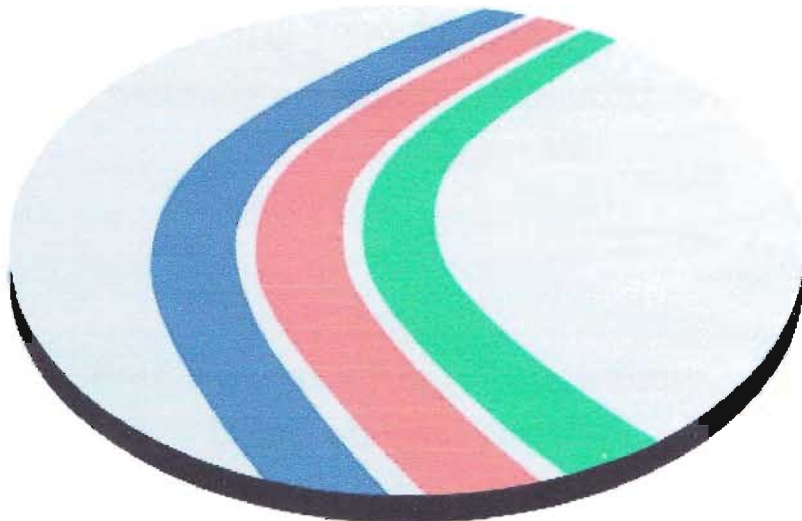


A STUDY ON ,
PERFORMANCE EVALUATION OF
DUTCH-BANGLA BANK LIMITED

*(AN INTERNAL & EXTERNAL COMPANY RECORD BASED PERFORMANCE
EVALUATION OF DUTCH-BANGLA BANK LIMITED, FY 2008-2012)*



DECEMBER 2013

DEPARTMENT OF BUSINESS ADMINISTRATION

EAST WEST UNIVERSITY

DHAKA

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Submitted By:

Jiten Bhowmik

ID# 2009-2-10-133

Department of Business Administration
East West University

Submitted To:

Prof. Dr. Tanbir Ahmed Chowdhury

Dean and Chairperson

Department of Business Administration
East West University

A project report submitted to the Department of Business Administration, East West University (EWU), Dhaka, in partial fulfillment of the requirement for the degree of Bachelor of Business Administration (B.B.A) in Finance and Accounting.

DECEMBER 2013

EAST WEST UNIVERSITY

DHAKA

December 20, 2013

Prof. Dr. Tanbir Ahmed Chowdhury

Dean and Chairperson

Department of Business Administration

East West University

Plot No-A/2, Main Road, Jahurul Islam City, Aftabnagar, Dhaka-1212.

Subject: Submission of Project Report (BUS-498).

Dear Sir,

It is my immense pleasure to submit my long waited project report that fulfills partial requirements of my Bachelor of Business Administration (B.B.A) degree. It has been extremely helpful as a student of business administration to undergo the financial institution like Dutch-Bangla Bank Limited.

I completed my project report on "Performance Evaluation of DBBL". I tried to accommodate your valuable comments and suggestions in my report. In this concern if you need any further clarification, please contact on bhowmijiten@yahoo.com. I will be available to answer any question for clarification.

Thank you sir for your kind and immense cooperation, without which this project report would not been completed. So, I am submitting the final version of my project report and requesting your acceptance. I take the every opportunity to express my gratitude of indebtedness to you.

Thanking You

Yours Truly,

Jiten Bhowmik (signature)
20/12/13
Jiten Bhowmik.

ID# 2009-2-10-133

Acknowledgement

I express my deepest gratitude and profound respect to my project supervisor Prof. Dr. Tanbir Ahmed Chowdhury, Dean and Chairperson, Department of Business Administration, East West University (EWU) for his valuable suggestions, constant encouragement and keen interest at every stage of this study, without which this would have been extremely difficult to accomplish. I consider it as a great opportunity to have a share of some of his knowledge and expertise and find myself proud to work with him.

I also convey my deep gratitude to those people who have helped me to collect these information and supported me.

Declaration

This is to declare that the material presented in this project/thesis is the result of my work. It is further declare that neither this thesis nor any part therefore has been submitted else where for the award of any degree or diploma.

Signature of the author

Jiten Bhowmik (Jiten)
20/11/2013

Jiten Bhowmik.

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List of Acronyms

DBBL	: Dutch-Bangla Bank Limited.
EWU	: East West University.
BBA	: Bachelor of Business Administration.
Bank	: Dutch-Bangla Bank Limited.
LC	: Letter of Credit.
ROA	: Return on Assets.
ROE	: Return on Equity.
ROI	: Return on Investment.
EPS	: Earnings per Share.
CAR	: Capital Adequacy Ratio.
ATM	: Automated Teller Machine.
SME	: Small and Medium Enterprises.
FCR	: Flexcube Retail.
FCC	: Flexcube Corporate.
CSR	: Corporate Social Responsibility.
SWIFT	: Society for Worldwide Interbank Financial Telecommunications.
DPS	: Deposit plus Scheme.
PBS	: Periodic Benefit Scheme.
BDS	: Bochore Dergun Scheme.

CHES

: Children Education Savings Scheme.

PP

: Pension Plus.

SND

: Special Notice Deposits.

FDR

: Fixed Deposit Receipt.

CRR

: Cash Reserve Requirement.

SLR

: Statutory Liquidity Ratio.

EBIT

: Earnings before Interest and Tax.

EXECUTIVE SUMMARY

The financial system of a country is the lifeblood of the economy of the country. Amongst the financial institutions, commercial banks constitute the heart of the financial structure since they have the ability to add the money supply and thus create additional purchasing power. The commercial banks have been playing a vital role in the economy of Bangladesh.

Dutch-Bangla Bank started operation as Bangladesh's first joint venture bank. DBBL was established under the Bank Companies Act 1991 and incorporated as a public limited company under the Companies Act 1994 in Bangladesh with the primary objective to carry on all kinds of banking business in Bangladesh. DBBL commenced formal operation from June 3, 1996. The Bank is listed with the Dhaka Stock Exchange Limited and Chittagong Stock Exchange Limited. The principal activities of DBBL are to provide all kinds of commercial banking products and services, working capital finance and trade finance for corporate customers, SME loans to small traders & businesses, house building loan, car loan and wide range of life style and need based loans for retail customers. DBBL's state-of-the-art IT platform and online banking system provides the largest ATM network, Fast Track and PSO services of the country through which customers are getting any-where and anytime banking for 24 hours a day and 365 days a year. At the same time Dutch-Bangla Bank Limited provides different kinds of banking services like Electronic Banking, SME Banking, Corporate Banking, Internet Banking, Mobile-Banking etc.

Dutch-Bangla Bank Limited has been able to achieve satisfactory progress in all areas of its operation during 2012 and earned an operating profit of Taka 5,205.6 million which is 8.9% higher than that of the preceding year. Dutch-Bangla Bank Limited is now offering 10 depository products for mobilizing the savings of the general people including Savings Deposit Account, Current Deposit Account, Short Term Deposit Account, Resident Foreign Currency Deposit, Foreign Currency Deposit etc. Dutch-Bangla Bank Limited is

now offering 14 credits products to suit your needs like Life Line (a complete series of personnel credit facility), Loan agst. Trust Receipt, Transport Loan, Real Estate Loan (Res. & Comm.), Loan agst. Accepted Bill etc. DBBL has been using world famous Core Banking Solution, Flexcube Retail (FCR) and Flexcube Corporate (FCC) from the house of Oracle Corporation since 2004. Again, DBBL now has a customer base of more than 2.7 million. Over 2,300 units of ATMs are spread across the country.

However, comparative analysis reveals that how well the bank is doing in comparison with other banks. Through comparative analysis performance of any bank in the market can be measured. For this purpose the performance of DBBL was compared with three leading bank of the country like: AB Bank Limited, The City Bank Limited, and IFIC Bank Limited. Financial performance of a bank includes the performance of deposit, advance, investment, import, export, total assets, and total operating profit. A brief discussion on those topics have been included and compared with that of other leading banks of the country.

Ratio analysis involves methods of calculating and interpreting financial ratios to assess the firms' performance. Ratio analysis of a firm financial statement is of interest to shareholders, creditors and firms' own management. Ratio analysis provides only a single snapshot, the analysis being for one given point or period in time. In ratio analysis it is possible to compare the company ratio with a standard one. Here the financial performance is evaluated by measuring the Return on Equity (ROE), Return on Assets (ROA), Return on Investment (ROI), Net Interest Margin, Net Non-Interest Margin, Earnings per Share (EPS), Debt Equity Ratio, Loan Deposit Ratio, Price Earnings (P/E) Ratio, Capital Adequacy Ratio, and Gross Profit Ratio. However I have selected the base year 2012 and over the year the performance is identified with the comparison between the data and information that I have collected.

When I was working in this project, I have pointed some operational & financial problems of Dutch-Bangla Bank Limited and some possible solution also marked to get ride of these problem.

However, today's business is very competitive and complex. To survive in the market the organization need competent people and has to take some effective policy. Banking sector being a service sector of Bangladesh continues to contribute to a great deal in the economy of Bangladesh.

Chapter-1

Introduction



Chapter-1 Introduction

1.1 Origin of the Report:

Project report is a practical part of academic studies. This is a reflection of academic knowledge through practical work experience. Thus this project report aims to reflect the professional view of real world working environment.

Business Administration department of East West University offers four year BBA program majoring in different related fields. This four year BBA academic program is the building up of the theoretical knowledge about business administration which is the base of practical knowledge. This BBA project program is an attempt to provide business students an orientation to a real life business situation in which we can observe and evaluate the use and applicability of the theoretical concepts which were taught in the classrooms.

The report on **“Performance Evaluation of Dutch-Bangla Bank Limited”** is prepared by Jiten Bhowmik individually under the supervision and guidance of Prof. Dr. Tanbir Ahmed Chowdhury, Dean & Chairperson of Business Administration Department, East West University to meet the requirement of the project program of BBA.

As per norm this report is the requirement of the fulfillment of the Under Graduation Program. This report **“Performance Evaluation of Dutch-Bangla Bank Limited”** is the outcome of over 4 years studying in East West University in Undergraduate Program. This report writing is mainly based on the analysis of DBBL’s performance along with other banks in this Bangladeshi financial market place.



1.2 Objective of the Study:

Broad Objectives

To explore the various features of **Dutch-Bangla Bank Limited (DBBL)** and analyze the performance of DBBL.

Specific Objectives

- To present a background and introduction of Dutch-Bangla Bank Limited.
- Observing and understanding the activities of the different departments of the host organization: Dutch-Bangla Bank Limited (DBBL).
- To focus on the business and operation of the company.
- To focus on products & services.
- To discuss about the activity of the Dutch-Bangla Bank Limited to ensure quality service.
- To determine the DBBL's services awareness status and services usages.
- Identify and compare the performance of DBBL with that of standard.
- Identify findings of analysis and make recommendation based on the findings.



1.3 Scope of the Study:

The report is basically divided into two parts:

- The Organization Part.
- The Project Part.

The organization part of the report focus upon the organization structure, profile, and the financial services of Dutch-Bangla Bank Limited. The study also concentrates upon the actual lending activities of the Bank, its exposure to various sectors and its performance.

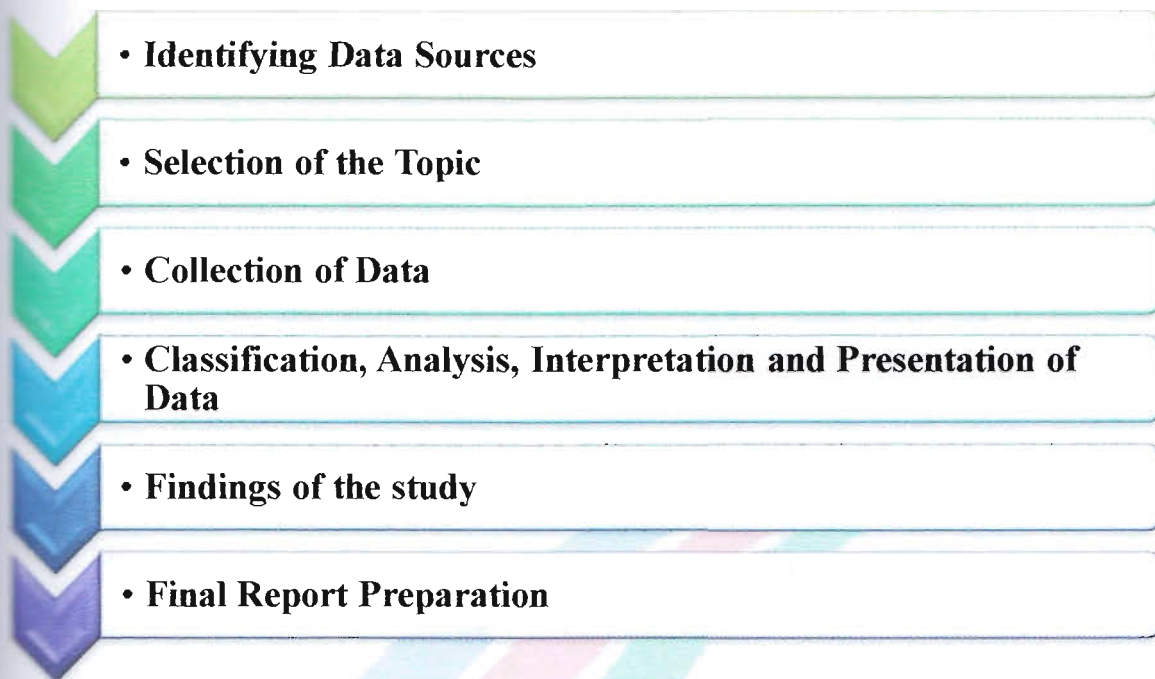
The project part of the report basically evaluates the financial performance of Dutch-Bangla Bank Limited, comparative analysis of DBBL, and measuring the Return on Equity (ROE), Return on Assets (ROA), Return on Investment (ROI), Net Interest Margin, Net Non-Interest Margin, Earnings per Share (EPS), Debt Equity Ratio, Loan Deposit Ratio, Price Earnings (P/E) Ratio, Capital Adequacy Ratio, and Gross Profit Ratio.

1.4 Methodology of the Study:

The study requires a systematic procedure from selection of the topic to final report preparation. To perform the study data sources are to be identified and collected, they are to be classified, analyzed, interpreted and presented in a systematic manner and key points are to be found out. This overall process of methodology is given in the following page in the form of flowchart that has been followed in the study.



Figure 1.1: Flow chart of methodology.



- i. **Identifying data sources:** Essential data sources both primary and secondary are identified which are needed to complete and workout the study. To meet up the need of data, primary data are used and the study also requires interviewing the officials and staffs where necessary.
- ii. **Selection of the topic:** The topic selected for the study was assigned by **Prof. Dr. Tanbir Ahmed Chowdhury**. Before assigning the job it was discussed with me so that I can prepare a well-organized project report.
- iii. **Collection of data:** Primary data are collected through physical inspection as there is no provision and scope for using sampling technique. Different year's annual report will give me the financial structure of DBBL.



- iv. **Classification, analysis, interpretation and presentation of data:** To classify, analyze, interpret and presentation of data, I will use some arithmetic and graphical tools to understand them clearly. Again, I also measure the activity ratios and liquidity analysis, debt and solvency analysis, profitability analysis, operating and financial leverage.
- v. **Findings of the study:** After scrutinizing the data problems of the study are pointed out and they are shown to my instructor. Recommendations are suggested thereafter to overcome the problems.
- vi. **Final report preparation:** On the basis of the suggestions of our honorable course teacher some deductions and additions have been made and final report is prepared thereafter.

1.4.1 Study Design:

- **Nature of Study:** The study is mainly cumulative in nature.
- **Instrument:** It was conducted using the qualitative and quantitative instrument. Depth interviews as well as assessment of different historical data were used to analyze the present scenario.

1.4.2 Sources of Information:

The Study has been performed with the help of secondary sources of data. Hence, no primary data or raw data was needed to be collected.

The secondary sources are:

- Information gathered from different standard textbooks, reference books, journals, official records, manuals, circulars.





- Different 'Procedure Manual', published by DBBL.
- Annual Reports (2008-2012) of DBBL, City Bank Ltd., IFIC Bank Ltd., AB Bank Ltd.
- Publications obtained from different libraries and from internet.

1.4.3 Data Analysis and Interpretation:

All the data that are presented through charts & tables are also presented through graphical presentation. These graphs are interpreted by analyzing the scenario that acts as an indicator for different analysis.

1.5 Limitations of the Study:

The project report was not free from limitations. The study has been conducted on the subject of "Performance evaluation of DBBL". Key limitations of the study are as follows:

- Time was the most important limitations in preparation of the project report. The program allocated only 10 (Ten) weeks for entire study, which disable many opportunities for a comprehensive study.
- Relevant papers and documents were not available sufficiently.
- It was little difficult to get the actual information.
- It was limited to a specific period of 2008 to 2012.
- In many cases up to date information is not available.
- Although I have chosen only City Bank Ltd., IFIC Bank Ltd., AB Bank Ltd. to compare the financial performance of DBBL which may not reflect the actual scenario of Dutch-Bangla Bank Limited.



1.6 Structural Design of the Report:

The whole report is designed to highlight the findings of the study. It is segregated into eight chapters. The chapter contents are produced here to have a snapshot of the structural design of this report.

Chapter 1 Contains origin of the report, broad and specific objectives, scope of the study, describes the methods applied and methodology followed in the study, and explains limitations of the study and ends with the structural design of the report.

Chapter 2 Shows the organization part, information required was collected within the organization from the different departments of Dutch-Bangla Bank Limited. It contains different products and services provided by DBBL, its different banking services, vision, mission, objectives, and board of directors and performance of DBBL. Information for this part of the project has been collected both from primary, secondary, and internet sources.

Chapter 3 Shows different types of deposit and credit scheme and their mix, investment and other financial performance and their growth.

Chapter 4 Includes comparative analysis between DBBL and other commercial banks through different financial performance determinant.

Chapter 5 Contains performance evaluation of DBBL through Return on Equity (ROE), Return on Assets (ROA), Return on Investment (ROI), Net Interest Margin, Net Non-Interest Margin, Earnings per Share (EPS), Debt Equity Ratio, Loan Deposit Ratio, Price Earnings (P/E) Ratio, Capital Adequacy Ratio, and Gross Profit Ratio.

Chapter 6 Shows problems of Dutch-Bangla Bank Limited.

Chapter 7 Includes some recommendation for Dutch-Bangla Bank Limited.

Chapter 8 Contains conclusion and bibliography of the study.

Chapter-2

Profile of the DBBL

Chapter-2 Profile of the DBBL

2.1 Background of the Study:

The financial system of a country is the lifeblood of the economy of the country. The financial system of an economy provides the medium of exchange, allocates resources, provides a return on and affects the level of savings. It also pools, transforms and distributes risk as an important locus of implementation of development policy of a country. Real economic growth goes hand in hand with an increasing amount and diversity of activity of financial institutions, market and instruments. The financial structure is composed of two sets of elements; namely, financial instruments and financial institutions. In the context of Bangladesh, an efficient and developed financial system is essential for transferring capital from savers to investors and to channelize scarce resources to maximize production. According to Stiglitz “Financial market can be thought of as the brain of the entire economic system, the central locus of decision making”. In fact, the financial system’s contribution to growth lies precisely in its ability to increase efficiency in financial deepening through viable and effective financial market and financial instruments and profitable interaction with the progressive globalization.

Amongst the financial institutions, commercial banks constitute the heart of the financial structure since they have the ability to add the money supply and thus create additional purchasing power. The commercial banks have been playing a vital role in the economy of Bangladesh. In view of this, a well developed, organized, planned and viable banking system is necessary for developing economies so that it can occupy a crucial place in the process of socio-economic transformation as well as a catalyst to economic growth. In a developing country like Bangladesh, the banking sector has been assigned an important role for achieving certain socio-economic objectives.



Before liberation of Bangladesh, the banking and finance industries in the then East Pakistan was owned and controlled by the then West Pakistani owners. After liberation, Bangladesh inherited a narrow and thin financial sector with six commercial banks (which were nationalized), a few foreign banks and two government-owned specialized financial institutions. Since 1972, the banking system was operating with the directives of monetary authorities aiming at achieving objectives of supplying cheap money to the state owned enterprises and priority sector like agriculture, export and small and cottage industries in the private sector. Then the financial institutions of Bangladesh used to operate under a regime of rigid government control and central bank regulations. The regulations covered fixation of interest rate on deposit and credit, direction of credit to public sector enterprises and priority sectors, directed expansion of bank branches etc.

Bangladesh has moved a long way since its liberation in the field of money, banking and credit. It is committed to a free economy whose growth and development are to be assisted by an efficient and effective monetary and banking system and capital market which can ensure an adequate mobilization of financial resources through broadening and deepening of the monetary and financial system. Keeping this in view and also to help deal with the various problems being faced by the country's financial system in respect of credit delivery, recovery of loans and advances, management of nationalized financial institutions, supervision and control of such institutions and inadequacy of the existing laws and regulations affecting the financial sector, government constituted a National Commission on Money, Banking and Credit in 1986 which diagnosed numerous financial sector problems and recommended major reforms in the sector.

After liberation, number of bank branches has increased due to the rapid increase of financial network of the banking system. It is imperative that as the financial network of a country increases, the case for implementing prudential and information regulations is much more important than economic regulations for the matter of improving on the



operations of financial markets. In this study, it has been tried to evaluate the financial performance of Dutch-Bangla Bank Limited and then appraised the ratios in relation to the industry average.

2.2 Historical Background of Dutch-Bangla Bank Limited:

Dutch-Bangla Bank started operation as Bangladesh's first joint venture bank. The bank was an effort by local shareholders spearheaded by M Sahabuddin Ahmed (founder chairman) and the Dutch company FMO. DBBL was established under the Bank Companies Act 1991 and incorporated as a public limited company under the Companies Act 1994 in Bangladesh with the primary objective to carry on all kinds of banking business in Bangladesh. DBBL commenced formal operation from June 3, 1996. The Bank is listed with the Dhaka Stock Exchange Limited and Chittagong Stock Exchange Limited.

From the onset, the focus of the bank has been financing high-growth manufacturing industries in Bangladesh. The rationale being that the manufacturing sector exports Bangladeshi products worldwide. Thereby financing and concentrating on this sector allows Bangladesh to achieve the desired growth. DBBL's other focus is Corporate Social Responsibility (CSR). Even though CSR is now a cliché, DBBL is the pioneer in this sector and termed the contribution simply as 'social responsibility'. Due to its investment in this sector, DBBL has become one of the largest donors and the largest bank donor in Bangladesh. The bank has won numerous international awards because of its unique approach as a socially conscious bank.

DBBL was the first bank in Bangladesh to be fully automated. The Electronic-Banking Division was established in 2002 to undertake rapid automation and bring modern banking services into this field. Full automation was completed in 2003 and hereby introduced plastic money to the Bangladeshi masses. DBBL also operates the nation's





largest ATM fleet and in the process drastically cut consumer costs and fees by 80%. Moreover, DBBL choosing the low profitability route for this sector has surprised many critics. DBBL had pursued the mass automation in Banking as a CSR activity and never intended profitability from this sector. As a result it now provides unrivaled banking technology offerings to all its customers. Because of this mindset, most local banks have joined DBBL's banking infrastructure instead of pursuing their own.

Even with a history of hefty technological investments and even larger donations, consumer and investor confidence has never waned. Dutch-Bangla Bank stock set the record for the highest share price in the Dhaka Stock Exchange in 2008.

2.3 Vision of DBBL:

Dutch-Bangla Bank dreams of better Bangladesh, where arts and letters, sports and athletics, music and entertainment, science and education, health and hygiene, clean and pollution free environment and above all a society based on morality and ethics make all our lives worth living. DBBL's essence and ethos rest on a cosmos of creativity and the marvel-magic of a charmed life that abounds with spirit of life and adventures that contributes towards human development.

2.4 Mission of DBBL:

Dutch-Bangla Bank engineers enterprise and creativity in business and industry with a commitment to social responsibility. "Profits alone" do not hold a central focus in the Bank's operation; because "man does not live by bread and butter alone".



2.5 Core Objectives of DBBL:

Dutch-Bangla Bank believes in its uncompromising commitment to fulfill its customer needs and satisfaction and to become their first choice in banking. Taking cue from its pool esteemed clientele, Dutch-Bangla Bank intends to pave the way for a new era in banking that upholds and epitomizes its vaunted marquee "Your Trusted Partner".

2.6 Goal of DBBL:

To share a significant portion of the banking sector's by utilizing available manpower and also state of the art technology for maximizing the shareholders wealth.

- **Long-term goal:** To maximize the wealth of the shareholders.
- **Short term goal:** To earn satisfactory rate of return on investment providing wide range of banking services.

2.7 Features of DBBL:

There are so many reasons behind the better performance of Dutch-Bangla Bank Limited than any other newly established banks:

- Highly qualified and efficient professionals management the bank.
- Dutch-Bangla Bank Limited has established a core Research & Planning Division with efficient persons.
- The Bank has established correspondent relationship more than 100 of foreign banks.
- The computerized operation system in all branches of DBBL has provided the frequent and prompt customer service.
- The inner environment and teamwork of all branches in DBBL motivated.





- All experienced employees to achieve the ultimate objective of DBBL.
- Dutch-Bangla Bank Limited has become a member of the SWIFT system to expedite foreign trade transaction.
- Dutch-Bangla Bank Limited has become introduced some scheme for the purpose of saving of low income people which are not available in other like "Ajibon Pension Scheme".
- The Bank offers attractive saving rate than other financial institutes.
- Dutch-Bangla Bank Limited provides loan to the customers at lower interest with easy and flexible condition that the others do.
- Dutch-Bangla Bank Limited charges lower commission from their customer in comparison with other banks.
- Along with the profit generation Dutch-Bangla Bank Limited also maintains social responsibilities.
- The Bank always guided their potential customer by giving valuable advises.

2.8 Principal Activities of DBBL:

The principal activities of DBBL are to provide all kinds of commercial banking products and services, working capital finance and trade finance for corporate customers, SME loans to small traders & businesses, house building loan, car loan and wide range of life style and need based loans for retail customers. DBBL's state-of-the-art IT platform and online banking system provides the largest ATM network, Fast Track and PSO services of the country through which customers are getting any-where and anytime banking for 24 hours a day and 365 days a year. IT network also provides SMS banking, alert banking and internet banking services. DBBL's propriety debit cards are in operation since 2004. International Cards (VISA & MasterCard) of different local & international banks are accepted at DBBL's ATMs for withdrawal of money and at POS terminals for





payments of shopping, hotel and dining bills etc. DBBL introduced EMV supported chip-based MasterCard and VISA Credit Cards for the first time in Bangladesh. DBBL also introduced EMV debit cards of MasterCard and VISA brands for the first time in Bangladesh. The EMV features shields DBBL customers from any kind of frauds as per the guidelines provided by MasterCard & VISA.

In addition, mobile banking services were introduced in 2011 by DBBL which was first of its kind in the country to provide banking services to mainly those people who are living in rural areas of the country and mostly deprived of conventional banking services.

2.9 Overall Banking of DBBL:

2.9.1 Electronic Banking:

Service because it is advanced, secure and affordable. DBBL creates a custom banking services to suit any business of any size. The services have a wide range that includes cash flow services, distribution banking and salary accounts. If a company knows what type of custom and tailored banking service they need, DBBL can provide it instantly and at minimal cost (usually free of charge).

2.9.2 SME Banking:

The purpose of the loan may be seasonal financing of inventory or trade receivable or both to the business entity nature of business wholesalers, manufacturers/assemblers and retailers of machinery, accessories, agriculture items, etc. Loan amount is maximum Taka 500,000/- Interest rate @ 17% p.a.



2.9.3 Corporate Banking:

Dutch-Bangla Bank offers a wide range of corporate banking services. They include:

- Project Finance.
- Working Capital Finance.
- Syndications & Structured finance.
- Trade finance.
- Equity finance.
- Social and Environmental Infrastructure finance.
- Customer electronic-banking projects.

2.9.4 Internet Banking:

DBBL allows customer to do seamless internet banking. This allows you to review account, statements, paying bills as well as making some transactions. Because of local banking regulations, DBBL is not allowed to provide some types of transactions even though it is fully capable.

2.9.5 Mobile-Banking:

Mobile Banking is a Banking process without bank branch which provides financial services to unbanked communities efficiently and at a affordable cost. To provide banking and financial services, such as cash-in, cash-out, merchant payment, utility payment, salary disbursement, foreign remittance, government allowance disbursement, ATM money withdrawal through mobile technology devices, i.e. Mobile Phone, is called Mobile Banking. DBBL has around 47,223 mobile-banking agents all over the country.



29.6 Letter Of Credit (LC):

Areas of operation-

- Import Finance.
- Export Finance.
- Foreign Remittance.
- Treasury.
- Accounts Services.

29.7 Debit/Credit Cards:

Dutch-Bangla Bank Limited provides the debit and credit card facility to their customer.

They include:

- DBBL Nexus Classic.
- DBBL Nexus Silver.
- DBBL Nexus Gold.
- DBBL Nexus Maestro.
- DBBL Nexus Visa Electron.
- DBBL Nexus Master Card DEBIT.
- DBBL Virtual Card
- Visa Gold Local.
- Visa Gold Multi Currency.
- Visa Classic Local.
- Visa Classic Multi Currency.
- MasterCard Gold Local.
- MasterCard Gold Multi Currency.
- MasterCard Classic Local.



2.10 Product Range of DBBL:

The product list of Dutch-Bangla Bank Limited is stated below:

Card Products:	<p>DBBL Nexus Classic. DBBL Nexus Silver. DBBL Nexus Gold. DBBL Nexus Maestro. DBBL Nexus Visa Electron. DBBL Nexus Master Card DEBIT. DBBL Virtual Card Visa Gold Local. Visa Gold Multi Currency. Visa Classic Local. Visa Classic Multi Currency. MasterCard Gold Local. MasterCard Gold Multi Currency. MasterCard Classic Local.</p>
IT Products:	<p>Truly Online Banking Wide range of ATM & POS Internet Banking SMS & Alert Banking Mobile-Banking</p>
Retail Banking Products:	<p>Clean Credit Lines: (No cash security, No personal guarantee.) DBBL Life Line: From the basket of life line, DBBL is offering a complete series of credit facilities for</p>



Retail Banking Products:

individual service holders, professionals, and self-employed person.

Health Line:

Hospitalization or other emergency medical needs; To purchase body fitness equipments.

Education Line:

For Higher education purpose.

Tuition fees.

Professionals Line:

Purchase of Professional equipments;

For Office renovation/decoration.

Marriage Line:

To meet marriage expenses for himself/herself

Marriages in the family.

Travel Line:

For Honeymoon trip, abroad or in the country

For Family trip, abroad or in the country.

Festival Line:

To enjoy festive period.

Gift for the family / in laws / relatives.

Dreams Come True Line:

To purchase TV, Fridge, Furniture, Home Theatre, Motor Cycle, AC etc.

To decorate/renovate own Home/Car.

Care Line:

Loan for fulfillment of parents need/dream.

To purchase economy car for the family (i.e.

To purchase low cost second hand car).





	<p>General Line: Any other legitimate purposes which do not Fall under the above specific lines.</p>
<p>Secured Credit Lines: (flexible facility with minimum security)</p>	<p>Auto Line: To purchase a new / re-conditioned car Refinancing of availed car.</p> <p>Home Line: To purchase a flat Refinancing of owned house property. Home renovation. Extension / construction of building.</p> <p>Full Secured Lines : Loans for family expenses Any other valid purposes.</p>
<p>DBBL Future Line:</p>	<p>Secured / Clean OD Lines: (flexible OD lines in Debit Card) OD facility against security. OD facility against salary. DBBL Deposit Plus Scheme (DPS). DBBL Periodic Benefit Scheme (PBS). DBBL Bochore Dergun Scheme (BDS). DBBL Children Education Savings Scheme (CHESS). DBBL Pension Plus (PP).</p>



2.10.1 Banking Products:

Deposit

- Savings Deposit Account
- Current Deposit Account
- Short Term Deposit Account
- Resident Foreign Currency Deposit
- Foreign Currency Deposit
- Convertible Taka Account
- Non-Convertible Taka Account
- Exporter's FC Deposit (FBPAR)
- Current Deposit Account-Bank
- Short Term Deposit Account-Bank

Term Deposit

- MONTHLY TERM DEPOSIT
- TERM DEPOSIT 3 MONTHS
- TERM DEPOSIT 6 MONTHS
- TERM DEPOSIT 12 MONTHS
- TERM DEPOSIT 12 MONTHS
- TERM DEPOSIT 24 MONTHS
- TERM DEPOSIT 24 MONTHS 1 Year PAYOUT
- TERM DEPOSIT 36 MONTHS
- TERM DEPOSIT 36 MONTHS 6 Months PAYOUT
- TERM DEPOSIT 36 MONTHS 1 Year PAYOUT
- TERM DEPOSIT ABOVE 36 MONTHS
- MONTHLY TERM DEPOSIT BANKS
- TERM DEPOSIT 3 MONTHS BANKS
- TERM DEPOSIT 6 MONTHS BANKS
- TERM DEPOSIT 12 MONTHS BANKS
- 1 MONTH TD NFCD
- MONTHS TD NFCD
- 6 MONTHS TD NFCD





Loan & Advances

- Loan angst. Trust Receipt
- Transport Loan
- Real Estate Loan (Res. & Comm.)
- Loan Angst. Accepted Bill
- Industrial Term Loan
- Agricultural Term Loan
- Lease Finance
- Other Term Loan
- FMO Local currency Loan for SME
- FMO Foreign currency Loan
- Cash Credit (Hypothecation)
- Small Shop Financing Scheme
- Overdraft

2.11 Major Units of the Bank:

- Board Secretariat.
- Office of the Managing Director.
- Office of the Additional Managing Director.
- Office of the Deputy Managing Director (Operation).
- Office of the Deputy Managing Director (Administration).
- Accounts Division.
- Credit Division.
- Card Division.
- Credit Administration Division.
- Credit Monitoring & Recovery Division.
- Corporate Banking Division.





- General Services Division.
- Human Resources Division.
- Information Technology Division.
- International Division (Treasury Back Office).
- Internal Control and Compliance Division.
- International Division (Front Office).
- Medical Consultant.
- Retail & SME Division.
- Training Wing.

2.12 Corporate Culture:

Dutch-Bangla Bank Limited (DBBL) is one of the most disciplined banks with a distinctive corporate culture. In this bank, it believes in shared meaning, shared understanding and shared sense making. The people of bank can see and understand events, activities, objects and situation in a distinctive way. They mould their manners and etiquette, character individually to suit the purpose of the Bank and the needs of the customers who are of paramount importance to them. The people in the Bank see themselves as a tight knit team/family that believes in working together for growth. The corporate culture they belong has not been imposed: it has rather been achieved through their corporate culture.



2.13 Management Hierarchy:



Chairman
Director
Managing Director
Additional Managing Director
Deputy Managing Director
Senior Executive Vice President
Executive Vice President
Senior Vice President
First Vice President
Vice President
Senior Assistant Vice President
First Assistant Vice President
Assistant Vice President
Senior Executive Officer
Executive Officer
Senior Officer
Officer
Assistant Officer
Trainee Officer
Assistant Relationship Officer



2.14 Board of Directors:

The Board is comprised of directors having diverse skills, experience and expertise to add value towards better corporate governance of the bank and maximizing value for all stakeholders. The Board discharges its responsibilities itself or through various committees. The Board meets on regular basis to discharge its responsibilities.

The Board is made up of nine directors including a non-executive chairman and three non-executive directors representing shareholders, two independent directors, two directors from depositors and one executive managing director as follow:

Table 2.1: List of Board of Directors.

Sl. No.	Name of the Directors	Designation
01	Mr. Abedur Rashid Khan	Chairman
02	Mr. Sayem Ahmed	Director
03	Mrs. Frey-Tang Yuen Mei, Barbara (Nominated by M/s. Ecotrim Hong Kong Limited)	Director
04	Mr. Md. Fakhru Islam	Director
05	Dr. Irshad Kamal Khan	Independent Director
06	Dr. Syed Fakhru Ameen	Director from the Depositors
07	Mr. Chowdhury M. Ashraf Hossain	Director from the Depositors
08	Mr. Md. Yeasin Ali	Independent Director
09	Mr. K. Shamshi Tabrez	Managing Director, Director(Ex-officio)



2.15 Strategic Plan of DBBL:

As part of its strategic plan, DBBL continued to invest heavily to improve and expand IT network, ATM services, and Fast Track and card services, mobile banking services along with branch network, business promotion and activities related to social cause. Though expenses on such investments in 2012 apparently reduced expected profit growth, however, these will substantially improve our capacity to deliver customer services with a wide range of products and services that can be matched with the best in the industry by strengthening IT platform, expanding distribution channels and communication networks, and improving productivity. DBBL's strategic objective is to have a clear competitive advantage over its competitors to provide the full range of banking services via multiple delivery channels through state-of-the-art-technology at the lowest cost.

2.16 Brand Positioning of DBBL:

Throughout its operation for last 17 years, DBBL has established itself as a different Bank from others. It has differentiated itself as a leader in technology by reaching the latest banking services to its customers through largest ATM network in the country at free or affordable cost. DBBL has created an unprecedented example by providing this unique service at subsidized cost not only to its own customers but also to customers of many other banks. Fast Track was introduced in 2010 to expand the ATM services. Fast Track includes deposit kiosk supported by an officer from the Bank to facilitate deposit in accounts by our valued customers that is in addition to multiple ATM's housed in a Fast Track. The Fast Track network was further expanded in 2012.

DBBL has also established itself as a Bank that cares for the society. All the business activities of DBBL are done in full conformity with social, ethical and environmental standards. DBBL is the pioneer in social cause programs in the country. It has been intensifying its resources and efforts on a continuous basis to reach the distressed &





needy people of the society to bring smile on their face and to improve their health and educational standard and overall quality of life.

DBBL is continuing a massive and expanded scholarship program introduced in 2011 which will provide yearly scholarships worth Taka 1,020 million to 30,000 students studying in HSC and graduation levels.

2.17 Performance of DBBL:

From the very beginning of its journey, DBBL is growing immensely. The Dutch-Bangla Bank Limited is probably the most successful private sector commercial bank in our country. Though it started its operation 17 years back, it has achieved the trust of the general people and made reasonable contribution to the economy of the country by helping people investing allowing credit facility. Its capital base is as solid as its profit is high. The following table will give a clear idea about the strength of DBBL and its continuous growth.

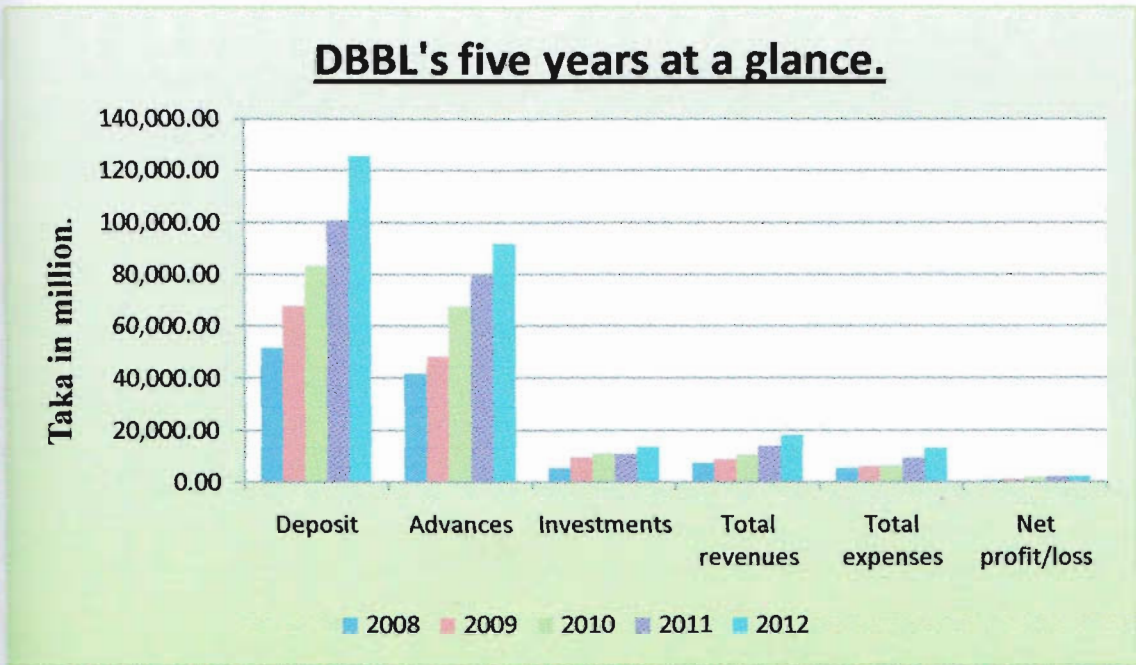
Table 2.2: DBBL's five years at a glance.

(Taka in Million)

Particulars/Year	2008	2009	2010	2011	2012
Deposit	51,575.7	67,788.5	83,244.8	100,711.0	125,433.1
Advances	41,698.3	48,411.0	67,657.7	79,660.7	91,648.9
Investments	5,322.3	9,685.9	11,001.6	10,897.7	13,428.6
Total revenues	7,275.8	8,914.3	10,610.0	14,114.6	18,213.1
Total expenses	5,339.9	6,218.6	6,409.0	9,334.8	13,007.5
Net profit/loss	821.7	1,137.7	2,002.3	2,154.9	2,314.1



Figure 2.1: DBBL's five years at a glance.



Chapter-3

Financial Analysis of DBBL



Chapter-3 Financial Analysis of DBBL

Dutch-Bangla Bank Limited has been able to achieve satisfactory progress in all areas of its operation during 2012 and earned an operating profit of Taka 5,205.6 million which is 1.9% higher than that of the preceding year.

3.1 Deposits:

The first primary function of the bank is to accept deposits of money from the customers or saver group. DBBL offers all types of deposit services to its customer available in today's bank in Bangladesh. The interest rate is different for the different types of deposits. Dutch-Bangla Bank Limited is now offering 10 depository products for mobilizing the savings of the general people. Dutch-Bangla Bank Limited serves following deposit services:

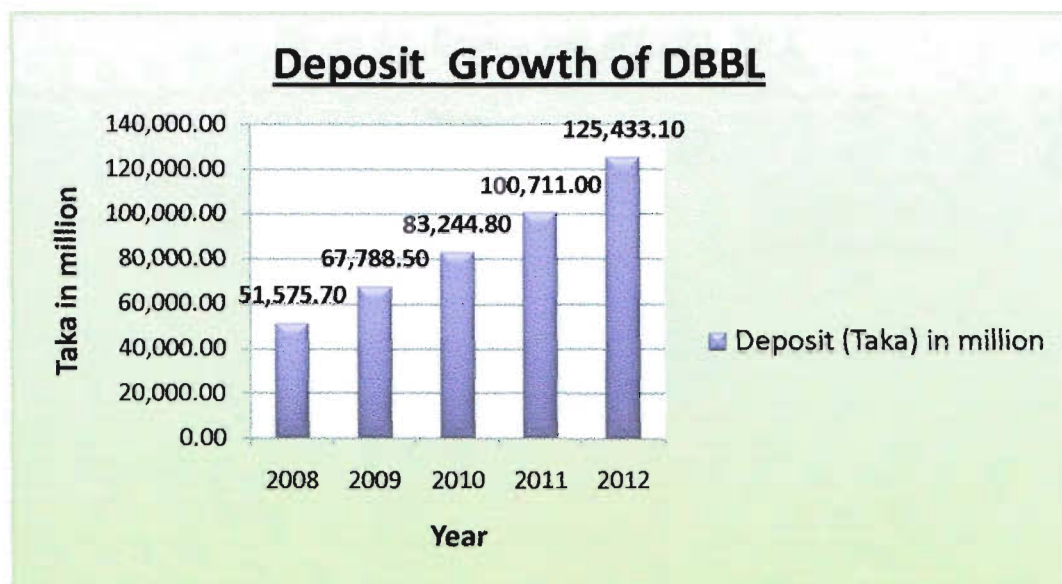
- Savings Deposit Account.
- Current Deposit Account.
- Short Term Deposit Account.
- Resident Foreign Currency Deposit.
- Foreign Currency Deposit.
- Convertible Taka Account.
- Non-Convertible Taka Account.
- Exporter's FC Deposit (FBPAR).
- Current Deposit Account-Bank.
- Short Term Deposit Account-Bank.



Table 3.1: Deposit growth of DBBL.

Year	Deposit (Taka) in million	Growth (%)
2008	51,575.70	-
2009	67,788.50	31.4%
2010	83,244.80	22.8%
2011	100,711.00	21.0%
2012	125,433.10	24.5%

Figure 3.1: Deposit growth of DBBL.



The deposits grew by Taka 24,722.1 million in 2012 from Taka 100,711.0 million to Taka 125,433.1 million showing a growth of 24.5%. The growth was supported by expansion of distribution network; by opening 15 new branches, opening 426 new ATM units and 82 Fast Tracks at different rural and urban locations throughout the country. This growth in deposit was also supported by mobile deposit accounts of mobile banking services of the Bank for which mobile banking services were expanded covering 368 upazillas to the country to mobilize small deposits.

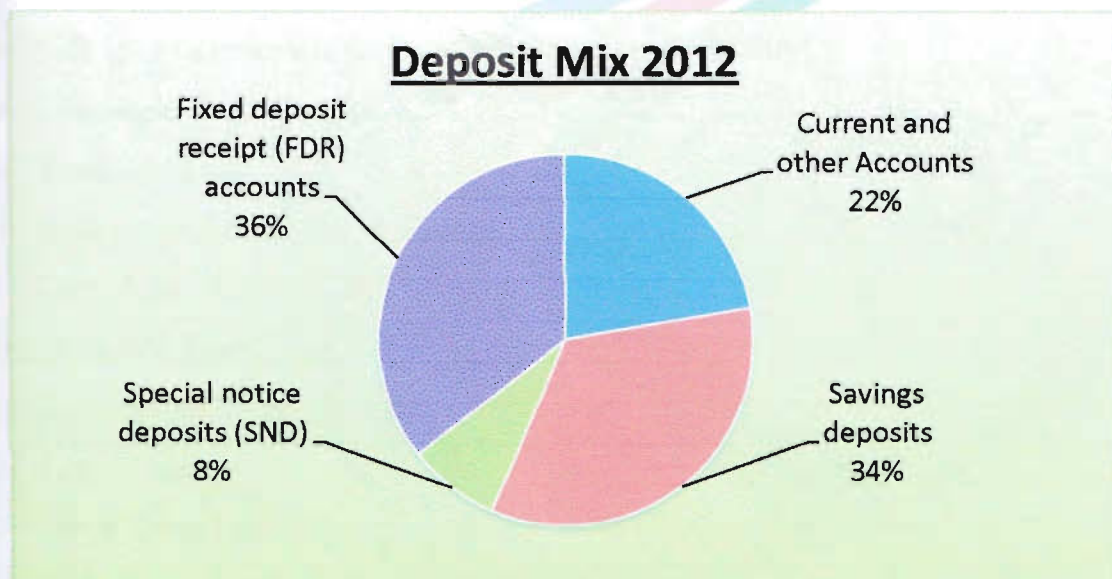


3.1.1 Deposit Mix 2012:

Table 3.2: Deposit mix of DBBL-2012.

Particulars	Outstanding amount -2012	Deposit mix (%)
Current and other Accounts	27,989.20	22.3%
Savings deposits	42,877.20	34.2%
Special notice deposits (SND)	10,020.40	8.0%
Fixed deposit receipt (FDR) accounts	44,546.40	35.5%
Total	125,433.10	100.0%

Figure 3.2: Deposit mix of DBBL-2012.



DBBL's deposit mix marginally deteriorated in 2012 because of competitive market condition particularly in first half of 2012. Online banking with expanded ATM network and tailor made customer services helped increase confidence of customers in DBBL. As a result, number of savings and current accounts as well as amount of deposits increased substantially in 2012. The savings deposits of the Bank increased by Taka 5,373.6 million to Taka 42,877.2 million from Taka 37,503.6 million of the preceding year. The share of





High cost fixed deposits increased to 36% of total deposits in 2012 from 33.0% of the preceding year.

3.2 Credits:

The Bank followed its own credit policy within guidelines emanating from Bangladesh Bank in respect of loanable funds. The bank continues to explore and diversify the area of financing in addition to traditional financing of domestic and international trade. Dutch-Bangla Bank Limited is now offering 14 credits products to suit your needs. Dutch-Bangla Bank Limited serves following credit services:

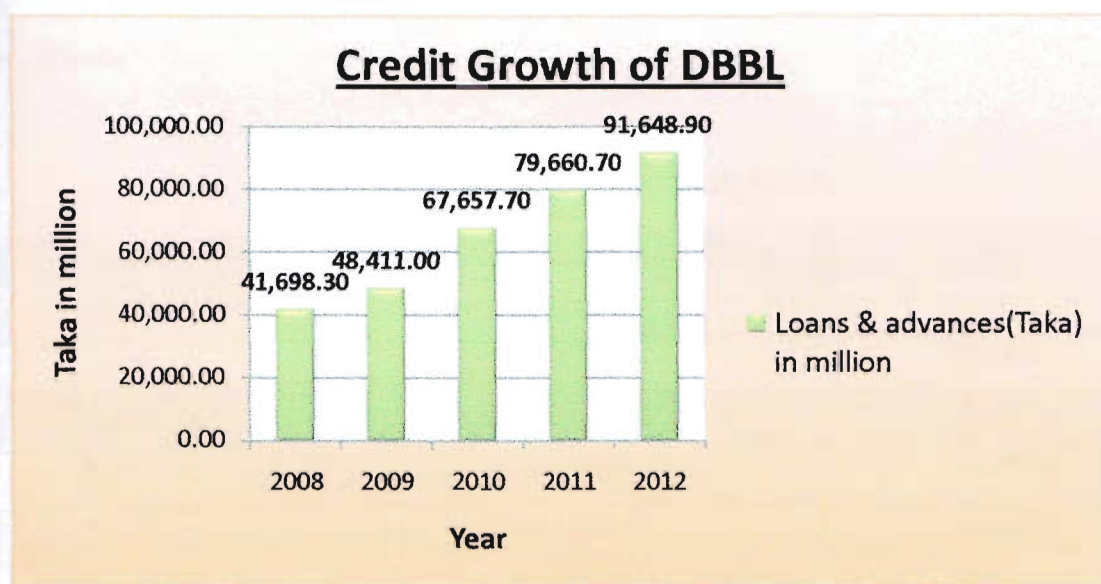
- Life Line (a complete series of personnel credit facility).
- Loan agst. Trust Receipt.
- Transport Loan.
- Real Estate Loan (Res. & Comm.).
- Loan Agst. Accepted Bill.
- Industrial Term Loan.
- Agricultural Term Loan.
- Lease Finance.
- Other Term Loan.
- FMO Local currency Loan for SME.
- FMO Foreign currency Loan.
- Cash Credit (Hypothecation).
- Small Shop Financing Scheme.
- Overdraft.



Table 3.3: Credit growth of DBBL.

Year	Loans & advances(Taka) in million	Growth (%)
2008	41,698.30	-
2009	48,411.00	16.1%
2010	67,657.70	39.8%
2011	79,660.70	17.7%
2012	91,648.90	15.0%

Figure 3.3: Credit Growth of DBBL.



Loans and advances of the Bank stood at Taka 91,648.9 million at the end of 2012, a growth of 15.0% over Taka 79,660.7 million in 2011. The Bank continued to diversify its portfolio in 2012 to have a diversified client base and portfolio distributed across the sectors to reduce client specific and industry specific concentration and to reduce overall portfolio risk. At the end of 2012, DBBL's total outstanding loans to SME stood at Taka 22,648.6 million compared to Taka 19,815.7 million of 2011.



3.3 Investment:

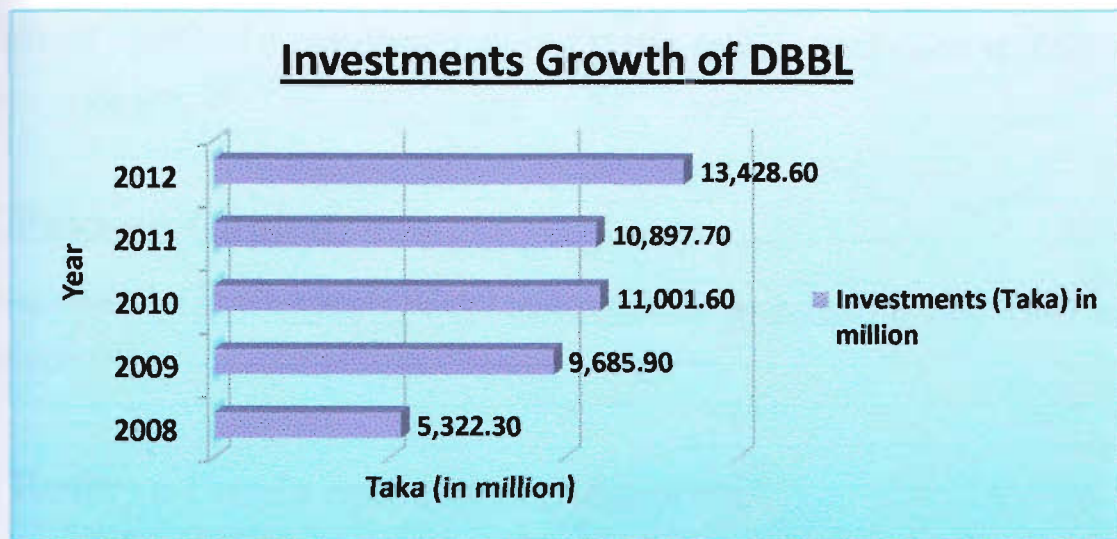
Bank is the largest mobilize of surplus domestic savings. For poverty alleviation, we need self employment, for self-employment we need investment and for investment we need savings. In the other words, savings help capital formations and the capital formations help investments in the country. The investment in its turn helps industrialization leading towards creation of wealth of the country. And the wealth finally takes the country on road to progress and prosperity. As such, savings is considered the very basis of prosperity of the country. The more the growth of savings, the more will be the prosperity of the nation.

Table 3.4: Investments growth of DBBL.

Year	Investments (Taka) in million	Growth (%)
2008	5,322.30	-
2009	9,685.90	82.0%
2010	11,001.60	13.6%
2011	10,897.70	-0.9%
2012	13,428.60	23.2%



Figure 3.4: Investments growth of DBBL.



The Bank's investments was increased to Taka 13,428.6 million at the end of 2012 compared to Taka 10,897.7 million at the year-end 2011. The investments mainly included Government securities for Taka 12,164.3 million (90.6% of total investments) maintained mainly to cover SLR requirement. In addition, investments were planned in a way to provide sufficient liquidity and flexibility in treasury operations and to boost the income from investments as well as total profitability of the Bank.

Treasury team of the Bank was very much watchful and active to manage market risk & uncertainty and to ensure maximum return from investments in security, bonds, term deposits and overnight lending, in a market that was suffered from liquidity crises upto third quarter of 2012, surplus foreign exchange reserve and falling exchange rate (Taka appreciated against US Dollar) and adverse business conditions. The Bank was able to maintain adequate cash reserve requirement (CRR) and statutory liquidity ratio (SLR) successfully throughout the year.



3.4 Authorized Capital:

Authorized capital of Dutch-Bangla Bank Limited remains unchanged at Taka 4,000 million in the year 2012.

3.5 Paid-up Capital:

Paid-up capital of Dutch-Bangla Bank Limited remains unchanged at Taka 2,000 million in the year 2012.

3.6 Reserve Funds and Other Reserves:

The reserve fund increased to Taka 5,765.3 million in 2012 from Taka 4,737 million in 2011, a growth of 21.7%, which is quit significant compared to the position of the previous year.

3.7 Foreign Exchange Business:

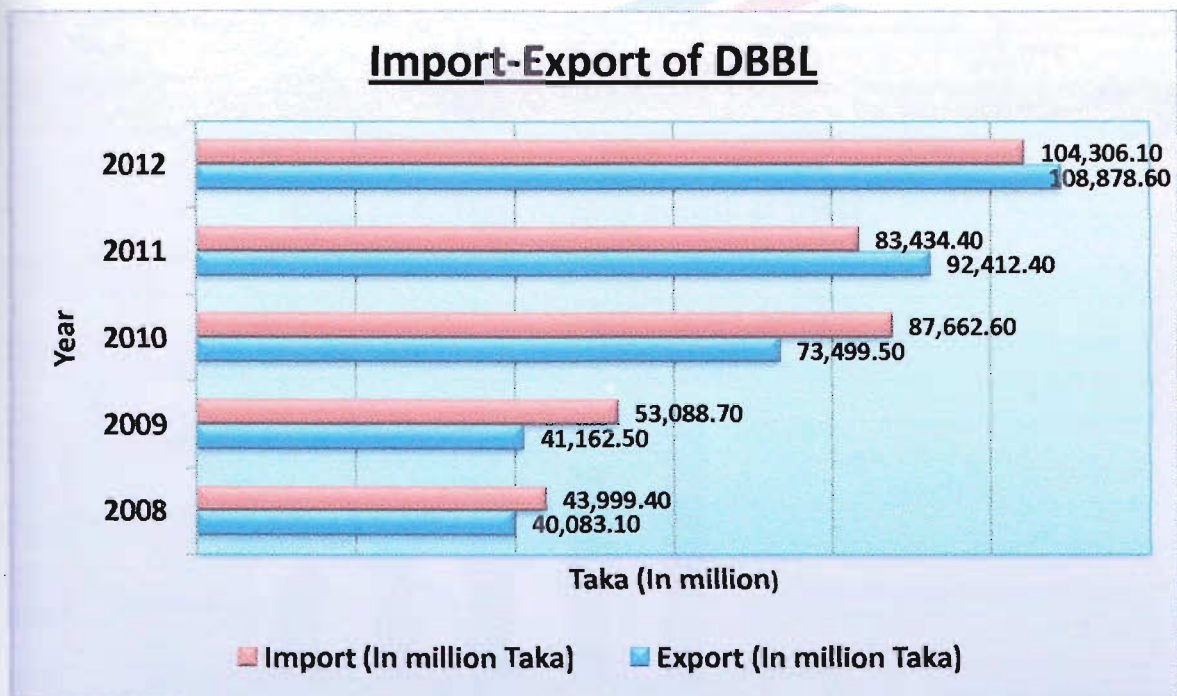
Foreign Trade Operation of the bank made significant role in the overall business development of the bank. During 2012, export business of DBBL stood at Taka 108,878.6 million against Taka 92,412.4 million registering a growth of 17.8% while import trade stood at Taka 104,306.1 million against Taka 83,434.4 million registering a growth of 25%. The summary of Import-Export for the last five years is given below:



Table 3.5: Import-Export growth of DBBL.

Year	Export (In million Taka)	Import (In million Taka)	Growth-Export (%)	Growth-Import (%)
2008	40,083.10	43,999.40	-	-
2009	41,162.50	53,088.70	2.7%	20.7%
2010	73,499.50	87,662.60	78.6%	65.1%
2011	92,412.40	83,434.40	25.7%	-4.8%
2012	108,878.60	104,306.10	17.8%	25.0%

Figure 3.5: Import-Export growth of DBBL.





3.8 Total Revenue:

Dutch-Bangla Bank Limited has been able to achieve satisfactory progress in all areas of its operation during 2012 and the revenue grew by Taka 4,098.50 million in 2012 from Taka 14,114.60 million to Taka 18,213.1 million showing a growth of 29%.

Table 3.6: Total revenue growth of DBBL.

Year	Total Revenue (Taka) in million	Growth (%)
2008	7,275.80	-
2009	8,914.30	22.5%
2010	10,610.00	19.0%
2011	14,114.60	33.0%
2012	18,213.10	29.0%

Figure 3.6: Total revenue growth of DBBL.





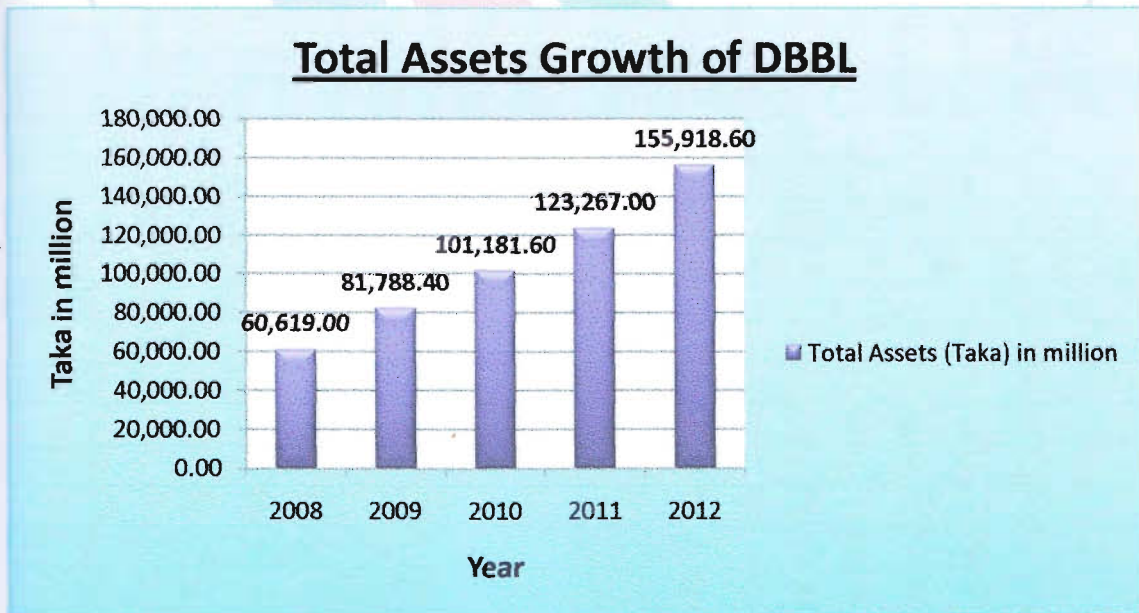
3.9 Total Assets:

Total assets of the Bank as at 31 December 2012 stood at Taka 155,918.6 million compared to Taka 123,267.0 million of 2011 registering a growth by Taka 32,651.5 million or 26.5%. Loans and advances is the largest component of assets followed by investments.

Table 3.7: Total assets growth of DBBL.

Year	Total Assets (Taka) in million	Growth (%)
2008	60,619.00	-
2009	81,788.40	34.9%
2010	101,181.60	23.7%
2011	123,267.00	21.8%
2012	155,918.60	26.5%

Figure 3.7: Total assets growth of DBBL.





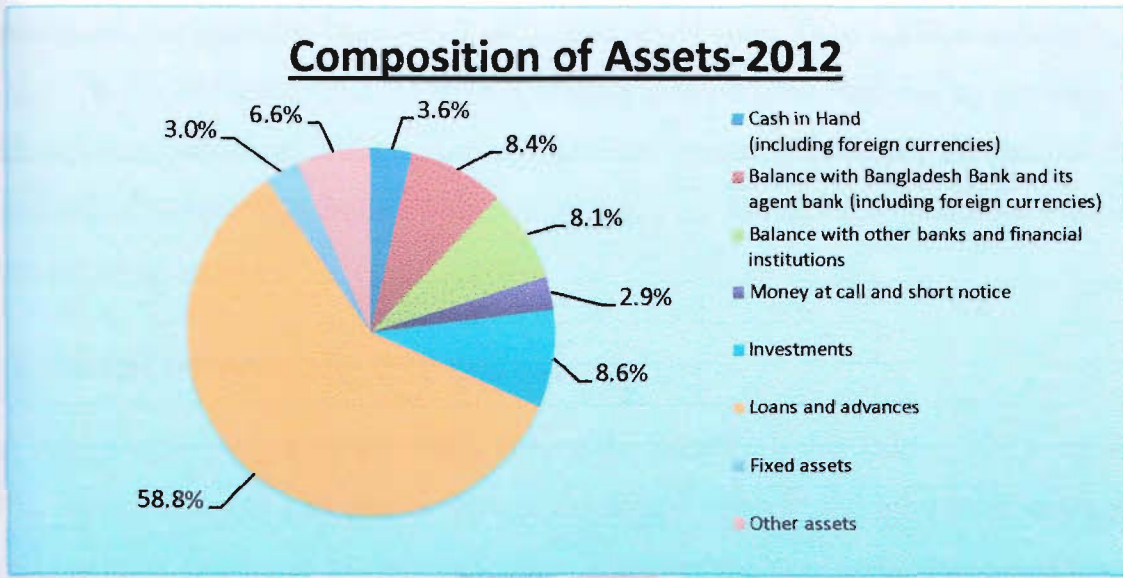
3.9.1 Assets Mix 2012:

Assets Mix of DBBL consists of eight (8) assets element. Loan and advances is the largest component of assets holding 58.8% of total assets, followed by investment.

Table 3.8: Assets Mix of DBBL.

Particulars	Assets Balance (Taka)-2012	Composition of Assets-2012 (%)
Cash in Hand (including foreign currencies)	5,644.40	3.6%
Balance with Bangladesh Bank and its agent bank (including foreign currencies)	13,154.00	8.4%
Balance with other banks and financial institutions	12,554.70	8.1%
Money at call and short notice	4,470.00	2.9%
Investments	13,428.60	8.6%
Loans and advances	91,648.90	58.8%
Fixed assets	4,676.70	3.0%
Other assets	10,341.20	6.6%
Total	155,918.60	100%

Figure 3.8: Composition of assets of DBBL.



3.10 Net Interest Income:

During the year 2012, the net interest income of the Bank rose by Taka 2,045.1 million or 41.2% to Taka 7,005.1 million from Taka 4,960.0 million of the previous year. Net interest income increased mainly due to higher loan portfolio, higher yield on loans and advances and higher yield on money market placements. Cost of fund including operating cost increased to 10.9% in 2012 from 9.9% in 2011, while yield on loans and advances rose to 14.3% in 2012 from 13.0% in 2011 mainly due to sustained higher interest rate prevailing in the market. The share of net interest income to the total income of the Bank increased to 62.0% in 2012 compared to 54.6% of the previous year.

3.11 Non-Interest Income:

The non-interest income consists of the commission, exchange and other operating income of the Bank. Total non-interest income of DBBL decreased by Taka 53.9 million or 1.8% in 2012 over the previous year. Commission and exchange income decreased by Taka 482.6 million or 28.7% during the year 2012 mainly due to revaluation loss of



foreign exchange for appreciation of Bangladesh Taka against US dollar. While other operating income grew by Taka 428.7 million (33.5%) from Taka 1,278.6 million in 2011 to Taka 1,707.3 million in 2012. Other operating income increased due to growing value added services provided through multiple delivery channels powered by state-of-the-art IT network of the Bank including branch network, Fast Track, ATM and newly expanded mobile banking services.

3.12 Total operating expenses:

Total operating expenses of the Bank during the year grew by Taka 1,777.4 million or 41.2%. Higher operating expenses were necessary to support the long term strategy and overall business and profit growth of the Bank during the year 2012. Increased expenses were required to support capacity building and expansion of distribution network and multiple delivery channels. 15 new branches were opened in 2012. 426 ATM units and 42 new Fast Tracks were installed in 2012, while mobile banking services was spread to 368 Upazillas of all 64 districts across the country. Recruitment of new personnel, installing new core banking software, maintenance and upgradation of IT network including ATM and Fast Track, expansion of Mobile Banking Operations and increasing of branch network are attributable to higher operating expenses.

3.13 Total Operating Profit:

The profit earned from a firm's normal core business operations. This value does not include any profit earned from the firm's investments (such as earnings from firms in which the company has partial interest) and the effects of interest and taxes. It's also known as "earnings before interest and tax" (EBIT) or "operating income". Total operating profit of the Bank as at 31 December 2012 stood at Taka 5,205.6 million compared to Taka 4,779.9 million of 2011 registering a growth by Taka 425.7 million or 8.9%. The growth of Banks' operating profit in the last 3 years was 13.8%, 55.7% &



39.2% consequently. It proves that DBBL is on the line of continuous profit growth, which reflects its operating efficiency.

Table 3.9: Total operating profit growth.

Year	Total Operating Profit (Taka) in million	Growth (%)
2008	1,935.90	-
2009	2,695.70	39.2%
2010	4,198.50	55.7%
2011	4,779.90	13.8%
2012	5,205.60	8.9%

Figure 3.9: Total operating profit growth.





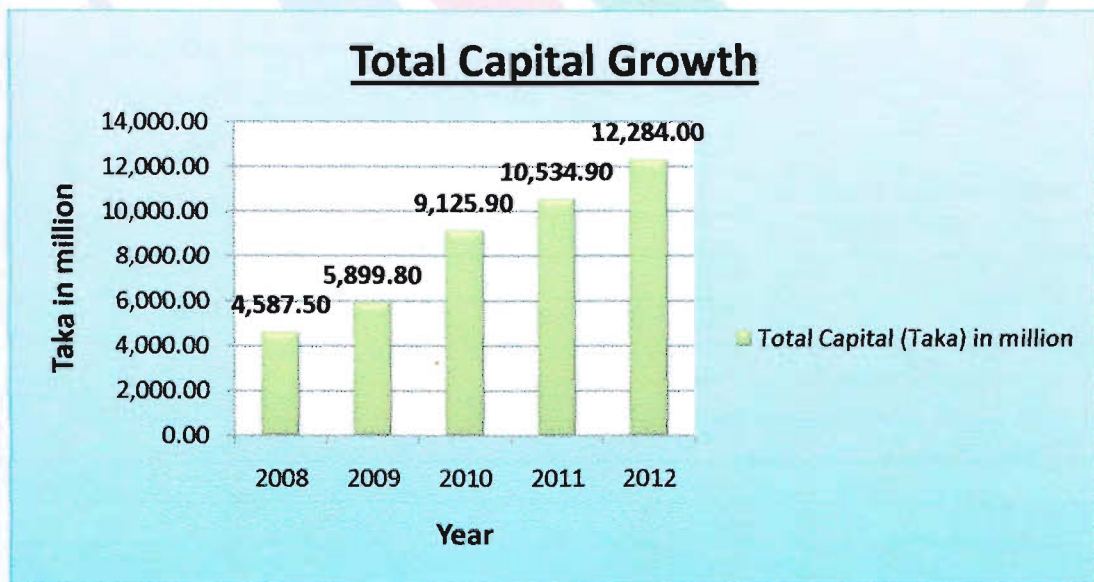
3.14 Total Capital:

The measure of a bank's qualifying capital in the calculation of its risk based capital reserves. The calculation for total capital is Tier 1 equity capital, consisting of common and qualifying preferred stocks, plus Tier 2 capital, made up of subordinated debt, loan losses and preferred stock not counted in Tier 1 capital. Total capital of the Bank as at 31 December 2012 stood at Taka 12,284.0 million compared to Taka 10,534.9 million of 2011 registering a growth by Taka 1,749.1 million or 16.6%.

Table 3.10: Total capital growth.

Year	Total Capital (Taka) in million	Growth (%)
2008	4,587.50	-
2009	5,899.80	28.6%
2010	9,125.90	54.7%
2011	10,534.90	15.4%
2012	12,284.00	16.6%

Figure 3.10: Total capital growth.





3.15 Total Shareholder's Fund:

As at 31 December 2012, DBBL's shareholders' equity increased to Taka 10,854.5 million from Taka 8,939.6 million of 2011 registering an increased by Taka 1,914.9 million (21.4%). The increase resulted from Taka 2,314.1 million after tax profit.

Table 3.11: Total shareholder's fund growth.

Year	Total Shareholder's Fund (Taka) in million	Growth (%)
2008	2,911.20	-
2009	4,048.90	39.1%
2010	7,001.00	72.9%
2011	8,939.60	27.7%
2012	10,854.50	21.4%

Figure 3.11: Total shareholder's fund growth.





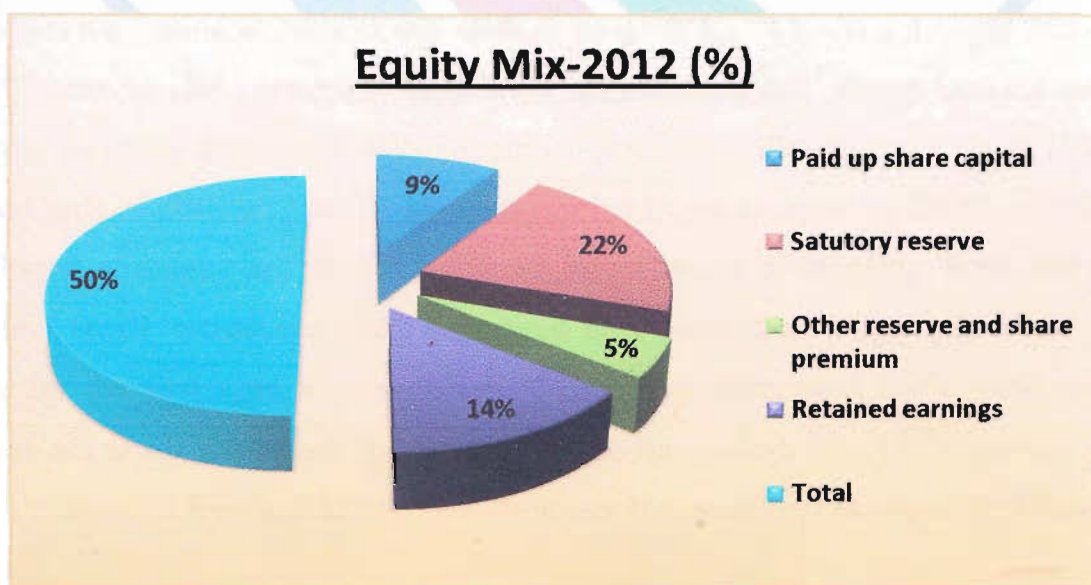
3.15.1 Equity Mix 2012:

As per Bangladesh Bank regulation, paid up share capital and statutory reserve should be at least Taka 4,000.0 million of which paid up share capital should be minimum Taka 2,000.0 million. Against this, the paid up share capital of the Bank stood at Taka 2,000.0 million at the end of 2012. The statutory reserve increased to Taka 4,621.0 million at the end of 2012 from Taka 3,657.7 million of 2011. The paid up share capital and the statutory reserve together stood at Taka 6,621.0 million as at 31 December 2012.

Table 3.12: Equity Mix-2012.

Particulars	Shareholders' Equity (Taka)-2012	Equity Mix-2012 (%)
Paid up share capital	2,000.00	18.4%
Statutory reserve	4,621.00	42.6%
Other reserve and share premium	1,144.30	10.5%
Retained earnings	3,089.20	28.5%
Total	10,854.50	100.0%

Figure 3.12: Equity Mix-2012.





3.16 Automation and Information Technology in Banking:

DBBL has been using world famous Core Banking Solution, Flexcube Retail (FCR) and Flexcube Corporate (FCC) from the house of Oracle Corporation since 2004. Again, DBBL now has a customer base of more than 2.7 million. Over 2,300 units of ATMs are spread across the country. Thousands of transactions are being performed in various delivery channels everyday. 15 new branches were opened in 2012. 426 ATM units and 12 new Fast Tracks were installed in 2012, while mobile banking services was spread to 368 Upazillas of all 64 districts across the country. DBBL's Mobile Banking has brought a great revolution among the people of the country. Approximately 370 mobile banking offices are working now across the country. The Bank has introduced Cardless Cash withdrawal from ATM for the first time in Bangladesh. Wirth the help of this, our Mobile Banking account holders are able to withdraw money from ATM using their mobile phone.

Further, DBBL's state-of-the-art IT platform and online banking system provides the largest ATM network, Fast Track and PSO services of the country through which customers are getting any-where and anytime banking for 24 hours a day and 365 days a year. IT network also provides SMS banking, alert banking and internet banking services. DBBL's propriety debit cards are in operation since 2004. International Cards (VISA & MasterCard) of different local & international banks are accepted at DBBL's ATMs for withdrawal of money and at POS terminals for payments of shopping, hotel and dining bills etc. DBBL introduced EMV supported chip-based MasterCard and VISA Credit Cards for the first time in Bangladesh. DBBL also introduced EMV debit cards of MasterCard and VISA brands for the first time in Bangladesh. The EMV features shields DBBL customers from any kind of frauds as per the guidelines provided by MasterCard & VISA.

Chapter-4

Comparative Analysis of DBBL



Chapter-4 Comparative Analysis of DBBL

Financial performance of any financial organization evaluates about the actual financial performance of the bank. The performance can be evaluated by comparing the performance with the other banks. The year wise performance reveals that how well the banks are doing through the years.

However, comparative analysis reveals that how well the bank is doing in comparison with other banks. Through comparative analysis performance of any bank in the market can be measured. For this purpose the performance of DBBL was compared with three leading bank of the country like: AB Bank Limited, The City Bank Limited, and IFIC Bank Limited.

Financial performance of a bank includes the performance of deposit, advance, investment, import, export, total assets, and total operating profit. A brief discussion on those topics have been included and compared with that of other leading banks of the country.

4.1 Comparative Deposit Growth:

The existence of a bank mainly depends on its resources. One of the major resources is the deposit. Deposit is the main source of cash flow in the bank. Shortfall of deposit can be harmful for the bank and can result in liquidation. With the orbit of time and generation deposit becomes due to immense competition, changes in people's saving motive, changes in government policy and due to some other socio-economic factors. As deposit mobilization being harder, bank's need to attract the depositors with new scheme and services. It is the main source from where a bank finances to others. A healthy deposit is a very good sign of progress for any bank.





In comparative deposit growth analysis, the Bank growth compared with other banks growth. Other banks may include banks of the country like AB Bank Limited, The City Bank Limited, and IFIC Bank Limited. The deposit growth is compared with the growth of the three banks to evaluate the performance in terms of deposit scheme.

Table 4.1: Comparative deposit growth.

(Taka in million)

Banks	2008	2009	2010	2011	2012
DBBL	51,575.70	67,788.50	83,244.80	100,711.00	125,433.10
AB Bank	68,560	83,087	95,702	116,152	140,026
City Bank	45,034	62,384	67,420	83,818	94,099
IFIC Bank	36,092	50,018	54,660	73,106	92,433

The above table shows the growth of the deposit of the banks. The table does not show the percentage, it is in “Taka in million”. It will not give us the clear picture. By going through the table it will be seen that, only the performance of AB Bank is better than Dutch-Bangla Bank Limited. Other than that, the performance of DBBL is better enough than that of City Bank & IFIC Bank.



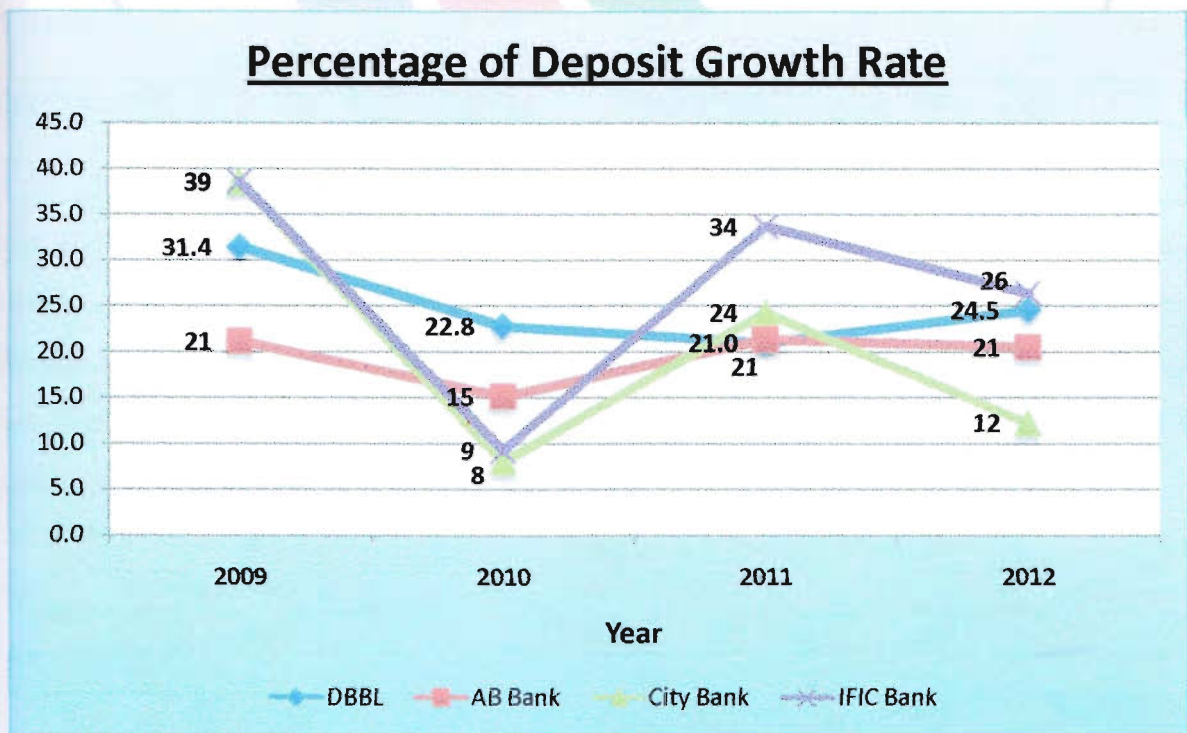
Table 4.2: Percentage of comparative deposit growth rate.

(Percentage)

Banks	2009	2010	2011	2012
DBBL	31.4	22.8	21.0	24.5
AB Bank	21	15	21	21
City Bank	39	8	24	12
IFIC Bank	39	9	34	26

From the table we can say that the performance of DBBL, with the other comparative banks, in percentage the performance is satisfactory, as the rate of the growth is consistent. IFIC Banks' growth is better than DBBL in some extent, but its growth is not consistent. There is a slow down in the year 2010 & 2011, but DBBLs' growth rate is much more consistent than other banks. Here is given the graph for the above table.

Figure 4.1: Percentage of deposit growth rate.





4.2 Comparative Investment Growth:

Banks invest in profitable venture from their deposit. This earning from investment helps in various ways to increase profitability of the bank. DBBL is a profitable organization, with investment in various sectors. The trend of investment shows that the investment has been profitable till now. The investment portfolio consists of all interest bearing securities such as Govt. treasury bonds, National treasury bonds, other approved bonds, debentures, Bangladesh Bank bills, Equity shares of different enlisted companies etc. are generally preferred for the banks' investment of funds.

Table 4.3: Comparative investment growth.

(Taka in million)

Banks	2008	2009	2010	2011	2012
DBBL	5,322.30	9,685.90	11,001.60	10,897.70	13,428.60
AB Bank	11,396	16,369	14,563	21,556	26,115
City Bank	9,074	10,586	12,474	16,131	20,991
IFIC Bank	5,230	9,083	8,835	12,199	15,671

From the above table we can say that, DBBL is not in a good position in terms of numeric value as its growth is not consistent. There is a slow down in 2011 in investment, although they have covered it in 2012. By going through the table it will be seen that, the investment growth of DBBL is poor compare to other banks. So, it can be said that the Bank needs to do the improvement in this sector.



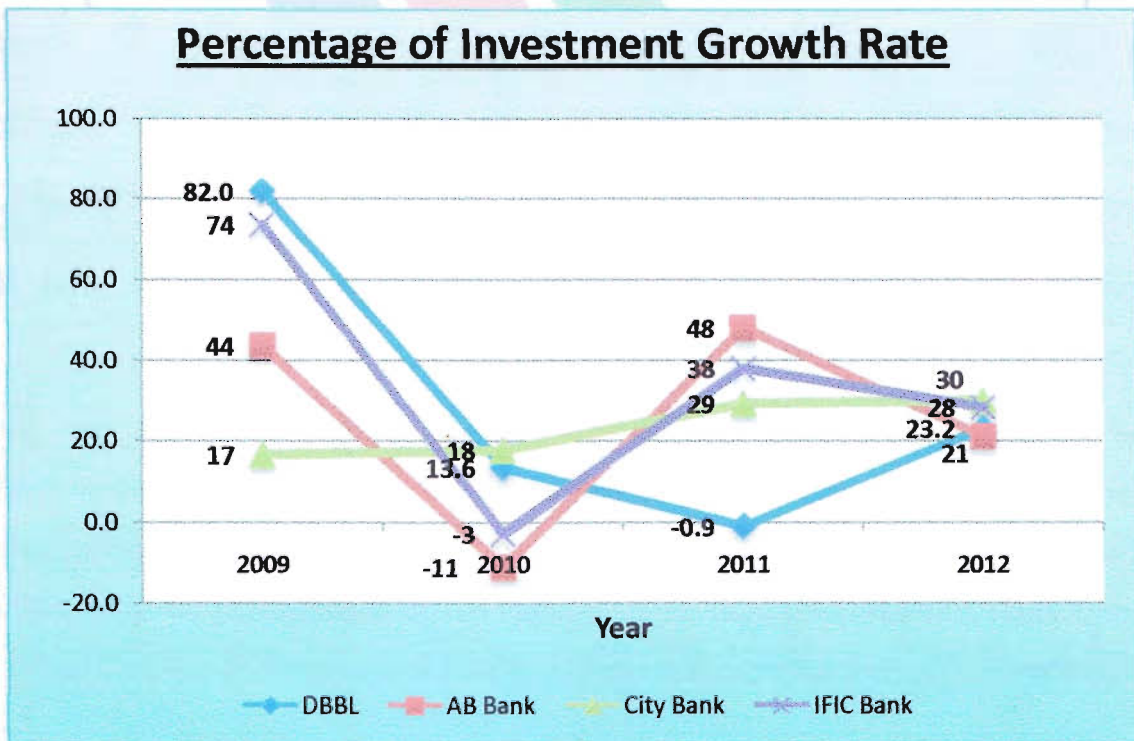
Table 4.4: Comparative investment growth rate.

(Percentage)

Banks	2009	2010	2011	2012
DBBL	82.0	13.6	-0.9	23.2
AB Bank	44	-11	48	21
City Bank	17	18	29	30
IFIC Bank	74	-3	38	28

The table above is the shadow of the last table. But the change is the above table is in percentage. DBBLs' growth is inconsistent compare to the other banks. Again, the rate is not so good as the other banks. So, it can be said that the Bank needs to do the improvement in this sector. The following graph will illustrate the whole picture.

Figure 4.2: Percentage of investment growth rate.





4.3 Comparative Advance Growth:

To run the operation and earn profit, every commercial bank advances and invests their deposited money in various profitable ventures. The effective and profitable policies concerning advancing and investment is needed unceasingly. Without proper mobilization for deposit under the shadow of advanced and investment, no bank exists.

The bank followed its own credit policy within guideline emanation from Bangladesh Bank. In respect of its loan-able funds in addition traditional financing of industrial and commercial activities, the bank introduced consumer credit scheme for rapid growth of customer base, which aims to help the fixed income groups in raising their standards of living.

Table 4.5: Comparative advanced growth.

(Taka in million)

Banks	2008	2009	2010	2011	2012
DBBL	41,698.30	48,411.00	67,657.70	79,660.70	91,648.90
AB Bank	56,709	70,880	88,002	94,638	106,066
City Bank	34,421	43,486	60,327	76,807	83,333
IFIC Bank	33,018	37,794	47,563	64,541	77,160

As we have seen in comparative deposit growth table that AB bank is in the better position in collecting deposit, it is normal that they will also be in better position in circulating credit in different sector of Bangladesh. By going through the table it will be seen that, only the performance of AB Bank is better than Dutch-Bangla Bank Limited. Other than that, the performance of DBBL is better enough than that of City Bank & IFIC Bank.



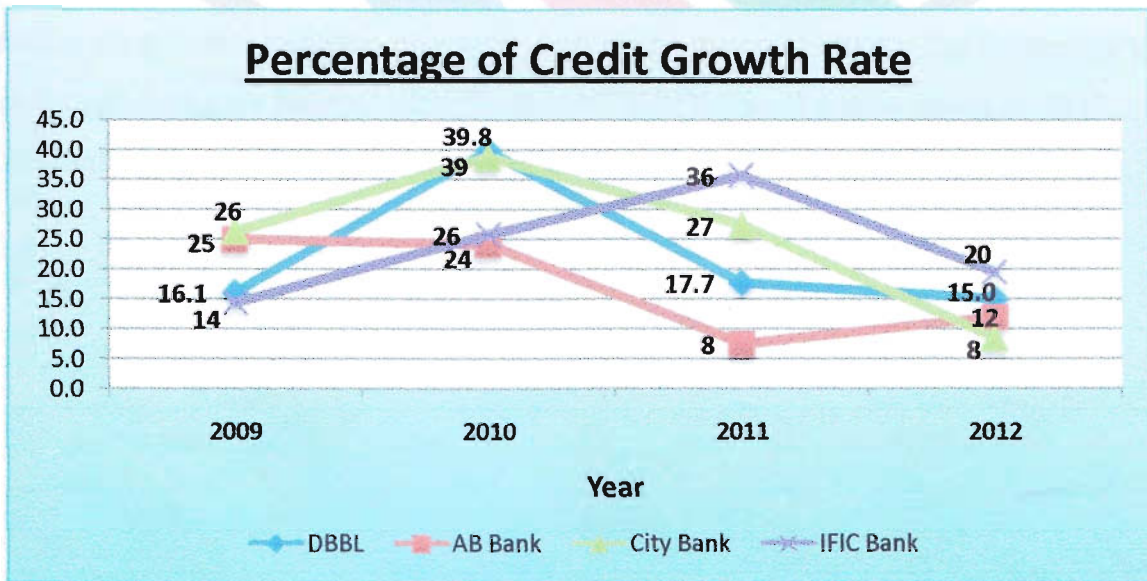
Table 4.6: Comparative advance growth rate.

(Percentage)

Banks	2009	2010	2011	2012
DBBL	16.1	39.8	17.7	15.0
AB Bank	25	24	8	12
City Bank	26	39	27	8
IFIC Bank	14	26	36	20

By going through the table it will be seen that, in terms of percentage of the growth the position of DBBL is quit satisfactory. Only IFIC Bank is consistent enough and holding better position that that of Dutch-Bangla Bank Limited. Through the last 3 years all the banks growth is slowing down in some extent. DBBLs' advance growth was slowed down in 2011 and it can't recover it even in 2012. But DBBLs' advance growth is consistent & well enough compare to AB Bank and City Bank. By observing the graph it will be easily understandable that the growth in term of percent is quit satisfactory for the Dutch-Bangla Bank Limited.

Figure 4.3: Percentage of advance growth rate.





4.4 Comparative Import Growth:

Foreign trade plays a vital role for overall business of the bank. For smooth functioning of foreign trade business a large network of foreign correspondents have already been established. During 2012, the Bank handles total foreign exchange in import sector of business Taka 104,306.10 million. But there was a dramatic slow down in 2011 which affects on the growth rate.

Table 4.7: Comparative import growth.

(Taka in million)

Banks	2008	2009	2010	2011	2012
DBBL	43,999.40	53,088.70	87,662.60	83,434.40	104,306.10
AB Bank	70,041	65,956	90,751	79,463	100,373
City Bank	30,894	28,718	38,155	43,474	58,420
IFIC Bank	50,337	43,717	62,467	71,517	80,710

The table above is on the import function of the bank. The table shows the total amount in million taka. It will not give the clear view of the current picture. The following table in percentage will give the real view. Although, DBBL faced a slow down in 2011, even it holds better position among the banks in 2011 in terms of numerical value.



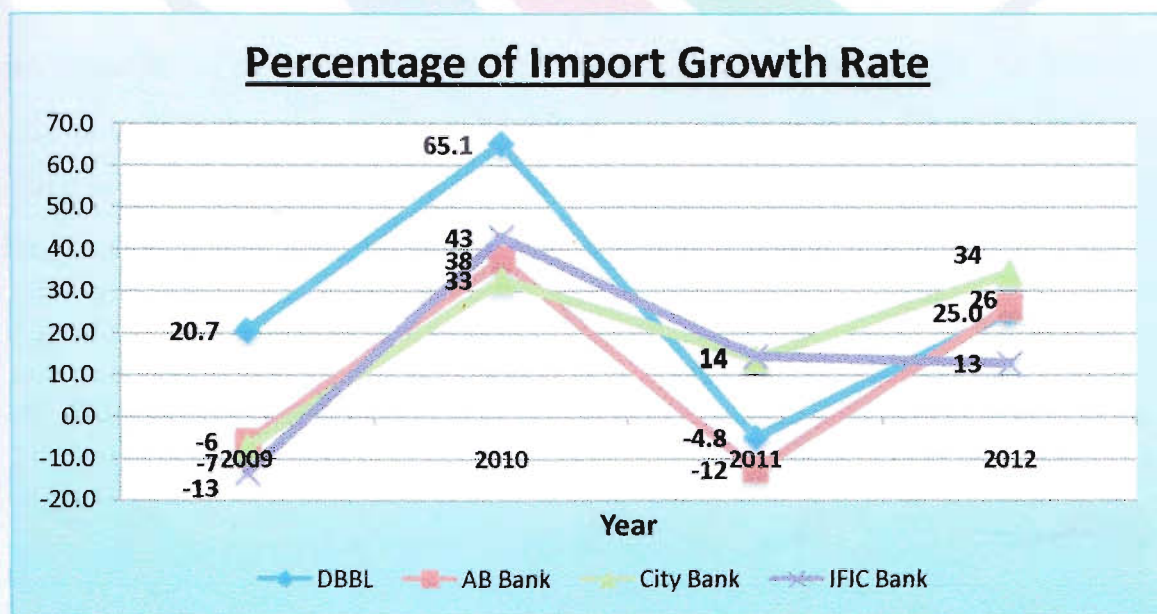
Table 4.8: Comparative growth rate of import.

(Percentage)

Banks	2009	2010	2011	2012
DBBL	20.7	65.1	-4.8	25.0
AB Bank	-6	38	-12	26
City Bank	-7	33	14	34
IFIC Bank	-13	43	14	13

From the table we can say that it is easily visible that the performance of DBBL with the other private bank is not satisfactory. The table also informed us that the initial stage was the golden age of DBBL. DBBL was more consistent and in well position in the early years. But the growth of introduction couldn't hold in the present years. There was a dramatic slowdown in 2011. Although DBBL has recovered the slow down by 2012, other banks done much better than DBBL. City Bank is most consistent in their growth rate.

Figure 4.4: Percentage of import growth rate.





4.5 Comparative Export Growth:

Export is another source of earning in case of banks. Though our country follows an open market economy policy but still the export factor plays an important role. The main export market is the garment. There is also some important sector of export growing very rapidly. They are mainly leather, fresh vegetable, software, fisheries items etc. From the following table we can see the export earnings of DBBL.

Table 4.9: Comparative export growth.

(Taka in million)

Banks	2008	2009	2010	2011	2012
DBBL	40,083.10	41,162.50	73,499.50	92,412.40	108,878.60
AB Bank	28,937	30,640	41,686	57,592	65,782
City Bank	14,766	13,815	18,646	22,033	13,800
IFIC Bank	66,557	54,244	55,981	83,846	84,147

From the table we can say that the performance of DBBL is satisfactory. As from 2008 to 2012, there is a constant increase in the export. Dutch-Bangla Bank limited's export earning is much better than that of other banks in the industry in terms of numerical value. The percentage rate of DBBL is also same as the numeric condition.





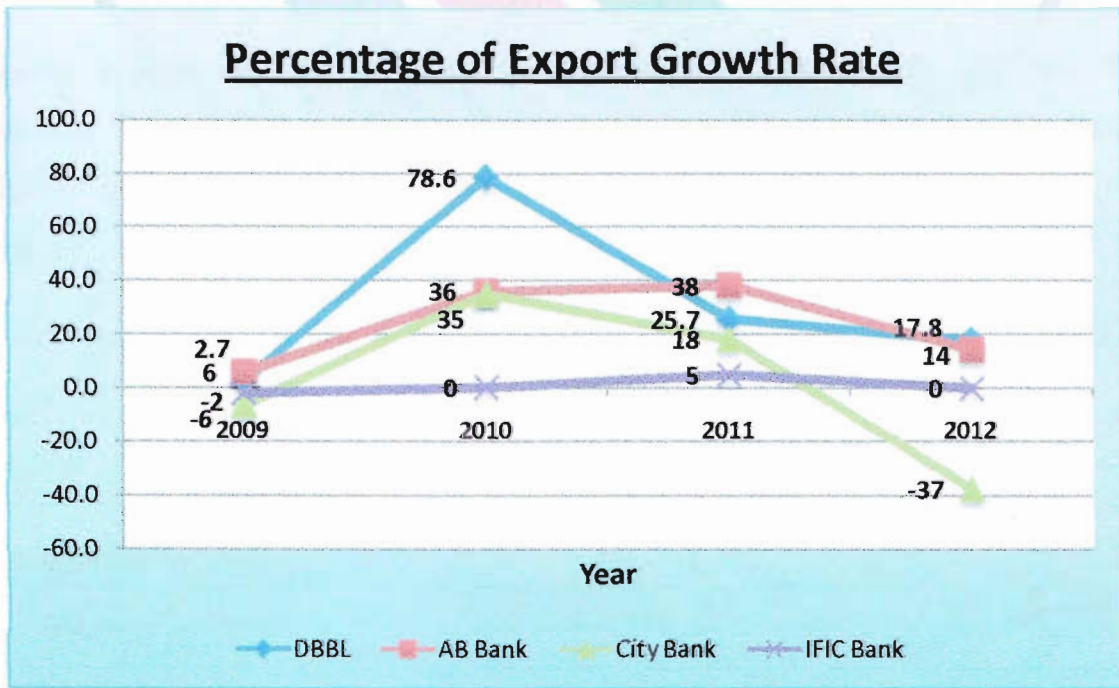
Table 4.10: Comparative growth rate of export.

(Percentage)

Banks	2009	2010	2011	2012
DBBL	2.7	78.6	25.7	17.8
AB Bank	6	36	38	14
City Bank	-6	35	18	-37
IFIC Bank	-2	0	5	0

The chart states the real picture of the export condition of the selected banks. By going through the table we will be seen that DBBL export condition is much better than that of other banks. DBBLs' export growth is consistent & well enough. In last 2 years growth rate is quit slowed down, but it is sufficient enough in compare to the other banks of the industry.

Figure 4.5: Percentage of export growth rate.





4.6 Comparative Assets Growth:

The composition of all commercial banks shows the concentration of loans and advances in total assets. The high concentration of loans and advances indicates vulnerability of assets to credit risk, especially since the portion of non-performing assets is significant.

Table 4.11: Comparative assets growth.

(Taka in million)

Banks	2008	2009	2010	2011	2012
DBBL	60,619.00	81,788.40	101,181.60	123,267.00	155,918.60
AB Bank	84,054	106,912	132,691	152,963	173,842
City Bank	57,115	76,467	90,898	115,736	130,186
IFIC Bank	45,737	62,901.86	70,840.26	91,541	113,995

By going through the table we will be seen that, the asset growth of DBBL is not satisfactory. It is consistent enough but compare to other banks its performance is poor. In case of numerical value AB Banks' asset growth is better among the banks in the industry.





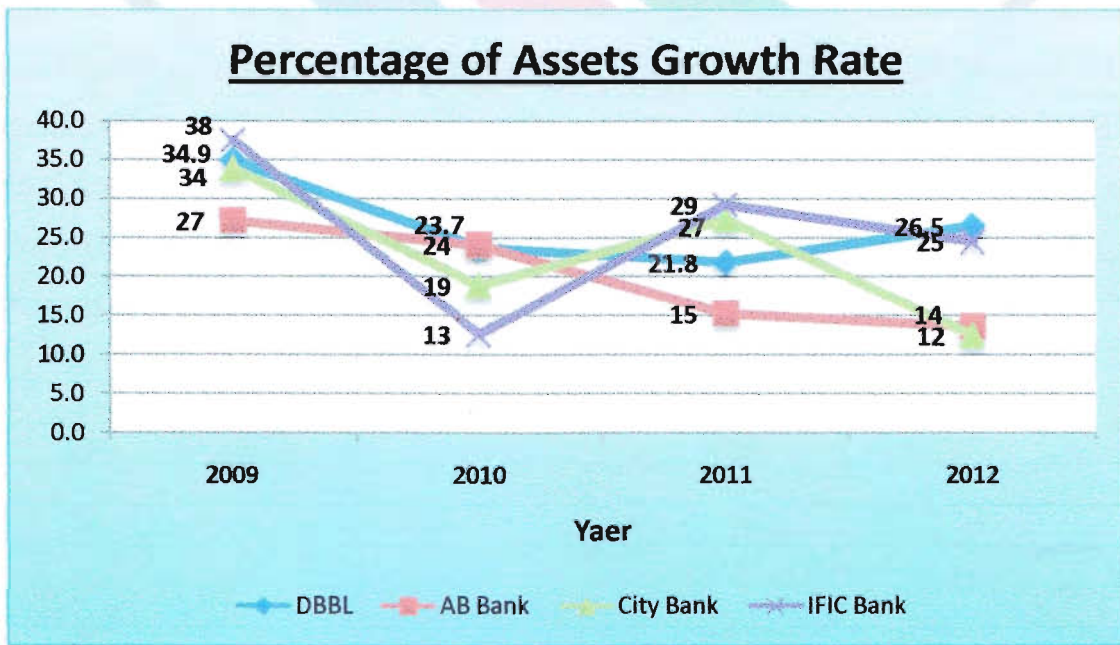
Table 4.12: Comparative asset growth rate.

(Percentage)

Banks	2009	2010	2011	2012
DBBL	34.9	23.7	21.8	26.5
AB Bank	27	24	15	14
City Bank	34	19	27	12
IFIC Bank	38	13	29	25

It has to be said that in terms of percentage of growth the position of the bank is good enough compare to other banks. All the banks asset growth rate has declined gradually except Dutch-Bangla Bank Limited. DBBLs’ assets growth rate is consistent enough & increased consistently as well as satisfactory compare to the other banks of the industry. By observing the graph it will be easily understandable that the growth in term of percent is satisfactory for the DBBL.

Figure 4.6: Percentage of assets growth rate.





4.7 Comparative Operating Profit Growth:⁷

Strong earnings and profitability profile of a bank reflect its ability to support present and future operations. More specifically, this determines the capacity to absorb losses by building an adequate capital base, finance its expansion and pay adequate dividends to its shareholders.

Table 4.13: Comparative operating profit growth.

(Taka in million)

Banks	2008	2009	2010	2011	2012
DBBL	1,935.90	2,695.70	4,198.50	4,779.90	5,205.60
AB Bank	6,153	8,269	10,898	7,743	8,435
City Bank	1,755	2,256	4,100	4,196	4,567
IFIC Bank	3,179	1,959.52	3,844.09	5,589	6,354

From the table we can say that, DBBLs' operating growth is not satisfactory compare to the other banks although they hold the continuous growth in their operating profit. The percentage rate of DBBL is also same as the numeric condition. It proves that DBBL has to bring more efficiency in their operations for improvement. In case of numeric value, AB Bank is in better position. But the following table and graph will not give the same picture as it is in percentage of growth.



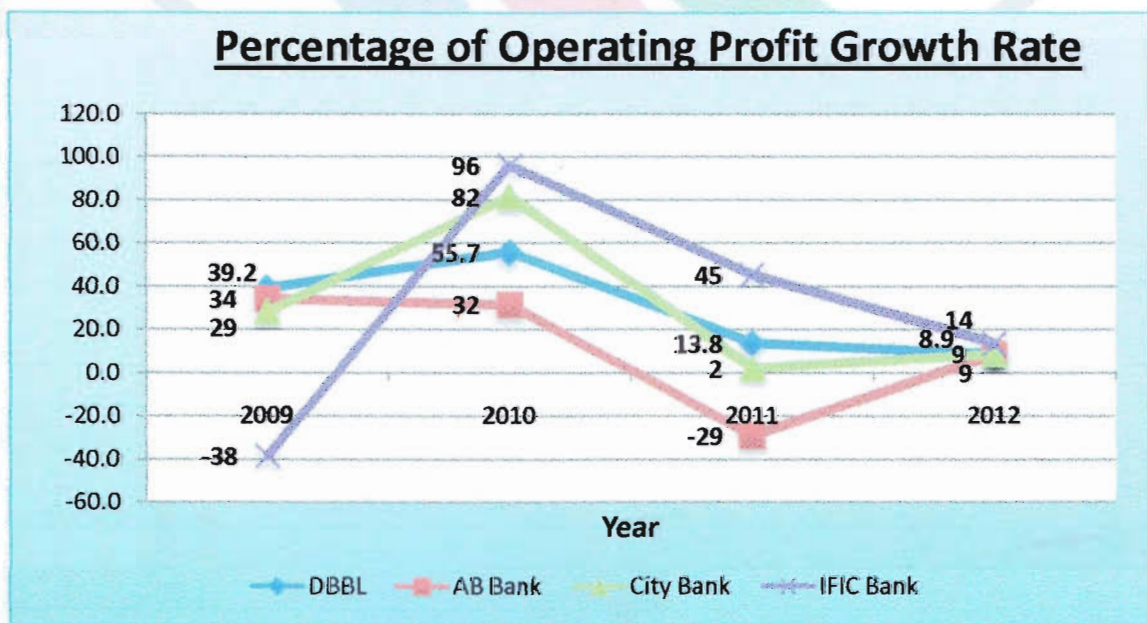
Table 4.14: Comparative operating profit growth rate.

(Percentage)

Banks	2009	2010	2011	2012
DBBL	39.2	55.7	13.8	8.9
AB Bank	34	32	-29	9
City Bank	29	82	2	9
IFIC Bank	-38	96	45	14

It has to be said that in terms of percentage of the growth the position of the Bank is not as good as the other banks. Although DBBL has no negative growth rate but still it is not in a better position compare to other banks. But it is so much consistent compare to other banks. Although, in last 3 years DBBLs' operating profit growth rate is consistently slowing down. By observing the graph it will be easily understandable that the growth in term of percent is not satisfactory for the DBBL.

Figure 4.7: Percentage of operating profit growth rate.



Chapter-5

***Performance Evaluation of
DBBL***



Chapter-5 Performance Evaluation of DBBL

Ratio analysis involves methods of calculating and interpreting financial ratios to assess the firms' performance. Ratio analysis of a firm financial statement is of interest to shareholders, creditors and firms' own management. Ratio analysis is the starting point in developing the information desired by the analyst. Ratio analysis provides only a single snapshot, the analysis being for one given point or period in time. In ratio analysis it is possible to compare the company ratio with a standard one.

Using multiple criteria to measure the performance of Dutch-Bangla Bank Limited has devoted considerable analysis. I have tried to analyze the data that is collected from the annual report (2008-2012). Here the financial performance is evaluated by measuring the Return on Equity (ROE), Return on Assets (ROA), Return on Investment (ROI), Net Interest Margin, Net Non-Interest Margin, Earnings per Share (EPS), Debt Equity Ratio, Loan Deposit Ratio, Price Earnings (P/E) Ratio, Capital Adequacy Ratio, and Gross Profit Ratio. However I have selected the base year 2012 and over the year the performance is identified with the comparison between the data and information that I have collected.

5.1 Return on Equity (ROE):

The return on equity measures the amount of net income returned as a percentage of shareholders equity. Return on equity measures a corporations' profitability by revealing how much profit a company generates with the money shareholders have invested. Shareholders equity does not include preferred shares. Generally, the higher the return, the better it is for the owners.



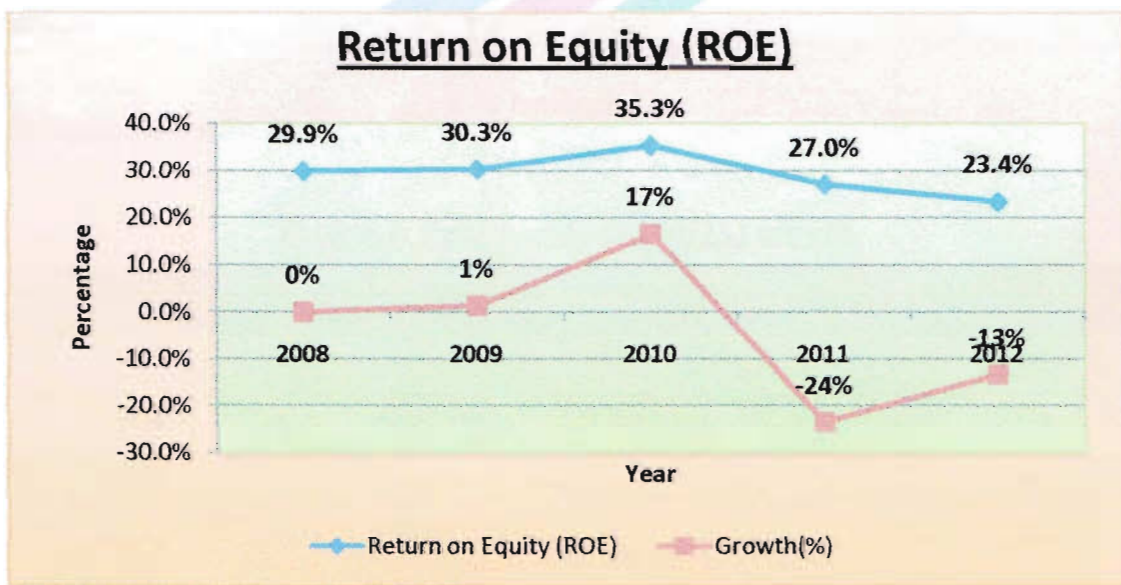


ROE is expressed as percentage and calculated as=_____

Table 5.1: Return on equity (ROE) growth.

Year	Return on Equity (ROE)	Growth (%)
2008	29.9%	-
2009	30.3%	1%
2010	35.3%	17%
2011	27.0%	-24%
2012	23.4%	-13%

Figure 5.1: Return on equity trend analysis.



Here from the data we can simply say that DBBL is not performing well as their ROE has decreased from 29.9% to 23.4% from the given period of time (2008-2012). It is because of negative growth rate in the last two years. Shareholders and stakeholders are always sensitive to this information. So this might be seen as red signals by the investors. The low ROE meaning that the company is not efficient enough in producing revenue & also



management is making faulty decisions such as acquiring non-complimentary business with no competitive advantage or else. So, DBBL should perform well in terms of ROE.

5.2 Return on Assets (ROA):

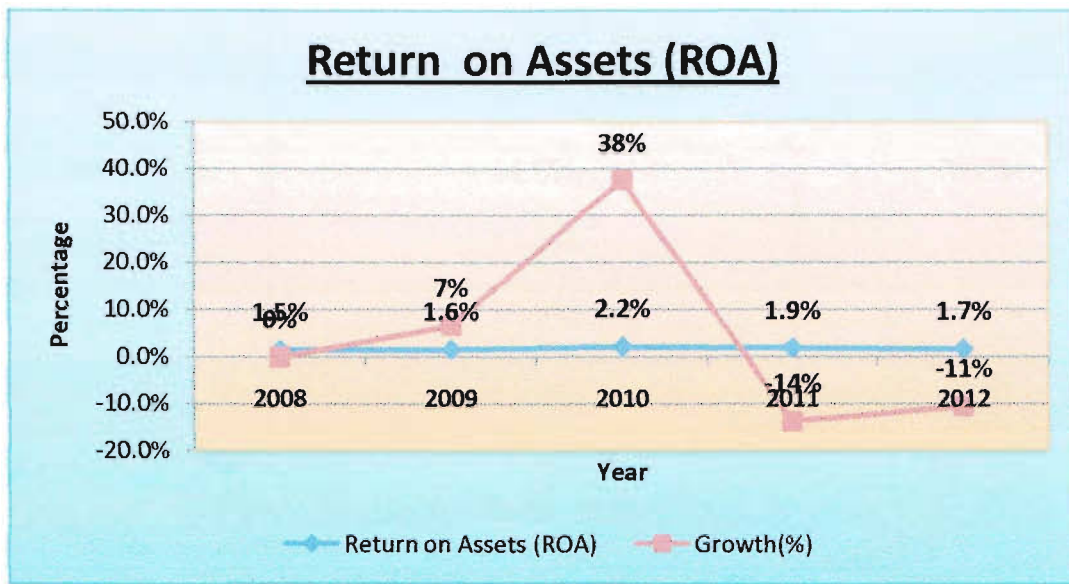
Return on assets (ROA) measures the managements' ability and efficiency in using the firms' assets to generate (operating) profits and it also reports the total return accruing to all providers of capital (debt and equity). Higher the ratio is better for investors of the company which means the company earns more return. And a low ROA can result from low turnover, indicating poor asset management, low profit margin or a combination of both factors. ROA is calculated by dividing companies' annual earnings by its total assets, ROA is displayed as percentage. Sometimes this is referred to as "Return on Investment".

The formula for return on assets is
$$\frac{\text{Net Income}}{\text{Total Assets}}$$

Table 5.2: Return on assets (ROA) growth.

Year	Return on Assets (ROA)	Growth (%)
2008	1.5%	-
2009	1.6%	7%
2010	2.2%	38%
2011	1.9%	-14%
2012	1.7%	-11%

Figure 5.2: Return on assets trend analysis:



In ROA of DBBL, it is analyzed that ratio is almost equal in every year that the bank is in constant level. In 2010, it was much better than of 2012. So, there are scopes of improvement.

5.3 Return on Investment (ROI):

A performance measure used to evaluate the efficiency of an investment or to compare the efficiency of a number of different investments. A high ROI means the investment gains compare favorably to investment cost. As a performance measure, ROI is used to evaluate the efficiency of an investment or to compare the efficiency of a number of different investments. To calculate ROI, the benefit (return) of an investment is divided by the cost of the investment; the result is expressed as a percentage or a ratio.

The return on investment formula:

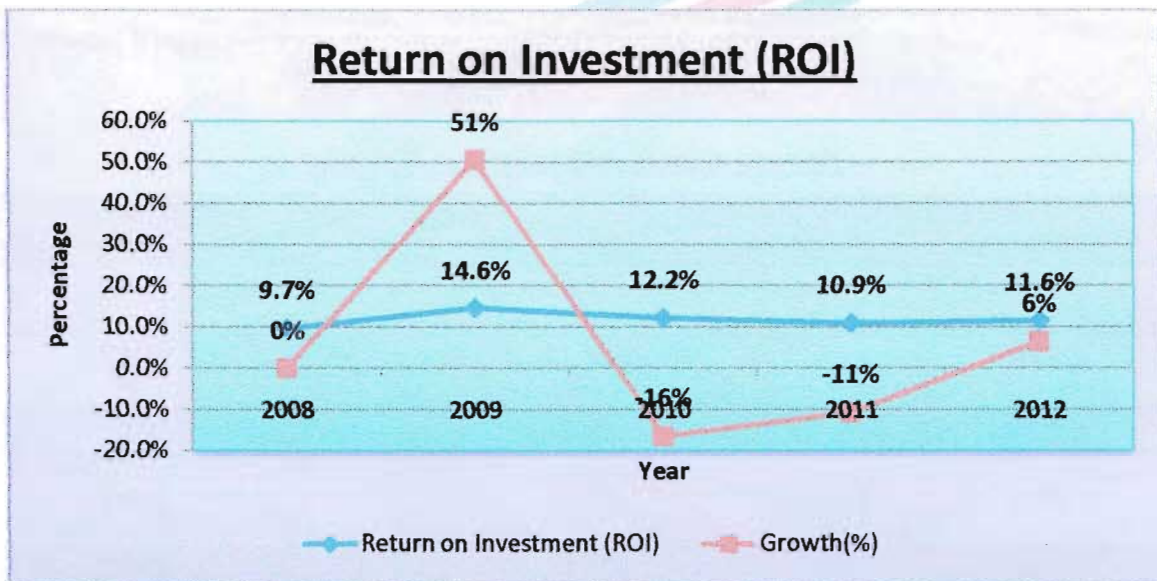
$$ROI = \frac{\text{Gain from Investment} - \text{Cost of Investment}}{\text{Cost of Investment}}$$



Table 5.3: Return on investments (ROI) growth.

Year	Return on Investment (ROI)	Growth (%)
2008	9.7%	-
2009	14.6%	51%
2010	12.2%	-16%
2011	10.9%	-11%
2012	11.6%	6%

Figure 5.3: Return on investment trend analysis.



In ROI of DBBL, it is analyzed that ratio is almost equal in every year that the bank is in constant level which indicates that DBBL is making progress and arrange their investment decision in effective way. It earns the highest margin in 2009 which is 14.6% and lowest margin in 2011 which is 10.9%. Although, DBBLs return on investment had a negative growth rate in 2010 & 2011, but DBBL recover it in 2012. Return on investment increased mainly due to higher investments portfolio in 2012. But still DBBL has to improve its ROI at a greater rate.



5.4 Net Interest Margin:

Net interest margin is a measurement of the difference between the interest income generated by banks or other financial institutions and the amount of interest paid out to their lenders (for example, deposit). It is considered similar to the gross margin of non-financial companies. Higher the ratio is better for the bank. It is expressed as percentage of what the financial institutions are earnings (its interest often from borrowing from other financial institutions like the Central Bank) minus the interest that it pays in borrowed funds to its investors.

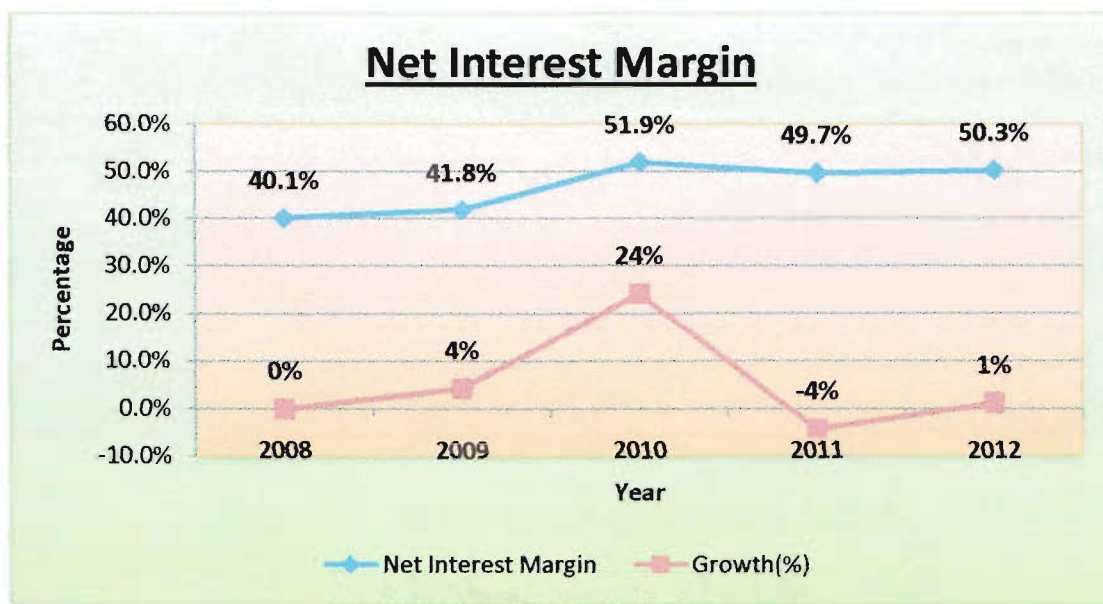
$$\text{Net Interest Margin} = \frac{(\text{Investment Returns} - \text{Interest Expenses})}{\text{Average Earnings Assets}}$$

Table 5.4: Net interest margin growth.

Year	Net Interest Margin	Growth (%)
2008	40.1%	-
2009	41.8%	4%
2010	51.9%	24%
2011	49.7%	-4%
2012	50.3%	1%



Figure 5.4: Net interest margin trend analysis.



Considering the ratio, Dutch-Bangla Bank Limited had the largest spread between interest revenues and costs in 2010 which is 51.9% and lowest in 2008 which is 40.1%. And over the last five years this ratio results some ups and downs in the spread. In sum, in terms of net interest margin ratios DBBL is in a better position as the spread of their ratio is more than 50 or around it for the last 3 years. The banks net interest margin is better mainly due to higher loan portfolio, higher yield on loans and advances and higher yield on money market placements. But there are chances of improve.

5.5 Net Non-Interest Margin:

The net non-interest margin measures the amount of non-interest revenues stemming from deposit service charges and other service fee the bank has been able to collect (called fee income) relative to the amount of non-interest costs incurred (including salaries and wages, repair and maintenance costs of facilities, and loan-loss expenses). It is considered to the gross margin of non-financial companies.



Table 5.5: Net non-interest margin growth.

Year	Net Non-Interest Margin	Growth (%)
2008	33.0%	-
2009	39.0%	18%
2010	30.1%	-23%
2011	32.6%	8%
2012	25.7%	-21%

Figure 5.5: Net non-interest margin trend analysis.



From the data we see that, over the last five years DBBLs' net non-interest margin ratio results some ups and downs in the spread. It earns the highest margin in 2009 which is 39% and lowest margin in 2012 which is 25.7%. Although, DBBLs net non-interest margin is not consistent enough but it is quite satisfactory. That is a good indication because it shows that DBBL is more non-interest income oriented rather than interest oriented. A bank to perform well should not be more interest income oriented. But still DBBL has enough chance to improve it.



5.6 Earnings per Share (EPS):

Earning per share (EPS) is probably the most commonly used corporate performance statistic for publicly traded firms. Earning per share (EPS) is the portion of a company's profit allocated to each outstanding share of common stock. Earnings per share serve as an indicator of a company's profitability. It is calculated as:

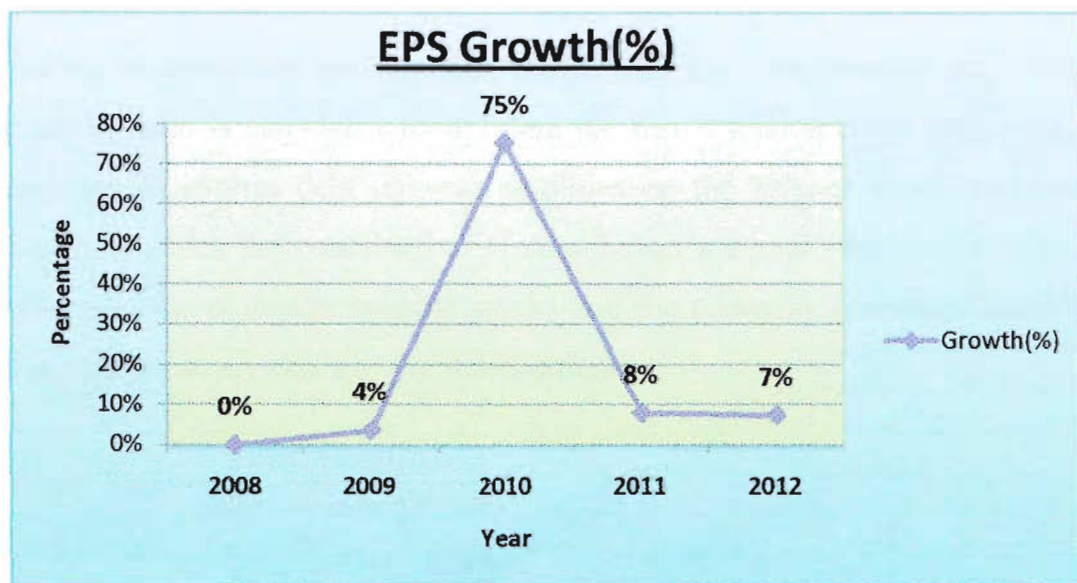
EPS=_____

Table 5.6: Earnings per share growth.

Year	Earnings Per Share (EPS)(Taka)	Growth (%)
2008	5.5	-
2009	5.7	4%
2010	10	75%
2011	10.8	8%
2012	11.6	7%

Figure 5.6: Earnings per share trend analysis.





Here we can simply say that DBBL is performing well because EPS has increased continuously & in a steady position since the last five years. It indicates profitability (net income) is increasing continuously. It has been possible by increasing Banks' net income by reducing its costs and increasing the good investment opportunities. This increase of EPS indicates a positive signal about the prospects of the bank.

5.7 Debt Equity Ratio:

The debt to equity ratio is a financial metric used to assess a company's capital structure, or "capital stack." Specifically, the ratio measures the relative proportions of the firm's assets that are funded by debt or equity. The debt to equity ratio (also called the risk ratio or leverage ratio) provides a quick tool to financial analysts and prospective investors for determining the amount of financial leverage a company is using, and thus its exposure to interest rate increases or insolvency. Knowing how to analyze the debt to equity ratio can help you assess a company's financial health before investing. In general, a high debt-to-



equity ratio indicates that a company may not be able to generate enough cash to satisfy its debt obligations. However, low debt-to-equity ratios may also indicate that a company is not taking advantage of the increased profits that financial leverage may bring. The debt to equity ratio is calculated by dividing the firm's total debt by the firm's equity. Debt includes short-term debt (current liabilities on the balance sheet) and long-term debt. Equity includes the combination of shareholder's equity (the cash paid in by the investors when the company sold its stock) and the company's retained earnings (the profit not paid out as dividends to the shareholders).

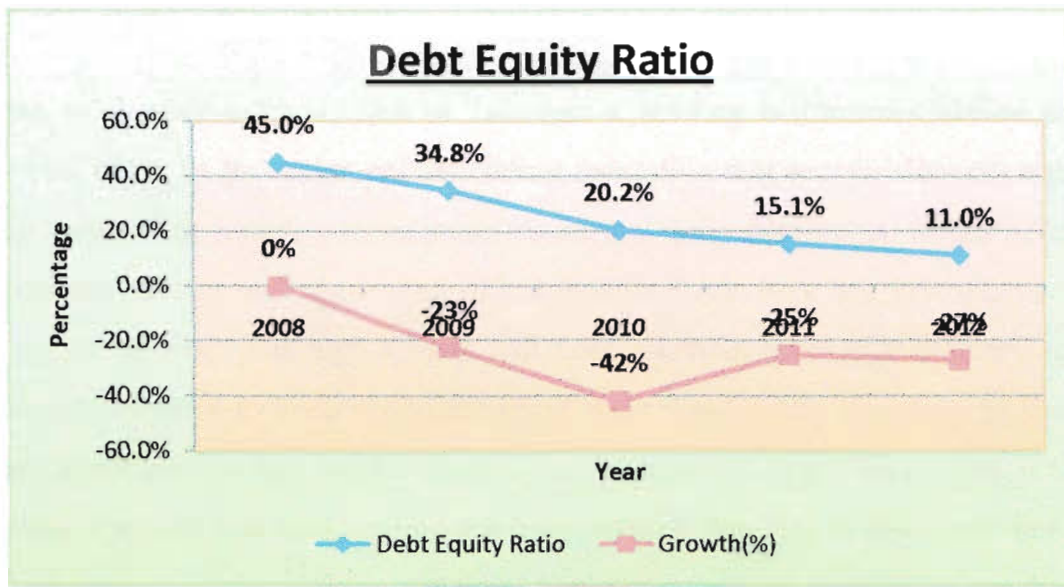
$$\text{Debt Equity Ratio} = \frac{\text{Total Liabilities}}{\text{Shareholders Equity}}$$

Note: Sometimes only interest-bearing, long-term debt is used instead of total liabilities.

Table 5.7: Debt equity ratio growth.

Year	Debt Equity Ratio	Growth (%)
2008	45.0%	-
2009	34.8%	-23%
2010	20.2%	-42%
2011	15.1%	-25%
2012	11.0%	-27%

Figure 5.7: Debt equity ratio trend analysis.



Here we can simply say that DBBLs debt equity ratio has decreased continuously since 2008. 40-50% of debt equity ratio is good enough for a financial company like bank. But DBBLs debt equity ratio is only 11% in year 2012. Low debt-to-equity ratios may indicate that a company is not taking advantage of the increased profits that financial leverage may bring. The largest ratio was in year 2008 which is 45%. In case of debt equity ratio, DBBL has to be balanced its debt & equity in a way from that the Bank can get more profit, opportunity & less risk.



5.8 Loan Deposit Ratio:

The loan to deposit ratio is used to calculate a lending institution's ability to cover withdrawals made by its customers. A lending institution that accepts deposits must have a certain measure of liquidity to maintain its normal daily operations. Loans given to its customers are mostly not considered liquid meaning that they are investments over a longer period of time. Although a bank will keep a certain level of mandatory reserves, they may also choose to keep a percentage of their non-lending investing in short term securities to ensure that any monies needed can be accessed in the short term. If the ratio is too high, it means that banks might not have enough liquidity to cover any unforeseen fund requirements; if the ratio is too low, banks may not be earning as much as they could be.

$$\text{Loan Deposit Ratio} = \frac{\text{Net Loans}}{\text{Total Deposits}}$$

Net loans include: loans to banks or credit institutions; customer net loans; HP, lease or other loans; mortgages; loans to group companies and associates and trust account lending. Total deposits cover customer deposits, central bank deposits, banks and other credit institution deposits and other deposits.

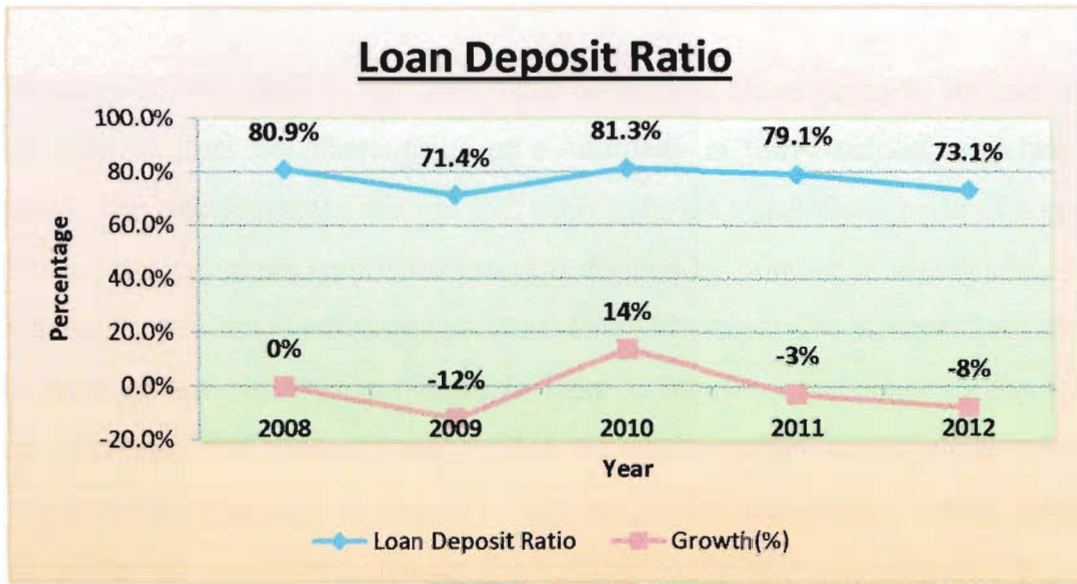
Table 5.8: Loan deposit ratio growth.

Year	Loan Deposit Ratio	Growth (%)
2008	80.9%	-
2009	71.4%	-12%
2010	81.3%	14%
2011	79.1%	-3%
2012	73.1%	-8%





Figure 5.8: Loan deposit ratio trend analysis.



Over the years we saw the ups and downs in the ratio. The standard of loan deposit ratio is 85%. The loan deposit ratio of DBBL in 2008 and 2012 is 80.90% and 73.1%, which indicates that DBBL is not in progressive but satisfactory.



5.9 Price Earnings (P/E) Ratio:

Price/Earnings or P/E ratio is the ratio of a company's share price to its earnings per share. It tells whether the share price of a company is fairly valued, undervalued or overvalued. The price/earnings ratio or P/E ratio links the stock/share price of a company with the earnings per share (profit for the year divided by number of outstanding shares). It reflects how many times earnings investors are ready to pay for a share. So if the share price is Taka 10 and earnings per share is Taka 1, investors are ready to pay 10 times earnings. A higher P/E ratio should reflect greater expected future gains because of perceived growth opportunities and/or some competitive advantages and/or lesser risk, but at the same time it indicates that the share price is relatively more expensive.

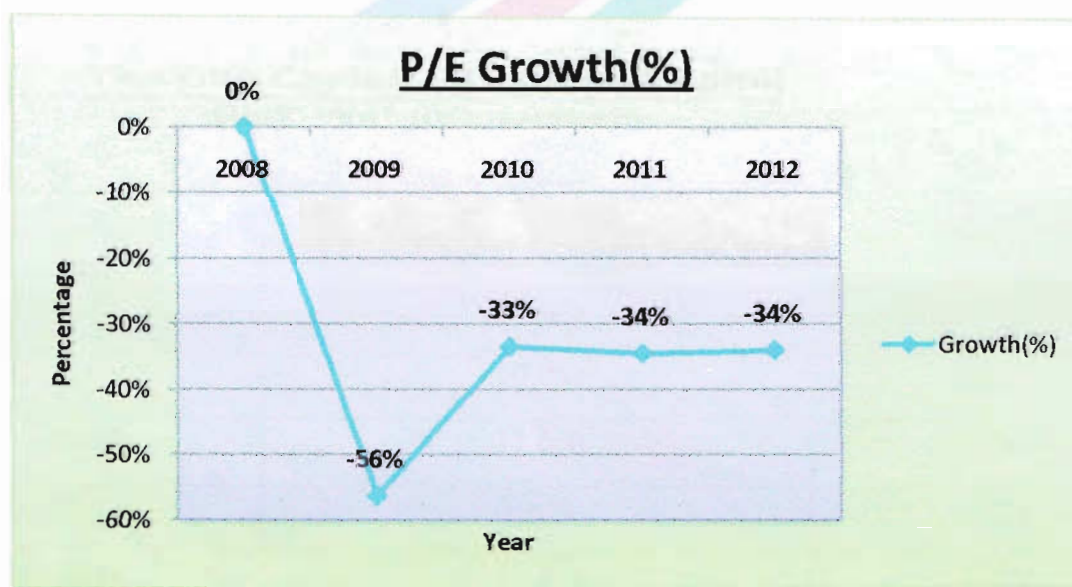
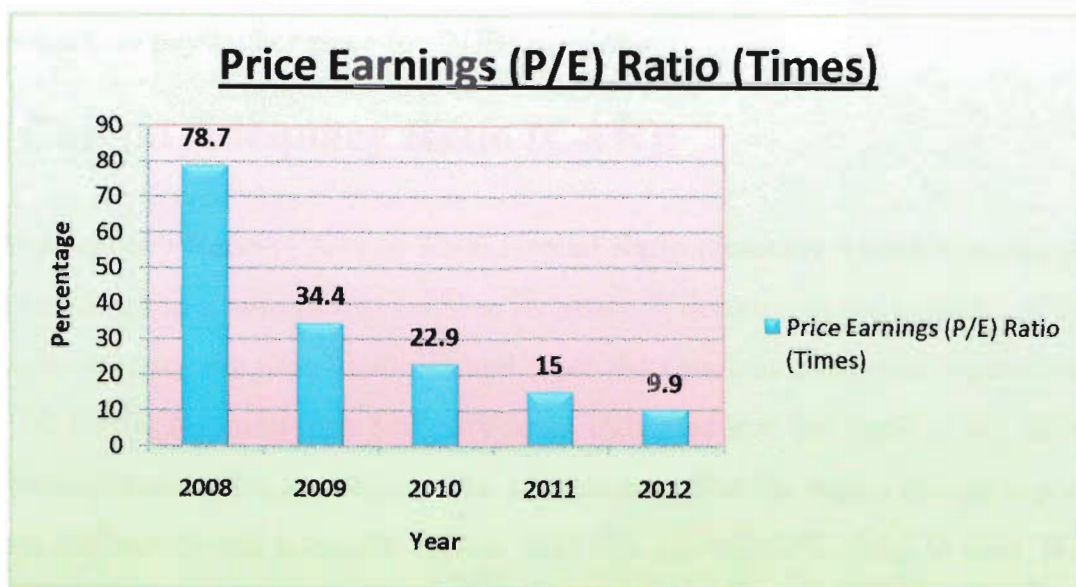
$P/E \text{ Ratio} = \text{Current Share Price} / \text{Earnings per Share}$

Table 5.9: Price earnings ratio growth.

Year	Price Earnings (P/E) Ratio (Times)	Growth (%)
2008	78.7x	-
2009	34.4x	-56%
2010	22.9x	-33%
2011	15x	-34%
2012	9.9x	-34%



Figure 5.9: price earnings ratio trend analysis.



Here we can simply say that DBBLs price earnings ratio has decreased continuously since 2008. It's a negative signal to the market about the company. It reflects that DBBL hasn't greater expected future gains because of less growth opportunities and/or higher risk. In 2009, there had a big slow down in the ratio as the book value of the shares was



repriced. But in 2012, it is under the book value Taka 10 which means that customers are less reluctant to pay higher price for DBBLs per share.

5.10 Capital Adequacy Ratio (CAR):

Capital Adequacy Ratio (CAR) or Total Capital Ratio measures a bank's capital position and is expressed as a ratio of its capital to its assets. It determines the capacity of the bank in terms of meeting the time liabilities and other risks such as credit risk, operational risk, etc. CAR below the minimum statutory level indicates that the bank is not adequately capitalized to expand its operations. The ratio ensures that the banks do not expand their business without having adequate capital. It is also known as "Capital to Risk Weighted Assets Ratio (CRAR)."

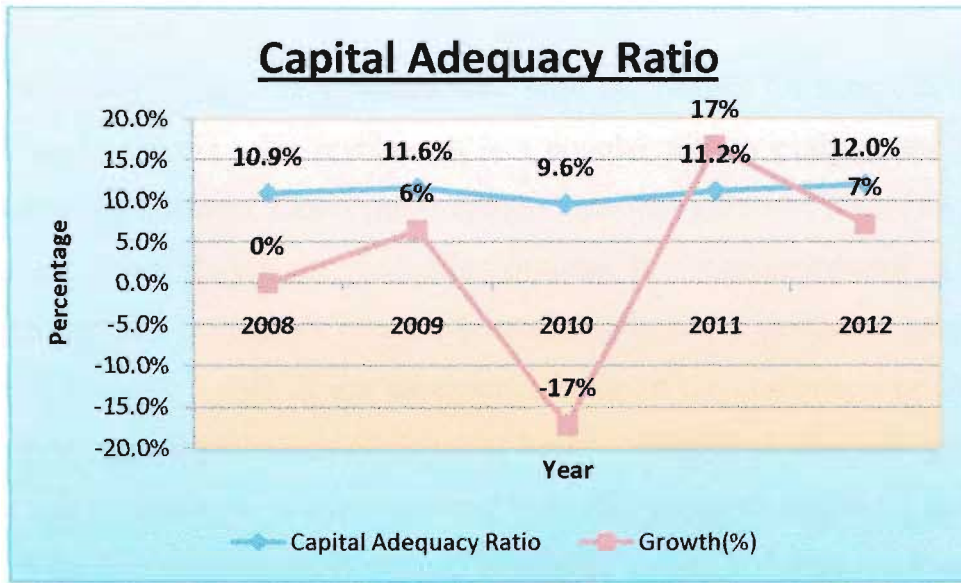
$$\text{CAR} = \frac{\text{Tier One Capital} + \text{Tier Two Capital}}{\text{Risk Weighted Assets}}$$

Table 5.10: Capital adequacy ratio growth.

Year	Capital Adequacy Ratio	Growth (%)
2008	10.9%	-
2009	11.6%	6%
2010	9.6%	-17%
2011	11.2%	17%
2012	12.0%	7%



Figure 5.10: Capital adequacy ratio trend analysis.



In CAR of DBBL, it is analyzed that ratio is almost equal in every year that the bank is in constant level which indicates that DBBL is making progress and arrange their capital in effective way. In 2012, DBBLs capital adequacy ratio is on the highest level within the last 5 years. Bangladesh Bank's minimum requirement of CAR is 10% and DBBL is well above that level. It indicates that the Bank is adequately capitalized to expand its operations. It also indicates that the capacity of the Bank in terms of meeting the time liabilities and other risks such as credit risk, operational risk, etc. is better.



5.11 Gross Profit Ratio:

Gross profit ratio (GP ratio) is a profitability ratio that shows the relationship between gross profit and total net sales revenue. It is a popular tool to evaluate the operational performance of the business. Gross profit margin measures company's manufacturing and distribution efficiency during the production process. It is a measurement of how much from each dollar of a company's revenue is available to cover overhead, other expenses and profits. The gross margin is not an exact estimate of the company's pricing strategy but it does give a good indication of financial health. Without an adequate gross margin, a company will be unable to pay its operating and other expenses and build for the future. In general, a company's gross profit margin should be stable. It should not fluctuate much from one period to another, unless the industry it is in has been undergoing drastic changes which will affect the costs of goods sold or pricing policies. The ideal level of gross profit margin depends on the industries, how long the business has been established and other factors. Although, a high gross profit margin indicates that the company can make a reasonable profit, as long as it keeps the overhead cost in control. A low margin indicates that the business is unable to control its production cost. The ratio is computed by dividing the gross profit figure by net sales. It is also known as "gross margin."

$$\text{Gross Profit Margin} = \frac{\text{Revenue} - \text{COGS}}{\text{Revenue}}$$

Where: COGS = Cost of Goods Sold.

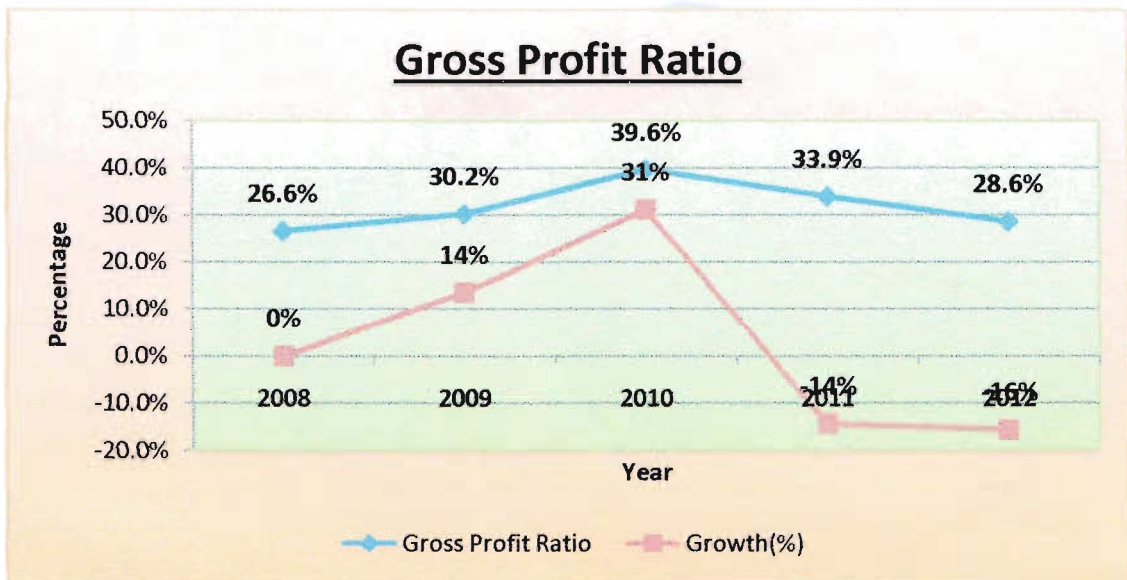




Table 5.11: Gross profit ratio growth.

Year	Gross Profit Ratio	Growth (%)
2008	26.6%	-
2009	30.2%	14%
2010	39.6%	31%
2011	33.9%	-14%
2012	28.6%	-16%

Figure 5.11: Gross profit ratio trend analysis.



Over the years we saw the ups and downs in the ratio. Quick fluctuation in the ratio is not good for the bank because it will affect the costs of goods sold or pricing policies. DBBL earns its highest gross profit ratio in 2010 which is 39.6% and after that there is a big slow down in the ratio. Although, DBBLs gross profit ratio is not consistent enough, it is quit satisfactory. It reflects that the company is able to pay its operating and other expenses and build for the future. It also reflects company's manufacturing and distribution efficiency during the production process. DBBLs gross profit ratio has decreased over the last 2 years because Banks operating expense has increased





significantly over the last two years. But still DBBL has enough chance to improve its position.



Chapter-6

Problems of DBBL



Chapter-6 Problems of DBBL

When I was working in this project, I have pointed some operational & financial problems of Dutch-Bangla Bank Limited. These are given below:

- ❖ The main important thing is that the bank has no clear mission statement and strategic plan. The banks not have any long-term strategies of whether it wants to focus on retail banking or become a corporate bank.
- ❖ Some of the job in DBBL has no growth or advancement path. So lack of motivation exists in persons filling those positions. This is a weakness of DBBL that it is having a group of unsatisfied employees.
- ❖ In terms of promotional sector, DBBL has to more emphasize on that. They have to follow aggressive marketing campaign.
- ❖ DBBLs ROE is not good enough which means that the company is not efficient enough in producing revenue & also management is making faulty decisions such as acquiring non-complimentary business with no competitive advantage or else.
- ❖ 40-50% of debt equity ratio is good enough for a financial company like bank. But DBBLs debt equity ratio is only 11% in year 2012 which indicates that the company is not taking advantage of the increased profits that financial leverage may bring.
- ❖ The standard of loan deposit ratio is 85%. But the loan deposit ratio of DBBL in 2012 is 73.1% only.
- ❖ DBBLs price earnings ratio has decreased continuously since 2008. It reflects that DBBL hasn't greater expected future gains because of less growth opportunities and/or higher risk. It also reflects that customers are less reluctant to pay higher price for DBBLs per share.



- ❖ DBBLs gross profit ratio is quickly fluctuating. Quick fluctuation in the ratio is not good for the bank because it will affect the costs of goods sold or pricing policies.
- ❖ Though a large number of Automated Teller Machine (ATM) are available in DBBL but not properly service to customer.
- ❖ The Bank has more redundant lower level manpower compared to other banks of the same generation, which increases its operational cost.



Chapter-7

Recommendation for DBBL



Chapter-7 Recommendation for DBBL

It is recommended that:

- ❖ The path of the future should be determined now with a strong feasible strategic plan.
- ❖ DBBL will have to create job growth or advancement path for their employees to motivate them.
- ❖ In terms of promotional sector, DBBL has to more emphasize on that. They have to follow aggressive marketing campaign.
- ❖ The standard of loan deposit ratio is 85%. So, DBBL will have to try to maintain it.
- ❖ 40-50% of debt equity ratio is good enough for a financial company like bank. So, DBBL will have to try to maintain it.
- ❖ The intensity of competition with multinational bank will rise further and banks will have to develop strategies to compete against an on slough of foreign the banks.
- ❖ The default risks of all terms of loan have to be minimizing in order to sustain in the financial market. Because default risk leads the organization towards to bankrupt. DBBL has to remain vigilant about this problem so that proactive strategies are taken to minimize this problem if not elimination.
- ❖ DBBL will have to increase the compensation package of the employees from mid level to lower level position to motivate their employees.



- ❖ In order to reduce the business risk, DBBL has to expand their business portfolio. The management can consider options of starting merchant banking or diversify into leasing and insurance sector.
- ❖ DBBL should properly monitor its ATM services by appointing more qualified employee and also trained up of the existing employee.
- ❖ The Bank should launch “Consumer Investment scheme” to attract more customers as well as to earn more profit.
- ❖ The Bank authority should always be aware of its quality service because banking is a service-oriented business.



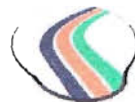
Chapter-8

Conclusion

Chapter-8 Conclusion

Today's business is very competitive and complex. To survive in the market the organization need competent people and has to take some effective policy. Banking sector being a service sector of Bangladesh continues to contribute to a great deal in the economy of Bangladesh. In the last decade there has been a revolution in the communication media through the introduction of internet and other forms of secure dial-up media. This had an immense impact on all the sectors of the industry specially the banking sector. The number of banks is increasing day by day because the demand of the customer for the banking service is high. As a result there is a highly competitive situation in the banking sector and people have many option increase of taking banking services. As a central bank of Bangladesh, the Bangladesh Bank always adopting measures for putting banking institution on right track and also monitors the activities of these banks to prevent them from doing illegal activities.

DBBL is an emerging bank. It has done 17 years of banking service. Dutch-Bangla Bank Limited is one of the most potential Banks in the banking sector. It has a large portfolio with huge assets to meet up its liabilities and management of this bank is equipped with the expert bankers and managers in all level of management. Again, DBBL Limited has already established a favorable reputation in the banking industry of the country. It is one of the leading private sector commercial banks in Bangladesh. The bank has already shown a tremendous growth in the profits and deposits sector. Further, DBBL Limited has already achieved a high growth rate accompanied by an impressive profit growth rate in 2007. The number of deposits and the loans and advances are also increasing rapidly. Dutch-Bangla Bank Limited is a socially responsible bank in the country. The bank maintains a regular donation program to all over the country. DUTCH-BANGLA BANK FOUNDATION is the official name of the donation program.



DBBL has an interactive corporate culture. The working environment is very friendly, interactive and informal. And, there are no hidden barriers or boundaries while communicate between the superior and the employees. This corporate culture provides as a great motivation factor among the employees. Moreover, DBBL has the reputation of being the provider of good quality services too its, potential customers. Although, DBBL has some problems in their financial performance & some steady ups and down as well as quick fluctuation, still they has satisfactory and competitive financial condition in the market. But still Dutch-Bangla Bank Limited has huge chance to expand their business portfolio and reduce business risk.

Banks always contribute towards the economic development of a country. Compared with other Banks DBBL is contributing more by investing most of its funds in fruitful projects leading to increase in production of the country. It is obvious that right channel of Banking establish a successful network over the country and increases resources; will be able to play a considerable role in the portfolio of development in developing country like ours.

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