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BBA

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## **Internship Report On**

# **An Appraisal of Dhaka Bank Limited**

### **Prepared For:**

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Professor,  
Department of Business Administration,  
East West University.**

### **Prepared By:**

**Anita Islam  
I.D.# 2003-1-10-194**

**November 28, 2006.**



Report 167

November 28, 2006

Tanbir Ahmed Chowdhury  
Professor,  
Department of Business Administration,  
East West University.

**Sub: Submission of Internship Report (Bus-499)**

Dear Sir,

Here is my internship Report that fulfills partial requirement of my Bachelor of Business Administration (BBA) Degree. It is very helpful as a student of Business Administration to undergo this report writing.

I am pleased to submit the "**An Appraisal Of Dhaka Bank Limited.**" that you have assigned to submit on November, 2006. In this report I have tried to cover most of the aspects what Dhaka Bank Limited actually performs. The subsequent preparation of this report is a very valuable experience for me as it helps to combine practical within theoretical knowledge, which will help me enormously in career building.

I tried to accommodate your valuable comments and suggestions in my report. In this concern, if you need any further clarification, please call on me.

Thank you Sir for your kind cooperation, without which this report, would not be done. So, I am submitting the final version of my Internship Report and requesting you, Sir, to accept it.

Thanking you.

Sincerely Yours,

  
**Anita Islam.**

**ID # 2003-1-10-194**



# An Appraisal of Dhaka Bank Limited

**DHAKA**BANK  
L I M I T E D

EXCELLENCE IN BANKING

# Preface

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An Internship Report is an essential work of the last platform of completion of Bachelor of Business Administration (B.B.A.) degree.

The main theme of my assigned report is to analyze the overall performance of Dhaka Bank Limited. The preparing of a report helps a student compare to the theoretical knowledge with the practical field and also helps the student to get more exposure in the service life in banking sector.

This Internship Report is mainly focus on the overall activities of Dhaka Bank limited as well as its financial performance for last five years. Lastly, by this program, a student can polish his or her strengths and weaknesses by having this real life hands or experience.



# Acknowledgement

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First of all, I would like to express my deep sense of gratitude to **Dr. Tanbir Ahmed Chowdhury** Professor, Department of Business Administration, East West University, for assigning me the report to help acquiring a practical view of how academic knowledge is applied in the practical field. I cannot complete this report without his all time supervision. He gave me his valuable time despite his tight schedule.

My heartfelt appreciation is expressed to the following persons for their valuable time and cooperation:

- **Mr. Monjur Moorshed**

Vice President & Operations In Charge,  
Dhaka Bank Limited (Local Office).

- **Mr. Abu Baker Siddique**

Officer, Credit Department,  
Dhaka Bank limited (Local Office).

Their unselfish support helped me to complete my Report. I am also grateful to the other officials and my classmates who helped me while preparing the report by giving their suggestions, assistance and supply of information, which were valuable to me.

Thank you,  
Anita Islam.

**ID # 2003-1-10-194**

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# Executive Summary

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Banking system occupies an important place in a nation's economy because of its intermediary role, it ensured allocation and keeps up the momentum of economic activities. A banking institution is indispensable in a modern sociality. It plays a pivotal role in the economic development of country and forms the core at the money market. The overall purpose of banking is to collect money from surplus unit and transfer it to the deficit unit.

Bangladesh economy has been experiencing a rapid growth since the '90s. Industrial and agricultural development, international trade, inflows of expatriate Bangladeshi workers' remittance, local and foreign investments in construction, communication, power, food processing and service enterprises ushered in an era of economic activities. Urbanization and lifestyle changes concurrent with the economic development created a demand for banking products and services to support the new avenues as well as to manage consumer investments in a profitable manner. A group of highly acclaimed businessmen of the country grouped together to respond to this need and established Dhaka Bank Limited in the year 1995 as a public limited private commercial bank and started its operation toward its value customers.

In my internship report concentrated on "**An Appraisal of Dhaka Bank Limited**", I have tried to disclose all aspects of the bank, its products and services provided to its customers, financial activities with its recent and previous performances. Through my observation of three months Internship programs in Dhaka Bank Ltd., I also tried to find the problems- the bank is facing recently and also recommend some solution for those according to my experiences and little knowledge.

In the present competitive world of banking sector, every bank has to innovate in order to survive. Because this sector is highly customer oriented. And customer tastes change over time. Dhaka Bank has to continue its efforts in creating highly motivated outstanding group of professionals through organizing extensive training programs in banking operations, international trade, risk management, etc.

# Chapter 1



## Introduction

### **1.1. Origin of the Report:**

As part of the Internship Program of BBA course requirement in East West University, I have been assigned as an Intern in Dhaka Bank Limited, Local Office for the period of 12 weeks starting from 1 June 2006 to 31 August 2006. After completion of my internship program with duration of three months, I am supposed to produce a report on my technical and practical knowledge & views gathered during this tenure. In this regard, I have worked on 'An Appraisal of Dhaka Bank Limited', which was approved and accepted by my organizational supervisor. My faculty supervisor, Dr. Tanbir Ahmed Chowdhury, also approved the project and authorized me to prepare this report as part of the fulfillment of internship requirement.

In Dhaka Bank Limited, I was assigned to work in local office at Motijheel. There, my organizational supervisor was Mr. Munzoor Morshed, Vice President, Local Office, Dhaka Bank Limited

### **1.2. Objective of the Report:**

- To present an overview of Dhaka Bank Limited;
- To Appraise the principle activities of Dhaka Bank Limited;
- To Appraise the financial performance of Dhaka Bank Limited;
- To identify the main problem areas, threats of the bank;
- To suggest policy implication for the bank.

### **1.3. Scope of the Report:**

Here I have tried to cover most of the aspects what Dhaka Bank Limited actually performs. I tried to compare and analyze the financial data of Dhaka Bank Limited for last five years to identify how its condition is. And I also tried to bring in light

that how it is performing in the banking industry. This report also contains the organizational overview, background, mission, vision, goals, growth and prospects, etc. of Dhaka Bank Limited.

#### **1.4. Methodology of the Report:**

The report has been written on the basis of information collected from primary sources as well as secondary sources. The primary information has been collected from personal observation, discussion with employees, experts' opinions and comments and works in different sectors. The secondary data has been collected from Dhaka Bank's Annual reports (2001-2005), websites ([www.dhakabank.com.bd](http://www.dhakabank.com.bd)), many manuals and publications from Dhaka Bank training Institutes. Then, sorting all those information for analysis purposes, I used the following tools. Those are written below:

##### **Quantitative:**

- Ratio Analysis
- Common size statement Analysis

##### **Graphical:**

- Bar chart
- Trend Analysis

#### **1.5. Limitations of the Report:**

This report is 'An Appraisal of Dhaka Bank Limited'. But due to time limitation and workload, I only can cover the comparison through financial data. To appraise a big organization like Dhaka Bank Limited three months time is very short. Bankers spend very busy time during office hours and it is very difficult for them to find time for me to give briefs about banking norms. But they have given me practical ideas whenever they get free time. With all these limitations I tried my best to make this report authentic and worth reading.

# Chapter 2



## An Overview of the Bank



## **2.1. Banks and Banking Industry:**

Bank has played a very important role in the economic development of all the nations of the world. In fact, banking is the life-blood of modern economy. Bank is the financial intermediary accepting deposits from surplus unit and makes them available for deficit unit by granting loans. They also carry the payment for goods and services on behalf of their customers.

There seems to be no unanimity amongst the economist about the origin of the word 'BANK'. According to some economist, the word 'BANK' has been derived from the German word 'BANC' which means a joint stock firm.

Others believe that the word 'BANK' has been derived from the Greek word 'BANQUE' which means a bench. In the old days Jews in Lombardy (Italy) entered in money transaction sitting on benches in a market places. When a banker was not in a position to meet his obligation, the bench on which he was carrying on the money business was broken in pieces and he was taken as bankrupt.

## **2.2: Commercial Banking:**

Commercial banking may be retail or wholesale on the basis of amount of transactions and nature of clients (corporate bodies or individuals). When banking services are provided to individuals and volume/amount of transactions are smaller, then it is called retail banking. On the other hand, when banking services are provided to corporate clients and the volume/amount of transactions are bigger, it is called wholesale.

## **2.3. Functions of Commercial Banks:**

- a. Accepting of money on deposits (Current, Saving and Time) from public;
- b. Granting of credit to all sectors of the economy (loans and advances, discounting of bills, investment in open market securities);

- c. Collection of checks, drafts, bills, and other instruments for their depositors;
- d. Issuing of performance and financial guarantees;
- e. Provision of remittance facilities by issuing of drafts, MTs, TTs;
- f. Provision of facilities of safe custody of deeds and securities and safe deposits vaults;
- g. Purchase and sale of securities for their constituents;
- h. Granting consumer loans;
- i. Providing financial advisory services (helping to prepare financial plans for individuals, consulting about marketing opportunities at home and abroad);
- j. Offering equipment leasing (the bank buys the equipments and rents it to the customers);
- k. Making venture capital loans (financing the start-up costs of new companies, particularly in high-tech industries, generally done through a subsidiary company of a bank.)

#### **2.4. Global Trend in Banking: Universal Banking:**

Now, it's a global trend that banks provide all type of banking services like commercial banks, investment banking, leasing, insurance services, etc. boundaries between different types of financial institutions (commercial banks, investment banks, development banks, leasing companies, insurance companies) are buried. Commercial banks are meeting all types of financial requirements of a customer.

#### **2.5. Dhaka Bank Limited:**

Bangladesh economy has been experiencing a rapid growth since the '90s. Industrial and agricultural development, international trade, inflows of expatriate Bangladeshi workers' remittance, local and foreign investments in construction, communication, power, food processing and service enterprises ushered in an era of economic activities. Urbanization and lifestyle changes concurrent with the economic development created a demand for banking products and services to support the

new avenues as well as to canalize consumer investments in a profitable manner. A group of highly acclaimed businessmen of the country grouped together to responded to this need and established Dhaka Bank Limited in the year 1995.

The Bank was incorporated as a public limited company under the Companies Act, 1994. The Bank started its commercial operation on July 05, 1995 with an authorized capital of Tk. 1,000 million and paid up capital of Tk. 100 million. The paid up capital of the Bank stood at Tk. 663.83 million as on 31 December 2004. The total equity (capital and reserves) of the Bank as on December 31, 2004 stood at Tk. 2,817.80 million.

The Bank has 29 branches across the country and a wide network of correspondents all over the world. The Bank has planed to open more branches in the current fiscal year to expand the network.

The Bank offers the full range of banking and investment services for personal and corporate customers, backed by the latest technology and a team of highly motivated officers and staff.

In effort to provide Excellence in Banking services, the Bank has launched Online Banking service, joined a countrywide shared ATM network and has introduced a co-branded credit card. A process is also underway to provide e-business facility to the bank's clientele through Online and Home banking solutions.

Dhaka Bank Ltd. is the preferred choice in banking for friendly and personalized services, cutting edge technology, tailored solutions for business needs, global reach in trade and commerce and high yield on investments.

## **2.6. Vision:**

Dhaka Bank draws inspiration from the distant stars. Bank's people, products and processes are aligned to meet the demand of discerning customers. The goal is to achieve a distinction like the luminaries in the sky. The prime objective is to deliver a quality that demonstrates a true reflection of its vision- 'Excellence in Banking'.

## **2.7 Mission:**

To be the premier financial institution in the country providing high quality products and services backed by latest technology and a team of highly motivated personnel to deliver Excellence in Banking.

## **2.8. Values of Dhaka Bank Limited:**

- Customer focus;
- Integrity;
- Teamwork;
- Quality;
- Respect for the individual; and
- Responsible Citizenship.

## **2.9. Dhaka Bank Limited- Philosophy:**

The Philosophy of the bank is "Excellence in Banking". Whether in personal, corporate, a treasury or trade transaction Dhaka Bank Limited is committed to provide the best. Meeting the demand of the bank's discerning customers is not the sole objective. The Bank endeavor to deliver a quality that makes every transaction a pleasurable experience. Dhaka bank feels that if they can meet maximum clientele requirements in less time with efficiency, then they will be able to accomplish a

successful business in the world of banking. Their main objective is- they want to provide every single customer service available in today's banking procedure for their clientele. Thus they can guarantee the excellence in banking to their valuable customers.

## **2.10. Corporate Information:**

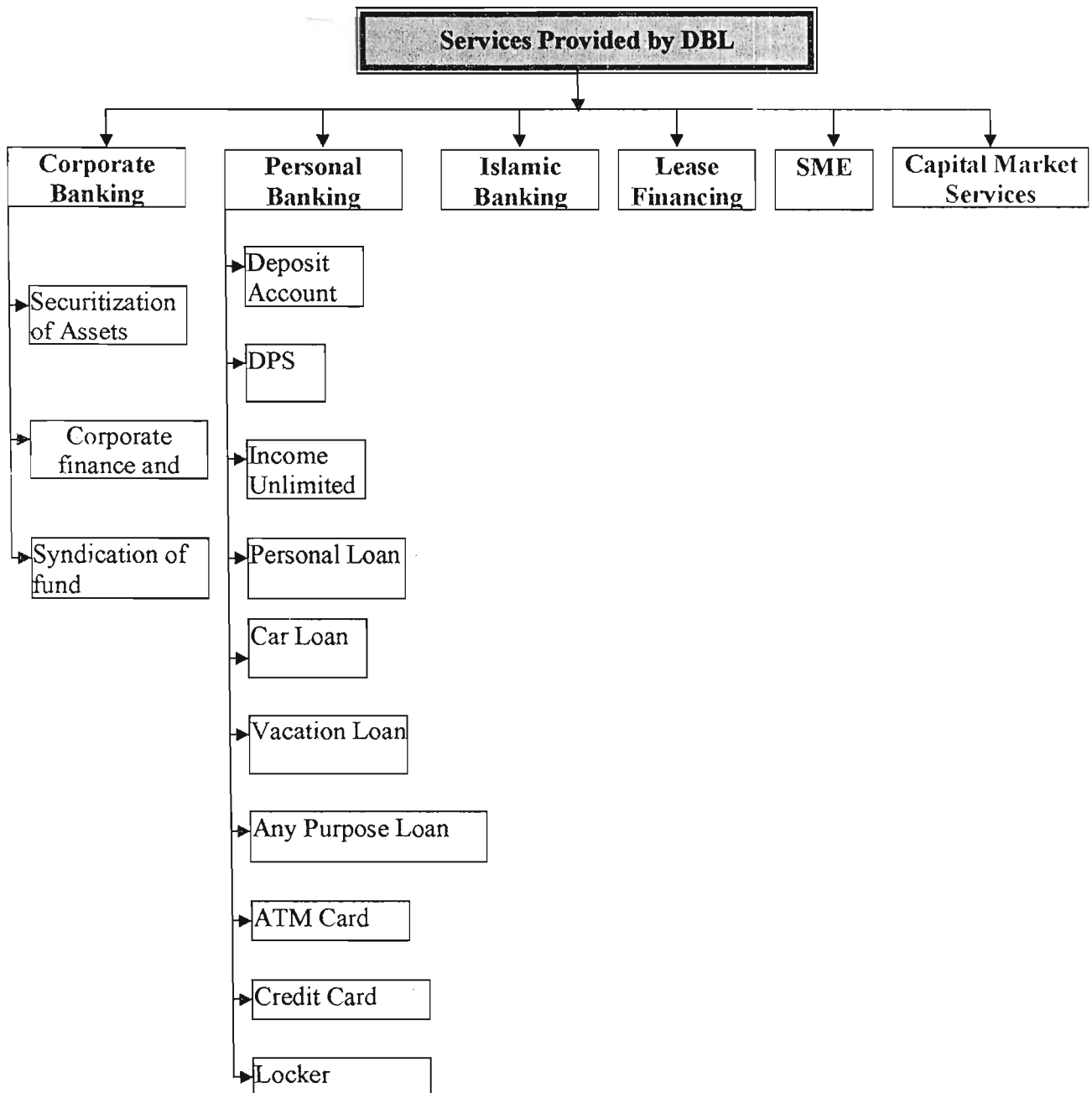
Name of the Company	Dhaka Bank Limited
Legal Form	A public limited company incorporated in Bangladesh on 6 <sup>th</sup> April 1995 under the Companies Act, 1994 and listed in Dhaka Stock Exchange Limited and Chittagong Stock Exchange Limited.
Date of Commencement	July 5, 1995.
Registered Office	Biman Bhaban (1 <sup>st</sup> Floor)
Telephone	+880 2 9554514, 9571006-10
Telefax	+880 2 9556584, 9571013
SWIFT Code	DHBLBDDH
E-mail	<a href="mailto:dhakabank@bdonline.com">dhakabank@bdonline.com</a>
Web page	<a href="http://www.dhakabank.info">www.dhakabank.info</a>
Auditors	ATA KHAN & CO Chartered Accountants
Tax Consultant	Howladar, Yunus & Co. Chartered Accountants
Managing Director	Shahed Noman
Company Secretary	Arham Masudul Huq

## **2.11. Major Activities of Dhaka Bank at a glance:**

1. General Banking Services;
2. Investment Banking;
3. International Trade;
4. Money Market and Foreign Exchange Dealing;
5. Corporate Finance & syndications;
6. Capital Market Services;
7. Merchant Banking Services;
8. Islamic Banking;
9. Personal & Retail Banking;
10. Risk Management & Portfolio Management;
11. Training and Development;
12. Social activities, etc.

## 2.12. Services Provided By Dhaka Bank Limited:

Figure # 01: Services Provided By Dhaka Bank Limited



### **2.13. Corporate Banking:**

Providing a tailored solution is the essence of our Corporate Banking services. Dhaka Bank recognizes that corporate customers' needs vary from one to another and a customized solution is critical for the success of their business.

Dhaka Bank offers a full range of tailored advisory, financing and operational services to its corporate client groups combining trade, treasury, investment and transactional banking activities in one package. Whether it is project finance, term loan, import or export deal, a working capital requirement or a forward cover for a foreign currency transaction, its Corporate Banking Managers will offer the right solution. Corporation will find top-class skills and in-depth knowledge of market trends in the corporate Banking specialists, speedy approvals and efficient processing fully satisfying your requirements - altogether a rewarding experience.

Dhaka Bank experience in handling Corporate Banking business covers a wide span of businesses and industries. Corporation can leverage on its expertise in the following sectors particularly:

- Telecom, Media and Technology
- Textile, Ready Made Garments
- Edible Oil, Consumer and Diversified Industries
- Shipping, Ship Breaking, Steel and Engineering
- Energy, Chemicals and Pharmaceuticals
- Cement and Construction
- Financial Institutions

#### **❖ Floating of Public Issues:**

The Bank assists companies to underwrite public issues. Dhaka Bank has successfully participated in a number of issues.



❖ **Loan Syndication:**

Dhaka Bank's participation in a number of loan syndication arrangements involving foreign investment has been highly acclaimed. The projects it has handled as the lead arranger or co-arranger with other banks and financial institutions include production and export oriented ventures in power generation, cement production, food processing and a large undertaking in leisure and amusement.

It endeavors on a continuous basis to meet the requirements efficiently by rendering a tailored package of financial services.

❖ **Securitization of Assets:**

A powerful and effective means of generating funds for a certain category of institutions, Securitization of Assets is still in its infancy in The need however for such a service is great and there is a lot of support from multilateral financial institutions, such as the World Bank and the Asian Development Bank, for such activities to be developed further in this country.

Dhaka Bank intends to take up this challenge and play a significant role in ensuring that Securitization of Assets becomes a normal part of the range of financial instruments available for organizations who can count on a steady, but piecemeal, flow of revenue and want to translate this stream into cash resources with which to carry out further lending activities to new customers. Some practical issues still need to be settled such as those concerning pricing, or the legal framework, but it is expected that, as Dhaka Bank and other institutions pursue more such securitization activities these will be resolved.

❖ **Finance & Advisory Services:**

Given the needs of its large and varied base of corporate clients Dhaka Bank has been positioned itself to provide investment banking advisory services. These could cover a whole spectrum of activities such as Guidance on means of raising finance from the local Stock markets, Mergers and Acquisitions, Valuations, Reconstructions

of Distressed companies and other expert knowledge based advice. By this means Dhaka Bank hopes to play the role of strategic counselor to blue-chip Bangladesh companies and then move from the level of advice to possible implementation of solutions to complex financing problems that may arise from time to time. This would be an extra service that would complement the normal financing activities that Dhaka Bank already offers to corporate business houses.

#### ❖ **Syndication of Funds:**

There has been a surge in the number of syndication deals closed in the last few years. This rise in the number of syndications can be primarily attributed to the prudential lending guidelines of the Bangladesh Bank. A commercial bank may provide funded facilities up to a maximum of 25% of its equity. Due to this reason, projects with sizeable costs need to approach more than one bank for their debt requirements and therefore the demand for syndications exist. Credit risk diversification has led many international companies to introduce credit derivatives that are actively being traded. Securitization of assets is one such credit risk derivative that allows financial institutions to diversify their portfolios. At Dhaka Bank Limited, the Syndications and Structured Finance unit was setup on October 30, 2004.

#### **2.14. Personal Banking:**

Under personal banking Dhaka Bank Limited Provide the following services:

##### ❖ **Deposit Double:**

Deposit Double is a time specified deposit scheme for individual clients where the deposited money will be doubled in 6 years. The key differentiators of the product will be:

- a. Amount of deposit - The minimum deposit will be BDT 50,000.00 (either singly or jointly). The client will have the option of depositing any amount in multiples

of BDT 10,000 subject to a maximum of Tk 20,00,000 in a single name and Tk 35,00,000 in joint name.

- b. Tenure of the scheme- the tenure of the scheme will be 6 years.
- c. Premature encashment - If any client chooses to withdraw the deposit before the tenure, then s/he will only be entitled to prevailing interest rate on savings account in addition to the initial deposit. However, withdrawal of the deposited amount before one year will not earn any interest to the depositor(s).
- d. OD Facility against Deposit - Clients will have the option of taking advance up to 90% of the initial deposited amount. The lending rate will be tied up with the interest rate offered on the deposit.
- e. Govt. Charges - The matured value is subject to taxes and other Govt. levies during the tenure of the deposit.

#### ❖ **Deposit Pension Scheme:**

Dhaka Bank is well poised to be the leading Personal Banking business amongst the local private banks. Bank's conscious efforts in brand building, introducing and supporting new packaged products, developing PB organization along with non-traditional delivery channels have resulted in good brand awareness amongst its chosen target markets. Installment based savings schemes are a major category of saving instruments amongst mid to upper middle-income urban population. DPS is an installment based savings scheme (Deposit Pension Scheme) of Dhaka Bank for individual clients.

#### ❖ **Income Unlimited:**

The management of Dhaka Bank Limited is pleased to launch Special Deposit Scheme, a new liability product on May 04, 2005.

##### • **Product Features:**

Deposit Amount: In multiples of Tk 50,000 However the minimum deposit will be Tk 1,00,000 (singly or jointly) and the maximum Tk 50,00,000 (singly/Jointly).

Interest Due: One month after the initial deposit date the interest will be credited to the savings/current account.

Tenure: 3 Years

Monthly income on Tk 100,000: Tk 1,000 subject to 10%

Income Tax: Rate of Interest 12% (simple)

#### ❖ **Personal Loan:**

As part of establishing a personal banking franchise of Dhaka Bank Limited, the bank has successfully launched Personal Loan. The product is a term financing facility to individuals to aid them in their purchases of consumer durables or services. The facility becomes affordable to the clients as the repayment is done through fixed installments commonly known as EMI (equated monthly installment) across the facility period. Depending on the size and purpose of the loan, the number of installments varies from 12 to 48 months. Minimum loan amount is BDT 25000 and Maximum Loan amount is BDT 500000.

#### ❖ **Car Loan:**

As part of establishing a personal banking franchise of Dhaka Bank Limited, the bank has successfully launched Car Loan. The product is a term financing facility to individuals to aid them in their pursuit of have a car of their dream. The facility becomes affordable to the clients as the repayment is done through fixed installments commonly known as EMI (equated monthly installment) across the facility period. Depending on the size and purpose of the loan, the number of installments varies from 12 to 60 months. In case of brand new cars the loan tenure will be maximum 72 months. Maximum loan amount is Tk 20,00,000

#### ❖ **Vacation Loan:**

As part of establishing a personal banking franchise of Dhaka Bank Limited, the bank has successfully launched Vacation Loan. The product is a term financing

facility to individuals to aid them in their pursuit of spending a vacation in the country or abroad. The facility becomes affordable to the clients as the repayment is done through fixed installments commonly known as EMI (equated monthly installment) across the facility period. Depending on the size and purpose of the loan, the number of installments varies from 12 to 48 months.

❖ **ATM Card:**

Dhaka Bank Limited offers e-cash ATM card with all of its deposit accounts. To get ATM card customer has to apply separately while opening an account. It has a joint venture with E-cash, offers this card with the help of them. If an account holder has an ATM card with his/her account then Dhaka Bank hold a fixed amount of that account after concerning with the customer that hold amount only can withdrawal by ATM card. At a time a cardholder can withdraw tk 5000 (five thousand) and as many time he/she wants but not more than the hold amount.

❖ **Credit Card:**

Dhaka Bank Limited brings the Everyday Credit Card in the shortest possible time. It recognizes that customers need this card every day. That is why it has developed processes to guarantee delivery of your card in just 7 days when you apply for a fully secured card. Everything one would expect from this credit card. Users of this credit card can use it at all the merchant locations that display the Vanik Card sticker. One can also use it at all the locations that display the Card sticker. Unlike other cards, all branches of Dhaka Bank Ltd. can accept customers' bill payments and handle their card service requests. One may open an account as well with any of these branches to conduct all your banking and card service requirements under one roof.

Dhaka Bank Credit Card offers to its customers credit facility absolutely FREE up to a maximum of 45 days. Customers get 15 days time from the date of statement to

repay your dues. They can pay in full within 15 days (and save money; no interest accrued, no payout) or in part. The minimum amount required to pay is 1/12th of the total amount or Tk. 200 (whichever is higher). The revolving credit line of the card allows them to select payment terms to suit the other financial commitments. Special promotions, discount offers and prizes are announced for card usages. They are exciting and exclusively for the customers.

❖ **Locker:**

Customers could use the locker facility of Dhaka Bank Limited and thus have the option of covering many valuables against any unfortunate incident. It offer security to our locker service as afforded to the Bank's own property at a very competitive price. It would be at customer's service from Saturday through Thursday from 9:00 am to 4:00 pm. Lockers are available at Gulshan, Banani, Dhanmondi, Uttara, CDA Avenue & Cox's Bazar Branch.

❖ **Foreign Exchange Transaction:**

Foreign Exchange for travel, medical treatment, education abroad, ect. When traveler travels abroad for business, holyday or any other purpose, he/ she can obtain foreign currency and travelers' cheques permissible under Government regulation without any hassle from their branches.

❖ **Phone Banking:**

Dhaka bank phone banking services allows account holder to conduct a variety of transactions by simply making a phone call from anywhere. Account holder can enquire about their balance in his/ her account, check transaction details or request for accountholder's account statement by fax or mail.

❖ **Any Branch Banking:**

Convenience is the key feature of Dhaka Bank's personal banking program. Their aim is to provide every customer easy access to his/her account from any branch and ultimately from anywhere.

❖ **Foreign Currency Account:**

Most branches of Dhaka Bank Limited have authorized dealers' license to deal in transactions in foreign currency and open foreign currency accounts. Current or fixed accounts US Dollar or Pound Sterling.

**2.15. Capital Market Services:**

Capital Market Operation besides investment in Treasury Bills, Prize Bonds and other Government Securities constitute the investment basket of Dhaka Bank Limited. Interest rate cut on bank deposits and government savings instruments has contributed to significant surge on the stock markets in the second half of 2004, which creates opportunities for the Bank in terms of capital market operations. The Bank is a member of Dhaka Stock Exchange Limited and Chittagong Stock Exchange Limited. The investment portfolio of the Bank made up of Government Securities and Shares and Debentures of different listed companies stood at Tk. 3,078 million as of December 31, 2004 indexing a 50% increase over Tk. 2,046 million in the previous year. Income from investment stood at Tk. 146 million in 2004 registering a 10% growth over the previous year. To perform in the capital market, Dhaka Bank actually plays as an institutional broker house by providing:

- Opening a BO (Beneficiary Owner) Account by registering with CDBL;
- Share Trading of its client's according their request;
- Safe keeping of client's securities, profit/ loss account of client;
- Providing margin Account (giving loans against shares);
- IPO form distribution to the interested customers;

- Providing some extra facilities like- telephonic share trading, operating client's account, etc.
- Maintaining DBL's own portfolio and trading under its individual trading code.

## **2.16. SME:**

Since inception, the Dhaka Bank has held socio-economic development in high esteem and was among the first to recognize the potentials of SMEs.

Recognizing the SME segment's value additions and employment generation capabilities quite early, the Bank has pioneered SME financing in Bangladesh in 2003, focusing on stimulating the manufacturing sector and actively promoting trading and service businesses.

The single largest problem of the lower end of the SME sector is that they are unable to fully understand their needs. Even if these needs are understood, they are seldom met with the right product mix. Small business owners are unable to provide banks with required information of the right type and quality. This has created a gap between the borrower and the banks and has served to limit the outreach of SME financial products. In order to overcome this obstacle, Dhaka Bank SME Unit provides comprehensive support to prospective clients in evaluating their business and preparing the required documents in acceptable formats. In this regard, the Dhaka Bank SME Unit has been working in close collaboration with the USAID, the South Asia Enterprise Development Facility (SEDF) an International Finance Corporation (IFC) managed multi donor facility and the World Bank.

DBL has recently been provided technical assistance by the World Bank and is also working with other development agencies and donors for continuous improvements in the products and services it offers.



### **2.17. Islamic Banking:**

Dhaka Bank Limited entered into Islamic banking business with 2 (two) Islamic banking branches. The Bank opened its first Islamic Banking branch on July 02, 2003 at Motijheel Commercial Area, Dhaka. The second Islamic Banking branch of the Bank commenced its operation at Agrabad Commercial Area, Chittagong on May 22, 2004.

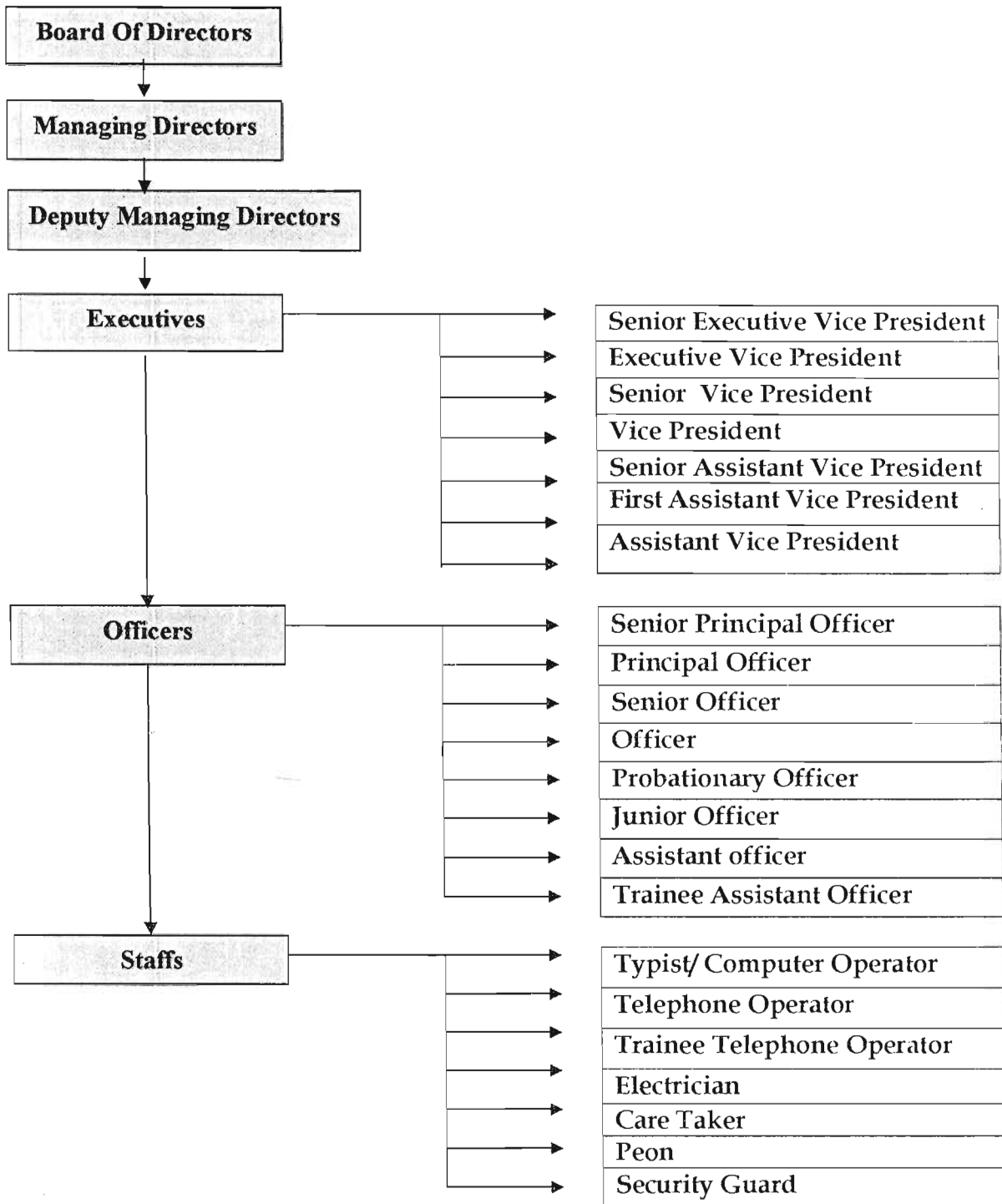
The Islamic banking operations are completely separate from that of the conventional banking. The Bank is maintaining a separate set of accounts for Islamic banking branches, which is completely different from conventional banking to conform to the standard adopted by Financial Accounting and Auditing organization for Islamic Financial Institutions. In extending the Islamic Banking service, the bank strictly complies the Islamic Sharia and developed by a Central Islamic Sharia Model in the light of Quran & Sunnah.

### **2.18. Lease Financing:**

Dhaka Bank offers lease financing for acquiring of capital machineries, equipments and other items. The scheme is flexible and can provide full funding for a business venture. Its lease-financing scheme is very simple, convenient and is backed by prompt service from a team of dedicated personnel. On the other hand, rental payable under lease financing is treated as revenue expenditure, which as such, is deductible for tax purposes.

## 2.19. Organizational Structure of Dhaka Bank Limited:

Figure # 02: Organizational Structure of Dhaka Bank Limited



## 2.20. Branches of Dhaka Bank:

Dhaka Bank Limited wants to provide its customer better services and they try to provide service in the door of its customers. That's why every year with the expansion of business it increases the number of its branches. Dhaka bank opens the new branches in the place where the customer most need it. Not only in Dhaka city DBL also concentrates in expanding its branches outside Dhaka city. In this way, its branches is increasing day by day. According to the year 2005, the number of branches of Dhaka Bank Limited stood at 29. In the running year (2006), it plans to open another 9 branches around the country. In below, there is a graphical representation of the expansion of branches of Dhaka Bank Limited.

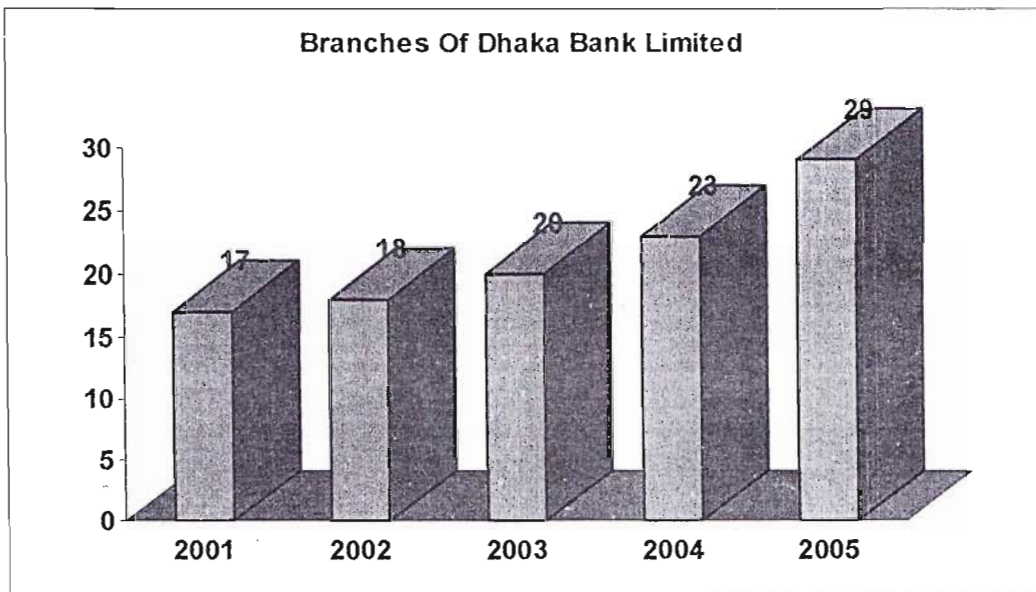


Chart # 01: Branches of Dhaka Bank Limited

## **2.21. Technology of Dhaka Bank Limited:**

DBL is now providing fully online-banking. Dhaka Bank is set to shift to world class banking software-‘Flexcube’ developed by ‘i flex solution ltd. Singapore’, a world leader in technology solutions for the financial services industry and enters into the platform of the state of the art technology recognizing that in the age of technological advancement, the bank must attain highest level of efficiency to the secure unqualified customer satisfaction. Installation of this world class banking software enabled to expand and diversify the delivery channels, introduce new products and services covering E- Commerce and Internet banking.

In the meantime, all branches of DBL have been networked to provide customer any branch banking; 24 hours banking services through E-Cash, ATM Network and Tele Banking services.

Dhaka Bank Limited Plans for leapfrogging from the legacy system to the modern era of computing so that it will provide the customers with higher levels of services, automate manual processes, manage risks better and achieve operating efficiency.

## **2.22. Training and Human Resource Development:**

Human Resource Development through extensive training and induction is the pre-requisite for organizational growth and development of a corporate culture with uniform values, policies, business practices and service quality.

Recognizing the importance of training for professional expertise the training center- Dhaka Bank Training Institute (DBTI)- is committed to develop the human resources, the main driving force of the bank through structured modular training programs.

With a view to achieve professional excellence in banking DBTI conducts various courses, workshops, executive development programs, focus group discussions and branch visit programs for officers and executives of the banks.

# **Chapter 3**

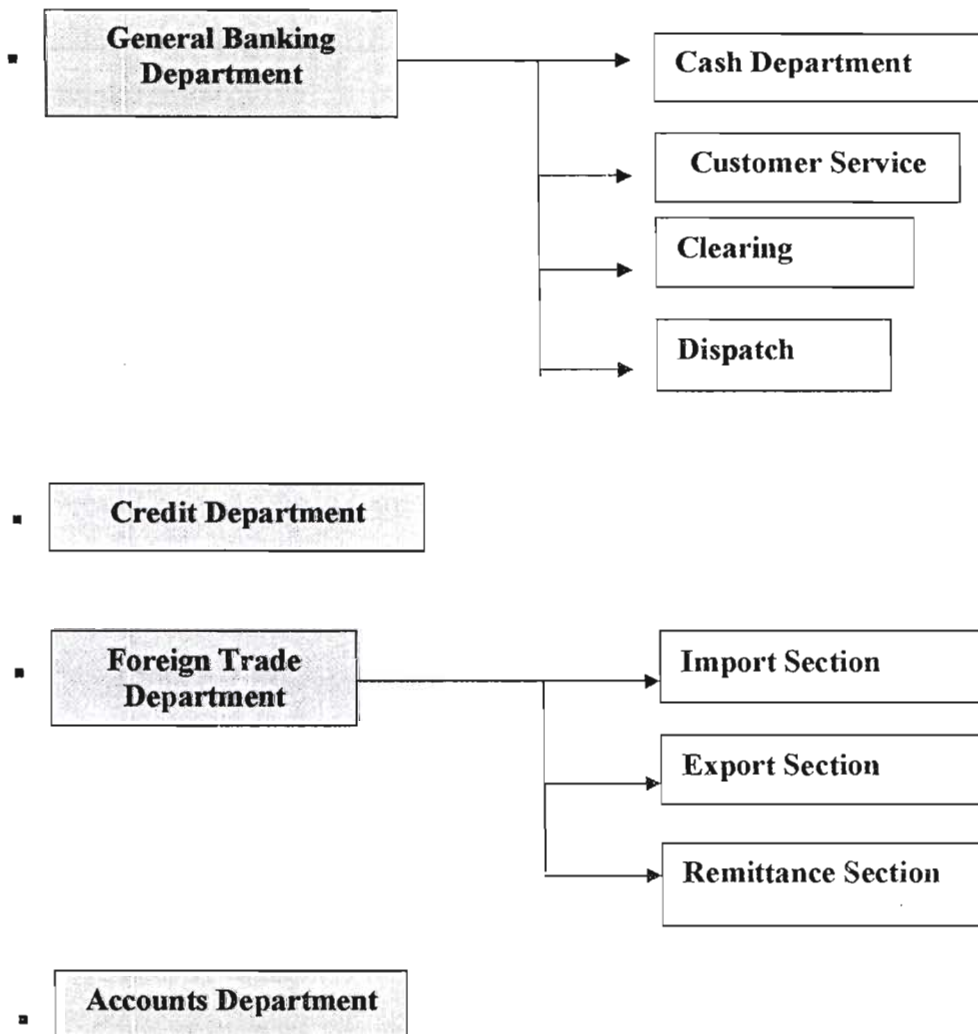
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**An Overview of  
Principle Activities of  
Dhaka Bank Limited**

### 3.1. Principle Activities of Different Departments of Dhaka Bank Limited:

The motto of Dhaka Bank Limited is 'Excellence in Banking' and it tries to give their customers highest level of satisfaction. That's why it provides all most all services available in banking industry. Dhaka Bank Limited is providing the services through its different department's effective participation. Its main departments are:

Figure # 03: Main Departments of Dhaka Bank Limited



Through these mainly classified departments, the bank is providing its core services to its valued customers. As one department is interrelated to another, all departments' activities are correlated to each other. Beside these it has treasury department, operations, card division, investment department, monitoring unit, etc to perform the whole banking activities smoothly and efficiently.

### **3.1.1. General Banking:**

General banking is one the main department of any bank to take any banking services one has to fulfill all the requirements of this department. It is combined with Customer service department, Cash Department, Clearing and Dispatch in Dhaka Bank Limited.

#### ❖ Main Activities of Customer Service Department:

- Opening accounts for the customers;
- Accepting deposit;
- Issuance withdraws instrument e.g. cheque book,. DD, TT, P.O. etc,
- Inform the customers about their account's balance updates;
- Providing customers with all their quires related with the accounts;
- Verify the customer's signature at the time of authentication for any customer;
- Providing card services;
- Phone Banking, etc.

#### ❖ Main Activities of Cash Departments:

- Cash receipt through cash deposit slip and pay through cheque leaf – both supplied by bank;
- Cash Remittance- Excess cash of branches are deposited with the Local through out ward cash remittances and shortfall of cash is collected from Local Office through Inward Cash Remittance;

- Receipt of various utilities bills;
- Receipt and Payment of FDR/BCD/ Sanchaypatras Funds, etc.

❖ Clearing:

As a cheque, payment order or bill comes from a bank within the range of Central clearinghouse then it is sent for collection through clearinghouse. The cheque may be crossed or not. If a customer of Dhaka Bank Limited deposits a cheque of another bank, which is within clearing area, then the clearing department credits his account and collects it (cheque). Though the amount is credited in the customer's account but he will not get the money until the cheque is honored.

❖ Dispatch:

The literal meaning of the term dispatch is to send away quickly or to receive an official message. For convenience of the term dispatch of letter has been classified into two groups, mainly inward mail and outward mail. Outward mail is again classified into ordinary letter and registered letters/registered parcel.

Each branch will maintain a deposit account with the local telegram office to whom the amount of initial deposit will be paid by debit by to charges A/C under advice to accounts division, head office, where a record of all such deposits paid by branches are maintained. The receipt for the deposit will be recorded in the branches documents register and retained with other documents.

### **3.1.2. Accounts Department:**

Account department is called as the nerve center of the bank. In banking business, transactions are done every day and these transactions are to be recorded properly and systematically as the banks deal with the depositors money. Any deviation in proper recording may hamper public confidence and the bank has to suffer a lot



otherwise. Improper recording of transactions will lead to the mismatch in the debit side and in the credit side. To avoid these mishaps, the bank provides a separate department; whose function is to check the mistakes in assign vouchers or wrong entries or fraud or forgery. This department is called as Account Department.

Besides the above the bank has to prepare some internal statements as well as some statutory statements which to be submitted to the central bank. Account Department prepares these statements also. The department has to submit some statements to the Head Office, which is also consolidated by the Head Office later on. The tasks of the department may be seen in two different angles:

#### Daily Task:

The routine daily tasks of the Account Department are as follows-

- Recording the transactions in the cashbook.
- Recording the transactions in general and subsidiary ledger.
- Preparing the daily position of the branch of the branch comprising of deposit and cash.
- Preparing the daily statement of affairs showing all the assets and liability of the branch as per.
- General Ledger and Subsidiary Ledger separately.
- Making payment of all the expenses of the branch.
- Recording inter-branch fund transfer and providing accounting treatment in this regard.
- Checking whether all the vouchers are correctly passed to ensure the conformity with the 'Activity Report' if otherwise making it correct by calling the respective official to rectify the voucher.
- Recording of the vouchers in the voucher register.
- Packing of the correct vouchers according to the debit voucher and the credit voucher.

### Periodical tasks:

The routine periodical tasks performed by the department are as follows-

- Preparing the monthly salary statements for the employees.
- Publishing the basic data of branch.
- Preparing the weekly position for the branch, which is send to the Head Office to maintain Cash Reserve Requirement (CRR).

### **3.1.3. Credit Department:**

The responsibilities/ functions perform by the credit department for processing and servicing of all types of loans and advances as well as maintaining the records are as follows:

- The Branch Managers will be the first line-lending officers and are responsible for exercising their authority with due diligence and discipline. They must also:
  - Know their borrower fully;
  - Comply with the applicable instructions, manual, circulars and other rules of the bank as well as those of Bangladesh Bank including Banking companies Act 1991 (as mentioned from time to time).
  - Take interview of the prospective borrower.
  - Receive the credit information assembled and placed in the Customer's Credit file.
  - Process and sanction credits to the customers.
  - Disburse credit facilities to borrowers in accordance with established procedures.
  - Record the credit facilities.
  - Prepare vouchers pertaining to credit facilities disbursed and maintain records of relevant entries.
  - Control the securities and proper customer of documents.

- Follow up the recovery of credit as per due date.
  - Review and analyze the following in connection with credit risk proposals covering any obligor.
- History of antecedent of the obligor and its management personnel.
- Financial condition of the obligor evidenced by comparative statements like Balance Sheet, Income Statement, operation results - and supplementary facts as well as by personal Net Worth Statement of the proprietor, parents and directors.
- Bank and Credit Information Bureau (CIB) checking and trade standing through investigation.

### **3.1.4. Foreign Trade Department:**

The foreign trade department of Dhaka Bank Ltd consists of three sections. They are- Import section, Export section and Foreign remittance section. Basic Function of Foreign trade department are as follows:

- Issue, advising and confirmation of Documentary Credits;
- Arranging forward exchange cover;
- Pre-shipment and post-shipment finance;
- Negotiation and purchase of Export Bills;
- Discounting of Bills of Exchange;
- Collection of bills;
- Insurance Cover/ Assist customers to insure all risks;
- Foreign exchange transaction for traveling, medical treatment, education abroad, etc.

### **3.2. Deposit Mobilization of Dhaka Bank Limited:**

Dhaka Bank offers to its customers a series of deposit schemes to meet their customized needs. This classification of the deposit has been done based on its operations. They are:

#### **❖ Current Account:**

A current account is a running and active account, which may be operated upon any number of times during a working day. There is no restriction on the number and the amount of withdrawals from a current account. Any person, corporation, company, institution, club, society can open this type of account. As the banker is under an obligation to repay these deposits on demand, they are called demand liabilities of a banker. To meet such liability the banker keeps sufficient cash reserve against such deposit. Here depositors can enjoy maximum flexibility and convenience with this type of deposits. Current account suits the requirements of individuals and organization whose banking transactions are enormous on every working day. This is a non- interest bearing account but have to pay service fee yearly of taka 200. Banks normally prefer current account due to its cost free nature.

#### **❖ Short Term Deposit (STD) Account:**

A Short Term Deposit (STD) account is a less active account, which cannot be operated upon frequently like a current account. There are certain restrictions on the numbers and the amount of withdrawals from a Short Term Deposit account. Any person, corporation, company, institution, club, society can open this type of account. Dhaka bank's STD account is a unique blend of flexibility and high return on depositors deposit. It offers a very competitive interest rate and the interest is calculated on a daily product basis. This interest rate is lower than that of saving account. In Dhaka bank Ltd the interest rate is 4.50% with annual service charge of taka 200.

❖ **Savings Account:**

A Saving Account is meant for the people of fixed income group, who wish to save a portion their present income to meet their future need and also to earn some income from their savings. Any person, corporation, company, institution, club, society can open this type of account. Depositors can draw a maximum number of two cheques per weeks, excluding this number will forfeit the interest for the month. The bank offers a competitive interest rate at 7% on this account with a service charge of taka 100 yearly. This rate is higher than the STD account but lower than the FRD account.

❖ **Fixed Deposit Receipt (FDR) Account:**

Fixed deposits are the deposits with a bank for a fixed period of time, which is specified at the time of making a deposit. Fixed deposits are repayable on the expiry of the specified period, chosen by the depositor to suit their purpose. Depositors can open this type of account for 1 month, 3 months, 6 months, and 1 year or for longer time. Interest rate also vary in accordance with the deposit periods. For Dhaka bank the interest rates vary from 11.50% to 12.75%. The bank on such deposits thus offers higher rate of interest, because the depositor forgoes liquidity for a definite period.

❖ **Bearer Certificate of Deposits (BCD):**

This is almost similar to Fixed deposit account. Differences from FDR are:

- Interest is paid at the time of issuance of BCD;
- Depositor's name is not required;
- Holder of BCD is its owner as evident from its very name.

❖ **Deposit Pension Scheme (DPS):**

DPS is the most profitable deposit account that is available with Dhaka Bank Ltd. This is a special type of saving scheme designed for the fixed income group. A certain amount is deposited every month in an account which is accumulated over a

specified period of time with interest accrued during that period. Upon maturity the total amount is made available to the DPS account holder.

❖ **Foreign Currency Account:**

In addition to the above type of account different types of Foreign Currency Account- such Non- Resident Foreign Currency Account (NFCD), Resident Foreign Currency Deposit Account (RFCD) etc are available for special purposes.

**3.2.1. Deposit Mix For Dhaka Bank Limited:**

Dhaka Bank Ltd offers different attractive deposit account to its customers with an attractive interest rate and other facilities. Maintaining the profitable deposit mix is one of the main objectives for the top-level managers. The deposit mix for Dhaka bank Ltd as on December 31, 2005 was as follows

**Table #01: Deposit Mix For Dhaka Bank Ltd.**

SL No.	Types of Deposits	Taka (in million)	% of Total Deposit
1	Current and Other Deposit	3535	12%
2	Saving Bank Deposit	3540	12%
3	Short- term Deposit	1058	4%
4	Fixed Deposit	19317	68%
5	BCD, DPS, MDS, Gift Cheques	546	2%
6	Bills Payable	443	2%
	<b>Total</b>	<b>28439</b>	<b>100%</b>

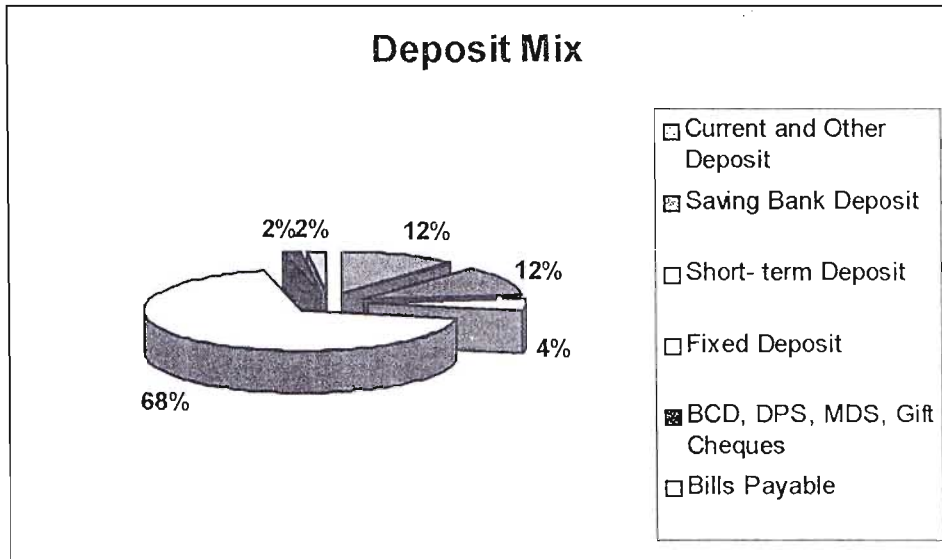


Chart # 02: Deposit Mix For Dhaka Bank Ltd.

From the table above, we can see that the in the deposit mix for the year 2005, Dhaka Bank pulled up its main portion of deposits from Fixed Deposit (68%), followed by FDR, there is Current Account (12%) and Savings accounts (12%) which amount is much lower in amount compared to FDR account. Another 6% of total deposits are collected from STD (4%), BDC, DPS, MDC, Gift Cheque (2%) and Bills Payable (2%).

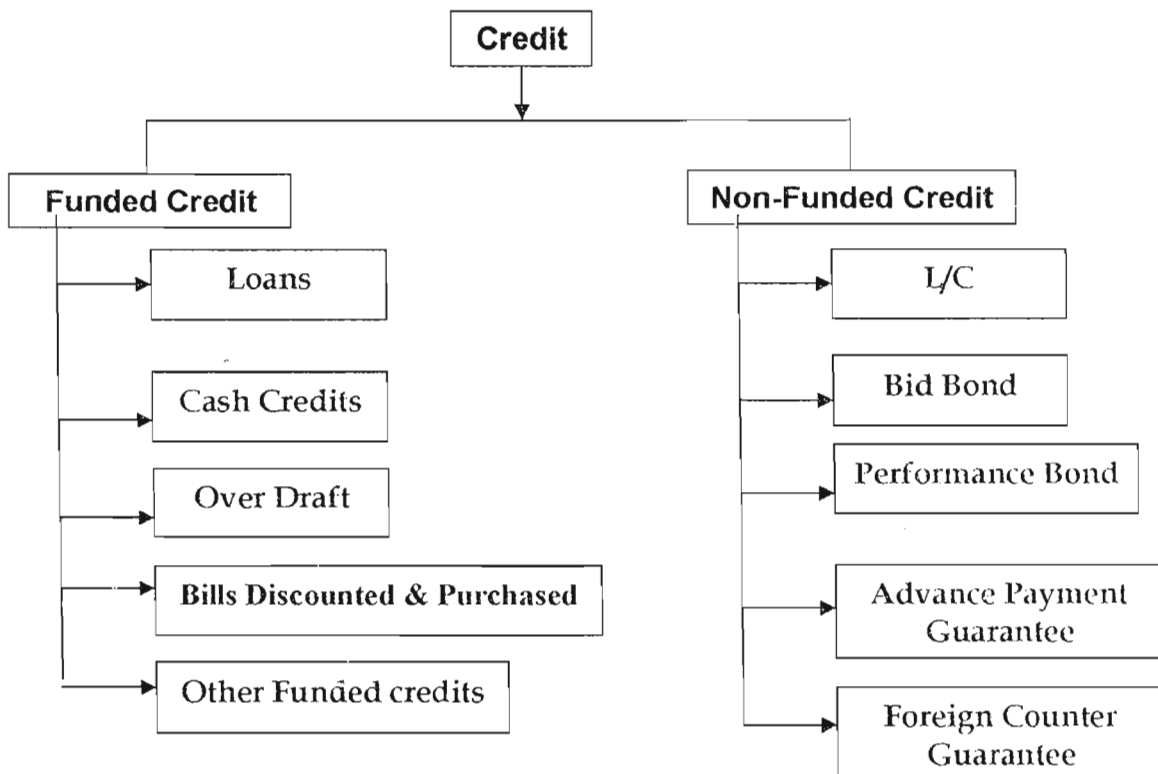
### 3.3. Credit facilities provided by Dhaka Bank Ltd.:

The word credit comes from the Latin word Credo meaning “I believe” It is a lenders trust in a person/firm/company’s ability or potential ability to command goods or service of another in return for promise to pay loans and advances has always been prominent profitable function of bank. Sanctioning credit to customer and other out of the fund at its disposals is one of the principal services of a modern bank. Like other Commercial Banks DhakaBank Limited offers different modes of credit to its customers. Such as loans Overdraft, cash credit bills purchased and discount rate etc.

#### 3.3.1. Types of credit facilities extended by Dhaka Bank Limited:

The credit facilities extended by Dhaka Bank Limited can be divided in to two ways.

Figure # 04: Types of Credits offered by Dhaka Bank Limited





### **3.3.2. Detailed Operation mechanism of Credits, offered by Dhaka Bank Ltd.**

#### **3.3.2. (A) Funded credit:**

❖ **Loan:**

When an advance is made in a lump sum repayable either in fixed monthly installment or in lump sum and no subsequent debit is ordinarily allowed except by way of interest, incidental charges, etc. it is called a loan. Loan is allowed for a single purpose where the entire amount may be required at a time or in a number of installments within a period of short span. Loans are normally allowed to those parties who have either fixed source of income or who desire to pay it in lump sum.

Disbursement of loans are be made after completion of all formalities. And the bank reserve the right to cancel or amend the terms and conditions partly or wholly at is direction without assigning any reason whatsoever. When the principal debtor defaults in fulfilling this obligation or promise, liability bestow on guarantor. Dhaka bank offers to its customers a huge line of loans, they are: Consumer loans, commercial lending, Demand loans, term loan, etc.

❖ **Cash Credit (Hypo):**

Cash credit allowed against hypothecation of goods is known as Cash credit (Hypo) limit. In case of cash credit hypothecation the ownership and possession of the goods remain with the borrower. By virtue of the hypothecation agreement the bank can take possession of the goods hypothecated, if the borrower defaults. It is a continuous credit it allowed under two categories: Commercial lending and Working capital.

❖ **Cash Credit (Pledge):**

Cash credit allowed against pledge of goods is known as Cash credit (Pledge) limit. In case of Cash Credit (Pledge) limit, the borrower pledge his goods to the banker as a security against the credit facility. Banks retain the effective control of the pledge goods and pledge goods may be stored in go-down of the borrower but under lock and key of the bank.

❖ **Over draft (OD):**

When a current account holder is permitted by the bank to draw more than what stands to his credit, such an advance is called an overdraft. It is one kind of short-term loan. The banker may take some collateral security or may grant such advance on the personal security like Fixed Deposit in local or foreign currency held with the bank, Sanchaypatra or any other saving instruments/ bonds issued by the Government of Bangladesh, Shares of listed companies, etc. of the borrower. Account holder can avail a credit limit up to 90% of the borrower deposits. Dhaka Bank Limited has given this overdraft facility to its clients at a very competitive interest rate.

❖ **LTR (Loan against Trust receipt):**

Dhaka Bank Limited has given facility of L.T.R under this agreement, credit is allowed against trust receipt and the exportable goods remain in the custody of the exporter but he is required to execute a stamped export trust receipt in favor of the bank. Where in a declaration is made that he holds goods purchased with financial assistance of bank is trust for the Bank. Disbursement of LRT is made after completion of all formalities as per sanction terms. Suppliers credit report has to be obtained before opening of L/C's the customers maintain effective and constant supervise and follow up to ensure timely adjustment of the loan to avoid overdue.

❖ **Payment against Document (PAD):**

Payment made by the bank against lodgment of shipping documents of goods import through LC falls under this type head. It is an interim type of advance connected with import and is generally liquidated shortly against payment usually made by a third party for retirements of documents for release of import goods from the customer authority.

❖ **Bills Discounted:**

Dhaka Bank allows advances to the clients by discounting bill of exchange/ pro.note, which matures after a fixed tenure. In this method, the bank calculates and realizes the interest at a prefixed rate and credit the amount after deducting the interest from the amount of instrument.

❖ **Bills Purchased:**

Dhaka bank also makes advances by purchaseing bills, instead of discounting, which are accompanied by documents of tile of goods such as Bill of Lading or Railway receipt, etc. In this case the bank becomes the purchaser/ owner of such bill which are treated as security for the advance. This is allowed primarily relying on the credit worthiness of the client.

**3.3.2. (B) Non- funded Credit:**

❖ **Advances on letter of Guarantee:**

A letter of guarantee has a special significant in the business of banking as a means to ensure safety of funds lend to the customers. In case, the borrower is unable to provide the security of tangible assets or, the value of the assets falls below the amount of the loans and the borrower's personal security is not considered sufficient, an additional security is sought by the banker in the form of a guarantee given by a third person. Bank charges 0.30% to 0.90% commission for issuance of a

bank guarantee. This is another income source for the bank. Different types of bank guarantee are:

- a. Bid bond guarantee;
- b. Performance Guarantee;
- c. Advance payment Guarantee;
- d. Shipping Guarantee;
- e. Investment bank Guarantee;
- f. Guarantee on Account of Foreign Correspondent.

### **3.3.3 International Trade and Foreign Exchange of Dhaka Bank Limited:**

International trade forms the major business activity undertaken by Dhaka Bank Ltd. The bank with its worldwide network of correspondents and close relationship with key financial institutions provides an extensive trade services network to handle customer's transaction efficiently. The trade finance activity at Dhaka Bank is the main banking activities done under credit division. It offers a complete range of trade finance services. The professionals work day and night to develop solutions tailored to meet customer requirements through mobilizing the full range of trade services locally, and drawing global resources. Trade finance of Dhaka Bank Ltd consists of three sections, which are: Export, Import and Foreign Remittance section.

#### **3.3.3(A) International Trade Finance of Dhaka Bank Ltd.:**

Dhaka bank offers client professional advice on all aspect of international trade requirement name:

##### **❖ Documentary Credits:**

Having a worldwide network of correspondents and a team of experienced trade professionals, Dhaka bank Ltd is uniquely poised to establish Documentary Credits in most Currencies and can provide for drawing at sight or at a term to suit his/her financing requirements. The bank also deals with confirmation of Documentary credit, all types of Export letters of credits. SWIFT is used for all their documentary credit operations.

##### **❖ Forward Exchange Cover:**

The bank can arrange forward exchange cover to provide protection against fluctuation in exchange rates. Supported by returns dealing system, their FOREX

dealers are able to provide to client the most competitive solution for his/her foreign exchange requirements.

❖ **Pre-Shipment and Post-Shipment Finance:**

The terms of payment desired by the importer/exported may differ at times. Dhaka bank can tailor provision of finance to suit the importers needs. Pre-shipments Finance can be made for export of goods for the period between receipt of orders and the time between the shipment date and the receipt of payment. These forms of finance preserve the importers and exporters working capital.

❖ **Negotiation/Purchase or Discounting of Bills:**

Dhaka bank offers negotiation, purchasing or advancing funds against shipping documents drawn on the overseas buyer and crediting the exporter immediately with the proceeds, less bank charges and interests. The exporter has the opinion of receiving the proceeds in local currency or in the currency of the bill of exchange. If shipment is being effected under a Documentary Credit calling for a term or sight bill of exchange with charges for account of the beneficiary. Dhaka Bank Ltd, upon request, will discount the Bill of Exchange and credit the exporter immediately, provided documents presented are in strict compliance with all stipulated terms and conditions of the Documentary Credit.

❖ **Bills for Collection:**

Dhaka Bank arranges the forwarding of documents on his/her behalf and collection of proceeds being received following payment by the overseas party.

❖ **Insurance Cover:**

Their trade professional assist customers to satisfy that the goods have been insured to cover all the risks involved. This is a complimentary service provided by Dhaka Bank's Trade Team.

Dhaka Bank Ltd. makes every effort to ensure that client's trade Flows are efficiently transacted, well managed and securely financed. Their trade solutions are customized to meet his/her trade demands with full satisfaction.

### **3.3.3(B) Foreign Remittance /Foreign Exchange Transaction:**

Foreign remittance means remittance of foreign currency from one place/ person to another place/person. In broader scene, foreign remittance includes all sale and purchase of foreign currencies on account of import, export, travel and other purposes. However, especially Foreign Remittance means sales and purchase of foreign currencies for the purposes other than export and import. All foreign remittance transactions are grouped in to two broad categories- Outward Remittance & Inward Remittance. Foreign transaction are executed not only through T.T., M.T., Drafts, Traveller's Cheque but also include payment again importers into Bangladesh & Local currency credited to Non-Resident Taka account of Foreign Banks or convertible taka account. These transactions are specially designed for the people want to study abroad, traveling purpose, medical treatment in abroad. Dhaka Bank Ltd also provides the facility to its customers using International Credit Card.

# **Chapter 4**

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## **An Appraisal of the Financial Performance of Dhaka Bank Limited**



#### **4. DHAKA BANK LIMITED: FINANCIAL PERFORMANCE**

Dhaka Bank Ltd. is a high performing private sector bank, which further consolidated its position in the market in terms of quality services to the customer and value addition for the shareholders. The bank made satisfactory progress in all areas of business operation in 2005. Like other banks, Dhaka Bank contributes to the country's annual development program in different grounds by extending its helping hands.

I have furnished below the sector wise financial performance of Dhaka Bank Limited of last five years from the year 2001 to year 2005.

**Table # 02: Five years financial highlights**

(Figures in million Taka)

		2000	2001	2002	2003	2004	2005
01	Authorized Capital	1,000	1,000	1,000	1,000	1,000	2650
02	Paid up Capital	276	303	379	531	664	1228
03	Reserve Funds & Other Reserve	171	358	516	679	824	988
04	Shareholder's Equity (Capital & Reserve)	447	661	895	1,210	1,488	2216
05	Deposits (Base & Bank)	10,749	17,706	16,854	18,366	25,700	29019
06	Advances	5,415	10,246	11,211	12,887	16,539	23372
07	Investments	814	1,274	1950	2,046	3,078	3926
08	Import Business	13,828	17,649	18,697	19,079	28,048	30213
09	Export Business	6,494	6,182	6,110	6,901	8,881	13505
10	Guarantee	888	2,123	1,579	1,516	3,663	6099
11	Inward Foreign Remittance	-	752	762	878	1110	3377
12	Total Income	1,203	1,926	2,385	2,283	2,659	3,636
13	Total Expenditure	948	1,472	1,955	1,774	1,912	2,743
14	Operating Profit	331	562	628	633	852	909
15	Profit before Tax	256	453	430	510	633	768
16	Profit after Tax	173	290	234	269	358	463
17	Fixed Assets	22	33	106	87	125	122
18	Total Assets (excluding Contra)	11,646	19,125	19,104	20,816	28,178	33,072
19	Number of Branches	14	17	18	20	23	29
20	Number of Employees	406	495	532	568	613	688
21	Earning per Share (Tk.)	62.77	106.04	69.89	52.86	60.57	44
22	Book Value per share (Tk.)	161.88	217.86	236.05	227.83	224.13	180
23	Market Price per share (Tk.)	218.25	414.75	264.00	251.25	850.00	469
24	Price Earning Ratio (Times)	3.48	3.91	3.78	4.75	14.03	10.66
25	Price Equity Ratio (Times)	1.35	1.90	1.12	1.10	3.79	2.60
26	Current Ratio (Times)	1.24	1.17	1.42	1.54	1.60	1.33
27	Dividend per Share (%): Cash Dividend (%) Bonus Share	25 1:10	25 1:4	20 -	15 1:4	10 7:20	20 1:20
28	Return on Equity (ROE) %	38.77	43.92	26.17	22.23	24.03	20.89
29	Return on Assets (ROA) %	1.49	1.52	1.23	1.29	1.27	1.40
30	Non-performing loans as % of advances	1.72	1.19	2.48	3.26	1.65	1.51
31	Volume of Non-performing loans	93.16	118.75	267.86	419.95	271.40	351
32	Amount of provision against classified loans	51.39	52.79	201.95	162.93	75.84	103
33	Amount of provision against unclassified loans	52.95	100.80	108.96	125.13	161.82	236
34	Advance Deposit Ratio (%)	50.37	57.87	66.52	70.17	64.35	80.54

Here I have furnished some important financial data of Dhaka Bank Limited from the year 2000 to 2005 and have tried to show the changes using the year 2000 as a base year. Here I have tried to analyze how the changes occur during the passage of time.

**Table # 03: Financial highlights using a base year (2000)**

Particulars	2000	2001	2002	2003	2004	2005
Authorized Capital	100	100	100	100	100	265
Paid Up Capital	100	109.83	137.32	240.58	240.68	445.12
Total Reserve	100	209.69	301.75	481.87	482.63	578.69
Shareholder's Equity	100	148.00	200.22	332.89	333.18	496.18
Deposits	100	164.72	156.8	239.09	236.25	269.96
Advances	100	193.63	207.04	305.43	312.56	441.70
Investments	100	156.56	239.56	378.13	378.26	482.47
Import	100	127.63	135.21	202.83	202.84	218.49
Export	100	95.21	94.09	136.76	136.76	207.96
Guarantee	100	239.13	177.82	412.5	412.59	686.98
Total Income	100	159.98	198.25	221.03	220.98	302.17
Total Expenditure	100	147.74	206.22	201.69	201.76	289.46
Operating Profit	100	169.92	189.73	257.4	242.48	274.83
Profit After Tax	100	167.47	135.26	206.94	206.73	267.37
Fixed Asset	100	151.03	481.82	268.18	572.08	558.35
Total Assets	100	164.21	164.04	241.95	241.95	283.97

From the above table, we can see that Dhaka Bank is gradually improving all sectors by improving its service standards and professional attitude from the year 2000 to 2005. Dhaka Bank successfully reached its aim of profit maximization as well as wealth maximization. All these growths contributed to its operating profit to stand at 274.83 (2005) from 242.48 (in 2004). The growth, profits in particular was achieved notwithstanding the drop in the interest margin but due to the prudent management of Asset & Liabilities and hard work of the bank's Executives and officers.

#### 4.1. Profit of Dhaka Bank Limited:

Dhaka Bank Limited registered and operating profit of Tk 909 million in 2005 compared to Tk 802 million in 2004. After all provision including 1% general provision on unclassified loans Profit before tax stood at Tk 768 million. Provision for tax for the year amounted to Tk 305 million with a net profit of Tk 463 million compared to the previous years Tk 358 million. Earning par share (EPS) was Tk 43.99 in 2005, compared to tk. 60.57 in 2004. Decreasing in EPS was due to issuance of Right Share enhancing the capital base of the bank. Its return on asset (ROA) was 1.40% in 2005, which might be considered quite satisfactory.

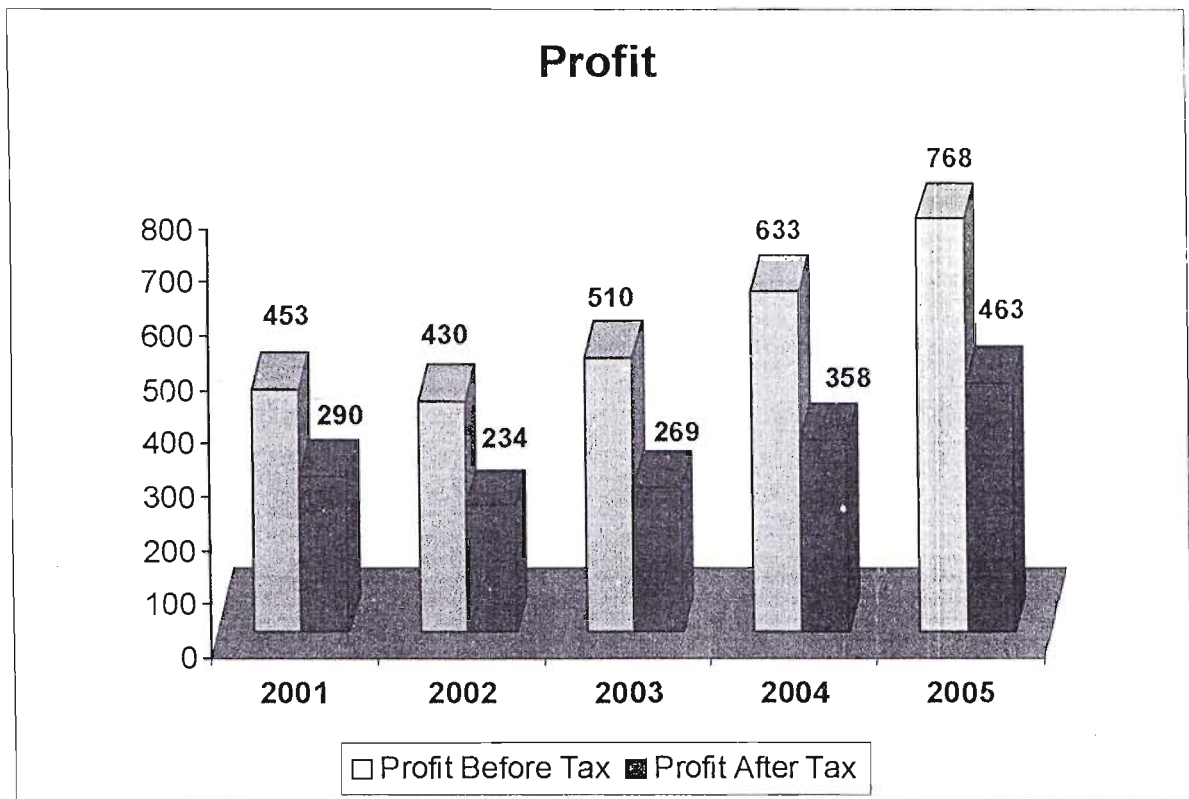


Chart # 03: Profit of Dhaka Bank Limited

## 4.2. Capital of Dhaka Bank Limited:

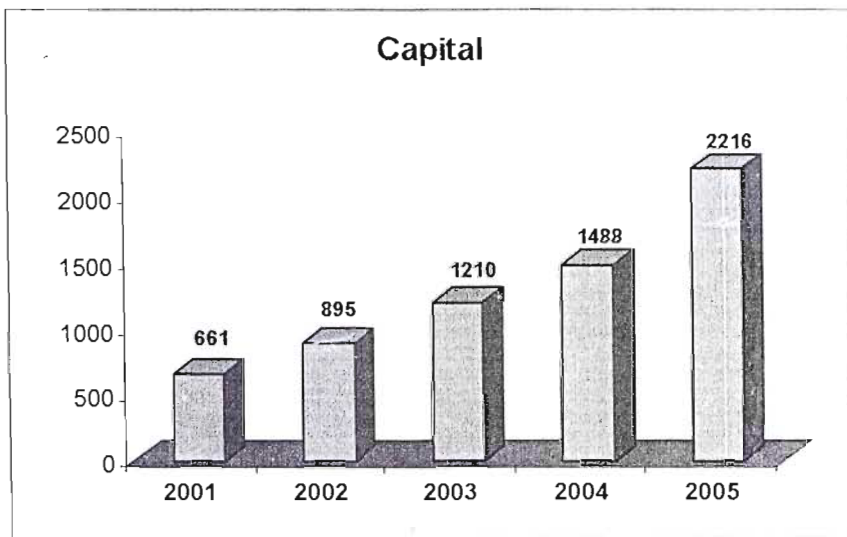
Dhaka Bank Limited commenced its operation on July 05, 1995 as a private sector bank with an authorized capital of Tk 1000.00 million and paid up capital of taka 100.00 million.

**Table # 04: Capital of Dhaka Bank Limited**

CAPITAL/SHAREHOLDERS' EQUITY	2001	2002	2003	2004	2005
<b>Paid-up capital</b>	303	379	531	664	1228
<b>Share premium account</b>	Nil	89	89	Nil	Nil
<b>Statutory reserve</b>	132	290	394	521	674
<b>Other reserve</b>	69	29	31	72	4.6
<b>Surplus in profit &amp; loss account</b>	157	108	165	231	309
<b>Total</b>	661	895	1210	1488	2216
<b>Growth Rate</b>	-	35.40%	35.20%	22.98%	48.92%

(in million)

The capital adequacy ratio was 11% (of which core capital was 9.47% against minimum standard of 4.50%) as on December 31, 2005, which exceeds the stipulated requirement for banks in Bangladesh. The growth rate of capital is quite satisfactory level, which has reached 48.92% in the year 2005 as compared to the capital of 2004.



**Chart # 04 Capital of Dhaka Bank Limited**

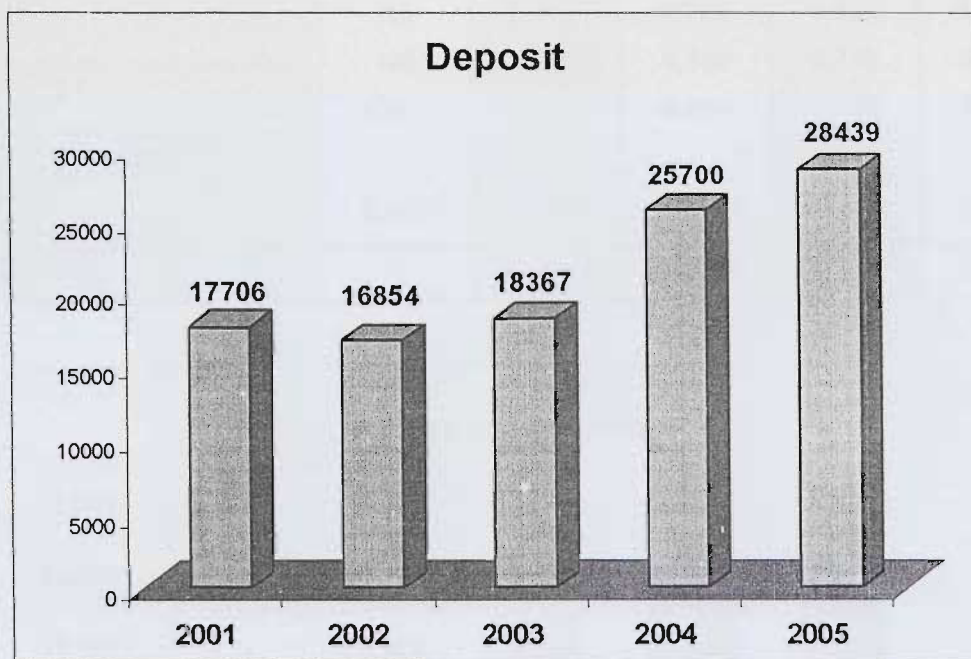
### 4.3. Deposits of Dhaka Bank Limited:

As of December 31, 2005 total deposits of the bank stood at Tk 28,439 million excluding call overnight against Tk 22270 million of the previous year registering a 28% growth. At the same time, strict compliance of central bank regulation and adherence to Money Laundering Prevention Act 2002 were ensured.

**Table # 05: Deposits of Dhaka Bank Limited**

Deposits	2001	2002	2003	2004	2005
<b>Total Deposit</b>	<b>17706</b>	<b>16854</b>	<b>18367</b>	<b>25700</b>	<b>28439</b>
<b>Growth Rate</b>	-	<b>-4.81%</b>	<b>8.98%</b>	<b>39.92%</b>	<b>10.66%</b>

(In million taka)



**Chart # 05: Deposits of Dhaka Bank Limited**

In the Chart and the Table shown above, it is visible that from the year 2001 to 2002 the deposit had been decreased by 4.81%. But in the year 2003 to 2005 the amount had been increased rapidly. In the year 2005, the total deposit of Dhaka Bank Limited has reached 28,439 million taka, which is 10.66% more from the year 2004.

#### 4.4. Loans & Advances of Dhaka Bank Limited:

With a view to improve the quality and soundness of Loan portfolio, the bank arranges more strict procedure for risk assessment, lending decisions and monitoring functions at the time of granting Loans and Advances. The emphasis on maintaining the quality of assets has rendered a diversified and well-structured advances portfolio. I have furnished below the loan and advances position of Dhaka Bank Limited to comparison its progress for last five years.

Table # 06: Loans And Advances of Dhaka Bank Limited

		(in million)				
Loans and Advances		2001	2002	2003	2004	2005
Overdrafts		1,383	2,009	2,659	3,167	5,535
Cash Credits		1,040	784	741	1,192	1,697
Term loans		Nil	2,685	2,778	3,332	6,226
Loan Against Trust Receipt		Nil	3,206	4,158	5,730	5,226
Others		7,521	2,528	2,551	3,118	4,688
<b>Total</b>		<b>9,944</b>	<b>11,212</b>	<b>12,887</b>	<b>16,539</b>	<b>23,372</b>
<b>Growth Rate</b>		-	12.75%	14.94%	28.34%	41.31%

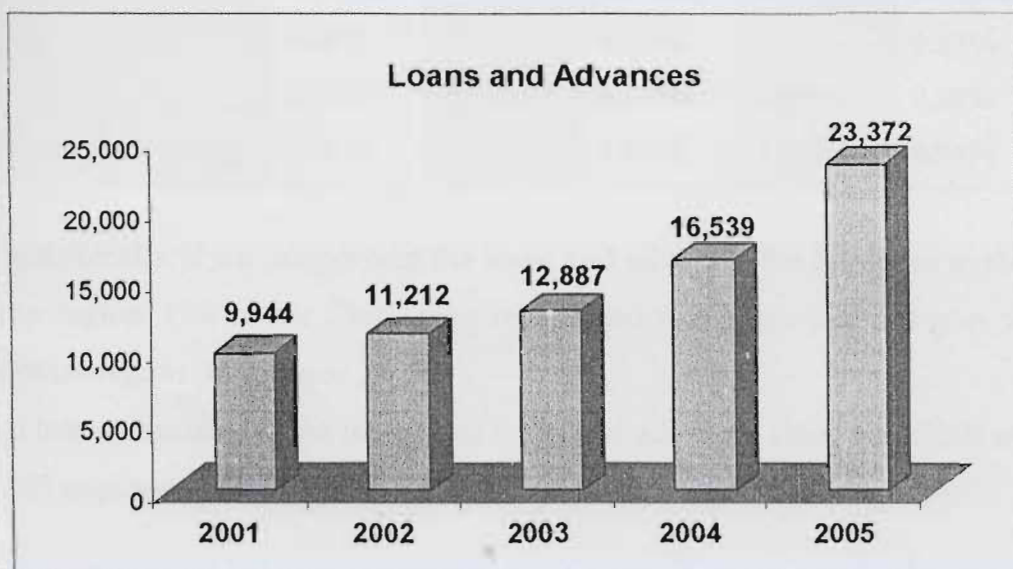


Chart # 05: Loans And Advances of Dhaka Bank Limited

Here it can be observed from the chart that the bank's growth of its loans and advances has been increased day by day and it recorded 41.31% growth from the year 2004 to 2005. Dhaka bank Limited extended its credit in this sector- Agriculture, pharmaceuticals, textiles & garments, chemical industries, Food & allied, transport & communications industries, electronics & automobiles industries, housing & constructions industries, engineering & metals industries, energy & power industries, services industries and many other industries. But most of the portion goes into Textiles & garments (3,345 million), housing and construction (2,666 million), and Engineering Industries (1,121 million) during the year 2005.

On the other hand percentage of classified loans has been reduced to 1.5% from 1.64% of total loans and advances. After the year 2001, the percentage of unclassified loan has been increased till 2005, which is 98.50% of total loans and advances. It is possible because of the efficiency of the Dhaka Bank's officers and their keen efforts.

**Table # 07: Loan Classification of Dhaka Bank Limited**

Loans Classification	2001	2002	2003	2004	2005
<b>Unclassified</b>	<b>98.80%</b>	<b>97.61%</b>	<b>96.74%</b>	<b>98.36%</b>	<b>98.50%</b>
<b>Sub-standard</b>	<b>0.42%</b>	<b>0.12%</b>	<b>1.54%</b>	<b>0.34%</b>	<b>0.37%</b>
<b>Doubtful</b>	<b>0.25%</b>	<b>0.03%</b>	<b>0.13%</b>	<b>0.09%</b>	<b>0.20%</b>
<b>Bad or loss</b>	<b>0.52%</b>	<b>2.25%</b>	<b>1.60%</b>	<b>1.21%</b>	<b>0.94%</b>

Geographically, if we categorized the loans and advances the 79% goes to the Dhaka Urban region, 19% to the Chittagong region and rest of the amount goes to Sylhet and other region (in the year 2005).

Total interest income of the bank from loans and advances stood at tk.2598 million in 2005 registering a 44% growth over the previous year.



#### 4.5. International Trade of Dhaka Bank Limited:

In the year 2005 Dhaka Bank Limited remains highly active in the arena of international trade financed by offering a board spectrum of services namely, Issuance of Documentary Credit, Advising of Export L/Cs, Purchase and negotiation of export bills, Documentary collections, pre-shipment and post-shipment financed, Remittance Disbursement Activities etc.

##### 4.5.1. Import:

In the year 2005, Dhaka Bank saw a robust growth of import business, which stood at Tk 30213 million, compared to 2003's volume of Tk 28048 million marking an increase of 45.5% from last year. The major import items of the year were: Scarp Vessel, Hot rolled non-Alloy Steel, HDPE, Raw cotton, Fabrics and Accessories, Fertilizers and Edible oil/Oil Seeds, etc.

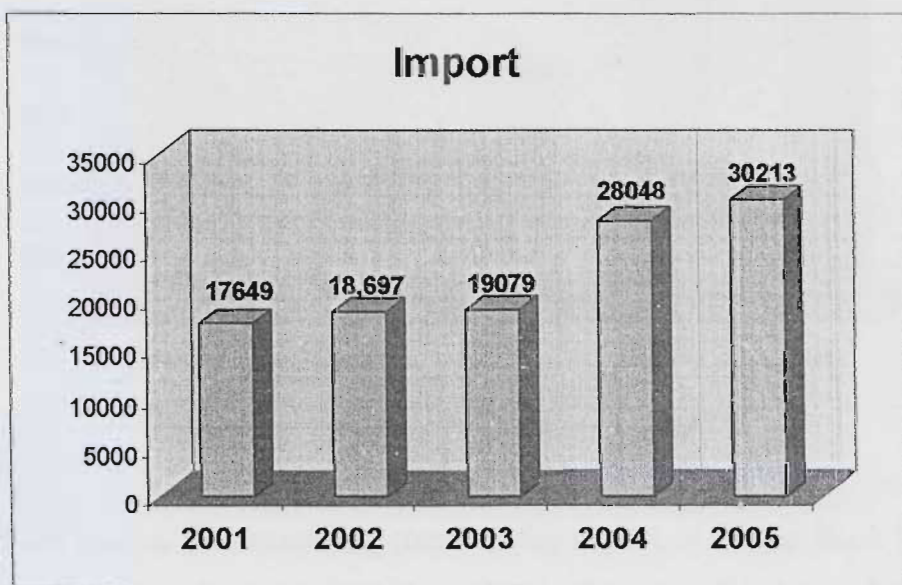


Chart # 07: Import of Dhaka Bank Limited

The composition of imports by end user is petroleum products(11.7%), other intermediary goods (33.8%), capital goods (21.3%), food grains (4.7%), other food items (8.3%), and iron, steel and other base metals (4.8%) in the year 2005.

**4.5.2.Export:**

Dhaka Bank experienced sound growth of export business in 2005 from 2004. The volume of export business rose Tk 13505 million from Tk 8881 million in 2004 showing an increase of around 52%. As before, Ready Made Garments still remained in the major export item of 2005 constituting more than 90% , The other export items were jute, accessories (buttons, interlinings, labels etc.) and footwear etc.

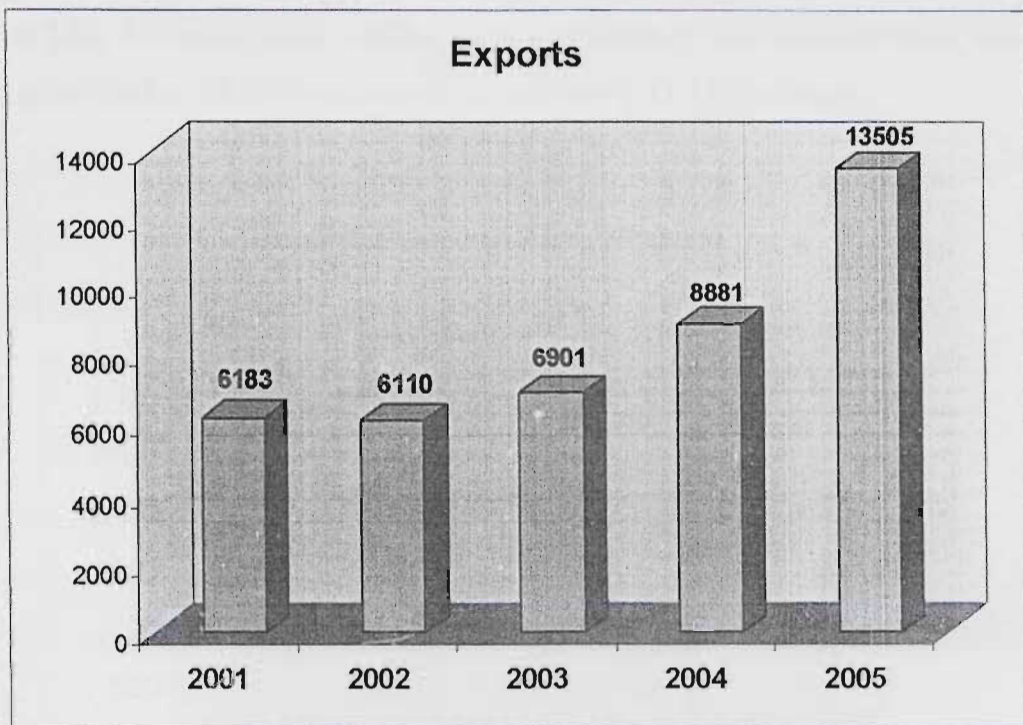


Chart # 08: Export of Dhaka Bank Limited

As the chart shows, the increasing trend of the export of Dhaka Bank has existing with its high growth. In the year 2004 to 2005, in the export business its growth rate is 52.07%. and it assumes that the increasing trend will be remain in the coming year 2006.

### 4.5.3. Inward Foreign Remittance:

Dhaka Bank has been a successful year in 2005 in terms of expansion of its remittance business with its foreign correspondents and exchange houses. Dhaka Bank made agency / money transfer arrangements with NENO LLC., USA, National Exchange Company, and Italy, Placid NK Corporation of USA. With the Agreement with Travelex and UAE Exchange, which is expected to materialize in year 2006, Dhaka Bank will be able to secure the foreign remittances from Europe, USA, Middle East, UK and Japan. Dhaka bank's remittance volume increased at a huge amount by 204% to Tk 3377 million from last year's Tk 1110 million.

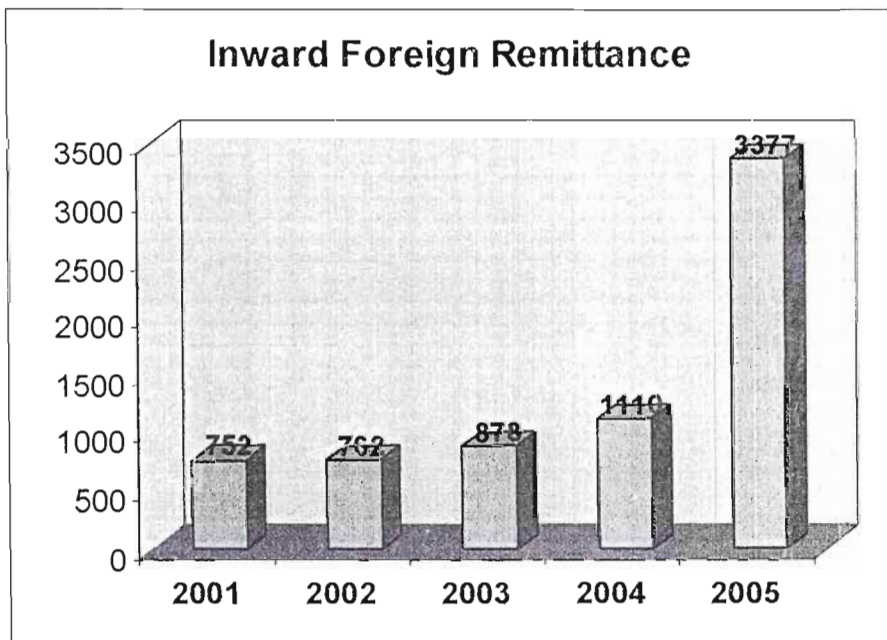


Chart # 09: Inward Remittance of Dhaka Bank Limited

#### 4.6. Investments of Dhaka Bank Limited:

Capital market operation besides investment in Treasury Bills, Prize Bonds and other Government Securities constitute the investment basket of Dhaka Bank Limited. Interest rate cut on bank deposits and government savings instruments has contributed to significant surge on the stock markets, which creates opportunities for the bank in terms of Capital Market Operations. The investment portfolio of the bank of government securities and shares and debentures of different listed companies stood at Tk 3926 million as on December 31, 2005 indexing a 28% increase over Tk 3078 million in the previous year.

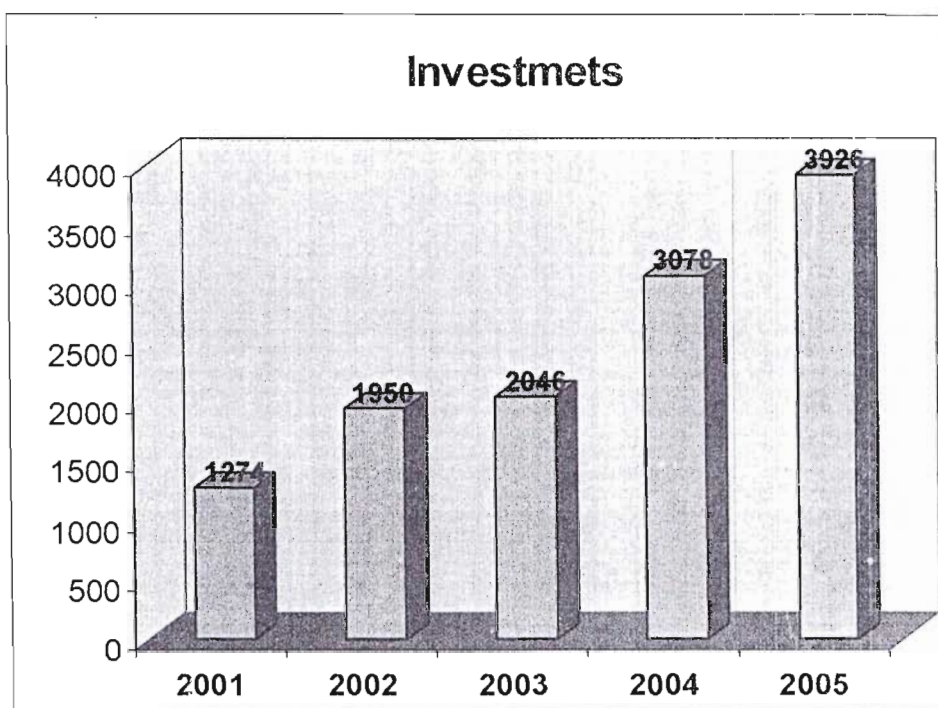


Chart # 10: Investment of Dhaka Bank Limited

From the chart it is shown that the growth of investment has been increasing day by day. From the 2003 to 2004 the growth had been increased dramatically by 50.44%. But in 2005 the amount of investment has been increased by 27.55% but not as the year 2004.

### 4.7. Capital Structure of Dhaka Bank Limited

It means how Dhaka Bank finances its capital, how much from equity capital and how much from debt capital. Higher amount finance by equity capital reduces the risk but increases the cost of fund but higher use of debt capital increases the risk as well as it cost effective and also tax -deductible item.

Table# 08: Capital Structure of Dhaka Bank Limited

Ratio	2001	2002	2003	2004	2005
<b>D/E Ratio</b>	<b>27.93</b>	<b>20.34</b>	<b>18.63</b>	<b>17.94</b>	<b>13.92</b>
<b>Growth Rate</b>	-	-27.17	-8.43	-3.72	-22.37

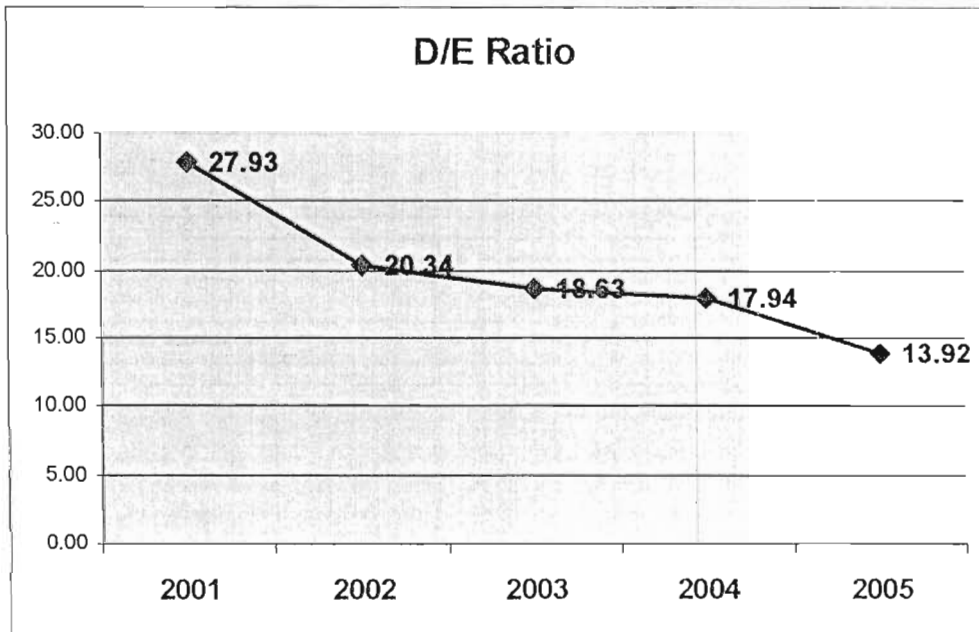


Chart # 11: Capital Structure of Dhaka Bank Limited

From the chart and graph, we can observe that the Debt to Equity ratio has been decreasing day by day. It indicates Dhaka Bank uses more equity as compared to its debt portion at the time of doing capital structure of the bank. Using more equity as compared to debt reduces the risk of the bank.

#### 4.8. Return On Equity (ROE) of Dhaka Bank Limited:

Return on Equity is a financial ratio, which helps to analyze an organization's performance. it measure the return to the firm's shareholders after deducting the returns paid to the creditors. Higher the ratio indicates better profitability earned by the shareholders.

Table # 09: ROE of Dhaka Bank Limited

Particulars	2001	2002	2003	2004	2005
<b>ROE (%)</b>	43.92	26.17	22.23	24.03	20.89
<b>Growth Rate (%)</b>	-	-40.41%	-15.06%	8.10%	-13.07%

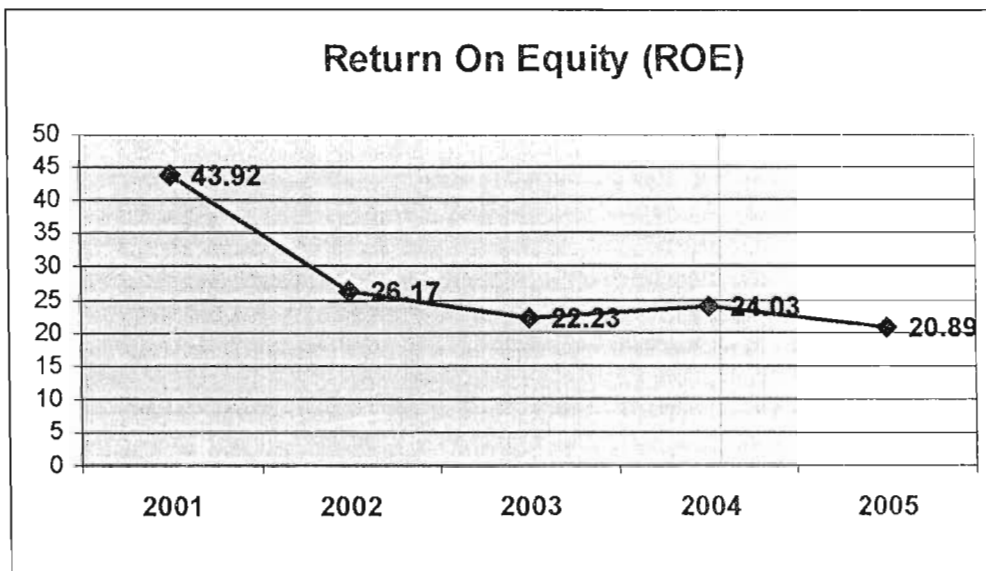


Chart # 12: ROE of Dhaka Bank Limited

Analyzing the chart and graph, we could say that the ROE of Dhaka Bank has been decreasing up to the year 2003. But in the year 2004 the ROE started to increase at the growth rate of 8.10%. Again the ratio declined in the year 2005 and the declining rate is 13.07% as compared to the previous year. This is occurred because of the equity portion of Dhaka Bank increased higher than the Net income of DBL of the specific year.

#### 4.9. Return On Asset (ROA) of Dhaka Bank Limited:

ROA measure the management's ability and efficiency in using the firm's asset to generate operating profit, It also reports the total return accruing to all providers of capital (Debt & Equity).

Table # 10: ROA of Dhaka Bank Limited

Particulars	2001	2002	2003	2004	2005
ROA (%)	1.52	1.23	1.29	1.27	1.4
Growth Rate (%)	-	-19.08%	4.88%	-1.55%	10.24%

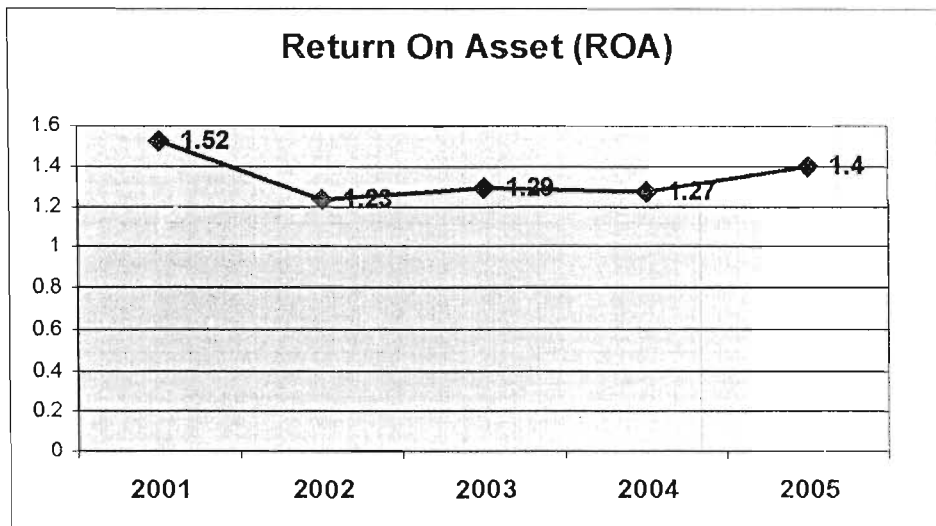


Chart # 13: ROA of Dhaka Bank Limited

Observing the chart and the graph, we can say that, the ROA of last five years of DBL is not very stable stage. At 2002, its ROA had declines at 19.08%. In the year 2005, its ROA has increases at 10.24% and reached at the ROA of 1.4% which means its efficiency in utilizing the assets has been increased from the previous year (2004).

#### 4.10. Return On Investment (ROI) of Dhaka Bank Limited:

Return on Investment is a financial ratio, which helps to analyze an organization's performance. It measures the management's ability and efficiency in using the firm's investment to generate net income. Higher the ration indicates the better performance of the organization.

Table # 11: ROI of Dhaka Bank Limited

Particulars	2001	2002	2003	2004	2005
ROI (%)	22.76	12.00	13.15	11.63	11.79
Growth Rate (%)	-	-47.28%	9.56%	-11.54%	1.39%

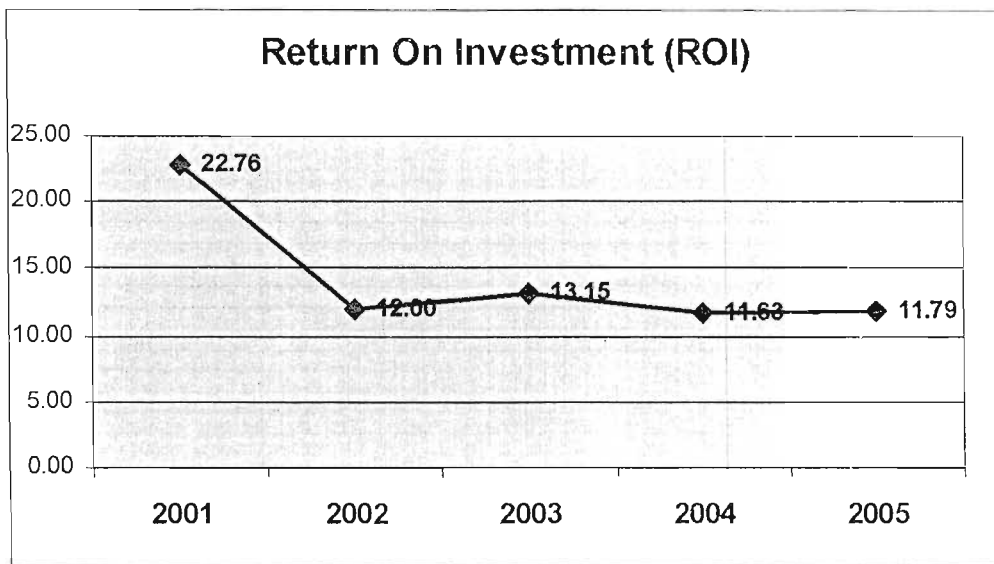


Table # 14: ROI of Dhaka Bank Limited

Observing above the chart and the graph we can easily determine that the ROI of Dhaka Bank had fluctuated over time. Because the increase in investments was not as much as the increase in income. But in the year 2005, the ROI increased at 1.39% and stood at 11.79% as compared to the year 2004.



#### 4.11.P/E Ratio of Dhaka Bank Limited:

Price earning ratio measures the ratio of the market price per share to earning per share. It provides rate of return that an investor can get by investing in a particular share.

Table # 12: P/E Ratio of Dhaka Bank Limited

Particulars	2001	2002	2003	2004	2005
<b>P/E ratio (%)</b>	<b>3.91</b>	<b>3.78</b>	<b>4.75</b>	<b>14.03</b>	<b>10.66</b>
<b>Growth Rate (%)</b>	-	<b>-3.32%</b>	<b>25.66%</b>	<b>195.37%</b>	<b>-24.02%</b>

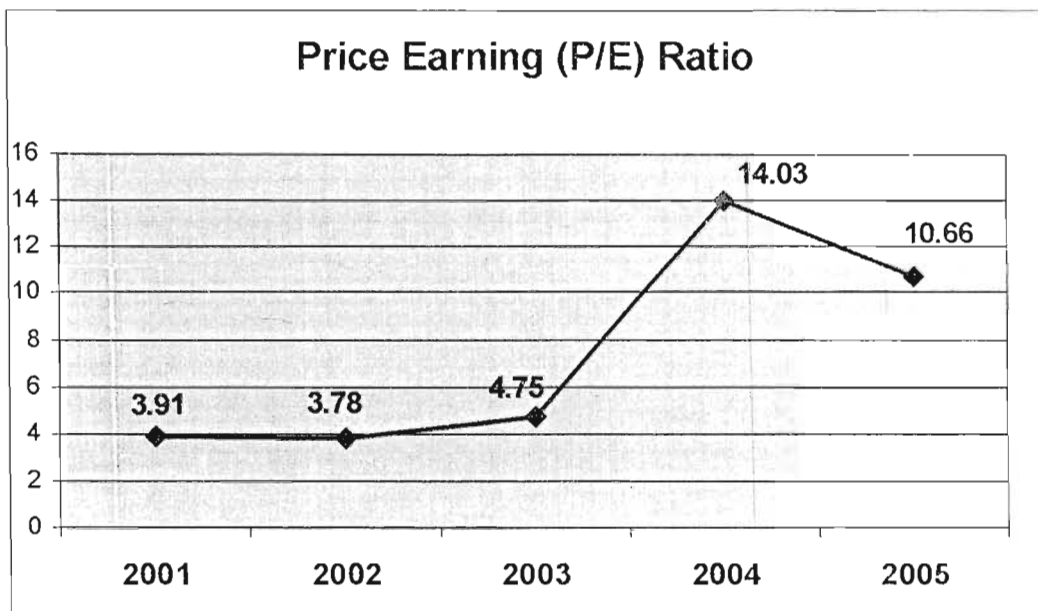


Chart # 15: P/E Ratio of Dhaka Bank Limited

From the Chart and graph shown above, we can observe that in the year 2004, the P/E ratio had increased dramatically at 195.37% in the year 2004 from the year 2003, because of the drastic increase in the market price of Dhaka Bank. But in 2005, the P/E ratio has declined into 10.66% which is 24.02% lesser than that of the previous year. This is happened because of decrease in both the market price and the EPS of Dhaka Bank.

#### 4.12. Earning Per Share (EPS) of Dhaka Bank Limited:

Earning per Share (EPS) means the amount that a shareholder received per share from after-tax net income of a company. It is the value that a shareholder received for holding each share for one year and investing money in the company.

Table # 13: EPS of Dhaka Bank Limited

Particulars	2001	2002	2003	2004	2005
EPS (Taka)	106	70	53	61	44
Growth Rate (%)	-	-33.96%	-24.29%	15.09%	-27.87%

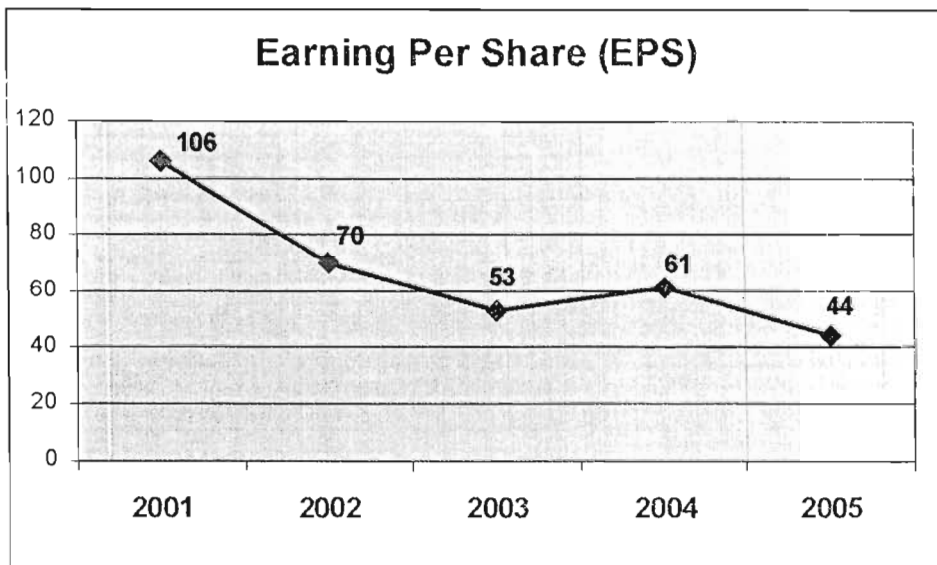


Chart # 16: EPS of Dhaka Bank Limited

From the Chart and the graph we can see that the EPS of Dhaka Bank Limited is not *satisfactory at all because of the decline in the EPS trend. In the year 2004, it increased a bit (Taka 61) but again in the year 2005, the EPS declines at Taka 44 and the decline rate was 27.87%. The analyst of Dhaka bank explained it. According to them, EPS is declines because Dhaka Bank Limited has issued right shares so that the number of shares increased. But it cannot be the appropriate reason, the bank failed to make the efficient use of the investments. So, only observing the EPS trend is not the only determinant of measuring the bank's performance.*

### 4.13. Market Price Per Share of Dhaka Bank Limited:

It means at what price the shares of Dhaka Bank Limited are sold in the secondary market to the potential buyer.

Table # 14: Market Price Per Share of Dhaka Bank Limited

Particulars	2001	2002	2003	2004	2005
<b>Market price Per Share (Taka)</b>	<b>415</b>	<b>264</b>	<b>251</b>	<b>850</b>	<b>469</b>
<b>Growth Rate (%)</b>	<b>-</b>	<b>-36.39%</b>	<b>-4.92%</b>	<b>238.65%</b>	<b>-44.82%</b>

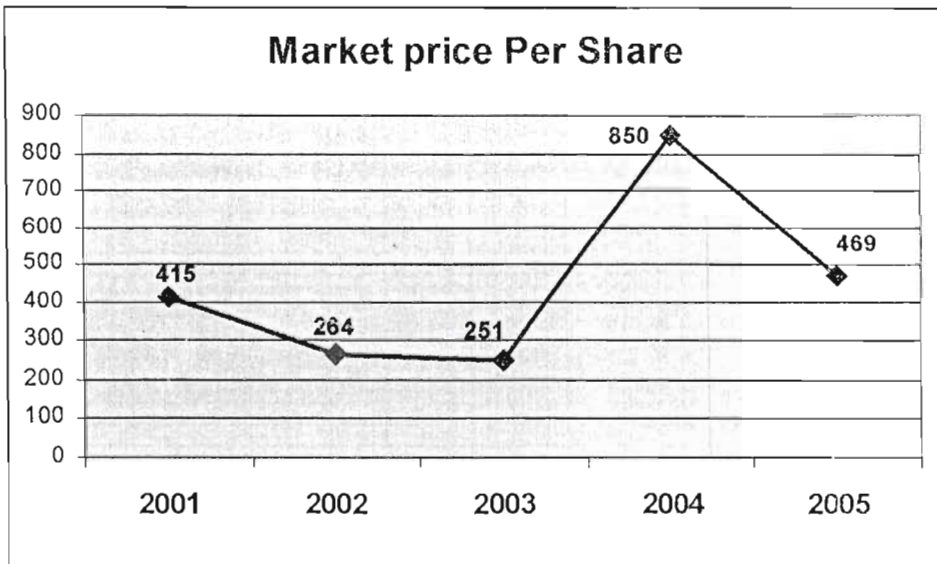


Chart # 17: Market Price Per Share of Dhaka Bank Limited

Analyzing the graph and chart it can be said that the market price of Dhaka Bank had been fluctuating over time because there is no certain determinant to specify the capital market prices. From the year 2001 to 2003 the market price had been decreased but in 2004, the price has increased a lot (taka 850), which was 238.65% more than that of the previous year. Again in the 2005, the price decreased a bit reaching at taka 469, which was decreased at 44.82% from the year 2004.

#### 4.14. Dividend Per Share (DPS) of Dhaka Bank:

Dividend Per Share means the portion of net income pays out to the shareholders at the year-end. It may be cash dividend or may be bonus share dividend. Here I only take the cash dividend to calculate DPS of Dhaka Bank Limited.

Table # 15: Dividend Per Share of Dhaka Bank Limited

Particulars	2001	2002	2003	2004	2005
DPS (%)	25	20	15	10	20
Growth Rate (%)	-	-20%	-25%	-33.33%	100%

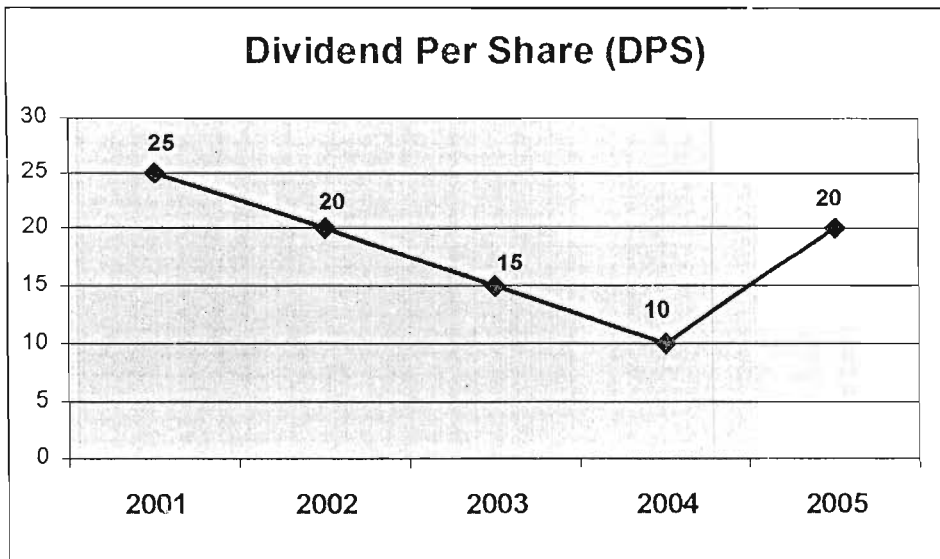


Chart # 18: Dividend Per Share of Dhaka Bank Limited

Here we can observe that the DPS curve had go downward in the year 2004 at 10% per share, because of the paying lower amount of dividend. But in that year Dhaka Bank gave bonus dividend at 7:20. Comparing with year 2004, in the year 2005 Dhaka Bank has given 100% more dividend (20% per share). It also paid bonus share at 1:20. So, in the year 2005, the shareholders have enjoyed much with high dividend payment.

#### 4.15. Current Ratio of Dhaka Bank Limited:

The current ratio measures the short-term debt-paying ability. It also indicates the bank's liquidity position. Higher the ratio is good for the firm.

Table# 16: Current Ratio of Dhaka Bank Limited

Particulars	2001	2002	2003	2004	2005
<b>Current Ratio (Times)</b>	<b>1.17</b>	<b>1.42</b>	<b>1.54</b>	<b>1.6</b>	<b>1.33</b>
<b>Growth Rate (%)</b>	<b>-</b>	<b>21.37%</b>	<b>8.45%</b>	<b>3.90%</b>	<b>-16.88%</b>

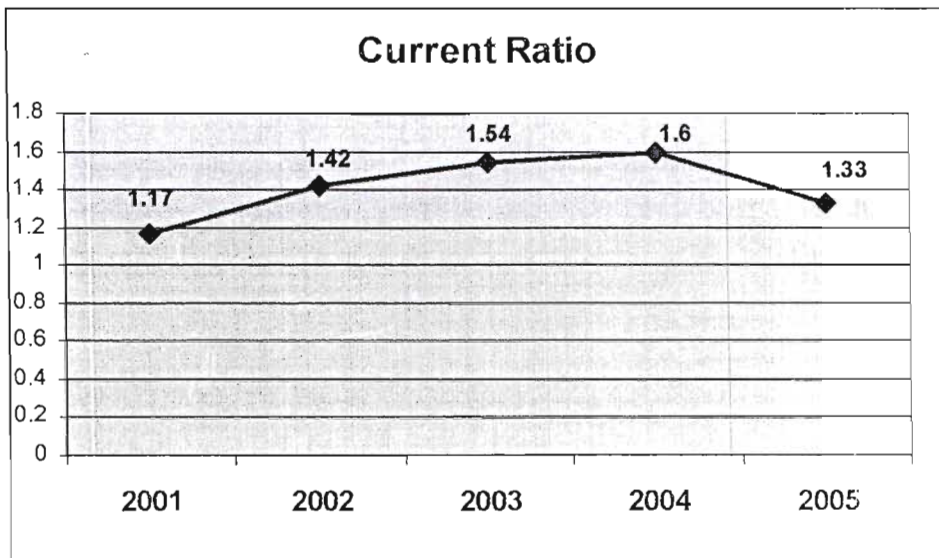


Chart # 19: Current Ratio of Dhaka Bank Limited

From the above graph and the chart we can conclude that at the year 2004, the current ratio has reached the highest at 1.6times, which means the good liquidity position in that time. In the 2005, the decline rate of the ratio stood at 16.88% and the ratio has become 1.33 times. It is also good liquidity position of the bank because for paying 1taka debt the bank has 1.33 taka in its hand.

#### 4.16. Credit-Deposit Ratio of Dhaka Bank Limited:

Credit-Deposit ratio means how much amount is provided as credit to the customer from the deposit amount collected through the customers. Higher the ratio is good for the bank because it indicates higher profitability.

Table# 17: Credit-Deposit Ratio of Dhaka Bank Limited

Particulars	2001	2002	2003	2004	2005
<b>Credit/Deposit (%)</b>	<b>57.87</b>	<b>66.52</b>	<b>70.17</b>	<b>65.13</b>	<b>80.54</b>
<b>Growth Rate (%)</b>	-	<b>14.95%</b>	<b>5.49%</b>	<b>-7.18%</b>	<b>23.66%</b>

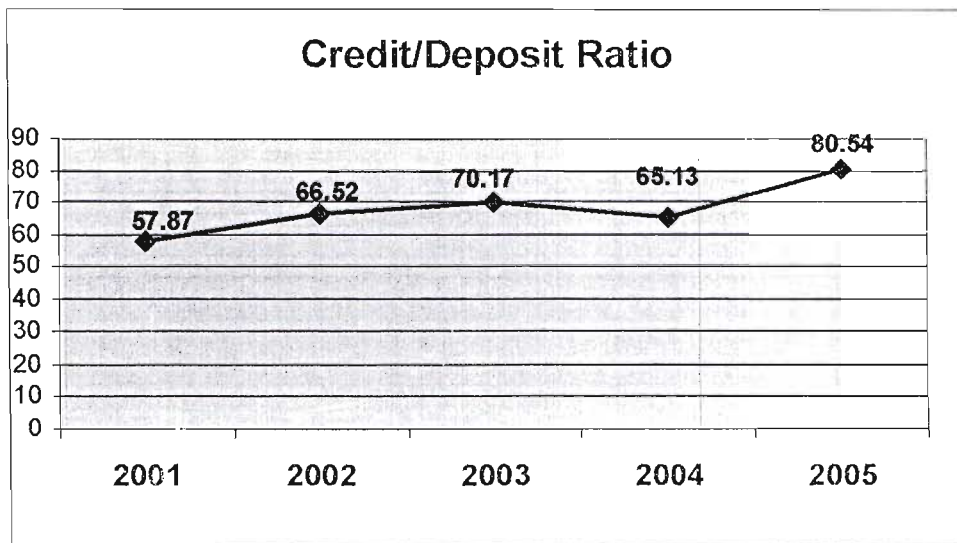


Chart # 20: Credit-Deposit Ratio of Dhaka Bank Limited

From the chart and the graph shown above, we can easily understand that the Credit/Deposit ratio had been increased from the year 2001 which was 57.87% to 2003, which was 70.17%. But in 2004, the rate declined a bit at 65.13% from the previous year and again in 2005, the ratio increased at growth rate of 23.66% and reached the ratio at 80.54%. It means proper utilization of deposit and also a good source of income of the bank.

#### 4.17. Cost of Fund of Dhaka Bank Limited:

It means the amount expensed for collecting the capital for the bank. Lower the cost increases the income of the bank. Here the cost of fund and cost of deposit of last five years have been provided in the chart.

Table# 18: Cost of Fund of Dhaka Bank Limited

Particulars	2001	2002	2003	2004	2005
Cost of Fund (%)	10.06	9.97	9.6	8.79	10.17
Growth Rate (%)	-	-0.89%	-3.71%	-8.44%	15.70%
Cost of Deposit (%)	8.24	7.92	7.24	6.75	8.13
Growth Rate (%)	-	-3.88%	-8.595%	-6.77%	20.44%

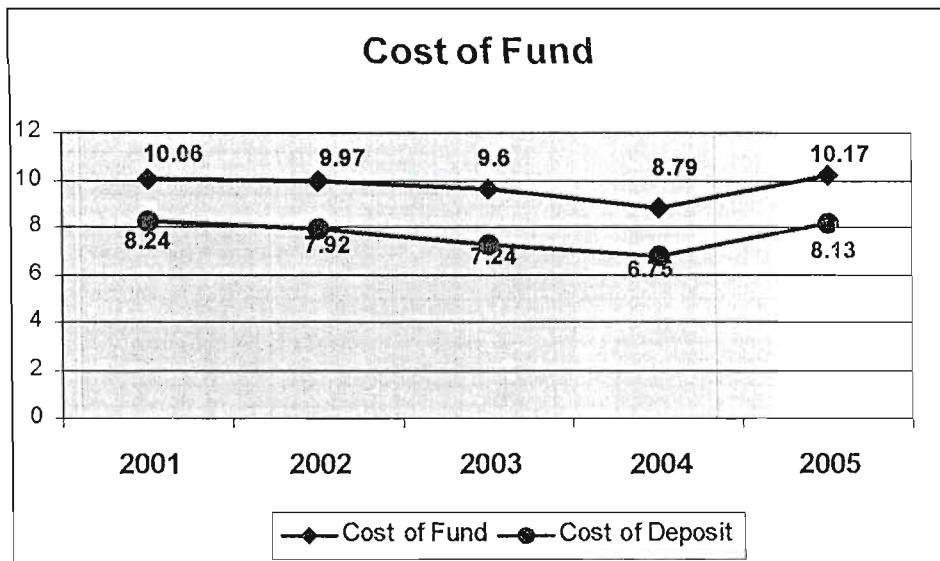


Chart # 21: Cost of Fund of Dhaka Bank Limited

Analyzing the chart and the graph, we can say that the cost of fund of Dhaka Bank Limited had decreased from the year 2001 which was 10.06%, to 2004 which was 8.79%, showed very good indication for the bank. But in the year 2005, the cost of fund increased compared to the year 2004 at a growth rate 15.70% and stood at 10.17%. It happened because of the change of the cost of collecting deposits of Dhaka Bank Limited.

#### 4.18. Capital Adequacy Ratio of Dhaka Bank Limited:

Capital adequacy focuses on the total risk weighted capital intended to protect the depositors from the potential shocks of losses that a bank might incur. It helps absorbing major financial risks (like credit risk, foreign exchange risk, interest rate risk and risk involved in off-balance sheet operations) Banks in Bangladesh have to maintain a minimum Capital Adequacy Ratio (CAR) of not less than 9% of their risk-weighted assets (RWA) (with at least 4.5 percent in core capital) or Taka 1.0 billion, whichever is higher.

Table# 19: Capital Adequacy Ratio of Dhaka Bank Limited

Particulars	2001	2002	2003	2004	2005
Capital Adequacy Ratio (%)	8.22	8.75	10.88	10.51	11
Growth Rate (%)	-	6.45%	24.34%	-3.40%	4.66%

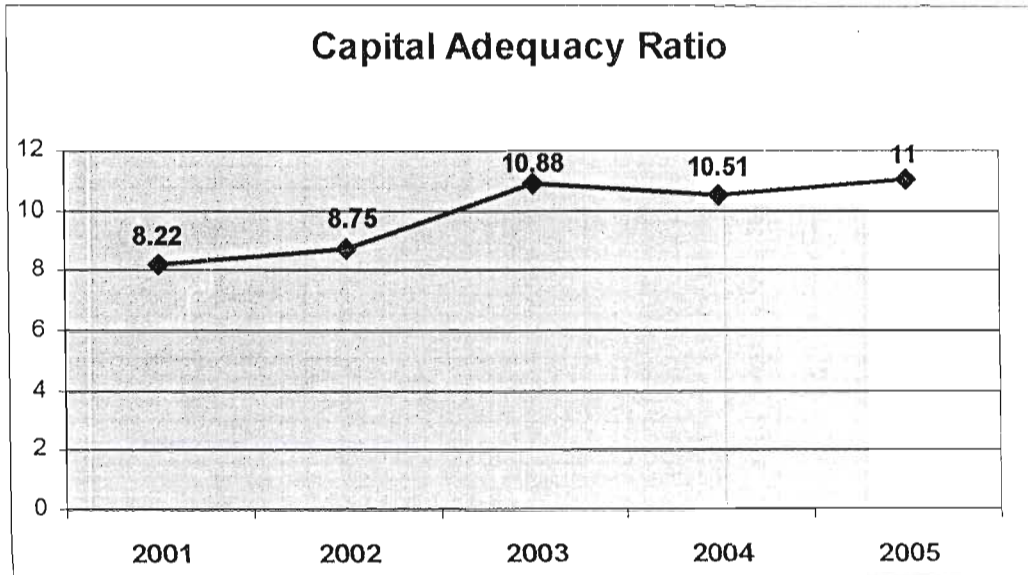


Chart # 22: Capital Adequacy Ratio of Dhaka Bank Limited

From the Chart and graph shown above, we can say that the capital adequacy ratio has been increasing day by day (except in the year 2004) satisfying the Bangladesh Bank's regulatory requirements. In the year 2005 the ratio reached at 11%, which was 4.66% more than the previous year.



### 4.19. Non Performing Loans as % of total Advances of Dhaka Bank Limited:

It means the amount of non-performing loans (classified loans) exists in the total loans and advances. Lower the ratio is better for the bank as the risks minimizes and the return maximizes.

Table# 20: NPL as % of Total Advances of Dhaka Bank Limited

Particulars	2001	2002	2003	2004	2005
NPL as % of total Advances (%)	1.19	2.48	3.26	1.65	1.51
Growth Rate (%)	--	108.40%	31.45%	-49.39%	-8.48%

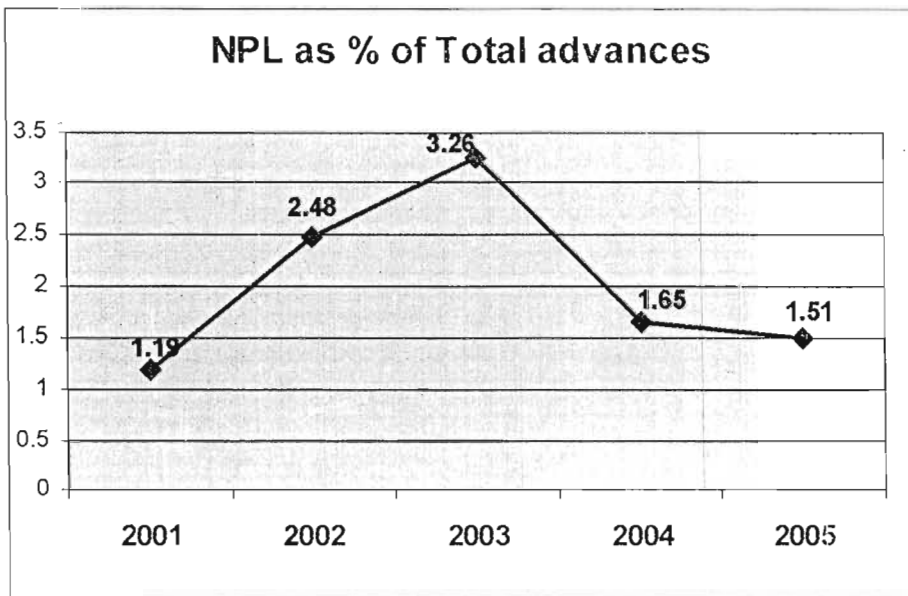


Chart # 23: NPL as % of Total Advances of Dhaka Bank Limited

As the graph and chart shown above, we could analyze that the NPL as % total loans and advances had been increased from the year 2001 which was 1.19% and within the year 2003, the ratio reached at 3.26% at a growth rate of 31.45% compared to the previous year. But from 2004, the ration started decreasing at the rate of 49.39% and reached at 1.65%. Compared to 2004, in the year 2005, the ratio has decreased and reached at 1.51%. It shows the amount of classified loans have been decreasing which is a good indication of the loan quality of the Dhaka Bank Limited

#### 4.20. Overall Productivity of Dhaka Bank Limited:

Overall productivity of a bank evaluates the overall performance of the bank for a given time point.

Table# 21: Overall Productivity of Dhaka Bank Limited

Particulars	2001	2002	2003	2004	2005
Overall Productivity (Times)	1.31	1.22	1.29	1.39	1.33
Growth Rate (%)	-	-6.76	5.49	8.06	-4.68

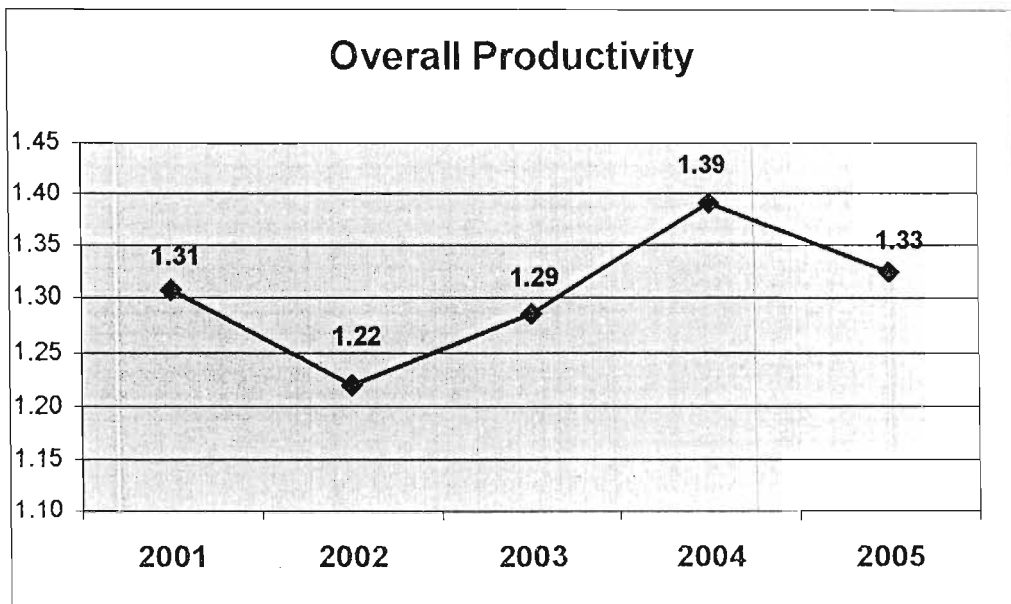


Chart # 24: Overall Productivity of Dhaka Bank Limited

Analyzing the chart and the graph shown above, we could see that the productivity of Dhaka Bank is good but not in a stable position. After a decline in the year 2002 which was 1.22times, the productivity increased up to the year 2004 and reached at 1.39 times. But again the ratio has declined at the rate of 4.68% and reached at 1.33 times.

#### 4.21. Common Size Statements:

One impetus to the development of the common size statement comes from the problems in comparing the financial statements of firm that differ in size from year to year. One way of controlling for size difference is to express the components of the balance sheet as a percentage of total assets and liabilities and the component of total income statement as a percentage of total revenues. For the above reason, I am pursued to prepare the common size balance sheet and common size profit and loss account for Dhaka Bank Limited for last five years (2001-2005)

**Table # 22: Common Size Balance Sheet**

**Dhaka Bank Limited  
2001-2005**

Particulars	2001	2002	2003	2004	2005
<b><u>Property &amp; Assets (%)</u></b>					
Cash	5.40%	6.18%	6.16%	3.77%	4.63%
Balance with other Banks & Fin.Inst.	9.83	6.04	3.86	3.33	3.23
Money at call & short notice	20.29	14.42	12.8	17.47	4.29
Investments	6.66	10.21	9.83	10.92	11.87
Loans & Advances	51.99	56.33	61.91	58.69	70.67
Lease Finance	1.58	2.36	-	-	-
Premises & Fixed Assets	0.17	0.55	0.42	0.44	0.37
Other Assets	4.07	3.91	5.02	5.37	4.94
<b>Total Assets</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b><u>Liabilities &amp; Capital Liabilities (%)</u></b>					
Liabilities	13.70%	9.89%	7.28%	11.09%	1.75%
Deposits & other accounts	77.90	77.52	80.06	78.97	85.99
Others Liabilities	3.96	7.0883	5.96	3.51	5.56
Paid up capital	1.59	1.99	2.55	2.36	3.71
Share premium Account	-	0.4681	0.4296	-	-
Statutory reserve	0.6902	1.52	1.89	1.85	2.03
Other reserve	0.362	0.1487	0.1468	0.2568	0.014
Profit & Loss Account Surplus	0.818	0.5672	0.7918	0.8199	0.93
<b>Total Liabilities &amp; Shareholders' Equity</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

From the above table, we can see that Dhaka Bank Ltd. disbursed maximum of its funds as loan & advances which is about 51.99% in 2001 and 70.67% in 2005 of total assets (100%) and collects maximum funds on deposits which is about 77.90% in 2001 and 85.99% in 2005. We can also see that Dhaka Bank has remarkably improved its assets quality position by enhancing its investment in most profitable sector-loans & advances and investment sector which from 51.99% in 2001 to 70.67% in 2005 and from 6.66% in 2001 to 11.87% in 2005 respectably out of its total assets (100%). But in the year 2005, the portion of money at call & short notice has been decreased from 17.46% to 4.29% which shows risky position in liquidity position and for this liquidity crisis, there has the possibility to make fund with high costs. Here, from the table we can see that the current asset portion is decreasing day by day while the long-term assets (loans & advances, investments mainly) are increasing. On the other hand, it is gradually reducing its liabilities burden by managing an efficient portfolio. It has successfully reduced its liabilities burden to 1.75% in 2005 from 11.09% in 2004 out of the total liabilities (100%). In 2005, it increases the deposit of 85.99% from the previous year, which was 78.97%. Though it is a sign of increasing liability side, it is also a sign of income generating instrument for the bank. The percentage of paid up capital is 3.71%, statutory reserve is 2.03%, which have been increased from the previous year which reflects the sound management of Dhaka Bank Limited.

**Table # 23: Common Size Income Statement**

**Dhaka Bank Limited  
2001-2005**

Particulars	2001	2002	2003	2004	2005
<b><u>Operating Income:</u></b>					
Net Interest Income	44.68%	40.92%	41.16%	48.96%	50.31%
Interest from investment	9.95	11.31	14.07	11.52	12.85
Commission, Exchange earning	39.88	42.66	39.33	31.96	29.27
Other operating income	5.53	5.11	5.44	7.56	7.56
Total operating income	100.00%	100.00%	100.00%	100.00%	100.00%
<b><u>Operating Expenses:</u></b>					
Salary & Allowance	49.97%	45.88%	46.17%	46.47%	48.25%
Rents, Taxes, Insurance	8.47	8.74	8.09	9.32	10.50
Lighting, etc.	0.0943	0.3552	0.2814	0.3695	0.42
Legal Expenses	3.25	3.32	2.81	2.31	0.66
Postage, Stamp, Telecom	6.5	6.94	5.38	4.47	4.27
Stationary, Printing & Advertise	0.0503	0.0464	0.8211	0.738	6.27
Chief Executives salary & fees	0.6004	0.7333	0.6018	0.2747	0.73
Director's fee & meeting Expenses	-	-	-	-	0.18
Audit fee	0.0162	0.0176	0.0173	0.0201	0.02
Charges loan losses	-	-	-	-	0.00
Depreciation of Bank's Assets	2.44	3.45	0.7647	1.38	1.28
Repair of Bank's Assets	1.75	2.16	1.91	2	2.67
Other Expenses	26.86	28.36	33.15	32.64	24.74
Total Expenses	100.00%	100.00%	100.00%	100.00%	100.00%
<b><u>Net Income:</u></b>					
Total profit / (Loss) before tax	156.08	183.42	189.45	176.91	165.94
Provision for Tax	-56.08	-83.42	-89.45	-76.91	-65.94
Net Profit/ (Loss) after Tax	100.00%	100.00%	100.00%	100.00%	100.00%

From the above table, we can see that Dhaka Bank earns maximum revenues from interest income, which is about 44.68% in 2001 and 50.31% in 2005 out of total revenue (100%). Therefore, Dhaka Bank has remarkable improved this sector. On the

other hand, Dhaka Bank incurs maximum expenditure on salary & allowance for its staff to develop the working skill, knowledge and improve their efficiency. Here Dhaka Bank has been able to reducing this expenditure by enriching its experience banking business to 49.97% in 2001 from 48.25% in 2005 on a percentage of its total expenditure (100%).

# **Chapter 5**

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## **Problems & Recommendations For Dhaka Bank Limited**

## **5.1. Problems of Dhaka Bank Limited:**

Now a day, Dhaka Bank Limited perform better in the banking sector but it has not achieve the best in the banking sector. However from the study of the bank, in spite of their well reputation, there are some problems in their services and policy implication. I have observed some lacking in some area of its operation during my three months internship program in Dhaka Bank Limited which I have furnished below:

- At the time of deposit mix analysis, we found that the largest portion of it lies in FDR (68% in 2005) which increase the cost of fund and bank's lending rate of interest;
- Growth in assets depends on how fast deposits grow. But in the deposit side Dhaka bank is facing some problems from their competitors because the competitors are giving higher interest rate in deposit. That is why lots of depositors are leaving Dhaka Bank Ltd.
- Dhaka Bank's EPS is decreasing day by day which imposes negative impact on the potential investors of the bank as well as the negative image for the bank;
- Higher service charges comparing to other banks in some banking areas of banking operating sometimes discourage opening or maintaining accounts Dhaka Bank. This is of the biggest problems of Dhaka Bank Ltd which make the customer less attractive towards the banks;
- The bank is sometimes left behind because of absence of innovation of new segment in deposit collection and loans.
- Lack of proper coordination between different departments in the bank;
- Lack of customer motivation power in the personnel of customer service department (general banking department) which often dissatisfy the valued customers;



- There are few officers (only five in numbers) in the customer service department often fails to take care of proper customer need and requirements.
- Sometimes problem arises due to the system failure and a long queue is found during the system failure. These gives rise to a longer time in providing services, signature verify and balance check become impossible which create a huge problem in doing the work in proper way.
- Dhaka Bank's HR department controls its branches centrally from the Head Office so that it is impossible for them to get the proper attachment to its employees. They evaluate their performance without conducting with them properly, which often makes biasness.
- There is no way for recreation for the employees. Repetitive works create bore dome and it also lowers the productivity and efficiency.
- There is limited numbers of ATM booth for the bank, which often creates problem for the ATM card user at time of urgent money.
- Number of retail outlets of Dhaka Bank Ltd is not enough to serve the potential customer than its rival banks. The bank is concentrating less in the rural sector than the urban sector for that it cannot reach to the entire rural people like any other nationalized public bank such as Sonali Bank, Rupali Bank, etc.

## **5.2. Suggestion for the Development of Dhaka Bank Ltd:**

- Though in deposit mix, FDR is a costly than other deposits , it is the main earning asset among all as well. But to reduce the biasness concentration on FDR, the bank should increase its deposit in Current, Short term deposit, saving accounts with some extra and attractive features so that they can attract customers and collect low cost deposit.
- Though Dhaka Bank showed the reason of lowering the EPS -issuing right shares for the certain year. But it is not the satisfactory reasoning; the bank

should increase its net income doing efficient utilization of investment of the shareholders. Negative image often turns out the potential investors, which lowers the market price of the share. Management should give keen eye on this matter.

- Service charge should be reduced compared to other rival banks and should provide extra facilities with its service.
- Good training and proper education have to be given to the personnel dealing with the customers. So that they can motivate the customers and be more inclined with the customer's need and requirements, which leads to the overall customer satisfaction.
- Proper measure should be taken to reduce system failure to run the bank flawless;
- Dhaka bank has to observe its competitors wisely and make its product more attractive than its competitors. At any cost it has to be one step ahead from its competitors.
- The bank's HR department should be more active, should communicate with the employees directly to know their problems, quarries. At the time of performance evaluation they should be bias less, other wise it will hamper the motivation of the employees.
- Dhaka bank should practice a participant managerial process because in this all the workers get the chance for participating in problem recognition and problem solving, which will make the employees feel better. This will work as a motivation weapon. Also award-giving system should be activated depending on the performance appraisal of the employees.
- For cash withdrawal and deposit, ATM can be installed in the major cities and towns across the country through which customers can easily get accessed to their accounts.

### **5-3. Some Threats for Dhaka Bank Ltd:**

- The emergence of several private and foreign banks with in the last few years offering similar services with less or free charge for the facilities can be a major threat for the bank.
- The central Bank exercises strict control over all banking activities in local banks, which sometimes impose barriers in the normal operation and policies of the bank.
- Rival bank easily copy the product offering by Dhaka Bank.
- Sometimes political loans are threat for the banking services.

If the management of Dhaka Bank Limited takes care of these things then the bank can perform best in the private banking sector in Bangladesh satisfying its customer properly.

# Chapter 6



**Conclusion**

In Bangladesh, a good number of banks already in operation and the market are getting more competitive by the day. However, operation of banking sector is characterized as a highly regulated one.

From the Journey of Dhaka Bank in 1995, with the motto "Excellence In Banking", it is trying to maintain its quality with satisfying the customers. It concentrated its efforts in developing a stable customer base through various personal banking schemes, expansion of networks strategically important business locations, opening Islamic Banking branch to attract a significant segment of client

With the global slow down in the face of rising competition, the commercial banks are constantly looking for ways to develop their market and offer different products to remain ahead of others. Such as, providing Cash advance from credit cards, installation and use of highly sophisticated, automated system that enables the bank to have on time communication with all branches reduces excessive paper work and saves time for valued customer transaction which differentiate from others. The recent trends have shown banks shifting away from basic products toward higher value added products that are highly structured, to meet the demand of the clients. To cope up with generation and to be updated, Dhaka Bank has continued its effort in creating highly motivated outstanding group of professionals through organizing extensive training programs in banking operations, international trade, risk management, etc.

At the end of the report I can say, despite of many challenges, Dhaka Bank Ltd has been able to maintain the momentum of profit growth and good performance in its core business for the last eleven years in a row. With better management capability and improved administrative support in place, the bank should not only to retain its

present performance but also to make further improvement in future. All the efforts of the bank will maximize the return on the risk-reward-cost equation in every aspect of banking and customer will find every transaction even more convenient and pleasurable.

# Chapter 7

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