



A complete analysis on financial performance of EXIM bank ltd.

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Abstract

EXIM Bank Limited, a third generation (A Category) private commercial bank has been able to build up significant corporate image in the banking sector due to sincere service and discipline of the employees of the bank towards gaining confidence of their customers. Financial performance is a subjective measure of how well a firm can use assets from its primary mode of business and generate revenues. This term is also used as a general measure of a firm's overall financial health over a given period of time, and can be used to compare similar firms across the same industry or to compare industries or sectors in aggregation. Financial performance analysis is the process of identifying the financial strengths and weaknesses of the firm by properly establishing the relationship between the items of balance sheet and profit and loss account. It also helps in short-term and long term forecasting and growth can be identified with the help of financial performance analysis. The dictionary meaning of 'analysis' is to resolve or separate a thing in to its element or components parts for tracing their relation to the things as whole and to each other.

Keywords: EXIM bank limited, financial, weaknesses

Introduction

We can easily understand that financial institutions deal with money. but there are different types of banks like; central banks, commercial banks, saving bank, investment banks, industrial banks, cooperative banks etc. however, when use the term "bank" without any prefix, or qualification it refers to the 'Commercial banks'. Commercial banks are the primary contribution to the economy of a country. So we can say commercial banks are a profit making institution that holds the deposit of the individuals & business in checking & saving account and then uses these funds to make loans. For these, people and government are very much dependent on these banks. As bank are profits earning concern. They collect deposit at the lower possible cost and provide loans ad advice at higher cost differences between two are the profit of the bank.

Banking sector is expanding its hand in different events every day. At the same time the banking process is becoming faster, easier and the banking area becoming wider. As the demand for better on services increases day by day, they are coming with different innovative ideas and products. In order to survive in the competitive field of the banking sector, all banking organization 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 procedure.

Objectives

The objective of the study can be divided into two different areas-

- Make a bridge between the theories and practical procedures of banking day-to-day operations.
- To comply with the banking procedures of EXIM bank.
- To get an idea about history of EXIM bank and nature of operation.
- Recommending some guideline to improve the effectiveness and efficiencies of credit services based on finding and analysis.

Research Methodology

The study is leased on both secondary and primary data several Financial Performance EXIM Bank. Different officials, private records, published and unpublished materials, journals, research report and seminar paper etc. have been use for primary data different EXIM Bank have been questionnaire have been developed and final acceptance. To make any research, methodology is here important, and without adopting method it is difficult to make any research. When I took decision to make this research, Analytical method, study method, Survey method statistics method etc. are applied in this research. is a descriptive type of research which briefly reveals the overall activities and performed by EXIM bank Ltd. Ratio analysis

and trend analysis have also been used as a major tools for the financial performance analysis. This study is performed based on the information extracted from different sources collected by using a specific methodology.

Source of Information

Sample Information

Main source of the information is annual report of EXIM Bank Ltd. report of annual meeting, brochures and web sites. The information incorporated in this report is heavily collected both from the primary sources and as well as from the secondary sources.

Primary Sources of Data

I have collected data directly from the different sectors of EXIM Bank Ltd. head office. This is called primary source of data.

Secondary Sources of Data

The secondary data is collected from annual report, distinguished conceptual matters, websites and several published matter as articles in different versions of printings. Secondary Sources are:

- Annual Reports of different years of EXIM Bank Ltd.
- Annual Report of Bangladesh Bank of 2018.
- Other published documents of EXIM Bank Limited.
- Respective sectors of foreign matter of the head office

Limitations of the study

There were some problems while I have undergone to do work. The limitations were:

- The study was only limited to the EXIM Bank Ltd.

Financial growth of EXIM Bank

Table 2

Sl.	Particulars	2013	2014	2015	2016	2017
1	Authorized Capital	10,000	10,000	20,000	20,000	20,000
2	Paid up Capital	3372.96	4554.84	9,223.56	10,514.86	11,566.35
3	Statuary Reserve	2092.97	3,154.76	3,849.78	4,587.47	5,236.93
4	Deposit	73,835.46	94,949.40	107,881.21	140,369.66	165,733.25
5	Investment (General)	66898.18	93,296.65	99,699.63	118,219.99	143,847.38
6	Investment (Share and Securities)	2,189.54	4,522.04	6,734.03	10,345.38	11,222.20
7	Operating Profit	1694.10	3458.15	4573.54	6032.34	7392.63
8	Foreign Exchange Business	162,604.61	227,966.60	254,407.47	270,081.50	268,652.68
9	No. of foreign Correspondent	333	354	336	398	386
10	Investment as a% of total Deposit	92.92%	98.26%	92.42%	84.22%	86.79%
11	Return on Assets	1.97%	2.12%	1.65%	1.45%	1.06%
12	No. of Employees	1440	1686	1724	1909	2229
13	No. of Branches	52	59	62	72	80

Source: Annual report 2013-2017

Performance evaluation of EXIM Bank

The chapter focuses on measuring how well the bank performs in serving their customers and in providing acceptance return to shareholders. Increasingly, bankers are being forced by both competition and regularity pressure to assess their bank performance over time and relative to their banks, analyze the reasons behind any performance problems that appear, and find ways to strengthen the Bank’s performance in the future. There are many key dimensions of bank performance that are discussed below in

- Another problem was time constraints.
- The bank was busy one having heavy rush of people, home officers need to deal with. So, allocation of time for an internet is very much tough for the officers of the Bank.
- I was not assigned for a specific task in each day. So I was not able to understand banking activities deeply.
- Bank is a sophisticate business sector. So bank do not interested to provide me confidential data. As a result in my report there is a confidential data limitation.
- Omission and error may be there due to my lack of experience in preparing a professional report like this one.

Analysis of Capital Structure

The bank started its business with an authorized capital was TK. 225.00 million subscribed by the sponsors in the year 1999. The capital reserve of the banks on 31st December 2017 stood at TK. 20,624.36 million including paid up capital of TK. 1,566.35 million.

Capital Position of EXIM Bank

Table 1

Year	Authorized Capital (TK in millions)	Paid up Capital (TK in millions)
2017	20,000	11,566.35
2016	20,000	10,514.86
2015	20,000	9,223.56
2014	10000	6832.00
2013	10000	3373.96

Source of Annual Report: 2013-2017

The context of EXIM Bank Limited. There are two types analysis descriptions are given

1. Calculation of NPM: Amount in Million TK

Table 3

Year	2014	2015	2016	2017	2018
Net Income after Tax	650.29	930.84	1096.63	1694.10	2395.94
TOR	2015.96	2820.42	3549.33	4443.75	7717.30
NPM	32.29%	33%	30.90%	38.12%	31.04%

Source: Annual report 2013-2017

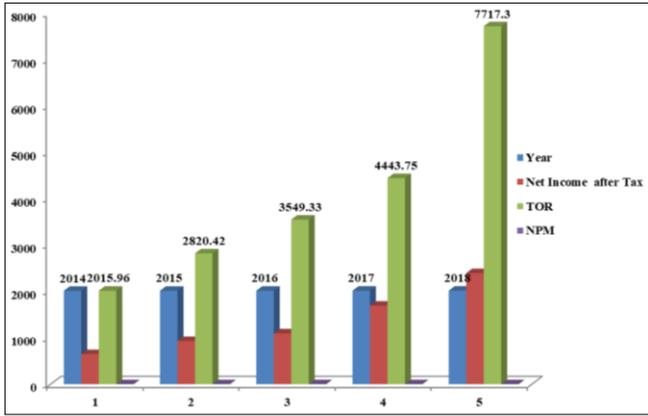


Fig 1

Interpretation: The amount of net profit of EXIM Bank Limited in 2012 was the highest, whereas, in 2015 & 2017 was the lowest. The figures are 38% and 30% respectively. In the year 2014 operating profit slightly increased, compared with 2011. However, the pattern of operating profit is increasing but in the following year 2015 it decreased.

2. Return of Total Assets (ROA)

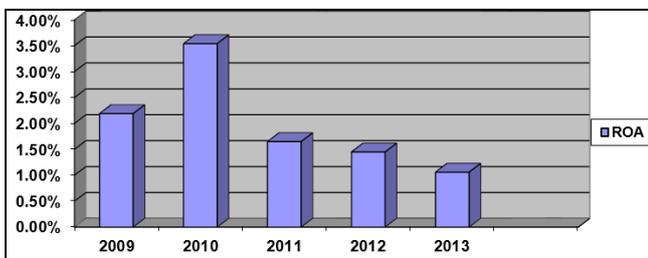
This ratio equals net income plus interest on debt, divided by total assets. Calculation of ROA

Table 4

Year	2013	2014	2015	2016	2017
Net Income after tax	10383.62	13723.95	15801.88	20357.48	23614.71
Total Assets	86,213.37	113,070.98	129,874.42	167,056.63	195,452.52
ROA	2.19%	3.54%	1.65%	1.45%	1.06%

This Ratios measures the bank’s earning against total assets, that is, it indicates how capably the management of the Bank has been converting the institutions Assets into increasing trend of return on its assets. Through there are ups and downs in the earnings. The graphical presentation of the ratio has been shown in the following way:

$$\text{Return of Total Assets} = \frac{\text{Net income after tax}}{\text{TotalAsset s}}$$



Source: Annual report 2013-2017

Fig 2

Interpretation: The bar graph represents the information about the return on assets performance of the EXIM bank. In the year 2013 and 2017 the performance of return on total

asset was good and the figure was 2.19% and 3.54% respectively. On the other hand, in 2016 and 2015 the performance was slow down and the figure was 1.06% and 1.45% respectively.

3. Return of Investment (ROI)

This ratio equals net income (EAT), divided by total Investment.

$$\text{Return on Total Assets} = \frac{\text{Net income after tax}}{\text{Total Investment}}$$

Calculation of (ROI): Amount in Million TK

Table 5

Year	2013	2014	2015	2016	2017
Eat	650.29	930.84	1096.63	1694.10	2395.94
Total Investment	35032.02	42662.97	56531.70	70779.35	90929.92
ROI	1.87%	2.18%	1.93%	2.39%	2.63%

Source: Annual report 2013- 2017

Interpretation: The calculations and the above graphical present indicate that the bank has a good sum of income against its investment each year. Through there are ups and downs in the last years (from 2013 to 2017) an increasing trend is being observed which a good sign is.

Return on Equity (ROE): This ratio equals net income (EAT), divided by total Equity.

$$\text{Return of Equity} = \frac{\text{Net income after tax}}{\text{TotalEquity Capital}}$$

4. Calculation of ROE

Amount in million TK

Table 6

Year	2013	2014	2015	2016	2017
EAT	650.29	930.84	1096.63	1694.10	2395.94
Equity	3111.69	4042.53	4989.20	6717.21	12445.85
ROE	20.90%	23.03%	21.98%	25.22%	19.25%

Source: Annual report 2013-2017

ROE is a measure of the rate of return flowing to the bank’s shareholders. It approximates the net benefit that the shareholders have received from investing their capital in the year.

5. Leverage Ratios

Leverage ratios measure the extent of the bank’s total debt burden. They reflect the bank’s ability to meet its short and long term debt obligations.

Equity Multiplier (EM): This ratio equals total assets divided by total equity capital.

$$\text{Equity Multiplier (EM)} = \frac{\text{TotalAssets}}{\text{TotalEquityCapital}}$$

This multiplier is a direct measure of the bank’s degree of

financial leverage-how many dollars of assets must be supported by each dollar of equity (owner’s) capital and how much of the bank’s resources therefore must rest on debt. As equity must absorb losses on the bank’s assets, the longer the multiplier, the more exposed to failure risk the bank is. However the larger the multiplier, the greater the bank’s potential for high returns for its stockholders.

Calculations of EM: Amount in Million TK

Table 7

Year	2013	2014	2015	2016	2017
Total Assets	41793.54	51503.03	68446.46	86213.37	10085.56
Total Equity Capital	3111.69	4042.53	4989.20	6717.21	12445.85
EM(times)	13.43	12.74	13.72	12.83	8.10

Source: Annual report 2013-2017

The graphical presentation of the ratios is as follows:

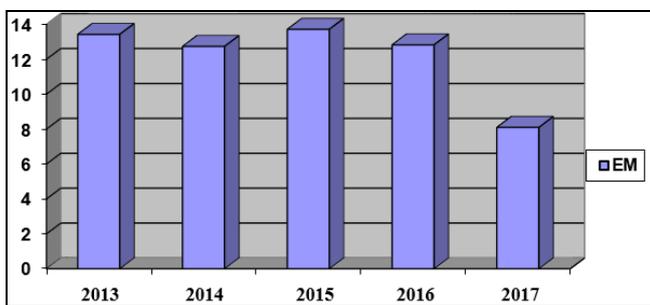


Fig 3

Interpretation: This ratio is normally averaging about 15 times or larger for most banks and in case of the biggest bank it is 20 times or larger. So it is clear that as a small bank, EM of the EXIM Bank is acceptable compared to the banking industry and consequently less exposed to failure risk. However, the lesser the bank’s potential for high returns for its stockholders.

6. Liquidity Ratios: Holding a reasonable portion of deposit is necessary for liquidity to fulfill short term liabilities (to make payment as and when required) so that clients are satisfied. But banks cannot set aside large portion as cash. Because if doing so, less amount will remain to be invested as investment to earn profit. On the other hand, if banks invest the largest portion of its fund without maintaining needed adequate liquidity, depositors and other creditors will become impatient and react adversely that create panic among the members of the public. So, maintaining judicious trade of between liquidity and investment is sine qua non for both profitability and success survival of the bank.

7. Investment to deposit ratio: Amount in Million TK

Table 8

Year	2013	2014	2015	2016	2017
Total Investment	32641.27	40195.24	53637.68	68609.91	90929.92
Total deposit	35032.02	41546.57	57586.99	73835.46	95121.63
Ratio	93%	96%	93%	93%	95%

Source: Annual Report 2013-2017

The graphical presentation of the ratios is as follows:

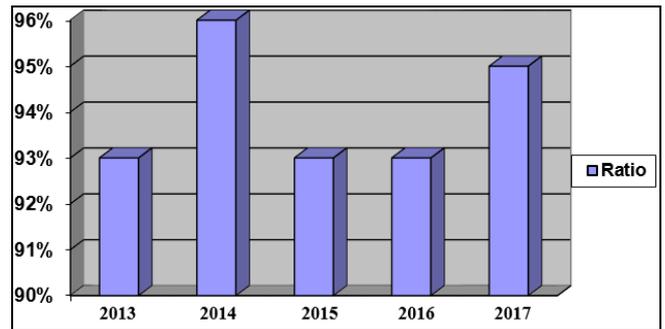


Fig 4

Interpretation: It is observed that Investment to Deposit ratio of the EXIM bank is very high. If the bank does not face any crisis, it is obviously an excellent performance for deployment of funds for the bank.

8. Trend analysis: Deposits of EXIM Bank

Table 9

Year	Amount (in million TK)
2013	73835.46
2014	94949.40
2015	107881.21
2016	140369.66
2017	165733.25

Source: Annual report 2013-2017

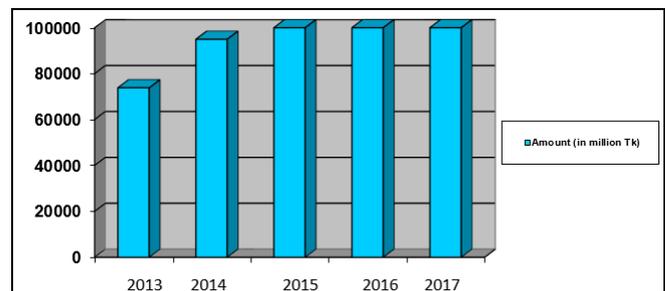


Fig 5

Interpretation: It is seen that the total deposit of the bank stood at Tk. 73935.46 million as on December 2017 against 73835.46 million as on December 2013 & Tk. 43835.46 million on the previous year. This growth rate may be termed as a remarkable achievement for the bank. The present strategy is to increase the deposit base through maintaining competitive rates of profit and having low cost funds.

9. Remittance of EXIM Bank

Table 10

Year	Amount in million BDT
2013	2452.33
2014	3036.42
2015	3744.36
2016	5770.20
2017	2889.48

Source: Annual report 2013-2017

Interpretation: The Graph -7 shows the five years remittances of EXIM Bank. According to annual report, Foreign Remittance of the Bank stood at Tk. 2452.33 million as December 2013 against 1425.8 million as on December 2009 & Tk. 710.32 million on December 2009. In the year 2016 the remittance performance of EXIM bank was dramatically changed although in the year 2017 performance was quite down. The figure was 5770.20 and 2889.48 respectively.

Findings

From my study on the overall performance and activities of EXIM Bank I have got some major findings, which are given below.

- From the analysis it has been seen that among five years in 2009 EXIM bank net profit margin was in dramatically increased in 40%. But in 2012 it was slightly decreased in 33% due to unfavorable economic and political condition.
- The amount of net profit of EXIM Bank Limited in 2010 was the highest, whereas, in 2009 & 2013 was the lowest.
- The graph of ROI and EPS of EXIM bank is increasing consecutively year by year. It indicates a very good sign. Management should focus on maintaining this growth trend to recover the meltdown in last year.
- From the current ratio analysis of last five years it has been seen that EXIM bank maintains satisfactory range of capital asset in order to smooth operations by paying their short term obligations.
- The net working capital of EXIM bank increased quite slightly in 2013 than last year, after that it is in decreasing mood. However, the bank is able to its current obligations.
- In case of Export L/Cs, sometimes customers insist to give their payments though their documents are found discrepant. In some cases, Bank has to give payment to these customers for different reasons.
- Performance of Remittance is comparatively not much good against competitors
- It is observed from the cost of fund ratio that cost of fund remained more or less static. In the 8.04% in 2009. The variance in percentage as regard to cost of fund because of Increased/decreased in current deposit.
- It is observed that investment deposit ratio of the branch is not satisfactory. There are ups and downs and no steady growth and investment is very low compared to deposit.
- In the month April where deposit was 5.00% and it was dramatically changed in the month august was 40.00%. Moreover, it decreased in the month of october 25.00%.
- So, EXIM bank should enhance its earnings by minimizing its operating cost to get adequate earnings to satisfying interest obligations.
- All performance of the bank is satisfactory. Return on investment is inconsistent throughout the year (2010-2017)
- Avoidance of providing small loan facilities in principal branch, help the bank in giving loan to strong parties and earn more by handing limited customer.
- Bank has a good amount of high cost fund in its deposit mix. Less use of capital budgeting tools and techniques specially the risk measurement tools such as standard deviation and coefficient of variance

Recommendation

Had practical exposure in EXIM bank Ltd for just 3 months working days. With my little experience in the bank in comparison with vast and complex banking system, it is very difficult to recommend. I have observed some shortcoming regarding operational and other aspects of their banking. On the basis of my observation I would like to recommend the following recommend

1. In general banking department it is necessary to implement modern banking system instead of traditional system. It should more computerize.
2. EXIM Bank Limited has different types of deposit scheme but they are not giving the equal focus to all of them. They should provide equal concentration to all.
 - As we have seen that current ratio of EXIM bank is satisfactory range. So, EXIM bank should maintain this trend more smoothly operate of their business.
 - The EXIM bank’s ROA and ROE was decreasing mood excepting year 2013 and in worst position in 2016. So the EXIM bank should manage its investment in asset by proper utilization to generate their profit.
 - Deposit ratio of the EXIM bank in Nawabpur branch was not satisfactory range because it’s increasing trend. So they should try to increase this of this ratio.
 - The cost income ratio of EXIM bank was not in good position because they were not able to minimize their operating cost. They should minimize their operating cost as well as maximize the operating income.
 - As, Total asset turnover shows the efficiency of the bank. But in last 5 years total asset turnover was not steady. So EXIM bank should also try to improve their total asset turnover.
 - As soon as possible the bank should launch more branches in other district towns and should appoint a customer relation officer at branch level.
 - EXIM Bank Limited should offer international credit card, because in modern world the use of increasing paper currencies is decreasing.
 - It is observed that EXIM bank Ltd, is absent in TV, print media, Bill Boards and sponsorship etc. Bank should advertise about its Islamic banking, because many people do not know that EXIM bank is shariah Based Islamic bank. The bank authority may add the term “Islamic” to the bank’s name.
 - Through the bank service quality is good, it should increase its quality further and the bank may involve in micro credit program, emphasis on SMS for the greater interest of the country. The bank may introduce Brokerage house.
 - As EXIM bank is shariah based Islamic bank, so there should have such environment. But the environment of the bank is like as other conventional bank. As they allow smoking within the bank area and the dress of the female employee is not as like sharia. So bank authority should concentrate on this factor and create such environment so that client can understand that they deal with such bank which is actually run according to the shariah based.
 - The authority should be decentralized. And give some authority to the branch office in case of small and medium investment, for built the branch better performance.

Conclusion

Banking sectors no more depends on only on a traditional method of banking. In this competitive world banking sector has stretched its wings wide enough to cover any kind of financial services. Not only from the local bank but also from the foreign banks, the banks of today face a tough competition. The major tasks of banks are to survive in this competitive environment by managing its asset and liabilities in an efficient way. To make the assets especially investment and advances banks have to more cautious, otherwise these assets will become burden for the bank. To have fruitful investment bank must have to do investment appraisal perfectly. Otherwise loan default culture will never end.

EXIM bank ltd. always tried its level best to perform financial well. In spite of trying to do some aspects EXIM bank faced some financial problem from time to time. Some of the problems were excessive bad loans, shortage of loans advance, scarcity of cash in hands due to vault limit etc. these problems arouse time to time from economic shutdown, interest rate fluctuations, emerging capital market, inflation in the money market and so on. Fighting with all these problems and competing with other banks every moment is the bank trying to do better to best. If this thing continues we hope that EXIM bank will develop even more in the future.

I have seen that EXIM bank is not much different from other commercial bank of Bangladesh. It follows the same practice and procedure which is followed by alders. But one thing should be mention that its excellent management skills make its performance better than the previous, which results strong position among the commercial bank in case of financial performance.

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