AN APPRAISAL

OF

DHAKA BANK LIMITED

Project Work (Bus 498)

Submitted By:

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April 5, 2007

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<u>**Subject: Submission of the Project Report.**</u>

Dear Sir:

Here is my project report on ***"An Appraisal Of Dhaka Bank Limited"***. I have prepared my project report on Dhaka Bank Limited by appraising their activities and performance during the financial period 2001 to 2005.

In this report I have presented a brief overview of Dhaka Bank Limited, the principal activities of the bank and finally I have analyzed the financial performance of Dhaka Bank during this period and forecast their performance in the year 2008.

The opportunity of conducting this report has increased my knowledge about some specific operating and financial aspects of private sector banks. In this regard, I am really grateful to you. Thank you sir.

Yours Sincerely,

Sarahat Salma Chowdhury

ID: 2004-1-10-011

Department Of Business Administration

East West University

Dhak

Acknowledgement

This report *"An Appraisal Of Dhaka Bank Limited"* is prepared to fulfill the Bachelor Of Business Administration (BBA) degree requirement at East West University. The report provides an insight about the bank's overall performance during the financial period 2001 to 2005. It includes a brief overview of the bank, its principal activities, analysis of financial performance during this period and at last problems are highlighted and suggestions are given to the management to avoid these problems. Some regression and trend analyses have been made to forecast the bank's performance in the year 2008. However, this forecast will not reflect the actual performance of the bank in 2008. The actual performance may deviate from the forecasted value due to various micro and macro economic factors.

Finally, I would like to say that I have prepared this report with an extensive effort and applied my knowledge to provide a realistic analysis of the bank's performance.

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The Dhaka Bank Limited was incorporated in Bangladesh as a public limited company with a limited liability as on 6 April 1995 under Companies Act 1994 and commenced commercial operation on 5 July 1995. The bank increased its authorized capital from Tk.1000 million to Tk. 2650 million in the year 2005 for its expansion. In the year 2003, the bank has increased its paid up capital by issuance of 2:1 right share at par. In the year 2005, bank has increased its paid up capital by issuance of 7:20 bonus share at par and by issuance of 1: 2 right share at par. In 2001, 68% shareholders hold in between 1 to 500 shares, which increase to near about 86% who holds shares in between 1 to 500. On the other hand, only 2.16% shareholders hold shares in between 100001 to 1000000, which represent about 49.85% of shareholdings in year 2001. In 2005 the percentage of shareholders even more reduced to 0.92%, while the percentage of holdings increased to 72.98%. The number of branches opened by the bank and the number of employees recruited during the period 2001 to 2005 shows an increasing trend. The deposit mix of Dhaka Bank from the year 2001 to 2005 has been shown in the report. Dhaka Bank's deposit mix is a combination of current deposits, savings deposits, short term deposits, fixed deposits, DPS, MDS, gift cheques, bills payable etc. The deposits growth rate shows a fluctuating trend during the period. The bank has a diversified advance and investment portfolio, which shows a positive association with the amount of deposits of the bank. Dhaka bank also engages in international trade (import and export) and foreign exchange activities. The risk management of bank covers five core risk areas of banking sector, namely credit risk management, foreign exchange risk management, asset liability management, prevention of money laundering, internal control and compliance. Dhaka Bank has introduced a variety of products and services for their customers. These include: corporate banking, floating of public issues, loan syndication, Islamic banking, personal banking, SME financing, finance and advisory services. The bank also performed CSR activities as it thinks it is an important responsibility of them toward the society. By analyzing the financial performance of Dhaka bank, it has been found that the operating expenditure of the bank shows a higher growth rate than the operating income in the year 2002 and 2003, which had impact on its net income. As a result, the profit indicating

ratios (ROE, ROA, NIM, EPS, dividend payout ratio) and market ratios (Price/earnings ratio and Market/ Book ratio) are also affected. However, the solvency ratios show that the bank gradually decreases proportion of debt compared to its total assets and total equity. Also the risk ratios shows that the bank performed better during the period, it has been able to reduce the non performing loan as a proportion of total advances given to its customers, the provision for loan loss ratio, increases the amount of credit/ deposit ratio. The current ratio shows an increasing trend over the period, but its growth rate is declining. Finally some problems have been identified and suggestions have been given to the management to overcome these problems. At the end of the report, a conclusion has been given on the overall performance of Dhaka Bank Limited.

DHAKABANK LIMITED

EXCELLENCE IN BANKING

CHAPTER 1: Introduction

Chapter Objective

To provide an idea about

- ➤ Objective of the study
- ➤ Scope of the study
- ➤ Sources of data and methodology
- ➤ Limitations of the study
- ➤ Report preview

1.0 INTRODUCTION

1.1 Origin Of The Report

This report is the outcome of the three-month long project work conducted on Dhaka Bank Limited. The preparation and submission of this report is a fundamental requirement for the completion of the Bachelor of Business Administration (BBA) degree at East West University.

1.2 Objectives Of The Study

This report is prepared primarily to fulfill the Bachelor of Business Administration (BBA) degree requirement at East West University, Dhaka.

The secondary objectives of this study are:

- To present an overview of Dhaka Bank Limited.

- To discuss the principal activities of Dhaka Bank Limited.

- To appraise the financial performance of Dhaka Bank Limited.

- To identify problems of Dhaka Bank Limited.

- To provide suggestions for the development of Dhaka Bank Limited.

1.3 Scope Of The Study

This report covers a brief overview of Dhaka Bank Limited and description about their major activities. This report also highlights the financial performance of Dhaka Bank for five years. The financial time period under the study is 2001 to 2005.

Finally, efforts were given to identify the factors that led to Dhaka Bank's success or failure in the banking sector. Some suggestions to management have also been provided in this regard.

1.4 Sources Of Data And Methodology

1.4.1 Sources And Collection Of Data:

The data used in this report are collected both from the primary and secondary sources. Primary data has been obtained by conducting interviews. The executives of different departments of Dhaka Bank were interviewed to obtain a clear idea about their principal activities. Mainly, the interviews were oral and informal. No formal questionnaires were used to take the interviews of the executives. After getting clear picture about the products and operating procedure of the respective department, a write-up is prepared and that is cheeked by the same executive with whom the interview was conducted.

However, the annual reports of 2001-2005, some other written documents and web site of Dhaka Bank also work as the main secondary sources for this report.

1.4.2 Analysis Of Data And Presentation Of Financial Facts:

In the appraisal of the principal activities, a brief appraisal of the core activities of Dhaka Bank is presented. Tables are prepared showing the total deposits mix, loans and advances portfolio, investment, international business and other activities. Growth rates of each of these activities are calculated along with graphs and charts. Some regression

and trend analyses along with their coefficient of determination and coefficient of correlation have been calculated to show the degree of association between these activities. In this case, amount of deposits work as the independent variable and loans and advances, investments volume work as dependent variable.

In the performance analysis part, last five year's performances are compared. Moreover, total thirteen important ratios of each of these five years' are compared with one another. In this section, growth rate, trend analysis, regression, coefficient of determination is calculated to compare the degree of fluctuation in the ratios.

Lastly, it can be said that this report is prepared through extensive and effective discussions with the concerned executives of Dhaka Bank Limited.

1.5 Limitations

While preparing this report, the following limitations are faced:

◆ Some information required to prepare this report are highly confidential and Dhaka Bank did not permit full disclosure of those data.

◆ There are some departments at Dhaka Bank, which are regarded as intellectual asset of the bank. In those departments, proper access to get information about their principal activities or how they work cannot be managed.

◆ Though, there are available resources to know about the products of Dhaka Bank but no or very few written documents are available for the operating procedures. Hence, a scarcity of secondary sources prevailed in this case.

◆ There was some time constraint, as the report has to be submitted within three months duration of the semester. Hence some parts are discussed very briefly.

1.6 Report Preview

Since this study deals with the appraisal of Dhaka Bank Limited, understanding the whole company is of great importance. Considering this fact, a brief overview of Dhaka Bank is included in the second chapter of this report.

In the third chapter, the principal activities of Dhaka Bank Limited, how they conduct those activities and the dependence of the activities with one another are described.

In the fourth chapter, an appraisal of financial performance of Dhaka Bank during the period 2001 to 2005 is done through a deep analysis of some important ratios with one another.

The fifth and last chapter of this report includes the problems, which are associated with Dhaka Bank and provide some suggestions to improve their performance.

Finally, in appendix, the calculations of regression and trend analyses have been given. Also a list of documents and references used to prepare this paper are mentioned in the bibliography.

CHAPTER 2: An Overview Of

Dhaka Bank Limited

Chapter Objective

To provide an idea about

- ➢ Historical background of the bank
- ➢ Capital structure of the bank
- ➢ Comparative shareholding analysis of year 2001 and year 2005
- ➢ Number of branches of the bank
- ➢ Number of employees of the bank

2.0 An Overview Of Dhaka Bank Limited

2.1 Historical Background

The Dhaka Bank Limited was incorporated in Bangladesh as a public limited company with a limited liability as on 6 April 1995 under Companies Act 1994 and commenced commercial operation on 5 July 1995. The company went for the public issues of shares on 18 November 1999 and its shares are listed with the stock exchanges of Bangladesh. Now it has 29 branches all over the Bangladesh.

The principal place of business is the registered office at 100, Motijheel Commercial Areas, Biman Bhaban, Dhaka-1000, Bangladesh. The principal activities carried out by bank include all kinds of commercial banking activities/ services to its customers through its branches and electronic delivery channels in Bangladesh. Out of the above, two branches of the bank run under Islamic Shariah, which is substantially different from other non- Islamic branches. The Bank is listed under Dhaka Stock Exchange and Chittagong Stock Exchange as a publicly quoted company for its general class of shares.

2.2 Capital

Capital is essential to run any kinds of operation or business. For banking industry, it is also an important requirement for smooth running of operations. In the following few paragraphs, the authorized, issued, subscribed and paid-up capital of Dhaka Bank Ltd. is given along with the classification of shares:

2.2.1 Authorized Capital:

The Authorized capital of Dhaka Bank Limited during the period 2001 to 2005 are given below:

<div style="text-align: center; border: 1px solid red; display: inline-block;">

Table 2.1: Authorized Capital

</div>

Figures In Million Taka

Year	Authorized Capital
2001	1000 (10000000 ordinary shares of Tk 100 each)
2002	1000 (10000000 ordinary shares of Tk 100 each)
2003	1000 (10000000 ordinary shares of Tk 100 each)
2004	1000 (10000000 ordinary shares of Tk 100 each)
2005	2650 (26500000 ordinary shares of Tk 100 each)

Source: Annual Report- 2001 to 2005, Dhaka Bank Limited

The bank increased its authorized capital from Tk.1000 million to Tk. 2650 million by passing a special resolution in the bank's second extra ordinary general meeting held on 11th April 2005. In the meeting they decided to increase the authorize capital because they diversify their operation by providing various services to the customer, they go for online banking transactions and expand their business. They also make some capital expenditure decision. They do not want to go for contractual obligation to finance their operation.

2.2.2 Issued, Subscribed And Paid-up Capital:

The issued, subscribed and paid –up capital of the bank during the period 2001 to 2005 were as follows:

Table 2.2: Issued, Subscribed And Paid-up Capital

Figures In Million Taka

Year	Number Of Shares Issued	Total
2001	275.880 (2758800 ordinary shares of Tk.100 each) and 27.588 (275880 ordinary shares of Tk 100 each issued as Bonus Share)	303.468
2002	303.468 (3034680 ordinary shares of TK. 100 each) and 75.867 (758670 ordinary shares of Tk 100 each issued as Bonus Share)	379.335
2003	379.335 (3793350 ordinary shares of TK.100 each) and 151.734 (1517340 ordinary shares of Tk 100 each issued as Rights Share)	531.065
2004	531.069 (5310690 ordinary shares of TK. 100 each) and 132.7672 (1327672 ordinary shares of Tk 100 each issued as Bonus Share)	663.8362
2005	663.8362 (6638362 ordinary shares of Tk.100 each), 232.3427 (2323427 ordinary shares of Tk 100 each issued as Bonus Share and 331.9181(3319181 Ordinary shares of Tk. 100 each issued as Right Share)	1228.097

Source: Annual Report- 2001 to 2005, Dhaka Bank Limited

In the year 2003, the bank has increased its paid up capital by issuance of 2:1 Right Share at par on 15.04.2003. In the year 2005, bank has increased its paid up capital by issuance of 7:20 bonus share at par on 28.04.2005 and by issuance of 1: 2 right share at par on 30.11.2005.

2.2.3 Shareholders' Equity:

The shareholder's equity (capital and reserves) of Dhaka Bank Limited during the period 2001 to 2005 were as follows:

Table 2.3: Shareholders' Equity

Figures In Million Taka

Year	Shareholders' Equity
2001	661
2002	895
2003	1210
2004	1488
2005	2216

Source: Annual Report- 2001 to 2005, Dhaka Bank Limited

Graph 2.1 Shareholders' Equity

Capital Of Dhaka Bank Limited
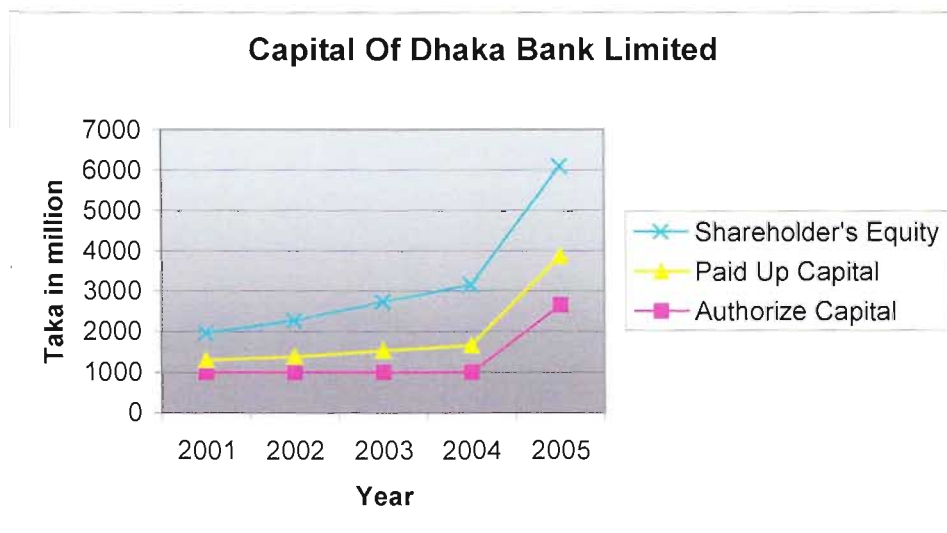
From the table 2.1, 2.2 and 2.3 and graph 2.1, it can be said that the bank has increased its authorized capital to finance the expenditure for expansion in the year 2005. Consequently its paid up capital also increased. Because of its good performance the shareholder's equity also increased.

2.3 Shareholdings

Classification of shareholders by holdings as on 31st December 2001 and 31st December 2005 were as follows:

Table 2.4: Shareholding Analysis as on 31st December 2001 & 31st December 2005

Holdings	2001		2005	
	% Of Shareholdings	% Of Total Shareholders	% Of Shareholdings	% Of Total Shareholders
1- 500	2.14	68.27	3.18	85.34
501-5000	7.47	23.20	4.61	11.25
5001-10000	4.75	2.40	1.96	0.99
10001-20000	4.03	1.20	2.39	0.54
20001-30000	5.26	0.84	1.84	0.24
30001-40000	9.34	0.96	0.82	0.08
40001-50000	9.00	0.72	2.18	0.16
50001-100000	8.16	0.24	10.02	0.46
100001-1000000	49.85	2.16	72.98	0.92
	100	100	100	100

Source: Annual Report- 2001 & 2005, Dhaka Bank Limited

From the above table it can be seen that, 68% shareholders hold in between 1 to 500 shares. However, in 2005, the percentage of shareholders increases to near about 86%

who holds shares in between 1 to 500; while the percentage of shareholders who hold in between 501 to 5000 shares has been decreased from 24% in 2001 to 11.25% in the year 2005. This indicates that most of the shareholders hold small number of shares of Dhaka Bank. As a result, percentage of shareholdings increased from 2.14% in the year 2001 to 3.18% in the year 2005 who holds shares in between 1 to 500 shares. On the other hand, only 2.16% shareholders hold shares in between 100001 to 1000000, which represent about 49.85% of shareholdings in year 2001. In 2005 the percentage of shareholders even more reduced to 0.92%, while the percentage of holdings increased to 72.98%. It indicates that there are only a few numbers of large invertors who have investments in shares of Dhaka Bank Ltd., but the amount of investments they make is very large.

2.4 Number of Branches

Dhaka Bank Limited is always committed to provide services to their valued customers through an extensive branch network at all commercially important places across the country. The numbers of branches during the last five years were as follows:

Table 2.5: Number Of Branches

Year	Number Of Branches	Growth Rate (%)
2001	17	-
2002	18	5.88
2003	20	11.11
2004	23	15
2005	29	26.09

Source: Annual Report- 2001 to 2005, Dhaka Bank Limited
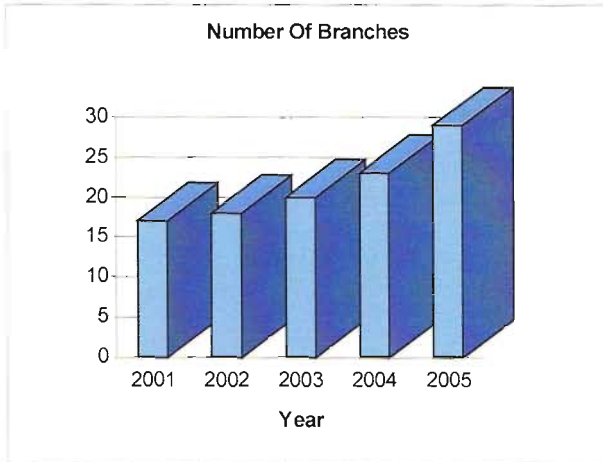
Number Of Branches

Growth Rate of Number Of Branches
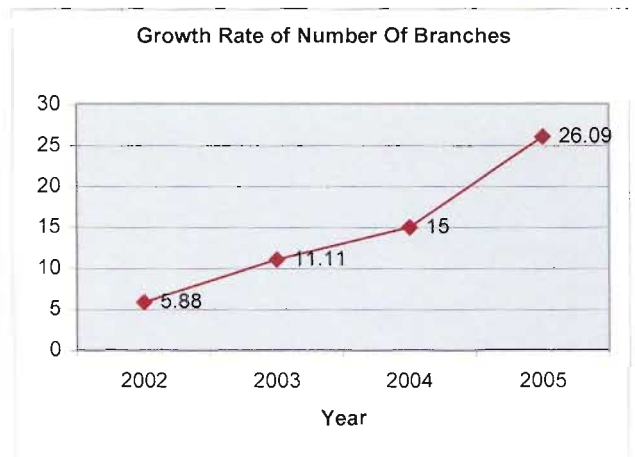
From the table 2.5 and graphs 2.2 (a) and 2.2 (b), it can be seen that Dhaka Bank had seventeen branches in the year 2001. In 2002, they open a new branch, so the total number of branches they had in 2002 was 18, which represents growth rate 5.88%. In 2005, they opened the highest number of branches and the total number of branches increases to 29, which represents a growth rate of 26.09%. Overall, the number of branches that DBL opened during the period 2001 to 2005 shows an increasing trend.

If we make a trend analysis about the number of branches of Dhaka Bank based on the information of last five years, we get

$$Y_t = -5787.3 + 2.9t$$

As per the trend forecast, the number of branches of Dhaka Bank Limited during the year 2008 will be 36.

$$r = 0.95 \qquad r^2 = 0.90$$

From the above trend analysis it can be said the number of branches of Dhaka Bank Limited in the year 2008 will be 36. Since the coefficient of determination is 0.90, we can conclude that it explains 90% of the degree of association of between years and the number of branches. It indicates the equation is well fitted between the independent and dependant variable. Since R is positive, i.e. 0.95, we can conclude that positive relationship is associated between years and the number of branches, i.e. as the years go, the number of branches also increases.

2.5 Number Of Employees

During 2005, the number of employees engaged for the whole year or part thereof who received a total remuneration of TK. 50000.00 or above were 688. The bank recruited 119 numbers of staff during the year. The number of employees engaged in Dhaka Bank Limited during the last five years were as follows:

Table 2.6: Number Of Employees

Year	Number Of Employees	Growth Rate (%)
2001	495	-
2002	532	7.47
2003	568	6.77
2004	613	7.92
2005	688	12.23

Source: Annual Report- 2001 to 2005, Dhaka Bank Limited
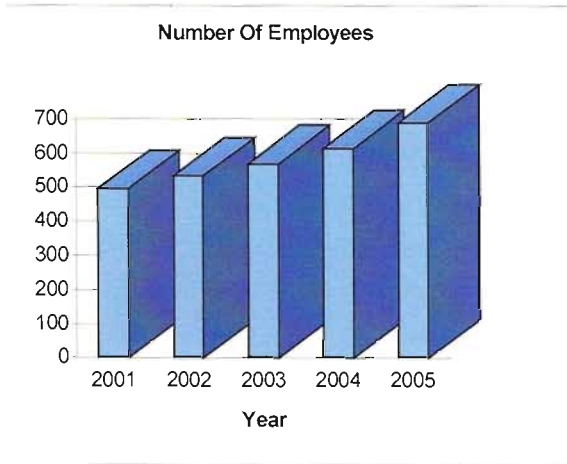
Number Of Employees

Growth Rate Of Number Of Employees
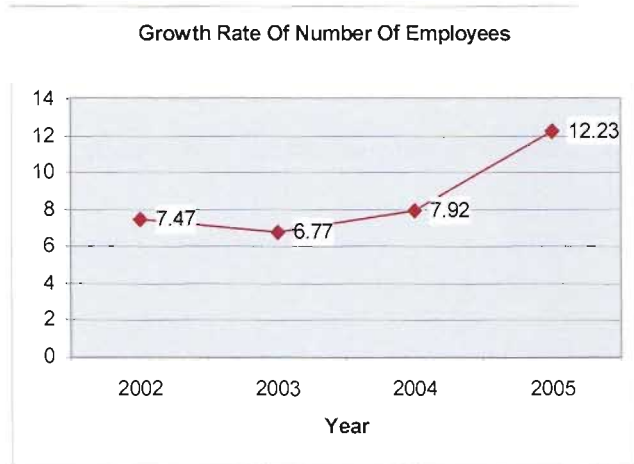
From the table 2.6 and graphs 2.3 (a) and 2.3 (b), it can be seen that the number of employees worked in 2001 at Dhaka Bank was 495. The bank recruited 37 new employees in 2002, so the total numbers of employees in 2002 were 592, which represents a growth rate of 7.47%. In 2005, they recruited the highest number of employees and the total number of employees worked for DBL increases to 688, which represents a growth rate of 12.23%. Overall, the number of employees that Dhaka Bank opened during the period 2001 to 2005 shows an increasing trend.

If we make a trend analysis about the number of employees recruited at Dhaka Bank based on the information of last five years, we get

$$Y_t = -92960.9 + 46.7t$$

As per the trend forecast, the number of employees of Dhaka Bank Limited during the year 2008 will be 813.

$$r = 0.98 \qquad r^2 = 0.97$$

From the above trend analysis it can be said the number of employees of Dhaka Bank Limited in the year 2008 will be 813. Since the coefficient of determination is 0.97, we can conclude that it explains 97% of the degree of association of between years and the number of employees. It indicates the equation is well fitted between the independent and dependant variable. Since R is positive, i.e. 0.98, we can conclude that positive relationship is associated between years and the number of employees, i.e. as the years go, the number of employees recruited at Dhaka Bank also increases.

Summary: An Overview Of Dhaka Bank Limited

The summary of trend equations that have been calculated in this chapter is given below:

Summary Of Trend Equations

Trend Equation Y_t	r^2	r
Y_t (Number Of Branches)= -5787.3+2.9t	0.90	0.95
Y_t (Number Of Employees)= -92960.9+46.7t	0.97	0.98

In the above table, a summary of trend equations that have been calculated in this chapter is given along with their respective r and r^2. Two trend equations have been calculated for dependant variables, which were number of branches of Dhaka Bank Limited and number of employees of Dhaka Bank Limited. In each case, year was the independent variable. Both the equations have coefficient of determination (r^2) more than 50%. It indicates that these equations are well fitted between the independent and respective dependent variable. Both the trend equations have positive relationship between the independent and dependant variable. It indicates that, as the years go, the number of branches and the number of employees of Dhaka Bank also increases.

CHAPTER 3: An Appraisal Of The Principal Activities Of Dhaka Bank Limited

Chapter Objective

To provide an idea about

> ➤ Deposit base of the bank
> ➤ Loans and advances of the bank
> ➤ Investment made by the bank
> ➤ International trade conducted by the bank
> ➤ Products and services offered by the bank
> ➤ Corporate social responsibility performed by the bank

3.0 An Appraisal Of The Principal Activities Of Dhaka Bank Limited

Dhaka Bank Limited is a high- performing private sector bank, which further consolidated its position in the market in terms of quality service to the customers and value addition to the shareholders. The principal activities of Dhaka Bank Limited are:

- ❖ Taking Deposits
- ❖ Providing Loans And Advances
- ❖ Making Investment
- ❖ International Trade
- ❖ Risk Management
- ❖ Offering Various Products And Services
- ❖ Corporate Social Responsibility

A brief description of each of these activities is given below:

3.1. Deposits

A strong deposits base is critical for success of a bank. Deposits from customers are the main source of funds for making any kinds of investment by the bank. After their inception, Dhaka Bank has mobilized a substantial amount of deposits in transactional and savings account. The deposit mix of Dhaka Bank Limited during the period were shown in the next page:

Table 3.1: Deposit Mix

Figures in Million Taka

Types of Deposits	2001		2002		2003		2004		2005	
	Amount	% of total deposit	Amount	% of total deposit	Amount	% of total deposit	Amount	% of total deposit	Amount	% of total deposit
Current and other deposits	681.413	4.52	836.686	5.54	1129.150	6.70	2518.823	11.31	3534.893	12
Savings deposit	2193.518	14.54	2547.626	16.78	3348.899	19.87	2311.513	10.37	3549.681	12
Short term deposits	195.312	1.29	249.212	1.64	307.576	1.83	783.759	3.52	1057.613	4
Fixed deposit	11748.251	77.87	11247.754	74.13	11974.19	71.06	15959.448	71.62	19317.222	68
DPS, MDS, Gift cheques	80.03	0.53	82.730	0.51	91.016	0.54	384.091	1.73	546.328	2
Bills payable	187.319	1.24	213.059	1.40	-	-	323.639	1.45	443.052	2
Total	15085.843	100	15177.067	100	16850.831	100	22281.273	100	28448.789	100

Source: Annual Report- 2001 to 2005, Dhaka Bank Limited

In the above table, the deposit mix of Dhaka Bank from the year 2001 to 2005 has been shown. Dhaka Bank's deposit mix is a combination of current deposits, savings deposits, short term deposits, fixed deposits, DPS, MDS, gift cheques, bills payable etc. In 2001, fixed deposit has the highest percentage, about 78% of the total deposit mix, while it reduced to 68% in the year 2005. On the other hand, current deposits comprises about 4.5% in the year 2001, while it increases to 12% in the year 2005 in the total deposit mix. Short-term deposits also have a significant growth during the period, from 1.29% in the year 2001 to 4% in the year 2005. Though savings deposits comprise about 14.5% in the year 2001, it declines to 12% in the year 2005.

The total amount of deposits of Dhaka Bank Limited during the last five years were as follows:

<div align="center">

Table 3.2: Total Deposits

</div>

Figures in Million Taka

Year	Deposits	Growth Rate
2001	15085.843	-
2002	15177.067	0.51%
2003	16850.831	11.03%
2004	22281.273	32.23%
2005	28448.789	27.68%

Source: Annual Report- 2001 to 2005, Dhaka Bank Limited

Graph 3.1(a): Total Deposits	Graph 3.1(b): Growth Rate Of Total Deposits
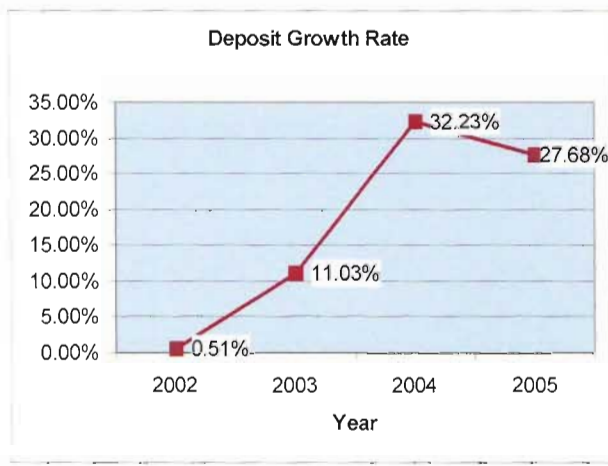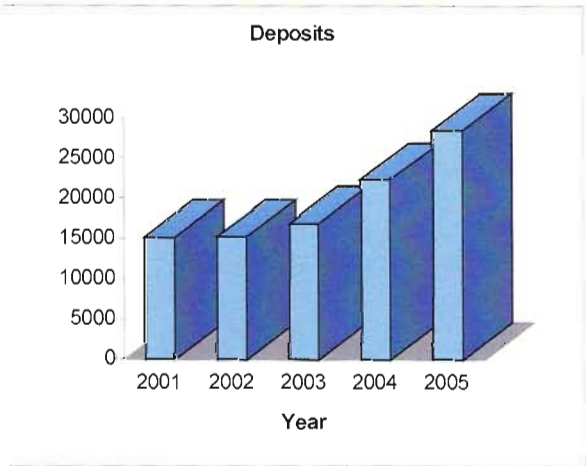
From the above table 3.2 and graphs 3.1(a) and 3.1(b), we can see that the amount of deposits increases every year from 2001 to year 2005. However, the growth rate of deposits is not same during these years. Since the whole world has faced economic downturn after

the year 2001 for 9/11 events, it has also some impact n Bangladesh's economy. As a result, the deposit growth rate in the year 2002 was only 0.51%. For the next two years, i.e. in 2003 and 2004 the growth rate has been increasing, form 11% to 33% approximately. However, in the year 2005, the growth rate decreases to 27%, which indicates that there is some deposit withdrawal since they reduce their interest rate on deposits in that particular year.

If we make a trend analysis about the deposits of Dhaka Bank based on the information above, we get

$$Y_t = -6756600 + 3383.01t$$

As per the trend forecast, the total deposits Dhaka Bank Limited during the year 2008 will be Tk.36484.08 million.

$$r = 0.92 \qquad r^2 = 0.86$$

From the above trend analysis it can be said the total deposits of the year 2008 will be Tk. 36484.08 million. Since the coefficient of determination (r^2) is 0.86, we can conclude that it explains 86% of the degree of association of between years and the deposits. It indicates the equation is well fitted between the independent and dependant variable. Since r is positive, i.e. 0.93, we can conclude that positive relationship is associated between years and the amount of deposits, i.e. as the years go, their amount of deposits also increases.

3.2 Loans And Advances

Banks provide loans and advances from the deposited amount. The difference between the interest they charge for giving loans and advances and the interest they pay on the deposits is the main source of the bank's income. That is why banks must select its loan portfolio very

carefully. For this reason, a new system of credit risk assessment and lending procedures by stricter separation of responsibilities between risk assessment, lending decisions and monitoring functions is now being implemented by Dhaka Bank with a view to improve the quality and soundness of loan portfolio. Their emphasis on maintaining the quality of assets has rendered them a diversified and well-structured advance portfolio. A wide range of business, industries and sectors constitutes the bank's advance portfolio. Major sectors where the bank has extended credit include steel and engineering, ship breaking, edible oil, sugar, housing and construction, textile and garments, transport and communication, pharmaceuticals, chemicals, electronics and automobiles, energy and power, service industries, trade finance, personal loan, consumer credit, leasing etc.

The advance portfolio during the period 2001 to 2005 was given in Table 3.3.

The advance portfolio of Dhaka Bank Limited comprises of secured overdraft, demand loan, cash credit, house building loan, transport loan, term loan, loan against trust receipt, loan against imported merchandise, loan against accepted bills, packaging credit, lease finance, credit card, personal loan etc.

From the table it can be seen that in 2001, secured loan comprises about 14% of the total loan portfolio of Dhaka Bank, which increases to 24.5% in the year 2005. On the other hand, term loan comprises 22% of the total loan portfolio of Dhaka Bank in the year 2001, which increases to 27.53% in the year 2005. Loan against trust receipt comprises 29% of total advance portfolio, which increases to 35% in 2004 and again decreases to 23% in 2005.

Table 3.3: Advance Portfolio

Figures in Million Taka

Types of loans	2001 Amount	% of Total Loan	2002 Amount	% of Total Loan	2003 Amount	% of Total Loan	2004 Amount	% of Total Loan	2005 Amount	% of Total Loan
Secured overdraft	1383.117	13.91	2008.682	17.92	2658.821	20.63	3166.525	19.53	5535.020	24.48
Demand loan	19.312	0.194	21.019	0.187	9.063	0.070	1.415	0.009	1.228	0.005
Cash credit	1040.110	10.46	783.447	6.98	741.497	5.75	1191.832	7.35	1697.104	7.51
Housing Building loan	329.168	3.38	333.643	2.96	377.146	2.93	226.371	1.40	325.367	1.44
Transport loan	95.782	0.963	104.929	0.936	101.068	0.784	72.168	0.45	80.944	0.36
Term loan	2225.625	22.38	2685.319	23.95	2778.191	21.55	3331.891	20.56	6226.299	27.53
Loan against trust receipt	2932.435	29.29	3206.179	28.59	4157.065	32.26	5730.837	35.36	5226.447	23.11
Payment against Documents	689.756	6.94	741.692	6.62	646.708	5.02	597.505	3.68	748.457	3.31
Loan against imported merchandise	358.037	3.61	325.455	2.90	343.142	2.66	619.885	3.83	706.360	3.12
Loan against accepted bills	89.006	0.895	164.523	1.47	98.192	0.762	0.225	0.002	7.994	0.036
Packing credit	29.897	0.31	33.093	0.295	30.019	0.233	45.567	0.28	11.359	0.050
Lease Finance	398.567	4.01	450.045	4.01	468.876	3.64	681.737	4.20	775.026	3.43
Credit card	27.728	0.27	36.891	0.329	66.736	0.518	58.097	0.36	66.737	0.29
Personal loan	-	-	.	-	106.851	0.829	246.701	1.52	444.431	1.97
Other loans	325.561	3.27	316.474	2.82	302.724	2.35	237.902	1.47	759.956	3.36
Total	9944.102	100	11211.391	100	12886.099	100	16208.658	100	22612.729	100

Source: Annual Report- 2001 to 2005, Dhaka Bank Limited

The lease finance provided by DBL comprises 4% of the total advance portfolio in 2001, which reduces to 3.43% in the year 2005. The demand loan, cash credit, house-building loan, transport loan, payments against documents, packaging credit, payment against accepted bills etc. show a decreasing trend over the period.

The total amount of loans and advances of Dhaka Bank Limited during the period 2001 to 2005 were as follows:

Table 3.4: Loans And Advances

Figures in Million Taka

Year	Loans And Advances	Growth Rate
2001	9944.102	-
2002	11211.391	12.74%
2003	12886.099	14.94%
2004	16208.658	25.78%
2005	22612.729	39.51%

Source: Annual Report- 2001 to 2005, Dhaka Bank Ltd.

Graph 3.2(a): Total Loans And Advances
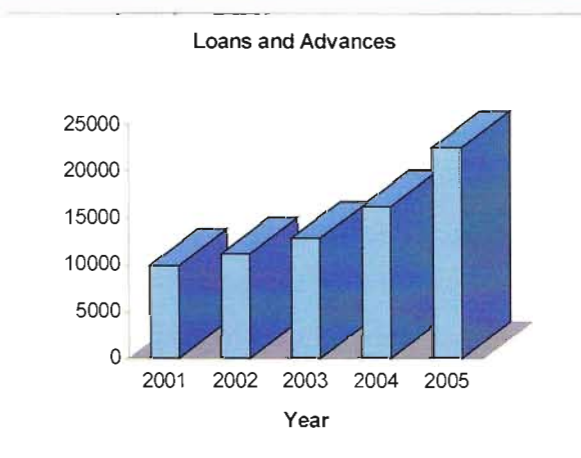
Graph 3.2(b): Growth Rate Of Total Loans And Advances
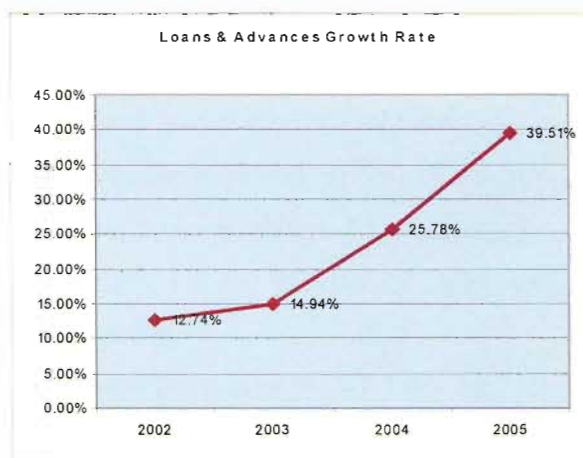
From the table 3.4 and graphs 3.2(a) and 3.2(b), we can see that the amount of loans and advances increases every year from 2001 to year 2005. However, the growth rate of loans and advances is not same during these years. The loans and advances growth rate was near about 13% compared to the year 2001 as the economy was dull due to 9/11 effect. But in year 2003, it has a huge jump in growth rate, near about 26% in the year 2004 and approximately 40% in the year 2005. This jump was caused because they have decreased their interest on loans and advances and make the loans agreements more flexible. Also they have diversified their loan portfolio to many sectors such as agricultural, pharmaceuticals, food and allied industries, garments, textile and manufacturing etc.

If we make a regression analysis between the five years' deposits and loans and advances of Dhaka Bank Limited, we get:

$$\hat{Y} = -2486.56 + 0.871754X$$

As per the regression equation, if the deposit of 2008 is Tk.36484.08 million, then loans and advances of the year 2008 will be Tk. 29318.58 million.

$$r = 0.99 \qquad r^2 = 0.98$$

From the above regression analysis it can be said the total loans and advances of the year 2008 will be Tk. 29318.58 million if the total deposits of 2008 become Tk. 36484.08 million. Since the coefficient of determination is 0.98, we can conclude that it explains 98% of the degree of association of between the deposits and loans and advances given by Dhaka Bank Limited. It indicates the equation is well fitted between the independent and dependant variable. Since r is positive, i.e. 0.99, we can conclude that positive relationship is associated between the amount of deposits and loans and advances, i.e. the amount of loans and advances increases with the increase in the amount of deposits.

3.3 Investment

Dhaka Bank has diversified its investment portfolio through lease finance, hire purchase and capital market operation besides the investment in treasury bill and prize bonds. The emphasis on high quality investment has ensured the bank to maximize its profit.

Dhaka Bank Limited is a member of the Dhaka Stock Exchange and Chittagong Stock Exchange. A specialized unit of the bank- the Investment Division-manages the bank's investment portfolio and actively participates the screen based on-line trading of both the stock exchange. The investment portfolio is made up of government securities and shares and debentures of different listed companies.

The investment volume of Dhaka Bank Limited during the period 2001 to 2005 are given below:

Table 3.5: Investment Volume

Figures in Million Taka

Year	Investment Volume	Growth rate
2001	1274.46	-
2002	1950.28	53.03%
2003	2046.10	4.91%
2004	3078.45	50.45%
2005	3926.75	27.55%

Source: Annual Report- 2001 to 2005, Dhaka Bank Limited

From the above table 3.5 and graphs 3.3(a) and 3.3(b) on the next page, it is seen that the investment volume of Dhaka Bank Limited increased during the period 2001 to 2005. However, the investment growth rate is not same. The investment growth rate has decreased

Graph 3.3(a): Investment Volume

Graph 3.3(b): Growth Rate Of Investment Volume

Investment Volume

4000
3000
2000
1000
0
2001 2002 2003 2004 2005

Investment Growth Rate

60.00%
50.00%   53.03%
40.00%
30.00%
20.00%
10.00%
0.00%   4.91%
2002   2003   2004   2005
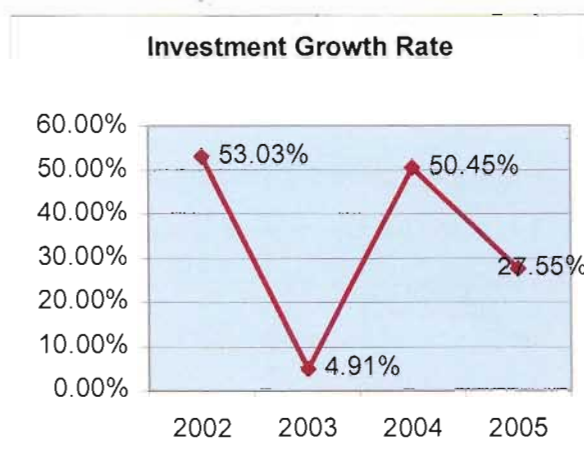
50.45%
27.55%

from 53% in the year 2002 to 4.91% in the year 2003, which indicates that the bank made less investment in that year as they gave more loan to their customers. In 2004, the investment growth rate again make a huge jump to 50.45%. Overall, the investment volume of Dhaka Bank Limited shows an increasing trend.

If we make a regression analysis between the deposits and investment volume of Dhaka Bank Limited, we get,

$$\hat{Y} = -985.28 + 0.175815X$$

As per the regression equation, if the deposit of 2008 is Tk.36484.08 million, then investment volume of the year 2008 will be Tk. 5429.17 million

$$r = 0.96 \qquad r^2 = 0.94$$

From the above regression analysis it can be said the total investment of the year 2008 will be Tk. 5429.17 million if the total deposits become Tk. 36484.08 million. Since the coefficient of determination is 0.94, we can conclude that it explains 94% of the degree of association of between the deposits of Dhaka Bank Limited and investments made by them. It indicates the equation is well fitted between the independent and dependant variable.

Since r is positive, i.e. 0.96, we can conclude that positive relationship is associated between the amount of deposits and investment volume, i.e. the amount of investment increases with the increase in the amount of deposits.

3.4 International Trade and Foreign Exchange

International trade constitutes the major business activity conducted by the bank. They offer a full range of trade finance services, namely, 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 etc.

3.4.1 Import:

Dhaka Bank Limited is always active in extending services to their valued clients related with import business. The major import items are: capital machinery scrap vessel, hot rolled non-alloy steel, raw cotton, fabrics and accessories, fertilizers and edible oil, oil seeds etc.

The import volume of Dhaka Bank Limited during the last five years were as follows:

Table 3.6: Import Volume

Figures in Million Taka

Year	Import Volume	Growth Rate
2001	17649.10	-
2002	18696.70	5.94%
2003	19079.40	2.05%
2004	28048.00	47%
2005	30213.00	7.72%

Source: Annual Report- 2001 to 2005, Dhaka Bank Limited

Graph 3.4(a): Import Volume
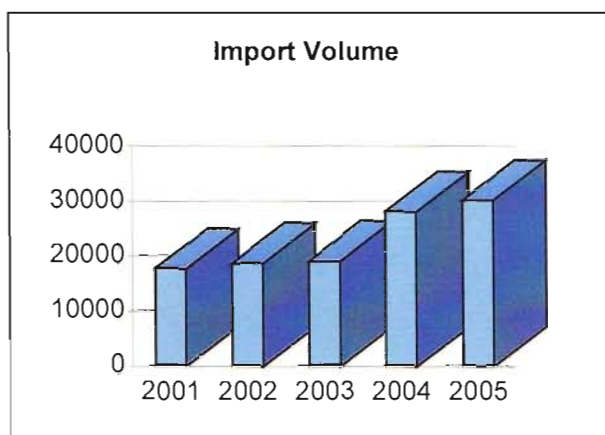
Graph 3.3(b): Growth Rate Of Investment Volume
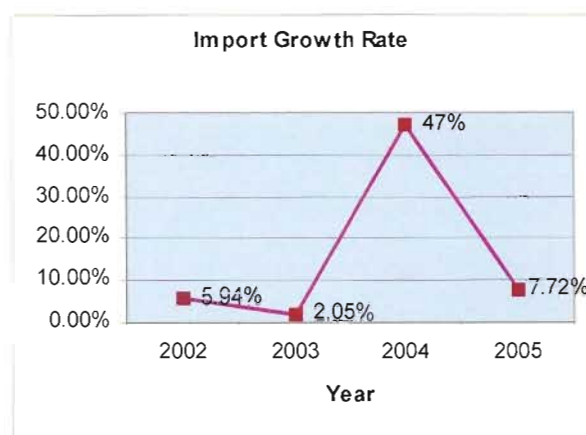
From table 3.6 and graphs 3.4(a) and 3.4(b), we can see that the import volume of Dhaka Bank Limited increased during the period 2001 to 2005. Though the import volume of Dhaka Bank increased every year, but its growth rate is not equal. From the graph it is seen that in the year 2004, there is a significant increase in the import growth rate. This significant increase in the overall volume of imports stemmed from imports of petroleum and petroleum products, food grains and iron steel and other base metals. Overall, the import volume of Dhaka Bank shows an increasing trend over the period.

If we make a trend analysis of the import volume of Dhaka Bank based on the information above, we get

$$Y_t = -6883426 + 3447.91t$$

As per the trend forecast, the import volume of the year 2008 will be Tk. 39977.28 million

$$r = 0.92 \qquad r^2 = 0.85$$

From the above trend analysis it can be said the total import volume of the year 2008 will be Tk. 39977.28 million. Since the coefficient of determination is 0.85, we can conclude that it explains 85% of the degree of association of between the years and import volume of Dhaka

Bank. It indicates the equation is well fitted between the independent and dependant variable. Since r is positive, i.e. 0.92, we can conclude that positive relationship is associated between years and import volume, i.e. as the years go, the import volume of Dhaka Bank also increases.

3.4.2 Export:

Dhaka Bank experienced sound growth of export business after they start their operation. They always have a positive growth in their export business except during the year 2001 and 2002. The export sector of the country experienced a downturn caused by the worldwide recession during the year 2001. So the export business of Dhaka Bank also had a downturn as compared to the export volume of the year 2000. Readymade garments still remained the major export item constituting approximately 90% of the total export. The other export items are jute, accessories (buttons, interlinings, labels) and footwear etc.

The export volume of Dhaka Bank during the period 2001 to 2005 were as follows:

Table 3.7: Export Volume

Figures in Million Taka

Year	Export Volume	Growth Rate
2001	6182.50	-
2002	6110.20	-1.18%
2003	6900.60	12.93%
2004	8881.00	28.70%
2005	13505.00	52.02%

Source: Annual Report- 2001 to 2005, Dhaka Bank Limited

From the table 3.7 and graphs 3.5(a) and 3.5(b) in the next page, we can see that the export volume shows an increasing growth rate except in the year 2002. Since the world economy had faced a downturn after the year 2001 for 9/11 effect, the volume of export faced a

Graph 3.5(a): Export Volume	Graph 3.5(b): Growth Rate Of Export Volume
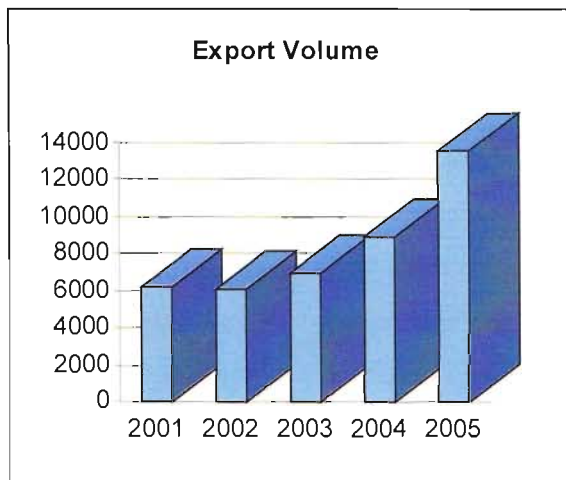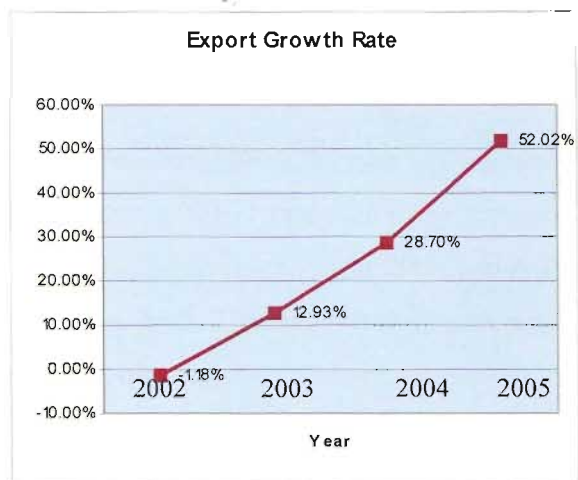
negative growth in the year 2002. However, the country soon overcomes the situation, which caused a huge increase in export growth rate from − 1.18% to 13% approximately in the year 2003. In the next two years, the growth rate has increased to near about 29% in the year 2004 and 52% in the year 2005. Overall the export growth rate of Dhaka Bank shows an increasing trend.

If we make a trend analysis of the export volume of Dhaka Bank Limited, we get

$$Y_i = -3480069 + 1741.58t$$

As per the trend forecast, the export volume of the year 2008 will be Tk. 17023.64 million

$$r = 0.89 \qquad r^2 = 0.78$$

From the above trend analysis it can be said the total import volume of the year 2008 will be Tk. 17023.64 million. Since the coefficient of determination is 0.78, we can conclude that it explains 78% of the degree of association of between the years and export volume of Dhaka Bank Limited. It indicates the equation is well fitted between the independent and dependant

variable. Since r is positive, i.e. 0.89, we can conclude that positive relationship is associated between years and export volume, i.e. as the years go, the export volume also increases.

3.4.3 Inward Foreign Remittance

On an average, 2,500,000 people migrate annually from Bangladesh to take up overseas employment. Dhaka Bank Limited, although a new entrant in the inward forward remittance sector, has continued to grow since its inception of remittance operation in 2005 and is in course to be a major player in the near future. Dhaka Bank Limited received with total inward foreign remittance in excess of US$ 25 million in the year 2005. It has commenced its operation with the view to serving the expatriate Bangladeshis, by enabling them to disburse their remittance funds to their loved ones in Bangladesh. Providing fast and efficient services to its expatriate clients has been the bank's top priority along with increasing the flow of foreign currency to contribute to the county's foreign reserve.

3.5 Risk Management

Risk management is one of the critical factors in banking and is one of Dhaka Bank's core competencies and forms an essential element of bank's overall strategy. The board has recognized that a critical factor of bank's overall profitability and stability is its effective risk management capabilities and risk return management.

The bank's primary business activity is commercial banking, essentially a customer driven activity, where substantial risk comprises of credit risk of its corporate, commercial and retail customers. Commercial banking activities also expose the bank to market risk arising from reprising, maturity and currency mismatches of assets and liabilities. These mismatches give rise to interest rate risk, liquidity and foreign exchange risk. The risk management of bank covers five core risk areas of banking which are given in the next page:

3.5.1 Credit Risk Management:

Credit risk means uncertainty to meet financial obligation as per agreed terms by the borrowers during the tenure of the credit facilities. For maintaining steady growth rate of the bank and economic development of the country, Dhaka Bank manages the credit risk properly. Dhaka bank extends credit facilities to different clients in different sectors after doing due diligence and mitigating risk factors properly as per standards set by Bangladesh Bank, Executive Committee of the Board of Directors and Management Credit Committee of the Bank.

Credit related works are segregated to different stage for mitigating credit risk. The duties of credit risk management is to maintain asset quality, assessing risk to lending to a particular client, sanctioning credit facilities, formulating policy for extending credit facilities. Credit administration cell in branch completes all necessary documentation formalities before disbursement of funds. Monitoring and Recovery cell monitors the clients regularly and necessary actions are taken for recovery of loans. Legal and Compliance unit is entrusted with the duties of dealing with the cases filed for recovery of loans and ensuring compliance of terms and conditions of sanction letter.

3.5.2 Foreign Exchange Risk Management:

To address the issue of foreign exchange risk management, all the activities regarding foreign exchange has been segregated between front and back office. The issue is being addressed through various techniques so that no exposure is uncovered in any time. Dhaka Bank follows all prudential procedures for covering foreign exchange risk as per set standards of Bangladesh Bank. Treasury Division always monitors the market scenario of risks and manages the foreign exchange operation in a way so that earnings are not hampered against any adverse movement of market price. The foreign exchange risk is at minimum level as all the transactions are carried out on behalf of the customers against L/Cs and remittance. All outstanding entries beyond 30 days are reviewed by management for its settlement.

3.5.3 Asset Liability Management:

As per Bangladesh Bank's direction, Dhaka Bank has formed Asset Liability Committee (ALCO) in March 2003.The ALCO regularly reviews issues like interest rates trends, foreign exchange position, balance sheet risk, rate of interest on deposits and advances, liquidity requirements of the bank, maturities mismatch position of assets and liabilities, cost of deposit, net interest margin etc. and take appropriate action.

3.5.4 Prevention Of Money Laundering:

Money laundering risk is defined as the loss of reputation and expenses incurred as penalty for being negligent in prevention of money laundering. Nominated anti money laundering compliance officers in branches report to their chief in head office on any suspicious transaction. Steps are taken to have transaction profile before opening any account. Training has been continuously given to all officers and executives for developing awareness and skill for identifying suspicious accounts and transactions.

3.5.5 Internal Control and Compliance:

Bank stresses on internal control and banking operations to protect itself from possible loss, which may arise from any fraud. Head office Audit and Compliance Division makes year wise audit plan to carry out comprehensive audit and inspection on the banking operations in various divisions in head office and branches in order to ensure that internal control practice and procedures are in practice and complied with. The audit committee of the Board subsequently reviews the reports of the division.

3.6 Offering Various Products and Services

Dhaka Bank Limited always believes that customers are dynamic and they always try to meet the changing need of their valued customers. For this reason, Dhaka Bank has introduced a variety of products and services for their customers. A brief description of these is given below:

3.6.1 Corporate Banking:

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.

They provide corporate banking services to a wide span of businesses and industries. People can leverage on their 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

3.6.2 Floating of Public Issues:

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

3.6.3 Loan Syndication:

Dhaka Bank participated in a number of loan syndication arrangements involving foreign investment, which has been highly acclaimed. The projects they have 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.

3.6.4 Islamic Banking:

Dhaka Bank offers Shariah based Islamic Banking Services to its clients. 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.Dhaka Bank Limited is a provider of on line banking services and any of its client may avail Islamic banking services through any of the branches of the bank across the country.

Dhaka Bank Islamic banking branches offer fully Shariah based, interest free, profit-loss sharing banking services. Dhaka Bank Shariah Council is closely monitoring its activities. Besides, Dhaka Bank is an active member of Islamic Banking Consultative Forum, Dhaka and Central Shariah Board of Bangladesh.

3.6.5 Personal Banking:

Among private sector banks, Dhaka Bank has already made its mark in the personal banking segment. The promotions like "Baishakhi Offer", a strategic tie up with Electra International

Limited, distributor of Samsung brand products, and "Freeze the Summer Campaign" a strategic tie-up with Esquire Electronics Limited, distributor of Sharp/General Brand electrical appliances saw Dhaka Bank to experience more than a reasonable growth on the personal banking business in 2004.

Dhaka Bank Limited provides the following products under their personal banking services:

3.6.5.1 Personal Loan:

As part of establishing a personal banking service, 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.

The target market for personal loan will mainly comprise of following category –

a) Salaried employees of institutions in Dhaka, Chittagong and Sylhet markets.
b) Professionals who are self employed and have at least 3 years of independent practice in the area of profession.
c) Businessmen who are permanent residents of Dhaka, Chittagong and Sylhet metropolis with at least 3 years of continued operation in the line of business.

The minimum and maximum loan amount under the program is as follows:

Table 3.8: Personal Loan

Name Of The Product	Minimum Amount	Maximum Amount
Personal Loan	BD. Tk. 25000	BD. Tk. 500000

Source: www.dhakabankltd.com

3.6.5.2 Car Loan:

Another product of personal banking services of Dhaka Bank Limited is the 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 EMI 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.

The target market for personal loan will mainly comprise of following category –

a) Salaried employees of institutions in Dhaka, Chittagong and Sylhet markets.

b) Professionals who are self employed and have at least 3 years of independent practice in the area of profession.

c) Businessmen who are permanent residents of Dhaka, chittagong and Sylhet metropolis with at least 3 years of continued operation in the line of business.

The minimum and maximum loan amount under the program is as follows:

Name Of The Product	Minimum Amount	Maximum Amount
Car Loan	Depends upon situation	BD. Tk. 2,000,000

Table 3.9: Car Loan

Source: www.dhakabankltd.com

3.6.5.3 Vacation Loan:

Vacation Loan is another product launched by Dhaka Bank as part of their personal banking services.. 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 EMI across the facility period. Depending on the size and purpose of the loan, the number of installments varies from 12 to 48 months.

The target market for personal loan will mainly comprise of following category –

a) Salaried employees of institutions in Dhaka, Chittagong and Sylhet markets.
b) Professionals who are self employed and have at least 3 years of independent practice in the area of profession.
c) Businessmen who are permanent residents of Dhaka, chittagong and Sylhet metropolis with at least 3 years of continued operation in the line of business.

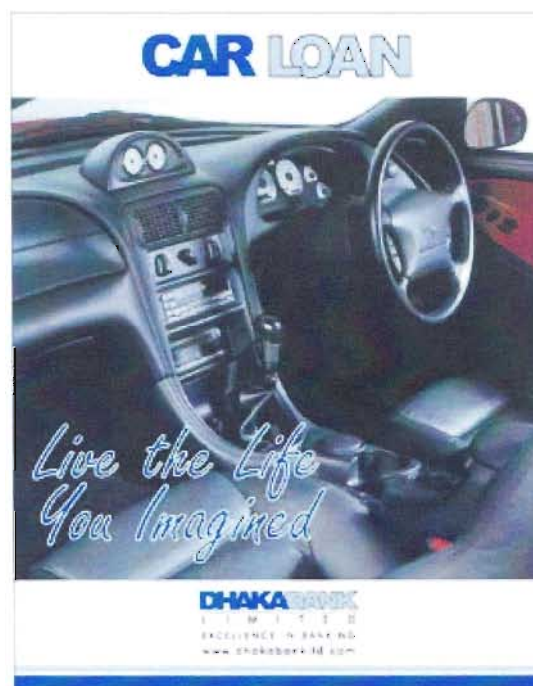The minimum and maximum loan amount under the program is as follows:

Table 3.10: Vacation Loan

Name Of The Product	Minimum Amount	Maximum Amount
Car Loan	BD. Tk. 25000	BD. Tk. 500,000

Source: www.dhakabankltd.com

3.6.5.4 Any Purpose Loan:

Recently Dhaka Bank Introduced "Any Purpose Loan" for its valued customers. Under this program, customers can take loan up to Tk. 500,000 to spend it any way they choose to. They can take loan to meet up educational expense, to buy any kind of house hold accessories etc. But they must fulfill certain criteria for getting the loan.
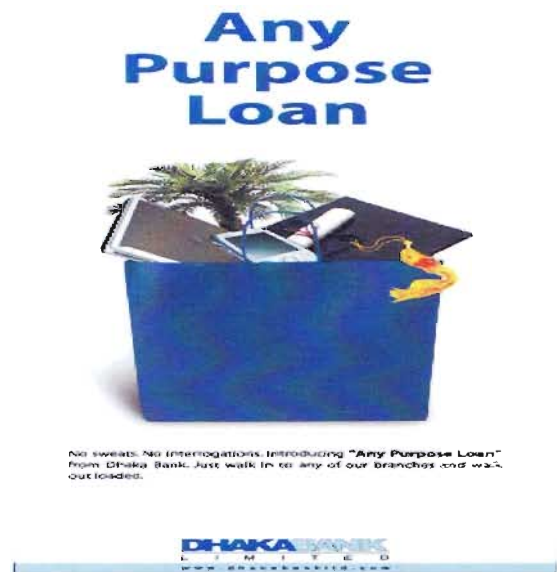
3.6.5.5 Locker:

By providing locker facilities to their customers, Dhaka Bank Limited has the option of covering the valuables of their customers against any unfortunate incident. Lockers are available at Gulshan, Banani, Dhanmondi, Uttara, CDA Avenue & Cox's Bazar Branch.
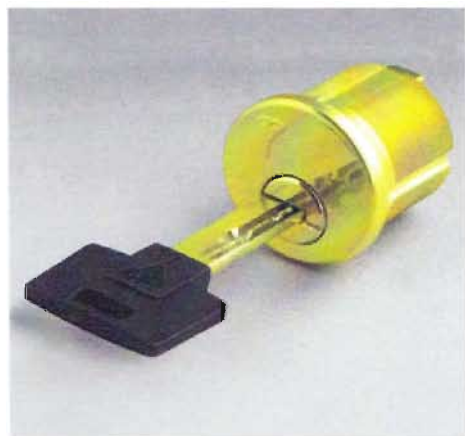
3.6.5.6 ATM Card:

Dhaka Bank ATM card enable the customers to carry their banking transaction 24 hours a day. Their shared ATM network provides maximum number of outlets conveniently located at major commercial and residential areas. They also expand their ATM network at Chittagong, Rajshahi and Cox's Bazar.

3.6.5.7 Credit Card:

Credit Card has earned a wide acceptability and reputation within a very short time. The bank has developed the process in such that it can deliver the credit card within only 7 days against security, for unsecured cards it takes only 10 days. They have also networked all branches in Dhaka, Chittagong, Sylhet, Narayanganj, Savar to offer any new branch banking facility for the convenience of their customer.

3.6.5.8 Automated Phone Banking:

Dhaka Bank Phone Banking Service allows customers to conduct a variety of transaction by simply making a phone call from anywhere. Customer can enquire about the balance in their account, check transaction details and request for account statement by fax or e-mail. Customers can also talk to the officer to discuss the banking requirements or any other transaction details.

3.6.6 SME Financing

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 bank started branch operations at Belkuchi Sirajgonj in April 2003. Prior to the Bank's intervention, the weaving community did not have the financial strength to stock their products till "Eid ul Fitr" when the annual sale takes place and traders were taking advantage of this situation. With financial services from Dhaka Bank Limited, the weavers have converted to power looms, significantly increased profitability and reduced the involvement of middlemen. 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), International Finance Corporation (IFC) and the World Bank. They have recently been provided technical assistance by the World Bank and are also working with other development agencies and donors for continuous improvements in the products and services they offer.

3.6.7 Finance and Advisory Services:

Given the needs of its large and varied base of corporate clients Dhaka Bank will be positioning 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.

3.6.8 Corporate Social Responsibility:

Dhaka Bank believes that they are a major corporate citizen of the country and it is their responsibility to take part in the development process of the live of the people. They spend 2% of their profit for corporate social responsibility practices each year. Since 1998 they took part in many social activities like donation to Asiatic Society of Dhaka, assistance to Society for the welfare of Autistic children, donation to Centre for Women and child health hospital, donation to Tsunami victims in Sri Lanka and so on. In recognition of active participants of social development activities, Dhaka Bank won the Standard- Chartered-Financial Express Corporate Social Responsibility Award in 2005.

Summary: An Appraisal Of Principal Activities Of Dhaka Bank Limited

Summary Of Trend Equations

Trend Equation Y_t	r^2	r
Y_t (Total Deposits)= -6756600+3383.01t	0.86	0.92
Y_t (Import)= -6883426+3447.91t	0.85	0.92
Y_t (Export)= -3480069+1741.58t	0.78	0.89

In the above table, a summary of trend equations that have been calculated to forecast the total deposits, export and import of Dhaka Bank Ltd. in the year 2008 is given along with their respective r and r^2. Total three trend equations have been calculated where the amount of deposits, total volume of import and total volume of export were the dependant variable. In each case, year was the independent variable. All three equations have coefficient of determination (r^2) more than 50%. It indicates that these equations are well fitted between the independent and respective dependent variable. All the trend equations have positive relationship between the independent and dependant variable. It indicates that with an increase in independent variable, the respective dependant variable also increases.

Summary Of Regression Equations

Regression Equation $\hat{Y}$	r^2	r
$\hat{Y}(\text{Loans And Advances}) = -2486.56 + 0.871754X$	0.98	0.99
$\hat{Y} = -985.28 + 0.175815X$	0.94	0.96

In the above table, a summary of regression equations that have been calculated to forecast the relationship between total deposits with loans and advances and total deposits with investment of Dhaka Bank Limited in the year 2008 is given along with their respective r and r^2. Total two regression equations have been calculated where the amount of deposits is the independent variable and total volume of loans and advances and total investments are dependant variable. All the equations have coefficient of determination (r^2) more than 50%. It indicates that these equations are well fitted between the independent and respective dependent variable. All the regression equations have positive relationship between the independent and dependant variable. It indicates that with an increase in independent variable, the respective dependant variable also increases.

DHAKABANK

L I M I T E D

EXCELLENCE IN BANKING

CHAPTER 4: Financial Performance Analysis Of Dhaka Bank Limited

Chapter Objective

To make

- Comparison of operating incomes and operating expenditures of the bank
- Comparison of net incomes
- Ratio analysis to understand the bank's past performance and predict their future performance

In this chapter a through analysis of the financial performance of Dhaka Bank Limited during the period 2001 to 2005 has been done. The analysis has been done in three segments. Firstly, there is a comparison made among the operating income and expenditure of Dhaka Bank during the period 2001 to 2005. Then a comparison has been made among the net income of Dhaka Bank during this period. Thirdly, a detailed analysis of some of the ratios indicating the bank's performance during this period has been made. In each, trend analysis has been made. Also the coefficient of determination (r^2) and coefficient of correlation (r) has been found to predict the strength of the trend equations.

4.1 Comparison Between Operating Income And Operating Expenditure

In the following table a comparison between the operating income and operating expenditure of Dhaka Bank Limited during the period 2001 to 2005 has been made:

Table 4.1: Comparison Between Operating Income And Operating Expenditure

Figures In Million Taka

Year	Operating Income	Operating Income Growth Rate (%)	Operating Expenditure	Operating Expenditure Growth Rate (%)
2001	832.396	-	307.922	-
2002	963.706	15.77	360.455	17.06
2003	943.869	-2.60	434.271	20.48
2004	1269.842	34.54	523.036	20.44
2005	1487.078	17.11	593.717	13.51

Source: Annual Report- 2001 to 2005, Dhaka Bank Limited

In the table 4.1, it is seen that the growth rate of operating expenditure in the year 2002 was higher than the growth rate of operating income. It indicates that the bank's expenditure is more than compared to the amount of operating income they earned. In 2003, they earned operating income less than the amount they earned in 2002, which is reflected by the negative growth rate of -2.60%. But their operating expenditure shows a positive growth rate of 20.48% which is higher than in the year 2002. In the year 2004, the bank was able to reduce the growth rate of their operating expenditure slightly, but their operating income rises significantly which is reflected by a positive growth rate of 34.54%. In 2005, the growth rate of their operating income decreases to 17.44%. The growth rate of operating expenditure also decreases to 13.51% in 2005.

4.2 Comparison Of Net Income

Dhaka Bank Limited has earned a satisfactory amount of net income during the period 2001-2005 through their various activities. The net incomes of Dhaka Bank during the period are presented below:

Table 4.2: Net Income

Figures in Million Taka

Year	Net Income	Growth Rate
2001	290.392436	-
2002	234.310726	-19.31%
2003	269.007381	14.81%
2004	357.572894	32.92%
2005	462.558947	29.36%

Source: Annual Report- 2001 to 2005, Dhaka Bank Limited

From the table 4.2 and graph 4.1, we can see that the net income of Dhaka Bank has decreased in year 2002, having a negative growth rate of −19.31%. It is because in that particular year, they had made huge investment for introducing some new products for their personal banking service, e.g. Credit Card, ATM Card and Automated Phone Banking Service. For this reason, their operating expenses were also increased to maintain

Graph 4.1: Growth Rate Of Net Income
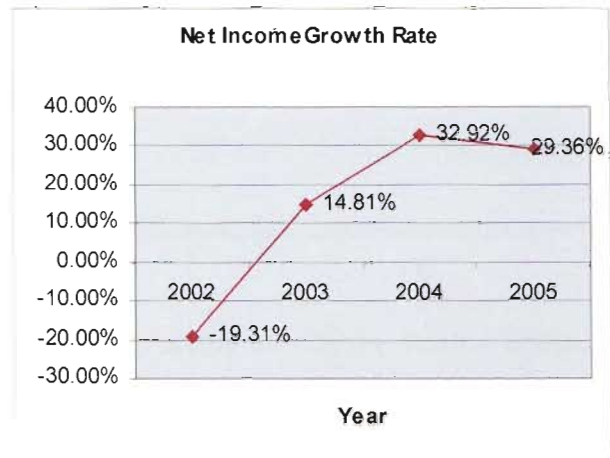
all these services. Also they have opened some new branches in different locations for which they have to make some investments. They also make investments in some sectors. However, they were able to overcome this situation in the year 2003, in which their net income was increased, having a growth rate of 14.81%. Though their operating income shows a negative growth rate in 2003, but their net income increases as the return from their investments started to come. During the following two years, i.e. in 2004 and 2005, their net income was increased further by 32.92% and 29.30% respectively. Overall, the net income of Dhaka Bank shows an increasing trend during the period 2001 to 2005.

If we make a trend analysis of net income of Dhaka Bank based on the information above, we get,

$$Y_t = -93336.5 + 46.76t$$

As per the trend forecast, the net income of Dhaka Bank in the year 2008 will be 557.58 million taka..

$$r = 0.82 \qquad r^2 = 0.67$$

From the above trend analysis it can be said the net income of the year 2008 will be Tk. 557.58 million. Since the coefficient of determination is 0.67, we can conclude that it

explains 67% of the degree of association of between years and the net income. It indicates the equation is well fitted between the independent and dependant variable. Since r is positive, i.e. 0.82, we can conclude that positive relationship is associated between years and the net income, i.e. other things held constant, as the years go, their net income also increases.

4.3: Ratio Analysis

In the following part, some ratios are used for analyzing of Dhaka Bank's financial performance during the period 2001 to 2005. In each case, growth rate has been calculated and a trend analysis has been done to forecast the performance of the bank in the year 2008.

4.3.1 Profit Ratios

Under profit ratio, five important ratios have been calculated to analyze the performance of Dhaka Bank limited. These five ratios are:

- ❖ Return On Equity (ROE)
- ❖ Return On Asset (ROA)
- ❖ Net Interest Margin (NIM)
- ❖ Earnings Per Share (EPS)
- ❖ Dividend Payout Ratio

A brief analysis of each of these ratios are given in the following pages:

4.3.1.1 Return On Equity (ROE)

ROE measures the return earned on common stockholder's investment in the firm. The ROE of Dhaka Bank Limited during the period 2001 to 2005 were as follows:

Table 4.3: Return On Equity (ROE)

Year	ROE (%)	Growth Rate (%)
2001	43.92	-
2002	26.16	-40.44
2003	22.23	-15.02
2004	24.03	8.09
2005	20.87	-13.15

Source: Annual Report- 2001 to 2005, Dhaka Bank Limited

Graph 4.2(a): ROE
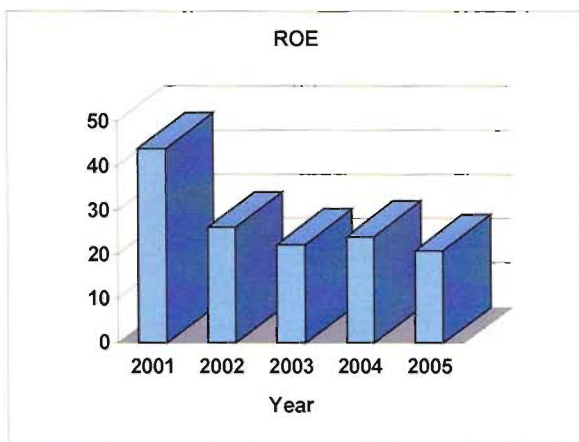
Graph 4.2(b): ROE Growth Rate
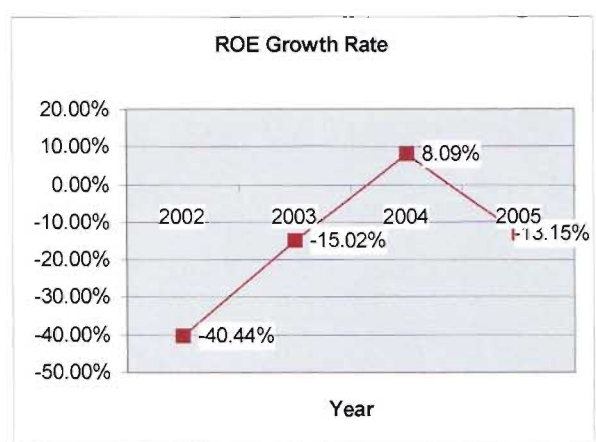
From the table 4.3 and graphs 4.2 (a) and 4.2 (b), we can see that the ROE of Dhaka Bank in the year 2001 was 42.92%, indicating that the shareholders' of Dhaka Bank has earned a

return of 42.92% on their investment. However, the ROE was decreased to 26.16% in the year 2002, having a negative growth rate of –40.44%. It is due to the decrease in the net income in that particular year. In the year 2003, the ROE further decreased, having a negative growth rate of -15.02%. But here, they have managed to increase their net income, for which the negative growth rate of ROE diminished by more than 50% in the year 2003, compared with the year 2002. Finally, in the year 2004, their ROE increased, having a growth rate of 8.09%. In the year 2005, their ROE again decline. It is because in that year, the bank issues new shares of common stock for expansion.

If we make a trend analysis of ROE of Dhaka Bank based on the information above, we get,

$$Y_t = 9687.911 - 4.823t$$

As per the trend forecast, the ROE of Dhaka Bank in the year 2008 will be 3.33%

$$r = 0.81 \qquad r^2 = 0.65$$

From the above trend analysis it can be said the ROE of the year 2008 will be 3.33%. Since the coefficient of determination is 0.65, we can conclude that it explains 65% of the degree of association of between years and the ROE. It indicates the equation is well fitted between the independent and dependant variable. Since r is positive, i.e. 0.81, we can conclude that positive relationship is associated between years and the ROE, i.e. other things held constant, as the years go, the ROE of Dhaka Bank also increases.

4.3.1.2 Return On Asset (ROA):

ROA measures the overall effectiveness of management in generating profits with its available assets. The ROA of Dhaka Bank Limited during the period 2001 to 2005 were as follows:

Table 4.4: Return On Assets (ROA)

Year	ROA (%)	Growth Rate(%)
2001	1.52	-
2002	1.23	-19.08
2003	1.29	4.88
2004	1.27	-1.55
2005	1.40	10.24

Source: Annual Report- 2001 to 2005, Dhaka Bank Limited

Graph 4.3(a): ROA
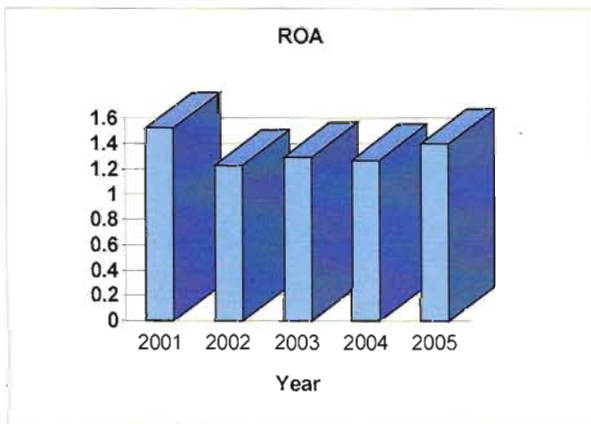
Graph 4.3(b): ROA Growth Rate
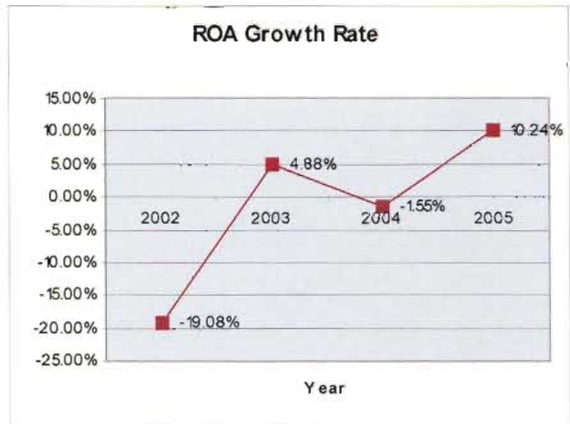
From the table 4.4 and graphs 4.3 (a) and 4.3 (b), we can see that the ROA of Dhaka Bank in the year 2001 was 1.52%, indicating that Dhaka Bank has earned a return of 1.52% of each

taka of their real and financial resources investment. However, the ROA was decreased to 1.23% in the year 2002, having a negative growth rate of –19.08%. It is due to the decrease in the net income in that particular year. In the year 2003, the ROA of Dhaka Bank increased to 1.29%. In the year 2004, their ROA decreased to 1.27%, having a negative growth rate of –1.55%. It is because they purchased some new assets for the operation of their business, for which their total amount of assets increased, but net income was not increased proportionately. In the year 2005, their ROA again increased.

If we make a trend analysis of ROA of Dhaka Bank based on the information above, we get,

$$Y_t = 41.402 - 0.02t$$

As per the trend forecast, the ROA of Dhaka Bank in the year 2008 will be 1.24%

$$r = 0.27 \qquad r^2 = 0.07$$

From the above trend analysis it can be said the ROA of Dhaka bank in the year 2008 will be 1.24%. However, the coefficient of determination is 0.07, which indicates that it explains only 7% of the degree of association of between years and ROA. The degree of association is not sufficient enough to validate this result. We can conclude that the equation is not well fitted between years and ROA. Instead, ROA is dependant on other factors, like the amount of net income, total assets etc.

4.3.1.3 Net Interest Margin (NIM):

The NIM measures how effectively a firm utilizes its earning assets in relation to the interest cost of funding. The NIM of Dhaka Bank Limited during the period 2001 to 2005 were as follows:

Table 4.5: Net Interest Margin (NIM)

Year	NIM (%)	Growth Rate(%)
2001	3.31	-
2002	2.99	-9.67
2003	2.61	-12.70
2004	3.17	21.46
2005	2.74	-13.56

Source: Annual Report- 2001 to 2005, Dhaka Bank Limited

Graph 4.4(a): NIM
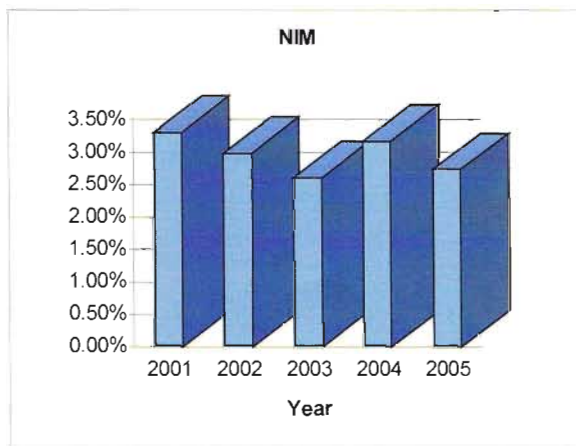
Graph 4.4(b): NIM Growth Rate
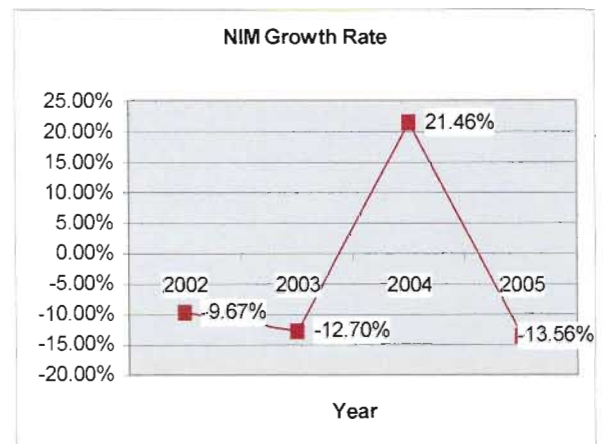
From the table4.5 and graphs 4.4 (a) and 4.4 (b), we can see that the NIM of Dhaka Bank in the year 2001 was 3.31%, indicating that Dhaka Bank has earned a return of 3.31% from

their average interest earning assets. However, the NIM was decreased to 2.99% in the year 2002, having a negative growth rate of –9.67%, following a further decline of 2003 to 2.61%. It is because they have made investment in some particular sector and also to expand their business during these years. In the year 2004, their NIM increased to 3.17%, having a growth rate of 21.46%. It is because the net interest income was increased, as the return from the new investments started to come. In the year 2005, their NIM again decreased 2.74% because of their increase in investment in various sectors.

If we make a trend analysis of NIM of Dhaka Bank based on the information above, we get,

$$Y_t = 195.252 - 0.096t$$

As per the trend forecast, the net interest margin of Dhaka Bank Limited in the year 2008 will be 2.48%

$$r = 0.52 \qquad r^2 = 0.27$$

From the above trend analysis it can be said the NIM of 2008 will be 2.48%. Since the coefficient of determination is 0.27, we can conclude that it explains 27% of the degree of association of between years and the NIM. The degree of association is not sufficient enough to validate this result. We can conclude that the equation is not well fitted between years and NIM. Instead, NIM is dependant on other factors, like the amount of net interest income, total assets etc.

4.3.1.4 Earnings Per Share (EPS)

The EPS represents the amount earned on behalf of each share of common stock. The EPS of Dhaka Bank Limited during the period 2001 to 2005 were as follows:

Table 4.6: Earnings Per Share (EPS)

Year	EPS (Taka)	Growth Rate (%)
2001	95.69	-
2002	69.88	-26.97
2003	50.65	-27.52
2004	53.86	6.34
2005	37.66	-30.07

Source: Annual Report- 2001 to 2005, Dhaka Bank Limited

Graph 4.5(a): EPS
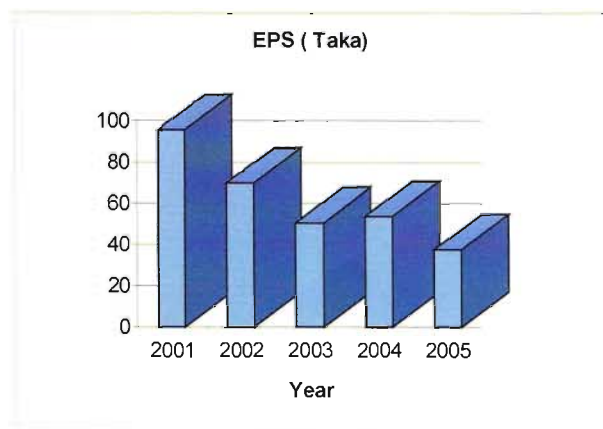
Graph 4.5(b): EPS Growth Rate
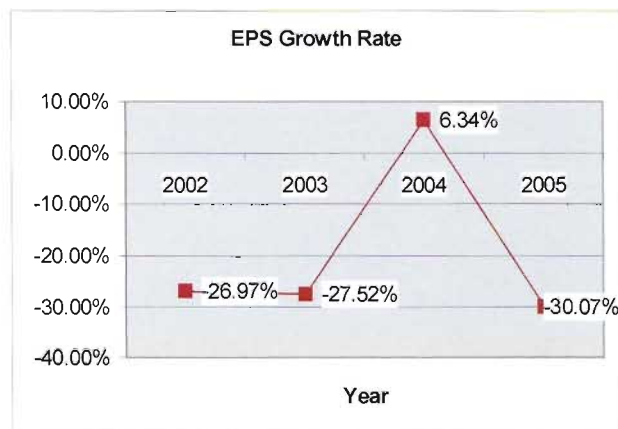
From the table 4.6 and graphs 4.5(a) and 4.5(b), we can see that the EPS of Dhaka bank in the year 2001 was Taka 95.69, indicating that the shareholders of Dhaka Bank have earned a

return of Tk. 95.69 on each outstanding shares of common stock. However, the EPS was decreased to Tk.69.88 in the year 2002, having a negative growth rate of –26.97%. It is due to the decrease in the net income in that particular year. In the year 2003, the EPS further decreased, having a negative growth rate of –27.52%. Finally, in the year 2004, their EPS increased, having a growth rate of 6.34%. In the year 2005, their EPS again decline. It is because in that year, the bank issues new shares of common stock for expansion.

If we make a trend analysis of EPS of Dhaka Bank based on the information above, we get,

$$Y_t = 26551.87 - 13.208t$$

As per the trend forecast, the EPS of Dhaka Bank in the year 2008 will be TK 30.21

$$r = 0.94 \qquad r^2 = 0.88$$

From the above trend analysis it can be said the EPS of Dhaka Bank in the year 2008 will be Tk. 30.21. Since the coefficient of determination is 0.88, we can conclude that it explains 88% of the degree of association of between years and the deposits. It indicates that the equation is well fitted between the independent and dependant variable. Since r is positive, i.e. 0.94, we can conclude that positive relationship is associated between years and the EPS, i.e. other things held constant, as the years go, the EPS of Dhaka Bank also increases.

4.3.1.5 Dividend Payout Ratio:

The dividend payout ratio shows the extent to which earnings are paid to common shareholders in the form of cash dividend. The dividend payout ratio of Dhaka Bank Limited during 2001 to 2005 were as follows:

Table 4.7: Dividend Payout Ratio

Year	Dividend Payout Ratio (%)	Growth Rate (%)
2001	24	-
2002	32	33.33%
2003	39.48	23.38%
2004	22.27	-43.59%
2005	14.33	-35.65%

Source: Annual Report- 2001 to 2005, Dhaka Bank Limited

Graph 4.6(a): Dividend Payout Ratio
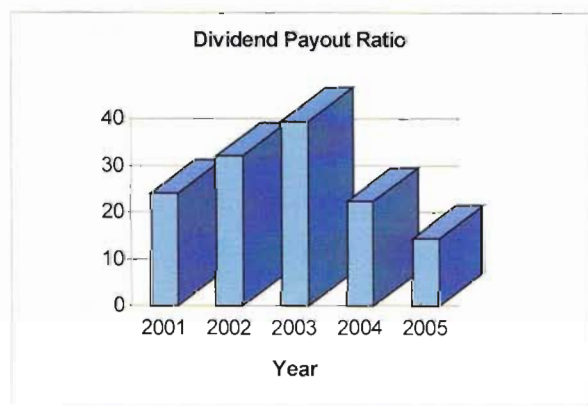
Graph 4.6(b): Dividend Payout Ratio Growth Rate
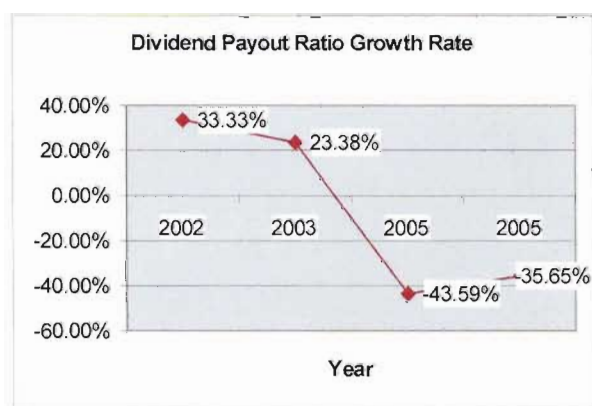
From the table 4.7 and graphs 4.6 (a) and 4.6 (b), we can see that the dividend payout ratio of Dhaka Bank in the year 2001 was 24%, indicating that Dhaka Bank has paid 24% of its earnings as cash dividends to its shareholders. The dividend payout ratio increased to 32% in

the year 2002, having a growth rate of 33.33% over the year 2001 and 39.48% in the year 2003, having a growth rate of 23.38% over the year 2002. However, the dividend payout ratio was decreased to 22.27% in the year 2004, having a negative growth rate of –43.59%, following a further decline at 2005 to 14.33%. It is because the management has decided to keep more amount of net income as retained earnings, which they will use for investment and expansion of their business.

If we make a trend analysis of dividend payout ratio of Dhaka Bank based on the information above, we get,

$$Y_t = 5849.137 - 2.907t$$

As per the trend forecast, the dividend payout ratio at 2008 will be 11.88%

$$r = 0.48 \qquad r^2 = 0.23$$

From the above trend analysis it can be said the dividend payout ratio of Dhaka Bank in the year 2008 will be 11.88%. Since the coefficient of determination is 0.23, we can conclude that it explains 23% of the degree of association of between years and the dividend payout ratio. The degree of association is not sufficient enough to validate this result. We can conclude that the equation is not well fitted between years and dividend payout ratio. Instead, dividend payout ratio is dependant on other factors, like the net income, EPS, bank management's decision, shareholders' expectation etc.

4.3.2 Solvency Ratios

Under solvency ratio, two important ratios have been calculated to analyze the performance of Dhaka Bank Limited. These two ratios are:

- ❖ Debt to Total Asset Ratio
- ❖ Debt to Total Equity Ratio

4.3.2.1 Debt to Total Asset Ratio:

The debt to total asset ratio measures the proportion of total asset financed by firm's creditors. The debt to total asset ratio of Dhaka Bank Limited during the period 2001 to 2005 were as follows:

Table 4.8: Debt To Total Asset Ratio

Year	Debt to Total Asset Ratio (%)	Growth Rate (%)
2001	96.55	-
2002	95.31	-1.28
2003	94.18	-1.18
2004	94.72	0.57
2005	93.43	-1.36

Source: Annual Report 2001 to 2005, Dhaka Bank Limited

From the table 4.8 and graphs 4.7 (a) and 4.7 (b), it can be said that the debt to total asset ratio of Dhaka Bank was highest in the year 2001, which is 96.55%. It indicates that about 96% of its assets are financed by creditors. They use more financial leverage to finance their

Graph 4.7(a): Debt To Total
Asset Ratio
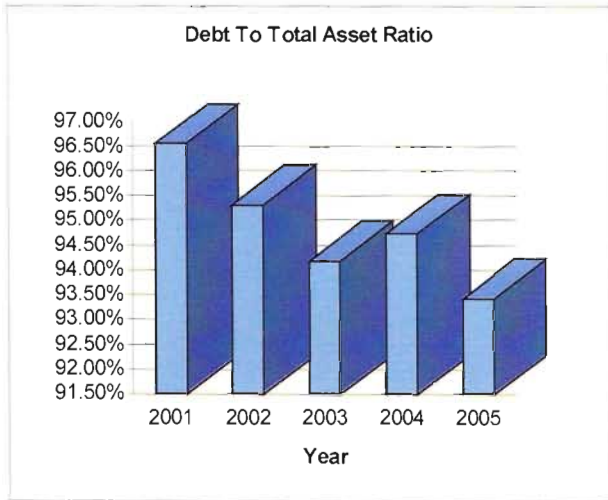
Graph 4.7(b): Debt To Total Asset
Ratio Growth Rate

Debt To Total Asset Ratio

Debt To Total Asset Ratio Growth Rate
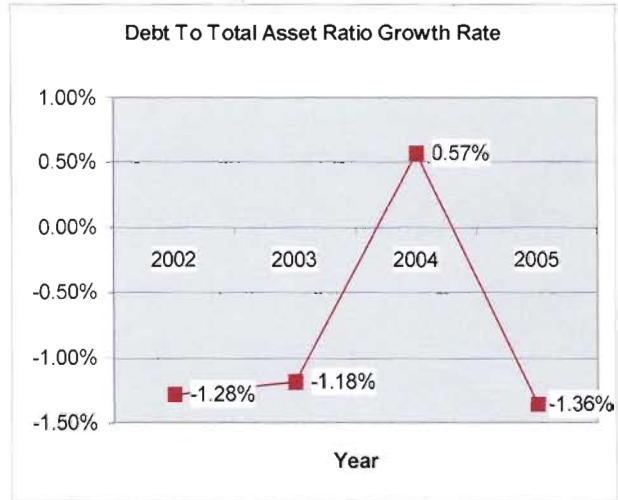
assets. For banking industry, this ratio is usually high, because most of the banking operations are done by the deposits of the accounts holders'. However, there is a decreasing trend in the debt to total asset ratio, which means that bank is gradually increasing the use of equity funds to finance their assets.

If we make a trend forecast of debt to total asset ratio of Dhaka Bank based on the information above, we get,

$$Y_t = 1462.887 - 0.683t$$

Thus, the debt to total asset ratio of Dhaka Bank in the year 2008 will be 91.42%

$$r = -0.91 \qquad r^2 = 0.83$$

From the above trend analysis it can be said the debt to total asset ratio at the year 2008 will be 91.42%. Since the coefficient of determination is 0.83, we can conclude that it explains 83% of the degree of association of between years and the deposits. Since r is negative, i.e.- 0.91, we can conclude that negative relationship is associated between years

and the debt to total asset ratio, i.e. as the years go, the bank will use more equity to finance their assets.

4.3.2.2 Debt To Total Equity Ratio:

The debt to total equity ratio measures the amount of equity the firm has to support its liabilities. The debt to total equity ratio of Dhaka Bank Limited during 2001 to 2005 were as follows:

Table 4.9: Debt To Total Equity Ratio

Year	Debt To Total Equity Ratio (%)	Growth Rate (%)
2001	28.01	-
2002	20.33	-27.42
2003	16.20	-20.31
2004	17.93	10.68
2005	13.92	-22.36

Source: Annual Report 2001 to 2005, Dhaka Bank Limited

Graph 4.8(a): Debt To Total Equity Ratio	Graph 4.8(b): Debt To Total Equity Ratio Growth Rate
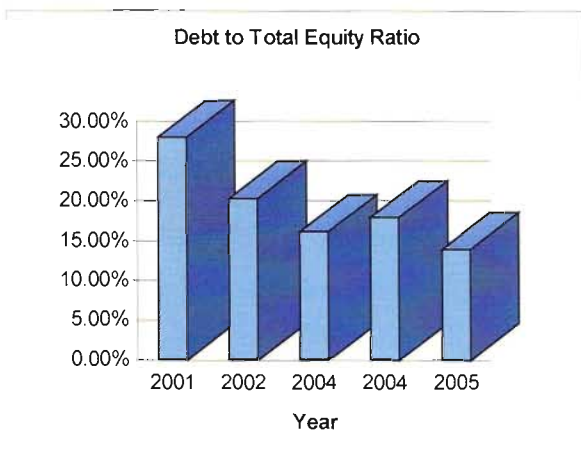
Debt to Total Equity Ratio

Debt to Total Equity Ratio Growth Rate
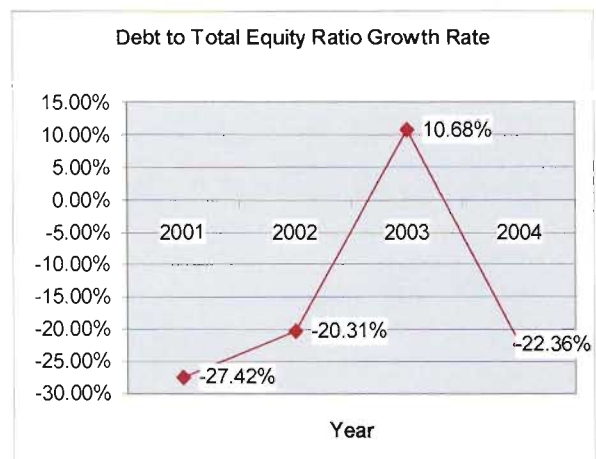
From the table 4.9 and graphs 4.8 (a) and 4.8 (b), it can be said that the debt to total equity ratio of Dhaka Bank was highest in the year 2001, which is 28.01%. It indicates that for every Tk. 28 of debt, they have Tk. 100 to support it. However, there is a decreasing trend in the debt to total equity ratio, it is because they may reduce some of their liabilities or debt or they issues more shares of common stock.

If we make a trend forecast of debt to total equity ratio of Dhaka Bank based on the information above, we get,

$$Y_t = 61.445 - .03058t$$

Thus, the debt to total equity ratio of Dhaka Bank in the year 2008 will be 4.04%

$$r = -.89 \qquad r^2 = 0.79$$

From the above trend analysis it can be said the debt to total equity ratio at the year 2008 will be 4.04%. Since the coefficient of determination is 0.79, we can conclude that it explains 79% of the degree of association of between years and the debt to total asset ratio. Since r is negative, i.e.- 0.89, we can conclude that negative relationship is associated between years and the debt to total equity ratio, i.e. as the years go, the bank will reduce their debt or they may increase the equity to support their debt.

4.3.3 Market Ratios

Under Market Ratio, two important ratios have been calculated to analyze the performance of Dhaka Bank Ltd. These two ratios are:

❖ Price/ Earnings (P/E) Ratio
❖ Market/ Book (M/B) Ratio

4.3.3.1: Price/ Earnings (P/E) Ratio:

The P/E ratio measures the amount the investors are willing to pay for each taka of firm's earnings. The P/E ratio of Dhaka Bank Limited during the period 2001 to 2005 were as follows:

Table 4.10: Price/Earnings Ratio

Year	P/E Ratio	Growth Rate (%)
2001	4.34	-
2002	3.78	-12.90
2003	4.96	31.22
2004	15.78	218.15
2005	12.45	-21.10

Source: Annual Report 2001 to 2005, Dhaka Bank Limited

Graph 4.9(a): Price/ Earnings Ratio

Graph 4.9(b): Price/Earnings Ratio Growth Rate

From the table 4.10 and graphs 4.9 (a) and 4.9 (b), it can be seen that the P/E ratio in the year 2001 was 4.34, which indicates that investors were willing to pay Tk. 4.94 for each Tk. 1

of earnings. The P/E ratio was highest in the year 2004, which is 15.78, having a growth rate of 218.145% from the year 2003. In that particular year, the net income has the highest growth rate during the period, which is 32.93%. The EPS also has a positive growth rate in the year 2004. The market price was also very high at the end of the year, i.e. Tk. 850 per share. All these lead to the highest P/E ratio in the year 2004, indicating greater confidence level of investors on Dhaka Bank. Overall P/E ratio shows increasing trend during the period 2001 to 2005.

If we make a trend forecast of P/E Ratio of Dhaka Bank based on the information above, we get,

$$Y_t = -5644 + 2.822\, t$$

Thus, the P/E ratio of Dhaka Bank in the year at 2008 will be 22.58

$$r = 0.81 \qquad r^2 = 0.66$$

From the above trend analysis it can be said the P/E ratio of the year 2008 will be 22.58. Since the coefficient of determination is 0.66, we can conclude that it explains 66% of the degree of association of between years and the P/E ratio. Since r is positive, i.e. 0.81, we can conclude that positive relationship is associated between years and the P/E ratio, i.e. as the years go, P/E ratio increases, indicating more confidence level of investors.

4.3.3.2: Market /Book Ratio

The M/B ratio of Dhaka Bank During the period 2001 to 2005 were as follows:

Year	M/B Ratio	Growth Rate (%)
2001	1.90	-
2002	1.12	-41.05
2003	1.10	-1.79
2004	3.79	244.54
2005	2.61	-31.13

Source: Annual Report 2001 to 2005, Dhaka Bank Limited

Graph 4.10(a): Market/Book Ratio
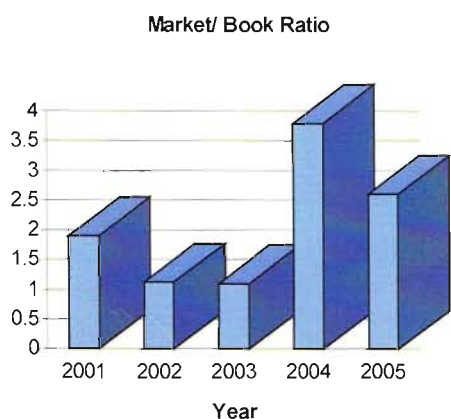
Graph 4.10(b): Market/Book Ratio Growth Rate
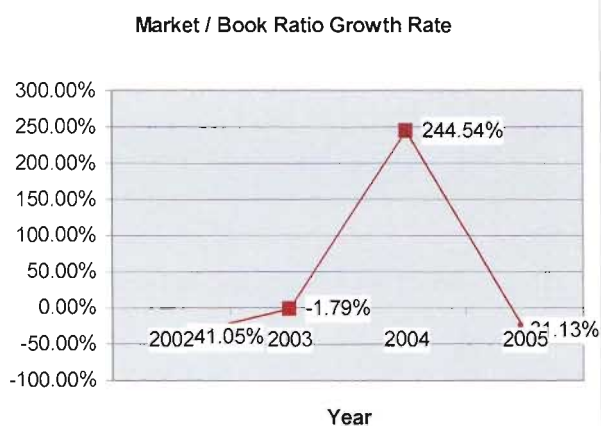
From the table 4.11 and graphs 4.10 (a) and 4.10 (b), we can see that the M/B ratio of Dhaka Bank in the year 2001 was 1.90, indicating that investors are willing to pay Tk. 1.90 for every Tk.1 of book value of Dhaka Bank's stock. The M/ B ratio is highest in the year 3.79. It is because in that year, net income was high which leads to higher market price of

shares. Overall, except in the year 2004, the M/B ratio shows decreasing trend in all other years.

If we make a trend forecast of M/B Ratio of Dhaka Bank based on the information above, we get,

$$Y_t = -817.123 + 0.409\,t$$

Thus, the M/B Ratio Dhaka Bank Limited. in the year 2008 will be 4.15

$$r = 0.57 \qquad r^2 = 0.32$$

From the above trend analysis it can be said the M/B ratio of the year 2008 will be 4.15. Since the coefficient of determination is 0.32, we can conclude that it explains 32% of the degree of association of between years and the M/B ratio. The degree of association is not sufficient enough to validate this result. We can conclude that the equation is not well fitted between years and M/B ratio. Instead, the M/B ratio is dependant on other factors, like the net income, market price, book value of shares, bank management's decision etc.

4.3.4 Risk Ratios

Under Risk Ratio, three important ratios have been calculated to analyze the performance of Dhaka Bank Limited. These three ratios are:

- ❖ Credit/Deposit Ratio
- ❖ Non Performing Loan/Total Advance Ratio
- ❖ Provision For Loan Loss ratio

4.3.4.1 Credit/ Deposit Ratio:

The credit/deposit ratio measures the percentage of loans and advances that the bank gives from their deposits base. The credit/deposits ratio of Dhaka Bank Limited during the period 2001 to 2005 were as follows:

Table 4.12: Credit/Deposit Ratio

Year	Credit /Deposit Ratio (%)	Growth Rate (%)
2001	65.91	-
2002	73.87	12.07
2003	76.47	3.52
2004	72.75	-4.86
2005	79.49	9.26

Source: Annual Report 2001 to 2005, Dhaka Bank Limited

Graph 4.11(a): Credit/Deposit Ratio

Credit /Deposit Ratio
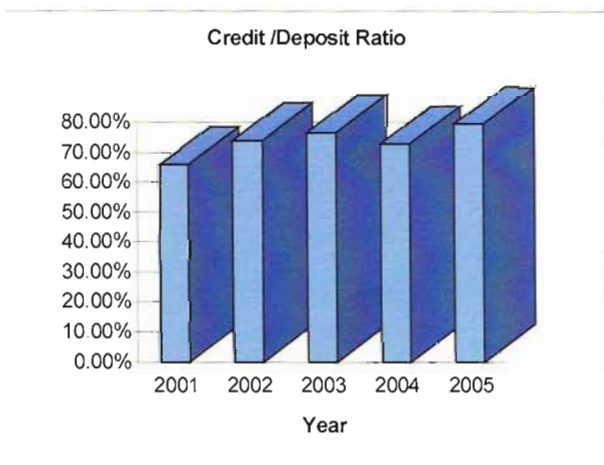
Graph 4.11(b): Credit/Deposit Ratio Growth rate

Credit Deposit Ratio Growth Rate
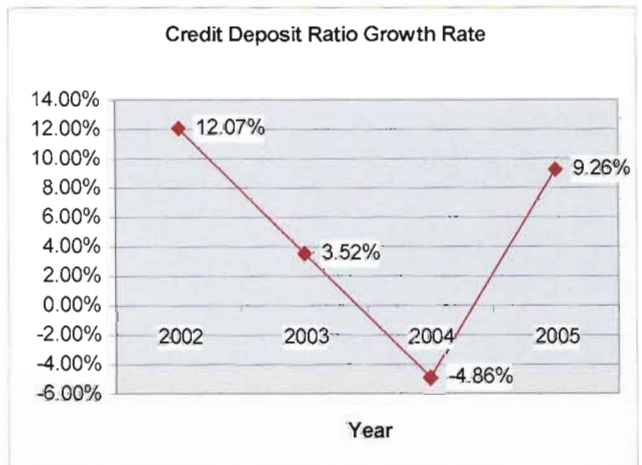
From the table 4.12 and graphs 4.11 (a)and 4.11(b), we can conclude that the credit/ deposit ratio of Dhaka Bank in the year was 65.91%, which indicates that Dhaka Bank gave about

66% of their deposited funds as loan to various sectors. The credit /deposit ratio is increasing over the years, which indicates that the amount of loan they gave increased with an increase of their deposits. However, the credit/ deposit ratio faced a negative growth rate in the year 2004, about –4.86%. It is because in that year Dhaka Bank introduced three new branches. For this expansion, they provide a slightly lower amount of loan compared to other years.

If we make a trend forecast of credit/deposit ratio of Dhaka Bank based   on the information above, we get,

$$Y_t = -5142.11 + 2.604\, t$$

Thus, the credit/deposit ratio Dhaka Bank Limited in the year 2008 will be 86.72%

$$r = 0.81 \qquad r^2 = 0.65$$

From the above trend analysis it can be said the credit/deposit ratio of the year 2008 will be 86.72%. Since the coefficient of determination is 0.65, we can conclude that it explains 65% of the degree of association of between years and the credit/deposit ratio. Since r is positive, i.e. 0.81, we can conclude that positive relationship is associated between years and the credit/deposit ratio, i.e. other things held constant, as the years go, the credit/deposit ratio of Dhaka Bank also increase.

4.3.4.2 Non Performing Loan/Total Advances Ratio:

The non performing loan/ total advance ratio shows the percentage of loans that have become classified or non-performing from the total amount of loans and advances. The non performing loan/ total advance ratio of Dhaka Bank Limited during the period 2001 to 2005 were as follows:

Table 4.13: Non Performing Loan /Total Advances Ratio

Year	Non Performing Loan /Total Advances Ratio (%)	Growth Rate (%)
2001	1.19%	-
2002	2.48%	108.4%
2003	3.26%	31.45%
2004	1.65%	-49.39%
2005	1.51%	-8.48%

Source: Annual Report 2001 to 2005, Dhaka Bank Limited

Graph 4.12(a): Non Performing Loan /Total Advances Ratio
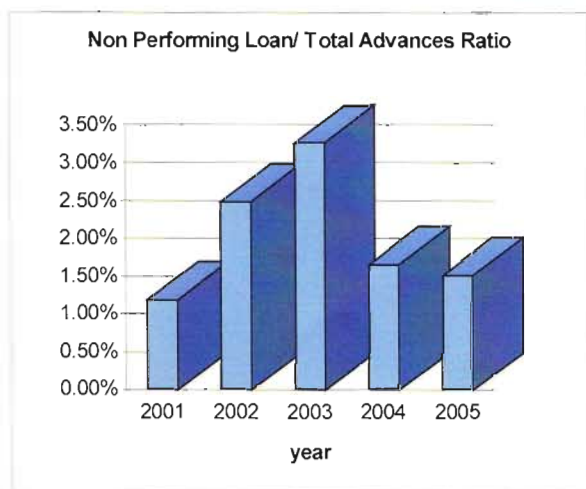
Graph 4.12(b): Non Performing Loan /Total Advances Ratio Growth rate
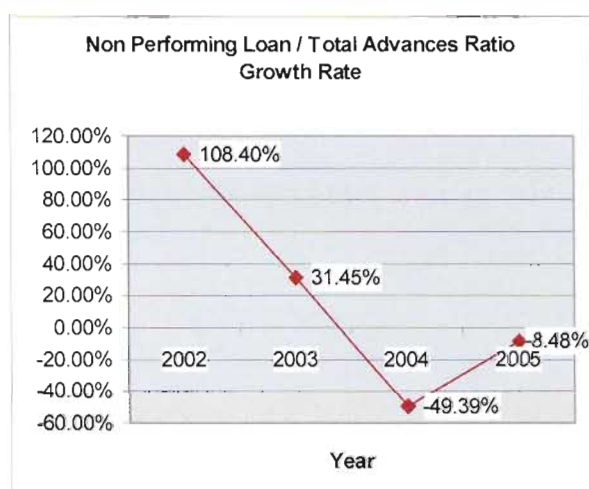
From the table 4.13 and graphs 4.12 (a) and 4.12 (b), we can see that the in the year 2001, the non-performing loan of Dhaka Bank was 1.19% of the total advances. It increased to

2.48% in 2002, having a growth rate of 108.4% over the year 2001 and then 3.26% in the year 2003 with a growth rate of 31.45% over the year 2002. Though the non-performing loan/ total advances ratio shows a positive growth rate in the year 2003, but the growth rate declines more than 28%. It indicates that management has taken effective measures to increase the recovery rate of the loan that they gave. Thus the percentage of non-performing loan declined to 1.65% in the year 2004 and 1.51% in the year 2005.

If we make a trend forecast of non performing loan/total advances ratio of Dhaka Bank based on the information above, we get ,

$$Y_t = 0.40075 - 0.000019t$$

Thus, the non - performing loan/total advances ratio of Dhaka Bank Ltd. in the year 2008 will be will be 1.92%.

$$r = 0.12 \qquad r^2 = 0.35$$

From the above trend analysis it can be said the non performing loan/ total advances ratio of Dhaka Bank in 2008 will be 1.92%. Since the coefficient of determination is 0.35, we can conclude that it explains only 35% of the degree of association of between years and the non performing loan/total advances ratio. The degree of association is not sufficient enough to validate this result. We can conclude that the equation is not well fitted between years and non performing loan/total advances ratio. Instead, percentage of non performing loan depends on the banks credit policy, the quality and credibility of the borrowers, recovery rate etc.

4.3.4.3 Provision For Loan Losses Ratio:

The provision for loan losses ratio of Dhaka Bank Limited during the period 2001 to 2005 were as follows:

Table 4.14: Provision For Loan Loss Ratio

Year	Provision For Loan Loss Ratio(%)	Growth Rate (%)
2001	7.33	-
2002	1.48	-79.81
2003	0.16	-89.19
2004	0.55	2.44
2005	0.45	-18.18

Source: Annual Report 2001 to 2005, Dhaka Bank Limited

Graph 4.13(a): Provision For Loan Loss Ratio
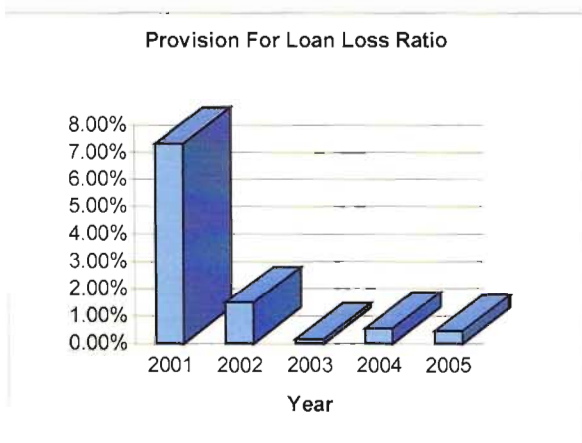
Graph 4.13(b): Provision For Loan Loss Ratio Growth Rate
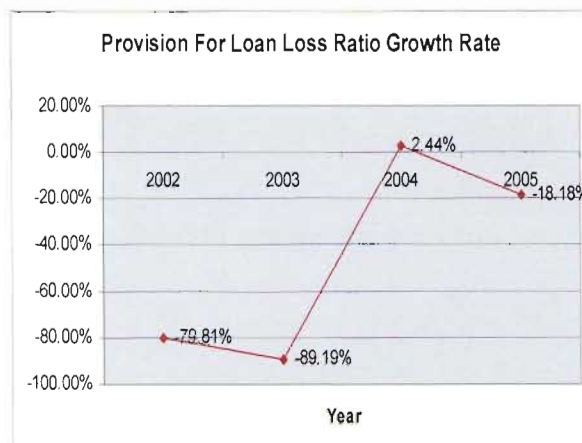
From the table 4.14 and graphs 4.13 (a) and 4.13 (b), we can see that the provision for loan loss ratio was 7.33% in the year 2001, indicating that the bank has provided more for losses on loans. In the subsequent years, the bank has reduced the provision significantly as the

recovery rate of the loans that they give was good. Thus the provision for loan loss ratio shows a decreasing trend over the years.

If we make a trend forecast of provision for loan loss ratio of Dhaka Bank based on the information of above, we get,

$$Y_t = 2944.337 - 1.469t$$

Thus, the provision for loan loss ratio of Dhaka Bank in the year 2008 will be −5.42%

$$r = -0.75 \qquad r^2 = 0.57$$

From the above trend analysis it can be said the provision for loan loss ratio in 2008 will be −5.42%. Since the coefficient of determination is 0.57, we can conclude that it explains 57% of the degree of association of between years and the provision for loan loss ratio. Since r is negative, i.e. −0.75, we can conclude that negative relationship is associated between years and the provision for loan loss ratio, i.e. as the years go, the provision for loan loss ratio will be decreased.

4.3.5 Liquidity Ratio

Under Liquidity Ratio, one important ratio has been calculated to analyze the performance of Dhaka Bank Limited. This ratio is:

❖ Current Ratio

4.3.5.1 Current Ratio:

The Current Ratio of Dhaka Bank Limited during the period 2001 to 2005 were as follows:

Table 4.15: Current Ratio

Year	Current Ratio (Times)	Growth Rate (%)
2001	1.17	-
2002	1.42	21.37
2003	1.54	8.45
2004	1.60	3.90
2005	1.33	-16.88

Source: Annual Report 2001 to 2005, Dhaka Bank Limited

Graph 4.14(a): Current Ratio
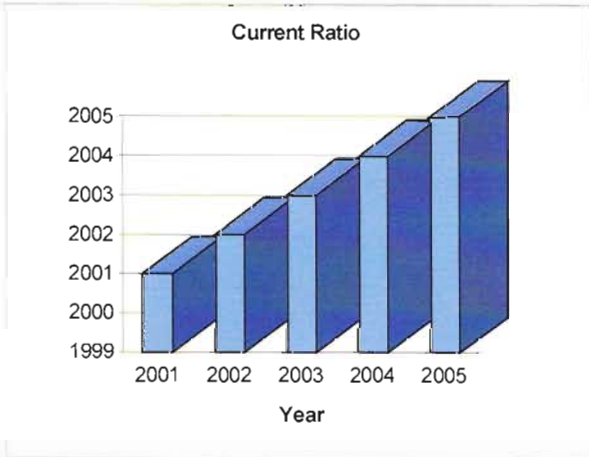
Graph 4.14(b): Current Ratio
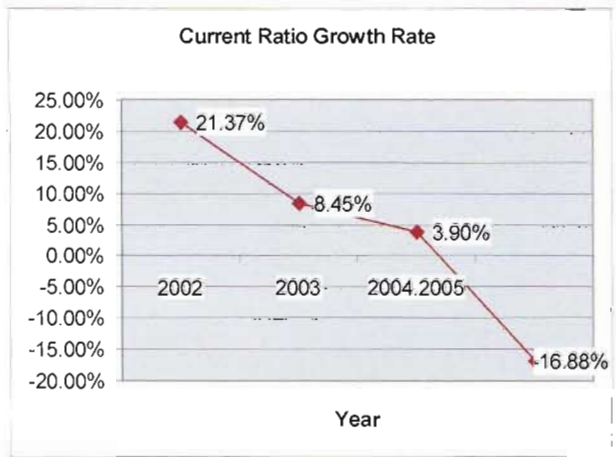
From the table 4.15 and graphs 4.14(a) and 4.14(b), we can see that the current ratio of Dhaka Bank in the year 2001 was 1.17 times, which indicates that for every Tk.1 of current

liability, Dhaka Bank has current assets of Tk. 1.17. The current ratio is increasing over the years, showing an increasing trend. But the growth rate is declining over the period. It indicates that their liquidity capacity is good to accommodate any current obligation. In the year 2005, the current ratio of Dhaka Bank shows a negative growth rate of –16.88%, it is because their current liabilities are increased compared to the current assets.

If we make a trend forecast current ratio of Dhaka Bank based on the information of last five years, we get,

$$Y_t = -98.738 + 0.05t$$

Thus, the Current Ratio of Dhaka Bank Ltd. in the year 2008 will be 1.66 times

$$r = 0.46 \qquad r^2 = 0.21$$

From the above trend analysis it can be said the current ratio of the year 2008 will be 1.66 times. Since the coefficient of determination is 0.21, we can conclude that it explains 21% of the degree of association of between years and the current ratio. The degree of association is not sufficient to validate the result. It indicates that current ratio is not that much dependant on years. Rather it depends on current assets and current liabilities of the bank.

Summarizing All Ratios

From the above performance analysis, an in-depth insight from various dimensions about Dhaka Bank's financial performance during the period 2001 to 2005 can be found. In the following few paragraphs, a summary of all the ratio analysis has been given:

Profit Ratios:

Under profit ratios, five important ratios have been calculated to analyze the performance of Dhaka Bank Limited. The ROE was not satisfactory over the period; it shows a decreasing trend. The ROE was highest in the year 2001. Though it declined in subsequent years, ROE has a positive growth rate in the year 2004. The ROA was also not good over the period. The ROA shows a fluctuating trend. The ROA was highest in the year 2001, which is 1.52%. The NIM of Dhaka Bank was not good over the period. It shows a declining trend over the period. In the year 2004, the NIM has the positive growth rate of 21.46%, because the net interest income was increased, as the return from the new investments started to come. Shareholders of Dhaka Bank have not earned a satisfactory return over the period from each share of common stock as indicated by the EPS. The EPS also shows a declining trend. But in the year 2004, the EPS has a positive growth rate. The dividend payout ratio shows that Dhaka Bank has paid a satisfactory percentage of its earnings as cash dividends to its shareholders. The dividend payout ratio was highest in the year 2003, which is 39.48%. But in 204 and 205, the dividend payout ratio shows a negative growth rate.

Solvency Ratios:

Under solvency ratios, two important ratios have been calculated to analyze the performance of Dhaka Bank Limited. The debt to total asset ratio of Dhaka Bank was highest in the year 2001, which is 96.55%. For banking industry, this ratio is usually high, because most of the banking operations are done by the deposits of the accounts holders'. However, there is a decreasing trend in the debt to total asset ratio, which means that Dhaka Bank gradually increasing the use of equity funds to finance their assets. The debt to total equity ratio shows

a decreasing trend over the period 2001 to 2005, it is because Dhaka Bank reduce some of their liabilities or debt or they issues more shares of common stock.

Market Ratios:

Under Market Ratio, two important ratios have been calculated to analyze the performance of Dhaka Bank Limited. The Price/Earnings ratio shows increasing trend during the period 2001 to 2005, indicating greater confidence level of investors on Dhaka Bank. The P/E ratio shows the highest growth rate in the year 2004, which is 218%. The Market/ Book ratio indicates the investors willingness to pay money for each taka book value of common stock. Except in the year 2004, the M/B ratio shows decreasing trend in all other years. The M/B ratio shows the highest growth rate in the year 2004, which is 244%.

Risk Ratios:

Under Risk Ratio, three important ratios have been calculated to analyze the performance of Dhaka Bank Limited. The credit /deposit ratio shows the amount of money that Dhaka Bank gave as loan from their deposits. The credit/deposit ratio is increasing over the years. It indicates that the bank gradually increased the proportion of loans disbursed from their deposits base. The percentage of non-performing loan is very small to the total advances. Though the percentage increases in the year 2002 and 2003, management has been able to reduce it in 2004 and 2005. Since the recovery rate of the loans that Dhaka Bank gave was good, the provision for loan loss ratio shows a decreasing trend over the years 2001 to 2005.

Liquidity Ratio:

Under Liquidity Ratio, one important ratio has been calculated to analyze the performance of Dhaka Bank Limited. The current ratio of Dhaka Bank is increasing over the years, showing an increasing trend. It indicates that their liquidity capacity is good to accommodate any current obligation. The growth rate of current ratio is declining over the period. The current ratio was highest in the year 2004, which is 1.60 times.

Summary: Financial Performance Analysis Of Dhaka Bank Limited

The summary of trend equations that have been calculated in this chapter is given below:

Summary Of Trend Equations

Trend Equation Y_t	r^2	r
Y_t (Net Income)= $-93336.5 + 46.76t$	0.67	0.82
Y_t (ROE)= $9687.911 - 4.823t$	0.65	0.81
Y_t (ROA)= $41.402 - 0.02t$	0.07	0.27
Y_t (NIM)= $195.252 - 0.096t$	0.27	0.52
Y_t (EPS)= $26551.87 - 13.208t$	0.88	0.94
Y_t (Dividend Payout Ratio)= $5849.137 - 2.907t$	0.23	0.48
Y_t (Debt To Total Asset Ratio)= $1462.887 - 0.683t$	0.83	-0.91
Y_t (Debt To Total Equity Ratio)= $61.445 - 0.03058t$	0.79	-0.89
Y_t (P/E Ratio)= $-5644 + 2.822\ t$	0.66	0.81
Y_t (M/B Ratio)= $-817.123 + 0.409\ t$	0.32	0.57
Y_t (Credit/Deposit Ratio)= $-5142.11 + 2.604\ t$	0.65	0.81
Y_t (Non Performing Loan/ Total Advances Ratio)= $0.40075 - 0.00019t$	0.35	0.12
Y_t (Provision For Loan Loss Ratio)= $2944.337 - 1.469t$	0.57	-0.75
Y_t (Current Ratio)= $-98.738 + 0.05t$	0.21	0.46

In the above table, a summary of trend equations that have been calculated to forecast the performance of Dhaka Bank Limited in the year 2008 is given along with their respective r and r^2. Total fourteen trend equations have been calculated for dependant variables were net income, ROE, ROA, NIM, EPS, dividend payout ratio, debt to total asset ratio, debt to total

equity ratio, price/earnings ratio, market/book ratio, credit/deposit ratio, non-performing / total advances ratio, provision for loan losses ratio and current ratio. In each case, year was the independent variable. Among these fourteen equations, eight equations Y_t (net income, ROE, EPS, debt to total asset ratio, debt to total equity ratio, P/E ratio, credit/deposit ratio, provision for loan loss ratio) have coefficient of determination(r^2) more than 50%. It indicates that these equations are well fitted between the independent and respective dependent variable. The other six equations Y_t (ROA, NIM, dividend payout ratio, M/B ratio, non performing loan/total advances ratio, current ratio) have r^2 less than 50%, which indicates that these equations are not well fitted between the independent and respective dependant variable. Among fourteen trend equations, eleven equations have positive relationship between the independent and dependant variable, while three equations shows negative relationship between the independent and dependant variable.

CHAPTER 5: Problems And Suggestions

Chapter Objective

> ➤ To identify problems about the overall performance of Dhaka Bank Limited during the period 2001 to 2005

> ➤ To provide some suggestions to the bank management to improve their performance

Problems And Suggestions

The following problems have been identified by appraising the overall performance of Dhaka Bank Limited and some suggestions are given to the management in this regard:

Problem: From shareholdings analysis, it is found that only 2.16% shareholders hold shares in between 100001 to 1000000, which represents about 49.85% of shareholdings in year 2001. In 2005 the percentage of shareholders who hold shares in between 100001 to 1000000 even more reduced to 0.92%, while the percentage of holdings increased to 72.98%. It indicates that there are only a few numbers of large invertors who have investments in shares of Dhaka Bank Limited, but the amount of investments they make is very large. This may cause a problem to the bank as the large shareholders may exercise their voting power to change the management of the bank or they may go for mergers, acquisition against the wishes of the management of the bank.

Suggestion: In such case the bank may take steps to reduce the number of large investors and ensure that shares are evenly hold by all the investors.

Problem: In 2005, the deposits growth rate reduced to 27% while it was 32% in the year 2004. A strong deposit base is the root of successful banking operation. But the bank has failed to have an increasing growth rate of their deposits. A withdrawal of deposits indicates that customers prefer other banks to deposit their money than Dhaka Bank.

Suggestion: The management should try to maintain their deposits in such a way so that it shows an increasing growth rate over the period. They should offer new packages and more benefits to the depositors to encourage them to deposit their money at Dhaka Bank.

Problem: The investment volume of Dhaka Bank shows a fluctuating trend during the financial period 2001 to 2005. In 2002, it shows a growth rate of 53% while it reduced to 4.91% in 2003. In 2004 it shows a growth rate of 50%, again it decline to 27.45% in 2005. This fluctuating trend of investment had an impact on net profit of the bank.

Suggestion: The bank management should ensure that their investment volume shows a consistent growth rate over the period. They should diversify their investment portfolio in such a way so that they can earn good return from it.

Problem: Dhaka Bank is currently offering only car loan, vacancy loan, personal loan, any purpose loan for their customers. The terms and conditions are also not flexible compared to other bank. They are nor prompt to provide services to their customers like issuing credit card, ATM card etc. They require seven days to issue credit card while some other bank sent the card first and then tell the customers to complete their formalities.

Suggestion: Today, there are many private sector banks which are giving these types of services and more than that at a faster rate than Dhaka Bank. The bank management should be more prompt to provide services to their customers. They should also introduce other types of loan like housing loan, travel loan etc. Otherwise they cannot retain their customers in this competitive market.

Problem: The ROA also shows a decreasing trend during the financial period 2001 to 2005. Because of the decrease in net income in 2002, the ROA shows the highest negative growth rate -19.08% in 2002. In 2003, it has slightly increased but again in 2004 it shows a negative growth rate of -1.55%.

Suggestion: The bank management should try to increase their ROA by increasing their net income and investing in those assets, which gives a satisfactory return.

Problem: The NIM of Dhaka Bank Limited also shows a decreasing trend during the financial period 2001 to 2005. Because of the decrease in net interest income in 2002, the NIM shows a decreasing trend. In the year 2003 and 2005, their NIM again decreased because of their increase in investment in various sectors.

Suggestion: The bank management should try to increase their NIM by increasing their net interest income. They should also concentrate to make investment in those sectors from where they will earn good return.

Problem: The EPS of Dhaka Bank Limited decreases during the financial period 2001 to 2005. Because of the decrease in net income, the EPS shows a negative growth rate in 2002 and 2003. Finally, in the year 2004, their EPS increased, having a growth rate of 6.34%. In the year 2005, their EPS again decline. It is because in that year, the bank issues new shares of common stock for expansion. Overall, the EPS shows a decreasing trend during the period.

Suggestion: The bank management should be careful about EPS as it is a major indicator of the bank's performance. The management should try to increase the earnings available to common stockholders to gain the confidence of investors and increase the market price of the stocks.

Problem: The price earnings ratio shows a fluctuating trend during the period 2001 to 2005. Though the P/E ratio shows a highest growth rate in 2004, but it was not stable during the period.

Suggestion: The management should be careful to stable or increasing their price earnings ratio as it is a major indicator of bank's performance. The management should try to increase their net income every year. Their EPS should also be increased which will lead to higher market price. As a result, P/E ratio will increase which will lead to greater confidence level of investors.

Problem: The market/book ratio of Dhaka Bank Limited shows a decreasing trend during the period 2001 to 2005. Except in the year 2004, the M/B ratio had a negative growth rate. The M/B ratio provides an assessment about how investors view the firm's performance. The negative growth rate indicates that investors gradually want to pay less for each taka of book value per share of common stock.

Suggestion: The management should try to improve their performance, which will lead to higher EPS and higher market price. As a result the M/B ratio will be increased.

Problem: Though the current ratio increases over the period, but the growth rate of current ratio is declining over the period. It indicates that though the bank has good liquidity capacity, its liquidity capacity decreasing over the period.

Suggestion: The bank management should take effective measures to increase the growth rate of current ratio. They may reduce some of their current liabilities or increase the amount of their current asset to improve their liquidity capacity.

Problem: The amount of non-performing loan increases from the year 2001 to the year 2003. In the year 2002, the non-performing loan shows the highest growth rate of 108% than other years. Though the growth rate of non-performing loan became negative in the year 2004 and 2005, but still the percentage of non-performing loan was more than 1% of the total advances that the bank gave to their clients during the period 2001 to 2005.

Suggestion: The bank management should take effective measures to reduce the amount of non-performing loan. They should be more careful to give loan to their clients. They should formulate stricter loan sanctioning policy. Before sanctioning loan, they should judge the credibility of their clients; assess the past records to identify the possibility of becoming loan defaulter etc. The management should try to reduce the percentage of non-performing loan less than 1% of the total advances.

Conclusion

As a concluding remark, it can be said that the Dhaka Bank Limited is one of the most promising private sector banks in Bangladesh. In this report, by appraising Dhaka Bank Limited, its overall performance during the period 2001 to 2005 has been scrutinized. By analyzing its overall performance, various positive and negative sides of the bank have come into light. The bank increased its authorized capital from Tk. 1000 million to Tk. 2650 million in the year 2005 for its expansion. The bank opened many new branches during the period and also recruited a good number of employees in this period. The bank's deposit base is good; it has a diversified advance and investment portfolio. It also engages in international trade and foreign exchange activities. The bank also offers various products and services to their customers. By analyzing the financial performance of Dhaka Bank Limited, it has been found that the bank's operating expenditure shows a higher growth rate than the operating incomes during the financial period 2001 to 2005, which affects its overall net income. As a result, its profit indicating ratios had also been affected. Its market ratios were also hampered for this reason. However, the solvency ratios were good, indicating the bank has reduced its use of debt in proportion to its total equity and total assets. The risk ratios also indicate that the bank has been able to reduce their amount of non-performing loan, its provision for loan loss etc. These problems, however, have been identified and suggestions have been given to the management of the bank to improve their performance in the future by which they cab avoid these problems. Overall, the analysis shows that the bank performed better in the year 2004 compared to other years. If the management of Dhaka Bank Limited can take effective measures to solve these problems, then Dhaka Bank Limited can become most preferable and leading private sector bank in Bangladesh.

APPENDIX

Number Of Branches

Number Of Employees

Deposits

Loans and Advances

Investments

SUMMARY OUTPUT

Regression Statistics

Multiple R	0.969833
R Square	0.940576
Adjusted R	0.920768
Standard E	294.2247
Observatio	5

ANOVA

	df	SS	MS	F	gnificance F
Regression	1	4110649	4110649	47.48454	0.006261
Residual	3	259704.5	86568.16		
Total	4	4370354			

	Coefficient	andard Err	t Stat	P-value	Lower 95%	Upper 95%	ower 95.0%	pper 95.0%
Intercept	-985.28	516.3272	-1.90825	0.152389	-2628.46	657.9056	-2628.46	657.9056
X Variable	0.175815	0.025514	6.890903	0.006261	0.094618	0.257013	0.094618	0.257013

Import

SUMMARY OUTPUT

Regression Statistics

Multiple R	0.922528
R Square	0.851057
Adjusted R	0.801409
Standard E	2633.455
Observatio	5

ANOVA

	df	SS	MS	F	gnificance F
Regression	1	1.19E+08	1.19E+08	17.14195	0.025582
Residual	3	20805251	6935084		
Total	4	1.4E+08			

	Coefficient	andard Err	t Stat	P-value	Lower 95%	Upper 95%	ower 95.0%	pper 95.0%
Intercept	-6883426	1668042	-4.12665	0.025806	-1.2E+07	-1574968	-1.2E+07	-1574968
X Variable	3447.91	832.7715	4.140283	0.025582	797.6569	6098.163	797.6569	6098.163

Export

SUMMARY OUTPUT

Regression Statistics	
Multiple R	0.885688
R Square	0.784443
Adjusted R	0.71259
Standard E	1666.8
Observatio	5

ANOVA

	df	SS	MS	F	Significance F
Regression	1	30331009	30331009	10.91741	0.045591
Residual	3	8334670	2778223		
Total	4	38665679			

	Coefficients	Standard Err	t Stat	P-value	Lower 95%	Upper 95%	Lower 95.0%	Upper 95.0%
Intercept	-3480069	1055759	-3.29627	0.045861	-6839967	-120171	-6839967	-120171
X Variable	1741.58	527.0886	3.304151	0.045591	64.14744	3419.013	64.14744	3419.013

Net Income

ROE

ROA

SUMMARY OUTPUT

Regression Statistics	
Multiple R	0.268511
R Square	0.072098
Adjusted R	-0.2372
Standard E	0.130996
Observatio	5

ANOVA

	df	SS	MS	F	Significance F
Regression	1	0.004	0.004	0.2331	0.662275
Residual	3	0.05148	0.01716		
Total	4	0.05548			

	Coefficients	Standard Err	t Stat	P-value	Lower 95%	Upper 95%	Lower 95.0%	Upper 95.0%
Intercept	41.402	82.97356	0.498978	0.652088	-222.657	305.4611	-222.657	305.4611
X Variable	-0.02	0.041425	-0.4828	0.662275	-0.15183	0.111832	-0.15183	0.111832

NIM

SUMMARY OUTPUT

Regression Statistics	
Multiple R	0.521924
R Square	0.272405
Adjusted R	0.029873
Standard E	0.28645
Observatio	5

ANOVA

	df	SS	MS	F	Significance F
Regression	1	0.09216	0.09216	1.123172	0.367008
Residual	3	0.24616	0.082053		
Total	4	0.33832			

	Coefficients	Standard Err	t Stat	P-value	Lower 95%	Upper 95%	Lower 95.0%	Upper 95.0%
Intercept	195.252	181.4384	1.076134	0.360703	-382.166	772.6705	-382.166	772.6705
X Variable	-0.096	0.090583	-1.0598	0.367008	-0.38428	0.192277	-0.38428	0.192277

EPS

SUMMARY OUTPUT

Regression Statistics	
Multiple R	0.937798
R Square	0.879465
Adjusted R	0.839287
Standard E	8.927374
Observatio	5

ANOVA

	df	SS	MS	F	Significance F
Regression	1	1744.513	1744.513	21.88904	0.018448
Residual	3	239.094	79.69801		
Total	4	1983.607			

	Coefficients	Standard Err	t Stat	P-value	Lower 95%	Upper 95%	Lower 95.0%	Upper 95.0%
Intercept	26517.17	5654.638	4.689456	0.018332	8521.573	44512.77	8521.573	44512.77
X Variable	-13.208	2.823084	-4.67857	0.018448	-22.1923	-4.22368	-22.1923	-4.22368

Dividend Payout Ratio

SUMMARY OUTPUT

Regression Statistics	
Multiple R	0.477297
R Square	0.227813
Adjusted R	-0.02958
Standard E	9.771394
Observatio	5

ANOVA

	df	SS	MS	F	Significance F
Regression	1	84.50649	84.50649	0.885069	0.416221
Residual	3	286.4404	95.48014		
Total	4	370.9469			

	Coefficients	Standard Err	t Stat	P-value	Lower 95%	Upper 95%	Lower 95.0%	Upper 95.0%
Intercept	5849.137	6189.244	0.945049	0.414354	-13847.8	25546.09	-13847.8	25546.09
X Variable	-2.907	3.089986	-0.94078	0.416221	-12.7407	6.926724	-12.7407	6.926724

Debt To Total Asset Ratio

SUMMARY OUTPUT

Regression Statistics	
Multiple R	0.914079
R Square	0.835541
Adjusted R	0.780721
Standard E	0.55323
Observatio	5

ANOVA

	df	SS	MS	F	ignificance F
Regressor	1	4.66489	4.66489	15.24158	0.02984
Residual	3	0.91819	0.306063		
Total	4	5.58308			

	Coefficient	standard Err	t Stat	P-value	Lower 95%	Upper 95%	ower 95.0%	pper 95.0%
Intercept	1462.887	350.4182	4.174688	0.025029	347.6987	2578.075	347.6987	2578.075
X Variable	-0.683	0.174947	-3.90405	0.02984	-1.23976	-0.12624	-1.23976	-0.12624

Debt To Total Equity Ratio

SUMMARY OUTPUT

Regression Statistics	
Multiple R	0.692656
R Square	0.796652
Adjusted R	0.729136
Standard E	0.02819
Observatio	5

ANOVA

	df	SS	MS	F	ignificance F
Regression	1	0.009351	0.009351	11.76754	0.041526
Residual	3	0.002384	0.000795		
Total	4	0.011736			

	Coefficient	standard Err	t Stat	P-value	Lower 95%	Upper 95%	ower 95.0%	pper 95.0%
Intercept	61.44452	17.85565	3.44118	0.041201	4.619609	118.2692	4.619609	118.2692
X Variable	-0.03058	0.008914	-3.43036	0.041526	-0.05895	-0.00221	-0.05895	-0.00221

Price/Earnings Ratio

SUMMARY OUTPUT

Regression Statistics	
Multiple R	0.813175
R Square	0.661253
Adjusted R	0.548337
Standard E	3.687657
Observatio	5

ANOVA

	df	SS	MS	F	Significance F
Regression	1	79.63684	79.63684	5.856161	0.094173
Residual	3	40.79644	13.59681		
Total	4	120.4333			

	Coefficients	Standard Err	t Stat	P-value	Lower 95%	Upper 95%	Lower 95.0%	Upper 95.0%
Intercept	-5644.2	2335.778	-2.41641	0.094472	-13077.7	1789.291	-13077.7	1789.291
X Variable	2.822	1.166139	2.419951	0.094173	-0.88918	6.53318	-0.88918	6.53318

Market/Book Ratio

SUMMARY OUTPUT

Regression Statistics	
Multiple R	0.571769
R Square	0.326943
Adjusted R	0.102591
Standard E	1.071403
Observatio	5

ANOVA

	df	SS	MS	F	Significance F
Regression	1	1.67281	1.67281	1.457274	0.313863
Residual	3	3.44371	1.147903		
Total	4	5.11652			

	Coefficients	Standard Err	t Stat	P-value	Lower 95%	Upper 95%	Lower 95.0%	Upper 95.0%
Intercept	-817.123	678.631	-1.20408	0.314897	-2976.83	1342.586	-2976.83	1342.586
X Variable	0.409	0.338807	1.207176	0.313863	-0.66924	1.487237	-0.66924	1.487237

Credit/Deposit Ratio

Microsoft Excel - Credit Deposit Ratio

SUMMARY OUTPUT

Regression Statistics

Multiple R	0.812116
R Square	0.659532
Adjusted R	0.546043
Standard E	3.415861
Observatio	5

ANOVA

	df	SS	MS	F	significance F
Regression	1	67.80816	67.80816	5.811411	0.094958
Residual	3	35.00432	11.66811		
Total	4	102.8125			

	Coefficients	Standard Err	t Stat	P-value	Lower 95%	Upper 95%	Lower 95.0%	Upper 95.0%
Intercept	-5142.11	2163.621	-2.37662	0.097916	-12027.7	1743.501	-12027.7	1743.501
X Variable	2.604	1.08019	2.410687	0.094958	-0.83365	6.04165	-0.83365	6.04165

Non Performing Loan/Total advances Ratio

Microsoft Excel - NON PERFORMING LOAN % OF TOTAL ADVANCES

SUMMARY OUTPUT

Regression Statistics

Multiple R	0.035684
R Square	0.001273
Adjusted R	-0.33164
Standard E	0.009715
Observatio	5

ANOVA

	df	SS	MS	F	significance F
Regression	1	3.61E-07	3.61E-07	0.003825	0.954576
Residual	3	0.000283	9.44E-05		
Total	4	0.000284			

	Coefficients	Standard Err	t Stat	P-value	Lower 95%	Upper 95%	Lower 99.0%	Upper 99.0%
Intercept	0.40075	6.15356	0.065125	0.952171	-19.1826	19.98414	-35.6413	36.34275
X Variable	-0.00019	0.003072	-0.06185	0.954576	-0.00997	0.009597	-0.01813	0.017754

Provision For Loan Loss Ratio

Current Ratio
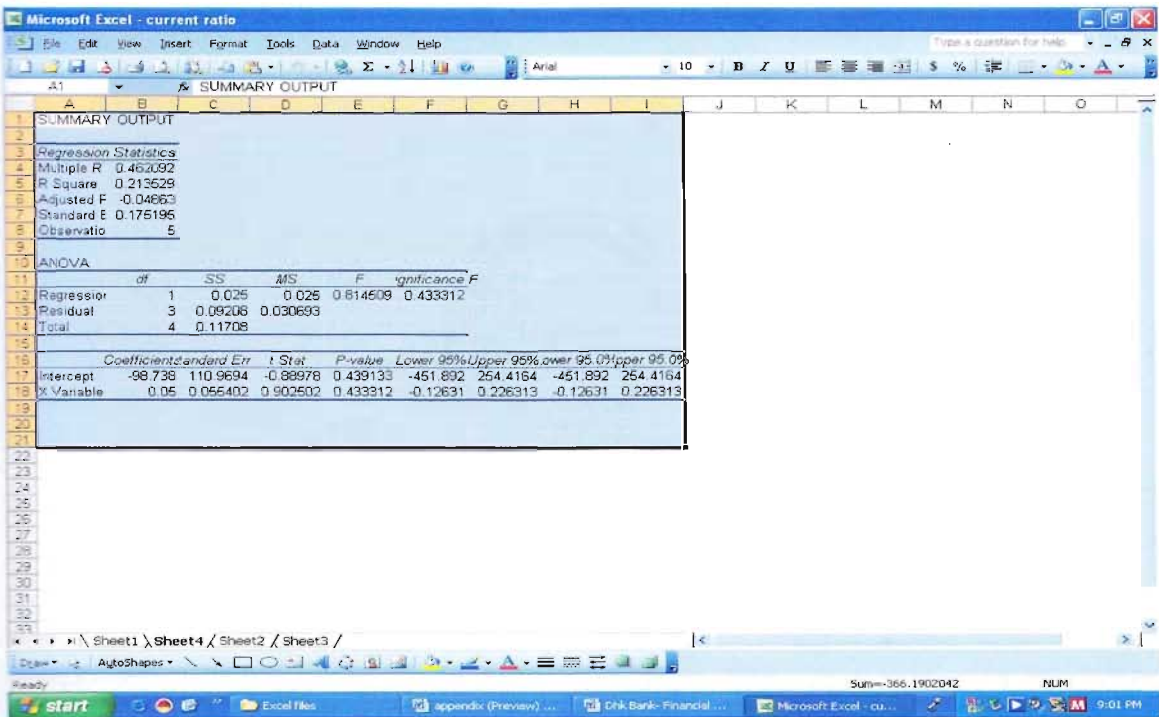
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