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An Appraisal of Southeast Bank Limited

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**INTERNSHIP REPORT (AN APPRAISAL OF SOUTHEAST BANK
LIMITED)**

PREPARED FOR

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MOHAKHALI, DHAKA

1 JANUARY 2005

1 January, 2005

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Subject: **Submission of Internship Report**

Dear Sir,

I am elated to submit my internship report "An Appraisal of Southeast Bank Limited", as a part of my BBA degree requirement. I have completed a 12 (twelve) weeks internship where I was placed at Southeast Bank Limited, Dhanmondi Branch.

I tried my best to follow your guideline and suggestions in preparing this report. If you need any clarification, don't hesitate to contact me.

Thank you very much for your kind supervision and cooperation without which I could not be able to complete this report. I take every opportunity to express my gratitude to you.

Thanking you

Sincerely,



Pervez Shafiqul Azam

ID: 2002-2-10-071

BBA (Bachelor of Business Administration)

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Acknowledgement:

The Internship Report on “**An Appraisal of Southeast Bank Limited**” has been prepared on the basis of (12) weeks successfully completed Internship Program in Southeast bank Ltd. Dhanmondi Branch, Dhaka with the help of large group of people in the bank.

My first thanks go to my course teacher, Dr. Tanbir Ahmed Chowdhury, Associate Professor, Department of Business Administration, East West University who gave me his utmost assistance and sincere cooperation with effective guidelines to make this report worthwhile.

I am also grateful to the Manager & Head of Branch, Mr. Kazi Mahmood Karim and Md. Fazle Kadar (Operation Manager) and all other employees of the bank. These friendly mannered people helped me with a smiling face whenever I need it.

I express my deepest thanks to Mr. Md. Towhid Anwar head of credit Department, Md. Mozammel, Md. Khaled Saifullah, Md. Humaun kabir and Md. Shams, Mr. Tanim Shukur, head of Foreign Exchange Department, Mr. Rafique head of Accounts Department Southeast Bank, Dhanmondi Branch. Without their cooperation I could not have come this report.

Executive Summery

This report is an effort to give a clear idea about the strategies, activities and performance of Southeast Bank Ltd. This report is the result of the internship period of 12 weeks (9 September to 9 December 2004), Southeast Bank, Dhanmondi Branch. I have Organize this report in to five different chapters which is Introductory, Historical Background of the Bank, Principal Activities of the Bank, Performance Evaluation of the Bank and then Problems and Recommendations.

Historical back ground of the company includes mission, vision and objective of the study, Strategies of SBL, Organization Structure of SBL, Activities of different division and Product and Service.

Principal activity of the company includes General Banking, Credit, Accounts and Foreign Exchange states how the practice differs from the theories.

The analysis part is the performance analysis of the bank. (based on the annual reports of past 5 years).

The report also contains some major problems and recommendations.

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Chapter – 1

Introduction to Southeast Bank Limited

1.1. Introduction

Bank is a financial intermediary accepting deposits granting loans and offers the widest menu of services of any financial institution. Banks collect deposits at the lowest possible cost and provide loans and advances at higher cost. The difference between two is the profit for the bank. Commercial banks are the primary contributors to the country.

The revenue earning sources of banks are mainly loans and advances. The credit facility can be of two types: funded and non-funded. Funded credit can be expensive for the banks, as the bank has to pay interests. Non-funded credit includes Letter of Credit, which is the main source of income for the foreign exchange business.

1.2. Origin of the Study

When theoretical knowledge is obtained from a course of study, it is only the half way of the subject matter. Practical knowledge has no alternative. ‘Internship Program’ acts as an introducer to the real business world and actual organization for a student. An internship program requires a student to be attached to an organization and work on a specific project.

1.3. Objective of the Study

The primary purpose of this report is to get an idea about the operations of Southeast Bank Limited, a second generation bank of the country and make an industry analysis on the banking sector of Bangladesh.

1.4. Specific objectives

- To relate the theoretical learning with the real life situation.
- To get an overview of the bank.
- To find out the position of Southeast Bank Limited in the banking industry.
- To find out how its present strategy is working.
- To analyze the bank’s performance in some key areas.
- To recommend some better solutions for solving the problems.

1.5. Scope of the report

The report is prepared based on the commercial banking operations of the Southeast Bank Limited. These activities involve the following:

- General Banking activities
- Credit operation
- Foreign Exchange activities
- Accounting section's operations etc.

The main scope of the report is to evaluate the principal activities and the financial performance of Southeast Bank Limited and to evaluate the operations of the bank. And then describing the main findings indicating the main problem of the bank and giving possible suggestions to solve the problems.

1.6. Methodology of the Study

The report has been written on the basis of information collected from primary as well as secondary sources. The primary information has been collected from the office staffs to get in-depth information about their experiences of SBL.

The Secondary information has been collected from the bank's records, annual report of the bank, branches manuals, and various publications in the bank.

1.7. Limitations

To prepare this report, I have faced some limitations, which are mentioned below.

- ◆ **Limitation of time:** Time limitation is one of the main problems to prepare this report. Because it is not possible for any one to cover all the banking section, and prepare the report.

- ◆ **Lack of Secondary Information:** The annual report was the main secondary sources of information that was not enough to complete the report.
- ◆ **Limitation of the Scope:** While collecting data, they did not disclose much information due to the confidentiality of the organization.

CHAPTER-2

ORGANIZATIONAL OVERVIEW

2.1. HISTORICAL BACKGROUND OF SOUTHEAST BANK LTD.

After the liberation war in order to bring equality in different level of the society Govt. owned all banks. Govt. wants the participation from all levels of the society in development activities through providing banking service at their doorsteps. But it produces nothing except inefficiency, corruption etc. So govt. decides to allow private bank to bring competition in the banking sector.

2.2 COMMENCEMENT

Southeast Bank Limited (SBL) is a second generation private commercial bank – established under the ambit of The Bank Companies Act 1991 and incorporated as a public limited company under The Companies Act 1994 on March 12, 1995. And, it started its commercial banking operation from May 25, 1995 at the *Principal Branch* located at 1, Dilkusha Commercial Area, Dhaka. The government of Bangladesh as a scheduled bank in the private sector has licensed the bank in pursuance of the policy of liberalization of banking and financial services and facilities in the country.

The commencement of SBL is the outcome of a successful group of prominent investors whose vision was to contribute to the country's economy through commercial banking. The founder chairman of the bank was Mr. M. A. Quasem who is a prominent businessperson of the country. The first Managing Director (MD) was Mr. Syed Anisul Haque and the present MD is Mr. Abu Naser Bukhtear Ahmed. Both of them are very renowned in the spheres of business of the country. The present Chairman is Mr. Alomgir Kobir who is respectable personnel not only in the local business community but at the international level as well.

2.3 MISSION, VISION AND OBJECTIVES OF SEBL

Mission

The mission of the bank is to become a highly competitive modern and transparent institution comparable to any of this kind at home and abroad.

Vision

The Vision of Southeast Bank Limited is to stand out as a pioneer banking institution in Bangladesh and contribute significantly to the national economy.

Objectives

SBL is committed to establish them the best in the competitive banking sector. The Bank believes that to provide standard financial services is to deliver a quality service to their customers, which will make them to gain core value from others. The bank also believes that *Customer is always right and in the core of everything*. So providing them friendly and personalized service is the core objectives of the bank

2.4 STRATEGIES OF SBL

SBL believes in the practice of Planning, Developing and maintaining a viable fit between the organization's objectives, skills and resources. The aim of such approach is to continue change and reshape the bank's businesses and services; so that they can earn profit and grow their business. SBL consists of different level of strategies, which will explain in below

2.4.1 Location Based Strategy

Location based strategy is very important for any organization. Because the organization growth and profits largely depend upon the locations based strategy, where the organization connecting other businesses and industries are involved. SBL primarily focuses on *location-based strategy*. Every year an overall profit target as well as

individual targets for each line of business (export, import, loans & advances etc) is set for each branch location by the corporate bodies in collaboration with the regional heads and branch managers. The 24 branches of SBL are divided into three different regions, which are

- ◆ Dhaka Division, comprising 14 branches of Dhaka city
- ◆ Chittagong Division, comprising 9 branches of Chittagong, Sylhet and Moulavi Bazar
- ◆ Khulna Division, comprising 1 branch in Khulna.

The concentration of businesses and lifestyles of the people are not the same in these three areas. So, the strategies of the three areas differ from one another. The *Branches Control & Inspection Division* at the Head office constantly monitors the progresses of all the three areas.

2.4.2. Corporate Banking Strategy

Building upon the base of trust and relationship in line with the management approach of maintaining adequate loan quality, the bank has been able to create a corporate client base in the large and medium scale industrial ventures which includes companies like *Bashundhara Group; Grameen Phone & Telecom; Flora Telecom; Rangs Industries & Electronics; Rahimafrooz; GQ Ball Pen, Industries & Properties; IDLC (Industrial Development & Leasing Company); Butterfly Marketing Limited, Shinepukur Ceramics Ltd.* and many others.

2.4.3. Broad Strategy

TQM: SBL believes in ensuring Total Quality Management in every sphere of its businesses processes and personnel. The strategy of the bank is to reengineer and upgrade its products and services regularly to fulfill customer expectations and constantly monitoring and improving delivery standards to ensure maximum customer service

2.5 ORGANIZATION STRUCTURE OF SBL

Like all the other local banks, SBL has a strong organizational structure. A corporate body conducts a meeting on a weekly basis; the committee is called the *Executive Committee*. The committee includes Chairman, Vice Chairman, and the group of Directors, Managing Director (MD), Deputy Managing Director (DMD), and Company Secretary.

A number of top executives work under the DMD; they are – 5 Senior Executive Vice Presidents, 5 Executive Vice Presidents, 4 Senior Vice Presidents, and 8 Vice Presidents. The hierarchy of the bank is in point is given below:

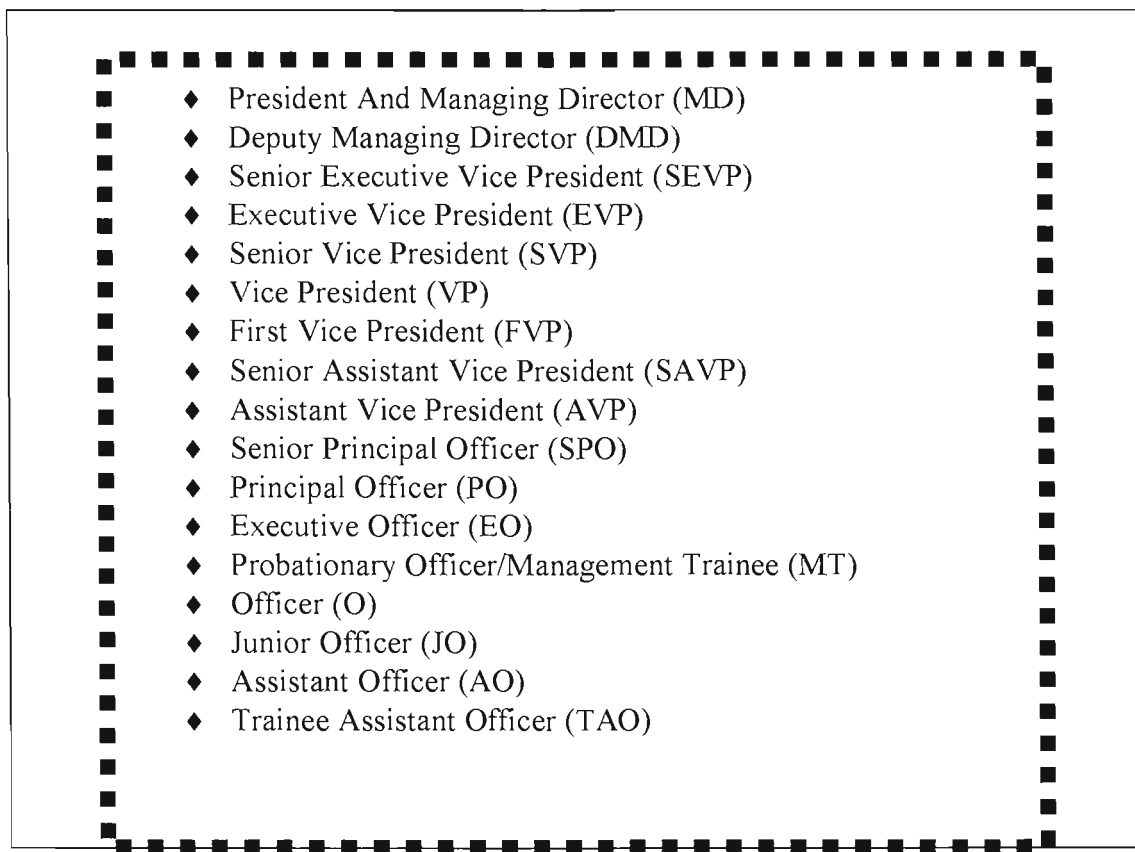


Figure: 2.5 (A): Management hierarchy of Southeast Bank Limited

Here is the organogram is given by the Head Office of Southeast Bank Limited

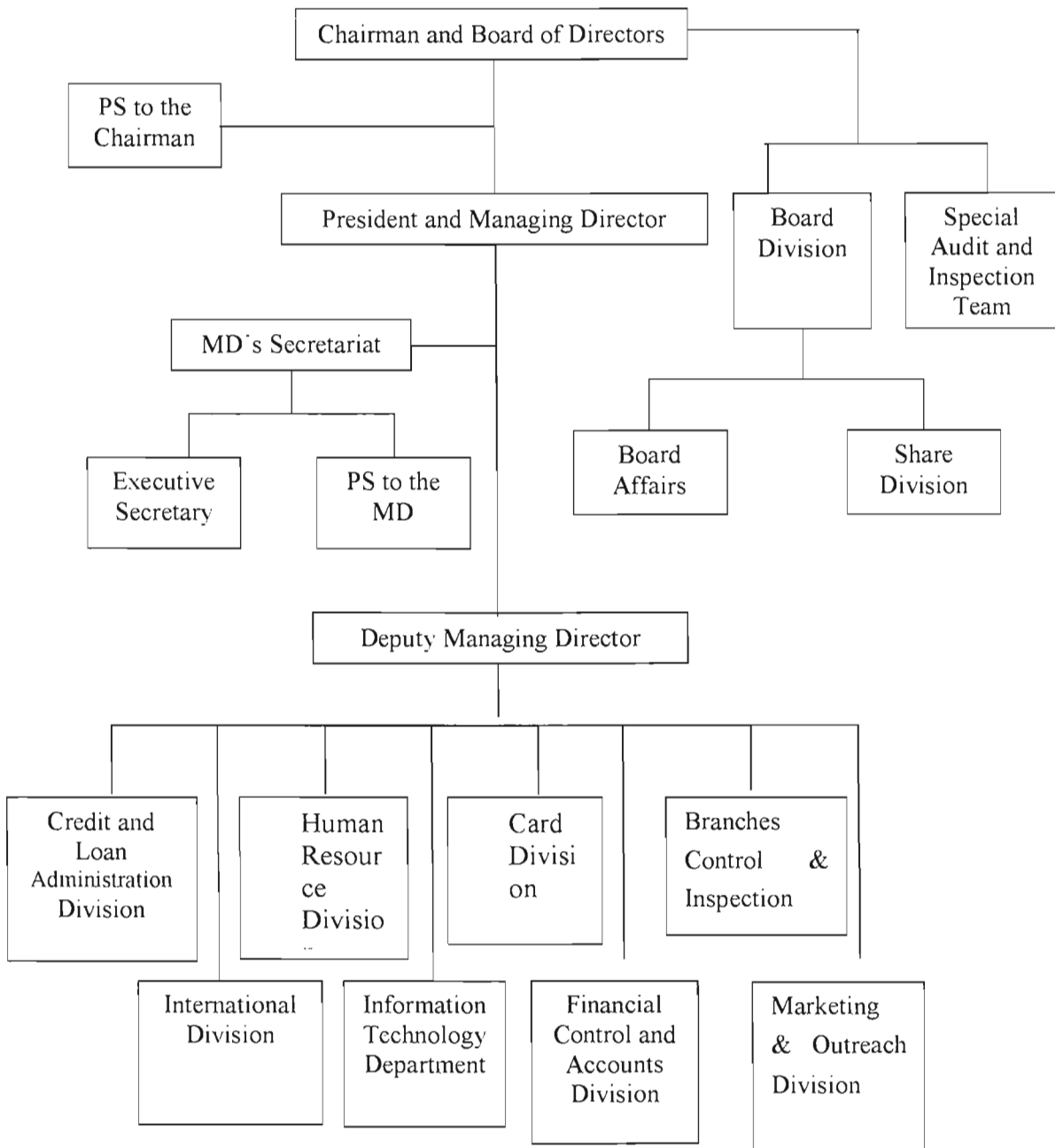


Figure 2.5 (B): Organogram of Head Office, Southeast Bank Limited

2.6. ACTIVITIES OF DIFFERENT DIVISION

Financial Control and Accounts Division (FCAD)

- ▶ Financial planning, budget preparation and monitoring
- ▶ Payment of salary
- ▶ Controlling inter-branch transaction
- ▶ Disbursement of bills
- ▶ Preparation of financial reports and annual reports
- ▶ Preparation/Review of returns and statements
- ▶ Maintenance of Provident Fund, Gratuity, Superannuation Fund
- ▶ Reconciliation

International Division (ID)

- ▶ Agency arrangement and credit line with correspondent banks
- ▶ Compile and circulate the foreign exchange circulars (daily exchange rates, special instruction etc) to the branches
- ▶ Reconciliation of Nostro Accounts
- ▶ Foreign remittance
- ▶ Controlling Test Key and Authorized Signature
- ▶ Issuance of power of attorney

Credit and Loan Administration Division

- ▶ Loan administration
- ▶ Loan disbursement
- ▶ Project evaluation
- ▶ Processing and approving credit proposals of the branches
- ▶ Documentation, CIB (Credit Information Bureau) report etc
- ▶ Arranging different credit facilities
- ▶ Providing related statements to the Bangladesh Bank and other departments

Human Resource Division (HRD)

- ▶ Recruiting
- ▶ Training and development
- ▶ Compensation, employee benefit, leaves and service rules program and up gradation
- ▶ Placement and performance appraisal of employees
- ▶ Preparing related reports
- ▶ Reporting to the Executive Committee/ Board on related matters
- ▶ Promotional campaign and press release

Information Technology (IT) Department

- ▶ Software development
- ▶ Network management and expansion
- ▶ Software and Hardware management
- ▶ Member banks reconciliation
- ▶ Data entry and processing
- ▶ Procurement of hardware and maintenance

Branches Control & Inspection Division

- ▶ Controlling different functions of the branches and search for location for expansion
- ▶ Conducting internal audit and inspection both regularly and suddenly
- ▶ Ensuring compliance with Bangladesh Bank (BB), monitoring BB's inspection and external audit reports

Board Division

- ▶ Maintenance of different Board affairs
- ▶ Preparation of extracts and minutes
- ▶ Forwarding different memos to the Board of Directors/ Executive Committee
- ▶ Administration of company's' share related affairs like issuance, settlement, providing coupons, right share issuance etc.

Card Division

- ▶ ATM card and system operation and maintenance
- ▶ SWIFT operation
- ▶ Credit Card Operation (Proposed)
- ▶ Customer and vendor relationship

Marketing & Outreach Division

- ▶ New product development and marketing analysis on financial services
- ▶ Mass media, event management and protocol
- ▶ Liability marketing
- ▶ Improvement of policies and strategies
- ▶ Management Information System (MIS)

2.7. PRODUCTS & SERVICES OF SOUTHEAST BANK LTD

Products

Deposit Schemes

1. Saving Account (SB)
2. Current Account (CD)
3. Short Term Deposit (STD)
4. Fixed Deposit (FDR)


Savings (SB)	7.00%			
Special Notice Deposit (STD)	Banks & NBFIs - 4.50% Customers - 6.00%			
 Fixed Deposit	Upto Tk. 10.00 Lac	Above Tk. 10.00 Lac to Tk. 50 Lac	Above Tk. 50.00 Lac to Tk. 1.00 Crore	Above Tk. 1.00 Crore
3 (Three) Months	7.25%	7.50%	7.75%	8.00%
6 (Six) Months	7.50%	7.75%	8.00%	8.25%
1 (One) Year	8.25%	8.50%	8.75%	9.00%
2 (Two) Years	8.25%	8.50%	8.75%	9.00%
3 (Three) Years	8.25%	8.50%	8.75%	9.00%

Table: 2.7. Rate of interest of different Deposit Scheme.

Besides Fixed Deposits, Savings Bank Deposits and Current Account Deposits, the Bank has introduced the following customer friendly deposit schemes:

Customer Friendly Deposit Schemes

1. Pension Savings Scheme (P.S.S.)
2. Education Savings Scheme (E.S.S.)
3. Marriage Savings Scheme (M.S.S.)
4. Savers Benefit Deposit Scheme (SBDS)
5. Bearer Certificate of Deposits (3,6,12 months)





Customer Friendly Deposit Schemes		Monthly Instalment Size (Tk.)	Amount built up after 5 years (Tk.)	Amount build up after 10 years (Tk.)
Pension Savings Scheme (P.S.S.)		500.00	40,000.00	1,08,000.00
		1,000.00	80,000.00	2,16,000.00
Education Savings Scheme (E.S.S.)		500.00	40,000.00	1,08,000.00
		1,000.00	80,000.00	2,16,000.00
Marriage Savings Scheme (M.S.S.)		500.00	40,000.00	1,08,000.00
		1,000.00	80,000.00	2,16,000.00








Table: 2.7. Rate of interest of Customer Friendly Deposit Schemes.

Savers Benefit Deposit Scheme (SBDS)

Deposited Amount : 50,000.00	Term	Size of deposited amount with interest after completion of the term (Tk.)
	1st Year	54,000.00
	2nd Year	59,000.00
	3rd Year	65,000.00
	4th Year	72,000.00
	5th Year	79,500.00
	6th Year	89,000.00
	7th Year	99,000.00
	8th Year	1,10,000.00

Loan Schemes


1. General Loan Scheme
2. Consumer Credit Scheme
3. House Building Loan / Apartment Loan Scheme
4. Advance against Shares
5. Loans against Imports
6. Post import finance
7. Export Credit
8. Loan Syndication
9. Project Finance

Loan Schemes		Lending Categories	Lending Rates (L.R.)
Agricultural Scheme		Loan to primary producers	8.50%
		Loan to agricultural input traders and fertilizer dealers/distributors	8.50%
Commercial Lending		Jute Trading	11.50%
		Others Commercial Lending	12.00%
Working Capital		Jute	11.50%
		Other than Jute	12.00%
House Building Loan		Real Estate Developers	12.00%
		Individual/Housing Finance Co.	11.50%
Other Loans		Finance to NBFIs	11.50%
		Consumer Credit Scheme	12.00%
		Others	11.50%
Small/Cottage Industry		Term Loan	11.50%
Large/Medium Scale Industry		Term Loan	12.00%
Loan against Export		Jute Goods Exports	7.00% Fixed

		Other Exports	7.00% Fixed
--	---	---------------	-------------

Services

- ATM Service
- Locker Service

Locker Services--	Yearly Charge	Security Deposit	Service Available at	
	Small	Tk. 750/=	Tk.2, 500/= (Refundable) for all types of lockers.	<u>Gulshan Branch</u>
Medium	Tk. 1,250/=	<u>Dhanmondi Branch</u>		
Large	Tk. 2,000/=	<u>Uttara Branch</u>		

CHAPTER-3

An Appraisal of Principal Activities of Southeast Bank Limited

All the Branches of Southeast Bank Ltd provides a range of facilities to the customers. These are general banking, credit facilities, documentary credit operations etc. This will explain in below:

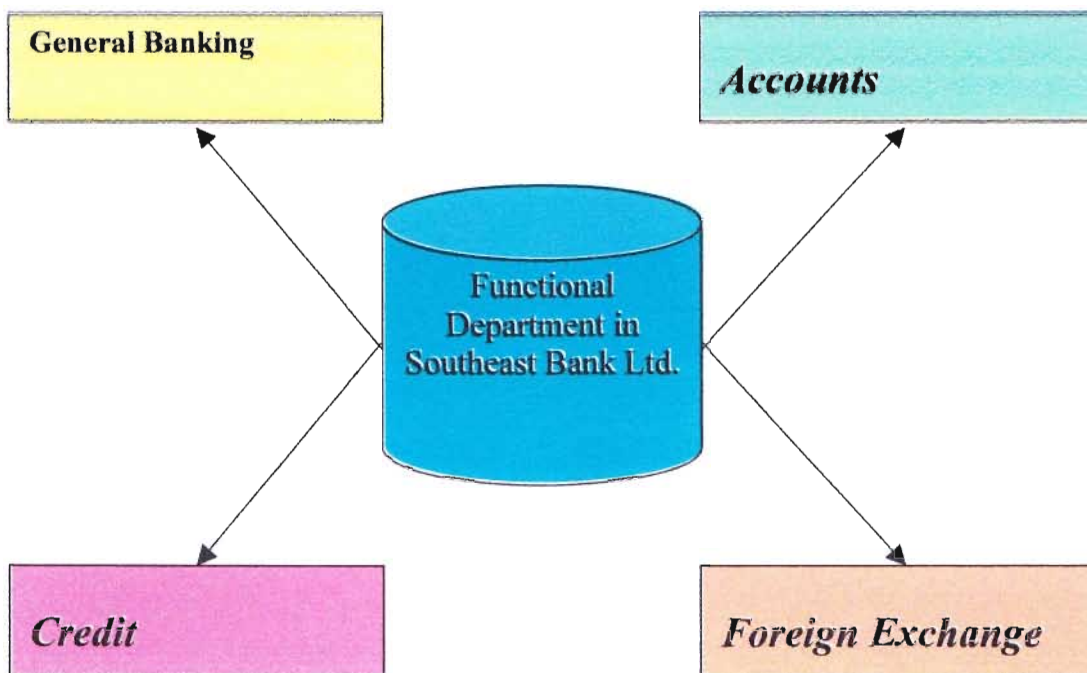
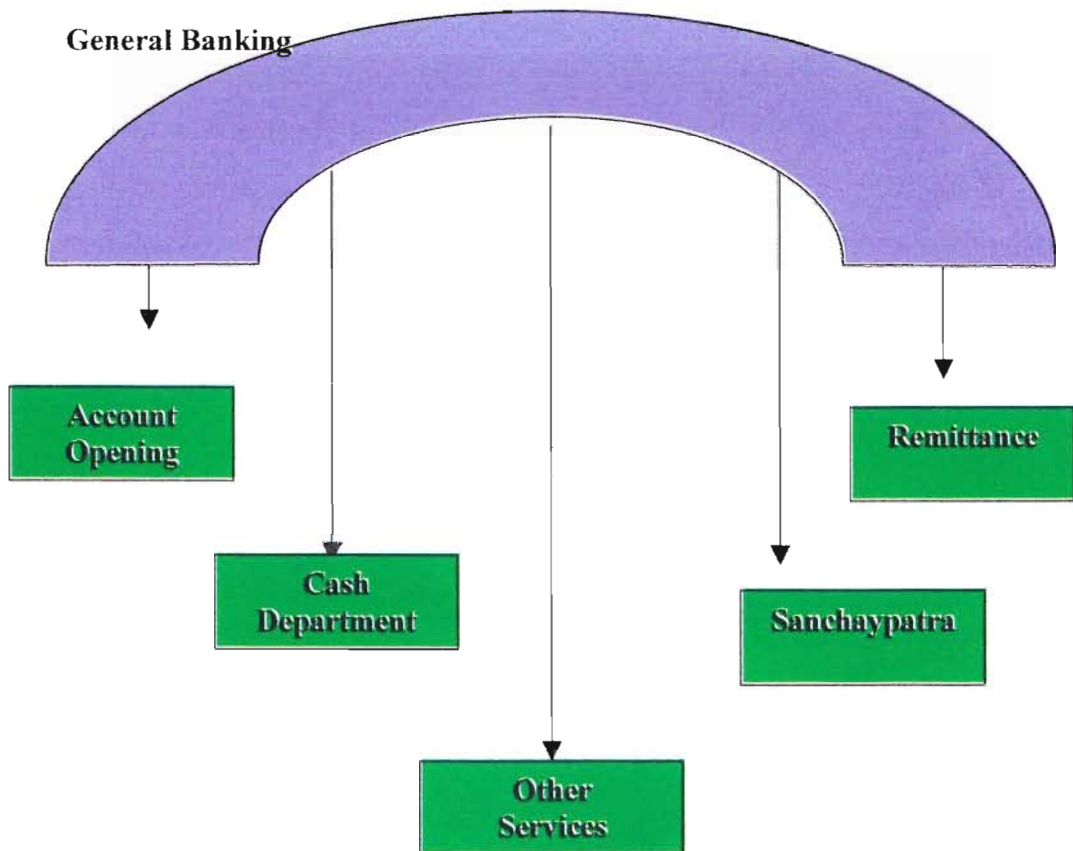


Figure 3: Functional department in Southeast Bank Ltd.

3.1. GENERAL BANKING

General Banking is the day-to-day activities of branch banking. It is associated with financial transactions to facilitate customer service. The medium of day-to-day general banking in the Bank is either cash or Cheque. So the transactions are either handled by a cash counter (transactions through cash) or the front desk personnel (transactions through cheque or other instruments). However, there are other departments like - clearing, financial control and accounts, computer to give both of them back office support and to maintain regular and clear records.



3.1.1. ACCOUNTS OPENING

Accounts' opening is the main task of the General Banking Division. There are different types of deposit scheme for the clients.

3.1.1. (A) CURRENT ACCOUNT (CD)

In case of Current Account **no interest** is given to the account holder. There are current accounts for individual, joint current account, proprietorship current account, partnership current account, and limited company current account. There is no restriction on the amount of withdrawals from a current account. And minimum balance is required at list 2,000 taka.

3.1.1. (B). SAVINGS DEPOSIT ACCOUNT (SB)

Saving Accounts are especially for the middle-income groups who are generating limited income and have the tendency to save to meet their future need and intend to earn an income from their savings. In case of Saving Account **6% interest** is given by the SBL. There is no restriction on the amount of withdrawals but if a customer withdraw more than twice in a month then there is no interest is given for that month. Minimum Balance is required 2,000 taka.

3.1.1. (C). SHORT-TERM-DEPOSIT (STD)

Minimum balance is required in this account is Tk. 5, 00,000 and interest is given to the depositors at the **rate of 5%**. It is also a time deposit account. 7(seven) days notice is required for withdrawal of STD accounts.

3.1.1. (D). FIXED DEPOSIT RECEIPT (FDR)

It is purely a time deposit account. For FDR bank offers higher rates of interest on such deposits. Interest is paid at rate determined by the length of the period for, with the deposit is made. Obviously, the longer is the period of deposit, the higher is the rate of interest. At present the rate of interest for Fixed Deposit Receipt (FDR) in the Southeast Bank Limited is presented in the table.

Deposit Scheme	Deposit rate
Savings Deposit Account (SB)	7%
Short –Term Deposit (STD)	6%
Fixed Deposit	
3 (three) Months	7.25% (Up to Tk. 10.00 lac)
6 (six) Months	7.50% II
1 (one) Year	8.25% II
2 (two) years	8.25% II
3 (three) Years	8.25% II

Table: 3.1.1. (D). Rate of Deposit in Southeast Bank Limited.

3.1.2. CASH DEPARTMENT

All sorts of transaction considering the cash are taken into care in the cash department. This department is very highly risky. Customer deposits their money and withdraws their deposit through this department.

3.1.3 REMITTANCE DEPARTMENT

Remittance is another significant part of the general banking. The bank receives and transfers various types of bills through the remittance within the country. Obviously the bank **charges commission** on the basis of bill amount. The types of remittance:

- PO (Pay Order)
- DD (Demand Draft)
- TT (Telegraphic Transfer)

3.1.4. Sanchaypatra:

Southeast Bank Ltd issues govts' quarterly benefit fixed deposit scheme called "Sanchaypatra"

3.1.5. OTHER SERVICES

- Locker service

Locker service	Yearly Charge	Security deposit
Small	Tk. 750/=	Tk.2,500/=(Refundable) for all types of lockers
Medium	Tk. 1,250/=	
Large	Tk. 2,000/=	

Table: 3.1.5. (A) Rates of Different locker service

- Collection of Grameen Phone Bill
- Convertible Taka Account
- Foreign Currency Account
- Consumer saving Scheme

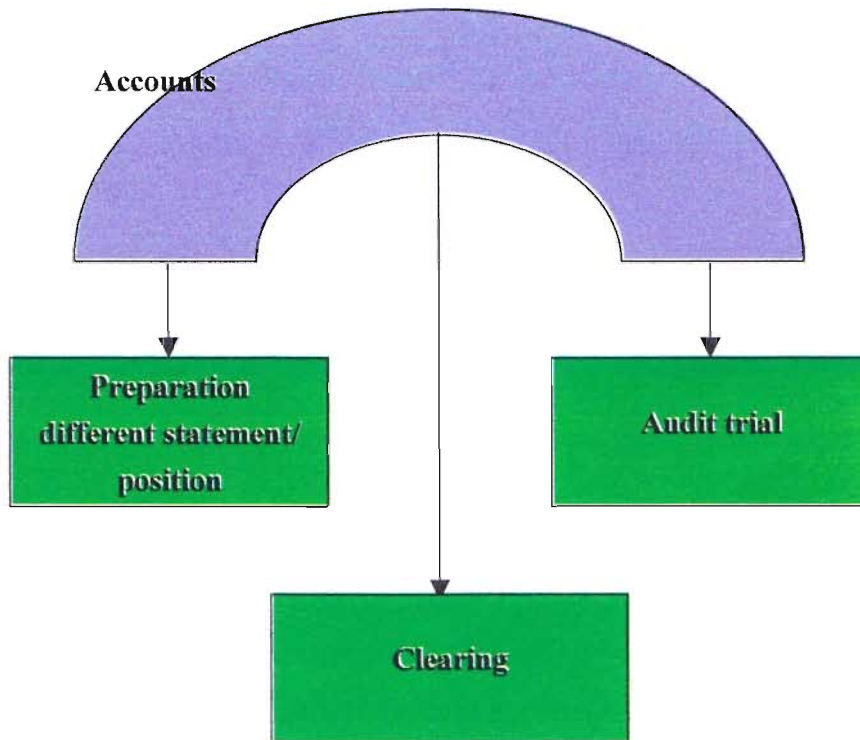
Consumer friendly saving Scheme	Monthly Installment size (Tk.)	Amount built up after five years (Tk.)
Pension Savings Scheme (P.S.S.)	500.00	40,000.00
	1,000.00	80,000.00
Education Savings Scheme (E.S.S.)	500.00	40,000.00
	1,000.00	80,000.00
Marriage Savings Scheme (M.S.S.)	500.00	40,000.00
	1,000.00	80,000.00

Table: 3.1.5. (B) Installment size of Friendly Saving Scheme.

These are the services provided by Southeast Bank Limited, which is very attractive to the customer.

3.2. ACCOUNTS

The activities that are performed in the accounts Division are stated below:



3.2.1. STATEMENTS

All the statement is normally prepared by the account department. This section is responsible for producing different reports with the help of other sections. The statements that are produced from accounts department are in point.

- a. Daily Statement
 - Daily statement of affairs
- b. Weekly Statement
 - Weekly statement of position i.e. Thursday Position
- c. Monthly Statement
 - Daily statement of Affairs at the end of month

- SBS – 1 (Schedule Bank Statement)
- d. Quarterly Statement
- SBS – 2 (Deposit)
 - SBS – 3 (Advance)
- e. Half yearly Statement
- Deposit, Lending & Borrowing etc.

3.2.2 CLEARING

The clearing department is mainly responsible for collecting different cheque from different client and then sends it to the Bangladesh Bank Clearing house to honor the cheque.

3.2.3. AUDIT TRIAL

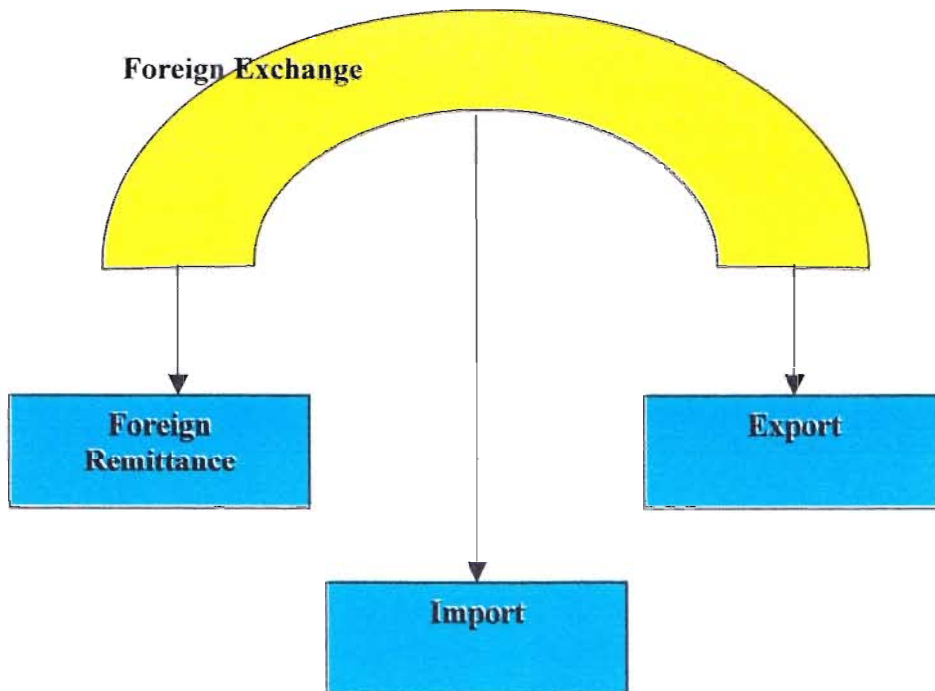
In every bank one or more employees are assigned to check all the transactions of a day. These people checks all make or ask for adjustments if needed. This is some sort of Internal Audit for the purpose of internal control.

3.2.4 LOGISTICS

Logistics in a bank control the flow of inbound and outbound logistics. Inbound logistics includes papers, pen, scale, foods and all others like this. Outbound logistics normally includes letters. This section also manages the third and fourth-class employees of the branch.

3.3. FOREIGN EXCHANGE SECTION

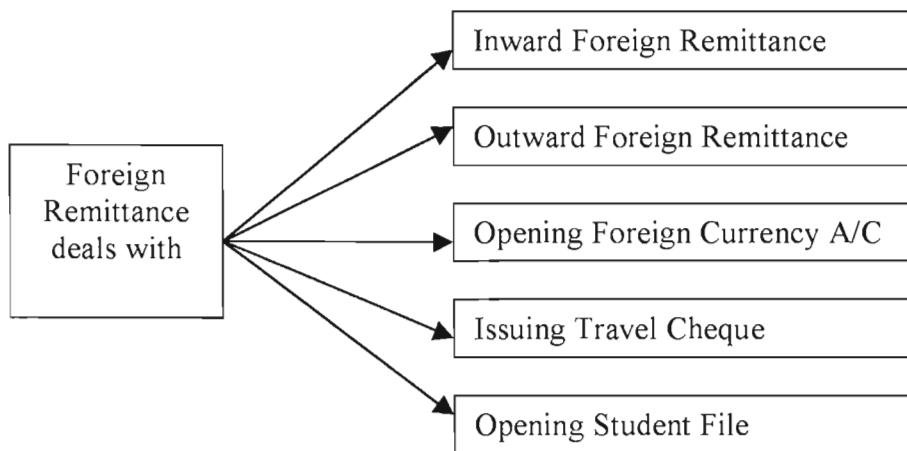
Foreign Exchange refers to the process or mechanism by which the currency of one country is converted into the currency of another country. The Foreign Exchange department of the bank provides various foreign exchange services, which are:



3.3.1. FOREIGN REMITTANCE

Remittance means sending or transfer money or money-worth from one place to another.

This section of Foreign Exchange Department deals with



(A) Inward Foreign Remittance:

Normally, Inward Foreign Remittance comprises all incoming foreign currencies. Remittances issued by the correspondent banks situated in the foreign countries and thereby drawn on SBL, all branches are considered to be its Inward Foreign Remittances.

(B). Outward foreign Remittances:

Remittances issued by Southeast Bank, all Branches' to their foreign correspondents to fulfill their customers' needs are considered to be the Outward Foreign Remittances.

(C). Foreign Demand Draft (FDD) Issued:

People used to send money abroad for various purposes. SBL issues most of the FDD for the purpose of payment of the application fees to the foreign universities. For the applicant of FDD, T/M Form has to be filled up duly.

(D). Traveler's Cheque (TC) Issued:

SBL issues only American Express Traveler's Cheque (TC). For TC, customer has to fill up T/M form. He has to fill up the purchase form also. For TC, SBL **charges 1% as commission.**

(E). Student File Opening:

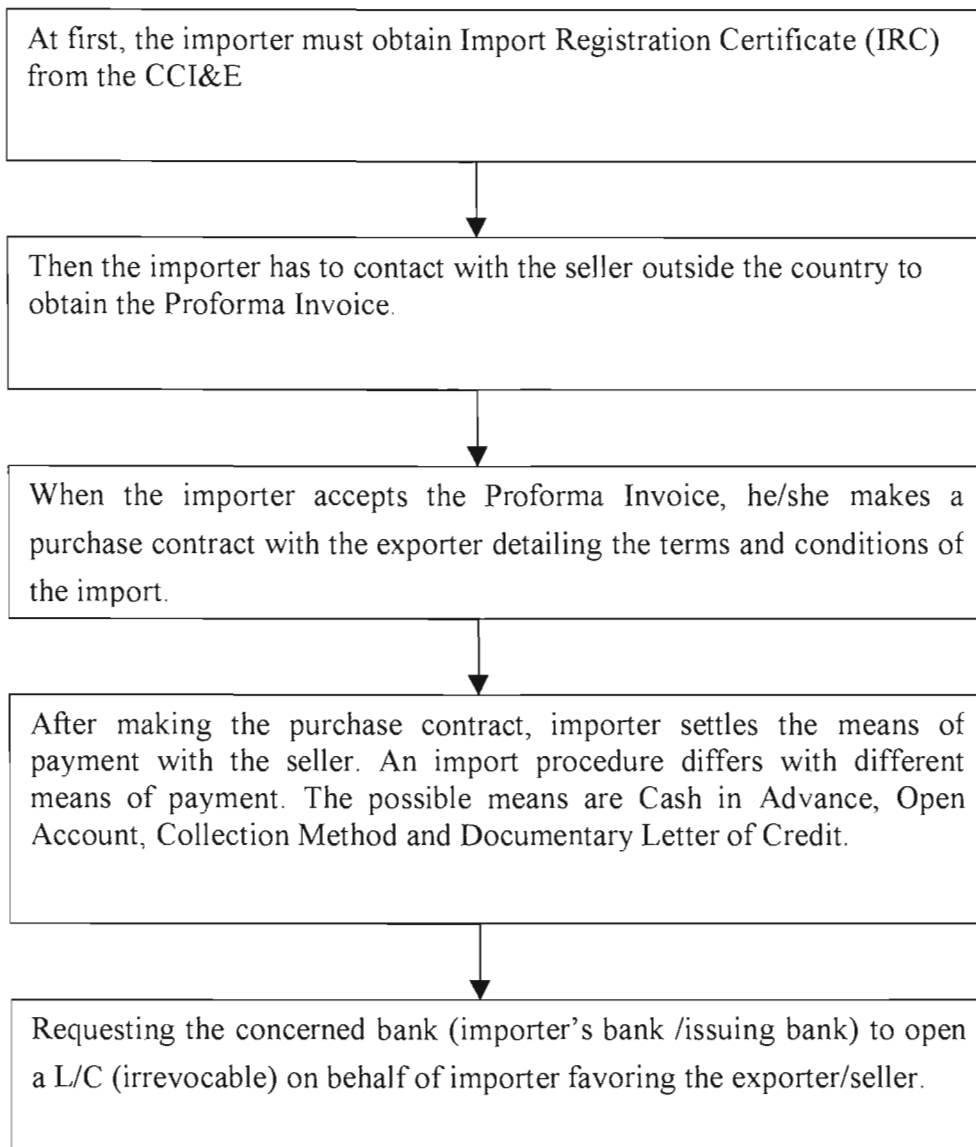
Student can endorse \$200.00 at a time in his own name. But if the amount exceeds \$200.00, then the student has to open a student file.

3.3.2. IMPORT

Import means purchase of goods or services from abroad. Normally consumers, firms and Government organizations import foreign goods or services to meet their various necessities.

3.3.2.1. IMPORT PROCEDURE FOLLOWED BY SBL

As an Authorized Dealer, Southeast Bank, is always committed to facilitate import of different goods into Bangladesh from the foreign countries. There are certain procedure which will followed by SBL which is



3.3.2.2. LETTER OF CREDIT (L/C)

The method by which a Commercial Bank undertakes to make payment on behalf of the importer (buyer) to the seller (exporter) is known as **Letter of Credit (L/C)**. On the other hand it is a credit contract where by, the buyers (importer) bank is committed (on behalf of the buyer) to place an agreed amount of money at the seller's (exporter) disposal under some agreed conditions.

Forms of Letter of Credit

Letter of Credit is basically classified in two forms:

- 1) Revocable Letter of Credit
- 2) Irrevocable Letter of Credit

1) Revocable Letter of Credit:

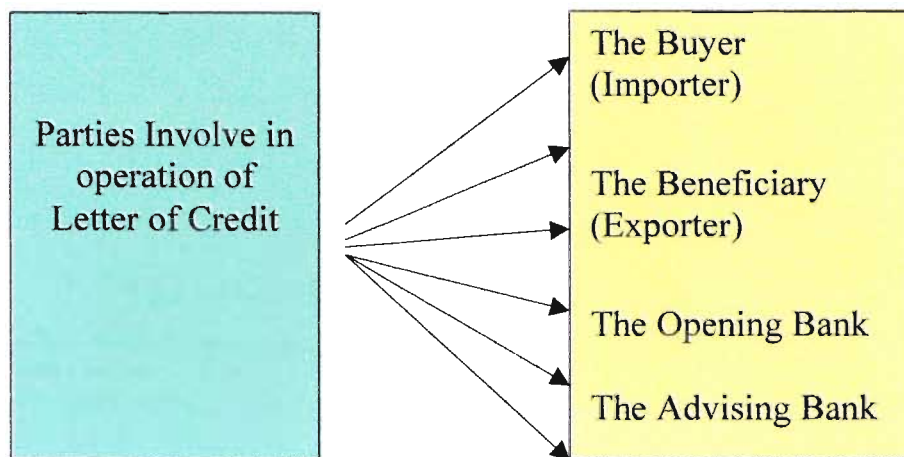
If any Letter of Credit can be amendment or changed of any clause or canceled by consent of the exporter and importer, it is known as Revocable Letter of Credit.

2) Irrevocable Letter of Credit:

The Letter of Credit cannot be amendment or changed of any clause without the consent of all concern parties – importer (applicant), exporter (beneficiary), Issuing Bank, and Confirming Bank (in case of confirmed L/C), is known as Irrevocable Letter of Credit.

3.3.2.3. PARTIES INVOLVED IN OPERATION OF LETTER OF CREDIT

A letter of credit is issued by a bank at the request of an importer in favor of an exporter from whom the importer has contracted to purchase some commodity/commodities. The importer, the exporter and the issuing bank are the parties to the letter of credit. There is however one or more than one banks involved in various capacities and at various stages to play an important operation of the credit.



3.3.2.4. DOCUMENTS USED IN OPERATION OF L/C

Document is the written statement which is acceptable by the court of law. This will give in below:



3.3.3. EXPORT

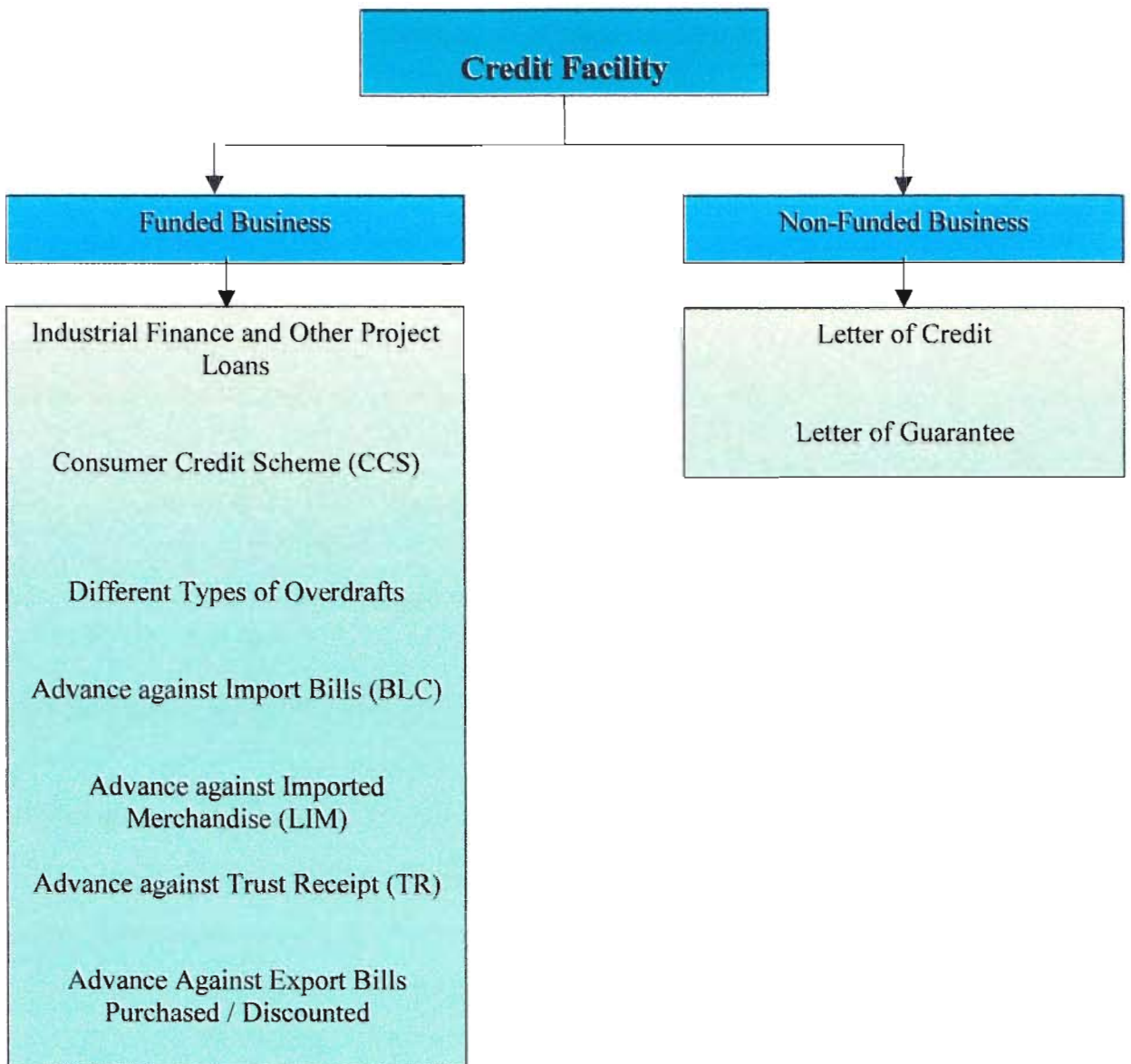
Export is the process of selling goods and services to the other countries. Export L/C operation is just reverse of the import L/C operation. For exporting goods by the local exporter, bank may act as advising banks and collecting bank (negotiable bank) for the exporter.

3.4. CREDIT MANAGEMENT OF SEBL

3.4.1. FUNCTIONS OF CREDIT DEPARTMENT

1. Interviewing the prospective borrower.
2. Receiving the credit information assembled and placed in the customers credit file.
3. Processing and sanction of credit facilities to the customer
4. Disbursement of credit facilities to borrowers
5. Recording of credit facilities
6. Recording the information's and documents to safe custody book.
7. Controlling of securities and proper custody of documents
8. Follow up and recovery of credit as per due date
9. Computation and checking of interest accrued on loans, advances, and recording entries thereof.

3.4.2. DIFFERENT TYPES OF CREDIT FACILITY



3.4.2. FUNDED BUSINESS

A funded credit facility that a bank offers to a customer result in actual disbursement of cash to the customer. There are different type of credit facilities provided by SBL which is explain in below:

1. INDUSTRIAL FINANCE AND OTHER PROJECT LOANS

Project loan normally has fixed maturity and it relates to term investment. As such it requires appraisals of those proposals to have a normal decision. Appraisal may be termed as assessment of viability over a period of time.

These loans are usually made for:

- Setting up of industries and to meet working capital
- Balancing, Modernization, Replacement and Expansion (BMRE) of existing industries.
- Construction of commercial / Residential Building / Warehousing etc.

2. CONSUMER CREDIT SCHEME (CCS)

This loan is to provide essential Household durables to the fixed income group (Service holders) and other eligible borrowers under the scheme. These are the items SBL invested

Items of Investment

- i. Refrigerator / Deep Freeze
- ii. Television / VCR / VCP / Dish Antenna
- iii. Music Center
- iv. Motor Car / Motor Cycle
- v. Air –Cooler / Air – Conditioner
- vi. Personal computer
- vii. Washing Machine
- viii. Household Furniture & Fixtures
- ix. Sewing Machine
- x. Kitchen appliances like Oven, Toaster, Pressure Cooker, Blender etc.

3. DIFFERENT TYPES OF OVERDRAFTS

Arranged Overdraft:

In this case the customer is allowed on the basis of prior arrangements overdraw his current account by drawing checks for amounts exceeding the balance up to an agreed limit within certain period of time not exceeding one year.

Overdraft against Pledge of Goods / stocks:

Under this arrangement, the credit facility is granted to the borrower against the security of pledge of goods or produce in the form of raw materials or finished products subject to credit /margin restrictions.

4. ADVANCE AGAINST IMPORT BILLS (BLC)

Advance against Bills under Letter of Credit are originated from the lodgment of shipping documents received from foreign banks against letter of credit established by the bank.

5. ADVANCE AGAINST TRUST RECEIPT (TR)

Advance against Trust Receipt to the client are to release shipping documents for taking delivery of merchandise which is hypothecated to the bank.

6. ADVANCE AGAINST EXPORT BILLS PURCHASED / DISCOUNTED

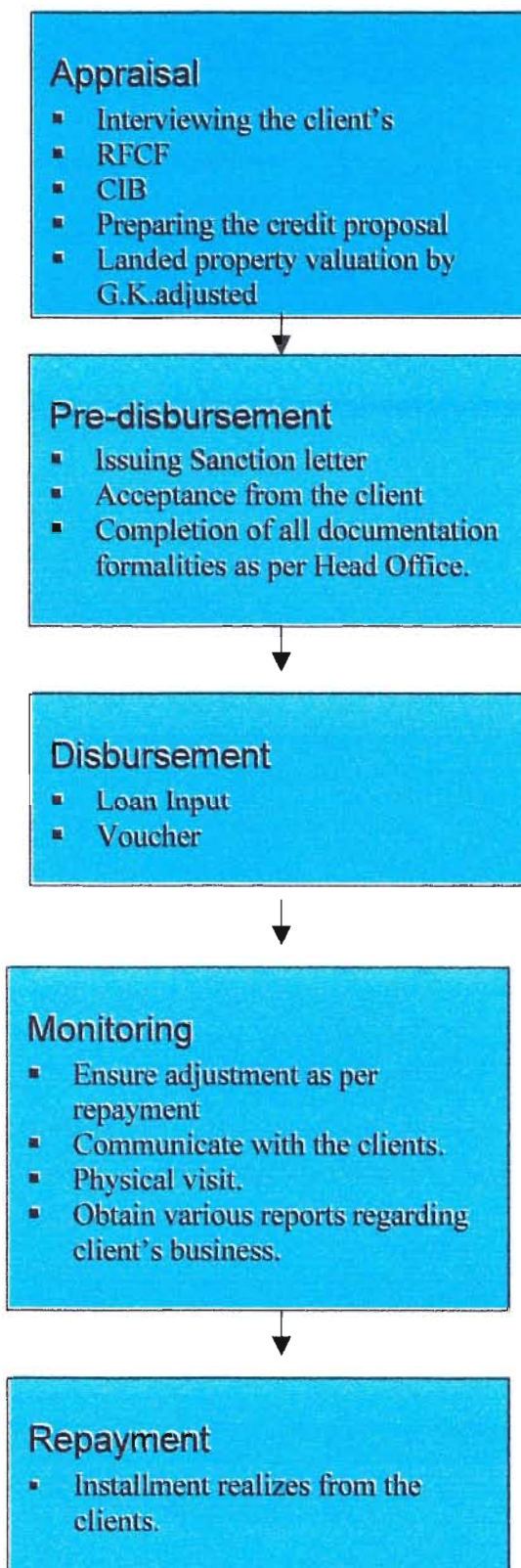
Discount:

Banks allow advances to the clients by discounting bill of Exchange. This matures after a fixed tenor.

Purchase of bill:

Banks also make advances by purchasing bills, instead of discounting, which are accompanied by documents of title of goods such as bill of lading or railway receipts etc..

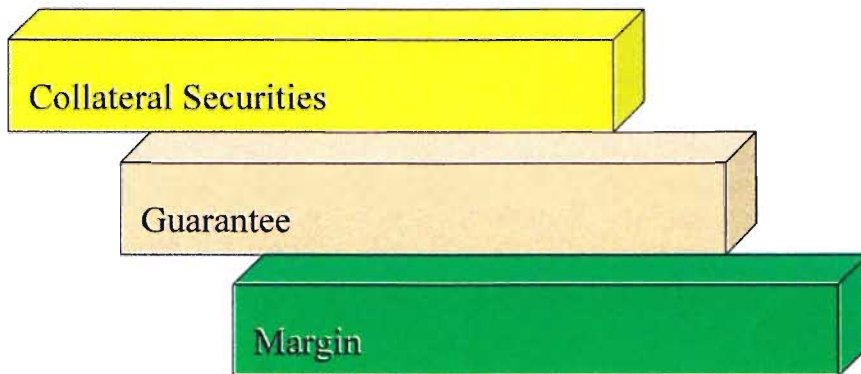
3.4.3. PROCESSING OF CREDIT



3.4.4. SECURITY AGAINST ADVANCES

Security is a Cover against loans and advances. It ensures recovery of loans and advances. Security play an important role while bank providing loans and advances. There are different types of security which will explain in below:

Securities are classified into three broad categories:



These are the securities collected by SBL against loans and advances.

3.4.5. DOCUMENTATION AGAINST ADVANCES

Documentation formalities against loans and advances should be prepared by bank for their own interest. Complete and correct documentation enables the Banker to take legal recourse against the borrower in case of non-realization of dues.

Types of Documentation:

Documents related to securing loans and advances are classified into the following 2 (Two) categories:

This will give in a diagram.

Documentation

Charge Document

- Demand Promissory note
- Borrowing Resolutions.
- Letter of Guarantee
- Letter of hypothecation
- Subordination Agreement
- Power of Attorney
- Letter of Arrangement
- Letter of Continuity
- Letter of Revival
- Letter of Pledge
- Letter of Trust Receipt
- Supplementary Agreement
- Counter Guarantee
- Counter Shipping Guarantee
- Letter of Lien
- Letter of Indemnity
- Letter of disclaimer
- Credit sanction advice accepted by the borrower.

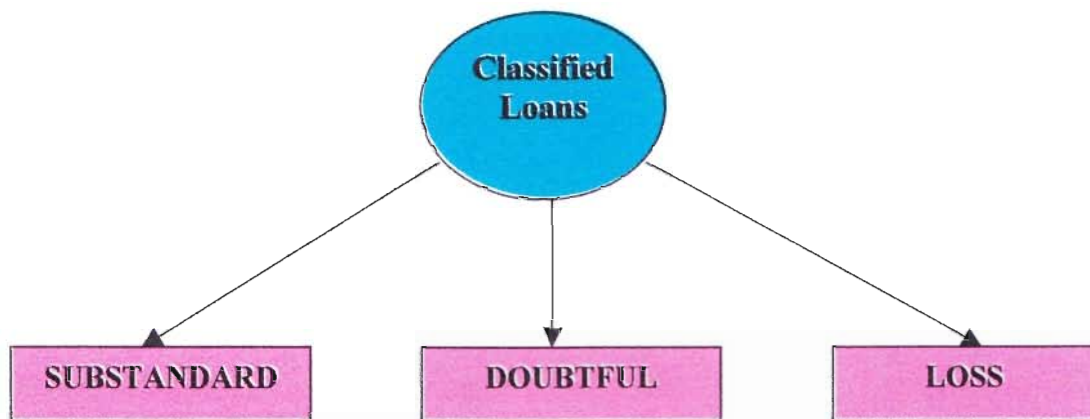
Legal Document

- Memorandum and Articles of Association (Limited Company).
- Registered partnership deed (Partnership firm).
- Trade License.
- Board resolution covering corporate borrowing power and execution of security documents (Limited Company).
- Resolution of the partners for availing of credit facility and for execution of security documents.
- Notarized irrevocable power of attorney.
 1. to sell hypothecated stock in trade / machinery / equipment.
 2. to receive payments against bills receivables / other receivables.
- For mortgage of property.
 1. Original title deed.
 2. Parcha / Khatian.
 3. Non - Encumbrance Certificate.
 4. Mutation certificate.
 5. Rent Receipt.
 6. City Corporation / Municipality Tax payment receipt.
 7. Valuation certificate.
 8. Power of Attorney (if necessary).
 9. Clearance from the Lawyer of the Bank (Legal vetting).
 10. Memorandum of deposit of title deed (For Equitable mortgage).
 11. Registered mortgage deed (For Registered / Legal mortgage).
 12. Certified copy of original title deed(in case of new purchase)
 13. Original money receipt duly endorsed in favor of the bank(in

3.4.6. CLASSIFIED LOANS

A classified loan or commitment is one which is classified as substandard, Doubtful or Loss as per policy of loan classification set by Bangladesh Bank or Head Office of the bank.

The following are the broad definitions of the classified categories: however instruction issued by Bangladesh bank / Head Office of the bank regarding basis of loan classification and provisioning should be followed:



SUBSTANDARD:

This is a first step of classified loans. If a client cannot repay one or two installments then it is in substandard. This is clearly a troubled situation, which requires immediate and intensive effort to correct and reduce the possibility of loss.

DOUBTFUL:

A serious doubt must exist that full repayment will not be forthcoming but the exact amount of the loss cannot be ascertained at the time of classification.

LOSS:

Advances, or portions of advances, which are determined to be uncollectible, based on presently known factors.

3.4.7. VARIOUS STATEMENTS PREPARED BY CREDIT DEPARTMENT

<u>Fortnightly Statement</u>
<ul style="list-style-type: none"> ▪ Statement of Suits filed ▪ Statement of Negotiation in lien of Suits filed ▪ Statement of progress of recovery of classified loan and advances
<u>Monthly Statement</u>
<ul style="list-style-type: none"> ▪ Statement of Time/Term loan under Consumer Credit Scheme (CCS) ▪ Statement of loan extended to Agrobased industry ▪ Statement of Lien marked against Provident fund ▪ Statement of outstanding credit facilities. ▪ CIB (1.00 crore and above) ▪ Sector wise outstanding loan and advances. ▪ Maturity wise break-up of loan and advances and deposit. ▪ Statement of LDOs held by Non-banking financial Institution (NBFIs).
<u>Quarterly Statement</u>
<ul style="list-style-type: none"> ▪ Year wise break-up of classified loans ▪ Statement of Irregular loans ▪ Progress of recovery of classified loans ▪ Position of small and medium enterprise ▪ Statement of credit facilities extended in the names of Directors of other bank's ▪ Statement of credit facilities extended to the Director of our bank ▪ Statement of Staff loan of the bank. ▪ SBS-3 ▪ CL ▪ CIB ▪ Statement of credit facilities under Industrial loan. ▪ Disbursement of Industrious loan (1.00 crore and above)
<u>Half yearly Statement</u>
<ul style="list-style-type: none"> ▪ Statement of outstanding liabilities from TK. 1.00 crore to 10.00 crore. ▪ Statement of outstanding liabilities for TK. 10.00 crore and above. ▪ Statements of sector wise outstanding loan and Advances. ▪ Statement of loans disbursed for leather industry. ▪ Statement of loans disbursed for jute sectors. ▪ Statement of Bank Guarantee (BG). ▪ Statement of capital adequacy requirement (CAR) ▪ Statement of deposit insurance premium.
<u>Yearly Statement</u>
<ul style="list-style-type: none"> ▪ Yearly Advances classified by Economic Sector

3.4.8. RATE OF INTEREST ON ADVANCES / LOANS

Lending Categories	Rate of Interest
1. AGRICULTURE	
a. loans to primary producers	8.50%
b. Loan to Agricultural input traders and fertilizer dealers distributors	8.50%
2. LARGE AND MEDIUM SCALE	12.00%
6. INDUSTRIES (Term Loan)	
3. SMALL AND COTTAGE	11.50%
7. INDUSTRIES (Term Loan)	
4. WORKING CAPITAL(INDUSTRIAL)	
a. Jute	11.50%
b. Other than jute	12.00%
5. Export	
a. Jute goods export	7.00%
b. Other export	7.00%
6. COMMERCIAL LENDING	
a. Jute trading	11.50%
b. Commercial lending (others)	12.00%
7. HOUSE BUILDING FINANCE	
a. Real Estate Developers	12.00%
b. Individual/Housing finance Comp.	11.50%
c. Staff House Building loan	8.00%
8. CONSUMER CREDIT SCHEME	12.00%
9. OTHER LOANS	
a. Finance to NBFIs	11.50%
b. Others	11.50%

Table 3.4.8. RATE OF INTEREST ON ADVANCES / LOANS

CHAPTER-4

AN APPRIASAL OF FINANCIAL PERFORMANCE OF SOUTHEAST BANK LIMITED

4.1. Performance of the Bank

The Southeast Bank Limited (SBL) was incorporated as a public limited company on March 12, 1995 under Companies Act. 1994. The bank started commercial banking operations effective from May 25, 1995. During this short span of time the bank had been successful to position itself as a progressive and dynamic financial institution in the country.

4.1. 1. Business Activities:

Southeast Bank Limited has been able to achieve appreciable progress in all areas of its operations during the year 2003 and earned an operational profit before provision and tax of TK. 665.16 million registering a growth of 35.04%. We appreciated all e this success to the dynamism displayed by all those who worked hard for the growth of this organization.

4.1.2. Capital:

The Authorized Capital of the Bank on December 31, 2003 stood at Tk.2500.00 Million which is remains unchanged in 2002. But higher then 1999, 2000 and 2001. The Bank paid up capital rose to Tk. 677.16 million as on December 31, 2003 inclusive of proposed 20 % bonus Share.

4.1.3. Equity Fund

The Bank capital and reserve Tk. 445.70 million in 1999, Tk.565.28 million in 2000, Tk. 757.20 million in 2001, TK. 970.96 million in 2002 and Tk. 1300.14 million in 2003 respectively. So we can say that the bank raises its capital and reserve during the five years which is quite significant. This will show in a graph.

Particulars	2003	2002	2001	2000	1999
Equity Fund (capital and Reserve)	1300.14	970.96	757.20	565.28	445.70

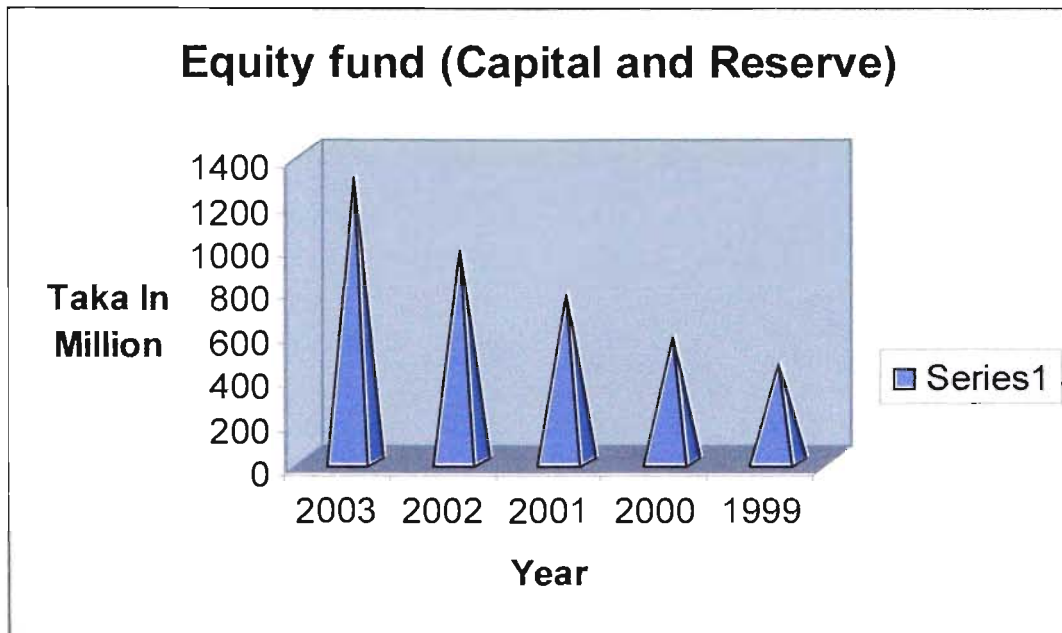


Figure: 4.1.3. Total Equity .

4.1.4. Deposits

The Bank deposit Tk. 20118.82 million as on December 31, 2003, Tk. 16598.45 million in 2002, Tk. 12630.45 million in 2001, Tk. 10309.70 million in 2000 and Tk. 7512.49 million in 1999 respectively. So we can say that the bank deposit is increasing over the five years analysis. The competitive interest rates that offered by a bank is mainly depend for raising deposit .This will shown in a graph.

Particulars	2003	2002	2001	2000	1999
Deposits	20118.82	16598.45	12630.25	10309.70	7512.49

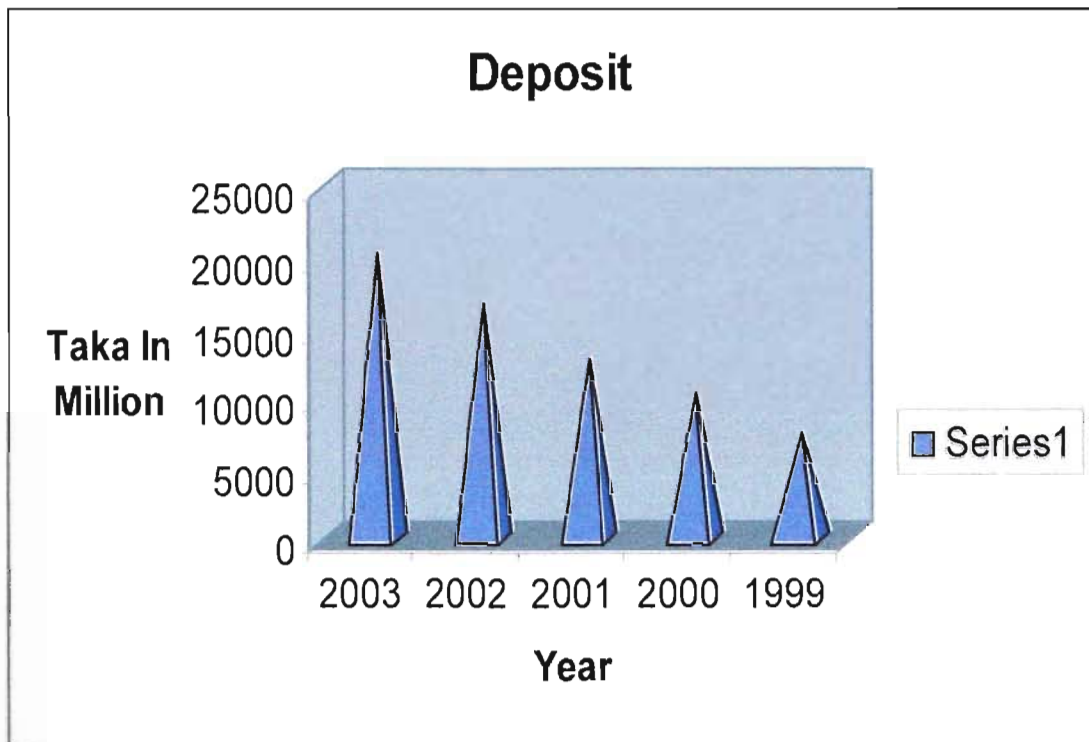


Figure: 4.1.4. Total Deposits.

4.1.5. Loans and advances

The total loans and advances made by the Bank amounted to Tk. 15548.11 million as on December 31, 2003 against Tk. 13,027.13 million last year. This is increased by 19.35 % from the last year. Also the bank kept low level then the national average. This is only 2.09%, which has proved the way for building of a sound asset base for the Bank. Trade-related and working capital finance were the principal areas where lending activities were concentrated.

Particulars	2003	2002	2001	2000	1999
Loans and Advances	15548.11	13027.13	917.03	7061.87	5051.88

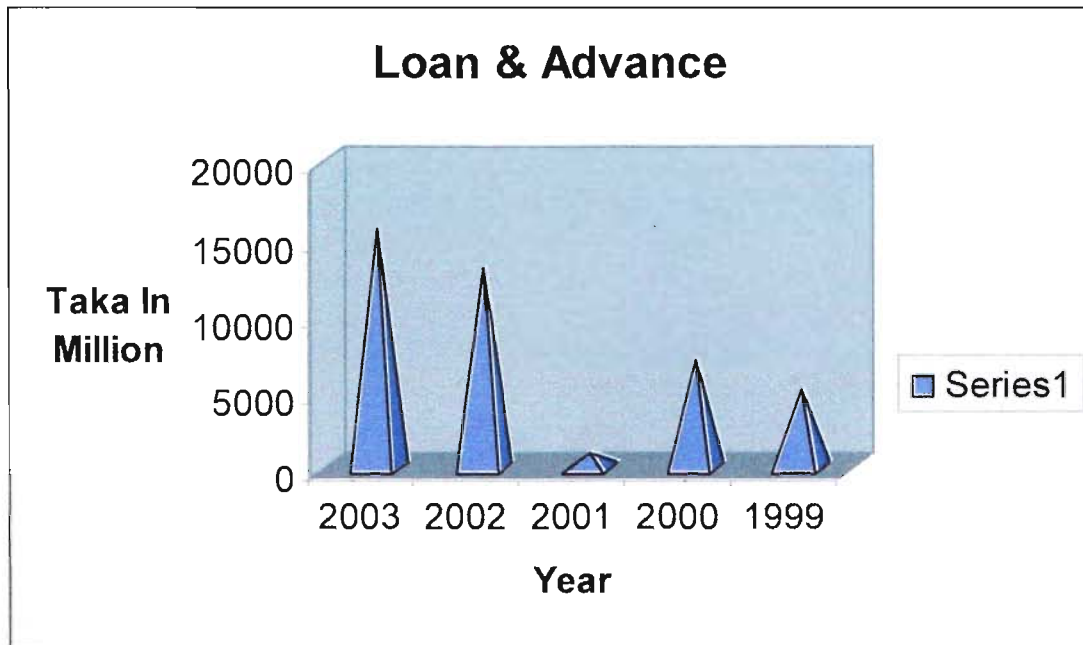


Figure: 4.1.5. Total Loans and Advances.

4.1.6. Import and Export business

The import and export business handled by the Bank during the year 2003 rose to Tk. 8,228.50 million to Tk.16,270.80 million and Tk. 704.47 million to Tk. 3,033.79 million from the last five year's respectively. So we can say that the bank doing business well in respect of highly competitive market in banking sector.

Particulars	2003	2002	2001	2000	1999
Import Business	16207.80	12817.01	12817.37	11239.14	8228.50
Export Business	3033.79	2263.45	2675.05	1319.51	704.47

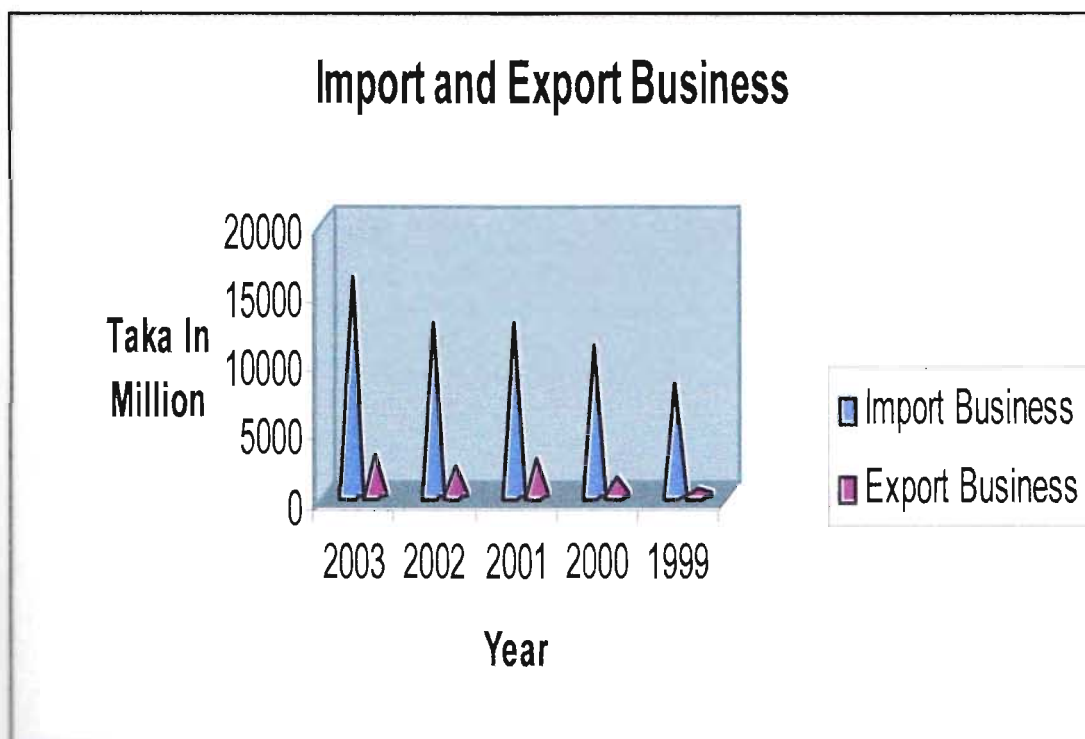


Figure: 4.1.6. Total Import and export Business.

4.1.7. Total Property and Assets

The bank Total property and Assets TK.23142.35 million in 2003, Tk. 1888.48million in 2002, Tk. 14468.66 million in 2001, Tk. 11710.55 million in 2000 and Tk.8336.15million in 1999 respectively. So we can say that SBL increase total property and assets over the last five years. Which is very good feature for this bank.

Particulars	2003	2002	2001	2000	1999
Total Assets and Property	23142.35	18882.48	14468.66	11710.55	8336.15



Figure: 4.5. Total Property and Assets.

4.1.8. Net income:

The Net income of Southeast Bank Ltd Tk 703.76 million in 2003, Tk. 253.56 million in 2002, 270.73 million in 2001, Tk. 172.83 million in 2000 and Tk. 85.48 million in 1999 respectively. This is shown in a graph. The net income of SBL increasing day by day. The Net Income of SBL lowest in 1999 and highest in 2003. This is indicating the company financial sound, perform well in highly competitive banking sector.

Particulars	2003	2002	2001	2000	1999
Net Income	703.763127	253.563149	270.737436	172.836357	85.480924

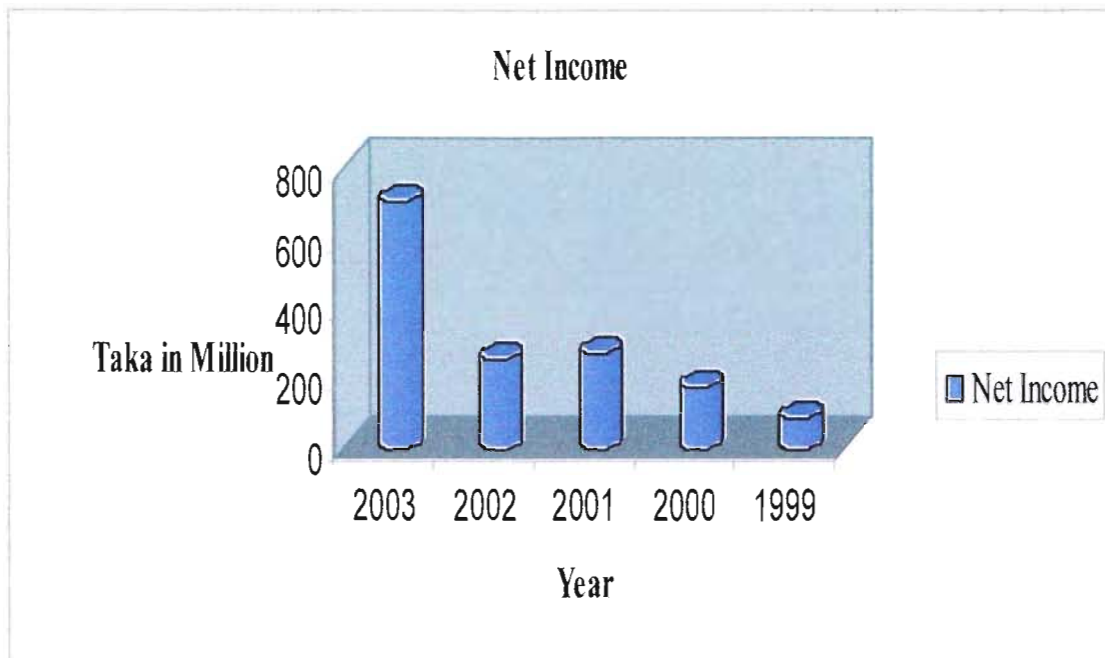


Figure 4.1.8.: Net Income.

4.2. Ratio Analysis of Southeast Bank Limited

Various financial ratios should be calculated that provide a broader understanding of the bank's financial condition. Among the most important ratio measures of bank profitability used today are the Return on Equity (ROE), and Return on Asset (ROA), and Equity Multiplier (EM).

4.2.1. Return on Asset: (ROA)

year	net income	total asset	%	Roa
1999	85.480924	8336.159494	100	1.02542333%
2000	172.836357	11710.55038	100	1.47590168%
2001	270.737436	14468.66517	100	1.87119843%
2002	253.563149	18882.48	100	1.34284893%
2003	703.763127	23142.35	100	3.0410113%

Table: 4.2.1. Return on Assets.

ROA is primarily an indicator of managerial efficiency. It indicates how the management of the bank has been converting the institutions assets into net earnings. The more the ratio or ROA, the better way the bank is performing.

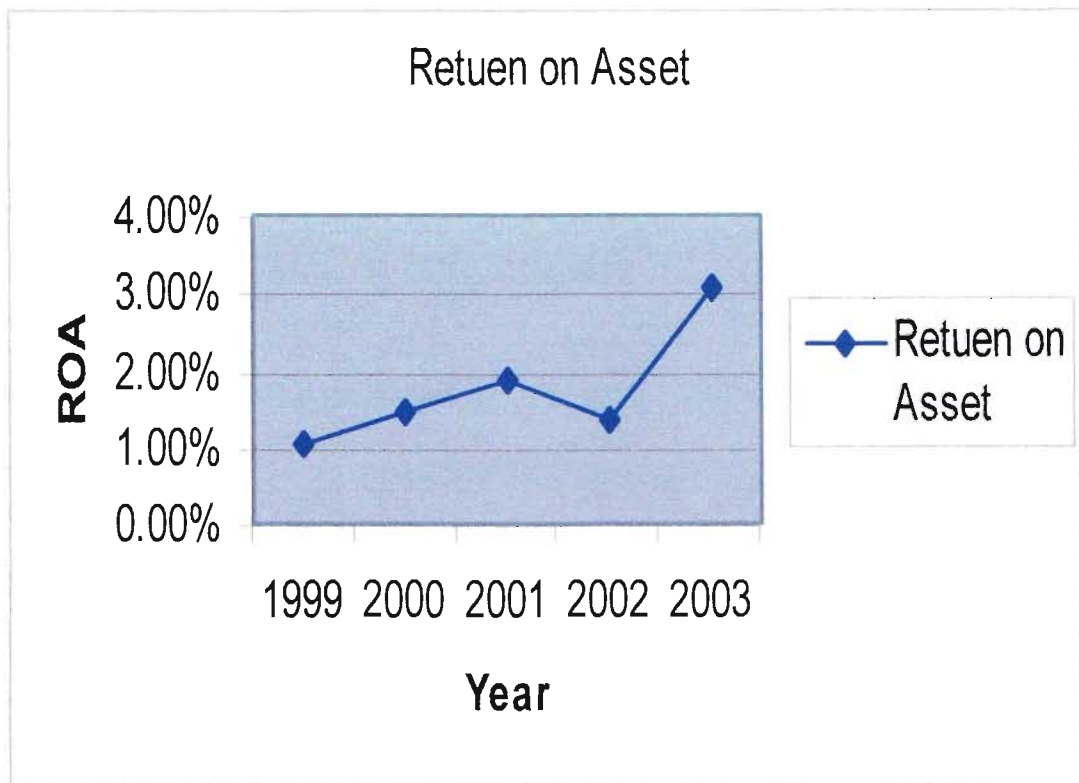


Figure: 4.2.1. Return on Assets.

According to the profit ratio of Southeast Bank Limited over the year we can say that the performance of SBL is satisfactory over the year that means stock holders wealth's position is developing over the year. ROA is increasing in 2003 then the last 2002 year which shown the SBL efficiently utilized its assets for making profit. This is also shown in the figure.

4.2.2. Return on Equity (ROE)

year	net income	total Equity	%	RoE
1999	85.480924	436.807414	100	19.56947645%
2000	172.836357	564.64377	100	30.60980501%
2001	270.737436	760.381206	100	35.6054876%
2002	253.563149	916.425271	100	27.66872074%
2003	703.763127	1712.710618	100	41.09060337%

Table: 4.2.2. Return on Equity.

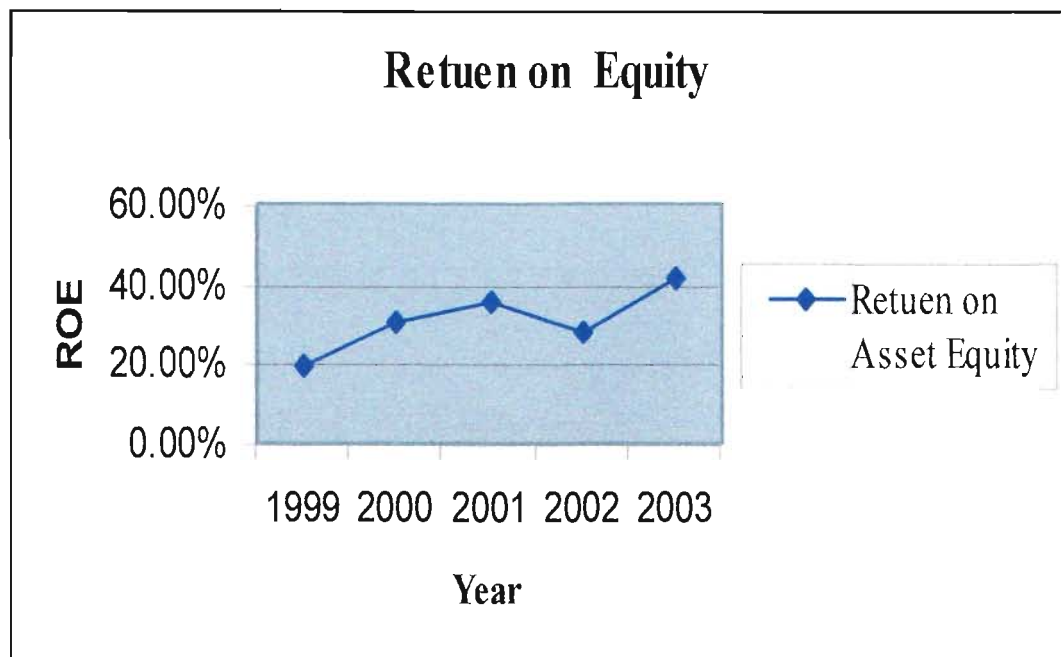


Figure: 4.2.2. Return on Equity.

ROE indicates the rate of return on equity capital to the bank's shareholders. In case of ROE, SBL is performing better over the year because its ROE is increasing **19.56%** to **41.09%** from 1999 to 2003. But in 2002 it was decreasing ROE, which indicates a decrease in stock price. But it will be highest in 2003. This will be shown in the table and a graph.

4.2.3. Net Profit Margin Ratio

YEAR	NET PROFIT MARGIN
1999	30.15%
2000	32.85%
2001	38.24%
2002	32.19%
2003	67.48%

Table: 4.2.3. Net Profit Margin

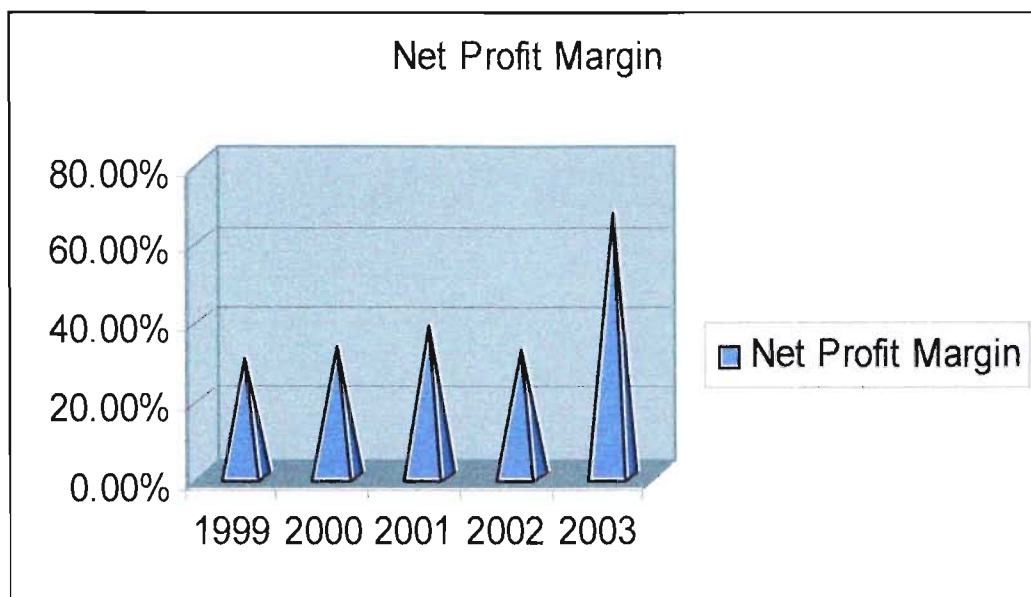


Figure: 4.2.3. Net Profit Margin

Net Profit Margin indicates how the bank managers are controlling and managing total expenses. The Net Profit Margin in 1999 was 30.15%, in 2000 it was 32.85%, in 2001 it was 38.24%, in 2002 it was 32.19% and in 2003 it was 67.48% respectively. In 2003 the Net Profit Margin is extremely high because in this year the bank did not provide any provisions.

4.2.4. Equity Multiplier (EM)

To measure that how much assets of SBL is backed by the bank's shareholders equity multiplier would be a very good measure. Because the Equity Multiplier indicates the amount of assets is backed by the Owners Equity.

Years	Total assets	total equity	EM
1999	8336.159494	436.807414	19.08
2000	11710.55038	564.64377	20.73
2001	14468.66517	760.381206	19.02
2002	18882.48	916.425271	20.60
2003	23142.35	1712.710618	13.60

Table: 4.2.3 Equity Multiplier

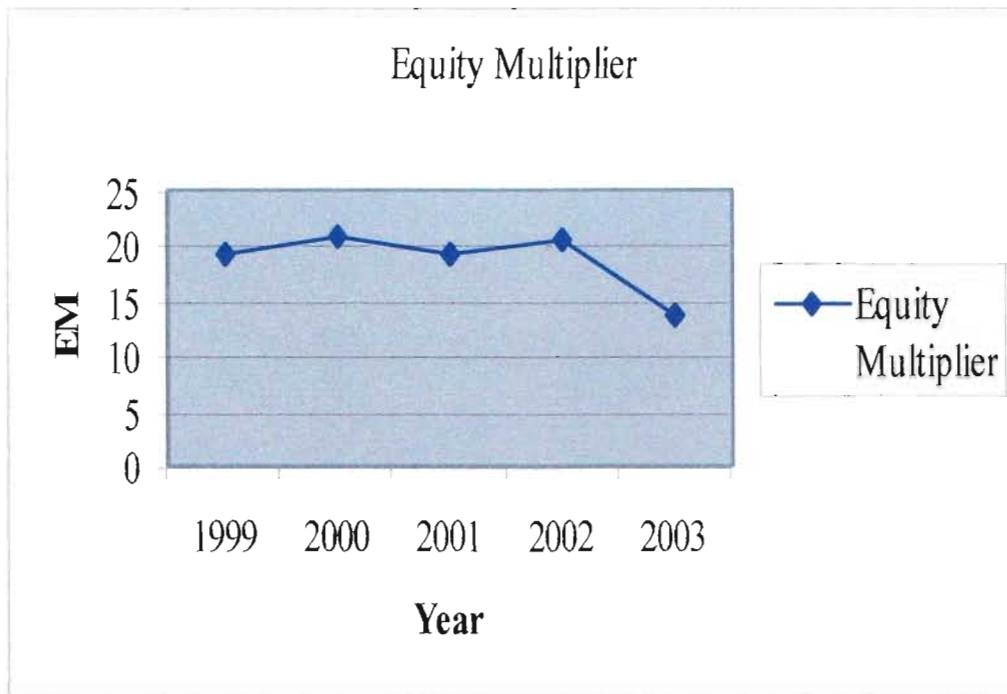


Figure: 4.2.3. Equity Multiplier.

From the above table and figure we will see the amount of equity invested by the owners is very low to its total assets. Which indicated the debt is very high. In 1999 it was 19.08, in 2000 it was 20.73, in 2001 it was 19.02%, in 2002 it was 20.60 and in 2003 it was 13.60 respectively.

Chapter – 5

Problems & Recommendation

Problems

Southeast Bank is one of the leading private banks in Bangladesh. But they have some problems, which will explain in below:

- Business environment is changing rapidly. With globalization and fast change of technology which created enormous potentiality as well as threat for the whole business. Most of the financial institution does not have any strategic planning in terms of human resources, business policy, market segmentation, and application of technology. Southeast Bank is no exception of that.
- One of the major problems of Southeast Bank Limited is its highly centralized lending authority.
- The increasingly competitive and fast changing business environment requires a clear policy guidelines; structured marketing and credit policy. But the banks do not have such policy.
- In order to cope faster changing technology southeast bank human resources is not at the top level.
- Another major problem of Southeast Bank Limited is lack of co- ordination among the branches and Head Office.
- Southeast Bank Limited covers only four districts with 24 branches, which is not enough for highly competitive banking industry.

RECOMMENDATIONS

In specific level following recommendations are suggesting:

For General Banking

- Efficiency should be ensured
- Customer service should be pleasant and prompt.
- Speed in general banking activities
- Product of General banking activities should be increase

For Accounts Section

- A sound working environment should be ensured
- Overlapping of duties should be reduced

For Foreign Exchange Division

- Efficiency level should be improved
- Bank should take initiative to secure valuable customer
- The divisional activities should be more organized
- Historical record should be maintained

For Credit Division

- Credit product should be increase and categorized
- Terms and conditions of credit should be more flexible
- Marketing of credit products should be increase
- Divisional activities should be more organized

Broad Recommendations

- SBL should be increase **marketing** activities to be competitive in the marketplace.
- SBL can pursue a **Diversification Strategy** in expanding its current line of business
- By expanding **Business Portfolio**, SBL can reduce its business risk
- SBL should increase efficiency **Online Banking System** for efficient transaction of business.

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Appendix

Formula for Ratio Analysis

Return on Asset =	Net income after taxes
	Total Asset

Return on Equity =	Net income after taxes
	Total Equity

Net Profit Margin Ratio=	Net Income
	Sales

Return on Multiplier =	Total Assets
	Total Equity

Taka in Million

Particulars	2003	2002	2001	2000	1999
Authorized Capital	2,500.00	2,500.00	500.00	500.00	500.00
Paid-up Capital	677.16	399.30	363.00	330.00	300.00
Reserve Fund	622.99	571.66	394.20	235.28	145.70
Equity Fund (Capital and Reserve)	1,300.14	970.96	757.20	565.28	445.70
Deposit	20,118.82	16,598.45	12,630.25	10,309.70	7,512.49
Advance	15,548.11	13,027.13	9,178.03	7,061.87	5,051.88
Investment	2,581.61	2,282.08	1,727.44	1,369.92	971.81
Import Business	16,270.80	12,817.01	12,187.37	11,239.14	8,228.50
Export Business	3,033.79	2,263.45	2,675.05	1,319.51	704.47
Guarantee Business	3,391.19	2,502.48	1,854.50	1,306.24	907.18
Total Income	2,772.52	1,936.54	1,748.18	1,259.03	862.86
Total Expenditure	2,107.36	1,443.98	1,256.05	921.70	661.02
Operating Profit	665.16	492.56	492.13	337.33	201.84
Net Profit after Tax and Provision	256.06	253.56	270.74	172.84	85.48
Fixed Assets	288.02	48.81	36.26	71.13	78.37
Total Assets	23,142.35	18,882.48	14,468.66	11,710.56	8,336.17

Earning per Share (Taka)	45.38	69.85	82.04%	57.61%	56.99%
Dividend Cash (%)	20%	20%	30%	25%	15%
Bonus Shares	20% (5:1)	10% (10:1)	10% (10:1)	10% (10:1)	-
Return on Equity (ROE)	19.69%	26.11%	35.76%	30.58%	19.18%
Return on Assets (ROA)	1.11%	1.34%	1.87%	1.48%	1.03%
Non performing Loans as % of Total Loans	2.09%	1.99%	2.78%	2.95%	3.75%
Capital Adequacy Ratio	9.20%	8.23%	8.77%	8.40%	9.52%

Number of Correspondent Banks	80	45	40	39	34
Number of Foreign Correspondents	350	295	280	269	253
Number of Shareholders	2912	1,666	1,429	1,266	1,129
Number of Employees	701	595	575	528	480
Number of Branches	24	19	13	12	12