



Report on:

Overall financial performance and operations of One Bank Limited

***Prepared for :
Dr. Tanbir Ahmed Chowdhury
Associate professor and Deputy coordinator
Finance
East West University***

***Prepared by:
Sravanti Majumder
ID: 2001-I-10-002
East West University***

Date of Submission: August 24, 2005

Dr. Tanbir Ahmed Chowdhury
Project Supervisor
Associate Professor
East West University
45-46 Mohakhali C/A
Dhaka 1212

Submission of Internship Project

Dear Sir

Here is the project on overall financial performance and appraisal of One Bank Limited and with the possible suggestions, you have asked me to prepare. I found the work quite interesting and valuable. I have tried my level best to prepare it bona fide and worthiness. I believe that I have collected the most hypnotic data, though I have some barriers and lack of facilities.

I am especially thankful to you for giving me the freedom to work on this project.

I respectfully hope that my paper on the appraisal of One Bank Limited would meet your requirements. I truly admire this project. If you need any assistance in interpreting my analysis, please call on me.

Sincerely

Sravanti Majumder
Sravanti Majumder
ID# 2001-1-10-002

TABLE OF CONTENTS

Chapter-1	
	Page No.
Introduction :	03
1.2 Origin of the report	03
1.3 Objective of the study	04
1.4 Scope of the report	04
1.5 Methodology of the study	04
1.6 Limitations of the report:	05
Chapter 2 Background of One Bank	
2.1 World Economy :	06
2.2 Bangladesh Economy:	07
2.3 Overview of One bank Limited at present:	07
2.4 Background Of One Bank:	08
2.5 Aims and objectives:	08
2.6 Special features of One Bank:	09
2.7 Operational functions of One Bank:	09
Chapter 3: Organizational layout of OBL	
3.1 Corporate information:	10
3.1.1 General Service Division:	10
3.1.2 Marketing Division	11
3.1.3 International Division	11
3.1.4 Human Resource Department	12
3.1.5 Credit Service Division	12
3.1.6 Financial Control and Electronic Data Processing:	13
3.1.7 Board and Company Secretary Division:	14
3.2 Committees:	14
3.2.1 Policy Committee :	15
3.2.2 Executive Committee:	15
3.2.3 Management Committee:	15
3.3 Branches of One Bank Limited:	15

	Page No.	
3.4	Manpower:	15
3.6	Products and services of One Bank:	15
3.6.1	General Banking Department	16
3.6.1.1	Opening Of Different Types Of Deposit Accounts	16
3.6.1.2	Current or Demand Deposit (Cd)	16
3.6.1.3	Saving Account (SB)	20
3.6.1.4	Deposit Schemes	20
3.6.1.5	Sanchayapatra (SP) :	23
3.6.1.6	Telegraphic Transfer (TT):	23
3.6.1.7	Demand Draft (DD):	23
3.6.1.8	Pay order :	23
3.6.1.9	Locker:	24
3.6.1.10	ATM Card Services:	24
3.6.1.11	Short Term Deposit (STD)	24
3.7	Bank Receipt And Payment (Cash)	26
3.7.1	Cash Receipt	26
3.7.2	Cash Payment	28
3.7.3	Accounts Department	29
3.7.3.1.	Daily Task	29
3.8	Investments	30
3.8.1	Credit (Loans and Advance Department)	31
3.8.2	Investment functions	31
3.8.3	Objectives and principles of investments	31
3.8.4	Modes Of Investments	33
3.8.4.1	Documentation of The Loan (Sanction Procedure)	38
3.8.4.2	Documents For Consumer Credit Scheme	39
3.8.4.3	Growth of investments	41
3.8.5	Sector wise investments:	41
3.9	Foreign Exchange	42
3.9.1	Letter Of Credit L/C	42
3.9.2	Bill Of Exchange	42
3.9.3	Import Procedure	44
3.9.4	Export Procedure	45

Chapter 4

	Page No.
4.1 Introduction:	47
4.2 Balance Sheets at 31st December, 2001-2004.	47
4.2.1 Total cash :	48
4.2.2 Total property and assets :	48
4.2.3 Total liability :	49
4.2.4 Total shareholders equity :	50
4.2.5 Total shareholders equity and liability :	51
4.3. Analysis for the components of income statement of OBL	52
4.3.1 Net income:	53
4.3.2 Retained earning analysis :	54
4.4 Ratio Analysis of One Bank Limited:	55
4.4.1. Profitability ratio analysis :	56
4.4.2 Return on Equity (ROE) :	57
4.4.3 Return on Asset (ROA) :	58
4.4.4 Net Profit Margin Ratio :	59
4.4.5 Equity Multiplier (EM) Ratio :	60
4.4.6 Liquidity Ratio Analysis :	61
4.4.7 Current Ratio analysis of OBL:	61
4.4.8 Quick ratio analysis of OBL:	62
4.4.9 Activity Ratio Analysis:	63
4.4.9.1 Fixed assets turn over ratio:	64
4.4.9.2 Total assets turnover (Assets utilization) :	65
4.4.10 Leverage ratio analysis :	66
4.4.10.1 Debt to assets ratio	68
4.4.10.2 Debt to equity ratio	68
4.4.11 Shareholders return ratio analysis :	68
4.4.11.1 Dividend pay-out Ratio :	69
4.4.11.2 Price earning ratio :	70
4.5 The results of ratio analysis at a glance :	71

Chapter 5

5.1 Problems of One Bank:	74
5.2 Suggestions	75
5.3 Conclusion	77
5.4 Bibliography:	78

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 One Bank Limited to get ready the necessary report. This report is the consequence of my effort and a beneficial pleasure of many other sources.

My advisor consigned me to evaluate the financial performance and the overall maneuver of OBL. I made my possible effort to make an overview of presenting the above directions. Certain encouragement and aid from the personnel of OBL, especially Mr. Safiuzzaman(manager) can be also acknowledged with proper regard.

Idea procedures , suggestion and conclusion of this report were based on practical experience and collected from different books.

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 care ness supervision over the last three months, though he was a very busy person.

EXECUTIVE SUMMARY

I have prepared this report on One Bank Limited. My focus was on the financial performance of the bank and its overall operations. Banking sector is so important for sustaining the country's continued growth and development. In this context this study is carried out just to assess, financial analysis of last four years and identify problems, information about the bank's deposit, investments, brief description of the bank's main departments function and the overall performance of the bank. In chapter 1, I discussed about the introduction, origin of the report, objective of the study, scope of the report and limitations of the report. In chapter 2, I discussed the background, aims and objectives, special features of One Bank, operational functions of One bank, organizational layout of One bank limited. In chapter 3 I discussed about the organizational layout of One Bank Limited. In chapter 4, the overall financial performance of OBL are discussed. In chapter 5, I gave the conclusion, bibliography and discussed about the problems and try to give a possible suggestion. All kinds of account opening, closing, fund transfer, issuing cheque book are held in general banking both local and foreign. The main function of bank is to take deposits from one person and giving loan to another person. For taking deposits and giving loan some rules and regulations are there. Loan administration deals with this rules and regulations. The main function of marketing is to book customer for loan and deposit and to determine which clients are profitable, feasible, and viable. Trade finance department is concerned with letter of credit (L/C) which is an undertaking for payment issued by bank (L/C issuing bank) at the request of its client (L/C applicant) favoring beneficiary (supplier or exporter) and advised through a bank (advising bank) in the beneficiaries country and contains certain terms and conditions. Accounts take the reports from all other departments and add some new information, update daily position or daily activity report, check and report voucher, prepare documents for the payment of salary to each employee. My project has been specially prepared to give a detailed idea about one of the reputed private banks that will help its reader to attain professional excellence in handling the challenges of bank and give knowledge about how banks perform..

Chapter-1

1.1 INTRODUCTION :

The developing economies are looking forward to their capital markets as the engine for future growth as its presence ensures mobilization of funds from surplus units to the ones suffering from deficits. Business firms (deficit units) need money to pay to the factors of production, i.e. land, labor, capital, and entrepreneurship. Households (surplus unit) have residual earnings, i.e. savings after their consumption but usually in less quantum compared to the business firms' needs. It is the financial intermediary that usually pools the money from a wide number of people and channels it to the ultimate borrowers.

Financial intermediaries include banks (central bank, commercial banks, investment banks etc.), Securities and Exchange Commission (SEC), specialized financial institutions, development financial institutions and institutional investors (i.e. Investment Corporation of Bangladesh). Among the surplus and deficit unit easy transaction of money is very necessary and important for balance. If banks or any monetary institution can provide these services as client expects, it will achieve success finally.

The market can be classified into a number of ways, but from the duration point of view, it is classified into two-money market and capital market. The money market is the market where financial securities maturing in less than one year are transacted while in a capital market financial assets maturing within more than a year change hands.

Typical money market instruments are certificates of deposits, treasury bills, post office savings etc.

Capital market instruments are broadly the securities - debt and equity instruments Particularly. In any country strong banking sector indicate strong economic condition of the country. To improve our banking sector we need more market and routine investigation of the banks continuously.

This report contains the results of knowledge while doing the internship under One Bank Limited.

1.2 ORIGIN OF THE REPORT

This report is the requirement of the BBA program of East West University of Bangladesh and assigned by Dr. Tanbir Ahmad Chowdhury. I was sent to 'One Bank Limited' (Gulshan Branch) to take the real life exposure of the activities of banking financial institutions from "May15" to "August 15", 2005. On the basis of this three months experience I tried to write a report on 'One Bank Limited'. There are forty one courses in BBA program and internship is the last course. Internship is an integral part of BBA degree requirement. After completion of forty courses from different area of studies students are sent to various

organizations to expose them to real life management situation. The theoretical knowledge that we acquired from class lectures, books, case studies, seminar, project, workshop etc. is replenished in the practical settings. Here I also get an opportunity to realize the relevance and usefulness of learning. Hence I also placed in 'One Bank Limited' by our 'Career Counseling Center' for practical orientation in banks.

1.3 OBJECTIVE OF THE STUDY

The objective of the report is to acquire real life exposure in the banking sector which will fulfill my knowledge in banking of Bangladesh. To prepare the report on 'One Bank Limited' the observation was closely involve with –

- Practical fulfillment of three months (May15 to August 15, 05) internship in the One Bank Limited (Gulshan Branch).
- To gain practical knowledge in banking operation and activity.

1.4 SCOPE OF THE REPORT

The banking sector in any country provide information about economical state of the country. So rapid research on the banking sector is mandatory. At the time of preparing this report I got all obtainable information and required instruments to complete the report.

'One bank Limited' is one of the new generation private banks in Bangladesh. The scope of the study is limited to the branches (Dhaka-based) only. The report covers the organizational structure, functions, financial analysis and the performance of the bank.

1.5 METHODOLOGY OF THE STUDY

For the internship I desired to go to 'One bank Limited' head office for guidance. But I was sent to 'One bank Limited' (Gulshan Branch). As my objective was to get clear idea about the functional work of the bank I worked in every desk of the bank with permission from the Head Official in-charge of the Branch. While working in different department I observed the annual reports, files, some articles of bank, books related with banking sector, different parties of different categories. I went to the Head Office of One Bank. I extended my efforts in collecting as much information as possible.

I analyze the data from 2000 to 2004 as the bank is new they do not have information before 2000. In the financial analysis part of this report I scatterbrained the financial data from the annual report of the bank and from the internet. But these financial statements are not adequate to comprehend the financial performance of the bank. To solve this problem I conducted the In this

part I analyzed each of the components of the income statement and balance sheet. Then I conducted the ratio analysis of OBL. I also analyze Du-Pont analysis. All these analysis gives a very transparent image about the financial performance of the bank

- Primary Information: The primary source of information is based on the interviews of different officials and customers of One Bank Limited.
- Secondary Information: The secondary source of information is based on some publications, brochures and different paper media, annual report. The One Bank Departmental documents were consulted thoroughly.

1.6 LIMITATIONS OF THE REPORT:

The main limitations of the report are as follows:

- The main objective of internship program is to observe the function of a bank but the time allocated (12 weeks) was too short to learn the overall function of bank.
- I have not gone to branches, outside of Dhaka. The performance is only measured on the basis of Dhaka-based.
- The department people always remain busy due to lack of supporting employees. So, they could not dedicate their full efforts to teach me.
- Lack of time did not permit me to prepare the report in details.
- Office confidentiality was one of the most significant problems.

Chapter 2

BACKGROUND OF ONE BANK

2.1 WORLD ECONOMY:

The continuing recovery of world economy gained momentum in 2004, spurred by a sharp rise in industrial production and strong rebound in world trade. The latest IMF projections released in late September, 2004 show global output growth of 5 percent in 2004 compared with 3.9 percent recorded in 2003 and well above the 4 percent historical trend. The advanced economies as a group are projected to grow by 3.6 percent while the other emerging market and developing countries as a group are projected to grow by 6.6 percent in 2004 pulled by china.

The growth of world trade in 2004 is projected to rise sharply to 8.8 percent compared with 5.1 percent in 2003, significantly higher than previous for casts while growth of exports from the advanced economies is projected to increase sharply in 2004, growth of export of other emerging market and developing countries as a group is projected to decline marginally in 2004 but will remain at a high double digit level. The growth of imports for the advanced economies is projected to increase substantially to 7.6 percent from 3.7 percent recorded in 2003 reflecting economic recovery. For emerging market and developing countries import growth will pick up only moderately.

The latest global financial Stability Report released by the IMF in September, 2004 indicates that the global financial system improved in 2004 on the strength of broadening Economic Recovery. Stock and bond Market Performed relatively well during the first half of 2004 aided partly by rising corporate profitability. In foreign exchange markets, so far in 2004 the major currencies have moved little in trade-weighted terms with a moderate depreciation of the US dollar and the yen accompanied by small appreciation of the euro and the pound.

In 2005 global economic growth is projected to decline some what from 5 percent expected in 2004 to 4.3 percent as the positive factors are offset by decline in spare capacity and the withdrawal of fiscal and monetary stimulus in advanced economies. Amongst the other emerging market and developing countries, china is projected to grow at a high 7.5 percent in 2005, lower than 9% expected in 2004. With the projected decline in non fuel commodity prices, inflation is projected to decline in emerging market and developing economies.

In near and medium term there are some important risks as well as opportunities of the global economy. The major risks are high oil prices, large us current account deficit and rising global interest rate associated partly with continuing high fiscal deficits in the US and some Euro area countries. While geopolitical uncertainties and oil price volatility remain as important concerns, the continued large current account deficit, combined with a fiscal deficit of similar size, in the US continue to pose a serious risk that can through the global growth prospects of

track. The possibility of a future substantial rise in the global interest rates from the present very low levels could lead to financial market volatility and may hurt recovery. At the same time opportunities for sustained global productivity growth exist resulting from spread of the information technology along with china's emergence propelling global economic growth. In the medium term a more open and liberal trade regime with built in safeguards for developing countries will also put global growth on a firm footing. In this regard although multilateral trade negotiation show signs of regaining some momentums after collapse of Doha round in Cancun, significant obstacles to achieving a meaningful negotiation and agreement still remain, requiring political commitment on the part of the key players to overcome the obstacles.

2.2 BANGLADESH ECONOMY:

The growth of Bangladesh economy continued in 2004 based partially on continuing improvement in macro economic performance despite some adverse external developments, notably oil and commodity price hike. Real GDP grew by 5.5 percent in 2004 up for 5.3 percent recorded in FY 2003. Economic growth was facilitated by robust growth of exports, imports and remittances. In US dollar terms export earning recorded a growth of 15.9 percent while import payments grew by 12.4 percent. At the same time remittances from non resident Bangladeshi Motional increased by 9.7 percent that led to current account surplus and further accretion to foreign exchange reserves. It appears that economic activity was not adversely affected by higher than CPI inflation, which displayed an upward trend during the first half of the year owing mainly to increase in food prices that moderated some what during the second half of the year. Overall 12 month consumer price inflation on point to point basis, decreased to 5.6 percent in June 2004 after increasing to 6.7 percent in November 2003 while average annual inflation remained moderate at 5.8 percent. There is evidence to indicate that acceleration of inflation, notably food price inflation was largely imported and not induced by excessive monetary expansion. Monetary growth at 13.8 percent in FY 2004 remained some what higher that the revised projection. Domestic credit grew by 15 percent reflecting mainly growth in private sector credit aided by moderate decline in lending rates.

2.3 OVERVIEW OF ONE BANK LIMITED AT PRESENT:

One bank Limited has been achieving a continuous growth rate in all spheres of banking operation since the establishment in 1999. During the year 2004 the operational profit of the bank was Tk. 501.49 million and thus recorded a profit growth of 92.30 percent. The bank covered capital adequacy ratio as fixed by Bangladesh bank and maintained a Return on Asset @ 3.35%. The bank opened five new branches in 2004 throughout the country. The branches of the bank has increased to 15 (Fifteen). Because of the excellence service of the management team with the support of policy directives and guidelines from the Board of directors the bank accomplished the desired satisfaction.

2.4 BACKGROUND OF ONE BANK:

- ‘One Bank Limited’ was incorporate in July 14, 1999 with the Register of Joint Stock Companies under the Company Act 1994 as a commercial bank in the private sector.
- The bank is pledge-bound to serve the customers and the community with utmost dedication.
- The prime focus is on efficiency, transparency precision and motivation with the conviction to express itself as “One Bank” in both value and image.
- The name ‘ONE’ is derived from the feeling of the promoters to reach out to the people of all walks of life and progress together towards prosperity in a spirit of oneness.
- Listed company with Dhaka and Chittagong Stock Exchanges.
- It has overseas correspondence relationship with 230 banks worldwide.
- One bank is a member of SWIFT (Society for Worldwide Interbank Financial Telecommunication).

2.5 AIMS AND OBJECTIVES:

- ❖ Be one of the best Banks of Bangladesh and profit maximization.
- ❖ Achieve excellence in customer services next to none and superior to all competitors.
- ❖ Be a high quality distributor of products and services ,create shareholder value and standard financial service.
- ❖ Ensuring errorless act.
- ❖ Use state-of-the arts technology in all spheres of Banking.
- ❖ Be pro-active in fulfilling social responsibilities.
- ❖ Working environment to be supportive of teamwork, enabling the employees to perform to the very best of their abilities.

2.6 SPECIAL FEATURES OF ONE BANK:

- To persuade savings of people One Bank has introduced diverse customer friendly deposit schemes.
- The bank believes in client liaison management to evaluate the needs of every individual customer and to accomplish that in time.
- The bank provide online banking and the bank make its transaction through a software named Micro Banker.
- The bank is constantly doing research and development and spending sufficient money to provide up to date services.

2.7 OPERATIONAL FUNCTIONS OF ONE BANK:

One bank limited includes the activities of deposit enlistment, financing of trade, garments, and industries. It broaden the credit facilities to the priority basis through the efforts of its top management and under the guidelines of Bangladesh Bank.

Chapter 3

ORGANIZATIONAL LAYOUT OF OBL

3.1 CORPORATE INFORMATION:

The Corporate Headquarter of One bank has numerous major divisions and each encompasses various departments. The major divisions in the Headquarters are as follows-

- ✚ General Services
- ✚ Marketing
- ✚ International Division
- ✚ Human Resource Department
- ✚ Credit Service Division
- ✚ Financial Control and Electronic Data Processing
- ✚ Board and Company Secretary Division

3.1.1 GENERAL SERVICE DIVISION:

The key task of this division is divided as-

- Establishment
- General Banking

The major function of establishment relates to production and supply of all concrete goods to the branches of One bank. Which includes:-

- ❖ Introduce various security documents
- ❖ Issue all sanctuary papers and bank stationeries
- ❖ Distributes this stationeries to branches
- ❖ Acquire and circulate all kinds of bank's equipment and furniture
- ❖ Fix and sustain different facilities in the branches

- ❖ Every tangible function of branch opening such as making lease arrangement, furnishings etc.
- ❖ Receive the request of car, vehicles, telephones from branches and subdivisions and assemble, purchase and distribute it to individual or branch concerned.

General banking section perform the following activities:

- ❖ Deliver the power of attorney to the officers of the branches
- ❖ Uphold general communication with Bangladesh bank and other banks.

3.1.2 MARKETING DIVISION

Marketing division involved in two types of marketing.

I. Asset Marketing

II. Liability Marketing

- ❑ Asset marketing is the marketing of different types of loans and advances. In order to execute this job they sometimes go to some large organizations and attract them to borrow from them to finance lucrative projects.
- ❑ In case of liability management high officials of the bank go to several organizations that has surplus funds and try to encourage the organization to keep their extra funds with One bank. If the deposited money is large then the bank proposes a bit higher rate than the existing market rate. To advertise their products and services they also take the help of mass media.

3.1.3 INTERNATIONAL DIVISION

International Division assists administration to make International dealing decision and after the decision is made, lead branches in their execution. A well-ordered and reliable officers run the job of this division which includes-

- ❖ Foreign trade and exchange dealing
- ❖ Foreign exchange proceeds and statement
- ❖ Correspondent liaison

- ❖ Legitimate signature and test key
- ❖ Sends simplified exchange rates to the concern branches

3.1.4 HUMAN RESOURCE DEPARTMENT

Human resource division perform the following activities:

- ❖ Selection and recruitment of new human resources
- ❖ Prepare all formalities regarding appointment and joining of the successful employees.
- ❖ Placement of manpower
- ❖ Deal with the transfer, promotion and leave of the employees
- ❖ Training and development
- ❖ Termination and economizing of employees
- ❖ Keeping records and personal file of every employee of the bank
- ❖ Employee welfare fund management
- ❖ Arranges seminar for employees and executives
- ❖ Annual Confidential Reports (ACR) for the performance appraisal of the employees are preserved and used by this division.

Recruitment and selection procedure of the bank consists the following four steps-

Initial Selection

- Written examination

Interview

- Evaluation Centers

3.1.5 CREDIT SERVICE DIVISION

Computerization of credit information has been started in One bank. This division is Lending Risk Analysis (LRA) information to assist branches by updating

information required by them for analyzing risks of lending. They also collect information from Credit Information Bureau (CIB) and passes to the branches of interest to judge a loan.

The main function of this division is-

- ❖ The management of One Bank's credit assortment
- ❖ Plan diverse statements for onward submission to Bangladesh Bank
- ❖ Receives proposals
- ❖ Get authorization
- ❖ Proposes and assess
- ❖ Consultation and approval
- ❖ Set prices for credit and ensures affecting it in branches

3.1.6 FINANCIAL CONTROL AND ELECTRONIC DATA PROCESSING:

One bank maintain all the proceeding of its assets and liabilities in computer. The major task of this department are as follows-

- ❖ Bring up to date software
- ❖ Manipulate software to carry on account operation
- ❖ Improve inventiveness of software to get best possible output
- ❖ Hardware and software troubleshooting
- ❖ Provide regular check-up of computer
- ❖ Provide training to the concern executives regarding the operation of newly developed program
- ❖ Financial division also pact with the account side of One bank.

- ❑ **Head office accounts:**

It deals with the head office transaction with banks and branches.

- Salary, wages of the head office executives, officers and employees are given from this department.
- All Income, expenditure are posted and maintained under this head
- Bill section is responsible for only inland bills
- Cash section in general carry out cash expenditure for office operation and miscellaneous expenditure.
- . Employees provident fund accounts are maintained here.
 - **Consolidation of branch accounts:**
 - All branches monthly send their income and expenditure, profit loss accounts to head office and head office made the consolidated statement of income and expenditure of One bank.
 - Here branch statements are reviewed.
 - This section also submits different monthly, yearly, half-yearly statements to Bangladesh bank.

3.1.7 BOARD AND COMPANY SECRETARY DIVISION:

The major task of this department are as follows-

Carry out meeting of the board of directors.

Dealing with company act.

3.2 COMMITTEES:

There are different committees to make decision. They are-

- Policy committee
- Executive committee
- Management committee

3.2.1 POLICY COMMITTEE:

This committee reviews all matters relating to principles, policy rules and regulations of the bank. Decision taken by policy committee requires prior approval of the board.

3.2.2 EXECUTIVE COMMITTEE:

It consists of board of directors. This committee put into effect the power as delegated by the board and support all matters beyond the delegation of the management.

3.2.3 MANAGEMENT COMMITTEE:

It supervise directors and head office executives. They concern about-

- Assessment, guidelines regarding deposits, lending and management of human resources.
- Material resources are their main concern.
- Diverse ideas and development of portfolio functions

3.3 BRANCHES OF ONE BANK LIMITED:

One Bank Limited has a total number of eighteen branches.

3.4 MANPOWER:

One Bank has provided a greatest employment opportunity. Upto December 2004 number of employees of OBL was 931.

	2004	2003	2002	2001	2000
No of employees	300	209	178	133	111

3.6 Products and services of One Bank:

- General Banking
- Cash
- TradeFinance
- Loans

3.6.1 GENERAL BANKING DEPARTMENT

General banking is concerned with serving general people to accumulate money, to level transaction for common people, to authenticate security of the valuable resources. The general banking system of One bank is very errorless and lively. General banking activities consist of opening of accounts, remitting funds, receiving and paying cash, collecting different instruments against them, preparing statements etc.

One bank performs general and also specific activities in general banking division. The components of general banking are as follows:

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

3.6.1.1 OPENING OF DIFFERENT TYPES OF DEPOSIT ACCOUNTS

- Opening of an account is the very first work for a bank.
The probable customer at first intend to open an account to perform their function.
- Then the financier asks for what kind of account the customer wants to open and provide an account opening application form for that specific account.
- One bank offers various types of accounts to its customers.
- The procedure for opening different types of deposit accounts are as follows:

3.6.1.2 CURRENT OR DEMAND DEPOSIT (CD)

- Current Account is purely a demand deposit account
- Because the Bankers are bound to pay the amount to

- the account holder on demand at any time.
- It is a running and active account, which may be operated upon any number of times during a working day.
- There is no restriction on the number and the amount of withdrawals from a current account.
- It is noted that the Bank does not provide any interest on current account.

The special characteristics of a current account are as follows.

- The primary objective of a current account is to save big customers as big businessman; joint stock companies, Private Limited Companies, Public Limited Companies etc. from the risk of handling cash themselves.
- The cost of providing current account facilities is considerable to the Bank since they undertake to make payments and collect the bills, drafts, cheques for any number of times daily.
- For opening of a current account minimum deposit of Taka 1000/= is required. Introductory reference is also required for opening of such account.

+ **Opening Of Current Account**

Following documentation and formalities are required for opening a current in a Bank.

Documentation

- ***In the name of individuals***

- To fill up an account opening form.
- Two copies of passport size photograph duly attested by the introducer.
- Introducer
- Sampling signature

- ***In the name of firms***

- Current Account for Proprietorship
- For proprietorship some unique instruction is to be taken about the nature of account and the name of the person who will control the account.

- Attested Photocopy of trade License.
- Two copies of passport size photographs of account holder.
- Introducer

- Current Account for Partnership

For partnership some unique instruction is to be taken about the nature of account and the name of the partners who will operate the account.

- Attested Photocopy of trade License.
- Two copies of passport size photographs of account holder.
- Attested photocopy of partnership deed.
- Limited (Public/Private) Company
- Attested Photocopy of trade License.
 -
- Two copies of passport size photographs of account holder.
 -
- Certificate copies of Memorandum and Articles of Association.
 -
- Certificate of Incorporation
 -
- List of Directors as per return of joint stock Company with signature.
 -
- Resolution for opening account with the Bank.
- Societies, Clubs, Associations
 -
- Registration Certificate under the Societies Registration Act 1962
 -
- Copies of memorandum articles of association
 -
- Resolution of the managing committee
 -
- Power of attorney to borrow
 -

+ NGO

The account opening procedure is same but in exception is that the Registration Certificate from the Social Welfare Department Government must be enclosed with the application.

- Joint Account In the Name Of Minor
- A minor cannot open an account in this own name due to the incapacity to enter into a contract.
- He can open an account in 'ONE BANK LIMITED' in joint name of

another person who will be guardian of him.

⊕ Illiterate Person

- An illiterate person can open an account.
- The thumb impression is taken in the specimen signature card with utmost care.
- Chequebook is issued to them but is kept under Banks custody.

OBL highly discourages this sort of account

- **Closing Of The Current Account**

- **Formalities**

⊕ The customer has to apply to the branch in charge for closing the account closing the account.

⊕ Then the in charge will remark on the account closing application for closing the account.

⊕ By drawing a cheque of the whole amount and a nil balance confirm nation to be taken from his account holder.

⊕ The Banker will stick the revenue stamp of taka 1 two on the backside of the closing withdrawal cheque and the customer will sign on the revenue stamp.

⊕ Closing charge of taka 100/= may be recovered.

⊕ Recover the unused cheque leaves and enter into the "Broken cheque book register".

⊕ Remove the account opening form, specimen signature card and all other paper relating to the closed account.

⊕ Remark of account closing at the ledger folio should be authenticated by the manager or supervising officials.

The Banker may itself ask the customer to close the account when the Banker finds that the account is not been operated for a long time.

Formalities

⊕ If the account is not operated upon for six month then

- ⊕ the Banker will try to do the bilateral communication
- ⊕ with the account holder. But if the Banker does not get any response
- ⊕ from the account holder then the account becomes "Dormant" account.

⊕ Current account ledger is scrutinized in March June September and December every for this purpose.

- ⊕ If the account is not operated upon for 2 year then the account becomes "Inoperative" account.
- ⊕ On December of each year, the vouchers are prepared and accounts are transfer to the Inoperative account.
- ⊕ If the current account lying in Inoperative current account for more then 10 years then the account will be transferred to the Unclaimed Deposit account.
- ⊕ A new register for unclaimed deposit account will be maintained called "Unclaimed Deposit Register".
- ⊕ For withdrawal of any amount from that account, permission from head office or controlling office will be required.

3.6.1.3 SAVING ACCOUNT (SB)

- ⊕ A saving account is for the people of the lower and middle classes who wish to save a part of their incomes to meet their future need and indent to earn an income from their savings.
- ⊕ It aims at encouraging saving of non-trading persons institution society clubs etc. by depositing small amount of money in the Bank.
- ⊕ Both the element of time and demand deposit are present in this account.
- **Restriction On Withdrawals And Deposit**
 - The number of withdrawals over a period of time is Limited.
 - Two withdrawals per week are permitted. But more than that no interest will be paid on rest amount for the month.
 - The total amount of one or more withdrawals on any date should not exceed 25% of the balance in the account unless 7(seven) days advance notice is given.
 - The customer may deposit any amount in the saving Bank account subject to a minimum of Tk. 100.00 one the other hand the saving account also required minimum balance of Tk. 100.00 in the account.
- **Payment of Interest**

The rate of interest payable by the Banks on deposit mentioned in the savings accounts will determined by the respective bank. Interest is now calculated the minimum balance to the credit of the account during the period from 1st to the last day of each calculate month on every half year at the end of June and December. In this regard, 'ONE BANK LIMITED' is providing 08% interest on saving account.

3.6.1.4 DEPOSIT SCHEMES

MONTHLY MONEY MAKER

Takes a load off your monthly worries

A savings scheme specially designed for you to provide a regular monthly return on your deposits.

The scheme :

- ö Assures a regular income for the dependents of wage earners.
- ö Meets the requirement of trusts foundations to disburse stipend or scholarship money.
- ö Takes care of certain recurring monthly expenses e.g. children education.
- ö Ensures a regular return from your requirement benefit funds.

Salient features :

Principal amount of deposit Tk. 50,000 and multiples thereof

Term :

Five years

Return :

@ 12% p.a. to be paid on a monthly basis i.e. Tk. 500 for a deposit of Tk. 50,000

Payment:

Starts from the month following, after a clear minimum gap of 30 days from the date of deposit.

Premature Encashment:

Possible, but conditions apply.

Loan/Advance:

Available up to 80% of the amount of deposit at prevalent interest rate.

Know more about PENSARE :

- You receive the amount mentioned in the on maturity.
- Just open an account with us, and pay the monthly installment by giving us a standing instruction.
- You are free to choose more than one scheme with different installment amount and tenors.
- If you are the lucky winner of our monthly raffle draw, ONE BANK will contribute to your account next month's installment.

In the event of premature encashment at our Saving Deposit Rate.

Installment	Tk. 500	Tk. 1,000	Tk. 1,500	Tk. 2,000
Tenor	<u>Amount Payable on Maturity</u>			
5 Years	Tk. 41,460	Tk. 82,900	Tk. 1,24,375	Tk. 1,65,800
8 Years	Tk. 81,475	Tk. 1,62,950	Tk. 2,44,420	Tk. 3,27,335
10 Years	Tk. 1,18,350	Tk. 2,36,700	Tk. 3,55,070	Tk. 4,73,428

ONE 2 3 SCHEME

Enjoy the fruits of your saving through our new ONE 2 3 scheme.

ONE 2 3 scheme is lucrative offer ONE Bank Limited making your deposits grow by folds over a certain period of time.

ONE 2 3 scheme will make your deposit

- Double in 6 years,
- 2.5 in 8 years,
- Triple in 10 years.

ONE 2 3 scheme requires a fixed deposit of Tk. 5c000/- or its multiple for your chosen tenor.

ONE 2 3 scheme offer you the following facility :

Your can go for one or more schemes, even with different deposit amounts and tenors.

In the event of prematurely encashment, you will still give you attractive interest rates.

PE EDU MERRY SCHEMA

..... a secured future of your years ahead

PENSAVE is a specially designed scheme for the socially conscious citizens. This special saving scheme will provide the financial security during your retirement days.

Options are there for you to open and operate your PENSAVE, as you feel convenient.

Installment amounts :

Tk. 500

Tk. 1000

Tk. 1500

Tk. 2000

Tenor :

05 years

08 years

10 years

3.6.1.5. SANCHAYAPATRA (SP) :

Sanchayaptra 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 Sanchayaptra. Any Bangladesh citizen can buy and own this Sanchayaptra, but it cannot be owned on behalf of any organization or joint name. SBL offers five different types of Sanchayaptra. Those are :

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

3.6.1.6 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.

3.6.1.7 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.

3.6.1.8 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.

3.6.1.9 **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 Uttara 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.

3.6.1.10 **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. 2000/= 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.

3.6.1.11 **SHORT TERM DEPOSIT (STD)**

It is also a time deposit account. The formalities for opening of this account are similar to those required for current account. The only difference that 7(seven) days notice is required for withdrawal of any sum and interest is paid. The rate of interest for this account is 6.50%. If the withdrawal on demand is desired, it may be paid subject to the for-feature of interest for the period of notice or the expired period of notice.

BEARER CERTIFICATE DEPOSIT (BCD)

Here total interest will be given at the commence period of the opening account. Therefore, the concern person who dares the certificate is the owner of BCD. BCD and FDR interest rates are same. But 10% general tax on interest.

OTHER TYPES OF DEPOSIT ACCOUNT

There are some other types of deposit account maintained by the Bank as well as 'ONE BANK LIMITED' such as:

FOREIGN CURRENCY ACCOUNTS

Convertibility of Taka in Current Account transactions symbolized a turning point in the country's exchange management and exchange rate system. Now the operation of foreign currency accounts has been more liberated. Funds from these A/C's are freely remittable to any country according to the needs of account holder.

TYPES OF ACCOUNT

F.C. accounts

Residents Foreign currency Deposit Account

Non-Resident Foreign Currency Deposit Account

ELIGIBLE TO OPEN F.C. ACCOUNT

Bangladesh national residing abroad

Foreign national residing abroad or in Bangladesh

Foreign firms and companies registered abroad and operating in Bangladesh or abroad.

Foreign missions /Embassies/UN organization and their expatriate employees.

Diplomatic bonded warehouses (Duty free shops)

Local and Joint venture contracting firms employed to execute projects financed by foreign donors/international donor agencies.

Bangladesh nationals working as employees/consultants in international bodies in Bangladesh and drawing pay and allowances/constancy fees/honorarium in foreign currency.

Merchandise and services exporters.

Bangladesh Nationals who are ordinarily residents in Bangladesh may open foreign currency accounts with foreign exchange brought in at the time of their return to Bangladesh from visits abroad.

Industrial Enterprise in EPZ.

CURRENCY IN WHICH F.C. A/C CAN BE OPENED

Pound sterling
US Dollar
Euro
Japanese Yen

PAPERS DOCUMENTS REQUIRED FOR OPENING F.C. A/C

I) For Bangladeshi Wage Earners

Photocopy of first 7(seven) pages of valid passport visa page/arrival page

Photocopy of employment contract/appointment letter/work permit

Two copies of passport size photograph of each account holder and nominee duly attested.

II) For foreign National/Company /Firm

Two copies of photograph of account holder for individual and operators of other accounts holder.

Copies of relevant pages of passport for individual and operators of other account holder.

Copy of service contract/appointment letter/ works permit, in any for individual.

Copies of registration in Bangladesh with Board of Investment /Bangladesh Bank for Foreign/ Joint Venture Firm.

Copies of the Memorandum and Articles of Association/Laws/Bye Laws etc. or joint Venture Agreement for Joint Venture Company.

3.7 BANK RECEIPT AND PAYMENT (CASH)

3.7.1 CASH RECEIPT

Money deposit in cash by the constituencies as the cash counter of the Bank excluding that of government transaction is known as (Bank receipt) cash.

Different types of forms are used fore cash deposits for different types of Accounts. Particulars of some forms are furnished bellow :

- ❖ Current and Saving deposit account pay in slip
- ❖ Application for fixed deposit receipt
- ❖ Credit voucher
- ❖ Draft or Mail Transfer application form
- ❖ T.T, Pay-Order form

- ❖ Call Deposit application form
- ❖ Demand loan pay-in-slip

- ↓ The depositor will fill up the appropriate form properly.
- ↓ The concerned officer working at the general Banking counter will initial the form to the new account.

- ↓ Receiving the cash and voucher at the cash counter; the cash officer will count the cash correctly.
- ↓ Then the voucher will be branched cash received seal.
- ↓ Then the assistant cash officer will write the amount in word and figure on the voucher by the red ink and also write the denomination of the note and coins in the back side of the voucher.
- ↓ After that the assistant officer will sign the voucher.

- ↓ The cash officer will check up the voucher and entered the amount in the cash receipt register and put the scroll number.
- ↓ Then the officer will sign the voucher and send to the computer department.

- ↓ The officer, computer department will entry the transecting into the computer and put the posted seal and tracer number on the voucher.

- ↓ At the end of the transaction the cash officer will total the cash receipt book and the total figure should tally with scroll maintain by the officer whose scroll will also be totaled.
- ↓ The physical cash received at the counter must be equal to the total figure of the scroll.

3.7.2 CASH PAYMENT

Banks payment includes all kind of payments including those of treasury section. Extreme precautions must be taken at all levels through, which instruments like cheques, drafts, etc. are disposal of. All the instruments received at the general Banking counter will be preliminary checked by the dealing officer who will enter the instruments in the respective ledger. In case of cheques the following particulars will be scrutinized :

- ❖ Date (whether post dated or anti dated)
- ❖ Amount in ward and figure
- ❖ Crossed or open
- ❖ Barer or order
- ❖ Style of signature as available in the ledger
- ❖ Prohibitory order or stop payment of cheques

The cash officer will follow the following procedures at the time of payments of chaques/other instruments over the cash counter.

- ✚ 1. The client will submit the instrument in the computer department first. The computer officer and cheque passing authorized officer will verify the instrument and posted the instruments.
- ✚ 2. After getting the instrument, the cash officer will verify the instruments and if necessary, the cash officer can told the clients to sign to sign in the backside of the instruments.
- ✚ 3. Cash officer will enter the cheque in their denomination of notes and coins on the backside of the instrument.
- ✚ 4. The officer will give the amount to the cash payments register where the denomination of notes and coins will also be recovered.
- ✚ 5. The cash officer will give the amount to the clients at the cash counter and total the clients to count it immediately and if needs any quarry.
- ✚ 6. All cheques, Drafts, debit voucher etc. must be branched with cash paid stamp with the current date.
- ✚ 7. After payment the cash department for the purpose of clean cashbook will send the voucher.
- 8. The head of the cash department is responsible for all debit voucher being branded with the cash paid date stamp immediately they are paid

and the manager must supervise his/her in this matter as any laxity is extremely dangerous.

3.7.3 ACCOUNTS DEPARTMENT

- Account Department is called as the Center of the Bank.
- In Banking business, transactions are done every day and these transactions are to be recorded properly and systematically as the Banks deal with the depositors money.
- Any deviation in proper recording may hamper public confidence and the Bank has to suffer a lot otherwise.
- Improper recording of transactions will lead to the mismatch in the debit side and in the credit side.
- To avoid these mishaps, the Bank provides a separate department, whose function is to check the mistakes in assign vouchers or wrong entries or fraud or forgery.
- This department is called as Account Department.

- Beside the above the Bank has to prepare some internal statements as well as some statutory statements which to be submitted to the central Bank.
- Accounts Department prepares this statement also.
- The department has to submit some statements to the Head office, which is also consolidated by the Head office later on.
- The task of the department may be seen in two different angles.

3.7.3.1 DAILY TASK

- The routine daily tasks of the Account Department are as follows

- Recording the transactions in the cashbook.
- Recording the transactions in general and subsidiary ledger.
- Preparing the daily position of the branch comprising of deposit and cash.
- Preparing the daily Statement of Affairs showing all the assets and liability of the branch as per.
- General Ledger and Subsidiary Ledger separately.
- Making payment of all the expenses of the branch.
- Recording inter-branch fund transfer and providing accounting treatment in this regards.
- Checking whether all the vouchers are correctly passed to ensue the conformity with the "Activity Report" if otherwise making it correct by calling the respective official to rectify the voucher.
- Recording of the vouchers in the Voucher Register.
- Packing of the correct vouchers according to the debit voucher and the credit voucher.

3.8 INVESTMENTS

3.8.1 CREDIT (LOANS AND ADVANCE DEPARTMENT)

The granting of advance is one of the most important function of a Bank and the test of a Bank's strength depends considerably on the quality of its advance and the proportion of them bears the total deposit. There are various types of loans sanctioned by One bank. Loans that mature within one year is called short term loan. Loans that mature more than one year is called long term loan. OBL gives

loan to hose building, general, employee's loan etc.

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

3.8.2 INVESTMENT FUNCTIONS

- ❖ **Manage investment risk**
- ❖ **Detect misruled securities**
- ❖ **Minimize taxes**
- ❖ **Help to capture extra returns**
- ❖ **To set up hedged position using options or future contracts**
- ❖ **To make the returns on one portfolio mimic the returns on another**
- ❖ **To learn how securities are priced by market**
- ❖ **To detect deviations from the pricing structure and thereby capture superior returns on investment**

3.8.3 OBJECTIVES AND PRINCIPLES OF INVESTMENTS

Following are the basic principals of sound lending, which every Banker follow when considering an advance proposal.

- **Safety :**
 - ❖ **Safety First should be the first guiding principal of a Banker so far as his advance are considered because the every existence of a Bank depends on the safety of its outstanding, which of its advances.**
- **Liquidity :**
 - ❖ **The liquidity of an advance menace its repayments on demand or on due date or after a short notice.**

- **Purpose:**
 - ❖ Another significant principal, which is to be kept in view when advancing, is the purpose. The purpose for, which lending is made should be productive as to ensure definite source of repayment.

- **Profitability :**
 - ❖ The bank have to pay interest on the deposit received by them.
 - ❖ They have to incur expenses on establishment, rent, stationary etc.

- **Security :**
 - ❖ Whenever a moneylender lends money he must consider carefully the chances of his being repaid by the borrower and is therefore not normally contents to rely on the obligation of the borrower above but wants some tangible securities from which he can obtain repayments in case the borrower is unable to meet his obligation.

- **Diversification :**
 - ❖ .An element of risk is always present in every advance, however secure it might appear to be.
 - ❖ In fact the entire Banking business is one of taking calculated risks and a successful baker is an expert in assessing such risks.

- **Suitability :**
 - ❖ Even when an advance satisfy all the aforesaid principals it may still not be suitable.
 - ❖ The advance may run counter to national interest.
 - ❖ These principals may have to relegate to a certain extent, so as to fit the overall national development plans necessitating flow of credit to priority sectors in the larger national interest.

- ❖ **The integrity and reliability of the borrow**
 - ❖ To avoid bad debt, it is the basic factor before any loan proposal can be considered.

- ❖ The success of the Banking business depends on the ability of the Banker to study borrowers.
- ❖ The study of a borrower involves the ability of the Banker to study borrowers. The study of a borrower involves the study of the five C's of the party.
- ❖ They refer to his Character, Capacity, Capital, Conduct and Creditability. Instead of the C's some authors mentions the five R's i.e. Reliability, Responsibility, Resources, Respectability and Return.

3.8.4 MODES OF INVESTMENTS

Present day commercial Bank make wide spread and various types of advances. These are-

□ **Demand Loan :**

- This is the fixed type of lending in its original form. The entire amount is paid to the debtor at one time, either in cash or by transferring to his current or saving account.
- No subsequent debit is originally allowed except by way of interest, initial charges, insurance premium, expenses incurred for the protection of the security etc. like "Demand loan against gold"

□ **Term loan:**

- This loan is give for a time period of up to three years.
- This loan is given in a lump sum amount and directly debited to the borrower's account. Interest is charged on the whole amount of loan even when any party of loan is not drawn.
- Repayment must be made in the way as prescribed in loan contract. Most practiced way of repayment is "Installment Method" in, which number and amount of installment is made in such way that after the final installment the total

loan become paid.

- Each installment contains total due interest payments and some principal repayment.
- This loan is given existing project for BMER.

□ **Continuous Loan :**

This loan is also given for a time period. But the procedure of repayment of this loan is continuous basis.

The borrower can repay the any amount at any time to the loan account.

□ **Over Draft :**

- Over draft are those drawings, which are allowed by the Banker in excess of the balance of the current account up to a specified amount for definite period as arranged for.
- The borrower can freely draw money from this account up to the limit and can deposit money in the account.
- Of course, this loan has an expiry date after, which renewal is necessary for enjoying such facility.
- In this loan interest is charges on quarterly basis. There are three type of over draft using in the Bank. Such as:

1. **Temporary Over Draft (TOD) :**

- ❖ Small amount is allowed for purely temporary period without any security. It is for only the most valued clients of the Bank who maintaining a current account or saving account with the Bank.
- ❖ The rate of interest rate is 16% and the interest charged on monthly basis.

2. **Cleaned Over Draft (COD):**

- ❖ The over Draft Bank allows accommodation to its customer maintaining

current account without accepting any kind of tangible securities expect his/her personal security or against the personal security of 3rd party standing as guarantor.

- ❖ The rate of interest is 15% and charged on quarterly basis.

3. Secured Over Draft (SOD):

- Its is one kind of continuous loan. There are mainly eight types of SOD use in the Bank.

TYPE OF SOD
INTEREST CHARE
INTEREST RATE

SOD against
FDR (80%)

Quarterly

SOD against
Special Scheme
Quarterly

SOD against
Financial Obligation
Quarterly

SOD against
Sharer

Quarterly

SOD against
Work Order
Quarterly

SOD against
Export
Monthly

SOD against
Quota
Monthly

SOD against

□ **Consumer Credit Scheme (CCS)**

- ❖ It is a special type of scheme of the Bank.
- ❖ The consumer can get the loan for purchasing household, computers, car etc. by this scheme.
- ❖ The way of repayment of this loan is an installment basis and the amount of each installment will be equal.
- ❖ The interest rate is 15%. In this scheme, the Bank will also provide doctors scheme for establishing or modernizing their clinic.

○ **Cash Credit (CC):**

- ❖ Cash credit is given through the cash credit account.
- ❖ Cash credit account is basically a current account, however a little difference exists between them.
- ❖ The distinction between a current account and a cash credit is that the former is intended to be an account with credit balance and the latter an account for drawing of advances.
- ❖ Operation of cash credit is same as that of overdraft.
- ❖ The purpose of cash credit is to meet working capital needs of traders, farmers and industrialists.
- ❖ Cash credit may be two types, CC (Hypothecation) and CC (Pledge).

■ **LIEN :**

A lien is the right of Banker to hold the debtor's until the debt is discharged.

Bank generally retains the assets in his own custody but sometimes these goods are in the hands of third party with lien market.

■ **PLEDGE :**

■ Pledge is also like lien but here Bank enjoys more right. Bank can sell the property without the intervention of any court, in case of default on loan. But for such selling proper notice must be given to the debtor.

■ To create pledge, physical transfer of goods to the Bank is must.

■ **HYPOTHECATION:**

■ In this method, physically the goods are remained in the hand to debtor.

■ But documents of title of goods are handed over to the Banker. This method is also called "Equitable Charge."

■ Since the goods are in the hand of borrower, the Bank inspects the goods regularly to judge its quality and quantity for the maximum safety of its loan.

■ **Inland Bill Purchase :**

■ Bank purchases two type of bill like " Clean Bill" and "Document Bill."

■ Clean bills are those, which require no documents for payment like cheques.

■ Demand Draft, Pay Order, Telex Transfer, Mail Transfer, etc.
Documentary bills are those, which required related documents for payments like Bill of Exchange, Railway Receipt, Chelan, and Invoice etc.

■ These bills are often created in business and Bank purchases these before their maturity.

- **Small Loan** : Small loan account in its present form is fluctuating account.

It refers to the lending allowed to small traders, cottage industries, small scale industries and self employed persons.

- **House Building Loan:** The Bank also provides House-Building loan for the construction of dwelling house. Employees of the Bank enjoy a reduced rate privilege for this loan. For general people, term of this loan is only three years. But the employees, this loan is generally for every long period and installment for loan repayments is adjusted from the borrower's salary. Borrower's salary and provident fund are used as security for this loan.
- **Staff Provident Fund (SPF) Loan:** This loan is provided from the provident fund of the employees. Loan from this account cannot exceed the contribution of the borrower in the fund. Repayment of this loan is adjusted from the salary.

3.8.4.1 DOCUMENTATION OF THE LOAN (Sanction Procedure)

These are the most common documents for the loan using in the Bank presently-



Memorandum of articles



Articles of association



Trade License



Balance sheet



List of Machineries



Security



Board resolution



Credit information bureau certificate

⊕
Financial spread sheet

⊕
Facility Structure certificate

⊕
Project verification Certificate

⊕
Security Verification Certificate

3.8.4.2 DOCUMENTS FOR CONSUMER CREDIT SCHEME

⊕
Application Form

⊕
Letter of Guarantee-2 copies

⊕
Clearance form other Banks

⊕
Price quotation of the project

⊕
Letter of assurance from the official; head of the individual

DOCUMENTS FOR SMALL LOAN

⊕
Application form

⊕
Letter of Guarantee-2 copies

⊕
Clearance form other Banks

⊕
Attested copies (Two) of trade license

⊕
Copy of the contract between the borrower and the owner of the shop

CREMATION OF CHARGE DOCUMENT

Demand promissory note

Here the borrower promises to pay the loan as and when demand by Bank repay the loan.



Letter of arrangement



Letter of authority



Letter of undertaking



Letter of installment



Letter of Disbursement



Letter of continuity: it is needed for OD only



Letter of Hypothecation/Pledge of goods and capital machinery

Stock report



It is for OD and CC

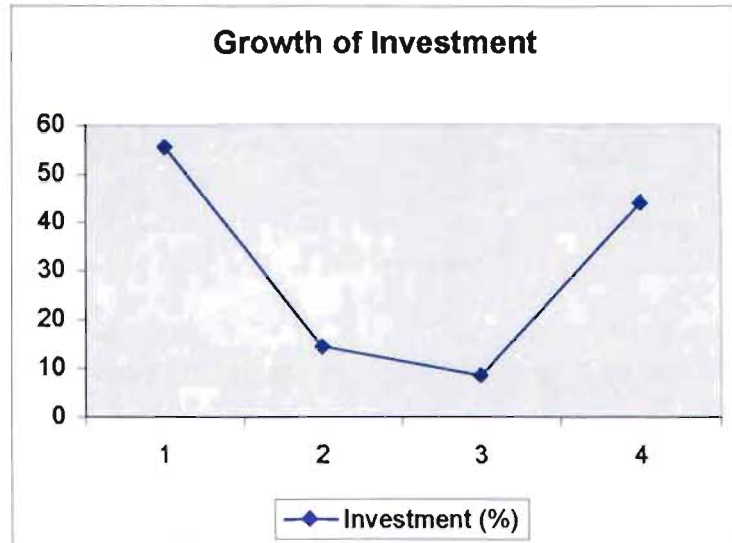


Memorandum of Articles, Articles of association and resolution of Board for borrow fund from a specified Bank



Personal grantee of all the directors of the company

3.8.4.3 GROWTH OF INVESTMENTS



If the growth of investment is high it is good for the organization. In 2001 the growth percentage is highest which is 55.56%. In 2002 the growth percentage decreased to 14.29% and in 2003 the growth percentage decreased to 8.43%. But in 2004 the growth percentage increased to 44.02% which is better than the previous two years.

3.8.5 SECTOR WISE INVESTMENTS:

OBL is planning to invest in agriculture, poultry, fisheries. But they are basically investing in garments, manufacturing industries, brick fields, construction industries. Engineering (Iron & steel/electrical), Telecommunication, Textile (Linkage Industry), plastic and plastic materials, paper and publication etc.

3.9 FOREIGN EXCHANGE

Foreign Exchange regulation Acts, 1947 defines foreign exchange as "Foreign currency and includes any instrument drawn or accepted, made or issued as per currency article 16 of Bangladesh Bank order, 1972 and all deposits, credits and balance in any foreign currency and any Drafts, Traveler Cheques, Letter of Credit, Bill of Exchange expressed or drawn in Bangladesh Currency but payable in foreign currency".

3.9.1 LETTER OF CREDIT (L/C)

Letter of credit L/C can be defines as a Credit Contract where by the buyer's Bank is committed (on behalf of the buyer) to place a agreed amount of money at the seller's disposal under some agreed condition. Since the agreed conditions include, amongst other things the presentation of some specified documents, the Letter of Credit is called Documentary Letter of Credit. This documentary credit may be two types :

1. Revocable

- A revocable credit is a credit, which can be amended or canceled by the issuing Bank at any time without prior notice to the seller.

2. Irrevocable

- An irrevocable credit constitutes a definite undertaking of the issuing Bank (since it cannot be amended without the agreement of all agreement of all parties thereto), provided that the stipulated documents are presented and the seller satisfies the terms and conditions.
- An irrevocable can be either confirmed or unconfirmed depending on the desire of the seller. This sort of credit is always preferred to revocable letter or credit.

3.9.2 BILL OF EXCHANGE

- According to the negotiable instrument act 1881 a bill of exchange is an instrument in writing containing an unconditional order, signed by the maker, directing a certain person to pay on demand or at a fixed determinable future time a certain sum of money only to or to the order of a certain person, or to the bearer of the instrument.
- On analysis of the definition, the essential elements/requisites of all bill of exchange may be observed as following:
 - ❖ It must be writing
 - ❖ It must contain an order to pay an demand or at fixed or determinable future time
 - ❖ The order must be an unconditional one
 - ❖ The drawer must sign it
 - ❖ The sum payable must be certain
 - ❖ The installment must certain an order to pay a certain sum
 - ❖ The payee musty be certain

PARTIES IN BILL OF EXCHANGE

- **The Drawer**

The drawer is the person to whom debt is due. He is the maker of the bill.

- **The Drawee**

The drawee is the person who is directed to pay amount of the bill. He is to accept the bill of exchange to make it a legal one and he is not liable until and unless he has accepted it.

- **The Acceptor**

When the drawee accepts the bill of exchange then he is also know as acceptor

- **The payee**

The payee is the person to whom or to whose order the amount of the installment is payable.

3.9.3 IMPORT PROCEDURE

- ❖ The importer must obtain Import Registration Certificate (IRC) from CCI&E submitting the following the papers.
- ❖ Then the importer has to connect with the seller outside the country to obtain the 'Pro-Forma Invoice'.
- ❖ After the importer accepts the 'Pro-Forma Invoice', he makes a purchase contract with the exporter detailing the terms and condition of the import.
- ❖ After making the purchase contract, import procedure differs with different means of payment is made by the documentary letter of credit in our country.
- ❖ Requesting the concerned Bank (importer's/issuing Bank) to open an L/C (irrevocable) on behalf of importer favoring the exporter/seller.

Paper required at the time of opening an L/C

- ❖ Importer Registration Certificate (IRC), tread License, IMP form, Letter of Credit Authorization (LCA) form, Indent in case of indenter, 'Pro-Forma Invoice', Credit report of the importer, Credit report of the seller should be collected from correspondent Bank, in case of FOB, C&F, Insurance cover note, in case of quota allocation paper.

The collection procedure through is :

- Bank serves its L/C application form-affixing stamp, which acts as the contract between the importer and the opening Bank.
- Importer submits the L/C application form duly signed along with IMP form (under taking the importer) and LCA form (autorotation for opening of L/C).
- The advising Bank advises/ informs the seller that the L/C has been issued.
- As soon as the exporter/seller receives the L/C and is satisfied that he can meet the L/C's terms and conditions, he is in a position to make shipment of the goods.
- Exporter produces and ships the goods as per L/C terms.
- ❖ After making shipment of goods in favor of the importer the exporter/seller submits the documents to the negotiating Bank for negotiation.
- ❖ Negotiating Bank scrutinizes the documents and if found OK negotiates the documents (pays the amount to the beneficiary) and sends the

said documents to the L/C issuing Bank.

- ❖ After receiving the documents, the L/C issuing Bank also examine the documents and if found OK makes payments to the negotiating Bank.
- ❖ L/C opening Bank then request the importer to receive the documents on payment.
- ❖ The importer after paying all dues receives the documents from the L/C issuing Bank and then releases the imported goods form the port authority with the help of clearing and forwarding agent.
- ❖ C&F agent the goods form the port and handover the goods to the importer.
- ❖ After completion of all official requirements, C&F agent submits the bill of enter to the Bank.

3.9.4 EXPORT PROCEDURE

Three are a number of formalities, which an exporter has to fulfill before and after shipment of goods. These formalities or procedures are enumerate as follows :

Registration of Exporter

To do the export form Bangladesh to another country, the exporter has to registered with CCI&E and holds valid Export Registration Certificate (ERC). The ERC number is to be incorporated on EXP forms and another papers connected with exports.

Securing the order

Upon registration, the exporter may proceed to secure the export order. He can do this by contracting the buyers directly through correspondence. Some buyers have their liaison office, representatives or local agents, who can contracts to secure a deal.

Sighing the contract

The following are the points, which need to be borne in mind while making contract :

Description of the commodity, Quantity of the commodity, Price of the commodity, Shipment, Insurance and marks Inspection, Arbitration.

Receiving the Letter of Credit

The following are the main points to be looked into-
The terms of the L/C are in conformity with those of the contract.
The L/C is an irrevocable one. Preferably confirmed by the advising Bank L/C allows sufficient time for shipment and a reasonable time for negotiation. If the exporter wants the letter of Credit to be transferable, divisible, advisable, he should ensure that these stipulations are specially mentioned in the L/C.

Procuring the Materials

After making the deal and on having the L/C opened in his favor, the next step for the exporter is to set about the task of procuring or manufacturing the contracts merchandise.

Shipment of Goods

The following are the documents normally involved at the stage of shipment EXP form

Photocopy of the registration Certificate
Photocopy of the contracts
Photocopy of the L/C
Fright Certificate form the Bank is case payment of the fright is to be made at the port of loading is involved.
Railway Receipt, Barge Receipt or track Receipt.
Shipping Instruction
Insurance Policy

Preparing Procurement of Export Documents

Bill of Exchange
Bill of lading
Invoice
Insurance Policy / certificate
Certificate of Origin
Insurance Policy/certificate
Certificate of Origin
Inspection certificate
Consular Invoice
Packing List
Quality control certificate
G.S.P. Certificate
Photo-Sanitary Certificate

Submission of the Documents to the Bank for negotiation

4.0 Financial performance evaluation of One Bank Limited

Chapter 4

4.1 INTRODUCTION:

In every dealing it is not unlikely for the owner to carry out all activities without the help of the management. Banking is a complicated process so the possessor must have to take the assistance of a management panel. Owners have to assess the performance of the management team to shrink costs and increase profitability. To appraise the performance of the management and the wealth of the organization owner have to employ ratio analysis to approximate organizations functioning. The lender, tax authority, also need to evaluate the wealth of the organization, performance of the organization and the performance of the management team. To evaluate the performance of the organization it is very elemental to examine, balance sheet and a number of ratios. The foremost concern of this report is to analyze the financial performance of One Bank Limited. To do this I have to scrutinize some ratios, a balance sheet and income statement of the bank.

4.2 BALANCE SHEETS AT 31ST DECEMBER, 2001-2004.

(Calculation in Taka)

Items	2004	2003	2002	2001
Cash	998,644,278	612,675,040	525,713,017	161,378,997
Current Assets	23,730,264,43	30,541,98377	2,493,432,215	824,888,311
Fixed Asset	100,482,985,77	6,3008,210,598	5,296,854,048	1,735,868,123
Total Property and assets	13,419,969,298	9,975,084,015	8,315,999,280	2,722,135,431
Current Liability	969,042,000	-	90,000,000	210,000,000
Long-Term Liability	11,467,019,283	9,185,739,833	7,864,453,211	2,300,827,626
Total Liability	12,436,061,283	9,185,739,833	7,954,453,211	2,510,827,626
Total Shareholders Equity	983,908,015	789,344,182	361,546,069	211,307,805
Total Shareholders Equity and Liability	13,419,969,298	9,975,084,015	8,315,999,280	2,722,135,431

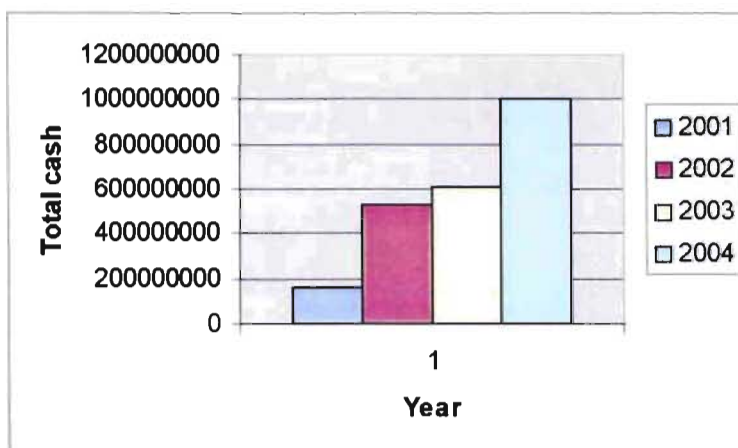
4.2.1 TOTAL CASH :

The total cash of OBL in 2001 was Tk. 161,378,997 and in 2004 it increase to Tk. 998,644,278 ,that means in every year the total cash of the bank in increasing in a huge amount.

The amounts of total cash of the bank from 2001 to 2004 are shown in a table in the below:

Year	Total cash
2001	161,378,997
2002	525,713,017
2003	612,675,040
2004	998,644,278

The amounts of total cash of the bank from 2001 to 2004 are shown in a chart below :



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.

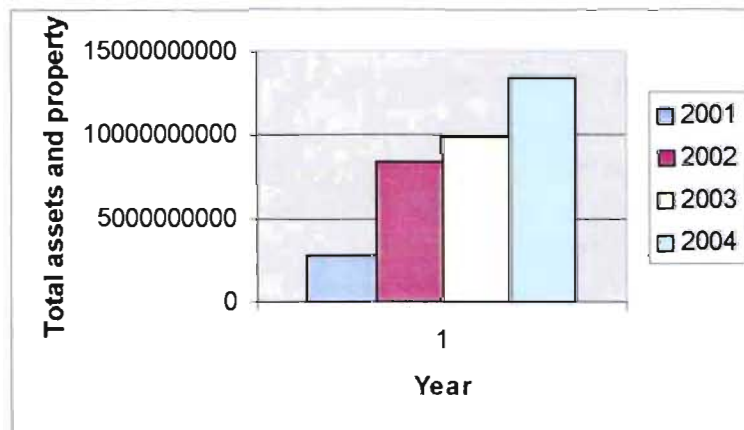
4.2.2 TOTAL PROPERTY AND ASSETS :

The Total property and assets of OBL was Tk.2,722,135,431 in 2001 and it increases to Tk. 13,419,969,298 in the 2004. 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 & property
2001	2,722,135,431
2002	8,315,999,280
2003	9,975,084,015
2004	13,419,969,298

The total assets are shown in a chart (2001- 2004) :



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

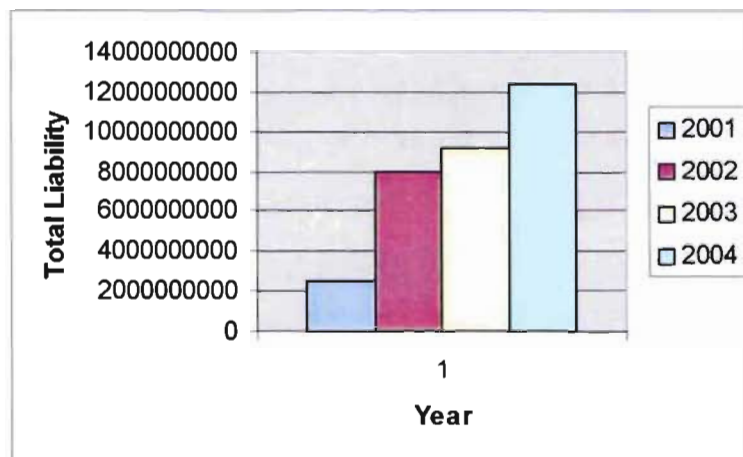
4.2.3 TOTAL LIABILITY :

The total liability of OBL was Tk.2,510,827,626 in the 2001 and it increase to Tk. 12,436,061,283 in the year 2004. The liability of the bank is increasing in every year.

The liabilities of OBL over 2001 to 2004 are shown in the table below :

Year	Total liability
2001	2,510,827,626
2002	7, 954,453,211
2003	9,185,739,833
2004	12,436,061,283

The liabilities of OBL over 2001 to 2004 are shown in the chart below:



The liability of OBL 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.

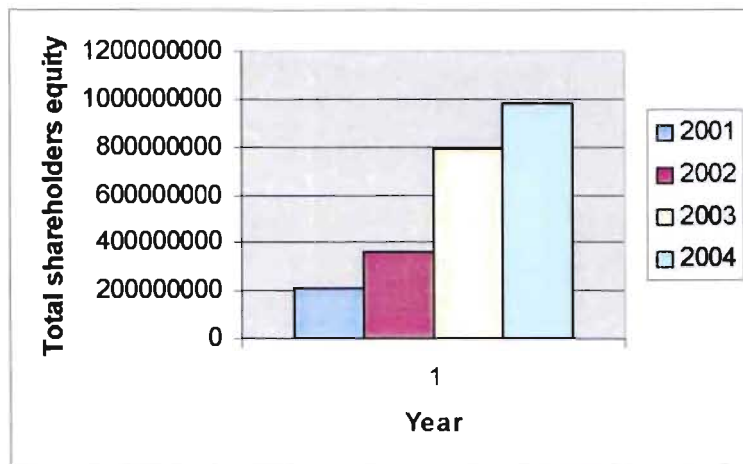
4.2.4 TOTAL SHAREHOLDERS EQUITY :

The Total shareholders equity of OBL was Tk.211,307,805 in the 2001 and it increased to Tk. 983,908,015 in the 2004.

The tables showing the equity of 2001 to 2004 are in the below:

Year	Total cash
2001	211,307,805
2002	361,546,069
2003	789,344,182
2004	983,908,015

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



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

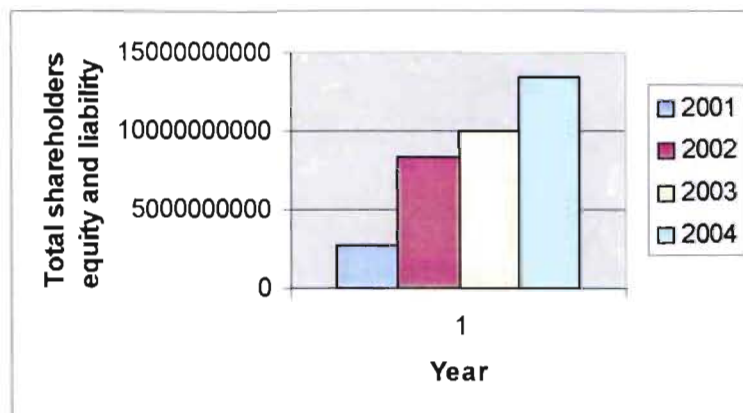
4.2.4 TOTAL SHAREHOLDERS EQUITY AND LIABILITY :

The total shareholders equity and liability of OBL was Tk.2,722,135,431 in the year 2001 and it increased to Tk.13,410,969,298 in the 2004.

Total shareholders equity and liability are shown in the chart for the year 2001 to 2004 in a table below:

Year	Total shareholders equity & liability
2001	2,722,135,431
2002	8,315,999,280
2003	9,975,084,015
2004	13,419,969,298

Total shareholders equity and liability are shown in the chart for the year 2001 to 2004 in a table below :



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

4.3 ANALYSIS FOR THE COMPONENTS OF INCOME STATEMENT OF OBL:

Profit and loss Account for the year ended 31st December, (2001-2004):

(Calculation in Taka)

Items	2004	2003	2002	2001
Operating Income :				
Net interest income	385,386,398	165,816,354	169,372,904	39,110,015
Other income	350,479,166	242,135,541	171,558,662	46,371,671
Gross operating income	735,865,564	407,951,895	340,931,566	85,481,686
Less:				
Total Operating Expenses	234,377,222	147,170,022	124,353,545	54,604,268
Net Operating Income	501,488,342	260,781,873	216,578,021	30,877,418
Non-				

Operating Income/(loss)				
Profit Before Provision	501488342	260,781,873	216,578,021	30,877,418
Less: Provisions	153,260,338	84,320,960	11,327,279	13,544,163
Total Profit before Tax	348,228,004	176,460,913	205,250,742	17,333,255
Less: Provision for Tax	(153,664,171)	86,000,000	90,973,699	5,871,870
Net Profit after Tax	194,563,833	90,460,913	114,277,043	11,461,385
Retained Earning	8,891,962	1,273,730	5,319,137	7,994,734
Earnings per Share	28.20	23.44	43.51	27.76
Dividend per share	17.00%	15.00%	19%	19%

Analysis for income statement part for OBL is in the below :

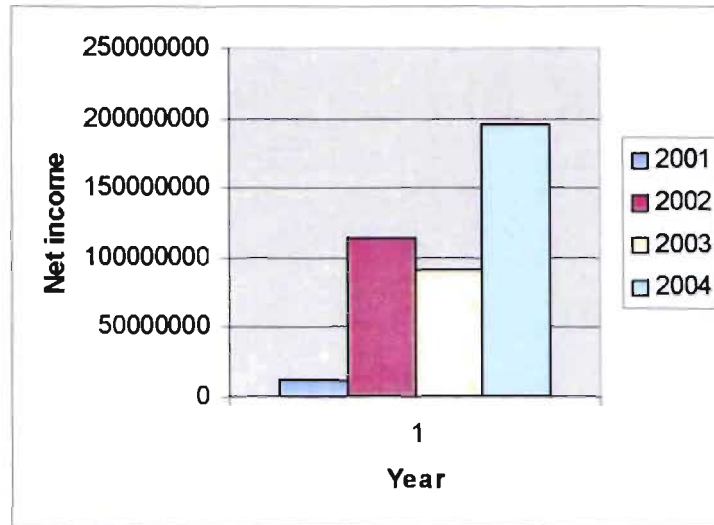
4.3.1 NET INCOME:

Net income of OBL was Tk.11,461,385 in 2001 and it increased to Tk. 194,563,833 in the year 2004 . And net income in 2002 and 2003 was Tk. 114,277,043 and Tk. 90,460,913 respectively.

The net income of OBL are shown in a table below:

Years	Net income
2001	11,461,385
2002	114,277,043
2003	90,460,913
2004	194,563,833

The net income of OBL over four are shown in a chart



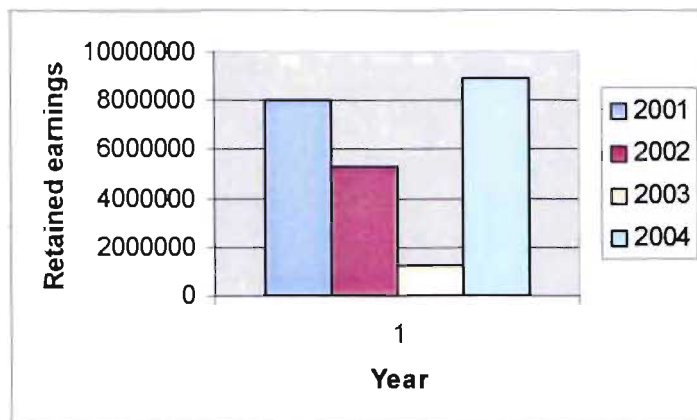
The net income of OBL is increasing in every year, that prove the sound financial performance and operating efficiency of the bank.

4.3.2 RETAINED EARNING ANALYSIS :

The information regarding the retained earning is not available for the year 2004. So, other three years information about the retained earning is shown in the table in the below:

Year	Retained earnings
2001	7,994,734
2002	5,319,137
2003	1,273,730
2004	8,891,962

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



The information's about the retained earning of the One Bank is increasing in every year. So, from the trend of retained earnings we can say that the financial performance of OBL is sound, and the operating efficiency is high.

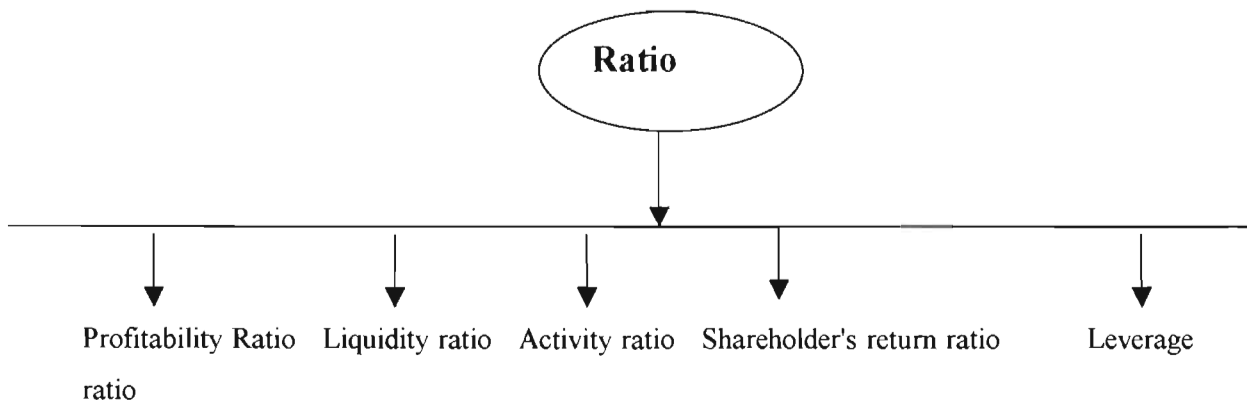
4.4 RATIO ANALYSIS OF ONE BANK LIMITED:

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 OBL I analyzed the ratios of the bank very carefully. The ratio analysis is in the below :

The following ratios have been analyzed :

- i. Profitability Ratio
- ii. Liquidity ratio
- iii. Activity ratio
- iv. Shareholder's return ratio
- v. Leverage ratio.

The ratio tree is shown below :



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 below :

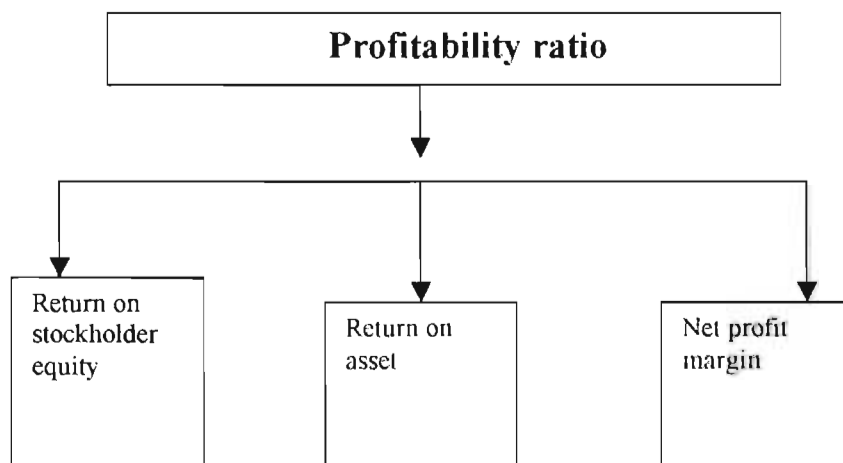
Du Pont's analysis :

Du Pont's chief financial manager 'Donaldson Brown' faced some troubles of too many ratios to examine 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 price of the company will also higher. That analysis is called Du Pont's analysis.

So, Du Pont's analysis is particularly used to analysis a firm's financial circumstances. This analysis depends on some significant 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 essential to verify the rate of return on equity.

Profitability Ratio Tree :



4.4.2 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. Its a useful analysis to determine the adequate return on the capital invested by the owner.

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

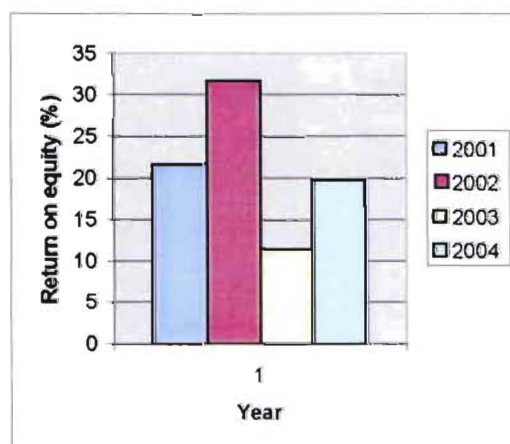
Calculation of the ROE:

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

The Return on equity (2004-2001) of One Bank Limited is shown in Table in the below:

YEAR	ROE
2001	21.7%
2002	31.60%
2003	11.50%
2004	19.80%

The Return on equity (2004-2001) of One Bank is shown in the chart below:



Comments :

Return on equity indicate the percentage of return on its equity. The ROE of One Bank in 2001 to 2004 was respectfully 21.70%,31.60%,11.50% and 19.80%,which indicate that return on owners equity is very high .

4.4.3 RETURN ON ASSET (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.

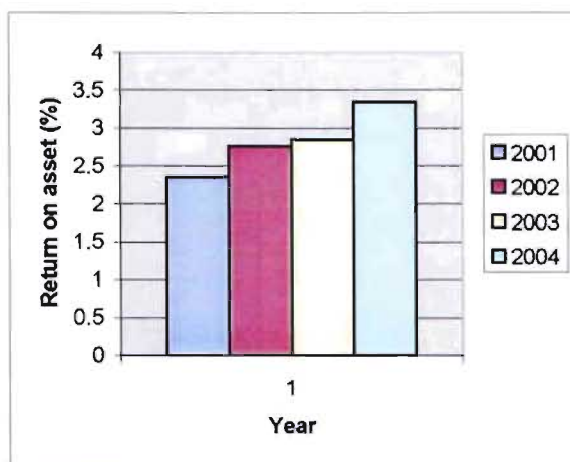
ROA can be calculating by the following formula:

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

So, the calculated ROA of One Bank for 2001-2004 are given in the table below:

Years	2001	2002	2003	2004
ROA	2.36%	2.76%	2.85%	3.35%

So, the calculated ROA of One Bank for 2001-2004 are shown in a chart in the below:



The above ROA calculation is showing that the ROA of OBL is increasing every year. And in 2004 the ROA of OBL is 3.35% 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 One Bank's managers to use its all resources to generate higher return was very strong in 2004. And from 2001-2004 it is increasing. It indicates strong position of OBL in near future.

4.4.4 NET PROFIT MARGIN RATIO :

We will analyze the net profit margin of One Bank 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.

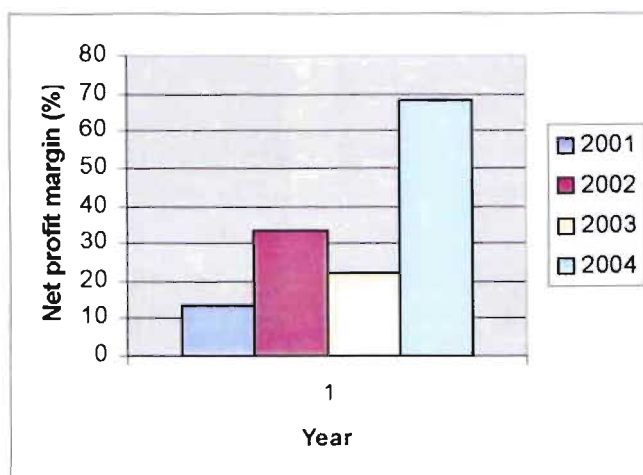
Net profit margin can be calculated by the following formula :

Net Profit Margin = Net Income / Sales.

The calculated Net Profit Margin Of OBL are given in table in the below:

Years	Net Profit Margin %
2001	13.41
2002	33.52
2003	22.17
2004	68.15

The chart of Net profit margin One Bank are in the below :



Net profit margin of OBL in 2001 was 13.41 which is the lowest profit margin. In 2002 it increases to 33.52. In 2003 it again decreased to 22.17. In 2004 OBL has the highest profit margin which is 68.15.

4.4.5 EQUITY MULTIPLIER (EM) RATIO :

To measure that how much assets of One Bank 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.

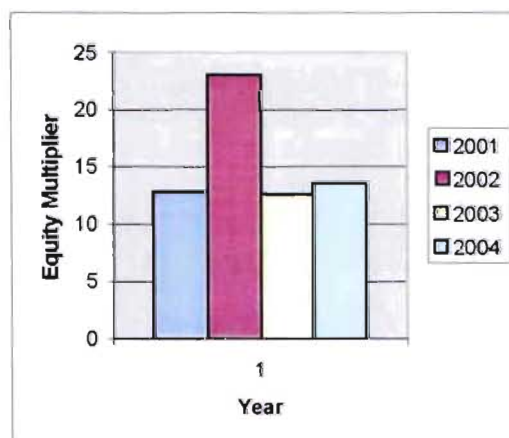
The Equity Multiplier could be measure by the following formula:

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

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

Years	Equity Multiplier
2001	12.88 Times
2002	23.00 Times
2003	12.64 Times
2004	13.64 Times

The chart of Equity Multiplier are in the below :

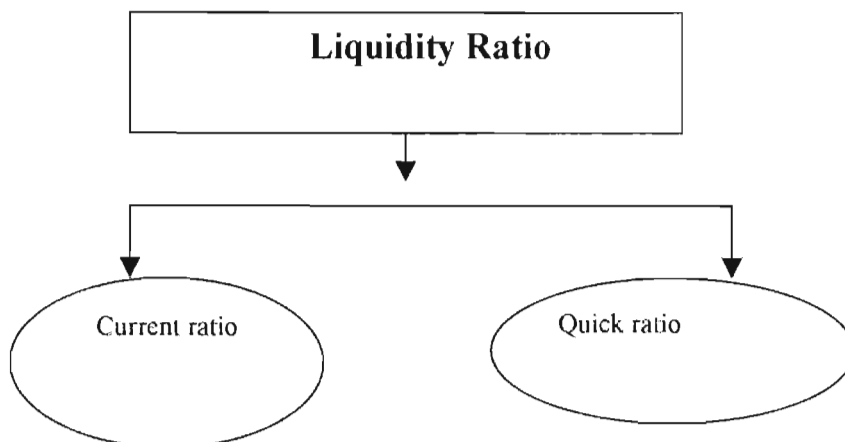


The equity multiplier has a decreasing tendency.

4.4.6 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 One Bank are as below:

4.4.7 Current Ratio analysis of OBL:

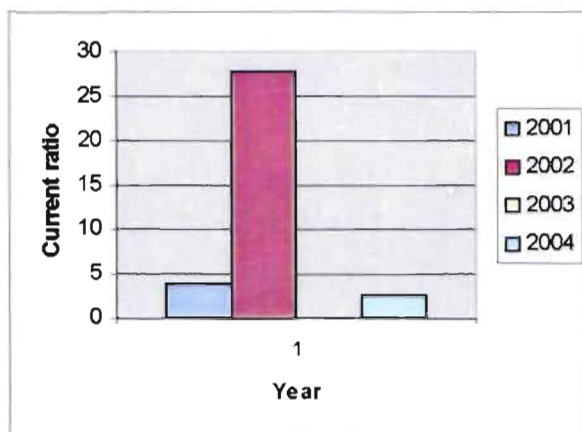
Any bank or financial institution must have the ability to meet its current obligations. These current obligations or short-term obligations are those obligations that are due within one year. Current ratio is analyzed to determine the ability of a firm to meet its current or short-term obligations those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

Current Ratio = Current assets / Current liability.

The table of current ratio in the below:

Years	2004	2003	2002	2001
Current ratio	3.93 Times	27.7	0	2.45 Times

The chart of current ratio in the below :



The current ratios of One Bank is showing an upper ward trend from 2001 to 2004. 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 OBL 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. But too high current ratio is not always good.

4.4.8 QUICK RATIO ANALYSIS OF OBL:

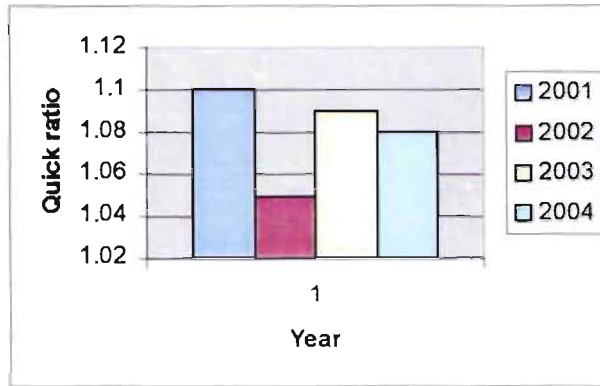
Quick ratio indicate the ability of firms to meet its short-term(Less than one year) liabilities by its available current assets without liquidate the inventory it keeps.

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

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

Years	Quick Ratio
2001	1.10 Times
2002	1.05 Times
2003	1.09 Times
2004	1.08 Times

The quick ratios are shown in the chart below :

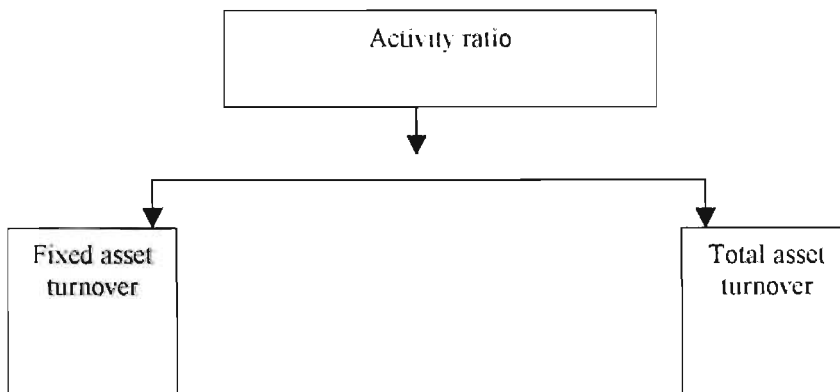


Comments :

The quick ratio of One Bank in 2001 was 1.1 times. In 2002 it decreases to 1.05 times. In 2003 it increases to 1.09. In 2004 it decreases to 1.08 times.

4.4.9 ACTIVITY RATIO ANALYSIS:

Activity Ratio Tree:



To evaluate the financial performance of OBL 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.

4.4.9.1 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.

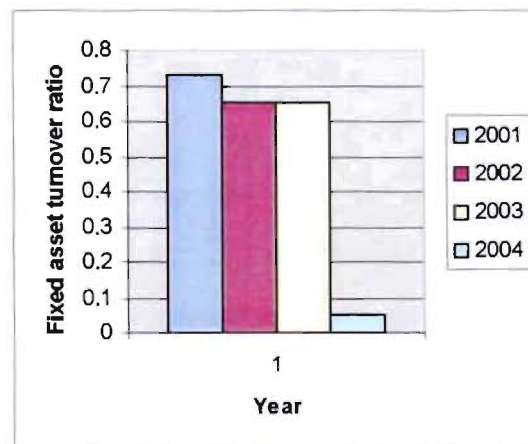
Fixed assets turnover ratio can be calculated by the following formula :

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

The results of fixed assets turn over ratio of OBL are given in the below in table:

Year	2004	2003	2002	2001
Fixed asset turn over ratio	0.73	0.65	0.65	0.05

The results of fixed assets turn over ratio of OBL are given in the below 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. One Bank have the higher fixed asset turn over Ratio in 2001, which was 19.50 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.

4.4.9.2 TOTAL ASSETS TURNOVER (ASSETS UTILIZATION) :

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

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

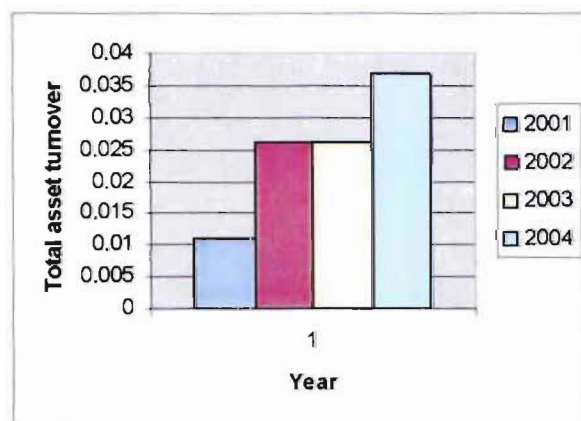
The formula of calculating the Total assets turnover is given in the below:

Total Assets Turnover = Operating Revenue / Total Assets.

The Total Assets turnover of OBL is given in a table in below:

Years	Total Assets Turnover
2001	Times
2002	0.026 Times
2003	0.026 Times
2004	0.037Times

The Total Assets Turnover of OBL is given in a chart in the below:



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

Comments :

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

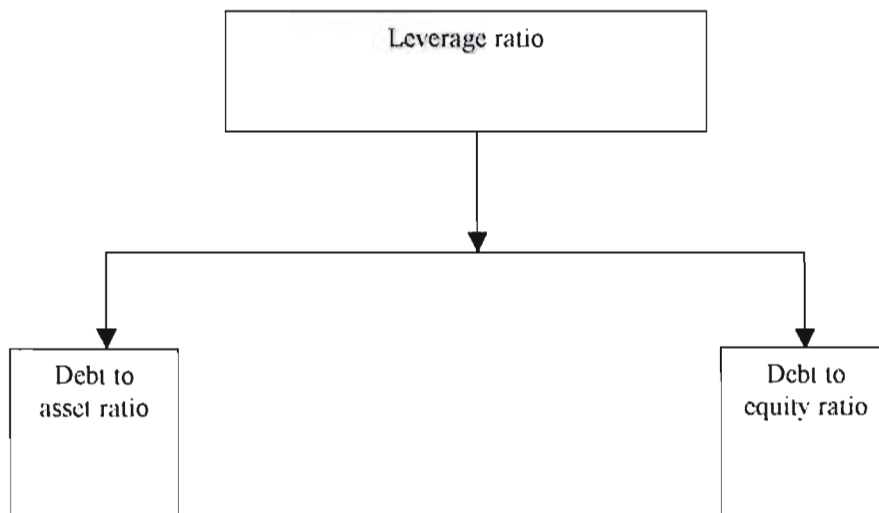
But it could be say that the management of OBL performing averagely by utilizing the total asset of the ban to generate maximum return.

4.4.10 LEVERAGE RATIO ANALYSIS :

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

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

Leverage ratio tree :



4.4.10.1 DEBT TO ASSETS RATIO

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.

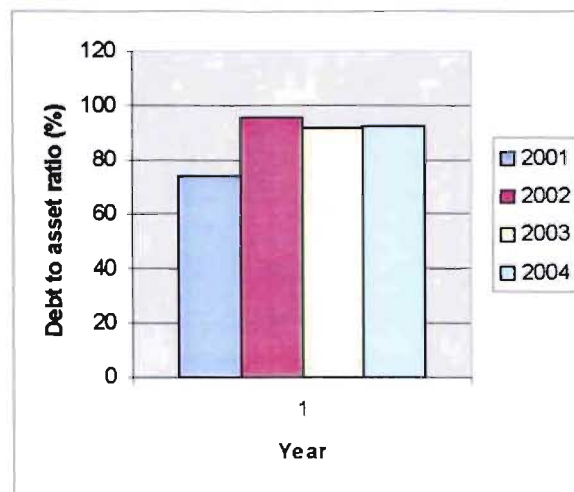
The formula to calculate the Debt to assets ratio of OBL is in the Below :

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

Table of debt to asset ratio of One Bank is in the below :

Year	2004	2003	2002	2001
Debt to assets ratio of OBL	92.67%	92.07%	95.65%	73.94%

The chart of debt to asset ratio of OBL is in the below:



It is very clear that One Bank is maintaining a 92% debt to assets ratio in ever year.

Comments :

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

4.4.10.2 DEBT TO EQUITY RATIO

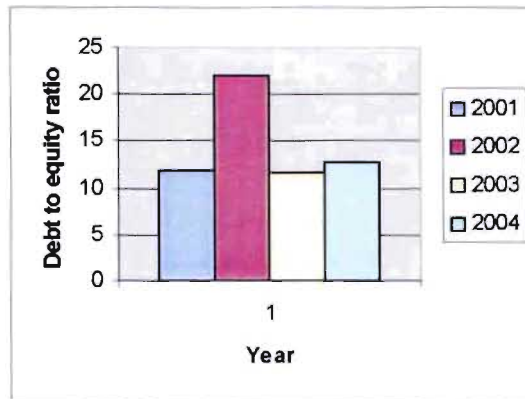
The formula to calculate the debt to equity ratio is in the below:

Debt to equity ratio = The Debt / The stockholders equity

Debt to equity ratio analysis table :

Year	2004	2003	2002	2001
Debt to equity ratio of OBL	12.63 times	11.64 times	22.00 times	times

Debt to equity ratio chart :



In 2001 debt to equity ratio is low but 2002 the debt to equity of One Bank is very high. But in 2003 it has decreased. In 2004 it increased a bi

Comments :

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

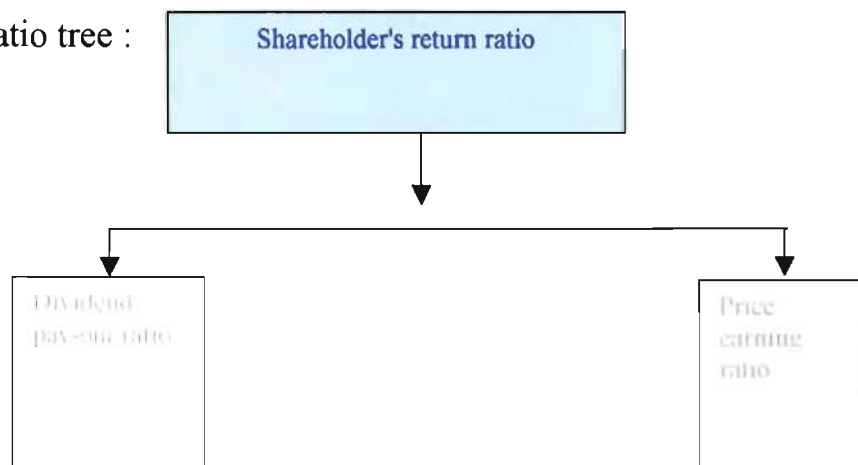
4.4.11 SHAREHOLDERS RETURN RATIO ANALYSIS :

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 OBL I have analyze the Shareholders return ratio, the analysis is in the below :

Shareholders return Ratio analysis has two parts :

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

Shareholder's return ratio tree :



4.4.11.1 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.

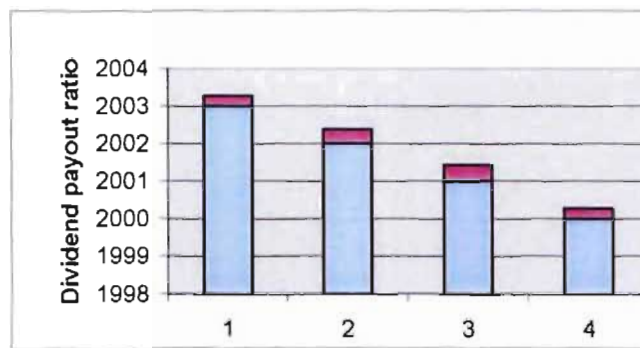
The formula to calculate Dividend pay out ratio is in the below:

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

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

Years	2004	2003	2002	2001	2000
Dividend pay out ratio of OBL	-	28.63%	36.57%	43.34%	26.32%

The Dividend pay out ratio of One Bank from 2000 to 2003 are shown in a chart in the below :



Comments :

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

4.4.11.2 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 prices earning ratio is likely to the investor, because it provide 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 impotency. That's why I have analyzed the price-earning ratio of OBL to estimate its financial performance.

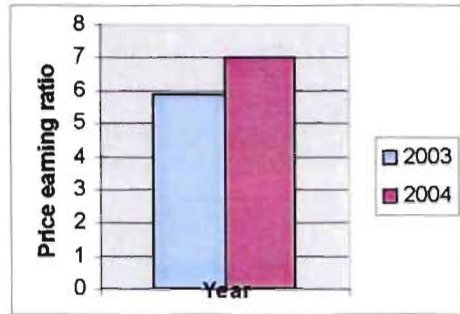
Price earning ratio can be calculates by the following formula.

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

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

Years	Price Earning ratio
2001	-
2002	-
2003	12.74
2004	1.05

The calculated price earning ratio of OBL is shown in the chart below :



Comments :

From the chart and table it is clear that price earning ratio of OBL is 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 OBL to earn one Taka profit.

4.5 THE RESULTS OF RATIO ANALYSIS AT A GLANCE :

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

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

Results of profitability ratios				
	Years			
Items	2004	2003	2002	2001
Current Return	19.8%	11.50%	31.60%	21.70%
Quick Return	3.35%	2.85%	2.76%	2.36%
Net profit margin	53.33%	20.18%	50.88%	80.36%
Equity Multiplier	13.64 Times	12.64 Times	23.00 Times	Times

Liquidity ratios				
	Years			
Items	2004	2003	2002	2001
Current Return	11.73 Times	7.18 Times	4.59 Times	4.52Times
Quick Return	1.08 Times	1.09 Times	1.05 Times	1.10Times

Activity ratios				
	Years			
Items	2004	2003	2002	2001
Fixed assets turn over	0.73 Times	0.65 Times	0.65 Times	Times
Total assets turn over	0.037 Times	0.026 Times	0.026 Times	Times

Leverage ratio analysis				
	Years			
Items	2004	2003	2002	2001
Debt to asset ratio	92.67%	92.07%	95.65%	73.94%
Debt to equity ratio	12.63 Times	11.64 Times	22.00 Times	Times
Time interest ratio	*****	8.64Times	5.47Times	6.75Times

Shareholders return ratio				
	Years			
Items	2004	2003	2002	2001
/Dividend payout ratio	***	28.63%	36.57%	43.34%
Price earning ratio	7.05%	12.74%	=	-

5.1 PROBLEMS OF ONE BANK:

One bank is a faster growing bank and it is a leading bank among the private banking sector of Bangladesh.

- **Deposit crisis:**

- ✚ Deposit crisis is one of the major problems in One Bank. One bank is doing special campaign to meet the deposit crisis.

- **Internal quarrel:**

- ✚ The internal quarrel among bankers is a problem in One bank.

- **Limited employees:**

- ✚ From the desk point of view, since the numbers of employees are limited they sometimes cannot pay attention to their prospective clients. In that case banks are losing its potential clients.

- **Amendment:**

- ✚ “Uniform Customs and Practice for Documentary Credit” published by the international chamber of commerce, every ten years it has amended so it is very long time for amendment.

- **Delayed payment:**

- ✚ Sometimes the payment that would come from foreign country delayed to deliver just because of carelessness of bankers.

- **Space utilization:**

- ✚ The space should be extended for banking activities to take place.

- **Lack of cash credit facility:**

- ✚ In cash credit service the borrower can borrow any time within the arranged limit, can deposit money and does have excess cash in hand. But One Bank does not carry out the cash credit facility.

- **Advertising & Promotion**

✚ Advertising and promotion is one of the weak points of OBL. OBL does not have my effective plan for aggressive marketing activities. This lacking pushes the bank far behind from the other competitors. At present, only the neon sign at Farmgate and Stadiim is visible.

- **Disguised Employment**

✚ Reference employment is very much effective in OBL. There are many people who are only drawing salaries at the end of the month but making a minimum contribution towards the organization and this is related to the problem of reference appointment. On the other hand, officers work hard but are appreciated accordingly. Those frustrated are leaving the ban of the other bank.

- **Limitation of information system (MICRO Banker)**

✚ Micro Banker is not comprehensive banking software..

- **Low Remuneration package**

✚ At the entry level and mid level officer's experience considerable low remuneration packages that some other local banks.

5.2 SUGGESTIONS

- The interest rate should be increased to meet deposit crisis. So that more people will be interested to make deposit in bank and the bank will be profitable.
- The internal quarrel among bankers should be minimized for the well-being of bank.
- A large number of skilled employees are required for the bank. So that the bank will not loose its potential clients.
- Uniform Customs and Practice for Documentary Credit” published by the international chamber of commerce, should be amended within a short time .
- There should not be any carelessness among bankers for the prosperity of bank.

- There should be more space to perform banking activities for the bank to prosper. So that the bank will have huge customer if it practices cash credit facility.
- One bank should increase its advertising and promotion activities through newspaper, internet, television.
- Reference employment should be discouraged.
- It is desirable that a more comprehensive banking system should replace Micro Bank system.
- Low pay structure does not attract potential people rather they are interested to join other banks instead of joining OBL.

The One bank Limited has been trying to operate its business successfully in Bangladesh since 1999. OBL has already developed an image of goodwill among its clientele of offering its excellent services. This success has resulted from dedication, commitment and dynamic leadership of its management over the periods. During the short span of time of its operation the bank has successfully grabbed a position as a progressive and dynamic financial institution in the country. If the bank goes this way, it is expected that in the near future OBL may become one of the top performer in the banking sector. Financial system of a country should contribute toward the development of an economy. In Bangladesh, banks are leading the financial system. So it is obvious that banks should contribute to make the financial system more deep. OBL has shown better performance in every aspect such as deposit mobilization, loans, foreign exchange and innovation of different schemes. OBL is not only doing business but also contributing to the society through its service. OBL has already taken a significant position in the private sector banking. If the government implements nominal policy then OBL will be able to contribute a vital role in the socio economic perspective.

5.4 Bibliography:

www.adb.org

www.financialexpress-bd.com

Commercial Banking

The Management of risk
Second Edition
Donald R. Eraser
Benton E. Gup
James W. Kolari

Investments

Analysis and management

Seventh Edition
Jones

Essentials of Managerial Finance

Twelfth Edition
Besley Brigham

<http://www.icbinc.com>

<http://www.moneypages.com>