**INTERNSHIP REPORT**

**ON**

**An Evaluation of Financial Performance**

**Of**

**Southeast Bank Limited**

**Submitted to:**

**Controller of Examinations**

**National University**

**Gazipur-1704**

**Supervised by:**

**Aminul Haque Russel**

**Lecturer**

**Department of Business Administration**

**Daffodil Institute of IT (DIIT)**

**Submitted by:**

**Radwan Sikder Sifat**

**Roll No: 1172462**

**Reg No: 1177007**

**Session: 2010-2011**

**Program: BBA**

**Major in Finance**

**Daffodil Institute of IT (DIIT)**



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**Date of Submission: April 09, 2016**

**Letter of Transmittal**

April 09, 2016

Controller of Examinations

National University

Gazipur-1704

**Subject: Submission of Internship Report.**

Honorable Sir,

At first I would like to thank you giving me such an important job to prepare an Internship report on An Evaluation of Financial Performance of Southeast Bank Limited, Motijheel Branch in partial fulfillment of the requirement of the degree Bachelors of Business Administration.

This was a unique opportunity for me to work independently with such an interesting topic where I can apply my theoretical knowledge, sitting inside a real business environment. This report was performed widely on my part and I have tried my best to complete the paper in an appropriate way even though having faced some obstacles. Thank you for giving me this opportunity and shall be available for any further clarification you may require.

Yours sincerely,

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Radwan Sikder Sifat

Roll No: 1172462

Reg No: 1177007

Session: 2010-2011

BBA Program

Major in Finance

**Supervisor’s Declaration**

This is to certify that the internship report on An Evaluation of Financial Performance of Southeast Bank Limited, Motijheel Branch Submitted for the partial completion of Bachelors of Business of Administration (BBA) at Daffodil Institute of IT.

Radwan Sikder Sifat, Roll No: 1172462, Reg No: 1177007, BBA Program, Major in Finance has submitted for any degree or other purposes before. The report is accepted in quality and form.

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Aminul Haque Russel

Lecturer

Department of Business Administration

Daffodil Institute of IT (DIIT)

**Acknowledgement**

At first I would like to express my deepest gratitude to Almighty Allah for giving me the opportunity with strength, ability and patience to carry on this work. In conducting this study, I have received generous help and assistance from my colleagues, customers and I would like to mention with profound gratitude and pleasure.

First and foremost, I am highly to my supervisor, Aminul Haque Russel, Lecturer of Daffodil Institute of IT. His instructive suggestion and comment have largely inspired me to prepare the Internship Report successfully.

It is my radiant sentiment to place on record my best regards, deepest sense of gratitude to Mr. Nuruddin Md. Sadeque Hussain (Executive Vice President & Head of Branch) and Saiful Islam Chowdhury (Vice President & Manager Operation) for their careful and precious guidance which were extremely valuable for my internship both theoretically and practically.

I perceive as this opportunity as a big milestone in my career development. I will strive to use gained skills and knowledge in the best possible way, and I will continue to work on their improvement, in order to attain desired career objectives. Hope to continue cooperation with all of you in the future,

Sincerely Yours

…………………..

Radwan SIkder Sifat

Roll No: 1172462

Reg No: 1177007

Session: 2010-2011

BBA Program

Major in Finance

**Executive Summary**

With a low per capital GDP Bangladesh is a developing country. The prosperity of a country depends on its economic activities. Like any other sphere of modern economic activities, banking is a powerful medium of bring about socio-economic changes of a country. Without adequate banking facility agriculture, commerce and industry cannot flourish. A suitable developed banking system can provide the necessary boost for the economic growth of the country. Because banking system is linked with the whole economy.

This report is prepared to analyze the overall financial performance of southeast bank limited which contains six chapters. Chapter one named Introduction describes about background, significance, scope, objective, methodology and limitation of the report. Chapter two contain about the organizational overview of southeast bank limited. Chapter three named theoretical aspect where some financial ratios are discussed which helps to analyze the financial performance. Chapter four states the financial analysis of south east bank limited with graphical presentation of some financial ratios. Chapter five states the quantitative analysis of SEBL with banking industry. Last chapter is a particular of findings recommendations and conclusion.

Southeast bank create and generate an environment of trust and discipline that encourages and motivates everyone in the bank together the objectives of the bank with a commitment to quality and excellence in services The Southeast Bank Limited makes a great contribution for the banking industry with full of ideal commercial activities through authentic performance. Southeast bank performs the entire banking role as a result one can easily get all the simple and intricate banking operations. In a word, this bank was appropriate for me my internship. Southeast bank serves the people by the three sections namely General Banking, Investment and Foreign Exchange operation.

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| **List of acronyms** | |
| GDP | Gross Domestic Product |
| ATM | Automated Teller Machine |
| AD | Authorized Dealer |
| EBIT | Earnings before Income Tax |
| ROA | Return on Asset |
| CL | Current Liabilities |
| ROE | Return on Equity |
| EPS | Earnings per share |
| CA | Current Asset |
| DSE | Dhaka Stock Exchange |
| BB | Bangladesh Bank |
| CR | Current Ratio |
| EPS | Earnings Per Share |

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**Chapter:1**

**Introduction**

**1.1: Introduction**

The prosperity of a country depends on its economic activities. Like any other sphere of modern economic activities, banking is a powerful medium of bringing about socio-economic changes of a country. Without adequate banking facility agriculture, commerce and industry cannot flourish. A suitable developed banking system can provide the necessary boost for the economic growth of the country. Because banking system is linked with the whole economy.

The banking sector more particularly the private sector banks of 1st to 3rd generation made significant progress and growth in terms of specialized services through introduction of new products and switching over to electronic banking keeping pace with developed countries of the world.

Originally the banking system operated as full service industry, performing directly or indirectly all financial services. Banks are direct agents to create opportunities for development in a country and also provide large scale of employment opportunities. Banks mobilize savings and make it advances to investors and by this process make profit. As they deal with public money, their form of business is different from others. Banks must refund public’s money when they demand & quality full services either it makes or not. So, overall operation system of bank should be evaluated carefully. Banking sector is expanding its hand in different financial events every day. At the same time the banking system is becoming faster, easier and the banking area is becoming wider. As the demand for better service increases day by day, competitors are coming with different innovative ideas & products. In order to survive in the competitive field of the banking sector, all banking organizations are looking for better service opportunities to provide their fellow clients. As a result, it has become essential for every person to have some idea on the bank and banking system.

SEBL is one of the famous commercial bank in Bangladesh, with years of experience. The topic of my report is an Evaluation of Financial Performance of Southeast Bank Limited.

**1.2: Background of the Report**

The Bank provides all types of support to trade, commerce, industry and overall business of the country. SEBL are well reputed in the field of trade, commerce, industry and business of the country.

The Bank offers both conventional and Islamic banking through designated branches. The Bank is being managed and operated by a group of highly educated and professional team with diversified experience in finance and banking. The Management of the bank constantly focuses

on understanding and anticipating customers' needs. Since the need of customers is changing day by day with the changes of time, the bank endeavors its best to device strategies and introduce new products to cope with the change. Southeast Bank Ltd. has already achieved tremendous progress within its past 10 years of operation. The bank has already built up reputation as one of quality service providers of the country.

At present the Bank has real-time Online banking branches (of both Urban and Rural areas) network throughout the country having smart IT-backbone. Besides traditional delivery points, the bank has ATMs of its own, sharing with other partner banks and consortium throughout the country. The operation hour of the Bank is 10:00 A.M. To 6:00 P.M. from Sunday to Thursday with transaction hour from 10:00 A.M. to 4:00 P.M. The Bank remains closed on Friday, Saturday and government holidays.

To provide clientele services in respect of International Trade is has established wide correspondent banking relationship with local and foreign banks covering major trade and financial centers at home and abroad.

**1.3: Significance of the Study**

The significance of this part is that it gives a good idea about the overall knowledge about the Banking sector. It also provides extensive idea about the organizational part of SBL and its performance in comparison with the industry performance and also to the private commercial banking sector of Bangladesh. Therefore, it is obvious that the significance of internship is clearly justified as the crucial requirement of four years BBA graduation.

**1.4: Scope of the Report**

The scope of this part is limited to the overall scenario of the organization. This part has covered the different divisions of Southeast Bank, the products offered by Southeast Bank Limited and the major functional areas of the bank. The present scenario of the banking industry is also covered in this part. A financial analysis of Southeast Bank Limited is also covered in this part. Scopes regarding to my top

* An overview of Southeast Bank Limited.
* The Financial Procedures of Southeast Bank Limited.
* The Financial Performance of Southeast Bank Limited.

**1.5: Objective of the Study**

**General objectives**:

The main objective of this study to measure the financial performance of southeast Bank limited.

**Specific objectives:**

* To fulfill the partial requirement of BBA program under National University.
* To assess the liquidity position of SEBL.
* To measure the capability of SEBL to passing its obligations.
* To assess the profitability of SEBL.

**1.6: Methodology of the Study**

***Research Design:***

The study, Financial Performance analysis of Southeast Bank Limited, is Quantitative in nature which is prepared mainly based on secondary data.

***Data used in the study:***

The study is mainly based on secondary data.

Some secondary sources were also used for the completion of this part. These includes

* Annual Reports of Southeast Bank Limited
* Website of **SEBL**
* Internet
* Other necessary books and materials
* Publishing of Ministry of Finance
* Bangladesh Bank Report

**1.7: Limitation of the study**

Three month is not enough time about banking operation though have been received maximum assistance from every individuals of the SEBL, Motijheel Branch. Due to time limit, the scope and dimension of the study has been curtailed.

Here are some limitations as follows:

* Like most of the banks, SEBL also does not provide access to all kinds of information for secrecy purposes.
* Due to lack of job experience, faults may have arisen in the report though maximum effort has been given to avoid any kind of mistake or uncertainty in preparing this report.
* Data and information used in this study are mostly secondary sources.
* Due to shortage of time, the accuracy of information may not have been completely perfect.

**Chapter: 2**

**Overview Of**

**Southeast Bank**

**Limited**

**2.1: Profile of SEBL**

Southeast Bank Limited is a scheduled Bank under 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 effective from May 25, 1995 during this short span of rime the Bank had been successful to position itself as a progressive and dynamic financial institution in the country. The Bank had been widely acclaimed by the business community, from small entrepreneur or large traders and industrial conglomerates, including the top rated corporate borrowers for forward-looking business outlook and innovative financing solutions Thus within this very short period of time it has been able to create an image for itself and has earned significant reputation in the country's banking sector as a Bank with vision. Presently it has One hundredtwenty two branches in operation.

Southeast Bank Limited has been awarded license by the Government of Bangladesh as a Scheduled Bank in the private sector in pursuance of the policy of liberalization of banking and financial services and facilities in Bangladesh.

**2.2: Operational Areas**

Southeast Bank Limited is a complete service Bank with a various array of all-inclusive range of suspiciously tailored financial services and customer friendly simple banking products and services geared for the needs of all customers segments. SEBLs operations consist of:

* Real Time on line banking.
* Credit Card.
* Debit Card.
* ATM
* International Trade finance.
* Commercial Banking.
* Investment Banking.
* Project Finance.
* Syndication Loan.
* Mortgage Loan.
* Hire Purchase.
* Retail banking.
* Foreign Remittance.

**2.3: Customer Commitments**

SEBL believe that customers’ are the kings and they serve the kings. Southeast Bank Limited is a customer oriented modern banking institution and they believe in managing with a long-term approach. The employees of SEBL understand that providing better value to the customers is their true competitive advantage, and they consider it in every decision they make. When SEBL participates with their customers and others they establish and maintain the highest standard of performance. The customer must be at the center of all their (SEBL) choices.

**2.4: Organizational Structure**

The Chairman is the head of the Board of Directors. There is one Managing Director who is also the President mainly controls and supervises the major division of the bank. One Deputy Managing Director reports to him. Four Executive Vice Presidents (EVP) and one Senior Executive Vice President (SEVP) report to the Deputy Managing Director. Executive vice President Control the Senior Executive Vice President controls the human resource and marketing divisions. Four Vice Presidents work under Executive Vice Presidents.

The organization structure of Southeast bank Limited is quite horizontal were each person reports to only one person which refers to a very group-working environment for example. Each officer reports to the FAVP or AVP or FVP or VP or SVP or EVP, AVP or FVP or VP or SVP or EVP reports to the SEVP; SEVP report to the Deputy Managing Director and he report to the Managing director.

In the organization structure of Principal Branch, SBL we can also observe that each person reports to only one person. One Executive Vice President is the head of branch one First Vice President (Operation Manager) and the in Charges of credit and foreign exchange department directly report to the EVP. The Operation Manager controls the general banking, cash, accounts and computer department.

**Figure 2.1: Organizational Structure**

***Organizational Structure***

**Director**

**Officer**

**Managing Director**

**S. Principal Officer**

**S. Executive Vice President**

**D. Managing Director**

**Principal Officer**

**Executive Vice President**

**D. Managing Director 2**

**Executive Officer**

**Senior VicePresident**

**Senior Officer**

**President**

**Vice President**

**Probationary Officer**

**First Vice President**

**Officer**

**S. Assistant Vice President**

**Junior Officer**

**Assistant Vice President**

**Trainee Junior Officer**

**Source: Official Website of SEBL**

**2.4.1: Objectives of the Bank**

* Make sound investments.
* Meet capital adequacy requirement at all the time.
* Ensure a satisfied work force.
* Ensure 100% recovery of all advances.
* Focus on fee-based income.
* Adopt an appropriate management technology.

**2.4.2: Vision of SEBL**

To stand out as a pioneer banking institution in Bangladesh and contribute significantly to the national economy.

**2.4.3: SLOGAN**

***“A BANK WITH VISION”***

**2.4.4:Mission of SEBL**

* High quality financial services with slate of the art technology.
* Fast & accurate customer service.
* Sustainable growth strategy.
* Follow ethical standards in business.
* Steady return on shareholders' equity.
* Innovative banking at a competitive price.
* Attract and retain quality human resource.

**2.4.5: Function of SEBL**

* To maintain all types of deposit accounts.
* To make Investment.
* To conduct foreign exchange business.
* To extend other banking services.

**2.4.6: Core Values**

* Integrity
* Respect
* Fairness
* Harmony
* Team spirit
* Courtesy
* Commitment
* Service Excellence
* Insight and Spirit
* Enthusiasm for Work
* Business Ethics

**2.4.7: Core Strengths**

* Transparent and quick decision making;
* Efficient team of performers
* Satisfied customers
* Internal control
* Skilled risk management
* Diversification

**2.5: Banking Operation of SEBL**

**Products and services**

1. **SEBL’S products:**

* Savings account (SD)
* Current account(CA)
* Short notice deposit (SND)
* Fixed deposit receipt (FDR)
* Monthly savings scheme (MSS)
* Monthly income scheme (MIS)
* Pension savings scheme (PSS)
* Double benefit scheme (DBS)

***Loan Products:***

***SME & Agri. Loan*:**

* Southeast Shopan
* Southeast Shikhor
* Southeast Shopnil
* Southeast Agri. Loan.

**Corporate Loan:**

* Working capital finance
* Term finance
* Project finance
* Syndication $club finance
* Work order finance
* Real estate finance
* Trade finance
* Commercial finance
* Export finance
* Off shore banking

**(B)Retail banking Services:**

* SEBL Home Loan
* SEBL Personal Loan
* SEBL Car Loan

**Card Services:**

* SEBL debit card (my card)
* SEBL visa platinum credit card
* SEBL my remit card
* SEBL visa virtual card
* SEBL dual currency visa credit card
* SEBL visa credit card.

**Value added services**:

* Student file
* Locker service
* Insurance coverage deposit scheme
* Senior citizen scheme
* Internet banking service
* Individual remittance (inward&outward).

**Import Services:**

* **Documentary Credit:**
* Opening import documentary
* Arranging add confirmation through foreign correspondent banks.
* Arranging discounting through foreign correspondent banks.
* **Post import finance:**
* Trust receipt (TR)
* Time loans (TL)
* Term loans
* **Documentary collection services:**
* Documentary collections against acceptance (D/A)
* Documentary collections against payment(D/P)
* **Issuing shipping guarantee.**

**Export services:**

* Advising export documentary credit
* Tranferring export documentary credit
* Opening back to back documentary credit (Local & Foreign)
* Foreign documentary bills collection
* Pre shipment finance
* Post shipment finance
* Foreign currency account
* Resident foreign currency account
* Non Resident foreign currency account
* Non resident taka account
* Export retentiuon quota account.

**2.6: SEBL’S CORPORATE PROFILE**

**Table 2.2: SEBL’S CORPORATE PROFILE.**

|  |  |
| --- | --- |
| **Name of the company** | **Southeast bank** |
| **Legal status** | Public Limited Company |
| **Date of Incorporation** | 12-Mar-95 |
| **Registered Office** | Eunoos trade Centre, 52-53, Dilkusha C/A, Dhaka-1000] |
| **Chairman** | AlamgirKabir, FCA |
| **Vice Chairman** | Ragib Ali |
| **Managing Director** | ShahidHossain |
| **Company Secretary** | Muhammad Shahjahan |
| **Authorized Capital** | BDT 10,000Million |
| **Paid Up Capital** | BDT 8732.86 Million |
| **Date of opening First branch** | 25-May-95 |
| **Year of initial public offer** | 1999 |
| **Stock Exchange listing** | April10, 2000 (DSE), & April 24, 2000 (CSE) |
| **Company Auditors** | HowladarYunus& Co. &SyfulShamsulAlam& Co. |
| **Tax Consultant** | Akhterzamil& Co. |
| **Legal Advisors** | The law Syndicate |
| **Credit Rating Company** | Credit Rating Information & Services Limited (CRISL) |
| **Validity of the Credit Rating** | 29-Jun-14 |
| **No. of Foreign Correspondents** | 778 |
| **Phone** | 9571115 |
| **Fax** | 9550086, 9550093 & 9563102 |
| **SWIFT** | SEBDBDDHXXX |
| **E-Mail** | Info@southeastbank.com.bd |
| **Website** | http://www.southeastbank.com.bd |

Source: Official Website of SEBL

**Chapter:3**

**Theoretical Aspects**

**3.1: Financial Performance Analysis**

Financial Performance is a subjective measure of how well a firm can use its assets from business and generate revenues. Financial Performance term is also used as a general measure of a firm’s overall financial situation over a given period of time, and can be used to compare with similar firms across the same industry or to compare industries or sectors in aggregation. Financial Performance Analysis refers to an assessment of the viability, stability and profitability of a business, sub business or project. It is performed by the professionals who prepare reports using ratios that make use of information taken from financial statements and other reports. These reports are usually presented to top level management as one of these bases in making decisions. Based on this reports, management may take decision. Financial Performance Analysis is a vital to get a financial overview about a company. Generally it is consists of the interpretation of balance sheet and income statement. Ratio Analysis and Trend Analysis can be done by using these two statements. These analyses are the major tools for analyzing the company’s financial performance.

**3.2 Tools of Financial Statement Analysis**

* Ratio Analysis.
* Trend Analysis.

Ratio analysis: Ratio analysis is a diagnostic tool that helps to identify problem areas and opportunities within a company. The most frequently used ratios by financial analysts provide insights into a firm’s

- Liquidity

- Degree of financial leverage or debt

- Profitability

-Efficiency

-Value

**3.3 Importance of Financial Ratio**

Ratio analysis is very important for every business, because by calculating ratio analysis we can understand the business position, business strength and weakness. By knowing this information, management can takes its necessary steps to organize their goal.

**3.4: Groups of Financial Ratios**

Financial ratios can be divided into four basic groups or categories:

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

Liquidity, activity, and debt ratios primarily measure risk, profitability ratios measure return. In the near term, the important categories are liquidity, activity, and profitability, because these provide the information that is critical to the short-run operation of the firm. Debt ratios are useful primarily when the analyst is sure that the firm will successfully weather the short run.

**Figure 3.1: Groups of Financial Ratios**

***Financial Ratios***

***Market Ratio***

***Profitability Ratio***

***Liquidity Ratio***

***Activity Ratio***

***Debt Ratio***

***Gross Profit Margin***

***Debt-Equity Ratio***

***Inventory Turnover***

**Price/Earnings Ratio**

***Net Working Capital***

***Operating Profit Margin***

***Current Ratio***

***Average Collection Period***

**Market/book Ratio**

***Time Interest Earned Ratio***

***Quick (Acid-Test) Ratio***

***Net Profit Margin***

***Average Payment Period***

***Returns on Investment***

***Fixed Asset Turnover***

***Return on Equity***

***Fixed Payment Coverage Ratio***

***Total Asset Turnover***

***Earnings per Share***

***The Ability to Service Debt***

**3.5. Analyzing Liquidity:**

The liquidity of a business firm is measured by its ability to satisfy its short term obligations as they come due. Liquidity refers to the solvency of the firm’s overall financial position. The three basic measures of liquidity are-

**3.5.1. a. Net Working Capital:**

Net Working Capital, although not actually a ratio is a common measure of a firm’s overall liquidity. A measure of liquidity is calculated by subtracting total current liabilities from total current assets.

***Net Working Capital =Total Current Assets –Total Current Liabilities.***

**3.5.1. b. Current Ratio:**

One of the most general and frequently used of these liquidity ratios is the current ratio. Organizations use current ratio to measure the firm’s ability to meet short-term obligations. It shows the banks’ ability to cover its current liabilities with its current assets. Standard ratio: 2:1

***Current Ratio = Current Asset/Current Liabilities***

**3.5.1.*c. Quick Ratio:***

The quick ratio is a much more exacting measure than current ratio. This ratio shows a firm’s ability to meet current liabilities with its most liquid assets. Standard Ratio: 1:1

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

**3.5.1.*d. Operating Cost to Income Ratio:***

It measures a particular Bank’s operating efficiency by measuring the percent of the total operating income that the Bank spends to operate its daily activities. It is calculated as follows:

***Cost Income Ratio = Total Operating Expenses / Total Operating Income***

**3.5.2. Analyzing Activity:**

Activity ratios measure the speed with which accounts are converted into sale or cash. With regard to current accounts measures of liquidity are generally inadequate because differences in the composition of a firm’s current accounts can significantly affects its true liquidity.

A number of ratios are available for measuring the activity of the important current accounts which includes inventory, accounts receivable, and account payable. The activity (efficiency of utilization) of total assets can also be assessed.

***3.5.2. a. Total Asset Turnover:***

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

***Total Asset Turnover = Sales/ Total Asset***

***3.5.2.b Investment to deposit ratio:***

Investment to Deposit Ratio shows the operating efficiency of a particular Bank in promoting its investment product by measuring the percentage of the total deposit disbursed by the Bank as long & advance or as investment. The ratio is calculated as follows:

***Investment to Deposit Ratio = Total Investments / Total Deposits***

***3.5.2. c. Inventory turnover:***

A ratio showing how many times a company's inventory is sold and replaced over a period.***Inventory Turnover= Cost of goods sold/ Average Inventory***

 The days in the period can then be divided by the inventory turnover formula to calculate the days it takes to sell the inventory on hand or "inventory turnover days". This ratio should be compared against industry averages.

A low turnover implies poor sales and, therefore, excess inventory.

A high ratio implies either strong sales or ineffective buying. High inventory levels are unhealthy because they represent an investment with a rate of return of zero. It also opens the company up to trouble should prices begin to fall.

***3.5.2. d. Average Collection Period:***

Average collection period is useful in evaluating credit and collection policies. This ratio also measures the quality of debtors. It is arrived at by diving the average daily sales into the accounts receivable balance:

***Average Collection Period=Accounts receivable/ (Credit sales/365)***

A short collection period implies prompt payment by debtors. It reduces the chances of bad debts. Similarly, a longer collection period implies too liberal and inefficient credit collection performance. It is difficult to provide a standard collection period of debtors.

***3.5.2. e. Average Payment Period:***

Average payment period ratio gives the average credit period enjoyed from the creditors that means it represents the number of days by the firm to pay its creditors. A high creditor’s turnover ratio or a lower credit period ratio signifies that the creditors are being paid promptly. This situation enhances the credit worthiness of the company. However a very favorable ratio to this effect also shows that the business is not taking the full advantage of credit facilities allowed by the creditors. It can be calculated using the following formula:

***Average Payment Period=Accounts payable/ Average purchase per day***

***3.5.2. f. Fixed Asset Turnover:***

A financial ratio of net sales to fixed assets. The fixed-asset turnover ratio measures a company's ability to generate net sales from fixed-asset investments - specifically property, plant and equipment (PP&E) - net of depreciation. A higher fixed-asset turnover ratio shows that the company has been more effective in using the investment in fixed assets to generate revenues. The fixed-asset turnover ratio is calculated as:

***Fixed Asset Turnover=Gross Turnover/ Net fixed assets***

**3.5.3. Analyzing Debt:**

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

***3.5.3. a. Debt Ratio:***

The debt ratio measures the proportion of total assets provided by the firm’s creditors.

**Debt Ratio = Total Liabilities / Total Assets**

**3.5.3. b. Equity Capital Ratio:**

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

**Equity Capital Ratio = Total Shareholder’s Equity / Total Assets**

**The ability to service debt:**

It refers the ability of a firm to meet the contractual payments required on a scheduled basis over the life of a debt. The firm’s ability to meet certain fixed charges is measured using coverage ratios.

**3.5.3. c. Time Interest Earned Ratio:**

This ratio measures the ability to meet contractual interest payment that means how much the company able to pay interest from their income.

**Time Interest Earned Ratio=EBIT/ Interest**

**3.5.4. Analyzing Profitability:**

These measures evaluate the bank’s earnings with respect to a given level of sales, a certain level of assets, the owner’s investment, or share value. Without profits, a firm could not attract outside capital. Moreover, present owners and creditors would become concerned about the company’s future and attempt to recover their funds. Owners, creditors, and management pay close attention to boosting profits due to the great importance placed on earnings in the marketplace.

**3.5.4. a. Operating Profit Margin:**

The Operating Profit Margin represents what are often called the pure profits earned on each sales dollar. A high operating profit margin is preferred. The operating profit margin is calculated as follows:

**Operating Profit Margin = Operating Profit / Sales**

***3.5.4. b. Net profit Margin:***

The net profit margin measures the percentage of each sales dollar remaining after all expenses, including taxes, have deducted. The higher the net profit margin is better. The net profit margin is calculated as follows:

**Net profit Margin = Net profit after Taxes / Sales**

***3.5.4. c. Return on Asset (ROA):***

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

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

**3.5.4. d. Return on Equity (ROE):**

The Return on Equity (ROE) measures the return earned on the owners (both preferred and common stockholders) investment. Generally, the higher this return, the better off the owners.

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

**3.5.4.e. Earnings per share (EPS):**

Earnings per share (EPS) are the earnings returned on the initial investment amount.

**E P S= Net Income / no. of share outstanding**

**3.5.5: Market Ratio**

**3.5.5.a. Price/ Earnings ratio (PE ratio):**

The Price/ Earnings ratio (price-to-earnings ratio) of a stock is a measure of the price paid for a share relative to the income or profit earned by the firm per share.

**P/E ratio - Price per share / earnings per share**

**3.5.5. b. Market/ Book Ratio:**

The Market/Book ratio provides an assessment of how investors view the firm’s performance. It relates the market value of the firm’s shares to their book –strict accounting value. To calculate SEBLs M/B ratio, we need calculate the book value per share of common stock:

**Book value per share of common stock= Common stock equity /number of shares of common stock outstanding**

The formula of Market/Book ratio is:

**M/B Ratio= Market Price per Share/ Book value per share of common stock.**

**Chapter: 4**

**Financial Analysis Of**

**Southeast Bank**

**Limited**

**4.1: Analyzing Liquidity Ratio:**

1. **Analyzing Liquidity Ratio:** The liquidity of a business firm is measured by its ability to satisfy its short term obligations as they come due. Liquidity refers to the solvency of the firm’s overall financial position. The three basic measures of liquidity are-
2. **Current ratio:**

The current ratio, one of the most commonly cited financial ratios, measures the firm’s ability to meet its short term obligations. It is expressed as

**Current Ratio=Current Asset/Current Liabilities**

**Table4.1 (a): Current Ratio (TK in Millions)**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Year | 2010 | 2011 | 2012 | 2013 | 2014 |
| Current Assets | **127320.64** | **150705.5** | **183598.8** | **213135.2** | **228695.4** |
| Current Liabilities | **7331.56** | **9628.9** | **21270.9** | **29788.89** | **36403.05** |
| Current Ratio | **17.36** | **15.65** | **8.63** | **7.15** | **6.28** |

**Source: Annual report of SEBL 2010 to 2014**

**Figure 4.1(a): Current Ratio**

* **Interpretation:**

The current ratio measures the banks’ ability to meet up its current obligations. Here, in the figure we can see that the current ratio of SEBL has decreased from **17.36** to **6.28**in **2010** to **2014.**

1. **Net Working capital :**

Net working capital is a common measure of a firm’s overall Liquidity

A measure of liquidity ratio calculated by:

**Net Working capital=Current Asset-Current Liability.**

**Table 4.1 (b): Net Working Capital (TK in Millions)**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Year | 2010 | 2011 | 2012 | 2013 | 2014 |
| Current Assets | **127320.64** | **150705.5** | **183598.8** | **213135.2** | **228695.4** |
| Current Liabilities | **7331.56** | **9628.9** | **21270.9** | **29788.89** | **36403.05** |
| Net Working Capital | **119989.08** | **141076.6** | **162327.9** | **183346.31** | **192292.35** |

**Source: Annual report of SEBL 2010 to 2014.**

**Figure 4.1 (b): Net Working Capital**

* ***Interpretation:***

Net working capital position of SEBL is better. During this time period from **2010** to **2014**it’s increasing. However, SEBL is able to meet up its current obligation more perfectly.

***c. Cost Income Ratio:***

It measures a particular Bank’s operating efficiency by measuring the percent of the total operating income that the Bank spends to operate its daily activities. It is calculated as follows:

**Cost Income Ratio = Total operating Expenses/Total Operating Income x 100.**

**Table 4.1(c): Cost Income ratio (TK in Millions)**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Year | 2010 | 2011 | 2012 | 2013 | 2014 |
| Total Operating Expenses | **1737.74** | **2082.79** | **2336.43** | **2984.60** | **3305.03** |
| Total Operating Income | **8507.005** | **8168.46** | **7831.62** | **9684.80** | **8368.57** |
| Cost to Income Ratio | **20.43%** | **25.49%** | **29.83%** | **30.81%** | **39.49%** |

**Source: Annual report of SEBL 2010 to 2014.**

**Figure 4.1 (c): Cost Income Ratio**

* ***Interpretation:***

Cost to income ratio measures the operating efficiency of a particular bank by measuring the portion of the total operating costs relative to the total operating income of at bank and the higher

Ratio, the lower the operating efficiency. So after observing the figure drawn above, this ratio for SEBL has increased in the year 2010 to 2014. We can say that SEB is in a better situation in the year 2010-2014.

|  |
| --- |
| **4.2. Analyzing Activity Ratio** |

**2. Analyzing Activity Ratio:**

Activity ratios measure the speed with which accounts are converted into sale or cash. With regard to current accounts measures of liquidity are generally inadequate because differences in the composition of a firm’s current accounts can significantly affects its true liquidity.

A number of ratios are available for measuring the activity of the important current accounts which includes inventory, accounts receivable, and account payable. The activity (efficiency of utilization) of total assets can also be assessed.

1. **Total Asset Turnover Ratio:**

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

Total asset Turnover = Operating income/ Total Asset.

**Table 4.2 (a): Total asset turnover ratio (TK in Millions)**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Year | 2010 | 2011 | 2012 | 2013 | 2014 |
| Operating Income | **8507.005** | **8168.45** | **7831.62** | **9684.79** | **11617.18** |
| Total Asset | **131784.27** | **158078.59** | **191276.3** | **220930.85** | **236608.40** |
| Total Asset Turnover Ratio | **.064** | **.052** | **.04** | **.043** | **.049** |
|  |  |  |  |  |  |

**Source: Annual report of SEBL 2010 to 2014.**

**Figure 4.2 (a):Total Asset Turnover Ratio.**

* ***Interpretation:***

After observing the given graph, the total asset turnover ratio of SEBLis decreasing 2010-2012.

After 2012 it is increased 2013-2014.

***b. Investment to Deposit ratio:***

Investment to Deposit Ratio shows the operating efficiency of a particular Bank in promoting its investment product by measuring the percentage of the total deposit disbursed by the Bank as long & advance or as investment. The ratio is calculated as follows:

**Investment to Deposit ratio: Total investment/Total Deposit.**

**Table 4.2(b): Investment to deposit ratio (TK in Millions)**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Year | 2010 | 2011 | 2012 | 2013 | 2014 |
| Total Investment | **88408.89** | **102663.93** | **121239.44** | **129184.62** | **141778.21** |
| Total Deposit | **95834.4** | **116346.63** | **138944.64** | **161392** | **167835** |
| Investment to Deposit Ratio | **92.25%** | **88.24%** | **87.25%** | **80%** | **84.47%** |

**Source: Annual report of SEBL 2010 to 2014.**

**Figure 4.2 (b): Investment to Deposit ratio**

* ***Interpretation:***

Investment to deposit ratio shows that which amount of deposit is used to as investment. In this figure we can see that the investment to deposit ratio of SEBL increased in the year of 2010. After then the ratio is decreasing 2011-2013 but in 2014investment to deposit ratio are increased.

**4.3. Analyzing Debt Ratio:**

**3. Analyzing Debt Ratio:**

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

**a. Debt Ratio:**

Debt ratio indicates how much portion of total assets is financed by the debt. When debt capital increases the cost of capital also increase and which decrease the firm’s value. In case of decreasing debt capital the situation is vice versa. So every organization should give more emphasize on equity capital than debt capital. So lower the ratio, it is less risky **.**The debt ratio measures the preparation of total assets provided by the firm’s creditors.

Debt ratio =Total liabilities / total assets \*100

**Table 4.3: Debt ratio (TK in Millions)**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Year | 2010 | 2011 | 2012 | 2013 | 2014 |
| Total Liabilities | **114538.16** | **138694.63** | **171484.42** | **198991.29** | **212055.10** |
| Total Assets | **131784.27** | **158078.** | **191276.3** | **220930.85** | **236608.40** |
| Debt Ratio | **86.91%** | **87.73%** | **89.65%** | **90%** | **89.62%** |

**Source: Annual report of SEBL 2010 to 2014.**

**Figure 4.3: Debt Ratio.**

* ***Interpretation:***The bank works hard to decrease this ratio. Every organization should give more emphasize on equity capital than debt capital. The debt ratio has increased year 2010-2013 but in year 2014 it is decreased.

**4.4: Analyzing Profitability:**

1. **Net Profit Margin**

The net profit margin measures the percentage of each sales dollar remaining after all expenses, including taxes, have deducted. The higher the firm’s net profit margin is better. The net profit margin is a commonly cited measure of the company’s success with respect to earnings on sales.

Net profit margin=Net profit after tax/operating income.

**Table 4.4(a): Net profit margin (TK in Millions)**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Year | 2010 | 2011 | 2012 | 2013 | 2014 |
| Net Profit After Tax | **2763.93** | **1912.19** | **1648.72** | **3378.82** | **3836.94** |
| Operating Income | **6769.29** | **6085.67** | **5495.19** | **6700.2** | **8289.76** |
| Net Profit Margin | **.41** | **.31** | **.3** | **.504** | **.462** |

**Source: Annual report of SEBL 2010 to 2014**.

**Figure 4.4 (a): Net Profit Margin.**

* ***Interpretation:***

SEBL’s net profit margin which year by year increasing indicates that the bank’s operating result is improving the year 2011 to 2013 but the margin decreased 2014. Overall we can say that SEBL’s net profit margin is in stable position.

1. ***Return on Asset (ROA)***

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

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

**Table 4.4 (b): Return on asset** **(TK in Millions)**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Year | 2010 | 2011 | 2012 | 2013 | 2014 |
| Return on Asset | 2.26% | 1.32% | .95% | 1.64% | 1.67% |

**Source: Annual report of SEBL 2010 to 2014.**

**Figure 4.4 (b): Return on Asset**

* ***Interpretation:***

In this figure we can see that the ROA was decreased at the year 2011 & 2012. But still SEBL is very much efficient to generate additional ROA in year 2013-2014.

1. **Return on Equity (ROE):**

The return on equity measures the return earned on the owner’s (both preferred and common stockholders’) investment. Generally the higher the return, the higher better of the owner’s

**Return on Equity=Net Profit after Tax/ Shareholders equity.**

**Table4.4(c): Return on equity (TK in Millions)**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Year | 2010 | 2011 | 2012 | 2013 | 2014 |
| Return on Equity (ROE) | **19.41%** | **10.47%** | **8.42%** | **16.20%** | **16.51%** |

**Source: Annual report of SEBL 2010 to 2014.**

**Figure 4.4 (c): Return on Equity**

* ***Interpretation:***

From the above graph, it can be said that the ROE of SEBL was decreasing in year 2011 and 2012.And it is increased year 2013-2014.

1. **Earnings per Share:**

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

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

**Table4.4 (d): Earnings per share (TK in Millions)**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Year | 2010 | 2011 | 2012 | 2013 | 2014 |
| EPS | **1.89** | **2.19** | **3.77** | **3.24** | **4.18** |

**Source: Annual report of SEBL 2010 to 2014**.

**Figure 4.4 (d): Earnings per Share**

* ***Interpretation:***

In this figure we have seen that the EPS was increased in 2010-2012 but is decreased year 2013. After 2013 SEBL managed to increase their EPS year 2014.

**4.5: Market Ratio:**

1. **Price/Earnings Ratio:**

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

**P/E ratio = Price per share / earnings per share.**

**Table4.5 (a):P/E Ratio (TK in Millions)**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Year | 2010 | 2011 | 2012 | 2013 | 2014 |
| P/E Ratio | **15.93** | **13.56** | **10.58** | **4.86** | **3.52** |

**Source: Annual report of SEBL 2009 to 2014.**

**Figure 4.5 (a): P/E Ratio**

* ***Interpretation:***

Here, in this figure we can see that after 2010, the P/E Ratio of SEBL is decreasing year 2011-2014

1. **Market/ Book Ratio:**

The Market/Book ratio provides an assessment of how investors view the firm’s performance. It relates the market value of the firm’s shares to their book –strict accounting value. To calculate SEBLs M/B ratio, we need calculate the book value per share of common stock.

**Book value per share of common stock= Common stock equity /number of shares of common stock outstanding**

The formula of Market/Book ratio is:

**M/B Ratio= Market Price per Share/ Book value per share of common stock.**

**Table 4.5 (b): M/B Ratio (TK in Millions)**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Year | 2010 | 2011 | 2012 | 2013 | 2014 |
| Market price per share | **53.68** | **29.69** | **19.99** | **18.81** | **14.71** |
| Book value | **.26** | **.28** | **.31** | **.34** | **.37** |
| M/B Ratio | **206.4** | **105.7** | **64.48** | **55.3** | **39.75** |

**Source: Annual report of SEBL 2009 to 2014**.

**Figure: 4.5 (b): M/B Ratio.**

* ***Interpretation:***

Here, in this graph we can see that the M/B Ratio was overvalued in the year 2010 & 2011. We know that the market to book ratio shows the confidence level of the investors. In rest of the years, the M/B ratio of SEBL had very good performance.

**Chapter: 5**

**Comparative Quantitative Analysis of SEBL**

**5.1: Return on Asset (ROA) Comparison**

**Table 5.1: Return on asset**

|  |  |  |
| --- | --- | --- |
| Year | SEBL | Industry Average |
| 2010 | **2.26%** | **1.8%** |
| 2011 | **1.32%** | **1.5%** |
| 2012 | **.95%** | **.6%** |
| 2013 | **1.64%** | **.6%** |
| 2014 | **1.67%** | **.7%** |

**Source: Annual report of SEBL and Bangladesh bank**.

**Figure 5.1: *Return on asset.***

* ***Interpretation:***

The graph shows that, the ROA of SEBL is higher than the industry average from 2010 & 2014 but in the year 2011 the banking industry average was higher than SEBL. It indicates a good sign for the company.

**5.2: Return on Equity (ROE) Comparison**

**Table 5.2: Return on Equity**

**Ta**

|  |  |  |
| --- | --- | --- |
| Year | SEBL | Industry Average |
| 2010 | **19.41%** | **21.0%** |
| 2011 | **10.47%** | **17.0%** |
| 2012 | **8.42%** | **8.2%** |
| 2013 | **16.20%** | **8.2%** |
| 2014 | **16.51%** | **8.1%** |

**Source: Annual report of SEBL and Bangladesh bank**.

**Figure 5.2: *Return on equity.***

* ***Interpretation:***

The graph shows that the ROE of SEBL is lower than the industry average in 2010 to

2011. It shows an equilibrium position in the year 2012 but higher in 2013 and 2014.

**Chapter: 6**

**Findings,**

**Recommendations**

**& Conclusion**

**6.1: Major Findings**

The analysis of financial performance of SEBL reveals the following major findings:

* There is a decreasing trend in current ratio of the bank. The current ratio of SEBL has decreased from **17.36** to **6.28 in 2010** to **2014.**
* There is an increasing trend in net working capital. Net working capital position of SEBL is better. During this time period from **2010** to **2014**it’s increasing.
* Cost to income ratio of SEBL has increased in the year **2010** to **2014**.SEBL’s trend is increased in the year **2010-2014**.
* Net profit margin of SEBL’S shows the upward and downward situation year **2010-2014**.
* The total asset turnover ratio of SEBL is increasing trend year **2012-2014**.
* The investment to deposit ratio of SEBL increased in the year of **2010**. After then the ratio is decreasing **2011-2013** but in **2014** it is increased.
* The debt ratio of SEBL is increased in year **2010-2013**. But after then the debt ratio has decreased year **2014.**
* The ROA was increased at the year **2012 to 2014**.
* The ROE of SEBL was increasing in year **2012** to**2014.**
* The P/E Ratio of SEBL is decreasing year **2010** to **2014**.
* The M/B Ratio of SEBL is decreasing year **2010** to **2014**.

**6.2: Recommendation**

* Current ratio of SEBL is enough to recover its current liabilities. So, SEBL should keep up this ratio but should careful about its current assets relative to its current liabilities because excess liabilities may affect the profitability of SEBL
* The position of net working capital of SEBL is better. So SEBL has to maintain the better situation of net working capital for smooth running of operation.
* Cost to income ratio of SEBL has increased in the year 2010 to 2014.SEBL’s trend is increased in the year 2010-2014.
* SEBL’s net profit margin which year by year increasing and decreasing indicates that the bank’s operating result is not so improving in 2010 to 2014.So they should keep improving this trend up.
* Bank should consider its capital structures with a view to achieve an optimum capital structure.
* SEBL has to be very careful about their investment according to the percentage of the bank total deposit disbursement.
* Here SEBL has to emphasize to decrease the debt ratio by confirming the proper finance of assets by the debt.
* The ROA was decreased at the year 2010-2012.SEBL increase this ratio by increasing profit year 2012-2014.
* SEBL has to confirm successful investment to earn more return.
* The P/E Ratio of SEBL is decreasing. In order to get the investor’s confidence on the bank’s performance, the bank should improve this situation by reducing its liquidity position and expense.

Southeast Bank with its strong corporate image and financial strength can successfully utilize the presented based on the findings.

**6.3: Conclusion:**

In today’s world of business without bank's co-operation, it is almost impossible to run any business or production unit of business. Exports and import need finance in various stages of their activities. Southeast Bank Limited is playing a vital role in financing import and exports of the country and helping the businesses by providing funds to run.

There are lots of local and foreign banks competing in banking industry in Bangladesh and the Southeast Bank Limited is keeping its promises for about seventeen years among them very successfully. In this competitive market Southeast Bank has to compete not only the others commercial banks but also the public banks and other financial institution also. In near future I think bank and mobile companies will come together to foster the banking service and make it available to people’s hand. To survive in this dynamic market and lead it from the front the bank must take every initiative very wisely and so far they have successfully utilized their human resource efficiently compare to other private and public banks.

Before internship I had idea about banking but that was only bookish. Now after completing my internship period and preparing internship report on it I got practical aspect of banking. It will definitely help me to see the things from banking perspective also.

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**Appendix**







































































