

**Internship Report**

**On**

**Foreign Exchange Activities and Performance Analysis**

**of Uttara Bank Limited Using CAMEL Rating**



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**On**  
**Foreign Exchange Activities and Performance Analysis of**  
**Uttara Bank Limited Using CAMEL Rating**  
**Course Name: Internship (BUS-400)**

**Submitted to:**

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BBS Program

ID # 13104062



**BRAC UNIVERSITY**

Date of Submission: April 20, 2017

## LETTER OF TRANSMITTAL

**Date:** April 20, 2017

N.M. Baki Billah

Lecturer

BRAC Business School

BRAC University

**Subject:** Submission of the internship report.

Dear Sir,

I am pleased to present the final internship report on Foreign Exchange Activities and Performance Analysis of Uttara Bank Limited Using CAMEL Rating prepared as per the requirement of BBS Program. This report is extremely valuable to me as it has helped me to gain practical experience regarding foreign exchange activities. My internship with Uttara Bank Limited has been a worthwhile experience and the exposure to such organization is definite value to me.

I sincerely hope that this report will meet your expectations. If you have any queries regarding this report, please let me informed.

Sincerely Yours,

.....

Effat Zafrin

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ID # 13104062

BRAC Business School

BRAC University

## **ACKNOWLEDGEMENT**

At first, I would like to express my gratitude to almighty Allah for enabling me the strength and opportunity to complete the report in the schedule time successfully. I am taking this privilege to deliver my gratefulness to each and every people who are involved with me in every phase of our lives. I am grateful to my parents without whom I cannot be here.

Then I am deeply grateful to my supervisor Mr. N.M. Baki Billah (Lecturer, BRAC Business School, BRAC University) for his stimulating inspiration, kind guidance, valuable suggestions and advice during my internship period. His suggestions & guidance have made the report a good manner.

I express my sincere gratitude to Md. Rabiul Hossain (Managing Director, UBL) to give me the opportunity to proceed on my internship in Uttara Bank Limited. I also express my heartiest gratitude to Mr. Md. Atiqur Rahman (Manager, Shantinagar Branch), Mr. Md. Nakibul Islam (A.G.M & Second Officer, Shantinagar Branch), Mr. Md. Mahfuzur Rahman Talukder (Foreign Exchange In Charge, Shantinagar Branch), Md Abul Bashar (P.O, Foreign Exchange, Shantinagar Branch) for their cordial attitude & extending help which make me able to prepare my internship report properly.

It will be ungrateful if I don't mention the name of Mr Abdul Wahed (S.O, Shantinagar Branch)), Mrs. Asma Naz (S.O, Shantinagar Branch) and Mr. Masudur Rahman (O-II, Shantinagar Branch) who helped me a lot while working in Uttara Bank Limited. My special thanks to other officers of Uttara Bank Limited for giving me their valuable time.

## **EXECUTIVE SUMMARY**

The rationale behind this study is exploring performance of Uttara Bank Limited which is reflected on its ratio analysis on the financial statement of five years, foreign exchange activities and to provide some comments to improve its banking business. The analysis includes the ratio analysis of UBL's past five years performance results. The study also includes foreign exchange activities of Uttara Bank Limited.

The report is divided into the following seven parts- Introduction, Organization Overview, About Job, A Ratio Analysis of Financial Performance, Foreign Exchange Activities of Uttara Bank Limited, SWOT Analysis and Concluding Remarks. A Ratio Analysis of Financial performance is the most crucial section which covers important finding of the study. Foreign Exchange Activities is also major part of this report. Foreign exchange activities include how Uttara Bank Limited operates their foreign exchange operation in their day by day.

At the time of my work at the branch I have understood there is a gap between the practical and theoretical knowledge. I have enjoyed every step in conducting the study. These practical knowledge and experience will help me in my practical life.

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# **Chapter One**

## **INTRODUCTION**

# **CHAPTER ONE**

## **INTRODUCTION**

### **1.1 Introduction**

---

It is very important to have a practical application of the knowledge acquired from any academic course of the study. The internship program exercise a significant importance as it enables a student to familiar with the practical business activities. The student work closing with the people of an organization and learn about the function of that organization.

In the internship program I was attached to the Uttara Bank Ltd. Shantinagar Branch for three months. During my intern period in the Uttara Bank Limited, Shantinaga Branch, I worked under Foreign Exchange and General Banking departments of the bank. I worked under the supervision of Mr Mahfuzur Rahman Talukder (F.Ex. In charge, Shantinagar Branch) and his assistance and guidance in completing this report.

The topic my report is “Foreign Exchange Activities and Performance Analysis of Uttara Bank Limited Using CAMEL Rating”.

### **1.2 Statement of the Problems**

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- How to calculate the Ratio Analysis of financial performance over the last five years?
- The process of Foreign Exchange Department of Uttara Bank Limited?
- What are the problems of Shantinagar Branch, Uttara Bank Limited in foreign exchange management?
- The steps to be used to solve the problems.

### **1.3 Objectives of the Report**

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The principal intent of this report is to analyze the financial ratios of Uttara Bank Limited and their Foreign Exchange Department situation including the import, export and remittance process.

Objectives of the study are summarized in the following manner:

- To identify the present state of Uttara Bank Limited.
- To get an idea about the financial ratio analysis of Uttara bank.
- To describe Foreign Exchange Department, Import, Export, Foreign Remittance Process.
- To provide the recommendation for improvement.

### **1.4 Methodology of Data Collection**

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For achieving the specific objective of this study, I have collected the related data both from primary & secondary sources.

#### **Primary data have been collected from:**

- Interviewing and interacting with the customers of the branch
- Observing different organizational activities.
- Conversation with the staffs of this branch

#### **Secondary data have been collected from:**

- The annual reports of Uttara bank.
- Different papers of the bank.
- Various records of the bank, unpublished data.
- Different textbooks, journals, booklets and
- Web site of Uttara bank.

## **1.5 Limitations of the Study**

- The internship was based on only Uttara bank, Shantinagar Branch, so the report doesn't show all branches' activity of Uttara bank.
- The annual report and web sites are the main secondary sources of the information but this information was not enough to complete the report.
- The main limitation was that relevant data and document collection was difficult because of the confidentiality of the administration.
- It is too much difficult to comment and suggest based on only the annual report and information supplied by the organization.

## **1.6 Literature Review**

Foreign Remittance has become a major contributor to the Bangladeshi economy. From a recent report of World Bank Bangladesh has like almost 90 lakhs workers abroad who are regularly sending remittance to our country in almost 150 countries (Alam, 2012). Saudi Arabia has been the largest source of remittances, followed by UAE, Qatar, Oman, Bahrain, Kuwait, Libya, Iraq, Singapore, Malaysia, the US and the UK. Bangladesh is a huge labor surplus country (Bangladesh Bank Annual Report , 2015). On an average, it exports about 245,000 people annually (2000 -15). More than 28% of its foreign exchange earnings is derived from the remittances of the migrant workers (Abrar, 2014). The government gets huge foreign currency. The foreign remittance income is not only increasing foreign currency reserve but also playing a significant role to reduce poverty and to enhance the economic development of Bangladesh (Abrar, 2014). The flow of amount of remittance would be one thousand four hundred crore USD (Immigration and Development Division, World Bank, November 20, 2012). The position of Bangladesh is seventh in the world remittance income. It is gradually increasing from the last few years as many people are migrating outside the country for job opportunity. (Minister, 2012)

# **Chapter Two**

## **ORGANIZATION OVERVIEW**

## Chapter two

### Organization overview

#### **2.1 History of Banks in Bangladesh**

---

Bangladesh is a developing country. Banking sector plays an important role in the economic development of the country. Now-a-days, banks not only act as custodian of public money but also are known as vital agent for maintenance of financial position of a country. Bangladesh is a third world country with an under developed banking system. Nationalized Commercial Banks (NCBs) were established in Bangladesh in 1972. (Bangladesh Bank Annual Report , 2015)

In 1971 Bangladesh became independent. After liberation ‘Bangladesh bank’ was automated with the assets and liabilities of former “State bank of Pakistan”. The rate of growth and development of banking sector in the country was extremely slow until 1983 when the government allowed to establish private banks and started denationalization process.

The banking system is composed of nine state-owned commercial banks, five specialized development banks, forty seven private commercial Banks and nine foreign commercial banks.

#### **2.2 Overview of Uttara Bank Limited**

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Uttara Bank Limited is an ancient and well established bank of Bangladesh which celebrated its 50th anniversary of its Banking Service in 2015. Uttara Bank Limited (UBL) is a private commercial bank. It was established in 1965 to give some facility to the disadvantaged people of the then East Pakistan. At the time of its inception it was named “Eastern Banking Corporation”. After liberation of Bangladesh the Bank underwent a major change namely, it was nationalized in March, 1972 and given the name “Uttara Bank”. In 1983 he became the first privatized bank in Bangladesh and took the name “Uttara Bank Limited”. The bank first floated its share in 1984.

Uttara Bank is one of the largest and oldest private sector commercial bank in Bangladesh. At present the bank has 229 branches at home and 600 affiliates worldwide. All homo branches are under online network. Total number of employees nearly 3,746. The Board of Directors consists

of 14 members. The bank is headed by the Managing Director who is the Chief Executive Officer. The Head Office is located at Bank's own 18-storied building at Motijheel, the commercial center of the capital, Dhaka. (Uttara Bank Limited, n.d.)

### **2.3 Mission of Uttara Bank Limited**

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- To provide high quality financial customer service
- To maintain corporate and business ethics.
- To become a trusted repository of customers money and their financial advisor.
- To make their stop superior and rewarding to the customers.
- To display team spirit and professionalism.
- To have a sound capital base
- Continuously improving profitability, productivity and thereby enhancing shareholder value.
- Creating and maintaining a set of hard working and efficient employees.
- To extend financial assistance to poorer section of the people

### **2.4 Vision of Uttara Bank Limited**

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- To establish and maintain modern banking technique to ensure the development of financial system.
- To contribute in the socio economic development of Bangladesh.
- To establish relationship banking and improve service quality through development of strategic marketing plan in every possible way and in every department.
- Ensure optimum utilization of all available resources and become one of the best bank in Bangladesh.
- Bring total satisfaction to its clients, sponsors and employees



## **2.5 Objectives of Uttara Bank Limited**

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Objectives are specific and easier to measure. An organization without objective is like a person who is wandering with no purpose. The objective of Uttara Bank is based on its vision. The main objectives are given below:

- To ensure growth and development of the bank.
- To participate in development of the country.
- To develop SME banking, foreign remittance, foreign trade.
- To finance the international trade both in import and export
- To encourage new entrepreneurs and to increase the industrialization in our country.
- To use resources of the bank efficiently.
- To get more deposits
- To extend foreign exchange business.
- To conduct social welfare , activities through banking
- To increase the services (backed by technology) by efficient employees.
- To increase the facility through online
- Establish more reachable branches and ATM booths for customers.
- To maintain a good position in the competitive banking sectors in Bangladesh.
- Provide employment opportunities.

## **2.6 Facilities of Uttara Bank Limited**

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Their services include the following facilities:

- International division
- International trade service
- Risk management department
- Treasury service
- Off-shore banking services
- AD branches
- Foreign currency unit

- NFCD account
- RFCD account
- Standard settlement instruction
- Exchange rate

## **2.7 About Shantinagar Branch of UBL**

---

It is situated in 40-41 Bir Uttam Samsul Alam Sharak, Shantinagar, Dhaka. It is an AD Branch. It is an old branch. The clients are all the banks old clients and they are getting new clients regularly only because of their good wills. Shantinagar branch includes Retail Banking, Corporate Banking, SME Banking, NRB Banking, Islami Banking, Investment Banking, Merchant Banking and Project Finance, Loan Syndication, Money Transfer along with foreign exchange.

## **2.7 Products And Services of Uttara Bank Limited**

---

Uttara Bank Limited offers different types of products and services. (Uttara Bank Limited Annual Report , 2011- 2015)

### **General Banking Services:**

Uttara Bank Limited provides all general banking services to its customers through 211 fully computerized branches all over Bangladesh. It presents Savings account and Current account for deposit and withdrawal of money as and when required. In addition it provides other banking services of transfer of money through Pay order, Demand draft etc. As a result of adapting the modern technology it's able to deliver quickest and most accurate services to the clients.

### **Deposit Schemes:**

In addition to normal banking services Uttara Bank entertains special depositors with enhanced interest rates. Special deposit schemes available with UBL are Fixed Deposit Receipt account, Double Benefit Deposit scheme and Monthly Deposit scheme.

Any Bangladeshi staying at home or abroad may have a FDR account at Uttara Bank. The duration of a FDR may be 3, 6, 12, 24 and 36 months. Interest rate is quite attractive which varies with duration. Double Benefit Deposit Scheme doubles your deposit just in 8.5 years. Minimum deposit required for the program is BDT 100,000.

Monthly Deposit Scheme is another unique opportunity for limited income people to save money for future. This scheme is of two options, 5 years and 10 years of duration. Another selection to be made is for monthly installment. You have 5 alternatives here, starting from BDT 500 through 10,000. Lucrative interest rate is offered here

These deposit schemes are targeted to definite groups of people and in the meantime all these schemes have successfully hit their targets. Every day new clients are getting in for a deposit scheme in Uttara Bank limited.

In addition to the above, Uttara Bank has introduced another deposit scheme, named Special Notice Deposit. Government, semi Government organizations and individuals are entitled to open this scheme in UBL. A 7 days' notice is required to withdraw money from this account. This scheme offers a handsome interest as well.

### **International Banking:**

Any individual, firm or organization earning foreign exchange may open a foreign currency account with Uttara Bank. Account holder is allowed to make payments abroad in foreign currency and local payment in BDT. Account is also entitled to get interest under some conditions. Uttara Bank maintains its accounts with a good number of reputed banks in Europe, America, Australia and Far eastern countries. This is to settle any trading issue or help remittance payment for expatriate Bangladeshis.

### **Loan and Credit Schemes:**

Uttara Bank distributes loans in different schemes. It provides Consumer credits, Personal loans, Building repair loans and small business loans. UBL started Uttara Consumer Credit scheme in 1996. This scheme provides financial assistance to people for purchasing Motor Bike, Motor car, Refrigerator, Air cooler, Personal computer and many more consumer goods. Personal loan is available for salaried officers to meet their emergency needs like marriage of self or dependent,

medical expenses of self or dependent or educational expenses. This program doesn't ask for a security even. Building repair loan is sanctioned for those having buildings of their own. With reasonable interest rate UBL provides this loan to a deserving candidate. People doing small businesses often suffer from inadequacy of fund. They have almost no source of finance. UBL comes forward with sufficient fund for them.

## **2.8 Technologies of Uttara Bank Limited**

UBL's technologies are regularly upgraded and realigned to fulfill customer expectation. Their delivery standards are constantly monitored and improved to assure the highest satisfaction. Their people are routinely skilled and empowered to be responding to customer needs. Recently they signed enterprise agreement with Microsoft to strengthen their IT backbone to provide faster and convenient banking services to their customers. As per the agreement, Uttara bank will get new version of Microsoft software, direct technical support, online and class-room training for IT Pro and users. This will also ensure and help the bank to deploy stronger security features and will increase their user productivity.

## **2.9 Network of Uttara Bank Limited**

Corporate Offices ( Corporate Branch & Local Office )	2
Regional Office	12
Worldwide Affiliates	600
Total Branches ( Including Corporate Branch & Local Office )	229
Authorized Dealer Branches	39
Treasury & Dealing Room	1
Training Institute	1
Man Power	3746

## 2.10 Different Wings of Uttara Bank Limited

Name of the Division	Affiliated Departments
Human Resources Division	Personnel Department
	Disciplinary Department
	Test Key Department
	Research & Planning Department
	Risk Management Department
Central Accounts Division	Accounts Department
	Reconciliation Department
Credit Division	Approval Department
	Administration & Monitoring Department
	Lease Finance Department
	Recovery Department
	Sustainable finance Department
Information & Communication Technology (ICT) Division	MIS Department
	Development & Support Department
	Card Department
Internal Control & Compliance Division	Audit & Inspection Department
	Monitoring Department
	Compliance Department
Banking Control & Common Services Division	Anti-Money Laundering Department
	Branches Operation Department
	Business Promotion Department
	Green Banking Department
Board & Share Division	Board Department
	Share Department
International Division	Corresponding Banking Department
	Remittance Department
	Trade Services Department
Treasury Division	Front Office (Dealing Room)
	Back Office
	Asset & Liability Management Department
Establishment Division	General Services Department
	Transport Department
	Stationery & Records Department
	Engineering Department
Corporate Banking Division	Credit Marketing Department
	Credit Business Development Department
Managing Director's Secretariat	Public Relations Department

## **2.11 Hierarchy of Uttara Bank Limited**

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Managing Director
Additional Managing Director
Deputy Managing Director
Executive General Manager
General Manager
Deputy General Manager
Assistant General manager
Senior Principal Officer
Principal Officer
Senior Officer
Officer Grade II
Assistant Officer

## **2.12 Hierarchy of Foreign Exchange Department of UBL**

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Assistant General Manager
Relationship Manager
Foreign Exchange In charge
Principal Officer
Senior Officer
Provision Officer
Assistant Officer
Messenger

## **2.13 UBL in Competitive Market**

Uttara Bank Limited successfully completed the year of 2016 with a good position. At the same time the overall macroeconomic scenario of the country was destructive because of political & natural calamities. There is the existence of substitute products of such private commercial Bank like different finance companies, micro credit by NGOs (Non-Government Organizations) & money market existing in the country. Bargaining power of customers is very high as customers have the opportunity to switch into other financial organization easily. In the year of 2016, the Bank achieved good performance in corporate Governance, tremendous success on foreign trade & in managing of risk. But for the lack of technological facilities and customer care their performance with deposit & credit decreased. Considering the overall perspective of the market & the performance of overall banking activities of UBL, it can be proved that the performance of the Bank was not quite satisfactory.

## **2.14 SWOT Analysis of Uttara Bank Limited**

SWOT analysis is an important tool for evaluating the company's Strengths, Weaknesses, Opportunities and Threats. Here the SWOT Analysis of Shantinagar Branch is discussed.

### **Strengths:**

- It has a well reputation and well established one as its one of the oldest private bank in Bangladesh.
- Bank has a very competent and experienced top Management
- Stable Source of Funds
- Strong Liquidity Position
- Profitability rate is satisfactory.
- Co-operation between employees and friendly environment.

## **Weakness;**

- The Bank does not have any formal promotional activity, does not give any sort of advertisement or does not have any marketing activity. So the specific branch is not different from the others.
- The online and mobile banking facility is new so they are not reaching to many customers.
- There's no ATM Booth in this area but other banks have ATM Booths.
- The credit card system is also new for them.
- The decision making process is quite slow as they have to take every decision discussing with the head office.

## **Opportunities:**

- As the interest rate is higher than other banks so its an opportunity to collect the customers
- Increasing awareness of Banking system
- They are recruiting new people so there is diversification in products and services also the marketing process.

## **Threats:**

- In this area there are at least five multinational banks with their extra facilities.
- Beside these there are other established banks who are offering better customer service than Uttara Bank.
- Inadequate market information
- As there is work going on for Flyover so the communication system is the most important new threat.



# **Chapter Three**

**ABOUT JOB**

## **Chapter Three**

### **About Job**

#### **3.1 Name and Address of the Organization**

---

The name of the Internship placement organization was Uttara Bank Limited. Internship attachment was at Shantinagar Branch of the bank which is situated at 40 -41, Siddeswari Circular Road, KULSUM (1st Floor), Dhaka-1217.

#### **3.2 Job Description**

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My internship at Uttara Bank Limited for the period of 3 months started from December 19, 2016 to March 19, 2017. During my intern period in the Uttara Bank Limited, Shantinagar Branch, I worked under for all departments' particularly general banking and foreign exchange department of the bank.

In an organization it a must for everyone to follow the rules, regulations and disciplines of the organization strictly. So as an intern I was not exceptional. It was also applicable for me. The office hour was from 9am to 6pm. The office environment is very pretty and friendly. All employees are very responsive and caring. They always helped me to learn extensively. Employees were doing their job as a team. They help each other in every situation. They accepted me cordially and treated me as their team member. During the internship program, from December 19, 2016 to January 5, 2017; From January 8, 2017 to March 19, 2017; I worked in the Foreign Exchange Department. I had to do the following works in both department.

##### **General Banking:**

- Sorted the data for day to day services
- Wrote pay order
- Clearing ,transfer scroll, bank cash scroll, account department (arranging voucher)
- Opened new accounts (general and Enterprise) to the customers.

**Foreign Exchange Department:**

- Provided different types of L/C services like export and import L/C opening,
- Calculated and put up application form of Inland Bills Purchase (IBP) and Inland Foreign Bills Collection (IFBP),
- Calculated some of Foreign Bills Purchase Awaiting Remittance (FBPAR),
- Put SWIFT and input data into excel sheet.
- Filled up Import Monitoring Payment (IMP) forms.

# **Chapter Four**

## **FOREIGN EXCHANGE ACTIVITIES OF UTTARA BANK LIMITED**

## **Chapter Four**

### **Foreign Exchange Activities of Uttara Bank Limited**

#### **4.1 Definition of Foreign Exchange**

---

Foreign exchange is the rate of exchange in the both country's currency. (Miah, 2013)

Foreign Exchange is a process of converting one nation's currency into another and transferring money from one country to other countries. As more than one currency is involved in foreign trade, it gives rise to exchange of currencies which is known as foreign exchange.

Foreign Exchange Regulation Act 47 Sec 22 (d) states that foreign exchange means foreign currency and including any instrument drawn, accepted, made or issued under clause 13 of section 16 of Bangladesh Bank order 1972 all deposits, credits and balances payable in any foreign currency, and any drafts traveler Cheques, letter of credit and bills of exchange express or drawn in Bangladesh currency but payable in foreign currency (Miah, 2013)

#### **4.2 Foreign Exchange Risk Management**

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Foreign exchange risk is the risk that exchange rate changes can affect the value of a financial institution's assets and liabilities located abroad. To reduce this category of risk, a strong management system control is required. The front office of the Bank's treasury department continues to determine foreign exchange rate & tries to reduce the associated risk while the back office settles all foreign exchange transactions & reconciliation. (Gitman, 2016)

#### **4.3 Sections**

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Foreign exchange department of UBL, Main Branch is divided into two sections:

- L/C Operation
- Foreign Remittance

## 4.4 L/C Operation

---

Letter of Credit (L/C) can be defined as a “Credit Contract” whereby the buyer’s bank is committed (on behalf of the buyers) to place an agreed amount of money at the seller’s disposal under some agreed conditions.

We can understand the total procedure of a Letter of Credit by the following Flow Chart:

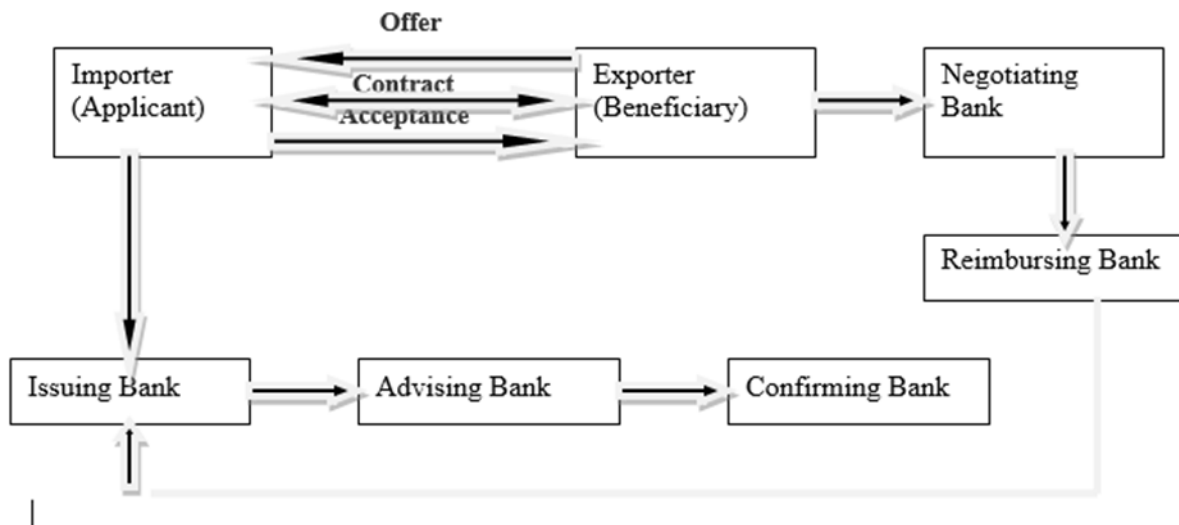


Table 1: Process of L/C

### 4.4.1 Types of letter of credit

---

There are various types of documentary Letter of Credit:

- Revolving L/C
- Irrevocable L/C
- Confirmed Irrevocable L/C
- Revolving L/C
- Back to Back L/C
- Transferable L/C
- Red Clause L/C
- Green Clause L/C

- Stand by L/C
- Performance L/C

#### **4.4.2 Documents Used in L/C Operation**

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The most commonly used documents in foreign exchange are

1. Bill of Exchange
2. Bill of Lading
3. Commercial invoice
4. Certificate of origin
5. Inspection certificate
6. Packing list
7. Insurance document
8. Pro Forma Invoice (PI)/Indent

#### **4.5 About Import**

---

Import means purchase of goods and services from the foreign countries into Bangladesh. in brief, we can say that import is the flow of goods and services purchased by economic agent staying in the country from economic agent staying abroad.

**1.** The importer must submit the following papers along with L/C application before opening a Letter of Credit (L/C):

- i) Valid Import Registration Certificate (IRC) (commercial/industrial)
- ii) Taxpayers Identification Number (TIN)/ Membership Certificate
- iii) VAT Registration Certificate
- iv) Proforma/Indent Invoice duly accepted by the importer.
- v) Insurance Cover Note with Money Receipt covering value of goods to be imported plus 10 (Ten) percent above.

- vi) IMP forms duly signed by the importer.
- vii) LCA forms duly signed by the importer and incorporating New ITC number of at least 6 (six) digits under the Harmonized System as given in the Import Trade Control Schedule 1988.
- viii) Credit report of the supplier / country of supplier.
- ix) Poet import finance (required or not)
- x) Margin for opening L/C
- xi) Authority /sanction
- xii) Other documents/ papers etc.

2. Then the importer has to contact with the seller outside the country to obtain the Pro forma Invoice.

3. When the importer accepts the Pro forma Invoice, he/she makes a purchase contract with the exporter detailing the terms and conditions of the import.

4. After making the purchase contract, importer settles the means of payment with the seller.

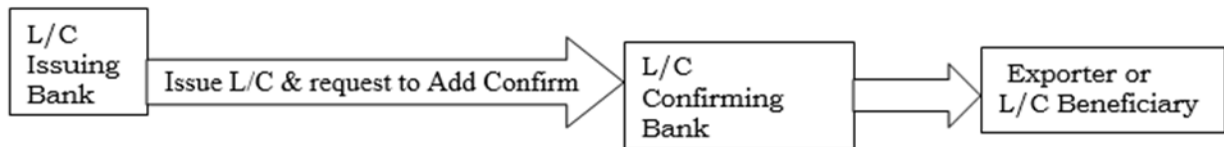


Table 2: Import Process

#### **4.5.1 Import Business Situation of UBL of Five Years**

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YEAR	PERCENTAGE CHANGE
2011	10%
2012	7%
2013	12%
2014	12%
2015	-18%



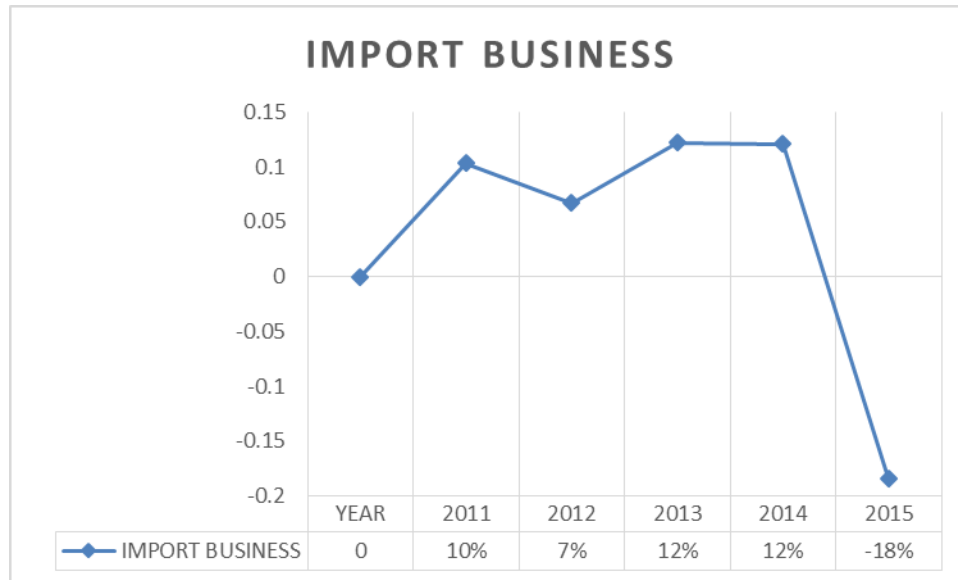


Figure 1: Import Business Situation

From the Graph it is interpreted that the income from import of UCBL was not stable. It was highest in FY 2014 and in FY 2015 it was the lowest which is around \$38738 Million. The main reason for this down fall was that time political situation of our country. For that reason the Foreign buyer were discouraged and many orders had been canceled.

## **4.6 About Export**

An export is a function of international trade whereby goods produced in one country are shipped to another country for future sale or trade. The sale of such goods adds to the producing nation's gross output.

Export L/C operation is just reverse of the import L/C operation. For exporting goods by the local exporter, bank may act as advising banks and collecting bank (negotiable bank) for the exporter.

### **Procedures of export:**

1. Registration of Exporters:
2. Securing the Order
3. Signing the Contract

4. Receiving Letter of Credit
5. Procuring the Materials
6. Shipment of Goods
7. Submission the documents Bank are negotiation

#### 4.6.1 Export Business Situation of UBL of Five Years

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YEAR	PERCENTAGE CHANGE
2011	17%
2012	-10%
2013	1%
2014	-6%
2015	-10%



Figure 2: Export Business Situation

From the Graph it is interpreted that the income from export of UCBL has decreased gradually. It was highest in FY 2011 and in FY 2015 it was the lowest which is around \$12224.4 Million. The main reason for this is the there was a “Currency War” going on in the world amongst the main nations (UK, USA, Germany, Pakistan and China). But in 2015 it again decreased because of the political crisis that affected business in the first three months this year.

## **4.7 Foreign remittance**

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Foreign remittance section of UBL, is an integral part of Foreign Exchange Department. And this section of Foreign Exchange Department deals with incoming and outgoing foreign currencies. Therefore on the basis of its function, foreign remittance is divided into two types.

These are:

1. Outward Foreign Remittance and
2. Inward Foreign Remittance

The different types of foreign remittance are given here:

### **Outward Foreign Remittance:**

Remittances issued by UBL, to foreign correspondents to fulfill its customers' needs are considered to be the Outward Foreign Remittances. It comprises the followings:

1. Foreign Demand Draft (FDD) Issued
2. Foreign TT Payable (FTT) Issued
3. Traveler's Cheque (TC) Issued
4. Endorsement of Foreign Currencies in Passport
5. Opening of Foreign Currencies

### **Inward Foreign Remittance:**

Inward Foreign Remittance comprises of all incoming foreign currencies.

Followings are the Inward Foreign Remittances of UBL

- a. FDD Payable
- b. FTT Payable
- c. TC Payable
- d. Encashment of foreign currencies endorsed in the passport.
- e. Purchase of foreign currencies.

#### **4.7.1 How Does Foreign Remittance Work**

With the objective of attracting the Bangladeshi wage earners abroad and the non-resident foreigners to invest in Bangladesh, the bank offered them the opportunity to open Non-resident Foreign Currency Deposit (NFCD) account, Foreign Currency Current Deposit (FCCD) account. For this they have to open a FC (Foreign Currency) account.

#### **Facilities:**

- Deposited foreign currency can be encashed in BDT.
- Foreign currency can be sent abroad through bank.
- Foreign currency can be taken with while going abroad.
- Applicable interest can be earned on deposited amount of related foreign currency.
- Interest earned against this account is tax free.

#### **4.7.2 Foreign Remittance Business Situation of UBL of Five Years**

YEAR	PERCENTAGE CHANGE
2011	-14%
2012	13%
2013	2%
2014	15%
2015	2%

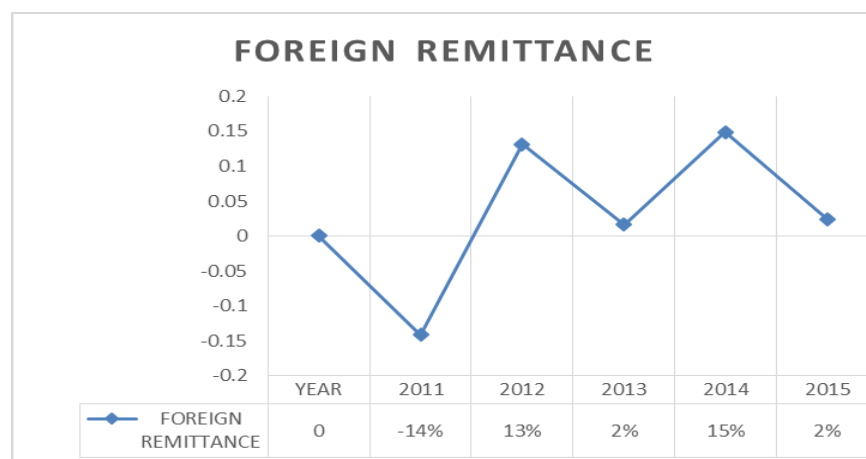


Figure 3: Foreign Remittance Situation

This foreign remittance graph shows the effect of earning from foreign remittance. The income has fallen drastically in FY 2011 which was the result of great economic fall of worldwide. But it recovered bit by bit within the following years. It failed to maintain a regular improvement and fluctuated a lot within those four years. The main reason was the worldwide political situation and also the customer verification.

**4.8 Overall Performance of Foreign Exchange of UBL (2011-2015)**

**Export Business of UBL (2011-2015):**

YEAR	AMOUNT IN MILLION
2011	15588.5
2012	14192.9
2013	14306
2014	13447.3
2015	12224.4

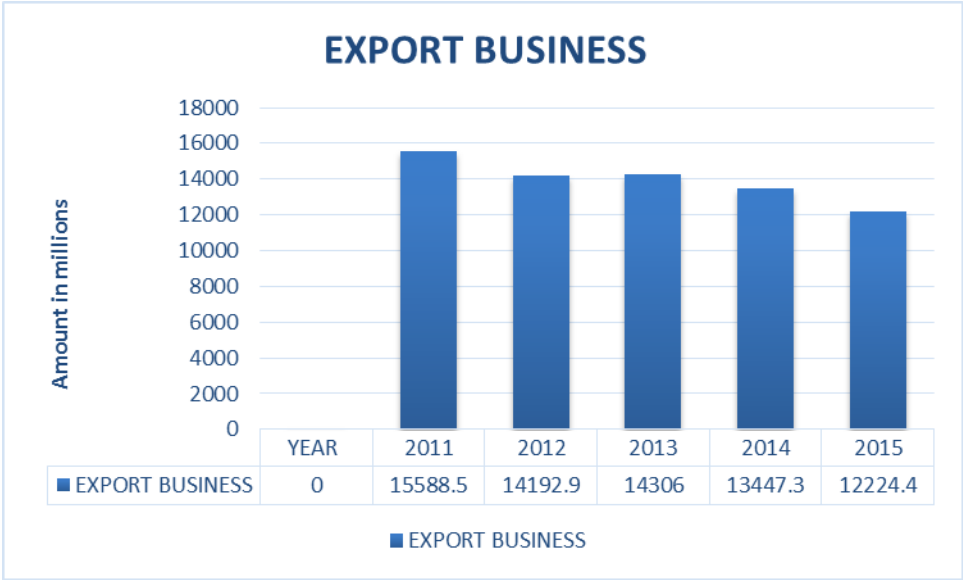


Figure 4: Export Business (2011-2015)

The export Business did not fluctuated very much within these years as the economic condition was stable. But in 2015 it was lowest as for the worldwide economic condition.

### **Import Business of UBL (2011-2015):**

YEAR	AMOUNT IN MILLIONS
2011	33037.6
2012	35418.6
2013	40336.8
2014	45870.9
2015	38738

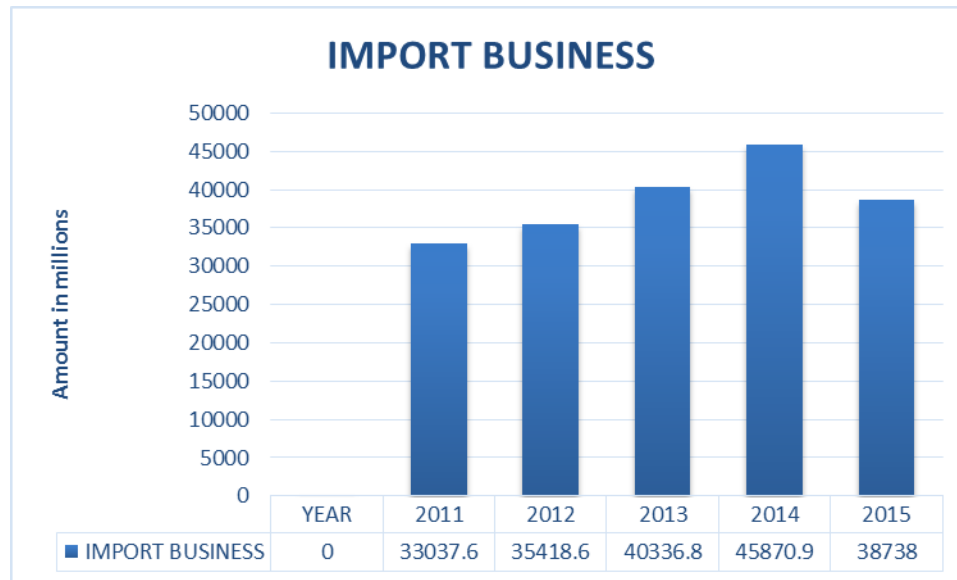
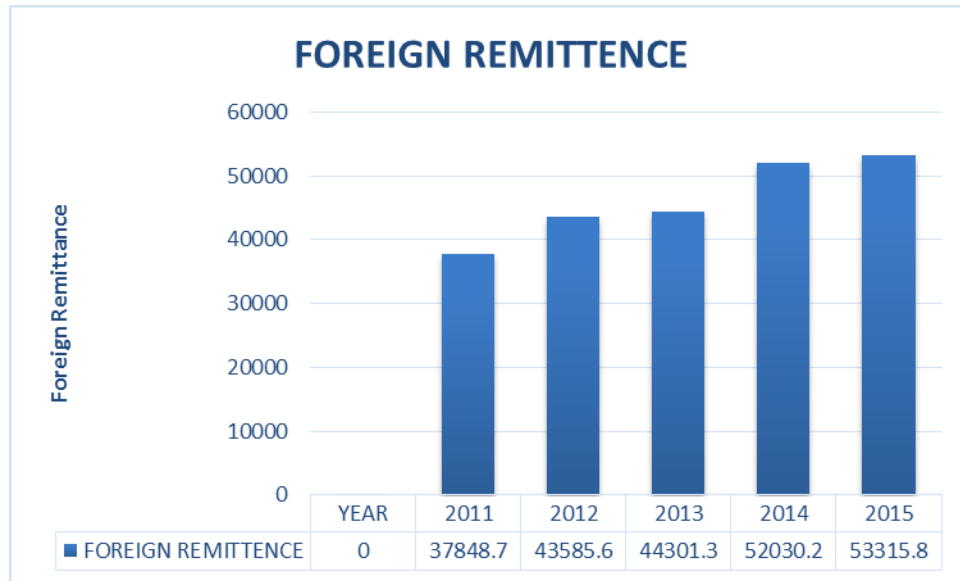


Figure 5: Import Business (2011-2015)

In 2014 the import business increased because the export was lower and there was a demand in economic condition

### **Foreign Remittance Business of UBL (2011-2015):**

YEAR	AMOUNT IN MILLIONS
2011	37848.7
2012	43585.6
2013	44301.3
2014	52030.2
2015	53315.8



*Figure 6: Foreign Remittance (2011-2015)*

The foreign remittance gradually increased in those years as the foreign workers were increasing. In 2015 it was highest as many countries took workers from Bangladesh.

# **Chapter Five**

## **A RATION ANALYSIS ON FINANCIAL PERFORMANCE**



## Chapter Five

### A Ration Analysis on Financial Performance

#### 5.1 Ratio Analysis

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A ratio analysis is a quantitative analysis of information contained in a company's financial statements. A bank's balance sheet and profit and loss account are valuable information sources for identifying risk taking and assessing risk management effectiveness. This section will discuss some selected ratios from various perspectives.

##### 5.1.1 Capital Adequacy Ratio (CAR)

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It is the measurement of bank's capital for expressing the bank's risk weighted credit exposures. For protecting the depositors and promoting the stability and efficiency of financial system around the world. Two types of capital are measured: tier 1 capital the core capital, which can absorb losses without a bank to cease trading and tier 2 capital is supplementary capital, which can absorb losses a winding-up event and for that provide a lesser degree of protection to depositors.

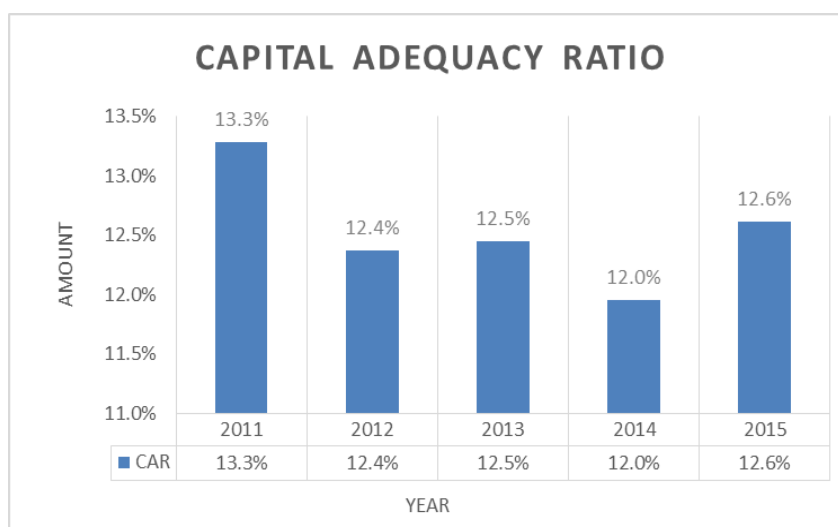


Figure 7: Capital Adequacy Ratio

In maintaining adequate capital against overall risk of the bank, the philosophy of UBL was to strengthen risk management and internal control. Uttara Bank Limited has been generating most of the incremental capital from retained profit (stock dividend, statutory reserve, general reserve,

etc.) to support incremental growth of Risk Weighted Assets (RWA). At the end of 2015, Capital Adequacy Ratio (CAR) was 12.61%. The reason for that was at that time for the poor economic condition the amount of loans increased which resulted the banks strength.

**5.1.2 Leverage Ratio**

A leverage ratio is meant to evaluate a company’s debt levels. The most common leverage ratios are the debt ratio and the debt-to-equity ratio. It is calculated through the debt and shareholders’ equity. Banks rely on a mixture of owners' equity and debt to finance their operations. A leverage ratio is any one of several financial measurements that look at how much capital comes in the form of debt (loans), or assesses the ability of a company to meet financial obligations.

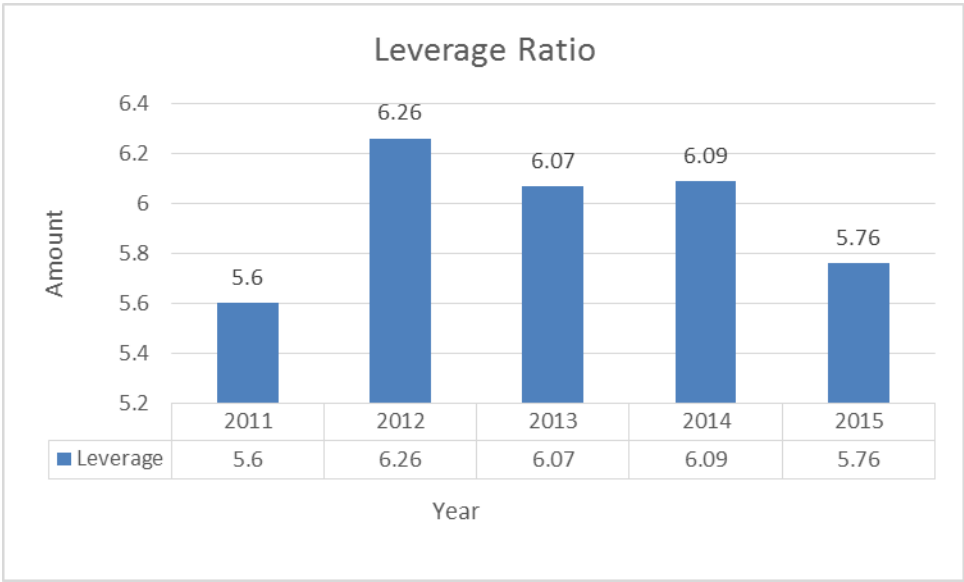


Figure 8: Leverage Ratio

Here in FY 2011 the leverage ratio was 5.6 but in FY 2012 al on a sudden it increased to 6.26. This time the company used debt and other liabilities to finance its assets which was more risky. But it was decreased in 2015 and coming back to normal again. The reason for the sharp rise in 2012 was the then economical condition worldwide.

### 5.1.3 ROE

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It is the amount of returned income as proportion of shareholder equity excluding preferred shares. ROE always measures the profitability by showing how much profit a bank is generating through investing shareholder's money.

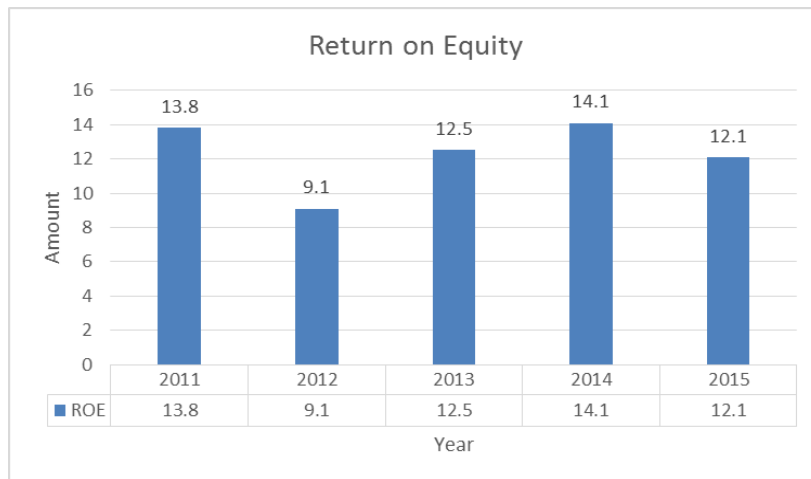


Figure 9: Return on Equity

This graph is showing that, in 2012, the ROE dropped a bit after a good return of the previous year accordingly. It is simple because the net income decreased in this year. From the income statement of this year we can see that the provision for classified and unclassified loans and advances, provision of other assets and general debit entries increased at a high which makes the net income to be low.

### 5.1.4 Classified Loan

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Classified loans are bank loans that have been issued according to the terms and regulations of the bank, but later become suspect of recovery in terms of unpaid interest and principal outstanding. It is calculated through Non performing loan and total loan.

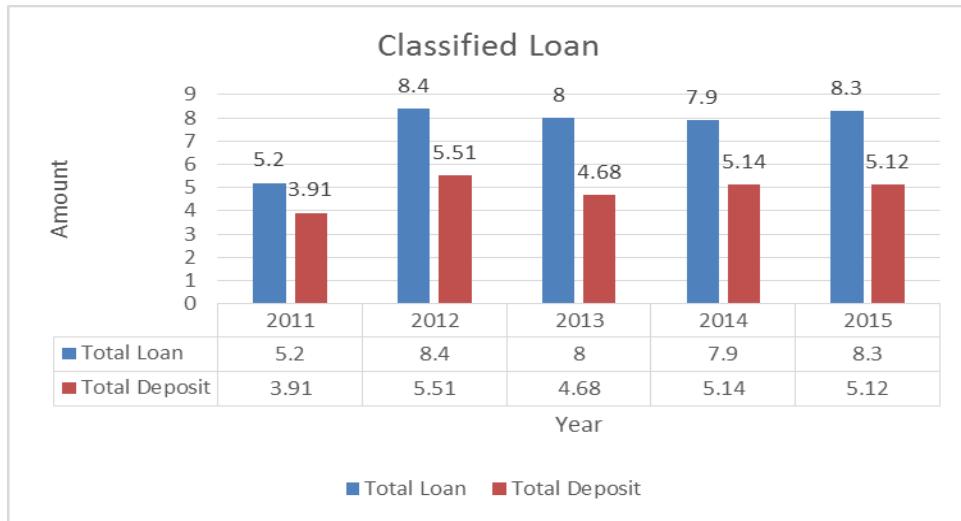


Figure 11: Classified Loan

In year 2011 the classified loan of the bank was much lower than the other years. It was because the non-performing loan was lesser this year than other years.

### 5.1.5 Income Per Employee

Income per employee is a measure of management efficiency. Income per employee takes the company's operating income and divides it by the number of employees.

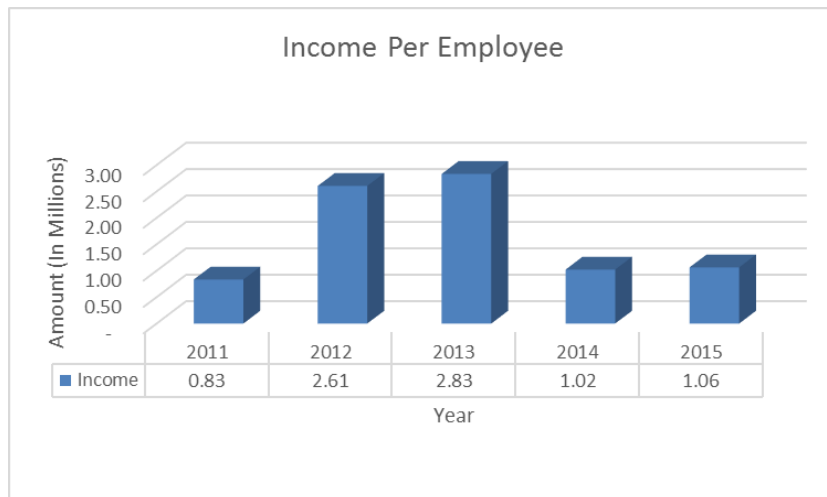


Figure 11: Income Per Employee

According to the graph it is seen that in FY 2012 and 2013 the efficiency of employee of UBL was higher than the other years as it is known that the higher the rate the higher the efficiency.

**5.1.6 Expense Per Employee**

Amount a company is spending on operating expenses over the amount of employees. Expense per employee takes the company's total cost and divides it by the number of employees.

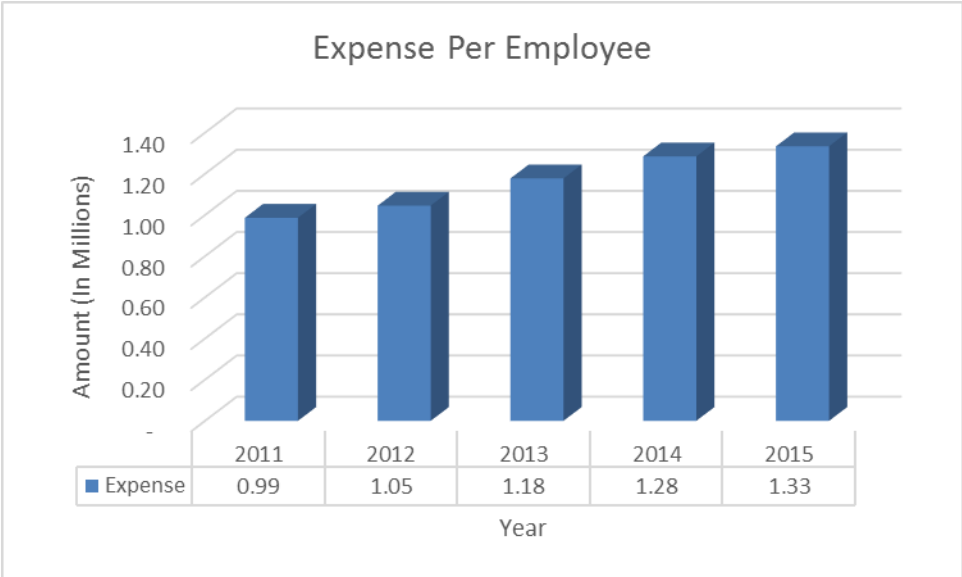


Figure 12: Expense Per Employee

Expense per employee includes the average employers' costs. It was increasing gradually from FY 2011 to FY 2015. In 2015 it was the higher. As the organization was introducing new facilities do the expense was also increasing.

**5.1.7 Net Interest Margin**

It is a measure of the difference between the interest income generated by banks and the amount of interest paid out to their lenders, relative to the amount of their assets. It is kindly similar toGross margin. NIM is a performance metric that tests investment's success decision compared to its debt situations.

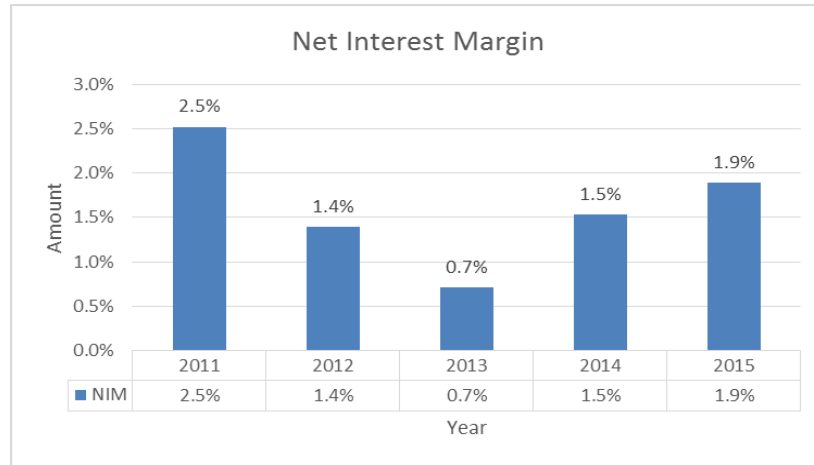


Figure 13: Net Interest Margin

This graph is showing that back in 2011 and 2015 the NIM was high because of the difference between the interest income and expense was drastic. The interest spread was much high back than that is why the NIM was also high. However, the NIM was not negative. The sharp fall in 2012 was the reason of decreasing the NIM was the less difference between the interest income and expense.

### 5.1.8 Net Profit Margin

It is the percentage analysis of net profit for banks. Basically, NPM shows how much of each dollar collected by a bank as revenue translated into profit.

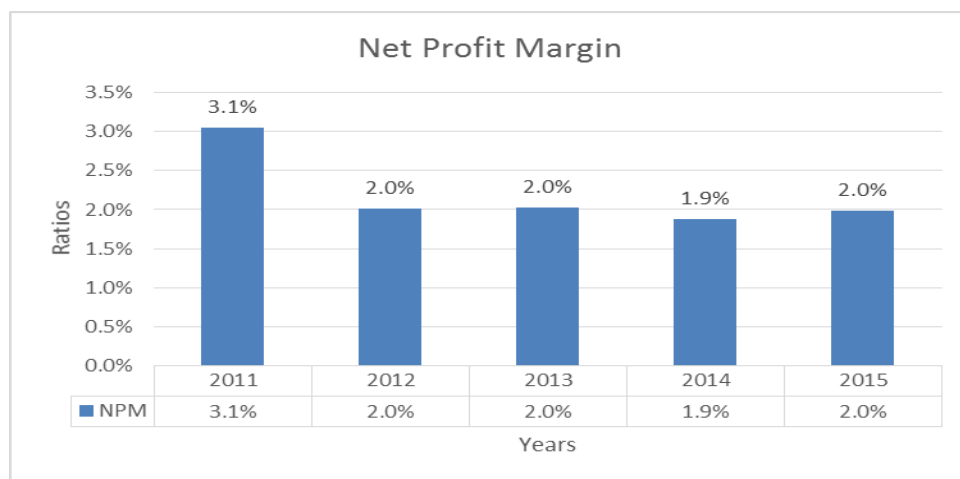


Figure 14: Net Profit Margin

According to this above graph, the NPM of 2014 was relatively low from their previous years. This decrease was happened due to low net income in the year. But in 2011 the NPM was higher and the reason for this was higher net income of that year.

**5.1.9 Diversification Ratio**

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Diversification is the process of allocating capital in a way that reduces the exposure to any one particular asset or risk. Diversification ratio is calculated by divide non-interest income by total income.

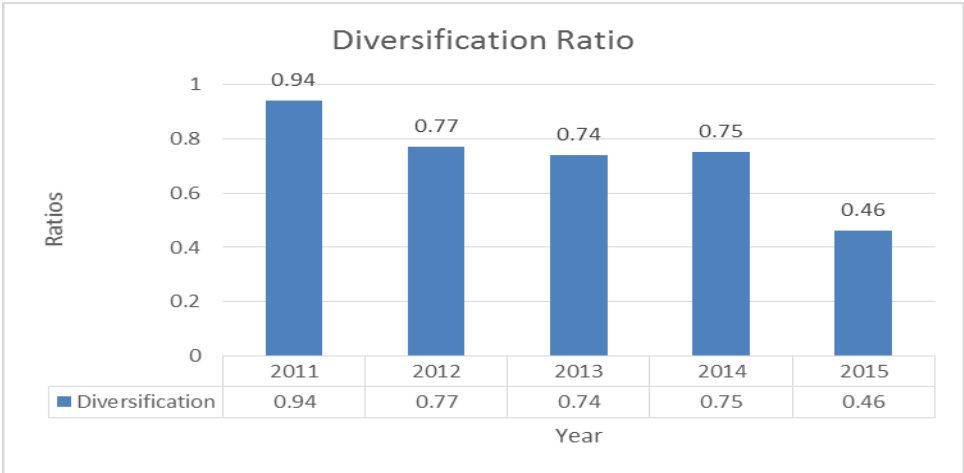


Figure 15: Diversification Ratio

In 2011 it was higher as the non interest income and the total income was almost same. But throughout the years the total income was almost same but the non interest income decreased. So in 2015 the diversification ration was lowest.

### 5.1.10 Earnings Per Share

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It is the portion of a bank's profit allocated to each outstanding share of common stock. Earning of share is the indicator of a bank's profitability. For determining the share's price, Earning per share is important

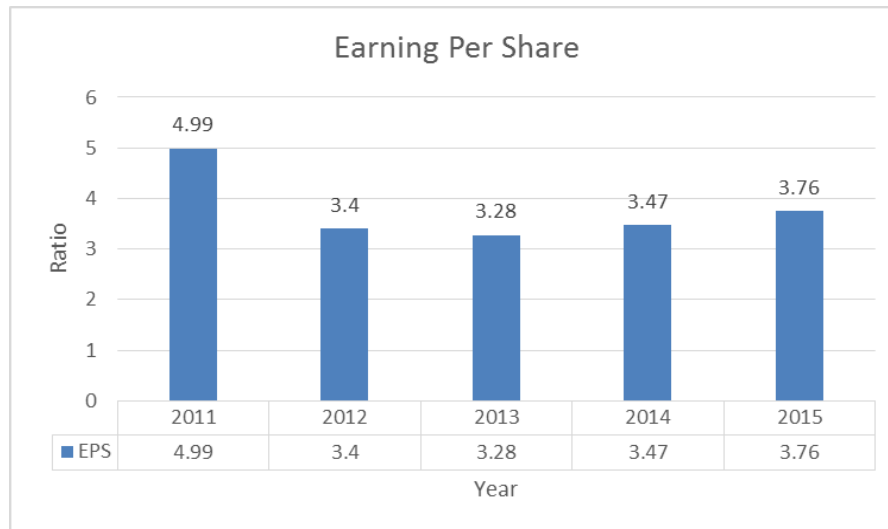


Figure 16: Earning Per Share

According to the graph, the EPS was high back in 2011 but it gradually decreasing through 2015, as because the average amount of common stock is rising with a good flow. However, the quality of EPS does not determine the operation or the standard of the bank. Still, the high EPS stands for true presentation of earning of the bank. The low EPS is the subordinate description of the earning, as the increasing number of share makes the amount to be low.

### 5.1.11 Loan to Deposit Ratio

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The loan-to-deposit ratio is a used for assessing a bank's liquidity by dividing the bank's total loans by its total deposits. This number is expressed as a percentage. If the ratio is too high, it means that the bank may not have enough liquidity to cover any unforeseen fund requirements, if the ratio is too low, the bank may not be earning as much as it could be.



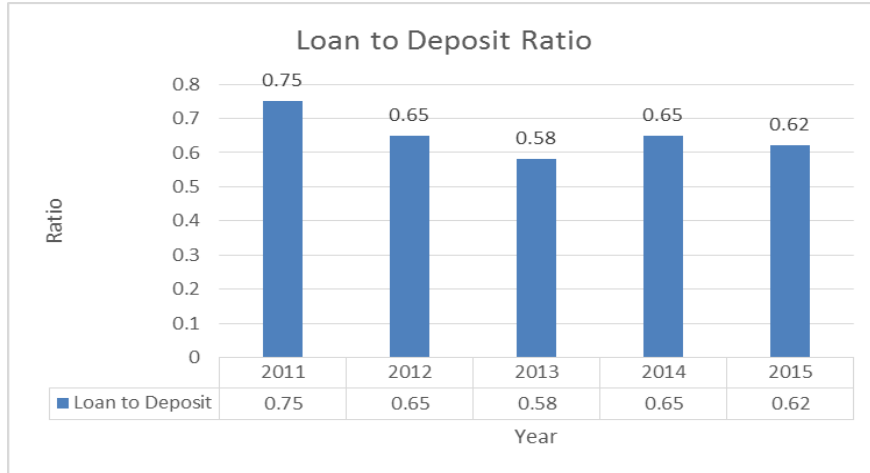


Figure 17: Loan to Deposit Ratio

From the graph it is show that in 2011 the bank was earning good enough and it had a good liquidity but in 2015 the liquidity was lower than before means the earning of the bank has dropped.

### 5.1.12 Earning Asset to Deposit

The earning assets to deposit ratio shows the percentage of the banks earning assets covered by its deposits. The capital ratio or the ratio of equity capital to total assets shows that the bank is doing better than its peer group as a decline in this ratio means greater risk for shareholders and debt holders. This further strengthens the fact that the banks management is working hard to maximize its shareholders value.

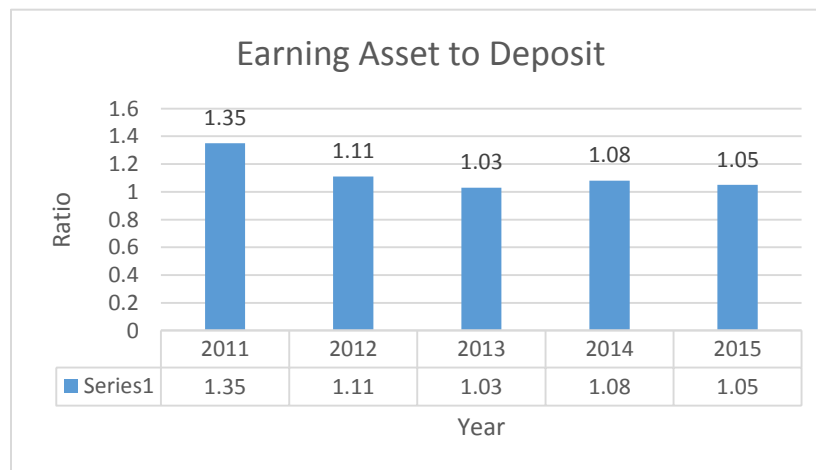


Figure 18: Earning Asset to Deposit

In the year 2011 the earning asset to deposit was higher so it was doing better on that year. But it was decreasing gradually as there are many other banks with modern facilities and they lagging a bit behind with their modern facilities.

# **Chapter Six**

## **CONCLUDING PART**

**Chapter Six**  
**Concluding Part**

**6.1 Findings**

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- There is a shortage of employees. They are always in pressure. Due to shortage of employees, customers can't get quick service
- Little application of modern technology such as computer and internet
- Insufficient usage of modern facility like communication technology
- In foreign exchange department it is required to communicate with foreign banks frequently and quickly. To make the process easily modern communication media but the bank has not much practice of using modern media.
- Officers of the desk, where workload is very high, hardly get the chance to go out for development purpose
- Some unskilled staff hinders the overall performance.

**6.2 Recommendations**

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Being a third generation bank, UBL is expected to compete in a dynamic technological environment participated by much Government and non- Government local and foreign banks. On the basis of the observation responds of bank officers and customers, the following steps may be taken to overcome the problem. Three months are not enough time to suggest anything about a huge organization like UBL .But from my point of view if UBL takes the following steps then their performance will definitely increase.

- Their interest rate is good but it is necessary to increase the rate of interest of special deposit to take a better place in Marketing. They should try to make it a standard position.
- Sometime customer cannot understand which types of Deposit they should to open in this case the employee can help them to make a discussion
- Account opening process should be easier for illiterate customers
- UBL may be introduced with modernize new era like Merchant Banking, Treasury operations, SWAP, Dealing Room operations or foreign currency dealings

- Attractive incentive package for the exporter, this will help to increase the export and accordingly it will diminish the balance of payment gap of UBL
- Effective training is very much essential for the foreign exchange officials so that they can easily deal with their valuable customers
- Customers want the facilities of online banking. But the bank has not yet introduced the online banking & that's why the service ought to be introduced as early as possible to ensure customer satisfaction.
- UBL has to increase their ATM booth services across the country.
- Foreign exchange operation is more dynamic, less time-consuming and challenging job for a bank. Uttara Bank Ltd. should pay more attention to cope up with modern facility to face the challenges.

### **6.3 Conclusion**

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UTTARA Bank is one of the newest banks in Bangladesh. For that point of view, this bank is not highly experienced about the banking industry in this country. UBL already managed itself with this changing environment. The company strategies are clear and concise. The return they are planning and new strategies they are introducing are attractive for the bank. If the Bank goes this way in near future Uttara Bank Limited may become one of the top performers.

From the discussion it can be said that Uttara Bank Limited is playing an important role in the economic development of the country and in the future it will have a very good position in the Banking sector. For this UBL should increase promotional activities to reach to the people easily. The study provides bank managers with understanding of activities that would improve their bank's financial performance and foreign exchange operation.

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