SOUTHEAST BANK LIMITED
A BANK WITH VISION

# *Internship Report*

## *on*

# *Financial Performance Analysis of Southeast Bank Limited*

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**on**

# Financial Performance Analysis of Southeast Bank Limited

**Submitted To**

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**Assistant Professor**

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**Submitted By**

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**Major: Finance**

**Program: BBA**

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# Table of Contents

# Letter of Transmittal

December 21, 2024

Mr. Muhammad Enamul Haque

Assistant Professor

School of Business and Economics

United International University.

United City, Madani Avenue, Dhaka 1212, Bangladesh.

Subject: **Internship Report on- “Financial Performance Analysis of Southeast Bank Limited.”**

Dear Sir,

I am grateful for having been able to have accomplished the internship under your helpful guidance. I have written this report on, "Financial Performance Analysis of Southeast Bank Limited," to notify you that it is now complete. From a few materials, I have done my best collect essential and educational facts relevant to this subject. I wish it measures up to the requirements you set.

Here is a report that I am sending to the authorized entity. The report is with the expectation that it will be valuable to you, and I am confident that your encouragement and gratitude can inspire me. If you would like further information on the report, I am ready to answer it.

Yours Sincerely,

Afsana Akter

ID: 111-201-118

Department of Business Administration

United International University

# Acknowledgment

It would be injustice for those names to stay silent when no one can do anything on their own without help. For another thing, I am thankful to the Almighty Allah through the bottom of my heart for giving me enough strength and calmness necessary to finish my task on time.

Additionally, I am extremely grateful for my parents' consistent emotional support through this difficult period. Assistant professor Muhammad Enamul Haque of United International University's Business School was my internship supervisor, and I am grateful to him. Who has supported me out through my internship by providing me with information and course of action. Whenever I was stuck, he gave me everything that I needed to continue and significant words of knowledge.

I'd especially like to thank those individuals whose time and knowledge were invaluable for supporting me with my regular tasks and those whose names appear in this report. Nuruddin, Md. Sadeque Hossain (Managing Director), and I would like to begin by expressing our gratitude to them. His patience and generosity in clarifying abstract ideas and their real-world applications made him an invaluable asset to my internship. This has permitted me to obtain the proper direction, which has accelerated my learning of the material. Further, I'd want to give respect to my coworkers, Ms. Humayra Afrin and Mr. Khalid Hasan, who were important in helping me and training me how to do things, particularly when it came to the technical aspects and operational techniques. Also, they taught me a few methods that have made my workdays easier and oriented me to the professional world. Lastly, I want to express my greatest appreciation to United International University for its amazing education. It is an organization that continues to delight me and develops my mind.

# Executive Summary

This report has been prepared to give a review of Southeast Bank Limited's financial status. Data from 2019 through 2023 was used to analyze financial performance. A popular strategy, and their ratio analysis, was employed to evaluate Southeast Bank's effectiveness. All five of its financial performance metrics profitability, finances, solvency, effectiveness while and market competitiveness have been quantified using a ratio metric.

Southeast Bank always maintained a sufficient level of liquidity, according to the liquidity ratio study. The profitability study suggested that the bank might increase its profitability by focusing on generating good relationships with its clients. According to the results of the efficiency study, this financial institution has been making good use of its resources to generate profits. The solvency examination, however, revealed that the bank's assets do not cover its long-term liabilities. Lastly, the market ratio showed that there has been continuous growth throughout the years.

Management, creditors, and investors are all likely to benefit from these studies when making decisions about lending, investing, and long-term strategy. The investigation concludes that the southeast Bank should put an emphasis on satisfying the standards of its present clients, who are looking for dependable and efficient service, through supplying superb customer service. This forward-thinking approach will strengthen Southeast Bank's position in the dynamic market and promote customer loyalty and confidence.

# Chapter One: Introduction

Southeast Bank Limited is a scheduled commercial bank in the private sector established under the ambit of Bank Company Act, 1991 and incorporated as a Public Limited Company under Companies Act, 1994 on March 12, 1995. The Bank started commercial banking operations on May 25, 1995. During this short span of time the Bank is successful in positioning itself as a progressive and dynamic financial institution in the country.

The financial services industry has started coordinating its investment strategies with the worldwide environmentally friendly goals (SDGs) in response to rising general knowledge of social and environmental challenges. This change is indicative of a broader realization that monetary policies ought to foster a future that is more fair, resilient, and ecologically sound. Investors are beginning to see sustainability as a key driver of future development and risk mitigation, which is leading to an uptick in sustainable finance and effort including green bonds, impact investment, and ESG-focused asset management.

The bank had been widely acclaimed by the business community, from small entrepreneurs to large traders and industrial conglomerates, including the top-rated corporate borrowers for its forward - looking business outlook and innovative financial solutions. Thus, within this very short period of time it has been able to create an image and earn a significant reputation in the country's banking sector as a Bank with Vision. Presently, it has 65 branches.

Explore the notion of sustainable finance, how it's impacting holding investments methods, and how it may help create a fairer and more sustainable world economy in this in-depth research.

The former Government of the Bangladesh Bank Mr. Lutfar Rahman Sarkar was the first Managing Director of the Bank. The Bank is being managed by highly professional people having wide experience in domestic and international Banking

The Bank is not depending only on interest earnings; rather it strives hard to go for fee-based income from non-fund activities of the bank. This type of business include capital market operations like underwriting, portfolio management, mutual fund management, investors' account as well as commission-based business like Letter Of Guarantee, Inland remittance etc.

## 1.1 Origin of the Report

Internships providing undergraduates with real-world expertise in organization operations and management, becoming a vital aspect of United International University's Bachelor of Business Administration (BBA) Program. For this purpose, I have been selected for a four-month internship with Southeast bank ltd. In the Customer Service division. The internship will take place from July 1, 2024, to October 31,2024.

During this internship, I have undertaken the task of preparing a comprehensive report on the "Performance analysis of Southeast bank Limited." This Report Focuses on examining and evaluating the financial Health of the bank, analyzing various financial indicators, trends, and the overall financial performance over Five Years.

I have received permission to conduct my research on this topic from Muhammad Enamul Haque, Assistant Professor at the school of business and Economics, United International university. His guidance and approval have been instrumental in shaping the direction of my internship report.

This internship will not only provide me with an opportunity to apply theoretical knowledge gained during my academic coursework but will also offer valuable exposure to the banking sector and enhance my understanding of financial analysis in a practical business environment.

## 1.2 Background of the Report

As part of the requirements for completing the Bachelor of Business Administration program, she/he is expected to submit a report reflecting the experiences they gained during their internship period. This report provides an opportunity for students to demonstrate the practical knowledge and skills acquired during their time in the field. This internship allows undergraduates to immerse themselves in the unique environment of a company while receiving hands-on training for future executive roles.

The internship experience offers students a special chance with the corporate world which is instrumental in career development and building professional confidence. It enables students to apply and compare the theoretical concepts learned in the classroom with real-world business situations.

To meet this requirement, business schools typically organize internship programs, providing students with the opportunity to experience firsthand the practical application of business knowledge.

## 1.3 Objective of the Report

The Purpose of the Report is to evaluate the financial performance of Southeast bank Limited. The financial data has been gathered from Southeast bank website, the bank’s annual reports, relevant articles.

The following specific Objectives:

- To gain a comprehensive understanding of the various operations and departments within Southeast Bank Limited.
- To close the gap between practical experience and theoretical knowledge in various functions at Southeast bank Limited.
- To evaluate the bank’s performance and financial health.
- To identify problems and propose recommendations for improvement.

## 1.4 Methodology of the Report

Both primary and secondary data were also utilized when creating the study. For backing up the study, both fresh and old data were collected. While primary research generated insightful results, most of the decisions were based on secondary data. To gain a more comprehensive grasp of the subject, secondary research included going over previously published materials, studies, and reports. Thanks to this method, both old and new information may be considered. The research approach was structured to guarantee a thorough study, using several sources to support the results. Secondary data was crucial in forming the report's conclusions.

**Strategy for Collecting Data:** This study makes utilization of secondary data more than primary data, however both types of sources were utilized. The City Bank Limited annual report, news stories, and internal data supplied by my line manager were some of the sources from which secondary data was culled. Thorough analysis was afterwards carried out with this data to reach significant insights and conclusions.

**Strategy for Analyzing Data:** A mix of quantitative and qualitative techniques were used to craft the analysis. All participant replies were compiled, examined, and processed. In order to find trends and patterns, Excel and other methods were used to examine data from third-party sources in addition to the bank's internal databases. The data was better organized and made sense of after this study.

**Method for Presenting Data:** A few visual aids, including tables of information, pie charts, bars, and other graphical representations, were used to display the data in a way that made the results clear and easy to interpret.

## 1.5 Limitations of the Report

- Following every attempt, a discussion with Southeast Bank could not be arranged to obtain first-hand information. Quantitative information on the bank's performance, however, originated from the Bangladesh Bank's official website.
- The study's data set was extremely limited because of security and confidentiality concerns that stopped Southeast Bank from making all its sustainable financing data publicly available.
- The study's findings may not be directly relevant to Southeast Bank in Bangladesh's unique financial situation because they are based on articles published in developed nations.

# Chapter Two: Overview of the Company

## 2.1 Introduction

Southeast Bank is a well-respected Bangladeshi financial institution that has been around since 1995 and is known for its strong performance and focus on customers. Southeast Bank headquarters are in Dhaka & the bank has established a solid branch network and rapidly expanded its operations. Southeast Bank has established itself as a leading bank in Bangladesh, catering to a diverse clientele with a comprehensive suite of banking products and services.

Therefore, the Southeast Bank's mission is to offer first-rate financial services backed by cutting-edge technology, the unwavering support of loyal customers, and an in-depth familiarity with all aspects of banking. The bank serves a wide range of clients, including individuals, small and medium-sized businesses, and major companies. Good corporate governance and the highest ethical standards are respected and maintained by this bank. Organizational principles such as transparency, accountability, and sustainability are highly prioritized in day-to-day operations. Southeast Bank places a strong focus on corporate social obligations (CSR) involvement as a means of giving back to the communities in which it has set up shop (Ahmed, 2019).

Southeast Bank has earned several certifications and honors throughout the years. Because of the positive impact it has had on the banking industry and the excellent work it has been doing. In this way, it has established itself as a trustworthy and effective provider of financial services in Bangladesh. According to their improvement-focused strategy, the company's current priorities include improving the lives of Southeast 20 Bank customers, increasing wealth for investors, and strengthening ties to the local community, all of which will pave the way for future expansion.

## 2.2 Company Profile

| | |
|---|---|
| Founded | •1995 |
| Industry | •Banking<br>•Financial services |
| Services | •Consumer Banking<br>•Corporate Banking<br>•Investment Banking |
| Headquarter | •Dhaka,Bangladesh |

## 2.3 History of Southeast Bank

Since it was established in 1995, Southeast Bank Limited (SEBL) has worked continuously achieve its objective of being Bangladesh's best financial institution through offering modern, customer-focused banking services. The bank's creators set out to give people a variety of financial services including checking and savings accounts, loans, and credit in efforts to support the country's economy. SEBL established an excellent position in the banking industry and quickly established its branch network nationwide, serving customers in towns as well as rural locations. Online and mobile banking, as well as cash withdrawal machines (ATMs), are some of the modern banking features that Southeast Bank implemented, making use of developments in technology to make its services easier to access and use for customers. To keep up with the shifting needs of its clients and stay ahead of the competition, the bank placed a strong emphasis on technology. Southeast Bank always puts priority on doing more than just borrowing money; it has also been actively working to support the national economy. Through individual possibilities for financing, the bank has contributed to several essential sectors, such as food production, commerce, manufacturing, and service provision. As part of its mission of improving the lives of its fellow Bangladeshis, SEBL has been continually involved in CSR initiatives, funding healthcare, education, and community development programs.

Southeast Bank is already well-known as a leading private commercial bank in Bangladesh, thanks to its dedication to long-term growth, happy customers, and excellent corporate governance. By staying true to its principles of creativity and community engagement, and national economic development, the bank has maintained its position as a major player in Bangladesh's banking market.

## 2.4 Vision of Southeast Bank

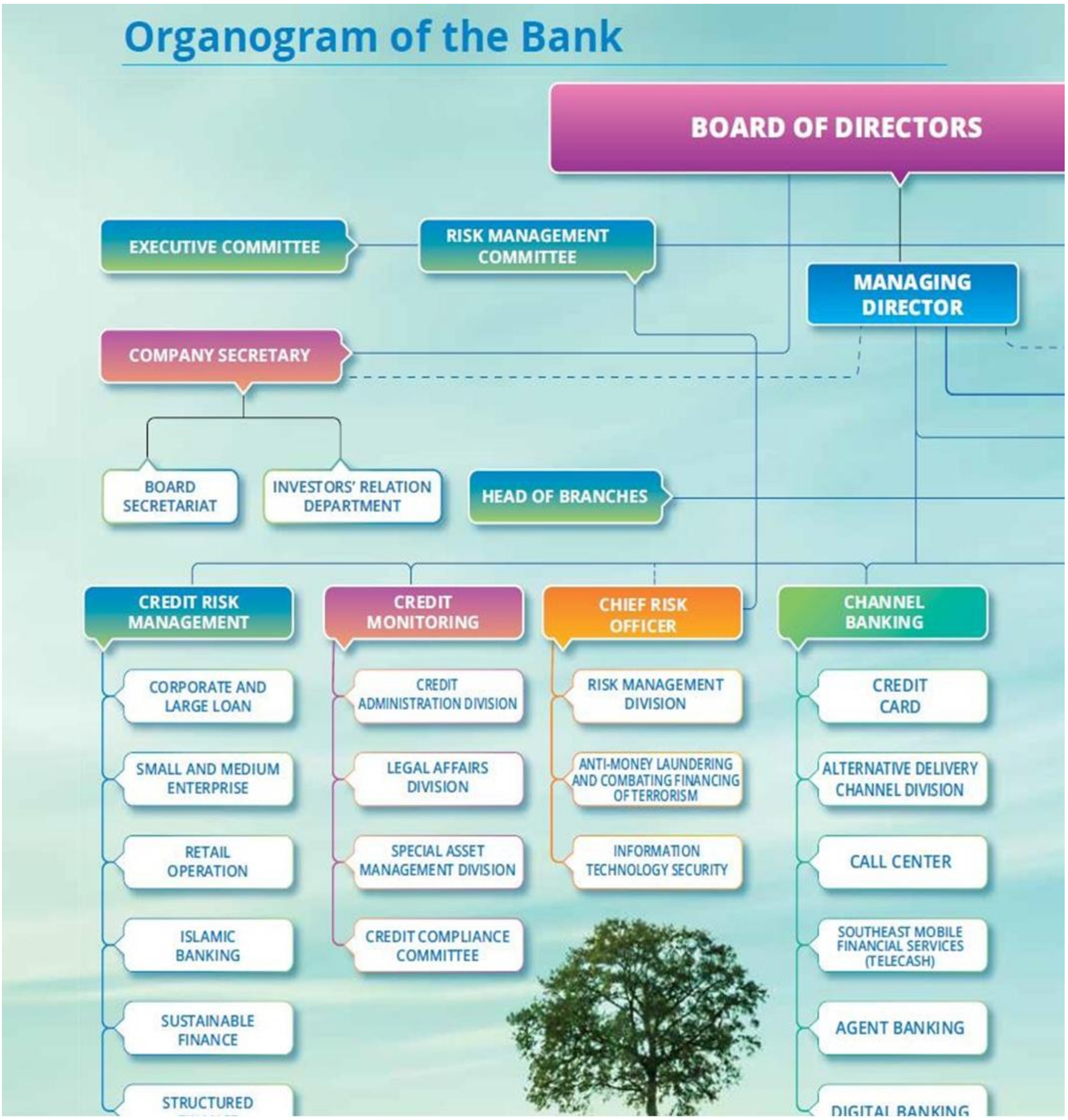
Southeast Bank's (SEBL) vision statement “Aspires to be a leading investment bank by continuously focusing on long-term client needs and offering impartial, trusted, and unbiased advice to help clients accomplish their financial objectives while adhering to the highest ethical standards.”

## 2.5 Mission of Southeast Bank

“Southeast Bank strives to be the most trusted and respected merchant/investment bank in Bangladesh, as well as a preferred partner for businesses seeking strategic advice, client portfolio management, and other financial/investment banking services. It aims to act as a catalyst for growth and development in the Bangladesh capital market, creating long-term value for all clients and stakeholders.

## 2.6 Southeast bank’s Organizational Structure

The financial institution's Board of Directors is at the very top of the professional ladder and does not report to anybody else. The Senior Management team instead reports directly to it. Key divisions such as Treasury, Operations, Compliance, Finance, Retail Banking, and Risk Management are overseen by Executive Management. The product of this organizational structure is a fully operational banking structure with well-defined roles and responsibilities as well as an established chain of command.



# Chapter Three: Findings & Analysis

By analyzing the financial statements and key indicators of performance, financial performance analysis determines how efficient a company's financial operations are. Profitability, efficiency, liquidity, solvency, and market performance are some of the metrics used to measure the overall success of an organization. Investors, creditors, and management can all benefit from this study since it sheds light on the company's market position. It helps with making smart choices about investments, loans, and long-term plans. In the sections that follow, I shall evaluate CBL based on these criteria.

## 3.1 SWOT of SEBL

### Strength

1. The bank's attention to its clients' accomplishment is shown in its innovative financial services and fantastic customer care.
2. It complies with international and national regulatory norms, guaranteeing prudent financial management and safeguarding the interests of clients. Accolades from prestigious organizations like MasterCard serve as evidence to its creative spirit and innovative products.
3. The bank is highly involved in CSR programs that aim to improve the well-being of the community, boost economic growth, and ensure environmental sustainability.

### Weakness

1. Financial variables without the bank's control, such as adjustments to inflation, interest rate structures, and foreign currency reserves, provide an opportunity to the bank's profitability.
2. The bank's capacity to manage letters of credit has been impacted by the slowdown of international business caused by global politics, such as the war between Russia and Ukraine. Given Bangladesh's dependence on imports, this caused operational difficulties.

## Opportunities

1. The Southeast Asian region's (S.E.A.) fast developing economy presents chances of accessing fresh audiences with increasing demands for banking services, creating an immense amount of opportunity for branch growth.

2. The bank could make use of the current situation to extend its product offerings and meet the evolving requirements of its clients in areas like Islamic banking, financial services and financing for SMEs.

3. The growing need for digital services, together in order with the bank's continuing investments in technology, provide a wonderful chance to expand its online banking offerings, which will make them accessible for clients as well as attractive to new market audiences.

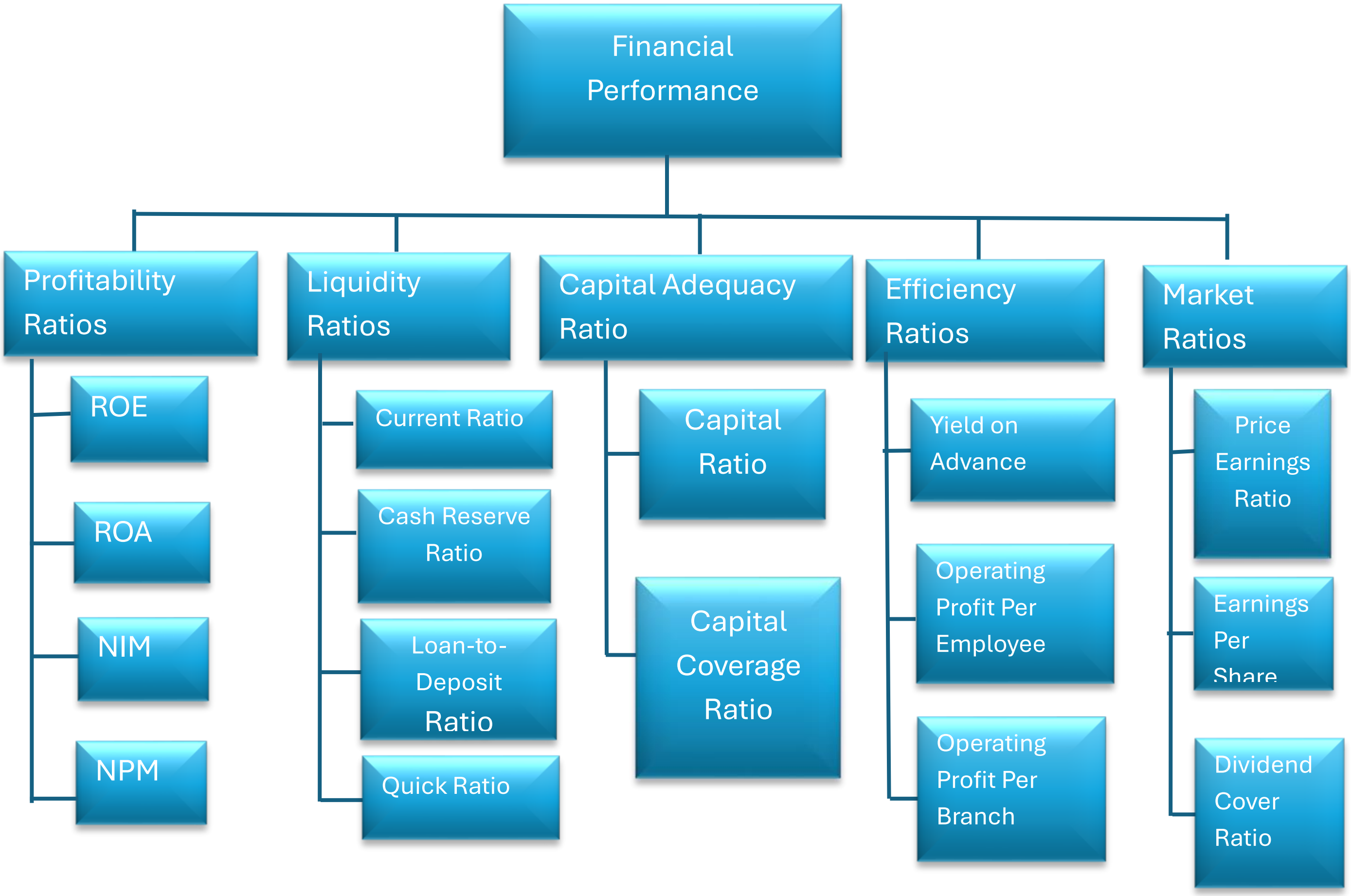
## Threats

1. War between Russia and Ukraine is one example of an increasing global risk that might have a negative effect on the bank's ability to turn a profit.

2. The bank's operational efficiency might be affected by the increase in operating costs caused by new regulatory modifications or compliances.

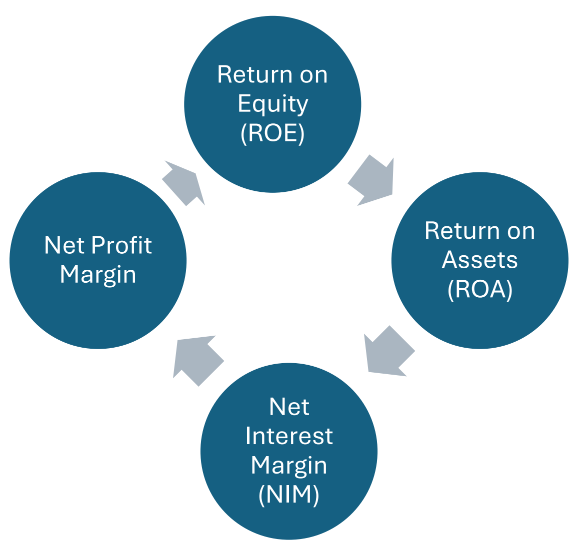
3. The bank may encounter challenges in complying with new banking regulations both domestically and internationally, which might result in significant compliance costs and operational complexity.

4. Fitch businesses and the next wave of digital-only banks pose a threat to Southeast Bank and other established financial institutions due to their rapid expansion and innovative business models.



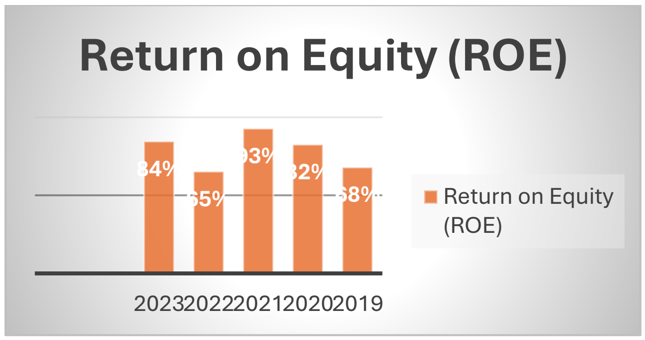

## 3.2 Profitability Ratios

Ratios of the profitability of a business to its earnings, assets, equity, and other financial indicators are referred to as profitability ratios. These data points indicate the way an organization manages its operations as well as how much revenue it may earn for its shareholders.



### 3.2.1 Return on Equity (ROE)

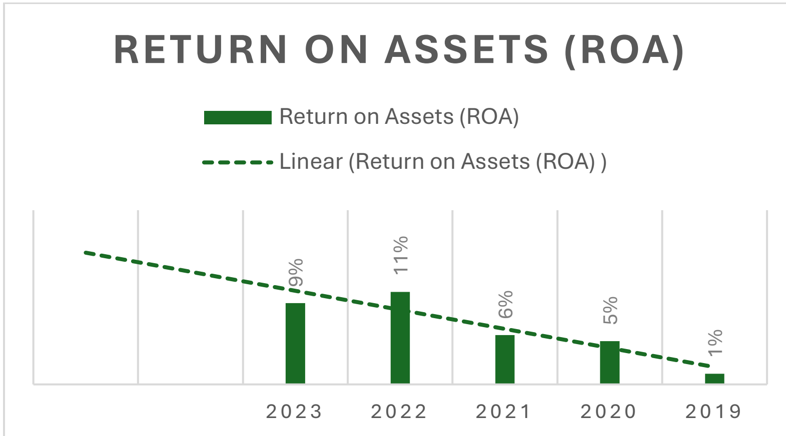
One financial performance measure is returning to equity (ROE), which indicates how effectively a firm manages to convert its shareholders' equity towards profit. The rate at which a firm converts the funds that its shareholders contribute to it into revenue is an important measure of its financial condition. Improvements in return on equity (ROE) are signs of stronger financial health and profitability.




The Graph in 2019 through 2023, Southeast Bank's Return on Equity (ROE) shows some really impressive risk in terms of performance. Strong profitability and effective applications of shareholders' equity were shown by the ROE, which started at 68% in 2019, climbed to 82% in 2020, and reached its maximum point at 93% in 2021. The return on equity (ROE) fell to 65% in 2022, though, perhaps as a result of difficulties in the market or higher operating expenses. The bank's perseverance and strategy revisions were evident ROE improved in 2023 it is 84% indicating a comeback. This highlights Southeast Bank's resilience in the face of adversity while keeping its eye on its objective of sustainable growth.

### 3.2.2 Return on Assets (ROA)

A monetary indicator known as Return on Assets (ROA) evaluates the ability of an organization to produce net income in relation to its total assets. It illustrates the way a business is turning its assets into profit. Improvements in ROA are reflective of improvements in the use of assets and company performance.



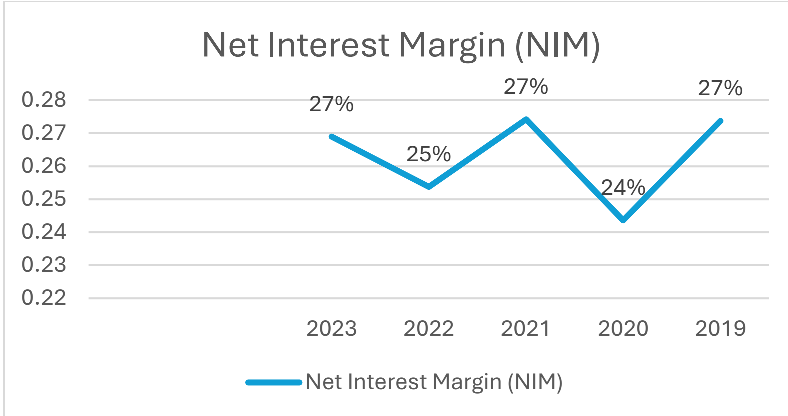

From 2019 through 2023, Southeast Bank Limited's Return on Assets (ROA) movement is represented by the graph. It feels like the bank is becoming worse at collecting money off of its assets. The ROA peaked at 11% in 2022, showing that assets were being used wisely. The decline in profitability was visible in 2023, when the ratio fell to 9%. The rapid fall is further demonstrated by the linear trend line those points downward.

The ROA saw a slight drop to 6% to 5% in 2020 and 2021, and it was significantly lower at 1% in 2019. This constant decline reflects the challenge the bank has had in achieving profitability from the optimizing of its assets.

A modification in methodology needs to occur to increase operational efficiency and make better use of the bank's asset base considering this downward trend. The bank may need to adjust its investing and profit-generation strategies if stakeholders and investors see this as reasons for being concerned and expect it to better its long-term financial performance.

### 3.2.3 Net Interest Margin (NIM)

A financial institution's potential for earning money from interest-bearing assets is mostly measured by its Net Interest Margin (NIM), a measure of profitability used in the financial sector. It is the ratio of interest profit from assets (such as loans and investments) to interest paid on liabilities (such as deposits and other obligations), calculated as a percent of ordinary earning assets.



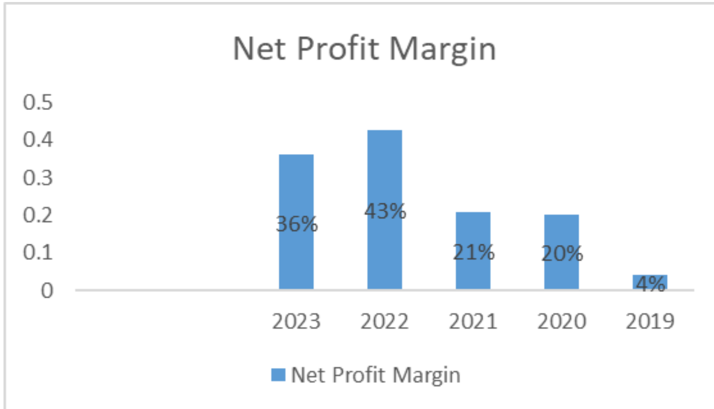

A bank's capacity to profit from its assets that earn interest relative to its costs is measured by the Net Interest Margin (NIM), which is shown on the graph for the years 2019 to 2023. Profitability was high in 2019 with a NIM of 27%. A drop to 24% in 2020, though, would indicate lower interest earnings or higher expenses. The improved performance and positive interest rate environment were evident in 2021, when the NIM rebounded to 27%.

There were moderate difficulties in sustaining profitability in 2022, as the NIM fell slightly to 25% once again. At last, in 2023, the NIM got back to where it had been in 2019 and 2021, at 27%.

This chart shows that the NIM has been fluctuating over the last five years, going through dips and then rebounds at regular intervals. Such fluctuations can be caused by shifts in the quality of the institution's assets, interest rates, or operational efficiencies. The institution showed resilience by returning to optimal profitability levels in 2023, as shown in the graph overall, even if there were challenges.

### 3.2.4 Net Profit Margin (NPM)

A financial indicator known as Net Profit Margin indicates the proportion of the total revenue of an organization that goes for net profit or net income. Following the deduction of all expenses, such as operational costs, taxes, and interest, and other overheads, it shows the percentage of revenue that remains as profit for the firm.

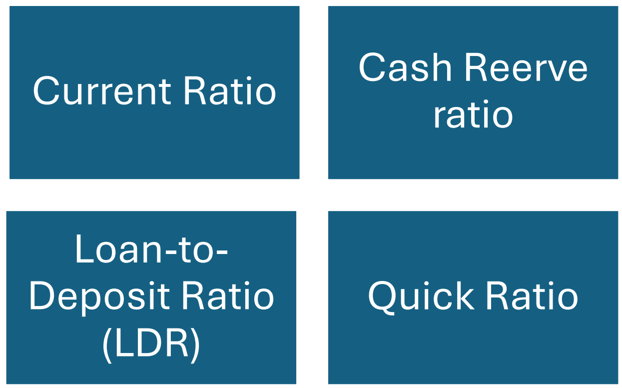



You can see the pattern of growth in the company's profitability from 2019 to 2023 in the graph showing the Net Profit Margin. There was almost no profit in 2019 due to the extremely low margin of 4%. It showed a significant development, growing to 20% by 2020. It maintained stable in 2021, rising almost to 21%.

The company's impressive financial performance was emphasized by a significant increase in 2022, when the Net Profit Margin reached 43%. The margin fell to 36% in 2023, albeit it was still higher than in previous years.

## 3.3 Liquidity Ratio

One financial measure is the liquidity ratio, measuring a company's capacity to satisfy its short-term debts using its most easily convertible assets. It is useful for figuring out if a business has sufficient liquid assets or additional capital that can be turned into cash fast enough to pay its short-term debts.

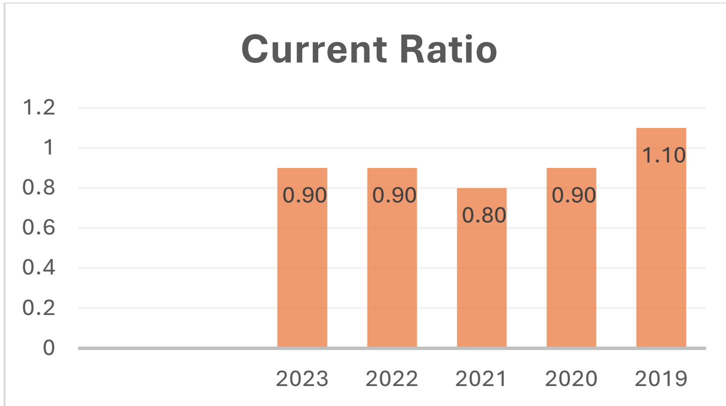



### 3.3.1 Current Ratio

One way to look at the company's financial health is by looking at its current ratio. It reflects how efficiently a company can satisfy its short-term obligations with its current assets.

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}} \times 100$$

The higher the ratio of current assets to current liabilities, the higher the company's short-term financial health will be. The company might experience problems paying its short-term bills if the ratio is under one.




In This Graph a range of 0.80 to 1.10, the current ratio has remained rather constant and low for the past five years. The ratio was 0.90 in 2020, 2022, and 2023, meaning that the company's current assets were below its current liabilities. It fell to 0.80 in 2021, suggesting it could be difficult to meet short-term commitments. The 2019 figure was 1.10, which indicates that the company's assets were sufficient to pay its obligations. Southeast Bank financial condition has been tight during the last few years, but it has improved somewhat this year.

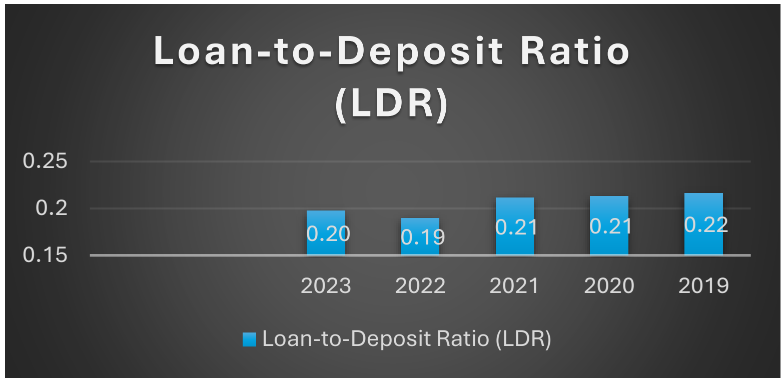
### 3.3.2 Cash Reserve ratio

The Cash Reserve Ratio (CRR) specifies the lowest amount of money that institutions of finance are required to keep on hand, either as cash or in loans with the central bank, instead of spending or investing it. The central bank has mandated this as a means of controlling inflation and making to guarantee banks have sufficient cash on hand to cover their short-term obligations.


The regularity of the way the Southeast bank has been handling its financial position is seen in the relatively constant Cash Reserve Ratio (CRR) over the years. The coefficient of determination (CRR) was 0.07 in 2019, and it remained unchanged at that point during 2020 and 2021, showing a consistent reserve policy across that time. But in 2022, the CRR decreased to 0.05, indicating a little drop in cash on hand. The modest efforts to improve liquidity was reflected in a little increase to 0.06 in the CRR by 2023. The pattern shows that Southeast Bank can balance its operating demands with regulatory responsibilities by holding sufficient cash reserves.

### 3.3.3 Loan-to-Deposit Ratio

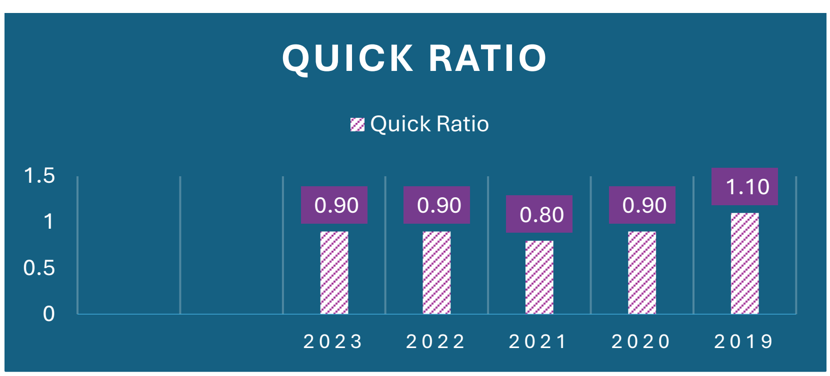
The key measure of a bank's sustainability is its Loan-to-Deposit Ratio (LDR), which indicates exactly how much income the bank has on account in comparison to the amount it has in deposits. A bank's loan-to-deposit rate is established by dividing the latter by the previous number.




A single measure of Southeast bank's liquidity management and lending efficiency is the Loan-to-Deposit Ratio (LDR), which is the ratio of loans provided to deposits. The Loan-to-deposit Ratio was 0.22 in 2019, which is indicative of increased lending activity. The ratio showed a careful approach to lending as it slowly decreased to 0.21 in 2020 and 2021, respectively, and even lower to 0.19 in 2022. The LDR suggested an average rise in lending by 2023, when it jumped to 0.20. The overall trend shows that the bank is doing its best to keep deposit and liquidity levels high while also allocating loans properly.

### 3.3.4 Quick Ratio

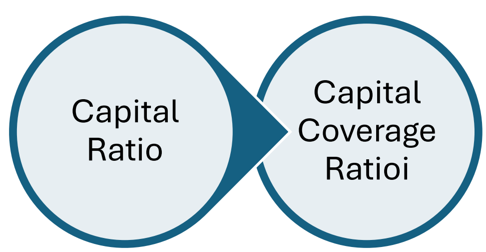
An economic metric that examines the ability of a business to fulfill its immediate responsibilities through its assets with the greatest liquidity is the Quick Ratio, which is also called the Acid-Test Ratio. Although inventory is not always straightforward to turn into cash, it is not considered.



Southeast Bank has the capability to fulfill their immediate demands with the support of most of their liquid assets, shown from the Quick Ratio. The value of this ratio was 1.10 in 2019, which reflects a significant amount of liquidity. But in 2020 it fell to 0.90 and stuck around all the way until 2021, an increase 2022, and 2023. This illustrates an improvement as compared to 2019, but continued commitment for managing liquidity in years to follow. The constant value at 0.90, while falling short of the optimum level of 1.0, reflects well-managed short-term liquidity.

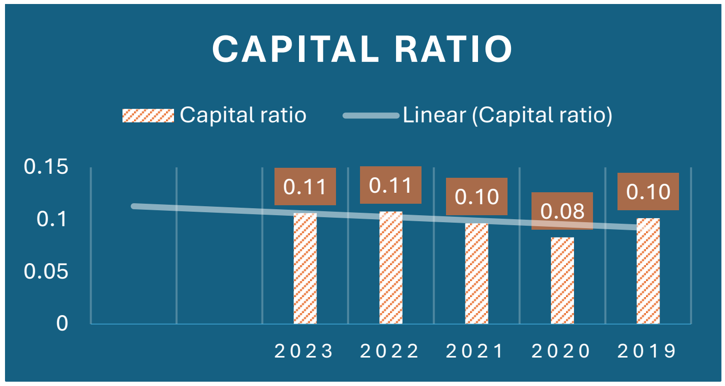
## 3.4 Capital Adequacy ratio

A measure of a financial institution's stability and strength is the ratio of capital adequateness (CAR). Determining assuring a bank has enough equity to survive financial storms and absorb losses is what equity-to-risk-weighted-assets ratio is all about. Banks' ability to withstand economic crises and other financial difficulties is measured by regulatory authorities through CAR, an important indicator.




### 3.4.1 Capital ratio

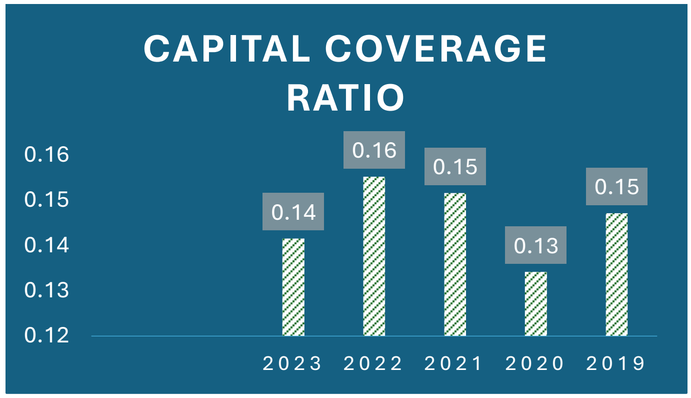
An economic measure is the capital ratio, which analyzes the total equity of an entity to its total assets or any other pertinent financial metrics. It shows how well the bank can handle losses, keep its financial condition stable, and manage risks. If shareholders, regulators, and the bank itself want to know how well a bank is doing domestically and how well it survives economic storms, they look at capital ratios.




A bank's capital to risk-weighted assets ratio is its capital to asset-risk ratio. It is a significant indicator of the stability and capacity to absorb losses of the financial organization. The ability of a business to survive financial storms and threats is directly correlated to its capital ratio. According to the numbers, the share capital ratio has not fluctuated much over the last five years, staying somewhere above 0.08 and 0.11. Assessing the financial institution's risk exposure, this indicates a steady level of capital adequacy, with a modest rise in 2021 and 2022 in comparison with 2020.

### 3.4.2 Capital Coverage Ratio

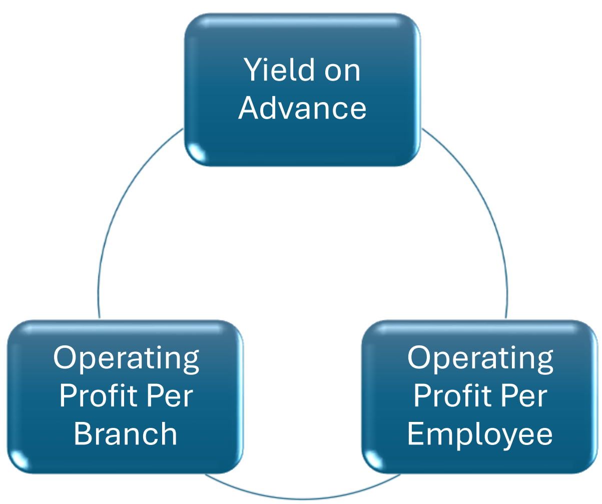
An important financial measure is the Capital Coverage Ratio, which indicates which proportion of a bank's capital is available to pay for losses. It helps evaluate the institution's resilience to financial shocks and its capacity to satisfy obligations during tough financial times via comparing its financial resources to its risk-weighted assets. Financial stability and security for shareholders are both aided by a high capital coverage ratio, which shows a better cushion against risks. Financial institutions, such as banks, should pay regard to this ratio since it helps them stay solvent even when the economy is unstable.




A typical measure of a bank's liquidity is the Capital Coverage Ratio, which measures how well its capital can cover any losses. Between the years 2019–2023, the ratio fluctuated within a tight range of 0.13–0.16. The ratio still shows a strong ability for managing financial risks, even if it dropped below 0.16, respectively year 2022 to 0.14, which in 2023. This consistency indicates that Southeast bank has kept its capital at a level that can support unexpected occurrences.

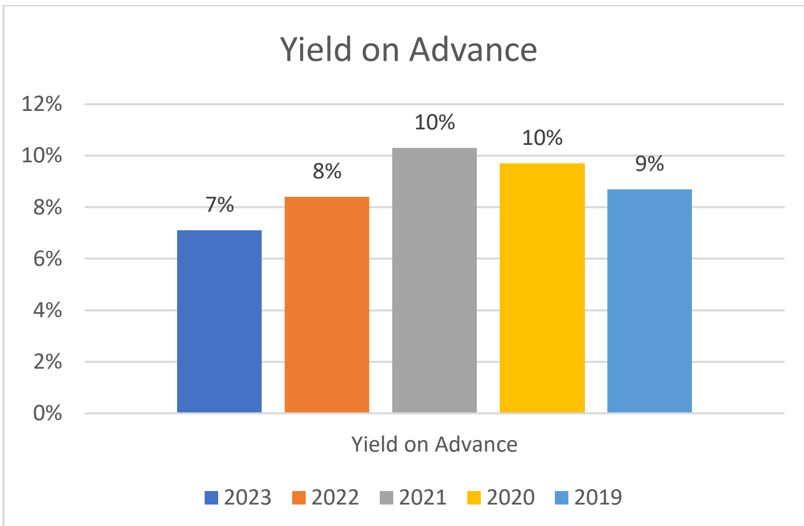
## 3.5 Efficiency Ratios

The concept of effectiveness of A company's ability to turn its funds and assets into profit may be measured by looking at its ratios. By comparing a company's sales or earnings to its resources (inventory, receivables, and assets), these ratios show the way well the business is running its operations.



### 3.5.1 Yield on advance

A method for financial institutions like banking evaluates the success of their lending operations is by looking at the yield on advances, which is also called loan yield. It is the proportion of the entire quantity of financing or advances made by the institution to the interest revenue collected on such loans or advances.

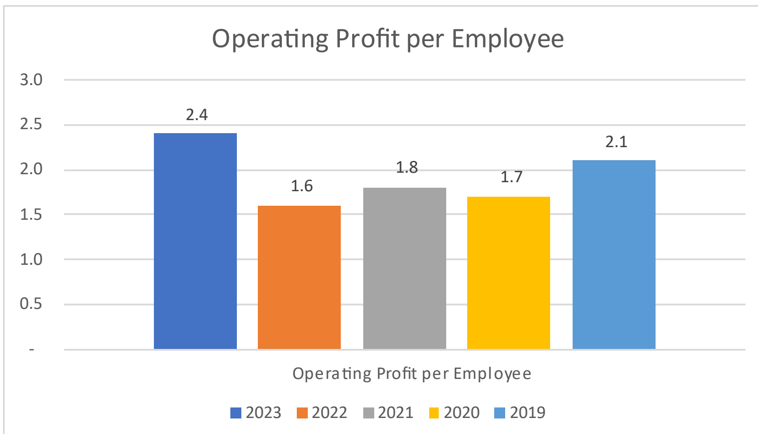



Returns on loans have been trending downwards over the past five years, according to the graph showing the Return on Investment on Deposits from 2019 to 2023. The yield in 2019 was 9%, which is a good return on investment. After that, in 2020, it peaked at 10%, the highest figure throughout that time. Positive lending circumstances or increased interest rates in reaction to economic uncertainty caused by the pandemic might be associated with the yield increase in 2020.

With no change to 10% in 2021, it's safe to say the bank kept making good money off of its loans. A combination of variables, including a more competitive lending market and lower interest rates, probably caused the yield to start declining in 2022, when it dropped to 8%. The yield hit a new low of 7% in 2023, the lowest point throughout the decade. The consistent decline in yield suggests that the bank is facing difficulties in generating profits from its loans, which might be attributed to changes in the market or changes in the composition of its lending portfolio. Overall, the graph shows that profits from advances have been steadily declining, which might be due to strategic changes in the loan processes or external economic constraints.

### 3.5.2 Operating Profit per Employee

Operating Profit per Employee is an indicator of profit that compares a company's profitability and efficiency based on the number of employees. A company's operational profit, sometimes called operating profits or operating earnings, is divided by the total quantity of employees to get this amount.



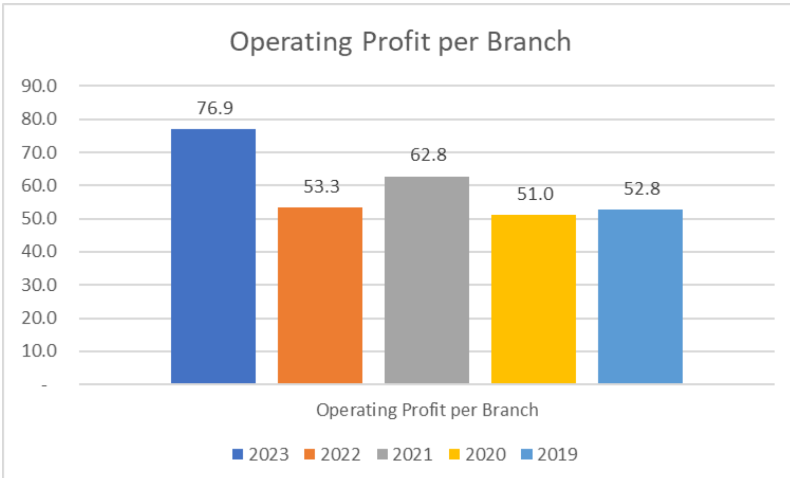

This graph from 2019–2023, for example, shows some interesting patterns in company success. An all-time high of 2.1 in operational profit per employee in 2019 is indicative of very profitable and productive operations. The worldwide difficulties attributed to the COVID-19 pandemic, particularly impacted several companies and decreased overall profitability, probably contributed to a decline in the next year, 2020, when it fell to 1.7.

As companies adapted to the new normal, operational profit per employee increased to 1.8 by 2021, indicating a rebound. Despite this upturn, 2022 saw a further drop to 1.6, indicating that problems remained, maybe because of ongoing market instability, inflation, or increasing expenses cutting into company profitability.

Nonetheless, things turned around in 2023, with the operational profit per employee reaching a five-year high of 2.4. A more beneficial economic climate, more effective corporate strategy, or more operational efficiency might all be contributing factors to this recovery. The operational profit per employee follows a cyclical pattern as shown in the graph. It varies over time, especially in reaction to external economic situations, but reaches a peak in 2023.

### 3.5.3 Operating Profit Per Branch

To find out how profitable a particular branch of a company or bank is, analysts look at their operating profit per branch. It is determined by dividing the company's overall operational profit by the branch count. You can see how each department is doing in terms of its contribution to the bottom line with this ratio.

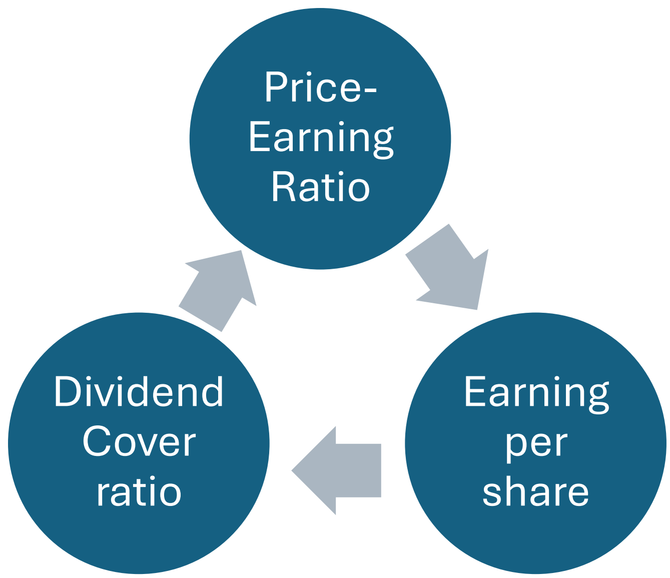



Profitability fluctuates during the five-year period shown by the graph of operating profits per Branch from 2019 to 2023. This year's operational profit per branch of 52.8 USD will be used as a benchmark for future years. The COVID-19 pandemic presented obstacles to company operations and profitability in 2020, which likely contributed to a little fall in profit to 51.0. As companies adjusted to the pandemic's interruptions, earnings per branch rose to 62.8 in 2021, signaling a recovery. Profit fell to 53.3 in 2022, though, which may have been due to operational inefficiencies or persistent economic constraints.

Among the five years, 2023 had the most notable gain, with operating income per branch reaching a record high of 76.9. This upturn indicates that the firm was able to increase branch profitability because of improved management, operational methods, or advantageous marketplace conditions. In spite of a lot of fluctuations over the past several years, the graph shows that profitability is on the upward again and will continue to improve, especially after 2023.

## 3.6 Market Ratios

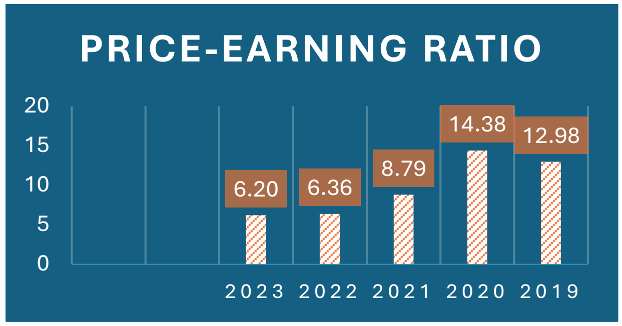
A company's stock market performance may be determined by considering its market performance ratios, which are financial indicators. These ratios reveal the business's value, its profitability, and how the market perceives it. To assess how well an organization does relative to its actual market value and competitors, these measures have critical significance for analysts, investors, and other consumers.




### 3.6.1 Price-Earnings Ratio

The financial indicator for measuring the worth of different stocks is the price-earnings ratio, or P/E ratio. It shows the price at which investors are ready to part with the funds by contrasting the company's profits per share (EPS) with the present value of its shares per share:

$$\text{Price EArning Ratio} = \frac{\text{Market Price per Share}}{\text{Earnings per Share (EPS)}}$$

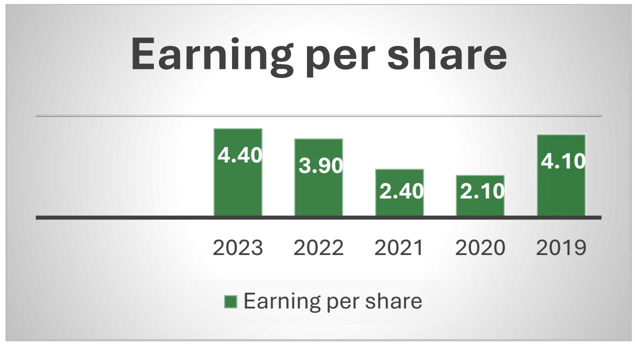



This Graph Shows Southeast bank in 2019 to 2023, the Price-Earnings (P/E) Index dropped significantly. Investors were prepared to pay roughly thirteen times the bank profits per share in 2019, as shown by the P/E ratio of 12.98. With a higher valuation in 2020, this ratio jumped to 14.38. Having said that, the P/E ratio began to decline following 2020, falling to 8.79 during 2021, 6.36 during 2022, and 6.20 in 2023. Southeast Bank stock price has dropped, resulting in a lower market value relative to earnings, or the enterprise's earnings have climbed, depending on the direction of the trend. As the price-to-earnings ratio has fallen over time, it means the bank is now more reasonably priced or less expensive, which might entice value-conscious investors.

### 3.6.2 Earning per share

We can see which percentage of a company's profit goes into each share of common stock outstanding by looking at their earnings per share (EPS). An important metric for investors to evaluate a company's financial well-being and performance, is utilized to quantify a company's profitability.

$$\text{EPS} = \frac{\text{Net Income} - \text{Preferred Dividends}}{\text{Number of Outstanding Shares}}$$

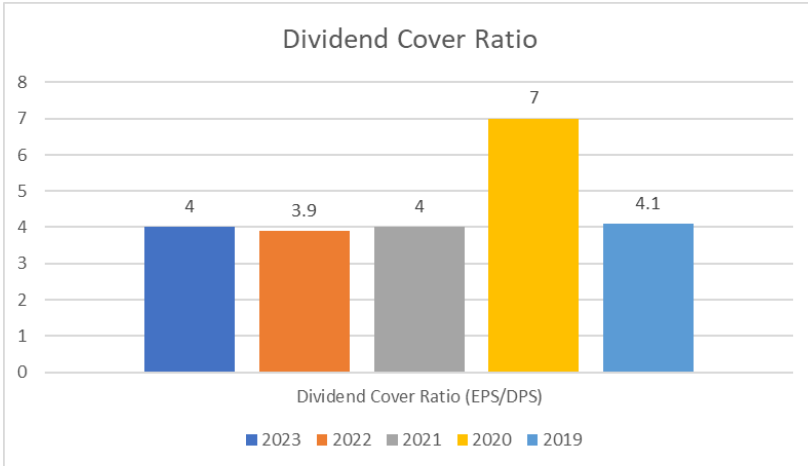



Here is the Southeast Bank Earning Per Share (or EPS) curve from 2019 to 2023. A solid showing in earnings per share (EPS) for 2019 came in at 4.10. Nevertheless, earnings per share fell to 2.10 in 2020, most likely because of the pandemic's impact on economic activity. In 2021, the bank's prospects turned around, and revenue per share improved to 2.40. In 2022, the rising trend persisted with profit per share climbing to 3.90, and in 2023, it reached 4.40. The graph shows that the business's economic performance has continued to be steadily increasing over the past five years, with earnings expanding at a healthy rate.

### 3.6.3 Dividend Cover ratio

As a financial indicator, its Dividend Cover Ratio looks at Southeast Bank, reflecting its capacity to provide dividends to shareholders as a percentage of its profits. It indicates the extent to which dividend payments may be met from a bank's net income. A larger payout ratio is indicative of a sound financial position and sustainable dividend program, since it means that the firm has enough earnings to satisfy its dividend promises.

$$\text{Dividend Cover Ratio} = \frac{\text{Earnings per Share (EPS)}}{\text{Dividend per Share}}$$




The Monthly Dividend Cover Ratio graph displays the capacity of the bank to repay the payments of dividends with gains from 2019 to 2023. With a ratio of 4.1 in 2019, it was clear that dividend payments were outpaced by earnings. The ratio showed a healthy margin in 2020, but it dipped slightly to 3.9. The ratio stayed at 4.0 in 2021 and then increased to 7.0 in 2022, indicating that earnings were much higher than dividends. The ratio fell to 4.0 in 2023, which is still a good sign that the firm might easily pay its dividends with profits. In general, the graph demonstrates a constantly strong and steady competence to pay dividends, reaching a significant high in 2022.

## 3.7 Dupont Analysis

To have an improved awareness of Southeast Bank profitability, efficiency, and leverage, DuPont Analysis analyzes its Return on Equity (ROE) into its component parts. The elements that affect the bank's return on equity (ROE) and how they interact together to affect financial performance may be simpler to comprehend with this kind of data. The standard method to express the DuPont formula is:

$$ROE = \text{Net Profit Margin} \times \text{Asset Turnover} \times \text{Equity Multiplier}$$

## 3.8 Five components

One thorough way to examine Return on Equity (ROE) is the Five-Component ROE Decomposition. This approach involves dissecting ROE into its five essential aspects: Profit Margin, Asset Turnover, Financial Leverage, Tax Burden, and Interest Burden. By taking this tack, we may learn more about the inner workings of a business's finances and the elements that make it tick financially.

$$\text{ROE} = \frac{\text{Net income}}{\text{Revenue}} \times \frac{\text{Revenue}}{\textit{Average Total Assets}} \times \frac{\textit{Average Total Assets}}{\text{Average Equity}} \times \frac{\text{Net income}}{\text{Earnings Before Tax}} \times \frac{\text{Earnings Before Tax}}{\text{Earnings Before Interest and Tax}}$$

| Particulars | 2023 | 2022 | 2021 | 2020 | 2019 |
|---|---|---|---|---|---|
| Profit Margin | 0.18 | 0.21 | 0.10 | 0.10 | 0.02 |
| Asset T/O | 1.04 | 0.99 | 1.08 | 0.99 | 1.13 |
| Financial Leverage | 1.63 | 1.31 | 1.71 | 1.66 | 1.20 |
| Tax Burden | 0.18 | 0.16 | 0.23 | 0.22 | 1.42 |
| Interest Burden | 15.59 | 14.70 | 20.55 | 23.13 | 16.38 |
| ROE | 84% | 65% | 93% | 82% | 68% |

Through its main points, the DuPont study shows all the elements that have affected Returns on Equity (ROE) in the last five years. According to the numbers, the profit margin varies from year to year, reaching a high of 0.21 in 2022 and matching up with better returns on equity (ROE) in that year and the next. The larger profit margin throughout these years shows that ROE benefits when the firm is more adept at turning sales into profit.

Asset Turnover also shows how well a corporation makes money out of its assets. With a ratio of assets turnover of 1.13 in 2019, the firm was able to maximize the use of its resources, which led to a greater return on equity (ROE) that year. Even while asset turnover stays around 1.00 in the years that follow, it nevertheless generates enough money to keep profits healthy. One way to increase return on equity is by using financial leverage, which is borrowing money. The company's utilization of debt to fund operations has increased between 1.20 overall 2019 to 1.63 in 2023, indicating a rise in financial leverage. This has improved the return on equity, even if the leverage ratio has remained relatively consistent.

Conversely, return on equity is indirectly impacted by the cost of taxes and interest burden. With a decrease from 1.42 in 2019 towards 0.16 in 2022, Southeast Bank tax management has become much more efficient, leading to higher net income and, eventually, return on equity. Additionally, there have been changes to the Interest Burden; the most significant decline occurred in 2022, when it fell to 14.70, suggesting a decrease in interest expenditures, which in turn improved net income.

Return on Equity (ROE) is impacted in intricate ways by all of these factors: Asset Turnover, Financial Leverage, Profit Margin, Tax Burden, and Interest Burden. A combination of increased earnings, effective asset usage, and reduced expenses in 2023 resulted to a great performance displaying a high ROE of 84%, demonstrating that these components, when well-managed, may contribute to a higher ROE.

# Chapter Four: Conclusion & Recommendations

## 4.1 Conclusion

The Southeast Bank Limited to preserving financial stability and operating efficiency throughout the years is very significant. Financial performance measurements show that the bank is very focused on being profitable, having enough cash on hand, and being competitive in the market. The bank's strategic strategy and resilience have been on display in its capacity to adapt and recover from difficulties like global economic shocks and market volatility, which have affected particular regions.

Southeast Bank might further solidify its authority in the competitive banking business by utilizing new technology, concentrating on focused on customers services, and fixing operational inefficiencies. Staying committed to long-term growth and innovation positions the bank to face future obstacles with confidence and deliver value to its stakeholders.

## 4.2 Recommendations

A summarized phrase for the ideas has for Southeast Bank is this:

- Southeast Bank is already updating its trade funding products, though it might do more integrating technology. To improve operations and pleasure customers, improve technological platforms, make them more robust, and design user-friendly interfaces.

- Customer's value personalized support; Southeast bank is essential to focus on customized solutions. Supplying financing that are specialized to meet the unique requirements of both small enterprises and larger companies would allow Southeast Bank to distinguish itself from rivals and foster stronger client loyalty.

- Southeast Bank the most significant objective is to provide better customer service. The employees that get ongoing education on financing will be better equipped to support clients. Customers will be more satisfied because of your proactive attitude to responding to their questions.

- To better serve its customers, Southeast bank should implement a system of continuous feedback that involves collecting and reacting to consumer input on a regular basis. It can be achieved to find improvement opportunities while building connections by checking in with customers Phone calls.

- Financing services will be readily available to customers if banking selections are improved for online and mobile transactions. New clients, especially companies seeking easy online services, could find themselves acquired by expanding mobile-based solutions.

Developing satisfaction among customers, loyalty, and effectiveness in the industrial finance market are five areas that Southeast Bank may concentrate on.

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