

Report
002-71
BBA

An Internship Report

On

*“Appraisal of Credit Risk Management Policy of Prime
Bank Limited.”*

Supervised By

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Date of Submission:

August 18, 2011



August 18, 2011

Dr. Tanbir Ahmed Chowdhury
Professor,
Department of Business Administration,
East West University.

Subject: Submission of Internship Report.

Dear Sir,

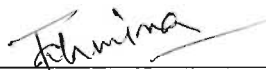
With due respect, would like to inform you that, it is a great pleasure for me to submit the report on “**Appraisal of Credit Risk Management Policy of Prime Bank Limited**”, as a requirement of BBA program.

I have tried my best to submit a good report with as much information as could gather during the short time span allotted for preparing the report. There might be some error through oversight in the report. I sincerely regret for such unintentional errors. I would be grateful to you if you kindly consider my unintentional mistakes.

I acknowledge with thanks the wholehearted support & kind guidance received from you. So I hope that you would be kind enough to accept my Internship Report & oblige thereby.

Thank you again for your heartiest co-operation.

Yours sincerely,



Sharifa Tahmina Akhter
Id# 2007-2-10-123



Acknowledgement

I would like to acknowledge with considerable appreciation those who have contributed to complete my internship program and final internship report. First of all I would like to convey my salutation to Almighty Allah for enabling me to complete the report with sound health. My special gratitude and thanks goes to my respected supervisor who motivated me to choose this topic. He helped me in every step of my internship & report writing by giving proper guidance, advice & inspiration.

I want to express my special thanks to all employees of SBC Tower Branch, Prime Bank Ltd where I was joined as an intern. Here again I have to mention some persons who received me as a member of their banking family and provided me continuous guidance, valuable knowledge and suggestions during my Internship program. I would like to extend my gratitude Abdur Rouf Bhuiyan (Senior Executive Officer), Md. Saiful Haque (Senior officer) & all other officials of SBC Tower Branch. I did not learn only professional insights, but I learned how to work in pressure, how to have patience in hurdles, how to behave with the seniors and how to help the juniors.

Last but not the least, I express my overall gratitude to my department that provided me the chance to be familiar with the real organizational environment and practically experiencing the procedure practiced at PBL in credit division.





Prime Bank Limited

a bank with a difference

SBC Tower

.....Branch

Prime/SBCT/2011/785

August 14, 2011

To Whom It May Concern

This is to certify that, **Ms. Sharifa Tahmina Akhter** a BBA student of East West University has successfully completed her internship period at Prime Bank Limited, SBC Tower Branch, Dhaka for a period of 03 (Three) months from May 15, 2011 to August 14, 2011.

During her internship period we have found her to be an energetic, honest and hard working person having amiable nature and co-operative attitude and highly dedicated to the assigned job.

I wish her all the best in her future endeavor.

Thanking you.

Md. Shariful Islam Khan
Senior Vice President &
Head of Branch



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Executive Summary

From the inception of the civilization the banking sector has been dominating the economic development of a country by mobilizing the saving from the general people and channeling those saving for investment and thus economic development and growth. To satisfy the demand as well as to improve the commercial banking service in our country, Prime Bank Limited, a scheduled bank was incorporate to initiate its operation with the aim to play the vital role on the socio economic development of the country.

At present Prime Bank Ltd (PBL) is one of the leading private sector banks in our country in terms of quality services to the customers & value addition for the shareholders. Financial Soundness of any financial institution is the prime concern for its survival in the competitive & changing business environment. This is more important in case of the banking institutions. Prime Bank Limited is a fast growing bank and several times it occupies the first position in CAMEL rating.

I was assigned to PBL, SBC Tower Branch. I have studied "Retail Section in Credit Department". While preparing this report I have tried to reveal the insight of the retail credit banking services of the bank. Simultaneously efforts have been made to provide an in-depth analysis on Loan sanction procedures and performance of PBL. Finally some recommendations and suggestions were also prescribed based on observations and findings.

During the appraisal of Credit Risk Management Policy in PBL, I have found that it is the most significant term of every bank. Without this Credit Policy you can't run the banking operations. This Credit Risk Management Policy of the bank is prepared in line with the Guidelines of Bangladesh Bank on Credit Risk Management and for the guidance of the Officers/Executives in handling affairs relating to credit in a disciplined way.



*Chapter One:
Introduction*



1.1 Origin of the Report:

The BBA program is designed to focus on theoretical and professional development of students who are ready to take up business as a profession as well as service as a career. The course is designed with an excellent combination of theoretical and practical aspects. Classroom discussion can't alone make a student perfect in handling the real job situation. Therefore it is an opportunity for the student to know about real situation through internship program. The primary goal of internship is to provide a job exposure to the student and an opportunity for translation of theoretical conceptions in real life situation.

In this connection, after completion of four-year BBA program I was assigned to Prime Bank Ltd, SBC Tower Branch, under the guidance of my faculty advisor **Dr. Tanbir Ahmed Chowdhury, Professor, Department of Business Administration.** The duration of my organizational attachment was, Three (3) months. As a requirement for the completion of the program I needed to submit this report, which would include an overview of the organization I was attached with and an elaboration of the project I was supposed to conduct during the internship period.

1.2 Objectives of the study:

1.2.1 General Objectives:

In this report I tried to find out all sorts of practical dealings that are conducted in case of handling various types of commercial banking activities especially the **Credit Division.** Here the theoretical aspects that are what should be the procedures and requirement maintained from first to last, and actual practice as well as the ultimate gain for the bank in conducting financial activities is mainly discussed. I tried to show various graphs by which data and information has been presented. General objective of this report is to know about the management system of Prime Bank Ltd as a private commercial bank as well as its formation, and its functional, operational and financial aspects.



1.2.2 Project Objectives:

- To present an overview of Prime Bank Ltd.
- To appraise the activities of Prime Bank Ltd.
- To appraise the credit financing performance of Prime Bank Ltd.
- To acquaint me with the techniques, laws, principles and procedures of credit department.
- To appraise the performance of credit department.
- To identify problems of PBL and provide suggestions for the development of Prime Bank Ltd.

1.3 Scope of the report:

This report covers the details of Prime Bank's practices about foreign exchange activities emphasizing "*Operational Procedures General And Retail Credit, an assessment in the context of Prime Bank Limited and performance analysis of Prime Bank Limited.*". This report consists of my observations and on the job experiences during the internship period in the retail credit, Credit Department of SBC Tower branch. This report emphasizes on the activities of Prime Bank Ltd in the Credit Department especially details procedures of loan sanctions related activities.

1.4 Methodology:

This report is based on the primary and secondary data and I have analyzed the financial data from 2006 to 2010 of Prime Bank Ltd. This report also bears the practical knowledge of individual worked during the internship period. So the methodology is the mixing of primary and secondary data with practical knowledge. Most of the necessary information has been collected

by face to face interview with the people working in different departments, personal investigation, several documents, and files in which most of the activities of the bank are recorded, Annual Report of Prime Bank Ltd, Publications of Bangladesh Bank and Ministry of finance. Observational method and experience has been employed to complete this report.

1.4.1 Primary Sources:

- Major sources of information were discussions with the officers of Credit Department.
- Informal conversation with the clients.
- Practical work exposure from the different desk of Credit Department of the Branch.

1.4.2 Secondary Sources:

- Annual Report of Prime Bank Limited.
- UCPDC Articles, ICC Articles.
- Periodicals published by Bangladesh Bank.
- Training material collected from the bank.
- Daily diary (containing my activities of practical orientation in PBL) maintained by me.
- Various books, articles, compilations etc regarding Credit Operations.

1.5 Limitations:

There were certain limitations regarding the study that is summarized below:

- ❖ Sometimes I was assigned to do some jobs without explaining why this work was to be done. This situation has created a lot of problems to understand why a specific function is being performed.
- ❖ Large-scale research was not possible due to constraints and restrictions imposed by the organization.
- ❖ Deficiencies in data in a systematic way required for the study. Moreover I had to work with two year's data, which I think is not sufficient for this type of study.
- ❖ In many cases, up to date information is not published.
- ❖ Large-scale research was not possible due to time constraints.
- ❖ The tenure of the Internship program is only three months. Since Credit Division is a vast area, after doing the regular office works from 10 AM to 6 PM it is not possible to go through in depth within this short span of time.
- ❖ Relevant data and document collection were difficult due to the organization confidentiality.

Chapter Two-
Background of Prime Bank Limited



- ✱ For the restrictions imposed by the bank I could not go for details survey on the customers.
- ✱ SBC Tower Branch is a new branch. It launch at the end of 2006. So it is not possible for me to go through details research because of lack of details data for a longer period of time.

2.1 A Brief Background - Prime Bank Limited:

To satisfy the demand as well as to improve the commercial banking service in our country, The Prime Bank Limited, a scheduled bank, was incorporated under the Companies Act 1994, initiated its operation on April 17, 1995 with target to play the vital role on the socioeconomic development of the country. It availed its registration as a banking company under the Banking Company Act, 1993 from the Bangladesh Bank dated February 12, 1995. It started to make profit from the inception year.

Aiming at offering commercial banking service to the customers' door around the country, the Prime Bank Limited established 114 branches all over Bangladesh up to this year. It carries out all the banking activities through its branches in Bangladesh. Out of the above, five branches of the bank run under Islamic Shariah, the modus operandi of which is substantially different from other branches run on commercial conventional basis. The Bank is listed with Dhaka Stock Exchange Limited and Chittagong Stock Exchange Limited as a Publicly Quoted Company for its general class of shares. This organization achieved customers' confidence immediately after the establishment in domestic and international markets.

The bank has been successful in positioning itself as progressive and dynamic financial institution in the country within this short time. It is now widely acclaimed by the businesses community, from small entrepreneurs to big merchant and conglomerates, including top rated corporate and foreign investors, for modern and innovative ideas and financial solution. Thus, within this short period of time, it has been able to create a unique image for itself and earned significant solution in the banking sector of the country as '**a bank with a difference**'.

The emergence of Prime Bank Limited is an important event in the country's financial sector at the inception of financial sector reform. The authorized capital of PBL is Tk. 100,000 million and paid up capital of the same bank is Tk. 5,776 million. The present Chairman of the Bank is

Mr. Mohammad Aminul Haque. The bank has made a reasonable progress due to its visionary management people and its appropriate policy and its implementation. The bank holds the first position in the CAMEL rating conducted by Bangladesh Bank.

2.2 Details about the Bank:

Salient features of PBL:

- Prime Bank is engaged in conventional commercial bankings well as Islamic banking based on Islamic Shariah Principles.
- It is the pioneer in introducing and launching different customer friendly deposit Schemes to tap the savings of the people for channeling the same to the productive sectors of the economy.
- For uplifting the standard of living of the limited income group of the population, the Bank has introduced Retail Credit Scheme by providing financial assistance in the form of loan to the consumers for procuring household durables.
- The Bank is committed to maintain continuous research and development to keep pace with modern banking.
- Recently the bank starts internet banking in order to provide prompt and efficient services to the customers.
- The bank has introduced customer relations management systems to assess the needs of various customers and resolve any problem on the spot.

2.2.1 Vision:

“To be the best Private Commercial Bank in Bangladesh in terms of efficiency, capital adequacy, asset quality, sound management and profitability having strong liquidity”

2.2.2 Mission:

- To build Prime Bank limited into an efficient, market driven, customer focused institution with good corporate governance structure.
- Continuous improvement in business policies, procedure and efficiency through integration of technology at all levels.

2.2.3 Core Values:

For Customer-

- ☉ To provide the most courteous and efficient service in every aspect of its business.
- ☉ To be innovative in the development of new banking products and services.

For Employees-

- ☉ By promoting their well-being through attractive remuneration and fringe benefits.
- ☉ By promoting good staff morale through proper staff training and development, and provision of opportunities for career development.

For Shareholders –

- ☉ By forging ahead and consolidating its position as a progressive financial institution.
- ☉ By generating profits and fair return on their investment.

For Community-

- ☉ By assuming role as a socially responsible corporate entity in a tangible manne.
- ☉ By adhering closely to national policies and objectives thereby contributing towards the progressive of the nation.
- ☉ Upholding ethical values and practices.

2.2.4 Strategic Priority:

- ☐ Maintain satisfactory capital to support growth and remain compliant.
- ☐ Continue to serve for sound growth by doing the business we do well, expanding into areas underserved, entering new sectors and exploring innovative ideas.
- ☐ Have a strong customer focus and build relationships based on integrity, superior service and mutual benefit.
- ☐ Continue to provide new services to customers with support of superior information technology platform.
- ☐ Establishment of good corporate governance by remaining efficient, transparent, professional and accountable to the society and environment.
- ☐ Ensure effective risk management for sustainable growth in shareholder's value.
- ☐ Diversification of loan portfolio through structured finance and expansion of retail and SME financing.

- ▣ Value and respect people and make decisions based on merit.
- ▣ Expansion of Brand Image by in-house capacity development through continuous training.
- ▣ Be responsible, trustworthy and law-abiding in all that we do.
- ▣ Be leader in serving the interest of our community and country.

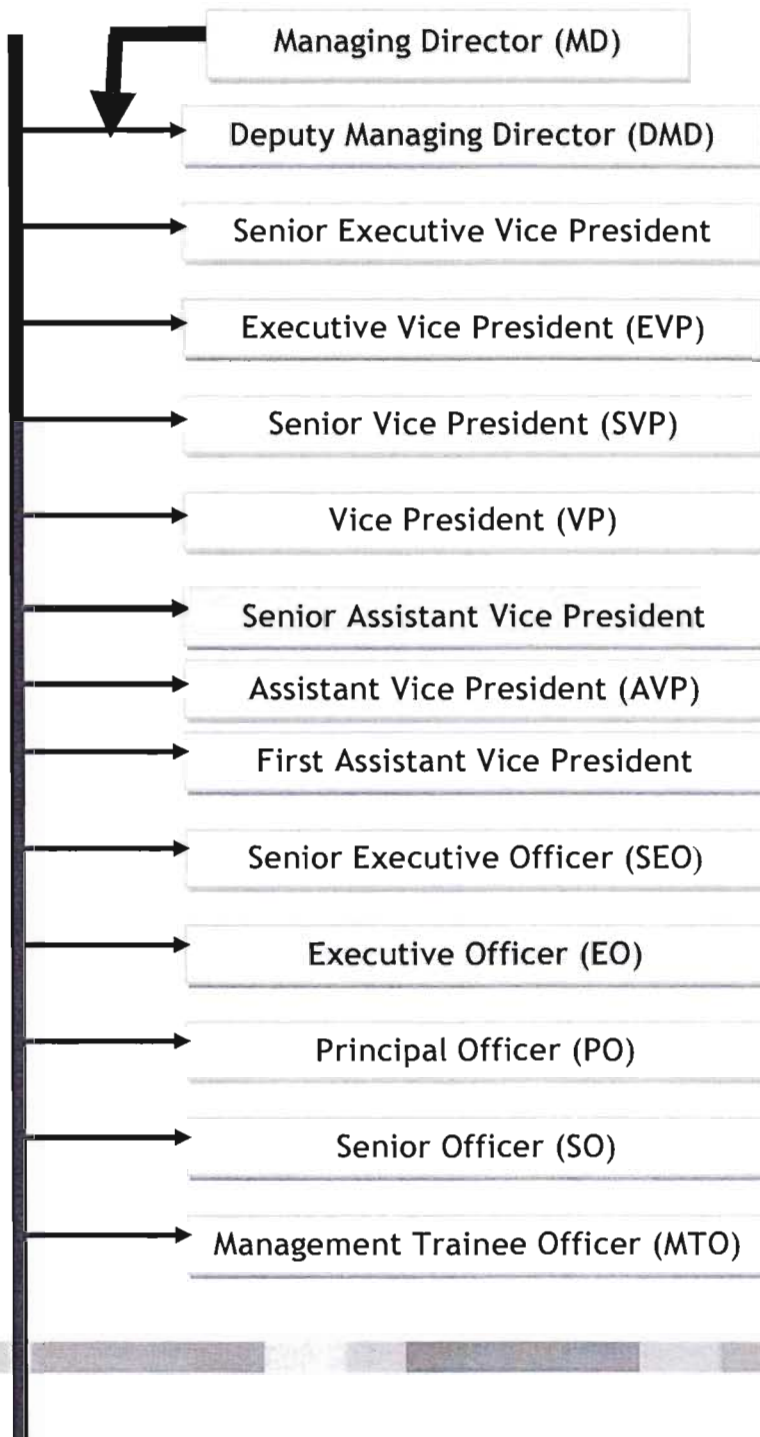
2.3 Corporate Information of Prime Bank Limited:

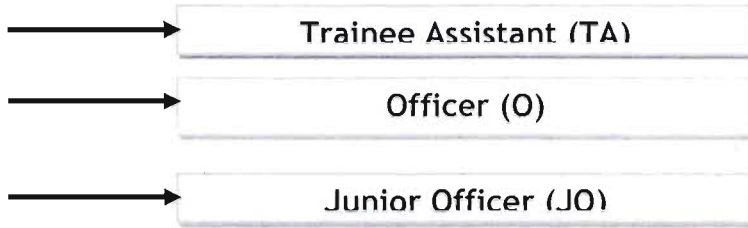
* Memorandum and Articles of Association signed by the Sponsors	February 05, 1995
* Incorporation of the Company	February 12, 1995
* Certificate of Commencement of Businesses	February 12, 1995
* License issued by Bangladesh Bank	February 20, 1995
* License issued for opening the first Branch, Motijheel Branch	April 08, 1995
* Formal launching of the Bank	April 17, 1995
* Commencement of business from the Motijheel Branch.	December 18, 1995
* Initial Public Offering (IPO)	August 29, 1999
* Listed with Dhaka Stock Exchange Limited	March 27, 2000
* Listed with Chittagong Stock Exchange Limited	November 15, 1999
	March 29, 2000

* Trading of Shares on Dhaka Stock Exchange Limited	
* Trading of Shares on Chittagong Stock Exchange Limited	March 29, 2000
* Dividend declared in the 5th AAGM (First after the IPO)	March 14, 2000
* Registered as Merchant Banker with Securities & Exchange Commission	March 29, 2001
* License issued from Bangladesh Bank as Primary Dealer	December 11, 2003
* Registered as Depository Participant of CDBL	March 29, 2004
* Trading of Shares started in Demat form in Stock Exchange	June 30, 2005
* Completion of 10 years of service	April 17, 2005
*Agreement with Temenos for Core Banking Software T24	June 30, 2005
* Incorporation of Prime Exchange Co. Pte. Ltd. a subsidiary of PBL	January 06, 2006
* Opening of off-shore Banking Unit at DEPZ, Saver, Dhaka	July 08, 2006
*Launching of ATM	March 11, 2008
*Launching of Internet Banking	August 01, 2009
*Opening of first SME Centre	August 04, 2009
*Recipient of SAFA Best Bank Award	December 05, 2009
*Incorporation of PBL Exchange UK Ltd	November 19,2009
*Incorporation of PBIL	April 28, 2010
*Obtained permission for issuance of subordinated Bond for Tk 2,500 Million for Base-II Compliance	December 31, 2009

*Obtained permission for issuance of right shares	May 25, 2010
*Incorporation of PBSL	April 29, 2010

2.4 Organizational Hierarchy of Prime Bank Limited:





2.5 Products and Services:

Based on customer satisfaction and popularity, Prime Bank Limited offers a large pull of Products and services to the customers. The Retail Products are divided into three main Categories:

a. Deposit Products:

Table- 1: Depository products

Accounts	Savings Scheme	Fixed Deposit
1. Savings Account	1.Lakhopoti Deposit Scheme	1. General FDR
2. Current Account	2. Contributory Savings Scheme	2. Monthly Benefit Deposit Scheme
3.Short Term Deposit	3. Prime Millionaire Scheme	3. Double Benefit Deposit Scheme
	4. Education Savings Scheme	

b. Advance and Loan Products:

Table-2: Advance and Loan Products

Different Advance and Loan Products	
1. Car Loan	8. Hospitalization Loan
2. Lease Finance	9. Swapna Neer (Home Loan) Scheme
3. Hire Purchase	10. Loan against Salary
4. Marriage Loan	10. Travel Loan
5. Any Purpose Loan	12. Household durables Loan
6. Education Loan	13. CNG Conversion Loan
7. Working Capital Finance	

C. Other Products & Services:

Table – 3: Other Products & Services

1. On Line banking	3. SWIFT
2. L/C Delivery Services	4. Locker Facility

2.6 Capital Structure of Prime Bank Ltd:

The Bank Capital fund is divided into two parts. Tire-I and Tire-II capital. Tier-I includes the equity (paid-up capital, reserve and retained earnings) and Tier-II includes General Provision on unclassified loans and advances and exchange equalization account. Total capital fund increased by Tk 1,476 million during 2008. Tier I capital i.e. Shareholders' equity grew by Tk. 1,004 million and stood at Tk 6,265 million during the year under review. Total capital fund is equivalent to 10.88 percent of Risk Weighted Asset. The details of Capital Fund are given below:

Tier-I Capital:

Figure in Million Taka

Year	2010	2009
Paid-up Capital	5776	3,555
Statutory Reserve	4,392	3,284
Retained earnings	3,384	2,218
	6,265	5,260

Tier-II Capital:

Year	2010	2009
1 % General Provision on Unclassified Loans	1463	1303
General Provision on Off-balance sheet item	810	440
General Provision on Off-Shore Banking Units	61	21
Revaluation Gains and Loses on investment	710	1219
Revaluation Reserve	126	126
Exchange Equalization	5	5
Subordinated bond	2500	-
Sub Total	5,692	3,122
Total Capital	21,485	12,168

2.7 Management of Prime Bank Ltd:

As a fully licensed professional bank, Prime Bank Limited is being managed by a highly professional and dedicated team with long experience in banking. They constantly focus on understanding and anticipating customer needs. As the banking scenario undergoes changes so the bank and its responsibilities itself changed in the market condition.

In the bank, board of directors has the sole authority to take decision about the affairs of the business. Now there are 14 directors in the management of the bank. All the directors have the good academic background and have huge experience in business. The board of directors holds meetings on a regular basis. There are different committees in the bank for the efficient management of the bank. All these committees meet on a regular basis for discussing various issues and proposals submitted for decisions. The committees are:

- ⇒ **Board of Directors**
- ⇒ **Executive Committee of the Board**
- ⇒ **Policy Committee of the Board**
- ⇒ **Credit Committee**

2.8 Department of Prime Bank Ltd:

It would be very difficult to control the system effectively, if the jobs are not organized considering their interrelationship and are not allocated in a particular department. if the departments are not fitted for the particular works there would be haphazard situation and the performance of a particular department would not be measure. Prime Bank Limited has done this work very well. The departments are:

1. Human resource Department.
2. Financial and Administration Department.
3. Monitoring and Inspection Department.
4. Marketing.
5. Personal Relation Department.
6. Merchant Banking and Investment banking.
7. Treasury Division

8. International Division.
9. General Services Division.
10. Computer and Information Technology Department.
11. Credit Division.
12. Corporate Affairs Division.
13. Card division
14. Board Audit Cell

2.9 Performance of the Bank:

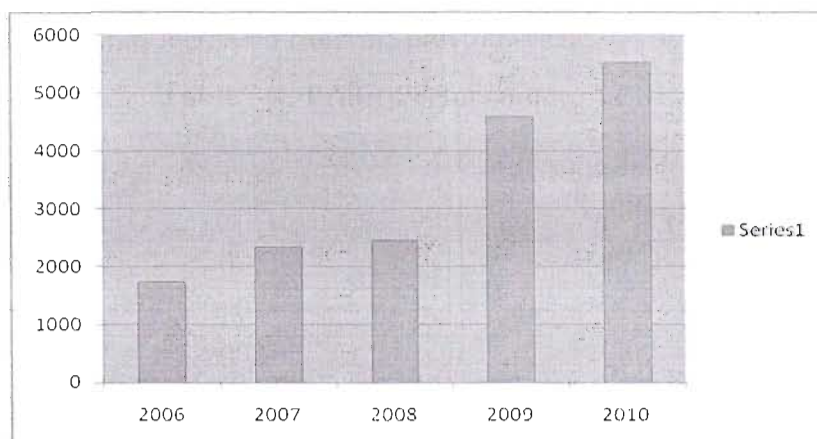
2.9.1 Profit and Operating Results:

The Bank earned operating profit Tk. 5,538.00 million during 2010. The Net profit before tax increased by 949 million during this year. It is observed that during 2006 to 2010 every year profit of the Prime bank has increased from the previous year.

Table – 4: Profit Performance of PBL

Year	Profit before tax (in million)
2006	1741
2007	2347
2008	2463
2009	4,589
2010	5,538

Figure – 1: Profit Performance of PBL



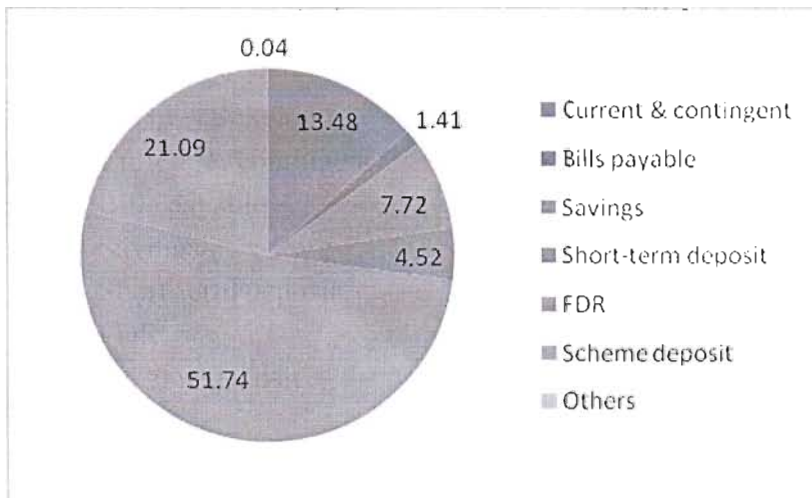
2.9.2 Deposit:

A strong deposit base is necessary for the success of a Bank. During the year 2010 the Bank mobilized a substantial amount of deposit from mid-level income group people under Deposit Savings Scheme. After critical handling the Bank mobilized total Deposit of Tk. 88,021 million as at December 31, 2010. The growth rate is 24.83 percent. The significant growth in deposit enabled the Bank to expand its business, performing assets and also had an impact on the profit position of the bank.

Table – 4: Deposit of PBL in 2010

Savings Scheme	Deposit
Current & contingent	13.48
Bills payable	1.41
Savings	7.72
Short-term deposit	4.52
FDR	51.74
Scheme deposit	21.09
Others	0.04

Figure – 2: Deposit of PBL in 2010



2.9.3 Assets and Liability:

Prime Bank Limited ensures its available funds to meet obligation of maintaining Statutory Liquidity Ratio (STR) and investments of liquid assets in a profitable manner. PBL property & Assets Compositions and Liabilities and capital compositions are shown in the table-

Table – 5: Constituents of Assets of PBL

Constituents & Assets	STR
Loans & advances	72.75%
Fixed assets	1.11%
Liquid assets	6.95%
Investments	13.41%
Other assets	5.79%

Figure – 3: Property & Assets

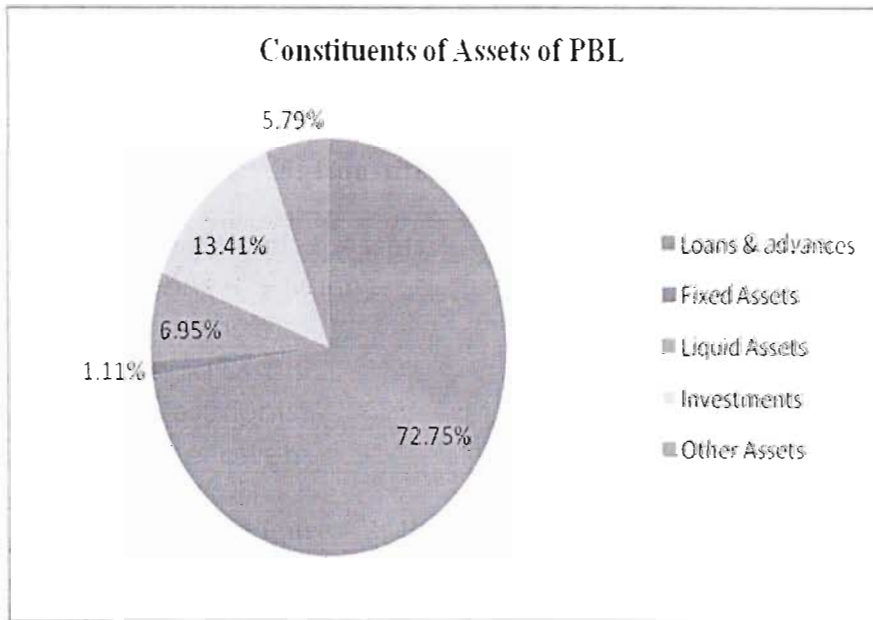
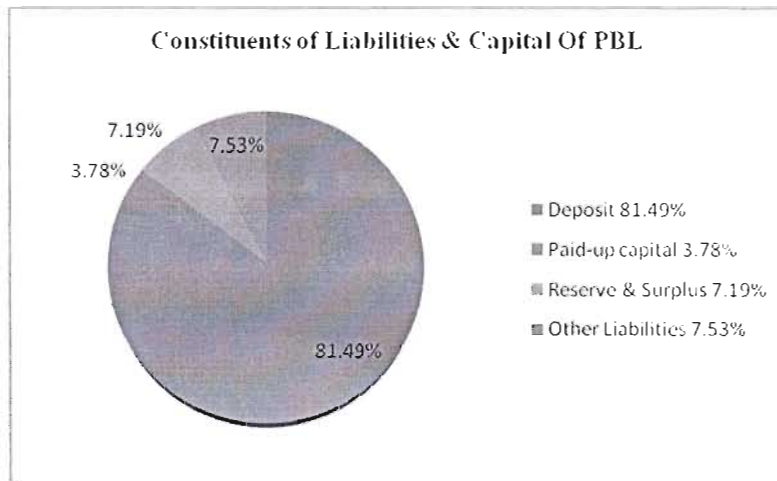


Table – 6: Constituents of Liabilities & Capital of PBL

Liabilities & Capital	STR
Deposit	81.49%
Paid-up- capital	3.78%
Reserve & Sueplus	7.19%
Other Liabilities	7.53%

Figure – 4: Liabilities & Capital



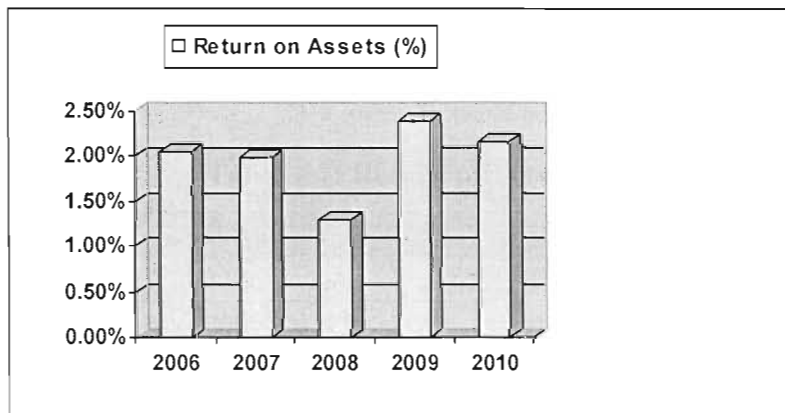
Return on Assets of PBL:

It is observed that during 2006 to 2010 every year return on assets of the Prime bank has increased from the previous year. The significant growth enabled the bank to expand its business, performing assets and also had an impact on the profit position of the bank.

Table – 7: Return on Assets

Year	ROA
2006	0.50%
2007	1.00%
2008	1.50%
2009	2.00%
2010	2.50%

Figure – 5: Return on Assets



Chapter Three- *An Overview of General Banking of PBL*



2.9.4 Foreign Remittance:

Prime Bank Ltd has set highest priority to mobilize inward foreign remittance of Non-Resident Bangladeshi (NRB). During 2010 the bank handled total Inward Foreign Remittance of TK. 22669 million compared to TK. 15905 million in 2009 signifying a growth of 43%. Meanwhile, Bank has established remittance arrangement with 29 (twenty nine) leading exchange companies including the global money transfer giant Western Union, as a principal agent. With the inclusion of Western Union in 2007, the Bank has covered all the Global locations of homebound remittance. Banks existing network of 70 branches at different important locations of the country allows the beneficiaries to receive remittance from all those locations, while the bank is continuously striving to maintain service delivery standard and speed of delivery. The ever-growing branch network, introduction of ATM as the alternate delivery channel, increase in the number of remittance arrangements with leading overseas exchange companies. During 2010, PBL has also established a special arrangement with Bangladesh Post Office to take advantage of their wide network spread across the country for distribution of foreign remittance.

3.1 General banking:

At the very beginning “account opening” comes to the picture in general banking sector. Customers are being deposited by A/C opening. General banking contains different sort of product. I’m going to highlight all the terms sequentially.

- ☐ Saving Account
- ☐ Current Account
- ☐ Short term deposit Account

There are several deposits having under the scheme those are following:

- ☐ Monthly benefit deposit scheme
- ☐ Double benefit deposit scheme
- ☐ Contributory savings scheme
- ☐ Prime millionaire scheme
- ☐ Lakhopoti deposit scheme
- ☐ House building deposit scheme
- ☐ Education saving scheme

The second part of General Banking is clearing. After receiving the all instruments from customers these have to be approved by the Bangladesh bank, which is known as clearing.

Local Bill Collection (LBC)

Through LBC the particular branch of Prime Bank suppose to receive the instruments from any other branches of Prime Bank in Dhaka city

Outward Bill Collection (OBC)

OBC used to receive all the instruments of customer form Prime Bank or any other bank those are situated out of Dhaka city.

Inter Branch Credit Advice

In order to receive the LBC or OBC from any other branches of Prime Bank use to payment through IBCA

Inter Branch Debit Advice

In order to make debit any others branch, particular branch adopts IBDA

Endorsement

Endorsement is very substantial part in terms of instrument. There are three types of endorsements are being used to collecting cash in instrument.

- ✓ In order to pass the instrument, payees A/C credited endorsement is being used.
- ✓ Collecting the cash through LBC and OBC, payee's A/C will be credited on realization endorsement is applied.
- ✓ In the case of paying to bank "Received payment endorsement suppose to be used.

Crossing

Crossing real is paid into every aspect of endorsement. Be side of this, General banking sector provides following services:

- ✓ Payment order
- ✓ Pay slip
- ✓ Telephone Transfer
- ✓ Demand Draft

Chapter Four-
An Overview of Foreign Exchange of PBL



4.1 Introduction:

“Foreign Exchange” is defined as the means and methods by which rights to wealth expressed in terms of the currency of one country are converted into rights to wealth in terms of the currency of another country.

Foreign Exchange Department is international department of the bank. It deals with globally and facilitates international trade through its various modes of services. It

bridges between importers and exporters. Bangladesh Bank issues license to scheduled banks to deal with foreign exchange. These banks are known as Authorized Dealers. If the branch is authorized dealer in foreign exchange market, it can remit foreign exchange from local country to foreign country. This department mainly deals with foreign currency. Some national and international laws regulate functions of this department. Among these, Foreign Exchange Act, 1947 is for dealing in foreign exchange business, and Import and Export Control Act, 1950 is for Documentary Credits. Governments’ Import & Export policy is another important factor for import and export operation of banks.

4.2 Foreign Exchange Accounts:

Nostro Account

Nostro account means “our account with you”. A Nostro account is a foreign currency account of a bank maintained its foreign correspondents abroad. For example, US Dollar Account of Prime Bank Limited maintained with Citibank, New York, USA is a Nostro account of Prime Bank Limited.

Vostro Account

Vostro account means “your account with us”. The account maintained with foreign correspondent in a bank of a particular country is known as Vostro account. What is the nostro account for a bank in a particular country is a vostro account for the bank abroad maintaining the account thus the account of Prime bank Limited with Citibank N.A New York is regarded as its nostro account held with Citibank, while Citibank N.A. New York regards it as a vostro account held for Prime Bank Limited.

Loro Account

Loro account means “their account with you”. Account maintained by third party is known as loro account. Suppose Prime Bank Limited is maintaining an account with Citibank N.A New York and at the same time Janata Bank is also maintaining a nostro account with City Bank N.A New York. From the point of view of Prime Bank Limited, Janata Bank’s account maintained with Citibank N.A New York is the loro account.

4.3 Letter Of Credit:

Letter of credit (L/C) can be defined as a “Credit Contract” whereby the buyer’s bank is committed (on behalf of the buyer) to place an agreed amount of money at the seller’s disposal under some agreed conditions. Since the agreed conditions include, amongst other things, the presentation of some specified documents, the letter of credit is called Documentary Letter of Credit. The Uniform Customs & Practices for Documentary Credit (UCPDDC) published by international Chamber of Commerce (1993) Revision,, Publication No. 5000 defines Documentary Credit:

Any arrangement however named or described whereby a bank (the “issuing bank”) acting at the request and on the instructions of a customer (the “Applicant”) or on it’s own behalf,

1. Is to make a payment to or to the order of a third party (the beneficiary) or is to accept and pay bills of exchange (Drafts) drawn by the beneficiary,
2. Authorizes another bank to effect such payment or to accept and pay such bills off exchange (Drafts).
3. Authorizes another bank to negotiate against stipulated documents provide that terms and conditions are complied with.



4.4 Significance of L/C in foreign trade:

International trade demands a flow of goods from seller to buyer and of payment from buyer to seller. And this flow of goods and payment are done through Letter Of Credit. Foreign Trade plays an important role in the economic advancement of a nation. So the government of almost all developing countries concentrates very much on the import and exports relations of foreign countries. In our country the foreign trade is controlled by Bangladesh Bank under the Import and Export Control Act, 1950. Here any importer and exporter who is not registered with CCI & E is not allowed to import the goods in the country or export goods to their countries. While the foreign Exchange Business was becoming more complex and bounded by more rules and regulations, the L/C is one type of undertaking that could reduce the risk and legalize the contract between buyer and seller. And through the L/C, the contract between the importer and exporter is given a legal shape by the Authorized Dealer-the bank. As the banks are included in the process, the contract becomes more reliable for both the importer and exporter. While through the L/C a reputed bank guarantees the payments for imported goods on the behalf of the importer, the exporter gets the security for payment. Therefore the Letter of Credit constitutes one of the most important methods of foreign trade. All documentary credit covering imports into Bangladesh is subjected to the provisions of UCPDC500 (Uniform Customs and practices for documentary-credit 1993 revision ICC Publication 500).

4.5 Parties of a letter of Credit:

The parties are:

- The Beneficiary.
- The Applicant
- The Negotiating Bank
- The Issuing Bank

Other parties that facilitate the Documentary Credit are:

- The Advising Bank,
- The Confirming Bank, if any,
- The Remitting Bank
- The Advise Through Bank

4.6 Types of Letter of Credit:

On the basis of flexibility available to the buyer's issuing bank Letter of Credits may be either:

- (i) **Revocable.**
- (ii) **Irrevocable.**

4.6.1 Revocable Letter of Credit:

A revocable credit may be amended or cancelled by the issuing bank at any moment and without prior notice to the beneficiary. This type of letter of credit can be revoked or cancelled at any time without consent of, or notice to the beneficiary. In the modern banking the use of revocable credit is not widespread.

4.6.2 Irrevocable Letter of Credit:

An irrevocable credit is a documentary credit, which cannot be revoked, varied or changed/amended or cancelled without the consent of all parties- buyer (Applicant), seller (Beneficiary), Issuing Bank, and Confirming Bank (in case of confirmed Letter of Credit). Irrevocable Credit gives the seller greater assurance of payments, but he/she remains dependent on an undertaking of a foreign bank. In the issuance of Irrevocable Letter of Credit both the Issuing and Conforming Bank have some liability, mentioned bellow, as per UCPDC -600:

4.6.3 Other types:

1. Sight Letter of Credit: The beneficiary receives the proceeds of the credit upon presentation of the documents in accordance with L/C terms. The negotiating bank is given a reasonable time, not exceeding seven banking days following the day off receipt of the documents to examine the documents.

2. Stand- by -Letter of Credit: A stand -by - Letter of Credit authorizes the beneficiary to draw on a bank in the event of the non -performance of another part or on the non payments of the funds that were expected to be received from another source or under other arrangement. It has the characteristics of a bank guarantee.

3. Acceptance Letter of Credit: Under an acceptance credit, the exporter draws a time draft either on the issuing or confirming bank or on another bank, depending on the credit terms.

4. Deferred Payment Credit: Payment under deferred L/C is made after certain days of presentation of the export bill.

5. Negotiation Credit: A credit available by negotiation is either payable at sight or at an issuance, usually at the counters of the issuing bank.

6. Credit with Advanced Payment: It authorizes the nominated bank to advance a part of the credit amount to the seller for procurement of the merchandise.

7. Revolving L/ C: The revolving credit is one, which provides for restoring the credit to the original amount after it has been utilized. In Bangladesh there is no practice of Revolving Credit.

8. Transferable Credit: Under a transferable L /C, the beneficiary is permitted to transfer his rights in part or in full to one or more parties.

9. Back-to-Back L/C: The back-to-back credit is a new credit opened on the basis of an original credit in favor of another beneficiary. Under the back to back concept, the seller as the beneficiary of the first credit offers it as "security" to the advising bank for the issuance of the second credit. The beneficiary of the back-to-back credit may be located inside or outside the original beneficiary's country.

10. Documentary L/C: Documentary L/C calls for presentation of certain shipping documents evidencing shipment of goods with the Bill of Exchange (generally called draft) while claiming for payment for the shipment under the L/C. This enables the opening banker to have recourse to the imported goods in the event of default by the importer to retire the documents.

4.7 Instructions Issued by Bangladesh Bank for Opening and Operation of L/C for Import of Goods:

- ❏ All Letter of Credits and similar undertakings covering imports into Bangladesh must be documentary Letter of Credits and should provide for payment to be made against full sets of onboard (shipped) transport documents (BL, AIB, TR etc.) showing dispatch of goods covered by Credit to a destination in Bangladesh;

- ⌘ They must ensure that they deal only with known customers having a place of business in Bangladesh and can be traced easily if any occasion arise for this purpose;
- ⌘ They should establish Letter of Credit against specific authorization on behalf of their own customers who maintain accounts with them with and know to be participated in the trade;
- ⌘ It is not permissible to open to clean or revolving credits;
- ⌘ They are allowed to open divisible, transferable Letter of Credits for import into Bangladesh under cash LCAF (Letter of Authorization Form);
- ⌘ It is not permissible to open Letter of Credits in favor of beneficiaries in countries from which import into are banned by the component authority;
- ⌘ Letter of Credits to be opened only against firm contract between the Applicant and beneficiary. Bankers should see documentary evidence, before opening Letter of Credit, that a firm order for the goods to be imported has been placed and accepted;
- ⌘ The full description of goods to be imported along with unit price and quantity to be given in the Letter of Credit;
- ⌘ Confidential report of the exporter to be obtained by the bank, where the amount of Letter of Credit exceeds TK. 2,00,000 in case of import against proforma invoices issued direct by foreign supplier and TK. 5,00,000 against indent issued by local agents of the suppliers;
- ⌘ Payments against discrepant documents may be made after the goods have been cleared from the customs on the basis of the locative LCAF.

4.8 Operations of Documentary Letter of Credit:

The following five major steps are involved in the operation of a documentary Letter of Credit:

1. Issuing.
2. Advising.
3. Amendment (If necessary).
4. Presentation.
5. Settlement.

1. Issuing Letter of Credit: Application for issuing a credit should be made by the buyer (importer) in the issuing bank's standard form. The credit application, which contains the full details of the proposed credit, also serves as an agreement between the bank and the buyer. The issuing bank then issues the L/C.

2. Advising a Letter of Credit: Advising through a bank is a proof of apparent authenticity of the credit to the seller. The process of advising a credit consists of forwarding the original credit to the beneficiary to whom it is addressed.

3. Amendment of Credit: Parties involved in a L/C particularly the seller and the buyer, cannot always satisfy the terms and conditions in full as expected due to some obvious and genuine reasons. In such a situation, the credit should be amended.

4. Presentation of Documents: After receiving all the documents, the negotiating bank then checks the documents against the credit. If the documents are found in order, the bank will pay, accept or negotiate to the issuing bank.

5. Settlement: Settlement means fulfilling the commitment of issuing bank in regard to effecting payment subject to satisfying the credit terms fully. This settlement may be done under three separate arrangements as stipulated in the credit.

- a) Settlement by Payment
- b) Settlement by Acceptance
- c) Settlement by Negotiation

Chapter Five-
An Overview of Credit Division of PBL



5.1 GENERAL CREDIT:

5.1.1 Product and services

The Bank sells suitable credit products and services in the market. For this purpose, Bank designs new product from time to time, reengineer the existing ones to keep the same competitive in the market. While designing new products and reengineering the existing ones Bank always emphasize on customers demand. And product innovation and reengineering is continuous process.

5.1.2 Credit Quality

Credit facilities are allowed in a manner so that credit expansion goes on ensuring optimum asset quality i.e. Bank's standard of excellence shall not be compromised. Credit facilities will be extended to customers who will compliment such standards.

5.1.3 Lending Sector

Loan and advances have primarily been divided into two major groups:

a) Fixed term loan:

These are the loans made by the Bank with fixed repayment schedules. Fixed term loans are categorized into three based upon its tenure which is defined as follows:

- Short term : Upto 12 months
- Medium term : More than 12 and upto 36 months
- Long term : More than 36 months

b) Continuing Loans:

These are the loans having no fixed repayment schedule, but have an expiry date at which it is renewable on satisfactory performance of the customer.

5.1.4 Types of Credit facilities

Depending on the various nature of financing, all the credit facilities have been brought under two major groups:(a) Funded credit and (b) Non-funded credit. Under non-funded credit, there are basically two major products namely Letter of Credit and Letter of Guarantee. Under funded credit, there are the following products in SBC Tower of Prime Bank

1. Continuous Loan:

Continuous loan has different types of products.

- i. Cash Credit (Hypo)
- ii. Cash Credit (Pledge)
- iii. SOD (General)

2. Demand Loan:

Demand loan has different types of products:

- i. LTR
- ii. LIM
- iii. PAD
- iv. SOD (Work Order)

3. Term Loan:

Term loan has different types of products:

- i. Loan (General)
- ii. Hire Purchase
- iii. Lease Financing
- iv. House Building Loan (staff)
- v. Consumer Credit Scheme

5.1.5 Security

Bank tries to have as much security coverage as possible against each and every credit sanctioned to the customer. Security requirement is determined on case-to-case basis based on customer's business strength, level of risk bank is undertaking.

5.1.6 Basis of Pricing

Price of all credit facilities is fixed based on the level of risk and type of security offered. Rate of interest is the reflection of risk inherent in a particular transaction i.e. the higher the risk, the higher the rate of interest. Therefore, loan pricing is directly correlated with the risk grade of the customer.

Table – 8: Credit Risk Grading

CRITERIA	WEIGHT
Financial Risk	50
Business/Industry/Risk	18
Management risk	12
Security Risk	10
Relationship Risk	10
Total	100

5.1.7 Repayment Source

Repayment source of the borrower is to be validated in the Credit Assessment from by cash flow and other financial analyses. For such analyses, at least three years financials are to be reviewed. Loan amount and tenor must be commensurate with the repayment capacity of the borrower.

5.1.8 Reporting approval

The Head of Branches submits a monthly statement summarizing all credit limits sanctioned under his / her authority to the Credit Division, Head Office irrespective of whether the same are still outstanding or not on the reference date of statement as per existing format. However, Executives working as Head of Branches having credit approval authority submits a copy of sanction letter along with relevant papers to Credit Risk Management Unit, Head Office immediately after sanction of any loan.

Table – 9: Outstanding of total Credit Date: 30/12/2010

PRODUCT	AMOUNT
Loan (General)	988,552,355.01
LTR	555,799,059.62
House Building Loan	31,612,466.12
Lease Finance	151,459,808.52
Hire Purchase	18,713,428.27
Cash Credit (Hypo)	66,881,587.08
Consumer Credit Scheme	41,894,808.52
Payments against documents (PAD)	45,889,776.36
Over Drafts	404,278,082.66
Total	2,305,074,813.59

5.1.9 Emphasis on SME & Personal Loan

SME & Personal loan are the most potential sectors for expansion of loan. There is ample scope to enhance credit in this sector. So far this sectors were almost unattended by Bank's since they generally cannot provide collaterals for the Credit facilities. So access to Bank's credit is important for them. Bank has some advantages of extending credit facilities in this sector.

- Rate of return is generally higher than Corporate/ Large loans. Their bargaining power for pricing is low.
- The loan amount is small. So the Bank's worry for default is low compared to large loans.
- The portfolio is diversified.
- If monitoring & supervision can be ensured, the recovery can be maintained at satisfactory level.

Their growth rate is comparatively much higher than the corporate market. Moreover, higher margin lower bargaining power of customer, low risk has made this sector more advantageous over corporate lending.

5.2 RETAIL CREDIT:

5.2.1 Pioneer of Retail Credit

Prime Bank is the pioneer of retail credit and introduced first ever in Bangladesh in the year 1995. It has gain popularity within every short span of time due to its smaller amount of loan than general credit. This is why even the limited income people have huge access in this loan. It has already proved itself as one of the most profitable credit sector in Prime Bank and following the step of Prime Bank others Bank are also launching Retail product.

5.2.2 Retail Credit in SBC Tower

From the very beginning it become very popular and profitability. One thing I want to mention that I have worked under Retail credit in this branch three months. I got something auspicious from this branch those made pleased especially their service is in very satisfactory level. More over the employees of this branch are very sincere and helpful. They helped me a lot regarding my internee.

Definition:

One of the credit, which is extended to people having fixed but regular income for acquiring consumer durables and other purpose for satisfying personal needs

Possibility:

Retail lending is one of the core businesses for Prime Bank Limited and has been targeted for significant further growth. This reflects potential of retail lending to produce high levels of economic profit and perceived demographic trends toward an expended middle class and higher income levels.

Mission:

Prime Bank is a conservative lender in retail credit as part of its corporate philosophy. However, conservatism does not mean simply minimizing bad debts, but incorporates the concept of lending against acceptable risk. The Bank's overriding goal is not only to increase total shareholder return but also to contribute to the socio economy by improving the life style of the limited income segment of the country.

Vision:

The goal of retail credit can be best achieved optimizing profits, rather than just minimizing losses. Profit optimization will follow from:

- Good planning and control of approval process
- Well designed products with appropriately focused marketing
- The use of statistical techniques and decision support systems that permit risks to be managed predictably
- Gathering high quality management information, which is then read and used.

Factors:

Asset quality is generally expected to be higher in personal lending than corporate lending due to variety of factors including:

- Diversification of risk
- Security
- Cultural values
- The increasing need for individuals to have access to bank credit for the conduct of normal daily activities.

Fundamental of policies:

Fundamentally, credit policies and procedures can never sufficiently capture all the complexities of the product. Therefore, the following credit principals are the ultimate reference points for all concerned executives & staff-marking consumer financing decisions.

- ❖ The customer's character for integrity and willingness to repay are assessed.
- ❖ Only lend when the customer has capacity and ability to repay are examined thoroughly.
- ❖ Bank only extends credit if it can sufficiently understand and manage the risk.
- ❖ Should use common sense and past experience in conjunction with thorough evaluation and credit analysis are used.
- ❖ Bank never base decisions solely on customer's reputation, accepted practice, other lender's risk assessment or the recommendations of other officers.
- ❖ Being proactive in identifying, managing and communicating credit risk is essential.
- ❖ Be diligent in ensuring that credit exposures and activities comply with the requirement set out in Product Program Guidelines.

Objective:

- To improve living standard of limited income segment by providing collateral free easy credit
- To take part in the Socio-economic development of the country
- To ensure access to credit by mass people
- To diversify loan portfolio to minimize risk
- To maximize bank profit as well as to minimize pressure on liquidity through quicker recycling but higher yielding loan operation

5.2.3 Target marketing of retail banking

- ❑ Confirmed officers of Government. Non- Government organization / institute, semi-Government, Autonomous bodies & Corporation.
- ❑ Professional, Business Executive and self employed persons who have regular monthly income with repayment capacity.
- ❑ Any other individual where the monthly installment size shall not exceed one third of their take home income.

5.2.4 Types of Loan Product

Eleven types of products are in Prime Bank SBC Tower under Retail Credit.

1. Car Loan
2. Household Durable Loans
3. Any Purpose Loan
4. Doctors' Loan
5. Marriage Loan
6. Education Loan
7. Advance Against Salary
8. Travel Loan
9. Hospitalization Loan
10. CNG Conversion Loan
11. Swapna Neer



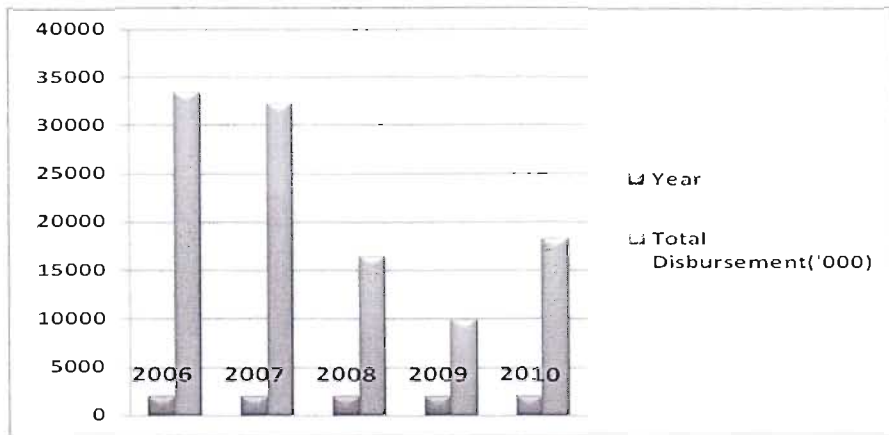
5.2.5 Product Wise Disbursement:

Disbursement: Here the health condition of total Disbursement of Prime Bank from 2006 to 2010. It is observed that during 2006 to 2009 every year disbursement of the Prime Bank decreased from the previous year and in 2010 it is increased from the previous year.

Table – 10: Total Disbursement

Year	Total Disbursement('000)
2006	33370
2007	32200
2008	16428
2009	9876
2010	18240

Figure – 6: Total Disbursement

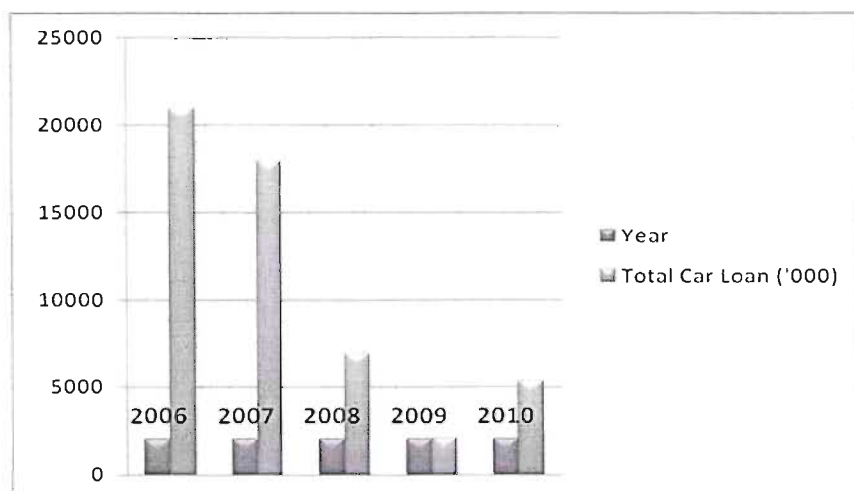


Car Loan: Here the health condition of total Car Loan of Prime Bank from 2006 to 2010. It is observed that during 2006 to 2009 every year disbursement of the Prime Bank decreased from the previous year and in 2010 it is increased from the previous year.

Table – 11: Total Car Loan

Year	Total Car Loan ('000)
2006	20938
2007	17950
2008	6900
2009	2100
2010	5300

Figure – 7: Total Car Loan

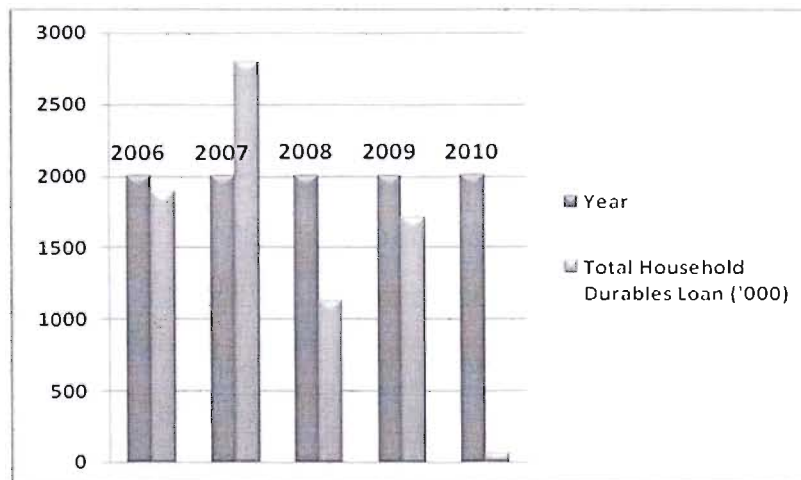


Household Durables Loan: Here the health condition of total HHD Loan of Prime Bank from 2006 to 2010. It is observed that during 2007 the HHD Loan of the Prime Bank increased highest from the other years.

Table – 12: Total HHD Loan

Year	Total Household Durables Loan ('000)
2006	1889
2007	2798
2008	1128
2009	1716
2010	60

Figure – 8: Total HHD Loan

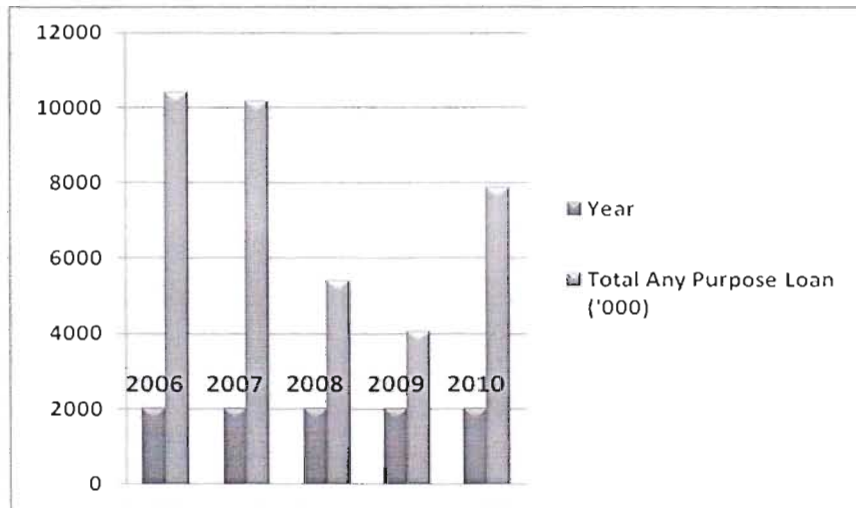


Any Purpose Loan: Here the health condition of total APL Loan of Prime Bank from 2006 to 2010. It is observed that during 2006 and 2007 the APL Loan of the Prime Bank increased highest from the other years.

Table – 13: Total APL Loan

Year	Total Any Purpose Loan ('000)
2006	10413
2007	10150
2008	5400
2009	4060
2010	7880

Figure – 9: Total APL Loan

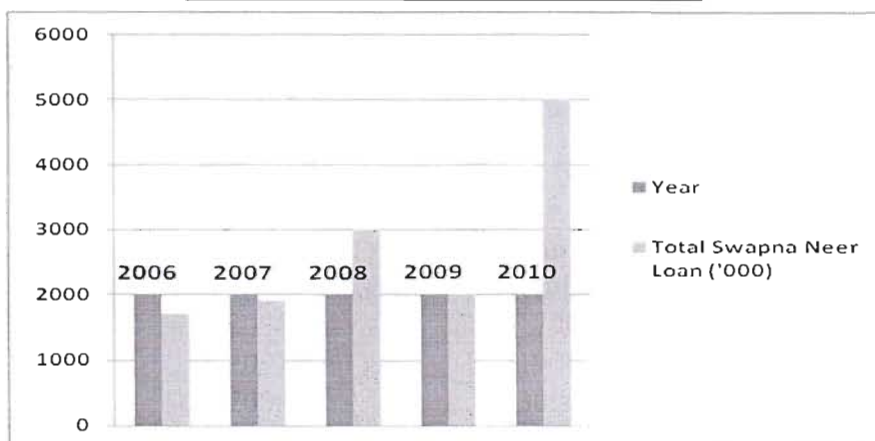


Swapna Neer Loan: Here the health condition of total Swapna Neer Loan of Prime Bank from 2006 to 2010. It is observed that during 2010 the Swapna Neer Loan of the Prime Bank increased highest from the other years.

Table – 14: Total Swapna Neer Loan

Year	Total Swapna Neer Loan ('000)
2006	1700
2007	1900
2008	3000
2009	2000
2010	5000

Figure – 10: Total Swapna Neer Loan



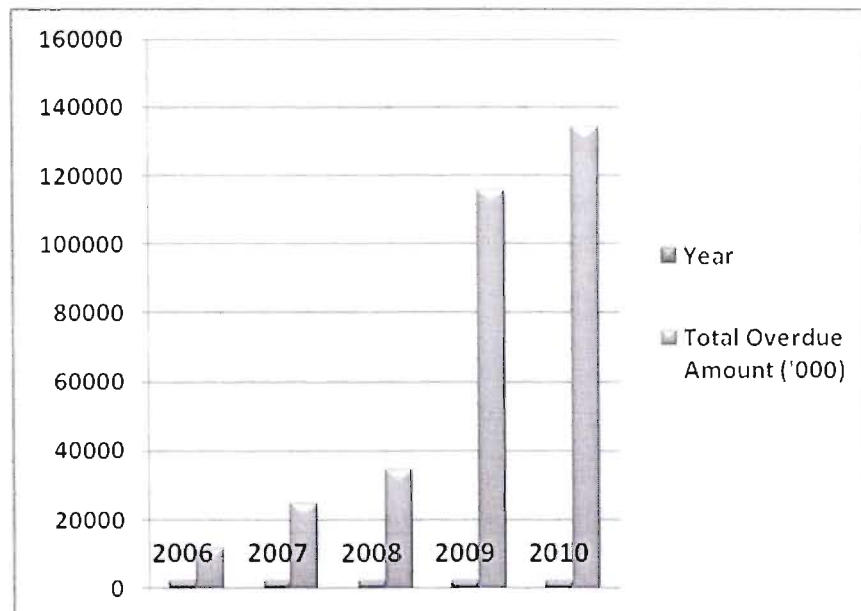
5.2.6 Product Wise Overdue Payment/Recovery:

Overdue Payment: Here the health condition of total Overdue Payment of Prime Bank from 2006 to 2010. It is observed that during 2006 to 2010 every year the overdue amount as well as the loan amount has increased.

Table – 15: Total Overdue Payment

Year	Total Overdue Amount ('000)
2006	11485
2007	24684
2008	34486
2009	115673
2010	133963

Figure – 11: Total Overdue Payment



Recovery Amount: Here the health condition of total Recovery Amount from the loan amount of Prime Bank from 2006 to 2010. It is observed that during 2006 to 2010 every year the recovery amount has increased.

Table – 16: Total Recovery Amount

Year	Total Recovery Amount ('000)
2006	14576
2007	24684
2008	34486
2009	34454
2010	68362

Figure – 12: Total Recovery Amount

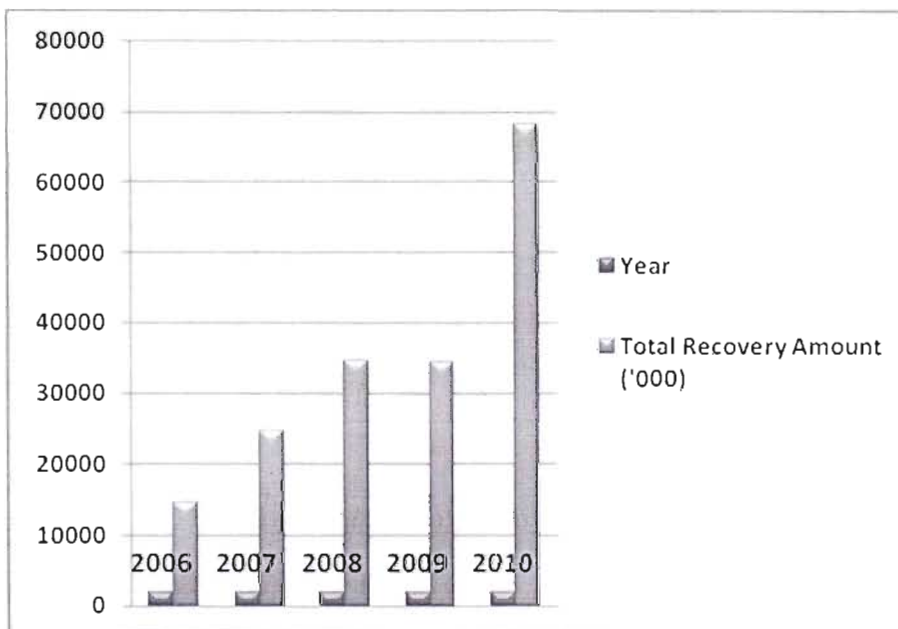


Table – 17: Total Invest of Consumer Credit Scheme in Prime Bank Limited SBC Tower

Branch

Date: 1/08/2009 to 28/02/2010

PRODUCT	AMOUNT	NUMBER OF A /C
Car Loan	2,13,10,000.00	28
Household Durable Loans	37,10,000.00	18
Any Purpose Loan	82,50,000.00	94
Doctors Loan	NIL	NIL
Marriage Loan	NIL	NIL
Education Loan	NIL	NIL
Advance Against Salary	NIL	NIL
Travel Loan	NIL	NIL
Hospitalization Loan	NIL	NIL
CNG Conversion Loan	NIL	NIL
Swapna Neer	82,00,000.00	5
TOTAL	41,470,000.00	145

5.2.7 Retail banking operation

- Good planning and control of approval process.
- Well designed products with appropriately focused marketing .
- The use statistical techniques and decision support systems that permit risk to be managed predictable.
- Gathering high quality management information, which is then read and used.

5.2.8 Risk management cycle

Risk management cycle consists of six steps-

- Planning products and risk management controls
- Acquiring accounts
- Maintaining account and managing credit quality
- Collecting delinquencies
- Writing off bad debts
- Evaluating performance and refining plans control

5.2.9 Borrower selection

Selecting borrower is a very crucial fact as there are subject of moral hazard and adverse selection problem. Therefore banker has to be very careful regarding lending money. In order to overcome these problems the following points should be used as:

- ✿ Assess the customer's character for integrating and willingness to repay
- ✿ Only lend when customer has capacity and ability to repay
- ✿ Only extend credit if bank can sufficiently understand and manage the risk
- ✿ Use common sense and past experience in conjunction with through
- ✿ Do not base decision solely on customer's reputation, accepted practice, other lender's risk assessment or the recommendations of other officers
- ✿ Be proactive in identifying, managing and communicating credit risk
- ✿ Be diligent in ensuring that credit exposures and actives comply with the requirement set out in product program guideline

5.2.10 Credit Assessment and approval

Regarding lending it should be gathered all necessary information of borrowers so that loan can't be default. In order to solve this problem following rules should be applied. Each credit assessment must be based on the sound ethical practices, which are consistent with all banking rules and legislation.

Application:

- ✦ Telephone and address contact details
- ✦ Employment/ business details
- ✦ Income details
- ✦ Income and expenditure statement
- ✦ Personal net worth statement
- ✦ Residence details
- ✦ Credit reference and guarantors details



Assessment Methods:

- Credit scoring matrix
- Judgmental decision

Credit scoring:

Credit scoring is a method used for predicting creditworthiness of applications. This scoring is based on the concept that applicants will perform in similar way to existing customers with a similar demographic profile. Here a typical customer's credit score is shown:

MATRIX FOR ASSESSING CREDIT SCORE

Name of Customer: <Abu Sufian>				
Sl. No.	Items		Point Assigned	Point Scored
1	Profession:	Points allotted	5	3
	Fixed salaried person (of Govt./reputed organization)	5		
	Professionals	3		
2	Monthly Net Cash Flow:	Points allotted	60	53
	Tk. 5,000-Tk. 6,000	30		
	Tk. 6,001- Tk. 8,000	33		
	Tk. 8,001- Tk. 10,000	35		
	Tk. 10,001-Tk. 15,000	40		
	Tk. 15,001- Tk. 20,000	43		
	Tk. 20,001- Tk. 25,000	45		
	Tk. 25,001-Tk. 30,000	48		
	Tk. 30,001- Tk. 40,000	50		
	Tk. 40,001- Tk. 50,000	53		
	Tk. 50,001-Tk. 60,000	55		

	Tk. 60,001- Tk. 80,000	58		
	Tk. 80,000 and above	60		
3	Ownership of Car		3	0
4	Ownership of house in Municipal Area		3	3
5	Ownership of T & T Telephone at residence		2	2
6	Customer of our Bank having other well performed credit facility / considerable deposit/CCS loan availed earlier and repaid as per terms		3	0
7	Other mentionable regular Income/ Earning by Spouse	0-3	3	0
8	Guarantors status	0-2	2	2
9	Social Status/Reputation of the customer	0-3	3	3
10	Holding of Passport	1	1	1
11	Income tax Payer	0-2	2	2
12	First Class club Member	1	1	0
13	FDR/Sanchaya Patra in the form of Security	10	10	0
14	Reputation of Supplier	0-2	2	2
		Total Points	100	71
		Total Points Allocated	100	
		Total Points Obtained	71	
LIMIT FIXATION				
	SCORE	LIMIT		
	71	Tk. 500000 - Tk. 700000		

Judgmental decisions:

- Character an applicant's willingness to meet past obligations
- Capacity an applicant's capacity to meet and future obligation
- Collateral the value of the items being financed or collateral being offered

5.2.11 Credit risk:

Risk is inherent in all types of business. However, for banks and financial institutions credit risk is considered to be the toughest one. Though Banks and financial institutions have been facing difficulties over the years for a multitude of reasons, the major cause of serious banking problems continues to be directly related to lax credit standards for borrowers and counterparties, poor portfolio management or lack of attention to changes in economic or other circumstances that can lead to a deterioration in the credit standing of a bank's counterparty.

Credit risk is most simply defined as the potential that a borrower or counterparty will fail to meet its obligations in accordance with the agreed terms and conditions. In other words, it is the loss associated with degradation in the credit quality of the borrowers and counterparties. In a Bank's portfolio, losses stem from outright default due to the inability or unwillingness of the customer or counterparty to meet commitments in relation to lending, trading, settlement and other financial transactions. Alternatively, losses result from reduction in portfolio value arising from actual or perceived deterioration in credit quality. Credit risk emanates from a bank's on and off balance sheet dealings with an individual, corporate, bank, financial institution or a sovereign. Credit risk may take the following forms:

- In the case of direct lending: principal or interest may not be repaid;
- In the case of guarantees or letters of credit: funds may not be forthcoming from the constituents upon crystallization of the liability;
- In the case of treasury operations: the payment or series of payments due from the counterparties under the respective contracts may not be forthcoming and ceases;
- In the case of security trading business: funds/securities settlement may not be effected
- In the case of cross border exposure: the availability and free transfer of foreign currency funds may either cease or restrictions may be imposed by the sovereign.

5.2.12 Credit risk management

- ⊗ The credit risk is managed by the retail credit assessment unit which is completely segregated from sales
- ⊗ Loans will be given only after verification of customer's static data and repayment capacity
- ⊗ Every loan will be secured by hypothecation over the asset financed and customer's authority taken for re-possession of the asset in case of default situation.
- ⊗ The approval system is parameter driven which will substantially eliminate the subjective part of the assessment procedures
- ⊗ The credit and collection activities will be managed centrally and loan approval authorities will be controlled centrally where the branch managers of sales people will have no involvement

5.2.13 Operational risk

Credit administration unit will manage the following aspect of the product

- ✦ Input, approvals, customer file maintenance
- ✦ The operation jobs like disbursement in the system including raising debit standing orders and the lodgment and maintenance of securities.

5.2.14 Credit Committee of SBC Tower Branch

Credit Committee is consisting with six members:

1. Manager (Chairman)
2. Second man
3. Foreign exchange In charge
4. General Credit In charge
5. General Banking In charge
6. Retail Credit In charge (Member Secretary)

5.2.15 Procedure

- ✦ Application
- ✦ Information / Verification
- ✦ Assessment
- ✦ Pledge in the Committee Approval
- ✦ Sanction
- ✦ Disbursement

Chapter Six-
Credit Risk Management Policy of PBL



5.2.16 Charge Documents

Charge documents is an important part regarding lending

- ☐ Demand promissory note
- ☐ Letter of Authority
- ☐ Letter of Installment
- ☐ Letter of Guarantee
- ☐ Letter of Disbursement
- ☐ Letter of Hypothecation
- ☐ Letter of Revival
- ☐ Letter of Agreement
- ☐ Loan agreement under CCS



6.1 Introduction:

Credit risk management needs to be a robust process that enables a Bank to proactively manage its loan portfolio in order to minimize losses and earns an acceptable level of return for stakeholders. Given the first changing dynamic global economy and increasing pressure of globalization, liberalization, consolidation and disintermediation, it is essential that Prime Bank has a robust credit risk management policy and procedures that are sensitive and responsive to these changes.

To provide a board guideline for the Credit Operation towards efficient management of the Credit portfolio of the Bank, a clearly defined, well-planned, comprehensive and appropriate Credit Risk Management Policy is a pre-requisite.

In the above backdrop, this policy document has been prepared. And, it is hereby named as “**Credit Risk Management Policy**” instead of Credit Policy.

6.2 Purpose:

The main purpose of this policy document is to set out yardsticks for and spell out standard practices for management of credit risk in the Bank. As such, it's specifically addresses the following areas:

- Establishing an appropriate credit risk environment,
- Setting up a sound credit approval process,
- Maintaining an appropriate credit administration and monitoring process an
- Ensuring adequate controls over credit risk.

6.3 Scope:

This policy document will be applicable for issues related to credit risk with respect to both direct and indirect credit products of traditional and Islamic banking as well. This is also to be read in conjunction with the Guidelines for Consumer Finance with respect to retail banking products.

6.4 Superseding power:

This policy document will replace only the Credit Policy and Control Guidelines of the Bank which was approved by the Policy Committee of the Board of Directors in its 9th meeting held on 28.09.1997 and ratified by the Board of Directors in its 30th meeting held on 30.10.1997. However, if any provision of this policy document contradicts with the instructions contained in Credit Operational Manual or any existing circular, the former will supersede and be held.

6.5 Amendment of the Policy:

This Credit Risk Management Policy will be amended, revised, refined, and readjusted as and when warranted to accommodate the changes in the market condition, cyclic aspect of the economy, Government policy, industry demand, central bank regulation and experience of the Bank in managing credit risk. For this purpose, the Board of Directors of the Bank will review the Credit Risk Management Policy at least annually and make necessary amendment.

6.6 Access to the Policy:

This policy document is categorized as a confidential one and will be officially distributed to all executives of the Bank and all officers working in the Corporate Banking and Credit Division (comprising of Credit Risk Management Unit, Credit Administration Unit and Recovery Unit), Retail Credit Division of both Branch and Head Office, Foreign Exchange Department of Branches and International Division of Head Office. Anybody other than the above will have to apply to collect this document to Credit Risk Management Unit of Credit Division, Head Office through proper channel.

6.7 Types of Credit Facilities:

Depending on the various nature of financing, all the credit facilities have been brought under two major groups: (a) Funded Credit and (b) Non-funded Credit. Under non-funded credit, there are basically two major products namely Letter of Credit and Letter of Guarantee. Under Funded Credit, there are the following products:

Loan (General):

Short, Medium & Long term loans allowed to individual/firm/industries for a specific purpose but for a definite period and generally repayable by installments fall under this type. These are mainly allowed to accommodate financing under the categories (I) Large & Medium Scale Industry and (ii) Small & Cottage Industry,, Very often term loans for (I) Agriculture & (ii) Others are also included here.

Housing Loan (Commercial):

Loans allowed to individual/enterprises for construction of house for commercial purpose only fall under this type. The amount is repayable by monthly/quarterly installments within a specified period.

Home Loan:

Loans allowed to individuals for purchase of apartment or construction of house for residential purpose fall under this type. The amount is repayable by monthly installments within a specified period.

House Building Loan (Staff):

Loans allowed to our Bank employees for purchase of apartment/construction of house shall be known as House Building Loan (Staff) or HBL (Staff).

Other Loans to Staff:

Loans allowed to employees other than House Building Loan are grouped under - Staff Loan (Gen).

Cash Credit (Hypo):

Advances allowed to individual/firm for trading as well as wholesale purpose or to industries to meet up the working capital requirements against hypothecation of goods as primary security fall under this type of lending. It is a continuous credit. It is allowed under the categories (I) "Commercial Lending" when the customer is other than an industry and (ii) "Working Capital" when the customer is an industry.

Cash Credit (Pledge):

Financial accommodations to individual/firms for trading as well as for whole-sale or to industries as working capital against pledge of-goods as primary security fall under this type of advance. It is a continuous credit and like Cash Credit (Hypo) allowed under the categories (i) "Commercial Lending" and (ii) Working Capital".

Hire Purchase:

Hire Purchase is a type of installment credit under which the customer agrees to take the goods on hire at a stated rental, which is inclusive of the repayment of Principal as well as interest for adjustment of the loan within a specified period.

Lease Financing:

Lease Financing is one of the most convenient sources of acquiring capital machinery and equipment whereby a customer is given the opportunity to have an exclusive right to use an asset usually for an agreed period of time against payment of rental. It is a term financing repayable by lease rental.

Consumer Credit Scheme (CCS):

It is a special credit scheme of the Bank to finance purchase of consumer durable by the fixed income group to raise their standard of living. The loans are allowed on soft terms against personal guarantee and deposit of specified percentage of equity by the customers. The loan is repayable by monthly installments within a fixed period.

SOD (Financial Obligation):

SOD (Financial Obligation) is allowed to individuals/firms against financial obligations (FDR, MBDR, Scheme Deposits of our Bank or similar products of other banks). This is a continuous loan having usual maturity period of 1 (one) year and renewable for further periods at maturity.

SOD (General):

SOD (General) is allowed to individuals/firms for miscellaneous purpose. This is a continuous loan having usual maturity period of 1 (one) year and renewable for further periods at maturity.

SOD (Work Order):

Advances allowed against assignment of work order for execution of contractual works falls under this type. This advance is generally allowed for a definite period and specific purpose. It falls under the category "Others".

SOD (Export):

Advance allowed for purchasing foreign currency for payment of Back to Back L/C liability where the exports do not materialize before due the date of import payment. This is 'an advance for temporary period and categorized "Export Finance".

PAD:

Payment made by the Bank against lodgment of shipping documents of goods imported through L/C falls under this type. It is an interim advance connected with import and is generally liquidated against payments usually made by the customer for retirement of the documents towards release of imported consignment from the customs authority. It may fall under anyone of the category "Agriculture/Export Finance/Commercial Lending/Others".

LIM:

This is funded credit facility allowed for retirement of shipping documents and release of goods imported through L/C taking effective control over the goods by pledge in godowns under Bank's lock & key. This is a temporary advance connected with import ,which is known as post-import finance and falls under the category "Commercial Lending'.

LTR:

Advance allowed for retirement of shipping documents and release of goods imported through LC falls under this type. The goods are handed over to the importer on trust with the arrangement that sale proceeds will be deposited to liquidate the loan account within the stipulated time. This is a temporary advance connected with import and known as post-import finance and falls under the category "Commercial Lending".

IBP:

Payment made through purchase of inland bills/cheques denominated in local currency to meet urgent requirement of the customer of other than Export Sector falls under this type. This temporary advance is adjustable from the proceeds of bills/cheques purchased and sent for collection. It may fall under any of the categories.

Export Cash Credit (ECC):

Funded credit facility allowed to a customer for export of goods falls under this type and is categorized as "Export Cash Credit". The advances must be liquidated out of export proceeds within 180 days.

Packing Credit (P.C.):

Advance allowed to a customer against bills under BTB L/C and/or firm contract for processing/packing of goods to be exported falls under this type and is categorized as "Packing Credit". Packing Credit must be adjusted from proceeds of the relevant exports within 180 days. It falls under the category "Export Credit".

F D B P:

Payment made to a customer through purchase/negotiation of a Foreign Documentary bill falls under this type. This temporary advance is adjusted from the proceeds of the shipping/export documents. It falls under the category "Export Credit".

IDBP:

Payment made against documents representing sell of goods to Local export oriented industries which are deemed as exports and denominated in Foreign Currency falls under this type. This temporary liability is adjustable from proceeds of the Bill.

F B P:

Payment made to a customer through Purchase or Foreign Currency Cheques/Drafts falls under this type. This temporary advance is adjustable from the proceeds of the cheque/draft.

6.8 Product Parameter:

Maximum Size:

Maximum size of any funded credit facility to a single customer shall at best be 15% of the total capital of the Bank provided that Single Customer Exposure Limit and other relevant rules as set in different chapters of this policy are complied with. And maximum size of any non-funded credit facility shall at best be 35% of total capital and 50% of the total capital of the Bank for the no export sector customers and export sector customers respectively provided that Single Customer Exposure Limit and other relevant rules as set in different chapters of this policy are complied with.

However, size of any credit limit in each case shall be fixed after proper assessment of genuine credit requirement of the customer within the maximum allowable limit.

Maximum Tenor:

Maximum tenor for any continuous loan is 1 (one) year which is renewable at maturity or within the validity period upon satisfactory performance of the customer. And period of any term loan is fixed on case to case basis considering repayment capacity, projected cash flow etc.

Security:

Bank tries to have as much security coverage as possible against each and every credit facility sanctioned to the customers. Security requirement will be~ determined on case to case basis based on customer's business strength, level of risk bank is undertaking. However, Bank always prefer to have security equivalent to 1.25 times of the total funded limit except for the following products: SOD (FO), SOD (WO), SOD (EM), SOD (EDF), SOD (CI), FDBP, IDBP, Bid Bond Security may be in the following forms

- i. Bank deposit
- ii. Gold / gold ornaments
- iii. Government Bond / Sanchayapatra
- iv. Guarantee given by Government or Bangladesh Bank
- v. Bank Guarantee
- vi. Pledgeable goods
- vii. Land and Building
- viii. Share
- ix. Stock
- x. Machinery and Equipment
- xi. Charge on the fixed and floating asset
- xii. Paripassu Charge on fixed and floating assets
- xiii. Corporate Guarantee of another company backed by Board Resolution.
- xiv. Personal Guarantee
- xv. Bill or Receivables
- xvi. Ownership of vehicles / assets
- xvii. Life Insurance Policy.
- xviii. Post Dated Cheque

- xix. Trust Receipt
- xx. Others as deemed acceptable by the approving authority

General Covenants:

While sanctioning credit facility Bank will set some covenants. Some of the covenants will be general and others will be specific to a particular credit facility and/or customer. General covenants may be as follows:

- i. Ownership structure of the borrower shall not be changed without prior approval of the Bank.
- ii. Current Ratio as mentioned in the credit application/sanction term shall be maintained.
- iii. The customer shall not borrow from any other source without prior approval of the Bank.
- iv. The customer shall not go for expansion without consent of the Bank.
- v. The customer shall not withdraw profit/declare dividend without consent of the Bank.
- vi. The customer shall submit financial statements within 30 days after year end.
- vii. Other covenants as set by the sanctioning authority.

6.9 Pricing Credit Facility:

Credit Pricing:

Credit facilities to the customer are the prime source of the Bank's income. More specifically, interest from loans accounts the lion share of the total revenue of the Bank. On the other hand, financial market of our country is apparently very competitive due to participation of 49 (forty nine) banks in our small financial market. As such, pricing is very crucial for business growth of the Bank. Prime Bank Limited has been fixing/refixing price of different credit facilities from time to time considering changes in the market condition.

Basis of Pricing:

Price of all credit facilities will be fixed based on the level of risk and type of security offered. Rate of interest will be the reflection of risk inherent in a particular transaction i.e. the higher the risk, the higher the rate of interest. Therefore, loan pricing is directly correlated with the risk grade of the customer VD.

Type of Rate:

Usually, Bank will charge fixed interest rate which will be subject to changes by the Management. In this respect, all loan contracts will contain a provision to the effect that rate of interest is subject to changes by the Management. And, interest rate will be revised as and when a significant fluctuation occurs in the cost of fund of the Bank due to volatility of interest rate in the market. The Bank will charge floating interest only in SOD (EDF). In all other cases, fixed interest rate will be applied.

For fixed interest rate, the Board of Directors will fix a Band for a particular Sector/Industry/Product. Customers will be allowed a fixed rate within that band. Any deviation from the approved interest rate band will be mentioned in the Credit Assessment Form with proper justification. The Managing Director may sanction a credit facility at a rate within the Band. However, other executives will exercise their delegated authority to sanction credit facility at the highest rate of the approved Band.

Revision of Rates:

The Management of the Bank will continuously monitor interest rate situation in the market and discuss the same in the Asset Liability Management Committee (ALCO) meeting at least once in a month. As per decision of the Asset Liability Management Committee (ALCO), the Management of the Bank may approach the Board of Directors to revise rate of interest, commission, charges etc.

Prevailing Interest Rate:

Since last revision of interest rate of our Bank, a lot of changes have taken place in the banking sector. Specially, the cost of deposit is increasing day by day due to volatile money market. To match the increased cost of fund with the yield on advances, the lending rates of the Bank was

lastly revised by the Executive Committee of the Board in its 359th" meeting held on 10.05.2005. The revised lending rates of our Bank are as follows:

SI. No.	Nature of Loan/Sector	Interest Rate Band (p.a)	Mid Rate	Remarks
1.	Agricultural Credit	12.00 to 13.00%	12.50%	-
2.	Term Loan/Project Loan	13.00 to 15.00%	14.00%	-
3.	Working Capital Loan	13.00 to 15.00%	14.00%	-
4.	Pre-shipment Export Credit	7.00%	-	-
5.	Commercial Lending (CC, LIM, LTR, IBP etc.)	12.00 to 15.00%	13.50%	Effective rate of return should be minimum 13%
6.	Small/Cottage and SME scheme	13.00 to 15%	14.00%	-
7.	Other Special Program Other than commercial	13.00 to 15%	14.00%	-
8.	Others	13.00 to 15.00%	14.000/0	-

In addition to the above sector-wise rates, interest rates have been refixed for the following modes:

SI. No.	Nature of Loan/Sector	Interest Rate Band (p.a)	Mid Rate	Remarks
1.	Loan against deposits (FDR, MBDR, CSS etc) with our Bank	2.00 to 3.00% above the respective	-	-
2.	Loan against deposit (FDR, MBDR, CSS etc) maintained with other Bank	12.00 to 13.00 %	12.50	-
3.	Loan against Share	13.00 to 15.00%	14.00%	-
4.	Housing Loan	13.00 to 15.00%	14.00%	-
5.	Consumer Credit Scheme	13.00 to 15.00%	14.25%	-
6.	Loan to NBFIs	13.00 to 14.00%	13.00%	-

Apart from the above, interest rate for the prime customers (having excellent performance record, resilience, minimum risk and good earning prospect from their non-funded business) may be 12.00 to 13.00% p.a but effective rate should be minimum 13% p.a.

6.10 Credit Risk Assessment:

6.10.1 Risk Assessment

The primary factor determining the quality of the Bank's credit portfolio is the ability of each borrower to honor, on timely basis, all credit commitments made to the Bank. This must be accurately determined by the authorized Credit Officers/ Executives prior to approval. Therefore a thorough credit risk assessment shall be conducted prior to the sanction of any credit facilities. While assessing a credit proposal more emphasis shall be given on repayment potential of loans out of funds generated from borrower's business (cash flow) instead of realization potential of underlying securities. Credit risk assessment process in the Bank shall be governed by the following principles:

Assessment Frequency:

A comprehensive Credit Assessment (Due Diligence) shall be conducted before sanction of any loan. Thereafter, it will be done annually for all types of credit facilities i.e Demand Loan, Continuous Loan and Term Loan.

Assessment Documentation:

The result of the Credit Assessment shall have to be presented in the Credit Assessment Form enclosed in Annexure - 2. Initially, it will be originated by the Relationship Officer of the Branch and reassessed in Corporate Banking Division and finally in Credit Risk Management Unit of Credit Division. All evidences of credit assessment have to be filed properly in the respective Credit File.

KYC Policy:

Bank's KYC policy applicable for depositors shall also be applicable for borrowing customers. In addition, before sanctioning any credit facility the concerned relationship officer must physically visit the business premises of the customer, talk with important personalities of the locality, collect information on the borrower from his/her existing banker, if any and summarize all these information in the Pre-sanction Inspection Report.

Accountability:

The Relationship Manager (presently Head of Branch) shall be the owner of the customer relationship and be held responsible to ensure the accuracy of the entire credit application/assessment form submitted for approval. He/she will be responsible for conducting due diligence on the borrower, principals and guarantors.

Filling up Credit Assessment Form:

Credit Assessment Form must be filled in with accurate information in full. No field in the assessment form should be erased or overlooked. If information is not available, concerned field should be filled in with "Information Not Available" with proper justification.

Repayment Source:

Repayment source of the borrower is to be validated in the Credit Assessment Form by cash flow and other financial analyses. For such analyses, at least three years financials are to be reviewed. Loan amount and tenor must be commensurate with the repayment capacity of the borrower.

Credit Requirement:

Credit requirement of the borrower must be assessed properly. The relationship officer will apply prudence to find out actual credit requirement of the borrower and place his/her findings in the Credit Assessment Form.

Risk & Mitigating Factors:

Risks inherent in a credit proposal shall have to be identified and appropriate mitigating factors should be applied. These are to be summarized in the Credit Assessment Form.

Collateral:

Collateral offered against a credit facility shall properly be valued and verified by the concerned Relationship Officer and/or Relationship Manager and revalued and re-verified annually in the subsequent period(s). In addition to the valuation of the Relationship Officer/Manager, the same collateral must be valued and verified by an enlisted surveyor of the Bank if the total credit facility to the concerned customer exceeds Tk 25.00 lac (Taka Twenty Five Lac). Any valuation of collateral must be supported by the photograph and site map, where applicable.

Insurance Coverage:

Adequacy and extent of insurance coverage must be assessed in the Credit Assessment Form. Customer's preference for not taking required insurance policy must be justified properly and it must be mentioned as deviation. The policy must be obtained from approved insurer of the Bank.

Adherence to Policy:

It should be clarified whether the customer is agreed to comply with bank's internal policy and external regulatory requirements. Any deviation from the policy or other internal or external requirements must be justified properly and mentioned as Deviation in the Credit Assessment Form. Furthermore, the originating officer will affix a declaration in the Credit Assessment Form that the proposal does not contradict with any rules and regulations of the Bank, Banking Companies Act, any circulars of Bangladesh Bank etc.

Syndicated Loans:

Proposal for syndicated loans shall be analyzed with respect to risk and return in the same manner as directly sourced loans. In case of participation in a syndication deal, Bank will independently assess the proposal and will not solely depend on the credit assessment of the Lead Arranger.

Change in pricing:

Any changes in the pricing of an existing credit facility must be highlighted and justified in the Credit Assessment Form.

Others:

In fine, detailed and complete credit risk assessment for each facility and customer relationship is of paramount importance. The steps that should be followed in carrying out such an assessment are set out in the Credit Operational Manual and in Head Office circulars issued from time to time. No proposal shall be put up for approval unless there has been a complete written analysis. It is the responsibility of the originating officer to collect all necessary documents/papers before the facility request is sent to the competent authority for approval.

6.10.2 Process Work Flow

Credit Approval Process:

Credit approval process starts with collection of credit application by the customer and ends with issuance of a written sanction letter by the Bank. Credit approval process in the bank shall be guided by some basic principles. These are as follows:

Proposal Origination:

Any credit proposal and/or Pre-sanction Inspection Report/Call Report/Visit Report must be originated by the Relationship Officer of the Credit Marketing Team or Relationship Manager of the Branch or Relationship Officer of Corporate Banking Division of Head Office.

Identification Number:

Each borrower would have a unique identification number, The Branch originating a Credit Proposal shall assign this number after getting sanction letter of the facility from the competent authority. The identification number will consist of three parts: three digit Branch Code, four digit Unique Serial Number and four digit year in which the customer starts banking with our bank. In fine, the identification number format will be as follows: Branch Code-Unique Serial Number-Year.

Time frame for decision:

Any requirement for further information regarding a particular credit proposal shall have to be communicated in writing to the customer within seven days from the date of submission of the credit application. And, any decision of declining a credit application other than retail credit shall have to be communicated to the customer within 15 (Fifteen) days from the date submission.

Reporting approvals:

An Executive having credit approval authority will report on monthly basis a summarized position of all credit facilities sanctioned by him/her during the month in the prescribed form. This is to be submitted to the Head of Credit and Head of Corporate Banking Division within the first week of the" following month.

Review of Approval:

The Head- of Credit will review at least 10% of total approval of an individual executive on monthly basis in respect of compliance with the Credit Risk Management Policy, internal circulars, prevailing regulations etc and report the findings to the Managing Director.

Revision of Credit Decision:

Any credit proposal declined by an executive of the Management may be placed before next higher authority for reassessment/review of the decision. But no appeal will go beyond the Managing Director.

Compliance to regulation:

Any credit approval/sanction shall be subject to the banking regulations in force or to be imposed by the regulatory body from time to time and to the changes in the Bank's policy. This is to be specifically mentioned in the sanction letter issued to the customer.

6.10.3 Steps in Credit Approval Process:

Step-1: A potential customer collects prescribed credit Application Form (Annexure-1) from the Relationship Officer of Branch / Regional Corporate Banking Department / Corporate Banking Division. Head Office/Web address of the Bank. Later, he/she submits the filled in Credit Application Form along with necessary papers and documents.

Step-2: The Relationship Officer scrutinizes the Credit Application Form (Annexure - 1) and other documents submitted by the customer and make a preliminary assessment on creditworthiness of the potential borrower. He/she collects further information from the customer if it is felt necessary. And, if he/she finds the proposal not bankable, he/she sends a refusal letter to the customer' immediately. On the other hand, if he/she finds it acceptable, he/she forwards the application to the concerned Relationship Manager.

Step-3: The Relationship Manager, singly or jointly with Relationship Officer, visit the customer's business premise and try to acquire proper understanding about the business position, actual credit requirement, repayment capacity etc. Besides, he/she negotiates with the customer

about the structure of the proposed credit facility. Apart from this he/she assesses the value of the security to be offered and prepares Valuation Report. Finally, the Relationship Manager summarizes all these information in the' Pre-sanction Inspection Report/Call Report/Visit Report in the Bank's prescribed format in which he/she recommends for some specific credit facility for the customer.

Step-4: The Relationship Manager sends the Pre-sanction Inspection Report (Annexure-3) to the Corporate Banking Division, Head Office or to the Regional Corporate Banking Department, if any. The Head of Corporate Banking Division/Regional Corporate Banking Department assesses the credit proposal. He/she might contact with the Relationship Manager or directly to the customer for any, query. Finally, if he/she decides to refuse the proposal or to proceed further with the proposal and communicates his /her decision to the Relationship Manager.

Step-5: If the Head of Corporate Banking Division/Regional Corporate Banking Department refuses, the Relationship Manager sends a- refusal letter to the customer. If he/she is positive, the Relationship Officer collects duly filled in CIB Inquiry Form from the customer and submits it to the Credit Information Bureau of Bangladesh Bank for latest CIB Report through Credit Administration Department, Head Office. Everything may stop here if CIB report shows that the customer has classified liability in its name and/or in the name of its sister concern(s). In that case, the customer is regretted accordingly.

Step-6: Meanwhile, the Relationship Officer rates the customer as per Risk Grading System of the Bank. Finally, the Relationship Manager originates a formal Credit Proposal in which the Head of Corporate Banking Division affixes his/her recommendation regarding the proposal.

Step-7: The Head of Corporate Banking Division, Head Office then forwards the proposal to the Credit Risk Management Department, Credit Division along with necessary papers. The concerned Credit Officer conducts in-depth Credit Analysis (Due Diligence) and affixes his/her comments/observations/findings.



Step-8: The Credit Officer places the proposal along with his/her comments/observations/findings before the Head of Credit/Head Office Credit Committee. The Head of Credit may contact with the Head of Corporate Banking for his/her queries. He/she may also express his/her reservation on a particular issue/risk and ask the Head of Corporate Banking to clarify his/her position and/or risk minimization technique(s). Finally, he might decline the proposal. And, if he/she is fully satisfied he/she may approve the facility if it is within his/her delegated authority. If it is beyond his/her delegated authority, he /she would recommend the proposal to the Managing Director.

Step-9: The Managing Director may decline the proposal if he/she is not satisfied about the proposal. If he/she is satisfied and if it is within his/her delegated power, he/she approves the proposal. If the proposal exceeds his/her delegated authority, he/she recommends it to the Executive Committee of the Board of Directors, which has the supreme authority to sanction any loan.

Step-10: If the facility is approved (whoever is the approval authority); the Credit Risk Management Department of Credit Division issues sanction letter to the Corporate Banking Division/Branch along with a Documentation Check List which clearly spells out what are the documentation formalities required to be completed before disbursement. A copy is sent to Credit Administration Department, Credit Division.

Step-11: The Corporate Banking Division/Branch then issues sanction letter to the customer in line with the letter of Credit Risk Management Department and requests the customer to complete documentation formalities.

6.11 Disbursement Process:

Disbursement of a loan sanctioned by the competent authority shall be made after completion of the required documentation formalities and after obtaining disbursement authority. The disbursement process will be guided some basic principles. These are:

Separate Authority:

Credit approval and disbursement authority shall be separate from each other. Credit Risk Management Department will deal with credit approval while Credit Administration Department will deal with disbursement of approved credit facilities.

Documentation Check List:

While issuing sanction letter to the Corporate Banking Division/Branch, the Credit Risk Management Department will enclose therewith a Documentation Check List in which Credit Risk Management Department will specify documentation formalities to be completed to secure the credit facility.

Signing Documentation Check List:

After completion of documentation formalities as per checklist, the Branch will submit the -same to the Credit Administration Department, Head Office, duly signed by the Head of the Branch (RM) and countersigned by the officer of the Credit Administration Department posted at the Branch seeking Disbursement Authority. The Credit Administration Officer shall countersign the checklist after verifying the proper execution of documents/security/collaterals.

Job Status of Documentation Officer:

The officer working for Credit Administration Officer having posted at the Branch shall be under administrative and working control of Credit Administration Department, Head office. He/she will directly report to the Head of Credit Administration Department, Head Office and not to the Branch Manager/Relationship Manager.

Disbursement authority:

All the approved credit facilities except the following ones mentioned in following paragraph shall be disbursed only after having disbursement authority from the Credit Administration Department, Head Office. If there is any inadequacy in documentation, the documentation officer will specifically mention it in the Documentation Check List / Certificate of Documentation and concern Branch Manager/RM will mention reason behind the inadequacy, expected date of completion of the same etc. In this case, the inadequacy must be approved by

the Head Of Credit and/or the Managing Director and after getting approval, Credit Administration Department will issue disbursement authority to the Branch Manager/RM.

Facilities approved by the Head of Branch:

For disbursement of credit facilities sanctioned by the Head of the Branch under his/her delegation, following procedures shall have to be complied with:

- ▣ Loan against financial obligation, Inland Documentary Bills Purchased, L/C, Bank Guarantee may be disbursed after completion of documentation formalities and signing of the Documentation Check List by the Head of the Branch , and countersigning by the Documentation Officer of the Credit Administration Department stationed at the Branch.
- ▣ Other funded credit facilities may be disbursed after getting Disbursement Authority from Credit Administration Department, Head Office.

Legal Vetting:

Mortgage documents shall be properly vetted by the Bank's Legal Counsel. He/she will also certify that proper documentation, borrower's legal standing and enforcement of securities are in place. Finally, Lawyer's Satisfaction Certificate shall have to be obtained regarding documentation where there are securities Jcollaterals other than Personal Guarantee and Financial Obligation.

Temporary Waiver:

If there is any inadequacy in documentation, the Relationship Manager/Branch Manager shall have to seek temporary waiver while approaching for disbursement authority. Such temporary waiver shall be approved by the Head of Credit and/or the Managing Director subject to the condition that the inadequacy in question shall be removed within a certain time frame. However' whole responsibility for removal of the inadequacy within the stipulated time shall rest with concerned Relationship Manager/Branch Manager.

Pre-facto approval for EOL:

Excess over Limit, if any, shall not be disbursed without Pre-facto approval of the Managing Director. In such cases also, disbursement authority shall have to be obtained.

File Maintenance:

Separate and independent file(s) for each customer shall be maintained by the Branch, Corporate Banking Division, Credit Risk Management Department, Credit Administration Department and Recovery Department (Where applicable) of Head Office. File(s) will be under the custody of the concerned Relationship Officer or Credit Officer or Account Manager (as the case may be) who is handling the customer within his/her Division/Department. An officer who does not handle the file will have to take written permission from the higher authority to have access to it.

6.11.1 Steps in Documentation Process:

Step-1: The Documentation Officer stationed in Branch completes the documentation formalities with the help of the Relationship Officer. After completion of documentation formalities, the concerned Relationship Manager signs the duly filled in Documentation Check List/Certificate of Documentation prepared by the relationship officer. Later, the Documentation Officer countersigns the Documentation Check List/Certificate of Documentation in which he mentions inadequacies, if any and sends it to the Head of Credit Administration.

Step-2: The Documentation Officer stores the documents in the safe custody (vault) and puts pertinent entry in the Safe-in Safe-out Register. Documents shall be kept under joint custody of two responsible officers nominated by the Credit Administration Department, Head Office.

Step-3: Later, at the request of the Relationship Manager/Branch Manager, Credit Administration Department gives disbursement authority to the concerned Branch Manager who would load the limit in the system/database and limit is made available to the customer for drawing.



Step-4: At the request of the customer, the Branch Manager/Relationship Manager effects disbursement/drawdown after creating a loan account against the limit earlier loaded in the system. Evidence of disbursement are properly documented and kept irrespective credit file.

6.11.2 Credit Monitoring Process:

Credit monitoring process starts immediately after disbursement of the facility. Steps involved in monitoring process are as follows:

Step-1: The customer starts repayment of the loan. Simultaneously, Branch relationship officer starts monitoring the loan on on-site basis. If he/she finds any deviation to the terms and conditions of the sanction or borrowers financial health, he/she prepares an Early Alert Report and sends it to the Corporate Banking Division, Head Office.

Step-2: Simultaneously, Credit Administration Department monitors the loan on an off-site basis and reports its findings to the Credit Risk Management Department. On the other hand, Corporate Banking Division informs the Credit Risk Management Department about the customer's position on the basis of Early Alert Report received from Relationship Officer. It may propose revising the customer's risk grading. Credit Risk Management Department ultimately decides on the customer and directs Corporate Banking Division to take necessary action.

Step-3: The Relationship Officer regularly reminds the customer as per decision of the Credit Risk Management Department about the irregular repayment, if any and/or breach of contract through letter and/or phone call and/or visit in person.

6.11.3 Early Alert Reporting:

An Early Alert Account is one that has risks or potential weaknesses of a material nature requiring monitoring, supervision, or close attention of the management. If such weaknesses are left uncorrected, they may result in deterioration of the repayment prospects for the asset or in the Bank's credit position at some future date with a likely prospect of being downgraded to Grade 5 or worse (Impaired status), within the next twelve months.

Therefore, early identification, prompt reporting and proactive management of Early Alert Accounts are prime responsibilities of all Relationship Managers/Officers and the whole process must be a continuous one. An Early Alert Report should be completed by the RM and sent to the approving authority in CRM for any account that is showing signs of deterioration within seven days from the identification of weaknesses. The Risk Grade should be updated as soon as possible and no delay should be taken in referring problem accounts to the CRM department for assistance in recovery.

Despite a prudent credit approval process, loans may still become troubled. Therefore, it is essential that early identification and prompt reporting of deteriorating credit signs be done to ensure quick action to protect the Bank's interest. The symptoms of early alert shown in Annexure-10 are by no-means exhaustive and hence, if there are other concerns, such as a breach of loan covenants or adverse market rumors that warrant additional caution, an Early Alert report should be raised.

Moreover, regular contact with customers will enhance the likelihood of developing strategies mutually acceptable to both the customer and the Bank. Representation from the Bank in such discussions should include the local legal adviser when appropriate.

An account may be reclassified as a Regular Account from Early Alert Account status when the symptom, or symptoms, causing the Early Alert classification have been regularized or no longer exist. The concurrence of the CRM approval authority is required for conversion from Early Alert Account status to Regular Account status.

Relationship Manager shall ensure that call/ inspection are regularly made on the Clients and outcome of such visits/inspections are well documented.

Call reports shall be analyzed to ensure that the affairs of the business of the borrower is being run on expected line and there is no material change in the status of the borrower.

6.12 Recovery Department:

The Recovery Department of Credit Division will manage accounts with sustained deterioration (a Risk Grade of Sub-Standard (6) or worse). Sometimes, as per recommendation of the Credit Risk Management Department and Corporate Banking Division the Management may decide to transfer some EXIT accounts graded 4-5 to the RU for efficient exit. Whenever an account is handed over from Corporate Banking Division/Relationship Management to RU, Handover/Downgrade Checklist Annexure 9 will be prepared. Down grading process should be done immediately and should not be postponed until the annual review process.

The RU's primary functions are:

- Determine Account Action Plan/Recovery Strategy.
- Pursue all options to maximize recovery, including placing customers into receivership or liquidation as appropriate.
- Ensure adequate and timely loan loss provisions are made based on actual and expected losses.
- Regular review of grade 6 or worse accounts.
- Management of classified loans and special mention accounts.
- Waiting off B/L loan accounts and related works with the approval of the Board.
- The recovery of problem loans must be a dynamic process, and the associated strategy together with the adequacy of provisions must be regularly reviewed. A process should be established to share the lessons learned from the experience of credit losses in order to update the lending guidelines.

6.12.1 NPL Account Management:

All NPLs should be assigned to Account Manager(s) within the Recovery Department, who is responsible for coordinating and administering the action plan/recovery of the account, and should serve as the primary customer contact after the account is downgraded to substandard. The Recovery Department will sought assistance from Corporate Banking/Relationship Management if required to ensure that appropriate recovery strategies are in force.

6.12.2 Account Transfer Procedure:

Within 7 days of an account being downgraded to substandard (grade 6), a Request for Action (RFA) and a handover/Downgrade Checklist Annexure - 8 will be prepared by the RM and forwarded to Recovery Department for acknowledgment. The account will be assigned to an account manager within the Recovery Department, who will review all documentation, meet the customer, and prepare a Classified Loan Review Report, CLR Annexure - 9 within 15 days of the transfer. The CLR should be approved by the Head of Credit, and copied to the Head of Corporate Banking and to the Branch/office where the loan proposal was originated. This initial CLR should highlight any documentation issues, loan structuring weaknesses, proposed workout strategy, and should seek approval for any loan loss provisions that are necessary.

Recovery Departments should ensure that the following is carried out when an account is classified as Sub Standard or worse:

- Facilities are withdrawn or repayment is demanded as appropriate. Any drawings or advances should be restricted, and only approved after careful scrutiny and approval from appropriate executives within CRM.
- CL report is updated according to Bangladesh Bank guidelines and the borrower's Risk Grade is changed as appropriate.
- Loan loss provisions are taken based on Forced Sale Value (FSV) of the underlying collaterals,
- Loans are rescheduled in conjunction with the Loan Rescheduling Guidelines of Bangladesh Bank which are in force. Any rescheduling should be based on projected cash flow and should be strictly monitored.
- Prompt legal action is taken if the borrower is non-cooperative.

6.12.3 Non-Performing Loan (NPL) Monitoring:

On a quarterly basis, a Classified Loan Review (CLR) Annexure - 9 will be prepared by the Recovery Department Account Manager to update the status of the action/recovery plan, review and assess the adequacy of provisions, and modify the bank's strategy as appropriate. The Head of Credit should approve the CLR for NPLs up to 15% of the banks capital, while MD's approval will be required for NPLs in excess, of 15%. The CLR's for NPLs above 25% of capital should be approved by the MD/CEO, with a copy presented before the Board of Directors.

6.12.4 IVPL Provisioning and Write-off:

The guidelines established by Bangladesh Bank for CIB reporting, provisioning and write off of bad and doubtful debts, and suspension of interest will be followed in all cases. These requirements are the minimum and Bank will maintain more than minimum required provision and follow stringent write off policy. Regardless of the length of time a loan is past due, provision will be raised against the actual and expected losses at the time they are estimated. The approval to take provisions, write offs, or release of provisions/upgrade of an account will be restricted to the Head of Credit and/or the MD based on recommendation from the Recovery Department. The Request for Action (RFA) or CLR (Annexure - 9) reporting format should be used to recommend provisions, write-offs or release/upgrades.

The RU Account Manager should determine the Forced Sale Value (FSV) for accounts graded 6 or worse. Forced Sale Value is generally the amount that is expected to be realized through the liquidation of collateral held as security or through the available operating cash flows of the business, net of any realization costs. Provision will be maintained for any shortfall in the Forced Sale Value to cover total loan outstanding once an account is downgraded to grade 7. Where the customer is not cooperative, no value will be assigned to the operating cash flow in determining Forced Sale Value.

Forced Sale Value and provisioning levels should be updated as and when new information is obtained, but as a minimum, it will be done on a quarterly basis in the CLR (Annexure - 9).

Following formula will be applied to determine required amount of provision:

Gross Outstanding	(XXX)
Less: (i) Cash margin held or Fixed	
Deposits/SP under lien.	(XXX)
(ii) Interest in Suspense Account	(XXX)
Loan Value	
(For which provision is to be created before considering estimated realizable value of other security/collateral held)	(XXX)
Less: Estimated salvage value of security/collateral held	(XXX)
(See Note below)	
Net Loan Value	(XXX)

Note: The amount of required provision may, in some circumstances, be reduced by an estimated realizable forced sale value of (i.e. Salvage Value) any tangible collateral held (viz: mortgage of property, pledged goods / or hypothecated goods repossessed by the bank, pledged readily marketable securities etc). Hence, in these situations, it will be advisable to evaluate such collateral, estimate the most realistic sale value under duress and net-off the value against the outstanding before determining the Net Loan value for provision purposes. Conservative approach should be taken to arrive at provision requirement and Bangladesh Bank guideline to be properly followed.

6.13 Credit Budget:

6.13.1 Analysis of Current Loan Portfolio:

The loan portfolio of the bank has increased by Tk 672.74 Crore from 1649.22 Crore at the end of 2003 to 2321.96 Crore at the end of 2004 registering 41% growth over the previous year. At the end of 2002, total loans and advances amounted to Tk. 1268 Crore and rate of growth in 2003 was 30% in comparison with the year 2002. It is evident that rate of growth has also increased from 30% in 2003 to 41% in 2004.

6.13.2 Sector Wise Credit Exposure:

During the year 2004, the highest contributing sector was Commercial Lending that represents import finance and local trade finance. It amounts to Tk 697.10 Crore, which is 30% of the total loan portfolio and accounts for 39% growth compared to the year 2003. Term Loan to Large & Medium Scale Industry (Industrial/Project Loan) accounted for 21.88% of the total Loan Portfolio. It has increased from Tk 351.15 Crore to Tk 507.98 Core with 45% growth over the previous year.

Besides, Working capital finance and Export finance accounts for 13.66% and 13.56% of total loan portfolio respectively. Significant increase has been observed in Agriculture sector with 307% growth. This growth has been achieved as we have extended large-scale credit to some agro-processing projects. In 2004, loan to the Housing Sector has decreased by 32%, which now

accounts for only 1.61% of the portfolio. This is because two big Problematic and Classified house building loan have been written off during the year. Apart from this, Consumer Credit has registered 45% growth with a total amount of Tk 67.65 Core which is 2.91% of total loan.

Table – 18: Comparative Position of Sector Wise Exposure

SL Ni	Sector	As on 31.12.06		As on 31.12.06		
		Amount	% of total Loan	Amount	% of total Loan	Growth Over 2003 %
1	Agriculture	47.06	2.85	191.93	8.27	307.84
2	Large & Medium Scale Industry (Try Loan)	351.15	21.29	507.98	21.88	44.66
3	Working Capital	252.88	15.33	317.14	13.66	25.41
4	Export Finance	242.25	14.69	314.80	13.56	29.95
5	Commercial Lending	502.36	30.46	697.10	30.02	38.77
6	House Building Loan	54.81	3.32	37.45	1.61	-31.67
7	Small & Medium Credit Scheme	14.25	0.86	16.19	0.70	13.61
8	Consumer Credit Scheme	46.53	2.82	67.65	2.91	45.39
9	Others	137.93	8.36	171.72	7.40	24.50
	Total	1649.22	100.00	2321.96	100.00	40.79



6.14 Basis of Budget:

6.14.1 Diversification of Portfolio:

The main focal point of the credit budget is to diversify the portfolio to different sectors and industry as much as possible in order to minimize the unsystematic risk of the portfolio. As only few industries i.e Readymade Garments & Textiles are dominating in the Export and manufacturing sectors of the economy, we had no option but to take a significant exposure in those industries since we have to operate in the existing economy. In spite of that reality we should make effort to spread our exposure towards the emerging sectors i.e. agro-based industries, other non-traditional exports, import substitute manufacturing industries, SME, Wholesale & Retail Trade, Personal Loan etc.

6.14.2 Preferred Area of Lending:

For sustainable growth we should give emphasis on Lease financing, Retail Credit including Credit Card, SME Financing and Agro Based and Agro Processing business. Commercial Lending, specially one-off L/C Transaction is temporary in nature but it gives Fee income, so we should not ignore it.

6.14.3 Focus on Commercial Lending:

From the very beginning our Credit exposure has been focused on commercial I ain , i.e. International Trade Finance, Domestic trade Finance, Contractor/ Supply Finance etc. Over the years we have enhanced our expertise in the sectors. The sliding interest spread in financial intermediation puts a ceiling on the profit margin. As such, we have to boost up our fee income or; import-export and guarantee business to retain our profitability. In view of our core expertise and to book fee income we will be focusing on the commercial lending.

6.14.4 Emphasis on SME & Personal Loan:

SME & Personal loan are the two most potential sectors for expansion of loans. There is ample scope to enhance credit in this sector. So far this sectors were almost unattended by Bank's since they generally cannot provide collaterals for the Credit facilities. So access to Bank's credit is important for them. Bank has some advantages of extending credit facilities in this sector, i.e.

a) Rate of return is generally higher than Corporate / Large loans. Their bargaining power for pricing is low. b) The loan amount is small. So the Bank's worry for default is low compared to Large loans. c) The portfolio is diversified, d) If monitoring & supervision can be ensured, the recovery can be maintained at satisfactory level.

Their growth rate is comparatively much higher than the corporate market. Moreover, higher margin, lower bargaining power of customer, low risk has made this sector more advantageous over corporate lending.

6.14.5 Gradual Reduction of Working Capital:

In fact, Working Capital is a risky mode of finance as proper end use supervision of this type of loan is difficult. As such, we shall try to reduce the share of working capital mode of finance to our total portfolio gradually.

6.15 Emerging Sectors:

In view of the present and future outlook of our economy, impact of Globalization, future demand and prospect of growth, the following sectors may be identified for investment on a case to case basis in the year 2005:

Tier 1:

- a) Agro-based Industries (Poultry, Hatchery, Feed Mill, Food Processing etc)
- b) Retail & Personal Loan
- c) SME
- d) House Building & Construction e) Power and Energy
- e) ICT & Telecommunication
- f) Transport
- g) Composite Textile & Other RMG backward linkage
- h) Wholesale & Retail Trading
- i) Iron & Steel Products
- j) Light Engineering

Tier 2:

- a) Health & Pharmaceuticals
- b) NBFIs
- c) Home Appliance & Electronics
- d) Education & other service

Tier 3:

- a) Organic Agricultural Products
- b) Entertainment
- c) Shrimps & Frozen Food
- d) Infrastructure development.

6.16 Discouraged Businesses For Bank's Finance:

In view of legal aspect, business risk and banking ethics following business are on discouraged list for Bank's finance:

- ✿ Military Equipment/Weapons Finance
- ✿ Highly Leveraged Transactions
- ✿ Finance of Speculative Investments
- ✿ Logging, Mineral Extraction/Mining, or other activity that is Ethically or Environmentally Sensitive
- ✿ Lending to companies listed on CIB black list or known defaulters Counter-parties in countries subject to UN sanctions
- ✿ Share Lending
- ✿ Taking an Equity Stake in Borrowers Lending to Holding Companies
- ✿ Bridge Loans relying on equity/debt issuance as a source of repayment. Any other type which Bank identifies as discouraged from time to time.

Chapter Seven- *Problems, Prospects & Suggestions*



7.1 Problems of PBL:

Here, the internal problems of Prime Bank Limited as well as the external weakness and threats are discussed:

Credit Products:

Though there are eleven types of products are in Prime Bank SBC Tower under Retail Credit, but all of those products are not familiar with the customer. Only three or four products are familiar with the customer and they are not ready to take those types of loan. Also loan procedures are so lengthy that sometimes customers getting frustrated.

Recovery Department:

Sometimes customers complain to the customer service that the people who engaged in the recovery, his behavior is not acceptable for the customer.

Also the address which provide by the customer is not verified. So if the customer is a defaulter then it is very difficult for the recovery department to find that person if he provide fake address.

Technology:

One of the major problems of Prime Bank Ltd. is the technology used by the bank. With the change of time, technological advancement is essential to survive in the competition. Hence, PBL is lagging far behind in this area. PBL was the pioneer in online banking but the online facility which the bank is providing currently is not up to the standard.

Promotion:

When an employee gets a promotion to the next level, he/she gets more compensation. PBL is regular in giving promotion, but the employees get late effect of this promotion. Often there is a long gap, for example a six month gap in getting the effect.

Training:

PBL has its own training institute PBTI (Prime Bank Training Institute) to strengthen the capabilities of human resources. However, there is a lack of specific training for specific jobs. As a result, the employee has to learn things from the job by doing it practically.

Level of Competition:

Competition is always a major threat for any organization. In recent years, the number of private bank is increasing. These banks always pose a threat for others by coming up with new product line, innovative technology, quality services, etc. thus the level of competition rises and create threat for prime bank limited.

Technological Advancement:

With time, technology is getting advanced and most of the private banks are upgrading their operating system to survive in the industry. PBL is lagging behind in this department and still mostly dependent on manual work rather than technology. Advancement of technology is posing great threat for PBL.

7.2 Prospects of PBL:

Here, the internal strengths of Prime Bank Limited are discussed:

Good Customer Service:

PBL provides quality services to the clients compared to its other contemporary competitors. The bank has a very good relationship with its customers. The bank believes in maintaining personal relationship with the clients. One of the major goals of the bank is to build long term relationship with the customer and to create value for them. To maintain this relationship, PBL sometimes waiver high charges for those valued clients who are linked with the bank for a long period of time. The bank recently has approximately more than 1,54,000 clients, highest in the private sector commercial banks of our country.

Innovative Products:

Prime bank has been offering various kinds of deposit schemes by which people have got opportunity to save their small money and bank is also able to earn more for themselves for their clients. Most of the private banks are offering three to four number of deposit schemes. Comparatively Prime Bank offers maximum number of deposit schemes by which the bank is successful to capture and retain large number of customers.

Efficient Administration:

Prime Bank Ltd. has an efficient administration. The work is done in a timely and systematic manner for which the efficient administration is responsible. There is close relationship between the employees and management though the chain of command is maintained strictly. Overall, there is a good balance between the administration and the employees.

Capital Adequacy:

Prime Bank Ltd. is maintaining a strong capital base. By the end of March 2005, capital adequacy ratio of the bank was 10.74% that is well above the stipulated requirements of 9%. The bank had a target to have tk. 1000 million of capital fund by the year 2006, whereas it already reached capital fund of almost tk. 2000 million by 2003, positioning the bank as one of the strong capital based bank of Bangladesh. The bank has now also increased its authorized capital to 4000 million to its expansion programs.

Experienced Senior Management:

The senior management of the bank is responsible for promoting the highest level of business ethics and integrity. Their aim is to create and foster a culture throughout the bank that emphasizes and demonstrates the importance of maintaining high business ethics and close relationship with customers.

7.3 Suggestions for PBL:

Here, some suggestions for Prime Bank Limited are discussed:

Promotions:

Though all of the products are not utilized, the bank authority should promote their product through TV advertisement, newspaper, etc. They can also remove the products which are not familiar and provide some innovative and attractive scheme for the customer.

Verification:

Prime Bank Ltd. should introduce a department for verification the information which provided by the customers. They should train their employees in this area.

ATM Facility:

Currently Prime Bank Ltd. does not have ATM facility. Many other leading competitors have ATM service that provides 24 hours cash transaction to their clients. This service is highly preferred by the clients. So, PBL has a good opportunity to provide their own ATM facility to the customers in near future and survive in the competition.

Branch Expansion:

Prime Bank is growing quickly all over the country. Besides expanding in the urban areas, PBL has prospects to open more branches in sub-urban areas, which will eventually enhance the government's effort at reviving the rural economy as well as reaching more people by better service.

Training Facility:

Prime Bank Training institute (PBTI) is supporting the bank by offering in house training courses, workshops and seminars. As the bank has its own training institute to enhance the capability of human resources, PBL can use this opportunity to train their employees in specific areas and create specialized and expert people for the bank.

Banking Software:

Providing quality service is one of the major goals of PBL. Though Prime Bank is still lagging behind in upgrading their software system, the bank has the prospect to select high quality banking software which will make the banking operations easier and smooth.

7.4 Comparative Position of PBL:

Prime Bank Ltd. offers all kinds of Commercial Corporate and Personal Banking services covering all segments of society within the framework of Banking Company Act and rules and regulations laid down by our central bank. Diversification of products and services include Corporate Banking, Retail Banking and Consumer Banking right from industry to agriculture, and real state to software.

Prime Bank Ltd., since its beginning has attached more importance in technology integration. In order to retain competitive edge, investment in technology is always a top agenda and under constant focus. Keeping the network within a reasonable limit, bank's strategy is to serve the customers through capacity building across multi delivery channels.

Bank's past performance gives an indication of their strength. The bank is better placed and poised to take its customers through fast changing times and enable them compete more effectively in the market they operate.

There are 52 banks operating in our country. Among all these banks PBL has established itself as one of the most influential local bank because of their outstanding "**credit policy**". Prime Bank's position can be figured out from the following table

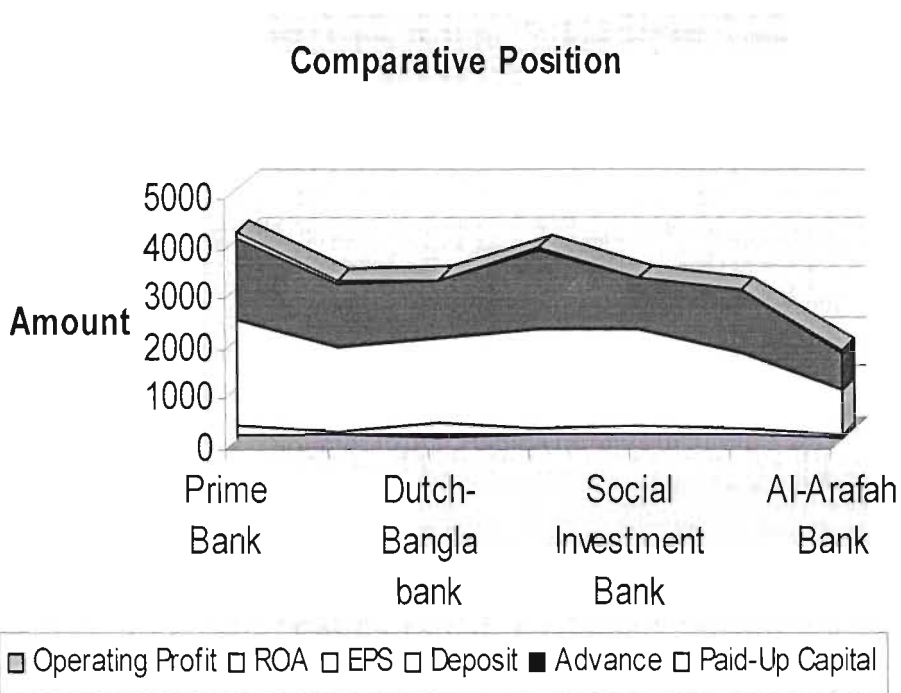
Table – 19: PBL’s Comparative Position

(Figure in crore Tk.)

Sl No.	Banks	Operating Profit	ROA	EPS	Deposit	Advance	Paid-Up Capital
1	Prime Bank	101.58	6.57	155	2109.24	1649.22	100
2	Dhaka Bank	54.00	4.19	101.69	1685.10	1288.70	53.10
3	Dutch-Bangla bank	45.30	3.96	280	1713.40	1143.20	20.20
4	Southeast	70.30	4.52	120.64	2011.90	1554.80	56.40
5	Social Investment Bank	50.10	4.98	192	1970.90	1005.80	26.00
6	NCC Bank	62.50	4.86	113	1515.40	1285.0	22.20
7	Al-Arafah Bank	30.70	4.05	60.6	864.30	757.20	50.60

Source: Prime Bank Training Institute

Figure – 13: PBL’s Comparative Position



So, Prime Bank Limited is a fast growing and modern private commercial bank. It is making its marks in the country’s socio-economic condition by channelizing the much-needed fund to the entrepreneurs. And by doing this consistently and efficiently it is also satisfying the shareholders.

Chapter Eight- Conclusion



8.0 Conclusion:

Prime Bank Limited is a strong and effective player in the financial system. It is a solid, forward-looking, modern local bank with a record of sound performance. It is a new generation bank. It is committed to provide high quality financial services /products to contribute to the growth of GDP of the industrialization, creating employment opportunity for the educated youth, rising standard of living of limited income group and overall sustainable socio-economic development of the country. The bank has the vision to be the best Private Commercial Bank, in Bangladesh in terms of efficiency, capital adequacy, asset quality, sound management etc. it is now one of the top most profitable private sector commercial banks. The bank has the top most position among the "A" rated bank in CAMEL rating.

The credit policy of prime bank is one of the best policies in Bangladesh and many banks consider it as a **“Benchmark”**. I have asked different kinds of customer about this policy and they said it is a policy of easier procedure and less time consuming. For which customers from large companies like Bulktrade International, Powermann BD Ltd, Jamuna Denims Ltd, Opso Saline, Global Composite, Moon Color Lab etc take loan from the Prime Bank Ltd. And I also believe that in comparison to credit policies in other banks, Prime Bank Ltd provides the policy which can be easily adopted by customers.

As a concluding remark I want to say that the bank is able to attain a leading role with the 15 years success story but to remain unrivalled among new generation banks, the bank must face new challenges. I strongly wish the bank must make a positive attempt to be more outward looking in their goals and aware of what is happening. They must also emphasize on the domestic scenario more closely and analyze any certain trends and strategies of their competitors. I do hope that, my study will help the bank to give more concentration on the credit section and to perform better in future. I have learned a lot from this internship program. I do believe that it will assist me in my banking career.

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