FIN464 Bank Management Project Fall 2019

BANK PERFORMANCE ANALYSIS

Deadline: Last day of classes

Submission mode: Submit the hardcopy to my office and email me the soft copy to trisha.ahmed.nsu@gmail.com.

*I. Expectations and Purpose*

In this project, you will analyze the changes and compare the performance of two banks across four periods (2015 to 2018). This project provides you with an opportunity to (i) improve your ability to read and understand bank financial statements, (ii) familiarize yourself with the calculation of financial ratios, and (iii) gain experience in thinking about what ratios mean and how they relate to each other (iv) understand and interpret credit rating scores (v) understand and interpret capital adequacy requirement ratios and standards. Although you may (and should) exhibit your own creativity and insights, you must stick to the following guidelines when preparing your project. For the four most recent years of data, calculate/collect for the two assigned banks and make appropriate comparisons.

*II. Ratio Analysis*

The objective of this section should be to analyze and compare the performance and position of the banks in terms of: (i)Liquidity (ii) Financial Risk (iii) Efficiency (iv)Profitability (v) Market Position (vi)Capital Adequacy.

The general process is to first identify the change in the higher level ratios and then determine which of the lower level ratios caused the change. For example, begin by establishing whether ROE went up or down and how the bank’s ROE changed relative to that of its peer group. Next, identify which basic return driver from the next level was responsible for the change. Did ROE change because of a change in ROA, a change in the EM, or changes in both? How do the changes compare to those of the other bank? Now break ROA into its components and continue the analysis. Also include other key bank ratios. Keep the discussion focused on the ratios at hand. At each level, determine the changes that drive the difference in the higher level ratios. Do not assume that the driver of a change is obvious. You must indicate the important links.

Overall Evaluation and Explanation of Major Changes: Summarize your findings by identifying the three most important reasons the bank’s ROE differs over time and/or differs from that of its peer group. Explain why you view these as the most important drivers and give “real-world” reasons for which you believe the differences exist (such as difference/change in focus and objectives, change in the economy, new branches and so forth). Indicate two specific actions you believe the bank should undertake. In the case of negative changes/differences, what could the bank do to correct the issues? For positive effects/differences, how could the bank ensure continued success in these areas?

*III. Credit Ratings and CAMELS rating*

Collect data regarding the credit rating and CAMLES rating of the two banks over the most recent four years. The ratings should be from one single credit rating standard or agency to make it appropriately comparable. Identify the possible reasons for the trends and differences in the ratings.

*IV. Capital Adequacy Ratio (CAR)*

Collect data regarding the CAR of the two banks over the most recent four years. Compare and contrast the CARs for the two banks and discuss their CAR trend based on the asset composition over the four years.

Guidelines

1. The use of tables, graphs and charts is mandatory to show comparisons and trends over the years.

1. When you write your report, make it as concise and clear as possible. More transparent explanations lead to higher grades. Explanations that are technically “correct,” but are verbose and difficult to follow, will generally receive lower grades. Be sure to spell check your paper. The ability to communicate clearly, concisely and effectively is important. It can set you apart in both positive and negative ways.
2. The grade assigned to a project depends on the technical content, interpretation of data, logic, clarity, correctness and presentation. Conclusions and interpretations must be supported by the data. Grading is competitive. Please resist the urge to try to impress with volume – more is not better.

*Project Structure*

* Cover page
* Table of Contents
* Executive Summary
* Bank Overview and Competitive Environment: Briefly describe your banks, its clientele, and its competition.
* Bank Performance Analysis (Data, ratio calculations, tables, graphs, charts and interpretations)
* Conclusion and Recommendations
* Reference
* Appendix (Sources and other information)

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| Group number | Assigned banks for project |
| 1 | AB Bank Limited vs. BRAC Bank Limited |
| 2 | City Bank Limited vs. Eastern Bank Limited |
| 3 | [Dutch-Bangla Bank Limited](https://en.wikipedia.org/wiki/Dutch_Bangla_Bank) vs. Dhaka Bank Limited |
| 4 | Bank Asia Limited vs. Mercantile Bank Limited |
| 5 | Prime Bank Limited vs. Southeast Bank Limited |
| 6 | Premier Bank Limited vs. One Bank Limited |
| 7 | Mutual Trust Bank Limited vs. Jamuna Bank Limited |