

# Commercial basic credit management exim bank experience

[Business](#), [Management](#)



**ASSIGN  
BUSTER**

**DECLARATION** This Internship report is submitted as a partial fulfilment of the requirement of Bachelor of Business Administration . I am Md. Saiful Islam hereby declares that the work presented in this report titled “ Commercial Basic Credit Management EXIM Bank Experience. ” has been carried out by me and has not been previously submitted to any other University, College or Organization for any academic qualification, certificate, diploma or degree. The work I have presented does not breach any existing copyright.

I further undertake to indemnify the university the against any loss or damage arising from breach of the foregoing obligations. Md. Saiful Islam ID NO. 0101092908 Department of Business Administration IBAIS University

**ACKNOWLEDGEMENT** At first, I foremost like to express my heartiest thankfulness to Almighty Allah to reach me at the end of the BBA Internship. I would like to take the opportunity to express my heartiest gratitude to my honourable supervisor Mahabbat Hosen, Department of Business Administration, IBAIS University for his continuous guidance and support to complete this report.

My special thanks to the respondent and my friends specially, Sumon and Monirul Islam former students of IBAIS University for their kind help and co-operation during the course of this Internship. My sincere apologies to the readers for my conceptual and printing mistakes (if any). Md. Saiful Islam ID NO. 0101092908 Department of Business Administration IBAIS University

**Certificate of the supervisor** This is to certify that the thesis on ‘ Accounting Performance on Credit Management and Legal Settlement EXIM Bank Ltd. An

overview’ as a partial fulfilment of requirement of ‘ Bachelor of Business Administration’ degree from ‘ IBAIS University’.

The thesis has been carried out under my guidance and is a record of the bona fide work carried out successfully.

Signature: .....

Supervisor’s Full Name: .....

Date: .....

Faculty: .....

Letter of Transmittal

Date: March 16, 2013 Mahabbat Hosan Lecture of IBAIS University Dept. of Business Administration Subject: Submission of Internship Report Dear Sir, It is my great pleasure to submit the internship report on “ Accounting Performance on Credit Management and legal Settlement at EXIM Bank overview. ” Which is the partial fulfilment of Bachelor of Business Administration of IBAIS University. I made sincere efforts to study related materials and documents, observe operations performed in EXIM Bank Experience and examine relevant records for preparation of the report.

Within the time limit, I have to make this report as comprehensive as possible. But there may be some mistakes due to various limitations. For this reason beg your kind consideration in this regard. Sincerely yours. Md. Saiful Islam ID NO. 0101092908 Department of Business Administration IBAIS University

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Chapter 01 About The Report 1. Origin of the Report Present world is  
changing rapidly to face the challenge of competitive free market economy.  
To keep place with the trend every organization need executive with modern  
knowledge. To provide fresh graduate with modern theoretical and  
professional knowledge in banking and all other different institution  
management, IBAIS University has assigned the internship program for the  
students to help them out to have a practical knowledge to work in a real  
officialenvironment. Under this course the students are sent to gather  
practical knowledge about working environment and activities.

As a prerequisite for the Bachelor of Business Administration Degree I was required to complete this internship program in a suitable business organization. I had been selected to work as an Internee in Export Import Bank of Bangladesh Limited, Rajuk Avenue Branch for a period of 3 months from October 13, 2012 to January 12, 2012. Md. Moidul Islam, Senior Vice President, HR division, Export Import Bank of Bangladesh Limited appointed me as an Internee. After discussion and getting consent, I started to work on the project titled Accounting Performance on Credit Management and legal Settlement at EXIM Bank Ltd an overview". . 2 Background of the Report For completion of the BBA degree all of the IBAIS University, students have to go through an internship program in an organization. For this reason BBA students require to undergraduate internship program where they match practical knowledge with that of theoretical knowledge which they acquired throughout the degree. The degree doesn't complete unless a written report submitted to the faculty, basing on what have the students learned through the internship program. Being a student of BBA, I have the opportunity to work at EXIM BANK Ltd.

Rajuk Avenue Branch. This report is prepared based on by observation during the tenor I was with them. 1. 3 Objects of the study The main objective of the study is the evaluation " Commercial Bank Credit Management EXIM Bank Ltd. " To achieve the main objectives, the study covers the following specific objectives. ? To understand the Commercial Bank Credit Management and its overview ? To know about the banking operation. ? To understand the different services provided by the bank ? To gather practical knowledge on Banking & to compare theory with ongoing practices. To present the

suggestions to solve identified problems. 1. 4 Methodology of the study For the organization part, much information will be collected from different published articles, journals, brochures and web sites. All the information incorporated in this report will be collected both from the primary sources and as well as from the secondary sources. Here all the customers of EXIM Bank Ltd. who come to Rajuk Avenue Branch and related with the branch at least two years for doing various financial transaction constitute the total population of the study.

The total samples are thirty clients who are related with the bank at least two years or more. I think they may represent the whole population. Each client who is conducting their business two years or more with Rajuk avenue Branch is a sample unit. 1. 4. 1Primary Source of Data Collecting data directly from the practical field is called primary source of data. The method that will be used to collect the primary data is as follows: Primary Sources are: •Face to face conversation with the employees. •Appointment with the top officials of the Bank. •By interviewing customers of the Bank. 1. 4. Secondary Sources of Date The secondary data will be collected from the MIS of EXIM Bank. To clarify different conceptual matters, internet and different articles published in the journals & magazines will be used. Secondary Sources are: ? Annual Reports of EXIM Bank ? Other published documents of Bangladesh Bank. ? Office files and documents ? Study related books and journals ? Group Instruction Manual & Business Instruction Manual ? Web sites 1. 5 Data Processing & Analysis Collected information have then processed & compiled with the aid of MS Word, Excel & other related computer software.

Necessary tables have been prepared on the basis of collected data and various statistical techniques have been applied to analyses on the basis of classified information.

### 1. 6 Limitations of the study

In spite of having the wholehearted effort, there were some limitations, which acted as a barrier to conduct the program and for doing an empirical research work. The limitations were:

- ? The study was limited only to the EXIM Bank Limited.
- ? Another Problem was time constraints. The duration of my internship Program was only three months. But this allocated time is not enough for a complete and fruitful study. The Bank was a busy one having heavy rush of people, whom officers need to deal with. So allocation of time for an internee is very much tough for the officers of the bank.
- ? Bank is a sophisticate business sector. So bank do not interested to provide me confidential data. As a result in my report there is a confidential data limitation.
- ? Non availability of up to date data.
- ? EXIM Bank is an Islamic bank for that reason I face some problems to understand their products & facilities they provide. Because some of the rules of the Islamic banking are deferent from the general banking rules ?

The department people always remain busy due to lack of supporting employees so they could not dedicate their full efforts.

## Chapter 02 Banking in Bangladesh

### 2. 1 Introduction

Bank is an establishment which makes such advances of money to individual, as may be required with which individuals entrust money when not required by them for use. A bank is one, who in the ordinary course of his business receives money which he repays by honouring cheques of persons from whom or on whose account he receives it. Banks deal mainly with money and credit. They purchase and sell money



and credit. . 2 Evolution of the word “ Bank” Etymology deals with the roots and origin of the word ‘ bank’. Regarding etymology or origin of the word bank there is no unanimous opinion among the writers of banking. According to some writers the word bank derived from the word BANCO, BANCUS, BANQUE, and BANC, all of which mean bench upon which the early bankers used to display their coins and transact business in the market place. According to the some other writers the word ‘ bank’ has been derived from the German word ‘ BANKE’ which means a joint stock fund.

The 1st version is widely accepted because at one time the banking history, money changing was looked upon as the most widely accepted function of a banker. Banking in the ancient times was largely confined to money changing and money lending. 2. 3 Emergence of Modern Banking In middle Europe the bankers of Lombardy were very famous. To them belongs the credit of modern banking. In other words they planted the seed of modern banking in England. They settled in London at a place known as Lombard Street. Florence was the capital of Lombardy. Lombardy was a province in North Italy.

Most of the prominent bankers of their present were from Lombardy. Among those prominent bankers we can named one who were famous not only in banking but also in political history in Europe. These Lombardy people were very much disturbed in 13’s by internecine work which was followed by plunder by Kaiser Frederick two. Lombardy people in large number as a result started migrating to more settled countries such as England, French, and Belgium. In England these Lombardy people brought the idea of modern

banking and thus England becomes the home of modern banking. . 4 Bank Development in Bangladesh Indigenous banking in Bangladesh is as old as banking in other parts of the world. Money used to be accepted as a deposit and advances used to be given. During Mughal period, indigenous banking flourished. The subarna banik the bullion trading community used to do banking in the then Bengal. Subsequently, larger banking in Bangladesh was gradually taken over by the upcountry bankers who were known as Seth, shah etc. but subarna baniks continued to operate in rural Bengal.

With the British gradually coming over to Bengal and settling here, banking in the form of agency house, exchanging house started to flourish in kolkata. Entry of the Bengalese into banking started in the part of this century, especially in the wake of the swadeshi movement. In 1947 after the separation of India and Pakistan, bank business faced a severe disaster as non-Muslim bankers migrated to India. In order to rebuild the bank business State bank of Pakistan was established as a central bank of Pakistan in 1948. In 1971 Bangladesh became independent.

After liberation “ Bangladesh bank was automated with the asset and liabilities of former “ State bank of Pakistan”. There were several banks before independence of Bangladesh as follows: (1) The national bank of Pakistan (2)The bank of Vowalpur ltd. (3)The premier bank ltd. (4)The Habib bank ltd. (5)The commerce bank ltd. (6)The united bank ltd. (7)The union bank ltd. (8)The Muslim commercial bank ltd. (9)The standard bank ltd. (10) The Australasia bank ltd. (11) The eastern mercantile bank ltd. (12) The

eastern banking corporation ltd. Bangladesh Bank nationalization Order promulgated on 26 March in 1972.

After the liberation war the above 1st three banks were converted to The Sonali Bank, The 2nd two banks were converted to The Agrani Bank, the next two banks were converted to The Janata Bank, the next three banks were converted to The Rupali Bank, the next one bank was converted to The Pubali Bank and the last bank was converted to The Uttara Bank. Banks in Bangladesh have correspondent relationship with other banks in foreign countries in order to sell their services or to purchase services from them. A summary picture of the country's commercial banks is presented in the table on Banks of Bangladesh.

Statement of Banks in the year 2011

Name of Bank	Branches	Correspondent
Sonali Bank	1307 (1)*369	
Janata Bank	898 (4)1160	
Agrani Bank	903980	
Rupali Bank	514 (1)160	
Pubali Bank	350433	
Uttara Bank	198300	
National Bank	66143	
The City Bank	76252	
United Commercial Bank	79110	
Arab - Bangladesh Bank	62 (1)310	
IFIC Bank	54 (2)200	
Islami Bank Bangladesh	109650	
Al-Baraka Bank Bangladesh	34117	
Eastern Bank	2137	
National Credit & Commerce Bank	27232	
Prime Bank	20198	
South-East Bank	12190	
Dhaka Bank	12271	
Al-Arafa Islami Bank	34127	
Social Investment Bank	1252	
Dutch-Bangla Bank	69	
Mercantile Bank	89	
Standard Bank	913	
One Bank	155	

EXIM Bank 37 Premier Bank 411 First Security Bank 13 Mutual Trust Bank 214 Bank Asia 55 Trust Bank 525 Bangladesh Commerce Bank 2413 \* Figures in parentheses indicate number of overseas branches

Today's bank in Bangladesh has not developed over night. Before and after independence of Bangladesh the concept of bank was developed in Bangladesh gradually. So I can easily say that bank history is as ancient as the human civilization. Chapter 03 EXIM Bank at a Glance 3. 1 Historical Background of EXIM Bank Ltd EXIM Bank Limited was established in 1999 under the leadership of Late Mr.

Shahjahan Kabir, founder chairman who had a long dream of floating a commercial bank which would contribute to the socio-economic development of our country. He had a long experience as a good banker. A group of highly qualified and successful entrepreneurs joined their hands with the founder chairman to materialize his dream. Indeed, all of them proved themselves in their respective business as most successful stars with their endeavor, intelligence, hard working and talent entrepreneurship. Among them, Mr. Nazrul Islam Mazumder became the honorable chairman after the demise of the honorable founder chairman.

This bank starts functioning from 3rd August, 1999 with Mr. Alamgir Kabir, FCA as the advisor and Mr. Mohammad Lakiotullah as the Managing Director. Both of them have long experience in the financial sector of our country. By their pragmatic decision and management directives in the operational activities, this bank has earned a secured and distinctive position in the banking industry in terms of performance, growth, and excellent management. The authorized capital and paid up capital of the bank are Tk. 3500. 00 million and Tk 2677. 80 million respectively.

The bank has migrated all of its conventional banking operation into Shariah based Islami banking since July/2004.

### 3. 2 Profile of EXIM Bank

- Legal Status. Public Limited Company
- Establish 1999
- Incorporated 2nd June, 1999
- Activity Starts 3rd August, 1999
- Islamic Banking 1st July, 2004
- Listing with Dhaka Stock Exchange September, 2006. Listing with Chittagong Stock Exchange September, 2006.
- Inauguration of First Branch 3rd August, 1999.
- Authorized Capital TK. 1000Million
- Profit TK 4967563969 million
- Total Asset TK 41793540. 962 million
- Shares TK 2233254288 million
- Paid up Capital TK 878. 5 Million
- Reserve Fund TK 569. 98 Million
- Number of Employees 1630 Persons
- No. of Branches 52
- Proposed Branches 08

### 3. 3 Credit Rating

- oLong Term A-(Adequate Safety)
- oShort Term ST-3 (Good Grade)

### 3. 4 Vision and Mission ?

To be the finest bank in the banking arena of Bangladesh under the Shariah guidelines. Contribute significantly to the national economy ? To maintain Corporate and business ethics. ? To become a trusted repository of customers' money and their financial advisor. ? To make our stock superior and rewarding to the customers/share holders. ? To display team spirit and professionalism. ? To have a Sound Capital Base. ? To provide high quality financial services in export and import trade. ? To provide excellent quality Customer service ? To provide standard financial services. ? Wealth maximization

### 3. 5 Functions of the EXIM Bank Ltd ?

The main task of the EXIM Bank Ltd. s to accept deposit from various customers through various accounts. ? Provides loans on easy terms and condition. ? The bank invest it fund in to profitable sector. ? It transfers money by Demand Draft, Pay Order, on line and Telegraph Transfer. ? The bank is doing the transaction of bill exchange, cheque etc. on behalf of the clients. ?

EXIM Bank assists in the foreign exchange by issuing LC. ? Above all, EXIM Bank helps the businessmen financially by giving discount facility for bill of exchange and by providing the facility of letter of guarantee. 3. 6 Corporate Culture

This bank is one of the most disciplined Banks with a distinctive corporate culture. The bank believes in shared meaning, shared understanding and shared sense making. The employee of the bank can see and understand events, activities, objects and situation in a distinctive way. They mould their manners and etiquette, character individually to suit the purpose of the Bank and the needs of the customers who are of paramount importance to the bank. The people in the Bank see themselves as a tight knit team/family that believes in working together for growth.

The corporate culture we belong has not been imposed; it has rather been achieved through our corporate conduct 3. 7 Human Resource Management of EXIM Bank Human resource is the fundamental asset of the organization. Human resource approach is concerned with the growth and development of people toward higher level of competency, creativity and fulfillment. Therefore, human resources development has been given its due importance in an environment that's values performance, teamwork, fairness and integrity, it has both quantities dimension .

EXIM Bank recognizes that intellectual capital is the most important asset for a financial institution. Without proper and efficient human resources, no organization. The Bank believes that the professional competence Bank personal and its commitment for accomplishing assigned responsibilities are

a first line of defense to prevent irregularities. •The objectives of Human Resource Management of EXIM Bank are as follows:

- oConduction of job analysis.
- oPlanning employee needs and recruiting job candidate.
- oSelecting job candidates.
- Orienting and training of new employees.
- oManaging wages and salaries (compensating Employees).
- oProviding incentives and benefits.
- oAppraising performance.
- oCommunicating (Interview, counseling, disciplining)
- oTraining and developing managers.
- oBuilding employee commitment.

3. 8 Organizational Structure 3. 9 Management of Rajuk Avenue Branch Organ gram 3. 10 Management of EXIM Bank Ltd

Management is the process of planning, organizing, leading and controlling the work of organization member and of using all available resources to reach stated organizationalgoals.

The strength of the bank depends of the strength of its management team. EXIM Bank is proud to have a team of highly motivated, well-educated and experienced executive who have been contributing substantially to the continued progress of the bank. Managerial effectiveness has been measured in EXIM Bank in terms of come selected criteria such deposit mobilization, loans and advances made, loan recovery, profitability's and productivity, it has been found that EXIM Bank is effective inrespectof branch expansion, loan disbursement, loan recovery etc.

With a short p of time, EXIM Bank has become one of the leading and most successful bank not only among the third generation banks but also it superseded many other bank and financial institutions belonging to second and even first generation banks from the point of view under the dynamic

leadership of its management. Management is trying to support and assist well motivated and experienced affairs to run day to day affairs of the bank smoothly.

For maintains quality management, its required to train up more official at head office and branch level in respect of sanctioning, disbursement and recovery of credit, project appraisals, customer services etc

### 3. 11 Social Commitments

#### 3. 11. 1 EXIM Bank Foundation and CSR Activities

At least 2% of the annual profit of every year is put aside for the foundation to conduct Corporate Social Responsibilities (CSR) activities. The mainstream CSR activities that are carried out through this foundation are:-

- Healthcare service.
- Scholarshipprogram for brilliant poor student.
- EducationPromotion Scheme (Interest free loan).
- Helping people affected by natural calamities.
- Helping people in slum areas.
- Donation to educational institutions to setup computer lab.
- Beautification of Dhaka City.

#### 3. 11. 1. 1 Healthcare service

A 5 storied building having 10, 000 sft floor space at 840 Kazi Para, Rokeya Sarani, Mirpur, Dhaka-1216 has been hired to set up EXIM Bank Hospital. The decoration of this hospital is going on in full swing. A doctorhas been recruited who is working as a resident director of the hospital. Other doctors and hospital staffs have been in the process of selection through recruitment notice already published in the national dailies.

They will be appointed as soon as the decoration of the hospital is complete.

#### 3. 11. 1. 2 Scholarship program for brilliant poor student

This is a stipend package for poor and meritorious students that take care of the beneficiaries throughout their student life. EXIM Bank Scholarship Programme, launched in



2006 with 61 poor and meritorious students selected from different reputed educational institutions of Dhaka City including Govt. Laboratory High School, Viqarunnissa Noon School and College, Dhaka University, BUET, Dhaka Medical College, etc. enrolled as many as 1000 students from around 150 reputed educational institutions across the country by 31 December 2008. They are enrolled in the this programme to be taken care of for their whole educational life subject to their fulfilment of the eligibility criteria that include satisfactory academic results, non-involvement in student politics, financial insolvency etc. So far Tk. 19. 3 million has been disbursed as scholarship under this programme.

3. 11. 1. 3 Helping people affected by natural calamities Another vital area we are dealing with as part of our CSR activities is helping people survive natural calamities.

Under this welfare programmer, EXIM Bank provides relief in cash and kind for flood, fire or cyclone victims and cold-stricken people. The aim of these CSR activities is to help the target group overcome their provisional handicap and contribute to the socio-economic growth as soon as possible.

3. 11. 1. 4 Education Promotion Scheme (Interest free loan) Under Education Promotion Scheme, quard or interest-free loan is provided for poor and meritorious students to help them bear monthly educational expenditure including academic expenses, food, accommodation, etc.

The quard is disbursed to the selected students in monthly installments till their accomplishing the master degree. Under this programme the students are required to repay the amount (only the principal amount) in long-term monthly installments after they have joined a confirmed job accomplishing

their education properly. By 31 December 2008, Tk. 19. 7 million was sanctioned to take care of around 138 poor and meritorious students from a number of reputed educational institutions like Dhaka University, Chittagong University, Dhaka Medical College, BUET, Bangladesh Agricultural University, Shahjalal University of Science and Technology etc. . 11. 1. 5 Helping people in slum areas Besides natural calamities, fire breaks out sometimes in slum areas that guts the shanties and renders the affected people totally helpless. In that situation, we help the victims fight against the hard days and return to normal life. 3. 11. 1. 6 Donation to educational institutions to setup computer lab We have donated to Dhaka University and Chittagong University to set up two computer labs that help the students of those universities acquire ICT knowledge. This will certainly help the students to be ready to take the challenges of this information society. 3. 11. 1. Beautification of Dhaka City In response to the call of the Dhaka City Corporation, EXIM Bank has been sharing a good portion of the mammoth task of beautifying the capital since 2005. To make the capital a modern city enriched with adequate urban amenities, EXIM Bank always joins hands with the government. 3. 12 Achievement 3. 12. 1 First private sector bank to open exchange house in UK In order to ensure delivery of smooth and most reliable remittance services to NRBs living and working in UK, Export Import Bank of Bangladesh Limited (EXIM Bank) has started operation of its wholly owned subsidiary “ EXIM Exchange Company (UK) Ltd”. n 30th June 2009 in London, United Kingdom, one of the oldest destinations for the expatriate Bangladeshis. It is the first exchange house owned by a Bangladeshi private bank. Bangladesh Bank Governor Dr. Atiur Rahman inaugurated the

exchange house as the Chief Guest, while H. E. Dr. M. Sayeedur Rahman Khan, Honorable High Commissioner, Government of the People's Republic of Bangladesh, was present in the program as special guest. Chairman of EXIM Bank and Director of EXIM Exchange Company (UK) Ltd. Mr.

Md Nazrul Islam Mazumder presided over the program. Deputy High Commissioner Mr. Allamah Siddique, Director of EXIM Bank Mr. Muhammed Nurul Fazal Bulbul, Mrs Nasrin Islam, Mr. Abdullah-Al-Zahir Swapan, Mr. Md. Shahidullah, Managing Director of EXIM Bank Mr. Kazi Masihur Rahman and local elites were also present in the opening ceremony. With the opening of EXIM Exchange the Bangladeshi expatriates will now be able to send remittances to their family members back home within shortest possible time through online transfer to all the branches of EXIM Bank.

EXIM Exchange Company (UK) Ltd is located at the Universal House of Wentworth Street London which is a very convenient location for the Bangladeshi community and business houses. Unlike any other exchange company operating in UK, as EXIM Exchange is completely owned and supervised by EXIM Bank under the approval of Bangladesh Bank and UK regulators, it is expected to be the most reliable and trusted Exchange House for the NRBs. 3. 12. 2 Implementation of the world renowned Core Banking Software (TEMENOS T24)

All the branches of EXIM Bank have been using branch based banking software named PcBank2000 developed by Leads Corporation, Bangladesh. In order to replace this software with a centralized Shariah Based Islami Banking software, the bank management has made an agreement with

TEMENOS Switzerland to implement its world renowned Core Banking Software T24. Implementation of this software has been started at the end of the year 2007. A team comprising very skilled employees from both business and IT of the bank has been working day and night for implementing the Software. The team has been given training on the software from Chennai, India.

Working very hard with the foreign consultants during the last one and half year, this team has successfully migrated our Motijheel branch and Head Office on 03/05/2009 after completing gap analysis, customization of the software and User Acceptance Test (UAT). The Motijheel branch and Head Office are now running on T24. This centralized software is capable enough to provide all sorts of electronic banking service to the valued customers through various electronic delivery channels. Bashundhara Branch has started to use this software from 17th March, 2010.

### 3. 12. 3 Conversion from Conventional Banking to Shariah Based ISLAMI Banking

It is a great pleasure that by the grace of Almighty Allah, the bank migrated at a time all the branches from its conventional banking operation into Shariah based Islami banking operation without any trouble. Lot of uncertainties and adversities were there into this migration process. The officers and executives of our bank motivated the valued customers by counseling and persuasion in light with the spirit of Islam especially for the non-Muslim customers. Our IT division has done the excellent job of converting and fitting the conventional business processes into the processes based on Shariah.

It has been made possible by following a systematic procedure of migration under the leadership of honorable Managing Director. 3. 13 Performance of EXIM Bank Ltd The business of banking consists of borrowing and lending. As in other businesses, operation must be based on capital but banks employ comparatively small of their own capital in relation to the total volume of their transaction. The purpose of capital on reserve accounts is primary to provide an ultimate cover against losses on loans investments. In Bangladesh, there are many types of banks which are formed as commercial banks.

But above all, EXIM Bank of Bangladesh limited is a new generation of private commercial bank. The full abbreviation of EXIM Bank Ltd. The bank has got lending personalities business man and reputed industrialist as its sponsors. The bank will be immensely benefited from the valuable advice of the experienced sponsors of the bank. The late chairmen of the bank contribute much for the solid foundation of the bank at the initial stage. Unfortunately his untimely death caused a vacuum leadership of the bank. But within shortest possible time, the sponsors who in a position to select the next Chairman of the Bank.

Performance of the EXIM Bank Ltd. During 2008 in all business arenas like deposit, investment and Foreign Exchange exceeded performance of the previous years. The Bank achieved satisfactory progress in all areas. Growth in deposit mobilization is 48. 44%, Investments 34. 73%, Import 54. 74%, and Export Business 39. 55%. 3. 14 Shariah Board The Board of directors has

formed a Sharia Supervisory Board for the Bank. Their duty is to monitor the entire Bank's transactional procedures, & assuring its Sharia compliancy.

This Board consists of the following members headed by its Chairman The tasks of the Sharia supervisor in summary is replying to queries of the Bank's administration, staff members, shareholders, depositors, & customers, follow up with the Sharia auditors and provide them with guidance, submitting reports & remarks to the Fatwa & Sharia Supervision Board and the administration, participating in the Bank's training programs, participating in the supervision over the Allqtisad Allslami magazine, & handling the duty of being the General Secretary of the Board.

Members of Shariah Council: Professor Moulana Mohammad Salah Uddin Mr. Md. Nazrul Islam Mazumder Moulana Mohammad Sadequl Islam Mr. A. K. M Nurul Fazal Bulbul Professor H. M. Shahidul Islam Barakaty Mr. Md. Abdul Mannan Mr. A. S. M. Fakhrul Ahsan Mr. Zubayer Kabir Hafez Moulana Mufti Mohammad Khair Ullah Mr. Abdullah Al-Zahir Sawpan Hafez Quari Moulana Mufti Mohammad Nur Uddin Mr. Kazi Masihur Rahman 3. 14. 1 Shariah Auditing This is the civil supervisory aspect that shapes the Bank's main feature.

Its existence is part of the Sharia Supervision procedures. One of its main tasks is to check the Sharia compliancy in the Bank's transactional procedures in accordance to the Fatwas issued in that regard, under the guidance of the Sharia Supervisor. The Sharia auditor is assigned the task of revising the Bank's transactional procedures throughout the year to check the extent to which the staff members and the different departments have

abided by the regulations, advices, and Fatwas issued by the Fatwa & Sharia Supervision Board, forums, & banking conferences.

As well as, assuring that all the contracts that states a right for the Bank or an obligation on the Bank is certified by the Fatwa & Sharia Supervision Board. Moreover, the Sharia Auditing submits periodic reports to the Sharia Supervisor in order to be proposed to the Fatwa & Sharia Supervision Board to state what it finds appropriate in that regard. 3. 14. 2 Banking with shariah principles Export Import Bank of Bangladesh Limited is the 1st bank in Bangladesh that has converted all of its operations of conventional banking into shariah-based banking since July/2004.

We offer banking services for Muslims and non-Muslims alike allowing our customers choice and flexibility in their savings and investments. Our products are approved by our Shariah Board comprising of veteran Muslim scholars of our country who are expert in all matters of Islamic finance. The process by which Noriba's investments are designed and executed allows the Bank to offer a combination of Sharia compliance and capital markets expertise that is unique throughout the world.

Noriba is committed to the strict adherence to the requirements of the Sharia as a result of the Bank's sole focus on Sharia-compliant investments and the full supervision of its financial products and transactions by the Noriba Sharia Board. Noriba experts specifically design each of the Bank's investment vehicles with the approval of the Noriba Sharia Board. Once the given product or transaction has been arranged, the Noriba Sharia Board

carefully screens it for compliance before giving final approval for its implementation.

This control mechanism guarantees that all aspects of Noriba's final products and banking transactions are in adherence with the guidelines of the Sharia.

3. 15 SWIFT Services The SWIFT Service helped in sending and receiving the messages and instructions related to NOSTRO Account operations and L/C related matters. The banks have brought 11 of branches under SWIFT network. Other branches will come under the network hopefully by the 2005. SWIFT aims to provide a prompt and efficient service to help you gain the most from our products. As a part of this service a documentation set is supplied with each product.

This Guide is a part of that documentation set and contains as comprehensive and as up-to-date a description of the product as possible. 3.

15. 1 SWIFT Network SWIFT or the Society for Worldwide Interbank Financial Telecommunication is a cooperative institution established in 1973 by a group of banks to manage their international telecommunications activities. Now over 2900 member banks, and regularly processes in excess of three million banking messages per day between banks in over 150 countries around the world own SWIFT. 3. 15. 2 SWIFT is the logical choice for most international financial transactions

With over 5900 connections among the world's major banks, the chance is high that for any given transaction the bank you are dealing with is a SWIFT user. The SWIFT network provides facilities for ensuring that messages are transmitted in standard, internationally accepted formats, simplifying



processing and permitting end to end automation of many banking transactions. SWIFT is highly secure, with elaborate mechanisms to ensure that information remains confidential, authentic and intact. With an extremely low unit transaction cost, SWIFT is nearly always the most cost-effective means of transmitting an international message. . 15. 3 SWIFT Messages In addition to its role as network provider, SWIFT is responsible for defining and maintaining standards for international banking telecommunications. Standards are necessary to ensure that banks understand the messages that they send to each other, and to allow them to process messages automatically. A. SWIFT message also comprises: ? Header containing the addresses of sending and receiving banks, the Message Type, Message priority, Delivery Monitoring Field, Obsolescence Period, Banking Priority. ? The usage and contents of SWIFT Message Headers and Trailers are more fully treated in the SWIFT.

B. The advantages of SWIFT Message Types are: ? Predictability: Depending on the type of message, the format of the message can be predicted exactly, simplifying automation. ? Diversity: A specific Message Type exists for most banking activities. In order to use SWIFT Message Types and the SWIFT network, however, banks have to employ strict controls on the ways that messages are prepared to ensure that standards are respected and that the control Header and Trailer are complete and accurate. For this reason, most banks employ specialized computer software, such as PC Connect, to perform message preparation and processing. . 16 ATM Network The bank has already floated tender in the national dailies to setup a network of 60 ATMs and 350 POS machines. The job of ATM interfacing with the Core

Banking Software is going on. Insha-Allah, by the end of this year, at least 10 ATMs will come under our own ATM network.

3. 17 List of Branches Dhaka Division

ASHUGANJ BRANCH Address: Haji Zahirul Haque Munshi Shopping Complex, Ashugonj, Brahmanbaria. Phone: 01713-063433 Email: [email protected]com Fax: 08528-7456

ASHULIA BRANCH Address: Rifat Square Plaza, Jamgora, Ashulia, Dhaka. Phone: 7789978, 01755-583690 Email:[email protected]om Fax: 7789480

BANANI BRANCH Address: Kazi's Haritage Road # 11, House # 49, Block # H, Banani, Dhaka. Phone: 02-8837871-3, 8837874, 01713-040588, 01755-584939. Email: [email protected]com Fax: 02-8837875

BASHUNDHARA ROAD BRANCH Address: KA-11/4, Bashundhara Road, Badda, Dhaka-1212. Phone: 02-8415154, 01730-357952 Email:[email protected]com Fax: 02-8413883

BOARD BAZAR BRANCH Address: Afzal Tower, Board Bazar, National University, Gazipur. Phone: 9293053, 01713-229344. Email: [email protected]com Fax: 9293054

DHANMONDI BRANCH Address: House # 4/A, Plot # 4, Road # 16 (Old-27) Dhanmondi, Dhaka.

Email:[email protected]com

ELEPHANT ROAD BRANCH Address: 218, Elephant Road, Bata Signal, Dhaka - 1205. Phone: 02-9667097-8, 01714-021767. Email:[email protected]com Fax: 880-2-9667267

FARIDPUR BRANCH Address: Faridpur Plaza, 10, Thana Road, Faridpur. Phone: 0631-61170, 61128, 61174. Email:[email protected]com Fax: 0631-61182

GAZIPUR CHOWRASTA BRANCH Address: Nasir Super Market(1st Floor), Chandana Chowrasta, Gazipur, Dhaka. Phone: 02-9263537, 9263538, 9256492, 01713-145498 Email:[email protected]com Fax: 880-2-9256493

GULSHAN BRANCH Address: 75, Gulshan Avenue, Gulshan-1, Dhaka.

Phone: 02-9862262, 9886296, 8819711, 01711-404821 Email: [email protected]com Fax: 880-2-8818703 HEAD OFFICE CORPORATE BRANCH Address: Symphony, Plot# SE(F): 9, Road# 142, Gulshan Avenue, Dhaka. Phone: 02-8828985, 9884753, 9889567. Email:[email protected]com Fax: 02-8828962IMAMGONJ BRANCH Address: Haji Abdul Kader Mansion, 139 Chawk Mogoltuliy, Imamgonj, Dhaka Phone: 02-7315527-8, 01730-019954 Email:[email protected]com Fax: 880-2-7315530 KARWAN BAZAR BRANCH Address: BGMEA Complex (2nd Floor), 23/1 Panthapath Link Road, Karwan Bazar, Dhaka. Phone: 02-8140204-6.

Email:[email protected]com Fax: 02-8140200KERANIGONJ BRANCH Address: Rashed Iron Market, Bond Dakpara, Zinzira Highway Road, Keranigonj, Dhaka. Phone: 02-7763691, 02-7763692, 01730-706768. Email: [email protected]com Fax: 02-7763692 MALIBAGH BRANCH Address: 484, DIT Road, Malibagh, Dhaka - 1217. Phone: 02-9338578, 8319076, 01730-069695 Email:[email protected]com Fax: 880-2-9357057 MAWNA BRANCH Address: Kitab Ali Plaza, Mawna Chowrasta, Sreepur, Gazipur. Phone: 06825 - 52359, 06825-52831, 06825-52830, 01713-099837, 01713-361833. Email: [email protected]om Fax: 06825-52359 MIRPUR BRANCH Address: Srayoshe Tower, Plot # 7, Rokeya Swarani, 10 No. Crossing, Mirpur, Dhaka - 1212. Phone: 02-8054226, 8056776, 8033801. Email:[email protected]com Fax: 880-2-8035668 MOTIJHEEL BRANCH Address: Sharif Mansion, 56-57, Motijheel C/A, Dhaka. Phone: 9568534, 9552800, 9568093, 9554988, 9554988, Dir-9553778 Email:[email protected]com Fax: 880-2-9569983 NARAYANGONJ BRANCH Address: 50, SM Maleh Road, Sattar Tower,

Tanbazar, Narayangonj Phone: 7640213, 7640214, 01711-439385 Email: [email protected]com Fax: 7640215NAWABPUR BRANCH

Address: 198/1, Nawabpur Road, Dhaka - 1100 Phone: 7125306, 7125307 Email:[email protected]com Fax: 880-2-7125308 NARIA BRANCH Address: Janakallan Bipony (1st Floor), Naria Bazar, Shariatpur. Phone: 0601-59135, 0601-59136, 01730-018970, 01730-018971 Email:[email protected]com Fax: 0601-159124NEW ESKATON BRANCH Address: 27/1, New Eskaton Road, Dhaka. Phone: 02-8314159, 8314435, 9352854 Email:[email protected]com Fax: 880-2-9349196 PALTAN BRANCH Address: Swadesh Tower, 41/6, Purana Paltan, Box Culvert Road, Dhaka-1000. Phone: 02-9513573, 02-9513574. Email:[email protected]com

Fax: 02-9513572PANCHABOTI BRANCH Address: Atlanta Plaza (2nd Floor), Panchaboti, Fatullah, Narayangonj. Phone: 02-7672807, 01730-001241 Email:[email protected]com Fax: 02-7672806 PANTHAPATH BRANCH Address: 19/2, West Panthapath, North Dhanmondi, Dhaka. Phone: 02-8124261, 9145911, 8141764, 9102671(EXP), 9101334(IMP), 9101332(INV). Email:[email protected]com Fax: 880-2-8126191RAJUK AVENUE BRANCH Address: 9, D. I. T Avenue, Ali Bhaban, Motijheel C/A, Dhaka- 1000 Phone: 02-9556884, 9565397, 9567115, 01713-164698 Email:[email protected]com Fax: 880-2-9555132 SAT MASJID ROAD BRANCH

Address: 47, Satmasjid Road, Dhanmondi, Dhaka - 1209. Phone: 02-8118680, 9142073, 8141249, 01730-061460. Email:[email protected]com Fax: 880-2-8142232SAVAR BRANCH Address: B-71, Rana Tower, Bazar Road, Savar, Dhaka. Phone: 7742883, 01755-575408. Email:[email protected]com

Fax: 7742882 SHIMRAIL BRANCH Address: Haji Ahasanullah Super Market, Chittagnong RD, Siddirgonj, Narayangonj. Phone: 7694672-3 (EXT. 101), 01714-038149, 01819-253283. Email:[email protected]com Fax: 7694268SONARGAON BRANCH Address: Zohra Mansion, Mograpara, Sonargaon, Narayangonj. Phone: 0672-356103, 0672-356205, 01755-584938 Email:[email protected]com Fax: 0672-356155 UTTARA BRANCH Address: House # 61/A, Road # 7, Sector # 4, Uttara Model Town, Dhaka. Phone: 02-8919785. 8952847, 01714-041406 Email:[email protected]com Fax: 880-2-8952838 Chittagong Division AGRABAD BRANCH Address: Mawla Chember, 6 Agrabad C/A, Chittagong. Phone: 031-727657, 727658, 2510733, 2511264, 01711-898224 Email:[email protected]com Fax: 031-715796BAHADDARHAT BRANCH Address: Khaza Super Market, 680/A, Arakan Road, Bahoddarhat, Chittagong. Phone: 031-2555056, 031-2555058, 01730031489. Email: [email protected]com Fax: 031-2555057

BASURHAT BRANCH Address: Jharna Shopping Complex, Basurhat Bazar, Companygonj, Noakhali. Phone: 03223-56060, 03223-56073, 01755-594105, 01755-594112. Email:[email protected]com Fax: 03223-56575CDA AVENUE BRANCH Address: Commerce View Complex, 191, East Nasirabad, Chittagong. Phone: 031-652074, 657609, 01713396538 (G. B. Dept), 01730452371 (FEX Dept). Email:[email protected]com Fax: 031-653026.

CHHAGALNAIYA BRANCH Address: H. S Plaza, Matin Road, Chhagalnaiya, Feni. Phone: 03322-78018, 01713-193388. Email:[email protected]com Fax: 03322-78188. CHOWMUHANI BRANCH

Address: 60/231, D. B. Road, Chowmuhan, Begumgonj, Noakhali. Phone: 0321 - 52700, 51034, 01714-084311. Email:[email protected]com Fax: 0321 - 51034. COMILLA BRANCH Address: Goni Bhuiyan Mansion, A. K Fazlul Haque Road, Monoharpur, Comilla. Phone: 081 - 61850, 01713-396537, 01973-229330 Email:[email protected]com Fax: 081-61722FENI BRANCH Address: Chistiya Trade Center, 308-310, S. S. K. Road, Feni . Phone: 0331-74060-1, 01730-001242. Email:[email protected]com Fax: 0331-74062 KHATUNGONJ BRANCH Address: Union Square Building, 1078, Ramjoy Mahajan Lane, Khatungonj, Chittagong.

Phone: 031-615544, 610711, 2851291, 01711-898223, 01713-229384 Email: [email protected]com Fax: 031-639080LAKSHAM BRANCH Address: Sufia Complex, Doulotgonj Bazar, Laksham, Comilla. Phone: 08032 - 51333, 01711-726302 Email:[email protected]com Fax: 08032-51252 MODAFFARGONJ BRANCH Address: Alam Highway Supermarket (1st Floor), Modafforgonj, Laksham, Comilla. Phone: 01730-061455, 01730-061456 Email:[email protected]com PAHARTOLI BRANCH Address: Noor Jahan Tower, Alanker More, Pahartoli, Chittagong. Phone: 031-2771695, 2771696, 01714-166966 Email:[email protected]com Fax: 031-750065

SHITAKUNDA BRANCH Address: KDS Logistics Building, Sonaichhori, Sitakunda, Chittagong. Phone: 03042-51093, 01713-229338. Email: [email protected]com Fax: 031-2528900 SONAIMURI BRANCH Address: Mohammadia Super Market, Sonaimuri Bazar, Sonaimuri, Noakhali. Phone: 03227-51057, 03227-51058, 01711-750610, 01711-885754 Email: [email protected]com Fax: 03227-5105 THAKUR BAZAR KRISHI / SME

BRANCH Address: Toffazal Hossain Chowdhury Market, Thakur Bazar, Shahrasti, Chandpur. Phone: 08427-56873, 08427-56878, 01730-373897. Email:[email protected]com Fax: 08427-56874 Rajshahi Division

BOGRA BRANCH Address: Sheikh Mansion, Baragola, Bogra Phone: 051-60702, 60703, 60705 Email:[email protected]com Fax: 880-51-60704

RAJSHAHI BRANCH Address: Mollah Super Market, Zero Point, Shaheb Bazar, Rajshahi. Phone: 0721-772004, 772005 , 01730-097272. Email: [email protected]com Fax: 0721-772004 Sylhet Division BEANIBAZAR

BRANCH Address: Zaman Plaza(1st Floor), Beanibazar, Sylhet. Phone: 08223-56108, 08223-56109, 01730-019951, 01730-452002 Email: [email protected]com Fax: 08223-56110 BISWANATH BRANCH Address: Al Madina Complex, Puran Bazar, Jagannathpur Road, Biswanath, Sylhet.

Phone: 08224-56219, 08224-56218, 01730-735340 Email: [email protected]com Fax: 08224-56217 FENCHUGONJ BRANCH Address:

Samad Plaza, Fenchugonj Bazar, Sylhet. Phone: 08226-56290 , 08226-56163. Email:[email protected]com Fax: 08226-56162 GOALABAZAR BRANCH

Address: Abdul Karim Mansion, South Goalabazar, Osmaninagar, Sylhet.

Phone: 08242-56255, 08242-56256, 01730-735341 Email: [email protected]com Fax: 08242-56254 GOLAPGONJ BRANCH Address: Noor

Mansion, Golapgonj, Sylhet. Phone: 08227-56461, 08227-56462, 01730-097268 Email:[email protected]com Fax: 08227-56463MOULVI BAZAR

BRANCH

Address: Al-Aksha Shopping Centre, Kusumbag Area, Moulvibazar. Phone: 0861-63007, 63008, 01714-167459 Email:[email protected]com Fax: 0861-

63009 NOBIGONJ BRANCH Address: Bangla Tower, Sherpur Road, Nobigonj, Hobigonj. Phone: 08328-56526, 01730-001240 Email:[email protected]com Fax: 08328-56528SYLHET BRANCH Address: Al-Hamra Shopping City, Zinda Bazar, Sylhet. Phone: 0821-724413, 0821-2831208, 01714-001964 Email: [email protected]com Fax: 880-821-725070 Khulna Division KHULNA BRANCH Address: A. Hossain Plaza 4, Sir Iqbal Road, Khulna. Phone: 041-2831470-2, 01730-018183

Email:[email protected]com Fax: 041-2831473JESSORE BRANCH Address: 37, M. K. Road, Jessore. Phone: 0421 - 67980-2, 01713-400273. Email: [email protected]com Fax: 0421-67983 KUSHTIA BRANCH Address: Rajob Ali Market, 152, N. S. Road, Kushtia. Phone: 071-71625, 73866, 71526. Email: [email protected]com Fax: 071-61158BARISAL BRANCH Address: 105, Nasim Biswash Lane, Sadar Road, Barisal. Phone: 0431-2177080, 2177081, 01714-178882. Email:[email protected]com Fax: 0431-63767 DINAJPUR BRANCH Address: Northern Plaza, Goneshtola, Dinajpur. Phone: +880-531-61880, Email:[email protected]com

Fax: +880-531-61770. RANGPUR BRANCH Address: 268, Shah Amanat Shopping Complex, Jahaj Company More, Station Road, Rangpur. Phone: 0521 -61214, 0521- 61215 Email:[email protected]com Fax: 0521 -61214

Chapter 04 Theoretical Aspect of Credit Management and Credit Policy 4. 1 Definition of Credit Policy Policy entails projected course of action. EXIM Bank has its own policy granting credit although credit is always a matter of judgment applying common sense in the light of one's experience. A sound



credit policy includes among other things safety of funds invested vis-a-vis profitability of the bank.

Encouraging maximum number of small loans is better than concentration in a particular type of advances, which ensures sufficient liquidity with least incidence of bad debts. It has to be borne in mind that a good loan allowed to a properly selected borrower is half collected. In order to make a good loan there should have a good loan policy.

#### 4. 1. 2 Purposes of Credit Policy

There are some objectives behind a written credit policy of Uttara Bank that are as follows:

- ? To provide a guideline for giving loan.
- ? Prompt response to the customer need.
- ? Shorten the procedure of giving loan.
- Reduce the volume of work from top level management.
- ? Delegation of authority of work from top level of management.
- ? To check and balance the operational activities

#### 4. 1. 3 Formulation of a Credit Policy

One of questions that should arise in a discussion of credit is who should formulate the policy. Although the ultimate responsibilities lay at the highest level in the organization i. e. the board of directors. Yet the actual drafting shall have to be done by the senior lending office in consultations with the chief executive officer and with contribution from senior officers, associates and subordinates.

Obviously the level of origin will vary with the size and structure of the organization. The matter then referred to the board for approval after careful examination consideration and discussion.

#### 4. 1. 4 Essential Components of a Sound Credit Policy

There can be some variations based on the needs of a particular organization, but at least the following areas should be covered in

any comprehensive statement of credit policy and EXIM Bank's policy also covers these areas: 1.

Legal consideration: The bank's legal lending limit and other constraints should be set forth to avoid inadvertent violation of banking regulations. 2.

Delegation of authority: Each individual authorized to extend credit should know precisely how much and under what conditions he or she may commit the bank's funds. These authorities should be approved, at least annually, by written resolution of the board of directors and kept current at all times. 3.

Types of credit extension: One of the most substantial parts of a loan is a delineation of which types of loans are acceptable and which type are not. .

Pricing: In any profit motivated endeavor, the price to be charged for the goods or services rendered is of paramount without it, individuals have few guidelines for quoting retail or fees, and the variations resulting from human nature will be a source of customer dissatisfaction. 5. Market Area: Each bank should establish its proper market area, based upon, among other things, the size and sophistication of its organization its capital standpoint, defining one's market area is probably more important in the lending function than in any other aspect of banking. 6.

Loan Standard: This is a definition of the types of credit to be expended, wherein the qualitative standards for acceptable loans are set forth. 7. Credit

Granting procedures: This subject may be covered in separate manual, and usually is in larger banks. At any rate, it should not be overlooked because proper procedures are essential in loan establishing policy and standards.

Without proper procedure for granting credit and constant policing to ensure

that these procedures are meticulously carried out, the best conceived loan policy will not function and inevitable, problems will develop. 4. 1. 5 Lending Guidelines

As the bank has a rate of non-performing loans. Banks risk taking applied should be contained and our focus should be to maintain a credit portfolio keeping in mind of bank's capital adequacy and recovery strength. Thus bank's strategy will be invigorating loan processing steps including identifying , measuring , containing risks as well as maintaining a balance portfolio through minimizing loan concentration , encouraging loan diversification , expanding product range , streamlining security , insurance etc. as buffer against unexpected cash flow . 4. 1. 6 Focus on Industry and Business Segment

Industry segment focuses on Textile, Pharmaceuticals, Agro-based, Food and allied, Telecommunication, Power generation and distribution, Healthcare, Entertainment Services, Chemicals, Transport, Infrastructure development, Linkage industry, Information technology, Ceramics, Others as decided from time to time. And business segment focuses on Distribution, Brick field, Rice mill/ flour mill/ oil mill, Work order, Yarn trading, Cloth merchant, Industrial spares, Hardware, Electronic and electrical goods, Construction materials, Fish trading, Grocery, Wholesale/ retail, Others as dedicated from time to time . 1. 7 Types of Credit Facilities: Bank will go for ? Term financing for new project and BMRE of existing projects (large, medium, SME). ? Working capital for industries, trading services and others (large, medium, SME). ? Trade finance for import and export ? Lease finance ? Small loan for traders,

micro enterprise and other productive small venture. ? Consumer finance ? Fee business

#### 4. 2 Credit Management

As EXIM bank is providing credit facility out of its total available funds, it has to manage these credits very efficiently.

An efficient credit management system comprises many things and this cover the pre-sanction activities to post-sanction activities. Credit management is important as it helps the banks and financial institutions to understand various dimensions of risk involved in different credit transactions. At the pre-sanction stage, credit management helps the sanctioning authority to decide whether to lend or not to lend, what should be the loan price, what should be the extent of exposure, what should be the appropriate credit facility, what are the various facilities, what are the various risk mitigation tools to put a cap on the risk level.

At the post-sanctioning stage, the bank can decide about the depth of the review of renewal, frequency of review, periodicity of the grading, and other precautions to be taken. Having considered the significance of credit risk, it becomes imperative for the banking system to carefully develop credit management. For this reason, the bank is maintaining a division which is well-known as credit division.

#### 4. 2. 1 Process of Credit Management

Credit Management Policy for any commercial bank must have been prepared in accordance with the Policy Guidelines of Bangladesh Bank's Focus Group on Credit and Risk Management with some changes to meet particular bank's internal needs. Credit management must be organized in such a process that the bank can minimize its losses for payment of

expected dividend to the shareholders. The purpose of this process is to provide directional guidelines that will improve the risk management culture, establish minimum standards for segregation of duties and responsibilities, and assist in the ongoing improvement of concerned bank.

The guidelines for credit management may be organized into the following sections:

4. 2. 2 Policy guidelines

- a. Lending guidelines
- b. Credit assessment and risk grading
- c. Approval authority
- d. Segregation of duties
- e. Internal control and compliance

4. 2. 3 Program guidelines

- a. Approval process
- b. Credit administration
- c. Credit monitoring
- d. Credit recovery

Now the guidelines are discussed in the following:

4. 2. 4 Policy guidelines

- a. Lending guidelines: The lending guidelines include the following:
  - ? Industry and Business Segment Focus
  - Types of loan facilities
  - ? Single borrowers/ group limits/ syndication
  - ? Lending caps
  - ? Discouraged business typesAs a minimum, the followings are discouraged:
  - o Military equipment/ weapons finance
  - o Highly leveraged transactions
  - o Finance of speculative investments
  - o Logging, mineral extraction/ mining, or other activity that is ethically or environmentally sensitive
  - o Lending to companies listed on CIB black list or known
  - o Counter parties in countries subject to UN sanctions
  - o Lending to holding companies.
- b. Credit Assessment and Risk Grading:

A thorough credit and risk assessment should be conducted prior to the granting of loans, and at least annually thereafter for all facilities. Credit Applications should summarize the results of the risk assessment and include, as a minimum, the following details:

- ? Environment or social risk inputs
- ? Amount and type of loan (s) proposed
- ? Purpose of loans
- ? Loan

structure ( tenor, covenants, repayment schedule, interest) ? Security arrangement ? Any other risk or issue ? Risk triggers and action plan-condition prudent, etc.

Risk is graded as per Lending Risk Analysis (LRA), Bangladesh Bank's Guidelines of classification of loans and advances. c. Approval Authority: Approval authority may be as the following: ? Credit approval authority has been delegated to Branch Manager, Credit Committee by the MD/ Board ? Delegated approval authorities shall be reviewed annually by MD/ Board. MD/ Board: ? Approvals must be evidenced in writing. Approval records must be kept on file with credit application ? The aggregate exposure to any borrower or borrowing group must be used to determine the approval authority required. Any credit proposal that does not comply with Lending Guidelines, regardless of amount, should be referred to Head Office for approval. d. Segregation of Duties: Banks should aim at segregating the following lending function: ? Credit approval/ risk management ? Relationship management/ marketing ? Credit administration e. Internal Control and Compliance: Banks must have a segregated internal audit/ control department charged with conducting audits of all branches. 4. 2. 5 Program guidelines a. Approval process: The following diagram illustrates an example of the approval process: b. b.

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