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# Performance Appraisal Of



# The City Bank Limited

# Performance Appraisal of CBL

## Project Report

### The Performance Appraisal of The City Bank Limited

Prepared For:

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East West University, Dhaka -1212.  
September 4, 2003

# Performance Appraisal of CBL

September 4, 2003

Dr. Golam Ahned Faruque  
Assistant professor  
Department of B.B.A  
East West University  
Mohakhali, Dhaka. 1212.

**Sub: Submission of project report.**

Dear Sir,

Here is my project report that fulfills partial requirement of my Bachelor of Business Administration degree. It is very helpful as a student of Business Administration. I have prepared my project paper based on the performance of The City Bank Limited (Nawabpur Branch). I have learned a lot preparing this report paper. I tried to follow your suggestions while I was working for this report. In this connection, should you need any further clarification, please call me on 0171042038.

Thank you very much my honorable teacher for your kind immense cooperation without which this internship report would not have been done. I take every opportunity to express my gratitude of indebtedness to you.

Thank you

Sincerely yours



Md. Abu Saleh

ID. No. 1998 -3 -10 - 040.

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## Acknowledgements

I would like to thank Mr. Jalil (Foreign Exchange, The City Bank Ltd.), Mr. Samiur Rahman (Remittance, The City Bank Ltd.), and Mr. Rubyet Hussain (Loans and Advances, The City Bank Ltd.), who were with me and provided all necessary informations to generate this excellent report.

This report owes much to the personnel of different topics, who have contributed to thinking and development of this report. My gratitude goes completely to Mr. Shajahan Siraj, Senior Vice President of The City Bank Ltd.

I express my special gratitude to supervisor Dr. Golam Ahmed Faruque, Assistant Professor, Department of Business Administration, East West University, for his guidance, constant supervision and constructive suggestions, with his help this report may not be a comprehensive one.

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## Executive summary

This is a report based on the information of **The City Bank Ltd** (Nawabpur Branch). The objective of this report is to do appropriate appraisal of **The City Bank** and to provide alternative solutions to the problems. Moreover the present condition of The City Bank Ltd. is also described.

This report has contained every single activity of **The City Bank Ltd.**, identified and discussed briefly to find out the problems and the alternative solutions are provided to its end. It includes overview of credit division, classification of loans, and mechanism/ mode of loan classification, sector wise loan distribution, recovery and the changes of these amounts along with profitability analysis of **CBL**.

The activities of these topics are described and the problems underlying this bank also described along with possible solutions in this report.

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## CHAPTER ONE: INTRODUCTION

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## 1.1 Introduction:

“What is a Bank?” The answer to the question might seem quite simple in reality; however, the answer is rather complicated. A bank offers various type of deposits account including the saving account to its customers and makes a variety of loans. It might be argued then that a bank is an organization that offers these services.

Two problems immediately come to mind with such a definition. First, organizations other than commercial banks also provide these services. Like savings and loan association, savings bank, and credit unions provide deposit and loan services that are virtually identical to those of commercial banks, and money market funds and investment brokers such as **Merrill Lynch** also provide similar services. Second, banks do many things that are not included in the functions of offering deposit and loan services. They provide trust services, arrange mergers and acquisition, and guarantee payment from one party to another through letters of credit and other devices.

Perhaps the best definition of a bank is the following: “A bank is an organization that has been given banking powers either by the state or the federal government”. Commercial bank has for many centuries played a vital role in the financial system. That vital role continues today, although, as with other financial institutions, the functions of commercial banks have changed as the needs of the economy have changed.

In this regard, imagine the entire range of financial services that exists in a modern economy. These services would certainly number in the hundreds, perhaps in the thousands. At a given time, government will allow banks to provide some of those services just because of the depositor’s safeties. As a result, we can conclude that Commercial bank is an organization that are giving loans from collecting funds to the depositors and earned interest from the loan that will be regulated by the central bank or either by the permission of the central bank.

Involvement of the banking sector in different financial events is increasing day by day. At the same time the banking process is becoming faster, easier and the banking arena is becoming wider. As the demand for better service increases, the banking organizations are

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coming with innovative ideas. In order to survive in the competitive field of banking sector, all banking organizations are looking for better service opportunities to provide to their clients. As a result, it has become essential for every person to have some idea on the bank and banking procedure.

A student takes the project paper program when he or she is at the last leg of the bachelor's degree; project program brings a student closer to the real life situation and thereby helps to launch career with experience.

## 1.2 Origin of the Report:

The report titled "An Appraisal of The City Bank Limited", oriented in partial fulfillment of "project program".

## 1.3 Objectives of the Report:

The main objective of this report is to have the assessment about The City Bank Ltd. How well the bank is doing business in Bangladeshi banking sector and / or how well it provides services to its customers. In addition, the study seeks to achieve the following objectives:

- 1 To present an overview of The City Bank Ltd. (THE CITY BANK LTD.).
- 2 To appraise the function of The City Bank Ltd.
- 3 To appraise the credit financing behavior of The City Bank Ltd.
- 4 To appraise the financial performance of The City Bank Ltd.
- 5 To identify the problems of The City Bank Ltd.
- 6 To recommend remedial measures for development of The City Bank Ltd.

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## 1.4 Scope:

While preparing this report, I had a great opportunity to have an in depth knowledge of all the divisional work practiced by The City Bank Ltd. It also helped me to acquire a first hand perspective of a leading private bank in Bangladesh. The managers, employers and some of the top level managements are provided information to make this report. However, my topic is a broad and in reality it is hard to assess an organization, but I believed that without help of The City Bank's management, I could not prepare this report. The City Bank is the first private Bank in Bangladesh, is trying to reach better quality and minimize discrepancies.

## 1.5 Methodology:

The report was fully exploratory in nature. The report has been developed based on both primary and secondary data. Data of last five years have been analysis in this report.

The data collected through both quantitative and qualitative technique. For evaluating the activities and performance of the city bank data and information will be collected mainly from secondary sources. For primary information some of the executives will be interviewed. The relevant statistical tools and technique will be used for evaluating the city bank limited.

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## 1.6 Limitation:

The present study was not free from limitations. I was very fortunate that I was given a lot of liberty to carry out most of the everyday jobs. It helps me to prepare this report. However, it is a competitive market, the company was quite liberal in disclosing the confidential information to me for my report but it was expected of me to keep the confidential things at my discretion and at the same time, render as much information in the report as required. So, it is important to note that these limitations have somehow contributed in developing this report. The limitations are discussed briefly below:

- In case of the secondary data collection, there were very few secondary information were available. There were few supporting books, reports, journals etc. Moreover the branch office had very little of these information that is why, the bulk of it had to be gathered from the head office.
- Poor conception of the discussed group was another severe problem that created a lot of confusions regarding verification of the conceptual data. In some cases more than one person were interviewed to clarify each concept.
- Limitations of time were another one of the most important factors that influenced the present study. Due to time limitations many of the aspects could not be discussed in the present report.
- As the officers were very busy with their day to day work, we could not discuss about The City Bank's freely.

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## Chapter Two: An overview of The City Bank Ltd.

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## 1.1 Introduction

National GDP of Bangladesh was affected by adverse environment in global economy, downward reserve of foreign currency, inflation and big gap in balance of payments of import-export in 2002. Our national growth primarily depends on agricultural output. Due to natural calamity and price hike of agricultural accessories slowed down agricultural production in 2002. Comparing to previous year's growth of 3.1 percent the growth in this sector remained at 2.8 percent during the current year. High growth rate was evident in 2001-2002 in case of productive industrial area other than large and medium industrial sector. Overall growth rate in industrial sector was 6.2 percent in 2001-2002 which was 7.4 percent in previous year. Combined effect of both agricultural and industrial sector has given our GDP a growth of 4.8 percent.

Though reserve of foreign currency was very much alarming in the beginning of 2002 but remained at a satisfactory level due to timely action taken by the Government and Bangladesh Bank.

The role played by banking sector in Bangladesh is remarkable. Banking sector of Bangladesh exhibited a resilience performance in spite of comparative economic sluggishness. At the beginning of the year 2002, Government took initiatives to bring reform in financial sector, such as maintaining discipline in banking sector. Steps for prevention of money laundering, loan write-off policy and effective measures to gain accountability and transparency in banking sector. These timely steps have made the banking operations more transparent, acceptable and modern. As a result, the image of banking sector has been elevated.



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## 2.2 Bank's Performance

Dynamism is apparent in the total activities of the Bank, because of qualitative changes in the top management in previous year. Performance in the field of deposit mobilization, credit disbursement, foreign trade, remittance and earning of profit has over shadowed the performance of previous years. It is worth mentioning that, **in 2002 growth in deposit mobilization is almost 15 percent, in credit disbursement 9 percent, in foreign trade almost 6 percent, in remittance business almost 5 percent and in recovery of classified loan 110 percent.** It is noteworthy that **among the contemporary banks only The City Bank Limited achieved more than 35 percent growth** while growths of other first generation banks were negative. Positive signs were evident in all financial indices of the bank as well as in other non-financial activities. Programs like branch expansion, branch shifting, and renovation of branches along with Head Office and process of construction of bank's own building have broadened the image and fame of the bank.

## 2.3 Capital & Reserve Fund

Though the Authorized Capital of the Bank remained unchanged at Tk 400.00 million the Paid-up Capital have increased to Tk.240.00 million from Tk.160.00 million through issuing rights share at par 1: 2 ( one rights share against two ordinary share) in the year ended 2002. As against Tk.263 .10 million in 2001 Reserve Fund of the Bank stands at Tk 543.80 million at the end of the year under report. The growth under this head is 107 percent. The capital base of the Bank strengthened as a result of augmentation of Authorized Capital and Reserve Fund.

## 2.4 Capital Adequacy Ratio

Bank has maintained 8.16% Capital Adequacy Ratio (CAR) on the basis of accounts for the year 2002 where as the requirement of Bangladesh Bank is 8.00%.

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## 2.5 Deposits

Total deposits of the Bank has increased by Tk. 2499.30 million to an amount of Tk.19683.30 million at the close of the year 2002 as against the deposit figure of Tk.17184.00 million at the end of the previous year. **Deposit growth rate of the year under report is 15 percent.** Out of the total deposits, Tk.1627.40 million was mobilized from public sector and Tk.18055.90 million from private sector respectively i.e. 8.27 percent from Public sector and 91.73 percent from Private sector. Deposit mix for the year 2002 is appended below:

Types of Deposits	Amount (In Million Taka)
Current	2191.0
Savings	4045.0
Short Term	1699.6
Term	10659.5
Others	1088.2
<b>Total</b>	<b>19683.3</b>

## 2.6 Loans and Advances

Total amount of Loans and Advances of the Bank stood at Tk.13884.90 million in 2002 as against Tk. 12729.20 million in 2001 with an increase of Tk.1155.70 million. **The rate of**

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**growth in this area is 9 percent.** Though the growth rate under this head in previous year was 27.75% because of extra precautionary measures taken in ensuring investment in proper and safe sector the growth rate of this year reduced slightly. Mentionable that, in spite of re-fixation of interest rate but in view of Bangladesh Bank's revised policy on large loan the bank could not increase its loan portfolio to desired level. Bank continued with its policy of financing diversification programs through investment under loan syndication projects with other financial institutions in profitable projects. Financing in agriculture, export, term loan to medium and large-scale industries" commercial and other heads have increased during the year 2002. Sector wise loan portfolio of the bank during 2002 was as follows:

Sector	Amount of loan(million taka)
Agriculture	84.50
Term Loan to Large and Medium Scale Industries	2491.60
Housing	280.60
Working Capital & Commercial Lending	8745.20
Import	542.00
Export	804.10
Transport Loan	168.00
Others	768.90
<b>Total</b>	<b>13884.90</b>

## 2.7 Recovery of Classified Loan

Classified loan is a common phenomenon for any schedule bank. Such loans are a hindrance to profit earning. Its recovery is a key to success for a bank. In this year under report Bank has recovered an amount of Tk.288.7 million as against Tk.137.80 million in previous year. The growth rate in this head is more than double. Recently introduced write-off policy of Bangladesh Bank will help to reduce the classified amount of the bank.

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## 2.8 Foreign Exchange Business

The amount of Import & Export business handled by the Bank in the said year is Tk.12262.60 million and Tk.6213.50 million respectively. The figures in the above head in previous year were Tk.13503.20 million and Tk. 3982.10 million respectively. Production of Import substitute goods in the country, restriction on margin requirement and imposition of less tax on important commercial goods has reduced the total amount of Import business of the country.

Compared to the previous year the export business of the bank has increased to Tk. 2231.40 million during the year under review. The growth rate of export business is 56 percent. Though import business decreased but combined import-export business increased by Tk. 990.80 million, i.e. 6 percent. Inward remittance in the year 2002 was Tk. 1000.20 million, which was 950.00 million in previous year. This amount will increase substantially in coming years due to new initiatives taken by the bank.

## 2.9 Investment

Bank continued its investment on Government Treasury bill, Share, Debenture and Prize Bond. Total investment figure stood at Tk. 2511.40 million in the current year as against Tk.1977 .90 million in 2001. As a result Bank has registered an addition of Tk.530.00 million in investments compared to previous year with a growth rate of 27 percent. Bank is taking programs to diversify investment and sources of income.

## 2.10 Exchange Income

Compared to 2001 in 2002 exchange income increased by Tk.34.70 million and stood at Tk.127 .20 million. The growth rate under this head is 38 percent. In the year 2001 the amount of exchange income was Tk. 92.50 million. The figure of exchange income is expected to be high in next year as a result of increase in export-import business and inward remittances.

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## 2.11 Non-funded Income

During the year 2002 non-funded income has increased substantially. As against an amount of Tk.163.00 million in 2001, Tk.327.60 million was earned in this area in 2002. Non-funded income also increased by Tk. 164.60 million with a growth rate of 101 percent.

## 2.12 VAT/Tax

During the year 2002 bank deposited to Government Exchequer an amount of Tk.119.80 million as VAT & Tax realized against various services. This amount was Tk.66.5 million during the preceding year.

## 2.13 Operating Profit

Bank earned satisfactory amount of operating profit in 2002 as it did in previous year. Under various heads of accounts the figures of income and expenditure of the Bank remained at Tk 3261.10 million and Tk.2709.90 million respectively. So, Bank's operating profit stood at Tk.551.20 million as on 31st December 2002. Mention be made that, Bank earned an Operating profit of Tk.407.40 million During the same time in 2001, growth rate of profit earning being 35 percent. It can be stated that, Bank's profit earning rate was highest among the First generation Banks in this year. Operating profit of the year 2002 is proposed to be distributed as under:-

<b>Particulars</b>	<b>Amount (million Taka)</b>
Statutory Reserve	13.11
Provision against unclassified Loans & Advances	10.18
Provision against classified Loans & Advances	471.40
Income Tax Provision	52.25
Other provision	4.05
Surplus Profit	0.21
<b>Total Operating Profit</b>	<b>551.20</b>

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## 2.14 New Service Products

To meet the increasing demand of the client, to widen the services of the Bank and to diversify the sources of deposit bank has launched some new products in the year 2000 which are as follows:

### 2.14.1 Education Savings Scheme

It is a service oriented savings scheme. Monthly Tk. 250/-, 500/-, 1000/-, 1500/-, 2000/- & 2500/- can be deposited under this scheme for 7(seven) years. Any 25-50 years old Bangladeshi citizen of sound health is eligible for opening such account for the benefit of his/her children /dependent. Under this scheme the total amount payable at maturity is covered under insurance. The insured amount will be payable after opening the account in case of accidental death and after six months of account opening in case of death for any other reason. The beneficiary will have the options of withdrawal of payable amount at maturity either at a time or on monthly installment basis.

### 2.14.2 Marriage Savings Scheme

Marriage savings scheme is a social welfare oriented savings scheme. Under this scheme the total amount payable at maturity is covered under insurance like Education savings scheme. Tk. 2501-, 5001-, 10001-, 1500/-, 2000/- & 2500/- can be deposited monthly under this scheme for twelve years.

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## 2.14.3 Education Credit Scheme

Education credit scheme facilitates poor but brilliant students to bear their educational expenses. Every student will have the opportunity to enjoy monthly Tk.1000/- or Tk, 1500/- as credit facility for 4 years. Repayment period of loan is 4 years with 1 year grace period. The interest rate for this scheme is 12 percent.

## 2.14.4 Multipurpose Loan scheme

Multi purpose Loan scheme has been specially designed to extend credit facilities to meet Educational (admission & examination fee), Medical & Tourism expenses to build the image of the Bank. Any eligible Bangladeshi of 25-55 years old can apply for a maximum of Tk. 50,000/- for 12 months or 24 months.

## 2.14.5 Lease Financing

Lease financing operation in the Bank has been introduced in the later half of the year 2002 to diversify investment and financing in industry. Under this scheme financial support is offered for procurement of large machinery, vehicle, office equipment and purchase of flat or apartment or setting of industry.

## 2.14.6 Credit Card

Plastic money in the form of Q-cash card has already been introduced in our Bank to facilitate the client with E-Banking service. This card can also be used for AIM, Credit Card, Debit Card and payment of bills of utility services such as Phone, Gas & Electricity bill etc. Presently, 20 AIM machines and 200 POS have been set-up in various important business

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locations and markets. Bank has taken programs to raise these figures up to 50 and 1000 respectively to expand E-Banking facilities.

Recently, City Bank has got principal membership from world renowned VISA card. This will elevate the image of the Bank in and outside the country and enable to be connected with worldwide network of VISA card.

## 2.14.7 Computerization

With computerization the bank has gone another step ahead towards providing pragmatic, safe & prompt banking services. Only 54 branches of the bank were under computer network up to 2001. In the year 2002, remaining 22 branches have been brought under computerization. The success of the City Bank is commendable when compared with the contemporary banks in this respect.

An ambitious program is under progress of implementation through on line real time banking service to the client. An agreement has been signed with Infuses Technologies Ltd. for supply of world reputed banking software 'FINACLE' and for necessary training program to build expert human resource. On the occasion of 20th anniversary of the bank on 27th March 2003 on line real time banking facilities have been introduced in three branches in Dhaka and Head Office. Another 7 branches including Agrabad branch and Khatunganj branch in Chittagong will be brought under on line real time banking.

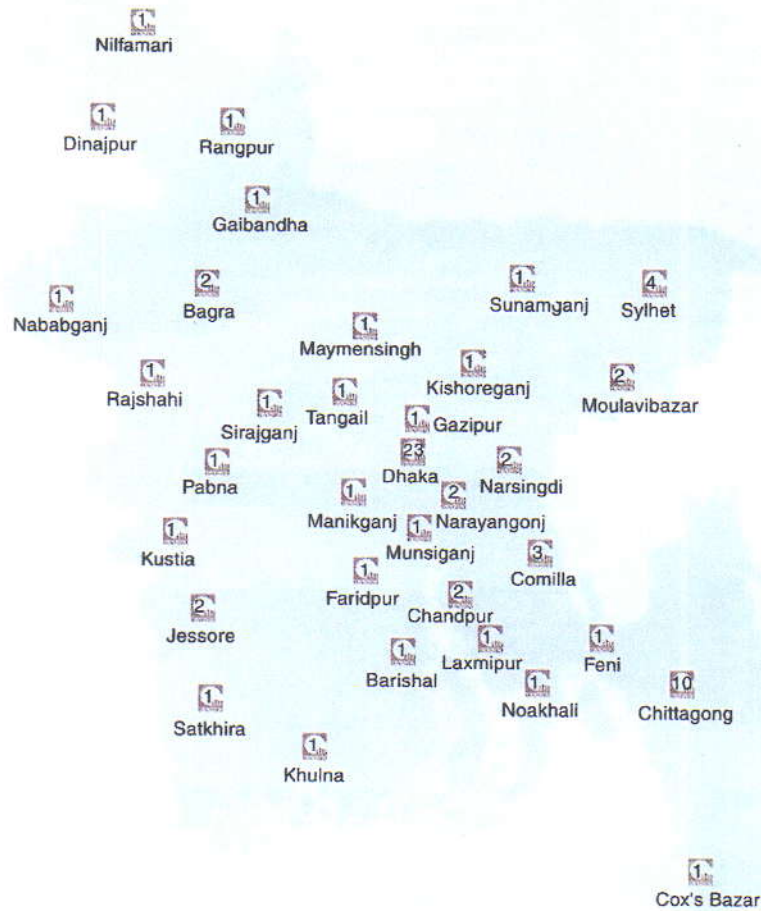
## 2.14.8 Domestic Network

Bank is functioning with its network of seventy six branches covering all six divisions of the country. Out of 76 branches, Dhaka division has the highest no. of 34 branches, while Chittagong Division has 19 branches, Sylhet Division 7 branches, Rajshahi Division 10 branches, Khulna Division 5 branches and Barisal Division has 1 branch. All the branches of the Bank are located in important places. There are branches name with the name of that important areas.



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## Branch Net Work



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## DHAKA DIVISION

### PRINCIPAL OFFICE

Jiban Bima Tower  
10 Dilkusha Commercial Area  
Dhaka-1000.

### B.B. AVENUE BRANCH

12 B.B Avenue, Dhaka-1000.

### IMAMGONJ BRANCH

44-45/2 Immamgonj, Dhaka-1100.  
(Ist Floor) P.O.Box-SADAR-1112

### ISLAMPUR ROAD BRANCH

108 Islampur Road, Dhaka-1100.

### JOHNSON ROAD BRANCH

Aziz Center (1<sup>st</sup> Floor)  
31 Jonshon Road, Dhaka-1100.

### GULSHAN BRANCH

49 Gulshan South (Near Market-1)  
Gulshan R/A, Dhaka-1212.

### BANGSHAL BRANCH

45Bangshal Road, Dhaka-1100.

### KAWRAN BAZAR BRANCH

8 Panthapath (UTC)  
Kawran Bazar, Dhaka-1215.

### BEGUM BAZAR BRANCH

19/25 Begum Bazar  
Golden Super Market, Dhaka-1100.

### POSTA BRANCH

35 Shaista Khan Road  
Dhaka-1211.

### ZINZIRA BRANCH

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Tinpatty Zinzira Bazar  
Keranigonj  
Dhaka-1310.

**NAWABGONJ BRANCH**  
P.O. Nawabgonj  
Dhaka-1320.

**BOW BAZAR BRANCH**  
P.O. Deotala Golla  
Nababgonj, Dhaka-1320.

**KAILIGONJ BRANCH**  
P.O. Shubhadda  
Keranigonj  
Dhaka-1310.

**MOUCHAK BRANCH**  
80/A Siddeswari Circular Road  
Malibagh, Dhaka-1217.

**FOREIGH EXCHANGE BRANCH**  
27 Dilkusha Commercial Area  
Dhaka-1000.

**MIRPUR BRANCH**  
1 Dar-us-Salam Road (1<sup>st</sup> Floor)  
Section-1, Mirpur  
Dhaka-1218.

**NAWABPUR BRANCH**  
219-220 Nawabpur Road  
Dhaka-1100.

**SADARGHAT BRANCH**  
Chamber Bhaban  
65-66 Motijheel Commercial Area  
Dhaka-1000.

**TANBAZAR BRANCH**  
52 S.M. Matel Road  
Narayangonj-1400.

**NATAIGONJ BRANCH**  
217 B.K. Road Netaigonj  
Narayangonj-1400.

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## **REKABIBAZAR BRANCH**

Binodpur Panchashar  
Munshigonj-1501.

## **TONGI BRANCH**

Tongi Bazar,  
Gazipur-1710.

## **TANGAIL BRANCH**

1869/77 Main Road  
Habib Super Market  
Tangail-1900.

## **BHAIRAB BAZAR BRANCH**

110/111 Kalibari Road  
Bhairab Bazar,  
Kishorgonj-2350.

## **MYMENSINGH BRANCH**

20 Choto Bazar  
Mymensingh-2200.

## **NARSINGDI BRANCH**

Hoding : 192 (Bazar), Sarwardi Park,  
Narsingdi.

## **MADHABDI BRANCH**

Madhabdi Bazar  
Narshingdhi-1604.

## **FARIDPUR BRANCH**

5/1 Shaikh Mujib Road Neeltuly  
Faridfur-7800.

## **MANIKGONJ BRANCH**

106/2 Shaheed Rafique Sarker  
Manikgonj-1800.

## **UTTARA BRANCH**

House-8, Section-7  
Uttara Model Town  
Rabibindra Sarani  
Dhaka-1230.

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## CHITTAGONG DIVISION

### **AGRABAD BRANCH**

Finlay House  
Agrabad Commercial Area  
Chittagong-4100

### **Khatungonj Branch**

282, Khatungonj  
Chittagong-4000

### **Jubilee Branch**

36/44 Enayet Bazar  
jubilee Road  
Chittagong-4000

### **Kadamtoli Branch**

Dhaka Trunk Road  
Chittagong-4100

### **Banartila Branch**

2461, Bandartila  
South Haliashahar  
Chittagong-4218

### **Andarkilla Branch**

38 Nasir Ahmed Choudhury Road  
Andarkilla Chittagong-4000

### **Pahartoli Branch**

Dhaka Trunk Road Double Mooring  
Chittagong-4202

### **Cox's Bazar Branch**

Safar Hardware Centre  
East Bazar Ghata  
Cox's Bazar-4700

### **Satkania Branch**

Satkania Chittagong-4386

### **Comilla Branch**

Monohorpur Kandirpar

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Comilla-3570

**Chouddagram Branch**  
P.O. Chouddagram Comilla-3550

**Feni Branch**  
Panch

**And so on**

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## 2.14.9 International Network

Global correspondent network of the Bank is spread over one hundred and ninety four cities of eighty eight countries of six continents. Adjustment/settlements of claims arising out of international trade, foreign trade, inward remittances etc- are made through those institutions. To facilitate remittances of expatriate Bangladeshi arrangements have been made with reputable exchange company in United Arab Emirates and Bahrain. Exclusive agreements have also been made with Rupali Exchange Inc. in New York and with United National Bank Ltd. in London to facilitate the same. All these new arrangements will substantially increase the flow of inward remittance of the Bank from the year 2003.

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## Correspondents Network



### ASIA

LEBANON  
Beirut  
JORDAN  
Amman  
KUWAIT  
Safat  
QATAR  
Doha  
BAHRAIN  
Manama  
PAKISTAN  
Islamabad  
Karachi  
Lahore  
Peshwar  
Rawalpindi  
Faisalabad  
UAE  
Abu Dhabi  
Ajman  
Al-Ain  
Deira-Dubai  
Dubai  
Ras Al Khaimah  
Sharjah  
SAUDI ARABIA  
Riyadh  
OMAN  
Muscat  
SRI LANKA  
Colombo  
MALDIVES  
Malce  
NEPAL  
Kathmandu  
INDIA  
Mumbai  
Kolkata  
Guwahati  
New Delhi  
Ahmedabad  
Hyderabad  
Chennai  
Goimbatore  
Shillong  
Karinganj  
BHUTAN  
Phuentsholing  
Thimphu  
MALAYSIA  
Kualalampur  
SINGAPORE  
Singapore  
HONGKONG  
Hongkong

Kowloon  
THAILAND  
Bangkok  
PHILIPPINES  
Manila  
JAPAN  
Tokyo  
Nagoya  
Osaka  
SOUTH KOREA  
Seoul  
Busan  
Daegu  
TAIWAN  
Taipei  
MACAU  
Macau  
INDONESIA  
Jakarta  
CHINA  
Changjiang  
Changzhou  
Dalian  
Hangzhou  
Beijing  
Guangzhou  
Shanghai  
Shenzhen  
Tianjie  
Fujian  
Fuzhou  
Guangdong  
Guangxi  
Guizhou  
Hainan  
Hebei  
Henan  
Jiangsu  
Nanjing  
Jiangxi  
Jilin  
Liaoning  
Qinghai  
Shandong  
Sichuan  
Tianjin  
Zhangzhou  
Zhejiang  
Zhujiang  
Yunan  
VIETNAM  
Hanoi  
Ho Chi Minh City

### EUROPE

NETHERLANDS  
Amsterdam  
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FRANCE  
Paris  
Marselles  
PORTUGAL  
Lisbon  
BELGIUM  
Brussels  
MONACO  
Montecarlo  
SWITZERLAND  
Basle  
Geneva  
Zurich  
CYPRUS  
Limassole  
IRELAND  
Dublin  
ITALY  
Milan  
Rome  
GERMANY  
Frankfurt  
Berlin  
Dusseldorf  
Humburg  
Munich  
Stuttgart  
Krefeld  
UNITED KINGDOM  
London  
Birmingham  
Glasgow  
Leeds  
Manchester  
LUXEMBOURG  
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Stockholm  
SPAIN  
Barcelona  
Madrid  
AUSTRIA  
Vienna  
POLAND  
Gdynia  
katowice

Lodz  
Szczecin  
Warszawa  
ROMANIA  
Bucharest  
BULGARIA  
Sofia  
FINLAND  
Helsinki  
DENMARK  
Copenhagen  
TURKEY  
Ankara  
Istanbul  
Izmir  
GREECE  
Athens  
Piraeus  
NORWAY  
OSLO  
RUSSIA  
Moscow  
ARMENIA  
Yerevan

### AUSTRALIA

AUSTRALIA  
Adelaide  
Brisbane  
Darwin  
Hobart  
Melbourne  
Perth  
Sydney  
NEWZEALAND  
Auckland  
Christchurch  
Wellington  
KINGDOM OF TONGA  
Nukualofa  
FIJI  
Suva  
PAPUA NEW GUINEA  
Port Moresby  
VANUATU  
Vila  
COOK ISLAND  
Raro Tonga  
SOLOMON ISLANDS  
Honlora

### AFRICA

SENEGAL  
Dakar  
MOROCCO  
Casablanca  
Rabat  
NIGER  
Niamey  
GHANA  
Accra  
LIBERIA  
Monrovia  
ZAMBIA  
Lusaka  
SUDAN  
Khartoum  
GABON  
Libreville  
NIGERIA  
Lagos  
SEYCHELLES  
Victoria Mahe  
MAURITIUS  
Port Louis  
EGYPT  
Alexandria  
Cairo  
KENYA  
Nairobi  
ZIMBABWE  
Harare  
DJIBOUTI  
Djibouti  
SOUTH AFRICA  
Johannesburg  
Houghton  
Sandton Sandown

### NORTH AMERICA

CANADA  
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Ottawa  
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Bridge Town  
MEXICO  
Mexico City

PANAMA  
Panama City  
GRAND CAYMEN  
George Town  
JAMAICA  
Kingston  
BAHAMAS  
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Miami  
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Dallas  
Washington DC  
New Jersey  
Boston

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CHILE  
Santiago  
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Asuncion  
URUGUAY  
Montevideo  
ARGENTINA  
Buenos Aires



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## 2.15 Bank's own Building

It is our long cherished desire to build a high rise Head Office Building for the Bank at 11, Dilkusha C/ A, Dhaka. Towards fulfilling the dream we appointed consultant and obtained approval of concerned authorities. RAJUK has also approved the design of City Bank Tower and recently the foundation stone of the building have been laid. Considering the overall growth of the bank, construction works of the building would start on getting formal Bangladesh Bank's approval. Besides, construction work of a six storied building at Gulshan Model town, Dhaka is under progress. Moreover, floor space/land for bank's branches has been bought in Kawran Bazar, Uttara, Shamoly in Dhaka and Sylhet and Khulna. All these development will ultimately place the Bank under strong footing.

## 2.16 Branch Expansion/ Shifting

You may be aware that, instructions were given by Bangladesh Bank to close down the loss making branches. Accordingly, Haragach Branch from Rangpur was shifted to Uttara, Dhaka while losing branch at Chaktai has been shifted to Bandartila. a place with business potential and adjacent to EPZ in Chittagong. Another perennially losing branch at Beglun Bazar is in the process of shifting to Shamoly. For close supervision of branches a Regional Office was setup in Khulna in 2002 and effective functioning of Regional Office at Chittagong \vas introduced.

## 2.17 Renovation of Branches

With a view to improve the service standard of the bank and provide more congenial atmosphere for the clients, renovation and decoration work of 18 branches have been completed this year and 5 other branches are in the process of completion. Besides this,

# Performance Appraisal of CBL

renovation work of Khulna Regional Office and 1st, 3rd, 4th, 5th and 12th floors of Head Office have been completed during 2002. Renovation work of 2nd floor (Executive floor) of Head Office will be completed in 2003.

## 2.18 Islamic Banking Branch

We have a definite plan to introduce Islamic Banking and with this end in view preparations are afoot to open separate branch to operate under Islamic Shariah. Bangladesh Bank have already been approached. On getting the approval we will start the operation of Islamic Banking branch.

## 2.19 Audit & Inspection

Head Office Audit and Inspection Division comprising sufficiently experienced and skilled manpower carried out internal audit and inspection work on regular basis. In 2002, all the branches of the Bank were audited at least once. Surprise inspections were also undertaken in 21 branches. Besides, vigilance team also inspected 17 branches. Apart from these, Bangladesh Bank audit teams conducted comprehensive and foreign exchange related inspections on the affairs of 10 branches during the year under report.

## 2.20 Management

Eminent Banker Dr. Abbas Uddin Ahmed took over the charge of managing Director on November 09,2000. He is well known for his foresight ness. Excellent professional track record with amiable disposition and is held in high esteem by all concerned. Highly professional Mr. Ahmed has an excellent track record and possesses to his credit over three decades in the banking arena of national & international level. His dynamic leadership backed

# Performance Appraisal of CBL

b) professional dedication is the main source of progress and development of the bank.

Mr. A.H. M. Nazmul Quadir holds the position of the Deputy Managing Director. Mr. Quadir has an excellent career of more than 30 years. His dedication and sincerity towards the development of the bank is praiseworthy. Consultant Mr. Md. Habibur Rahman also has long experience in Banking and contributing for the progress of the Bank. Different divisions at Head Office and Branches are headed by senior executives who have many years of banking experience and professional outlooks with foresight ness. An organized team of brilliant and dedicated executives and young and dynamic officers are engaged in carrying out day to day affairs of the bank.

## 2.21 Human Resources

Bank is a service oriented organization. Being leading private commercial bank clients expect better, prompt and efficient service from us. Keeping this view in mind, the Bank has been according maximum emphasis on the appointment and placement of competent persons with proven track record. The Bank appointed in total 72 employees during 2002 of whom 13 are executives, 30 female Assistant Cash Officers & 14 Staff and Sub-staff. The total number of employees of the Bank at the close of the year 2002 thus stood at 1751, comprising 142 executives, 1011 officers and 598 other staff. This number was 1688 in 2001 of whom 141 were executives, 958 officers and 589 other staff.

## 2.22 Training

There is no substitute of training to develop human resources. The City Bank Training Institute was established to train up the employees but with the introduction of new products and application of modern technology, changes in the policy and principles of the banking sector of the country the need for regular training of bank's human resources multiplied. The Bank is making continued efforts in building up an efficient and well versed workforce through imparting in-service modern banking training. During the year under review 33 in-

# Performance Appraisal of CBL

house training courses were conducted by Bank's Institute participated by 796 officers. The Bank also nominated executives and officers for higher and appropriate training courses conducted by other renowned training institutes of the country. Under these programs, 87 executives and officers attended 41 Course Workshop/Seminar organized by Bangladesh Institute of Bank Management and 113 executives and officers were deputed for training in 39 Workshops/Training programs organized by other recognized Institutes. A team of 23 executives/officers was send to Bangalore, India for training on Finical Administration for introduction of On-line real time banking which they completed successfully and earned fame for the bank.

## 2.23 Appointment of Auditors

M/ S Howladar, Yunus & Company, Chartered Accountants audited the accounts of the year 2002. In terms of Article 152 the tenure of office of present auditors expires in this Annual General Meeting and as per the rules of Bangladesh Bank they are eligible for re-appointment.

## 2.24 Meetings

The Board of Directors held 15 meetings in 2002 while 15 meetings of different Committee/Sub-Committee were held during the year under report.

## 2.25 Election of Directors

In terms of Articles 108 and 109, Directors Deen Mohammad. Aziz AI-Kaiser. Ashfak .Aziz & .Anwar Hossain from Group-A Shareholders and Directors Manwar Hossain and Rafiqul Islam Khan from Group-B will retire in this Annual General Meeting. In terms of Article 110 they all are eligible for re-election.

# Performance Appraisal of CBL

## 2.26 Conclusion

It is revealed from the above presentation that in 2002 Bank has achieved remarkable success in various financial activities as well as in bank's business. During the year under report Bank has earned commendable operating profit and also attained capital adequacy. Substantial amount has been recovered from classified loan because of appropriate action in this regard.

Needless to mention that continuous support and patronage extended by our valued clients, Shareholders, sponsors, business associates and well wishers played a vital role behind these operating results and the Board of Directors expresses felicitation to them in this regard. The Directors also acknowledge with gratitude the valuable guidance and co-operation received from the Ministry of Finance, Bangladesh Bank and Securities & Exchanges Commission. The Directors place on record their deep appreciation for the dedicated services rendered by the executives, officers and staff members of the Bank.

In fine, we express our firm commitment to reach the goal in consolidating Bank's position for a prosperous future through our relentless efforts. With this vow, we place before the Shareholders Accounts of the Bank for the year 2002 for their kind approval.

# Performance Appraisal of CBL

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## CHAPTER THREE : FUNCTION OF THE CITY BANK

# Performance Appraisal of CBL

## 3.1 Corporate Level Organizational Layout

The corporate head quarter of City Bank Ltd. situated at Jibon Bima tower, 10 Dilkusha Commercial Area, Dhaka – 1000. The major divisions in the head quarter are as follows:

- 3 Operation
- 4 Accounts and internal control
- 5 Personal and common services

### **Operation:**

Under this division The City Bank Limited has the authority to determine the party or the client who will get the general credit facility from the bank. The credit clients are selected according to the criteria of credit policy. The authority also analyzes and controls the big project and corporate finance. Under this division The City Bank's head quarter also law and recovery division in which it controls its default credit. The City Bank Ltd. also controls and operates its foreign exchange division in which it maintains foreign remittance and foreign currency, etc.

### **Accounts and internal control:**

In this division corporate head quarter controls all branches accounts departments, where it's total yearly balance sheet and income statement maintain. It also controls employee's salary, investments, treasury and expenditure. Under this division city bank has the marketing authority in which they are develop its product and business. MIS department is also included in this division where its control the yearly budget, statistics, planning and research. Audit and inspection also included in this division. Recently, in this division added new sector named credit card, ATM and other electronics banking services. Customers services enhances by this division. City Bank's computers machineries, hardware and software also controlled by this division.

### **Personnel and common services:**

Personnel and common services division controls the human resources, research and development of The City Banks personally. It has a unique public relation and protocol department where it maintains it's public relation. Stationary, transport and maintenances department maintain it's stationary transport and it's official space furniture's etc.

## 3.2 Branch Level Organizational Layout

The City Bank Ltd. has 76 branches all over the Bangladesh, of which 20 are authorized dealer branches. Among these branches 22 branches are brought under computer network in the year 2002. It hopes that another 34 branches will computerized this year. All of the branches have 3 departments namely:

- General banking
- Credit department
- Foreign trade

# Performance Appraisal of CBL

The above-mentioned departments of The City Bank Ltd. are described below:

## (A) General Banking:

This department is the retail department of the bank that provides personal services to the retail customers. It is the most important side of the bank. Bank is nothing but a middleman between lenders (surplus sector) and borrowers (deficit sector). To provide loan, bank needs a huge most of money from the lenders. General banking is the side where bank offers different options to the clients to deposit and remit their money. To invite the clients, bank offers different options to their clients. Most of these options are very much common among the banks, but the customer services and facilities may not be the same. General Banking has several divisions. Those are described below:

### Account opening section:

There are various types of accounts in The City Bank Ltd. The authorize person of this department maintains the accounts, supplies accounts opening form, provides cheque books and takes care of some portion of the remittance. Basically, there are three types of accounts offered by the bank: Saving accounts, Current and three stage saving schemes a new era of fixed deposits.

- 1 Local Remittance:** The officers of local remittance department takes care of *Demand Draft (DD)*: a demand draft is an order to pay money drawn by one office of the bank upon outside office of the same bank for the sum of money payable to order on demand. *Pay Order (PO)*: The banker's payment order is meant for making payment of the banker's own or of the customer's dues locally and not for affecting any remittance to an outstation. *Telegraphic Transfer (TT)*: In urgent cases some clients prefer to remit money through telegram is called telegraphic transfer (TT).
- 2 Foreign Remittance:** The officers of foreign remittance department takes care of *Dollar and foreign cheque endorsement*: The City Bank is authorized dealer of UAE exchange and Dollar Co. Exchange Ltd. The authorized dealer can only endorse the dollar for them on behalf of Bangladesh Bank. But later on the information will pass on to the Bangladesh bank.
- 3 Three Stage Savings Scheme (FDR):** Fixed deposit receipt means that people deposits money at the bank with a high interest rate (which is higher than normal interest rate) for a fixed duration of time. The interest rate of the deposited amount depends on duration and volume of the amount. After the maturity of the term the person can withdraw money before maturity he /she will not receive the interest but The City Bank's authority allow some lump sum along with deposited money if anyone wanted to cash his / her instrument before maturity. The officers of The City Bank take care of nine years TSS (three stage savings scheme), five years TSS and three years TSS. It ranges from Tk. 250 to 1 lac. In this accounts, the interest rate is increased at three stages of its duration time. The lowest rate is 6 % to the highest rate is 16 %.



# Performance Appraisal of CBL

- 4 **Bearer Certificate of Deposit:** This deposit account has no longer in the city bank. But it has some bearer certificates that are waiting for maturity. This deposits account is very much similar to that of FDR. The main difference is that, the interest rate is paid in advance. There is no significance and name available on the certificate; so, anybody can cash it after the maturity. One cannot take loan against this instrument and it is not possible to cash the instrument before maturity. But on good faith, The City Bank allows their clients to take loan against and very reliable clients get this benefit.

## **Cash section:**

The City Bank authorized to maintain a cash balance of taka more than one core in its vault as its operating cash balance. The head cashier is allowed to disburse Tk. 80 lac at the beginning of every business day for operating the day-to-day business. If additional cash is required then the branch manager makes arrangement on request. Various financial instruments are handled in this department which ranges from cash deposit to repayment of loan, bills, and disbursement of funds. These instruments, which are presented, have to follow certain policies and procedures. When a cheque is being presented it is forwarded to the head cashier, who verifies all of the associated information and specially the signature by comparing it with the signature in the card. It is then passed to the computer section for further processing. After that processing it is passed to the teller who acts upon the instrument given. Here buying and selling of National lottery of heart foundation and receiving bill payments from customers of Grameen Phone clients and Desa clients take place as additional services.

## **Computer Section:**

The City Bank Ltd. uses full automation system. However, it also maintains the traditional system for more securing transaction that held everyday. Instead of real time (just in time) processing, they are using batch system (processing from papers). They have at least four computers in a server. But the main processing held in two computers only.

## **Accounts section:**

All the accounting activity such as written voucher, balance sheet, income statement, monthly salary payment, was documented in this section. This documentation acts as a supporting role for the audit function. All the accounting information is available in this department whenever needs.

## **(B) Credit Department:**

This is the key department in the branches particularly in the major or active branches. This department provides all sorts of credit facilities to the customers of the bank. As already mentioned earlier, services are only provided to the account holders of The City Bank Ltd. The major services of the credit department includes providing overdraft facilities, work order contract loans, time loan, term loan, project loan, syndicate loan, consumer credit loans, banks guarantee, staff loan and other services.

## **Credit Proposal section:**

The officer of this section makes credit proposal for the head office to sanction a loan in favor of the applicant. This is very important section of the credit department. Because of

# Performance Appraisal of CBL

the head office can only approve a loan on the basis of this credit proposal section. If there is any discrepancy in the proposal after sanctioning the loan, then all the risks belongs to the bank if it default. Processing a credit proposal necessitates obtaining adequate information through spot investigation and market inquiries and examining financial statements. While sanctioning or before forwarding a loan proposal to the sanctioning authority with his recommendations, a banker must satisfy himself the following pertinent points:

- Date of opening of the account: The nature of transactions average balance and present balance.
- Business in nature.
- Purpose of the financial accommodation, the item wise estimations of actual requirements.
- Nature of primary security offered – its marketability – stability and storability.
- Collateral security if any.
- Whether the securities are free from encumbrances.
- Personal character of the borrower.
- Repayment program.
- Business experience.
- The means and standing of applicants including the guarantor – if any.
- Location business.
- Banker's confident report.

## **Documentation Section:**

In this section, the authorized officer documents all the security documents and instruments that were belong to the credit applicant clients. And the documentation officer is fully responsible for his duty if there is any misleading from them.

## **Disbursement, Monitoring and Credit section:**

In this section the loan is disburse to the applicant according from the head office approval. Once the credit facilities have been made available, the ball is now in the customer's court. The monitoring and ensuring the end of funds become the focal point of the credit department. This requires overseeing the operations of the account, ensuring timely repayment of interest and installments, obtaining periodical reports of the performance and financial information, reassessing the customer's needs in the light of the actual utilization of the market facilities, visiting customer's places of business, keeping abreast of the market changes, monitoring the whole industry performance in which the firm operates etc. credit monitoring is very crucial for detection of early warning signals before it becomes too late to be noticed.

## **Bank guarantee section:**

In this section, the officers provide the bank guarantee services to the appropriate customer. It is a non-funded credit facility to a customer refers to banks' commitment to a third party on behalf of the customer. The commitment itself constitutes facility but does not involve cash outflow from the bank. The bank's commitment essentially states that in the event of occurrence or non-occurrence of a particular event, with in a particular date, due to a

# Performance Appraisal of CBL

particular reason or reasons, the bank shall pay a specific sum of money to the third party upon the claim in the particular manner.

## **(c) Foreign Trade:**

This is the trade finance department of the branch that provides services regarding financing of international trade to its customer. Financing can be in terms of both funded and non-funded facilities. Major types of services include financing of Letter of Credit, Bills against Letter of Credit, Loan against Trust Receipt, Loan against imported goods and other services. This is another major department that earns a lot of revenue for the bank.

### **L/C opening section**

This section mainly emphasizes on the letter of credit opening function. International trade is the main stream of business at present time. The sellers and the buyers of different states are involving themselves in foreign trade every day. It is not necessary that the buyer and seller have to know each other. Bank performs as the media between these two parties. The documentary credit of LC is an undertaking issued by a bank for the account of the buyer or for its own account, to pay the beneficiary the value of the draft and/ or the documents provided that the terms and conditions of the documentary credit are complied with. This documentary credit arrangement usually satisfies the seller's desire for cash and the importer's desire for credit. This financial instrument serves the interest of both parties independently.

### **Bills under Letter of Credit**

In the LC arrangement, the applicant desires for credit to buy or import goods. In the retirement of the documents, if the party failed to pay the import amount to the bank, then the bank provides credit services to the importer. And this service is known as bills against LC.

## **Loan against Trust Receipt (LTR)**

The trust receipt is a document, which creates the banker's lien over the goods and particularly amounts to hypothecation of the proceeds of sale in discharge of the lien. The customer holds the goods of their sales proceeds in trust for the bank till such time; the loan against the trust receipt is fully paid off.

### **Loan of Trust Receipt (For Release of Shipping Documents):**

The borrower agrees to take delivery of the merchandise as the bank's agent and acknowledges that the bank remains owner of the goods and they will be holding the goods on behalf of the bank, as Trustees until complete repayment of the debts to the bank.

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## **Loan of Trust Receipt (For Pre-shipment Financing)**

This is executed by the borrower pre-shipment financing by crediting lien on the original LC. The borrower also undertakes that the credit facilities will be utilized to purchase the merchandise for shipment as per terms of the credit.

## **Loan against Imported Merchandise (LIM)**

This is a credit service for the client against the imported merchandise. Storage of imported goods under LIM facility may be allowed for a specified time within that period the imported goods should take delivery of the goods against the payment. Usually part delivery or part payment is not allowed under LIM facility.

## **Export Section:**

The export section that is under foreign exchange department is responsible for negotiation of export documents and export services.

## **Pre-shipment Finance:**

Pre-shipment credit facilities are mainly short-term credit that is extended to the exporter prior to actual shipment of the goods. The credit facilities for pre-shipment finance can be in the manners of working capital for export, procurement & processing of raw materials, packing & transporting of goods for export etc.

## **Post-shipment Finance:**

Post-shipment credit is a financial accommodation extended to an exporter against export documents after shipment of the goods. When shipment of goods has already been made, the exporter may require waiting for sometimes to receive payment from foreign buyers. Being a manufacturer or a regular supplier, an exporter has to make immediate payment to the suppliers of raw materials, local seller of goods or to procure goods for shipment. Therefore an exporter always feels require post-shipment bank finance to overcome his evolving need of working in the process of export.

## **Back-to-Back Credit trade.**

Back-to-Back Credit is a credit backed by the original LC or the mother LC to open a new LC. This type of credit generally opens against an irrevocable credit received by the exporter. Here the seller/exporter has to purchase goods from another party to fulfill the order. In this credit, the seller as beneficiary of the first credit, offers irrevocable credit as security to the advising bank / confirming bank to open a second credit in favor of seller's own suppliers.

## **Inland Bill Purchase & Test Key Section**

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## **Inland Bill Purchase (IBP)**

Generally after selling the goods, the seller is to wait for some days for the payment by the buyer. But the seller may need immediate fund to maintain the usual flow of trade activity with the local buyers. In this case, the bank gives financial facility to the concerned seller.

## **Test Key**

In the L opening, the instrument has to maintain a test key to provide this services. And this test key is very confidential for both the intermediary or negotiation banks.

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## **CHAPTER FOUR: CREDITFINANCING BEHAVIOUR**

# Performance Appraisal of CBL

## 4.1 An appraisal of credit division of The City Bank Ltd.:

The credit division has been compiled to serve as guide to the procedure for assisting the officers & employees of the bank who are entrusted with the responsibilities for handling day-to-day business dealing relating to management of credit operation of the bank. Credit operation of any banking institution is a combination of certain accepted standards and other dynamic factors dictated by the realities of changing situations. The accepted standards relate to safety, liquidity & profitability of the advance where as the dynamic factors relate to aspects such as the nature and extent of risk, interest on margin, credit spread, credit dispersal and general guidelines about the conduct of advance issued by Head Office.

In business dealings officers and employees must be well equipped to safeguard the interest of the bank with day-to-day operational knowledge guided by the principles of honesty and integrity. They should strictly adhere to the Banking Practices, Rules and Regulations and the instructions issued by Bangladesh Bank/ Head Office from time to time. In formulating a credit judgment and making quality credit decisions the lending officer must be equipped with all information needed to evaluate borrower's character, management competence, capacity, capital, ability to provide collateral's and external conditions which may affect his ability in meeting financial obligation.

To assist the officers and employees of the bank entrusted with credit Administration and Portfolio Management "Credit Policy Guide" has been introduced. In addition to said guideline, it is considered necessary to adopt credit operation detailing a comprehensive and uniform guidelines required for analyzing, processing and handling of various types of credit proposals including completion of documentation formalities required to safeguard the interest of the bank.

The "Credit Operation - 1996" has been compiled to provide comprehensive operational procedure to be followed in day-to-day operation for handling various types of credit

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facilities. To safeguard Bank's interest, this Manual prescribes the types of legal and charge documents to be obtained from different types of borrowers.

All the staff and officers including Managers as well as of credit division of the Head Office, dealing with the administration and management of the "Credit Portfolio" of the bank must keep themselves thoroughly conversant with the contents of this manual and follow them meticulously. It will be the responsibility of the managers/ head of credit division at Head Office to ensure that the procedural guidelines lay down herein is strictly followed at their end.

## 4.2 Classification of Loans

The City Bank Ltd. offers several types of loans. They are as follows

- Staff loan against provident fund
- General loan against DPS and CSP
- Financial obligation (SOD)
- House building
- Cash credit
- Loan against imported merchandise

### 4.2.1 Staff loan against provident fund

**Features/ scheme:** It is given to it's employers

**Borrowing Limits:** 10% margin of provident fund

**Time period:** five years

**Securities:** Personal provident funds accounts

**Repayments:** As per installment that are monthly basis

**Fees and charges:** Documentation as per head office sanction Tk. 170

**Interest rate:** 12 %



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## 4.2.2 General loan against DPS and CSP

**Features/ scheme:** It is a short-term loan given to the commercial purposes.

**Borrowing Limits:** 20 % margin against CSP account. 40% margins against DPS accounts.

**Time period:** one year

**Securities:** CSP and DPs account

**Repayments:** 12 installments

**Fees and charges:** Tk. 170 documentation charge and Tk.70 services charge

**Interest rate:** 16 .5 0% against CSP accounts and 18 % against DPS accounts

## 4.2.3 Financial obligation (SOD)

**Features/ scheme:** it's a continuous loan given to the commercial and industrial sectors.

**Borrowing limits:** 10 % margin on total amount

**Time period:** 1 year but time to time auto renewed

**Securities:** FDR , Sanchay Parthra others depository instrument (MBS, BDS)

**Repayments:** Repaid in one year on lum some basis as continuous transaction is permitted

**Fees and charges:** as per documentation Tk. 470

**Interest rate:** minimum rate 12 % sometimes 3 % above on the FDR rate.

## 4.2.4 House building

**Features/ scheme:** it s given to build houses

**Borrowing limits:** As per assessment

**Time period:** 5 years

**Securities:** land, FDR and other immovable properties

**Repayments:** As per installment amount sanction by head office

**Fees and charges:** Documentation charges obtain as per head office advice.

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**Interest rate:** 13 to 15 %

## 4.2.5 Cash credit

**Features / Scheme:** mainly in commercial sectors. It's a continuous loan .

**Borrowing limits:** As per assessment

**Time period:** one year auto renewal from time to time

**Securities:** land, goods, stocks and raw materials

**Repayments:** As per installment amount sanction by head office

**Fees and charges:** Documentation charges obtain as per head office advice near about Tk. 170.

**Interest rate:** 16.5 %

## 4.2.6 Loan against imported merchandise

**Features / Scheme:** It is a demand loan.

**Borrowing limits:** 35 % margin of LC amount

**Time period:** ninety days

**Securities:** LC documents

**Repayments:** No interest if repayment is within ninety days this option only for industrial project.

**Fees and charges:** nominal charges

**Interest rate:** After ninety days 16 %

## 4.3 Interest income from loan

In a commercial bank interest income is the major income. The City Bank Ltd charges a very flexible and acceptable interest to their valuable customers. Mainly these income occurred

# Performance Appraisal of CBL

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from loans and advances. Right now City Bank has total Loans and advances of the Bank stood at Tk.13884.90 million at the close of 2002 which is higher than the figure of taka 12729.20 million of the last year. To reduce the risk, the Bank continued diversified financing program through investment in housing and industrial projects under loan syndication program with other Banks. Moreover, preferential financing have been made in the agriculture and import export sector. As a result, growth in loan and advances in agricultural sector was 50.74 %, import financing 62.83 % and export financing 78.04%. Sector w

# Performance Appraisal of CBL

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# Performance Appraisal of CBL

## **Audit's Report to the Shareholders:**

I got a report from auditors which were for the shareholders of city bank ltd. The report is given below.

They have audited the accompanying Balance Sheet of The City Bank Limited as at December 31, 2002 and its Profit and Loss Account, Cash Flow Statement, Statement of Changes in Equity and Notes to the Financial Statements for the year then ended. The preparation of these Financial Statements is the responsibility of the bank management. Their responsibility is to express an opinion on these Financial Statements based on their audit.

They conducted their audit in accordance with Bangladesh Standard on Auditing (BSA). Those standards require that they plan and perform the audit to obtain reasonable assurance about whether the Financial Statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall Financial Statement presentation. They believe that our audit provides a reasonable basis for our opinion.

As disclosed in note 8.05 and 38 to the Financial Statements, provision for Loans and Advances amounting to Tk. 445,949,437 has not been considered in these accounts. In their opinion, except for such non provision, the Financial Statements have been prepared in accordance with Bangladesh Accounting Standards (BAS), give a true and fair view of the state of the bank's affairs as of December 31, 2002 and of the results of its operations and its Cash flow for the year then ended and comply with the Bank Companies Act 1991, the rules and regulations issued by the Bangladesh Bank, the Companies Act 1994, the Securities and Exchange Rules 1987 and other applicable laws and regulations.

# Performance Appraisal of CBL

They also report that:

1. They have obtained all the information's and explanations which to the best of our knowledge and belief were necessary for the purpose of their audit and made due verification thereof;
2. In their opinion, proper books of account as required by law have been kept by the bank so far as it appeared from their examination of those books and (where applicable) proper returns adequate for the purpose of their audit have been received from Branches not visited by us;
3. Balance sheet and Profit and Loss account of the company dealt with by the report are in Agreement with the books of account and returns;
4. The Expenditure was incurred for the purpose of the business of the company;
5. except for their opinion made above, which should be read in conjunction with the note 38 of the Financial Statements, the financial position of the bank as at December 31, 2002 and the profit for the year then ended have been properly reflected in the Financial Statements and the Financial statements have been prepared in accordance with the generally accepted Accounting Principles;
6. The financial statements have been drawn up in conformity with the Bank Companies Act 1991 and in accordance with the accounting rules and regulations issued by the Bangladesh Bank.
7. The financial statements conform to the prescribed standards set in the accounting regulations issued by the Bangladesh Bank after consultation with the professional accounting bodies of Bangladesh;
8. The records and statements submitted by the branches have been properly maintained and Consolidated in the financial statements; and
9. The information and explanations required by us have been received and found satisfactory

# Performance Appraisal of CBL

## 5.1 Financial Performance of THE CITY BANK LTD.

Dynamism is apparent in the total activities of the Bank, because of qualitative changes in the top management in previous year. Performance in the field of deposit mobilization, credit disbursement, foreign trade, remittance and earning of profit has over shadowed the performance of previous years. It is worth mentioning that, **in 2002 growth in deposit mobilization is almost 15 percent, in credit disbursement 9 percent, in foreign trade almost 6 percent, in remittance business almost 5 percent and in recovery of classified loan 110 percent.** It is noteworthy that **among the contemporary banks only The City Bank Limited achieved more than 35 percent growth** while growths of other first generation banks were negative. Positive signs were evident in all financial indices of the bank as well as in other non-financial activities. Programs like branch expansion, branch shifting, and renovation of branches along with Head Office and process of construction of bank's own building have broadened the image and fame of the bank.

The Bank earned an operating profit of Taka 551.2 million in the year 2002 as against Taka 407.4 million during the year 2001, thereby its increasing. It has been proposed to distribute the operating profit of the year 2002 as below:

## 5.2 Balance Sheet

For the ration analysis in this chapter I represent the last four year's balance sheet of The City Bank Ltd.

### Property and assets

# Performance Appraisal of CBL

	2002	2001	2000	1999
Cash in hand	478361535	424,886,554	427,459,173	382,119,106
Balance with Bangladesh Bank	1066275164	1,020,314,764	790,302,248	645,519,536
Balance with other banks	75343648	167,743,560	265,739,106	325,084,896
Money at call	5069000000	3,402,500,000	2,960,000,000	3,630,000000
Investments	2511364015	1,977,949,515	1,614,364,493	1,492,800,995
Loans	13884920046	12729218964	9,965,537,064	
Loans, cash credits, overdrafts	13040884036	12,112,423,455	9,591,573,60	5,927,618,345
Bills discount	844036010	616,795,509	372,963,904	244,218,221
Fixed assets	609760722	329,167,607	305,280,983	241,971,327
Other Assets	786593915	674,569,057	880,375,606	530,876,609
<b>Total assets</b>	<b>24481619045</b>	<b>20,726,350,021</b>	<b>17,208,058,373</b>	<b>13,420,209,035</b>

## LIABILITIES AND CAPITAL

### Liabilities

	2002	2001	2000	1999
<b>Borrowing</b>				30,000
Deposits	19,683,279410	17,183,982,846	13,804,273,154	
Current deposits	3,112,637052	8,707,639,426	6,691,114,533	6,441,789,331
Savings	4044960336	3,441,086,534	3,078,698,251	2,620,338,117
Bearer certificate	37103533	99,434,701	210,112,405	318,868,564
Bills payable	207129941	132,838,535	108,321,129	115,786,401
Fixed deposit	4014588680	4,802,983,651	3,716,026,836	3,163,192,379
<b>Total liabilities</b>	<b>23,697,868,090</b>	<b>20,223,230,381</b>	<b>16,784,938,733</b>	<b>13,063,754,514</b>



# Performance Appraisal of CBL

## Capital / shareholders' equity

Particulars	2002	2001	2000	1999
<b>Paid up capital</b>	240,000,000	160,000,000	160,000,000	160,000,000
<b>Statutory reserve</b>	173,117,791	160,000,000	160,000,000	160,000,000
<b>Other reserve</b>	240,619,365	103,119,640	103,119,640	103,119,640
<b>Surplus</b>	130,013,799	80,000,000		
<b>Total share holders equity</b>	783,750,955	503,119,640	423,119,640	356,454,521
<b>Total liabilities and share holders equity</b>	<b>24,481,619,045</b>	<b>20,726,350,021</b>	<b>17,208,058,373</b>	<b>13,420,209,035</b>

## 4.3 Income statement

Particulars	2002	2001	2000	1999
Interest income	1,577,956,789	1,306,138,025	969,587,079	856,290,176
Deposits	1,049,276,602	935,221,801	792,374,955	688,924,711
<b>Net interest income</b>	<b>528,680,187</b>	<b>370,916,218</b>	<b>177,212,124</b>	<b>167,365,465</b>
Income from investment	191,030,026	142,536,830	150,691,611	101,524,325
Commissions	274,311,175	243,422,637	190,200,598	181,060,920
Other income	77,590,857	56,974,776	46,008,112	40,385,244
<b>Total operating income</b>	<b>1,071,612,245</b>	<b>813,850,461</b>	<b>564,112,445</b>	<b>490,335,954</b>
Salaries	330,987,638	241,082,865	235,651,075	221,793,515
Rent, taxes, insurances	66,011,719	58,512,342	49,775,738	46,787,054
Legal expenses	2,811,798	2,037,840	2,014,234	2,495,648
Postage, telegram	19,806,909	20,213,984	20,382,093	20,743,685
Auditors fee	170,000	170,000	170,000	170,000
Stationery	17,865,711	16,808,405	10,476,928	9,007,752
Managing director's fee	2,573,334	2,400,000	1,373,334	1,200,000
Directors fee	702,500	795,000	426,000	568,000
Depreciation	35,933,263	29,237,142	27,236,970	24,091,776
Other expenditure	43,522,055	35,203,398	28,318,067	19,221,138
<b>Total operating expenditure</b>	<b>520,384,927</b>	<b>406,460,976</b>	<b>406,460,976</b>	<b>346,078,568</b>
<b>Profit/ loss before provision</b>	<b>551,227,318</b>	<b>407,389,485</b>	<b>188,288,007</b>	<b>144,257,386</b>
Provisions for loans	481,588,360	172,565,245	121,622,888	
Provisions for diminution				
Provisions for THE CITY BANK LTD. foundation				
Other provisions	4,050,000	12,237,920		
<b>Total provisions</b>	<b>485,638,360</b>	<b>184,803,165</b>	<b>121,622,888</b>	
Total profit/ loss before income TAX	195,383,476	222,586,320	66,665,119	144,257,386
Provisions for income Tax	52,251,886	142,586,320		
<b>Net profit/ loss after Tax</b>	<b>130,013,799</b>	<b>80,000,000</b>	<b>66,665,119</b>	<b>144,257,386</b>

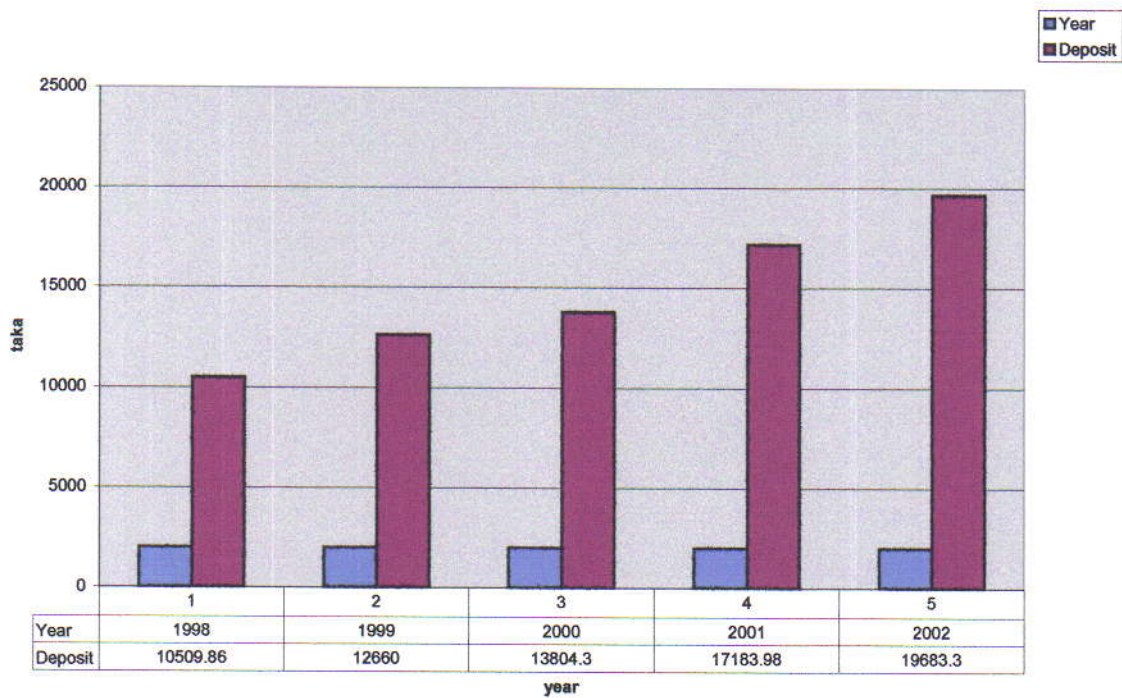
# Performance Appraisal of CBL

## Performance at a Glance

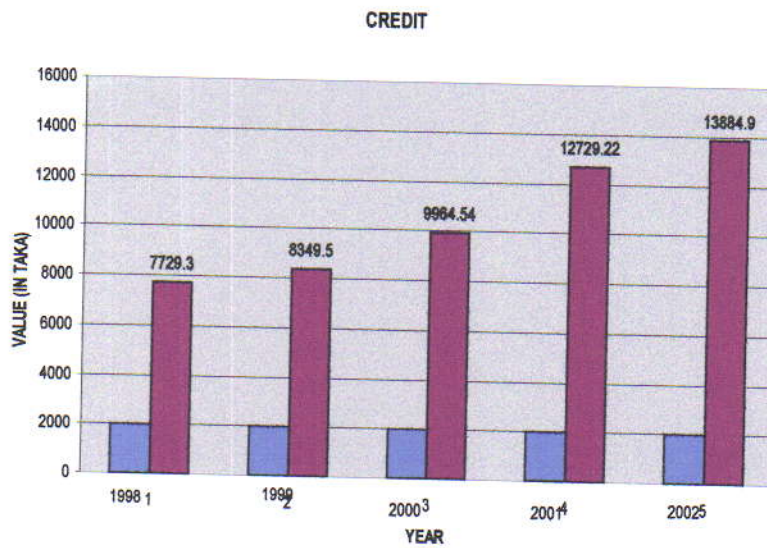
Particulars	1998	1999	2000	2001	2002
Authorised Capital	400.00	400.00	400.00	400.00	400.00
Paid up Capital	160.00	160.00	160.00	160.00	240.00
Statutory Reserve	160.00	160.00	160.00	160.00	173.10
Other Reserve	103.12	103.12	103.12	103.12	240.60
Retained Earnings	–	–	–	80.00	130.00
Total Shareholders Equity	423.12	423.12	423.12	503.12	783.70
Deposit	10509.86	12660.00	13804.30	17183.98	19683.30
Credit	7729.30	8349.50	9964.54	12729.22	13884.90
Import	7539.84	8529.70	8665.90	13503.20	12262.60
Export	1465.08	1308.60	2171.90	3982.10	6213.50
Investment	995.16	1492.80	1614.36	1977.95	2511.40
Total Asset	11300.60	13738.70	17208.10	20726.40	24481.60
Total Operating Income	999.41	1179.30	1356.50	1749.07	3261.10
Total Operating Expenses	875.83	1035.00	1168.20	1341.68	2709.90
Profit before provision	123.58	144.30	188.30	407.39	551.20
Total provision	82.70	–	121.62	184.80	485.60
Profit before tax (after provision)	40.88	144.30	66.68	222.59	65.60
Provision for tax	–	–	–	142.59	52.30
Net profit (after tax)	4088	144.30	66.68	80.00	13.33
Return on Equity (%)	29.21%	34.10%	44.50%	80.97%	70.33%
Return on Asset (%)	1.09%	1.05%	1.09%	1.97%	2.25%
Capital Adequacy Ratio (%)	10.42%	9.77%	6.93%	6.63%	8.16%
Credit-Deposit Ratio	0.74:1	0.66:1	0.72:1	0.74:1	0.71:1
Earning per Share (Taka)	25.55	90.19	41.67	50.00	5.55
Book value per Share (Taka)	264.45	264.45	264.45	314.45	326.54
Market value per Share (Taka)	111.25	170.00	125.50	266.80	300.00
No. of Employees	1811	1724	1674	1688	1751
Executive	69	69	77	141	142
Officer	1114	1043	1015	958	1011
Staff	628	612	582	589	598
Number of Branches	76	76	76	76	76
A/D Branches	19	19	20	20	20
No. of Shareholders	2571	2844	3102	3256	3027

# Performance Appraisal of CBL

Diposite

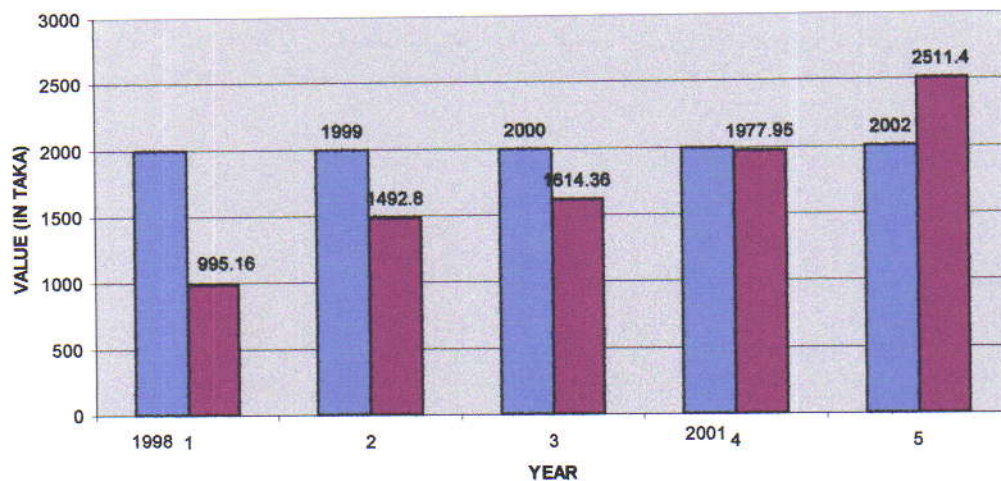


# Performance Appraisal of CBL



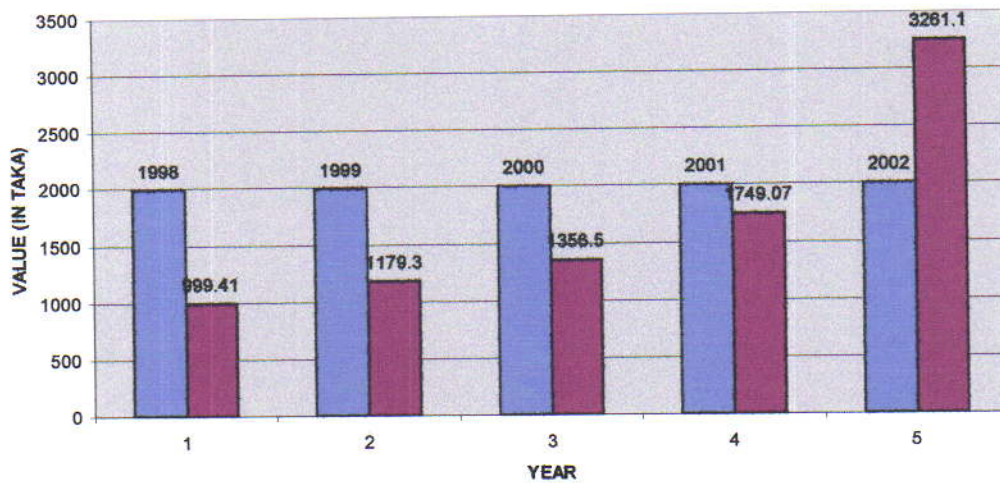
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INVESTMENT

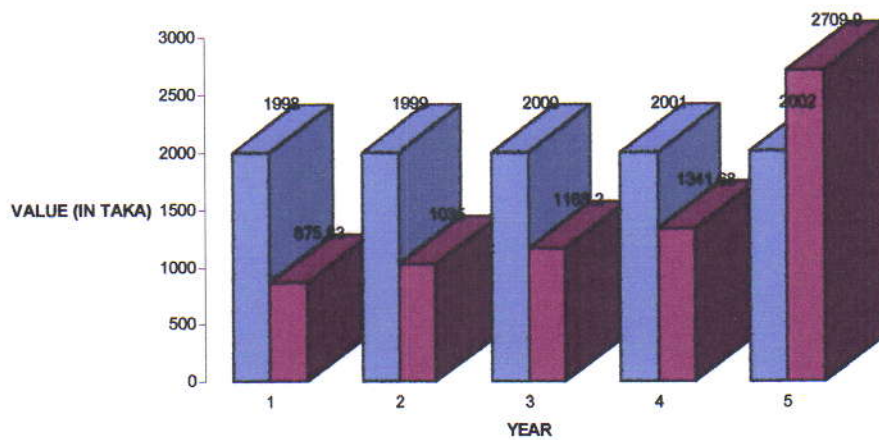


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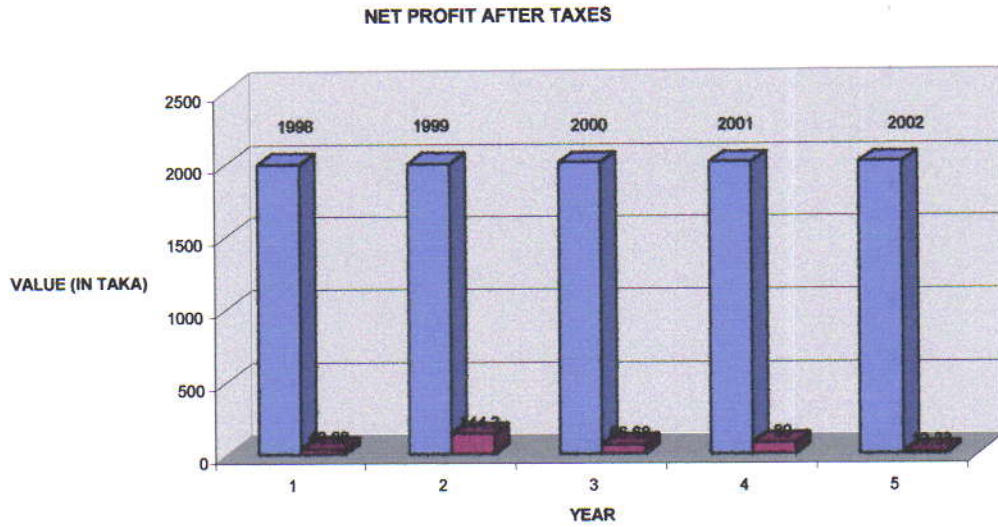
TOTAL OPERATING INCOME



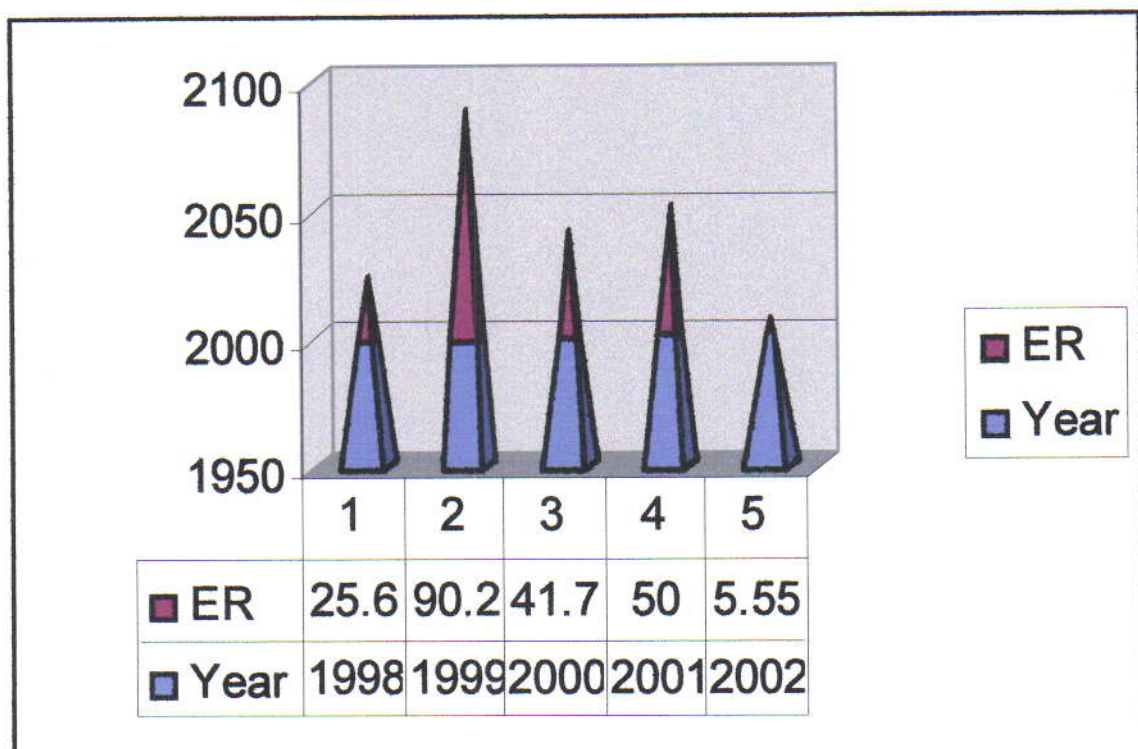
TOTAL OPERATING



# Performance Appraisal of CBL

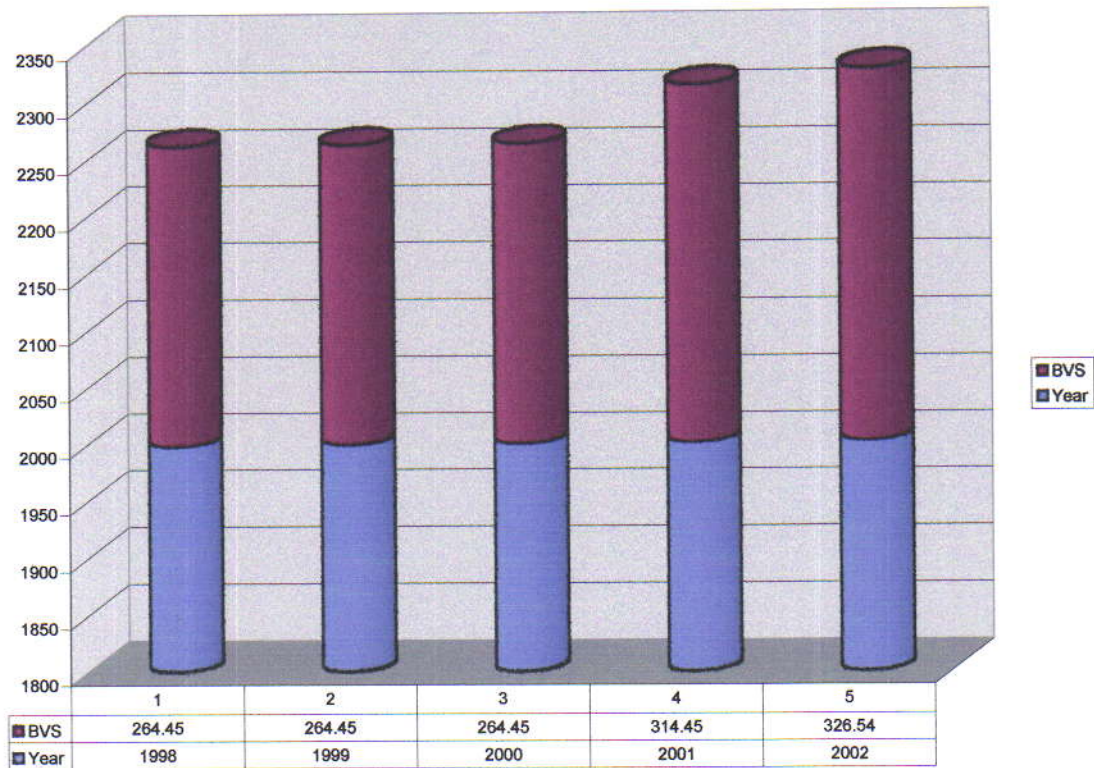


# Performance Appraisal of CBL

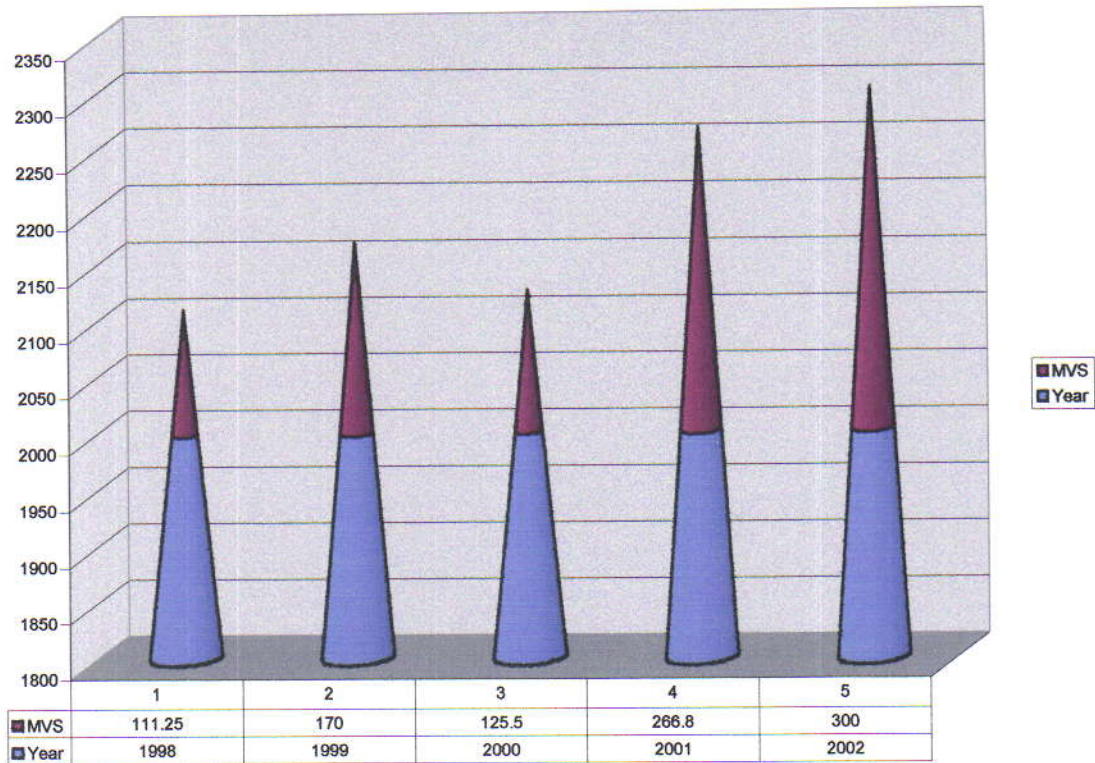




# Performance Appraisal of CBL



# Performance Appraisal of CBL



# Performance Appraisal of CBL

## 5.4 Ratio analysis

### **ROE:**

The rate of return of equity (ROE) is a good starting point in the analysis of a bank's financial condition. According to the financial statement, we can see that in 1999 the ROE was 40.47 %, which was really high. In 2000 and 2001 the ROE were relatively 15.75% and 15.9 %, which were comparatively much below then the previous year. But between 2000 and 2001 the letter year's ROE is higher. And in the future it should be improved. Because a low ROE may limit a bank's growth and because regulation require that assets be (at a maximum) a certain number of times equity capital. We also know that ROE can be broken down in to component parts that help to identify trends in the bank's performance.

### **Rate of Return on Asset (ROA)**

The ROA measures the ability of management to utilize the real and financial resources of the bank to generate returns. ROA is commonly used to evaluate. According to the financial statement, we can see that in 1999, 2000, 2001 and 2002 the ROA was relatively 1.075 %, .387%, .385 % and 385% From here we can see that the ROA is gradually going down, which is not a good.

### **Loan Ratio:(LR)**

The loan ratio indicates the extend to which assets are devoted to loans as opposed to other assets, including cash securities and plant & equipment. According to the financial statement, we can see that the loan ratio in the 1999, 2000 and 2001 were chronologically 59.5%, 57.91%, 61.41% 62.5% and. From here, we can see that the Loan Ratio is gradually increasing which is good for the bank

# Performance Appraisal of CBL

## 5.6 Notes to the financial statements for the year ended December 31, 2002

### Legal Status and Nature of the Company:

THE CITY BANK LIMITED was incorporated in Bangladesh as a Public Limited Company with limited liability as on the 14th March of 1983 under Companies Act 1913. The principal place of business is the registered Office at Jiban Bima Tower, 10 Dilkusha Commercial Area, Dhaka 1000. It has 76 branches all over Bangladesh.

The principal activity carried out by the bank are providing all kind of commercial banking activities/ services to its customers through its branches in Bangladesh.

### Significant Accounting Policies:

#### (a) Basis of Preparation of the Financial Statements

The Financial Statements of the Company are made up to 31<sup>st</sup> December each year, and are prepared under the Historical cost convention, and in accordance with first schedule of Banking Companies Act (BCA) of 1991, Bangladesh Bank circulars, Bangladesh Accounting Standards, the Companies Act 1994, the Listing Regulations of the Stock Exchange, the Securities and Exchange Rule 1987 and other laws and rules applicable in Bangladesh on a going concern basis.

#### (b) Revenue Recognition

The revenue during the year are recognized as following which satisfy all conditions of revenue recognition as Prescribed by BAS 18 "Revenue Recognition".

- (i) Interest is calculated on daily product on unclassified loan and advances but charged on quarterly basis.
- (ii) Interest is charged on classified loans and advances as per BRPD circular No.16 of 1989 and such interest was not taken into income.
- (iii) Dividend income is recognized at the time when it is realized.
- (iv) Commission and Discounts on bills purchased and discounted are recognized at the time of realization.

#### (c) Fixed Assets and Depreciation

- (i) Depreciation of assets are stated at Cost less accumulated Depreciation.
- (ii) Depreciation has been charged on Straight-line method at the following rates on cost of assets

# Performance Appraisal of CBL

for the full year irrespective of their date of purchase.

<b>Name of the Assets</b>	<b>Rate of Depreciation</b>
Furniture & Fixtures	10% p.a.
Office Appliances & Equipment	20% p.a.
Computer	20% p.a.
Vehicles	20% p.a.
Staff House Equipment	20% p.a.

## **(d) Earning per shares (EPS)**

The company calculates earnings per share (EPS) in accordance with BAS 33 "Earnings per Share" which has been shown on the face of Profit and Loss Account. This has been calculated by dividing the basic earnings by the weighted average number of Ordinary shares outstanding during the year.

## **(e) Cash Flow statement**

Cash Flow Statement is prepared principally in accordance with BAS 7 "Cash Flow Statement" and the cash flow from the Operating activities have been presented under direct method as prescribed by the Securities and Exchange Rules 1987 and considering the provisions of Paragraph 18 (b) of BAS- 7 which provides that "Enterprises are Encouraged to Report Cash Flow from Operating Activities using the Direct Method".

## **(l) Foreign Currency Transactions**

Transactions in foreign currencies are translated into Bangladesh Taka and recorded at the ruling exchange rates applicable on the date of transaction and in accordance with BAS 21. "The Effects of Changes in Foreign Exchange Rates".

## **(g) Taxation**

Provision for Taxation has been made on accounting profit without considering taxable disallowances.

## **(h) Investments**

Values of Investment have been shown as under:

Treasury Bills	Face Value
Prize Bond	Cost Price
ICB Debenture	Cost Price
Shares & Debenture	Cost or Market value which ever is lower

## **(i) Retirement benefit of the employees**

Consistent with past practice of The City Bank Limited no provision for the liabilities for

# Performance Appraisal of CBL

gratuity has been made in these financial statements. The payments for gratuity are charged in the Accounts for the year in which these are disbursed.

**(j) General**

a) Figures appearing in these accounts have been rounded off to the nearest Taka.

(b) Figures of Previous year have been rearranged whenever necessary to confirm to current years presentation.

# Performance Appraisal of CBL

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**CHAPTER SIX:  
PROBLEMS, SWOT ANALYSIS AND  
RECOMMENDATION  
FOR  
THE DEVELOPMENT OF THE CITY BANK LTD .**

# Performance Appraisal of CBL

## Problems:

The City Bank has several problems. These are described below:

### **Lack of Sufficient Data**

A prerequisite in filling different credits form in city Bank Limited is from published or secondary data and unpublished or primary data which turns out to be unavailable on most occasions in our country. In many cases latest and reliable data regarding loans, investments, business, returns, total demand and supply of different credit facilities in banking industries, industry growth, return growth, performance data of major competitors are inadequate and unavailable. Beside this, collecting a bank's positional data in a given banking industry is also cumbersome. As a result identifying a bank's rank in the banking industry where it operates along with its competitor's financial position in cumbersome.

### **Credit history and data bank**

As far as credit is concerned for THE CITY BANK LTD., an integrated data bank or every of credit variable should be available in our country. Lack of that, leads to an inaccurate completion of credit risk analysis in trust sense. As most of the borrowers are not aware not of the importance of this requirements, they hardly keep the past record in their book of accounts with only a few exceptions particularly those bank's enlisted in the market.

### **Ethical standard and integrity of the auditors**

This is a matter of regret that the integrity of the auditors of our country is easily questionable which ultimately makes the whole credit analysis completely misleading. Once again, with only a few exceptions, on most occasions the financial statements are prepared with instruction of the client in different forms for different purposes. Naturally a credit division of THE CITY BANK LTD. cannot do much and is quite helpless in this situation.

### **Pressure group**

Political influence or pressure group plays a big role in loan sanctioning process for THE CITY BANK LTD.. Thus in this case the result of credit analysis turns out to be irrelevant. It is also a very common phenomenon in our banking sector that a loan is sanctioned even before the leading officer does proper security. An independent working environment of credit analysis/ risk management section at branch level in different banks is not insured.



# Performance Appraisal of CBL

## **Lack of experienced Assessor**

In most of the cases the values of the security realized turns out to be the less than what THE CITY BANK LTD. had estimated. Sometimes security also loses value before it is realized. There is lack of experienced, qualified and reliable survey or such institutions to assess security along with its quality and market demand.

## **Practice of management principles**

Most of the banking institutions operating in our country do not actually practice the principle of delegation of authority and responsibility. In most cases, management is extremely centralized and the authority of decision-making rarely shifts from top level to mid/ lower level management. Same scenario exists in THE CITY BANK LTD. in terms of management practices.

## **Industry information**

There are no industry averages in our country, which is required for implementation of credit facilities for THE CITY BANK LTD.. Though an industry average can be calculated it does not always reflect a proper picture banking organizations.

## **Lack of proper human resources**

Credit financing is one of the essential parts for any banking organization as in THE CITY BANK LTD.. Thus for implementation of such skilled human resources in THE CITY BANK LTD. for its credit division are needed but the banking sector is facing lack of skilled personnel.

## **Lack of variety**

Lack of variety in this service is also a drawback of the credit division area of the THE CITY BANK LTD.. The bank provides some traditional services to its clients. As a result the bank is falling in behind in competition with foreign banks as well as some private banks.

# Performance Appraisal of CBL

## **Discourage investment in agriculture sector**

Bangladesh considers being an agricultural based country as any aspect. Our two third of the total population on the agricultural sector. It is a big problem for THE CITY BANK LTD. as they completely discourage to invest in this sector. THE CITY BANK LTD. lagging behind in intense competition as other private banks generally encourages them to invest in his sector.

## **6.1 SWOT analysis:**

SWOT analysis is the detail study of an organization's exposure and potential in perspective of its strengths, opportunity, weakness and threats. These facilitates the organization to make their existing line of performance and also foreseen the future to improve their performance. In compression to their competitors. As though this tool, an organization can also study its current position it can also be considered as an important tool for making changes in the strategy management of the organization.

### **Strengths**

City Bank Ltd. has already established a favorable reputation in the banking industry of the country. It is one of the leading private sector commercial banks in Bangladesh. The bank has already shown a tremendous growth in the profits and deposits sector.

City Bank Ltd. has already achieved a high growth rate accompanied by an impressive profit growth rate (29.42 %) in 1999. And the number of deposits and loans and advances are increasing chronologically like in the loan section in 1999 55.9 %, in 2000 55.9 % and 2001 61.4 %.

City bank has an interactive corporate culture. The working environment is very friendly and there are no hidden barriers or boundaries while communicate between superior and

# Performance Appraisal of CBL

subordinate. This corporate culture provides as a great motivation factors among the employees.

City Bank is providing very good services to their potential customers.

City Bank has a strong Human recourse Department. They are working hard to recruit the right people for the right job.

City Bank has a good number of branches all over the Bangladesh to provide services to the customers.

## **Weakness**

The poor service has become on of the major problems for City Bank.

Employee's dissatisfactions are preventing the growth of the bank.

A prerequisite in filling different credits form in city Bank Limited is from published or secondary data and unpublished or primary data which turn out to be unavailable on most occasions in our country.

As far as credit is concerned for THE CITY BANK LTD., an integrated data bank or every of credit variable should be available in our country. Lack of that, leads to an inaccurate completion of credit risk analysis in trust sense.

Political influence or pressure group plays a big role in loan sanctioning process for THE CITY BANK LTD.. Thus in this case the result of credit analysis turns out to be irrelevant.

In most of the cases the values of the security realized turns out to be the less than what THE CITY BANK LTD. had estimated.

# Performance Appraisal of CBL

Most of the banking institutions operating in our country do not actually practice the principle of delegation of authority and responsibility. In most cases, management is extremely centralized and the authority of decision-making rarely shifts from top level to mid/ lower level management.

The bank provides some traditional services to its clients..

*Discourage investment in agriculture sector*

## Opportunity

In order to reduce the business risk city bank has to expand their business portfolio. Management can consider options of starting merchant banking or diversify into leasing and insurance sectors.

The activity in the secondary financial market has direct impact on the primary market.

Opportunity in retail banking lies in the fact that the countries increased population is gradually learning in to adopt consumer's finance. Our population is constantly increasing at a rate a 2.7 5 per year.

A larger number of private banks coming into the market in the recent time. In the competitive environment City Bank must expand its services line enhance. It's sustainable in this product line.

They can introduce ATM to compete with local and foreign bank.

# Performance Appraisal of CBL

They can introduce credit card and debit card to their foreign customers.

They can introduce special corporate skills for the corporate customers, who have income level higher from the services holder, such as scheme for lawyer, engineers and doctors.

## **Threats**

All sustain multination banks and upcoming foreign, private banks possess enormous threats to City Bank.

The default risks of all terms of loans have to be minimized in order to sustain in the financial market because default risk leads the organization towers to bankrupt.

The low compensation package of the employees from mid level to lower level positions threatens employees' motivation.

## **6.2 Recommendation:**

After a complete analysis and implementation of the city bank performance appraisal, some facts and recommendations can be taken into considering for a relatively meaningful and precise application of the city bank performance development.

### **Development of accounting system:**

It is necessary for The City Bank to encourage business firms to keep financial records as per prevailing standard of accounting. All the financial institutions and banks should take a coordinated effort to persuade the government to take initiative to improve the standard of professional services provided by the Chartered Accounts in our country. However, The City Bank must develop its internal accounting system in which they maintain their all over the transaction.

# Performance Appraisal of CBL

## **Proper Training**

More training program need to be arranged for the bankers of THE CITY BANK LTD., so that they can improve their analytical ability and professional standard regarding the use of credit mechanism and other tools and techniques in selection borrower and evaluating loan proposals. Assessing the security value should also be done in THE CITY BANK LTD. by experienced assessing agencies, so that exact value of security can be reflected.

## **Market study**

Deceptive the fact that we have no industry averages to compare with in most case, the concept of market study prior to lending should be introduced for THE CITY BANK LTD.. Apart from this, trade association need to be motivated that THE CITY BANK LTD. becomes conscious t maintain industry related data.

## **Pricing Methodology**

New pricing methodology should be in THE CITY BANK LTD. strictly implemented after analyzing the overall risk category through credit manual to ensure that interest rate being charged reflect risk.

## **Field Study Based Credit System**

Credit Dept. of THE CITY BANK LTD. and financial institutions should conduct real field studies more elaborately to analyze the credit risk before final decision is taken. Documentation requirements and paper work in credit financing for THE CITY BANK LTD. should be minimized and market study for landing should gradually be introduced.

# Performance Appraisal of CBL

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## **Borrowers' Awareness**

Measures should be taken for THE CITY BANK LTD. to create awareness among the borrowers regarding the importance of credit facilities.

## **Online Banking**

THE CITY BANK LTD. might think to go for online banking system. So far some foreign banks like Standard Chartered, HSBC and Break Bank is providing. Among the private banks THE CITY BANK LTD. might take the step to introduce online banking to its clientele.

## **Initiatives for Agricultural Investment**

To stay in competition with other private banks THE CITY BANK LTD. also need to encourage investment in agricultural sector. Agricultural investment will be one way to expand its business as rural people come forward to know the private bank name THE CITY BANK LTD. This will be another way of being the dominator in banking business.

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## CHAPTER SEVEN: CONCLUSION



# Performance Appraisal of CBL

## **Conclusion:**

Success in the banking business largely depends on effective lending. Less the amount of loan losses, most of the income will be from credit operation. Most the income from credit operation most will be the profit for THE CITY BANK LTD. and here lies the success of credit financing.

Though there are some drawbacks in implementing credit financing in THE CITY BANK LTD. as per manual, it can be further developed in light of the recommendations being discussed above.

Finally it can be argued that though the results achieved so far are not satisfactory. Credit financing is a modern scientific method for enhancing THE CITY BANK LTD's strength and there lies the opportunities to make it more effective in the future for

# Performance Appraisal of CBL

## ACRONYMS:

<b>CBL</b>	:	The City Bank Ltd.
<b>CAR</b>	:	Capital Adequacy Ratio
<b>ES</b>	:	Earning per Share
<b>MVS</b>	:	Market Value per Share
<b>ROA</b>	:	Return On Asset
<b>ROE</b>	:	Return On Equity
<b>BVS</b>	:	Book Value per Share
<b>DD</b>	:	Demand Draft
<b>PO</b>	:	Pay Order
<b>TT</b>	:	Telegraphic Transfer
<b>FDR</b>	:	Fixed Deposit Receipt
<b>LC</b>	:	Latter of Credit
<b>LTR</b>	:	Loan against Trust Receipt
<b>LIM</b>	:	Loan against Imported Merchandise

# Performance Appraisal of CBL

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