Internship Report

On

SME Banking of United Commercial Bank Limited

(BUS 699: Internship)

Submitted To

Md. Tamzidul Islam
Assistant Professor
BRAC Business School
BRAC University

Submitted By

Kanij Sharmin
ID No: 13164102

Program: Masters of Business Administration
BRAC Business School

Date of Submission: June 16, 2016
June 16, 2016

Asst. Prof. MD. Tamzidul Islam
BRAC Business School
BRAC University
Mohakhali, Dhaka, Bangladesh

Letter of Transmittal

Dear Sir,

It is my great pleasure to submit the internship report on “SME banking of United Commercial Bank Limited” which I have prepared as a partial fulfillment of the course BUS699 practicum.

I made sincere efforts to study related materials, documents, observe operations performed & examine relevant records for preparation of the report.

Within the time limit, I have to make this report as comprehensive as possible. But there may be some mistakes due to various limitations. For this reason, I beg your kind consideration in this regard.

Sincerely yours

……………………
Kanij Sharmin
ID # 13164102
Student Declaration

I, Kanij Sharmin, student of Master of Business Administration (MBA), under BRAC Business School (BBS) at BRAC University declaring that this internship report on the topic of “SME banking of United Commercial Bank Limited" have only been prepared for the fulfillment of the course of BUS699 Practicum as the partial requirement of the Master of Business Administration (MBA).

I hereby declare that this report has been solely prepared by me and to the best of my knowledge. It contains no materials previously published or written by any other person which have been accepted for the degree at BRAC University or any other educational institution, except the quotations and reference which have been duly acknowledged.

It has not been prepared for any other purpose, reward, or presentation.

..................................

Kanij Sharmin
Program: MBA
ID # 13164102
Acknowledgement

I would like to convey my sincere gratitude to Md. Tamzidul Islam (Assistant Professor, BRAC Business School) for his frank inspiration as well as guidelines in preparing this report. I am also indebted thank to Muhammad Raqib Uddin, Executive Officer, Sonagaon Janapath Branch, UCBL for his constant guidance and valuable suggestion from time to time.

Finally, I am also indebted to all the employees of Sonagaon Janapath Branch, UCBL who extended their wholehearted cooperation to me despite their heavy workload during my practical orientation.

I am again expressing my special gratitude to all.

With Warm Thanks,

_____________________

Kanij Sharmin

ID – 13164102
Executive Summary

The purpose of this report to analyze “SME banking of United Commercial Bank Limited” as well as to fulfill the partial requirement for MBA degree at BRAC University.

The study is made under the supervision of Assistant Professor Md. Tamzidul Islam BRAC University.

With a firm commitment of the economic and social development of Bangladesh, United Commercial Bank (UCB) started its journey in mid-1983 and has since been able to establish itself as one of the largest first generation banks in the country. With a vast network of 158 branches 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.

SME sector through promoting new entrepreneurs with new and innovative ideas of diversified products. UCBL is a SME friendly bank since its inception in the year 1983. According to the customer demand UCB created specialized SME division in 2009. Later from 2012 SME financing is in the center of the business focus for expanding SME business further in the line with national economic goal.

In the report, I have described the operation of SME products & currents business, my job responsibility, problems that the department is facing currently and finally recommendation.
# Table of Contents

Description .......................................................................................................................... Page No.

1. INTRODUCTION ............................................................................................................. 1  
   1.1 Objective of the report ................................................................................................. 1  
   1.2 Methodology ............................................................................................................... 2  
   1.3 Limitations of the study ............................................................................................. 2  
2. HISTORY .......................................................................................................................... 3-4  
3. UCBL Product and Services ............................................................................................ 5  
4) Vision, Mission and Core Values of UCBL ................................................................. 6  
5) ORGANOGRAM ............................................................................................................ 7-8  
6) Credit Department of UCBL ......................................................................................... 9-11  
7) SME (Small and Medium enterprise) .......................................................................... 12-25  
8) Recommendations ....................................................................................................... 26  
9) Conclusion ..................................................................................................................... 26  
10) Attachments & References ......................................................................................... 27-28
1) Introduction: Now the world is very much competitive. So everybody has to be expert in his field in both practical knowledge and theoretical knowledge. As BRAC University aims to build future magnate with the theoretical knowledge as well as practical knowledge of economic field of our country, Internship course and its report is a significant aspect in the direction of accomplishing the goal. It is a systematic process for gathering, recording and analyzing of data about the topic that a student goes to learn on the program.

The aim of this internship program is to connect practical knowledge with theoretical aspects. Being a student of MBA, I have completed my internship report from Sonagaon Janapath Branch of United Commercial Bank Limited.

During my internship period, I have tried my best to use the opportunity to enrich my knowledge about UCBL Credit department, particularly on SME banking.

1.1 Objective of the Report

Broad Objective

To suggest an overview of SME banking practices in UCBL

Specific Objective

- To give an overview of SME related product of UCB.
- To analyze SME credit management system & practices.
- To identify and critically evaluate current challenges of SME banking.
1.2 Methodology of the study
The data needed for conducting the study has been collected from the primary sources as well as secondary sources. In collecting the necessary data, care has been taken so that all the variables that may in some way can't affect the objectives of the study. The information that I used in this study is collected from the following sources:

**Primary data sources:**
- Personal experience of working.
- Practical desk work
- Face to face conversation with the colleagues.

**Secondary data sources:**
- UCBL Website.
- Existing Documents

1.3 Limitation of the Study
Like every other studies, I too faced some constraints during my internship period which otherwise would have enabled me in making my study more appropriate and logical.

The main limitations are as follows:-
- Some of work in this organization is confidential and not accessible.
- It is tough to summarize the total SME practices in a report from huge information’s.
- Time Constraint.
2) **History:** United Commercial Bank is one of the largest Banks in Bangladesh. Day by day UCBL has become a giant in the banking sector. With a firm commitment of the economic and social development of Bangladesh, United Commercial Bank (UCB) started its journey in mid-1983 and has since been able to establish itself as one of the largest first generation banks in the country. With a vast network of 158 branches 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 has expanded its arena in different and diverse segments of banking like Retail Banking, SME Banking, Corporate Banking, Off-shore Banking, and Remittance etc. Besides various deposit and loan products of Retail Banking, the Bank caters export and import loan to deserving candidates which in turn helps the overall economy of the country through increased earning of foreign exchange. Other consumer products like UCB Cards have been showing tremendous success and growth since its inception in 2006 and soon became the leader in local market with around 40000 card holders. The Bank also provides its clients with both incoming and outgoing remittance services. Thus the expatriates find an easy way to send money through proper channel.

With a firm commitment to promote SME sector, the Bank is also assessing and monitoring business loans, managing business financing risks, pricing products and working for further development of SME. Its Corporate banking service consists of simple business of issuing loans to more complex matters, such as helping minimize taxes paid by overseas subsidiaries, managing changes in foreign exchange rates or working out the details of financing packages necessary for the construction of a new office, plant or other facility. Its area of expertise is in-depth knowledge in financial analysis with analytical capability of financing large project including RMG and infrastructure development projects. 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 by investing in network expansion and new technology adoption to have competitive advantage. UCBL aspire to be the most admired financial institution in the country, recognized as a dynamic, innovative and client focused company that offers an array of products and services in the search for excellence and to create an impressive economic value. To be the bank of 1st choice by creating exceptional value for our clients, investors and employees.
**UCBL at a glance**

<table>
<thead>
<tr>
<th>Name of the Company</th>
<th>United Commercial Bank Ltd.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commencement of Business</td>
<td>27 June 1983</td>
</tr>
</tbody>
</table>
| Head Office         | Bulus Center  
Plot - CWS- (A)-1  
Road No - 34  
Gulshan avenue, Dhaka-1212 |
| Telephone No.       | +88-02-55668070  
+88-09611999999 |
| Fax No.             | +88-02-55668070-6000, +88-096119999911-5200 |
| SWIFT               | UCBL BDDH |
| E-mail              | info@ucb.com.bd |
| Chairman            | Mr. M. A. Sabur |
| Managing Director   | Mr. Muhammed Ali |
| Auditors            | HodaVasi Chowdhury & Co. Chartered Accountants |
| Tax Consultants     | Mr. Md. Mosharrof Hossain, Advocate |
| Legal Consultant    | T.I.M NurunNabi Chowdhury |
| No. of Branches     | 158 |
| No. of ATM Booth    | 135 |
| No. of SME Centers  | 2 |
| Off-Shore Banking Unit | 1 |
| No. of Employees    | 3,374 (31.12.2012) |

**Stock Summary**

<table>
<thead>
<tr>
<th>Authorized Capital</th>
<th>Tk. 15,000 million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Paid up Capital</td>
<td>Tk. 10,541.31 million</td>
</tr>
<tr>
<td>Face Value per Share</td>
<td>Tk. 10</td>
</tr>
</tbody>
</table>

| Registered Office | Bulus Center  
Plot - CWS- (A)-1  
Road No - 34  
Gulshan avenue, Dhaka-1212  
Phone : +88-02-55668070  
+88-09611999999  
E-Mail : info@ucb.com.bd  
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Chairman's Office</td>
<td>Plot - CWS- (A)-1 Road No - 34</td>
</tr>
</tbody>
</table>
3) UCBL Product and Services: UCB has versatile product and services. Services and products are 3 categories-

Deposit Products

- Current Deposit
- Service Deposit
- Special Notice deposit
- Fixed Deposit
- Foreign Currency Deposit A/C
- UCB multi millionaire
- UCB money Maximizer
- UCB Earning Plus
- UCB DPS Plus
- UCB youngsters saving
- UCB Youngsters DPS
- UCB Saving Plus
- UCB women’s saving
- UCB women DPS plus
- UCB NRB Saving
- UCB NRB DPS plus
- UCB RMG DPS plus

Loan Products

- Trade finance
- Industrial finance
- Import finance
- Export Finance
- Loan Syndication
- Working Capital Finance
- Packing credit
- Transport Loan
- Lease Finance
- Hire Purchase Loan
- House Building Loan
- Home Loan
- Consumer credit Scheme
- Auto Loan
- Doctors Loan
Marriage Loan
Education Loan
Hospitalization Loan
Travel Loan
CNG Conversion Loan
Home Mortgage Loan
House Hold Durable Loan
Credit Card

Other Services
Western Union Money Transfer
SMS banking service
Online services
Inward & outward Remittances
Travelers Cheques
Underwriting and bridge Financing
Locker Services
Offshore Banking
Loan syndication
Ucash(Mobile Financial service)

4) Vision, Mission and Core Values of UCBL

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

MISSION: To offer financial solution that create, manage and increase our client’s wealth while improving the quality of life in the communities we serve.

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 that we believe in.
✓ We foster participative management
Group Corporate Structure

United Commercial Bank Limited

Main Operations

Conventional Banking
UCB, a public limited company, was incorporated in Bangladesh on 26 June 1983 under the Companies Act 1913. It obtained permission from Bangladesh Bank on 28 July 1983 to commence its business. It has 158 branches, 151 ATMs, one OBU and two subsidiaries as on 31 Dec 2015. The Bank is listed with DSE and CSE as a publicly traded Company.

Offshore Banking
The Bank obtained permission for opening of Off-Shore Banking Unit (OBU) vide letter no. BRPO (P−3) 744/17/2010−2577 dated 9th June 2010. Presently the bank has one operating unit in Dhaka which formally commenced its operation on 01 November 2010.

Subsidiaries

UCB Capital Management Limited
UCB Capital Management Limited, formerly Maryellen Capital Management Ltd (DSE TREC No. 181, CSE TREC No. 019) was incorporated in Bangladesh in the year 2007. The company provides stock brokerage and margin loan service to the clients.

UCB Investment Limited
The UCB Investment Limited, another subsidiary of the bank was incorporated in Bangladesh on 3 August 2011 under the Companies Act 1994. The vision of the company is to be one of the best merchant banks in Bangladesh.

Asset Size

<table>
<thead>
<tr>
<th></th>
<th>Asset Size</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(BDT 293,847.23 mn)</td>
</tr>
<tr>
<td>Loans &amp; Advances</td>
<td>(BDT 197,413.64 mn)</td>
</tr>
<tr>
<td>Deposits</td>
<td>(BDT 220,866.48 mn)</td>
</tr>
<tr>
<td>Operating Profit</td>
<td>(BDT 8,402.34 mn)</td>
</tr>
</tbody>
</table>

Asset Size (BDT 10,976.95 mn)

UCB Capital Management Limited

Asset Size (BDT 1,094.52 mn)

Paid Up Capital (BDT 5,353.50 mn)

Asset Size (BDT 276.03 mn)

Paid Up Capital (BDT 250.00 mn)
6) **Credit Department of UCBL:** Credit division are segregated in to 03 (Three) separate Department:

1. Credit Administration Department
2. Credit relationship.

There have 03 (Three) types of borrower:

**Retail:** In the name of the individual person.

**SME:** As per SMESPD circular in07-01-16

&

**Corporate:** As per Policy

**In general the credit cycle works is as follows:**

- Induction of new client
- Proposal /Approval
- Documentation
- Disbursement
- Monitoring & Follow up
- Recovery & settlement

**Steps of Borrower Selection:**

1) **Character:** Business behavior of the client, others loan if he/she taken. CIB (credit Information Bureau) report from Bangladesh bank verifying the loan detail the client has taken from UCBL or other banks.

2) **Capital:** Clients net worth in the business. How much capital the client invested in the business its gives an overview of the client’s recovery capability.
3) **Condition**: Business/industry condition in the market for which the client is asking for loan. If the industry condition is good it indicates the success of the business. If the condition of the business is bad then the recovery chance reduces.

4) **Capacity**: Income expense ratio analysis of the client gives the recovery capability of the client.

5) **Collateral**: To recover the loan need to verify the collateral. If the collateral has no legal barrier then recovery will be easy.

**Credit Risk Grading analysis: There have 5 Major component risk % in CRG:**

- Financial Risk-50%
- Business/ Industry Risk-18%
- Management Risk-12%
- Security Risk-10%
- Relationship-10%

Moreover there have to 20 nos. of risk in CRG.

**Frequency of CRG-**

1. Superior: Guaranteed by Bangladesh bank or any other govt. organization are considered as superior client.
2. Good:85+
3. Acceptable:75-84
4. Marginal/watchlist:65-74
5. Special Mention 55-64
6. Substandard 45-54
7. Doubtful35-44
8. Bad and Loss(below 35)
UCBL ask for several documents to verify the prospective clients. The documents are—

- Trade License
- TIN certificate
- NID/ Passport copy
- Bio data mentioning educational experiences
- Business supportive paper (work order copy)
- If the business is stock related need to give a stock report
- Financial report of the company
- Security, utility, land related papers
- Account statement
- Previous business performance
- Net worth
- Credit Application
- CIB (Credit information Bureau)
- CRG (credit risk grading)
- Visit/call report
- Surveyor report of mortgage property.
- Physical verification report of the property to be mortgage.
- Lawyer’s legal opinion.
7) **SME (Small and Medium enterprise):** SME are now the key driving force for the economic and social development of emerging country like Bangladesh. SME can play a vital role in the development of the country like Bangladesh specially workers with limited skills and woman who have few alternative sources of income.

**UCB SME Banking Services:** With a view to be the part of the journey UCB has firm commitment to encourage SME sector through promoting new entrepreneurs with new and innovative ideas of diversified products. UCBL is a SME friendly bank since its inception in the year 1983. According to the customer demand UCB created specialized SME division in 2009. Later from 2012 SME financing is in the center of the business focus for expanding SME business further in the line with national economic goal.

In the 377th meeting of board of directors UCBL in 29.03.2015 has approved newly designed Asset products for Small Enterprises and liability products for SME. UCB has got the largest portfolio in the banking industry of the country. At the end of FY2015 total loans & advances stood TK 8059.83 corer against total credit portfolio of TK 19741.36 corer by holding 40.82% share. TK 115.56 corer was financed among women entrepreneurs and Tk278.72 corer in Agriculture sector.

7.1. **SME Asset products are-**

1. UCB Dhrubo
2. UCB Onkur
3. UCB Durjoy
4. UCB Jyoti
5. UCB Dipti

7.2. **SME Liability Products are-**

1. SONIRVOR Current Account
2. SABOLOMBI Easy account
3. PROTTOYI monthly deposit

4. UDDOMI Fixed Deposit

**UCB DHRUBO:** UCB DHRUBO is a loan facility for small enterprises (defined within the frame work of Prudential Regulations) involved in trading, manufacturing, service, non-farm rural activities, agro-based industries, and many other acceptable sectors spread all over Bangladesh marketed through our branches/SME branches/Krishi branches across the country. The product offers ‘overdraft’ facility for the purpose of working capital finance and agriculture production/trading. This product program guideline (PPG) is being presented as a product review document for the SME Division of United Commercial Bank Limited.

**UCB Dhrubo:** Product Features: Overdraft Lending Product for Small Enterprises

- **Amount Range:** Up to Tk. 500.00 lac
- **Tenor:** 01 year, renewable each year.
- **Eligibility:** The business must be a going concern with a minimum 1 year operation.
- **Purpose:** Working capital, agriculture production/trading, and other business purposes for small sized trading, service, manufacturing concerns.

**Legal Form of Business:**

a) Sole proprietorship

b) Partnership

c) Private Limited Company

**Location:** The business should be located within 5km of urban branches 10km for sme branches/krishi branches.

**Market Analysis**

A number of Banks and Financial Institutions are offering a variety of lending facilities to SMEs of Bangladesh. Many banks offer products similar to UCB DHRUBO. A comparison follows:

<table>
<thead>
<tr>
<th>Bank/FI Name</th>
<th>Product Name</th>
<th>Loan Range</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brac Bank Limited</td>
<td>Apurba</td>
<td>BDT 10-100 lac</td>
</tr>
<tr>
<td>The City Bank Limited</td>
<td>Muldhon</td>
<td>BDT 10-100 lac</td>
</tr>
</tbody>
</table>
**UCB ONKUR:** UCB ONKUR is a loan facility for small enterprises (defined within the frame work of Prudential Regulations) involved in trading, manufacturing, service, non-farm rural activities, agro-based industries, and many other acceptable sectors spread all over Bangladesh marketed through our branches/SME branches/Krishi branches across the country. The product offers ‘Terminating’ lending facility for the purpose of working capital finance and agriculture production/trading.

This product program guideline (PPG) is being presented as a product review document for the SME Division of United Commercial Bank Limited.

**UCB Onkur**

**Product Features:** Terminating Lending Product for Small Enterprises

**Amount Range:** Up to Tk. 500.00 lac

**Tenor:** 12 to 60 months.

**Eligibility:** The business must be a going concern with a minimum 1 year operation.

**Purpose:** Working capital, agriculture production/trading, and other business purposes for small sized trading, service, manufacturing concerns.

**Market Analysis**

A number of Banks and Financial Institutions are offering a variety of lending facilities to SMEs of Bangladesh. Many banks offer products similar to UCB ONKUR. A comparison follows:

<table>
<thead>
<tr>
<th>Bank/FI Name</th>
<th>Product Name</th>
<th>Loan Range</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brac Bank Limited</td>
<td>Apurba</td>
<td>BDT 10-100 lac</td>
</tr>
<tr>
<td>The City Bank Limited</td>
<td>Muldhon</td>
<td>BDT 10-100 lac</td>
</tr>
</tbody>
</table>
**UCB DURJOY** is a loan facility for small enterprises (defined as per Bangladesh within the frame work of Prudential Regulations) involved in trading, manufacturing, service, non-farm rural activities, agro-based industries, and many other acceptable sectors spread all over Bangladesh marketed through our branches/SME branches/Krishi branches across the country. The product offers terminating lending facility for the purpose of **Fixed Asset Purchase**.

This product program guideline (PPG) is being presented as a product review document for the SME Division of United Commercial Bank Limited.

**UCB Durjoy**

**Product Features**: Fixed Asset Purchase Lending Product for Small Enterprises

**Amount Range**: Up to Tk. 500.00 lac

**Tenor**: 12 to 60 months.

**Eligibility**: The business must be a going concern with a minimum 1 year operation.

**Purpose**: Fixed asset (Machinery, Equipments, Furniture, Vehicle for Commercial use etc.) For small service, manufacturing concerns.

**Market Analysis**

A number of Banks and Financial Institutions are offering a variety of lending facilities to SMEs of Bangladesh. Many banks offer products similar to UCB DURJOY. A comparison follows:

<table>
<thead>
<tr>
<th>Bank/FI Name</th>
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</tr>
</thead>
<tbody>
<tr>
<td>Brac Bank Limited</td>
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<td>BDT 10-100 lac</td>
</tr>
<tr>
<td>The City Bank Limited</td>
<td>Muldhon</td>
<td>BDT 10-100 lac</td>
</tr>
</tbody>
</table>
UCB JYOTI is a loan facility for ‘women’ entrepreneur’s small enterprises (defined within the frame work of Prudential Regulations) involved in trading, manufacturing, service, non-farm rural activities, agro-based industries, and many other acceptable sectors spread all over Bangladesh marketed through our branches/SME branches/Krishi branches across the country. The product offers overdraft facility for the purpose of working capital finance and agriculture production/trading. This product program guideline (PPG) is being presented as a product review document for the SME Division of United Commercial Bank Limited.

UCB Jyoti

Product Features: Overdraft Lending Product for Women Small Enterprises

Amount Range: Up to Tk. 500.00 lac

Tenor: 01 year, renewable each year.

Eligibility: The business must be a going concern with a minimum 1 year operation by women entrepreneur.

Purpose: Working capital, agriculture production/trading, and other business purposes for small size manufacturing concerns.

Market Analysis

A number of Banks and Financial Institutions are offering a variety of lending facilities to SMEs of Bangladesh. Many banks offer products similar to UCB JYOTI. A comparison follows:

<table>
<thead>
<tr>
<th>Bank/ Fi Name</th>
<th>Product Name</th>
<th>Overdraft Range</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brac Bank Limited</td>
<td>Apurba</td>
<td>BDT 10-100 lac</td>
</tr>
<tr>
<td>The City Bank Limited</td>
<td>Muldhon</td>
<td>BDT 10-100 lac</td>
</tr>
<tr>
<td>Eastern Bank Limited</td>
<td>Puji</td>
<td>BDT 10-50 lac</td>
</tr>
</tbody>
</table>
**UCB DIPTI** is a loan facility for ‘women’ entrepreneur’s small enterprises (defined within the frame work of Prudential Regulations) involved in trading, manufacturing, service, non-farm rural activities, agro-based industries, and many other acceptable sectors spread all over Bangladesh marketed through our branches/SME branches/Krishi branches across the country. The product offers terminating lending facility for the purpose of working capital finance and agriculture production/trading.

This product program guideline (PPG) is being presented as a product review document for the SME Division of United Commercial Bank Limited.

**UCB Dipti**

**Product Features**: Terminating Lending Product for Women Small Enterprises

**Amount Range**: Up to Tk. 500.00 lac

**Tenor**: 12 to 60 months.

**Eligibility**: The business must be a going concern with a minimum 1 year operation by women entrepreneur.

**Purpose**: Working capital, agriculture production/trading, and other business purposes for small sized manufacturing concerns.

**Market Analysis**

A number of Banks and Financial Institutions are offering a variety of lending facilities to SMEs of Bangladesh. Many banks offer products similar to UCB DIPTI. A comparison follows:

<table>
<thead>
<tr>
<th>Bank/ FI Name</th>
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<tr>
<td>The City Bank Limited</td>
<td>Muldhon</td>
<td>BDT 10-100 lac</td>
</tr>
<tr>
<td>Eastern Bank Limited</td>
<td>Puji</td>
<td>BDT 10-50 lac</td>
</tr>
</tbody>
</table>
The following credit principles are the ultimate reference points for making lending decisions for SMEAsset products:

1. Assess the customer’s character for integrity and willingness to repay
2. Only lend when the customer has capacity and ability to repay
3. Plan for the possibility of default
4. Only extend credit if we can sufficiently understand and manage the risk
5. Use common sense and past experience in conjunction with thorough evaluation and credit analysis. Do not base decisions solely on customer’s reputation, other lender’s risk assessment or the recommendations of other officers
6. Behave ethically in all credit activities
7. Be proactive in identifying, managing and communicating credit risk
8. Be diligent in ensuring that credit exposures and activities comply with the requirement set out in this Product Program
9. Optimize risk and reward by striking a suitable balance between risk and reward
10. Build and maintain a diversified credit risk portfolio to avoid risk concentrations and to ensure better liquidity management
**Sonirvor Current Account: Current Account for SME’s**

"SONIRVOR Current Account" is a Current Account for SME's to encourage them to enter into the wide range of modern banking facilities of United Commercial Bank Limited.

Eligibility:
Any type of institution/organization (preferably near UCBL Branches). It includes:

- Sole proprietorship business
- Partnership Business
- Limited Company
- Educational Institution
- NGOs/project
- Co-operative Society
- Market/Shop owner association
- Other organization

Features of Sonirvor:

- A perfect transactional account for Small & Medium entrepreneurs
- Free Online Banking
- Up to 5% interest
- Unlimited transaction, no restriction
- Business Debit (VISA/MASTER) Card (Sole Proprietorship Concerns only)
- SMS Banking Facility
- 24 hour Access to ATMs
- Internet Banking (on demand)
Sabolombi Easy Account: Current Account for Micro/Small Entrepreneur and Farmers

"SABOLOMBI Easy Account" is a current account in individual name used to open accounts of 1) Farmers, & 2) Owners of Sole Proprietorship business concerns.

Eligibility:

- Owners of sole proprietorship concerns, without having trade license issued in favor of themselves
- Farmers

Features of SABOLOMBI Easy Account:

- Free Online Banking
- Unlimited transaction, no restriction
- Up to 5% interest
- 24 hour Access to ATMS
- Internet Banking (on demand and free)
- SMS Banking (Farmer & Sole Proprietorship only)
**Prottoy Monthly Deposit: Monthly Deposit Scheme for SME's**

"PROTTOYI Monthly Deposit Scheme": is a monthly savings scheme targeted to small and medium enterprises located all over Bangladesh. The objective is to contribute to the growth of SME deposit book by offering monthly contributory deposit scheme, which will provide a pre-thought amount of deposit at the end of the plan/scheme tenor at a profitable interest rate on daily balance.

**Eligibility:**
Any type of organization (preferably near UCBL Branches). It includes:

- Sole proprietorship business
- Partnership business & limited company
- Educational institution
- NGO/project
- Co-operative society
- Market/shop owner association
- Existing SONIRVOR/SABOLOMBI Account holders
- Other organizations

<table>
<thead>
<tr>
<th>Minimum monthly contribution amount</th>
<th>BDT 500</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maximum monthly contribution amount</td>
<td>Multiple of BDT 500 with no upper ceiling</td>
</tr>
<tr>
<td>Tenor (Yrs)</td>
<td>1/2/3/4/5/6/7/8/9/10 Years</td>
</tr>
</tbody>
</table>
Uddomi Fixed Deposit: Fixed Deposit for SME's

UDDOMI Fixed Deposit is a term deposit product designed for SME clients.

Eligibility:
Any type of institution/organization (preferably near UCBL Branches. It includes:

- Sole proprietorship business
- Partnership Business & Limited Company
- Educational Institution
- NGOs/project
- Co-operative Society
- Market/Shop owner association
- SONIRVOR/SABOLOMBI account holders
- Other organizations

<table>
<thead>
<tr>
<th>Minimum amount</th>
<th>BDT 10,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maximum amount</td>
<td>No upper ceiling</td>
</tr>
<tr>
<td>Tenor</td>
<td>1, 3, 6, 12, 24, 36, 48, 60 months</td>
</tr>
</tbody>
</table>
7.3. Generic SME Products

Working Capital Finance:
UCB offers working capital finance by way of:

- Cash credit
- Overdraft
- Working capital loans

These are suitably structured to your needs and your risk profile as a part of consortium or as a sole banker. These products are designed to ease the liquidity position of the client.

Letter of Credit:
Whether you are an exporter or an importer, UCB offers an array of services to meet your Letter of Credit requirement which includes:

- Opening, Negotiating or Discounting
- Advising, Confirming, Reimbursement
- Foreign Exchange services

Import Finance
UCB offers post import finance to the importers in the form of Loan against Imported Merchandise (LIM), Loan against Trust Receipt (LTR), and Payment against Documents (PAD).

House Building Finance
UCB provides House Building Loan (HBL) for:

- Commercial purposes
- Real Estate Development Finance
7.4. Other SME Loans

Hire Purchase

UCB provides Hire Purchase (HP) facility to finance capital machinery, equipment and vehicle of industrial and other business units. In a Hire Purchase facility the borrower agrees to take the machinery and equipments on hire at a stated rental on an agreed tenure payable in equal installments that includes both principal and interest. Once payments of all required installments are made the ownership of the goods is transferred to the borrower.

Lease Finance

UCB also provide loan under lease agreement to finance capital machinery, equipment and vehicle to the manufacturing and other business units. In this case the leaseholder is given the exclusive right to use the leasehold asset for an agreed period of time against payment of rent.

Transport Loan

UCB is extending its facility to the transportation sector by providing transport loan to help purchase vehicles used in the public transportation services.

Work Order Finance

UCB provide work order finance for execution of work order against assignment of work order/bill for implementation of contractual works. This facility is provided both in funded and non-funded form for both short and medium term as Overdraft against Work Order or OD (Work Order), Performance Guarantee (PG), Advance Payment Guarantee (APG), Guarantee against Retention Money, Earnest Money, and Bid Bond.

Purchase of Bills

UCB purchases export documents against valid Sight/Usance Export L/C and Local Usance L/C under the head of Local Documentary Bills Purchased (LDBP) as Post-shipment finance.

Guarantee

UCB provides both foreign and local Letter of Guarantee on behalf of our valued customers. Our guarantee services include Bid-Bond, Performance Guarantee, Advance Payment Guarantee, Customs Guarantee, Shipping Guarantee, etc.
Last few years SME banking of UCBL is growing:

<table>
<thead>
<tr>
<th>Year</th>
<th>Balance (corer)</th>
<th>Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>57,545.60</td>
<td>40.09%</td>
</tr>
<tr>
<td>2013</td>
<td>70,246.60</td>
<td>22.07%</td>
</tr>
<tr>
<td>2014</td>
<td>87,670.00</td>
<td>24.80%</td>
</tr>
</tbody>
</table>

7.5) **Challenges of SME:** Though SME banking is a prospective business for banking sector still they have some challenges. UCBL also face challenges to compete in the market. The challenges are:-

- High Interest rate.
- Political Insatiability reduces the business prospect.
- Economic meltdown
- New Entrance in the banking industry
- Bad or loss in recovery.
8) **Recommendations**

- Need to reduce the interest rate to attract more SME borrower.
- Need to set a good marketing plan to compete with other banks.
- They should follow Specific Marketing plan for each product according to target group.
- Credit department works in branch level need to be more specifically distributed to be more focused.
- Overall future forecasting need to be more effective.

9) **Conclusion**

Despite many challenges and uncertainty, economic meltdown UCBL is continuously trying to focus no smooth banking for their clients in SME banking. UCB introduces various type of new products to maintain the customer demand. To fulfill the customers need they have 2deicated SME branches and 156 urban & rural branches. UCB also keeping only .25% provisioning for SME where they keep 1 or 2 % for other loan products. Its indicate UCBL is a SME friendly bank & aspire to be the most admired financial institution in the country, recognized as a dynamic, innovative and client focused company that offers an array of products and services in the search for excellence and to create an impressive economic value. To be the bank of 1st choice by creating exceptional value for our clients, investors and employees.
### Five Years' Financial Summary

(FIGURES IN MILLION TAKA EXCEPT RATIOS AND PER SHARE DATA)

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>Interest income</td>
<td>27,474.57</td>
<td>23,580.81</td>
<td>21,968.36</td>
<td>21,316.92</td>
<td>15,301.63</td>
</tr>
<tr>
<td>Interest expenses</td>
<td>14,718.75</td>
<td>14,303.24</td>
<td>12,956.88</td>
<td>12,702.21</td>
<td>8,203.21</td>
</tr>
<tr>
<td>Net Interest income</td>
<td>12,755.82</td>
<td>9,277.57</td>
<td>9,011.48</td>
<td>8,614.71</td>
<td>7,098.42</td>
</tr>
<tr>
<td>Non-interest income</td>
<td>7,821.62</td>
<td>7,278.76</td>
<td>6,359.08</td>
<td>5,360.95</td>
<td>1,653.95</td>
</tr>
<tr>
<td>Non-interest expenses</td>
<td>7,135.66</td>
<td>6,489.93</td>
<td>5,722.71</td>
<td>4,474.44</td>
<td>3,131.46</td>
</tr>
<tr>
<td>Gross Revenue</td>
<td>30,399.96</td>
<td>27,241.91</td>
<td>26,159.44</td>
<td>24,686.81</td>
<td>24,737.58</td>
</tr>
<tr>
<td>Gross Profit</td>
<td>15,228.59</td>
<td>13,939.08</td>
<td>13,886.04</td>
<td>12,592.37</td>
<td>9,294.37</td>
</tr>
<tr>
<td>Operating profit</td>
<td>8,400.24</td>
<td>7,189.46</td>
<td>6,726.37</td>
<td>5,760.22</td>
<td>3,975.98</td>
</tr>
<tr>
<td>Earnings before tax</td>
<td>8,254.73</td>
<td>6,977.07</td>
<td>6,037.07</td>
<td>4,929.04</td>
<td>3,573.36</td>
</tr>
<tr>
<td>Post-tax profit</td>
<td>7,293.34</td>
<td>6,835.67</td>
<td>5,887.32</td>
<td>4,738.06</td>
<td>3,179.98</td>
</tr>
</tbody>
</table>

#### Balance Sheet

- **Equity:**
  - Authorized capital: 15,000.00
  - Paid-up capital: 12,525.54
  - Shareholders' equity: 12,525.54
  - Borrowing: 62,450.73
- **Assets:**
  - Deposits: 220,884.48
  - Loans and advances: 194,468.45
  - Investments: 44,545.73
  - Fixed assets: 8,588.73
  - Other balance sheet: 140,733.79
- **Liabilities:**
  - Total assets: 293,847.23
  - Total liabilities: 248,228.41

#### Share Information

- **Market price per share:** 2.50
- **Number of shares outstanding (No. in million):** 100,000
- **Earnings per share (basic):** 0.86
- **Earnings per share (Diluted):** 0.86
- **Dividend (percent):** 2.00
- **Stock Dividend (percent):** 0.00

#### Financial Ratios

- **Profitability:**
  - Return on Capital Employed: 8.27
  - Net Interest Income as a % of working funds (Loan to Deposit Ratio): 40.46
  - Operating Cost/Income Ratio: 44.27
  - Cost of Funds as % of Total Deposit: 9.75

- **Efficiency:**
  - Return on Equity: 15.64
  - ROE: 15.64
  - Return on Equity: 15.64
  - ROA: 15.64

- **Liquidity:**
  - Current Ratio: 1.96
  - Quick Ratio: 1.96

- **Growth:**
  - Revenue Growth: 8.75
  - Earnings Growth: 8.75

- **Other:**
  - Yield on advance: 2.07
  - Spread: 2.07

---

*Note: All figures are in millions.*
## Five Years' Financial Summary

<table>
<thead>
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<tbody>
<tr>
<td><strong>Foreign Business</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Import</td>
<td>199,577.70</td>
<td>155,282.40</td>
<td>97,542.00</td>
<td>94,843.80</td>
<td>90,089.70</td>
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<tr>
<td>Export</td>
<td>148,229.30</td>
<td>130,477.20</td>
<td>94,288.50</td>
<td>78,399.00</td>
<td>78,962.80</td>
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<tr>
<td>Reconciliation</td>
<td>1,586.50</td>
<td>16,667.90</td>
<td>17,786.07</td>
<td>14,884.30</td>
<td>16,459.90</td>
</tr>
<tr>
<td>No. of Foreign grandson</td>
<td>537</td>
<td>532</td>
<td>563</td>
<td>397</td>
<td>333</td>
</tr>
<tr>
<td><strong>Capital Measures</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Re Liabilities</td>
<td>273,327.8</td>
<td>243,256.40</td>
<td>197,286.55</td>
<td>177,902.41</td>
<td>155,289.89</td>
</tr>
<tr>
<td>Tier I Capital</td>
<td>22,406.21</td>
<td>19,265.48</td>
<td>7,269.97</td>
<td>15,041.19</td>
<td>14,178.04</td>
</tr>
<tr>
<td>Tier II Capital</td>
<td>6,204.24</td>
<td>6,425.70</td>
<td>3,488.79</td>
<td>3,414.56</td>
<td>2,599.02</td>
</tr>
<tr>
<td>Total Capital</td>
<td>33,216.45</td>
<td>25,691.18</td>
<td>28,758.76</td>
<td>18,454.74</td>
<td>16,787.06</td>
</tr>
<tr>
<td>Tier I Ratio (percent)</td>
<td>8.0 %</td>
<td>7.9 %</td>
<td>8.7 %</td>
<td>8.4 %</td>
<td>9.2 %</td>
</tr>
<tr>
<td>Tier II Ratio (percent)</td>
<td>2.3 %</td>
<td>2.6 %</td>
<td>2.7 %</td>
<td>1.8 %</td>
<td>1.6 %</td>
</tr>
<tr>
<td>Capital Adequacy Ratio (percent)</td>
<td>12.3 %</td>
<td>13.5 %</td>
<td>11.5 %</td>
<td>10.37 %</td>
<td>9.87 %</td>
</tr>
<tr>
<td>Required Capital</td>
<td>77,332.71</td>
<td>24,325.04</td>
<td>18,938.05</td>
<td>17,790.45</td>
<td>15,223.19</td>
</tr>
<tr>
<td>Capital Surplus/Deficit</td>
<td>5,836.74</td>
<td>1,366.34</td>
<td>3,020.31</td>
<td>266.70</td>
<td>1,033.67</td>
</tr>
<tr>
<td><strong>Liquidity Measures:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash Reserve Requirement (percent)</td>
<td>8.2 %</td>
<td>7.4%</td>
<td>6.5%</td>
<td>6.3%</td>
<td>6.0%</td>
</tr>
<tr>
<td>Statutory Liquidity Ratio (percent)</td>
<td>16.68%</td>
<td>23.57%</td>
<td>21.65%</td>
<td>17.84%</td>
<td>16.67%</td>
</tr>
<tr>
<td>Current Assets</td>
<td>156,841.6</td>
<td>152,644.6</td>
<td>142,570.4</td>
<td>133,804.7</td>
<td>133,826.55</td>
</tr>
<tr>
<td>Current Liabilities</td>
<td>157,166.68</td>
<td>135,562.26</td>
<td>126,652.28</td>
<td>106,262.80</td>
<td>109,536.06</td>
</tr>
<tr>
<td>Net Current Assets</td>
<td>10,687.95</td>
<td>17,082.93</td>
<td>16,918.12</td>
<td>27,541.88</td>
<td>24,290.59</td>
</tr>
<tr>
<td>Long term Liabilities</td>
<td>121,515.3</td>
<td>108,452.94</td>
<td>79,758.89</td>
<td>21,814.54</td>
<td>23,860.30</td>
</tr>
<tr>
<td>Long term Liabilities/Current Liabilities (percent)</td>
<td>95.66%</td>
<td>80.24%</td>
<td>62.51%</td>
<td>132%</td>
<td>117.76%</td>
</tr>
<tr>
<td><strong>Asset Quality</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non Performed Loans</td>
<td>3,224.99</td>
<td>8,050.04</td>
<td>5,985.17</td>
<td>5,085.58</td>
<td>2,967.54</td>
</tr>
<tr>
<td>% of NPL to Total Loans and advances</td>
<td>5.23%</td>
<td>4.82%</td>
<td>4.03%</td>
<td>3.69%</td>
<td>1.79%</td>
</tr>
<tr>
<td>Total provision for Classified loans and advances</td>
<td>2,730.27</td>
<td>1,926.58</td>
<td>2,122.87</td>
<td>1,850.54</td>
<td>759.66</td>
</tr>
<tr>
<td>Total provision for Unclassified loans and advances</td>
<td>167,289.8</td>
<td>152,236.24</td>
<td>120,234.24</td>
<td>132,869.9</td>
<td>141.46</td>
</tr>
<tr>
<td>Total provision for Investment</td>
<td>292.84</td>
<td>292.84</td>
<td>292.84</td>
<td>292.84</td>
<td>292.84</td>
</tr>
<tr>
<td>Total provision for Other assets</td>
<td>97.44</td>
<td>58.34</td>
<td>31.41</td>
<td>24.91</td>
<td>14.91</td>
</tr>
<tr>
<td>Total provision for OSB Items</td>
<td>292.30</td>
<td>1,058.51</td>
<td>670.95</td>
<td>521.05</td>
<td>402.80</td>
</tr>
<tr>
<td><strong>Other informations</strong></td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>No. of branches</td>
<td>158</td>
<td>148</td>
<td>139</td>
<td>120</td>
<td>115</td>
</tr>
<tr>
<td>No. of ATM</td>
<td>151</td>
<td>145</td>
<td>101</td>
<td>81</td>
<td>77</td>
</tr>
<tr>
<td>No. of employees</td>
<td>3,837</td>
<td>3,679</td>
<td>3,445</td>
<td>3,374</td>
<td>2,982</td>
</tr>
<tr>
<td>Operating Profit per employee (BDT in million)</td>
<td>2.9</td>
<td>2.37</td>
<td>2.07</td>
<td>1.71</td>
<td>2.00</td>
</tr>
</tbody>
</table>

3. Annul Reporret 2012-2015
4. UCBL documents
5. SME Business review