Internship Report

On

Financial Performance Analysis of Dutch-Bangla Bank Limited

Submitted to-

Ms. Subhat Ehsan

Lecturer

BRAC Business School

BRAC University

Submitted by-

Lamia Islam

ID: 14104003

Course ID: BUS 400

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Financial Performance Analysis

Of

Dutch-Bangla Bank Limited

Letter of Transmittal

April 05, 2018

Ms. Subhat Ehsan

Lecturer

BRAC Business School

BRAC University

Subject: Submission of Internship Report

Dear Miss,

I am hereby submitting my internship report on “Financial Performance Analysis of Dutch-Bangla Bank Limited” as a core part of my BBA program. I have conducted my internship program in Dutch-Bangla Bank Limited Banani Branch. I have given my utmost effort in making the report as informative as possible.

I am grateful since your proper guidance helped me through to make the report as precise as possible. I hope I have been successful in following your instructions and I will also be available for any arisen clarifications or queries. Your support in this regard will be highly appreciated.

Sincerely Yours,

………………………………

Lamia Islam

ID: 14104003

BRAC Business School

BRAC University

Letter of Endorsement

Lamia Islam, ID: 14104003, a student of BRAC Business School, has completed internship report on “Financial Performance Analysis of Dutch-Bangla Bank Limited” as a requirement of BBA program. I have studied the report and believe that it meets the standard of BBA internship report. She has completed the report as per instructions under my supervision.

I wish her all the best in her future endeavors.

………………………………

Internship Supervisor

Subhat Ehsan

Lecturer

BRAC Business School

BRAC University

Acknowledgement

I am grateful to a number of people especially those who took the time to share their insightful thoughts and suggestions to improve the report. First of all, I would like to show my heartfelt gratitude to my internship supervisor Ms. Subhat Ehsan, Lecturer of BRAC Business School, BRAC University. I am thankful to her not only for her continuous support in preparing the report. My gratitude also goes to Human Resource Division of Dutch-Bangla Bank Limited for giving me the opportunity to work with the bank. I also render my special thanks to Mr. Farhad Ahmed Khan, Senior Vice President and Manager of Dutch-Bangla Bank Banani Branch, and also my on-site supervisor Mr. Shamim Ahmed, Senior Assistant Vice President and Deputy Manager of Dutch-Bangla Bank Banani Branch, for continuously supporting me with resources and knowledge throughout my internship program in the branch. I am also thankful to all the employees of DBBL Banani Branch for their active participation in answering all my queries during my internship has made this journey a true success. It was my privilege and I am truly honored working with such a wonderful team.

Executive Summary

The report attempts to analyze the financial performance of Dutch-Bangla Bank Limited. It has been one of the leading private commercial banks in Bangladesh. The bank offers a wide range of products and services which includes Deposits and Advances Products, Personal Banking, Corporate Banking, SME Banking, Internet Banking, Mobile Banking, Agent Banking etc. CAMEL Rating System has been followed to analyze the financial performance of the Bank. Therefore, ratios such as capital adequacy, leverage ratio, percentage of classified loans, net profit margin, earning per share, return on equity etc. are calculated to obtain an overall view of its financial performance. The report also consists a comparative analysis between the banks- Dutch-Bangla Bank, Eastern Bank and Southeast Bank to find out the current position of the bank in the industry. From the financial analysis, it can be said that Dutch-Bangla Bank has not performed up to the mark in the year 2016 due to the overall unstable condition in the banking sector. From the comparative analysis, it is evident that the bank has to improve itself in some areas to be more competitive in the market. Increasing profitability is one of the essential ways to improve their position. Again, the bank needs to focus on the increasing expenses and swelling non- performing loans.

Table of Contents

Chapter 01:

Organization Part

1.0 Organization:

1.1 Background of the Bank:

Dutch-Bangla Bank commenced its operation Bangladesh's first joint venture bank. The bank was established by local shareholders led by M Shahabuddin Ahmed (Founder Chairman) and the Dutch company FMO

Since its inception, the bank is giving tireless effort to serve their customers with its varied products and services. Their focus and strategy is concentrated on long term growth of business, better deposit mix, improving the quality of assets, productivity of resources, better and faster customer service, expansion of branches, ATM and Fast Track networks, upgrading other products and services etc. (Dutch-Bangla Bank Annual Report, 2016)

From the onset, the focus of the bank has been financing high-growth manufacturing industries in Bangladesh. The rationale being that the manufacturing sector exports Bangladeshi products worldwide. Thereby financing and concentrating on this sector allows Bangladesh to achieve the desired growth. Dutch Bangla Bank other focus is Corporate Social Responsibility (CSR). Even though CSR is now a cliché, Dutch Bangla Bank is the pioneer in this sector and termed the contribution simply as 'social responsibility'. Due to its investment in this sector, Dutch Bangla Bank has become one of the largest donors and the largest bank donor in Bangladesh. The bank has won numerous international awards because of its unique approach as a socially conscious bank. ("Dutch Bangla Bank", n.d., "Brief History", para. 2)

Dutch Bangla Bank is known as the first bank which pioneered in automation in Bangladesh. The Electronic-Banking Division was established in 2002 to carry out fast automation and bring modern banking services into this field. Full automation was completed in 2003 and hereby introduced plastic money to the Bangladeshi masses. Dutch Bangla Bank also operates the nation's largest ATM fleet and in the process drastically cut consumer costs and fees by 80%. Moreover, Dutch Bangla Bank choosing the low profitability route for this sector has surprised many critics. Dutch Bangla Bank had pursued the mass automation in Banking as a CSR activity and never intended profitability from this sector. As a result it now provides unrivaled banking technology offerings to all its customers.

Because of this mindset, most local banks have joined Dutch Bangla Bank banking infrastructure instead of pursuing their own. (“Dutch Bangla Bank”, n.d. “Brief History”, para. 3)

Total Branches: 165

Total ATM: 4419

Total Fast Track: 731

Electronic Student Booth (ESB): 08

1.2 Mission:

Dutch Bangla Bank engineers, enterprise and creativity in business and industry with a commitment to social cause. “Profits alone” do not hold a central in the Bank’s operation; because “man does not live by bread and butter alone”

1.3 Vision:

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

1.4 Core Objectives:

Dutch Bangla Bank believes in its uncompromising commitment to fulfil its customer needs and satisfaction and to become their first choice of banking. Taking cue from its pool of estimated clientele, Dutch Bangla Bank intend to pave the way for the new era in banking that upholds and epitomizes its vaunted marques “Your Trusted Partner”

1.5. Products and Services:

Dutch Bangla Bank offers a wide range of products and services to their clients. The bank offers different Deposit and Advances schemes, Personal banking, SME banking, Corporate banking, Mobile banking, Agent Banking etc. Some of them are as follows-

1.5.1 Deposits and Advances Products:

Regular deposit products-

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

Recurring Deposit Products-

- **Deposit Plus Scheme (DPS):**

DBBL offers DPS scheme for the people who are willing to save money from their salary every month. Only individual customers (not institution) of 18 years old and above can open the account. A person can open more than one DPS but maximum five DPS at any branch of the bank. One person can be nominated by the account holder for each account. The monthly deposit will be BDT 500/-. The applicant will have the option of depositing any amount in multiples of BDT 500/- subject to maximum BDT 5,000/-. The tenure of the Deposit Plus Scheme (DPS) would be 3/5/8/10 years at the discretion of the applicant. On maturity of regular DPS, the bank will pay the principal amount along with interest to the applicant’s account maintained with DBBL.

- **Periodic Benefit Scheme (PBS):**

A person can open more than one account at any branch of the bank subject to a maximum amount of BDT 5,000,000/-. However, the minimum principal deposit is BDT 50,000/- .Customer would require to open a parallel Current Account/ Savings Account, through which monthly/quarterly benefit may be credited/paid in due time and no turn up of customer would require at the Branch for receiving/encashing the benefit. The tenure of the Periodic benefit Scheme (PBS) would be 3/5 years at the discretion of the applicant. The applicant can enjoy monthly/ quarterly benefit at his/her discretion.

- **Children Education Savings Scheme (CHESS):**

Only individual customer having children can open this account. In this scheme, account holder’s children can be nominated. The minimum monthly deposit will be BDT 500/-.The applicant will have the option of depositing any amount in multiple of BDT 500/- subject to maximum of BDT 50,000/-. The account will be treated as inactive if three consecutive installments remain unpaid.

- **Millionaire Deposit Scheme (MDS):**

In this scheme, the minimum monthly deposit will be BDT 6,092/- The applicant will have the option of depositing any amount as per schedule to maximum BDT 25,410/-. The tenure of the Millionaire Deposit Scheme (DPS) would be 3/4/5/6/7/8/9/10 years at the discretion of the applicant. On maturity of regular DPS, the bank will pay the principal amount along with interest to the applicant’s account maintained with DBBL on the following month.

Other loans and advances such as-

- Retail Loan Products:
    - **DBBL Personal Loan:** Dutch Bangla Bank offers personal loan facility called "Jokhon Tokhon" for clients for different purposes like medical, education, marriage, travel, festival, purchase of tools for professionals and setting up office premises, purchase of consumer durables and lifestyle products etc. The range of the loan amount is from BDT 50,000 to BDT 2,000,000 for a time period of 5 years.
    - **DBBL Car Loan:** Car loan named "Prottasha" is offered to purchase new or reconditioned vehicles which provide an amount from BDT 100,000 to BDT 4,000,000 for tenure of 5 years of repayment with interests.
    - **DBBL Home Loan:** The bank also gives home loan named "Thana" to buy new or renovate old house. The loan amount ranges from BDT 200,000 to BDT 12,000,000. For renovation purpose, the amount is maximum BDT 7,500,000 up to repayment tenure of 25 years.

1.5.2 Personal Banking:

Personal Banking in DBBL delivers diversified financial products and services including various lending products i.e., Personal Loan, Auto loan, Home Loan, Credit Card facility and so on tailored in a customized way to bring utmost comfort and enhance the lifestyle of the consumers of different segments. DBBL has launched Retail Lending Products on September 26, 2007 under the product namely "Life Line" - a complete series of personal credit facilities. This product line needs no cash security and personal guarantee from the clients.

- Health Line
- Education Line
- Professional Line
- Marriage Line

- Travel Line
- Festival Line
- Dreams Come True Line
- Care Line
- General Line

1.5.3 Corporate Banking:

Corporate Banking Services:

Dutch-Bangla Bank offers a wide range of corporate banking services. According to the Customer charter: Dutch-Bangla Bank, they include:

- **Project Finance:**
  The Bank accepts purpose or project specific development funds on competitive terms towards economic growth and well-being of the people or country by way of setting up a new stand alone, capital intensive project or for BMRE (Balancing, Modernization, Rehabilitation and Expansion) of an existing project.
- **Working Capital Finance:**
  The bank lends short –term working capital finance to the companies engaged in manufacturing, assembling, processing, re-packaging of goods and commodities for domestic consumption or export market. However, unsecured loans (not collateralized) for working capital without justification or purpose is not considered.
- **Syndications & Structured Finance:**
  The Bank, on case to case basis, arranges loan syndications or approves disclosed participations in syndications provided such transactions meet the parameters separately established. The bank always maintains the minimum pari-passu status to other banks in all lending relationships. Second mortgages or lower will not be accepted as primary collateral.

- **Trade Finance:**

  Dutch Bangla Bank prefers Trade Financing in the form of short-term (up to 12 months), self-liquidating or cash flow supported well collateralized trade transactions*Work Order finance. The Bank will consider financing construction contractors (work order finance). However, all such transactions must meet the guidelines. Bank asks for assignment of bills receivables with concurrent authority to collect bills issued favoring Dutch-Bangla Bank.

- **Equity Finance:**

  Dutch Bangla Bank joins in hands in building partnership with entrepreneurs of high credit standing and excellent track record within the purview of regulatory restrictions. However, lending for the purpose of supplying equity in a business is not allowed nor venture capital financing.

- **Social and Environmental Infrastructure Finance:**

  The Bank receives credit lines, from time to time, from home & abroad, to finance eco-efficient and sustainable projects aimed at improving environment and generating social benefits.

Letter of Credit-Trade Business:

- Import finance
- Export finance
- Foreign Remittance
- Treasury

SME Banking:

- Dutch Bangla Bank Smart Cash Credit
- Dutch Bangla Bank Smart Term Loan
- Dutch Bangla Bank Smart Festival Loan
- Dutch Bangla Bank Smart Women Entrepreneurs Financing
- Dutch Bangla Bank Smart Distributor Financing
- Cash Credit (Hypo) under Small Shop Financing Scheme

1.6 Corporate Social Responsibilities:

It is already known that DBBL has acted as the catalyst in societal progress of the country. Dutch Bangla Bank supports social work extensively and is one of the largest private donors in Bangladesh. DBBL has established its own foundation in order to support areas such as education, living standards, healthcare, nutrition, and the environment. Their lending policy has also been supportive for generating employment opportunities and ethical businesses. From the very beginning, the bank has been awarding scholarships to meritorious students to financially support them. Additionally, they are contributing to the society by building educational infrastructure, taking initiatives for underprivileged children, developing medical infrastructure and also arranging other social development programs. For the Bank, eliminating or at least alleviating healthcare issues allows people and the society to reach their full potential. They strongly believe that these kinds of social and philanthropic activities would ultimately improve the quality of lives of the disadvantaged people of the country by receiving support for education, healthcare facilities, financial support and assistance whenever there is a natural disaster. As a result, the organization has been granted numerous national and international awards for its role in the development of Bangladesh.

Chapter 02: Introduction

2.1 Introduction:

The financial sector of Bangladesh is dominated by the banking sector. The dominance of the banking sector not only makes the financial sector vulnerable but also highlights the crucial importance of the sector in resource utilization and economic growth. In Bangladesh, especially in the recent times, the banking sector has experienced several uncertainties.

Credit facilities are one of the main reasons for which the sector is experiencing such consequences. Credit granting is very important decision of the banks because it determines the profitability of the banks. At present, banks are so much conscious in the selection of customers to shun the bad loans or non-performing loans. Non-performing loans have been one of the concerned issues from the last few decades. The banking sector of Bangladesh is characterized by low profitability and insufficient capital base because there are scores of banks in Bangladesh. Banks' revenues come from spread (Lending rate – borrowing rate). The NPL has always raised concerns among policymakers and the central bank (Bangladesh Bank) took various measures to reduce the increasing volume of classified loans. As per the rules of Central Bank the scheduled banks are bound to keep a certain amount of money from their profits as provision against their classified loans to avoid risks in doing business and keep maintaining capital base. But a good number of banks are facing shortfall due to deficit in their financial capital due to high classified loans and low level of profitability from operation. According to BB Diagnostic Review Report (DRR). The capital shortfall of the bank increased to Tk. 24.23 billion as of September 2016 the latest report said. (Hossain, 2017)

On the other hand, according to The Economist, "The overall capital to risk weighted assets ratio (CRAR), a key measure of bank strength and stability," too has "been affected." According to a study report prepared by Bangladesh Institute of Bank Management (BIBM), Bangladeshi banks maintained 10.8% capital adequacy ratio by the end of 2016. Although the Bangladeshi banks were facing excess liquidity, their capital base is lowest in the South Asian region. (Bangladesh lags behind neighbours in implementing Basel III, 2017)

However, deposit and loan amount, a major indicator for economic growth, showed progress in 2016. According to the central bank, from November 2015 to November 2016, the deposit and loan amount both witnessed a sharp rise of 13 percent and 14 percent. During the period, deposit was Taka 8.86 lakh crore and loan Taka 6.56 lakh crore.

Therefore, financial performance analysis will help the banks to identify in which position they are standing in the industry.

2.2 Origin of the Report:

This internship report on Dutch-Bangla Bank Ltd. is prepared to fulfill the partial requirement of internship program for BBA program of BRAC University. I have selected **"Financial Performance Analysis of Dutch-Bangla Bank Limited**" as the topic of my internship report. The aim of the report is to apply theoretical knowledge in the practical field.

2.3 Objective of the study:

The objectives of the study are as follows:

- To give an overall view of Dutch-Bangla Bank.
- To evaluate the performance of Dutch-Bangla Bank.
- To compare the bank’s performance with two other peer banks and analyze their position.
- To suggest remedial measures for the development of Dutch-Bangla Bank.

2.4 Methodology:

Both primary and secondary data have been used to complete the report.

2.4.1 Primary data sources:

- Some data have been gathered through personal observation.
- Informal discussion with the employees also helped to collect information.

2.4.2 Secondary data sources:

- Official website of Dutch-Bangla Bank Limited.
- Annual Reports and other published documents of the banks.

- Books, journals, research papers, newspaper articles have been used for the study purpose.

2.5 Scope of the Report:

I have tried to evaluate the performance of Dutch Bangla Bank limited. The evaluation is based on five years (2012-2016) performance of the bank. The report contains the analysis of bank's Capital adequacy, Asset Quality, Management efficiency, Earnings ability and Liquidity. I have also compared its performance with two other peer banks and those are- Eastern Bank Limited and Southeast Bank Limited.

2.6 Limitation of the Study:

There are some constraints that I have faced during making the report. Those are as follows:

1. Time is a big constraint for my research. I had to carry out my day to day job responsibilities. Therefore, I had less time to spend to work on the report.
2. Insufficient data is the main constraint in the development of the report.
3. This report did not include all the financial ratios to find out the actual financial position of Dutch-Bangla Bank Ltd.
4. The performance of the bank has been compared with only two other banks because of time constraint.
5. Insufficient records and publications have been another limitation in preparation of the report.

Chapter 03:

Financial Analysis

3.0 Financial Analysis:

In this report, the financial performance analysis of Dutch-Bangla Bank has been done by using CAMEL rating system. It is a well-recognized tool that bank supervisory authorities use to rate financial institutions according to six factors represented by the acronym “CAMEL”.

Camel Rating System:

According to Golin & Delhaise (2013), CAMEL model of rating was first developed in the 1970s by the three federal banking supervisors of the U.S (the Federal Reserve, the FDIC and the OCC) as part of the regulators’ “Uniform Financial Institutions Rating System”, to provide a convenient summary of bank condition at the time of its on-site examination. The CAMELS rating model is used on the evaluation of performance of the banks and financial institutions by studying its balance sheet and profit and loss statement on the basis of each component**.** CAMEL rating has been a concise and essential tool for researchers, policy makers and regulators. This rating ensures a bank’s healthy conditions by analyzing various aspects of a bank such as financial statement, funding sources, macroeconomic data, budget and cash flow. To examine a bank’s performance using CAMEL model, information is obtained from different sources like financial statements, funding sources, macroeconomic information, budget and cash flow projection, and business information, budget and cash flow projection, and business operations. This model assesses the overall financial position and performance of the bank. The banks are assessed by five different components under the acronym C-A-M-E-L:

C – Capital Adequacy

A – Asset Quality

M – Management Soundness

E – Earnings Capacity and

L – Liquidity

This system was adopted in Bangladesh since 1995 at the proposal of Bangladesh Bank. Each of the five dimensions of performance is rated on a scale of 1 to 5, varying from fundamentally strong bank to fundamentally weak bank. In the report, this model has been applied in the performance evaluation of Dutch-Bangla Bank.

3. 1 Capital Adequacy:

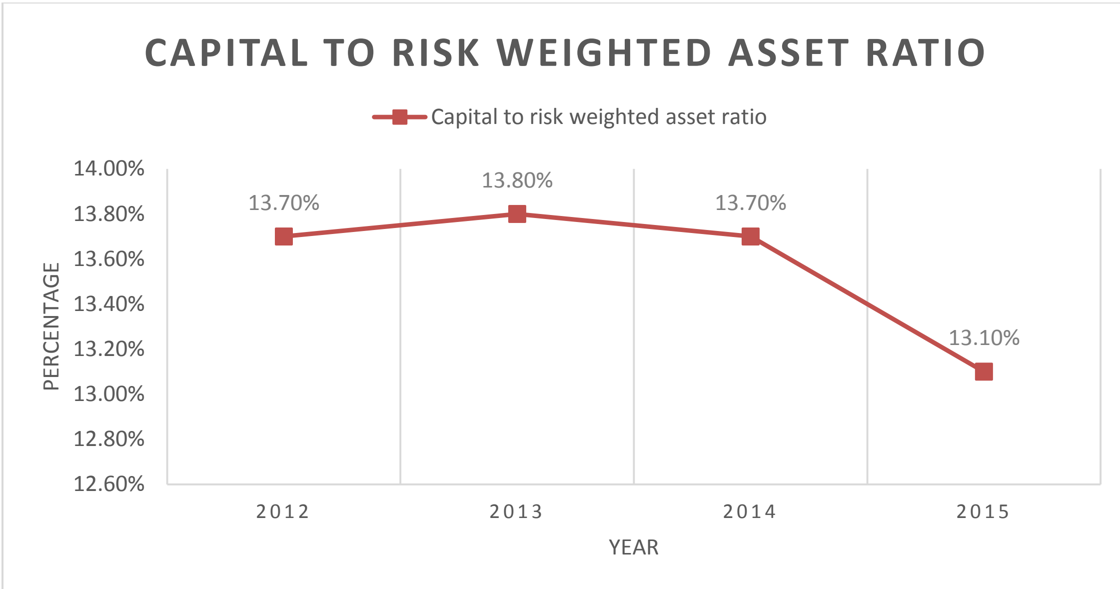
Capital Adequacy is an indication of the inner strength of a bank which makes it to stand in a good position during the times of crisis. Capital Adequacy may have an effect on the overall performance of a bank, such as opening of new branches, fresh lending in high risk but profitable areas, manpower recruitment and diversification of business through or through specially designated branches.

3.1.1. Capital Adequacy Ratio (CAR):

The capital adequacy ratio measures a bank's financial strength by using its capital and assets against risk-weighted assets. Generally, a bank with a high capital adequacy ratio isconsiderd sage and likely to meet its financial obligation. Realizing the importance of capital adequacy, the Bangladesh Bank issued directive whereby each banks in Bangladesh was required to meet the capital adequacy standard of 10%.

Capital adequacy ratio= Capital & Reserve/ Total risk weighted assets

Particular	2012	2013	2014	2015	2016	Mean
Capital to risk weighted asset ratio	12%	13.70%	13.80%	13.70%	13.10%	13.26%



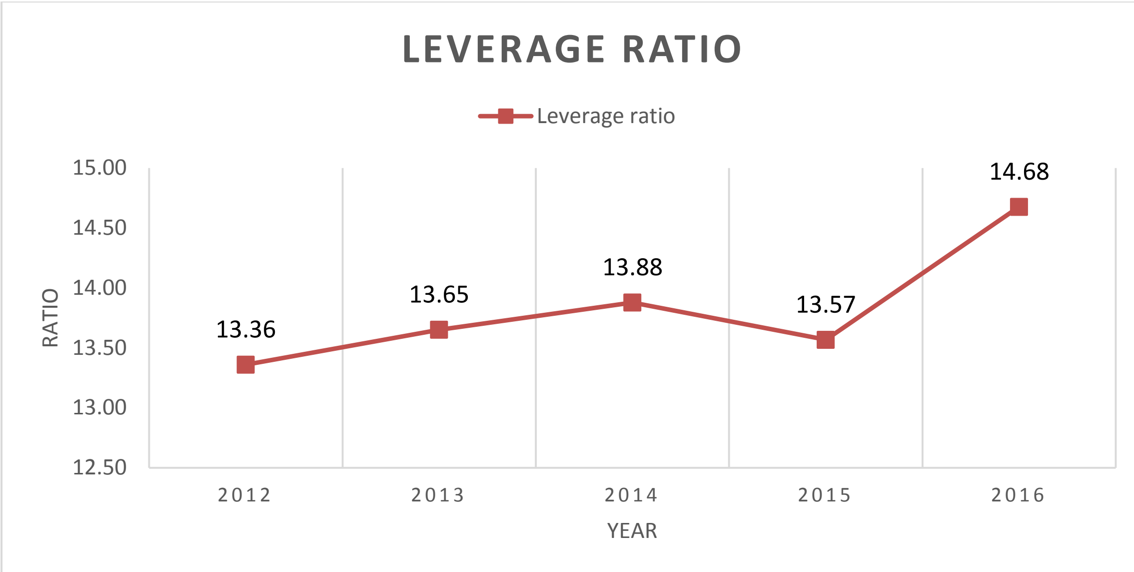
Dutch Bangla Bank has been able to maintain a healthy CAR ratio over the years. However, it has started to decline since 2014. It declined from 13.7% to 13.1% which does not show a very healthy sign. Still, it has been able to manage the ratio above the requirements specified by Bangladesh Bank.

3.1.2 Leverage Ratio (Debt to Equity Ratio):

Leverage ratio is one of the several financial measurements that look at how much capital comes in the form of debt (loans) or assesses the ability of a company to meet financial obligations.

Leverage ratio= Total debt/ Total equity

Particular	2012	2013	2014	2015	2016	Mean
Leverage ratio	13.36	13.65	13.88	13.57	14.68	13.83



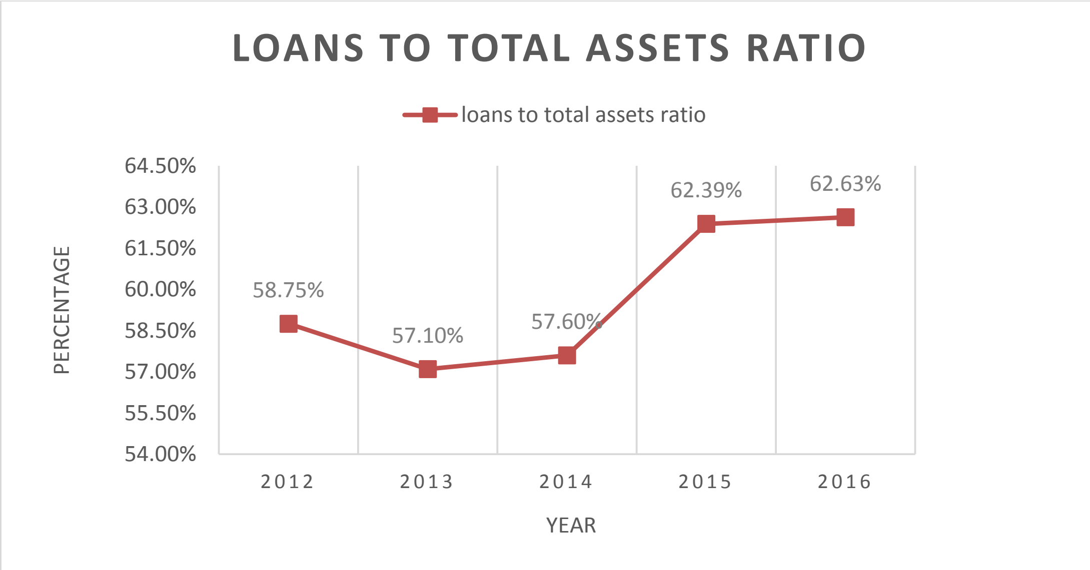
This ratio seems to be increasing over the years. Only in 2015, it decreased from 13.88% to 13.57%. However, it has increased to 14.68% in 2016 which indicates that debt is increasing at a higher rate than the shareholder's equity. Again, it shows that they are depending more on deposits than shareholder's equity to manage their assets.

3.1.3 Loans to Total Assets Ratio:

The loans to total assets ratio measures the total loans outstanding as a percentage of total assets. The higher this ratio indicates a bank is loaned up and its liquidity is low. The higher the ratio, the more risky a bank may be to higher defaults.

Loans to Total Assets Ratio= Total loans/ Total assets

Particulars	2012	2013	2014	2015	2016	Mean
Loans to Total Assets Ratio	58.75%	57.10%	57.60%	62.39%	62.63%	59.69%



The ratio shows a stable position of the bank in giving out loans. It had decreased in 2013 and started to increase from 57.63% in 2014 to 62.63% in 2016. This increase in the ratio indicates a positive sign for the bank as it is earning more profits by increasing lending.

3.2 Asset Quality:

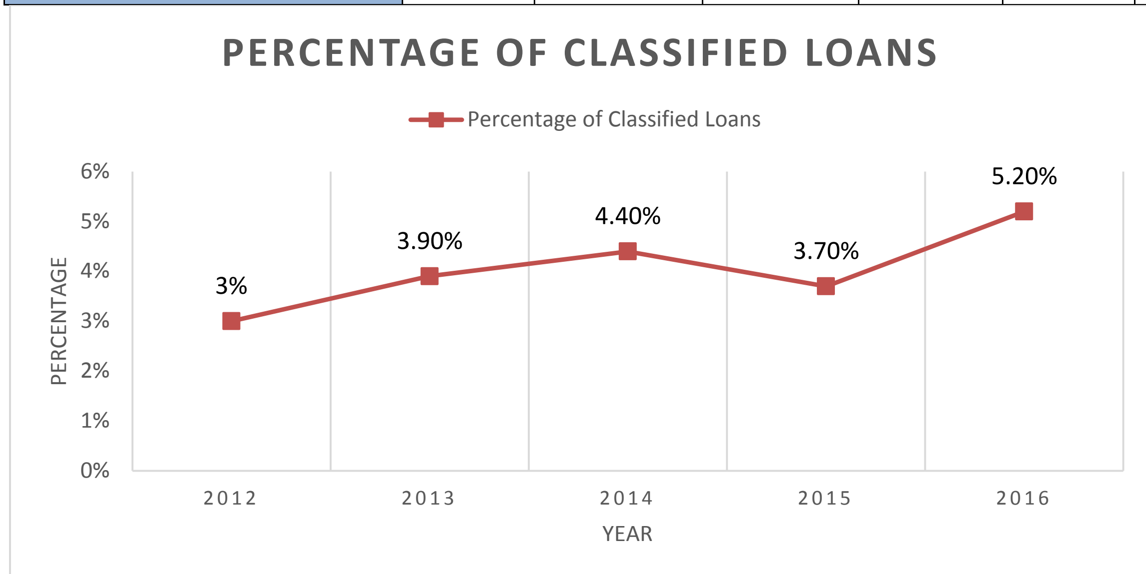
Asset quality controls the well-being of financial institutions against loss of value in the assets. The factor that affects the asset quality of a bank is their loan portfolio. Loans usually cover majority of the bank’s assets which also carry the highest amount of risk to their capital.

3.2.1 Percentage of Classified Loans:

Banks rely on borrowers to manage their scheduled loan repayments as a key source of revenue. Percentage of the classified loans is the measure of the amount of the non-performing loan in a bank's loan portfolio to the total amount of outstanding loans that the bank holds. This ratio is the single most significant ratio (lower the better) for a bank to measure its portfolio health or asset quality. It measures bank’s effectiveness in receiving repayments of loans.

Percentage of Classified Loans= Non-performing loan/ Total loans

Particular	2012	2013	2014	2015	2016	Mean
Percentage of Classified Loans	3%	3.90%	4.40%	3.70%	5.20%	4.00%



The percentage of classified loans of the bank does not represent a healthy balance in managing repayments of loans. The non-performing loans rose to 5.3% for private commercial banks in 2016. Slower business condition throughout the year put downward pressure on recovery of regular and classified loans. Classified loans of the Bank as a percentage of total loan portfolios increased to 5.2% at the end of 2016 compared to 3.7% at the end of 2015 (Dutch-Bangla Bank Annual Report, 2016). Although it decreased to 3.7% from 4.4% in 2015, the graph shows a seemingly upward trend. It implies that the bank is engaged in high risk lending policies which may harm the bank's efficiency in loan management.

3.3 Management Efficiency:

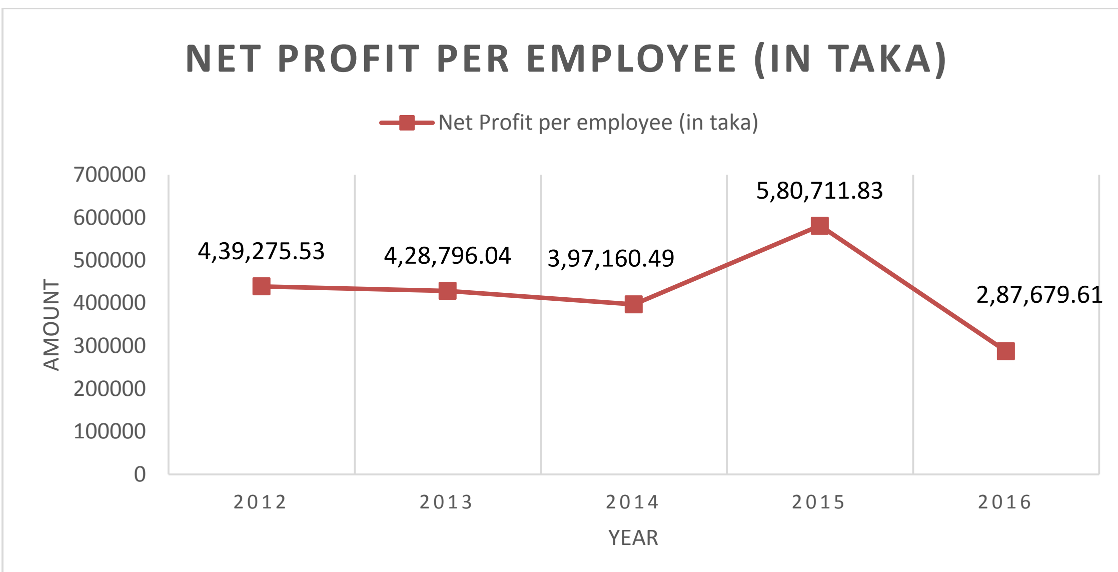
Sound management is one of the most important factors behind financial institutions' performance. Indicators of quality management are mainly applicable to individual institutions and cannot be easily aggregated across the sector. Furthermore, given the qualitative nature of management, it is difficult to judge its soundness just by looking at financial accounts of the banks.

3.3.1 Net Profit per Employee:

Net profit per employee is a measure of how proficiently a specific organization is using its workers. In general, the higher the number, the more effective the organization utilizes its workers. This ratio measures administration's capacity to utilize their worker assets adequately to make benefits for the organization.

Net Profit per Employee= Net profit after tax/ Total number of employees

Particular	2012	2013	2014	2015	2016	Mean
Net Profit per Employee (in taka)	439275.53	428796.04	397160.49	580711.83	287679.61	426,724.70



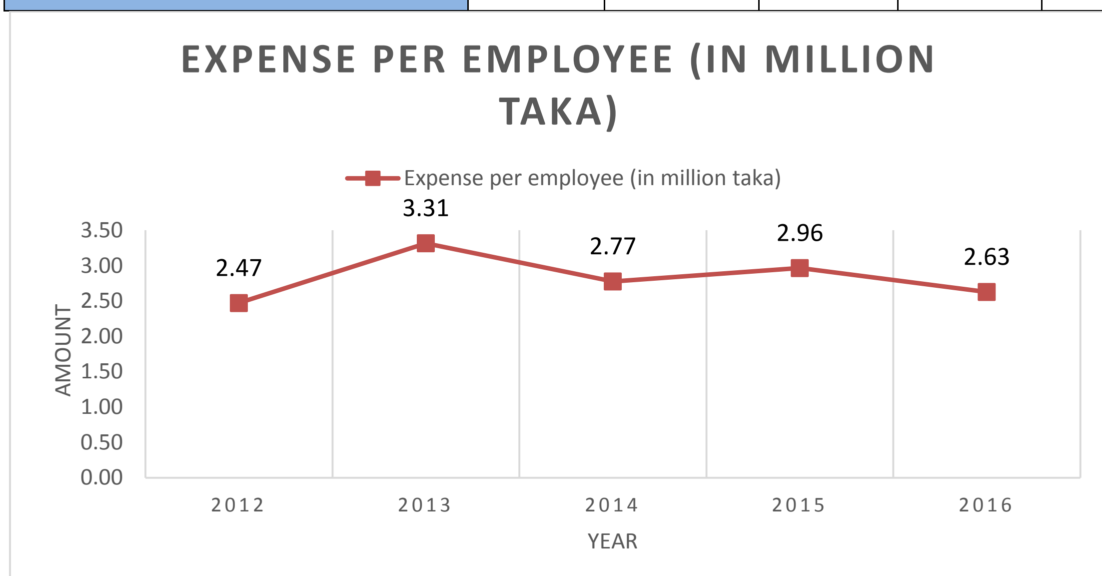
Net profit per employee has been remained stable from the year 2012 to 2014. The analysis shows the highest rate was in 2015 which was significantly increased form other years. However, the ratio fell in 2016 significantly. According to the annual report of 2016, the net profit after tax has been decreased for adverse business condition throughout the year. Slower positive growth in net interest income and net interest income resulted in only 2.1% growth in operating income. Despite lower growth in revenue, operating expenses increased by (+13.5%) that was essential for maintaining and enhancing quality & speed of customer service and investment in delivery network and technology. Net profit after tax decreased at a higher rate than operating profit mainly due to higher loan loss provisioning in 2016.

3.3.2 Expenses per Employee:

Expense per employee signifies how much a company is spending over per employee. It also shows how the bank is efficient in managing cost over their employees.

Expenses per Employee= Total expenses/ Number of employee

Particular	2012	2013	2014	2015	2016	Mean
Expense per employee (in million taka)	2.47	3.31	2.77	2.96	2.63	2.83



The expense per employee has been quite stable over the years which indicates a very good sign. In 2013, it slightly increased from 2.47 million to 3.31 million. In 2016, the expense decreased from 2.96 million to 2.63 million. If the amount continuously decreases, then that would signify the bank's efficiency in the long run.

3.4. Earning Ability:

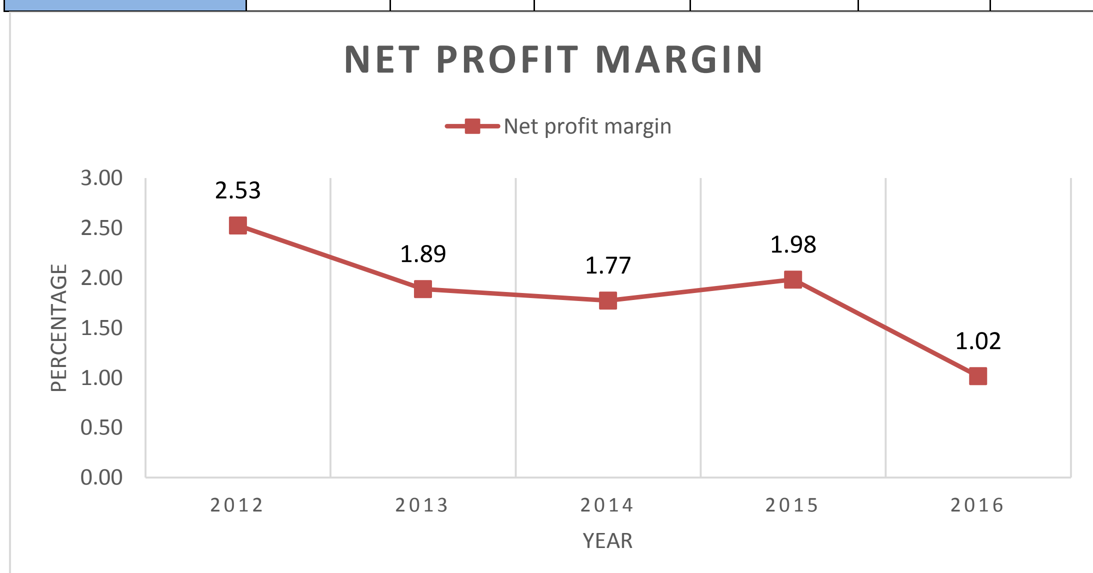
High earnings ability should reflect the firm's current operating performance and a good indicator of future operating performance. The ability of earnings is an extremely significant parameter which expresses the quality of profitability and capability of a bank to sustain earning consistently. It primarily reflects the profitability of bank and enlightens consistency of future earnings.

3.4.1 Net Profit Margin:

This ratio indicates ability to manage expenditures against generating the revenue and generating profit against providing loan and advances. High ratio means banks are able to make profit with proper controlling over its expenses.

Net Profit Margin= Net profit after tax/ Total loans and advances

Particular	2012	2013	2014	2015	2016	Mean
Net profit margin	2.53%	1.89%	1.77%	1.98%	1.02%	1.84%



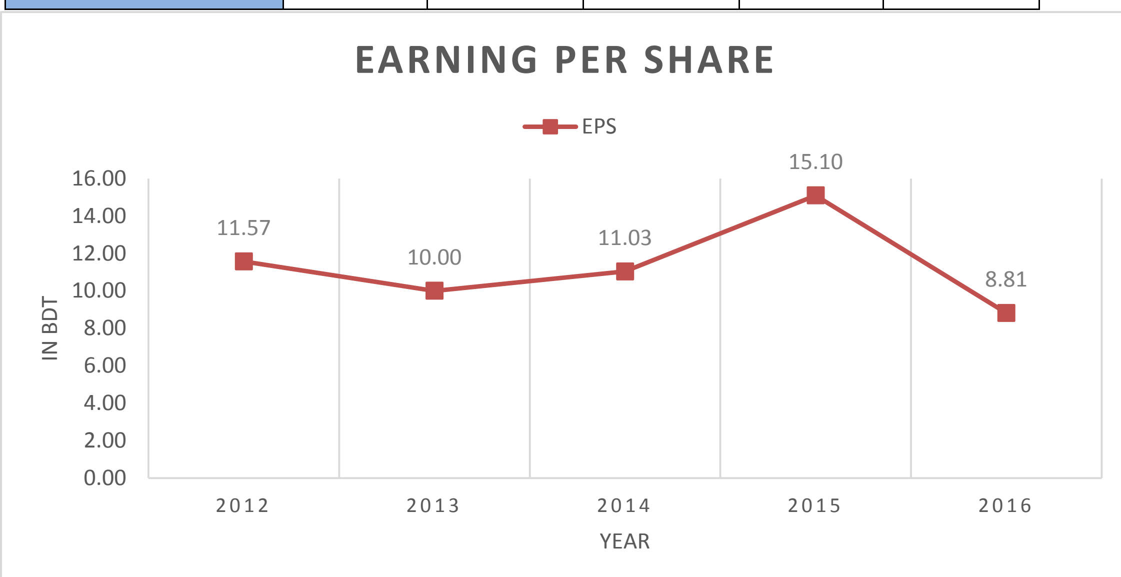
The net profit margin of the bank fluctuated over the years. The highest margin was in 2012. After that, it started decreasing. Again, in 2015, it increased from 1.78% to 1.98%. Then again, in 2016, it is decreased to 1.02% as in this year the net profit after tax has decreased significantly.

3.4.2 Earning per Share (EPS):

This ratio indicates that the portion of a company's profit against each outstanding share of common stock. The EPS is one of the important fundamentals used in valuing an institution because it breaks down its profits on a per share basis. A bank with, high earnings per share ratio is capable of producing significant dividend for shareholders.

Earnings per share= Net profit after tax/ total number of common shares outstanding

Particulars	2012	2013	2014	2015	2016
EPS	11.57	10.00	11.03	15.10	8.81



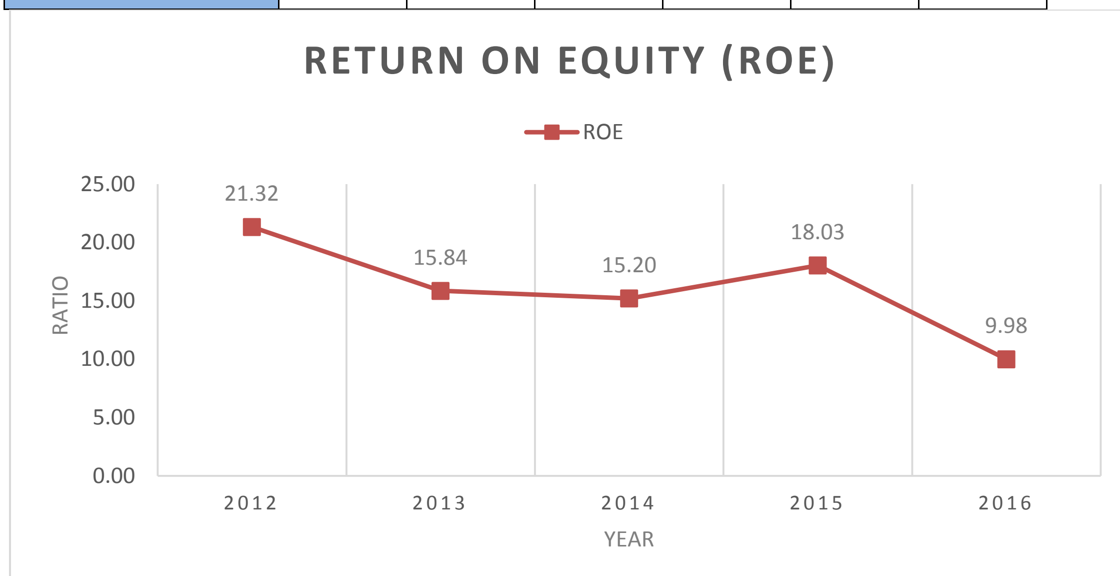
The earnings per share of Dutch Bangla Bank has quite fluctuated over the years. As their earning dropped in 2016, therefore, it has decreased to BDT 8.81 per share from BDT 15.1 per share which was the highest earning per share in five years of time period.

3.4.3 Return on Equity:

Return on equity (ROE) is the amount of net profit after tax returned as a percentage of shareholder's equity. It measures bank's profitability by revealing how much profit the bank generates with the money shareholders have invested.

Return on Equity= Net profit after tax/Total Shareholder's equity

Particulars	2012	2013	2014	2015	2016	Mean
ROE	21.32	15.84	15.20	18.03	9.98	16.07



Return on equity of Dutch-Bangla Bank from 2012 to 2015 was 17.5% on average which drastically fell to 9.98% in 2016 which is the lowest in the five year scenario and a cause for concern. The ratio can be identified to be the highest in 2012 which was 21.32. The reason behind this reduction is the decreased net profit in 2016.

3.5. Liquidity:

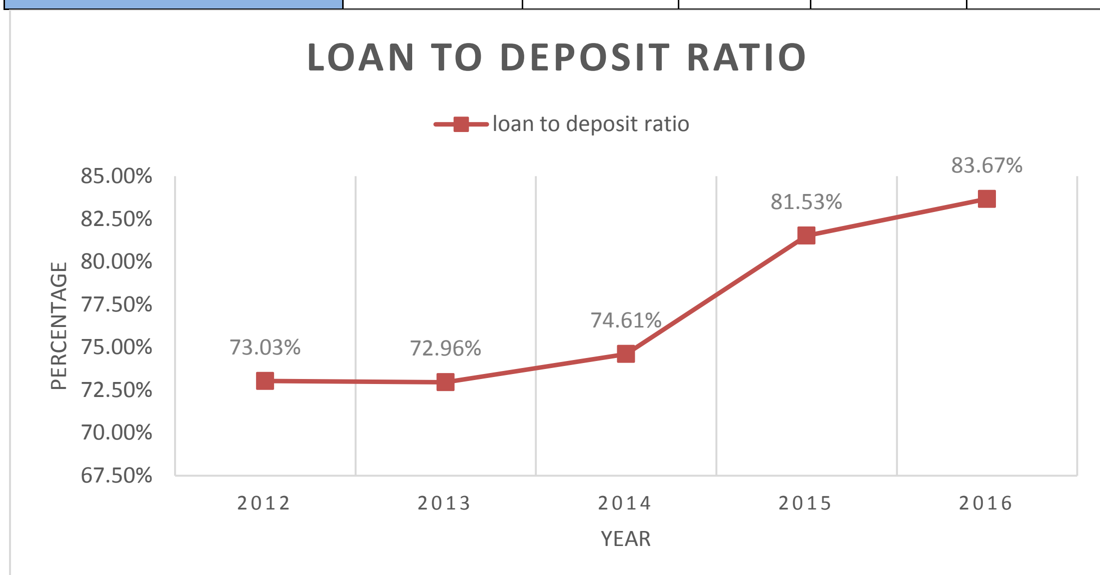
An adequate liquidity position refers to a situation, where institution can obtain sufficient funds, either by increasing liabilities or by converting its assets quickly at a reasonable cost. It is, therefore, generally assessed in terms of overall assets and liability management, as mismatching gives rise to liquidity risk. An institution is said to have liquidity if it can easily meet its needs for cash either because it has cash on hand or can otherwise raise or borrow cash.

3.5.1 Loan to Deposit Ratio:

This ratio measures a bank's liquidity condition. Total deposits include savings deposits, demand deposits, term deposits and deposits of other banks. An ideal loan to deposit ratio is between 80% to 90%.

Loan to Deposit Ratio= Total loans/ Total deposits

Particulars	2012	2013	2014	2015	2016	Mean
Loan to deposit ratio	73.03%	72.96%	74.61%	81.53%	83.67%	77.16%



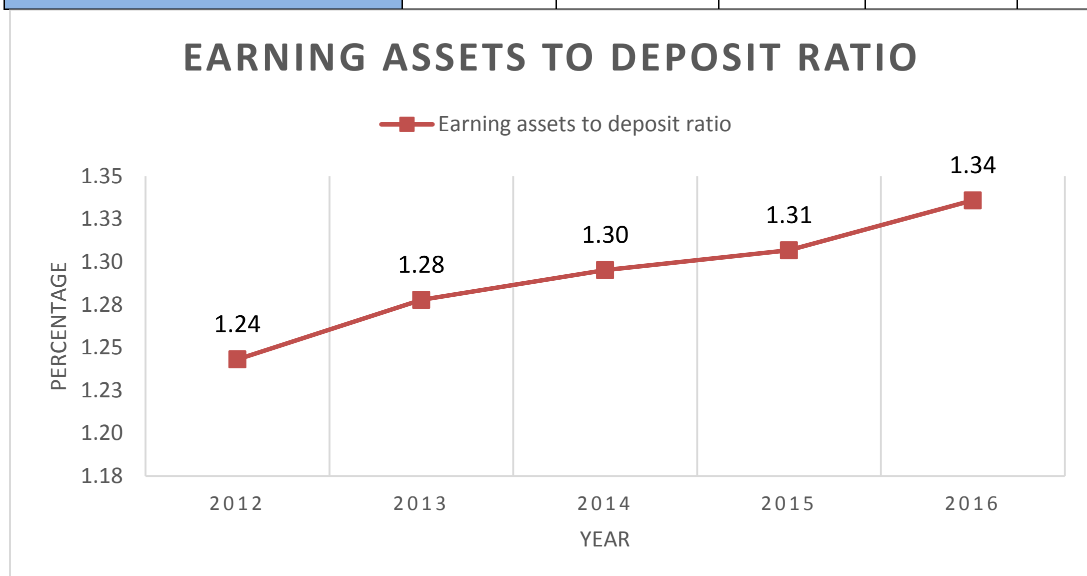
The bank continued to grow and diversify its portfolio in 2016 to have a diversified client base and portfolio distributed across the sectors to reduce client specific and industry specific concentration and to reduce overall portfolio risk.

3.5.2 Earning Assets to Deposit Ratio:

Earning assets to total deposit ratio depicts whether the sources of generating income for the bank are sufficient enough to cover its total deposit. This ratio is expected to be high, since the higher the earning assets, the higher its efficiency to utilize its assets. On the other hand, lower ratio suggests that the assets are underutilized.

Earning Assets to Deposit Ratio= Total earning asset/ Total deposit

Particulars	2012	2013	2014	2015	2016	Mean
Earning assets to deposit ratio	1.24	1.28	1.30	1.31	1.34	1.29



The ratio is indicating a healthy sign for the bank since it seems to increase throughout the five years. In 2012, the ratio was 1.24 and in the year 2016, it is increased to 1.34 which results in a positive growth and shows its efficiency in managing assets.

Chapter 04: Comparative Analysis

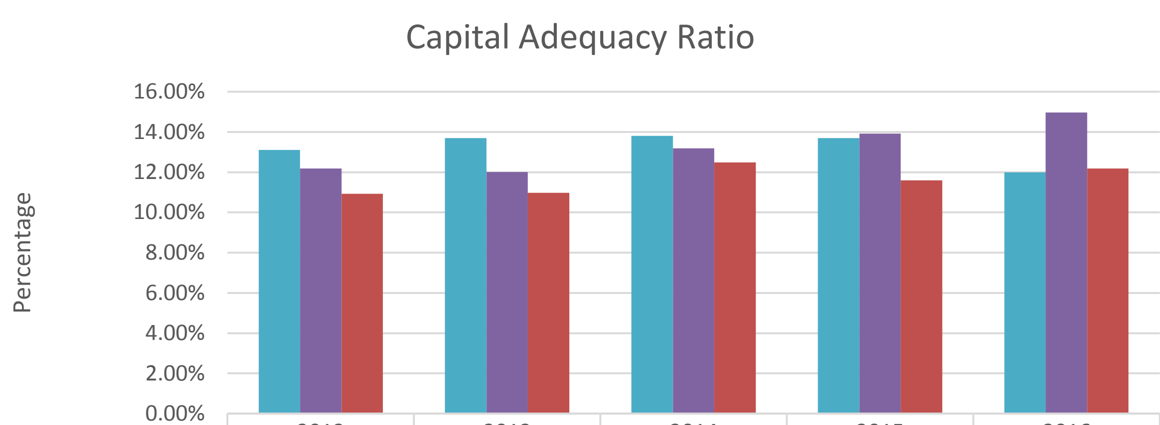
4.0 Comparative Analysis with two other Banks:

One of the main objectives of the report is to compare the financial performance of Dutch-Bangla Bank with two other peer banks. Therefore, I have selected Eastern Bank Limited (EBL) and Southeast Bank Limited (SEBL) to compare their performance with Dutch-Bangla Bank based on the same CAMEL ratios analyzed above since they have head to head competition in the market.

Eastern Bank limited has an authorized capital of BDT.12,000 million. It has a paid up capital of BDT.7,029 million. Total assets have a value of BDT. 212,377 million and their operating profit is BDT. 6,516 million.

Southeast Bank limited has an authorized capital of BDT.15,000 million. . It has a paid up capital of BDT.9,169.5 million. Total assets have a value of BDT. 291,798 million and their operating profit is BDT. 8503.22 million.

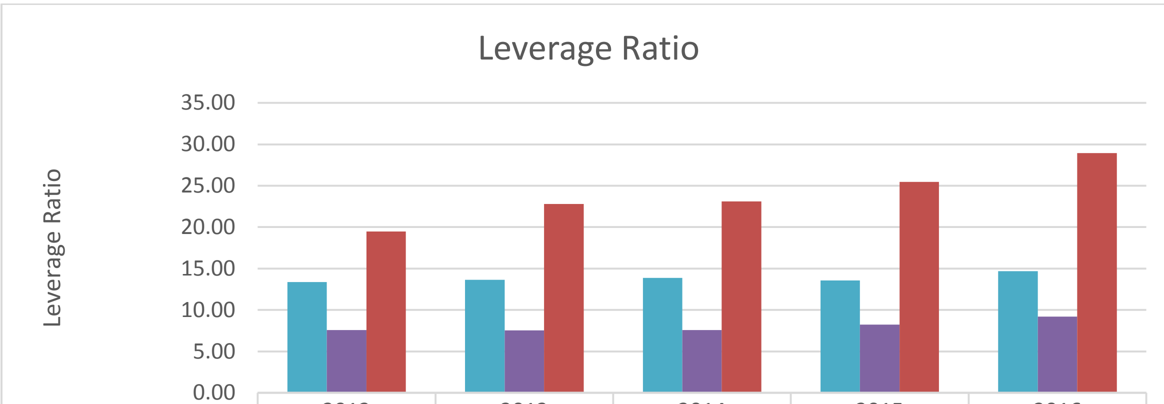
4.1Capital Adequacy Ratio:



	2012	2013	2014	2015	2016
Duch-Bangla Bank	13.10%	13.70%	13.80%	13.70%	12.00%
Eastern Bank	12.18%	12.01%	13.18%	13.92%	14.96%
Southeast Bank	10.93%	10.97%	12.49%	11.60%	12.18%

In 2016, the ratio was comparatively lower than the other years for Dutch-Bangla Bank. On the other hand, for both Eastern Bank and Southeast Bank, the ratio has gone up compared to previous years. Eastern bank has the highest capital adequacy ratio in 2016 which is 14.96%.

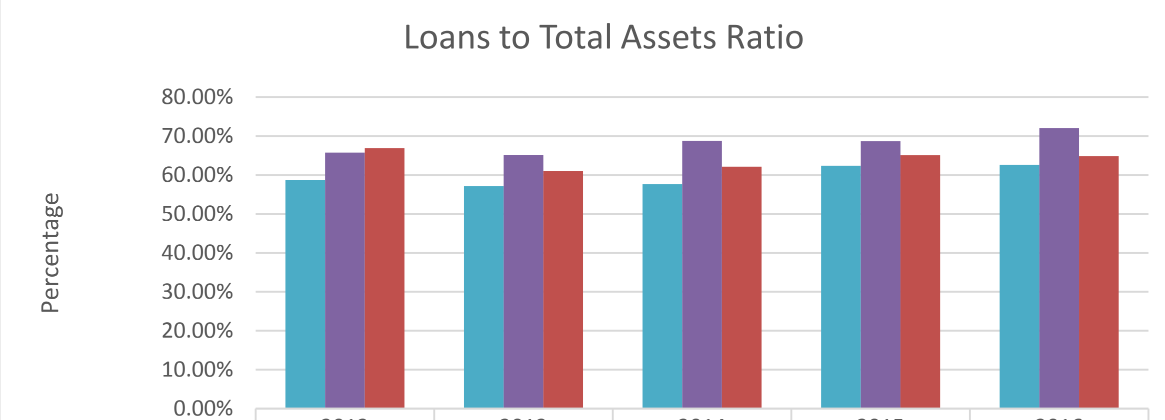
4.2 Leverage Ratio:



	2012	2013	2014	2015	2016
Duch-Bangla Bank	13.36	13.65	13.88	13.57	14.68
Eastern Bank	7.59	7.52	7.57	8.23	9.19
Southeast Bank	19.48	22.79	23.13	25.47	28.93

Dutch-Bangla Bank (DBBL) has been stable in maintaining leverage ratio throughout the years. This ratio was lower for Eastern Bank than its peer banks. In 2016, the ratio has only risen to 9.19. However, Southeast Bank has the highest leverage ratio in 2016 and it was 28.93. This bank is showing a steady performance in maintaining the ratio.

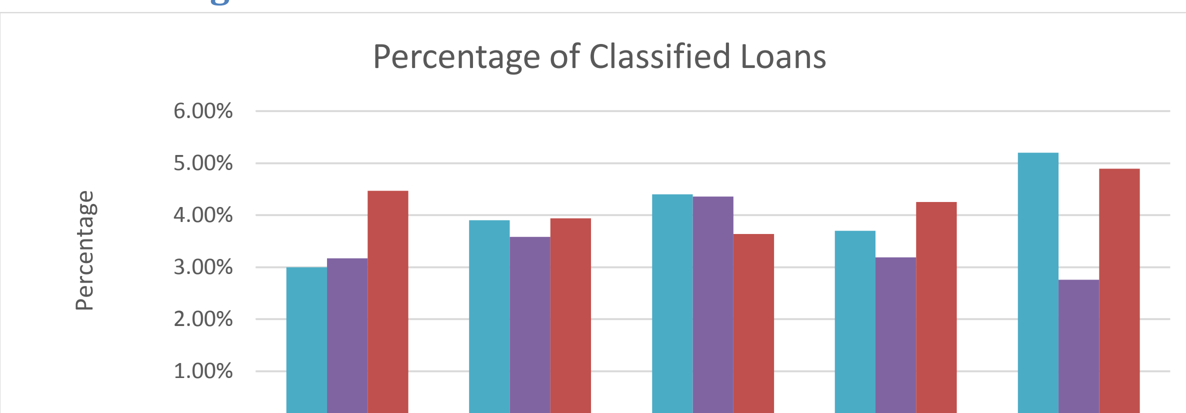
4.3 Loan to Total Assets Ratio:



	2012	2013	2014	2015	2016
Duch-Bangla Bank	58.75%	57.10%	57.60%	62.39%	62.63%
Eastern Bank	65.73%	65.18%	68.72%	68.70%	72.01%
Southeast Bank	66.85%	61.04%	62.16%	65.08%	64.85%

Dutch-Bangla Bank ratio also holds a steady position in maintaining the loan to total assets. Eastern Bank has the highest ratio among all the three banks which indicates that it can be risky for the bank to maintain liquidity. On the other hand, for Southeast Bank, the ratio was the highest in 2012 and it was 66.85% and in the year 2016, it decreases to 64.85%. Thus, it became less risky for the bank to maintain liquidity.

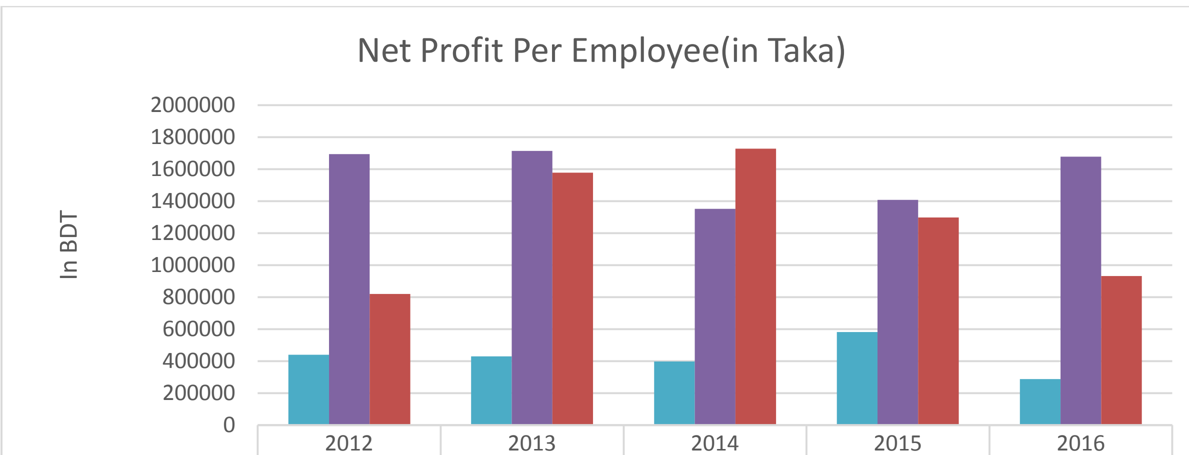
4.4 Percentage of Classified Loans:



	2012	2013	2014	2015	2016
Duch-Bangla Bank	3.00%	3.90%	4.40%	3.70%	5.20%
Eastern Bank	3.17%	3.58%	4.36%	3.19%	2.76%
Southeast Bank	4.47%	3.94%	3.64%	4.25%	4.89%

From the figure, it is evident that Dutch-Bangla Bank has the highest percentage of classified loans among its peer banks in 2016. Eastern Bank is showing a healthy ratio as the amount of classified loans has become lower than the previous years and is consistently performing better than its peers. In case of Southeast Bank, it dropped to 3.64% in 2014 and again rose to 4.89% in 2016 which signifies bank's ineffectiveness in receiving loan repayments. The percentage of classified loans has increased in 2016 since the banking industry is facing new challenges which led to higher non-performing loans for the banks.

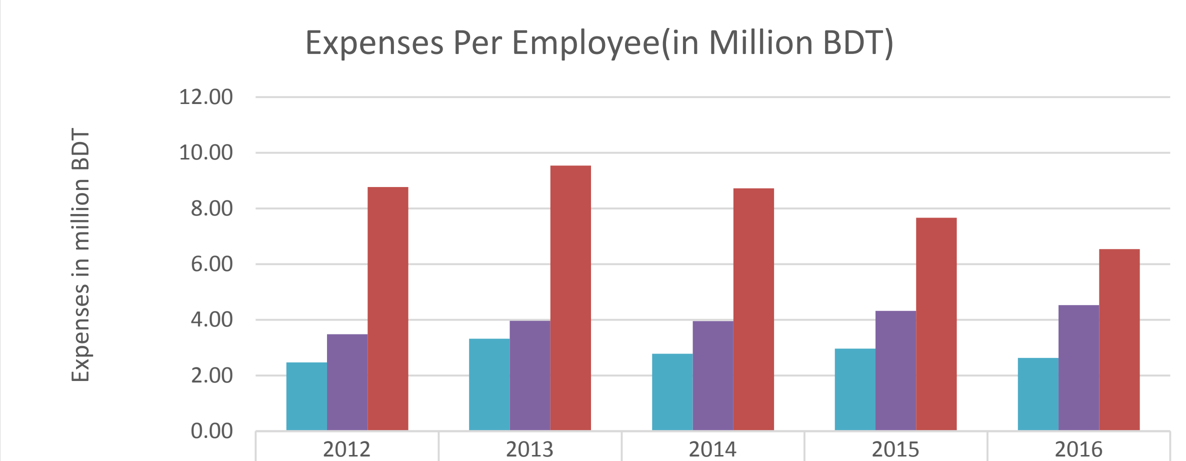
4.5 Net Profit per Employee:



	2012	2013	2014	2015	2016
Duch-Bangla Bank	439275.5277	428796.0409	397160.4883	580711.8262	287679.6068
Eastern Bank	1694043.716	1714194.814	1351194.184	1408317.186	1677075.016
Southeast Bank	820258.0169	1578661.797	1727573.859	1297339.865	930838.5313

The figure shows the lowest net profit per employee of Dutch-Bangla Bank among the selected peer banks. However, Eastern Bank exhibits the highest ratio in 2016 which is around BDT. 1677075.016. However, growing competition among banks, deteriorating asset quality, weak governance, narrowing spread, cyber security threat have continued to put pressure on profitability of the banks (Haque, Annual Report of Eastern Bank Limited, 2016). They managed to grow their net profit despite different challenges. Southeast Bank also indicates a decreasing trend in the recent years.

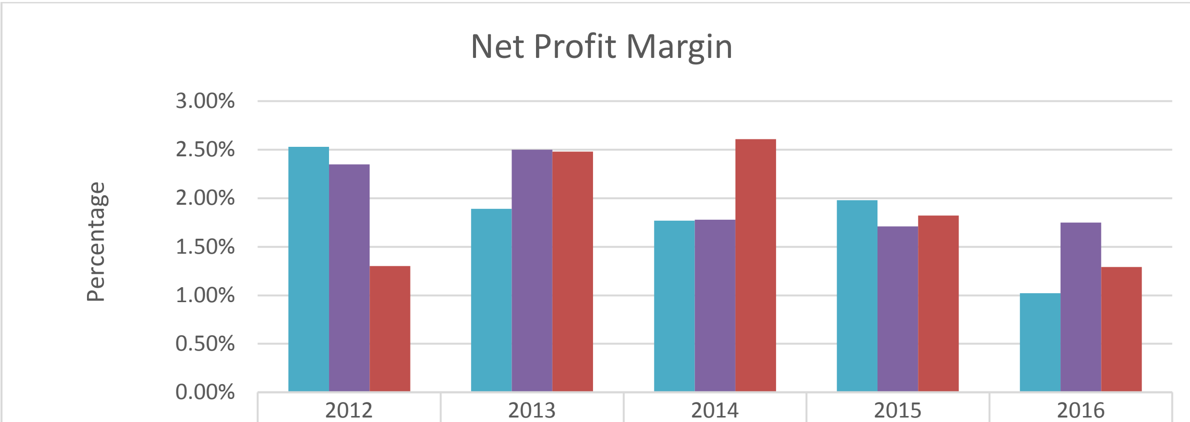
4.6 Expenses per Employee:



	2012	2013	2014	2015	2016
Duch-Bangla Bank	2.47	3.31	2.77	2.96	2.63
Eastern Bank	3.48	3.97	3.95	4.32	4.53
Southeast Bank	8.78	9.55	8.72	7.67	6.54

Dutch-Bangla Bank has lower expenses per employee among the selected banks as net profit per employee is lower than the other two banks. The ratio remained consistent for the bank throughout the years. Eastern Bank also exhibits a healthy balance in maintaining expenses per employee. Southeast Bank does not indicate a positive balance in maintaining the ratio compared to the two other banks as it costs per employee is significantly higher and total expenses stood at BDT 6.54 million in 2016. Every year the Bank devotes considerable amount of resources for continuous development of the employees through in-depth operational and professional training relating to laws and practices, rules and regulations of trade finance, investment/loans and advances, day to day banking operation, reporting and compliance etc. (Southeast Bank Limited Annual Report, 2016). However, the balance between net profit and expenses per employee does not show positivity for the bank in managing efficiency.

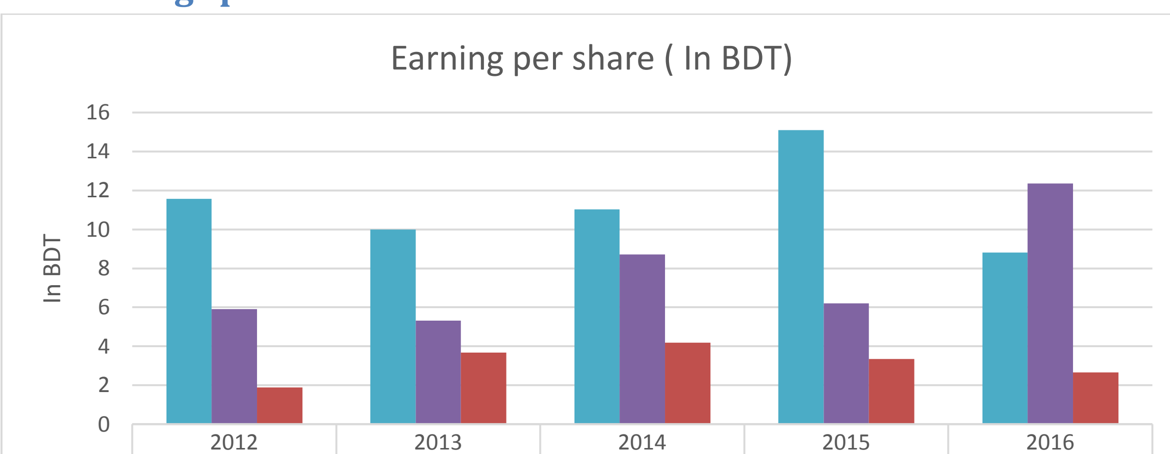
4.7 Net Profit Margin:



	2012	2013	2014	2015	2016
Duch-Bangla Bank	2.53%	1.89%	1.77%	1.98%	1.02%
Eastern Bank	2.35%	2.50%	1.78%	1.71%	1.75%
Southeast Bank	1.30%	2.48%	2.61%	1.82%	1.29%

The net profit margin of Dutch-Bangla Bank has been fluctuating over the years. It has the lowest margin in 2016 as the net profit after tax in this year has decreased significantly. As the business condition was not favorable, net profit margin of Dutch-Bangla and Southeast Banks decreased in 2016. Eastern bank has the highest net profit margin (1.75%). Comparatively, this bank is in a good position among the peer banks in maintaining the margin.

4.8 Earnings per Share:



	2012	2013	2014	2015	2016
DBBL	11.57	10	11.03	15.1	8.81
EBL	5.91	5.31	8.72	6.2	12.36
SEBL	1.89	3.68	4.18	3.35	2.66

Dutch-Bangla Bank appears quite efficient in maintaining consistent earnings per share (till 2015) among the selected banks. Eastern Bank's earnings per share have increased in 2016 which is BDT 12.36 per share. Southeast Bank has considerably lower earnings per share than other banks. Its EPS in 2016 was quite low which BDT 2.66 is per share.

4.9 Return on Equity:

	2012	2013	2014	2015	2016
Duch-Bangla Bank	21.31%	15.84%	15.20%	18.03%	9.98%
Eastern Bank	13.30%	13.84%	10.49%	10.73%	12.75%
Southeast Bank	8.33%	15.25%	15.63%	11.33%	9.18%

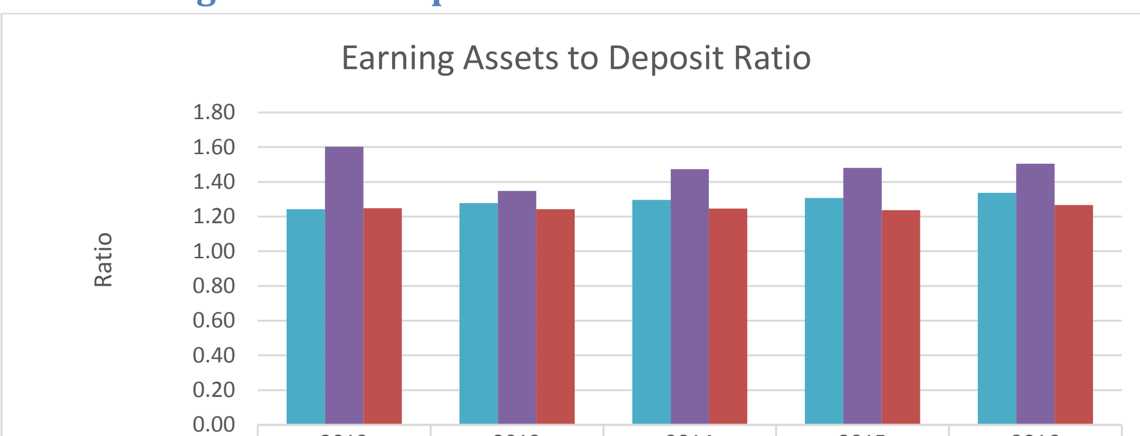
Return on equity of Dutch-Bangla Bank drastically fell to 9.98% in 2016 which is the lowest in the five year scenario. Eastern Bank exhibits relatively better position in maintaining return on equity. On the other hand, Southeast bank failed to maintain higher return on equity. Although their net profit after tax has increased in 2016, the ratio has decreased to 9.18%.

4.10 Loan to Deposit Ratio:

	2012	2013	2014	2015	2016
Duch-Bangla Bank	73.03%	72.96%	74.61%	81.53%	83.67%
Eastern Bank	105.38%	87.88%	101.28%	101.75%	108.41%
Southeast Bank	83.04%	75.97%	77.62%	80.49%	82.14%

Dutch-Bangla Bank has sustained sound loan to deposit ratio throughout the years. Eastern Bank has the highest ratio which falls a bit on the riskier side. In 2016, it has risen to 108.41%. Higher ratio means the bank will not have enough liquidity to cover any urgent fund requirements which becomes a matter of concern for Eastern Bank. Southeast Bank, on the other hand, maintains somewhat similar trend in line with Dutch-Bangla Bank.

4.11 Earning Assets to Deposit Ratio:



	2012	2013	2014	2015	2016
Duch-Bangla Bank	1.24	1.28	1.30	1.31	1.34
Eastern Bank	1.60	1.35	1.47	1.48	1.51
Southeast Bank	1.25	1.24	1.25	1.24	1.27

Again, Eastern Bank is holding comparatively better position in maintaining earning assets to deposit ratio. In 2016, it is placed to 1.51. Dutch Bangla Bank and Southeast Bank's performance were quite alike regarding the ratio. However, Dutch Bangla Bank represents better performance than Southeast Bank.

Chapter 05: Findings, Recommendation and Conclusion

5.1 Findings:

Profitability shows a company's efficiency and performance and thus net profit after tax is one of the most solid measures of performance and efficiency. Compared to other two banks, Dutch-Bangla Bank's net profit after tax has decreased significantly in 2016. It decreased from Taka 3,020.3 million to Taka 1,762.6 million in the year showing an enormous negative growth of 41.6%. The decline in after tax profit is attributed to lower operating profit and higher specific loan loss provisions.

Net profit after tax, therefore, affected their net profit margin, earning per share and return on equity negatively.

Again, the growing expenses is also the outcome of opening lots of ATM units in different locations which is considerably higher in number than any other banks. In terms of expenses, the other two banks also have showed negative growth in 2016.

Moreover, number of employees in Dutch-Bangla Bank is higher than the peer bank which contributes to lower net profit per employee. Higher number of employees eventually increases salary expenses and other allowances which results in higher operating expenses.

The percentage of classified loans of DBBL has risen to 5.2% which is comparatively higher than other banks. Consequently, in 2016, the total provision for loan losses has exceedingly increased than previous years and also compared to its peer banks.

On the other hand, their leverage ratio, loans to total assets ratio, loan to deposit ratio and earning assets to deposit ratio are in a satisfactory position.

5.2 Recommendation:

- The bank authority should pay attention to their growing expenses. In 2015, the growth in total expenditure was -0.02% (negative growth) and in the year 2016, the growth was 4.33% (positive growth). Hence, it is crucial to focus on the areas which are increasing the expenses for the bank.

- The huge number of ATM booths and Fast Tracks has a significant effect in their profitability. These ATM booths are situated in close proximity in some locations which have increased their expenses over the years. Thus, they should strike a balance between growing expenses and the growing number of ATMs.

- Again, the huge number of employees was not able to contribute significantly to increase their profitability which shows the bank is losing efficiency. Therefore, they have to look for ways how these employees can increase bank's profitability. Increase in productivity level of the employees can help them in achieving efficiency and thus in making profit.

- The non- performing loans to total loans has risen to 5.2% which was higher than Eastern Bank and Southeast Bank in 2016. It signifies that their bad debt has increased compared to the competitors. An upgraded and effective credit risk management system can ensure timely repayment and thus minimize default. They need to pay attention to better client profiling and collateral management.

5.3 Conclusion:

Dutch Bangla Bank has been a successful private commercial bank in the banking industry. Its main goal is a safe and steady growth. The bank has been practicing conservative banking over the years. Thus, it has adopted new technologies to make every area of the bank more transparent to the central management. It has cut down processes that took hours previously, now can be executed within minutes. Dutch Bangla Bank is also continuously expanding its offerings and services to the clients. Again, its social causes programs create a strong image for the bank among the shareholders.

The bank has remained profitable since its inception. However, recently in 2016, the banking sector continued to face challenges like swelling non-performing loans, excess liquidity, lower capital adequacy etc. These challenges has also affected the bank in some way or other eventually. Hence, the bank could not perform well compared to previous years.

Nonetheless, the bank has all the capabilities to recover the damages. They need to pay attention to their limitations and take measures to improve their current condition. Dutch-Bangla Bank has been pioneer in automation. Its strong exposure in different banking areas has also made the bank trustworthy among their huge number of clients. Therefore, focusing on the areas that they should improve or upgrade will eventually help them in achieving continuous growth.

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Appendix:

Dutch-Bangla Bank Limited:

Particulars	2012	2013	2014	2015	2016
Authorized capital	4,000,000,000	4,000,000,000	4,000,000,000	4,000,000,000	4,000,000,000
Paid up share capital	2,000,000,000	2,000,000,000	2,000,000,000	2,000,000,000	2,000,000,000
Total assets	155,918,559,459	185,537,386,894	215,993,545,862	244,057,570,324	276,844,361,224
Total loans and advances	91,603,016,647	105,936,987,594	124,422,990,617	152,270,000,465	173,397,797,631
Total deposits	125,431,035,372	145,202,000,253	166,762,332,512	186,765,001,538	207,233,965,363
Total shareholder's equity	10,854,499,443	12,627,820,323	14,517,439,362	16,754,335,478	17,660,158,488
Fixed assets	4,676,648,564	4,382,543,382	4,141,718,378	4,519,304,790	4,871,867,057
Net interest income	7,000,092,394	7,319,453,120	8,333,929,239	9,787,994,590	9,963,549,104
Total liabilities	145,012,325,072	172,385,644,122	201,476,106,500	227,303,234,846	259,184,202,736
Net Assets	10906234387	13151742772	14517439362	16754335478	17660158488
Total expenses	16091.5m	15467m	15417.4m	15415m	16091.5m
Total provision	388,507,210	1,036,543,042	805,600,797	166,601,376	2,287,815,125
Total capital	12,284,049,850	15,403,356,792	18,077,940,428	21,137,599,847	21,249,366,086
Interest earning assets	125,900,036,856	150,588,766,201	178,435,705,026	210,882,266,084	233,602,308,408
Non-interest earning assets	30,018,522,603	34,948,620,693	37,557,840,836	33,175,304,240	43,242,052,816

Earning assets	155,918,559,459	185,537,386,894	215,993,545,862	244,057,570,324	276,844,361,224
Capital to risk weighted asset ratio	13.10%	13.70%	13.80%	13.70%	12.00%
Percentage of Classified Loans	3%	3.90%	4.40%	3.70%	5.20%
Return on investment	8%	10.40%	10.80%	10.80%	11.16%
Return on assets	0.70%	1.30%	1.10%	1.20%	1.70%
Number of branches	165	155	145	136	126
Number of employees	5,268	4,666	5,556	5,201	6,127
Number of ATM units	4,331	3,588	2,705	2,454	2,366

Eastern Bank Limited:

Particulars	**2012**	**2013**	**2014**	**2015**	**2016**
Authorized capital	12,000,000,000	12,000,000,000	12,000,000,000	12,000,000,000	12,000,000,000
Net profit after tax	2,275,100,710	2,567,863,831	2,106,511,733	2,220,916,202	2,656,486,826
Total assets	147,148,334,316	157,881,633,857	172,124,130,886	189,563,399,618	211,185,458,156
Total loans and advances	96,719,736,531	102,910,218,949	118,291,346,183	130,226,324,465	152,083,687,536
Total deposits	91,780,968,457	117,101,708,180	116,791,676,116	127,990,033,575	140,284,158,650

Total equity	17,109,339,472	18,558,820,634	20,086,851,401	20,707,454,946	20,831,809,735
Fixed assets	5,777,805,402	6,908,244,828	7,086,875,736	5,953,130,377	5,954,156,754
Net interest income	4,885,518,947	4,956,244,384	4,009,157,584	3,682,734,708	5,607,231,863
Total liabilities	129,794,892,351	139,604,536,856	152,037,279,484	170,383,819,621	191,545,367,333
Net Assets	17,353,441,965	18,277,097,001	20,086,851,402	19,179,579,997	19,640,090,823
Total expenses (in million taka)	4,670	5,944	6,161	6,815	7,171
Total capital	15,646,076,856	16,764,225,278	18,120,777,529	20,463,336,507	22,472,074,264
Interest earning assets	119,333,775,371	133,056,841,652	146,689,053,938	163,992,828,814	183,760,577,206
Non-interest earning assets	27,814,558,945	24,824,791,202	25,435,076,948	25,570,570,804	27,424,880,946
Earning assets	147,148,334,316	157,881,632,854	172,124,130,886	189,563,399,618	211,185,458,152
Paid up share capital	6,111,797,850	6,111,797,850	6,111,797,850	6,111,797,850	7,028,567,520
Capital to risk weighted asset ratio	12.18%	12.01%	13.18%	13.92%	14.96%
Percentage of Classified Loans	3.17%	3.58%	4.36%	3.19%	2.76%

Return on investment	4.02%	3.38%	2.34%	2.25%	2.26%
Return on assets	1.72%	1.68%	1.28%	1.23%	1.33%
Number of branches	82	80	76	71	67
Number of employees	1,584	1,577	1,559	1,498	1,343
Number of ATM units	202	197	191	175	160

Southeast Bank Limited:

Particulars	**2012**	**2013**	**2014**	**2015**	**2016**
Authorized capital	15,000,000,000	10,000,000,000	15,000,000,000	15,000,000,000	15,000,000,000
Paid up capital	8,732,858,820	8,732,858,820	9,169,501,760	9,169,501,760	9,169,501,760
Net profit after tax	1,648,718,614	3,343,605,686	3,836,941,540	3,082,479,520	2,435,073,598
Total assets	189,921,580,017	220,930,854,776	236,608,400,499	260,253,042,164	291,993,002,059
Total loans and advances	126,968,968,682	134,863,823,924	147,070,806,209	169,378,858,711	189,364,957,468
Total deposits	152,901,238,558	177,519,464,493	189,472,543,702	210,435,774,704	230,533,702,113
Total equity	19,784,117,749	21,929,146,789	24,543,211,145	27,206,657,378	26,523,558,664

Fixed assets	7,677,509,500	7,795,649,125	7,912,999,072	7,885,226,411	8,947,162,556
Net interest income	2,091,498,867	1,967,129,642	3,183,989,197	3,138,457,959	4,207,210,103
Total liabilities	170,129,698,005	198,991,228,265	212,055,005,766	233,501,944,791	265,264,448,255
Net Assets	19,791,882,012	21,939,626,511	24,553,394,733	26,751,097,373	26,728,553,804
Total expenses	17638.99m	20218.11m	19377.34m	18226.45m	17114.35m
Total capital	19,608,958,030	21,783,590,784	27,428,290,844	28,490,491,729	34,021,136,400
Interest earning assets	165,359,522,082	190,734,965,071	203,913,631,703	225,992,515,828	251,553,828,013
Non-interest earning assets	25,452,042,920	29,843,210,193	32,302,513,468	34,260,526,336	40,439,174,046
Earning assets	190,811,565,002	220,578,175,264	236,216,145,171	260,253,042,164	291,993,002,059
Capital to risk weighted asset ratio	10.93%	10.97%	12.49%	11.60%	12.18%
Percentage of Classified Loans	4.47%	3.94%	3.64%	4.25%	4.89%
Return on investment	1.01%	1.73%	1.78%	1.32%	0.93%
Return on assets	0.95%	1.63%	1.67%	1.24%	0.88%
Number of employees	2,010	2,118	2,221	2,376	2,616
Number of branches	128	122	113	103	94