019	2020
Current Asset	329966258064	372238383720	412979056978	455578437380
Current Liabilities	313,454,356,626	353,448,950,650	391,803,180,468	435,579,441,362
<b>Ratio</b>	<b>1.053</b>	<b>1.053</b>	<b>1.054</b>	<b>1.046</b>



**Interpretation:** Current ratio in 2017 was 1.053 which means for each taka of current liability SEBL had 1.053 taka of current asset. The ratio was same in 2018. It improved to 1.054 in the year of 2019. But, in 2020 it decreased to 1.046 which is lowest than the last 3 year. As we know the ratio standard of current ratio for banking institution is 1.33 or above, so current ratio of SEBL of last four years are maintaining the standard. The average current ratio of four years is 1.052. Though the company had enough value of asset to repay their liability and also maintaining the ratio standard which is 1.33 or above, but .008 taka decreased in last year 2020 where the company should be concern.

## 4.1.2 Cash Ratio

Cash Ratio				
Year	2017	2018	2019	2020
Cash	20,979,136,329	21,515,427,671	22,619,791,377	21,431,265,142
Current Liabilities	313,454,356,626	353,448,950,650	391,803,180,468	435,579,441,362
<b>Ratio</b>	<b>0.067</b>	<b>0.061</b>	<b>0.058</b>	<b>0.049</b>

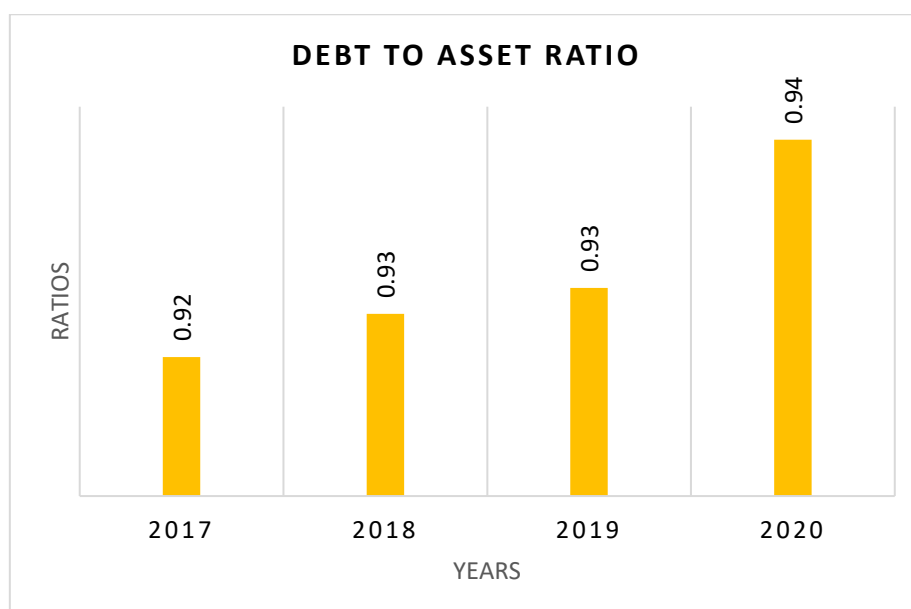


**Interpretation:** The ratio standard of cash ratio for banking institution is above 1. The graph shows SEBL had 0.067 taka of cash to meet one taka of current liabilities in 2017 which is too less than the standard. Instead of increasing, the ratio of cash decreased in the next 3 years which was 0.061 in 2018, 0.058 in 2019 and the lowest 0.049 in 2020. This is a huge threat for the company. The average cash ratio of four years is 0.059. In last year the ratio decreased 0.018 from the year 2017 and it was 0.95 less than the standard. The trend has been downward since 2017

## 4.2 Solvency Ratio

### 4.2.1 Debt to Asset Ratio

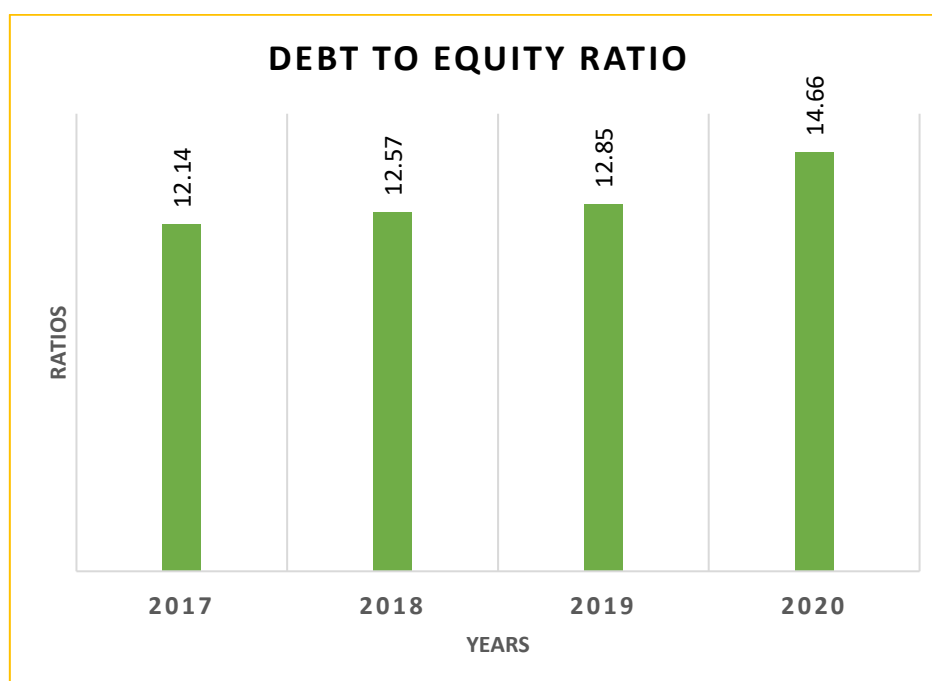
Debt to Asset ratio				
Year	2017	2018	2019	2020
Total Liabilities	313,454,356,626	353,448,950,650	391,803,180,468	435,579,441,362
Total Assets	339,288,054,190	381,575,678,880	422,312,714,993	465,293,408,597
<b>Ratio</b>	<b>0.92</b>	<b>0.93</b>	<b>0.93</b>	<b>0.94</b>



**Interpretation:** A low or moderate debt to asset ratio is most desirable. A debt to asset ratio below 1 would be seen as standard ratio, but ratio of 2 or above would be risky. The ratio shows the company's liability was 0.92 taka in 2017 on each taka of asset. The ratio was increased to 0.93 in both 2018 and 2019. In 2020 it was increased most to 0.94. The ratios are lower than the standard as the lenders desire a low or moderate debt to asset ratio. Though SEBL is a banking company, it is common for them to have high debt to asset ratio. Also, they have the ability to cover their liabilities with their asset. But the company should control the ratio from increasing and keep it lower than the standard 1. Last year the ratio was 0.06 less than the standard. The trend has been upward since 2017.

## 4.2.2 Debt to Equity Ratio

Debt to Equity Ratio				
Year	2017	2018	2019	2020
Total Liabilities	313,454,356,626	353,448,950,650	391,803,180,468	435,579,441,362
Total Shareholder's Equity	25,823,646,761	28,116,657,718	30,499,461,908	29,703,765,724
<b>Ratio</b>	<b>12.14</b>	<b>12.57</b>	<b>12.85</b>	<b>14.66</b>

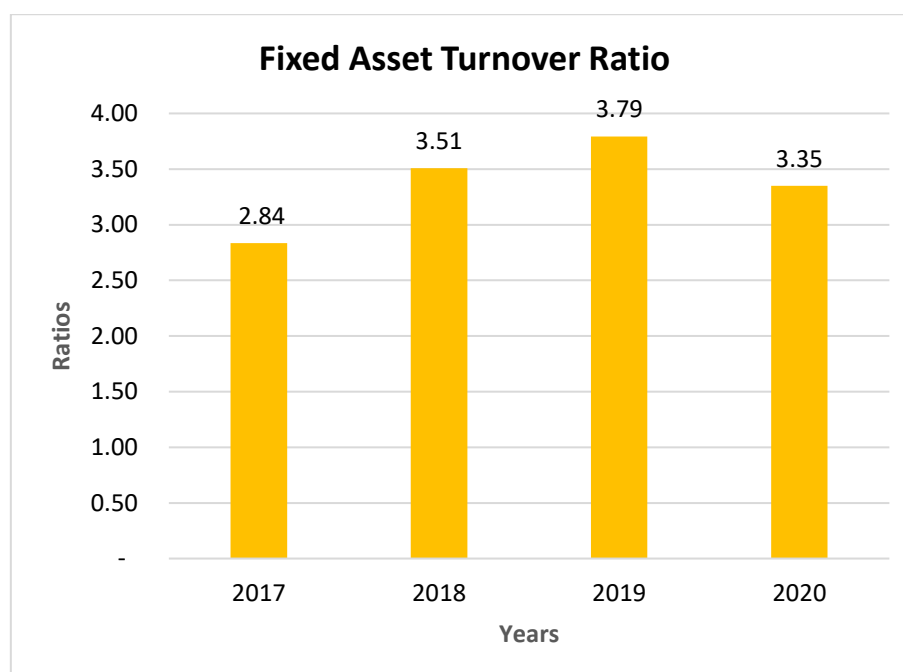


**Interpretation:** The lower the debt to equity ratio, the more conservative and safer the company is. A debt-to-equity ratio of 1 or less is a standard ratio and a ratio of more than 2 is risky. But, a comparatively high debt to equity ratio is common in the banking industry. The company's debt to equity ratio was 12.14 in 2017. It means for every taka in equity, the firm has 12.14 taka in liability. Though a higher debt to equity ratio is common for banks but 12.14 was too much high than the standard. A high debt to equity ratio means that a company had been aggressive in financing its growth with debt. Not only it was a higher ratio but also it was increased in next 3 years. It was 12.57 in 2018, 12.85 in 2019 and 14.66 in 2020. Last year the ratio increased 2.52 from the year 2017. The trend has been upward since 2017

## 4.3 Efficiency Ratio

### 4.3.1 Fixed Asset Turnover Ratio

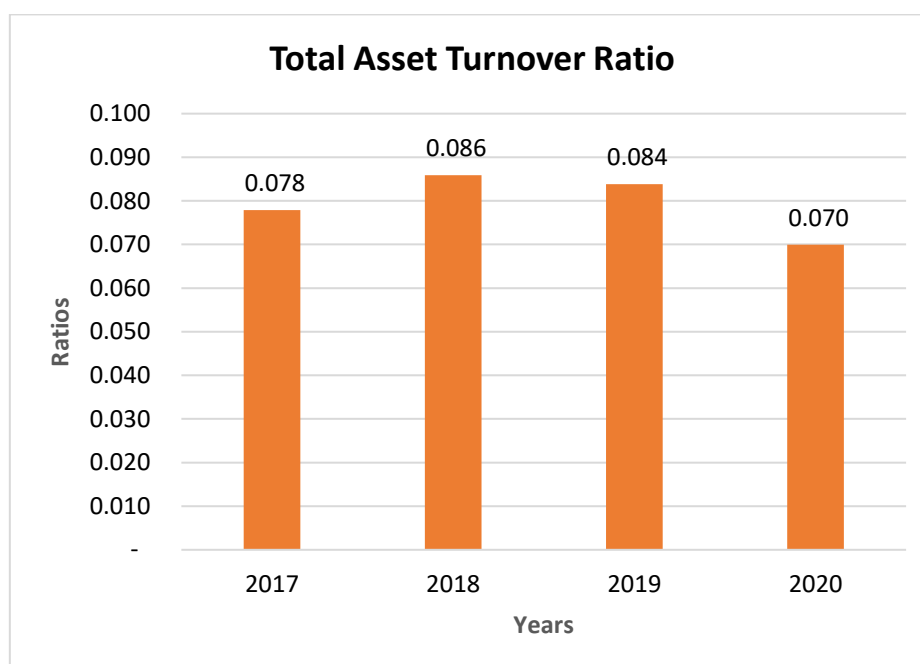
Fixed Asset Turnover Ratio				
Year	2017	2018	2019	2020
Revenue	26,434,127,554	32,760,365,953	35,407,466,806	32,537,607,282
Fixed Assets	9,321,796,126	9,337,295,160	9,333,658,015	9,714,971,217
<b>Ratio</b>	<b>2.84</b>	<b>3.51</b>	<b>3.79</b>	<b>3.35</b>



**Interpretation:** Although there is no precise number or range or standard of fixed asset turnover ratio that determines if a corporation has been effective at earning revenue from fixed assets, a higher fixed asset turnover ratio is suggestive of more efficiency in managing fixed-asset investments. In SEBL the ratio was 2.84 in 2017. Means they generate 2.84-taka revenue by using each taka of fixed asset. In the next 2 years it increased to 3.51 and 3.59 which was great improvement. But it decreased to 3.35 in 2020. The trend has been upward. They still had a good position in fixed asset turnover ratio but need to control reducing the ratio.

### 4.3.2 Total Asset Turnover Ratio

Total Asset Turnover Ratio				
Year	2017	2018	2019	2020
Revenue	26,434,127,554	32,760,365,953	35,407,466,806	32,537,607,282
Total Asset	339,288,054,190	381,575,678,880	422,312,714,993	465,293,408,597
<b>Ratio</b>	<b>0.078</b>	<b>0.086</b>	<b>0.084</b>	<b>0.070</b>



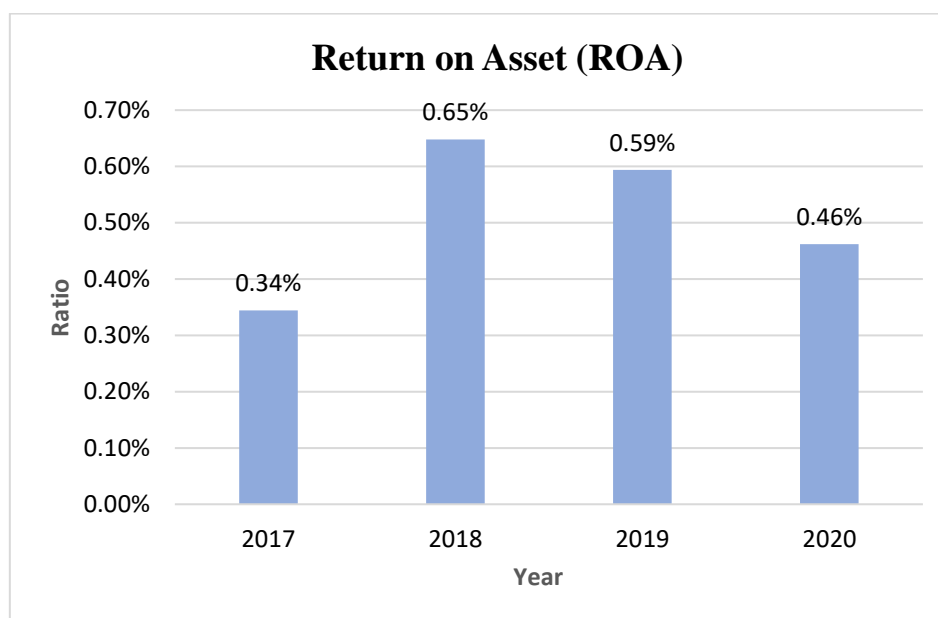
**Interpretation:** Like fixed asset turnover ratio, there is no standard measurement for what defines a "good" asset turnover ratio. But a ratio more than 1 can be taken as satisfactory. They only generate 0.078 taka of revenue using each taka of asset in 2017. Though it increased to 0.086 in next year but it was still unsatisfactory. The ratio decreased to 0.084 in 2019 and 0.070 in the last year 2020. Average ratio for four years was 0.80. It was already below 1 and last year it was the lowest than previous years. The trend has been downward.



## 4.4 Profitability Ratio

### 4.4.1 Return on Asset (ROA)

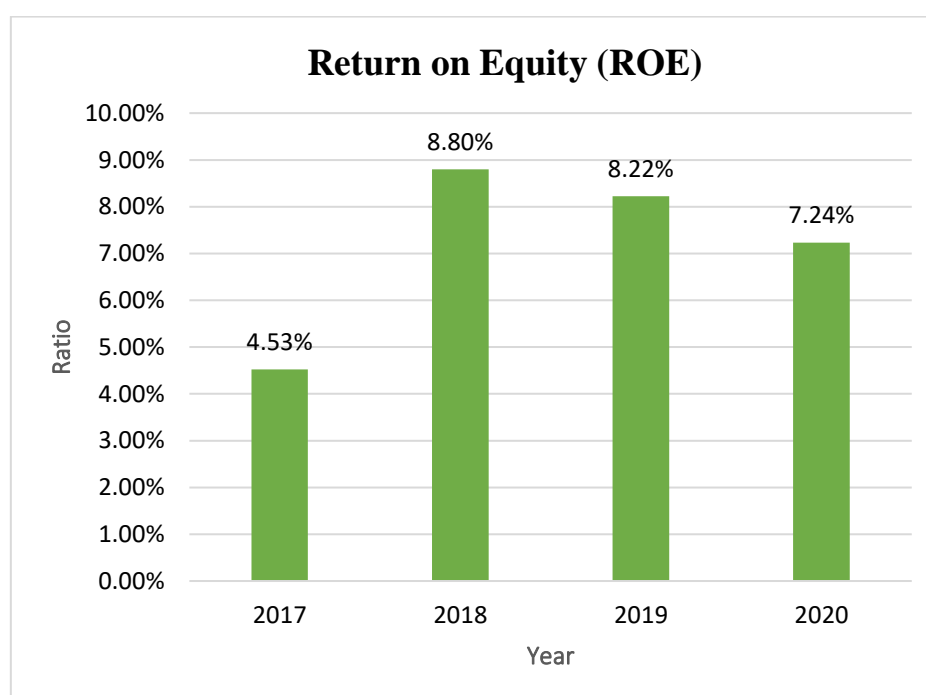
Return on Asset (ROA)				
Year	2017	2018	2019	2020
Net Income	1,168,628,411	2,473,208,845	2,508,556,549	2,149,098,788
Total Asset	339,288,054,190	381,575,678,880	422,312,714,993	465,293,408,597
<b>Ratio</b>	<b>0.34%</b>	<b>0.65%</b>	<b>0.59%</b>	<b>0.46%</b>



**Interpretation:** A ROA of over 5% is considered as good or standard ratio and over 20% is considered as excellent. The ROA ratio was 0.34% in 2017 which was not enough for a company like SEBL. However, the ratio increased in 2018 which was 0.65%. but it was continuously reduced to 0.59% and 0.46% in the year 2019 and 2020. Last year the ratio was 4.54% less than the standard. The ratios firstly shows that the company was not able to use its asset efficiently to earn profit and secondly the ratio was decreasing continuously.

#### 4.4.2 Return on equity (ROE)

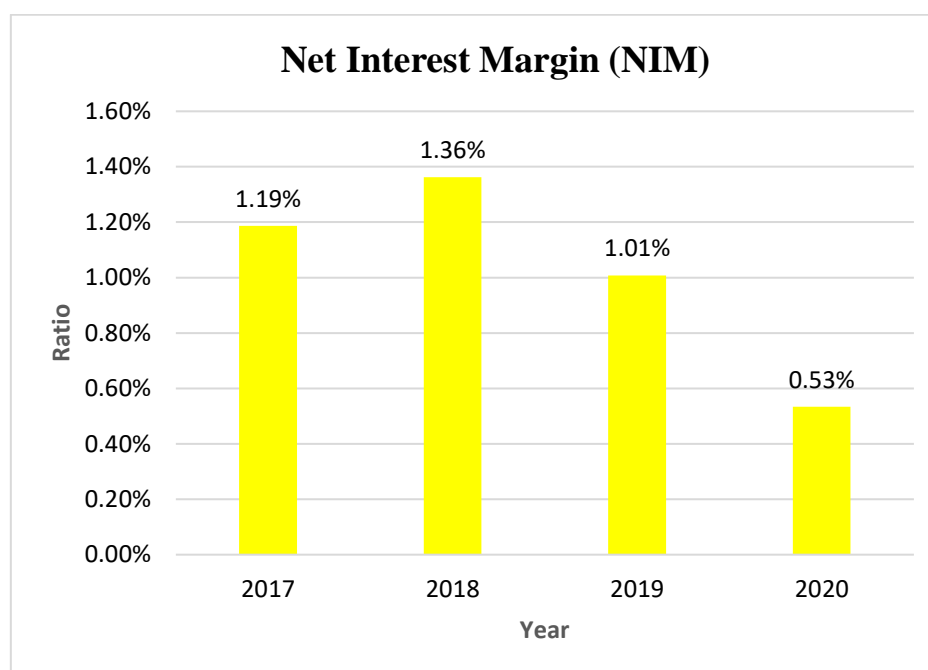
Return on Equity (ROE)				
Year	2017	2018	2019	2020
Net Income	1,168,628,411	2,473,208,845	2,508,556,549	2,149,098,788
Total Shareholder's Equity	25,823,646,761	28,116,657,718	30,499,461,908	29,703,765,724
<b>Ratio</b>	<b>4.53%</b>	<b>8.80%</b>	<b>8.22%</b>	<b>7.24%</b>



**Interpretation:** There is no exact or fixed ratio that described a standard ROE ratio. A ratio of 15% is considered as a good ratio for ROE. According to research of the world bank the average ROE of banking sector of Bangladesh was 18.62% in 2020, where the average of world banking sector based on 125 countries was 9.84%. ROE of SEBL was 4.53% in 2017 which shows that company generated 0.045-taka profit from each taka of equity. ROE was 8.80% in 2018, 8.22% in 2019 and 7.24% in 2020. It shows that the ratio decreased in next 3 year. Though their ROE ratio is in good condition but they need to improve ROE according to the Bangladesh average and world average. Their average ROE ratio for four years was 7.20%.

### 4.4.3 Net Interest Margin (NIM)

Net Interest Margin (NIM)				
Year	2017	2018	2019	2020
Net interest income	4,027,690,078	5,199,939,800	4,256,996,785	2,481,418,685
Total Asset	339,288,054,190	381,575,678,880	422,312,714,993	465,293,408,597
<b>Ratio</b>	<b>1.19%</b>	<b>1.36%</b>	<b>1.01%</b>	<b>0.53%</b>



**Interpretation:** According to research of the world bank the average NIM of banking sector of Bangladesh was 3% in 2020 which can be used as ratio standard for net interest margin. NIM of 2017 was 1.19% which shows it earned from its investments more than it lost due to interest expenses. But still it was not matching with the standard of NIM of Bangladesh. It increased to 1.36% in 2018. Then it decreased both in 2019 and 2020 which was 1.01% and 0.53%. In 2020 it decreased about 50% from 2017. The trend has been downward since 2018. Last year NIM ratio was 2.47% less than the average NIM of Bangladesh in 2020.

## *Chapter-05*

### *Findings, Recommendations and Conclusion*

## 5.1 Findings

To do the financial performance analysis of SEBL, I have used the data of 2017, 2018, 2019 and 2020. After completing the analysis, I have found some area where the company should make improvement.

- ❖ Doesn't have enough cash to meet current liabilities. It was lowest in last year which was 0.049, where the ratio standard for cash ratio is above 1.
- ❖ A debt to asset ratio below 1 would be seen as standard ratio, but SEBL's ratio was increasing every year and was 0.94 in 2020 which is highest since 2017.
- ❖ A debt-to-equity ratio of 1 or less is a standard ratio and more than 2 is risky. But, a high debt to equity ratio is common for banks. But last year it was 14.66 which was too much high than it should be. They had been too much aggressive in financing its growth and debt.

Both D/A and D/E ratio indicate the trend of solvency ratio was upward.

- ❖ Fixed asset turnover of the company increased from 2017 to 2019, but decreased in last year which was 0.44 lower than the year before.
- ❖ A ratio more than 1 can be taken as satisfactory where the total asset turnover was 0.076 in last year. The company's asset investment is excessive.

FAT and TAT both indicate a downward trend for efficiency ratio from 2019

- ❖ A ROA of over 5% is considered as good or standard ratio. But last year ROA was 0.46%. It was 4.54% less than the standard. The ratio continuously decreased from 2018 to 2020.
- ❖ The average ROE of banking sector of Bangladesh was 18.62% in 2020. But ROE of SEBL was 7.24% in 2020. It was 11.38% lower than the average ROE of Bangladesh in banking sector.
- ❖ The average NIM of banking sector of Bangladesh was 3% in 2020. But in 2020 the NIM of SEBL was 0.53% which is the lowest since 2017. In 2020 the ratio decreased about 0.66% from 2017.

The trend of profitability ratio has been downward since 2018.

## 5.2 Recommendations

Based on the above findings, the following recommendations are given for SEBL to improve their financial performance.

- ❖ SEBL should increase the amount of cash in hand or reduce its short-term liabilities and keep the cash ratio more than 1.
- ❖ The company should control and balance the debt to asset ratio from increasing. They should reduce the debt proportion by issuing new stock or converting debt to equity.
- ❖ They should decrease the debt-to-equity ratio by increasing revenue or restructuring debt.
- ❖ The company should focus to reduce the fixed asset investment and increase fixed asset turnover in the upcoming years.
- ❖ They should reduce the investment in asset to increase total asset turnover ratio. They can also improve TAT by increasing revenue, selling asset and leasing assets instead of buying.
- ❖ They should increase net income or decrease total asset to increase the return on asset. They also can increase ROA by improving the efficiency of current and fixed assets.
- ❖ SEBL can increase the return on equity by using more debt capital, increasing profit, lowering tax rate or buy back share.
- ❖ The company is can increase the net profit margin by increasing revenue through raising pricing or sales of additional products or services. They should also increase the amount of giving loan immediately to improve net profit margin.

### 5.3 Conclusion

Banks have made a significant contribution to Bangladesh's economic development. Southeast Bank Limited is one of the leading private commercial banks of Bangladesh contributing to the economy. It was established on March 12, 1995 and also started its journey as a public limited company on the same day. Investors need to analyze the company before making any investment decision. They analyze the statements of the company and make decision. This report also presents an analyzed result of the performance and financial condition of SEBL based on the statements of 4 years.

After completing various ratio analysis of the company this report indicted where the company have some problem and particularly in which area, they need to improve. After analyzing 4 years data this report shows that the performance of the year 2020 was comparatively bad the other past years. It also shows that among all the 4 years, the performance of 2018 and 2019 was comparatively good. This report using ratio analysis will help the investors to make investment decision and help the company to know their improvement area.

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