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ব্যবস্থাপনা ক্রেডিট ম্যানেজমেন্ট সিস্টেম ও উপস্থাপনা বাণিজ্যিক ব্যাংক লিমিটেড (UCBL) এ ব্যবস্থাপনা নাবাগর শাখা

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Daffodil International University

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An Internship Report
On
***“Credit Management System of United Commercial
Bank Ltd (UCBL) at Nabinagar Branch”***

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Date of Submission: 06 Sep. 2015

Letter of Transmittal

September 06, 2015

Sara Tasneem
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Subject: Submission of Internship Report on “Credit Management system of United Commercial Bank Ltd (UCBL)”

Dear Mam,

With suitable respect I would like to your knowledge that as per our BBA program I have prepared my Report under the topic of “**Credit Managementsystem of United Commercial Bank Ltd (UCBL)**” under your kind supervision. Now I like to submit my paper to you. I have tried my best to prepare the paper in consistence with the optimal standard under your valuable direction.

I request you modestly to accept my paper as it may suffer from shortcoming. I desired and endeavored to make this paper a complete one. Therefore, I hope that this will meet the standard of your judgment.

Thanking you for your kind supervision

Sincerely Yours

Zannat
06-09-2015
.....

Zannatul Ferdows

ID: 112-11-2072

BBA (Major in finance)

Daffodil International University

Declaration

I am Zannatul Ferdowsa student of Bachelor of business Administration (major in finance) from Daffodil International University, here by declares that the internship report titled on **“Credit management system of United Commercial Bank Limited (UCBL)”**. I also declare that the internship report is prepared for academic purpose only & is my original work.

Zannatul
06-09-2015

Zannatul Ferdows

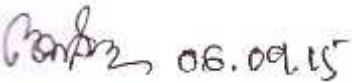
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Letter of Acceptance

This is to certify that Zannatul Ferdows, ID no # 112-11-2072, a student of Bachelor of Business Administration, Daffodil International University worked under my supervision. Her internship placement is add “United Commercial Bank Limited, Nabinagar Branch, Savar”. I am pleased to state that Zannatul Ferdows worked hard in preparing this report and she has been able to present a good picture of the concerned bank. The data and findings presented in the report seem to be authentic. So far I know Zannatul Ferdows possesses a good moral character and pleasing personality. I wish her all success.

 08.09.15

Supervisor

Sara Tasneem

Senior Lecturer

Department of Business Administration

Faculty of Business & Economics

Daffodil International University (DIU)

Acknowledgement

First of all, I would like to express my deep gratitude to “**the almighty Allah**” for fruitfully preparing this internship report. This is an exclusive instance in professional life I passed and enjoyed in the time of my internship.

I express my deep sense of gratitude and heartily respect to my honorable Supervisor **Sara Tasneem** (Senior Lecturer), Department of Business Administration, Faculty of business and Economics, Daffodil International University. I have received all valuable suggestions and instructions from my honorable teacher (Supervisor) for completing this Internship Report.

I would like to thank United Commercial Bank Ltd. as a student of BBA for internship program. I have presented this report after finishing my working program.

My pleasure turns blooming to offer thanks to Mr Sujon Debnath, Senior Officer, United Commercial Bank Ltd Nabinagar Branch for allowing me to show my practicability in an organizational area under his supervision

Finally I want to express my special thanks to officer and staff of different department under whom I have completed my three month internship program.

Executive Summary

The topic of this report is **“Credit Management of United Commercial Bank Limited.** “The report is originated in the result of my three months internship, which I have done, as requirement of BBA program. The major objective of the report is to analyze the Credit Management of United Commercial Bank Ltd. Some specific objectives are to identify lending procedure and recovery system, growth rate of sector wise and geographical location wise credit and to examine the credit performance of UCBL over the years. To prepare this report I have follow the methodology which mainly contains secondary sources of data. To make this report I had to face some limitation which I include in this report. This report gives us a detailed idea about Credit Operations of United Commercial Bank Limited, its potential and its prospects. It shows brief description of every departments key terms, the entire Credit Operations related topic that would easily understandable about this banks credit and recovery system. Credit analysis is an important part of the report. From the credit analysis we found that UCB is giving 24.69% of credit in Commercial sector and 38.08% credit in Industrial sector. The other sectors like Retail, agricultural and Transport are totally negated. The amount of classified loan in 2013 is 5,985,170,000 which are 4.03% of their total credit; in the year of 2012 the classified loan was 3.69% to its total credit. So it is not a positive sign for bank. Capital adequacy ratio is below standard line. Generally 12% is acceptable but in last five years UCBL capital adequacy was below 12%. UCBL income from credit decreased in 2009 to 2011 but it increased in 2012 to 2013. To solve the problem of credit operations we also gives some recommendations that are the retail department of UCB is needed to be effective and well enough to manage actual and potential customer, Capital adequacy ratio determines the capacity of the bank in terms of meeting the liabilities classified investment is increasing from 2010 to 2013. Generally, 10% acceptable line for this ratio in that senses the bank was good enough to maintain the requirement. Bank should take care about capital adequacy line because it's below the 12%, there is a chance to bankruptcy and above 10% indicates to decrease profitability. After all we can say that the bank is not now at satisfactory level and UCBL should give concentration to control the classified investment by Continuous communicate with the client and before the disbursement of fund bank should properly check the document of the applied client and other credit risk such as credit risk operation.

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Chapter-01

Introduction

1.0 Introduction

This internship report is an important partial requirement of four years BBA graduation program. This is because knowledge and learning become perfect when it is associated with theory and practice. By this internship program students can establish contacts and networking. Contacts may help to get a job in practical life. That is, student can train and prepare themselves for the job market. A poor country like Bangladesh has an overwhelming number of unemployed educated graduates. As they have no internship experience they have not been able to gain normal professional experience of establish networking system, which is important in getting a job. Therefore, it is obvious that the significance of internship is clearly justified as the crucial requirement of four years BBA graduation.

Bank create an important role overall the economy in the world. The bank creates a huge opportunity in job sector. The commercial banks help in mobilizing savings through network of branch banking. Banks help in financing both internal and external trade. They provide lone to retailers and wholesalers to stock goods. Moreover, they finance both exports and imports of developing countries by providing foreign exchange facilities. Banks are providing a great amount of finance to the industrial sectors. By using this amount they can be financially developed. Banks are also help the economic development of a country by faithfully flowing the monetary policy of the central bank.

Strong & effective credit management is essential to ensure the financial health of a bank. The dominant objective of credit management of UCBL 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.

Through the internship program brings me closer with the practices of CRM. In this state I could be able together my efforts by doing different practical analysis. I think it's highly developed my practical knowledge about the banking activities.

1.1 Origin of the Report

After completing my graduation as a student of BBA, from Daffodil International University, I like to do Internship in a reputed Bank, which would be helpful for my future professional career. I got the opportunity to perform my internship in the United Commercial Bank Limited. It was a three months long practical orientation program.

This report is originated as the requirement of United Commercial Bank Limited and as well as my degree.

1.2 Scope of the Report

The report titled “Credit Operations of United Commercial Bank Ltd.” has prepared to fulfill the requirement of the internship program of the BBA degree in Department of Business Administration, Daffodil International University.

United Commercial Bank Limited is one of the new generation banks in Bangladesh. The scope of the study is limited to the Nabinagar Branch only. The report covers the organizational structure; background, functions and the performance of the bank. I have mainly worked in the credit department so my report covers the way of managing credit and credit risk of UCB. And I have also included analysis of credit management by collecting their previous data resources. From this analysis part, could be able to know the credit management system of UCB and how the bank maintained their credit activities.

1.3 Objectives of the Report

- To assess credit management system of UCBL.
- To make analysis about credit management.
- To identify some problems for better performance of UCBL.
- To make some recommendations to solve those identified problems.

1.4 Methodology of the Report

Research Design:

This is a “Descriptive Research”, which briefly reveals the Credit management system of United Commercial Bank Limited. The data has been taken for the last five years from 2009 to 2013.

Sources of Data:

The study is mainly based on secondary data. Both primary and secondary data sources will be used to generate this report.

a) Primary Sources of Data:

- Observation while working in different desks
- Informal discussion with clients
- Face to face discussion with officers & stuffs
- Relevant file document study

b) Secondary Sources of Data:

- The annual reports of UCBL
- Different text books
- Desk report of related department
- Unpublished data received
- Internet
- Web browsing

Data Analysis and reporting:

To organize this report I used several diagram, graph and different chart. To analyze the performance of Credit section under the UCBL Bank Ltd, I used trend analysis, bar diagram and pie-chart. For reporting, I used several software-Microsoft Word, Microsoft Excel.

1.5 Limitation of the Report

Three months is not enough to know about banking operations though I have been received maximum assistance from the every individuals of the UCBL Branch. Definitely I couldn't produce an outstanding report for the time limitations.

The Term paper is likely to have following limitations:

- Due to shortage of time, the accuracy of information may not have been completely perfect.
- Lack of my experience and efficiency to prepare the standard report
- Unpublished data have not considered for the study.
- The depth of the analysis has been limited to the extent of information collected from different sources.
- Last of all, this study has been conducted within a limited time. So, Observing and analyzing the broad performance of the bank is not an easy task by this short duration of time.
- All the interpretation and conclusion about the result of study is based on the analyst own perspective.
- Data and information used in this study are mostly from secondary sources.

Chapter-02

Overview of United Commercial Bank Limited

2.0 Historical background of UCBL

United Commercial Bank Limited incorporated on 26 June, 1983 as a public company with limited liability under the Companies Act 1994. The bank obtained permission to commence business with effect from 27 June, 1983 and started banking operations on 29 June 1983 with an authorized capital of Tk. 100 million divided into 1 million ordinary shares of Tk. 100 each.

2.1 Overview of the Organization

United commercial Bank Limited is a first-generation private commercial bank established in the year 1983 under The Companies Act. Since inception, it has committed to provide high quality financial service to the people of this country to accelerate economic development of the nation.

UCB is now operating with 148 branches in whole country 2015. It has solid deposit bucket of BDT 211072.06 million against BDT 174146.10 million in loans & advance while the bank fetched BDT 155282.40 million as import & BDT 130447.20 million as export with BDT 75150 million as remittance in foreign exchange business.

The bank registered an operating profit of BDT 8719.46 million in the year 2014. The classified Loans and Advances was BDT 8050.04 million with 4.62% of total loans and advances.

Within this short time the bank has been successful in positioning itself as progressive and dynamic financial institution in the country. This is now widely acclaimed by the business community, from small entrepreneur to big merchant and conglomerates, including top rated corporate and foreign investors, for modern and innovative ideas and financial solution.

2.2 Corporate Profile

Registered Name	United Commercial Bank Limited
Legal status	Public Limited Company
Date of Incorporation	26 June 1983
Date of commencement of Business	27 June 1983
Chairman	M.A. Hashem
Vice chairman	Sharif Zahir
Managing Director	Muhammed Ali
Company Secretary	Mirza Mahmud Rafiqur Rahman
Chief financial officer	Mohammad Habibur Rahman FCA
Date of Listing with DSE	30 November 1986
Date of Listing with CSE	15 November 1995

Authorized Capital	BDT 15000 million
Paid up Capital	BDT 8366 million
Total manpower	3445
Number of Branches	139
Number of AD Branches	25
Number of Agri.Branches	02
Number of ATM Booths	101
Registered Office	CWS (A) -1,Gulshan Avenue,Dhaka 1212.
Telephone	02 8852500
E-mail	Info@ucbl.com
Website	www.ucbl.com
Trading symbol	UCBL

Table 2.1: Corporate Profile of UCBL (Source-Annual Report 2013)

2.3 Vision

To be the bank of first choice through maximizing values for our clients, shareholders & employees and contributing to the national economy with social commitments.

2.4 Mission

To offer financial solutions that create, manage and increase our clients' wealth while improving the quality of life in the communities we serve.

2.5 Objectives

The objectives 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 link reward and remuneration with performance by the end of 2011
5. To strong marketing team to be established for new innovative products and services for exploring strong client base
6. To contribute to social service by setting up UCBL foundation
7. To continuously improve internal control and compliance of the bank.

2.6 Core values

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

2.7 Strategies

- Utilize all available resources to develop various plan, policies and procedures in each of the objectives and goal areas.
- Synchronized and steady growth of the bank.
- Implement plans, policies and procedures.
- Utilize team of professional employees.
- Search for a total customized solution of IT. For the purpose of full automation step

2.8 Departments

- Cash department
- Customer service and Account opening department
- Accounts department
- Card department
- IT department
- Clearing department
- Remittance department
- Credit department
- Foreign Exchange department
- HR Department

2.9 Functions

The functions of UCBL are as follows-

- To mobilize the idle resources of the country by accepting Deposits from the general public.
- To give facilities to the clients and shareholders in a systemic way.
- To give opportunity of the people to do job in UCBL.
- To give encourage to the people for saving.
- To increase investment.

2.10 Management Structure

a) Broad of Directors

M.A Hashem	Chairman
Sharif zahir	Vice Chairman
Anisuzzaman chowdhury	Chairman-Executive Committee
Lt..Gen ATM Zahirul Alam,r cds,psc (Retd)	Chairman- Audit committee
M.A. Sabur	Chairman- Risk Management committee
Showkat Aziz	Director
Md. Jahangir Alam	Director
Hajee Yunus Ahmed	Director
Hajee M.A. Kalam.	Director
Nur Nahar Zaman	Director
Sabbir Ahmed	Director
Md. Tanvir Khan	Director
Asifuzzaman Chowdhury	Director
Sultana Rezia Begum	Director
Ahmed Arif Billah	Director
Md Abul Karim	Independent Director
Dr. Salim Mahmud	Independent Director
Sayed Mohammed Nuruddin	Independent Director

Table 2.2: Board of Directors of UCBL

b) Executive Committee

Name Of Directors	Status in the committee
Anisuzzaman chowdhury	Chairman
M.A. Sabur	Member
Showkat Aziz Rusell	Member
Md. Jahangir Alam	Member
Hajee Yunus Ahmed	Member
Hajee M.A Kalam	Member
Sabbir ahmed	Member

Table 2.3: Executive Committee of UCBL

c) Risk Management Committee

Name Of Directors	Status in the committee
M.A Sabur	Chairman
Showkat Aziz Rusell	Member
Md. Jahangir Alam	Member
Hajee yunus Ahmed	Member

Table 2.4: Risk Management Committee of UCBL

2.11 Organogram



Fig 2.1: Management Hierarchy of UCBL

2.12 Different types of products

Deposit products	Loan products	Other services
Current Deposit	Trade Finance	Western Union Money Transfer
Saving Deposit	Industrial Finance	SMS Banking Service
Special Notice Deposit	Import Finance	Online Service
Fixed Deposit	Export Finance	Inward & Outward Remittances
Foreign Currency Deposit	Loan Syndication	Travelers Cheques
	Working Capital Finance	Underwriting and Bridge Financing
UCB Money Maximizer	Packing Credit	Locker Service
UCB Earning plus	Transport Loan	Offshore Banking
UCB Dps Plus	Lease Finance	Loan Syndication
UCB Youngster savings	Hire Purchase Loan	Ucash
UCB Youngster Dps	House Building Loan	
UCB Saving plus	Home Loan	
UCB Women's Savings	Consumer Credit Scheme	
UCB Women Dps plus	Auto Loan	
UCB NRB Savings	Doctors Loan	
UCB NRB Dps Plus	Marriage Loan	
UCB RMG Dps Plus	Education Loan	
	Hospitalization Loan	
	Travel Loan	
	CNG Conversion Loan	
	Home Mortgage Loan	
	House Hold Durable Loan	

Table 2.5- Different types of products of UCBL

2.13 Corporate Structure

Group Corporate Structure



Fig 2.6- Group Corporate Structure of UCBL

2.14 Human Resources

UCBL has adopted a very realistic people strategy to create a responsible Human Resources culture in the bank. Human Resources Division deals with issues related to UCB staff members such as compensation, hiring, performance management, organization development, safety, wellness, benefits, employee motivation, communication, administration and training.

To this end UCB Human Resources Division always focuses on employee development, employee retention, facilitating organizational development initiatives and thus contributes to the achievement of organizational goals. UCB attaches top most priority to ensure congenial working environment for the staff members to maintain team spirit and promote a high level of integrity, loyalty, commitment and devotion among the staff members.

In order to maintain transparency and accountability in the process of recruiting staff members, UCB engages reputed and independent institutions to conduct competitive written test for the bank apart from organizing Job Fair in BBM and other reputed institutions. Besides, professional bankers are also recruited through a selection committee for lateral recruitment.

In addition, UCB Training Institute organizes various banking and professional trainings that include foundation course, anti-money laundering, foreign remittance, customer service, information technology, workshops and seminars to equip staff members to contribute efficiently for the overall growth of the bank. UCB Learning & Development

Center conducted 83 programs during 2014 & trained up 2726 employees.

HR Division prepares annual training calendar in assistance with the training institute. Trainings are being offered after assessing the training need of the individual staff member. HR division assists training institute to conduct the time befitting training for identified staff members. Nonetheless, UCB also sends participants to BIBM and other reputed institutes for attaining relevant banking and professional knowledge.

HR Division also does annual performance appraisal to every individual and accordingly promotion and increment is being made.

2.15 Green Banking

Green banking in general refers to the efforts of the banking sectors to keep the environment green and to minimize greenhouse effects through rationalizing their strategies, policies and activities pertaining to banking services and business.

UCB has initiated to introduce a green office guide for the employees of the bank for the employees of the bank for efficient use of electricity, water, paper and reuse of equipments. Some green finance customers of the bank are as follows:

Name of the customer	BDT (in millions)
Metro Knitting & Dyeing Mills Ltd	264.40
Fakir Apparels Ltd.	219.00
James Apparels pvt. Ltd	33.00
Fariha Fashion Ltd.	231.30
Nassa Taipe Textiles Mills Ltd	102.10
APS Dyeing Unit	198.00
Knit Asia Ltd.	229.00
Falcon Int. Knite Composite	116.50

2.16 SWOT analysis

By analyzing the activities of UCBL, I got the following Strengths, Weakness, Opportunities and Threats-

Strengths:

- Transparent and quick decision making
- Efficient team of performers
- Satisfied customer
- Internal control
- Skilled risk management diversification

Weaknesses:

- The bank has no clear mission statement.
- The bank not has long term strategies.
- Weak quality recruitment policy in the lower & mid level position.
- Has no growth or advancement path to job sectors.
- Lack of motivation to workers.

Opportunities:

- The management can't consider options of starting merchant banking.
- The national economy controls the business of the bank.
- UCBL can expand its product line.
- Introduce ATM.

Threats:

- All suction multinational banks and upcoming foreign private banks process.
- Default risk of loan.
- Low compensation package of the employees.

Chapter-03

Credit Management System of United Commercial Bank Limited

3.0 Definition of Credit

Contractual agreements in which a borrower receives something of value now and agrees to repay the lender at some date in the future, generally with interest. The term also refers to the borrowing capacity of an individual or a company.

A bank loan is an extension of credit, to a consumer or business, in the form of borrowed funds which has to be paid back with interest.

3.1 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.

3.2 Loan and Advances of UCBL

UCB's loan and advances increased by BDT 25481.24 million during the year 2014 & stood at BDT 174146.10 million which was BDT 148664.86 million in 2013 showing a substantial growth of 17.14 percent over the previous year.

In accordance with the "Prudential Guideline for Customer Financing an Small Enterprise Financing" as of Bangladesh Bank, financing in three projects named as Personal Loan, Professional Loan and Small Enterprise financing has been continued during the year.

3.3 Classification of Loan and Advances

- I. Fixed Term Loan,
- II. Continuous Loan,
- III. Demand Loan,

Fixed Term Loan:

These are the non-revolving loans made by the bank with fixed repayment schedules. Fixed term loans are categorized into three categories based upon its tenure which is defined as follows:

Short Term : Up to 12 months

Medium Term: More than 12 and up to 36 months

Long Term : More than 36 months

Continuous Loan:

These are the Revolving loans having no fixed repayment schedule, but have an expiry date at which it is renewable on satisfactory performance of the customer.

Demand Loan:

These are the non –revolving loans which are neither continuous nor fixed but have to be repaid on demand.

3.4 Loan and advances is permitted on the basis of-

1. Lien
2. Mortgage

Lien: Lien is permitted against the following:

- DPS
- FDR
- PSE

Lien (value) must be higher than the value of loans. 80% of lien documents (value) is permitted for the loans & advances. The position of lien documents must be under custody of bank.

Here, Interest rate of loans: 17%

Mortgage

- Land
- Building
- Shop

Mortgage Value must be higher than the value of Loans. 50% of Mortgage Documents are permitted for the loans & advances. The position of mortgage documents need not to be under the custody of bank only legal papers are necessary to be under the custody of bank.

Here, Interest rate of loans is not fixed.

To get Loans & Advances for the individual client against DPS, FDR,MBDR,DBDR,PSP etc in favor 3rd party the papers followings are needed :

- Letter of Agreement
- Letter of Authority
- Demand promissory Note
- Balance Confirmation Slip
- Letter of continuity
- Memorandum of deposit of security.

3.5 Loan Classification

For statistical purposes, loans were classified into the following categories:

- a) standard loans;
- b) standard loans with qualification;
- c) non-standard loans;
- d) doubtful loans;

- e) loss-making loans;
 - f) unclassified loans
1. up to 30 days overdue,
 2. 31 to 90 days overdue,
 3. 91 to 180 days overdue,
 4. 181 to 360 days overdue,
 5. More than 360 days overdue.

Standard claims – defined as claims where;

Repayment is up to 30 days overdue, the debtor meets his other commitments pursuant to the contract, and an analysis of the debtor's economic situation indicates that the claim will be repaid in full and on time.

Standard claims with qualification – defined as claims where;

- Repayment is more than 30, but not more than 90 days overdue;
- The debtor fails to meet another commitment arising from the contract, for example he fails to provide information as required under the contract, or based on an analysis of the debtor's economic situation a loss is expected for the bank as a result of overdue repayment;
- Provisions are created in the amount of at least 1%, but less than 20%, of the unsecured value of a standard claim with qualification.

Non-standard claims – defined as claims where;

- Repayment is more than 90, but not more than 180 days overdue;
- the claim arises from the realization of a guarantee provided for the debtor, or based on an analysis of the debtor's economic situation it is assumed that the claim will in large part be repaid;
- Provisions are created in the amount of at least 20%, but less than 50%, of the unsecured value of the non-standard claim concerned.

Doubtful claims – defined as claims where:

- Repayment is more than 180, but not more than 360 days overdue;
- the debtor is undergoing composition proceedings;

- A bankruptcy petition is filed and a temporary conservator is appointed for the debtor's property, or based on an analysis of the debtor's economic situation it is assumed that only a smaller part of the claim will be repaid;
- Provisions are created in the amount of at least 50%, but less than 95%, of the unsecured value of the doubtful claim.

Loss-making claims – defined as claims where:

- repayment is more than 360 days overdue;
- a bankruptcy petition for the debtor's property is rejected for lack of assets;
- bankruptcy is declared for the debtor's property;
- bankruptcy proceedings for the debtor's property are terminated, since there are not enough assets to cover the costs of bankruptcy proceedings;
- this is a claim against a person with a special relationship to the bank, or a person having control over the bank, and repayment of the claim is more than 90 days overdue, or an analysis of the debtor's economic situation indicates that the claim
- Will not be repaid, even in part; provisions are created for 100% of the unsecured value of the loss-making claim concerned.

Unclassified loans - were defined as loans which are not classified.

3.6 Approval Process

Step-1: A potential borrower collects prescribed Credit Application Form from the Relationship Officer of Branch/Corporate Division, Head Office/Web address of the Bank. Later, he/she submits the filled in Credit Application Form along with required papers and documents.

Step-2: The Relationship Officer scrutinizes the Credit Application Form and other documents submitted by the customer and make a preliminary assessment on creditworthiness of the potential borrower on the basis of the information provided by the borrower. Relationship Officer collects further information from the customer if it is felt necessary. And, if Relationship Officer finds the proposal not creditworthy, a

refusal letter to the customer would be sent immediately. On the other hand, if Relationship Officer finds the proposal acceptable within the parameter as set by the Credit Policy and instructions issued time to time by Credit Department, Relationship Officer will forward the application with his comments to the concerned Relationship Manager.

Step-3: The Relationship Manager, singly or jointly with Relationship Officer, visit the customer's business premise and try to acquire proper understanding about the business position, business expertise and reputation of the borrower, purpose of credit, actual credit requirement, sources of repayment, etc. Besides, he/she negotiates with the customer about the structure of the proposed credit facility to control the risks. Apart from this, he/she assesses the value of the security to be offered and prepares Valuation Report (**Appendix-A**). Finally, the Relationship Manager summarizes all these information in the Pre-sanction Inspection Report/Call Report/Visit Report in the Bank's prescribed format in which he/she recommends for specific credit facility for the customer. At the same time, The Relationship Officer, who is the primary bank contact with the borrowers collects duly filled in "CIB Inquiry Form" from the customer and send the same to the Credit Administration Department of Head Office to collect latest CIB Report from Credit Information Bureau of Bangladesh Bank.

Step-4: The Relationship Manager sends the Pre-sanction Inspection Report to the Corporate Division, Head Office. The Head of Corporate Division or assigned Executive assesses the credit proposal and may contact with the concerned Relationship Manager or directly to the customer for any query. Finally, Corporate Division of Head Office communicates their decision to the Relationship Manager.

Step-5: Credit Administration Department on receipt of the request letter from the Branch will send the 'CIB Inquiry Form' to Bangladesh Bank. Credit Administration Department will send the CIB report immediately by facsimile/e-mail/courier service to the concerned Relationship Officer on receipt of the report. Everything may be closed if adverse CIB report is received. In that case, letter of regrets would be issued to the customer informing the reason accordingly.

Step-6: If, clean CIB Report is received, the Relationship Officer originates a formal Credit Proposal in prescribed format that should carry the recommendations of the Relationship Manager. After signing by him, it is to be sent to the Corporate Banking Division, Head Office and a copy to the Credit Risk Review Department of Credit Risk Management Division. It is to be mentioned here that for renewal proposal, a certification of Credit Administration officer is required stating the documentation status following existing sanction advice.

Step-7: If the facility is approved by the appropriate approval authority, Corporate Banking Division will send the copy of approval Memo/Note sheet to Credit Risk Management Division. On receipt of approval, Credit Risk Review Department of CRMD issues Sanction Advice to the originating Branch along with a Documentation Check List preferably on the same date which clearly spells out what is the documentation formalities required to be completed before disbursement. Copy of the Sanction Advice is to be sent to Corporate Banking Division and Credit Administration Department.

Step-8: Sanction Letter to the customer following Credit Risk Review Department of CRM sanction advice to be issued under dual signatures from the originating Branch. Preferably, Relationship Manager and Credit Administration Officer of the Branch should sign on the Sanction Letter.

Post-sanction

Documentation:

After the branch has got the approval, it informs the client of the approval of the credit through a letter that contains the amount approved, the rate of interest payable, repayment procedure etc. As the client accepts the proposal, the major part of documentation begins. This part of documentation includes the Charge documents (Whichever is applicable) that are signed by the borrower and/or the guarantor. The charge documents may be registered or unregistered. If registered, the registration has to be done with RJSC (Registrar of the Joint Stock Company).

Required Post Sanction

Documents:

1. Accepted Advice Letter - the received copy of the sanction letter by the customer.
2. Acknowledged Assignment of Receivables/Contract Proceeds if the borrower has agreed to assign receivables/contract proceeds to the bank.
3. If Mortgage being taken the Agreement to Mortgage
4. Biana Deed that shows whom the land is bought from
5. Board Resolution for Corporate Guarantee, if corporate guarantee taken
6. Board Resolution of Borrowing Authority - standard document taken in all cases
7. Central Bank Approval – applicable if the loan is over 15% of paid up capital
8. Continuing Guarantee that is taken if personal guarantee is taken
9. Counter Indemnity, if bank guarantee given
10. Cross Corporate Guarantee, taken when all members of a group of companies
Provide a guarantee for a particular group member
11. CS Parcha, survey showing history of land during British period
12. Demand Promissory (DP) Note – Charge Document. Promise to pay back a
Specific amount. Standard document taken in all cases
13. General Loan + Collateral Agreement – Charge Document. Standard
Document taken in all cases
14. Insurance Policy for Inventory/Fixed Assets – taken if inventory/fixed
Assets hypothecated
15. Letter of Continuity – Charge Document. Standard document taken in all cases
16. Letter of Disbursement – Charge Document. Standard document taken in all cases
17. Letter of Hypothecation - If Hypothecation takes place
18. Letter of Lien – If a security such as FDR is being taken
19. Letter of Lien and set off for GOB Bonds, If bonds are kept as security
20. List of Project's Machineries, If Machinery is being hypothecated
21. Memorandum of Deposit of Title Deed, If equitable mortgage taken. Title deed
has to be kept with the bank
22. Mouza Map + Site plan – to help identify the land
23. Mutation Parcha. To show the name of the property if land is security
24. No Objection letter from RAJUK if plot is RAJUK's

25. Non-Encumbrance certificate, to show that property has not been mortgaged elsewhere
26. Original Plan of Building, if building is kept as security
27. Personal Guarantee of Owners, if Guarantee being taken as security
28. Registered Hypothecation of Debts & Assets, for Limited Companies if hypothecation done, has to be registered with the RJSC
29. Registered Hypothecation of Fixed Assets, for Limited Companies if hypothecation done, has to be registered with the RJSC
30. Registered Hypothecation of Inventory, for Limited Companies if hypothecation done, has to be registered with the RJSC
31. Registered Mortgage at Sub Registry Office, if this is done, it is not necessary to keep title deed. But bank keeps the title deed in practice.

3.7 Principle sound lending criteria

The granting of advances is one of the most important functions of a Bank and the test of a Bank's strength depends considerably on the quality of its advances and the proportion they bear to the total deposit. Although receipt from Exchange, Commission and Bank's Charges contribute a fair amount of the profits of Commercial Bank, its earnings are chiefly derived from interest charged on loans and discounts. Commercial banks generally consider each loan proposal from four angles. These are:

- a. Bank's point of view
- b. Borrower's standing
- c. Proposal of loan itself, and
- d. Social point of view.

Bank's point of view:

Safety: Safety means the assurance of repayment of distributed loans. Bank is in business to make money but safety should never be sacrificed for profitability, to ensure the safety of loan, the borrower should be chosen carefully. He should be a person of good character & capacity as well as bank must have to maintain eligible number of security from borrower.

Liquidity: Liquidity means the availability of bank funds on short notice. The liquidity of an advance means it will be repaid on demand on due date or after a short notice. Therefore, the banks must have to maintain sufficient liquidity to repay its depositors and tradeoff between the liquidity and profitability is must.

Profitability: Banking is a business aiming at earning a good profit. The difference between the interest received on advances and the interest paid on deposit constitutes a major portion of the bank income, besides, foreign exchange business is also highly remunerative. The bank will not enter into a transaction unless a fair return from it is assured.

Diversification of Risks:

The security consciousness of a Banker and the integrity of the Borrower are not adequate factors to keep the Banker on safe side. What is more important is the diversification of Risk. This means, he should not lend a major portion of his funds to any single Borrower or to an Industry or to one particular Region. In fact, the entire Banking business is one of taking calculated risks and a successful banker is an expert in assessing such risks. He is keen on spreading the risks involved in lending over a large number of Borrowers, over a large number of Industries and Areas, and over different types of securities; the advances must not be in one particular Industry.

Borrower's standing:

The Integrity & Reliability of the Borrower:

The last and the most fundamental principle of lending are the integrity and reliability of the borrower. To avoid bad debt, it is the basic factor before any loan proposal can be considered. The success of any business depends upon the ability of the Banker to study borrowers. The study of a borrower involves the study of the five C's of the Party. This five C's refer to Parties:

- Character
- Capacity
- Capital
- Collateral.
- Capability

Social point of view:**National Interest:**

Banking industry has significant role to play in the economic development of a country. The bank would lend if the purpose of the advances can contribute more to the overall economic development of the country.

Proposal itself:

Another significant principle which is to be kept in view when advancing is the Purpose. The purpose for which lending is made should be productive as to ensure definite source or repayment.

The Banker must closely scrutinize the purpose for which the money is required, and ensure as far as he can, that the money borrowed for a particular purpose is applied by the borrower accordingly. Purpose has assumed a special significant in the present day concept of Banking.

Source of repayment

A sound credit is one where timely repayment is assured. So, before giving financial accommodation, a Banker should consider the source from which repayment is promised

3.8 General Procedure for Loans and Advances

Credit granting process

The following are the major steps that take place while approval & the repayment of a certain credit provided to a client:

3.8.0 Credit Analysis

In the very first line we said that credit is to gainfully employ deposits received by a bank. The very important phrase 'gainfully employ' means securing the certain benefit from the credit approved. To secure the benefit, the credit analyst has to analyze a credit proposal from various perspectives which are discussed below:

- **Identification of the purpose of the credit:** First the analyst has to determine what the credit is for – which field the borrower is willing to put the money in, what is the tenure, what is the timing of cash inflow of the investment in which amount & what can be the repayment source and method.
- **Structure of the borrower (Knowing exactly to whom we are lending):** We have to know what is the legal entity of the client – is it an individual, a partnership business or a subsidiary of a holding company.

Careful attention has to be given if the client company is a subsidiary of a group that makes complicated transactions with the other companies in the group – that may transfer the fund to sister companies. At the same time, the bank should look to grant loan in favor of the subsidiary rather than to the holding company.

The bank must also know who are the key decision-maker of the borrowing company, which can provide the necessary information.

- **Business Analysis:** The analyst must gather enough idea of the borrower's business and the environment in which it is going to play to identify future sources of repayment.

First of all, the analyst has to know the macro environment of the business, what is the overall industry condition of the business along with the rules & regulations set by the policymakers.

The second concern is the firm itself that the bank is going to finance. What type of product & service is the borrower going to offer with what kind of demand? At the same, the analyst must consider the competitive situation of the firm along with the core competencies of the borrower.

- **Financial Analysis:** This is a very important stage where the analyst has to determine/quantify how worthy the borrower is for the credit. This worth is measured in numeric terms with the help of various ratios. Those are as follows:

Income Statement Analysis/Profitability: A credit analyst may start with the profitability as it is the most critical single element in a firm's financial condition as it is directly positively related with asset & negatively related with debt & interest.

Balance Sheet Analysis: The next thing to analyze in the liability structure is the borrower's leverage (i.e. the amount of debts & liabilities relative to net worth). At the same time, the analyst must consider how well the firm's earnings cover the principal repayment obligations of debt. High leverage indicates high risk but may be acceptable if the firm is earning enough to cover its debts. On the other hand, the quality of the assets of the borrower has also to be analyzed. The focus should be on the market value and liquidity of the assets. This is important

because these assets may be the last refuge for the bank to recover the loan by selling them what we can call the security. In common we can divide securities into two broad categories. Those are:

Primary Security: The Security directly related with the purpose of the credit

(Example: Goods imported through an L/C)

Secondary Security: Any security not directly related with the purpose of the credit. (Example: A sole proprietors land mortgaged for loan sanctioned for development of his grocery shop).

Cash Flow Analysis: Cash flow is an important source of repayment. Cash flow can be constructed directly or indirectly. In the direct method, all cash inflows and outflows from operating activities, investment activities and financing activities are recorded. In the indirect method, cash flow is generated by adjusting non-cash inflow and out flow with the net income.

Perspective: Not only the ratios from Income statement, balance sheet and the cash flow has to be calculated and analyzed, those has to be compared from different perspectives. First, the borrower's trend over the time period has to be compared – that means comparison of current performance with previous performance. While the past & previous performance of the borrower has to be compared, the recent performance has to be also compared with the industry benchmarks.

Accounting: The accounting method followed by the borrower may mislead the analyst because of following any particular method. The analyst must keep an eye on which accounting method has been followed by the borrower while preparing the financial statements. At the same time the analyst must also look for the off-balance sheet items that have not been disclosed.

Pre-sanction documents:

In fact the first part of documentation for granting a credit is done before the credit proposal is placed before the granting authority. In the initial documentation, the following documents are scrutinized & collected:

1. Bank's loan application duly filled in, required for Public Limited Company only
2. Certificate of commencement of business for Public Limited Company only
3. Certificate of Incorporation
4. Certified copy of memorandum and articles of association, both for Public & Private Limited Company
5. Certified copy of Form XII of Joint Stock Company, if there is any change in the directors
6. Up to date Trade License – for Importers & Exporters
7. Bank's loan application duly filled in
8. Board resolution of the company to create loan
9. Annexure “ka” form of Bangladesh Bank duly signed and sealed for Collecting CIB report
10. Up to date Income Tax Clearance Certificate
11. Net Worth of the Directors including Chairman and Managing Director
12. Name & address of the Directors and their number & percentage of shares
13. Name & address of sister concerns
14. Global liabilities of the company and sister concerns
15. Last three year's audited balance sheet (For old company)/Three years projected balance sheet(For new company) of the borrower company
16. Projected cash flow statement
17. Production Plan
18. Stock Report(Hypothecation & Pledge) report of the

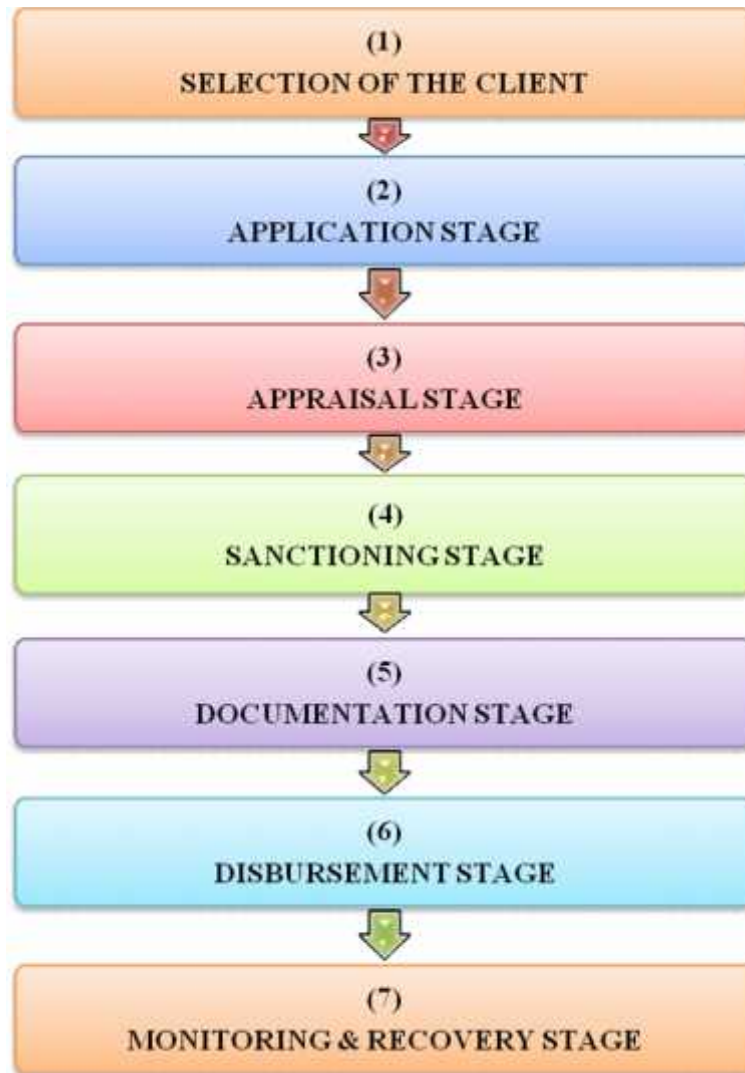
Borrower, Company, applicable for old companies

19. Bio-data of the directors and other key personnel with two passport size photographs of each
20. Organization Chart
21. Name & address of the of the warehouse owner and up to date rent receipt, for rented warehouse
22. Name & address of five large customers and their purchasing percentage
23. Last audited balance sheet of two similar companies
24. Last three year's industry Turnover (National) of this type of company
25. List of aged debtors
26. For Manufacturing company, Environmental Certificate duly signed by the authority
27. Clearance Certificate of electricity, gas and water supply authority
28. Project Profile for Project loan
29. List of machineries with description and price list
30. Partnership deed for Partnership Firm
31. CIB report for any amount of credit

Along with the above analysis and documentation, doing the Lending Risk Analysis is a must if the loan amount is Tk. 1 corer or above. At the same time, in case of any large loan, the bank must not invest more than 50% of its paid up capital (in form of both funded & non-funded loan) in a single loan, in which, the funded loan must not be more than 25%.

3.9 Loan Disbursement

Generally a bank takes certain steps to deliver its proposed investment to the client. But the process takes deep analysis. Because banks invest depositors fund, not banks' own fund. If the bank fails to meet depositors demand, then it must collapse. So, each bank should take strong concentration on investment proposal. However, United Commercial Bank Limited (UCB) makes its loan disbursement decision through successfully passing the following crucial steps:



3.9.0 Selection of the client

Here, borrowers approach to any of the branch of United Commercial Bank Limited (UCB). Then, he talks with the manager or respective credit officer. Secondly, bank considers five C's of the client. After successful completion of the discussion between the client and the bank, bank selects the client for its proposed investment. It is to be noted that the client/customer must agree with the bank's rules & regulations before availing investment. Generally, bank analysis the following **Five C's** of the client:

- Ñ **Character:** Borrowers integrity, honesty and intention to repay the loan money.
- Ñ **Capacity:** Borrowers business ability, especially profit making ability.
- Ñ **Capital:** Enough capital to cover the business risk.
- Ñ **Condition:** Whether the applicants business is favorable in the economy or not.
- Ñ **Collateral:** Borrowers ability to produce additional securities.

3.9.1 Application stage

At this stage, the bank will collect necessary information about the prospective client. For this reason, bank informs the prospective client to provide and/or fill duly respective information which is crucial for the initiation of loan proposal. Generally, here, all the required documents for taking loan have to prepare by the client himself. Documents that are necessary for getting investment of UCB are prescribed below:

- Trade License photocopy (for proprietorship);
- Abridged pro forma income statement;
- Attested copy of partnership deed (for partnership business);
- Prior three (03) years' audited balance sheet (for joint stock company);
- Attested copy of the Memorandum of Association (MOA) & Articles of Association (AOA) for the joint stock company;
- Attested copy of the Tax Identification Number (TIN)- including final assessment;
- Tenders of the proposed assets (in case of HPSM);
- Detailed summary of the sundry debtors and creditors (including both time & schedule);
- Summary of the personal movable & immovable assets; and others.

3.9.2 Appraisal stage

At this stage, the bank evaluates the client and his/her business. It is the most important stage. Because, on the basis of this stage, bank usually goes for sanctioning the proposed credit limit/proposal. If anything goes wrong here, the bank suddenly stops to make payment of loan. In order to appraise the client, United Commercial Bank Ltd.(UCB) provides a standard F-167B Form (Appraisal Report) to the client for gathering all the information.

However, the following contents are presented from that appraisal report:

- Company's/Client's Information.
- Owner's Information.
- List of Partners/Directors.
- Purpose of Investment/Facilities.

- Details of Proposed Facilities/Credit.
- Break up of Present Outstanding.
- Other Liabilities of the Client/Group.
- Previous Banker's Information.
- Details of Sister/Allied Concerns.
- Allied Deposit as on.
- Business/Industry Analysis.
- Relationship Analysis.
- Asset-Liability position of the client as per Audited Balance Sheet.
- Working Capital Assessment.
- Risk grade.
- Insurance Coverage.
- Audit Observation.
- Security Analysis

3.9.3 Sanctioning stage

At this stage, the bank officially approves the investment proposal of the respective client. In this case client receives bank's sanction letter. United Commercial Bank Limited (UCB) sanction letter contains the following elements:

- Credit Limit.
- Mode & amount of Loan.
- Purpose of loan.
- Period of loan.
- Interest Rate.
- Securities.

3.9.4 Documentation stage

At this stage, usually the bank analyses whether required documents are in order. In the documentation stage, United Commercial Bank Limited (UCB) checks the following documents of the client:

- Tax Payment Certificate.
- Stock Report.
- Trade License (renewal).
- VAT certificate
- Liability statement from different parties.
- Receivable from different clients.
- Other assets statement.
- AungkyarNama.
- Three (03) years net income & business transactions.
- Performance report with the bank.
- Account Statement Form of the bank.
- Particulars of the Proposal.
- Particulars of the Properties.
- Outstanding liability position of the bank.
- CIB (Credit Information Bureau) Report.

3.9.5 Disbursement stage

At this stage, bank decides to pay out money. Here, the client gets his/her desired fund or goods. It is to be noted that before disbursement a “site plan” showing the exact location of each mortgage property needs to be physically verified.

3.9.6 Recovery Procedures

It is the duty of the Bank to recover the landed fund within the stipulated time and if the borrower fails to repay the money within the pointed period Bank will declare him as a defaulter and recover the fund by selling the securities given by the borrower or by freezing his account or make a suit against him.

3.9.6.0 Strategies for recovery

Recovery of loan can be made in the following 3 methods.

- 1) Persuasive
- 2) Voluntarily
- 3) Legally

1. Persuasive recovery

If the borrower didn't paid the due amount of credit in time then the first step of bank is private communication with him. It creates a mental force on borrower to repay the credit amount. In this case bank can provide some advice to the borrower for repaying the credit.

2. Voluntarily recovery

In this method, some steps are followed for recovering credit. This are-

- ▣ Building Task Force
- ▣ Arranging seminar
- ▣ Credit rescheduling policy
- ▣ Waiver of interest rate

3. Legal recovery

If the above procedures fail to keep an account regular and the borrower does not pay the installments, then bank take necessary legal action against the borrower. In this case Bank sues in “**ArthaRinAdalat Law-2003**” that plays a vital role for collecting the credit.

Recovery procedure of United Commercial Bank Limited follows five procedural steps to recover the lending amount, which is joint effort of Bank and legal institutions, which are shown below:

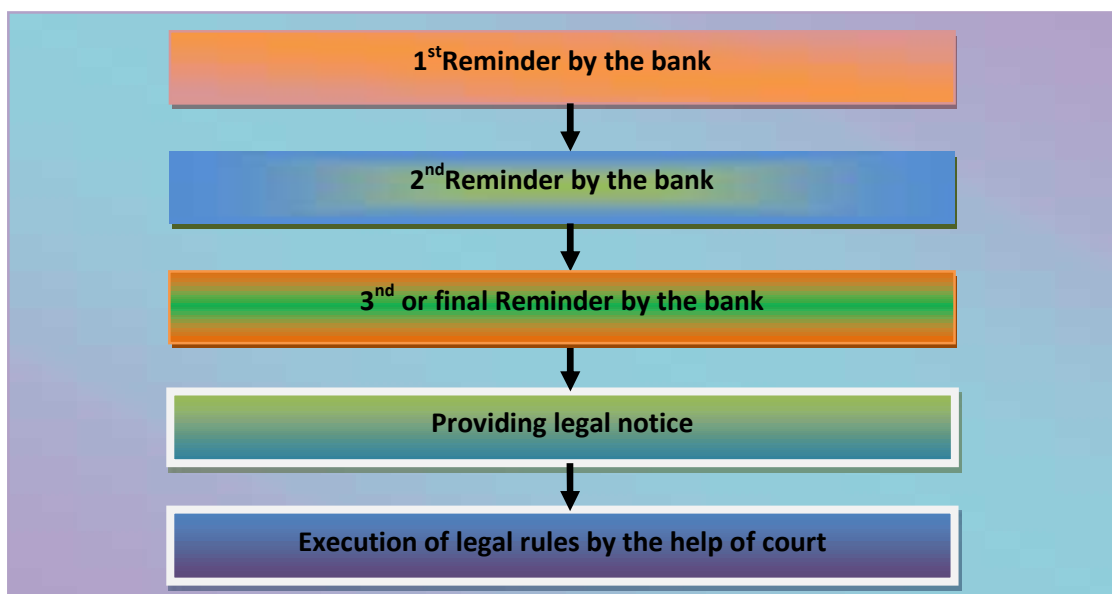


Figure-3.0:Recovery procedur

3.10 Credit Assessment

Risk 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 risk 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. A thorough credit and risk assessment should be conducted prior to the granting of loans, and at least annually thereafter for all facilities. The results of this assessment should be presented in a Credit Application that originates from the relationship manager/account officer ("RM"), and is approved by Credit Risk Management (CRM). The RM should be the owner of the customer relationship, and must be held responsible to ensure the accuracy of the entire credit application submitted for approval. RMs must be familiar with the bank's Lending Guidelines and should conduct due diligence on new borrowers, principals, and guarantors. It is essential that RMs know their customers and conduct due diligence on new borrowers, principals, and guarantors to ensure such parties are in fact who they represent themselves which should be adhered to at all times. Credit Applications should summaries the all banks should have established Know Your Customer (KYC) and Money Laundering guidelines which should be adhered to at all times. Credit Applications should summaries the results of the RMs risk assessment and include, as a minimum, the following details:

- Amount and type of loan(s) proposed
- Purpose of Loan(s)
- Results of Financial analysis
- Loan structure (Tenor, Covenants, Repayment schedule, Interest)
- Security Arrangements

In addition, the following risk areas should be addressed:

Borrower Analysis: The majority shareholders, management team and group or affiliate companies should be assessed. Any issues regarding lack of management depth,

complicated ownership structures or intergroup transactions should be addressed, and risks mitigated. – **Industry Analysis.** The key risk factors of the borrower's industry should be assessed. Any issues regarding the borrower's position in the industry, overall industry concerns or competitive forces should be addressed and the strengths and weaknesses of the borrower relative to its competition should be identified.

Supplier/Buyer Analysis: Any customer or supplier concentration should be addressed, as these could have a significant impact on the future viability of the borrower.

Historical Financial Analysis: An analysis of a minimum of 3 years historical financial statements of the borrower should be presented. Where reliance is placed on a corporate guarantor, guarantor financial statements should also be analyzed. The analysis should address the quality and sustainability of earnings, cash flow and the strength of the borrower's balance sheet. Specifically, cash flow, leverage and profitability must be analyzed.

Projected Financial Performance: Where term facilities are being proposed, a projection of the borrower's future financial performance should be provided, indicating an analysis of the sufficiency of cash flow to service debt repayments. Loans should not be granted if projected cash flow is insufficient to repay debts.

Account Conduct: For existing borrowers, the historic performance in meeting repayment obligations (trade payments, cheques, interest and principal payments, etc) should be assessed.

Adherence to Lending Guidelines: Credit Applications should clearly state whether or not the proposed application is in compliance with the bank's Lending Guidelines. The Bank's Head of Credit or Managing Director/CEO should approve Credit Applications that do not adhere to the bank's Lending Guidelines.

Mitigating Factors: Mitigating factors for risks identified in the credit assessment should be identified. Possible risks include, but are not limited to: margin sustainability and/or volatility, high debt load (leverage/gearing),

overstocking or debtor issues; rapid growth, acquisition or expansion; new business line/product expansion; management changes or succession issues; customer or supplier concentrations; and lack of transparency or industry issues. The Bank must assess the critical risks of facilities given / to be given and ways / factors of mitigation of those risks.

Some of the critical factors are:

- Volatility
- High debt
- Overstocking
- Rapid growth
- Acquisition
- Debtors issues
- Succession

Loan Structure: The amounts and tenors of financing proposed should be justified based on the projected repayment ability and loan purpose. Excessive tenor or amount relative to business needs increases the risk of fund diversion and may adversely impact the borrower's repayment ability.

Security: A current valuation of collateral should be obtained and the quality and priority of security being proposed should be assessed. Loans should not be granted based solely on security. Adequacy and the extent of the insurance coverage should be assessed.

Name Lending: Credit proposals should not be unduly influenced by an over reliance on the sponsoring principal's reputation, reported independent means, or their perceived willingness to inject funds into various business enterprises in case of need. These situations should be discouraged and treated with great caution. Rather, credit proposals and the granting of loans should be based on sound fundamentals, supported by a thorough financial and risk analysis

3.11 Risk Management

Risk Management is a discipline at the core of every financial institution and encompasses all the activities that affect its risk profile. It involves identification, measurement, monitoring and controlling risks to ensure that

- a) The individuals who take or manage risks clearly understand it.
- b) The bank's risk exposure is within the limits established by Board of Directors.

- c) Risk taking decisions are in line with the bank strategy and objectives set by BOD.
- d) The expected payoffs compensate for the risks taken.
- e) Risk taking decisions are explicit and clear.
- f) Sufficient capital as a buffer is available to take risk

3.12 Credit Risk Management of UCBL

The key methods used to identify, assess, control and monitor the credit risk of the bank are as follows:

1. Credit Risk Identification:

- Critical analysis and review of delinquent accounts to identify weakness in credit.
- Benchmarking of asset quality against industry peers.

Apart from this, Credit risk for the counterparty arises from an aggregation of the following:

- Financial risk
- Business Risk
- Management risk
- Security risk
- Relationship risk
- Natural calamities and political unrest

2. Credit Risk Assessment and Measurement:

- Use of credit risk rating system to grade the borrowers
- Collection of report from the Credit Information Bureau on the potential borrower.
- Stress testing of loan portfolios under various scenarios.
- Use of credit rating from External Credit Assessment Institutions (ECAIs)

3. Credit Risk Control Infrastructure:

- Credit policy, which documents the credit risk rating, collateral policy and policies on rehabilitation and restructuring of problematic and delinquent loans.
- Efficiency of credit personnel for dealing with the credit approval, processing and review.
- Segregation of duties among credit approvals and credit administration.

4. Credit Risk Monitoring and Follow up:

- Accounts with past due principal or interest payments, past due trade bills, account excesses and breach of loan covenants.
- Loan terms and conditions are monitored, financial statements are received on a regular basis and any covenant breach or exception is referred to the proper authority for timely follow-up.
- Timely corrective action is taken to address findings of any internal, external or regulatory inspection.

3.13 A simple Guideline to manage Credit & Credit Risk

Bangladesh Bank has provided directional guidelines to the banking sector with a view to improve the Credit Risk Management culture, establish minimum standards for segregation of duties and responsibilities and assist in the ongoing improvement of the banking sector in Bangladesh. These guidelines were prepared and endorsed by the senior credit executives from private sector, foreign and nationalized commercial banks operating in Bangladesh. Credit Risk Management is of utmost importance to Banks, and as such, policies and procedures should be endorsed and strictly enforced by the MD/CEO and the Board of the Bank.

The guidelines of Bangladesh Bank related with Management of Credit Risks have been organized into the following segments:

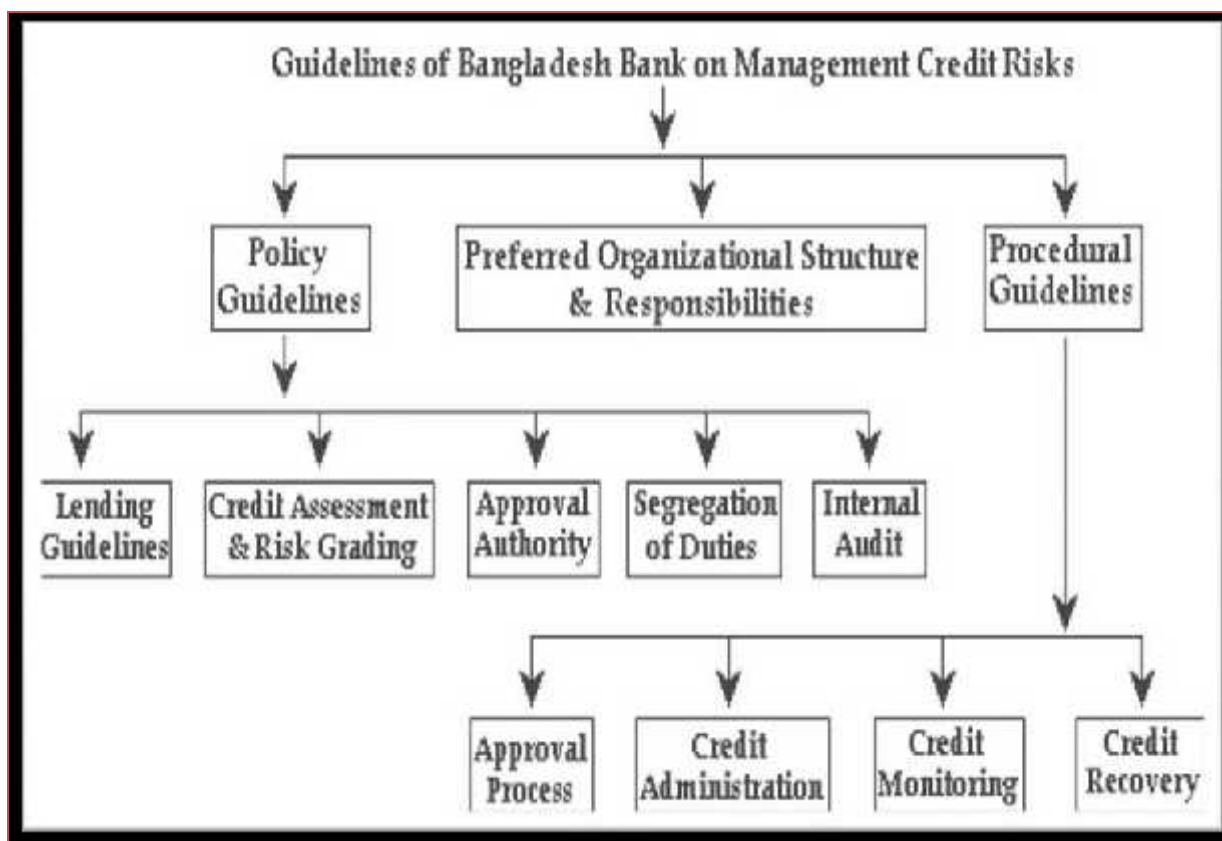


Fig 3.1- Guidelines of Bangladesh Bank on Management Credit Risk

3.14 All interest Rate

a) Rate of interest on deposit:

Sl No	Type of Deposits	Rate of interest(%) P.A.
01	Savings Deposit (SB)	
	A. Below TK.1.00 Crore	4.50
	B. Tk. 1.00 crore & above but below Tk.5.00 crore	5.00
	C. Tk.5.00 crore & above	7.00
02	Short Notice Deposit	
	A. Below Tk.1.00 crore	4.00
	B. Tk.1.00 crore & above but below Tk.25.00 crore	5.00
	C. Tk.25.00 crore & above but below Tk.50.00 crore	6.00

	D. Tk. 50.00 crore & above but below 100 crore	6.50
	E. Tk.100.00 crore & above	7.00
03	Fixed Deposit (FDR)	
	A. For 1 month & above but below 3 months	7.00
	B. For 3 months & above but below 6 months :	
	(1) Up to Tk. 1.00 crore	8.75
	(2) Above Tk.1.00 crore	8.50
	C. For 6 months & above but below 12 months:	
	(1) Up to Tk. 1.00 core	8.75
	(2) Above Tk. 1.00 crore	8.50
	D. For 12 months :	
	(1) Up to Tk. 1.00 crore	8.75
	(2) Above Tk.1.00 crore	8.50

Table 3.2- Rate of interest on Deposit

b) Rate of interest on lending:

Sl No.	Categories of lending	Mid Rate (%)P.A	Max Rate (%)
1	Agriculture		13.00
2	Term Loan to Large & Medium Scale Industry	13.00	
3	Term Loan to Small Scale Industry	14.00	
4	Working Capital Industrial Sector		
	a. Working Capital to Large & Medium Scale Industry	13.00	
	b. Working Capital to Small Scale Industry	14.50	
5	Exports		7.00
6	Commercial Lending		
	a. Import Financing.(Rice, edible Oil Pulses, Chick-Peas, Onion, Dates and Sugar) 12 items	13.00	
	b. Import Finance(Others)	13.00	
	c. Other Commercial Lending (Trade/Service)	13.50	
7	House Building Loan Commercial (Except Retail)	14.00	
8	Retail Credit		
	a. Home Loan	15.50	
	b. Consumer Loan	17.00	

9	Credit Card		
10	Non-Banking Financial Institution	13.00	
11	Others(Loans & Advances other than above sectors as given below)		
	a. Loan against FDRs issued by Branches		3% above the rate of relevant FDR at 20% margin. However Rate of interest and margin may be reduced by competent authority of Corporate Office
	b. Loan against DPS/MSS/Liability Products issued by Branches	15.00	
	c. Loans/Advances against ICB units/WEDBs/FDRs and other term deposit Receipts Issued by other Banks	15.50	
	d. Transport Loan	15.00	
	e. LBPD/FBPD	14.00	
	f. Force Loan	15.50	
	g. Short Term Loan to Corporate	11.00	

Table 3.2- Rate of interest on Landing

3.15 Credit Risk Grading (CRG)

Numerical Grade	Grade	Score
1	Superior	Full Cash covered, Security by Govt...International Bank bond
2	Good	85+
3	Acceptable	75-84
4	Marginal	65-74
5	Special Mention	55-64
6	Substandard	45-54
7	Doubtful	35-44
8	Bad/Loss	<35

Criteria	Weight
Financial Risk	50
Business Risk	18
Management Risk	12
Security Risk	10
Relationship Risk	10
Total	100

3.16 Table of Risk Weighted Asset

(BDT in millions)

Computation of Risk weighted asset	31 dec.2014	31 dec.2013
On-balance sheet asset	161568972994	145404168645
Off-balance sheet asset	55059288146	31238195036
Credit Risk (a)	216628261141	176642363690
Market Risk (b)	7226668908	4449763115
Operational Risk (c)	19395472817	16288421612
Total RWA (a + b +c)	243250402865	197380548417

	2014		2013	
	Required	Held	Required	Held
Total RWA				
On core capital	5%	7.92%	5%	8.75%
On supplementary capital		2.64%		2.78%
Total		10.56%		11.53%

Table 3.4- Risk Weighted Asset

3.17 Position of Bank at a Glance for the last 5 Years

Sl.	Particulars	2014	2013	2012	2011	2010
1	Authorized Capital	15000.00	15000.00	15,000.00	8000.00	8000.00
2	Paid-up capital	8366.12	8366.12	8,366.12	7,274.88	2,909.95
3	Deposits	211072.06	184896.85	170,530.54	139,484.75	113,070.78
4	Advances	174146.10	148664.86	136,071.65	115,606.33	93,560.70
5	Investments	44288.60	35587.25	26,090.32	19,383.42	15,048.23
6	Import	155282.40	117542.90	94,843.80	90,919.70	86,666.50
7	Export	130447.20	94288.50	78,309.10	76,962.80	50,712.10
8	Interest Income	22360.83	22999.36	21,318.92	15,351.63	9,648.36
9	Interest Expenses	14430.24	15919.86	14,705.21	10,203.21	5,632.95
10	Operating Profit (before Provision)	8719.46	7126.37	5,762.22	5,972.91	4,733.12
11	Net Profit before Tax	6835.67	5887.32	3,739.06	5,172.91	3,632.60
12	Net Profit after Tax	3668.73	3065.41	1,586.13	2,945.80	2,182.43
13	Fixed Assets	8510	7957.31	5,222.78	3,288.09	1,966.35
14	Total Assets	266100.74	226333.13	52,153.26	40,255.37	40,797.74
15	Number of branches	148	139	130	115	107
16	Number of Employees	3679	3445	3,374	2,982	2,738
17	No. of ATM	115	101	81	77	54
18	Cost of Fund	10.16	11.36	12.46	11.09	9.81

Table 3.5- Position of Bank at a Glance for the last 5 Years

3.18 Corporate Social Responsibility Initiatives

Environment: As socially responsible organization, UCB takes the issues of ‘environment’ quite seriously. The bank has always been supportive of projects and initiatives related to greener country, reducing energy consumption. Some of the projects UCB donated in 2013 were : Jute Bag for world Aids day, Annual Botanical Conference at Chittagong, Forestry & wood Technology Discipline, Khulna University.

- Customer: To a large extent, UCB lives off serving communities with financial products. This entails providing financing, advice and a strong financial infrastructure that opens up opportunities for customers and other shareholder.
- Education: Some of the educational Institutions where UCB donated in 2013 are: Department of Anthropology of Dhaka university, East West University, Department of Chemistry Of Chittagong University, AUST etc.
- Health: UCB contributed to different projects for improvement of health sector in Bangladesh. Some of the medical institutions where UCB provided financial assistance were: Zonta International, Trust for the Rehabilitation of the paralyzed etc.
- Sports: UCB is a huge supporter of Bangladesh Cricket and accordingly provided financial support for Bangladesh vs. Zimbabwe ODI & T20 series. It also provides financial support to Sheikh Jamal Dhanmondi Club.

Other Initiative:

- Disaster Management
- Art & culture
- Employees etc.

3.19 SME Financing

UCBL has achieved a remarkable growth in SME financing with the outstanding loan amount of BDT 87456.56 million, which is almost half the size of the bank’s loan portfolio. To accelerate growth of SME financing further, the bank has set the target at BDT 97000.00 million for the year of 2015.

UCB has dedicated desks for serving Women Entrepreneurs belonging to SME sector. The bank arranged several SME promotional events around the country in 2013, either solely or in collaboration with the Bangladesh Bank and the SME foundation.

Chapter-04
**Analysis of Credit
Management of United
Commercial Bank Limited**

4.0 Analysis of credit performance

4.0.0 Year wise Credit and Growth

Loan and advances are stated in the balance sheet on gross basis. Loan and advances are on the basis of their maturity/ repayment term. Interest is calculated on a daily product basis but charged and accounted for quarterly on accrual basis.

Year	Credit	Growth of credit
2009	61,692,218,000	38.80%
2010	93,560,701,744	51.66%
2011	115,506,326,932	23.46%
2012	136,071,650,000	17.80%
2013	148,664,860,000	9.25%

Note: Growth rate 2009 calculated on 2008 of credit amount

Source: Annual Report of UCB (2009-2013)

Table 1-Year wise Credit and Growth of UCBL

Graphical Presentation

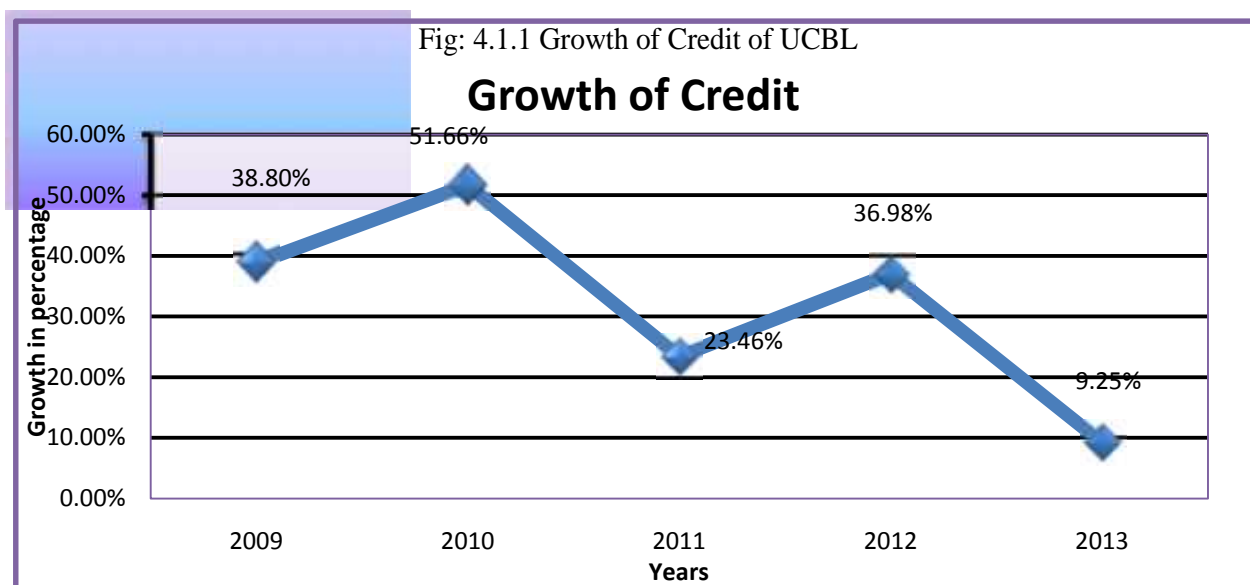


Fig: 4.0.0 Growth of Credit of UCBL

Interpretation

Growth of loan and advance was fluctuating over the years. Growth rate of loan and advance of UCB in 2009 it has 38.80%. But after 2009 the growth rate of loan and advance increased up to 2010 consistently due to better performance and worldwide economic boom. In 2010 it has increased to 51.66% but in 2011 it has decreased significantly to 23.46%. In 2012 it has increased to 36.98%. But again in 2013 it has decreased to 9.25%. The bank should be concerned about more increasing the growth rate of loans and advance because it is the significant earnings source items of bank.

4.0.1 Industry Wise Credit Portfolio in 2012 and 2013

Industry wise position of loans	2012	2013
Textile Industries	4.72%	8.96%
Garments Industries	7.07%	8.33%
Food Product & Processing	4.98%	3.47%
Housing Industry	9.94%	5.86%
Transport & communication	3.73%	4.97%
Commercial Trade Financing	29%	24.69%
Other	40%	33.57%

Source: Annual Report of UCB (2009-2013)

Table 2-Industry wise Credit Portfolio of UCB

Graphical Presentation

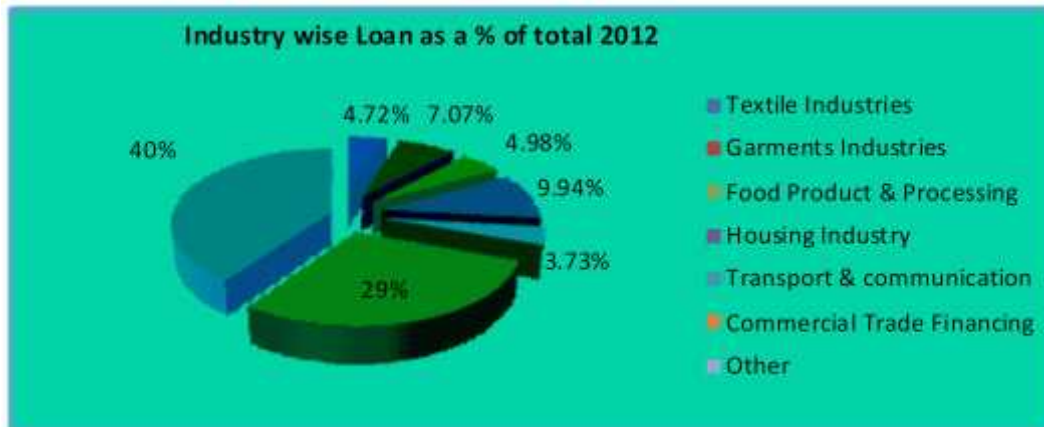


Fig: 4.0.1 a) Industry Wise Credit Portfolio

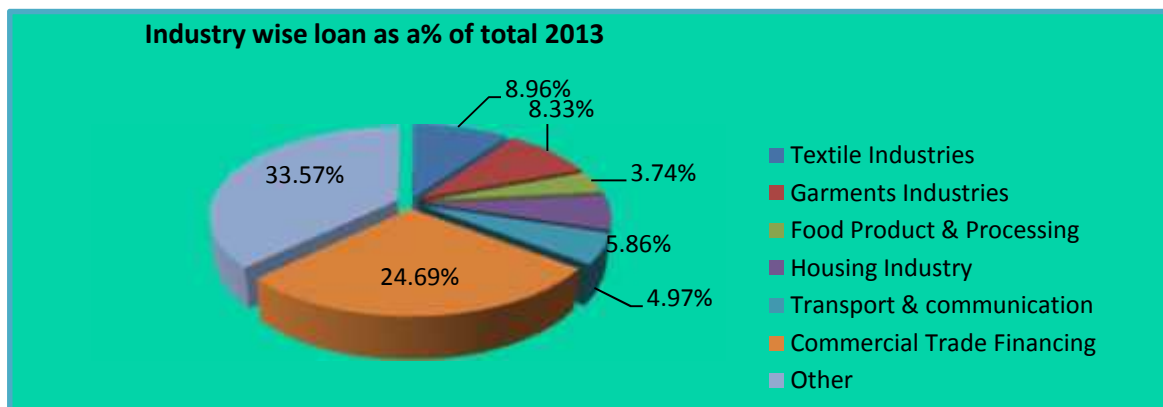


Fig: 4.0.b) Industry Wise Credit Portfolio

Interpretation

From the above graph it has seen that, UCB provides higher percentage of loans in commercial trade financing sector in 2012 & 2013 it was 29% & 24.69%. Then they provide more loans in housing industry. They provide 40% in 2012 & 33.57% in 2013 loans in other sectors like cement industries, agriculture, leather & leather product, power & energy, electronic media jute industries etc. It is observed that the bank diversifies its loan to a large number of industries. Except commercial trade industry, the bank does not concentrate highly in any other industry.

4.0.2 Sector Wise Credit

UCB make their sector wise credit portfolio by different categories. They provide major portion of their sector wise loan in Industrial sector.

➤ Sector Wise Credit Portfolio in 2012 and 2013

Sectors of Loan	2012		2013	
	Amount In tk.	As a % of Total	Amount In Tk	As a % of Total
Commercial Lending	33,765,061,512	38.90%	2,285,011,312	24.69%
Retail loan	8,430,097,403	9.71%	5,520,078,304	7.86%
Industrial Loan	39,468,421,437	45.48%	14,398,521,487	38.08%
Agricultural loan	817,257,435	0.94%	918,957,543	1.54%
Transport loan	4,309,214,111	4.97%	2,309,217,234	2.26%

Source: Annual Report of UCB (2009-2013)

Table 3-Sector Wise Credit Portfolio

Graphical Presentation

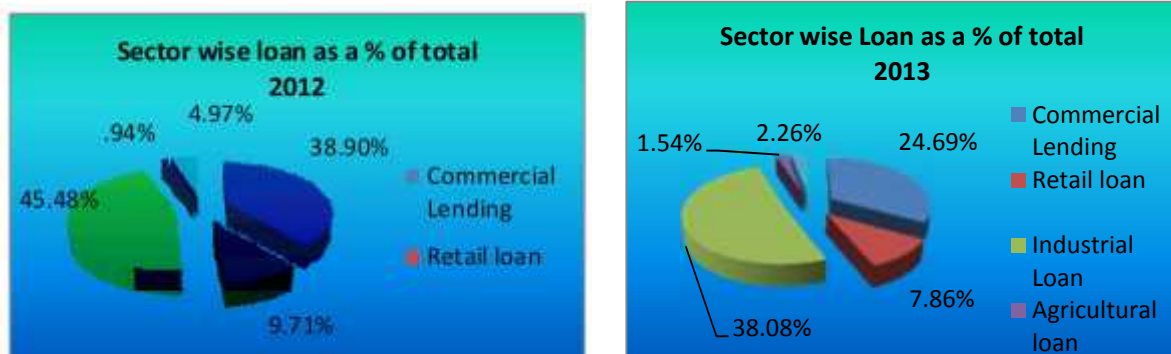


Fig: 4.0.2Sector wise Loan
“©Daffodil International University”

Interpretation

From the above graph it has seen that, both in 2012 & 2013 they provide more loans in Industrial sector. In 2012, 45.48% of total loan and in 2013, 38.08% of total loan were provided in industrial sector, they put second highest priority in commercial lending. In 2012 they provide 38.90% of total loan & in 2013 they provide 24.69% of total loan in commercial sector. UCB provide only 0.96% of total loans in 2012 & in 2013 they provide only 1.54% of total loan in agricultural sector. They do not provide much loan on agricultural sector. UCB should try to give more loans in agricultural sector.

4.0.3 Geographical Location wise Credit Portfolio in 2013

<u>Division</u>	<u>Taka in million</u>	<u>Percentage</u>
Dhaka	102,126.33	68.70%
Chittagong	33,150.94	22.30%
Khulna	5,417.29	3.64%
Sylhet	2,146.47	1.44%
Rajshahi	4,677.40	3.15%
Rangpur	844.95	0.57%
Barisal	301.48	0.20%
Total	148,664.86	100.00%

Source: Annual Report of UCB (2012)

Table 4-Geographical Location Wise Credit Portfolio

Graphical Presentation

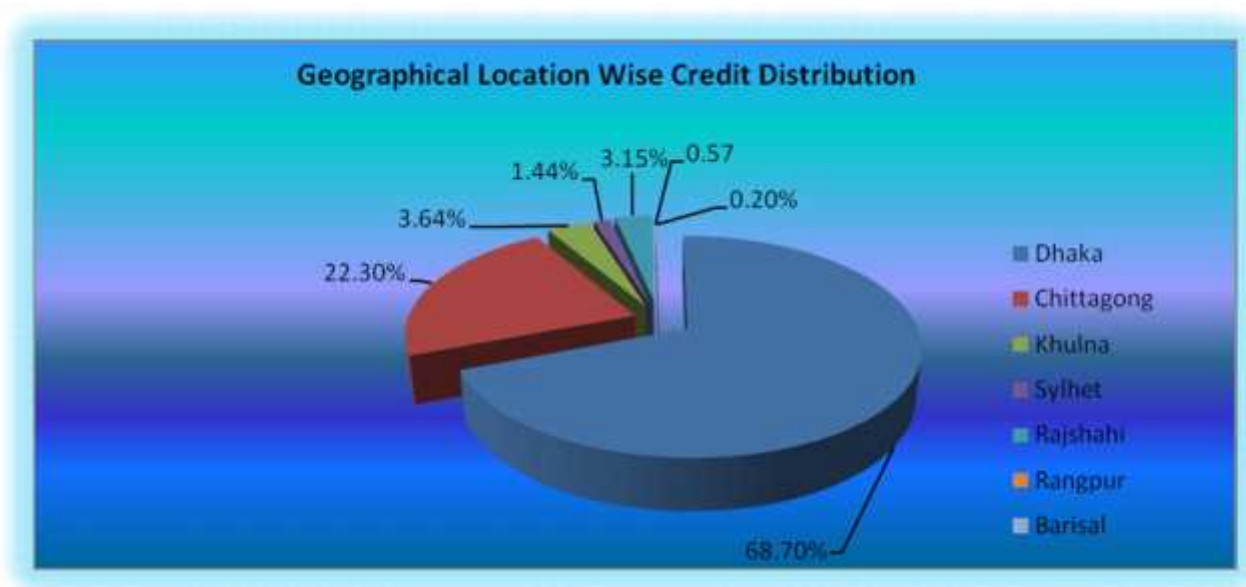


Fig: 4.0.3 Geographical Location Wise Credit Portfolio (Sources annual report 2009-2013)

Interpretation

From the above graph it has seen that UCBL distribute a large portion of credit in Dhaka division. In Dhaka division t bank distributes is near about 68.70% where Chittagong division is 22.30% and Khulna division is 3.64%. It has been viewed that only 1.44% of their geographical credit distribution goes to Sylhet division, 3.15% in Rajshahi division, 0.57% in Rangpur division and 0.20% in Barisal division. Dhaka and Chittagong are industrial area but most of the business & investments are centralized in Dhaka. The recovery rate of loans & advances from these areas is higher than other divisions.

4.0.4 Geographical Location wise Credit Portfolio

a. Dhaka Division

Like other banks UCB also divide it geographical location wise loan & advance

Year	Credit to Dhaka	Credit as a % of Total
2009	42,127,257,032	68%
2010	65,026,129,023	70%
2011	79,724,513,599	69%
2012	93,301,572,300	69%
2013	102,126,330,000	69%

Source: Annual Report of UCB (2009-2013)

Table 5 -Geographical Location Wise Credit Portfolio (Dhaka Division)

Graphical Presentation

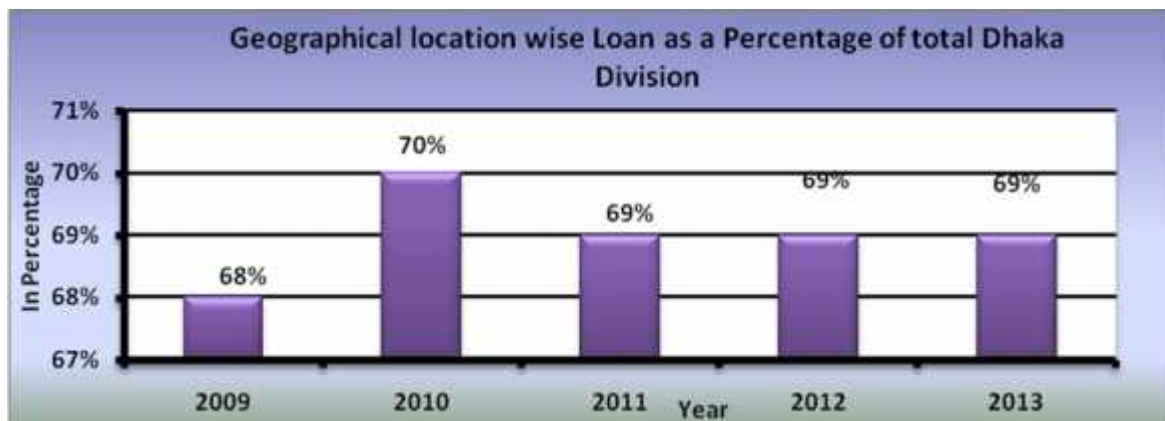


Fig: 4.0.4(a) Loan as a Percentage of total to Dhaka Division

Interpretation:

From the above graph it has seen that major portion of total loan is provided to Dhaka division that ranges from 68% to 70%. The percentage of total loan in Dhaka division has fluctuated with a little amount of total loan was provided in this division.

b. Chittagong Division

Chittagong division is the second highest priority of UCB. 20% to 23% of total loan was disbursed to Chittagong division.

Year	Credit Chittagong Division	Credit as a % of Total
2009	12,245,999,113	20%
2010	18,348,694,730	20%
2011	23,681,034,960	21%
2012	30,106,922,001	22%
2013	33,150,940,000	22.3%

Source: Annual Report of UCB (2009-2013)

Table 6 -Geographical Location Wise Credit Portfolio (Chittagong Division)

Graphical Presentation



Fig: 4.0.4(b) Loan as a % of Total Chittagong Division

Interpretation

After Dhaka division, the bank put second highest concentration in Chittagong division. From 2009 to 2013, 20% to 22% of total loan was provided to this division. Though from 2009 to 2010, the portion of loan in Chittagong division was constant, but in 2011 to 2013 the percentage increased slightly to 21% to 22%.

4.1 Analysis of classified loan

Classified loan is categorized under following 03(three) categories

- Sub-standard
- Doubtful
- Bad & Loss

4.1.0 Percentage of Classified Loan as of Total Loan

	2009	2010	2011	2012	2013
Classified Loan	1,622,305,000	1,120,803,000	2,067,5444,585	5,015,580,000	5,985,170,000
Total Loan	61,692,218,000	93,560,701,744	115,506,326,932	136,071,650,000	148,664,860,000
Percentage of classified loan of total loan	2.62%	1.20%	1.79%	3.69%	4.03%

Source: Annual Report of UCB (2009-2013)

Table 7-Percentage of Classified Loan as of Total Loan

Graphical Presentation

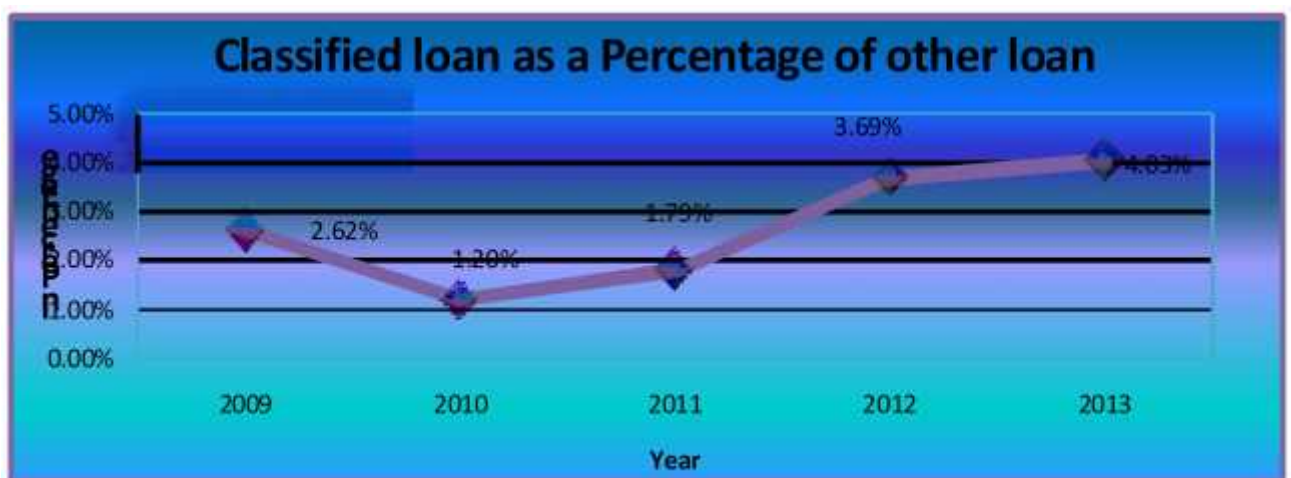


Fig: 4.0 Classified Loan as a Percentage of total loan

Interpretation

From the above graph it has been seen that, percentage of classified loan as of total loan fluctuated slowly from 2009 to 2013. In 2009 the rate is 2.62%, it decreased by 1.20% in 2010. In 2011 the rate is 1.79%. And in 2012 it is increased from 1.79% to 4.68% and in 2013 it decreased from 4.68% to 4.03%. Bank should try to give more concentration to reduce their classified loan and to become more efficient in managing its classified loan.

4.1.1 Category Wise Loan Classification in 2012 and 2013

Any classified loan will be categorized as

- ‘Sub-standard’ if it is past due/ overdue for 6 month or beyond but less than 9 month.
- ‘Doubtful’ if it is past due/ overdue for 9 months or beyond but less than 12 months.
- ‘Bad/Loss’ if it is past due/ overdue for 12 month or beyond.

Classified loan	2012		2013	
	Classified loan In Tk	Classified loan as a % of total	Classified loan In Tk	Classified loan as a % of total
Sub standard	256,680,887	12.41%	550,400,000	9.20%
Doubtful	460,923,071	22.29%	392,060,000	6.50%
Bad& Loss	1,349,940,627	65.29%	5,042,710,000	84.25%

Source: Annual Report of UCB (2009-2013)

Table 8-Category Wise Loan Classification

Graphical Presentation

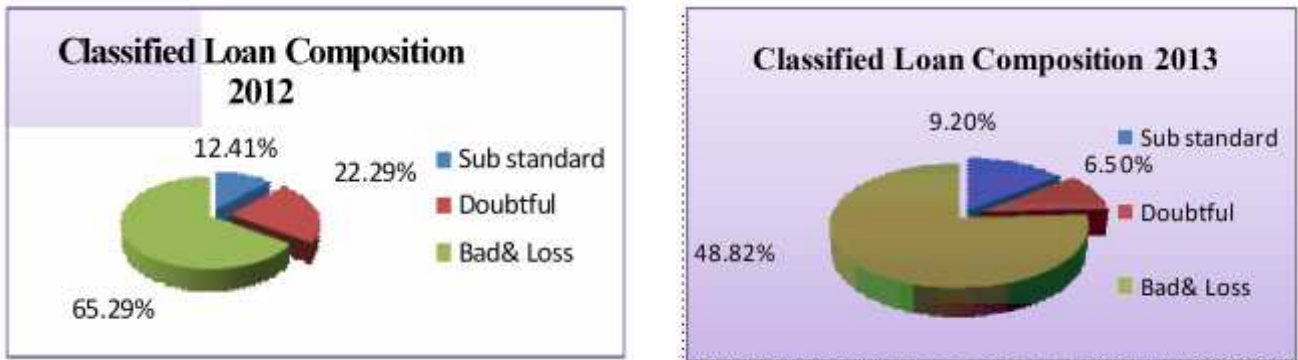


Fig: 4.1.1 Classified Loan Composition.

Interpretation

From the above graph it has seen that, major portion of classified loan is bad and loss category. In 2012 their sub standard is 12.41%, in 2013 it was decreased to 9.20%. Doubtful is decreased from 2012 to 2013. In 2012 doubtful is 22.29% but it decreased in 2013 to 6.50%. There was (48-65) % of classified loan is bad/loss. The bank should try to give more concentration to decrease their bad/loss, and to become more efficient in managing its classified loan.

Specific provision

Banks will maintain provision at the following rates in respect of classified continuous, demand and fixed term loan:

- Sub-standard: 20%
- Doubtful: 50%
- Bad/loss: 100%

4.1.2 Loan and advance and provision

	2012			2013		
	Outstanding Loans & Advances	Provision held against Loans and advances	Percentage	Outstanding Loans & Advances	Provision held against Loans and advances	Percentage
Total loan and advance	1,15,506.38	2,177.14	1.88%	148,664.86	3,323.21	2.23%
Un-classified loans and advances	1,13,438.78	1,417.48	1.25%	142,679.69	1,200.34	.84%
Classified loans and advances	2,067.55	759.66	36.74%	5985.17	2122.87	35.47%
Substandard	256.68	14.88	5.80%	550.40	253.47	46.05%
Doubtful	460.93	146.54	31.79%	392.06	144.02	36.73%
Bad/Loss	1,949.00	598.24	30.69%	5,042.71	1,725.38	34.21%

Source: Annual Report of UCB (2009-2013)

Table 9- Loan and advance and provision

Graphical Presentation

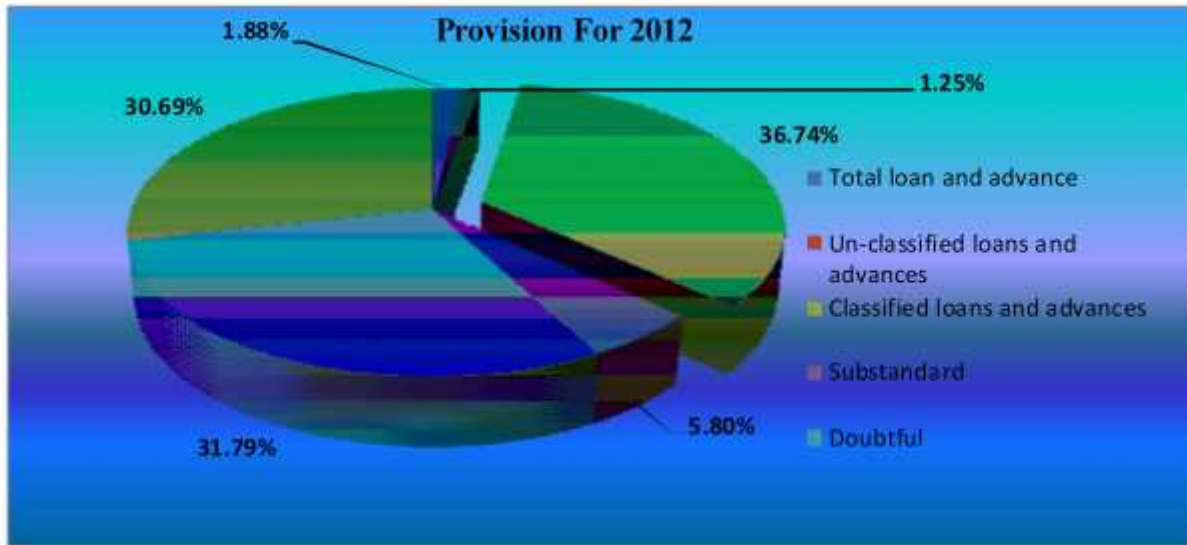


Fig: 4.1.2 a) Loan and advance and provision

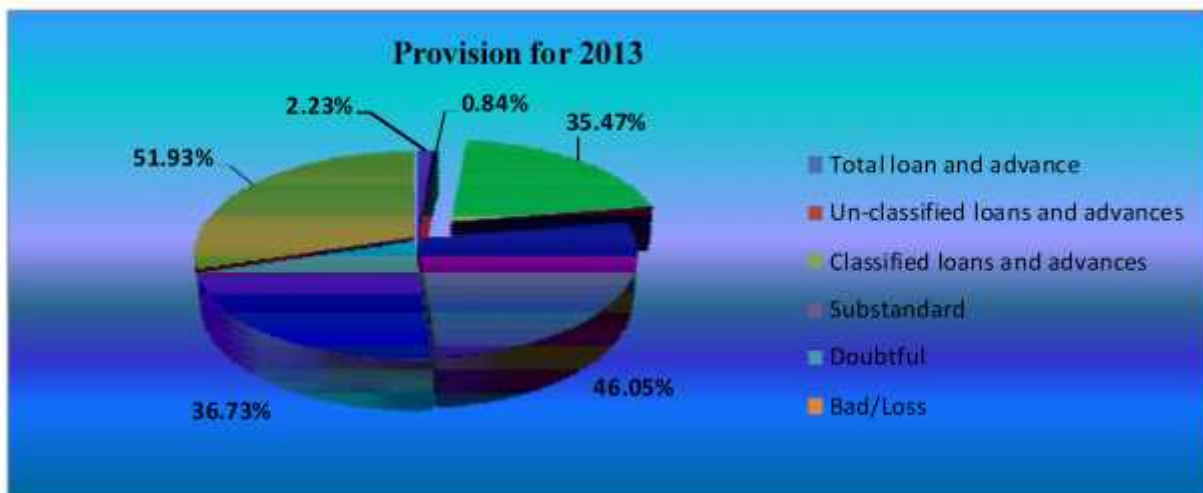


Fig: 4.1.2 b) Loan and advance and provision

Interpretation

From the above graph, it has seen that the unclassified loan is decreasing from 2012 to 2013 which is 1.25% from .84%. The classified loan of UCBL slightly decreasing from 36.74% to 35.47%.The bad & loss is 30.69%in 2012, which is 34.21% in 2013. Substandard is increasing 5.80% to 46.05% in the year 2012 to 2013 and the doubtful is decreasing 31.79% to 36.73%.By considering the above graph it can say that the bank is capable to control its classified loan, which is favorable for the bank and it was possible due to well structured risk management practice.

4.2 Contribution of loan and advances on total Income

Year	Percentage
2009	69.45%
2010	63.78%
2011	50.94%
2012	51.18%
2013	77 %

Source: Annual Report of UCB (2009-2013)

Table 10-Income from loan and advances

Graphical Presentation

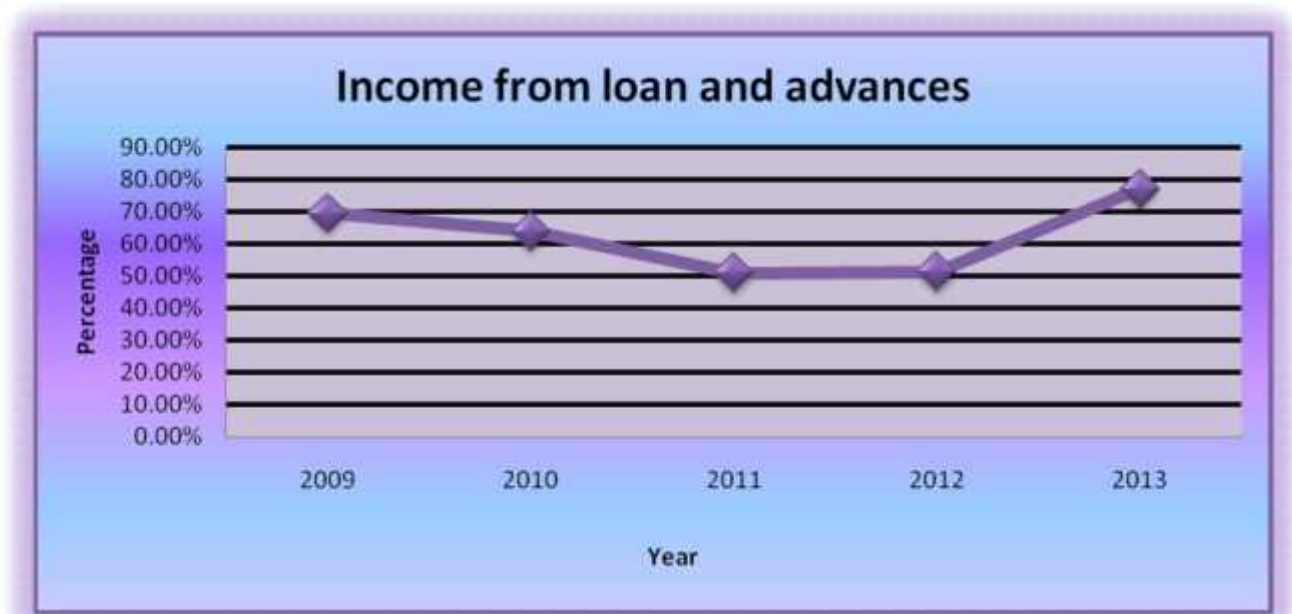


Fig: 4.2 Income from loan and advances

Interpretation

Loans Advance division is a heart of any bank. A big portion of income of the UCBL is come from this advance division. From the above graph it has seen that in 2009 it contributes 69.45%, in 2010 is 63.78% and in 2011, 2012 & 2013 is 50.94%, 51.18% & 77%. So it indicates that, the strong position of UCBL in loan sector.

4.3 Capital adequacy Ratio

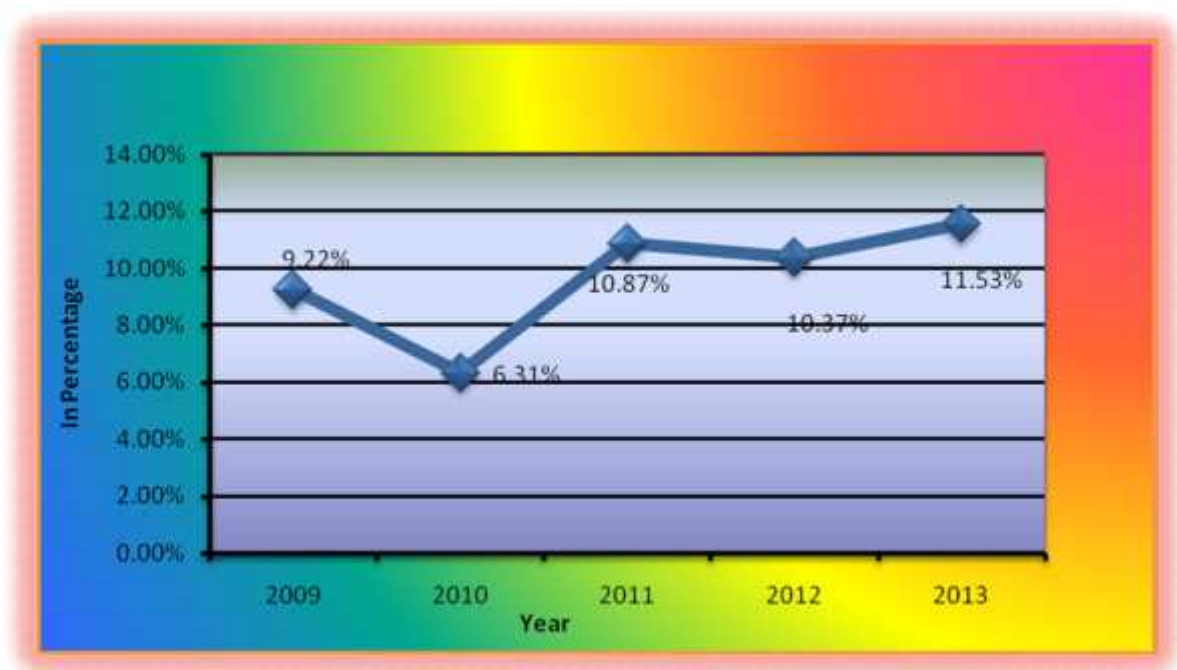


Figure 4.4: Capital adequacy Ratio

Source: Annual Report (2009-2013)

Interpretation

Capital Adequacy ratio determines the capacity of the bank in terms of meeting the liabilities and other risk such as credit risk, operational risk etc. Generally, 10% acceptable line for this ratio in that senses the bank was good enough to maintain this requirement at present. Because only in 2010 and 2011 the ratio was below to the 10% but the remaining years was is above 10% indicates that the bank's capacity to meet the liabilities and other risk such as credit risk, operational risk were satisfactory.

4.4 Credits to Deposit Ratio

Deposits and other accounts include non interest bearing current deposit redeemable at call, interest bearing demand & short term deposits, savings deposit and fixed deposit. These items are bought to financial statements at the gross value of outstanding balance.

Credit to Deposit Ratio= Total Credit/Total Deposit

Year	Deposit	Credit to Deposit Ratio
2009	77,730,401,057	79.37%
2010	113,070,782,505	82.75%
2011	139,484,745,903	82.81%
2012	164,873,984,117	82.29%
2013	184,896,850,000	80.40%

Source: Annual Report of UCB (2009-2013)

Table 11-Credit to Deposit ratio of UCBL

Graphical Presentation

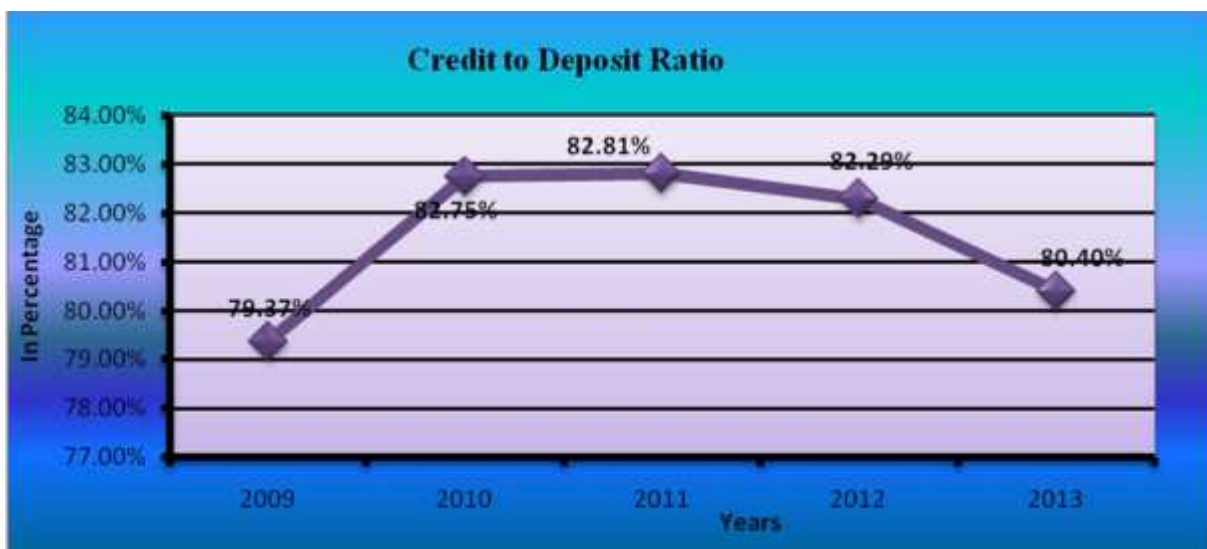


Fig: 4.4 Credits to Deposit Ratio

Interpretation

The above graph shows that the Credit to Deposit Ratio of UCB is fluctuating over the years. In 2009 the ratio was 79.37%, in 2010 it increased to 82.75%, in 2011 it was 82.81%. But in

2012 it was decreased to 82.29%, in 2013 it was decreased 80.40%. In 2010 and 2011 credit to deposit ratio were more or less same.

Chapter-05

Problems and Recommendations

5.0 Problems

It is not unexpected to have problems in any bank. There must be operating those problems for smooth running. Now I want to put some problems of UCBL

1. The bank has not sufficient branches in different important places.
2. In this competitive generation UCBL can not set up enough ATM booths.
3. In the credit department there have not strict supervision to avoid loan defaults.
4. The features of the product are not so attractive for the customer.
5. UCBL can not assess the clients properly.
6. The salary Structure is not favorable for all of employers.

5.1 Recommendations

Through this study I myself gained some practical knowledge about credit Business in Bangladesh and other banking stuffs. I want to put some suggestion here which I think if followed would definitely help United Commercial Bank Ltd. to promotion in credit business and also their banking system.

1. The bank must open more branches in those places where people need banking facilities.
2. If UCBL is running online business very successfully they must open more ATM booths to meet customer's needs compition.
3. In the credit department strict supervision is necessary to avoid loan defaults.
4. Introducing the new feature of product may attract the customers to take loan from the UCBL.
5. UCBL should assess the client properly by screening the information of client regarding his character, capacity, capital.
6. The salary structure must be improved for gathering better effort.

Chapter-06

Conclusion

6.0 Conclusion

As an organization the United Commercial Bank Limited has earned the reputation of top listed banks operating in Bangladesh. The organization is much more structured compared to any other listed bank operating in Bangladesh. It is relentless in pursuit of business innovation and improvement. It has a reputation as a leader in financing manufacturing sector. With a bulk of qualified and experienced human resource, United Commercial Bank Limited can exploit any opportunity in the banking sector. It is pioneer in introducing many new products and services in the banking sector of the country. Moreover, in the retail-banking sector, it is unmatched with any other listed banks because of its wide spread branch networking thought the country. United Commercial Bank Ltd. explores their business day by day. In 2010 to may 2014 it introduce 41 new branches and many of branches is going to open.

UCBL does very good in credit management. Bangladesh Bank has introduce a good numbers of circulars, guidelines, tools and techniques for managing the credit risk in a prudent manner as well as to minimize the rate of default/ non-performing loans at a standard level. UCBL always follow these circulars, guidelines and techniques and they have also use some internal policy, guidelines, tools and techniques for better risk management. Despite a prudent credit approval process, loans may still become troubled.

The success of credit management has resulted from dedication, commitment, dynamic leadership, effective strategy, planning and decision making, motivating and controlling of bank's management. In formulating a credit judgment and making quality Credit Decisions, the lending officer must be equipped with all information needed to evaluate a borrower's character, management competence, capacity, ability to provide collaterals and external conditions which may affect his ability in meeting financial obligations. So, it is obvious that prudent management of these risks is fundamental to the sustainability of a bank.

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