

**“INSTRUMENTS OF
FOREIGN TRADE FINANCE”**

AT

DHAKA BANK

L I M I T E D



INTERNSHIP REPORT

ON

**“INSTRUMENTS OF FOREIGN TRADE FINANCE AT
DHAKA BANK LIMITED”**

SUBMITTED TO:

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LETTER OF TRANSMITTAL

21st December, 2011.

Md. Abdul Alim Baser

Faculty

BRAC Business School (BBS)

BRAC University, Dhaka.

Subject: Submission of Internship Report on “Instruments Of Foreign Trade Activities At Dhaka Bank Limited”.

Dear Sir,

With due respect, I would like to inform you that, I have submitted my Internship Report on “Instruments Of Foreign Trade Activities At Dhaka Bank Limited” as per your instruction. I hope this report will be informative as well as comprehensive.

Working in such an important department of a bank, was an inspiring experience for me. I have gathered enormous practical knowledge and experience in foreign trade financing activities of a bank, which will facilitate me a lot in my future career. With my limited knowledge, I have tried my level best to prepare the internship report worthwhile.

Your acceptance and appreciation would obviously inspire me. For any further explanations about the paper, I will be gladly available to clarify the ins and outs. Any suggestion regarding this term paper will be foreseeable.

Sincerely Yours,

Sadia Afrose (ID: 07204033)

ACKNOWLEDGEMENT

The successful accomplishment of this project work is the outcome of the contribution of number of people, especially those who have given the time and effort to share their thoughts and suggestions to improve the report. At the beginning, I would like to pay my humble gratitude to the Almighty for giving me the ability to work hard under pressure. However, the space involved does not allow us to mention everybody individually. It gives me immense pleasure to thank a large number of individuals for their cordial cooperation and encouragement who have contributed directly or indirectly in preparing this project.

This is a great pleasure for me to be assigned under the guidance of Md. Abdul Alim Baser (my supervisor), Faculty of BRAC Business School, BRAC University. I am very grateful to him for all his kind cooperation and guidance in preparing this project paper. His professional and practical experience enriched me to a great extent at the time of preparing this study.

Then, I would like to express my gratitude to Mr. Mostaque Ahmed Khan - Executive Vice President & Manager, as well as Mr. Mirza Ismail, Head of Operations and Mrs. Ismat Ara, Second In-charge Operations, Dhanmondi Branch, Dhaka Bank Limited.

I convey my gratitude to Mrs. Neghat Peerveen (AVP & in-charge of Foreign Trade), Mr. Osman, Mr. Kabir, Mr. Mokarrab, Mrs. Moushumi, Mrs. Roksana Begum; Dhanmondi Branch without their Guidance and assistance, this report would not have seen the light of day.

Finally, I would like to thank all those people who have shared their views about my work, provided me with necessary information, criticized me, and congratulated me. This acknowledgment is not enough to tell them how profound the impact of their opinion is on this report, how indebted I am to them. I express my heartiest gratitude to all of them.

This report is not free from limitations. There might still be some minor mistakes such as typing errors despite my utmost care. I apologize for this.

TABLE OF CONTENT

SL No.	Title	Page No.
	Chapter- 1	
1	Organizational Overview	01-19
1.1	Introduction	02
1.2	History Of Dhaka Bank Ltd	03-05
1.3	Organizational Hierarchy	06
1.4	Products & Services Provided By Different Departments	07-19
	Chapter- 2	
2	My Job At Dhaka Bank Ltd	20-25
2.1	Description and Specification of The Job	20-24
2.2	Observation and Recommendations	25
	Chapter- 3	
3	Instruments Of Foreign Trade Finance At Dhaka Bank Ltd	26-53
3.1	Summary	27
3.2	Objective of The Report	27-28
3.3	Scope	28
3.4	Methodology	28
3.5	Limitations	28
3.6	Instruments Of Foreign Trade Finance Activity At Dhaka Bank Limited, Dhanmondi Branch	29-53
3.6.1	Introduction	29-30
3.6.2	Import Activities	30-41
3.6.3	Export Activities	42-50
3.6.4	Other Foreign Trade Financing Instruments	50-53

4	Chapter- 4 Analysis & Findings	54-64
4.1	Strengths Of Foreign Trade Financing At Dhaka Bank Ltd.	55-59
4.2	Weaknesses Of Foreign Trade Financing At Dhaka Bank Ltd.	60-64
5	Chapter- 5 Recommendations & Conclusion	65-67
5.1	Recommendations	66-67
5.2	Conclusion	67
6	Reference	68
APPENDIX		
1	Common Process of Letter Of Credit (LC)	
2	List of Authorized Dealer (AD) Branches at DBL	
3	Financial Statements of DBL	
4	Dhaka Bank Interest Rate	
5	Sample Of Harmonized System (HS) Code	
6	Sample Of Letter Of Credit	

EXECUTIVE SUMMARY

The banking sector of Bangladesh is getting competitive day by day. This competitive environment gave the existing banks lots of challenges. For winning the competition, every bank offers huge range of products and services. The banking activities are operated not only inside the country but also it has crossed the boundary. Today, the foreign trade transactions get easier because of the involvement of the bank. The fraud forgery have decreased in foreign trade transaction and both the exporter as well as importer get benefits as they are using the bank as an intermediary of their payments as well as processing of the documents.

Dhaka Bank Limited a private sector commercial bank. It was incorporated as a public limited company on 6 April 1995 under the company act 1994. It started functioning as a commercial bank on 5 July, 1995. The bank opened its business with an authorized capital of Tk. 1000 million and a paid up capital of Tk. 100 million. As on 31 march, 2010 the paid up capital of the bank has gone above Tk. 2659 million. So Dhaka Bank has proven its competence in the mean time. Being centered at H/Q of the bank, the Global Trade Service of the bank maintain correspondent network with 320 banks all over the globe. Clients of Dhaka Bank reach the global trade opportunity through 15 Authorized Dealer branches and one offshore branch. The foreign trade activities of the bank is directly controlled and monitored by the Central Processing Centre, which is one of the units of the Head Office.

The bank provides services to the clients with different instruments of foreign trade finance, like-opening as well as advising LC; issuing different certificates i.e. NOC, shipping certificate/ guaranty, so on; make as well as receiving the payments and documents on behalf of the client; they also facilitate the foreign trade by providing the clients loans for pre-shipment as well as post-shipment whenever they are in shortfall of fund. The bank mainly deals with both export as well as import business.

DBL undertakes Import Finance in the form of both pre-import and post-import finance. Letter of Credit is a pre-import finance, which is made in the form of commitment on behalf of the client to pay an agreed sum of money to the beneficiary of the Letter of Credit upon fulfillment

of terms & conditions of the Credit. Dhaka Bank has significant credit line with various Corresponding Banks for confirmation of the LCs of their customers. A documentary credit is a Bank's guarantee of payment an import of goods against specific documents. DBL ensures this payment commitment in time. DBL also offers excellent solution to meet all performance bonds & guarantees required by its valued clients. Loan against Trust Receipt (LTR) is also a post import finance facility awarded to retire import bill directly or under PAD as the case may be. In this category of finance, possession of the goods remains with the borrower and the borrower executes 'Letter of Trust Receipt' in acknowledgement of debt and its repayment along with interest within agreed period of time.

Like import trade, DBL advances in export trade at both pre-shipment and post-shipment shipment stages. The pre-shipment facilities are usually required to finance the costs to execute export orders, such as: procuring & processing of raw materials, packaging and transportation, payment of various fees and charges including insurance premium etc. While post-shipment facilities are directed to finance exporter's various requirements, which are required to be settled immediately on the back drop that usually, settlement of export proceeds takes some time to complete. Dhaka Bank provides prompt advising of export letter of credit from a wide international network. Back to Back LC is a type of pre shipment finance by way of opening L/C in favor of a foreign supplier for purchase of raw materials or the finished merchandise, as the case may be, to execute export order. Export Bills for Collection are documents which are presented to the bank by the seller/exporter to collect payment from the buyer through the buyer's bank. To execute export orders under L/C or firm contract the bank awards packing credit facility to meet client's working capital requirement. Foreign Documentary Bill Purchased (FDBP) is a post shipment finance allowed to the customer through the purchase/negotiation of foreign documentary bills adjustable from the relevant export proceeds.

Dhaka Bank is proceeding forward with all its clients and stake holders in bold steps and contributing in national economy too by providing the instruments of foreign trade financing.

CHAPTER-1
ORGANIZATION OVERVIEW

1.1 INTRODUCTION:

Generally by the word “bank” we can easily understand that the financial institution dealing with money. The whole scenario of the economy of a country can be ascertained by examining the condition of the banking sector. Banking sector has a vital role to play in the economic activities and development of any country. There are different types of banks like Central Banks, Commercial Banks, Savings Banks, Investment Banks, Industrial Banks, and Co-operative banks etc. But when we use the term “bank” without any prefix or restriction, it refers to the Commercial Banks. Commercial Banks are the primary contributors to the economy of a country like Bangladesh. In Bangladesh, the commercial banks are dominating the financial sector and macroeconomic management largely depends on the performance of the commercial banks as well as banking sector. Banking grew primarily in the public sector with main emphasis on restructuring of the financial system and development needs of the war-torn economy with gradual liberalization in subsequent years. It was increasingly felt that banks should be allowed in the private sector for giving a fillip to development process on the basis of private initiative. In the 80’s for the first time a number of banks in the private sector were allowed. Dhaka Bank is one of them. Today the banking concept is not continuing inside the branches or the cabin of the branches. The bankers are now practicing the non cabin banking. The assurance of the availability of the service provider is main factor in bank service. As a result, it has become essential for every person to have some idea on the bank and banking procedure. At present, there are 52 scheduled banks operating all over the country. Out of these, 9 are state-owned (including five specialized banks), 29 are private commercial banks and the rest 13 are foreign commercial banks.

Even though banking sector in Bangladesh is going through a radical change, it still suffers from chronic inefficiency. The biggest problem of Bangladesh banking system is the bank loan default problem. Various initiatives have been undertaken to tackle the loan default problem in Bangladesh. One of them is to have a credit policy and procedures guideline mandated by the Bangladesh Bank.

1.2 HISTORY OF DHAKA BANK LTD

As the pioneer of private banking system in Bangladesh, Dhaka Bank Limited converts its glorious past into a productive present, which has given the base for creation of an outstanding future. Since its establishment back in 1995, DHAKA BANK LIMITED provided its strength and commitment in financial sectors which gains public trust in terms of quality service to the customers and value addition to the shareholders. And that positioned it in the top slot of financial sectors in all respect. To keep pace with time and in harmony with national and international economic activities and for rendering all modern services, DHAKA BANK LIMITED, as a financial institution automated all its branches with computer network in accordance with the competitive commercial demand of time. Dhaka bank Limiter is determined to explore the different ways to accommodate with the needs of its clients.

Dhaka Bank was incorporated as a public limited company under the Companies Act. 1994. The Bank started its commercial operation on July 05, 1995 with an authorized capital of Tk. 1,000 million and paid up capital of Tk. 100 million. The paid up capital of the Bank stood at Tk 2,659,597,763 as on March 31, 2010. The total equity (capital and reserves) of the Bank as on March 31, 2010 stood at Tk 6,036,368,754.

1.2.1 PRESENT SCENARIO OF DHAKA BANK LTD

The Bank has 54 Branches, 4 SME Service Centres, 5 CMS Units, 2 offshore Banking Unit across the country and a wide network of correspondents all over the world. The Bank has plans to open more Branches in the current fiscal year to expand the network. The Bank offers the full range of banking and investment services for personal and corporate customers, backed by the state-of-the-art technology and a team of highly motivated Professionals.

As an integral part of our commitment to Excellence in Banking, Dhaka Bank now offers the full range of real-time online banking services through its all Branches, ATMs and Internet Banking Channels.

Dhaka Bank Ltd. is the preferred choice in banking for friendly and personalized services,

cutting edge technology, tailored solutions for business needs, global reach in trade and commerce and high yield on investments.

1.2.2 THE MISSION STATEMENT OF DHAKA BANK LIMITED

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

1.2.3 THE VISION OF DHAKA BANK LIMITED

Dhaka Bank draws inspiration from the distant stars. The DHAKA BANK LIMITED team is committed to assure a standard that makes every banking transaction a pleasurable experience. Its endeavour is to offer customers razor sharp sparkle through accuracy, reliability, timely delivery, cutting edge technology, and tailored solution for business needs, global reach in trade and commerce and high yield on investments of its clients.

1.2.4 THE GOAL OF DHAKA BANK LIMITED

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

1.2.5 VALUES OF THE DHAKA BANK LIMITED

- Customer Focus.
- Integrity and Honesty
- Quality
- Teamwork.
- Respect for the Individual
- Responsible Citizenship
- Transparency and Accountability
- Environmentally Conscious
- High Morale

1.2.6 CORPORATE INFORMATION

Date of Commencement : 05 July, 1995

Registered Office : Biman Bhaban(1st Floor)

100 Motijheel C/A, Dhaka-1000, Bangladesh

Telephone : +880 2 9554514

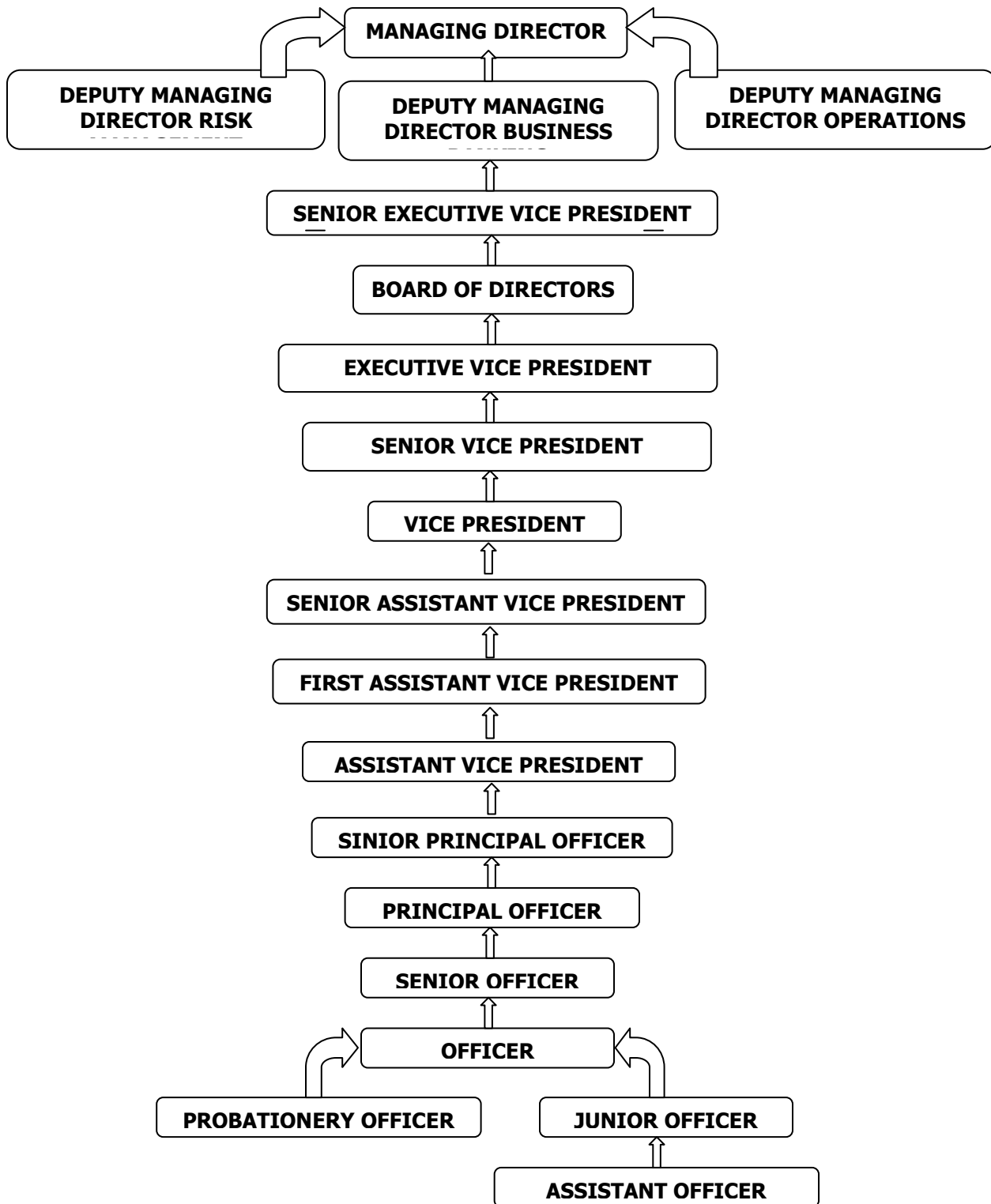
Telefax : +880 209556584, 9571013

SWIFT Code : DHBLBDDH

E-mail : info@dhakabank.com.bd

Web Page : www.dhakabankltd.com

1.3 ORGANIZATIONAL HIERARCHY:



1.4 PRODUCTS & SERVICES PROVIDED BY DIFFERENT DEPARTMENTS

1.4.1 CORPORATE BANKING

Providing a tailored solution is the essence of our Corporate Banking services. Dhaka Bank recognizes that Corporate Customers' needs vary from one to another and a customized solution is critical for the success of their business.

Dhaka Bank offers a full range of tailored advisory, financing and operational services to its corporate client groups combining trade, treasury, investment and transactional banking activities in one package.

Whether it is a Project Finance, Term Loan, Import or Export Deal, Working Capital Requirement or Forward Cover for a Foreign Currency Transaction, our Corporate Banking Managers will offer you the right solution. You will find top-class skills and in-depth knowledge of market trends in our Corporate Banking Specialists, speedy approvals and efficient processing fully satisfying your requirements - altogether a gratifying experience.

1.4.1.1 SECURITIZATION OF ASSETS

A powerful and effective means of generating funds for a certain category of institutions, Securitization of Assets is still in its infancy in The need however for such a service is great and there is a lot of support from multilateral financial institutions, such as the World Bank and the Asian Development Bank, for such activities to be developed further in this country. Dhaka Bank intends to take up this challenge and play a significant role in ensuring that Securitization of Assets becomes a normal part of the range of financial instruments available for organizations who can count on a steady, but piecemeal, flow of revenue and want to translate this stream into cash resources with which to carry out further lending activities to new customers. Some practical issues still need to be settled such as those concerning pricing, or the legal framework, but it is expected that, as Dhaka Bank and other institutions pursue more such securitization activities these will be resolved.

1.4.1.2 FINANCE & ADVISORY SERVICES

Given the needs of its large and varied base of corporate clients Dhaka Bank will be positioning itself to provide investment banking advisory services. These could cover a whole spectrum of activities such as Guidance on means of raising finance from the local Stock markets, Mergers and Acquisitions, Valuations, Reconstructions of Distressed companies and other expert knowledge based advice. By this means Dhaka Bank hopes to play the role of strategic counselor to blue-chip Bangladesh companies and then move from the level of advice to possible implementation of solutions to complex financing problems that may arise from time to time. This would be an extra service that would complement the normal financing activities that Dhaka Bank already offers to corporate business houses.

1.4.1.3 SYNDICATION OF FUNDS

There has been a surge in the number of syndication deals closed in the last few years. 2004 was an exceptionally good year for syndicated deals for the local commercial banks also for the foreign banks. The total number of syndications in 2004 exceeded 10 totaling over Tk. 10 billion. This rise in the number of syndications can be primarily attributed to the prudential lending guidelines of the Bangladesh Bank. A commercial bank may provide funded facilities up to a maximum of 25% of its equity. Due to this reason, projects with sizeable costs need to approach more than one bank for their debt requirements and therefore the demand for syndications exist. Credit risk diversification has led many international companies to introduce credit derivatives that are actively being traded. Securitization of assets is one such credit risk derivative that allows financial institutions to diversify their portfolios.

1.4.1.4 PROJECT FINANCE

Project financing is an innovative and timely financing technique that has been used to fund large-scale corporate projects. It includes understanding the rationale for project financing, preparing the financial plan, assessing the risks, designing the financing mix, and raising the funds.

Project finance is different from traditional forms of finance because the financier principally looks to the assets and revenue of the project in order to secure and service the loan. Project financing relies primarily on the project's cash flow for repayment, with the project's assets, rights, and interests held as secondary security or collateral. Dhaka Bank offers a full range of services to the entrepreneurs implementing a project including structuring mode of financing, mitigation of different risks and providing advisory service for successful implementation of the project.

1.4.1.5 SYNDICATION & STRUCTURED FINANCE

Structured Finance is the efficient process to manage the fund raising based on borrowers' strong performance in cash flow in the past. Rather than other assets being used as collateral for the Loan, funds are advanced based on the history that indicate a consistent flow of cash into the borrower's business that will allow for the timely and orderly repayment of the Loan amount.

Loan Syndication

Syndication financing involves getting a group of Banks / Financial Institutions forming a syndicate to provide the loan amount required by the customer under a set of common terms and conditions laid down in a loan agreement. It is a growing concept in Banking Arena of Bangladesh, which diversifies the risk of one bank on a single borrower and increases the quality of loan through cumulative judgment and monitoring of all the Syndicated Lenders.

Dhaka Bank Syndication & Structured Finance Unit

The Syndication and Structured Finance Unit was setup on October 2004 in Dhaka Bank. Our participation in a number of loan syndication arrangements has been highly acclaimed. The projects we have handled as Lead Arranger include production and export oriented ventures in Textile, Ready Made Garments, Power Generation, Telecom, Steel & Engineering, Chemicals & Pharmaceuticals, Consumer & Diversified Industries, etc. The unit has successfully closed 14 syndicated deals till year 2009. Now, the Unit is expanding its business horizon through getting

involved in financing business in diverse sectors with the new Structured Finance products like Asset-based Securitization, Bond, etc.

1.4.1.6 WORKING CAPITAL FINANCE

Dhaka Bank caters to the working capital needs of the client taking into account the current asset requirement of the client. Dhaka bank extends different types of working capital facility like Back-to-Back LC, Loan against Trust Receipt (LTR), Cash Credit (CC), Overdraft (OD) facility, Short Term Loan (STL), Bank Guarantee, etc. to facilitate the business operation of the client.

1.4.2 RETAIL BANKING

In 2001 DBL. introduced its personal banking program responding to the market demand for a complete range of modern banking products & services. Last year they introduced a new product called Savings bundles Product. Designed exclusively for the salaried executives, Excel Account offers a packaged solution to companies and organizations in processing their employees' salaries and funding employees' loans.

Retail Banking consists of the following products:

1.4.2.1 BUNDLED SAVINGS PRODUCT

Dhaka Bank Bundled Savings Product is a unique package that blends all flexibilities of a current account with the interest earning provisions of a savings account, namely -

➤ Dhaka Bank Silver Account

➤ Dhaka Bank Gold Account

➤ Dhaka Bank Platinum Account

Key Features:

The initial deposit for:

-Silver Account	: BDT 30,000
-Gold Account	: BDT 50,000
-Platinum Account	: BDT 1,00,000

High Interest on Daily Balance*:

-Silver Account	: 7%
-Gold Account	: 7.5%
-Platinum Account	: 8.5%

1.4.2 .2 DEPOSIT PENSION SCHEME (DPS)

Deposit Pension Scheme (DPS) is an instalment-based savings’ scheme of Dhaka Bank for a single individual. Dhaka Bank DPS offers competitive interest rates and instalments that are affordable for our Customers.

Monthly Deposit Amount	4 Years	5 Years	6 Years	7 Years	8 Years	9 Years	10 Years
1,000	57,517	75,553	95,341	116,962	140,726	166,875	196,198
2,000	115,035	151,107	190,683	233,925	281,453	333,751	392,397
3,000	172,552	226,661	286,025	350,888	422,180	500,627	588,596
5,000	287,588	377,768	476,709	584,813	703,633	834,378	980,993
10,000	575,176	755,537	953,418	1,169,626	1,407,256	1,668,757	1,961,987
20,000	1,150,352	1,511,075	1,906,836	2,339,253	2,814,533	3,337,514	3,923,975

1.4.2 .3 SALARY ACCOUNT

Dhaka Bank has launched a special package of savings account for employees belonging to institutions with which Dhaka Bank has a corporate agreement. With this package salaried

employees of these institutions enjoy interest on a daily balance. The key features of the Salary Account are:

- Interest to be calculated on a daily balance basis
- No Periodic Service Charge
- ATM Card Facility
- Credit Card Facility
- On-line Banking Facility
- Internet & SMS Banking Facility

1.4.2 .4 ATM/DEBIT CARD SERVICES



Dhaka Bank offers the facilities of ATM/Debit Card to account holders. Recently, Dhaka Bank has invested a great deal on expansion of its ATM infrastructure. Apart from providing facilities through our own channels, we also have come into terms with other major ATM service providers (**Dutch Bangla Bank and Brac Bank**) only to bring in more area of coverage to provide ATM and POS service to DBL clients. As a result DBL Customers can enjoy the facilities of over **1400 ATM and POS** throughout the country.

1.4.2 .5 PERSONAL LOAN

Who can apply :

- a) Salaried Individuals
- b) Professionals
- c) Business Persons

Loan Size :

Minimum : BDT 5,00,000.00
Maximum : BDT 20,00,000.00

Margin of Equity :

50.00 % Margin requirement

Interest Rate* :18.00 % per annum

Loan Processing Fee :

2.00 % per annum

Partial & Early Settlement Fee :

1.00 % per annum

Other Terms & Conditions :

-Minimum Gross Family Income : BDT
20,000.00

Age Limit :

Minimum Age of the Applicant : 21 Years
Maximum Age of the Applicant : 57 Years

1.4.2 .6 CAR LOAN

Who can apply :

- a) Salaried Individuals
- b) Professionals
- c) Business Person

Loan Size :

-Minimum Loan Amount : BDT
5,00,000.00
-Maximum Loan Amount : BDT

Age Limit :

-Minimum Age of the Applicant : 21 Years
-Maximum Age of the Applicant : 57 Years

Other Terms & Conditions :

20,00,000.00

- Minimum: BDT 50,000.00

Margin of Equity :

-50.00 % Margin requirement

- Loan Facility for –

Interest Rate :

-18.00 % per annum (Conditions Apply)

-Brand New or Re-Conditioned Vehicle, not older than 6 Years.

-Vehicle should be for personal use only.

Loan Processing Fee :

-2.00 % per annum

Partial & Early Settlement Fee :

-1.00 % per annum

1.4.2 .7 HOME LOAN

Home Loan is a term loan facility to purchase your desired home/flat.

Who Can Apply :

- a) Salaried Individuals
- b) Professionals
- c) Business Persons

Loans are available to Bangladeshi nationals: **Interest Rate :**

-Minimum age of eligibility : 21 years - 18.00% per annum (16% to 18%)

-Maximum age of eligibility : 65 years * Conditions Apply

-Verified gross family income : BDT
40,000

Loan Processing Fee :

Loan Size :

-2.00 % per annum

-Minimum : BDT 5,00,000*
-Maximum : BDT 75,00,000*

Partial & Early Settlement Fee:

Within 5 Years 2.5% of Adjusted Amount
5 Years & After 1.5% of Adjusted Amount

Tenure:

Minimum : 5 Years
Maximum : 15 Years

Insurance Premium :

The insurance premium will be borne and arrange for by the borrower and copy of up to- date INSURANCE POLICY will be submitted to the Bank on regular basis.

1.4.2 .8 CREDIT CARD

Dhaka Bank Visa Dual Currency Credit offers you a convenient and flexible way to pay for purchases at home and abroad and on the web.

Who can apply :

- a) Salaried Individuals
- b) Professionals
- c) Business Person

Required Income :

- Minimum : BDT 25,000.00

Age Limit :

-Minimum Age of the Applicant : 21 Years
-Maximum Age of the Applicant : 55 Years

Credit Limit*:

- Minimum Limit : BDT 10,000.00
(and/or equivalent US Dollars)
- Maximum Limit : BDT 5,00,000.00

(and/or equivalent US Dollars)

Other Features:

1. Supplementary Cards.
2. Cash Advance facility up to 50% of Card limit
3. E-Commerce Facility for use on over the Internet
4. Usable at all Merchants and ATMs that display the “VISA” logo
5. Credit Facility absolutely free for as many as 45 days
6. Quick Replacement of Lost/Stolen Card
7. Convenient Card Bill Payment options
8. Special promotions and discount offers exclusively for Cardholders
9. Card Dues Notification through SMS
10. Auto renewal before expiry

1.4.2 .9 SMALL & MEDIUM ENTERPRISE (SME) LOANS

INTEREST & EXPERIENCE IN SME FINANCING - DHAKA BANK LIMITED

Since inception, the Dhaka Bank has held socio-economic development in high esteem and was among the first to recognize the potentials of SMEs.

Dhaka Bank’s Involvement:

Recognizing the SME segment’s value additions and employment generation capabilities quite early, the Bank has pioneered SME financing in Bangladesh in 2003, focusing on stimulating the manufacturing sector and actively promoting trading and service businesses.

1.4.2 .10 GLOBAL TRADE SERVICES (GTS)

Global Trade Services (GTS), Head Office consists of two units- Financial Institutions or FI and Remittance Unit.

1. Financial Institutions

FI arranges correspondent banking network, credit lines and other facilities required for 15 Authorized Dealer (AD) branches and one Offshore Banking unit of DBL. With a vast network (320+) of correspondents throughout the globe, Dhaka Bank Limited is one of the banks in Bangladesh enjoying credit line facility from International Finance Corporation (IFC) under its Global Trade Finance Facilitation Program (GTFP) for conformation of the L/Cs issued by itself. Dhaka Bank Ltd. provides the following services:

- Import Letter of credits
- Export Letter of credits, negotiation & documentary collection
- Local guarantees against counter guarantees

2. Remittance

Dhaka Bank Limited started providing remittance services through its local & foreign correspondents in 2004. Dhaka Bank Ltd. has 44 branches and 3 Kiosks in Bangladesh posing a total of 47 branches. Dhaka Bank is also working with two NGOs namely PAGE DEVELOPMENT CENTRE (Comilla based with 60 branches) and PADAKEEP MANABIK UNNOYAN KENDRA (a National NGO with 150 branches). DBL has extended its horizon to a total of 300 branches altogether and is not limited to only banking affairs in the urban area but also related with the social activities (e.g. agro loan) in the rural Bangladesh.

1.4.2 . 1 1 ISLAMIC BANKING

Dhaka Bank Limited offers Shariah based Islamic Banking Services to its clients. The bank opened its First Islamic Banking Branch on July 02, 2003 at Motijheel Commercial Area, Dhaka. The second Islamic Banking branch of the bank commenced its operation at Agrabad Commercial Area, Chittagong on May 22, 2004. Dhaka Bank Limited is a provider of on line banking services and any of its clients may avail Islamic Banking services through any of the branches of the bank across the country. Dhaka Bank Islamic Banking Branches offer fully Shariah based, Interest free, Profit-Loss Sharing Banking Services. Dhaka Bank Shariah Council

is closely monitoring its activities. Besides, Dhaka Bank is an active member of Islamic Banking Consultative Forum, Dhaka and Central Shariah Board of Bangladesh.

1.4.2 . 12 LOCKER SERVICES

One could use the locker facility of Dhaka Bank Limited and thus have the option of covering the locker-holder's valuables against any unfortunate incident.

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

They would be at their customer service from Saturday through Thursday from 9:00 am to 4:00 pm.

Lockers are available at Gulshan, Banani, Dhanmondi, Uttara, CDA Avenue & Cox's Bazar Branch.

Advantages / Key Benefits:

- * Wide Availability.
- * Lockers available in various sizes. i.e. Small, Medium and Large with varying rents.
- * Lockers are rented out for a minimum period of one year. Rent is payable in advance.
- * The rent may be conveniently paid from your deposit account with us.
- * Direct debits for locker rentals from your account rid you of the hassles in writing out cheques

1.4.2. 13 CAPITAL MARKET SERVICES

Capital Market Operation besides investment in Treasury Bills, Prize Bonds and other Government Securities constitute the investment basket of Dhaka Bank Limited.

Interest rate cut on bank deposits and government savings instruments has contributed to significant surge on the stock markets in the second half of 2004, which creates opportunities for the Bank in terms of capital market operations. The Bank is a member of Dhaka Stock Exchange Limited and Chittagong Stock Exchange Limited. The investment portfolio of the Bank made up of Government Securities and Shares and Debentures of different listed companies stood at Tk. 3,078 million as of December 31, 2004 indexing a 50% increase over Tk. 2,046 million in the previous year. Income from investment stood at Tk. 146 million in 2004 registering a 10% growth over the previous year.

1.4.2.14 OTHER SERVICES:

Dhaka Bank Limited provides some more services to the clients, like- Special Deposit Scheme, Smart Plant, Shawpno Jatra, Deposit Double Scheme, Gift Cheque, etc.

CHAPTER- 2
MY JOB AT DHAKA BANK

2.1 DESCRIPTION AND SPECIFICATION OF THE JOB

Dhaka Bank has been one of the leading private banks in Bangladesh ever since it was established in 1995 and being a bank with an international credit rating of an "A triple plus", I was more than excited at the opportunity to join their internship program. Dhaka Bank combines honesty, technology, dedication and excellence in their work to bring to their customers the best service possible and these are the qualities that helped Dhaka Bank rise to the top of this country's banking sector. As an intern, I got to work in multiple divisions where I had hands on experience of what it is like to work in a commercial bank in this modern era and develop skills that will be useful for me in the future in the financial world.

My work took me from the Dispatch Desk all the way to the Foreign Exchange Division in the Dhanmondi Branch within a month and it was an invaluable experience. I was amazed by how much importance was given to the customer service by each staff member. Dhanmondi Branch is known to be one of the busiest branches and the way each staff member handled day to day transactions was absolutely top notch. I learnt to be patient, understanding, efficient and thorough when dealing with the customers so as to live up to the standards set by this corporation.

The staffs were very welcoming and helpful, always taking the time and opportunity to educate and guide us whenever the need arose. By working with them, I learnt a lot about how to work with corporate staff members and developed crucial teamwork and communication skills. The fellow interns were also very easy going and helped with the transition of learning and applying skills.

This part of my report consists of an explanation of the things I learned and the work experience in different divisions during my month long internship experience.

Every intern and staff must first get used to the way each bank and each branch works. The stepping stone for every banker is the Dispatch Desk which overlooks the entire branch. My work as an intern started from this desk. The work involved teaching the intern how mail is sent, received and distributed within the branch. Basically, a record must be kept of every piece of mail that comes into the branch or leaves the branch. For inwards (incoming mail), they have to be marked and sealed, with the date, subject, and the sender's information logged in so as to provide proof that it has been received and that anyone can track it. Then the received mail goes

up to the manager who marks it to the respective operations manager who then marks it to its respective division. For outwards, any mail going out of the branch needs a reference number for the branch to keep track of mails. This method provides an overview of the mail and can be tracked easily when the need arises.

Another duty in the dispatch desk had to accept the requisition for cheque books, organizing the requisitions and at the end of the day giving them to the General Banking Department for the requisition posting. When the cheque books arrived then I had to arrange them according to the date and then inform the clients about the arrival of their required cheque books. As the clients come to collect the cheque book, I had to find the client's cheque books and then gave their cheque books upon confirming proof of their signature and account number or authorization letter. All requisitions and cheque book being given to the customers had to be systematically recorded as well for the purpose of posting.

In the dispatch desk I also had to organize all the forms for customers that included account opening forms, deposit pension scheme forms (DPS), fixed deposit forms, etc. and had to give out to the general banking department or customers. Interns also had to deal directly with customers, answer their inquiries and direct them to the appropriate division, provide service to their needs and help anyway possible. These included directing cheques from other banks to the clearing division, or help with filling out forms like account opening forms, pay order forms, fixed deposit forms, etc. and pointing them to general banking customer service or to the cash division or other-such divisions.

Lastly, interns were also in charge of answering the phone at the front desk and providing further customer service and connecting calls or directing calls to the specified divisions or staff members.

After the first two weeks of my internship I was directed to help out in the General Banking Division which dealt with customers and their accounts. These involved getting bank statements, opening/closing accounts, fund transfer and providing other such assistance within the bank's limits after verifying proper identification and authorization. All the forms with the information are uploaded into the server and then the hard copies are then systematically stored and organized.

The interns also got the opportunity to work and help fix up the filing situation for the general banking division. We had to coordinate, organize and fix up most of the files for account opening forms, fixed deposit scheme, deposit pension scheme, account information, current and savings account. This was heavy paper work that needed to be organized so that they can be retrieved and filed accordingly for efficient use later. I also learnt how to work some of the software that is being used so as to scan and authorize pictures and signatures for various accounts and put them into the system.

I had another opportunity to learn the Flexcube software used by the bank when all the customer information needed to be updated. By using the Customer Master application and the Zoom Inquiry application I had to find out whether each of these customers' phone number was inside the server. If not, on a separate Excel sheet, I had to list their address and account numbers so that they can be contacted to retrieve these information. It took three days to go through all the listed customer names and the work needed concentration, efficiency and multiple cross checking. By using DB Cube software I had to post all the Transaction Profile those were submitted by the customers for the purpose of updating their transaction limit. I also had to keep those Transaction Profiles with their account opening form. I also had to scan the signatures of the new accountholders along with their pictures.

Another important task during my time at the general banking division was to help fill in the Scheduled Bank Statistics (SBS) for each Deposit Pension Scheme, Current and Savings account, and Fixed Deposit Account. This is a form provided by the Bangladesh Bank and each account relates to the first part of this form. This data which involves the sector code and profession code are used to research and develop a statistical analogy of the development of young entrepreneurs, and employment in the service sector. The forms are then collected by Bangladesh Bank for making monetary decisions and provide information on different economic activity in different sectors of the city. This works needed to be done with extreme caution and awareness so as not to make a mistake as it was of the outmost importance.

After one and a half month, I was asked to help out the clearing division on a daily basis with some of their duties. The clearing division dealt with cheques that have been received by the branch from other banks. These cheques are first stamped and verified so as to prove authentic

and then worked on. They are then sent to the Bangladesh Bank for clearing and then when it is verified transaction has a green light.

My work regularly involved tracking down the bounced cheque in each batch and recording them for the division so that the department can send them back to their respective banks for further action. Cheques bounce because either the routing number does not match, or funds are inefficient or the advice was not given properly, overwriting, mismatched words and numbers, etc. By doing this work, I learnt how to write cheques properly and identify why each part of a cheque is needed. I also sealed the received cheques with crossing seal at the front side right corner and date of clearing seal and authorization seal at the back side of the cheques.

In the third month and all the way till the end of my internship, I was assigned to the Foreign Exchange Division. Personally, I found that division the most exciting and invigorating part during my entire internship experience. Not only did I learn a lot, I also learned to apply what I had learnt from my education to my work. My work included giving customers their remittances using the remittance software. This involved submitting, checking remittances and writing cash deposit slips. I also learnt how to endorse foreign exchange, mostly dollars, to passports and update the registry and complete the TM forms. There were various ledgers that one had to make multiple postings to when working at this division. Realization Statements and Demand Drafts were also part of my assigned duties.

The most important and paper-heavy job in Foreign Exchange Division was the Letter of Credit. Whenever a company wanted to import goods, they could use the bank as a medium between themselves and the exporter so as to confirm that money transactions for the goods were secured and efficient. I had to prepare Letter of Credit documents. I mainly had to organize all the documents that are arrived from the clients and made their photocopy properly and scan them for the purpose of documentation. In Letter of Credits, there are initial application to open the Letter of Credit that includes an application letter, Terms and Conditions, Proforma Invoice, Insurance paperwork, and other such essential documents. Then when the goods arrived and the money confirmed, another set of documents that involved information about the Payment Receipt, Commercial Invoice, Packing List, Country of Origin and Shipping document. Each form has different set of methods that need to be followed in order to prepare and certify them. I had to fill

Letter of Credit Authorization (LCAF) form as well as had to calculate the VAT, Commissions and Margin of the LC.

I also had to arrange the LC forms according to their numbers and find them out whenever any steps had to be completed or any documents were arrived. I had to seal all the documents with proper seal and give them to the in-charge for the purpose of authorization. I, on the behalf of the clients had to prepare the inter-branch memo of the request for preparing pay order for the required insurance company who gives insurance coverage of the imported or exported goods. I also had to maintain different registrar for different purpose.

2.2 OBSERVATION AND RECOMMENDATION

By doing intern at Dhaka Bank I have learnt so many things. The people in Dhanmondi branch were really very nice and talented. The things that I have noticed and observed are:

- Work is never left pending for the next day unless it is absolutely necessary.
- The work process could be made faster with better computers and operating systems.
- A good job performance is rarely praised, hence lacking motivation of the employees.
- There is always a rush of customers so there is no standard on what the employees do throughout the day. The work activities of an employee are set, but what to do when varies along the day.
- The work activities are always set and divided for each of the employees. This is the way it should be, but when I saw it firsthand it was remarkable. Each and every employee has a certain set of responsibilities. He/she carries out those responsibilities throughout the day. It is also easy to assign duties that way. Even though this is the case, I often saw other staff members helping each other out.

It was one of the most enlightening and helpful internships I ever had and it was a privilege that I could do it in Dhaka Bank. Even if the servers were problematic from time to time, the staff stepped up to the best of their abilities to bring to their customers the best service possible. Dhaka Bank Limited has a bright future and they should move forward with improving technology and methodology so that they can keep their standards of excellence in banking.

CHAPTER- 3
INSTRUMENTS OF FOREIGN
TRADE FINANCE AT DHAKA
BANK LIMITED

3.1 SUMMARY

Trade finance has been a major area of business for Dhaka Bank Ltd. since inception in 1995. Financial Institutions Unit is responsible for facilitating bank's trade finance business under prevailing local and international laws. Under the capable leadership of the current management, trade business is growing for both import & export.

Letter of Credit (L/C) is a popular instrument in modern trade finance transaction and it is the most widely used instrument for trade with Bangladesh. For secure & fast issuance/receipt and payment of L/Cs, banks need to maintain Relationship Management Applications (RMA), Nostro Accounts and different correspondent banking arrangements.

Dhaka Bank Ltd. mainly provides the following services:

- ✓ Import Letter of credits
- ✓ Export Letter of credits, negotiation & documentary collection
- ✓ Re-issuance of Local guarantees against counter guarantees from international correspondents.

Financial Institute arranges correspondent banking network, credit lines and other facilities required for to handle all trade related transactions of its 15 Authorized Dealer (AD) branches and one Offshore Banking unit of the. With a vast network (320+) of correspondents throughout the globe we are capable to advise L/Cs in all continents of the globe. For confirmation of L/Cs, Dhaka Bank enjoy significant amount of credit lines with almost all the major international banks and augmented by similar arrangements with banks in different regions.

To further enhance the capacity to support trade transactions, Dhaka Bank Limited signed up with Asian Development Bank (ADB) to avail credit guarantee facility from ADB under its Trade Finance Facilitation Program (TFFP) for confirmation of the L/Cs issued by itself.

3.2 OBJECTIVE OF THE REPORT

The general objective of preparing this report is to illustrate the overall trade finance activities of Dhaka Bank Limited, Dhanmondi Branch. A careful review of the subject matter led to the development of some specific objectives. Such as-

- Knowing about different types of Letter of Credit and other foreign trade activities.

- Knowing about the required steps for a successful Letter of Credit practically.
- To access the overall trade finance policy followed by the bank
- To know about special offerings offered by the bank to their clients
- To identify different strengths and weaknesses of the foreign trade activities of this bank.

3.3 SCOPE

Dhaka Bank Ltd provides different types of products and services to their clients. In this report, I have concentrated only on the Foreign Trade Finance activities; especially Import and Export Letter of Credit those are done by the bank's Dhanmondi Branch. Most of the information regarding the report is collected by using primary source that is based on the information that has been provided by the bank officials and observing the procedures practically inside the branch.

3.4 METHODOLOGY

Appropriate methodology is required for a successful execution of any report. It helps to organize and analysis the necessary data and information through a systematic process to achieve the ultimate objectives of the study. I have collected the necessary information for this report from primary as well as secondary sources. In case of primary source, I have worked at Dhanmondi Branch of Dhaka Bank Ltd in for three months as an intern. There I directly observed the letter of credit activities besides the other activities. , as well as, experienced some steps of Letter of Credit those have taught by the in-charge of Foreign Trade Department of the bank. I also talked with the higher level personnel, who shared their valuable experience with me. In case of secondary source, I got information through the website, annual report, and related leaflets of the bank and the related articles.

3.5 LIMITATIONS

Following are the limitations that I faced while preparing this report:

- Time span – 3 months was not very sufficient for a report of this magnitude.
- Less time to work on, as I came back from office at 9 pm.
- Lack of electricity – affected my work as well as my morale to do work
- Hesitance to share all types of information on the part of the Bank
- Lack of availability of sufficient time to collect the important data from the bank personnel.

3.6 INSTRUMENTS OF FOREIGN TRADE FINANCE

ACTIVITY AT DHAKA BANK LIMITED

DHANMONDI BRANCH

3.6.1 INTRODUCTION:

Dhaka Bank Limited (DBL) started its trade operations in 1995 and all the trade activities were carried out by DBL's 15 (fifteen) Authorized Dealer (AD) Branches. In the year 2009, DBL established the Central Processing Center (CPC) at BGMEA Bhaban, Karwanbazar, Dhaka and Agrabad, Chittagong. Since then the CPC does the processing of all the trade activities of DBL by using state of the art technology and well groomed team. The trade activities of 40 branches are routed through the Dhaka Hub and that of the rest 12 branches are routed through the Chittagong Hub.

Central Processing Centre of DBL is well equipped with highly talented and experienced team who has very good knowledge in foreign trade and technology. Strong MIS, network coverage and real time technology help them to satisfy customer needs just in time maintaining Quality of Work Life (QWL). All sorts of statement are generated centrally to comply the compliance issue of internal and external authorities. CPC of DBL is performing in a cost effective and environmental friendly way by reducing use of time, resources and labours to achieve its corporate motto "Excellence in Banking". All sorts of LCs, bills, payments, negotiation and other transaction related to foreign trade are routing from our CPC in well organized and effective way. CPC is running complying all Standard Operating Procedures (SOP) & rules and regulations of national and international bodies. CPC also helps the efficient & easier management of information. Thus, the centralization of the trade services is one step forward to the bank's commitment of providing seamless processes and services to its customers.

Trade Finance activities are totally controlled by the Central Bank of Bangladesh (Bangladesh Bank). Central Bank permits some specific branches to perform the foreign trade. Those who have the authority to operate foreign trade business are known as Authorized Dealer (AD) branch. DHAKA BANK LIMITED is an AD Bank. DHAKA BANK LIMITED operates foreign exchange trade through its branches. To operate foreign exchange business effectively and

efficiently, the Bank is developing day by day a wide network of correspondents throughout the world. DHAKA BANK LIMITED is equipped with all modern technology & provides following international banking services.

- Plays a vital role in import, export and other foreign trade in the country
- Provides fastest service to the exporter and importer through its SWIFT service.
- Offers competitive price for importers and exporters.
- Provides support to the exporter and importer by extending working capital, pre-shipment, post shipment facilities.

The foreign trade finance activities of Dhaka Bank, Dhanmondi Branch are mainly divided into two major parts. One is import related activities and the other one is export related activities. These activities are involved in different types of letter of credit. At first I will talk about the import activities and then the export activities.

3.6.2 IMPORT ACTIVITIES

Import of goods from outside Bangladesh is regulated by the Ministry of Commerce in accordance with Import & Export (Control) Act, 1950 and the notification issued there under. In terms of the importers, Exporters & indenters (Registration) order, 1981 no person can import goods into Bangladesh unless he is registered with the chief controller of Import & Export (CCI&E) or exempted from the provision of the said order. Before any Letter of Credit is opened or remittance made on behalf of any importer for import into Bangladesh, Authorized Dealers must verify that the importer is registered with the CCI&E or otherwise exempted from such registration. Import shall be allowed only against opening of irrevocable Letters of Credit unless otherwise authorised by CCI&E in certain exceptional cases as mentioned/ in the Import Policy order in force.

When buying goods from overseas suppliers, the clients will wish to receive the goods as ordered in the right quantity, on time and at the designated place. They will also wish to make payments only after receipt of the required documents including the title of goods. Dhaka Bank can solve their needs by issuing a documentary credit on their behalf. A documentary credit is the Bank's guarantee of payment for a shipment of goods against specific documents as stipulated on it. By

using a Letter of Credit, the bank will only make payment after receipt of titles and other documents that should fully comply with the terms of the credit. The clients can enjoy a safer and cheaper alternative to making advance payment or deposits.

According to Import and Export Control Act, 1950, the Office of Chief Controller of Import and Export provides the registration (IRC) to the importer. In an international business environment, buyers and sellers are generally unknown to each other. So seller of goods always seeks security for the payment of his exported goods. Bank gives export guarantee that it will pay for the goods on behalf of the buyer if the buyer does not pay. This guarantee is called Letter of Credit. Thus the contract between importer and exporter is given a legal shape by the banker by 'Letter of Credit'.

Participants in LC Process

- Buyer (Exporter)
- Issuing Bank
- Advising Bank
- Seller (Beneficiary or Importer)

3.6.2.1 PROCEDURES TO THE IMPORT LETTER OF CREDIT

Procedures those are followed by the Dhaka Bank Limited are as follows:

3.6.2.1.1 KNOW THE CUSTOMERS:

As LC or Letter of Credit means the banks guaranty to the exporter from the importer that, they will pay properly to the exporter after receiving the proper goods and related documents. Here, Dhaka Bank is the issuing bank and it is undertaking all the risk regarding the payment procedure. So, they will have to know the applicant (importer) very well. The applicant must have to have an account (Current) continued with Dhaka Bank. When, a new applicant comes to the bank for opening LC after the agreement between applicant (Importer) and seller (Exporter) about terms and condition including means of transport, period of credit offered (if any), and latest date of shipment acceptable then the bankers try to know the information i.e. whether he is honest or not, what is his background, what is the type of his business, etc. The applicant must be the member of their related Trade Association, For example- if the applicant is involved in

Garments Business then he must be the member of BGMEA. If the applicant is very well known to the bankers, like- the Acme Group of Industries, who always deals with Dhaka Bank, then they can apply for the LC without any inspection as they are trustworthy. The applicant is needed to submit some documents, like-

- ❖ IRC (Import Registration Certificate)
- ❖ Trade License, Tax Certificate or Taxpayer Identification Number (TIN)
- ❖ VAT (Value Added Tax) Registration
- ❖ Membership of chamber of commerce, etc.

3.6.2.1.2 L/C ADVISING:

The L/C duly signed by two authorized officers, whose specimen signatures are already recorded with the correspondent banks, must be addressed to the beneficiary. Bank generally does not enter into direct contact with the beneficiary. Instead they utilize the services of its own branch office (if any) or correspondent bank at seller’s country for the purpose of advising it to the seller (beneficiary). Thus the correspondent bank becomes the “Advising Bank”.

The process of advising a credit consists of forwarding the original credit to the beneficiary to whom it is addressed. Before forwarding/advising the credit to the seller under appropriate forwarding coverage, the advising bank has to verify the signatures of the officers of the opening bank and ensure that the terms and conditions of the credit are not in violation of regulations relating to export. While advising, the advising bank does not undertake any liability.

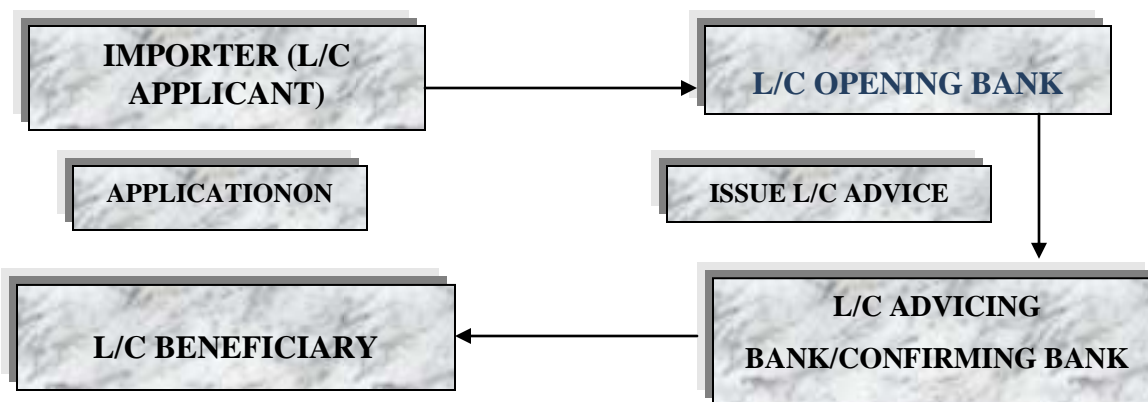


Figure 3.1: Advising a letter of credit

3.6.2.1.3 FORMAL REQUEST THROUGH APPLICATION:

The applicant must have to give a formal application for opening Letter of Credit to the bank. On the basis of which the bank can start the LC procedure. The applicant is needed to submit some documents with the application, Like-

- ❖ Completed and Signed CF-7 and LCAF (Letter of Credit Authorization Form) by the applicant.
- ❖ Indent or Performa Invoice (in case of some selective items approval from concerned authority to be needed)
- ❖ Insurance cover note with money receipt

3.6.2.1.4 INDENT OR PERFORMA INVOICE:

Indent or Performa invoice is the sale contract between seller and buyer in import-export business. There is slight difference between indent and Performa invoice. The sales contract, which is direct correspondence between importer and exporter, is called Performa invoice. There is no intermediary between them. On the other hand, there may be an agent of exporter in importer's country. In this regard, if the sale contract is occurred between the agent of exporter and importer then it is called indent. In this invoice, the whole details of imported goods are placed, like-

- Port of Shipment
- Date of Shipment
- Mode of Shipment
- Destination Port
- Packing Type
- Terms of Payment
- More or Less Clause
- Validity
- Goods Description
- Quantity
- Unit Price

- Amount, etc.

After scrutinizing above-mentioned documents carefully, officer delivers the following forms to be filled up by importer and banker should check:

- Whether the goods to be imported is permissible or not.
- Whether the goods to be imported is demandable or not.

The forms are:

- Import Merchandised Permit Form (IMP).
- L/C Application Form (L/CAF) or CF-7.
- L/C Authorization Form (LCAF).

3.6.2.1.5 CF-7 AND LCAF (LETTER OF CREDIT AUTHORIZATION FORM):

CF-7 is the form by which the agreement between Bank and the Applicant is occurred. This is the application and agreement for confirmed irrevocable without recourse to drawers letter of credit. In this agreement the details of LC are placed, like-

- Beneficiary's Name and Address
- Opener's Name and Address
- Draft Amount
- Country of Origin
- Document Required As Indicated By Check
- Insurance Coverage
- Last Date of Shipment
- Last Date of Negotiation
- LC Amount
- Exchange Rate
- Margin Amount
- Other Terms and Conditions, etc.

LCAF (Letter of Credit Authorization Form) this is also an agreement form where some more information about LC are placed, like- IRC Number, Year of Renewal, Source of Financing, List of items and their HS(Harmonize System) Codes, etc.

3.6.2.1.6 SENDING LC OPENING REQUEST TO CPC (CENTRAL PROCESSING CENTRE):

As I have mentioned it before that, the Dhaka Bank Ltd uses centralize system for the purpose of opening LC so the AD (Authorized Dealer) branches send the opening request of LC after processing all the documents through e-mail. The AD branches calculate the margin, commission, VAT, SWIFT charges, other charges, etc and place it in the mail. They also send the scanned copy of the original documents with the mail. After getting the mail, the head of Foreign Exchange in CPC confirm the LC information by talking with the in-charge of foreign exchange. Then the CPC open and transmit the LC to the exporter's bank or advising bank through SWIFT (Society for Worldwide Interbank Financial Telecommunication) that supplies secure messaging services and interface software to wholesale financial entities. Here, there is an intermediary bank between issuing bank and advising bank that has the authority to operate worldwide, like- Standard Chartered Bank, HSBC Bank, Citi Bank NA, etc. as the two banks might not have that authority. The name of the intermediary bank is mentioned in the LC Contract. This bank collects the LC and provides it to the advising bank.

3.6.2.1.7 SUBMISSION OF NECESSARY DOCUMENTS BY EXPORTER TO THE BANK AND SHIPMENT OF GOODS:

Advising bank establishes authenticity of the letter of credit using signature books or test codes, then informs the exporter (beneficiary). When the exporter collects the LC from advising bank, they check that LC matches commercial agreement and that all its terms and conditions can be satisfied. As soon as the exporter receives the credit and is satisfied that he can meet its terms and conditions, he is in position to load the goods and dispatch them. The exporter then sends the documents evidencing the shipment to the bank. The bank where the exporter places the documents is called the negotiating bank. Exporter will submit those documents in accordance

with the terms and conditions as mentioned in L/C. Generally the documents observed in the foreign exchange department are:

- Bill of exchange
- Commercial invoice
- Bill of lading
- Certificate of origin
- Packing list
- Clean report of finding or CRF (if any)
- Pre-shipment certificate

Bill of Exchange:

- ❖ The bill of exchange is drawn by the beneficiary (Exporter) as mentioned in the LC duly signed and dated.
- ❖ The amount is identical with the amount of Commercial Invoice.
- ❖ The amount mentioned in figure and words are consistent.
- ❖ The bill of exchange is in order and/or endorsed properly.

Commercial Invoice:

Commercial Invoice issued by exporter is the accounting document by which the seller charges the goods to buyer.

Bill of lading:

A bill of lading is a document usually stipulated in a credit when exporter dispatches the goods. It is an evidence of a contract of carriage, is a receipt for the goods and is a document of title to goods. It also constitutes a document that is or may be, needed to support an insurance claim.

Certificate of origin:

This is the certificate that shows from where the goods are sent or issued. The Certificate is issued by the concerned authority of exporting country as stated in the LC [usually such Certificates are issued by the Chamber of Commerce & Industry of exporting country].

Packing list:

This is the list where the description of the packaging are mentioned. This Certificate is issued and prepared by the beneficiary as per instruction given in the LC.

Clean report of finding or CRF:

This is issued by the Pre Shipment Inspection Company. This is optional for LC. If the importer wants to inspect the quality and quantity of the goods then he mention it in the LC contract. This is done before the shipment of the goods.

The negotiating bank carefully checks the documents provided by the exporter against the credit, and if the documents meet all the requirement of the credit, the bank will pay, accept, or negotiate in accordance with the terms and conditions of the credit. Then the bank sends the documents to the CPC of Dhaka Bank Limited.

3.6.2.1.8 RECEIVING AND CHECKING OF THE DOCUMENTS BY DHAKA BANK

After getting the documents, the CPC of Dhaka Bank checks them immediately and if they are in order and meet the credit requirements. Then the CPC inform the AD Branch about the arrival of the documents and the AD Branch will arrange to make payment against L/C and will send the importer the document arrival notice.

But if there is any discrepancy in the documents, then the Dhaka Bank send message to the negotiating bank to rectify it under its risks and responsibilities. They also inform the importers about the discrepancy. The common discrepancies are- late presentation of the documents, mismatch between proforma invoice and commercial invoice, etc. If there is no discrepancy in the documents, then the payment of the LC must be made to the exporter within 5 days after receiving of the documents.

3.6.2.1.9 SHIPPING GUARANTEE

To operate the importers business efficiently, it is vital your goods be cleared expeditiously. By issuing a shipping guarantee in the shipper's favor, Dhaka Bank facilitates prompt clearance of goods until a bill of lading is received. Shipping guarantee is a Letter of Guarantee/Indemnity

issued jointly by importer (consignee) together with a bank (L/C opening Bank) in favor of a commercial carrier or their agent to a consignee in the absence of original shipping bill i.e. bill of Lading/airway bill while the co-issuer furnish an assurance/undertaking to submit the original Bill of Lading/airway Bill to the carrier as soon as the same is in their possession.

3.6.2.1.10 No OBJECTION REPORT (NOC)

This is the certificate which is issued by the issuing bank. When the original documents sent by the advising bank but for some reason they couldn't reach to the issuing bank but the shipment have arrived, in this situation the issuing bank give the endorsed copy of copy document to the importer for the purpose of releasing the shipment against which the importer give undertaking that the original document will be accepted with discrepancy. This is issued for the betterment of the importer.

3.6.2.1.11 PAYMENT PROCESS OF LETTER OF CREDIT

The LC can be of two types in terms of payment mode. One is At Sight LC, which is a payment of LC are made immediately after receiving the documents. And the other one is Deferred or Usance, which is the payment of LC will be made after certain period of time from receiving the documents. The time limit will be mentioned in the LC Contract. This limit can be of 30 or 60 or 120 days within which the payment must be made.

3.6.2.1.12 IMPORT FINANCE INSTRUMENTS AT DHAKA BANK LIMITED

If there is no available in cash in importer's hand, he can request the bank to grant loan against the documents for the purpose of post import finance.

Dhaka Bank Ltd undertakes Import Finance in the form of both pre-import and post-import finance. These two categories of import finances include:

3.6.2.1.12.1 LETTER OF CREDIT

This is a pre-import finance, which is made in the form of commitment on behalf of the client to pay an agreed sum of money to the beneficiary of the Letter of Credit upon fulfillment of terms & conditions of the Credit. Dhaka Bank has significant credit line with various Corresponding

Banks for confirmation of the LCs of our customers. A documentary credit is a Bank's guarantee of payment an import of goods against specific documents. DBL ensures this payment commitment in time.

3.6.2.1.12.2 PERFORMANCE BONDS & OTHER GUARANTEES

DBL offers excellent solution to meet all performance bonds & guarantees required by its valued clients.

3.6.2.1.12.3 LOAN AGAINST TRUST RECEIPT (LTR)

This is also a post import finance facility awarded to retire import bill directly or under PAD as the case may be. In this category of finance, possession of the goods remains with the borrower and the borrower executes 'Letter of Trust Receipt' in acknowledgement of debt and its repayment along with interest within agreed period of time.

Advances against a Trust receipt obtained from the clients are allowed when the documents covering an import shipment are given without prior payment. This type of facility is given only to first class and reliable clients.

64

The customer holds the goods or their sale proceeds in trust for the bank till the loan allowed against Trust Receipt is fully paid off.

The Trust receipt is a document which creates the banker's lien on goods and practically amounts to hypothecation of the proceeds of sale in discharge of lien. The period of Trust receipt may be 30, 45, 60, 90 days. The loan is adjustable within the period. Sale proceeds of goods held in trust must be deposited in the bank by the borrower irrespective of the period of the trust receipt.

3.6.2.1.12.4 LOANS AGAINST IMPORTED MERCHANDISE (LIM)

Loan against the merchandise imported through bank maybe allowed pledge of goods retaining margin prescribed on their landed cost. The branch shall also obtain letter of undertaking and indemnity from the customer before getting goods cleared through L.I.M. account. Clearing should be taken by approved clearing agent of the bank. Merchandise should be insured with specific risk clauses.

The following matters must consider while allowing L.I.M. against secured of goods. The landed cost of the merchandise is measured before the goods are delivered the client against proportionate payments. The landed cost is determined by taking following items:

- Invoice value if the merchandise including freight
- Customs duty
- Sales tax
- Warfare
- Derange agent's charges
- Railway freight
- Insurance premium
- Other charges

3.6.2.1.13 RELEASE THE SHIPMENT FROM THE PORT

For releasing the shipment from the port the importer have to collect the authorization from the Dhaka Bank Limited as the shipment are sent in the name of the issuing bank. The importer also needs all the documents endorsed to release the shipment, those have sent to the Dhaka Bank by the exporter. The Dhaka Bank arranges all the documents properly and endorses them. The importer also need clearance certificate from the bank. And the bank will give clearance after getting the Bill Of Entry, which shows the shipment has really entered in Bangladesh. In this way the importer get clearance from bank and can release the shipment.

3.6.2.1.14 AMENDMENT OF LETTER OF CREDIT

There might be some change in the agreement of LC, which will occur before the shipment of the goods for destination. This is occurred for the benefit of both exporter as well as importer. Some common amendments are- increase in the value of the LC i.e. if the importer orders more goods than he ordered before; Change of the transportation mode i.e. if in the contract the mode of transport is by air but for some reason the exporter cannot manage and he wants to send the shipment by sea; etc. When these are occurs then after setting all the changes with the exporter the importer give a formal request through application to the Dhaka Bank for the change then the bank will send the amendment to their Central Processing Centre and they send it to the advising bank through SWIFT.

3.6.2.1.15 IMPORT AGAINST LETTER OF CREDIT AUTHORIZATION FORM (LCAF)

Unless otherwise specified, all imports transacted through a bank (L/Cs, bank drafts, remittances etc.) shall require LCA forms irrespective of the source of finance. However, L/C is not required for import of each consignment, by road, of easily perishable item valued from US\$ five thousand to Seven thousand five hundred and for import of capital machinery & raw materials for industrial use without any price limit. Existing conditions regarding import on deferred payment under L/C shall be applicable in this case also and importers shall be required to register with Bangladesh Bank for importation without L/C.

Import against LCA Form may be allowed without opening of letters of credit in the following cases:

- (a) Import of books, journals, magazines and periodicals on sight draft or usance bill basis;

- (b) Import of any permissible item for an amount not exceeding US Dollar Five thousand only during each financial year against remittance made from Bangladesh. However, permissible item valued up to US Dollar five thousand in a single consignment from Myanmar shall be importable without opening L/C and in that case above mentioned annual ceiling of US Dollar five thousand shall not be applicable.

- (c) Import under commodity aid, grant or such other loan for which there are specific procurement procedures for import of goods without opening any L/C;

- (d) Import of "International Chemical References" through Bank drafts by recognized pharmaceutical (allopathic) industry on the approval of Director, Drugs Administrators for the purpose of quality control of their products.

[For More Information About LC Documents & Procedures, Please See The Appendix Part]

3.6.3 EXPORT ACTIVITIES

Generally the goods and services sold by Bangladesh to foreign households, businessmen and Government are called export. The export trade of the country is regulated by the imports and Exports (control) Act, 1950. There are a number of formalities, which an exporter has to fulfil before and after shipment of goods. The exports from Bangladesh are subject to export trade control exercised by the Ministry Of Commerce through Chief Controller of Imports and Exports (CCI & E). No exporter is allowed to export any commodity permissible for export from Bangladesh unless he is registered with CCI & E and holds valid Export Registration Certificate (ERC). The ERC is required to renew ever year. The ERC number is to be incorporated on EXP forms and other documents connected with exports.

In Dhaka Bank Ltd export activities are not huge like import activities. The main exporters are from garments and buying houses.

3.6.3.1 SECURING EXPORT ORDER

To secure export order the exporters may contact local chamber commerce of potential buyers, the export promotion bureau, Bangladesh mission abroad and by direct contact with foreign buyer through correspondences. After successful negotiation on price, specification, quality etc. exporter (seller) accepts the order from importer (buyer). Both the parties agree on terms and conditions of the sale. Then the exporter instructs its bank to open a LC incorporating previously agreed terms of sale. Indent Invoice is the outcome of the agreement between exporter and importer. This is prepared by the exporter.

3.6.3.2 RECEIVING LETTER OF CREDIT

After making contact and reaching on agreed price and terms, conditions the issuing bank prepares a Letter of Credit including all instructions concerning the shipment and sends the LC to the exporter's bank or Dhaka Bank, requesting the confirmation. Then the exporters receive Letter of Credit through Dhaka Bank. The Bank provides prompt advising of export letter of credit from a wide international network.

When export is made against L/C, the exporter should examine the following terms of L/C to avoid any future complicity to execute the order:

- ❖ The terms and conditions of L/C are definite, clear and explicit and also are in conformity with those of the contract.
- ❖ The L/C should be an irrevocable one and be confirmed by the advising bank.
- ❖ If the import of the goods is under control in buyer's country, the buyer holds a valid import license.
- ❖ If the L/C is transferable or otherwise, it should be clearly mentioned in the L/C.
- ❖ The L/C should provide sufficient time for shipment and a reasonable time for negotiation. If nothing were mentioned, the shipper would be allowed 21 days to negotiate the documents.

If any of the terms of the L/C appears to be vague, ambiguous or too difficult for the banker to ensure compliance, the banker should immediately refer to the concerned correspondent by letter or cable and get the vagueness removed before advising him L/C to the beneficiary (exporter). On the other hand, if the exporter finds any provisions inconsistent with the underlying contract, he should immediately ask the buyer to carry out necessary amendments through the L/C opening bank.

3.6.3.3 LETTER OF CREDIT PROCESSING

The Dhaka Bank prepares a letter of confirmation to forward to the exporter along with the LC. The exporter reviews carefully all conditions in the LC specially shipment schedule in consultation with his freight forwarder. After receipt of LC the exporter has to procure or manufacture the contracted goods. The seller arranges the goods and hand over to freight forwarder for delivery at appropriate port or airport. Failure to maintain the delivery schedule will expose the exporter to claim from the buyers for damages on account of non-shipment or late shipment, and in addition the exporter may also lose the patronage of the buyer for future export orders.

3.6.3.4 AFTER SHIPMENT PROCESS

While shipment and after shipment the exporter should obtain or prepare the following documents:

- ❖ EXP Form
- ❖ Photocopy of registration certificate
- ❖ Photocopy of the contract
- ❖ Photocopy of the L/C
- ❖ Customs copy of ERF Form for shipment of jute goods and EPC Form for raw jute
- ❖ Freight certificate from the bank in case of payment of the freight at the port of lading is involved
- ❖ Bill of Lading, Railway receipt, Postal receipt, Air way bill or Truck receipt
- ❖ Packing list
- ❖ Certificate of origin
- ❖ Shipping instructions
- ❖ Insurance policy.

The exporter then presents the documents to the Dhaka Bank, informing full compliance with terms and conditions of LC. Then the bank reviews the documents carefully so that no discrepancy can be occurred. If they are in order, the documents are airmailed to the issuing bank for review and passing necessary documents to buyer. The importer gets the documents needed to claim the goods.

Some common discrepancies in export documents:

- ❖ Late shipment
- ❖ Late presentation
- ❖ Part shipment effected
- ❖ Consignee/ notify party differ
- ❖ FCR presented instead of B/L.
- ❖ House air way bill presented instead of AWB
- ❖ B/L. shows “freight collect” instead of “freight prepaid”.
- ❖ ‘Shipped on board’ not marked on the B/L.
- ❖ B/L. is clause

- ❖ Description of the goods differ
- ❖ Unit price differ
- ❖ Amount overdrawn
- ❖ Pre-shipment inspection certificate absent
- ❖ Certificate does not cover credit terms
- ❖ Certificate not signed by authorized person
- ❖ Not showing inspection of the goods at named place
- ❖ Telex acknowledging receipt and giving acceptance on sample, not presented etc.

3.6.3.4 PAYMENT RECEIVING PROCESS

If there is no discrepancy in the documents that have sent to the issuing bank then the issuing bank returns accepted draft and informs the importer about arrival of the documents. Then the importer pays to his bank. This payment should be made within 5 days after the arrival of the documents. Then the Dhaka Bank Ltd has to issue Proceed Realization Certificate (PRC) of export LC to the exporter for getting cash assistance. Thus, the collection procedure of payment is made.

3.6.3.5 MODES OF PAYMENT

The most common methods of payment under a L/C are as follows:

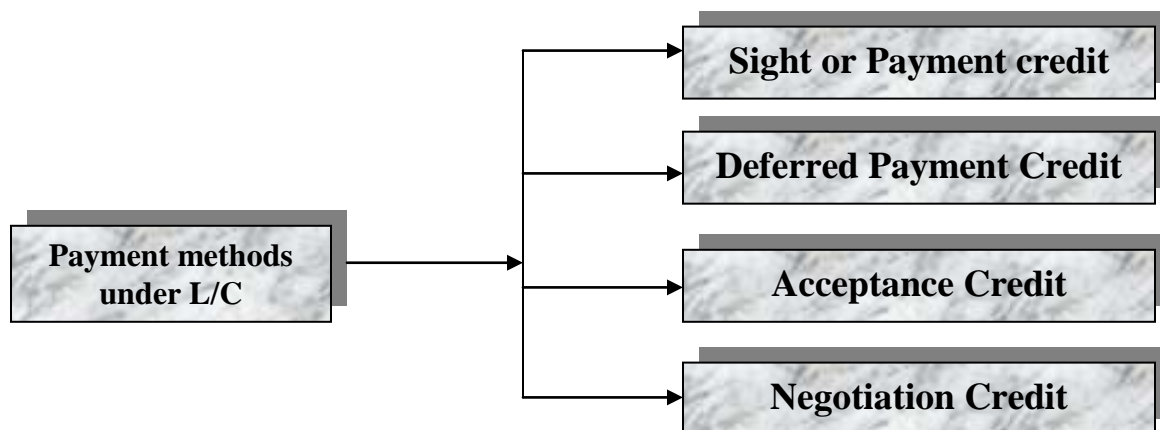


Figure 3.3: Modes of payment of LC

1. Sight or Payment Credit: When the credit stipulates that drafts (bill of exchange) should be drawn under it on DP terms involving payment to the beneficiary on presentation of documents, it is known as a “Sight or Payment Credit”. In this credit the issuing bank nominates a bank in the exporter’s country as the paying bank. If the paying bank accepts its nomination, its position is that of an agent of the issuing bank. When the documents under the credit are presented to it, it pays the beneficiary provided all the terms and conditions of credit have been complied with. It gets reimbursement from the issuing bank for the amount paid.

2. Deferred Payment Credit: The term “Deferred” means postponed to a future period or date. When a credit does not require the payment to the beneficiary immediately on presentation of the documents but after a specified period has elapsed, it is known as “Deferred Payment Credit”. According to this type of credit, the payment is not made in full on the tender of documents but by instalments at pre-determined future dates. Deferred payment credit may be used where the beneficiary wishes to allow the importer time to pay for the document.

3. Acceptance Credit: When under the terms of a letter of credit drafts are drawn on DA terms involving payment to the beneficiary on the maturity of the accepted Bill of Exchange drawn under it, the letter or credit is referred to as an “Acceptance Credit” or a “Term Credit”. In this form of credit the beneficiary draws a draft for particular usance (e.g. 30, 60, 90 days sight or even longer), payable upon either the correspondent bank or the issuing bank.

4. Negotiation Credit: In a negotiation credit the documents are accompanied by a sight draft (bill of exchange). The bill of exchange may be drawn on the issuing bank or the importer or any other bank stipulated in the credit. The bank, which negotiates documents under the credit, purchases the bill of exchange and pays the amount to the beneficiary who tenders the documents. The issuing bank reimburses the negotiating bank.

3.6.3.6 EXPORT FINANCE INSTRUMENTS AT DHAKA BANK

Like import trade, DBL advances in export trade at both pre-shipment and post-shipment shipment stages.

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

3.6.3.6.1 PRE-SHIPMENT CREDIT

Pre-shipment credit is given to the exporters, for the activities prior to shipment of goods for export. Some example of Pre-shipment credit: Cash for local procurement of raw materials and its related expenses, Procuring & Processing of goods for export, Packing and transportation of goods for export, Payment of insurance premium, Inspection fees, Freight charges etc.

Pre-Shipment Credits are in following Forms:

- 1. Export Cash Credit [Hypothecation]:** This form of credit is allowed to exporter against hypothecation of raw materials or finished goods intended for export. Since the bank has got no security against this credit except charge documents and lien on export LC, bank obtain letter of hypothecation creating charge against the goods in favor of the bank only but neither the ownership nor the possession on it.
- 2. Export Cash Credit [Pledge]:** Under this arrangement bank provide finance to the exporter against pledge of goods to be stored in the godown under bank's control against letter of pledge and other charge documents. In this case the goods remain as security under bank's control and possession. In the event of failure of the exporter to honor commitment, the bank can sell the goods for recovery of bank dues.
- 3. Export Cash Credit against Trust Receipt:** This type of credit facility is allowed to exporter when the exporter wants to utilize the credit for processing, packing and rendering

the goods in exportable condition and when it seems that the exportable goods can not be taken in the banks custody. In this case exporter has to execute a stamped in favor of bank and a declaration stating that the goods purchased with financial assistance of bank are held by him in trust for the bank. Collateral security is obtained against this credit also.

4. **Packing Credit:** To execute export orders under L/C or firm contract the bank awards packing credit facility to meet client's working capital requirement. This type of credit is allowed for a transitional period from dispatch of goods till negotiation of export bills. The purpose of this credit is to pay the transportation cost of goods to be exported. The amount disbursed under export cash credit [hypo/pledge] are to be adjusted from the drawings of packing credit which is, in turn to be adjusted by negotiation of export bills.
5. **Back to Back Letter of Credit:** BB L/C is a type of pre shipment finance by way of opening L/C in favour of a local or foreign supplier for purchase of raw materials or the finished merchandise, as the case may be, to execute export order. Under this arrangement bank finance exporters by way of issuing back to back letter credit on behalf of exporter for procurement of raw materials and accessories favouring the manufacturer/supplier home and abroad against lien of export LC and collateral security.

The benefit of a L/C (the Master L/C) may be made available to a third party where the primary beneficiary uses the master L/C as security collateral to obtain another L/C (the secondary credit) in favour of the actual supplier. The secondary credit is known as back-to-back L/C.

A Back-to-Back L/C involves two separate L/Cs.

- One opened in favour of the first or primary beneficiary, and
- One opened for the account of the first beneficiary in favor of a second beneficiary who is supplying the goods.

The first beneficiary of the Master L/C becomes the applicant for the back-to back L/C. Back-to-Back L/C is commonly known as Buying L/C, whereas Master Export L/C is known as Selling L/C. What percent of export L/C's value is permitted to open a back-to-back L/C its depend upon the nature of the goods and getting information from the commerce ministry.

3.6.3.6.2 POST-SHIPMENT FINANCE

Usually the exporter cannot afford to wait for a long time for payment to local manufacturer/supplier and other financial obligations. Resulting which the exporters need post-shipment credit facility. Considering the genuine need, and worthiness of export and other security measures bank allow credit facility to exporters.

Some Form of Post-Shipment Credit Facility:

1. **Negotiation of Documents under LC:** Negotiation means payment of the value of the drafts drawn under the LC. Under this arrangement, upon receipt of credit conform documents from the exporter, banks pay the value of the drafts to exporter.

Negotiation of documents under letter of credit is the usual method of financing exports at the port shipment stage. In this system, after the shipment of goods the export presents the relative documents to the Negotiating bank for negotiation. Normally, an exporter is required to submit following documents drawn in terms of the credit to the bank for negotiation of the bills:

- Bill of exchange or draft
- Bill of lading/Airway Bill
- Invoice
- Packing list
- Certificate of origin
- Insurance policy
- Inspection certificate
- Shipping advice
- Other documents as per terms of Letter of Credit.

2. **Purchase of Bills:** In this case bank purchase/discount the DP and DA bills at rate published by the bank. Before allowing such credit bank should check all the documents presented are strictly as per terms and conditions of the LC and there is clear

payment instruction in the LC from the LC issuing bank. The Dhaka Bank Limited purchases two types of bill. These are-

- **FDBP:** Foreign Documentary Bill Purchased (FDBP) is a post shipment finance allowed to the customer through the purchase/negotiation of foreign documentary bills adjustable from the relevant export proceeds.
- **IDBP:** Inland Documentary Bills Purchased (IDBP) facility is accommodated both for export and local trade.

3. **Advance against Bills for Collection:** Export Bills for Collection are documents which are presented to the bank by the seller/exporter to collect payment from the buyer through the buyer's bank. Exporters can submit the export document to a bank after execution of export for collection of the proceeds but the deal was not under any LC, documents drawn under LC but some discrepancies are there. To meet the exporters need bank can make advance to exporter from 50 to 80% of the bill value considering the relationship, past track record, and obtaining collateral security from exporter.

4. **EDF:** Export Development Fund (EDF) at Bangladesh Bank is intended to facilitate access to financing in foreign exchange for input procurements by manufacturer-exporters. Authorized Dealer (AD) banks can borrow US Dollar funds from the EDF against their foreign currency loans to manufacturer-exporters for input procurement.

3.6.4 OTHER FOREIGN TRADE FINANCING INSTRUMENTS

For financing the foreign trade Dhaka Bank Ltd provides some other credit facilities, like- Term Loan, Short Term Loan, Long Term Loan, Over Draft, etc. These services are provided with the proper agreement process and documents to the clients whenever there is insufficient balance of fund. The loan approval process is done by the Head Office's Credit Unit. After approval of loan, the Head Office sends the branches notification about the loan approval and then the

branches update the documents of the client according to the notification. Different types of credit facilities are given below:

3.6.4.1 TERM LOAN:

In case of term loan, the time limit is less than 6 months and the interest rate is 13% p.a.

3.6.4.2 SHORT TERM LOAN:

The time limit for short term loan is less than 3 months and the interest rate is 13% p.a.

3.6.4.3 LONG TERM LOAN:

Long term loan is given to the clients for more than 1 year. The interest rate of this loan is different for different purpose, like- export, import, industrial, etc.

- **Export Credit:** For the purpose of increasing export, the Dhaka Bank Ltd charges low interest rate on Export Credit that is 7% p.a.
- **Import Credit:** For Import Finance against Rice, Wheat, Edible Oil(crude or refined,), Pulses, Peas, Onion, Dates and sugar the interest rate is 12% p.a.
- **Industrial Loan:** The features of the Industrial Loan are given below:
 - * It is given for 3 years at equal monthly instalment
 - * Interest rate is 16.50%.
 - * Grace period is allowed depending on types of project
 - * This is given to facilitate the industrial growth.

3.6.4.4. OVER DRAFT:

Overdraft is an arrangement between a banker and customer by which the latter is allowed to within over and above his credit balance in the current up to an agreed limit.

This is only a temporary (usually for one year) accommodation usually granted against sufficient security. This facility is renewable after expiry. The borrower is permitted to draw and repay any number of times, provided the total amount overdrawn does not exceed the agreed limit. The interests charged only for the amount drawn and not for the whole amount sanctioned.

3.6.4 SECURITY FOR LOAN REPAYMENT

When the bank disburse loan to its clients they keep some asset or collateral as security from its clients. This is because; the client may default in paying the loan instalments. As a result, the bank might face loss if they disburse loan without any security.

The common methods of charging security and their nature are described below:

Mode of Security	Nature of security & its characteristics
Lien	<ul style="list-style-type: none"> * Cash, cash collateral and documents of the title to the goods. * It is the right of the banker to hold the debtor's property until the debt is discharged-generally retained by the bank in its own custody or to the hands of third party with lien marked. * The third party cannot discharge it without the permission of the bank. * In case of need bank needs the permission from the court to sell the property.
Assignment	<ul style="list-style-type: none"> * Borrower transfers the right of property or debt to the bank. * Life insurance policies, supply bills, book debt of the borrower can be assigned.
Pledge	<ul style="list-style-type: none"> * Moveable stock of raw materials, finished goods, merchandise. * Pledge is also lien but here bank enjoys more right. * Physical transfer of goods to the bank is must. * Bank can sell the property without the intervention of any court, in case of default on loan.
Hypothecation	<ul style="list-style-type: none"> * Moveable stock of raw materials, finished goods, merchandise. * Goods remain in the hands of debtor, but documents of title to goods are handed over to the banker. This method is also called "equitable charge". * Bank inspects the goods regularly to judge its quality and quantity for the maximum safety of its loan.

Mortgage	<p>* Mortgage is the transfer of specific immoveable property-like land, building, plant etc.</p> <p>* Most common type of mortgage is legal mortgage in which ownership is transferred to the bank by registration of the mortgage deed.</p> <p>* Another method called equitable mortgage is also used in bank for creation of charge. Here mere deposit of title to goods is sufficient for creation of charge. Registration is not required. In both the cases, the mortgaged property is retained in the hand of borrower.</p>
Trust Receipt	<p>* Intangible asset (goodwill)</p> <p>* It is used in foreign exchange business.</p>

[For More Information About LC Documents & Procedures, Please See The Appendix Part]

CHAPTER- 4
ANALYSIS AND FINDINGS

Now-a-days, the banking industry in Bangladesh has flourished over the years, making double-digit profit percentages, sustaining growth and surviving cut-throat competition. Each and every bank is trying to give their full effort for winning in this huge competition. Dhaka Bank Ltd is also facing the pressure of this competition.

After analyzing the instruments of foreign trade financing those are provided by the Dhaka Bank Ltd, I have found some strengths as well as some weaknesses. Those are described below:

4.1 STRENGTHS OF FOREIGN TRADE FINANCING AT DHAKA BANK LTD.

Since 1995, Dhaka Bank is always focusing on providing their clients their level best services. They have some strengths in their instruments of foreign trade financing. The Strengths Of Foreign Trade Financing At Dhaka Bank Ltd. are given below:

4.1.1 EFFICIENT EMPLOYEES:

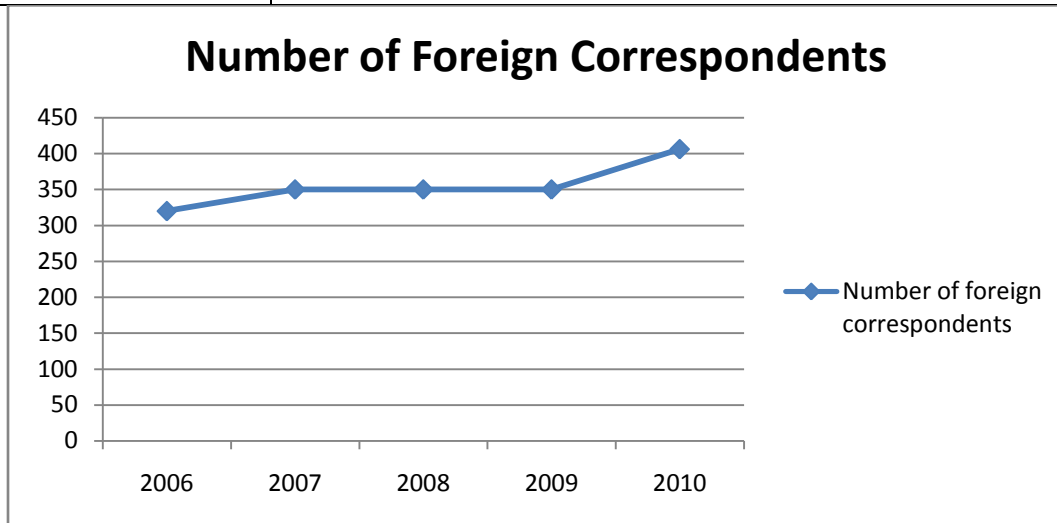
The employees of Foreign Trade Department of The Dhaka Bank Ltd. are very efficient as well as experienced. They carefully review all the related documents for opening LC so that no lack of information is there in the process. If there is any lacking of information or documents then they give advice to their clients for the proper solutions, so that the clients do not have to suffer in LC Processing. They also check and process the documents as soon as possible those are received after the shipment of the consignment, so that, the clients can release the consignment from the port as early as possible. It has been seen from customers' opinion that DBL provides hassle-free customer services to its client comparing to other financial institutions of Bangladesh. Personalized approach to the needs of customers is its motto.

4.1.2 VAST CORRESPONDENT BANKING NETWORK AND STRONG CORPORATE IDENTITY:

Dhaka Bank Ltd. is operating its Global Trade Services with a vast network (320+) of correspondents throughout the globe. Financial Institute of the bank arranges correspondent banking network, credit lines and other facilities required for 15 Authorized Dealer (AD)

branches and one Offshore Banking unit. These banking networks give flexibility to its work thus increasing the amount of foreign trade; especially Export and Import transaction. The number of foreign correspondents is increasing in Dhaka Bank for the purpose of smoothening the foreign trade transaction. In 2006, the number of foreign correspondents was 320 whereas in 2010 the number of foreign correspondents was 406. [Source: DBL Annual Report-2010]

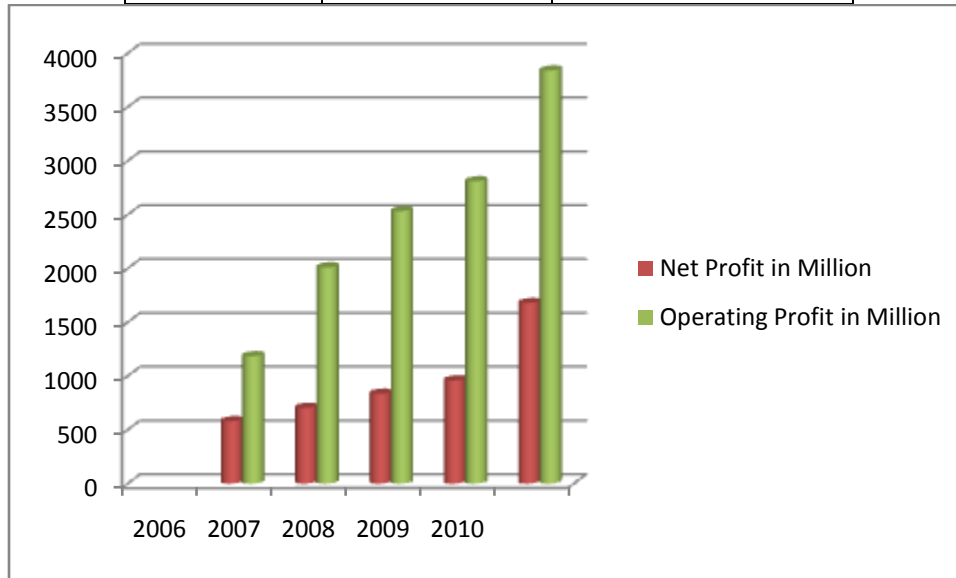
Year	Number of foreign correspondents
2006	320
2007	350
2008	350
2009	350
2010	406



Graph 4.1: Number of Foreign Correspondents

From the above graph we can see that, the number of foreign correspondents has increased. According to the customers, DBL is the leading provider of financial services identity worldwide. With its strong corporate image and identity, it has better positioned itself in the minds of the customers. This image has helped DBL grab the Foreign Trade sector of Bangladesh very rapidly.

Year	Net Profit in Million	Operating Profit in Million
2006	BDT 580.00	BDT 1,184.00
2007	BDT 704.00	BDT 2,010.00
2008	BDT 835.00	BDT 2,533.00
2009	BDT 959.00	BDT 2,810.00
2010	BDT 1,678.00	BDT 3,840.00



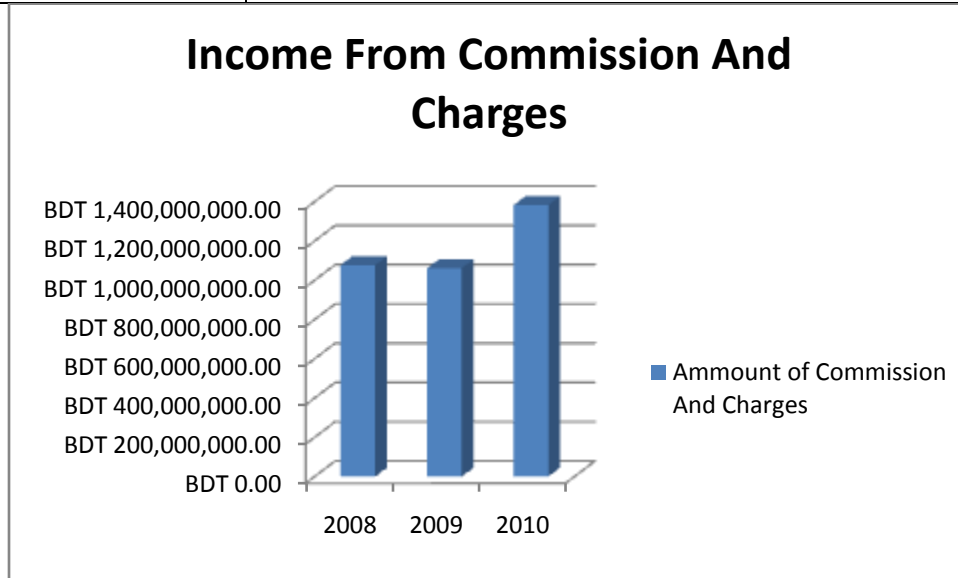
Graph 4.2: Growth in Financial Performance of Dhaka Bank Ltd

If the growth in financial performances of Dhaka Bank is carefully observed then we will see that the net profits as well as the operating profits have increased; which gave strength to the corporate identity to the bank.

4.1.3 REASONABLE MARGIN AND COMMISSION:

The Dhaka Bank Ltd charges less commission as well as margin compare to the other commercial banks. So, the cost of the foreign trade transaction decreases. For some clients like-Acme Group of companies, they keep the margin Nil. As a result, the clients feel comfort in taking services from this bank. The amount of the commission and charges was BDT 1,077,458,400.00 in 2008 where as the amount of the commission and charges increased in 2010, which is BDT 1,383,416,670.00. [Source: DBL Annual Report-2010]

Year	Income From Commission And Charges
2008	BDT 1,077,458,400.00
2009	BDT 1,061,326,669.00
2010	BDT 1,383,416,670.00



Graph 4.3: Income From Commission And Charges

4.1.4 LATEST TECHNOLOGY:

Dhaka Bank Ltd uses SAM SWIFT (SWIFT Alliance Messenger) for the purpose of sending and receiving the Letter of Credit Documents as well as Funds. This system is the latest system that works very fast. This system adds extra value to the service of the bank. They also use the different modes of latest hardware, like- latest scanners, printers, etc. for the purpose of processing the documents. The process of Letter of Credit gets faster by using this system.

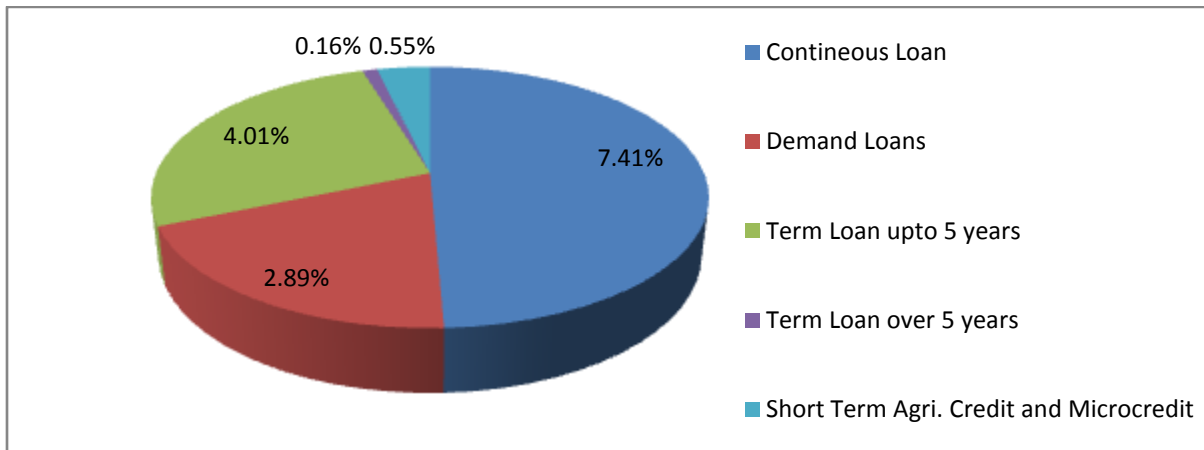
4.1.5 RULES AND REGULATIONS:

The Dhaka Bank Ltd follows the rules and regulations very strictly those are placed by the Central Bank or Bangladesh Bank and their head office as well. For this reason, they check all the documents those are placed by the clients with a great care so that, they can find whether all the documents are valid or not; or, whether the goods those are to be exported or imported are legal or illegal; or, whether the client is reliable for providing the credit facility or not; etc. These strictly maintained rules and regulations are monitored by the head office of the bank. Every

Authorized branch has to follow all the instructions those are given by the monetary unit. These help the bank in securing themselves as well as the clients from the fraud and securing the transaction process. Thus, fasten the business of the clients.

4.1.6 FLEXIBLE CREDIT LINES:

For financing the foreign trade activities the Dhaka Bank Ltd offers variety of credit lines which are very helpful for the business of the clients. The bank provides credit facilities for both pre-shipment as well as post shipment and for both Import and Export business. Each credit facilities have different features. The clients can choose the credit facilities after knowing the features; those will be appropriate for their requirements. For approval the loan the clients have to submit the required documents to the bank. After proper credit risk analysis the bank will approve the credit process and disbursement.



Graph 4.4: Credit Lines at Dhaka Bank Ltd

Repayment capacity as assessed by DBL of individual client helps to decide how much one can borrow. As the whole lending process is based on a client's repayment capacity, the recovery rate of DBL is close to 100%. This provides DBL financial stability & gears up DBL to be remaining in the business for the long run. [Source: DBL Annual Report-2010]

4.2 WEAKNESSES OF FOREIGN TRADE FINANCING AT DHAKA BANK LTD.

Besides the strengths the Dhaka Bank Ltd also have some weaknesses and this may be a cause of huge loss or create a barrier for the future prospect of foreign trade financing. The weaknesses Of Foreign Trade Financing At Dhaka Bank Ltd. are given below.

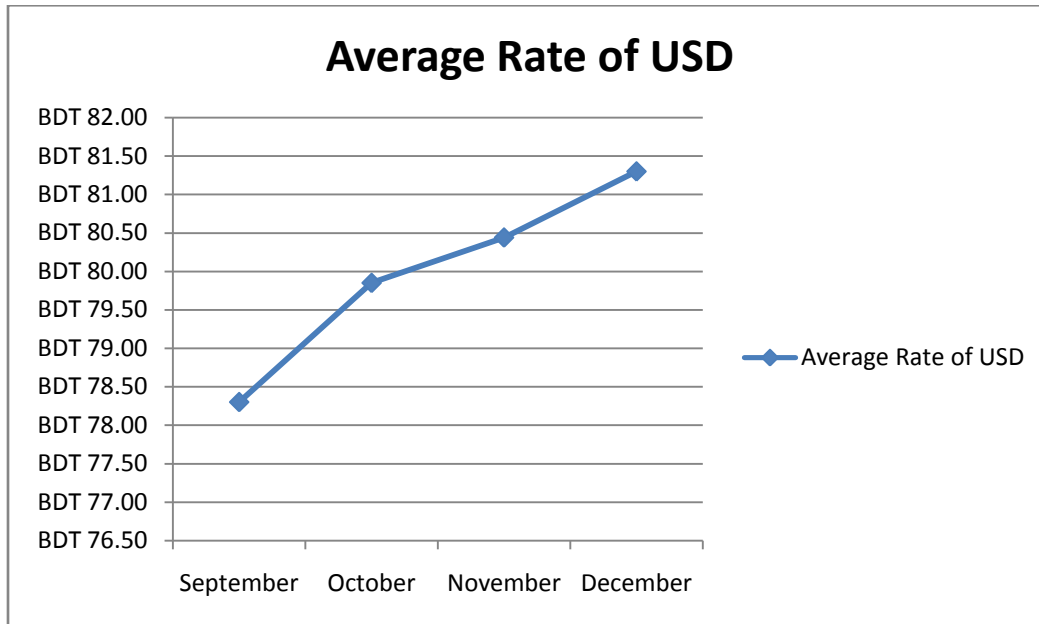
4.2.1 LACK OF PROMOTIONAL ACTIVITY:

Today's world is very much depend on the media, so if the intuitions are not thinking about the advertisement or any kind of promotional activities then it will not earn so much popularity. A media can rise or fall an institution within very short time. So if we see to other developed country then we can find that every business intuition has a huge budget for the advertisement or promotional purpose. They do not take this expense as an expense; they always take it as an investment, because if the people do not know about my organization then how they will do business with it (it does not matter which type of organization is this), it may be big manufacturing company or a bank. The promotional activity of Dhaka Bank Ltd is that much enriched for which they might not get more strength in their corporate identity. And this will directly affect the foreign trade business of the bank.

4.2.2 INCREASING EXCHANGE RATE:

The BC Selling rates which are used for the purpose of the payment of the letter of credit are increasing day by day. This increases the cost of import LC for this the clients are importing less good compare to the previous years.

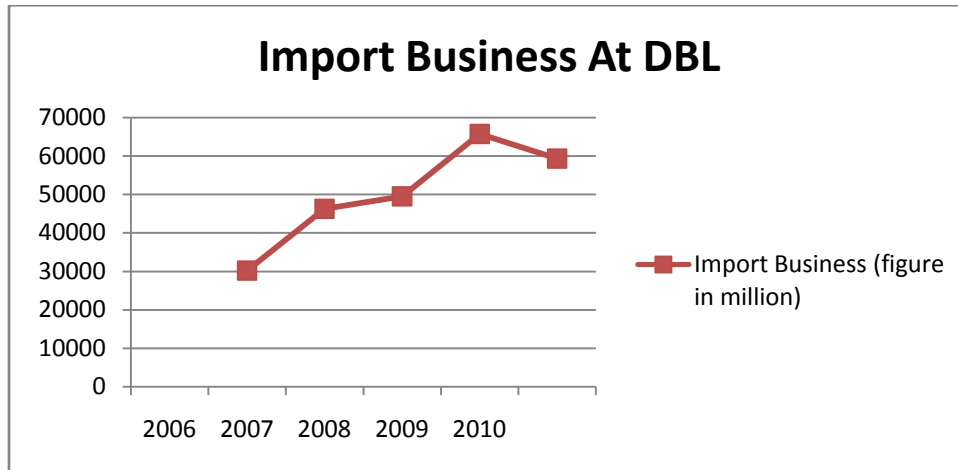
Months of 2011	Average Rate of USD
September	BDT 78.30
October	BDT 79.85
November	BDT 80.44
December	BDT 81.30



Graph 4.5: Average Rate of USD

In this graph, we can see that, the average rate of USD have increased in every month. This causes loss in the business. As a result of this increasing rate, many of the importers decreased the amount of importing which decreased the total amount of import business of Dhaka Bank Ltd.

Year	Import Business (figure in millions)
2006	BDT 30,213.00
2007	BDT 46,277.00
2008	BDT 49,497.00
2009	BDT 65,737.00
2010	BDT 59,340.00



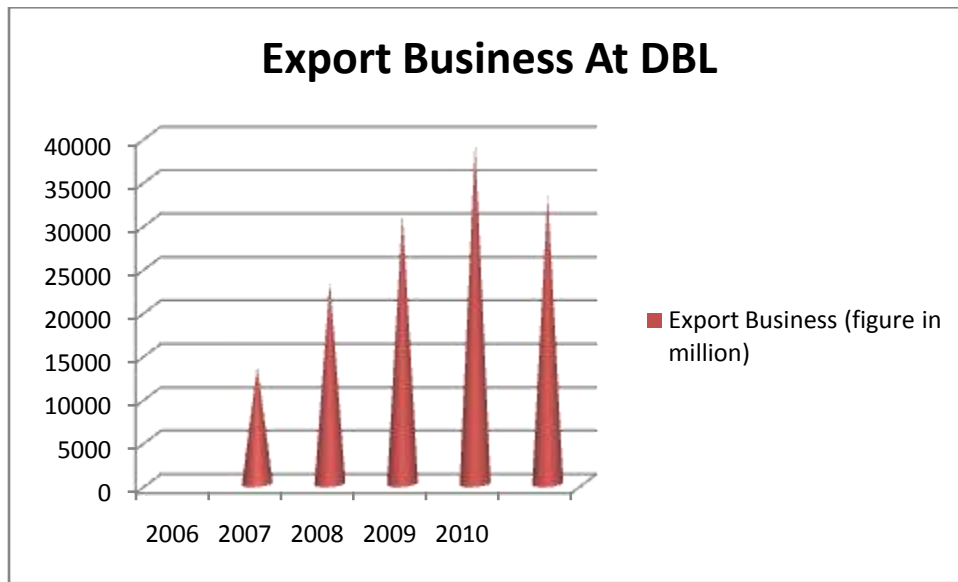
Graph 4.6: Import Business At DBL

In this graph we can see that, the import business of Dhaka Bank Ltd decreased in the year 2010 compare to the year 2009 this is caused because of the devaluation of BDT against USD. [Source: DBL Annual Report-2010]

4.2.3 LACK OF COOPERATION TO THE NEW OR SMALL BUSINESS:

Most of the time, Dhaka Bank Ltd tries to finance the foreign trade of medium or large scale businesses. They provide clean Import or Export Loan to most of its solvent clients. But they usually do not want to finance small entrepreneurs whose financial standing is not clean to them. Even, they charge same rates for all types of import L/C. In some cases, the bank keep 100% margin for import LC of new business. Sometimes, the import L/C of exports-oriented industry, like- Raw Material Import, the commission often even rises up to 30%, which increases the cost of the export. As a result, the amount of export business of the bank has decreased.

Year	Export Business (figure in millions)
2006	BDT 13,505.00
2007	BDT 23,268.00
2008	BDT 31,081.00
2009	BDT 39,083.00
2010	BDT 33,305.00



Graph 4.7: Export Business At DBL

In this graph we can see that, the Export Business At DBL have decreased in the year 2010 compare to the year 2009. This is occurred because of the high cost of the production that the exporters face.

4.2.4 LIMITED NUMBER OF THE BRANCH:

Dhaka Bank Ltd is currently operating its foreign trade finance operations all over the country only through 15 AD (Authorized Dealer) Branches. This limited number of brunches in not sufficient for providing the better service to the clients. Even 11 out of 15 of their AD Branches are situated in Dhaka City, 3 AD Branches are situated in Chittagong City and 1 is in Sylhet City. They do not have AD Branches in other cities of Bangladesh. So, if any client has to deal about foreign trade with this bank then he has to go to one of these two cities. But, in today’s world every client wants to get services from the bank according to their ease. So, this weakness of the bank affects their foreign trade business.

4.2.5 CENTRALIZED PROCESS:

Dhaka Bank Ltd uses centralized process for the purpose of opening LC and approving loans. The AD Branches of this bank process all the LC documents those are placed by the clients and

send the scanned copy of the LC documents to the CPC (Central Processing Centre) of the bank for further actions. The AD Branches do not have the authority to directly open a LC. Even, the managers and other high officials of the branch have no power for decision-making. The branch managers have no power to sanction loans. In every bank there is a certain amount that a branch manager can sanction, but in this bank if anyone wants to take a single Taka for loan then the manager has to send the loan documents to the head office for approval and wait for the response of head office. This centralized system is very time consuming and it may be the cause of losing clients, as every client wants to get faster services.

4.2.6 OUTDATED SOFTWARE AND MANUAL RECORD:

In, Dhaka Bank Ltd, Dhanmondi Branch, some of the Computers have very outdated hardware which is very slow and hampers the procedures and hence the performance of the bank as a whole. The software themselves are pretty old – Flexcube is used from the year 2003 and Microsoft Office XP is used in all the computers, which are not adaptive with the latest systems like- SAM SWIFT and other updated hardware. The bank maintains Register Book for recording some data, like- Foreign Trade Outward Mail Register, Letter of Credit Authorization Form (LCAF) Register, Stamp Register, etc. manually. All of these create obstacles in smooth operations of the bank.

CHAPTER- 5
RECOMMENDATIONS AND
CONCLUSION

5.1 RECOMMENDATIONS

After analyzing the instruments of foreign trade financing at Dhaka Bank Ltd, I have found some factors those they can implement for the improvement of their services. These are given bellow-

- The most important thing that has come to my mind concerning their promotional activities is that they should go for print or broad cast media for advertisement to make their customer aware about their range of services and make the strong place in the customers' mind.
- They should make their services decentralized rather than centralized, so that the process of LC as well as the loan approval will not be time consuming. And they will be able to give faster and updated service to the clients.
- They should give some power to the Branch Managers for sanctioning loans for the purpose of foreign trade up to a certain limit. So that, they can provide loan to their valuable clients when they are in shortfall of funds on emergency basis.
- They should increase the number of AD Branches in all over the country with the permission of Bangladesh Bank. Thus, the clients in every city can enjoy their foreign trade from their own city.
- They should encourage the export business more, by charging less commission for the export LC. And keeping the margin of import LC of export oriented business low.
- They should offer new and flexible foreign trade financing instruments for all scale foreign-business organizations. So that, every type of business can be benefited and expanded. Thus, the economy of Bangladesh can be improved.

- The bank should recruit more efficient employees and provide more updated training to its existing employees. So that, they can always be updated and serve the clients with the clients with the best service.
- The bank should increase the number of computers with updated hardware and software. So that, there will be no obstacles in providing faster services to the clients.

5.2 CONCLUSION

Modern Commercial Banking is exacting business. The reward are modest, the penalties for bad looking are enormous. And Commercial banks are great monetary institutions, important to the general welfare of the economy more than any other financial institution. It has a vastly sobering and exacting responsibility. Dhaka Bank Ltd (DBL) playing a vital role in financing import and exports of the country. The bank has committed to Boost up the export position and diminishes the import position, rising of Gross Domestic Product (GDP) maximizing the national growth & abolishing the unemployment percent of a educated sector of the nation. Without Bank's co-operation, it is not possible to run any business or production activity in this age. Exports and import need finance in various stages of their activities. Export and import financing are letter of credit (L/C), payment against documents (PAD), loan against imported merchandise (LIM) etc. All these facilities are provided by DBL. For this purpose Bank's consider the borrower's business standing, integrity, liability with the bank term and conditions of the L/C. There are lot of risks involved in foreign business. So, the Dhaka Bank Ltd (DBL) has to clearly justify the customers from a neutral point and gather the current information about the market. By financing the foreign trade, the banking sector in Bangladesh can improve the economy of the country by earning more foreign currency.

REFERENCE

- ❖ <http://www.dhakabankltd.com>

- ❖ http://www.banglapedia.org/httpdocs/HT/D_0149.HTM

- ❖ http://bankinfobd.com/banks/16/Dhaka_Bank

- ❖ http://www.dhakabankltd.com/about_aboutus.php

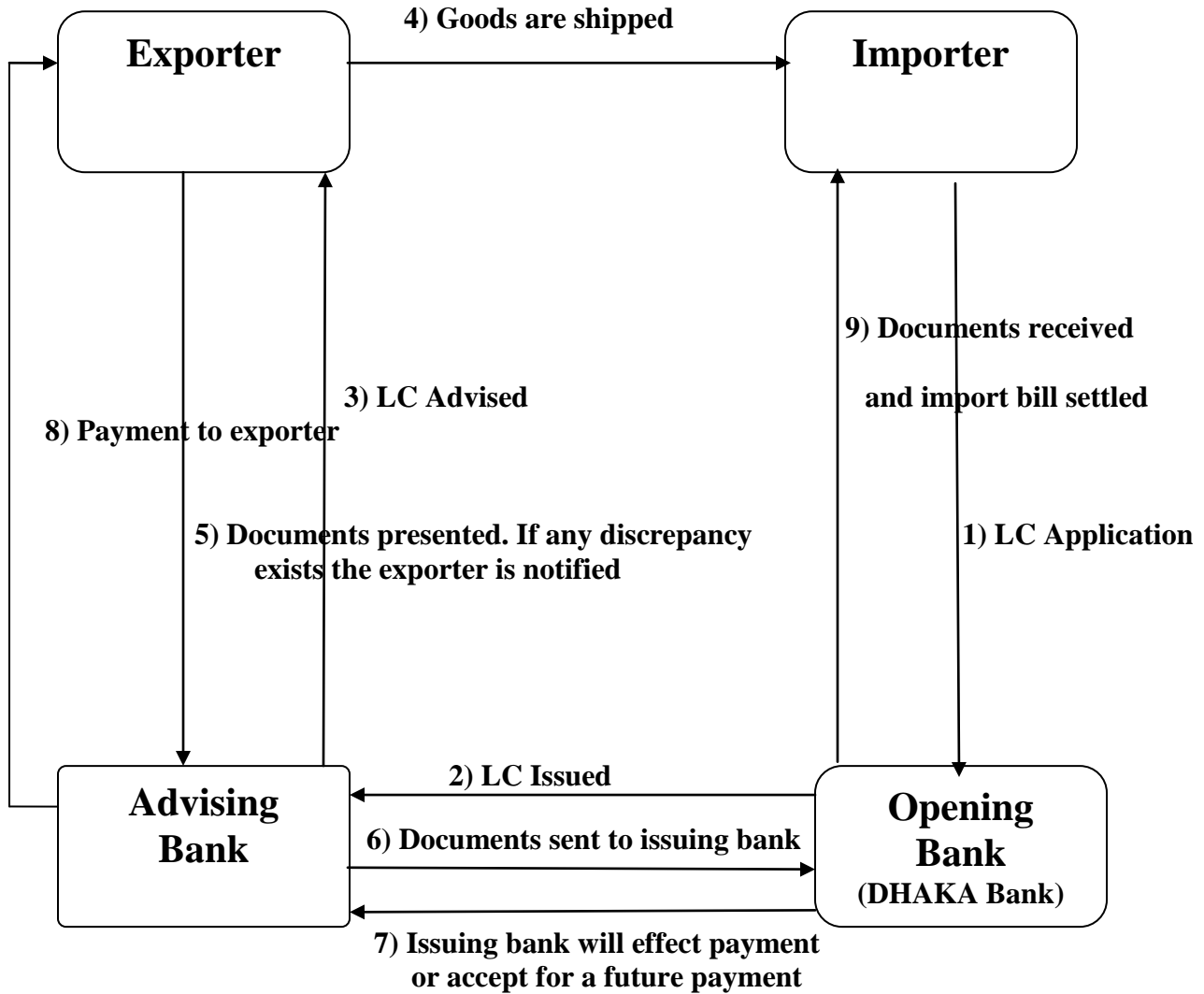
- ❖ Annual Report of Dhaka Bank Ltd- 2010.

- ❖ Dhaka Bank Ltd, Head Office Circulars.

- ❖ Related Articles & Text Books

APPENDIX

1. COMMON PROCESS OF LETTER OF CREDIT (LC)



2. LIST OF AUTHORIZED DEALER (AD) BRANCHES AT DBL

SL	Branch Name	Address
1	AGRABAD BRANCH	CHAMBER HOUSE38, AGRABAD C/A, CHITTAGONG
2	KHATUNGANJ	292-293, KHATUNGANJ ROAD KHATUNGANJ, CHITTAGONG
3	JUBILEE ROAD	183, JUBILEE ROAD, CHITTAGONG
4	ISLAMIC BANKING BRANCH, MOTIJHEEL	SARA TOWER 11/ A TOYENBEE CIRCULAR ROAD , MOTIJHEEL, DHAKA
5	LALDIGHIRPAR BRANCH	960, LALDIGHIRPAR, P.S. KOTWALI, SYLHET
6	LOCAL OFFICE	ADAMJEE COURT (GROUND FLOOR) 115-120 MOTIJHEEL C/A, DHAKA
7	FOREIGN EXCHANGE BRANCH	BIMAN BHABAN 100, MOTIJHEEL C/A, DHAKA
8	UTTARA BRANCH	HOUSE #1, ROAD #13SECTOR 1, UTTARA, DHAKA
9	DHANMONDI BRANCH	500(OLD), 20 (NEW), ROAD# 7 DHANMONDI R/A, DHAKA
10	BANANI BRANCH	73/B, KEMAL ATATURK AVENUEBANANI, DHAKA
11	KARWAN BAZAR	SUMMIT CENTER (1ST FL.) 18, KARWAN BAZAR, DHAKA
12	IMAMGANJ	IMAMGANJ, SARDAR MANSION, IMAMGANJ BAZAR, DHAKA
13	BANGSHAL BRANCH	SHAHID SYED NAZRUL ISLAM SHARANI, BANGSHAL, DHAKA
14	GULSHAN	PLOT # 07 SE (D), HOLDING # 24 GULSHAN AVENUE , GULSHAN - 1, DHAKA
15	NARAYANGANJ	26-29, S. M. MALEH ROAD , TANBAZAR, NARAYANGONG
16	OFFSHORE BANKING UNIT	ZONE SERVICE BUILDING , ROOM # 51, DEPZ GANAKBARI, SAVAR

3. FINANCIAL STATEMENTS OF DBL

Consolidated Balance Sheet			
as at 31 December 2010			
	Notes	2010 Taka	2009 Taka
PROPERTY AND ASSETS			
Cash	03	8,769,479,993	5,035,699,739
Cash in Hand (including foreign currencies)		758,850,790	546,917,770
Balance with Bangladesh Bank & Sonali Bank (including foreign currencies)		8,010,629,203	4,488,781,969
Balance With Other Banks & Financial Institutions	04	4,839,359,461	8,224,866,995
In Bangladesh		4,114,120,565	7,277,224,162
Outside Bangladesh		725,238,896	947,642,833
Money at Call and Short Notice	05	109,600,000	269,800,000
Investments	06	8,443,201,485	8,659,565,948
Government		7,099,576,677	8,440,481,806
Others		1,343,624,808	219,084,142
Loans & Advances	07	63,591,387,406	52,909,814,017
Loans, Cash Credit & Over Draft etc.		61,153,529,522	51,343,861,849
Bills Discounted and Purchased		2,437,857,884	1,565,952,168
Premises and Fixed Assets	08	977,385,392	424,462,708
Other Assets	09	3,387,294,364	2,243,203,687
Non-Banking Assets	10	23,166,033	-
Total Assets		90,140,874,134	77,767,413,094
LIABILITIES & CAPITAL			
Liabilities			
Borrowings from other banks, financial institutions and agents	11	4,365,638,395	3,489,759,326
Deposits and Other Accounts	12	67,742,518,136	60,918,374,023
Current Accounts & Other Accounts		8,184,241,642	5,552,769,281
Bills Payable		1,316,883,068	2,151,455,682
Savings Bank Deposits		7,407,240,813	5,881,201,270

Term Deposits		50,834,152,613	47,332,947,790
Non Convertible Subordinated Bond	13	2,000,000,000	-
Other Liabilities	14	9,452,988,215	8,393,597,775
Total Liabilities		83,561,144,746	72,801,731,124
Capital / Shareholders' Equity			
Paid-up Capital	15	2,659,597,800	2,127,678,163
Statutory Reserve	16	2,553,786,183	1,970,287,116
Other Reserve	17	3,803,255	3,438,685
Revaluation Reserve on Investment	18	267,065,029	331,993,799
Surplus in Profit and Loss Account	19	1,095,477,121	532,284,207
Total Shareholders' Equity		6,579,729,388	4,965,681,970
Total Liabilities & Shareholders' Equity		90,140,874,134	77,767,413,094

Consolidated Profit & Loss Account

for the year ended 31 December 2010

	Notes	2010 Taka	2009 Taka
Operating Income			
Interest Income / Profit Received	22	7,404,568,227	7,466,348,667
Interest / Profit paid on Deposits & Borrowings	23	4,944,107,729	5,555,556,578
Net Interest Income		2,460,460,498	1,910,792,089
Income from Investment	24	1,242,612,630	920,155,479
Commission / Fees, Exchange Earnings & Brokerage	25	1,383,416,670	1,061,326,669
Other Operating Income	26	468,688,307	193,493,307
TOTAL OPERATING INCOME (A)		5,555,178,105	4,085,767,544
Operating Expenses			
Salary & Allowances	27	967,479,981	722,019,707
Rent, Taxes, Insurance, Lighting etc.	28	227,074,795	165,779,070
Legal & Professional Expenses	29	7,311,351	5,531,948
Postage, Stamp, Telecommunication etc.	30	42,362,792	41,479,236
Stationery, Printing, Advertisement etc.	31	101,947,573	81,096,575
Chief Executive's salary & allowances	32	9,847,143	7,212,500
Directors' Fee & Meeting Expenses	33	2,749,804	2,131,656
Audit Fees		632,500	500,000
Charges on loan losses	34	782,226	517,422
Depreciation of Bank's Assets	35	84,865,809	62,778,905
Repair & Maintenance of Bank's Assets	36	38,189,014	35,632,364
Other Expenses	37	231,493,569	150,761,299
TOTAL OPERATING EXPENSES (B)		1,714,736,557	1,275,440,682
Profit / (Loss) Before Provision (C) = (A - B)		3,840,441,548	2,810,326,862
Non-Operating Income	38	1,178,808	-
		3,841,620,356	2,810,326,862
Provision for loan	39	841,229,787	674,883,819
Provision for Off Balance Sheet Exposure	40	51,014,000	-
Provision for diminution in value of investments	41	-	-
Provision for Dhaka Bank Foundation	42	29,469,650	-
Other Provisions	14.4	2,411,583	-
Total Provision (D)		924,125,020	674,883,819
Total Profit / (Loss) before Tax (C - D)		2,917,495,336	2,135,443,043
Provision for Current Tax	14.5	1,238,519,148	1,176,070,227
Provision for Deferred Tax		-	-
Net Profit / (Loss) after Tax		1,678,976,188	959,372,816
Distribution			
Statutory Reserve		583,499,067	427,088,609
General Reserve		-	-
Dividend etc.		-	-
Retained surplus		1,095,477,121	532,284,207
Earning per Share (EPS)	43	6.31	36.07

These financial statements should be read in conjunction with the annexed notes 1 to 47



Khondker Fazle Rashid
Managing Director



Altaf Hossain Sarker
Director



Mohammed Hanif
Vice Chairman



Reshadur Rahman
Chairman

Auditors' report to the shareholders
See annexed report of date



Hoda Vasi Chowdhury & Co.
Chartered Accountants

Dhaka, 15 February 2011

Consolidated Off Balance Sheet

as at 31 December 2010

	Notes	2010 Taka	2009 Taka
CONTINGENT LIABILITIES	20		
Acceptances and Endorsements		7,915,651,592	6,478,544,661
Letter of Credit		10,903,162,793	6,855,152,548
Letter of Guarantee		7,081,712,290	6,022,642,215
Bills for Collection		6,675,179,845	4,036,788,540
Other Contingent Liabilities		875,003,986	506,000,968
TOTAL		33,450,710,506	23,899,128,932
OTHER COMMITMENTS			
Documentary credit and short term trade-related transactions		-	-
Forward assets purchased and forward deposits placed		-	-
Undrawn note issuance and revolving underwriting facilities		-	-
Undrawn formal standby facilities, credit lines and other commitments		-	-
TOTAL		-	-
Total off- Balance Sheet exposures including contingent liabilities		33,450,710,506	23,899,128,932

These financial statements should be read in conjunction with the annexed notes 1 to 47


Khondker Fazle Rashid
 Managing Director



Altaf Hossain Sarker
 Director


Mohammed Hanif
 Vice Chairman


Reshadur Rahman
 Chairman

Auditors' report to the shareholders
 See annexed report of date

Dhaka, 15 February 2011


Hoda Vasi Chowdhury & Co.
 Chartered Accountants

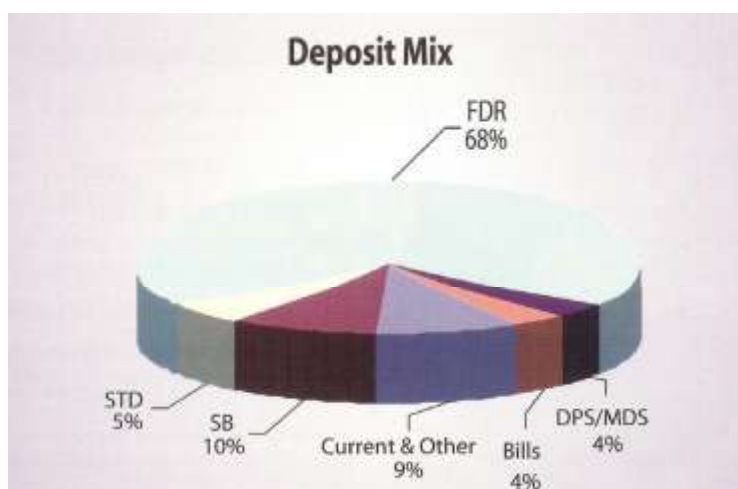
5-YEAR FINANCIAL HIGHLIGHTS

Figure in Million

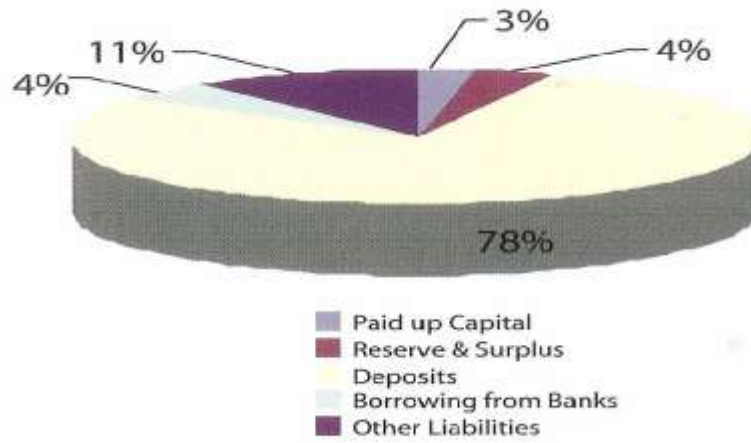
	2005	2006	2007	2008	2009	Growth %
Income Statement						
Interest Income	2,897	4,342	5,636	7,171	7,466	4
Interest Expense	2,149	3,380	4,049	5,214	5,407	4
Net Interest Income	748	962	1,587	1,958	2,060	5
Non Interest Income	739	1,110	1,582	1,929	2,175	13
Non Interest Expense	594	889	1,159	1,353	1,424	5
Net Non Interest Income	145	221	423	576	751	30
Profit before Tax & Provision	893	1,183	2,010	2,533	2,810	11
Provision for Loans & Assets	125	233	479	669	675	1
Provision for Tax (including Deferred Tax)	305	370	827	1,025	1,176	15
Profit after Tax	463	580	704	839	959	14
Balance Sheet						
Authorize Capital	2,650	2,650	6,000	6,000	6,000	-
Paid up Capital	1,228	1,289	1,547	1,934	2,128	10
Reserve Funds & Other Reserve	988	1,262	1,578	2,065	2,838	37
Shareholders' Equity (Capital & Reserve)	2,216	2,551	3,125	4,000	4,966	24
Deposits (Base & Bank excluding Call)	28,439	41,554	48,731	56,986	60,918	7
Loans & Advances	23,372	34,049	39,972	49,698	52,910	6
Investments	3,926	5,378	5,972	7,239	8,660	20
Fixed Assets	122	217	291	387	424	10
Total Assets (excluding off-balance sheet items)	33,072	47,594	57,443	71,137	77,767	9
Foreign Exchange Business						
Import Business	30,213	46,277	49,496	65,737	46,160	(30)
Export Business	13,505	23,268	31,081	39,038	33,305	(15)
Guarantee Business	6,099	6,473	6,523	7,887	6,462	(18)
Inward Foreign Remittance	3,377	16,764	10,609	11,834	9,786	(17)
Capital Measures						
Core Capital (Tier I)	2,216	2,551	3,126	3,964	4,634	17
Supplementary Capital (Tier II)	237	373	554	844	1,000	18
Tier I Capital Ratio	9.94	8.23	8.80	9.77	9.30	(5)
Tier II Capital Ratio	1.06	1.2	1.56	2.08	2.01	(3)
Total Eligible Capital	2,453	2,924	3,680	4,808	5,634	17
Total Capital Ratio	11.00	9.43	10.36	11.84	11.31	(4)

Figure in Million

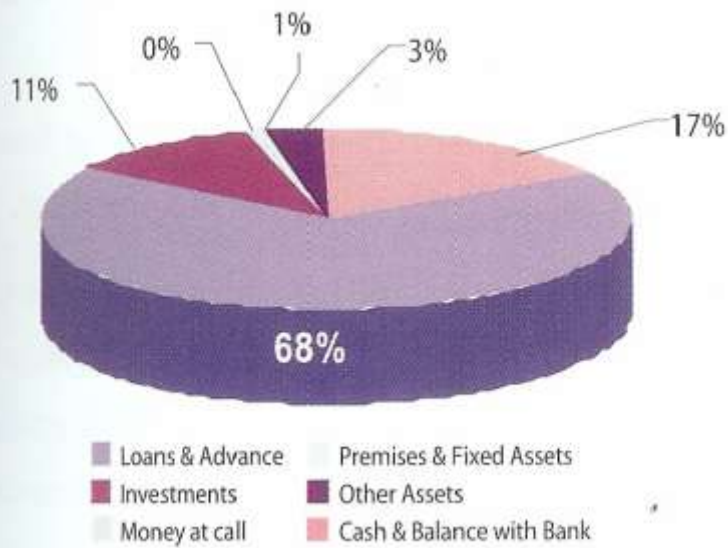
	2005	2006	2007	2008	2009	Growth %
Credit Quality						
Volume of Non-performing loans	351	554	1,258	1,908	2,946	54
% of NPLs to Total Loans & Advances	1.51	1.64	3.15	3.84	5.57	45
Provision for unclassified Loans	236	372	465	620	625	1
Provision for Classified Loans	103	172	439	825	1,488	80
Share Information						
Number of Shares Outstanding	12.28	12.89	15.47	19.34	21.28	10
Earning per Share (Taka)	43.99	45.00	46.06	39.42	45.09	4
Book Value per share (Taka)	180	198	202	207	233	13
Market Price per share (Taka)	469	466	706	361	484	34
Price Earning Ratio (Times)	10.66	10.32	15.33	9.15	10.72	29
Price Equity Ratio (Times)	2.60	2.35	3.49	1.74	2.07	19
Dividend per Share:						
Cash Dividend (%)	20	10	-	15	-	-
Bonus Share	1:20	1:5	1:4	1:10	1:4	-
Operating Performance Ratio						
Net Interest Margin	3.43	3.77	4.54	4.60	4.56	(1)
Credit / Deposit Ratio (%)	82.18	81.94	82.03	87.21	86.85	(0)
Current Ratio (Times)	1.33	1.24	1.38	1.28	2.10	64
Return on Equity (ROE) %	20.89	22.74	22.53	20.97	19.32	(8)
Return on Assets (ROA) %	1.40	1.22	1.23	1.18	1.29	9
Cost of Deposit (%)	8.13	9.15	8.97	9.40	8.68	(8)
Cost / Income ratio in operating business (%)	75.44	78.14	72.15	72.16	70.85	(2)



Sources of Fund



Uses of Fund



SL	Category of Credit Facilities	Mid Rate p.a.	Interest/ Profit Rate p.a.
**1	Agriculture	--	13.00%
**2	Large and Medium Scale Industrial term Loan	--	13.00%
**3	Small Industrial term Loan	--	13.00%
4	Working capital:		
	a. type (A): Large and medium scale industries	15.50%	14%-17%
	b. type (B): Small Industries	15.50%	14%-17%
**5	Export	--	7.00%
6	Commercial lending	15.50%	14%-17%
7	Housing lending		
	a. Commercial/ Real Estate	16.00%	14.5%-17.5%
	b. Residential	15.00%	13.5%-16.5%
8	Consumer Credit		
	a. Personal Loan	17.00%	15.5%-18.5%
	b. Home loan(Upto Tk. 10 Million)	15.00%	13.5%-16.5%
	c. Car LOAN	17.00%	15.5%-18.5%
9	Credit Card	2.5% per month	2.5% per month
10	Finance to NBFIs	15.50%	14%-17%
11	Others		
	a. Import Finance against Rice, Wheat, Edible Oil(crude or refined,), Pulses, Peas, Onion, Dates and suger	--	12.00%
	b. Special Scheme Loans -SME	17.00%	15.5%-18.5%
	c. Woman Entrepreneur (for SME Clients upto tk. 5.0 million)	--	10.00%
	d. commercial Bill Discount/ Purchase	17.00%	15.5%-18.5%
	e. secured against FDR,DPS and SDS (In Case of deposit with DBL, interest to be (2.55-3%)higher than the weighted average FDR rate)		
	f. loan against Deposit Double with Dhaka Bank	17.00%	15.5%-18.5%
	g. Other Bank FDR	15.50%	14%-17%
	h. Lease Financing (lease rental factor)	17.00%	15.5%-18.5%

** rate ceiling Fixed by Central Bank

Effected from October 01, 2011

National list of concessions : Bangladesh

No.	H.S. Code	Description	Margin of Preference(%)
1	0801.11.10	Coconuts: Desiccated (excl. wrapped/canned)	60
2	0801.11.20	Coconuts: Desiccated, wrapped/canned	60
3	0801.19.10	Coconuts: Other (excl. wrapped/canned)	50
4	0801.19.20	Coconuts: Other, wrapped/canned	50
5	0904.11.10	Pepper, neither crushed nor ground (excl. wrapped/canned)	10
6	0904.11.20	Pepper, neither crushed nor ground (wrapped/canned)	10
7	0908.10.10	Nutmeg (excl. wrapped/canned)	10
8	0908.10.20	Nutmeg, wrapped/canned	10
9	0908.20.10	Mace (excl. wrapped/canned)	10
10	0908.20.20	Mace, wrapped/canned	10
11	0908.30.10	Cardamoms (excl. wrapped/canned)	10
12	0908.30.20	Cardamoms, wrapped/canned	10
13	1203.00.10	Copra: excl. wrapped/canned	20
14	1203.00.20	Copra: wrapped/canned	20
15	1513.11.00	Coconut (copra) oil and its fractions, crude	30
16	1513.19.10	Coconut oil solidified or hardened by mechanical treatment	20
17	1513.19.90	Coconut (copra) oil and its fractions, refined, other	20
18	2401.10.00	Tobacco, not stemmed/stripped	50
19	2501.00.21	Salt (other than pure sodium chloride) not in aqueous solution: Salt boulder for crushing salt in bulk	10
20	2501.00.29	Other salt (other than pure sodium chloride) not in aqueous solution	10
21	2501.00.90	Salt (incl table salt & denatured salt), whether/not in aqueous solution; sea water	10
22	2504.10.00	Natural graphite: In powder or in flakes	10
23	2505.10.00	Silica sands & quartz sands	10
24	2505.90.00	Other natural sands (excl. silica/quartz sands), nes	10
25	2704.00.00	Coke and semi-coke of coal, of lignite or of peat, whether or not agglomerated; retort carbon.	10
26	2803.00.00	Carbon (carbon blacks & other forms of carbon not elsewhere specified or included)	10
27	2817.00.00	Zinc Oxide; Zinc Peroxide	10
28	2824.10.00	Lead monoxide (litharge, massicot)	10
29	2830.10.00	Sodium sulphides	10
30	2836.10.00	Commercial ammonium carbonate & other ammonium carbonate	10
31	2901.10.00	Saturated acyclic hydrocarbons	15
32	2901.21.00	Unsaturated acyclic hydrocarbons: Ethylene	10
33	2901.22.00	Unsaturated acyclic hydrocarbons: Propene (propylene)	10
34	2901.23.00	Butene (butylene) and isomers thereof	10

No.	H.S. Code	Description	Margin of Preference(%)
35	2901.24.00	Buta-1, 3-diene & isoprene	10
36	2902.11.00	Cyclanes, cyclenes and cycloterpenes: Cyclohexane	10
37	2902.20.00	Benzene	10
38	2902.30.00	Toluene	10
39	2902.41.00	O-Xylene	10
40	2902.42.00	M-Xylene	10
41	2902.43.00	p-Xylene	10
42	2902.44.00	Mixed xylene isomers	10
43	2902.50.00	Styrene	10
44	2902.60.00	Ethylbenzene	10
45	2902.70.00	Cumene	10
46	2905.11.00	Methanol (Methyl Alcohol)	10
47	2905.12.10	Propan-1-01 (propyl alcohol) and propan-2-01 (isopropyl alcohol): Isopropanol or isopropyl alcohol	10
48	2905.12.20	Propan-1-01 (propyl alcohol) and propan-2-01 (isopropyl alcohol): Propan-1-01 (propyl alcohol)	10
49	2905.13.00	Butan -1-01 (n-butyl alcohol)	10
50	2905.14.00	Other butanols	10
51	2905.15.00	Pentanol (amyl alcohol) and isomers thereof	10
52	2905.16.00	Octanol (octyl alcohol) and isomers thereof	10
53	2905.17.00	Dodecan 1-01 (lauryl alcohol), hexadecan-1-01 (cetyl alcohol) and octadecan-1-01 (steary alcohol)	10
54	2905.19.00	Other saturated monohydric alcohols, nes	10
55	2905.22.00	Acyclic terpene alcohol	10
56	2905.31.00	Ethylene glycol (ethanediol)	10
57	2905.32.00	Propylene glycol (propane-1,2-diol)	10
58	2905.41.00	2-Ethyl-2 (hydroxymethyl) propane-1, 3-diol (trimethylpropane)	10
59	2905.42.00	Pentaerythritol	10
60	2905.43.00	Mannitol	10
61	2905.44.00	D-glucitol (sorbitol)	10
62	2907.11.00	Phenol (hydroxybenzene) and its salts	10
63	2907.12.00	Cresols and their salts	10
64	2907.13.00	Octylphenol, nonylphenol and their isomers; salts thereof	10
65	2907.14.00	Xylenols and their salts	10
66	2907.15.00	Naphthols and their salts	10
67	2907.21.00	Resorcinol & its salts	10
68	2907.22.00	Hydroquinone (quinol) and its salts	10
69	2907.23.00	4,4 - Isopropylidenediphenol (bisphenol A, diphenylolpropane) and its salts	10
70	2907.29.90	Other polyphenols, nes	10
71	3204.11.00	Disperse dyes and preparations based thereon	10
72	3210.00.10	Approved aircraft and helicopter paint, nes, imported by Bangladesh Biman/Flying Club/concerned Govt Dept.	15
73	3301.29.00	Essential oils other than of citrus fruit: other	10

No.	H.S. Code	Description	Margin of Preference(%)
74	3507.90.00	Other enzymes/prepared enzymes, nes; Enzymes (foodgrade)	10
75	3802.10.00	Activated carbon	20
76	3808.10.29	Insecticides, other	10
77	3809.91.00	Finising agents,etc.of a kind used in the textile indstry	10
78	4001.21.00	Natural rubber in smoked sheets	10
79	4001.22.00	Technically specified natural rubber (TSNR)	10
80	4001.29.00	Natural rubber in other forms, nes	10
81	4007.00.00	Vulcanzied Rubber Thread and cord	10
82	4009.11.00	Not reinforced or otherwise combined with other materials: without fittings	10
83	4011.61.10	New pneumatic rubber tyres, having a herring-bone/similar tread: Of a kind used on tractors	15
84	4011.92.10	Of a kind used on agricultural or forestry vehicles and machines: Of a kind used on tractors	15
85	4015.11.00	Gloves: Surgical	10
86	4015.19.00	Gloves: Other	10
87	4017.00.00	Hard rubber (for example, ebonite) in all forms, including waste and scrap; Articles of hard rubber	15
88	4412.13.00	Plywood,....wood,each ply <=6mm thickness: With at least 1 outer ply of tropical wood specified in shg. Note 1 to Ch.44	15
89	4412.14.00	Plywood,... solely of sheets of wood,each ply<=6mm thickness: Other,with at least 1 outer ply of non-coniferous wood	15
90	4412.23.00	Other, with at least one outer ply of non-coniferous wood: With at least Containing at least one layer of particle board	15
91	4804.11.00	Kraftliner: Unbleached	15
92	4804.31.00	Other kraft paper/paperboard weighing <=150 Gm/M2: Unbleached	15
93	4805.11.00	Semi-chemical fluting paper (corrugating medium)	15
94	5108.10.00	Yarn of fine animal hair, nprs, carded	15
95	5607.49.90	Of polyethylene or polypropylene: Other	60
96	6116.10.00	Gloves impregnated...plastics/rubber	10
97	6116.91.00	Other gloves, mittens and mitts, knitted/crocheted: Of wool or fine animal hair .	10
98	6116.92.00	Other gloves, mittens and mitts, knitted/crocheted: Of cotton	10
99	6116.99.00	Other gloves, mittens and mitts, knitted/crocheted: Of other textile materials ..	10
100	6201.13.00	Overcoats, raincoats, car-coats, capes, cloaks and similar articles: Of man-made fibres .	30
101	6804.22.10	Other millstones, grindstones, grinding wheels and the like, of other agglomerated abrasives/ceramics: Grinding wheels	15

No.	H.S. Code	Description	Margin of Preference(%)
102	6804.22.90	Other millstones, grindstones, grinding wheels and the like, of other agglomerated abrasives/ceramics: Other	15
103	6908.10.00	Tiles, cubes and similar articles, whether or not rectangular, largest surface area <49 sq cm	15
104	7614.10.90	With steel core: Other	10
105	7907.00.10	Zinc anodes (electroplating anodes)	10
106	8202.39.00	Circular saw blades (incl. slitting or slotting saw blades): Other, including parts	15
107	8207.13.00	Rock drilling or earth boring tools: With working part of cermets	16
108	8207.19.00	Rock drilling or earth boring tools: Other, including parts	16
109	8207.20.00	Dies for drawing or extruding metal	16
110	8207.30.00	Tools for pressing, stamping & punching	16
111	8207.40.00	Tools for tapping & threading	16
112	8207.60.00	Tools for boring and broaching	16
113	8207.70.00	Tools for milling	16
114	8207.80.00	Tools for turning	16
115	8207.90.00	Other interchangeable tools	16
116	8403.10.00	Boilers	15
117	8407.10.00	Aircraft engines	10
118	8407.21.00	Marine propulsion engines: Outboard motors	10
119	8407.31.10	Two-stroke engin (<=50 CC) for three wheelers and auto rickshaw	10
120	8407.31.20	Four-stroke engin (<=50 CC) for three wheelers and auto rickshaw	10
121	8407.31.90	Other, of a cylinder capacity <=50 CC	10
122	8407.32.10	Two-stroke engin (>50 CC but <=250 CC) for three wheelers and auto rickshaw	10
123	8407.32.20	Four-stroke engin (>50 CC but <=250 CC) for three wheelers and auto rickshaw	10
124	8407.32.90	Other, of a cylinder capacity >50 CC but <=250 CC	10
125	8407.33.10	Two-stroke engin (>250 CC but <=1000 CC) for three wheelers and auto rickshaw	15
126	8407.33.20	Four-stroke engin (>250 CC but <=1000 CC) for three wheelers and auto rickshaw	15
127	8407.33.90	Other, of a cylinder capacity >250 CC but <=1000 CC	15
128	8407.34.00	Reciprocating piston engines of a kind used for propulsion of vehicles of Ch.87: Of a cylinder capacity >1000 cc	15
129	8407.90.90	Other engines	10
130	8408.10.10	Marine propulsion engines: Marine engine for fishing trawler	10
131	8408.10.90	Marine propulsion engines: Other	15

No.	H.S. Code	Description	Margin of Preference(%)
132	8408.20.10	Two-stroke engin for three wheelers and auto rickshaw	10
133	8408.20.20	Four-stroke engin for three wheelers and auto rickshaw	10
134	8408.20.30	Engines of a kind used for the propulsion of vehicles of hdg Nos.87.02 and 87.04 of cylinder capacity >=2600 cc	10
135	8408.20.90	Other engines of a kind used for the propulsion of vehicles of Chapter Nos. 87	10
136	8408.90.90	Other engines	10
137	8409.10.00	For aircraft engines	10
138	8409.91.90	Parts, suitable for use solely/principally with spark-ignition internal combustion piston engines: Other	10
139	8414.80.10	Other air/vacuum pumps/compressors....: Pumps and compressors	15
140	8414.80.20	Other air/vacuum pumps/compressors....: Blowers for used in pisciculture	15
141	8414.80.30	Other air/vacuum pumps/compressors....: Blowers for used in tea industries	15
142	8414.80.90	Other air/vacuum pumps/compressors....: Other	15
143	8416.10.00	Furnace burners for liquid fuel	15
144	8419.31.00	Dryers: For agricultural products	50
145	8420.99.00	Parts: Other	50
146	8421.21.10	Filtering/purifying machinery and apparatus for liquids: For filtering/purifying water--Sterilizers for laboratory use	15
147	8421.21.20	Filtering/purifying machinery/apparatus for liquids:For water--Domestic apparatus,pressure/electro-magnetic type	15
148	8421.21.92	Filtering/purifying machinery/apparatus for liquids:For filtering/purifying water, Other	15
149	8421.29.00	Filtering/purifying machinery/apparatus for liquids: Other	15
150	8424.89.00	Other appliances, other (excluding agricultural and horticultural appliances)	15
151	8428.33.00	Other continuous-action elevators and conveyors, for goods/materials: Other, belt type	10
152	8431.43.00	Parts for boring or sinking machinery of subheading Nos. 8430.41/8430.49	10
153	8433.60.00	Machines for cleaning, sorting or grading eggs, fruit or other agricultural produce .	10
154	8437.90.10	Parts: Rice huller and wheat crusher	10
155	8441.20.00	Machines for making bags, sacks or envelops	15
156	8441.30.00	Machines for making cartons, boxes, cases, tubes, drums or similar containers, other than by moulding	15
157	8441.80.00	Other machinery	15
158	8448.39.00	Other parts/accessories of hdg No.84.45 or of their auxiliary machinery, nes	10
159	8448.49.00	Other parts/accessories of weaving machines or of their auxiliary machines,nes ..	10
160	8452.21.00	Other sewing machines: Automatic untis	15

No.	H.S. Code	Description	Margin of Preference(%)
161	8452.30.00	Sewing machine needles	15
162	8474.10.00	Sorting, screening, separating or washing machines	10
163	8474.80.00	Other machinery	10
164	8479.89.20	Other machines/mechanical appliances: Other	10
165	8479.90.00	Parts	15
166	8480.71.00	Moulds for rubber or plastics:injection/compression type	15
167	8481.90.00	Parts	15
168	8501.62.90	AC generators (alternators): Of an output > 75 kVA but <=375 kVA	15
169	8502.11.00	Generating sets w/compressn-ignition internal combustn piston engines(diesel/semi-diesel): of an output <=75kVA	15
170	8502.12.00	Generating sets w/compressn-ignition internal combustn piston engines(diesel/semi-diesel):75.1kVA-375kVA output .	15
171	8502.13.00	Generating sets w/compressn-ignition internal combustn piston engines(diesel/semi-diesel):>375 kVA output ...	15
172	8514.10.00	Resistance heated furnaces & ovens	15
173	8514.20.00	Furnaces and ovens functioning by Induction or dielectric loss	15
174	8514.30.00	Other furnaces & ovens	15
175	8514.40.00	Other equipment for the heat treatment of materials by induction or dielectric loss	15
176	8518.10.00	Microphones & stands therefor	15
177	8518.21.00	Single loudspeakers, mounted in their enclosures	15
178	8518.22.00	Multiple loudspeakers, mounted in the same enclosure	15
179	8525.10.90	Transmission apparatus: Other	10
180	8532.10.00	Fixed capacitors designed for use in 50/60 Hz circuits,having reactive power capacity >=0.5Kvar	10
181	8532.29.00	Other fixed capacitors, nes	15
182	8535.90.00	Other electrical apparatus for switching/protecting electrical circuits...,nes ..	10
183	8538.90.00	Other parts, nes	10
184	8539.22.90	Other filament lamps,excl. ultra-violet/infra-red lamps: Of power <=200W,voltage >100V--Other	15
185	8539.31.10	Energy saving lamp having an output of light three times compare to normal filament bulb consuming same electricity	10
186	8539.31.90	Discharge lamps, other than ultra violet lamps: Other	10
187	8543.20.00	Signal generators	15
188	8543.89.00	Other machines and apparatus: Other	15
189	8544.70.00	Optical fibre cables	10
190	8701.10.10	Pedestrian controlled tractors: CBU	10
191	8803.30.00	Other parts of aeroplanes or helicopters	10
192	8905.10.00	Dredgers	10

No.	H.S. Code	Description	Margin of Preference(%)
193	9018.31.00	Syringes, needles, catheters, cannulae and the like: Syringes, with or without needles	15
194	9018.32.00	Syringes, needles, catheters, cannulae and the like: Tubular metal needles and needles for sutures	15
195	9018.49.00	Instruments/appliances,used in dental sciences:Other	15
196	9025.19.00	Thermometers, not combines with other instruments: Other	15
197	9025.90.00	Parts & accessories	15
198	9028.10.00	Gas meters	15
199	9029.20.00	Speed indicator and tachometers; stroboscopes	15
200	9030.31.00	Multimeters	15
201	9030.39.00	Other instruments/apparatus for measuring/checking voltage,current,resistance or power,without a recording device: Other	15
202	9031.10.90	Machines for balancing mechanical parts	15
203	9033.00.00	Parts and accessories (not specified or included elsewhere in this chapter) for machines and appliances	15
204	9405.10.10	Spotlights	15
205	9405.10.90	Chandeliers and other electric ceiling/wall lighting fittings,excl those for lighting public open spaces/thorough- fares	15
206	9405.20.00	Electric table, desk, bedside or floor standing lamps	15
207	9405.50.10	Hurricane lamps of base metal	10
208	9405.50.90	Other non-electrical lamps and lighting fittings	10
209	9609.20.00	Pencil leads, black or colored	10