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Performance Appraisal
of
Dhaka Bank Limited

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DHAKA BANK
LIMITED

Internship Report on Performance Appraisal of Dhaka Bank Limited

Prepared for

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Prepared by
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2000-1-10-028

East West University
January 3, 2005

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Sub: Submission of Internship Report.

Dear Sir,
As a student of business administration I have to submit an internship report for the fulfillment of my graduation degree. I have tried my very bets to fulfill the requirement of the course.

I have completed my Internship Program in Dhaka Bank Ltd (DBL). At the time of working in DBL I learned lot of from them. I evaluate Performance Appraisals of DBL by analyzing some Statistical Method.

I tried to accommodate your invaluable comments suggestions in my report.

Sincerely Yours

Ahaque.

Anamul Haque
2000-01-10-028

Acknowledgment

First I pay my gratitude to the almighty Allah for giving me the ability to work hard successfully.

Words actually will never be enough to express how grateful I am, but nevertheless I will try my best to express of my gratefulness towards some people.

I would like to acknowledgment the guidance and effort of my Internship supervisor Dr. Tanvir Ahmed Chowdhury, assistant professor, Department of Business Administration At the east West University. Without his priceless and inestimable supports I would not have been to produce this report.

The gratitude is for my parents and my family members who gave me the opportunity to study in the East West University.

It's a pleasure to convey my heartiest gratitude and greeting to the assistance and guidance of the whole organization teams of Dhaka Bank Ltd. I would also like to thank to Bikash Rakshit, Assistant Vice President & Manager Dhaka Bank Ltd, Shahin Ahmed, Senior Officer, and Saad Mohamad, Junior Officer.

I am also grateful that to some my friends from the university and also from outside the university who provide me the mental and the physical support to prepare this report.

Executive Summary

Always there are two groups under consideration of financial condition, one is the surplus unit and another one is deficit unit. So, between these two groups easy transaction of money is very necessary and important for balance. Bank and financial institution do this important job. DBL foresee high growth in business in 2004. The growth will predictably generate from the diversified Corporate Sector, Personal Banking, Money market operations, Consortium financing and Export oriented initiatives.

The objective of DBL is not only to earn fro fit also to keep the social commitment and to ensure its co-operation to the person of all level, to the business, industrialist-specially who are engaged in establishing large scale industry by consortium and the agro-based oriented medium and small scale industries by self inspiration. Dhaka Bank Ltd has 22 branches. There is a rule that for four urban areas bank it needs one rural bank. Day by day their branch is expanding. The Bank extends the depth and the width of its talent pool during 2003 through on job and formal training as well as adding new and young talents to the team through competitive tests. Now they have 567employees.

By far the largest asset item is loans, which generally account for half to almost three-quarters of the total value of all bank assets. Moreover, risk in banking tends to be concentrated in the loan portfolio. Dhaka Bank Ltd invests in different sector. They are earning lots of money from their investment.

Problems of DBL like- Lack of Commitment, No Marketing Department, Conservative Banking Approach (Risk Avers Approach), Centralized Decision Making,
Few Staff meeting, Recruitment Policy, Lack of Qualified System Operation and Computer Operation, Few Staff, Staff Loan and Credit Card
Suggestion to over come the problem like-Advertisement and promotion, More Appropriate Recruitment Policy, Improve network System and staff training and Staff Loan.

Today's business is very competitive and complex. To survive in the related sector the organization need competitive people and has to take some effective policy. Banking sector in Bangladesh.

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Chapter One

1. Introduction

Always there are two groups under consideration of financial condition, one is the surplus unit and another one is deficit unit. So, between these two groups easy transaction of money is very necessary and important for balance. Bank and financial institution do this important job. To transfer of money between surplus unit and deficit units, everyone expect safety, available and easy service. If bank or any financial institution can provide these services as customer expect, it will success finally.

In any country strong banking sector indicate strong economic condition of the country. In Bangladesh we have a very economy since long period, in order to stimulate the banking sector, private banking begins in Bangladesh beside existing public banking sector.

To develop our banking sector we need more market research and performance research of the banks continuously. If don't research the present condition of the banks sector, we could not be able to improve this important sector of our country.

1.1An over view of DBL

Our mission

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

Our vision

At Dhaka Bank we draw our inspiration from the distant stars. Our team is committed to assure a standard that makes every banking transaction a pleasure experience. Our endeavour is to offer you razor sharp sparkle through accuracy, reliability, timely delivery, cutting edge technology and tailored solution for business needs, global reach in trade and commerce and high yield on your investments.

Our people, products and processes are aligned to meet the demand of our discerning customers. Our goal is to achieve a distinction like the luminaries in the sky. Our prime objective is to deliver a quality that demonstrates a true reflection of our vision – Excellence of Banking.

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

The Bank was incorporated as a public limited company under the Companies Act. 1994. The Bank started its commercial operation on July 05, 1995 with an authorized capital of Tk. 1,000 million and paid up capital of Tk. 100 million. The paid up capital of the Bank stood at Tk. 303.46 million as on 31 December 2001. The total equity (capital and reserves) of the Bank as on 31 December 2001 stood at Taka 771.53 million including the sponsor's capital of Tk. 143.88 million.

The Bank has 17 branches across the country and a wide network of correspondents all over the world. The Bank has plans to open more branches in the current fiscal year to expand the network.

1.2 Objectives of the study

The specific objectives of the study are:

a. To present an overview of DBL.
b. To appraise the principal activities of DBL.
c. To appraise the financial performance of DBL.
d. To identify the problems of DBL
e. To suggestions for the development of the DBL.

1.2.1To present an over view of DBL

DBL foresee high growth in business in 2004. The growth will predictably generate from the diversified Corporate Sector, Personal Banking, Money market operations, Consortium financing and Export oriented initiatives. We expect due to recovery of global economy, our export orders will rise in a commendable volume. Consequently the rise in demand for our export orders will create employment opportunity and thereby improve the spendable income of the people, which will trigger economic activity across the board.

Besides, we plan to make investment in information Technology followed by Human Resources with necessary training and Sales & Distribution. We have made elaborate plans to bring our entire system under a very advanced IT platform, which will allow us to introduce IT driven processes and customer friendly products for both Customer and Corporate banking. In the recent past we introduced credit Card, Car Loan Scheme, Personal Loan, Vacation Loan and currently exploring our diversified products like Inward F.C. Remittance business, House Loan etc. in addition, we have launched our first Shariah based Islamic Banking Branch and hope to launch more in near future. In the Corporate Sector, we have set up a Corporate Finance Unite that caters to the demand for consortium financing for medium to large-scale projects.

We will know that various initiatives have been taken by the Government and the Central Bank to reduce interest rates with the aim to improve competitiveness among the local and export-oriented industries and increase our industrial base, which now constitutes part of GDP. We have the initiatives positively as this will be a win-win situation for all the stakeholders.

We believe the Banking Industry will enjoy a sound growth by expanding the banking net to bring more people into the system from the existing large population who are outside the banking network.

1.2.2To appraise the financial performance of DBL

Key business Figures of DBL (Tk. million)

	31.12.2000	31.12.2001	31.12.2002	31.12.2003	16.06.2004
Authorized capital	1,000	1,0 00	1,000	1,000	1,000
Paid Up Capital	276	303	379	531	531
Reverse Funds	171	358	516	679	851
Shareholders' Equity	447	661	895	1,210	1,382
Deposit	10,749	17,706	16,854	18,366	19,707
Advances	5,291	9,944	10,761	12,887	14,069
Investment	814	1,274	1,950	2,046	4,150
Important Business	13,828	17,649	18,697	19,079	
Export Business	6,494	6,183	6,110	6,901	
Guarantees	888	2,123	1,579	1,516	
Foreign Remittance	593	752	953		
Total Income	1,203	1,926	2,395	2,283	
Total Expenditure	948	1,472	1,955	1,774	

Operating profit	296	526	603	509	305(up to may)
Profit after Tax	173	290	234	269	
Total Asset	14	17	18	20	21
No. of Branches	14	17	18	20	21
No. of Employees406	406	495	532	568	575

Key Operation Ratios of DBL

	31.12.2000	31.12.2001	31.12.2002	31.12.2003
Earning per Share (EPS)(Tk.)	63	106	69	53
Dividend Cash (%) Bonus Share	25 10:1	25 4:1	20 -	15 4:1
Book value of Share (Tk.)	162	218	236	228
Market Price per Share (Tk.)	218	415	264	251
Return On equity (ROE)(%)	38.8	43.9	26.2	22.2
Return On Assets (ROA)(%)	1.49	1.52	1.23	1.29
Total expense to total Income (%)	78.8	76.5	82.0	77.7
Capital Adequacy Ratio	9.97	8.22	8.75	10.88
NPV as% of Total Advances	1.72	1.19	2.48	3.26
Advance/Deposit ratio (%)	5	58	67	70

1.3Scope and methodology of the study

The projects report is based mainly on secondary sources of data. Data required for the report wee collected from different published reports, journals and from the activities and queries my internship period. Different tables and charts and ratios of financial figures have been used to interpret the data and inference there from.

Primary Sources of Data:

Many of the data and information were collected from my practical experiences and quires from the executives while doing my internship at DBL. Information and data regarding products and services, interest rates and charges, banking operation, organization structure, management and policies were collected from these sources.

Secondary Data has been collected from:

Ata regarding the operations of DBL was from secondary source. The following are the secondary of data:

Annual Reports of DBL.

Journal, brochures, newspaper articles and related books.

1.4 Limitations of the study:

The main limitations of the report are as follows:

1. The employees of the bank are not aware clearly about the terms I analyzed.
2. Information about every aspect was not available.

Chapter Two

2. An appraisal of the principal activities of DBL

2.1 Objects of DBL

The objective of DBL is not only to earn fro fit also to keep the social commitment and to ensure its co-operation to the person of all level, to the business, industrialist-specially who are engaged in establishing large scale industry by consortium and the agro-based oriented medium and small scale industries by self inspiration. DBL ids always ready to maintain the highest quality of services by upgrading banking technology prudence in management and by applying high standard of business ethic through its established commitment and heritage. They are using Flex cube software for their internal networking. As a result they can give best service then any other bank.

DBL is committed to ensure its contribution to nation economy by increasing its profitability through professional and disciplined growth strategy for its customer and by creating corporate culture in international banking arena.
DBL believes in building up strong-based capitalization of the country:

DBL is committed to continue its activities in the new horizon of business with a view to developing service oriented industry and culture of morality and its maintenance in banking.
DBL has been working from its very beginning to ensure the best use of its creativity well disciplined, well management and perfect growth.

2.2 Capital structures:

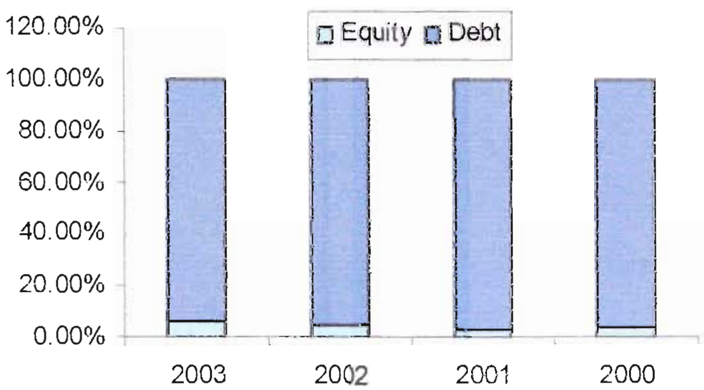
Capital Structure of Dhaka Bank LTD:

Equity& Liability	2003	2002	2001	2000
Shareholder's Equity	1209974817	895447236	661136511	446611075

Total Liability	19605684340	18208121417	185224710	11199833447
Total Equity& Liability	20815623157	19103568653	19183603617	11646444522

Debt & Equity ratio

	2003	**2002**	**2001**	**2000**
Equity	5.81%	4.69%	3.45%	3.84%
Debt	94.19%	95.31%	96.55%	96.16%
Total Debt& Equity	100%	100%	100%	100%

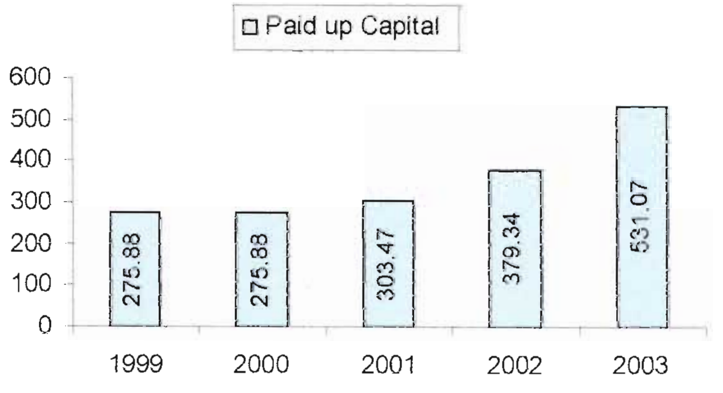


Dhaka Bank Ltd percentage of debt is very less. In 2000 their debt was 3.84% where in 2003 is 5.81%. As a result their percentage of equity is more. In 2000 it was 96.16% where in 2003 it is 94.19%.

Paid Up Capital

Dhaka Bank Ltd commenced its operation on July 05,199 as a private sector bank with an authorized capital of Tk.1, 000 million and paid up capital of Tk.100.00 million.

The paid up capital of the bank amounted to Tk.531.07 million as on December 31, 2003. The total equity (capital & reserve) of the Bank as on December 31, 2003 stood at Tk.1, 209.97 million including sponsor capital of Tk.338.58 million. Bank has also made a 1% general provision of Tk.125.13 million against the unclassified loan and advances, which will be treated as supplementary capital. The Capital Adequacy Ratio is 10.88% as on December 31, 2003, which exceeds the stipulated requirement for banks in Bangladesh.



2.3Number of Branches

Dhaka Bank Ltd has 22 branches. There is a rule that for four urban areas bank it needs one rural bank. Day by day their branch is expanding.

Bank Expansion:

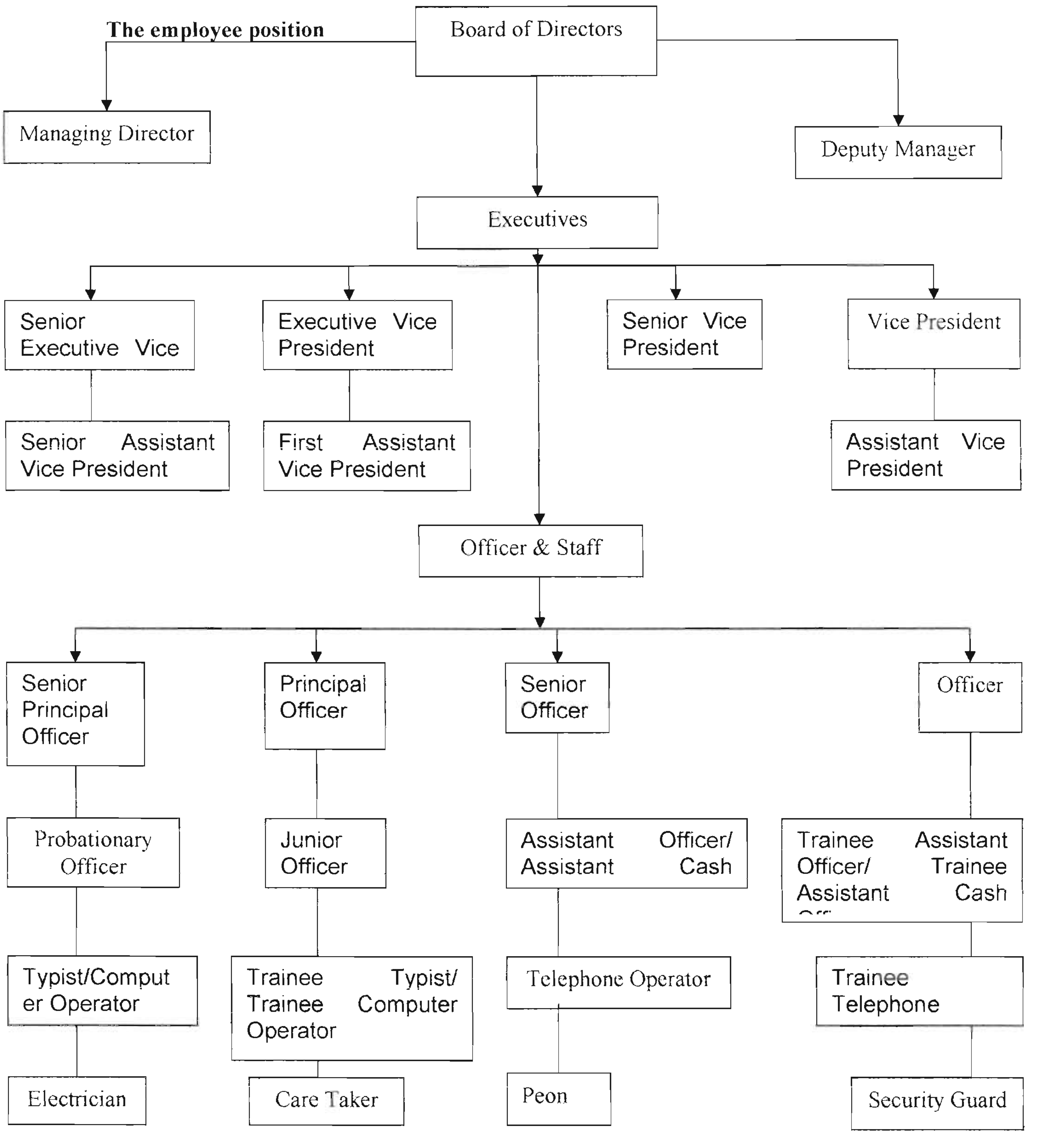
No. of Branches

1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
3	5	8	11	12	14	17	18	20	22

2.4 Number of employees:

The Bank acknowledges its team of outstanding professionals whose dedication and energetic drives are critical to the realization of the organization's objectives. The focus of creating a working environment that fosters team sprit, creating and performance capability has enabled to build up an expectation talent.

The Bank extends the depth and the width of its talent pool during 2003 through on job and formal training as well as adding new and young talents to the team through competitive tests. Now they have 567employees.


The employee position
Board of Directors
Managing Director
Deputy Manager
Executives
Senior Executive Vice
Executive Vice President
Senior Vice President
Vice President
Senior Assistant Vice President
First Assistant Vice President
Assistant Vice President
Officer & Staff
Senior Principal Officer
Principal Officer
Senior Officer
Officer
Probationary Officer
Junior Officer
Assistant Officer/ Assistant Cash
Trainee Assistant Officer/ Trainee Assistant Cash
Typist/Computer Operator
Trainee Typist/ Trainee Computer Operator
Telephone Operator
Trainee Telephone
Electrician
Care Taker
Peon
Security Guard

Total Executive: 103

Total Officers & Staff: 465

Total Employees: 567 (As on March 23,2004)

2.5 Classification of Deposit:

Current Account:

In current they offer maximum flexibility and convenience when anyone open a Current account. This account offers:

- Any number of transactions a day
- No minimum balance fee
- Statement of account at your desired frequency
- Free cheque book
- Any branch banking facility
- Phone banking
- Statement by Fax on demand
- E-Cash 24 Hour banking

Saving Account:

The Savings account allows having interest income on customer deposit whilst the account can be used for your transaction purposes. They can draw a maximum number of two cheques per week; exceeding this number will forfeit the interest for the month.

They offer a competitive interest rate on the account. Also there is no requirement for a minimum balance to be maintained in the account to be eligible for the interest. Interest is applied to the account on half-yearly rests.

Savings Account also offer:

- No minimum balance fee
- Statement of account at your desired frequency
- Free cheque book
- Any branch banking facility
- Phone banking
- Statement by Fax on demand
- E-Cash 24 Hour banking

Short Term Deposit Account:
Short Term Deposit Account is a unique blend of flexibility and high return on deposit. They can use this account like a current account whilst you earn interest on the account when the stipulated minimum balance is maintained in the account.

We offer a very competitive interest rate and the interest is calculated on a daily product basis. In addition to these they will also enjoy:

- No limit to the number of withdrawals
- No minimum balance fee
- Statement of account at your desired frequency
- Free cheque book
- Any branch banking facility
- Phone banking
- Statement by Fax on demand
- E-Cash 24 Hour banking

Fixed Deposit Account:
They can open Fixed Deposit accounts for 3 months, 6 months, and 1 year or for longer term. We offer competitive interest rates. They can place their deposit under lien with us and take a loan, buy shares or open an overdraft account to meet their cash requirements.

Interest rates on deposits vary from time to time.

Excel Account

Excel Account is the first of its kind in Bangladesh. A unique blend of all the flexibilities of a current account and provision for interest on daily balance, Excel Account also offers an overdraft facility to meet urgent cash need.

Designed exclusively for the salaried executives, Excel Account offers a packaged solution to companies and organizations to process employee salaries and funding employee loans.

Excel Account is yet another addition to commitment - Excellence in Banking.

Excel Account -Special features

Interest on Daily Balance

Customer can earn interest on Excel Account. Interest is calculated on daily balance to provide the maximum benefit.

Overdraft Facility

In order to meet urgent cash needs they offer an Overdraft facility equal to one month's gross salary. To avail this facility salary must be at least Tk 10,000/- and it should be credited to your account with Dhaka Bank every month.

No Restriction on Withdrawal

Customer can conduct transactions on account as many times as wish. There is no restriction on number of withdrawals, nor there will be any charges or interest forfeiture due to the number of transactions.

No Minimum Balance Requirement

Excel Account does not have any minimum balance requirement.

Free ATM Card

Excel Account offers a free ATM card It allows to access account for cash withdrawal, utility bill payment and other banking transactions 24 hours a day. ATM network is conveniently located at business districts, commercial and residential areas.

Phone Banking Facility

You can now access your bank account over the telephone. You can get information about your account at the touch of a button. ,

2.6 Product and scheme

E-Cash 24 Hour Banking

Dhaka Bank E-Cash ATM Card enables to withdraw cash and do a variety of banking transactions 24 hours a day.

E-Cash ATMs are conveniently located covering major shopping centers, business and residential areas in Dhaka. ATMs in Chittagong, Sylhet and other cities will soon start be introduced. The network will expand to cover the whole country within a short span of time.

With Dhaka Bank E-Cash ATM card anyone can:

Withdraw cash from own account.

Make balance enquiry.

Pay your BTTB Telephone bills

More utility providers are being included in the network for payment of their bills.

Safe deposit Lockers

You could use the locker facility of Dhaka Bank Limited and thus have the option of covering your valuables against any unfortunate incident.

They offer security to our locker service as afforded to the Bank's own property at a very competitive price.

They give service from Saturday through Thursday from 9:00 am to 4:00 pm.

Dhaka Bank Limited offers a multi-mode utility bill payment facility for its customers. Whether it is cellular phone bill, telephone bill, electricity bill or water bill, we offer various modes and convenient ways to make bill payment easy. Use our E-Cash ATM to pay your bills at your convenience or visit our branches to make payment for your bills. You will find utility bill payment is no more a hassle.

Currently, Grameen Phone bills are accepted at all our branches. More utility providers will soon be added to this service for customer convenience.

Bill collection at Branch Counter

Customer can use the service of all our branches to make your payments. Their friendly staff at the counter will assist them with filling up the necessary forms and accept payment. They will be provided an acknowledgement for the amount received instantly. In case of payment by a cheque the payment will accepted subject to clearance.

Bill payment through ATM system

Dhaka Bank Limited has also made arrangements to accept payment of utility bills through the E-Cash shared ATM network. ATM card will be encrypted with utility service identification references to accept the payment.

Dhaka Bank Ltd different Types of Credit:

Depending upon the nature of financing in respect of purpose, security as well as repayment terms, credit facilities in Dhaka Bank have been put under the following broad categories:

Overdrafts: These are the credits where a limit is set in client's account with an expiry period usually not exceeding one year. This type of facility is applied in client's current account. In this type of facility client is at liberty to deposit and withdraw money within the validity of limit subject to drawing power of the account, where applicable.

Overdraft limit: In allowing overdraft a limit is set in client's account within which the client is at liberty to operate on the account subject to other terms and conditions of the facility.

Drawing power (DP) : When an advance is made in consideration of tangible assets such as stocks in trade, financial obligations etc. usually a cushion is retained as margin in respect of the assets valued at lower of cost or market. Usually margin is fixed as percentage of asset value. The drawing power represents extent of client's drawing rights to be applied subject to limit set in the account. To arrive at the drawing power the margin is deducted from the value of assets under consideration.

In operation of account, client's effective withdrawal right is determined at the lower of DP or limit.

If it is found at a subsequent calculation that client's DP fell short of the amount already withdrawn, necessary arrangements shall immediately be made either to bring down the outstanding within DP or to raise the DP by furnishing additional acceptable assets as security.

The overdraft accounts are sub –divided into following categories in respect of security held as well as purpose of the facility.

i) **Overdrafts – financial obligations:** These are the overdraft facilities secured by financial obligations such as FDR, sanchyapatras, wage earner's development bond, deposits held in client's account, life insurance policies etc. In valuing these securities usually annualized interest /interest accrued and payable for the completed period as per premature terms of the instruments are often taken into consideration. In this type of facility often a margin is set depending upon banker - customer relationship, subject to terms of lending authority of the approving authority, if any, of which 20% margin on the present value of financial obligation is regarded ideal.

No instrument standing in the name of minor is acceptable. And advances against the instruments held in other than borrower's name is generally discouraged.

Advances against BCD and instruments issued other than DHAKA BANK : As a general rule advances against BCD and against the instruments, excepting life insurance policies, issued by other than DHAKA BANK shall be discouraged and extra care shall be taken if such advance is considered in a very deserving case.

Since BCD is not renewable automatically, facilities against BCD may not be extended beyond the expiry of the concerned BCD.

Advances against life insurance policies : In case of advances against life insurance policies, the standing of the issuing company shall be taken into consideration and be satisfied with. Besides followings, among others, shall be considered:

a) the policy is an endowment policy
b) the borrower has an insurable interest in the life of the insured if the policy does not stand in his own name
c) the surrender value is to be ascertained from the issuing company (it shall be borne in mind that policies for less than three years have no surrender value). On the basis of surrender value advance is granted and ideally 20% margin is retained
d) the policy does not bear any restrictive or qualifying condition likely to affect its value as security
e) it shall be ensured that the policy is in force, usually by obtaining and examining last premium paid receipt.

ii) **Overdrafts – shares:** This category is a variation of overdrafts against financial obligations. These are the overdrafts secured by shares and debentures of publicly traded companies listed with both or either of Dhaka and Chittagong stock exchanges. No advance shall be made against share and debenture issued by DHAKA BANK. The security is valued at lower of cost or 6 (six) months average of market.

However, in this type of advances the standing of the company as well as the track record in declaring dividend etc. shall be of important consideration. Only shares without any trading restriction shall be accepted. Besides it shall be ascertained that the shares are fully paid up. Further more, the scrip which are regularly being traded shall only be considered and those shall consist of shares /debentures of at least 3 (three) companies. Moreover, the value of securities of a particular company should not exceed 40% of value of all the securities furnished.

Margin may be determined as per banker - customer relationship and the same shall not be lower than 20% of the estimated value of the security.

iii) **Overdrafts – others:** These are the overdrafts not covered by as stated in (i) and (ii) above. These facilities are usually extended to meet client's various financial requirements of continuous nature including execution of different work orders and granted against personal guarantee, charge on assets of the company etc. which may or may not be accompanied by the collateral security. These facilities may also be secured by stock in trade, inventory or plant and machineries but usually no margin is fixed on those and as such drawing power always equals the limit of the facility.

Since in this category of advance bank is fully exposed, obtaining of collateral security is of particular importance.

Besides under this category, work order financing requires certain special elements to consider.

<u>Work order financing :</u> In providing finance to execute work order(s) followings, among others, shall be considered :

a) that the work order is issued by Govt. department, corporation, semi – government, autonomous bodies, reputed multinational companies as well as reputed local private organizations

b) borrower's management experience, ability, structural facilities etc. in respect of nature of the work shall be taken into account

c) all the terms and conditions of work order as well as details of work schedule shall be carefully examined to evaluate the merit of the proposal

d) the tide up amount shall be worked out considering terms of the work order

e) the provision of running bills shall be carefully noted and be taken into consideration in setting repayment terms of the facility

f) obtaining of collateral security is of particular importance in this type of advance.

Cash credits:

These are also the facilities where, like overdrafts, a limit is set in the account not exceeding one year. However difference is that a separate 'cash credit' account is opened by the bank where limit is applied instead of client's account. This type of facility is again sub –divided into following categories as regards nature of holding of primary security:

i) Cash credit – hypothecation : In this category primary security consists of stocks in trade, inventories etc., possession of which remains with the borrower rather a charge upon those is created in bank's favor. The stock is valued at lower of cost or market and on the valuation of the stock a margin is set on the basis of which DP is determined. However such stock should not preferably consist of perishable items and the same is subject to bank's inspection as and when required. It shall also be ascertained that the borrower has an absolute title to the goods and not already encumbered. In this category of advance usually suitable collateral security is obtained.

The margin shall be set as per banker – customer relationship, subject to terms of lending authority of the approving authority, if any, of which 50% margin on the value of the hypothecated stock is regarded ideal.

Monthly stock reports shall be obtained from the client and an authorized officer of the credit department shall periodically inspect the stock.

ii) Cash credit – pledge : In this category primary security also consists of stocks /inventories and is held by the bank instead of the borrower as in the case of cash credit – hypothecation. In case of borrower's non –repayment bank retains the right to adjust the account through selling of the pledged goods after giving proper notice to the borrower to that effect. The excess sale proceeds, if any, over the adjustment of liability with interest, shall be deposited to client's account. Requirement of collateral security covering the facility fully or partially depends on the banker - customer relationship.

In this type of advance, it shall be ascertained at first that the borrower's title to the goods is absolute and those are not already encumbered. Perishable items are strictly avoided and considerations are made, among others, that the goods are readily saleable and prices are not subject to drastic change.

The goods are valued at lower of cost or market and margin may be determined as per banker - customer relationship, however the same shall not be lower than 20% of the estimated value of the pledged goods.

Consumer credit:

This type of facility is extended to finance purchase of consumer durables, usually at a certain margin. In this sector also bank usually have a set level of warranted global exposure. Financing of land transport for personal use, under this category shall attract the considerations of transport finance stated above excluding the commercial elements.

Officials of government, semi –government, autonomous, semi – autonomous, reputed multinational corporations, locally reputed private organizations, banks and other financial institutions etc. are eligible to avail the facilities under the scheme. However in extending credit, the approving authority should exercise the discretion very creatively so as to assure proper monitoring and repayment. The standing of the organization the official belongs to, be of great importance in extending credit under the scheme. The articles under this type of facility are not booked as asset of the bank. This is again sub – divided as below:

i) Consumer credit – general : These are the consumer credit facility extended to other than an employee of DHAKA BANK.

ii) Consumer credit – staff : These are the consumer credit facility extended to the employee of DHAKA BANK.

Hire purchase:

This is bailment of goods at certain agreed terms and conditions. Under this facility, the hirer may have the option either to return those goods and terminate the hiring or alternatively purchase the goods upon the terms set out in the agreement of hire purchase. The hirer may have to effect an agreed sum as down payment and although ownership of articles under this type of facility remains with the bank, it is not booked as asset of the bank. This is again sub –divided as below :

i) Hire purchase – general : These are the hire purchase facility extended to other than an employee of DHAKA BANK.

ii) Hire purchase – staff : These are the hire purchase facility extended to the employee of DHAKA BANK.

The term of hire purchase may be of short or long term and in this category also usually bank sets an optimum level of global exposure. The setting of terms of hire purchase agreement is of particular importance.

Lease finance:

These types of finance are made to acquire the assets selected by the borrower (lessee) for hiring of the same at a certain agreed terms and conditions with the bank (lessor). In this case bank retains ownership of the assets and borrower possesses and uses the same on payment of rental as per contract. In this case no down payment is required and usually purchase option is not permitted. *The articles under this type of facility are booked as assets of the bank.*

Underwriting:

When public limited companies float shares /debentures to raise money from the capital market, bank may undertake to subscribe the same at an agreed terms and conditions in the event of non –subscription of shares /debentures. Thus it is a commitment on the part of the bank and as such not included in the bank's loans and advances portfolio. However, in case of inadequate subscription within stipulated date bank buys the same as investment in its own portfolio. The decision to underwrite essentially demands expertise of credit appraisal.

Foreign bills purchased (FBP):

This type of finance made out to purchase foreign clean bills such as foreign currency draft, cheque etc. The facility is generally allowed to a very well known client with good standing save in the case of encashment of Traveler's Cheques.

Usually commission and other charges are realized on FBP and no interest is charged.

Inland bills purchased (IBP) /discounted (IBD):

This type of finance is used to purchase /discount local clean bills such as local currency drafts, chaeque, trade bills etc. Again this type of facility is generally allowed to a very well known client with good standing. The prime concern in this type of advance is client's integrity and resourcefulness. Unless the bank is satisfied that the borrower will liquidate the liabilities with interest from his own resources in the event of dishonor of the bill, the facility should not be awarded.

Usually trade bills are discounted which are interest bearing. In case of discounting of such bill interest is first computed on the principal amount of the bill and then discount is computed on the amount resulting from the principal amount of the bill plus interest.

For IBP generally commission, charges etc. are realized and for IBD bank collects discounts at a prescribed rate to reimburse them to cover the cost of fund. In both the cases suitable collection charges are recovered.

In all practical purposes the purchase and discount of bills are essentially same and there exists only a tissue thin distinction between them. The point is, generally demand bills are purchased and time bills are discounted.

Import finance:

DHAKA BANK also undertakes import finance both in the form of pre –import and post –import finance. Since in pre –import finance bank's fund is not involved it is not included in the total loans and advances position of the bank and conversely as bank's fund is involved in post –import finance, the same is included in the over all loans and advances position of the bank. These two categories of import finances include :

i) Letter of credit (L/C) : This is a pre –import finance which is made in the form of commitment on behalf of the client to pay an agreed sum of money to the beneficiary of the L/C upon fulfillment of terms and conditions of the credit. Thus at this stage bank does not directly assume any liability, as such the same is termed as contingent liability. For this type of facility credit worthiness of both the importer and supplier, estimation of total landed cost as well as selling price of the merchandise, ready marketability of the merchandise etc. are of great importance. In granting this type of credit it shall be invariably decided whether the client will require any post import finance and if so same shall be ascertained and decided beforehand.

Financing of commercial imports under this category demands credit personnel' s through knowledge about the marketing aspects of the commodity specially evaluated in terms of its demand, domestic supply as well as country's import situation of the same.

Besides the anticipated demand – supply situation at the estimated date(s) the imported merchandise are expected to reach the market for sale shall also have to be carefully evaluated.

For L/Cs usually bank retains margin in respect of value of the credit and the same is fixed depending on the banker - customer relationship as well as the nature of item. Usually 100% margin is retained in case of importation of perishable items.

ii) Payment against document (PAD) : PAD is a post –import finance to settle the properly drawn import bills received by the bank in case adequate fund is not available in client's account. This is a demand loan for interim period and liquidates by retiring import bills by the client. The bank shall immediately serve a notice upon the client mentioning arrival of documents with a request to arrange retirement of the same immediately.

Export finance:

Like import trade, DHAKA BANK advances in export trade at both pre and post shipment stages. In this type of advance, standing of both opener and beneficiary of export L/C as well as standing of the L/C issuing bank etc. are of important consideration. The terms of export L/C are examined very carefully so as to ascertain the terms of the finance.

The pre-shipment facilities are usually required to finance the costs to execute export orders, such as: procuring and processing of raw materials, packaging and transportation, payment of various fees and charges including insurance premium etc. While post-shipment facilities are directed to finance exporter's various requirements which are required to be settled immediately on the back drop that usually, settlement of export proceeds takes some time to complete. The facilities under both the categories are:

i) Back to Back letter of credit (BB L/C) : BB L/C is a type of pre – shipment finance by way of opening L/C in favor of a local or foreign supplier for purchase of raw materials or the finished merchandise, as the case may be, to execute export order. This type of L/C is only opened on the strength of an export order received by way of an L/C or firm contract with or without realization of cash margin or collateral security depending upon banker – customer relationship.

Since for opening BB L/C, no fund of the bank is immediately involved, the same is not included in the total loans and advances position of the bank. This type of credit is usually opened on identical terms of the export L/C or firm contract except expiry, prices and invoices. The bills under BB L/C are retired from the export proceeds of the relevant exports usually within 180 days from the date of credit.

In awarding this type of facility particular care shall be taken to see that there remains adequate time to process the raw materials /intermediary or finished products imported under BB L/C to execute the work order.

ii) Packing Credit (PC) : To execute export orders under L/C or firm contract the bank awards packing credit facility to meet client's working capital requirement. In this case also bank may or may not retain collateral security depending upon banker –customer relationship. The facility is to be adjusted, usually, within 180 days from the date of disbursement from the relevant export proceeds.

iii) Export Cash Credit (ECC - hypothecation /pledge) : These are the facilities awarded to the noted export oriented concerns with good standing which usually have different export orders round the year. Because of the continuous overwhelming nature of export orders it is often preferred to set an export cash credit against hypothecation of stocks, plant and machineries etc. or against pledge of stocks. In this category usually collateral security is obtained. The facilities are availed like the facilities under cash credit – hypothecation /pledge.

iv) Foreign Documentary Bills Purchased (FDBP) : This is a post –shipment finance allowed to the customer through the purchase /negotiation of foreign documentary bills adjustable from the relevant export proceeds. Bills that are drawn as per the L/C terms accompanied by all the required documents shall only be taken into consideration. No discrepant bills are purchased.

Inland documentary bills purchased (IDBP): This facility is accommodated both for export and local trade.

The payments made by negotiation /purchase of documentary bills against sale of goods to local export oriented industries which are deemed as exports and which are denominated in local or foreign currency are included in this category. Besides local documentary bills purchased in respect of sale to a local purchaser is also included in this category of financing. Bills that are drawn as per the L/C terms accompanied by all the required documents shall only be taken into consideration. No discrepant bills be purchased.

Concept of one obligor: It is usually found that a person does have interest in a number of business organizations. In such cases, concept of one obligor shall be applied to take into account all credit facilities being availed at different branches of the bank by the concerned business so as to determine the ultimate level of stake. All funded and non – funded facilities shall be taken under the concept.

In extending credit facilities application of one obligor concept is mandatory.

In compiling stake under one-obligor followings shall be considered:

i) Credit extended to any entity in which borrower owns a direct interest of at least 50%

ii) Credit extended to any entity in which borrower owns an indirect interest of at least 50%, provided (a) the borrower exercises a degree of management control, either directly or indirectly (b) or if the fate of the indirectly owned businesses are affected by the business of the borrower or by the entities owned directly by him

iii) Credit extended to any entity where the control and /or business dealings of the borrower are of such impact as to influence the credit worthiness of the borrowers in the group.

Landed property as collateral security and valuation thereof:
Although loan is granted on the basis of the credit worthiness of the individual borrower or on the merit of the balance sheet of the corporate borrower, the overwhelming greater part of our lending still require tangible collateral security of which most common form of security is landed property covering the land and structures /fixtures standing thereon. This security is to be realized if the customer defaults.

In becoming landed property as the commonly furnished /accepted collateral security, the prime considerations are its availability and the general understanding that it will increase in value with time.

However, in no way the value of land should relate with the credit granting decision.

Apart form different types of difficulties involving in realizing landed property retained as collateral security, recent experiences particularly in Japan and South Asia show that traditional notions that land could be relied upon, in the face of market forces, to increase in value may not always hold good.

In accepting a particular landed property as security sound title to the property, forced sale value and marketability is of prime importance.

It is preferable that the property stands in the name of the borrower or person(s) who holds direct interest in the borrowing concern. In a very exceptional case, third party ownership may be accepted. However, an enquiry shall be made in the case of third party ownership so as to satisfy about the indirect interest in furnishing such security.

The concerned branch shall value each and every landed property unless specifically relaxed by Head Office to meet a deserving event and such valuation report shall be furnished as per proforma produced under annexure "KHA".

Before branch inspection and valuation, the client shall submit a valuation report from a reputed surveyor /architect /engineer not below the rank of an Asstt. Engineer acceptable to the bank. The client shall counter sign such valuation certificate in token of his affirmation to the description and valuation of the property.

The inspection on behalf of the bank shall be carried out by the manager jointly with the in -charge of credit department in case he is an authorized officer, if not with any authorized officer of the branch. In case of big branches, manager may delegate his inspecting authority to the second officer of the branch after obtaining prior approval from Head Office.

In inspecting the property, the concerned official should extensively go through the schedule of property, approved plan as well as expert opinion and apparently compare relevant information available in those documents during physical inspection of the property.

2.7 Credit policy:

Future is always uncertain and credit personnel's job in placing credit is to define quantify that future to the best possible extent using human intuition, empirical experiences and various mathematical tools in analyzing financial statements performances.

A credit created today on the basis of theoretical analyses, takes a bumpy road of practical journey and several factors consisting of man made as well as others have bearings on it.

Throughout the bumpy journey of a credit, a close and well-thought guidance as well as supervision plays a priceless role in protecting credit not to turn into a discredit.

Putting money at another's lap is no doubt a risky job, but without doing so banker cannot survive. It is mainly through credit that a bank survives and grows in flesh and blood and again it is the credit that can take out the last breath of the bank.

That is why, this faculty of banking demands most talented creativeness of the bankers.

The credit apprising personnel should be through about the prevailing credit policy of Dhaka Bank in force. The officials should go by the sprit of the credit policy set by the bank through 'Credit Policy Guide', Head Office letters & circulars as well as through the deliberations of top management of the bank from time to time.

Diversification of the portfolio:
Branches shall exercise vigilance to avoid concentration of portfolio in a particular sector of the economy or nature of business viz. import, export, trading etc.

However, some branches are located in areas that are earmarked for a particular activity and in such an area optimal diversification may not be possible. If so care shall be taken to diversify within the particular line of business in respect of nature of operation such as producer, importer, wholesaler, retailer etc.

Branches shall also be careful to avoid excessive concentration of advances in the hands of few clients.

Familiarity with the borrower:
Credit personnel should have a through knowledge about the past and present of the borrower. If the borrower is a non –human legal entity, the familiarity should be with the past and present of the controlling persons. Usually there are one or two key persons in an organization irrespective of their position, as Chief Executive Officer of the company and proper care shall be exercised in gathering and dissemination of information about such persons.

This aspect calls for credit appraising official's rapport with the society in the command area, as usually informal ways also have to be used for this job to be done.

Integrity: A basic consideration in extending credit is the integrity of the borrower. Integrity of the borrower can be termed as necessary factor for the selection of borrower. Unless branch is fully satisfied about the integrity of the client, no credit facility shall be extended.

Consideration of human element in borrower's notion towards repayment of bank debt as well as past track record with the bank may throw an insight into the integrity of the existing client.

For a new client utmost care shall be taken to assess integrity of the borrowers usually through face to face interview, track record with other banks /financial institutions, if any, establishing his background and ability.

It shall be kept in mind that although integrity itself will not guarantee repayment of a loan, the honest intention of the borrower to repay the loan is of primary importance. Unless the appraiser is fully convinced that the intending borrower has an honest intention of discharging his obligation, further investigation is useless.

Competence: Competence of the borrower has to be properly analyzed. Competence of a client may be reflected in his ability to furnish the required information as well as in attending the requested assistance.

Besides the bank must know the borrower /management well enough, that the borrower /management fully understands the problems its business /company faces, and that it is taking the appropriate actions to improve and /or restore its credit worthiness.

Purpose: The bank must know exactly what for the money will be utilized. It shall be ascertained at the outset that the intended purpose is a legal one as per existing government policy. Besides, it shall also be ascertained that the selected sector of activity is expected to be sufficiently remunerative to bear the cost of bank finance as well as provides adequate return to cover borrower's expected margin as well. Branches should not entertain financing in a purely speculative purpose.

Credit investigation: Borrower's track record in respect of credit history shall be obtained. This will again consist of both formal and informal sources. Information through informal sources particularly helps to ascertain the credit utilization pattern of the borrower.

Formal sources such as obtaining status report through CIB and bank checking depicts client's present credit position. In a relevant case, care shall be taken to work out borrower's present level of aggregate credit arrangement with all the financing institutions.

Optimum level of credit worthiness: Borrower's optimum level of credit worthiness is very crucial factor in making a decision on a lending proposal. Specially in case of big borrowers this factor shall be carefully evaluated and all the credit facilities extended to the client by all financing institutions shall be taken into account. The branch shall entertain no proposal exceeding the optimum level of credit worthiness of the borrower at a particular point of time.

Extent of facility: The extent of facility requested shall be evaluated properly. The purpose, business type as well as optimum level of operation in respect of sectoral absorption capacity, management capability of business etc. are to be considered to determine an optimum extent of the facility.

Borrower's stake: For appraising a credit, borrower's stake shall be ascertained in real terms. The nature of stake such as cash, fixed asset (in case of project finance) etc. shall also be taken into consideration.

Source and terms of repayment: The repayment proposal of the client shall be very clear in respect of source of repayment as well as terms of repayment. The apprising official must be satisfied with the bonafide of such proposal.

Usually it shall be ensured that the proposed lending is a self liquidating one i.e. the finance in its own accord generate sufficient funds to repay the borrowing within a reasonable period of time. If the lending is not self liquidating, alternative sources shall be carefully checked in respect of its suitability. Generally third party source shall be avoided.

Repayment period: Repayment period is another aspect to be looked carefully. In evaluating this aspect following two factors, among others, shall be considered:

i) That the bank essentially deal in short term fund and as such if the repayment period extends beyond one year the same shall be evaluated, inter alia, in terms of branch's vis – a –vis bank's already undertaken stakes in financing with such repayment schedule and

ii) That branch should be aware in respect of changing economic and political effects on such lending, particularly covering the repayment period.

Risk factors: Every credit carries certain risks and as such risk factors in respect of business as well as security shall be properly analyzed and defined. Wherever relevant mathematical tools shall be applied. To help assess risk factors we can take some steps.

Balance sheet analysis: For corporate clients, analysis of balance sheet is a must. Among the various techniques of analyzing balance sheet we shall concentrate on some of the commonly used techniques while discussing in respect of risk factors.

Profitability: Other considerations being good, profitability of the proposal shall be the prime concern of the apprising officer as because the essential purpose of lending is to maximize profit.

Net spread: Working out of spread or mark –up and net spread are of very importance so as to provide the bank shareholders' with an adequate return on their capital as well as to grow the business.

Spread is the difference between proposed rate of interest on lending and average cost of fund. In case of net spread, with the cost of fund overhead of the branch is added to ascertain branch's net profit from the deal.

Security: Due to wide spread prevalence of default culture and conversely absence of a healthy practice in repayment of debt, we usually insist on tangible collateral securities.

The basic consideration in evaluation of security would be: the easiest to realize, the best. As such best security is cash collateral followed by legal charges over property and other tangible assets.

However regarding security the points to consider are type, value, ownership and reliability.

Usually third party immovable property as security shall be avoided. The situation further aggravates if the third party security is not associated with any other security of the borrower in case of other than corporate concerns. In such a case relationship with the owner of the property and the borrower as well as considerations between them shall be carefully considered and satisfied.

In analyzing security, valuation of it occupies a center place and it has been dealt with separately in our forgoing discussion. Branch should consider 'forced sale value' of the security offered.

2.8 Loan & Advances classification:

2.8.1 Demand loan

These are the loans with fixed repayment terms repayable within one year. The essential difference of this type of loan from overdrafts or cash credit facilities is that this type of facility does not permit the mutuality of operation in the account i.e. the amount once deposited /adjusted is not available for further withdrawal and goes to permanently reduce borrower's liability to that extent.

2.8.2 Term loan:

These are the loans sanctioned for repayment in period more than one year. This type of loan is again sub –divided as follows in consideration of sector of finance:

i) Term loan – industrial: These are the term loans awarded to the industrial concerns. This facility is usually provided to set up a new industrial project or to modernize and restructure an existing one. Since the time frame of this type of lending do not correspond to the duration of bank's prime source of funding, generally bank predetermines the optimum extent of global exposure in this sector. As such, consideration of bank's existing policies and positions in this sector are of great importance in considering a credit request in this sector.

Besides arrays of considerations are involved in this type of financing, some of those are:

a) Government policies such as fiscal, monetary, industrial, import, export etc.
b) Borrower's standing
c) Borrower's past track record in the proposed line of operation as well as in other business activities, if any
d) The suitability of the project under consideration viewed in the broader perspective of its viability etc.
e) Seasonal fluctuations and business cycle.

Financing these types of activities demands a far sight to visualize and quantify a distant future specially up to the period covering the repayment of financing. Since the concerns shall project the business through different financial statements, an expertise to analyze different financial statements is a must on the part of the appraiser of the project.

In this type of finance terms of repayment shall be carefully set and analyzed. Those including the moratorium /gestation period shall be commensurate with the project's very nature. These will go a long way in guiding successful liquidation of obligations by the borrower.

Term loan – others: These are the term loans made to other than industrial concerns. In this case also, a through analysis of the requested facility is required.

2.8.3 House building loan

These loans are a variant of term loans and are the loans made out to finance borrower's house building requirements for commercial and non –commercial purposes. Being a variant of term loan, in this case too banks usually have predetermined optimum exposure level which shall always be kept in mind in considering financing under this category. Besides borrower's standing is thoroughly checked and only fairly cleared clients are entertained.

House building finance for commercial purposes shall ideally be liquidated, within the time frame of repayment, through the income to be generated from the project. However, client's resourcefulness is of paramount importance, the sector being highly sensitive to economic shocks.

Entire gamut covering location, nature of the property whether freehold or lease hold (if lease hold, conditions of lease as well as confirmation of up to date payment of installment etc. shall be considered), estimated cost vis – a – vis borrower's stake, suitability of building's proposed use, duly passed plan /clearance from the competent authority etc. are the considerations, inter alia, in this respect. Like industrial term loan, the repayment schedule and moratorium carry a great weight in this type of finance too. These types of loans are again sub –divided into two categories in respect of the borrower's identity:

i) House building loan – general: These are the houses building loan made to other than an employee of the Dhaka Bank.

ii) House building loan – staff: These are the houses building loan made out to the employee of Dhaka Bank.

2.8.4 Transport loan:

This type of loan is made to facilitate purchase of transport of all types such as: road transports, watercrafts, aircrafts etc. However, commonly financed transports are road transports. Only brand-new and 100% reconditioned transports are eligible for financing. In case of importation of the vehicle total landed cost is to be calculated and retirement arrangements shall be determined before hand. This category of finance may be of short term or long term depending upon the nature of particular advance. Nevertheless, in this sector also bank usually has a predetermined global level of stake to be under taken. Transport loan is also sub –categorized, as below, in respect of financing to the staffs of Dhaka Bank and to others.

i) Transport loan – general: These are the transport loans made to other than an employee of the Dhaka Bank for commercial purposes. Land transport loan made (for personal purpose) to other than an employee of Dhaka Bank falls within the purview of 'consumer credit scheme'. The water and aircraft loan is usually granted for commercial purpose and no such loan for personal use purpose shall be allowed unless bank is highly satisfied about the resourcefulness of the borrower and usually it is secured collaterally by securities representing high marketability and non –vulnerability in terms of forced sale value.

ii) Transport loan – staff: These are the transport loan made out to the employees of Dhaka Bank.

The transport loan awarded to other than Dhaka Bank employees usually attract suitable collateral security. For providing finance for commercial purposes, apart form borrowers stake at the proposal his credit worthiness, resourcefulness etc. are thoroughly determined. An extensive analysis is made to ascertain different aspects of the proposed credit such as: borrower's experience, managerial ability, that the proposed route /purpose has adequate room for the proposed entrant etc. In this type also the repayment period and terms including gestation period should reflect the reality of the finance.

2.8.5 Syndicated loan

These are the loans usually involving huge amount of credit and as such to reduce a particular bank's stake a number of banks /financial institutions participate in such credit, known as loan syndication. The bank primarily approached /arranging the credit is known as the lead or managing bank.

iii) Loan against imported merchandise (LIM) : This is another post –import finance awarded to retire import bills directly or under PAD as the case may be. Bank usually retains margin on the total landed cost of the merchandise, extent of which depends upon banker – customer relationship. In this case imported merchandise remains in possession of the bank. The operation on this type of facilities usually corresponds with the facilities under 'cash credit – pledge'.

In case of forced LIM branch should be satisfied that the forced sale value of the merchandise covers the bank liabilities with interest, if not possibilities are to be checked to recover the liabilities through sale of the documents.

The clearance of the goods shall be arranged through bank's approved C & F agent.

iv) Loan against trust receipt (LTR) : This is also a post –import finance facility awarded to retire import bills directly or under PAD as the case may be. Like

LIM in this case too bank may or may not realize margin on the total landed cost, depending upon banker – customer relationship. However, unlike LIM, in this category of finance possession of the goods remains with the borrower and the borrower executes 'letter of trust receipt' in acknowledgement of debt and its repayment along with interest within agreed period of time.

In this type of advance, proceeds of every sale must be deposited with the bank irrespective of validity of the facility.

Since goods are held in trust, any misappropriation of the same will entail the borrower to be liable for initiating 'criminal' charge against him.

Advances:

The advances are usually categorized into secured and unsecured depending upon the extent of tangible assets held as security there against.

2.8.6 Secured advances:

Secured advances are those advances that are secured by tangible assets of adequate value that has been encumbered to the bank through legal process and has either constructive or actual control of the same.

This tangible security is in addition to personal guarantee and is meant to fall back upon in case of non –repayment of an advance.

The security of an advance may be of two types viz. primary and collateral.

i) **Primary security :** Primary security is the security against which advance is made. The primary security may be tangible (such as goods in trade, lien on deposits etc.) or intangible (such as personal guarantee). Usually on the basis of primary security margin of a loan is fixed and drawing power is calculated.

ii) **Collateral security :** Collateral security is the security taken in addition to the primary security to further protect bank's interest. It may also be tangible (such as fixed assets) or intangible (such as third party guarantee). The collateral security may be from the borrower as well as from a third party, valuation of which usually does not have any bearing on the drawing power of the borrower.

2.8.6 Unsecured advance

Unsecured advances are those advances that are not secured by tangible assets. In this category of advances usually personal guarantees are obtained and only borrowers with high credit worthiness are awarded with this type of facility.

As a general rule, branches shall not extend any unsecured funded facility.

Credit worthiness of a borrower: It is a very comprehensive term and usually covers both objective and subjective considerations about the borrower.

Client's past performance, resourcefulness as well as willingness to pay etc. are the considerations to form the opinion in respect of his credit worthiness.

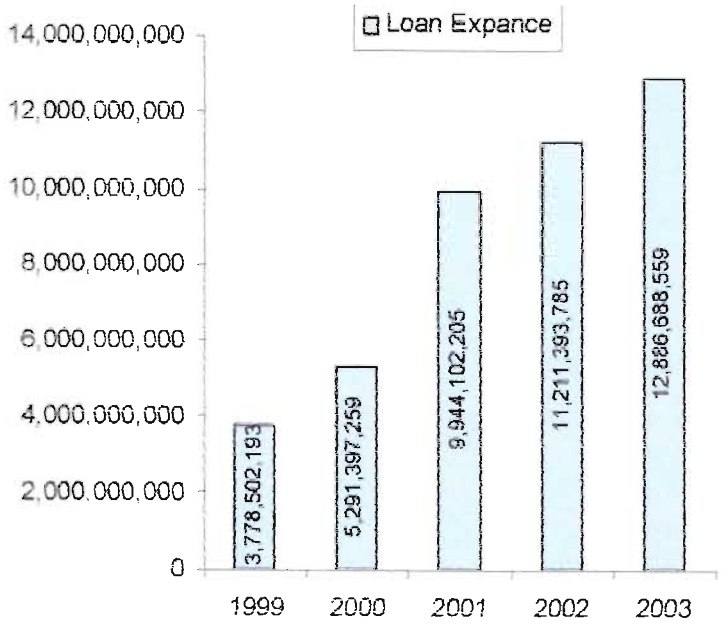
Approval of advances : Approval tires ranges from Board of Directors down to the branch. For branches specific lending authority shall be issued from Head Office, at its discretion, to the branch incumbent detailing the modus operendi of such delegation. Credit requests beyond lending authority shall be forward to Head Office, Credit Division for consideration, the same being properly appraised and recommended.

Rate of interest /commission etc. on advances: Interest on all types of loans and advances as well as commission, charges etc. on different types of services rendered in connection with the extension of credit shall be as determined and circulated by Head Office from time to time. The Head Office circulars on lending rates and charges as well as guidance provided in lending authority letter in this respect, if any, shall be followed strictly unless otherwise is specifically instructed /approved by Head Office.

Commitment fee : In case of prior commitment in respect of an advance, a commitment fee shall be charged at the rate to be determined by Head Office considering customer's standing, bank's exposure, type of advance as well as other aspects of the commitment.

2.9 Loan disbursement:

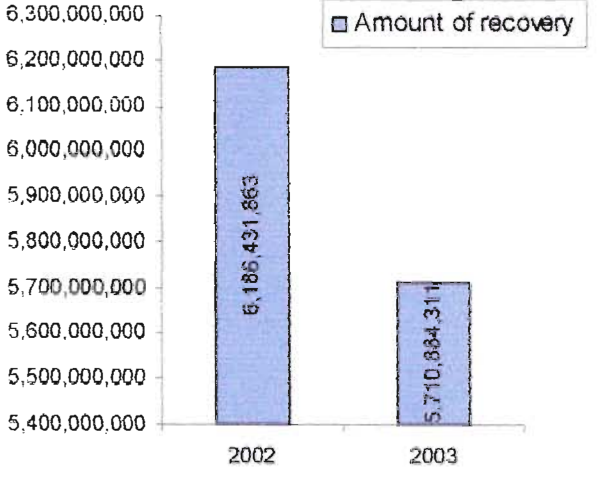
By far the largest asset item is loans, which generally account for half to almost three-quarters of the total value of all bank assets. Moreover, risk in banking tends to be concentrated in the loan portfolio. When a bank gets into serious financial trouble, its problems usually spring from loans that have become uncollectable due to mismanagement, illegal manipulation of loans, misguided lending policies or an unexpected economic downturn.



In 1999 the loan expanse was Tk. 3,776,502,193 where in 2003 the loan expanse almost three times then 1999. So it means that their loan portfolio is increasing.

2.10 Recovery performance:

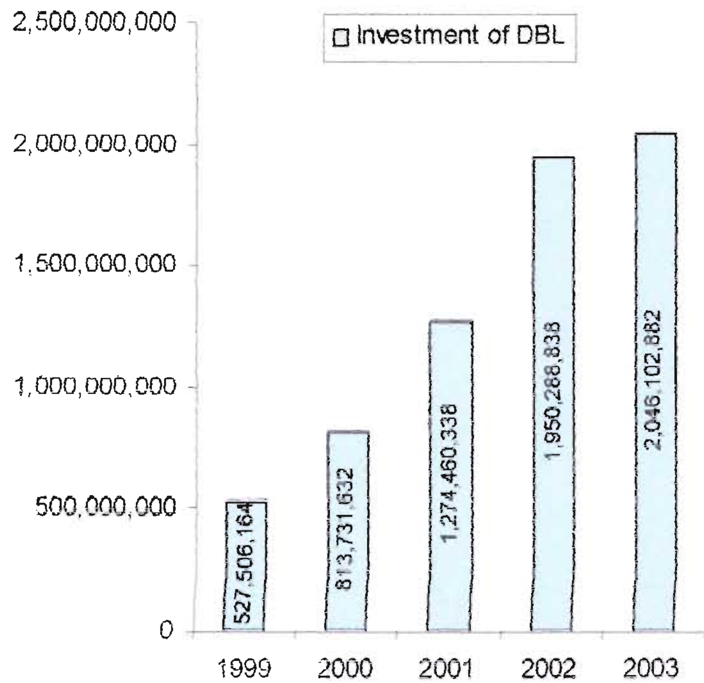
	2003	2002
Number of the clients	66	41
Amount outstanding Advances	7,734,189,916	6,962,854,816
Amount of recovery	5,710,884,311	6,186,431,863
Amount of Classified	-	170,805,296



The recovery performance of DBL in 2002 was 6,186,431,863. Where in 2003 it was decreasing. Which are 5,710,884,311.

2.11 Investment of DBL

Dhaka Bank Ltd invests in different sector. They are earning lots of money from their investment. They invest Government Securities like- Treasury bills (at face value), prize bond (at cost). They have also invested other sector like- shares in quoted companies (at cost), ICB Debenture (at face value), other debenture, other investment (Dhaka Stock Exchange, Chittagong Stock Exchange & Central Depository of Bangladesh Limited).



From 1999 to 2003 every year their investment is increasing.

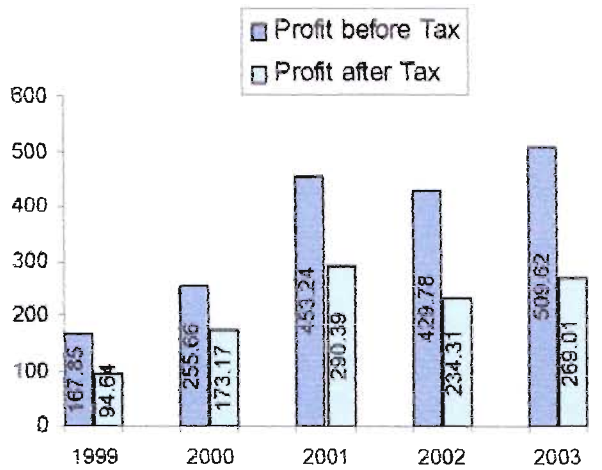
Chapter Three

3. Analyzing of the performance of DBL

Dhaka Bank Limited Financial Performance:

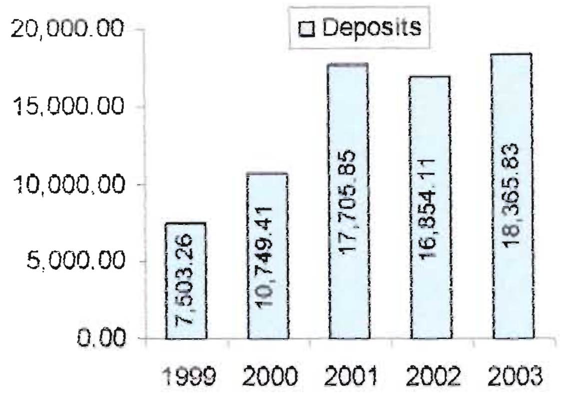
3.1 Profit:

Dhaka bank Limited registered profit of TK. 509.60 million as of 31st December,2003. After all provision including 1% General provision on Unclassified Loans profit Tax stood at Tk.240.61 million with a net profit of Tk.269.01 million compare to the previous year's Tk.234.31 million.



3.2 Deposit

As of December 2003 total deposit of the bank stood at Tk.16, 850.83million excluding call/overnight as against Tk.14, 964.01 million excluding call/overnight of the previous year. In the year 2003 we emphasized on lowering the rat of interest on deposit to achieve a lower cost of fund. The initiative is intended to enough will continue in future as a part of our support towards economic developments.

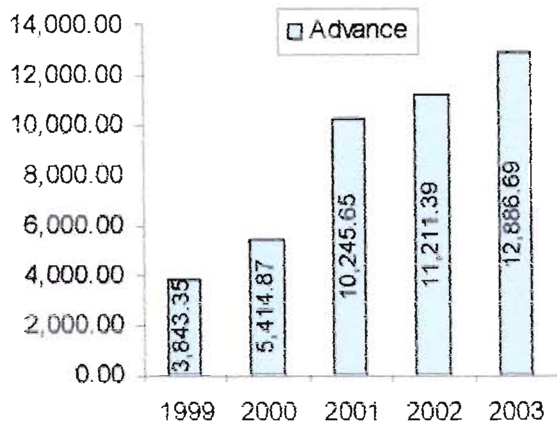


3.3 Advances

Our emphasis on maintaining the quality assets has rendered us a diversified and well-designed advances portfolio. The Bank recorded a 14.94% growth in advances with a total loans and advances portfolios of Tk.12, 886.68 million at the end of December, 2003 compared to Tk.11,211.39 million in 2002.

A wide range of business, industry and sectors constitutes the Bank's advances portfolio. Major sectors where we have extended credit include, Textile and Technology, Shipping, steel and Engineering, Energy, Chemicals, Fertilizers, Pharmaceuticals, Cement, Construction and Personal Loan/Customer Credit.

Sectoral allocation of our advances reveals a well-diversified portfolio of the bank with balance exposure in different sectors. High concentration sectors are Engineering, Basic Metals and Products for Tk.1'038.79 million, Trading business for Tk.4,823.17 million, Construction for Tk.1,696.44 million, Textile Sector for Tk.471.43 million as at the end of December 2003.



3.4 Net interest margin

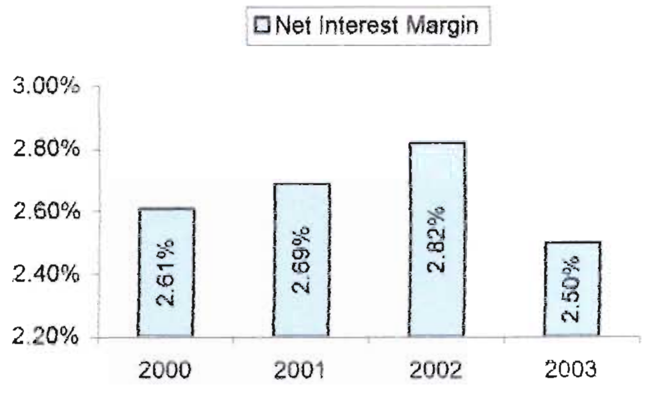
Net interest margin is the first category of return management. Higher margin will desirable. An increase in interest margin leads to increase in net income, which magnifies return on equity. But the net interest margins will not that much concern, if the bank's other cost likes salaries and occupancy cost below average.

Net Interest Margin over the Time Period of DBL

Table –1

Year	Net Interest Margin
2000	2.61%
2001	2.69%
2002	2.82%
2003	2.50%

From the table it can be told that DBLs net interest margin shows a positive trend from 2000 to 2002. It reveals their invest in large amount in the following three years which is yet to mature or give output. But in 2003 net margin is lowest. This is indicates DBLs strength in managing earning assets to produce low interest than interest expense.



3.5 Net Margin

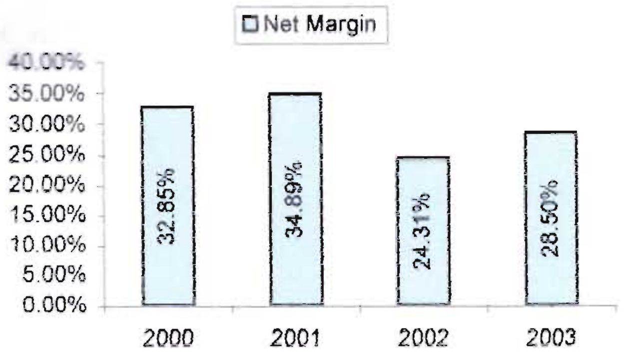
Net margin reflects both its interest margin and its ability to all other costs, including taxes. Therefore, it is very considerable concern. Higher net margin will desirable.

Net Margin over the Time Period of DBL

Table –2

Year	Net Margin
2000	32.85%
2001	34.89%
2002	24.31%
2003	28.50%

The net interest margin is positive. This reflects other coasts in addition to interest expense had decreased rapidly. The net margin following year 2000 to 2001 net margin increases at an increasing rate. But in 2002 it is also decreasing and 2003 also. It can be said that they are becoming less efficient in managing their expense.



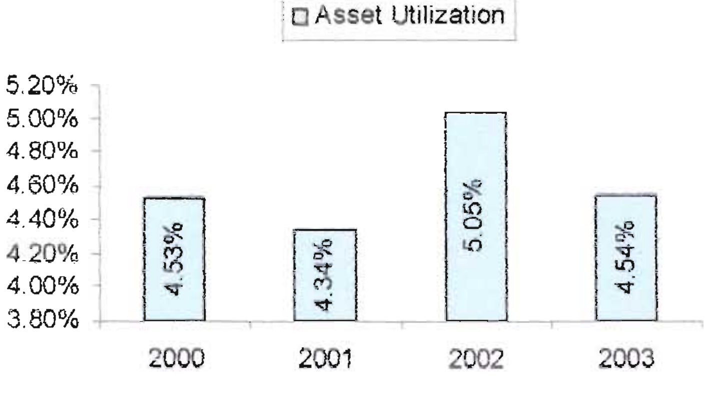
3.6 Assets Utilization

Asset utilization indicates how bank utilize their asset to earn revenue. Asset utilization is strongly affected by how much a bank has invested in their earning asset.

Asset utilization over the Time Period of DBL

Table –3

Year	Asset Utilization
2000	4.53%
2001	4.34%
2002	5.05%
2003	4.54%



In 2002 Asset Utilization was highest. But in 2003 it is again fall down. So they can't utilize their assets properly. They need proper management for assets utilization.

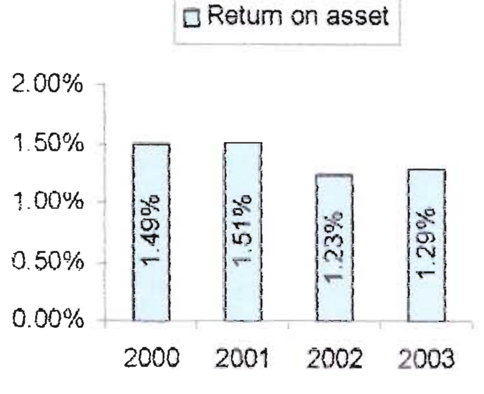
3.7 Return on Assets

The ratio of net income to total assets; It provides an overall return on investment earned by the bank. As mention earlier that return an assets positively related with net margin and asset utilization. Because, net margin times asset utilization is the return on asset. Return on asset indicates the amount of income the bank has generated out of its total assets. Higher the returns on asset of a bank better the performance of the bank

Return on Assets over the Time Period of DBL

Table –4

Year	Return on asset
2000	1.49%
2001	1.51%
2002	1.23%
2003	1.29%



The return of the assets in 2000 was 1.49%, where in 2003 it was 1.29%. Which mean the performance of bank was not strong. They bank need to increase their net income.

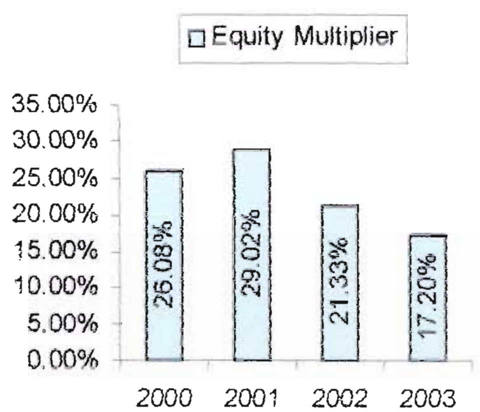
3.8 Equity Multiplier

The multiplier is a direct measure of the bank's degree of financial leverage- how many dollars of assets must be supported by each dollar of equity (owners') capital and how much of the bank's resources there must rest on debt. Because equity must absorb losses on the bank's assets, the larger the multiplier, the more exposed to failure risk the bank is. However, the larger the multiplier, the greater the bank's potential for high returns for its stockholders.

Equity Multiplier over the Time Period of DBL:

Table –5

Year	Equity Multiplier
2000	26.08%
2001	29.02%
2002	21.33%
2003	17.20%



In the table from 2000 to 2003 the equity multiplier is decreasing. So the bank will get less return for its stockholders.

3.9 Return on Equity

The ratio if net income to equity; return on equity is the product of leverage multiplier and return on assets. It is important measurement of banking returns because it is influenced by how well the bank has performed on all other return categories and indicates whether a bank can compare for private sources of capital on the economy. Management's fundamental objective is to maximize the shareholders wealth, which can be attained by increasing the return on equity. Return on equity has a positive relation with leverage multiplier up to certain stage. Banks may be higher than yield that earns on investing debt. Then it will be compensated yield on capital. Some times cost of debt will too high compensate by yield on capital. Higher return on equity is desirable.

Return on equity over the Time Period of DBL

Table –5

Year	Return on Equity
2000	38.78%
2001	43.92%
2002	26.17%
2003	22.23%

Return on equity will increase if bank use heavy debt and minimum use of owner's capital. But in 2002and 2003 they are using less debt and high owner's equity. As result the ROE ifs decreasing.

3.10 Liquidity risk

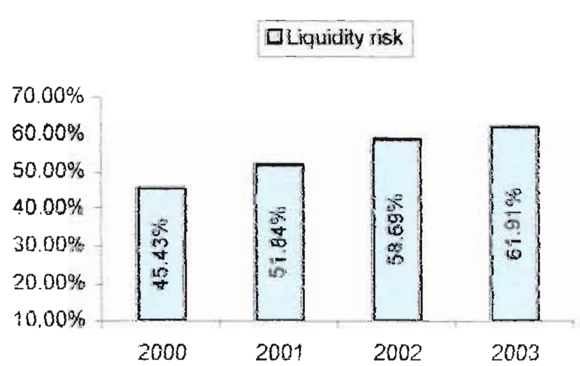
Bankers are also concerned about the danger of the not having sufficient cash and borrowing capacity to meet deposit withdrawals, loan demand and other cash needs. Faced with liquidity risk a bank may be forced to borrow emergency funds at excessive cost to cover its immediate cash needs, reducing it's earning.

Liquidity risk over the Time Period of DBL

Table –6

Year	Liquidity risk
2000	45.43%
2001	51.84%
2002	58.69%
2003	61.91%

In the table liquidity risk is increasing from 2000 to 2003. It means they have not sufficient cash and borrowing capacity to meet deposit withdrawals, loan demand and other cash needs. So they need more fund to cover its immediate cash needs.



3.11Credit Risk

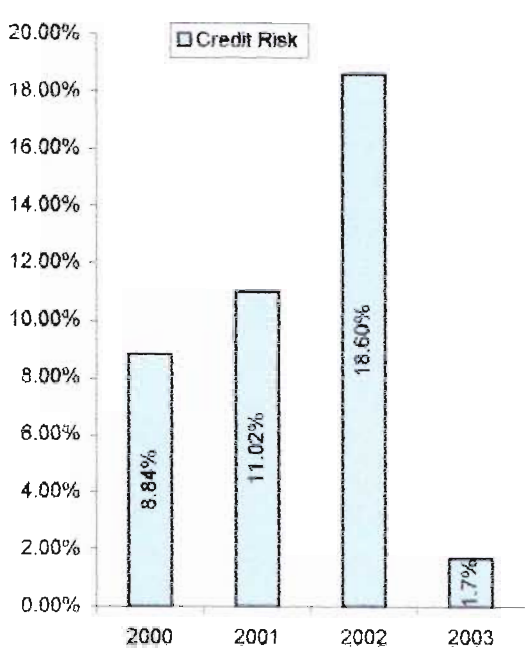
The probability that some of a bank's assets, especially its loan, will decline in value and perhaps become worthless is known as credit risk. Because banks hold little owners' capital relative to the aggregate value of their assets only a relatively small percentage of total loans needs to turn bad to push any bank to the end of failure. The following are four of the most widely used indicators of bank credit risk.

- The ratio of no performing assets to total loans and leases.
- The ratio net charge-offs of loans to total loans and leases.
- The ratio pf the annual provision for loan losses to total loans and leases or to equity capital.
- The ratio of allowance for loan losses to total loans and leases or to equity capital

Credit Risk over the Time Period of DBL

Table –6

Year	Credit Risk
2000	8.84%
2001	11.02%
2002	18.60%
2003	1.70%



In 2002 the Credit Risk is very high. But in 2003 the Credit Risk is very low which is good for the bank.

Chapter Four

4. Problems of DBL

While working at DBL, I have attained a newer kind of experience. After collecting and analysis data I have identified some problems of the DBL. These problems are completely my personal view of point, which is given below:

4.1 Lack of Commitment

DBL has committed to their prospective customers to honor it's of check within one minute after submission but unfortunately they are not able fulfill this.

4.2 No Marketing Department:

Currently at DBL's have no sales department for retail Banking. Now the world is too competitive where the competitor established outside sales agent. They help to impressed customer. But in DBL employees have to bring customers to increase deposits. As a result their concentration is lacked upon work.

4.3 Conservative Banking Approach (Risk Avers Approach)

Every organization has its lack in different position. The main weakness of DBL is its behavior towards the conservative approach. The bank always follows the policy of risk averse. In the world of today all the organization are moving in approach of risk taking. The aggressive are very much effective in the business environment. So the bank is lacking is lacking behind in the risk taking. As a result it is facing some problems and also facing competition from other banks.

4.4 Centralized Decision Making:

The scope for bottom up communication is very limited and bright ideas or opinions are not being able to climb up the ladder to the top management. Idea remains their forever.

4.5 Few Staff meeting:

Is has been observed that there are very few staff meeting and depart meeting at the branch level. During the last four months there was one staff meeting and one departmental meeting. This is not a good management practice. This meeting held during the deposit campaign.

4.6 Recruitment Policy:

During its inception, DBL has not always recruited competent people in filling up its lower and mid level position. They recruit only once a year. This is really tough to recruit high skilled employees.

4.7 Lack of Qualified System Operation and Computer Operation:

Three months ago they introduce new software for their internal network system. As a result they can link with any bank. But this software is too complicated. This is not possible to operate without proper training. Where they didn't give any training. As a result everyday employees are facing problem and their service quality is decreasing.

4.8 Few Staff:

Where they need at lest three staff they are using only two staff. Sometime they use only one staff. They are thinking if there is less staff then their cost will less. As a result they can earn more profit. But they are not thinking as a result their service quality is decreasing day by day.

4.9 Staff Loan:

They are taking same interest from loan as they are taking from their customer. As a result staffs are less interested for taking loan.

4.10 Credit Card:

They are giving Vanik Credit Card that is not popular and maximum shops don't except it. So people are not using this card any more.

Chapter Five

5. Suggestion to over come the problem

I have tried focus and analyzed on Operation performance of Dhaka Bank Ltd. I have tried to identify the process of disbursement of loan, performance and problems of the bank as a whole. I have found a fewer number of factors, which help the achievement of ultimate goals of DBL. It is not easy to find out the solution for an inexperience internee like me. But I do believe that the suggestions mention below will obviously increase the efficiency of DBL.

5.1 Advertisement and promotion:

DBL should pursue an aggressive advertising campaign in order to build up a strong image and reputation among the customer. It gives up the idea of magazines, more billboards, neon signs, publicity massages and promotion campaign.

5.2 More Appropriate Recruitment Policy:

DBL must pursue a strong an effective recruitment system so that the right people are recruited at the right job. It is worth spending more on attractive qualified human resources than getting the wrong people in the wrong positions. They can recruit at least twice every year.

5.3 Improve network System and staff training:

There is no question about the returns to scale for the banks that developed their financial products and built the delivery system on a global scale. The Bank whose network system is strong, they have competitive advantage over the financial institutions. In the electronic world the nature of competition is different and efficient bank can get a benefit from being and innovator, which sticks with a bank for long time. DBL is using new software for their internal network. But staffs are not well trained for operating new software. So they should give them trained.

5.4 Staff Loan:

DBL does not give any special offer for their staff loan. If they take less interest from their staff than they can increase their loan portfolio. The default in staff loan is almost zero.

6. Conclusion:

Today's business is very competitive and complex. To survive in the related sector the organization need competitive people and has to take some effective policy. Banking sector in Bangladesh. For any country it plans an important role in economic activities. Bangladesh is no exception of that. As because of it's financial development and economic developments are closely related. That is why the private commercial banks are playing significant role in this regard.

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

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

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

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