

# Internship Report on

**Credit Management System of United  
Commercial Bank Ltd;  
A Study On  
Gulshan Branch.**





***Internship Report***  
**On**

**Credit Management System  
of United Commercial Bank Ltd;  
A Study On Gulshan Branch.**

**Prepared For**  
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**Date of Submission: 15<sup>th</sup> September, 2014**

## LETTER OF TRANSMITTAL

**September 15, 2014**

**Mr. Mahbub Parvez**

Assistant Professor  
Faculty of Business & Economics  
Daffodil International University

**Subject: Submission of internship report on Credit Management System of UCBL,  
A study on Gulshan Branch.**

Dear Sir:

This is to inform you that I have completed my report titled **Credit Management System of UCBL**. It was a great opportunity for me to acquire knowledge and experience in respect of working on credit management system of this branch.

I believe that the knowledge and experience I have gathered during my internship period will help me in my professional life. I have concentrated my best efforts to achieve the objectives of the practical orientation and hope that my endeavor will serve the purpose.

In preparing this report I have followed the instructions of yours. I will be glad to clarify any discrepancy that may arise.

Thank you for your co-operation.

Sincerely,

**Arjun Chandra Modak**  
**ID: 122-14-830**

15<sup>th</sup> September, 2014

## CERTIFICATE OF APPROVAL



I am pleased to certify that the Internship report titled “Credit Management System of UCBL. A study on Gulshan Branch” prepared by Arjun Chandra Modak, bearing ID No: 122-14-830 of the department of business administration has been approved for presentation and defense/viva-voce. Under my supervision Arjun Chandra modak worked with United Commercial Bank Limited as an intern. He completed the work during the Summer-2012 semester.

I am pleased to hereby certify that the data and findings presented in the report are the authentic work of Arjun Chandra modak. I strongly recommend the report presented by Arjun Chandra modak for further academic commendations and defense/viva-voce.

Arjun Chandra modak bears a strong moral character and a very pleasant personality. It has indeed been a great pleasure working with him. I wish him all success in life.

.....  
**Mr. Mahbub Parvez**  
Assistant Professor  
Faculty of Business & Economics  
Daffodil International University

## Acknowledgement

First of all I would like to thank the Almighty for giving me the strength, and the aptitude to complete this report within due time. The intern gratefully acknowledges the guidance and assistance received from different people and organizations while carrying out the study. From its first inception to its final completion, I have received the contribution of many people who have inspired, influenced and guided my work and supported me cordially and constructively. This magnitude of the report bears the imprint of some of those respectable persons. Mr. Mahbub Parvez, Assistant professor provided guidance during the entire internship period and in writing the report. I am also grateful to all my teachers of my department, who assigned me a conceptual analysis in earlier time and instructed me, how to write report. Special thanks are due to Mr. Selim Reza Khan, Vice president and Credit in charge of Gulshan Branch of United Commercial Bank Ltd.

I am also very thankful to Mr. Abu Sufian (operation manager), Mrs. Salma Begum (Officer), Md, Faisal Mahmud (Senior Officer), Sultan Mahmud (Senior Executive Officer) of United Commercial Bank Limited for their reliable information and their co-operation. Their kind Co-operation, guidance, suggestions helped me a lot in gathering knowledge and experience to complete the report finally.

I am deeply indebted to my supervisor, Mr. Mahbub Parvez for assigning me such an interesting topic named “Credit Management System of UCBL”.

I also express the depth of my appreciation to my honorable supervisor for his suggestions and guidelines, which helped me in completing this report.

Finally, I would like to thank my parents for their inspiration and support during the study period and hence would like to dedicate this report to them.

## EXECUTIVE SUMMARY

The bank plays an important role in the economy of any country. The banking system of Bangladesh is composed of variety of banks working as nationalized commercial banks, Private banks, Foreign banks, Specialized banks & Development banks. However there are many private banks in Bangladesh. At present, among other banks United Commercial Bank plays as a leading bank to provide efficient banking service with a view to accelerating socio-economic development of the country. Day by day, new competitors appear with better ideas & products as well as service.

The overall approach of the report is a descriptive one as it goes into the depth of service quality of United Commercial Bank Ltd. Here both primary and secondary information were used. Interview was the basic technique comply to collect primary data from any people within the organization. Annual reports of United Commercial Bank Ltd, Different circulars and papers of United Commercial Bank Ltd, Term papers of UCBL, Training manuals, Guidelines for Foreign Exchange Transactions, General Banking operation manual and Banking Lecture within the organization helped me to gather data about organization.

The report contains Four Chapters. The **First Chapter** of the report describes the introductory words of the internship report in which Introduction of topic, Origin the report, Background of the study, Objective of the report, Scope of the report, Methodology & Limitations. The **Second Chapter** contains the organizational part of the bank. Organization structure, Vision, Mission statement, performance evaluation and Description. **Chapter Three** contains details of learning part. In this part Credit Management procedure and risk assessment process has been also describe in **Chapter Three**. Problems regarding learning part are given in **Chapter Four** and also Findings, Recommendations and Conclusion is given in Chapter Four. The findings during the three-month long internship period & suggestions are given from observation, comparative analysis, strategic point of view etc.

## TABLE OF CONTENTS

Description		Page No.
<b>Prefatory</b>		
<b>-Letter of Transmittal</b>		<b>i</b>
<b>-Certificate of Approval</b>		<b>ii</b>
<b>-Acknowledgement</b>		<b>iii</b>
<b>-Executive Summary</b>		<b>iv</b>
<b>Chapter 1: Introduction</b>		<b>1-7</b>
1.1	Introduction	2
1.2	Origin of the report	3
1.3	Objective of the study	3-4
1.4	Scope of the Study	5
1.5	Methodology of the Study	5-6
1.6	Limitations of the Study	7
<b>Chapter 2</b>		<b>08-29</b>
<b>Organizational Part</b>		<b>08-29</b>
2.1	Evolution of the word 'bank'	9
2.2	Organizational Status of UCBL	9-11
2.3	Development of UCBL in Bangladesh	12
2.4	Background Of United Commercial Bank Limited	13-14
2.4.1	An Overview of United Commercial Bank Limited	14-15
2.4.2	Goals & Objectives of United Commercial Bank Ltd.	15-16
2.4.3	Functions of UCBL.	16
2.4.4	Management of UCBL.	16-18

2.4.5	Mission and Vision of United Commercial Bank Limited.	18
2.4.6	Managerial Hierarchy of UCBL.	20-21
2.4.7	Structure of the Branch.	22
2.4.8	Products and Services of United Commercial Bank Ltd.	23-25
2.5	Financial Performance of UCBL.	25-28
2.6	SWOT analysis	29
<b>Chapter 3</b>	<b>Learning Part</b>	<b>30-61</b>
3.1	Different types of Loans of UCBL	31-33
3.1.1	Agriculture	33
3.1.2	Term Loan to Large & Medium Scale Industry	34
3.1.3	Term Loans to Small & Cottage Industries	34
3.1.4	Working Capital	34
3.1.5	Export Credit	34
3.1.6	Commercial Lending	34
3.1.7	Others	35
3.2	Letter of Credit (L/C)	35-36
3.3	Credit management	36
3.3.1.	Process of Credit Management	36-39
3.4	Purpose of Credit Policy	40
3.5	Scope of the Policy	40
3.6	Superseding Power	40
3.7	Amendment of the Policy	40
3.8	Credit Evaluation Principles	41
3.8.1	General Guidelines	41
3.8.2	Product and Services	41
3.8.3	Loan-Deposit Ratio	42



3.8.4	<b>Risk Acceptance Criteria</b>	42
3.8.5	<b>Compliance</b>	42
3.8.6	<b>Deviation</b>	43
3.8.7	<b>Return</b>	43
3.8.8	<b>Repayment Capacity</b>	43
3.8.9	<b>Name Lending</b>	44
3.8.10	<b>Single Customer Exposure Limit</b>	44
3.8.11.	<b>Large Loan</b>	44
3.8.12.	<b>Diversification and Sector Allocation</b>	45
3.8.13	<b>Maximum Tenor</b>	45
3.8.14	<b>Security</b>	45
3.8.15	<b>General Covenants</b>	46
3.9	<b>Importance of bank credit</b>	47-49
3.10	<b>Credit Assessment Policy</b>	49-53
3.11	<b>Delegation of Credit Approval Authority</b>	53-54
3.11.1	<b>Process of delegating approval authority at management level</b>	54
3.11.2	<b>Revision of Credit Approval Authority</b>	55
3.11.3	<b>Responsibility of Credit Approval Authority</b>	55
3.11.4	<b>Criteria for Individual Credit Approval Authority</b>	55-56
3.11.5	<b>Reporting Approval</b>	56
3.12	<b>Credit Management Division</b>	57
3.13	<b>Duties and Responsibilities of Credit Risk Management Division</b>	57-58
3.14	<b>Credit Administration Department</b>	59
3.15	<b>Portfolio of Credit</b>	59
3.16	<b>Recovery Department within credit</b>	60-61

	Management Division:	
3.17	Third Party Service Provider	61
3.18	Internal Audit	61
<b>Chapter 4</b>	<b>Findings, Recommendations &amp; Conclusion</b>	62-65
	<b>Findings</b>	63
	<b>Recommendations</b>	64
	<b>Conclusion</b>	65
	<b>References</b>	66
	<b>Acronyms</b>	67

# Chapter-1

A large, multi-pointed starburst graphic with a light purple-to-white gradient fill and a dark purple outline. The word 'Introduction' is written in bold black text across the center of the starburst.

## **Introduction**

## 1.1 Introduction

This internship is a part of the Master of Business Administration(MBA) program that provides an on-the-job experience to students. I was placed at **United Commercial Bank LTD.** Gulshan Branch as an internee student for three months. This internship program was my very first on-the-job exposure and provided me with learning experience and knowledge in several areas.

United Commercial Bank Ltd. (UCB) is a Bangladesh based financial institution that provides banking services. The services include personal and business banking, loans, credit cards, online banking and money transfer services. The bank operates in Bangladesh, where it is head quarter in Dhaka. With its firm commitment to the economic development of the country, the bank has already made a distinct mark in the area 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

UCBL sponsored by some dynamic and reputed entrepreneurs and eminent industrialists of the country and also participated by the Government. UCB started its operation in mid 1983 and has since been able to establish one of the largest network of 139 branches among the first generation banks in the private sector.

This report is an attempt to reflect the position of United Commercial bank Ltd. In the banking industry of the country in respect of his activities in the area of Credit Management System. This study helped me to know the overall performance of credit management system of United Commercial Bank Limited through different aspects of the banking sector & to evaluate how well bank is doing in its Credit Management procedure.

## 1.2. Origin of the Report

Internship Program of Daffodil International University is an important requirement for the post graduation of MBA students. The main purpose of internship is to get the student exposed to the job world and this study is a partial requirement of the Internship program of MBA curriculum at the Daffodil International University. Being an intern the main challenge was to implement the theoretical concepts into real life experience.

To complete the MBA program successfully each participants required to undergo internship program in an organization for three months to learn practical knowledge of business activities. To accomplish the aforesaid requirement, I am assigned as an internee in United Commercial Bank Ltd, Gulshan Branch for 3 months starting from 03<sup>rd</sup> April 2014. I worked in the Credit Division of UCBL and the internal supervisor assigned me the topic titled: **”Credit Management System of United Commercial Bank Ltd.”** On the basis of working experience of the period I have prepared this report on the title above and I have tried my best to relate the theoretical knowledge with the practical work situation.

## 1.3. Objectives of the study

The main objective of the study is to identify various Credit Schemes & Credit Management Systems of United Commercial Bank Ltd.

### Specific Objectives:

The Specific Objectives of the study are as follows:

- ❖ To identify the different types of Credit Schemes of UCBL.

- ❖ To examine the credit management activities of UCBL
- ❖ To know about L/C operation in details.
- ❖ To know about the various documents and procedures which are used in maintaining the process of Credit departments of UCBL.
- ❖ To identify Risk assessment process and assessment policy followed by the management of UCBL.
- ❖ To find out the duties and responsibilities of credit risk management division.
- ❖ To identify the process of the Credit Risk Management
- ❖ To find out the credit evaluation principles.
- ❖ To know about the purpose of credit policy.

## 1.4. Scope of the study

This internship report covers the activities of Credit Department of UCBL. This reports has been prepared through extensive discussion with bank employees and with the customers in the three months period of my internship. While preparing this report, I had a great opportunity to gather knowledge of the banking activities related to different Credit Management procedure by the Credit Division of “UCBL”.

## 1.5. Methodology of the study

The study requires a systematic procedure from selection of the topic to operation of the final report. To perform of the study, the data sources were to be collected, classified, analyzed, interpreted and presented in a systematic manner and key points were to be found out. The overall process of methodology has been given as below.

### 1.4.1. Selection of the topic:

Internship topic selected very important for a student. I am a student of Daffodil International University and internship program completed in United Commercial Bank Ltd. The topic was selected by me and permitted by Mr. Mahbub Parvez, Assistant Professor, Faculty of Business & Economics, Daffodil International University.

### 1.4.2. Sources of Data:

Essential sources of data both primary and secondary were identified that would be needed to carry on the study and complete this report.

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

(i) Primary Sources of Data:

- ✚ Bankers
- ✚ Customers

(ii) Secondary Sources of Data:

- ✚ Different Circulars issued by the Head Office of UCBL about Credit Management.
- ✚ Annual report of UCBL.
- ✚ Newspaper, journal, articles etc.
- ✚ Official Website of UCBL.
- ✚ Yearly statement of the branch.

### **1.4.3. Target population:**

The people who directly involve with Credit management are the target population. The Customers who borrow the loans from the bank and the bankers who directly involve in loan management operations have been selected for the study.

### **1.4.4. Sample Size: 20**

Bankers-10

Customers-20

### **1.4.5. Sampling Technique:**

Random Sampling Techniques have been applied to select the samples for collection of data for the study. This sampling technique is more convenient for collecting data within short time.

### **1.4.6. Method of Data Collection:**

Primary data were collected through direct interview of the personnel of the United Commercial Bank Ltd. (UCBL), Gulshan branch.

### **1.4.7. Tools used:**

Some arithmetic and graphical tools are used in this report for analyzing the collected data and to classify those to interpret in a clear and understandable manner.



## 1.6. Limitation of the Report:

I have tried giving my best effort to conduct the study work and to bring a reliable and fruitful result from which proper strategy can be adopted to this report. Some limitations were faced while preparing this report. Some of those limitations are highlighted below:

This report is only considering Credit Risks of United Commercial Bank Ltd. It is not cover:

- Asset and liability/balance sheet risk.
- Foreign exchange risk.
- Internal control and compliance risk.
- Money laundering risk.

# Chapter-2



Organizational  
part

## 2.1 Evolution of the word ‘bank’

The word bank is originated from Italian word ‘Banca’. Banca means long tool. In ancient time Italian Jews merchant used to do business of lending money by sitting on the tools. To meet the expense of war of 1171 one type credit certificate was launched in Italy at an interest rate of 5% which was called as Monte in Italian language and Banke in German language. Then the German language was widely used in Italy. As a result the word ‘Banke’ gradually changed to the word ‘Banca’ from which the word ‘Bank’ originated.

## 2.2. Organizational Status of UCBL

### a) The Bank:

It has 139 branches all over Bangladesh and carries out all banking activities through its branches in our country and through international correspondent outside the country.

**On December 31, 2013 Total assets of the Bank stood at Tk.129,774,429,670**

### b) Network:

UCB always considers client service the most vital factor to face ever-increasing competition and challenge in the Banking sector and as such places on it utmost importance. With that end, in view the Bank continued its personalized approach with speed, precision and accuracy. Presently the number of the branches stood at 139 covering almost all the important places of the country. The numbers of authorized dealer branches are 18. Moreover, worldwide international correspondents network of the Bank has been continuously expanding covering the important countries in all the countries of the world.

Besides the Bank has arrangement with a number of Exchange Houses at Singapore, U.A.E., Oman , Qatar, and Kuwait to facilitate remittances from expatriate Bangladeshis. To cope with modern banking requirement all the branches are being computerized. To develop expertise on computer operation, regular training program on computer for the officers are continuing . The bank is examining the possibility of introducing new

computer programs (ON-LINE -BANKING) for improving customer service and has finalized arrangements with other private commercial banks to introduce ATM. SWIFT has already been introduced to speed up international transactions and passing of L/Cs at HEAD OFFICE. SWIFT and introduced all the A.D branches of the Bank.

### **c) Management:**

Mr. M Shahjahan Bhulyan is the Managing Director of the Bank. He is a renowned and dynamic banker with more than three decades of banking experience to his credit. Mr. M Shahjahan Bhulyan, a prominent banker. The Management is well supported by an organized team of dedicated executives and officers.

### **d) Capital and Reserves:**

During the year 2013, authorized capital of the Bank was Tk. 9,000 million. The paid-up capital stood at Tk.2910.00 million and reserve fund stood at Tk.3415.00 million on December 31, 2013.

### **e) Deposit:**

Deposit of the Bank increased in the year 2013 than in the year 2012. On December 31, 2013 total deposit of the Bank stood at Tk.113071.00 million against Tk. 77730.00 million in 2012.

### **f) Credit:**

Credit program of the Bank continued to expand satisfactorily during the year 2013. On December 31, 2013 net credit of the Bank rose to Tk93460.00 million as against Tk.61692.00 million in 2012.

### **g) Investment:**

On December 31, 2013, total investment of the Bank stood at Tk. 15046.48 million.

## **h) Foreign Trade:**

The Bank's foreign trade policy is designed to assist development of trade, commerce and industry in the country in consonance with the guidelines of Bangladesh Bank. Total import business handled by the Bank during the year 2013. December was Tk.86667.00 while export business was Tk.50712.00 million.

## **I) Human Resources:**

Skilled work force is an essential pre-requisite for development of any service-oriented organization. UCB puts all out emphasis for the development of professional work force to meet the challenge of modern banking. Since there is no alternative to training for acquiring the required efficiency and professional excellence, Bank's training institute was busy throughout the year to impart training on different aspects of Banking. During 2013, 73 (Seventy Three) in-house training courses were arranged in which 2346 officers took part. Moreover, a number of executives and officers were sent to Bangladesh Institute of Bank Management (BIBM) and other training agencies. At the end of 2013 total number of employees stood at 2378 comprising of 24 executives, 1811 officers and 703 staffs.

## **j) Total Profit:**

The Bank made more profit in the year 2013 than in the year 2012. On December 31, 2013, Total Profit of the Bank was Tk.4732.46 million

## 2.3. Development of UCBL in Bangladesh

United commercial Bank Ltd. is one of the leading private commercial bank in Bangladesh. It Sponsored by some dynamic and reported entrepreneurs and eminent industrialists of the country and also participated by the eminent. UCBL started its operation in the mid 1983. It renders banking services to its customers. With an outstanding lance, the company is heading towards the new millennium though focusing on leadership, service innovations and all other is required for earning excellence and continued growth. This is offering service-keeping harmony with the changing demands customers and is getting customer satisfaction by assuring quality and by delivery better service value comparing with its competitors.

The emergence of UCBL in private sector is an important event in the area of Bangladesh. It has been able to establish the network of 139 (another one is on going) branches throughout the country. A team of highly qualified and experienced professionals headed by the Managing Director of the Bank who has vast banking experience bank and at the top there is an efficient Board of Directors for making policies.

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. UCBL currently works with 329 correspondents covering 102 countries. Moreover, the Bank has arrangement with a number of Exchange House at Singapore, U.A.E, Oman, Qatar, and Kuwait to facilitate remittances form expatriate Bangladeshis. UCBL offers various types of products and services include Western Union money transfer, SMS banking, and online services, debit card, credit card, dual currency VISA credit card, various deposit schemes etc.

## **2.4. Background Of United Commercial Bank Limited**

As financial intermediaries commercial banks play an important role in the financial system and the economy. The importance of that in the development of the overall economy of country cannot be described in short. From the inception of the civilization the banking sector dominate the economic development of a country by mobilizing the saving from the general people and channeling those saving for investment and thus economic development and growth.

As a key component of the financial system, banks allocate funds from savers to borrowers in an efficient manner. They provide specialized financial services, which reduce the cost of obtaining information about both savings and borrowing opportunities. These financial services help to make the overall economy more efficient.

The importance of commercial banks after the ravage of the Liberation War to develop a better economy was severely needed and it is needed now and will be required in future also. Time to time Government of Bangladesh agreed to permit the private commercial banking in the country.

To fulfill the demand as well as to improve the commercial banking service in our country the United Commercial Bank Limited (Here in after UCBL) started its operation in 1984 after obtaining license from Bangladesh Bank with a target to play the vital role on the socio-economic development of the country. It was incorporated on June 26, 1983 as a public limited company under the Companies Act, 1913. The Bank obtained permission from Bangladesh Bank to commence business with effect from June 28, 1983. The promoters of the Bank comprised of seventeen persons from the private sector with long experience in business and industry.

The first branch opened by this bank is Motijheel branch 58, Motijheel C/A Dhaka. At present UCBL have 139 branches except the head office.

The emergence of the UCBL is an important event in the country's financial sector at the inception of financial sector reform. The authorized capital of UCBL is tk.15000 million and paid up capital of the same bank is tk.8, 366.12 million. The Chairman (Executive Committee) of the bank is M.A. Sabur and the Chairman (Audit Committee) of the bank is

Md. Jahangir Alam Khan. The bank has made a very good progress due to its visionary management people as well as its appropriate policy and implementation.

### **2.4.1. An Overview of United Commercial Bank Limited**

Sponsored by some dynamic and reputed entrepreneurs and eminent industrialists of the country and also participated by the Government, UCBL started its operation in mid 1983 and has since been able to establish one of the largest networks of 139 branches among the first generation banks in the private sector. With its firm commitment to the economic development of the country, the Bank has already made a distinct mark in the realm of Private Sector Banking through personalized service, innovative practices, dynamic approach and efficient Management. The Bank, aiming to play a leading role in the economic activities of the country, is firmly engaged in the development of trade, commerce and industry through a creative credit policy. United Commercial Bank Limited incorporated on 26 June 1983 as a public limited company with limited liability under the Company Act 1994. The Bank obtained permission to commence business with effect from 26 June 1983 and started banking operations on 29 June 1983 with an authorized capital of Tk. 100 million ordinary shares of TK 100 each. The paid up capital was Tk. 35.5 million but now 119.8 crore. Later, both authorized and paid up capital were increased several times. Reserve funds of the bank comprised statutory reserves and general reserves of Tk. 334.78 million in 1999 as against Tk. 85.88 million in 1990. The bank is listed with Dhaka and Chittagong Stock Exchange. The Bank has in its Management a combination of highly skilled and eminent bankers of the country of varied experience and expertise successfully led by Mr. M. Shahjahan Bhuiyan, a dynamic banker, as its Managing Director and well educated young, energetic and dedicated officers working with missionary zeal for the growth and progress of the institution. The Company started its banking operation and entitled to carry out the following types of banking business.

- a. All types of commercial banking activities including Money Market operations.
- b. Investment n Merchant Banking activities.
- c. Investment in Company activities.
- . d. Financiers, Promoters, Capitalists etc.
- e. Financial Intermediary Services.
  
- f. Any related Financial Services.



The Company (Bank) operates through its Head Office at Dhaka and 139 branches. The Company/Bank carries out international business through a Global Network of Foreign Correspondent Banks. The Registered Office of the Bank is: Plot: CWS (A)-1, Road: 34 Gulshan Avenue, Dhaka, Bangladesh. PABX: +88-02-8852500. E-Mail: info@ucbl.com. Web site: <http://www.ucbl.com>.

#### **2.4.2. Goals & Objectives of United Commercial Bank Ltd.**

- To develop a plan for offering better customer service.
- Foster a realistic deposit mobilization plan.
- To develop appropriate lending risk assessment system.
- To enhance capital plan.
- To generate a system to make good advances.
- Invent appropriate management structure, system, procedures and approaches.
- Cultivate scientific MIS to monitor banks activities.
- Ensure full recovery of all advances.
- Ensure a satisfied work force.
- Make sound loan and investment
- Build up a low cost fund base.
- Meet capital adequacy requirement at all the time.
- To focus on fee based income.
- Install a scientific MIS to monitor banks activities.
- Adopt an appropriate management technology.
- To keep business morality.
- To establish and open offices and branches to carry on all or any of the business abroad and within the country.

- To provide for safe-deposit vaults and the custody of valuables of all kinds.
- To develop welfare oriented banking service.
- To enhance asset of shareholders.
- To discover strategies for achieving systematic growth.
- To offer standard financial services to the people.
- To improve and broaden the range of product and services.
- To offer highest possible benefit to customers.

### **2.4.3. Functions of UCBL:**

**The functions of UCBL are as follows:**

1. To mobilize the idle resources of the country by accepting Deposits from the general public.
2. To give facilities to the clients and shareholders in a systemic way.
3. To give opportunity of the people to do job in UCBL.
4. To give encourage to the people for saving.
5. To increase investment.
6. To identify customer demand and fulfill their demand by supplying money.
7. To improve economy by borrowing financial facility.
8. To assist Capital Market.

### **2.4.4. Management of UCBL:**

The Bank has a very competent Management team comprising highly skilled, eminent and professional bankers. Mr. Muhammed Ali is the Managing Director of the bank and forerunner of the management team .He brings with him vast experience, expertise and modern outlook having more than thirty years long outstanding career. The Divisional Heads at the Bank's are senior bankers who have long experience in domestic and International Banking. The Management adheres to maintaining high ethical standard and nourishes and practices good corporate governance for the greater interest of the institution and the country as a whole.

Some committee is framed to run the organization properly. These are to set out a strong internal control framework. Every Committee is headed by the Managing Director/ Deputy Managing Director.

## **Management Committee (MANCOM)**

This Committee is the highest body of Management. Their responsibilities are:

- To put in place policies and procedures with governance and guidance from the Board to:
  - Identify
  - Measure
  - Monitor
  - Control risks
  - Establish a specific 'Code of Ethics' and
  - Compliance culture
- Establish the internal control structure which assigns:
  - Clear responsibility
  - Authority and
  - Reporting relationship
- Monitor the adequacy and effectiveness of Internal Control System based on Bank's established policy and procedures.
- Review on a yearly basis the overall effectiveness of the internal control system and to provide yearly certification to the Board on the following:
  - Effectiveness
  - Practice and
  - Procedures of the internal control system.

## **Asset Liability Management Committee (ALCO):**

The macro-level management risk is conducted by this committee, while micro-level risk management is conducted by the managers of the independent divisions. These business managers base their investment and borrowing decisions on the ALCO recommendations, i.e. micro-level decisions are within the broad framework laid at the macro-level. ALCO does not consider individual cases for decision making.

ALCO's key roles and responsibilities are as follows:

- To assume overall responsibilities of Money Market activities.
- To manage liquidity and interest rate of the bank
- To comply with the central bank regulations in respect of bank's statutory obligations as well as thorough understanding of the risk elements involved with the business
- Understanding of the market dynamics i.e. competition, potential target markets etc.
- Provide inputs to the Treasurer regarding market views and update the balance sheet movement
- Deal within the dealer's authorized limit.

## **Purchase & Procurement Committee (PPC)**

Purchase and procurement of the bank.

### **.IT Steering Committee**

IT related decision.

## **2.4.5. Mission and Vision of United Commercial Bank Limited:**

### **Mission:**

**The missions of the UCBL are described below:**

1. To maximize profit with steady growth ensuring major market share
2. To be the leader in providing need based innovative products and services
3. To continuously upgrade technology for strong information Management System and meet customer expectations
4. To establish a strong best practice corporate culture of participative management and enabling environment where innovativeness and performance is rewarded
5. To develop and retain in quality workforce through effective Human Resource Management System maintaining high moral and ethical standards

## **Vision:**

**The Vision of UCBL can be described as follows:**

1. To achieve steady growth rates in following areas like; Profit, Deposit, Advance, Import, Export, Treasury earning, Increase Earnings per Share, Increase Customer base, Increase Return on Asset, Increase Return on Investment etc.
2. To Introduce Online banking to be established in 60% of the branches by next 3 years
3. To establish computerized MIS software to be made available in all branches
4. To strong marketing team to be established for new innovative products and services for exploring strong client base
5. To contribute to social service by setting up UCBL foundation
6. To increase professional efficiency and technology literacy throughout the organization by conducting intensive training to develop and retain a quality work force
7. To put in place an effective Human Resource Management system.
8. To continuously improve internal control and compliance of the bank
9. To improve the quality asset by continuously improving Credit Risk Management
10. To setup a centralized core banking solution in place

#### 2.4.6. Managerial Hierarchy of UCBL.

Top Management

**Chairman**

**Board of Directors**

**Executive Committee**

Executive Level Management

**Managing Director**

**Deputy Managing Directors**

**Senior Executive Vice President**

**Executive Vice President**

**Senior Vice President**

**Assistant Vice President**

Mid level Management

**First Assistant Vice  
President**

**Senior Executive Officer**

**Executive Officer**

**Principle Officer**

Junior Level management

Senior Officer

Management Trainee Officer

Junior Officer

Assistant Officer

**Fig: *Organizational Structures***

### 2.4.7. Structure of the Branch:

•Head of Branch (Manager)
•Assistant Manager
•Senior Executive Officer
•Officer
•Junior Officer
•Officer Cash
•Cash Officer
•Assistant Cash Officer
•Customer Service Officer
•Retail Marketing Officer
•Gunman
•Security Guard
•Messenger
•Cleaner

**Fig: Typical Structure of a Branch**



## **2.4.8. Products and Services of United Commercial Bank Ltd.:**

All the products and services offered by the bank can be classified under three major heads :

### **i) Multi Currency Account.**

### **ii) Deposit products.**

- One Stop Service
- Time Deposit Scheme
- Monthly Savings Scheme
- Deposit Insurance Scheme
- Inward & Outward Remittances
- Education Savings Scheme
- Fixed Deposit Scheme
- UCBL Money Scheme
- Saving Deposit Account
- STD Account
- Foreign Currency Deposit Account
- NFCB Account
- NITA

### **ii) Loan Products:**

- Consumer's Credit Schemes
- Lease Finance
- Hire Finance
- Small and medium enterprise
- Loan against Shares and Securities
- Travelers Claques
- Import Finance
- Export Finance

- Working Capital Finance
- Loan Syndication
- Underwriting and Bridge Financing
- Trade Finance
- Industrial Finance
- Computer Software Financing Schemes.

### **Other Services:**

Consistent with the modern edge and competing in a perfectly competitive market, UCBL has introduced some innovative banking services that are remarkable in a country like Bangladesh. The services offered by the bank are as follows:

### **Information Technology of UCB:**

In today's financial services environments, technology is not an option but a necessity. United Commercial Bank is amongst the pioneer in banking industry to provide sophisticated On-line banking services to its customers through the network of all 139 branches. Moreover, UCB has entered into an agreement with Dutch Bangla Bank Ltd. for sharing ATM facilities with them to extend a wide range of banking service to its valued customers. In 2014 the bank invested substantially in improving its IT facilities for ensuring seamless, faster and secure banking transactions.

The data center of the bank has been equipped with the state of the art modern servers and network equipment from world renowned vendors. A Dell Cluster Server based on EMC SAN storage system ensures 24/7 data access facility providing maximum fault tolerance capability. A CISCO PIX firewall ensures the safety network from any attempt of intrusion. During the year the bank has also launched services like Tele-Banking, Debit Card facilities for its customers. UCB also introduced UCB Corporate Intranet system for quick distribution of information amongst its branches.

## UCB Online Banking the Service:

United Commercial Bank is playing a pioneering role among its competitors in providing real time online banking facilities to its customers. United Commercial Bank online banking offers a customer to deposit or withdraw any sum of money from any branch anywhere. Any account holder having a checking account with the bank can avail this service.

## SWIFT Service:

UCBL is one of the first few Bangladesh Banks to obtain membership of SWIFT (Society for Worldwide Inter-bank Financial Telecommunication). SWIFT is a member's owned co-operative which provide a first and accurate communication network for financial transactions such as letter of Credit, Fund transfer etc. By being a member of SWIFT, the bank has opened up possibilities for uninterrupted connectivity with over 5700 user institutions in 500 countries all over the world.

## 2.5. Financial Performance of UCBL

UCBL a blend of expertise and technological excellence is in place to meet varied needs of modern customers. The bank aims at mobilizing untapped money of the country and prudent deployment for productive activities in the form lending at a competitive interest rates/loan pricing. Towards attainment of its goals and objectives, the bank pursues diversified credit policies and strategic planning in credit management. To name a few, the bank has extended micro credit, consumers durable schemes loans, house building loans etc. to cater to the needs of the individuals, which in turn has helped thousands of families. The bank also extends loan in the form of trade finance, industrial finance, project finance, export & import finance etc. The bank's credit policies aimed at balanced growth and harmonious development of all the sectors of the country's economy with top most priority to ensure quality of lending by averting growth of non-performing assets.

## Performance at a glance:

Fig in Million

Sl.	Particulars	2013	2012	2011	2010
1	Authorized Capital	<b>15,000.00</b>	8000.00	8000.00	1000.00
2	Paid-up capital	<b>8,366.12</b>	7,274.88	2,909.95	1,193.83
3	Deposits	<b>170,530.54</b>	139,484.75	113,070.78	77,730.40
4	Advances	<b>136,071.65</b>	115,606.33	93,560.70	61,692.22
5	Investments	<b>26,090.32</b>	19,383.42	15,048.23	9,346.39
6	Import	<b>94,843.80</b>	90,919.70	86,666.50	58,857.00
7	Export	<b>78,309.10</b>	76,962.80	50,712.10	38,519.00
8	Interest Income	<b>21,318.92</b>	15,351.63	9,648.36	6,965.32
9	Interest Expenses	<b>14,705.21</b>	10,203.21	5,632.95	4,348.23
10	Operating Profit (before Provision)	<b>5,762.22</b>	5,972.91	4,733.12	3,125.17
11	Net Profit before Tax	<b>3,739.06</b>	5,172.91	3,632.60	1,541.86
12	Net Profit after Tax	<b>1,586.13</b>	2,945.80	2,182.43	932.90
13	Fixed Assets	<b>5,222.78</b>	3,288.09	1,966.35	1,305.81
14	Total Assets	<b>52,153.26</b>	40,255.37	40,797.74	22,098.19
15	Number of branches	<b>130</b>	115	107	98
16	Number of Employees	<b>3,374</b>	2,982	2,738	2,508
17	No. of ATM	<b>81</b>	77	54	12
18	Cost of Fund	<b>12.46</b>	11.09	9.81	10.72

## Highlights on overall Activities:

Particulars	Amount in taka 31 Dec, 2013	Amount in taka 31 Dec, 2012
Paid-up Capital	2,909,953,500	1,193,827,100
Total Capital	9,085,028,284	6,035,002,412
Capital Surplus	(3,882,221,331)	(509,009,446)
Total Assets	129,876,224,397	90,483,781,843
Total deposits	113,070,782,505	77,730,401,057
Total Loans And advances	93,460,374,606	61,692,218,339
Total Contingent Liabilities	40,797,736,864	22,098,194,840
Credit Deposit Ratio(%)	82.66	79.37
Percentage of classified loans against total loans and advances	1.20	2.63
Operating profit	4,732,327,951	3,125,169,480
Profit after tax	2,181,635,425	932,897,890
Amount of classified Loans during the year	392,823,621	600,721,636
Classified Advance at the end of year	1,120,803,000	1,622,305,000
Provision kept against Classified loans	292,504,875	586,231,503
Provision surplus	7,586,875	11,178,503
Cost of Fund(%)	9.81	10.72
Interest Earning Assets	109,272,795,405	74,778,140,020
Non-interest Earning Assets	20,603,428,992	15,705,641,823
ROI(%)	13.11	10.31
ROA(%)	1.68	1.03
Income from investments	1,972,538,276	963,452,759
Earning per share	7.50	3.21
Net income per share	7.50	3.21
Price Earning Ratio	30.24	10.23

## Key Achievements:

Figure in taka (crore)

<b>Change</b>	<b>Particulars</b>	<b>2012</b>	<b>2013</b>
43.54%	Total assets	12987.62	9048.37
45.47%	Deposit	11307.07	7773.04
51.49%	Loans and Advances	9346.03	6169.22
46.05%	Import	8666.65	5934.21
31.66%	Export	5071.21	3851.86
51.28%	Operating Income	785.46	519.20
51.43%	Operating profit	473.23	312.51
13386%	Net Profit after Tax	218.16	93.28
37.00%	Shareholder's Equity	781.64	570.54
-119.16%	Classified Loan Ratio	1.20%	26.3%
133.06%	Earning Per Share	7.5	3.21
70.70%	Return on Equity	27.91%	16.35%

## 2.6. SWOT analysis

### SWOT analysis of United Commercial Bank Ltd at a glance:

<b>Potential Resource Strength</b>	<b>Potential Resource Weakness</b>
<ul style="list-style-type: none"> <li>➤ Goodwill</li> <li>➤ Strong Board of Directors</li> <li>➤ Skilled Employee</li> <li>➤ Better service</li> <li>➤ Less Employee Turnover</li> <li>➤ Huge Authorized Fund</li> <li>➤ Huge Reserve Fund</li> <li>➤ Huge geographic coverage</li> <li>➤ Strong Promotional activity</li> </ul>	<ul style="list-style-type: none"> <li>➤ Work Manually</li> <li>➤ Limited Online Banking Facility</li> <li>➤ Lack of ATM facility</li> <li>➤ Lack of internet banking facility</li> </ul>
<b>Potential Company Opportunities</b>	<b>Potential External Threats</b>
<ul style="list-style-type: none"> <li>➤ Good chance of expanding geographically within Bangladesh</li> <li>➤ Opportunity to take market share away from rivals by offering new innovative product or service</li> </ul>	<ul style="list-style-type: none"> <li>➤ Entry of new commercial banks, leasing companies and merchant bank etc.</li> <li>➤ Competitors are offering more innovative products and services regularly.</li> <li>➤ Bargaining power of Customer is increasing.</li> <li>➤ Continuous devaluation of money.</li> </ul>

# Chapter-3



Learning  
Part



Like all other Commercial banks one of the most important operations of United Commercial Bank Ltd. (UCBL) is the Credit operation. Commercial Bank is extending its operation day by day. Through the Credit operation it is not only making profit but also performing an important role in the economic development of our country. Throughout this chapter we shall find how the credit operation of United Commercial Bank Ltd. is being performed.

## 3.1 Different types of Loans of UCBL.

United Commercial Bank has been offering all types of Credit products available in the Bangladesh financial market. Under the corporate credit portfolio, it has two basic types of products. These are :

**i)Funded Credit.**

**ii)Non Funded Credit.**

**i)Funded Facilities:** Funded Credit Facilities are divided into three types namely:

- (a) Continuous Loan
- (b) Demand Loan.
- (c) Term Loan.

### (a) Continuous Loan:

The loan accounts in which transactions may be made within certain limit and have an expiry date full adjustment will be treated as continuous loans. Example:

- Cash credit(Hypothecation)
- Cash credit (pledge)
- Loan against trust receipts(LTR)
- SOD(FO)
- SOD (Earnest Money)

- SOD(Work Order)
- SOD(General)
- Packing Credit
- Forced loan
- Others

## b) Demand loan:

The loans that become repayable on demand by the bank will be treated as Demand Loans.

- ❖ PAD(Payment Against Documents)
- ❖ IDBP (Inland Documentary Bill Purchased)
- ❖ FDBP(Foreign Document Bill Purchased)
- ❖ SOD (Export)
- ❖ TOD (Temporary Overdraft)
- ❖ Bridge Loan)
- ❖ Factoring
- ❖ Others

## C) Short term Agriculture and Microcredit:

Short-term Agricultural and Micro Credit will include the short-term credit as listed under the Annual credit program issued by the Agricultural Credit Development of Bangladesh Bank.

### ii) Non-funded Facilities:

- ✚ L/C (Sight)
- ✚ L/C (Different Payment)
- ✚ Back To Back L/C
- ✚ Inland L/C
- ✚ Bid Bond

- ✚ **Retention Bond**
- ✚ **Performance Guarantee**
- ✚ **Payment Guarantee**
- ✚ **Advance Payment Guarantee**
- ✚ **Guarantee against Counter Guarantee**
- ✚ **Others.**

Furthermore all categories of loans are accommodated under the 7 prime sectors which are as under:

### **3.1.1 Agriculture:**

Credit facilities provided to the customers who transact agro business falls under this category. It is divided into two major sub-sectors:

a) Loans to primary producers: This sub-sector of agricultural financing refers to the credit facilities allowed to production units engaged in farming, fishing, forestry or livestock.

Loans to processors or traders of agricultural products are not to be categorized as agricultural loans. Loans to tea gardens for production are treated as agricultural loan, but loans to tea gardens for export will be treated as 'Export Credit'. Similarly medium and long-term loans to tea gardens are categorized as industrial term lending.

b) Loans to input dealers/distributors: It refers to the financing allowed to input dealers and (or) distributors in the agricultural sectors.

Loan to Agriculture sector may include short, medium and long term loans as well as continuous credits. As a product, it may fall under Term Loan/ Time Loan/Hire-Purchase/Lease Finance/Cash Credit/Overdraft etc.

### **3.1.2 Term Loan to Large & Medium Scale Industry:**

This category of advances accommodate the medium and long term financing for capital asset formation of new Industries or for BMRE of the existing units who are engaged in manufacturing of goods and services. Term loan to tea gardens may also be included in this category depending on the nature and size. As the financing under this category have fixed repayment schedule it may fall under the heads Term Loan/Time Loan /Hire-Purchase/Lease Financing etc.

### **3.1.3 Term Loans to Small & Cottage Industries:**

These are the medium and long term loans allowed to small & cottage manufacturing industries. Medium & Long term loans to weaver are also included in this category. Like the Large & Medium Scale Industry it is also allowed in the form of Term Loan/Time Loan/Hire -Purchase/Lease Financing etc.

### **3.1.4. Working Capital:**

Loans allowed to the manufacturing units to meet their working capital requirements, irrespective of their size - big, medium or small, fall under this category. These are usually continuous credits and as such fall under the head "Cash Credit" or "Overdraft".

### **3.1.5. Export Credit:**

Credit facilities allowed to facilitate export of all items against Letter of Credit and/or confirmed export orders fall under this category. It is accommodated under the heads Export Cash Credit (ECC), Packing Credit (PC), Foreign Documentary Bill Purchased (FBPD), Inland Documentary Bill Purchased (LBPD) etc.

### **3.1.6. Commercial Lending:**

Short term Loans and continuous credits allowed for commercial purposes other than exports fall under this category. It includes import financing for local trade, service establishment etc. No medium and long term loans are accommodated here. This category of advance is allowed in the form of:

- i) Loan against Imported Merchandise (LIM),
- (ii) Loan against Trust Receipt (LTR),
- (iii) Payment Against Documents (PAD),
- (iv) Overdraft
- (v) Cash Credit etc. for commercial purposes.

### **3.1.7 Others:**

Any loan that does not fall in any of the above categories is considered under the category 'Others'. It includes loan to:

- i) transport equipments,
- ii) construction works including housing (commercial/residential),
- (iii) work order finance,
- (iv) personal loans etc.

## **3.2 Letter of Credit (L/C):**

This product is within the purview of the "Trade Service" Details about it are available in the "wish List" provided by the "Trade Service Group.

### **Letter of Guarantee:**

**There are basically two types of Guarantee:**

- a) L/C (Local).
- b) L/C (Foreign).

**Besides Guarantees may be in the following Forms:**

- ✓ **Bid Bond**
- ✓ **Retention Bond**
- ✓ **Performance Bond**
- ✓ **Payment Guarantee**
- ✓ **Advance Payment Guarantee**
- ✓ **Admiralty Bond**
- ✓ **Others**

### Features of L/C ( Local):

- a) Usually, L/C (Local) is issued against margin, collateral security.
- b) Commission is charged on quarterly basic at an approved rate.

### Features of L/C (Foreign):

It is issued against Counter Guarantee of a Foreign Bank having correspondent banking relationship with United Commercial Bank Ltd. Commission charged on quarterly basis.

## 3.3 Credit management

Credit is one of the important functions of any commercial bank. The word credit is derived from the Latin word 'Credere' which means 'to trust'. The fundamental nature of credit is that an element of trust exists between buyers and seller, whether of goods or money. Credit extension or lending is the principal, Credit constitute more than 60% of bank's asset and remains the main source of its income. But credit is also the most risk bearing asset and if not managed prudently, it may cause severe financial losses to the bank. This conflicting characteristic of credit provides all the significance to credit management. Strong & effective credit management is essential to ensure the financial health of a bank. The dominant objective of credit management is to maximize profit within a consistent framework of risk and credit discipline. Credit management involves credit planning, credit policies, credit procedures, credit administration, and credit monitoring & credit recovery.

### 3.3.1. Process of Credit Management:

The function of commercial bank is to accept deposit from the common people and to invest deposited money in different sectors for overall development of the economy of the country. So the banks have to be very much careful in credit appraisal. The person who is held responsible for appraising a loan proposal in United Commercial Bank Limited is called the relationship manager. The customer request for credit limit and the relationship manager must decide whether to accept or refuse proposal. Making this decision is the most important credit activity; all other activities of the credit department are supportive to this decision. To ensure the proper and orderly conduct

of the business of the bank, the Board of Directors authorized the Managing Director and other top-level executive, that is, DMD and EVP to sanction the credit. It is mentionable that principal branch operates the credit division under the supervision of VP. The relationship manager of principal branch furnishes the credit proposal with the required information and sends it to the final authority, i.e. EVP, DMD & MD, of head office for final approval

## **Steps Involved In Credit Processing:**

There are several steps involved in credit processing in UCBL. The steps are as follows:

### **Application for loan**

Applicant applies for the loan in the prescribed form of bank. The purpose of this forms is to eliminate the unwanted borrowers at the first sight and select those who have the potential to utilize the credit and pay it back in due time.

### **Getting Credit information**

Then the bank collects credit information about the borrower from the following sources:

1. Personal Investigation
2. Confidential report from other bank/ Head office/Branch/Chamber of commerce
3. CIB report from central bank.

### **Scrutinizing and Investigation**

Bank then starts examination that whether the loan applied for is complying with its lending policy. If comply, than it examines the documents submitted and the credit worthiness. Credit worthiness analysis, i.e. analysis of financial conditions of the loan applicant is very important. Then bank goes for Lending Risk Analysis (LRA) and spreadsheet analysis, which are recently introduced by Bangladesh Bank. According to Bangladesh Bank rule, LRA and SA is must for the loan exceeding one core. If these two analyses reflect favorable condition and documents submitted appears to be satisfactory then, bank goes for further action.

## The C's of Good & Bad Loan

The relationship managers of UCB try to judge the possible client based on some criteria. These criteria are called the C's of good and bad loans. These C's are described below:

### Character:

The outcome of analyzing the character is to have overall idea about the integrity, experience, and business sense of the borrower. Two variables, Interaction/interview and Market Research are used to analyze the character of the borrower.

### **Interaction/interview: the indicators are:**

Prompt and consistent information supply, information given has not been found false  
CIB also reveals business character.

Willingness to give owns stake/equity & collateral to cover.

Tax payer.

### **Market Research:**

Information on business is verified.

Dealing with supplier and or customer as supplier is also a kind of lender; the payment character can also be verified.

### Capital:

For identifying the capital invested in the business can be disclosed using the following indicators.

- Financial Statements
- Receivable, Payable, statements to practically assess the business positions. Net worth through financial statements or from declaration of Assts & Liabilities.

### Capacity (Competence):

Capability of the borrower in running the business is highly emphasized in the time of selecting a good borrower. As the management of the business is the sole authority to run



the business that is use the fund efficiently, effectively and profitably. The indicators help to identify the capacity of the borrower.

- Entrepreneurship skills i.e. risk taking attitude shown by equity mobilization.
- Management competencies both marketing and products detail, ability to take decision.
- Resilience or shock absorption: Connection, Back up (if first time falls second lines come to help.)

### **Collateral**

Make sure that there is a second way out of a credit, but do not allow that to drive the credit decision.

### **Cash Follow**

Cash flow is the vital factor that is used to identify whether the borrower will have enough cash to repay the loan or advance. Cash keeps the liquidity to ensure repayment. The relationship managers try to identify the annual cash flow from the submitted statements.

### **Conditions**

Understanding the business and economic conditions can and will change after the loan is made.

### **Carelessness**

Remember that documentation, follow-up and consistent monitoring is essential to high quality loan portfolios.

### **Contingencies**

Make sure that you understand the risks; particularly the downside possibilities and that you structure and price the loan consistently with that understanding.

### **3.4. Purpose of Credit Policy**

The credit policy is a statement of basic principles that govern the extension and administration of credit. The main purpose of this policy is to set out yardsticks for and spell out standard practices regarding management of credit risk. As such, it specifically addresses the following areas:

- (a) establishing an appropriate credit risk environment,
- (b) setting up a sound credit approval process,
- (c) maintaining an appropriate credit administration, measurement and monitoring process,
- (d) ensuring adequate controls over credit risk.

### **3.5 Scope of the Policy:**

This policy will be applicable for issues related to credit risk with respect to both direct and indirect credit products of traditional banking sector.

### **3.6. Superseding Power:**

This policy should be made which was approved by the Board of Directors. However, if any provision of this policy contradicts with the instruction contained in Credit Operational Manual or any existing circular, the Credit Risk Management Policy will supersede and be held.

### **3.7. Amendment of the Policy:**

In view of the dynamic nature of banking business, the Bank's credit risk management policy and procedures are evolutionary in nature and should be subject to ongoing review, modification and revision. This Credit Risk Management Policy will be amended, revised

as and when warranted to accommodate the changes in the market condition, cyclic aspect of the economy, government policy, industry demand, central bank regulation and experience of the Bank in managing credit risk. For this purpose, the Board of Directors of the Bank will review the Credit Risk Management Policy at least annually and make necessary amendment.

### **3.8. Credit Evaluation Principles:**

Some Principles or standards of lending are maintained in approving loans in order to keep credit risk to a minimum level as well as for successful banking business. The main principles of lending are given below:

#### **3.8.1 General Guidelines:**

- In the normal course of conducting business, the Bank will prefer trade financing in the form of short term (up to 12 months) self liquidating cash flow supported and collateralized trade transactions.
- The bank will consider lending short-term working capital finance to well established entities engaged in manufacturing, assembling, processing of goods and commodities for consumption in domestic as well as international market.
- The Bank will selectively, on a case-by-case basis, carefully approve term loans (loans with original tenor exceeding one year) with proper credit risk assessment supported by satisfactory cash flow statement.
- The Bank will, on a case-to-case basis, approve disclosed participations in syndications.
- The bank will consider financing construction contractors. However, all such transactions should be properly analyzed in line with the status of contract proceeds and proper cash flow justifications.

### **3.8.2 Product and Services:**

The Bank shall sell suitable credit products and services in the market. For this purpose, Bank will design new product from time to time, reengineer the existing ones to keep the same competitive in the market. While designing new products and/or reengineering the existing ones Bank will always take into consideration the customers' demand. Product innovation and/or reengineering shall be a continuous process.

### **3.8.3. Loan-Deposit Ratio:**

Loans and advances shall normally be financed from customers deposit and sometimes from capital fund of the Bank. However, it will be ensured that Loan-Deposit Ratio should not exceed 90% at any particular point of time and regulatory compliance of CRR/SLR would be maintained. Generally loans and advances shall not be extended out of temporary fund or borrowing from money market.

### **3.8.4. Risk Acceptance Criteria:**

The Management will review and prepare periodically Risk Acceptance Criteria (RAC) duly approved by the Executive Committee/Board and disseminate to the concerned executives at operational level. In preparation of RAC the following area would be covered with flexibility for deviations by the competent authority:

- a) Maximum amount in each type of facility line
- b) Maximum limit to a single obligor and group
- c) Acceptable Leverage, Current ratio, Interest coverage, Operating margin for an industry.
- d) Geographical location
- c) Security & Support

United Commercial Bank will extend credit only to qualified borrowers where the amount and intended purpose are clear and legitimate. Credit facilities shall be allowed in a manner that the expansion in credit does not compromise the asset quality of the Bank.

### **3.8.5 Compliance:**

All credit sanction must comply with the requirements of Bank's Memorandum and Articles of Association, Banking Companies Act, 1991 as amended from time to time, Bangladesh Bank's instruction circulars, guidelines and other applicable laws, rules and regulations, Bank's Credit Risk Management Policy, Credit Operational Manual and all relevant circulars in force. The officer originating a credit proposal shall specifically declare that it complies with all above mentioned rules, regulations, policy etc.

### **3.8.6 Deviation:**

Any deviation from the Credit Policy of the Bank must be justified in the proposal and well documented. Specially, all credit assessment form shall invariably include the deviations from the policy, if any. Proposal that does not comply with the Credit Risk Management Policy should be approved by Head Office. However, no regulatory regulations shall be compromised.

### **3.8.7 Return:**

Credit operation of the Bank should contribute return at optimum level within the defined risk limitation. In other words, credit facilities should be extended in such a manner that each deal becomes a profitable one so that Bank can achieve its targets and has a superior return on capital. Besides, Credit extension shall focus on the development and enhancement of customer's relationship and shall be measured on the basis of the total yield for each relationship with a customer.

### **3.8.8. Repayment Capacity:**

Borrowers should have a source of repayment established at the inception of credit. Credit analyst should also endeavor a secondary source of repayment to protect the interest of the bank. All repayments should be legitimate and consistent with the type of business. Satisfactory security and collateral is required as appropriate. However, bank's main consideration will be Cash Flow Statement of the business rather than on collateral security.

### **3.8.9. Name Lending:**

Name lending or any loan based solely on the general standing and reputation of the borrower is not permitted. Credit facility shall be allowed absolutely on business consideration after conducting due diligence. In all cases, viability of business, credit requirement, security offered, cash flow and risk level should be professionally analyzed.

### **3.8.10. Single Customer Exposure Limit:**

An important element of risk management is to establish exposure limits for single obligors and group connected obligors. To spread the risk and to ensure that funds of the Banks are not used for a limited number of clients, Bangladesh Bank has laid down guidelines. As per prevailing regulation, Bank will take maximum exposure (outstanding at any point of time) on a single customer (Individual, Enterprise, Company, Corporate, Organization, Group ) for the amount not exceeding 35% of Bank's total capital. However, for single customer of the export sector maximum exposure limit shall be 50% of the total capital subject to the condition that total funded facility shall not exceed 15% of the total Capital of the Bank at any point of time.

United Commercial Bank Limited will follow the ceiling set by Bangladesh Bank. However, size of any credit limit in each case shall be fixed after proper assessment of genuine credit requirement of the customer within the maximum allowable limit.

### **3.8.11. Large Loan:**

Credit facility to a single customer (Individual, Enterprise, Company, Corporate, Organization, Group ) shall be treated as Large Loan if total outstanding amount against the limit at a particular point of time equals or exceeds 10% of the total capital of the Bank. United Commercial Bank's total Large Loan Portfolio exposure shall not exceed 56% of the total outstanding funded loans and advances at any point of time or as per guidelines of Bangladesh Bank.

### **3.8.12. Diversification and Sector Allocation:**

The portfolio shall be well diversified to reduce the risk of dependence on a particular sector. The management will review periodically the existing sectoral performance, economic trends both local and global with respect to that sector, industry saturation, industry structure, geographical advantage, Government policy, Risks specific to the industry etc. to provide guidelines for annual industry/sector allocation in credit portfolio. At the annual budget, Industry/Sector lending limits/caps will be fixed and approved by the appropriate authority to provide directional guidelines to the Relationship Managers

### **3.8.13. Maximum Tenor:**

Maximum tenor for any continuous loan shall be 1 (one) year which is renewable at maturity or within the validity period upon satisfactory performance of the customer. Period of any term loan shall be fixed on case to case basis considering repayment capacity, projected cash flow, pay back period etc.

### **3.8.14. Security:**

Bank will try to have as much security coverage as possible against each and every credit facility sanctioned to the customers. Security taken against credit facilities shall be properly valued and legally enforceable in accordance with the laws of the country. Security requirement will be determined on case to case basis based on customer's business strength, level of risk bank is undertaking. However, Bank will always prefer to have security equivalent to 1.25 times of the total funded limit. Security may be in the following forms subject to restrictions of regulatory authority:

- i) Bank deposit
- ii) Gold / gold ornaments.
- iii) Government Bond
- iv) Guarantee given by Government or Bangladesh Bank
- v) Bank Guarantee
- vi) Land and Building
- vii) Share
- viii) Stock

- ix) Machinery and Equipment
- x) Charge on the fixed and floating asset
- xi) Pari-passu Charge on fixed and floating assets
- xii) Corporate Guarantee of another company backed by Board Resolution.
- xiii) Personal Guarantee
- xiv) Bill or Receivables
- xv) Ownership of vehicles / assets
- xvi) Life Insurance Policy.
- xvii) Post Dated Cheque
- xviii) Trust Receipt
- xix) Others as deemed acceptable by the approving authority

### **3.8.15. General Covenants:**

While sanctioning credit facility, Bank will set some covenants. Some of the covenants will be general and others will be specific to a particular credit facility and/or customer. General covenants may be as follows:

- i) All expenses (including legal, professional and out of pocket expenses) incurred in the negotiation, preparation, execution and enforcement of sanction advice and the documents referred to the sanction advice shall be on the account of the Borrower. The bank should be authorized to debit all sort of fees from the Borrowers account without prior permission of the Borrower. Moreover, the bank may debit the account of the Borrower for paying the Insurance Premium on behalf of the Borrower and the Borrower shall have the right to proceeds of such insurance.
- ii) Ownership structure of the borrower shall not be changed without prior approval of the Bank.
- iii) By accepting the offer of the Bank, the Borrower should confirm and undertake that it is not enjoying any other available lines of credit from any lender, apart from those disclosed in writing to the Bank.
- iv) Any repayment whether in part or full, will be attributable first towards servicing interest which has accrued on the facilities and then to the principal



- v) The Borrower should confirm that during the continuance of the facilities by the Bank to the Borrower, it will advise the bank prior to any commitment for availing of any additional line of credit from any other banks.
- vi) The customer shall not go for expansion without consent of the Bank.
- vii) The customer shall not withdraw profit without consent of the Bank.
- viii) The customer shall submit financial statements within 30 days after year ending.
- ix) Other covenants as set by the sanctioning authority.

### **3.9 Importance of bank credit:**

Financial Intermediary is an important activity in the economy because it allows fund to be channeled from those who might otherwise not put them to productive use to those who will. In this way financial intermediaries can help promote a more efficient and dynamic economy. Some other importance issues of bank credit are as follows:

- Credit is an important determinant of money creation and hence of production, consumption and national income.

- Credit influences and is influenced by quantity of money, level of economic activity (GNP), imports and net foreign assets. It influences imports and capital movements, and hence outcome of balance of payments.

- It also influences behavior of economic sectors industry, agriculture and behaviour of economic agents.

- Credit provides vital linkage among government sector, private sector, financial sector and foreign sector.

- Credit is the most important activity of banks, because interest of loans constitutes the major part of bank income.

- It is of vital importance that the Bank takes good decisions in awarding of loan.

### **3.9.1 Credit Pricing:**

Credit facilities to the customer are the prime source of the Bank's income. More specifically, interest from loans account forms the lion share of the total revenue of the Bank. On the other hand, the market of our country is very competitive due to presence of **52 (fifty two)** banks in our small financial market. As such, it is quite apparent that pricing is very crucial for the profitability and the continuous growth of the Bank. United Commercial Bank Limited has been fixing/refixing price of different type of credit facilities from time to time considering changes in the market condition.

### **3.9.2 Basis of Pricing:**

Price of all credit facilities will be fixed by the Bank based on Bank's priorities and market conditions within the guidelines of Bangladesh Bank from time to time. Rate of interest will be the reflection of risk inherent in a particular transaction i.e. the higher the risk, the higher the rate of interest. Price of any credit facility depends on the level of risk and type of security offered. Therefore, loan pricing will be directly correlated with the risk grade of the customer. According to the regulatory guidelines Bank can reduce 1.5% higher or lower than the mid rates circulated. Interest rate for the prime customers (having excellent performance record, resilience, minimum risk and good earning prospect from their non-funded business) may be reduced within the range. However, any change in pricing other than the mid rate should be approved by the Managing Director.

### **Types of Rates:**

Usually, Bank will charge fixed interest rate which will be subject to changes by the Management. In this respect, all loan contracts will contain a provision to the effect that rate of interest is subject to changes by the Management. Interest rates will be revised as and when a significant fluctuation occurs in the cost of fund of the Bank due to volatility of interest rate in the market. The Bank will charge floating interest only in SOD. In all other cases, fixed interest rate will be applied.

For fixed interest rate, the Board of Directors will fix a Band on recommendation of ALCO for a particular Sector/Industry/Product. Customers will be charged a fixed rate within that band. Any deviation from the approved interest rate should be mentioned in the Credit Assessment Form with proper justification. The Managing Director may sanction a credit facility at a rate within the Band. However, other executives will exercise their delegated authority to sanction credit facility at the highest rate of the approved Band.

### **3.9.4 Revision of Rates:**

The Management of the Bank will continuously monitor interest rate situation offered by other financial institutions as well as cost of fund and discuss the same in the Asset Liability Management Committee (ALCO) meeting at least once in a month. As per recommendation of the Asset Liability Management Committee (ALCO), the Management of the Bank may approach the Board of Directors to revise rate of interest, commission, charges etc and after approval that will be communicated to all concerned.

## **3.10. Credit Assessment Policy:**

The primary purpose of a bank is to borrow money from those who have a surplus funds then lend this money out to those who are in need of funds. It is essential that when it lends out money than the bank has a certain confidence that the money will be repaid at the given time, together with interest. Credit assessment or analysis is all about understanding the risk associated with lending money. Until and unless risks are not assessed and measured it will not be possible to control risks. The primary factor determining the quality of the Bank's credit portfolio is the ability of each borrower to honor, on timely basis, all credit commitments made to the Bank.

This must be accurately determined by the authorized Credit Officers/ Executives prior to approval. Therefore a thorough credit assessment shall be conducted prior to the sanction of any credit facilities. While assessing a credit proposal total emphasis shall be given on repayment potential of loans out of funds generated from borrower's business (cash flow) instead of realization potential of underlying securities. Credit assessment process in the Bank shall be governed by the following principles :

### **3.10.1 Assessment Frequency:**

A comprehensive Credit Assessment (Due Diligence) shall be conducted before sanction of any loan. Thereafter, it will be done annually for all types of credit facilities i.e Demand Loan, Continuous Loan and Term Loan.

### **3.10.2 Assessment Documentation:**

The result of the Credit Assessment shall have to be presented in the Credit Assessment Form enclosed in. Initially, it will be originated by the Relationship Officer of the Branch and reassessed in Corporate Banking Division. Credit Review Department of Credit Management Division will review the risk factors and facility structure to determine that all the risks have been properly assessed and Risk mitigation measures have been taken and all bank's policy requirements & regulatory requirements have been addressed. All evidences of credit assessment have to be filed properly in the respective Credit File.

### **3.10.3 KYC Policy:**

Bank's KYC policy applicable for depositors shall also be applicable for borrowing customers. The prescribed credit application form will disclose the information of the client. In addition, before sanctioning any credit facility the concerned relationship officer must physically visit the business premises of the customer, talk with important personalities of the locality, collect information on the borrower from his/her existing banker, if any to know financial status, capacity, competence, experience and summarize all these information in the Pre-sanction Inspection Report. The report serves as preliminary information about the prospective borrower before a detailed evaluation is undertaken.

#### **3.10.4 Accountability:**

The Relationship Manager (presently Head of Branch) shall be the owner of the customer relationship and be held responsible to ensure the accuracy of the entire credit application/assessment form submitted for approval. He/she will be responsible for conducting due diligence on the borrower, principals and guarantors.

#### **3.10.5. Filling up Credit Assessment Form:**

Bank requires sufficient information to enable comprehensive assessment of the true risk profile of the borrower. Hence, Credit Assessment Form must be filled in with accurate information in full. No field in the assessment form should be erased or left vacant. If information is not available, concerned field should be filled in with “Information Not Available” with proper justification.

#### **3.10.6 Credit Requirement:**

Credit requirement of the borrower must be assessed properly. The relationship officer will apply prudence to find out actual credit requirement of the borrower and place his/her findings in the Credit Assessment Form.

#### **3.10.7. Repayment Source:**

Repayment source of the borrower is to be validated in the Credit Assessment Form by cash flow and other financial analysis. For such analysis, at least three years financials are to be reviewed. Loan amount and tenor must commensurate with the repayment capacity of the borrower

#### **3.10.8 Collateral:**

Collateral offered against a credit facility shall properly be valued and verified by the concerned Relationship Officer and/or Relationship Manager and revalued and re-verified annually in the subsequent period. In addition to the valuation of the Relationship Officer/Manager, the same collateral must be valued and verified by an enlisted surveyor of the Bank if the total credit facility to the concerned customer exceeds Tk 25.00 lac (Taka Twenty Five Lac). Any valuation of collateral must be supported by the photograph and site map, where applicable.

### **3.10.9 Insurance Coverage:**

Adequacy and extent of insurance coverage must be assessed in the Credit Assessment Form. Customer's preference for not taking required insurance policy must be justified properly and it must be mentioned as deviation. The policy must be obtained from approved insurer of the Bank.

### **3.10.10 Adherence to Policy:**

It should be clarified whether the customer has agreed to comply with bank's internal policy and external regulatory requirements. Any deviation from the policy or other internal or external requirements must be justified properly and mentioned as Deviation in the Credit Assessment Form. Furthermore, the originating officer will affix a declaration in the Credit Assessment Form that the proposal does not contradict with any rules and regulations of the Bank, Banking Companies Act, any circulars of Bangladesh Bank etc.

### **3.10.11 Syndicated Loans:**

Proposal for syndicated loans shall be analyzed with respect to risk and return in the same manner as directly sourced loans. In case of participation in a syndication deal, Bank will independently assess the proposal and will not solely depend on the credit assessment of the Lead Arranger.

### **3.10.12 Change in Pricing:**

Any changes in the pricing of an existing credit facility must be highlighted and to be justified in the Credit Assessment Form.

### **3.10.13 Others:**

Finally, detailed and complete credit risk assessment for each facility and customer relationship is of paramount importance. The steps that should be followed in carrying out such an assessment are set out in the Credit Operational Manual and in Head Office circulars issued from time to time. No proposal shall be put up for approval unless there has been a complete written analysis. It is the responsibility of the originating officer to collect all necessary documents/papers before the facility request is sent to the competent authority for approval.

## **3.11 Delegation of Credit Approval Authority:**

The overall lending authority rests with the Board of Directors within the frame work of the Bank's Memorandum and Articles of Association. It is imperative for a bank to create different tier of approval authority for smooth, prompt and efficient services to its multitude of clients spread far and wide as well as disciplined credit culture within the bank. It is the responsibility of the Board of Directors to ensure proper and orderly conduct of the business by approving the overall lending authority structure, and explicitly delegate approval authority to Chief Executive Officer/Managing Director, Additional Managing Director, Deputy Managing Director and Senior Credit Officers and the Executive Committee.

United Commercial Bank Limited believes in decentralization of powers and credit approval authority has been delegated to different tiers of both the Board of Directors and the Management. Authorities who enjoy delegation of business power i.e credit approval authority are as follows:

1. Board of Directors
2. Executive Committee of the Board
3. Chief Executive Officer/Managing Director
- ☐☐ Deputy Managing Director

However with an objective to facilitate quick disposal and timely renewal of large number of credit proposals and developing efficient credit officers for future the following approval authority has been framed:

1. Board of Directors
2. Executive Committee of the Board
3. Chief Executive Officer/Managing Director
4. Additional Managing Director
5. Deputy Managing Director.

☐☐ Head of Branch

The approval limits for each of the above sanctioning authority level for different type of facilities would be defined in “Credit Approval Authority ” that to be approved by the Board of Directors and reviewed time to time.

### **3.11.1 Process of delegating approval authority at management level:**

Credit Approval authority will be given to different levels of the Bank duly approved by the Board of Directors. Delegation of credit approval authority to different tiers at management level approved by the Board for various executives forms the upper limit of the authority other than Managing Director and will be treated as the maximum indicative limit. An officer does not automatically get the approval authority by virtue of his functional title. Specified approval authority will be delegated by the Managing Director to various executives duly approved by the Board after taking into consideration his proven credit judgment, knowledge and experience.

Each individual’s lending authority will be delegated to him in writing. Authorities given to an incumbent will not automatically be transferred to a replacement. The latter will have lending authorities delegated to him in writing and amount delegated will depend upon the individual.



### **3.11.2 Revision of Credit Approval Authority:**

Managing Director may suspend exercise of delegated credit approval authority of any executive through specific or general order with the prior approval of the Board/Executive Committee. In case of emergency, he may also suspend exercise of delegation of credit approval authority subject to obtaining post-facto approval by the Board/Executive Committee within one month from the date of such suspension.

The performance of each individual lending authority is to be reviewed periodically.

### **3.11.3 Responsibility of Credit Approval Authority:**

Approving executives are expected to make balanced decisions following Bank's Credit Policy and general credit norms, weighing risk against reward, and most importantly must exhibit independence in decision making and have reservations about a credit. Delegated powers shall be exercised by the authorized officials judiciously keeping in view the interest of the Bank, credit restrictions, regulatory requirements and after conducting due diligence. No sanctioning officer can sanction any credit to any of his near relations and to any firm/company where his relations have financial interest. Such cases should be sent to Head Office for consideration

### **3.11.4 Criteria for Individual Credit Approval Authority:**

Credit approval authority will be granted to individuals on the basis of experience and nature of their duties and responsibilities, and not on the basis of title/designation. Relationship Managers, although are required to perform the same basic credit functions in addition to marketing and business development, may or may not be delegated approval authority. The delegated approval authority confers a responsibility that has to be exercised judiciously and should reflect the individual's professional credibility and integrity.

Delegated approval authorities are expected to make balanced decisions, weighing risk against reward. Most importantly they must exhibit independence in decision making and have reservations about credit, if any, and at the same time be able to recommend solutions/alternatives to the problem.

The eligibility criteria usually expected when approval authority would be delegated to an individual to carry out their responsibilities effectively are as follows:

- ✓ Basic academic qualification
- ✓ Number of working experience in Credit Division/Corporate Banking Division
- ✓ Advanced credit training
- ✓ Adequate knowledge of credit analysis, negotiation and structuring of facility
- ✓ Understanding the business cycle and its effects
- ✓ A good understanding of the local industry/marketing dynamics
- ✓ Proven track record demonstrating:
  - i) Sound business judgment
  - ii) Ability to identify/anticipate potential problem of credits
- ✓ Ability to make prompt, rational and independent decisions
- ✓ Integrity and honesty

### **3.11.5 Reporting Approval:**

The sanctions made by the branches during the month should be sent to the Credit Management Division, Head Office for reviewing the proposals as well as the competency of the approving authority. Copies of appraisal notes, sanction advice should be attached along with formats. Credit Management Division, Head Office should review at least 10% of such approvals to assess the competency of the approving officers, adherence to Credit Policy and quality of advances.

## **3.12 Credit Management Division:**

The Credit Management Division shall perform the following duties:

- a) Ensure that credit proposals to any level of authority are complete, correct and consistent with the bank's established policies and procedures.
- b) Assess risks inherent in the credit proposal sent by Corporate Division and also evaluate proposed facility pricing based on risks, security, structuring and terms and conditions to suit the business condition and to protect Bank's interest
- c) Compliance to the existing rules and regulations of the Bank and all regulatory authorities and laws of the country and to advise the Corporate Division for rectification, if required.
- d) Advise the Corporate Division about changes, if required, in the structure and terms and conditions of the proposed facility.
- e) Process credit proposal for approval of the competent authority.
- f) Issuance of sanction advice for credit facilities or decline.
- g) Maintain Limit Sanction Register

## **3.13 Duties and Responsibilities of Credit Risk Management Division:**

a) Examine/review credit proposals (new/renewal) sent by Corporate Banking Division/Branches to:

- Process CM for approval on receipt of recommendation of HOCC.
- Placing observations on credit proposals before the Head Office Credit Committee.

- Decline credit proposals if they do not meet criteria with reasons.
  - Recommend credit proposal to Deputy Managing Director/Additional Managing Director/Managing Director/EC/ Board for their approval
  
  - Prepare facility sanction letter and send copies to:
    - Corporate Division/Branches
    - Credit Administration Department
  - b) Review on a periodical basis in the light of:
    - Structuring
    - Adequacy of security
    - Pricing and profitability
    - Financial analysis &
    - Form and content
    - Performance
    - Turnover
    - Repayment
  - c) Revise and ratify borrower's risk grade developed by Corporate Division/branches.
  
  - d) Review delegated credit approval authorities on an annual basis.
  
  - e) Review a portion of approved Loan by the delegated approval authority at Branch level.
  
  - f) Review and update bank's credit manual and credit operating procedures on an annual basis.
  - g) Conduct industry analysis and detect risk involved with each industry.
  
  - h) Formulate strategy to minimize risk of lending to specific industry.
  
  - i) Guide and educate officers of all units of Credit Division and Corporate Division/branches
-

### **3.14 Credit Administration Department:**

The primary objectives of establishing Credit Administration Department is to ensure the following:

- a) To ensure discipline in Credit Management.
- b) Sanction letter delivered to customers are exactly in line with the approved credit terms.
- c) All loan documentation relating to transactions are scrutinized, verified to be legally enforceable and lodged in the vault.
- d) Effective checks and balances are maintained with regard to correct utilization of credit facilities according to the terms and conditions of the credit approval.
- e) All customer liabilities are timely and accurately recorded in the books of accounts for monitoring and control purposes.
- f) All irregularities and exceptions are recorded and reported as required.
- g) Collateral securities and stocks pledged with the bank are effectively controlled and monitored.

### **3.15 Portfolio of Credit:**

Loan mix reveals the diversification sought by the UCBL in its loan placements. As we know diversification reduces the level of default risk that is associated with large concentration of loans in a single category. The loan mix should be quantified and described in the credit policy.

## **3.16 Recovery Department within credit Management Division:**

The core objective of establishing Recovery Department within Credit Risk Management Division for effective and efficient management of Problem Accounts that has been identified:

- a) Monitoring and controlling of SMA and classified accounts through monthly reporting and quarterly review/update.
- b) Whenever a loan is non-performing, the matter will be thoroughly examined to ascertain the reason of being stuck up.
- c) Actively follow up with Branch for recovery of Sub Standard accounts.
- d) Actively follow up with the borrowers for recovery of Doubtful/Bad & Loss as well as Written Off accounts.
- e) To take all sorts of initiative for amicable settlement.
- f) Negotiating and restructuring/rescheduling debts whether feasible, on its own and/or in association with the concerned Relationship Manager, Legal Division and Head of Credit Management Division.
- g) Loans are rescheduled in conjunction with the Loan Rescheduling Guidelines of Bangladesh Bank which is in force. Any rescheduling should be based on projected cash flow and should be strictly monitored.
- h) To take prompt legal action in time, if the borrower is non-cooperative.

- i) Actively follow up with Legal Division for recovery of Bad & Loss accounts after failure of amicable settlement endeavor.
- j) Court cases are regularly followed-up and necessary steps are taken for early resolution.
  
- k) Follow up of waiver/rescheduled/write-off loans.
- l) Preparation of quarterly report on the position of bank,s non-performing loan and trend analysis of non-performing loans to the management.
  
- m) To ensure that adequate provision against classified is maintained as per Bangladesh Bank’s guidelines. Loan loss provisions are taken based on Forced Sale Value (FSV).

### **3.17 Third Party Service Provider:**

The Credit Administration Department will manage all third party service providers e.g. Valuers, Lawyers, Insurers, C & F Agents etc. It will circulate separate list of third party service providers having approval of the Board of Directors from time to time. Performance of all listed third party service providers is to be reviewed on an annual basis.

### **3.18 Internal Audit:**

Internal Control & Compliance Department will conduct routine audit and ensure compliance of Credit Policy of the bank as well as regulatory instructions. ICCD also inform their observation to the Board of Directors. Credit Administration Department will provide a copy of Loan Documentation Checklist of each facility of a Branch before commencing of audit to Internal Control & Compliance Department.

# Chapter: 4



Findings,  
Recommendations  
& Conclusion



## Findings:

During the internship period in United Commercial Bank Limited at Gulshan Branch. I have found various things, which are as follows:

- 1) In case of L/C opening, bank provides nil margin facility to only some big clients. They may also provide this facility to some small but efficient clients.
- 2) In opening L/C bank some times rejects the small business enterprises, which ultimately decreases profit.
- 3) Credit quality depends on close follow-up and monitoring of loans. The follow-up and monitoring of loans is not strong here.
- 4) Sometime risk manager can not find necessary documents and information for credit risk assessment.
- 5) The credit risk management process of United Commercial Bank Limited is quite commendable. Systematic and timely monitoring are tried to be maintained.
- 6) Customer satisfaction level is quite good. They are satisfied followed about the credit evaluation and management process of United Commercial Bank Ltd.
- 7) The credit sanction procedure is quite lengthy.

## Recommendations:

In the light of the above findings, following recommendations are highlighted :

- a) A customer is required to pay the bank a certain percentage of the total L/C value in advance before opening an L/C, which is called L/C margin. If UCBL reduces the rate of margin then perhaps they can attract more customers.
- b) Most of the cases I have seen that Gulshan branch of UCBL does not follow the proper documentation in case of opening L/C. Bank may concerned on it avoid future risk.
- c) The Credit Policy of the Bank is very complicated. Bank need to make it easy and understandable. So that all credit officer can understand the instruction and follow this instruction correctly at the time of credit risk management.
- d) To assess the credit proposal correctly management should recruit sufficient risk manager in credit department.
- e) The management must be careful to sanction the loan which is recommended by powerful bodies. Because these loans sometime become more risky.
- f) The process of sanctioning a loan is very time consuming. Management should give more effort to reduce the time of processing a loan
- g) The main portion of profit comes from the credit division. So, Bank may concentrate to increase the number of employees in credit department to provide better services.
- h) Bank need to develop an industry wise integrated Credit Risk Grading system. So that risk can be measured for different industry in a correct way.
- i) Bank need to introduce new and advance risk assessment tools and techniques to assess credit risk.

## Conclusion:

From the detail discussion above I can easily conclude that in spite of all problems UCBL Bank is the fastest growing private commercial bank in the country. The bank is already at the top slot in terms of quality service to the customers and value addition for the shareholders because, despite difficult circumstances, the bank closed the year of 2013 with a number of achievements. The bank also made satisfactory progress in all areas of business operation. The bank further expanded and consolidated its customer base in both of its core businesses.

It is great pleasure for me to have practical exposure in United Commercial Bank Limited, Gulshan Branch. Because without practical exposure it could not be possible for me to compare the theory with practice, and it is well established that theory without practice is blind. I have completed my internship in Gulshan Branch of United Commercial Bank Limited. During the practical orientation, I have observed the function of overall banking activities like cash department, clearing section, customer client division & various laws that comply with the sound business operations of United Commercial Bank of Bangladesh. The Bank which is fully customer oriented. Its performance specially based on prompt and swift services is busier than other department of United Commercial Bank Limited of Gulshan Branch. The more and more are coming in the branch through this department resulting deposit of the branch is increasing day to day.

At last it can be said that, United Commercial Bank Limited will be turned into a dynamic commercial Bank in the country and will expand its Banking Business all over the country to provide the banking services to the groups including the deserving Economic groups of the society who have no easy access to the banking channel. This will help for alleviation of the poverty, income generation, creation of employment opportunity, up-gradation of the standard of living of the lower economic groups, which will also contribute to the emancipation of national economy of the country. The bank follows the Bank Companies Act 1991, the Companies Act 1994, the Negotiable Instrument Act 1881, the Foreign Exchange Regulation Act 1973 and many more to make the banking business in Bangladesh lawfully.

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## Acronyms

UCBL	United Commercial Bank Limited
SOD	Secured Overdraft
PAD	Payment against Document
LIM	Loan against Imported Merchandise
LTR	Loan against Trust Receipts
SME	Small & Medium Enterprise
CIB	Credit Information Bureau
FBP	Foreign Bill Purchase
FDBP	Foreign Document Bill Purchase
LRA	Lending Risk Analyzing
SWIFT	Society for Worldwide Inter-Bank Financial Telecommunication
NITA	Non-residential Investor's Taka Account
BRPD	Bank Regulatory and Policy Department
ATM	Automated Teller Machine
L/C	Letter of Credit
L/G	Letter of Guarantee
CEO	Chief Executive Officer
ICB	Investment Corporation of Bangladesh
EVP	Executive Vice- President
GDP	Gross Domestic Product
TIN	Tax Identification Number