



United International University

Internship Report

on

Growth Analysis and Sustainable Earnings of the City Bank Limited

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INTERNSHIP REPORT



Growth Analysis and Sustainable Earnings Of The City Bank Limited

Letter of Transmittal

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Subject: Submission of Internship Report.

Dear Madam,

This is my pleasure to present my internship report that titled "Growth Analysis and Sustainable Earnings of the City Bank Limited" which I have prepared as a part of the requirement of my BBA program. I have successfully completed my internship program in "The City Bank Limited, Motijheel Branch" where I worked as a "Customer Service ambassador" for 3 months. In my report I have tried my level best to point out and describe the work process as per your instruction. Working on this report was a great learning experience for me as I got to learn the differences between practical and theoretical work. I hope that will help me in the future career life.

I would like to take this opportunity to thank you for all your earnest support and guidelines that you have provided in preparing the report. It would be great accomplishment for me if you find this report reliable and informative enough to fulfil the requirements.

Sincerely yours,



Kanak Jahan Ruhani Proma

ID: 111 151 508

Major in Finance

School of Business & Economics

Acknowledgement

First of all, I would like to convey my sincere thanks to Almighty Allah for giving me the strength and the composure to prepare the report successfully. I prepared this report with full co-operation from my assigned supervisor that was an enormous benefit for me. It is my great honour to mention here the name of the bank "The City Bank Limited" for helping me by providing valuable information. I am grateful to all the senior and junior officers of the City Bank Limited, Motijheel branch, who spared their valuable time from their busy schedule and helped me in doing my report work.

Now I intend to thank my honourable supervisor Nusrat Farzana for extending her kind co-operation & providing valuable guideline in the preparation of this report.

Lastly, I convey my heartiest thanks to my entire faculty members of United International university for providing me the theoretical knowledge that it was assist me in preparing this report. I have exerted my level best effort in preparing this report. Despite of my best effort I beg your pardon for the errors that might have occurred in preparing this report.

Executive Summary

This report has attempted to highlight the sustainable growth and earnings evaluation of the City Bank Limited (CBL). Being one of the oldest private commercial banks the CBL is one of the leading banks of our country. As an intern from business discipline, I got the opportunity to work with this organization and exert my best effort to make a clear study. I have exerted my level best to provide a clear view about financial health and growth of the CBL. Accordingly, I have collected "Seven Years" the most used financial statements- balance sheet & income statements where balance sheet shows the financial positions and income statement shows the net profit or loss of a bank.

This report is broadly categorized into seven parts. First part is for introduction where I discussed about the history of the CBL in order to find the objective, methodology and limitation. Then the second part gives an overview about the CBL.

It is undoubtedly certain that this internship has a great influence in my future career plan. So in the third part of this report I explained about my internship experience what I have earned from my 3 months internship activities at the CBL. In the fourth part I have calculated some useful ratios in order to give a slight view of the CBL's financial health.

The main focus of the report is its fifth part where I have evaluated profitability using the reformulation technique in order to analyse the sustainable growth and earnings of the CBL. So in this analytical part at first I reformulated the income statement and balance sheet then based on that I analysed the seven years profitability of this bank. After that I have analysed the 'Growth and sustainable earnings of the CBL' based on profitability analysis. Lastly the other parts contain SWOT analysis for the CBL, some recommendation and conclusion.

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Chapter 1

Introduction

1.1 Origin of the Report:

The internship program of BBA is a fundamental requirement to obtain real life challenge conducted by the intern. The 3 months internship program helps a students to cope up with experience in corporate life. In the middle of this period i have worked cooperatively with the workers of the City Bank Limited, Motijheel Branch. This report shows the results of the analysis of the internship program which I finish at the City Bank Limited.

This internship report contains the analysis of sustainable growth and earnings of 'The City Bank Limited' for the seven years financial data of the CBL are collected as per the instruction of supervisor of this report. As an intern it is not so easy to translate the theoretical knowledge into real life experience. It gives me many opportunities to gather lots of knowledge about the banking activities and I hope it will help me to apply my theoretical knowledge in real life. But it is certain that by doing this report title of 'Growth Analysis and Sustainable Earnings of the CBL' will help me in my future career life.

1.2 Objective of the study:

The main objective of this report is to analyse the sustainable growth and earnings of the CBL. Besides, to evaluate the seven years financial data have been collected of the CBL. Moreover, there are also remain other objectives such as-

- To give some details about the CBL
- Analysis of some useful ratios to show the financial position of the CBL
- Some view of profitability level in which helps the CBL to increase its profit
- To identify SWOT elements that helps the CBL to maintain its profitability and growth
- Last of all some recommendation to maintain sustainability

1.3. Scope of the study:

The field of my study is the operation of Motijheel Branch of the City Bank Limited (CBL). Besides, to organize this study there is some compulsoriness to have a proper knowledge of the total banking activities. The scope of the study covers the organizational overview, background, objective, function, departmentalization and product or services of the CBL as a whole. The major part of the report covers the sustainable growth and earnings of the CBL. This will show the CBL can maintain their sustainability in the long run or not.

1.4 Methodology of the study:

Collection of the various information for the report is called as data. So, I tried to collect all information from various section and department of the bank. Moreover, to prepare a valid, useful and informative report I studied all the company information, record, company website and other related information. To make this report efficient I have collected two sources of data one is primary data and another is secondary data which helped me to make this report presentable.

Primary Data:

- Communicating with officers and staffs of the bank about the banking activities.
- By doing practical work with CSM (customer service managers)
- Intend to learn the relevant files as instructed by the officers and staffs.
- Collection of different data by own observation from daily actives of the CBL.

- Informal face to face discussion with the officers and stuffs of the CBL.
- Conversation with the satisfied clients about the CBL.

Secondary data:

- Annual report of the CBL.
- Text book named Financial Statement Analysis
- Different journals and materials about the banking activities.
- Some elements collected from different courses which are related to the report.
- Some are collected from class notes of the courses which related to the report.
- Financial Ratios of the CBL.
- Collection from reports submitted by the various internship students.
- Lastly collection from many useful websites.

1.5 Limitations of the study:

From the very beginning of the report I have conducted with intention to make the report realistic and properly accepted. But I have faced many problems during the preparation of this report. The information which I have mentioned in this report is not fully accurate because some information is confidential. Therefore, organization does not share some information for its safety issue. However, I try my best to complete my report with proper information and hope that will be efficient.

But the report contains few limitations. The limitations are given as follow-

- There are lack of analytical skills for writing such reports.
- The time limitation because to complete such broaden analytical report in 3 months is not enough.
- There are lack of depth knowledge to analyse the data.
- The banks have some confidential issues for disclosing of some useful data.
- Unavailable of secondary data because few data are available in the organization so I have to use this data from books, reports and journals. That's why I have to use more primary data for making this report.

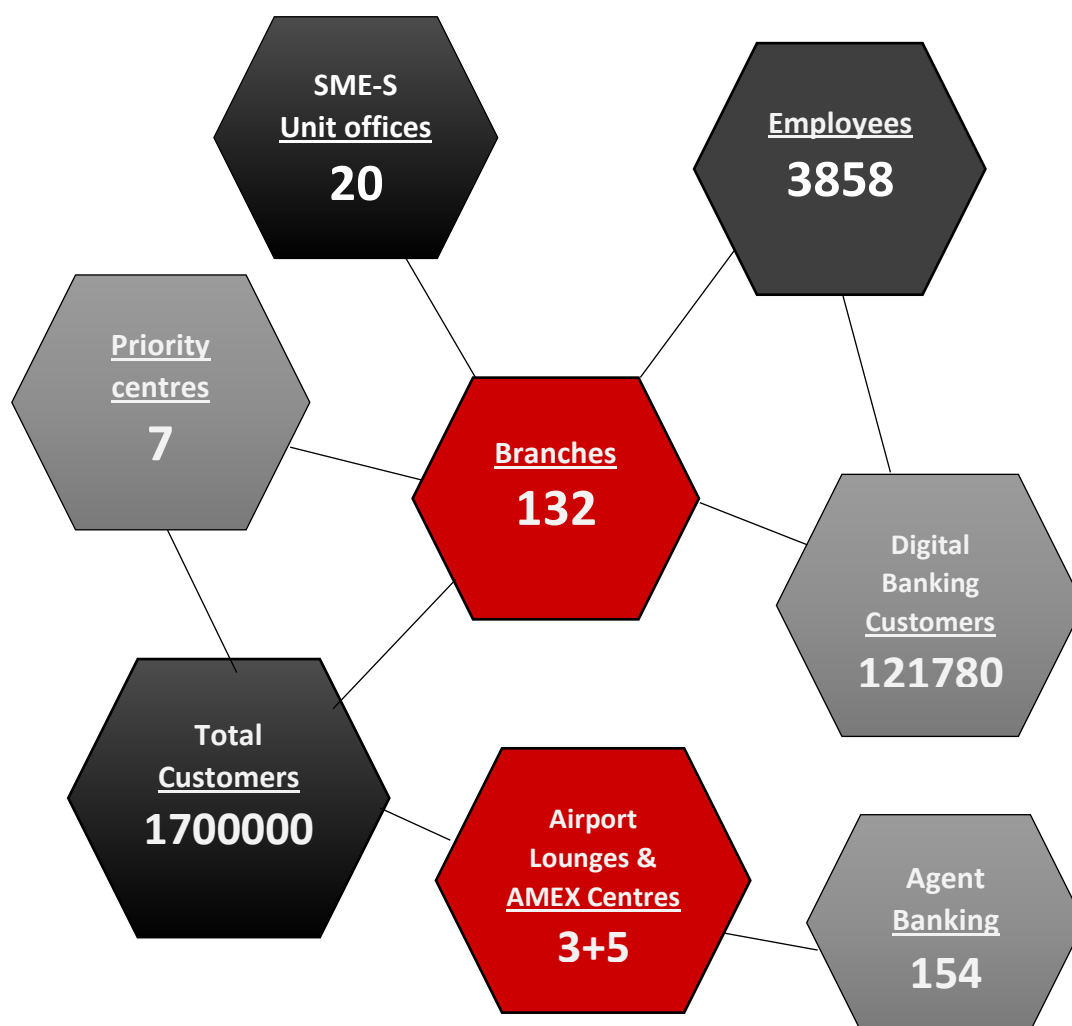
Chapter 2

An Overview of the City Bank Limited

2.1 Background of the City Bank Limited (CBL):

The City Bank Limited is one of the oldest and first private commercial bank operating its activities throughout the Bangladesh since 1983. The bank's inception year is on 26th march, 1983 with an authorized capital of BDT. 1.75 billion. Currently it is a leading bank among the most well-known five Commercial Banks in Bangladesh. In 2008, the bank changed its image and services which included the new logos, American Express credit card, City Wallet (SMS banking) services. Moreover, the name was changed from "The City Bank Limited" to "City Bank". In October, 2019 the bank entered into an agreement with BKash as a mobile banking service provider to provide automatic payment settlement service to its clients which is known as "City Touch". Now City bank provides services its customers with numerous branches and ATMs over the whole urban areas and business focal point of the world. Presently the bank has a total of 130 branches and 369 ATNs across the country. The bank was awarded as Asia money's best bank for premium service in Bangladesh.

City Bank is Bangladesh's top private sector providing a wide range of banking services in the corporate, commercial and retail segments and catering to almost 1.7 million customers. The bank has transformed itself to remain relevant to the times. This bank has pioneered digital banking in all-over the country. Continuing with achieving consistent growth in the Corporate and commercial banking divisions city bank is now a versatile banking platform that focuses on extending the frontier of banking in Bangladesh.



The bank manages its operation vertically from its head office. City bank provides a strong service delivery & smart IT backbone from its distinct units and this bank also can perform as real time online banking platform for the customers by providing special services. Throughout the branches and ATMs the bank operates its activities smoothly and smartly by delivering traditional as well as alternative delivery points of the clients. The bank is now providing SME services through its branches all over the Bangladesh as well as SMS banking, internet banking and so on.

City Bank empowers and backing the development of the bank in Retail and SME banking. The bank makes its own particular manner to opening abundant free SME focuses the nation over within a brief time frame. Additionally, the bank has added up to 122 branches which incorporate 99 online branches, 1 Islamic Banking branch, 1 SME benefit focus and 11 SME/Agri branches over the broadness of the nation. On the other hand, it also provides the facility of customer call centre.

Other facilities provided by the CBL:

- It issued dual currency credit card first in Bangladesh among other banks.
- It issued local and foreign currency both card limits in one card.
- It issued visa debit card and AMEX (American Express Credit Card) credit card with verities.

Moreover, City bank is next generation private sector bank in Bangladesh. The bank has rapidly transform over the years to remain relevant to the country's fast evolving economy. Today, the bank provides a wide suit of deposits and loans and products and solutions to cater to the requirements of the widest socio-economic population. As a bank with a pioneering and award-winning Digital Banking app platform under Citytouch. City bank is at the forefront of transforming the way customers interact and engage with the bank. City bank became a strong banking platform for Bangladesh by delivering consistent value to their customers and shareholders and positively impacting the society.

City bank including its subsidiaries is a diversified financial service provider, offering an integrated set of products and services across personal and business banking, cards, corporate and investment banking and so on. The presence of long standing in majority of the districts of the country the bank possesses strong platform to capture the growth opportunities.

2.2 City Bank and Its Subsidiaries:

2.2.1 City Bank Limited Money Transfer (CBLMT):

City Bank Limited Money Transfer (CBLMT) is a private company limited by shares which incorporated under the law of Malaysia. On April 13, the CBL entered into an agreement to purchase 75% ordinary shares of CBLMT with an agreement to eventually acquire 100% shares. CBLMT is currently engaged in outbound remittance operations.

2.2.2 City Brokerage Limited:

City Brokerage Limited is wholly own subsidiary of the CBL which is one of the leading brokerages in the capital market of Bangladesh. City Brokerage provides fully international standard brokerage service to retail institutional as well as foreign clients. This organization was incorporated on 31st March, 21 as a private limited company under the company act 1994. This company has 6 branches in Bangladesh, 4 branches in Dhaka, 1 in Chittagong and 1 in Sylhet. The branches located in Dhaka are-

- Motijheel
- Gulshan
- Dhanmondi
- Nikunja

2.2.3 City Bank Capital Resources Limited:

City Bank Capital Resources Limited is a full owned subsidiary of the City Bank Limited. It is public limited company and was incorporated on 17 august, 2009 in Bangladesh. This company obtained merchant banking license from Bangladesh security and exchange commission on 6th December, 2010. The registered office is in Motijheel commercial area, Dhaka. This company offers investment banking solutions including merchant banking activities such as issue management, underwriting, corporate advisory and portfolio management.

2.3 Special characteristic of the City Bank Limited:

City Bank prides itself in offering a very personalized and friendly customer service. It has in place a customized service excellence model called CRP that focuses on insuring happy customers through setting benchmarks for the bank's employee's attitude, behaviour, readiness level, accuracy and timeliness of service quality which makes the CBL more unique and special than other commercial banks.

2.4 Vision of the City Bank Limited:

The vision of the City Bank is to become a leading bank in the country and they want a desirable future where they need to see their-self. Their vision is always stretching and far fetching. They want to be a top bank by the support of best practices and maintaining highest social commitment. The bank will ensure enjoyable experiences to its customers.

“The Financial Supermarket with A Winning Culture Offering Enjoyable Experience”.

2.5 Mission of the City Bank Limited:

They believe the of Mission of an organization defines the specific focuses by which they are moving towards their Vision. The new five Missions of CBL are as follows:

- Offer wide array of products and services that differentiate and excite all customer segments
- Be the “Employer of choice” by offering an environment where people excel and leaders are created.
- Continuously challenge processes and platforms to enhance effectiveness and efficiency.
- Promote innovation and automation with a view to guaranteeing and enhancing excellence in service
- Ensure respect for community, good governance and compliance in everything we do.

2.6 Values of the City Bank Limited:

The values of the CBL defines the expected behaviour of the employees to be able to collectively achieve the Mission and Vision of the bank. They have five values so the values of the CBL are given as follows-

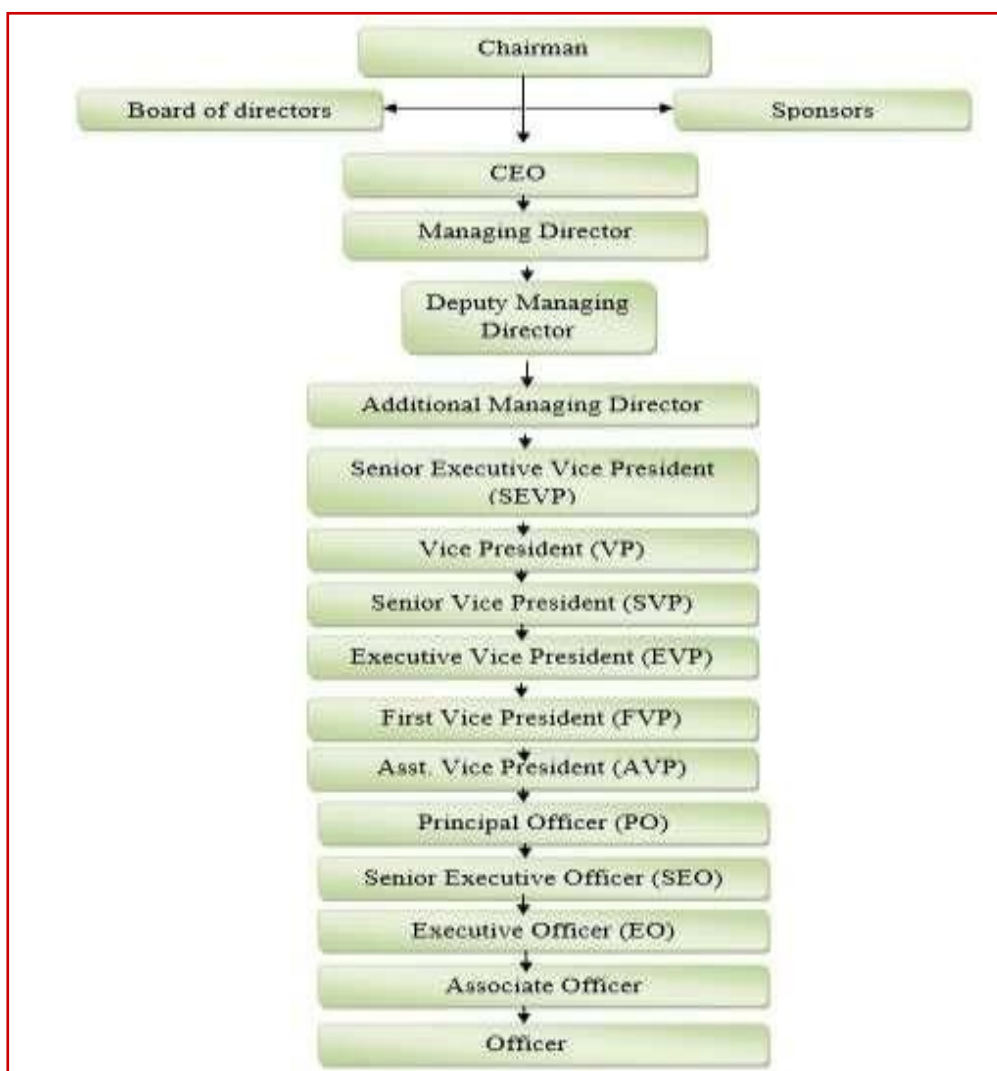
- Result Driven- They always come up with new ideas to operate more efficiently.
- Engaged and Inspired- They are committed to develop individual and make them believe in themselves, so they constantly push their limits.
- Accountable and Transparent- They have faith in the fact that an employee who is accountable to the company will produce more and better quality work than an employee who is not.
- Courageous and Respectful- They seek to encourage a climate of respect to ensure that all employees are treated equally and can share individual view.
- Customer Delight- They desire to help and serve their customers in way that meets their expectations and actual needs.

2.7 The City Bank Limited's Objectives:

The prior objective of the CBL is to create a strong capital base, profit earning, paying good dividend to its shareholders and maintain proper social commitment with its shareholders. To achieving these objectives, the management team of the CBL constantly doing their work and trying to improve the bank's assets quality by identifying potential depositors and good borrowers. Because it admits this line "The line of excellence never ends." There are many banks operating in both locally and internationally in our country and among those the CBL has made its remarkable position by its practice in every sphere of its functions.

2.8 Organizational Hierarchy of the City Bank Limited:

City Bank has maintained a hierarchy to locate and differentiate employees that varies upon employee's designation and work. Junior officer is the entry level post for the entire officers.



2.9 Divisions of the City Bank Limited:

City Bank has divided its operations into five divisions and each division has some specific duties. Some short details about the responsibilities of each division of the CBL are given as follows-

Financial Division:

- This division estimates the financial planning, budget preparation and monitoring
- Clear the payment of salary
- Controls inter-branch transaction
- Disbursement of bills
- Prepares the financial reports and annual reports
- Maintains provident fund, Gratuity, Superannuation Fund
- Preparation/Review of returns and statements
- Reconciliation.

Credit Risk Management (CRM)

- This division create the Loan administration
- Create the loan disbursement
- Does project evaluation
- Collects documentation, CIB (Credit Information Bureau) reports etc.
- Processes and approves credit proposal of the branches
- Arranges different credit facilities
- Provides statements to the Bangladesh Bank and other departments

Human Resource Division:

- This division does the recruitment process of the bank
- Arranges training and developments
- Gives compensation, employee benefit, leave and service rules program and purgation.
- Make sure the placement and performance appraisal of employees.
- Prepares related reports.
- Give reporting to the executive committee/board on related matters
- Promotional camping and press release

Information Technology (IT) Department:

- Creates different software development
- Gives network management and expansion
- Member banks recompilation
- Data entry and processing
- Procurement of hardware and maintenance

Branch Controls and Inspection Division:

- Controlling Different functions of the branches and search for expansion
- Conducting international audit and inspection both regularly and suddenly
- Ensuring compliance with Bangladesh Bank
- Monitoring Bangladesh Bank's inspection and external reports.

2.10 Products and Services of the City Bank Limited:

The fundamental activities of the City Bank Limited are to ensure all kinds of commercial banking, custody, trade services to customers and clearing to its customers through its branches. City Bank follows centralized profit model and manages its activities vertically from head office by the four different business divisions.

1. Retail Banking (including cards division)
2. SME banking
3. Corporate and Investment banking and
4. Treasury and Market risk

1. Retail Banking (Including cards division):

City Bank provides some distinct retail banking services through its branches which are given as follows-

➤ Transactional Accounts

- Current Account ; Student Savings Account
- General Account ; School Plan Account
- Savings delight Account ; College Plan Account
- High Value Savings Account ; RMG Workers Account
- Senior Saving Account ; Basic Savings Account
- New Born Deposit Account

➤ Term Deposit Account

- General DPS Account ; Insurance Backed DPS
- FDR ; Monthly Interest paying FD Account
- Double Money FD Account

➤ Foreign Currency Accounts

- FCY Account
- NFCD Account
- RFCD Account

➤ Loan Services

- Auto Loan ; Personal Loan
- Secured Loan ; Partial secure Loan
- City scholar ; Home Loan

Moreover, there are some cards facilities which customers can withdraw money any of the CBL ATM booth and also pay money to buy things.

➤ Debit Card

- VISA Debit Card
- Master Card

➤ Credit Card

- AMEX Card (American Express Card)
- VISA Platinum Card ; VISA Classic Local ; VISA Classic Dual
- VISA Gold ; VISA Gold Dual
- City Maxx Card

2. SME Banking:

SME banking of the CBL is assuming a new and modern dimension. The reason of extending banking service to SME of the country is to meaningfully push every one of them up to next level of respective business operations. They are given as follows

- SME Deposit
- SME Loan

3. Corporate and Investment Banking:

City bank provides a special service to the customers that focuses on enabling project financing, investment, trade and supply chain financing for clients. They are committed to using country wide network to facilitate customers. There are some services that the CBL provide through their corporate banking division they are given as follows-

- Structured Finance ; Syndication
- Equity Investment ; Foreign Trade
- Islamic Finance ; Leasing

4. Treasury and Market Risk:

City bank has some treasury teams who deal with the market risk of the bank and ensure to make a position in this competitive market place. They are given as follows-

- Foreign Exchange ; Corporate Sales
- Money Market ; ALM and Research

2.11 Special and Unique Products and service of the City bank Limited:

Citytouch: Citytouch is simplest way to use digital banking service for the customers. It is one of the fastest online banking service in Bangladesh. Citytouch is one kind of app which brings together the branch banking to the screen with the help of internet enabled devices. It offers the customers some following services-

- Can shop from leading retailers
- Buy air tickets
- Pay bill of mobile phone, credit card and schools
- Transfer funds
- Keep track of accounts and so on.

CityMaxX American Express Debit Card: City bank is pursuant to a license from American Express and issued CityMAXX Card for its customers. CityMaxX a unique Card link to Savings Account that not only gives up to 5% Cashback all year round but also one can earn interest on the money that have



already spent. On the other hand, CityMaxX American Express provide a wide range of special offers from thousands of merchants in Bangladesh and across the world. By visiting www.amexnetwork.com/selects one can enjoy the offers from around the globe in travel, dining, shopping and entertainment.

Chapter 3

Internship Experience

3.1 Introduction:

I had started my internship program from 12th January, 2020 at the City Bank Limited, Motijheel Branch as a 'Customer Service Ambassador'. I have assigned in Retail banking section in the office. As a customer service ambassador my main responsibility was to observe the customers that they are properly getting the service or not. And also I have to take their feedback about the service of the whole branch. During my internship program, I have performed many responsibilities or task as assigned by my supervisor of the bank. Besides, I have done much different types of work in different desks. By this I Could learn many practical knowledge and also has given me a corporate exposure.

3.2 Job Description:

I worked in the retail banking section and got the opportunity to work with the customer service officers and the relationship managers. Customer service consists of different types of account opening, Card division, remittance and check clearing segments of the branch. As an intern of the CBL I was responsible for the EQM machine management as well. When a customer comes to a branch, it was my responsibility to give the customer a token and guide him/her to the right service desk numbers. Moreover, customer service area divided into different sections like check book collection, remittance, pay orders, loan, cards delivery, account opening, locker service etc.

On the first day of my internship CSM (Customer service Manager) explained about all the sections of the branch. He introduced with me one of the customer service officer and that officer explained me how whole branch section works. She also shows me some of the application forms such as savings and current account opening form, credit and debit card application form etc. and also give me slight information about these forms and procedures. Some of my activities that I had performed by me during my internship are given as follows-

- ✓ **Account Opening:** I have done many different account opening form fill up as an intern like- savings account, current account, fixed deposit or DPS accounts. And Also did KYC and TP for the customers.
- ✓ **National ID verification:** One of my common task was to verify the NID of the customers to see the authenticity of the customers NID card.
- ✓ **Giving Seal:** After the opening the customer's account in every working day, I have to give the seal in the form like- Open seal, receive seal, signature verify seal, signature admitted seal, original seen seal etc.
- ✓ **Dormant Account activation:** As an intern I was assigned to play an assistant role in the service area. So also did some dormant account or inactive account activation form fill up and learned how to do it.
- ✓ **Nominee, signature or address change:** Whenever an account holder wants to change his or her nominee, signature or address in their account they have to sign in different forms change different information. So I have done this tasks as well.
- ✓ **Account closure form:** If an Account holder wants to close his or her account so the customer has to fill up an account closure form and sign in to it. I have learned about this as well.
- ✓ **Calling customers:** sometimes my supervisor assigned me to call customers using the office land phone and informing them to collect their debit/credit cards and cheque book from the branch.
- ✓ **Assist customers:** Most of the time I found officers in the office too busy to handle all the customers at once. So I have tried to assist the customers when they want to know the process of the account opening. So I briefly describe the customers about the schemes, what documents are needed, helped the customers to write the deposit slip and cheque book.

- ✓ **Loan file fill up:** Besides, the customer service tasks I have done some loan file fill up work as well. I have learned some different sort of things about the loan procedure and what documents are need for taking loans and what types of loans are provided by city bank and so on.
- ✓ **CIB (Credit Information Bureau) and Undertaking fill up:** To proceed a loan file it requires some documents and these documents needs to send to the Bangladesh Bank to check loan takers past information regarding loan. So I have fill up this documents as per the customer's information as well.
- ✓ **Taking Feedback:** My prior job was to take feedback from the customers about the service taken form the branch. I have to give a feedback sheet provided by the bank to the customers and the customers have to sign and tick the mentioned items and give their positive or negative comments about the service. Here is the sample of the feedback sheet provided by the bank-

CITY BRANCH BANKING SURVEY



Branch Name: Date:
Customer's Name: Contact No.:

Respondent Type
Customer
Non-Customer

Service Area:
Cash Area / Teller Service
Customer Service / Query
Relationship Manger

Please Tick (✓) your answers

1	Was the service as per your expectation?	
	Yes No	
2	How would you rate the overall service of this Branch?	
	Good Average Poor	
3	What do you think about the service speed?	
	Good Average Poor	
4	How would you rate the premises of this Branch?	
	Good Average Poor	
5	Which of our product/feature/service you like the most?	
	CA/SA FDR loan AMEX	
	Others:	
<i>Your valuable comments / suggestions for further improvements :</i> 		
		 Signature

3.3 Learning Outcome:

I have learned lots of new things that is done by a bank by having this internship experience. Till now I have visited a bank as a customer. But by joining as an intern, I learned that how day to day work is done by the officers in a corporate and systematic way. My learning outcomes of this internship is given as follows:

- ✓ I have experienced the corporate life which makes a person work for 8 hours constantly.
- ✓ I have Learned how to deal with the customers and how to talk with the customers and understand their need and demand.
- ✓ I have built up my observation power like I observed how does a branch works actually.
- ✓ I have learned that how to maintain cooperative relationship with the colleagues while doing work together.
- ✓ I have built my concentration power as well like giving full concentration on work to complete it on given time.
- ✓ I learned how to handle work pressure and tackle the critical situation.
- ✓ I learned how to be punctual like presenting in the office on time.
- ✓ I have overcome my challenges and build my self-confidence.
- ✓ Learned how to build strong and good relationship with the co-workers.

Chapter 4

Traditional Techniques

&

Different useful Ratios with Interpretation

4.1 Balance sheet

	Figures in BDT million unless specified						
<u>Property And Assets</u>	2012	2013	2014	2015	2016	2017	2018
Cash							
In Hand	2.387	3.141	2.497	2.999	3.788	0.445	5.423
Balance with the Bangladesh bank and its agent banks	<u>6.049</u>	<u>7.281</u>	<u>8.432</u>	<u>12.439</u>	<u>20.696</u>	<u>19.339</u>	<u>14.017</u>
	8.437	10.42	10.99	15.438	24.484	23.787	19.440
Balance with the other banks and FI							
In Bangladesh	2.493	3.264	3.632	15.503	13.180	12.704	27.798
Outside Bangladesh	<u>0.358</u>	<u>0.400</u>	<u>1.559</u>	<u>0.413</u>	<u>0.906</u>	<u>0.989</u>	<u>0.700</u>
	2.851	3.664	5.191	15.916	14.086	13.694	28.498
Money at call and short notice	3.549	3.957	1.998	0.095	0.091	0.089	0.089
Investments							
Government	15.697	21.985	23.738	19.692	22.049	22.100	23.636
others	<u>5.731</u>	<u>5.665</u>	<u>6.690</u>	<u>6.325</u>	<u>5.847</u>	<u>9.832</u>	<u>9.852</u>
	21.48	27.650	30.427	26.017	27.896	31.932	33.488
Loans And Advances							
Loans, Cash credit, overdraft e	79.086	86.009	111.47	138.17	168.71	192.31	228.54
Bill Purchased and Discounted	<u>3.849</u>	<u>4.858</u>	<u>5.013</u>	<u>4.858</u>	<u>7.275</u>	<u>4.722</u>	<u>3.311</u>
	82.95	90.868	116.40	143.05	176.06	197.03	231.85
Fixed assets	5.958	6.851	8.144	8.172	8.118	3.643	3.990
other assets	4.726	3.765	3.361	4.760	7.724	6.968	8.526
Non-Banking Assets	<u>0.430</u>	<u>0.383</u>	<u>0.385</u>	<u>0.593</u>	<u>0.957</u>	<u>0.882</u>	<u>1.034</u>
Total Assets	130.4	147.50	176.95	214.25	259.42	278.07	326.90
<u>Liabilities and Capitals</u>							
Liabilities							
Bond	0.000	0.000	3.000	3.000	3.000	7.250	8.800
Borrowings from other banks, FI and agents	5.596	8.164	17.197	22.080	31.695	38.730	61.250
Deposits and other accounts							
Current deposits	9.781	10.726	14.288	20.418	24.384	25.073	27.382
Bills Payable	1.172	0.839	0.912	1.976	1.587	1.356	1.521
Savings Banks Deposits	16.76	18.607	22.988	31.213	34.994	39.083	44.278
Fixed Deposits	65.99	76.884	80.254	89.798	113.42	117.32	131.69
Bearer certificate	<u>0.000</u>	<u>0.000</u>	<u>0.000</u>	<u>0.000</u>	<u>0.000</u>	<u>0.000</u>	<u>0.000</u>
	93.68	107.06	118.42	143.45	174.48	182.93	204.80
Other liabilities	<u>13.09</u>	<u>14.145</u>	<u>15.976</u>	<u>21.136</u>	<u>25.785</u>	<u>23.006</u>	<u>27.113</u>
Total Liabilities	112.2	129.36	154.65	189.62	234.88	251.88	302.03
shareholders' equity							
paid up capital	6.319	6.951	8.341	8.758	8.758	9.219	9.680
Statuary reserve	3.023	3.385	4.104	5.003	6.092	7.131	8.002
share premium	1.925	1.925	1.082	0.661	0.661	1.504	1.504

dividend equalization reserve	0.000	0.000	0.000	0.000	0.000	0.531	0.531
other reserve	5.937	5.578	7.978	8.000	6.021	4.848	3.132
surplus in profit and loss	<u>0.848</u>	<u>0.350</u>	<u>0.802</u>	<u>2.160</u>	<u>2.973</u>	<u>2.946</u>	<u>2.069</u>
Total shareholders equity	18.02	18.18	22.307	24.581	24.504	26.179	24.917
Non-controlling interest (Minority Interest)	<u>0.000</u>	<u>0.006</u>	<u>0.000</u>	<u>0.003</u>	<u>0.000</u>	<u>0.000</u>	<u>0.000</u>
total equity	<u>18.02</u>	<u>18.14</u>	<u>22.310</u>	<u>24.584</u>	<u>24.504</u>	<u>26.179</u>	<u>24.917</u>
Total Liabilities and Shareholders equity	<u>130.4</u>	<u>147.0</u>	<u>176.5</u>	<u>214.5</u>	<u>259.2</u>	<u>278.7</u>	<u>326.90</u>

Table-1: Balance Sheet of the CBL for year 2012-2018

Interpretation

- The Balance sheet shows that cash of the CBL was rising from 2012 to 2017 repeatedly. But the balance with Bangladesh bank decline in 2017-2018, consequently the balance of cash declined in 2017-2018 as well.
- Throughout the period 2012-2015 balance with the Other banks & Financial Institution rose but from 2016-2017 the balance declined then again in 2018 it rose which is good sign for the CBL.
- Investment in Government & Other rose from 2012-2014 but it declined immensely in 2015. In 2016-2018 it rose again like before and the CBL continuously maintained its capabilities of investment.
- The CBL was repeatedly rose its loan throughout the years. As a result, it created more profit as well as risk.
- In term of Fixed assets of the CBL, it rose from 2012-2015 but it declined keenly in 2016-2018. That indicates the bank is going to face many difficulties. However other assets and non-Banking assets were rising, thereby total assets were continuously rising throughout the years.
- Deposits were rising over the years thereby total liabilities steadily rose from 2012-2014 as well. But in 2015 it declined vastly then again 2016-2018 it rose steadily like before.

4.2 Traditional Technique

4.2.1 Horizontal Analysis Of

Balance sheet

Year	2012	2013	2014	2015	2016	2017	2018
<u>Properties & Assets</u>							
Cash		24%	23%	83%	190%	182%	130%
In hand		32%	4%	26%	59%	86%	127%
Balance with Bangladesh bank		20%	28%	106%	242%	220%	132%
Balance With Other Bank & FI		28%	45%	458%	394%	380%	900%
In Bangladesh		31%	31%	522%	429%	410%	1015%
Outside Bangladesh		12%	77%	16%	153%	177%	96%
Money At Call		11%	-78%	-97%	-97%	-97%	-97%
Investment		29%	30%	-88%	30%	49%	56%
Government		40%	34%	25%	40%	41%	51%
Others		-1%	14%	10%	2%	72%	72%
Loans & Advances		10%	29%	72%	112%	138%	180%

General Loans	Base Year	9%	29%	75%	113%	143%	189%
Bills Purchased& Discounts		26%	23%	26%	89%	23%	-14%
Fixed Assets		15%	27%	37%	-42%	-39%	-33%
Other Asset		-37%	-77%	-20%	30%	17%	43%
Non-Banking Assets		-11%	-12%	84%	122%	105%	140%
Total Assets		13%	26%	64%	95%	113%	151%
<u>Liabilities & Capitals</u>		24%	23%	83%	190%	182%	130%
Bond		32%	4%	26%	59%	86%	127%
Borrowing From Other Banks, FI & Agents		30%	34%	122%	270%	246%	150%
Current Deposit		24%	23%	83%	190%	182%	130%
Bills Payable		32%	4%	26%	59%	86%	127%
Cost Free Deposit		30%	34%	122%	270%	246%	150%
Fixed Deposits		11%	-78%	-97%	-97%	-97%	-97%
Cost Bearing Deposit		0%	0%	0%	0%	0%	0%
Total Deposit		29%	30%	-88%	30%	49%	56%
Other Liabilities		40%	34%	25%	40%	41%	113%
Total Liabilities		-1%	14%	10%	2%	72%	72%
Paid Up Capital		10%	29%	72%	112%	138%	180%
Statutory Reserve		9%	29%	75%	113%	143%	189%
Share Premium		26%	23%	26%	89%	23%	-14%
Dividend Equalization Reserve		15%	27%	37%	-42%	-39%	-33%
Other Reserve		-37%	-77%	-20%	30%	17%	43%
Surplus In Profit & Loss Accounts		-11%	-12%	84%	122%	105%	140%
Equity		13%	26%	64%	95%	113%	151%
Minority Interests		25%	24%	85%	194%	185%	133%
Total Equity		32%	4%	26%	59%	86%	127%
Total Liability & Shareholders' Equity		30%	34%	122%	270%	246%	150%

Table-2: Horizontal Analysis of Balance Sheet for the Year 2012-2018

Interpretation

- In the mentioned table it shows the horizontal analysis of the CBL from the year 2012-2018. From the table, it seems that the percentage of cash rose over these 7 years (from 2012-2018). In 2013 it declined by 1%, in 2014 it keenly rose by 60%, in 2016 it rose up to 200% which was triple of 2012. But in 2017 and 2018 it slightly declined again like before but substantially it was good for CBL.
- The percentage changes in investment were rose from the year 2012-2013, but in 2014 it declined all of a sudden so keenly. Then 2016-2018 it rose again in a row which was quite bad sign for the bank. Therefore, bank should concentrate on their investment.
- Loans & advances of the CBL rose throughout the years from 2012-2018. It's a good sign for the CBL that they could achieve more returns from its investments.
- Substantially total assets are rising with rising trend. This is a good sign because loans are rising as well thereby the bank is able to handle the risk with their total assets.
- Moreover, the total deposits were rising from 2012-2014 but in 2015 it declined so keenly because of that total liability also declined. Then from 2016-2018 it rose slightly in a row thereby total liability rose as well.

- It seems obvious from the table that equity was declined in an immense percentage in 2014 but again it rose from 2015-2018. Due to this information it proves that the CBL is not in a Well position.

4.2.2 Vertical Analysis of

Balance Sheet

Year	2012	2013	2014	2015	2016	2017	2018
<u>Properties & Assets</u>							
Cash	6%	7%	6%	7%	10%	9%	6%
In hand	2%	2%	1%	1%	1%	2%	2%
Balance with Bangladesh bank	5%	5%	5%	6%	8%	7%	4%
Balance With Other Bank & FI	2%	2%	3%	7%	6%	5%	9%
In Bangladesh	2%	2%	2%	7%	5%	5%	9%
Outside Bangladesh	0%	0%	1%	0%	0%	0%	0%
Money At Call	3%	3%	1%	0%	0%	0%	0%
Investment	18%	19%	17%	12%	11%	11%	10%
Government	12%	15%	13%	9%	9%	8%	7%
Others	4%	4%	4%	3%	2%	4%	3%
Loans & Advances	64%	62%	66%	67%	69%	71%	71%
General Loans	61%	58%	63%	64%	66%	69%	70%
Bills Purchase d& Discounts	3%	3%	3%	2%	3%	2%	1%
Fixed Assets	5%	5%	5%	4%	1%	1%	1%
Other Asset	5%	3%	2%	2%	3%	3%	3%
Non-Banking Assets	0%	0%	0%	0%	0%	0%	0%
Total Assets	100%	10%	100%	100%	10%	10%	10%
<u>Liabilities & Capitals</u>							
Bond	0%	0%	2%	1%	1%	3%	3%
Borrowing From Other Banks, FI & Agents	6%	6%	10%	10%	12%	14%	19%
Current Deposit	7%	7%	8%	10%	10%	9%	8%
Bills Payable	1%	1%	1%	1%	1%	0%	0%
Cost Free Deposit	8%	8%	9%	0%	10%	10%	14%
Fixed Deposits	67%	65%	58%	62%	58%	56%	41%
Total Deposit	80%	73%	67%	67%	68%	66%	63%
Other Liabilities	10%	10%	9%	10%	10%	8%	8%
Total Liabilities	85%	88%	88%	89%	92%	91%	92%
Paid Up Capital	5%	5%	5%	4%	3%	3%	3%
Statutory Reserve	2%	2%	2%	2%	2%	3%	2%
Share Premium	1%	1%	1%	0%	0%	1%	0%
Dividend Equalization Reserve	0%	0%	0%	0%	0%	0%	0%
Other Reserve	4%	4%	5%	4%	0%	2%	1%
Surplus In Profit & Loss Accounts	0%	0%	0%	1%	1%	1%	1%
Equity	13%	12%	13%	11%	8%	9%	8%
Minority Interests	0%	0%	0%	0%	0%	0%	0%
Total Equity	13%	12%	13%	11%	8%	9%	8%

Total Liability & Shareholders' Equity	100%	100%	100%	100%	100%	100%	100%
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Table-2: Vertical Analysis of Balance Sheet for the Year 2012-2018

Interpretation

- In the mentioned table it shows the Vertical analysis of the CBL from the period 2012-2018. From this table, it seems that cash slightly contributes to the total asset of the CBL. In 2012 cash contributes to total asset barely 6%, in 2013 it slightly rose up to 7% but in 2014 it decline again to 6%. Then again in 2015-2016 it rose up to 7% -10%, meanwhile in 2017-2018 it declined again keenly 9%-6% like before. That indicates bank is trying to increase its cash over the years which is good sign but sudden fall down can create immense risk for the bank.
- Throughout the period 2012-2013, investment was slightly rising but it was declining from 2014-2018 and total assets contribution was becoming lesser from 2012-2017 but in 2018 it turned to be rise again. In 2012-2013 the percentage was 18%-19% which were fairly high compare to 2014-2018. In 2014 it was 17%, in 2015 it was 12%, in 2016-2017 it remained same as 11%, in 2018 it declined keenly than other years to 10%.
- Loans & advances of the CBL were rising throughout the year which is a good sign for CBL because bank was able to get more returns from it.
- On the other hand, total deposits were declining from 2012-2018 because of majority cost bearing deposits declining throughout the years.
- Now if we take a look at the total liabilities it seems that the percentage of total liabilities rose from 2012-2018. It is just because borrowing from other banks and FI rose throughout the years and total deposits declined from 2012-2018. So, this indicates the bank is in risky situation and they need to give attention to this.
- Last but not the least the equity was fluctuating over the years form 2012-2018. But in general it declined from 2015-2018 which is not good sign for the CBL.

4.3 Income statement

	Figures in BDT million						
Particulars	2012	2013	2014	2015	2016	2017	2018
Interest Income	12.428	13.408	13.973	15.228	16.057	16.819	22.971
Interest Paid	7.693	8.607	8.915	9.823	9.546	9.280	13.741
Net Interest Income	4.735	4.800	5.058	5.405	6.511	7.539	9.230
Investment Income	1.867	1.675	2.860	4.527	4.904	3.030	2.151
Commission, Exchange & Brokerage	1.388	1.615	1.969	2.143	2.424	3.308	3.614
Other Operating Income	0.722	0.761	0.871	1.012	1.050	1.311	1.609
Total Operating Income	8.560	8.730	10.758	13.087	14.889	15.189	16.605
Salaries & Allowances	2.080	2.454	2.937	3.270	3.758	4.364	5.011
Rent, Taxes, Insurance, Electricity Etc.	0.468	0.550	0.648	0.726	0.781	0.983	1.111
Legal Expense	0.025	0.020	0.026	0.027	0.038	0.053	0.061
Postage, Stamp, Telecommunication Etc.	0.057	0.066	0.086	0.077	0.093	0.083	0.110
Stationary, Printing, Advertisements Etc.	0.239	0.259	0.206	0.188	0.166	0.216	0.271
Chief Executive Salary	0.016	0.018	0.015	0.016	0.017	0.018	0.019
Directors Fees	0.001	0.001	0.001	0.001	0.003	0.002	0.004
Auditors Fees	0.001	0.001	0.001	0.002	0.003	0.003	0.002
Charges On Loan Losses	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Depreciation & Repair	0.518	0.583	0.672	0.768	0.978	1.037	1.145
Other Expense	0.691	0.945	0.993	1.244	1.251	1.628	1.876
Total Operating Expense	4.097	4.898	5.892	6.318	7.109	8.387	9.610
Profit Before Provision	4.620	3.955	4.866	6.769	7.780	6.802	6.994
Provision For Loan & Advertisement	-2.644	-2.421	-1.705	-2.148	-2.015	-1.227	-1.815
Provision For Off-Balance Sheet Exposures	-0.161	-0.105	0.000	-0.021	-0.133	-0.180	-0.166
Other Provision	0.000	-0.012	-0.020	0.038	0.001	-0.281	-0.330
Total Profit Before Tax	1.816	1.295	3.141	4.562	5.633	5.114	4.683
Current Tax	-0.973	-0.957	1.585	1.646	-1.716	-1.893	-2.393
Deferred Tax	-0.048	0.030	-0.150	-0.677	0.146	0.237	-0.065
Total Provision For Tax	1.021	0.927	0.969	1.435	1.570	1.655	2.458
Net Profit After Tax	<u>0.794</u>	<u>0.490</u>	<u>1.706</u>	<u>4.562</u>	<u>4.063</u>	<u>3.459</u>	<u>2.225</u>

Table-4: Income Statement of the CBL for year 2012-2018

Interpretation:

- The mentioned table shows that the CBL is efficiently doing its operations because net interest income was rising constantly from the year 2012-2018.
- On the other hand, total operating income also rose constantly from the year 2012-2018.
- Additionally, the operating expense was rising since 2012-2018 which is not a good sign for the bank. Thereby they need to focus on the operating expense.
- During the year of 2012-2016, the net profit of CBL rose but from 2017-2018 the profit became decline. Thereby the bank should be careful about this for the following years.

4.4 Traditional Technique

4.4.1 Horizontal Analysis of

Income statement

Particulars	2012	2013	2014	2015	2016	2017	2018
Interest Income		8%	12%	23%	29%	35%	85%
Interest Paid		12%	16%	28%	24%	21%	79%
Net Interest Income		1%	7%	14%	38%	59%	95%
Investment Income		-10%	53%	142%	163%	62%	15%
Commission, Exchange & Brokerage		16%	42%	54%	75%	138%	160%
Other Operating Income		5%	21%	40%	45%	82%	123%
Total Operating Income		4%	26%	53%	74%	77%	94%
Salaries & Allowances		18%	41%	57%	81%	110%	141%
Rent, Taxes, Insurance, Electricity etc.		17%	38%	55%	67%	110%	137%
Legal Expense		-20%	3%	6%	52%	110%	144%
Postage, Stamp, Telecommunication etc.		16%	50%	34%	62%	45%	92%
Stationary, Printing, Advertisements etc.		8%	-14%	-21%	-31%	-9%	13%
Chief Executive Salary		11%	-6%	3%	6%	10%	17%
Directors Fees		29%	40%	38%	149%	86%	286%
Auditors Fees		48%	57%	75%	200%	219%	159%
Charges On Loan Losses		0%	0%	0%	0%	0%	0%
Depreciation & Repair		13%	30%	48%	89%	100%	121%
Other Expense		37%	44%	80%	81%	136%	172%
Total Operating Expense		20%	44%	54%	73%	105%	135%
Profit Before Provision		-14%	5%	46%	68%	47%	51%
Provision For Loan & Advertisement		-8%	-36%	-19%	-24%	-54%	-31%
Provision For Off-Balance Sheet Exposures		-35%	-100%	-87%	-17%	12%	3%
Other Provision		0%	0%	0%	0%	0%	0%
Total Profit Before Tax		-29%	73%	151%	210%	182%	158%
Current Tax		-2%	-263%	-269%	76%	94%	146%
Deferred Tax		-162%	211%	1304%	-403%	-592%	36%
Total Provision For Tax		-9%	-5%	41%	54%	62%	141%
Net Profit After Tax		-38%	352%	474%	411%	335%	180%

Table-5: Horizontal Analysis of Income Statement for the Year 2012-2017

Interpretation:

- The net interest income was rising from 2012-2013 and it rose by 8%. From 2014-2018 it rose by 12%, 23%, 29%, 35% and 85% which seems that each year it increased. As the income was rising constantly so it's a good sign for the CBL.

- Throughout the year 2012-2018, the total operating income was rising constantly as well, which means the bank is doing its operations efficiently.
- On the other hand, the total operating expense was rising since 2012-2018 which was not a good sign for the CBL. Thereby the bank need to decrease its operating expense immediately because it adversely affects net profit of the CBL.
- Last but not the least the percentage of net profit was extremely low in 2013, but in 2014-2015 it rose immensely which was quite good sign for the CBL. But again it started to decline from 2016-2018 which is not a good sign. Thereby the bank needs to focus on improving its net profit.

4.4.2 Vertical Analysis of

Income statement

Particulars	2012	2013	2014	2015	2016	2017	2018
Interest Income	145%	151%	130%	116%	108%	111%	138%
Interest Paid	-90%	-97%	-83%	-75%	-64%	-61%	-83%
Net Interest Income	55%	54%	47%	41%	44%	50%	56%
Investment Income	22%	19%	27%	35%	33%	20%	13%
Commission, Exchange & Brokerage	16%	18%	18%	16%	16%	22%	22%
Other Operating Income	8%	9%	8%	8%	7%	9%	10%
Total Operating Income	100%	100%	100%	100%	100%	100%	100%
Salaries & Allowances	24%	28%	27%	25%	25%	29%	30%
Rent, Taxes, Insurance, Electricity Etc.	5%	6%	6%	6%	5%	6%	7%
Legal Expense	0%	0%	0%	0%	0%	0%	0%
Postage, Stamp, Telecommunication Etc.	1%	1%	1%	1%	1%	1%	1%
Stationary, Printing, Advertisements Etc.	3%	3%	2%	1%	1%	1%	2%
Chief Executive Salary	0%	0%	0%	0%	0%	0%	0%
Directors Fees	0%	0%	0%	0%	0%	0%	0%
Auditors Fees	0%	0%	0%	0%	0%	0%	0%
Charges On Loan Losses	0%	0%	0%	0%	0%	0%	0%
Depreciation & Repair	6%	7%	6%	6%	7%	7%	7%
Other Expense	8%	11%	9%	10%	8%	11%	11%
Total Operating Expense	48%	55%	55%	48%	48%	55%	58%
Profit Before Provision	54%	44%	45%	52%	52%	45%	42%
Provision For Loan & Advertisement	-31%	-27%	-16%	-16%	-14%	-8%	-11%
Provision For Off-Balance Sheet Exposures	-2%	-1%	0%	0%	-1%	-1%	-1%
Other Provision	0%	0%	0%	0%	0%	-2%	-2%
Total Profit Before Tax	21%	15%	29%	35%	38%	34%	28%
Current Tax	-11%	-11%	15%	13%	-12%	-12%	-14%
Deferred Tax	-1%	0%	-1%	-5%	1%	2%	0%
Total Provision For Tax	-12%	-10%	-9%	-11%	-11%	-11%	-15%
Net Profit After Tax	9%	6%	33%	35%	27%	23%	13%

Table-6: Vertical Analysis of Income Statement for the Year 2012-2018

Interpretation:

- The net interest income was declining from 2014-2017. In 2018 it rose again and it was 56% of total operating income.
- On the other hand, total operating expense was rising from 2012-2014 but it started to decline from 2015-2016 at a same percentage which was a good sign for the CBL. Then again it was rising from 2017-2018, thereby the bank should focus on this and they need to decline it.
- As the net operating expense rose constantly in each year thereby it had affected negatively to the bank's net profit.
- The net profit after tax was extremely low during the year of 2012 and 2013. But in 2014 and 2015 it started to rise at a good percentage which was good sign for the bank. But again it declined from 2016-2018 at a low percentage which is not good for the bank. Thereby the bank need to take some initiatives to grow its net profit again.

4.5 Ratio Analysis

This is the era of lots of competition so there is a huge competition between private banking sectors in Bangladesh as well. In this banking sector they mostly use balance sheet and income statement as financial statement of the organization. So by using these two financial statements we can identify different useful ratios to find out the financial health of an organization.

Ratio analysis is a quantitative method in which information included in an organization's financial statements. This analysis is used to analyse different aspects of gaining insight into a bank's or organization's efficiency, profitability, liquidity and solvency by comparing information contained in its financial statements.

In this report I had determined the CBL's financial statements from 2012 to 2018. After collecting the financial statements, I had to determine different ratios to understand the financial health of the CBL. Now a day's ratio analysis has become a useful technique to determine the financial health of a bank and presently investors, financial experts, the bankers and management executives are relying on these ratios analysis for making any important decisions. To complete this report, I have collected 7 years annual report of the City Bank Limited. I tried my best to provide a clear view about the financial health of the CBL. After preparing this report I learned that analysis of financial statement through these ratios helps the bank to overcome the past flow and mistakes and it helps to make the right decisions for the future betterment.

4.6 Different useful Ratios with Interpretation:

Profitability Ratios:

1. Return on Assets: Return on Assets (ROA) is one of the most used and vital profitability ratio. It is an indicator of how profitable a bank is related to its assets. It gives an investor or analyst an idea to know how efficient a bank's management is by using its assets to generate earnings. It is displayed as a percentage as follows-

Formula: Return on Assets = Net Income / Total Asset

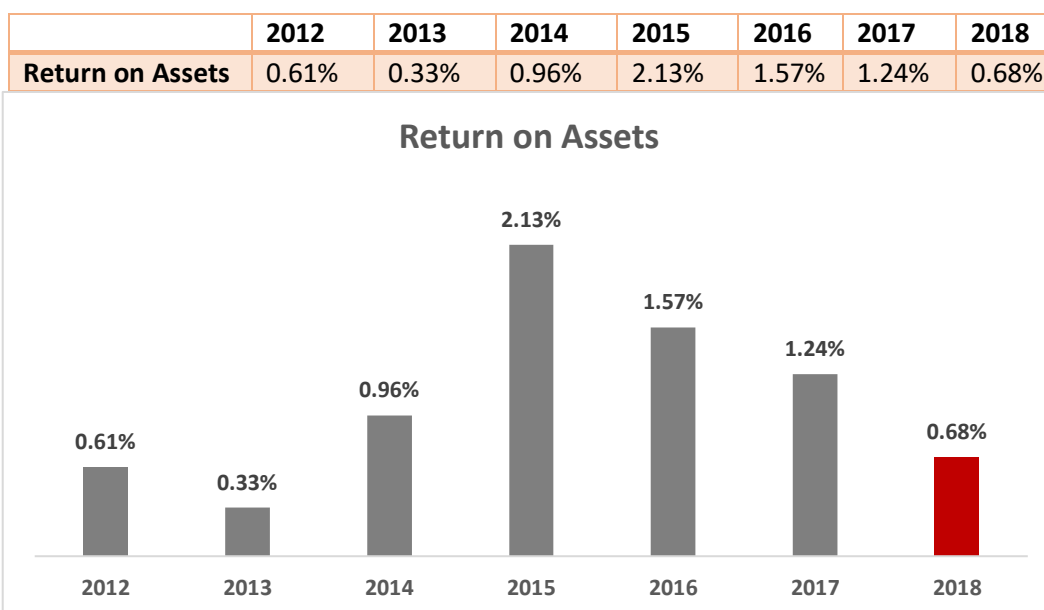


Figure-01 Return on Assets of the CBL from the year 2012-2018

Interpretation:

It is known that if ROA (Return on Assets) of a bank increases then it means net income of that bank also increasing or total assets are decreasing and vice versa.

- In the above mentioned, table and figure-1 shows that the ROA of the CBL was 0.61% and decreased in 2013 by 0.33% which was not good sign for the bank. But from 2014 it started to increase by 0.96% then in 2015 the bank has done excellent performance and the ROA was increased by 2.13%.
- During the period from 2016-2018 ROA was declining from 1.57% - 0.68% but still that was higher than the previous years. So the CBL was efficiently managed its assets to get higher returns.

2. Return on Equity: This ratio is an indicator of the ability of a bank to generate its profit with the money that shareholders have invested. It's also measures how efficiently a bank is using its assets to create profits.

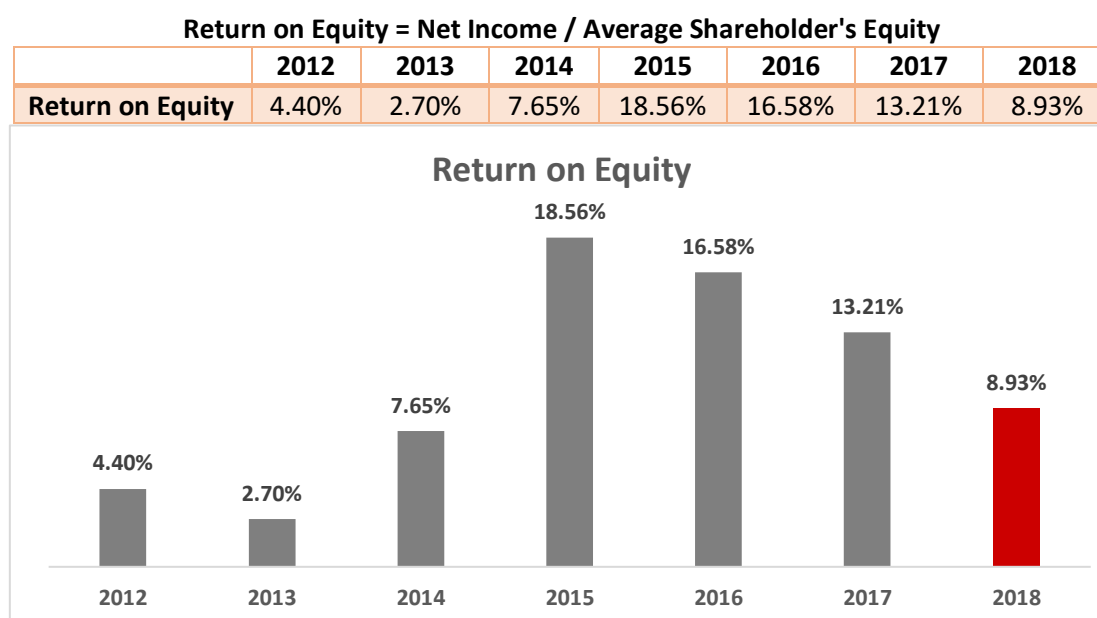


Figure-02 Return on Equity of the CBL form the year 2012-2018

Interpretation:

The ROE (Return on Equity) measures the ability of a bank to generate profits through its shareholder's investment in the organization.

- From the mentioned table and figure it seems that during the period from 2012-2016 the CBL gained continuous growth in ROE. But in 2013 ROE was 2.70% which was quite lower than the other years. Since 2014 it started to increase by 7.65% then in 2015 the bank did so well and the rate was 18.56% which was higher than the overall other years.
- During the period from 2016-2018 it was declining form 16.58% - 8.93% but still that was higher than the past years. So overall the CBL is doing excellent performance in ROE.

3. Net Profit Margin: Net profit margin is the true indicator of financial health. It represents how much profit is generated from each amount of a bank's interest income. One can understand how efficiently a bank is performing by using this ratio.

$$\text{Net Profit margin} = \text{Net Profit after tax} / \text{net interest income}$$

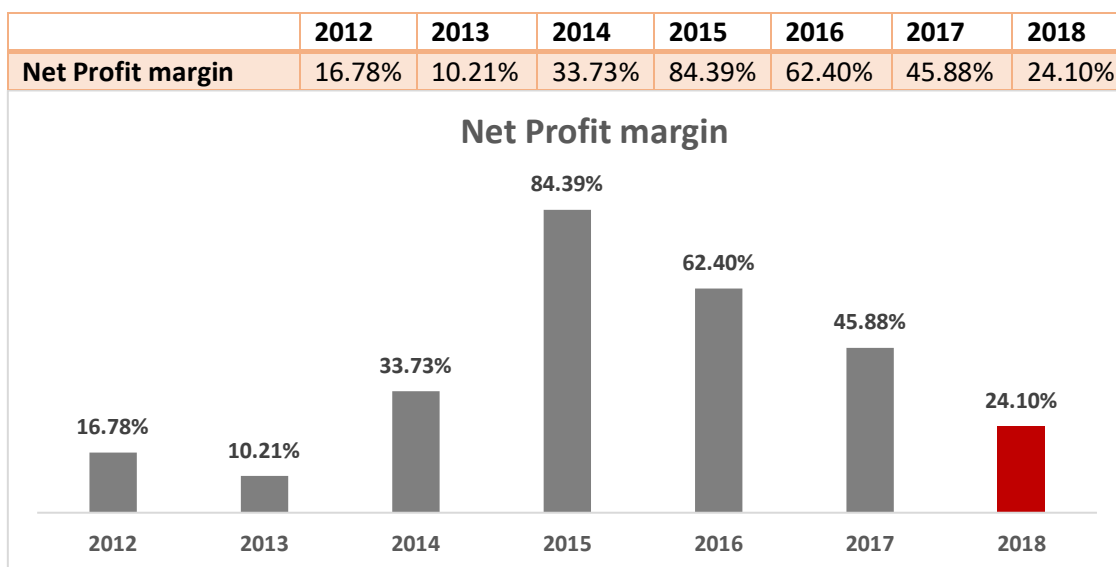


Figure-03 Net Profit Margin of the CBL from the year 2012-2018

Interpretation:

As it is known that if a bank's net profit margin increases that means the bank is performing well.

- According to the mentioned table and figure it seems that the bank is performing well financially as net profit margin was increasing from 2012-2018. But in 2013 it declined by 10.21% which was quite lower than the other years. In 2014 it started to increase and the ratio increased by 33.73% then in 2015 it became higher than ever before with the rate of 84.39% which means the CBL was in more profitable position.
- During the period from 2016-2018 it started to decline from 62.40% - 24.10% but still overall ratio was good and also higher than the past years which is a good sign for the CBL. So since 2015-2018 the CBL had gained higher values than other years.

Financial Leverage Ratios:

1.Total Debt Ratio: Debt ratio is a financial leverage ratio which indicates the extent of a bank's leverage. A higher ratio indicates that the bank is under more leverage and vice versa. It is expressed as a decimal or percentage.

$$\text{Total Debt Ratio} = \frac{\text{Total Assets} - \text{Total Equity}}{\text{Total Assets}}$$

	2012	2013	2014	2015	2016	2017	2018
Total Debt Ratio	86.15%	87.67%	87.39%	88.52%	90.55%	90.59%	92.38%

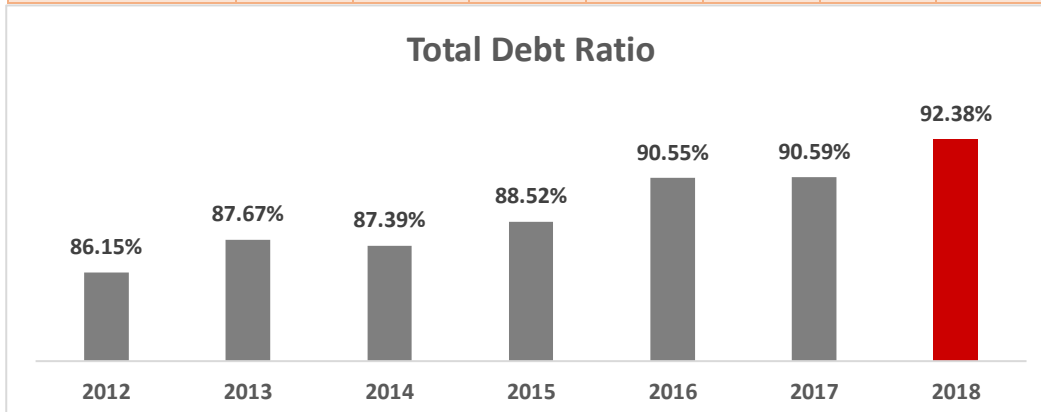


Figure-04 Debt Ratio of the CBL from the year 2012-2018

Interpretation:

- In the above mentioned table and figure it seems that in 2012 the CBL's debt ratio was 86.15% which was lower than overall other years. In 2013 it slightly increased by 87.67% and then in 2014 it remained same which is 87.39%. In 2015 and 2016 it was increased moderately from 88.52% - 90.55% but it became equal in 2017.
- During 2018 the ratio increased to 92.38% which was higher than other years ever. It is not good sign that the CBL is in more leverage position.

2. Debt-Equity Ratio: Debt to Equity Ratio is one of the most important metric used to evaluate banks financial leverage. It indicates the ability of shareholder's equity to cover all debts in case of organization's downturn.

$$\text{Debt- Equity Ratio} = \frac{\text{Total Liability}}{\text{Total Equity}}$$

	2012	2013	2014	2015	2016	2017	2018
Debt- Equity Ratio	6.22	7.11	6.93	7.71	9.59	9.62	12.12

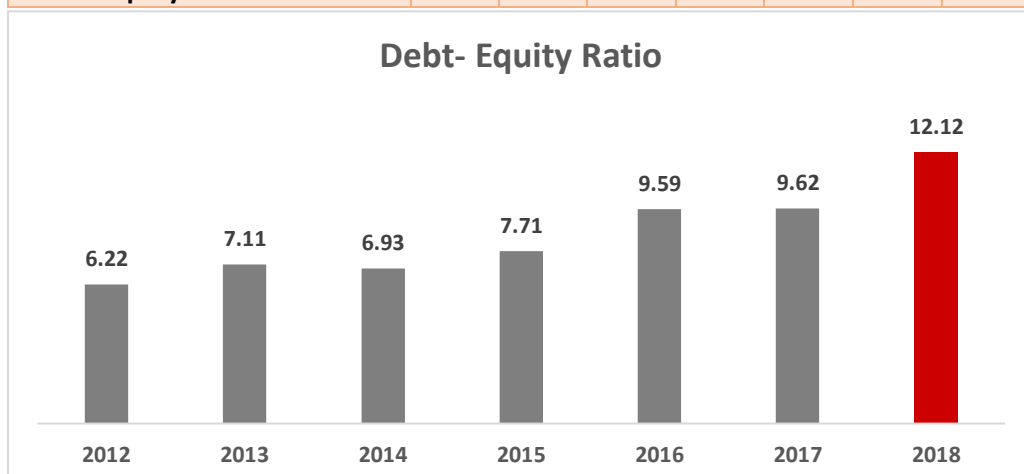


Figure-05 Debt-Equity Ratio of the CBL from 2012-2018

Interpretation:

Like all other banks the CBL's most of the funds collected from its deposits. In general, a high debt-equity ratio indicates that a bank may not be able to generate enough cash to satisfy its debt obligation.

- So here from the mentioned table and figure it seems that during the period of 2012-2018 the debt-equity ratio of the CBL remains among the rate of 6.22-12.12. In 2012 the ratio was 6.22 which was lower than the other years.
- Since 2013-2018 the ratio was increasing constantly from 7.11-12.12. But in 2018 the ratio increased more keenly by 12.12 which was higher than other previous years. Thereby, the CBL is unable to generate enough cash to satisfy its debt obligation which is not a good sign for the bank.

3. Equity Multiplier: Equity Multiplier is a financial leverage ratio which is a straightforward for this purpose. A bank with higher equity multiplier indicates that a large portion of its asset financing is attributed to its debt.

$$\text{Equity Multiplier} = \text{Total Asset} / \text{Total Equity}$$

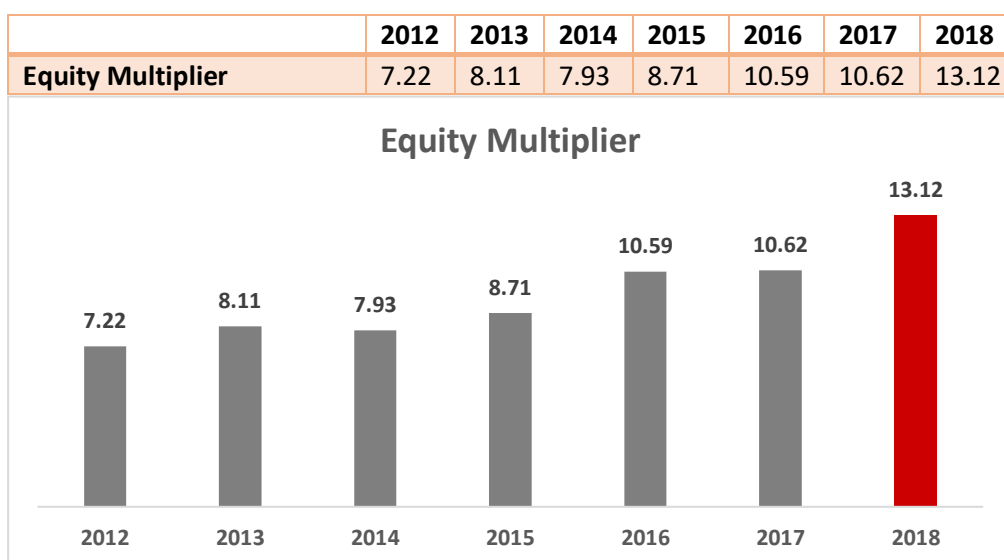


Figure-06 Equity Multiplier of the CBL from the year 2012-2018

Interpretation:

- From the mentioned table and figure it seems that the equity multiplier ratio was increasing since 2012-2013 by 7.22-8.11. In 2014 it declined slightly by 7.93 which is better for the bank then it started to increase from 2015-2017. So here the scenario indicates that the debt portion of total asset is increasing which results to more financial leverage for the bank.
- Here in 2018 the equity multiplier increased keenly which was higher than other years. This higher ratio indicates that more assets were funding by debt than by equity.

Efficiency Ratios:

1.Asset Utilization/Asset Turnover Ratio: Asset utilization ratio refers total revenue earned relative to total assets. It is an indicator of identify the efficiency of a bank's assets to generate revenue.

Asset utilization = total operating income/ total asset

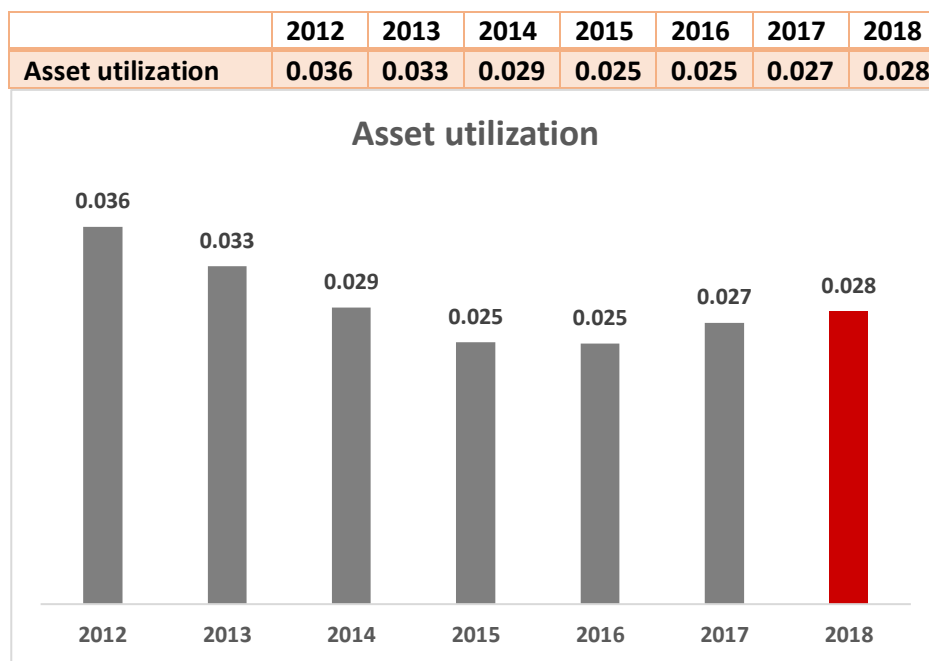


Figure-07 Asset utilization of the CBL from the year 2012-2018

Interpretation:

- In the mentioned table and figure it seems that the CBL is outperformed in every year from 2012-2018. In 2012 the ratio was 0.066 which was quite higher than the other years. From 2013 it started to decrease by 0.059. Then in 2014 the ratio remained same as 2015. But from 2017-2018 it declined again compared to the past years by 0.057, 0.055 and 0.051.
- So as it seems that the CBL's Asset utilization ratio was decreasing since 2013-2018, it indicates that the CBL is getting less efficient to generate interest revenue relative to its assets and it is not a good sign for the bank.

2.Fund Management Efficiency Ratio: Fund management efficiency ratio measures that a bank's efficiency in managing its fund to generate revenue. IF the bank's ratio increases that means the bank is managing its fund properly to generate interest revenue.

Fund management efficiency = Total Assets/total Equity Capital Account

	2012	2013	2014	2015	2016	2017	2018
Fund management efficiency	7.22	8.11	7.93	8.71	10.59	10.62	13.12

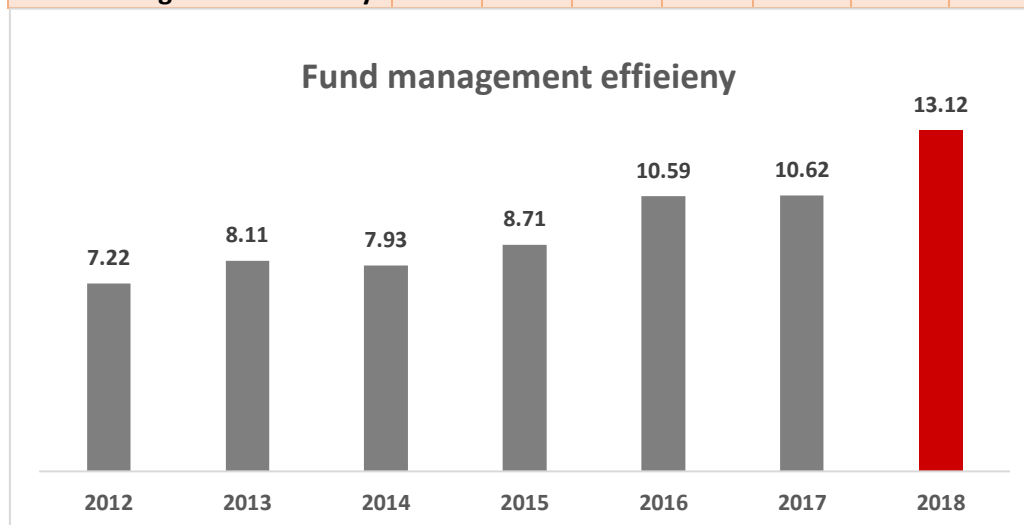


Figure-08 Fund management efficiency of the CBL from the year 2012-2018

Interpretation:

- In the mentioned table and figure it seems that the CBL is managing its fund properly that means the CBL is in a good situation. The bank was able to use its shareholder's funds to generate interest revenue.
- In 2012-2015 the ratio was among 7.22-8.71 which was quite constant. But from 2015 started to increase then in 2016 and 2017 the ratio was quite same as 10.59 and 10.62. after that in 2018 it increased by 13.12 which was higher than other previous years. So it reflects that the CBL is doing well by managing its fund properly.

3.Fixed Asset Turnover Ratio: Fixed asset turnover ratio measures that how efficiently the bank uses its fixed assets or long term investments.

Fixed asset turnover ratio= net interest income/total asset

	2012	2013	2014	2015	2016	2017	2018
Fixed asset turnover ratio	0.795	0.701	0.621	0.661	0.802	2.070	2.313

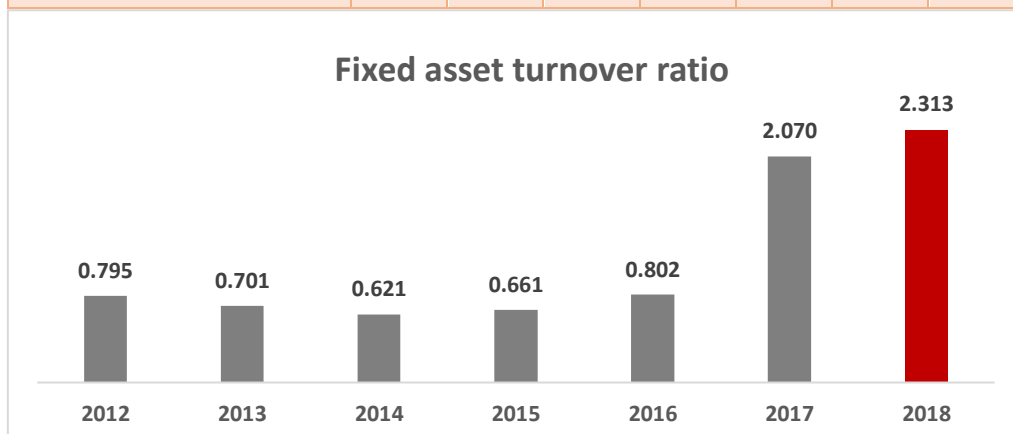


Figure-09 Fixed asset turnover ratio of the CBL form the year 2012-2018

Interpretation:

- In the mentioned table and figure it seems that the ratio is declining year after year which means that the CBL is inefficient in using its investment in fixed asset to generate its revenue.
- So from 2012-2015 it constantly declined by 0.795-0.661 which was not a good sign for the CBL. But after that from 2016 it started to increase then in 2017 and 2018 it increased constantly which a high rate. That results, the CBL is efficiently managing its investment in fixed asset to generate revenue since last two years so the bank is in good position.

Market Value Ratios:

1.Book Value Per Share Ratio: It is a method to calculating the per share value of a bank based on its CSE (Common Shareholders Equity). If a bank gets higher book value, then its good of the bank.

Book Value Per Share Ratio = Shareholder's Equity / Total Shares Outstanding

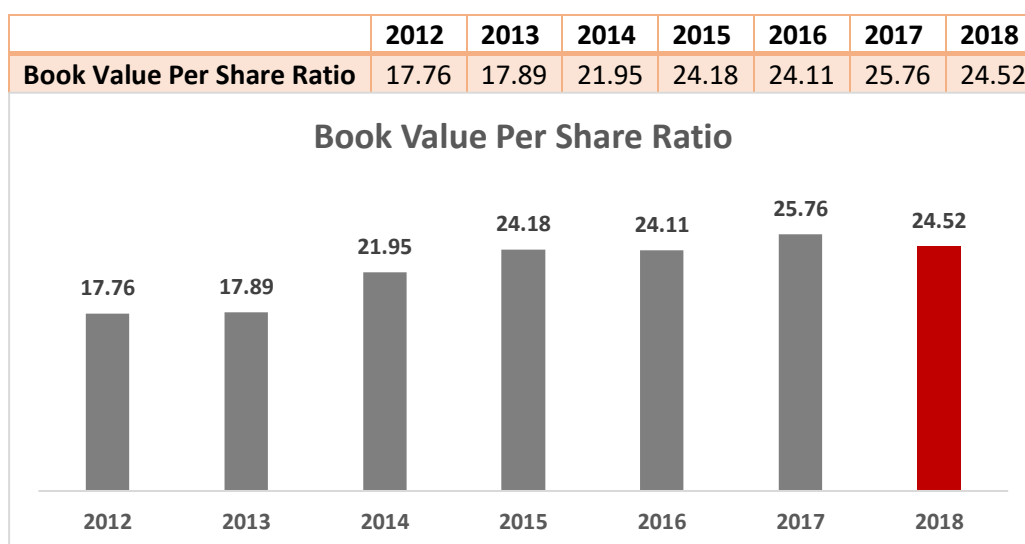


Figure-10 Book Value Per share of the CBL from the year 2012-2018

Interpretation:

- From the mentioned table and figure it seems that the CBL was getting higher share price throughout the years. From 2012-2013 it was constant after that started to increase since 2014-2017 from 21.95-25.76 which was a good sign for the CBL. But in 2018 it slightly declined by 24.52 but still it was the higher than the past couple of years. So indicated that the CBL is doing good job in the market place.

2. Earnings per share ratio: It is an indicator of a bank's profitability. It also shows how profitable a bank is on a shareholder basis. The higher a bank's EPS, the more profitable it is considered

Earnings per share ratio= Net earnings / Total Shares Outstanding

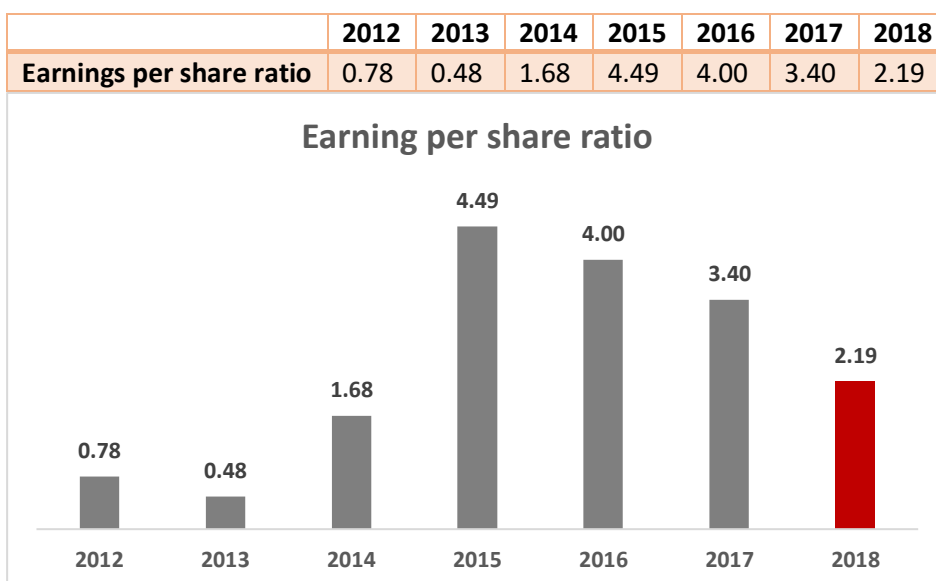


Figure-11 Earnings per share ratio of the CBL from the year 2012-2018

Interpretation:

In the mentioned table and figure it seems that from 2012-2014 EPS was fluctuating after that in 2015 it increased so keenly by 4.49 which was a good sign for the CBL that means the CBL was more profitable bank.

But from 2016-2018 it started to decline slightly from 4.00-2.19 which was still higher than past couple of years. Thereby the CBL is considered as a profitable bank as it has higher EPS.

3.Price-Earnings Ratio: P/E ratio is used by investors and analyst to determine the relative value of a bank's shares in an apple to apple comparison. By using this ratio one can formulate standardized value of stock

Price-Earnings Ratio = Share Price / Earnings Per Share

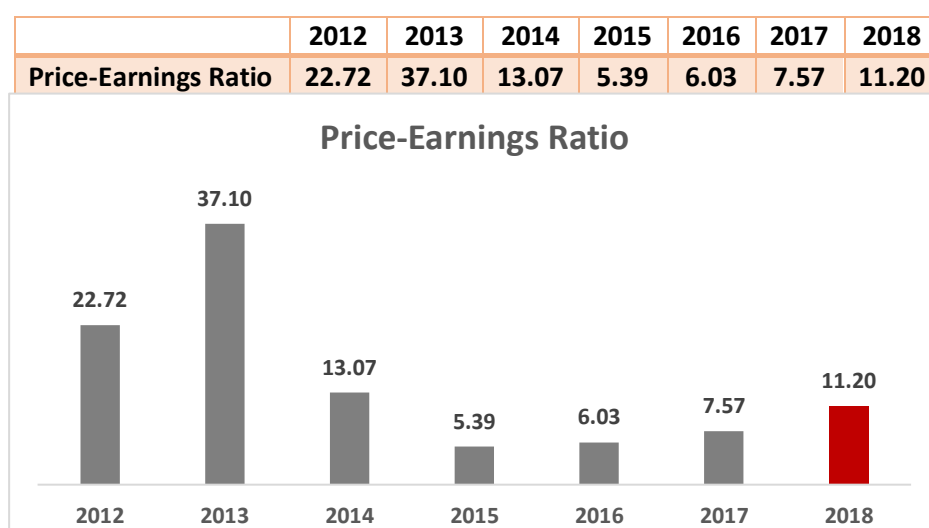


Figure-12 P/E Ratio of the CBL from the year of 212-2018

Interpretation:

- As it is known that lower EPS is better for the bank and higher EPS is better for the investors. From the mentioned table and figure it seems that P/E ratio has been fluctuated over the years. In 2012 it was 22.72 then it increased by 37.10 in 2013 which was higher value than other years. That means investors were paying higher price for the stock than its earnings which is a good sign for the CBL.
- But since 2014-2017 it started to decline so keenly from 13.07-7.57 but in 2018 it slightly increased by 11.20 which means the CBL is losing more earnings from its investors investments and investors getting more earnings from their investments which is not a good sign for the bank.

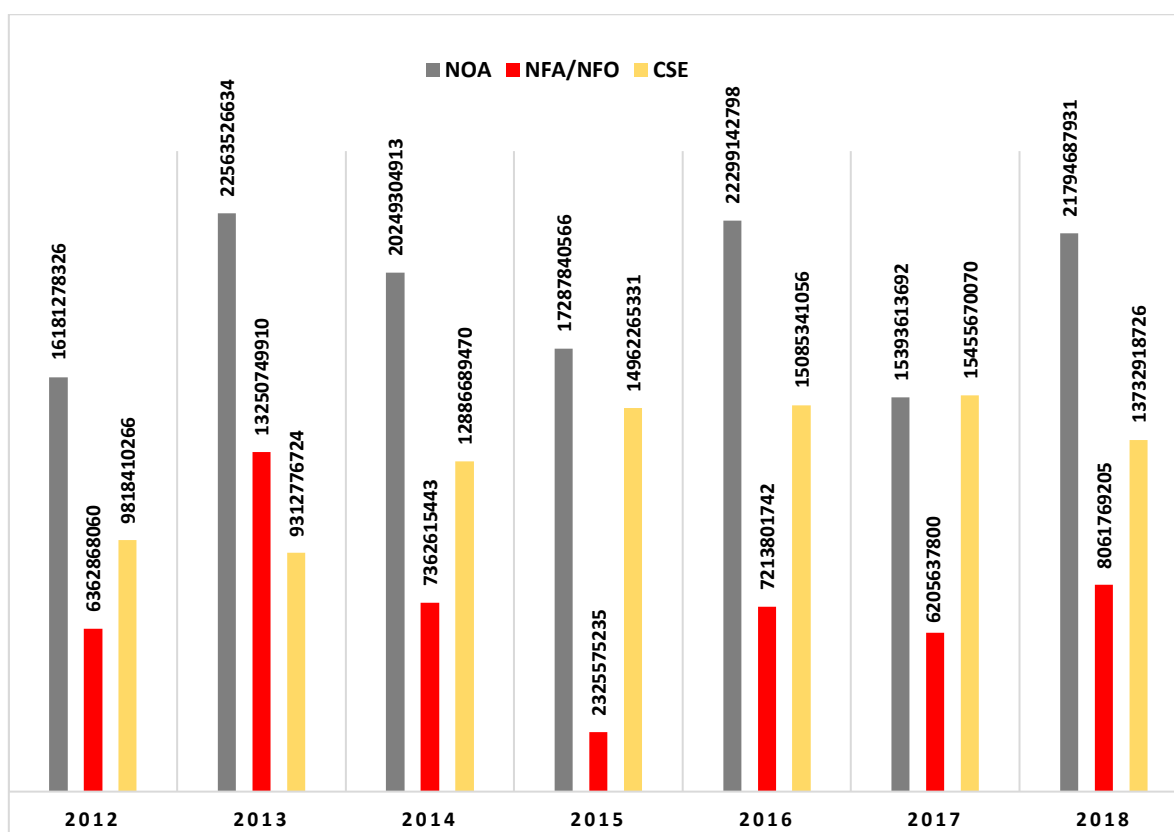
Chapter 5

Analysis Part (Profitability and Sustainable Growth and Earning) of the CBL

In this Chapter we will discuss regarding different types of Analysis based on reformulation statements which depicts Profitability analysis, Growth and sustainable earnings analysis by which both existing as well as potential investors get idea about their cherished organization to invest valuable assets to earn satisfactory outcome over the years.

5.1 Analysis Based on Reformulated Financial Statement:

Financial statements include crucial documents like the income statement, the statement of shareholder's equity and the Balance sheet that provide information on business finances. So, Financial organizations use these to make many operational decisions, while investors use these to explore business and industries from the outside. Likewise, Reformulation means Traditional Statement which refers that reshuffle or reformulate and as an alternative GAP Financial Statement. So, Reformulation depicts making the financial statements for a particular period, then changing them, reorganizing the items they contain in order to more accurately depict various aspects of the business. The proper scenario of the CBL's reformulated financial statement is given below:



5.1.1 Reformulation of Balance Sheet

Balance sheet is prepared to forecast the assets, liabilities and shareholder's equity of an organization for a specific period of time. In reformulated balance sheet the total assets are quantified by adding financial assets which incorporates cash and equivalents, short-term investments, short-term notes receivable, long-term debt investments and operating assets. The liabilities and shareholder's equity is quantified by adding financial liabilities which incorporates short-term borrowings, short-term notes payables, long-term borrowings and so on, operating liabilities, minority interests and common equity. The reformulated balance Sheet for the CBL is given as follow:

	Figures in BDT million						
	2012	2013	2014	2015	2016	2017	2018
NOA	16.181	22.564	20.249	17.288	22.299	15.394	21.795
NFA/NFO	6.363	13.251	7.363	2.326	7.214	6.206	8.062
CSE	9.818	9.313	12.887	14.962	15.085	15.456	13.733

From the mentioned table it shows that the seven years' scenario of CBL's Net Operating Asset, Net Financial Assets/Net Financial Obligations and Common Shareholder's Equity.

- As it is known that NOA (Net Operating Asset) is a useful technique to understand how well an organization uses its assets to generate income. So here in the above table, NOA (Net Operating Asset) increased from the year of 2012-2013. But gradually it decreased in the period of 2014-2015 then again it increased in 2016. Again it declined keenly in the year of 2017. In addition, by 2018 it has increased like before. It's a good sign that CBL is using its asset properly.
- NFO (Net Financial Obligations) is when an organization has to pay off to another party more than its assets. And it is increased by the obligation to pay interests. So from this table it is crystal clear that since 2012-2018 NFO of CBL has fluctuated so many times. In 2013 the NFO was quite more than other years and in the 2015 it declined so vastly which means CBL had to pay less interest to its debt holders. Then again it stated to increase from 2016-2018 which is not a good sign for the bank.
- On the other hand, CSE (Common shareholder's equity) depicts net worth of an organization in which the amount would be returned to the shareholders after paying off its all debts. Here, CSE has increased over the years which is good for the bank because it indicates the bank's cash income.

5.1.2 Reformulation of Income statement

The Reformulation of Income Statement depicts that it segregates two types of operations one is operational expenses and other is financial expenses. With this reformulation one gets a better insight into the business. The reformulated income statement for the CBL is given as follow:

Particulars	2012	2013	2014	2015	2016	2017	2018
Interest Income	12.428	13.408	13.973	15.228	16.057	16.819	22.971
Less: Interest Paid	<u>7.693</u>	<u>8.607</u>	<u>8.915</u>	<u>9.823</u>	<u>9.546</u>	<u>9.280</u>	<u>13.741</u>
Operating Revenue from interest income before tax	4.735	4.800	5.058	5.405	6.511	7.539	9.230
Less: Tax Operating Income							
Add: Tax reported	1.021	0.927	0.969	1.435	1.570	1.655	2.458
Interest Revenue	4.735	4.800	5.058	5.405	6.511	7.539	9.230
Interest Expense	4.097	4.898	5.892	6.318	7.109	8.387	9.610
Add: Net Financial Expense	-0.637	0.097	0.834	0.913	0.597	0.848	0.380
NFE" Tax rate	<u>-0.159</u>	<u>0.024</u>	<u>0.208</u>	<u>0.228</u>	<u>0.149</u>	<u>0.212</u>	<u>0.095</u>
Operating Revenue from Interest income after tax	4.894	4.776	4.850	5.177	6.362	7.327	9.135
Less: Net Financial Expense after Tax							
Add: NFE	-0.637	0.097	0.834	0.913	0.597	0.848	0.380
Less: NFE" Tax rate	-0.159	0.024	0.208	0.228	0.149	0.212	0.095
Less: Tax benefit of Net Financial Expense	-0.637	0.097	0.834	0.913	0.597	0.848	0.380
Net Financial Expense after Tax	<u>-0.478</u>	<u>0.073</u>	<u>0.625</u>	<u>0.684</u>	<u>0.448</u>	<u>0.636</u>	<u>0.285</u>
Comprehensive Income	<u>5.372</u>	<u>4.703</u>	<u>4.225</u>	<u>4.493</u>	<u>5.914</u>	<u>6.692</u>	<u>8.850</u>

- From the mentioned table it's clear that placing the income statement on comprehensive basis gives a more complete picture. It seems that over the seven years the CI (comprehensive income) is increasing but middle of the years like 2013-2015 it was almost same. In addition, from 2016-2018 it increased constantly.
- The tax is allocated between investment operation and other operation. The tax of 25% is applied only to taxable investment income.

5.2 Growth Ratios

Growth ratios are an indicator of how fast an organization is growing. Besides, the growth ratio (Price/earnings to growth ratio) is a valuation metric to determining the relative trade-off between the price of stock, the earnings generated per share (EPS), and the company's expected growth. In general, the P/E ratio is higher for an organisation with a higher growth rate. Thus, using just the P/E ratio would make higher growth organizations appear overvalued relative to others. It is assumed that by dividing the P/E ratio by the earnings growth rate, the resulting ratio is better for comparing the organization with different growth rate.

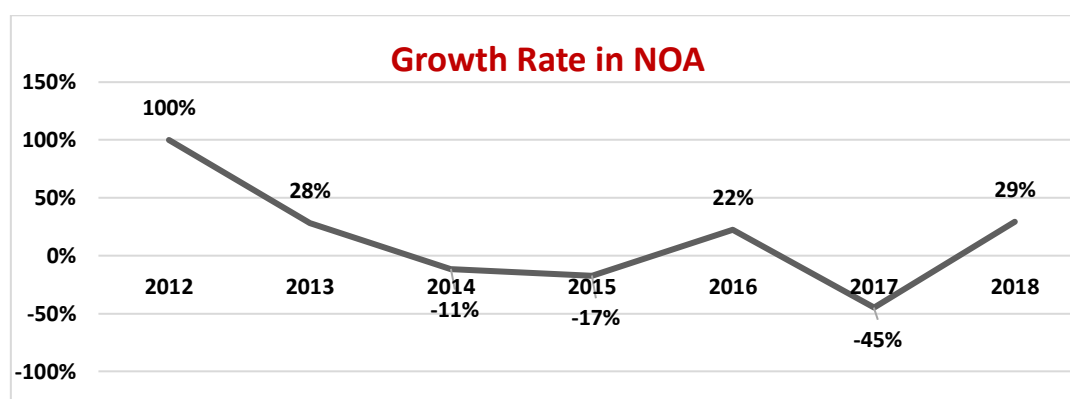
Growth rate in Operating Income:

Growth rates refer the percentage change of a specific variable within a specific time and given a certain context. For the investors, growth rates generally typify the compounded annualized rate of growth of an organization's revenues, earnings, dividend or even macro concepts. Expected forward-looking or trailing growth rates are two common kinds of growth rates used for analysis.

5.3 Required Assumptions and Some Growth Ratios for the Analysis:

- 1. Growth in NOA:** Net Operating Assets (NOA) is business operating assets minus its operating liabilities. NOA is calculated by reformulating the balance sheet so that operating activities can be separated from financing activities. Change in which is $NOA = OI - (C - I)$, that shows that Operating income and cash investment increase NOA and it is reduced by the free cash flows from operations that are invested in net financial assets.

Growth Rate in NOA						
2012	2013	2014	2015	2016	2017	2018
100%	28%	-11%	-17%	22%	-45%	29%

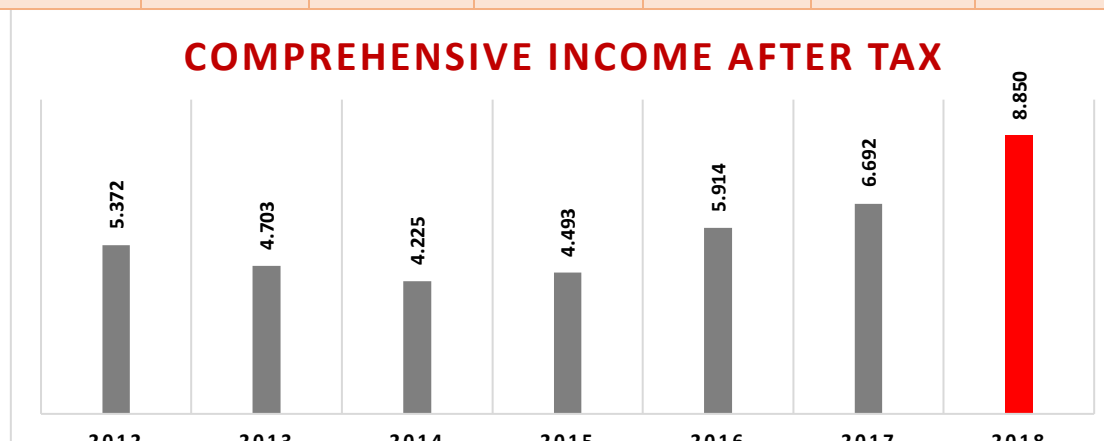


In this graph shows that the CBL's growth rate in NOA is merely sustainable but it was in 2013 in a rate of 28%. The growth rate was negative in the year of 2014- 2015 then again it turned into positive in the year of 2016. But again it declined so negatively in 2017 at a rate of -45%. In addition, it increases positively like before in the year of 2018 at a rate of 29%. So it's implying that now the CBL's operating income and cash investment is merely sufficient. The bank's growth is growing steadily.

- 2. Comprehensive Income after Tax:** Comprehensive income is the variation in an organization's net assets from non-owner sources during a specific period. Basically comprehensive income consists of all the revenues, gains, expenses and losses that caused shareholder's equity to change

during the specific period. As we know that Comprehensive Income = Net Income + Other Comprehensive Income. Here is the CBL's seven years reformulated Comprehensive Income which is given as follow:

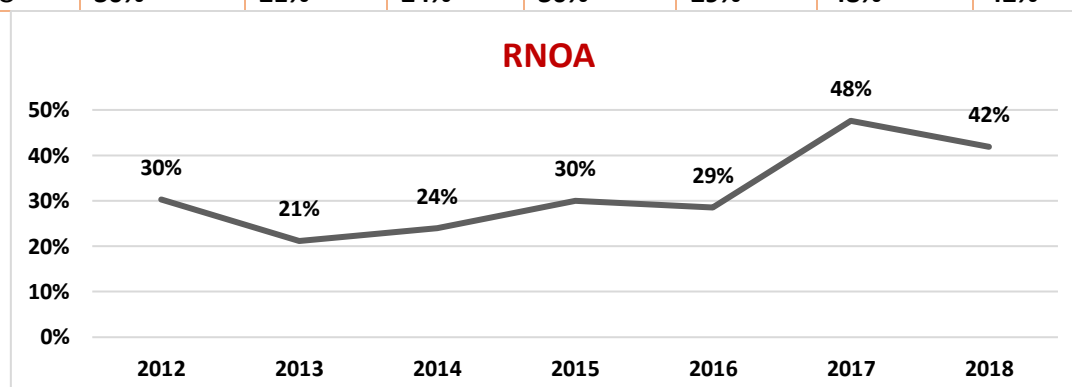
Comprehensive Income after Tax						
Figures in BDT million						
2012	2013	2014	2015	2016	2017	2018
5.372	4.703	4.225	4.493	5.914	6.692	8.850



In this reformulation, it seems that the CI is higher in the year of 2018 rather than other previous years so, it is sustainable. As the CBL's CI is higher than the previous years thereby, the CBL's CI is in sufficient position.

3. RNOA (Return on net operating assets): Return on net operating assets captures the return on an organization's assets that generates the organization's revenues. It is a superior indicator of how well an organisation uses its assets to generate profit. Investors get interested with organisation's higher RNOA. We know that, $\text{Return on Operating Assets} = \frac{\text{Operating Income}}{\text{Net Operating Assets}}$. The CBL's seven years RNOA are given below:

RNOA							
	2012	2013	2014	2015	2016	2017	2018
OI	4.894	4.776	4.850	5.177	6.362	7.327	9.135
NOA	16.181	22.564	20.249	17.288	22.299	15.394	21.795
RNO	30%	21%	24%	30%	29%	48%	42%

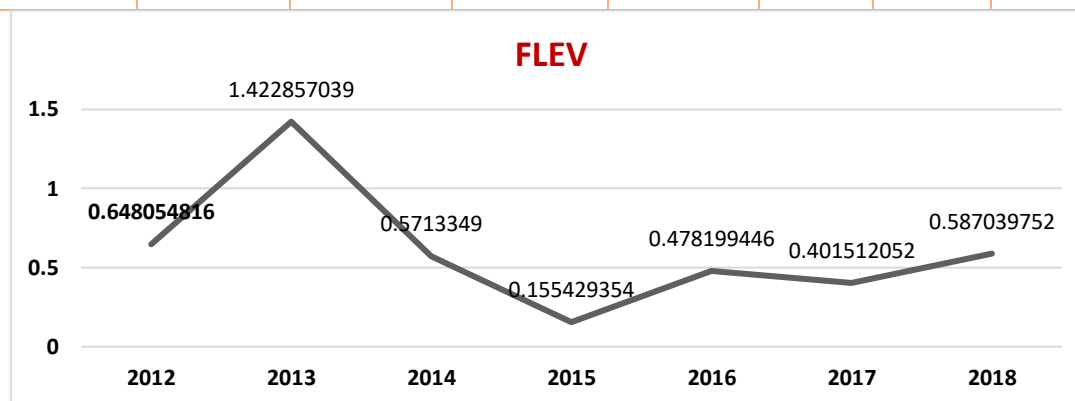


In this graph it seems that, Among the year of 2012-2015 the CBL's RNOA declined but again it reached at the same rate like before around 30% in the year of 2015. Again it declined in 2016 slightly but increased keenly in 2017 which was quite higher than other years. In addition, in 2018 it slightly

declined again. So, the CBL was creating profit by using its assets quite nicely but it was fluctuating over the years which is not a good sign for the CBL.

- 4. FLEV (Financial Leverage Ratio):** Financial leverage is the degree to which net operating assets are financed by borrowing with net financial obligations (NFO). The measure $FLEV = \frac{\text{Net Financial Obligations}}{\text{Common Shareholder's Equity}}$. To the extent that net operating assets are financed by net financial obligations rather than equity. Moreover, it affects operating profitability (ROCE).

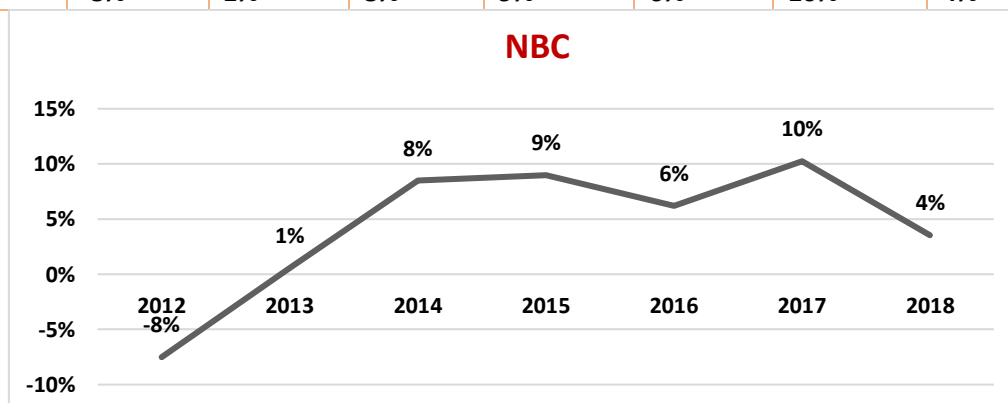
FLEV							
	2012	2013	2014	2015	2016	2017	2018
NFO	6.363	13.251	7.363	2.326	7.214	6.206	8.062
CSE	9.818	9.313	12.887	14.962	15.085	15.456	13.733
FLEV	0.648	1.423	0.571	0.155	0.478	0.402	0.587



In this graph it seems that, The CBL's FLEV was fluctuating over the years but its positive because of the bank's negative Net Financial Assets. On the other hand, NFO is positive so it was positive as well which is not good for the bank.

- 5. NBC (Net borrowing Cost):** NBC is an abbreviation form of Net Borrowing Cost. It depicts as an interest and other cost incurred by a financial organization to the borrowing of funds. The measure $NBC = \frac{\text{Net Financial Expense}}{\text{Net Financial Obligations}}$. The CBL's seven years NBC are given below:

NBC							
	2012	2013	2014	2015	2016	2017	2018
NFE	-477.98	73.03	625.23	684.44	448.11	635.77	285.14
NFO	6362.87	13250.75	7362.62	2325.58	7213.80	6205.64	8061.77
NBC	-8%	1%	8%	9%	6%	10%	4%



In this graph it seems that, NBC was increasing throughout 2013-2015 but in 2016 it declined again it increased in 2017 with a good percentage. But again it started to decline keenly in 2018 which is a good sign for the CBL as they had to give less interest on borrowing.

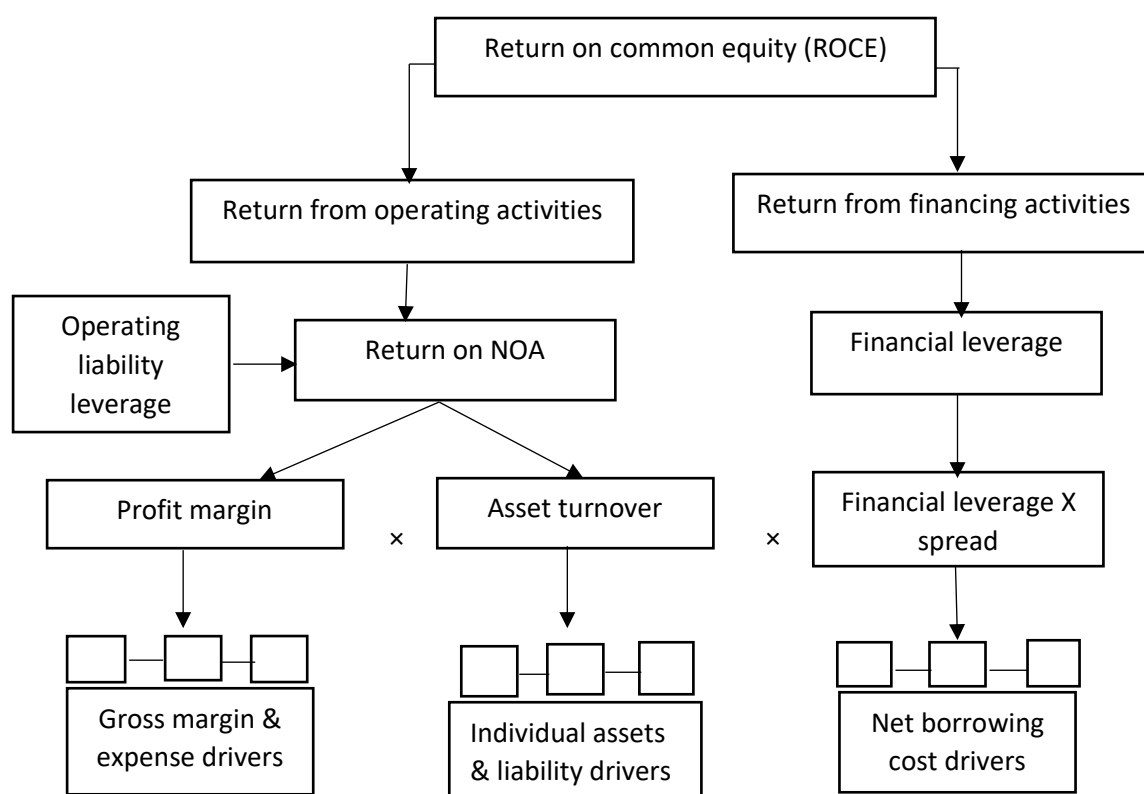
5.4 The Analysis of Profitability

Profitability Analysis quantify the amount of profit earned due to efficiency of any operation of an organization. The analysis of the drivers of ROCE is called profitability analysis. Profitability analysis establishes where the organization is now. It discovers what drives current ROCE.

As we have seen, the return on Common shareholder's equity (CSE) is Calculated as-

$$\text{Return on common equity (ROCE)} = \frac{\text{Comprehensive Income}}{\text{CSE}}$$

We have also seen previously how the reformulated statements yield profitability measures for the CBL's operations like- return on net operating assets (RNOA) and for the financing activities net borrowing cost (NBC) and FLEV. These are the drivers of ROCE.



The mentioned figure shows how ROCE is broken down into its drivers. So, by following this this figure as we go through this analysis. The analysis proceeds over three levels.

- First, the effect of the operating and financing activities are analysed.
- Second, the effect of profit margins and asset turnovers on operating profitability are identified.
- Third, the driers of profit margins, asset turnovers and net borrowing cost at the lowest level of the figure are calculated.

*Acronyms that will be used as we proceed are given in the Analyst Toolkit at the end of the report.

5.4.1 First level breakdown of ROCE: The first level breakdown of ROCE distinguishes the contribution of the operating and financing activities. This involves the effect of leverage, which 'levers' the ROCE up or down through liabilities. Moreover, ROCE is determined by operating profitability, financial leverage and the operating spread.

Financial Leverage: Financial Leverage is the degree to which net operating assets are financed by borrowing with net financial obligations (NFO). The measure $FLEV = NFO/CSE$. Financial leverage effects ROCE as follows:

$$\text{Return on common equity (ROCE)} = \text{Return on net operating assets} + (\text{Financial leverage} \times \text{Operating spread})$$

$$ROCE = RNOA + [FLEV \times (RNOA - NBC)]$$

This equation shows that ROCE is driven by three drivers.

The Effect of seven years Financial leverage of the CBL is given as follows:

Particulars	2012	2013	2014	2015	2016	2017	2018
RNOA	30%	21%	24%	30%	29%	48%	42%
FLEV	0.648	1.423	0.571	0.155	0.478	0.402	0.587
NBC	-8%	1%	8%	29%	6%	10%	4%
Spread (RNOA-NBC)	38%	21%	15%	1%	22%	37%	38%
FLEV*Spread	0.245	0.293	0.088	0.001	0.107	0.150	0.225
ROCE=RNOA+FLEV*(RNOA-NBC)	55%	51%	33%	30%	39%	63%	64%

In the mentioned table it seems that, the CBL earned RNOA greater than its NBC in the year of 2012 which indicates the favourable financial leverage or favourable gearing. But ROCE declined from 2013-2016 as it's NBC was increasing and spread was decreasing so it caused the unfavourable leverage effect of ROCE. Then since 2017-2018 ROCE started to increase at 63%-64% as RNOA increased and NBC declined. Thereby, now the CBL is in favourable gearing position as RNOA geared up to yield of higher ROCE.

Operating Liability Leverage: Just as financial liabilities can lever up the ROCE so can operating liabilities lever up the return on net operating assets (ROOA). Operating liabilities are obligations incurred in the course of operations. The measure $OLLEV = OL/NOA$. Operating liability leverage like financial liability leverage can be unfavourable and as well as favourable. RNOA is driven by operating liability leverage as follows:

$$\text{Return on net operating assets (ROOA)}: \text{Return on operating assets} + (\text{operating liability leverage} \times \text{operating liability leverage spread})$$

$$RNOA = ROOA + (OLLEV \times OLSPREAD)$$

Where OLSPREAD is the operating liability leverage spread that is the spread of the return on operating assets over the short-term borrowing rate (SBR). The measure $OLSPREAD = ROOA - SBR$.

The Effect of seven years Operating liability leverage of the CBL is given as follows:

Particulars	2012	2013	2014	2015	2016	2017	2018
ROOA	16%	14%	13%	12%	13%	14%	15%
OPLLEV	1.709	1.337	1.886	3.101	2.734	4.256	3.358
SBR	5%	5%	5%	5%	5%	5%	5%
OLSPREAD	11%	9%	8%	7%	8%	9%	10%
OLLEV*Spread	0.191	0.121	0.157	0.226	0.209	0.385	0.323
RNOA=ROOA+(OLLEV*Spread)	30%	21%	24%	30%	29%	48%	42%

In this mentioned table it seems that, the CBL's ROOA greater than the it's SBR throughout the years which means the effect of operating liability leverage is favourable for this bank. The SBR of 5% (assuming) is applied. Moreover, ROOA was fluctuating since 2012-2018 but it was constant over the years. On the other hand, operating liability leverage add value to shareholders.

Summing Financial leverage and Operating liability leverage effect on the CBL's Shareholder's profitability:

Shareholders profitability, ROCE is affected by both financial leverage and operating liability leverage. Without either type of leverage ROCE would be equal to ROOA. Operating leverage levers RNOA over ROOA and financial leverage levers ROCE over RNOA.

$$ROCE = ROOA + (RNOA - ROOA) + (ROCE - RNOA)$$

So, for the CBL's seven years ROCE is determined as follows:

Particulars	2012	2013	2014	2015	2016	2017	2018
ROCE	55%	51%	33%	30%	39%	63%	64%
ROOA	16%	14%	13%	12%	13%	14%	15%
RNOA	30%	21%	24%	30%	29%	48%	42%
RNOA-ROOA	14%	7%	11%	18%	16%	34%	27%
ROCE-RNOA	24%	29%	9%	0%	11%	15%	23%
TOTAL	55%	51%	33%	30%	39%	63%	64%

This mentioned table proofs that the Financial leverage and Operating liability leverage effect the ROCE of the CBL. But couple of complications arise during the analysis of leverage effect. The most common compilation is the presence of the minority interest (no-controlling interest).

Dealing with the Minority Interest: The presence of (MI) minority interest calls for a slight revision in the calculations for the effect of financial leverage. It does not affect the overall profitability of equity, just affects the division of rewards between different equity claimants. The measure is as follows:

$$ROCE = ROCE \text{ before MI} \times \text{MI sharing Ratio}$$

$$\text{Where, ROCE before MI} = \frac{\text{CI before MI}}{\text{CSE} + \text{MI}} ; \text{ MI sharing ratio} = \frac{\text{CI/CI before MI}}{\text{CSE}/(\text{CSE} + \text{MI})}$$

Particulars	2012	2013	2014	2015	2016	2017	2018
ROCE before	0.54712	0.50469	0.32783	0.30022	0.39201	0.43295	0.64443
MI Sharing Ratio	1.00001	1.00062	1.00002	1.00017	1.00001	1.00001	1.00001
ROCE	55%	51%	33%	30%	39%	43%	64%

The calculation of MI is cumbersome. MI is typically small in our country, so the CBL can treat MI as a reduction in consolidated operating income and net operating assets as well.

5.4.2 Second Level Breakdown of ROCE: In the first-level breakdown RNOA was isolated as an important driver of the ROCE. So RNOA can be broken down further into two drivers which is given as follows:

$$\begin{aligned}\text{ROCE} &= \text{RNOA} + [\text{FLEV} \times (\text{RNOA} - \text{NBC})] \\ &= (\text{PM} \times \text{ATO}) + [\text{FLEV} \times (\text{RNOA} - \text{NBC})]\end{aligned}$$

The two drivers of RNOA are-

- 1. Operating profit margin (PM):** The PM reveals the profitability of each amount of the interest of a financial institution. The measure $\text{PM} = \text{OI} / \text{Interest income}$.
- 2. Asset turnover (ATO):** The asset turnover measures interest revenue of net operating assets put in place. It also depicts the ability of the NOA to generate interests. The measure $\text{ATO} = \text{Interest income} / \text{NOA}$.

The CBL's seven years effect of two drivers of RNOA are given as follow:

Particulars	2012	2013	2014	2015	2016	2017	2018
PM	39%	36%	35%	34%	40%	44%	40%
ATO	0.768	0.594	0.690	0.880	0.720	1.092	1.053
RNOA= PM*ATO	30%	21%	24%	30%	29%	48%	42%

In this mentioned table it seems that, from 2012-2014 RNOA was declining because of low PM and ATO which it generated the low interests of those years but also generated low interest on net operating assets. Moreover, since 2012-2014 at a rate of 0.768-0.690 had been invested in net operating asset. On the other hand, from 2015-2018 RNOA started to increase due to higher PM and higher NOA which refers that it generated higher interests but also generated higher interest on net operating assets. Thereby, the CBL is generating its profit effectively through its higher interest and investing in net operating assets properly as well.

Proofing the CBL's ROCE-

Particulars	2012	2013	2014	2015	2016	2017	2018
RNOA= PM*ATO	30%	21%	24%	30%	29%	48%	42%
(NFO/CSE)	0.648	1.422	0.571	0.155	0.478	0.401	0.587
(RNOA-NBC)	38%	21%	15%	1%	22%	37%	38%
(NFO/CSE)*(RNOA-NBC)	0.244	0.293	0.088	0.0008	0.106	0.149	0.225
TOTAL ROCE	55%	51%	33%	30%	39%	63%	64%

The mentioned table proves that this bank's operating margin creates value for shareholders and continuous loan servicing for lenders. As the higher margins this bank has so the less financial risk it has as compared to having a lower ratio, indicating a lower PM. So, this bank continued to increase in PM.

5.4.3 Third-Level Breakdown: Now it's time to move to the final step in the scheme which is breaking down the PM and ATO into their drivers.

- 1. Profit Margin drivers:** The PM can be break down into two components:

$$\text{PM} = \text{Interest PM} + \text{Other items PM}$$

The third-level break down of the CBL's PM is given as follows:

Particulars	2012	2013	2014	2015	2016	2017	2018
Interest PM	39%	36%	35%	34%	40%	44%	40%
Other items PM	0	0	0	0	0	0	0
PM	39%	36%	35%	34%	40%	44%	40%

As in the CBL's income statement does not include any other items PM so assuming it is equal to zero. So here a low profit margin in 2012-2015 means that this bank was not efficiently converting revenue into profit. Moreover, excessively high expense might have caused that. On the other hand, since 2016-2018 PM started to increase, here 40% PM considered average, 44% margin considered high. Thereby the CBL is smoothly generating profit through its interest revenues.

2. Turnover driver: The overall ATO can be broken into ratios for the individual assets and liabilities:

The third-level break down of the CBL's ATO ratios are given as follows:

Particulars	2012	2013	2014	2015	2016	2017	2018
Cash Turnover	19%	23%	18%	20%	24%	3%	24%
Other Assets	38%	28%	24%	31%	40%	41%	37%
Non-banking assets turnover	3%	3%	3%	4%	1%	5%	5%
Money at call and short notice	16%	5%	24%	33%	7%	60%	40%
Total ATO	77%	59%	69%	88%	72%	109%	105%

The efficient ATO comes from goodwill and brand image so here the CBL's ATO maintaining its brand image through other assets. Thereby, ATO increased throughout the years.

Borrowing cost drivers: The final component of ROCE is the operating spread (RNOA-NBC). The NBC is a weighted average of the cost for the different sources of net financing.

	2012	2013	2014	2015	2016	2017	2018
(FO/NFO)*(after tax FO/FO)	6%	8%	17%	45%	10%	15%	8%
(FA/NFO)*(after tax FA/FA)	14%	7%	9%	16%	4%	5%	4%
NBC	-8%	1%	8%	29%	6%	10%	4%

In this mentioned table it seems that this bank is making money with higher lending than borrowing rates thus their overall net rates are higher than the borrowing rates. For this reason, CBL is known as a successful bank.

Last but not the least in this chapter has laid out the analysis of the CBL's profitability. The analysis uncovers the financial statement drivers of the return common equity, but each of these drivers refers to an aspect of business activities of the CBL.

5.5 The Analysis of Growth and Sustainable Earning

The term growth is often used vaguely, or with variety of meaning. Sometimes the term is used to mean growth in sales, sometimes growth in earnings and sometimes growth in assets. Generally, growth is a positive attribute, ability to generate value.

The analysis of growth starts with an identification of earnings on which growth is possible. So basically growth means growth of sustainable earnings from reformulation. Sustainable earning means earning coming from “core items of the bank” or earnings that can be repeat in the future. Here core items of the bank will be key focus because it is the base for growth. So, with the help of reformulation of the financial statement and through profitability the CBL’s growth will be analysed. The key concern is the CBL’s earnings are sustainable or not, it is coming from core parts or not. Otherwise, this bank cannot survive in the long run at all. The main objective here is how the profitability (ROCE) drivers might change in the future.

ROCE is driven by core profitability, financial leverage and net borrowing cost. Operating profitability (RNOA) is driven by core (sustainable) operating profitability and one-time unusual items, NBC are determined by core NBC and one time unusual items.

Analysis of growth of seven years changes in Return on Net Operating Assets (ΔRNOA) of the CBL are given as follow:

Here is the formula of ΔRNOA,

$$\Delta RNOA = (\Delta \text{Core interest PM} \times ATO) + (\Delta ATO \times \text{Core interest PM}) + \Delta \left(\frac{\text{Core other OI}}{NOA} \right)$$

Particulars	2012	2013	2014	2015	2016	2017	2018
Interest Income	12.428	13.408	13.973	15.228	16.057	16.819	22.971
Core OI from Interest Income	5.372	4.703	4.225	4.493	5.914	6.692	8.850
Core other OI from Interest Income	4.735	4.800	5.058	5.405	6.511	7.539	9.230
Average NOA	16.181	22.564	20.249	17.288	22.299	15.394	21.795
Core Interest income PM	39%	36%	35%	34%	40%	44%	40%
ΔCore Interest income PM		4%	1%	1%	-6%	-4%	4%
ATO	0.768	0.594	0.690	0.881	0.720	1.093	1.054
ΔATO		0.174	-0.096	-0.191	0.161	-0.373	0.039
Core other OI from Interest income/Average NOA	29%	21%	25%	31%	29%	49%	42%
Δ (Core Other OI/Avg NOA)		8%	-4%	-6%	2%	-20%	7%
Δ Core Interest income PMt × ATOt-1	0	0.022	0.006	0.006	-0.040	-0.043	0.040
ΔATOt × Core Interest income PM t	0	0.037	-0.024	-0.060	0.047	-0.182	0.016
ΔRNOA	29%	27%	23%	26%	30%	26%	48%

It is known that if most of the earnings comes from core parts that means an organization is getting sustainable earnings growth from ΔRNOA. From the mentioned table it seems that the CBL’s earnings form core parts are not sustainable since 2012-2014 because of the ups and downs of the interest earnings. The CBL could not maintained their contributions of the core parts so growth in RNOA

decreased 29% to 23% throughout 2012-2014. But situation started to change from 2015-2018 the growth of RNOA was constant which was a good sign for this bank. Thereby, they could able to maintained their contributions of the core parts so the earnings growth increased in a good percentage of 26% to 48%. That means the CBL is getting sustainable earnings growth throughout the years.

Analysis of the effects of the CBL's seven years financing changes on ROCE are given as follow:

Here is the formula of $\Delta ROCE$,

$$\Delta ROCE = \Delta RNOA + (\Delta SPREAD \times FLEV) + (SPREAD \times \Delta FLEV)$$

Particulars	2012	2013	2014	2015	2016	2017	2018
RNOA (OI/ Avg NOA)	30%	21%	24%	30%	29%	48%	42%
Δ RNOA	29%	27%	23%	26%	30%	26%	48%
Net Financial Expense NFE	-0.478	0.073	0.625	0.684	0.448	0.636	0.285
Avg NFO	6.363	13.251	7.363	2.326	7.214	6.206	8.062
Avg CSE	9.818	9.313	12.887	14.962	15.085	15.456	13.733
FLEV	0.648	1.423	0.571	0.155	0.478	0.402	0.587
Δ FLEV		-0.775	0.852	0.416	-0.323	0.077	-0.186
NBC	-8%	1%	8%	29%	6%	10%	4%
SPREAD(RNOA-NBC)	38%	21%	15%	1%	22%	37%	38%
Δ SPREAD		17%	5%	15%	-22%	-15%	-1%
Δ SPREAD t * FLEV t-1	0	0.244	0.029	0.023	-0.104	-0.060	-0.006
Δ FLEV t * SPREAD t	0	-0.160	0.132	0.002	-0.072	0.029	-0.071
Δ ROCE	29%	36%	39%	28%	12%	23%	40%

Leverage effects on $\Delta ROCE$ come from two sources- changes in the amount of leverage ($\Delta FLEV$) and the net borrowing cost (NBC). So from the mentioned table it seems that only effect of change in operating profitability ($\Delta RNOA$) added value to ROCE in 2012 as effect of change in leverage ($\Delta FLEV$) and effect of change in spread ($\Delta SPREAD$) was equal to zero. Yet FLEV can lever up the $\Delta ROCE$ over $\Delta RNOA$. So does happened from 2013-2014 $\Delta RNOA$ decreased but effect of change in leverage ($\Delta FLEV$) increased and effect of change in spread ($\Delta SPREAD$) decreased that added value to $\Delta ROCE$ (vice versa). Again since 2015-2017 $\Delta ROCE$ stated to decrease because of the keen fall of effect of change in leverage ($\Delta FLEV$) and effect of change in spread ($\Delta SPREAD$) due to great fall in 2016 $\Delta ROCE$ also fallen. But the CBL maintained both $\Delta RNOA$ and $\Delta FLEV$ as a result their $\Delta ROCE$ increased at a good parentage 40% in 2018. But that contribution must have constant for the future growth otherwise the CBL can't get sustainable earnings growth.

The Analysis of growth in changes on common shareholder's equity (Δ CSE) of the CBL is given as follow:

Here is the formula of Δ CSE,

$$\Delta\text{CSE} = \Delta\text{NOA} - \Delta\text{NFO}$$

$$= \Delta \left(\text{Interest Income} \times \frac{1}{\text{ATO}} \right) - \Delta\text{NFO}$$

	Figure in BDT million						
Particulars	2012	2013	2014	2015	2016	2017	2018
Interest Income	12.428	13.408	13.973	15.228	16.057	16.819	22.971
NOA	16.181	22.564	20.249	17.288	22.299	15.394	21.795
ATO	0.768	0.594	0.690	0.881	0.720	1.093	1.054
(1/ATO)	1.302	1.683	1.449	1.135	1.389	0.915	0.949
Interest Income $\times$ (1/ATO)	9.545	7.967	9.642	13.414	11.562	18.377	24.210
Δ NOA	9.545	7.967	9.642	13.414	11.562	18.377	24.210
NFO	6.363	13.251	7.363	2.326	7.214	6.206	8.062
Δ NFO	6.363	6.888	-5.888	-5.037	4.888	-1.008	1.856
CSE	9.818	9.313	12.887	14.962	15.085	15.456	13.733
Δ CSE	3.182	1.079	15.530	18.451	6.674	19.386	22.354

As the change in equity contains three components- growth in Interest income, change in net operating assets, change in net debt. So, here it seems that the CBL's CSE grew by BDT 22.354 million in 2018, from BDT 15.456 million in 2017 to BDT 13.733 million. That largely came from an increase in net assets rather than a result of operations. NOA actually increased by BDT 24.210 million on a keen increase in interest Incomes of BDT 22.971 million and increase in the NOA means it does not require to support interest income, 0.949 cent per amount of interest income in 2018 versus 0.915 cent in 2017. But throughout the previous years since 2012-2016 the Δ CSE was fluctuating, among these years in 2013 and 2016 it fallen so keenly. That might be because of increase in NFO. AS the CBL was able to maintained growth so their growth in CSE is sustainable. So, to keep this growth constant they have to maintain it in the long run.

Chapter 6

Findings from The Study and Recommendation

6.1 SWOT Analysis of the City Bank Limited:

SWOT is the acronym for the internal strength and weakness of a firm and the environmental opportunity and threat facing by that firm. So if we consider the City Bank Limited as a business firm and analyse its SWOT the scenario will be as follows:

- **Strength**
 - ✓ Trustworthiness
 - ✓ Good Management
 - ✓ Cooperation with each other
 - ✓ Regular Customers
 - ✓ Membership with SWIFT
 - ✓ Strong Financial Position
 - ✓ Large Network- both national and international
 - ✓ Real-time on-line banking
 - ✓ Dual-currency city VISA card- Unique in Bangladesh
- **Weakness**
 - ✓ Lack of proper motivation
 - ✓ Lack of experienced employees in junior level management
 - ✓ Can't not provide properly own ATM services
 - ✓ Still a problem status bank
 - ✓ Large branch network in rural area
- **Opportunities**
 - ✓ Provide SME finance
 - ✓ Huge spread business area
 - ✓ Follows steps taken by Bangladesh Bank
 - ✓ High growth of trade and sales finance volume
 - ✓ Investments on technology
- **Threats**
 - ✓ Losing customers
 - ✓ High FDI flows
 - ✓ Entrance of new private come banks
 - ✓ Huge competitions
 - ✓ FCB and third generations bank

6.2 Critical Findings in the City Bank Limited:

In my observation I found that there are many problems existing in the Motijheel branch-

- The current system of the CBL is time consuming for the officers as well for the customers. For instance, customers have to wait for a long time due to searching the details about the backdated transaction by the officers and officers have to go through a lot of files.
- In some cases, the officers cannot pay proper attention to the customers because of the busy schedule of the officers.

- Sometimes not getting the proper attention makes customers anger and for that the negative words of mouth hampered the branch image of quality service and goodwill which creates negative situation.
- Sometimes get impatient to wait for long time like 1 or even more for getting the service. For the long run service in the future these finding will negatively affect the goodwill and quality service

6.3 Recommendation:

This is the era of competition so in this competitive market, the CBL have to take care about the exclusive and unique opportunities of the banking sector. As a service sector the main focus is customer. So they must give more attention to the customers as the customers have more choice to choose. There are lots of other banks out there that are giving such a superb service to the customers. For this they need proper information system to give the customers best service. Moreover, customer feedback makes value to increase loyalty, trust and satisfaction of customers and build a strong relation with them. So to provide the right service to the customers the customer feedback is most important which I have collected through 12-week internship. I hope that will help the CBL to improve their service quality in the long run. The City Bank Limited need to take some necessary steps to ensure a smooth service to the customers.

1. The City Bank Limited need to improve its Return on assets, Return on equity, Asset utilization and some other ratios. Moreover, the bank could not properly utilize its assets and its shareholder's equity to make profit since last couple of years. That's why their profit decreased in 2018.
2. At present the growth and sustainability of the CBL has become quite slow down but better than before. Thereby they need to maintain their growth in some of their operations so that they can get more sustainability in the long run.
3. Employees need to be properly trained to work and deal with the customers adequately under pressure.
4. To process the loan and disburse it the bank takes long time so it needs to more focus on this issue to find an easy way that will process the loan in a short duration.
5. There are some charges regarding the accounts so customers need to inform about these charges when they open an account.
6. The CBL need to maintain errors-free customer's records.
7. The ATMs of the CBL is limited all over the Bangladesh. There are so many areas where there is no ATMs of the CBL found. So they need to increase the ATMs and ensure smooth operation.
8. The CBL need to hire more experienced and capable employees to give better services all over the country.
9. The CBL need to more focus on the Agri loan as per Bangladesh bank policy because agriculture is the backbone of our country.
10. Employees should get proper knowledge on products and services to deliver the customers regarding right time, right facility as per the customer's requirement.

Chapter 7

Conclusion

7.1 Conclusion:

This is the era of banking, so in this era banks play an important role in the economic world and many commercial banks are establishing in our country now a day. So people are tending to save their money in the banks and modern people are now want a more secure, and better quality services. Moreover, now a day there are lots of competitions in the banking sectors and banks are trying to more concerned on doing outstanding performance. On the other hand, City bank is the most auspicious bank in Bangladesh. Each and everyday City Bank comes with their new products and services although they provide a wide range of product of services to their customers. City bank is helping our country's economy through remitting funds. As this is the era of digitalization so City bank also provides digital banking services through online banking to app based banking to ease the service for the customers.

So its certain that City bank has organized its operations and services more wisely according to the market and customer's needs. As an intern I have learned lots of things regarding banking operations which may help me in the future career life. This report concentrated mostly on the Growth analysis and sustainable earnings of the City Bank Limited. I have tried my level best to analysed some valuable growth and earnings which may give a clear view of the CBL's sustainability. With current growth and sustainable earnings as well as with some improvement that will certainly make City Bank one of the best Private Bank in Bangladesh in the near future.

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Toolkit (Acronyms):

CBL: City Bank Limited
BB: Bangladesh Bank
A/C: Account
CD: Current Account
SB: Savings Account
FDR: Fixed Deposit Receipt
KYC: Know Your Customer
TP: Transaction Profile
CIB: Credit Information Bureau
NID: National Identity Card
ROA: Return on Asset
ROE: Return On Equity
EM: Equity Multiplier
P/E: Price to Earning
NOA: Net Operating Asset
NFA: Net Financial Asset
NFO: Net Financial Obligation
CSE: Common Shareholders Equity
CI: Comprehensive Income
RNOA: Return on Net Operating Assets
FLEV: Financial Leverage
NBC: Net Borrowing Cost
SBR: Short term Borrowing Rate
ROCE: Return on Common Equity
ROOA: Return on Operating Asset
OPLLEV: Operating Liability Leverage
OLSPREAD: Operating Spread
MI: Minority Interest
PM: Profit Margin
ATO: Asset Turnover