

The page features a decorative design with three overlapping blue circles of varying sizes and shades, and two thin blue diagonal lines crossing the page. The text is arranged in a clean, professional layout.

# **STAMFORD UNIVERSITY, BANGLADESH**

## **INTERNSHIP REPORT ON UNITED COMMERCIAL BANK LTD. (UCB)**

PREPARED FOR  
Ishrat Jahan Tania  
Assistant Professor  
Department of Business  
Administration (Marketing)

PREPARED BY  
MD:Hafijur Rahman Udoy  
ID:02808611  
BATCH:28(F)  
PROG:B.B.A

**03/11/2010**

## LETTER OF TRANSMITTAL

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Date: January 18, 2010

Ishrat Jahan Tania  
Assistant professor  
Department of Business Administration (Marketing)  
Stamford University Bangladesh

**Subject: Submission of the “Internship Report”.**

Respected Madam,

It is my pleasure to submit my project report titled "**Credit Risk Management**" of United Commercial Bank (**UCB**) Ltd. which I was assigned by you as a part of the Internship at the bank.

As a part of the completion of the bachelor degree at the department of BBA, Stamford University of Bangladesh it is a privilege to work at United Commercial Bank (UCB) Ltd. for a period of October 18, 2009 to January 18, 2010 at Dhanmondi Branch .It is worthwhile experience to develop an aptitude to build up carrier in the banking sector. This experience will help me developing professionalism and have positive attitude towards business world.

I have tried my best to accumulate information that I believe relevant and insightful. It was a great opportunity to apply some theoretical knowledge in the practical purpose. I tried my best to give some suggestions for the betterment of the service sales and center and customer service department. I hope they will be worthwhile.

It will be my pleasure to clarify any matter regarding this report I thank you for allowing me the opportunity to undertake the task and for your sincere guidance and cooperation.

Yours truly,

---

Md: Hafijur Rahman  
ID- 02808611 (28<sup>th</sup> Batch)  
BBA (Major in Marketing)  
Stamford University Bangladesh

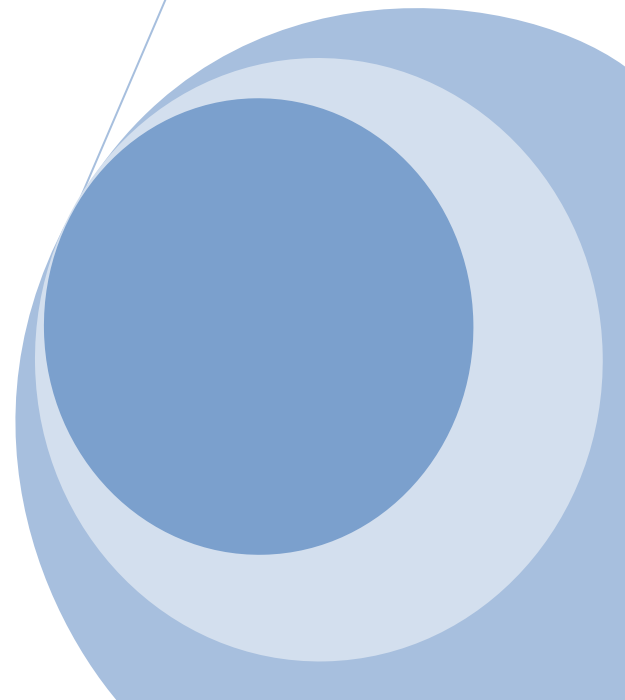
## CERTIFICATE

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Md: Hafijur Rahman, ID-02808611, BBA 28<sup>th</sup> Batch (Marketing), has completed internship report under my supervision. She has done this report on “Credit Risk Management” on United Commercial Bank, as a part of requirement for obtaining BBA degree. I have gone through the report and found it to be a well written report.his has completed the report by himself. I wish his every success in life.

---

Ishrat Jahan Tania  
Assistant professor  
Department of Business Administration (Marketing)  
Stamford University Bangladesh.



## DECLARATION

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I am Md: Hafijur Rahman, a student of Stamford University Bangladesh, Program-Bachelor of Business Administration (BBA), Major in Marketing, ID-02808611 do hereby declared that the internship report on United Commercial Bank (*UCB*) Ltd, Dhanmondi Branch, Dhaka, is an original and benefited work done by me for partial fulfillment of the Bachelor of Business Administration Degree, as a part of academic curriculum. It has not been submitted by me before, for any other degree.

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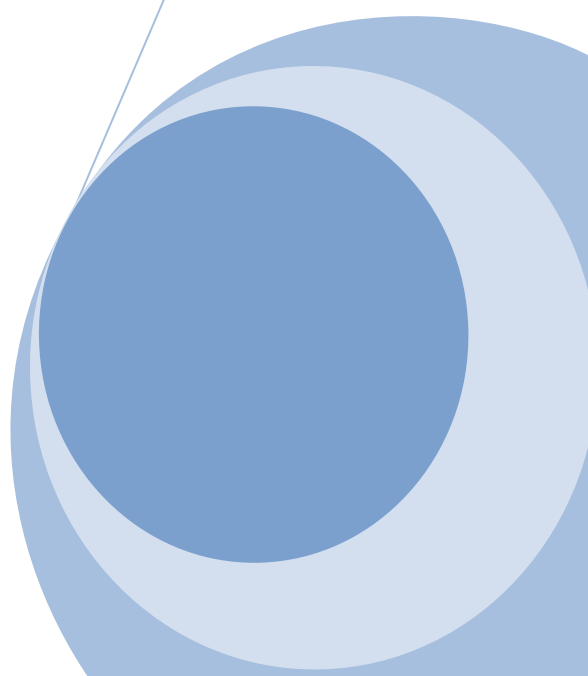
Md: Hafijur Rahman

ID: 02808611

BBA-28<sup>th</sup> Batch

Major in Marketing

Stamford University Bangladesh



## ACKNOWLEDGEMENT

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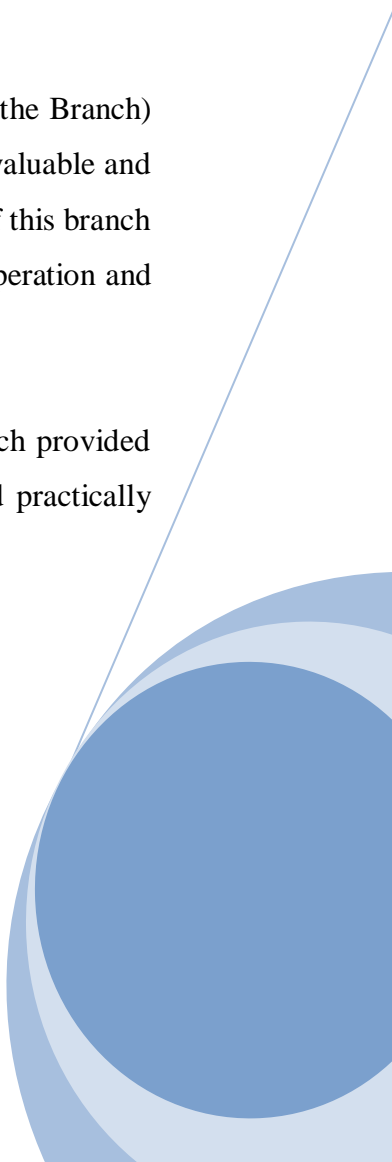
I have prepared my internship report on “**Credit Risk Management**”. I tried my best to get ready this paper to the required standard.

At first, I would like to express my heartiest thankfulness to almighty **ALLAH** for giving me the strength to complete the report successfully.

Than of all I would like to thank my honorable internship supervisor Ishrat Jahan Tania “Assistant professor Department of Business Administration Stamford University Dhaka” for giving me the opportunity to work with the mentioned topics, which is an excellent one. I am grateful to her for continual support and suggestion. Without his co-operation and supervision, the report would not have been possible.

I am also grateful to Mr.Ahad-Uz-Zaman (Senior Vice President & Head of the Branch) of UCB Bank Ltd, Dhanmondi Branch. He has obliged me by providing the valuable and confidential data of the bank. I give my special thanks to all of the officials of this branch who help me by providing data. I am grateful to them because of their co-operation and their assistance to prepare this report.

Last but not the least, I express my overall gratitude to my department, which provided me the chance to be familiar with the real organizational environment, and practically experiencing the procedure practiced at United Commercial Bank Ltd.



## EXECUTIVE SUMMARY

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As a partial fulfillment of Bachelor of Business Administration (BBA) program the internship is designed to the gap between academic knowledge and the practical to some extent. It is really a great opportunity to have on real life experience while passing through the process of theoretical learning. The report is prepared with to two and half month's internship program in the United Commercial Bank of Bangladesh Ltd.

Banking system of Bangladesh has gone through three phases of development- Nationalization, Privatization, and Lastly Financial Sector Reform. United Commercial Bank Of Bangladesh Limited has started its journey as a private commercial bank on June 3, 1983.

The whole working process of Dhanmondi Branch, UCBL is divided into 2 sections- (i) General Banking section, & (ii) Credit Section, This report has been presented based on observation from each section, which is consisted of various departments and especially this report based and also presented on the credit risk management on UCBL which is also my repots main topic. Foremost, I have tried to make acquainted with the bank and branch in this report.

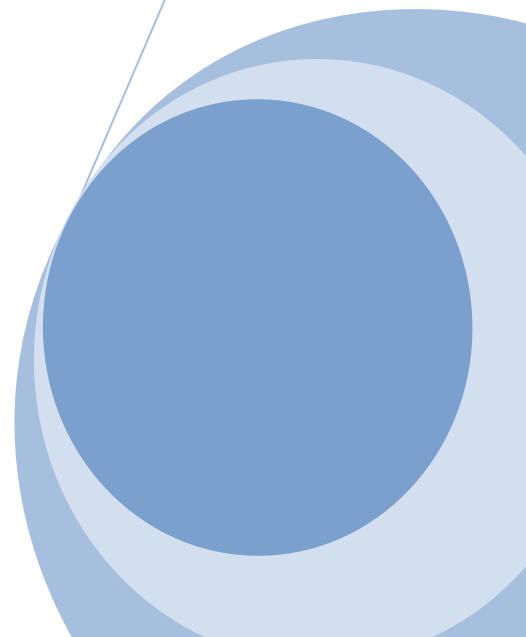
General banking is the starting point of all the banking operations. It is the department, which provides day-to-day services to the customers. It opens new accounts, remit funds, issue bank drafts and pay orders etc. Provide customer through quick and sincere service is the goal of the general banking department

Bank credit is an important catalyst for bringing about economic development in a country. Without adequate finance, there can be no growth or maintenance of a stable economy. UCBL, being one of the largest private commercial bank of the country, has some prejudice to finance directly on priority basis to agriculture, industry and commerce sector for strengthening the economic base of the country. Hence, it is very clear that, UCBL plays an important role to move the economic wheel of the country. Providing

different sorts of credit and schemes like loan against imported merchandise (LIM), Trust Receipt, Bank Guarantee, Industrial Loan, SOD, Consumer Credit scheme, Executives Car Loan, House Finance is the main spring of the credit department.

And finally I discuss my reports main topic is the UCB's credit risk Management. In this point I give the detailed description about the several types of risk of export, overall export policies of UCBL, Risk Management strategy, Export Facility, several types of CIB report, Credit risk grading etc. Giving all this information I try to show the UCB's Credit management Strategy and how they maintain their risk and doing their business to and earn the profit.

So finally I want to say that in this report I try to give information about UCB's General banking system than its Foreign Exchange Department than its Loans and Advance System, and its Credit Risk Policy and Management system which is my Internship reports main point.



# C O N T E N T

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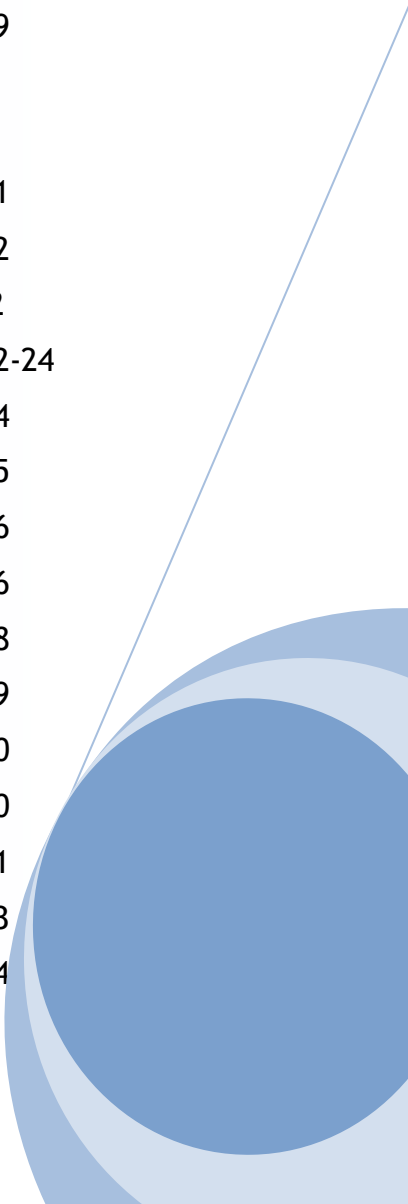
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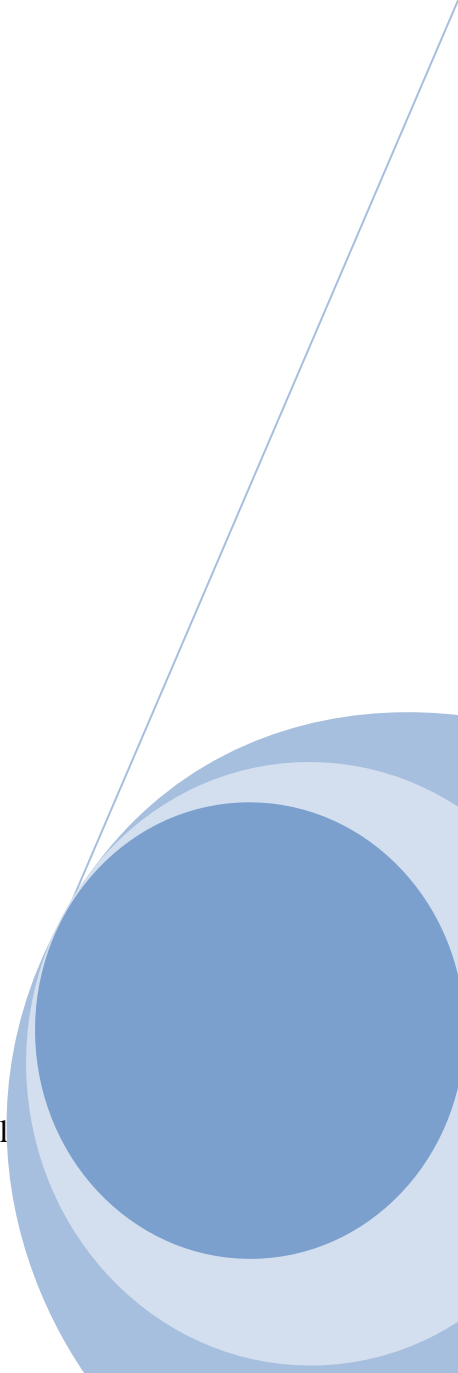
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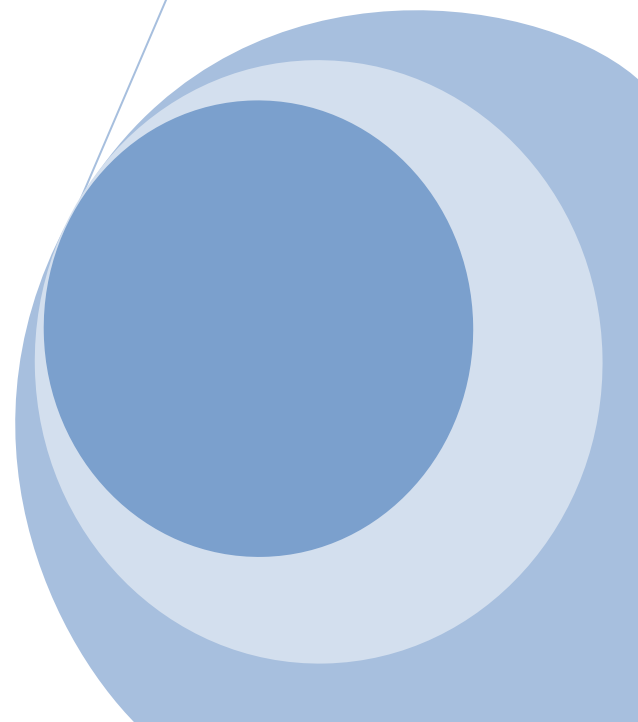
## ACRONYMS

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A/C	Account
AD	Authorized Dealer
B/L	Bill of Lading
BB	Bangladesh Bank
BOE	bill of exchange
CCI & E	Chief Controller of Import & Export
CFR	Cost & Freight
CIB	Credit Information Bureau
CIF	Cost Insurance & Freight
DD	Demand Draft
DP Note	Demand Promissory Note
EPB	Export Promotion Bureau
EXP	Export Form
FC	Foreign Currency
FDD	Foreign Demand Draft
FOB	Free On Board
HS Code	Harmonized system of coding
IBC	Inward Bills for Collection
IBCA	Inter Branch Credit Advice
IBDA	Inter Branch Debit Advice
IMP	Import Form
IRC	Import Registration Certificate
L/C	Letter of Credit
LCAF	Letter of Credit Authorization Form
OBC	Outward Bills for Collection
PO	Payment Order
PSI	Pre Shipment Inspection
SWIFT	Society for Worldwide Inter bank Financial



TC	Travelers Cheque
TIN	Tax Identification Number
TR	Truck Receipt
TT	Telegraphic Transfer
STD	Short Term Deposit
FDR	Fixed deposit receipt
CC	Cash Credit
C&F	



# 1

# Contents

- Introduction
- Origin of Report
- Objectives of Study
- Sources of data
- Methodology
- Limitations
- Composition of the Report

## INTRODUCTORY PART

## Introduction

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“Ordinarily, banking business implies a routine of operations consisting chiefly in the management of customers’ deposit accounts, payment of their cheques by exchange or by cash, collection of documents for them, the arrangement of credit by discount or advances & transactions with other bodies in pursuance of these functions.”

### Australian Encyclopedia

Banking Industry is one of the most promising industries of our country. The importance of the sector revealed through its contribution in the economic growth of the country. This sector accelerates the economic growth through mobilizing funds from surplus unit to the deficit unit. Banking Industry is moving towards rapid changes due to technological innovation and diversified needs of the customers.

Every bank deals with the most important factor of the economy i.e. Money. It flows funds from surplus unit to deficit unit and through this it facilitated the efficient allocation of the resources as well as accelerated economic growth. This sector is moving towards new dimension as it is changing fast due to competition, deregulation, financial, reforms.

As the pace of globalization competition in banking sector is increasing very fast. Banks are becoming more customers oriented and offer High tech customized products to it’s target market to hold the market .Our central bank always keep monitoring those banks of our country, measure each banks performances. Individual banks also need to assess their own performance to satisfy the parties those are related to its growth.

To ascertain the role of banks and to analyze its operational aspects and its overall impact on our national economy a through study as to its distribution, expansion and contribution is essential to comprehend its past, present and future bearings for the growth and development of the banking sector of the country.

## Origin of the Report

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The report entitled “Performance Evaluation of United Commercial Bank of Bangladesh Limited” has been prepared as a partial fulfillment of BBA program Faculty of Business administration, The Stamford University, Bangladesh.

After completing my Bachelor of Business Administration (BBA) as a student of Stamford University, Bangladesh, I wanted to complete my Internship program from a reputed Bank which would be helpful for my future professional career. I got the opportunity to perform my internship in the UCBL. I was posted to Dhanmondi Branch. It was three months practical orientation program...

## Objectives of study

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The initial objective of this report is to obey with the requirement of the UCBL. But the objectives is not limited with in above, behind this study is something broader. Objectives of the study are summarized in the following manner:

- To measure the overall performance of UCBL.
- To have some practical exposures that will be helpful for my future career
- To make a bridge between the theories and practical procedures of banking day-to-day operations.
- To gain practical knowledge by working in different desks of Dhanmondi branch of UCBL
- To observe the working environment in commercial banks.
- To make myself more confident and active in future to handle my job.
- Finding out the risk and profitability of different modes theoretically.
- To measure the efficiency of the bank
- To know the financial strength and future threats of the bank.

## Sources of data

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In order to make the report more meaningful and presentable, two sources of data and information have been used widely.

The “**Primary Sources**” are as follows:

- Face-to-face conversation with the respective officers and staffs of the Branch.
- Informal conversation with the clients.
- Practical work exposures from the different desks of the departments of the Branch covered.
- Relevant file study as provided by the officers concerned.

The “**Secondary Sources**” of data and information are:

- Annual Report of UCBL.
- Various books, articles, compilations etc. regarding general banking functions, foreign exchange operations and credit policies.
- Different ‘Procedure Manual’, published by UCBL.
- Different circular sent by Head Office of UCBL and Bangladesh Bank.

## Data Collection procedure:

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In order to collect the data a questionnaire which is a combination of both open ended and close ended has been used. Group discussion and personal interview also used to collect the data.

### Data Processing:

In order to process the data MS Excel has been used to analyze the data and to prepare the graphical presentation.



## Methodology

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- The study is a result of the discussion with my supervisor.
- Interviewed with some of clients.
- Sent some questionnaires to the selected Officers
- Studied different circulars and files of the bank

I hope these criteria will be enough to find out different pictures of financial performance of the UCBL.

## Limitations

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Limitation the time, 78 working days, was one of the most important factors to know all activities of the branch and prepare the report.

1. It was very difficult to collect the information from various personnel for their job constraint.
2. Every organization has their own secrecy that is not revealed to others. While collecting data i.e. interviewing the employees, they did not disclose much information for the sake of the confidentiality of the organization.
3. Another limitation of this report is Bank's policy of not disclosing some data and information for obvious reason, which could be very much useful.
4. Because of the limitation of information, some assumption was made. So there may be some personal mistake in the report
5. I carried out such a study for the first time, so inexperience is one of the main constraints of the study.

## Composition of the Report

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This is a short report covering all that I experienced while working at bank. The report has seven parts.

- The first part is the introductory chapter.
- The second part contains information about UCBL.
- The third part gives information about Dhanmondi branch where I have worked.
- General Banking is described in forth part.
- Advance Section respectively. And
- The last part named 'conclusions' ends the report.

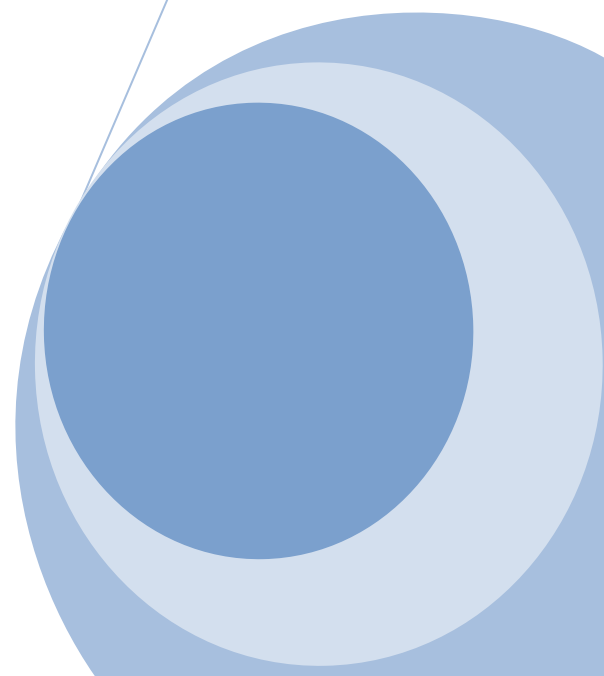
# 2



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- UCBL Overview
- Objective of UCBL
- Mission, Vision, Values & Business motto.
- Products & Service
- Board of Directors
- Hierarchy of the Management
- Operation Network of UCBL Branches
- Investment
- Export Import
- Function of UCBL
- Capital Structure
- Deposit
- Performance of UCBL

### Company Background



## Historical Background of United Commercial Bank (UCB) Ltd.

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UCBL Limited was established under the rules & regulations of Bangladesh bank & the Bank companies' Act 1991, on the 3<sup>rd</sup> June 1983 with the leadership of Late Mr. Shahjahan Kabir, founder chairman who had a long dream of floating a commercial bank which would contribute to the social-economic development of our country. He had a long experience as a good banker.

A group of highly qualified and successful entrepreneurs joined their hands with the founder chairman to materialize his dream. In deed, all of them proved themselves in their respective business as most successful star with their endeavor, intelligence, hard working and talent entrepreneurship. Among them, Mr. Nazrul Islam Mazumder became the honorable chairman after the demise of the honorable founder chairman. Of its very beginning, UCBL Bangladesh limited was known as UCBL,

United Commercial bank Limited is sponsored by some self-motivated and reputed entrepreneurs and distinguished industrialists of the country and also participated by the Government; UCB started its operation in mid 1983 and has been able to establish one of the largest networks of 84 branches as on 31.12.2007 among the first generation banks in the private sector.

## **UCBL Overview**

### **About Us**

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From the very inception it is the firm determination of UCB to play a vital role in the national economy. They are determined to bring back the long forgotten taste a banking services and flavors. They want to serve each promptly and with a sense of dedication and dignity.

UCB has its prosperous past, glorious present, prospective future and under processing projects and activities. UCB is fully Bangladeshi entrepreneurs owned private bank. The member of the board of directors is creative business man and leading industrialist of the country.

To keep rate of knots with time and in synchronization with national and international economic activities and for rendering all modern services, UCB, as a financial institution automated all its branches with computer network in accordance with the competitive commercial demand time. Moreover, considering its forth-coming future the infrastructure of the bank is rearranging. The expectation of all class businessman, entrepreneurs and general public is much more to UCB.

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

## **Objectives of UCBL:**

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- To provide quick and superior service by applying modern information technology.
- In all aspects the UCBL lanced development growth of the bank to be sustained and this technique is to be maintained.
- By improving congenial relationship between the Bank and the customers, we want to come closer to play a vital role in national development.
- By investing the liquidity of our valued shareholders income generating projects and give them maximum dividend.
- In this competitive market, the bank is to provide new innovation banking services to its valued customers and build up its own image.
- To ensure the improvement of professional quality of man power by increasing the work efficiency and technological knowledge.
- To its own position by creating creative banking service in competitive market.

## **Mission:**

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To offer financial salutation that creates, manage and increase our client's wealth while improving the quality of life in the communities we serve. And To assist in bringing high quality service to our customers and to participate in the growth and expansion of our national economy.

## **Vision:**

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UCBL vision is to have poverty free Bangladesh in course of a generation in the new millennium, reflecting the national dream. Our vision is to build a society where human dignity and human rights receive the highest consideration along with reduction of poverty to set high standards of integrity and bring total satisfaction to our clients, shareholders and employees.

To become the most sought after bank in the country, rendering technology driven innovative services by our dedicated team of professionals.

The main vision of UCBL is to be the 1<sup>st</sup> choice through maximizing value for our client, shareholders & employee and contributing to the national economy with social commitments.

## **Values:**

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- \* We put our customer first
- \* We emphasize on professional ethics
- \* We maintain quality at all levels
- \* We believe in being a responsible corporate citizen
- \* We say what we believe in
- \* We foster participate management

## **Business Motto:**

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“United we achieve”

## **PRODUCT & SERVICES:**

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- ▲ MS Banking Service
- ▲ Online Service
- ▲ Credit Card
- ▲ One Stop Service
- ▲ Time Deposit Scheme
- ▲ Monthly Savings Scheme
- ▲ Deposit Insurance Scheme
- ▲ Inward & Outward Remittances
- ▲ Travelers Cheques
- ▲ Loan Syndication
- ▲ Working Capital Finance
- ▲ Underwriting and Bridge Financing
- ▲ Trade Finance
- ▲ Industrial Finance
- ▲ Consumer Credit Scheme
- ▲ Locker Service

## **Board of Directors**

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### **Board of Directors**

#### **Chairman**

Mr. Md. Jahangir Alam Khan

#### **Vice-Chairperson**

Mrs. Qamrun Nahar

### **Executive Committee of the Board**

#### **Chairman**

Hajee M. A. Kalam

#### **Directors**

Hajee Yunus Ahmed  
Mr. M. A. Sabur  
Mr. M. A. Hashem  
Mr. Shabbir Ahmed  
Mr. Kazi Enamul Hoque  
Mr. Showkat Aziz Russell  
Mr. Riyadh Zafar Chowdhury  
Mr. Nur Uddin Javed  
Mrs. Aziza Karim  
Mrs. Setara Begum

#### **Managing Director**

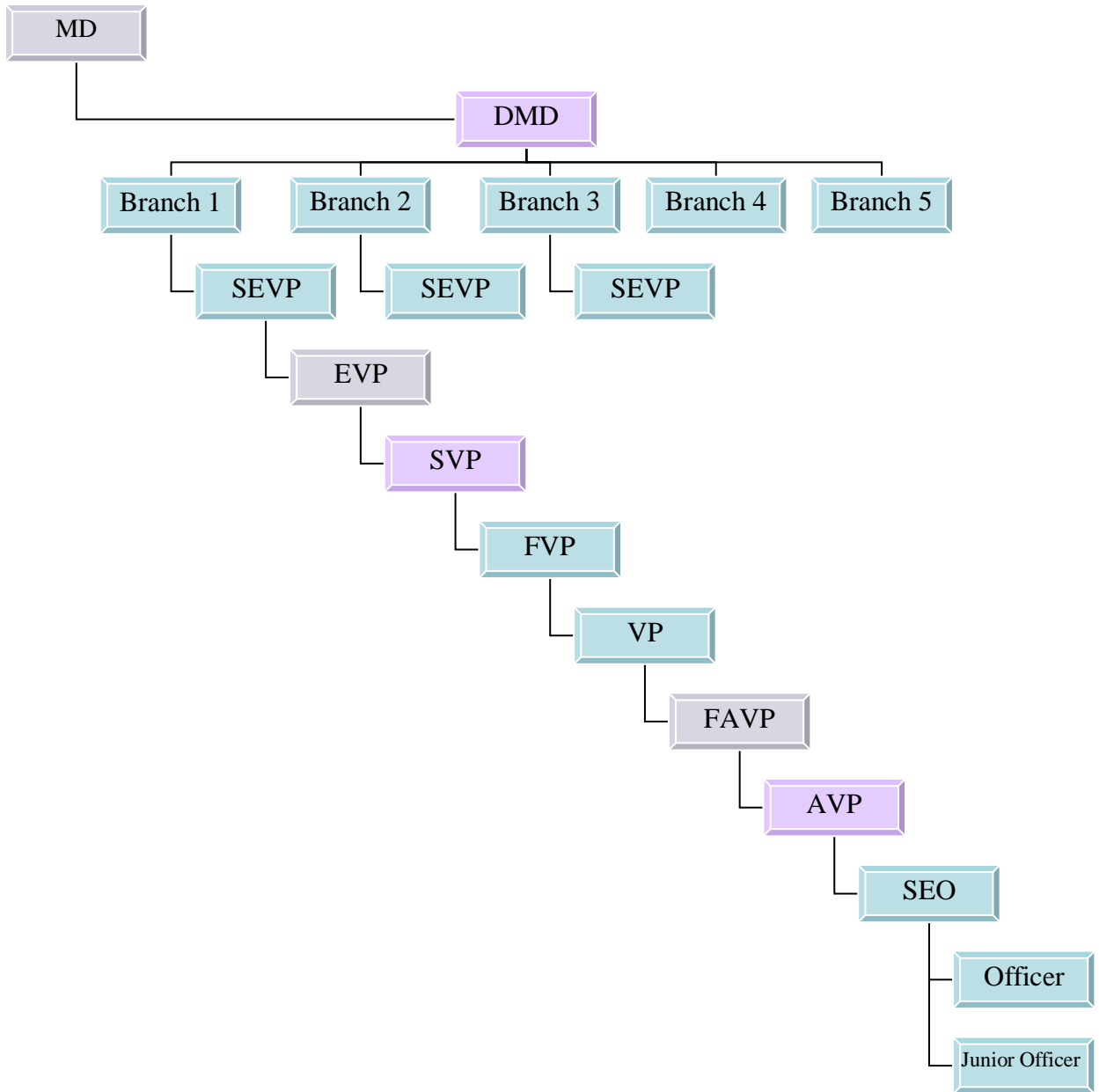
Mr. Shahjahan Bhuyan

#### **Secretary**

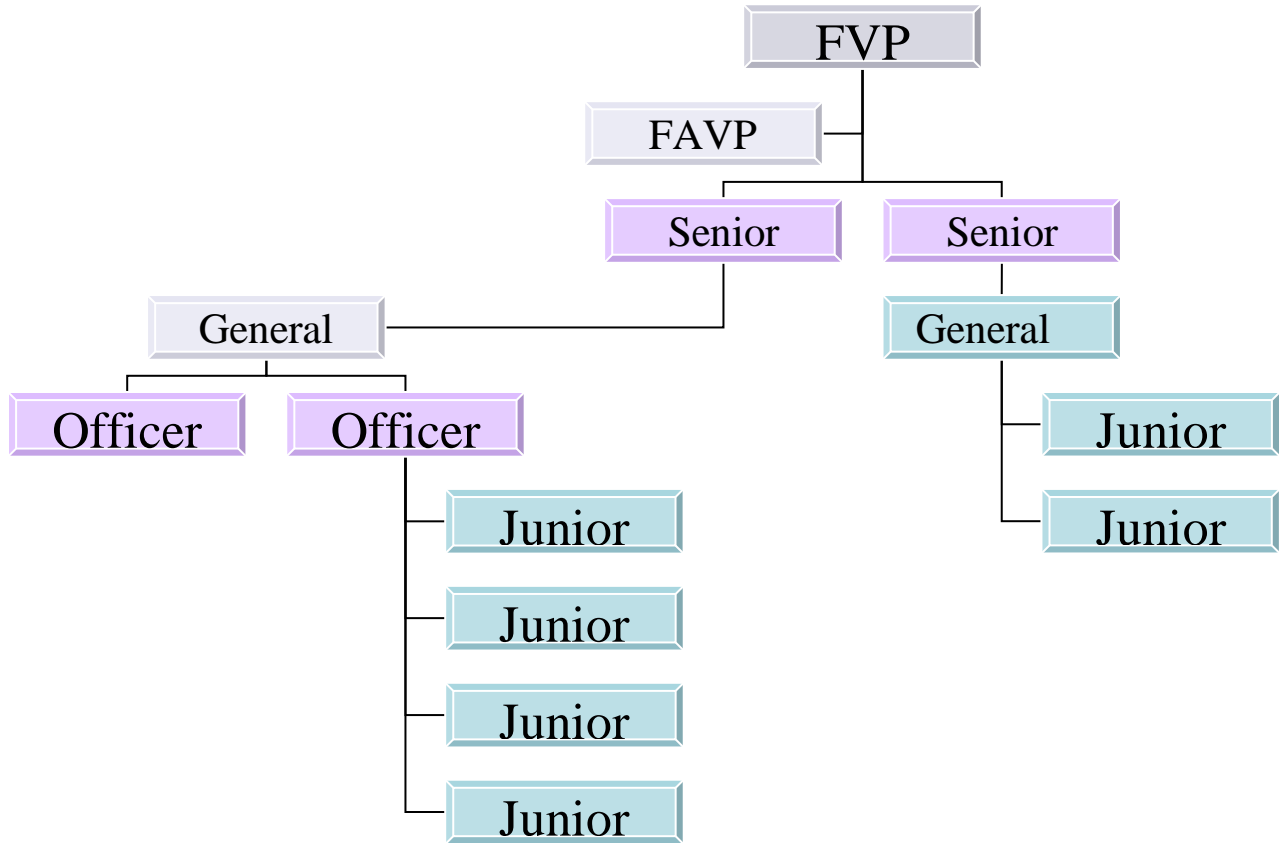
Mr. Mirza Mahmud Rafiqur Rahman



# Hierarchy of the Management



## Operational Network of UCBL Branches



**Fig: Internal Activities of UCBL Branches**

## Investment

The special feature of the investment policy of the bank is to invest on the basis of profit-loss sharing system in accordance with the tenets and principles of Islamic Shariah. Earning profit is not the only motive and objective of the Bank's investment policy rather emphasis is given in attaining special good and in creating employment opportunities. The size of the investment portfolio in 2005 is at TK.1542.99 million from Tk.2377.07 million in 2004 indicating an increase of 43.82%. So this rapid increase of investment shows the proper efficacy of customer service.

### Investment Activities of UCBL:

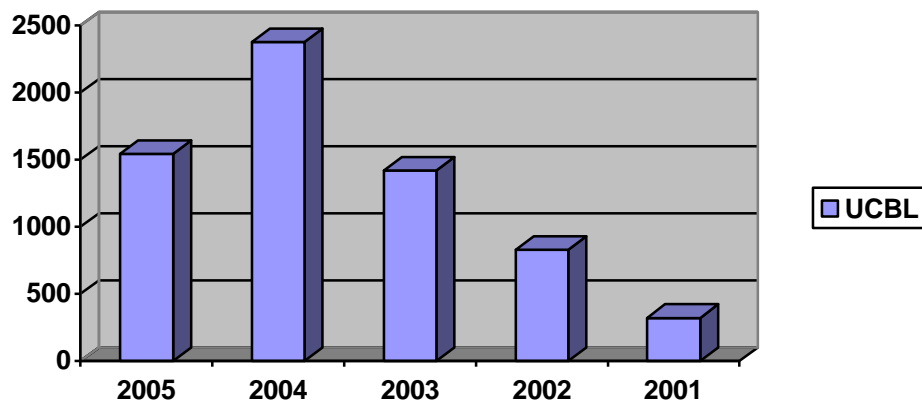
Amount (Tk In Million)

Year	UCBL
2005	1542.99
2004	2377.07
2003	1419.00
2002	829.06
2001	321.59

from 2001-2005.

Source: Annual report

### Investment of UCBL:



## Export & Import Business

Import Business is an important segment of foreign exchange business. The significant items of imports are industrial raw materials, consumer goods, machinery, Fabrics and accessories etc. UCBL help its customer to import these type of goods from others countries and the bank also gives the financial help to the customer. As on December, 2004 UCBL Imported Tk. 19260 million of goods.

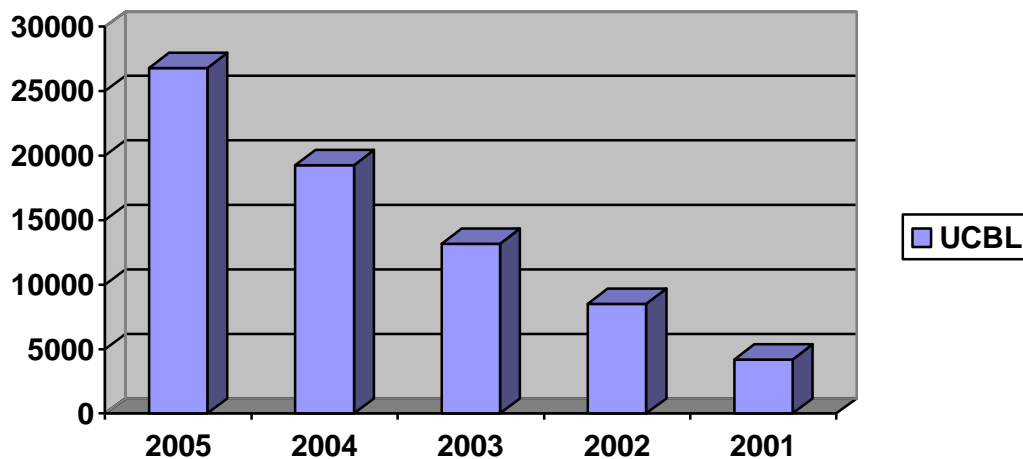
### Handling the amount of Import Business:

**Table: 03 Amount (TK in Million)**

Year	UCBL
2005	26781.80
2004	19260.01
2003	13152.50
2002	8519.70
2001	4199.70

Source: Annual Report from 2001-2005.

### Handling Of Import Business in UCBL:



From the above table and figure we can clearly understand that the volume of import is

Increasing gradually. During the year 2005 the bank opened imports letter of credit and Volume stood at Tk. 26781.80million with a growth of 39.05% comparison with previous year. This growth rate indicates the curiosity of customer towards the UCBL.

## Functions of UCBL

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- To maintain all types of deposit A/Cs.
- To make investment.
- To conduct foreign exchange business.
- To conduct other Banking services.
- To conduct social welfare activities.
- To work for continues business innovation and improvements.

## Capital Structure

---

### Capital:

The bank started with an authorized capital of Tk.1000 million in 1999 and as on 31<sup>st</sup> December 2000 paid up capital stood at Tk. 225 million. The paid up capital stood at Tk.627.75 million as on 31<sup>st</sup> December 2004.

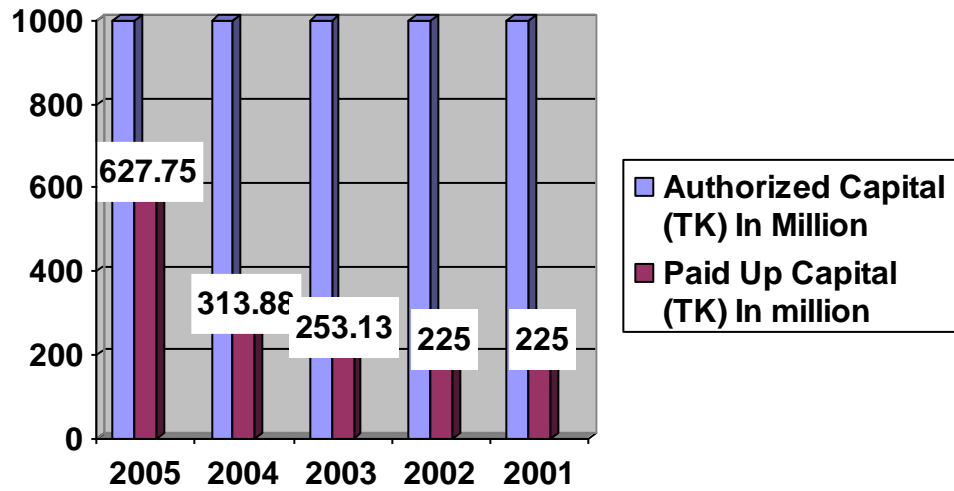
### Analysis of Capital Structure:

Capital structure of UCBL has changed from year to year. The components of the capital structure are paid-up capital; proposed issue of dividend, share premium, statutory reserve, proposed cash dividend, retained earnings and other reserve.

### Authorized and Paid up Capital of UCBL:

Authorized Capital (TK) In Million	Year	Paid Up Capital (Tk) In Million
1000	2005	627.75
1000	2004	313.88
1000	2003	253.13
1000	2002	225.00
1000	2001	225.00

### Capital Position of UCBL:



### **Components of capital structure and correspondent contributions:**

Figures of different components of the capital structure for the year 2001, 2002, 2003, 2004 and 2005 are shown below.

<b>Components of capital structure</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>
Paid-up capital	225.000 (75.82 %)	225.000 (48.7 %)	253.125 (45.91%)	313.875 (41.94 %)	627.750 (44.84%)
Proposed issue of bonus share	-----	28.125 (6.09 %)	60.750 (11.02 %)	-----	251.100 (17.94%)
Share premium	-----	15.750 (3.41 %)	82.575 (14.98 %)	82.575 (11.03 %)	94.162 (6.73%)
Statutory reserve	16.045 (5.41 %)	64.896 (14.05 %)	132.501 (24.03 %)	228.202 (30.5 %)	357.329 (25.52%)
Other reserves	23.612 (7.96 %)	54.718 (11.84 %)	-----	-----	-----
Proposed cash dividend	*31.500 (10.62 %)	56.250 (12.18 %)	20.250 (3.67 %)	-----	62.775 (4.48%)
Retained earnings	0.590 (0.2 %)	17.227 (3.73 %)	2.131 (0.39 %)	123.622 (16.53 %)	6.887 (0.49%)
<b>Total</b>	<b>296.747 (100 %)</b>	<b>461.966 (100 %)</b>	<b>551.332 (100 %)</b>	<b>748.274 (100 %)</b>	<b>1400.004 (100%)</b>

\* In the annual report of the year 2001, capital structure did not contain any value for the component of proposed issue of bonus share, but in the annual report of the year

1. Annual Reports-2001, 2002, 2003, 2004 & 2005.

From the table in the last page, *paid-up capital* was the largest component of the bank's capital structure for each year though contribution of this component in the capital

structure was declining gradually. Two components of the capital structure; proposed issue of bonus share and share premium had no contribution in the capital structure in the year 2001. It is observed that in the year 2004, there is neither proposed issue of bonus share nor proposed cash dividend. Instead of these two things the amount of retained earnings became too large.

### **Capital structure:**

Pie chart of capital structure for the base year 2001 and for the year 2005 have been shown below:

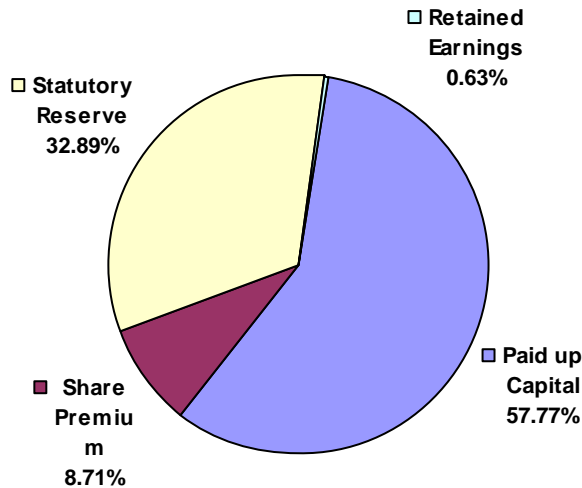


Fig: Capital structure for the base year 2001.

The above figures are showing the comparison between different components of capital structure of the base year 2001 and the year 2005. In the base year 2001, there was no proposed issue of bonus share and share premium and in the year 2005, there were no other reserve.

### **Deposit**

The total deposit of the bank increased to Tk. 15,242.97 million as on December 31, 2004 from Tk. 9,945.23 million as at the end of the previous year indicating an increase of 53.27% than the previous year. The UCBL remains committed to increasing deposit base by growing low cost personal and business accounts, and thereby lowering the banks over all cost of fund. As on December31, 2005 the banks deposit reached 19,078.18 million, which is more than 3835.21 million than last year.



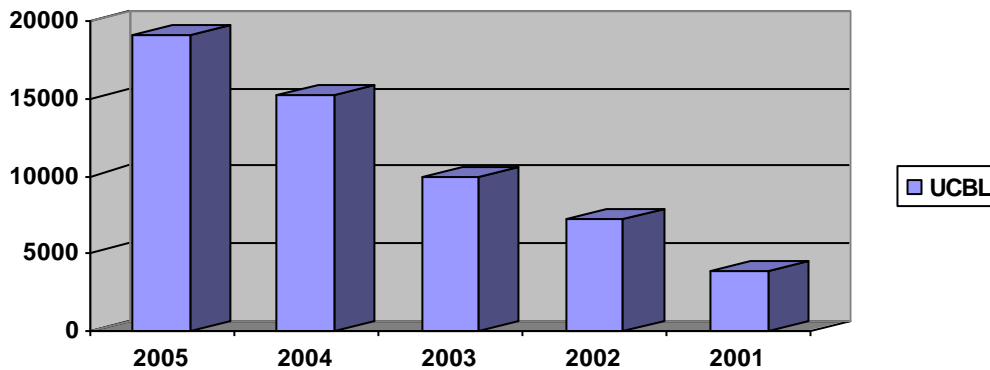
## Deposit Position of UCBL:

### Amount of Deposit (Tk In Million)

Year	UCBL
2005	19,078.18
2004	15,242.97
2003	9,945.23
2002	7,255.02
2001	3934.47

Source: Annual Repo  
2005

From 2001-  
Deposit in UCB



## Performance of UCBL

The business of banking consisting of borrowing and lending. As in other businesses, operation must be based on capital, but employ comparatively little of their own capital in relation to the total volume of their transactions. The purpose of capital and reserve accounts is primarily to provide an ultimate cover against losses on loans and investment. UCBL was incorporated as a public Limited company on the 2<sup>nd</sup> June 1999 under Company Act 1994. The Bank started commercial banking operations effective from 3<sup>rd</sup> August 1999. During this short span of time the Bank has been successful to position itself as a progressive and dynamic financial institution in the country. The Bank is widely acclaimed by the business community, from small business/entrepreneurs to large traders and industrial conglomerates, including the top rated corporate borrowers from forward-looking business outlook and innovative financing solutions.

In year 2004 UCBL made commendable in all business arenas like Deposit, Credit, Fund Management, Investment and Foreign Exchange related business.

Year-wise performance analysis of UCBL in different business arenas is shown below:

(Amount in Crore)

Particulars	Financial Year				
	2001	2002	2003	2004	2005
Authorized Capital	100.00	100.00	100.00	100.00	100.00
Paid-Up Capital	22.50	22.50	25.31	31.39	62.78
Reserve Fund	3.96	11.96	29.84	22.82	35.73
Deposits	393.45	725.50	994.52	1,524.30	1,907.81
Advances	217.05	513.15	795.45	1,228.91	1,933.24
Investments	32.16	82.91	141.90	237.71	154.30
Import	419.97	851.97	1,315.25	1,926.01	2678.18
Export	279.73	744.22	1,008.82	1,512.42	2241.84
Operating Profit	9.97	27.38	38.68	25.48	38.17
No. of Foreign Correspondent	154	175	180	183	200
No. of Employees	237	356	500	680	768
No. of Branches	7	10	16	19	24

Source: Annual Report From 2001-2005.

# 3



# Contents

- General Banking
- Account Opening
- Account Opening Procedures

## General Banking of UCBL

## General Banking

---

General banking department is the heart of all banking activities. This is the busiest and important department of a branch, because funds are mobilized, cash transactions are made; clearing, remittance and accounting activities are done here.

Since bank is confined to provide the services everyday, general banking is also known as 'retail banking'. In UCBL Principal Branch, the following departments are under general banking section:

- Account opening section
- Deposit section
- Cash section
- Remittance section
- Clearing section
- Accounts section

## Account Opening Section

---

Account opening is the gateway for clients to enter into business with bank. It is the foundation of banker customer relationship. This is one of the most important sections of a branch, because by opening accounts bank mobilizes funds for investment. Various rules and regulations are maintained and various documents are taken while opening an account.

A customer can open different types of accounts through this department. Such as:

1. Current account.
2. Savings (SB) account.
3. Short Term Deposit (STD)

## **Types of Accounts with Terms and Conditions**

### **Current (CD) Account:**

Current account is purely a demand deposit account. There is no restriction on withdrawing money from the account. It is basically justified when funds are to be collected and money is to be paid at frequent interval. Some Important Points are as follows-

- Minimum opening deposit of TK.1000/- is required;
- There is no withdrawal limit.
- No interest is given upon the deposited money;
- Minimum Tk.1000/= balance must always maintain all the time.

### **Savings (SB) 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. Hence, there is a restriction on withdrawals in a month. Heavy withdrawals are permitted only against prior notice. Some Important Points are as follows-

- Minimum opening deposit of Tk.5000/= is required;
- Minimum Tk. 1000/= balance must always maintain all the time;
- Withdrawal amount should not be more than 1/4<sup>th</sup> of the total balance at a time and limit twice in a month.
- If withdrawal amount exceed 1/4<sup>th</sup> of the total balance at a time no interest is given upon the deposited money for that month.
- The current rate on deposit amount is 6%.
- Closing of saving accounts will cost 300tk to a customer.

### **Short Term Deposit (STD) Account:**

Normally various big companies, organizations, Government Departments keep money in STD account. Frequent withdrawal is discouraged and requires prior notice. The deposit should be kept for at least seven days to get interest. The interest offered for STD is less than that of savings deposit. Interest is calculated based on daily minimum product and paid two times in a year. Interest rate is 4.50%.

### **Call Deposits (Money at Call):**

Sometime the banker secures funds from the money markets usually from other bankers against receipt to meet his purely temporary shortage of funds. These debts are repayable immediately at call. When the money market is tight such deposits attract higher rate of interest and then to be treated as banker's borrowings as call loans.

### **Account opening:**

To deal with the bank individuals need to have an account first. The particulars are essential for identification of the account holders individually so that the banker can discharge his obligations to every one correctly and to the extent due.

### **Documents required for opening account**

#### **□ Individual / Joint Account:**

1. Introduction of the account.
2. Two photographs of the signatories duly attested by the introducer.
3. Identity (copy of passport).
4. Joint Declaration Form (For joint a/c only).
5. Employee's Certificate (in case of service holder).

#### **□ Partnership account:**

1. Introduction of the account.
2. Two photographs of the signatories duly attested by the introducer.
3. Partnership letter duly signed by all partners (Sign should be similar as stated in Partnership Deed).
4. Partnership Deed duly certified by Notary public.
5. Registration (If any).
6. Updated Trade license.

□ **Proprietorship account:**

1. Introduction of the account.
2. Two photographs of the signatories duly attested by the introducer.
3. Valid copy of Trade License.
4. Rubber stamp.
5. TIN number certificate.
6. Identity (Copy of passport).
7. Permission letter from DC/ Magistrate (in case of newspaper)

□ **Limited company:**

1. Introduction of the account.
2. Two photographs of the signatories duly attested by the Introducer.
3. Valid copy of Trade License.
4. Board resolution of opening A/C duly certified by the Chairman/Managing Director.
5. Certificate of Incorporation.
6. Certificate of Commencement (In case of Public limited company).
7. Certified (joint stock) true copy of the Memorandum and Article of Association of the Company duly attested by Chairman or Managing Director.
8. List of directors along with designation & specimen signature.
9. Latest certified copy of Form – xii (to be certified by register of joint stock companies) (In case of Directorship change).
10. Rubber Stamp (Seal with designation of each person)
11. Certificate of registration (In case of **Insurance Company** – Obtained from department of Insurance from the Peoples Republic of BD).

□ **Club / societies account:**

1. Introduction of the account.
2. Two photographs of the Signatories duly attested by the introducer.
3. Board Resolution for Opening A/C duly certified by President/ Secretary.
4. List of Existing Managing Committee.
5. Registration (if any).
6. Rubber Stamp.
7. Permission letter from Bureau of N.G.O. (In case of **N.G.O.** A/C).

**Savings Scheme;**

- Monthly Income Scheme
- Multiplus Savings
- Smart saver
- Super Saving Scheme
- Monthly Savings Scheme (Money Grower)
- Hajj Scheme

**Finance/Loans:**

- Corporate Finance
- Industrial Finance
- Lease Finance
- Hire Purchase Finance
- Commercial Loans
- Project Finance
- Syndicate Loans
- Retail Loans
- Mortgage Loans
- Loan against Share and Securities



## **Account Opening Procedures:**

<b>Step 1</b>	<p>The account should be properly introduced by Any one of the following:</p> <ul style="list-style-type: none"><li>▪ An existing Current Account holder of the Bank.</li><li>▪ Officials of the Bank not below the rank of an Assistant officer.</li><li>▪ A respectable person of the locality well known to the Manager/Sub-Manager of the Branch concerned.</li></ul>
<b>Step 2</b>	<p>Receiving filled up application in bank's prescribed form mentioning what type of account is desired to be opened.</p>
<b>Step 3</b>	<ul style="list-style-type: none"><li>▪ The form is filled up by the applicant himself / herself</li><li>▪ Two copies of passport size photographs from individual are taken, in case of firms photographs of all partners are taken</li><li>▪ Applicants must submit required documents</li><li>▪ Application must sign specimen signature sheet and give mandate</li><li>▪ Introducer's signature and accounts number – verified by legal officer</li></ul>
<b>Step 4</b>	<p>Authorized Officer accepts the application</p>
<b>Step 5</b>	<p>Minimum balance is deposited – only cash is accepted</p>
<b>Step 6</b>	<p>Account is opened and a Cheque book and pay-in-slip book is given</p>

### **General charges for CD, SB, STD**

SL #	Particulars	Rate of charges
01.	Closing of CD accounts	Tk. 300/-
02.	Closing of SB accounts	Tk. 300/-
03.	Closing of STD accounts	Tk. 300/-
04.	Account transfer from Branch to Branch	Tk. 300/-
05.	Cheque book issue charges (recoverable from other a/c of the clients)	Per leaf Tk. 1.00
06.	Cheques returned due to insufficient fund	Tk. 500/- per instance
07.	Outstain collection cheques returned due to insufficient fund	Tk. 500/- per instance
08.	Issuance of solvency certificate ( CD/SB/STD)	Tk. 500/- per instance
09.	Account statement	Tk. 300/- per instance
10.	Complaine of Standing instruction	Tk. 50/- per transaction
11.	Charges for issuance of certificate related to BO account	Tk. 100/- per instance + vat 15%.

Source: General banking and Development division, UCBL, Instruction no: 852.

# 4



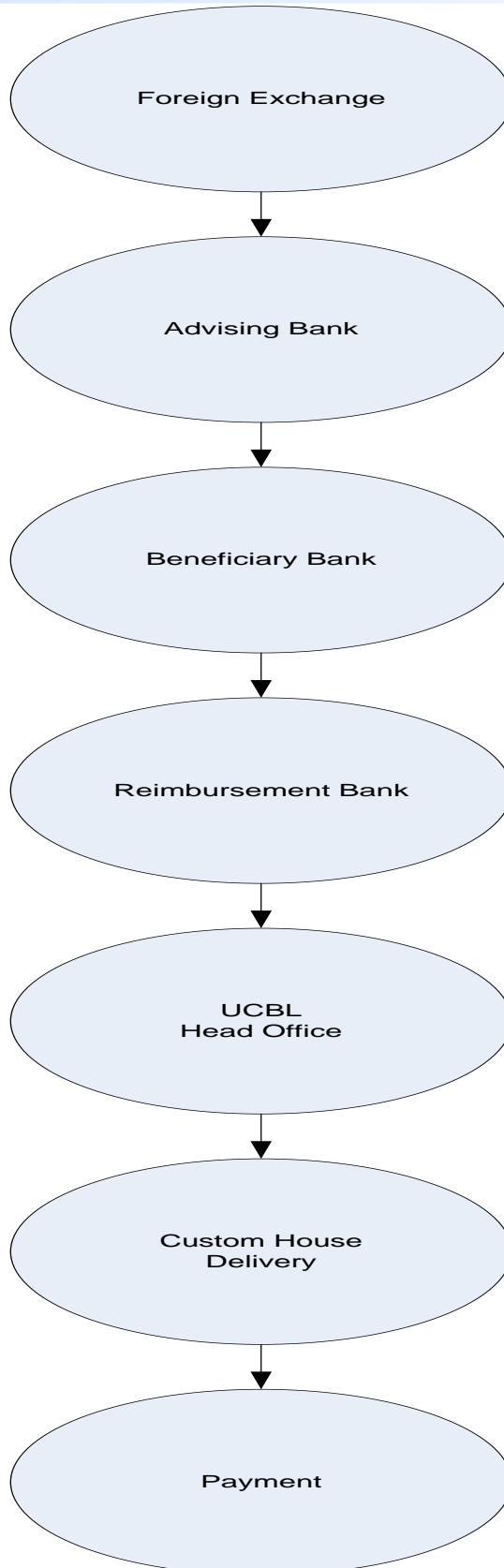
## Contents

- INTRODUCTION OF FOREIGN EXCHANGE
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- Export
- Letter of Credit L/C
- Parties to the L/C
- Accounting Procedure in case of L/c Opening
- Payment Procedure of Import Document
- Back to Back L/C
- Settlement of Local Bill
- Foreign Remittance
- Remittance Procures of Foreign Currency

**Foreign Exchange**

## Foreign exchange

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## **Foreign exchange Steps:**

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. In banks when we talk of foreign exchange, we refer to the general mechanism by which a bank converts currency of one country into that of another. Foreign Exchange Department (FED) is the international department Bangladesh Bank issues license to scheduled banks to deal with foreign exchange. These banks are known as Authorized Dealers. If the branch is authorized dealer in foreign exchange market, it can remit foreign exchange from local country to foreign countries. So UCBL, Principal branch is an authorized dealer. There are three kinds of foreign exchange transaction:

- 1) Import
- 2) Export
- 3) Remittance.

### **IMPORT:**

To import, a person should be competent to be and 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. In an international business environment, buyers and sellers are generally unknown to each other. So seller of goods always seeks security for the payment of his exported goods. Bank gives export guarantee that it will pay for the goods on behalf of the buyer if the buyer does not pay. This guarantee is called Letter of Credit. Thus the contract between importer and exporter is given a legal shape by the banker by 'Letter of Credit'.

### **Letter of Credit:**

A letter of credit is a letter issued by a bank (know as the opening or the issuing bank) at the instance of its customer (known as the opener) addressed to a person (beneficiary) undertaking that the bills drawn by the beneficiary will be duly honored by it (opening bank) provided certain conditions mentioned in the letter gave been complied with.

## Parties to the L/C:

<b>Importer</b>	Who applies for L/C
<b>Issuing Bank</b>	It is the bank which opens/issues a L/C on behalf of the importer.
<b>Confirming Bank</b>	It is the bank, which adds its confirmation to the credit and it, is done at the request of issuing bank. Confirming bank may or may not be advising bank.
<b>Advising or Notifying Bank</b>	It is the bank through which the L/C is advised to the exporters. This bank is actually situated in exporter's country. It may also assume the role of confirming and / or negotiating bank depending upon the condition of the credit.
<b>Negotiating Bank</b>	It is the bank, which negotiates the bill and pays the amount of the beneficiary. The advising bank and the negotiating bank may or may not be the same. Sometimes it can also be confirming bank.
<b>Accepting Bank</b>	It is the bank on which the bill will be drawn (as per condition of the credit). Usually it is the issuing bank.
<b>Reimbursing Bank</b>	It is the bank, which would reimburse the negotiating bank after getting payment – instructions from issuing bank.

## Accounting Procedure in case of L/C Opening:

When the officer thinks fit the application to open a L/C, giving the following entries- creates the following charges-

Particulars	Debit/ Credit	Charges in Taka
Customer's A/C	Debit	
L/C Margin A/C	Credit	
Commission A/C on L/C	Credit	50%
VAT	Credit	15% on commission
SWIFT Charge	Credit	3000/=
Datamax	Credit	1000/=
Stamp	Credit	150/=
Postage	Credit	300/=
DHL/Courier	Credit	1500

Source: Foreign Exchange and Development division, UCBL, Instruction no: 852.

## Amendment of L/C:

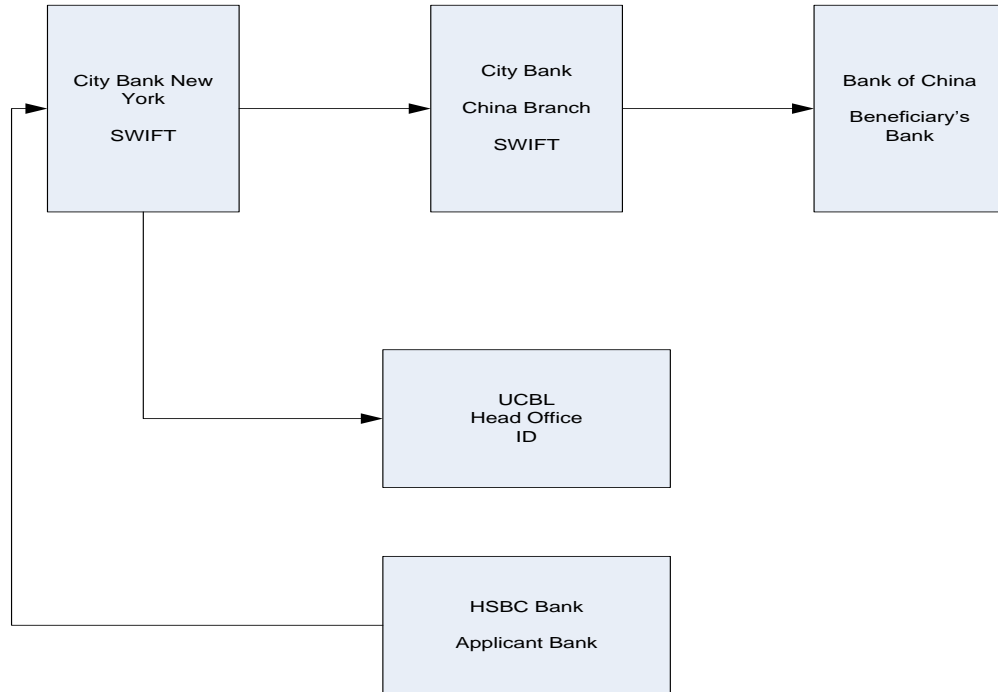
After opening of L/C some time's alteration to the original terms and conditions become necessary. These amendments involve changes in

- 1) Unit price
- 2) Extension of validity o the L/C
- 3) Documentary requirements etc.

Such amendments can be affected only if all the concerned parties agree i.e. the beneficiary, the importer, the issuing bank and the advising bank.

## Payment Procedure of Import Documents:

This is the most sensitive task of the Import Department. The officials have to be careful while making payment. This task constitutes the following:



## Export

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



**The formalities and procedure are enumerated as follows:**

- a. **Obtaining exports LC:** To get export LC form exporter issued by the importer.
- b. **Submission of export documents:** Exporter has to submit all necessary documents to the collecting bank after shipping of goods
- c. **Checking of export documents:** After getting the documents banker used to check the documents as per LC terms.
- d. **Negotiation of export documents:** If the bank accepts the document and pays the value draft to the exporter and forward the document to issuing bank that is called a negotiating bank. If the bank does buy the LC then the bank normally acts as collecting bank.
- e. **Realization of proceeds:** This is the period when the issuing bank has realized the payment.

## Foreign Remittance

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This bank is authorized dealer to deal in foreign exchange business. As an authorized dealer, a bank must provide some services to the clients regarding foreign exchange and this department provides these services.

The basic function of this department are outward and inward remittance of foreign exchange from one country to another country. In the process of providing this remittance service, it sells and buys foreign currency. The conversion of one currency into another takes place at an agreed rate of exchange, which the banker quotes, one for buying and another for selling. In such transactions the foreign currencies are like any other commodities offered for sales and purchase, the cost (convention value) being paid by the buyer in home currency, the legal tender.

### **Remittance procedures of foreign currency:**

There are two types of remittance:

1. Inward remittance
2. Outward remittance.

#### **1. Inward Foreign Remittance:**

Inward remittance covers purchase of foreign currency in the form of foreign T.T., D.D, and bills, T.C. etc. sent from abroad favoring a beneficiary in Bangladesh. Purchase of foreign exchange is to be reported to Exchange control Department of Bangladesh bank on Form-C.

**2. Outward Foreign Remittance:** Outward remittance covers sales of foreign currency through issuing foreign T.T. Drafts, Travelers Check etc. as well as sell of foreign exchange under L/C and against import bills retired.

#### **Working of this department:**

1. Issuance of TC, Cash Dollar /Pound
2. Issuance of FDD, FTT & purchasing, Payment of the same.
3. Passport endorsement.
4. Encashment certificate.
5. F/C Account opening &filing.

**The remittance process involves the following four modes**

<b>Cash Remittance Dollar/ Pound</b>	Sell	Bank sells Dollar / Pound for using in abroad by the purchaser. The maximum amount of such sell is mentioned in the Bangladesh Bank publication of ‘Convertibility of Taka for Currency Transactions in Bangladesh’.
	Purchase	Bank can purchase dollar from resident and non – resident Bangladeshi and Foreigner. Most dollars purchased comes from realization of Export Bill of Exchange.
<b>Traveler’s Cheque (TC)</b>	Issue of TC	TC is useful to traveler abroad. Customers can encash the TC in abroad from the drawee bank. TC is alternative to holding cash and it provides better security than holding cash in hand.
	Buying Of TC	If any unused leaf of TC is surrendered bank buys it from the customer. All payments are made in local currency. Banks generally buy only those TC.
<b>Telex Transfer</b>	Outward TT	It remits fund by tested TT via its foreign correspondence bank in which it is maintaining its NOSTRO Account.
	Incoming TT	It also makes payment according to telegraphic message of its foreign correspondence bank from the corresponding VOSTRO Account.
<b>Foreign Demand Draft</b>		Bank issue Demand Draft in favor of purchaser or any other according to instruction of purchaser. The payee can collect it for the drawee bank in which the Issuing bank of Demand Draft holds its NOSTRO Account. Bank also makes payment on DD drawn on this bank by its foreign correspondence bank through the VOSTRO Account.

# 5



# Contents

- Introduction
- Lending Principles
- Process of Investment
- Classification of Investments
- Lending Authorities

**Loans & Advances**



## Loans & Advances

---

This is the survival unit of the bank because until and unless the success of this department is attained, the survival is a question to every bank. If this section does not properly work the bank it may become bankrupt. This is important because this is the earning unit of the bank. Banks are accepting deposits from the depositors in condition of providing profit to them as well as safe keeping their profit. Now the question may gradually arise how the bank will provide profit to the clients and the simple answer is – Investments & Advance.

A new system of loan classification has been introduced by Bangladesh bank under the financial sector reform program (FSPR) in the year 1990. In this system classification of Bank's loans and advances are done considering expired limit, period of past dues and on the basis of QJ etc. in accordance with Bangladesh Bank Guidelines.

### **Loan Classification Has Three Aspects:**

#### First

~~~~~

Where a bank does not really receive interest and is merely capitalizing it in the borrower's account. The bank in this situation losses the opportunity to redeploy the income stream for a better purpose.

#### Second

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There is an effect on profitability.

#### Third

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There is an effect on the balance sheet of bank since non performing assets need to be provided for and eventually written- off against capital and reserves. If adequate provision is not made against non-performing assets, it will eat-up the bank's entire capital base with the passage of time.

### **1) Classification Procedure**

1. Categories of Loans- At first all loans and advances will be grouped into four categories for the purpose of classification, such as- (a) Continuous Loans (b) Demand Loans (c) Fixed Term Loans and (d) Short Term and Agriculture & Micro Credit.

**(a) Continuous Loans :** The loan A/C in which transaction may be made within a certain limit and have an expiry date for full adjustment will be treated as continuous loan. Exp CC, OD etc.

**(b) Demand Loans:** The loan that becomes repayable by the party on demand by his bank will be treated as demand loans. If any contingent or any other liabilities are turned into forced loan will also be treated as demand loan. Exp. LIM, PAD, FBP, IBP etc.

**(c) Fixed Term Loans:** The loan which is repayable with in the specific time period under a pacific repayment schedule will be treated as Fixed Term Loans.

(d) Short Term Agriculture & Micro Credit: Short Term Agricultural Credit will be as per list issued by Agricultural Credit and Specialized Programmers Department (ACSPD) of Bangladesh Bank under the Agricultural Credit Programmed. Credit in the Agricultural sector repayable within 1(one) year will also be included herein. Short Term Micro Credit includes any micro credit not exceeding TK. 25,000.00 and repayable within 12 months.

## **2) Basis for Loan Classification:**

### **(A) Objective Criteria**

#### **(1) Past due/ over due:**

In this point we saw four factors those are;

a) Any continuous loan if not repaid / renewed within the fixed expiry date for repayment be treated as past due/ overdue from the following day of the expiry date. any demands loan if not repaid/ rescheduled within the fixed expiry date will be treated as past due/ overdue from the following day of the expiry date.

b) In case any installment of a fixed term loan (repayable within fives) is not repaid within the fixed expiry date, the amount of unpaid installment will be treated as past due/ overdue (defaulted instilment) from the following day of the expiry date of the particular installment.

c) Incase of any installment or part installment of a Fixed Term Loan (repayable over five years) is not repaid within the fixed expiry date, the amount of unpaid installment will be treated as past due/ overdue after 6(six) months of the expiry date of that particular installment.

d) The Short Term Agriculture & Micro Credit if not repaid within the fixed expiry date for repayment will be considered as past due/ over due (defaulted instilment) after 6(six) month of the expiry date.

## **(B) Qualitative Judgment;**

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If any uncertainty or doubt arises in respect of recovery of any continuous, Demand or Term Loans the same will have to be classified as Sub- Standard or Doubtful or Bad/ Loss. Considering the merit of the A/C on the basis of qualitative judgment be it classified or not on the basis of objective criteria.

The Bank will classify on the basis of qualitative judgment and can be- classify loans if qualitative improvement does occur. But if a loan classified by Bangladesh Bank inspection Team, the same can be de- classified with the approval of the Board of Directors of the Banks.

## **Accounting of the Interest of Classified Loans:**

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If any loan or advance is classified as Sub- Standard and Doubtful, the interest accrued on such loan will be credited to interest suspense A/C instead of crediting the same to income A/C. As soon as any loan or advance is classified as Bad/ Loss charging of interest in the same A/C will cease.

But on any special purpose interest is charged on that A/C such as at the time of Filing suit should be preserved in interest suspense A/C.

## **Why the bank provides Investment to the Borrowers?**

- To earn profit from the borrowers and give the depositors profit.
- To accelerate economic development by providing different industrial as well as agricultural Investment.
- To create employment by providing industrial Investments.
- To pay the employees as well as meeting the profit groups.

## **Lending Principles**

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The Principle of lending is a collection of certain accepted time tested standards, which ensure the proper use of Investment fund in a profitable way and its timely recovery. Different authors describe different principles for sound lending.

1. Safety
2. Security
3. Liquidity
4. Adequate yield
5. Diversity



## Process of Investment

| Heads                | Characteristics                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
|----------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Application</b>   | Applicant applies for the Investment in the prescribed form of the bank describing the types and purpose of Investment.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| <b>Sanction</b>      | <ol style="list-style-type: none"> <li>1. Collecting credit information about the applicant to determine the credit worthiness of the borrower. Sources of information</li> <li>2. Personal Investigation, Confidential Report from other bank, Head Office/Branch/Chamber of Commerce.</li> <li>3. CIB (Central Information Bureau) report from Central Bank.               <ol style="list-style-type: none"> <li>i. Evaluation of compliance with its lending policy.</li> <li>ii. Evaluating the proposed security.</li> </ol> </li> <li>4. LRA is must for the Investment exceeding one crore – as ordered by Bangladesh Bank.</li> <li>5. If everything is in accordance the Investment is sanctioned</li> </ol> |
| <b>Documentation</b> | <p>Then bank prepare a Investment proposal which contains terms and conditions of Investment for approval of H.O. or Manager.</p> <p>Takes the necessary papers and signatures from borrower</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| <b>Disbursement</b>  | <p>An Investment Account is opened. Where customer A/C-----<br/>-----</p> <p>Dr.<br/>Respective Investment A/C -----<br/>Cr.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |

# 6

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### Credit Risk Management

## **Risk Management**

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Risk is the risk of loss arising from fund, unauthorized activities, errors, omission, inefficiency, system failure from the external event. It means that when the failure may arise due to unwillingness than the bank must be manage those risk by designed to address all those risks and achieve the goal.

From the banks management perspective, risk result from the changes in the value of securities due to changes in financial market condition. Such as interest rate movement, exchange rate movements, and equity prices. As banks pursuer new service related to the trading of security, they have become much more susceptible to risk.

## **Several types of Risk**

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There are five types risk we saw those are;

- 1) Credit risk
- 2) Liquidity Risk
- 3) Market Risk
- 4) Operational Risk
- 5) Reputation Risk

In case credit risk their are five categories of risk. Those are

- 1) Financial Risk
- 2) Business /Industry risk
- 3) Management Risk
- 4) Security Risk
- 5) Relation ship risk

Than in case of Export their are three types of risk we can saw those are

- 1) Non Performance Risk
- 2) Non Repatriation risk
- 3) Document Discrepancies

## Risk factor In Case of Export

In case of export a bank can face mainly three types of risk like

- 1) Non performance Risk
- 2) Non Repatriation Risk
- 3) Document Discrepancies Risk

### 1) Non performance Risk

Manufacturers make a contract with a bank when he exports something. In that case all responsibility of the export comes to the bank and can do the work in behalf of the exporter. It means that all the liability of export comes in the bank and that case bank pay the all payment in behalf of the exporter. If the exporter can not produce the export product than the bank comes in a travel and bank can face the financial losses because bank make the agreement on behalf on the exporter and all the liabilities of the agreement can pay the bank. So in this way banks can easily fall in Non performance Risk.

### 2) Non Repatriation Risk.

In this case exporter can make a contract and agreement with the bank that the bank can export the exporter's product on behalf of the exporter and on against bank can pay the exportable product market price to the exporter. But when bank export the product if the product market price is decreases than the bank can face the losses. In the same way when bank import the product on behalf of the importer and in that time if the product market price are increase than the bank also face the loss because bank make the contract with the exporter or importer to the product present market price. What is happen in future they don't forecast that.

### 3) Document Discrepancies Risk.

Exporter or importer makes a L/c with the bank when they export or import the product. When they make the L/C they must be submit much more paper and so much information about their business and their exportable or importable product. This types types of risk can happen when the exporter or importer don't submit the all paper or don't give the all correct information or they don't fulfill document correctly in that time Bangladesh Bank can not accept the document and don't accepts the contract and agreement. For that time bank can also face much more travel and losses.

## Export Policy

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### Export Policy 2006- 2009 formulated by the government

- With a view to making Bangladesh economy strong and dynamic enabling to face the challenges of changing world trade system , export policy for 2006- 2009 was formulated by the government
- Currently Bangladesh export trading mainly depends on the readymade garments (RMG) which contributes 75% of total export earning followed by 6% of frozen food 5% on raw jute and jute products and 4% on leather etc

### The Export policy of UCBL

- Policy: General Guide of Decision Making
  - Advantage of Policy: Helps consistency in decision making
  - Prevents confusion
- Export Policy: issued by Ministry of commerce GOB
- Formulation: Export Policy 2006-09 endorsed by the GOB upon the recommendation from the consultative committee consisting of the country main industry and merchandising societies chambers research institutes and concerned government decision and organization.

### Export Policy 2006-09

#### Application and Scope

- It will be effective unit June 30, 2009 (unit the new Export Policy is issued)
- In case that a Government Order endorses a specific decision related to export and in case the decision is not in conformity with any of the Provision of the Export Policy Than the aforesaid Government Order will get precedence over the Export policy

#### Exportable Product:

- If not referred to differently and except the ones enlisted in Annex i: e export prohibited product and the products for which the export is contingent to certain condition all other products shall be exportable freely.

## **Authority to relax export control**

- The Government can upon providing appropriate reasons authorize the export for prohibited goods listed in Annex- 1. Moreover the Government can authorize under special consideration the export. Export cum import or re export of certain products.
- Enter pot: trade will refer to the export of an imported at a price at least 5% higher than the import price.
- Export opportunities without L/C-upon the submission of EXP form and Shipping Bill, export without L/C can be done through buying contract, agreement, and purchase order or advance payment.

## **List of Export – Prohibited Products**

- All petroleum and petroleum products export naphtha furnace oil and bitumen
- Jute and Shan seeds
- Wheat
- Any kind live animal, animal organs or skin or wild animals.
- Fire arms, ammunition and related materials
- Radioactive material
- Archeological Relics
- Human skeleton, blood plasma, or any product produced from human and human blood.
- All types of pulses export processed ones Onion. Cane wood logs/ thick pieces of wood (export handicrafts made from these material.
- All shrimps except chilled, frozen and processed ones.
- Seawater shrimps of 7190 court or smaller except the species Harin/Harini and chaka.
- All types of frogs (alive or dead) and frog legs.
- Raw and wet blue lather.

## **Conditional Export**

- Urea Fertilizer upon permission from the Ministry of industry, Urea fertilizer produce in all factories KAFCO can be exported.
- Upon no objection from the ministry of Information entertainment programs music drama, films documentary films etc can be exported in the form of audio cassettes video cassettes CDs, DVD etc.

## **EXPORT PROMOTION STRATEGY PAPER (PROPOSTTION)**

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- Until the mid-80s, the largest of Bangladesh's total export earning came from the export of jute and jute products.
- Leather Sector Business Promotion Council (LSBPC) has been created under the regulations of the Companies Act with both government and non- government initiatives. The Council has made some recommendations regarding the problems of the leather sector and their remedies.
- Effort will be given on encouraging the establishment of labor-intensive export-oriented industries, encouraging training programs for the skills development of the workers, providing incentives for the diversification and encouragement of export, low- interest loan facilities, infrastructural development, establishment of backward and forward industries, development of utility services, establishment of modern laboratories for controlling the quality of export products, establishment of product based clusters, ensuring easy access to the raw material foe export products, ensuring regular supply of updated information on market and technology to producers, and on the overall development of the Chittagong Port including the simplification of goods unloading procedures.

### **Objective of the Export Policy:**

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- Updating and liberalizing the trade regime in accordance with the needs and requirements of the WTO and globalization
- Encouraging labor-intensive (especially female labor) export –oriented production.
- Assisting the development of necessary infrastructure, particular sector- specific backward and forward linkages, in order to encourage the production of exportable products.
- Assisting the development of a skilled labor-force through proper training to manage international trade.

### **Implementation Strategy**

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- Providing assistance to producers and exporters in certain areas such as demand – related foreign market intelligence attaining higher price etc.
- Providing updated information to the exporters on export market and technology for the purpose of export diversification.
- Creating raining opportunities and establishing sector specific training institutes for workers staff and management people to increase productivity.

- Providing assistance in export promotion through increased institutions facilities including trading house and export house.
- Encouraging the establishment of product –wise design canthers for the improvement of product design.
- Reducing lead time in export by means of development of port management, infrastructure development, simplification of goods unloading, and development of the transport system.
- Sending trade missions abroad and providing assistance to export to hold single trade fairs abroad as well as to participant in different international trade fairs and thus making the products popular and creating markets for them.

## **Highest Priority Sectors (HPS)**

- Highest priority sector will refer to those product sectors which have special export potentials, but such potentially could not be utilized properly due to certain constrains and more success is attainable if adequate support is rendered to them  
For example:
  - Agro-products and agro-processing products
  - Light engineering products (including auto-parts and bicycles)
  - Footwear and leather products.
  - Pharmaceutical products
  - Software and ITC products and
  - Home textile.

## **Befits to be providing to HPS**

- Project loans with reduce interest rater on a priority basis.
- Income tax exemptions
- Reduced air travel fares
- Export loans with soft terms and lesser interest rates
- Duty draws back/ bond facilities.



## Special Development Sectors (SDS)

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Finished leather production;  
Frozen fish production and processing  
Band craft products  
Electronic product  
Fresh flower and foliage;  
Jute products  
Band woven textiles from hill areas (pahari taat bostro)  
Uncut diamond and  
Herbal medicine and medicinal plants.

### Benefits and Facilities to be rendered to the SDS

- Project Loans with general interest rate on a priority basis
- Consideration for export loans with soft terms and lesser interest rates.
- Reduced air fare for shipment of products
- Duty draw back/bond facilities
- Expansion of technical facilities to improve product quality
- Assistance in product marketing
- Assistance in foreign market search.

### Export facilities

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- Encouragement will be given on initiate brand names to attain higher price.
- Bond Facilities for export oriented Industries
- Providing alternative incentives, stead of duty of bond or duty –draw back to export – oriented local textiles and readymade garments industries.
- Reduce air Fare for export of special privileged products including fruits and vegetables.
- Withdrawal of royalty for the Expansion of Cargo Facilities of Foreign Airlines for Export purposes
- No royalties is applied for transporting vegetables
- Initiatives will be taken for increasing the space in foreign airlines cargo service and for transporting fruits vegetables etc.
- Establishment of cool chains will be encouraged to avoid quick putrefaction of product. In this regard import of reefer and reefer containers will be encouraged.
- A maximum of US\$ 5.000 worth of products (except medicine) per export per year valued in FOB
- Products sent as sample and free of cost, but for medicine the conditions area maximum US\$ 10.000 if there is no export L/C (Letter of Credit ) or 2 against

each L/C medicine worth of 1% of the total value of the L/C can maximum Us\$ 10.000 which ever is the lesser

- Promotional materials (brochure poster leaflet banner etc) of any price or weight
- Issuance of Multiple –Entry Visa
- Facilities for Deemed Export
- Ready made Garments Industry
- Frozen Fish Industry
- Handicrafts Made from Bamboo, Cane and Coconut Fiber
- Tea industry
- Jute Industry
- Leather Industry

## Credit Risk

Credit policy: Credit policy is comprised of basis principals that govern the extension, administration, monitoring and recovery of credit in line with the prudential of Bangladesh Bank and other regulatory authorities of the government.

## UCBs Credit Risk Management Policy:

Since inception of the Bank, its credit operation is being managed under some set principals and policies. Latest CRM policy of the Bank has been reviewed in the 270<sup>th</sup> meeting of the Board of Directors held on October 29, 2009 and supplied to Branches in the form of Manual.

### **1) Prudential Authority:**

Banks credit policy will be in line with the policy and guideline of Bangladesh Bank and other regulatory authorities of the Government.

### **2) General Lending Policy:**

- a) Short term finance to trade, industry and service sector.
- b) Selective long term finance.

### **3) Products and services:**

Design and re-engineer products to meet customer demand.

### **4) Loan- Deposit Ratio:**

Maximum 90%.

**5) Name Landing:**

Lending based solely on general standing and reputation of borrow is not permitted. In all cases, Credit requirement, viability, Cash flow, Risk level, Mitigation and security etc. are to be analyzed.

**6) Single Customer exposure limit:**

- a) Export oriented: Maximum 50% of Banks Capital where funded will be Maximum 15%
- b) Non- export oriented: Maximum 35% where funded 15%. Capital will be as per approved Balance sheet.

**7) Large Lone:** The loan equivalent to 10% of Banks Capital. The Bank can extend large loan up to 56% of its portfolio.( It will be governed by BRPD circular of BB).

**8) Diversification and Sector Allocation:** Credit is diversified to different sector and industries Annul Budget is made and reviewed.

**9) Maximum Tenor:** The tenor of Loan generally shall be based on repayment capacity, projected cash flow, and pay back period. Product wise maximum tenor has been defined in the credit manual.

**10) Security/ Collateral:** Bank will try to have as much collateral security as possible based on force sale value.

- A) Within City Corporation -1.25 times of FVS.
  - b) Within Municipal Area/ Pouroshova-1.50 times of FSV.
  - c) Other than City Corporation/ Municipality Area/ Pouroshova.- 1.75 times FSV.
1. Valuation of immovable property for facility exceeding Tk.25.00 lac shall be done by Bank's enlisted surveyor.

**11) Support Security:** Bank will try to have additional comfort by way of having support security like personal Guarantee, post-dated cheque, creation of charges at RSJC& Corporate Guarantee etc.

**12) Pricing:** Pricing will be based on Risk and market condition within guideline of Bangladesh bank. ALCO Committee of Head Office will revise pricing through Board of Directors. Managing Director has authority to increase or decrease interest rate by 1.40% when mid rate prevails.

**13) CIB:** Up- to- date CIB be collected before approval of credit.

**14) Handling of different credits at Head Office:**

- a) Corporate Credit.
- b) SME Credit.
- c) Retail Credit.
- d) Consumer credit.
- e) Staff loan.

**15) Segregation of Authority:** Credit function will be segregated from each other

- d) Credit Marketing: Be done by separate relationship officer at Branch and Head Office corporate Banking Division and other specialized Division.
- e) Credit Approval: Credits be approved by different authorities after due assessment and appraisal by different term.
  - 1. Board of Directors: Full Authority
  - 2. EC of Board: As delegated by Board (Presently 50% of Board's power)
  - 3. MD: As delegated by Board.
  - 4. Other Executive at Head Officer and Branch Manager: As delegated by MD
- f) Credit Administration: Will handle Documentation, Disbursement and control procedure.
- g) Credit Monitoring: Be primarily done by marketing and relationship team at Branch and at Head office. They will also ensure Early Alert reporting.
- h) Credit Recovery: Be done by different term at Branch and Head Office division.

**16) Credit Risk Grading:** All credits are to be graded in to eight categories. Analysis of credit risk grading be made before any approval. Periodical review of Grading also be made by marketing term and approved by Credit Risk Managing Division.

**17) Corporate Credit Organ gram at Head Office:**

- 1) Business Development /Relationship (corporate banking division)
- 2) Credit Risk Management Division;
  - \*Credit Risk Review Department;
  - \*Credit Administration Department
  - \* Credit Recovery Department;

**18) Credit set-up at branch level**

In head is the Head branch manager (Relationship manager) and than in his under there are four departments those are:

- 1) Relationship officer
- 2) Credit Risk Review Unit
- 3) Credit Administration Unit
- 4) Recovery Unit

**19) Credit Committee:** There will be credit committee at Branch and Head Office for processing approval of Credit

**20) Legal Vetting**; All charge documents and mortgage document be vetted by legal counsel.

**21) Document Maintenance**: Credit file and Loan Document are to be minted and recorded properly by responsible officer with written authority.

**22) Management of Problem Account**: Specific team of Executive will work at Branch and at Head Office to manage and recover of problematic Account.  
Renewal of Credit: Renewal of report proposal is sent to Head Office two (02) Months ahead of expiry.

**24) Rescheduling**: Rescheduling of Credit will have to be done as per BRPD Circular no. 01 dated 13.01.2003 and reverent circular from time to time.

## Definition of Credit Risk Grading

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The Credit Risk Grading (CRG) is a collective definition based on the pre-specified scale (Matrix) ultimately reflects on credit risk for a given exposure.

A CRG deploys a number/ alphabet symbol as a primary summary indicator of risks associated with a risk exposure.

CRG is the basic module for developing a Credit Management system.

## Use of Credit Risk Grading

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- The CRG allows application of uniform standards to credit to ensure a common standardized approach to assess the quality of individual customer, Credit portfolio of a unit line of business, the branch or the bank as a whole.
- CRG helps to ascertain individual credit risk, either a single customer or a particular exposure facility.
- It also helps to take decision related to pricing and fixing other terms and conditions and covenants of the credit facility.
- Risk grading will also helps to ensure monitoring updated the internal MIS and assessing the aggregate risk profile of the Bank as a whole.

## Impotence of CRG

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All facility should be assigned a risk grade. Risk grading is a key measurement of Back's assets quality. Where risk is deteriorated, the risk grade assigned to a borrower should immediately be noted and changed.

## Areas of Credit Risk Grading:

In the Credit Risk Grading we can see five areas and those areas are divided about their Weight. Those are:

| Criteria                | Weight |
|-------------------------|--------|
| Financial Risk          | 50     |
| Business/ Industry Risk | 18     |
| Management Risk         | 12     |
| Security Risk           | 10     |
| Relationship Risk       | 10     |
| -----                   |        |
| Total                   | 100s   |

### Financial Risk-50:

In the financial Risk Weight are 50 and those weights divided in some category or in some factor. Those factors are;

- 1) Leverage - 10
- 2) Liquidity – 10
- 3) Profitability Ratio-20
- 4) Coverage- 10

**1) Leverage -10:** Leverage is the first point of financial risk and in the Leverage we saw 10 Weight. Leverage 10 Weight is also divided in two ways.

- a) Debit – Equity Ratio-5 Weight and
- b) Debit- Total Asset Ratio-5 Weight

### Debit- Equity Ratio-5

-----  
Total Debit (Liabilities)/ Total Equity (Tangible Net worth) Total liability of the customer, both short term (Current) and long term (Non current). It includes:

#### Current Liabilities

~~~~~

- \*Advanced Receipts
- \*Cash Credit (CC)/ repayable Within 12 month.
- \*Accounts payable/ Creditors
- \*Proposal Dividend

#### Non Current Liabilities

~~~~~

- \* Long term debt
- \*Term loan more than one year.

- \*Current portion of term debt
- \*Tax provision etc.

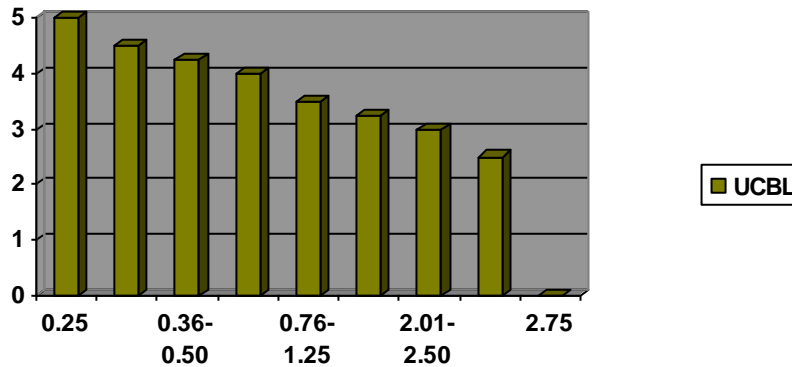
Total Debt (Liabilities)/ Total equity (Tangible Net Worth)

Total equity reflects funds provided/ build up by shareholders/ owners, it includes:

- \* Share Capital / Paid up Capital.
- \* Share Premium
- \* Director's loan (for Limited Company)
- \* Reserve (s)
- \* Retained Earning/ P/ LA/ C

Total Debt (Liabilities) / Total Equity (Tangible Net Worth)

| Parameter/ Times | Number |
|------------------|--------|
| Less than 0.25   | 5.00   |
| 0.26-0.35        | 4.50   |
| 0.36-0.50        | 4.25   |
| 0.51-0.75        | 4.00   |
| 0.76-1.25        | 3.50   |
| 1.26-2.00        | 3.25   |
| 2.01-2.50        | 3.00   |
| 2.51-2.75        | 2.50   |
| More than 2.75   | 0.00   |



### Debt-Total Asset Ratio-5

Total Debt (Liability)/ Total Asset (current Fixed)  
 Total asset includes current and non current asset.

Current Asset

~~~~~

- \* Inventory/ Stock
- \* Advances and Deposits
- \* Pre paid Expenses
- \* Accounts Receivables/ Debtors
- \* Marketable Securities
- \* Cash in hand and at Bank

Non Current Asset

~~~~~

- \* Land and Land Development
- \* Factory Building
- \* Plant and Machinerics
- \* Equipment
- \* Furniture and Fixture
- \* Other non current (Fixed) Assets

Total Debt (Liabilities)/ Total Asset (Current + Fixed)

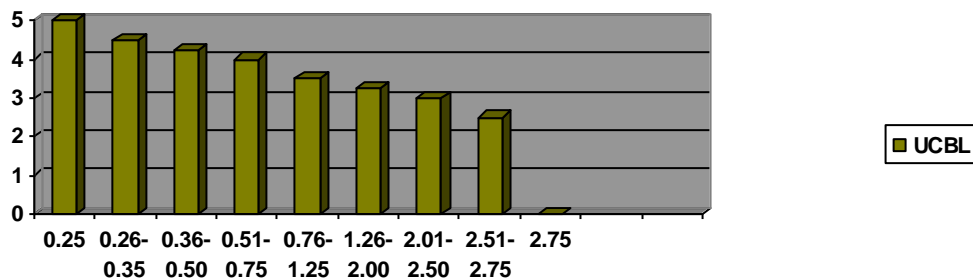
Parameter / Times

~~~~~

Number

~~~~~

|                |      |
|----------------|------|
| Less than 0.25 | 5.00 |
| 0.26 - 0.35    | 4.50 |
| 0.36 - 0.50    | 4.25 |
| 0.51 - 0.75    | 4.00 |
| 0.76 - 1.25    | 3.50 |
| 1.26 - 2.00    | 3.25 |
| 2.01 - 2.50    | 3.00 |
| 2.51 - 2.75    | 2.50 |
| More Than 2.75 | 0.00 |



**1) Liquidity 10:** Liquidity is the second point of financial risk and in the Liquidity we saw 10 Weight. Liquidity 10 Weight is also divided in two ways.

- a) Current Ratio- 5 Weight
- b) Quick Ratio 5 Weight

**A) Current Ratio-5:**



-----  
 Current Asset/ Current Liabilities

Current Assets

~~~~~

- \* Inventory / Stock
- \* Advances & Deposit
- \* Prepaid Expenses
- \* Accounts Receivable
- \* Marketable Security
- \* Cash in hand and at Bank

Current Liabilities

~~~~~

- \* Liabilities to be repaid within 01 year  
 (CC, OD& 12 months term loan installment)
- \* Accounts Payable / Creditors
- \* Proposed Dividend
- \* Unpaid expenses
- \* Tax Provision etc

Current Asset/ Current Liabilities

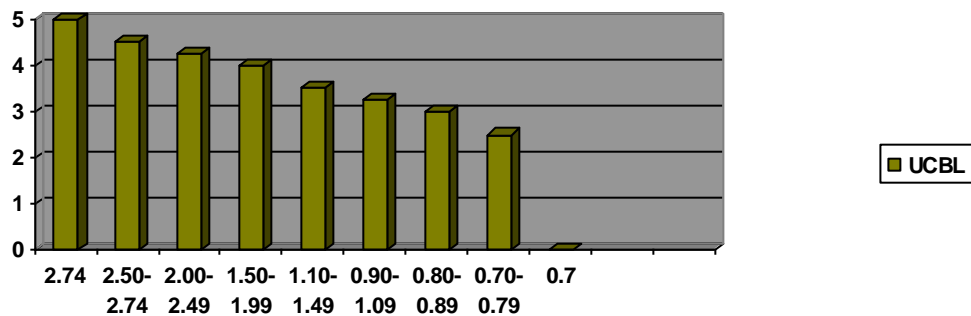
Parameter/ Times

~~~~~

Number

~~~~~

|                |      |
|----------------|------|
| More than 2.74 | 5.00 |
| 2.50- 2.74     | 4.50 |
| 2.00- 2.49     | 4.25 |
| 1.50- 1.99     | 4.00 |
| 1.10- 1.49     | 3.50 |
| 0.90- 1.09     | 3.25 |
| 0.80- 0.89     | 3.00 |
| 0.70- 0.79     | 2.50 |
| Less than 0.70 | 0    |



**B) Quick Ratio-5:**

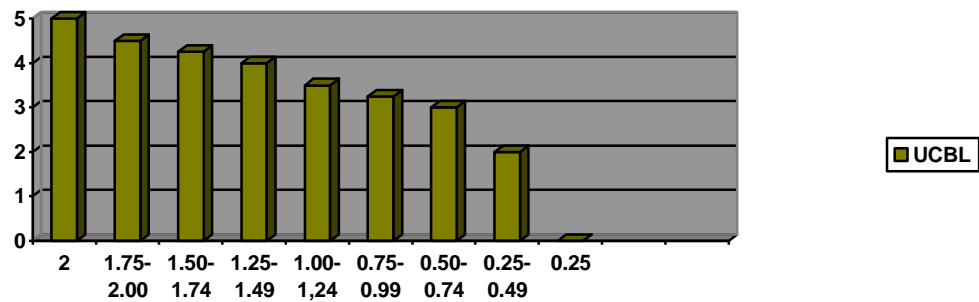
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Quick Asset/ Current Liabilities

- \* Cash in hand and at Bank
- \* Account Receivable (except Bad Debts)
- \* Prepayments/ Advance Payment

\* Marketable Securities Quick Asset Cash+ Receivables+ Pre-Payment) Current Liabilities

| Parameter/ Times | Number |
|------------------|--------|
| More than 2.00   | 5.00   |
| 1.75- 2.00       | 4.50   |
| 1.50- 1.74       | 4.25   |
| 1.25- 1.49       | 4.00   |
| 1.00- 1.24       | 3.50   |
| 0.75- 0.99       | 3.25   |
| 0.50- 0.74       | 3.00   |
| 0.25- 0.49       | 2.00   |
| Less than 0.25   | 0.0    |



**3) Profitability Ratio -20:** Profitability Ratio is the third point of financial risk and in the Profitability Ratio we saw 20 Weight. This 20 Weight is also divided in four way.

- a) Opening Profit Margin - 5 Weight
- b) Net Profit Margin- 5 Weight
- c) Return on Equity- 5 Weight
- d) Return on Asset- 5 Weight

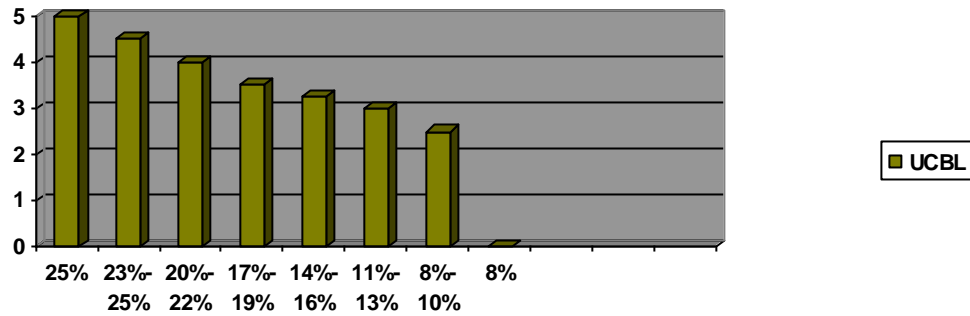
**A) Opening Profit Margin- 5:**

(Operating Profit /Sales) X 100

| Parameter     | Number |
|---------------|--------|
| More than 25% | 5.00   |
| 23% - 25%     | 4.50   |
| 20% - 22%     | 4.00   |
| 17% -19%      | 3.50   |
| 14% - 16%     | 3.25   |
| 11% - 13%     | 3.00   |
| 8% - 10%      | 2.50   |

Less than 8%

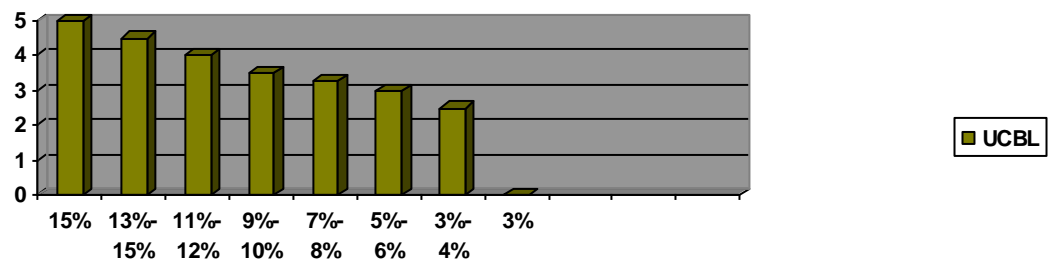
0.00



**B) Net Profit Margin-5:**

(Net profit/ Sales) X 100

| Parameter     | Number |
|---------------|--------|
| More than 15% | 5.00   |
| 13% - 15%     | 4.50   |
| 11% - 12%     | 4.00   |
| 9% - 10%      | 3.50   |
| 7% - 8%       | 3.25   |
| 5% - 6%       | 3.00   |
| 3% - 4%       | 2.50   |
| Less than 3%  | 0.00   |

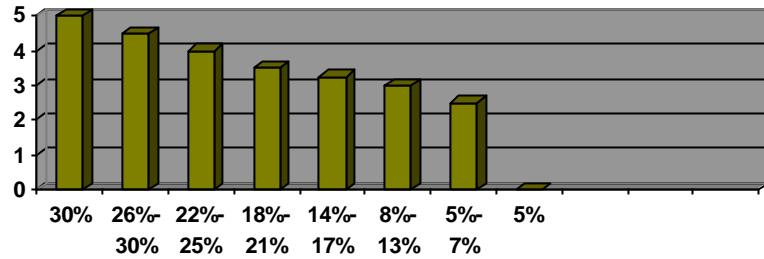


**C) Return on Equity – 5:**

(Net Profit/ Tangible net- worth0 X 100

| Parameter     | Number |
|---------------|--------|
| More than 30% | 5.00   |
| 26% - 30%     | 4.50   |
| 22% - 25%     | 4.00   |
| 18% - 21%     | 3.50   |

|              |      |
|--------------|------|
| 14% - 17%    | 3.25 |
| 8% - 13%     | 3.00 |
| 5% - 7%      | 2.50 |
| Less than 5% | 0.00 |

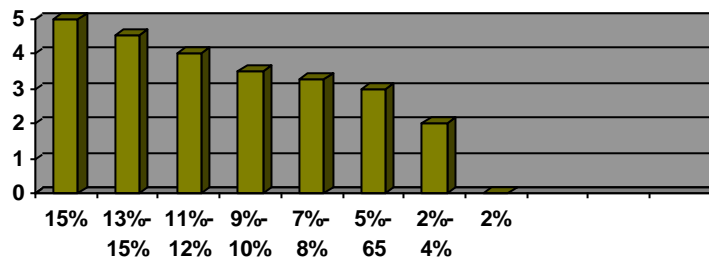


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**D) Return on Asset -5:**

(Net Profit/ Total Asset) X 100

| Parameter     | Number |
|---------------|--------|
| More than 15% | 5.00   |
| 13% - 15%     | 4.50   |
| 11% - 12%     | 4.00   |
| 9% - 10%      | 3.50   |
| 7% - 8%       | 3.25   |
| 5% - 6%       | 3.00   |
| 2% -4%        | 2.00   |
| Less than 2%  | 0.00   |



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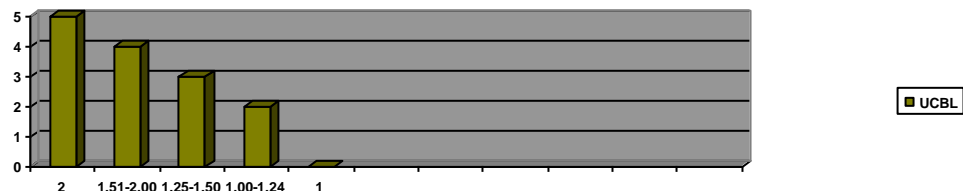
**4) Coverage - 10:** Coverage is the fourth and last point of financial risk and in the Coverage we saw 10 Weight. Coverage 10 Weight are also divided in two way.

- a) Interest Coverage -5 Weight
- b) Debt Service Coverage -5 Weight

**A) Interest Coverage – 5:**

Earning before Interest & Tax (EBIT) / Interest on Debt

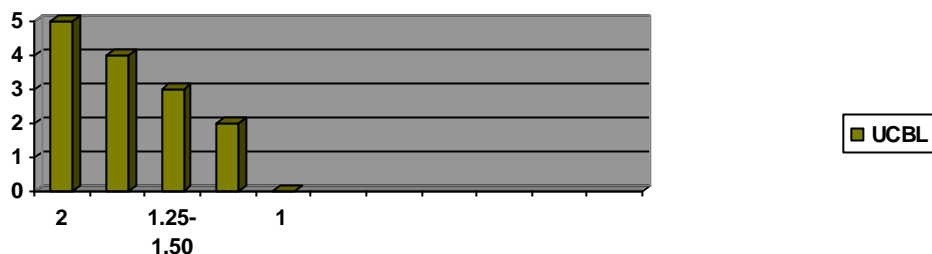
| Parameter      | Number |
|----------------|--------|
| More than 2.00 | 5.00   |
| 1.51 – 2.00    | 4.00   |
| 1.25 – 1.50    | 3.00   |
| 1.00 – 1.24    | 2.00   |
| Less than 1.00 | 0.00   |



### B) Debt Service Coverage – 5:

EBITDA/ (Total Interest +CMLTD)

| Parameter      | Number |
|----------------|--------|
| More than 2.00 | 5.00   |
| 1.51 – 2.00    | 4.00   |
| 1.25 – 1.50    | 3.00   |
| 1.00 – 1.24    | 2.00   |
| Less than 1.00 | 0.00   |



### Summary of Financial Risk

|                            |                          |          |
|----------------------------|--------------------------|----------|
| * Leverage -10             | Debt – Equity Ratio      | 5 Weight |
|                            | Debt – Total Asset Ratio | 5 Weight |
| * Liquidity – 10           | Current Ratio            | 5 Weight |
|                            | Quick Ratio              | 5 Weight |
| * Profitability Ratio – 10 | Operating Profit Margin  | 5 Weight |
|                            | Net Profit Margin        | 5 Weight |
|                            | Return on Margin         | 5 Weight |
|                            | Return on Equity         | 5 Weight |

\* Coverage – 10

Interest Coverage  
Debt Service Coverage

5 Weight  
5 Weight

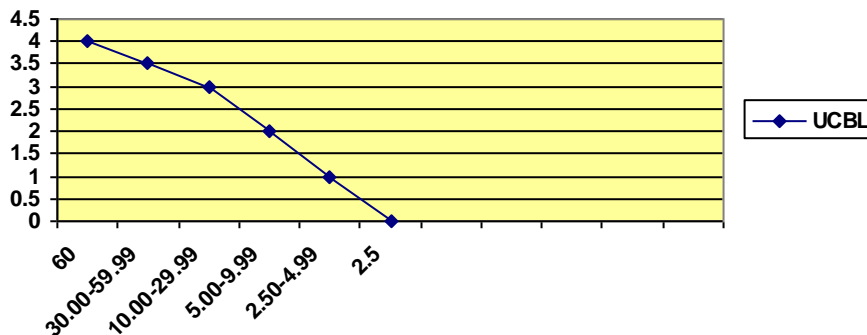
**Business/ Industry Risk-18:** In the Business industry Risk Weight is 18 and those weights are also divided in some category or in some factor. Those factors are;

- 1) Size of Business- 4
- 2) Age of Business- 3
- 3) Business Outlook- 2
- 4) Raw Material Availability - 2
- 5) Industry Growth - 3
- 6) Market Completion - 2
- 7) Entry/ Exit Barrier - 2

**1) Size of Business -4:** Size of the Business is the first point or part of the Business Industry Risk. Size of Business has four weights.

Size of the Business -4 (At a Glance)  
Size of Business in terms of Total Sales

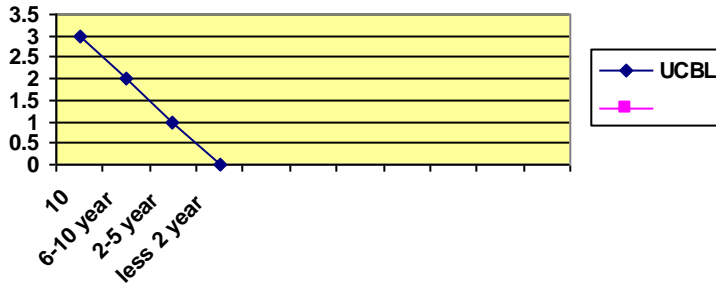
| Total Sales [in BDT core] | Score |
|---------------------------|-------|
| More than 60.00           | 4.00  |
| 30.00 – 59.99             | 3.50  |
| 10.00 – 29.99             | 3.00  |
| 5.00 – 9.99               | 2.00  |
| 2.50 – 4.99               | 1.00  |
| Less than 2.50            | 0.00  |



**2) Age of Business -3:** Age of the Business is the second point of the Business Industry Risk. Size of Business has three weights.

Age of Business – 3 (At a Glance)  
Number of years the Customer is engaged in the Business

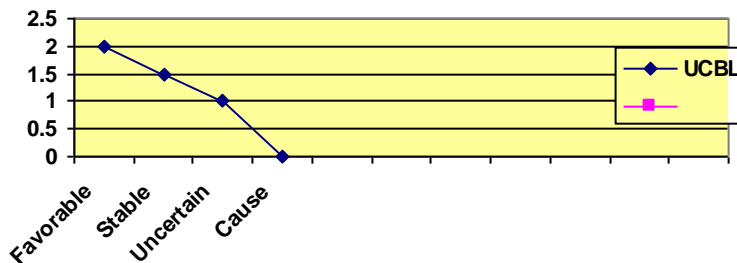
| Years              | Score |
|--------------------|-------|
| More than 10 years | 3.00  |
| 6 – 10 Years       | 2.00  |
| 2 – 5 Years        | 1.00  |
| Less than 2 Years  | 0.00  |



**3) Business Outlook - 2:** Business Outlook is the third point of the Business Industry Risk. Business Outlook has two weights at a Glance.

Business Outlook saw some factor in Business Organization Like  
 # Prospects of Industry  
 # Market Share, and  
 # Economic Factors  
 So the Parameter and Score of this factor are

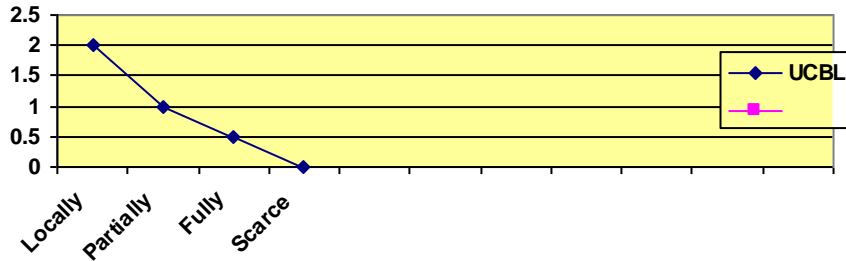
| Parameter          | Score |
|--------------------|-------|
| Favorable          | 2.00  |
| Stable             | 1.50  |
| Slightly Uncertain | 1.00  |
| Cause for Concern  | 0.00  |



**4) Raw Material Availability - 2:** The fourth point of the Business Industry Risk is the Raw Material Availability. It has two weights at a Glance.

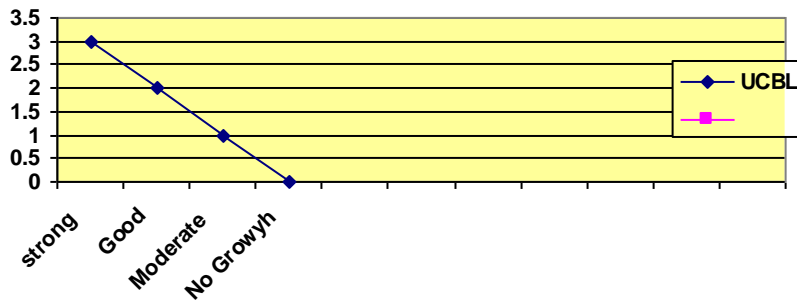
Parameter Score

|                                     |       |
|-------------------------------------|-------|
| ~~~~~                               | ~~~~~ |
| Locally Available (100%)            | 2.00  |
| Partially Import Dependent (1%-99%) | 1.00  |
| Fully Import Dependent (100%)       | 0.50  |
| Scarce                              | 0.00  |



**5) Industry Growth - 3:** Industry Growth is fifth point of the Business Industry Risk. It has three at a Glance.

|                                 |       |
|---------------------------------|-------|
| Parameter                       | Score |
| ~~~~~                           | ~~~~~ |
| Strong [1% or 10% above growth] | 3.00  |
| Good [5% to 10% growth]         | 2.00  |
| Moderate [1% to 5% growth]      | 1.00  |
| No Growth [Less than 1% growth] | 0.00  |



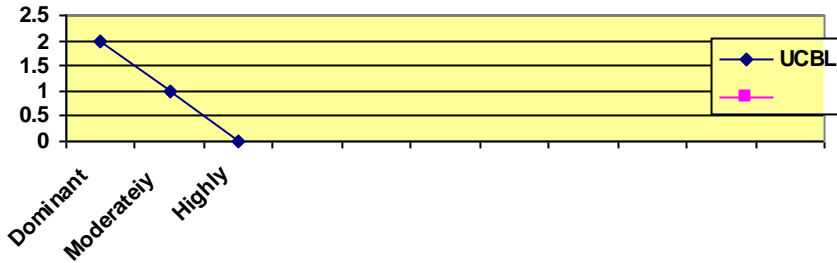
**6) Market Competition – 2:** Market Competition is sixth point of the Business Industry Risk. Market Competitiveness can describe in terms of-

- \*Market Share, and
- \*Demand Supply Gap

|           |       |
|-----------|-------|
| Parameter | Score |
| ~~~~~     | ~~~~~ |



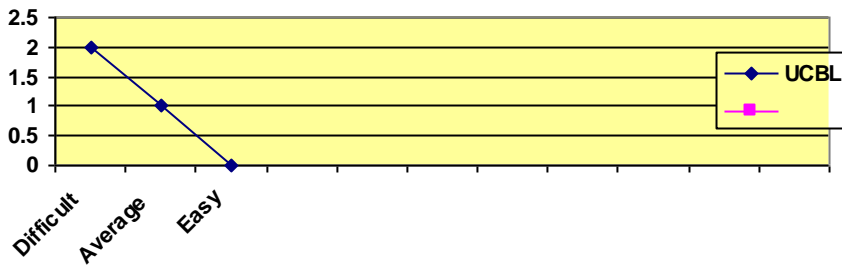
|                        |      |
|------------------------|------|
| Dominant Player        | 2.00 |
| Moderately Competitive | 1.00 |
| Highly Competitive     | 0.00 |



**7) Entry/ Exit Barrier – 2:** In Business Industry Risk the seventh point and last point is Entry/ Exit Barrier.

Technological, Soiree of Fund, Regulatory Barriers

| Parameter | Score |
|-----------|-------|
| ~~~~~     | ~~~~~ |
| Difficult | 2.00  |
| Average   | 1.00  |
| Easy      | 0.00  |



**Summary of Business /Industry Risk**

|                           |           |
|---------------------------|-----------|
| Size of Business          | 4 Weights |
| Age of Business           | 3 Weights |
| Business Outlook          | 2 Weights |
| Raw Material Availability | 2 Weights |
| Industry Growth           | 3 Weights |
| Market Completion         | 2 Weights |
| Entry/ Exit Barrier       | 2 Weights |

|       |                     |
|-------|---------------------|
| Total | -----<br>18 Weights |
|-------|---------------------|

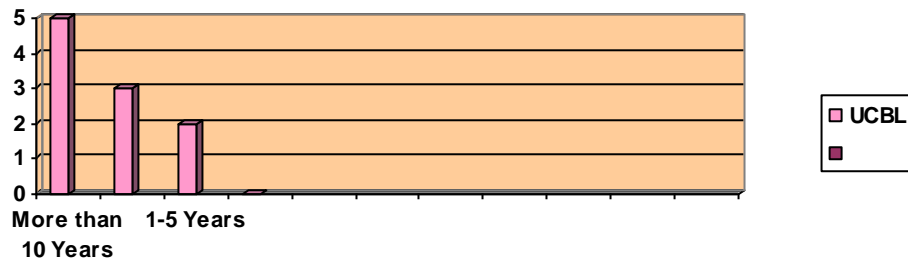
**Management Risk-12:** In the Management Risk Weight is 12 and those weights are also divided in some category or in some factor. Those factors are;

- 1) Experience -5
- 2) Track Record - 2
- 3) Second Line/ Succession - 3
- 4) Team Work - 2

**1) Experience -5:** Experience is the first point of the Management Risk. Experience has 5 at a Glance

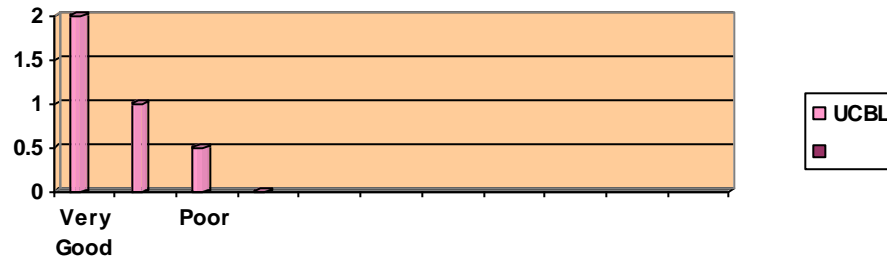
Total length of experience of the senior management.

| Parameter          | Score |
|--------------------|-------|
| ~~~~~              | ~~~~~ |
| More than 10 years | 5.00  |
| 6 – 10 years       | 3.00  |
| 1 – 5 years        | 2.00  |
| No Experience      | 0.00  |



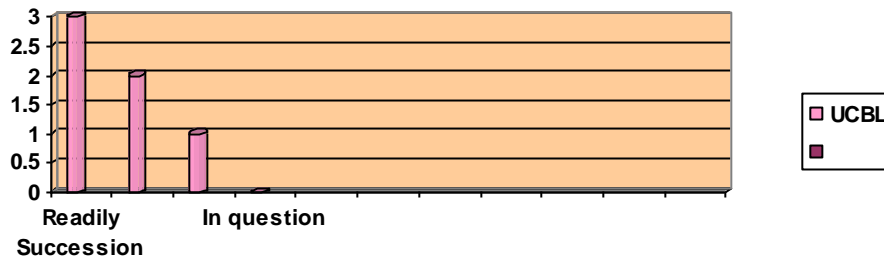
**2) Track Record -2:** Second is the Track Record of Management Risk.

| Parameter | Score |
|-----------|-------|
| ~~~~~     | ~~~~~ |
| Very Good | 2.00  |
| Moderate  | 1.00  |
| Poor      | 0.50  |
| Marginal  | 0.00  |



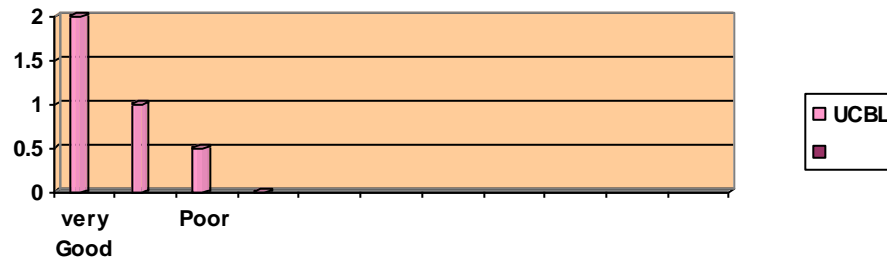
**3) Second Line / Succession - 3:** Second Line / Succession are the third point of Management Risk.

| Parameter                   | Score |
|-----------------------------|-------|
| Readily Succession          | 3.00  |
| Succession within 1-2 years | 2.00  |
| Succession within 2-3 years | 1.00  |
| Succession in Question      | 0.00  |



**4) Team Work - 2:** Team is last and forth point of Management Risk and it has two at a Glance

| Parameter        | Score |
|------------------|-------|
| Very Good        | 2.00  |
| Moderate         | 1.00  |
| Poor             | 0.50  |
| Regular Conflict | 0.00  |



### Summary of Management Risk

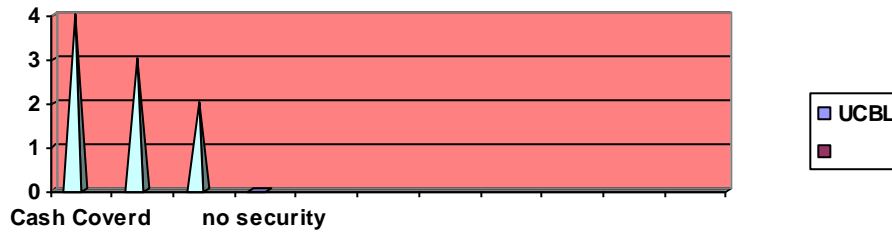
|                         |            |
|-------------------------|------------|
| Experience              | 5 Weights  |
| Track Record            | 2 Weights  |
| Second Line/ Succession | 3 Weights  |
| Team Work               | 2 Weights  |
| -----                   |            |
| Total                   | 12 Weights |

Security Risk-10: In Security Risk Weight are 10 and those weights are also divided in some category or in some factor. Those factors are;

- 1) Security Coverage
- 2) Collateral Coverage
- 3) Support (Guarantee)

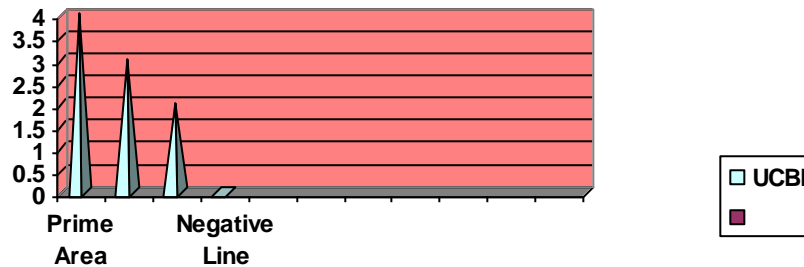
**1) Security Coverage -4:** Security Coverage is the first point of the Security Risk. In Security Coverage we saw 4 Glance.

| Parameter                                                                      | Score |
|--------------------------------------------------------------------------------|-------|
| ~~~~~<br>Fully covered by prime<br>Collaterals / substantially Cash<br>Covered | 4.00  |
| Registered Hypothecation<br>[1 <sup>st</sup> charge / Pari-Passu Charge]       | 3.00  |
| Simple Hypothecation / Negative<br>Lien on Asset                               | 2.00  |
| No Security                                                                    | 0.00  |



**2) Collateral Coverage -4:** Collateral Coverage is the second point of the Security Risk. In the Collateral Coverage we saw 4 Glance.

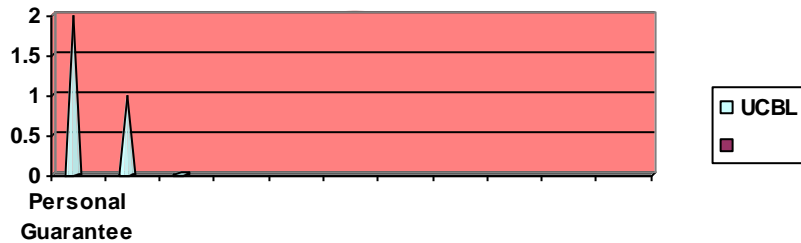
| Parameter                                                                   | Score |
|-----------------------------------------------------------------------------|-------|
| R/M on land located within Municipal Corporation / Prime Area Property      | 4.00  |
| RM on Pourashava / Semi Urban Area Property                                 | 3.00  |
| Equitable Mortgage or No property But Other Plant & Machinery as Collateral | 2.00  |
| Negative Line / Mortgage on Collateral                                      | 0.00  |



**3) Support (Guarantee) -2:** This is the last point of the Security Risk. In this we saw two Glances.

| Parameter | Score |
|-----------|-------|
| ~~~~~     | ~~~~~ |

|                                                                           |      |
|---------------------------------------------------------------------------|------|
| Personal Guarantee with High Net worth or Strong Corporate Guarantee      | 2.00 |
| Personal Guarantee or Corporate Guarantee with Average Financial Strength | 1.00 |
| No Support/ Guarantee                                                     | 0.00 |



### Summary of Security Risk-10

|                     |            |
|---------------------|------------|
| Security Coverage   | 4 Weight   |
| Collateral Coverage | 4 Weight   |
| Support (Guarantee) | 2 Weight   |
| -----               |            |
| Total               | 10 Weights |

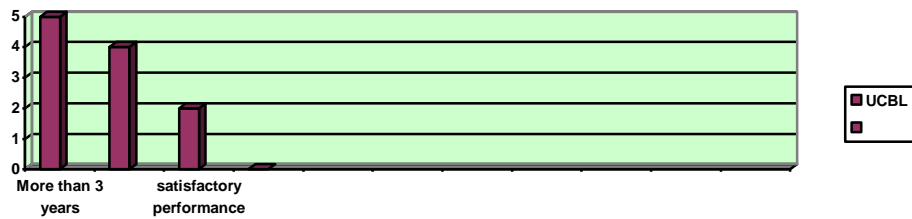
Relationship Risk-10: In Relationship Risk Weight are 10 and those weights are also divided in some category or in some factor. Those factors are;

- 1) Account Conduct-5
- 2) Utilization of Limit-2
- 3) Compliance of Covenants -2
- 1) Personal Deposit-1

**1) Account Conduct -5:** This is the first point of the Relationship Risk. In this we saw five Glances.

| Parameter                                                        | Score |
|------------------------------------------------------------------|-------|
| ~~~~~                                                            | ~~~~~ |
| Availing credit facility more than 3 years with faultless record | 5.00  |

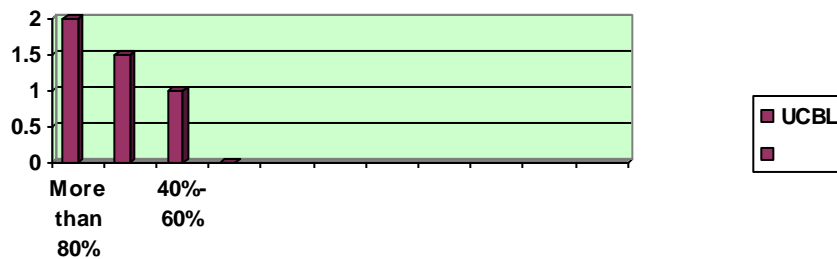
|                                                                                        |      |
|----------------------------------------------------------------------------------------|------|
| Availing credit facility less<br>Than 3 years faultless record                         | 4.00 |
| Availing credit facility with<br>Satisfactory performance<br>Having some late payments | 2.00 |
| Frequent past dues & irregular<br>Dealings in account                                  | 0.00 |



**2) Utilization of Limit -2:** This is the second point of the Relationship Risk. In this we saw two Glances.

(Actual/ Projection)- Considering both Revolving & Non Revolving Limits.

| Parameter     | Score |
|---------------|-------|
| ~~~~~         | ~~~~~ |
| More than 80% | 2.00  |
| 61% - 80%     | 1.50  |
| 40% - 60%     | 1.00  |
| Less than 40% | 0.00  |



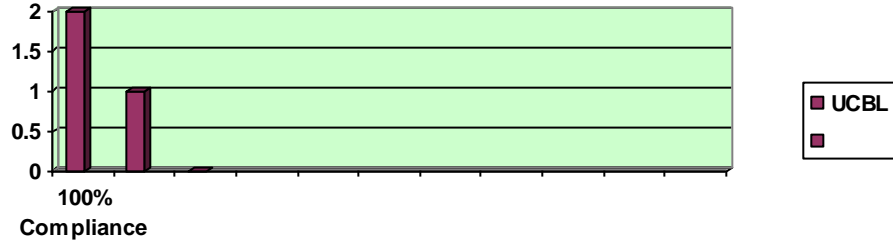
**3) Compliance of Covenants -2:** Compliance of Covenants is the third point of Relationship Risk. In this we saw two Glances.

| Parameter          | Score |
|--------------------|-------|
| ~~~~~              | ~~~~~ |
| 100% Compliance of | 2.00  |

Sanctioned terms & Condition

Some non- compliance (10% to 15%) 1.00

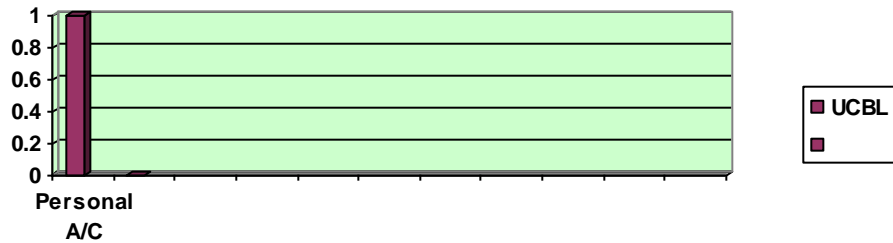
100% Non compliance 0.00



**4) Personal Deposits -1:** Personal Deposits is the fourth and the last point of Relationship Risk. In this we saw one Glance.

Parameter Score  
 ~~~~~  
 Personal Accounts of Sponsors/  
 Principals are maintained in the  
 Bank with significant Deposit 1.00

No Depository relationship 0.00



**Summary of Relationship Risk - 10**

Account Conduct 5 Weight  
 Utilization of Limits 2 Weight  
 Compliance of Covenants 2 Weight  
 Personal Deposit 1 Weight





Total

-----  
10 Weight

## CIB Report

---

CIB means Credit Information Biro. CIB reports are collected by the bank. These types of report are needed when a person or a company takes a loan from the bank. In this report he can give the all information about his company, about himself, if he or his company have any another bank account or take any other loan to another bank than the situation of that account and the loan etc. In the CIB report a credit holder can give all information which is related to his loan. this is the government rule that the credit holder must be fulfill the CIB by giving correct information .This report helps to inquire and take a decision about the credit holder.

## Several Types of CIB Report

---

There are several types of CIB report we can see which is fulfill by the credit holder.

Those CIB report are divided in many parts like

- **CIB-1**
- **CIB-2**
- **CIB-3**
- **CIB-1(A)**
- **CIB-2(A)**
- **CIB-3(A)**
- **CIB-4**
- **CIB-5**

**CIB-1(A):** In this report Bank can take the information about the company or individual persons who take the loan from the bank. Here the credit holder give the information about his address, his personal information like husbands or wife name, Id no, Tel no etc And in case of company, the company name, address, TIN no, Branch Code no etc.

**CIB -2(A):** Here the company owner's information are collected. Owners name, fathers name, mothers name, address, If he or she have any other account in any other bank than that account information etc. It gives the information about Owner if borrower is institution.

**CIB -3(A):** If the credit holder or company have any other company in the same name or other name than in this report gives all the information about the another company of the credit holder. It means it gives the information about of groups/ Related Business concern.

**CIB-1:** CIB-1 gives the information about the Borrower of the month/ Quarter ending on.

**CIB-2:** CIB-2 gives the information about the Owners of Month/ Quarter ending on.

**CIB-3:** CIB-3 gives the information about the borrowers another company's or groups Month/ Quarter ending on.

**CIB-4:** CIB -4 gives the information about the Credit exposure Matrix Month/ Quarter/ H. Year ending on.

**CIB-5:** And the finally CIB-5 gives the information about the Guarantor. The third parties information who is the only guarantor Month/ Quarter on.

Below show all the CIB Report.

## Inquiry Form: CIB- 2A

### (Owner information if borrower is institution)

1. Name of the Bank/Financial Institution.
2. Name of Branch.
3. under District of.
4. Branch Code No.
5. Reference Nos. of branch. Date.....
6. Reference Nos. of Head Office..... Date.....
7. Borrower code.
  
8. Full Name of the borrower
9. Full name of the owner
10. Abbreviated name of the owner...N/A.....
11. Fathers name (in case of individual)
12. Mothers name (in case of individual)
13. Husband's name (in case of individual)
14. Address:
  - a) Permanent:
  - b) Present:
  - c) Business :

Proprietor	Partner	Chairman Sponsor/Appointed	MD. ✓ Sponsor/Appointed	Director Sponsor/Elected	Director- Nominated (By Govt./ Pvt. int.)	Others
------------	---------	-------------------------------	----------------------------	-----------------------------	--	--------

16. Name of the Bank / Financial Institution/Insurance Co.(of which the above owner is Chairman/Director)

To the best of our knowledge the above owner:

- a) Obtained Credit facilities in individual name :    Yes    No.
- b) Has got other business which obtained credit facilities from the banks / financial institution as mentioned below:

Name of the owner related business /firm with address	Name of the bank /financial institution	Name of Branch with District

To the best of our knowledge the above information is correct.

**Signature Head of the Branch/Manager**  
Name :  
Seal

Tel : \_\_\_\_\_

Note : Suppressing or distortion of any information ( related to borrower /owner) by the bank /financial institution is punishable under Bangladesh Bank order 1972 , Chapter IV Art. 48

## Inquiry Form : CIB- 3A

### ( information of group/Related Business concern)

1. Name of the Bank/Financial Institution.
- 2 . Name of Branch.
3. Under District of.
4. Branch Code No.
5. Reference Nos. of branch.  
Date.....
6. Reference Nos. of Head Office.....  
Date.....
7. Full Name of the borrower  
Borrower code:
8. Name of the Group.....
9. Address of Group:  
a)Permanent:  
b)Present:  
c)Business:
10. Related Business Concern:-.....

Name

Business address

- i)
- ii)
- iv)

**Please write N/A or Not Applicable if the concerned borrower is neither a group nor a subsidiary /sister concern under declared a group.**

To the best of our knowledge the above information is correct.

**Signature Head of the  
Branch/Manager**

**Name :**  
**Seal :**  
**Tel :**

Note : Suppressing or distortion of any information ( related to borrower /owner) by the bank /financial institution is punishable under Bangladesh Bank order 1972 , Chapter IV Art. 48

# Form: CIB – 2

(TO BE FILLED IN CAPITAL LETTER/TYPE)

New <input checked="" type="checkbox"/>
Correction <input type="checkbox"/>

**Borrower Information**  
(Owners only)  
Month / Quarter ending on \_\_\_\_\_

<b>Owner / Officer Code</b> 10. Proprietor 20. Partner 30. Chairman 40. M.D. 51. Director – Sponsored 52. Director – Elected 53. Director – Nominated ( by Govt.) 54. Director – Nominated ( by Fin. Institutions )
---

Branch Code No. (Supplied by Bangladesh Bank) <input type="text" value="460199"/>
Name of Bank/ Financial Institution: UNITED COMMERCIAL BANK LIMITED
Name of Branch: DHANMONDI _____
Borrower's Name: _____
Borrower's Address: _____
(1 <sup>st</sup> Available Address: _____ at Form CIB – 1)

**Borrower Code:**

**Owner / Officer Code**

**Name of the Owner** \_\_\_\_\_  
(M/S.MD.MOHD.HAJEE etc) (Full Name)\*\*

**National ID Number:**   
(In case of Person)

**Father's Name:** \_\_\_\_\_  
(In case of Person) (M/S.MD.MOHD.HAJEE etc) (Full Name)\*\*

**Mother's Name:** \_\_\_\_\_  
(In case of Person) (Most. HAJEE. Etc) (Full Name)\*\*

**Husband's Name:** \_\_\_\_\_  
(In case of Person) (M/S.MD.MOHD.HAJEE etc) (Full Name)\*\*

**Permanent Address** \_\_\_\_\_  
\_\_\_\_\_ District \_\_\_\_\_

**Business Address** \_\_\_\_\_  
\_\_\_\_\_ District \_\_\_\_\_

**TIN of the Owner** \_\_\_\_\_

**Owner / Officer Code**

**Name of the Owner** \_\_\_\_\_  
(M/S.MD.MOHD.HAJEE etc) (Full Name)\*\*

**National ID Number:**   
(In case of Person)

**Father's Name:** \_\_\_\_\_  
(In case of Person) (M/S.MD.MOHD.HAJEE etc) (Full Name)\*\*

**Mother's Name:** \_\_\_\_\_  
(In case of Person) (Full Name)\*\*

**Husband's Name:** \_\_\_\_\_  
(In case of Person) (Full Name)\*\*

**Permanent Address** \_\_\_\_\_  
\_\_\_\_\_ District \_\_\_\_\_

**Business Address** \_\_\_\_\_  
\_\_\_\_\_ District \_\_\_\_\_

**TIN of the Owner** \_\_\_\_\_

***Signature***

**Authorized Officer**

**Manager/AVP/FAVP/VP/FVP**

**Date...**

**NB:** Bank may use additional form if necessary

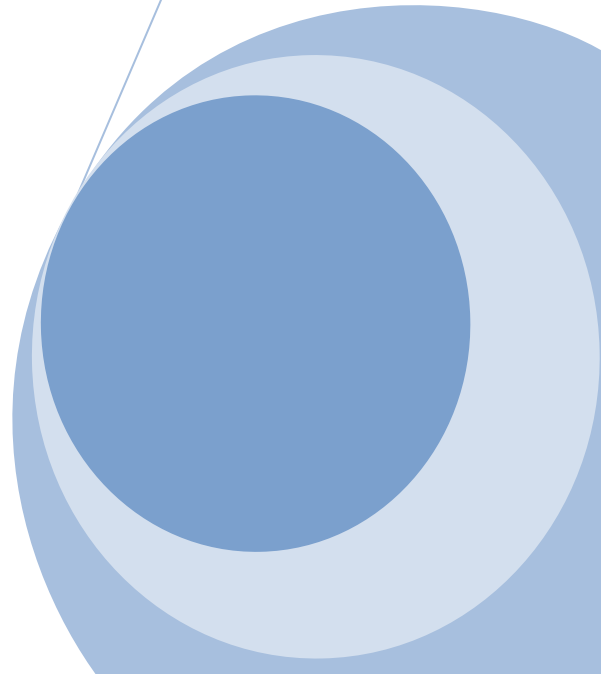
\* Abbreviated name will not be acc

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**Recommendations**



## Recommendations

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### **General Banking Department:**

- If the enter general Banking system is fully computerized then they satisfy the customer by provide fast service.
- If they establish networking system with their branches then it can easily transfer data within short time.
- If they cancel the introducer system then they can collect more deposit through new account and it also satisfied the customer.

### **Loan and Advance Department:**

- Try to avoid giving loan the political person who had bad reputation of loan repaying.
- Evaluate the securities value properly to avoid the risk of loan recovery. The punishment system should be established to discourage the unlawful activities of employee.
- Bangladesh Bank should more active to provide CIB report.

### **Foreign Exchange Department:**

- In Foreign Exchange Department it is require communicating with foreign bank frequently and quickly. To make the process easy and quick the whole system should be computerized and modern communication media for example e-mail, fax, Internet should be used.

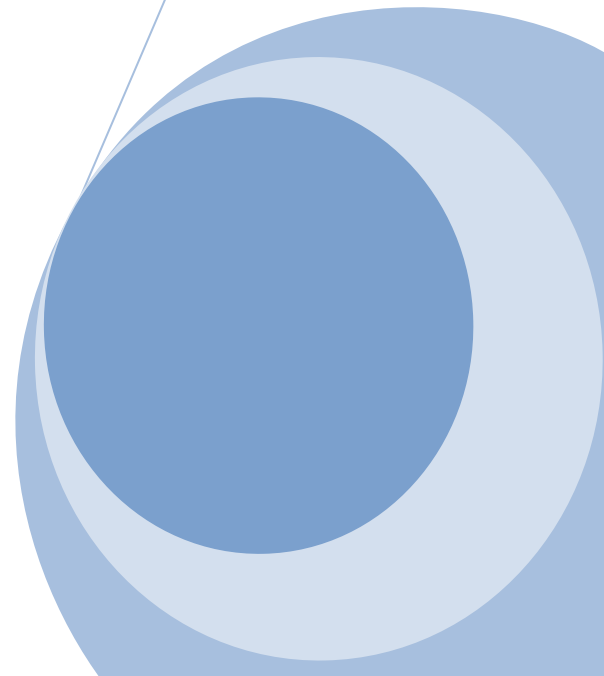


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**Swot Analysis**



## SWOT Analysis

---

SWOT analysis is the detailed study of an organization's exposure and potential in perspective of its strength, weakness, opportunity and threat. This facilitates the organization to make their existing line of performance and also foresee the future to improve their performance in comparison to their competitors. As though this tool, an organization can also study its current position, it can also be considered as an important tool for making changes in the strategic management of the organization.

### Strengths:

- UCB Limited has already established a favorable reputation in the banking industry of the country. It is one of the leading private sector commercial banks in Bangladesh. The bank has already shown a tremendous growth in the profits and deposits sector.
- UCBL has provided its banking service with a top leadership and management position. The Board of Directors headed by its Chairman Mr. Md. Jahangir Alam Khan is a skilled person in business world. Alamgir Kabir, the Advisor of the bank is a reputed senior chartered accountant having 30 years vast experience in accounts, audit, and finance and banking at home and abroad. Mr. Mohammed Lakiotullah as the Managing Director of the bank management team. The top management officials have all worked in reputed banks and their years of banking experience, skill, and expertise will continue to contribute towards further expansion of the bank.
- UCB Limited has already achieved a high growth rate accompanied by an impressive profit growth rate in 2001. The number of deposits and the loans and advances are also increasing rapidly.
- UCBL has an interactive corporate culture. The working environment is very friendly, interactive and informal. And, there are no hidden barriers or boundaries while communicate between the superior and the employees. This corporate culture provides as a great motivation factor among the employees.

- UCBL has the reputation of being the provider of good quality services too its, potential customers.

### **Weakness:**

- The main important thing is that the bank has no clear mission statement and strategic plan. The banks not have any long-term strategies of whether it wants to focus on retail banking or become a corporate bank. The path of the future should be determined now with a strong feasible strategic plan.
- The bank failed to provide a strong quality-recruitment policy in the lower and some mid level position. As a result the services of the bank seem to be Deus in the present days.
- The poor service quality has become a major problem for the bank. The quality of the service at UCBL is higher than the Dhaka Bank, Prime Bank or Dutch Bangla Bank etc. But the bank has to compete with the Multinational Bank located here.
- Some of the job in UCBL has no growth or advancement path. So lack of motivation exists in persons filling those positions. This is a weakness of UCBL that it is having a group of unsatisfied employees.
- In terms of promotional sector, UCBL has to more emphasize on that. They have to follow aggressive marketing campaign.

## **Opportunity:**

- In order to reduce the business risk, UCBL has to expand their business portfolio. The management can consider options of starting merchant banking or diversify into leasing and insurance sector.
- The activity in the secondary financial market has direct impact on the primary financial market. Banks operate in the primary financial market. Investment in the secondary market governs the national economic activity. Activity in the national economy controls the business of the bank.
- Opportunity in retail banking lies in the fact that the country's increased population is gradually learning to adopt consumer finance. The bulk of our population is middle class. Different types of retail lending products have great appeal to this class. So a wide variety of retail lending products has a very large and easily pregnable market.
- A large number of private banks coming into the market in the recent time. In this competitive environment UCBL must expand its product line to enhance its sustainable competitive advantage. In that product line, they can introduce the ATM to compete with the local and the foreign bank. They can introduce credit card and debit card system for their potential customer.
- In addition of those things, UCBL can introduce special corporate scheme for the corporate customer or officer who have an income level higher from the service holder. At the same time, they can introduce scheme or loan for various service holders. And the scheme should be separate according to the professions, such as engineers, lawyers, doctors etc.

## **Threats:**

- All sustain multinational banks and upcoming foreign, private banks posse's enormous threats to UCBL Limited. If that happens the intensity of competition will rise further and banks will have to develop strategies to compete against an on slough of foreign the banks.
- The default risks of all terms of loan have to be minimizing in order to sustain in the financial market. Because default risk leads the organization towards to bankrupt. UCBL has to remain vigilant about this problem so that proactive strategies are taken to minimize this problem if not elimination.
- The low compensation package of the employees from mid level to lower level position threatens the employee motivation. As a result, good quality employees leave the organization and it effects the organization as a whole

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**Problems of UCBL**

## **Problems of UCBL**

---

### **General Banking department**

- In general banking department they follow the traditional banking system. The entire general banking procedure is not fully computerized.
- They are not using Data Base Networking in Information Technology (IT) Department. So they have to transfer data from branch to branch and branch to head office by using floppy disk and sure it is not a good system.
- According to some clients opinion introducer is one of the problems to open an account. If a person who is new of the city wants to open account, it is a problem for him/her to arrange an introducer of SB or CD accounts holder.

### **Loans and Advances Department:**

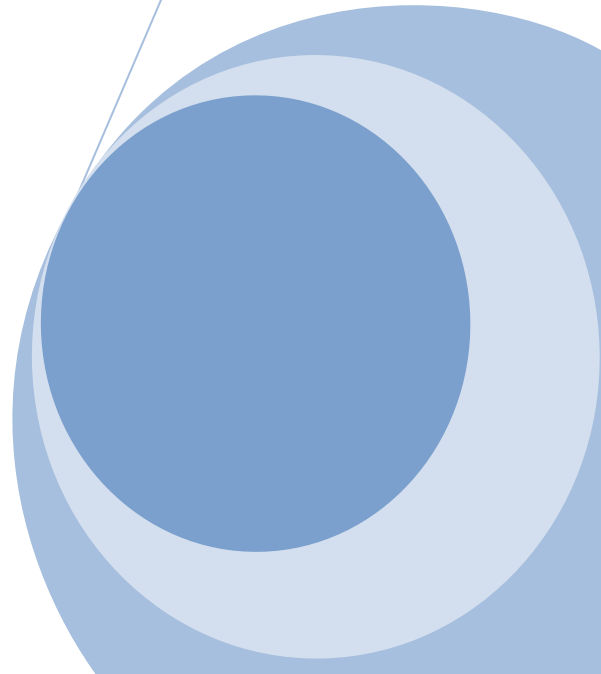
- Political influence is one of the major problems in Bangladesh. Due to political intervention the bank becomes obliged to provide loans in most of the cases, which are rarely recovered. Bank has to face this in convenience situation almost every year.
- Sometimes the employee to unlawfully help the client deliberately overvalues the securities taken against the loan. As a result if the client fails to repay the loan the bank authority cannot collect even the principal money invested by the selling those assets. It is also a very important factor that leads to loan default.
- CIB report is not readily available from Bangladesh Bank.

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## Conclusion

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Internship is a bridge between theoretical knowledge and practical knowledge. Now that I have completed my Internship, I believe the experience I have gathered working in the official environment will be proven vital for me to go ahead in my professional life. During my internship I have realized how modern Science and Information Technology have been contributing more and more to the development of operational and management process. To serve customers well, companies need to be skillful in many areas faster development of new business strategies, shrinking company formalities, reducing procedure times, improving customer service and increasing and maintaining knowledge for accomplishing all these goals.

As an internee of UCBL, I have truly enjoyed my internship from the learning and experience viewpoint. I am confident that this three months internship program at UCBL will definitely help me to realize my further carrier in the job market.

As there are lots of local and foreign banks in Bangladesh the UCBL is promising commercial Bank among them. In this competitive market UCBL has to compete not only the others commercial banks but also with the public Bank. UCBL is more capable of contributing towards economic development as compared with other bank of UCBL. UCBL Invested more funds in export and import business. It is obvious that the right thinking of this bank including establishing a successful network over the country and increasing resources will be able to play a considerable role in the portfolio of development. Success in the banking business largely depends on effective lending. Less the amount of loan losses, the more the income will be from Credit operations the more will be the profit of the UCBL Limited and here lays the success of Credit Financing. During the course of my practical orientation I have tried to learn the practical banking activities to realize it with my theoretical knowledge, which I have greathearted and going to acquire from various courses of my BBA program.

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4. UCBL Web site.
5. Credit Operational Manual of UCBL Limited.
6. Prospectus of UCBL.
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