

**Internship Report
On**

“CREDIT-RISK MANAGEMENT”



**Southeast Bank Limited
Branch**

Prepared for

DR. Suman Paul Chowdhury

Assistant Professor

Faculty of BRAC Business School

BRAC University

Prepared by

Shamma Tasnim

ID# 13104022

Date of Submission: 12th September, 2017

Acknowledgement

I am pleased to get this opportunity to give special thanks to the persons who provide me with ideas; views and supports to prepare this report and also enriched this report. I am grateful to all officials and staffs of Southeast Bank – as they for their huge cooperation. I am grateful to DR. Suman Paul Chowdhury, Assistant Professor of BRAC Business School who is appointed as my instructor for this internship BRAC Business School. He permitted me to work on my chosen topic. My special thanks go to Mr. Alamgir Munsif, the manager of human resource and A.B.M Saifur Rahman, manager in operation of Southeast Bank Limited Mohammadpur Branch. I would also like to express my gratitude to all the employees of Southeast Bank, for supervising me at the time of my internship attachment with their best efforts. At all I am greatly thanking to the persons whose enrich books, journals and working papers on international financial management have provided a guideline to me in preparing this report. Moreover, I am very much grateful to all officials of Southeast Bank. This report would not be possible without the cooperation of all officials of SEBL. So my heartiest appreciation goes to those officials. Finally, I would like to thank all others whose strong support makes me able to complete this report

Letter of Transmittal

The Supervisor
DR. Suman Paul Chowdhury
Assistant Professor
BRAC University.

Subject: Submission of Internship Report.

Sir,

I am a student of BBA bearing ID # 10304022 and I have done my majors in Accounting and Human Resource Management. It is my great pleasure to inform you that I have the opportunity to submit an elaborate internship report on Credit Risk Management of Southeast Bank. I have completed my Practical Training in Mohammadpur Branch from 15 May to 15 August 2017 as a part of my BBA curriculum. I have observed closely and studied different practical aspects of the Banking environment in Southeast Bank Ltd.

I believe this real and truehearted analysis will help you to have positive angle of vision upon me. I will be glad to furnish you with further explanations or clarifications that you may feel necessary in this regard. I shall be obliged if you kindly approve this effort.

Sincerely yours,

.....

Shamma Tasnim
ID # 13104022
BRAC University.

Executive Summary

Credit risk is one of the most vital risks for any commercial bank. Credit risk arises from nonperformance by a borrower. It may arise from either an inability or an unwillingness to perform in the pre-commitment contracted manner. The real risk from credit is the deviation of portfolio performance from its expected value. The credit risk of a bank is also effect the book value of a bank. The more credit of a particular is in risk, the more probability of a bank to be insolvent. Therefore, the status of depositor in the bank is at risk and probability of incurring loss from their deposited value. In other way the risk of a commercial bank is calculated through long term and short term rating by the credit rating agencies.

Table of Contents

Part	Page No.
Chapter: 1.0 Introduction	(01-07)
1.1 Origin of the report	02
1.2 Purpose of the report	02
1.3 Problem Statement	03
1.4 Literature Review	04
1.5 Objectives of the study	04-05
• Broad Objective	
• Specific Objective	
1.6 Scope of the Study	05
1.7 Limitations of the Study	06
1.9 Methodology	06-07
• Data Collection Method	
Chapter: 2.0 Organization Part	(08-21)
2.1 Company Overview	08-09
2.2. Financial performance	10
2.3 Board of Directors of SEBL	11-15
2.4 Head office and Branch Network	15
2.5 Organizational structure in SEBL	16
2.6 A brief profile of Mohammadpur branch	17

2.7 Structure of Mohammadpur Branch	18
2.8 Core Values of Southeast Bank Ltd	18
2.9 Core strengths of Southeast Bank Ltd	19
2.10 Core competencies of Southeast Bank Ltd	19
2.11 Vision of Southeast Bank Ltd	19
2.12 Missions of Southeast Bank Ltd	19
2.13 Commitment to clients	20
2.14 SWOT Analysis of Southeast Bank Ltd	20-21
Chapter: 3.0 Duties and Responsibilities	(22-47)
3.1 Functions of general Banking	
i. Accounts Opening	23
ii. Account opening formalities	23-25
iii. Fixed Deposit Account(FDR)	25-26
iv. Clearing	26-27
v. Dispatch	27
vi. Bank receipts and payments(cash)	28-30
3.2 Functions of Foreign Exchange Dept.	
i. Export	32
ii. Import	33
iii. Advising of letter of credit	34
iv. Local remittance	35
v. Pay Order	36
vi. Demand Draft	36
vii. Telegraphic/Telephonic Transfer (TT)	37
viii. Mail Transfer	37

3.3 Credit Facilities Offered by Southeast Bank	
i. Funded Credit	38
1. Continuous loan	39
2. Demand loan	39
3. Term loan	39
ii. Non Funded Credit	40
1. Personal Credit	40-42
2. Commercial Credit	43-45
3.4 Lending rate of SEBL	47
Chapter: 4.0 Financial statements and rating report	(48-58)
Chapter: 5.0 Credit Risk Management	(58-60)
Chapter: 6.0 Findings of the Research	(61-62)
Chapter: 7.0 Recommendation	(63-64)
Chapter: 8.0 Conclusion	(65-66)
Chapter: 9.0 Reference	67

Chapter: 1.0 Introduction

Bank is well known as a monetary institute but Bank did not establish in a day. When currency introduced as an exchange term, human life has been trouble-free that they can exchange anything between them using money. Also business and trading have been introduced.

In 1972 when Bangladesh became liberated, the Banking sector was in shatters. Lot of Banks branches during the liberation time were burnt & destroyed. In view of the above, government of the newly independent Bangladesh had to take some quick decisions. A central Bank namely Bangladesh Bank had to be created taking over the assets & liabilities of State Bank of Pakistan located in Bangladesh area Banking sector of Bangladesh has undergone dramatic changes since the independence in 1971. Immediately after liberation the government nationalized all banks.

There are approximately 4 nationalized, 29 local and 10 foreign commercial banks in Bangladesh and SEBL is one of them. Under the above backdrop SEBL is a private sector bank having a small market share of the industry. If the weaknesses are addressed appropriately and opportunities are explored keeping in view the threats behind with a stable and professional management having regard to appropriate corporate governance and modern automation technology, then SBL could expect to achieve its desired target of a visionary bank.

Southeast Bank Limited is a fast growing modern banking institution having a unique corporate culture & friendly working environment which unites our people towards achieving tremendous results in every aspect of Bank's operations. Southeast Bank Limited is a second generation

leading private commercial Bank in the country with a vision to be the leading financial institution in the country having a diverse array of carefully tailored customer friendly products and financial services in the Bank which unites our people and results in continuous growth in every aspect of Bank's operations.

1.1 Origin of the report

A developed banking sector plays a vital role for financial stability of a country. This report is prepared for fulfilling the requirement of Internship of B.B.A program, BRAC University. As merely the classroom discussion cannot give proper picture of real business situation, therefore, it is an opportunity for the students to know about real life situation through this program. For this reason, B.B.A internship program has been designed in such a way which provides an opportunity for the student to minimize the gap between theoretical and practical knowledge and will help in practical life. I was sent to Mohammadpur Branch. It was three months practical orientation program. As an Accounting student I chose Credit Risk Management as the topic of my internship report. The report I prepared is on "Credit risk management" of Southeast Bank Limited.

1.2 Purpose of the report

The purpose of this report is to know about the credit risk management factors and also have a concrete idea on the performance and financial condition of southeast bank properly.

1.3 Problem Statement

Southeast Bank Limited is a fast growing modern banking institution having a unique corporate culture & friendly working environment. They also provide high quality financial services with the help of latest technology. Southeast Bank mission is providing fast & accurate customer service, high standard business ethics, Innovative banking at a competitive price. They offer different type of services like- Account opening, Clearing, Loan offering, Export & Import, Locker etc.

Southeast Bank offer time loan, term loan, consumer loan, demand loan etc. Most of the customers try to take time loan or Consumer credit scheme (CCS) loan. They take loan for different purpose. Some customer take loan for their personal consumption, some customer takes loan for buying car or business purpose or any other reason. Most of the time customer want good environment, better service and good behave from the staff. Customer wants low interest rate in order to take the loan. Sometimes customers need loan very frequently then they want to take loan very quickly. Most of the time customers take loan against their FDR. Southeast bank do not provide loan in any risky sectors. When there is probability that customers will not be able to return the loan, they do not give loan this type of customers. Well, SEBL credit department try their best in maintenance of credit. My report basically focuses on the problem of Credit risk management of SEBL.

1.4 Literature Review

With the growing competition among nationalized, foreign and private commercial banks as to how the banks operates its banking operation and how customer service can be made attractive. Commercial or private banks are trying to evaluate their traditional banking service to a better standard, to meet the challenging needs. So they pay attention on better performance and existence. Under the above circumstances, it has become necessary for Southeast Bank Limited, one of the private commercial banks, to focus its attention towards its services. **To know the Credit risk management system of SEBL, it is important to gain knowledge about the different services offered by the bank. Identify products and service quality level, o know about the rate and charges, to know about the client pattern. To study the risk involved during the banking operations and to discover how the causes behind the risks are resolved by the management.**

1.4 Objectives of the study:

Primary Objective

The primary objective of preparing this report is to represent the Southeast Bank Limited and to fulfill the requirement for the completion of BBA program as well as to observe & learn the Credit process & Risk Management of SEBL and its services.

Secondary Objective

The secondary objectives of the research are:

- To acquaint with the real business situation
- To collect knowledge on banking companies operations in practical field.
- Providing overview on Southeast Bank
- Find out their satisfaction level about SEBL performance

1.6 Scope of the Study

The research is mainly focused on “Credit Risk management”. The study has many dimensions and covers a broad spectrum. The research limits its scope to Southeast Bank Mohammadpur branch only. The data requires for sufficient analysis for report writing could not be collected due to excessive workload. While preparing the report I had a great opportunity to have real life knowledge about the overall banking procedure. I had to go to each and every department to collect the necessary data for my report. I also communicated with the employee and clients to know the topic properly. This report supported me to gain practical knowledge about the financial sectors of the.

1.7 Limitations of the Study

When I was conducting my research at that time some responses bias and administrative errors are also occurs. And I had tried my best to avoid this error. There have been some limitations from which these report suffers. The limitations are briefly pointed out below:

- ✓ **Time is the first limitation as the duration of the program was of three months only.**
- ✓ **Confidentiality of data was another important barrier that was faced during the conduct of this study.**
- ✓ **The Banks were not ready to disclose information regarding their service delivery and policy information.**
- ✓ **By working in a branch it's not possible to collect all information about the organizational activities.**
- ✓ **Supply of more practical and contemporary data is another shortcoming.**
- ✓ **The study was not done very successfully due to inexperience.**

1.8 Methodology

Methods that are charted to perform to complete a task or a job is called methodology. In conducting this report the following methodology were adopted in collecting data & information, preparation of reports etc. Both qualitative and quantitative methods were applied for preparing this report. The data were evaluated and presented using percentage, graphical presentation and different types of charts. Best effort was given to analyze the numerical findings.

Data collection method

Relevant data for this report has been collected primarily by direct investigation of different records, papers, Documents, operational process and different personnel. Moreover, a structured questionnaire has been used. Information regarding office activities of the bank has been collected through consulting and discussion with bank personnel.

Data sources

Both primary and secondary source of data are used to complete this study. These two sources are explained below:

Primary Source

The primary data was collect by discussion with officials of Southeast Bank and face to face conversation with the employees and staffs of SEBL. Besides, I got additional assistance from people who are connected with SEBL.

Secondary Source

For conducting the research I have taken help from some secondary sources as well which are:

- Different manuals of Southeast Bank
- Different circulars of Southeast Bank
- Files and documents of the Branch
- Website of Southeast Bank Limited
- Different papers on Southeast Bank Limited
- Unpublished data.

Chapter: 2.0 Organization Part

2.1 Company Overview:

Southeast Bank Limited is a scheduled commercial bank in the private sector established under the ambit of Bank Company Act, 1991 and incorporated as a Public Limited Company under Companies Act, 1994 on March 12, 1995. The Bank started commercial banking operations on May 25, 1995. During this short span of time the Bank is successful in positioning itself as a progressive and dynamic financial institution in the country. The bank had been widely acclaimed by the business community, from small entrepreneurs to large traders and industrial conglomerates, including the top-rated corporate borrowers for its forward - looking business outlook and innovative financial solutions. Thus within this very short period of time it has been able to create an image and earn significant reputation in the country's banking sector as a Bank with Vision. Presently, it has 65 branches.

Southeast Bank Limited has been licensed by the Government of Bangladesh as a Scheduled commercial bank in the private sector in pursuance of the policy of liberalization of banking and financial services and facilities in Bangladesh. In view of the above, the Bank within a period of 10 years of its operation achieved a remarkable success and met up capital adequacy requirement of Bangladesh Bank.

It has been growing fast as one of the leaders of the new generation banks in the private sector in respect of business and profitability as it is evident from the financial statements for the last 10 years.

Southeast Bank Limited emerged as a new commercial bank to provide efficient banking services and to contribute socio-economic development of the country.. Southeast Bank Limited(SEBL) was established on 17th April, 1995 with an Authorized Capital of Tk. 1000 Million and Paid up Capital of Tk. 100 Million (raised to Tk. 200 Million in 1997) by a group of highly successful entrepreneurs from various fields of economic activities such as shipping, oil, finance, garments, textiles and insurance etc. It is a full licensed scheduled Commercial Bank set up in the private sector in pursuance of the policy of the Government to liberalize Banking & Financial services.

The former Government of the Bangladesh Bank Mr. Lutfar Rahman Sarkar was the first Managing Director of the Bank. The Bank is being managed by highly professional people having wide experience in domestic and international Banking.

The Bank provides a broad range of financial services to its customers and corporate clients. The Board of Directors consists of eminent personalities from the realm of commerce and industries of the country. The Bank is manned and managed by qualified and efficient professionals. The name of the honorable chairman is Md. Alamgir Kabir, Mr. Ragib Ali is the Vice Chairman of the bank.

The Bank is not depending only on interest earnings; rather it strives hard to go for fee-based income from non-fund activities of the bank. This type of business include capital market operations like underwriting, portfolio management, mutual fund management, investors' account as well as commission-based business like Letter Of Guarantee, Inland remittance,

Foreign remittance etc. These businesses usually do not involve Bank's fund, but on the contrary, offer immense opportunity and scope to expand bank services to the members of public at large.

The head office of the Bank is situated at 61, Dilkusha Commercial Area, Dhaka-1000.

2.2 *Financial performance*

Southeast Bank Limited has managed to perform well in the the difficult economic environment.

Five years performance at a glance

In Million Taka

Particulars	2015	2014	2013	2012	2011
Authorized Capital	15,000.00	15,000.00	10,000.00	10,000.00	10,000.00
Paid up Capital	9,169.50	9,169.50	8,732.86	8,732.86	8,317.01
Reserve Fund / Others	19,312.13	18,292.59	13,074.71	10,864.68	10,683.05
Deposit	210,431.09	189,472.54	177,519.46	152,901.24	127,178.22
Advance	168,878.46	147,070.81	134,863.82	126,968.97	107,288.56
Investment	58,829.27	56,378.59	57,589.06	37,656.56	29,846.60
Import Business	155,812.58	155,691.00	131,644.82	111,537.50	99,509.01
Export Business	126,423.89	112,137.60	95,220.40	84,464.20	75,982.06
Guarantee Business	15,245.19	13,603.30	17,226.41	21,506.65	25,673.90
Remittance Business	60,708.50	48,740.50	39,299.10	41,455.40	49,544.10
Total Income	26,260.72	27,667.10	26,918.30	23,134.18	19,931.91

Total Expenditure	18,226.45	19,337.34	20,218.11	17,638.99	13,846.24
Operating Profit	8,034.27	8,289.76	6,700.20	5,495.19	6,085.67
Net Profit after Tax and Provision	3,069.42	3,836.94	3,378.82	1,648.72	1,912.19
Fixed Assets	7,885.23	7,913.00	7,795.65	7,677.51	7,373.11
Total Assets	260,718.03	236,608.40	220,930.85	189,921.58	158,078.59

2.3 Board of Director of SEBL

Names of the member of the Board of Directors of the Bank:

1. Mr. Alamgir Kabir (FCA)	Chairman
2. Mr. Ragib Ali	Vice Chairman
3. Mr. M. A. Kashem	Director
4. Mr. Azim Uddin Ahmed	Director
5. Mrs. Jusna Ara Kashem	Director
6. Mrs. Duluma Ahmed	Director
7. Mr. Md. Akikur Rahman	Director
8. Mrs. Rehana Rahman	Director
9. Mrs. Sirat Monira	Director
10. Karnafuli Tea Co. Ltd, represented by Mr. Abdul Hye	Director
11. Dr. Quazi Mesbahuddin Ahmed	
12. Mr. A. H. M. Moazzem Hossain	Independent Director

Independent Director

13. Mr. M. Kamal Hossain

Managing Director

Name	Designation
Mr. Alamgir Kabir (FCA)	Chairman
Mr. M. A. Kashem	Member
Mr. Azim Uddin Ahmed	Member
Mr. M. Kamal Hossain	Member

Executive Committee

Audit Committee:

Name	Designation
Mr. A. H. M. Moazzem Hossain	Chairman
Dr. Quazi Mesbahuddin Ahmed	Member
Mrs. Jusna Ara Kashem □	Member
Mrs. Duluma Ahmed	Member

Risk Management Committee:

Name	Designation
Mr. Alamgir Kabir (FCA)	Chairman
Mr. M. A. Kashem	Member
Mr. Azim Uddin Ahmed	Member
Mr. A. H. M. Moazzem Hossain	Member

Advisor:

Name	Designation
Mr. Zakir Ahmed Khan	Advisor

Shariah Council:

Name	Designation
Professor Moulana Mohammad Salah- Uddin	Chairman
MD. Kamaluddin Chowdhury	Member
Moulana Mohammad Kafiluddin Sarkar	Member
Mr. Alamgir Kabir, FCA	Member

M.A.Kashem	Member
Mr. Azim Uddin Ahmed	Member
Mr. Kamal Hossain	Member

2.4 Head Office and Branch Network

Head Office

Address : 52-53, Dilkusha C/A (Level - 2,3 & 16), Dhaka – 1000, Banladesh

.

Telephone : (88-02)9571115, 7160866, 9555466, 7173793

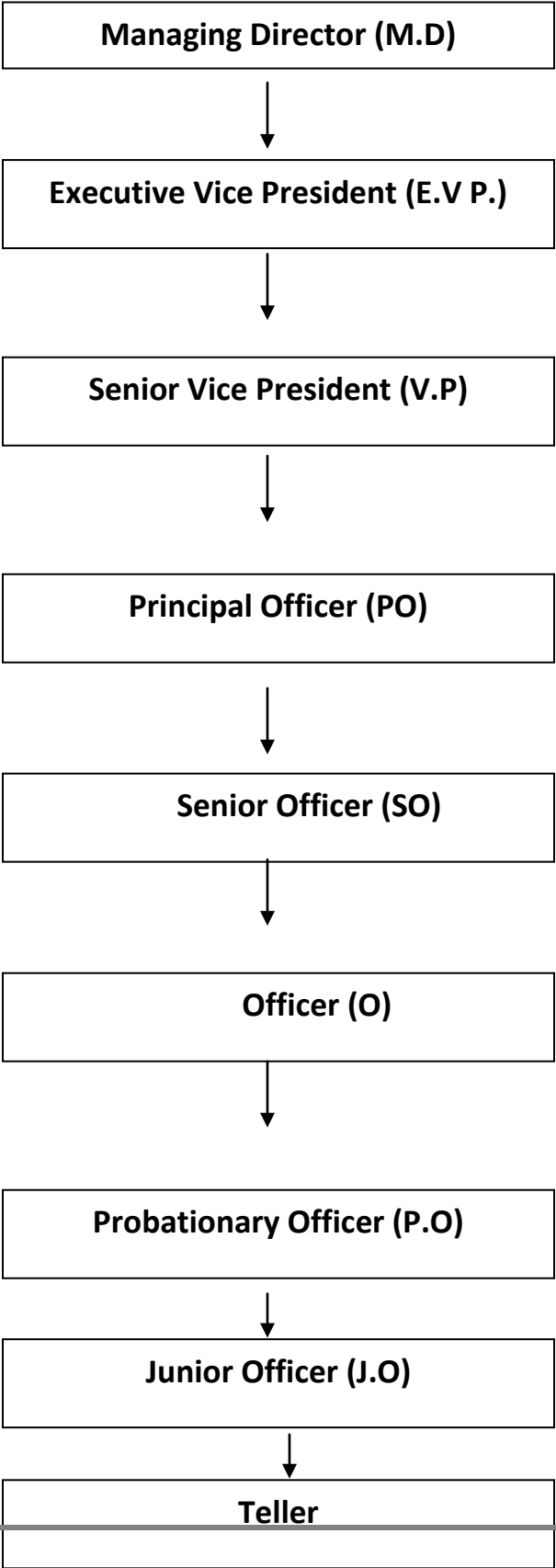
Telex : 632425 SBANK BJ

Fax : 88-02-9550093

E-Mail : info@sebankbd.com

Web site : www.sebankbd.com

2.5 Organizational Structure in Southeast Bank Limited



2.6 A Brief Profile of Southeast Bank Ltd, Mohammadpur

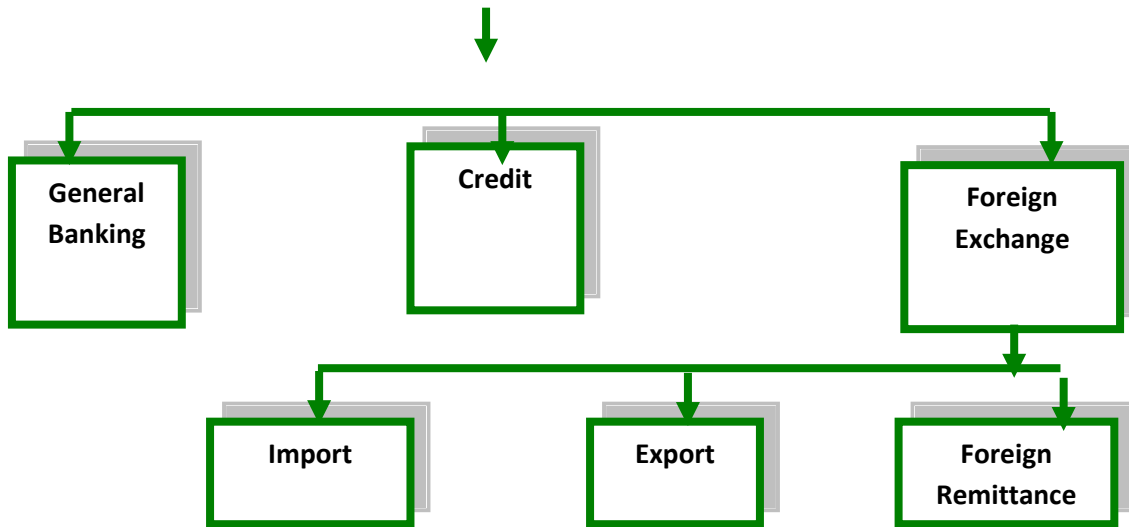
Branch:

I am performing my Internship in Mohammadpur Branch. The branch is located at Axis Delvista (1st Floor), Holding No:7/1, Block - A, Aurongajeb Road, Mohmmadpur Housing Estate, Mohammadpur, Dhaka. The office floor is nicely specious that can accommodate good number of customer comfortably.

The branch has efficient human resources that can meet up customer's needs. The workload is distributed properly and this interpersonal relationship is remarkable. The best noted strength is customer service. Prompt, cordial & enthusiastic service satisfies most of the customers. Flexible banking service attracts more clients doing banking transactions with the branch. In some cases, customers coming afterwards the banking hour can get service. Everybody performs their work very well. Under all of their efficient handling, the branch has already been able to introduce itself as one of the best performers among all other branches of Southeast Bank Limited. Southeast Bank Ltd gives interns a good value. They assign some specific jobs that are to be done within a fixed period of time. With the initiation of good job in Southeast Bank Limited of Mohammadpur branch, they reposed confidence on me and therefore assigned foreign exchange. In fact overall banking practices were entrusted to me within this short period of three months.

The good part of working in Southeast Bank Limited is that, it takes very little time for a new person to get himself familiar with the condition because of the environment of the bank. The environment is very friendly. The employees and staffs are very cooperative which enables a newcomer to feel comfortable and adapted to the environment very rapidly.

2.7 Structure of Mohammadpur Branch



2.8 Core Values

- Integrity
- Respect
- Fairness
- Harmony
- Team Spirit
- Courtesy
- Commitment
- Service Excellence
- Insight and Spirit
- Enthusiasm for Work
- Business Ethics

2.9 Core Strengths

- Transparent and Quick Decision Making
- Satisfied Customers
- Skilled Risk Management
- Efficient Team of Performers
- Internal Control and Compliance
- Diversification

2.10 Core Competencies

- Knowledge
- Experience and Expertise
- Customer Focus
- Transparency
- Determination
- Zeal for Improvement
- Reliability
- Pursuit of Disciplined Growth Strategy

2.11 Vision

- To be a premier banking institution in Bangladesh and contribute significantly to the national economy.

2.12 Missions

- High quality financial services with state of the art technology
- Fast customer service
- Sustainable growth strategy
- Follow ethical standards in business
- Steady return on shareholders' equity

- Innovative banking at a competitive price
- Attract and retain quality human resource
- Commitment to Corporate Social Responsibility

2.13 Commitment to Clients

- Provide service with high degree of professionalism and use of modern technology
- Create long - term relationship based on mutual trust
- Respond to customer needs with speed and accuracy
- Share their values and beliefs
- Grow as our customers grow
- Provide products and service at competitive pricing
- Ensure safety and security of customers' valuables in trust with us

2.14 SWOT Analysis of Southeast Bank Ltd

Strength:

- Transparent and quick decision making
- Efficient team of performers
- Satisfied customers
- Internal control
- Skilled risk management

Weakness:

- The promotion strategy of SEBL is not at all effective.
- Small market share.
- High concentration of fixed deposits.
- Marginal capital adequacy.
- Lack of effective marketing / promotional activities.
- Lack of full-scale automation.
- High concentration of large loans.

Opportunity:

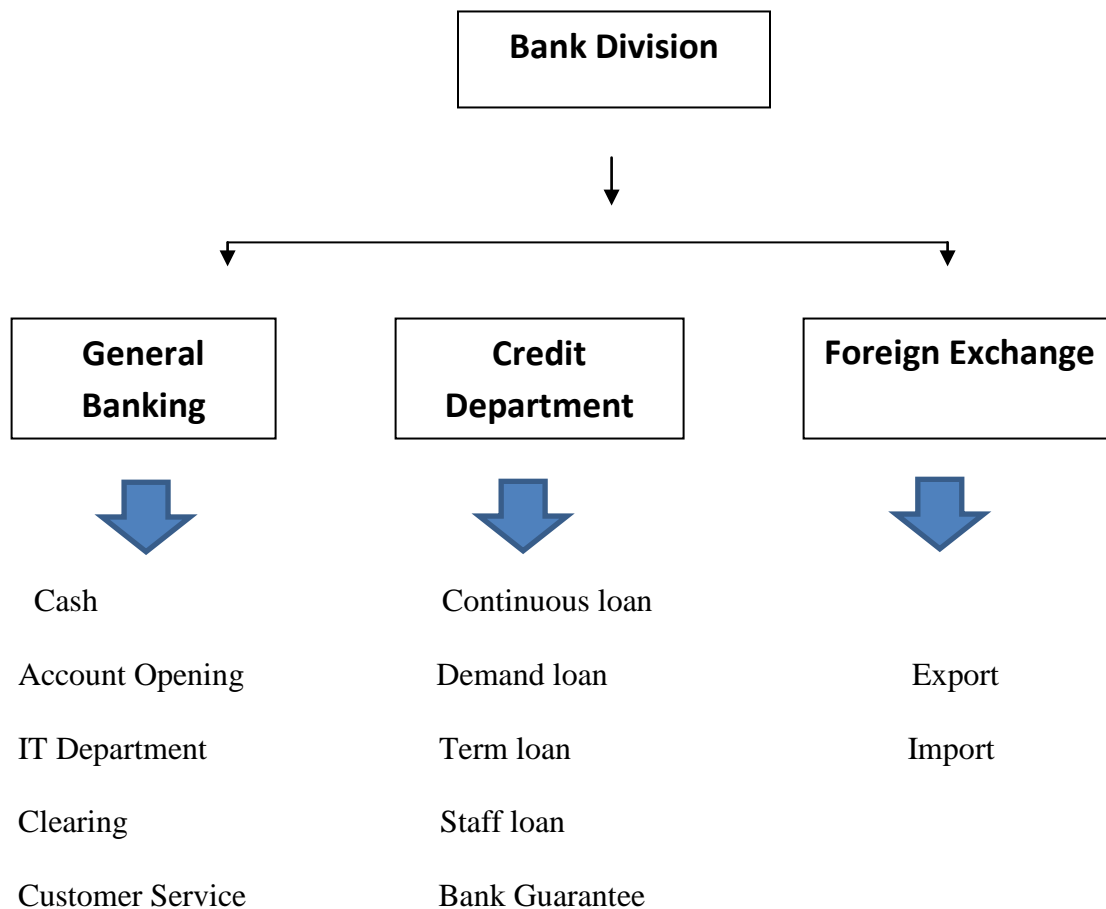
- Regulatory environment favoring private sector development.
- Increasing trend in international business.
- Introduction of credit card and Tele-banking.
- Value addition in products and services.

Threat:

- Strong competitors are increasing day by day.
- Risk of bad debt.
- Dishonesty and fraudulent activities of some staffs have put a negative impact on the image.
- Global and local unstable political situation.

Chapter: 3.0 Duties and Responsibilities:

Southeast bank have some major responsibility. They have some division in their every individual branch. Different types of task are done by different sectors. The division is given bellow-



3.1 Functions of General Banking:

i. Accounts Opening:

Southeast Bank provides different types of deposit. The different types of accounts are very commonly in practice:

- Current Deposits (CD)
- Savings Bank Deposits (SB)
- Short term deposits (STD)
- Fixed Deposit receipts (FDR)
- Monthly saving scheme (MSS)
- Cash credit (CC)
- Consumer credit scheme (CCS)
- Security overdraft (SOD)

ii. Account opening formalities:

The client needs to open a current or savings account with the bank to get any kind of credit facility. The client can request for loan individually or jointly. The required documents for opening of accounts of different types are given below:

Common Documents for all types of accounts:

- ❖ A/C opening form(single copy)- duly filled in, signed by the client and introduced by an existing account holder
- ❖ Signature card- dully filled in, signed and introduced
- ❖ Photographs (2copies for each individual) of the account holder(s) duly attested by the introducer
- ❖ Copy of first five pages of passport(s) of the account holder(s)
- ❖ Photocopies of national ID card.

Individual: Current / Savings Account

- ❖ A/C opening form(single copy)- duly filled in, signed by the client and introduced by an existing account holder
- ❖ Signature card- dully filled in, signed and introduced
- ❖ Photographs (2copies for each individual) duly attested by the introducer

Proprietorship: Current/ Savings Account

- ❖ A/C opening form(single copy)- duly filled in, signed by the client and introduced by an existing account holder
- ❖ Signature card – duly filled in, signed and introduced
- ❖ Trade license
- ❖ Mandate agreement form (Nominee form), if applicable

Partnership: Current/Savings Account

- ❖ Trade license

- ❖ Partnership deed
- ❖ Resolution outlining instructions for operation of the account

Private Ltd.: Current/Savings Account

- ❖ Memorandum and articles of association duly attested by the managing director/company secretary
- ❖ Certificate of incorporation
- ❖ Resolution as to operation of the account
- ❖ List of directors

Public Ltd.: Current/Savings Account

- ❖ Same as Private Ltd. company including certificate of commencement of business.

iii. FIXED DEPOSIT ACCOUNT (FDR)

These are the deposit, which are made with the bank a fixed period specified in advance. It is purely a time deposit account. The bank does not maintain cash reserves against these deposits and therefore the bank offers higher rates of interest on such deposits. Interest is paid at rate determined by the length of the period of deposit; the higher is the rate of interest. Loan is sanctioned against FDR.

OPENING AND OPERATION OF FIXED DEPOSIT ACCOUNT

The depositor has to fill in an application from wherein he/she mentions the amount of deposit, the period for which deposit is to be made the name(s) in which the fixed deposit receipt is to be issued. In case of deposit in joint names, the banker also takes the instructions regarding payment of money on maturity of deposit i.e. whether payable jointly or payable to either or survivor etc. the banker also takes the specimen signature of the depositor(s). A Fixed deposit Receipt is then issued to the depositor acknowledging receipt of the sum of money mentioned therein. It also contains the rate of interest and the date on which the deposit will fall due for payment. In this account no transaction is allowed and no cheque book is issued. Customers are given Fixed Deposit Receipt only.

iv. CLEARING

The clearing house is an assembly of the locally operating scheduled banks for exchange of cheques, drafts and other demand instruments drawn on each other and received from their respective customers for collection. The house meets at the appointed hour on all working days under the chairmanship of the Central Bank or its agent as the case may be, and works within the regulations framed therefore on the basis of prevailing banking practices. In Bangladesh, clearing house sites at Bangladesh Bank but where there is no office of the Bangladesh Bank, Sonali Bank acts as an agent of Bangladesh Bank.

There are mainly two types of banking systems in Bangladesh, such as:

Internal Clearing or Inter-----branch clearing.

External Clearing or Inter-----banks Clearing.

How it works:

All the member of banks representative daily conduct two meetings at a fixed time. In their first meeting they handover cheque, drafts etc passed, which are drawn upon them. In case there are certain cheques, which could not be honored the same are returned to the presenting banks with the reasons of nonpayment in the second meeting at the clearing house.

In this meeting also the final position of house is prepared and respective accounts of the member banks are debited or credited depending upon their individual payments or collection position. After that the bankers individually debit the accounts of their customers with cheques, with cheques, which are returned unpaid.

v. DISPATCH

Dispatch includes all correspondence, letters, statements and returns and telegrams. This dispatch is also known as mail. The dispatch is primarily divided into two categories:

Inward: It means what are receives from the outside.

Out Ward: It means what are sent to the outside.

This dispatch also divided into (a) Ordinary, (b) Registered and (c) Local. Every correspondence should have an office copy and one additional copy is also retained in the master file of the office.

Working procedure for inward mail:

- Registered the inward mail registered.
- A local mail registered.

- Currency note received & money order will be entered in a special notebook.
- Working procedure for out word mail:
- Registered the mail in the out word register and put the dispatch number.
- Equitable sum is advanced for postages by debit to charge account and credit to postage book under the authentication of the manager.

vi. BANK RECEIPTS AND PAYMENTS (CASH)

Cash Receipt

Money deposited in cash by the constituents at the cash counter of bank excluding that of government transaction is known as Bank Receipt (Cash). Different types of forms are used for cash deposits for different types of accounts. Particulars of some forms are furnished below:

- Current or Savings account pay-in-slip
- Application for fixed deposit receipt
- Credit Voucher
- Draft or mail transfer application form
- T.T, Pay Order application form
- Call deposit application form
- Demand loan pay-in-slip

Cash Payments

Banks payment includes all kinds of payments excluding those of treasure section. Extreme precautions must be taken at all levels through, which instruments like cheques, drafts, etc is disposed 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 postal dated or anti dated)
- ✓ Amount in word and figure
- ✓ Crossed or Open
- ✓ Bearer or Order
- ✓ Style of signature as available in the ledger
- ✓ Prohibitory or Stop payment of cheque.
- ✓ Late Payments

In case of any late payments instruments must be debited in the ledger and passed in the usual manner. It will be entered in the cash paid sheet in the above manner and cash book under authentication of the manager and the cash officer. It must be noted with “Late” mark under initial of the manager with date.

vii. PAYMENTS AND COLLECTIONS OF CHEQUES

In the banking sector, bill of exchange is one of the important instruments. “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”. But cheque is the most important instrument in the bill of exchange. ‘A cheque is a bill of exchange drawn on a specific bank and not expressed to be payable otherwise than on demand’. There are two types of cheque in the bank. Such as:

Open Cheque: A cheque capable of being paid over the counter in cash is known as open cheque.

Crossed Cheque: A cheque which can only be paid to a banker for crediting to the accounts of its payee is called Crossed Cheque.

∞ Essential elements/requisites of a cheque

- It must be written
- It must contain an order to pay on demand or at fixed or determinable future
- The order must be an unconditional one
- The drawer must sign it
- The drawee must be certain
- The sum payable must be certain
- The instrument must contain an order to pay a certain sum
- The payee must be certain

Payments of Open Cheque

An open cheque may either be bearer or order. Where the cheque payable to order purports to be indorsed by or on behalf of the payee, the drawee is discharged by payment in due course. Where

a cheque is originally expressed to be payable to bearer the drawee is discharged by payment in due course to the bearer thereof; notwithstanding any endorsement whether in full or in blank appearing therein and notwithstanding that such endorsement purports to restricts or exclude further negotiation.

Payments of Crossed Cheque

Where a cheque is crossed generally the banker on whom it is drawn shall not pay it otherwise than to a banker. Where a cheque is crossed specially to more than one bank except when crossed to an agent for the purpose of collection of the banker on whom it is drawn shall refuse payment thereof.

Where the banker on whom a crossed cheque is drawn has paid the sum in due course the banker paying the cheque and the drawer thereof respectively the entitled to the same rights and be placed in the same position in all respects as they would respectively be entitled to and placed in if amount of the cheque had been paid to and received by the owner thereof.

Collection of Cheques

There is no legal obligation on a banker to collect cheque drawn on other banks for a customer. But as a practice the collection of cheques and bills on behalf of the customer has become one of important function of a bank. A banker collecting a cheque for a customer has no better title than that of his customer a cheque belonging to another person can be held liable for conversion.

A banker who has good in faith and without negligence received payment for a customer of a cheque crossed generally or specially to himself shall not, in case the title of the cheque proves defective incur any liability to the true owner of the cheque by reason only of having received

such payments. Thus the statutory protection given to the collecting banker can be claimed only for crossed cheques.

3.2 Function of foreign Exchange department:

Foreign Exchange department of Southeast Bank is divided in to two parts.

i. Export:

- ◀ Pre-shipment advantages.
- ◀ Negotiating foreign bills.
- ◀ Exports guaranties
- ◀ Purchase of foreign bills.
- ◀ Advance against bills for collection.
- ◀ Advising / conforming setters (letter of credit).
- ◀ Advance for differed payments exports.

ii. Imports:

- ◀ Bills for collection
- ◀ Advance bills.
- ◀ Opening of letter of credit (L/C)

◄ Import loan & guarantees.

The most commonly used document in foreign exchange:

- ✓ Documentary letter of credit.
- ✓ Bill of exchange
- ✓ Bill of lading
- ✓ Commercial invoice
- ✓ Certificate of origin of goods
- ✓ Inspection certificate
- ✓ Packing list
- ✓ Insurance policy
- ✓ Pro-forma invoice / indent

Form of Transport document:

- ✎ Marine or ocean transport document
- ✎ Air transport document
- ✎ Road transport document
- ✎ Rail transport document
- ✎ Courier and Postal Transport Document

iii. Advising of Letter of Credit:

Advising means forwarding of a Documentary Letter of credit received from the issuing bank to the beneficiary (Exporter).

Before advising a L/C the advising bank must see the following:

- ◊ If the export L/C is intended to be an operative cable L/C Test Code on the L/C invariably be agreed.
- ◊ Signature of issuing bank officials on the L/C verified with the specimen signatures book of the said bank when L/C received.
- ◊ L/C scrutinized thoroughly complying with the requisites of concerned UCPDC provisions.
- ◊ L/C advised to the beneficiary (Exporter) promptly and advising changes recovered.
- ◊ Entry made in the L/C Advising Register.

Commercial invoice:

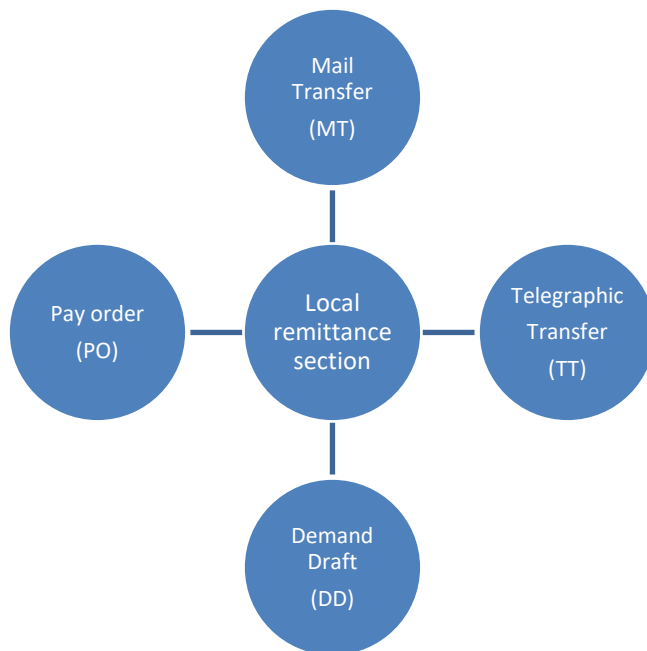
A commercial invoice is the accounting document by which the seller changes the goods to the buyer. A commercial invoice normally includes the following information:

- it must be issued by the beneficiary named in the credit
- it must be made out in the name of the applicant
- description of goods exactly as stated in L/C
- price of goods
- shipping marks exactly as appears in the Bill of Lading
- Contract number
- Issuing date

iv. ***LOCAL REMITTANCE***

Sending money from one place to another for customers is another important service of banks and this service is an important part of countries payment system. For this service, people especially businessmen can transfer funds from one place to another very quickly.

There are four types of remitting money, such as:



v. Pay Order (PO):

Pay Order gives the payee the right to claim payment from the issuing bank. It can be en-cashed from issuing bank only. Unlike cheque, there is no possibility of dishonoring pay order because before issuing pay order bank takes out money of the pay order in advance. Pay order cannot be endorsed or crossed and so it is not negotiable instrument.

vi. Demand Draft (DD):

Demand Draft is an order of issuing bank on another branch of the same bank to pay specified sum of money to the payee on demand. It is generally issued when customer wants to remit money in any place, which is outside of the clearinghouse area of issuing branch. Payee can be purchaser himself or another mentioned in the DD. It is a safe technique of transferring money from one place to another. Bearing money may be risky. It is a negotiable instrument and it can be crossed or not.

For payment of DD, paying branch first has to be confirmed that the DD is not forged one. First bank checks the “Test Code” mentioned on the draft. If “Test Code” agrees then believe that DD is not forged and make payments. For further confirmation, the issuing bank sends an advice about the DD to the paying branch. Without advice the paying branch generally does not pay.

vii. Telegraphic Transfer or Telephonic Transfer (TT):

By this method money is transferred to another place by telegraphic messages. The sender branch will request another branch to pay required payee on demand. Generally for such kind of transaction payee should have account with the paying bank. Otherwise it is very difficult for the paying bank to recognize the exact payee. Test Code is also furnished on the TT message for the protection of it.

When sending money is urgent the bank use telephone for remittance. This service is only providing for valued customers, who is very reliable and with, which banks have long standing relationship.

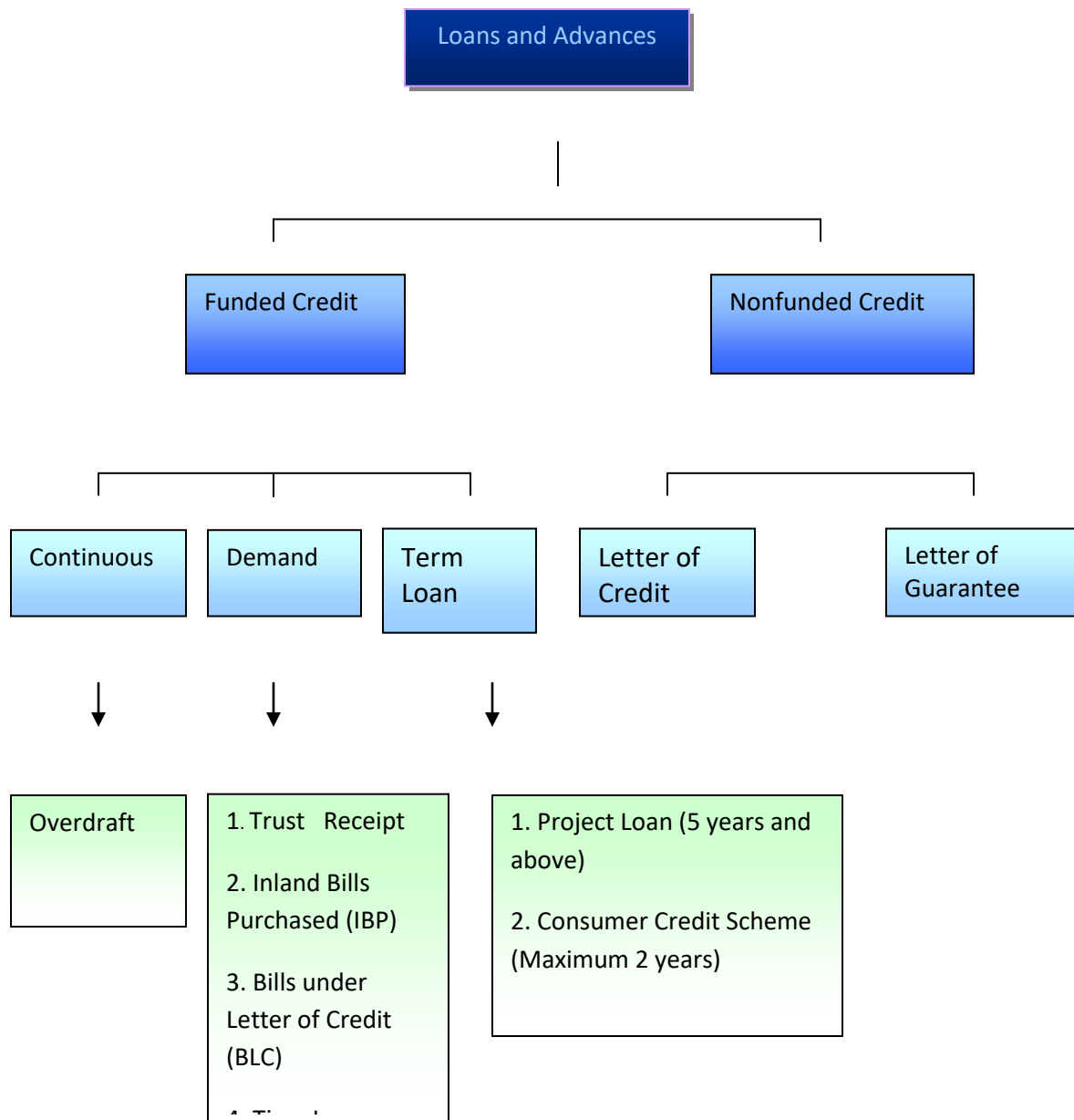
viii. Mail Transfer (MT):

It is the least used technique for transferring fund. Where there is no telex machine or telephone line then this method is used. It is also time consuming and risky because mail may be missed.

3.3 Credit Facilities Offered by Southeast Bank:

Credit facilities offered by Southeast Bank Limited can be classified based on – whether actual outflow of cash takes place or not and the type of borrower availing the credit facility or more precisely, the borrower’s motive for obtaining the credit facility.

Loan and advances of Southeast Bank is divided into the following categories based on whether actual outflow of cash takes place or not:



✚ Funded Credit:

The borrowers must open a current account with the bank to get the facilities of funded loan.

They have to pay interest against the funded credit facilities and service the loan up to a fixed

expiry date. In funded credit, the actual outflow of cash takes place. Different types of funded credits are discussed below:

1. Continuous Loan:

The clients are allowed to withdraw from and deposit to the current account cash at any time against a sanctioned limit. Best example of this type of continuous loan is overdraft.

2. Demand Loan:

In this type of credit scheme, the clients are also allowed to withdraw from and deposit to at any time but the disbursement of cash should be in one shot while the repayment is made in one shot or at intervals. Examples of demand loan are, IBP, Trust Receipt, Packing Credit, Time Loan, etc.

3. Term Loan:

There are three types of term loans:

<i>Types of term loan</i>	<i>Time period/ Tenure</i>
Short Term loan	1 to 3 three years
Medium Term loan	Above 3 years to 5 years
Long Term loan	Above 5 years

Non funded Credit:

In this type of credit facility, the actual outflow of cash does not take place unless some exceptional events occur. Under this type of credit facility, the Bank promises a beneficiary on behalf of the borrower to pay a certain sum of money against the beneficiary's claim provided certain events like, non-performance of a work occurs. Examples of non-funded credit are – Bank Guarantee and Letter of Credit. While allowing non-funded credit, the Bank charges certain percentage of the face value of the credit facility allowed as commission and creates a liability in the client's name which is contingent in nature. When the client fails to perform the stipulated work against the non-funded credit, the claim of the beneficiary has to be met by the Bank and the non-funded credit becomes funded with the actual outflow of cash. However, in the case of letter of credit, the importer or the Bank's client has to pay for the goods imported even if the goods are not according to his specifications.

Apart from the classifications of loans and advances based on actual outflow of cash, the credit facilities allowed by the Bank can also be divided into the following three types according to the type of borrower availing of the loan facility:

- Personal Credit
- Commercial Credit
- Industrial Credit

1. Personal Credit:

The characteristics of personal credit facilities are:

- i. Taken by individuals
- ii. Low interest rate
- iii. Short time required for disbursement of the loan

- iv. Backed by cash security or personal guarantee
- v. Guarantors having good net worth or social reputation
- vi. Expiry of 1-2 years
- vii. Requires strong monitoring for recovery of loan
- viii. No CIB inquiry made against the borrower
- ix. Loan amount generally ranges from Tk. 50,000 to Tk.10,00,000.
(Exceptions are cash backed loans in which even Tk.50.00 lac is disbursed against cash security having face value of Tk.50.00lac or more)

Personal Credit facilities can further be classified in the following two segments:

- Cash Backed
- Secured by personal guarantors

Cash Backed:

These are generally overdraft facilities allowed by the Bank against FDR or DPS in the name of the borrower or a third party as a security. In this case, the customer is allowed to overdraw his/her current account by drawing against a sanctioned limit within a certain period of time but not exceeding more than one year, against acceptable securities. The overdraft limit is then renewed upon request from the client after the fixed expiry for a further period of 1 year.

The Bank also allows time loan or term loan against cash securities. The branch credit committee is the authority approving credit facility against cash security and the permissible margin against cash credit is 10% of the face value of the security.

Secured by personal guarantee:

Personal Credit is also allowed against personal guarantee of reputed and financially solvent persons. In that case if the borrower fails to repay the installment or total loan amount the guarantor is liable to repay the loan. Consumer Credit Scheme is the most common example of this loan. Since the personal guarantee of a person is quite fragile in nature, sometimes this type of credit is mentioned as Unsecured Loan as well and entails high interest rate. Consumer Credit Scheme (CCS) is offered to the borrowers who want to buy commodities like computer, refrigerator, television, or household furniture or appliances. The interest rate is 12% per annum and time duration is maximum 36 months. The bank finances up to Tk.3, 00,000 but not more than 75% of cost of the product to be purchased.

Besides, SEBL provides a special type of personal credit, which is a term loan for financing the construction of a residential building or for purchasing an apartment. In that case, the borrower should be the owner of a piece of land or the apartment to be bought and submit the following documents to the Bank:

- Estimated cost of building the house by professional engineers
- A copy of permission from DIT or any other authority
- Deed signed between the developer and the purchaser of the apartment if the loan is for purchasing an apartment.
- Original sale deeds of the land and bia deeds (former deeds in the chain of ownership).
- Porches and mutation certificates in the name of the owner of the property

- Non-encumbrance certificate
- Duplicate carbon receipt and ground rent receipt marking clearance of all types of land tax and holding tax.
- Layout plan

2. Commercial Credit Facility:

The commercial credit facilities offered by SBL have the following characteristics:

- i. Taken by business firms.
- ii. High interest rate.
- iii. Loan disbursement processing is lengthy.
- iv. Generally backed by cash flow generated by the business, stock in trade, and mortgage of property.
- v. It has expiry of 1-5 years.
- vi. Strong monitoring for recovery the loan (especially in the case of work order finance) is required.
- vii. In this case CIB inquiry is mandatory.
- viii. Loan amount ranges from 10 lac to 2 crore.

Most common types of Commercial Credit are:

- a. Overdraft
- b. Time Loan
- c. Letter of Credit
- d. Bank Guarantee

- e. Trust Receipt
- f. Inland Bill Purchase
- g. Packing Credit

a. Overdraft :

The business firms take overdraft for meeting working capital requirements in the business. The nature of the loan is continuous and allowed for 1 year. The securities held against the facility are: sales proceeds, stock in trade, landed properties, cash securities, etc.

b. Time Loan:

The time loan facility is taken by the business firms for needs for fund to be met in one shot. Example can be, deposit of security money to participate in a bid. The repayment can be at intervals but the disbursement is in one shot. The maximum tenure of a time loan is 1 year.

c. Letter of Credit:

As discussed above, letter of credit, a very common type of non-funded credit is used for either import of goods or export of goods. When used for import of goods, the letter of credit facility is opened by the borrower with the Bank and it is sent to the exporter's Bank for checking and agreement. If the terms and conditions stipulated in the L/C are agreeable to both the parties, the goods are exported and the borrower sends payment to the exporter's Bank. In the case of export L/Cs the goods are shipped and then payment is received from the importer's Bank by the borrower through SBL and SBL charges commission for the service.

d. Bank Guarantee:

It has also been discussed under non-funded credit above. SBL issues the following types of Bank Guarantees -

- i) Bid Bond
- ii) Performance Guarantee
- iii) Advance Payment
- iv) Payment Guarantee
- v) Counter Guarantee

(i) Bid Bond:

Bid bond is issued by SEBL when the client wishes to participate in the particular bid. The bid bond binds the client for performance of the work order in the event of winning the bid and the client, once having submitted the bids is ready for performance of the contract if he is awarded with it.

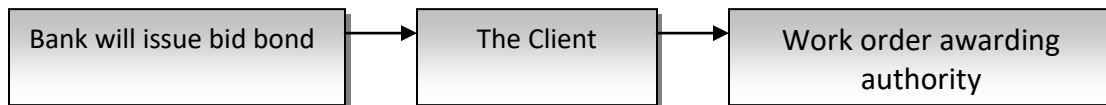


Fig: Issuance of a bid bond

(ii) Performance Guarantee:

If the client is selected as the winner of a bid and awarded a work order by the work order issuing authority of a particular bid, the bid bond is returned and he has to submit a performance guarantee in its place. By submission of the performance guarantee the borrower is bound to the work order issuing authority to perform the bid or complete the work stipulated in the contract according to the specifications and terms and conditions outlined by the authority. The bank is legally responsible to pay back a certain amount of money as a guarantor to the authority in case of failure to carry out the work order of the client and the margin held against the guarantee as a security is fixed through negotiation between the bank and the client.

(iii) Payment Guarantee:

The bank gives the payment guarantee to the beneficiary on behalf of the client as a promise to pay a certain sum of money at a certain time in future against a contract.

Loan disbursement trend:

SEBL provides different types of loan scheme for customers like – consumer credit, overdraft, advance against trust receipt etc. however in Mohammadpur Branch the major part of loan disbursement has been given as term loan. Term loan are mainly long term loan that are given for businesses’ long term finance. The second highest type of loan is disbursed for overdraft. This type of loan is also given to business sector for meeting their day to day operational requirement.

3.4 Lending rates of SEBL:

<u>Lending Categories</u>	<u>Lending Rates</u>
1. Agriculture	9.00%
2. Term loan to large and medium scale industries	0.00%
3. Term loan to small and cottage industries	10.00-13.00%
4. Working Capital to industry	
large and medium scale industries	9.00-12.00%
small and cottage industries	10.00-13.00%
5. Export	7.00%
6. Trade financing	0.00%
7. Housing loan	9.50-12.00%
8. Consumer credit scheme	10.00-13.00%
Credit Card	30.00%
9. Other loans	
a. Credit to NBFIs	8.50-11.50%
b. Others	10.50-13.50%

Chapter: 4.0 Financial Statements and performance analysis

Southeast Bank Limited and its subsidiaries

Consolidated Balance Sheet

As at 31 December 2016

	<u>Note</u>	<u>2016</u> <u>Taka</u>	<u>2015</u> <u>Taka</u>
<u>PROPERTY AND ASSETS</u>			
Cash	4		
In hand (including foreign currencies)		2,432,620,307	1,903,292,780
Balance with Bangladesh Bank and its agent banks (including foreign currencies)		15,402,827,761	14,093,697,688
		17,835,448,068	15,996,990,468
Balance with other banks and financial institutions	5		
In Bangladesh		2,860,092,475	2,187,972,750
Outside Bangladesh		1,185,128,939	1,203,350,315
		4,045,221,414	3,391,323,065
Money at call and on short notice	7	4,271,344,100	923,451,500
Investments	8		
Government		54,299,803,894	52,620,785,540
Others		7,431,830,566	6,208,480,661
		61,731,634,460	58,829,266,201
Loans and advances/investments	10		
Loans, cash credit, overdrafts etc./investments		182,661,818,983	161,556,322,321
Bills purchased and discounted		9,203,770,254	7,322,136,224
		191,865,589,237	168,878,458,545
Fixed assets including premises, furniture and fixtures	12	8,947,162,556	7,885,226,411
Other assets	14	3,101,610,244	4,813,314,263
Non-banking assets		-	-
Total assets		<u>291,798,010,079</u>	<u>260,718,030,453</u>

LIABILITIES AND CAPITAL

Liabilities

Borrowings from other banks, financial institutions and agents	16		
Subordinated bond		8,000,000,000	3,000,000,000
Other borrowings		7,371,635,082	4,556,919,852
		<u>15,371,635,082</u>	<u>7,556,919,852</u>
Deposits and other accounts	18		
Current/AI-wadeeah current accounts and other accounts		30,285,059,627	23,179,887,835
Bills payable		6,548,856,941	2,127,206,788
Savings bank/Mudaraba savings bank deposits		19,700,582,409	18,419,861,332
Fixed deposits/Mudaraba fixed deposits		173,438,929,873	166,704,137,174
		<u>229,973,428,850</u>	<u>210,431,093,129</u>
Other liabilities	20	<u>19,919,384,323</u>	<u>15,513,931,810</u>
Total liabilities		<u>265,264,448,255</u>	<u>233,501,944,791</u>
Capital/shareholders' equity			
Paid up capital	22.2	9,169,501,760	9,169,501,760
Statutory reserve	23	9,170,000,000	8,897,307,905
Revaluation reserve	24	4,763,888,676	5,968,128,051
Other reserves	25	247,650,000	247,650,000
Foreign currency translation reserve	26	(24,449,246)	(27,870,748)
Retained earnings	27	3,196,967,474	2,951,940,410
Total shareholders' equity		<u>26,523,558,664</u>	<u>27,206,657,378</u>
Non-controlling interest	29	<u>10,003,160</u>	<u>9,428,284</u>
Total liabilities and shareholders' equity		<u>291,798,010,079</u>	<u>260,718,030,453</u>

Southeast Bank Limited and its subsidiaries

Consolidated Balance Sheet
As at 31 December 2016

<u>OFF-BALANCE SHEET ITEMS</u>	<u>Note</u>	<u>2016</u> <u>Taka</u>	<u>2015</u> <u>Taka</u>
Contingent liabilities			
Acceptances and endorsements	30.1	43,813,553,641	36,223,420,210
Letters of guarantee	30.2	15,154,116,600	13,395,240,916
Irrevocable letters of credit	30.3	32,881,303,677	24,992,379,957
Bills for collection	30.4	17,830,304,866	12,812,744,729
Other contingent liabilities	30.5	1,474,684,000	1,098,459,000
Total contingent liabilities		111,153,962,784	88,522,244,812
Other commitments			
Documentary credits and short term trade-related transactions		-	-
Forward assets purchased and forward deposits placed		2,756,664,000	-
Undrawn note issuance and revolving underwriting facilities		-	-
Undrawn formal standby facilities, credit lines and other commitments		-	-
Total other commitments		2,756,664,000	-
Total off-balance sheet items including contingent liabilities		113,910,626,784	88,522,244,812

Southeast Bank Limited and its subsidiaries

**Consolidated Profit and Loss Account
For the year ended 31 December 2016**

	<i>Note</i>	<u>2016</u> <u>Taka</u>	<u>2015</u> <u>Taka</u>
Interest income/profit on investments	32	16,972,326,566	17,794,795,961
Interest paid/profit shared on deposits and borrowings etc.	34	(12,765,116,463)	(14,656,338,002)
Net interest income/net profit on investments		4,207,210,103	3,138,457,959
Investment income	36	5,079,606,748	5,158,537,123
Commission, exchange and brokerage	38	2,903,034,957	2,759,457,588
Other operating income	40	662,602,892	547,933,577
		8,645,244,597	8,465,928,288
Total operating income (A)		12,852,454,700	11,604,386,247
Salaries and allowances	42	1,741,464,516	1,423,681,923
Rent, taxes, insurance, electricity, etc.	44	801,036,278	658,260,750
Legal expenses		599,813	1,491,730
Postage, stamp, telecommunication, etc.	46	166,450,976	147,329,178
Stationery, printing, advertisements, etc.	48	132,234,398	112,623,969
Managing Director's salary and fees	50	11,975,000	9,450,000
Directors' fees	51	2,912,276	2,650,734
Auditors' fees	53	1,599,917	1,040,000
Depreciation and repair	54	403,602,733	339,176,671
Other expenses	56	1,087,356,457	874,406,519
Total operating expenses (B)		4,349,232,364	3,570,111,474
Profit before provision (C=A-B)		8,503,222,336	8,034,274,773
Provision for loans and advances/investments	21.1		
General provision		890,000,000	205,278,770
Specific provision		2,360,990,098	2,038,766,952
		3,250,990,098	2,245,045,722
Provision for diminution in value of investments	58	(403,600,751)	269,481,899
Other provisions	21.5	365,235,000	2,263,106
Total provision (D)		3,212,624,347	2,516,790,727
Total profit before taxation (E=C-D)		5,290,597,989	5,517,484,046
Provision for taxation	60		
Current		2,790,553,126	2,308,068,504
Deferred		64,971,265	140,000,000
		2,855,524,391	2,448,068,504
Net profit after taxation		2,435,073,598	3,069,415,542
Net profit after taxation attributable to:			
Equity holders' of the Bank		2,434,965,442	3,070,132,933
Non-controlling interest		108,156	(717,391)
Net profit after taxation		2,435,073,598	3,069,415,542
Appropriations			
Statutory reserve	33	272,692,095	1,104,495,904
		272,692,095	1,104,495,904
Retained surplus during the year		2,162,381,503	1,964,919,638
Earnings per share (par value Taka 10)	66	2.66	3.35

Southeast Bank Limited

Highlights on the overall activities
as at and for the year ended 31 December 2016

Sl. no.	Particulars		2016	2015
1	Paid-up capital	Taka	9,169,501,760	9,169,501,760
2	Total capital	Taka	34,021,136,400	28,490,491,729
3	Capital surplus	Taka	4,349,974,549	3,930,383,753
4	Total assets	Taka	291,993,002,059	260,253,042,164
5	Total deposits	Taka	230,533,702,113	210,435,774,704
6	Total loans and advances/investments	Taka	189,364,957,468	169,378,858,711
7	Total contingent liabilities and commitments	Taka	111,153,962,784	88,522,244,812
8	Credit deposit ratio		82.14%	80.49%
9	Percentage of classified loans/investments against total loans and advances/investments		4.89%	4.25%
10	Profit after tax and provision	Taka	2,416,371,223	3,082,479,520
11	Amount of classified loans/investments	Taka	9,257,788,205	7,193,823,963
12	Provisions kept against classified loans/investments	Taka	3,728,284,306	2,323,288,081
13	Provision surplus/(deficit) against classified loans/investments	Taka	1,312,478,062	209,665,693
14	Cost of fund		7.32%	8.81%
15	Interest earning assets	Taka	251,553,828,013	225,988,551,344
16	Non-interest earning assets	Taka	40,439,174,046	34,264,490,820
17	Return on investment (ROI)		0.93%	1.32%
18	Return on assets (ROA) [PAT/ Average assets]		0.88%	1.24%
19	Income from investment	Taka	5,014,416,110	5,125,174,462
20	Capital adequacy		12.18%	11.60%
21	Dividends			
	a) Stock dividends		0%	0%
	b) Cash dividends		20%	15%
22	Earnings per share	Taka	2.64	3.36
23	Net income per share	Taka	2.64	3.36
24	Price earning ratio	Times	7.12	5.25

Southeast Bank Limited

Consolidated Liquidity Statement (Assets and liabilities maturity analysis) as at 31 December 2016

Particulars	Up to 1 month	1-3 months	3-12 months	1-5 years	Above 5 years	Total
	Taka	Taka	Taka	Taka	Taka	Taka
Assets:						
Cash in hand	2,982,948,068	-	-	-	14,852,500,000	17,835,448,068
Balance with other banks and financial institutions	1,410,277,967	1,416,332,618	1,218,610,829	-	-	4,045,221,414
Money at call and on short notice	4,271,344,100	-	-	-	-	4,271,344,100
Investments	7,292,224,953	9,127,300,000	4,816,887,000	19,382,607,972	21,112,614,535	61,731,634,460
Loans and advances/investments	46,034,740,306	24,223,469,746	54,241,232,848	44,881,367,857	22,484,778,480	191,865,589,237
Fixed assets including premises, furniture and fixtures	-	-	-	1,885,539,884	7,061,622,672	8,947,162,556
Other assets	1,403,482,450	617,595,142	153,037,756	925,212,857	2,282,039	3,101,610,244
Non banking assets	-	-	-	-	-	-
Total assets (A)	63,395,017,844	35,384,697,506	60,429,768,433	67,074,728,570	65,513,797,726	291,798,010,079
Liabilities:						
Borrowings from Bangladesh Bank, other banks, financial institutions and agents	892,887,819	1,254,200,000	3,530,377,350	1,526,995,340	8,167,174,573	15,371,635,082
Deposits	50,366,426,737	41,786,500,000	74,864,100,000	46,774,400,000	16,182,002,113	229,973,428,850
Provision and other liabilities	2,981,521,116	745,000,000	11,194,204,409	4,998,658,798	-	19,919,384,323
Total liabilities (B)	54,240,835,672	43,785,700,000	89,588,681,759	53,300,054,138	24,349,176,686	265,264,448,255
Net liquidity gap (A - B)	9,154,182,172	(8,401,002,494)	(29,158,913,326)	13,774,674,432	41,164,621,040	26,533,561,824

As at 31 December 2016, the value of investment cell which includes all investment in shares, corporate bond, debenture, mutual fund and total market value of other capital certificates and loan facilities given to own subsidiary company or companies directly or indirectly involved in capital market affair stood at Tk 2,100.91 (2015:1,960.0) crores which is 21.53% (2015:36.37%) of total sum of paid up capital, statutory reserve and retained earnings of the bank.

As of 31 December 2016, the paid up capital of SEBL was BDT 9.17 billion. Banks paid –up capital and statutory reserve together was BDT 9.45 billion at end of year 2016. In 2016, risk weighted capital adequacy ratio was 12.18% which was 11.60% in the year preceding. SEBL’s major shareholder are public (60% approximately) followed by sponsors. However, at the end of year 2016, SEBL deposit and loan & advances became BDT 230.53 billion and BDT 189.36 billion, with growth rates of 9.55 % and 11.80% respectively in comparison with the previous year.

In 2016, net interest income stood at BDT 4.21 billion while it was BDT 3.14 billion in the preceding year (growth 34.06%). Additionally, the amount of total capital was calculated in 2016 was 34.02 billion which was increased by 19.41% from the preceding year. SEBL’s total assets at the year-end 2016 were BDT 291.99 billion, with an increase of 12.19% over the previous year which was 260.25. On the other hand, the income from investment noted in 2016 was 5.01 billion which was decreased by 0.02% as compared with 5.13 billion which was noted in 2015. However, during the same year, the amount of written off loan was BDT 9.076 billion whereas it was 8.050 billion in the previous year. SEBL investment in government securities and quoted shares has substantially increased in 2016.

The return on assets (ROA) and return on investment (ROI) of SEBL has gone down by 0.36% and 0.39% respectively though an increasing trend was noticed over the first few years. On the contrary, in 2016 the retained earnings level reached a higher level to 3.17 billion (growth rate 7.78%). During 2016, the total amount of equity of the bank was almost 26.52 billion.

The liquidity position in 2016 was not as good as the previous years for the reason of increasing borrowings financial institutions. Despite of these facts, during 2016 SEBL showed its strength in profitability, liquidity position and business growth. However the Bank remained exposed to large loan exposures during the year 2016, and has had significant amount of loan rescheduling and write-off. The bank also requires gradation of it's the present automation status for the banking operation.

Southeast Bank Limited

Rating Report

SOUTHEAST BANK LIMITED RATED

AA

Credit Rating Information and Services Limited (CRISL) has reaffirmed the long term rating of **Southeast Bank Limited at AA (Pronounced as Double A)** and the short term rating at **ST-2** based on audited financials up to 31st December, 2016 and unaudited financials up to 31st March, 2017 and other relevant qualitative as well as quantitative information up to the date of rating.

SURVEILLANCE RATING		EXPLANATION
RATING(2015)	RATING(2016)	
Long Term AA Double A (High Quality and High Safety)	Long Term AA Double A (High Quality and High Safety)	The Bank rated AA (High Safety) in credit rating is adjudged to be of high quality, offers higher safety and has high credit quality. This level of rating indicates a corporate entity with a sound credit profile and without significant problems. Risks are modest and may vary slightly from time to time because of economic conditions.
Short term ST-2 High Grade	Short term ST-2 High Grade	The Bank rated ST-2 (High Grade) in the short term in credit rating is considered to have high certainty of timely payment. Liquidity factors are strong and supported by good fundamental protection factors. Risk factors are very small.
Outlook		Stable
Date of Rating		June 05, 2017
Validity		Up to June 04, 2018



Credit Rating Agency of Bangladesh (CRAB) has assigned “A₁” (Pronounced Single A One) rating in the long term and ST-2 rating in the Short term to the Southeast Bank Limited (SEBL).

Commercial Banks rate as “A₁” in this long term belong to “High Satisfy” cohort. In this grade, Companies are adjudged to be strong Banks, Characterized by good financials, healthy and sustainable franchises, and a first rate operating environment. This level of rating indicates strong capacity for timely payment of financial commitment, with low likeliness to be adversely affected by foreseeable events. At the same times, banks rated as ST-2 in short term grade belongs to High Grade are Characterized with commendable position in terms of internal fund generation , access to alternative sources of funds and moderate level of liquidity.

Classification of loans and advances

	2016		2015	
	% of total loan	Taka	% of total loan	Taka
Unclassified:				
Standard including staff loan	90.47%	171,314,821,176	91.70%	155,315,330,299
Special Mention Account (SMA)	4.63%	8,792,348,087	4.06%	6,869,704,449
	95.11%	180,107,169,263	95.75%	162,185,034,748
Classified:				
Sub-standard	0.83%	1,567,127,630	0.90%	1,517,889,736
Doubtful	0.31%	587,799,462	0.73%	1,240,806,394
Bad/loss	3.75%	7,102,861,113	2.62%	4,435,127,833
	4.89%	9,257,788,205	4.25%	7,193,823,963
	100.00%	189,364,957,468	100.00%	169,378,858,711

The amount reported above under standard category includes certain nonperforming loan accounts with an aggregate outstanding amount of Tk.14, 037.6 million at 31December2016 which have not been reported as classified loans at year end on the basis of stay order from the Honorable High Court Division of the Supreme Court of Bangladesh. The amount of interests suspense and eligible securities available against these loans as at 31December2016 were Tk.1, 323million and Tk.2, 310.4million respectively. As at 31December2016,an aggregate amount ofTk.138.3million has been kept as general provision applicable for loans under standard category.

In compliance with Bangladesh Bank guidelines off-balance sheet items are disclosed under contingent liabilities. As per BRPD Circular No. 10 dated 18Septembe r2007and BRPD circular No. 14 dated 23September2012, the Bank is required to maintain provision@1% against off-balance sheet exposures.

Chapter: 5.0 Credit risk management

Banking business experiences uncertain facts in the operating environment which, if must be managed and alleviated. Otherwise, it would not only interrupt the achievement of its strategic and operational objectives, but may also cause extensive financial and reputational loss eventually. Effective risk management assists banks in making better and informed decisions that considerably improve the probability of achieving their strategic and operational objectives. In this case, every Bank has come forward to establish a

general framework to manage the risk factors considering Bangladesh Bank's guidelines.

As one of the leading Banks in Bangladesh, Southeast Bank Limited(SEBL) has established accepted policies in compliance with central bank's rules and regulations including major risk factors such as:

(a)Credit

(b)Foreign Exchange

(c)Asset Liability Management

(d)Money Laundering Prevention

(e)Internal Control& Compliance

(f)Information and Communication Technology

Overall; the main purpose of the report is to have an overall idea about the role and functions of credit risk management, analyzing tools and techniques used to review credit proposal, analyzing steps taken to recover Bank's bad portfolio of Southeast Bank Limited.

Lending is one of the central functions of a bank. The objective of Credit Risk management of Southeast Bank Limited is to minimize the risk and maximize the risk adjusted rate of return by continuing and maintaining credit exposure within the acceptable parameters. The Credit Risk Management department is liable for safeguarding the integrity of the Bank's risk/return profile. Credit Risk Management Department of Southeast Bank Limited conducted their functions by six wings:

Central Collection Unit assembles the credit and then Special Asset Management wings support the bank to recover Banks bad portfolio. In the case of credit approval, the Bank has kept a team

who approve the credit. Various kinds of tools and techniques are being used to evaluate a credit proposal. Retail Credit, Cards Credit, Authorization and Fraud Control, Central Verification Unit (CVU) are related with retail underwriting. Credit Collection Unit of Southeast Bank Limited collects credit based on the level of delinquencies of credit.

To help the Bank to recover bad portfolio, Special Asset Management wings can take different types of steps. In order to realize the performance of the present credit risk management process, the year by year ratio of loans which are grouped on basis of classification rules in the total loan and advances has analyzed. From evaluating the performance analysis, it is found that the collection of Standard Loan decline in the year 2009 occurred because of the national and global economic situation which replicates a low ratio of Standard Loan to total loans and advances. As a result, the balance of Special Mention Account, Substandard, Doubtful and Bad/Loss loan increases in year 2009. Since 2009, nationwide as well as global economy started to fall over to a dangerous stage of slowing growth and rising risk. However, with the right initiatives were taken by the top management of Southeast Bank Limited i.e. establishment of regional Credit Risk Management Centers, introduction of new wing called Special Asset Management & Credit Inspection. Meanwhile the following year 2010 the situation has become steady which reflected the economy Bangladesh where economic environment starts to go upward growth phase from the impact of global recession. Although Southeast Bank Limited is successfully operating credit risk management, the Bank should improve in some areas which will take help the Bank to become the leader of banking sector.

Chapter: 6.0 FINDINGS

- ❖ Risk areas are associated with Account opening. If account holders provide fake national identification number (NID) or fake passport or may be wrong information, it might be a risky situation for the bank.
- ❖ Source of income: Showing legal income source essential. If account holder's source of income is illegal then money laundering can happen. Verification of source of fund is required. Ensuring proper introduction before opening any account can be proved helpful to trace out the customer for any kind of mishaps due to his conducts.
- ❖ Verifying the documents provided by the client such as NID, Passport, Driving license, Trade license, Certificate of Incorporation, Board Regulation which will protect the fraudulent activities of the client.
- ❖ Compliance with Bangladesh Bank guidelines can mitigate money laundering. Proper KYC (know your customer) should be done at the time of opening of the account and subsequent follow up is required.
- ❖ Risk areas in clearing desk should be maintained as well. To ensure that the cheque has been received for clearing in the proper beneficiaries account. Proper endorsement on cheque must be ensured to verify Fake/False/Postdated cheque.
- ❖ Risk areas in Remittance- To ensure that actual beneficiary receives the remitted amount. In case of remittance through TT, TT controlling number & test code must match. Verifying the authenticity of remittance is necessary.
- ❖ Advertising and promotion is one of the weak point of Southeast Bank Limited, Southeast Bank Limited does not take any effective promotional activities through

advertisement whereas other banks have better promotional strategy. Therefore most customers are not known about their Islamic banking branch.

❖ Lack of Computer Knowledge: All the organizations including banks are now mostly depends on computer but employees should have more knowledge on technological area.

❖ Unsatisfactory software performance: Southeast bank use Ultimus software for performing their banking activities. But the software often hanged as because of slower upgrade of data by vender. Therefore it delays to performing banking activities at time.

Some other Findings

1. Most of the customers have good perception about SEBL.
2. Majority of customers are taking loan for their personal needs.
3. Maximum clients come to SEBL for good service not for their interest rate.
4. Most of the clients come to SEBL for taking time loan.
5. Majority of the clients are service holder not businessman because bank encouraging consumer loan rather business loan.
6. Maximum customers take loan against FDR and bank is also give this loan very easily because it is less risky.

Chapter: 7.0 Recommendation

Southeast Bank Ltd. is one of the potential banks in the banking sector in Bangladesh. The Mohammadpur branch of SEBL is a small branch. It was a wonderful experience working at Southeast Bank Limited. The employees of the bank were very helpful and nice. Despite of this, it was not an easy job to find so many things during the very short period of practical orientation program. The recommendations given below are not decisions; rather they are only individual perspectives to improve the customer's service in order to fulfill the customer's satisfaction so that customers give more preference to SEBL. The recommendations are given below:

1. Develop more customized parameters for credit management.
2. Bank can encourage business loan nearby consumer loan that will be helpful for the economy by increasing investment.
3. The SEBL may encourage Female entrepreneurs to take loan that will directly affect the social economy of our country and it will help to strengthen our economy.
4. Term loan should be encouraged so that businessman's can take this loan easily.
5. Emphasis should be given on promotion to create a strong brand value, in today's world there is no alternative to promote your brand.
6. SEBL should diversify its lending sector to reduce the risk of defaulting.

Southeast Bank Limited (SEBL) is newly established Commercial Bank in the Banking Sector but it builds strong reputation in short time. Bank Limited (SEBL) lies in the increase of standard of living of a certain mass of the Population as well as their acceptance of the Nation of Consumer Financing and Short Term Lending. The Financial Condition of SEBL is very strong. The Loan and Deposit Quality is better than most other Private Commercial Banks in Bangladesh. The greatest Opportunity for Southeast The Credit Facility offered by Southeast Bank Limited (SEBL) attracted Security and Status conscious Businessmen and as well as Service holders with Higher SEBL has strong network throughout the country and provide quality services to every level of Customers SEBL's Correspondents Relationship with more than 200 International and Local Banks created Global Accessibility and Relationship with People. Installation and use of highly sophisticated, automated System (For example, BANK ULTIMUS) enables Southeast Bank Limited (SEBL) to have on time communication with all Branches reduces excessive paper-works waste of time for Valued Customer Transaction ATM Cards, Credit Cards and Phone Banking of SEBL give the Customers 24hours Banking Facilities from his/her Accounts. On the contrary, The Shortage of Manpower in every Division is a problem. During the Working Hours of the Bank, the Employees have to be exhausted and cannot provide proper attention that type of Services, which create dissatisfaction of the Customers. Sometimes, higher Service Charge in some areas of Banking Operations discourages the Customers for opening and maintaining Accounts with SEBL. In the Deposit side SEBL is facing some problems from its Competitors as the Competitors are giving a Higher Interest Rate in Deposits.

Chapter: 8.0 CONCLUSIONS

Banking is the backbone of national economy. Banking sector no more depends on only on a traditional method of banking. Banking industry has been treated as a prospective financial sector in Bangladesh. Despite fierce competition in the baking industry, highly unstable money & foreign exchange market and intensified political unrest; South East Bank Limited was able to achieve substantial over the years. Presently, Bangladesh's banking system is deeply affected by bad loans. This is not only disrupting the lending system, it discourages investment. As a result the growth of the economy is being hampered. One of the major reasons for default in loan is the ineffectiveness of banks' in assessing credit risk of a proposed investment. With changing time Bangladesh bank has set rules and general guidelines to help banks asses risk and mitigate their credit risk. In spite of that many banks fail to attract good credit and run profitably. Hence, it is not only the guidance provided by the Bangladesh bank in sufficient but also a commercial lending institution need to follow own lending policies should be in place to ensure maximum effectiveness of credit assessment. Credit risk management is becoming more and more important in today's competitive business world. It is all the more important in the context of Bangladesh. The techniques of improving management of consumer credit risk have advanced considerably in the recent years. Therefore, as a responsible and reputed commercial bank, SEBL has instituted a contemporary credit risk management system. From the study, it is apparent that the bank is reasonably sincere in their attitude to managing the consumer credit risk though there are places for improvement. They have to be more cautious in the recovery sector and preferential treatments to some big clients should also be stopped. However, they follow an

in-depth procedure in assessing the credit risk by using the credit risk grading techniques which provides them a solid ground in the time of any settlement. As of the discussion in this report, it has become evident that credit risk management is a complex and ongoing process and as a result financial institutions must take a serious approach in addressing these issues. They have to be up to date in complying with all the required procedures and must employ competent and skilled manpower who have the ability to deal with these complex matters. Ultimate importance should be given to the improvement of the networking system which is essential for modern banking environment and obviously for efficient and effective credit risk management process. SEBL is well prepared to and capable of meeting the demand for a broad range of banking services. It has got adequate resources, both human and physical, to provide the customers with the best possible services. SEBL has already developed goodwill among its client by offering excellent services. This success has been possible from the dedication, commitment and dynamic leadership of its management over the periods. However, they must concentrate more on customer oriented services and provide better technological advancement relating to banking activities.

Chapter: 9.0References

- Annual Report of Southeast bank
- Bank Performance Analysis: Methodology and Empirical Evidence, by **Vainu Jaan and Aarma** – August, 2002.
- Commercial Bank Financial Management – in the financial services industry, by **JR, Sinkey F. Joseph** – 2006.
- www.investopedia.com
- websites of Bangladesh bank and Southeast bank
- Donald Michie (2007)Researcher in intelligence, University'.