

Internship Report on

“UTTARA BANK LIMITED”

SHANTINAGAR BRANCH, DHAKA

Prepared For:

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BRAC University MBA Program

Date: February 15th, 2014

BRAC BUSINESS SCHOOL, BRAC UNIVERSITY, 66 MOHAKHALI, DHAKA

LETTER OF TRANSMITTAL

Date: February 15, 2014

To

Tareq Mahbub

Assistant Professor

BRAC Business School

BRAC UNIVERSITY

66, Mohakhali, Dhaka

Subject: Submission of Report on common practices and irregularities of UTTARA BANK LIMITED, Shantinagar branch

Dear Sir,

Here I am submitting my report named "Internship Report on common practices and irregularities of UTTARA BANK LIMITED, Shantinagar branch". This Report is conducted for fulfilling the requirement of MBA Degree.

The whole report is based on my practical experience with all the things I have learnt during my three years of service as a Senior Officer at Shantinagar branch. I gather my experience from the branch under direct supervision of Md. Omar Faruk, A.G.M., Uttara Bank Limited. I try my best to furnish all.

I shall be highly encouraged if you are kind enough to receive this report.

If any clarification is needed regarding this report please let me know.

Thanking you.

Yours sincerely,

SHARMIN SULTANA

ID# 09364017

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BRAC BUSINESS SCHOOL (MBA PROGRAM)

ACKNOWLEDGEMENT

I would like to thank our honorable teacher **Tareq Mahbub, Assistant** Professor of Brac Business School for his cooperation in making this report.

It would be difficult for me to prepare this report without the help of my respected teachers of BRAC BUSINESS SCHOOL MBA PROGRAM. I have got a lot of inspiration and encouragement from my fellow colleagues and Foreign Exchange In-Charge Mr. Md. Nurul Amin Sir of UTTARA BANK LIMITED, Shantinagar Branch. I would like to thank them for assisting me in learning and enriching.

My special thanks to Mr. Omar Faruk, A.G.M of Shantinagar Branch for his assistance for providing me with the opportunity to work in the Foreign Exchange department, Export section. I would also like to thank him for considering my shortcomings and allowing me to correct my mistakes and learn from them.

Executive Summary :

This summary deals with the analysis of credit risk management policies of UTTARA Bank Limited, a private commercial bank is the first private sector Bank fully owned by Bangladeshi entrepreneurs.

Credit risk is most simply defined as the potential that a bank borrower or counter party will fail to meet its obligations in accordance with agreed terms. Credit risk, therefore, arises from the bank's dealings with or lending to corporate, individuals, and other banks or financial institutions.

I have based my conclusion by analyzing the bank's asset concentrations and portfolio quality using industry exposures, loan concentration level of non-performing loans and adequacy of provisioning requirements. I have done a comparison between the banks past and present performance as well as a comparison with the overall banking industry performance.

The bank has in the past maintained a lax approach towards lending but has recently strengthened their credit appraisal process.

Recently, the Bank has put in place policies, guidelines and procedures to control and monitor such risks. The risk parameters for accepting credit risks are clearly defined and complemented by policies and processes to maintain a well diversified and high quality credit portfolio.

UBL primarily lends for trade finance, and export and import business.

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INTRODUCTION:

Uttara Bank is one of the largest and oldest private sector commercial banks doing business in Bangladesh with years of experience in Banking. The bank has specialized in adopting modern technology both in terms of equipment and Banking practices. UBL ensures efficient service to clients by establishing 220 branches at home and more than 600 affiliates worldwide create efficient networking and reach capability. Uttara is a bank that serves both clients and the Country by opening the online Banking system to cope up with the challenging nature of banking practices which face extreme competition within Bangladesh with the emergence of new entrants and introduction of new products.

Uttara Bank Limited is deeply related with the history tradition and living standard of human of the country. This Bank started its operations on 28th January 1965 as a commercial bank by Eastern Banking Corporation, which is interpreted by a private organization. In 1972 the Bank takes this name Uttara Bank. It had been a limited company since 1983 which was named Uttara Bank limited.

UBL Networks	
Corporate Offices (Corporate Branch & Local Office)	2
Regional Office	12
Worldwide Affiliates	600
Total Branches (Including Corporate Branch & Local Office)	220
Authorized Dealer Branches	38
Treasury & Dealing Room	1
Training Institute	1
Man Power	3562

The objectives of UBL are follows:

- Mobilizing deposit from the surplus economic unit to deficit economic unit.
- Cater to all different segments of retails and wholesale customer.
- Being a high quality distributor of products and services.
- Serve the people of the country by providing financial assistance.
- Help the nation in reducing the employment problem by securing services to a large number of people.
- Ensure balanced economic development though out the country.
- To expand business.
- To keep position in the competitive market.
- To contribute in profitability of UBL.

Features of UBL

The bank is committed to turn all its activities as per council board. UBL through its steady progress and continuous success has earned the reputation of being one of the leading private sector banks of the country. The distinguishing features of UBL are as follow:

- All its activities are conducted on interest banking system according to council board.
- Establishment of participatory banking instead of banking in debtor creditor relationship.
- Investment is made through deterrent modes permitted under council board.
- Investment income of the bank shared with depositors according to a ratio to ensure a reasonable fair rate of return on their depositors.
- Its aims are to introduce a welfare oriented banking system and also to establish equity and justice in the field of all economic activities.
- It extends economic and financial services to the poor, helpless and high income group of the people for their economic upliftment particularly in the rural areas.
- It plays a vital role in human resource development and employment generation particularly for the unemployed youths.
- Its aim is to achieve balanced growth and equitable development of the country through diversified investment operations particularly in the priority sector and in the less developed.
- It extends cooperation to the poor the helpless and the high income group for their economic development.

OVERVIEW:

UBL is one of the largest private banks in Bangladesh. It operates through 220 fully computerized branches ensuring best possible and fastest services to its valued clients. The bank has more than 600 foreign correspondents worldwide. Total number of employees nearly 3,562. The Board of Directors consists of 15 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

Mission of the Company:

Uttara Bank's mission is to create salient Banking Practices for the general clients and to establish branches all over the country

Vision:

The Bank has been giving general loans and services to the clients in offering loans by providing CC, consumer loans and general banking practices.

Being able to work in the trade services in Uttara Bank Limited, Shantinagar Branch I was able to witness many irregularities and in compliance which takes place on a day to day basis in my own department .As an officer of Export services of Shantinagar Branch, I would like to describe the common malpractices of Trade Services on the bank's behalf.

COMMON IRREGULARITIES AND MALPRACTICES:

- Late payment is one of the prime irregularities In LC operations, late payment has also been found to be a common practice. It is observed that, in spite of receiving compliant documents under sight LCs, the payments have been lingered. Sometimes the officers of the trade services are compelled to delay payments in spite of receiving and checking compliant documents. The applicants/party requests the In-charge and dealing officers to

lodge discrepancy notices to halt the payments momentarily on the grounds such as goods had not arrived or goods were of inferior quality. In few cases, it has been observed that in spite of the arrival of the consignment, the applicants approach issuing banks to linger payment through issuing discrepancy notices. Banks are also cooperating with them in some instances. These practices also inflate the confirmation charges of the LCs issued from Bangladesh.

- When Documents arrive and dispatched in the dispatching table, sometimes the dealing officers do not write down the detail of the documents of the LCs, and many times the LC documents are not marked properly by the Foreign Exchange in-charge. Sometimes local Back to Back LC documents are found to be without any dispatch mark and the chance of receiving fake or duplicate Documents may arise. We, generally crosscheck with the banks from where the documents have been sent to us and ensure the authenticity of the document.
- The rates of rejecting Foreign Documents are rare. As we try our level best to preserve the interest of Exporters and also our Bank. The practice of harassing other party just to linger payments and issuing discrepancy just to collect charges are almost absent.
- There are trends of creating forced loan, rescheduling, and converting non-funded liability into funded liability in response to the crisis in Bangladesh. In a number of instances, issuing banks have to make payment and create forced loan in favor of the importer. Thus, there has been considerable increase in funded liability [converting non-funded liability into funded liability]. In some instances, banks also delayed payment to protect their interests which is undesirable under UCP rules. Sometimes bankers are compelled to create forced loan (also called Demand Loans) just to make payments of the Back to Back LCs on the maturity date. This generally happens when Export Proceeds are not received on time. The Demand loans are adjusted right after the proceeds arrive and it is considered to be bad for the health of the Export department of our Branch. Demand Loans are created as the last resort to make payments of the Back to Back LCs.

- Some instruments of international trade like LCs or guarantees are used for fraudulent or unethical practices in performing local trading activities. The issue of accommodation bill (payment without genuine consignment) related with shipment under local LCs is a huge concern for the entire banking sector. Recently, a case of huge forgery in regard to accommodation bill has been surfaced and stirred the entire banking industry. Inland Bill Purchase (IBP) is one of the most popular sections of any Bank. Now a day, due to some unfortunate incidents happening with a Government owned Bank, the authorization of IBP has been bestowed upon only Authorized Dealer Branches of the Banks. These put even more loads on the Authorized Dealers, as selection of the party is a prominent issue. The Banks are in an unhealthy competitive market and they sometimes do get involved in some actions which may have dire consequences. Many times, The Exporters of EPZ areas submit their Export Documents months later the branch issues them their individual EXP forms. The EXPs are issued on the On-line Export monitoring system of Bangladesh Bank. The acceptance of IBP documents are received from other Banks even months later issuing the bills. Most of the IBP bills are Usance /deferred in nature, mainly for 90/120 days sight. But the payments are received even later and other banks seem generally reluctant to release the payments on time and linger the whole process.
- In Bangladesh, insurance coverage is supposed to be offered by the importers. Banks are supposed to ensure minimum insurance coverage of 110 percent of importable at the time of opening of LC. However, in a number of cases LCs are opened ensuring only 100 percent of the importable even less. Contravention of Bangladesh Bank rules is very apparent in this case. Bank act leniently on their clients' behalf and sometimes get out of the line.
- Regarding the acceptance of Foreign Back to Back LCs, the Banker sometimes act lethargically to check the documents properly. The rate of sending Discrepancy messages are also high. Sometimes, the Exporter requests us to issue Discrepancy messages just because they have not been able to make proper shipment of the goods on time.
- Sometimes the Export proceeds arrive later than expected as the export bills have been marked as discrepant by the importers and they delay payments by showing various reasons.
- There are several cases of non-realization of export proceeds. This may not be very unusual. However, ADs or banks are expected to behave responsibly and report to Bangladesh Bank in timely manner. However, there are instances where ADs did not report to the Bangladesh Bank and moreover banks did cooperate with the exporters in fraudulent activities. Many of the export proceeds are realized much later than expected when the exporters export the goods against TT. Sometimes partial proceeds are realized

and the EXPs are shown realized much later. The A2O2 reporting is also not properly done many times. Sometimes the exporters receive payments even before proper export documents are prepared and they present documents after they collect the money from the banks.

- Sometimes, the banks issue Back to Back LCs even beyond the limit of the exporters and they halt payment of back to back LCs while submitting a proposal to the Head Office just to show less liability on the exporter's behalf as many Demand Loans and Over Drafts and Foreign Bill Purchased have been made by the exporters.
- In certain cases, though very limited in number, some banks have made payments as per the requirement of LC, however, goods never arrived, and banks were in trouble. Such instances are found where sight LCs is issued with TT reimbursement clause by a Bangladeshi bank.
- LC Cancellation by the Exporters is generally discouraged by the Bank but we comply to it, when the parties are completely unable to make export shipping and we do it to preserve the party's self.
- Sometimes the recording of the transactions are not properly done by the dealing officer and later confusion may arise. We, as a second generation Bank, still maintain a lot of ledgers and register books and sometimes the export and import work gets cumbersome and time consuming.
- The online Export monitoring system was introduced on 01-11-2011 and till then all the EXPs have been posted on the online export monitoring system of Bangladesh Bank. Many Exporters are lethargic to submit their EXPs along with their respective export bills, mainly because of goods exported by air. Many EXPs are stuck with the customs in the airport and our exporters are unwilling to retrieve the EXPs to submit to the banks and the reporting of Duplicate of the EXPs get delayed which is an irregularity on both the exporter's and the bank's behalf.
- Timely reporting on cross-border transactions is a crucial requirement of regulatory compliance of the central bank. Now a day, almost all the transactions are reported to the central bank as soon as we receive the export proceeds.
- As per the GFET (chapter 8 of Guidelines for Foreign Exchange Transactions, 2009), other than the cases such as Advance TT received by the domestic exporter or for EPZ exporters, the shipping lines are not permitted to issue Straight B/Ls (directly consigned to the foreign buyers) without the NOC from the local A.D. (the

nominated/negotiating/remitting bank). It is also a vital condition for the shipping lines to obtain license from Bangladesh Bank. Most of the EPZ exports are done by road and they present a delivery Challan along with a truck receipt dated accordingly.

- As a prominent Bank, we try to make sure all our exporters and importers keep their papers up to date and the documentation process is as clean as possible. Importers registration Certificate (IRC) and Exporter's registration certificate are renewed and we do not permit them to continue trade as long as their documentation is in accordance with the proper laws and guidelines.
- Fraudulent activities have never been witnessed in our branch as proper documentation and discussion are always practiced.

Motivation of the Employee of UBL Shantinagar Branch

Most of the employees are satisfied with management practices, incentive, bonus, working environment of the branch. But few of them have argument about working loads, working hours of the branch. They have to work late hours without any overtime, incentive. Some of them have argument about training and human development. They need training to adapt with technology that bank has introduced- new way of writing DD, MT.TT.P.O. And other advice, but now a day's these are becoming obsolete because of the introduction of online banking system in all 220 branches .Some of the employees express opinion about changing of the branch and improving their working environment. Most of the employees are committed to work more if the authority implement new pay scale for them. In response of the questionnaire concerned with employee feelings it shows that 90% of the people feel very good in the branch 30% people dissatisfied with branch location and hygienic environment. 40% people loss their interest due to high working loads and long duration of works. 60% people are not satisfied with their present remuneration. According to them their pay scale, incentive are not competitive. 80% people claim more increment bonus, and suitable location of the branch. 10% people say teamwork is not properly practiced here, due to management's discriminating attitude towards them. 60% people recommended for modern technology, with training for improving their skills and reduce their work loads.

Management efficiency of UBL Shantinagar branch:

Management of the branch is very efficient. Discipline is strictly followed in all activities of the branch. Management always follows banks norms, culture, and ethics. Management immediately implement any circular from head office, Bangladesh banks, finance ministry that appropriate for them. Any new technology, new method of written report, submission of statement immediately implement in the branch. Branch manager is always concerned about his duties and responsibilities. He always observes all the officers work in front of their table. In case of any types of error on behalf of an officer, he immediately takes measure to rectify it. And he is always concerned about following banking guidelines in all banking activities. He is careful about customer satisfactions as well as entertainment of the valuable clients. In case of any complaint from customers in any banking service he accepts it and rectifies those as soon as possible. Always take suggestion from the clients for their future satisfaction. The manager also is conscious about employee satisfaction as well as their claims and argument. And try to give appropriate solution of their problem. He always talks about building team work among them. In case of any employees absence he fill the gaps by other officers so that any official works are not pending. The Manager directly observes performance of the officers and reports them to the higher authority for promotion. He is also concerned who are the non performers and take appropriate measure against them. Official discipline are strictly followed, no employees and officer can go out of office without permission of manager. Employees have to wear official dress, be present at their desk, until finishing off the official works. In case of any disobey of official discipline immediate actions are taken. Management is also concerned of a hygienic working environment, such as pure drinking water, canteen for lunch, entertainment for the staff, neat and cleanness of the branch, washroom facility, and prayer place for the people. And always tries to improve the branch environment.

Loans and advance of Shantinagar branch

Categories of loans offered by the branch

- Agriculture
 - Large and medium scale industries
 - Export
 - Other commercial lending(jute and fertilizer)
 - Small and cottage industries
 - Consumer Loan
 - Personal loan
 - Others
-

a) Housing loans

b) Residential

c) Commercials d) Transport e) Cold storage f) Brick field g) Gold loans

h) Against work orders i) Against work FDR j) Loans against Shanchaypatra

k) Loans against WEBD, ICB, unit certificate l) Loans against life insurance

Policy m) other special program

Classified loans and provision

Performance of loans recovery

	2000	2001	2003
Unrecovered loans	495.25	480.16	382.00
Suit money	166.43	105.48	255.19
Recovered	19.10	18.00	5.7

% recovered by suits	11.5%	17.06%	2.23%
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Major Findings:

- Loans are un-recovered as these are sanctioned against improper documents.
- Loans are given as the order of direct higher authority.
- Loans are not properly utilized; loans sanctioned for one sector get used in other sector.
- Lack of sufficient interest, financial loss in business of the creditor.
- Loans are given without proper inspection of pledged assets or hypothecation.
- Loans are un-recovered due to value of the collateral assets are not properly assessed.
- Maximum loans are cash credit instead of collateral credit.
- Loans are un-recovered due to present Govt. policy has lacking to take legal action against loan defaulter.
- Loans are sanction-limited sector.
- Maximum loans are C.C./abnormal money excess of c.c.
- Loans are sanctioned against discrepant documents/ documents are not properly examined.
- Loans are given without following Bangladesh bank B.P.R.D.
- Creditors are not available in the country.

Credit management and recovery of classified loans

As classified loans increase provision rate, create adverse effect on investment .in order to accelerate the investment, reduce inflation and to attain target growth rate the following guideline have to be follow:

- Undertaking step for recovering of all classified money.
- Properly audit creditor financial situation, willingness of repayment of loans money, creditor sources of income property.
- Bank must take urgent measure for recovery of loan money.

- Examining properly all documents and charges documents. And submitting to Zonal office, department must take immediate legal action by examining the accurateness of all the documents and amended documents by the direction of head office.
 - Employing well-qualified advocates for unrecovered loans money collection against powerful and large amount creditor.
 - Branch manager have to be concerned regarding quick settlement of all suit cases, in the case date bank representative must be present in the court and provide information to the competent authority.
 - Strictly follow guideline of Bangladesh bank while sanctioning loans.
 - Take accurate guarantee from the creditor so that creditor gets no provision/evasion of not pay bank due money.
 - Branch must achieve annual and half yearly budget target so that amount of classified loans may be concerned by higher authority and take appropriate action.
 - Bank have to be set up a more strengthen R&M department. Branch Manager has to directly consult with the Deputy GM of R & M
 - Head office should employ a former D.C. as a legal advisor in order to accelerate recovery of classified loans.
 - Measures must be taken for all debts before they get classified or before expiry dates.
 - Precautions must be taken while approval of loans proposal in H.O. must justify real situation of using loans granted loans, in case of any discrepant document or any claim against loans must inform H.O. for not sectioning loans to that applicant.
-

Precautions while sanctioning new loans:

- Banker must analyze borrower nature of business, experience in business, qualification, and goodwill. Income sources, profit from invested money, ability to repayment of loans money.
 - Before submitting a loan proposal bankers must properly examine risk and guaranteed value from loans.
 - With a view to properly assess the proposal of the borrower bankers must fill up application including borrower cash flow ,personal net worth, description of mortgaged assets, assets and liability ratio and submit the proposal to H/O .
-

- Bankers must be insured that borrower's mortgaged property is not pledged to other bank.
 - While sanctioning loans above 10 lac, a loan proposal must be submitted to Bangladesh bank with detailed description of use of loans money.
 - Lending risk must analysis before sanction Tk. 50 lac.
 - Banker must inspect practically while renewal of loans with a view to assess property's actual market value.
-

Sanctions of Loans and subsequent stages:

- All security document and charges document must be properly completed.
 - Banker must be ensured of the utilization of money so that one source's sanctioned loans may not be used in other sources by the same borrower.
 - Any unwillingness of utilization of loan money by the borrower must be informed by the bank and proper legal action must be taken against him.
 - Bank must reward and encourage those borrowers who regularly repay loans and must give preference to them for loan sanction.
 - Branch must present report to Bangladesh B.R.P.D about problem and performance of recovery of classified loans, legal action against those borrower according to Bangladesh bank B.R.P.D. circulation.
 - Branch manager must be sure about obedience of all the above steps.
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Foreign exchange functions:

Foreign Exchange is very lucrative & profitable in modern Banking business. It is recognized as a way of generating maximum profit with low investment. In other Banking practices like advance needs high capital investment. But foreign exchange requires comparatively low investment. In foreign business complexity is high due to rapid change in technology especially for a bank consisting of so many branches dispersed in a wide region. The system is easy for a bank to control rich in capital equipped with modern technology concentrated in small areas. Technology is necessary to prepare quick statement, getting information, preparing

reports. Now technology is turbulent in foreign exchange business. To survive in the competition a bank has to adapt with this changes. For this it will require skilled manpower, online banking services, evening banking, mobile customer services, 24- hours banking services, high capital investment. Problems arise in foreign exchange for changes in economical and political business environmental changes of the country. Changes in exchanges rate, change in currency rate, govt. rules and regulations, create problems while dealing in foreign business. So it requires up to date manpower for successfully dealing in foreign business.

A QUESTIONNAIRE was provided to a few clients to observe how they deal with their dissatisfactions and complaints of UBL Shantinagar branch's banking services provided. At first, they seemed reluctant and irritated by the offer, but two of the clients agreed that they hardly make any effort to complain even if they are not content with the service. If a heated argument occurs between a banker and a client and situation worsens, the best they do is to talk to the branch Manager.

General complaints which are common among clients are the delay in making cash payments due to shortage of money in the vault or due to technical problems after introducing the online banking system. Pre mature encashment of FDR and Sanchayapatras is another common issue as clients seem dissatisfied about the deduction of source taxes and claim interest even if nothing has been accrued against their deposits.

Questionnaire

Name: _____ Date: ____/____/____

Age : _____ Sex : M F

Address : _____ Occupation: _____

Sir/ Madam :

We appreciate your sincere response and cooperation in filling up the questionnaire. Your valuable opinion will certainly help us to reach to our objective. There are 11 (eleven) multiple choice questions and will take only 5 minutes from your valuable time. Thank you.

1. Are you always satisfied about the service you receive from Uttara Bank Ltd.?

Yes No

2. Do you complain when you are unhappy or dissatisfied about the service you received? (Answer the following questions only if the answer is yes)

Yes No

a) Whom do you complain is respond to service failure?

Provider (Uttara Bank) Third party (to challenge the organization)

b) Do you share your negative experience (service failure of Uttara Bank) with your friends, relatives or with others?

Always Sometime Never

c) Do you think Uttara Bank Ltd. resolve their complaints quickly or respond quickly?

Always Sometime Never

UTTARA BANK LIMITED
CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2012

	Note	Amount in Taka	
		31-Dec-12	31-Dec-11
PROPERTY AND ASSETS			
Cash	<u>03.00</u>	8,522,613,338	6,770,218,585
Cash in Hand (including foreign currencies)		2,055,238,090	1,550,160,241
Balance with Bangladesh Bank and its agent Bank(s) (including foreign currencies)		6,467,375,248	5,220,058,344
Balance with other Banks and financial institutions	<u>04.00</u>	693,726,068	5,366,014,413
In Bangladesh		37,458,892	4,976,518,084
Outside Bangladesh		656,267,176	389,496,329
Money at call and short notice	<u>05.00</u>	200,000,000	-
Investments	<u>06.00</u>	41,998,232,796	22,894,749,808
Government		41,837,372,042	22,735,889,054
Others		160,860,754	158,860,754
Loans and Advances	<u>07.00</u>	61,328,563,493	54,010,287,476
Loans, cash credits, over drafts etc.		56,568,567,232	49,384,251,667
Bills purchased and discounted		4,759,996,261	4,626,035,809
Fixed assets including land, building			

furniture and fixtures	08.00	2,843,356,991	2,762,228,892
Other Assets	09.a	8,030,328,459	5,421,655,838
Non Banking Assets	09.b	76,975,748	93,580,592
Total Assets		123,693,796,893	97,318,735,604

LIABILITIES AND CAPITAL

Liabilities

Borrowings from other Banks,

Financial Institutions and Agents	10.00	9,669,428,603	7,229,331,894
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Deposits and other accounts	11.a	93,541,400,358	72,045,791,328
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Current and other accounts etc.		32,505,531,569	24,704,157,771
Bills payable		1,918,087,695	1,842,478,227
Saving bank deposits		23,906,373,171	24,033,793,494
Fixed deposits		33,686,926,205	19,862,495,652
Other deposits		1,524,481,718	1,602,866,184

Other liabilities	12.a	10,673,418,743	8,404,965,790
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Total Liabilities		113,884,247,704	87,680,089,012
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Capital/Share Holders' Equity

Paid up capital	13.02	3,306,449,088	2,875,173,120
Statutory reserve	14	3,330,837,039	2,980,837,039
Other reserves	15	2,262,442,592	2,735,908,947
Surplus in profit and loss account	16.a	909,813,710	1,046,721,209

Total equity attributable to equity holders of the company		9,809,542,429	9,638,640,315
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Non Controlling interest		6,760	6,277
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Total Liabilities and Share Holders' Equity**123,693,796,893** **97,318,735,604**

.....Continued

Amount in Taka

OFF BALANCE SHEET ITEMS**Contingent Liabilities****17.00** **12,005,317,556** **9,860,040,453**

Acceptances & endorsements

-

Letter of guarantees

17.01 1,878,630,762 1,806,640,538

Irrevocable letter of credit

17.02 6,063,570,963 5,451,357,766

Bills for collection

17.03 336,873,471 -

Other contingent liabilities

17.04 3,726,242,360 2,602,042,149

Documentary credits and short term

trade related transactions

Forward assets purchased and forward
deposits placedUndrawn note issuance and revolving
underwriting facilitiesUndrawn formal standby facilities,
credit lines and other commitments

Liabilities against forward purchase & sale

Litigation filed by the Bank

Total Other Commitments

-

Total Off-Balance Sheet Items**Including Contingent Liabilities****12,005,317,556** **9,860,040,453**

Accompanying notes 1 to 41 form an integral part of these financial statements.

General Banking Services

Uttara Bank Limited provides all general banking services to its customers through 220 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 mean time 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 Uttaran 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.

Other products and Services

This bank up date itself everyday with modern world and provides modern banking services like online banking, Automated teller machine and card to its clients. **Uttara Bank** offers locker service for its clients and all major branches are ready with lockers at reasonable charge.

Recent Performance

Uttara Bank's performance in recent time is very much encouraging. During first six months of the current fiscal year **UBL** earned a profit of BDT 1.71 billion against BDT 1.40 billion in corresponding periods of 2010.

Cash flow is the primary consideration for all loan proposals although the nature of collateral is also taken into account while sanctioning proposals. As at end-2002, nearly 75.25% of loans were fully secured while the balance 17% were accompanied by personal guarantees of the borrowers.

The improvement of credit management is reflected by the improvement of the NPL ratio. By looking at the NPL ratio of the past few years, I could see that there was trend of improvement. UBL 's classified loans percentage declined to 17% at the end of 2004 from 34.5 % in 1999.

There are also some more positive asset quality trends. For example, absolute amounts of NPLs have decreased rather rapidly (+11% in 2003 and +28.68% in 2004) whereas the amount of total loans and advances of the bank are increasing (average 6% in the last 4 years).

The large and medium industries have the highest percentage of classified loans. More than 40% of total disbursed in this sector has resulted in classified loans. Recently, the bank has decreased loans to sector. Export sector has on average 20% of classified loans. Agricultural loans have the best-unclassified loan rate. Around 95% of loans to this sector have resulted in recovery.

The ratio of reserve to NPL has also increased recently. UBL's NPLs were 53.5% covered by specific reserves at end-2002. Together with general reserves, which were nearly 3% of unclassified loans as at end-2003, total reserves covered 56.5% of the bank's NPLs.

Loan loss provisions as a proportion of pre-provision profits have been 64.4% in 2003. It shows that bad loans are a major problem of the bank and the principle obstacle against profitability and overall performance of the bank.

Recovery of classified loans has been poor throughout the period from 1996 to 2004. The average recovery rate is only a meager 2%. Although data are not available, it has been known

that recovery of classified loans has been meager all throughout the bank's history. In fact recovery of bad loans is poor all over Bangladesh.

Although UBL is performing better than the NCB's in terms of NPL ratio, and is on par with the average industry, it is behind other PCB's.

But the encouraging thing is that it is the bank's performance is improving and the bank management is optimistic and is expecting further rapid improvements in the future when the reforms take effect completely.

Recent reform in credit assessment, credit appraisal process, segregation of relationship management, credit approval, monitoring functions and most important of all Bangladesh Bank's strong supervision and regulation has led to the improvement not only of UBL' loan quality but also of the whole industry.

The major reasons behind the poor past performance of the bank's credit portfolio were :

Poor credit appraisal process, insider lending, our culture of default and the weak legal infrastructure (which creates loopholes for defaulters to escape prosecution).

But these reasons have been taken in to consideration and reform measures have been taken both by the bank and Bangladesh bank. And the result has been the improvement in the performance of the bank. This improvement will also be continued further in future.

Lack of loan screening skill

No sound project-appraisal system was in place to identify viable borrowers and projects. In respect of term lending, there was no proper analysis system in place. Loans proposals were not scrutinized in depth. In the initial stage of the bank's operation, no thorough assessment of the industry, the borrowers' capability to repay was done. Loans were approved on the basis of the goodwill of the borrower or personal knowledge only.

Insider Lending:

The main complaint that is heard about UBL and some other the private banks is that there is a great deal of insider lending; this is, the owners of the bank or the Directors take a large amount of loans and do not pay these back. It no surprise that they are taking loans as many of the best entrepreneurs are members of Bank Boards so. The key question is whether these loans are being repaid.

UBL is one the first generation banks. It started its operation in the 60's when there weren't proper enforcements of legal and regulatory system and a class of sponsor directors took advantage of that situation. Some of these sponsor directors, who have received a huge amount of unauthorized financial facilities, are mainly responsible for poor loan status of UBL.

However, this is slowly being brought under control by the central bank. It is only after the central bank could enforce some measure of regulation on the behavior of the sponsor-directors that the loan default rates in the UBL and other private banks started to generally improve. So far, Bangladesh Bank has successfully contested in court to remove as many as 53 bank directors for being loan defaulters and eight others for indulging in other improper practices. Many of these directors even refuse to comply with the regulation that their defaulted loans be adjusted against their shares held with the banks.

Fraud:

There is also some amount of fraud in the banking system but most of it is done by a handful of bankers. Much of this is due to weak supervision. Fear of exposure is the only constraint on certain people and if the bank is not good enough at inspection then they are going to try to loot the bank. Over the last two years there has been an increase in this behavior according to some of the central bank inspectors. Corrupt bankers believe they can talk the inspectors out of exposing their schemes.

Default Culture of Bangladesh

There is a long history of loan default in Bangladesh. This started from pre-independence. Big borrowers with political clout have been known to willfully default on loans. Their power and

clout saves them from being tried legally. The defaulters are known to have extracted concessions in the form of interest waivers, segregation of loans into "blocked accounts", and repeated rescheduling. Some defaulters are alleged to have used the defaulted funds to start private banks and insurance companies. This gave them a further opportunity for insider lending and for diverting yet more funds to various pet ventures. Herein lies the origin of the 'defaults culture' and its cycle is still pervasive in our society.

A recent study on the bank loan default problem found that in the sample group of 125 defaulters, 78% utilized political connections, including ministers' influence, to get loans sanctioned. Of the 37% directly involved with the ruling party, a large proportion had changed their political affiliation at least once.

According to some bank officials, there are lot of large loan borrowers who are completely capable of repaying loans willfully do not pay back loans. These are some of the elite of the society which political influence which make it harder to prosecute them.

Because of default in repayment, it is not only putting adverse impact on capital and liquidity management, but also raising the cost of lending substantially. Again, due to increase in cost of lending, good borrowers are affected and in some cases, they have been influenced not to repay bank loans.

A Weak Legal Infrastructure is largely responsible for non-recovery of default loan and thus for deterioration in the quality of overall credit management in UBL and in Bangladesh. Slow court settlement is a major impediment to recovering overdue bank loans.

For proper enforcement of financial contract, what is most necessary is the establishment of a quick and effective legal framework. A number of steps such as enactment of Money Loan Court Act, 1990 and its subsequent amendments, Bankruptcy Act, 1997, Bank Company Act, 1991 and its amendments etc. have been taken for improvement in the debt recovery environment of the country. At present, there are ninety (90) Money Loan Courts (MLC). Yet the performances of these courts are not satisfactory, only 9.41 percent of total litigated amount has been able to be recovered until the end of 1999. Another noteworthy point is that most of the settled loan cases of MLC are small loan defaulters, indicating that the big and influential defaulters are still outside ambit of legal framework.

Two (2) bankruptcy courts are established - one in Dhaka and another in Chittagong - under Bankruptcy Act of 1997. Unfortunately, the performance of this court is frustrating. Up to December 2000, the Bankruptcy court at Dhaka settled 97 cases, out of 177 lawsuits. Again, out of all these settled cases (97), only 44 individuals and companies were declared bankrupt, but so far 10 government nominated receivers have not yet been able to recover the decreed money, even in a single case. The receivers have failed to enforce court decree because of unholy alliance between administration and influential defaulters. This reflects overall lawlessness and sheer poor governance of the country. For such a situation one may hold following factors responsible: paucity of judges (as compared to number of cases), frequent stay-orders and undue delays of the courts, unethical support of administration, influential defaulters and a class of corrupt bank officers.

HIGH LOAN PRICE

In commercial banking, interest rate deregulation along with the setting up of banks in the private sector has not led to the desired result from market competition. The spread between the average deposit and lending rates of interest, currently as high as about 7 percent, has, if anything increased instead of decreasing.

This high rate of loan default is explained by high interest rate spread, which raises the cost of financial intermediation. Due to increase in cost of lending, good borrowers are affected and in some cases, they have been influenced not to repay bank loans.

First-Comer Disadvantage:

It is to be noted that for the improvement in the loan quality of PCBs in the post-1995 period, the PCBs established during 1990s deserved more appreciation than the PCBs established during 1980s.

UTTARA BANK LIMITED started its operation in the early sixties. At that time the only banks were the nationalized banks who themselves were mired in various problems. Moreover, there were no proper enforcements of legal and regulatory system.

Whereas the third generation banks were able to draw useful lessons from past experiences of the older banks. Banks now have a keen awareness of the need to identify, measure, monitor and control credit risk as well as to determine that they hold adequate capital against these risks and that they are adequately compensated for risks incurred.

REASONS BEHIND THE RECENT IMPROVEMENT

UBL's Contribution

Strengthening of the credit appraisal process:

UBL primarily lends for trade finance although some amount of project financing is also undertaken. The bank has in the past maintained a lax approach towards lending but has recently strengthened their credit appraisal process.

Recently, the Bank has put in place policies, guidelines and procedures to control and monitor such risks. The risk parameters for accepting credit risks are clearly defined and complemented by policies and processes to maintain a well diversified and high quality credit portfolio.

At present the bank follows a two-tier credit screening process: the branch prepares a credit proposal and sends it to the Head Office, where the credit officers analyze the business risks and the nature of the collateral. If acceptable, a detailed credit memo is prepared and sent to the Credit Committee, which comprises senior credit and operations executives.

Segregation of lending credit functions

The key feature is the separation of the following lending functions and set up of a separate internal audit department.

- Credit Approval/Risk Management
- Relationship Management/Marketing
- Credit Administration

The separation has improved the knowledge levels and expertise in each department, imposed better controls over the disbursement of authorized loan facilities and obtained an objective and independent judgment of credit proposals.

Training to bank officials:

For successful implementation of any reform program, one of the important preconditions is the skill, experience and attitude of the officers and employees. In line with UTTARA BANK LIMITED has been imparting training on credit risk management and other important aspects of banking to its employees at all levels.

Formation of separate Loan recovery unit:

UTTARA BANK LIMITED has formed loan recovery unit. The Recovery Unit (RU) of Credit Division directly manages accounts with sustained deterioration (a Risk Rating of Sub Standard (6) or worse). In addition they have appointed some loan recovery agencies for realization of overdue loans.

Uttara Bank Limited (UTTARA BANK`S)

(Uttara Bank Limited) - Bank - Dhaka Stock Exchange

Statistics

Interim Financial Report

2013	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
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2013	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Turnover	219.02	366.85	658.93	

Net Profit	167.73	522.85	927.62	
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Audited

EPS (BDT)	0.51	1.44	2.55	
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NAV	30.21	27.18	28.33	
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Growth Statistics

	First Quarter(%)	Second Quarter(%)	Third Quarter(%)	Fourth Quarter(%)
Turnover	-60.71	-63.22	-52.03	

Net Profit	-16.25	-26.13	4.56	
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Shareholding Pattern

Sponsor/Director (%)	Govt. (%)	Institute (%)	Foreign (%)	Public (%)
13.96	0	14.44	0	71.6

Dividend History

	Cash Dividend (%)	Stock Dividend (%)
2003	50.0	0.0
2004	50.0	0.0
2005	20.0	100.0
2006	20.0	100.0
2007	0.0	100.0
2008	0.0	100.0
2009	0.0	50.0

	Cash Dividend (%)	Stock Dividend (%)
2010	20.0	20.0
2011	20.0	15.0
2012	15.0	10.0

SWOT Analysis of UBL

SWOT analysis provides an opinion and adjustment whether organizations currently position is satisfactory or not.

Strengths

- All the level of the management is solely directed to maintain a culture for the betterment of the quality of the service.
- The bank has earned customer loyalty as organizational loyalty.
- Skilled personals have developed professional relationships with their customers and clients, which is an emotional tie on regular business.
- UBL is always trying to add new and modern equipments.
- Employees are sharing good atmosphere in UBL so that it gave them reason to work efficiently and to become dedicated in banking.
- UBL maintain corresponding relationship with many foreign banks so that it is an effective measure for the smooth business.
- The top management officials all have had reputed of banking experience, skill and proficiency.

Weaknesses

- The advertising and promotional activities of this bank are not up to the mark.
- Reference appointment is very much effective in UBL. As a result of this there are many who are only drawing salaries at the end of the month but making a minimum contribution towards the organization.
- There are some officers who work hard but are not appreciated by the authority.
- AIBL has not set up proper network system among branches.
- A remarkable portion of the total human resources is inefficient.
- The bank does not have any research and development division.

Opportunities

- The bank can introduce more innovative and modern customer service to better survive in the competition.
- They can also offer micro credit business for individual and small business.
- It is high time that they should move toward the online banking operation; because some banks are already introduce the online banking operation.
- Bank will be able to accommodate knowledgeable. Skilled, experience and hard working person by offering attractive remunerations and fringe benefits with nice working environment.
- By expanding the financial policy with credit facility customer are very much secure in business environment.

Threats

- Central bank (Bangladesh bank) is always supervising the local and foreign banks in Bangladesh and sometimes it is hampering the normal operation of private bank.
- Through the innovation working is in continuous process, but the other rival banks are copying it within the short time.
- The world in advancing toward technology very fast. Though UBL taken effort to join the stream, it is not possible to complete the mission due to the poor technological infrastructure of our country.
- The contemporary banks of UBL like National Bank, Dutch Bangla Bank, Prime Bank are its major rivals.
- They are carrying our aggressive campaign to attract lucrative corporate client as well as big time depositor.
- Local competitors can also capture a huge market share by offering similar products and services provided by the bank.

CONCLUSION:

Trade Services cover the most profitable part of a Bank .As an Authorized Dealer Branch makes most of its profit by issuing LCs and conducting Export and Import. For the second generation Banks like Uttara Bank Limited, bottlenecks have been a common problem in performing daily work. But we do try to do our duties as credibly as possible. Now a day's every single transaction is observed by the central Bank and there is hardly any opportunity to conduct any wrongdoings or corruption on the dealing officer's behalf .But the lack of updating the knowledge regarding trade services remain a common problem among the dealing officers. The unwillingness of following the Bangladesh Bank circulars which has

been issued to every branch is also common. There remains a knowledge gap among the employees as they are not properly trained and are unafraid of losing their jobs easily. But the issues can be worked on by arranging seminars and workshop and proper training which Uttara Bank Limited is arranging on a regular basis. We can remain hopeful to overcome all irregularities and in compliance by gaining knowledge regarding the up to date changing systems and scenarios of the Banking system of Bangladesh.

RECOMMENDATIONS:

Uttara Bank Ltd. is the 2nd generation bank and providing its service since many years. Since its establishment it has provided so many banking services to the people of this country, but it need to walk with the concept of modern banking system. Today the 3rd generation banks are providing the modern banking services such as- internet banking, SMS banking, debit and credit card facilities, ATMs services, electronic banking, corporate banking, retail banking and SME banking etc. whereas Uttara bank are still providing their traditional banking service. I think it should go more effectively to the general people of the country with the concept of modern banking system. Now a day it is very difficult for any bank or financial institute to run its operation smoothly because of hard competition. So to survive in the market it should come out from its traditional concept and provide modern banking service.

As per earnest observation some suggestion for the important of the situation are given below:

- To attract more clients UBL has to create a marketing strategy, which will increase the total exporter-import business.
- Effective and efficient initiatives are necessary to recover the default loans.
- Attractive incentives package for the exporter will help to increase the exporter and accordingly if well diminish the balance of payment gap of UBL.
- Long-term training very much required for the foreign exchange official.
- Places, Firstly it is registered on the supplementary sheet, then it come for computer posting and lastly it comes to the section in charge for verification of the signature and for cancellation, after that it goes to the cash payment officer for final payment, for this system, the client has to frequently enquire that whether his/her check has been passed for payment

or not, also it takes their valuable time, so. UBL needs to change this system and move on to a better cheque passing system.

- Due to lack of one stop service, the client of UBL has to move on from one desk to another. Now in modern banking system, this type of movement is considered as one type of harassment.
- The bank should launch new products such as auto teller machine, tele-bank etc for betterment of customer services.
- Strict supervision must be adopted in case of high-risk borrowers. Time to time visit the project should be done by the bank officials.

☞ The bank could conduct analysts of the department to monitor all major sectors and evolve a sectorized outlook, which is an important input to the portfolio planning process. The department could conduct detailed studies on default patterns of loans and prediction of defaults in the Bangladeshi context. The bank could set limits to providing credit to certain risky sectors on the basis of industry analysis. This would improve the loan portfolio of the bank and help in decreasing non-performing loans.

☞ Availability of information on a real time basis is an important requisite for sound risk management. To aid its interaction with the strategic business units, and provide real time information on credit risk, the CRD could implement a sophisticated information system, namely the Credit Risk Information System where all the past and present data are available.

☞ Thorough project analysis should be conducted before any loan approval. A full borrower appraisal and credit rating should be conducted, complemented by project appraisal. Monitoring during implementation and surveillance during the loan repayment period should be maintained through client contact, credit rating review and loan loss provisioning. Regular review and reporting may be conducted on the Bank's asset concentrations and portfolio quality using internal credit ratings, industry exposures, and level of non-performing loans and adequacy of provisioning requirements. Credit review/audit should be performed regularly to ensure that credit quality is maintained and that credit policies/procedures are complied with.

☞ Although UBL has formed a separate loan recovery unit, it hasn't had any significant improvement in the recovery rate of bad loans. Therefore UBL could introduce an

incentive programs to encourage Recovery Unit Account Managers to bring down the Non Performing Loans (NPLs). The table below shows an indicative incentive plan for RU account managers.

- ☛ One proper standard procedure should be developed for all types of clients and no interpersonal relationship should be involved in approve a loan
- ☛ Bank should fixed-up specific types of client strategy according to the different character of client.
- ☛ Interest income occupies the major part of the total earnings of a bank and bank's profitability mainly depends on interest earning capacity, so bank should establish a research and development cell for the purpose of lending analysis and recovery of loans.
- ☛ More training should be conducted for the bankers to improve their analytical ability and professional standard regarding the use of LRA and other tools and techniques in selecting the borrowers and analyzing the loan proposals.

Authority should be delegated to the lower level with adequate measures for the necessary control and follow-up for making the lending decision and recovery.

The pay scale should be upgraded as most of the employees feel they are underpaid and non competitive in comparison to other private banks.

UBL is not a performance based bank and sheer discrimination among employee workload is noticed.

Promotion is not given according due time which causes frustration among employees who actually are concerned about improving their status.

Smartness among employees is not noticed as the payment scale is not compatible to maintain a proper lifestyle. Resignation is also a common practice especially among those people who wants to have a better future with a better pay.

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