DIRECTORS' REPORT

Dhaka Bank Limited had launched it voyage with a view to attain magnificence in the Banking Sector and to provide with state of the art Banking Solutions. The Bank was incorporated as a Public Limited Company on April 6, 1995 under Bank Company Act, 1991 and Companies Act, 1994. It commenced Banking operations on July 5, 1995 with a Branch at Motijheel, Dhaka. Islamic Banking window was opened in July of 2003. DBL got listed in DSE and CSE in 2000. Subsequently, we embarked on Capital Market services which amounted to the establishment of a subsidiary 'Dhaka Bank Securities Limited' in 2011. DBL opened up new avenues for foreign investors in the country by setting up Off-shore Banking Unit in 2006.

Dhaka Bank moves ahead hand in hand with many others in the Society, putting its emphasis on Sustainable and Inclusive Banking to reach the space, as visualized in its Vision.

DIRECTORS' REPORT 2023

We, the Board of Directors, are pleased to welcome you to the 29th Annual General Meeting of Dhaka Bank PLC. We appreciate your support and patronage our 29 years' joint adventure. We are quite pleased to provide our yearly report for your consideration and approval. We are continuously aware of the thousands of stockholders who have always had our backs and supported us with their trust. This report includes financial audit reports for the Bank and its subsidiaries, the auditor's report, reports to the director, business management analysis, and more. In this day of intense competition, we think it will provide you a true picture of the performance, development, and location of the banking industry.

World Economy

The global economy remains in a precarious state amid the protracted effects of the overlapping negative shocks of the pandemic, the Russian Federation's invasion of Ukraine, and the sharp tightening of monetary policy to contain high inflation. The resilience that global economic activity exhibited earlier this year is expected to fade. Growth in several major economies was stronger than envisaged at the beginning of the year, with faster-than-expected economic reopening in China and resilient consumption in the United States. Nonetheless, for 2023 as a whole, global activity is projected to slow, with a pronounced deceleration in advanced economies and a sizable pickup in China. Inflation pressures persist, and the drag on growth from the ongoing monetary tightening to restore price stability is expected to peak in 2023 in many major economies. Recent banking sector stress will further tighten credit conditions. This was result in a substantial growth deceleration in the second half of this year. This slowdown reflects both cyclical dynamics and the current trend of declining global potential output growth. Global financial conditions have tightened as a result of policy rate hikes and, to a lesser extent, recent bouts of financial instability.

Global trade

Global trade in goods and services was virtually flat in 2023, growing by an estimated 0.2 percent—the slowest expansion outside global recessions in the past 50 years. Goods trade contracted last year, reflecting declines in key advanced economies and deceleration in EMDEs, and mirroring the sharp slowdown in the growth of global industrial production. This marked the first sustained contraction in goods trade outside a global recession in the past 20 years. Reflecting stagnant goods trade and fading pandemic-era disruptions, global supply chain pressures have returned to pre-pandemic averages after receding to record lows in mid-2023. Services trade slowed in the second half of 2023, following an initial rebound from the pandemic. After lagging the pace of global growth in 2023, global trade is projected to pick up to 2.3 percent in 2024, mirroring projected growth in global output. This reflects a partial normalization of trade patterns following exceptional weakness last year (WTO 2023).

Goods trade is envisaged to start expanding again, while the contribution of services to total trade growth is expected to decrease, aligning more closely with the trade composition patterns observed before the pandemic. However, in the near term, the responsiveness of global trade to global output is expected to remain lower than before the pandemic, reflecting subdued investment growth. This is because investment tends to be more trade-intensive than other types of expenditures. Global tourist arrivals are expected to return to pre-pandemic levels in 2024, although the recovery is set to lag in some countries where reopening was delayed. The global trade growth forecast for 2024 has been revised down by 0.5 percentage point since June, reflecting weaker-than-expected growth in China and in global investment. As a result, the recovery of trade now projected for 2021-24 is the weakest following a global recession in the past half century. Geopolitical uncertainty, especially in light of ongoing armed conflicts, and the possibility of a more protracted slowdown in China pose downside risks to the trade outlook. Another downside risk arises from the possibility of further measures to restrict international trade. The recent increase in the use of restrictive trade policies, as well as subsidies and industrial policies aimed at localizing production, has accelerated the reshoring of activities by U.S. and European Union (EU) multinationals, although some of this reflects a desire by firms to diversify sourcing to reduce exposure to adverse shocks. Continuation of this trend could result in more fragmented supply chains and slower trade growth than projected in the baseline.

Commodity markets

The average prices of most commodities, in U.S. dollar terms, fell in 2023 amid moderating demand. However, they remain more than 40 percent above pre-pandemic levels. Crude oil prices were volatile last year, including in the wake of the conflict in the Middle East; they averaged USD 83/bbl, down from USD 100/bbl in 2022.

Production cuts by OPEC+, which were deepened and extended in November 2023, have mostly been offset by robust output elsewhere, including in the Islamic Republic of Iran and the United States. Currently, OPEC+ spare capacity stands at just over 5 mb/d. Oil prices are expected to edge down to USD 81/bbl in 2024 as global activity slows and China's economy continues to decelerate. An escalation of the conflict in the Middle East is a major upside risk to oil prices. Indeed, since the 1970s, a series of significant geopolitical events, often marked by military conflict, have exerted a pronounced impact on oil supplies. Further extensions of production cuts by OPEC+ (to beyond an expected phase-out of cuts in the first quarter of 2024) and stronger-than-expected demand could also result in higher prices. Natural gas and coal prices declined considerably in 2023 as countries in Europe reduced energy demand and maintained gas inventories above 90 percent of their storage capacity. Natural gas prices are expected to fall further in 2024 and 2025 as production increases, and as liquefied natural gas exports rise. Key upside risks to gas prices include supply disruptions from the Middle East linked to the conflict and a colder-than-usual winter in Europe. Metal prices fell by 10 percent in 2023 on account of sluggish demand from major economies— notably China, which accounts for 60 percent of global metal consumption, in the midst of protracted weakness in the country's property sector. Metal prices are expected to fall further in 2024, before picking up in 2025 as China's property sector stabilizes and demand for metals used in the green transition increases. A greater-than-expected downturn in China's real estate sector is a key downside risk to prices. Food prices—the biggest component of the agriculture price index—fell by 9 percent in 2023, reflecting ample supplies of major crops, particularly grains. Rice was the exception—its price rose 27 percent in the year amid restrictions on exports of non-basmati rice from India, the world's top rice exporter. Food prices are expected to decline nearly 1 percent in 2024 and 4 percent in 2025. Key upside risks to food prices include increases in energy costs, adverse weather events, further trade restrictions, and geopolitical uncertainty in the Black Sea region. Longer-term risks include the effects of climate change and the expansion of biofuel mandates. Food insecurity remains a key challenge amid high, albeit declining, consumer food price inflation. The number of people who was severely food insecure globally was estimated to have risen from 624 million in 2017 to 900 million in 2022. The recent surge in rice prices is likely to exacerbate food insecurity as rice is a staple food for over half the world's population, providing more than 20 percent of the calories consumed worldwide.

Global inflation

Global headline consumer price inflation declined substantially in 2023. Moderating energy and food price inflation, along with slowing consumer demand for goods and the recovery of global supply chains, exerted significant downward pressure on goods inflation. Nonetheless, inflation remains above targets in most advanced economies and in about half of inflation-targeting EMDEs. In the major advanced economies, the rotation of demand from goods to services continued. Declining goods inflation amid easing import prices was partly offset, however, by persistent services inflation tied to tight domestic labor markets. As a result, core inflation, which surged less than headline inflation in 2021-22, has also declined less since its 2022 peak.

The decline in core inflation has proceeded under markedly different growth conditions across countries. In the United States, disinflation has occurred alongside resilient activity and low unemployment, thanks partly to increasing labor supply, improving supply chains, and falling oil prices. The decline in the euro area inflation was accompanied by weak growth, reflecting the negative supply shocks from earlier sharp energy price increases. In most EMDEs, headline and core inflation receded last year as growth weakened. Nevertheless, in countries facing financial stress, inflation remained very high, in association with currency depreciations. In 2024-25, global inflation is expected to decline further, underpinned by the projected weakness in global demand growth and slightly lower commodity prices. Subdued demand reflects the effects of tight monetary and credit conditions and softening labor markets. Global inflation was 6.8 percent in 2023. Thus, global headline inflation, on a year-on-year basis, is forecast to recede to 3.7 percent in 2024 and 3.4 percent in 2025—still above the pre-pandemic (2015-19) average but closer to central bank inflation targets. Surveys of inflation expectations similarly suggest a steady decline in inflation, but to levels in 2024 that are still higher than pre pandemic averages. In particular, Consensus forecasts indicate lower inflation this year than last in 85 percent of EMDE

Major economies: Recent developments and outlook

Advanced economies

Aggregate growth in advanced economies was resilient for most of last year, slowing less than previously expected. However, this largely reflected developments in the United States, where consumer spending, in particular, remained robust and fiscal policy was expansionary. Growth in advanced economies is forecast to slow in 2024—for the third year in a row—to 1.2 percent, as domestic demand decelerates. Private consumption growth is set to soften as the boost from one-off factors, such as the stock of excess savings accumulated during the pandemic, gradually fades. Investment growth should also remain subdued as sustained high real interest rates and restrictive credit conditions dampen business investment. Most of the projected slowdown in advanced-economy growth in 2024 is due to a deceleration in the United States; it is only partly offset by an expected pickup in euro area growth as the lingering effects of earlier price shocks dissipate.

United States: In the United States, growth was resilient last year, picking up to an estimated 2.5 percent, despite rising borrowing rates and tightening credit conditions. Consumer spending remained solid, supported by accumulated savings, tight labor markets, and a boost to disposable incomes from one-off tax adjustments. Activity was also supported by an expansionary impulse from fiscal policy. Growth appears to have softened in the fourth quarter, with weakness set to intensify as the lagged and ongoing effects of tight monetary policy increasingly weigh on household spending, and as temporary factors supporting consumption dissipate. With the household saving rate having fallen far below the pre-pandemic average last year, excess savings accumulated during the pandemic have likely been substantially drawn down. In addition, the real value of these savings and the growth in real household net worth have been eroded by sharp run ups in consumer prices and interest rates. Tightness in the U.S. labor market has been gradually easing. Job openings have declined employment growth has steadily slowed, and wage growth has subsided, despite the unemployment rate remaining near historic lows. Some key drivers of widespread labor shortages, including pent-up demand for labor-intensive services, have been fading. At the same time, labor supply has been rising, with increased prime-age labor force participation partly offsetting the impact of early retirements during the pandemic. In 2024, U.S. growth is expected to slow to 1.6 percent, with high real interest rates restraining activity. Fiscal policy is expected to turn more restrictive, even as elevated interest rates and weakening growth weigh on the federal budget balance. A further weakening in consumption growth is projected, amid diminished savings, still-elevated borrowing rates, and easing labor market tightness. Business fixed investment is also set to decelerate further as firms remain cautious, given economic and political uncertainties, and increasingly refinance corporate debt at higher interest rates. Growth is expected to edge up to 1.7 percent in 2025, closer to its trend rate, as the impact of easing monetary policy feeds through the economy.

Euro Area: In the euro area, growth slowed sharply in 2023, to an estimated 0.4 percent, as high energy prices—largely related to Russia's invasion of Ukraine—weighed on household spending and firms' activity, particularly in manufacturing. Estimated growth in 2023 is in line with last June's projections, with unexpected resilience in the first half of the year offset by weaker-than expected activity in the second half. The downturn in late 2023 reflected broadening weakness in the economy, which extended to the services sector. This was partially attributed to the ongoing decline in exports amid deteriorating export price competitiveness and tepid external demand. Growth in 2024 is forecast to firm to a still anemic 0.7 percent. Easing price pressures should boost real wages and lift disposable incomes, but the lagged effects of past monetary tightening are expected to keep a lid on domestic demand, especially business investment, partly by reducing credit growth. The forecast for growth in 2024 has been downgraded since June by 0.6 percentage point, largely owing to weaker than-expected momentum at the start of the year and more adverse credit supply conditions than previously assumed. Growth is projected to pick up to 1.6 percent in 2025, supported by a recovery in investment growth, especially as the European Union's Next Generation EU (NGEU) funds lift public investment and help offset modest consolidation of national fiscal balances. Increased absorption of NGEU funds is predicated on reform milestones being met under Recovery and Resilience plans (European Commission 2023). NGEU-related investments and reforms are expected to accelerate the green and digital transitions and address longstanding structural issues, thereby supporting long-term growth (World Bank 2022a).

Japan: In Japan, growth bounced back to an estimated 1.8 percent in 2023, driven by post-pandemic pent-up demand and a rebound in auto exports and inbound tourism. Despite above-target inflation for over a year, the Bank of Japan continued to maintain accommodative monetary policy, but it gradually relaxed its policy of yield curve control and allowed longer-term rates to rise. In the forecast horizon, weak growth in major trading partners will weigh on exports, offsetting the support to domestic demand from an expected rebound in real wages amid tight labor markets and slowing inflation. On balance, as the post pandemic rebound tapers off, growth is forecast to slow to 0.9 percent in 2024 and 0.8 percent in 2025, close to its trend rate.

China: Growth in China picked up to an estimated 5.2 percent in 2023, 0.4 percentage point below the June forecast. The boost to consumption early in the year from the lifting of pandemic-related restrictions turned out to be unexpectedly short lived. The downturn in the property sector intensified as property prices and sales fell, and as developers experienced renewed financial pressures. Real estate investment contracted, while the growth of infrastructure investment was slower than pre-pandemic average rates, resulting in lackluster overall fixed investment growth Private consumption firmed somewhat toward the end of the year, but consumer confidence remained weak, while feeble external demand weighed on exports. The authorities implemented several stimulus measures, including lowering interest rates and deposit requirements for property purchases, while government debt issuance was expanded to support spending. In 2024, growth is forecast to slow to 4.5 percent—the slowest expansion in over three decades outside the pandemic-affected years of 2020 and 2022, and marginally lower than envisaged in June. Subdued sentiment is expected to weigh on consumption, while persistent strains in the property sector will hold back investment. Soft construction starts in late 2023 signal further weakness in property activity as developer's grapple with stressed balance sheets and lackluster demand. While central government support should help boost infrastructure spending, local governments have limited fiscal space for policy maneuvering. Trade growth is also set to remain weak in 2024, with subdued global demand weighing on exports and slower domestic demand growth holding back imports, including of metals. Growth is expected to edge down further in 2025, to 4.3 percent, amid the continuing slowdown of potential growth. Mounting debt constraining investment, demographic headwinds, and narrowing opportunities for productivity catch-up are all expected to drag on potential growth.

Emerging market and developing economies

Growth in EMDEs is projected to remain steady at about 3.9 percent a year in the forecast horizon, but with underlying variation across regions. Decelerating activity in China is expected to be offset by firming aggregate growth elsewhere, with improving domestic demand in many countries and a pickup in international trade. Overall, however, the recovery by EMDEs from the pandemic-induced recession of 2020 is expected to remain lackluster, with EMDE growth notably slower than in the recovery from the 2008-09 global financial crisis. Growth is projected to remain weak in EMDEs with low sovereign credit ratings, as they continue to suffer from the tightness of global financial conditions. Growth is forecast to pick up in LICs, but by less than previously expected.

Recent developments

EMDE growth is estimated to have picked up to 4 percent in 2023—but, excluding China, to have decelerated to 3.2 percent. In many EMDEs, subdued demand for goods in advanced economies weighed on exports, while elevated interest rates dampened domestic demand. Recent business surveys indicate weak expansion in manufacturing and waning growth in services. Reflecting these trends, EMDE growth is estimated to have slowed markedly in the second half of the year. Shifts in the composition of global demand have led to divergent trade outcomes across countries. Weak global goods trade has weighed on EMDEs with large goods-exporting sectors. Thus, last year, export volumes barely grew in EMDEs in the top quartile for goods exports relative to GDP. Exports held up better among services exporters, which benefited from resilient, albeit slowing, growth of global services activity, including tourism. Commodity exporters have faced headwinds from subdued growth of global industrial production. Growth in oil exporters slowed to just 2.1 percent in 2023, amid OPEC+ production cuts. Growth in metals exporters—a group particularly exposed to the slowdown in China—was only 0.7 percent. In all, growth in commodity exporters is estimated to have weakened by about 0.7 percentage point, to 2.5 percent, in 2023. Commodity importers, excluding China, grew at a more robust pace of 4.2 percent in 2023. This was largely due to continued resilience in India, which is benefiting from increasing public investment and solid services sector growth. Excluding India and China, output in these economies expanded by 3.1 percent. In some commodity importers, severe food and energy price shocks have eroded real wage growth since end-2021, dampening consumption growth. Growth in LICs in 2023 was particularly disappointing, slowing to 3.5 percent—1.7 percentage points below the June forecast. This downgrade is largely attributed to the economic consequences of renewed civil conflict in Sudan and the coup in Niger. More broadly, the ongoing conflict in the Sahel region has continued to weigh on growth.

Global trade is being dampened by subdued global demand and the continued rotation of consumption toward services. Energy prices have eased considerably since their peak in 2022 as a result of weaker global growth prospects and a warmer-than-usual winter, which reduced demand for energy for heating. Core inflation around the world has been persistent, resulting in continued monetary tightening. EMDE financial conditions continue to be restrictive, with less creditworthy borrowers facing greater financial strains.

Global goods trade growth slowed in the first half of 2023 in tandem with weakening global industrial production. Services trade, by contrast, continued to strengthen following the easing of pandemic-induced mobility restrictions. International tourist arrivals are expected to approach 95 percent of 2019 levels in 2023, an increase from 63 percent in 2022.

Energy prices have eased considerably since their peak in the third quarter of 2022. A warmer-than expected northern hemisphere winter reduced natural gas and electricity consumption, especially in Europe. Oil prices have averaged USD 80/bbl in 2023 to date, but they have been volatile. This volatility reflected uncertainty about global growth prospects in the first quarter of 2023, followed by the announcement in early April by Saudi Arabia and other OPEC+ members of a cut to oil production of 1.16 mb/d. This pledge brings the total OPEC+ expected cuts over the course of 2023 to 3.6 percent of global demand.

Growth in advanced economies in late 2022 and early 2023 slowed less than expected, as tight labor markets supported robust wage growth and prevented a sharper slowdown in consumption. The tightness in labor markets is in part related to a slowdown in labor supply, with labor force participation rates falling.

Bangladesh Economy

The International Monetary Fund (IMF) has forecasted that Bangladesh's economic growth over the coming months of this fiscal year will touch 5.7 per cent in Fiscal Year 2023-24, putting it in a favorable image compared to that put by the World Bank and the Asian Development Bank (ADB)'s projections. It may be recalled that earlier in April the World Bank projected the country's gross domestic product (GDP) growth for the current fiscal at 5.2 per cent and ADB at 5.3 per cent.

GDP Growth

The gross domestic product (GDP) measures of national income and output for a given country's economy. The gross domestic product (GDP) is equal to the total expenditures for all final goods and services produced within the country in a stipulated period of time. Bangladesh's GDP growth for Fiscal Year 2022-23 is 6.03%, according to provisional data. This represents a slight downward revision from earlier projections.

Per capita income has also decreased, reaching approximately USD 2,800.

Inflation

Inflation rose to a high of 9.94% in May 2023, driven mainly by rising food prices. While it eased slightly to 9.74% in June, it remains a significant concern for household budgets.

Higher inflation has disproportionately impacted rural areas, where inflationary pressure reached 9.82% compared to 9.45% in urban areas.

Export

Bangladesh is world's second-biggest apparel exporter after China. Garments including knit wear and hosiery account for 80% of exports revenue; others include: jute goods, home textile, footwear and frozen shrimps and fish. Export Performance for July-Dec of 2023-24 was USD 27.54 Billion while the country's overall exports in fiscal 2022-23 was record-high of USD 55.56 Billion. Apparel exports from Bangladesh hit a milestone in 2023 fetching an all-time high of nearly USD 47 Billion, eclipsing the previous record set in 2022 by about 10.27 percent, according to the Export Promotion Bureau (EPB).

Import

Bangladesh imports mostly petroleum and oil, textile and food items. Others include: iron and steel, edible oil, chemicals, yarn and plastic and rubber articles. Bangladesh's imports were

33.68 Billion USD in the first half of the 2023-24 fiscal year. The country's total import declined by 24.32% to USD 65.39 billion by the end of 2023 from USD 86.40 billion in the previous year, according to Bangladesh Bank data. The import of capital machinery and industrial raw materials declined by 33% or USD 12 billion last years which was more than half of the total declined amount of import.

Foreign Exchange Reserve

In Bangladesh, Foreign Exchange Reserves are the foreign assets held or controlled by the country's central bank. The reserves are made of gold or a specific currency. They can also be special drawing rights and marketable securities denominated in foreign currencies like treasury bills, government bonds, corporate bonds and equities and foreign currency loans. Foreign Exchange Reserves in Bangladesh increased to USD 31.13 Billion in June from USD 29.87 Billion in May of 2023. At the close of December 2023, Bangladesh's foreign exchange reserves stood at USD 17.20 Billion.

Remittance

Remittances in Bangladesh increased to USD 21.99 Billion in June from USD 16.91 Billion in May of 2023. At the end of December 2023 Bangladesh's remittance was USD 21.82 Billion.

Banking Industry

The banking sector throughout 2023 faced serious crises, including dollar shortage, depreciating local currency, loan irregularities and liquidity crisis. Economists and experts observed that due to soaring bad loans, preferential treatment for loan defaulters, widespread irregularities and lack of good governance, the banking sector was overrun by regulator lacking effective authority. The volume of non-performing loan (NPL) in Bangladesh banking sector soared to Tk. 1,55,397 crore by the end of September 2023 from Tk. 1,20,656 crore at the end of December 2022. The total distressed assets in the banking sector reached Tk. 3,77,922 crore excluding loans that were unclassified by court orders, according to the central banks Financial Stability Report, 2022.

Several banks, especially Shariah-based banks, were facing severe liquidity shortages, and the banks were kept afloat by providing loans without collateral. To add to the grim situation, the country's economy faced significant challenges due to dollar crisis in the financial market that began in mid-2022 and intensified in 2023, leading to a continued rise in the value of US dollar against taka. Experts attributed the crisis to substantial import payments, low foreign direct investments, reduced remittances, export earnings and increasing US interest rates.

The situation became so severe that many banks stopped opening letters of credit for imports, prompting the government to seek a loan from International Monetary Fund (IMF). Bangladesh's gross foreign exchange reserve, as per International Monetary Fund guidelines, decreased to USD 21.44 billion on December 27 after the central bank increased dollar sales to meet market demand. Over the past 29 months, the central bank sold approximately USD 27 billion from its foreign exchange reserve. The limited availability of dollars has caused the value of local currency taka to depreciate, which makes it harder for businesses and individuals to plan and price their transactions effectively. The current dollar shortage has already forced the government to secure USD 4.7 billion in loans from the International Monetary Fund over a period of three years. To address the crisis, several banks are now charging as much as Tk. 124 for remittance collection, despite the rate being set at Tk. 110 by the Association of Bankers, Bangladesh (ABB) and Bangladesh Foreign Exchange Dealers Association. Bangladesh's external debts dropped slightly to USD 96.54 billion at the end of September. On June 18, the central bank announced the adoption of a new interest rate regime in Bangladesh, removing the previously imposed 9 percent lending rate ceiling. To control inflation and regulate the overall interest rate environment, Bangladesh Bank raised repurchase agreement (repo) rate for several times, which now stands at 7.75 percent.

DHAKA BANK: Thriving for Success

Dhaka Bank has embarked on a journey to achieve banking excellence and provide cutting-edge banking solutions. The bank was incorporated as a limited company on April 6, 1995 under the Companies Act 1994. It commenced banking operations on July 5, 1995 with a branch in Motijheel, Dhaka. The Islamic banking window was opened in July 2003. Dhaka Bank was listed on DSE and CSE in 2000. Subsequently, we embarked on Capital Market services which amounted to the establishment of a subsidiary `Dhaka Bank Securities Limited` in 2011. Dhaka Bank opened up new avenues for foreign investors in the country by setting up Offshore Banking Unit in 2006.

Dhaka Bank is widely recognized today for its exceptional service, simplicity, proximity and cutting-edge way of delivery and operational craftsmanship marking its position as the potential Market player in all core areas of Banking in the country. Alongside a lasting bond with the Corporate world, we got hold of a countrywide reach through a larger network of Branches, ATMs, ADMs, SME channels and SMS Banking. As on December 31, 2023, we made our vibrant presence at 114 Branches, 29 Sub Branches, 3 SME Service Centers, 88 ATMs, 11 ADMs and 7 CRMs and 2 Offshore Banking Unit across the country.

On July 5, 2023 we passed 28 years of stride for progress. Our Balance Sheet size was Tk. 378,639 million, Deposits of Tk. 282,079 million and Advances of Tk. 256,187 million with Profit track of Tk. 8,151 million as on December 31, 2023. Our Board and our Management together want to make a strong positive impact in the economy of Bangladesh with superior quality Banking Services.

Extra-ordinary gain/losses

The Bank did not record any extraordinary gain/loss during the year 2023.

Related party Disclosure

In the normal course of business, Dhaka Bank entered into a few transactions with related parties during the year 2023, details of which have been furnished in **Annexure–G** of the financial statements. These transactions have been executed on an arm's length basis.

Preparation of Financial Statements and the Annual Report

- All relevant books and accounts were maintained as per regulation.
- Financial Statements have been prepared in accordance with the appropriate accounting policies and procedures.
- All estimates and assumptions were made within these financial statements and are made on reasonable ground and prudent judgment.
- Preparation of Financial Statements (FS) of Dhaka Bank were in accordance with the International Financial Reporting Standards (IFRS) as adopted by Financial Reporting Council (FRC) in Bangladesh and the instructions of Bangladesh Bank. Any departures from such requirements have been duly disclosed.
- Sincere efforts were put to ensure the integrity and legal compliance of Dhaka Bank's financial statements. The priority of the annual report is to portray a true and fair representation of the Bank's activities and transactions as per prevailing laws of the land.
- There is no significant doubt upon the Bank's ability to continue as Going Concern. Dhaka Bank has neither intention nor the need to liquidate or curtail materially the scale of its operation. Hence, the Financial Statements of the Bank for 2023 have been prepared for its Shareholders.
- Certain Information required in the Directors' Report to the Shareholders under BSEC Corporate Governance Code are provided in various other parts of this Annual Report under relevant sections for the ease of reading by the user.
- The financial statements prepared by the management of Dhaka Bank make a fair presentation of its activities, operational details and results, cash flow information and changes in equity.

Financial Performance

Performance & Profitability: We recorded Profit after Tax of Tk. 1,732 million in 2023 in comparison with Tk. 1,660 million in 2022 as a result of critical Market condition. Bank's performance was accomplished mainly from downsizing of Loan loss, sticking to core Banking business, consolidation of business mix with expanded pie on SMEs, Retails, efficient Cost Management as well as appropriate strategic choice.

Overall business performance for the year 2023 suggests that our achievement particularly revenue basket was more viable than we have expected especially in the category of investment Income and fees & commission Income. We have every reason to explain our position under most difficult circumstances that Banking Sector got through in 2023.

The Bank secured an amount of Tk. 14,526 million in Operating Income. On the Balance Sheet side, the Bank shaped an amazing Balance in Assets of Tk. 378,639 million showing up an increase of Tk. 32,083 million from Tk. 346,556 million of 2022. The Growth was achieved on the wings of 7% Growth in Loans and Advances. Deposits also showed a Growth of 16%. The Bank continued to have notable Capital Adequacy at 15.04% in accordance with Basel-III requirement. Total Shareholders' Equity increased to Tk. 21,786 million in 2023 from Tk. 20,773 million in 2022. Liquidity maintained a comfortable position with liquid Assets [Cash, Balance with other Banks and financial institutions, money at call, treasury bonds and tradable securities] forming 24.63% of Total Assets. The Bank had a stable portfolio of Loans & Advances as Loan to Deposit Ratio at 85.98% at the year-end 2023 which was 87.38% in 2022.

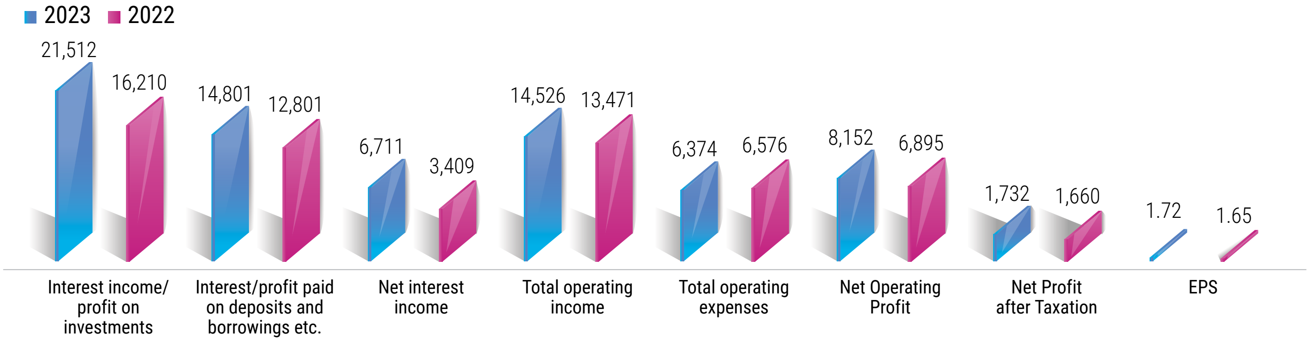
Profitability- The Bank

Amount in million unless mentioned otherwise

Particulars	2023	2022	Variance	Percentage (%)
Interest income/ profit on investments	21,512	16,210	5,302	33%
Interest/profit paid on deposits and borrowings etc.	14,801	12,801	2,000	16%
Net interest income	6,711	3,409	3,302	97%
Total operating income	14,526	13,471	1,055	8%
Total operating expenses	6,374	6,576	(202)	(3%)
Net Operating Profit	8,152	6,895	1,257	18%
Net Profit after Taxation	1,732	1,660	72	4%
EPS (Taka)	1.72	1.65	0.07	4%

Profitability- The Bank

Amount in million unless mentioned otherwise



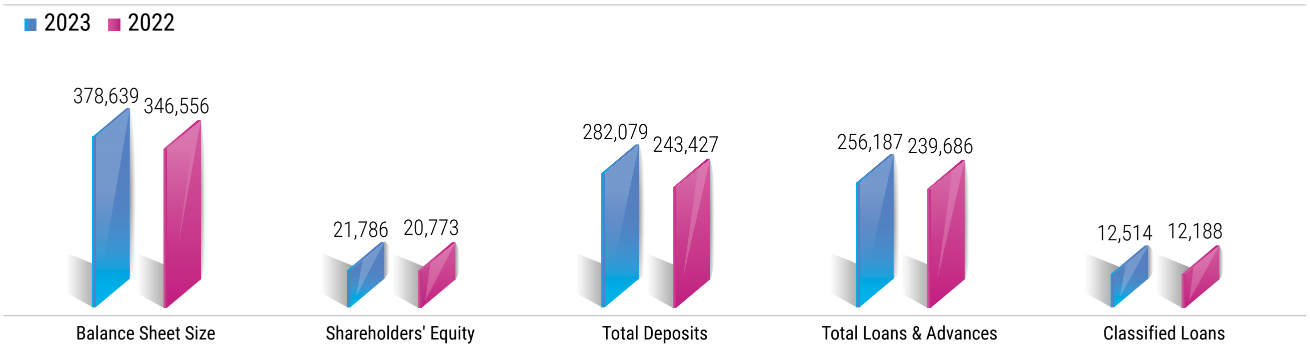
Balance Sheet Focus - The Bank

Amount in million unless mentioned otherwise

Particulars	2023	2022	Variance	%Change over 2022
Balance Sheet Size	378,639	346,556	32,083	9%
Shareholders' Equity	21,786	20,773	1,013	5%
Total Deposits	282,079	243,427	38,652	16%
Total Loans & Advances	256,187	239,686	16,501	7%
Classified Loans	12,514	12,188	326	3%

Balance Sheet Focus - The Bank

Amount in million



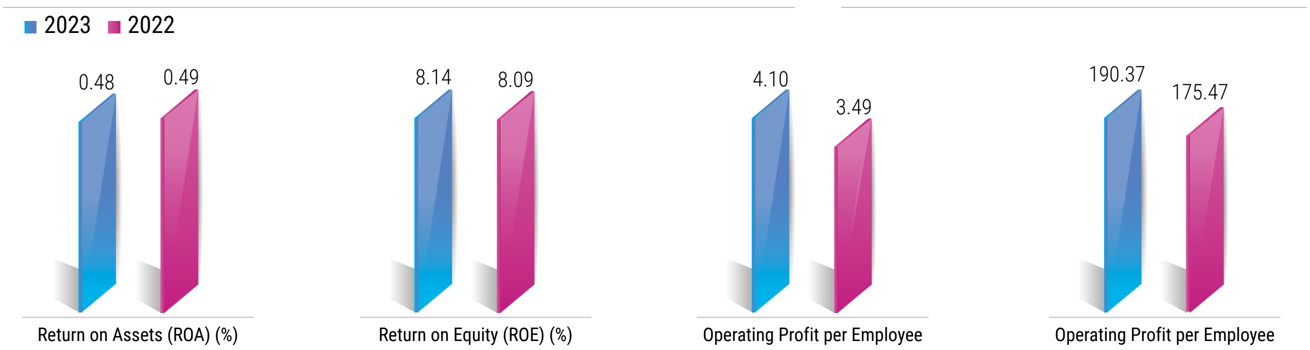
Performance Ratio - The Bank

Amount in million unless mentioned otherwise

Particulars	2023	2022	Variance	%Change over 2022
Return on Assets (ROA) (%)	0.48	0.49	(0.01)	(2%)
Return on Equity (ROE) (%)	8.14	8.09	0.05	1%
Operating Profit per Employee	4.10	3.49	0.61	17%
Assets per Employee	190.37	175.47	14.90	8%

Performance Ratio - The Bank

Assets per Employee



Appropriation of Profit

Profit after Tax [PAT] stood at Tk. 1,732 million. Profit available for distribution among Shareholders is Tk. 1,588 million after a mandatory transfer of Statutory Reserve and others.

Amount in million unless mentioned otherwise

Particulars	Year 2023	Year 2022
Profit After Tax	1,731.65	1,659.84
Retained Earnings brought forward	1,725.49	1,631.78
To be appropriated		
Transfer to Statutory Reserve	569.77	409.98
Transfer to General Reserve	-	-

Dividend

The Board of Directors in its 467th Meeting held on April 28, 2024 has recommended 10% cash dividend for the Shareholders for the year 2023 subject to approval of the Shareholders in the 29th Annual General Meeting. No bonus share or stock dividend has been declared as interim dividend during the period of January 1, 2023 to December 31, 2023.

Appointment of External Auditors

In the 28th Annual General Meeting of the Bank, M/s. ACNABIN, Chartered Accountants were appointed the External Auditors of the Bank for the year 2023 subject to approval of Bangladesh Bank. Subsequently, Bangladesh Bank approved their appointment on 16.07.2023. M/s. ACNABIN, Chartered Accountants have completed first year of their audit and they have expressed their intention for re-appointment as the statutory auditors of the Bank for the year 2024. The proposal for re-appointment of M/s. ACNABIN, Chartered Accountants as the Statutory Auditors of the Bank for the year 2024 will be placed for approval of the Shareholders in the 29th AGM following the terms/conditions of Bangladesh Bank's Guidelines and the Directives of BSEC.

Amount in million unless mentioned otherwise

Particulars	2023	2022
Stock Dividend	0%	6%
Cash Dividend	10%	6%
Retained Earnings to be carried forward	1,587.99	1,725.49
Dividend	1,139.55	1,139.55

Appointment of Compliance Auditors

In the 28th Annual General Meeting of the Bank, M/s. Howladar Yunus & Co., Chartered Accountants were appointed as the Compliance Auditors of the Bank for the year 2023. M/s. Howladar Yunus & Co., Chartered Accountants have also expressed their intention for being re-appointed as the Compliance Auditors of the Bank for the year 2024. In terms of the Directives of BSEC, they are eligible for re-appointment as the Compliance Auditors of the Bank for the year 2024 with the approval of the Shareholders in the 29th AGM of the Bank.

Remuneration to Directors

The Bank does not pay any remuneration to its Directors other than the purpose stated in the relevant Act and applicable regulations. During 2023, a total amount of BDT 4,110,800.00 was paid as honorarium to the Directors for attending Meetings.

This information related to remuneration to Directors is incorporated in the Note no. 33 to the audited financial statements with reference to the "Directors' fees" figures concerning the Board of Directors including Independent Directors.

Rotation of Directors

As per the Company Act 1994 and the Articles of Association of the Bank, 1/3 [one third] of the Directors of the Bank will retire in the 29th Annual General Meeting and they are eligible for re-election subject to approval of Bangladesh Bank.

Board Meetings

25 (Twenty-Five) Meetings of the Board of Directors were held from January 01, 2023 to December 31, 2023. Attendance of the Directors in these Meetings shown in Annexure-I of BSEC's Notification under chapter 'Compliance Report on BSEC's Notification' in this Annual Report.

Director's Profile

Brief profile of the Directors and the Independent Directors have been presented in this Annual Report.

Remuneration to directors including independent directors

Remuneration to directors including independent directors during the year 2023 have been furnished in note no. 33 of the financial statements.

Number of Board meetings

Information regarding total number of Board meetings held during the year 2023 and attendance by each director has been given in the Annexure-I of the Compliance Report on BSEC's Notification part of the report.

Environmental and Social Risk Management and its Mitigation

Environmental and social risk to a financial institution (FI) stems from the environmental and social issues that are related to a client's/investee's operations. Environmental and social risks can be mitigated through compliance with environmental and social regulations and international environmental and social standards. These risks are not static, but rather are dynamic over time and subject to change.

Dhaka Bank formulated its Environmental and Social Risk Management (ESRM) Policy in September, 2018 that depicts the Bank's commitment towards Environmental and Social Risk Management. The ESRM policy of the Bank is applied in considering loan categories of the following: agriculture, retail, trade, microfinance, SME, corporate finance and project finance.

System of Internal Control

The appropriate and effective internal controls are developed and implemented to soundly and prudently manage these risks; reliable and comprehensive systems are to be put in place to appropriately monitor the effectiveness of these controls. The factors which together comprise the control environment are:

- A board of directors that is actively concerned with sound corporate governance and that understands and diligently discharges its responsibilities by ensuring that the company is appropriately and effectively managed and controlled;
- A management that actively manages and operates the company in a sound and prudent manner;
- Organizational and procedural controls supported by an effective management information system to soundly and prudently manage the company's exposure to risk; and
- An independent audit mechanism to monitor the effectiveness of the organizational and procedural controls.

Capital Adequacy

Dhaka Bank is a firm follower of Guidelines of the Bangladesh Bank regarding Capital Adequacy and its Policy is to maintain Regulatory Capital at a level which is higher than the minimum required Capital. Bank's strength in Capital base is also significant in the fact that the Ratio of eligible Capital to Risk Weighted Assets [RWA], 15.04% as of Dec 31, 2023. The Bank has already entered the Basel III regime since January 2015 as an enhanced Regulation for Capital Adequacy, liquidity and stability and remains committed to compliance of the requirement in phases till 2023.

Credit Rating vis-à-vis Capital Adequacy

We kept up efforts to pursue corporate and SME-mid Customers to get Credit Rated by eligible External Credit Assessment Institutions [ECAI]. As per Bangladesh Bank BRPD Circular No. 05 of April 29, 2009, BRPD Circular No. 31 of October 25, 2010, BRPD Circular No. 12 of October 31, 2013 and BRPD Circular No. 08 of April 15, 2014, we nominated 8 [Eight] recognized these ECAIs: Credit Rating Information & Services Limited [CRISL], Credit Rating Agency of Bangladesh [CRAB], National Credit Rating Limited., Emerging Credit Rating Limited., ARGUS Credit Rating Services Limited, WASO Credit Rating Co. [BD] Limited, Alpha Credit Rating Limited & Bangladesh Rating Agency Limited [for SME Clients only].

Since external rating of most of our Rated Corporate Customers falls in the range of A to AAA [BB rating grade 1 & 2] bearing risk weight of 50% or below, the more our Customers do their entity rating, the less will be our Capital Requirement.

Five Years Performance

Key operating and financial highlights of the past 5 (five) years has been presented in this Annual Report under Shareholders' Information.

Management's Discussion and Analysis

A Management's Discussion and Analysis signed by the Managing Director of the Bank has been presented with detailed analysis of the Bank's Financial Positions and Operations in this Annual Report.

The Bank conducted its Board meetings and record the minutes of the meetings as well as keep required books and records in line with provisions of the relevant Bangladesh Secretarial Standards (BSS) as adopted by the Institute of Chartered Secretaries of Bangladesh (ICSB) in so far as those standards are not inconsistent with any condition of this Code.

Certification by the Managing Director and the CFO to the Board as required under condition No. 3(3) on Financial Statements for the year 2023 disclosed in this Annual Report.

Segment-wise Performance

A Segment Performance during the year 2023 details of which are furnished in note no. 48 of the financial statements.

Amount in million

Particulars	Conventional Banking	Islamic Banking	Off-Shore Banking Unit (OBU)	Dhaka Bank Securities Limited (DBSL)	Dhaka Bank Investment Limited (DBIL)	Total
Total operating income	13,338	759	428	23	21	14,570
Allocated expenses	6,267	102	5	95	5	6,474
Operating profit/(loss) before tax & provision	7,071	657	424	(72)	17	8,096
Total provision (loans/advances & others)	4,224	-	(191)	-	-	4,033
Profit/(loss) before tax	2,847	657	614	(72)	17	4,063
Provision for income tax	2,387	-	-	(2)	6	2,391
Net profit/(loss)	460	657	614	(70)	10	1,672
Segment assets	337,124	20,040	16,820	5,373	329	379,686
Segment liabilities & equity	337,124	20,040	16,820	5,373	329	379,686

Raising Capital

Starting on July 5, 1995 with Authorized Capital of Tk. 1,000 million and Paid-up Capital of Tk. 100 million, Dhaka Bank strengthened its Authorized Capital base in 2005 by raising the same from Tk. 1,000 million to Tk. 2,650 million and Tk. 6,000 million in 2007. Authorized Capital was further enhanced to Tk. 10,000 million by passing a Special Resolution in the Bank's 4th Extra-ordinary General Meeting [EGM] held on July 4, 2010. Out of the total issued, subscribed and Paid-up Capital, 1,320,000 Ordinary Shares of Tk. 100 each amounting to Tk. 132,000,000 was raised through Initial Public Offering [IPO] of shares held in February 24, 2000. The Bank increased its Paid-up Capital twice issuing 2:1 Right Share at par on April 15, 2003 and November 30, 2005 respectively. The Bank increased its Authorized Capital from Tk. 10,000 million to Tk. 20,000 million by passing a Special Resolution in the 27th AGM. As on December 31, 2023, equity of the Bank including Retained Earnings reflected a Balance of Tk. 21,786 million. Equity as a percentage of Total Assets was 5.75%. Bank's Paid-up Capital stood at Tk. 10,066 million at the year ended 2023. The Statutory Reserve increased by Tk. 570 million transfer from Profit before provision and taxes under Regulatory Compliance.

Special Assets Management

In a year span, Classified Loans amounted to Tk. 12,514 million from Tk. 12,188 million of 2022. The amount of Non-Performing Loan [NPL] increased by Tk. 326 million in 2023. In 2023, NPL to Total Loans Ratio reached to 4.88% compared to 5.08% of the year 2022.

Non-Performing Assets by Segments:

BDT in million unless mentioned otherwise

Particulars	As on 31.12.2023	As on 31.12.2022	Change in %
Un-Classified Loans	243,674	227,498	7%
Standard [Including Staff Loan]	237,517	221,834	7%
Special Mention Accounts [SMA]	6,157	5,663	9%
Classified Loans	12,514	12,188	3%
Sub-standard [SS]	922	602	53%
Doubtful [DF]	249	137	82%
Bad/Loss [BL]	11,343	11,448	(1%)
Total Loans	256,187	239,686	7%
Non-Performing Loans (%)	4.88	5.08	(4%)

Protection to minority shareholders

Through various strategies including multi-faceted internal control system including independent and internal audits as well as the establishment of independent management team, Dhaka Bank has fostered a professional environment where protection of minority shareholders is ensured. Any attempt for controlling shareholders through aggressive or abusive strategies either directly or indirectly is made ineffective. Nevertheless, if any issue arises at the Bank's AGM or elsewhere, a thorough investigation is conducted.

Way Forward 2024

Challenges

- It is difficult to achieve economic stability due to the world political unrest including Russia- Ukraine war and long term effect of different variants of COVID 19.
- Ensure and maintain a sophisticated Information Technology system in the direction of secure and legitimate Transaction.
- Resist uncertainty that persists at socio-political borders.
- Addressing bad debt, the main challenge for banks, by providing more obstacles to loan recovery.
- Maintain asset quality while reducing industrial activity
- Ensuring a competitive loan and deposit rate in the market.
- Controlling inflation and volatile foreign exchange market.

Opportunities

- Infrastructure development like inauguration of Dhaka Metro Rail and Padma Multipurpose Bridge and Economic Zones will definitely increase volume of investment around the country in the days ahead.
- Prudent policies implemented by Bangladesh Bank to strengthen bank asset quality will continue into 2024 and further is the gradual trend of the financial sector can be retained, depending on maintenance required growth and expansion.
- Robust Ready-Made Garment (RMG) exports, resilient remittance inflows and steady macroeconomic conditions have supported quick financial development of the country. Banks can be expected to continue to earn benefits through their association with these fields.
- Banks will have plenty of time to grasp the benefits of Trade finance and capital transfer from abroad.

Goals Set for 2024

- Control deposit costs through healthy deposit matching which will be attained by increasing the proportion of low-cost deposits and refinance of Bangladesh Bank.
- Control operating costs by boosting employee productivity, competing with suppliers and reasonable promotion of banking activities.
- Maintain asset quality by selecting good borrowers.
- Control bad debt provisions by speeding up both continuous and alternating recovery mechanisms and proper monitoring.

Asset Quality

Our main focus in the year 2024 is to reduce NPL and meet up deposit target. We are developing in-built capacity in the Bank to help expedite Loan Recovery process. We are considering appointment of more Loan Recovery Agents and new mechanism to avoid lengthy, expensive and cumbersome procedures and excessive dependence on the Court for recovering Loans.

Sound business mix: Our deposit grew 16% in 2023, while the previous year the progress here was 6%. We have to look for more CASA. So we have to make strategies for raising Core Deposit, i.e., Customers' Deposit. Low cost and no cost deposit share of 39% of Total Deposit should be taken up to 45% at the minimum, in 2024. Advance upped 7% as against 11% last year. The Guarantee business increased by 67%, which decreased by 15% in the previous year. More pleasing was the increase in Inward Remittance by 77% from previous year.

Internal Control & Risk Management: We will ensure stable well-integrated operating process, new equipment to support work volume as well as strong Customer Complaint Resolution Process and Anti-Money Laundering & Combating Financing of Terrorism mechanism and Cyber security. To control Credit losses, we will ensure appropriate Debt Rating models, rigorous monitoring of Portfolio Performance and timely and effective response to changes.

HR Productivity & efficiency: We are committed to give every try to achieve the target by a combination of Talent Management, including expert Bankers and brilliant chunk of business graduates, sharpening job efficiency, increasing learning curve and motivating through more reward and retribution.

Business Ethics: This year we will focus on building loyalty to the organization, training on ethical practices, recognizing ethical precedence in performance appraisal and transparency in all Banking operation.

Shareholders' Value: With our tireless endeavor, we will lead to an ultimate goal-maximization of Shareholders' value for what we exist and excel.