Internship Report
On

Financial Performance Analysis
Of
Bangladesh Commerce Bank Ltd.

An Internship Report

On

"Financial Performance Analysis of BD Commerce Bank Ltd."

Prepared For

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Letter of Transmittal

Date:22.10.2014

Md. Arif Hassan
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Daffodil International University(DIU)

Subject: Submission of internship report on **"Financial Performance Analysis of Bangladesh Commerce Bank Limited (BCBL)"**

Dear Sir,
With due respect and obedience, I undertook my internship program under your supervision and guidance I am very much delighted to submit my internship report on "**Financial performance Analysis of Bangladesh Commerce Bank Limited (BCBL)"**. I am trying to cover all relevant topics, representing a whole picture of BCB's financial performance Analysis. I have collected as much information as I could from BCB and other sources. This three months work in Bangladesh Commerce Bank Ltd is a valuable experience for my entire career.

I believe that this internship program has enriched both my knowledge and my experience. If you have any question or suggestion about the process, I would be happy to oblige for any further clarification.

Yours truthfully,

Sharmin Akter
ID NO:111-11-1979
Department of Business Administration
Faculty of Business and Economics

Declaration

I, **Sharmin Akter** hereby declare that the report of internship program titled **"Financial performance Analysis of Bangladesh Commerce Bank Limited (BCBL)''** is uniquely prepared by me after the completion of three months of internee at Financial Administration Division (FAD), Bangladesh commerce Bank Ltd. Head Office, Dhaka. .

I confirmation that, the report is only prepared for my academic requirement not for other purpose. It might be with the interest of opposite party of the corporation. I also assure that this report is not submitted any whereof Bangladesh before me.

Sharmin Akter
ID No: 111-11-1979
Department of Business Administration
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Acknowledgement

During internship programmed, I have been fortunate to get support, assistance and encouragement from a number of individuals. First, I would like to express my grateful appreciation to the almighty Allah for enabling me to complete this report successfully.

I want to convey my heartfelt respect and cordial thanks to chairman & Senior Lecturer Md. **Arif Hassan** for his encouragement, guidance, advice and valuable supervision. I am lucky for getting the opportunity to prepare this report under his supervision and guidance. Without his instruction, it was impossible for me to complete this report successfully.

I also articulate my heartiest appreciation to Mr. Saiful Islam, vice president & CFO, Head of Financial Administration Division to direct and guide me under a working schedule and enabling me doing my job in a favorable environment in my internship program period. I also admire all the personnel for their co-operation and cordial assistance to me. I am also grateful to the HRD of BCB for granting me the opportunity to make my internship program in this organization.

And, I would like to give a special thanks to the Almighty for given me such patience and power for completing this report smoothly.

Certificate of Supervisor

This is to certified that **Sharmin Akter.ID NO:111-11-1979. Major in finance** has successfully completed Internship Program and prepare a report entitled **"Financial performance Analysis of Bangladesh Commerce Bank Limited (BCBL)''** under my supervision as a partial requirement for BBA completion.

She has done his internship under my supervision and guidance. She has tried her best to do this successfully. I think it will help her in near future to build career.

I wish her success in every step.

Md. Arif Hassan
Senior Lecturer
Department of Business Administration
Faculty of Business of Economics
Daffodil International University (DIU)

Executive Summery

I have prepared this internship report based on three month internship program as it is required for the BBA program. Though this internship program I have worked in Financial Administration Division (FAD) of Bangladesh Commerce Bank Limited.

Bangladesh Commerce Bank Limited is one of the private commercial bank in banking industry. BCB play a vital role in forecasting the economic and social condition of a country. Bangladesh Commerce Bank in Bangladesh now constitutes the core of the country's organized financial system. Customer's satisfaction is one of the most vital reflections of the progression toward advancement and development for this bank institution. The achievement of the customer's satisfaction is the key feedback to improve service quality.

The report has organized in six chapters. **First chapter** including introductory part of the report, there I mention main objective of the report. The main objective of the report is to analyze the financial performance of management and the bank as whole. In preparing this report I use both primary and secondary data.

The **second chapter** consist an overview of banking sector in Bangladesh, where I discus about the central bank's mission, vision, and functions. List of all nationalized banks, private banks, foreign banks and specialized banks are given in this chapter.

The **third chapter** consist an overview of organization, where I discuss about some important information of Bangladesh Commerce Bank Limited such as its mission, vision, objective, Board of Directors, Executives, products & services and last five years performance etc.

Fourth Chapter includes theoretical part. There discuss about financial performance analysis, objectives, Ratio, advantage of ratio analysis, limitation of ratio analysis and groups of ratio.

Fifth chapter of the project part; where I used some financial parameter for analyze the financial performance of BCB. These parameters are capital, liquidity ratio, debt ratio, profitability ratio and last one is market ratio.

Six chapter deals with some findings, recommendations which are draw by analysis of whole report. Then I concluded my report saying some recommendations and justifications which may help BCB to improve its current position.

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Chapter: One

Introduction

Bangladesh Commerce Bank Ltd.

1.1 INTRODUCTION OF THE REPORT

As a part of the internship Program of BBA course requirement, I was assigned to do my internship in Bangladesh Commerce Bank Limited (BCBL) for a period of three months. Bangladesh Commerce Bank Ltd. is one of the private-sector commercial bank in Bangladesh, with years of experience. Adaptation of modern technology both in terms of equipment and banking practice ensures efficient service to clients. Through 42 branches, BCB is providing its best service both clients and country.

This report, **"Financial Performance Evaluation of Bangladesh Commerce Bank Limited",** has been prepared to fulfill the partial requirement of BBA program as a mean of Internship Program. While preparing this report, I had a great opportunity to have an in depth knowledge of all the banking activities of Bangladesh Commerce Bank Limited as I worked as an intern there.

1.2 BACKGROUND OF THE REPORT

Now we are living in the age of competition at anything in any places. From that tendency recently education is also in the age of competition. So the procedures and standards of teaching are upgraded by different universities and institutions in our country. In respect to that, internship is mandatory for our BBA program offered by Daffodill International University. This program is a partial fulfillment of our BBA curriculum. To do so I decided to complete my internship in Bangladesh Commerce Bank Limited. Throughout the period of my internship, I had been working in financial administration division. Under internship program each student has to prepare a report on a particular topic related with the organization. On the basis of my practical experience as well as theoretical knowledge, I have completed the report on **"Financial Performance Evaluation of Bangladesh Commerce Bank Limited".**

1.3 SCOPE OF THE REPORT

In order to maintain the speed of development now banks must compete in the market place both with local institution as well as foreign ones. The presentation of the organizational structure and policy of Bangladesh Commerce Bank Limited and investigating the strategies applied by them provide the scope of this report. The scope of this report is limited to the overall description of the banks, their services, their position in the industry, their financial performance and analysis of the practical progress of their operation. The scope of the study is limited to organizational setup, functions and performances.

- Recent performance of BCB in terms of deposit, investment and foreign exchange.
- To analyze the banks current financial flows performed by BCB.
- To obtain practical experience about banking activities by involving such type of program.
- To build professional carrier in the banking sector as well as any credit providing institution.

1.4 OBJECTIVES OF THE REPORT

1.4.1. General Objective

The prime objective of the report is to analyze the **"Financial Performance of Bangladesh Commerce Bank Limited"**

1.4.2. Specific Objectives

The following aspects can be listed as the specific objectives for this practical orientation in Bangladesh Commerce Bank Limited:

- To calculate the financial ratios and identify the areas of concern.
- To understand the implications in analyzing and interpreting the financial ratios.
- To evaluate the financial performance of Bangladesh Commerce Bank Limited.
- To identify the findings and raise possible recommendations for improving the performance of Bangladesh Commerce Bank Limited.

1.5 METHODOLOGY OF THE REPORT

1.5.1. Type of Research:

This report is a descriptive type of research which briefly reveals the overall activities performed by BCB. It has been mainly administered by collecting secondary data. Annual reports of BCB were the major secondary data sources in this regard. Ratio analysis and trend analysis have also been used as major tools for the financial performance analysis. The study is performed based on the information extracted from different sources collected by using a specific methodology. This report is analytical in nature.

1.6.2. Sources of data:

To prepare this report all the necessary information collected from mainly secondary sources of data. But there are some primary sources that I have used to prepare this report.

- ❖ Primary sources
- ❖ Secondary sources

1.6.2.1. Primary sources of data

In the preparation of this report, data was collected from different primary sources. The techniques were used to collect data are:

- ✓ Observation
- ✓ Informal discussion

1.6.2.2. Secondary sources of data

Secondary sources of data are of two kinds:

- ✓ **Internal**: Annual Reports of BCB, Other published documents of the banks, BCB bank's Website.
- ✓ **External**: Books, Articles, Journals, Newspaper, Web browsing.

1.6.3. Instruments used for analysis:

- ❖ Ratio Analysis
- ❖ Trend Analysis

Ratio Analysis:

The quantitative (such as ratio analysis) tools are used to analyze the gathered data & different types of computer software are used for reporting the gathered information from the analysis such as- Microsoft Word, Microsoft Excel etc. Ratio can be classified into four broad groups-

1) Liquidity Ratio.
2) Activity Ratio.

3) Debt Ratio.
4) Profitability Ratio.

Trend Analysis:

It is really important to analysis trends in ratios as well as their absolute levels. This analysis informs us whether a company's financial condition improving or deteriorating.

1.7 LIMITATIONS OF THE REPORT

The limitations I have face while preparing this Report are listed as follows:

- **Time Limitation:** To complete the study, time was limited by three months. It was really very short time to know details about an organization like Bangladesh Commerce Bank Limited.
- **Inadequate Data:** Lack of available information about export & import business operations of Bangladesh Commerce Bank Limited. Because of the unwillingness of the busy key persons, necessary data collection became hard. The employees are extremely busy to perform their duty.

- **Lack of Record:** Large-scale research was not possible due to constrains and restrictions posed by the organization. Unavailability of sufficient written documents as required making a comprehensive study. In many cases up-to-date information was not available.

- **Lack of experiences:** Lack of experiences has acted as constraints in the way of meticulous exploration on the topic. Being a member of the organization; it was not possible on my part to express some of the sensitive issues. Lack of adequate knowledge about export & import business of any organization.

Chapter: Two

Banking Sector in Bangladesh

2.1 HISTORY OF BANKING INDUSTRY IN BANGLADESH

Bank industry is not a new concept for Bangladesh before liberation it also was available in Bangladesh. Before the liberation war there was a branch office of the former state Bank of Pakistan in Bangladesh. Other than that there were seventeen large commercial banks, two of which were controlled by Bangladeshi interests & three by foreigners other than West Pakistanis. There were fourteen smaller commercial banks. Nearly all banking services were concentrated in urban areas. The newly independent government immediately designated the Dhaka branch of the State Bank of Pakistan as the central bank & renamed it the Bangladesh Bank.

Initially Bangladesh bank was responsible for regulating currency, controlling credit & monetary policy, and administering exchange control & the official foreign exchange reserves. The Bangladesh government initially nationalized the entire domestic banking system & proceeded to reorganize & rename the various banks. Foreign-owned banks were permitted to continue doing business in Bangladesh. But later they also permitted the private investors to start banking activities & gradually the number of private banks & their dominance is increasing day by day.

2.2 BANKS PERFORMING IN BANGLADESH

Banking sector has a vital role to play in the economic activities & development of any economy. This sector is much more important in a developing country like Bangladesh. The whole scenario of the economy of a country can be ascertained by examining the condition of the banking sector. In Bangladesh, the banking sector dominates the financial sector & macroeconomic management largely depends on the performance of the banking sector. Different types of bank are performing in Bangladesh; from their four are nationalized commercial banks, around thirty nine private commercial banks, ten foreign multinational banks & some specialized banks. In details those are given below:

2.3 CENTRAL BANK

Bangladesh Bank, the central bank and apex regulatory body for the country's monetary and financial system, was established in Dhaka as a body corporate vide the

Bangladesh Bank Order, 1972 (P.O. No. 127 of 1972) with effect from 16th December, 1971. At present it has ten offices located at Motijheel, Sadarghat, Chittagong, Khulna, Bogra, Rajshahi, Sylhet, Barisal, Rangpur and Mymensingh in Bangladesh; total manpower stood at 4951 (officials 3961, subordinate staff 990) as on November 30, 2012.

2.3.1 Vision

To develop continually as a forward looking central bank with competent and committed professionals of high ethical standards, conducting monetary management and financial sector supervision to maintain price stability and financial system robustness, supporting rapid broad based inclusive economic growth, employment generation and poverty eradication in Bangladesh

2.3.2Mission

We at Bangladesh Bank are carrying out its following main functions as the country's central bank:

- Formulating monetary and credit policies;
- Managing currency issue and regulating payment system;
- Managing foreign exchange reserves and regulating the foreign exchange market;
- Regulating and supervising banks and financial institutions, and advising the government on interactions and impacts of fiscal, monetary and other economic policies.

2.3.3 Functions

BB performs all the core functions of a typical monetary and financial sector regulator, and a number of other non core functions. The major functional areas include :

A. Formulation and implementation of monetary and credit policies.
B. Regulation and supervision of banks and non-bank financial institutions,

promotion and development of domestic financial markets.

C. Management of the country's international reserves.
D. Issuance of currency notes.
E. Regulation and supervision of the payment system.
F. Acting as banker to the government.
G. Money Laundering Prevention.
H. Collection and furnishing of credit information.
I. Implementation of the Foreign exchange regulation Act.
J. Managing a Deposit Insurance Scheme.

2.4 NATIONALIZED COMMERCIAL BANKS (NCBS)

The banking system of Bangladesh is dominated by the 4 nationalized Commercial Banks, the nationalized commercial banks are:

- Sonali Bank
- Janata bank
- Agrani Bank
- Rupali Bank

2.5 PRIVATE COMMERCIAL BANKS (PCBS)

Private bank are the highest growth sector due to the dismal performances of government banks (above). They tend to offer better service & products. Now a day's private banks are growing like mushroom. Private commercial banks are divided into four groups according to their commencement of business. They are familiar in the name of 1st generation, 2nd generation, 3rd generation banks and 4th generation banks.

Ist Generation Bank	2nd Generation Bank	3rd Generation Bank	4th Generation Bank
1982-1988	**1992-1996**	**1999-2011**	**2012-till now**
National Bank Ltd.	Eastern Bank Ltd.	Mercantile Bank Ltd.	NRB Commercial Bank Limited
The City Bank Ltd.	Prime Bank Ltd.	Standard Bank Ltd.	NRB Bank
United	National Credit &	One Bank Ltd.	NRB Global Bank

Commercial Bank Ltd.	Commerce Bank Ltd.		Ltd.
AB Bank Ltd.	Southeast Bank Ltd,	EXIM Bank Ltd.	Meghna Bank
IFIC Bank Ltd.	Dhaka Bank Ltd.	Premier Bank Ltd.	Farmers Bank
Islami Bank Bangladesh Ltd.	Al Arafa Islami Bank Ltd.	Mutual Trust Bank Ltd.	Modhumoti Bank
Al-Baraka Bank Bangladesh Ltd.	Social Investment Bank Ltd.	Jamuna Bank Ltd.	South Bangla Agriculture and Commerce Bank Ltd
	Dutch-Bangla Bank Ltd.	Bank Asia Ltd.	Midland Bank Ltd.
		The Trust Bank Ltd.	Union Bank Ltd
		First Security Islamic Bank Ltd.	
		BRAC Bank Ltd.	
		Shahjalal Bank Ltd.	
		Pubali Bank Limited	
		Uttara Bank Limited	
		Bangladesh Commerce Bank Ltd.	

2.6 FOREIGN BANKS

Foreign banks have very little market share & limited geographic coverage in Bangladesh, but they are highly known for their quality service. Private commercial banks fall between these groups. Name of foreign banks performing in Bangladesh is giving below;

- Citigroup
- HSBC
- Standard Chartered Bank
- Commercial Bank of Ceylon
- State Bank of India
- Habib Bank

- National Bank of Pakistan
- Woori Bank
- Bank Alfalah

2.7 SPECIALIZED BANKS

- Grameen Bank
- Bangladesh Krishi Bank
- Bangladesh Development Bank
- Rajshahi Krishi Unnayan Bank
- Basic Bank Ltd (Bank of Small Industries & Commerce)
- Bangladesh Somobay Bank Limited (Co-operative Bank)
- The Dhaka Mercantile Co-operative Bank Limited (DMCBL)

Chapter: Three

BCB Profile

Bangladesh Commerce Bank Ltd.

3.1 HISTORICAL BACKGROUND OF BANGLADESH COMMERCE BANK LTD.

Bangladesh Commerce Bank Limited was established by the act number 12 of 1997, passed by the Parliament of the Peoples republic of Bangladesh. Subsequently on 8 February 1998, the Government constituted a 11 member Board of Directors to administer the affairs of the Bank in accordance with the act and other related roles and regulations. BCBL was incorporated on 1 June, 1998. The Bank formally started operation from 16 September, 1999. The Bank has 42 branches and also owns the membership of Dhaka Stock Exchange (DSE). BCBL has been operating with a vision "To become a Bank of first choice by the customers with meaningful contribution to the society". Since its early days, Bangladesh Commerce Bank has transformed into a strong and successful financial institution, offering a wide range of competitive and innovative products and solutions to meet its customers' needs. BCBL has more than 721 employees working with integrity, efficiency and honesty.

The Bangladesh Commerce Bank further expanded its delivery channels in 2011 to better serve its customer base of individuals and business enterprises in Bangladesh. With 8 new branches established in selected growth areas in Bangladesh in 2012 and another 4 in 2013, the number of Bangladesh Commerce Bank branches in Bangladesh has expanded to 42 branches. The foreign exchange transaction is being done through the A/D branches. The also has expanded its online banking and SMS banking services for greater access by customers to its banking services. The Bank has a touch point in Uttara where 2 ATM booths with self-service machines such as Cheque Deposit Machines and Cash Deposit Terminals are available and has sharing facility with other banks ATM network.

BCBL started its principle Brokerage House activities in October 2006. To comply with the regulatory guideline of separation of brokerage and capital market operations, BCBL has formed a full-fledged brokerage house for performing security trading , brokerage and dealership activities named Commerce Bank Securities and Investment Limited (CBSIL) .The company has completed its registration on 21 April ,2011.CBSIL has been incorporated as a public limited company with a paid up capital of BDT 200 million against an authorized capital of BDT 1000 million with the approval of Securities and Exchange Commission (SEC).

3.2 VISION, MISSION AND OBJECTIVE OF BCBL

3.2.1Vision of BCBL

"Become a bank of first choice by the customers with meaningful contributions to the society."

3.2.2 Mission of BCBL

Bangladesh Commerce Bank Limited is committed to fulfill its customer's needs and become their first choice in banking so that a sustainable growth, reasonable return and contribution to the socio-economic development of the country can be ensured with a motivated and professional work-force.

3.2.3 Strategic Objectives

Financial Stability & Healthy Growth

- Maintain a sustainable Deposit Advance Ratio with 15% to 20% credit growth annually;
- Reduce the non performing assets to the industry average within the next two years from 2013;
- At in a sustainable level of profit at an incremental growth of 15% -20%;
- Improve the Credit Rating of the Bank continuously as a vibrant and profitable banking institution;
- Maintain a healthy growth of business with desired image;

Law Compliance

- Be prepared to implement and communicate any future decision by the government to withdraw or expand the exceptional level of monetary stimulus;
- Establish an effective system of management by ensuring compliance to ethical norms, transparency and accountability at all levels;

Customer Focus

- Have a strong customer focus and build relationships based on integrity, superior service and mutual benefit;
- Expand the customer base with 15% growth of new customers (both assets and liabilities) annually;

Corporate Governance & CSR

- Establish a good Corporate Governance by remaining efficient, transparent, professional and accountable to the society and environment;
- Safeguard the interest of shareholders with reasonable benefits continuously;
- Maintain a harmonious employee relations system with a motivated and performing workforce;

Risk Management

- Ensure effective risk management for sustainable growth in shareholder's value;
- Continuously improve the organizational capacity and Risk Management System;

Upholding the latest

- Establish relationship banking and improve service quality through development of Strategic Marketing Plans and Programs;
- Introduce fully automated systems through integration of information technology and process;

3.3 CORPORATE PHILOSOPHY

- **For our Customers**
  - To provide the most caring, courteous and efficient service as perfect as humanly possible in every aspect of its business.
  - To be innovative in the development of new banking products and services.

- **For our Employees**

  Retaining Prestigious and prime people-
  - By respecting worth and dignity of individual employees,
  - By devoting their energies for the progress of the Bank,
  - By promoting good staff morale through proper staff training and development, and provision of opportunities for career development;

- **For our Shareholders**

  Maximizing the wealth of the Shareholders-
  - By ensuring security of their investment;
  - By delivering a competitive and sustainable rate of return by generating profits

and fair return on their investment;

- By forging ahead and consolidating its position as a stable and progressive financial institution;

For our Community

Strengthening the corporate values-

- By building a corporate culture that respects and values the unique strengths and cultural differences of our associates, customers and community;
- By assuming our role as a socially responsible corporate citizen in a tangible manner;
- By adhering closely to national policies and objectives thereby contributing towards the progress of the nation;

3.4 FUTURE PROSPECTUS

BCBL's Annual Report contains some Future Outlooks regarding the business environment and its likely effect in the financial conditions of the BCBL. Statements which are not historical facts including statement of BCBL's belief and expectation on Future prospectus. Words such as plan, anticipate are forward looking statements. Future Prospectus involves External risks which comprise of inherent risks and uncertainties. Some factors may actually cause actual result to differ and some may significantly deviate from the forward looking approach. Some of the factors that may affect the business environment are given below:

- ✓ Volatility in FX market which influence the rise in international prices of essentials;
- ✓ Directives to reduce the lending rates to finance essential items
- ✓ Adverse fluctuation in interest rate;
- ✓ Reduction of ROA and ROE as a result of increase in provisioning requirement
- ✓ Natural calamities and political disturbances making changes in general economic condition;
- ✓ Issues arising from changes in government policy;
- ✓ Tax & VAT increases on banking services
- ✓ Export growth might be affected by the introduction of compliance issues

raised by the international forums;

- ✓ Increase in corporate tax rate;
- ✓ Risk management of lending portfolio often requires stress testing which is based on sophisticated mathematical tools and cannot solely be dependent on existing MIS. The level of technology in banking industry is yet to acquire that sophistication;
- ✓ Increase in CRR and SLR of the banks;
- ✓ Capital market volatility arising from speculations;
- ✓ Reducing the margin ratio for investment accounts;

3.5 CORPORATE SLOGAN OF THE BANK

"Service with Trust"

3.6 CORPORATE LOGO OF THE BANK

3.7 BOARD OF DIRECTORS

Chairman

Mr. Md. Yousuf Ali Howlader

Directors

Mr. ATM Murtozaa Reza Chowdhury ndc

Mr. Tapan Kumar Karmaker

Mr. Md. Fahad Uddin

Mr. Pradip Kumar Dutta

Dr. Md. Zillur Rahman

Mr. Rana Kaiser

Mr. Manwar Hossain

Mr. Anis Ahmed

Mr. Abbas Uddin Ahmed

Managing Director

Mr. Abu Sadek Md. Sohel

3.9 THE HIERARCHICAL POSITION OF BCBL

Chairman
↓
Managing Director
↓
Deputy Managing Director
↓
Senior Executive Vice President
↓
Executive Vice President
↓
Senior Vice President
↓
Vice President
↓
Senior Asst. Vice President
↓
Asst. Vice President
↓
First Asst. Vice President
↓
Senior Executive Officer
↓
Executive Officer
↓
First Executive Officer
↓
Officer
↓
Senior Asst. Officer
↓
Asst. Officer

Figure: Hierarchy of the Management of BCB

3.10 DEPARTMENT OF BCBL

1. Human Resources Division
2. Financial Administration Division
3. Treasury Division
4. Credit Administration Division
5. Recovery Division
6. Trade Division
7. Legal Affairs Division
8. Board Division
9. Internal Audit and Compliance Division
10. Investment Division
11. General Banking Division
12. Information Technology Division
13. SME and Special Program Division
14. Establishment Division
15. Anti Money Laundering Division
16. Risk Management Division
17. Marketing Division
18. Public Relation Division

3.11 BUSINESS UNIT

There are five different business units generating business Bangladesh Commerce Bank Ltd:

- Corporate Banking
- Retail Banking
- Small & Medium Enterprise (SME)
- Treasury
- Remittance Services

3.12 PRODUCTS AND SERVICES

Deposits

- Current Deposit
- Saving Deposit
- Short Term Deposit
- Fixed Deposit Receipt (FDR)
- Deposit Under Scheme:
    - Pension Saving Prokalpa
    - Monthly Pension Scheme
    - Life Pension Deposit Scheme
    - Marriage Pension Deposit Scheme
    - Millionaire Deposit Scheme
    - Education Deposit Scheme
    - Lakhopati Deposit Scheme
    - Triple Deposit Scheme
    - Kotipati Deposit Scheme
    - Double Deposit Scheme

Treasury

- Treasury Bills
- Treasury Bonds

Loans and Advances

Commercial Loan:

- CC (Hypo)

- SOD (Real Estate/ FO/Shares)
- LTR (Loan Against Trust Receipt)
- LIM (Loan Against Imported Merchandize)

Term loan:

- Project Finance

Working Capital Loan:

- Large and Medium Industries
- SME

House Building Loan:

- Residential
- Commercial

Staff Loan:

- Car Loan
- Loan Against Provident Fund
- House Building Loan

Other Loan

- Transport Loan
- Loan to Non Banking Financial Institution
- Syndicate/Club Finance
- Loan against Financial Obligation
- Export Loan
- Loan Against Bill Purchase/ Share Purchase
- Consumer Credit Scheme
- Special Loan Scheme for Service Holder
- Loan for Educated Unemployed Women
- Loan to Agro based Industries

3.13 FINANCIAL HIGHLIGHTS

Financial Position

Amount in Million

Particulars	**2013**	**2012**	**2011**	**2010**	**2009**
Cash & Bank Balances	5319	3,480	3,335	4,932	1,763
Investments	4736	2,796	1,952	1,472	710
Money at call and short notice	388	239	340	330	450
Loans & Advances	13,063	12,250	11,334	8,266	6,256
Fixed Assets	183	165	92	48	38
Other Assets	814	614	337	529	210
Total Assets	**24,504**	**19,544**	**17,390**	**15,577**	**9,427**

Borrowings	51	155	100	-	-
Total Deposit	19,736	15,666	12,246	7,676	6,871
Other Liabilities	1389	1,394	1,085	732	629
Total Liabilities	**21,231**	**17,216**	**13,431**	**8,409**	**7,500**
Shareholder's Equity	3273	2,328	2,146	1,018	1,019
Total Liabilities & Shareholder's equity	**24,504**	**19,544**	**15,577**	**9,427**	**8,519**

Credit Deposit Ratio (%)	66.19%	78.19%	67.50%	81.50%	84.19%

Profitability

Particulars	**2013**	**2012**	**2011**	**2010**	**2009**
Operating Income	789	886	900	617	489
Operating Expense	661	585	401	292	201
Operating profit (Before Provision)	128	301	499	325	288
Provision	47	123	274	162	136
Profit Before Tax	81	176	224	162	151
Profit After Tax	17	101	69	63	41

Return on Investment (ROI)	5.17%	11.41%	5.84%	12.09%	10.00%

(%)					
Return on Assets (ROA) (%)	0.07%	0.52%	0.40%	0.40%	0.43%
Return on Equity (ROE) (%)	0.53%	4.34%	3.11%	2.94%	4.03%
Cost of Fund (%)	*13.56%*	*12.02%*	*9.47%*	*9.92%*	*8.22%*

Equity measures

Particulars	**2013**	**2012**	**2011**	**2010**	**2009**
Authorized Capital	10,000	10,000	10,000	2,000	2,000
Paid-up-capital	1,988	1,988	1,988	1,988	920
Share Capital BCI Ltd.	39	39	39	39	39
Statutory Reserve	195	178	143	98	65
Other Reserve	9	8	3	3	3
Revaluation Reserve for HTM securities	21	17	13	11	11
Exchange Equalization Account		-	-	-	4
Surplus/Deficient in Profit & Loss Account	108	95	29	4	(26)
Total Shareholder's equity	**3,273**	**2,325**	**2,215**	**2,143**	**1,016**

Total Risk Weighted Assets	19693	18,023	14,914	13,537	5,722
Core Capital	2542	2,310	2,204	2,134	1,002
Supplementary Capital	152	135	135	103	78
Total Capital	2695	2,445	2,339	2,237	1,080
Capital Adequacy Ratio (%)	13.68%	13.57%	15.68%	16.53%	18.87%

Management efficiency

Particulars	**2013**	**2012**	**2011**	**2010**	**2009**
Net revenue per Employees	3.58	1.30	1.32	1.12	1.08
Operating Profit per Employees	0.22	0.44	0.73	0.59	0.63
Net Profit before Tax per Employees	0.13	0.26	0.33	0.29	0.33

Cost to Income Ratio	82%	66%	45%	47%	41%

Asset Quality

Particulars	2013	2012	2011	2010	2009
Loans & Advances	13064	12,250	11,334	8,266	6,256
Classified Loans	1918	1,552	997	1,068	1,485
Classified Loans to Loans & Advances (%)	14.68%	12.67%	8.80%	12.92%	23.74%
Provision for Unclassified Loan	121	106	103	89	59
Provision for Classified Loan	40	438	460	367	278

Share Information

Particulars	2013	2012	2011	2010	2009
Market Price Per Share	100	100	100	100	100
Number of Outstanding Share	19,887,482	19,887,482	19,887,482	19,887,482	9,200,000

Distribution Network

Particulars	2013	2012	2011	2010	2009
No. of Branches	42	38	30	25	25
Human Capital (nos)	721	682	680	550	454

Chapter: Four

Theoretical Aspect

Bangladesh Commerce Bank Ltd.

4.1 FINANCIAL PERFORMANCE ANALYSIS

Financial performance analysis is the process of identifying the financial strengths and weaknesses of the firm by properly establishing the relationship between the items of balance sheet and profit and loss account. It also helps in short-term and long term forecasting and growth can be identified with the help of financial performance analysis. The dictionary meaning of 'analysis' is to resolve or separate a thing in to its element or components parts for tracing their relation to the things as whole and to each other. The analysis of financial statement is a process of evaluating the relationship between the component parts of financial statement to obtain a better understanding of the firm's position and performance. This analysis can be undertaken by management of the firm or by parties outside the namely, owners, creditors, investors.

The analysis of financial statement represents three major steps:

- The first step involves the re-organization of the entire financial data contained the financial statements. Therefore the financial statements are broke down into individual components and re-grouped into few principle elements according to their resemblances and affinities. Thus the balance sheet and profit and loss accounts are completely re-casted and presented in the condensed form entirely different from their original shape. The second step is the establishment of significant relationships between the individual components of balance sheet and profit and loss account. This is done through the application tools of financial analysis like Ratio analysis, Trend analysis, Common size balance sheet and comparative Balance sheet.
- Finally, the result obtained by means of application of financial tools is evaluated.
- In brief financial analysis is the process of selection, relation and evaluation of financial statements. The tools of analysis are used for determining the investment value of the business, credit rating and for testing efficiency of operation.

Thus financial analysis helps to highlight the facts and relationships concerning managerial performance, corporate efficiency, financial strength and weakness and credit worthiness of the company.

4.2 OBJECTIVES

- To analyze the financial changes over a period of five years.
- To analyze the financial statements of the company by using financial tools.
- To evaluate the financial position of the company in terms of solvency, profitability, activity and earnings ratios.
- To suggest effective measures in the existing system of the company.

4.3 FINANCIAL ACCOUNTING

Financial accounting is the process of systematic recording of the business transactions in the various books of accounts maintained by the organization with the ultimate intention of preparing the financial statement there from. These financial statements are basically in two forms. One, profitability statement which indicates the result of operations carried out by the organization during a given period of time and second balance sheet which indicates the state of affairs of the organization at any given point of time in terms of its assets and liabilities.

Main purpose of financial accounting is to ascertain profit or loss and to indicate financial position of an enterprise. Two fundamental statements of financial accounting are income and expenditure statement and balance sheet. The profit and loss account or income and expenditure account is prepared for a particular period to find out the profitability of the firm and balance sheet is prepared on a particular date to determine the financial position of the firm.

Financial accounting summaries transactions taking place during a period with the objective of preparing the financial statement.

4.4 FINANCIAL STATEMENT

'**Financial Statement**' refers to formal ad original statements prepared by a business concern to disclose its financial information. According to **John.N.Meyer**, "The financial statement provides summary of accounts of a business enterprise, the balance sheet reflecting assets, liabilities and capital as on a certain date and the income statement showing the result of operation during a certain period." The financial statements are prepared with a view to depict the financial position of the concern. They are based on the recorded facts and are usually expressed in monetary terms. The financial statement are prepared periodically that is generally for the accounting period The term financial statement has been widely used to represent two statements prepared by accountants at the end of specific period. They are:

- **Balance sheet or statement of financial position**
- **Profit and loss a/c or income statement**

4.4.1 Balance Sheet

In financial accounting, a **balance sheet** or **statement of financial position** is a summary of the financial balances of a sole proprietorship, a business partnership, a corporation or other business organization, such as an LLC or an LLP. Assets, liabilities and ownership equity are listed as of a specific date, such as the end of its financial year. A balance sheet is often described as a "snapshot of a company's financial condition". Of the four basic financial statements, the balance sheet is the only statement which applies to a single point in time of a business' calendar year.

A standard company balance sheet has three parts: assets, liabilities and ownership equity. The main categories of assets are usually listed first, and typically in order of liquidity. Assets are followed by the liabilities. The difference between the assets and the liabilities is known as equity or the net assets or the net worth or **capital** of the company and according to the accounting equation, net worth must equal assets minus liabilities.

4.4.2 Income Statement

An income statement (US English) or profit and loss account (UK English) is one of the financial statements of a company and shows the company's revenues and expenses during a particular period. It indicates how the revenues (money received from the sale of products and services before expenses are taken out, also known as the "top line") are transformed into the net income (the result after all revenues and expenses have been accounted for, also known as "net profit" or the "bottom line").

It displays the revenues recognized for a specific period, and the cost and expenses charged against these revenues, including write-offs (e.g., depreciation and amortization of various assets) and taxes. The purpose of the income statement is to show managers and investors whether the company made or lost money during the period being reported.

4.5 FINANCIAL STATEMENT ANALYSIS

The process of financial statement analysis is of different types. The process of analysis is classified on the basis of information used. The classification is as under:

a) External analysis
b) Horizontal analysis
c) Internal analysis
d) Vertical analysis

4.6 LIMITATION OF FINANCIAL STATEMENT ANALYSIS

Financial statement analysis is a very important device but it has certain limitations which are to be kept in mind. Following are the limitations of financial statement analysis.

1. **Based on past data:** The nature of financial statements is historical. Past cannot be the index of future estimation, forecasting, budgeting and planning.
2. **Financial statement analysis cannot be a substitute for judgment:** Analysis is a tool which can be utilized usefully by an expert may lead to erroneous conclusion by unskilled analysis. Thus the result analysis cannot be considered as judgment or conclusion.
3. **Reliability of figures:** The accuracy and reliability of analysis depends on reliability of figures derived from financial statement.
4. **Different interpretation:** Result of the analysis may be interpreted differently by different user
5. **Change in accounting methods:** Analysis will be effective if the figures taken from financial statements comparable. If there are frequent change in accounting policies and method, figures of different periods will be different and comparable.
6. **Price level change:** The ever rising inflation erodes the value of money in the present day economic situation, which reduces the validity of analysis.
7. **Limitations of the tools of analysis:** Different techniques of analysis are used by an analyst. These tools are suitable for different type of analysis. Application of a particular tool or technique depends on the skill and expertise of the analyst.

If an unsuitable technique is used, it gives misleading result. It may lead to wrong conclusions and prove harmful to the business concern.

4.7 METHOD OF ANALYSIS AND INTERPRETATION

The analysis and interpretation of financial statement is used to determine the financial position and result of operation as well. The following are the tools that are used for analyzing the financial position of the company:

- Ratio Analysis
- Comparative balance sheet
- Common size balance sheet
- Trend analysis

4.7.1 Ratio Analysis

A tool used by individuals to conduct a quantitative analysis of information in a company's financial statements. Ratios are calculated from current year numbers and are then compared to previous years, other companies, the industry, or even the economy to judge the performance of the company. Ratio analysis is predominately used by proponents of fundamental analysis.

Ratio analysis is an important and age-old technique. It is a powerful tool of financial Analysis. It is defined as "The indicated quotient of two mathematical expressions" and as "the relationship between two or more things" .Systematic use of ratio is to interpret the financial statement so that the strength and weakness of a firm as well as its historical performance and current financial condition can be determined.

A ratio is only comparison of the numerator with the denominator .The term ratio refers to the numerical or quantitative relationship between two figures. Thus, ratio is the relationship between two figures and obtained by dividing a former by the latter. Ratios are designed show how one number is related to another.

The data given in the financial statements are in absolute form and are dumb and are unable to communicate anything. Ratios are relative form of financial data and are very useful technique to check upon the efficiency of a firm. Some ratios indicate the trend or progress or downfall of the firm.

4.7.1.A Significance Of Ratio Analysis

Ratios are guides or shortcuts that are useful in evaluating the financial position of a company and the operations of a company from scientific facts. It helps in comparison of changes in static data from previous years to current year and with the comparison of other companies as well. In accounting and financial management ratios are regarded as the real test of earning capacity, financial soundness and operating efficiency of business concern.

The following points highlight the importance of ratio analysis:

Simplifies Accounting Figures: The most significant objective of ratio analysis is that it simplifies the accounting figures in much easier way by which anyone can be understood it quite easily even for those who do not know the language of accounting.

Measures Liquidity Position: Liquidity position of a firm is said to be satisfactory if it is able to meet its current obligation as and when they mature. A firm is said to be capable of meeting its current obligation only, if it has sufficient liquid funds to pay its short- term obligations within a period of year. Hence, the liquidity ratios are used for the purpose of credit analysis by banks and other short-term lenders.

Measures Long-term Solvency: Ratio analysis is equally important in evaluating the long- term solvency of the firm. It is measured by capital structure or leverage ratios. These ratios are helpful to long-term creditors, security analysts and present and prospective investors, as they reveal the financial soundness or weakness of the firm.

Measures operational Efficiency: Ratios are useful tools in the hands of management to evaluate the firm's performance over a period of time by comparing the present ratios with the past ratios. Various activity or turnover ratios measure the operational efficiency of the firm. These ratios are used in general by the bankers, investors and other suppliers of credit.

Measures Profitability: The management as well as owners of a firm is primarily concerned with the overall profitability of the firm. Profit and loss account reveals the profit earned or loss incurring during a period, but fails to convey the capacity of the firm to earn in terms of money of sales. Profitability ratios help to analysis earning capacity of the firm. Return on investment, return on capital employed, net profit ratios etc. are the best measures of profitability.

4.7.1.B Groups Of Financial Ratios

In the view of the requirements of the various users of ratio, it is divided in to the following important categories.

1. Liquidity ratios
2. Activity ratios
3. Debt ratios
4. Profitability ratios

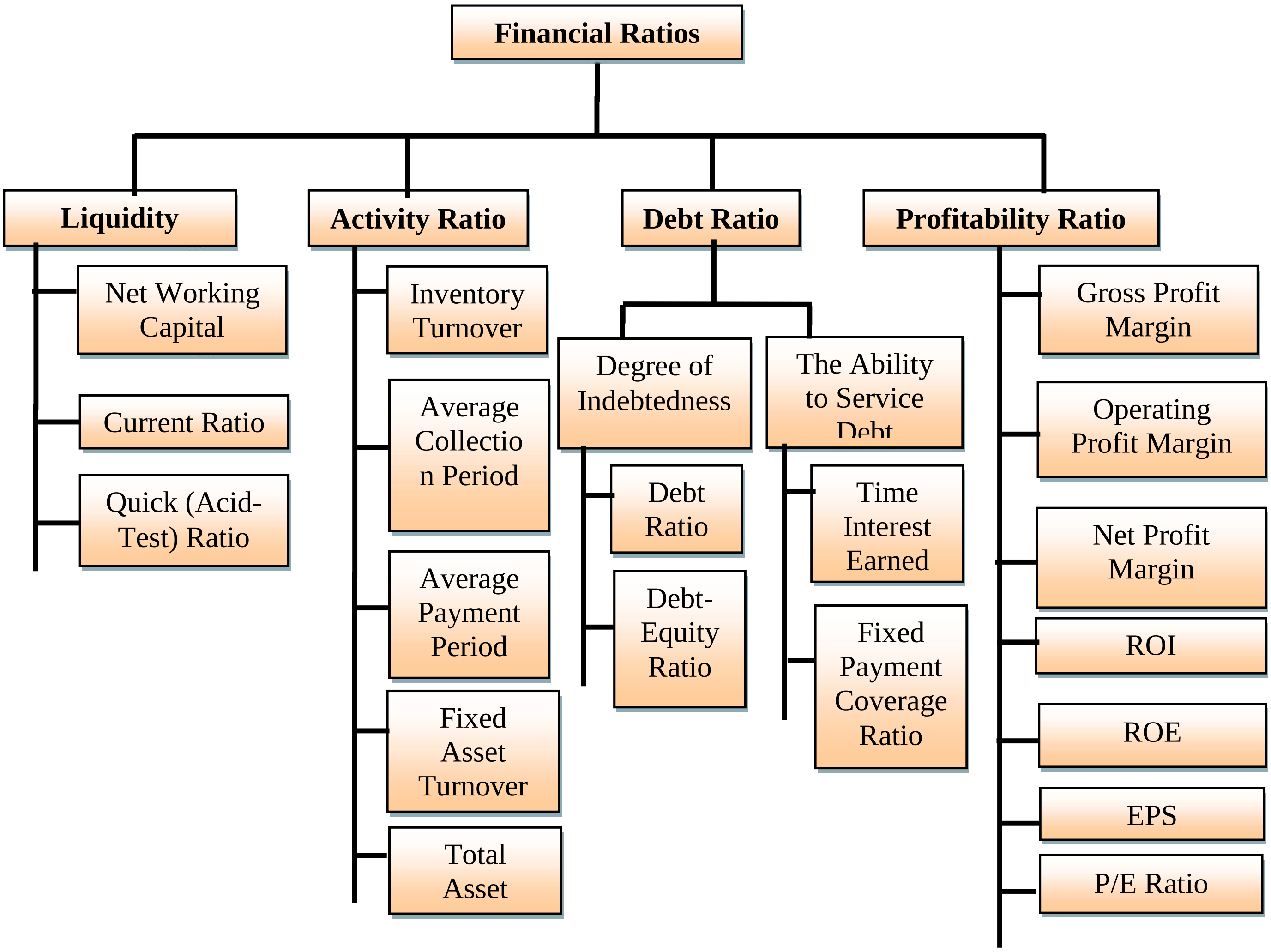


Figure: Groups of Financial Ratios

Liquidity Ratios

Liquidity ratios measure the ability of the firm to meet it's a current obligation. In fact, analysis of liquidity needs the preparation of cash budgets and cash and fund flow statements; but liquidity ratios, by establishing a relationship between cash and other current asset to current obligations provide a quick measure of liquidity.

A firm should ensure that it does not suffer From lack or liquidity, and it does not have excess liquidity .the failure of the company to meet its obligations due to its lack of liquidity, will result in a poor creditworthiness, loss of creditor's confidence, or even in legal tangles resulting in the closure of the company a very high degree of liquidity is also bad idle assets earn nothing. The firms fund will be unnecessarily tied up in current assets. Therefore it is necessary to strike a proper balance between high liquidity and lack of liquidity.

Activity Ratios

Activity Ratio highlights the activity and the operational efficiency of the business concern. The better managements of asserts the larger the amount of sales. Activity ratio measures the relationship between the sales and the assets. Turnover ratios are employed to evaluate the efficiency with which the firm manages and utilize s its assets. Their ratio indicates the speed with which assets are brought converted as turn over into sales.

Profitability Ratios

Profitability reflects the final result of the business operations. Profit earning is considered essential for the survival of the business. There are two types of profitability ratios profit margin ratio and the rate of return ratios. Profit margin ratio shows the relationship between profit and sales.

Popular profit margin ratios are gross profit margin and net profit margin ratio. Rate of return ratio reflects between profit and investment. The important rates of return measures are rate of return on total assets and rate in equity.

Earnings Ratios

Earnings are income to the shareholders of the share invested by them. Hence the earnings ratio will be useful to the investors to the value of the shares that is been holding by them.

4.7.2 Comparative Balance Sheet

The comparative balance sheet is helpful in analyzing and evaluating the financial position of the firm over a period of years. The comparative balance sheet analyze is the study of the trend of the same items, group of items, and computed items in two or more balance sheet of the same business enterprise on different dates.

The changes in periodic balance sheet items reflect the conduct of a business. The changes can be observed by comparison of the balance sheet at the beginning and at the end of the period and these changes can help in forming an opinion about the progress of an enterprise.

4.7.3 COMMON SIZE BALANCE SHEET

Financial statements when read in absolute figure are not easily understandable. They are even miss leading. Each items of asset is converted in to percentage to total asset and each item of capital and liabilities is expressed to total liability and capital fund. Thus the whole balance sheet is converted in to percentage form i.e., every individual item stated as a percentage of total 100.such converted balance sheet is known as common size balance sheet. The percentage so calculated can be easily compared with the corresponding percentages in some other period.

4.7.4 Trend Analysis

The ‘trend’ signifies a tendency and as such the review and appraisal of tendency in accounting variables are nothing but the trend analysis. Trend analysis is carried out by calculating trend ratio. Trend analysis is significant for forecasting and budgeting. Trend analysis discloses the change in financial and the operating data between specific periods.

4.8 ANALYZING LIQUIDITY

Liquidity ratio, expresses a company's ability to repay short-term creditors out of its total cash. The liquidity ratio is the result of dividing the total cash by short-term borrowings. It shows the number of times short-term liabilities are covered by cash. If the value is greater than 1.00, it means fully covered.

Liquidity Ratio may refer to:

- Reserve requirement, a bank regulation that sets the minimum reserves each bank must hold.
- Acid Test (Liquidity Ratio), a ratio used to determine the liquidity of a business entity.

4.8.1 Current Ratio

The **current ratio** is a financial ratio that measures whether or not a firm has enough resources to pay its debts over the next 12 months. It compares a firm's current assets to its current liabilities. It is expressed as follows:

Current Ratio=Current Asset/Current Liabilities

The current ratio is an indication of a firm's market liquidity and ability to meet creditor's demands. Acceptable current ratios vary from industry to industry and are generally between 1.5 and 3 for healthy businesses. If a company's current ratio is in this range, then it generally indicates good short-term financial strength. If current liabilities exceed current assets (the current ratio is below 1), then the company may have problems meeting its short-term obligations. If the current ratio is too high, then the company may not be efficiently using its current assets or its short-term financing facilities. This may also indicate problems in working capital management.

4.8.2 Quick Ratio

In finance, the **Acid-test** or **quick ratio** or **liquid ratio** measures the ability of a company to use its *near cash* or quick assets to extinguish or retire its current liabilities immediately. Quick assets include those current assets that presumably can be quickly converted to cash at close to their book values. A company with a Quick Ratio of less than 1 cannot currently pay back its current liabilities.

Quick Ratio=Cash + Government Securities + Receivable / Total Current Liabilities

Generally, the acid test ratio should be 1:1 or higher; however this varies widely by industry. In general, the higher the ratio, the greater the company's liquidity (i.e., the better able to meet current obligations using liquid assets).

4.8.3 Net Working Capital

Working capital (abbreviated **WC**) is a financial metric which represents operating liquidity available to a business, organization or other entity, including governmental entity. Along with fixed assets such as plant and equipment, working capital is considered a part of operating capital. **Net working capital** is calculated as current assets minus current liabilities. It is a derivation of working capital, that is commonly used in valuation techniques such as DCFs (Discounted cash flows). If current assets are less than current liabilities, an entity has a working capital deficiency, also called a working capital deficit.

Net Working Capital= Total Current Asset-Total Current Liabilities

4.9 ANALYZING ACTIVITY

An **activity ratio** is a metric which determines the ability of a company to convert its balance sheet accounts into revenue. *Activity ratios* assess how effectively a company is able to generate revenue in the form of cash and sales based on its asset, liability and capital share accounts. Examples of such ratios include the inventory turnover ratio and the accounts receivable turnover ratio.

Activity ratios are critical in evaluating a company's fundamentals because, in addition to expressing how well a company generates revenue, activity ratios also indicate how well the company is being managed.

4.9.1 Asset turnover

Asset turnover is a financial ratio that measures the efficiency of a company's use of its assets in generating sales revenue or sales income to the company.

Companies with low profit margins tend to have high asset turnover, while those with high profit margins have low asset turnover. Companies in the retail industry tend to have a very high turnover ratio due mainly to cutthroat and competitive pricing.

Total Asset Turnover = Sales/ Total Asset

- "Sales" is the value of "Net Sales" or "Sales" from the company's income statement
- "Average Total Assets" is the average of the values of "Total assets" from the company's balance sheet in the beginning and the end of the fiscal period. It is calculated by adding up the assets at the beginning of the period and the assets at the end of the period, then dividing that number by two.

4.9.2 Inventory Turnover

In accounting, the **Inventory turnover** is a measure of the number of times inventory is sold or used in a time period such as a year. The equation for inventory turnover equals the Cost of goods sold divided by the average inventory. Inventory turnover is also known as **inventory turns**, **stock turn**, **stock turns**, **turns**, and **stock turnover**.

Inventory Turnover=Cost of Goods Sold/Average Inventory

4.9.3 Debtor Collection Period

The term **Debtor Collection Period** indicates the average time taken to collect trade debts. In other words, a reducing period of time is an indicator of increasing efficiency. It enables the enterprise to compare the real collection period with the granted/theoretical credit period.

Debtor Collection Period = (Average Debtors / Credit Sales) x 365

Average debtors = Debtors at the beginning of the year + Debtors at the end of the year, divided by 2

Credit Sales are all sales made on credit (i.e. excluding cash sales) A long debtors collection period is an indication of slow or late payments by debtors.

The multiplier may be changed to 12 (for months) or 52 (for weeks) if appropriate.

4.9.4 Fixed-Asset Turnover

Fixed-asset turnover is the ratio of sales (on the profit and loss account) to the value of fixed assets (on the balance sheet). It indicates how well the business is using its fixed assets to generate sales.

Fixed Asset Turnover=Gross Turnover/ Net Fixed Assets

Generally speaking, the higher the ratio, the better, because a high ratio indicates the business has less money tied up in fixed assets for each unit of currency of sales revenue. A declining ratio may indicate that the business is over-invested in plant, equipment, or other fixed assets.

4.10 ANALYZING DEBT

The debt position of that indicates the amount of other people's money being used in attempting to generate profits. In general, the more debt a firm uses in relation to its total assets, the greater its financial leverage, a term use to describe the magnification of risk and return introduced through the use of fixed cost financing such as debt and preferred stock.

4.10.1 Debt Ratio

Debt Ratio is a financial ratio that indicates the percentage of a company's assets that are provided via debt. It is the ratio of total debt (the sum of current liabilities and long-term liabilities) and total assets (the sum of current assets, fixed assets, and other assets such as 'goodwill').

Debt Ratio = Total Liabilities / Total Assets

The higher the ratio, the greater risk will be associated with the firm's operation. In addition, high debt to assets ratio may indicate low borrowing capacity of a firm, which in turn will lower the firm's financial flexibility. Like all financial ratios, a company's debt ratio should be compared with their industry average or other competing firms.

4.10.2 Equity-Capital Ratio

A computation that indicates the financial strength of a company. The ratio is equal to the fixed assets of a company divided by its equity capital. Equity capital is the amount of money invested in a company by its shareholders. If the ratio is greater than 1, some of the company's assets have been financed by debt.

Equity-Capital Ratio = Fixed Assets/Equity Capital

4.10.3 Times Interest Earned

Times interest earned (TIE) or ***interest coverage ratio*** is a measure of a company's ability to honor its debt payments. It may be calculated as either EBIT or EBITDA divided by the total interest payable.

Time Interest Earned Ratio=EBIT/ Interest

Interest Charges = traditionally "charges" refers to interest expense found on the income statement.

4.11 ANALYZING PROFITABILITY

Any ratio that measures a company's ability to generate cash flow relative to some metric, often the amount invested in the company. Profitability ratios are useful in fundamental analysis which investigates the financial health of companies. An example of a profitability ratio is the return on investment which is the amount of revenue an investment generates as a percentage of the amount of capital invested over a given period of time. Other examples include return on sales, return on equity, and return on common stock equity.

4.11.1 Operating Profit Margin

In business, **operating margin** — also known as **operating income margin**, **operating profit margin** and **return on sales (ROS)** — is the ratio of operating income ("operating profit" in the UK) divided by net sales, usually presented in percent.

Operating Profit Margin = Operating Profit / Sales

Net profit measures the profitability of ventures after accounting for all costs.

Return on sales (ROS) is net profit as a percentage of sales revenue. ROS is an indicator of profitability and is often used to compare the profitability of companies and industries of differing sizes. Significantly, ROS does not account for the capital (investment) used to generate the profit.

4.11.2 Profit Margin

Profit margin, **net margin**, **net profit margin** or **net profit ratio** all refer to a measure of profitability. It is calculated by finding the net profit as a percentage of the revenue.

Net profit Margin = Net profit after Taxes / Sales

Where, Net Profit = Revenue - Cost

4.11.3 Return on Assets

The **return on assets** (ROA) percentage shows how profitable a company's assets are in generating revenue.

ROA can be computed as:

Return on Asset (ROA) = Net profit after Taxes / Total Assets

This number tells you what the company can do with what it has, *i.e.* how many dollars of earnings they derive from each dollar of assets they control. It's a useful number for comparing competing companies in the same industry. The number will vary widely across different industries. Return on assets gives an indication of the capital intensity of the company, which will depend on the industry; companies that require large initial investments will generally have lower return on assets.

4.11.4 Return on Equity

Return on equity (**ROE**) measures the rate of return on the ownership interest (shareholders' equity) of the common stock owners. It measures a firm's efficiency at generating profits from every unit of shareholders' equity (also known as net assets or assets minus liabilities). ROE shows how well a company uses investment funds to generate earnings growth. ROEs between 15% and 20% are generally considered good.

Return on Equity (ROE) =Net profit after Taxes / Stockholders Equity

4.11.5 Earnings per Share

Earnings per share (EPS) is the amount of earnings per each outstanding share of a company's stock.

In the United States, the Financial Accounting Standards Board (FASB) requires companies' income statements to report EPS for each of the major categories of the income statement: continuing operations, discontinued operations, extraordinary items, and net income.

EPS=Net Income/No. of Share Outstanding

Chapter: Five

Performance Analysis

Bangladesh Commerce Bank Ltd.

5.0 RATIO ANALYSIS

5.1 CAPITAL

5.1.1 Paid up Capital

Paid-up capital is money that a company has received from the sale of its shares, and represents money that is not borrowed.

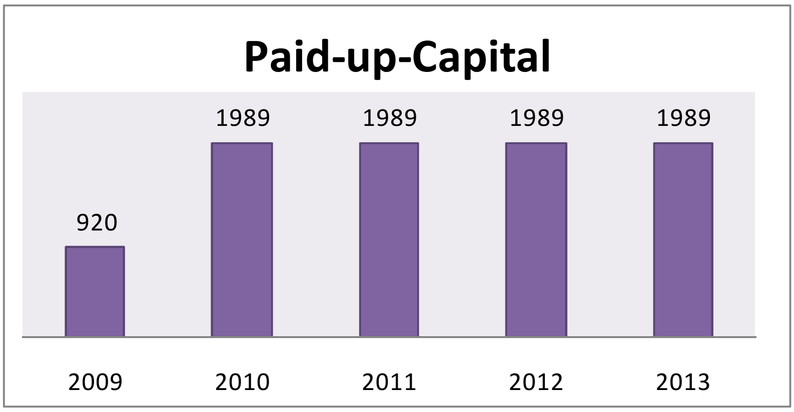
Taka in million

Year	2009	2010	2011	2012	2013
Paid-Up Capital	920	1989	1989	1989	1989

Table: Paid-Up Capital

Source: Annual Report of BCB (2009-2013)

Graphical presentation:



Interpretation:

From the analysis, it has seen that the paid-up in 2010 it increased to 1989 million which is in a horizontal trend till 2013. It indicates Bank's owners' equity were increasing which may reduce their insolvency risk.

5.1.2 Shareholders' Equity:

Shareholder equity comes from two main sources. The first and original source is the money that was originally invested in the company, along with any additional investment made thereafter. The second source comes from retained earnings which the company is able to accumulate over time though is operations in most cases; the retained earnings portion is the largest component.

Shareholders Equity = Total Assets – Total Liabilities Or

Shareholders equity =Share capital + Retained earnings - Treasury bills

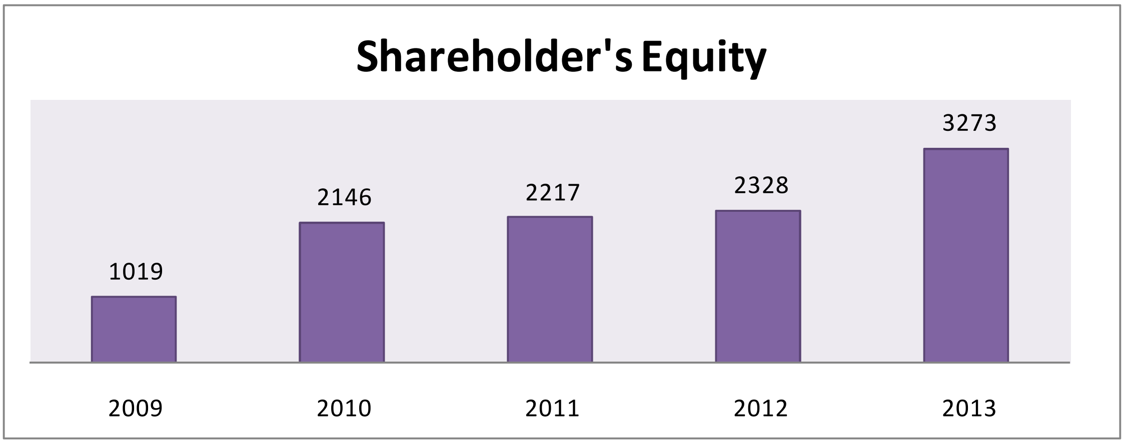
Taka in million

Year	2009	2010	2011	2012	2013
Shareholders' Equity	1019	2146	2217	2328	3273

Table: Shareholders equity

Source: Annual Report of BCB (2009-2013)

Graphical Presentation:



Interpretation:

From the analysis it has seen that their shareholders equity is also increasing trend. As, shareholders equity is increasing trend it convey positive sign for bank solvency. In 2013 shareholder equity stands 3273 million whereas in 2012 equity was 2328million.

5.2 LIQUIDITY RATIOS

Liquidity ratio, expresses a company's ability to repay short-term creditors out of its total cash. The liquidity ratio is the result of dividing the total cash by short-term borrowings. It shows the number of times short-term liabilities are covered by cash. If the value is greater than 1.00, it means fully covered.

5.2.1 Current Ratio:

The current ratio, one of the most commonly cited financial ratios, measures the firm's ability to meet its short term obligations. The higher the current ratio, the better the liquidity position of the firm. It is expressed as:

Current Ratio=Current Asset/Current Liabilities

Year	2009	2010	2011	2012	2013

Current Ratio	1.02	1.21	1.16	1.14	1.18

Table: Current Ratio

Source: Annual Report of BCB (2009-2013)

Graphical Presentation:

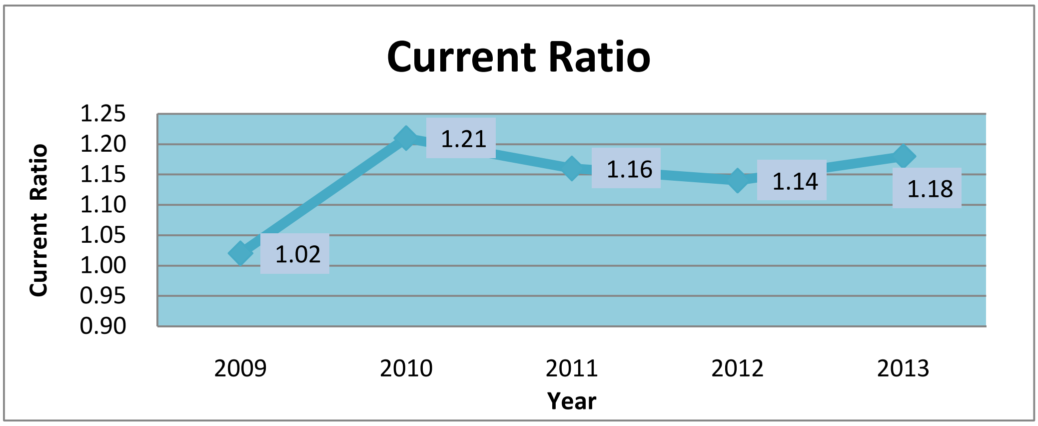


Figure: Current Ratio

Interpretation:

BCB's current ratios were satisfactory last five years because it maintains more 1 tk as current assets against tk 1 current liabilities, whereas banking industry normally maintains 1:1 current ratio.

5.2.2 Net Working Capital:

The current ratio, one of the most commonly cited financial ratios, measures the firm's ability to meet its short term obligations. The higher the current ratio, the better the liquidity position of the firm. It is expressed as:

Net Working Capital=Current Asset-Current Liabilities

Year	2009	2010	2011	2012	2013
Net Working Capital	109	2277	2022	1956	2001

Table: Net Working Capital

Source: Annual Report of BCB (2009-2013)

Graphical Presentation:

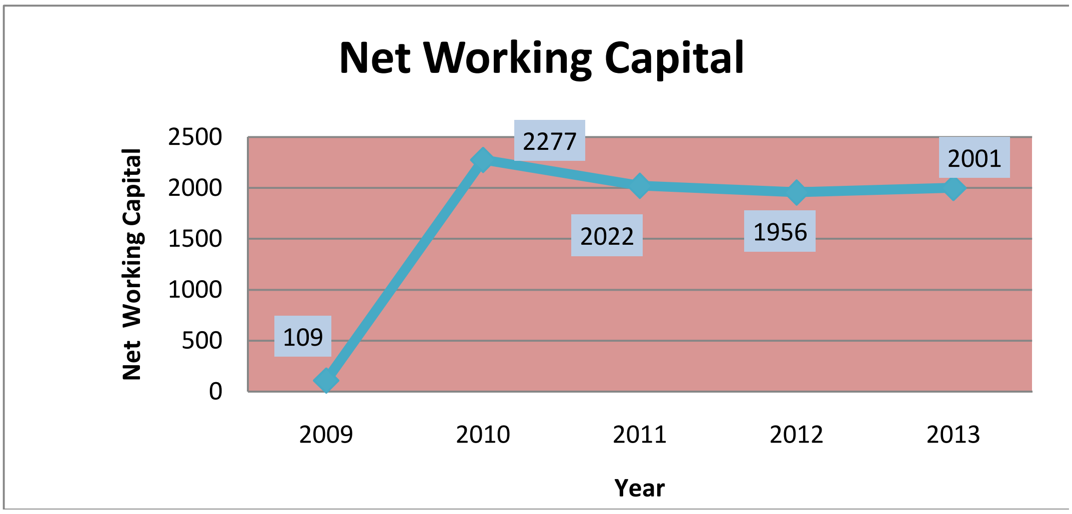


Figure: Net Working Capital

Interpretation:

In 2009, the net working capital of BCB was fall to 109 from 2714. But in 2010 it drastically increased to 2277. After that it consecutively falls till 2013 however, the bank is able to meet up its current obligations.

5.3 ANALYZING ACTIVITY RATIO

5.3.1 Cost Income Ratio:

The cost-to-income ratio shows the efficiency of a firm in minimizing costs while increasing profits. The lower the cost-to-income ratio, the more efficient the firm is running. The higher the ratio, the less efficient management is at reducing costs.

Cost Income Ratio=Total Operating Expenses/Total Operating Income

Year	2009	2010	2011	2012	2013
Cost Income Ratio	41%	47%	45%	66%	82%

Table: Cost Income Ratio

Source: Annual Report of BCB (2009-2013)

Graphical Presentation:

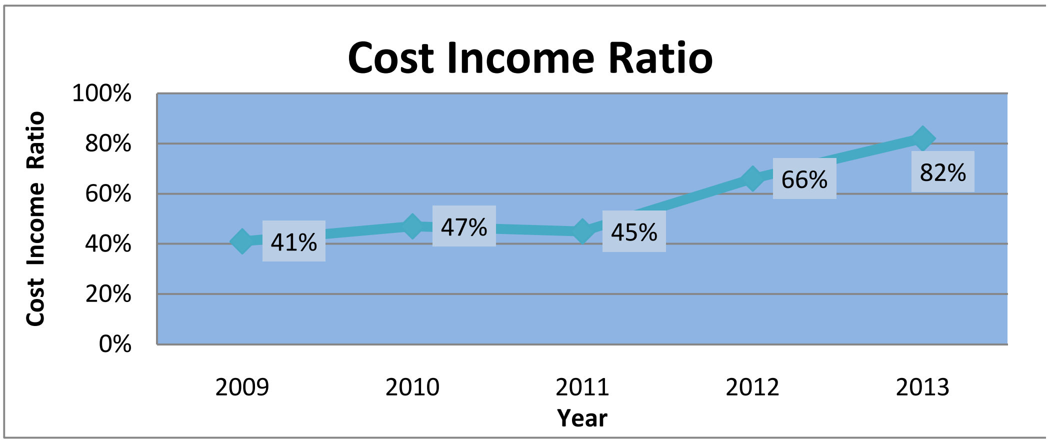


Figure: Cost Income Ratio

Interpretation:

From 2009 to 2011 the operating efficiency of the BCBL was in good position because they minimized their operating cost. So, in 2013 compare with previous year, its operating efficiency was worse than ever only because of unfavorable economic condition leads the bank towards lower income.

5.3.2 Total Asset Turnover Ratio:

The total asset turnover indicates the efficiency with which the firm is able to use all its assets to generate sales.

Total Asset Turnover= Operating Income/Total Asset

Year	2009	2010	2011	2012	2013
Total Asset Turnover	5.20%	3.97%	5.18%	4.53%	3.22%

Table: Total Asset Turnover

Source: Annual Report of BCB (2009-2013)

Graphical Presentation:

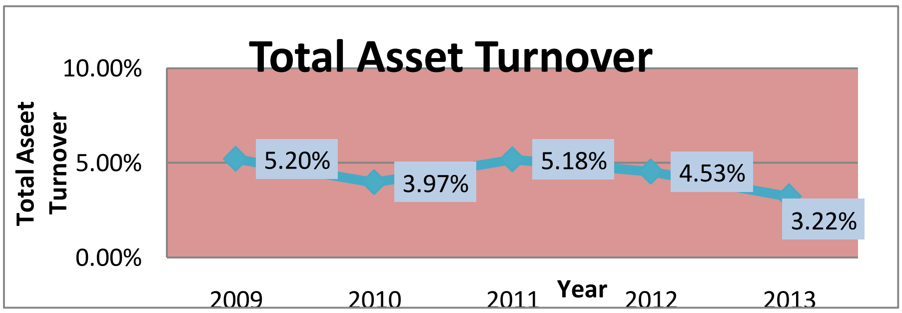


Figure: Total Asset Turnovers

Interpretation:

From the analysis, it has seen that from 2009 to 2013 BCBL total asset turnover were fluctuating trend but in 2013 compare with any other year it was in a declining trend 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.

5.4 ANALYZING DEBT RATIO

5.4.1 Debt Ratio:

The debt ratio measures the preparation of total assets provided by the firm's creditors.

Debt ratio= Total Liabilities/Total Assets

Year	2009	2010	2011	2012	2013
Debt Ratio	89%	86%	87%	88%	87%

Table-13: Debt Ratio

Source: Annual Report of BCB (2009-2013)

Graphical Presentation:

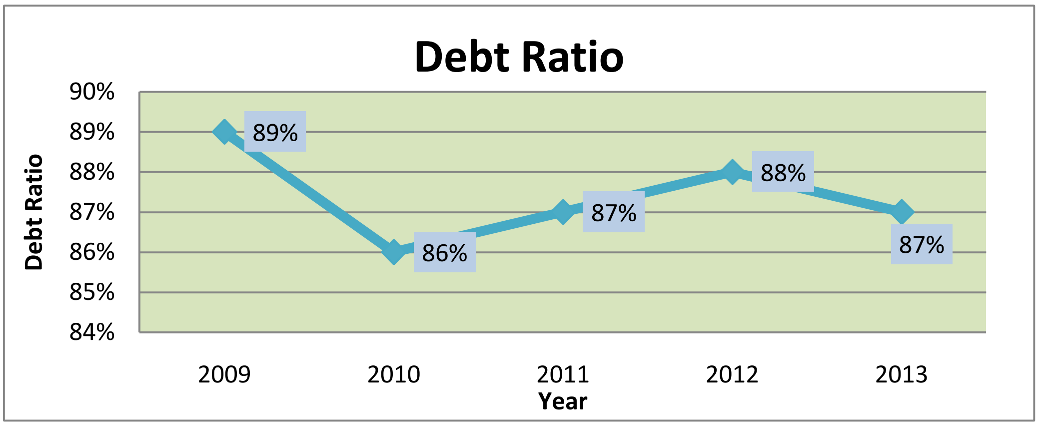


Figure: Debt ratio

Interpretation:

This graph shows that, in 2010 the debt ratio was decreased in 2010 it was happened because of new capital injection from shareholders.. After that in 2010 it grew gradually as the deposit rise which is the common nature of the business. Lower the ratio, it is less risky. Since it is in a increasing trend which is not a good sign for a bank.

5.4.2 Time Interest Earned Ratio:

The times interest earned ratio, sometimes called the interest coverage ratio, measures the firm's ability to make contractual interest payments.

Time Interest Earned Ratio =Earnings before Interest and Taxes/Interest

Year	2009	2010	2011	2012	2013
Time Interest Earned Ratio	1.89	1.99	1.99	1.69	1.45

Table: Time Interest Earned Ratio

Source: Annual Report of BCB (2009-2013)

Graphical Presentation:

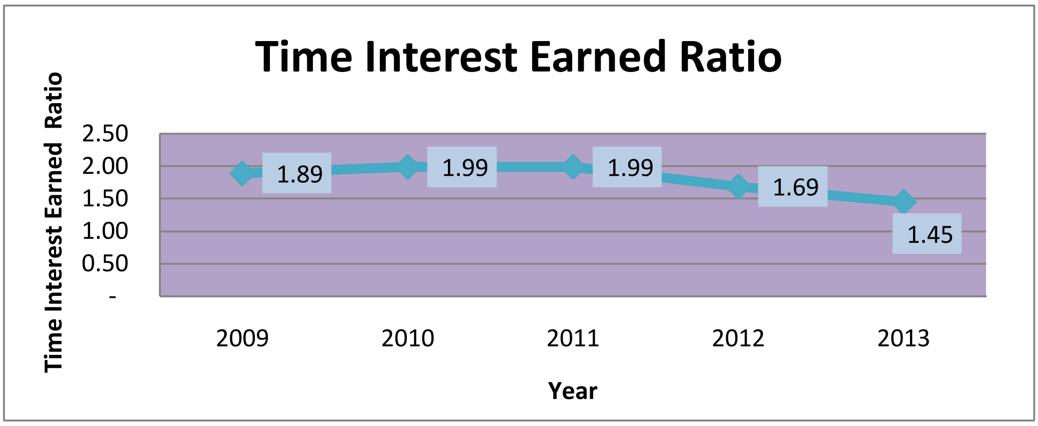


Figure: Time Interest Earned Ratio

Interpretation:

From the above analysis time interest earned ratio on BCBL's was satisfying. In 2010 and 2011 earned ratio was equal but in 2012 it falls than last years. In 2013 it was the worst case and the reason described above. So BCBL should enhance its earnings by minimizing its operating costs in order to get adequate earnings to satisfying interest obligations.

5.4.3 Equity Capital Ratio:

The ratio shows the position of the Bank's owner's equity by measuring the portion of total asset financed by the shareholders invested funds and it is calculated as follows:

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

Year	2009	2010	2011	2012	2013
Equity Capital Ratio	10.81%	13.78%	12.75%	11.91%	13.36%

Table-: 14 Equity Capital Ratios

Source: Annual Report of BCB (2009-2013)

Graphical Presentation:

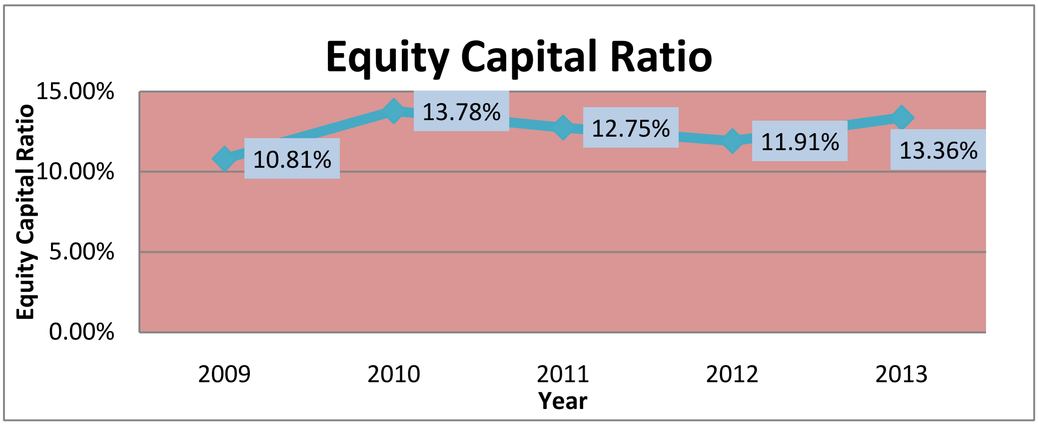


Figure: Equity Capital Ratio

Interpretation:

This graph shows that equity capital ratio in 2010 it increased to 13.78%, later from 2010 to 2012 it was all about in a decreasing mood. But in 2013 due to capital injection by the shareholders the ratio increased. So the equity capital ratio of the bank should better in future and that need to be internal capital generation.

5.5 ANALYZING PROFITABILITY RATIO

5.5.1 Net Profit Margin:

The net profit margin measures the percentage of each sales dollar remaining after all expenses, including taxes, have deducted.

Net Profit Margin=Net profit after tax/Operating Income

Year	2009	2010	2011	2012	2013
Net Profit Margin	8.43%	10.25%	7.76%	11.42%	2.22%

Table-8: Net Profit Margin

Source: Annual Report of BCB (2009-2013)

Graphical Presentation:

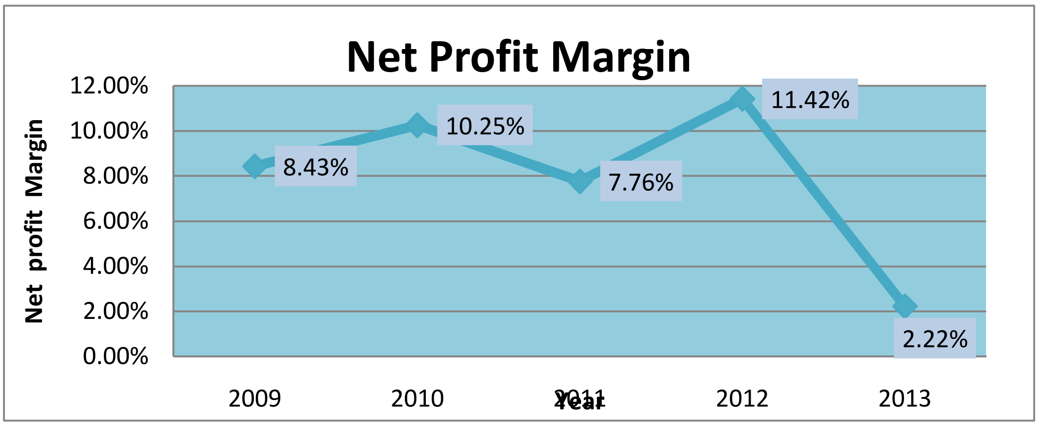


Figure - 8 : Net Profit Margin

Interprétation:

From the analysis, it has seen that among five years in 2009 to 2013 the bank's net profit margin was in fluctuating mood. But in 2012 it achieved high than last three years. Overall their profit margins were Satisfactory.

5.5.2 Return on Asset (ROA):

The return on asset (ROA), which is often called the firm's return on total assets, measures the overall effectiveness of management in generating profits with its available assets. The higher the ratio is better

Return on Asset (ROA) =Net Profit after tax/Total Asset

Year	2009	2010	2011	2012	2013
Return on Asset	0.44%	0.41%	0.40%	0.52%	0.07%

Table-9: Return on Asset

Source: Annual Report of BCB (2009-2013)

Graphical Presentation:

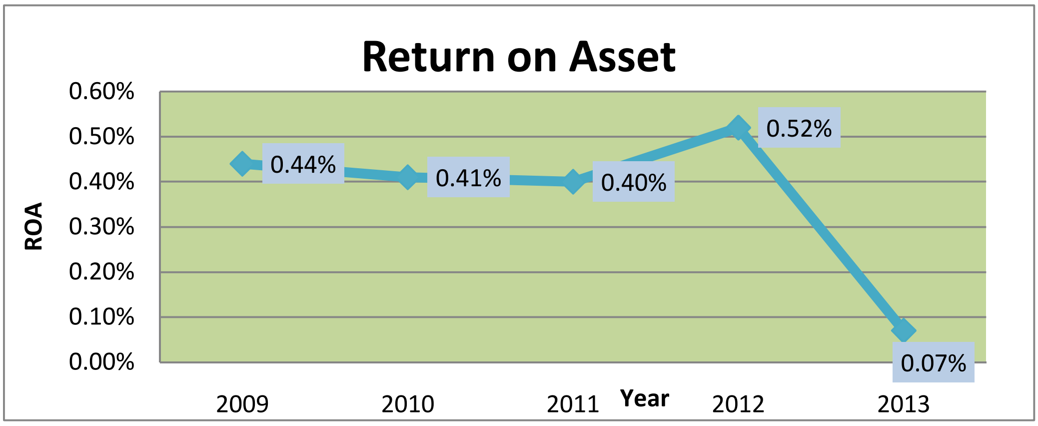


Figure: Returns on Asset

Interpretation:

From the analysis, it demonstrates that in 2012 it goes up surprisingly to 0.52%. In 2012 the bank has earn more profit compare with the previous year. As it comes to the earnings 2013 was not the year for the Bank. So the bank is managing its investment in asset by highly efficiently as well as effectively to generate maximum profit but unfavorable condition leads it to brink of disaster.

5.5.3 Return on Equity (ROE):

The return on equity 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.

Return on Equity=Net Profit after Tax/ Shareholders equity

Year	2009	2010	2011	2012	2013
Return on Equity	4.05%	2.95%	3.15%	4.35%	0.53%

Table-10: Return on Equity

Source: Annual Report of BCB (2009-2013)

Graphical Presentation:

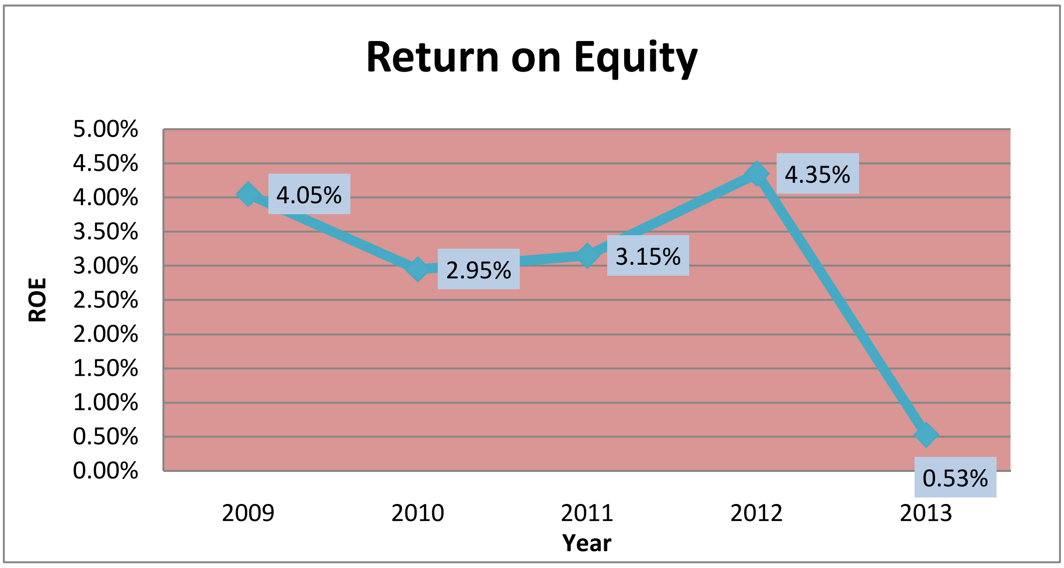


Figure -11: Returns on Equity

Interpretation:

In return on equity 2010 it fall down to 2.95% than last year. After that from 2010 to 2012 return on equity was in upward trend which is tremendous performance of the bank. So the management is working hard to increase the return associated with equity. But in 2013 the return has double negative effect because the capital has increased on the other hand the earning was decreased so the return on equity shows worst ever result in 2013.

5.5.4 Earnings per Share:

The firm's Earning per share (EPS) are generally of interest to present or prospective stockholders and management. The Earning per share represent the number of dollars earned on behalf of each outstanding share of common stock. The earnings per share is calculated as follows

Earnings per Share =Earnings available for common stock holder/No of shares of common stock outstanding

Taka

Year	2009	2010	2011	2012	2013
EPS	4.49	3.18	3.51	5.09	0.88

Graphical Presentation:

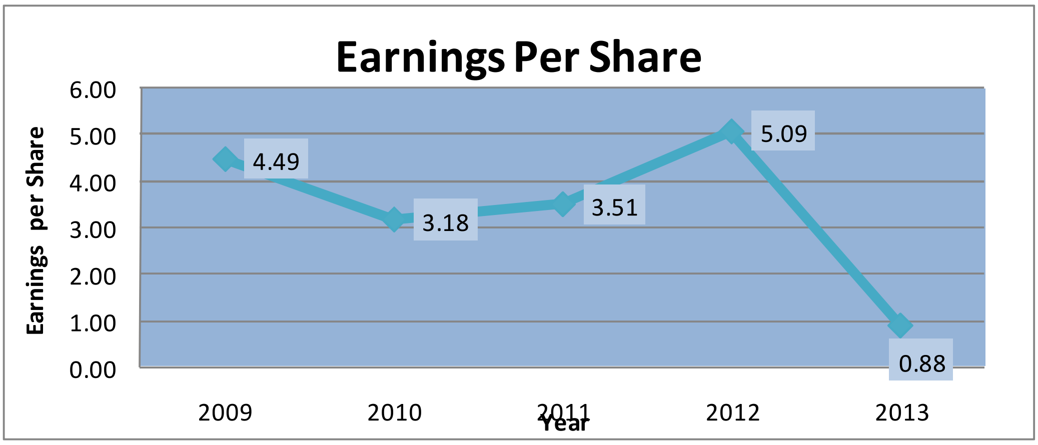


Figure-12: Earnings per Share

Interpretation:

The graph show that, in 2012 earnings per share of BCBL's was highest than ever but like the ROE it shows the worst return as the double negative effect mentioned in ROE interpretation.

5.6 ANALYZING MARKET RATIO

5.6.1 Price Earnings Ratio:

The price or earning (P/E) ratio is commonly used to assess the owners' appraisal of share value. The P/E represents the amount investors are willing to pay for each dollar of the firm's earnings. The higher the P/E ratio, the greater the investor confidence in the firm's future. The price Earning (P/E) ratio is calculated as follows:

Price Earnings Ratio=Market price per share of common stock/Earning per share

Year	2009	2010	2011	2012	2013
Price Earnings Ratio	22	31	28	20	114

Table-12: Price Earnings Ratio

Source: Annual Report of BCB (2009-2013)

Graphical Presentation:

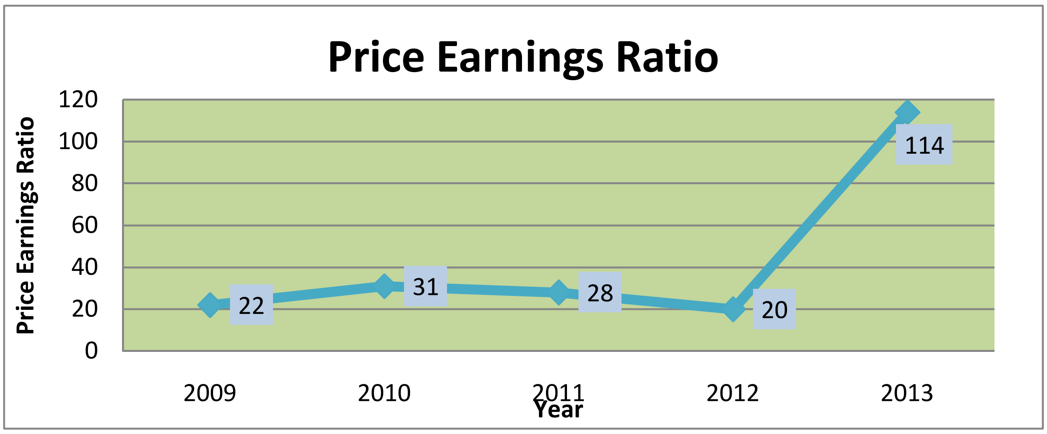


Figure-13: Price Earnings Ratio

Interpretation:

Here share price is constant as the company is not enlisted in the capital market but the income or earnings fluctuates. So the income is the only factor to change the ratio which we see that in 2012 EPS is highest so the PE ratio is lowest on the other hand in 2013 the EPS is lowest so the PE ratio is highest.

Chapter: Six

Major Findings, Recommendation & Conclusion

Bangladesh Commerce Bank Ltd.

6.1 MAJOR FINDINGS:

a. Capital:

- It has seen that the in BCB's Paid-up capital was increasing. It indicates banks owners' capital was increasing, so it may reduce the bank's insolvency risk.

b. Shareholder's Equity:

- The shareholders equity is also increasing trend. As, shareholders equity is increasing trend it convey positive sign for bank solvency.

c. Liquidity Ratios:

- From the current ratio analysis of last five years it has seen that BCB maintains satisfactory range of capital assets in order to smooth operations by paying their short term obligations.
- The net working capital of BCB is surprisingly increased in 2010 than last two years, after that it is in decreasing mood. However, the bank is able to meet its current obligations.

d. Activity Ratios:

- We know that cost income ratio measures the operating efficiency of the bank. From the analysis, the operating efficiency of the BCB was in not good position from 2009 to 2011, because they were not able to minimize their operating cost. But in 2012 it decrease their operating cost that is good sign again in 2013 operating cost seems increase as the earnings declined compared to previous year.

- Total asset turnover indicates the operating efficiency of any organization. We know the greater the total asset turnover is considered more efficient. But from the analysis it has seen BCB total asset turnover is not steady as well as in decreasing trend which is not good sign.

e. Debt Ratios:

- The debt ratio was increasing year by year after fall in 2010 than last year. Debt ratio measures the proportion of total assets provides by the firm's creditors. The bank's debt ratio was in increasing trend from 2010 which is not good sign for a bank.

- From the above analysis time interest earned ratio on BCB's was satisfying. Because, it was in increasing trend from 2009 to 2011 where as in 2010 and 2011 it was same. But last year it fall than preceding years. So, BCB should enhance its earnings by minimizing its operating costs to get adequate earnings to satisfying interest obligations.

f. Profitability Ratios:

- From the analysis, it has seen that among five years in 2009 BCB net profit margin was in fluctuating mood. But in 2012 it surprisingly increased 11.42% than last year but due to unfavorable economic and political condition it came down to 2.22%.
- Return on asset was decreasing trend excepting 2012 compare to preceding years and the highest value can be observed in 2012 which is satisfactory. So the bank is managing its investment in asset effectively as well as efficiently to generate maximum profit. But again bank fall into difficult time in 2013.
- The graph of EPS of BCB is increasing consecutively year by year except 2013. It indicates a very good sign. Management should focus on maintaining this growth trend to recover the meltdown in last year.

g. Market Ratios:

- Price earnings ratio of BCB is decreasing from 2010 to 2012 consecutively decreased which is good position but in 2013 it gone up drastically which is because of lower EPS and static price which is not a good sign. It indicates lack of the shareholders' confidence on BCB's performance and prospect.

6.2 RECOMMENDATIONS:

Some recommendations based on the financial performance of Bangladesh Commerce Bank's financial performance are given below-

- Paid up capital of BCB were increasing trend and they should keep focus to increase capital in order to maintain their solvency.
- As we have seen that Current Ratio of BCB is satisfactory range. So, BCB should maintain this trend for smoothly operate of their business.
- The Cost income ratio of the BCB was not in good position because they were not able to minimize their operating cost. They should minimize their operating cost as well maximize the operating income.
- As, Total Asset Turnover shows the efficiency of the bank. But in last 5 years total asset turnover were not steady. So BCB should also try to improve their Total asset turnover.
- Debt Ratio of the BCB was not satisfactory range because it was increasing trend. So they should try to decrease of this ratio.
- As, BCB's Time interest ratio was satisfactory. But they should increase their EBIT or reduces the debt capital in order to smoothly satisfy the interest obligations.
- BCB should try to increase net profit margin for increasing operating efficiency.
- The BCB's ROA was deceasing mood excepting year of 2012 and in worst position in 2013. So the BCB's should manage its investment in asset by proper utilization to generate their profit.
- The BCB's ROE was extremely good until 2012 but it turned down in 2013 so the management should work hard to increase the return associated with equity.
- EPS increasing up to 2012 that indicates very good sign for BCB, which can attract investor but it gone down 2013 which and the reason stated earlier but management should concentrate in 2014 to stay foot in good ground. To attract the investor BCB should try more to increase its EPS.
- Decreasing mood of PE ratio is not good sign for BCB but at the same time too high PE also a matter of concern. So, bank should try to increase the PE ratio to build the confidence of BCB's shareholders but keep it steady.

6.3 CONCLUSION

Bangladesh Commerce Bank Ltd. is one of the leading commercial banks in our country. In all economic condition of our country Bangladesh Commerce Bank Ltd. has been working with great confidence and competing tremendously with Government oriented bank, local commercial banks along with the multinational banks also. Bangladesh Commerce Bank Ltd. always tried its level best to perform financially well. In spite of trying to do well in some aspects Bangladesh Commerce Bank Ltd. faced some financial problems from time to time. Some of the problems were-excessive bad loans, shortage of loans and advances, scarcity of cash in hands due to vault limit etc. These problems arouse time to time due to economic slowdown, interest rate fluctuation, emerging capital market, inflation in the money market and so on. Fighting with all these problems and competing with other banks every moment the bank is trying to do better to best. If this thing continues we hope that Bangladesh Commerce Bank Ltd. will develop even more in the future.

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