

AN INTERNSHIP REPORT

ON

*“An Overview and Comparative performance
Analysis of United Commercial Bank Ltd.*

SUBMITTED TO:

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DATE OF SUBMISSION: March 20, 2010



Stamford University Bangladesh

LETTER OF TRANSMITTAL

March 20, 2010

To

Ms. Rehana Fowzia

Assistant Professor

Department of Business Administration

Stamford University Bangladesh,

Subject: Submission of Internship Report.

Dear Madam,

With due respect I am very please to enclose herewith the internship report on **“An overview and Comparative Performance Analysis of United Commercial Bank Ltd. ”** I have tried my best to prepare a good report with providing all of my effort and to cover all aspects regarding the matter. I think that the report contains the information that you need to get an idea about credit aspects of United Commercial Bank Ltd. If you need any clarification or any further information I would be glad to provide it to you.

I, therefore, hope that you would be kind enough to accept my internship report and oblige there by.

Regards

Sadia Sharmin.
ID NO: 02808888
Batch: 28th
Major in Finance

CERTIFICATE OF HEAD OF THE DEPARTMENT

This is to certify that the internee report on An overview and Comparative Performance Analysis of United Commercial Bank Ltd. For the degree Bachelor of Science in Business Administration (BBA) major in Finance to the Stamford University Bangladesh carried out by Sadia Sharmin, Student ID # BBA 02808888 under supervision of Rehana Fowzia. No part of the internship report has been submitted for any degree diploma, title, or recognition before.

Farjana Yeshmin
Head of Accounting Discipline
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CERTIFICATE OF SUPERVISOR

This is to certify that the internee report on “An overview and Comparative Performance Analysis of United Commercial Bank Ltd”. For the degree Bachelor of Science in Business Administration (BBA) major in Finance to the Stamford University Bangladesh carried out by Sadia Sharmin, Student ID # BBA 02808888 under supervision of Rehana Fowzia. No part of the internship report has been submitted for any degree diploma, title, or recognition before.

Rehana Fowzia

Internship Supervisor

Assistant Professor

Department of Business Administration

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STUDENT'S DECLARATION

I, Sadia Sharmin, student of Business Administration, Stamford University Bangladesh, do hereby that the Internship report entitled “An overview and Comparative Performance Analysis of United Commercial Bank Ltd”. Presented to the department of Business Administration, Stamford University Bangladesh is the out come of the internship report performed by me under the supervision of **Ms. Rehana Fowzia**, *Assistant Professor* Department of Accounting, Stamford University Bangladesh. I also declare that no part of this report has been or is being submitted elsewhere for the award of any degree, diploma or recognition.

Sadia Sharmin.

Student of BBA

Major in Finance.

ID No: BBA 02808888

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A C K N O W L E D G E M E N T

During the period of my internship and preparation of this study I have got altruistic assistance from a number of persons. I am grateful to them.

At first I would like to thank God and my family who help me to reach at this stage. I would like to thank our instructor for giving me such an important topic like “An overview and Comparative Performance Analysis of United Commercial Bank Ltd”. as an internship report. I would like to place my gratitude to my colleagues at United Commercial Bank Ltd. who wholeheartedly helped me in getting necessary information and to enable me to complete my internship report.

Very special thanks go to *Mr. Mohammad Iklas Uddin First Asstt. Vice President Corporate Banking Division United Commercial Bank, Dhaka*, for helping me in all phases of the research process. My thanks also go to Mr. Golam Idrees. Executive Officer, Corporate Banking Division, United Commercial Bank Ltd., Dhaka who assisted me with the industrial credit policies held by the bank. Thanks also go to Mr. Mian Quamrul Hasan Chowdhury who helped me immensely with his practical in-depth knowledge in foreign exchange banking.

At last I would like to thank Assistant Professor **Ms. Rehana Fowzia**. my course supervisor, without whose support and suggestions this study would not have been possible in the first place and for providing valuable advice in the successful completion of this project.

Executive Summary

The United Commercial Bank Limited has been incorporated its banking operation 13 November 1983. The bank operates as a scheduled bank under a banking license issued by Bangladesh Bank, the central Bank of the country. At present it is categorized as Grade-C private commercial bank in Bangladesh in terms of efficiency, capital adequacy, asset quality, sound management and profitability having strong liquidity.

The general banking services of United Commercial Bank Ltd. satisfactory for customers and customers also deals with full trust and utmost pleasure. The main service of UCBL are UCB multi Millionaire, UCB Money Maximizer, UCB earning Plus, UCB DPS Plus, Western Union Money Transfer, Online Service Credit Card.

Moreover, a wide range of foreign exchange rate are used in United Commercial Bank Ltd. provides greater flexibility for customers while conducting transactions.

It also gradually is focusing on small and Medium Enterprise considering the customers need. The credit risk management of the bank is quiet conscious and credit allocation is set up by the Head Office Credit Committee. Less than 15Lac (Tk) credits can be authorized by the Head of the branch. But every proposal must be analysis by Head Office and strictly maintain the rules of credit approval in this regards. But for the further improvements, the management should more emphasizes on bringing latest technologies like SMS banking, internet banking services with more smooth online banking. The ATM both services must have to increase for become more competitive. The Bank can try to adopt all the latest facilities to boost their remittance business. Frequent marketing research is important for serving more to the customers.

In 2008 the comparative analysis Ratio among the Banks about Return on asset AFBL was top, SIBL was 2nd, UCBL was 3rd and CBL was 4th. About return on equity SIBL was 1st, AFBL was 2nd, UCBL was 3rd and CBL was 4th. For deposit per branch SIBL was top, CBL was 2nd, UCBL was 3rd and AFBL was 4th.

ABBREVIATIONS

A		
	A/C	Account
	AD	Authorized Dealer
	AWB	Air Way Bill
B		
	B/E	Bill of Exchange
	BCC	Branch Credit Committee
	B/L	Bill of Lading
	BTB	Back to Back
C		
	CC	Cash Credit
	CCI&E	Chief Controller of Import & Export
	CIP	Carriage & Insurance Paid
	CIF	Cost Insurance & Freight
	CAD	Cash Against Document
	CLP	Credit Line Proposal
	CRF	Clean Report Findings

	C &F	Clearing & Forwarding
D		
	DD	Demand Draft
	DP Note	Demand Promissory Note
	D.A	Documents against Acceptance
E		
	EPB	Export Promotion Bureau
	ERC	Export Registration Certification
	EXP From	Export From
	ETDA	Exchange Transaction Debit Advice
	EPS	Earning Per Share
	ETCA	Exchange Transaction Credit Advice
	EPZ	Export Processing Zone
F		
	FCA	Foreign Currency Account
	FDBC	Foreign Document Bill Collection
	FDBP	Foreign Document Bill Purchase
	FOB	Free On Board.

	FER	Foreign Exchange Regulation
	FDBC	Foreign Document Bill Collection
	FTT	Foreign Telegraphic Transfer
	FCAD	Foreign Currency Account in Dollar.
G		
	GP	Gross Profit
H		
	HS Code	Harmonic Symbolized Code
	HP	Hire Purchase
	HRD	Human Resources Department
I		
	IDBP	Inland Bill Purchase
	ITC	International Trade Control
	IRC	Import Registration Certificate
	IBC	Inward Bills for Collocation
	IBCA	Inter Branch Credit Advice
	IMP From	Import From
	IBCT	Inter Branch Credit transaction
	ICD	Industrial Credit Deviation
	IPO	Import Policy Order

L		
	L / C	Letter of Credit
	LCAF	Letter of Credit Authorization From
	LIM	Loan Against Imported Merchandise
	LTR	Loan Against Trust receipt
M		
	ML	Money Laundering
	MBM	Masters in Bank Management
	MSI	Medium Scale Industries
N		
	NP	Net Profit
	NBR	National Board of Revenue
O		
	OBC	Outward Bill for Collection
P		
	PO	Payment Order
	PSI	Pre Shipment Inspection
	PAD	Payment Against Document
	PC	Packing Credit
	PRC	Proceed Realization Certificate

R		
	ROA	Return on Asset
	RMG	Readymade Garments
S		
	SOD	Secured Overdraft
	SWIFT	Society for Worldwide Inter-bank Financial Telecommunication
	STD	Short Term Deposit
T		
	TT	Telegraphic Transfer.
	TIN	Tax Identification Number
	TOD	Temporary Over-draft
U		
	UCBL	United Commercial Bank Ltd.
	UCPDC	Uniform Custom & Practices for Documentary Credit.

Table of Content

<i>CHAPTER NO</i>	<i>PARTICULARS</i>		<i>PAGE NUMBER</i>	
<i>Introduction</i>			01-05	
<i>Chapter One</i>	1.1	Origin of the report.	01	
	1.2	Background of the Study.	02	
	1.3	Objectives of the study.	02	
	1.4	Methodology of the Study.	03	
	1.5	Scope of the report.	04	
	1.6	Limitations of the study.	05	
The Economy and Overall Banking			06-12	
<i>Chapter Two</i>	2.1	Overview Of Overall Banking Sector	06	
	2.2	Banking Sector of Bangladesh.	07	
	2.3	Number and Types of Banks	10	
Over view of UCBL			13-29	
<i>Chapter Three</i>	3.1	History of the Bank	13	
	3.2	Origin of Organization	13	
		3.2.1	Vision	14
		3.2.2	Mission	14
		3.2.3	Objectives of the Bank	14
		3.2.4	Core Values	15
	3.3	United Commercial Bank Ltd. at a glance.	16	
	3.4	Hierarchy of Position Structure of UCBL	17	
	3.5	Organizational Structure	18	
		3.5.1	Organizational Set-up at Branch	18
		3.5.2	Functional Organizational Set-up at Head Office:	19
		3.6.1	Corporate culture	20
		3.6.2	Performance of the Bank	20
	3.7	UCBL - At Present	23	
3.8	Office Automation	24		
3.9	Types of Business	24		
3.10	Target Customer	25		
3.11	Branches	25		

	3.12		Findings	28
Over View of Other Banks				30-38
<i>Chapter Four</i>	4.1		Profile of City Bank Limited (CBL).	30
		4.1.1	Vision.	30
		4.1.2	Mission.	30
		4.1.3	Values.	31
		4.1.4	City Bank Ltd. at a glance.	31
		4.1.5	Performance of City Bank at a Glance.	32
	4.2		Profile of Al-Arafah Islami Bank Limited (AIBL).	33
		4.2.1	Vision.	33
		4.2.2	Mission.	33
		4.2.3	Commitments.	34
		4.2.4	Al-Arafah Islami Bank Ltd. at a glance.	34
		4.2.5	Performance of AI-Arafah at a Glance	35
	4.3		Profile of Social Investment Bank Limited (SIBL).	36
		4.3.1	Vision.	36
		4.3.2	Mission.	36
		4.3.3	Social Investment Bank Ltd. at a glance.	37
	4.3.4	Performance of SIBL at a Glance	38	
General Banking Services				39-71
<i>Chapter Five</i>	5.1		Organogram of General Banking Department	39
	5.2		Account Opening	40
	5.3		Key features of accounts in UCBL	41
		5.3.1	Deposit Section	41
		5.3.2	Different Deposit of UCBL	42
		5.3.3	Rules and Regulation for Opening Savings Account	45
	5.4		Rate of Interest of different A/C of UCBL	49

	5.5		UCBL Own Deposit Schemes/Products	49
	5.6		Necessary papers/documents for opening of an account	55
	5.7		The Cash Counter Section	57
	5.8		The Account Department	58
		5.8.1	Daily functions	58
		5.8.2	Periodical Tasks.	59
	5.9		Cheque Clearing Section.	59
		5.9.1	Types of Clearing.	60
		5.9.2	OBC (Outward Bill Collection)	61
	5.10		Cheques	62
		5.10.1	Types of Cheques that this bank deals in are shown in a flow chart	62
		5.10.2	Issue of a cheque book	62
	5.11		Local Remittance Departments	63
	5.12		Types of Remittance	63
Overview of the Credit				72-77
<i>Chapter Six</i>	6.1		Overview of the Credit.	72
	6.2		What is Credit?	72
	6.3		What is the Credit Management?	73
	6.4		Importance of Credit Management.	73
	6.5		Credit Management Of UCBL.	73
	6.6		Credit Risk	74
	6.7		Credit Risk Management of UCBL	74
	6.8		What is Credit Analysis?	74
	6.9		Functions of Credit Department	75
	6.10		Types of the Loan.	75
	6.11		Credit Policy of UCBL	76
	6.12		Mechanism of Credit Distribution of the United Commercial Bank Ltd.	76
	6.13		Salient Features Of UCBL Credit Policy.	77
Credit Management Of UCBL				78-101
	7.1		Credit Administration Flowchart	78

Chapter Seven

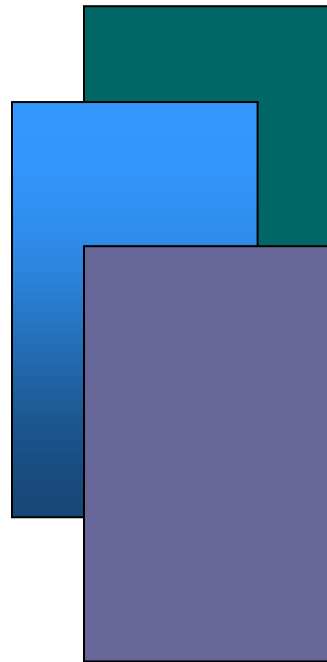
7.2		Lending Principles Followed By UCBL	79
7.3		CREDIT (LOANS)	82
7.4		Advance section deals with the following types of Loans	82
	7.4.1	Personal Credit Scheme (PCS)	82
	7.4.2	Loans Against Transport	83
	7.4.3	House Building Loan General	83
	7.4.4	Loan General	84
	7.4.5	House Building Loan (Staff)	84
	7.4.6	Staff Car Loan	84
	7.4.7	Project Loan	85
7.5		Credit (Overdraft)	86
	7.5.1	Temporary Overdraft (TOD)	88
	7.5.2	Sanction Overdraft (SOD)	88
7.6		Cash Credit (CC)	88
	7.6.1	Cash Credit (Hypothecation)	89
	7.6.2	Cash Credit (Pledge)	89
7.7		Required Information for Loan Sanction	90
7.8		Different types of loans and formalities required for sanctioning those types of loans	92
7.9		Types of Loan	93
	7.9.1	Continuous Loan	93
	7.9.2	Demand Loan	94
	7.9.3	Term Loan	95
	7.9.4	Loan against Imported Merchandise (LIM)	96
	7.9.5	Loan against Trust Receipt (LTR)	97
7.10		Credit Portfolio of UCBL	98
7.11		Mechanism of Credit Distribution of the UCBL	101
Foreign Exchange Operation of UCBL			102-127
	8.1	An overview of Foreign Exchange	102
	8.2	Foreign Exchange Regulation Act, 1994	102
	8.3	Definition of Foreign Exchange	103
	8.4	Foreign Trade	103

Chapter Eight	8.5		Foreign Exchange Department	104
	8.6		Necessity of Foreign Exchange	105
	8.7		Foreign Exchange Department of UCBL	106
	8.8		Functions of Foreign Exchange	106
	8.9		Activities of Foreign Exchange of UCBL	106
	8.10		Organogram of Foreign Exchange	107
	8.11		Mechanism of Foreign Exchange	108
	8.12		Import Control Act-1950	109
	8.13		Import Section	110
		8.13.1	Foreign Trade Department	110
		8.13.2	Import	110
	8.14		Initial Requirements before Opening L/C by UCBL	111
		8.15.1	Checking Out the L/ C Application	112
		8.15.2	Entry in the L/C Register	112
	8.16		Amendment of L/C	113
	8.17		Lodgement of Import Document	114
		8.17.1	Recording in the Register of PAD	114
		8.17.2	Loans Against Imported Merchandise (LIM)	115
		8.17.3	Loan Against Trust Receipt (LTR)	115
	8.18		Foreign Remittance	115
		8.18.1	Foreign Bills Collection	115
		8.18.2	Local Foreign Bill Collection	116
	8.19		Export Section	120
	8.20		Export Procedure in Flow Chart.	121
		8.20.1	Formalities for Export L /C	123
		8.20.2	Flow Chart for Issuing Back-to-Back L/C	127
	Overview Of Performance Analysis			
Chapter Nine	9.1		What is Performance Analysis?	128
	9.2		What does a performance analyst do?	128
	9.3		Ratio analysis	129
	9.4		Advantage of Ratio Analysis	129
	9.5		What are the disadvantages of using comparative ratio analysis?	130

		9.5.1	Disadvantages of ratio analysis	130
	9.6		Profitability Ratios	135
	9.7		Productivity Ratios	136
	9.8		Risk Measures	137
Comparative Performance Analysis				139-149
<i>Chapter Ten</i>	10.1		10.1. Profit and profitability measures:	139
		10.1.1	Return on Asset (ROA)	139
		10.1.2	Return on Equity (ROE)	140
		10.1.3	Net Operating Margin	141
		10.1.4	Earning per Share	142
	10.2		Productivity Measurement	143
		10.2.1	Net Income per Branch	143
		10.2.2	Net Income per Employee	144
		10.2.3	Deposit per Branch	145
		10.2.4	Deposit Per Employee	146
	10.3		Risk Measures	147
		10.3.1	Liquidity Risk	147
		10.3.2	Solvency Risk	149
<i>Chapter Eleven</i>	Swot Analysis			150-152
<i>Chapter Twelve</i>	Recommendations and Conclusions			153-155
	Bibliography			156

CHAPTER-01

INTRODUCTION



1.1. Origin of the report

For any business university student only curriculum activity is not enough for handling the real business situation, therefore it is an opportunity for the students to know about the field of business through the internship program. Internship program is a system by which we can accustom ourselves of with the practical situation through the application of theoretical knowledge into real life. As internship program is a perfect blend of the theoretical and practical knowledge. This report is originated to fulfil the requirement of the assign project internship report on **Banking in modern age; a look** from UCBL has been assigned to me by Ms.Rehana Fowzia. Department of Business Administration, Stamford University Bangladesh. In this regard, I have worked as an internee in United Commercial Bank Limited. (UCBL), Head office from, **15th September 2009 to 15th December 2009**. During this period I learned how the host organization works with the help of the internal supervisor. I have gathered knowledge about the systems and about the activities of a bank. I learned almost all the Banking activities of a branch. I sincerely worked with all the officers of all the departments. On the basis of working experience in this period I have prepared this report and I have tried my level best to relate the theoretical knowledge with the practical work situation.

1.2. Background of the Study

The BBA program is designed to focus on theoretical and professional development of people open to take up business as a profession as well as service as a career. The course is designed with an excellent combination of theoretical and practical aspects. This internship provides the students to link up their theoretical knowledge into practical fields. In this connection, I was assigned to United Commercial Bank Ltd. Head office Performance Evolution of UCBL Compare in other Bank for my practical orientation. Students are required to prepare an internship report under the guidance of supervising teachers on a selected subject matter to highlighting his experience and to conduct an in depth analysis on the subject matter. I have tried my level best to present my experience of the practical orientation in this report.

1.3. Objectives of the study:

Primary objective:

The primary objective of this report is to fulfil the requirement of BBA program contains three-month internship. For this reason I had to be attached with an organization's different departments. So, I can have some practical experience along with all academic knowledge.

Secondary objective:

The secondary objectives of this report are as follows:

The study was conducted to achieve the following objectives:

To know the history of the United Commercial Bank Limited (UCBL).

To know about overall general banking system of UCBL.

To understand the major banking activities a banker performs those.

To analyze the year wise performance.

To have the idea of reporting system by each branch to its head office.

To know about the rules and regulation of the bank.

To know about present possession of United Commercial Bank Limited (UCBL) in competitive market.

SWOT analysis of United Commercial Bank Limited (UCBL).

1.4. Methodology of the Study:

The information incorporated in this report has been gathered from primary and secondary sources. Apart from this, a review of related circular and office circular as well as face-to face interview of the executives, officials and clients were carried out.

Primary sources-

Face-to-face conversation with the respective officers and staff of the branch.

Informal conversation with the clients.

Practical work exposures from the different desks of the department of the branch.

Secondary sources-

Unpublished data received from the branch.

Annual Report

Banks record

Different papers of the bank

Various books, periodical seminar papers, training papers, manuals, Web site, etc. related to the topic.

This overall process of methodology is given in the form of flowchart that has been followed in the study:

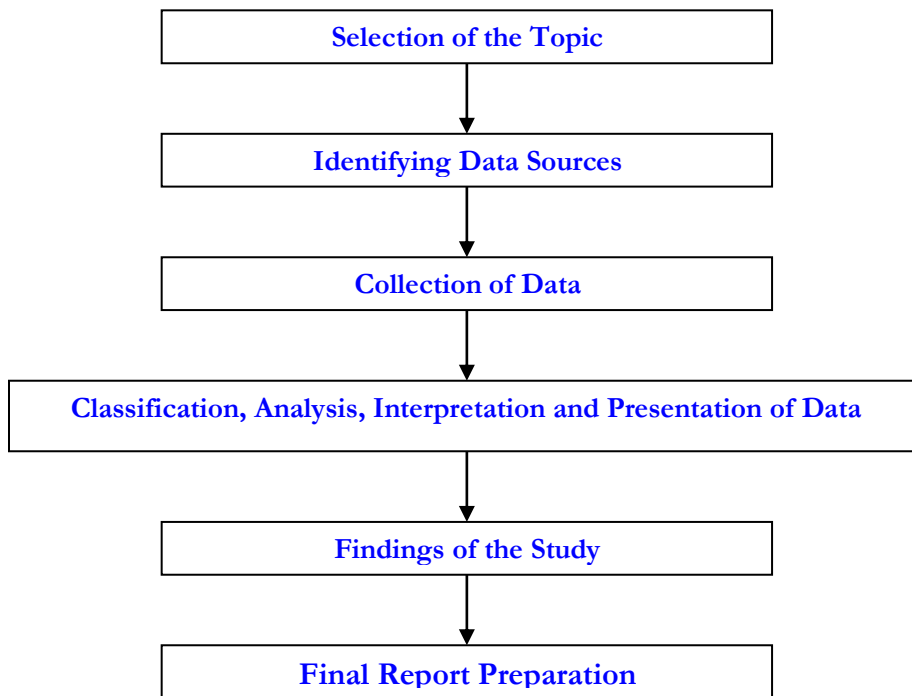


Figure: Flow chart of methodology

1.5. Scope of the report:

In the introductory part at first chapter mainly emphasized on objectives of the study, methodology and limitation of the report. In chapter two a brief the Economy and overall Banking sector. In chapter three and four highlight about the profile of United Commercial Bank and overview of other banks. In chapter five has been included General Banking very shortly literature review and some evaluation. In chapter six and seven focus on overview of the credit and Credit Management of UCBL. Chapter eight discuss about Foreign Exchange operation of United Commercial Bank Ltd. In chapter nine and ten discuss the overview of performance analysis and comparative analysis of United Commercial Bank Ltd., Al-Arafah Islami Bank Ltd., City Bank Ltd. And Social Investment Bank Ltd. Chapter eleven emphasize on Swot Analysis. Finally Chapter twelve organized on recommendation and Conclusion.

Information collected to furnish this report is both from primary and secondary sources.

1.6. Limitations of the study:

The first obstacle was that they would not provide any remuneration even for doing internship in UCBL. It is not an easy task to concentrate hard without any benefit.

As the officers are very busy with their daily work, they could provide very little time. Limitation of time was one of the most important factors that shortened the present study. Due to time limitation many aspect could not be discussed in the present study

Confidentiality of data was another important barrier that was faced during the conduct of this study. Every organization has their own secrecy that is not revealed to others.

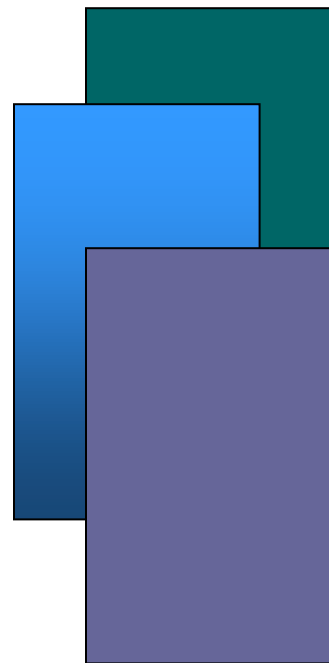
Sufficient books, publications and figures were not available. If these limitations were not been there, the report would have been more useful.

Rush hours and business was another reason that acts as an obstacle while gathering data.

Since there is no strong marketing department in this bank, marketing procedures and promotional strategies are not enriched by information.

CHAPTER-02

THE ECONOMY & OVERALL BANKING



2.1. Overview Of Overall Banking Sector

Banking is the business of providing financial service to the private individuals, corporations, government agencies, business and industries. It is very much difficult to mention that word 'Bank' is derived from which word. There are different opinions in this regard. According to some Authors, the word 'Bank' derived from the words Banco, Bancus, Banque or Banc, all of which mean a bench. There are others who thought that the word "Bank" is originally derived from the German word back' means a joint stock fund.

It is assumed that the word "Bank" derived from Italian word "Banca". Banca means bench. In ancient time Italian Jews merchant used to do business of lending money by sitting on the long benches.

To meet the expense of war of 1171 one type credit certificate was launched in Italy at an interest rate of 5% it was called as Monte in Italian language and Banke in German language then German language was widely used in Italy. As a result the word Banke gradually changed to the word Banca from which the word Bank originated. A broader definition of the bank is "any financial institution that receives, collects, transfer, pays exchanges, lends, invests, or safeguards money for its customer. For economic point of view "Bank "is a business institution that collect deposit and grant loan in order to earn profit. On the other, bank collect surplus money as a deposit from one group of society and grant its loan to another group of that society. By doing this bank earn profit.

2.2.BANKING SECTOR OF BANGLADESH

The banking system at independence consisted of two branch offices of the former State Bank of Pakistan and seventeen large commercial banks, two of which were controlled by Bangladeshi interests and three by foreigners other than West Pakistanis. There were fourteen smaller commercial banks. Virtually all banking services were concentrated in urban areas. The newly independent government immediately designated the Dhaka branch of the State Bank of Pakistan as the central bank and renamed it the Bangladesh Bank. The bank was responsible for regulating currency, controlling credit and monetary policy, and administering exchange control and the official foreign exchange reserves. The Bangladesh government initially nationalized the entire domestic banking system and proceeded to reorganize and rename the various banks. Foreign-owned banks were permitted to continue doing business in Bangladesh.

The present structure of the financial system of the country consists of a central bank (Bangladesh Bank), 45 commercial banks (4 NCBs, 27 private domestic banks and 13 foreign banks), 5 state-owned specialized banks, also known as development finance institutions (DFIs), 23 non-bank financial institutions, 27 merchant bankers, 556 money changers, the Investment Corporation of Bangladesh (ICB), 2 stock exchanges (the Dhaka Stock Exchange and Chittagong Stock Exchange), 2 state-owned and 39 private sector insurance companies, about 10 leasing companies, Post Office Savings Bank and the Postal Life Insurance Schemes. The assets of the country's financial system are heavily concentrated in commercial banks. NCBs and specialized banks in the public sector dominate the banking system and account for over 69% of total deposits and 74% of all advances.

Economists expected that Global Economy would advance at slower pace in 2007 but reality has to surpass the expectation of the economist and displayed strong growth in spite of rising oil price and major natural disasters. Global growth was estimated at 5.2 and 4.8 in the 2007 due to turbulence in financial sector. The estimation of world

economic growth for 2008 projects further slowdown to 3.4%. The major drag on the world economy is apprehended to come from a slowdown in the United States, driven by the slump in the housing sector, which has also put a severe crunch on the financial sector. Economic growth in developing countries, however, remained robust at 6.9% in 2007 with Asian economy generally making good progress. However India, China, Russia's growth rate are emerging. Three countries accounted one-half of the global growth over past few years and other emerging and developing countries maintained strong expansion in growth. China's economy recorded a two-digit growth for the fourth consecutive year, reaching a peak of 11.5% and made the largest contribution to global growth. India continued to grow at more than 9% and Russia at almost 8%. But continued rise in energy and food prices have been increasing uncertainties in China and India too

The inflation rate has been growing with a robust expansion in recent months. This is happened because of the higher oil price and OPEC countries could not supply oil against the world's demand. But beyond these events the hottest topic in this FY was the higher prices of food items. Increasing use of corn and other food item for bio-fuel production especially in USA. Bad weather condition was another cause behind food problem and higher prices for food items. The Middle East and North Africa region countries recorded an average 5.5% real economic growth in 2007 and among developing countries oil exporters, growth is expected to reach 4.9 percent, higher from last year's 4.7 percent.

In the past year the metal price specially gold has increased a lot. Global short term interests continued to rise while long term interests, despite some recent increases, remained below average. Interest rate spreads in both industrial and emerging markets remained at historically low levels. In the foreign Exchange markets the major currencies have moved a lot with continuing depreciation of the US Dollar, EURO and Pound Sterling.

Despite the several predicaments such as the terrific floods in 2007 and havoc of SIDR, Bangladesh economy continued to show sign of resilience and maintained the growth

momentum .The growth of GDP during FY 2007 is estimated 6.5 slightly slower than compared to 6.6 in FY 2006. GDP growth in FY 2007 was also strongly supported by service sectors, growth in export and remittance of wages' earners from aboard with the help of agriculture sector reflecting increased economic activity in all sectors. Growth in the construction sector declined to 7.1% from 8.3% because of the higher prices of construction materials and downsizing of the annual development program. Garment exports grew by a robust 28% during the first half of FY 2007, but slowed down to 17% at the end of May 2007. Nonetheless, the fall in export earning moderated by September 2007 and for the year as a whole growth is estimated at 16.59%. Medium and large scale manufacturing

Industries registered 10.01% growth in FY 2007 compared to 12.49% achieved in the same period of FY 2006. Steady growth is observed in woven garments, knitwear, textiles, pharmaceuticals, wood products, iron and steel, ceramics cement and plastic products. The output of small-scale manufacturing increased by 10.08% with the growth in rice milling, dairy products, knitwear, leather products, footwear, wooden furniture, paper and paper products and non-metallic mineral products showing increases The increased number of health care service providers also contributed to the growth of the sub sector. Due to these above reasons service sector has shown a robust growth at 6.7% in FY 2007 compared to 6.4% in FY2006.

Securities Company”, long term Economic prospect for Bangladesh seems quite optimistic and promising. This assessment includes Bangladesh in the list of ‘Next Eleven’ countries having the potential to graduate from a developing to developed country. However, this is going to be long and hard work and possible only, when we have spectacular turnaround and improvement primarily in the areas of Confrontational Politics, Corruption and Law and Order situation.

2.3. Number and Types of Banks

The number of banks in all now stands at 49 in Bangladesh. Out of the 49 banks, four are Nationalized Commercial Bank's (NCBs), 29 local private commercial banks, 11 foreign banks and the rest five are Development Financial Institutions (DFIs).

Sonali Bank is the largest among the NCBs while Pubali is leading in the private ones. Besides the scheduled banks, samabai (cooperative) Bank, Ansar-VDP Bank, Karmasansthan (Employment) Bank and Grameen bank are functioning in the financial sector. The number of total branches of all scheduled banks is 6,038 as of June 2000. Of the branches, 39.95 percent (2,412) are located in the urban areas and 60.05 percent (3,626) in rural areas. Of the branches NCBs hold 3, 616, private commercial banks 1, 214, foreign banks 31 and specialized banks 1, 177.

Bangladesh Bank (BB) regulates and supervises the activities of all banks. The BB is now carrying out a reform programmed to ensure quality services by the banks.

Number and Types of Banks

Nationalized Commercial Banks (NCBs)(03)

Sonali Bank Limited.

Agrani Bank Limited.

Janata Bank Limited.

**Private Commercial Banks
(PCBs)(30)**

Pubali Bank Limited.

Standard Bank Limited.

United Commercial Bank Limited.

Uttara Bank Limited.

National Bank Limited.

The City Bank Limited.

Arab Bangladesh Bank Limited.

IFIC Bank Limited.

Islami Bank Limited.

BRAC Bank Limited.

Eastern Bank Limited.

National Credit & Commerce Bank Limited.

Prime Bank Limited.

South East Bank Limited.

Dhaka Bank Limited.

Al-Arafah Islami Bank Limited.

Social Investment Bank Limited.

Dutch-Bangla Bank Limited.

Mercantile Bank Limited.

One Bank Limited.

EXIM Bank Limited.

Bangladesh Commerce Bank Limited.

Mutual Trust Bank Limited.

First Security Bank Limited.

The Premier Bank Limited.

Bank Asia Bank Limited.

The Trust Bank Limited.

Shah Jalal Islami Bank Limited.

ICB Islamic Bank Limited.

Rupali Bank Limited.

Foreign Banks (13)

Standard Chartered Bank Limited.

HSBC Bank Limited.

Habib Bank Limited.

City Bank Limited.

State Bank of India.

National Bank of Pakistan.

Commercial Bank of Cylon.

Muslim Commercial Bank Limited.

Bank Alfalah.

Shamil Islami Bank of Bahrain EC.

Hanvit Bank Limited.

Credit Agricole Indosuez (The Bank).

Woori Bank Limited.

Development Banks (05)

Bangladesh Krishi Bank.

Bangladesh Shilpa Bank.

Bangladesh Shilpa Rin Sangstha.

Bank of Industries & Commerce Bangladesh Limited.

Rajshahikrishi Unnayan Bank

Other's Bank(04)

Grameen Bank.

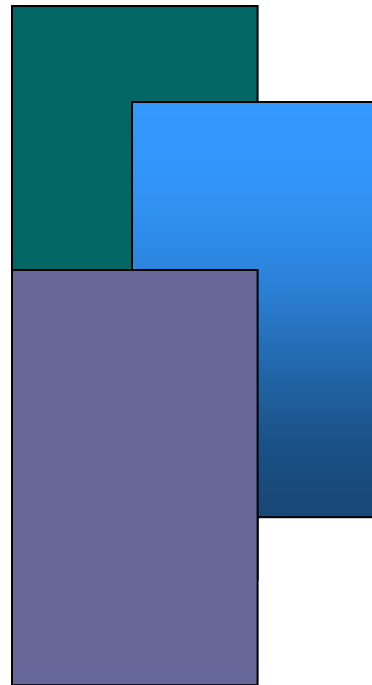
Bangladesh Samabai Bank Limited (BSBL).

Ansar VDP Unnayan Bank.

Karmasansthan Bank.

CHAPTER-03

ORVERVIEW OF UNITED COMMERCIAL BANK LTD. (UCBL)



3.1 History of the Bank

Due to inefficiency and continuous loss of public sector, the government of Bangladesh changed its policy in favour of privatizing and as a result a number of banks were launched in private sector. UCBL was one of them. UCBL is one of the oldest and leading commercial bank of the country.

Sponsored by some dynamic and reputed entrepreneurs and eminent industrialists of the country and also participated by the Government, UCB started its operation in mid 1983 and has since been able to establish one of the largest networks of 84 branches as on 31.12.2006 among the first generation banks in the private sector.

With its firm commitment to the economic development of the country, the Bank has already made a distinct mark in the realm of Private Sector Banking through personalized service, innovative practices, dynamic approach and efficient Management. The Bank, aiming to play a leading role in the economic activities of the country, is firmly engaged in the development of trade, commerce and industry through a creative credit policy.

3.2 Origin of Organization

United Commercial Bank Limited bears a unique history of its own. Due to inefficiency and continuous loss of public sector, the government of Bangladesh changed its policy in favour of privatizing and as a result a number of banks were launched in private sector. UCBL was one of them. UCBL is one of the oldest and leading commercial bank of the country.

UCBL was incorporated in Bangladesh as a public limited with limited liability as on June 26, 1983 and commenced its operation immediately after incorporation with due permission from Bangladesh Bank w.e.f 13th November 1983. As a schedule bank of the country the bank's activities are subject to the effective control, supervision and guidance of the Bangladesh Bank. The bank is listed with DSE and CSE as a publicly quoted Company.

3.2.1. Vision

The purpose of the bank is to become ‘the bank of choice’ in the communities they serve. The banks accomplish this by offering to their customers the financial services which is expected by their customers while providing a return to their owners. In accomplishing this mission, the bank has now been free from all the natures of a problem bank through fulfilling all the conditions set by the central bank. They proudly say: “United We Achieve.”

3.2.2. Mission

Will become most caring, focused for equitable growth based on diversified development of resources, and nevertheless would remain healthy and gainfully profitable Bank.

UCBL shall be at the forefront of national economic development by;

Anticipating business solutions required by all UCBL customers everywhere and innovatively supplying them beyond expectation.

Setting industry benchmarks of world class standard in delivering customer value through our comprehensive product range, customer service and all our activities.

Building an exciting team-based working environment that will attract, develop and retain employees of exceptional ability who help celebrate the success of bank’s business, of bank’s customers and of national development.

Maintaining the highest ethical standards and a community responsibility worthy of a leading corporate citizen.

Continuously improving productivity and profitability, and thereby enhancing shareholder value.

3.2.3. Objectives of the Bank

Strategic objectives are:

To achieve positive Economic Value Added (EVA) each year.

To be market leader in product innovation.

To be one of the top three Financial Institutions in Bangladesh in terms of cost efficiency.

To be one of the top five Financial Institutions in Bangladesh in terms of market share in all significant market segments we serve.

Financial objectives

To achieve a return on shareholders' equity of 20% or more, on average.

3.2.4. Core values

For the customers:

Providing with caring services by being innovative in the development of new banking products and services.

For the shareholders:

Maximizing wealth of the Bank.

For the employees:

Respecting worth and dignity of individual employees devoting their energies for the progress of the Bank.


For the community:

Strengthening the corporate values and taking environment and social risks and reward into account.

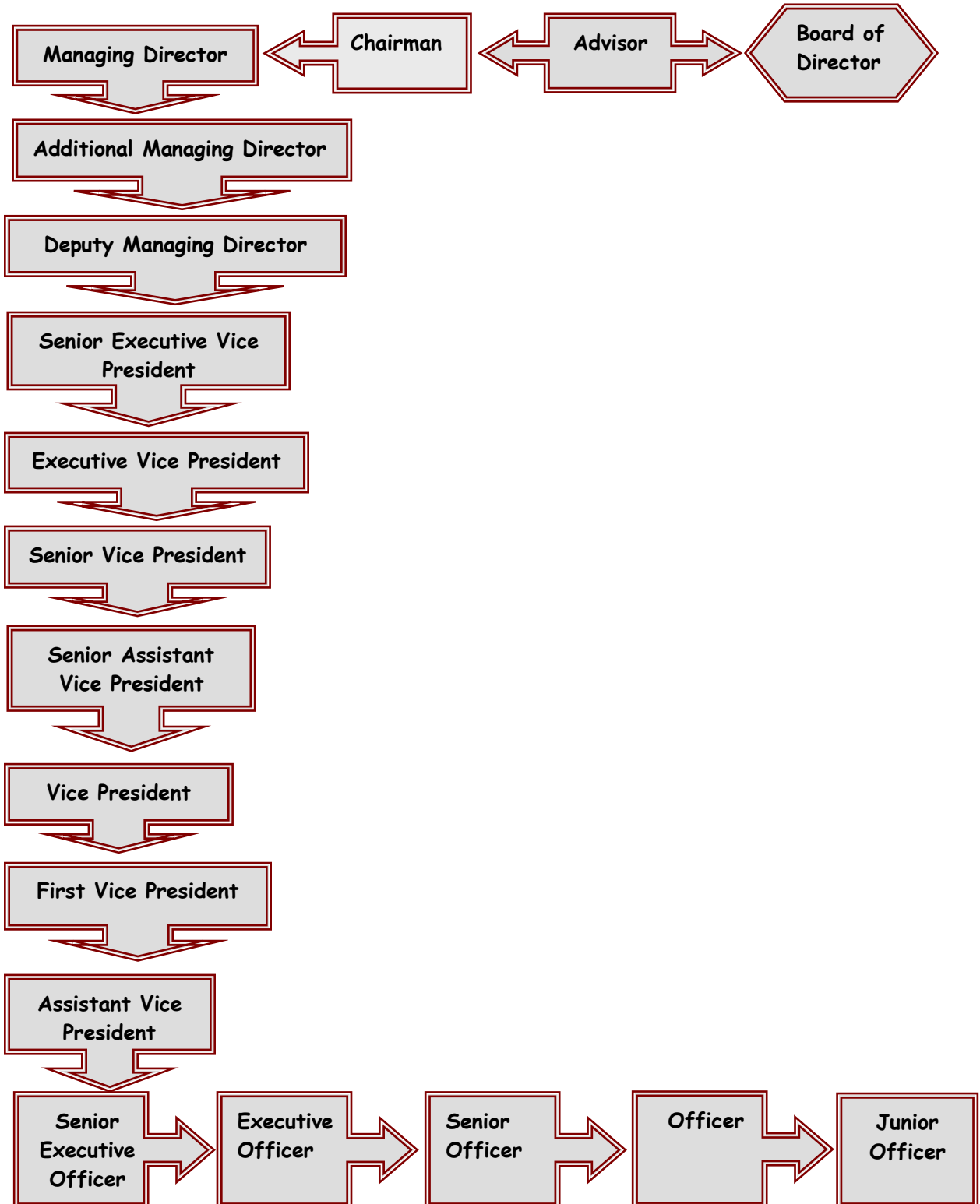
New technology:

Adopting the state-of-art technology in banking operations.

3.3. United Commercial Bank Ltd. at a glance.

Key Point	Particulars
Name	United Commercial Bank Ltd.
Logo	
Date of Incorporation	14 March, 1983
Status	Public Limited Company.
Charmin	Mr.Md. Jjahagir Alam Khan.
Managing Director	Mr.Md. Shahjahan Bhuiyan
Listed with Dhaka Stock Exchange	October 2, 1987
Number of Branches	84
Total Manpower	3,000
Earning Per Share	26.59%
Total assets	64,794,864,487
Capital	4,780,375,209
Paid Up Capital	299,204,890
Growth Rate	27.62%
Profit	2,449,898,878
Contribution in Deposits	574,485,266,726
Contribution in Advances	44,446,332,765
Head Office	Federation Bhaban, 60, Motijheel C/A, Dhaka-1000
Web and E-mail Address	www.ucbl.com E-mail: info@ucbl.com

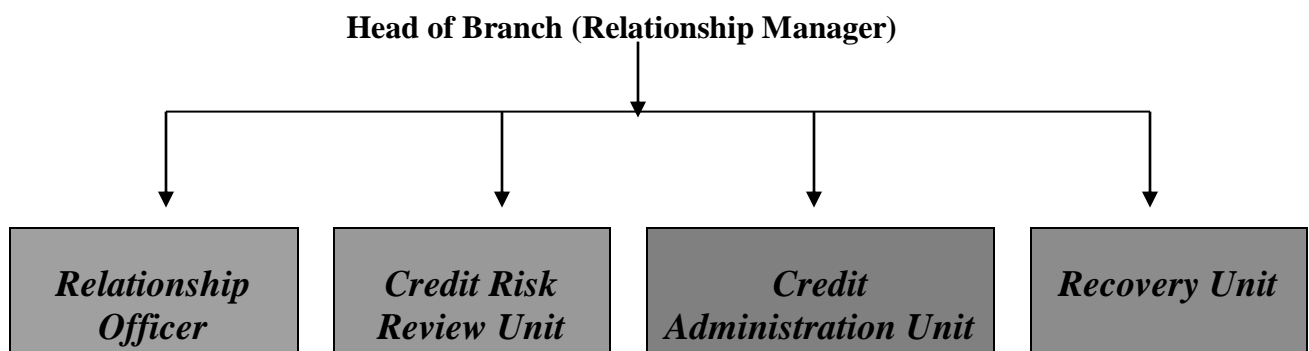
3.4. Hierarchy of Position Structure of UCBL



3.5. Organizational Structure:

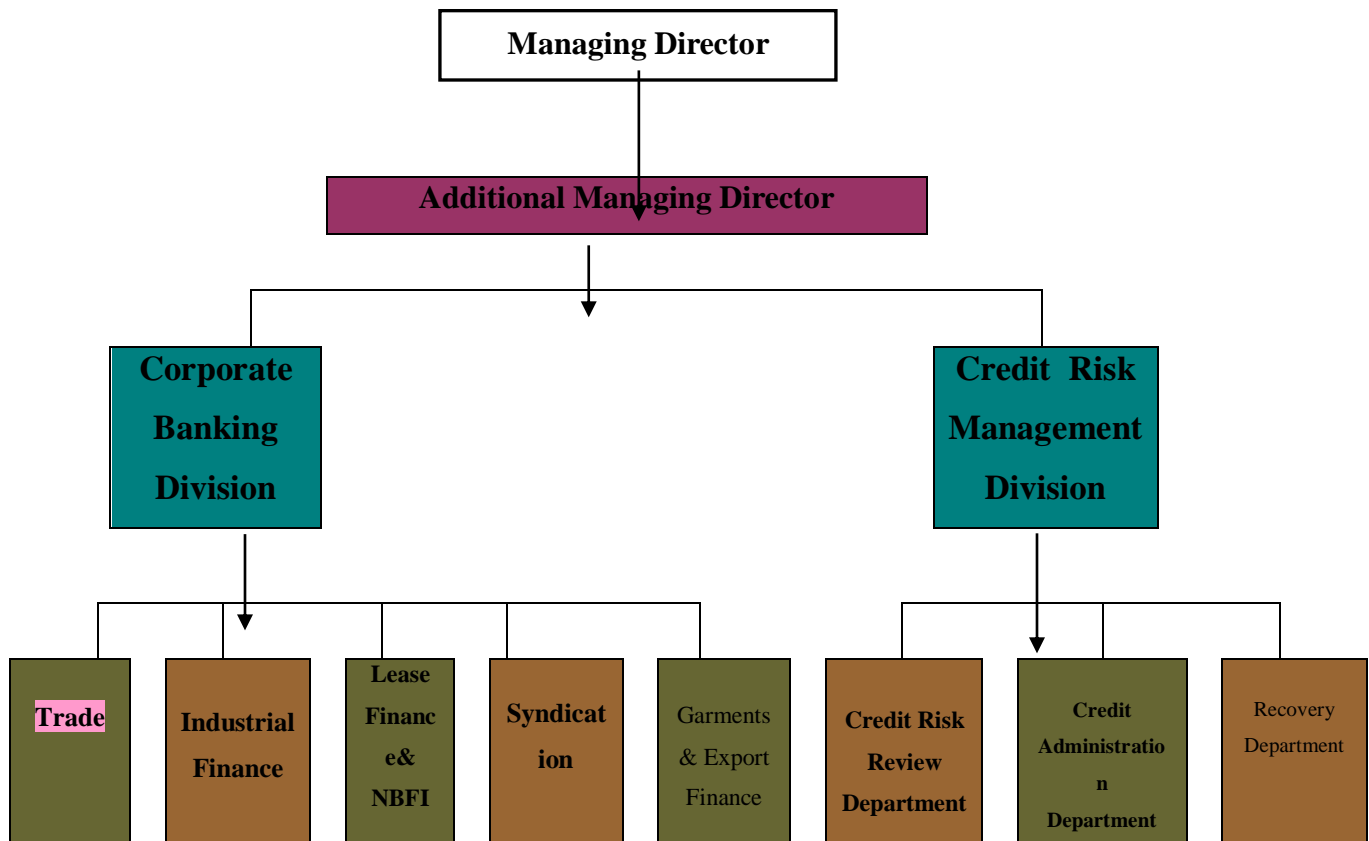
To maintain bank's overall credit risk exposure within the parameters set by the Board of Directors, the importance of a sound risk management structure is second to none. It is important that organizational structure should facilitate effective management oversight and proper execution of credit risk management and control process. One of the most important aspects in risk management philosophy is to make sure that those who take or accept risk on behalf of the institution are not the ones who measure, monitor and evaluate the risks. In order to ensure smooth and transparent credit operation, segregation of duties of credit related activities e.g. credit marketing, processing, approval, documentation, disbursement etc. should become independent of each other. It is preferable that all the above activities rest with separate Units/Divisions for efficient handling of their responsibility. As such, these require some independent departmental set-up both at Branch and Head Office level within the Bank. **UCBL** has segregated the functions into Corporate Banking Division and Credit Risk Management Division. The former will take the risk and the latter will evaluate the risks.

3.5.1. Organizational Set-up at Branch:



At the minimum, one officer shall be placed in the Credit Administration Unit in each A & B Category Branch who shall work independent of the Branch Management under administrative control of Credit Administration Department, Head Office. Credit Risk Administration duties will be performed by an independent officer other than Relationship Department in rural & other category branches with the approval of Head of Credit Risk Management Division duly recommended by Head of Credit Risk Administration Department.

3.5.2. Functional Organizational Set-up at Head Office:



3.6.1 Corporate culture

The set of values, beliefs, behaviours, customs, and attitudes that helps the members of the organization understand what it stands for, how it does things, and what it considers important.

The Bank has in its Management a combination of highly skilled and eminent bankers of the country of varied experience and expertise successfully led by MR. SHAHJAHAN BHUIYAN a dynamic banker, as its Managing Director and well educated young, energetic and dedicated officers working with missionary zeal for the growth and progress of the institution. The attention of the bank is to become a most disciplined Bank with distinctive corporate culture.

In UCBL they believe in shared meaning, shared understanding & shared sense making. Their people see & understand events, activities, objects & situations in a distinctive way. They are able to suit the purpose of the bank & the needs of the customers, who are of paramount importance to them. The people in the bank see themselves as a tight knit family that believes in working together for growth. The corporate culture they long for it is expected to be achieved through their corporate conduct.

3.6.2. Performance of the Bank

With its firm commitment to the economic development of the country, the bank has already made a distinct mark in the realm of Private Sector Banking through personalized service, innovative practices, dynamic approach and efficient Management. The bank, aiming to play a leading role in the economic activities of the country, is firmly engaged in the development of trade, commerce and industry thorough a creative credit policy.

The overall performance of UCBL is outstanding for mentioning the performance at a glance here .It is showed the immediate last five years performance on the following table:

Registered Name	United Commercial Bank Limited
Registered Head office	Federation Building, 60 Motijheel C/A ,Dhaka 1000
Chairman	Mr. Jahangir Alam
Managing Director	Mr. Shahjahan Bhuiyan
Authorized capital	TK.1000 million.
Paid up capital	Tk. 300 Million
Number of Branches	84
Number of employees	3000

UNITED COMMERCIAL BANK LTD

Last Five Years Position at a Glance

(Fig. in million)

SL NO.	Year	2004	2005	2006	2007	2008
1.	Authorized Capital	1,000	1,000	1,000	1,000	1,000
2.	Paid-up Capital	230	230	230	230	299
3.	Reserve Fund	658	783	1,045	898	1,232
4.	Deposits	17,413	20,970	24,559	33,015	42,295
5.	Advances	14,396	15,385	20,211	29,028	29,028
6.	Investments	3,022	3,020	2,877	6100	5517
7.	Gross Income	2,197	2,554	3,188	2368	3324
8.	Gross Expenditure	1,493	1,697	2,036	1320	2017
9.	Net Profit(pre-tax)	417	626	852	477	852
10.	Import Business	18,488	24,386	29,408	29,850	31,845
11.	Export Business	7,492	10,470	14,785	14,785	17,020
12.	Foreign Correspondents	295	322	329	347	397

Figure: Authorized Capital & Paid-up Capital in 2004-2008

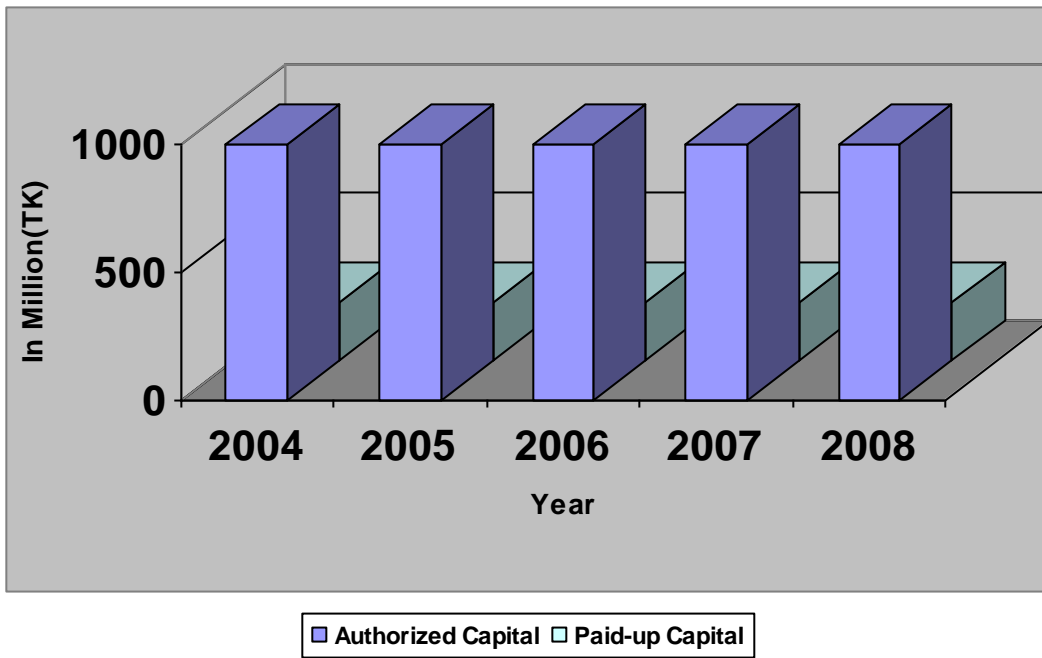
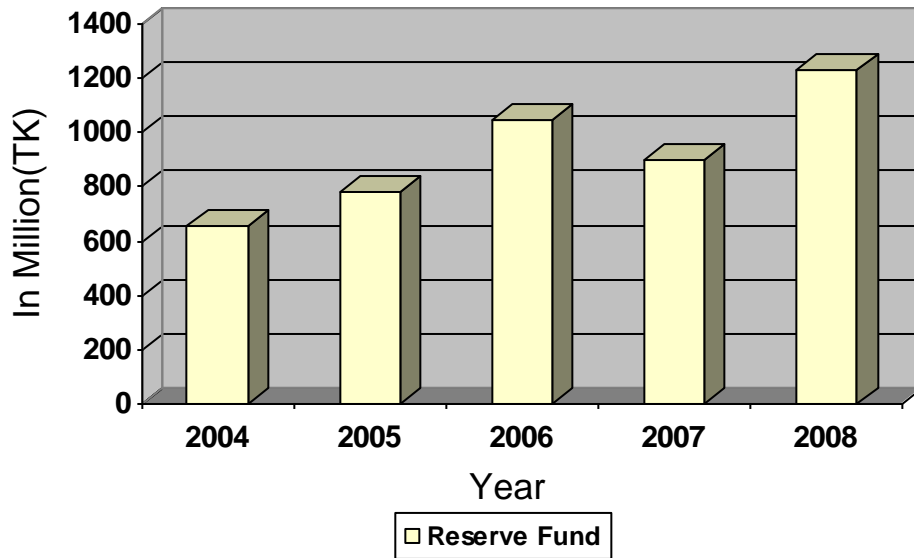
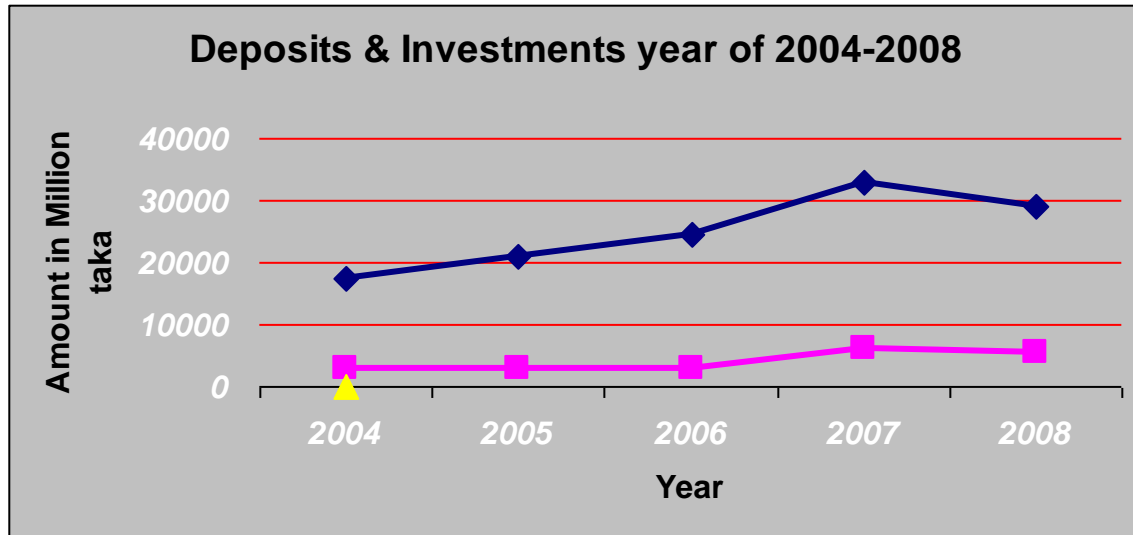


Figure: Reserve Fund in 2004-2008





3.7. UCBL - At Present

Like clothes shops, candy shops, bakeshops, food shops, UCBL is not a “debt shop” the term being used by many to call the present say banks. It is now been called a modern bank that undertakes all its operations at an international standard.

Having started its operations as a commercial bank in 1983, recovering from some primary difficulties, UCBL has now emerged as a major player in the financial sector. The bank has been able to attain a commendable CAMEL rating and its performance has been outstanding in terms of profitability for the year ended 2005. Listed in both the Dhaka and Chittagong bourses since late 1999 with an IPO that raised the paid-up capital of the bank to Tk.45 core, the current price levels of its shares and turnover in trading is evidence of its high rating among investors.

Banks are the pillars of the financial system. Specially, in Bangladesh, the health of the banking system is very vital because the capital market is little developed here. As the banks are still the major sources of credit and exercise great influence on the financial system, it is extremely important that the country’s banking system should be in good health in the interest of investment activities, meeting the needs of all kinds of finance and related matters.

Over the years, UCBL has built itself as one of the pillars of Bangladesh's financial sector and is playing a pivotal role in extending the role of the private sector of the economy.

3.8. Office Automation

Technology, Computer, Internet these things brings a new generation of banking service to the customer. Eight to ten years ago customers cannot think about that they can withdraw or deposit money from their account at least within one hour. But now it takes only at least five minutes for withdraw their money. This is the simple example what technology brings to banking sector. In before bankers had to maintain huge ledger book for their daily or any sorts of banking record. But now they can do it by one click and by strike of few buttons. Online banking is now getting more and more necessary part banking sector. United Commercial Bank Ltd has also realized the current fact and they also try to serve online banking service to their valued customer. They launch online banking service extensively all over the country. All branches have Wide Area Network (WAN) among themselves. So customers can get online Banking service from all branches. United Commercial Bank Ltd has own software. They had Software named PCBANK2000, these software designed and developed by LEADS CORPORATION LIMITED. They have web page (www.ucbl.com). Customer can get detail information from the web page. UCBL also has credit card and ATM machine.

3.9. Types of Business

UCBL was licensed as a scheduled bank. It is engaged in pure commercial banking and providing services to all types of customers ranging from small and medium enterprises to large business organizations. It is working for the economic welfare by transferring funds from the surplus economic unit to those who are in deficit.

3.10. Target Customers

Due to the Predecessor Company's involvement investment-financing sector of the country the bank inherited its top corporate customers. Moreover the bank is involved in import trade financing. Bulk importers of consumer durable, food grains industrial raw materials are its customers. The bank has financed in textile and apparels sectors. The bank has a trend of choosing customers from diversified groups. The bank has first class customers in the construction sectors involved in high-rise building, heavy construction and roads and high way construction.

3.11. Branches

UCBL has divided the whole Bangladesh in to five divisions.

Dhaka Division

Chittagong Division

Rajshahi Division

Khulna Division

Sylhet Division

Dhaka Division

1.	PRINCIPAL BRANCH ^[AD]	15.	UTTARA BRANCH ^[New]
2.	BANGSHAL BRANCH ^[AD]	16.	NORTH BROOK HALL ROAD BRANCH
3.	DHANMONDI BRANCH ^[New]	17.	NARAYANGONJ BRANCH ^[AD]
4.	ELEPHANT ROAD BRANCH ^[AD]	18.	PAGLABAZAR BRANCH
5.	FOREIGN EXCHANGE BRANCH ^[AD]	19.	TONGI BRANCH
6.	GULSHAN BRANCH ^[AD]	20.	ZINZIRA BRANCH
7.	HASNABAD BRANCH	21.	MOULVIBAZAR BRANCH ^[AD]
8.	ISLAMPUR BRANCH	22.	NAYABAZAR BRANCH ^[AD]
9.	KAWRAN BAZAR BRANCH ^[AD]	23.	TANGAIL BRANCH
10.	MALIBAGH BRANCH	24.	NARSINGDI BRANCH
11.	MOHAKHALI BRANCH ^[AD]	25.	MYMENSINGH BRANCH
12.	MIRPUR BRANCH	26.	MADHABDEE BRANCH
13.	MOHAMMADPUR BRANCH	27.	FARIDPUR BRANCH
14.	NAWABPUR BRANCH ^[AD]	28.	BHULTA BRANCH

Sylhet Division

1.	AMBORKHANA BRANCH	7.	BAROLEKHA BRANCH
2.	SYLHET BRANCH ^[AD]	8.	BISWANATH BRANCH
3.	GOALABAZAR BRANCH	9.	MOULVIBAZAR BRANCH
4.	NABIGONJ BRANCH	10.	SHERPUR BRANCH
5.	SHIBGONJ BRANCH	11.	ZINDABAZAR BRANCH
6.	BEANIBAZAR BRANCH		

Khulna Division

1.	KHULNA BRANCH ^[AD]	4.	JESSORE BRANCH
2.	NOAPARA BAZAR BRANCH JESSORE	5.	KHAN JAHAN ALI ROAD BRANCH KHULNA
3.	KUSHTIA BRANCH	6.	CHUADANGA BRANCH

Chittagong Division

Zonal Office:

Rifles Club Shopping Complex (1st fl.)

Nandan Kanon

Jubilee Road, Chittagong 4000

1.	AGRABAD BRANCH ^[AD]	15.	BAHADDARHAT BRANCH
2.	ANDERKILLA BRANCH	16.	CHAWKBAZAR BRANCH
3.	BRAHMANBARIA BRANCH	17.	CHANDPUR BRANCH
4.	CHOWMUHANI BRANCH	18.	CHOKORIA BRANCH ^[New]
5.	COX'S BAZAR BRANCH	19.	COMILLA BRANCH
6.	DHOHAZARI BRANCH	20.	FATICKCHARI BRANCH
7.	GOHIRA BRANCH ^[New]	21.	FENI BRANCH
8.	KADAMTALI BRANCH ^[AD]	22.	JUBILEE ROAD BRANCH ^[AD]
9.	KHATUNGONJ BRANCH ^[AD]	23.	KAMAL BAZAR BRANCH
10.	LAKSHMIPUR BRANCH	24.	LOHAGARA BRANCH
11.	MAIZDEE COURT BRANCH	25.	MADUNAGHAT BRANCH
12.	NAZIRHAT BRANCH	26.	MURADPUR BRANCH
13.	NOAPARA BRANCH	27.	O.R.NIZAM ROAD BRANCH
14.	PORT BRANCH	28.	STATION ROAD BRANCH

Barishal Division

BARISAL BRANCH

Rajshai Division

1.	BOGRA BRANCH ^[AD]	6.	CHAPAINAWABGONJ BRANCH
2.	RAJSHAHI BRANCH	7.	RANGPUR BRANCH ^[AD]
3.	SERAJGONJ BRANCH	8.	DINAJPUR BRANCH
4.	PABNA BRANCH	9.	NAOGAON BRANCH
5.	NATORE BRANCH		

3.12. Findings

On the basis of previous analysis and practical experience of 3 months internship program, the following findings are observed during the internship period:

United Commercial Bank Ltd .is following a conservative procedure for opening a LC. So conservatism is there to open L/C.

Lack of manpower in Credit Department. In credit division of Principle branch there is lacking of manpower. The manpower of that section is not sufficient for prompt service.

Lack of promotional initiatives to expand the credit department business.

United Commercial Bank Ltd is not using advance and develop software. Credit department is now using the only one software that is “PC BANK”.

United Commercial Bank Ltd is doing their Office work, vouching, accountings manually. But other banks are using many developed techniques and software.

Most of the customers of the bank ask for more quality service especially quick, accurate service and good behaviour from bankers as they think a private bank should provide such quality sufficiently. It has been found that inappropriate and slow work process often compels the customers to compare the bank with government bank, which is not a good indication for the reputation of the bank.

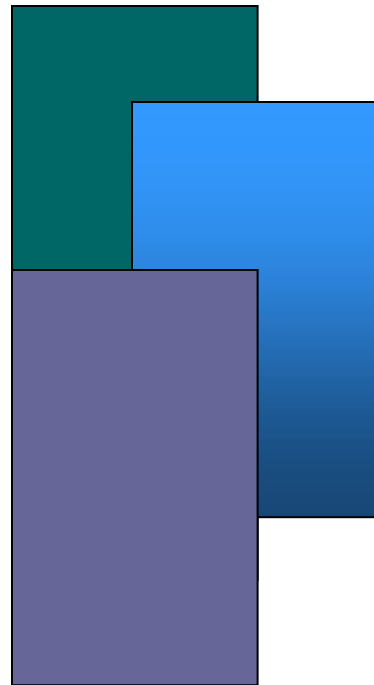
In case of Export L/Cs, sometimes customers insist to give their payments though their documents are found discrepant. In some cases, Bank has to give payment to these customers for different reasons. But it lessens the credibility of the Bank. To communicate with the Negotiating Bank, Advising Bank. Reimbursing Bank the branch uses SWIFT. It is a costly and time consuming media.

Over burden of work and ill defined assignment unable the employee to discharge their duties in cool manner. It also creates a hazardous situation in the work process. Foreign exchange business of the bank focuses on a particular industry like readymade garments industries.

The overall performance is good.

CHAPTER-04

ORVERVIEW OF OTHER BANKS



4.0. Bank of City Bank Ltd.

4.1. Profile of City Bank Limited (CBL).

The City Bank Ltd. was incorporated as a public limited company in Bangladesh under companies Act, 1913. It commenced its banking business from March 14, 1983 under the license issued by the Bangladesh Bank. Presently the Bank has 83 branches and 5 SME centers all over Bangladesh. The Bank had no overseas branches as at 31 December 2008. The last 5 years performance of City Bank Ltd. is given in chart.

4.1.1. Vision:

To be the *leading* bank in the country with best practices and highest social commitments.

4.1.2. Mission:

To contribute to the socio-economic development of the country.

To attain highest level of satisfaction through extension of services by dedicated and motivated team of professionals.

To maintain continuous growth of market share ensuring quality.

To maximize bank's profits by ensuring its steady growth.

To maintain the high moral and ethical standards.

To ensure participative management system and empowerment of Human Resources.

To nature an enabling environment where innovativeness and performance are rewarded.

4.1.3. Values:

Values pillars of City Bank that are central to our core ideologies and that must always be reflected in everything we do:

We are aggressive in business and self-driven.

We empower people, create leaders and drive change.


We treat people with respect and dignity.

We are personally accountable for delivering on commitments to build high- trust relationship with customers and to ensure customer delight.

We focus on managing risk and costs in order to be doubly profitable.

We act in ways that reflect the highest standards of integrity.

4.1.4. City Bank Ltd. at a glance.

Key Point	Particulars
Name	<i>City Bank Ltd.</i>
Logo	
Date of Incorporation	<i>14 March, 1983</i>
Status	<i>Public Limited Company.</i>
Chairman	<i>Aziz Al Kaiser</i>
Managing Director	<i>K. Mahmood Sattar.</i>
Listed with Dhaka Stock Exchange	<i>February 03, 1987</i>
Number of Branches	<i>83</i>
Total Manpower	<i>2,134</i>
Earning Per Share	<i>29.14%</i>
Total assets	<i>57,114,576,058</i>
Capital	<i>1,750,000,000</i>
Paid Up Capital	<i>1,366,200,000</i>
Growth Rate	<i>21.36%</i>
Profit	<i>1,014,135,297</i>
Contribution in Deposits	<i>45,034,334,502</i>
Contribution in Advances	<i>34,420,944,980</i>
Head Office	<i>Jiban Bima Tower, 10 Dilkusha, C/A Dhaka-1000</i>
Web and E-mail Address	<i>www.the.city.bank.com</i>

4.1.5. Performance of City Bank

(million Tk)

<i>Particular</i>	<i>2004</i>	<i>2005</i>	<i>2006</i>	<i>2007</i>	<i>2008</i>
Authorized Capital	1,750.00	1,750.00	1,750.00	1,750.00	1,750.00
Paid-up Capital	480.00	720.00	1,080.00	1,188.00	1,366.20
Reserve Fund	937.47	1,238.40	1,450.90	1,686.37	2,851.28
Total Shareholders Equity	1,417.47	1,958.40	2,530.90	2,874.37	4,217.48
Capital Base	1023.87	1065.42	1128.03	1870.94	2168.22
Total Deposits	22,236.96	30,647.83	40,881.41	40,539.63	45,034.33
Client Deposits	13460.73	14341.95	16046.72	18706.54	22065.79
Investments	3,161.38	3,648.27	6,405.08	7,550.61	9,031.70
Total Foreign Exchange Business	32,575.46	43,740.88	68,780.61	44,392.02	55,487.4
Operating Profit	414.99	213.57	295.89	480.78	787.37
Profit Before Tax	823.05	1,130.92	653.02	808.46	1,014.14
Profit After Tax	380.26	540.00	240.02	343.46	398.11
Fixed Assets	682.37	764.90	1,282.09	1,390.73	2,514.38
Total Assets	26,375.56	35,303.74	47,445.75	48,755.40	57,114.58
Stock Dividend	50.00 %	50.00%	10.00 %	15.00 %	15.00 %
Cash Dividend	-	-	-	-	-
Number of Foreign Correspondents	389	419	483	496	501
Number of Employees	1,803	1,829	1,989	1,991	2,134
Number of Branches	77	77	78	83	83
Earning per Share (Tk)	79.22	75.13	20.20	25.14	29.14
Capital Adequacy Ratio	9.78%	9.63%	9.21%	12.61%	11.01%

Al-Arafah of Islami Bank Ltd.

4.2. Profile of Al-Arafah Islami Bank Limited (AIBL).

Al-Arafah Islami Bank Limited was incorporated in June 18, 1995 and started operation as 3rd Islamic bank in the private sector banking in Bangladesh from September 27, 1995. This bank is managed by 23 members Board of Directors and has a 7-member Shariah council consisting of Fuqaha, lawyers and Islamic Economists.

4.2.1. Vision:

To be a pioneer in Islami Banking in Bangladesh and contribute significantly to the growth of the national economy.

4.2.2. Mission:

Achieving the satisfaction of Almighty Allah both here and hereafter.

Proliferation of Shariah Based Banking Practices.

Quality financial services adopting the latest technology.

First and efficient customer service.

Maintaining high Standard of business ethics.

Balance growth.

Steady and competitive return on shareholders equity.

Innovative banking at a competitive price.

Attract and retain quality human resources.

Extending competitive compensation package to the employees.

Firm commitment to the growth of national economy.

Involving more in Micro and SME financing.


4.2.3. Commitments:

Ours is a customer focused modern Islamic Banking making sound and steady growth in both mobilizing deposit and making quality investment to keep our position as a leading Islamic Bank in Bangladesh.

To deliver financial services with the touch of our heart to retail, small and medium scale enterprises, as well as corporate clients through branches across the country.

Our Business initiatives are designed to match the changing trade industrial needs of the clients.

4.2.4. Al-Arafah Islami Bank Ltd. at a glance.

Key Point	Particulars
Name	Al-Arafah of Islami Bank Ltd.
Logo	
Date of Incorporation	September 27, 1995
Status	Public Limited Company
Chairman	Alhaji Abdus Samad.
Managing Director	M.A. Samad Sheikh.
Listed with Dhaka Stock Exchange	January 02, 1998
Number of Branches	50
Total Manpower	1,080
Earning Per Share	48.29%
Total assets	39,158,437,848
Capital	3,049,336,134
Paid Up Capital	1,383,810,400
Growth Rate	29.04%
Profit	668,242,288
Contribution in Deposits	29,690,121,157
Contribution in Advances	7,063,930,894
Head Office	Peoples Insurance Building 36, Dilkusha C/A (8 th - 9 th Floor), Dhaka-1000
Web and E-mail Address	www.al-arafah bank.com E-mail-aibl @ al-arafah bank.com

4.2.5. Performance of AI-Arafah

(Tk in million)

Particular	2004	2005	2006	2007	2008
Authorized Capital	1000.00	1000.00	2500.00	2500.00	2500.00
Paid-up Capital	586.96	677.94	854.20	1,153.18	1,383.81
Reserved Fund	270.27	365.87	536.00	653.00	905.33
Shareholders Equity	957.26	1,220.16	1,690.18	2,037.50	2,705.74
Deposits	10,108.28	11,643.66	16,775.34	23,009.13	29,690.12
Investments	8,150.16	11,474.41	17,423.19	22,906.37	29,723.79
Import Business	9,337.49	12,631.60	18,821.40	27,042.72	32,685.13
Export Business	3,639.34	4,932.90	9,142.70	12,714.91	20,176.64
Total Income	231.38	334.35	471.09	712.46	885.12
Total Expenditure	265.07	353.68	383.00	570.80	638.70
Net Profit Before Tax	348.89	548.20	969.77	756.18	1528.10
Net Profit After Tax					
Dividend	15.50	26.00	35.00	20.00	30.00
Fixed Assets	12,874.61	15,336.89	21,368.16	30,182.32	39,158.44
Total Assets	195.17	208.00	215.10	334.48	396.76
Number of Share holders	5,379.00	5,402.00	4,487.00	12,013.00	10,664.00
Number of Employees	803	771	912	1,033	1,080
Number of Branches	40	41	46	46	50
Earning per Share (Tk)	26.36	38.78	55.02	25.10	48.29

Social Investment Bank Ltd.

4.3. Profile of Social Investment Bank Limited (SIBL).

Social Investment Bank Limited is the fourth Islamic bank in Bangladesh. It was incorporated on 5th July, 1995 and launched its banking operations on 22nd November, 1995. The bank is managed by a Board of Director and it has a Shariah Council consisting of 8-members.

4.3.1.Vision:

Social Investment Bank Ltd. started its journey with the concept of 21st century Islamic participatory three sector banking model (1) Formal sector- Commercial banking with latest technology. (2) Non-formal sector-family empowerment Micro-credit and Micro-enterprise program and (3) voluntary sector-social capital mobilization through CASH WAQE and others. Finally, “Reduction of poverty level” is our vision, which is a prime object as stated in Memorandum of Association of the Bank with the commitment “Working Together for a caring Society”

4.3.2.Mission:

High quality financial services with the latest technology.

First, accurate and satisfactory customer service.

Balanced and sustainable growth strategy.

Optimum return on shareholders equity.


Introducing innovative Islamic Banking products.

Attract and retain high quality human resource.

Empowering real poor families and create local income opportunities.

Providing support for social benefit organizations by way of mobilizing funds and social services

4.3.3.Sociaal Investment Bank Ltd. at a glance.

	Key Point	Particulars
Name		Social Investment Bank Ltd.
Logo		
Date of Incorporation		November 22, 1995
Status		Public Limited Company
Chairman		Mr. Md. Abdual Awal Patwary.
Managing Director		Mr. Md. K.M. Ashaduzzaman.
Listed with Dhaka Stock Exchange		May 05, 1998
Number of Branches		28
Total Manpower		750
Earning Per Share		17.20%
Total assets		29,808,880,564
Capital		173,495,924
Paid Up Capital		1,309,879,300
Growth Rate		32.46%
Profit		202,068,294
Contribution in Deposits		24,099,823,370
Contribution in Advances		9,520,963,304
Head Office		15, Dilkusha C/A, Dhaka-1000
Web and E-mail Address		www.siblbd.com E-mail-sibl@bdonline.com

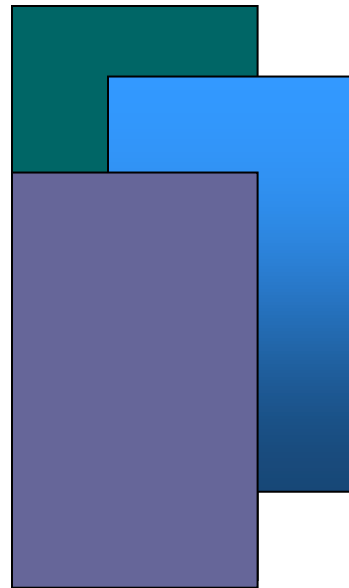
4.3.4. Performance of SIBL

(Tk in million)

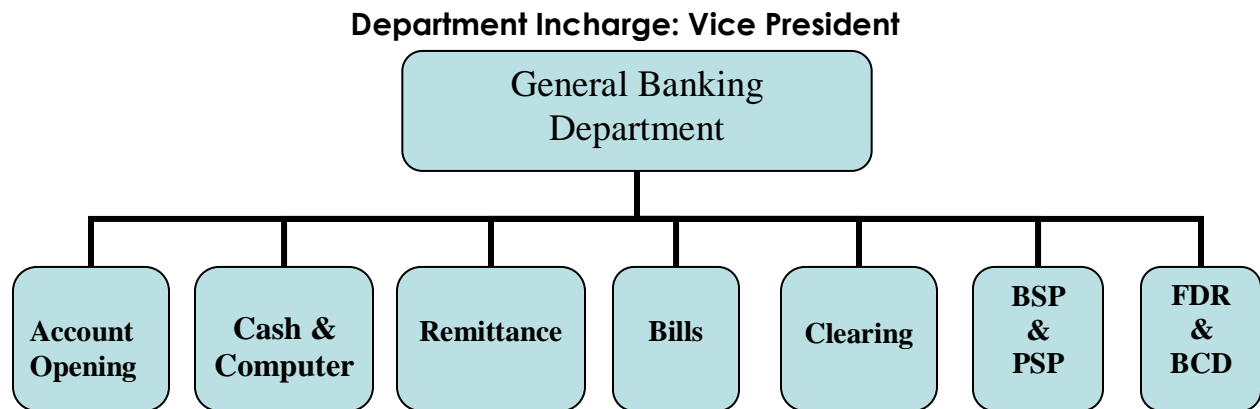
Particular	2004	2005	2006	2007	2008
Authorized Capital	1000.00	4000.00	4000.00	4000.00	4000.00
Paid-up Capital	585.00	585.00	585.00	1119.55	1309.36
Total Equity	915.50	923.07	980.70	1665.29	1867.36
Capital Base	1023.87	1065.42	1128.03	1870.94	2168.22
Total Deposits	19704.20	16862.58	16170.51	19753.94	24099.82
Client Deposits	13460.73	14341.95	16046.72	18706.54	22065.79
Investments	12887.30	15096.83	15312.90	16440.26	19951.30
Total Foreign Exchange Business	18088.12	17438.07	23280.00	23903.8	33363.20
Operating Profit	414.99	213.57	295.89	480.78	787.37
Profit before tax	152.47	54.20	120.23	212.92	354.81
Fixed Assets	138.80	153.80	137.48	132.03	443.28
Total Assets	21546.96	20358.81	19691.53	24546.55	29808.88
Stock Dividend	-	-	-	17%	10%
Cash Dividend	-	-	-	-	-
Number of Foreign Correspondents	3575	3575	2366	2480	2200
Number of Employees	651	686	674	674	750
Number of Branches	24	24	24	24	28
Earning per Share (Tk)	143	24	9.85	17.60	17.20
Capital Adequacy Ratio	7.53%	6.77%	7.19%	10.71 %	10.87%

CHAPTER-05

General Banking Services



5.1. Organogram of General Banking Department



Section	In charge
Cash & Computer	Officer Grade-2A
Remittance Section	Officer Grade - 1
Account Opening Section	Officer Grade - 2A
Bills Section	Officer Grade -2B
BSP & PSP section, FDR& BCD	Officer Grade - 3a
Clearing Section	Officer Gade-2B

General Banking department is considered as the direct customer service centre. The clients and customers build their impression whether they are going for further dealings with the bank or not on the basis of their service. Moreover this is the first impression about the bank. So, general section must be taken carefully. Functions of General Banking of UCBL are discussed below;

Establishing Banker Customer relationship.

Remitting customer's money from one place to another.

Collecting bills for customers.

Taking deposit and honoring Cheque drawn.

The functions of the different sections of general banking department are discussed below:

5.2. Account Opening

Banking business is very much correlated with banker customer relationship. To be a customer one person must have some sort of relationship with the banker. Account Opening section establishes this relationship by opening new accounts.

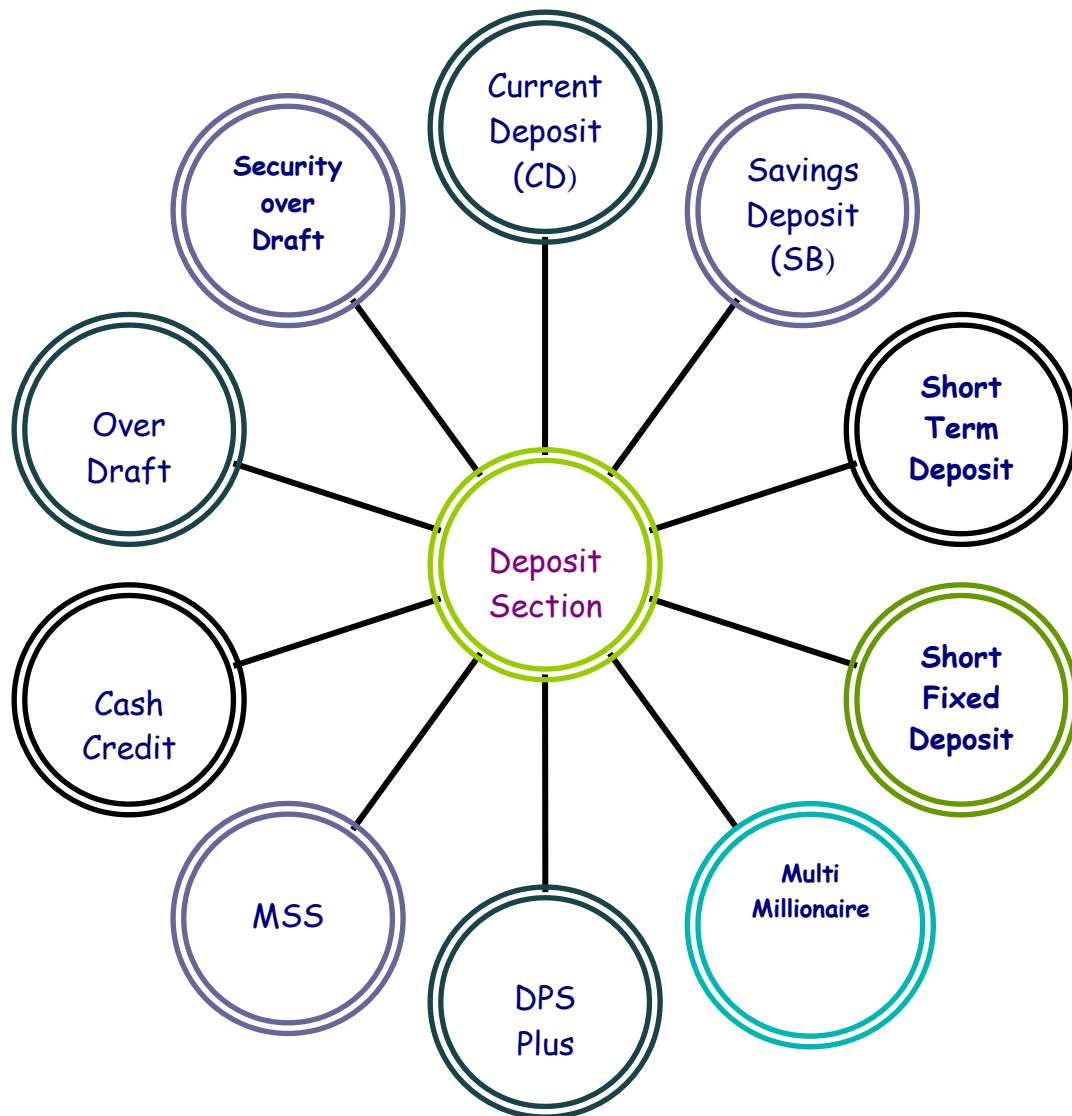
United Commercial Bank Limited (UCBL) may open the following types of accounts and may receive the deposits in those accounts:

Current Deposit
Savings Bank Deposit
Fixed Deposit
Short Term Deposit
Bearer Certificate of deposit
Monthly Savings Scheme
Foreign Currency Deposit
Convertible Taka Account
Non-resident Taka Account
Cash Credit

5.3.Key features of Accounts in UCBL

5.3.1. Deposit Section

In fact, a bank operates with the people's money. The banking activity of a person starts with the opening of an account. UCBL generally gives facility to open the following accounts:



5.3.2 Different Deposit of UCBL

a) Current Deposit Account:

UCBL opens current accounts for its clients to facilitate their day-to-day operations. The amount deposited in the current account can be withdrawn at any time. No interest is given on the current account. In certain cases, however, interest is available at an agreed rate where withdrawals are subject to a written notice for a specified period. The minimum balance requirement for this account is TK.1000/- but under special circumstances it may be opened with tk. 500/ and TK.600/- is deducted from the account in case of closing the current account.

Rules and Regulation for opening Current Account:

Current deposit Accounts are opened with sums of not less than TK.500 in the name of parties known to the Bank or properly introduced.

It is understood that the balance at credit will not at any time be allowed to fall below TK. 1000/- in the name of parties known to the bank or properly introduced.

Only the form of chequebooks supplied by the bank should be used. Cheques materially altered will not be paid unless such alteration bears the signature of the drawer in full.

Application of chequebooks should be made by letter or on the form inserted near the end of each book. Customers are requested to keep cheques books under lock and key. The bank will not be responsible in any way for any unauthorized payment resulting from disregard of these instructions and the burden of proof will be upon the clients to show that they have not been negligent in the safe keeping of the cheque books. Constituents are particularly requested to count the number of cheque forms in each chequebook they received and to immediately inform the bank if any cheque form or the requisition slip contained therein is missing.

In drawing cheque the amount both in words and figures should be written distinctly and the cheques should be drawn in such a ways to prevent the insertion of any other words or figures which may facilities fraudulent alterations.

Cheques sent in for collection should not be drawn against until they have been realized. The bank reserves the right to refuse payment of cheque drawn against un cleared cheques etc. Although credited in the pass book.

Constituents are requested to observe the same style of signature as the specimen left at the bank and to give the bank notice of all change of address.

All deposits to current account's made by local constituents should be accompanied by pay-in-slips and the depositors should satisfy themselves that the deposits are verified by the received and date stamp of the bank and the initials of the Bank's official (constituents are particularly requested to cross all cheques intended for collection before paying them into accounts)

Cheques Books, Pass Books and Pay-in-slip books are issued to constituents free of charge, but lost Pass Books will be replaced only on payment of TK.100/-.

The bank collects local cheques etc. on clearing free of charges and all other collection item at charges to be ascertained on application.

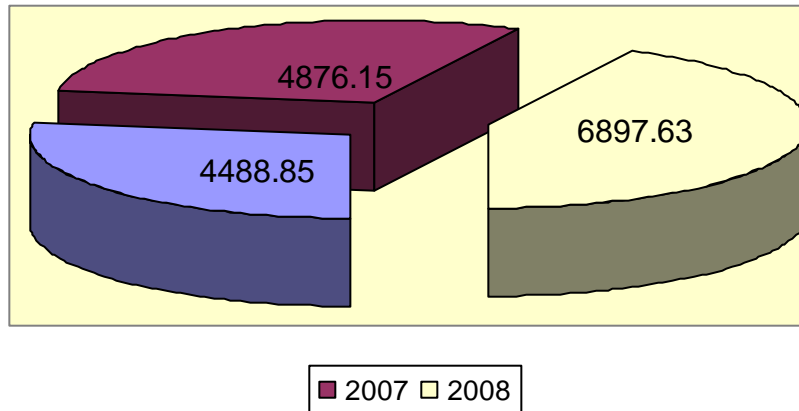
A charge of TK.300/- will be made on all accounts closed within six months of their opening.

Scenarios of Current deposit account of UCBL:

Current Deposit of UCBL for 2006, 2007 & 2008 as bellow-

(TK in million)		
2006	2007	2008
4488.85	4876.15	6,897.63

Figure: Current Deposits year of 2005, 2006 & 2007



As we see the pie chart of current deposit of UCBL – it is moved up-wards year to year. In the year 2006 it was 4488.85 and 2007 was 4876.15 million of total UCBL’s deposit. Then after this deposit curve rising up-wards up to 2008. I mention individual client because, most of the business client like to operate their business by C/D account, and as a result they prefer to continue their transaction by current account. Interest rate is another factor of deposit.

b) Savings Account:

The bank provides savings account services for the ease of its clients. It offers both personal and corporate Savings account to its clients in every branch. Minimum amount of Tk 500/ is required for opening this type of account. The account may not be retained if the balance falls below Tk.500/. Not more than one account shall be opened in one name. A depositor shall be allowed to withdraw per week up to 25% of the balance of his account. For calculation of interest the minimum balance at the credit of an account between the close of 8th in the beginning of the month should be taken into consideration.

5.3.3. Rules and Regulation for Opening Savings Account:

Account may be opened in the name of any adult individual or jointly who is/are mentally sound. In case of joint account balance lying in the account may be paid to either or both or all of them or to the survivor or survivors as per special instruction mentioned overleaf.

Account may be opened in the name of illiterate persons after completion of necessary formalities but withdraws from such accounts should be allowed only on personal appearance.

A suitable introduction is required for opening the A/C.

Not more than one account should be allowed to be opened by one person in his/her name at any one branch of the bank but this will not prevent a parents/guardian for opening more than one account for their children who are minors.

Each account will be given a separate account number, which should be quoted while making withdrawals or deposit in the account or any correspondence.

Depositors(s) may deposit money in his/her accounts as often as he/she likes. Bank may accept Cheques, Drafts, payment orders, Dividend Warrants etc on behalf of the account holder for collection.

Initial deposit for opening the account is TK.500/- and the account may be closed where the balance falls below TK.500/-.

If a depositor likes to close his/her A/c service charge of TK.300/- will be deducted from the A/C.

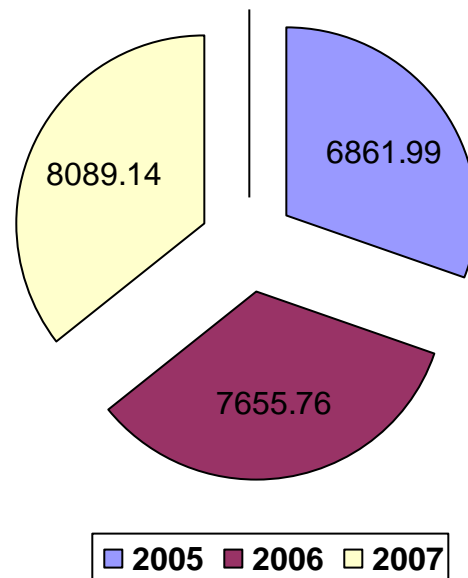
Scenarios of Savings deposit account of UCBL:

Savings Deposit of UCBL for 2005, 2006 & 2007 as bellow-

(TK in million)

2006	2007	2008
6861.99	7655.76	8,089.14

Figure: Savings Deposits year of 2005, 2006 & 2007



As we see the pie chart of savings deposits of UCBL – it is moved up-wards year to year. In the year 2005 it was 6861.99 and 2006 it was 7655.76 million of total UCBL's deposit. Then after this deposit curve rising up-wards up to 2007. It indicates- individual client or house hold feel secured keeping their money with UCBL. I mention individual client because, most of the business client like to operate their business by C/D account, but individual or household prefer to continue their transaction by savings account. Interest rate is another factor of deposit. Present interest rate of savings deposit is @ 6% of UCBL.

c) Short Term Deposit (STD):

According to characteristics, short-term deposit is similar to current deposit except interest. Though it is C/D account but bearing some interest. The deposits held in these accounts shall be payable on short time for 7 days or 30 days. The deposits may be accepted for period and rate of interest is fixed by H.O. from time to time. The STD interest rates in UCBL are 5%.

d) Fixed Deposit:

Fixed Deposit is very much important for its contribution to the bank's deposit creation process, because the highest amount of Bank fund from its direct customers comes in the form of Fixed Deposit. For increasing the deposit base every commercial bank offers its customers various rates according to the amount of deposit. Fixed deposit accounts are opened for a fixed period varying from three months to 1 year or above and are payable at a fixed date of maturity. Interest on this deposit is paid at the rate fixed by H.O. from time to time depending on the period of maturity. Interest is payable only at the maturity of the deposit. UCBL also offers its valuable customers some significant rates for different amounts. Those are:

SL	Months/Year	Percentage
1 .	Fixed Deposit for 1 month and above but below 3 Months	8%
2 .	Fixed Deposit for 3 months and above but below 6 Months	10%
3 .	Fixed Deposit for 6 months and above but below 1 year	9.75%
4 .	Fixed Deposit for 1 year	9.50%

Source: General Banking & Development Division of Head Office Revised rate of interest (% p.a.) w.e.f. 20.04.2009

In case of fixed deposit, clients consider two (2) things-one is interest rate and another is certainty of their money. That means financial strength and stability of the concern bank. UCBL interest rate is not equal or higher than their competitors, but their fixed deposit curve is moving upwards. It is a great achievement for UCBL.

e) Bearer Certificate of Deposit:

It is an instrument of deposit, where depositors name and address is not mentioned; only a receipt number is there. In this type of deposits interest is pre paid while the instrument is purchased. It is bearer document and negotiable. Just two or three years ago Government of Bangladesh ruled on this type of deposit. They are discouraging about bearer certificate of deposit.

f) Sundry Deposit:

It is a non-interest bearing deposit. Any sort of non-interest bearing deposit is good for the institutions. Though it is a liability, but bank doesn't pay any interest against this deposit. So, the sundry deposit of any bank's increase that will be a good part for the concern bank.

Gradually the sundry deposit of UCBL decreases. So, we can say in case of interest it was not favourable for UCBL. Because, those amount of deposit was non-interest bearing. So, it would be higher the bank could invest those amount, but there were no cost of fund. In other word, this declining graph shows the bank's service good will. For example we can mention sundry creditors. Over the year sundry deposit is decreased that means sundry creditors also decreased

5.4. Rate of Interest of different A/C of UCBL

SL	Types of Deposits	Interest Rate P.A.
1.	Savings Deposit (Urban & Rural)	6%
2.	Short Term Deposit	
a.	STD A/C	5%
b.	15 days notice STD A/C	7%
c.	30 days notice STD A/C	7.5%
d.	45 days notice STD A/C	8%
3.	Fixed Deposit	
a.	Fixed Deposit for 1 month and above but below 3 Months	8%
b.	Fixed Deposit for 3 months and above but below 6 Months	10%
c.	Fixed Deposit for 6 months and above but below 1 year	9.75%
d.	Fixed Deposit for 1 year	9.50%

5.5. UCBL Own Deposit Schemes/Products:

UCBL is now offering various depository products for mobilizing the savings of the general people. To get the deposit from the little saver portion of the country, UCBL has started few Schemes, which by this time gained high popularity among the depositors. To ensuring risk free and profitable investment of limited income of majority of people & thereby provide maximum benefits, UCBL has lunched following savings schemes:

Monthly Savings Scheme (MSS)

Money Maximize

Earning Plus

Multi-millionaire

DPS-Plus

Monthly Savings Scheme (MSS):

It is one type of savings scheme where instalment payment should be deposited to the bank within first 10 days of each month. Monthly Savings Scheme in **UCBL** has been introduced replacing Deposit Pension Scheme since January 2000. It can be opened for years maturity period for Tk. 500/ or Tk. 1 000/

Monthly Instalments (taka)	Year (5)	Year(10)
500	40100	112500
1000	80100	224500

Two types of Account can be opened under this scheme. One for term of 5 years and another for a term of 10 years. Rules for both the accounts shall be the same.

Monthly instalments of deposit will be TK.500/- and its multiple up to TK.1000/= only as mentioned below to be deposited every month during the entire period of the scheme as fixed at the time of opening of the account. Account may be opened for any instalment but later on the same is not changeable.

Money Maximizer:

UCB Money Maximizer

UCB Money Maximizer কীমে আপনার টাকা বাড়বে বহুগুণে। আপনার জমা টাকা মাত্র ৬ বছরে দ্বিগুণ এবং ৯ বছরে ৩ গুণ হয়ে যাবে। টেনশন ফ্রি, স্বাচ্ছন্দ্যময় জীবনে এগিয়ে যেতে আর কি কিছু লাগে।

কীমের মেয়াদকাল:

- ৬ এবং ৯ বছর

ম্যাটিউরিটি অ্যানু :

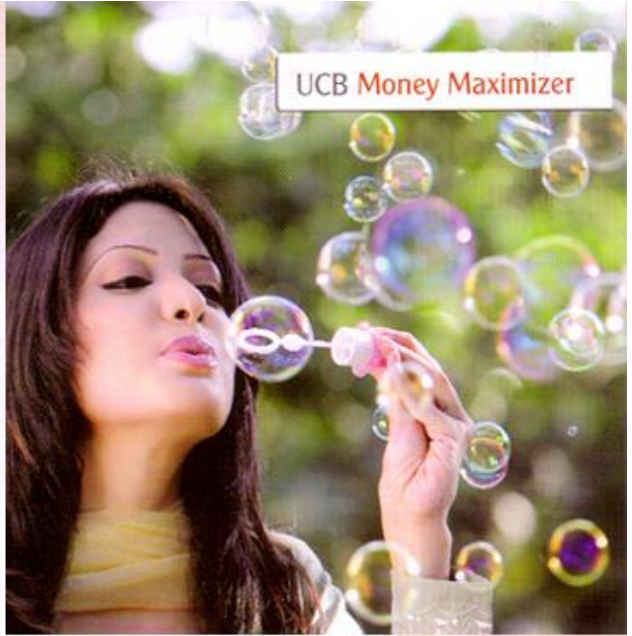
- ৬ বছরে দ্বিগুণ
- ৯ বছরে ৩ গুণ

কিস্তির পরিমাণ:

- সর্বনিম্ন ২৫,০০০ টাকা
- ৫০,০০০ টাকার গুণিতক
- সর্বোচ্চ ২৫,০০,০০০ টাকা

লোন সুবিধা:

- ডিপোজিটের উপরে ৯০% লোন সুবিধা
- সর্বনিম্ন লোন লিমিট: ৫০,০০০ টাকা



UCBL Money Maximize is a time deposit product and offers Double/Triple returns on depositors' Fixed Deposit over a certain period of time. Minimum amount is TK 25000/- and Maximum amount is Multiples of TK 50000/- and Maximum TK 250000/-

Tenure & Interest Rate:

Mature Time	Rate of Interest
6 Years	12.25%
9 Years	13.00%

Earning Plus:

UCB Earning Plus

UCB Earning Plus দিচ্ছে সারা জীবনের নির্ভরতা। আপনার অর্জিত টাকা UCB-তে রাখলে আপনি পাবেন আকর্ষণীয় মুনাফা। এ মুনাফা আপনি প্রতি ১ মাস অথবা ৩ মাস পরপর তুলে নিতে পারবেন। তাই UCB Earning Plus মানেই নিশ্চিত রোজগারে সারাজীবন ভালো থাকা।

জামাকৃত টাকার পরিমাণ:

- সর্বনিম্ন ৫০,০০০ টাকা
- ৫০,০০০ টাকার গুণিতক

কিমের মেয়াদকাল:

- ৩ এবং ৫ বছর

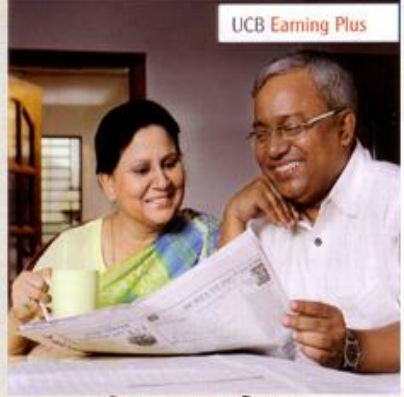
ইন্টারেস্ট এর পরিমাণ :

- ৩ বছরের জন্য ১১.৫০%
- ৫ বছরের জন্য ১২%
- বয়স্ক নাগরিকদের জন্য (৫৫ বছরের উপরে) ০.২৫% বাড়তি ইন্টারেস্ট

লোন সুবিধা:

- ডিপোজিটের উপর ৯০% লোন সুবিধা
- সর্বনিম্ন লোন লিমিট: ৫০,০০০ টাকা

UCB Earning Plus



মাসিক মুনাফার পরিমাণ

Deposit Amount	Monthly Income (3 Years)	Monthly Income (5 Years)
50,000	480	500
1,00,000	960	1,000
5,00,000	4,790	5,000
15,00,000	14,375	15,000
25,00,000	23,960	25,000
50,00,000	47,915	50,000

ত্রৈমাসিক মুনাফার পরিমাণ

Deposit Amount	Monthly Income (3 Years)	Monthly Income (5 Years)
50,000	1,470	1,530
1,00,000	2,935	3,060
5,00,000	14,685	15,310
15,00,000	44,060	45,935
25,00,000	73,435	76,560
50,00,000	1,46,875	1,53,125

UCBL Earning Plus is a time deposit product and offers quarterly returns on depositors Fixed Deposit over a certain period of time. Maximum amount is TK 50,000/- and Minimum amount is TK 50,000/-

Tenure & Interest Rate:

Tenure	Rate of Interest
3 Years	11.75%
5 Years	12.00%

d) Multimillionaire:

UCB Multi Millionaire

UCB Multi Millionaire স্বীম দিবে আপনার টাকার সর্বোচ্চ মুনাফা। এ স্বীমে টাকা রেখে কালক্রমে সময়ে হুয়ে যান মিলিয়নিয়ার। মেয়াদ শেষে আপনি পাচ্ছেন সর্বমোট ১০ লক্ষ থেকে ১ কোটি টাকা।

ম্যাচিউরিটি ড্যানু ও মেয়াদকাল:

- ৫-১০ বছর: ১০,০০,০০০ টাকা (১ মিলিয়ন)
- ৭-১২ বছর ৫০,০০,০০০ টাকা (৫ মিলিয়ন)
- ১০-১৫ বছর ১,০০,০০,০০০ টাকা (১০ মিলিয়ন)

ইন্টারেস্ট রেট:

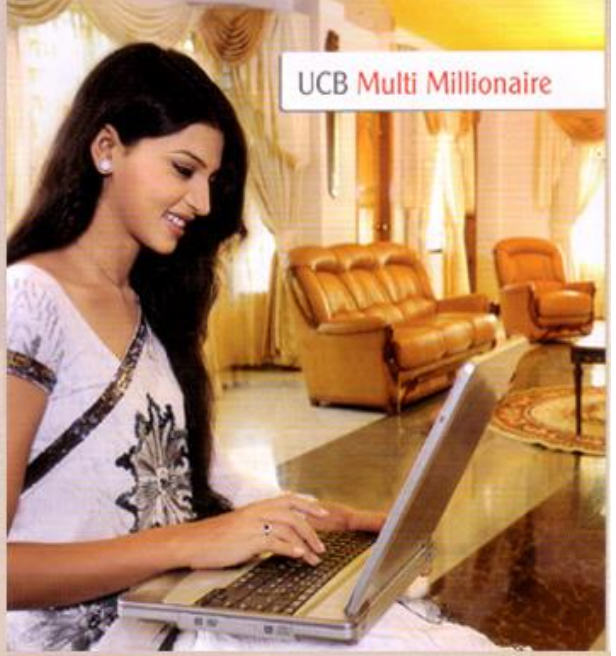
- ১১.৮৫%

লোন সুবিধা:

- ডিপোজিটের উপরে ৯০% লোন সুবিধা
- সর্বনিম্ন লোন লিমিট: ৫০,০০০ টাকা

মাসিক কিস্তির পরিমাণ ও মেয়াদ শেষে টাকার সারণী

Tenure	Monthly Installment	Equity Value
5 Years	12,365.0	10,00,000 (1 Million)
6 Years	9,690.00	10,00,000 (1 Million)
7 Years	7,800.00	10,00,000 (1 Million)
8 Years	6,405.00	10,00,000 (1 Million)
9 Years	5,335.00	10,00,000 (1 Million)
10 Years	4,495.00	10,00,000 (1 Million)



UCB Multi Millionaire

Tenure	Monthly Installment	Equity Value
7 Years	38,990.00	50,00,000 (5 Million)
8 Years	32,010.00	50,00,000 (5 Million)
9 Years	26,670.00	50,00,000 (5 Million)
10 Years	22,475.00	50,00,000 (5 Million)
11 Years	19,115.00	50,00,000 (5 Million)
12 Years	16,375.00	50,00,000 (5 Million)

Tenure	Monthly Installment	Equity Value
10 Years	44,950.00	1,00,00,000 (10 Million)
11 Years	38,225.00	1,00,00,000 (10 Million)
12 Years	32,750.00	1,00,00,000 (10 Million)
13 Years	28,225.00	1,00,00,000 (10 Million)
14 Years	24,445.00	1,00,00,000 (10 Million)
15 Years	21,265.00	1,00,00,000 (10 Million)

UCBL Multi Millionaire is a recurring monthly savings scheme for Bangladeshi Citizen who has a future plan or dream to be a millionaire o multi millionaire. Maturity Value is BDT 01.00 million, BDT 05.00 million & BDT 10.00 million.

Tenure & Interest Rate:

Tenure	Rate of Interest
05-10 Years for 1 Million	11.85%
07-12 Years for 5 Million	
10-15 Years for 10 Million	

e) DPS-Plus:

UCB DPS Plus

স্বচ্ছলতা মানে প্রিয়জনের হাসিমুখ। আপনার জীবনে স্বচ্ছলতা এনে দেবে UCB DPS Plus। প্রতি মাসে নির্দিষ্ট পরিমাণের টাকা জমা রেখে মেয়াদ শেষে আপনি পাবেন আকর্ষণীয় মুনাফা। তাই UCB DPS Plus মানেই একটু বেশি ভালো থাকা।

কবনের মেয়াদকাল:

- ৫ এবং ১০ বছর

কিস্তির পরিমাণ:

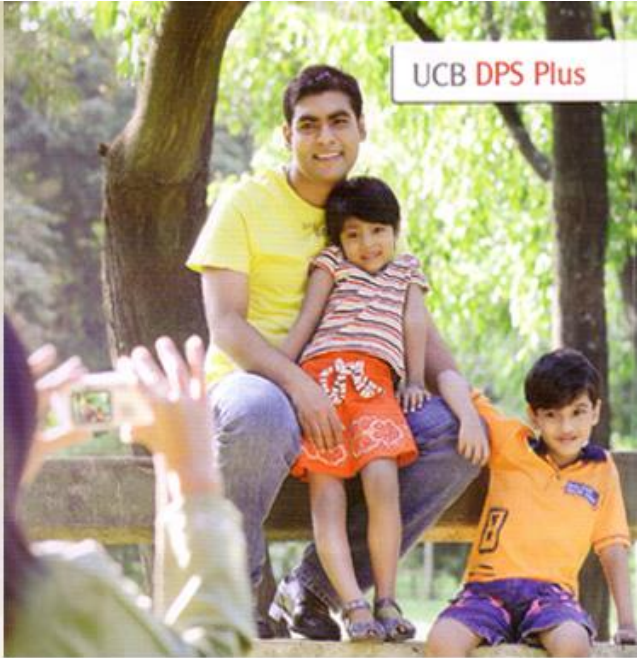
- সর্বনিম্ন ৫০০ টাকা
- ১,০০০ টাকার গুণিতক
- সর্বোচ্চ ২৫,০০০ টাকা

ইন্টারেস্ট রেট:

- ১১.৫০%

লোন সুবিধা:

- ডিপোজিটের উপরে ৯০% লোন সুবিধা
- সর্বনিম্ন ৫,০০০ টাকা লোন নেয়া যাবে



UCB DPS Plus

মাসিক কিস্তির পরিমাণ ও মেয়াদ শেষে টাকার সারণী

Monthly deposit	5 Year payable	10 Year payable
500	40,050	1,09,150
1,000	80,150	2,18,350
5,000	4,00,900	10,91,800
10,000	8,01,800	21,83,600
15,000	12,02,700	32,75,450
25,000	20,04,550	54,59,100

UCBL DPS Plus is a recurring monthly savings scheme for Bangladeshi Citizen. It is a monthly savings plan created for developing the savings habit of customers and turn small savings into a large amount of money over a certain period of time.

Maximum instalment will be TK 500/- and Maximum instalment will be any multiple of TK 1000/- but not exceeding TK 25000/-

Tenure & Interest Rate:

Tenure	Rate of Interest
5Years	11.50%
10 Years	

5.6. Necessary papers/documents for opening of an account:

Individual/Joint Account:

For any individual/joint account the following papers/documents are required:

- a) Two copies of photograph of the account holder(s) who will operate A/C.
- b) Introducer-attested by current/savings account holder.
- c) Service paper photocopy or Nationality certificate by commissioner or photocopy of Passport.

If the account is a joint account, then the joint account holder submit a declaration and operational instruction of the account along with their signature. The declaration is *“Any balance to the credit of the account is and shall be owned by us as joint depositors. Any liability whatsoever incurred in respect of this account shall be joint and several. “*

Proprietorship Firm:

The following documents have to be submitted for preparing an account of a Proprietorship firm:

- Name of the firm.
- Name of the Proprietor.
- Copy of Trade license.
- Seal of Proprietorship firm.

Partnership Firm:

The following documents have to be submitted for preparing an account of a partnership firm:

- a)** Partnership deed.
 - (i)** If the partnership firm is a registered one, then one copy of registration forms.
 - (ii)** If not, then a copy of certificate from the notary public.
- b)** Certified copy of valid trade license.
- c)** Trade seal.
- d)** Partnership account agreement (Draft enclosed)

Limited Company:

For the opening of an account of a limited company, following documents have to be submitted:

A copy of resolution of the company that the company decided to open an account in the UCBL.

Certified true copy of the Memorandum & Articles of Association of the Company.

Certificate of Incorporation of the company for inspection and return along with a duly certified Photocopy for Bank's records.

Certificate from the Register of Joint Stock Companies that the company is entitled to commence business (in case of Public Ltd. Co. for inspection and return) along with a duly certified Photocopy for Bank's records.

Non-Govt. College / School / Madrasha / Muktab:

Up to date list of Governing Body / Managing Committee.

Copy of Resolution of the Governing Body / Managing Committee authorizing opening and operation of the account duly certified by Gazetted Officer.

Trustee Board:

Following documents have to be obtained in case of the account of trustee board:

Prior approval of the Head Office of UCBL.

Certified copy of Deed of Trust, up to date list of members of the Trustee

Board and certified copy of the Resolution of Trustee Board to open and operate the account.

5.7. The Cash Counter Section

We know that a Bank is the Dealer of Money; it receives money and pay money. Where cash counter should be the heart of any commercial bank's branch office as it receives and pay cash every moment at its working time. Cash Counter also does a very important work by managing the Bank's flow of Fund. All the money of any Bank Business enters & exits through the cash counter. This section is the major part of Bank that works as the customer service oriented section. The efficiency of this section of a Bank crates the good image of that Bank to the all type of customers. If the officials can serves at once the customer than it proves the strong human resources of that Bank and increases customer satisfactions, which improve the overall position of that Bank in the market. Generally followings are some tasks done by the cash counter:

Cash Receive

Cash Payment

Receive Current Bill, Titas Gas Bill, T&T Bill, GP Mobile Bill, AKTEL Mobile Bill and also receiving Abudhor Gifari College students' salary and Leading University students' semester fees.

Fund Management by maintain sufficient amount of cash each day. Because, if the amount of cash receives of any day is more than that of estimated, the bank has to pay more to the Insurance Company as premium of that excess amount. On the other hand if for any reason the amount of cash is less than the estimated amount, the Bank can't satisfy the customers' demand.

Payment of ATM and Credit Cards.

Payment of Western Union.

5.8. The Account Department:

This is the most confidential department of a bank. Recording all kinds of transactions of the branch, confirming their accuracy and preparing statements are the main job of this department. Now a day under computerized banking system, the jobs of accounts department become very easy. Now the computer directly prepares the clean cash statement on party ledger vouchers. The function of the accounts department can be divided into two parts:

Daily function

Periodical functions

5.8.1. Daily functions:

The routine daily tasks of the accounts departments are as follows:

Record the daily transactions in the cashbook.

Record the daily transactions in general and subsidiary ledger.

Prepare the daily position of the branch comprising of deposit and cash.

Prepare the daily statement of affairs showing all the assets and liability of the branch as per ledger and subsidiary ledger separately.

Pay all expenditure on behalf of the branch.

5.8.2. Periodical Tasks:

The routine periodicals tasked performed by the department are as follows:

Prepare the monthly salary statements for the employees.

Publish the basic data of the branch.

Prepare the weekly position for the branch, which is sent to the Head Office to maintain Cash Reserve Requirement.

Prepare the monthly position for the branch, which is sent to the Head Office to maintain liquidity requirement.

5.9. Cheque Clearing Section:

In Clearing Section, Cheque, Dividend Warrants and other forms of financial instruments, which are easy for encashment, are received. The clearing department sends these instruments to the Clearing House of the Bangladesh Bank for collection. As soon as cash is received the amount is deposited in the client's account. Collection of cheques, drafts etc. on behalf of its customers in one behalf of its customers in one of basic function of a commercial Bank. Clearing stands for mutual settlement of claims made in between member banks at an agreed time and place in respect of instruments drawn on each other. Negotiable instrument Law provides protection to a banker who collects a cheque or a draft if the banker fulfils the following conditions:

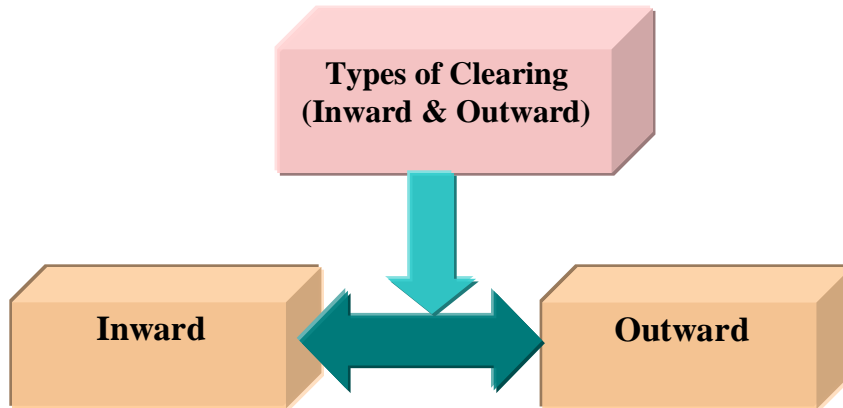
He collects the instrument for customer

The instrument be crossed

The banker acts in good faith and without negligence

5.9.1. Types of Clearing:

Inward Clearing: The bank provides the instruments to other banks through Clearing House which have been collected from different clients. It performs this kind of service for its clients without requiring any charge or the remittance.



Outward Clearing: outward clearing means when a particular branch receive instruments drawn on the other bank within the clearing zone and those instruments for collection through the clearing arrangement is considered as outward clearing for that particular branch.

5.9.2. OBC (Outward Bill Collection)

If a party gives a check to a branch of UCBL to collect money from a branch of another bank which is not situated in the clearing house then the UCBL collect money through OBC. In case of OBC two ways exist to collect money from another bank.

In the first way, the receiving branch of UCBL send the check with forwarding letter to the branch of another bank which name are included in the cheque. After receiving the cheque that branch of the bank send a D.D. to another branch of their bank which are situated in the same clearing house of payee's branch of UCBL. After that they issue pay order to the name of payee's branch name and

Send the check to the clearing house and UCBL collect this cheque through clearing house and credit the payee's account.

In the second way, UCBL, payee's branch sent the cheque to another branch of UCBL which are situated in the same area of another bank's branch (which name are included in the cheque). Then the receiving branch of UCBL collect the amount of cheque through outward clearing by clearing house of those areas and issue a credit advise to the payee's branch. After that, payee's branches credit the payee's account. The following procedure maintain:

Only cheques are received who has the account in the bank

It is receive with the deposit slip.

OBC round seal is given on both the cheque and pay-in-sleep.

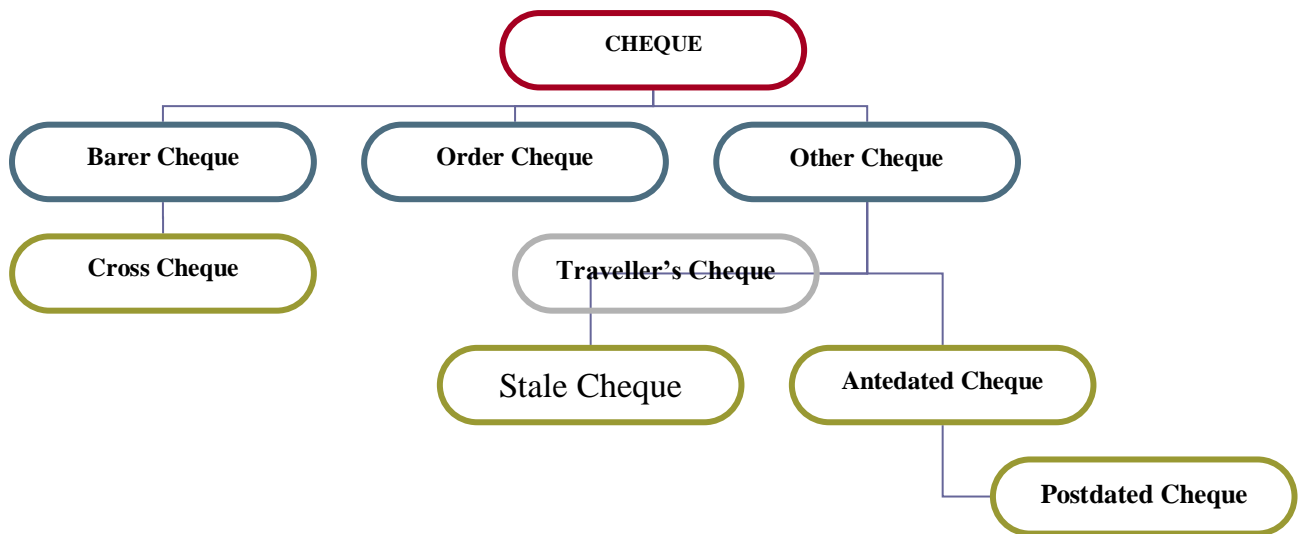
Counter part is given back to the party.

Entries are given to the register

5.10. Cheques:

A cheque is a very important document. A cheque is always supposed to be drawn against the funds in the party's account in the bank. It may be crossed for safety.

5.10.1. Types of Cheques that this bank deals in are shown in a flow chart:



5.10.2. Issue of a cheque book

Separate registers are maintained for issuing CD/CC accounts Cheque Books of 25, 50 and 100 leaves and SB account Cheque Books of 10 leaves.

At the time of opening of an account, the customer is required to sign a Cheque Book Requisition Slip .If the account opening form is found complete in all respects, a Cheque Book is issued to the client. Also new cheque books are issued to the account holder verifying his/her signature in his used cheque book.

The account number is written in each leaf of the Cheque Book and in its requisition slip.

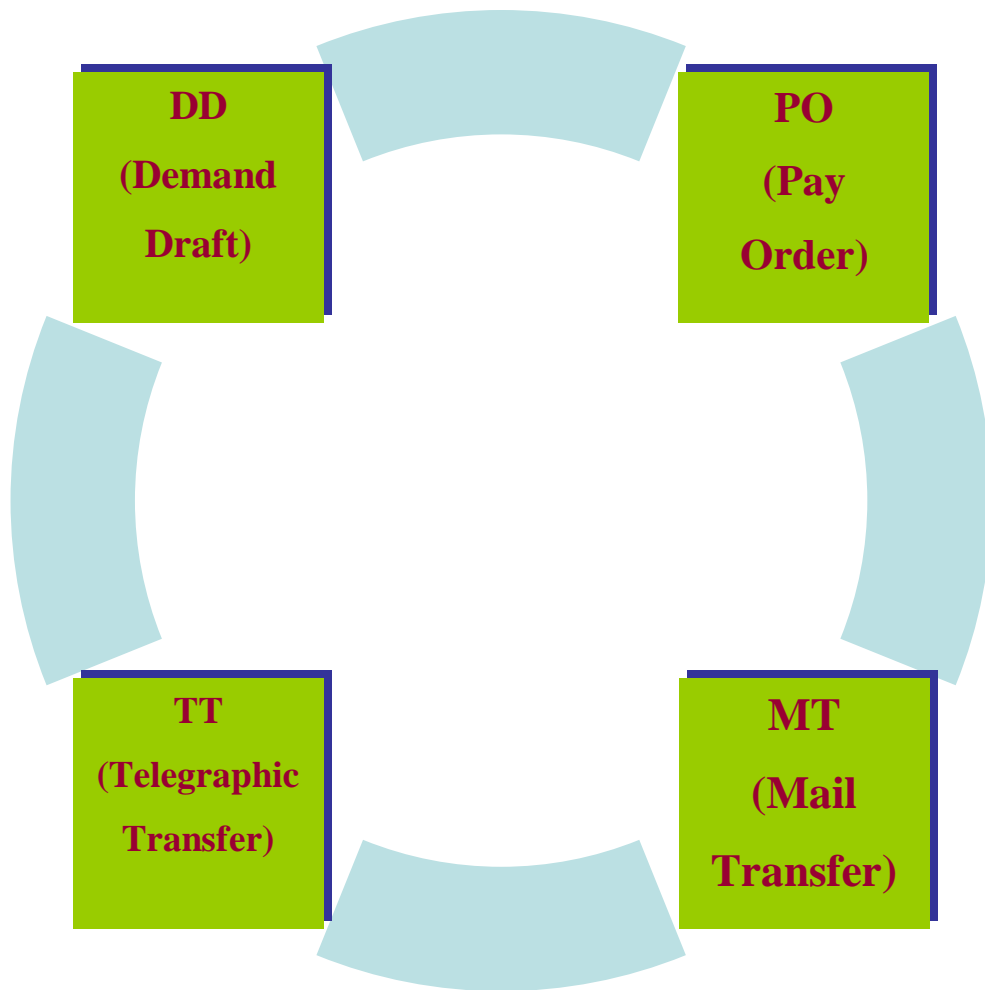
The name and account number of the customer is also entered in the register against the particular Cheque Book series and it is also recorded in the database.

The requisition slips should be preserved as Vouchers.

5.11. Local Remittance Departments

Remittance is significant part of the general Banking. The Bank receives and transfers various types of bills through the remittance within the country. Obviously the bank charges commission on the basis of bills amount. UCBL remittances are safe, swift, inexpensive and simple.

5.12. Types of Remittance



a) Pay Order:

Pay Order is an instrument, which is issued from a certain branch of a bank and must be encashed from the same branch. It is like the cash but exactly not the cash. One who is

maintaining an account with UCBL, branches can purchase a pay order; it is more liquid than cash. It is used for remittance purpose within the clearing area covered by the branch.

Issuing Procedure

Against Cash

The customer is asked to complete an application form, which is treated as credit voucher. Commission is charged and a voucher is prepared crediting Income Account Commission. After receiving the voucher from cash section duly signed by the cash office, the Pay Order slip is filled up according to the voucher. The no. of the PO slip is given in the voucher. The number of the PO slip and the name of the payee are entered in the pay order register. PO along with the voucher and the register are sent to the officer in charge for checking and signatures.

Against Letter of Instruction

The letter is sent to the deposit department for verification of signatures, other procedure is similar that was explained in pay order against cash. The following table shows charges on issuing Pay Order:

Amount taka	Commission + VAT
TK. 1 to 1000	25 + 4
Above TK. 1001 to 1 Lac	50 + 8
Above TK. 100001 to 5 Lac	75 + 12
TK. 500001 to 10 Lac or Above	150 + 23

Payment of Pay Order

When a customer submits a PO for encashment the following procedures are done:

It is authenticated comparing its particulars with the PO Register. If the particulars matches with those mentioned in the PO register, date seal is given in the specific cage of the register. After that it is sent to the authorized office for verification along with the register. If the authorized officer finds it genuine he signs over it and sends to the cash counter for payment if the party wants cash payment.

The following entries are made

Dr: Bills Payable Account PO issued

Cr: Cash

If the customer wants to deposit the PO to his account, the following entries are made

Dr: Bills Payable Account PO issued

Cr: Party's A/C

b) DD (Demand Draft)

By DD any person can send money from one branch to another branch of UCBL. To send the money he/she must fill up the UCBL's prescribed form of DD and paid charge commission and receive DD block. The following information is included in the DD Block:

Name of the sender Branch.

Name and account of the party who receive the money.

For security purpose a confidential test number are included in the DD Block.

Amount of money to be transferred.

Name of receiver Branch.

The sender sends this block to the Receiver branch of DD. When this DD block receive by the receiver branch. The authorized officers of the receiver branch test the DD confidential number and if the test is proved then he/she give the money to the payee.

This is an order to pay money, drawn by one branch of a bank upon another branch of the same bank for a sum of money payable to order on demand. D.D can be issued against.

cash,
cheque,
letter of instruction

Procedure of issuing D.D

Against cash:

A customer having account in the branch is asked to complete form, which is treated as an application as well as credit voucher for the issuing branch.

Commission charges are calculated and inserted in the cage provided in the voucher.

The voucher is given to the customer to deposit the cash with the cashier

The cashier receives the cash and delivers the voucher to Remittance Department against initials in his book

- e) Draft is prepared and entered in Drafts Issued Register. Separate foils are allotted in the register for various branches.

Branch wise serial number and the number of the month is given on the draft besides the printed number putting an oblique {/} in between. The amount of the draft is protecting graphed.

Against Cheque

- a) The cheque is sent for passing and cancellation

- b) The following entries are passed:

- (i) If the cheque includes commission charges,

Dr: Party's account (cheque)
Cr: Concerned branch a/c
Cr: Income Account Commission on Demand Drafts

If the cheque does not include commission charges

Dr Party's Account (cheque)
Cr: Concerned branch a/c

Dr. Party's Account with amount of commission
Cr: Income account Commission on Demand Drafts

Payment of Demand Draft:

After receipt of advice

On receipt of advice from drawing branches following entries are passed. The signatures of the issuing branch shall be verified by the responding branch.

Dr: Branch Concerned (Branch advice is treated as debit voucher)

Cr: Bills Payable Account-Demand Draft payable.

Particulars of the above are entered on drafts Payable Register in which separate foils are allotted to every branch and an index is maintained in the first page.

The particulars are checked and initialled by the in charge.

Payment in cash

The dates, amount in words and figures, branch drawn upon and signatures on the drafts are checked,

Particulars of the draft are verified from the register.

Payment date is noted on the register

Stamp is affixed on the face of the Draft.

Draft together with the register is sent to the Officer-in Charge for cancellation and initials in the register

After Cancellation the Draft is sent to the cash department for payment

Payment in Clearing

- a) Collecting Bank's Stamp, crossing and discharge are checked.
- b) Other procedure is similar to that explained in payment in cash.

c) TT (Telegraphic Transfer)

To send money urgently UCBL may be requested for TT on payment of a nominal charge and telegram charges.

Any person urgently sends money from one branch to another branch within UCBL through TT.

When a message of TT send through phone from one branch to another branch in that time the message received by the authorized officer who has a right of power of Attorney. After that, he/she fills up the TT form. Following things are included in the T.T. form:

T.T number

T.T. test number

Name and Account number of the payee

Power of attorney number of the sender and receiver of T.T.

The amount to be transferred.

After fill up of T.T. form he tests the Test number of T.T. If he/she ensured through testing the test number then he credit the account of the payee. On the other hand, if the Test number is not proved then he/she callback to the sending branch of T.T. and request to send a new T.T.

Though it is yet called Telegraphic Transfer (T.T.), it is actually done through telephone. The issuing branch makes a telephone call to the branch at the other end, to pay a certain amount of money to a named payee's account maintained with the drawee branch or through a pay order if no account is

with the drawee branch. In UCBL; the charge for Telegraphic transfer is Tk. 1.5 per thousand Telephones charge is Tk50

Issue of Telegraphic Transfer

Against cash:

The customer is asked to complete a T.T application form, which is also treated as credit voucher for branch concerned.

Telegraphic Transfer is entered in the T.T. issued register. Separate foils are maintained for separate area.

Other procedures are as follows:

Telephone charges are also recovered from the customer and are credited to Income Account T.T Charges Recovered.

T.T. number is written in the voucher and the voucher along with the register is sent to the in charge for Signature.

Test of T.T is written and handed over to the in charge.

Against Cheque:

Commission Charges are calculated and inserted in the cage provided in the application form

Party is advised to draw cheques, favoring branch and deposit the same to the receiving cashier

Cashier receives cheque and sent it to the officer in Charge for passing and cancellation.

The following entries are passed.

If the cheque includes commission charges,

Dr: Party's Account

Cr: Branch Concerned a/c

Cr: Income A/C Commission on T.T.

If the cheque does not include commission charges:

Dr: party's Account (cheque)

Cr: Branch Concerned a/c

Dr: Party's A/C with the amount of commission.

Cr: Income Account Commission on T.T.

- e) Party is asked to fill up the application form
- f) Telegraphic Transfer is entered in the T.T. issued register.
- g) Similar procedures are adopted as explained in Para (b) of T.T against cash.

Payment of Telegraphic Transfer

Receipt of Telegram

Telephone call is received writing down the name of issuing branch & responding branch, T.T no, issuing date, favoring person & a/c no, T.T amount and test of T.T And the test is confirmed and verified by the authorized in charge and the manager.

If the test does not agree a telephone call is made back to the issuing branch asking them to repeat the test of the T.T with correct test no.

If the test agrees the T.T is received by the responding branch.

Following entries are passed.

Dr: H.O issuing branch a/c

Cr: T.T. payable account

Dr: T.T. payable account

Cr: Party's Account

d) MT (Mail Transfer)

Money can be sent through mail transfers to any body who has an account in any other branch of the same bank for this purpose the sender shall have to furnish details like.

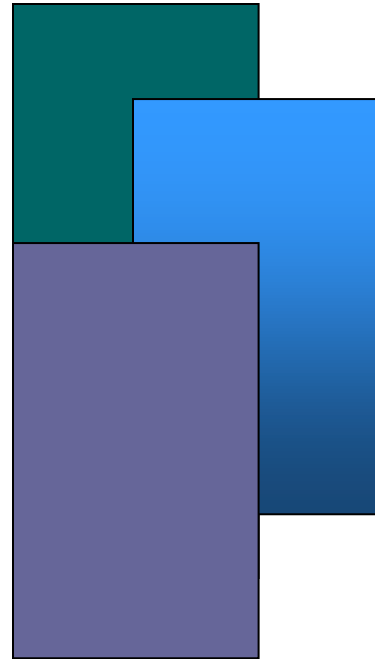
The name of the beneficiary and his/her account number

The amount to be transferred

The name of the branch where the account is maintained.

CHAPTER-06

OVERVIEW OF THE CREDIT



6.1. Overview of the Credit

Turnover is axle on which the entire business activity rotates. Banking is essentially a business dealing with money and credit. Like every other business activity, banks are profit oriented. A bank invests its funds in many ways to earn income. The bulk of its income is derived from loans and advances. So this is the survival unit of the bank because until and unless the success of this section the survival is a question to every bank. Credit is the earning unit of the bank. If this section is not properly working the bank become itself may be bankrupt.

Credit is a continuous process. Recovery of one credit gives rise to another credit. In this process of revolving of funds, bank earns income in the forms of interest. Nature of credit may differ in terms of security requirement, disbursement provision, terms and condition etc. The major portion of the assets of a company other than bank/ financial institution comprises the land, building, machinery and stock in trade. But in case of a bank/ financial institution the above components are insignificant portion of assets. The loans are the main portion of the assets of a bank.

6.2 What is Credit?

The word “credit” is derived from the Latin word “credere”, which means to trust. The fundamental nature of credit is that an element of trust exists between buyer and seller-whether of goods or money. The right to receive or an obligation to pay a certain sum of money including a mark-up agreed thereon on demand or at determinable time in exchange of goods and services may be termed as credit.

“Credit is a means of borrowing money from a person or company or returning it at a later date, usually with accrued interest charged on top of the initial sum”

-Dr. Md. A.R. Sharif

Credit means any arrangement however named or described that is irrevocable and thereby constitutes. A define undertaking of the issuing bank to honor a complying presentation.

In monetary theory, the use of some one else's funds in exchange for a promise to pay (usually, with interest) at a later date. The major examples are short-term loans from a bank, credit extended by suppliers, & commercial paper.

In balance-of- payments accounting an item such as exports that earns a country foreign currency.

6.3 WHAT IS THE CREDIT MANAGEMENT?

Bank is a financial intermediary whose prime function is to move scarce resources in the form of credit from savers to those who borrow for consumption and investment. The main use of bank fund is to collect money form surplus unit and lend it to deficit economic unit as credit. A bank's main earning source is interests on different credits. In order to ensure the effectiveness and efficiency of utilization of bank fund in the form of credit, the bank has to carry out a certain course of action that is known as credit management.

6.4 IMPORTANCE OF CREDIT MANAGEMENT:

If bank's credit management is not good then the bank will never ever achieve its primary goals. In achieving the basic objectives of a bank, credit operation of the bank is of paramount importance as the greatest share of total revenue of the bank is generated from it, maximum risk is centered in it and even the very existence of bank depends on prudent management of its credit policies and strategic planning. The failure of a commercial bank is usually associated with the problem in credit management not only features dominant in the assets structure of the bank.

6.5 CREDIT MANAGEMENT OF UCBL:

UCBL has been established with the objective of providing efficient and innovative banking services to the people of all sections of our society. Towards attainment of its goals and objectives, the bank pursues diversified credit policies and strategic planning in

credit management. Bank has extended micro credit, consumers durable scheme loans, house building loans etc. to cater to the needs of the individuals, which turn has helped thousands of families. The bank also extends loan in the form of trade finance, industrial finance, and project finance, export & import finance etc. The bank's credit policies aimed at balanced growth and harmonious development of all the sectors of the country's economy with top most priority to ensure quality of lending by averting growth of non-performing assets.

6.6 CREDIT RISK:

The risk of loss that might occur if one party to an exchange fails to honor the terms under which the exchange was to take place.

6.7 CREDIT RISK MANAGEMENT OF UCBL:

This is one of the major risks that can be described as potential loss arising from the failure of a counter party to perform as per contractual agreement with the UCBL. A separate corporate division has been formed at Head Office, which is entrusted with the duties of maintaining effective relationship with the customer, marketing of credit products, exploring new business opportunities etc. The UCBL has segregated the functions of credit approval, administration, monitoring and recovery by forming three separate units within Credit Division. In determining the credit limit, the instructions of Bangladesh Bank are strictly followed. Internal audit conducted on periodic interval to ensure compliance of Bank's and Regulatory policies.

6.8 WHAT IS CREDIT ANALYSIS?

Credit analysis means an active bond portfolio management strategy designed to identify bonds that are expected to experience changes in rating. This strategy is critical when investing in high-yield bonds.

6.9 Functions of Credit Department

Ensuring that funds are disbursed only after compliance with terms and conditions

Required documents received.

Make sure that the bank has always valid and current loan documentation.

Ensuring that the collateral security is adequate at times to support the loans.

Keeping the loan documentation under safe custody.

Ensuring that the bank receives sufficient valid insurance cover whenever required from a recognized insurance company.

Monitoring the receipt of periodical receivable.

Debiting the client for all charges, interest etc.

Maintaining the central liability records for all extensions of credit and balancing the totals with General Ledger.

Pursuing with the party.

6.10. Types of the Loan:

There are mainly three types of loan. Such as-

CONTINUOUS LOAN.

DEMAND LOAN.

TERM LOAN.

LOAN AGAINST IMPORTED MERCHANDISE (LIM).

LOAN AGAINST TRUST RECEIPT (LTR).

PAYMENT AGAINST DOCUMENTS (PAD).

6.11. CREDIT POLICY OF UCBL:

The credit policy pursued by Bangladesh Bank is to be aimed at ensuring development of scarce Bank resources in the best possible manner for increasing production, employment and Real income within its objective and justice need for containing money supply within a safe limit.

UCBL takes the policies, which help the development of several sectors of the country under general credit division. For achieving the proposed goals of the principles of development of a number of sectors such as Agricultural, Economical, Industrial and Trade the bank follow the guidelines of Bangladesh Bank; this is the credit policy of UCBL. This policy is changeable. If Bangladesh Bank resists providing credit in any sector UCBL does not provide any credit in those sectors.

6.12. Mechanism of Credit Distribution of the United Commercial Bank Ltd.:

The primary factor determining the quality of the bank's credit portfolio is the ability of each borrower to honor, on a timely basis. All credit comities made to the bank. The authorizing credit personnel prior to credit approval must accurately determine this. If the report of the project appraisal is very satisfactory to approve the loan proposal, than the following steps furnish the approval procedure:

Make a proposal by the client to the bank

Give all the necessary documents

Bank will send the parties statement to the Bangladesh Bank, their CIB (Credit Information Bureau) will inquiry that whether this party is defaulter or a new one.

Bank will take the collateral from the party and analysis that how much it will cover the total loans.

Bank will send this proposal to the head office. In the head office the Board of Directors and Managing Director will approve the loan.

Head Office will send the approval to the branch office.

6.13. SAILIENT FEATURES OF UCBL CREDIT POLICY:

Funded facility 15% of paid up capital.

Assets are built based on customer's deposit that should not exceed 80% of deposit.

Rate of interest is variable based on customer's integrity and risks associated.

Type of security varies on the basis of risks associated in credit.

Diversification from all angle viz. type of credit, geographical location, size of credit, sectors and sub-sectors etc.

Aggregate long-term credit facilities shall not exceed 20% of total credit portfolio.

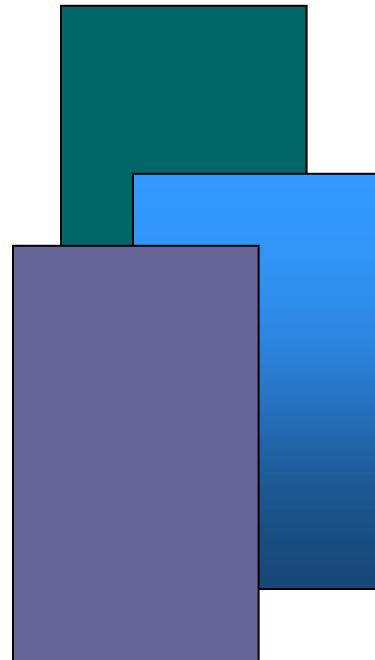
Single customer's exposure should not exceed 50% of the Bank's Capital Funds.

Lending Risk Analysis is done in most cases.

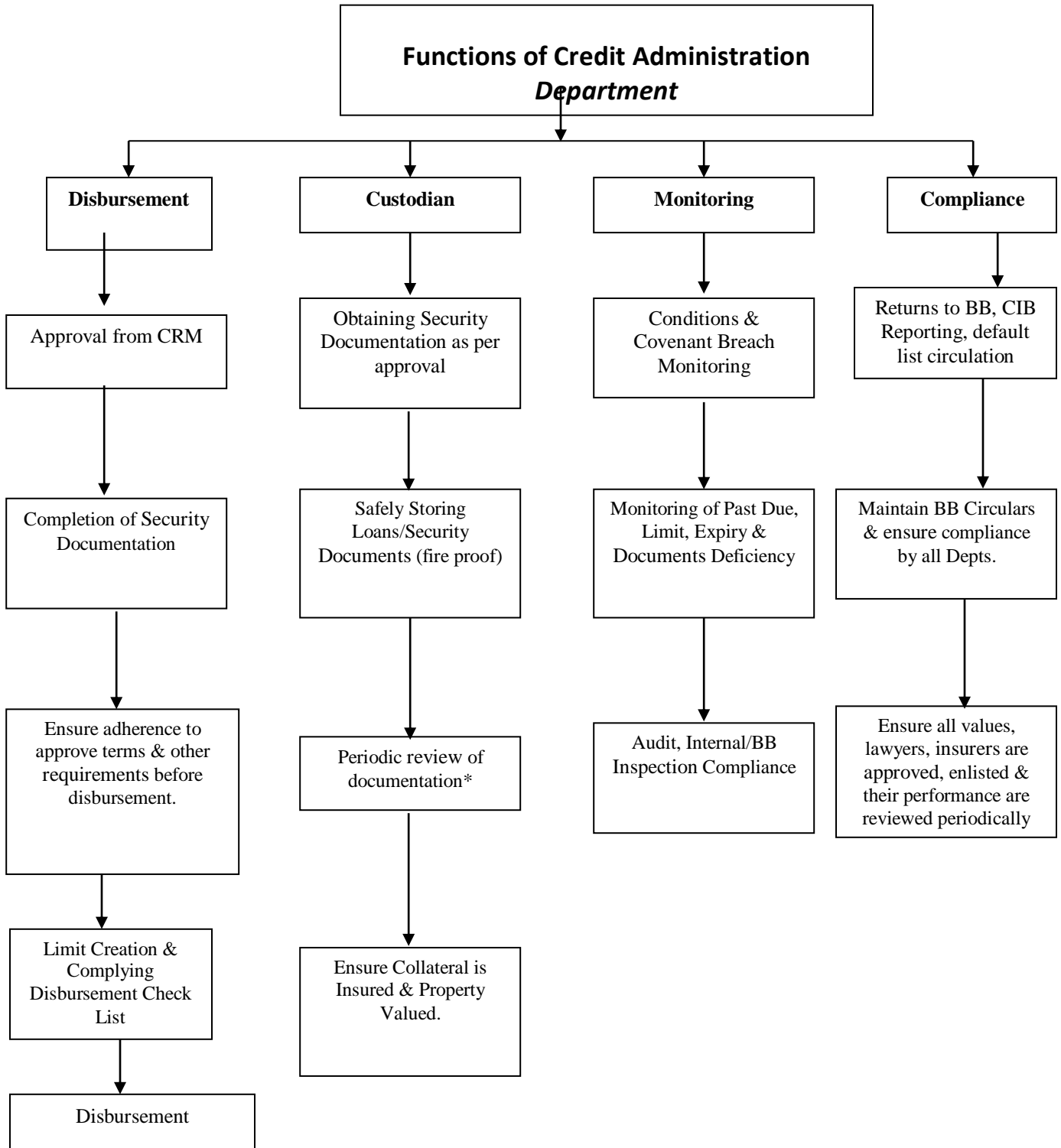
Assessment of volume or amount of credit properly.

CHAPTER-07

CREDIT MANAGEMENT OF UNITED COMMERCIAL BANK LTD. (UCBL)



7.1 Credit Administration Flowchart



The main objective of a business organization is to get more profit. If the business rotates successfully the profit is gained in a satisfactory mode. As we know very well that bank is nothing but a financial intermediary and it takes deposit from surplus economic units and deploy the fund to deficit economic units through credit deployment, so the more recoverable credit is deployed the more profit is gained. In fact this credit deployment process is being run under Advance department.

The Advance department is very important part of the branch operation that also provides administrative support for the lending activities of the branch. The Advance department provides an effective perfect check and balance on funds lend to clients and that the transaction is within approved limit for borrower and amount. In UCBL, a big amount of loans and advances are sanctioned every year.

7.2. Lending Principles Followed By UCBL

As liquidity and profitability are conflicting considerations, UCBL. As a bank while-employing the funds pays due regard to both profitability and liquidity. In order to secure a balance between liquidity, profitability and security UCBL follows the following principles of sound Lending:

Safety:

UCBL, branches exercises the lending function only when it is safe and the risk factor is adequately mitigated and covered. Safety depends upon-

The security offered by the borrower.

The repaying capacity and willingness of the borrower to repay the loan

Liquidity:

The liability of bank is repayable on demand or at a short notice. So the bank has to maintain its liquidity at a sufficient level. Investment on building, plants, machinery, land etc. cannot be recovered quickly, so it is less liquid.

Profitability:

Profit is needed to pay interest to depositors, depreciation and maintenance, declare dividend to share holders, provide for reserve against bad & doubtful debit etc. So like all other banks UCBL also disburse advances to earn profit.

Security:

To ensure safety of advances banks take different types of securities like FDR, Sanchaya Patra, land etc. Banker should ensure that the securities are adequate, marketable and free from encumbrances.

Diversification of Risks:

It is very risky for a bank to invest all its assets into a particular sector or a single borrower or to one particular region. If somehow the businesses of that sector or area or borrower collapse, the bank may fail in a critical situation. So it is better to invest in different sectors/ borrowers and spread over the country.

Yield /Profitability:

From the commercial point of view UCBL considers sufficient yield or return while financing a project.

Productivity of the loan:

Banks should invest on those sectors. Which are productive?

Social Interest:

Today banks have a strong social conscience. Sometimes they invest in neglected sector to boost the economy.

Purpose of the loan:

Sometimes it is important to know for what purpose the loan is taken. The bank should not tolerate any misuse of the fund.

7.3. CREDIT (LOANS)

Loan is a kind of advance, in case of loan the banker advances a lump sum for a certain period at an agreed rate of interest. The interest is charged for the amount the customer withdraws from his account. The banker considers the following 5 Cs before sanctioning the loan.

Character: The most valuable asset of a person, which is based on the integrity and reliability of the borrower.

Capacity: This indicates the borrower's ability to employ the funds profitably and repay the advance

Capital: It refers to the borrower's own fund invested in the business.

Collateral: It indicates the security offered by the borrower.

Condition: It refers to external factors that are Business Climate.

7.4. Advance section deals with the following types of Loans:

Personal Credit Scheme (PCS).

Transport Loans (TL).

Loan (General).

House Building Loan (General).

House Building Loan (Staff).

Staff Car Loan (SCL).

Project Loan (PL).

7.4.1 Personal Credit Scheme (PCS):

It is a personnel facility provided to the staffs of UCBL. These loans are provided for buying necessary household items. At first staffs applies for loan in a prescribed form. He affixes the statement of his savings account, and quotation of the good from the seller of that good. After receiving the application the authorized officer verify it. He prepares a credit proposal and sends it to the Credit Division of Head Office. Credit Division

appraises the proposal on the basis of the balance in the account, the designation of the employee. If Credit Division is satisfied it fixes the margin, amount of loan, mode of payment, rate of interest, and instruct for obtaining other necessary documents from the customer. Credit Division prepares a sanction letter mentioning all those information mentioned above. After getting the letter the Advance Department inform the staff about that. The Pay Order is then handed over to the Seller and the staffs get the furniture. The furniture is hypothecated to the Bank.

7.4.2. Loans Against Transport:

This type of loan is usually provided to the customers who want to start transport business, or need a transport for carrying goods. The party brings quotation from three sellers of the vehicle. License of the vehicle is made in joint name of the banker and the party. Payment is made directly to the seller through a Pay Order. At the payment of Loan the party becomes the only owner of the car.

7.4.3. House Building Loan General:

This type of loan is provided to customers for building house. Registered mortgage of the land and building is taken from the customer.

The following documents are required for sanctioning this type of loan:

Limit sanction advice

Credit report on the borrower

Photograph of the borrower

Approach letter of the borrower

Copy of the legal opinion

Physical verification report

GIR number of the borrower

NOC from House and Settlement Ministry of works

Statement of Account

7.4.4. Loan General:

The purpose of this type of loan is not specific. It can be sanctioned against any kind of security. Securities may be BSP, PSP, Share Certificate, WEDB, and F.D.R etc. He may also provide other types of security. The money is transferred directly to the customer's account.

Accounting Entry:

Loan General A/C: Dr

Party A/C: Cr

7.4.5. House Building Loan (Staff):

This type of loan is provided to the staffs for building their own house. The staff must have a land to make house. The land and the building are mortgaged to the bank. The loan is realized from the monthly salary of the customer. At the time of sanctioning the loan the monthly salary of the staff, his designation, balance of his account etc. are taken into consideration. The loan is not disbursed at a time. On the basis of the progress of the work the loan is disbursed.

7.4.6. Staff Car Loan:

This is a personnel facility provided to the higher officials of the bank. Officials of the post of VP and above can get this loan. The car is licensed in the name of the bank and the staff jointly. The bank makes payment of the instalment of the loan from its own fund.. When the loan is fully recovered, the staffs become the owner of the car. But if he retires before recovery of the loan, he cannot become the owner of the car. Bank becomes the owner then,

Accounting Entry:

Staff Car Loan A/c: Dr

Party A/c: Cr

7.4.7. Project Loan:

UCBL finances industrial sector through this type of loan. The bank sanctions loan for civil construction, Imported Machineries, Local Machineries, and Installation etc. The Bank also provides Working Capital facilities on Raw Materials, Finished Materials. The following formalities are maintained in case of project loan.

Security:

Mortgage of project land.

Additional Collateral security.

Registered Mortgage is created over the landed property.

Registered irrevocable power of attorney to be executed by the owner of the landed property and factory building in favour of the bank authorizing the bank to dispose of the properties in case default of repayment by the borrower without reference to the court.

First Charge on all assets and book debts of the company with the register of Joint Stock Companies.

Personal guarantee of all the directors of the company.

Hypothecation of all the plant, machinery and equipments of the project.

Pledge is furnished on raw materials.

The company will not effect any changes in the structure of the Board.

Without prior permission from the Bank.

CREDIT (Overdraft)

7.5. Overdraft:

Overdraft (OD) is an arrangement between a banker and its customer by which the latter is allowed to withdraw over his credit balance in the current account up to an agreed limit. This is only a temporary accommodation usually granted against securities. The borrower is permitted to draw and repay any number of times, provided the total amount overdrawn does not exceed the agreed limit. The interest is charged only for the amount drawn and not for the whole amount sanctioned.

A cash credit differs from an overdraft in one respect. A cash credit is used for long time by businessmen in doing regular business whereas overdraft is made occasionally and for short duration.

There are two kinds of overdraft. Such as-

- A) Secured overdraft
- B) Temporary overdraft

Secured overdraft: Secured overdrafts are loans, which have collateral, attached to them in the form of a lien. A lien is a monetary claim against a property to be fulfilled before repeat ownership can take place.

Secured overdraft divided into two forms. There are –

- a) **Secured overdraft financial obligation (SOD-FO),**
- b) **Secured overdraft general (SOD General).**

SOD (FO): Allowed against financial obligation (Like- FDR, SSS etc.) for promotion of economic and business activities.

SOD (General): Generally allowed to the traders for business promotion and economic activities. In case of SOD (General), bank keeps the land as collateral.

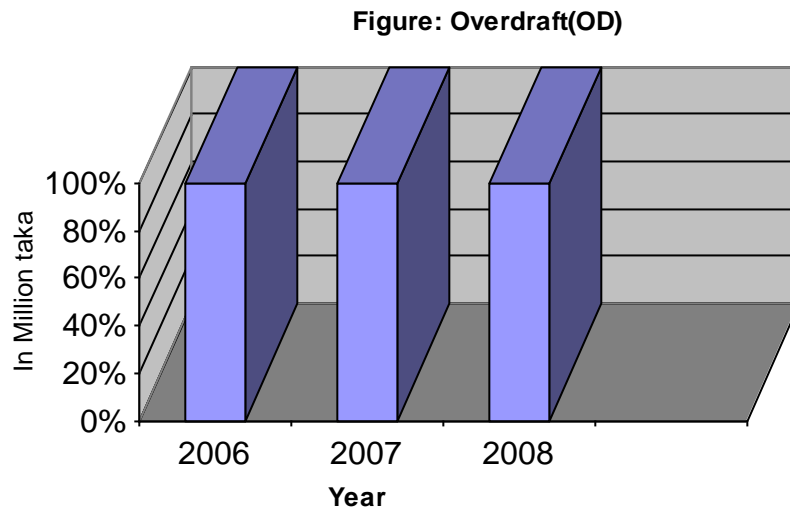
B) Temporary overdraft: Temporary overdraft also called unsecured overdraft. Banks, sometimes, grant temporary overdraft for small amount to customers having current account with them. Such customers may be government employees with fixed income or traders. Unsecured overdrafts are permitted only where reliable source of funds are available to a borrower for repayment.

Overdraft of UCBL for the year 2005, 2006 & 2007 is –

TK in million		
2006	2007	2008
2581.99	4001.58	5656.26

Table: Overdraft (OD)

Annual Report 2007- 2008



This diagram indicates that UCBL’s customers’ cooperation was satisfactory level.

That’s why it’s increased over the last three years.

Secured Overdraft, Temporary Overdraft, Cash Credit (Hypothecation). Cash Credit (Pledge) is covered in this type of advance. Overdraft is an arrangement between a banker and his customer by which the latter one is allowed to withdraw over and above his credit balance in the CD A/C up to an agreed limit. A Cash Credit differs from Overdraft in the respect that CC is used for long term and Overdraft is made occasionally, that is for a short duration.

7.5.1. Temporary Overdraft (TOD):

Banks sometime grant unsecured overdraft for small amounts to customers having CD account with them. TOD is permitted only when reliable sources of funds are available to the borrower for repayment. It is usually provided against DD, Cheque etc. Which have been presented for collection but not yet collected? Though these documents are not lined but these are kept in the respective departments for collection. When these are collected the advances are realized from the proceeds of these instruments.

7.5.2. Sanction Overdraft (SOD):

Frequently banks permit overdraft against securities like FDR, DPS, Saving Certificate, WEBD, ICB Unit Certificate, etc. At present UCBL, issue SOD only against financial obligations. They are:

Share Certificate.

FDR.

ICB Unit Certificate.

Sanchaya Patra.

Wage Earners Development Bond (WEBD).

Defense Certificate.

Advance against Share Certificate is not encouraged.

7.6. Cash Credit (CC):

A Cash Credit (CC) is an arrangement by which the customer is allowed to borrow money up to a limit. This is a permanent arrangement and the customer need not draw the sanctioned amount at once, but draw the amount as and when required. They can put back any surplus amount, which they may find with them. Thus Cash Credit (CC) is an active and running account, which deposits and with drawls may be affected frequently. Interest is charged only for the amount withdrawn and not for the whole amount charged.

If the customer does not use the cash credit (CC) limit to the full extent, a commitment charge is made by the bank. This charge is imposed on the unutilized portion of Cash Credit (CC) only.

7.6.1. Cash Credit (Hypothecation):

This type of credit is allowed to the traders and industrial borrowers for promoting trade and commerce and industries. In case of hypothecation the possession of goods is not given to the bank. The goods remain at the disposal and in the go downs of the borrower. This is given access to goods whenever it so desires. The borrower furnishes periodical return of stock with the bank. The mortgage of movable property for securing loan is called hypothecation. Hypothecation is a legal transaction whereby goods are made available to the lending banker as security for a debt without transferring either the property in the goods or either possession. The banker has only equitable charge on stocks, which practically means nothing. Since the goods always remain in the physical possession of the borrower, there is much risk to the bank. So, it is granted to parties of undoubted means with the highest integrity.

7.6.2. Cash Credit (Pledge):

Pledge is the bailment of goods as security for payment of a debt or performance of a promise. Bailor in this case of called the "Pawnor" and the bailee is called the "Pawnee". In a contract of pledge, pawnor must deliver the goods pledged to the Pawnee either actually or constructively. Transfer of possession in the judicial sense, is essential in the valid pledge. In case of pledge of goods the bank acquire the possession of the goods or a right to hold goods until the repayment for credit with a special right to sell after due notice to the borrower in the event of non-repayment.

Allowed for promoting trade, commerce and industries of the country against pledge of stock in trade under Bank's control. In case of the pledge, the goods are placed in custody of the bank with its name on the go down where they are stored. The borrower has no

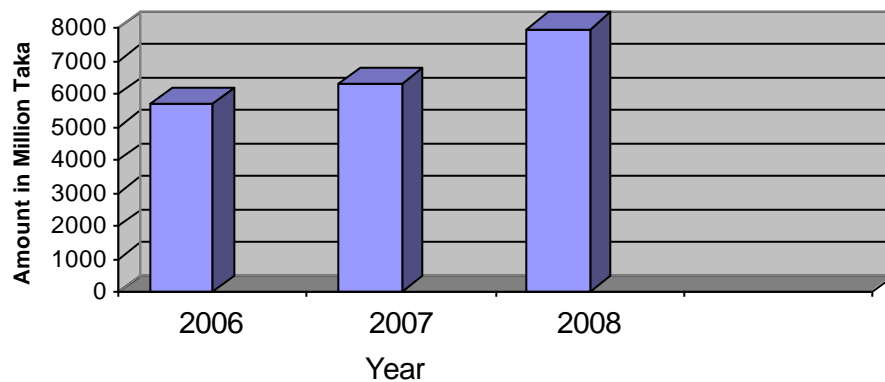
right to deal with them. Cash Credit (CC) of UCBL for last three years (2006, 2007 & 2008) is-

2006	2007	2008
5709.72	6326.45	7975.13

Table: Cash Credit (CC)

Annual Report 2007-2008

Figure: Cash Credit (CC)



Over the year UCBL's cash credit increased. Reason behind this is – they provided quality services to their customers and other thing is- business people understood the usefulness of this type of advances.

7.7. Required Information for Loan Sanction:

Investigation will have to be made about his business, trade experience, dealings, assets & liabilities etc. from various sources. His account statement with other banks will also be included in this investigation. His financial statements and income tax returns will have to be seen. Personal interview will have to be taken.

So, before sanctioning a loan a banker should consider the following points:

Loan Application

Trade License, partnership deed, Memorandum of Association

Study of Accounts

Financial statement.

Personal Interview

Other bank's confidential opinion

CIB report of Bangladesh Bank

For sending proposals to the Head Office the following documents are required:

Loan application

Photograph of the borrower

Declaration of the borrower

Credit report on the borrower, which should be prepared by the branch

Limit sanction advice

Statement of Stock

Documents: Memorandum of deposit of title deed.

Mutation certificate- Parcha, Khothanean

Up to date rent pay receipt

Legal opinion

Valuation certificate of the property

7.8. Different types of loans and formalities required for sanctioning those types of loans:

Rates of Interest on Lending:

<i>SL No.</i>	<i>Categories of Lending's</i>	<i>Maximum rates of Interest with immediate effect (% P.A)</i>
1	Agriculture	
	Loans to primary producer	10.00
2	Term Loan to Large & Medium Scale Industry	13.00
3	Term Loan to Small & Cottage Industries	14.75
4	Working Capital on Industrial Sector	
	a) Working Capital on Large & Medium scale Industry	13.00
	b) Working Capital on Small scale Industry	14.50
5	Exports	7.00
6	Commercial Lending's	13.00
7	a) House Building Loan (Residential)	13.00
	b) House Building Loan (Commercial)	14.00
8	Consumer/ Retail	17.00
9	Credit Cards	2.5% Per Month
10	Non Banking Financial Institution	14.50
11	Others(Loans & Advances to other than the above sectors as given below):	
	a)Loans/ Advances against ICB units/ WEDBs /FDRs and other term deposit receipts issued by other banks	14.00
	b)Transport Loan	14.50
	c)Brick Financing	14.00
	d) Work Order etc.	14.00
	e)Loans against FDR issued by our branches	3% above the interest rate allowed on the relevant FDRs but maximum14.00%
	f) Loan against DPS/MSS/Liability Products	15.00

Loans are the largest asset item, which generally account for half to almost three-quarters of the total value of all banks assets. A bank's loan account typically is broken down into several groups of similar type loans. The Loan and Advances made by the **UCBL** can broadly be classified by following categories-

Continuous Loan.

Demand Loan.

Term Loan.

Other Special Scheme.

7.9. Types of Loan

7.9.1. Continuous Loan:

These are those advances, which do not have any set schedule for drawing or disbursement but usually have a terminal date of full adjustment or repayment. Example: Cash Credit (CC), Over Draft (OD).

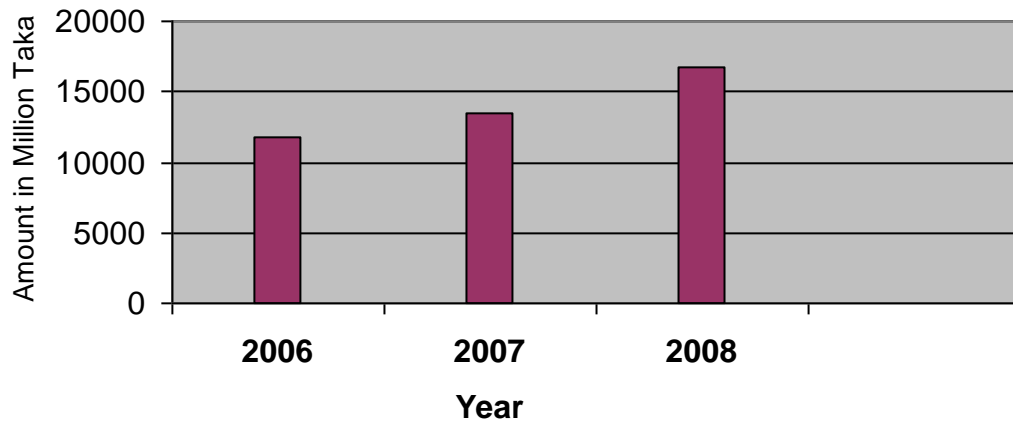
Continuous Loan of UCBL for last three years (2006, 2007 & 2008) are-

Amount in Million		
2006	2007	2008
11734.92	13,411.54	16,764.65

Continuous Loan

Figure: Continuous Loan

Continous Loan



7.9.2. Demand Loan:

The loan which become payable after serving demand notice by the bank concerned are termed as Demand Loan.

Example: LIM, LTR, PAD, Loan against Packing Credit, Loan against Investment etc.

Demand Loan of UCBL for last three years (2006, 2007 & 2008) are-

Amount in Million		
2006	2007	2008
4433.55	6232.07	11103.62

Demand **Loan**

Demand Loan

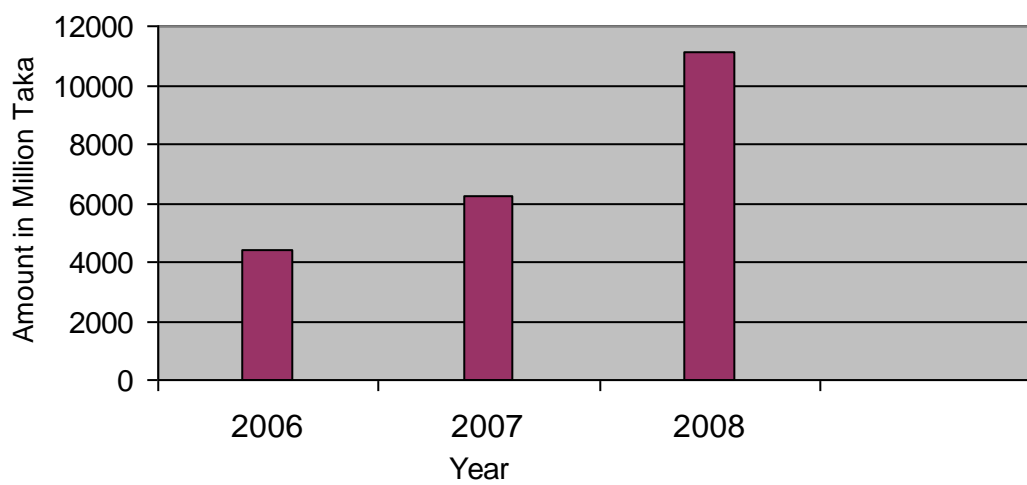


Figure: Demand Loan

7.9.3. Term Loan

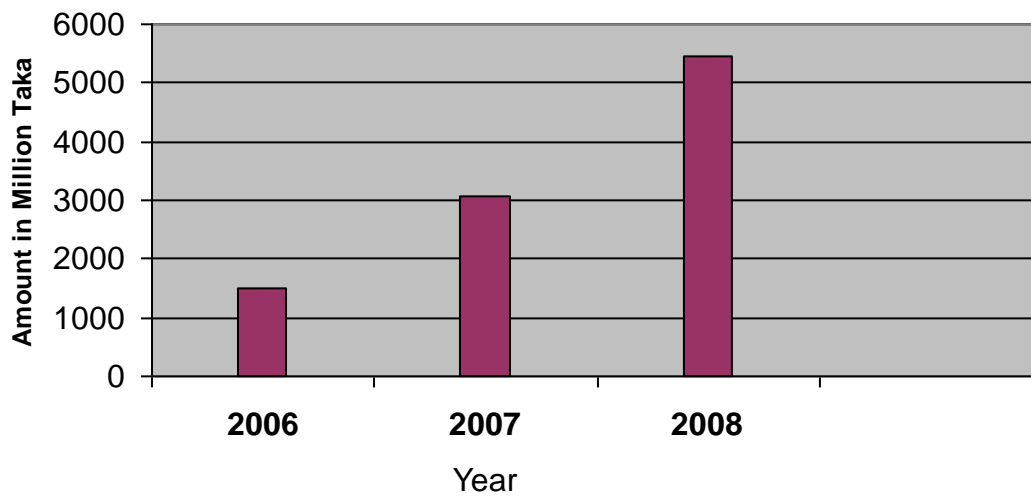
These are loans, which have a specific term for repayment as specified in the loan agreement. Example:

Term Loan of UCBL for 2006, 2007 & 2008 is –

Amount in Million		
2006	2007	2008
1507.16	3057.45	5439.84

Term Loan

TermLoan



7.9.4. Loan against Imported Merchandise (LIM):

Usually, importer fails to retire the documents in spite of repeated reminders of the banker or the bank has to clear the goods imported under the letter of credit at the request of the importer (borrower). In both the cases, whether the importer fails to retire the documents or request for clearance of goods, the outstanding under PAD or B/E is transferred to “Loan against Imported Merchandise (LIM)” account and the overdue interest from the date of accompanying Bills of Exchange or negotiating date to the date of transfer to LIM account is charged. At the time of opening of letter of credit the banks obtain from the importer an arrangement on stamped paper which provides for financing and, if necessary, clearance and storage of goods by debiting importer’s account at their risk and responsibilities. After clearance, consignments are taken delivery by the importer on full payment of bank’s liability. Normally part delivery is not allowed while on LIM account.

Loan against Imported Merchandise (LIM) of UCBL for last three years (2006, 2007 & 2008) is-

Tk. in million		
2006	2007	2008
157.86	162.71	129.84

Table –: Loan against Imported Merchandise (LIM) Annual Report 2007-2008

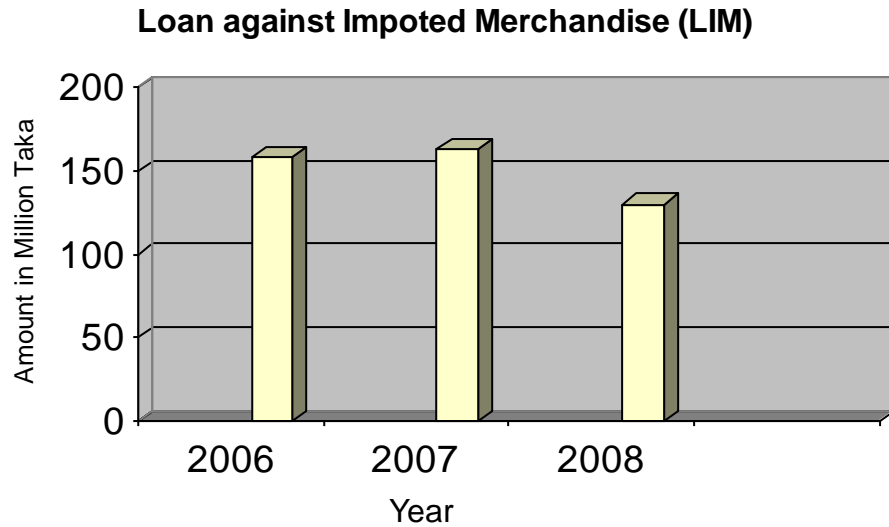


Figure: Loan against Imported Merchandise (LIM)

7.9.5 Loan against Trust Receipt (LTR):

Under this arrangement, credit is allowed to the importer to retire documents and release the consignment from the customs authority against trust, receipt keeping the goods under importer's control.

Loan against trust receipt (LTR) of UCBL for the year 2006, 2007 & 2008 is –

Tk. in million		
2006	2007	2008
377.14	518.69	729.32

Table: Loan against Trust Receipt (LTR) Annual Report 2007-2008

UCBL's LTR increased year to year. In the year 2006 it was 4422.14 million but in the year 2007 it was 7404.74 million. In our country most of the goods are imported. That means, we spend a large amount of money in import financing. So, UCBL should be taken necessary step to continue this growth of LTR.

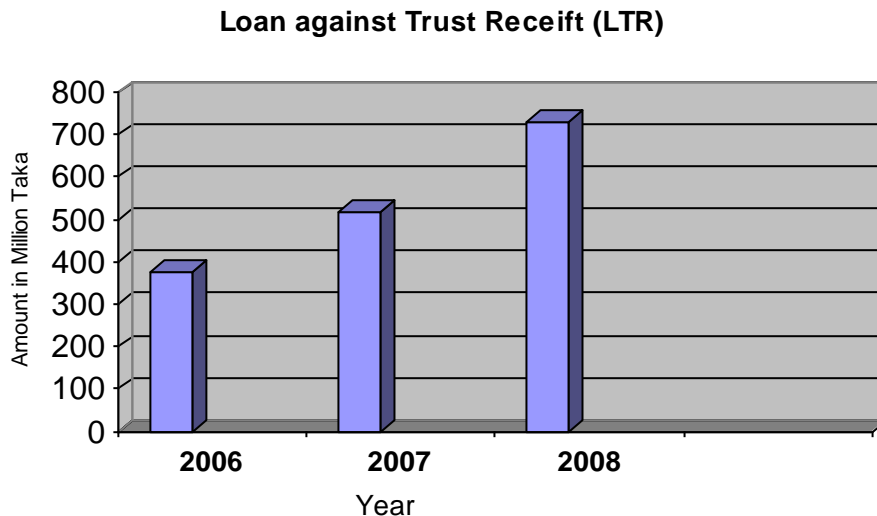


Figure: Loan against Trust Receipt (LTR)

7.10.CREDIT PORTFOLIO OF UCBL:

Credit portfolio of the Bank consists of Trade financing, Project Loans for new projects and BNRE of the existing projects, Working Capital financing and Small Scale Industries financing. Besides, the Bank is financing the need of individual borrowers under Consumer Credit scheme. The Bank is also involved in financing in Agriculture sector. Credit portfolio recorded a growth of 11.26% in 2008. But side-by-side write-off of classified loans and advances amounted to tk 953.14 million. The total outstanding loans and advances stood at tk. 28361.46 million at the end of December 2008.

Large and Medium Loan Financing:

According to CRM policy Guidelines Large and Medium Loan Financing is under the preview of all loans and advances excluding consumer finance(CF) and Small Enterprise Finance(SEF), other than Trade Financing, bulk of large and medium loan financing is made on prospective industrial sectors such as Textile, Garments, Transport, Power, Telecommunication etc.

Consumer Financing:

In order to increase market share, Bank has developed various new consumer product to cater to the needs of emerging market. The products are- Easy Loan(Secured Personal Loan), Consumer Durable Loan, Porua (Education Loan), Thikana (House Building Loan), Flexi Loan(Personal Loan), Peshajeebi Loan(Loan for Professionals), Auto Loan and Festival Loan.

Small Enterprise Financing:

For financing small enterprises Bank offers 13 different products for selected target groups such as Easy Commercial Loan, Retailers Loan, Transport loan, Commercial House Building Loan, Possession Right Loan, Contractor Loan, Bidders Loan, Working Capital Loan, Letter of Guarantee, Letter of Credit, Loan against Import Merchandise, Loan against Trust Receipt and Project Loan.

Agricultural Financing:

Bank is increasing its presence in Agriculture Credit and designed various new products. For this purpose, Bank is utilizing its own rural branch network as well as NGO Network in rural areas in disbursing loan to the farmers. Exposure in Agricultural Sector at the end of 2008 was tk 232.89 million of which tk 85.10 million was disbursed directly and tk 147.79 million through NGO (BRAC).

Lease Financing:

Bank introduced Lease Financing in August, 2006 through 11 selected branches. The number of branches by the time rose to 36. In the year 2008, Bank sanctioned lease finance facility of tk. 365.65 million registering a growth of 30%.

These credits are allowed against the following securities:

Shares of various Companies approved by Head Office from time to time and listed in the Stock Exchange.

Fixed Deposit Receipts (FDR) issued by the Bank.

Fixed Deposit Receipts (FDR) issued by the other Banks.

Government Promissory Notes.

Assignment of bills against work orders/ supply orders and receivables.

Hypothecation of capital Machineries and equipments.

Immovable Property.

Imported merchandise- pledged or hypothecated.

Import Bills.

7.11 Mechanism of Credit Distribution of the United Commercial Bank Ltd.:

The primary factor determining the quality of the bank's credit portfolio is the ability of each borrower to honor, on a timely basis. All credit comities made to the bank. The authorizing credit personnel prior to credit approval must accurately determine this. If the report of the project appraisal is very satisfactory to approve the loan proposal, than the following steps furnish the approval procedure:

Make a proposal by the client to the bank

Give all the necessary documents

Bank will send the parties statement to the Bangladesh Bank, their CIB (Credit Information Bureau) will inquiry that whether this party is defaulter or a new one.

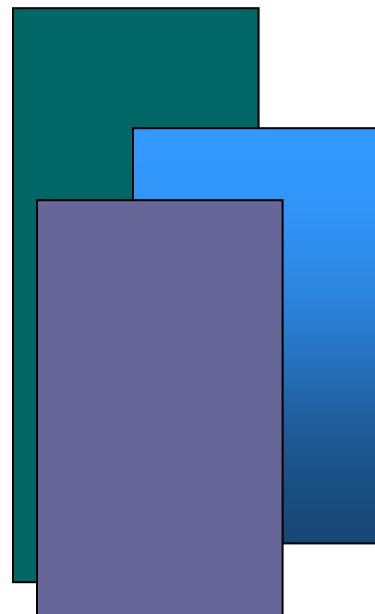
Bank will take the collateral from the party and analysis that how much it will cover the total loans.

Bank will send this proposal to the head office. In the head office the Board of Directors and Managing Director will approve the loan.

Head Office will send the approval to the branch office.

CHAPTER-08

FOREIGN EXCHANGE OPERATION OF UNITED COMMERCIAL BANK LTD. (UCBL)



8.1. An overview of Foreign Exchange:

In the modern world no country is self sufficient, one country is to depend on the other countries and from this point of view there arises the question of foreign trade and foreign currency transactions. That is, the international trade involves foreign exchange transactions particularly for receipt and payment against export and import of goods and services from one country to another. As without foreign exchange transactions we can not think of foreign trade. Of course, various rules and regulations are to be followed in collection with the foreign trade and foreign exchange transactions.

It is well known fact that the money is a medium of exchange for all transactions that take place inside the country as well as outside the country. In Bangladesh, we have the Taka for financing the internal trade and other obligation. So, the home currency has to be converted into currencies of other currencies, to meet the obligation that arises out import of goods and services from other countries. That part of the economic science that deals with the conversion of home currency into foreign currency for the purpose of setting international obligations is called foreign exchange.

The Foreign Trade of a country refers to its imports and exports of goods and services from and to other countries under contract of sale. No country in the world produces all the commodities it requires. A country may produce more goods if it has comparative advantage in producing such goods. A country exports its surplus goods after the fulfilment of its domestic needs. On the contrary, for domestic needs it imports necessary goods from other countries.

8.2. Foreign Exchange Regulation Act, 1994:

This Act regulates the exchange of foreign currencies, remittances and opening of foreign currency account under various classifications. According to this law, FC Accounts can be opened without initial deposits, and bears no interest and both the account holder and the nominee can operate the account. The entire remittance from adored is free from income tax. It also states the documents required for the opening of such account.

8.3. Definition of Foreign Exchange:

Foreign Exchange means foreign currency and includes all deposits, credits and balance of payable in foreign currency as well as Draft, Traveler's checks, Letter of Credit, Bills of Exchange drawn in local currency but payable in foreign currency.

- Foreign Exchange Regulation ACT, 47, Sec 2 (a)

Foreign exchange means foreign currency and includes any instrument drawn, accepted, made or issued under clause 13 of section 16 of the Bangladesh bank Order, 1992 all deposits and credits and balances, Travelers checks, Letter of Credit and Bills of Exchange, expressed or drawn in Bangladesh currency but payable in any foreign currency.

- Bangladesh Bank Order 1972

System or process of converting one national currency into another and of transferring money from one country into another.

- Dr. Paul Einzing.

H. E. Evitt, "Foreign Exchange" as the means and methods by which rights to wealth expressed in terms of the currency of one country are converted into right to wealth in terms of currency into another.

8.4. Foreign Trade

No country can produce all kinds of goods and another country, from this sense, mainly this is the origin of foreign trade. When two countries exchange goods or services between them we can call it foreign trade. Many writers define it in many ways. Some of them are given below-

"International trade is the transaction of goods and services between two or more countries"

Prot. C.P. Kridleberger

According to prof. O.M. Amos- "International trade is the exchange of goods across nation trade is the exchange of goods across national boundaries".

"International trade is a trade among different countries or trade across political frontiers".

8.5. Foreign Exchange Department

Foreign Exchange refers to the process or mechanism by which the currency of one country is converted into the currency of another country. Foreign exchange IS the means and methods by which rights to wealth in a country's currency are converted into rights to wealth in another country's currency. 'Foreign Exchange' as a subject, then it means all kind of transaction related to Foreign Currency, as well as currency instruments, such as Draft, MT, TT, TC, and Payment Order & Foreign Trade.

Bangladesh Bank issues Authorized Dealer (AD) license by observing the banks performance and also the customers associated with the bank for conducting foreign dealings.

Back Ground of Bank's Involvement

Banks play a vital role by minimizing the risk of two parties, namely buyer and seller. In fact without the help of Banks we can not think about a congenial international trade environment. Now the question comes how banks help international trade. We know that in a local trade there is a chance to know about each other. But in international trade the involved parties stay two distant places. For a buyer the following risks are involved-

Risk of non-delivery of goods.

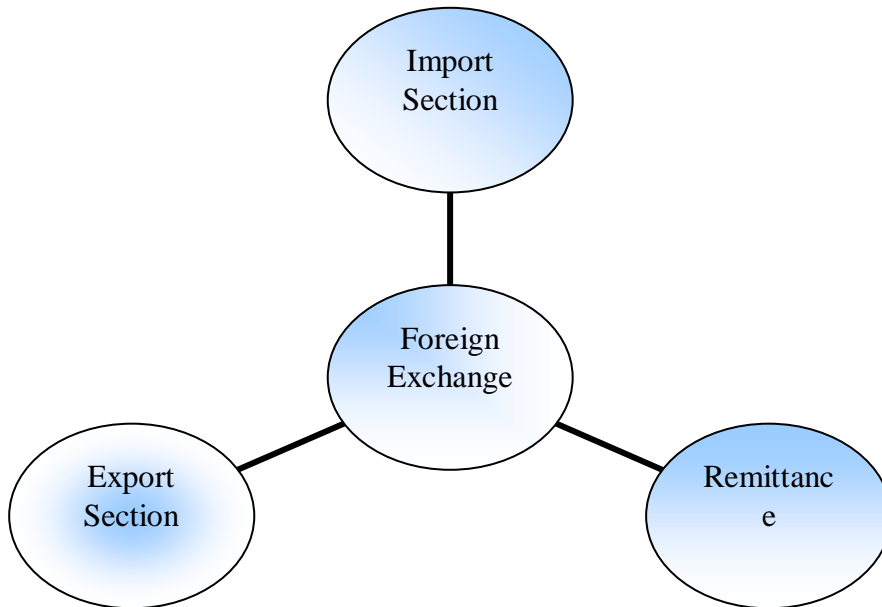
Risk of receiving sub standard goods.

Risk of fraud in goods.

For the seller the following risk is involved-

Risk of non-payment.

To reduce the aforesaid risks an independent system is introduced which will safeguard the buyers as well as seller in an international trade. Actually banks play due.



8.6. Necessity of Foreign Exchange

No country is self-sufficient in this world. Every one is more or less dependent on another, for goods or services. Say, Bangladesh has cheap manpower whereas Saudi Arabia has cheap petroleum. So Bangladesh is dependent on Saudi Arabia for petroleum and Saudi Arabia is dependent on Bangladesh for cheap manpower. People of one country are going to another country for Education, Medical Service etc. One-country export Agricultural commodities, another country exports Industrial products, all these transactions needs Foreign Currency & are related to Foreign Exchange.

8.7. Foreign Exchange Department of UCBL:

Foreign Exchange is an important department of UCBL, which deals with import, export and foreign remittances. Foreign exchange is an International Department of the Bank. It facilitates international trade through its various modes of services. It bridges between importers and exporters. This department mainly deals in foreign currency, that's why it is called foreign exchange department.

This department is playing an important role in enhancing export earning which aids economic growth and in turn it helps for the economic development, on the other hand, it also helps to meet those goods and services, which are most demandable and not adequate in our country.

8.8. Functions of Foreign Exchange:

L/C opening & L/C amendment
Sanctioning PAD, LIM, LTR, Packing Credit
Foreign Bill Purchase
Local Bill Purchase
Foreign Currency Account Maintaining
Foreign Currency Remitting

8.9. Activities of Foreign Exchange of UCBL

There are three kinds of Foreign Exchange transaction

Import.

Export.

Remittance.

8.10 Organogram of Foreign Exchange

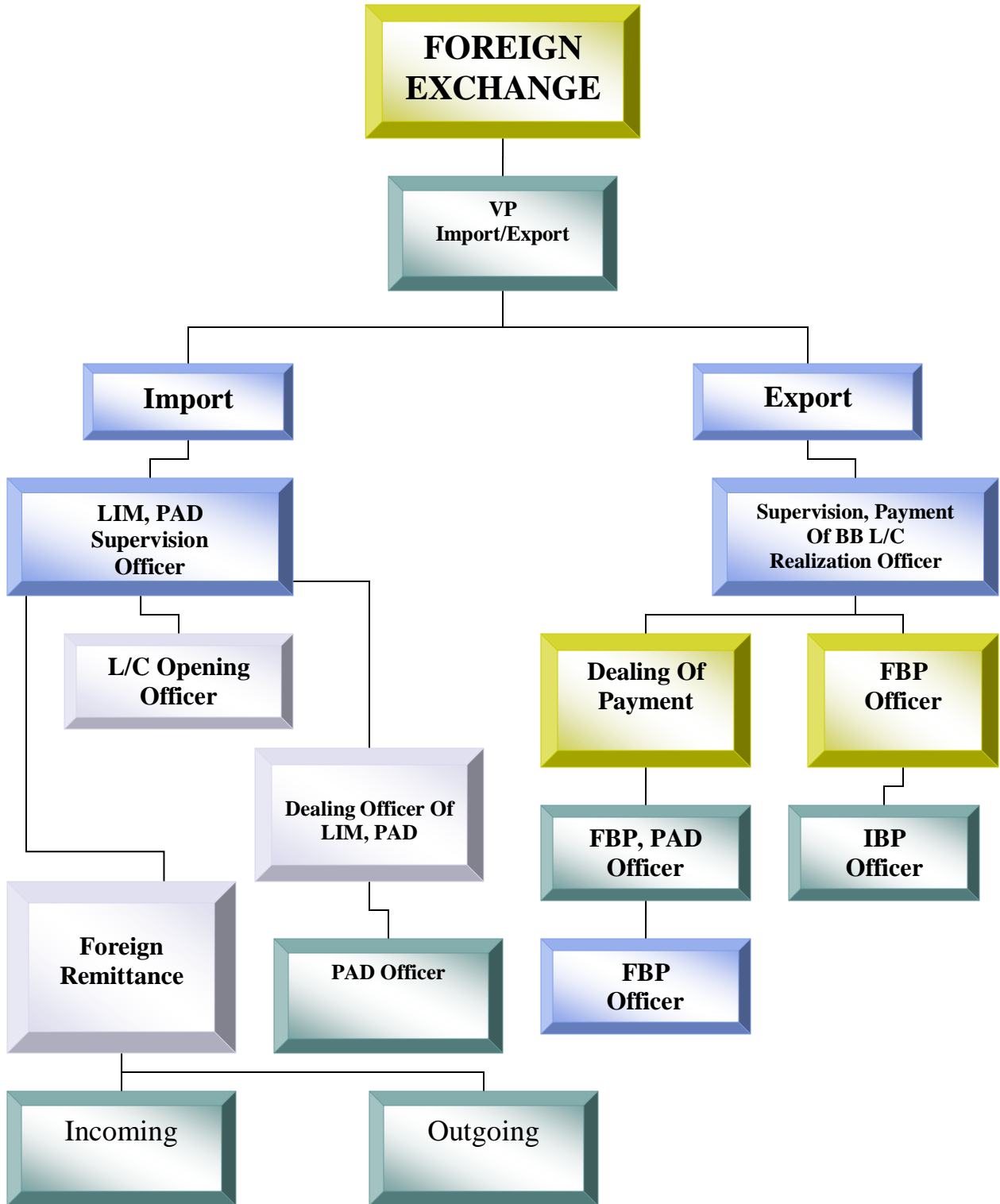


Figure: Functions of Foreign Exchange of SBL

8.11 Mechanism of Foreign Exchange:

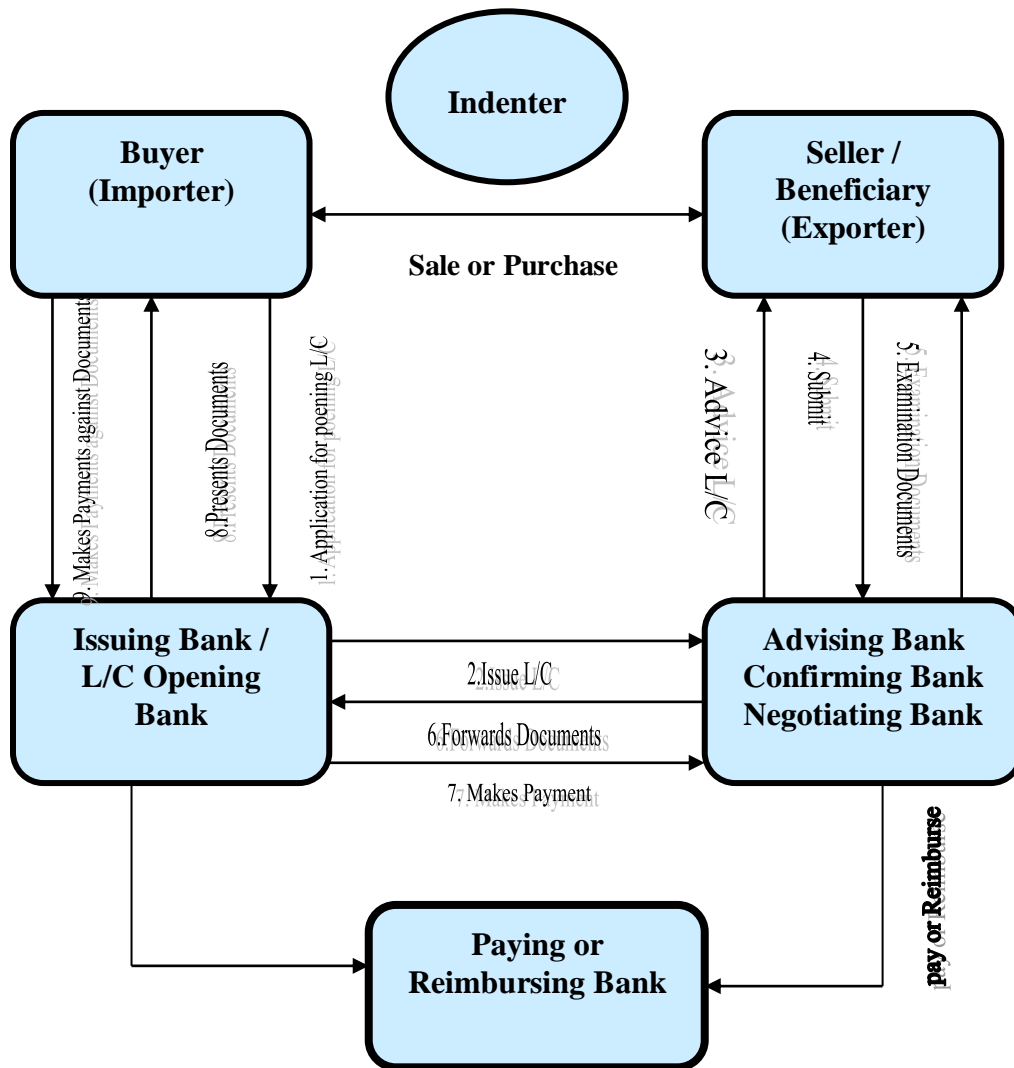


Fig: Foreign Exchange Mechanism

IMPORT SECTION

Import procedure of UCBL Bank

8.12. Import Control Act-1950

As per Import Control Act-1950 no person can indent, import or export any goods into Bangladesh except in case of exemption issued by the Government of the peoples Republic of Bangladesh. So for doing import business at first every importer should obtain Import Registration Certificate

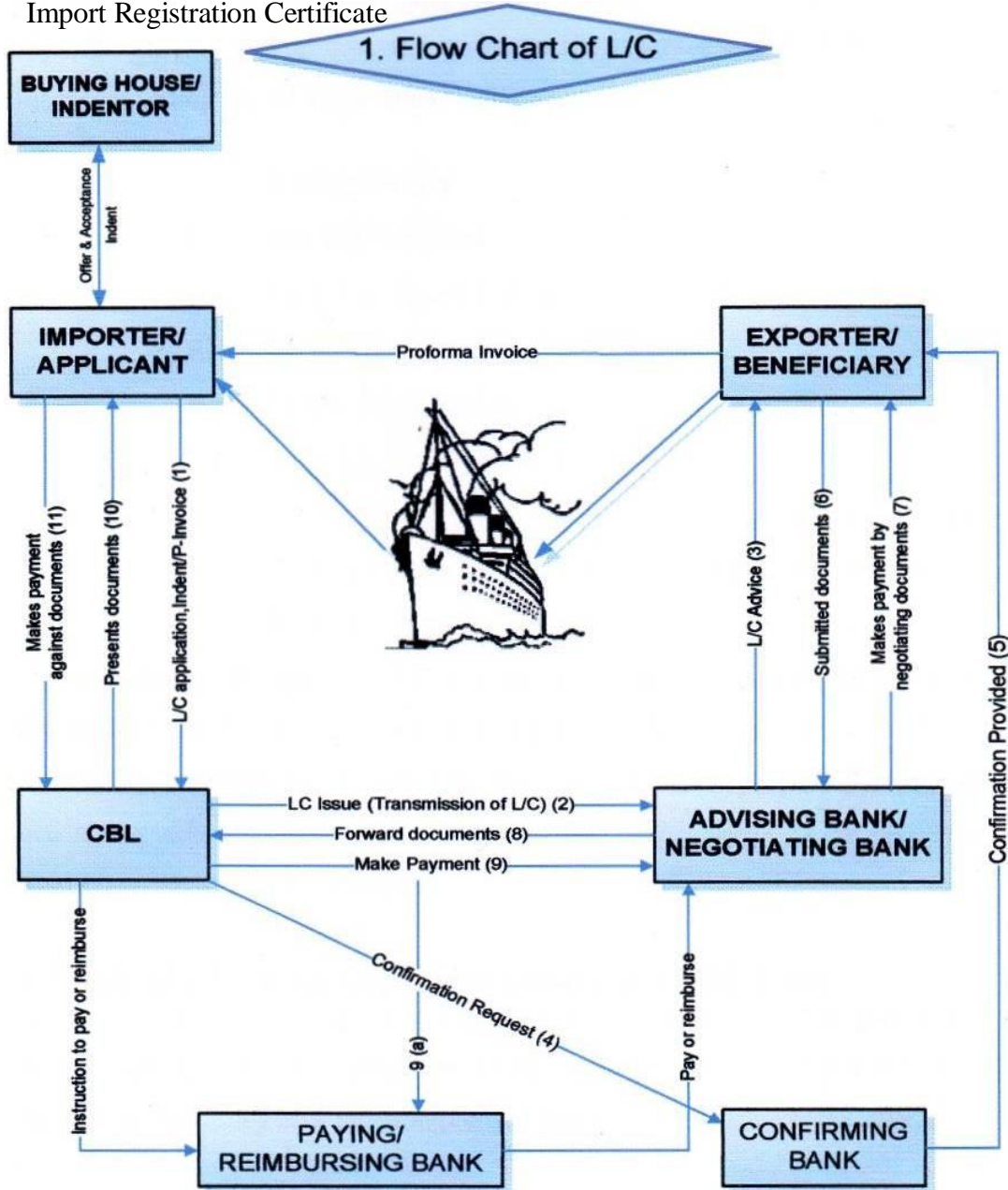


FIG: Flow Chart of Import Procedure

8.13.Import Section

8.13.1 Foreign Trade Department

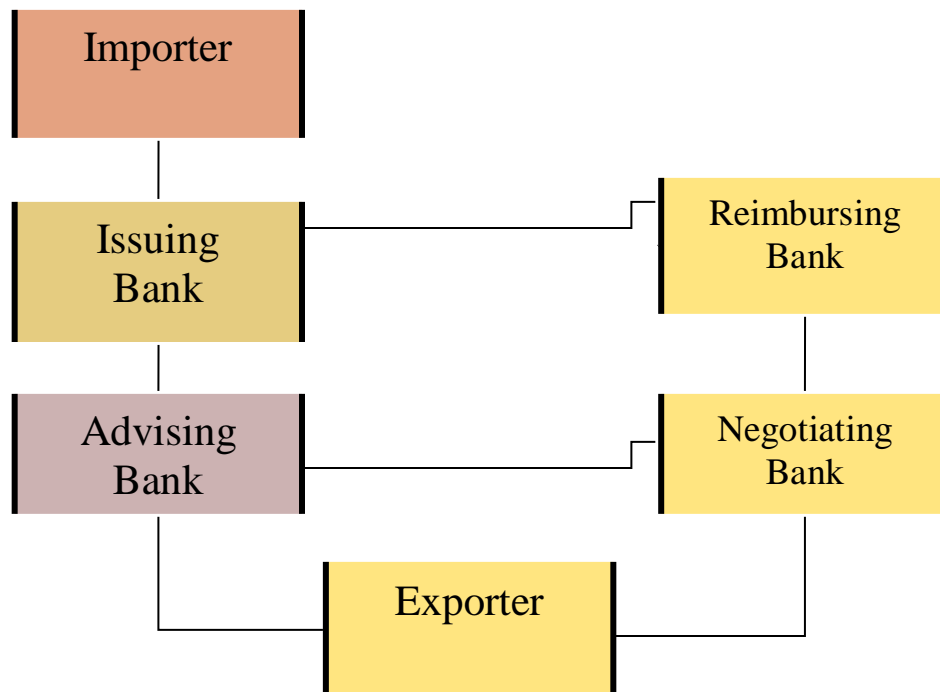
Foreign trade deals with import and export business. That is why; there are two parts in foreign trade department in Standard Bank Limited.

Import Department.

Export Department Import department deals with the import oriented foreign trade while export department deals with export oriented foreign trade.

8.13.2 Import

Imports are foreign goods and services purchased by consumers, firms and Governments in Bangladesh. To import, a person should be competent to be an importer. According to Import and Export Control Act, 1950, the Office of Chief Controller of Import and Export provides the registration (IRC) to the importer. The Following Chart Related With L/C and some Definitions:



1. Importer requests his bank to issue the L/C in terms of the arrangement with the seller.
2. Issuing Bank is the importer's bank which issues the L/C with the request of the importer.
3. Advising bank is the Seller's or Exporter's bank and usually it is in the Exporter's County. This bank is requested to advise the L/C to the beneficiary.
4. Negotiating Bank is the bank where the exporter negotiates his documents. The advising Bank may be the Negotiating Bank also.
5. Reimbursing Bank is nominated by the issuing bank to pay the certain amount of money if the Negotiating Bank Demands.

8.14. Initial Requirements before Opening L/C by UCBL:

The L/C opener must be the client of the Bank; i.e. CD A/c must be maintained
TIN (Tax Payer's Identification Number) Certificate is required
IRC must be valid
Trade License of Importer

After fulfilling the conditions accordingly the importer is allowed to submit an application for opening an L/C. The L/C application must be completed and signed by the authorized person on behalf of the importer containing the following essentials:

Full name and address of the supplier or manufacturer or beneficiary
Brief description of goods keeping conformity to the LCAF, License, indent, proforma Invoice etc.

The unit price, quantity, quality and origin of the goods

Mode of Shipment or Transport.

Last date of Shipment.

Port of Shipment and destination.

Insurance Cover Note Numbers and name of Insurance Company.

Tenor of Draft (whether at sight or deferred)

Arrangement is whether C&F or FOB

Negotiation Period

Opening of L/C under Uniform Customs and Procedures of Documentary Credit
publication of ICC (International Chamber of Commerce)

8.15.1. Checking Out the L/ C Application:

Following points must be checked very carefully, whether

All the information mentioned in the L/C application are all right and the terms and conditions are consistent

The items to be imported is eligible according to importer's entitlement and the exporter will not face any problem for fulfilling the terms and conditions

The L/C must not be opened in favours of the importer or his agent

The goods are being imported not from Israel or any other country prohibited by Bangladesh Government.

Authorized person must authenticate all the alteration

The Taka amount in the L/C application is converted into the foreign currency rate on the date of opening.

8.15.2. Entry in the L/C Register

If the import L/C is found to be in order in all respect then the Officer will mark the aerial number on appropriate blank space in the L/C application. Any amendment must also bear the same serial number of the L/C to link them. Then in the opening register the relevant data must be entered with commission charge, all types of charges.

Accounting Procedure:

SL No.	Particulars	Credit (Cr.)	SL No.	Particulars	Debit (Dr.)
01.	Margin A/c	Cr.	01.	Party A/C	Dr.
02.	Commission A/c	Cr.	02.	P&T A/C	Dr.

8.16. Amendment of L/C

A) Time Extension:

The time duration of L/C can be extended by writing an application by the opener of L/C and signature of the opener should be verified provided the LCAF is valid or the agreement is valid up to that period.

b) Change in L/C amount:

Increase of L/C amount may be done provided that the LCAF covers the increase in amount. L/C amount can be decreased provided the relevant contract or indent is amended accordingly and with the consent of beneficiary. For increasing the amount of L/C the following accounting procedure will be passed.

c) Verification of Import "Documents":

For better security the exporter must check the L/C by complying with all the terms and conditions. Any discrepancy in the documents must be referred to the opener who only can give the instruction whether documents with discrepancies should be accepted or not. The negotiating bank sends the documents to the L/C opening bank on the date of negotiation. On receipt of the documents the AD will enter the same in the inward receive book branded with rubber stamp showing the date of receipt, serial number and after that it must be sent to the import section. On receipt of the documents, the import section will do the following examination:

Examination of Draft

Examination of Invoice

Examination of B/L, ANB, PPR, TR

Examination of Certificate of Origin, Inspection Measurement etc.

8.17. Lodgement of Import Document:

After the strict scrutiny of the documents in line referred to the issuing bank may lodge the documents as under:

The foreign currency would be converted to a rate ruling on the date of lodgement. The date and the equivalent Taka should be recorded on PAD register and two persons must check conversion

IMP form must be dully filled

LCAF must be endorsed showing the utilization of shipment

As soon as document is lodged the utilized amount is to be noted on the back of the copy of L/C

Documents must not be handed over to the importer without payment or without making any arrangement

The counter part is to be deposited with the BB under certain credit within 72 hours from the date of receipt of documents.

8.17.1. Recording in the Register of PAD:

All the particulars of import documents are recorded in the PAD register. The register will include detail information about rate, charges, IMP, LCA number, date and period of transaction.

8.17.2. Loans Against Imported Merchandise (LIM):

In order to get LIM facility the importer requests the bank in writing prior to sanction a loan for imported goods to be discharged, in such case the importer should pay the relevant duty or tax.

8.17.3. Loan Against Trust Receipt (LTR):

Like LIM if the importer wants to *AVAIL* the LTR facility they must make prior arrangement with the bank before the opening of L/C. It is actually given against trust depending upon parties' integrity, dealings, and transactions with the bank.

8.18. Foreign Remittance

"Foreign remittance" means purchase and sale of freely convertible foreign currencies as admissible under Exchange Control Regulations of the country. Purchase of foreign currencies constitutes inward foreign remittance and sale of foreign currencies constitutes outward foreign remittance. The transaction of the authorized dealer in foreign exchange involves either outward or inward remittances of foreign exchange from one country to another. As an authorized dealer the branch of UCBL provides its customer foreign remittance facilities by FBC, LFBC, sale and purchase of FCY, FIT, FDD, traveller's check, FBP.

8.18.1. Foreign Bills Collection:

Foreign bills for collection refer to collection procedure of foreign DD/P.O/Cheques as per arrangement between UCBL and its corresponding banks. The collection procedure is as follows:

- i) Entries in the FBC register and get a FBC number. This number will be on the bill and be treated as reference no.
- ii) Forward the bill along with a forwarding letter to the corresponding bank. Send the draft through, courier service and keep a courier receipt in the file.

iii) Crossing on the bill indicating UCBL as a collecting bank. Endorsement on the back of the bill-'Payee's A/C' will be credited on realization."

iv) Prepare a liability voucher-

Customer's liabilityDr@ notional rate

Banker's liabilityCr

A photocopy of the bill to be kept on the file.

Realization:

A credit memo will be sent to the concerned branch informing that NOSTRO A/C has been credited.

Prepare a credit advice:

Branch concerned a/c.....Dr. @ Ready buying

Party A/CCr. @ T.T. clean

Prepare a single credit voucher:

Income A/C.....Dr. [Difference between ready buying & T.T. clean]

Reversal

Bankers' liability.....Dr. @ Notional rate

Customer's liabilityCr

8.18.2. Local Foreign Bill Collection

Instruments originating outside Bangladesh but drawn on a Bangladeshi Bank is known as Local Foreign Bill. In LFBC a forwarding letter is sent to the local drawn on bank/branch along with the instrument and payment instruction is given to them. However payment instruction differs depending on the currencies in which the A/C is maintained.

In case of Tk. A/C the collection procedure involves payment instruction by a P.O/D.D favoring the beneficiary. The instrument, after receiving will be sending for collection through clearing preparing a Credit Advice:

Debit: Clearing

Credit: Party A/C

LFBC: Collection of FTT

Sometimes FTT arrives at another bank whereas beneficiary's account lies in UCBL. In that case receiving bank of FTT informs to this bank to collect the proceeds. This collection procedure too comes under LFBC mechanism. Here a letter is forwarded to that bank giving payment instruction and all other procedures remain the same.

Sale of FCY (Cash):

UCBL sells US dollar only to the customers who want to visit abroad. No other currency is sold to public, as per the practice of this bank, not due to any regulatory covenants. Travel quota entitlement of Bangladeshis for travel by air to countries other than SAARC countries and Myanmar shall now be US \$ 3000 per person per calendar year. For SAARC countries and Myanmar this quota stands refixed at US \$1000 for travel by air and US \$500 for travel by land.

The maximum limit of US \$300 that may be taken in cash either in US \$ or any other convertible currency.

The stages of cash \$ selling is as follows:

1) Application form filled in by the customers with two TM forms. Accounting treatment in this regard would be:

Cash (tk)	Dr
FCY on hand \$ SPL	CR @ Cash Book Rate
Income A/C Comm. on Rmt.....	Cr (Endorsement charge)
Incomes A/C exchange. n Bill/Rmt.....	Cr(diff between cash sell & Cash book rate)

- 2) Sale memo to ID @ cash sale rate.
- 3) Photocopies of the passport of first six pages, visa (only for student), PP renewal (if any), and pages recording endorsement of foreign exchange, and photocopies of the pages of ticket showing name of the passenger, route and date of journey and endorsement of foreign exchange along with the relative TM form.
- 4) Endorsement on the passport.

Purchase of FCY:

Purchase of foreign currency means legal encashment of US \$ from a bank. The procedures are as follows:

Prepare a Dr. voucher (equiv. to cash debit voucher)

FCY on hand \$ SPLDr. @ Cash Buy Rate
Cash.....Cr

- ii. Purchase memo @ Cash Buy Rate.
- iii. Proceeds Certificate (Legal Document of Encashment) for customer.
- iv. Dr. Advice:

FCY on hand \$SPL.....Dr
Income A/C Exchange on Bills / Rmt.....Cr.

(Difference between cash buying rate and cash book rate-this is the inter bank US \$ cash rate)

- v. Photocopy of necessary pages of the passport.
- vi. Remark on the passport '\$ Refunded'.

FTT Incoming:

FTT is received through swift and enter in the FTT register.

Treatment incase of Tk. A/C:

Branch concerned.....Dr. @ ready buying.
Party A/C.....Cr. @T.T. Clean
Income AC Exch. on Bill/-Rmt.....Cr.
Purchase to ID @ Ready Buying.
Credit advice to the party A/C.

Treatment incase of FCY A/C:

Branch concerned.....Dr. @ Notional Rate

FCY a/c.....Cr. @ Notional Rate

IBETDA and Memo also in notional rate.

But during encashment branch A/C will be debited @ ready buying and party A/C @ T.T clean.

FTT Outwards:

Person having FCY A/C can remit money abroad through FTT subject to approval from Bangladesh Bank. Client shall mention the purpose of remittance and the name of the beneficiary, his/her bank, A/C no. etc. However the procedure of outward FTT is same as FDD issue.

Foreign Draft:

- i)** Issuance of a FDD
- ii)** Application by submitting \$ permission form
- iii)** TM form duly filled in.
- iv)** Deliver the instrument to the applicant
- v)** IBETCA to the ID @ T.T & OD
- vi)** Sale memo @ T.T & OD

8.19 EXPORT SECTION

As per Exhort Control Act-1950 no person can indent, import or export any goods into Bangladesh except in case of exemption issued by the Government of the peoples Republic of Bangladesh.

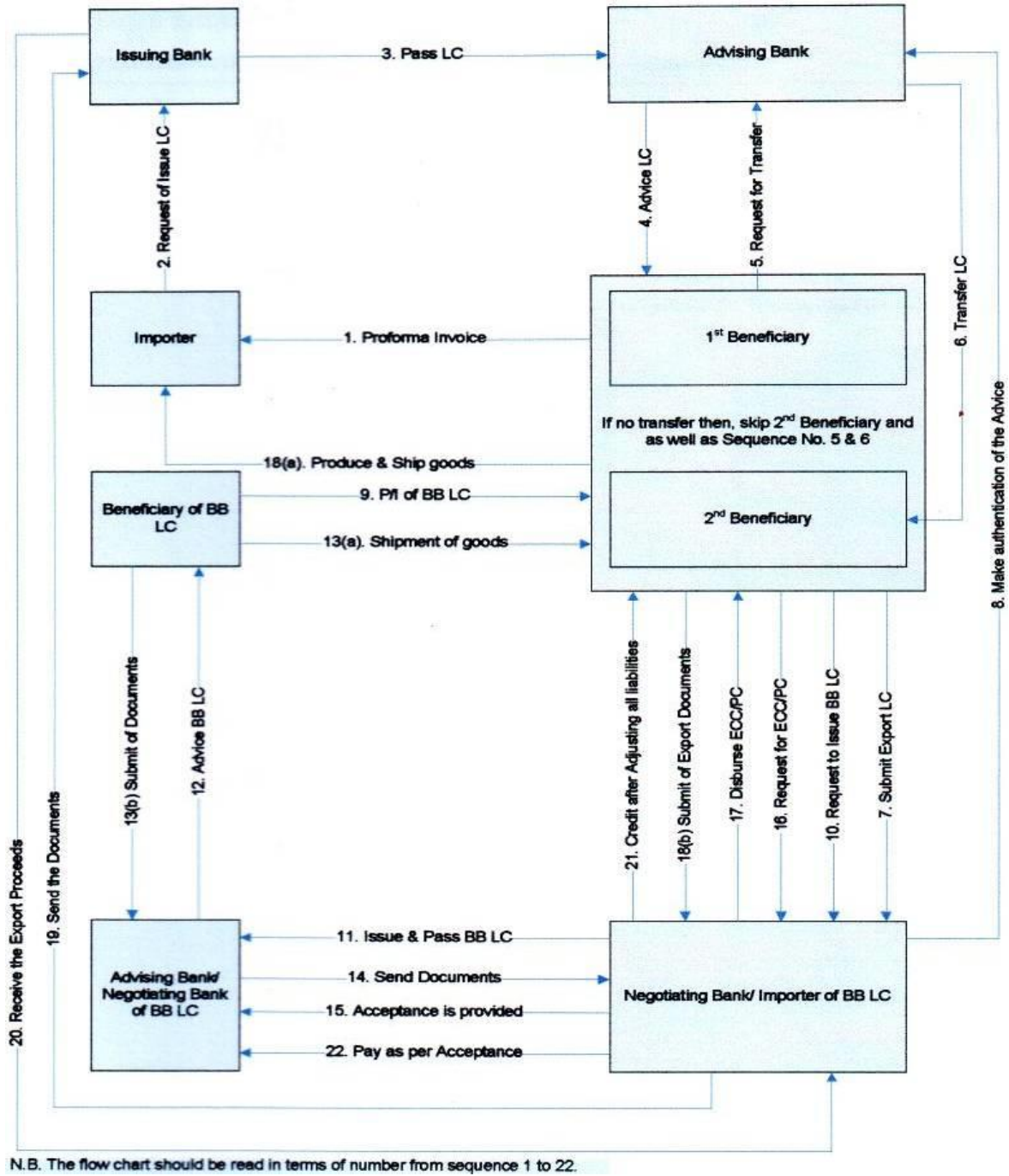
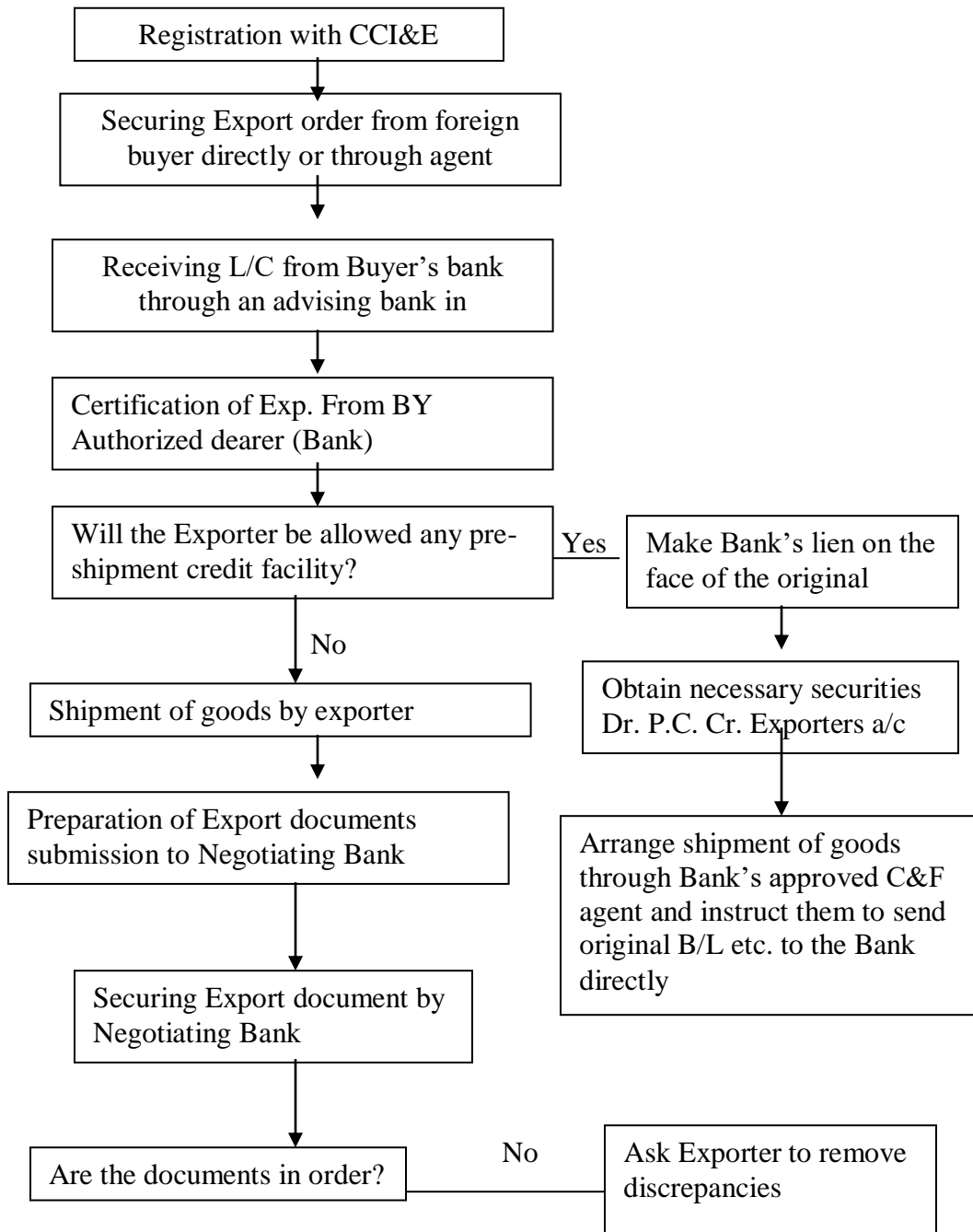
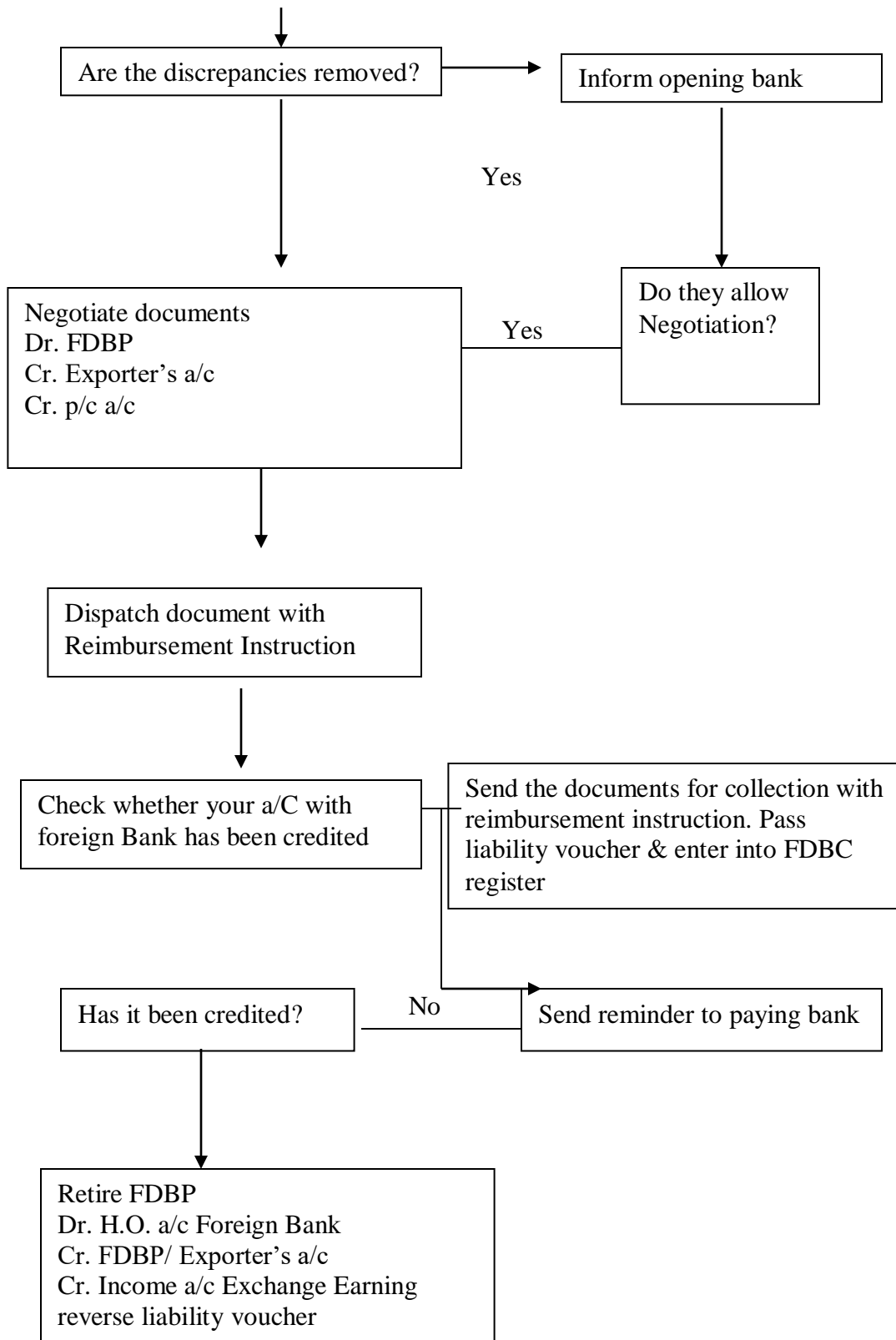


Fig: Export Procedure of UCBL

8.20 EXPORT PROCEDURE IN FLOW CHART.



To be continue



8.20.1 Formalities for Export L /C

There are a number of formalities, which an exporter has to fulfil before and after shipment of goods. These formalities or procedures are enumerated as follows-

1. Obtaining Export Registration Certificate (ERC):

No exporter is allowed to export any commodity permissible for export from Bangladesh unless he is registered with Chief Controller of Imports and Exports (CCI 7 E) AND HOLDS VALID Export Registration Certificate (ERC). After applying to the CCI & E in the prescribed form along with the necessary papers, concerned offices of the Chief Controller of Imports Exports issues ERS. Once registered, exporters are to make renewal of ERC every year.

2. Securing the order:

After getting ERC, the exporter may proceed to secure the export order. He can do this by contracting the buyers directly through correspondence.

3. Obtaining EXP:

After having the registration, the exporter applies to **United Commercial Bank** with the trade license, ERC and the certificate from the concerned Government Organization to get EXP. If the bank is satisfied, an EXP is issued to the exporter.

4. Receiving the Letter Of Credit:

After getting contract for sale, exporter should ask the buyer for the Letter of Credit clearly stating terms and conditions of export and payment.

After receiving L /C the following points are to be looked for:

The terms of the L/C are in conformity with those of the contract.

The L/C is an irrevocable one, preferably confirmed by the advising bank.

The L/C allows sufficient time for shipment and a reasonable time for registration.

5. Endorsement on EXP:

Before the export forms are lodged by the exporters with the customers/ postal authorities, they should get all the copies endorsed by the United Commercial Bank. Before shipment, exporter submits EXP form with commercial invoice. Then Bank officer checks it's properly, if satisfied, certifies the Exp. Without it exporter cannot make shipment. The customer must declare all exports goods on the EXP issued by the authorized dealers.

6. Shipment of Goods:

Exporter makes shipment according to the terms and condition L/C.

7. Presentation of export documents for negotiation:

After shipment, exporter submits according the following documents to United Commercial Bank Ltd. for Negotiation.

Bill of Exchange or Draft.

Bill of Landing.

Invoice.

Insurance Policy/ Certificate.

Certificate of Origin.

Insurance Certificate.

Consular Invoice.

Packing List.

8. Examination of Document:

Bank deal with documents only, not with commodity. As the negotiation bank is giving the value before repatriation of the export proceeds it is advisable to scrutinize and examine each and every document with great care whether any discrepancy(s) is observed in the documents. The bankers are to ascertain that the documents are strictly as

per the terms of L/C before negotiation if the export bill. Bank officers assigned for examining the export documents may use a checklist for their convenience.

9. Negotiation of export documents:

Negotiation stands for payment of value to the exporter against the documents stipulated in the L/C. If documents are in order, United Commercial Bank Ltd purchases (negotiates) the same on the basis of banker- customer relationship. This is known as Foreign Documentary Bill Purchase (FDBP).

If the bank is not satisfied with the documents submitted to United Commercial Bank Ltd. gives the exporter reasonable time to remove the discrepancies or sends the documents to L/C opening bank for collection. This is known as Foreign Documentary Bill for Collection (FDBC).

Foreign documentary bills for Collection (FDBC).

United Commercial Bank Ltd. forwards the documents for collection due to the following reasons,-

If the documents have discrepancies.

If the exporter is a new client

The banker is in doubt.

FDBC signifies that the exporter will receive payment only when the issuing bank gives payment. United Commercial Bank Ltd. make regular follow-up with the L/C opening bank in case of any delay in getting payment.

The exporter submits duplicate EXP Form and Commercial Invoice.

After passing the above vouchers, an Inter Branch Exchange Trading Debit Advice (ETDA) is sent for debiting the NOSTRO account. An FDBC register is maintained, where first entry is given when the documents are forwarded to the issuing bank for collection and the second one is done after realization of the proceeds.

In case of discrepancies of minor nature,

Bank may negotiate the documents depending on their confidence on the customer against execution of the Letter of Indemnity.

Settlement of Local Bills:

The settlement of local bills is done in the following ways,-

The customer submits the L/C to Standard Bank Ltd. along with documents to negotiate.

United Commercial Bank Ltd. official scrutinizes the documents to ensure the conformity with the terms and conditions.

The documents are then forwarded to the L/C opening bank.

The L/C issuing bank gives the acceptances and forwards an acceptance letter.

Payment is given to the customer on either by collection basis or by purchasing the document.

8.20.2. Flow Chart for Issuing Back-to-Back L/C

a) Payment for Back-to- Back L/C:

In case of back-to-back-L/C for 30-60-90-120-180-360 days of maturity period, deferred payment is made. Payment is given after realizing export proceeds from the L/C Issuing Bank. For Garments Sector, the duration can be maximum 180 days. For importing machinery, without permission from Bangladesh Bank, UCBL can authorize for 360 days. In such cases, the EVP of the branch exercises his discretionary power.

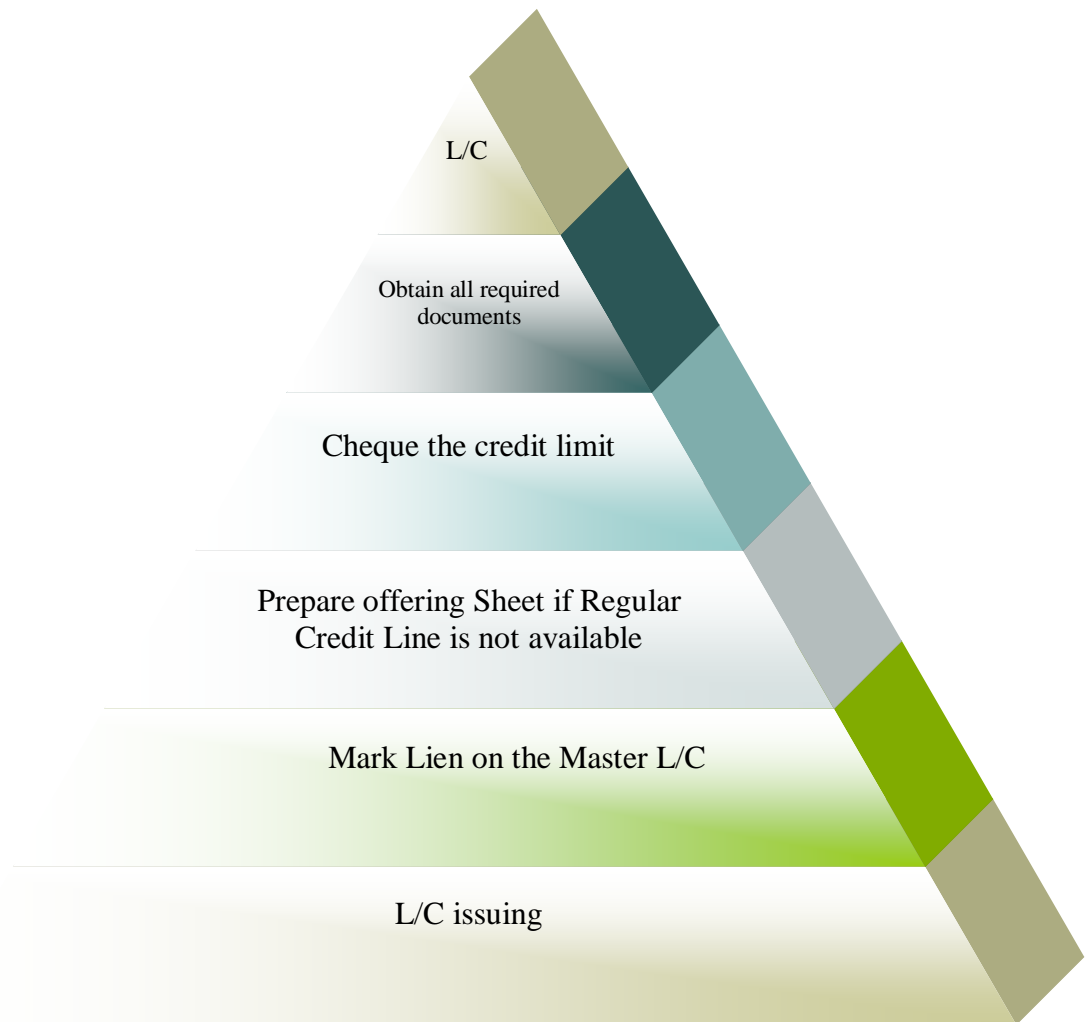
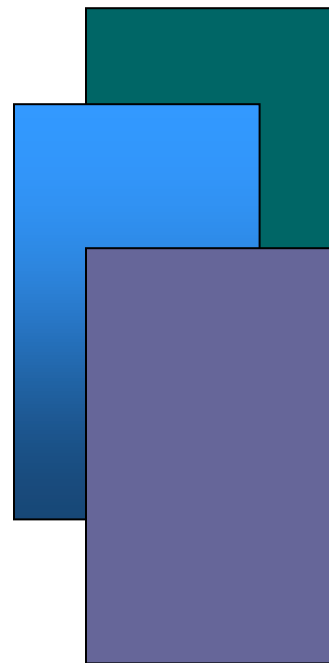


Figure: Flow Chart for Issuing Back-to-Back L/C

CHAPTER-09

OVERVIEW OF PERFORMANCE ANALYSIS OF UNITED COMMERCIAL BANK LTD. (UCBL)



9.0. Overview of Performance Analysis

9.1. What is Performance Analysis?

Performance analysis involves gathering formal and informal data to help customers and sponsors define and achieve their goals. Performance analysis uncovers several perspectives on a problem or opportunity, determining any and all drivers towards or barriers to successful performance, and proposing a solution system based on what is discovered.

Performance analysis is the front end of the front end. It's what we do to figure out what to do. Some synonyms are planning, scoping, auditing, and diagnostics.

9.2. What does a performance analyst do?

Here's a list of some of the things you *maybe* doing as part of a performance analysis:

Interviewing a sponsor.

Reading the annual report.

Chatting at lunch with a group of customer service representatives.

Reading the organization's policy on customer service, focusing particularly on the recognition and incentive aspects.

Listening to audiotapes associates with customer service complaints.

Leading a focus group with supervisors.

Interviewing some randomly drawn representatives.

Reviewing the call log.

Reading an article in a professional journal on the subject of customer service performance improvement.

Chatting at the supermarket with somebody who is a customer, who wants to tell you about her experience with customer service.

9.3. Ratio analysis:

Ratio Analysis is a powerful tool of financial analysis. A ratio is defined as the relationship between two or more things. To put it the other way, the relationship between two accounting figure, expressed mathematically, is known as Financial Ratio or simply as Ratio. A ratio helps the analyst to make quantities judgment about the firm's financial position and performance. Balance sheet analysis with the help of ratio technique indicates the trend of growth or otherwise of the unit.

9.4. Advantage of Ratio Analysis:

Ratio analysis is an important and age-old technique of financial analysis. The following are some of the advantages of ratio analysis:

Simplifies financial statements:

It simplifies the comprehension of financial statements. Ratios tell the whole story of changes in the financial condition of the business.

Facilitates inter-firm comparison:

It provides data for inter-firm comparison. Ratios highlight the factors associated with successful and unsuccessful firm. They also reveal strong firms and weak firms, overvalued and undervalued firms.

Helps in planning:

It helps in planning and forecasting. Ratios can assist management, in its basic functions of forecasting. Planning, co-ordination, control and communications.

Makes inter-firm comparison possible:

Ratios analysis also makes possible comparison of the performance of different divisions of the firm. The ratios are helpful in deciding about their efficiency or otherwise in the past and likely performance in the future.

Help in investment decisions:

It helps in investment decisions in the case of investors and lending decisions in the case of bankers etc.

9.5. What are the disadvantages of using comparative ratio analysis?

What are the disadvantages of using comparative ratio analysis? That is, comparing the financial ratios of companies within an industry and comparing the financial ratios of one company in different years.

9.5.1. Disadvantages of ratio analysis

1. Accounting Information

Different Accounting Policies:

The choices of accounting policies may distort inter company comparisons. Example - IAS 16 allows valuation of assets to be based on either revealed amount or at depreciated historical cost. The business may opt not to revalue its asset because by doing so the depreciation charge is going to be high and will result in lower profit.

Creative accounting:

The businesses apply creative accounting in trying to show the better financial performance or position which can be misleading to the users of financial accounting. Like the IAS 16 mentioned above, requires that if an asset is revalued and there is a revaluation deficit, it has to be charged as an expense in income statement, but if it results in revaluation surplus the surplus should be credited to revaluation reserve. So in order to improve on its profitability level the company may select in its revaluation programme to revalue only those assets which will result in revaluation surplus leaving those with revaluation deficits still at depreciated historical cost.

2. Information Problems

Ratios are not definitive measures:

Ratio need to be interpreted carefully. They can provide clues to the company's performance or financial situation. But on their own, they can not show whether performance is good or bad. Ratios require some quantitative information for an informed analysis to be made.

Outdated information in financial statement:

The figures in a set of accounts are likely to be at least several months out of date, and so might not give a proper indication of the company's current financial position.

Historical costs not suitable for decision making:

IASB Conceptual framework recommends businesses to use historical cost of accounting. Where historical cost convention is used, asset valuations in the balance sheet could be misleading. Ratios based on this information will not be very useful for decision making.

Financial statements contain summarised information:

Ratios are based on financial statements which are summaries of the accounting records. Through the summarisation some important information may be left out which could have been of relevance to the users of accounts. The ratios are based on the summarised year end information which may not be a true reflection of the overall year's results.

Interpretation of the ratio:

It is difficult to generalise about whether a particular ratio is 'good' or 'bad'. For example a high current ratio may indicate a strong liquidity position, which is good or excessive cash which is bad. Similarly Non current assets turnover ratio may denote either a firm that uses its assets efficiently or one that is under capitalised and cannot afford to buy enough assets.

3. Comparison of performance over time

Price changes:

Inflation renders comparisons of results over time misleading as financial figures will not be within the same levels of purchasing power. Changes in results over time may show as if the enterprise has improved its performance and position when in fact after adjusting for inflationary changes it will show the different picture.

Technology changes:

When comparing performance over time, there is need to consider the changes in technology. The movement in performance should be in line with the changes in technology. For ratios to be more meaningful the enterprise should compare its results with another of the same level of technology as this will be a good basis measurement of efficiency.

Changes in Accounting policy:

Changes in accounting policy may affect the comparison of results between different accounting years as misleading. The problem with this situation is that the directors may be able to manipulate the results through the changes in accounting policy. This would be done to avoid the effects of an old accounting policy or gain the effects of a new one. It is likely to be done in sensitive period, perhaps when the business's profits are low.

Changes in Accounting standard:

Accounting standards offer standard ways of recognizing, measuring and presenting financial transactions. Any change in standards will affect the reporting of an enterprise and its comparison of results over a number of years.

Impact of seasons on trading:

As stated above, the financial statements are based on year end results which may not be true reflection of results year round. Businesses which are affected by seasons can choose the best time to produce financial statements so as to show better result. For example, a tobacco growing company will be able to show good results if account are produced in the selling season. This time the business will have good inventory levels, receivables and bank balances will be at its highest. While as in planting seasons the company will have a lot of liabilities through the purchase of firm inputs, low cash balances and even nil receivables.

Inter-firm comparison

Different financial and business risk profile:

No two companies are the same, even when they are competitors in the same industry or market. Using ratios to compare one company with another could provide misleading information. Businesses may be within the same industry but having different financial and business risk. One company may be able to obtain bank loans at reduced rates and

may show high gearing levels while as another may not be successful in obtaining cheap rates and it may show that it is operating at low gearing level. To an informed analyst he may feel like company two is better when in fact its low gearing level is because it cannot be able to secure further funding.

Different capital structures and size:

Companies may have different capital structures and to make comparison of performance when one is all equity financed and another is a geared company it may not be a good analysis.

Impact of Government influence:

Selective application of government incentives to various companies may also distort intercompany comparison. One company may be given a tax holiday while the other within the same line of business not, comparing the performance of these two enterprises may be misleading.

Window dressing:

Ratio analysis is useful, but analysts should be aware of these problems and make adjustments as necessary. Ratio analysis conducted in a mechanical, unthinking manner is dangerous, but if used intelligently and with good judgement, it can provide useful insights into the firm's operations.

9.6. Profitability Ratios:

Among the most important ratio, measures of bank profitability used in our study are the following:

Return On Equity (ROE):

Return on equity means a depository institution's profit as a of its percentage of its equity capital.

$$\text{Return on equity (ROE)} = \frac{\text{Net Income after Taxes}}{\text{Total Equity Capital}}$$

Return On Assets (ROA):

Return on assets means a depository institution's profit as a percentage of its total assets.

$$\text{Return on Assets (ROA)} = \frac{\text{Net Income after Taxes}}{\text{Total Assets}}$$

$$\text{Net Bank Operating margin} = \frac{\text{Operating Revenues} - \text{Operating Expenses}}{\text{Total Equity Capital}}$$

Earning Per Share (EPS):

The profit pence attributable to each ordinary share in a company, based on the consolidated profit for the period, after tax and after deducting minority interest and preference share dividends. This profit figure is divided by the number of equity shares in issue that rank for dividend in respect of the period.

$$\text{Earning per share} = \frac{\text{Net Income after Taxes}}{\text{Total common equity shares}}$$

9.7. Productivity Ratios:

Productivity is defined as a ratio of total output and total input. There no well definition of bank's productivity. But in this study income is considered as bank's output. Banks' input in this respect is manpower of the bank and number of branches of the bank. In this study the following productivity ratios are used to evaluate branch and employee performance.

Net Income:

(1) The income of a person or organization after the deduction of the appropriate expenses incurred in earning it.

(2) Gross income from which tax has been deducted.

$$\text{Net Income Per Branch} = \frac{\text{Net Income}}{\text{Number of Branches}}$$

$$\text{Net Income per Employee} = \frac{\text{Net Income}}{\text{Number of Employee}}$$

Deposit Per Branch:

(1) A sum of money paid by a buyer as part of the sole price something in order to reserve it. Depending on the terms agreed, the deposit may or may not be returned if the sale is not completed.

(2) A some of money left with an organization, such as a bank, for safekeeping or to earn interest or with a broker, dealer etc-as a security to cover any trading losses incurred.

(3) A sum of money paid as the first instalment on a hire-purchase agreement. It is usually paid when the buyer takes possession of the goods.

$$\text{Deposit per branch} = \frac{\text{Total Deposit}}{\text{Number of Branches}}$$

9.8. Risk Measures:

Liquidity Risk:

The risk, in lending operations, that an investment cannot be liquidated during its life without significant costs.

The risk of loss that may occur if a payment is not received when due.

Liquidity risk encompasses the risk that a bank cannot meet payment obligations in a timely cost effective manner. Faced with liquidity risk, a bank may be forced to borrow emergency funds at excessive cost to cover its immediate cash needs, reducing its earning.

$$\text{Liquidity risk} = \frac{\text{Total Loan}}{\text{Total Assets}}$$

Total loan of a bank consists of long-term loans, cash credits and overdrafts.

Solvency Risk:

The risk of loss owing to the failure (bankruptcy) of an issuer of a financial asset or to the insolvency of the counterparty.

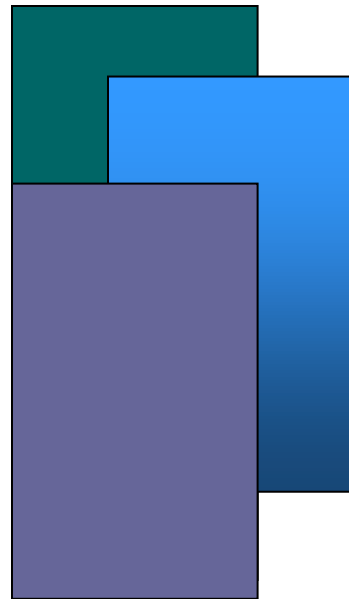
Bankers must be directly concerned about risks to their institutions long run survival, usually called solvency risk. If the bank takes on an excessive number of bad loans or if a large portion of its security portfolio declines in the market value, generating serious capital losses when sold, then its capital account, which is designed to absorb such losses, may be overwhelming. A bank's default or solvency risk can be measured by:

$$\text{Solvency risk} = \frac{\text{Equity capital}}{\text{Total Assets}}$$

Equity capital consists of paid up capital and reserves

CHAPTER-10

Comparative Performance Analysis



10.0.Comparative Performance Analysis:

To complete the study in the light of research objectives information both from the primary and secondary sources are necessary. However, first, in order to build up theoretical premise, standard textbooks, reference books, domestic and foreign journals and other related literature have been collected from annual reports and other official records of the banks.

The collected information has then been tabulated, analyzed and the findings there of have laid the basis of research report. Data processing and analysis has been done both manually and by using computer. Tabular method, ratio analysis, and suitable statistical tools and techniques have been used to operationally the research where required.

10.1. Profit and profitability measures:

10.1.1. Return on Asset (ROA):

ROA is primarily an indicator of managerial efficiency; it indicates how capably the management of the bank has been converting the institution's assets into earnings.

Return on Asset:

Year	UCBL	AIBL	CBL	SIBL
2008	0.64	3.92	-1.82	0.82
2007	0.872	2.33	-3.846	1.36
2006	0.785	0.388	0.588	1.28
2005	0.568	0.608	0.778	1.40
2004	0.387	0.681	0.505	1.57

Shows that ROA fluctuated drastically for UCBL and AIBL. CBL and SIBL maintained comparatively stable rate and SIBL in addition to maintained the higher rates of ROA. Showed it clearly.

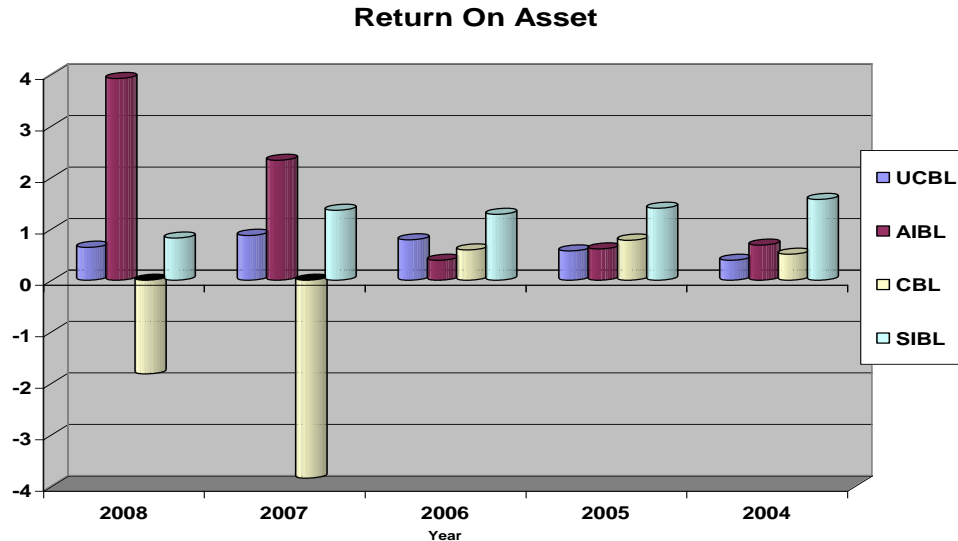


Figure: Graphical presentation of ROA of Islamic Banks

10.1.2. Return on Equity (ROE):

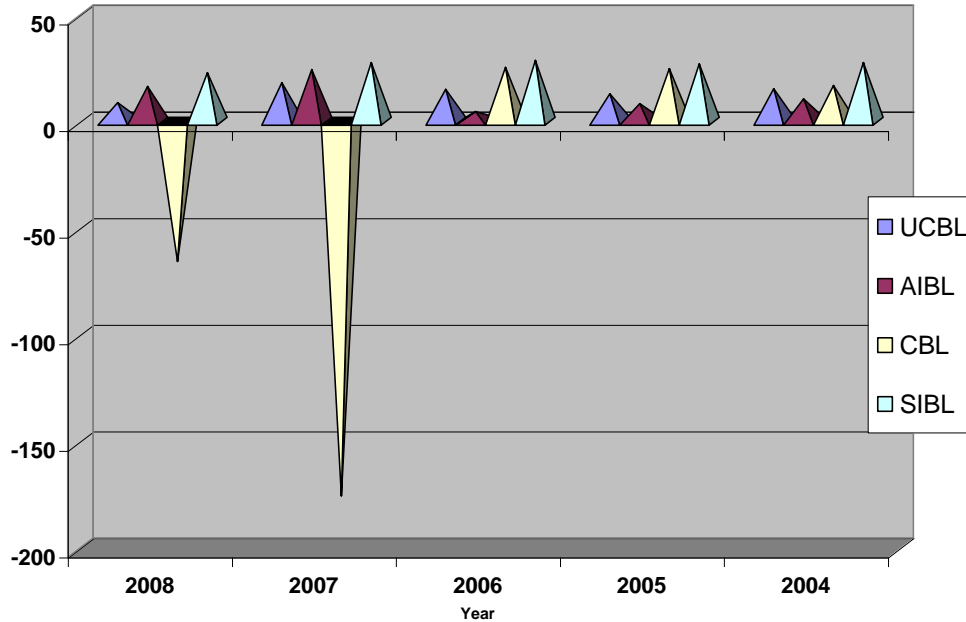
ROE is a measure of the rate of return flown to the shareholders of the bank. It approximates the net benefit and the stockholders have received from investing their capital in the bank (i.e. placing the funds at risk in the hope to earning a suitable profit).

Return on Equity:

Year	UCBL	AIBL	CBL	SIBL
2008	8.64	16.33	-65.68	22.74
2007	18.08	24.28	-175.72	27.54
2006	14.97	4.51	25.35	28.63
2005	12.88	8.31	24.66	26.87
2004	15.27	10.50	16.84	27.50

Shows that ROE of UCBL and AIBL fluctuated badly. CBL maintained both stable and high rate of ROE. Figure... Depicted it more clearly.

Return on Equity



10.1.3. Net Operating Margin:

The net operating margin is an efficiency measure as well as a profitability measure, indicating how well management and staff have been able to keep the growth of the revenues (which come primarily from the banks loans, investments, and service fees) ahead of rising cost (principally the interest on deposits and money market borrowing and employee salaries and benefits).

Net Operating Margin:

Year	UCBL	AIBL	CBL	SIBL
2008	16.53	52.62	-65.70	56.28
2007	29.10	50.15	-145.85	60.31
2006	20.35	8.099	30.11	53.86
2005	13.47	15.28	24.66	21.12
2004	11.85	18.77	19.36	29.55

Shows that UCBL maintained the best position while AIBL was in the worst condition. CBL did well last two years and SIBL maintained the stable and medium rate.

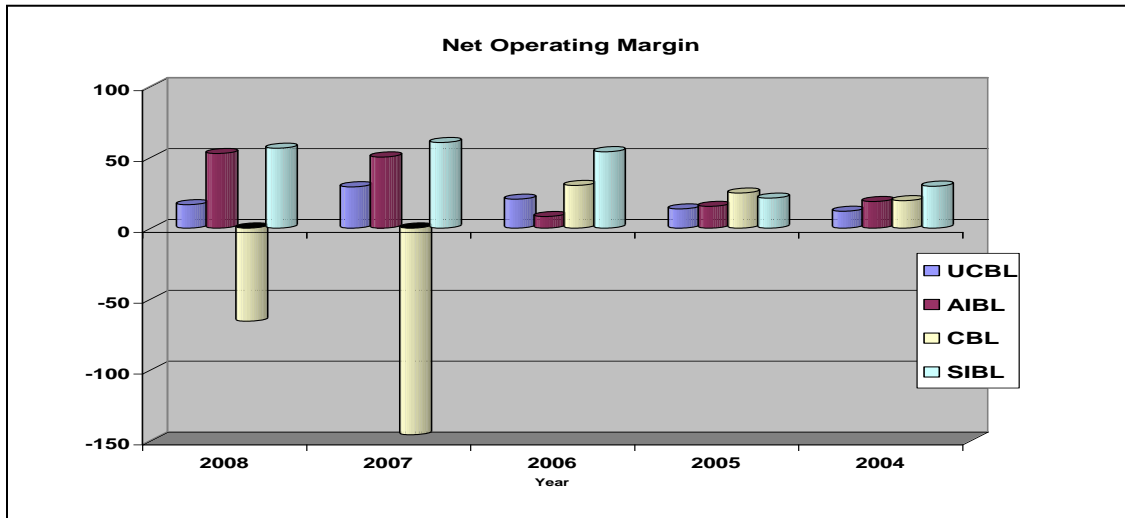


Fig. : Graphical Presentation of Net Operating Margin of Islamic Banks

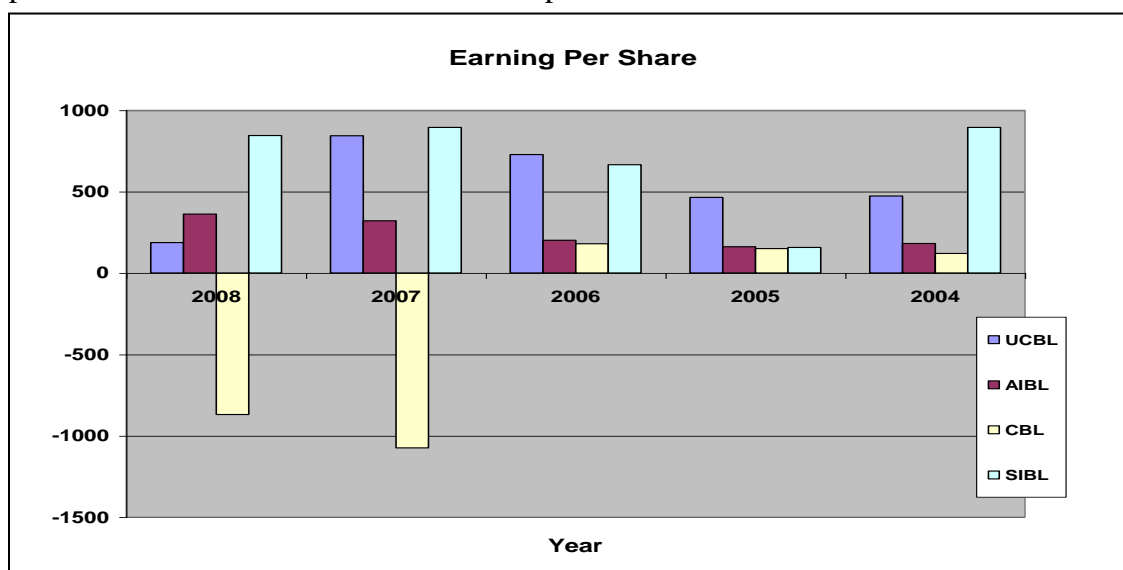
10.1.4. Earning per Share:

Earning per share is a clear indicator of profitability of a bank.

Earning per Share

Year	UCBL	AIBL	CBL	SIBL
2008	186.63	362.20	-869	845
2007	843	320.60	-1074	894
2006	728	201.54	180	666
2005	464	162.15	150	157
2004	473	181.20	120	895

Shows that UCBL maintained both stable and highest growth in Earning per Share. AIBL also maintained the stable and satisfactory rate. CBL and SIBL showed fluctuating performance and AIBL were in the worst position.



10.2. Productivity Measurement:

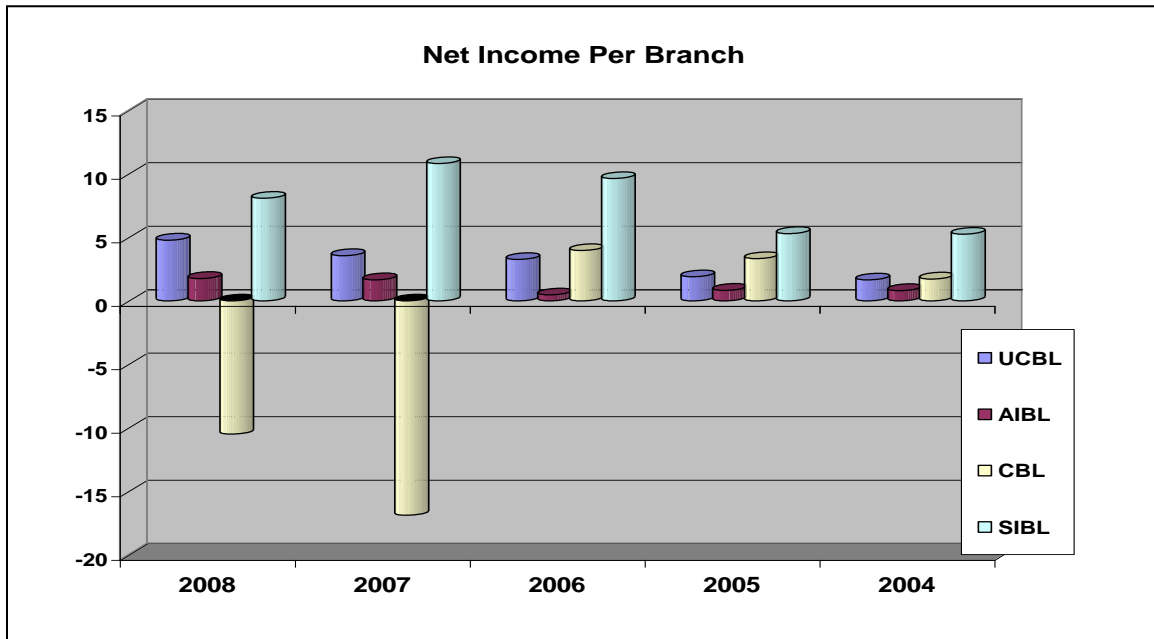
10.2.1. Net Income per Branch:

It measures how much a bank's branch is contributing in the performance of the bank.

Net Income per Branch

(In million Tk)

Year	UCBL	AIBL	CBL	SIBL
2008	4.78	1.76	-10.5	8.08
2007	3.56	1.66	-16.89	10.82
2006	3.26	0.475	3.96	9.64
2005	1.90	0.828	3.33	5.30
2004	1.65	0.810	1.72	5.25



Shows that all the sample banks except AIBL showed stable performance in case of net profit per branch while CBL showed the best and CBL performed the worst.

10.2.2. Net Income per Employee.

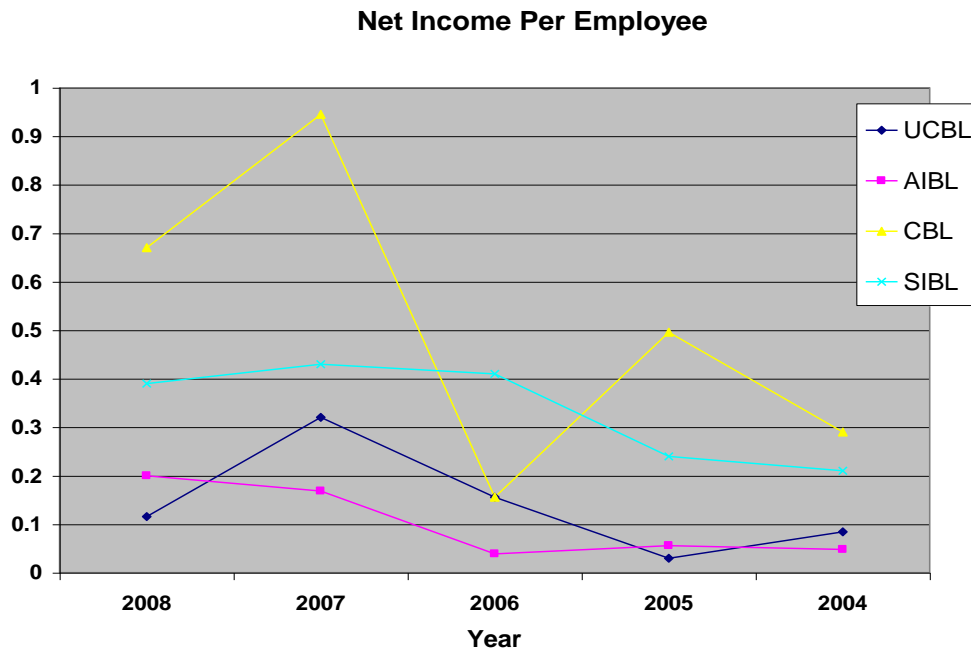
The ratio calculates the productivity of an individual employee.

Net Income per Employee

(In million Tk)

Year	UCBL	AIBL	CBL	SIBL
2008	0.1154	0.20	0.670	0.39
2007	0.32	0.168	0.945	0.43
2006	0.1555	0.0387	0.1555	0.41
2005	0.0296	0.0558	0.496	0.24
2004	0.084	0.0477	0.29	0.21

Shows that in case of net income per employee, UCBL and AIBL showed the stable growth of performance while CBL maintained the highest rate as well and SIBL showed the worst position.



10.2.3. Deposit per Branch

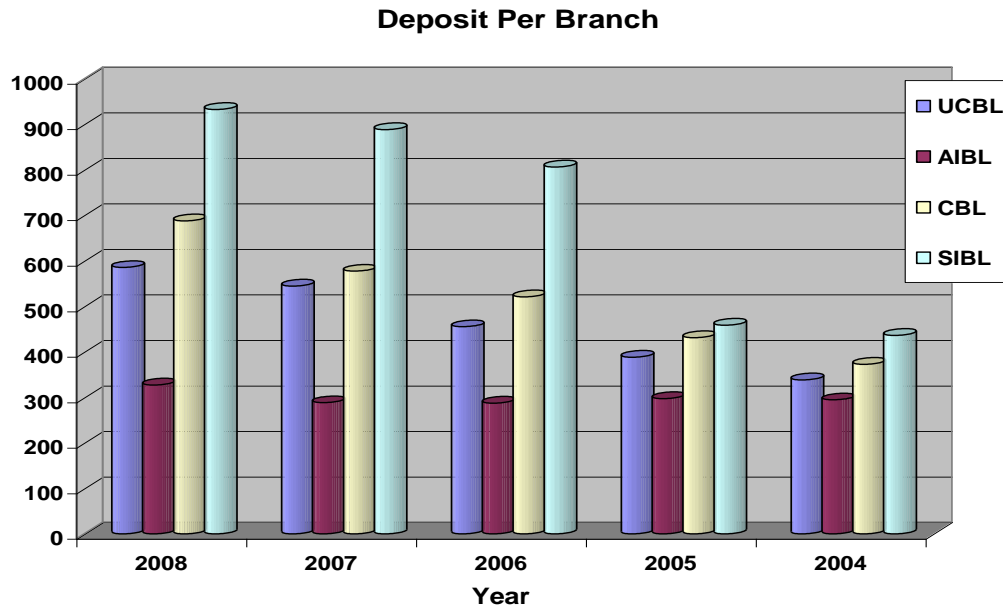
It shows how much is bank is generating the deposit which is liability on the part of a bank.

Deposit per Branch

(in million Tk)

Year	UCBL	AIBL	CBL	SIBL
2008	585.09	327.10	687.45	932.33
2007	544.30	288.07	576.89	887.82
2006	454.80	287.22	520.50	805.75
2005	387.94	297.05	430.80	458.48
2004	338.005	294.20	372.40	435.87

Shows that SIBL was in highest position in performance of deposit per branch among the sample banks while CBL was second and AIBL and UCBL was consecutively third and fourth.



10.2.4. Deposit Per Employee:

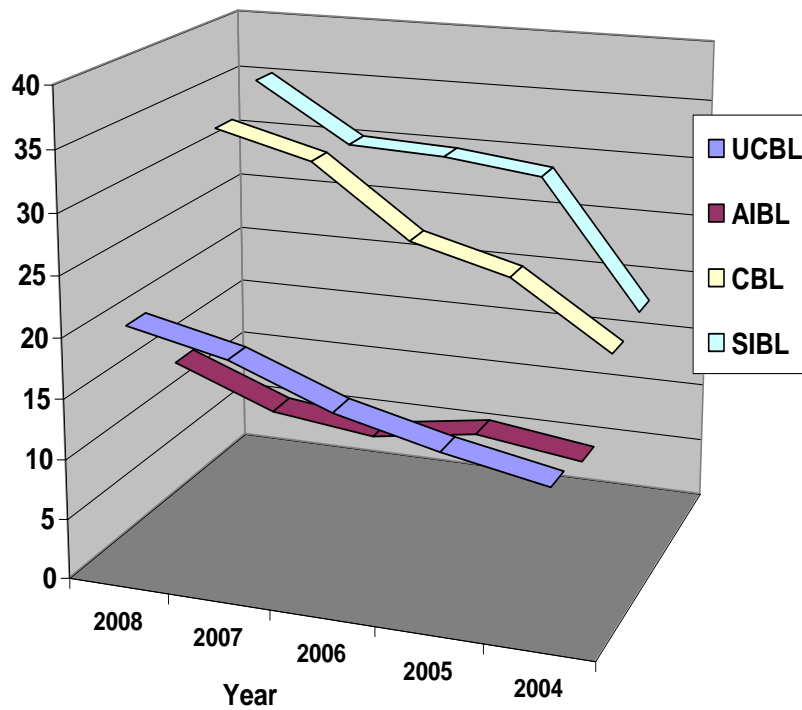
Deposit per Employee

(In million TK)

Year	UCBL	AIBL	CBL	SIBL
2008	20.64	14.88	32.70	35.10
2007	18.82	11.70	30.55	30.07
2006	15.60	10.69	24.55	29.69
2005	13.58	11.97	22.36	28.70
2004	11.96	10.84	16.85	17.81

Clearly depicts that SIBL was in the apex position in case of deposit per employee while CBL, UCBL and AIBL secured consecutive positions.

Deposit Per Employee

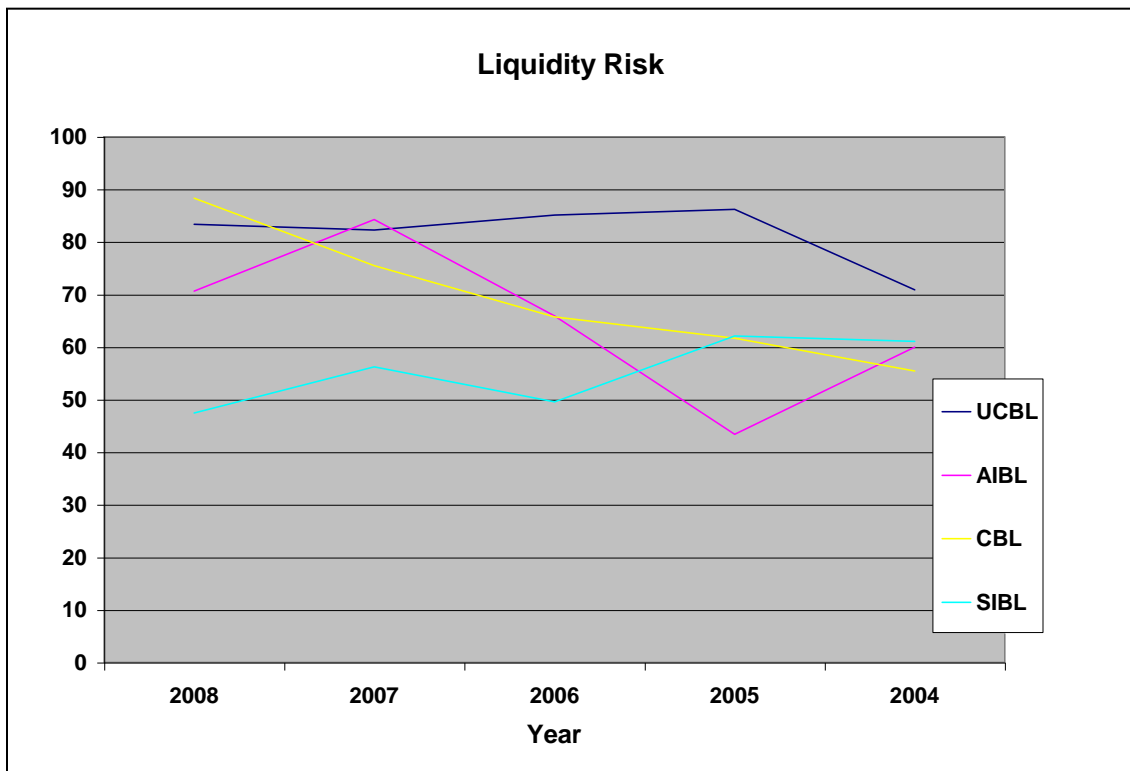


10.3. Risk Measures:

10.3.1. Liquidity Risk:

Liquidity risk encompasses the risk that a bank cannot meet payment obligations in a timely cost effective manner. Faced with liquidity risk, a bank may be forced to borrow emergency funds at excessive cost to cover its immediate cash needs, reducing its earning.

Year	UCBL	AIBL	CBL	SIBL
2008	83.33	70.65	88.29	47.46
2007	82.27	84.24	75.5	56.25
2006	85.10	65.90	65.75	49.57
2005	86.22	43.43	61.70	62.09
2004	70.88	59.97	55.44	61.09

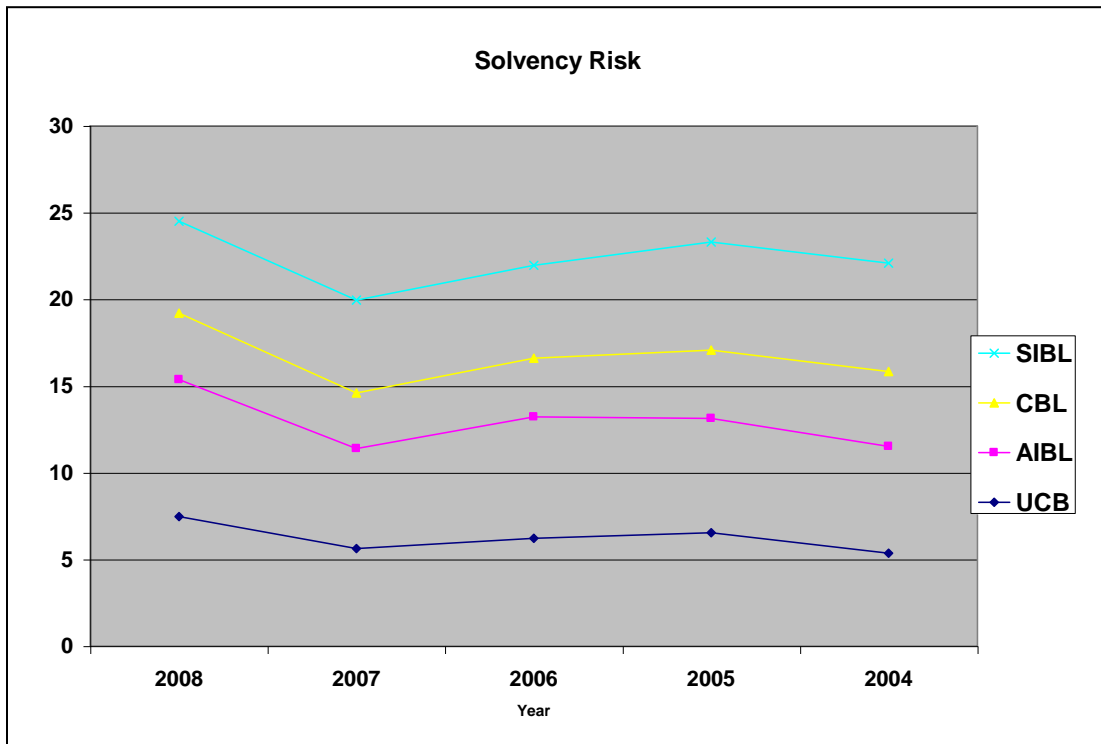


10.3.2. Solvency Risk:

Bankers must be directly concerned about risks to their institutions long run survival, usually called solvency risk. If the bank takes on an excessive number of bad loans or if a large portion of its security portfolio declines in the market value, generating serious capital losses when sold, then its capital account, which is designed to absorb such losses, may be overwhelming

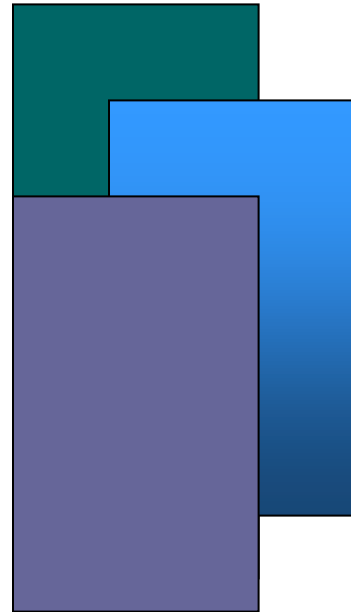
Solvency Risk

Year	UCBL	AIBL	CBL	SIBL
2008	7.47	7.89	3.84	5.3
2007	5.62	5.77	3.20	5.36
2006	6.22	7.00	3.39	5.34
2005	6.53	6.60	3.94	6.23
2004	5.35	6.16	4.33	6.24



CHAPTER-11

SWOT Analysis



SWOT Analysis

Every organization is composed of some internal strengths and weaknesses and also has some external opportunities and threats in its whole life cycle. The following will briefly introduce the United Commercial Bank Ltd's internal strengths and weaknesses, and external opportunities and threats.



Press button for **Strengths**

Strengths:

Superior Quality: United Commercial Bank Ltd. provides its customers excellent and consistent quality in every service. It is of priority that customer is totally satisfied.

Dynamism: United Commercial Bank Ltd draws its strength from the adaptability and dynamism it possesses. It has quickly adapted to world class standard in terms of banking services. It has also adapted state of the art technology to connect with the world for better communication to integrate facilities.

Efficient Management: All the levels of the management of United Commercial Bank Ltd are solely directed to maintain a culture for the betterment of the quality of the service and development of a corporate brand image in the market through organization wide team approach and open communication system.

Experts: The key contributing factor behind the success of. United Commercial Bank Ltd is its employees, who are highly trained and most competent in their own field. United Commercial Bank Ltd provides their employees training both in-house and out side job.



Press button for **Weaknesses**

Weaknesses:

Limited Workforce: United Commercial Bank Ltd has limited human resources compared to its financial activities. As a result many of the employees are burdened with extra workloads and work late hours without any overtime facilities. This might cause high employee turnover that will prove to be too costly to avoid.

Poor Technology Infrastructure: As previously mentioned, the world is advancing e-technology very rapidly. Though United Commercial Bank Ltd has taken effort to join the stream of information technology, it is not possible to complete the mission due to the poor technological infrastructure of the country.



Press button for **Opportunities**

Opportunities:

Government Support: Government of Bangladesh has rendered its full support to the banking sector for a sound financial status of the country, as it has become one of the vital sources of employment in the country now. Such government concern will facilitate and support the long-term vision of United Commercial Bank Ltd.

Evolution of E-Banking: Emergence of e-banking will open more scope for the Bank to reach the clients not only in Bangladesh but also in the global banking arena. Although the bank has already entered the world of e-banking but yet to provide full electronic banking facilities to its customer.

Information Technology: Banking and information technology might give the bank leverage to its competitors. Nevertheless there are ample opportunities for United Commercial Bank Ltd. to go for product innovation in line with the modern day need.



Press button for **Threats**

Threats:

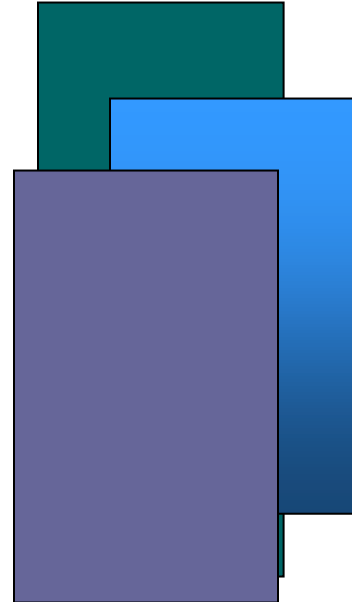
Mergers and Acquisition: The worldwide trend of merging and acquisition in financial institutions is causing concentration. The industry and competitors are increasing in power in their respective areas.

Frequent Currency Devaluation: Frequent devaluation of Taka and exchange rate fluctuations and particularly South-East Asian currency crisis adversely affects the business globally.

Emergence of Competitors: Due to high customer demand, more and more financial institutions are being introduced in the country. Many banks are entering the market with new and lucrative products.

CHAPTER-12

RECOMENDATIONS AND CONCLUSIONS



RECOMMENDATIONS

Giving better customer service, full computerized of all activities, supply of new PC's in place of old one, sufficient numbers of PC needed for proper working.

Interior decoration should be introduced for clients comfort. The management should give more emphasis on the advertisement of the bank about their operations.

The spread out mechanism of the bank should be faster and progressive as well.

Online banking should be introduced fluently in all branches to compete with multinational banks.

More products of varied interests should be introduced for the diversified client group.

The Bank should request the govt. to take necessary steps to reduce fluctuation of domestic currency worth against us dollar, to improve economic and political conditions and to increase port or harbour facilities.

It should take proper stapes to recover the shortage of foreign currency.

The bank should take new marketing strategy which will responds and take effective steps to increase faith on them.

To enhance the image of the bank and to assume social responsibility, the bank should engage itself to various social programs like scholarship to poor but meritorious students, Empowerment of the children in abject poverty, Campaign against dowry and other social evil etc.

Recently the bank is taking initiatives for installing new software named 'TEMONUS T24'. It is very dedicated software. It has real time online banking, ATM facilities and E-banking and lot of more. So it will be a great progress for the bank.

Bank can introduce more advanced MIS system to mobilize its day to day activities. It will help the employee to do their works more quickly and at the same time maintaining their quality of work.

The bank should try to arrange more training programs for their officials. Quality training will help the officials to enrich them with more recent knowledge of International Trade Financing.

The entire employee should be assigned with proper and specific assignment.

CONCLUSION

This report focuses on the foreign exchange policy and various services offered by The United Commercial Bank Ltd to its clients. In addition, the report also studies how the bank has maintained growth in its general banking business by maintaining and enhancing its relationship with its clients. The success of The United Commercial Bank Ltd is largely credited to its friendly, co-operative approach, understanding the special banking needs of each and every client and concern for the benefits and welfare.

From the beginning, the prime objective of the United Commercial Bank Ltd was to increase capitalization, to maintain disciplined growth and high corporate ethics standard and enhance the health of the share holders. Its customer service is very much impressive than of other financial institutions. Their effective strategy, time demand offerings, up to date rules and regulations to cope with international market and their friendship customer services easily impress the clients. So, now The United Commercial Bank Limited is in leading position in financial Institutional sectors in Bangladesh. The financial performance of the bank in recent years is pretty well. Moreover, any laxity in operational ground can considerably be compensated through the cordial services provided by a staff of talented officers or employees.

Overall, the bank must make a positive attempt to be more outward looking in their goals and aware of what is happening. They must also emphasize on the domestic scenario more closely and analyze any certain trends and strategies of their competitors. The bank must accept any failures and think of them as an objective to pursue future goals instead of blaming such failures on other factors.

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WEBSITE:

www.ucbl.com

ANNEXURE

Annual Report of United Commercial Bank Limited. 2008-2007

United Commercial Bank Ltd. At a Glance

<i>Sl.No.</i>	<i>Particulars</i>	<i>2008</i>	<i>2007</i>
01	Paid-up Capital	299,204,890	299,204,890
02	Total Capital	4,780,375,209	3,696,480,581
03	Capital surplus	155,569,682	(288,130,787)
04	Total Assets	64,794,864,487	50,180,853,526
05	Total Deposits	54,485,266,726	42,295,996,837
06	Total Loan & Advances	44,446,332,765	37,566,020,031
07	Total Contingent Liabilities	18,085,795,609	24,162,756,371
08	Credit Deposit Ratio	814.57	88.82
09	Percentage of classified Loans against total	4.62	4.92
10	Operating Profit	2,449,898,878	2,017,837,432
11	Profit after tax & provision	764,745,570	815,123,487
12	Amount of classified loans during the year	204,997,000	819,068,641
13	Classified Advance at the end of the year	2,051,380,000	1,846,383,000
14	Provision against classified loans	793,837,863	825,234,039
15	Provision surplus	5,853,863	881,039
16	Cost of Fund(%)	11.32	10.76
17	Interest earning Assets	52,999,967,072	42,169,200,191
18	Non-interest earning Assets	11,794,897,415	8,011,383,335
19	Return on Investment (ROI)	9.31	8.02
20	Return on Assets	1.18	1.62
21	Incomes from Investment	670,700,489	442,304,012
22	Earning per share	255.59	272.43
23	Net income per share	255.59	272.43
24	Price Earning Ratio (Times)	12.48	15.43