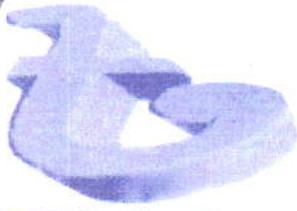


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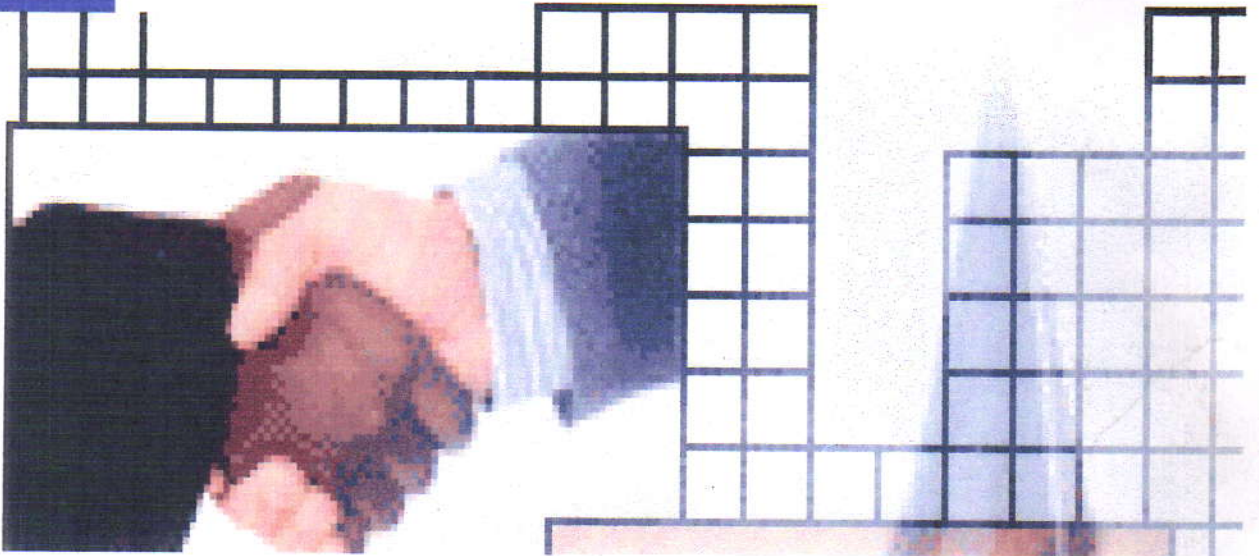
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Southeast Bank Limited
Southeast Bank Limited

A bank with vision.

Report - 91





An appraisal of overall financial performance and
operations of Southeast Bank Limited.



Report on:

Overall financial performance and operations of Southeast Bank Limited.

**Prepaid for:
Dr. Tanbir Ahmed Chowdhury
Associate Professor
Finance.
East West University**

**Prepared by:
Md. Abu Baker Siddique
ID: 2000-1-10-060
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Date of Submission: May11, 2004.

Dr. Tanbir Ahmed Chowdhury,
Project Supervisor
Associate Professor
East West University
43 Mohakhali, C/A
Dhaka.

Subject: Submission of the final project paper.

Dear Sir,

Here is the project on the financial performance evaluation and operations of Southeast Bank Limited, you assigned me to prepare. I have found the work quit interesting and valuable. I have tried my level best to prepare it bona fide and worthiness. I believe I have collected the most hypnotic data, though I have some barriers and lack of facilities.

I am especially thankful to you for directing me to work on this project.

I respectfully hope that my paper on the financial performance evaluation and operations of Southeast Bank Limited meet your requirements. I truly admire this project. If you need any assistance in interpreting my analysis, please call on me.

Sincerely yours,

Md. Abu Baker Siddique

ID # 2000-1-10-060



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ACKNOWLEDGEMENT

As per business graduation requirements of East West University, I was assigned to prepare a project report on any financial institution or bank. With the advice of Dr. Tanbir Ahmed Chowdhury, the respected associate professor (EWU) I select Southeast Bank to prepare the required report. This report is the result of my effort and a helpful pleasure of many other sources.

My advisor assigned me to evaluate the financial performance and the overall operations of the SBL. I made my possible effort to make an overview of presenting the above directions. Certain inspiration and assistance from the personnel of SBL, especially Mr. Nur-e-Alam, (accounts officer), can be also acknowledged with proper respect. They were simply helpful giving some exclusive financial and their business information.

Initiative actions, recommendation and conclusion of this report were based on practical experience on the report information those are collected and different course book instruction.

Lack of experience disabled me to make the report complete.

Finally, I am thanking my supervisor **Dr. Tanbir Ahmed Chowdhury**, to allow me preparing this report under his supervision. I am thanking him again for his kind help and careness supervision over the last three months, though he was very busy and under some serious family problems.



Executive summery:

I have prepared this report on Southeast Bank Limited. My focus was on the financial performance of the bank and its overall operations. I have prepared this report under five parts. These are: Introductory part, about the bank, overall operation and activities of the bank, financial performance evaluation of the bank and conclusion.

In the introductory part, I discussed about the introduction, objective of the report, methodology, scope of the report and limitations of the report. Then in the second part I broadly describe about the historical background, mission, objectives, values, special features of the bank.

Then in the part – C, I described the overall stricture and various working divisions of the bank and a brief description about the services of the bank. This part gives idea about the operations of the bank.

Then in part – D, I analyzed the financial performance of the SBL. In this part financial performance are analyzed under du-pont analysis, common size statement analysis and ratio analysis.

In the last part, I find out some problems with the bank and I have tried to give some possible suggestions with respect to the market conditions.



1.0 Part – A:
Introductory part



1.1 Introduction:

Always there are two groups under consideration of financial condition, one is the surplus unit and another one is the deficit unit. So, among these two groups easy transaction of money is very necessary and important for balance. Banks and financial institution do this important job. To transfer of money among surplus units and deficit unites, 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 weak 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 we don't research the present condition of the banking sector, we could not be able to improve this important sector of our country.



1.2 Objective of the study:

Firstly, the Objective of the study report, it is a requirement of business department of East West University to complete the course.

Secondly, as a business graduate it is very necessary to understand that how the banks are performing.

Thirdly, the objective of the report is to understand the theoretical part that has been completed, by matching it with the real life situation.

1.3 Scope of the report:

The banking sector of any country provides information about the economical condition of the country. So, all of us should expect the improvement of the banking sector. But for doing this rapid research on the banking sector is required. So, when I was preparing this report I got available information's and required instruments to complete this report.

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



1.4 Methodology of the study:

To prepare the report I took the greatest support and valuable suggestion from my instructor Dr. Tanbeer Ahmed Chowdhury. According to the suggestion of him I prepared the whole report. Then I went to the head office Branch of Southeast Bank Limited. I took interview of several employee of the bank that also helped me a lot. I collect annual report and some articles on the bank and some books related with banking sector. Then with the help of all these persons and instruments I prepare this report.

1.5 Limitations of the report:

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.
3. Due to unbalance political situation and hortal I face many problems to conducting the report.
4. The annual repot of 2003 was not audited and there were some mistakes.



5. The components of the income statement and the balance sheet were not clear enough to understand. The total current assets, total fixed assets, inventory, current liability, long-term liability was not shown in the annual report clearly.
6. Office secrecy was one of the most important problems.
7. Availability of time was another problem. I was continuing another four subjects with preparing this report in this semester.



**2.0 PART-B:
About the Organization.**



Bank is a service-oriented organization. With the networking wide geographical area coverage it emphasizes on its improved services for existences and prosperity. Private sector commercial banks are private companies operate under the legislative framework, which covers both Company Act, and Banking Company Act. Like all business entities bank's main objective is to maximizing stockholders equity and solvency.

2.1 World economy:

The year 2002 may be characterized as a year of turmoil and recession in terms of both political and economic events. Global slowdown which started during the year 2001 gradually took momentum and further went down during the year 2002. The growth that was 4.7% during the year 2000 came down by 2.5% during the year 2001. In this Issue of April 2002 of world Economic Outlook growth was projected at 2.8% during the year 2002. Easing of microeconomic policy in the advanced economies to maintain business policy in the Advanced, completion of inventory cycle adding momentum to economic activities in the USA including retaining of crude oil price at lower levels contributed to the slow economic growth throughout the World. The economic trends during the 3rd quarter of 2002 showed that the recovery to higher growth rate as has had been forecast was slower due to volatile situation in the Middle East.

Confidence of entrepreneurs and consumers suffer a jolt from fall in market prices in the USA and Europe following collapse of some major corporate bodies and unearthing of economic scandals of huge magnitude. The uneasy and precarious situation looming large on the economic scenario over the threat of war in the middle East had adverse effect on the earlier projection for growth in trade and commerce. The growth outlook for Japan, on of the industrial giants continues to be negative.



The world trade is expected to recover from negative growth in the year 2001 to a modest one of 2.5% in 2002. The developing countries as group are expected to attain an export growth of 4.8% and import growth of 6.4% during the year 2002. Inflation is expected to remain low in all the regions of the world during the year 2002.

In developed economies of the world inflation decreased to as low as 1.30% during the year 2002, the lowest level ever on record. This resulted in poor economic growth throughout the world which decreased the per capita income and consumption of goods and services. There is a apprehension that the deteriorating situation in the Middle East and probable increase in the oil price would give a massive jolt to the world trade and commerce and world destabilized the global economy. Exports would be heavily curtailed the global economy. Exports would be heavily curtailed creating adverse situation in the economy of May of the third world countries including poorer nations of Africa, Central America and other small states and countries.

2.2 Trade in Bangladeshi Economy:

Against the backdrop of the above mentioned unfavorable outlook in the external front of the country, the Bangladesh economy during the current financial year faced the challenge of sustained growth while address the budget deficit and accommodative monetary policy. This resulted in erosion of foreign exchange reserves to an uncomfortably low level. The foreign exchange reserve held by Bangladesh Bank stood at US\$1,509.9 million at the end of November 2002 as against US\$1,788.6 million at the end of October 2002 .During the moth of December, the foreign exchange reserve had shown some improvement due to higher remittance from expatriates working in different countries of the world. During July to October, 2002 the workers remittance increase by US\$240.8



million or 32.98% and reached to a level of US\$971.76 million as compared to US\$730.99 million during July – October, 2001.

To contain deterioration of foreign exchange reserves, Bangladesh Bank tightened its monetary policy and also temporarily imposed mandatory margin many importable items for domestic consumption. The Bank rate was lowered from 7% to 6% towards easing the high borrowing cost of investors in a low inflation environment. As a result, the commercial Banks in the country reduced their lending rates in a competitive market scenario. These measures enabled a higher credit growth of 13.90% in the private sector and 10.51% in the public sector to the country.

Broad Money (M-2) increased by Tk.5, 679 or 0.56% to Tk.1, 021,548 million during October, 2002. During July to October 2002, the broad money increased by Tk.35, 388 million or 3.59% with increase in net foreign assets by Tk.9, 237 million. Inflation measured in 12 months average increased the consumer price index which stood at 2.92% on September 30, 2002 compared to 2.35% in June, 2002. Domestic credit increased by 2.93% from July to October 2002. The increase was mainly on account of the private sector which contributed 3.76%.

According to Bangladesh Bureau of Statistics estimation, the real GDP growth slowed down from 5.3% of the financial year 2001 to 4.8% during the financial year 2002. The decline is mainly in agricultural sector contributing about a quarter of the GDP. In the industrial sector particularly in the small scale industries, there had been some gains in growth rate but large and medium scale manufacturing industries and other sub-sectors experienced lower growth. The weakness mainly arose from poor export performance.

The Banking sector more particularly the private sector Banks of 1st to 3rd generation made significant progress and growth in terms of specialized services



through introduction of new products and switching over electronic banking pace with developed countries of the world. The 30 Banks in private sector made a total operating profit of Tk.13, 140 million and growth rate was around 5% which might be termed as encouraging in the backdrop of worldwide recession.

Bangladesh Bank has been playing the all important role for bringing out discipline and dynamism in the banking sector of the country. It has remarkably strengthened its supervision over the Bans. Reform program's to stamp out ills from the banking are also being implemented. Default-culture is seriously retarding the growth of the national economic. Due to stringent supervision and control being exercised by Bangladesh Bank, there had been a significant progress in the Reduction of percentage of classification loans in the banking sector.

2.3 An overview of SBL at present:

Southeast Bank Limited has been achieving a continuous growth rate in all spheres of banking operations since establishment of the Bank in the year 1995. It is heartening to mention here that during the year 2002, the Bank earned an operational profit of Tk.492.56 million registering an annual growth of 0.09% over that of the previous year despite the difficult situation in the economic scenario of the country during the later part of 2002. The Bank adequately covered capital adequacy ratio as fixed by Bangladesh Bank and maintained a Return on Asset (ROA) @ 1.34% during the year 2002. The Bank opened six branches during the year 2002 and the network of branches of the Bank increased to 19 (Nineteen). In 2003 the bank opened four more branches in business potential areas of Dhaka, Chittagong, Sylhet and other areas of the country. This accomplishment of the Bank during the year had been possible because of the service excellence



of the management team with the support by way of policy directives and guidelines from the Board of Directors.

2.4 Historical background

Privatization of banking sector is an outcome of the deliberate policy change by the government of Bangladesh in the late 1970. The present day banking structure has evolved over several decades. The far-reaching program of economic reform is being carried out at present towards efficient utilization of scarce resource and the development of private entrepreneurship. In a fast changing business environment, financial intermediaries are gradually being left to be guided by market forces rather than regulations. Competition is strengthened by the entry of new and innovative providers of financial services through the development of Money market and Capital Market. Under the ongoing financial liberalization Southeast Bank Ltd. emerges as a new bank in private sector to operate at the commercial area of Bangladesh. Southeast Bank Ltd. is a scheduled commercial bank in the private sector established under the Bank Company Act 1991 and incorporated as a public limited company under the Companies Act 1994. It has been commenced banking operations through the Principal Branch at 1, Dilkusha C/A, Dhaka, May 25, 1995. The former Finance Minister of the country, Mr. M. Saifur Rahman, inaugurated the branch. During the short span of time, Southeast Bank Ltd. Had been successful to position itself as a progressive and dynamic financial institution in the country. The bank had been widely acclaimed conglomerates; including the top rated corporate borrower for forward-looking business outlook and innovative financing solutions.



2.5 Special Features of the Bank:

- It is the pioneer in introducing different customer friendly deposit schemes to encourage savings of people for challenging the same to the productive sectors of the economy.
- The bank is committed to continuous research and development to provide modern services.
- Operations of the bank is fully automated to provide quick and prompt services to its customers.
- The bank believes in customer relationship management to assess the needs of every individual customer and to fulfill that on time.

2.6 Mission of Southeast Bank Ltd.:

- High quality financial services with the help of latest technology.
- Fast & accurate customer service.
- Balanced growth strategy.
- High standard business ethics.
- Steady return on shareholders' equity.
- Innovative banking at a competitive price.
- Deep commitment to the society and the growth of national economy.
- Attract and retain quality human resource.



2.7 Organizational Goals:

- To employ funds for profitable purposes in various fields such as small – scale, medium-scale trading companies and especially in heavy industries such as corporate financing.
- To search for newer avenues for investment and develop new products to suit such needs.
- To undertake project promotion to identify profitable areas.

2.8 Objectives of the Bank:

The bank is designed to provide commercial and investment banking services to all types of customer ranging from small entrepreneur to big business houses. Beside investment in trade and commerce bank participates in the socioeconomic development through the participation in priority sectors like agriculture, industry, housing and self-employment.

The main objectives of SBL are as follows:

- Profit maximization.
- To provide excellent customer services to its potential.
- To provide standard financial service.
- Ensuring errorless operations.



2.9 SBL Values:

- Full fledged commercial banking service including collection of deposits, short-term trade finance, and working capital finance in processing and manufacturing units, financing and facilitating international trade.
- Technical supports to small –scale industries in order to enable them to run their enterprises successfully.
- Term loan to industries especially to small-scale enterprises.
- The bank such as Marriage savings schemes (MSS) offers different types of deposit schemes, Educational savings scheme (ESS) and pension savings scheme (PSS).
- Creates a new opportunities for its valuable clients.

2.10 Operational Functions of SBL:

Southeast Bank Limited encompasses the activities of Deposit Mobilization, financing of Trade, Commerce, Industries and foreign trade within its range of functions. It extends credit facilities to the priority based and targeted sector like Textile, Pharmaceuticals, and Tea Tannery etc. through the earnest effort of top management and under the guide lines of Bangladesh Bank.



3.0 PART-C:

Organizational layout of Southeast Bank Limited:



3.1 Major Divisions of SBL in the corporate headquarter:

The Corporate Headquarter of SBL has several major divisions and each comprising of various departments. The major divisions in the Headquarters are as follows-

1. Credit service Division
2. Financial Control and Electronic Data Processing
3. Marketing
4. General Services
5. Human Resource Department
6. International Division
7. Board and Company secretary Division

3.1.1. Credit Service Division:

A main function of this division in management of SBL's credits portfolio. Other major functions are as follows-

- Receives proposals
- Proposes and appraises
- Get approval
- Communication and sanction
- Monitoring and follow up
- Set prices for credits and ensures affecting it as branches.
- Prepares various statements for onward submission to Bangladesh Bank



The operation of this division is adequately smooth with clear responsibilities and uniform workload division. Computerization of credit information has already been started. The division has lending risk analysis (LRA) information cell to assist branches by updating information required by them for analyzing risks of lending currently this help is provided in an unstructured manner. They also collect information from credit Information Bureau (CIB) and passes to the branches concern to appraise a loan. Personnel are well motivated since the work environment offers enough career opportunity. Job nature is a challenging one with sufficient room for variety in day to day operation.

3.1.2. Financial Control and Electronic Data Processing:

SBL operates and keeps records of its assets and liabilities in computer. The function of this division is to provide required hardware and software. The major functions of this department are-

- ◆ Designing software to support the account operation
- ◆ Updating software
- ◆ Hardware and soft ware troubleshooting
- ◆ Improvisation of software to get best possible out put out of that
- ◆ Provides routine check-up of computer in different
- ◆ Train the concern executives and officers regarding the operation of newly developed program
- ◆ Financial division also deals with the account side of SBL.



□ **Head Office Accounts:**

It deals with all the head office transaction with banks and its branches and all these are controlled under the following heads-

- **Income, Expenditure Posting:** All income and expenditure are maintained and posted under this head.
- **Cash Section:** Cash section generally handles cash expenditure for office operation and miscellaneous payments.
- **Bills Section:** This section is responsible for only inland bills.
- **Salary and Wages of the Employees:** Salary and wages of the head office executives, officers and employees are given from this department.
- **Maintenance of employee provident fund:** Here employee's provident fund accounts are maintained.

□ **Consolidation of Branch's Accounts:**

All branches periodically (especially monthly) send their income and expenditure. Profit and loss accounts and head office made the consolidated statement of income and expenditure of SBL. Here branch statements are reviewed. This section also prepares different monthly, yearly half-yearly statement are submits to Bangladesh Bank. It also analyzes and interprets financial statements for the management and Board of Directors.



3.1.3. Marketing division:

Marketing division involved in two types on marketing. One is asset marketing and the other is liability marketing. Asset marketing refers to marketing of various kinds of loans and advances. In order to perform this job they some times go to some large organizations and attract them (organization) to borrow from them (bank) to finance profitability projects. The process of liability management is more or less same. In this case high officials of the bank go to different organizations, that has excess funds and try to convince them (organization) to keep their extra funds with them(SBL). If the amount of money to be deposited is large then they some times offer a bit higher prices than the prevailing market rate. In case of marketing of products and services they also take the help of mass media.

3.1.4. General Service Division: function of this division is classified as establishment and general banking.

- **Establishment:** its main function relates to procurement and supply of all tangible goods to the branches of SBL. This includes:
 - Every tangible function of branch opening such as making lease agreement, interior decoration etc.
 - Print all security papers and bank stationers.
 - Distributes these stationers to the branches.
 - Import various security papers.



- Purchases and distributes all kinds of bank's furniture's and fixtures.
 - Receives demand of car, vehicles, telephones etc. from the branches and sub-divisions and arranges, purchase and delivery of it to the person/ branch concerned.
 - Install and maintain different facilities in the branches.
- **General Banking Section:** This division performs different functions. Its main functions include-
- Issuing of power of attorney to the officers of the branches
 - Maintain general correspondence with Bangladesh Bank and other banks etc.

3.1.5. Human Resources Division:

Human resource division performs all kinds of administrative and personnel related factors. The broad functions of this division are as follows-

- Selection and recruitment of new personnel
- Prepare all formalities regarding appointment and joining of the successful employees.



- Placement of manpower
- Deal with the transfer, promotion and leave of the basic personnel's.
- Training and Development
- Termination and retrenchment of employees
- Keeping records and personnel file of every employee of the bank
- Employee welfare fund running
- Arranges workshop for employees and executives

It is also responsible for sanctioning of leave for every personnel. All personnel documents of all individual are maintained in this division. Annual Confidential Reports (ACR) for the performance appraisal of the employees are maintained and used by this division. Here ACR of a particular year of all employees of the same grade are filed together, so that comparison can be made among the same grade of employees.

The selection and recruitment procedure of the Bank consists of our steps-

- Initial Screening
- Interview
- Tests
- Assessment Centers



3.1.6. International Division:

The objective of this division is to assist management to make international dealing decision and after the decision is made, guide branches in their implementation. A well-reputed and hard working group of executives/ officers runs the functions of this division. Its functional areas are as follows:-

- Correspondent relationship
- Foreign trade and Exchange dealing
- Authorized signature and test key
- Foreign exchange returns and statement
- Sends updated exchange rates to concern branches.

3.1.7. Board and Company Secretary Division:

Mr. A.K. Qurush is the acting company secretary. The main function of this division is as follows-

- Conducting meeting of the board of directors
- Dealing with Company Act.



3.2. Committees and Group Decision Making Process:

Southeast Bank Limited believes in close supervision and control. The line and staff authority relationship in the bank is consultative and empathetic. The staff performs the advisory job to ensure efficient management. The bank emphasizes on decentralization and delegation of authority as written delegation of business and financial powers are given. The decision making process of the bank involves both democratic and consultative decision; subordinates are given chance to participate in the goal determination of the bank. They are given with the responsibility for there duties too. There are three committees functioning in the bank.

- Policy committee
- Executive Committee
- Management Committee

3.2.1 Policy Committee:

Committee members are drawn from the Board of Directors. The committee reviews all matters relating to principles, policy rules and regulations etc. of the bank. Decision taken by the policy committee requires prior approval of the board before representation.

3.2.2. Executive committee:

The executive committee consists of the board of directors. This committee exercises the



power as delegated by the board from time to time and approves all matters beyond the delegation of the management.

3.2.3 Management Committee:

The management committee consists of the managing directors and head office executives. They discuss about the progress on portfolio functions. Different ideas and

Decisions, guidelines regarding deposits, lending and management of Human and

Material resources are the main concern of this committee.



3.3. Branch Network:

Till now the bank has opened as many as twenty three branches in different commercially important places of the country to make its service available to the people. The name of the Bank's represent branches, their In-charge and necessary address to contact are given below:

Branches	Head of the branches
Principal Branch	Mr. Giash Uddin Ahmed Executive Vice President
Agrabad Branch	Mr. Shahabuddin Md. Jafar Senior Vice President
Khatunganj Branch	Mr. Anwar Uddin First Vice President
Laldighirpar Branch	Mr. Md. Altafur Rahman Senior Vice President
Imamganj Branch	Mr. Enamul Hoque Executive Vice President
Khulna Branch	Mr. Sawkat Hossain Vice President
Bangshal Branch	Mr. Mohammad Mahmud Hasan Vice President
Jubilee Road Branch	Mr. Golam Akber Chowdhury First Vice President
Moulvibazar Branch	Mr. Md. Ali Ahmed Senior Vice President
Gulshan Branch	Mr. Shabbir Ahmed Imtiaz Executive Vice President
Dhanmondi Branch	Mr. Kazi Mahmood Karim



	Vice President
Uttara Branch	Mr. A.S.M. Mohiuddin First Vice President
Chouhatta Branch	Mr. Gaznafar Ali Senior Assistant Vice President
Karwan Bazar Branch	Mr. A.S.M. Bulbul Senior Vice President
Halishahar Branch	Md. Shamsul Huda First Vice President
Shahjalal Uposhahar Branch	Mr. Dhanonjoy Chowdhury Assistant Vice President (Branch In-charge)
New Eskaton Branch	Mr. Md. Shams Tabrez Vice President
New Elephant Road Branch	Mr. Md. Asadul Azim First Vice President
Agargaon Branch	Mr. Mirza Akhteruzzaman Begg First Vice President
Chhagalnaiya Branch (Islami Banking)	Mr. Md. Zakir Hossain Senior Assistant Vice President
Cox's Bazar Branch (Islami Banking)	Mr. Mohammed Hafizur Rahman First Vice President
Bandar Bazar Branch (Islami Banking)	Mr. Ahmadm Rahman Chowdhury Assistant Vice President
Banani Branch	Mr. Maruf Mohammed Ahsan First Vice President



3.4. Manpower:

Employment opportunities provided by Southeast Bank Limited are also encouraging. Up to December 2000, number of employees of SBL was 528.

No. of employees	701	595	575	528	480
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3.5. Products and services of SBL:

SBL has the following working departments under which the bank provide various banking service:

- General Banking Department
- Foreign Exchange Department
- Credit (Loans & Advance Department)
- Cash Department
- Accounts Department

All the working departments are briefly discussed in the bellow:

3.5.1. General Banking Department:

General banking may be termed as retail banking. General banking is designed to serve the general people in saving money, smoothing transaction for commercial people and ensure security of the precious wealth of the clientele. The general banking system of SBL is very dynamic and errorless. General



banking activities include opening of accounts, remitting funds receiving and paying cash, collecting different instruments and payment against them, maintaining accounts, preparing statements etc. Every brunch of southeast bank limited performs these entire functions.

Components of General Banking of SBL:

In any commercial banking sector, there are some individual works in their general banking system. SBL has also performed some specific activities in general banking division. All the components of general banking are as follows:

- Opening of Account
- Savings Account
- Current Account
- Short Term Deposits Account
- Fixed Deposits Receipts
- Savings Schemes
- Sanchaypatra
- Telegraphic Transfer
- Demand Draft
- Pay Order
- Locker
- ATM Card Service

Components of general banking are briefly discussed in the bellow:

3.5.1.1. Opening an Account:

Account opening is the very first and primary work for a bank. Generally, the prospective customer at first proposes to open an account to perform his/her function. Then the banker asks the kind of account he wants to open and



supplies an account opening application for that particular account. Different account has different types of accounts opening forms. SBL offered various types of accounts to its clients. These accounts also vary with different kinds of accounts classes of customers.

3.5.1.2. Savings Account:

Basically, savings accounts are to serve the people who have the limited income and at the same time, who want to save money; for future time. Any organization or person can open and operate savings account by own name. If the customer is a individual person, the general procedure and requirements are applicable for him. No special instructions required, since he / she is the only person to operate on his/her account. However, he/she has to give a mandate or power of attorney in favor of that parson. There are several rules and regulations of SBL that must be fulfilled for opening and continue a savings account are as follows:

- ❖ A depositor may deposit money as often as he or she wishes. Cheques and Dividend Warrants will be accepted for collection and credited on realization to savings Bank account (s) provided the Bank is satisfied as to the identity of the payee.
- ❖ Withdrawals may be made by Cheque or withdrawal forms supplied by the Bank. In the case of withdrawals by Cheque it is not necessary for a depositor to attend personally at the bank to withdraw money.
- ❖ A depositor can not withdraw a sum in cash smaller than Tk.500/-
- ❖ A depositor cannot withdraw money from this savings account more than two times in a week.



- ❖ Rates of interest may be altered from time to time, and this should be ascertained from the Branch concerned. Any alteration in rate will be displayed.
- ❖ Account holder must use bank's own cheque book to withdraw money from his/her account.
- ❖ The Bank reserves to itself the right to refuse or close any account without assigning any reason.
- ❖ The bank reserves to itself the right to alter or add to these rules at any time.
- ❖ For savings accounts of SBL, a minimum balance of Tk.2,000 is required and rate of interest for savings accounts is 7.50%(percent).

3.5.1.3. Current Account:

SBL provides current account based on the clientele, which can be divided into two broad categories. These are:

- Current Account for Individuals
- Current Account for Firms



❖ **Current Account for Individuals:**

It can be opened and operated by an individual person. In order to open a current account for the individual, the following things are needed:

- Specimen signature
- Introducer
- Nomination Form
- Photo (2 copies).

❖ **Current Account for Firms:**

Likewise individual, it can be opened and operated by any organization. Based on the nature of the organization, the current accounts for firms may also be divided into four parts. These are-

- Current Account for Partnership
- Current Account for Proprietorship
- Current Account for Limited Companies
- Current Account for Clubs and Societies

❖ **Current Account for Partnership:**

For partnership firm the special instructions cover the style of the account and the name of the partner or partners who will operate the account. The documentary requirements are as follows-



- Two copies of passport size photograph of the account holder (s) who will operate the account duly attested by the introducer.
- Certified copy of valid trade license.
- Certified copy of partnership deed duly signed by all the partners, in case of non-registered firm.
- Certified copy of the registration certificate of partnership deed duly attested by the notary public in case of registered firm.
- Partnership account agreement (Draft enclose).
- Resolution signed by all the partners to open the A/C.

❖ **Current Account for Proprietorship:**

In case of a proprietorship firm special instruction is to be taken about the style of the account and the name of the person who will operate on the account as proprietorship and documentary requirements are:

- Photograph of the proprietor
- Photocopy of valid trade License.
- Introducer.



❖ **Current Account for Limited company:**

- Two copies of passport size photograph of the Account holder (s) who will operate the Account duly attested by the introducer.
- Certified copy of the Memorandum and Articles of association of the company.
- Certified copy in Certificate of Incorporation.
- Certified copy of Resolution of Board of Directors for opening and operation of the Account (Draft enclosed).
- List of directors.
- Certified copy of Certificate of Communicant of Business.

❖ **Current Account for clubs/ Societies:**

- Two copies of passport size photograph of the account holder (s) who will operate the account duly attested by the introducer.
- Certified copy of the Memorandum and article of duly certified by the Chairman/ Secretary.
- Certified copy of By Laws and regulation / constitution duly certified by the Chairman / Secretary.
- Certified copy of Resolution of Management Committee/ Executive Committee for opening and operation of the Account.



- Up -to-date list of office Bearers/ Governing body / Management Committee duly certified by the Chairman/ Secretary.

3.5.1.4. Short Term Deposits (STD):

SBL offered short-term deposits (STD) accounts to its clients. Short -term deposit is a deposit where the payment of interest paid on monthly basis. The deposit rate of interest on STD account is 6% per month. The account holders of STD account must inform the bank before withdraw money from the account otherwise he/ she doesn't obtain interest on that particular month.

3.5.1.5. Fixed Deposits receipt (FDR):

There are a lot of people who have idle money in hand which could be invested to any business. In order to serve the person, who has a lot of idle money, SBL provide the facility for fixed deposit receipt in order to reinvest this idle money.

SBL offers various maturities of FDR to its clients which shows in the following graphs.

Fixed Deposit (Time Deposit)	Rate of interest
30 days	7.00%-8.00%
60 days	7.50%-8.50%
3 (Three) months	8.25%-9.25%
6 (Six) months	8.50%-9.50%
1(One) year	9.00%-10.00%
2(Two) year	9.50%-10.50%
3(Three) years and above	10.00%-11.00%



3.1.5.6. Savings Schemes:

SBL offers three types of savings schemes for its clients, which are:

- Pension Saving scheme (PSS).
- Education Saving Scheme (ESS).
- Marriage Saving Scheme (MSS).

Any applicant can open any of these accounts with branches of the bank but an applicant can open one account on behalf of his name. These savings accounts are operated for a certain period of time with a fixed monthly installment payment. There are two types of savings schemes based on payment.

- Tk.500 monthly installment for 5 years. At the end of five years the account holder will receive Tk.40, 000.
- Tk. 1000 monthly installment for 5 years. At the end of five years the account holder will receive Tk.108, 000.

3.1.5.7. Sanchayapatra (SP):

Sanchayapatra is one kind of saving scheme approved by Bangladesh government. Bangladesh Bank issues this saving scheme and some authorized bank deliver it. The interest of this saving scheme is tax-free. The principal branch of SBL is an authorized dealer of Sanchayapatra. Any Bangladesh citizen can buy and own this Sanchayapatra, but it cannot be owned on behalf of any organization or joint name. SBL offers five different types of Sanchayapatra. Those are:



- a) Bangladesh Sanchayapatra.
- b) Poribar Sanchayapatra.
- c) Quarterly rest Sanchayapatra
- d) Semi – annually rest Sanchayapatra
- e) Yearly rest/ defense Sanchayapatra

3.5.1. 8. Telegraphic Transfer (TT):

It is the quickest method of remitting fund from one place to another. In this procedure, no instrument is sent to the paying branch. Only message is sent over telephone or fax and the paying branch makes payment after getting message. Both the parties during the transaction use a confidential test number.

3.5.1.9. Demand Draft (DD):

Demand draft is the most popular instrument of remitting fund. It is an order to pay money drawn by one branch of a bank upon another branch or the same bank for a particular sum of money which is payable to order on demand. A draft cannot be drawn payable to bearer. It is always drawn payable to the order of a named payee.



3.5.1.10. Pay order:

SBL also issues pay order. It is issued within the clearinghouse areas and transacted by the clearinghouse.

Different types of clearing instrument are in the bellow:

- Clearing Instruments.
- Inter branch (outside clearing) instrument.
- Inter-branch instruments:
- Internal transfer instruments.

3.5.1.11. Locker:

SBL also provides locker facilities to its clientele. Under these facilities , the key of the locker is given to the client. The client can keep anything into the locker, which ensures the security of the goods kept into it. Against this facility, a client pays rent to the bank. SBL provides its locker facility through two branches that are Gulshan branch and Uttaa branch. SBL provides different types of locker facilities to its client with different requirements. These lockers can be classified into different categories, which are-

- Small Locker .
- Medium locker.
- Large locker.



3.5.1.12. ATM Card Services:

E-Case ATM is the first time in Bangladesh. SBL offers this service with multiple banks to service the valuable customers in this preferable area. You will have to open an A/C and minimum balance is required TK 2000/= for ATM Cards and you can withdraw maximum TK 20000/= per day if balance is available and service charge is TK 1500/= per year.

It is easy, convenient, secure and reliable. It allows its customers to conduct banking transactions and pay utility bills 24 hours a day. The function of this system is when cash is required for an emergency or on a holiday or after banking hours, there is no choice but to wait until the bank opened the next day. E –Cash ATM, gives you access to your account any time of the day whether it's a holiday or after banking hours. It is located in the major shopping centers, business districts and residential areas and you can with draw your money from these sections through ATM Cards.

3.5.2. Foreign Exchange Department:

Now a day's bank plays a vital role in international trade. All exports and imports are executed through banks. They make the way through which the exporter can get payment from the importer and provides advances facilities. SBL performs these operations by its Foreign Exchange Department. It is not only helps in export and import process, but also provides customers foreign remittance and travelers Cheque service. The different service offered by the foreign Exchange Department of SBL are as follows:

- Letter of Credit (Export)
- Letter of Credit (Import)



3.5.2.1. Letter of Credit (Export):

Export means goods and service sold by one country to another country. A letter of Credit (L/C) is an instrument issued by a bank on behalf of the importer (buyer) promising to pay the exporter(beneficiary) upon presentation of shipping documents through this department are Packing Credit, foreign Document bill Collection, Foreign Documentary Bill Purchase, SWIFT Services etc.

3.5.2.2. Letter of Credit (import):

The import section provides finance to importers, helps them in conversion of home currency into foreign currency and paying to the exporter. This section open import L/C and Back to Back L/C and sanctions credit limit for opening L/Cs. Limit is a kind of continuous advance facility given to the importer. The importer can open import L/C and Back to Back up to the sanctioned limit during the stipulated time for which the limit is sanctioned. Limit is generally sanctioned to the regular customers who make all their transaction with the particular branch. Limit sanctioning is not compulsory in all cases of opening L/C, in case of a single import L/C to import some goods for only one time; sanctioning limit is not necessary. In this case, only an approval from the head office is required.

3.5.3. Credit (Loans & Advance Department):

Credit department is the most important department of a bank. Banks borrow from the depositors to earn profit. Without lending a bank can not continue its business. Moreover, bank's role in the economic development is played through this department. It enables trade, commerce, industry and agriculture to meet their short term requirements of funds. SBL offered credit facilities to its potential customers. Credit is the confidence of the lender on the ability and willingness of the borrower to repay the debts at a future date. A long portion of operating



income is derived from lending. The loans and advance department does this function.

The classification of loans and advance are as follows:

1. Credit
2. Secured Overdraft
3. Lease Finance
4. Loans
5. Bank Guarantee

All the activities of credit departments are discussed below:

3.5.3.1. Cash Credit:

Cash credit facilities are allowed against pledge or hypothecation of goods. Under this arrangement the borrower can borrow any time within the agreed limit and can deposit money to; adjust whenever he does have surplus cash in hand. All the nationalized banks allow cash credit (Hypothecation or Pledge) facilities. SBL does not practice the cash credit facility.

3.5.3.2. Secured Overdraft (SOD):

Basically this an agreement between a banker and his customer by which the later is allowed to withdraw over and above his credit balance in his/their current account. This is a temporary accommodation. Secured overdrafts are of two types:

- Secured overdraft (Financial Obligation)



- Secured overdraft (General)

Secured Overdraft (Financial Obligation):

This type of secured overdraft is given against the security of financial documents. These documents include FDR, DPS, Bonds etc. this type of overdraft is applicable for any individual or any trading concerns.

Secured Overdraft (General)

These sorts of secured overdraft are given mainly against the work others. Disbursements are made only after assertion of genuineness of to work order and after completion of all formalities. Drawings shall be allowed only against the valid supply. Registered irrevocable general power of attorney to be executed by the borrower in favor of the bank for the direct collection of cheques and bills to be issued by the work-ordering agency against the supply of the work ordered. The department officially issues a letter of acceptance to issue all cheques, bills etc. against concerned supply/ work order in favor of SBL.

3.5.3.3. Loans:

There are various types of loans being sanctioned by SBL. These loans are short terms and long term. Loans that mature within a year are called short-terms loans. If the loan is more than a year it is called long term. SBL gives loans to different like house building, general, employee's loans etc.

Mode of Repayment:

Usually loans are repaid on the basis of monthly installments to be started after one month from the date of disbursement and balance if any within validity.



Security:

1. Usually charge to be created on fixed and floating assets.
2. Registered mortgage deed executed under supervision of the lawyer and every thing remains under banks sate custody.
3. Demand promissory note, letter of agreement, letter or disbursement, letter of guarantee, memorandum of deposit of title deed.

Interest Rate:

usually the interest rate varies from 14% to 17%. But for the employees the rate is only 8%.

3.5.3.4. Lease Finance

In lease finance, a customer takes lease rent from the bank for a certain period, which is owned by the bank. The equipment or lease product is given to the customer pays monthly/ quarterly installments against it. The party is requested to deposit a number of installments before hand and the bank pays the rest. On payment of the installments the customer does not become the owner of the articles; rather he has to pay a transfer value as per agreement to set owner ship of the same. Usually the bank asks for no additional collateral. This gives advantages to the customer in respect of payment of taxes, as the bank owns the article. Interest is usually from 14%-17%.



3.5.4. Cash Department:

This department performs all kinds of cash transaction in any particular bank. The responsibilities of the officers of this department are incredible. As their operations are related to cash, they are to perform their job with extreme accuracy. The function of this department is to receive and payment cash. This department receives cash from the depositors and pays cash against cheques, drafts, pay order and pay slip over the counter.

3.5.5. Accounts Department:

Recording all kinds of transaction of the branch, confirming their accuracy and preparing statement are the main job of this department. Now a day under computerized banking system the job of the accounts department became very easy. In computerized accounts department job SBL, the clean cash statement and supplement statement on the computer directly prepares party ledger vouchers. The accountants need not to prepare these manually.



4.0 PART- D:
Financial performance evaluation of Southeast Bank
limited.



4.1. Introduction:

In any type of business it is not possible for the owner to carry out all activities without the help of Management. Banking is a very complex operation so owner must have to take the help of a management team. Owners have to evaluate the performance of the management Team, In order to reduce costs and increasing profitability by ensuring the performance of the management team. In order to evaluate the performance of the management and the wealth of the organization owner have to employ ratio analysis to estimate organizations performance. Not only the owner but also the lender, tax authority need to evaluate the wealth of the organization, performance of the organization, and performance of the management team. To evaluate the performance of the organization it is very essential to analyzing the common size income statements, balance sheet and several important ratios. The main issue of this report is to analysis the financial performance of Southeast Bank Limited. In order to doing that I have analyzed some ratios, a common size income statement and balance sheet analysis.

4.2. Methodology:

In the financial analysis part of this report, I collected the financial data from the annual report of the bank and from the net. But these financial statements are not enough to understand the financial performance of SBL. To solve this problem I conducted the common size analysis of SBL. In this part I analyzed each of the components of the income statement and balance sheet. Then I conducted the ratio analysis of SBL under ratio trees. When I was analyzing the ratios of SBL, I also analyzed the Du- pont analysis. All these analysis gives a very clear idea about the financial performance of the SBL.



4.3. Common size statement analysis:

Common size statement analysis is such an analysis that gives a clear idea about the financial performance of any company. It has mainly two part of analysis, one is the income statement part and another is the balance sheet part. All the items of each part are analyzed in the bellow:

Balance Sheets at 31st December,(2000-2003)

(Calculation in Taka)

A Items	2003	2002	2001	2000
Cash	21,876,041,104	18,033,637,952	13,867,606,520	11,290,899,726
Current Assets	2,300,5830,000	18,833,672,700	14,432,407,630	11,639,421,740
Fixed Asset	288,019,281	48,805,032	36,257,543	71,138,638
Total Property and assets	23,293,850,040	18,882,477,739	14,468,665,173	11,710,560,382
Current Liability	1,962,314,563	2,622,599,470	3,138,031,281	2,576,216,487
Long-Term Liability	19,618,824,860	15,343,452,998	10,570,252,686	8,569,700,125
Total Liability	21,581,139,423	17,966,052,468	13,708,283,967	11,145,916,612
Total Shareholders Equity	1,712,710,618	916,425,271	760,381,206	564,643,770
Total Shareholders Equity and Liability	23,293,850,040	18,882,477,739	14,468,665,173	11,710,560,382



Common size analysis of the component of the Balance sheet is in the bellow:

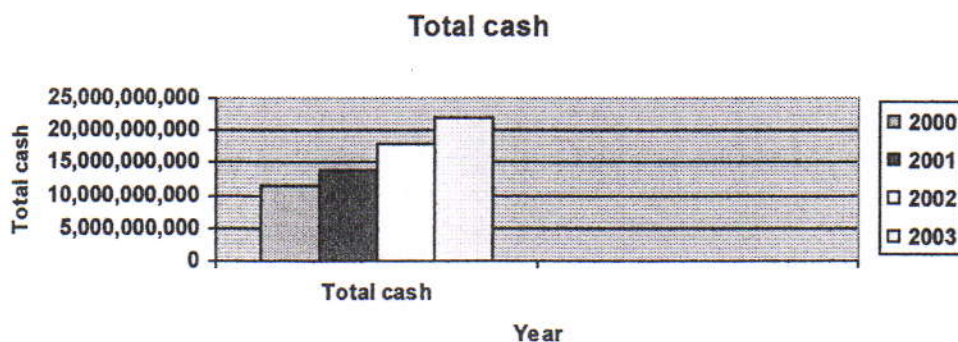
4.3.1. Total cash:

The total cash of SBL in 2000 was TK. 11,290,899,726, and in 2003 it increase to TK. 21,876,041,104 which is double then 2000. In every year the total cash of the bank in increasing in a huge amount.

The amounts of total cash of the bank from 2000 to 2003 are shown in a table in the bellow:

year	Total cash
2000	11,290,899,726,
2001	13,867,606,520
2002	18,033,637,952
2003	21,876,041,104

The amounts of total cash of the bank from 2000 to 2003 are shown in a chart bellow:





From the chart, we can easily understand that the total cash of the bank is increasing every year, which is indicating very strong financial condition.

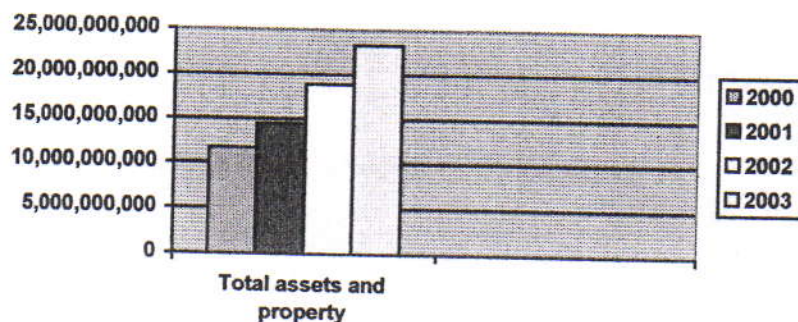
4.3.2. Total property and assets:

The total property and assets of SBL was TK. 11,710,560,382 in 2000 and it increases to TK.23, 005,830,000 in the 2003. And in every year the amount of the total assets of the bank is increasing.

The table of total assets and property in the below:

Year	Total assets and property
2000	11,710,560,382
2001	14,468,665,173
2002	18,882,477,739
2003	23,293,850,040

The total assets are shown in a chart (2000 -2003):





From the chart it is clear that the total assets of SB are increasing in every year. It is proving a sound financial condition of the bank.

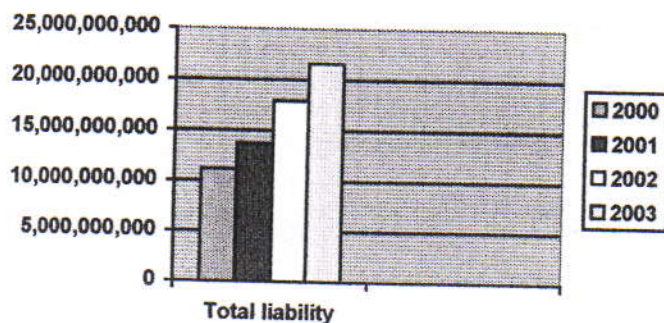
4.3.3. Total liability:

The total liability of SBL was TK.11, 145,916,612 in the 2000 and it increase to TK. 21,581,139,423 in the year 2003. The liability of the bank is increasing in every year.

The liabilities of SBL over 2000 to 2003 are shown in the table below:

2000	11,145,916,612
2001	13,708,283,967
2002	17,966,052,468
2003	21,581,139,423

The liabilities of SBL over 2000 to 2003 are shown in the chart below:





The liability of SBL is increasing in every year, but that does not indicate a bad condition of the bank's financial performance. Because with the increase of the liability the total assets and owner's equity of the bank is also increasing.

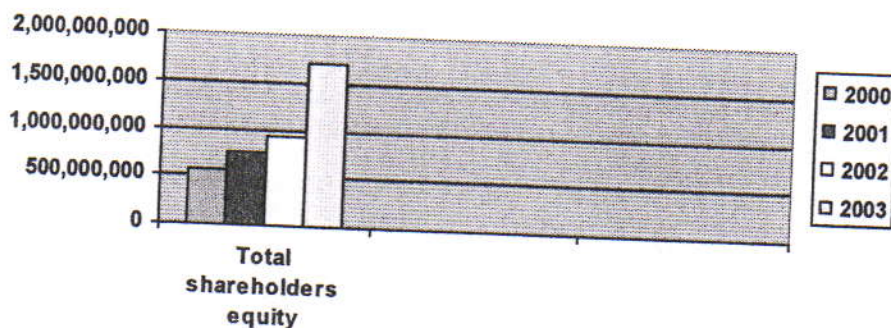
4.3.4. Total shareholders equity:

The Total shareholders equity of SBL was TK. 564,643,770 in the 2000 and it increased to TK. 1,712,710,618 in the 2003.

The tables showing the equity of 2000 to 2003 are in the below:

Years	Total shareholders equity
2000	564,643,770
2001	760,381,206
2002	916,425,271
2003	1,712,710,618

The charts showing the total shareholders equity are in the below:



The shareholders equity of SBL is increasing in every year that is an indicator of sound financial performance of the bank.



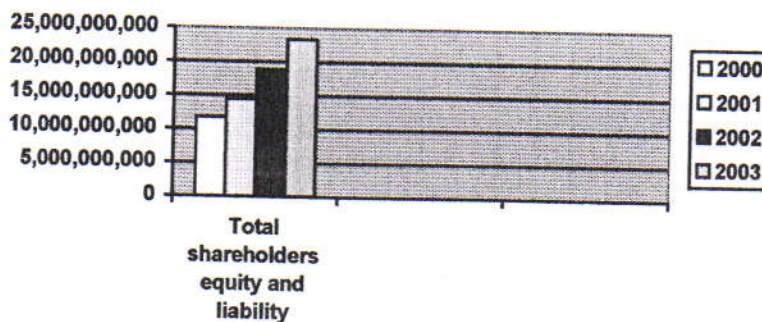
4.3.5. Total shareholders equity and liability:

The total shareholders equity and liability of SBL was TK. 11,710,560,382 in the year 2002 and it increased to TK. 23,293,850,040 in the 2003.

Total shareholders equity and liability are shown in the table for the year 2000 to 2003 in a table below:

Year	Total shareholders equity and liability
2000	11,710,560,382
2001	14,468,665,173
2002	18,882,477,739
2003	23,293,850,040

Total shareholders equity and liability are shown in the chart for the year 2000 to 2003 in a table below:



The total shareholders equity and liability of the SBL is increasing in every year. That means the operations of the bank are spreading.



4.3.6. Common size statement analysis for the components of income statement of SBL:

Common size statement analysis for the components of income statement is very necessary to evaluate the financial performance of any financial institution or bank.

Profit and loss Account for the year ended 31st December, (2000-2003)

(Calculation in Taka)

Items	2003	2002	2001	2000
Operating Income:				
Net interest income	494,784,206	434,303,159	395,088,512	232,352,543
Other income	548,319,436	353,293,279	312,755,626	293,700,870
Gross operating income	1,043,103,642	787,596,438	707,844,138	526,053,413
Les:				
Operating expenses:				
Total Operating Expenses	339,340,425	296,102,534	215,911,749	188,818,705
Net Operating Income	703,763,217	491,493,904	491,932,389	337,234,708
Non-	-	1,064,245	193,872	101,649



Operating Income/(loss)				
Profit Before Provision	703,763,217	492,558,149	492,126,261	337,336,357
Less: Provisions		57,009,000	89,896,825	50,000,000
Total Profit before Tax	703,763,217	435,549,149	402,229,436	287,336,357
Less: Provision for Tax	-	181,986,000	13,142,000	114,500,000
Net Profit after Tax	703,763,217	253,563,149	270,737,436	172,836,357
Retained Earning	739,848,572	36,085,355	28,287,206	3,133,771
Earnings per Share	---	69.85%	82.04%	57.61%
Dividend per share	---	20%	30%	25%

The common size statement analysis (for income statement part) for SBL is in the bellow:

4.3.7. Net income:

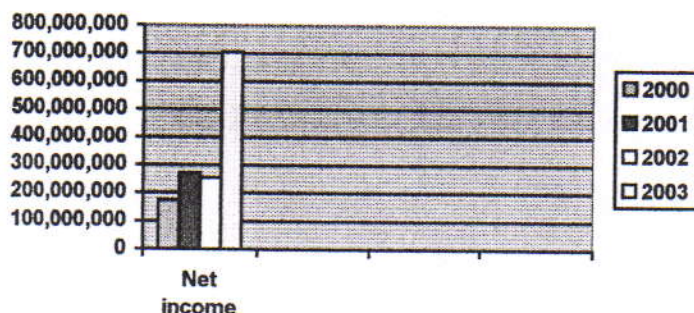
Net income of SBL was TK. 172,836,357 in 2000 and it increased to TK. 703,763,217 in the year 2003. And net income in 2001 and 2002 was TK. 270,737,436 and TK.253,563,149 respectively.

The net income of SBL over four are shown in a table bellow:



Years	Net income
2000	172,836,357
2001	270,737,436
2002	253,563,149
2003	703,763,217

The net income of SBL over four are shown in a chart below:



The net income of SBL is increasing in every year. It was lowest in 2000 and highest in 2003 and it little bit decreased in 2002. But very high in 2003, because the information gathered for 2003 is unedited. They did not consider the provisions and taxes for the year. But from the trend of net income it could be said that the net income of SBL is increasing in every year, that prove the sound financial performance and operating efficiency of the bank.

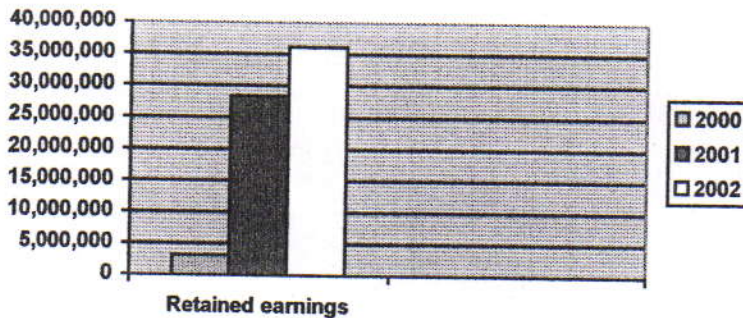


4.3.8. Retained earning analysis:

The information regarding the retained earning is not available for the year 2003. So, other three years information about the retained earning is shown in the table in the bellow:

Years	Retained earnings
2000	3,133,771
2001	28,287,206
2002	36,085,355

The components of the table are shown in a diagram in the bellow:



Because of unavailability of information's about the retained earning in the year 2003, it was not possible to show. But by considering another three years it is very clear from the chart and table that the retained earning of the SBL is increasing in every year. So, from the trend of retained earnings we can say that the financial performance of SBL is sound, and the operating efficiency is high.



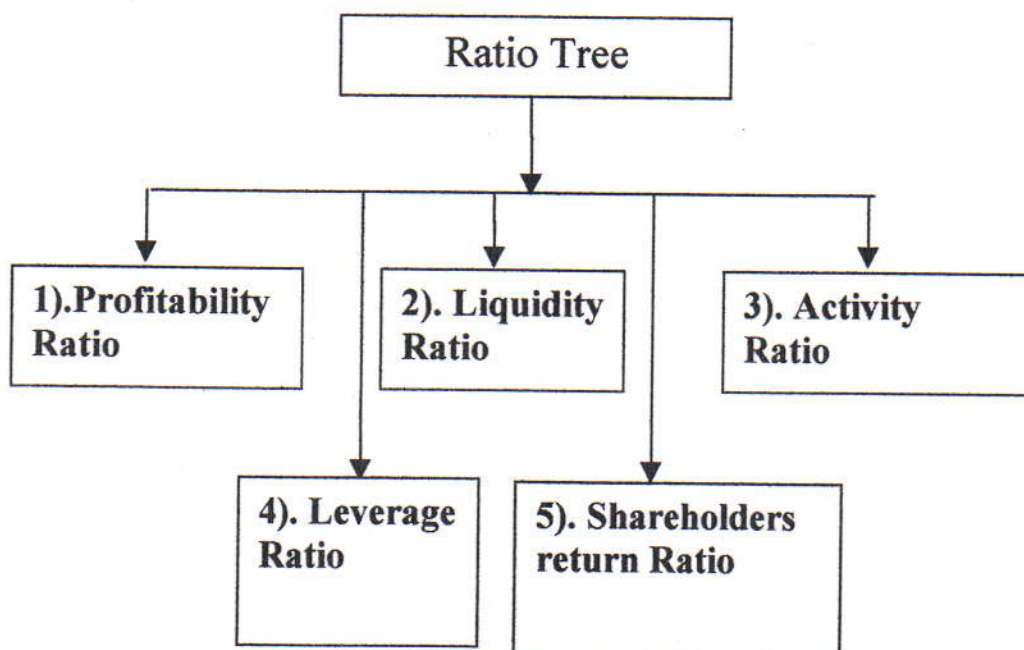
4.4. Ratio Analysis of Southeast Bank Limited:

To evaluate the financial performance of any financial institution or bank, ratio analysis plays a very vital and main role. So, to evaluate the financial performance of SBL I analyzed the ratios of the bank very carefully. The ratio analysis is in the bellow:

The following ratios have been analyzed:

- 1) Profitability Ratio
- 2) Liquidity ratio
- 3) Activity ratio
- 4) Shareholder's return ratio
- 5) Leverage ratio.

The ratio tree is shone bellow:





4.4.1. Profitability ratio analysis:

To analyzing the profitability ratio I have used the Du Pont analysis. The profitability ratio analysis through Du Pont analysis is in the bellow:

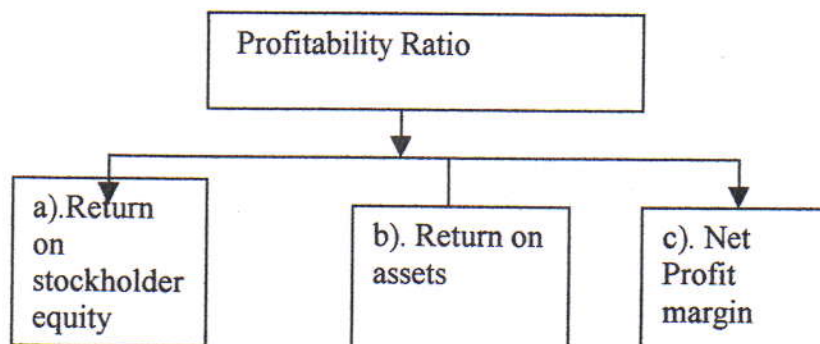
Du Pont analysis:

Du Pont's chief financial manager 'Donaldson Brown' faced some problems of too many ratios to analyze the financial performance of the company. He analyze that the company's stock price depends on its return on equity. If the return on equity is higher the stock rice of the company will also higher. That analysis is called Du Pont's analysis.

So, Du Pont's analysis is specially used to analysis a firm's financial condition. This analysis is depending on some important determinants like, Expenses control, Asset utilization, and Debt utilization.

By Du Pont analysis it could be measure that how return on asset, total asset turn over, and equity multiplier are necessary to determine the rate of return on equity.

Profitability Ratio Tree:





4.4.1.2. Return on Equity(ROE):

Return on equity indicates the degree to which a firm is able to convert operating income into an after tax income that eventually can be claimed by the owner. It is a useful analysis to determine the adequate return on the capital invested by the owner.

If ROE is less than other companies' ROE, it indicates a decrease in stock price. The components of ROE indicate the performance of the company.

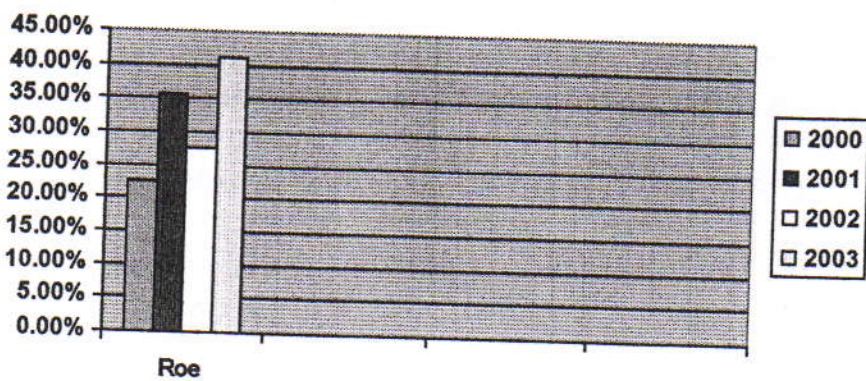
Calculation of the ROE:

$$\text{ROE} = \text{Net Income} / \text{Total equity capital}$$

The Return on equity (2003-2000) of Southeast Bank Limited is shown in Table in the below:

YEAR	ROE
2000	22.60 %
2001	35.60 %
2002	27.66 %
2003	41.09 %

The Return on equity (2003-2000) of Southeast Bank Limited is shown in the chart below:



Comments:

Return on equity indicate the percentage of return on its equity. The ROE of southeast Bank in 2000to 2003 was respectfully22.60 %,35.60 %,27.66 %, and 41.09 % .Which indicate that return on owners equity is very high. In 2003 the ROE was heist then the previous years. That means the performance of the Bank have increased than the previous years.

4.4.1.2. Return on Asses(ROA):

Return on Assets indicate how successfully a firm is using its assets to generate its income. Return on assets also measure the efficiency of firms manager's to using its assets.

ROA can be calculating by the following formula:

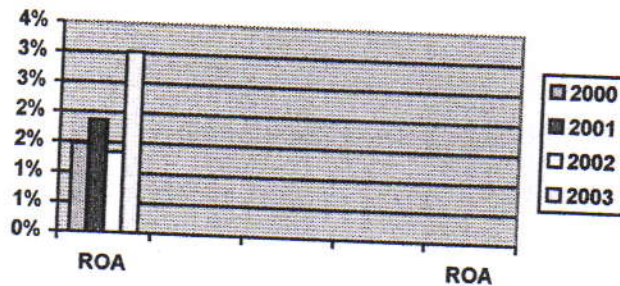
$$ROA = \text{Net Income} / \text{Total Assets}$$

So, the calculated ROA of Southeast Bank for 2000-2003 are given in the table bellow:



Years	2000	2001	2002	2003
ROA	1.475%	1.87%	1.34%	3.02%

So, the calculated ROA of Southeast Bank for 2000-2003 are shown in a chart in the below:



The above ROA calculation is showing that except 2002 the ROA of southeast Bank limited is increasing every year. And in 2003 the ROA of SBL is 3.02% which indicate the strength of the Bank in using of its Assets to gather profit. Because the high ROA indicate the financial and sound operation of any financial Bank.

Comments:

The efficiency of SBL's managers to use its all resources to generate higher return was very strong in 2003. And from 2000-2003 it is increasing. It indicates strong position of SBL in near future.

4.4.1.3. Net Profit Margin Ratio:

We will analyze the net profit margin of SBL to see how the Bank's managers are controlling and managing (reducing) total expenses.



Net profit margin ratio provides information's about the ability of management to control firms expenses. It explains how effectively and efficiently the managers are managing the firm's total expenses.

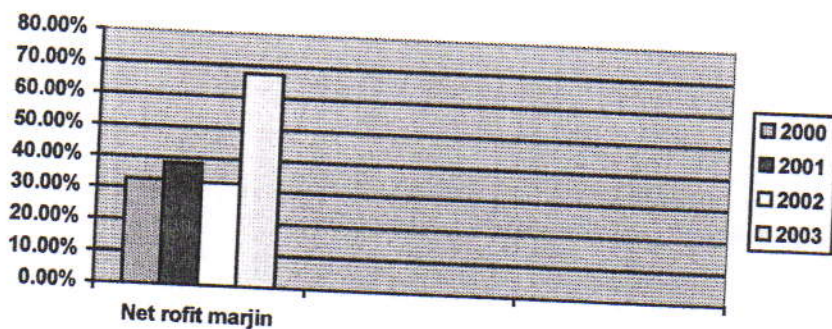
Net profit margin can be calculated by the following formula:

$$\text{Net Profit Margin} = \text{Net Income} / \text{Sales}.$$

The calculated Net Profit Margin f SBL are given in table in the bellow:

Years	Net Profit Margin	%
2000	0.3285	32.85
2001	0.3824	38.24
2002	0.3219	32.19
2003	0.6746	67.46

The chart of Net profit margin f SBL are in the bellow:



Net profit margin of SBL in 2000-2002 was consistence and in 2003 the net profit margin extremely high, because in this year the bank did not provide any provisions.



Comments:

The average net profit margin of three consistent years 2000, 2001, 2002 are high and prove a efficiency of the management team to control the expenses of SBL. But in 2003 the Net profit margin of SBL becomes extremity high. That indicates that the bank management has a strong control over its expenses. Those prove the high effectiveness and high efficiency of the management of SBL. In 2003 the Net profit increased extremely because in this year the bank did not pay any provisions. All these show an effective operation of the management and a sound financial condition of the bank.

4.4.1.4. Equity Multiplier (EM) Ratio :

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

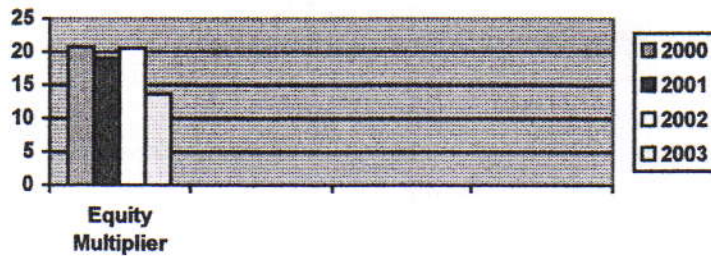
He Equity Multiplier could be measure by the following formula:

$$\text{Equity Multiplier} = \text{Total Assets} / \text{Total Equity}$$

The Equity Multiplier of SBL are given in the bellow in a table:

Years	Equity Multiplier
2000	20.73 Times
2001	19.03 Times
2002	20.60 Times
2003	13.60 Times

The chart of Equity Multiplier are in the bellow:



These data indicate that the EM of SBL is seems constant in the years from 2000 to 2002. And the amount of equity invested by the owners is very low to its total assets. That means the debt is very high. And EM is low comparatively with last three years in 2003.

Comments:

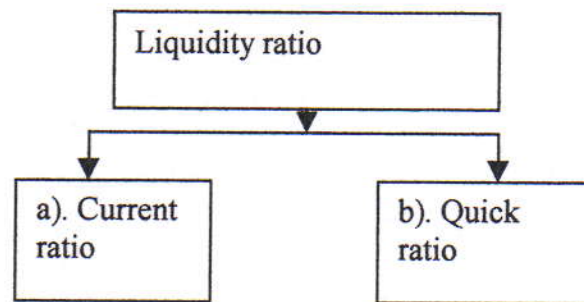
The Equity multiplier of SBL indicates that it is a very high average firm, because from 2000 to 2002 its EM was 20.73%, 19.03%, 13.6%. These years the management of the bank managed the typical condition and in the 2003 the EM decreases to 13.6%. It indicates very sound performance of the SBL in the most6 recent year.



4.4.2. Liquidity Ratio Analysis:

To measure the financial performance and liquidity of any Bank it is very necessary to analyze the liquidity ratio. Liquidity ratio can be conducted through the current ratio analysis and quick ratio analysis.

Liquidity Ratio Tree:



The current ratio analysis and quick ratio analysis of Southeast Bank Limited are as follows:

4.4.2.1. Current Ratio analysis of SBL:

Any bank or financial institution must have the ability to meet its current obligations. These current obligations or short-term obligations are those obligations that are due within one year. Current ratio is analyzed to determine the ability of a firm to meet its current or short-term obligations that have to be met within one year.

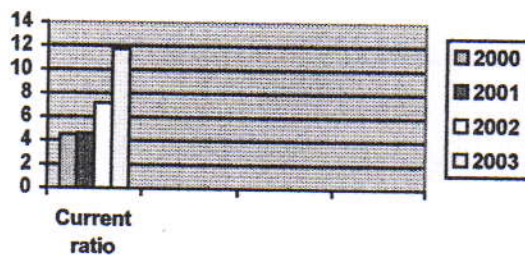
Current Ratio = Current assets / Current liability.

The table of current ratio is as follows:



Years	2003	2002	2001	2000
Current ratio	11.73 Times	7.18 Times	4.59 Times	4.52 Times

The chart of current ratio in the bellow:



The Current ratios of SBL is showing an upper ward trend from 2000 to 2003. The ratio is increasing every year.

Comments:

If the current ratio of any bank is high, it indicates that it would be able to pay its current liabilities within one year easily. And if the ratio of the bank is low it indicates the inefficiency of bank to address its short-term obligations within one year. The current ratios of SBL indicate that the Bank have the ability to pay its short-term liabilities very easily. 2000- 2003 the ratio increases from 4.52 times to 11.73. That prove a very strong financial condition of the bank and it currently have 11th times more current assets than its current liabilities.



4.4.2.2.Quick ratio analysis of SBL:

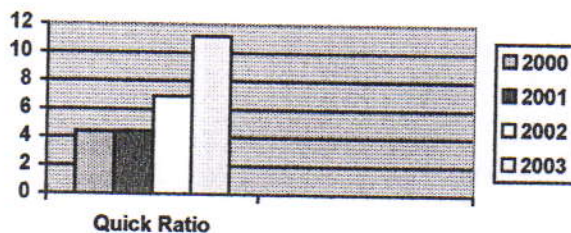
Quick ratio indicate the ability of firms to meet its short-term(Less than one year) liabilities by its available current assets without liquidate the inventory it keeps.

Quick Ratio = (Current assets – Inventory) / Current Liabilities.

The table with the data about quick ratio is shown in the bellow:

Years	Quick Ratio
2000	4.38 Times
2001	4.42 Times
2002	6.88 Times
2003	11.15 Times

The quick ratios are shown in the chart bellow:



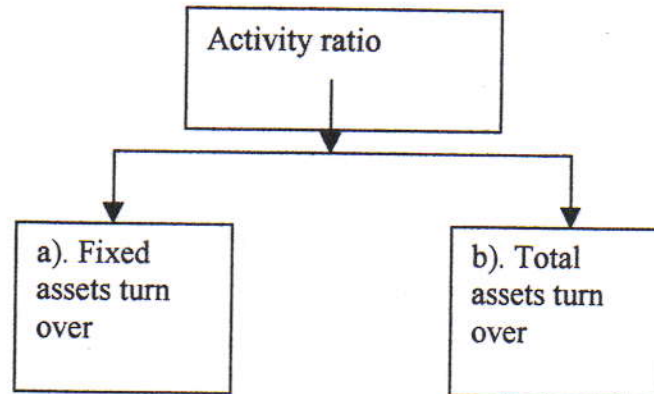
Comments:

The quick ratio of SBL in 2000 was 4.38 times, that indicate the bank had the ability to pay its current liability was 4.38 times. It is increasing in every year, and in 2003 it is 11.15 times. Those indicate the sound financial performance of the bank. And the bank is taking very low risk.



4.4.3. Activity Ratio Analysis:

Activity Ratio Tree:



To evaluate the financial performance of SBL I have conducted a activity ratio analysis. This activity ratio analysis has two parts:

- a). Fixed assets turn over ratio and
- b). Total assets turn over ratio.

4.4.3.1. Fixed assets turn over ratio:

Fixed assets turn over ratio indicates how effectively and efficiently the organization is using its fixed assets to generate revenue. It gives the idea about total sales comparatively with its fixed assets.

Fixed assets turnover ratio can be calculated by the following formula:

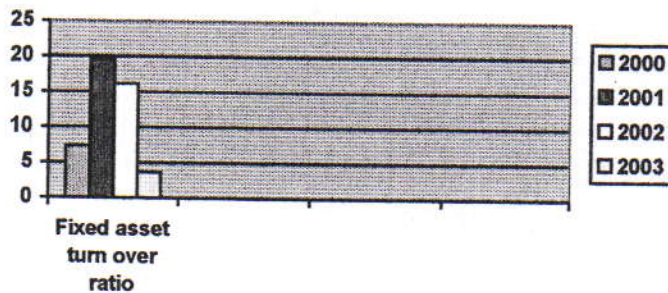
$$\text{Fixed assets turn over} = \text{Total sales} / \text{Total fixed assets}$$

The results of fixed assets turn over ratio of SBL are given in the bellow in table:



Years	2003	2002	2001	2000
Fixed asset turn over ratio	3.62 Times	16.14 Times	19.52 Times	7.3907 Times

The results of fixed assets turn over ratio of SBL are given in the bellow in a chart:



The higher fixed assets turn over ratio indicate the effective use of the fixed assets of the company to generate sales. So, higher the fixed asset turn over Ratio is good for any financial institutions. SBL have the higher fixed asset turn over Ratio in 2,001, which was 19.52 Times. But in the current years the fixed Assets Turn over ratio was very low.

Comments:

Because of increase in fixed Asset In the current year the fixed asset turn over ratio have decreased highly. But relatively the Sales did not increase.



4.4.3.2. Total assets turnover (Assets utilization):

To analyze the ability of the management team of SBL to effectively use of its total assets to generate the revenue.

Total assets turnover ratio represents the ability o the management team of any firm to employ assets effectively to generate revenue.

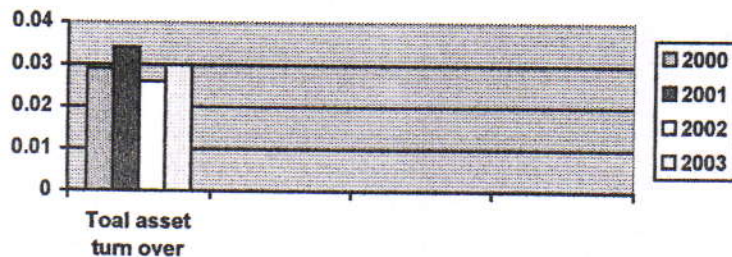
The formula of calculating the Total assets turnover is given in the below:

$$\text{Total Assets Turnover} = \text{Operating Revenue} / \text{Total Assets.}$$

The Total Assets Turnover of SBL is given in a table in bellow:

Years	Total Assets Turnover
2000	0.029 Times
2001	0.034 Times
2002	0.026 Times
2003	0.030 Times

The Total Assets Turnover of SBL is given in a chart in the bellow:



The total assets turnover of SBL is increasing. Only in 2002 the turnover was low in respect to the other years.



Comments:

Total assets turnover ratio of SBL over the last four years have not specifically any trend.

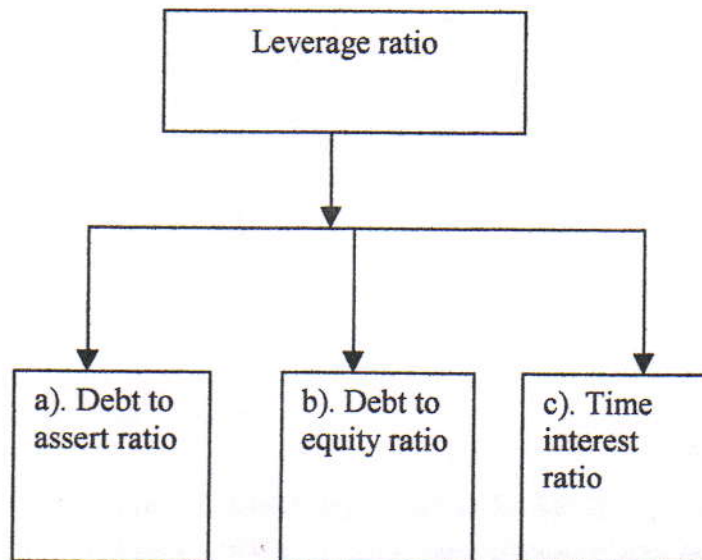
But it could be say that the management of SBL performing averagely by utilizing the total asset of the bank to generate maximum return.

4.4.4. Leverage ratio analysis:

To evaluate the financial performance of SBL I have conducted the leverage ratio analysis of SBL. This leverage ratio analysis have Three part:

- a). Debt to assets ratio
- b). Debt to equity ratio
- c). Time interest earn ratio.

Leverage ratio tree:





Debt to assets ratio gives an idea about the relation between the debt and the total assets of an organization. It indicates the total borrowed fund as a percentage of the total assets.

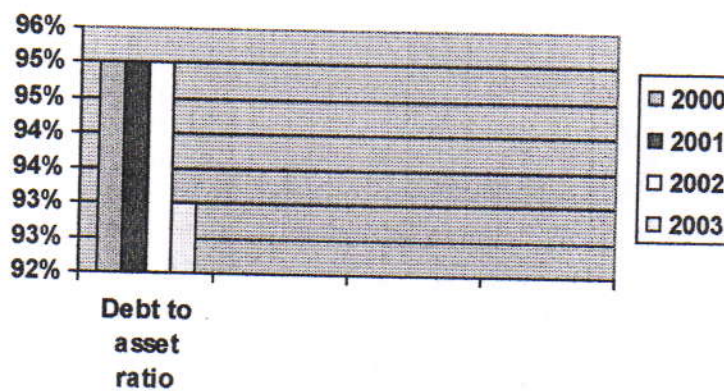
The formula to calculate the Debt to assets ratio of SBL is in the bellow:

$$\text{Debt to assets ratio} = \text{Total Debt} / \text{Total assets}$$

Table of debt to asset ratio of SBL is in the bellow:

Years	2003	2002	2001	2000
Debt to assets ratios of SBL	93%	95%	95%	95%

The chart of debt to asset ratio of SBL is in the bellow:



It is very clear that SB L is maintaining a 95% debt to assets ratio in ever year.



Comments:

From the debt assets ratio it can be said that SBL is taking a very low risk, because it is maintaining a debt less than the assets it have.

4.4.4.2. Debt to equity ratio analysis:

The Debt to equity ratio indicates the relationship between the debt and shareholders equity of a firm. It shows the total debt as a percentage of the total shareholders equity.

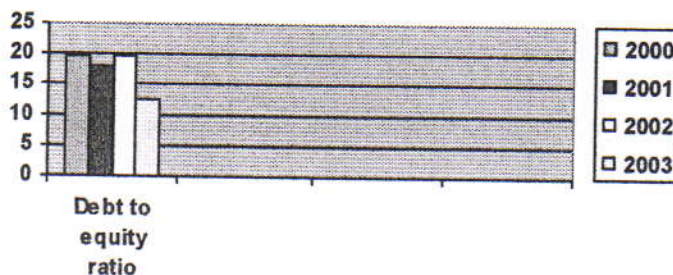
The formula to calculate the debt to equity ratio is in the bellow:

$$\text{Debt to equity ratio} = \frac{\text{The Debt}}{\text{The stockholders equity}}$$

Debt to equity ratio analysis table:

Years	2003	2002	2001	2000
Debt to equity ratio of SBL	12.60 times	19.60 times	18.03 times	19.74 times

Debt to equity ratio chart:



In 2000-2002 the debt to equity of SBL is very high. But in 2003 it has decreased.



Comments:

The amount of shareholders equity is very low than the total debt of SBL. In 2003 the ratio decreased, because in this year the debt increased less then the increase in the equity. And in this year the debt to equity ratio have decreased. If SBL decrease this ratio more the risk f the bank will decrease than now.

4.4.4.3. Time interest earned ratio analysis:

To evaluate the interest paying ability f SBL I have analyze the time interest earned ratio. Because time interest earned ratio determine the ability of a firm to pay its interest payment.

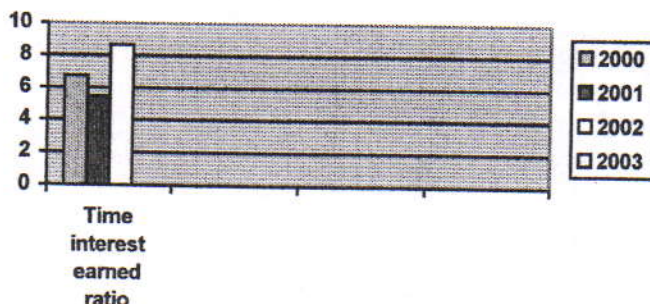
The time interest earned ratio calculation formula is in the bellow:

Time interest earned ratio = Profit before interest and taxes / total interest.

The time interest earned ratio of SBL is shown in the chart in the bellow:

Years	2003	2002	2001	2000
Time Interest Earned Ratio of SBL	----	8.64 Times	5.47 Times	6.75 Times

The time interest earn ratio is shown in the chart bellow:



The time interest earned ratio of SBL from 2000 to 2002 is satisfactory and safety. Because it is average six times.



Comments:

The SBL have the ability to pay its interest from its profit before tax and interest charges are satisfactory. Which are six times bigger then the interest payment. But in 2003 I could not determine the ratio because of lack of information. The time interest earned ratio of SBL from 2000 to 2003 proves the sound financial performance.

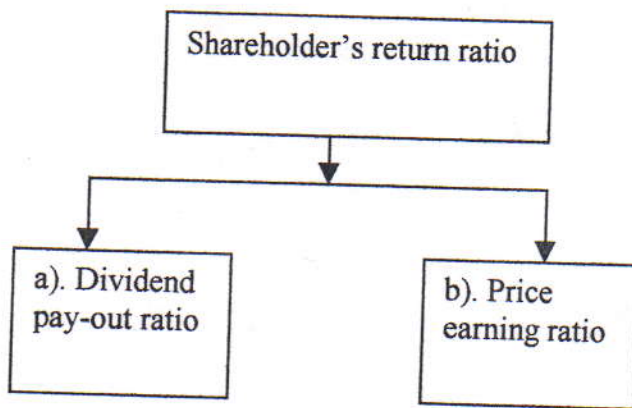
4.4.5. Shareholders return ratio analysis:

To evaluate the financial performance and operating efficiency of any financial institution the shareholders return ratio analysis is very important. To evaluate the financial performance and operating efficiency of SBL I have analyze the Shareholders return ratio, the analysis is in the bellow.

Shareholders return Ratio analysis has two parts:

- a). Dividend pay-out ratio
- b). Price Earning Ratio

Shareholder's return ratio tree:





4.4.5.1. Dividend pay-out Ratio:

Dividend pay-out ratio indicates the relation among the dividend per share with the earnings per share. It gives the idea that what is the portion dividend per share to the earnings per share.

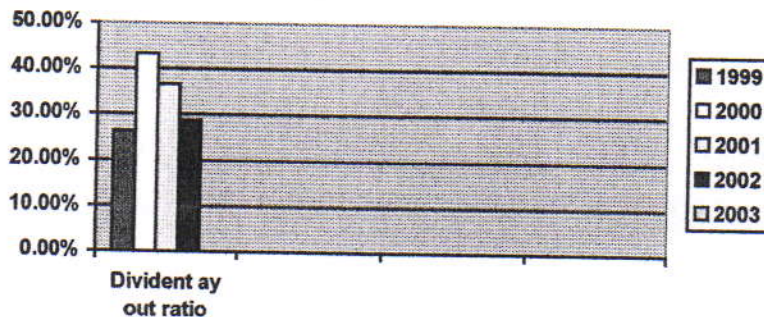
The formula to calculate Dividend pay out ratio is in the bellow:

Dividend pay out ratio = Annual dividend per share / after tax earnings per share

The Dividend pay out ratio of SBL from 1999 to 2002 are shown in a table in the bellow:

Years	2003	2002	2001	2000	1999
Dividend pay put ratio of SBL	-----	28.63%	36.57%	43.34%	26.32 %

The Dividend pay out ratio of SBL from 1999 to 2002 are shown in a chart in the bellow:



The SBL is paying dividend in every yeas and the rate of dividend payment was 28.63%, 36.57% , 43.34%, 26.32 % respectively.



Comments:

Every year the SBL is paying a big amount from their profit as dividend. It refers a strong financial position of the bank. Investors will be attracted to the SBL's share and share value will increase.

4.4.5.2. Price earning ratio:

Price earning ratio usually estimation that the investor will invest how much money for earning one unit of money. It is a relation between the market price of the common stock and the earning per share. So, the firm with more price earning ratio is likely to the investor, because it provides the investor more profit. Price earning ratio also gives the idea that the firm is faster growing-low risk taker or slower growing-high risk taker.

So, for estimating the financial performance of a bank or financial institution, price earning ratio analysis has a big importance. That's why I have analyzed the price earning ratio of SBL, to estimate its financial performance.

Price earning ratio can be calculated by the following formula:

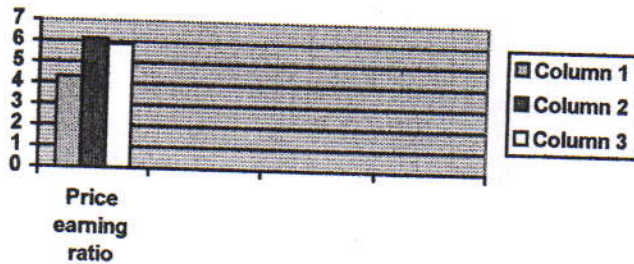
Price Earning Ratio = Market price per share of common stock / Earnings per share.

The calculated price earning ratio of SBL are given in the table below:

Years	Price Earning ratio
2000	4.32 times
2001	6.13 times
2002	5.89 times



The calculated price earning ratio of SBL is shown in the chart bellow:



Comments:

From the chart and table it is clear that price earning ratio of SBL s in increasing trend. So, it is a faster growing –low risk taker bank. Another thing we can estimate that the investor will invest 4-6 Taka to SBL to earn one Taka profit.



The results of ratio analysis at a glance:

To evaluate the financial performance of SBL I have conducted the ratio analysis.

The results of all the ratio analysis are given bellow in charts:

Results of profitability ratios

Items	Years			
	2003	2002	2001	2000
Return on equity(ROE)	41.09%	27.66%	35.60%	22.60%
Return on assets(ROA)	3.02%	1.34%	1.87%	1.475%
Net profit margin	67.46%	32.19%	38.24%	32.85%
Equity Multiplier	13.60Times	20.60 Times	19.03 Times	20.73 Times

Liquidity ratio

Items	Years			
	2003	2002	2001	2000
Current Ratio	11.73 Times	7.18 Times	4.59 Times	4.52 Times
Quick Ratio	11.15 Times	6.88 Times	4.42 Times	4.38 Times



Activity ratio

Items	Years			
	2003	2002	2001	2000
Fixed assets turn over	3.62 Times	16.14 Times	19.52 Times	7.39 Times
Total assets turn over	0.030 Times	0.026 Times	0.034 Times	0.029 Times

Leverage ratio analysis

Items	Years			
	2003	2002	2001	2000
Debt to asset ratio	93%	95%	95%	95%
Debt to equity ratio	12.60 Times	9.60 Times	18.03 Times	19.74 Times
Time interest ratio	*****	8.64 Times	5.47 Times	6.75 Times

Shareholders return ratio

Items	Years			
	2003	2002	2001	2000
Dividend payout ratio	*****	28.63%	36.57%	43.34%
Price earning ratio	*****	5.89 times	6.13 times	4.32 times



5.0. Part-E:

Problems recommendations and conclusion.



5.1. Problems:

From the performance evaluation part it could be say that SBL is a faster growing –low risk taker bank. SBL is a leading bank among the private banking sector of Bangladesh.

But it is operating its business with the following problems:

- Cash credit service: Under the arrangement of Cash credit service the borrower can borrow any time within the agreed limit and can deposit money to; adjust whenever he does have surplus cash in hand. All the nationalized banks allow cash credit facilities. SBL does not practice the cash credit facility.
- High liquidity ratio: High liquidity ratio is obviously positive for any bank. But I think SBL is maintaining very high liquidity ratio which is reducing the profit.
- Limited brunches: Although SBL established 23 brunches up to December31, 2003, the question is how many part of the total industry it is covering? Comparing with the entire public sector bank it could be say that it have not enough brunches to cover all over the country.
- Low investment in big industrial sector: Southeast Bank Limited is not investing as much in big industrial sector as investing more in medium size business.
- Low investment in small business: Southeast Bank Limited is not investing as much in small business as they e investing in the medium size business.



- Very little sponsorship: The marketing department of SBL is not accelerating their promotion activities by sponsoring games, education and other social activities.
- Not providing credit card: SBL is providing only ATM card they are not offering credit card.
- Few ATM booths: SBL are providing ATM card service but their service is limited by very few ATM booths.

These are some problems I find out from my analysis. SBL must solve these problems as

quickly as possible to be number one private bank in the country.



5.2. Suggestions:

To solve the problems find out in the problems part, some possible suggestions are given in the bellow. By implementing these suggestions SBL can improve its position.

- Cash credit service: SBL does not practice the cash credit facility. The bank will obtain a huge number of customers if it introduces the cash credit service.
- Sufficient liquidity ratio: High liquidity ratio is obviously positive for any bank. If SBL maintain a sufficient amount of liquidity amount and invest the rest of the amount inventoried, it could typically increase its profit.
- Brunch's expansion: Although SBL established 23 brunches up to December31, 2003, it could increase its brunches all over the country and can take the advantage of highest market coverage among private banks.
- Increase investment in big industrial sector: SBL can go for big investment to make more business.
- Increase investment in small business: By investing in small business SBL can cover a very big market in Bangladesh.
- More sponsorship: Sponsoring games, education and other social activities SBL can make its place in the heart of Bangladesh people.



- Provide credit card: By providing credit card SBL may remove its limitation, feel by large market segment.
- Increase ATM booths: By more market research SBL have to establish more ATM booth in important location, to make their services available to the customer.

By implementing the above mentioned suggestions Southeast Bank Limited may be the best bank in Bangladesh quickly.



5.3. Conclusion:

Southeast Bank Limited is a faster growing and low risk taker bank. Its present position among the entire private banking sector is very strong. Services it is providing to its customer is really service oriented. The brunches of the bank is spreading all over the country very first. I think it would spread its operation broadly within another five years.

The bank is operating its operation with some of the problems. It will overcome these problems within a short time period.

Now the bank needs more market research to find out customer expectation and satisfying those customer expectations it may become number one bank in Bangladesh.

In the end words I would like to thanks my instructor Dr. Tanbir Ahmed Chowdhury to assigning me the report on SBL and for his kind help. I would also like to thanks the main brunch of SBL for providing me all necessary information's that helped me lot to prepare the report.



5.4. Appendix:



Appendix – 1:

Financial Performance of Southeast Bank Limited

The overall financial position of Southeast Bank Limited (1996 to 2003) is in the bellow:

Southeast Bank Limited at a Glance	(Taka in million)							
	2003 (Un-audited)	2002	2001	2000	1999	1998	1997	1996
Authorized Capital	2,500.00	2,500.00	500.00	500.00	500.00	500.00	500.00	500.00
Paid-up Capital	564.30	399.30	363.00	330.00	300.00	150.00	125.00	100.00
Reserve Fund	771.68	571.66	394.20	235.28	145.70	85.13	46.43	16.40
Equity Fund (Capital and Reserve)	1,335.98	970.96	757.20	565.28	445.70	235.13	171.43	116.40
Deposit	20,118.82	16,598.45	12,630.25	10,309.70	7,512.49	5,483.39	4,146.00	3,094.06
Advance	15,548.11	13,027.13	9,178.02	7,061.87	5,051.88	3,402.21	2,588.32	1,231.00
Investment	2,733.11	2,282.08	1,727.44	1,369.92	971.81	509.73	420.66	429.82
Import Business	16,270.80	12,817.01	12,187.37	11,239.14	8,228.50	6,852.19	4,686.29	2,232.50
Export Business	3,033.79	2,263.45	2,675.05	1,319.51	704.47	353.43	177.46	104.98
Guarantee Business	3,391.19	2,502.48	1,854.50	1,306.24	907.18	744.92	345.41	265.06
Total Income	2,772.48	1,936.54	1,748.18	1,259.03	862.86	727.53	389.00	175.09
Total Expenditure	2,068.72	1,443.98	1,256.05	921.70	661.02	556.87	284.00	141.64
Operating Profit	703.76	492.56	492.13	337.33	201.84	170.66	105.00	33.45
Net Profit after-Tax and Provision	-	253.56	402.23	287.33	170.48	98.01	68.64	19.82
Fixed Assets	288.02	48.81	36.26	71.13	78.37	85.92	93.26	65.54
Total Assets	23,293.85	18,882.48	14,468.66	11,710.56	8,336.17	5,962.71	4,423.22	3,275.52
Earning per Share (Taka)		69.85	82.04%	57.61%	56.99%	45.38%	40.65%	3.98%



Dividend Cash (%)		20%	30.00%	25.00%	15.00%	-	-	-
Bonus Shares		10% (10:1)	10% (10:1)	10% (10:1)	-	20% (5:1)	25% (4:1)	-
Return on Equity (ROE)		26.11%	53.12%	50.83%	38.25%	41.68%	40.04%	17.03%
Return on Assets (ROA)		1.34%	2.78%	2.45%	2.05%	1.64%	1.55%	0.61%
Non performing Loans as % of Total Loans		1.99%	2.78%	2.95%	3.75%	4.25%	0.75%	-
Capital Adequacy Ratio		8.23%	8.71%	8.40%	9.52%	8.16%	6.74%	8.63%

Number of Correspondent Banks		45	40	39	34	32	30	28
Number of Foreign Correspondents		295	280	269	253	238	190	147
Number of Shareholders		1,666	1,429	1,266	1,129	27	27	28
Number of Employees	701	595	575	528	480	447	358	295
Number of Branches	23	19	13	12	12	12	10	8



Appendix – 2:

Dairy of events and brief profile:

General Information		
Certificate of Incorporation		March 12, 1995
Certificate of Commencement of Business		March 12, 1995
Bangladesh Bank license		March 23, 1995
First Branch opened		May 25, 1995
Dividend offered	in 2001	30%
Dividend offered	in 2002	20%
Number of Branches		23 as on 31/12/2003
Number of Employees		701 as on 31/12/2003
Global Correspondents		350 as on 31/12/2003
Listing of Shares		DSE & CSE

Financial Stability and other related information's:

Financial Stability (Taka in million)		
Authorized Capital		2,500.00
Paid-up Capital	(Subscribed by sponsors in 1995)	100.00
Paid-up Capital and Reserve	in 1996	116.40
	in 1997	171.43
	in 1998	235.13
	in 1999	445.70
	in 2000	565.28
	in 2001	757.20



	in 2002	970.96
Deposit and Borrowings	December 31, 2003	20,118.82
Loans and advances	December 31, 2003	15,548.11
Investments	December 31, 2003	2,733.11
Operating Profit	December 31, 2003	703.76
* Initial public offering of shares of Tk. 150.00 million was completed in 1999		

Chairman of the Bank unto now:

Mr. M.A. Kashem	from March, 1995 to June, 1998
Mr. Ragib Ali	from July, 1998 to June, 1999
Mr. Yussuf Abdullah Harun	from July, 1999 to September, 2002
Mr. Ragib Ali	from September, 2002 to August, 2003
Mr. Azimuddin Ahmed	from August, 2003 till date

Vice Chairman of the Bank unto now:

Mr. Ragib Ali	From March, 1995 to June, 1998.
Mr. Azim Uddin Ahmed	From July, 1998 to June, 1999.
Mr. Ragib Ali	From July, 1999 to September, 2002.
Mr. Azimuddin Ahmed	From September, 2002 to August, 2003.
Mr. Ragib Ali	From August, 2003 till date.



President and managing director of the Bank:

Mr. Syed Anisul Huq	from April 4, 1995 to April 3, 2000
Mr. Shah Md. Nurul Alam	from July, 1999 to May 11, 2002
Syed Abu Naser Bukhtear Ahmed	from 30th May 2002 to till date

Company and secretary:

Mr. A.K. Qureshi	From January 18, 1995 to January 17, 2004
Mr. Muhammad Shahjahan	From January 18, 2004 to till date



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