GUIDELINES ON
CREDIT RISK MANAGEMENT (CRM)

REVISED EDITION

PUBALI BANK LIMITED

CREDIT DIVISION

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Preamble

To cope with the best risk management practices, Pubali Bank Limited introduced “Credit Risk Management Manual” in 2006 for managing core risks in banking’ in all the major areas. Witnessing & experiencing different changes and transformation in banking, it was revised afterwards accumulating necessary spreading out & variations to address the changes, owing to the significant time lag.

The ongoing development of contemporary credit methods & practices and the increased use of innovative credit products have brought about substantial changes in the business environment faced by credit institutions today. Especially in the field of lending, these changes and innovations are now forcing banks to adapt their in-house relevant lending policies to meet these new requirements.

In this regard, revised edition of these guidelines has been prepared in conformity with “Guidelines on Credit Risk Management (CRM) for Banks” circulated by Bangladesh Bank vide BRPD Circular No. 04, dated March 8, 2016. The Revised edition of these Guidelines on Credit Risk Management are intended to assist our credit officials to deal with redesigned banking systems and credit processes in course of implementing the Basel III framework.

The content of these guidelines is based on current developments in the banking field and is meant to provide its users with best practices. These guidelines will provide broad-based policy on the core principles for identifying, measuring, managing and controlling credit risk in bank. The purpose of these publications is to develop mutual understanding between Top Management and credit officials in different levels of field with regard to the upcoming changes in mode of financing. In this context, the Pubali Bank Limited sees itself as a partner to national credit industry.

It is our sincere hope that revised edition of these Guidelines on Credit Risk Management will provide interesting reading as well as a basis for efficient credit risk management policy. Users are expected to go beneath the yardstick set forth in these guidelines aligned with the current changes in banking sector.

(Md. Abdul Halim Chowdhury)
Managing Director

Acronyms	
AoA	Article of Association
MoA	Memorandum of Association
BB	Bangladesh Bank
CIB	Credit Information Bureau
LP	Lending Policy
CRMP	Credit Risk Management Policy
ESRM	Environmental & Social Risk Management
ICRRS	Internal Credit Risk Rating System
MIS	Management Information Systems
RAS	Risk Appetite Statement
NBFIs	Non-Bank Financial Institutions
NPLs	Non-Performing Loans
RJSC	Registrar of Joint Stock Companies & Firms
SMEs	Small & Medium-sized Enterprises
EWS	Early Warning System
NII	Net Interest Income
NFI	Net Fees Income
PD	Probability of Default
CET1	Common Equity Tier I
OBS	Off Balance Sheet
SWOT	Strengths & Weaknesses and Opportunities & Threats
LTV	Loan to Value
CMSME	Cottage, Micro, Small & Medium-sized Enterprises
HoC	Head of Credit
BB	Bangladesh Bank

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Chapter 01: Overview of Credit Risk Management

1.1 Introduction

Risk is the element of uncertainty or possibility of loss that prevail in any business transaction in any place, in any mode and at any time. In the financial arena, enterprise risks can be broadly categorized as Credit Risk, Operational Risk, Market Risk and Other Risks. Credit risk is the possibility that a borrower or counter party will fail to meet agreed obligations. Globally, major portion of total risk elements in Banks and Financial Institutions (FI)s are credit risk alone. Thus managing credit risk for efficient management of a bank has gradually become the most crucial task. Credit Risk Management encompasses identification, measurement, matching mitigations, monitoring and control of the credit risk exposures. As a leading bank of Bangladesh, Pubali Bank Limited opts for attaining a fully functioning organizational structure to perform the crucial task of Credit Risk Management (CRM).

Credit risk as range of possible outcomes

- Credit risk arises from the potential that a borrower will fail to meet its obligations in accordance with agreed terms, resulting in a negative impact on the profitability and capital of the bank.
- Generally credits are the largest and most obvious source of credit risk. However, credit risk could stem from both on-balance sheet and off-balance sheet activities such as guarantees. It may arise from either an inability or an unwillingness to perform in the pre-committed contracted manner. Credit risk comes from dealing with households, small or medium-sized enterprises (SMEs), corporate clients, other banks and financial institutions, or a sovereign.
- In more technical terms, credit risk can be viewed as the existence of multiple possible outcomes when a bank makes a loan or other extension of credit. The possible outcomes range from full and timely payments according to the contract, all the way to a complete absence of any repayment (a total loss on the loan). Payments could be made in full but not in a timely manner, or payments could be made in a timely manner but not in full. Every possible outcome, and there are a great many possible outcomes, can be said to have a probability of occurrence, and the probabilities, as in any distribution, sum to 100 percent.
- In this and all the subsequent sections on credit risk management, “loan” is used as shorthand for all possible types of exposure to a single client or group of related clients. It is to be understood that many different types of transactions, including off-balance sheet transactions, pose credit risk to the bank, and all such transactions are subject to these Guidelines as appropriate.

1.2 Policy Guidelines on Credit Risk Management

For sake of well-organized, fully controlled & better-disciplined credit policy in practice, Pubali Bank Limited has felt the exigency to revisit the existing Credit Risk Management guidelines. In continuation to that, this revised version of the guidelines is designed in line with Guidelines on Credit Risk Management (CRM) for Banks, Edition-March 08, 2016 edited by Bangladesh Bank. Salient objects of these guidelines appended below:

- Design a high-quality "Credit Risk Management Policy" (CRMP) making allowances for globalization, open-market economy, decentralization, renunciation of intermediaries, national & international environment & business atmosphere.
- Form strong & appropriate Credit Risk Management Committee (CRMC);
- Develop a Lending Policy (LP) as a part of overall Credit Risk Management Framework;
- Reduce expected & unexpected losses;
- Earn profit to the desired level;
- Form an Information & Communication Technology (ICT) based Credit Risk Management System. Design & use of convenient software for managing Credit Risks stimulated from major borrowers;
- Segregate the duties & responsibilities;
- Culture Credit Risk Management values in practice.

1.2.1 Robust Lending Policy as an Answer to Credit Risk Management

The Lending Policy is introduced to protect interest of the Bank as a whole and simultaneously interest of the borrowers in the credit market and to make credit and banking services more accessible. It will hopefully play a vital role in making significant contribution to the national economy by means of transmission of credit flow through sound banking services in sustainable, transparent & fair manner. After all, it is aimed to meet the morals of Bank Company Act, Industrial Policy, Export & Import Policy and other policies formulated by the government from time to time. Guidelines on Credit Risk Management (CRM) for Banks, Edition-March 08, 2016 edited by Bangladesh Bank has also formed a solid base for the Lending Policy.

Credit proposal or approval must be well-thought-out encompassing Money Laundering Prevention Act, Bank Company Act, KYC and other concerned rules & regulations formulated by Government / Bangladesh Bank/ Bank for International Settlement & other eligible bodies from time to time.

Any impression of deviation from the policy, if appeared while selecting borrowers / appraising credit proposals/ granting & disbursing credits, must be addressed with comprehensive reason and such deviation should be gone through Board's approval.

The Credit Policy will be reviewed/ analyzed by the Board of Directors annually to accommodate bank's adapted investment policy in accordance with economic changes in the national or global or near global arena, and all instructions set forth in related acts and regulations of BB & other eligible bodies from time to time.

1.2.2 Objectives of Lending Policy (OLP)

Key objectives of Lending policy is to ensure loan diversification, smooth growth of agro-based industries, adequate dissemination of loans amongst CMSME entrepreneurs, promotion of export to the desired level. Besides, over-all materialization of Credit Risk Management in the entire level of Bank's credit dealings is also one of the main objectives of the policy. Other objectives are added on next end-to-end.

Promote Financial Inclusion

It is well recognized that well-functioning financial systems are essential for economic development. Financial inclusion or inclusive financial system is being considered as foremost tool for attaining sustainable, risk-absorbent & shock-resistant financial system.

Delivery of credits & other financial services should be made at affordable costs / prices to sections of disadvantaged and low-income segments of society. Combined with usual banking services, steps are to be taken to disseminate credits to the said segments of society.

Stimulate Sustainable Finance as a Sponsor to Green Economy

Global warming is a burning issue of the time. The rapid changes in the climate pattern cause many problems and directly leave impact on biodiversity, agriculture, forestry, water resources, and human health, which need immediate national and global response.

Green Banking & Green Financing is a new initiative throughout the world. Pubali Bank Ltd., as the largest private commercial bank in Bangladesh, has undertaken a long term view to consider the environmental consequences while going for lending under its lending policy. It is firmed to ensure sustainable business bringing benefits to its shareholders, society, the environment and local economies.

Ensure Profitability in Commercial Terms

Diversified and pragmatic steps (such as- proliferation of performing loans portfolio, reducing cost of credit etc.) are to be assumed to ensure expected returns in terms of money. To reach this goal line, officials are to examine the probability, viability & profitability using various measurement indicators prior to sanctioning any credit, irrespective of its size or amount.

Deliver Dynamic Inspiration for Socio-Economic Development, Poverty Elimination and Create Scopes for Employment

Policy emphasizes on credit disbursement to special sectors suitable for socio-economic development, poverty elimination & creation of scopes for employment. Endeavor should be put in to disburse loans in any allowed and profitable sectors conducive to national economy. Loan is disbursable to facilitate all types of agri-businesses.

Prevent Credit Concentration & Stimulate Diversification

In spite of going through sound origination and administration policies and procedures while lending, bank may have high or poor credit risk if the loan book is concentrated.

Concentration risk arises when most or all of the investment goes to single or few individuals or entities or sectors or instruments. This may cause huge losses to the bank and can threaten the bank's financial health or ability to maintain core operations. As a solution to these losses, banks need to pay attention to the following credit concentration risk areas:

- Sector wise exposure,
- Division wise exposure (Geographic Concentration),
- Group wise exposure (Outstanding amount more than),
- Single borrower wise exposure (Outstanding amount more than),
- Top borrower wise exposure (Top 10-50 borrowers will be counted)

Sector wise Concentration

Normally, loan disbursement to the existing sectors will be continued avoiding more concentration to a particular sector. However, awareness is required while lending to those sectors experienced by the bank as risky & non profitable. To prioritize the ICT sector and agro-based industry sector will be a major objective of loan diversification.

Division wise / Geographical Concentration

Bank should keep an eye towards balance disbursement of loans across all geographical areas / regions. Loan disbursement should not be concentrated to some limited geographical areas / regions. Bank will accelerate its credit flow to agro-based industries, power & other sectors in backward / less developed/ undeveloped areas. Specially, export-oriented agro-based industries are to be encouraged through bank's lending.

Intensify Small & Medium Sized Loan Disbursement Rather Large Sized Loan & Term Loan

Emphasize should be given to disburse largely through small & medium sized loans rather than large sized loans / term loans. Opportunity of consortium / syndication/ club financing may be adopted for granting & disbursing large sized loans.

Prioritize the Agro-based Industries

Small & medium sized agro-based industries will get priority as lending policy.

Promote Export-Import Business

Special attention is required to promote export oriented business/ project to boost up foreign reserve conducive to national sustainable economic growth. Import businesses which are favorable to export business / project should also be identified as prioritized sector for lending.

Chapter 02: Lending Policy (LP)

2.0 Lending Guidelines (LG)

Lending Guidelines are designed for facilitating bank to keep an eye on credit policy while analyzing, examining & selecting loan disbursement sector. Concerned credit officials should think through the following areas /matters with importance while recommending and sending loan proposal to the competent authority in line with CRM Guidelines.

- Industry and Business Segment Focus,
- Discouraged Business Types,
- Credit Norms regarding sanction of individual types of loans,
- Loan Facility Parameters,
- Lending & Investment Limits,
- Loan Syndication,
- Working Capital,
- Trade Finance,
- Fixed Term Loan,
- Short Term Agricultural & Micro Credit, etc.

2.1 Industry and Business Segment Focus

It is an essential component of lending policy to sanction & disburse loans giving preferences on the prevailing sectors and onward progressive sectors. In this regard, the concerned credit officials are to emphasize on the following subjects in order to make good credit decisions.

a. Prevailing/ Maintaining Sectors

Exercise of assessing, approving and disbursing traditional credits along with Export-Import loans, investment in small & medium enterprises and other existing types of investment will largely be sustained. Maintaining sectors includes micro-credits, SME loans, lease finance, consumer credits, apartment loans etc. However bank need to pay attention to incorporate potential sectors with its maintaining sectors considering necessity & potentiality.

b. Privileged Growing Sectors

Banks should make focus on disbursing loans to the following sectors giving preferences on their fast growing posture:

i. Agro-based Industries (excepting cold-storage for potatoes)
ii. 100% Export-oriented Textile Industries (including ready-made garments)
iii. Service Industries
iv. Pharmaceuticals
v. Transport
vi. Power Generation
vii. Handicrafts.

viii. Export of Computer-Software & IT/ Data
ix. Synthetic Flower Manufacturing
x. Frozen Foods (Including frozen chicken & fowl)
xi. Gift Items
xii. 100% Export-oriented Jute Products
xiii. Jewelry and Diamond Cutting & Polishing
xiv. Petroleum & Gas
xv. Sericulture & Silk Industries
xvi. Stuffed Toys

c. <u>Fixed Term / Project Loans</u>

i. ICT Sector
ii. Electronics
iii. Synthetic Flower Manufacturing
iv. Export-oriented Frozen Foods
v. Flower Cultivation
vi. Gift Items
vii. Export-oriented Leather Goods
viii. Export-oriented Jute Products
ix. Jewelry and Diamond Cutting & Polishing
x. Sub-Sectors of Petroleum & Gas (LPG, CNG etc.)
xi. Sericulture & Silk Industries
xii. Toys
xiii. Sub-sectors of Textiles excluding Ready-made Garments (Such as: Composite Textiles; Composite Knitting; Spinning; Spinning, Weaving & Finishing of Woolen Textiles excluding Handloom; Spinning, Weaving & Finishing of Silk, Art-Silk and Synthetic-Textiles excluding Handloom; Spinning, Weaving & Finishing of Narrow Fabrics; Dying, Bleaching, Printing and Finishing of Cable Textiles; Ready-made Textiles excluding Weaving-Apparel; Hats & Caps etc.)
xiv. Housing-Sectors (in limited magnitude) and Sub-sectors of Housing & Infrastructure-Development (Such as Tiles; Ceramics, Glass-Mirrors, Sanitary-Wares Insulators & Tiles-Ceramics)
xv. Stone Processing
xvi. Power Generation

d. <u>Innovative Sectors</u>

Bank must endeavor to find out new sectors for loan disbursement considering across all possible dimensions of the credit portfolio. For example- women entrepreneur financing; special loans to the service holders; hassle free consumer credits; loans for computer businesses etc. will be considered as innovative financeable sectors. In addition, home loans for the non-resident; infrastructure development loan; loans for solar/wind power generation; home loans for the exporters etc. will get priority as innovative loan disbursement sectors.

e. <u>Shrink Sectors</u>

Officials are to exercise a heightened level of caution in lending to saturated sectors, such as cement; cold-storage for potatoes etc. Cautionary measures are needed at the time of granting credits to ship breaking; salt-cultivation as well. It is imperative not to disburse further loans to unproductive sectors. Credit facilities are not to be allowed to Govt. Specified Sectors. Officials are to keep themselves away from allowing credits to new sectors with high capital reliance & risks.

2.2 Discouraged/ Prohibited Business Types

It is discouraged / prohibited to accommodate with loans to the following sectors:

- 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;
- Counterparties in countries subject to UN sanctions;
- Share Lending;
- Taking an equity Stake in Borrowers;
- Holding Companies;
- Bridge Loans relying on equity / debt issuance as a source of repayment;
- Land Purchasing.

Special Attention for Lending to Real Estate Sector

Officials are instructed to refrain from disbursing any loan to private housing projects which are not approved by statutory government organizations. Concerned credit officials are to comply with conditions specified in the `Private Housing Project Land Development Rule, 2004' while disbursing loans for land development project. It is also suggested that concerned officials should arrange field visits for ensuring that loan proceeds are being used for the designated purpose positively. Bank may lend to individual, government, semi-government and private projects that are approved by City Corporation on the basis of sections 35, 36 of the Local Government (City Corporation) Act, 2009.

Officials also require complying with the related acts, rules and codes and taking approval from the proper authorities before financing any residential or commercial building, establishment or construction or land development and purchase of building, apartment or floor space.

2.3 Financial Inclusion

It is well recognized that well-functioning financial systems are essential for economic development. Financial inclusion or inclusive financial system is being considered as foremost tool for attaining sustainable, risk-absorbent & shock-resistant financial system.

To address the country's economic need, having combined with its usual lending services, Pubali Bank limited is on the way to create and expand lending services to the backward/ less developed / undeveloped segments of society.

2.4 Sustainable Finance

Global warming is a burning issue of the time. The rapid changes in the climate pattern cause many problems and directly leave impact on biodiversity, agriculture, forestry, water resources, and human health, which need immediate global response.

Bank will consider all environmental & social risks before approval of loans. To ensure bank's lending sustainable & risk absorbent, branch will assess the Environmental & Social Risks associated with lending as per ESRM guidelines and will mention the risks in the credit proposals. The concerned approval authority will observe all the risk assessment indicators along with Environmental & Social Risks mentioned in the proposal and approve the loan if it seems viable in respect of all the indicators.

(For details of Environmental & Social Risk Management, our bank's ESRM Guidelines; Bangladesh Bank's SFD Circular No.02 dated 08.02.2017 and subsequent amendment(s) thereof should be followed).

2.5 Credit Norms Regarding Sanction of Individual Types of Loans

It is likely that considering applicant's business site, demand, repayment capacity along with other appraising indicators, banks should go for granting loans from 50% to 70% of credit need to a single person / counterparty or a group. However bank may allow more loans beyond above ceiling if there are sufficient logical reasons. But total exposure must not exceed legal lending limit at any point of time. For proper credit risk management, usually, bank may extend credit upto 50% of eligible collateral value. However, bank may extend credit upto 100% or more of the eligible collateral value or even without collateral if the borrower/ applicant seems outstanding in terms of credit history and if repayment capacity of the borrower provide sufficient probability of repayment on the basis of financial and income statement, ratios, sources and uses of funds, cash flow coverage, past performance, financial projections, stability of payment sources, quality of management, macroeconomic and industry conditions etc. But allowing credit exceeding the collateral value or without collateral must be done with Board's approval. Generally well-known limits across possible dimensions are as follows;

Continuous loans to trading business / service provider	-	Taka 5.00 lac to 75.00 crore
Continuous loans to Industries	-	Taka 5.00 lac to 100.00 crore
Short Term loans to all business	-	Taka 5.00 lac to 75.00 crore
Mid Term loans to all business	-	Taka 10.00 lac to 100.00 crore

Long Term loans to all business	-	Taka 25.00 lac to 150.00 crore

Loan limits for CMSME

Cottage Industry	-	Taka 10.00 lac (maximum)
Micro Industry (Manufacturing)	-	Taka 1.00 crore (maximum)
Micro Industry (Service)	-	Taka 25.00 lac (maximum)
Small Industry (Manufacturing)	-	Taka 20.00 crore (maximum)
Small Industry (Service)	-	Taka 5.00 crore (maximum)
Medium Industry (Manufacturing)	-	Taka 75.00 crore (maximum)
Medium Industry (Service)	-	Taka 50.00 crore (maximum)
Micro Industry (Trading)	-	Taka 25.00 lac (maximum)
Small Industry (trading)	-	Taka 5.00 crore (maximum)

If & when required, limits mentioned above will be changed as per guidelines of Bangladesh Bank.

*Trade financing to other than Micro or Small Enterprises will not be treated as SME financing.

2.6 Loan Facility Parameters

Bank must start with various strategies as loan facility parameters for sake of credit risk mitigation. In the loan proposal, existence of loan limit, tenure, collateral & legal aspects etc. are imperative. The following factors may be considered while going for lending:

- Not to go for lending with comparatively high credit risk
- Asses the collateral value prior to appraising credit proposal
- Consider the value of collateral for appraising the credit facility
- Insure the security appropriately in applicable cases.

Working Capital Loan

i. Amount of working capital loan is determined on the basis of credit requirement and repayment capacity of the borrower. Normally, 50% of credit need may be granted. However, loan amount may be extended upto 100% of credit need of the borrower on the basis of repayment capacity of the borrower. But the amount must not exceed taka 100.00 core and primarily tenure must not exceed 1 (one) year at any point of time.

ii. Bank may extend credit upto 50% of eligible collateral value. However, bank may extend credit upto 100% or more of the eligible collateral value or even without collateral if the borrower/ applicant seems outstanding in terms of credit history and if repayment capacity of the borrower provide sufficient probability of repayment on the basis of financial and income statement, ratios, sources and uses of funds, cash flow coverage, past performance, financial projections, stability of payment sources, quality of management, macroeconomic and industry conditions etc.

Fixed Term Loan

Purposes of Term Loan are as under:

- Acquisition of Fixed Assets such as Building, Plant & Machinery
- Modernization/ renovation /expansion /diversification of an existing unit
- Other Long Term Requirements
- Acquisition of balancing equipment
- Replacement of high cost debt (For residual period only)

Amount & period of Term Loan are to be fixed on the basis of feasibility i.e. capability, capacity, future projection & value of security etc. Normally Term Loan will be granted from 50% to 90% of the project cost but not exceeding taka 200.00 crore at any point of time.

Time Frame for Term Loan

Short Term	:	Tenure upto 01 (one) year
Mid Term	:	Tenure more than 01 (one) year but less or equal 05 (five) years
Loan Term	:	Tenure more than 05 (five) years.

Pricing: Usual rate of interest will be applied. However, the bank reserves the rights to change the rate of interest. In case of Term Loan bank reserves the right of upward re-fixation of interest (in any time) and in this connection notice is to be served to the borrower one month ahead of such re-fixation stating reasonable ground with up to date bank dues of the borrower and fresh repayment schedule.

2.7 Lending & Investment Limits

It is an essential component of credit risk management to establish limits on concentrations across all possible dimensions of the credit portfolio. In order to comply with the section–26 (Kha) of the Banking Companies Act, 1991 and BRPD Circular No.02 dated January 16, 2014 of Bangladesh Bank, it is necessary task to establish a sensible disaggregation of the portfolio, along with the following lines:

Single Person / Counterparty or Group

- The outstanding amount of exposure, both funded and non-funded, to a single person / counterparty or a group shall not exceed 35% of the capital at any point of time.
- The aggregate outstanding principal amount of funded exposures shall not exceed 15% of the capital at any point of time.
- In case of export financing, the outstanding amount of exposure, both funded and non-funded, at any point of time to a single person / counterparty or a group shall not exceed 50% of the capital. However, the aggregate outstanding principal amount of funded exposures shall not exceed 15% of the capital at any point of time.

Exceptions: In order to allow banks to accommodate prudently the genuine credit needs of creditworthy borrowers, notwithstanding anything contained in above norms, the following exceptions shall be applicable to the limits set forth:

- Public limited company, which has 50% or more public shareholdings, shall not be considered as an enterprise /organization of any group.
- In case of credit facilities provided to the government or against government guarantees and AAA rated Multilateral Development Banks' (MDBs) guarantee, the aforementioned restrictions set forth shall not be applicable.

[Note: Multilateral Development Banks (MDBs) include: the World Bank Group comprising the International Bank for Reconstruction and Development (IBRD) and the International Finance Corporation (IFC), the Asian Development Bank (ADB), the African Development Bank (AfDB), the European Bank for Reconstruction and Development (EBRD), the Inter-American Development Bank (IADB), the European Investment Bank (EIB), the European Investment Fund (EIF), the Nordic Investment Bank (NIB), the Caribbean Development Bank (CDB), the Islamic Development Bank (IDB) and the Council of Europe Development Bank (CEDB).]

- In case of credit facilities sanctioned by the banks to the borrowers in order to produce, transmit and distribute electricity against any award provided by the Power Division of the Ministry of Power, Energy and Mineral Resources or the institutions controlled by the said division [such as – Bangladesh Power Development Board (BPDB), Rural Electrification Board (REB), Power Grid Company of Bangladesh (PGCB), Electricity Generation Company of Bangladesh (EGCB), Dhaka Power Disbursement Company (DPDC), Dhaka Electric Supply Company Limited (DESCO), Ashuganj Power Station Company Limited (APSCL), West Zone Power Disbursement Company (WZPDCO), North West Zone Power Disbursement Company Limited (NWZPGC)], the aforementioned restrictions set forth shall not be applicable.
- In case of interbank money market transactions with a contractual maturity of less than one year, the aforementioned restrictions set forth shall not be applicable.
- In case of loans backed by cash and cashable securities (e.g. FDR of the same bank), the aforementioned restrictions set forth shall not be applicable and the actual financing facilities shall be determined by deducting the amount from the outstanding of principal balance of the loans.

2.8 Large Loan

Large loan refers to any exposure to a single person / counterparty or a group which is equal to or greater than 10% of the capital. In order to determine the Large Loan Portfolio Ceiling of the bank, 50% credit equivalent of all non-funded credit facilities shall be included in the Total Loans and Advances (i.e., 100% funded exposures plus 50% non-funded exposures). However, the entire amount of non-funded credit facilities shall be included in the Large Loan Portfolio.

For example, let bank's Net Classified Loans is 5%. According to the large loan policy, the bank may have large loan exposures up to 56% of its total Loans & Advances whereas total Loans & Advances is calculated as 100% funded exposures plus 50% non-funded *exposures. However, while calculating Large Loan Portfolio both funded and non-funded credit facilities will be considered as 100% credit equivalent. So, the large loan portfolio ceiling formula for the bank is as follows:*

$$\frac{\text{(Total Funded Large Loan Exposure*100\%+ Total Non-funded Large Loan Exposure*100\%)}}{\text{(Bank's Total Funded Exposure*100\%+ Banks Total Non-funded Exposure*50\%)}} \leq 56\%$$

Mentionable that if the CRG rating is "Marginal", bank will not sanction the large loan, but may renew the existing large loan taking into account other favorable conditions and factors. But, if the CRG grade is "SMA", neither sanction nor renewal of large loans can be considered.

2.9 Loan Syndication

A Bank may take part in project finance through Loan Syndication. A syndicated loan, also known as a syndicated bank facility, is a loan offered by a group of lenders (referred to as a syndicate) that work together to provide funds for a single borrower. The borrower could be a corporation, a large project or a sovereignty; such as a government. Loan syndication most often occurs in situations where a borrower requires a large sum of capital that may be too much for a single lender to provide or outside the scope of a lender's risk exposure levels. Thus, multiple lenders work together to provide the borrower with the capital needed.

Loan syndication is used in corporate borrowing. Loan syndication is commonly needed for large capital projects, mergers, acquisitions and buyouts. These types of capital projects often require large loans, thus loan syndication is mainly used in extremely large loan situations.

Loan syndication allows one lender to provide a large loan while maintaining a more prudent and manageable credit exposure because the lender is not the only creditor on the deal. Large capital projects for corporate borrowers often need very large sums of capital to complete the same; therefore, more than one single lender is often relied upon for loan funding. Within the loan syndication process, terms from all of the lenders on the deal are typically the same although they may vary. Collateral requirements by the lenders can often vary considerably. Usually there is only one loan agreement for the entire syndicate.

For most loan syndications, a lead financial institution is used to coordinate all aspects of the deal. The lead financial institution is often known as the syndicate/lead agent. This agent is also often responsible for all aspects of the deal including IM (Information Memorandum) Preparation, arrangement of Road Show/meeting with co-lenders, initial transaction, fees and repayments throughout the tenure of the loan, loan monitoring and overall reporting for all lenders within the deal.

2.10 Acceptance and Purchase of Inland Bill

Prior approval from Head Office is required for purchasing inland bills (IBP) in both foreign and local currencies. Bank may issue bills of acceptance against local letters of credit (LCs) or make payment for purchase of goods ensuring that such purchases are actual, not fake.

2.11 Type of Loan Facilities

It is typical to go on giving out credit through the products in use. However, it is suggestive to exercise a heightened level of caution in lending long term credit. Usually all loans and advances are grouped into four (4) categories, namely- (a) Continuous Loan (b) Demand Loan (c) Fixed Term Loan and (d) Short-term Agricultural & Micro-Credit.

a. Continuous Loan: The loan accounts in which transactions may be made within certain limit and have an expiry date for full adjustment will be treated as Continuous Loan. Our existing continuous loans are Secured Overdraft (Real Estate); Secured Overdraft (Finance Obligation); Overdraft, Cash Credit etc.

b. Demand Loan: The loans that become repayable on demand by the bank will be treated as Demand Loan. If any contingent or any other liabilities are turned to forced loan (i.e. without any prior approval as regular loan) those too will be treated as Demand Loan. Such as: Forced Loan against Imported Merchandise, Payment against Document, Foreign Bill Purchased, and Inland Bill Purchased, etc.

c. Fixed Term Loan: The loans, which are repayable within a specific time period under a specific repayment schedule, will be treated as Fixed Term Loan.

d. Short-term Agricultural & Micro-Credit: Short-term Agricultural Credit will include the short-term credits as listed under the Annual Credit Programme issued by the Agricultural Credit and Financial Inclusion Department (ACFID) of Bangladesh Bank. Credits in the agricultural sector repayable within 12 (twelve) months will also be included herein. Short-term Micro- Credit will include any micro-credits not exceeding an amount [Tk. 50,000 (Tk. Fifty Thousand)] determined by the ACFID of Bangladesh Bank from time to time and repayable within 12 (twelve) months, be those termed in any names such as Non-agricultural credit, Self-reliant Credit, Weaver's Credit or Bank's individual project credit.

Our existing category-wise credit products are stated in the following table:

Continuous Loan-Funded			
Serial No.	Name of Facilities	Purpose	Tenure (Max)
1	CC (Hypo)	Providing Working Capital against inventory or other business operation	12 months
2	CC (Pledge)	To finance pledged inventory	12 months
3	Pubali Prochesta	Providing Working Capital	12 months
4	OD covered by 100% cash encashable securities	General Purpose	12 months
5	SOD (against other collateral security)	To finance business operations/industry operations & Misc. purpose	12 months
6	Revolving OD (Work Order)	Advance against assignment of work order/ bill for execution of contractual works. Not a continuous credit rather time loan.	12 months

Demand Loan-Funded			
Serial No.	Name of Facilities	Purpose	Tenure (Max)
1	PAD (Sight)	Advance against sight L/C Forced Loan	21 days
2	PAD (EDF)	Advance against EDF L/C Forced Loan	21 days
3	PAD (A/G/B)	Advance against L/C (A/G/B) Forced Loan	21 days
4	PAD (Local)	Advance against Sight L/C Local/Forced Loan	21 days
5	PAD-Export (Own Accepted Purchase)	Advance allowed for purchasing foreign currency for payment against LCs (Back to Back) where the exports do not materialize before the date of import payment Forced Loan	90 days
6	PC (RMG & other than RMG)	To finance against Export L/C To finance against Export order Pre-shipment finance	120 days
7	LATR	To finance import L/C (Post import facility)	180 days
8	FBP (Foreign Bill Purchased & Discounted)	To purchase/discount/negotiate export documents against sight/usance Export L/C	As per LC Terms
9	IBP (Inland Bill Purchased & Discounted)	To purchase/discount against local usance L/C	As per LC Terms 180 days (According to maturity of the bill)
10	LIM (Import Loan against Imported Merchandise pledged)	To finance imported merchandise under pledged	360 days
11	OD (Work Order)	Advance against assignment of work order/ bill for execution of contractual works. Not a continuous credit rather time loan.	06 months to 36 months / According to validity of WO
12	OD (Earnest Money)	To pay Earnest money	120 days
13	OD (Bid Bond)	To issue bidding instrument	12 months

Term Loan-Funded			
Serial No.	Name of Facilities	Purpose	Tenure (Max)
1	BFL (Bridge Financing Loan)	Support Equity	12-36 months
2	Term Loan (Transport)	To finance commercial Transport	36-60 months
3	HBL (Com)	To finance commercial house/apartment	36-96 months
4	HBL (Res)	To finance residential house / apartment	60-120 months
5	Term Loan General	Short term, medium term loans allowed for specific purpose for definite period & repayable by installments.	12-36 months
6	Term Loan against fixed assets	To finance in fixed assets	Over 1 year Max 7 years
7	TL-Time Loan (Time Loan against other security/collateral/ support)	To finance business operations /work order /Industrial working capital To finance fixed assets To finance duty/tax General Purpose	12 months
8	PBL Subarna Rin	Providing Working Capital against inventory or other business operation	3 years
9	PBL Sujan Rin	Providing Working Capital against inventory or other business operation	3 years
10	PBL Karma Uddog	Providing Working Capital against inventory or other business operation	3 years
11	Pubali Protiva	Providing Working Capital against inventory or other business operation	3 years
Short-Term Agricultural & Micro-Credit-Funded			
Serial No.	Name of Facilities	Purpose	Tenure (Max)
1	Pubali Green Prantik Term Loan	To provide working capital to the account holders of Tk.10	12 months
2	Pubali Milch Cow/ Buffalo Loan	Finance to purchase Milch Cow/ Buffalo	3 years
3	Pubali Beef Fattening	To provide working capital for rearing & fattening Cows/ Buffaloes	3 years
4	Pubali Bullock Loan	Finance to purchase Bullock	3 years
5	Pubali Integrated Animal Husbandry & Bio-Gas Plant	Finance to purchase animal & set up bio-gas plant	3 years
6	Pubali Poultry Farm Loan	Finance to operate poultry farm	3 years

7	Pubali Irrigation/ Agricultural Equipment Loan	Finance to purchase Irrigation/ Agricultural Equipment	3 years
8	Special Agri Credit (Pulse, Maize, Spices cultivation)	Finance to enable farmers cultivate Pulse, Maize, Spices	1 year

Under non-funded credits, there are basically two major products namely Letter of Credit and Letter of Guarantee. Following are the non-funded products of Pubali Bank Limited:

Non Funded				
Serial No.	Name of the Facility	Description	Purpose	Tenor (Max)
1.	BFC (Local)	Bills for Collection-Local	Collection of Local Outstation cheques/Drafts/Documents	As per rules/terms
2.	BFC (Foreign)	Bills for Collection-Foreign	Collection of foreign Outstation cheques/Drafts/Documents	As per rules/terms
3.	BG (Local)	Bank Guarantee-Local	For contractual obligation (Bid-Bond,payment Gurantee, Advance Payment Gurantee, Performance Gurantee, Customs Gurantee, Shipping Gurantee)	Specific Period
4.	BG (Foreign)	Bank Guarantee-Foreign	For contractual obligation & others	Specific Period
5.	LC (Inland)	Sight Letter of Credit-Local	For local procurement Recourse on title to local document	As per LC Terms
6.	LC (Foreign)	Letter of Credit-Foreign Sight	For foreign procurement Under sight L/C Recourse on title to import document	As per LC Terms
7.	LC (EDF)	Letter of Credit-EDF Sight	For importation under sight EDF L/C Recourse on title to import document	As per LC Terms
9.	LC (Normal)	Usance Letter of Credit	For importation under usance L/C Recourse on sales	12 months (Max)
10.	LC (BB)	Usance Letter of Credit- Back to Back	For importation under Back to Back usance L/C Recourse on export	As per LC Terms
11.	Acceptance (Normal)	Acceptance against usance Letter of Credit	To finance assets thru banker’s acceptance Recourse on sales	As per LC Terms
12.	Acceptance (Back to Back)	Acceptance against Back to Back Letter of Credit	To finance assets thru banker’s acceptance Recourse on export	As per LC Terms
13.	Fwd FX	Forward Contract/ Booking	Coverage exchange risk against Letter of Credit	180 days

2.12 Types of Documents to be kept in the Credit Files

Documentation should be viewed as a process of ensuring shield against risk of non-repayment of loan comprehensively in 03 dimensions:

i. The Type of Borrower
ii. The Type of Loan or Credit Facilities &
iii. The Type of Security Arrangement

Annexure-B is referred to a list of documents to be obtained & kept in the credit files.

2.13 Credit Assessment & Risk Grading

The first step in the management of credit risks happens when the borrower walks through the door and goes through the application process. The basic question that the branch has to ask is: does the credit history (if any) and repayment capacity of the borrower provide sufficient probability of repayment, so that the bank will earn an adequate risk-adjusted rate of return on the loan? For proper credit assessment & ascertaining Risk Grading, with any sorts of credit proposal the branch should ensure:

- Data Collection
- Limit Utilization Form
- Credit Risk Grading Score Sheet &Credit Risk Grading Form
- Environmental & Social Risk Grading
- Analysis of specific borrower repayment capacity
- Other Documents.

Besides, the risk grading of existing credit is to be done periodically for upgrading/ downgrading risks associated with the borrower for maintaining proper follow-up.

2.14 Cross Border Financing & Cross Border Risk

Cross-border financing refers to any financing arrangement that crosses national borders. Prior to going for such types of financing cross border risk should be addressed with due course. Cross Boarder Risk as a range of possible outcomes of the followings:

- Dishonor to the terms & conditions of credit line
- Inability to carry out the conditions
- Inability to repay the liabilities. (For example; negotiating export documents of Nigeria).

2.15 Risk Appetite

Risk appetite is the level and type of risk the bank will assume in its exposures and business activities, determined on the basis of business objectives and obligations to stakeholders (depositors, creditors, shareholders, borrowers, regulators).

Risk Appetite Statement

To have a robust lending policy it is necessary to start with well-crafted risk appetite statement (RAS). The RAS will address the maximum and minimum allowable concentrations for all major types of credit products, borrowers, and sectors.

The following issues/ concentration areas will be addressed in RAS:

- Industry-wise sectorial concentration,
- Product-wise funded loan concentration (composition of term loan, mid-term loan, demand loan, continuous loan etc.),
- Product-wise non-funded loan (OBS) concentration (composition of bank guarantee, acceptance etc.),
- Area wise/geographical, currency wise and maturity wise credit concentration,
- Business segment-wise concentrations (corporate, CMSME, retail, micro credit, card etc.)
- Client concentration based on external/internal credit rating,
- Classification boundaries in terms of portfolio percentage, beyond which further growth may be halted,
- Maximum level of 'high' rated clients in terms of environmental and social due diligence.

Besides, others necessary issues may be addressed in RAS if and when necessary.

2.16 Lending Budget / Cap

The responsibilities of the bank's officials will be orientated for achieving overall target of bank's deposit mobilization and loan disbursement; recovery of classified loans & advances; profit maximization, sustaining increasing trend of deposit along with loan & advances; maintenance of revolving credit cycle; spreadsheet analysis, satisfactory credit turnover; defining volume of term & large loan; maintenance of reserves as per Bangladesh Bank's guidelines; determining single borrower legal lending limit and finally preparation of a credit budget aligned with rules & regulations set forth by the government.

To protect the bank's financial health or ability to maintain core operations, bank must go for granting credit along with sufficient concentration risk mitigation measures. Bank may pay attention to the following credit concentration risk areas:

Sl.	Risk Areas/Indicators	Outstanding	Outstanding	Outstanding	Portfolio	Risk Target/ Limit	Portfolio	Growth
		Year…….	Year…….	Year…….	(%)		(%)	(%)
A	**Agriculture, Fishing and Forestry:**							
B	**Industry:**							
	a) By Nature of Loan:							
	i. Term Loans							
	ii. Working Capital Loans							
	Total(a)							
	b) By Size of Industry:							
	i. Large Industries							
	ii. Small, Medium, Cottage & Micro Industries							

	iii. Service industries							
	Total (b)							
	c) Industry-type Wise Portfolio Disbursement:							
	i. RMG							
	ii. Textile							
	iii. Food and Allied Industries							
	iv. Pharmaceutical Industries							
	v. chemical, Fertilizer,etc.							
	vi. Cement and Ceramic Industries							
	Vii.Ship-Building Industries							
	Viii.Ship-Breaking Industries							
	ix. Power & Gas							
	x. Other Manufacturing/ Extractive Industries:							
	Leather and Leather Products							
	Paper, Paper Products, Printing &Publishing							
	Wood &Wood Products							
	Glass& glassware Product							
	Brick & Auto Bricks							
	Engineering, basis metal & Products							
	xi.Service Industries							
	Xii.Others							
	Total(c)							
C	**Trade & Commerce:**							
	a) Retail Trading							
	b)Wholesale Trading							
	c)Export Financing							
	d) Import Financing							
	e) Lease Financing							
	Sub Total							
D	**Construction:**							
	a)Residential Real Estate							
	b)Commercial Real Estate							
	c)infrastructure Development							
E	**Transport:**							
	a) Road Transport							
	b) Water Transport							
	c) Air Transport							

F	**Consumers:**							
	a) Loans for the purchase of flats or other single-family Dwellings							
	b)Loans for the purchase of Motorized personal Transport							
	c) Loans for purchase of Durable Consumption Goods							
	d) Credit Card Loans							
	e) Other Personal Loans							
G	**Financial Institutions :**							
	a) Loans to NBFIs							
	b) Loans to Insurance Companies							
	c) Loans to Merchant Banks and Brokerage Houses							
H	**Miscellaneous :**							
	Total							

2.17 Decentralization of Discretionary Power

Better customer services attain favorable field for better business in sustainable manner. For sake of better customer services, discretionary power has been decentralized. Bank will do its business by segregating duties in connection with distributing credit to various sectors. To minimize the risks and to quicken the services, the concerned officials are advised to perform their duties as per discretionary powers delegated to them.

2.18 Duties & Responsibilities of the Credit Officials

Duties of credit origination, approval and disbursement / monitoring & recovery will not be performed by the same official. The duties will be segregated. Same official will not perform the above duties simultaneously.

2.19 Monitoring & Recovery

To develop the recovery process and to reduce the non-performing loans to a desired level, the following measures may be adopted for proper credit recovery functions:

- Formation of Task Force Committee
- Establishment of Monitoring Cell
- Arrangement of Conference
- Introduction of Reward Package
- Formation of Mobile Team
- Recovery of loan through proper application of Artha Rin Adalat Ain-2003.
- Utilization of Early Alert Process (key objectives of early action plan is to spread out special attention to the accounts worsening due to lack of intensive attention, site visit, review, monitoring etc.)

2.20 Internal Audit

Internal Audit will deal with issues that are fundamentally important to the survival and prosperity of the bank. It is concerned with evaluating and improving the effectiveness of risk management, control and governance processes in the bank. Audit & Inspection Division will perform internal audit functions to make sure that the compliance & due diligence issues of the bank are in place. Internal audit will randomly test all aspects of Credit Risk Management in order to determine that:

i. credit activities are in compliance with the bank's credit and accounting policies and procedures, and with the laws and regulations to which these credit activities are subjected to;
ii. existing credit facilities are duly authorized, and are accurately recorded and appropriately valued on the books of the bank;
iii. credit exposures are appropriately rated;
iv. credit documentation is completed;
v. potential problem accounts are being identified on timely basis and determine whether the bank's provision for credit losses is adequate; and
vi. CRM information reports are adequate and accurate.

They will perform their duties independently and will inform the Board's Audit Committee about the outcomes of their audit & inspections. They will also submit a report of their audit & inspection to the CEO/ Managing Director. The audit arrangement should ensure completion of entire audit & inspection at least once a year. The audit team will submit their report to the competent authority as per following proforma:

Sl. No.	Account No.	Name of Account	Type of Loan	Amount of Loan	Expiry/ Validity	Overdue Amount	Irregularities	Mitigation Measures	Remarks

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Chapter 3: Organizing Credit Risk Management

3.1 Role of the Board of Directors

The board has a vital role in granting credit as well as managing the credit risk of the bank. It is the overall responsibility of the Board of Directors of the bank to approve credit risk strategies and significant policies relating to credit risk and its management. Overall strategies as well as significant policies are to be reviewed by the board on regular basis.

The Board, with regard to credit risk management, will oversee the followings:

- Ensure that bank has appropriate policies, plans and procedures for credit risk management. Ensure that bank implements sound fundamental policies;
- Define the bank's overall risk appetite in relation to credit risk;
- Ensure that top management as well as staffs responsible for credit risk management have sound expertise and knowledge to perform the risk management function;
- Ensure that bank's significant credit risk exposure is maintained at prudent levels and consistent with the available capital.
- Review bank's trends in quality of portfolio and examine the adequacy of provision to meet up credit losses;
- Ensure that internal audit reviews the credit operations to check whether or not the bank's policies and procedures are sufficient and properly implemented;
- Review exposures to bank's insiders and other related parties. Also review existing policies thereto;
- Limit involvement in individual credit decisions when such decision making powers are specifically reserved for the Board as per bank's articles of association, laws, and credit risk management policy.
- Ratify exposures which are granted by the management exceeding their delegated authority and be aware of such exposures; and
- Specify the content of management report on credit risk management to the board and determine the frequency of such report.
- Review overall CRM related strategies as well as effectiveness of the credit policy regularly.
- Monitor credit concentration on regular frequency.

3.2 Role of Senior Management

The responsibility of senior management is to transform strategic directions set by the board in the shape of policies and procedures. Senior management is to ensure that the policies are being implemented properly. They are responsible for implementing the bank's credit risk management strategies and policies. They are also responsible to ensure that procedures are put in place to manage and control credit risk. They will manage & control the quality of credit portfolio in accordance with these policies.

The responsibilities of senior management with regard to credit risk management shall include:

- Developing credit policies and credit administration procedures for board approval;
- Implementing credit risk management policies to manage credit risk effectively;
- Developing and implementing appropriate reporting system;
- Monitoring and controlling the nature and composition of the bank's credit portfolio;
- Monitoring the quality of credit portfolio and ensuring that the portfolio is thoroughly and conservatively valued and probable losses are adequately provided for;
- Establishing internal controls and setting clear lines of accountability and authority; and
- Establishing proper system of communication so that credit staffs can know the credit risk management policies, procedures and other credit risk management information.
- Defining policies about disbursement of assets across the risk rating and the migration in the risk grade.
- Ensuring regular arrangement of trainings on CRM by the bank for the officials.

3.3 Role of the Credit Risk Management Committee

Bank should constitute a Credit Risk Management Committee (CRMC). The committee will be headed by Addl MD or DMD to perform as the chairman. Panel of members of the committee will, at least, be comprised of DMD / General Manager of Credit Division; DMD / Head of R&D; DMD / Head of Treasury; DMD/ CTO of the bank; DMD/CFO of the bank, Head of Credit Administration, Monitoring & Recovery Division; Head of Law Division. An official not below the rank of Deputy General Manager of Credit Division shall act as a member secretary of the CRMC. This committee will also perform as credit committee at Head Office. The Managing Director/ CEO will construct the CRMC from the above executives and/ or from other executives whom he will deem fit as & when required.

The CRMC is responsible for:

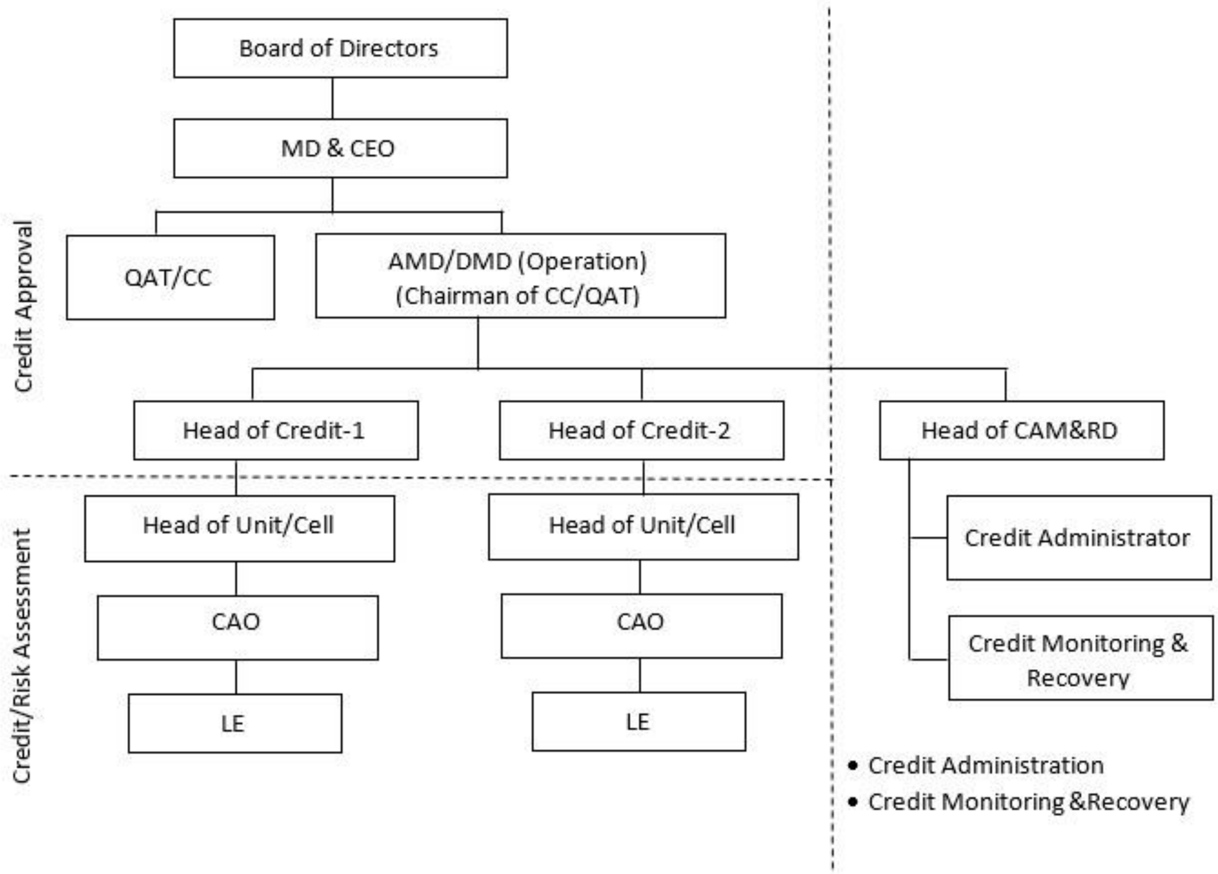
a) Implementing the credit risk policy / strategy approved by the board.
b) Monitoring overall credit risk of the bank and ensuring compliance with limits approved by the board.
c) Makings recommendations to the board for approval of credit policy, clear policies on standards for presentation of credit proposals, financial covenants, rating standards and benchmarks.
a) Deciding delegation of credit approving powers, sensible limits on large credit exposures, standards for loan collateral, portfolio management, loan review mechanism, risk concentrations, risk monitoring and evaluation, pricing of loans, provisioning, regulatory/legal compliance etc.

Chapter 4: Organizational Structures & Key Responsibilities

4.1 CRM Organizational Structure

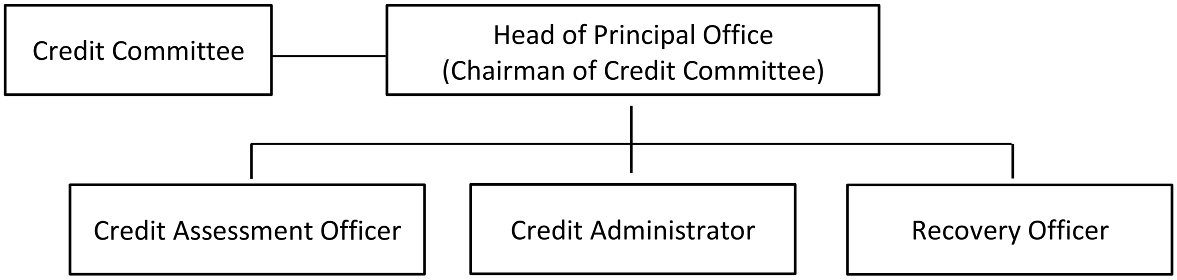
The individual steps in the process and their implementation have a considerable impact on the risks associated with credit approval. Organizational structures are designed to established individual duties-responsibilities and show the basic scenario within a credit approval process.

Organizational Structure of Head Office

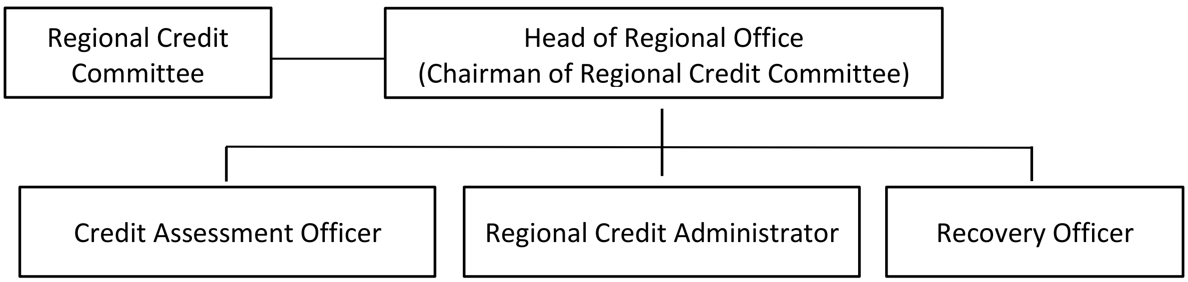


QAT: Quality Assurance Team, CC: Credit Committee, CAO: Credit Assessment Officer, LE: Loan Executive

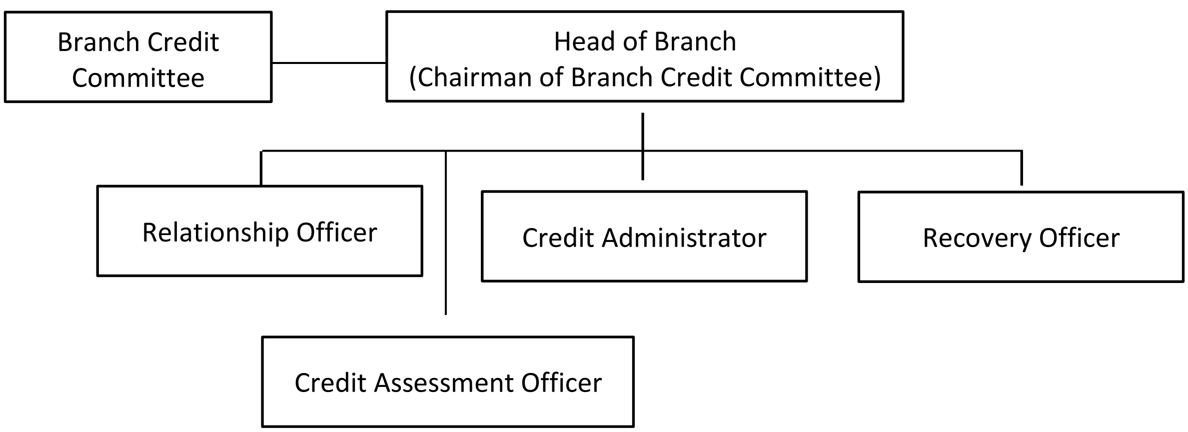
Organizational Structure of Principal Office



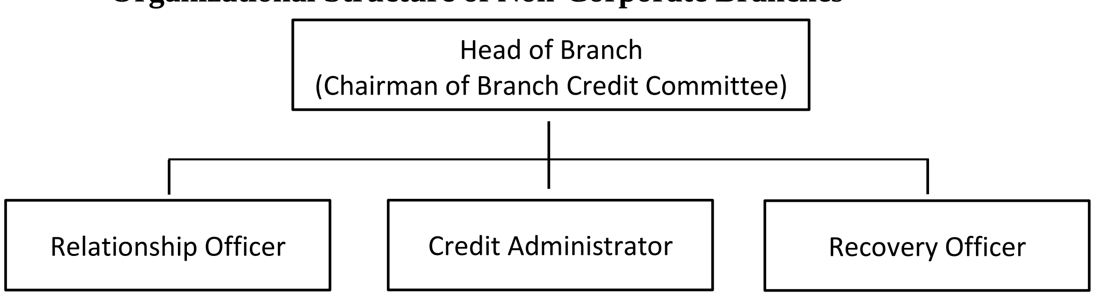
Organizational Structure of Regional Office



Organizational Structure of Corporate Branches



Organizational Structure of Non-Corporate Branches



4.2 Segregation of Duties & Responsibilities

Segregation of duties is the concept of having more than one person required to complete any task associated with operation of any business entity/ company/ organization. In bank the segregation by sharing more than one individual in one single task is an internal control intended to prevent fraud and error.

Segregation of duties & responsibilities of Credit Risk Management should be divided into following 04 (four) Levels:

Level-1: Relationship Management/Marketing
Level-2: Risk Assessment & Approval
Level-3: Credit Administration
Level-4: Credit Monitoring & Recovery

Level-1, Level-2 and Level-3 should be separate from each other i.e. one person cannot be take responsibilities of the said three levels at a time.

4.2.1 Key Responsibilities

To accomplish credit functions, credit officials are involved in various levels at Branches/ Regional Offices/ Principal Offices/ Head Office. For effective completion of entire credit function, duties & responsibilities of the officials have to be segregated. It is an ongoing process of banking. Segregation of duties is the concept of involving more than one official to complete any task associated with credit. In bank, the segregation of duties is for internal control intended to manage Credit Risk properly.

4.2.2 Categories of Terms of Reference (TOR)

Duties & responsibilities will be categorized as under:

Level of Delegation	**TOR**	**Responsible Officials**
TOR Level-1	Proposal Evaluation & Recommendation	Relationship Manager / Officer Marketing Officers
TOR Level-2	Risk Assessment & Approval	Risk Assessment Officials/ Credit Committee / Approval Authority
TOR Level-3	Documentation & Disbursement	Credit Administrator
TOR Level-4	Monitoring and Recovery	Credit Monitoring & Recovery Officials

Segregation of duties is applicable while exercising technique of recommending for, granting of, documentation against, disbursement & recovery of loans. Single official must not perform the duties of all above specified levels simultaneously.

4.2.3 TOR Level-1: Proposal Evaluation & Recommendation

Branch Relationship Manager/ Officer or Marketing Officer will evaluate credit proposal & make recommendation for approval considering the likelihood. Their duties will include (but not be limited within):

- Acting as the primary contact person with borrowers.
- Building up the highest level of relationship with the clients delivering best possible services.
- Maintaining thorough knowledge of borrowers' business and industry through regular contact, business site visit, factory/warehouse visit, etc.,
- Monitoring the financial performance and account conduct of borrowers
- Gathering & analyzing information of the client from all reliable sources
- Identifying type & amount of loan required
- Analyzing statistical data & keeping record
- Recommending for loan approval using required data/ information to the assigned level of delegation.
- Responsible for the timely and accurate submission of Credit Applications for new proposal/ renewal/ enhancement/ annual reviews.
- Highlighting any deterioration in borrower's financial standing and amend the borrower's Risk Grading in a timely manner. Changes in Risk Grades should be informed to officials of Level-2.

4.2.4 TOR Level-2: Risk Assessment & Approval

Risk Assessment will include the followings:

- Risk Assessment Officials at Corporate Branches / Regional Offices/ Principal Offices/ Credit Division will assess the risks associated with the credit proposal for placing the same before concerned approval authority with due formalities.
- Risk Assessment Officials will ensure all compliance issues associated with approval of the proposed credit proposal. They will be held responsible for any deviation thereof.

Credit approval norms will include the followings:

- Managing Director/ Additional Managing Director/ Deputy Managing Director (Operation)/ Head of Credit/ Head of Principal Office/ Head of Region or other delegated executives will approve loans / credits under their respective discretionary powers. Beyond the purview of discretionary power of the delegates the loans / credits are to be approved by the Executive Committee of the Board / Board of Directors.
- The Head of Branch/ the Head of Region/ the Head of Principal Office /Executives at Head Office level will approve credit under their respective discretionary powers.
- Authority for the recommendation and the approval must be different.

- Approval authority will grant credit after analyzing the recommendation made by the Branch Relationship Manager / the Head of Region/ the Head of Principal office/ concerned official of Head Office.
- Recommendation made by a Relationship Manager/ Officer will not be approved by the approval authority with same designation as the Relationship Manager has. In this event, the approval authority should be escalated to the higher level of delegation.
- Ensuring that credit quality is maintained.
- Ensuring a prudent level of portfolio diversification.
- Ensuring compliance with Bank Credit Policies and Central Bank's regulations.

4.2.5 TOR Level-3: Documentation & Disbursement

Branch Credit Administrator will obtain loan-disbursement permission from the concerned authority and disburse loan after obtaining securities & ensuring completion of all documentation in accordance with approved terms and conditions as stipulated in the sanction letter. He will also perform the duties to send related statements to different departments and settle down all audit-objections & other related affairs. The Credit Administration, Monitoring & Recovery Division will observe the documentation & disbursement formalities at branch levels and give them necessary guidelines in this regard.

4.2.6 TOR Level-4: Monitoring and Recovery

Related official will perform post-disbursement functions under supervision of the Head of Branch. He will conduct proper follow-up of the borrower and take corrective actions in time. He will also perform his duties to ensure timely repayment of loans with due returns. Credit Administration, Monitoring & Recovery Division will follow up monitoring & recovery processes of Branches / Regional Offices/ Principal Offices and give them necessary guidelines in this regard.

4.3 Formation of Unit

To strengthen the loan appraisal process & to ensure intensive analysis of the loan, required number of Units at Credit Division, Head Office/ Principal offices/ Regional Offices are to be set up in operation with due diligence. Units are to be named as follows (Unit may be renamed as & when required):-

- Corporate Unit.
- Retail Unit
- SME Unit
- Agri Unit

To cover all the required activities of credit granting / approval, some other Units may be formed as under:-

- Special Assignment Unit for priority handling of Govt. Organization/NGO/ NBFI/ Autonomous/ Semi-Autonomous/ Syndication/ Club-Financing/ Project/ Textile/ RMG/ Jute/ Spinning/ Sustainable Finance/ Women Entrepreneur/ etc.
- Policy & Training Unit
- MIS Unit

Sufficient numbers of LEs (Loan Executive), CAOs (Credit Assessment Officer) are to be provided for each Unit under the Head of Unit.

Naming the Position of Concerned Official(s)

- All the Head of Units of Credit Division are to be act as Risk Assessment Officers at Head Office level under direct supervision of the Head of Credit.
- At least one Risk Assessment Officer (not below the rank of SPO) is to be set at Regional Office level / Principal Office level under direct supervision of the Head of Region/ the Head of Principal Office.
- At least one dedicated employee (Junior Officer and above but below the rank of SPO) is designated as Branch Relationship Officer in each & every Branch.

Apart from above, Credit Administrator at CAM&RD, HO; Credit Administrator at Principal Office; Regional Credit Administrator at Regional Office level and Branch Credit Administrator at branch level will have to be assigned to enable the function of Credit Administration properly. Required numbers of executives/ officials are to be set to perform different duties as per Organizational Structure.

4.4 Relationship Management / Marketing

Relationship Officer / Marketing Officer is a professional who works to improve Bank's relationships with customers. He must have a goal of facilitating good relationships so that the bank's business maximizes the value of its relationships and maintains a good reputation overall.

The Key Responsibilities of the Branch Relationship Officer / Marketing Officer:

i. To keep close contact with the applicant at initial stage for selection of borrower.
ii. To collect information about the applicant/borrower and gather thorough knowledge of the applicant/borrower's business and industry through personal contact, site inspection, monitor the financial performance & accounts, conducts of the borrower and analysis of the relevant data (turnover, cash flow etc.) of the applicant/borrower.
iii. To prepare credit proposal in duplicate or triplicate and submit the same duly signed jointly with Head of Branch (BM) mentioning the name, designation & PI No. of the signatories.

iv. To be responsible for authenticity & genuineness of all papers /documents/ information etc. submitted with the proposal.
v. To be well acquainted with the CRM guidelines on new borrower(s), principal(s), promoter(s) and guarantor(s).
vi. To identify deterioration in borrower's financial standing & amend the borrower's Risk grading in time.
vii. To be responsible for accuracy & timely submission of new/renewal/enhancement and annual review of credit proposal(s).
viii. To ascertain the Environment & Social Risk Rating as per ESRM.
ix. To accumulate appropriate data of fresh loan & evaluating the borrower yearly through borrower follow-up by means of key performance indicator such as profitability, equity, leverage and liquidity etc.
x. To examine annually the financial parts in connection with the borrower and inform the concerned Head of Region/ the Head of Principal Office/ the Head of Credit if the credit risks seem high.

4.5 Arrangement in Credit Appraisal Process

After receiving the proposal(s), the appraisal process of the same will have to be accomplished under the duties of Loan Executive (LE); Credit Assessment Officer (CAO); Head of Unit (HoU); Head of Credit (HoC); Credit Committee & Approval Authority as per discretionary requirement. Segregation of duties in this procedure is defined as under:

Loan Executive (LE), not more than in the rank of Principal Officer

i. To scrutinize the proposal(s) received from the head of the unit(s).
ii. To prepare note sheet after proper scrutiny of the proposal including listing out the basic points about the proposal & highlighting the missing basic information.
iii. To forward it to the Credit Appraisal Officer (CAO) for appraisal.

Credit Assessment Officer (CAO), not more than in the rank of SPO

i. To have thorough knowledge of borrower's business and industry.
ii. To appraise all the proposal(s) furnished by & received from Loan Executive.
iii. To be responsible for proper appraisal of the loan proposal(s) by adjustment /ratifying all observation pointed out by LE to ensure justification of appraisal.
iv. To forward the proposal with comments/recommendation to the head of unit.
v. To present the file before the Credit Committee.

Head of Unit, not more than in the rank of DGM but not less than the rank of AGM

i. Head of Unit will contact (if needed) with the Head of Branch and /or the Head of Region/Principal Office for his/ her queries.
ii. He/she will also express his/her particular issue /risk & ask the Head of Branch/ Region/Principal Office to clarify his position as to make him/her clear.
iii. Finally, he/she will forward the file to the Head of Credit after recommending the same.

Head of Credit, not less than in the rank of the GM

i. If HOC is fully satisfied, he/she will approve the facility if it falls within his/her discretion. But if not satisfied, he will decline the same quoting clear observation.
ii. If it is beyond his / her discretion, he/she will recommend and /or decline to recommend the same to the higher authority /Credit Committee.

The Credit Assessment Officer (CAO) will place / present the loan file to the Credit Committee if it is beyond the purview of GM, but if it is RMG, the file is not to be routed through credit committee. Then the file is to be forwarded to DMD, Addl MD & MD (CEO) as the case may be. Afterwards each unit will prepare a memorandum and place the same before the Board if it is not within the discretion of DMD, Addl MD & MD (CEO).

Branches, Regional Offices & Principal Offices will also arrange appraisal process in light of the above and / or as fit for them.

Approving Authority

i. The approving authority may decline the proposal quoting clear observation if not satisfied with the proposal.
ii. If he is satisfied and if it is within his discretion, he will approve the proposal.
iii. If the proposal exceeds his discretion, he will recommend the proposal to the next level/Board for disposal.
iv. Arrangement of Credit Appraisal Process at Regional Offices/ Principal Offices will have to be arranged within the discretion of respective Head of Regions/ Head of Principal Office. The same at the Branches will have to be arranged within the discretion of respective Head of Branches.

Time Frame for Decision/ Disposal

i. Any requirement for further information regarding a particular credit proposal shall have to be communicated to the customer within two days from the date of receiving the proposal from the desk of Branch Relationship Officer.
ii. Any decision of declining a credit proposal shall have to be communicated to the branch within 7 (seven) to 10 (ten) days from the date of receiving the proposal.
iii. Any decision regarding approval of a query free credit proposal shall have to be communicated to the branch within 15 days from the date of receiving the proposal.

Issuing Sanction Letter

After approval, the Credit Assessment Officer (CAO) & the Head of Unit will have to prepare the respective sanction letter covering all the observation/instruction of approval authority as well as forward the same directly to the branch addressing the Branch Credit Administrator duly signed by them along with copy to Credit Administrator, CAM&RD, HO; Credit Administrator at PO (if applicable) and Regional Credit Administrator, RO as the case may be. Sanction letter is to be issued along with a documentation checklist which clearly spells out what are the documentation formalities required to be completed before disbursement under joint responsibility of the Head of Branch & the Branch Credit Administrator confirming (about documentations) Credit Administrator, CAM&RD, HO; Credit Administrator at PO (if applicable) and Regional Credit Administrator, RO.

At the Corporate Branch/ Regional Office/ Principal Office level, the Credit Assessment Officer along with the Head of Unit (rank of AGM/DGM/) / Head of Branch/ Head of Region will prepare & sign the sanction letter. At the Branch level (other than corporate branches) the Head of Branch and another authorized officer will prepare & sign the sanction letter.

Disbursement Process

After obtaining sanction advice, the Branch Credit Administrator along with the Head of Branch will complete all documentation and prepare a check list of securities & documents as per stipulation of sanction letter. Then they will seek for disbursement authority/ permission from Credit Administrator at HO or Credit Administrator at PO or Regional Credit Administrator whichever is applicable (say Administrator belongs to the Office of approving authority). It is the responsibility of respective Credit Administrator to check & issue a satisfactory security clearance certificate to the respective Branch for disbursement. Then the "Disbursement" will be made with the joint authority (Password) of Branch Credit Administrator & the Head of Branch.

Sanctioned limit will be disbursed and / or formalized for disbursement within 90 days from the date of sanction. Otherwise permission for disbursement is to be taken from the concerned approval authority as revival of earlier sanction. In case of expiry of validity of the CIB report (60 days from the date of originating of the CIB report to be treated as its tenure), fresh CIB report is to be obtained before disbursement of the limit.

4.6 Credit Administration

Credit Administration Officer will perform as loan disbursement authority. Approval of disbursement must be followed by getting required documents fulfilled, signed and stamped, keeping record and safe custody of all type of legal documents maintaining liaison with the Bank's Panel Lawyers. But for sake of effective control over credit portfolio, the Credit Administration requires work independently keeping itself free from Credit Approval & Relationship Management.

Credit Administration function is basically a back office activity that supports and controls extension and maintenance of credit. While developing credit administration areas, bank must ensure:

a) The efficiency and effectiveness of credit administration operations, including monitoring, documentation, contractual requirements, legal covenants, collateral, etc.;
b) The accuracy and timeliness of information provided to management information systems;
c) The adequacy of control over all "back office" procedures; and
d) Compliance with prescribed management policies and procedures as well as applicable laws and regulations.

Function of Credit Administration

The credit administration will perform the following functions:

a) Documentation: The credit administration will ensure completeness of documentation (loan agreements, guarantees, creation of Registered Mortgage etc.) in accordance with approved terms & conditions. Outstanding documents should be tracked & followed up to ensure execution and receipts.

b) Credit Disbursement: Before entering credit limits into computer system, the credit administration will ensure that credit application has been approved properly. Disbursement will be effective only after completion of covenants, and receipt of collateral holdings. In case of exceptions, necessary approval should be obtained from competent authorities.

c) Credit Monitoring: After the credit is approved and draw down allowed, the credit should be continuously monitored (i.e. observe borrower's compliance with credit terms; identify early signs of irregularities; check fund diversification; conduct periodic valuation of collateral; monitor timely repayment).

d) **Credit Repayment:** The borrower should be communicated ahead of time as and when the principal/ markup installment becomes due. Any exceptions such as non-payment or late payment should be tagged and communicated to the management. Proper records and updates should also be made after receipt.

e) **Maintenance of Credit Files:** The credit files will contain all correspondence with the borrower, sufficient information necessary to assess the financial health and repayment performance of the borrower.

f) **Collateral and Security Documents:** It should be ensured that all security documents are kept in a fireproof store/ vault under dual custodians and their alternatives. Proper records for security documents must be maintained to track their movement. Procedures should also be established to track and review relevant insurance coverage for certain facilities / collateral. Physical checks on security documents must be conducted on regular basis.

Duties & Responsibilities of the Head of Branch

i. To perform all the works except the works of Branch Relationship Officer.

ii. To approve the loan within his discretion. In that case, disbursement formalities must be done by the Branch Credit Administrator & Relationship Officer with joint authority (Password) with intimation/ consent of the Head of Branch.

iii. To ensure completion of required documentation in accordance with terms and conditions as stipulated in the sanction letter, along with the Branch Credit Administrator after obtaining sanction/approval from RO / PO / HO.

iv. To prepare a check list for securities & documents separately to preserve the same in the respective file(s) and forward the same check list (to Head Office/RO) seeking disbursement authority/ permission from Credit Administrator at CAM&RD, HO / Credit Administrator at Principal Office / Regional Credit Administrator whichever is applicable. He will perform this job alliance with the Branch Credit Administrator.

v. To disburse the loan alliance with the Branch Credit Administrator (with the joint authority / password) after obtaining clearance from Credit Administrator at CAM&RD, HO / Credit Administrator at Principal Office / Regional Credit Administrator whichever is applicable.

vi. To be responsible for overall supervision of credit.

Duties & Responsibilities of Branch Credit Administrator

i. To scrutinize documents in accordance with the approved terms & conditions legally enforceable.

ii. To get the documents checked/scrutinized by the Bank’s Panel Lawyer.

iii. To be responsible for obtaining securities & ensuring completion of all documentation in accordance with approved terms and conditions as stipulated in the sanction letter.

iv. To prepare a check list (after getting the approval) for securities & documents separately to preserve the same in the respective file(s) and forward the same check list to Head Office/PO/RO seeking disbursement authority/ permission from Credit Administrator at CAM&RD, HO / Credit Administrator at Principal Office / Regional Credit Administrator whichever is applicable.

v. To disburse the loan (after obtaining the clearance from Credit Administrator at CAM&RD, HO / Credit Administrator at Principal Office / Regional Credit Administrator) along with joint authority of the Head of Branch after observing all required formalities as per terms of sanction letter.
vi. To hold the security & documents under strict control in locked storage after recorded in the security / document execution register jointly with the Branch Relationship Officer and/ or the Head of Branch and prior alternative to be arranged to meet up emergency.
vii. To manage safeguard the assets/ hypothecated goods via insurance
viii. Frequently review portfolio / credit and security files
ix. Monitor to retain the account active & to make better the performance
x. Report all past/over dues to senior management.

Credit Administrator at CAM&RD, HO/ Credit Administrator at Principal Office / Regional Credit Administrator, having ensured that all the pre-disbursement formalities have been done with due diligence, will deliver permission for disbursement of respective credits / loans against which the permissions sought for.

Duties & responsibilities mentioned above will also encompass necessary conducts commensurate with the aforementioned administration functions.

4.7 Custodial Duties

Custodians are responsible for safeguarding legal / security documents. Loan disbursement and custody of documents related to the loan must be accomplished in the same branch. Legal/ security documents are to be kept defending proper safety under joint custodians and their alternatives in a fire-proof store/ vault. There must have alternative arrangement as and when necessary.

4.8 Compliance Requirement

Nursing of compliance issues are crucial to conduct business, with all national and international laws and regulations that pertain to the business, as well as professional standards, accepted business practice, and other internal standards.

All concerned officials will ensure materialization of instructions set out by prevailing acts, rules & regulations and regulations of BB & other regulatory bodies from time to time.

4.9 Agency Management

Services of lawyer, Insurance Companies, Credit Rating Agencies may be embraced as per agreement executed with them after related authority’s approval. Valuation of collateral must be assessed by external surveyor /assessor as per prevailing rules & regulation of the Bank.

Chapter 05: Managing Credit Risk in the Origination Process

Procedures of managing Credit Risk is to be started from very beginning of any lending activities. Many avoidable mistakes are made in the origination process, leading to higher credit risk. Related Officials are to analyze the following issues and adopt systematic measures to manage credit risk in the origination process. In addition to the following analysis, an inventory of the most common mistakes that officials are to avoid is contained in **Annexure A.**

5.1 Borrower Evaluation

The first step in the management of Credit Risks happens when the borrower walks through the door and goes through the application process. The bank must examine the credit history (if any) and repayment capacity of the borrower to ensure probability of repayment paving the way for bank to earn an adequate risk-adjusted rate of return on the loan, without charging an excessive interest rate that may be unacceptable to the borrower.

Assessing the credit worthiness of a client before extending credit to them is smart business practice. It can help maintain strong and reliable cash flow and reduce credit risk. In order to establish a prospective new client's or associate's creditworthiness, it's essential to have a comprehensive credit assessment in place. Branch will send the credit proposal after thorough credit analysis, credit-merit evaluation, risk measurement & mitigation.

Analysis of credit risk will be addressed in the credit proposal. Relationship Manager will provide actual fact & figures in the credit proposal and will be held responsible for providing any erroneous information therein. He/she is expected to be one who is experienced in dealing with credit policy. He/she will select the prospective borrower in terms of credit worthiness alongside collateral value. In this way of borrower selection he will keep KYC profile of the borrower in light of existing Anti-Money Laundering Prevention Act, AML & CFT Policy of the bank. In this process, loan approval authority will perform the act of risk approval authority. Relationship Manager will measure risks and thereafter take necessary actions for approval from approval authority.

5.1.1 Credit Assessment

There is no substitute for thorough and rigorous credit assessment when attempting to determine a borrower’s creditworthiness. The balance sheet, income statement, cash flow statement, and financial projections all provide crucial information about the borrower’s creditworthiness and capacity to repay. SWOT analysis is prescribed as a tool to assess the prospective borrower for lending.

While assessing credit proposal relationship manager / officer will consider the following areas with sensible manner and mentioned their comments on the related issue:

a.	Type of Loan	:	Type of Loan sought for.
b.	Limit	:	Approvable Loan Amount on the basis of genuine requirement.
c.	Purpose	:	Utilization of fund to be specific.
d.	Rate of Interest	:	Prevailing rate of interest against the loan.
e.	Primary Security	:	Security which is directly associated with the business / project of the borrower for which the credit facility is going to be extended.
f.	Collateral	:	Collateral should have adequacy, acceptability & marketability.
g.	Type of Mortgage	:	Registered Mortgage.
h.	Margin	:	Loan to be allowed against a proportionate amount of primary security.
i.	Repayment Schedule of	:	Reasonable tenure/ time to be allowed for repayment the loan from income of the business.
j.	Verification of Information & Documents	:	Provided information & submitted documents are to be verified with due diligence.
k.	ESRM	:	Should be done in line with applicable guidelines
l.	Special Conditions	:	If any, other than the above mentioned issues.

In addition to the above, the Relationship Manager / the Head of Branch will consider the risks associated with the following areas:

Borrower Analysis

a.	Expertise of the Borrower	:	Experience of borrower, business skills & succession are to be reviewed and mentioned in the credit proposal.
b.	Share Holding Position	:	Percentage of Share Holdings should be mentioned by the Shareholders
c.	Management Team	:	Particulars with expertise of Management Team should be analyzed & mentioned.
d.	Group / Affiliate	:	Group summary should be stated.
e.	Ability/ Capability	:	Applicant(s) must have ability to meet up obligations.
f.	Security	:	Valuation of security along with description should be stated.
g.	Integrity	:	Integrity of the applicant(s) to be ensured.

Industry Analysis

a.	Contribution in GDP	:	Contribution to the GDP (existing & forecasted)
b.	Risks & Barrier	:	Risks & Barrier involved in the business to be identified.
c.	Rate of National Growth	:	National Growth of Industry (existing & forecasted)
d.	National Market	:	National market demand of the products.
e.	International Market	:	International market demand of the products.
f.	Company Risk	:	Company risks associated with ability, technical know-how along with skills & expertise of the Management Team are to be mentioned.
g.	Threats from Market Competition categories	:	Threats for the business entities of the same and mitigating factors thereof to be specified.
h.	Opportunity	:	Favorable areas for the business.
i.	Weakness	:	Unfavorable areas for the business.

Supplier / Buyer Analysis

a.	Local	:	Particulars of the local supplier/ buyer.
b.	Foreign	:	Particulars of foreign supplier/ buyer along with associate entities.
c.	Future Projection	:	Sources of future supply/ market to be mentioned.
d.	Strength & Weakness	:	Strength & Weakness of the seller/ buyer should be identified / mentioned.
e.	Seller's / Buyer's Risks	:	Risk associated with the seller / buyer must be ascertained.

Analyzing the Historical Financial Statements of the borrower

a.	Financial statement analysis	:	Analysis of financial statement of the borrower for last 3 (three) years; if possible.
b.	Financial Statement Analysis of Guarantor/ Corporate Guarantor	:	Sound financial health of the guarantor/ corporate guarantor to be ensured.
c.	Income statement analysis	:	Business income should have quality & consistency.
d.	Balance Sheet Strength	:	Positive
e.	Key ratios analysis	:	Key ratios such as Current Ratio/ Quick Ratio/ Debt-Equity Ratio / Asset Turnover Ratio / Interest Coverage Ratio / Return on Assets/ Return on Equity /Profit Margin /Leverage etc. should be analyzed.
f.	Cash Flow analysis	:	To be sufficient.

g.	Profitability	:	Profitability should be sustainable.

Projected Financial Performance of the borrower

a.	Mid/ Long Term Loan	:	Projected Financial Statement for 3 to 5 years to be analyzed.
b.	Capability to Repay Bank's Charges	:	Must have ability to bear bank's charges associated with loans.
c.	Capability to Pay off Installments	:	Must have ability to pay off installment timely.

Account Conduct of the borrower (or allied concern, if required)

a.	Payment of Principal with Charges	:	Timely repayment of bank's obligations.
b.	Cheque Payment	:	Honor the cheque(s) in time.
c.	Regular Payment	:	Nature of timely payment will deserve preference
d.	Irregular Payment	:	Nature of irregular payment is unfavorable for lending
e.	Excess Drawings Over Limit	:	To be treated as violation of credit norms
f.	Non Maintenance of DP	:	To be treated as violation of credit norms
g.	Unwillingness to pay off Interest & other charges	:	For non-payment / delayed payment of interest & other charges to be treated as less deserving for credit facility.

Adherence to Lending Guidelines

a. It should be justified whether the proposal meet lending Policy
b. Proposal not aligned with lending policy of Bangladesh Bank will not be considerable.
c. Non-traditional credit proposal and / or credit proposal with new terms & conditions must be approved by the Board in compliance with rules & regulations set forth by the regulatory bodies.

Mitigating Factors:

a. Managing Credit Risk by increasing margin
b. Avoid volatility of business
c. Ignore high debt load/ Leverage/ Gearing
d. Study credit risk at huge stock or huge debts
e. Examine credit risk associated with rapid growth/ expansion of business (new asset/ unit/ purchase of business etc.)
f. Should be careful in case of changing management and/ or complications in successors
g. Concentration on buyer/seller/supplier is associated with credit risk. So, it is to be examined carefully.
h. Lack of integrity is associated with high Credit Risk.

Loan Structure:

a.	Credit Limit	:	To be justified
b.	Tenure	:	To be reasonable & specific
c.	Credit limit, Tenure and Installment Size	:	Should have conformity with repayment capacity
d.	Over Financing / Under Financing	:	Both are harmful
e.	Fund Diversion	:	Increase probability of default

Security/ Collateral Security:

a. Primary Securities are to be acceptable, marketable & legal (Slow items, perishable goods, goods having limited expiry, static obsolete items, prohibited & unprofitable items etc. are not acceptable as primary security)
b. Security with recent valuation / assessment
c. Forced-sale value should be taken into consideration
d. Priority is to be given on security with quality standard & better acceptability (valuable, easily liquidable etc.)
e. Charge is to be created on eligible security followed by laws of the country
f. Insurance Coverage to be obtained as per existing bank's norms.
g. Register should be maintained for keeping record of security.

Name Lending:

a. Ignore giving much importance to fame/ goodwill
b. Prevent misuse of fame/ goodwill
c. Assess goodwill in financial terms
d. Analyze risk associated with goodwill
e. Credit approval to be given in consideration of company's/ client's basic qualities, financial strength/ risks analysis etc. The client/ company may have opportunity to collect fund from other companies/ sources which is not considerable.

Some Other Duties in Origination Process

- While assessing credit proposal, concerned official(s) will take necessary measures for the safeguard of the bank in light of Security Compliance Certificate Checklist **(Annexure-C).**
- On getting borrower's application, the Relationship Manager / Head of Branch will ascertain the credit limit.
- Relationship Manager/ Head of Branch will be held responsible for any wrong information provided in the Credit Application Template. He /she will also be responsible for analysis of information & providing comments or recommendation therein. He/she will maintain KYC Profile of the borrower. In this course of actions he/ she should have adequate and proper experience, knowledge and background to exercise prudent judgment.

5.1.2 Risk Grading / Rating

To assess the asset quality and heighten the standing quality to a typical standard, it is likely to make sure a strong risk grading arrangement. To each & every credit / lending there is a classification or standard in terms of risk. To ascertain the classification, bank needs to watch carefully the financial standing of the borrowers. The key financial performance indicators on profitability, equity, leverage and liquidity will have to be analyzed. While making such analysis due consideration should be given to business /industry risk, borrowers' position within the industry and external factors such as economic condition, government policies and regulations. For companies whose financial position is dependent on key management personnel and/or shareholders, for example, in small and medium enterprises, bank needs to pay particular attention to the assessment of the capability and capacity of the management/ shareholder(s).

In case of an existing borrower, bank will monitor the borrower’s account activity, repayment history and instances of excesses over credit limits. For trade financing, bank will monitor cases of repeat in extensions of due dates for trust receipts and bills.

Bank will regularly review the credit in terms of the borrower’s ability to adhere to financial covenants stated in the credit agreement, and any breach detected should be addressed promptly.

Bank, in reviewing and classifying their loans, should be on the alert for developments in the macroeconomic, industry, and competitive environment that could lead to financial problems for those borrowers in the future. The subjective factors must be taken into account in determining the classification category, and banks must avoid taking a mechanistic approach to identifying and classifying their problem loans.

5.1.2.1 Internal Credit Risk Rating System (ICRRS) /CRG

All credit facilities should be assigned a risk grade. Enhancement / reduction/ changes of credit facilities and / or enforcement of special condition on any borrower should be done according to the risk grading assigned to the borrower. Strong monitoring system is required centering the risk grading. If any deterioration in risk is observed, the risk grade assigned to a borrower and its facilities should be immediately changed. Concerned Relationship Manager will approve the same changes with due course. If the risk associated with any borrower increases, the issue should be well-addressed to competent authority for monitoring/ recovery/ reduction or other necessary actions (See Pubali/Instruction Circular No. 960/2006 dated 03.04.2006). The Credit Risk Grading (CRG) system encompasses the following parameters:

- Covers a broad range of the bank’s credit exposure, including off-balance sheet exposures;
- Covers both performing and non-performing assets;
- Has several grades covering exposures, with the lowest rating accorded to those where losses are expected;

- Has risk ratings for "performing" credits with several grades (including the grade corresponding to "special mention");
- Has regulatory classifications (standard, special mention, sub-standard, doubtful & bad/loss) incorporated within the risk rating systems; and

Credit Risk Grading (CRG) & Its Functions

Well-managed credit risk grading systems promote bank safety and soundness by facilitating informed decision-making. Grading systems measure credit risk and differentiate individual credits and groups of credits by the risk they pose. This allows bank management and examiners to monitor changes and trends in risk levels. The process also allows bank management to manage risk to optimize returns.

Use of Credit Risk Grading

- The Credit Risk Grading matrix allows application of uniform standards to credits to ensure a common standardized approach to assess the quality of individual obligor, credit portfolio of a unit, line of business, the branch or the Bank as a whole.
- As evident, the CRG outputs would be relevant for individual credit selection, wherein either a borrower or a particular exposure/facility is rated. The other decisions would be related to pricing (credit-spread) and specific features of the credit facility. These would largely constitute obligor level analysis.
- Risk grading would also be relevant for surveillance and monitoring, internal MIS and assessing the aggregate risk profile of a Bank. It is also relevant for portfolio level analysis.
- Minimum "acceptable" CRG Grade is considerable.

Number and Short Name of Grades Used in the CRG

The proposed CRG scale consists of 8 categories with Short names and Numbers are provided as follows:

GRADING	SHORT NAME	NUMBER
Superior	SUP	1
Good	GD	2
Acceptable	ACCPT	3
Marginal/Watchlist	MG/WL	4
Special Mention	SM	5
Sub standard	SS	6
Doubtful	DF	7
Bad & Loss	BL	8

Categorical Credit Risk Grading Definitions

A clear definition of the different categories of Credit Risk Grading is given as follows:

- **Superior (SUP) - 1**
  - ⇒Credit facilities, which are fully secured i.e. fully cash covered.
  - ⇒Credit facilities fully covered by government guarantee.
  - ⇒Credit facilities fully covered by the guarantee of a top tier international Bank.
- **Good (GD) - 2**
  - ⇒ Strong repayment capacity of the borrower
  - ⇒ The borrower has excellent liquidity and low leverage.
  - ⇒ The company demonstrates consistently strong earnings and cash flow.
  - ⇒ Borrower has well established, strong market share.
  - ⇒ Very good management skill & expertise.
  - ⇒ All security documentation should be in place.
  - ⇒ Credit facilities fully covered by the guarantee of a top tier local Bank.
  - ⇒ Aggregate Score of 85 or greater based on the Risk Grade Score Sheet
- **Acceptable (ACCPT) - 3**
  - ⇒These borrowers are not as strong as GOOD Grade borrowers, but still demonstrate consistent earnings, cash flow and have a good track record.
  - ⇒Borrowers have adequate liquidity, cash flow and earnings.
  - ⇒Credit in this grade would normally be secured by acceptable collateral (1st charge over inventory / receivables / equipment / property).
  - ⇒Acceptable management
  - ⇒Acceptable parent/sister company guarantee
  - ⇒Aggregate Score of 75-84 based on the Risk Grade Score Sheet
- **Marginal/Watch list (MG/WL) - 4**
  - ⇒ This grade warrants greater attention due to conditions affecting the borrower, the industry or the economic environment.
  - ⇒ These borrowers have an above average risk due to strained liquidity, higher than normal leverage, thin cash flow and/or inconsistent earnings.
  - ⇒ Weaker business credit & early warning signals of emerging business credit detected.
  - ⇒ The borrower incurs a loss
  - ⇒ Loan repayments routinely fall past due
  - ⇒ Account conduct is poor, or other untoward factors are present.
  - ⇒ Credit requires attention
  - ⇒ Aggregate Score of 65-74 based on the Risk Grade Score Sheet

- **Special Mention (SM) - 5**
  - ⇒This grade has potential weaknesses that deserve management's close attention. If left uncorrected, these weaknesses may result in a deterioration of the repayment prospects of the borrower.
  - ⇒Severe management problems exist.
  - ⇒Facilities should be downgraded to this grade if sustained deterioration in financial condition is noted (consecutive losses, negative net worth, excessive leverage),
  - ⇒An Aggregate Score of 55-64 based on the Risk Grade Score Sheet.
- **Substandard (SS) - 6**
  - ⇒Financial condition is weak and capacity or inclination to repay is in doubt.
  - ⇒These weaknesses jeopardize the full settlement of loans.
  - ⇒Bangladesh Bank criteria for sub-standard credit shall apply.
  - ⇒An Aggregate Score of 45-54 based on the Risk Grade Score Sheet.
- **Doubtful (DF) - 7**
  - ⇒Full repayment of principal and interest is unlikely and the possibility of loss is extremely high.
  - ⇒However, due to specifically identifiable pending factors, such as litigation, liquidation procedures or capital injection, the asset is not yet classified as Bad & Loss.
  - ⇒Bangladesh Bank criteria for doubtful credit shall apply.
  - ⇒An Aggregate Score of 35-44 based on the Risk Grade Score Sheet.
- **Bad & Loss (BL) - 8**
  - ⇒ Credit of this grade has long outstanding with no progress in obtaining repayment or on the verge of wind up/liquidation.
  - ⇒ Prospect of recovery is poor and legal options have been pursued.
  - ⇒ Proceeds expected from the liquidation or realization of security may be awaited. The continuance of the loan as a bankable asset is not warranted, and the anticipated loss should have been provided for.
  - ⇒ This classification reflects that it is not practical or desirable to defer writing off this basically valueless asset even though partial recovery may be affected in the future. Bangladesh Bank guidelines for timely write off of bad loans must be adhered to. Legal procedures/suit initiated.
  - ⇒ Bangladesh Bank criteria for bad & loss credit shall apply.
  - ⇒ An Aggregate Score of less than 35 based on the Risk Grade Score Sheet.

Branches will send their CRG Report against the borrower to Credit Administration, Monitoring & Recovery Division of the bank periodically as per **Annexure-D**. The division concerned will then take necessary measures and corrective actions.

5.1.2.2 Risk Rating by External Credit Assessment Institutions (ECAIs)

The analysis of a potential borrower's creditworthiness by an ECAI is useful and assist the credit analysts in organizing thinking and forming an opinion about the potential borrower in question. Bank may take clients' ratings assessed by ECAIs registered by Bangladesh Securities and Exchange Commission as well as recognized by Bangladesh Bank prior to lending. However, bank will rely on its own assessments of the creditworthiness of the borrowers as the primary determinants of its credit decision.

5.1.3 ENVIRONMENTAL & SOCIAL RISK MANAGEMENT (ESRM)

The financial and economic development of Bangladesh is inseparably linked to our vulnerability to environmental & social degradation. An increasing awareness of these issues and their impact on financial institutions and business enterprises has made the environmental & social risk management a critical component of Credit Risk Management procedures.

As an environmental stakeholder PBL needs to protect its financings from environmental & social risk through own initiative for green as well as sector specific leading to efficient energy and water resources management, waste reduction, recycled materials and above all environmental friendly sectors.

In this regard, bank's officials are to keep an eye on ESRM Guidelines of our Bank/ Bangladesh Bank to protect lending from environmental & social risk as well as to discourage the projects / lending not viable from environmental point of view.

Purpose of ESRM

The overall purpose of ESRM is to understand and manage risks that arise from environmental & social concerns. This brings a focus on planning and implementing policies and procedures to mitigate environmental risks. The specific purposes are to:

- Examine the environmental & social issues and concerns associated with potential business activities proposed for financing.
- Identify, evaluate and manage the environmental & social risks and the associated Financial implications arising from these issues and concerns.
- Enhance the credit risk appraisal process.

Applicability of ESRM

The loan categories for which the ESRM Guideline is applicable are agriculture, retail, trade, microfinance, SME, corporate finance and project finance. All loan proposals (New/Renewal/Rescheduling/Restructuring) for the above applicable sectors will have to be first screened against the exclusion list**.** Any transaction in the Exclusion List will have to be kicked out. But if the proposal is out of the Exclusion List, the bank will apply the ESRM before going for lending.

Approaches to ESRM for Transactions out of Exclusion List

a) **Agriculture:** In the agriculture sector, if a loan application (New/ Renewal/Rescheduling /Restructuring) involves farming/crop production activities, poultry and dairy it is to be checked using the generic ESDD checklist**,** if there is any environmentally or socially adverse agricultural practices involved such as use of pesticides, agro-chemicals leading to top soil depletion, ground water contamination; use of nitrogenous fertilizers instead of organic fertilizers leading to nitrous oxide emissions etc. Disbursement of loans to other agribusinesses involving sorting, packaging, distribution and sales will not require completing ESDD checklist.

b) **Trade, Retail and Microfinance:** Any transaction under these category sectors will not be subject to due diligence using ESDD checklist.

c) **Small Enterprises:** In the small enterprise category sector, if the following activities are involved, then a loan application (New/Renewal/Rescheduling/ Restructuring) worth above BDT 1.00 million (BDT 10.00 Lakh) will be subject to due diligence using generic ESDD checklist.

   i. Washing, dyeing and finishing units of RMG sector (water, chemical pollution)
   ii. Small steel re-rolling mills (operational health and safety, thermal, air pollution)
   iii. Brick kilns (air pollution, child labour, burning of fossil fuel)
   iv. Units for tanning, dressing and dyeing of leather and fur (water, chemical, air pollution)
   v. Pesticides, agrochemical and nitrogen manufacturing units (land contamination, water, air pollution)
   vi. Chemicals and chemical products manufacturing units (safety, pollution)
   vii. Rubber and plastic products manufacturing units (pollution)
   viii. Batteries and accumulators manufacturing units (chemical pollution)

   Other cases, transaction will not be subject to due diligence using ESDD checklist.

d) **Medium Enterprises:** All loan applications (New / Renewal / Rescheduling/ Restructuring) in the medium enterprise sector will have to undergo E&S due diligence as per the generic or sector specific ESDD checklist.

e) **Corporate Finance:** All loan applications (New / Renewal / Rescheduling/ Restructuring) for corporate finance will have to undergo E&S due diligence process using the generic ESDD checklist and where applicable, the sector-specific ESDD checklist.

f) **Project Finance:** For all Project Finance transactions will have to undergo E&S due diligence as per the generic ESDD checklist and where applicable, the sector-specific ESDD checklist. In addition to that, a third party Environmental and Social Impact Assessment (ESIA) will have to be conducted. ESIA will generally be arranged by the client at his /her / its own cost and submitted along with loan application. Bank will ensure that the third party will be qualified by the criteria set by Bangladesh Bank in this purpose.

For detailed Environmental & Social Risk Management, follow our bank's ESRM Guidelines (Also see Bangladesh Bank's SFD Circular No.02 dated 08.02.2017 and subsequent amendment(s) thereof).

5.2 Risk Based Loan Pricing

Bank will have to price loans commensurate with risk grading to cover all costs, including a certain number of basic points such as cost of funds, expected loss, cost of allocated capital, term cost of liquidity, Cost of liquid asset buffer, Loan administration costs, Competitive margin etc. The every point of costs should be considered as to be present over the life of the loan.

Bank must keep alert at all times to price its loans to cover all of these costs. To promote export of the country and to sustain therein, export loans should be priced on the basis of competitive export market.

It is suggestive to examine the borrower's relationship with bank, coherence to the covenants, repayment history; account turnover, profitability, genuineness of transactions, utilization of fund etc. from time to time. If such examination provides adequate indications of soundness of borrower, bank may consider facilitating the borrower with comparatively lower interest rate & other related facilities.

5.3 Credit Committee

Credit Committee is a group of executives/ officials at the Corporate Branch/ Regional Office/ Principal Office/ Head Office level formed for recommendation after assessing the credit standing and ability to repay debt of prospective borrowers. The Credit Committee identifies possible risks assumed by the Bank for different types of transactions which are not within the capability of the Assets and Liabilities Directorate. The Credit Committee has the authority to make suitable recommendation for approval or decline of any proposed credit.

Composition of the Committee

The Credit Committee at Head Office/ Principal Offices/ Regional Offices/ Corporate Branches level will be consisted of the Executives/ officers with number of members as required. Among the members, a chairman and a member secretary should be assigned separately in persons. The formation of the committee at Principal Offices/ Regional Offices/ Corporate Branches level does not require prior approval. However, after formation of the credit committee, the related information must be delivered to the related controlling offices and concerned division at Head Office level.

Quorum & Frequency of Credit Committee

The quorum for meetings of the Committee shall be at least three members present in persons, one being a Chairman therein. Nevertheless, quorum will require majority of the members in case of credit committee consisted of more than 5 (five) members. Meetings of the credit committee will be held on an adhoc basis, as & when required.

Duties & Responsibilities of the Credit Committee

The Credit committee will shape their decision on proposal placed before them in line with directives of applicable manuals, different declarations, government-laws, policies / guidelines by Bangladesh Bank along with other laws & practice of the bank.

Guidelines for the Credit Committees / Recommending Bodies

Credit Committee will be aware of the following issues and take cautionary measures:

a. Granting credit irregularly/ renewal/ enhancement of the same against having no business & fake transactions in the business account.
b. Enhancement/ renewal of credit in spite of not being satisfactory turnover in the client's current account.
c. Allowing credit of comparatively more amount on the same day of adjustment or instantly after adjustment of previous classified loan.
d. Limit was enhanced 4/5 times which is inconsistent with borrower's business.
e. Allowing credit in favour of client without taking sufficient information though the client/ allied concern has classified loans with other bank/ FI/ NBFI.
f. Though the defaulter clients have unadjusted classified liabilities, they are being allowed regular transactions in the current account and /or large-amount-drawings.
g. Allowing/ enhancing credit by Credit Approval Authority at Branch/ Regional Office/ Principal Office level without proper credit appraisal/ examining information provided in the credit proposal.
h. Allowing fresh loan or enhancing existing limit in favour of client without realizing required down payment against balance of re-scheduled/ re-structured loan as per BRPD circular.

Recommendation of the Credit Committee is required in the following areas:

- The managing Director / CEO will renew the existing credit limit formerly approved by the Board/ Executive Committee, keeping existing terms & conditions unchanged and in force if the account is running satisfactorily. But, large loan will be required Board's approval.
- The limit approved by the Board will require further approval of the Board to make any changes in or add to the existing conditions and / or enhance the limit.
- Deputy Managing Director or executive with higher rank will grant credit on recommendation/ suggestion of the Credit Committee.

Besides, duties & responsibilities of the Credit Committee will be to, but not limited to;

- Analyze the overall condition of the credit
- Make plans for upgrading overall credit quality and provide necessary advices
- Formulize the credit policy and provide instructions related credit approval.

Only the executives/ officials delegated for credit approval will approve credit with due diligence. The approval executive/ official will grant credit by approval followed by full signature with seal mentioning designation. The Managing Director will be well informed of the deviations from rules & regulations at the time of granting credit.

5.4 Approval Authority

Delegation of Authority Policy is established to define the limits of authority designated to specified positions of responsibility to establish the types and maximum amount of credit that may be approved to individuals or groups. All employees should be aware of the conduct that violates the guidelines set forth because violation will always be considered outside the scope of their employment. Violating the policy may significantly damage the bank's operation. In addition, individuals who violate these guidelines are under the purview of appropriate disciplinary action by the bank.

5.4.1 Basic Approval Authority Principles

Having approved & clearly delegated the authority to sanction / approve loans by the board of directors, senior executives will use their knowledge and experience in their performance of duties. This delegation of power may be reviewed & rearranged annually by the Board. The delegated executives/ officials are expected to go with care while performing their duties accordingly.

To establish a well risk mitigating credit-granting / approval process, Head of the Principal Offices/ the Regions/ the Corporate Branches/ the Branches who have the absolute authority to approve credits or changes in credit terms are to accomplish their delegated duties with accountability. The respective authority will be held responsible solely for using power for making lending decision.

Banks are expected to develop credit risk officers who have adequate and proper experience, knowledge and background to exercise prudent judgment in assessing, approving and managing credit risks.

The following guidelines should apply in the approval/sanctioning of loans:

a. Credit approval authority must be delegated in writing with due approval from Board. The records of delegation of powers are to be retained under the custody of delegated executives/ officials. Approval authority of an executive/ official cannot be delegated to other executives/ officials.
b. Delegated approval authorities must be reviewed annually by the Board.

c. The credit approval function will be separate from the marketing / relationship management (RM) function. Credit approval authority cannot be delegated to a person assigned with marketing functions.
d. The role of the Credit Committee will be restricted to only the review of proposals and making recommendations within the context of the bank's overall loan portfolios. They will also follow the compliance with regulatory requirements.
e. Approvals must be in writing, or done by electronic signature. Approval records must be kept on file with the Credit Applications.
f. All credit risks must be approved by executives within the authority limits delegated to them. The "pooling" or combining of authority limits should not be permitted.
g. Considering the volume of operations, Principal Offices/Regional Offices/ Corporate Branches along with Head Office will perform the duties of credit approval.
h. All large loans must be approved by the Board.
i. The aggregate exposure to any borrower or borrowing group must be used to determine the approval authority required.
j. Any credit proposal that does not comply with the Bank's Lending Policy, should be referred to Board of Directors.
k. Credit facility(s) with high risk in terms of ESRM is to be placed before the Board of Directors for consideration. But that of medium or low risk in terms of ESRM may be considered by the executive/ official under his discretionary power.
l. A definite process is to be adopted to review, approve and monitor cross border exposure risks.

Any breaches of lending authority will be reported to MD/CEO and Head of Internal Control. There should be consequences of measures for such breaches, to deter future violations.

Expertise required for Approval

It is essential that executives delegated with powers for approving loans possess relevant training and experience to carry out their responsibilities effectively. As a minimum, approving executives should have:

- At least 5 years' experience working in corporate/commercial banking as a relationship manager or as a credit analyst or account executive.
- Training and experience in financial statement, cash flow and risk analysis with a critical eye.
- A thorough working knowledge of the fundamentals of accounting, finance and risk management.
- A good understanding of the local industry/market dynamics.

- Successful completion of an assessment test demonstrating adequate knowledge in areas including introduction of accrual accounting, industry/business risk assessment, borrowing causes, financial reporting and full disclosure, financial statement analysis, asset conversion/ trade cycle, cash flow analysis, projections, loan structure and documentation, loan management, etc.

Necessary trainings/ workshops in PBTI/ BIBM/ BBTI/ other organizations in domestic or global arena, for the concerned officials are to be arranged.

Credit delegations are to be as specific as possible in terms of amount, tenor, deal, business segment etc. The following areas will be considered as a guide for credit delegation.

a. New /fresh limits (secured and unsecured)
b. Renewal of credit limits
c. Renewal, renewal with enhancement, renewal with reduction, restructuring and rescheduling of limits
d. Compromise Settlement under Alternate Dispute Resolution (ADR) [Sec 24 of Money Loan Court Act-2003]
e. Consumer / Retail and Personal Advance to each individual
f. Emergency Short-Term Enhancements
g. Documentation deferrals
h. Change of terms and conditions
i. Collateral exceptions
j. Pricing, policy, exceptions

Risk based approval authority structure is to be developed where lending power is tied to the risk ratings of the obligor. Higher levels of credit risk will be placed to the higher level of approval authority.

A separate register (hard copy /electronic copy) is to be maintained for proposals received, approvals accorded, and proposals declined. A monthly summary of all new facilities approved, renewed, or enhanced; and a list of proposals declined, stating reasons thereof, should be reported to the MD & CEO.

The bank's internal audit department must review the functioning of the authority delegations at least annually, to ensure that there are no breaches.

5.4.2 Approval Authority for Large or Complex Exposures

The approval level for large loans to be restructured must be escalated to the Board. Any complex or unusually high-risk loan is to be placed before the Board for approval.

Exceptions

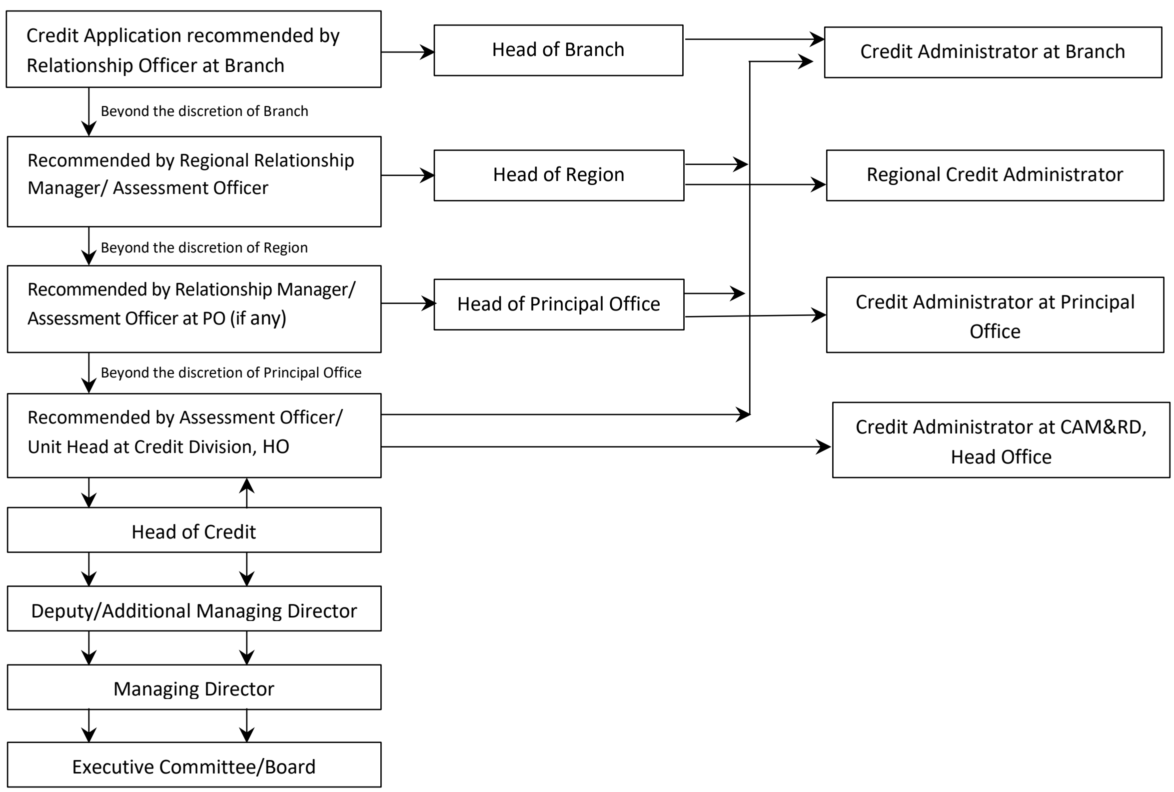
In certain, limited circumstances, exceptions of approved CRM Policy may be granted by the Board on case-by-case basis. However, such exceptions should be rare, and the reason for the exception should be stated in the loan file. A compilation of the exceptions is to be provided to the Audit Committee of the Board on regular basis.

5.4.3 Approval Process

The authority to sanction/approve loans will be clearly delegated to senior executives by the Board, based on the executives' knowledge and experience. Approval authority is delegated to individual executive and not to committees to ensure accountability in the approval process. Bank's credit granting / approval process is to establish accountability for decisions taken to approve credits or changes in credit terms. Approval authorities are expected to be commensurate with the expertise of the individuals involved.

The role of Relationship / Marketing Manager must be dissimilar from that of delegated executives. The credit approval/ sanction will be continued within existing framework of approved guidelines.

Getting the proposal ready, the same is to be forwarded to the higher level of approval authority for approval in line with following manner (process flow):

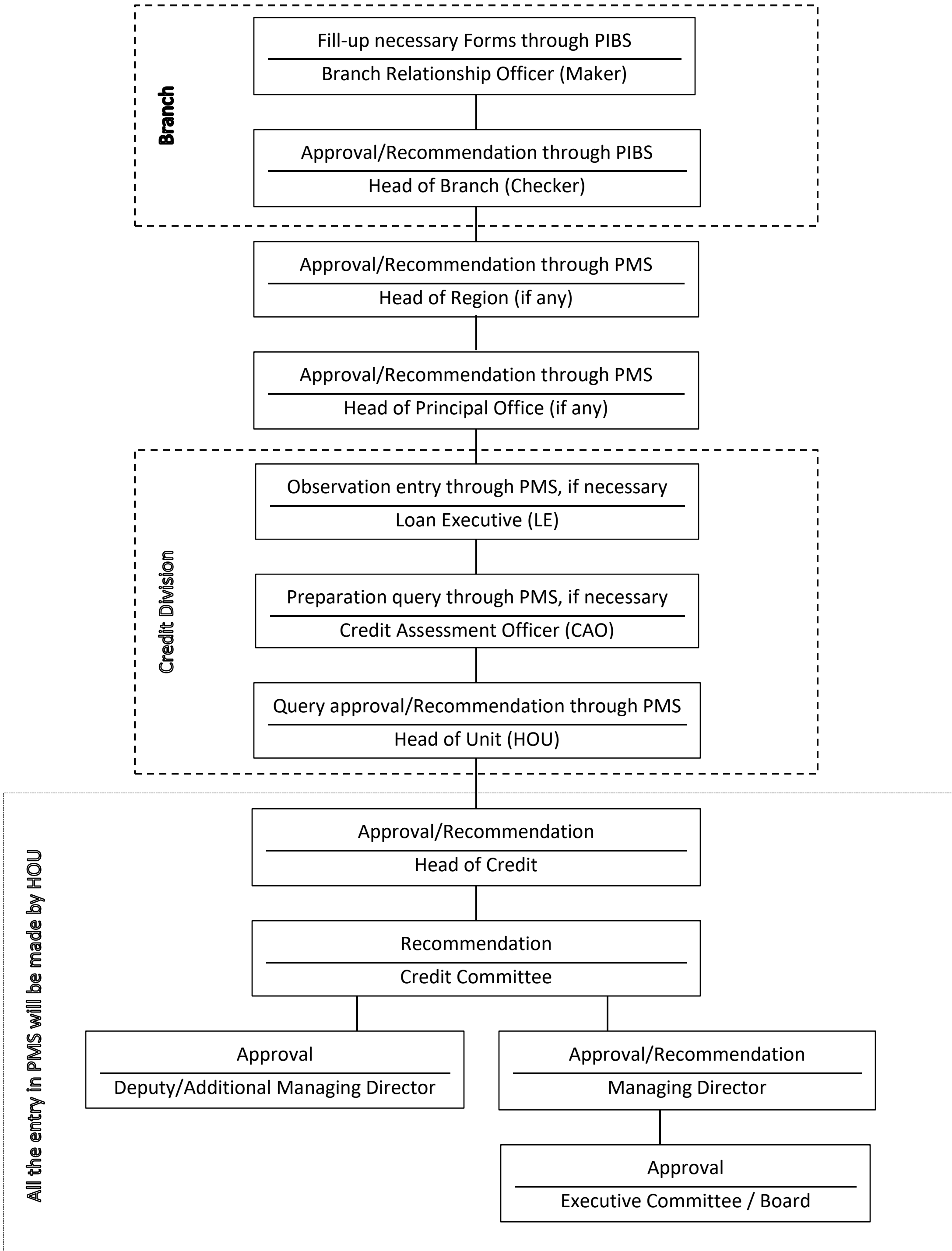


- The Branch will forward the proposal to the authority at Regional Office level with sign & countersign on the papers/ documents enclosed therewith after proper verification.
- The Regional Office will complete their procedures in connection with approval under their discretion, along with issuance of sanction letter or decline thereof within 03 (three) working days. If the approval authority for any proposal is beyond their discretionary power, they will forward the proposal with their recommendation/ suggestion to Head Office within 05 (five) working days. In the event of refusal, the applicant /borrower must be informed of the same within 07 (seven) working days with reason thereof.

- The Head of Credit will approve the credit which is under his purview and inform the Regional Office & the Branch accordingly. He will forward the proposal to the DMD/ Addl MD/ MD with recommendation of Credit Committee if the same requires approval of the DMD /Addl MD/ MD.
- DMD/ Addl MD will approve the credit within their discretionary powers.
- The Managing Director will approve the credit which is under his purview or place the same before the Board if it requires the Board's approval.
- If the credit proposal requires approval from Head Office, the Regional Offices/ Corporate Branches will send the proposal directly to the Head Office. But Regional Offices/ Corporate Branches under Principal Offices will send their credit proposal to Head Office through respective Principal Offices.

5.4.4 Online Appraisal System

Besides the manual process branch must forward the proposal through PIBS. The process flow of Online Appraisal System may be expressed as under:



- The Branch Relationship Officer (as maker) will fill-up all necessary forms of credit proposal through PIBS.
- The Head of Branch will approve the credit which is under the purview of his discretionary power or forward the proposal to higher authority through PIBS if the same is beyond his discretionary power.
- The Head of Region will approve the credit which is under the purview of his discretionary power or forward the proposal to higher authority through PIBS if the same is beyond his discretionary power.
- The Head of Principal Office will approve the credit which is under the purview of his discretionary power or forward the proposal to higher authority through PMS if the same is beyond his discretionary power.
- In the Credit Division, Loan Executive will input observation through PMS, if necessary. Then, the Credit Assessment Office (CAO) will prepare query through PMS, if required. The Head of Unit will approve the query through PMS if necessary. The Head of Unit may edit the entries or allow editing through PMS if feel necessary. If there is no query, the Head of Unit will recommend against the proposal through PMS. He will also input all the entries through PMS regarding recommendation, approval or declining of the proposal.

5.5 Appeal / Review Process

If any credit proposal is declined on the basis of credit appraisal indicator or other reasons what so ever, the same may be sent to the same/higher authority for review with justification for consideration of the same on the basis of merit.

5.6 Credit Disbursement

The credit administration should ensure that the credit application has proper approval before entering the facilities into computer systems. Disbursement should be effected only after execution of charge documentation and completion of covenants and creating charge on primary securities and collaterals. In case of exceptions, necessary approval is to be obtained from the competent authorities. Under no circumstances, loan should be disbursed before obtainment of necessary approvals from the competent authority.

In disbursing the loan, the borrower is to understand and acknowledge the purpose of the loan. The authorized officials for disbursement will obtain necessary documents/ papers, such as the invoices, to ensure that the loan proceeds are spent on the designated purpose and for no other purpose. The authorized officials will obtain and implement checks of such papers/ documents so that the borrower can understand and comply with these checks.

In accordance with opinion of the Bank's Panel Lawyer the loan will be disbursed if compliance with all terms & conditions of the sanction is in order and clearance for disbursement are obtained from Credit Administration, Head Office/ Principal Offices/ Regional Offices. Opinions from more than one lawyer may be obtained in case of necessity of heightened level of caution.

5.7 Special Case of Related Person Lending

Relationship Manager / concerned officials must exercise a heightened level of care in lending to bank-related persons, as that term is defined in section 26 (Ga) of Bank Company Act as well as BRPD Circular No. 4 of 23 February 2014 and any amendment thereafter. Related parties typically include a bank's promoters, major shareholders, subsidiaries, affiliate companies, directors, and executives. The relationship includes the ability to apply control over or influence a bank's policies and decision-making, especially concerning credit decisions. It is crucial for bank to systematically identify and track extensions of credit to related persons.

Under no circumstances a loan will be made to a related person on terms and conditions more favorable to that person than to any unrelated client. In this context, "more favorable" means a lower interest rate, lower upfront fee, less collateral, lower-quality collateral, longer tenor, or less frequent interest payment. Any loan or other extension of credit to a related person must be approved by the Board, and the aggregate amount of all loans and other extensions of credit to bank-related persons must not exceed 10% of the bank's Tier 1 capital.

5.7.1 Avoidance of undue Influence on Credit Decision

The management will not make credit decision under influence of the related persons violating laws, BB guidelines and circulars, the bank's own credit risk management policy, and best banking practice. Ability to repay must be the primary criterion for approval. The officials will follow usual rules & regulations while going for lending. Bank will not go for financing violating usual system & procedures.

5.7.2 Avoidance of "Daisy Chains" and Other Devices to Evade Rules and Sound Practice in Related Person Lending

The management will ensure not to enter into "daisy chains" or other "reciprocal arrangements" which are likely to evade the rules, aggregate limits, and sound practice in lending to related persons.

For example, daisy chain is created when Bank A lends to a related person or persons of Bank B, Bank B lends to a related person or persons of Bank C, and Bank C lends to a related person or persons of Bank A (Chains often have even more than three links). A reciprocal arrangement is created when Bank A lends to a related person or persons of Bank B, and Bank B lends to a related person or persons of Bank A.

5.8 Credit Reporting

Monthly report on fresh sanctioned, renewed, enhanced loan or declined proposal should be brought to the kind notice of the Management or the Board in the following month.

Chapter 6: Credit Risk Mitigation Strategies

6.0 Credit Risk Mitigation

Collateral and guarantees etc. are to be taken as credit risks mitigation strategies. However credit risk mitigation should not be treated as substitute for proper loan underwriting and loan administration. They are correctly viewed only as secondary sources of loan repayment, never primary sources. Officials are to take caution against making the loans depending upon collateral or guarantee. A loan is considered collateral-dependent when repayment is expected to be provided solely by the seizure and sale of the collateral, the continued operation of the collateral, or, sometimes, both together.

6.1. Credit Risk Mitigation Policy

For productive credit risk mitigation, bank is desired to observe the following policies before going for lending:

- Securitizing the lending
- Insuring of insurable securities
- Creating registered mortgage of mortgageable securities
- Mentioning collateral arrangement in credit proposal, in details
- Making agreement between bank and the borrower
- Keeping track of which loans are collateralized by which types of collateral
- Maintaining a concentration list of collateral
- Controlling & matching by CAM&RD the value of cash collateral which are liened to the bank against which borrowings are allowed as per approval
- Legal counseling for establishing the required legal documentation for a borrower's legal standing and for enforcing the bank's interest
- Vetting the mortgaged documents by bank's legal counsel
- Creating registered mortgage of property supported by registered irrevocable general power of attorney to sell the property
- Keeping loan-to-value ratio low enough to absorb declines in the value of the collateral
- Taking collateral having favorable marketability and liquidity
- Getting collateral assessed by enlisted survey firms
- Conducting inspection to verify the existence and valuation of the collateral
- Evaluating the level of coverage being provided in relation to the credit-quality and legal capacity of the guarantor, in case of third party guarantees
- Complying with the additional credit-enhancing steps regarding third party guarantees, mentioned later, under SL. No. 6.1.3.

6.1.1 Insurable Security

While necessary, it is important to protect lending business to have insurance for products /goods of primary security. Otherwise bank may pay heavily for it, if it is lost or damaged. The Head of Branch / concerned official will prepare substantial report on primary security at least on monthly basis after physical verification of the same and keep record thereof.

Insurable security should be insured in due course for the amount equivalent to sanctioned limit plus 10%.

6.1.2 Collateral Security

Bank may ask the borrower to offer collateral for minimize the credit risks. By securitizing the loan with collateral, the borrower is made sense that it is he who will feel pain more from default of the loans. So collateral is important for bank as it reduces the risks.

So, for effective credit risk mitigation, bank will keep sufficient collateral as a guard of its lending business. The following scheme for categorizing loans by collateral type is recommended:

1. Shares and securities
2. Commodities/export documents
    a. Export documents
    b. Commodities
        i. Export commodities
        ii. Import commodities
        iii. Other commodities pledged or hypothecated
3. Machinery/fixed assets (excluding land, building/flat)
4. Real estate
    a. Residential Real estate
    b. Commercial Real estate
5. Financial obligations
6. Guarantee of individuals (personal guarantee)
7. Guarantee of institutions (corporate guarantee)
    a. Guarantee of bank or NBFI
    b. Other corporate guarantee
8. Miscellaneous
    a. Hypothecation of crops
    b. Other
9. Unsecured loans

It is imperative to deal with the followings while taking collateral:

- Generally, granting loans against 2nd charge on any forms of security is discouraging. However pari-passu charge may be a further option while go for lending in this event. Pari-passu means an equivalent right to the share of specified assets of a borrowing company to all the lenders under a joint lending arrangement. In the event of default of repayment from the borrower the joint lenders may dispose-of the security held by them in order to recover their dues. The realization proceeds of the assets disposed-of would be shared among joint lenders in proportion to the balances outstanding in their accounts.

- For security in the form of land and building, branch will have to ensure whether title documents are in order and concerned land and building will have to be valued as per prevailing rules & regulation of our Bank.
- Branches are advised to maintain a complete statement of eligible collateral on a separate sheet in the concerned loan file after physical verification of the same at regular intervals. Information such as a description of eligible collateral, their assessment by a recognized firm, marketability of the commodity, control of the bank, and reasons for considering eligible collateral etc. will have to be included in that statement.

Amount & Type Required

While extending credit, bank may ask the suitable type & amount of collateral to keep loan-to-value ratio enough low by which bank may absorb declines in the value of the collateral that may occur with a small, though not insignificant probability.

The most valuable collateral is cash and easily en-cashable financial collateral stipulated in Risk Based Capital Adequacy Guidelines (in line with Basel III). Other collateral in order of its quality, accessibility and marketability would be marketable securities, real estate and personal guarantee. Real estate, taken as collateral, is less liquid and marketable in the short run but is controllable and dependable in value.

Valuation of Landed Properties

Landed Property will have to be valued by the professional survey firm. Reassessment of collateral securities must include periodic revaluations of existing collateral securities no less frequently than three years from the date of last valuation irrespective of the renewal/ enhancement/ rescheduling of the limit(s) etc. In case of renovation or extension of existing construction / additional construction made on the existing securities, the same may be revalued before three years adding the value of renovation/ extension/ additional construction with the existing value of collateral securities. But the value of land must not be appreciated before 3 (three) years under any circumstances, if any material changes not occurs in the locality. Nevertheless, temporary houses including tin-shed structure shall not be shown as building. The Head of Branch as well as the Head of Region will also follow the prevailing guidelines for valuation of landed properties.

Alongside, the valuation procedures must encompass our bank's prevailing rules & regulations and usual terms & conditions set forth by Bangladesh Bank or other eligible bodies from time to time.

Initial and Ongoing Valuation

When collateral is taken as security, consideration must be given to the dependability of the value, its marketability, the liquidity and the ability of the bank to control the collateral when in the possession of the debtor and when the bank must liquidate. The collateral should be valued on a liquidation basis. The bank is unlikely to be more successful with the collateral than the borrower has been.

Determining value of collateral at the time of the inception of the loan is essential. Continuous updated valuations are needed, depending on the length of the loan, particularly if the loan becomes a problem loan. The techniques of valuing include the cost, or replacement value, market, income as a going concern or liquidation, and the liquidation value.

If a borrower gets into trouble, the good collateral will be the first to be used by the bank to recover the problem-assets. The bank will consider the costs to liquidate, which includes foreclosure, holding the collateral for sale, and the costs of selling.

To reiterate, bank needs to reassess the value of collateral on a periodic basis. Appropriate Inspection should be conducted to verify the existence and valuation of the collateral. Frequency of such valuation is very subjective and depends upon the nature of the collateral. For instance, credits granted against shares need revaluation on almost a daily basis.

6.1.3 Third-Party Guarantees

The officials must understand that the credit risk on a loan is not eliminated by the existence of a third-party guarantee. With regard to guarantees, bank will evaluate the level of coverage being provided in relation to the credit-quality and legal capacity of the guarantor. While taking any third party guarantee following steps are to be taken:

- Individual guarantor’s status is to be higher than or equal to the borrower/ applicant which is to be supported by Personal Net-Worth Statement of the guarantor having sufficient Net Worth to repay the loan liabilities.
- The corporate guarantee must be supported by a Memorandum of Association (MoA) and Articles of Association (AoA) of the company giving the corporate guarantee. Additionally, the corporate guarantee is to be approved in the board meeting of the corporate guarantor.
- The guarantor company must be rated in any of the investment grade categories by at least one ECAI.
- The balance sheet of the third party giving a corporate guarantee is to be analyzed. Net-worth, total assets, profitability, existing credit lines, and security arrangements of the company giving the corporate guarantee are to be analyzed to ensure that the company is not exposed to financial obligation beyond its capability.

- Once the financial stability of the corporate guarantor has deteriorated in terms of the above, the bank shall ask for remedial measures from the borrower (replacement/ new collateral).
- Reciprocal guarantee arrangements between two banks will be disregarded. For example, if Bank A guarantees loans made by Bank B to certain client(s), and Bank B guarantees loans made by Bank A to certain client(s), only the difference between the two guaranteed amounts will be considered as a credit enhancement for the purpose of determining the overall level of credit risk at the bank whose borrowers benefitted from the higher amount.

Chapter 07: Managing Credit Risk in the Administration Process

7.1 Borrower Follow-up & Corrective Actions

Borrower follow-up & corrective actions are crucial in identifying Early Indication of Deteriorating Financial Health of the borrower. Conducting customer calls and site visits to obtain key data is a critical and continuous process. For this reason it is important for the Head of Branch/ authorized officials to be out in the field as often as possible because:

- Problems are often evident here first.
- Problems are often disguised in financial statements.
- The loan proceeds may have been diverted to some other purpose.

Depending on the size of loan and risk rating of the customer the Head of Branch/ authorized officials will have to conduct a customer call monthly. To do this the Head of Branch/ authorized officials will:

- Develop a call schedule plan.
- Plan other necessary data gathering.
- Determine the frequency of site visits by utilizing the loan classification. The less favorable the classification, the more frequent the visits should be.

In addition, authorized officials will watch carefully the financial standing of the borrowers. The key financial performance indicators on profitability, equity, leverage and liquidity should be analyzed. While making such analysis due consideration should be given to business/industry risk, borrowers' position within the industry and external factors such as economic condition, government policies and regulations. For companies whose financial position is dependent on key management personnel and/or shareholders, for example, in small and medium enterprises, institutions loan officer would need to pay particular attention to the assessment of the capability and capacity of the management/ shareholder(s).

In case of an existing borrower, the Head of Branch/ authorized officials will monitor the borrower’s account activity, repayment history and instances of excesses over credit limits. For trade financing, the Head of Branch/ authorized officials will monitor cases of repeat in extensions of due dates for trust receipts and bills.

The Head of Branch/ authorized officials will regularly review the credit in terms of the borrower’s ability to adhere to financial covenants stated in the credit agreement, and any breach detected is to be addressed promptly.

7.2 Independent Internal Loan Review and Changes to the Credit Risk Rating

The independent, internal loan review is crucial for proper Credit Risk Management.

7.2.1 Loan Review vs. Loan Monitoring

Loan Review is a strategic process which:

- Is to be accomplished by an objective third party/ person (not the loan officer/ Relationship Officer).
- Will include assessment and evaluation of individual loans, loan portfolio components
- Assesses the loan portfolio as a whole
- May make recommendations for achieving corporate strategic objectives through the loan portfolio.
- Will include assessment of the loan management process, credit quality, and the results / profitability of the loan portfolio.

Loan Monitoring is a tactical process which:

- Is to be accomplished by loan officer
- Includes tracking of a borrower to watch loan deterioration, with the emphasis on loan repayment.

Organizational and Reporting Considerations

There will be Loan Review Team in Credit Administration, Monitoring & Recovery Division. The team will perform loan review/ recovery and / or other duties independently. Team staffs will be competent and experienced in working with collateral, identifying liquidation values, knowing what is involved in liquidations. The team will also place their review report before the Board of Directors/ Management.

Loan Review is an independent function or part of the overall independent auditing function of the bank.

Performing Loan Review Function

- Loans of amount of 1 (one) crore & above are to be reviewed on quarterly basis.
- Industry concentrations are to be ascertained and examined.
- Borrowers with deteriorating status (identified by Early Warning System) are to be scrutinized.
- Examine credits of a particular branch or officer where weakness or incompetence is suspected.
- Frequency of loan review may be based on risk rating i.e. higher the risk more frequent the review.
- If a borrower is reported as problematic or reported to be required corrective actions, is to be reviewed promptly.

7.2.2 Loan Review by Credit Division

At least, 10% of total loans & advances approved by the Principal Offices/ Regional Offices/ Corporate Branches should be reviewed /overseen by Credit Division, Head Office annually. Loan Review personnel must be experienced in working with lending activities especially with collateral, in identifying liquidation value and be known of what is involved in liquidations. They will find out their observations and submit the reports before the senior management, with their recommendations.

7.2.3 Loan Review by Credit Administration, Monitoring & Recovery Division

Credit Administration, Monitoring & Recovery division will set forth the necessary guidelines for a well-organized and effective loan Review Process. It is the responsibility of loan review to provide an objective third-party opinion so that realistic loan-to-collateral relationships can be maintained by the bank. Loan Review process should be established for addressing following five specific issues/ contents while reviewing individual credits:

a) Credit Quality
b) Documentation
c) Liquidation of Collateral
d) Pricing and Funds Management Objectives
e) Compliance with Loan Policy, Laws and Regulations

a) Credit Quality

Credit Quality should be addressed through three fundamental questions:

i. Is the risk different from that perceived by the lender?
ii. What is the probability of repayment in accordance with terms?
iii. Is current monitoring adequate?

b) Documentation

Documentation should be addressed through the following questions:

i. Is the documentation is correct or incorrect?
ii. What is the recommendation to protect bank interest?
iii. Is the position of the credit deteriorating? If yes, what is the additional recommendation to protect bank's interest?
iv. What are the existing problems and what are the mitigating processes to eliminate future problems?

c) Liquidation value of collateral

The only relevant value to apply on collateral is its liquidation value, because collateral is needed only in the event of its liquidation to repay a loan. Book values are meaningless.

d) Pricing and Fund Management Objectives

Loan pricing is to be considered covering cost of fund & other expenses related to the recovery of loan.

e) Compliance with Loan Policy, Laws and Regulations

Compliance with applicable loan policy, laws & regulations is to be followed.

7.3 Loan Monitoring

Loan Monitoring is a tactical process which is to be accomplished by loan officer. Loan officer will follow-up the borrower and find out the loan deterioration, if any, giving emphasis on loan repayment. Branches will adopt necessary steps to monitor each & every loan account maintaining schedules. They will make their monitoring function active by maintaining proper liaison with respective Regional Offices/ Principal Offices/ CAM&RD. A computer generated monitoring system is crucial & thereby imperative to have as a fruitful monitoring technique.

Loan monitoring activities will be to (but not limited to):

i. Watch carefully the financial standing of the borrowers. The key financial performance indicators on profitability, equity, leverage and liquidity should be analyzed. While making such analysis due consideration should be given to business/industry risk, borrowers' position within the industry and external factors such as economic condition, government policies and regulations.

ii. Monitor the borrower's account activity, turnover, repayment history and instances of excesses over credit limits. For trade financing, the Head of Branch/ authorized officials will monitor cases of repeat in extensions of due dates for trust receipts and bills.

iii. Examine the usage of fund through financial statement analysis.

iv. Communicate with the borrower well ahead of time the installments becomes due.

v. Ensure timely renewal of limit two months ahead of limit expiry date.

vi. Review periodically the progress against work order/contracts finance and keep documents of the same.

vii. Conduct regular inspection to confirm that bank's security/ collateral is secured.

viii. Analyze call reports by Credit Administration, Monitoring & Recovery Division/ Regional Offices to ensure that affairs of the borrower are being run on expected lines and there are no material changes in the status of the borrower.

ix. Review regularly the credit in terms of the borrower's ability to adhere to financial covenants stated in the credit agreement, and any breach detected will have to be addressed promptly.

x. Inform the competent authority about any objection raised while bank's internal regular inspection and / or commercial / Bangladesh Bank/ other inspections. Intensive follow-up must be continued in this event.

xi. Review the approved loan limits at least once a year. While go for renewal and / or enhancement, due consideration should be given to overall situation of the credits.

xii. Identify & monitor the irregularities by Credit Administration, Monitoring & Recovery Division and Internal Control & Compliance Division through on-line Networking. The same monitoring schemes are expected to be at Regional Offices. Regional Offices will examine the list of negative ledger balances of the branches under their control & verify the genuineness of the same regularly. Principal Offices may examine & verify the negative ledger balances to ascertain whether there exists any excess over limits or unauthorized limits/ drawings. Necessary measures are to be taken against any detected irregularities. In addition, Credit Administration, Monitoring & Recovery Division will examine the negative ledger balances and take necessary steps against irregularities, if any. They will also make reports of Excess-Over-Limit (EOL), expired credit limit, covenant violations, documentation deficiencies on regular basis, to place the same before the Managing Director.

xiii. Work sensing that "Prevention is better than Cure". Experience says the easiness of keeping an account regular by intensive monitoring before the same going bad. Recovery of classified loans is extremely troublesome and critically effort & time consuming. In spite of giving all out efforts, recovery is sometimes impossible.

Credit Administration, Monitoring & Recovery Division will set forth the necessary guidelines for effective credit monitoring. Regional Offices will also analyze the call reports submitted by the branches to ensure that the affairs of the borrower are being run on expected lines and there are no material changes in the status of the borrower.

7.3.1 Early Warning System (EWS)/ Timely Identification of Problem Assets

The Early Warning System (EWS) is an important tool. The EWS allows the bank to effectively and promptly identify customers with increasing Credit Risk.

Bank will put in place a process for the early warning of increasing Credit Risk for the timely identification of problem assets. The bank must examine through the following areas as appropriate qualitative and quantitative early warning indicators of increasing Credit Risk:

a. Any breach of the covenants of credit
b. Overdue Accrual Interest
c. Overdue Installment
d. Excess over limit
e. Trade Bill Uncollected
f. Canard of losing business
g. Down turn of the Industry
h. Unwillingness to pay off loans
i. Lack of Management Expertise
j. Natural Disaster and/ or unforeseen state of affairs
k. Unwillingness to take on / switch over responsibilities by the key personnel.

More specifically, the following warning signs are to be considered by Bank in predicting that a loan will become a problem loan:

Documentation Weakness

a. Failing to file collateral agreements/security agreements with appropriate public departments
b. Transferring the collateral to another person/ country
c. Guaranties with expired dates

d. Changes in legal status
e. Unauthorized corporate/partner signatures

Collateral Deterioration

a. Changes of value in the marketplace
b. Rising interest rates decrease real estate and investments
c. Technological advances
d. Rapid depreciation of equipment or inventory
e. Tax law changes (real estate)
f. Natural disasters
g. Spoilage or mishandling of collateral

Extended Credit and High Use of Lines of Credit

a. Borrower is at the top of line each month
b. Failure to meet financial covenants in loan agreement
c. Delays in payment of principal and interest
d. Use of overdrafts/low balances in current account
e. Credit inquiries from other lenders
f. Change of accountants

Other Indications of Problem Loans

a. Delay in receipt of financial statements
b. Delay in management promises or returning telephone calls
c. Change in senior management

Alongside overall security status, specific comments on qualitative judgment, recoverability, forced sale value of collateral etc. should be mentioned in specific format specified in **Annexure-F.**

Branch will send report of the accounts seemed as deteriorating in status to Credit Administration, Monitoring & Recovery Division, as the part of their Early Warning activities. and / or Credit Administration, Monitoring & Recovery Division may sort out a list with the help of ICT Operation Division.

7.3.2 Exercise of Early Warning System

a. The loan accounts which require more attention, intensive follow-up and instruction to operate from competent authority should be included in the early alert list.
b. If the account trends to fall under classification likely within 01 (one) year, it is to be brought to the kind notice of the higher authority. Relationship Manager will adopt corrective actions for betterment of overall situations. Report should be submitted to Credit Administration, Monitoring & Recovery Division within 07 (seven) days of identifying such account. **Annexure- F & Annexure-G** are set as formats of report to be submitted.

c. Credit Administration, Monitoring & Recovery Division will take necessary actions or recovery measures against identified irregular loan accounts. They will make necessary reports on substances of irregular accounts and upgrade the risk levels present there.
d. Regular close conduct is to be maintained with the borrower to get the worsening accounts regular.

7.4 Provisioning in Managing Credit Risk

Provisions for loan losses (alternatively known as loan loss reserves, loan loss allowances, valuation allowances, etc.) are more than just an accounting entry on the liability side of the bank's balance sheet. In the aggregate, the level of provisions must reflect the expected loss on each loan. Normally three types of loan provisioning:

i. General Provision
ii. Specific provisions
iii. Provision for Short-Term Agricultural and Micro-Credits.

General Provision

General provisions are applied to portions of the portfolio (currently, on unclassified loans and loans in the Special Mention Account) on a portfolio basis, expecting that some of the loans (without knowing which) will be downgraded in the future and require specific provisions.

Specific Provisions

Specific Provisions are applied to individual classified loans as an estimation of expected losses on these individual loans. These balance sheet provisions, formed by debiting expense accounts on the profit and loss statement also known as "provisions," play an essential role in managing Credit Risk. If loans are overvalued on the balance sheet, then capital will also be overvalued, leading to misallocation of the bank's scarce financial resources and interfering with all activities of risk management that are tied to the level of capital.

Loan losses are inherent in portfolios, and provisioning policy does not alter the timing and magnitude of these losses. Higher or lower provisions only alter the timing of recognition of these losses. Accordingly, long-run profitability is unaffected by the bank's stance on provisioning.

Provisioning Procedure

Loan loss provisions should be calculated & retained based on actual and expected losses as per guidelines of Bangladesh Bank (See Bangladesh Bank's BRPD circular No. 14 dated 23.09.2012, BRPD circular No. 05 dated 29.05.2013, BRPD circular No. 19 dated 27.12.2012). Bank will always be on a track of accommodation with changes set forth by Bangladesh Bank time to time.

Chapter 8: Managing Credit Risk of Problem Assets

Problem loans are an inevitable consequence of lending. Any time a loan is funded, unforeseen events could arise and make it difficult for the borrower to live up to the terms of the loan agreement. Problem loans often begin with loan officer errors–for example, inaccurately assessing the character of the borrower, misinterpreting the figures on a spread sheet, or simply not saying no to the loan request. These causes of problem loans should and can be minimized.

8.1 Management of Non-Performing Loan (NPL)

The management of problem loans (NPLs) must be a dynamic process, and the associated strategy together with the adequacy of provisions must be regularly reviewed. It is crucial for the NPL Management to be effective & dynamic in terms of actions. Accounts lying on CRG Grade level 5, 6, 7 & 8 are to be treated as NPL accounts. Credit Administration, Monitoring & Recovery Division together with other related divisions will ensure adequate and suitable measures in line with existing rules & regulations set forth by Bangladesh Bank or other concerned authorities, on the way to recovery of problem assets. If any loan or part of it or accrued interest thereon to any person /organization of his/its own or related concern remains "Overdue" for more than 6(six) months, the borrower availing of such loan facility will be treated as defaulted borrower as per section 5(GaGa) of the Banking Companies Act-1991.

Once a potential problem loan has been identified, the bank needs to follow the steps appended below:

- Determine account-wise action plan/ Recovery Strategy
- Interact with the borrower
- Re-schedule/ restructure the loan only in accordance with BB directives set forth from time to time
- Recover the problem loans via Exit Technique (Waiver of Interest)
- Other acceptable recovery measures
- Follow the rules of Artha Rin Adalat Ain 2003

Branches/ Corporate Branches/ Regional Offices/ Principal Offices will take the responsibilities to ensure recovery of respective problem loans under their controls. The recovery function must be managed / controlled centrally by Credit Administration, Monitoring & Recovery Division, Head Office as usual.

8.1.1 Interaction with borrower

Interaction with borrower may be maintained adopting following steps:

- Develop a preliminary plan before meeting with the borrower.
- Schedule a meeting with the borrower soon after learning about the problem loan. Discuss the problem, explore available alternatives to solve the problem, and establish what actions are acceptable and not acceptable.

It is not enough to send a letter pointing out how the borrower is in violation of various terms of the loan documents. The response, if one comes at all, likely will be unsatisfactory; most borrowers deny the problem or believe that if anything is wrong it will correct itself over time. Instead, call the borrower, inform him of the bank's concerns, and schedule a meeting. The Bank must impress upon the borrower that bank desires to cooperate. A meeting will help to further define the best course of action – whether to continue working with the borrower, ask for repayment, or move to liquidate the collateral. For example, an evasive or extremely uncooperative borrower quickly enables the lender to narrow the bank's options.

Avoiding unnecessary animosity is expected to build-up good customer relations and that will help resolve the problem with a minimum of stress for both the bank and borrower. If the borrower is made to feel that the situation is hopeless, he or she may act precipitously. It is important, therefore, that the bank should understand the borrower's emotional state and knows how to deal with him so that the bank's objective of debt repayment is realized.

Steps for Identifying/ Managing Past due/ Overdue Accounts

Days Past Due (DPD)	Collection Action
1-30	Follow up & Persuasion over phone
30-60	1st Reminder Letter & SL No.-01 follows
61-90	2nd Reminder Letter + Single Visit
91-120	• 3rd Reminder Letter • Group Visit by Team Member • Follow up over Phone • Letters to Guarantor, Reference all above effort follows • Warning on Legal Action by next 15-days
121-150	• Call up Loan • Final Reminder & Serve Legal Notice • Legal Proceedings Begin • Repossession Stars
150-180 & above	• Telephone calls/ Legal Proceedings Continue • Collection Effort Continues by Office & Agent • Letter to Different Banks/ Associations

8.1.2 Problem Loan-Accounts Transfer

Problem Loan Account Transfer is the process to change the level of responsibilities in connection with handling of particular account. Within 7 days of an account being downgraded to Substandard (grade 6) or below, the Branch Relationship Officer/ authorized officer will prepare a handover/ downgrade checklist (Annexure-F). Then the said official will transfer the listed (handover/ downgraded) files/ accounts to the Recovery

Official(s) of the Branch with a request letter for action. The Recovery official(s) will check all documentation, meet the customer, and prepare a Classified Loan Review Report (CLRR) within 15 days of the transfer. The Recovery official(s) will mention the necessary recovery measures or recovery action plan in his CLRR and take over the duties of recovery maintaining liaison with concerned Regional Office/Principal Office/ CAM&RD or other Offices as the case may be.

The Recovery Unit will examine the type of compliance based on whether:

i. The loan recovery & payment were in order,
ii. CIB report has been taken as per guidelines of Bangladesh Bank,
iii. Loan loss provisions were calculated based on actual and expected losses as per guidelines of Bangladesh Bank,
iv. Re-scheduling/ re-structuring was done followed by the guidelines of Bangladesh Bank,
v. When necessary, legal action has been initiated as per rules & regulations observing all formalities.

8.2 Credit Recovery

Credit Recovery Function will be active under direct supervision of Credit Administration, Monitoring & Recovery Division. Concerned Branches / Regional Offices will prepare reports of classified accounts and send the reports to the Credit Administration, Monitoring & Recovery Division. The Credit Administration, Monitoring & Recovery Division may also prepare a report on loan accounts marking classified status with the help of ICT Operation Division/ Loan Classification Cell. Reports of accounts classified by qualitative judgment are also to be prepared and the reports are to be forwarded to the Credit Administration, Monitoring & Recovery Division for recovery of the same. However, after upgrading qualitative standard of any loan account, the same will be a matter of Relationship Manager and thus are to be sent to him for regular dealings. In this regard, approval from credit division is also required.

The duties of Recovery Division will be to review non-performing or worse accounts regularly and grasp account-wise / borrower-wise recovery strategy. The strategies will be to, but not limited within to:

a. Drive task-force functions
b. Arrange conference/ gathering/ clients' meeting
c. Get-up-and-go mobile team
d. Arrange fair for recovery
e. Organize halkhata
f. Follow Early Alert Process
g. Ensure adequate and timely loan loss provisions as per guidelines of Bangladesh Bank
h. Apply innovativeness for recovery

i. Follow all other prevailing measures
j. Take necessary actions as per rules of Artha Rin Adalat Ain 2003.

Duties in Recovery

Once potential problem loans have been identified and necessity of recovery measures is obvious, bank requires following steps to undertake for recovery:

i. Task-force of Head Office will give necessary instructions to settle/ recover the bank's dues from top 200 defaulters,
ii. Division Head will give instructions to settle / recover problem loans approved under Head Office's discretion,
iii. Corporate Branch/ Regional Office will take necessary action to settle/ recover problem loans approved under their discretions.

8.2.1 Loan Re-Scheduling

Loan rescheduling means stretching out of time over a longer period for payment of principal and /or interest. In certain rare situations, the borrower may find itself in a period of temporary financial distress. Loan rescheduling may be an appropriate way of handling the problem loan situation, but only if the bank is fairly certain that the borrower is able to fulfill the rescheduled terms of the contract. In no way bank should go for rescheduling if significant doubt is evident about the borrower's willingness or ability to repay over the long term.

8.2.2 Loan Re-Structuring

If the borrower's financial distress is more permanent rather than temporary, restructuring may be appropriate in order to maximize the present value of the future cash flows that can reasonably be expected from the borrower. As with rescheduling, banks should not restructure any loan unless the bank is fairly certain that the borrower can fulfill the restructured terms. In all cases, restructuring must be conducted only in accordance with BB directives from time to time, including the formation of necessary provisions. Additional provisions to capture all expected losses from the restructuring activity must also be established. MIS reports to the Board and senior management will have to encompass the losses embedded in this process.

8.2.3 Implementation of Rescheduling/ Restructuring

Credit Administration, Monitoring and Recovery Division/ Credit Division are entitled to re-schedule/ restructure the loan consistent with their powers of delegations. Bangladesh Bank's BRPD Circular No. 15 dated September 23, 2012, BRPD Circular No.06 dated May 29, 2013 along with its subsequent amendments and other rules & practice of the bank are prescribed as thumb-rules in the way of accomplishment of the issue (Duties & responsibilities for the Credit Division and the Credit Monitoring & Recovery Division are described vide Order No. cyevwj/e¨c/08/04 ZvwiLt 12 GwcÖj, 2004).

8.2.4 Write-off, Repossession, and Disposition of Collateral

If the bank considers an account to **be** no longer collectable, it will "write off' the account (i.e. the amount is removed from the asset portion of a balance sheet and recorded as an expense item on the income statement or adjusted against provision). Bank will have to follow the loan write off policies issued by Bangladesh Bank from time to time (See Bangladesh Bank's BRPD circular No. 02 dated 13.01.2003, BRPD circular No. 15 dated 07.11.2013, FID circular No. 03 dated 15.03.2007, DFIM circular No. 11 dated 21.11.2013).

When all proceeds of the security has been realized obtained and all recovery possibilities have been exhausted, a decision should be made to write off, applying the provision in place for this purpose or debiting profit & loss account. This shall be approved by the Board of Directors.

It is not an appropriate policy to "nurse" or warehouse repossessed properties until the market picks up, but to dispose them into the market quickly and at the best price. The asset disposal must conform to the Transfer of Property Act, and all other applicable laws related thereto. The Credit Administration, Monitoring & Recovery division will be responsible for repossessed asset disposal with assistance of Law Division and other concerned divisions of the bank.

While repossessed assets are waiting for disposal, the bank should make sure that proper administration is undertaken on these assets to protect their value. Asset disposal should start immediately when the asset becomes ready for sale. This is specifically defined as the time when:

i. The client surrenders voluntarily the asset or has agreed for the bank to sell the property.
ii. The bank is awarded possession of the property by legal or other means. As the case may be, titles and ownership documents have been transferred to the bank's name and registered with the appropriate Land Registry.

Basic principles for bank in its efforts for asset disposal include:

- Assets acquired have to be disposed of at the earliest time possible within a reasonable time frame from acquisition / repossession.
- Until disposition occurs, the bank should endeavor to keep costs relative to the upkeep and maintenance of the assets to a minimum.
- Converting / liquidating the assets in the bank's possession at the earliest possible date is a lower-risk strategy than holding the assets for a projected upturn in market prices in the future, which often do not materialize, and in the meantime the Bank is saddled with a nonearning asset.

Banks are not in the business of asset and property trading or management, and thus are ill-equipped to take positions on the market trends.

8.2.5 Recognition/ Reward for Success in Recovery

Existing practice of giving reward / recognition of the bank in the event of success in recovery effort will continue along with necessary modification/ variations as and/ or when required to keep pace of directives set out by government, Bangladesh Bank or other concerned bodies.

Chapter 09: Managing Credit Risk with Appropriate MIS

9.0 Management Information System (MIS)

The Information & Technology Division will extend necessary support for functioning of our Bank's MIS. The Credit Division; Credit Administration, Monitoring & Recovery Division and/ or other Divisions will gather & provide quality data to the Board and Senior Management on the segmented portfolio as & when required. MIS will maintain an accurate database containing all application information for both approved and declined applications, collateral and security information.

The following indicators (more indicators may be considered if & when necessary) will be traced & tracked on monthly basis:

9.1 Booking MIS

i. Applications received, Processed
ii. Applications Approved, Declined
iii. Approval rate, Average credit score of approved limits
iv. Policy Overrides
v. New Business Booked in 'Amount' and 'Number'
vi. Bank Directors' Loan Information
vii. Rejection Reason Analysis

9.2 Portfolio MIS

i. Limit Increases, Limit Decreases, Renewals
ii. Unutilized and Undrawn amounts
iii. Attrition (voluntary and involuntary)
iv. Net Interest Income (NII) %, Net Fees Income (NFI) %, Operating Profit %, Trading Profit (TP)%, Risk Adjusted Return (RAR) % [Note: These ratios and percentages seem to apply to the entire bank, not to the credit function or individual portfolios of credits.]
v. Delinquency (30+DPD, 60+DPD, 90+DPD, 120+ DPD, 150+ DPD, 180+ DPD or more)
vi. First Installment Default (FID) or First Payment Defaults
vii. Risk grading of customer exposures
viii. Early Alert Reporting (EA Code wise), Classified Account Reporting, Loss Given Default, Collateral Values, Deviations.
ix. Overdue Annual Reviews (aged) and Extended Accounts
x. Gross Write-offs, New Provisions, Releases, Recoveries, Net Bad Debt, Provisioning Balance
xi. Repossessions/foreclosures - initiated, in progress, Inventory
xii. Expenses associated with foreclosure process

xiii. Foreclosure Assets sold, Write-downs taken periodic and on sale
xiv. Expenses incurred in maintaining and selling repossessed property
xv. Database of Non-Performing Loans (NPLs) that are due to environmental reasons
xvi. Clients' Classification based on Environmental and Social Risk Rating (ESRR)
xvii. Environmental and Social Risk Rating (ESRR) wise portfolio MIS
xviii. Monthly Loan Set off data and reason analysis report
xix. DLA wise loan performance report.

9.3 Segmentation MIS

The Bank will generate reports for the above indictors for single and multiple products (on an as needed basis and, where relevant) by:

i. Original loan amount or credit line
ii. Debt burden
iii. Risk Score range
iv. Customer profile
v. Collateral Profile (fully secured/ partly secured etc), Breakdown of collaterals held
vi. Loan purpose
vii. Loan Size and Tenor
viii. LTV and geographic location
ix. Customer Relationship based on Turnover
x. Industry according to SBS code.
xi. Segment / industry-wise / product-wise loan sanctioned vs. utilization vs. outstanding
xii. Utilization of approved limits (TL / WC)
xiii. Risk based pricing performance monitoring
xiv. Loans under "different customer group" performance report
xv. Credit Test report if any test is undertaken
xvi. Product wise campaign reports.

All indicators will have to be compared and reviewed with historical performance, expected results and competitive benchmarks where available. Forecasts for future periods must be updated based on actual performance and revised expectations.

9.4 Sufficient Data to Disaggregate Loan Portfolio by Loan Type, Borrower Type, Rating Grade, Industry or Sector, Type of Collateral etc. with Concentrations Highlighted

MIS will collect sufficient data so that loan portfolios can be segregated by loan type, borrower type, rating grade, industry or sector, type of collateral, etc. Data are also to be collected & maintained highlighting concentration of loan portfolios. The first task in that effort is to establish a sensible disaggregation of the portfolio, along the following lines:

A. Agriculture, Fishing, and Forestry

B. Industry

Nature of Industry loan

a) Term loans
b) Working capital loans
    i. Secured by eligible securities
    ii. Secured by other than eligible securities

*Scale-wise distribution of industry portfolio

1. Large Industries
2. Small, Medium, Cottage & Micro Industries
3. Service Industries

C. Trade & Commerce:

a) Retail Trading
b) Wholesale Trading
c) Export Financing
d) Import Financing
e) Lease Finance
f) Others
    i. Secured by eligible securities
    ii. Secured by other than eligible securities

D. Construction (commercial real estate, construction and land development loans):

a) Residential Real estate
b) Commercial Real estate
c) Infrastructure development
d) Others
    i. Secured by eligible securities
    ii. Secured by other than eligible securities

E. Transport:

a) Road Transport
b) Water Transport
c) Air Transport

F. Consumer financing

a) Loans for the purchase of flats or other single-family dwellings
b) Loans for the purchase of motorized personal transport
c) Loans for the purchase of durable consumption goods
d) Credit card loans
e) Other personal loans

G. Loans to financial institutions

1. Loans to NBFIs
2. Loans to insurance companies
3. Loans to merchant banks and brokerage houses

4. Other, including loans to microfinance institutions and NGOs

H. Miscellaneous

*Portfolios must also be disaggregated by collateral type, as shown under 6.1.2 earlier.

9.5 Sufficient Data to Track Loss Experience on Loans Disaggregated by Above Factors

MIS will collect data to record loss experience by type of loan, disaggregated across all the categories.

For each type of loan (disaggregated data) and for the breakdown of industrial loans, the MIS will collect the following data on a quarterly basis:

- Outstanding principal balance of loans written off during the quarter (excluding accrued interest receivable)
- Estimated market value of collateral related to loans written off during the quarter, subdivided into:
- Collateral already repossessed by the bank
- Collateral not yet repossessed by the bank
- Specific provisions related to loans written off, debited at the time of write-off
- Cash recoveries related to loans written off during the quarter
- Gain or loss on sale of collateral repossessed by the bank

The net credit loss related to these write-offs would be the outstanding principal balance minus the value of collateral already repossessed, minus specific provisions, minus any cash recoveries on these loans, minus or plus any gain or loss on the sale of the repossessed collateral.

9.6 Sufficient Data to Quantify Embedded Losses in the Loan Portfolio That Have not yet Been Recognized

In case of rescheduled or restructured loans, there may be a degree of regulatory forbearance concerning provisioning of problem loans from time to time. However in case of such regulatory or accounting forbearance, Management will quantify “embedded” losses in the loan portfolio that have not yet been recognized in the audited financial statements or in regulatory reports to BB.

9.7 Periodic Stress Testing

Management will analyze the consequences if conditions /environments, in which borrowers operate, change significantly. Such stress analysis can identify potential Credit Risk Exposure, previously undetected, that could arise in times of crisis.

The following possible scenarios will be considered in carrying out stress testing:

- Significant economic or industry sector downturns;
- Adverse market-risk events; and
- Unfavorable liquidity conditions.

Bank will have industry profiles in respect of those industries where bank has significant exposures. Such profiles are to be reviewed/ updated regularly. Each stress test will be followed by corrective action plans. Senior Management must regularly review the results of stress tests and corrective action plans.

9.8 The Role of Loss Control Limits ("Management Action Triggers") in Adjusting Credit Policies, Authorities, Limits, Required Credit Enhancements, etc.

Loss Control Limits (also known as Management Action Triggers) are to be developed not only to manage Market Risk but also to manage Credit Risk. A Loss Control Limit is a type of limit that requires specific management action if it is approached or breached. MIS will gather sufficient data so that the Board/ Management can identify the industries/sectors/ loan types where specific management actions are required. Then, the Board/ Management will make decision about whether or not to cease or scale back on that type of lending.

Avoidable Reasons for Problematic Credits

The causes of problem loans range from poor plant management or increasing raw materials costs in the case of a manufacturer to poor accounts receivable collection policies or a rise in the price of products in the case of a wholesale company. Most often, a problem loan is the result of not one, but several, factors.

Poor Loan Interview

A poor interview most often occurs when the lender is dealing with a friend or when the business owner has leverage. Rather than ask tough, probing questions about the company's financial situation, the lender opts for friendly banter instead. Sometimes the lender may be intimidated or conned. The lender may be reluctant to ask questions for fear of sounding dumb or appearing to lack basic knowledge of the company or industry. For whatever reason, he or she may allow a loan request that should have been rejected during the initial interview to proceed to financial analysis and beyond. With each subsequent step, it becomes increasingly more difficult to reject the request.

Inadequate Financial Analysis

Many loans become problems when a lender considers the financial analysis unimportant and believes that, instead, the true test of whether a loan will be repaid lies in a handshake, the eyes, or some of the subjective measure of the client. Although some characteristics, such as the ability to overcome adversity, do not appear on financial statements, there is no substitute for a complete analysis of income statements, balance sheets, ratios, and cash flow. Together, they present an objective measure of performance that can be compared with those of similar companies.

Improper Loan Structuring

Another cause of problem loans is the failure of the lender to structure the loan properly. Problems often arise when the lender fails to understand the client's business and the cash flow cycle. Without this knowledge, it is difficult to anticipate future financing needs and to choose the appropriate loan type, amount, and repayment terms. Most borrowers, regardless of financial health, find it difficult to repay debts that do not coincide with their cash flow cycle.

Improper Loan Support

Another leading cause of loan loss is improper collateralization. Accepting collateral not properly evaluated for ownership, value, or marketability can leave the bank unprotected in a default situation.

Inadequate Loan Documentation

Failure to completely and accurately document the obligations of the bank and borrower in the lending arrangement also contributes to problem loans.

Inadequate Loan Monitoring

Many problem loans can be avoided if they were more closely followed.

Adverse Business Owner Decisions

Problem loans due to poor business practices include a lack of management depth, product deterioration, poor marketing, and poor financial controls.

Adverse External Developments

Changes in the environment, economy, regulations, competition, technology, and other adverse developments affect a business. However, mature businesses can anticipate and adapt to changing external circumstances.

Intervention from Influential Person

Sometimes influential person intervenes in the loan origination process to make loan to bad borrower which unless otherwise should have been rejected.

Below is a long but not exhaustive list of mistakes that bankers can make that eventually lead to the bank having a problem loan.

Common Banking Mistakes That Can Lead to Problem Loans in the Beginning

- Allowing customer to intimidate, coerce into, or sell the banker on making the loan
- Failure to ask pertinent questions for fear of angering or losing the customer
- Making difficult loans that should be handled by a more experienced officer
- Basing the lending decision on pressure from other parties, especially the competition
- Trying to be an entrepreneur/businessman through the customer using the bank's money
- Inadequate analysis of the borrower
- Inadequate analysis of financial statements
- Inadequate analysis of loan purpose, source of repayment, and excess cash flow
- Improper loan structure—amount, source of repayment, timing of repayment (terms)
- Improper collateralization
- Failure to properly identify entity bank is dealing with
- Failure to supervise utilization of loan proceeds
- Failure to obtain and perfect valid security interest

After the Loan Was Made

- Did not effectively follow loan
  - Request and review financial information
  - Make periodic visits to company
  - Perform periodic trade and industry checks
  - Monitor impact of changing economic conditions on company
- Did not control expansion
- Let customer borrow in small amounts until he/she had too much debt or bank placed in forced lending situation
- Inappropriate management of the lending function

When the Problem is Recognized

- Afraid to look into credit-ask tough questions
- Afraid to admit made a mistake or have a problem
- Cut off communication with customer, resort to pressure/threats to collect loan
- Inaction—hoping situation will improve—"miracle approach"

General Documents: In general, required papers and documents to be obtained / maintained irrespective of type of borrower, loan and security are:

1. Demand Promissory Note
2. Letter of Authority
3. Letter of Arrangement
4. Letter of Disbursement
5. Letter of Revival
6. Personal Net Worth Statement
7. Copy of National ID
8. Credit Approach in Business Pad of the Borrower
9. Credit Application in prescribed format duly filled in
10. Photograph of the Borrower
11. Photograph of the business/inventory
12. Photograph of the mortgaged property
13. Up to date CIB Report
14. Credit report of the Borrower/Supplier
15. Liability Declaration of the borrower along with an Undertaking that they have no liability with any bank or financial institution except as declared.
16. Undertaking stating that, they will not avail any credit facility from any other bank or financial institution without prior consent of the bank.
17. Undertaking stating that customer does not have any relationship as Director or Sponsor with the bank.
18. Undertaking stating that customer shall not sell or transfer the ownership of the business/factory/shop until all amounts due to the bank are fully paid or without NOC of the bank.
19. Credit Risk Grading Score Sheet (CRGS)
20. Post-dated cheque covering the credit facility
21. Acceptance by the Borrower of the Sanction Letter
22. Proper Stamping

Revised Check List of Required Papers/ Documents as per Different Types of Borrowers:

Sl. No.	Particulars	Individual	Proprietorship	Partnership	Private Limited Co.	Public Limited	Corporation
1	Credit Approach in Business Pad of the Borrower	√	√	√	√	√	√
2	Application for Credit / Investment Facilities	√	√	√	√	√	√
3	Credit Appraisal Form (FL-60 Revised Edition 2013)	√	√	√	√	√	√
4	Personal Networth Statement individual/ proprietors/ partners / directors/ guarantors with property (encumbrance & non-encumbrance) details	√	√	√	√	√	
5	Bio-data of all individual/ proprietors/ partners / directors/ guarantor(s)	√	√	√	√	√	
6	Board's Resolution in respect of availing loans and execution of document with Bank				√	√	√
7	Declaration of the applicant regarding liability, if any, in the application including subsidiary / affiliates/ associates/ sister concern with other FI(s) mentioning limit, validity, outstanding, security & CIB status	√	√	√	√	√	√
8	A/C Statement with PBL (last one year)- where applicable	√	√	√	√	√	√
9	A/C Statement with other banks (last 1 year / 3 years) - where applicable	√	√	√	√	√	√
10	Verification report on business site of the borrower by the Head of Branch, Branch Relationship Officer & the Head of Region (where necessary)	√	√	√	√	√	√
11	Photographs of the applicant/ directors/ partners duly attested by the Head of Branch	√	√	√	√		
12	Photographs of spouse / guarantor(s), if any, duly attested by the borrower & counter signed by the Head of Branch (where applicable)	√	√	√	√		
13	Consent letter(s) of the guarantor(s)/ owner(s) of the property duly attested by the borrower & counter signed by Branch Official/ Head of Branch (where applicable)	√	√	√	√		
14	Letter of Guarantee of a Third Person	√					
15	Letter of Guarantee of the Spouse of the Borrower	√					
16	Photographs of business site(s) / shop(s) with display of signboard (where applicable)		√	√	√	√	√
17	Valid Trade License		√	√	√	√	√
18	Valid other licenses such as milling license & other regulatory bodies' license(s) (where applicable)		√	√	√	√	√
19	VAT Registration Certificate (where applicable)		√	√	√	√	√

20	TIN / Tax Clearance Certificate	√	√	√	√	√	√
21	Credit Risk Grading (CRG); Environmental & Social Risk Grading duly signed by the Head of Branch & Branch Relationship Officer	√	√	√	√	√	√
22	Satisfaction Certificate regarding transaction duly signed by the Head of Branch, Branch Relationship Officer & the Head of Region	√	√	√	√	√	√
23	Copy of Partnership Deed (registered) (where applicable)			√			
24	Letter of Guarantee of the Partners/ Directors			√	√	√	
25	Letter of Partnership			√			
26	Partnership Account Agreement			√			
27	Document Confirmation/ Satisfaction Certificate by the Head of Branch & Branch Credit Administrator	√	√	√	√	√	√
28	Copy of Memorandum & Articles of Association of the company duly certified by the Registrar of Joint Stock Companies & Firms (where applicable)				√	√	
29	Certificate of Incorporation duly certified by Registrar of Joint Stock Companies & Firms (where applicable)				√	√	
30	Certificate of Commencement (for Public Limited Companies)					√	
31	Deed of Mortgage and Hypothecation for creation of Charge on fixed & floating assets (existing & future) with RJSC				√	√	
32	Modification of charge with RJSC through form 19				√	√	
33	Certified copy of charge creation certificate from RJSC				√	√	
34	Undertaking stating that the borrower shall not make any amendment or alteration in Memorandum and Article of Association without prior approval of Bank.				√	√	
35	Approval of the Bank for any inclusion or exclusion of Directors in and from the company				√	√	
36	Joint venture Agreement (In case of Joint Venture company)				√	√	
37	BOI Permission (In case of Joint venture company)				√	√	
38	Copy of Form-XII certified by RJSC				√	√	
39	Copy of Schedule X (where applicable))				√	√	
40	Copy of Form XVIII (in case change with Co. Acts 1994 under section 159 & 391) for fixed & floating charge				√	√	
41	Copy of last 3 years' audited / unaudited / projected financial statements		√	√	√	√	√
42	Copy of valid lease agreement of the shop / godown/ showroom with upto date money receipt (if rented)		√	√	√	√	√
43	Copy of upto date City Corporation / Municipal Holding Tax paid receipt (in case of own premises & where applicable)	√	√	√	√	√	√
44	NOC from the concerned authority in case of lease hold property (where applicable)	√	√	√	√	√	√
45	Clean CIB report	√	√	√	√	√	√
46	Stock Statement (FL-56)	√	√	√	√	√	√
47	Photocopy of insurance policy	√	√	√	√	√	√
48	Upto date dealership / distribution license (where applicable)		√	√	√	√	√

Check List for Submission of Papers/ Documents Relating to the Collateral Property

Sl. No.	Particulars
1	Original Title Deed of the property
2	Certified copy of Purchase Deed along with Deed – Delivery receipt duly endorsed (In absence of original Title Deed)
3	Registered Partition Deed among the Co-owners (if required)
4	Mortgage Deed duly Registered along with Registration Receipt duly discharged
5	Registered IGPA favoring Bank to sell the property
6	Bia Deeds of the mortgaged property
7	Certified Mutation Khatian along with DCR [spell out acronym]
8	Record of Rights i.e. CS, SA, RS Parcha, Mohanagar Jorip parcha (if within Mohannagar Area)
9	B.S. Khatian
10	Affidavit to be sworn by the owner of the property before 1st class Magistrate that he has valid title in the property and not encumbered otherwise
11	BLA's Opinion in respect of acceptability of the property as collateral security mentioning chain of documents
12	BLA's Satisfaction certificate regarding appropriateness of mortgage formalities
13	Photographs of collateral along with its schedule on the back duly signed by the owner & certified by the Head of Branch
14	Upto date City Corporation / Municipal Holding Tax Receipt (where applicable)
15	Upto date rent paid receipt
16	Up-to-date Union Parishad Tax Payment Receipt (if property within UP)
17	NEC [spell out acronym] along with search fee paid receipt
18	Board Resolution of the Mortgagor company duly supported by the provision of Memorandum and Article of Association (when one company mortgagse on behalf of the loan of other company)
19	BLA's satisfaction certificate regarding security / documents in standard format (in case of renewal/ enhancement)
20	Approved plan and approval letter from RAJUK / Concerned Authority (where applicable)
21	Recent Survey Report with sketch map & valuation certificate of existing / proposed collaterals by the enlisted surveyor as per circular
22	Location Map
23	Physical Visit Report by Bank Officials
24	Mutated Parcha from relevant Govt-Office for lease property
25	Original Lease Deed (In case of Lease hold property)
26	Allotment Letter favoring Lessee (in case of Leasehold Property)
27	Mutation letter favoring Lessee (in case of Leasehold Property)
28	NOC from relevant authority to mortgage the land (in case of lease hold property)

Check List for Credit Proposals against pledge of FDR / other Instruments/schemes PPS/ Shadhin Sanchaya Prakalpa etc.

Sl. No.	Particulars	OD against pledge of FDR/ other Instruments/ Schemes with PBL	OD against pledge of FDR / other Instruments of other banks
1	Photocopy of Original FDR / other Instruments duly discharged by the owner & attested by the Head of Branch & Branch Relationship Officer	√	√
2	Letter of marking lien	√	√
3	Letter of Authority for encashment duly signed by the owner	√	√
4	Confirmation of lien from the issuing branch of other bank (in case of other bank's FDR)		√
5	Confirmation of lien from Head Office of the concerned Bank (in case of other bank's FDR)		√
6	Certificate regarding genuineness of FDR / other Instruments by the Head of Branch & Branch Relationship Officer	√	√
7	Letter of Continuity	√	√

Check List for HBL/ Apartment Loan / Project Loan Proposal

Sl. No.	Particulars	HBL (General)	HBL (Commercial)	Apartment Loan	Project Loan
1	Copy of Project Profile (in case of project)			√	√
2	Approved plan and approval letter from RAJUK / CDA / KDA / Concerned Authority	√	√	√	√
3	Work in Process Report (Fund already invested by the borrower with details of work completed)	√	√	√	√
4	Copy of Projected Income Generation from the House / Building / Apartment to repay the installment of the loan	√	√	√	√
5	NOC from the competent authority for mortgage of the landed property (in case of lease hold property)	√	√	√	√
6	Cost of the construction estimated by an engineer	√	√		√
7	NOC from competent authority as per circular no. cÖKv/ Fgwe/ Avevmb/ 2591/2013 ZvwiLt 15.05.2013	√	√	√	√

Check List of Credit Proposal for Financing to Real Estate Borrowers

Sl. No.	Particulars
1	Developer's Profile / Project Brochure including price details (where applicable)
2	Copy of Memorandum and Articles of Association of the Developer Co. from the Registrar of Joint Stock Companies & Firms (RJSC)
3	Irrevocable General Power of Attorney
4	Allotment letter (where applicable), approved plan from RAJUK
5	Approval as Developer from competent authority
6	REHAB Membership Certificate (if any)
7	Baina Nama Deed with Money Receipt
8	Work in Progress Report (Fund already invested & to be required)
9	No Objection Certificate (NOC) from other Bank's for creating pari-passu charge/ others where applicable (in case of Syndication Loan)
10	Agreement between Developer & land owner duly approved by concerned authority (where applicable)

Common Check List for Credit Proposal of CC (Hypo)/ CC (Pledge):

Sl. No.	Particulars	**CC (Hypo)**	**CC (Pledge)**
1	Letter of Hypothecation of stock in Trade	√	
2	Supplementary Letter of Hypothecation	√	
3	Letter of Pledge		√
4	IGPA to sell Pledged goods		√
5	IGPA [spell out acronym] to sell Hypothecated goods	√	
6	Letter of Continuity	√	√
7	Periodical Stock Report	√	√
8	Letter of Disclaimer form the owner of rented Warehouse	√	√
9	Insurance Policy cover note	√	√

Check List for Credit Proposal of Brick Finance / Work Order Finance/ Filling Station/ Mill-Industries

Sl. No.	Particulars	OD for Work Order	CC for Brick Field	CC for Petrol Pump	CC for manufacturing concern (mill/ factoring)
1	Stock Statement (FL-56) signed by the borrower and duly verified / authenticated by the inspecting official & the Head of Branch		√	√	√
2	Assessment / requirement of working capital		√	√	√
3	Upto date dealership / distributorship			√	

	license (where applicable)				
4	Production capacity, projection, nos. of kiln & section (where applicable)		√		√
5	Upto date license from D.C. Office for burning of bricks		√		
6	Production capacity and production target with achievement on last years' target, list of machinery with value		√		√
7	Valid work order / supply order	√			
8	Contractor's license from the competent authority	√			
9	Enlistment certificate from the concerned authority	√			
10	Last three years' performance certificate on work orders / supply orders completed	√			
11	Assignment of work order proceeds from the concerned authority / executing agency	√			
12	Certificate from department concerned showing progress of works/ bills paid/ pending bills	√			
13	Departmental certificate regarding extension of time for completion of the work (in case of extension of time)	√			
14	Nos. of PO/ CDR issued with amount during last 01 (one) year	√			
15	Environmental Certificate in case of bricks business/ mill/ factories		√		√
16	Permission from Roads & Highways Department, Gas Distribution Authority, Fire Service Department in case of financing in Petrol Pump/ CNG filling station			√	
17	Upto date explosive & dealership license from the concerned authority (for petrol pump)			√	
18	Effluent Treatment Plant (ETP) Certificate (where applicable)				√

Check List for Foreign Trade Finance as well as BG/PG

Sl. No.	Particulars	Import Finance			Export Finance			
		L/C	LATR	LIM	BBL/C	PC	IBP	BG/PG
1	Valid Import Registration Certificate (IRC) Commercial / Industrial	√	√	√	√			
2	Valid Export Registration Certificate (ERC), in case of Specific L/C				√	√		
3	Copy of related master/ export L/C/ contract				√	√		
4	Valid VAT Registration Certificate as importer, manufacturer, trader and exporter (where applicable)	√	√	√	√	√	√	√
5	Proforma Invoice / Indent / Contract/ Quotation duly accepted by the importer (in case of Specific L/C)	√			√			
6	Valid Indent Registration Certificate with list of Principal approved by Bangladesh Bank (in case of local indenter)	√			√			
7	Landed cost & market price of the proposed imported items	√	√	√				
8	Valid Bonded Ware House License				√	√		
9	Valid Export Promotion Bureau (EPB) Regd. Certificate				√	√		
10	Valid Environmental Certificate				√	√		
11	3 (three) years performance with no. of L/C opened, LATR created & BG/PG issued	√	√	√	√	√	√	√
12	BGMEA/ BKMEA Membership Certificate				√	√		
13	Credit Report on supplier				√	√		
14	Fire License or Insurance				√	√		
15	Permission from Board of Investment (where applicable)	√	√	√				
16	Effluent Treatment Plant Certificate (ETP), where applicable	√	√	√	√	√	√	
17	Statement of stocks under pledge (FL-39)/ LIM duly signed by the inspecting officer & branch incumbent in case of renewal / enhancement			√				
18	Applicant's accepted copy of BG (Specimen supplied by beneficiary)							√
19	Certificate from other banks regarding no overdue bill of entry	√			√			
20	Recent Factory Inspection Report of	√	√	√	√	√		

	the Branch / Bank Authority (where applicable)							
21	For Foreign BG/PG, NOC of Bangladesh Bank							√
22	Factory License from Chief Inspector of Factories				√			
23	Factory/ raw materials/ finished goods/ capital machineries insurance	√			√			
24	Rental Deed (if applicable)				√			
25	List of machineries				√			

NB: Concerned Head of Branch and / or the Head of Region may provide supplementary information/ documents, if considered relevant which are not included herein above.

Security Documentation Checklist

SECURITY COMPLIANCE CERTIFICATE CHECK LIST

		YES/NO
A)	**Initial Requirements:**	
1	***Limit Application has been properly approved and signature verified.***	
2	***Updated Advanced Worksheet held (LA/BA Diary for 90 days expiry)***	
B)	**Post Approval and Prior to ISSUANCE OF SCC or LLI to allow Draw down**	
1	**Clean C.I.B. Report**	
2	**Within Large Loan Requirements?**	
3	**Claused L/C approval from BB**	
C)	**Banking Arrangements Letter:**	
	All alterations if any has been counter signed by the signatory / RM	
	Un-conditional acceptance of B.A. Letter	
	Acceptance Signature verified	
	Reduction of any facility must be loaded as per BAL. Subsequent increase in any facility (maximum up to approved BCA) must be supported by accepted supplementary BAL.BCA & BLA to be marked for reduction of limits to avoid any mistake.	
D)	**Borrowing Power (Memorandum and Article of Associates.)**	
1	Board Resolution (BR) covering as per object clause (MOA)	
a)	Resolution Date	
b)	Quorum fulfilled	
c)	Borrowing Amount	
d)	Mortgage/Hypothecation authority	
e)	Authorized signatory	
f)	Signature verification	
g)	Borrowing resolution will expiry in line with BAL if a resolution accepts BAL.	
h)	Multi borrowing resolution must be supported by an undertaking & RMs confirmation to maintain the borrowings level up to the Board approved limit. Before issuance of SCC, CIB limit /outstanding must be verified.	
E)	**Documentation As per L/A NO. Date**	
1	**Promissory Note covering full amount and dated.**	
a	Properly executed (as per BR), Company seal affixed.	
b	Signed across the Revenue Stamp	
c	Signature verified.	
2	**Letter of Continuation covering full amount, dated.**	
a	Properly executed (as per BR), Company seal affixed.	
b	Proper Adhesive Stamp affixed (BDT.150 W.E.F.1.7.98)	
c	Signature verified.	

3	**Letter of Guarantee (Individual)**	
a	Full Name and address of the executing quoted.	
b	Date and amounts are correct	
c	2 Bank Officials Witness	
d	Proper Stamp affixed (BDT.150 W.E.F. 1.7.98)	
e	Signature verified	
	Wealth Statement = certified by tax authority	
	Acknowledgement/Annuals Reminder issued	
f	Letter of Guarantee (Acknowledgment of Liability) to be obtained before expiry of 3 yr. from the date of relative Guarantee or prior acknowledgment.	
	a) Signed across the Revenue Stamp	
	b) Signature verified.	
	c) Date and Guarantee particulars are correct.	
4	**Letter of Guarantee (Joint & Several)**	
	Full Name and address of all executant(s) quoted.	
	Date and amounts are correct	
	2 Bank Officials Witness	
	Proper Stamp affixed (BDT.150 W.E.F. 1.7.98)	
	Signature verified	
	Wealth Statement = certified by tax authority	
	Acknowledgement/Annuals Reminder issued	
	Letter of Guarantee (Acknowledgment of Liability) to be obtained before expiry of 3 yr. from the date of relative Guarantee or prior acknowledgment.	
	a) Signed across the Revenue Stamp	
	b) Signature verified.	
	c) Date and Guarantee particulars are correct.	
5	**Letter of Guarantee (Limited Company)**	
a	Object clause permits to issue 3rd party guarantee	
b	Board Resolution covering amount and signatory of Guarantee.	
c	Properly executed (as per BR), Company seal affixed.	
d	Date and amounts are correct	
	Proper Stamp affixed (BDT.150 W.E.F. 1.7.98)	
e	Signature verified	
	Check Balance Sheet : Wealth position	
	Acknowledgement/Annuals Reminder issued	
f	Letter of Guarantee (Acknowledgment of Liability) to be obtained before expiry of 3 yr. from the date of relative Guarantee or prior acknowledgment.	
	a) Signed accrossed the Revenue Stamp	
	b) Signature verified.	
	c) Date and Guarantee particulars are correct.	
6	**Letter of Hypothecation over Stocks**	
	Properly executed (as per BR), Company seal affixed.	
	Date, amounts, Location and Particulars are correct	
	Proper Stamp affixed (BDT.150 W.E.F. 1.7.98)	
	All Pages Signed	
	Signature verified	
	Form XVIII Properly fill-in duly signed by Customer & Bank	
	Fee collected and submitted to RJSC for registration.	

	Registration Certificate along with original obtained from RJSC.	
	Search Report from RJSC.	
7	**Collateral Letter of Hypothecation over Book Debts**	
	Properly executed (as per BR), Company seal affixed.	
	Date and amount are correct	
	Proper Stamp affixed (BDT.150 W.E.F. 1.7.98)	
	Signature verified	
	Form XVIII Properly fill-in duly signed by Customer & Bank	
	Fee collected and submitted to RJSC for registration.	
	Registration Certificate along with original obtained from RJSC.	
	Search Report from RJSC.	
8	**Letter of Hypothecation over Machinery**	
	Properly executed (as per BR), Company seal affixed.	
	Date, amounts, Location and Particulars are correct schedule attached	
	Proper Stamp affixed (BDT.150 W.E.F. 1.7.98)	
	All Pages Signed	
	Signature verified	
	Form XVIII Properly fill-in duly signed by Customer & Bank	
	Fee collected and submitted to RJSC for registration.	
	Registration Certificate along with original obtained from RJSC.	
	Search Report from RJSC.	
	Power of Attorney	
8(A)	**PARI-PASSU SECURITY SHARING AGREEMENT**	
	Banks interest noted	
	Particulars of Banking Arrangements are properly noted.	
	All parties properly signed	
	Signature verified	
	Submitted to RJSC for their noting	
	Copy of All charge documents/registration certificate held duly registered by RJSC.	
8(B)	**MODIFICATION (AMOUNT /BANKS ETC.)PARI-PASSU SECURITY SHARING AGREEMENT**	
	Banks interest noted	
	Particulars of Banking Arrangements are properly noted.	
	All parties properly signed	
	Submitted to RJSC for their noting	
	Copy of All charge documents/registration certificate held duly registered by RJSC.	
	Signature verified	
9	**Letter of Hypothecation over (Tea Crops)**	
	Properly executed (as per BR), Company seal affixed.	
	Date, amounts, Location and Particulars are correct.	
	Proper Stamp affixed (BDT.150 W.E.F. 1.7.98)	
	All Pages Signed	
	Signature verified	
	Form XVIII Properly fill-in duly signed by Customer & Bank	
	Fee collected and submitted to RJSC for registration.	
	Registration Certificate along with original obtained from RJSC.	

	Search Report from RJSC.	
10	**JOINT REGISTRATION/MORTGAGE OF THE VEHICLES**	
	BRTA Join Registration/mortgage Form Signed by the owner and Bank Jointly	
	Registration Fee deposited and due date received from BRTA.	
	Original Registration Certificate held	
	Comprehensive Insurance Policy along with Premium paid receipt held	
	Power of Attorney	
10(a)	**Letter of Hypothecation (Over Vehicles) with schedule**	
	Properly executed(as per BR), Company seal affixed.	
	Date, amounts and Particulars of Vehicles are correct schedule attached	
	Proper Stamp affixed (BDT.150 W.E.F. 1.7.98)	
	Signature verified	
	Form XVIII Properly fill-in duly signed by Customer & Bank	
	Fee collected and submitted to RJSC for registration.	
	Registration Certificate along with original obtained from RJSC.	
	Search Report from RJSC.	
	Properly noted our interest with BRTA.	
11	**Letter of Acknowledgment of Liability in Respect of Hypothecation(s)**	
	Acknowledgment of Liability to be obtained before expiry of 3 yrs from the date of relative Hypothecation or prior acknowledgment.	
	Properly executed (as per BR), Company seal affixed.	
	Outstanding Amount and Date are correct	
	Proper Revenue Stamp affixed	
	Signature verified	
12	**Letter of Modification:(a)Stocks(b)Book Debt,(c)Machinery(d)Property**	
	Properly executed (as per BR), Company seal affixed.	
	Particulars of modifications i.e. increased/decreased amount, additional stocks/assets and locations are correct	
	Proper Stamp affixed (BDT.150 W.E.F. 1.7.98)	
	Signature verified	
	Form XXI Properly filled in duly signed by Customer & Bank	
	Fee collected and submitted to RJSC for registration.	
	Registration Certificate along with original Modification obtained from RJSC.	
	Search Report from RJSC.	
13	**Letter of Hypothecation (General)**	
	Properly executed(as per BR), Company seal affixed.	
	Date and amount correct	
	Proper Stamp affixed (BDT.150 W.E.F. 1.7.98)	
	Signature verified	
	Power of Attorney	
14	**NON-RESIDENT GUARANTEE (INDIVIDUAL/CORPORATE ETC.)**	
	Local format obtained	
	Resident Country Format through SCB obtained	
	2 witness held	
	Signature Verified	

	Acknowledgment issued	
	Legal opinion held	
15	**LIEN OVER FDA/STD/SB ETC. A/C WITH OUR LOCAL OFFICES.**	
	a) Letter of Lien & set-off over deposit Account - properly executed, Proper Stamp affixed, Signature verified.	
	b) Letter of Lien & Right to set-off. properly executed,Proper Stamp affixed, Signature verified	
	c) Guarantee of 3rd party FDA/STD/SB A/c etc. holders. -do-	
	d) Board Resolution if Limited Co. Verify signatures.	
	e) Memorandum of Association to check Mortgage/Lien authority of company assets.	
	f) BBS Printout confirming Lien Marked, Refer, Reject marked held.	
	g) Half-yearly confirmation obtained.	
	h) Confirmation held to remit fund at our request without reference to customer- s.v.	
15(a)	**LIEN OVER FDA/STD/SB ETC. A/C WITH OUR OVERSEAS OFFICES.**	
	All local formalities completed - item 15 above.	
	All overseas formalities require under their country regulation completed	
	Confirm ation held to remit fund at our request without reference to customer- S.V.	
	Half yearly confirmation obtained.	
16	**PLEDGE OVER FDR/PSP/BPS/WEDB/ICB UNIT/SHARES ETC.**	
	a) Letter of Pledge - properly executed, Proper Stamp affixed, Signature verified	
	b) Letter of Lien & Right to set-off. properly executed, Proper Stamp affixed, Signature verified	
	c) Guarantee of 3rd party FDR/PSP/BSP/ICB/SHARES etc. holders. -do-	
	d) Board Resolution if Limited Co., Signature verified	
	e) Memorandum of Association to check Mortgage/Lien authority of company assets.	
	f) Lien confirmation from issuing authority/Bank duly signature verified.	
	g) Identity Slip for PSP/BPS duly marking lien and signature verified.	
	h) Form DB-19 (3 sets) duly signature verified by the issuing authority for WEDB.	
	I) Form-117 duly signature verified by the issuing authority for ICB/SHARES ETC.	
	j) Lien Confirmation from issuing Bank/Branch duly signed by the authorized signatory-S.V	
	k)Confirmation held to remit fund at our request without reference to customer- S.V.	
	l)Half yearly confirmation obtained.	
17	**MORTGAGE OVER PROPERTY :**	
	a) Original purchase deed and along with Bia deed(s)	
	b) SRO Certified copy purchase deed plus endorsed Deed delivery receipt(interim period)	
	c) Non-encumbrance Certificate with search fee paid receipt.	
	d) Certified Mutation Khatian including mutation fee paid receipt (DCR)	
	e) S.A.,C.S.,R.S. Khatian(s) ,	
	f) Up to date rent paid/municipal tax paid receipt(s) etc.	
	g) Valuation Certificate - along with FSV	
	h) Lawyers confirmation	
	i) Guarantee of third party mortgagors.	
	j) Board Resolution if the property is in the name of Limited Co.	

	k) Memorandum of Association to check Mortgage authority of company's property.	
	l) Insurance Covering Construction value.	
	m) Certified Math Khatian	
	n) Location Map (if there is no holding number or outside main city).	
	o) Re-valuation Certificate - along with FSV every 3rd year.	
	p) Topographical survey map on Mouza Manp for agricultural lands or covering the property where holding number is not available.	
	q) Power of Attorney	
	Lease property :	
	NO VACANT PLOTS OF LEASE PROPERTY ARE NOT ACCEPTABLE AS SECURITY	
	a) Original Lease deed and Bia deed(s) if any.	
	b) Allotment letter, Possession letter	
	c) No objection Certificate/Mortgage permission (business purpose)from RAJUK/M.WORKS.	
	d) Non Encumbrance Certificate from RAJUK/M.WORKS.	
	e) Our interest to be noted with RAJUK/M. WORKS.	
	Collect Stamp duty/Regd.charges from customer to obtain stamps from TREASURY	
	a) Obtain Certified copy Registered Mortgage with Original Delivery Receipt duly endorsed	
	b) Obtain Certified copy Power of Attorney with Original Delivery Receipt duly endorsed	
	c) Diaries to obtain Original Registered Mortgage /Power of Attorney from SRO.	
	d) Title Deed & mortgage deed refers to the same property.	
	e) Amount and Expiry date of the mortgage deed	
	**Full Value Memorandum Recording Deposit of Title Deeds on BDT.150 STAMP:-	
	For creating charge over company property in the office of RJSC.	
	a) Form XVIII Properly filled in duly signed by Customer & Bank	
	b) Fee collected and submitted to RJSC for registration.	
	c) Registration Certificate along with original Memorandum obtained from RJSC.	
	d) Search Report from RJSC.	
	e) For Full value Equitable Mortgage over personal property	
18	**INSURANCE POLICIES WITHOUT MENTIONING VALUE :**	
	a) Original Insurance Policies covering adequate value and risks	
	b) Original Premium paid receipt.	
	c) Location(s) of stocks/property are correct in the Policy	
	d) Policy valid	
	e) Bank Mortgage Clause	
19	**Negative Pledge**	
	Board Resolution covering negative Pledge and signatory.	
	Properly executed (as per BR), Company seal affixed.	
	Proper Stamp affixed (BDT.150 W.E.F. 1.7.98)	
	Signature verified	
	Negative Pledge will expiry in line with BAL if ….accepts BAL.	
20	**Letter of Subordination**	
	Board Resolution covering corporate subordination and signatory.	
	Properly executed (as per BR), Company seal affixed.	

	Parties name not known from part 1 current balance sheet copy held	
	Loan Subordination acknowledged by the authorized signatory of the Borrower	
	Signature verified	
21	**Letter of Awareness**	
	Standard wordings	
	Supported by Board Resolution	
	Signature verified	
22	**Letter of Comfort**	
	Standard wordings	
	Supported by Board Resolution	
	Signature verified	
23	**Bank Guarantee/Indemnity**	
	Valid and Current	
	Text authorized	
	Bank Risk approval held for …… valid up to ………	
	Signature verified	
	Acknowledgment issued	
24	**Letter of Lien & Right To Set Off.**	
	Properly executed (as per BR), Company seal affixed.	
	Witnessed	
	Proper Stamp affixed (BDT.150 W.E.F. 1.7.98)	
	Signature verified	
25	**Letter of Pledge over stocks**	
	Properly executed (as per BR), Company seal affixed.	
	Schedules are correct	
	Witnessed	
	Proper Stamp affixed as per Pledge Valuation.	
	Signature verified	
	Form XVIII Properly filled in duly signed by Customer & Bank	
	Fee collected and submitted to RJSC for registration.	
	Registration Certificate along with original obtained from RJSC.	
	Search Report from RJSC.	
	Power of Attorney	
26	**Irrevocable Letter of Authority**	
	Standard wordings	
	Supported by Board Resolution, if Limited Co.	
	Signature verified	
27	**PROPRIETORSHIP/PARTNERSHIP BORROWERS = HYPOTHECATION(S)**	
	Partnership Deed to check borrowing/mortgage authority of the partners.	
	Partnership Resolution duly signed by all partners	
	Resolution Date, Borrowing Amount, Authorized Signatory are correct.	
	Signature verification	
	Simple Letter of Hypothecation(s)	
	Properly executed, Company seal affixed.	
	Date, amount, Location and Particulars are correct	

	Proper Stamp affixed (BDT.150 W.E.F. 1.7.98)	
	Signature verified	
	Letter of undertaking to deposit sales proceeds.	
27(a)	**Notarized Irrevocable General Power of Attorney to sell the Assets without reference**	
	Hypothecation & Power of Attorney refers to the same property.	
	Signature verified	
28	**INTER BORROWING AMONGST CORPORATE BORROWERS (3rd PARTY) :**	
	a) Cross Corporate Guarantee(s) supported by Object clause of MOA.	
	b) Board Resolution from both borrower and Lender	
	c) Memorandum of Association to check borrowing/lending authority of respective Company.	
	d) 3rd party letter of hypothecation over stocks/book debts/machinery etc.	
	e) Signature verified	

29	TERM LOAN AGREEMENT – FOR TERMS LOANS.	
30	OTHER AGREEMENT	
	MANDATORY LEGAL OPINION REQUIRE FOR ANY NON-STANDARD DOCUMENTS.ALL NON-MANDATORY DOCUMENTS MAY BE EXPIRED IN LINE WITH BAL, IF IT IS PREPARED OR ACCEPTS BAL only.	
	MANDATORY LEGAL OPINION REQUIRE FOR ANY ACCOUNT DOWNGRADED TO MSG-12.	
	Update Security Ledger - lodgment particulars & expiry dates are correct.	
	Update Insurance Diary - lodgment particulars & expiry dates are correct.	
	Prepare Guarantee Acknowledgment/Biennial Confirmations	
	Remove obsolete documents from Security	
	Up-date Control Diary for missing/irregular/expired documents.	

Loan Disbursement /Limit Loading Checklist & Authorization

Borrower:________________________Account #:_________________

Security Documentation is in Place:

Approval Terms Complied With:

Covenants/Conditions Precedent Have Been Met:

Large Loan Compliance/ B.B Approvals Obtained as Required:

Exceptions:

1.

2.

3.

I have reviewed the above documents/security and confirm the accuracy of the information contained herein. The required documentation/security is in place and enforceable.

Verified by: ____________________________
Credit Administration Officer

Authorized by: ____________________________
Credit Administration Manager

Exceptions Approved by: ____________________________
Credit & Risk Management

MIS REPORTS ON CREDIT RISK GRADING

PUBALI BANK LIMITED

CREDIT RISK GRADING REPORT (CONSOLIDATED)

AS ON …………………..

RISK GRADE	NUMBER OF BORROWER	IN %	LIMIT (TK IN '000')	IN %	OUTSTANDING (TK IN '000')	IN %
SUPERIOR-1						
GOOD-2						
ACCEPTABLE-3						
MARGINAL/ WATCHLIST-4						
SPECIAL MENTION-5						
SUBSTANDARD-6						
DOUBTFUL-7						
BAD & LOSS-8						
TOTAL		**100%**		**100%**		**100%**

PUBALI BANK LIMITED

XYZ BRANCH
CREDIT RISK GRADING REPORT (BRANCH WISE)
AS ON …………………..

RISK GRADE	NUMBER OF BORROWER	IN %	LIMIT (TK IN '000')	IN %	OUTSTANDING (TK IN '000')	IN %
SUPERIOR-1						
GOOD-2						
ACCEPTABLE-3						
MARGINAL/ WATCHLIST-4						
SPECIAL MENTION-5						
SUBSTANDARD-6						
DOUBTFUL-7						
BAD & LOSS-8						
TOTAL		**100%**		**100%**		**100%**

PUBALI BANK LIMITED

XYZ BRANCH
CREDIT RISK GRADING REPORT (BRANCH & RISK GRADE WISE)
AS ON …………………..

	RISK GRADE	NUMBER OF BORROWER	IN %	LIMIT (TK IN '000')	IN %	OUTSTANDING (TK IN '000')	IN %
PRINCIPAL	SUPERIOR-1						
	GOOD-2						
	ACCEPTABLE-3						
	MARGINAL/WATCHLIST-4						
	SPECIAL MENTION-5						
	SUBSTANDARD-6						
	DOUBTFUL-7						
	BAD & LOSS-8						
SUB TOTAL (PRINCIPAL BRANCH)							
AGRABAD	SUPERIOR-1						
	GOOD-2						
	ACCEPTABLE-3						
	MARGINAL/ WATCHLIST-4						
	SPECIAL MENTION-5						
	SUBSTANDARD-6						
	DOUBTFUL-7						
	BAD & LOSS-8						
SUB TOTAL (AGRABAD BRANCH)							
GRAND TOTAL			**100%**		**100%**		**100%**

PUBALI BANK LIMITED

CREDIT RISK GRADING REPORT (GRADE WISE BORROWER LIST)
AS ON …………………..

CREDIT RISK GRADE: SUP-1

BRANCH	NAME OF THE BORROWER	LIMIT (TK IN '000')	OUTSTANDING (TK IN '000')	CREDIT EXPIRY
PRINCIPAL				
AGRABAD				
TOTAL SUPERIOR GRADE				

CREDIT RISK GRADE: GD-2

BRANCH	NAME OF THE BORROWER	LIMIT (TK IN '000')	OUTSTANDING (TK IN '000')	CREDIT EXPIRY
PRINCIPAL				
AGRABAD				
TOTAL GOOD GRADE				

CREDIT RISK GRADE: ACCPT-3

BRANCH	**NAME OF THE BORROWER**	**LIMIT (TK IN '000')**	**OUTSTANDING (TK IN '000')**	**CREDIT EXPIRY**
PRINCIPAL				
AGRABAD				
TOTAL ACCEPTABLE GRADE				

CREDIT RISK GRADE: MG/WL-4

BRANCH	**NAME OF THE BORROWER**	**LIMIT (TK IN '000')**	**OUTSTANDING (TK IN '000')**	**CREDIT EXPIRY**
PRINCIPAL				
AGRABAD				
TOTAL MARGINAL/ WATCHLIST GRADE				

CREDIT RISK GRADE: SM-5

BRANCH	**NAME OF THE BORROWER**	**LIMIT (TK IN '000')**	**OUTSTANDING (TK IN '000')**	**CREDIT EXPIRY**
PRINCIPAL				
AGRABAD				
TOTAL SPECIAL MENTION GRADE				

CREDIT RISK GRADE: SS-6

BRANCH	NAME OF THE BORROWER	LIMIT (TK IN '000')	OUTSTANDING (TK IN '000')	CREDIT EXPIRY
PRINCIPAL				
AGRABAD				
TOTAL SUB STANDARD GRADE				

CREDIT RISK GRADE: DF-7

BRANCH	NAME OF THE BORROWER	LIMIT (TK IN '000')	OUTSTANDING (TK IN '000')	CREDIT EXPIRY
PRINCIPAL				
AGRABAD				
TOTAL DOUBTFUL GRADE				

CREDIT RISK GRADE: BL-8

BRANCH	NAME OF THE BORROWER	LIMIT (TK IN '000')	OUTSTANDING (TK IN '000')	CREDIT EXPIRY
PRINCIPAL				
AGRABAD				
TOTAL BAD & LOSS GRADE				

Early Alert Report

Borrower / Group: Current Date:

Branch: Last Review Date:

Total Limits: Strategy: Hold/ Reduce / Restructure/ Exit

Total Outstanding:

Existing Risk Grade: ………. Proposed Risk Grade: ……….

Facility Details:

Limit	Purpose	Outstanding	Security

Is Security Complete? Y / N Externally Checked? Y / N

Details of any deficiencies

Symptoms Requiring Early Alert Reporting:

…….. Industry Concerns
…….. Ownership / Management Concerns
…….. Balance Sheet Weakness
…….. Cash Flow Weakness
…….. Poor Account Conduct
…….. Expired Limits/ Pending Docs.

Provide Details of Symptoms Indicated Above: ……………………………………………………..

Account Strategy to Regularize Account:

Have These Been Agreed with the Customer? Y / N

Has The Agreement Been Documented? Y / N

Has the Customer Breached any Conditions Since the Most Recent Agreement?

When will these deficiencies be rectified?

Update Since Last Early Alert Report:

Relationship Management Comments:

Grade Justification:

CRM Comments:

Recommended by: …………………………………………..
Relationship Manager

Approved by: ……………………………………………

Credit and Risk Management

Typical Characteristics						
Definition of Early Alert Accounts	**Industry & Competition**	**Ownership/ Management**	**Balance Sheet**	**Cash flow/Repayment source**	**Performance**	**Expired Limit /Incomplete Documentation**
	EA1	**EA2**	**EA3**	**EA4**	**EA5**	**EA6**
Weaknesses or potential weaknesses which require close monitoring and pro- active account management to protect the bank's position. If these weaknesses are not corrected they may result in deterioration of repayment prospects, with the likelihood of downgrade to CG12 within 12 months.	- Position within industry rapidly eroding - Industry may be mature and in long term decline, and / or in a cyclical downturn	- Concerns over the ability of management to effectively manage existing operations, and/or the business expansion plans. - Owners show lack of commitment to support business operations.	- Delay in submission, stale financials and / or continued weakness and/or deterioration. - Operating results are deteriorating and/or working capital cycle deteriorating. - Highly geared relative to peers / industry and on upward trend. - Rapid acquisition of assets without proper financial structuring - Declining asset cover for short-term debt.	- Liquidity strained and there is a need for additional borrowing or capital now or in the near future. - cashflow is unlikely to cover both mandatory debt service (principal plus interest) and other business needs (e.g. Capex). - Ability to reduce working capital bank lines is limited or non existent. - Evidence of misuse of funds or monies diverted into non-core activities.	*Payment Default:* • Interest or principal 15 days overdue • Temporary overdraft 90 days or more which has not been regularised via formal limit and security documentation	- Facilities expired for more than 30 days. - Security documentation pending after 30 days from the approved time frame.

Note:

- The matrix produced above is not a definitive checklist. The characteristics of any given Early Alert account may not exactly correspond to the specific descriptions for each of EAR1-EAR4. However the overall credit worthiness of the borrower will fit the general description given under the 'Definition' column.

Handover / Downgrade Check-List

1.	Group Name (if applicable)		
2.	Company Name(s)		
3.	Confirm Outstanding	CCY:	
4.	Group Outstandings (if applicable)	Limit:	O/S:
5.	Relationship Manager & Code		
6.	Existing Credit Grade		
7.	New Credit Grade		
8.	Date of Downgrade		
9.	RU to Manage?		
10	- if YES, Name of Manager		
11.	Downgrade RFA faxed to Credit Admin		
12.	Received latest CA, financials, documents etc?		
13.	Takeover memo issued?		
14.	Has RU met with the company?		
15.	Immediate action? (eg issue demand)		
16.	Working limits required?		
	- if YES, CA		
	- if NO, limits zeroed		
17.	Guarantors and Directors – any accounts with the bank? If so, give details.		
18.	CLRR - Status		
19.	Documentation - Full review of documentation?		
	- Security valid & enforceable?		
	- Property valuations updated?		
	- Reviewed guarantors' capacity?		
	- Updated Company search?		
	- Updated Land search?		
	- Insurance current?		
20.	Account Strategy & Action Plan – Status		
	- Submitted?		
	- Approved?		
	- Other banks' actions?		
21.	Evidence of fraudulent transactions? If so, auditor advised?		
22.	Comments / Observations		

Relationship Manager **Recovery Unit Manager**

Banking Regulation & Policy Department
Bangladesh Bank
Head Office
Dhaka

BRPD Circular No. 15 **Date: September 23, 2012 / Ashwin 08 , 1419**

Chief Executives
All Scheduled Banks in Bangladesh

Dear Sir,

Master Circular on Loan Rescheduling

Please refer to the BRPD Circular No.08 dated June 14, 2012 on the captioned subject. Considering difficulties reported by banks and the business community, certain instructions of the circular have been reviewed; revised circular with the modifications is issued hereunder:

Bangladesh Bank recognizes that in some cases, a legitimate banking practice may allow for the renewal of a continuous loan or line of credit. Occasionally, even a term loan is renewed or extended under unfortunate circumstances that are beyond the control of the borrower and do not signify that the borrower's willingness or ability to repay has deteriorated the loan. However, Bangladesh Bank is concerned that rescheduling (also known as "prolongation" or "evergreening") may sometimes result in an overstatement of capital, when loans that have a low probability of repayment are carried at full value on banks' balance sheets. Bangladesh Bank is hereby issuing this circular in order to communicate its policy stance that rescheduling should be done only in limited circumstances and under restrictions.

01. GUIDELINES FOR CONSIDERING APPLICATION FOR LOAN RESCHEDULING:

Banks shall comply with the following instructions while considering application for loan rescheduling of non-performing loan (loans classified as Sub-standard, Doubtful and Bad/Loss):

a) The bank must have a policy approved by its Board of Directors in place that defines the circumstances and conditions under which a loan may be rescheduled, consistent with this circular. These conditions may be stricter than those contained in this circular and cannot be lenient in any case. The policy must include controls to avoid the routine rescheduling and repeat rescheduling of loans in those cases where borrowers are experiencing financial difficulty or there is doubt that the full amount of the loan will be recovered. In particular, the policy should place strict limits, or even prohibit, rescheduling of loans to business enterprises in unproductive sectors, or unprofitable business enterprises in productive sectors. If exceptions are made for certain sectors/business enterprises that do not meet the above guidelines, those sectors/business enterprises should be identified in the policy and a justification for rescheduling should be given.

b) When a borrower asks for rescheduling of loan, the bank shall meticulously examine the causes as to why the loan has become non-performing. If it is detected from such review that the borrower has diverted funds elsewhere or the borrower is a habitual loan defaulter, the bank shall not consider the application for loan rescheduling and shall take/continue all legal steps for recovery of the loans.

c) If a borrower while applying for rescheduling, pays the required down payment in cash at a time, the bank must address the application within 03 (three) months upon receipt. If the borrower gives any cheque, pay order or any other instrument against down payment, the bank must ensure encashment of such instrument before processing of the rescheduling case. Any previous payment from time to time shall not be treated as a down payment.

d) Banks while considering loan rescheduling, must consider overall repayment capability of the borrower taking into account the borrower's liability position with other banks and financial institutions.

e) Banks shall review the borrower's cash flow statement, audited balance sheet, income statement and other financial statements in order to ensure whether the borrower would be able to repay the rescheduled installments/existing liability or not.

f) If required, bank officers shall conduct spot inspections of the borrower's company/business place to ensure that the concerned company/business enterprise would be able to generate a surplus to repay the liability of rescheduling. Banks shall preserve such reports in their branches for Bangladesh Bank's inspection.

g) If a bank is satisfied after due diligence as mentioned above that the borrower will be able to repay, the loan may be rescheduled. Otherwise, bank shall take all legal steps to realize the loan and make necessary provision.

h) Rescheduling of any loan must be justified in written statement by the bank's Credit Committee. The statement must give reasons why the rescheduling is beneficial to the long-run profitability and capital adequacy of the bank, including the factors that cause the Credit Committee to believe that the loan will ultimately be repaid in full. The statement must also explain the impact of this rescheduling on the bank's liquidity position and the needs of other customers.

02. TIME LIMIT FOR RESCHEDULING:

The rescheduling shall be for a minimum reasonable period of time. Time limit for rescheduling of different categories of loans will be as follows:

(Note: These time limits are absolute maximums only, and banks are encouraged to establish shorter time limits in their internal policies. Each loan that is being considered for rescheduling should be evaluated on its own merits and not automatically rescheduled for the maximum time period or rescheduled for the maximum number of three (03) times.)

a) Time limit for rescheduling Continuous Loan:

The loan account in which transactions may be made within certain limit and have an expiry date for full adjustment will be treated as Continuous Loan:

Frequency	**Classified as Sub-standard**	**Classified as Doubtful**	**Classified as Bad/Loss**
First Rescheduling	Maximum 18 (eighteen) months from the date of rescheduling	Maximum 12 (twelve) months from the date of rescheduling	Maximum 12 (twelve) months from the date of rescheduling
Second Rescheduling	Maximum 12 (twelve) months from the date of rescheduling	Maximum 09 (nine) months from the date of rescheduling	Maximum 09 (nine) months from the date of rescheduling
Third Rescheduling	Maximum 06 (six) months from the date of rescheduling	Maximum 06 (six) months from the date of rescheduling	Maximum 06 (six) months from the date of rescheduling

Conditions: During the rescheduled period all required principal and interest payments must be made. Rescheduled amount should be repaid in monthly installments. If the amount of defaulted installments is equal to the amount of 3(monthly) installments, the loan will be classified as Bad/Loss.

b) Time limit for rescheduling Demand Loan:

The loan which becomes repayable on demand by the bank is treated as Demand Loan. If any contingent or any other liabilities are turned to forced loan (i.e. without any prior approval as regular loan) those too will be treated as Demand Loans

Frequency	**Classified as Sub-standard**	**Classified as Doubtful**	**Classified as Bad/Loss**
First Rescheduling	Maximum 12 (twelve) months from the date of rescheduling	Maximum 09 (nine) months from the date of rescheduling	Maximum 09 (nine) months from the date of rescheduling
Second Rescheduling	Maximum 09 (nine) months from the date of rescheduling	Maximum 06 (six) months from the date of rescheduling	Maximum 06 (six) months from the date of rescheduling
Third Rescheduling	Maximum 06 (six) months from the date of rescheduling	Maximum 06 (six) months from the date of rescheduling	Maximum 06 (six) months from the date of rescheduling

Conditions: During the rescheduled period all required principal and interest payments must be made. Rescheduled amount should be repaid in monthly installments. If the amount of defaulted installments is equal to the amount of 3(monthly) installments, the loan will be classified as Bad/Loss.

c) Time limit for rescheduling Fixed Term Loan:

The loan which is repayable within a specified time period under a prescribed repayment schedule is treated as Term Loan.

Frequency	Classified as Sub-standard	Classified as Doubtful	Classified as Bad/Loss
First Rescheduling	Maximum 24 (twenty four) months from the date of rescheduling	Maximum 18 (eighteen) months from the date of rescheduling	Maximum 18 (eighteen) months from the date of rescheduling
Second Rescheduling	Maximum 18 (eighteen) months from the date of rescheduling	Maximum 12 (twelve) months from the date of rescheduling	Maximum 12 (twelve) months from the date of rescheduling
Third Rescheduling	Maximum 12 (twelve) months from the date of rescheduling	Maximum 09 (nine) months from the date of rescheduling	Maximum 09 (nine) months from the date of rescheduling

Conditions: During the rescheduled period all required principal and interest payments must be made. Rescheduled amount should be repaid in monthly/quarterly installments. If the amount of defaulted installments is equal to the amount of 6 monthly or 2 quarterly installments, the loan will be classified as Bad/Loss.

d) Time limit for rescheduling for Short-term Agricultural and Micro-Credit

First Rescheduling	Repayment time limit for rescheduling should not exceed 2 (two) years from the date of rescheduling.
Second Rescheduling	Maximum 1(one) year from the date of rescheduling.
Third Rescheduling	Maximum 6(six) months from the date of rescheduling.

e) If the loan becomes default after third rescheduling, the borrower will be treated as a habitual loan defaulter and the bank shall not consider for further loan rescheduling.

f) Approval of loan rescheduling cannot be made below the level at which it was originally sanctioned. A detailed appraisal report including implications of such loan rescheduling on the income and other areas of the bank must be placed to the approving authority at the time of placing the rescheduling proposal.

03. DOWN PAYMENT OF TERM LOANS:

a) Application for first time rescheduling will be taken into consideration upon receiving cash payment of at least 15% of the overdue installments or 10% of the total outstanding amount of loan, whichever is less;

b) Application for second time rescheduling will be considered upon receiving cash payment of minimum 30% of the overdue installments or 20% of the total outstanding amount of loan, whichever is less.

c) Application for rescheduling third time will be considered upon receiving cash payment of minimum 50% of the overdue installments or 30% of the total outstanding amount of loan, whichever is less.

d) The rate of down payments for Short-term Agricultural and Micro-Credit will be same as above.

Explanation: If any loan is rescheduled for one time before issuance of this circular, the conditions set forth in this circular for second time rescheduling of such loans shall be applicable. Likewise, the terms for third time rescheduling as per this circular for rescheduling of any loan, which has already been rescheduled twice or more shall be applicable.

04. DOWN PAYMENT OF DEMAND AND CONTINUOUS LOAN:

a) If a Demand or Continuous Loan is converted into a Term loan, first rescheduling may take place against down payment on the basis of loan amount in the following manner.

Amount of Overdue Loan	Rate of Down payment
Up to Tk.1.00 (one) crore	15%
Above Tk.1.00(one) crore and up to Tk.5.00(five) crore	10% (but not less than Tk.15.00 lac)
Above Tk. 5.00(five) crore	5% (but not less than Tk.50.00 lac)

Application for rescheduling will be taken into consideration only after the amount for the down payment is paid in cash as narrated in 01(c).

b) If any Continuous or Demand Loan is rescheduled for the second time (first time after being converted partly or wholly into Term Loan) and the repayment installments are fixed, the application for rescheduling of such loans shall be considered upon receiving cash payment of minimum 30% of the overdue installments or 20% of the total outstanding amount of loan, whichever is less. Similarly, for third rescheduling (second time after being converted partly or wholly into Term Loan) minimum 50% of the overdue installments or 30% of the total outstanding amount of loan, whichever is less, shall have to be repaid in cash.

05. <u>CLASSIFICATION AND INTEREST SUSPENSE OF RESCHEDULED LOANS:</u>

Rescheduled loans may be put into any category of classification by the bank considering the existing financial soundness and repayment capacity of the borrower, subject to the accumulated amount in interest suspense account not being taken into income account, unless actually realized. Upon classification, applicable provisions have to be maintained, according to the Master Circular: Loan Classification and Provisioning (BRPD Circular No. 14/2012). These classifications will be reviewed by Bangladesh Bank inspectors. However, regardless of the classification category into which the loan is placed by the bank, a rescheduled loan will not be considered a "defaulted loan," and the borrower will not be considered a "defaulted borrower" as these terms are understood in the context of section 27KaKa(3) [read with section 5(GaGa)] of the Banking Companies Act, 1991, unless such loan has not been repaid after reaching the maximum number of allowable reschedulings.
Interest accrued on rescheduled loans will be subject to the accounting treatment that is appropriate for the classification category of the loan, in line with the Master Circular: Loan Classification and Provisioning (BRPD Circular No. 14/2012) just as if the loan had not been rescheduled.

06. <u>NEW LOAN FACILITY AFTER RESCHEDULING:</u>

a) The borrower whose credit facility has been rescheduled may avail a new loan facility or enhance existing credit facility subject to fulfillment of the following conditions:-

i. The borrower must pay at least 15% of the “Outstanding Balance” (outstanding amount after excluding the down payment on rescheduling) to avail any further credit facility from the rescheduling bank.
ii. In case of borrowing from other banks, the same rule will be applicable, i.e. the borrower must pay at least 15% of the “Outstanding Balance” (outstanding amount after excluding the down payment on rescheduling), then, will be allowed to take regular facility from other banks subject to the submission of No Objection Certificate (NOC) from the rescheduling bank or financial institution.

b) Exporters may be granted further credit facility (after being identified as not-a-willful defaulter), if required, subject to settling at least 7.5% of the “Outstanding Balance” (outstanding amount after excluding the down payment on rescheduling). They will be allowed to take the regular facility from other Banks subject to the submission of a NOC from the rescheduling bank or financial institution.

c) Prior approval of Bangladesh Bank shall have to be obtained if the loan is related to the director of any bank.

d) Information on such rescheduled loan accounts shall be reported to the Credit Information Bureau (CIB) of Bangladesh Bank.

e) While reporting to the CIB, the rescheduled loans/advances should be shown as RS-1 for first time rescheduling, RS-2 for second time rescheduling and RS-3 for third time rescheduling. If rescheduling facility is availed through interest waiver, reporting should be RSIW-1 for first time rescheduling, RSIW-2 for second time rescheduling and RSIW-3 for third time rescheduling.

f) Number of rescheduling should be mentioned in the sanction letter as well as in the date column of sanction/last renewal/rescheduling in the basic CL form as RS-1/RS-2/RS-3 or RSIW-1/RSIW-2/RSIW-3.

07. SPECIAL CONDITIONS FOR LOAN RESCHEDULING

a) If a loan account of an export-oriented garments industry or knit garments factory becomes adversely classified due to stock lot, the loan may be rescheduled without the required down payment. However, the sales/export proceeds from the stock lot must be used to repay the loan. If any such loan account remains unadjusted even after repaying the loan with sales/export proceeds of the stock lot, the loan may be rescheduled without the required down payment based on recovery probability and banker-customer relationship.
The above mentioned facilities will not be applicable to forced loan, project loan or term loan in this sector. Only such forced loans, which are backed up with stock lot may avail such facilities.
After rescheduling, new loan facility or loan expansion application will be considered only after paying at least 7.5% of the "Outstanding Balance". New loan facility from other banks is subject to the obtaining of NOC from the rescheduling bank.

b) If a loan account of fertilizer importers becomes adversely classified due to delay in government subsidy receipts and payment of subsidy bill, the loan may be rescheduled without the required down payment. However, the receivable government subsidy must be used to repay the loan. If any such loan account remained unadjusted even after repaying the loan with a government subsidy, the loan may be rescheduled without the required down payment on the basis of recovery probability and banker-customer relationship.

c) For rescheduling as above no prior approval of Bangladesh Bank will be required; unless there is a requirement from Bangladesh Bank in the context of large loan or related to the director of the bank.

08. RESTRICTION ON EXTENDING THE TERM TO MATURITY OF A TERM LOAN:

The term to maturity of a term loan may be extended subject to the following conditions and restrictions:

a) The loan must be performing (Unclassified: Standard or SMA)
b) The decision should be made at the level where the loan was originally sanctioned
c) The maturity date may be extended by a period of time not exceeding 25% of the current remaining time to maturity

This policy shall come into force with immediate effect and instructions of BRPD Circular No.08 dated June 14, 2012 hereby stand superseded by this circular.

Please acknowledge receipt.

Yours sincerely,

(Md. Anwarul Islam)
Deputy General Manager
Phone-9530094

Website: www.bb.org.bd

Banking Regulation & Policy Department
Bangladesh Bank
Head Office
Dhaka

May 29, 2013

BRPD Circular No. 06 **Date: -----------------------------**

Jaistha 15, 1420

Chief Executives
All Scheduled Banks in Bangladesh

Dear Sir,

<u>Loan Rescheduling</u>

Please refer to BRPD Circular No.15 dated September 23, 2012 on the captioned subject.

In light of current credit conditions and the greater preponderance of longer term finance, following amendments have been brought into the circular:

1. Section 2.c) of the circular will be replaced as under :

"**02. c) Time limit for rescheduling Fixed Term Loan:**

The loan which is repayable within a specified time period under a prescribed repayment schedule is treated as Term Loan. In case of rescheduling of any classified Fixed Term Loan, following time-limit may be added with the expiry date/repayment date of last installment to determine the repayment schedule which will be started from the date of rescheduling. If the loan is rescheduled after the expiry date, the following time-limit will be applicable from the date of rescheduling:

Frequency	**Classified as Sub-standard**	**Classified as Doubtful**	**Classified as Bad/Loss**
First Rescheduling	Maximum 36 (thirty six) months	Maximum 24 (twenty four) months	Maximum 24 (twenty four) months
Second Rescheduling	Maximum 24 (twenty four) months	Maximum 18 (eighteen) months	Maximum 18 (eighteen) months
Third Rescheduling	Maximum 12 (twelve) months	Maximum 12 (twelve) months	Maximum 12 (twelve) months

<u>Conditions:</u> During the rescheduled period all required principal and interest payments must be made. Rescheduled amount should be repaid in monthly/quarterly installments. If the amount of defaulted installments is equal to the amount of 6 monthly or 2 quarterly installments, the loan will be classified as Bad/Loss."

2. Section 2.d) of the circular will be replaced as under :

"02. d) **Time limit for rescheduling for Short-term Agricultural and Micro-Credit:**

In case of rescheduling of any classified Short-term Agricultural and Micro-Credit, 6 months may be added with following time-limit from the day after the expiry date/repayment date of last installment to determine the repayment schedule which will be started from the date of rescheduling. If the loan is rescheduled after the expiry date, the following time-limit will be applicable:

First Rescheduling	Repayment time limit for rescheduling should not exceed 2 (two) years.
Second Rescheduling	Maximum 1(one) year.
Third Rescheduling	Maximum 6(six) months.

This circular will come into force with immediate effect and all other instructions in BRPD Circular No.15 dated September 23, 2012 will remain unchanged.

Please acknowledge receipt.

Yours sincerely,

(Md. Anwarul Islam)
Deputy General Manager
Phone-9530094

Website: www.bb.org.bd

Banking Regulation & Policy Department
Bangladesh Bank
Head Office
Dhaka

BRPD Circular No. 02

Date: January 16, 2014 / Magh 03, 1420

Managing Directors/Chief Executives
All Scheduled Banks in Bangladesh

Dear Sir,

Single Borrower Exposure Limit

Please refer to BRPD Circular No. 05 dated April 09, 2005 on the captioned subject.

In order to comply with the recently incorporated section–26(Kha) of the Banking Companies Act, 1991 and to improve bank's credit risk management further, Bangladesh Bank is issuing this circular consolidating all instructions issued so far on the subject and making some amendments.

1) **Definition and Interpretation** – For the purpose of this circular:

   a) **"Capital"** – means the capital held by banks as per Clause (1) of Section-13 of the Banking Companies Act, 1991.

   b) **"Exposure"** – means credit exposure (funded and non-funded) and refers to all claims, commitments and contingent liabilities arising from on and off-balance sheet transactions, which include, but not limited to, outstanding loans/financing facilities, advances and receivables. These amounts comprise outstanding balance (i.e. principal amount and accrued interest/profit) which has not yet been repaid as at reporting date;

      i) **"Funded Exposure"** – means the exposure for which the bank has provided or shall provide funds to the borrower or to a third party on behalf of the borrower;

      ii) **"Non-funded Exposure"** – means the off-balance sheet exposure which has not yet been funded by the bank and may or may not be converted into funded facilities in future. Examples, letter of credit, guarantee, acceptance, commitment etc;

iii) **"Large Loan"** – defined in Paragraph-2(b)(i) of this circular as per Clause (2) of Section-26Kha of the Banking Companies Act, 1991.

c) **"Non-conforming Exposure"** – if an exposure is within the limit [limit set forth in Paragraph-2(a)] when made but subsequently exceeds the limit, the exposure will be treated as 'non-conforming' which may arise from any of the following circumstances:

   i) the bank's capital declines;

   ii) the borrower merges or forms a common enterprise with another borrower;

   iii) the bank merges with another bank which also holds exposures to the borrower;

   iv) capital rules or the lending limits undergo changes;

d) **"Person"** – means a natural person or a legal person i.e., company, corporation, associate, trust, joint venture, partnership or other business enterprise etc.

e) **"Group"** – two or more persons shall be deemed to be a group if one person has the ability, directly or indirectly, to control the other person(s) or to exercise significant influence over the financial and operating decisions of the other person(s), or if both persons are subject to common control or common significant influence. Group exists if at least one of the following criteria is satisfied:

   i) **Control Relationship:** When one person, directly or indirectly, has control over the other(s). To assess connectedness through control, the criterion is met automatically if one person owns more than 50% of the voting rights of another person. However, control can also be assumed when one person has significant influence (owns 20% or more but less than 50% of the voting rights) on the other person. In addition to establishing connectedness based on control, banks shall consider, at a minimum, the following criteria:
   (1) Voting agreements (e.g. control of a majority of voting rights pursuant to an agreement with other shareholders);
   (2) Significant influence on the appointment or dismissal of an entity's administrative, management or supervisory body, such as the right to appoint or remove a majority of members in those bodies, or the capacity to appoint a majority of members solely as a result of the exercise of an individual entity's voting rights;
   (3) Significant influence on senior management, e.g. one person has the power, pursuant to a contract or otherwise, to exercise a controlling

influence over the management or policies of another person (e.g. through consent rights over key decisions);

(4) Banks are also expected to refer to criteria specified in appropriate internationally recognized accounting standards for further qualitatively based guidance when determining control.

ii) **Economic Interdependence:** Economic dependence of one party on another or more other parties results in all of them being considered connected. That is, if one of them were to experience financial problems, in particular funding or repayment difficulties, the other or all of the others would, as a result, also be likely to encounter funding or repayment difficulties. For guidance on establishing connectedness based on economic interdependence, banks shall consider, at a minimum, the following qualitative criteria:

(1) When 50 percent or more of one counterparty's gross receipts or gross expenditures (on an annual basis) is derived from transactions with the other counterparty;

(2) When one counterparty has fully or partly guaranteed the exposure of the other counterparty, or is liable by other means, and the exposure is so significant for the guarantor that it is likely to default if a claim occurs;

(3) When the expected source of repayment for each loan is the same and neither counterparty has another source of income from which the loan may be fully repaid;

(4) Where it is likely that the financial problems of one counterparty would cause difficulties for the other counterparties in terms of full and timely repayment of liabilities;

(5) Where the insolvency or default of one of them is likely to be associated with the insolvency or default of the other(s).

2) **Exposure Limits –** The following limits shall apply:

a) **Single Person/Counterparty or Group:**

i) The outstanding amount of exposure, both funded and non-funded, to a single person/counterparty or a group shall not exceed 35% of the capital at any point of time.

ii) The aggregate outstanding principal amount of funded exposures shall not exceed 15% of the capital at any point of time.

iii) In case of export financing, the outstanding amount of exposure, both funded and non-funded, at any point of time to a single person/counterparty or a group shall not exceed 50% of the capital. However, the aggregate outstanding principal amount of funded exposures shall not exceed 15% of the capital at any point of time.

b) **Large Loan:**

i) Large loan refers to any exposure to a single person/counterparty or a group which is equal to or greater than 10% of the capital.

ii) The banks may sanction large loans as per the following limits set against their respective classified loans:

Rate of Net Classified Loans	**Large Loan Portfolio Ceiling against Bank's Total Loans & Advances**
Upto 5%	56%
More than 5% but upto 10%	52%
More than 10% but upto 15%	48%
More than 15% but upto 20%	44%
More than 20%	40%

In order to determine the above Large Loan Portfolio Ceiling of any bank, 50% credit equivalent of all non-funded credit facilities shall be included in the Total Loans and Advances (i.e., 100% funded exposures plus 50% non-funded exposures). However, the entire amount of non-funded credit facilities shall be included in the Large Loan Portfolio.

For example, let a bank's Net Classified Loans is 5%. According to the large loan policy, the bank may have large loan exposures up to 56% of its total Loans & Advances whereas total Loans & Advances is calculated as 100% funded exposures plus 50% non-funded exposures. However, while calculating Large Loan Portfolio both funded and non-funded credit facilities will be considered as 100% credit equivalent. So, the large loan portfolio ceiling formula for the bank is as follows:

$$\frac{\textit{(Total Funded Large Loan Exposure*100\%+ Total Non-funded Large Loan Exposure*100\%)}}{\textit{(Bank's Total Funded Exposure*100\%+ Banks Total Non-funded Exposure*50\%)}} \leq 56\%$$

3) **Exceptions:** In order to allow banks to accommodate prudently the genuine credit needs of creditworthy borrowers, notwithstanding anything contained in this circular, the following exceptions shall be applicable to the limits set forth:

a) A public limited company, which has 50% or more public shareholdings, shall not be considered as an enterprise/organization of any group.

b) In case of credit facilities provided to the government or against government guarantees and AAA rated Multilateral Development Banks' (MDBs) guarantee, the aforementioned restrictions set forth in Paragraph-2(a) shall not be applicable.

[Note: Multilateral Development Banks (MDBs) include: the World Bank Group comprising the International Bank for Reconstruction and Development (IBRD) and the International Finance Corporation (IFC), the Asian Development Bank (ADB), the African Development Bank (AfDB), the European Bank for Reconstruction and Development (EBRD), the Inter-American Development Bank (IADB), the European Investment Bank (EIB), the European Investment Fund (EIF), the Nordic Investment Bank (NIB), the Caribbean Development Bank (CDB), the Islamic Development Bank (IDB) and the Council of Europe Development Bank (CEDB).]

c) In case of credit facilities sanctioned by the banks to the borrowers in order to produce, transmit and distribute electricity against any award provided by the Power Division of the Ministry of Power, Energy and Mineral Resources or the institutions controlled by the said division [such as – Bangladesh Power Development Board (BPDB), Rural Electrification Board (REB), Power Grid Company of Bangladesh (PGCB), Electricity Generation Company of Bangladesh (EGCB), Dhaka Power Distribution Company (DPDC), Dhaka Electric Supply Company Limited (DESCO), Ashuganj Power Station Company Limited (APSCL), West Zone Power Distribution Company (WZPDCO), North West Zone Power Distribution Company Limited (NWZPGC)], the aforementioned restrictions set forth in Paragraph-2(a) shall not be applicable.

d) In case of interbank money market transactions with a contractual maturity of less than one year, the aforementioned restrictions set forth in Paragraph-2(a) and Paragraph-2(b) shall not be applicable.

e) In case of loans backed by cash and encashable securities (e.g. FDR of the same bank), the aforementioned restrictions set forth in Paragraph-2(a) and Paragraph-2(b) shall not be applicable and the actual financing facilities shall be determined by deducting the amount from the outstanding of principal balance of the loans.

4) **Prudential Norms:**

a) Banks shall collect the loan information on their borrowers from Credit Information Bureau (CIB) of Bangladesh Bank before sanctioning, renewing or rescheduling loans in order to ensure that credit facilities are not being provided to defaulters.

b) Banks must assess credit risk by adopting Credit Risk Grading (CRG) before sanctioning or renewing large loans. If the rating of a CRG turns out to be "Marginal", banks shall not sanction the large loan, but it can consider renewal of an existing large loan taking into account other favorable conditions and factors. However, if the result of a CRG is “Special Mention Account (SMA)”, neither sanction nor renewal of large loans can be considered.

c) While sanctioning or renewing of large loans, banks should assess their borrower's overall debt repayment capacity by taking into consideration the borrower's liabilities with other banks and financial institutions.

d) Banks shall examine their borrower's Cash Flow Statement, Audited Balance Sheet, Income Statement and other financial statements to make sure that their borrower has the ability to repay the loan.

e) Sanctioning, renewing or rescheduling of large loans shall be approved by the Board of Directors in case of local banks. Such decisions will be taken by the Chief Executive in case of foreign banks. However, while approving proposals of large loans, among other things, compliance with this circular must be ensured.

f) When two or more banks collectively provide credit to a borrower under a common loan facility (e.g. a syndicated loan), the loan limits in Paragraph 2(a) apply only to the funds provided by each bank and represent that bank's pro rata share of the total loan.

g) The group of counterparties poses a "single risk", akin to that of a single counterparty. Such a group is referred to as a group of connected counterparties. Banks shall evaluate the relationship amongst clients, with reference to Paragraph (1.e.i.) and Paragraph (1.e.ii), in order to assess the existence and the extent of a single risk. However, banks must exercise a reasonable degree of due diligence including the 'Know Your Customer (KYC)' principle in obtaining sufficient information on their customers to determine interconnectedness.

h) If an exposure becomes 'non-conforming' for any reason as mentioned in Paragraph-1(c) the Chief Executive of banks are required to act promptly to bring the exposure into compliance unless doing so would be inconsistent with prudent banking practices and adversely affect the ultimate recovery of the exposure. Such non-conforming exposures may be renewed, have their maturity extended or be restructured without violating this circular provided –
   i) there is no increase in the amount of the exposure, either direct or indirect;

   ii) security collateral, if any, shall not be released;

   iii) there is no change in the borrower with the exception of changes resulting from a merger of the borrower with another person;

   iv) the renewal, extension or reschedule is not otherwise designed to avoid the requirements of existing policies, rules & regulations as determined by Bangladesh Bank;

v) Banks shall report such exposure, if any, to the Department of Off-site Supervision of Bangladesh Bank.

5) **Risk Management Expectations:**

a) Banks shall follow the instructions regarding Credit Risk Management Guidelines, Risk Management Guidelines for Banks and all other related policies issued by Bangladesh Bank from time to time.

b) Although certain types of exposures and counterparties are excluded from the single borrower limit [as specified in Paragraph 3], these exposures are not risk-free. Banks should have adequate procedures and controls in place to monitor these exposures. In addition, banks shall also ensure that its portfolios are not overly concentrated in large loans.

6) Each bank shall submit the periodic statement of large loan, in specified format, to the Department of Off-site Supervision of Bangladesh Bank as per instructions given by the department (DOS).

7) This circular has been issued by Bangladesh Bank in exercise of its power conferred on it under sections–26(Kha) and 45 of the Banking Companies Act, 1991.

8) Instructions of BRPD Circular No. 05 dated April 09, 2005 and subsequent all Circulars/Circular letters on the captioned subject hereby stand superseded by this circular. This circular shall come into force with immediate effect.

Please acknowledge receipt.

Yours Sincerely,

(Md. Anwarul Islam)
Deputy General Manager
Phone-9530094

পূবালী ব্যাংক লিমিটেড
Pubali Bank Limited.
Credit Division, Head Office, Dhaka

Tel: 9551614- 267

HO/CD/INSTRUCTION CIRCULAR NO. 1794/2017 Date: 23.10.2017

All Head of Branches/Corporate Branches
All Head of Regions
All Head of Divisions
The General Manager, Principal Office, Sylhet
The Deputy Managing Director, Principal Office, Chittagong
The Principal, Pubali Bank Training Institute (PBTI), Dhaka
Pubali Bank Limited
Bangladesh.

Subject: Revised Business Discretionary Powers for Loans & Advances and Foreign Exchange Transactions - 2017 and Guidelines thereof.

Dear Sir,

With a view to facilitate the expeditious authorization of credit proposal for bring dynamism and speed at field level the Board in its 1132nd meeting held on 11.10.2017 approved the enclosed "Revised Business Discretionary Power for Loans & Advances and Foreign Exchange Transactions - 2017" and Revised guidelines for exercising the same. While exercising "Revised Business Discretionary Powers for Loans and Advances & Foreign Exchange Transaction -2017" the delegatees will strictly comply with the aforesaid Revised Guidelines for Utilization of Business Discretionary Power for Loans & Advances and Foreign Exchange Transactions – 2017 and procedural guidelines/circulars issued by Bangladesh Bank, Govt. statutory bodies & Pubali Bank Ltd. from time to time.

The Board of Directors advised to exercise the Discretionary Power in different levels as mentioned in Annex - A & B properly and in failing to exercise their respective discretion, the delegatees will have to clarify their position and to apprise the reasons of non-utilization/ non-application of the discretionary power.

Please note that, it will come into force with immediate effect superseding the previous Business Discretionary Powers for Loans & Advances and Foreign Exchange Transactions and Guidelines thereof. Special loan schemes shall, however, continue to be governed by respective procedures/guidelines.

Please acknowledge receipt.

Yours Faithfully

(Habibur Rahman)
General Manager

(Pradip Kumar Datta)
General Manager

Enclosure:
1. Revised Business Discretionary Power for Loans and Advances - 2017 (Annex-A)
2. Revised Business Discretionary Power for Foreign Exchange Transactions - 2017 (Annex-B)
3. Revised Guidelines for utilization of Business Discretionary Power for Loan & Advances and Foreign Exchange Transactions - 2017.

Annexure - A

PUBALI BANK LIMITED
CREDIT DIVISION
HEAD OFFICE, DHAKA

REVISED BUSINESS DISCRETIONARY POWER FOR LOANS AND ADVANCES -2017

(Taka in Lac)

SL. No.	Category of advances	MD	AMD	DMD	GM Principal Office/Pr.Br./ CD, HO	GM RO/ Corp Br.	AGM/DGM, RO/ CORP Br.	AGM Br.	BM (Ranking Lower than AGM)
01	02	03	04	05	06	07	08	09	10
1	Loan against Pledge of goods/products	150	125	100	50	50	-	-	-
2	A) Loan against Pledge of raw materials/ finished products of an industry as working capital	250	200	150	100	100	-	-	-
	B) Renewal of CC Pledge limit (Regular) under existing terms and conditions	WL	250	150	100	100	50	-	-
3	A) Loan against Hypo of goods/ products collaterally secured by Mortgage including Bricks finance	500	300	200	150	100	75	-	-
	B) Renewal of CC (Hypo) limit (Regular) under existing terms and conditions	WL	500	300	200	150	150	-	-
4	A) Loans (OD/DL/TL) against pledge of PBL FDR (90% of encashable value) duly discharged /lien marked in favour of PBL branch.	WL	WL	WL	WL	WL	WL	WL	WL
	B) Loans (OD/DL/TL) against lien of PPS, PSP, DPS, SSP, Swadhin Sonchoy, Swopnopuron (90% of encashable value), DSP (80% of encashable value) & MPBDS (60% of encashable value)	WL	WL	WL	WL	WL	WL	WL	WL
5	Loans (OD/DL/TL) against pledge of other Bank's FDR duly discharged / lien marked in favour of PBL branch with confirmation from Head Office/RO of FDR issuing Bank	WL	WL	WL	150	150	100	-	-

WL : Without Limit

Pubali Bank Limited H.O. DHAKA Credit Division

REVISED BUSINESS DISCRETIONARY POWER FOR LOANS AND ADVANCES -2017

(Taka in Lac)

SL. No.	Category of advances	MD	AMD	DMD	GM Principal Office/Pr.Br./ CD, HO	GM RO/ Corp Br.	AGM/DGM, RO/ CORP Br.	AGM Br.	SPO (Manager)
01	02	03	04	05	06	07	08	09	10
6	Loan against Pledge of ICB Unit Certificate/WEDB/DIB & other Gov. securities (80% of encashable value) duly discharged and marked lien.	WL	WL	WL	150	150	100	-	-
7	Loan against Assignment of Life Insurance Policy. (70% encashable value)	10	8	5	4	4	-	-	-
8	Loan against Govt. authorized Debenture	30	20	15	10	10	-	-	-
9	Loan against Companies share	30	20	15	10	10	-	-	-
10	Loan to Housing Sector :-								
	(a) House building loan (General)	120	80	70	60	60	50		
	(b) Pubali Mortgage to purchase Flat/Apartment for residential purpose only	120	80	70	60	60	50	-	-
	(c) Commercial House building loan	200	150	100	50	50	-		
11	Purchase of Inland documentary bills (IBP) against acceptance of schedule bank (No in-house accommodation).	WL	500	200	75*	75*	50*	-	-
12	(a) Advance against work order / supply bill of Govt. Agencies/Semi-govt./ Autonomous bodies against assignment of work order and collaterally secured by Mortgage.	300	200	150	100	100	75	-	-
	(b) Advance against work order / supply bill of Govt. Agencies/Semi-govt./ Autonomous bodies against assignment of work order (without collateral), BM jointly with Branch Relationship Officer will have to confirm assignment of concern work order and availability of the fund physically before disbursement of the facility.	200	150	100	-	-	-	-	-

WEDB : Wage Earners Development Bond DIB : Dollar Investment Bond

* To be utilized by only Head Office level as per instruction of Bangladesh Bank. Other level may utilize after withdrawal of restriction of Bangladesh Bank.

Annexure - A

REVISED BUSINESS DISCRETIONARY POWER FOR LOANS AND ADVANCES -2017

(Taka in Lac)

SL. No.	Category of advances	MD	AMD	DMD	GM Principal Office/Pr.Br./ CD, HO	GM RO/ Corp Br.	AGM/DGM, RO/ CORP Br.	AGM Br.
01	02	03	04	05	06	07	08	09
13	(a) Overdraft against Bid Bond for issuance of Payment Order in favour of Govt. Agencies/ Semi-govt./ Autonomous bodies to participate tender, collaterally secured by Mortgage *	500	300	250	150	150	100	-
	(b) Renewal of OD against Bid Bond limit (Regular) under existing terms and conditions.	WL	500	400	200	200	150	-
14	OD/SOD (With collateral)							
	(a) Any purpose Loan collaterally secured by Mortgage.	500	200	150	75	75	50	-
	(b)Renewal of SOD limit (Regular) under existing terms and conditions	WL	300	200	100	100	100	-
15	Term Loan/Demand Loan including project finance with mortgaged collateral	300	200	150	75	75	50	-
16.	Inland Bank Guarantee with collateral securities including BG (Bid Bond) in favour of Govt. Agencies/ Semi-govt./ Autonomous bodies:							
	(a)At 100% cash margin (no collateral required) **	WL	WL	WL	WL	WL	WL	WL
	(b) At 50% cash margin & above or cash equivalent	500	300	200	100	100	80	-
	c) At 30% cash margin & above or cash equivalent	400	250	150	80	80	60	-
	(d) At 25% cash margin & above or cash equivalent	300	200	100	60	60	50	-
	(e) At 10% cash margin & above or cash equivalent	200	150	80	50	50	40	-
	(f) Below 10% cash margin or cash equivalent	150	100	75	40	-	-	-
17.	Inland Guarantee (without collateral) in favour of Govt. Agencies/ Semi-govt. / Autonomous bodies: (An additional post-dated Cheque to be obtained from the client covering the full BG amount) observing BRPD Circular No. 08 dated 16.05.2017 and amendment thereof.							
	(a) At 50% cash margin & above or cash equivalent	200	150	75	50	50	40	-
	(b) At 30% cash margin & above or cash equivalent	150	100	70	40	40	30	-
	(c) At 25% cash margin & above or cash equivalent	100	75	60	30	30	20	-
	(d) At 10% cash margin & above or cash equivalent	75	60	50	20	20	10	-
	(e) Below 10% cash margin or cash equivalent	60	50	40	10	-	-	-

* Note for Sl.13: In case of Managing Director / AMD/DMD margin will be 05% & above and in case of GM/DGM/AGM margin will be 10% & above.

** Note for Sl.16: Branch Manager may issue BG at 100% coverage by Cash or/cash equivalent (Our Bank's FDR) but information to be given to the RM for seeking confirmation.

Annexure - A

REVISED BUSINESS DISCRETIONARY POWER FOR LOANS AND ADVANCES -2017

(Taka in Lac)

SL. No.	Category of advances	MD	AMD	DMD	GM Principal Office/Pr.Br./ CD, HO	GM RO/ Corp Br.	AGM/DGM, RO/ CORP BR.	AGM Branch
01	02	03	04	05	06	07	08	09
18.	Inland Bank Guarantee with collateral securities in favour of reputed private/public limited companies (other than Govt. Agencies/ Semi-govt./ Autonomous bodies) for dealership of trading item (credit purchase)/performance guarantee/bid-bond.							
	(a)At 100% cash margin (no collateral required) *	WL	WL	WL	WL	WL	WL	WL
	(b) At 50% cash margin & above or cash equivalent	300	200	100	75	75	50	-
	c) At 30% cash margin & above or cash equivalent	200	150	80	60	60	40	-
	(d) At 25% cash margin & above or cash equivalent	150	125	75	50	50	30	-
	(e) At 10% cash margin & above or cash equivalent	125	100	60	40	40	-	-
19.	Inland Letter of Credit : (An additional post-dated Cheque to be obtained from the client covering the full amount) observing BRPD Circular No. 08 dated 16.05.2017 2017 and amendment thereof.							
	(a) At 100% cash margin	WL	WL	WL	WL	WL	WL*	50*
	(b) At 50% cash margin & above	200	175	150	100	100	30	-
	(c) At 30% cash margin & above	150	125	100	75	75	25	-
	(d) At 25% cash margin & above	125	100	75	50	50	20	-
	(e) At 10% cash margin & above	90	50	25	20	20	-	-
	(f) Below 10% cash margin	50	30	20	15	15	-	-
20.	Creation of Forced OD to meetup claim against Bank Guarantee (with collateral security)	WL	200	150	-	-	-	-
21.	Loan for cultivation of various crops/spices under Bangladesh Bank's Agri-Credit program @4% interest rate	2	-	-	-	-	-	-
22.	Delivery of Pledged goods against Bank Guarantee/ LC(Jute)	50	40	30	25	25	15	-
23.	(A)Permission for filing suits for Recovery of Advances	WL	100	75	30	30	5	-
	(B)Permission for filing other Civil & Criminal cases including NI ACT.	200	150	100	25	25	-	-

* Note for SL.18(a), 19(a): Branch Manager may issue BG at 100% coverage by Cash or/cash equivalent (Our Bank's FDR) but information to be given to the RM for seeking confirmation.

Note for Inland BG: MD may approve extension of validity of BG of the borrower having regular exposure (other than large loan) under existing terms & Conditions as approved by the Board earlier.

PUBALI BANK LIMITED
CREDIT DIVISION
HEAD OFFICE, DHAKA

REVISED BUSINESS DISCRETIONARY POWER FOR FOREIGN EXCHANGE TRANSACTIONS -2017

(Taka in Lac)

SL. No	Category of advances	MD	AMD	DMD	GM Principal Office/Pr.Br./ CD, HO	GM RO/ Corp Br.	AGM/DGM, RO/CORP. Br.	AD* Non-Corp. Br.	Non-AD* AGM Br.
01	02	03	04	05	06	07	08	09	10
01	Import L/C at sight under Cash/Grants/Loan/Barter etc.(Commercial/Industrial)								
	(a) At 100% margin	WL	WL	WL	WL	WL	WL	WL	WL
	(b) At 50% margin & above	WL	1000	500	200	200	100	20	15
	(c) At 25% margin & above	700	500	300	150	150	50	15	10
	(d) At 15% margin & above	500	400	200	100	100	50	-	-
	(e) At 10% margin & above	300	200	150	75	75	40	-	-
	(f) Below 10% to 5% margin	200	150	125	60	60	-	-	-
	(g) Below 5% to NIL margin	175	125	100	50	50	-	-	-
	(h) L/C for import of raw material at 5% to 25%margin	400	300	200	150	150	-	-	-
	(i) For L/C on account of Govt.	WL	700	500	50	50	-	-	-
02	Import L/C under deferred payment upto 180 days subject to prior suitable arrangement regarding adjustment of Bank's dues (other than BBL/C):								
	(a) At 50% margin & above	500	400	300	-	-	-	-	-
	(b) At 40% margin & above	400	300	200	-	-	-	-	-
	(c) At 30% margin & above	300	200	150	-	-	-	-	-
	(d) At 25% margin & above	200	150	100	-	-	-	-	-
	(e) At 20% margin & above	150	100	75	-	-	-	-	-
	(f) At 15% margin & above	125	75	50	-	-	-	-	-
	(g) At 10% margin & above	75	50	25	-	-	-	-	-
	(h) At 5% margin & above	50	30	-	-	-	-	-	-

Margin -Cash & lien of Cash equivalent instrument(s). AD – Authorised Dealer

* AGM/DGM holding the charge of Non-Corporate Authorized Dealer branch will exercise the power of RO/Corporate branch. AGM headed non-AD branch will open the L/C through any AD branch/CTPC.

Pubali Bank Limited H.O. DHAKA Credit Division

REVISED BUSINESS DISCRETIONARY POWER FOR FOREIGN EXCHANGE TRANSACTIONS -2017

(Taka in Lac)

SL. No	Category of advances	MD	AMD	DMD	GM Principal Office/Pr.Br./ CD, HO	GM RO/ Corp Br.	AGM/DGM, RO/CORP. Br.	AD* Non-Corp. Br.	Non-AD AGM Br.
01	02	03	04	05	06	07	08	09	10
03	Import L/C for import of Capital Machinery(Sight / up to 180 days deferred) *								
	(a) At 100% cash margin	WL	WL	WL	WL	WL	WL	WL	WL
	(b) At 50% margin & above	300	200	100	-	-	-	-	-
	(c) At 40% margin & above	200	150	75	-	-	-	-	-
	(d) At 30% margin & above	150	75	50	-	-	-	-	-
	(e) At 20% margin & above	100	50	30	-	-	-	-	-
	(f) At 10% margin & above	75	40	20	-	-	-	-	-
	(g) At 5% margin & above	50	30	-	-	-	-	-	-
	(h) 100% coverage by lien of ERQ a/c	WL	300	-	-	-	-	-	-
	(i) Marking Lien on ERQ a/c covering part thereof as margin the Managing Director may exercise power as shown above (b) to(f).								
04.	Back to Back L/C for import of raw materials/accessories for Garments Industries against lien on Export L/C and Contract supported by ECG (preshipment) as per Govt. Policy.**								
	(a) BBLC at nil margin	WL	-	-	-	-	-	-	-
	(b) PC(10% of export L/C & Contract)	WL	-	-	-	-	-	-	-
	(c) OD (working Capital)	WL	-	-	-	-	-	-	-
05	Back to Back L/C other than Garments Industries against master Export L/C (import of goods for re-export / entreport system)								
	(a) At 15% cash margin & above	300	200	100	30	30	-	-	-
	(b) At 10% cash margin & above	200	150	75	20	20	-	-	-
	(c) At 5% cash margin & above	100	75	50	15	15	-	-	-
	Note : ECG may be waived only by Managing Director on special cases-								

* Note for SL. 03: Capital Machinery means goods of capital nature imported for own use/erection/installation by the customer

** Note for SL. 04: The Managing Director to allow opening BBLC against purchase/export contract considering the status and past performance as well as the reputation of the foreign buyers and corporate exporter.

REVISED BUSINESS DISCRETIONARY POWER FOR FOREIGN EXCHANGE TRANSACTIONS -2017

(Taka in Lac)

Sl. No.	Category of advances	MD	AMD	DMD	GM Principal Office/Pr.Br./ CD, HO	GM RO/ Corp Br.	AGM/DGM, RO/ CORP. Br.	AD Branch
01	02	03	04	05	06	07	08	09
06	Advance against duty draw back credit scheme upto 90 days	WL	WL	WL	WL	WL	-	-
07	Pre-shipment Export Credit to Regular parties upto 90% value of irrevocable Export L/C of reputed Foreign Bank supported by ECG (Pre-shipment) and pledge &/or Hypothecation of goods	400	300	200	100	100	-	-
08	Pre-shipment Export Credit to Regular parties upto 90% value of valid firm contract of reputed Foreign Buyers supported by ECG (Pre-shipment & post-shipment) and pledge &/or Hypothecation of goods	300	200	150	100	100	-	-
09	Export finance (post-shipment)							
	(a) Purchase of Clean Export Bills under Irrevocable Export L/C at sight of reputed Foreign Bank in favor of 1st class regular parties (Clean Export Documents)	WL	WL	WL	WL	WL	WL	-
	(b) Purchase of Export Bills against usance Export L/C under DA/DP basis upto 180 days against Irrevocable Export L/C issued by Foreign Bank (Clean Documents)	WL	WL	WL	200	200	30	-
	(c) Purchase of Export Bill under Firm contract of Foreign Buyer with International reputation having ECG post shipment.	WL	WL	WL	300	300	-	-
	(d) Purchase of Export Bills under Firm contract of Foreign Buyer with International reputation without ECG on account of regular customer.	WL	500	300	100	100	-	-
	(e) Purchase of Export Bill against making shipment through EPZ and documents are accepted by local schedule Bank upto 90 days usance.	50	-	-	-	-	-	-
10	Letter of Guarantee (bid bond, Performance Guarantee etc.) Against Counter Guarantee of our Foreign Correspondent	WL	500	300	100	100	-	-
11	Purchase of Foreign Currency Bank Draft /Payment Order in FC issued by our Foreign Correspondent Banks in favour of beneficiary in Bangladesh who are our customer	WL	300	200	100	100	5	-
12	Purchase of Foreign Currency Cheque issued by any reputed institution/corporate body (not individual) in favour of beneficiaries who are our customer	100	75	50	30	30	-	-

Pubali Bank Limited H.O. DHAKA Credit Division

Annexure - B

REVISED BUSINESS DISCRETIONARY POWER FOR FOREIGN EXCHANGE TRANSACTIONS -2017

(Taka in Lac)

Sl. No.	Category of advances	MD	AMD	DMD	GM Principal Office/Pr.Br./ CD, HO	GM RO/ Corp Br.	AGM/DGM, RO /CORP. Br.	AD Br.
01	02	03	04	05	06	07	08	09
13	Creation of LIM & clearance of goods (both Commercial & Industrial)							
	(a) At 100% margin of L/c value	WL	WL	WL	WL	WL	WL	-
	(b) At 50% margin or above on L/C value	WL	500	300	200	200	-	-
	(c) At 30% margin or above on landed cost	WL	300	200	100	100	-	-
	(d) At 25% margin or above on landed cost	WL	200	150	75	75	-	-
	(e) At 20% margin or above on landed cost	WL	150	100	50	50	-	-
	(f) At 10% margin or above on landed cost	WL	100	75	-	-	-	-
	(g) At 5% margin or above on landed cost	WL	75	50	-	-	-	-
	(h) Below 5% margin to nil margin on landed cost	WL	50	30	-	-	-	-
14	Loan against Trust Receipt (for individual/ firm/ company/ corporation etc. with validity of LATR upto 90-days to 180-days for Commercial & Industrials (other than Back to Back L/C subject to suitable collateral security)	300	200	125	75	75	50	-
15	LATR for Individual /firm /company/ corporation etc with validity of LATR upto 120 days for commercial (other than BBL/C) without Collateral but coverage by **Personal Guarantee,** bank's **post-dated** cheque **observing BRPD Circular No. 08 dated 16.05.2017 and amendment thereof payment to be made** on daily/weekly basis	200	150	100	-	-	-	-
16	Creation of forced LIM	-	-	-	-	-	-	-
17	Creation of EDF (Export Development Fund) Loan against reimbursement from Bangladesh Bank.	-	-	-	-	-	-	-
18	Creation of forced O/D for payment of Import obligation under Back to Back L/C on maturity date.	-	-	-	-	-	-	-

Note 1 : Landed cost means invoice value of goods plus duty, VAT,AIT, etc.
In applicable case both specific & revolving limit to be approved.

Note 2 : Discretionary power of all categories are applicable for approval of fresh facilities as well as renewal facilities, renewal with enhancement facilities and extension of validity of Inland BG facilities, if not mentioned against any category.

PUBALI BANK LIMITED
CREDIT DIVISION
HEAD OFFICE, DHAKA

REVISED GUIDELINES FOR UTILIZATION OF BUSINESS DISCRETIONARY POWER FOR LOANS & ADVANCES AND FOREIGN EXCHANGE TRANSACTIONS -2017.

The following guidelines are being revised for exercising "Business Discretionary Power for Loans & Advances and Foreign Exchange Transactions -2017":

(i) It will come into force with effect from the date of its circulation superseding all previous Business Discretionary Powers for Loans & Advances and Foreign Exchange Transactions. Special loan schemes shall however continue to be governed by respective procedures / guidelines.

(ii) The amendment of Revised Business Discretionary Power shall be exercised by the Executives/Official mentioned in Annex-'A' and 'B' at their respective place of postings. <u>An Executive/Officer holding current Charge shall not exercise the power unless specifically authorized by the competent authority, but they can forward the proposal to higher authority for approval/decision.</u>

(iii) The delegatee shall exercise the powers within the framework of existing / prevailing rules and regulations enunciated / to be enunciated by Govt. Regulatory Bodies under the Banking Companies Act, Bangladesh Bank credit related circulars /guidelines for Foreign Exchange Transactions and Pubali Bank Ltd., Head Office circulars issued /to be issued from Credit Division / International Division /Credit Administration, Monitoring and Recovery Division and /or any other Division, Manual on Credit Risk Management(CRM) and Bank's Book of Instructions and the like. Any violations of the Rules & Regulations mentioned herein above shall be treated as breach of trust, discipline and constitute misconduct punishable under Pubali Bank Staff Service Rules and /or the laws of the land. <u>A delegatee shall not delegate power upon any official in any manner.</u>

(iv) The limit mentioned against each category of facility shall be treated as the limit (Fresh sanction/Renewal/enhancement/additional limit/extension of time of specific Bank Guarantee) to be allowed to an individual borrower / a group of borrowers (i.e. borrower and its sister concern) within the powers specified. But in case of composite limits / multiple credit facilities to any borrower(s),if any limit does not fall within the discretionary power(i.e. any proposed limit out of composite limits beyond the discretionary power), the proposal(s) shall be forwarded to appropriate higher authority. Overlapping of Power under any single category out of the package shall be treated as an unauthorized act. In this respect Head Office guidelines issued from time to time must be meticulously followed.

(v) The Business Discretionary Powers cannot be exercised for approving new loans to borrower(s) who have defaulting loans in his name or in the name of the sister concern / any firm/company /individual wherein he has conclusive interest in any form / manner. However, if the defaulting /overdue loans are regularized / repaid / rescheduled in accordance with provisions of Bangladesh Bank Credit restrictions the business discretionary powers can be applied within the stipulated frame work.

Pubali Bank Limited H.O. DHAKA Credit Division

(vi) At the Regional Office, at least three member Credit Committee with the RM as the Chairman together with Senior most Officer of the Regional office with knowledge of Advances & Foreign Exchange transaction and the Incumbent –in –charge of main branch / Branch nearest to the RM office as member shall assess /scrutinize the credit proposal within the Revised Discretionary Power. The RM may also co-opt one Law officer as a member of the Regional Credit Committee. In case of Corporate Branch, at least three members Credit Committee will be constituted with the Incumbent in Charge as the Chairman together with other Senior most Officers from Advance & Foreign Exchange section of the Branch. Credit Committee of the Principal Office, Chittagong/Sylhet (if further opened) will comprise of at least five members with RMs, Corporate BMs / BMs (under the jurisdiction of Principal Office) and the Head of Principal Office, as the Chairman and any three members including the Head of Principal Office will form the quorum. Decision of Credit Committee should be recorded properly.

(vii) In the absence of Head of Principal Office/Regional Head / Incumbent in Charge of Corporate Branch under transfer/on leave, who holding the charge of the PO/RO/BM will act as a chairman of Credit Committee and proposal to be forwarded to Head office but in case of absence of any one of other two members, the next Senior most Officers may be co-opted for functioning of the Regional Office / Corporate Branch Credit Committee.

(viii) For existing performing borrower with good business records, the Head of Principal Office Chittagong /Sylhet (other if further opened) the RM/ the BM of Corporate branch may exercise respective discretionary power for allowing specific non-funded facilities (Sight L/C) in addition to existing Credit facilities approved by Head Office / authority. But no post import funded facility is to be allowed under any circumstance in connection with the above non-funded facility.

(ix) Credit Committee at Principal Office, Chittagong/ Sylhet (any other Principal Office to be opened), RM's Office/Corporate Branch will recommend the funded and non-funded facilities for placed the same before appropriate authority for approval. Credit facilities against our Bank FDR/cash equivalent, need not be routed through the Credit Committee.

(x) In case of sanctioning of credits under Business discretionary power of General Manager, Credit Division Head Office shall not be needed through Credit Committee as per existing practice.

(xi) The Regional Managers as well as Incumbent-in-charges of Corporate branches may exercise their delegated power for sanctioning cash credit (hypo) and other funded facilities against collateral securities situated within and outside of Pourashava and Municipality provided the same is quality property having adequate and acceptable value & duly demarcated as well as fenced and connected by approach road (to be treated as 1st class security).

The Head of Principal Office (AMD/DMD/GM) /the RM/BM of Corporate branch may allow credit facilities provided that they are satisfied with bonafide and value of collateral property(s) even if the same is/are vacant one but having fence of barbed wire/ ground pillars and /or any other visible markings distinction/ differentiation and <u>those have easy excess with readily market sale price.</u>

(xii) Credit summation of the Cash Credit account must be based on genuine transactions and the same should also be satisfactory i.e. at least minimum three times of the loan limit. However, the Head of Principal Office / the RM / the BM of Corporate branch may renew the existing credit facilities even if the credit summation is less than three times but there should be sufficient logical argument duly noted in black & white in the approval consideration for renewal of loans. Before consideration for renewal of such loan by The Head of Principal Office / the RM / the BM of Corporate branch, the undernoted procedures must be followed:-

a) Physical verification of stock must be done and the value & quality to be noted in the approval consideration.

b) Actual sales to be ascertained and noted in the approval consideration.

Proper follow up and monitoring must be done for improvement of turnover in the account and business during the renewed period in order to maintain asset quality. A separate monthly list of such approval to be sent to CAM&RD and Monitoring Division (ICC) for monitoring purpose.

(xiii) For consideration of limit enhancements credit summation/ turnover in the respective accounts equivalent to 5(five) times for funded facility (CC etc) and 2(two) times for non-funded facility (contingent i.e L/C,BG) is desirable. However in deserving cases limit enhancements proposals may be examined duly supported by strong justifications from the concerned BM and /or the RM as the case may be.

(xiv) The DMD/GM, Principal Office / the RM / the BM, Corporate branch may not to allow funded facilities beyond the forced sale value of collateral security(s).But post import facilities may be allowed upto 75% value of collateral security(s). In case of prospective /performing business entity(s) having good track records the DMD/GM, Principal Office,/ the RM /the BM, Corporate Branch may allow funded facilities upto 75% of value of the collateral security(s) but they must be satisfied about, value and position of the Collateral Security(s). AMD may allow funded facilities covering 90% value of the collateral security(s). Managing Director may allow funded facilities up to 100% value of the collateral security(s). General Manager, Credit Division may also allow credit facility(s) covering 75% value of collateral security (Land & Building). But Credit facility may be allowed up to 90% of encashable value of FDR or Cash equivalent security. MD may allow funded facility up to 100% value of encashable value of FDR or cash equivalent security. In case of non-funded facilities the delegatee may allow non-funded facilities without Collateral Securities in favour of reputed borrower having good track records in the same lines of business.

(xv) In cases where accounts transactions represents 8 to 10 times of the limits during the utilization period, supported by good accounting behavior, commitment, social reputation and business prospect / reliability as well as urgent need of the borrower , Head Office may consider funded(CC,OD etc) facility equal to 100% of the collateral value or exceeding the value of collateral. The Head Office may also consider funded (CC, OD etc) facility equal to 100% encashable value of other bank's FDR.

(xvi) In deserving cases supported by good performance, for reputed Clientele and/or Personal/ Corporate guarantees, as the case may be, facilities may be allowed without Collateral securities subject to Board approval.

(xvii) In case of Bank Guarantee against 100% cash margin, the Branch incumbent may issue the same but confirmation to be obtained from respectively Regional Office.

Pubali Bank Limited H.O. DHAKA Credit Division

(xviii) **Financing to Garment industries**: Existing delegation of power by the Board to the Managing Director authorizing the MD to exercise unlimited discretionary Power for approving credit facilities in the form of revolving BBLC against Export L/C and also be applied by the MD for allowing BBLC against sales contract in addition to normal PC and Overdraft facilities as authorized by the Board earlier for export garments industries. As approved by the Board credit proposal for export oriented garments sector need not be routed through the Credit Committee. Information Memo of export oriented garment sector may be placed before the Board from time to time.

(xix) If the borrower enjoys composite limits in his own name (s), his sister concerns and/ or as a guarantor of any loans within discretionary power of the AMD/DMD/GM, Principal Office /the RM /the BM of Corporate Branch then they can renew/ enhance all the limits within their power but if any of the Composite limits of a borrower, sister concern and guarantor is beyond their discretionary power , then any new credit facility(s) of group to be referred to Head Office for proper approval/decision.

(xx) While exercising Revised Business Discretionary Power care must be taken to comply with Head office instructions given in respect of specialized sector like Jute, Textile, Garments Industry, Tea, Tannery, Fertilizer, Fish & shrimp culture, HBL / Real estate (General & Commercial),Work order loans (BG/PG/APG),Brick Finance, BSCIC loan etc. and import & export related facilities such as LIM/LATR/PC/IBP etc.

(xxi) For sanctioning/ renewing/enhancing/ additional limits under the discretionary power under specialized categories of securities viz FDR/DPS/PPS/WEB/ICB unit certificate/ shares/debentures etc. the prevailing guidelines given from Head Office from time to time must be adhered to Circulars/guidelines issued by Head Office regarding processing, assessment of the proposal/value of collaterals, methods/ norms which are now prevailing must be strictly followed.

(xxii) In case of loans sanctioning/renewing/ enhancing/additional limits backed by cash and encashable securities (e.g. FDR/DPS/ PPS/WEB/etc. of our bank), the restrictions set forth on Exposure Limits of Single Person/Counterparty or Group shall not be applicable and the actual financing facilities shall be determined by deducting the amount of cash/encashable securities from the outstanding of principal balance of the loans.

(xxiii) In exercising the discretionary power, the concerned executive/delegatee must follow the instruction circulars strictly with regards to the Individual borrower, Group/Company affiliation compliance with BRPD circulars for classified status, restriction in lending, etc.

(xxiv) In case of any fresh loan/renewal/ enhancement of existing Credit, collection of CIB report from Bangladesh Bank is mandatory. As such step to be taken to collect CIB report through Head Office and /or other procedural manner beforehand.

(xxv) In case of any fresh loan/renewal/ enhancement/time extension of existing credit, CRG is mandatory. Business discretionary Power cannot be exercise at Regional Office,/Corporate Branch / Principal office/ General Manager, Credit Division in case of CRG is below Acceptable. If below acceptable, the credit proposal shall examine by the management at Head Office level. CRM guideline and Bangladesh Bank's Circular must be followed in this regard.

(xxvi) In case of any fresh loan/renewal/ enhancement of existing loan, Environmental & Social Risk (ESRM) (all applicable cases) must be done very carefully. Proposal having High ESRM risk should be placed before the Board with special covalent. But Management may approve credit facility with "Low" or "Moderate".

(xxvii) While exercising the aforesaid powers for any confusion / indecision in exercising the powers a delegatee shall seek clarification from Credit Division as the case may be, since ignorance shall not be an excuse for any unauthorised act.

(xxviii) Existing special discretion for special product will remain unchanged and valid side by side for exercise under the respective guidelines and BMs & RMs will have to ensure utilization thereof with care and sincere manner.

(xxix) Existing discretionary power & special discretion for SME products may also be utilized for providing Agri-credit loans, Women Entrepreneur in suitable case with due care and diligence. In that case feasibility and repayment capacity shall have to be ensured meticulously.

(xxx) Copies of all sanction letters must be endorsed to Credit Division, Head Office, Credit Administration, Monitoring & Recovery Division, Head Office and /or Lease Financing Division, Head Office, as the case may be. Any subsequent changes of terms and conditions, addition, deletion of any terms of sanction, clause etc. of the original sanctioned must be informed to the Head Office Divisions as above.

Sanctioned limit will be disbursed and/or formalized for disbursement within 90 days from the date of sanction. Otherwise permission for disbursement to be taken from the concerned approval authority for revival of earlier sanction. In case of the validity of CIB report expired (60 days to be treated as validity of CIB report from the date of originating of the report), fresh clean CIB report to be obtained before disbursement of the limit.

(xxxi) All credit proposals requires to be disposed of within 7-15 days from the date of receipt at appropriate level.

(xxxii) The sanctioning office must evolve mechanism to maintain records relating to the date of receipt and disposal of each credit proposal including dates of making query/ receipt of reply to query maintaining a time –frame of 7-15(fifteen) days. The serial number of the proposal receipt & disposal register must be recorded on the face of the proposal with official seal, signature and date.

(xxxiii) Accuracy in assessment, prudent and wise decision, correct information, prompt disposal and financial transparency shall, interalia among others, constitute the basic pillars of successful exercise of the Revised Business Discretionary Power aiming at minimizing lending risks and overdue/classification and timely disposal.

The other special programme for credit facilities and financing will be governed by their respective rules and regulations which do not fall under the purview of the Business discretionary Power. It will come into force with immediate effect.

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পূবালী ব্যাংক লিমিটেড
Pubali Bank Limited.
Credit Division, Head Office, Dhaka

Tel: 9551614- 267

HO/CD/INSTRUCTION CIRCULAR NO. 1703/2016 Dated: 12/04/2016

All Head of Branches/Corporate Branches
All Head of Regions / Head of Divisions
The General Manager, Principal Office, Sylhet/Chittagong
The Principal, Pubali Bank Training Institute, Moghbazar, Dhaka
Pubali Bank Limited
Bangladesh.

Subject: Valuation Methodology: A Guide for Empaneling External Professional Land Survey Firm(s) / Assessor(s).

Dear Sir,

In line with internal Capital Adequacy Assessment Process (ICAAP) Report and SRP documents requirement, the Board in its 1062nd meeting held on 23.03.2016 approved the valuation methodology i.e. guide for Empaneling External Professional Land Survey Firm(s)/Assessor(s) named "Qualifications-Based Empanelment Procedures (QBEP) for Professional Survey Firm(s)/Assessor(s), the soft copy of which is sent through e-mail.

In this connection, all concerns are hereby advised to follow the clause 3.4 (Policy for valuation) meticulously. The sub-clauses of 'Policy for valuation' are quoted hereunder for ready references:

i. The Surveyor shall make proper check, measurement and required survey of the land, building and others at site and shall verify the ownership of the property by comparing the same with CS, RS, SA, BS/BRS, etc., Khatian & Mouza Map of the concerned land. They shall evaluate the property / collateral according to prevailing market price of the vicinity.

ii. In the valuation report, the value of temporary houses including tin shed/ semi-pucca structure and also value of boundary wall should not be considered.

iii. The Surveyor shall supply two copies of report including valuation covering at least required information at Annexure-A of the guideline along with site/ location maps of land and photographs of land & building. Photographs of all sides of property are to be provided covering at least four angles. A site map of the property along with a route map showing details of access to reach the property should be incorporated. **In case of property more than 01 (one) schedule, surveyor should prepare the report incorporating all information (including photographs of property) related to one schedule in a single piecemeal.**

iv. The Surveyor shall exercise due diligence and employ judgment and prudence during valuation of collateral securities.

v. The Surveyor shall certify that valuation report submitted to the bank is true and correct and this will protect the interest of the bank.

Cont'd to Page # 02

vi. Over valuation/ concealment of facts/ manipulation shall prove the surveyor's disqualification as a surveyor/ assessor for which Bank reserves the right to cancel the enlistment without assigning any reason whatsoever.

vii. The Surveyor shall not make any secret dealings or accept any gratification or benefit from the clients except the valuation fee as per rate provided hereinafter.

viii. Government VAT/ Tax, etc. on the fees, if applicable, will be borne by the surveyor.

ix. A minimum of 3 days and a maximum of 10 days' time shall normally be given to the external valuation firm to carry out the job of valuation. In case of outstation properties or large property valuation, more than 10 days may be given to the surveyor depending on volume of works, nature of the jobs, etc.

x. In case the valuation report submitted by the surveyor is not in order, the Head of Branch (BM) shall bring the same to the notice of the respective surveyor within 15 (fifteen) days for rectification and resubmission. Charges/ fees must not be paid to the surveyor if the same is/ are not in order.

xi. Such enlistment will be given / provided initially for two years and on the basis of the surveyor performance, the period may be extended subject to approval of the authority of our Bank.

xii. Branch(s) shall contact the respective enlisted surveyors for quick and authentic survey as well as valuation of the collateral securities. The performance of the surveyor will be reviewed by the branches regularly and report of the same on quarterly basis through the respective Regional Office/ Principal Office (where applicable) to the Credit Division, Head Office.

xiii. Branch will depute an enlisted survey firm to ascertain the value of existing/offered collateral securities, along with present possession/ ownership to complete the assessment. But prior deputing the professional survey firm, legal opinion of the offered collateral(s) must be obtained from the Bank's Panel Lawyer as usual in order to ascertain the valid ownership/title of the collaterals and acceptable to the bank authority as security of the credit(s).

xiv. Reassessment of collateral securities must include periodic revaluations of existing collateral securities no less frequently than three years from the date of last valuation irrespective of the renewal/ enhancement/ rescheduling of the limit(s) etc. In case of additional construction made on the existing securities the same may be revalued before three years adding the value of additional construction with the existing value of collateral securities. But the value of land must not be appreciated before 3 (three) years under any circumstances, if any material changes not occurs in the locality.

Cont'd to Page # 03

xv. The Head of Branch must physically visit the existing/ offered collateral securities with a view to ascertain physical existence of the property, actual possession of the property by the owner & submit a physical verification report as per Proforma Annexed at 'B' of the guideline with the proposal(s) in support of such verification.

xvi. In addition to branch verification report the Head of Region will also physically visit the existing/ offered collateral securities to ascertain physical existence & the actual possession of the property by the owner when value of collateral security is more than Tk.50.00 lac & furnish their verification report (as per Proforma, Annexure-B of the guideline) with the proposal(s) in support of such verification.

xvii. If the valuation report(s) is/are acceptable, the Branch must provide their acceptance on the body of the same jointly signed by the Head of Branch and Branch Relationship Officer **and in case of collateral grossly valued over Tk.50.00 lac irrespective of single schedule or more, the Regional Office must provide their acceptance on the body jointly signed by the Head of Region and Regional Relationship Manager** in the following manner in support of their acceptance:-

Acceptance Certificate of Valuation Report

"We the undersigned do hereby agree with the valuation report/Certificate dated .... since provided/ submitted by the surveyor .... (Name of the Surveyor) .... and the same is acceptable to us.

Signature of the Head of Branch	Signature of Branch Relationship Officer
Name:	Name
Date:	Date:
Designation:	Designation:
Signature No.	Signature No.
Signature of the Head of Region	**Signature of Regional Relationship Manager**
Name:	**Name**
Date:	**Date:**
Designation:	**Designation:**
Signature No.	**Signature No.**

xviii. If the Head of Branch or the Head of Region differs with the valuation submitted by the enlisted survey firm, they will assess the value of the collateral individually mentioned as under sl. no. (a), (b) & (c) in addition to valuation report done by the survey firm and submit separate valuation certificate stating the reason.

a) Regional Office team headed by RM shall assess/reassess collateral grossly valued over Tk.50.00 lac irrespective of single schedule or more after physical verification and the report will be signed jointly by the Head of Region and the Regional Relationship Manager.

Cont'd to Page # 04

b) Corporate Branch shall assess/reassess collaterals after physical verification and the report will be signed jointly by the Head of Corporate Branch along with the Branch Relationship Officer.

c) Branch shall assess/reassess collaterals after physical verification and valuation certificate will be signed jointly by the Head of Branch & the Branch Relationship Officer.

xix. In the event of house building loan enlisted survey firm will be deputed to ascertain the value of collaterals including ongoing construction & valuation certificate is to be obtained in support of such assessment.

To ascertain the actual project cost, cost of construction so far incurred & to be incurred with list of remaining works, requirement of fund, expected rental income and viability of the project, an Engineer to be deputed to assist the concerned General Manager and/or Deputy General Manager of the Regional Office/Corporate Branch for completion of the same. In that case, Head of Regional Office/Corporate branch will sign the report with the Engineer jointly. But after completion of the project a valuation report from the enlisted survey firm must be obtained.

xx. The concerned Head of Branch may co-operate the enlisted professional survey firm(s) providing required information, particular/papers (if required) for assessing the value of collateral securities.

xxi. Head Office will reserve the right to depute another survey firm for carrying out the job of survey, inspection and valuation of the existing/ newly offered collateral securities etc. as and when considered necessary.

This circular shall come into force with immediate effect superseding such type of previous all circular.

Please acknowledge receipt.

Yours Faithfully

(Habibur Rahman)
General Manager

(Dewan Jamil Masud)
General Manager

/

পূবালী ব্যাংক লিমিটেড
Pubali Bank Limited.

Credit Division, Head Office, Dhaka

Tel: 9551614- 267

HO/CD/MIS/INSTRUCTION CIRCULAR NO. **1738** /2016 Dated: 12.12.2016

All Head of Branches,
All Head of Regions,
All Division Heads at Head Office,
General Manager, Principal Office, Chittagong,
General Manager, Principal Office, Sylhet,
Principal, Pubali Bank Training Institute (PBTI),
Pubali Bank Limited,
Bangladesh.

AMENDMENT OF 'POLICY OF VALUATION' OF VALUATION METHODOLOGY.

Dear Sir,

In partial modification of our earlier Instruction Circular No. 1703 dated 12.04.2016 regarding **'Policy of Valuation' of Valuation Methodology (Clause No. xv, xvi, xvii & xviii of page 3 and 4)**, the Board of Directors in its 1095th meeting held on 07.12.2016 approved as under:

Previous	Modified
xv. The Head of Branch must physically visit the existing/ offered collateral securities with a view to ascertain physical existence of the property, actual possession of the property by the owner & submit a physical verification report as per enclosed Proforma, Annexure-B with the proposal(s) in support of such verification.	**xv.** The Head of Branch along with Branch Relationship Officer or another authorized officer of the Branch must physically visit the existing/ offered collateral securities before sending any proposal (at least once in a year) with a view to ascertain physical existence of the property, actual possession of the property by the owner and assess its/their valuation and submit a physical verification and valuation report as per enclosed proforma annexed at 'B' with the proposal(s) in support of such verification.
xvi. In addition to branch verification report the Head of Region will also physically visit the existing/ offered collateral securities to ascertain physical existence & the actual possession of the property by the owner when value of collateral security is more than Tk.50.00 lac & furnish their verification report (as per enclosed Proforma, Annexure-B) with the proposal(s) in support of such verification.	**xvi.** In addition to branch verification report the Head of Region along with Regional Relationship Manager or another authorized officer of the regional office will also physically visit the existing/ offered collateral securities before sending any proposal with a view to ascertain physical existence of the property, actual possession of the property by the owner and assess the value of collateral when the same grossly valued over Tk.1.00 crore irrespective of single scheduled or more and furnish their physical verification and valuation report as per enclosed Proforma annexed at 'B' with the proposal(s) in support of such verification.

Cont'd to Page #02

<table>
<tr><th>Previous</th><th>Modified</th></tr>
<tr><td>

xvii. If the valuation report(s) is/are acceptable, the Branch must provide their acceptance on the body of the same jointly signed by the Head of Branch and Branch Relationship Officer and in case of collateral grossly valued over Tk.50.00 lac irrespective of single schedule or more, the Regional Office must provide their acceptance on the body jointly signed by the Head of Region and Regional Relationship Manager in the following manner in support of their acceptance:-

<u>Acceptance Certificate of Valuation Report</u>

We the undersigned do hereby agree with the valuation report/Certificate dated .... since provided/ submitted by the surveyor .... (Name of the Surveyor) .... and the same is acceptable to us.

Signature of
the Head of Branch
Name:
Date:
Designation:
Signature No.

Signature of
Branch Relationship Officer
Name
Date:
Designation:
Signature No.

Signature of
the Head of Region
Name:
Date:
Designation:
Signature No.

Signature of
Regional Relationship Manager
Name
Date:
Designation:
Signature No.

</td><td>

xvii. The Survey Report submitted by the enlisted surveyor must be counter signed jointly by Head of Branch and Branch Relationship Officer or another authorized officer of the Branch.

</td></tr>
<tr><td>

xviii. If the Head of Branch or the Head of Region differs with the valuation submitted by the enlisted survey firm, they will assess the value of the collateral individually mentioned as under sl. no. (a), (b) & (c) in addition to valuation report done by the survey firm and submit separate valuation certificate stating the reason.

a) Regional Office team headed by RM shall assess/reassess collateral grossly valued over Tk.50.00 lac irrespective of single schedule or more after physical verification and the report will be signed jointly by the Head of Region and the Regional Relationship Manager.

To be continued ....

</td><td>

xviii. In case of collateral grossly valued over Tk.1.00 crore irrespective of single scheduled or more, the Survey Report submitted by the surveyor must also be counter signed jointly by Head of Region and Regional Relationship Manager or another authorized officer of the Regional Office.

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Continued .... b) Corporate Branch shall assess/reassess collaterals after physical verification and the report will be signed jointly by the Head of Corporate Branch along with the Branch Relationship Officer. c) Branch shall assess/reassess collaterals after physical verification and valuation certificate will be signed jointly by the Head of Branch & the Branch Relationship Officer.	

These amendment will come into force with immediate effect for meticulous compliance for all concerned and it will be treated as integral part of the Bank's Valuation Methodology.

Please acknowledge receipt.

Yours Faithfully

(Habibur Rahman)
General Manager

(Dewan Jamil Masud)
General Manager

PUBALI BANK LIMITED

Annex – 'B'

.... Branch/Office

Ref: Date:

This is to certify that the following schedule(s) of property/properties as offered/under registered mortgaged against credit facilities of M/s. .... has/have been physically verified by the undersigned on .... and found physical existence of the property/properties & the same is/are under absolute possession of its/their owner(s) as mentioned below.

It may be mentioned that the subject collaterals were got located/identified by Mr. .... who accompanied while visiting the properties.

Details particulars of the properties and their valuation are as under as assessed by us.

SCHEDULE-A

i) Land Located-

Mouza- ...., PS- .... Dist. ....
under khatian no. .... CS .... SA .... RS .... BS........... Mutation................
Plot No. CS .... SA .... RS .... BS......... Jl. No. ....Municipal Holding No.........
Owned by ....
Relationship with the borrower ....
Nearby installation/Road/Important Place etc. ....
Nature of land ....

Surrounding (Demarcation):

To the North :
To the South :
To the East :
To the West :
Area of land (Measurement) .... Decimal/Katha

ii) Building/Construction:

Nature of construction :
Number of story :
Specification :
Floor space in sft. :
Total area (Measurement) .... sft/sqm

iii) Valuation:

(a) Land: Area .... Decimal/Katha @Tk............per dec./Katha = Tk.................
(b) Construction: Area .... sft/sqm @Tk............per sft/sqm = Tk.................
Total valuation = Tk.................

SCHEDULE-B (if any)
As per above format.

SCHEDULE-C (if any)
As per above format.

Summary of Valuation:

Schedule 'A'	=	Tk.
Schedule 'B'	=	Tk.
Schedule 'C'	=	Tk.
Total	=	Tk.

(Taka .... Only)

Forced sale value (50% of total value) Tk........................

Observation/comments if any:

Signature	Signature
Name:	Name:
Designation:	Designation:
Branch/Office:	Branch/Office:

পূবালী ব্যাংক লিমিটেড
ঋণ মঞ্জুরী বিভাগ
প্রধান কার্যালয়, ঢাকা।

Ph. 9551614
Fax No. 880-2-9556582
G.P.O. Box N o.853
website:http://www.pubalibangla.com
E-mail : credit@pubalibankbd.com

পূবালী/প্রকা/ঋমবি/এসএমই/ইন্সট্রাকশন সার্কুলার নং১৭৭৩/২০১৭ তারিখ : ১৯.০৭.২০১৭ ইং

সকল শাখা প্রধান
সকল অঞ্চল প্রধান
সকল বিভাগ প্রধান, প্রধান কার্যালয়
উপ-ব্যবস্থাপনা পরিচালক, প্রিন্সিপাল অফিস, চট্টগ্রাম
মহাব্যবস্থাপক, প্রিন্সিপাল অফিস, সিলেট
অধ্যক্ষ, পূবালী ব্যাংক ট্রেনিং ইনস্টিটিউট
পূবালী ব্যাংক লিমিটেড,
বাংলাদেশ।

বিষয় : ম্যানুফেকচারিং ও সেবা খাতের কুটির, মাইক্রো, ক্ষুদ্র ও মাঝারি শিল্প এবং ট্রেডিং খাতের মাইক্রো ও ক্ষুদ্র উদ্যোগের সংজ্ঞা এবং ঋণসীমা নির্ধারণ প্রসংগে।

প্রিয় মহোদয়,

উপর্যুক্ত বিষয়ে বাংলাদেশ ব্যাংকের ০৭ জানুয়ারী ২০১৬ইং তারিখে জারীকৃত এসএমইএসপিডি সার্কুলার নং-০১ এর মাধ্যমে বর্ণিত কটেজ, মাইক্রো, ক্ষুদ্র ও মাঝারি শিল্পের/উদ্যোগের সংজ্ঞা, গনপ্রজাতন্ত্রী বাংলাদেশ সরকারের জাতীয় শিল্পনীতি ২০১৬ এ প্রদত্ত শিল্প ও শিল্প প্রতিষ্ঠানের সংজ্ঞার আলোকে সংশোধনপূর্বক বাংলাদেশ ব্যাংকের ২৯ জুন ২০১৭ইং তারিখের এসএমইএসপিডি সার্কুলার নং-০২ (কপি সংযুক্ত) এর মাধ্যমে সংশ্লিষ্ট সকলের অনুসরনের জন্য ম্যানুফেকচারিং ও সেবা খাতের কুটির, মাইক্রো, ক্ষুদ্র ও মাঝারি শিল্প এবং ট্রেডিং খাতের মাইক্রো ও ক্ষুদ্র উদ্যোগ এর সংজ্ঞা এবং সর্বোচ্চ ঋণসীমা নিম্নবর্নিতভাবে পুনঃনির্ধারন করা হয়েছে ঃ

ক. ম্যানুফেকচারিং ও সেবা খাত

১.০. কুটির শিল্প (Cottage Industry)

১.১. 'কুটির শিল্প' বলতে পরিবারের সদস্যদের প্রাধান্যভুক্ত সেসব শিল্প প্রতিষ্ঠানকে বোঝাবে যেসব প্রতিষ্ঠানে জমি এবং কারখানা ভবন ব্যতীত স্থায়ী সম্পদের মূল্য প্রতিস্থাপন ব্যয়সহ ১০ লক্ষ টাকার নীচে এবং যা পরিবারিক সদস্যসহ অন্যান্য সদস্য সমন্বয়ে গঠিত এবং সর্বোচ্চ জনবল ১৫ এর অধিক নয়।

১.২. কোন একটি মানদন্ডের ভিত্তিতে একটি কর্মকান্ড কুটির শিল্পের অন্তর্ভূক্ত হলেও অন্য মানদন্ডে সেটি মাইক্রো শিল্পের অন্তর্ভূক্ত হতে পারে। সেক্ষেত্রে এ কর্মকান্ডটি মাইক্রো শিল্পের অন্তর্ভূক্ত বলে বিবেচিত হবে।

১.৩. কুটির শিল্প খাতের একজন গ্রাহককে সর্বোচ্চ ১০ (দশ) লক্ষ টাকা ঋণ প্রদান করা যাবে।

২.০. মাইক্রো শিল্প (Micro Industry)

২.১. ম্যানুফেকচারিংয়ের ক্ষেত্রে 'মাইক্রো শিল্প' বলতে সেসব শিল্প প্রতিষ্ঠানকে বোঝাবে যেসব প্রতিষ্ঠানে জমি এবং কারখানা ভবন ব্যতীত স্থায়ী সম্পদের মূল্য প্রতিস্থাপন ব্যয়সহ ১০ লক্ষ টাকা থেকে ৭৫ লক্ষ টাকা কিংবা যেসব শিল্প প্রতিষ্ঠানে ১৬-৩০ জন বা তার চেয়ে কম সংখ্যক শ্রমিক কাজ করে।

২.২. সেবা শিল্পের ক্ষেত্রে 'মাইক্রো শিল্প' বলতে সেসব শিল্প প্রতিষ্ঠানকে বোঝাবে যেসব প্রতিষ্ঠানে জমি এবং কারখানা ভবন ব্যতীত স্থায়ী সম্পদের মূল্য প্রতিস্থাপন ব্যয়সহ ১০ লক্ষ টাকার নীচে কিংবা যেসব শিল্প প্রতিষ্ঠানে সর্বোচ্চ ১৫ জন শ্রমিক কাজ করে।

২.৩. কোন একটি মানদন্ডের ভিত্তিতে একটি কর্মকান্ড মাইক্রো শিল্পের অন্তর্ভূক্ত হলেও অন্য মানদন্ডে সেটি ক্ষুদ্র শিল্পের অন্তর্ভূক্ত হতে পারে। সেক্ষেত্রে এ কর্মকান্ডটি ক্ষুদ্র শিল্পের অন্তর্ভূক্ত বলে বিবেচিত হবে। তবে তৈরী পোশাক প্রতিষ্ঠান/শ্রমঘন শিল্পের ক্ষেত্রে এ বিধান প্রযোজ্য হবে না।

২.৪. ম্যানুফেকচারিং খাতভুক্ত মাইক্রো শিল্পের একজন গ্রাহককে সর্বোচ্চ ১ (এক) কোটি টাকা এবং সেবা খাতভুক্ত মাইক্রো শিল্পের একজন গ্রাহককে সর্বোচ্চ ২৫ (পঁচিশ) লক্ষ টাকা ঋণ প্রদান করা যাবে।

চলমান পাতা/২

পূবালী ব্যাংক লিমিটেড
ঋণ মঞ্জুরী বিভাগ
প্রধান কার্যালয়, ঢাকা।

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৩.০. *ক্ষুদ্র শিল্প* (Small Industry)

৩.১. ম্যানুফেকচারিংয়ের ক্ষেত্রে 'ক্ষুদ্র শিল্প' বলতে সেসব শিল্প প্রতিষ্ঠানকে বোঝাবে যেসব প্রতিষ্ঠানে জমি এবং কারখানা ভবন ব্যতিরেকে স্থায়ী সম্পদের মূল্য প্রতিস্থাপন ব্যয়সহ ৭৫ লক্ষ টাকা থেকে ১৫ কোটি টাকা কিংবা যেসব শিল্প প্রতিষ্ঠানে ৩১-১২০ জন শ্রমিক কাজ করে।

৩.২. সেবা শিল্পের ক্ষেত্রে 'ক্ষুদ্র শিল্প' বলতে সেসব শিল্প প্রতিষ্ঠানকে বোঝাবে যেসব প্রতিষ্ঠানে জমি এবং কারখানা ভবন ব্যতিরেকে স্থায়ী সম্পদের মূল্য প্রতিস্থাপন ব্যয়সহ ১০ লক্ষ টাকা থেকে ২ কোটি টাকা কিংবা যেসব শিল্প প্রতিষ্ঠানে ১৬-৫০ জন শ্রমিক কাজ করে।

৩.৩. কোন একটি মানদন্ডের ভিত্তিতে একটি কর্মকান্ড ক্ষুদ্র শিল্পের অন্তর্ভুক্ত হলেও অন্য মানদন্ডে সেটি মাঝারি শিল্পের অন্তর্ভুক্ত হতে পারে। সেক্ষেত্রে এ কর্মকান্ডটি মাঝারি শিল্পের অন্তর্ভুক্ত বলে বিবেচিত হবে। তবে তৈরী পোশাক প্রতিষ্ঠান/শ্রমঘন শিল্পের ক্ষেত্রে এ বিধান প্রযোজ্য হবে না।

৩.৪. ম্যানুফ্যাকচারিং খাতভুক্ত ক্ষুদ্র শিল্পের একজন গ্রাহককে সর্বোচ্চ ২০ (বিশ) কোটি টাকা এবং সেবা খাতভুক্ত ক্ষুদ্র শিল্পের একজন গ্রাহককে সর্বোচ্চ ৫ (পাঁচ) কোটি টাকা ঋণ প্রদান করা যাবে।

৪.০. *মাঝারি শিল্প* (Medium Industry)

৪.১. ম্যানুফেকচারিংয়ের ক্ষেত্রে 'মাঝারি শিল্প' বলতে সেসব শিল্প প্রতিষ্ঠানকে বোঝাবে যেসব প্রতিষ্ঠানে জমি এবং কারখানা ভবন ব্যতিরেকে স্থায়ী সম্পদের মূল্য প্রতিস্থাপন ব্যয়সহ ১৫ কোটি টাকার অধিক এবং অনধিক ৫০ কোটি টাকা কিংবা যেসব শিল্প প্রতিষ্ঠানে ১২১-৩০০ জন শ্রমিক নিয়োজিত রয়েছে। তবে তৈরী পোশাক প্রতিষ্ঠান/শ্রমঘন শিল্প প্রতিষ্ঠানের ক্ষেত্রে মাঝারি শিল্পে শ্রমিকের সংখ্যা হবে সর্বোচ্চ ১০০০ জন।

৪.২. সেবা শিল্পের ক্ষেত্রে 'মাঝারি শিল্প' বলতে সেসব শিল্প প্রতিষ্ঠানকে বোঝাবে যেসব প্রতিষ্ঠানে জমি এবং কারখানা ভবন ব্যতিরেকে স্থায়ী সম্পদের মূল্য প্রতিস্থাপন ব্যয়সহ ২ কোটি টাকা থেকে ৩০ কোটি টাকা পর্যন্ত কিংবা যেসব শিল্প প্রতিষ্ঠানে ৫১-১২০ জন শ্রমিক নিয়োজিত রয়েছে।

৪.৩. কোন একটি মানদন্ডের ভিত্তিতে একটি কর্মকান্ড মাঝারি শিল্পের অন্তর্ভুক্ত হলেও অন্য মানদন্ডে সেটি বৃহৎ শিল্পের অন্তর্ভুক্ত হতে পারে। সেক্ষেত্রে এ কর্মকান্ডটি বৃহৎ শিল্পের অন্তর্ভুক্ত বলে বিবেচিত হবে। তবে তৈরী পোশাক প্রতিষ্ঠান/শ্রমঘন শিল্পের ক্ষেত্রে এ বিধান প্রযোজ্য হবে না।

৪.৪. ম্যানুফ্যাকচারিং খাতভুক্ত মাঝারি শিল্পের একজন গ্রাহককে সর্বোচ্চ ৭৫ (পঁচাত্তর) কোটি টাকা এবং সেবা খাতভুক্ত মাঝারি শিল্পের একজন গ্রাহককে সর্বোচ্চ ৫০ (পঞ্চাশ) কোটি টাকা ঋণ প্রদান করা যাবে।

খ. ট্রেডিং/ব্যবসা খাত

৫.১. ট্রেডিং খাতের 'মাইক্রো উদ্যোগ' বলতে সেসব প্রতিষ্ঠানকে বোঝাবে যেসব প্রতিষ্ঠানে জমি এবং কারখানা ভবন ব্যতিরেকে স্থায়ী সম্পদের মূল্য প্রতিস্থাপন ব্যয়সহ ১০ লক্ষ টাকার নীচে কিংবা যেসব প্রতিষ্ঠানে সর্বোচ্চ ১৫ জন শ্রমিক কাজ করে কিংবা যেসব প্রতিষ্ঠানের বার্ষিক টার্নওভার সর্বোচ্চ ১ কোটি টাকা।

৫.২. ট্রেডিং খাতের 'ক্ষুদ্র উদ্যোগ' বলতে সেসব প্রতিষ্ঠানকে বোঝাবে যেসব প্রতিষ্ঠানে জমি এবং কারখানা ভবন ব্যতিরেকে স্থায়ী সম্পদের মূল্য প্রতিস্থাপন ব্যয়সহ ১০ লক্ষ টাকা থেকে ২ কোটি টাকা কিংবা যেসব প্রতিষ্ঠানে ১৬-৫০ জন শ্রমিক কাজ করে কিংবা যেসব প্রতিষ্ঠানের বার্ষিক টার্নওভার ১ কোটি টাকার অধিক কিন্তু ১২ কোটি টাকার বেশী নয়।

৫.৩. কোন একটি মানদন্ডের ভিত্তিতে একটি উদ্যোগ/প্রতিষ্ঠান নিম্নতর ধাপের অন্তর্ভুক্ত হলেও অন্য মানদন্ডে সেটি উচ্চতর ধাপের অন্তর্ভুক্ত হতে পারে। সেক্ষেত্রে সংশ্লিষ্ট উদ্যোগ/প্রতিষ্ঠান উচ্চতর ধাপের অন্তর্ভুক্ত বলে বিবেচিত হবে।

৫.৪. অনুচ্ছেদ ৫.১ এবং ৫.২ মোতাবেক সংজ্ঞায়িত ট্রেডিং খাতের 'মাইক্রো উদ্যোগ' ও 'ক্ষুদ্র উদ্যোগ' ব্যতীত ট্রেডিং খাতের অন্যান্য উদ্যোগ এসএমই অর্থায়ন কার্যক্রমের আওতাভুক্ত বলে বিবেচিত হবে না।

৫.৫. ট্রেডিং খাতের মাইক্রো উদ্যোগের ক্ষেত্রে সর্বোচ্চ ২৫ (পঁচিশ) লক্ষ টাকা এবং ক্ষুদ্র উদ্যোগের ক্ষেত্রে সর্বোচ্চ ৫ (পাঁচ) কোটি টাকা ঋণ প্রদান করা যাবে।

চলমান পাতা/৩

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৬. এ সার্কুলারের আলোকে ত্রৈমাসিক ভিত্তিতে এসএমই অর্থায়নের তথ্য যথারীতি অত্র বিভাগে দাখিল করতে হবে। একইসাথে ট্রেডিং খাতের মাইক্রো, ক্ষুদ্র এবং অন্যান্য উদ্যোগে বিতরনকৃত মোট ঋণের তথ্য পৃথকভাবে ত্রৈমাসিক ভিত্তিতে অত্র বিভাগে দাখিল করতে হবে।

৭. বাংলাদেশ ব্যাংকের বিআরপিডি সার্কুলার নং-৭ তারিখ ০৩ নভেম্বর ২০০৪ এর মাধ্যমে জারীকৃত Prudential Regulations for Small Enterprises Financing-2004 এর পার্ট-বি এর রেগুলেশন-৩ এতদ্বারা রহিত করা হয়েছে।

দেশের সামগ্রিক অর্থনৈতিক উন্নয়নে এসএমই খাত গুরুত্বপূর্ণ ভূমিকা রাখে বিধায় এসএমই অর্থায়ন কার্যক্রম আরো গতিশীল ও সুসংহত করতে বাংলাদেশ ব্যাংকের ২৯ জুন ২০১৭ তারিখে জারীকৃত এসএমইএসপিডি সার্কুলার নং-৩ (কপি সংযুক্ত) এর মাধ্যমে এসএমই অর্থায়ন সংক্রান্ত উল্লিখিত মাস্টার সার্কুলারের ২.২ এবং ২.৩ নং অনুচ্ছেদ নিম্নরূপে প্রতিস্থাপন করা হয়েছে ঃ

২.২	ব্যাংক ও আর্থিক প্রতিষ্ঠানসমূহকে বছরের শুরুতেই তাদের মোট বিতরণযোগ্য ঋণের মধ্যে এসএমই খাতে ঋণ বিতরণের লক্ষ্যমাত্রা নির্ধারনপূর্বক বাংলাদেশ ব্যাংককে অবহিত করতে হবে। ব্যাংক ও আর্থিক প্রতিষ্ঠানের বাৎসরিক সামগ্রিক ঋণ বিতরণের মধ্যে এসএমই খাতে ঋণ বিতরণ ২০১৭ সালে অন্যূন ২০% হতে হবে এবং প্রতিবছর কমপক্ষে ১% বৃদ্ধিসহ ২০২১ সালে অন্যূন ২৫%-এ উন্নীত করতে হবে।
২.৩	সামগ্রিকভাবে এসএমই খাতে ঋণ বিতরণে মাঝারি খাতের চেয়ে ক্ষুদ্র খাতে ঋণ বিতরণে অগ্রাধিকার দিতে হবে। এসএমই খাতে সামগ্রিক অর্থায়নের অন্যূন ৫০% কটেজ, মাইক্রো ও ক্ষুদ্র উদ্যোক্তাদের জন্য নির্ধারণ করতে হবে। টেকসই অর্থনৈতিক উন্নয়নের লক্ষ্যে একটি টেকসই এসএমই খাত গঠন করতে এসএমই ঋণ পোর্টফোলিওর কাঙ্খিত খাতবিত্তিক বিভাজন হবে ২০২১ সালে ম্যানুফেকচারিং-এ অন্যূন ৪০%, সেবায় অন্যূন ২৫% এবং ব্যবসায় (ট্রেডিং-এ) সর্বোচ্চ ৩৫%। মোট এসএমই ঋণের মধ্যে এসএমই নারী উদ্যোক্তা ঋণের হার হবে ন্যূনতম ১০% এবং ২০২১ সালে তা ১৫% এ উন্নীত করতে হবে। এ লক্ষ্যমাত্রা অর্জনের লক্ষ্যে প্রয়োজনীয় কার্যক্রম গ্রহণ করতে হবে। পোর্টফোলিওর কাঙ্খিত খাতভিত্তিক বিভাজন এসএমই পারফরমেন্স মূল্যায়নে নিয়ামক হিসেবে বিবেচিত হবে।

এতদ্বসংক্রান্ত বিষয়াবলী ব্যতিরেকে বাংলাদেশ ব্যাংক কর্তৃক ৭ জানুয়ারী ২০১৬ তারিখে জারীকৃত এসএমইএসপিডি সার্কুলার নং-০১ (মাস্টার সার্কুলার) এ বর্ণিত অন্যান্য নির্দেশাবলী অপরিবর্তিত থাকবে।

উল্লিখিত বিষয়াবলী ব্যাংকের এসএমই নীতিমালায় অন্তর্ভুক্ত করা হয়েছে, যা অবিলম্বে কার্যকর হবে।

এমতাবস্থায় বর্ণিত সার্কুলারের যাবতীয় নির্দেশনা পরিপালন করে গুনগত মানসম্পন্ন ঋণ বিতরণের উদ্যোগ গ্রহন এবং বিভিন্ন বিবরণী যথাসময়ে দাখিল নিশ্চিত করার ক্ষেত্রে আপনাদের সচেষ্ট হওয়ার পরামর্শ দেয়া হ'ল।

আপনাদের বিশ্বস্ত,

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মহাব্যবস্থাপক

(প্রদীপ কুমার দত্ত)
মহাব্যবস্থাপক

সংযুক্তি: বর্ননামতে।

Measurement of Risk Weighted Assets: Credit Risk

1. Introduction

Credit risk is the potential that a bank borrower or counterparty fails to meet its obligation in accordance with agreed term.

2. Definition

2.1 Claims:

Exposures such as deposits (including foreign currency), placements, investments, loans and advances underlying with counterparties.

2.2 Claims on sovereign and central bank:

Loans and advances to the Government of Bangladesh (GoB), and investments in GoB securities, BB securities, and Development Bonds including Foreign Currency Bonds. All deposit and reserves (including foreign currency) maintained with BB.

2.3 Claims on other sovereigns and central banks:

Loans and advances to and investments in securities of governments and central banks except GoB and BB.

2.4 Claims on the Bank for International Settlements (BIS), the International Monetary Fund (IMF), European Central Bank and the European Community:

Loans and advances to and investments in BIS, IMF, European Central Bank, and the European Community.

2.5 Claims on multilateral development banks (specific):

Loans and advances to and investments in the following:

a) The World Bank Group comprising of the International Bank for Reconstruction and Development (IBRD) and the International Finance Corporation (IFC)
b) The Asian Development Bank (ADB)
c) The African Development Bank (AfDB)
d) The European Bank for Reconstruction and Development (EBRD)
e) The Inter-American Development Bank (IADB)
f) The European Investment Bank (EIB)
g) The European Investment Fund (EIF)
h) The Nordic investment Bank (NIB)
i) The Caribbean Development Bank (CDB)
j) The Islamic Development Bank (IDB)
k) The Council of Europe Development Bank (CEDB)

2.6 Claims on multilateral development banks (Others):

Loans and advances to and investments in Multilateral Developments Banks (MDBs) other than those specified in 2.5 above.

2.7 Claims on government/ public sector entities (PSE):

Loans and advances to and investments (excluding equity exposure) in all public corporations, statutory boards and authorities, local government bodies etc. owned or controlled by GoB or any entity categorized as PSE (See Latest guidelines to fill in the Banking Statistics Returns, SBS-1,SBS-2 & SBS-3 published by Statistics Department of Bangladesh Bank.)

2.8 Claims on banks and non-bank financial institutions (NBFIs):

Loans and advances, placements, deposits (including Nostro Accounts), debentures (which are not treated as capital of the issuing bank or NBFI), dues on various trade bills, repurchase agreement and investments (excluding equity exposure) in all scheduled banks, NBFIs, and foreign banks.

2.9 Claims on corporate:

Loans and advances to and investments (excluding equity exposure) in corporate. “Corporate” refers to any proprietorship, partnership and limited company that is neither PSE, bank, NBFI nor borrower within the definition of retail portfolio. This definition will also include the loans/advances to the Exchange Houses by the banks.

2.10 Claims on SME:

Small and Medium Enterprises (SMEs) will be defined in line with the Industrial policy 2010 and Bangladesh Bank’s SME & SPD circular no.2 dated June 29, 2017 or any changes thereof made from time to time.

2.11 Claims categorized as retail portfolio:

Claims (including both fund and non-fund based) that meet all the four criteria listed below may be considered as retail claims for regulatory capital purposes and included in a regulatory retail portfolio.

Qualifying criteria:

Orientation criterion: The exposure to an individual person or persons.

Product criterion: The exposure takes the form of any of the following product types:

a) Revolving credit and lines of credit (including overdrafts)
b) Term loans and leases (e.g. installment loans, vehicle loans for manufacturing/production and leases, student and educational loans, micro business facilities and commitments).

The following claims, both fund based and non-fund based, will be excluded from retail portfolios:

a) Exposures by way of investments in securities (such as bonds and equities), whether listed or not

b) Mortgage loans to the extent that they qualify for treatment as claims secured by residential property (section 2.13) or claims secured by commercial real estate (section 2.14)
c) Loans and advances to bank's own staff which are fully covered by superannuation benefits and / or mortgage of flat/ house
d) Consumer finance
e) Capital market exposures and
f) Venture capital funds

Granularity criterion: Exposures under this category must be sufficiently diversified to a degree that reduces the risks. In order to meet this criterion, aggregate exposure without considering Credit Risk Mitigation (CRM), to one counterpart should not exceed 0.2% of the overall exposures under this category excluding past due loans. 'To one counterpart' means one or several entities that may be considered as a single beneficiary.

Exposure limit: The maximum aggregate exposure to a person(s) or entity(ies) will be limited to BDT 1.00(One) crore.

2.12 Consumer finance:

Loans and advances to individuals for meeting their personal, family or household needs that includes credit cards, auto/vehicle loans for personal use, personal loans, and any purpose loan etc.

2.13 Claims secured by residential property:

Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is or will be rented. Loans for the purpose of constructing/purchasing/ renovating of house/apartment provided to individuals will fall under this category. Loans secured by residential real estate for business purpose will not fall under this category.

2.14 Claims secured by commercial real estate:

Lending fully secured by mortgages on commercial real estate that will be occupied or rented or sold by the borrower. The mortgages may be used for office and/or multipurpose commercial premises and/or multi-tenanted commercial premises etc. Industrial or warehouse space, hotels, land acquisition for/development/construction of residential real estate by real estate companies, and exposures to entities for setting up special economic zones will also be treated as commercial real estate.

2.15 Past due claims:

The unsecured portion of any claim or exposure (other than claims secured by residential property) that is past due for 60 days or more, net of specific provisions (including partial write-off) will be risk weighted as directed. For the purpose of defining the net exposure of the past due loan, eligible financial collateral (if any) may be considered for Credit Risk Mitigation. General provision maintained against Special Mention Account (SMA) loan will not be eligible for such net off.

2.16 Capital market exposures:

Claims against investor account holder or margin account holder of the subsidiary companies (Merchant banking/Brokerage house) and Loans and Advances to Merchant Bank/Brokerage Houses of the bank will fall under this category.

2.17 Venture capital:

Venture capital is provided as funding to early-stage, high-potential, and growth companies in the interest of generating a return through an eventual realization event. Venture capital investments are generally made in cash in exchange for shares in the invested company. Investment in equity of unlisted entities other than PSEs includes in this category.

2.18 All other assets:

Claims on GoB and BB other than those specified in 'section 2.2';

a) All staff loan secured by residential property/and superannuation benefit
b) Cash items in process of collection: Cheques, drafts and other cash items, such as money orders, postal orders drawn on the banks and other authorized institutions and paid immediately on presentation. Trade Bills, such as import bills and export bills, in the process of collection should be excluded from this item
c) Claims on Off-shore Banking Units (OBU)
d) Other asset (if any other items which are not specified above)

3. Methodology

The capital requirement for credit risk is based on the risk assessment made by External Credit Assessment Institutions (ECAIs) recognized by BB for capital adequacy purposes. Banks are required to assign a risk weight to all their on-balance sheet and off-balance sheet exposures. Risk weights are based on external credit rating (solicited) which mapped with the BB rating grade or a fixed weight that is specified by BB.

3.1 External credit rating:

Bangladesh Bank has recognized eight credit rating agencies i. e. Credit Rating Agency of Bangladesh (CRAB) Ltd., Credit Rating Information and Services Limited (CRISL), National Credit Ratings Ltd. (NCRL), Emerging Credit Rating Ltd. (ECRL), ARGUS Credit Rating Services Limited (ACRSL), Alpha Credit Rating Limited (ACRL), WASO Credit Rating Company (BD) Limited and The Bangladesh Rating Agency Limited (BDRAL) which met the eligibility criteria of ECAIs guidelines (BRPD Circular no. 35/2010) of BB. BB has developed a 'Credit Rating Methodology for Small and Medium Enterprises' which will ensure uniformity, larger levels of transparency of external credit assessment and thereby determine the relative creditworthiness of entities belonging to this segment and thus establish credit discipline in the banking industry.

In addition to this, surveillance manual has been developed in order to review eligibility and justify assigned notch/notations with BB rating grade. Through this ECAIs have been brought under rigorous surveillance for recognition purpose.

BB has also decided that banks may use the ratings (if available) of the following international credit rating agencies for the purposes of risk weighting their exposure at abroad:

a) Fitch,
b) Moody, and
c) Standard & Poor.

3.1.1 Mapping of ECAIs Rating Grade:

Rating categories of ECAIs both for corporate and SME's are mapped with the rating grades of BB. For risk weighting purpose, the rating of a client by any recognized ECAI is valid for one year. Credit rating for one entity within a corporate group cannot be used to risk weight other entities within the same group i.e. each entity within a same corporate group needs to get credit rating individually.

3.1.2 Short term assessments:

For risk-weighting purposes, short-term assessments may only be used for short-term claims against banks (local as well as foreign) and corporate. Otherwise, it will be considered as 'unrated' status.

3.1.3 Multiple assessments:

If there are two assessments by ECAIs chosen by a bank which map into different risk weights, the higher risk weight will be applied. If there are three or more assessments with different risk weights, the assessments corresponding to the two lowest risk weights should be referred to and the higher of those two risk weights will be applied.

3.1.4 Issuer vs. issue assessment:

Where a bank invests in a particular issue that has an issue-specific assessment the risk weight of the claim will be based on this assessment. Otherwise, bank may use issuer rating for that specific issue.

Table: ECAI's Credit Rating Categories Mapped with BB's Rating Grade

<table>
<tr><td colspan="12">Long-Term Rating Category Mapping</td></tr>
<tr><td>BB Rating Grade</td><td>Equivalent Rating of S&P and Fitch</td><td>Equivalent Rating of Moody</td><td>Equivalent Rating of CRISL</td><td>Equivalent Rating of CRAB</td><td>Equivalent Rating of NCRL</td><td>Equivalent Rating of ECRL</td><td>Equivalent Rating of ACRSL</td><td>Equivalent Rating of ACRL</td><td>Equivalent Rating of WASO</td><td>Risk Weight against claims on Corporate</td></tr>
<tr><td>1</td><td>AAA to AA</td><td>Aaa to Aa</td><td>AAA, AA+, AA, AA-</td><td>AAA, AA1, AA2, AA3</td><td>AAA, AA+, AA, AA-</td><td>AAA, AA+, AA, AA-</td><td>AAA, AA+, AA, AA-</td><td>AAA, AA+, AA, AA-</td><td>AAA, AA1, AA2, AA3</td><td>20%</td></tr>
<tr><td>2</td><td>A</td><td>A</td><td>A+, A, A-</td><td>A1, A2, A3</td><td>A+, A, A-</td><td>A+, A, A-</td><td>A+, A, A-</td><td>A+, A, A-</td><td>A1, A2, A3</td><td>50%</td></tr>
<tr><td>3</td><td>BBB</td><td>Baa</td><td>BBB+, BBB, BBB-</td><td>BBB1, BBB2, BBB3</td><td>BBB+, BBB, BBB-</td><td>BBB+, BBB, BBB-</td><td>BBB+, BBB, BBB-</td><td>BBB+, BBB, BBB-</td><td>BBB1, BBB2, BBB3</td><td rowspan="2">100%</td></tr>
<tr><td>4</td><td>BB to B</td><td>Ba to B</td><td>BB+, BB, BB-</td><td>BB1, BB2, BB3</td><td>BB+, BB, BB-</td><td>BB+, BB, BB-</td><td>BB+, BB, BB-</td><td>BB+, BB, BB-</td><td>BB1, BB2, BB3</td></tr>
<tr><td>5</td><td rowspan="2">Below B</td><td rowspan="2">Below B</td><td>B+, B, B- ,CCC+, CCC, CCC- ,CC+, CC, CC-</td><td>B1, B2, B3,CCC1, CCC2, CCC3,CC</td><td>B+, B, B-</td><td>B+, B, B-</td><td>B+, B, B- ,CC+,CC,CC-</td><td>B+, B, B- ,CCC</td><td>B1, B2, B3, CCC</td><td rowspan="2">150%</td></tr>
<tr><td>6</td><td>C+, C, C-, D</td><td>C, D</td><td>C+, C, C-, D</td><td>D</td><td>C+, C, C-, D</td><td>CC+,CC,CC- ,C+, C, C-, D</td><td>CC1, CC2, CC3, C+, C, C-, D</td></tr>
<tr><td colspan="10">Unrated</td><td>125%</td></tr>
<tr><td colspan="11">Short-Term Rating Category Mapping</td></tr>
<tr><td>S1</td><td>F1+</td><td>P1</td><td>ST-1</td><td>ST-1</td><td>N1</td><td>ECRL-1</td><td>ST-1</td><td>AR-1</td><td>P-1</td><td>20%</td></tr>
<tr><td>S2</td><td>F1</td><td>P2</td><td>ST-2</td><td>ST-2</td><td>N2</td><td>ECRL-2</td><td>ST-2</td><td>AR-2</td><td>P-2</td><td rowspan="2">50%</td></tr>
<tr><td>S3</td><td>F2</td><td>P3</td><td>ST-3</td><td>ST-3</td><td>N3</td><td>ECRL-3</td><td>ST-3</td><td>AR-3</td><td>P-3</td></tr>
<tr><td>S4</td><td>F3</td><td rowspan="2">NP</td><td>ST-4</td><td>ST-4</td><td>N4</td><td>ECRL-4</td><td>ST-4</td><td>AR-4</td><td>P-4</td><td>100%</td></tr>
<tr><td>S5, S6</td><td>B, C, D</td><td>ST-5, ST-6</td><td>ST-5, ST-6</td><td>N5</td><td>D</td><td>ST-5, ST-6</td><td>AR-5, AR-6</td><td>P-5, P-6</td><td>150%</td></tr>
</table>

Table: ECAI's Credit Rating Categories Mapped with BB's Rating Grade (SME Rating Grade)

BB SME Rating Grade	Rating of BDRAL	Equivalent Rating of CRISL	Equivalent Rating of CRAB	Equivalent Rating of ECRL	Equivalent Rating of ARGUS	Equivalent Rating of ALPHA	Equivalent Rating of NCRL	Equivalent Rating of WASO	Risk Weight against claims on SME
SME 1	SE1, ME1	CRISL Me-1/Se-1	CRAB-ME 1/SE 1	ESME 1	AQSE 1/AQME 1	ARSME-1	NSME-1	WCR SE 1/ME 1	20%
SME 2	SE2, ME2	CRISL Me-2/Se-2	CRAB-ME 2/SE 2	ESME 2	AQSE 2/AQME 2	ARSME-2	NSME-2	WCR SE 2/ME 2	40%
SME 3	SE3, ME3	CRISL Me-3/Se-3	CRAB-ME 3/SE 3	ESME 3	AQSE 3/AQME 3	ARSME-3	NSME-3	WCR SE 3/ME 3	60%
SME 4	SE4, ME4	CRISL Me-4/Se-4	CRAB-ME 4/SE 4	ESME 4	AQSE 4/AQME 4	ARSME-4	NSME-4	WCR SE 4/ME 4	80%
SME 5	SE5, ME5	CRISL Me-5/Se-5	CRAB-ME 5/SE 5	ESME 5	AQSE 5/AQME 5	ARSME-5	NSME-5	WCR SE 5/ME 5	120%
SME 6	SE6, SE7, SE8, ME6, ME7, ME8	CRISL Me-6,7,8,9,10/Se-6,7,8,9,10	CRAB-ME 6,7,8/SE 6,7,8	ESME 6,7,8	AQSE 6,7,8/AQME 6,7,8	ARSME-6,7,8	NSME-6,7,8	WCR SE 6,7,8/ME 6,7,8	150%
Unrated (Small Enterprise & <BDT 3.00 million									75%
Unrated (Small Enterprise having ≤ BDT 3.00 million & Medium enterprise)									100%