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FINANCIAL RATIO ANALYSIS OF
UNITED COMMERCIAL BANK LIMITED

INTERNSHIP REPORT

ON

FINANCIAL RATIO ANALYSIS OF
UNITED COMMERCIAL BANK LIMITED

SUBMITTED TO

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DATE OF SUBMISSION

MAY 24, 2012

LETTER OF TRANSMITTAL

24th May 2012

Mr Mahmudul Haq

Assistant Professor

BRAC Business School

BRAC University

Subject: **Submission of Internship Report.**

Dear Sir,

With due respect, I would like to inform you that, it is a great pleasure for me to submit the internship report on **"Financial Ratio Analysis of United Commercial Bank Limited"** as a requirement for the completion of BBA program. I have tried to make the report a comprehensive one within the given 3 months of time. I earnestly thank you for your guidance during the preparation of this report. Any sort of suggestion regarding the report will be greatly acknowledged and I will be gratified if our report serves its purpose.

While conducting the report, I have gathered lots of knowledge about the performance of banking operations of commercial consumer lending on first generation banks like United Commercial Bank.

I therefore, request you to accept this report and give me proper suggestion to work in my professional life.

Yours faithfully,

………………..

Ashiqur Rahman

ID: 08104154

ACKNOWLEDGEMENT

As a part of my completion of Bachelor of Business Administration program, our department has assigned me to prepare an internship report. My report is on the topic **"Financial Ratio Analysis of United Commercial Bank Limited"** Which is based on my 3 month internship experience in **United Commercial Bank Limited, Kawran Bazaar Branch**.

I am greatly indebted to my Faculty Supervisor **Mr Mahmudul Haq** for giving me the valuable guidelines, suggestions and information for the report.

For helping me to prepare my report I want to express special thanks to all the employees of United Commercial Bank, Kawran Bazaar Branch. I am also acknowledging the co-operation and support that I received from the First Vice President and head of the branch Md. Shamsul Alam Khan and senior officers. I would also like to thank Mridha Nazmul Ahasan, Executive Officer, Ms Utpala Karmakar, Junior Officer and also Mrs Ahmed Nur-E-Habiba of Kawran Bazaar Branch for standing beside me as a friend throughout the period of internship.

I would like to express my deep sense of gratitude to all those who are always a source of inspiration for me in their involvement, unconditional cooperation and support in the successful and timely preparation of this report.

EXECUTIVE SUMMERY

This internship report is based on my internship program and financial statements of 2008, 2009 and 2010 of United Commercial Bank Limited. I have done my internship program under different desks of UCBL Kawran Bazar Branch.

In my internship period, I worked in General Banking, General Advance and Foreign Exchange departments. It was a great opportunity to experience and gather knowledge different types of banking operations. My faculty supervisor helped me to choose the topic- "Ratio Analysis of United Commercial Bank Limited".

In the new competitive business era, private banking sector is getting more competitive in Bangladesh. In this sector the most used financial statements are the balance sheet and profit and loss account where the balance sheet shows the financial position and profit and loss account shows the net profit or net loss of a bank. Ratio Analysis deals with these statements.

Ratio analysis is the most popular trend to evaluate a bank's performance over years or with other companies in an industry. In my report I had to study UCBL's financial statements for the last few years then had to analyze and give significant comments regarding the changes in the financial position. Analysis and interpretation of these financial statements through ratio analysis has now become an important technique for performance appraisal because the investors, financial experts, management executives and the bankers are always rely on these ratios to make important decisions. The management team of any bank, investor and the government agencies always concern about liquidity ratios and adequacy ratios of a bank which interprets the efficiency of a bank.

As a part of my B.B.A program, I have spent 12 weeks in UCBL Kawran Bazaar Branch learning the activities of general banking, general advance and foreign exchange department. I have analyzed the financial statements of UCBL to find out its ratios by using its past and current records. After preparing this report I came to know that analysis of financial statements through ratios helps to overcome the past flaws and make the future decisions and strategies. Therefore, it is very necessary for every organization whether the company's size is to make financial statement and to analyze it by ratios.

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FULL FORM	ABBREVIATION
UNITED COMMERCIAL BANK LIMITED	UCBL
BANGLADESH BANK	BB
GROSS DOMESTIC PRODUCT	GDP
FISCAL YEAR	FY
RETURN ON EQUITY	ROE
RETURN ON ASSETS	ROA
EARNINGS PER SHARE	EPS
PRICE EARNINGS	P/E
TAKA	TK.

CHAPTER -1

1. INTRODUCTION

Banking represents one of the largest and most influential activities of any developed economy due to the strong linkages virtually existing with any part of the economic system. Recent developments in retail banking such as the enlargement of services supplied have often been depicted as technologically driven phenomena. The banks play an important role in the economy of the country. The contribution of banking sector to the GDP of Bangladesh is very impressive. In the FY 2008-2009 contribution of financial sectors to the GDP was 8.00%, while the contribution of banking sector was 7.22%. However, this is not a good sign for the overall economy of Bangladesh but also compare to the whole world this is very satisfactory outcomes for the Bangladesh economy as the banking sector in rest of the world was collapsed in the meantime. Therefore, without any question we can say that the banking sector of the Bangladesh is a progressive economic sector in our country.

According to the data of Bangladesh bank, there are 47 different banks in Bangladesh. Among them, total number of State-owned bank is 04, specialized bank 04, private bank 30, foreign bank 09. As a result banking is becoming a really prosperous job career. So I have conducted my 3 months of internship program in United Commercial Bank Kawran Bazar Branch for gathering practical knowledge about banking sectors. During the period I have worked with different department of the bank and have learnt the activities of the general banking general advance and foreign Exchange division etc.

1.1 BACKGROUND

Banking is one of the most important activities in order to ensure the flow of money in the market. To understand the banking activities, I have selected The United Commercial Bank to conduct research on its performance and evaluate with several years.

1.2 OBJECTIVE OF THE REPORT

United Commercial Bank Limited (UCBL) deposits has reached a vast amount of Tk. 113071 million balances and Tk. 4732 million as net profit (pre-tax) during 2010 with a 46% growth rate in deposits and 145% growth rate in net profit (pre-tax) over the year 2009(Annual Report, 2010). This large amount has been invested in different purpose to provide industry

loan, export-import finance, commercial lending, house-building finance and others. Knowing about the bank's significant performance over the years my key objective is to prepare this report.

1.2.1 BROAD OBJECTIVE

The Primary Objective of this report is to **"Evaluate the Banking Performance through Ratios of United Commercial Bank Limited (UCBL) over Years"**.

1.2.2 SPECIFIC OBJECTIVE

The report has conducted

- ⊠ To achieve the information regarding the banking environment and its services.
- ⊠ To find out the performance of UCBL over years through ratio analysis.
- ⊠ To estimate the future position of UCBL.
- ⊠ To find out the reason behind UCBL's enhancements or pitfalls of performance over years.

1.3 PURPOSE OF THE REPORT

The purpose of this report is to know about the bank properly by analyzing its financial statements over years.

1.4 SCOPE OF THE REPORT

While preparing the report I had a great opportunity to have real life knowledge about the overall banking procedure. I had to go to each and every department to collect the necessary data for my report. I also talked with the employee and clients to know the bank properly. This report helps me a lot about gaining practical knowledge about the financial sectors epically the bank.

1.5 SIGNIFICANCE OF THE STUDY

This report is prepared to give a concrete idea about the performance and the condition of UCBL over last three years. I believe that my report will help a lot those who want to get an overall idea of UCBL as well as its financial statement. Bank management also can be using the information of my observation for their managerial decision if needed.

1.6 LIMITATIONS

During preparing my report I have to face some problems regarding collecting proper information which are.

- ⊠ As the duration of the internship program is three months and the process of this program is job rotation, so I didn't get sufficient time in each department to understand their activities.
- ⊠ This report contains many confidential information which was difficult to collect and disclosure of different important information were not possible due to bank's safety.
- ⊠ Gathering information about the banking performance was very difficult. That is why I have to follow more on secondary data like annual report, web sites and some of banking documents.
- ⊠ Banking sector is a very vast sector where I have a little knowledge about it which limits my report.

1.7 METHODOLOGY

For this report all data and information are collected from primary and secondary sources.

Primary sources of data are collected through

- Conducted face to face interview
- General discussion with officers

Secondary sources of data are collected through

- Websites
- Articles
- UCBL's Annual Report 2010, 2009 and 2008
- Many Research Report on ratio analysis

1.8 DATA COLLECTION METHOD

This report has been prepared on the basis of experience gathered during the period of internship form 01th February to 30th April. Within this period I visited three departments namely General Banking, General Advance and Foreign Exchange departments. I have collected data and necessary information by practically working in the bank and by interviewing officials of United Commercial Bank Ltd. These can be treated as primary data. I also collect data from the annual reports, browsing different websites in relative subject. Finally, I will come up with my recommendations and conclusions.

CHAPTER -2

2. COMPANY PROFILE

Sponsored by some dynamic and reputed entrepreneurs and eminent industrialists of the country and also participated by the Government, UCBL started its operation in mid-1983 and has since been able to establish one of the largest networks of 119 branches among the first generation banks in the private sector. With its firm commitment to the economic development of the country, the bank has already made a distinct mark in the realm of private sector banking through personalized service, innovative practices, dynamic approach and efficient Management. The Bank, aiming to play a leading role in the economic activities of the country, is firmly engaged in the development of trade, commerce and industry thorough a creative credit policy.

2.1 HISTORY

Some leading personalities from industry and business of the country got together in early eighties of the last century to build up a commercial bank. The result was one of the first generation private sector banks of the country. Thus the United commercial Bank Limited (UCBL) came into reality and government was kind enough to participate as a shareholder of it. UCBL started operating as a commercial bank in 1983. UCBL is committed for sustainable development of the country. Visionary policy makers along with a dynamic Management team are leading UCBL to its goal. It has created a clear difference from the competitors with its fast, friendly and personalized services to its clients. Modern, world class banking is made available here in Bangladesh by UCBL.

In its journey of almost 30 years United Commercial Bank Ltd. Has create a strong customer base of around 0.40 million clients. The customer base of UCBL is going high rapidly. Peoples are influencing to work with UCBL due its modern services and customer values. Within a long journey of almost 30 years UCBL can able to setup it as an attractive brand in the Banking sector of Bangladesh. That is why the Bank has already established its network throughout the six Divisions in Bangladesh. Not only that, still the Bank is establishing its new branches allover between several locations in Bangladesh due to its customer demands.

2.2 MISSION, VISION AND VALUES OF UNITED COMMERCIAL BANK LIMITED

The effort of United Commercial Bank Limited are focused on delivery of quality service in all areas of banking activities with the aim to add increased value to shareholders' investment and offer highest possible benefits to the customers. There must have the mission as well as vision what should back every efforts of the organization as it is said, a mission without any vision is a day dream and a vision without a mission is a nightmare.

2.2.1 MISSION OF UNITED COMMERCIAL BANK LIMITED

To offer financial solutions that create manage and increase our client's wealth while improving the quality of life on the communities they serve.

2.2.2 VISION OF UNITED COMMERCIAL BANK LIMITED

To be the bank of first choice through maximizing value for their clients, shareholders and employees and contributing to the national economy with social commitment.

2.2.3 CORE VALUES OF UNITED COMMERCIAL BANK LIMITED

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

2.3 STRATEGIES, GOALS AND OBJECTIVES OF UNITED COMMERCIAL BANK LIMITED

2.3.1 STRATEGIES OF UNITED COMMERCIAL BANK LIMITED

- ⊠ Utilize all available resources to develop various plan and polices
- ⊠ Procedures in each of the objective and goal areas
- ⊠ Synchronized and steady growth of the bank
- ⊠ Implement plants, poleis and procedures
- ⊠ Utilize term of professional employees
- ⊠ Search for a total customized solution for the purpose of full automation step

2.3.2 GOALS OF UNITED COMMERCIAL BANK LIMITED

- ⊠ Develop a plan for offering better customer services
- ⊠ Develop a realistic deposit mobilization plan
- ⊠ Develop appropriate ending risk assessment system
- ⊠ Develop capital plan
- ⊠ Develop a system to make good advance
- ⊠ Develop appropriate management structure, system, procedures and approaches
- ⊠ Develop scientific MIS to monitor bank's activities

2.3.3 BUSINESS OBJECTIVES OF UNITED COMMERCIAL BANK LIMITED

- ⊠ Ensure 100% recovery of all advances
- ⊠ Ensure a satisfied work force
- ⊠ Make sound loan and investment
- ⊠ Build up a low cost fund base
- ⊠ Meet capital adequacy recruitment at all the time
- ⊠ Focus on fee based income
- ⊠ Install MIS to monitor banks activities
- ⊠ Adopt an appropriate management technology

2.4 FUNCTIONS OF THE UCBL

The main task of UCBL is to accept deposits from various customers and institutions through various accounts.

- ⊠ Provide loans on easy terms and conditions.

- ⊠ The bank invests its funds into profitable sector.

- ⊠ It transfers money through Demand Draft (DD), Pay Order (PO), and Telegraphic Transfer (TT) etc.

- ⊠ It assists in the foreign exchange by issuing letter of credit.

- ⊠ UCBL insures the securities of valuable documents of clients

2.5 MANAGEMENT OF UCBL

2.5.1 Board of Directors

Board of Directors of UCBL includes the high professional and high-qualified business men of Bangladesh. Well-designed directions of those bodies help the management to achieve the ultimate goal of the bank. The members of the Board of Directors are the very renowned business Man of Bangladesh. The board of directors of the UCBL is follows

Board of Directors of UCBL

Figure 1: Board of Directors of UCBL

2.6 ORGANIZATIONAL STRUCTURE OF UNITED COMMERCIAL BANK LIMITED

The Bank has in its Management with a combination of dedicated highly skilled and eminent bankers of the country of varied experience and expertise successfully led by Mr. M. Shahjahan There are 2508 dedicated employees are working in UCB. The bank is operating its business by divided into three main segments. These are General Operation Division, Corporate Banking Division, and International Division. There are three different Deputy Managing Directors (DMD) supervise the work of these departments. The total work flow of the level of employees of UCB is as shown by an organ gram of UCB is given billow.
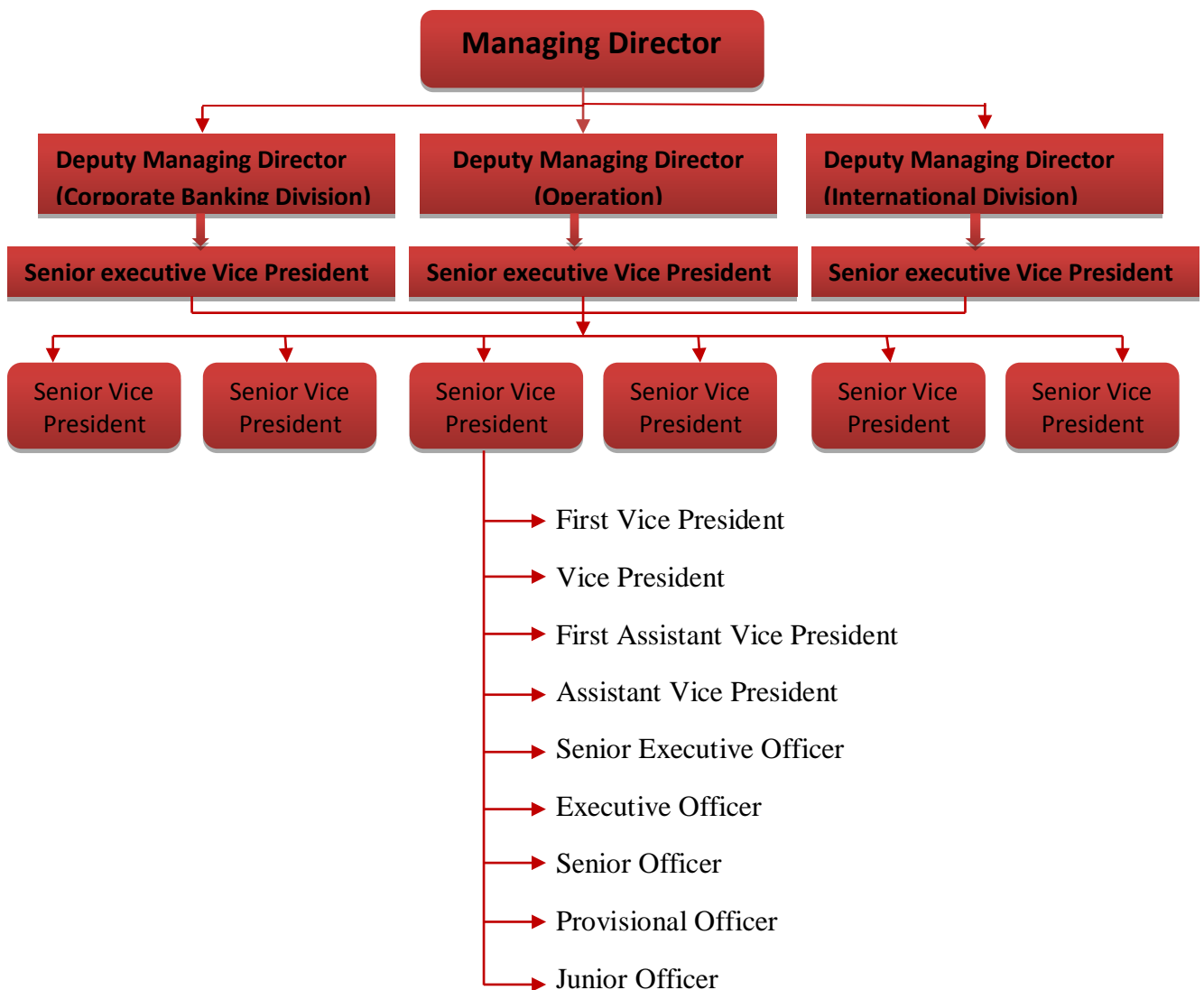
Figure 2: Organ gram of UCBL

2.7 PRODUCTS AND SERVICES OF UNITED COMMERCIAL BANK LIMITED

UCB is always attentive to give the highest value to their customers. That's why UCBL is offering the modern products and Services to their customers. UCBL is offering the segmented Products & Services to different level of customers along with their general Products and Services. That is very help-full for UCBL to create value for their customers. The products & Services offered by UCBL have given billow.
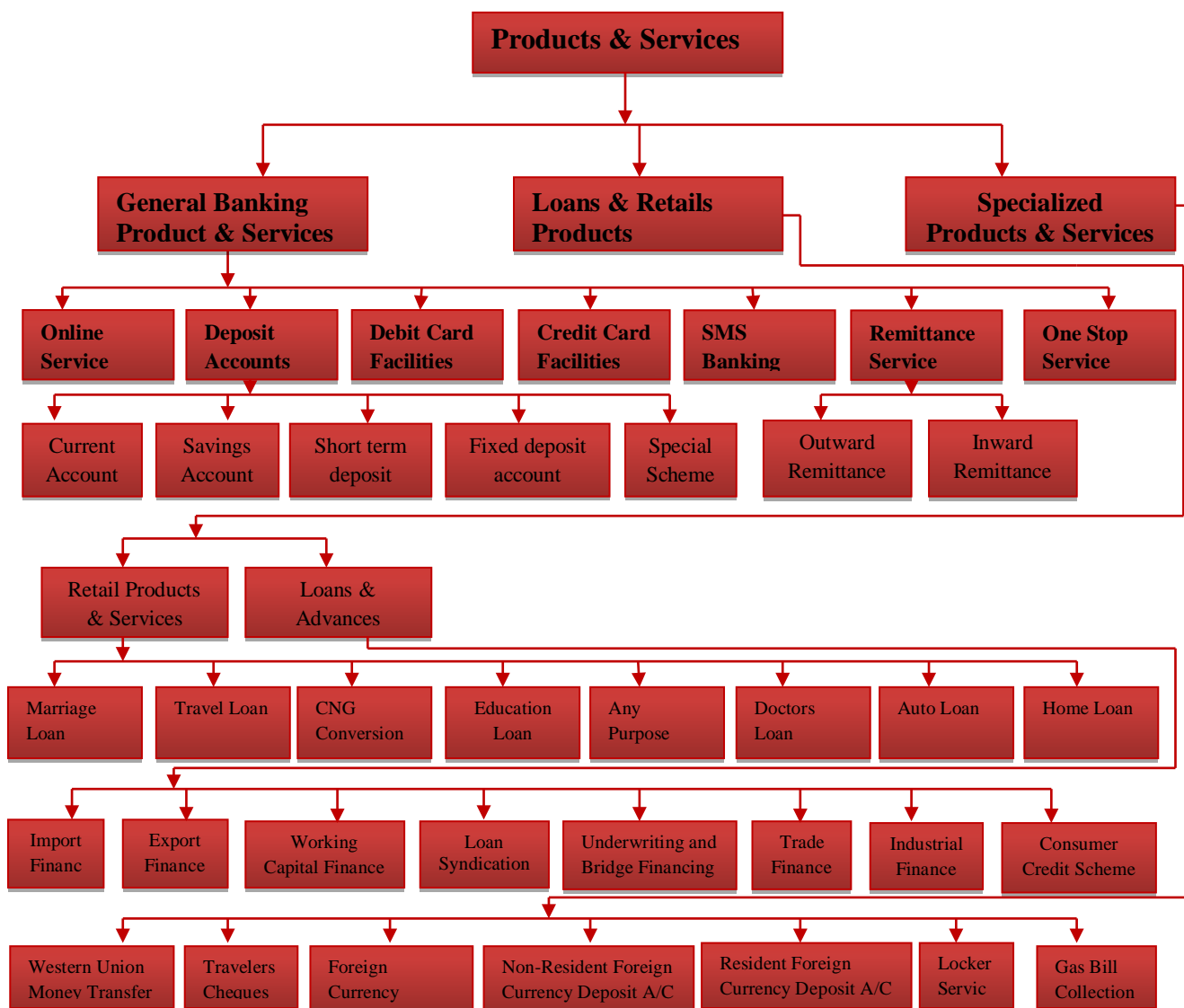
Figure 3: Product and services of UCBL

2.8 PRODUCT AND SERVICES AT A GLANCE

PRODUCTS & SERVICES	
UCB Multi-Millionaire	Import Finance
UCB Money Maximizer	Export Finance
UCB Earning Plus	Working Capital Finance
UCB DPS Plus	Loan Syndication
Western Union Money Transfer	Underwriting and Bridge Financing
SMS Banking Service	Trade Finance
Online Service	Industrial Finance
Credit Card	Foreign Currency Deposit A/C
One Stop Service	NFCD (Non Resident Foreign Currency Deposit Account)
Time Deposit Scheme	
Monthly Savings Scheme	RFCD (Resident Foreign Currency Deposit Account)
Deposit Insurance Scheme	
Inward & Outward Remittances	Consumer Credit Scheme
Travelers Cheques	Locker Service

2.9 OVERVIEW OF UNITED COMMERCIAL BANK LIMITED KAWRAN BAZAR BRANCH

United Commercial Bank Limited Starts it Journey in the Kawran Bazar in 1987 at Titas Gas Bhaban in Kawran Bazar. United Commercial Bank Ltd. Kawran Bazar was the 15thBranch of UCB. The bank was the first private commercial bank in that region. From the very beginning of the Branch, the bank is providing its superior modern services to its clients very effectively and efficiently. As the Kawarn bazaar branch of UCBL is the in the Kawran bazaar area that's why the bank already capture a large customer base. Significant amount of overall profit of the UCBL Kawran bazar branch is coming from Loans & Advances giving to the local businesspersons. UCBL, Kawran bazar branch has some loyal customers, so for the bank is operating activities much more efficiently comparative to other branch of UCBL. Among the loyal client of the UCBL Kawran bazar, most of them are involved with Corporate Business, another significant portion of customers are involve with retail business of fish and vegetables. Besides those others, most valuable customers of the bank are doing cloth business. Besides that, the bank has some corporate client like The Titas Gas Transmission & Distribution Company, Mass co Garments Industry etc. Among them Titas Gas has their mother account with UCBLKBZ, but the most significant amount of customers is the local general peoples like the Service Providers, and the general peoples. Here one thing is mention that though the bank is earning a significant portion of its total profit from the Businessperson but the main source of the bank's deposits are the foreign remittance.

2.10 PROFITABILITY IN RETAIL CREDIT OF UNITED COMMERCIAL BANK LIMITED

Profitability of a bank is mainly depends on the loans of that bank. More specifically, how efficiently the banks are utilizing their assets in another term the loans. Banks are not only always looking for their profits but also need to careful about the risk of those loans. Their Kawran Bazar branch is very much successful from that perspective. The financial statement of UCBL Kawran Bazar branch indicate that their provisions for bad debts in this year is (as of 30 September; 2009) Tk. 184924.62. Therefore, this amount is satisfactory as of the consideration of the branch location and Loans volume. Now before going to the details about the profitability of the Retail credit facility of the UCBL Kawran Bazar branch; I would like to discuss about the credit portfolio of the UCBL.

2.10.1 Interest rate of Retail Credit Facility of UCBL

Highest amount of interest will give highest amount of profit. But as the banking system of Bangladesh is not the monopoly business system so banks must have to maintain competitive interest rate with other banks. If we follow the practice of retail credit system in Bangladesh then we will see highly competitive interest rate among the banks. Every times the banks are offering various types of loans according to the needs of the customer with an aggressive interest rate. UCBL has also designed their products feature such a way so they can compete with other banks. The effective interest rates of different Retail credit facility of UCBL are given billow.
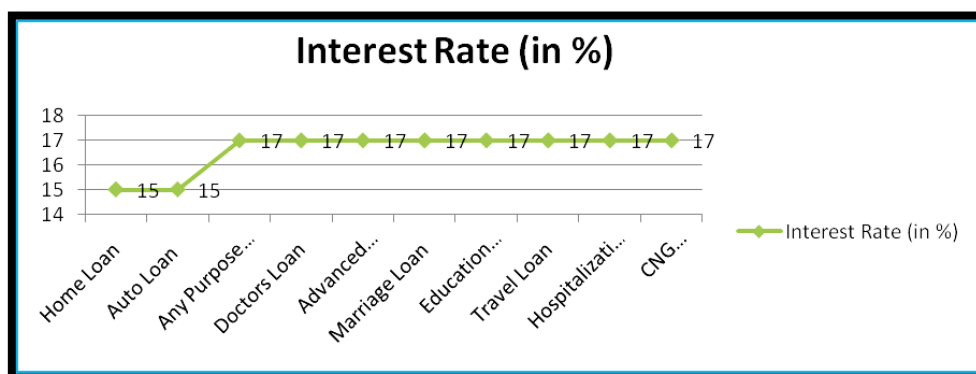
Figure 4: Interest rate of different retail Loans (in percentage)

From the above chart, we see that the interest rate of Home Loan is 13% for Auto Loan it is 15% and for rest of the retail loan it is 17%.

2.11 SWOT ANALYSIS OF UCBL

SWOT analysis is a strategic planning method used to evaluate the strengths, weaknesses, opportunities, and Threats involved in a business venture. In banking sectors it is important to identify the internal and external factors that are favorable and unfavorable to achieve its objectives. From the SWOT analysis we can figure out ongoing scenario of the bank. So to have a better view of the present banking practice of UCBL, the SOWT analysis of UCBL is given below
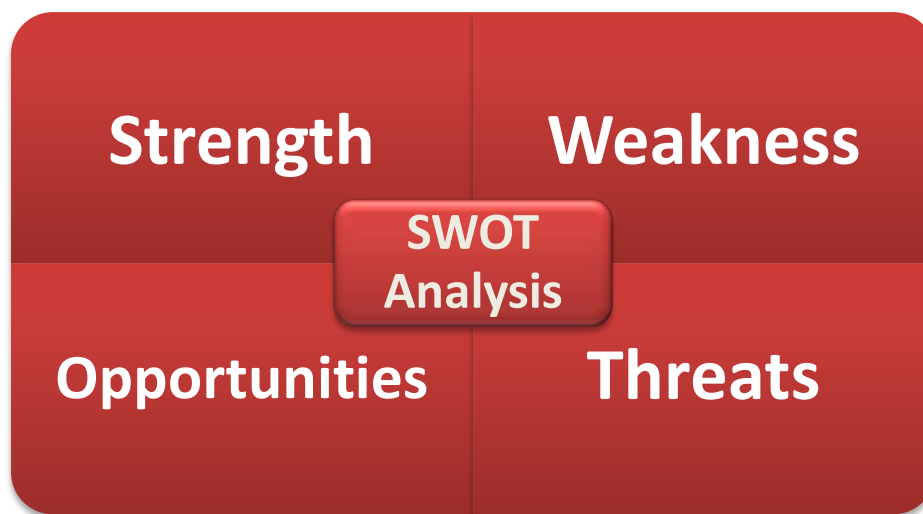
Figure 5: SWOT Analysis of UCBL

2.11.1 STRENGTH

It is an internal factor. It deals with the organizations own strength. UCBL's strengths are

- ⊠ Usage of faster pc bank software which is PC BANK 2000
- ⊠ Efficient administration
- ⊠ Corporation with each other
- ⊠ Fewer default loans.
- ⊠ Membership with SWIFT
- ⊠ Good banker-customer relationship
- ⊠ Energetic as well as smart work force

☒ Well-furnished and air-conditioned bank

☒ Not engage in unfair business practice

2.11.2 WEAKNESS

Weakness is also an internal factor of SWOT analysis. UCBL's weaknesses are

☒ Existing manual vouchers

☒ Limited consumer credit scheme

☒ Enhance of new private banks

☒ Lack of training facility

☒ Lack of promotional activities

☒ Officers in the junior level are not highly qualified

2.11.3 OPPORTUNITIES

Opportunities are external factors which indicate the industry's advantages available for the companies.

☒ Huge business area

☒ Introducing different debit and credit card

☒ Industry's positive growth

☒ Introducing any branch banking through online

☒ Flexible credit schemes

☒ Reliably to local public

2.11.4 THREATS

Threats are external factors of SWOT analysis. The threats for UCBL are

☒ Different classic services of foreign banks

☒ Better developed card division of other private banks

☒ Uses of modern technologies by the rival banks

☒ Political unrest and government restricted banking strategies
☒ The number of rivalry is too high into the banking industry.

CHAPTER -3

3. MY EXPERIENCE AND RESPONSIBILITY IN UCBL

I was appointed as an internee in UCBL Kawran Bazar Branch from the date of 1st February to April 30 and I have worked there for three months. I worked there in almost all desks under the supervision of my on field supervisor Md. Shamsul Alam Khan. In branch the desks I had to cover is given below in diagram.
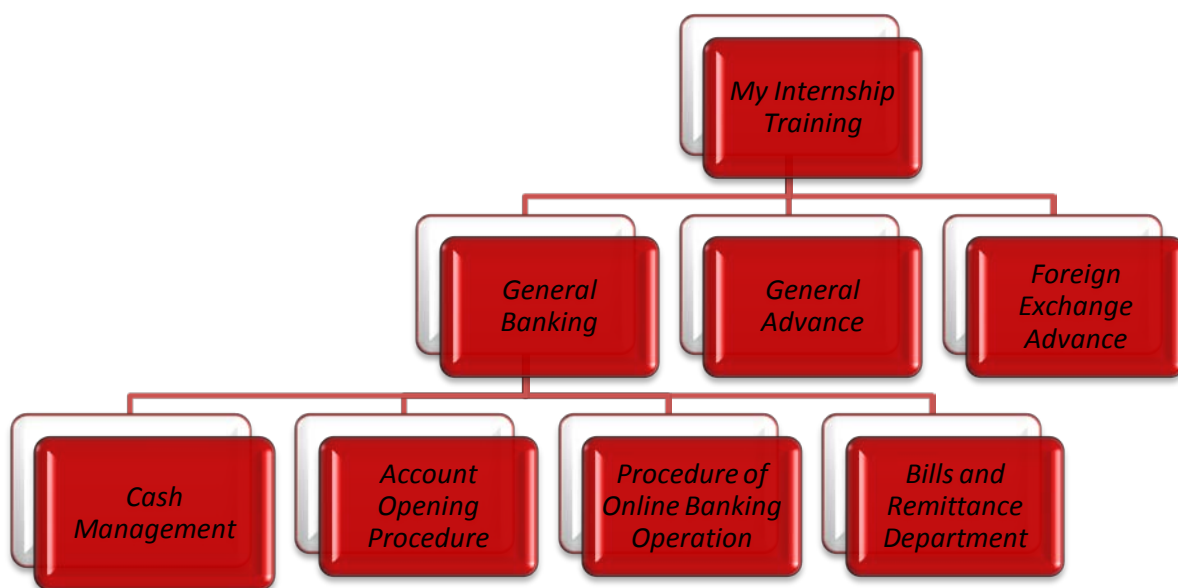
Figure 6: My Internship Training

To work in a branch of UCBL I have enriched my knowledge through relating my theoretical knowledge with practical observations. The responsibilities and experience that I have gathered by working in different departments are given below.

3.1 GENERAL BANKING

I started my internship program from the general banking department where I have the opportunity to observe the cash management procedures, account opening procedures and the procedures of on-line banking operations and bill and remittance. General banking is a vast department which includes a large number of operations

Figure 7: General Banking of UCBL

3.1.1 SCROLL

Scroll is a process to record the received transactions in daily basis. If any client wants to deposit money in his or her account, he will have to go to the scroll officer to take a scroll number. At the beginning period my training my supervisor assigned me here. Here in this desk I came to know about the types of accounts UCBL offers and the bills and documents UCBL works with.

3.1.2 CASH MANAGEMENT

Cash management is one of the most important parts of general banking because bank's main business is to manage the cash by receiving cash form customers and paying cash to customers. As it is the most sensitive part of bank, here I have got minimum responsibilities to do. In this department I got a great opportunity to enrich my knowledge.

3.1.3 ACCOUNT OPENING

Accounting opening is an important part of general banking. As many as accountholder of a bank indicates how big the organization is. In this desk I learnt the procedure of opening an account, categories of accounts, issuing cheque books etc.

3.1.4 ON-LINE BANKING OPERATION

This department joins the overall banking system of UCBL into one network. To do its operation through on-line UCBL uses PC BANK 2000 operating system. In this department I learn how to input different bills of other branch of UCBL and other banks. Moreover, the process of clearing the chaques through Bangladesh Bank's Clearing House has been experienced here.

3.1.5 BILLS AND REMITTANCE

Bills and remittance department is the most busy department where bills and remittances are issued which the most liquid form after cash. In this department I have learnt how to issue the payment order, demand draft and the collection of DD, outward bill collection (OBC) and internal bill collection (IBC) etc.

3.2 GENERAL ADVANCE

General advance department is the most complex department of a bank. This department deals with the loans and advance. In this department I have come to know about the difference between the advance and loans, the different types of credit and advance, the procedures of loans, the features of advance and so on.

3.3 FOREIGN EXCHANGE ADVANCE

Foreign exchange is a department which includes remittance of currency and financing of export and imports. Foreign exchange department is the most lucrative department for any commercial bank as well as UCBL. There are a lot of terms to understand the foreign exchange department properly. The period of my program is short enough to understand the department properly, so I have experienced the basic terms of this department. Here I came to know about the indenter, letter of credit (LC) opening procedures, shipment procedures etc.

It was a great experience for me to do my internship program in UCBL because I have achieved a lot of practical and professional knowledge through it. The office environment is very pretty and friendly. All employees and my supervisor are very friendly and helpful. They always help me to enrich my knowledge. UCBL accepted me cordially and treated me as a member of that branch. I was very lucky to be an internee of UCBL. All in all, I think this experience will make my future career path more suitable and easy.

CHAPTER -4

4. OVERVIEW OF RATIO ANALYSIS

Ratio Analysis is a tool which is used as a way of analyzing the performance of any company or organization. It is one of the most important technique of financial analysis in which quantities are converted into ratios for meaningful comparisons with past ratios and ratios of other firms in the same or different industries. Ratio analysis determines trends and exposes strengths or weaknesses of a firm.

4.1 TYPES OF FINANCIAL RATIOS

Ratio analysis is done to compare or evaluate the performance over the years. This analysis mainly deals with some fields those are liquidity ratio, leverage ratio, profitability ratio, and efficiency ratio and so on.

4.1.1 LIQUIDITY RATIOS

These ratios are used to measure the short-term solvency of an organization. These ratios show the ability of the organization to convert quickly its assets into cash to pay its different types of short-term debts. The higher the ratios the company is more liquid and the lower the ratios, the less liquid the company is which may experience the company financial distress to pay its short-term debt.

4.1.1.1 CURRENT RATIO

The ratio is considered to observe the liquidity status of an organization. This ratio is obtained by dividing the total current assets of a company by its total current liabilities. It expresses the working capital relationship of current assets available to meet the company's current obligations.

The formula:

Current Ratio = Total Current Assets/ Total Current Liabilities

4.1.1.2 QUICK RATIO

The ratio is also considered to observe the liquidity status of an organization. This ratio is obtained by dividing the total quick assets of a company by its total current liabilities. This is an important ratio because sometimes a company may have heavy inventory as part of its current assets which might be obsolete or slow moving. For that reason eliminating those inventories from current assets is doing to measure this ratio. The ratio is regarded as an acid test ratio. It expresses the true working capital relationship which includes accounts receivables, prepaid and notes receivables available to meet with the company's current obligations.

The formula:

Quick Ratio = Total Quick Assets/ Total Current Liabilities

Quick Assets = Total Current Assets – Inventory

4.1.2 LEVERAGE RATIOS

Leverage Ratios are used to measure the extent of the company's financing with debt relative to equity and its ability to cover interest and other fixed charges. These ratios address the company's long-term ability to meet its financial leverage. The higher the ratios the more indebtedness the company owes. This higher results signal the possibility the company will be unable to earn enough to satisfy its debt obligations.

4.1.2.1 LONG-TERM DEBT TO EQUITY RATIO

In the risk analysis this ratio is a way to determine a company's leverage. The ratio is calculated by taking the company's long-term debt and dividing it by the total value of its preferred and common stock. The company who has higher ratio is thought to be more risky because it has more liabilities and less equity.

The formula:

Long-term Debt to Equity Ratio = Long-term Debt / Equity

4.1.2.2 TOTAL DEBT TO EQUITY RATIO

This ratio is obtained by dividing the total liability or debt of a company by its total equity. The ratio measures how the company is leveraging its debt against the capital employed by its owners. If the liabilities exceed the net worth then in that case the creditors have more stake than the shareholders.

The formula:

Total Debt to Equity Ratio = Total Debt / Equity

4.1.2.3 TOTAL DEBT TO TOTAL ASSET RATIO

The debt to total assets ratio is an indicator of financial leverage. It tells the percentage of total assets that were financed by its total debt. The debt to total assets ratio is calculated by dividing a company's total liabilities by its total assets. The lower the result of this ratio the better off the company is.

The formula:

Total Debt to Total Asset Ratio = Total Debt / Total Asset

4.1.2.4 TOTAL EQUITY TO TOTAL ASSET RATIO

Total Equity to Total Asset ratio used to help to determine how much shareholders would receive in the event of companywide liquidation. The ratio is expressed as a percentage which is calculated by dividing total equity by total assets of the company. It represents the amount of assets on which shareholders have a residual claim.

The formula:

Total Equity to Total Asset Ratio = Total Equity / Total Asset

4.1.3 PROFITABILITY RATIOS

Profitability Ratios measure the overall earnings performance of a company and its efficiency in utilizing assets, liabilities and equity.

4.1.3.1 NET PROFIT MARGIN

The Profit Margin of a company determines its ability to survive in competition and adverse conditions like rising costs, falling prices or declining sales in the future. The ratio measures the percentage of profits earned per taka of sales or net interest income. Thus this ratio is a measure of efficiency of a company.

The formula:

Net Profit Margin = Net Profit after Taxation / Net interest Income

4.1.3.2 RETURN ON EQUITY (ROE)

Return on equity (ROE) is a measure of profitability ratio that calculates how many taka of profit a company generates with each taka of shareholders' equity. The Return on Equity of a company measures the ability of the management of the company to generate adequate returns for the capital invested by the owners of a company.

The formula:

Return on Equity = Net Profit after Taxation / Equity

4.1.3.3 RETURN ON ASSETS

The Return on Assets of a company determines its ability to utilize the assets employed in that company efficiently and effectively to earn a good return. Return on assets measures the amount of profit that the company generates as a percentage of the value of its total assets. A company's return on assets (ROA) is calculated as the ratio of its net income in a given period to the total value of its assets.

The formula:

Return on Assets = Net Profit after Taxation / Total Assets

4.1.4 EFFICIENCY RATIOS

Efficiency Ratios demonstrate how efficiently the company uses its assets and how efficiently the company manages its operations.

4.1.4.1 ASSETS TURNOVER

Asset turnover measures a firm's efficiency at using its assets in generating revenue and the higher the number of ratio the company is in better position. It also indicates pricing strategy as the company with low profit margins tends to have high asset turnover and those with high profit margins have low asset turnover.

The formula:

Assets Turnover = Net interest Income / Total Assets

4.1.4.2 FIXED ASSET TURNOVER

The fixed asset turnover ratio is the ratio of revenue to net fixed assets. A high ratio indicates that a company is doing an effective job of generating sales with a relatively small amount of fixed assets. On the other hand if the ratio is declining over time the company has either overinvested in fixed assets or it needs to issue new products to revive its sales.

The formula:

Fixed Asset Turnover = Net interest Income / Fixed Assets

4.1.5 MARKET VALUE RATIOS

Market Value Ratios are used for value comparison. These ratios relate the market price of the firm's common stock and the financial statement figures.

4.1.5.1 PRICE EARNINGS RATIO

The price earnings ratio is the price currently paid on the open market for a share of a company's stock divided by its earnings per share. The price earnings ratio represents those earnings in which the investment community is willing to pay to its own company's stock. A very high multiple indicates that investors believe the company's earnings will improve dramatically while a low multiple indicates the reverse.

The formula:

Price Earnings Ratio = Stock Price per Share / Earnings per Share (EPS)

4.1.6 ADEQUACY RATIO

The following ratios are used to assess the adequacy of the liquidity of the banks and ensure the banks have adequate cash flow to meet all obligations in a timely and cost-effective manner.

4.1.6.1 CAPITAL ADEQUACY RATIO

Capital Adequacy Ratio is a measure of a bank's capital which is expressed as a percentage of a bank's risk weighted credit exposures. This ratio is also known as "Capital to Risk Weighted Assets Ratio (CRAR). This ratio is used to protect depositors and promote the stability and efficiency of financial systems around the world. Two types of capital are measured one is tier one capital which can absorb losses without a bank being required to conclude its trading and another is tier two capital which can absorb losses in the event of a winding-up and it provides a lesser degree of protection to depositors.

4.1.6.1.1 TIER I CAPITAL

Tier I Capital is a term used to describe the capital adequacy of a bank. Tier I capital is the core capital which includes equity capital and disclosed reserves. Equity capital includes instruments that can't be redeemed at the option of the holder which includes common equity, retained earnings, paid-in capital and disclosed capital reserves.

4.1.6.1.2 TIER II CAPITAL

Tier II Capital is a term used to describe the capital adequacy of a bank. Tier II capital is secondary bank capital that includes items such as undisclosed reserves, general loss reserves, subordinated term debt, and more.

The formula:

Capital Adequacy Ratio = Capital Base (Tier I + Tier II) / Risk-weighted Assets

4.1.6.2 CORE CAPITAL ADEQUACY RATIO

Core Capital Ratio is a comparison between a banking firm's core equity capital and total risk-weighted assets. A firm's core equity capital is known as its Tier I capital which is the measure of a bank's financial strength based on the sum of its equity capital and disclosed reserves, and sometimes non-redeemable, non-cumulative preferred stock. A firm's risk-weighted assets include all assets that the firm holds that are systematically weighted for credit risk. Central banks typically develop the weighting scale for different asset classes, such as cash and coins, which have zero risk, versus a letter or credit, which carries more risk.

The formula:

Core Capital Adequacy Ratio = Core Capital (Tier- I) / Risk-weighted Assets

4.1.6.3 SUPPLEMENTARY CAPITAL ADEQUACY RATIO

Supplementary Capital Ratio is a comparison between a banking firm's supplementary equity capital and total risk-weighted assets. A firm's supplementary equity capital is known as its Tier II capital which is the measure of a bank's financial strength based on the sum of its capital which includes loan loss reserve or undisclosed capital reserves, preferred stocks with maturity of at least 20 years, certain revaluation reserves and general loan provisions, subordinated debt with an original maturity of at least 7 years.

The formula:

Supplementary Capital Adequacy Ratio = Supplementary Capital (Tier- II) / Risk-weighted Assets

4.2 BENEFITS OF RATIO ANALYSIS

This ratio analysis gives quick financial information to a financial institution. By giving a glance anyone will be able to take any decision regarding the financial statement. Therefore managers, shareholders, creditors etc. all take interest in ratio analysis.

- ⊠ Ratio analysis simplifies the financial statements.

- ⊠ It helps any institution to compare with different companies of different size with each other into an industry as well as outside of the industry.

- ⊠ It helps in trend analysis which involves comparing a single company over a period of time and also forecast the future performance.

- ⊠ The liquidity ratio can be helpful in measuring the liquidity position of any institution and also shows whether an institution will able to meet its obligations or not.

- ⊠ The profitability ratios help to find out the operation efficiency of any institution and also whether that institution using the resources wisely or not.

- ⊠ As ratios are easy to understand it becomes easy for a company to communicate the ratios to those who are interested in the financial performance of the company.

- ⊠ It highlights important information in simple form quickly. Anyone can easily judge an institution by just looking at few numbers instead of reading the whole financial statements.

4.3 DRAWBACKS OF RATIO ANALYSIS

Despite usefulness financial ratio analysis has some disadvantages too. Some of the drawbacks of ratio analysis are

⊠ Ratio analysis explains relationships between past information while users are more concerned about current and future information.

⊠ Ratio analysis doesn't consider inflation.

⊠ Ratios may give false results because many institutions show more profit and accounting data to attract the investors or creditors.

⊠ Ratio analysis always deals with the numbers. It doesn't talk about product quality, customer service, employee morale and so on which are important for better financial performance.

⊠ Ratios are mostly used to compare performance over a long period of time or against the rivalry performance. To do those ratios enough information may not available always.

⊠ Different institutions operate in different industries each having different environmental conditions such as regulation, market structure, etc. Such factors are so significant that a comparison of two institutions from different industries might be misleading.

CHAPTER -5

5. ANALYSIS OF FINANCIAL RATIOS OF UCBL

Ratio analysis is a study of the relationships between financial variables. It is very important in fundamental analysis which investigates the financial health of any financial institution. This ratio analysis gives frank financial information in this current business world. By giving a glance anyone will be able to know what the position that institution is now. Therefore managers, shareholders, creditors etc. all take interest in ratio analysis. For example using liquidity ratios managers can use the information if the institution's liquidity is struggling and they may have to take out short term finance. For this reason to evaluate the performance of UCBL the ratio analysis has been selected. Here in this report contains the most common ratios and analyze to evaluate the performance of UCBL over the year 2008, 2009 and 2010.

5.1 LIQUIDITY RATIOS

As UCBL is a financial institution the liquidity ratios are the most important ratios to evaluate its liquidity to pay its short term debt and deposits. This ratio shows how quick UCBL is able to pay or convert its assets into cash. To know how liquid the UCBL is current ratio and quick ratio is analyzed here.

5.1.1 CURRENT RATIO

This ratio is calculated by dividing the total current assets of an institution by its total current liabilities. It shows how any institution like UCBL meets its current liabilities through its current assets.

Current Ratio = Current Assets / Current Liabilities

Year	2010	2009	2008
Current Assets / Current Liabilities	121,482,617,208 / 32,910,157,947	84,361,643,673 / 32,704,310,596	60,771,317,505 / 16,875,268,499
Result	3.69	2.58	3.61

Table 1: Current Ratio
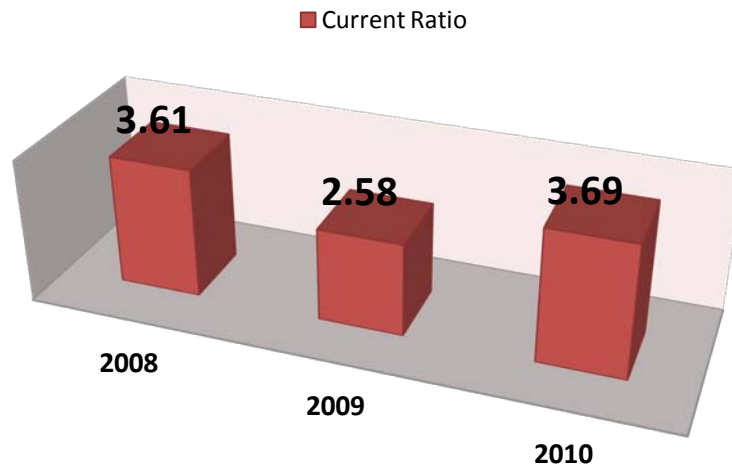
Current Ratio

■ Current Ratio

Figure 8: Current Ratio

According to result the current ratio of UCBL was 3.69 in 2010, 2.58 in 2009 and 3.61 in 2008. In 2010 the current ratio was 3.69 which mean UCBL had 3.69 taka of currents assets against 1 taka of short term debt or liability. It means UCBL had the ability to pay off its current liabilities with its current assets. In 2009 the current ratio was 2.58 which was a little than 2010 which means in 2009 UCBL invested less in short term assets. On the other hand in 2008 the current ratio was 3.61 which mean UCBL investment in current assets was lower than 2010 but higher than 2009. In fact the higher the current ratio is better for the institution because this higher ratio helps to prevent getting default.

5.2 LEVERAGE RATIOS

Leverage ratios are used to calculate the financial leverage of an institution. It helps to get an idea of the institution's methods of financing or to measure its ability to meet financial obligations. There are several types of ratios which main factors are debt, equity, assets and interest expenses.

5.2.1 LONG-TERM DEBT TO EQUITY RATIO

Long term debt to equity ratio is one of the financial leverage ratios which are used in banking sectors to know the link between the long term debt and equity. The ratio is calculated by taking the institution's long-term debt and dividing it by the total value of its equity.

Long-term Debt to Equity Ratio = Long-term Debt / Total Equity

Year	2010	2009	2008
Long-term Debt / Total Equity	89,149,594,558 / 7816471892	52,074,004,482 / 5705466765	43535352890 / 4384243099
Result	11.41	9.13	9.93

Table 2: Long-term Debt to Equity Ratio

Long-term Debt to Equity Ratio

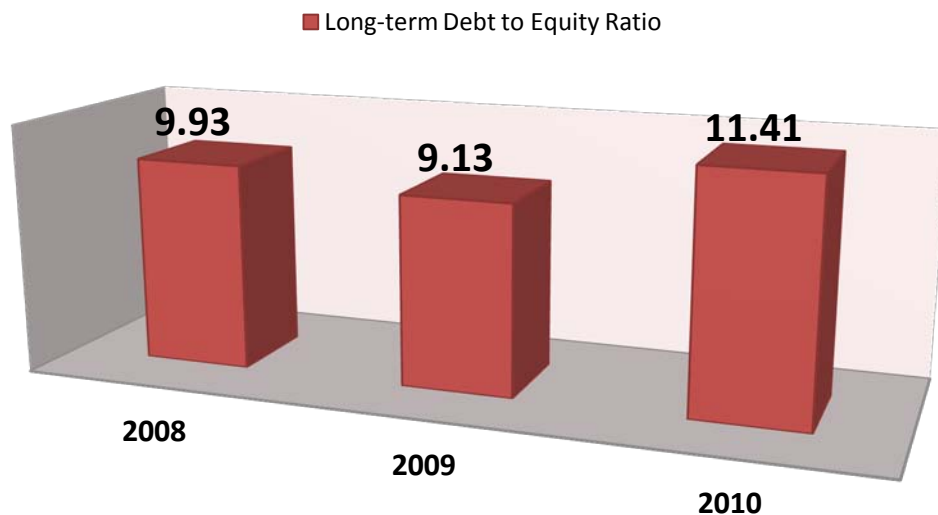■ Long-term Debt to Equity Ratio

Figure 9: Long-term Debt to Equity Ratio

This ratio measures UCBL's long-term sources of fund. Here from this figures it is noticed that most of the UCBL's long term sources of fund come through the long term liability like fixed deposits and multiple saving schemes. In 2010 this leverage ratio was 11.41 which mean UCBL long term funds come from depositors' deposits rather than the stockholders 'equity. On the other hand in 2009 and 2008 the Long-term Debt to Equity Ratio was respectively 9.13 and 9.93 which was less than 2010.

5.2.2 TOTAL DEBT TO EQUITY RATIO

It is one of the banking financial leverage which is calculated by dividing its total liabilities by stockholders' equity. It mainly indicates the proportion of equity and debt that a bank is using to finance its assets.

Total Debt to Equity Ratio = Total Debt / Total Equity

Year	2010	2009	2008
Total Debt / Total Equity	$\dfrac{122059752505}{7816471892}$	$\dfrac{84778315078}{5705466765}$	$\dfrac{60410621389}{4384243099}$
Result	15.62	14.86	13.78

Table 3: Total Debt to Equity Ratio

Total Debt to Equity Ratio

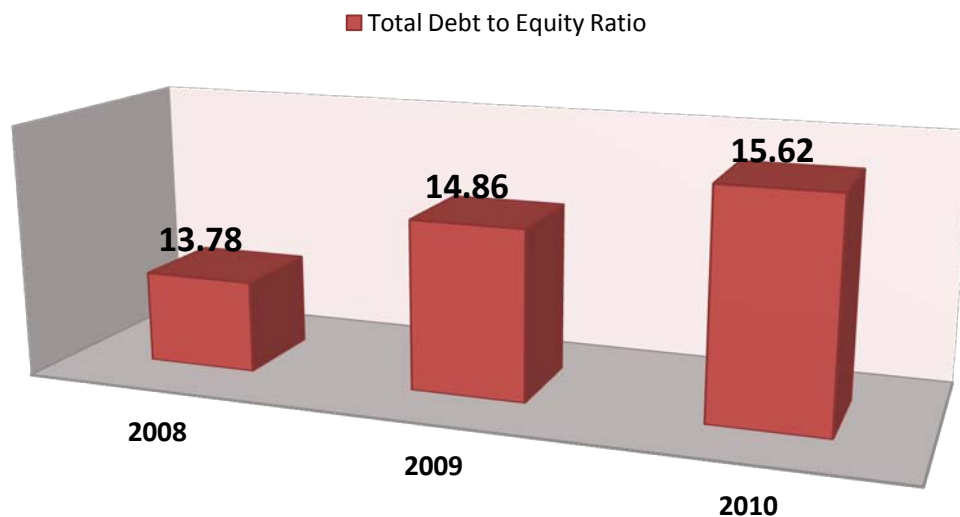■ Total Debt to Equity Ratio

Figure 10: Total Debt to Equity Ratio

Alike all bank UCBL's most of the fund collected from deposits. In year 2010, 2009 and 2008 the ratio was 15.62, 14.86 and 13.78 consequently. The result shows that in 2010, 2009 and 2008 UCBL financed most of its assets through the debt which means through deposits.

As a result the bank is doing well by increasing its deposits over years like 2010 and 2009. This higher outcome over years not only increases the risk but also increases the profit.

5.2.3 TOTAL DEBT TO TOTAL ASSET RATIO

Total debt to total asset ratio measures a bank's financial risk. It determines how much of the bank's assets have been financed by the debt. It is calculated by total debt dividing by the institution's total assets.

Total Debt to Total Asset Ratio = Total Debt / Total Asset

Year	2010	2009	2008
Total Debt / Total Asset	122059752505 <hr> 129876224397	84778315078 <hr> 90483781843	60410621389 <hr> 64794884487
Result	93.98%	93.69%	93.23%

Table 4: Total Debt to Total Asset Ratio

Total Debt to Total Asset Ratio
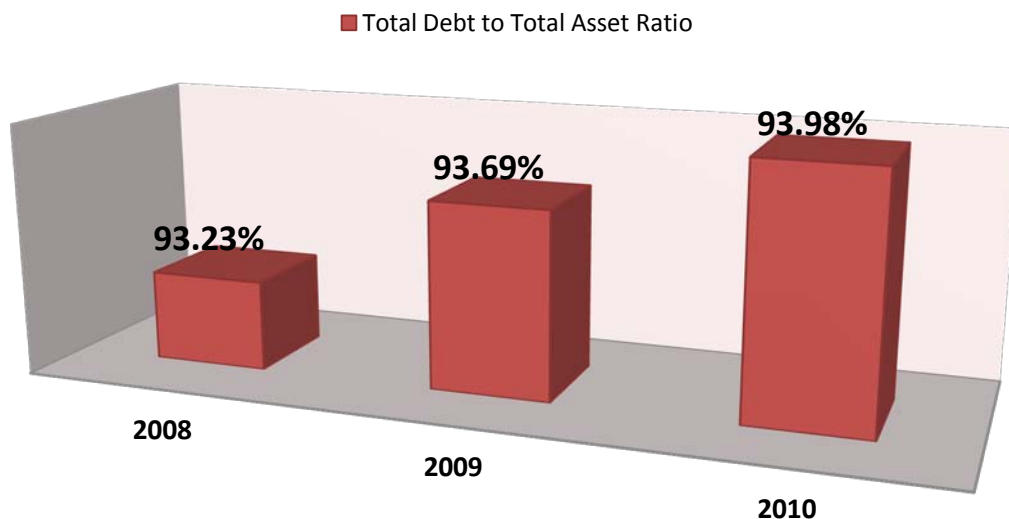
■ Total Debt to Total Asset Ratio

Figure 11: Total Debt to Total Asset Ratio

Almost all of the UCBL's assets are financed by its debt. It works by taking the deposits from the general and invest it in different sectors. From the year 2008 to 2010 the ratios were 93.98%, 93.69% and 93.23% which are almost same. The higher ratio may increase more risk because if UCBL defaults in any investment than the depositors will also default.

5.2.4 TOTAL EQUITY TO TOTAL ASSET RATIO

Total equity to total asset ratio is one of the leverage ratios which is used by the organization like banking sectors. It determines how much of the bank's assets have been financed by the equity.

Total Equity to Total Asset Ratio = Total Equity / Total Asset

Year	2010	2009	2008
Total Equity / Total Asset	7816471892 / 129876224397	5705466765 / 90483781843	4384243099 / 64794884487
Result	**6.02%**	**6.31%**	**6.77%**

Table 5: Total Equity to Total Asset Ratio

Total Equity to Total Asset Ratio

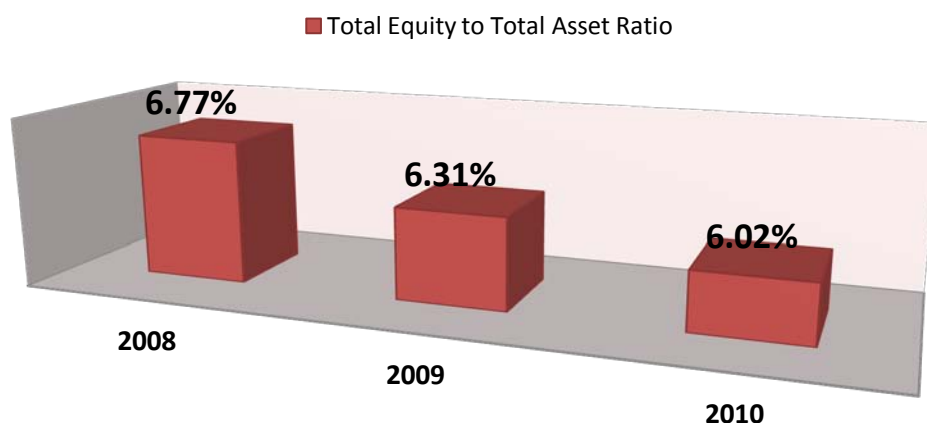■ Total Equity to Total Asset Ratio

Figure 12: Total Equity to Total Asset Ratio

UCBL's almost all the fund collected from the depositors so the shareholder's contribution on this organization is too low. The outcome of this ratio over the years was downward. In

year 2010, 2009 and 2008 the ratios were 6.02%, 6.31% and 6.77%. The reason behind this downward slope was that the bank's deposits are increasing over years and shareholders are less exposed to the risk than the depositors or debtors are.

5.3 PROFITABILITY RATIOS

Profitability Ratios measure the overall earnings performance of an institution and its efficiency in utilizing assets, liabilities and equity.

5.3.1 NET PROFIT MARGIN

Net Profit Margin is a ratio of profitability which is calculated by dividing the net profit after taxation by revenues or net interest income. It measures how much UCBL's is actually earning from its every taka of revenue.

Net Profit Margin = Net Profit after Taxation / Net interest Income

Year	2010	2009	2008
Net Profit after Taxation / Net interest Income	2181635425 3835360138	932897890 2617086773	764745570 2008527966
Result	56.88%	35.65%	38.07%

Table 6: Net Profit Margin
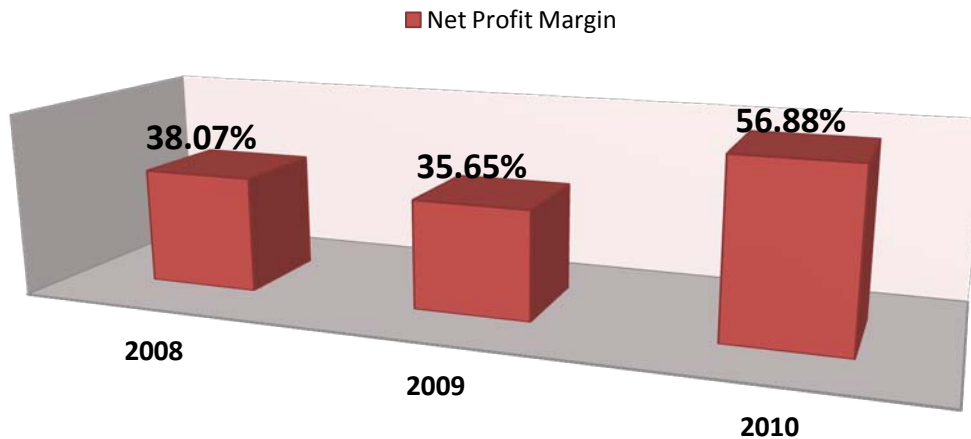
Net Profit Margin

■ Net Profit Margin

Figure 13: Net Profit Margin

The greater the outcome the better the UCBL's performance is. In 2010 the result was 56.88% that means in 100 taka of net interest income UCBL's net profit was 56.88 taka. On the other hand in 2009 and 2008 the net profit was taka 35.65 and 38.07 against 100 taka of net interest. Between the years in 2010 the bank had a handsome profit margin in percentages and oppositely in 2008 UCBL net profit margin was better than the year 2009.

5.3.2 RETURN ON EQUITY

Return on equity measures a bank's profitability which calculates how much net profit that bank may generates with the money that shareholders have invested as equity.

Return on Equity = Net Profit after Taxation / Equity

Year	2010	2009	2008
Net Profit after Taxation / Equity	$\dfrac{2181635425}{7816471892}$	$\dfrac{932897890}{5705466765}$	$\dfrac{764745570}{4384243099}$
Result	27.91%	16.35%	17.44%

Table 7: Return on Equity
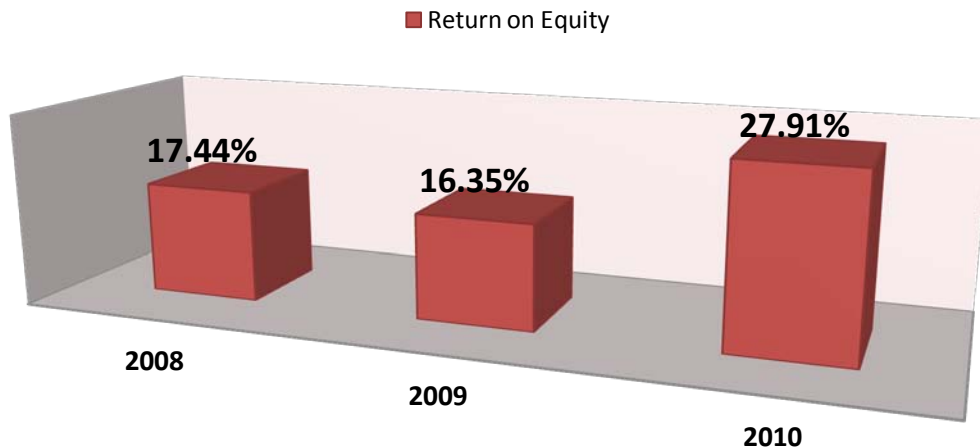
Return on Equity

Figure 14: Return on Equity

ROE is very popular ratio toward the shareholders of any bank. After doing the analysis from UCBL's financial statements its shows those in years 2010, 2009, and 2008 the return from 100 taka invested by the shareholders was respectively 27.91, 16.35 and 17.44. The higher the percentage is the better for the bank as well as for shareholders.

5.3.3 RETURN ON ASSETS

ROA is a profitability ratio which shows how profitable a bank is related to its total assets. ROA gives an idea that how efficient the management of a bank is to generate profits using its assets.

Return on Assets = Net Profit after Taxation / Total Assets

Year	2010	2009	2008
Net Profit after Taxation / Total Assets	2181635425 <hr> 129876224397	932897890 <hr> 90483781843	764745570 <hr> 64794884487
Result	1.68%	1.03%	1.18%

Table 8: Return on Assets
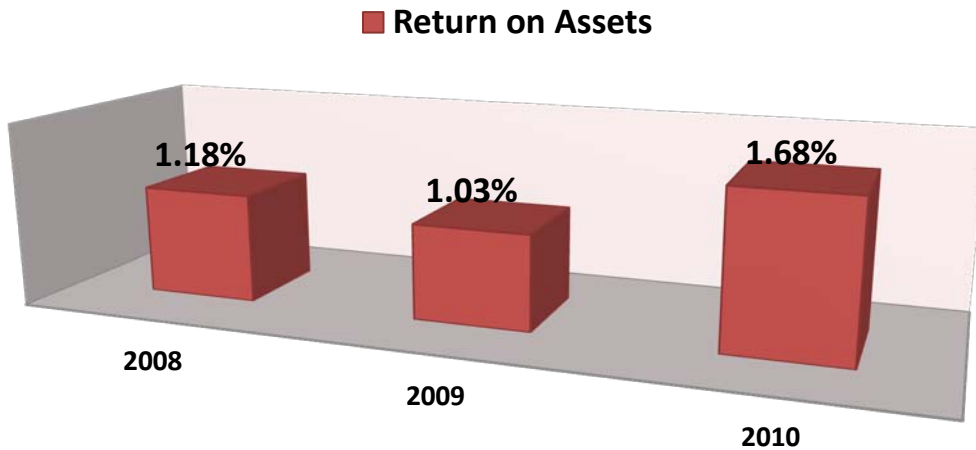
Return on Assets

■ Return on Assets

Figure 15: Return on Assets

ROA is the most used profitability ratio. As UCBL was a part of banking industry and its most of the assets come from the debt which was the reasons for its low net profit as well as poor ROA. As a result the UCBL had low ROA in the year of 2010, 2009 and 2008 which were 1.68%, 1.03% and 1.18% respectively. In the year 2010 the net profit of the bank had increased as a better growth rate rather than its assets growth.

5.4 EFFICIENCY RATIOS

Efficiency Ratios determine the efficiently of using its assets and managing its operations.

5.4.1 ASSETS TURNOVER

Assets turnover ratio measures the turnover of the firm's total assets. It is calculated by dividing net interest income by total assets.

Assets Turnover = Net interest Income / Total Assets

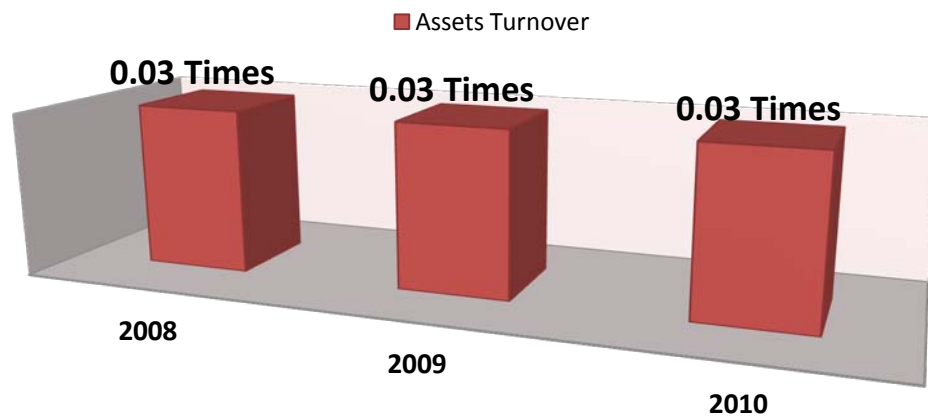| Year	2010	2009	2008
Net interest Income / Total Assets	3835360138 / 129876224397	2617086773 / 90483781843	2008527966 / 64794884487
Result	0.03 Times	0.03 Times	0.03 Times

Table 9: Assets Turnover

Figure 16: Assets Turnover

UCBL's asset turnover ratio was same and too low from the year 2008 to 2010. The ratios were 0.03 times from year 2008 to 2010. These ratios indicate that UCBL was not generating a sufficient volume of revenue given to its total asset investment. To increase this ratio UCBL had to utilize its sources of fund on those assets which may bring more revenue to the bank.

5.4.2 FIXED ASSET TURNOVER

The fixed assets turnover ratio measures how effectively the bank uses its fixed assets or long term investment.

Fixed Asset Turnover = Net interest Income / Fixed Assets

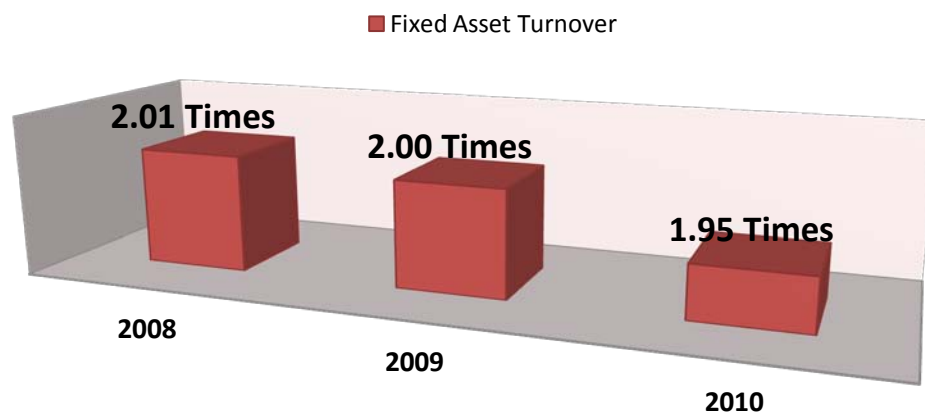| Year	2010	2009	2008
Net interest Income / Fixed Assets	3835360138 / 1966349087	2617086773 / 1305810015	2008527966 / 999188451
Result	1.95 Times	2.00 Times	2.01 Times

Table 10: Fixed Asset Turnover

Figure 17: Fixed Asset Turnover

The analysis of this ratio shows the downward slope of UCBL. Form the year 2008 to 2010 the ratios were 1.95, 2.00 and 2.01 Times consequently which is falling down over years. This lower fixed-asset turnover ratio shows that UCBL had less effectiveness in using the investment in fixed assets to generate its revenues and it is falling year after year.

5.5 MARKET VALUE RATIOS

Market value ratios relate the observable market values like the stock price with the book values obtained from the firm's financial statements.

5.5.1 PRICE EARNINGS RATIO

Price earnings ratio shows how much an investor is willing to pay per taka of reported profit. It is calculated by dividing the stock price per share by the earnings per share (EPS).

Price Earnings Ratio = Stock Price per Share / Earnings per Share (EPS)

Year	2010	2009	2008
Stock Price Per Share / Earnings Per Share (EPS)	226.80 / 7.50	32.84 / 3.21	533 / 42.71
Result	**30.24 Times**	**10.23 Times**	**12.48 Times**

Table 11: Price Earnings Ratio

Price Earnings Ratio

■ Price Earnings Ratio

Figure 18: Price Earnings Ratio

This ratio outcome shows the UCBL's higher growth prospects. According to the UCBL's P/E ratio in year 2010 and investor wants to invest 30.24 times for 1 taka profit. In the year 2009 the P/E ratio was lower which was 10.23 times that means it had a poor growth rate. On the other hand the year 2008 had a better P/E ratio than the year 2009 which was 12.48 times.

5.6 ADEQUACY RATIO

5.6.1 CAPITAL ADEQUACY RATIO

Adequacy Ratio is a ratio of a bank's capital to its risk. It is expressed as a percentage of a bank's risk weighted credit exposures.

Capital Adequacy Ratio = Capital Base (Tier I + Tier II) / Risk-weighted Assets

Year	2010	2009	2008
Capital Base (Tier I + Tier II) / Risk-weighted Assets	9085028284 144080551271	6035002412 65440118582	4780375209 46246181272
Result	6.31%	9.22%	10.34%

Table 12: Capital Adequacy Ratio

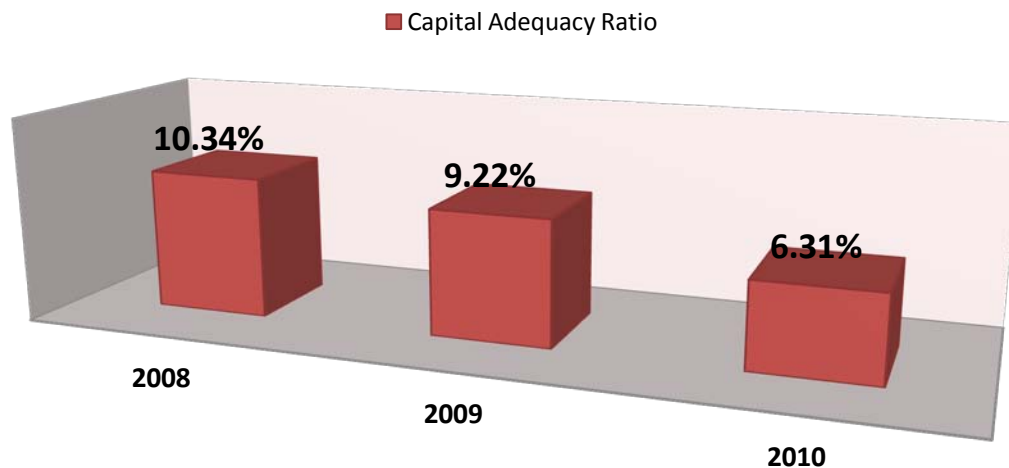# Capital Adequacy Ratio

■ Capital Adequacy Ratio

Figure 19: Capital Adequacy Ratio

In 2010 the CAR required for UCBL was 9% which was determined by Bangladesh Bank and the actual CAR was 6.31%. This lower CAR means that UCBL had less amount of capital to support its risk weighted assets. It increase the risk of the bank because if any investment get default than UCBL will get into problems to pay its deposits. In 2009 the CAR was required 10% and the actual CAR was 9.22%. This CAR almost fulfills the

requirement of BB and UCBL had the minimum capital to support its risk weighted assets. In year 2008 the CAR was required 10% and the CAR was 10.34%. This CAR was higher than the standard of BB which means UCBL was more secured by its capital to the risk weighted assets.

5.6.2 CORE CAPITAL RATIO

Core capital is the minimum amount of capital that a bank has to have to ensure protection of consumers. It is expressed as a percentage of a bank's risk weighted credit exposures.

Core Capital Ratio = Core Capital (Tier- I) / Risk-weighted Assets

Year	2010	2009	2008
Core Capital (Tier- I) / Risk-weighted Assets	7016502289 <hr> 144080551271	4834866864 <hr> 65440118582	3901968973 <hr> 46246181272
Result	4.87%	7.39%	8.44%

Table 13: Core Capital Ratio

Core Capital Ratio
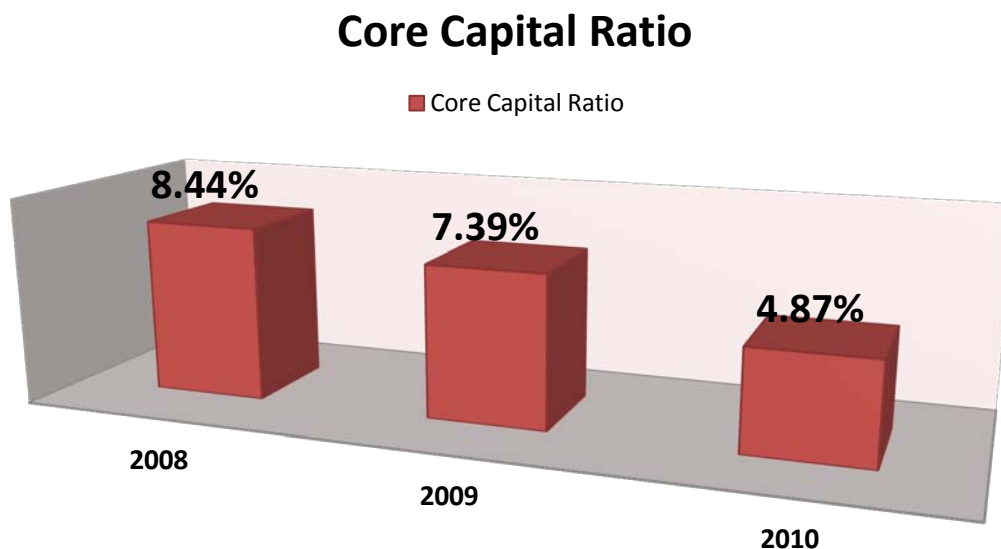
■ Core Capital Ratio

Figure 20: Core Capital Ratio

In 2010 the core capital ratio determined by BB was 4.5% and the UCBL's ratio was 4.87 which higher than the margin. Here the depositors were more secured to its risk weighted investments. In 2009 the ratio was 7.39% where the margin was 5% and UCBL was also secured to its risk weighted assets. At last in year 2008 the ratio was 8.44 where the margin was 5%. So the bank was not exposer to any risks.

5.6.3 SUPPLEMENTARY CAPITAL RATIO

Supplementary capital is secondary bank capital that includes items such as undisclosed reserves, unclassified loans, assets revaluation reserve and so on.

Supplementary Capital Ratio = Supplementary Capital (Tier- II) / Risk-weighted Assets

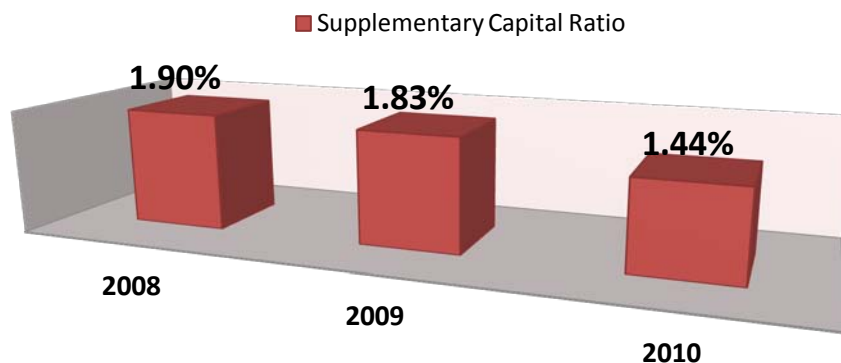| Year	2010	2009	2008
Supplementary Capital (Tier- II) / Risk-weighted Assets	2068525993 / 144080551271	1200135548 / 65440118582	878406236 / 46246181272
Result	1.44%	1.83%	1.90%

Table 14: Supplementary Capital Ratio

Figure 21: Supplementary Capital Ratio

In year 2010 the UCBL's ratio was 1.44% where the margin was 4.5%. This figure was lower than the margin which indicates that the bank was in risker position and according to the BB,

UCBL had to be asked to increase its capital. In year 2009 and 2008 the ratios were 1.83% and 1.90% where the margin was 5%. Here it is noticed that the supplementary capital ratio of UCBL were lower in years which implies that UCBL's supplementary capital is more exposed to risk by risk weighted assets.

Different financial institutions may have different methodology of adequacy ratio calculation like UCBL has less supplementary capital than the core capital but its CAR almost matches its standard.

5.7 OTHER IMPORTANT RATIOS FOR BANKS

There are some ratios which indicate that the bank's solvency and long-term performance.

5.7.1 LOAN TO ASSET RATIO

It is calculated by dividing the amount of loans by the amount of total assets at a bank.

Loan to Asset Ratio = Total Loans/Total Asset

Year	2010	2009	2008
Total Loans / Total Assets	$\dfrac{93460300000}{129876224397}$	$\dfrac{61692200000}{90483781843}$	$\dfrac{44446000000}{64794884487}$
Result	71.96%	68.18%	68.60%

Table 15: Loan to Asset Ratio
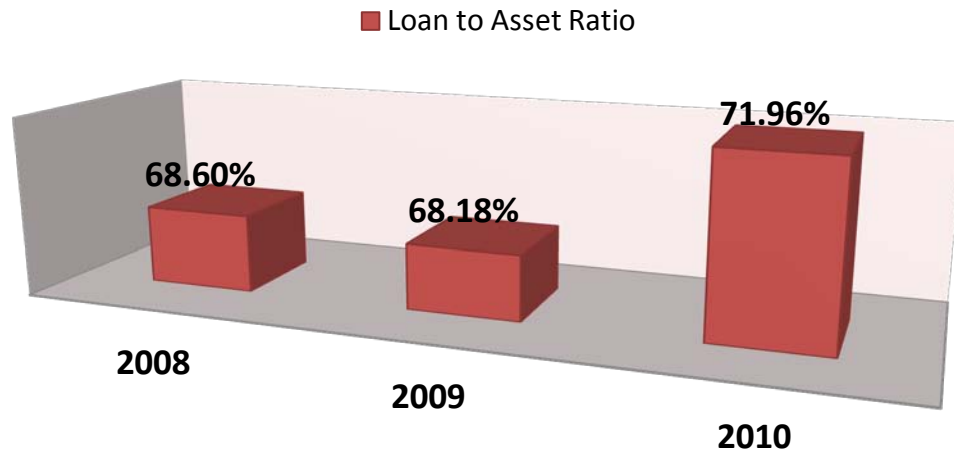
Loan to Asset Ratio

Figure 22: Loan to Asset Ratio

In year 2008, 2009 and 2010 UCBL's loan to total asset ratio was respectively 68.18%, 68.18%, and 71.96%. The higher the ratio the more risky the bank has. These higher loans to assets ratios mean that the bank has 68.18%, 68.18%, and 71.96% of loan and advance in the assets part of financial statements of 2008, 2009 and 2010. As bank's main business is interest earning so the larger percentages of this ratio brings more revenue to the bank. As a result 2010 incurred more revenue than other years. But that is considered as risky behavior.

5.7.2 LOAN TO DEPOSIT RATIO

Loan to deposit ratio is a form of percentage divided total loans by total deposits.

Loan to Deposit Ratio = Total Loans/Total Deposits

Year	2010	2009	2008
Total Loans / Total Deposits	93460300000 / 113070700000	61692200000 / 77730400000	44446000000 / 54485000000
Result	82.66%	79.37%	81.57%

Table 16: Loan to Deposit Ratio

Loan to Deposit Ratio
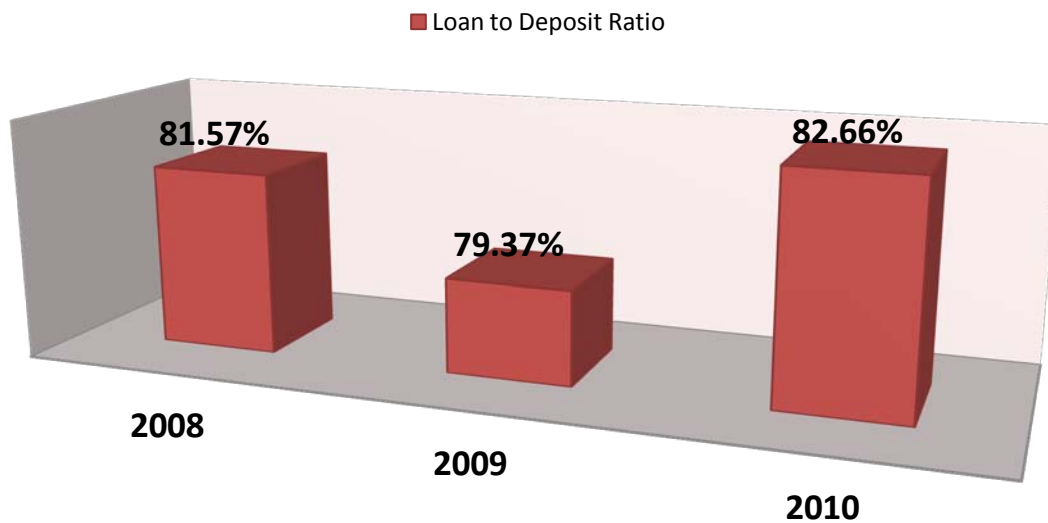
■ Loan to Deposit Ratio

Figure 23: Loan to Deposit Ratio

In year 2008, 2009, and 2010 the ratios of UCBL was respectively 81.57%, 79.37% and 82.66%. These ratios show a relationship between loans and advances to total deposits. It indicates how much productively the deposits are used. Analysis shows an increase in 2010 because advances were also increased sharply with the increase of deposits. This condition is favorable for the bank. But in 2009, deposits increased by higher rate than an increase in loan which indicates difficulty situation of UCBL. On the other hand 2008 had better ratio than 2009.

5.7.3 NON-PERFORMING LOANS TO LOANS RATIO

A non-performing loan is a loan that will not be recovered. Non-performing loans indicates the percentage of non-performing loans of a bank has.

Non-Performing Loans to Loans Ratio = Non-Performing Loans /Total Loans

Year	2010	2009	2008
Non-Performing Loans /Total Loans	$\dfrac{1120803000}{93460300000}$	$\dfrac{1622305000}{61692200000}$	$\dfrac{2051380000}{44446000000}$
Result	1.20%	2.63%	4.62%

Table 17: Non-Performing Loans to Loans Ratio

Non-Performing Loans to Loans Ratio

■ Non-Performing Loans to Loans Ratio

4.62%

2.63%

1.20%
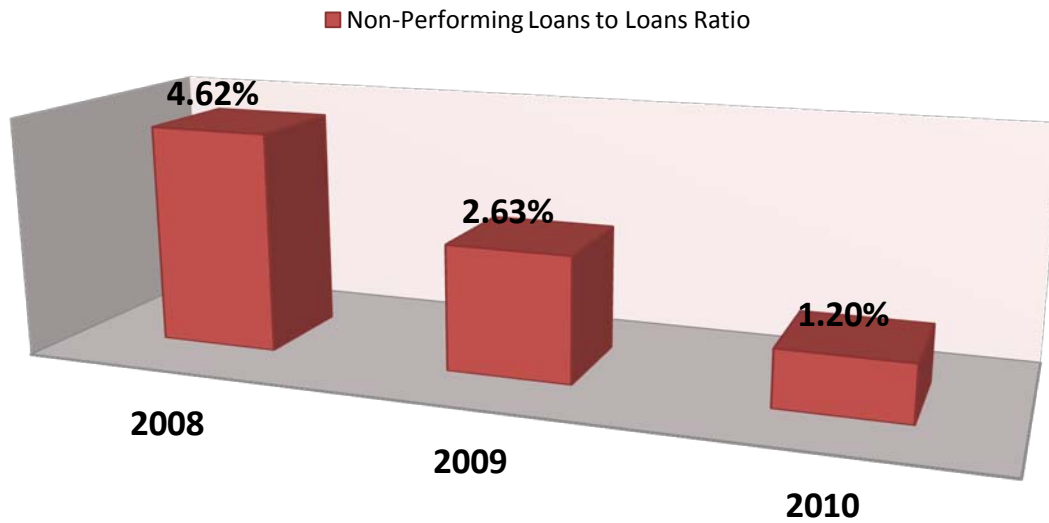
2008

2009

2010

Figure 24: Non-Performing Loans to Loans Ratio

The ratios were 1.20%, 2.63% and 4.62% in the year of 2010, 009 and 2008. This ratio should be lower at any cost because the higher outcome indicates that the bank has serious problems with collecting its debts. The ratio is getting better over years. In 2010 the ratio came to 1.2% than the ratio was in 2008.

5.7.4 RATE OF RETURN ON LOANS RATIO

Rate of Return on Loans = Net Interest Income / Total Loans

Year	2010	2009	2008
Net Interest Income / Total Loans	3835360138 / 93460300000	2617086773 / 61692200000	2008527966 / 44446000000
Result	4.10%	4.24%	4.52%

Table 20: Rate of Return on Loans

Rate of Return on Loans
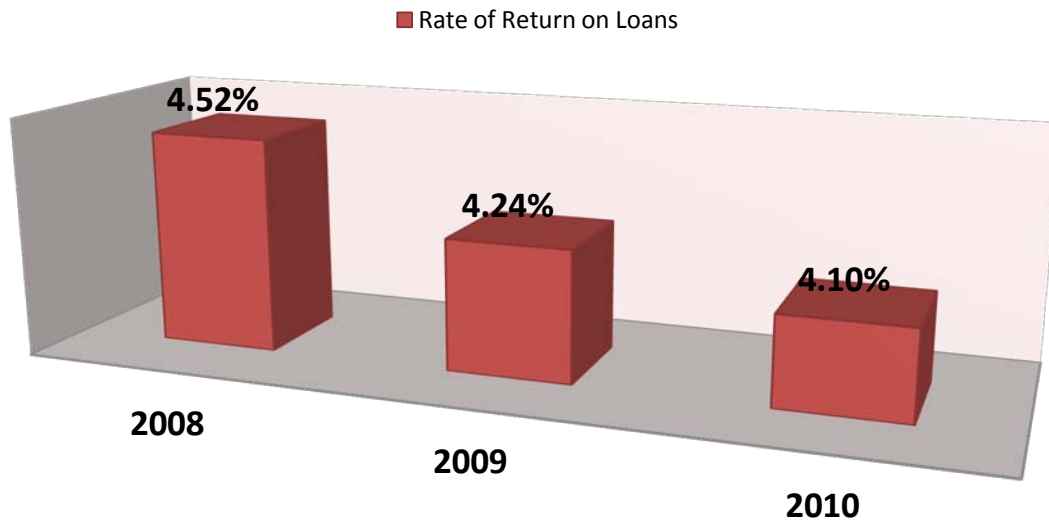
■ Rate of Return on Loans

Figure 25: Rate of Return at Loans

In year 2008, 2009 and 2010 the ratios were respectively 4.52%, 4.34%, and 4.10%.The rate of return at loans of the UCBL is decreasing over year. This shows that the bank is not in good position when we compare to the interest income of UCBL with its loans. From year 2008 to 2010 the return is getting down which indicates that the industry become more competitive over years. Thus the bank's earning over years is falling in favor of interest income on its loans.

CHAPTER -6

6. RECOMMENDATIONS

United Commercial Bank Ltd. is an established privatized bank in our country. This bank is doing well over years. Based on my three months of internship program, my recommendations towards the UCBL's operations are

- ⊠ UCBL Kawran Bazar branch is one of the very busy branches of UCBL. But the space of that branch is too short to do its activities properly. So I think it should enlarge the branch space to accomplish its work effectively.
- ⊠ UCBL's most of the works are done with papers where many bank uses computerized systems. UCBL should use more computerized system to increase the efficiency in work.
- ⊠ From my three months of internship program I came to know that card division department is not good enough to satisfy the clients properly. It should give more emphasize on this card division department.
- ⊠ UCBL Kawran Bazar branch has no scanner machine to read other bank's cheques. For that reason they have to rely on Dhanmondi Branch. So it should arrange the scanner machine to easier its work.
- ⊠ It should be more concern in their management quality to improve its satisfactory position.
- ⊠ This Branch should be more innovative and diversified in its service.
- ⊠ UCBL's information system should be developed to deal with its local and international clients properly.
- ⊠ UCBL should introduce new short term DPS like other banks to increase its deposits.
- ⊠ UCBL had good liquidity ratios during year 2008 and 2010. In 2009 it had less liquidity ratios than the others. It should give more concern about these types of fluctuations in ratios.
- ⊠ UCBL had fair leverage ratios in where it uses the debt most to increase revenue rather than the equity. It may increase the risk of the bank. So, to minimize the risk I think UCBL should finance more equity.

⌧ UCBL had less supplementary assets in comparison to the Bangladesh Bank's standard. To secure the depositors UCBL should give concern to raise its supplementary assets.

⌧ From year 2008 to 2010 there was a lower growth in 2009 compare to 2008 and 2010. It indicates that UCBL has no consistency in growth over years. UCBL should ensure a better growth over year to reach a strong position.

CHAPTER -7

7. CONCLUSION

Private commercial banks are playing a vital role in the development of our economy. Government and Bangladesh Bank also play a crucial role in banking sector by regulating the overall banking systems and setting rules and regulation in the activities of commercial banks. In recent years of banking sector, UCBL has shown better performance comparing with other first generation banking.

It was great pleaser for me to do my internship program in reputed organization like UCBL. The three months of practical orientation helps me to provide a wide range of scope to observe the operations of bank. Overall the bank must make appositive attempt to be more outward looking in their goals and aware of what is happening. I hope, in spite of all my limitation the experience of sharing works in such environment will help me a lot in my future professional life. I wish continuous success and healthy business portfolio of UCBL Kawan Bazar Branch, Dhaka.

CHAPTER -8

8. REFERENCES

To prepare this report I collect data mainly from annual reports of UCBL, different books regarding ratio analysis, the websites of BB and UCBL and others websites about ratio analysis. The references are given below

Annual Reports

⊠ Annual Report of UCBL 2010

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v0zJx7qB

APPENDIX