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Subject: Submission of Project Report

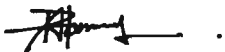
Dear Sir,

It is my great pleasure to submit the report entitled "Loan Performance of AB Bank Limited" to you.

My project program in AB Bank Limited is a worthwhile experience and the exposure of such reputed organization would be defining value for me. I had concentrated my all effort to conduct the project program in the most realistic and professional way. The immense knowledge and experience, which I had gathered while conducting this program, will help me in every single moment of my future life.

I sincerely hope that all my effort will be a success if you go through this project.

Yours sincerely,



Rashidul Hasan
Id: 2005-2-10-032

Acknowledgement

To make this report a reality, I am indebted to many people whose suggestion and cooperation are really appreciable.

Firstly, I would like to thank the Almighty Allah for giving me the opportunity to complete the report successfully on time.

I would like to acknowledge my parents who have been the lifelong source of inspiration in any and all of my endeavors. I would like to convey my gratitude and heartfelt thanks to my honorable supervisor **Mr. M Sayeed Alam** for giving me an opportunity to work on such an interesting topic. His inspiring guidance and valuable suggestions were invaluable to keep me focused on the topic. It has added value to our research experience.

Last, but not the least, I must thank to my elder brothers and sisters of East West University, for their help and support that made this report possible.

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Executive Summary

The report entitled with “**Loan Performance of AB Bank Limited**” is based on the three months Project Program in AB Bank Limited.

In the starting of the report the objectives, scope and methodology and limitation are described. The objective of this report is to identify the loan policies, evaluate the loan performance of AB Bank Limited, activities of AB Bank Limited and identify the allocations of loans of AB Bank Limited.

I have also described the Banking sector in Bangladesh and also the overview of AB Bank Limited including company profile, mission statement, vision statement, new logo, change of names and credit rating. In this report I also describe the different types of loans that AB Bank Limited offered.

At last I described the allocations of loans of AB Bank Limited for the last five years, suggestions for improving the credit activities of AB Bank Limited and finally I have given all the references from where I have collected all the information.

Introduction

Background and justification of the research

Main reason of learning is to gather Knowledge. But learning becomes perfect when it is allied with theory and practice. Theoretical knowledge gets its faultlessness with practical application. The way we get education in our country is mainly text based. We have a large number of unemployed education graduates in our country which is not good as well for a country like Bangladesh. Many of the graduate students don't have any project work experience. They are unable to gain normal professional experience or establish a networking system, which will help them in getting a job. Being aware of the importance of project work experience, Business Administration Department has introduced a three months practical exposure as a part of the curriculum of Bachelor of Business Administration program.

So this report is organized as the course requirement of the BBA program. There are twelve semesters in BBA program and in the last semester there is a project program which has three credit hours. Students of BBA program requires to complete this project program within three months. As my major area is in Finance, so I took the opportunity to complete my project program on **Loan Performance of AB Bank Limited**. My faculty supervisor, Mr. M Sayeed Alam authorized me to prepare this report as part of the project requirement.

AB Bank Limited has its prosperous past, glorious present, prospective future and under processing projects and activities. It is the first private sector Bank of Bangladesh. AB bank has been flourishing as the largest private sector Bank with the passage of time after facing many stress and strain.



Objectives

The objectives of the study are given below:

- i. To present an overview of AB Bank Limited.
- ii. To evaluate the loan policies and activities of AB Bank Limited.
- iii. To evaluate the loan performance of AB Bank Limited.

Methodology

I have collected data for the last 5 years from different sources like:

- Annual Report
- Credit guidelines of AB Bank Limited
- Data from published material of AB Bank Limited
- Research report of the bank
- Newspaper and Internet

Limitation

There are some limitations of the report. These are given below:

- The length of the project program was 12 weeks. So time was very limited. It is very difficult to complete all the research work within this period. So the major limitation was mainly time constraints.
- Access to the various information of AB Bank Limited was frequently strained by bank officials on ground of secrecy.
- I didn't find enough information in the bank web site about the bank.
- The bank officials were not interested to disclose the information.

Banking Sector in Bangladesh

Two Existing Banks Operating in Bangladesh Central Bank

Bangladesh Bank, the central bank of the country, was established as a body corporate vide the Bangladesh Bank Order, 1972 (P.O. No. 127 of 1972) with effect from 16th December, 1971. The general superintendence and direction of affairs and business of the Bank are entrusted to a nine member Board of Directors which consists of the Governor as chairman, a Deputy Governor, three senior government officials and four persons having experience and proven capacity in the fields of banking, trade, commerce, industry or agriculture - all nominated by the government. The board, which is the highest policy making body, meets at least six times a year and at least once every quarter under the chairmanship of the Governor. The Governor, appointed by the government as the chief executive officer, directs and controls all the affairs of the Bank on behalf of the Board.

The broad objectives of the Bank are:

- a) To regulate the issue of the currency and the keeping of reserves.
- b) To manage the monetary and credit system of Bangladesh with a view to stabilizing domestic monetary value.
- c) To preserve the par value of the Bangladesh Taka.
- d) To promote and maintain a high level of production, employment and real income in Bangladesh and to foster growth and development of the country's productive resources for the national interest.

Nationalized Commercial Banks

Since 1990, the World Bank has been assisting the Government of Bangladesh to create a more efficient banking system that ensures credit reaches the productive sectors of the economy, a key factor in ensuring the country's continued development. To this end, GOB has committed itself to the process of reforming the four National Commercial Banks (NCBs) Sonali Bank, Agrani Bank, Janata Bank, and Rupali Bank Limited. Rupali Bank is on its way to being privatized but the reform process in all four NCBs is challenging and new efforts are needed to ensure success.

The NCBs were created to meet the financing needs of the country and have had to satisfy many differing goals, not only that of their own commercial well being. As a result, they have a high level of non-performing loans that are not fully provisioned as per Bangladesh Bank guidelines. The provision shortfall when applied to the meager capital base of the NCBs result in substantial negative net worth which potentially becomes the fiscal liability of the Government.

In order to ensure that the consultants in the four NCBs achieve their objectives, the World Bank carried out three Supervision Missions in 2005, and visited Bangladesh again during January and March 2006. The last mission confirmed the findings of its previous missions. So far, the goals of resolving governance problems, speeding up loan recoveries, and improving operational efficiency through staff and branch rationalization have not been achieved.

In order to reach the goals the mission suggested that the Finance Ministry:

- Provide sufficient flexibility to the NCB management in human resources policies so that rationalization of staff, improvement in work processes, and the introduction of new processes such as IT and computerization, can be implemented.

- Delegate sufficient powers to the Managing Directors (MDs) of the NCBs so that they can implement the recommendations to improve operational efficiencies. At the same time, the MDs should be made responsible for achieving specific and monitorable performance indicators.
- Reconstitute the NCB Boards to include at least two Directors with skill and experience in banking, accounting, and business.
- Make up the losses of the NCBs, caused by directed lending to State Owned Enterprises, from the budget.

Private Commercial Bank

A sample of banks representing sixty countries was examined in detail. Contrary to the general belief it is found that a large number of commercial banks have been involved in micro and small business finance for decades. The majority of banks entered into this field for business reasons, such as profitability and market diversification, not because of social or political pressure.

The results also indicate that banks have higher arrears in their small business loans than in their micro enterprise loans. These arrears are found to be significantly related to the level of interest rates charged on small business loans, which indicates the sensitivity small businesses to loan interest rates. It is also found that the reliance on collateral to back small business loans is positively related to the level of banks' arrears.

In addition, the minimum deposit requirement of banks to open a bank account has a negative impact on the overall level of savings collected by these banks.

Foreign Banks

The increasing foreign bank presence since the 1990s is one of the most striking developments in the banking system in the transition economies. On average, foreign-owned banks account for more than half of the total number of banks in 2000 and hold more than two thirds of total bank assets in most transition economies. However, the importance of foreign banks varies a lot among countries. Still, foreign bank presence in all transition countries is considerably higher than in the European Union countries.

The foreign banks in Bangladesh are:

- Citigroup
- HSBC
- Standard Chartered Bank
- Commercial Bank of Ceylon
- State Bank of India
- Habib Bank
- National Bank of Pakistan
- Woori Bank
- Bank Alfalah
- ICB Islami Bank

Specialized Banks

Up scaling micro-finance and enhancing its poverty impact will be important factors in realizing the MDG goals towards accelerated poverty reduction. This is particularly so in a context in which there is a growing void in rural finance due to poor performance of specialized banks and withdrawal of the formal banking sector in response to reform measures in Asia and Pacific. The strategic challenges for the micro-finance sector appear to be three fold. The first challenge is to ensure that efficiency gains of the sector are shared with beneficiaries, most importantly, in the form of a rational lowering of interest rates. The second is to extend the sector's downward reach to segments of the extremely poor who are likely to be willing participants. The third strategic challenge is to combine micro-credit with other products such as water, sanitation and hygiene so as to magnify the eventual impact on poverty reduction.

The Specialized banks in Bangladesh are:

- Grameen Bank
- Bangladesh Krishi Bank
- Bangladesh Shilpa Bank
- Rajshahi Krishi Unnayan Bank
- Bangladesh Shilpa Rin Sangstha
- Basic Bank Ltd (Bank of Small Industries and Commerce)
- Bangladesh Somobay Bank Limited(Cooperative Bank)
- The Dhaka Mercantile Co-operative Bank Limited (DMCBL)

An Overview of AB Bank Limited

Company Profile

AB Bank Limited, the first private sector bank under Joint Venture with Dubai Bank Limited, UAE incorporated in Bangladesh on 31st December 1981 and started its operation with effect from April 12, 1982. Dubai Bank Limited (name subsequently changed to Union Bank of the Middle East Limited) decided to off-load their investment in AB Bank Limited with a view to concentrate their activities in the UAE in early part of 1987 and in terms of Articles 23A and 23B of the Articles of Association of the Company and with the necessary approval of the relevant authorities, the shares held by them in the Bank were sold and transferred to Group "A" Shareholders, i.e. Bangladeshi Sponsor Shareholders.

During the last 27 years, AB Bank Limited has opened 73 Branches in different Business Centers of the country, one foreign Branch in Mumbai, India and also established a wholly owned Subsidiary Finance Company in Hong Kong in the name of AB International Finance Limited. To facilitate cross border trade and payment related services, the Bank has correspondent relationship with over 220 international banks of repute across 58 countries of the World. AB Bank Limited, the premier sector bank of the country is making headway with a mark of sustainable growth. The overall performance indicates mark of improvement with Deposit reaching BDT 53375.35 million, which is precisely 26.85% higher than the preceding year.

Vision Statement

"To be the trendsetter for innovative banking with excellence & perfection"

Mission Statement

"To be the best performing bank in the country"

New Logo of ABBL

Effective 01 January 2008, ABBL changed its Logo as well.



Change of Name

Arab Bangladesh Bank Ltd. Changed its name to AB Bank Limited (ABBL) with effect from 14 November 2007 Vide Bangladesh Bank BRPD Circular Letter No-10 dated 22 November 2007. Prior to those Shareholders of the Bank approved the change of name in the Extra-Ordinary General Meeting held on 04 September 2007.

The Bank and its activities

AB Bank Limited is one of the first generation private commercial banks (PCBs), incorporated in Bangladesh on 31 December 1981 as a public limited company under the Companies Act 1913, subsequently replaced by the Companies Act 1994, and governed by the Banking Companies Act 1991. The Bank went for public issue of its shares on 28 December 1983 and its shares are listed with Dhaka Stock Exchange and Chittagong Stock Exchange for trading. AB Bank Limited has 71 branches including 1 Islami banking branch, 1 overseas branch in Mumbai, India. The Bank has a subsidiary company, AB International Finance Ltd, incorporated in Hong Kong. The Bank carries out all kinds of commercial banking activities/services through its branches and has expanded its investment oriented service horizon to its customers through its Merchant Banking Wing. The Bank obtained permission to embark upon Merchant Banking from Securities and Exchange Commission vide its certificate no. MB-1.02/2001-30 dated 15 May 2001 under the Securities and Exchange Commission Act 1993.

AB Bank Limited started Islami banking through its Dilkusha Islami Banking Branch, Dhaka from 21 December 2004 with the permission of Bangladesh Bank (central bank) vide letter no. BRPD (P) 745 (12)/2004-2702 dated 08 July 2004.

The Bank obtained permission as a Security Custodian from Securities and Exchange Commission vides its certificate no. SC-05/2007 dated 22 January 2007 under the Securities and Exchange Commission (Security Custodian Service) Rules, 2003.

Economic Conditions over the World

Global Economy

World economic growth strengthened in the year 2006 as the global gross domestic product (GDP) registered a growth of 3.9 percent compared to 3.5 percent in 2005. Despite rising oil prices, rising short-term interest rates, and a bout of volatility of financial market, the global growth accelerated in the overall. This strong global performance was driven by very rapid expansion in developing economies, which grew by 7 percent - more than twice as fast as high income countries (3.1 percent). In the overall, 38 percent of the increase in global output originated in developing countries which far exceeded these economies 22 percent share in world GDP.

Fast growth of developing countries over the past five years has been fueled by low interest rates and abundant global liquidity. This has led to rising commodity prices and over-heating in some high-income and developing countries. However, in most countries strong productivity growth, due in part to the absorption of China and the former Eastern Block countries into the global economy, has checked inflationary pressures.

In the United States, the acceleration of industrial output began at a torrid pace of 5.6 percent during the year. As a result US GDP had a positive growth in 2006. However, responding to higher short-term interest rates, spending in the housing sector declined and also had a moderating effect on the consumer demand. This resulted in the slowing down of the economy to 1.6 percent annualized growth rate in the third quarter of 2006.

European economy also experienced growth in 2006 after several years of weakness. Growth accelerated in the first half of the year as GDP expanded by about 3.3 percent over that period. This is mostly driven by private consumption and increased investment spending. However, slower growth in the third quarter for France had an impact on the overall growth.

In the overall, limited inflationary pressures and high savings among oil exporters and in Europe are expected to keep long term interest rates low. Moreover, improved fundamentals have boosted growth rates in many developing countries. All these factors cumulatively suggest the continuation of robust economic performance in 2007.

South Asian Economy

South Asian region experienced 8.2 percent growth during the year 2006. This marked the fourth year of consecutive GDP growth of over 7.5 percent for the region. Private sector - led growth backed-up by improved macro management and greater integration in the economy were the contributing factors.

India the largest economy in the region, led the way with a GDP growth of 8.7 percent during the year. Elsewhere in the region, growth was less rapid compared to India but nevertheless robust at 6.5 percent.

In Bangladesh, growth rebounded owing to stronger remittance inflows and by vibrant services and manufacturing sector output. In Sri Lanka growth picked up to an estimated 7 percent due to a good harvest and recovery after Sunami.

Throughout much of the region, supply was unable to keep up with demand, resulting in rising inflation and rapidly growing imports. During the year, import volumes increased by 24 percent exceeding the export growth of 22 percent for the region. At the same time, despite rapidly rising tax revenues, fiscal deficits remained elevated at 7.1 percent of GDP in the region because of increased implicit subsidization of energy costs and major public sector investment programs and reconstruction expenditures. Inflation in the region has risen from 3.8 percent in 2003 to 7.8 percent in the last quarter of 2006. Real GDP in South Asia is expected to slow down gradually from 8.2 percent to still robust 7 percent.

Bangladesh Economy

Bangladesh economy continued on the growth path in 2006 and achieved a higher growth compared to the year 2005 mainly driven by a strong post-flood agriculture recovery. Growth was also fuelled by notable expansion of the manufacturing sector. Economic growth was also aided by strong growth of exports and remittances from abroad.

Growth performance of the economy was led by the post-flood recovery of the agriculture sector which was 4.5 percent in 2006 compared to 2.2 percent in the year before. Strong growth in crops, horticulture and fishing were mainly responsible for such growth. At the same time, industrial sector attained 9.6 percent growth during the year which is way above the previous year's growth of 8.3 percent. This higher growth rate was sustained through strong performances in the manufacturing arena facilitated by strong and sustained growth in export oriented manufacturing activities and expansion of domestic demands.

Country's foreign exchange reserve crossed the US \$ 4.0 billion mark for the first time in the history at the beginning of the year 2007. Present level of reserves covers for over three months of imports of the country. Exports and remittances from the Non-resident Bangladeshis (NRBs) continued to achieve strong growth in the year 2006 while import growth slowed down to a sustainable level.

Bangladesh Bank continued to pursue a restrained monetary policy stance with a view to curb excess demand from inflationary expectations while supporting the sustainable real GDP growth. During the year, the Cash Reserve Requirement (CRR) and the Statutory Liquidity Ratio (SLR) were raised from 4.5 and 16.0 percent respectively to 5.0 and 18.0 percent towards slowing down of the growth of domestic credit.

Despite stronger growth of some macroeconomic indicators, Bangladesh economy faced some challenges originating from price hike of oil, some imported commodities in the international market causing fluctuations in real sector and foreign exchange market. As a

result, the financial market was volatile during the year. The call money market was also volatile for a period of time due to increase of Government borrowing from the banking system for financing higher priced imports.

Overall Banking Sector

Financial sector reforms to strengthen the regulatory and supervisory framework for banks made headway in 2006 although at a slower than expected pace. Overall health of the banking system showed improvement since 2002 as the gross Non-performing Loans (NPL) declined from 28 percent to 14 percent while net NPL (less Provision) reduced to 8 percent from 21 percent. This led significant improvement in the profitability ratios. Although the Private Commercial Banks (PCB) NPL ratio registered a record low of 6 percent, the four Nationalized Commercial Banks (NCB) position are still weak and showed very high NPL at 25 percent. The NCBs have large capital shortfalls with a risk-weighted capital asset ratio of just 0.5 percent (June 2006) as against the required 9 percent.

Bangladesh Bank issued a good number of prudential guidelines during the year 2006 and the first quarter of 2007 which among others relate to (i) rationalization of prudential norms for loan classification and provisioning, (ii) policy for rescheduling of loans, (iii) designing and enforcing an "integrated credit risk grading manual", (iv) credit rating of the banks, and (v) revisions to the make-up of Tier-2 capital. Besides, recent decision of the Government to corporatize the remaining three NCBs along with the initiative to sale the Rupali Bank are bound to usher in changes in the banking sector competitiveness aspect. Bangladesh Bank has also taken up the task of implementing the Basel II capital accord.

Since 1998 CAMEL rating of banks gradually improved and in 2006 Bangladesh Bank updated this rating model by incorporating the market risk and the new model is known as CAMELS.

Different Loans of AB Bank

Unsecured Loans

Product Name	Personal Loan
Target Customer	Employees of reputed Local Corporate, MNCs, NGOs, Airlines, Private Universities, Schools and Colleges, International Aid Agencies and UN bodies, Government Employees, Self-employed Professionals, Businessmen.
Purpose	Marriages in the family, Purchase of office equipment / accessories, Purchase of miscellaneous household appliances, Purchase of Personal Computers, Purchase of audio-video equipment, Purchase of furniture.
Loan Amount	Minimum Tk. 25,000.00 Maximum Tk. 5,00,000.00
Charges	Application fee: Tk. 500.00 Processing fee: 1% on the approved loan amount or Tk. 2000.00 whichever is higher.
Tenor	Min 12 months Max 36 months
Rate of Interest	14.50% p.a. - 17.50% p.a.
Security	Hypothecation of the product to be purchased.

Product Name	Auto Loan
Target Customer	Employees of reputed Local Corporate, MNCs, NGOs, Airlines, Private Universities, Schools and Colleges, International Aid Agencies and UN bodies, Government Employees, Self-employed Professionals, Businessmen
Purpose	To purchase Brand new vehicle, non-registered reconditioned vehicle
Loan Amount	70% for the brand new car 60% for the reconditioned car but must not exceed BDT 10,00,000.00
Charges	Application fee: Tk. 500.00 Processing fee: 1% on the approved loan amount or Tk. 5000.00 whichever is higher.
Tenor	For Reconditioned Car: Max 36 months For Brand new Car: Max 60 months
Rate of Interest	14.50% p.a. - 17.50% p.a.
Security	Hypothecation of the vehicle to be purchased.

Product Name	Easy Loan (For Executives)
Target Customer	The loan is specially designed for salaried people who are employed in different reputed companies
Purpose	Marriages in the family, Purchase of office equipment / accessories, Purchase of miscellaneous household appliances, Purchase of Personal Computers, Purchase of audio-video equipment, Purchase of furniture, Advance rental payment, Trips abroad, Education fee of Children etc.
Loan Amount	Minimum Tk. 50,000.00 Maximum Tk. 3,00,000.00
Charges	Application fee: Tk. 500.00 Processing fee: 1% on the approved loan amount or Tk. 1000.00 whichever is higher.
Tenor	Min 12 months Max 36 months
Rate of Interest	16.00% p.a.
Security	Letter of confirmation from the employer.

Product Name	Gold Grace - Jewellery Loan
Target Customer	Both female & male employees may apply viz. employees of reputed Banks & Leasing companies, reputed Local Corporate, MNCs, NGOs, Airlines, Private Universities, Schools and Colleges, International Aid Agencies and UN bodies. Government Employees. Self-employed Professionals, Businessmen with a reliable regular source of income.
Purpose	To purchase Ornaments/Jewellery for personal use
Loan Amount	Minimum Tk. 50,000.00 Maximum Tk. 3,00,000.00
Charges	Application fee: Tk. 500.00 Processing fee: 1% on the approved loan amount or Tk. 1000.00 whichever is higher.
Tenor	Min 12 months Max 36 months
Rate of Interest	16.00% p.a.
Security	Letter of confirmation from the employer. Personal guarantee from the parents and spouse (if married).

Product Name	House/Office Furnishing/Renovation Loan
Target Customer	Expatriate Bangladeshi nationals who are in business or service holders. Employees of reputed Banks & Leasing companies, reputed Local Corporate, MNCs, NGOs, Airlines, Private Universities, Schools and Colleges, International Aid Agencies and UN bodies. Government Employees. Self-employed Professionals, Reputed and highly respectable Businessmen with a reliable source of income.
Purpose	House/Office Furnishing/ Renovation, For interior decoration / Tiles Stones, Electrical fittings, wooden cabinets / Overall furnishing and all types of House/Office Renovation, purchase/furnishing of apartments etc.
Loan Amount	Minimum Tk. 1,00,000.00 Maximum Tk. 10,00,000.00
Charges	Application fee: Tk. 500.00 Processing fee: 1% on the approved loan amount or Tk. 2000.00 whichever is higher.
Tenor	Min 12 months Max 48 months
Rate of Interest	16.50% p.a.
Security	Title deed of the House/Office to be furnished/renovated along with memorandum of deposit of title deed duly supported by a notarized power of attorney to be kept by the bank as a matter of comfort. Two personal guarantees (as per our list of eligible guarantors). Registered mortgaged of the property if the loan amount is more than Tk. 5.00 lac.

Product Name	Staff Loan
Target Customer	All permanent employees of ABBL
Purpose	Marriages in the family, Purchase of office equipment / accessories, Purchase of miscellaneous household appliances, Purchase of Personal Computers, Purchase of audio-video equipment, Purchase of furniture
Loan Amount	According to the debt burden ration and other criteria
Charges	Processing fee: 1% on the approved loan amount
Tenor	Min 12 months Max 36 months
Rate of Interest	15.50% p.a.
Security	Hypothecation of the product to be purchased



Product Name	Education Loan
Target Customer	<p><u>Students Criteria:</u></p> <ul style="list-style-type: none"> • Students of reputed Educational Institutes, such as Public & Private Universities, Medical Colleges & Engineering Institute. • Undergraduate & Post graduate Level • Professionals degrees (Chartered Accountants (CA), Cost & management Accountants (CMA), Marine, MBM, MBA) • Doctorate degree (PhD), FCPS etc. • Occupation: Student • Minimum Age: 17 years • Maximum Age: 40 years • Educational Qualification: Minimum HSC/A-Level Pass. <p><u>Parents Criteria:</u></p> <p><u>Service Holder:</u></p> <ul style="list-style-type: none"> • Individuals with ranks equivalent to Senior Assistant Secretary or higher would qualify guarantor • Bank officials (Equivalent to Senior Principal Officer of NCBs, AVP / Branch Manager of Local and Foreign banks) and Department Head of Multinational Company or established Local Corporate. Guarantors must be accepted by the Branch Manager / Head Office. <p><u>Businessman:</u></p> <ul style="list-style-type: none"> • Well reputed and widely respected Self-employed professionals
Purpose	To Financially Assist The Parents: Admission/Education Fees, Semester Fees, Study abroad.
Loan Amount	Minimum Tk. 50,000.00 Maximum Tk. 3,00,000.00
Charges	Application fee: Tk. 500.00 Processing fee: 1% on the approved loan amount or Tk. 1000.00 whichever is higher.
Tenor	Min 12 months Max 36 months
Rate of Interest	14.50% p.a. - 16.00% p.a.
Security	One personal guarantee.

Secured Loans

Product Name	Personal Loan
Target Customer	All Clients of ABBL
Purpose	To meet personal requirement of fund
Loan Amount	Maximum 95% of the present value of the security
Charges	Processing fee: Tk. 1000.00
Tenor	Min 12 months Max 36 months
Rate of Interest	13.50% p.a. - 16.50% p.a. 2% spread must be maintained in case of own bank FDR.
Security	Lien over FDR, BSP, ICB Unit Certificate, RFCD, NFCD, and CD account etc. One personal guarantee in case of third party cash collateral.

Product Name	Personal Overdraft
Target Customer	All Clients of ABBL
Purpose	To meet personal requirement of fund
Loan Amount	Maximum 95% of the present value of the security
Charges	Processing fee: Tk. 1000.00
Tenor	Revolving with annual review
Rate of Interest	13.50% p.a. - 16.50% p.a. 2% spread must be maintained in case of own bank FDR.
Security	Lien over FDR, BSP, ICB Unit Certificate, RFCD, NFCD and CD account etc. One personal guarantee in case of third party cash collateral.

Corporate Lending

Specialist teams offer a comprehensive service providing finance to large and medium-sized businesses based in Bangladesh.

Structured Finance

Specialist structured finance team arrange and underwrite finance solutions including debt and equity syndication for financial sponsors, management teams and corporate.

Following are some of the products and financial tools of Corporate Banking:

- Project Finance
- Working Capital Finance
- Trade Finance
- Cash Management
- Syndicated Finance, both onshore & off-shore
- Equity Finance, both onshore & off-shore
- Corporate Advisory Services

SME Loan

Considering the volume, role and contribution of the SMEs, in the last two decades AB Bank has been patronizing this sector by extending credit facilities of different types and tenor. As of now 54% of the bank's total loan portfolio is segmented to the SMEs.

As such the bank has emphasized on the following issues:

- To provide the best services to the SME sector
- To increase the SME portfolio of ABBL significantly
- To improve the quality of ABBL's portfolio

SME Sectors in which AB Bank has participated so far:

- Agro machinery
- Poultry
- Animal Feed
- Dairy Product

- Fruit Preservation
- Hotel & Restaurants
- Garments Accessories
- Leather products
- Plastic product
- Furniture : Wooden & Metal
- Ink
- Paint
- Printing & Packaging
- Wire & Cable
- Aluminum
- Cement and Lime Plaster
- Clinics and Hospitals
- Engineering & Scientific Instruments

Large Loan & Project Finance

- In order to cater the demand of client AB Bank has segmented its portfolio in terms of loan size. As per this segmentation any loan over Tk. 10.00 Crore falls under the purview of Large Loan Unit.
- In AB Bank, there is also a separate Project Finance unit who evaluate the business. The unit is entrusted to handle the portfolio in a focused manner. AB Bank is always in fore front to support establishment of new projects of diverse nature which will help to broaden the manufacturing arena vis-à-vis to generate to employment.
- At the moment AB Bank 's exposure in Large Loan & Project Finance portfolio is distributed in the following sectors:

SL	Sector	ABBL Exposure (Limit) (Fig. in Lac Tk.)
1	Agro- Business	12,717.56
2	Cement Power, Glass	38,691.92
3	Consumer Products	21,855.00
4	Edible Oil	36,057.53
5	Engineering & Construction	18,106.42
6	Financial Institution	1,414.70
7	Food & Beverage	27,044.24
8	Hotel	2,505.26
9	Health Care	3,928.62
10	Printing & Packaging	11,867.61
11	Real Estate	10,451.49
12	Micro-finance	5,763.15
13	Export	9,441.63
14	RMG & Backward Linkage	94,826.13
15	Ship Breaking	18,029.20
16	Steel	42,824.97
17	Telecom & Computer Accessories	11,479.89
18	Trading	77,579.89
	Total (including syndicated exposure)	444,585.21
	Less Syndicated Exposure	51,560.29
	Total Large Loan & Project Finance portfolio without syndicated exposure	3930,24.92

Loan Syndication of AB Bank

- Syndication or club financing is a growing concept in Banking Arena of Bangladesh. Syndicated finance diversifies the risk of one bank on a single borrower and increases the quality of loan through consensus or cumulative judgment and monitoring of different banks / financial institutions.

- In 1997, AB Bank for the first time arranged a club financing with Dhaka Bank Ltd to raise Tk. 6700 lac - out of which ABBL financed Tk. 5700 Lac and Dhaka bank financed Tk. 1000 Lac.
- In 1999, AB Bank arranged its second syndicated credit facility with IPDC to raise Tk 3563 Lac.
- Since 1997 to 2007 (till date), AB Bank has raised total Tk. 25989.56 Lac as Lead Arranger. The following banks from time to time have been our partners in these syndications: Dhaka Bank, IPDC, EXIM Bank, Bank Asia, Oriental Bank, NCC Bank, The City Bank, Trust Bank, and Bank Asia.
- AB Bank has also participated in different syndications arranged by other Banks, out of which till date 6 (six) syndication has successfully been completed. AB Bank exposure in these completed syndications was Tk. 4700 Lac.
- At the moment AB has participation in 19 (nineteen) syndicated facilities. AB Bank's exposure in the ongoing syndication is Tk. 51560.29 Lac which is diversified in the following ten sectors:

SL	Sector	ABBL Participation (Fig. in Lac Tk.)
1	Textile	9,533.57
2	Micro-finance	3,000.00
3	Cement	7,990.00
4	Energy & Power	11,997.00
5	Telephone (PSTN)	5,500.00
6	Glass	900.00
7	Sugar	900.00
8	Steel Mills	9081.72
9	Paper	1158.00
10	Chemical	1,500.00
	Total	51,560.29

Lending Rates

Products	Mid Rate [↖]	Interest Rate W.E.F (June 16, 2009)
1) Agriculture	13.00%	13.00%
2) Large and medium scale industries	13.00%	13.00%
3) Small Industries (Term Loan)	14.75%	13.25%-16.25%
4) Working Capital		
a) Large and medium scale industries	13.00%	13.00%
b) Small Industries	14.50%	13.00%-16.00%
5) Export	7.00%	7.00%
6) Commercial Lending	13.00%	13.00%
7) Housing Loans	13.00%	13.00%
8) Consumer Credit	16.00%	14.50%-17.50%
9) Credit Card	2.00% per month	2.00% per month
10) Finance to NBFIs	13.00%	13.00%
11) Others		
i) Cash Collateral - ABBL FDR	14.00%	12.50%-15.50%
ii) Cash Collateral - Other Banks FDR or WDB	14.50%	13.00%-16.00%
iii) Special Scheme Loans	16.00%	14.50%-17.50%

Notes:

1. For lending against ABBL FDR, the rate is minimum 3.00% above the rate of the instrument subject to minimum 12.50%.
2. Exposure under cash collateral of other banks requires clearance from FI & Treasury.

Credit Rating of AB Bank

Credit Rating Agency of Bangladesh Limited (CRAB) has upgraded the long term rating to “A1” and retained short term rating at “ST-2” of AB Bank Limited. CRAB performed the present rating based on audited financial statements of 31 December 2008 and other relevant information.

The rating takes into account both qualitative and quantitative indicators. Such rating is supported by good portfolio quality in terms of asset performance and diversification, sound profitability level, adequate capital base as well as strong liquidity position. The rating also draw comfort from the fact that, financial and risk management practices are in place to protect the quality of the portfolio. The rating analysis has concern over some areas of the Bank’s performance. Although, Bank’s earning shows upward trend, its volatility is relatively. Bank’s major portion of income comes from capital market, which is also volatile in nature. Persisting global economic recession has slowly affected the economy of Bangladesh. Country’s major sources of foreign currency are export proceeds and remittance which are susceptible to adverse trend in global economies.

Bank’s internal precaution with policy support from the regulatory agencies may help to overcome the present crisis. Commercial Bank rated 'A1' in the long term are adjudged to be of high quality and subject to low credit risk. The Bank has strong capacity to meet its financial commitments but is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions. Bank rated ‘ST-2’ in the short term is characterized with commendable position in terms of liquidity, internal fund generation.

AB Bank Limited (ABBL) was assigned A2 rating in the long term and ST-2 in the short term by CRAB on 15 May 2008 which had a validity of 1 (one) year from the date of rating award. The last rating was based on the audited financial statements of 31 December 2007.

Industry wise loans allocation (2004-2008)

Industry wise loans allocation on December 31, 2008		
Industrial sector	%	Outstanding
Agriculture	1.47%	802,000,000
Large and medium scale industry	15.01%	8,169,307,374
Working capital	19.51%	10,614,584,118
Export	5.58%	3,035,433,304
Commercial lending	37.89%	20,614,600,000
Small and cottage industry	0.06%	32,900,000
Others	20.48%	11,143,533,453
Total loans and advances	100%	54,412,358,249

In 2008 the total loan and advance amount was 54,412,358,249. The total loan was allocated between six different sectors. A major portion of loan is given to the commercial lending; it was 37.89% of the total.

Industry wise loans allocation on December 31, 2007		
Industrial sector	%	Outstanding
Agriculture	2.16%	850,500,000
Large and medium scale industry	13.08%	5,139,180,506
Working capital	15.54%	6,105,935,915
Export	5.69%	2,236,600,000
Commercial lending	45.32%	17,813,300,000
Small and cottage industry	0.09%	36,600,000
Others	18.12%	7,121,784,880
Total loans and advances	100%	39,303,901,301



In 2007 the total loan and advance amount was 39,303,901,301. The total loan was allocated between six different sectors. A major portion of loan is given to the commercial lending; it was 45.32% of the total.

Industry wise loans allocation on December 31, 2006		
Industrial sector	%	Outstanding
Agriculture	0.72%	211,300,000
Large and medium scale industry	8.83%	2,604,700,000
Working capital	16.80%	4,952,500,000
Export	2.95%	870,600,000
Commercial lending	41.72%	12,300,737,874
Small and cottage industry	0.14%	41,600,000
Others	28.84%	8,504,796,906
Total loans and advances	100%	29,486,234,780

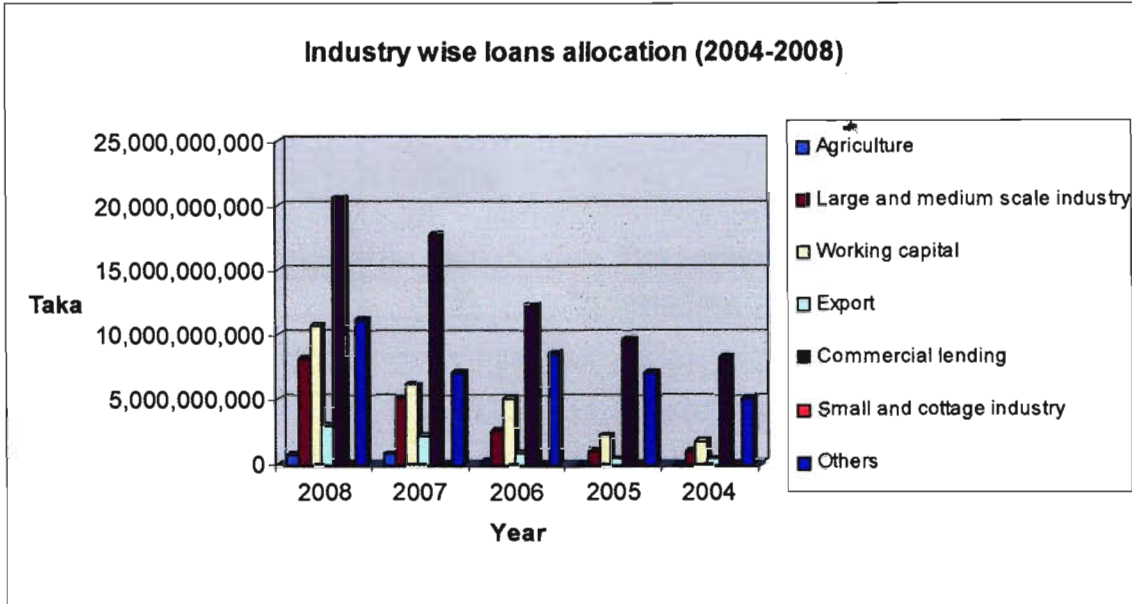
In 2006 the total loan and advance amount was 29,486,234,780. The total loan was allocated between six different sectors. A major portion of loan is given to the commercial lending; it was 41.72% of the total.

Industry wise loans allocation on December 31, 2005		
Industrial sector	%	Outstanding
Agriculture	0.10%	20,500,000
Large and medium scale industry	5.20%	1,064,900,000
Working capital	10.62%	2,175,800,000
Export	2.20%	450,500,000
Commercial lending	47.18%	9,669,325,857
Small and cottage industry	0.14%	28,300,000
Others	34.57%	7,085,433,901
Total loans and advances	100%	20,494,759,758

In 2005 the total loan and advance amount was 20,494,759,758. The total loan was allocated between six different sectors. A major portion of loan is given to the commercial lending; it was 47.18% of the total.

Industry wise loans allocation on December 31, 2004		
Industrial sector	%	Outstanding
Agriculture	0.12%	20,500,000
Large and medium scale industry	6.30%	1,043,900,000
Working capital	10.33%	1,711,900,000
Export	2.65%	439,200,000
Commercial lending	49.76%	8,243,864,181
Small and cottage industry	-	-
Others	30.83%	5,108,197,469
Total loans and advances	100%	16,567,561,650

In 2004 the total loan and advance amount was 16,567,561,650. The total loan was allocated between six different sectors. A major portion of loan is given to the commercial lending; it was 49.76% of the total.



Here we see in all the five financial years commercial lending had got almost 50% allocation of the total loan amount and over all growth of loan is substantially high over the five financial years.

Geographical location wise distribution (2004-2008)

Geographical location wise distribution, December 31, 2008		
In Bangladesh	%	Outstanding
Urban Branches		
Dhaka	60.68	33,019,277,814
Chittagong	24.63	13,404,459,566
Khulna	3.30	1,794,520,559
Sylhet	1.77	964,183,598
Barisal	0.33	181,003,528
Rajshahi	3.33	1,812,549,475
Rural Branches		
Dhaka	3.08	1,674,901,710
Chittagong	1.12	608,321,666
Khulna	0.51	276,909,646
Sylhet	0.62	336,269,470
Barisal	-	-
Rajshahi	-	-
Outside Bangladesh		
ABBL, Mumbai Branch	0.62	339,961,218
Total loans and advances	100.00	54,412,358,250

In 2008 the total loan and advance amount was 54,412,358,249. The total loan was allocated between six divisions. The major portion of loan is given to the Dhaka division; it was 60.68% of the total.

Geographical location wise distribution, December 31, 2007		
In Bangladesh	%	Outstanding
Urban Branches		
Dhaka	56.43	22,178,371,431
Chittagong	29.90	11,751,687,023
Khulna	3.26	1,279,436,257
Sylhet	2.09	822,347,909
Barisal	0.38	148,019,622
Rajshahi	2.09	822,633,002
Rural Branches		
Dhaka	2.98	1,169,917,692
Chittagong	0.98	383,422,145
Khulna	0.56	221,965,448
Sylhet	0.54	213,026,163
Barisal	-	-
Rajshahi	-	-
Outside Bangladesh		
ABBL, Mumbai Branch	0.80	313,074,609
Total loans and advances	100.00	39,303,901,301

In 2007 the total loan and advance amount was 39,303,901,301. The total loan was allocated between six divisions. The major portion of loan is given to the Dhaka division; it was 56.43% of the total.

Geographical location wise distribution, December 31, 2006		
In Bangladesh	%	Outstanding
Urban Branches		
Dhaka	56.83	16,758,130,622
Chittagong	28.90	8,522,888,964
Khulna	3.76	1,107,981,773
Sylhet	2.67	786,273,068
Barisal	0.44	129,775,863
Rajshahi	2.65	782,364,331
Rural Branches		
Dhaka	2.14	630,386,639
Chittagong	0.72	211,886,536

Khulna	0.20	59,175,166
Sylhet	0.56	166,280,707
Barisal	-	-
Rajshahi	-	-
Outside Bangladesh		
ABBL, Mumbai Branch	1.12	331,091,111
Total loans and advances	100.00	29,486,234,780

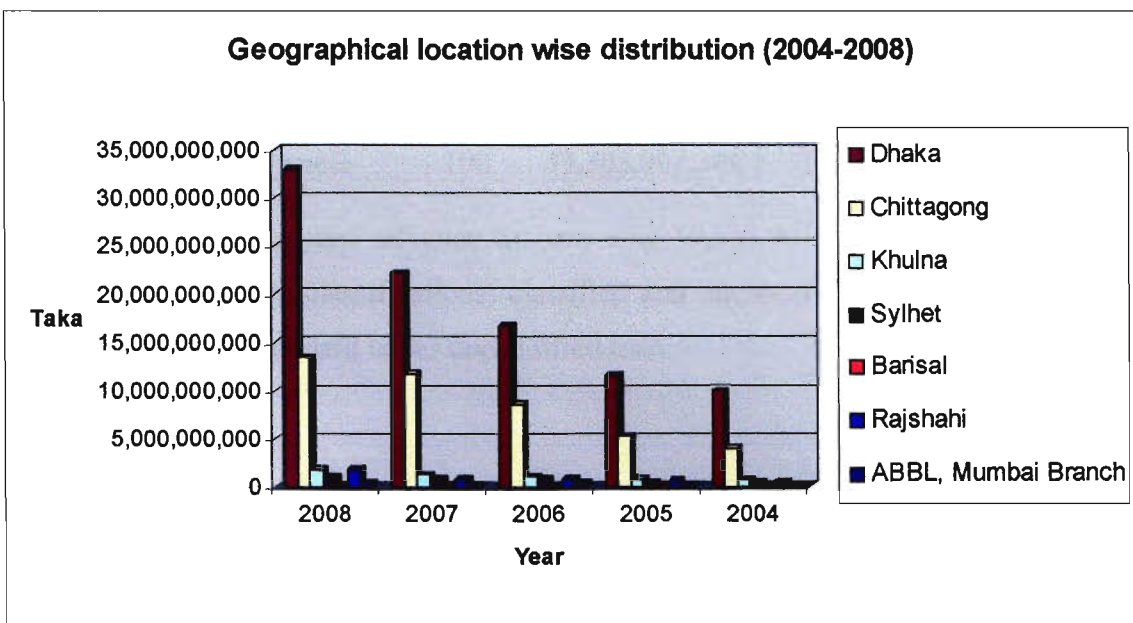
In 2006 the total loan and advance amount was 29,486,234,780. The total loan was allocated between six divisions. The major portion of loan is given to the Dhaka division; it was 56.83% of the total.

Geographical location wise distribution, December 31, 2005		
In Bangladesh	%	Outstanding
Urban Branches		
Dhaka	56.27	11,533,271,356
Chittagong	25.83	5,294,469,550
Khulna	3.79	777,391,883
Sylhet	2.52	516,954,867
Barisal	0.64	130,966,179
Rajshahi	2.98	610,057,624
Rural Branches		
Dhaka	3.23	661,297,554
Chittagong	1.50	306,646,793
Khulna	0.72	147,910,658
Sylhet	1.05	215,169,040
Barisal	-	-
Rajshahi	-	-
Outside Bangladesh		
ABBL, Mumbai Branch	1.47	300,624,254
Total loans and advances	100.00	20,494,759,758

In 2005 the total loan and advance amount was 20,494,759,758. The total loan was allocated between six divisions. The major portion of loan is given to the Dhaka division; it was 56.27% of the total.

Geographical location wise distribution, December 31, 2004		
In Bangladesh	%	Outstanding
Urban Branches		
Dhaka	59.32	9,828,174,937
Chittagong	23.90	3,958,972,237
Khulna	4.12	682,387,162
Sylhet	2.18	361,736,475
Barisal	0.75	123,536,035
Rajshahi	2.91	481,699,332
Rural Branches		
Dhaka	3.00	497,823,899
Chittagong	1.55	256,783,613
Khulna	0.89	147,740,395
Sylhet	1.05	173,432,190
Barisal	-	-
Rajshahi	0.03	4,301,045
Outside Bangladesh		
ABBL, Mumbai Branch	0.31	50,974,330
Total loans and advances	100.00	16,567,561,650

In 2004 the total loan and advance amount was 16,567,561,650. The total loan was allocated between six divisions. The major portion of loan is given to the Dhaka division; it was 59.32% of the total.



Here we see in all the five financial years Dhaka division had got almost 60% allocation of the total loan amount. The bank didn't give any loan to the Barisal and Rajshahi division over the five financial years.

Classification of loans (2004-2008)

Classification of loans on December 31, 2008		
Unclassified	%	Outstanding
Standard	96.47	52,492,279,672
Special mention account	0.41	224,697,000
Classified		
Substandard	0.42	228,697,000
Doubtful	0.24	132,596,000
Bad/Loss	2.45	1,334,088,577
Total loans and advances	100	54,412,358,249

In 2008 the total loan and advance amount was 54,412,358,249. The total loan was allocated between two classifications; classified and unclassified. The major portion of loan is given to the standard under unclassified loan.

Classification of loans on December 31, 2007		
Unclassified	%	Outstanding
Standard	95.19	37,412,495,301
Special mention account	0.33	128,770,000
Classified		
Substandard	0.51	200,622,000
Doubtful	0.59	231,123,000
Bad/Loss	3.39	1,330,891,000
Total loans and advances	100	39,303,901,301

In 2007 the total loan and advance amount was 39,303,901,301. The total loan was allocated between two classifications; classified and unclassified. The major portion of loan is given to the standard under unclassified loan.

Classification of loans on December 31, 2006		
Unclassified	%	Outstanding
Standard	95.03	28,021,446,780
Special mention account	0.70	206,273,000
Classified		
Substandard	0.19	56,471,000
Doubtful	0.28	81,458,000
Bad/Loss	3.80	1,120,586,000
Total loans and advances	100	29,486,234,780

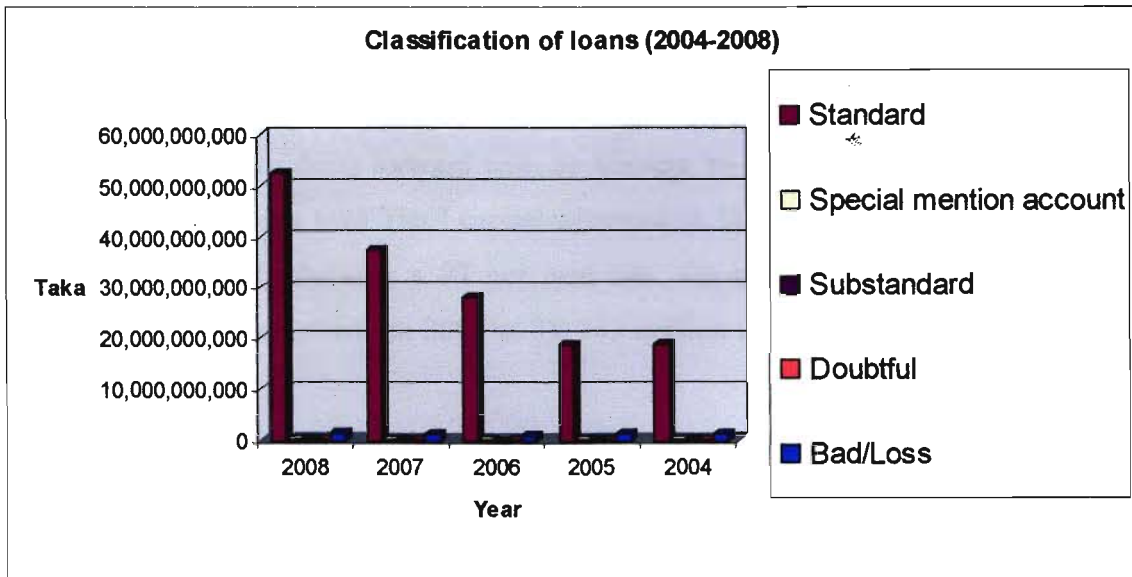
In 2006 the total loan and advance amount was 29,486,234,780. The total loan was allocated between two classifications; classified and unclassified. The major portion of loan is given to the standard under unclassified loan.

Classification of loans on December 31, 2005		
Unclassified	%	Outstanding
Standard	91.03	18,655,900,118
Special mention account	0.40	82,907,000
Classified		
Substandard	0.53	109,340,000
Doubtful	0.48	97,442,640
Bad/Loss	7.56	1,549,170,000
Total loans and advances	100	20,494,759,758

In 2005 the total loan and advance amount was 20,494,759,758. The total loan was allocated between two classifications; classified and unclassified. The major portion of loan is given to the standard under unclassified loan.

Classification of loans on December 31, 2004		
Unclassified	%	Outstanding
Standard	88.33	14,634,035,304
Special mention account	-	-
Classified		
Substandard	1.08	179,305,468
Doubtful	0.94	156,082,878
Bad/Loss	9.65	1,598,138,000
Total loans and advances	100	16,567,561,650

In 2004 the total loan and advance amount was 16,567,561,650. The total loan was allocated between two classifications; classified and unclassified. The major portion of loan is given to the standard under unclassified loan.



Here we see in all the five financial years standard under unclassified loan got the most of the allocation of the total loan amount. It was approximately 90% of the total. But the bank reduced the classified loan substantially over the five financial years.

Suggestions for Improving the Credit Activities of AB Bank

The entire success or failure of a bank is dependent upon the success or failure of its credit division. It is essential to emphasize the evaluation of a sound and well integrated credit management system from the point of view both resources mobilization and efficient allocation of available funds. The followings are the suggestions for the improvement of credit activities of AB Bank:

- ⇒ Loan should not be given without proper securities.
- ⇒ Overdraft facilities should not be given to the unsound borrowers.
- ⇒ Loans should be given with considering the financial soundness and credit worthiness of the borrowers.
- ⇒ For giving loan to someone relevant, proper, adequate and reliable information should be collected regarding the borrower.
- ⇒ Interest rates on different loan items should be competitive.

Conclusion

AB Bank will increase the capital base in compliance with the implementation of Basel-II. Bank is striving to drive forward with its mission 'to be the best performing bank in the country'. The bank's total Tier I capital whopped to Tk 3.83 billion in 2007 against Tk 1.94 billion in 2006 showing a 97 per cent rise. On the other hand, paid-up capital showed a 29 per cent growth in 2007 at Tk 743 million against Tk 572 million in 2006.

AB Bank now is within the top three private commercial banks (PCB) as the net profit grew by 257.67 per cent to Tk. 1.903 billion. The bank's net operating income grew by four times over 2006 figures. Its total assets grew by 32.42 percent to Tk.63.54 billion, according to the latest annual report. Main drivers of the growth was substantial income growth from its investment banking operations whereas the bank also achieved nearly 30 per cent growth in its core business areas, a trend it expects to retain in 2008. AB Bank has played a significant role. It has expanded its operation in the areas of Merchant Banking, Brokerage, Custodial Services and Portfolio Management over the years. All 70 branches of the PCB are connected and the clients of AB Bank can do any branch banking through real time online facilities. Out of the existing 70 branches, 26 are located in Dhaka, 23 in Chittagong, 6 each in Khulna and Rajshahi, 8 in Sylhet and one in Barisal.

In the recent months, some innovative products and services were introduced in the field of Small and Medium Enterprise credit, Women's Banking, Consumer Loans, Debit and Credit Cards, automated teller machine and electronic funds transfer at point of sale.

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