



UNITED INTERNATIONAL UNIVERSITY

Internship Report On “Credit Management of The City Bank Limited”

Submitted To:

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Submitted By:

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22 September, 2018

To

Eliza Huq

Assistant Professor

United International University

United City, Madani Avenue, Badda, Dhaka-1212

Subject: Submission of Internship Report on “Credit Management of The City Bank Limited”.

Dear Madam,

This is my immense pleasure to have the opportunity to submit the Internship Report on **“Credit Management of The City Bank Limited”**, which was assigned by you as an integral part of the Internship Program. Throughout the internship period, I have gained ample knowledge regarding both the organization’s operation and its culture.

I have given my utmost effort to make an authentic and comprehensive report. In my report, I have tried to describe how The City Bank Limited deals with the credit risk of its customers along with my recommendations regarding this based on my theoretical knowledge and observation.

I would like to thank you for encouraging me to complete my internship report on such ongoing unsettling issue among the banks of our country and I hope you would appreciate my thoughtful approach.

Therefore, I would like to place this report for your kind judgment and valuable suggestion.

Sincerely Yours,

Md. Jahirul Islam

ID: 111 151 377

School of Business & Economics

United International University

Letter of Endorsement:

The Internship Report entitled “**Credit Management of The City Bank Limited**” has been submitted to UIU School of Business & Economics, for the purpose of completing the degree of Bachelor of Business Administration, by concentration in The report has been accepted.

I wish every success and prosperity of his career and life.

Internship Supervisor Faculty

Eliza Huq

Assistant Professor

School of Business & Economics

United International University

Acknowledgment:

At first, I would like to show my gratitude to the Almighty Allah. Without his support, I would never have been able to accomplish this report writing within the given time period.

The internship opportunity that I got at **The City Bank Limited (CBL)** was really great. It helped me to learn a number of things, especially professional dealings. I myself consider a fortunate one that I got the chance to be in this amazing group. I really appreciate the support that I got throughout the internship period along with the report writing time.

I would like to take the opportunity to express my heartfelt gratitude towards my internship supervisor faculty **Eliza Huq, Assistant Professor**, UIU School of Business & Economics, for her immense support and guidance during the whole internship period. I am pretty much fortunate to have him as my supervisor faculty. From choosing the internship report's topic till its completion, she has been with me and helped me to complete it successfully.

Secondly, I must thank my direct internship supervisor **Mr. Mohammad Naim Islam, Associate Manager**, Credit and Collection (Retail), The City Bank Limited, for his relentless supervision and guidance. He helped me to learn loads of things like how the banking industry works especially the operations and the projects of The City Bank Ltd. that they undertake regularly. Besides, he made a significant contribution while I was writing my report. Without his effort, it would be able to make this report much informative.

I would like to express my deepest thanks to **Mr. Md. Belal Hossain, senior officer** (Documentation) and **Mr. Ishtiaq Karim, Assistant Manager**, Retail Finance Center (RFC), The City Bank Limited, for providing valuable data and information regarding their respective fields. I am really grateful to have them around me and appreciate their effort to make my report more data-driven.

Lastly, I am really grateful to United International University, which actually helped me to acquire skillset during my university time which played a dominant role to perform the assigned tasks in the organization.

Executive Summary:

City Bank Limited (CBL) is one of the oldest reputed financial institutions in Bangladesh established in the year 1983. Since the very inception of the commercial banking industry in Bangladesh, it has been dominating and contributing to the country's economy.

The topic of my internship report is "Credit Management of The City Bank Limited", which has attained the latest highlighted feature in the banking industry in Bangladesh. Due to the increased competition among both the commercial and the Gov. Banks in Bangladesh, this Credit management issues has gained extensive attention. The main objective of this report is to have a complete knowledge of the activities performed in Credit Management of City Bank Limited.

This report initially depicts the overall financial indicators of The City Bank Limited, and how they are doing in this competitive commercial banking industry in Bangladesh. Their financial strength, management, credit and collection policies and their crisis management stands are described in this report. This report have described what measures City Bank Ltd. takes to this on-going issue of credit management. This report comprises with the Credit facilities that CBL offers to its customers.

This report have tried to discuss CBL's credit facilities under retail, corporate and SME units. This report mainly focused on the retail loan of CBL due to limitation of the study and discussed credit facilities that retail department provide like Home Loan, Auto Loan, Personal Loan, and Secured Loan. Here this report show the retail loan performance, total outstanding loan amount, total Nonperforming Loan (NPL) amount and segment-wise loan performance of CBL retail department. Then, as generally most customers contain a minimum amount of credit risk, I have tried to cover how CBL manages this credit management issue of the customers.

After discussing all the components, this report established some findings and challenges they face while managing the credit of their customers. In findings I found out problems like rigid credit assessment & risk grading process, Inefficient Third Party agent (CPV agents), Inefficient data management and many others that affect the bank's credit management.

Finally, this report made some recommendations based on the findings and challenges of the report. If The City Bank Limited can convert its challenges into opportunity then they can easily and efficiently manage their credit.

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Introduction:

City Bank is one of the oldest private Commercial Banks operating in Bangladesh. It is a top bank among the oldest five Commercial Banks in the country which started their operations in 1983. The Bank started its journey on 27th March 1983 through opening its first branch at B. B. Avenue Branch in the capital, Dhaka city. It was the visionary entrepreneurship of around 13 local businessmen who braved the immense uncertainties and risks with courage and zeal that made the establishment & forward march of the bank possible. Those sponsor directors commenced the journey with only Taka 3.4 crore worth of Capital, which now is a respectable Taka 2311.78 crore as capital & reserve.

The bank currently has total 120 branches which includes 99 online branches, 1 full-fledged Islamic Banking branch, 1 SME service center and 11 SME/Agri branches spread across the length & breadth of the country. Besides these traditional delivery points, the bank is also very active in the alternative delivery area. It currently has 311 ATMs of its own; and ATM sharing arrangement with partner banks that has more than 1150 ATMs in place; SMS Banking; Internet Banking and so on. It already started its Customer Call Center operation

City Bank is one of the largest corporate banks in the country with a current business model that heavily encourages and supports the growth of the bank in Retail and SME Banking. The bank is very much on its way to opening many independent SME centers across the country within a short time. The bank is also very active in the workers' foreign remittance business. It has strong tie-ups with major exchange companies in the Middle East, Europe, Far East & USA, from where thousands of individual remittances come to the country every month for disbursements through the bank's large network of 99 online branches and SME service centers.

The current senior management leaders of the bank consist of mostly people from the multinational banks with superior management skills and knowledge in their respective "specialized" areas. The newly launched logo and the pay-off line of the bank are just one initial step towards reaching that point.

Rational:

Finance is one of the globally intriguing fields of study and financial operations help an organization to create, move and use the money. Making money is made task of marketing and sales team, while finance team is responsible to manage the whole money flow. As I have completed my Bachelors in Finance, I always wanted to work in any financial institution where I can utilize my knowledge to its fullest.

Financial institutions play a very important role in order to stabilize the economy of a country. Since the very beginning of Bangladesh, the financial institutions are persistently contributing to its economy. The City Bank Limited is also one of the successful intermediaries in the country that operating their business in the whole country, which gives its customers the utmost security in terms of their financial transactions. However, in recent year all the commercial banks are facing a lot of issues regarding Non-performing Loans (NPL) or customers' default rate.

Through this report, anyone can have an evident idea of a commercial bank's measures or activities to deal with credit management issue. Besides, I have further desire to publish this report by generalizing it for all commercial banks in Bangladesh, not focusing merely on City Bank itself. Here in this report one will, first of all, get an overall idea about the City Bank Limited, then will get the overview of the bank's loan product and after that how the city bank manages the risk of the customers of being default. Lastly, the findings and recommendations that I come up with adding more value to this report.

Background of the Study:

Internship always provides a new platform for a student as it gives them the opportunity to come closer to the real world and exploring an organization and knowing its culture and operations. While doing this report on **"Credit Management of The City Bank Limited"** my academic knowledge, supervisor's directions, and the constant support of my faculty supervisor helped me to finish the report properly.

Literature Review:

Non-Performing Loan (NPL) refers when a customer does not make the scheduled payments including interest and repayment amount after taking a loan from the bank. It is considered as default or close to default. This can be put in a time frame, like if a customer is unable to pay for 90 days, then the customer will be considered as a defaulter. In other words, if the repayment does not make for 90 days or three months at a stretch, then it would be counted as Non-Performing Loans.

Financial institutions play a very dominant role in the economic development of a country. The main purpose of these institutions is to facilitate the process between the surplus unit, which is depositors mainly, and the deficit unit, borrowers. Through the process, financial institutions give assurance to both of the groups to manage their money smoothly. Commercial banks' contribution in Bangladesh economy is unimaginable. Since the very inception of this country, it has been suffering from various social, political & economic unrest. Along with other improvements needed for this country, economic development in of the prime ones which can be resolved many of the country's major problems.

The smooth and efficient flow of saving & investment process is the key factor for the economic development of a country. Bangladesh is one of the fastest developing countries in the world, however its financial market is yet to develop a lot. It has been heavily dependent on the commercial banks to mobilize the depositors side and capital provider. Hence it matters significantly for a well-functioning economy. However, its recent issue with Non-performing Loans has really captured everyone's attention.

As per Bangladesh Bank's study (2018), from 2012 to 2016, the average ratio of NPLs compare to the total were around 27.10 %. It was 4.9 %, 6.5 %, and 22.56 % respectively for private commercial banks, foreign banks, and state-owned banks. This rising NPL issue has to be taken care of immediately by both commercial and state-owned banks. However, many of our responsible figures do not even bother much with such alarming issue

Saleh Uddin Ahmed, ex-Bangladesh Bank Governor (Dhaka Tribune, December, 2017), financial institutions have to take legal actions against the clients who become the default. As days go by, this rate of NPL is rising gradually, however, there are no such appropriate measures from the Government.

According to a paper titled **"A Review of the Activities and Performance of the Banking Sector of Bangladesh"**, in between 2014 to 2018, the NPL ratio has been near above the 10%

mark and it is even higher than the NPL ratio of India and Nepal. **The International Chamber of Commerce-Bangladesh (ICCB)** has been very concern regarding this NPL issue and they termed as a curse for the sustainable growth and they are urging the Government to do more about it to combat such menace.

According to **Bangladesh Bank (2017)** from the latest reports, 10.1% Year on Year (YoY) money supply in Bangladesh has increased in January, 2018. The total reserve of Foreign Exchange in Bangladesh is around 31.4 bn in February, 2018. In December. 2017, many of the Foreign Exchange Reserves equaled around 7.5 months of import. Lastly, domestic credit reached 114.8 bn USD in 2018, compared to prior year it has seen a growth of 14.3%.

However, according to **Rahman (March 29, 2018)**, the private banks would struggle to register growth in profits this year too given their ongoing liquidity crunch.

Lastly, Non-Performing Loans is a great matter of concern in recent years. Though very few steps are taken by the concerns of this issue. As of yet, only a limited number of actions have been taken against the defaulters, risk management improvements and after all, strengthen overall bank management. There are many more measures can be implemented to tackle this industry's daunting problems of poor risk management and corruption in the root. Bangladesh was on the verge of becoming a middle-income country, now this issue has drawn everyone's attention and this could impede the growth of this country's economy.

Objective:

The objectives of the report is divided into two parts.

- ❖ General Objective
- ❖ Specific Objective

The general objective of this report is to know the credit management system in the city bank limited and to know the current conditions of their Loan product.

The specific objective is to:

- ❖ Find out the activities of credit management system
- ❖ The guideline of the bank follow before lending to the customer
- ❖ Describe the credit facility of the city bank limited
- ❖ Performance of the credit facility
- ❖ The process of recovery

Scope:

This study try to share my real life experience. In the banking industry credit and collection division is one of the major important part. I completed my internship in the city bank limited under the credit and collection division. As a result I got huge information about the credit management system. My report is based on credit management in the city bank limited and I will try to cover the all component of the credit management system in the city bank limited.

Limitation:

To prepare this report there have some limitations,

- ❖ The duration of internship is three months and this time is not sufficient to prepare an effective report.
- ❖ The city bank limited don't disclose all information.
- ❖ The city bank don't have huge journal or books where I can gather more knowledge about the banking industry
- ❖ The officials of the city bank limited is very busy.

Methodology:

This is a descriptive study about the credit management of the city bank limited. This report help the researcher to know the credit management of the city bank limited.

The have two sources of data that have been used to prepare this report.

- ❖ Primary data
- ❖ Secondary data

Primary Data:

- ❖ Direct observation of daily activities
- ❖ Discuss with CBL official
- ❖ Discuss with customer over the phone
- ❖ Involvement in credit management activity tasks

Secondary Date:

- ❖ Website of the city bank limited

- ❖ Annual report of the city bank limited
- ❖ Different loan of the city bank limited

In this report the population is the total bank in the Bangladesh and where the researcher take the city bank limited as a sample size of the study. The researcher used non-probability sampling and more specifically convenience non-probability sampling used for sampling.

The researcher collect data from two source, one is primary and another is secondary. To collect the data from primary source, the researcher talk with the staff of the city bank limited. And the researcher collect some information from their internal server and this information is not available to the outside of the bank. In addition, the researcher use the city bank limited annual report, external source, website of the bank and many other source to collect the secondary information.

To analysis the data the researcher most of the time use the Microsoft excel and prepare table, graph to show the scenario of the credit management of the city bank limited. Sometimes the researcher use his own judgment after analyzing the information. And this information presented on a Microsoft Word.

Recent Economic Outlook:

The economy of Bangladesh has grown consistently over the years at an average rate of growth more than 6% and the growth of the banking sector in terms of business volume has laid from this success story. The market and regulatory scenario changed in 2017 as Bangladesh Bank announced prudent and tighter compliance parameters in line with BASEL-III and due to surplus in the interbank money markets and government securities yield declining from 2016, Interbank call money rate ranged from 3.5% to 3.9% during 2017 due to excess liquidity in the interbank market. The



compliance scenario is likely to remain unchanged as the banking sector will continue to implement prudent regulations. Excess market liquidity is likely to be channeled into domestic credit growth, which may induce interest rates to increase from 2017 levels in 2018. Government security yields may increase from 2017 levels in 2018, depending on the upcoming fiscal budget deficit financing plan. With proper positioning and funding, there is an opportunity for ALM to maximize returns from money market products. The foreign exchange scenario in the country is likely to remain the same as in 2017, with growth of import volumes outpacing growth of exports and remittances. A balanced approach to manage the Bank's own FX flow business represents the best possible strategy for maximizing profits from interbank trades and providing proper support for NRB remittance growth.

Bangladesh has firmly established itself as a manufacturing hub for exports, leveraging local capabilities, inherent cost advantages and available incentives. Besides, export processing zones (EPZs) and economic zones (that are under construction) showcase the Government's intent to provide an impetus to exports even as it provides a host of fiscal and non-fiscal incentives to attract exporters-manufacturers.

Banking Industry Outlook:

Bangladesh is one of the fastest-growing economies in the world that is 7%+ GDP growth rate club. Strong efforts from all quarters is very important and that will be required to sustain the fast pace of economic growth. The government's ability to offer private sector investments through quality infrastructural spending and the Central Bank's ability to curb inflation further will be put to test in the short-term. Besides, prudent reforms in the fiscal policy, exchange rate policy and trade policy will be required to tackle various macro-economic challenges. It will be interesting to see how the country's banking sector regains the capacity to support higher demand for investments once the infrastructural woes are put to rest. The only option could be through recapitalizing the entire sector as well as adopting a zero-tolerance policy for chronic defaulters. Otherwise, the culture and cycle of bailing-out distressed banks using taxpayers' money will never end. Considering that these issues will be resolved, the country is certain to reap the benefits of its youthful demographics. The resilience of the Bangladeshi people has brought the country to its current position despite the many odds. This provides credence and confidence that the country will emerge as a stronger economy once the right structural policies are in place to catalyze its growth in the future.



Organizational Overview:

Vision:

The financial supermarket with a winning culture offering enjoyable experiences

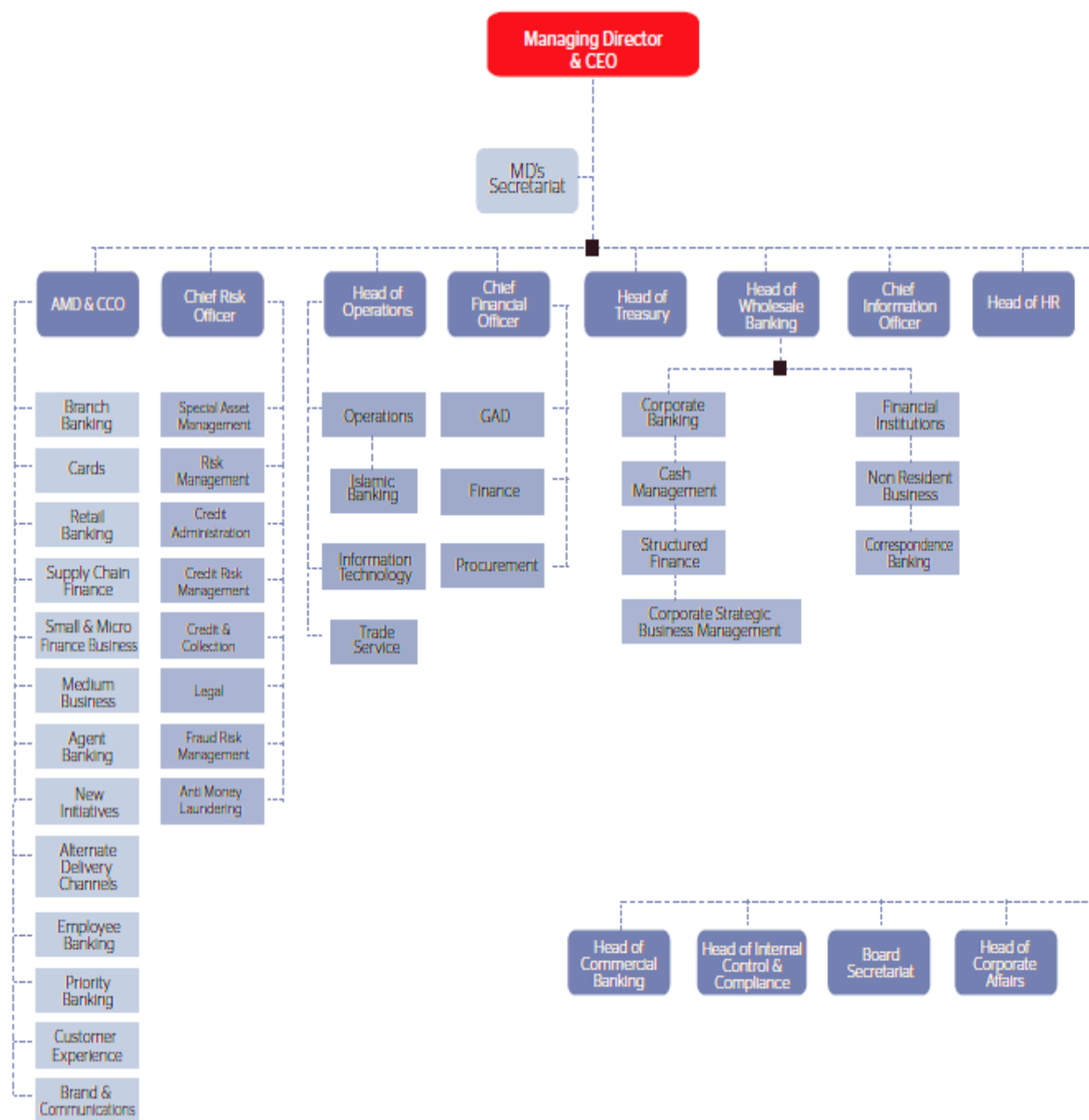
Mission:

- ❖ Offer a wide array of products and services that differentiate and excite all customer segments
- ❖ Be the “Employer of choice” by offering an environment where people excel and leadership are created
- ❖ Continuously challenge processes and platforms to enhance effectiveness and efficiency
- ❖ Promote innovation and automation with a view to guaranteeing and enhancing excellence in service Ensure respect for community, good governance, and compliance in everything we do

Value:

- ❖ Result Driven
- ❖ Accountable & Transparent
- ❖ Courageous & Respectful
- ❖ Engaged & Inspired
- ❖ Focused on Customer Delight

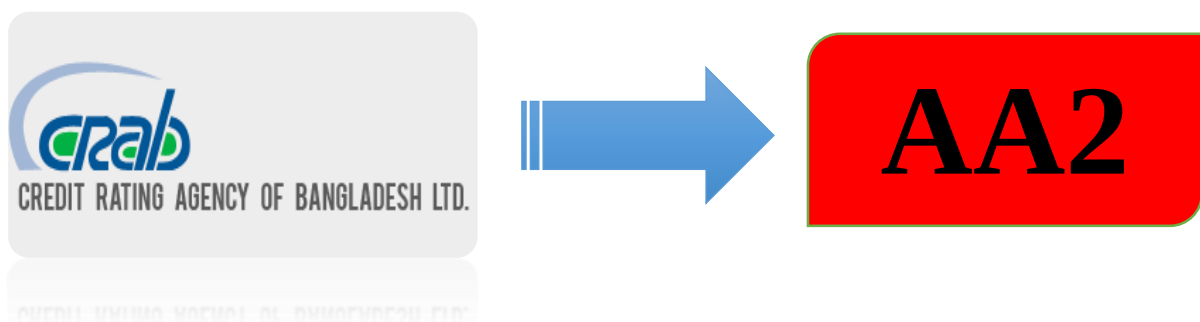
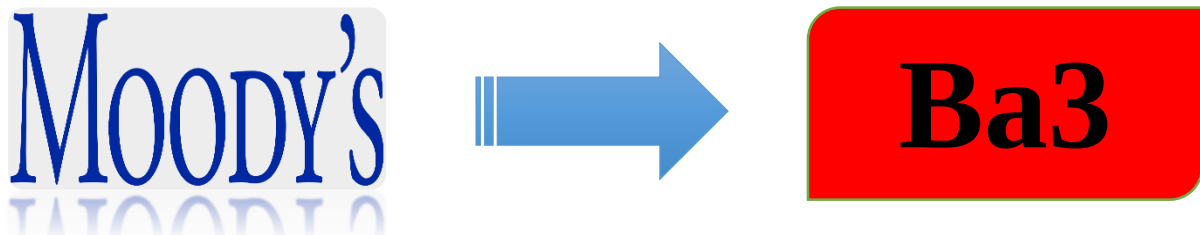
Organogram:



The city bank limited organogram is very clear to all. Managing Director (MD) is in the top level of the bank who operate all the part of the city bank limited. Under the managing director there have unit head in the each department in the city bank limited. For example, the head of wholesale banking operates his part of banking. Under the head of wholesale banking there have many supporting employee to operate the business. Every department operated like the wholesale banking and every unit head report to the managing director.

Credit Rating:

Moody's is one of the World most renowned credit rating agency. This agency provides rating based on the business nature and the default risk. The city bank limited get award from Moody as **Ba3** for the second time. That is the good sign for the city bank limited. In Bangladesh, the most renowned credit rating agency, CRAB (Credit Rating Agency Bangladesh) has rated as **AA2** rated bank in Bangladesh. The City Bank Limited (CBL) is the reformer of credit cards in Bangladesh. Notably their **CityMax Amex card** (Platinum, Gold, Green, and Blue) in both Visa & Master cards are persistently adding value to its customers' and making change their lifestyle.

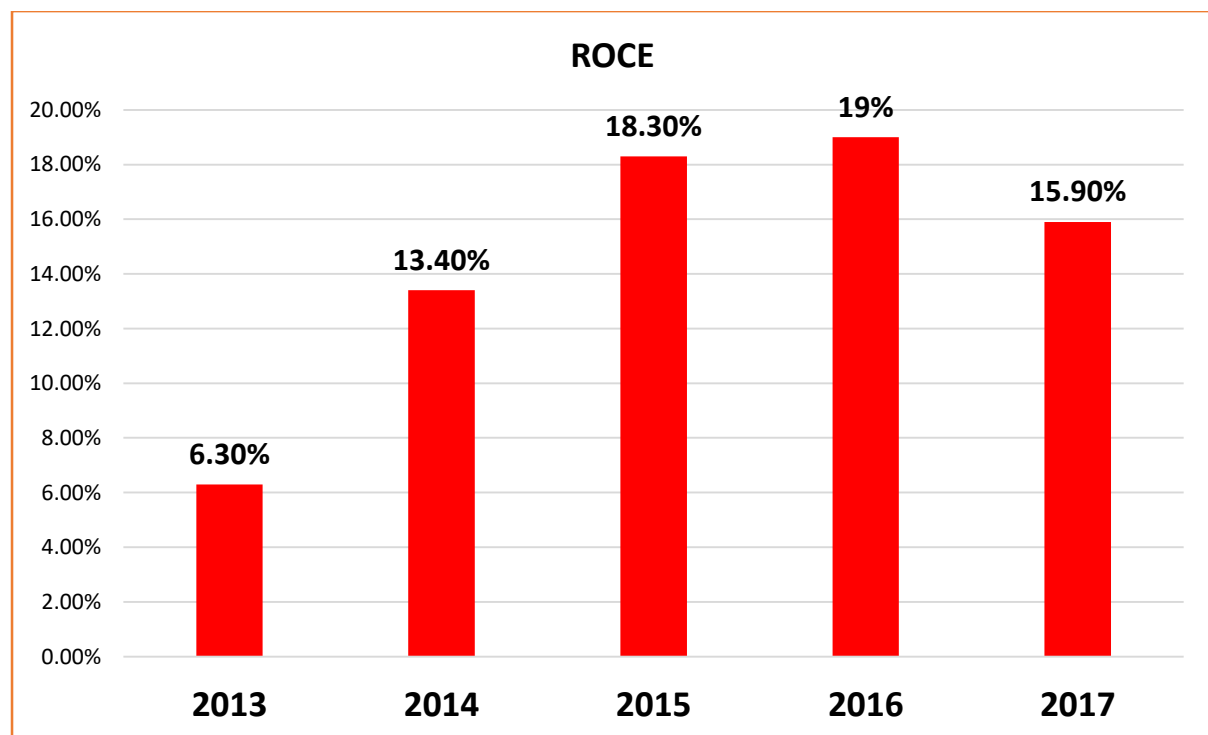


Performance Indicators:

To measure the performance of the city bank limited this report indicate some ration of the city bank limited that helps to measure the performance of the city bank limited. In this report describes some performance indicator ratios that is given below.

Return on Common Equity:

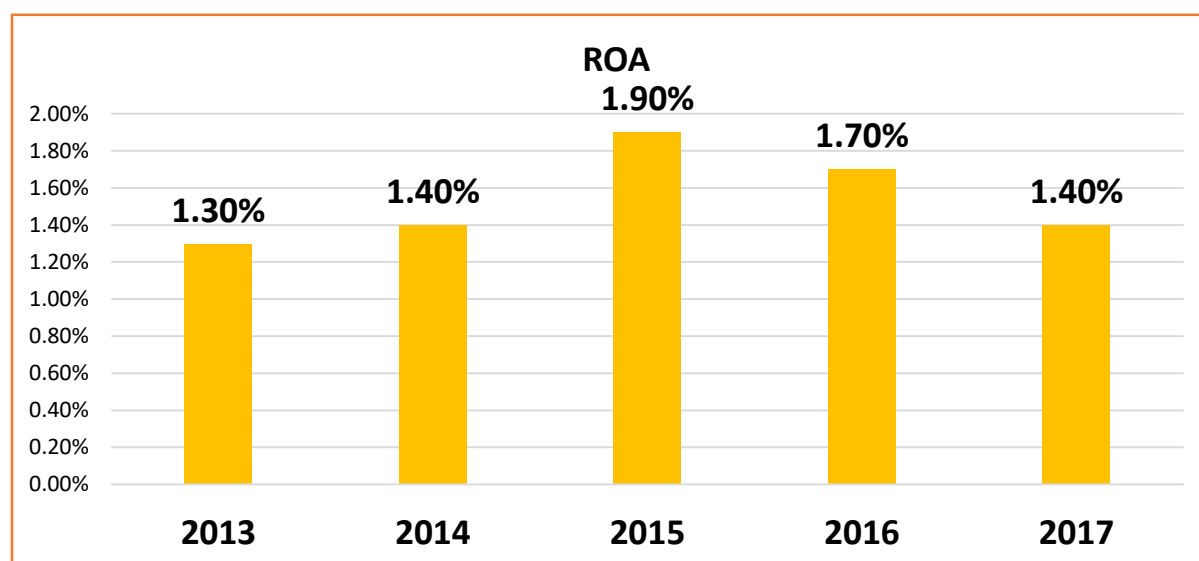
Most effective performance indicator of the any organization is the Return on Common Equity (ROCE). That measure the all components of the organizations.



If we see this ROCE chart then we can get the complete idea about the performance of the city bank limited. In 2016, the ROCE is 19% that is the height than previous three years. Because in this year the city bank earn more profit from retail banking. As a result the ROCE increases in this years. But if we see the 2017, the ROCE decreases to 15.09%. Because due to the change in interest rate the number of customers decreases in the 2017. As a result bank earns less profit than previous years. So the ROCE decreases in the 2017.

Return on Asset (ROA):

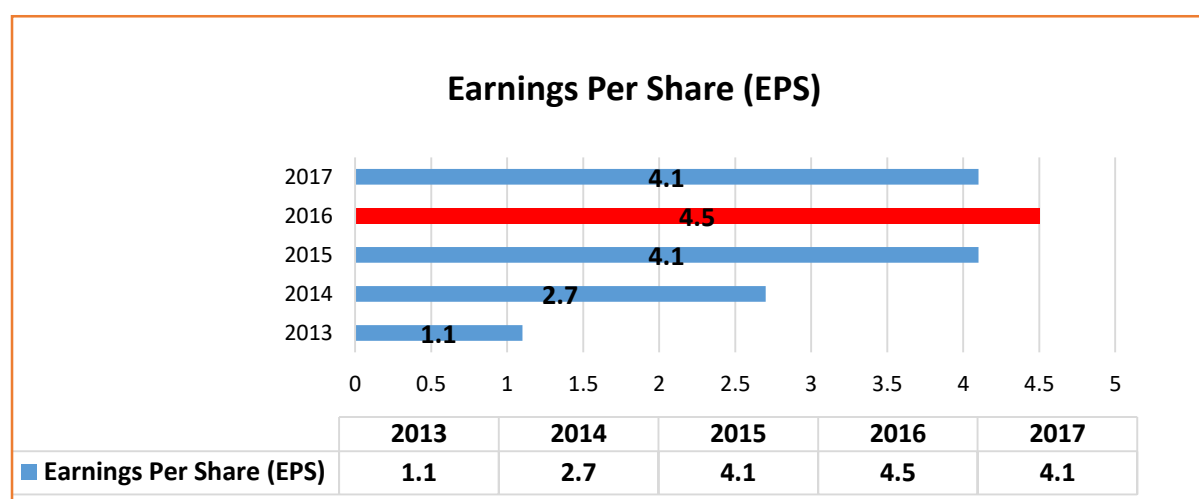
Return on asset is another important profitability ratio that measure the performance of the city bank limited. In this graph we can see the return on asset in 2015 is higher than previous two



years. In 2016 and 2017 this ratio is decreases. Because in 2016 and 2017 customers take less loan. As ths result the earning of the bank decreases. So the return on asset decreases in 2016 and 2017.

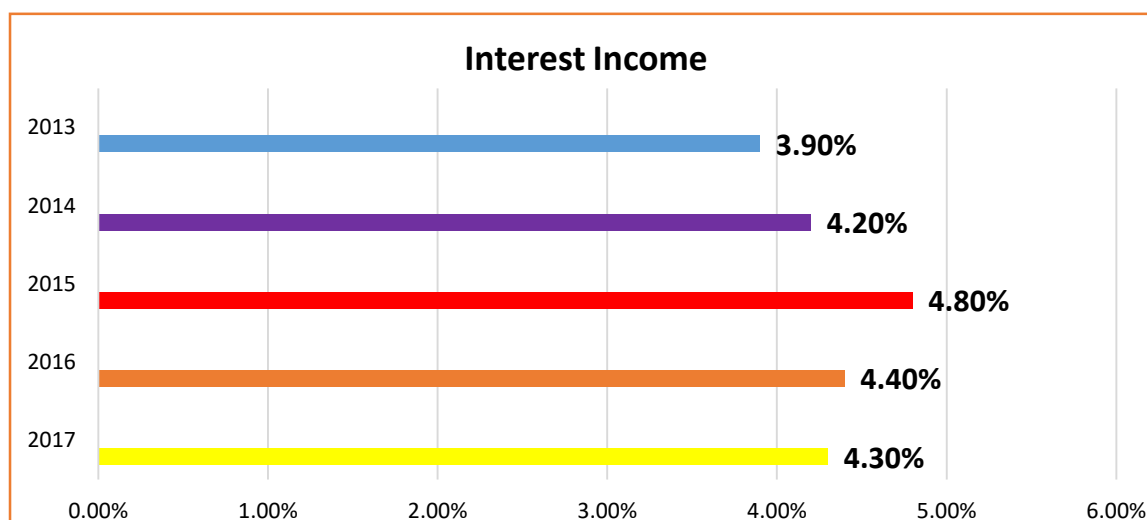
Earnings per Share (EPS):

In the year 2017, earnings per share raised at BDT 4.1, which was BDT 4.5 in the previous year. Due to a drop in profitability and fresh share capital issuance to IFC, the EPS has dropped slightly. But if we see 2013 to 2015, the earning per share slowly increased.



Interest Income:

Interest is one of the most important part of revenue in every banking sector. On the other hand the interest expense is of the major expense in the banking sector. In this graph this report show the height interest income in 2015 that is 4.80%. In this year the bank performance was very good that previous two years. And this interest income in decreases in 2016 and the 2017.



Capital Markets:

DSE Board Index (DSEX) is the measurement of the stock market price, rose by more than 10% and 24% since June 2017 and December 2016, respectively, reaching their recent highs. DSE turnover measured the market liquidity, doubling since 2016, recorded the highest level in 2017 since the large stock market correction was witnessed in 2010-11. Buoyant trading activities benefitted from better participation from overseas investors and a positive macro-economic outlook. While the capital markets oversees by the BSEC, Bangladesh Bank's surveillance of statutory limits of capital market exposures contributed to the capital market development agenda and also led to financial stability. In addition, the recent examples of non-financial corporates raising funds by issuing long-maturity bonds in the capital markets is the example of equity transaction that will encourage a much-needed shift from bank loans to capital markets for longer-maturity financing and help to develop the bond markets and contribute to the balanced development of the country's financial system.

Bank Advances:

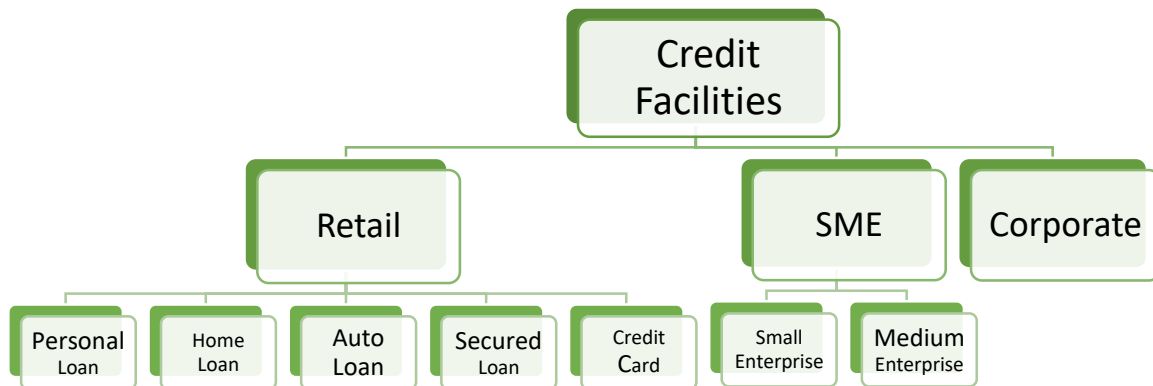
Aggregate credit in the banking sector grew at a CAGR of 13% during 2012-16, mostly in tandem with nominal GDP growth, whereas in July 2017, advances grew by 17.6% and stood at BDT 7.39 trillion, which was BDT 6.86 trillion in December 2016. The significant share of the growth was fuelled by private commercial banks in the country.

Bank Deposits:

Overall deposit growth in the banking sector recorded a declining trend and experienced a slower growth than that of credit growth as lower interest rates discouraged depositors. The rate of deposit growth, YoY, declined 10.88% by the end of July 2017, from 12.21% three months before, according to the Central Bank's latest statistics. Deposit growth was 13.13% as on 31 December, 2016.

Credit Facility of CBL:

The city bank limited provides various types of credit facility to their customers. The credit facility chart given below.



Retail Banking:

Personal Loan:

Every person have needs, requirement and dream. The city bank personal loan helps the customer to fulfill their dream and needs. The city bank offer very competitive personal loan than other banks for their customer.

Product Features:

- ❖ The customer can take loan from Tk. 50 thousands to Tk. 20 Lac
- ❖ The tenor of the loan is 12 months to 60 months
- ❖ There have no hidden charge
- ❖ Interest rate is very competitive

Processing Fee:

- ❖ The processing fee is 2% on any loan amount

Eligibility:

- ❖ Age must be between 22 to 60 years
- ❖ Experience

A. Minimum 1 year experience including 6 months with current employer for the salaried executives

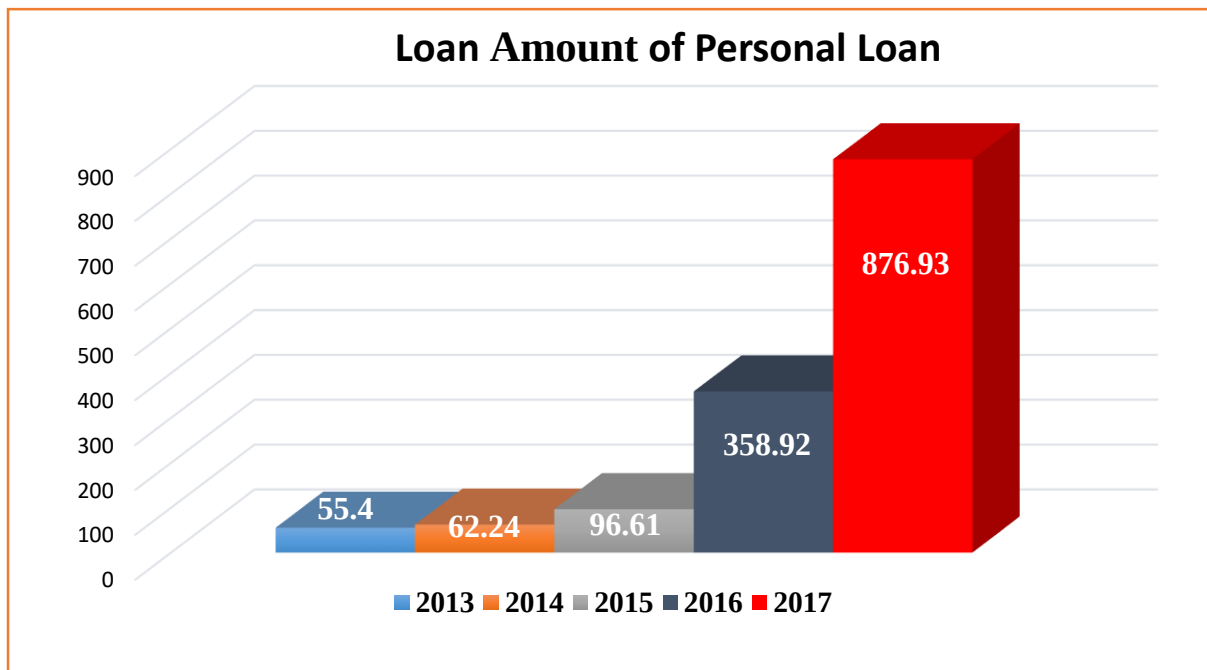
- B. 1 year experience of practice for the professionals
- C. Minimum 2 years involvement in the same business for the business man

❖ Income Criteria

- A. Income must be at least Tk. 15000 per month for salaried executives
- B. For professional income at least Tk. 30000 per month
- C. The income of business person must be at least Tk. 30000 per month

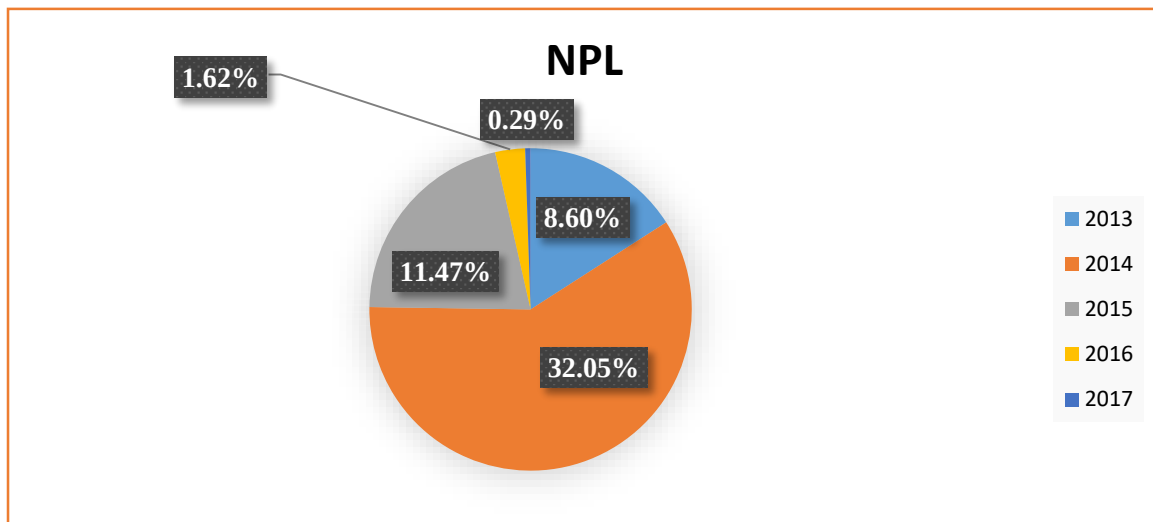
Performance of Personal Loan:

Total Loan Amount:



This graph shows the last five years' overall performance of personal loans of the City Bank Limited. In 2017, the total loan amount is 876.93 cores of taka, which is almost three times that of the previous years. From 2013 to 2017, the personal loan amount is gradually increasing, and it increases more from 2016 to 2017. The City Bank offers very competitive interest rates for their customers compared to other banks, and that is affordable to all. As a result, people take more personal loans to fulfill their dreams, so there is more increase in 2017.

Non-Performing Loan (NPL):



This graph shows the last five years' non-performing personal loan of the City Bank Limited. In 2014, the non-performing personal loan was 32.05% of the total amount of the personal loan. This year, the bank faced some policy issues. Due to the lack of recovery policy, the non-performing personal loan was high in 2014. But this non-performing personal loan amount decreased in the next three years. In 2017, the non-performing personal loan was 0.29% of the total personal loan amount.

Home Loan:

Every person has a dream to make their own house. The City Bank Limited offers home loan facilities to fulfill their dream. If a person fulfills the requirements of the home loan, then he/she will take the home loan. There are some requirements to take the home loan.

Product Features:

- ❖ The customer can take loan from Tk. 5 Lac to Tk. 1.2 Crore
- ❖ The tenor of the loan is 1 year to 25 years
- ❖ There are no hidden charges
- ❖ Maximum 5 phase disbursement is allowed
- ❖ Take short time for settlement
- ❖ Can take loan against property
- ❖ Loan amount up to 70% of the property value

- ❖ Interest rate is very competitive

Processing Fee:

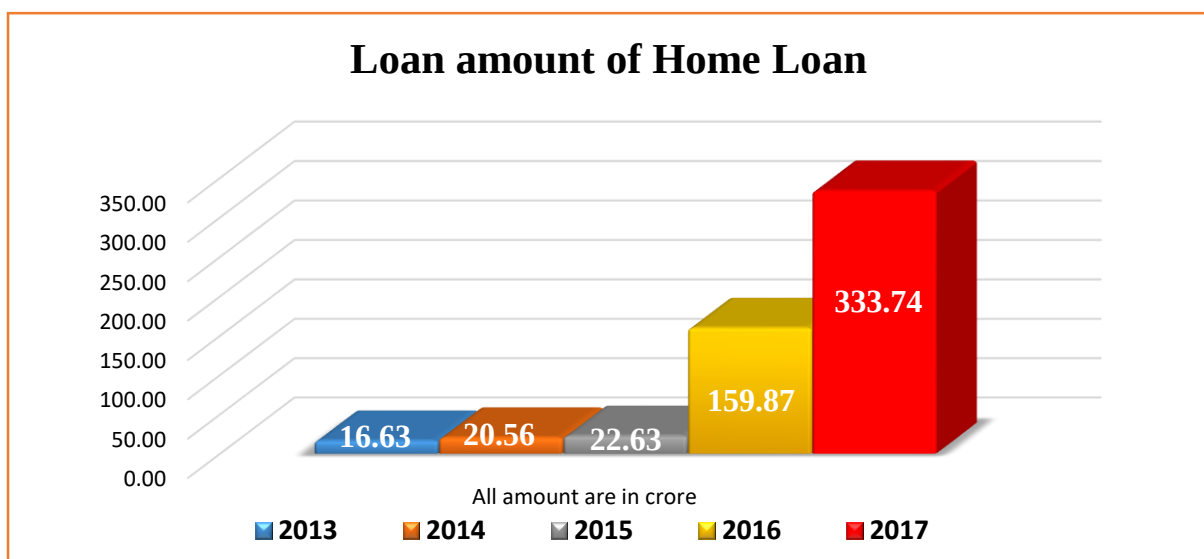
- ❖ The processing fee is 1% on any loan amount
- ❖ There is no processing fee on Takeover and enhancement facilities

Eligibility:

- ❖ Age must be between 22 to 65 years
- ❖ Experience
 - D. Minimum 2 year experience including 6 months with current employer for the salaried executives
 - E. 2 year experience of practice for the professionals
 - F. Minimum 3 years involvement in the same business for the business man
- ❖ Income Criteria
 - D. Income must be at least Tk. 40000 per month for salaried executives
 - E. For professional income at least Tk. 40000 per month
 - F. The income of business person must be at least Tk. 35000 per month

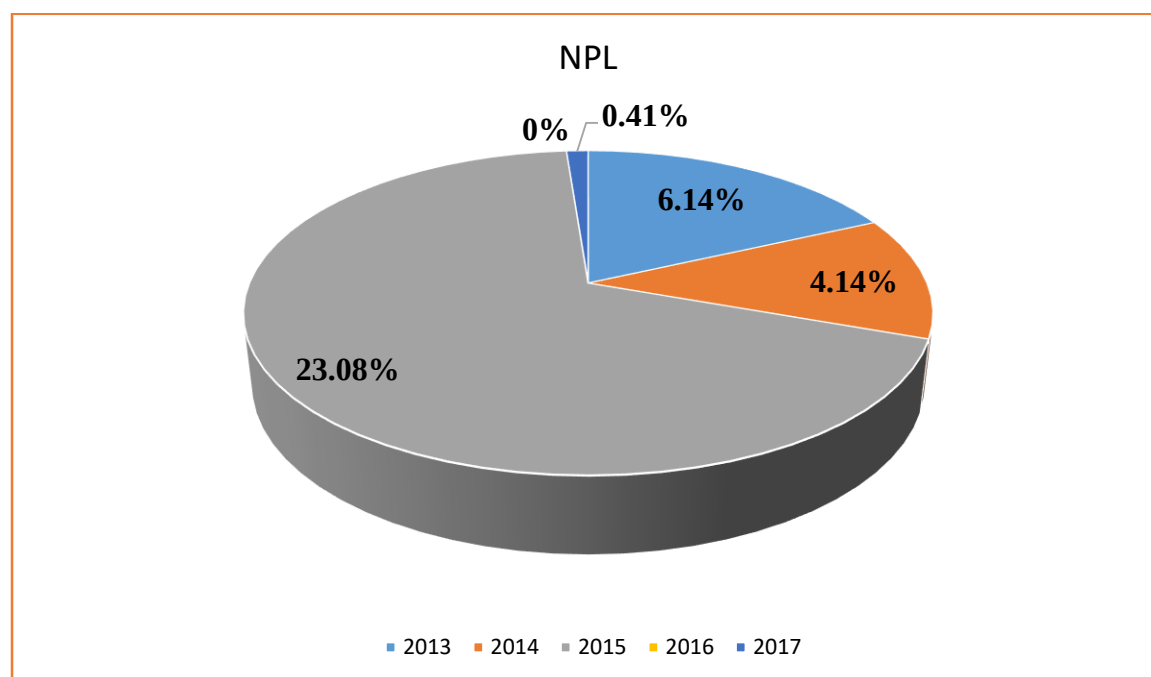
Performance of Home Loan:

Total Loan Amount:



This graph show the last five years overall performance of personal loan of the city bank limited. In 2017 the total loan amount is 333.74 crore taka and that is more than two times than the previous years. From 2013 to 2017 the home loan amount is gradually increasing and it increases more from 2016 to 2017. The city bank offer very competitive interest rate for their customer than other bank and that is affordable to all. As a result people take more home loan to fulfill their dream so that is more increases in 2017.

Non-Performing Loan (NPL):



This graph show the last five years non-performing home loan of the city bank limited. In 2015 the non-performing personal loan is 23.08% of the total amount of the home loan. This year bank face some problems regarding collect loan amount. Due to the lack of recovery policy the non-performing home loan is height in 2015. But this non performing personal loan amount is decreases in the next three years. In 2017 the non-performing personal loan is .41% of the total home loan amount and in 2016 the recovery rate is 100%.

Auto Loan:

Peoples one of the most desire or dream is to buy his/her own car. But sometimes it is difficult arrange huge money to buy this car. The city bank auto loan help those people to buy car. This auto loan process is very easy and very competitive interest rate. People can take city bank auto loan to fulfill their dream.

Product Features:

- ❖ The customer can take loan from Tk. 3 Lac to Tk. 40 Lac
- ❖ The tenor of the loan is 12 months to 60 months
- ❖ The city bank auto loan offer new vehicle price or 50% of reconditions
- ❖ There have no hidden charge
- ❖ Financing up to 100% loan amount against cash securities
- ❖ Interest rate is very competitive

Processing Fee:

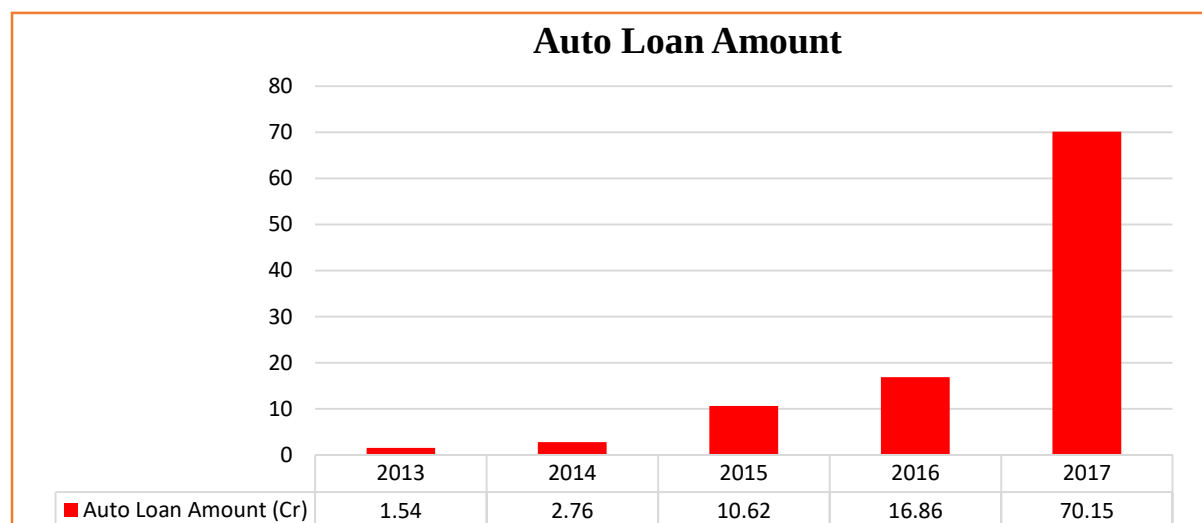
- ❖ The processing fee is 1% on any loan amount

Eligibility:

- ❖ Age must be between 22 to 60 years
- ❖ Experience
 - G. Minimum 1 year experience including 6 months with current employer for the salaried executives
 - H. 1 year experience of practice for the professionals
 - I. Minimum 2 years involvement in the same business for the business man
- ❖ Income Criteria
 - G. Income must be at least Tk. 30000 per month for salaried executives
 - H. For professional income at least Tk. 30000 per month
 - I. The income of business person must be at least Tk. 30000 per month

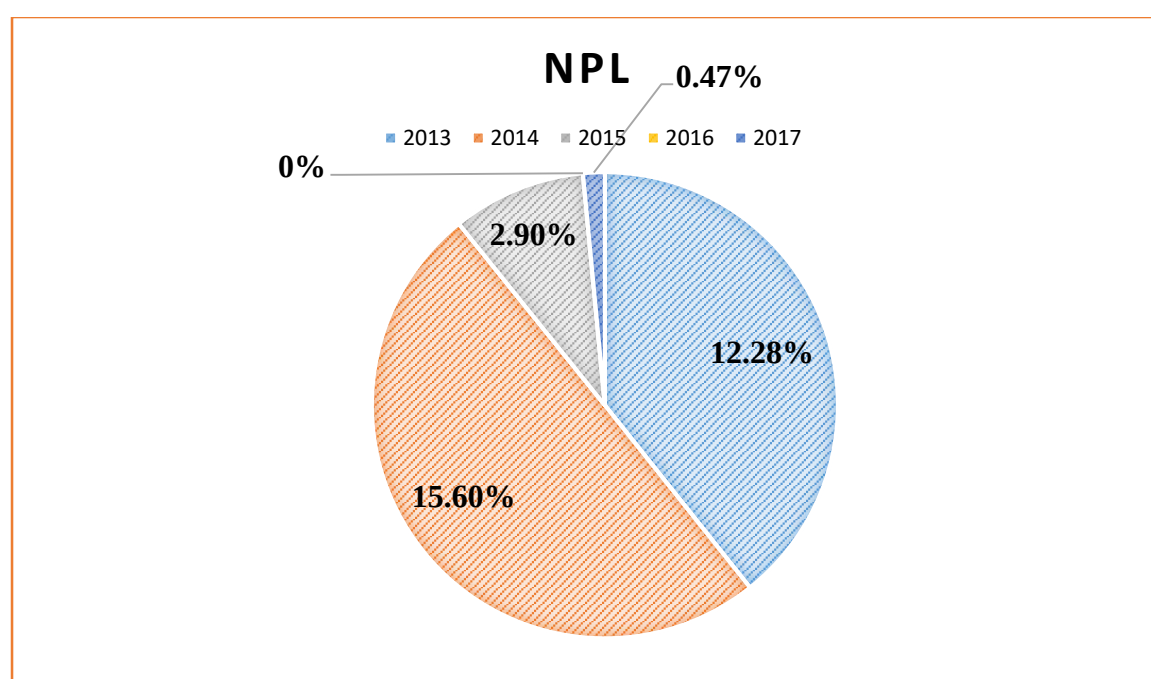
Performance of Auto Loan:

The Loan Amount:



From 2013 to 2017 the city bank total auto loan amount is gradually increasing. If we see this graph, the loan amount increases huge from 2016 to 2017. In 2017 the loan amount is four times more than the 2016 that is 70.15 crore. The loan amount is increases, because of changes in standard of living. In recent year peoples standard of living increases. As a result their need also increases.

Non-performing Loan (NPL):



This graph show the last five years non-performing auto loan of the city bank limited. In 2014 and 2013 the non-performing personal loan is reprehensively 15.60% and 12.28% of the total amount of the auto loan. Those year bank face some problems regarding collect loan amount. Due to the lack of recovery policy the non-performing home loan is height in 2014. But this non performing auto loan amount is decreases in the next three years. In 2017 the non-performing auto loan is .47% of the total home loan amount and in 2016 the recovery rate is 100%.

Secured Loan:

The secured loan is used in any legitimate purpose and these secured loan is fully secured. The security of the loan should be FDR, Deposit scheme and WEDB. Bank offer loan to the client against CBL FDR or other bank and non-bank securities.

Product Features:

The minimum loan amount is Tk. 50000 and the maximum loan amount is 90% of applicable securities

- ❖ The loan processing is very fast
- ❖ The documentation cost is minimum
- ❖ Loan tenor
 - A. For secured loan tenor will be 12 to 60 months
 - B. 1 year for the security overdraft
 - C. 1 year to 2 year for the secured bullet payment.
- ❖ There have no hidden charge

Processing Fee:

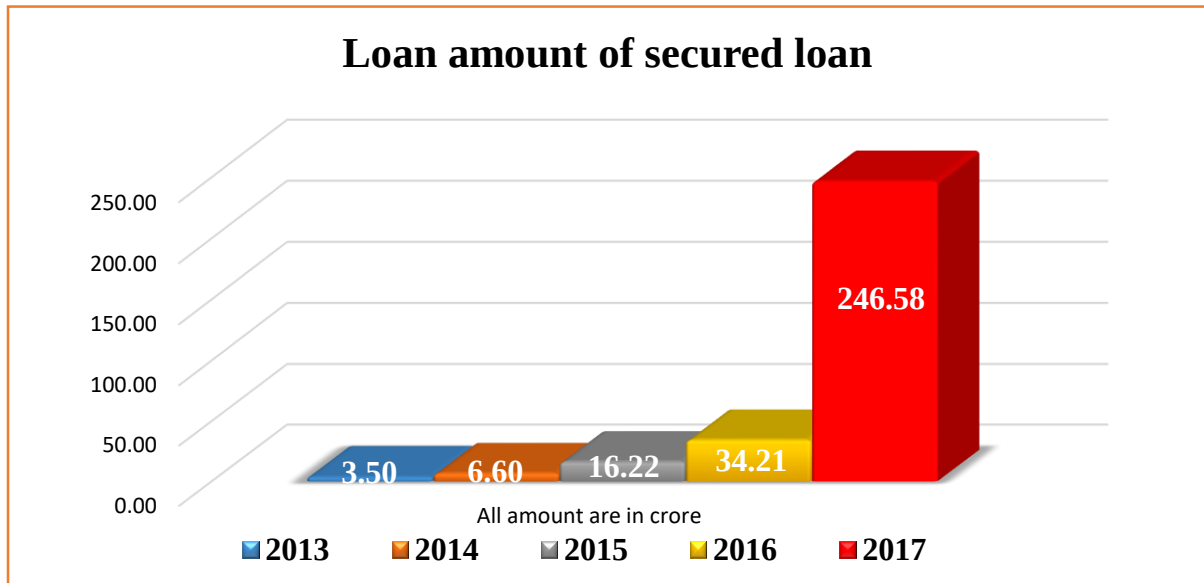
- ❖ Tk. 2000 for up to Tk. 5 lac
- ❖ Tk. 3000 from Tk. 5 lac to 10 lac
- ❖ Tk. 4000 above Tk. 10 lac

Eligibility:

- ❖ The age must be more than 18 years
- ❖ Minimum income for all profession must be more than Tk. 15000

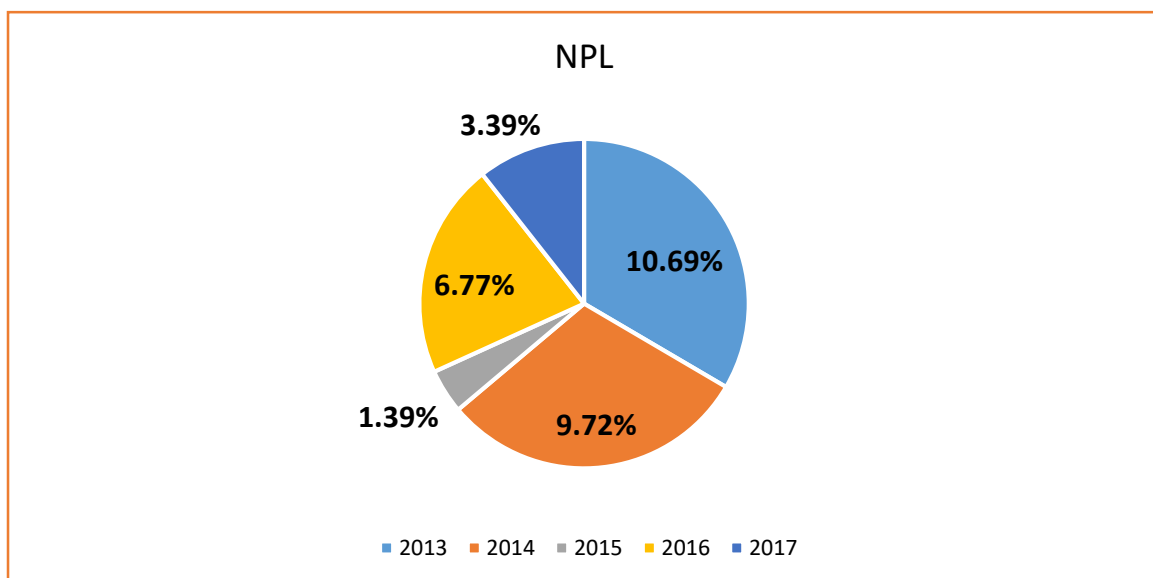
Performance of Secured Loan:

Total Loan Amount:



In this graph we can see the amount of secured loan amount is gradually increasing. And from 2016 to 2017 the loan amount is increases seven times more than the previous year. In 2017 the city bank limited take more actions to increase the sale of secured loan product. As a result the loan amount is increases more in 2017. The city bank limited take more promotional activities to sale their product.

Non-performing Loan (NPL):

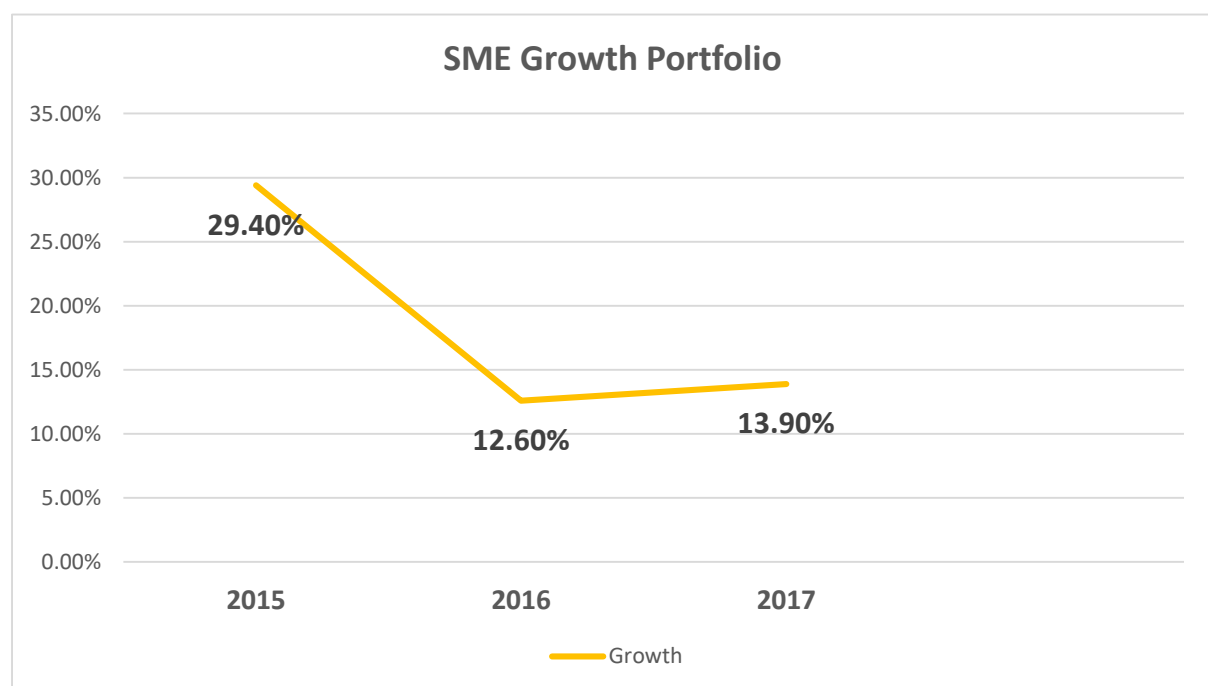


In every year there have some percent amount of secured loan is non-performing. In 2013 and 2014 the non-performing amount of secured loan is height. And in 2016 it was decreases to 6.75%. In this year the city bank limited take some action to reduce the amount of non-performing loan. As a result in 2017 the non-performing loan is decreases.

Small and Medium Enterprise (SME) Banking:

The City Bank Limited is the first private commercial bank of Bangladesh and started its operation in 1983. The city bank limited realize the major opportunity that existed in opening up the formal banking sector to SMEs, a segment that was earlier considered to be un-creditworthy, City Bank boarded on the journey to bridge this divide and catalyze the growth and transformation of the sector. Progressively, under the landmark “Financial Sector Reform Project”, the Bank also restructured the department to ensure more focus on the SME sector. According to the guidance of and directives from the regulator, the Bank has been successfully achieving indicative disbursement targets, which was set initially in the year 2010. There have two parts in the SME Enterprise.

- ❖ SME Medium Enterprise (SME-M)
- ❖ SME Small Enterprise (SME-S)

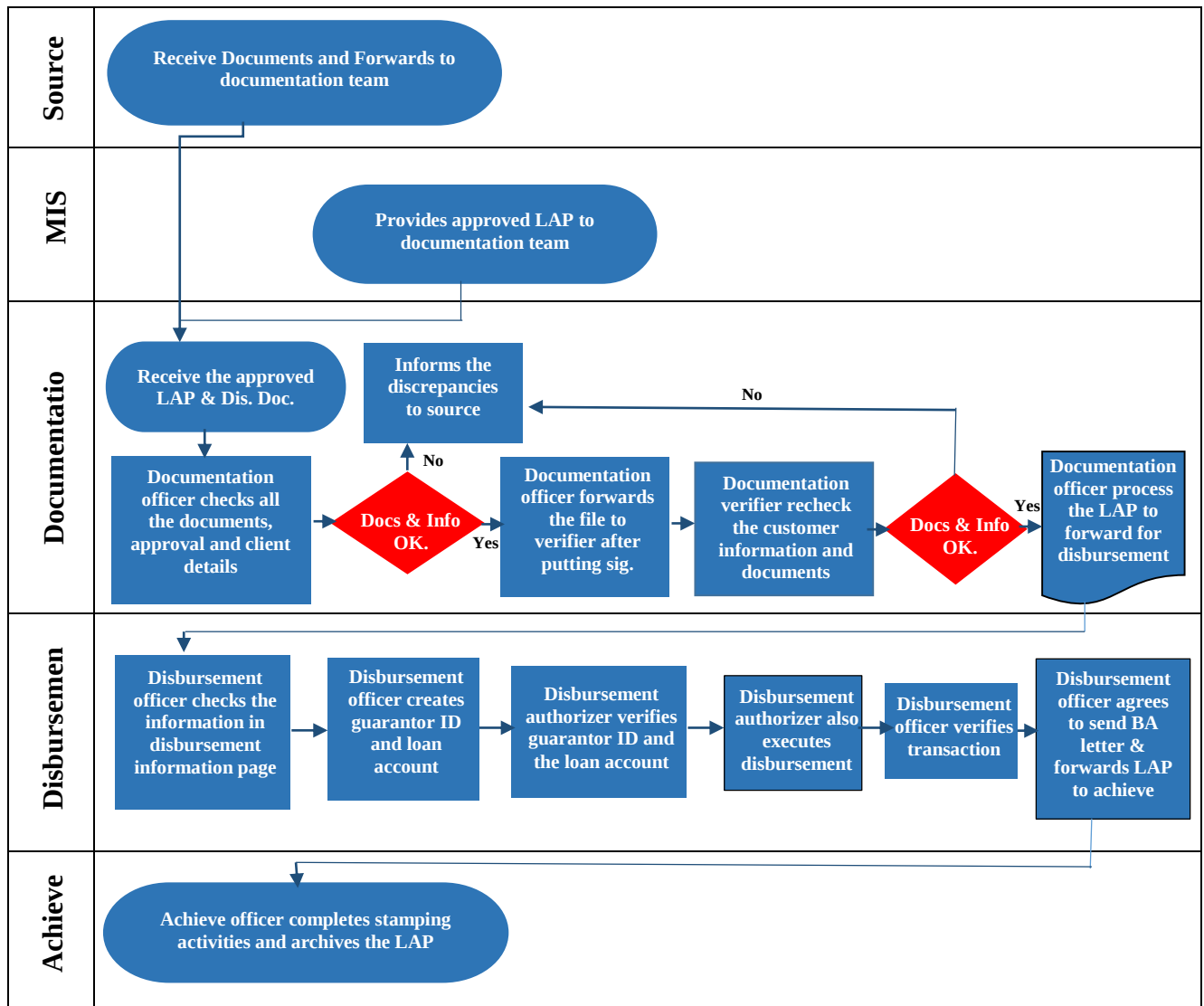


In this chart showing the last three years from 2015 to 2017 SME portfolio growth rate. Here in 2015 the 29.40% of a total loan disbursement amount of city bank limited was from SME. Due to some reason like non-performing loan amount is high in SME, so next year the city bank limited provide 12.60% of total loan in SME. But in 2017 the loan amount is increases. In 2017 the SME disbursement loan is 13.90% of total loan disbursement.

Corporate Banking:

As at December 31, 2017, City Bank's Corporate Banking loans and advances stood at over BDT 117,059 million, which is one of the largest in the banking sector of Bangladesh. Corporate Banking deposits stood at over BDT 32,698 million. The Bank also enjoys USD 135 m funded credit lines from development financiers like IFC, ADB, FMO, and GCPF. In addition, the division executed a trade of USD 2,664 million in 2017, up by 37.9% over the previous year.

Documentation & Disbursement Process:



Source:

The city bank limited receive loan request from three source.

- ❖ Direct Sales Team (DST)
- ❖ Branch
- ❖ Payroll

There have very strong sales team of the city bank limited. Most of the loan request comes from DST. In addition, some loan request come from branch and there have some salaried account in the city bank limited. The customer request loan against salaried account.

Management Information System (MIS):

At first, the loan file goes to the MIS team. The MIS team check the all information and record to the city bank internal database. The MIS team verify all information that received from the customers. If the information is not valid then then the file return to the customer and request to send valid information.

Documentation:

Basically asset operation department responsible for documentation task. The documentation team receive the LAP receive from the MIS team. The documentation officer check the client details and verify the client address and national identity card. If documentation officer find any problem then the loan file back to the source. If the file is ok then this file goes to another verification and send to the disbursement unit.

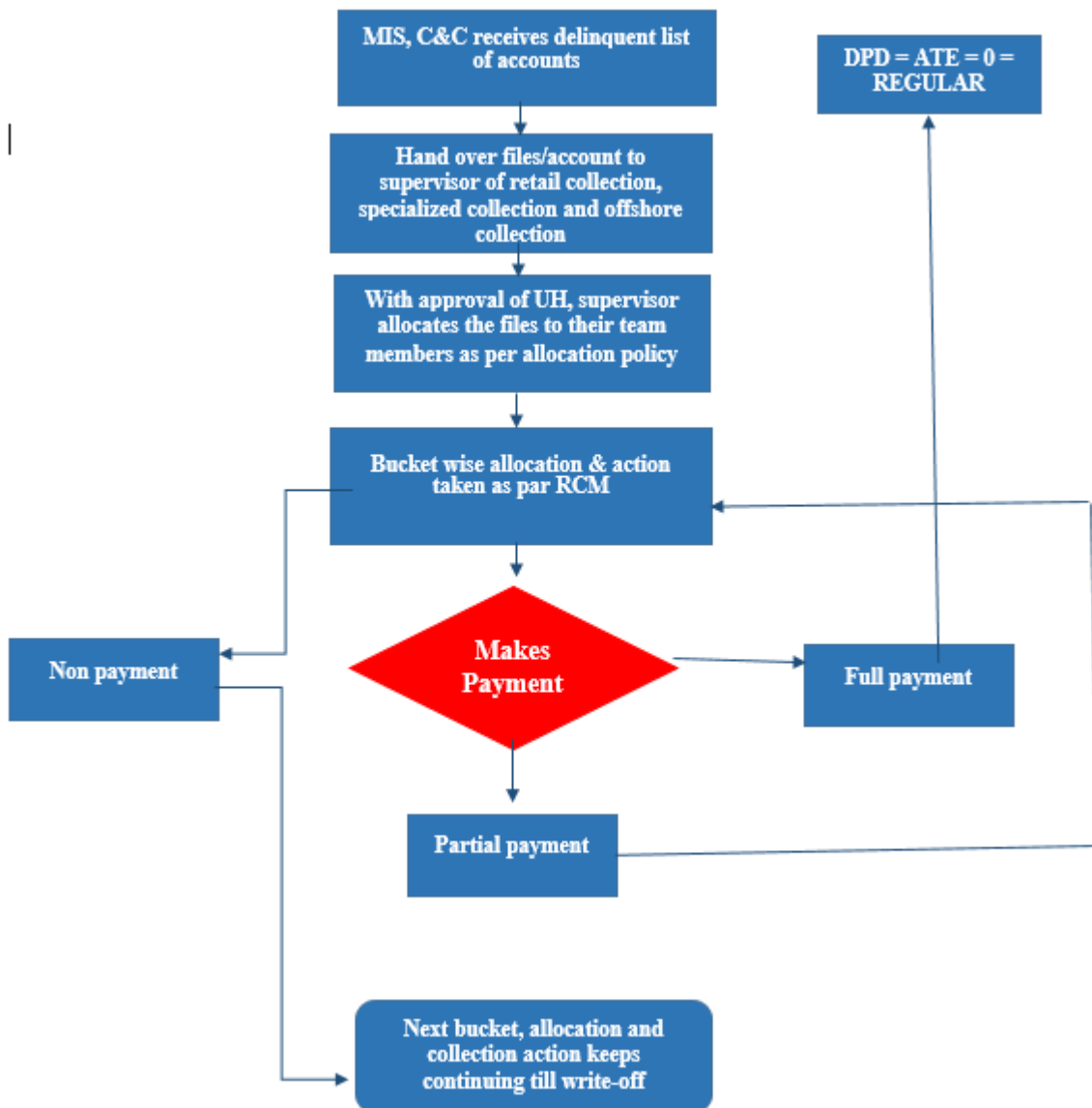
Disbursement:

The disbursement team receive file from the documentation team. The disbursement officer again check the all information in the disbursement page. The disbursement officer create ID and the loan account. Then the disbursement authorizer verify the generate ID and loan account and execute disbursement. The disbursement officer verify the transaction and agree to send Business Agreement (BA) letter and forward LAP to achieve.

Achieve:

Achieve officer receive the loan file from the disbursement unit and complete stamping activities and achieve the LAP.

Collection Process:



After the end of the disbursement process, management information system (MIS) and credit and collection receive the delinquent loan account from the disbursement unit. Then this file or loan handover to the retail collection, specialized collection or offshore collection. Then this file or account approved by the unit head and the supervisor allocate this file to their team members as per allocation policy. The client will pay the loan amount and responsible collect officer will collect the loan amount. The payment will be three way like full payment, partial payment and not payment. The allocation and collection option keeps continuing till write off the full loan amount.

Recovery Process:

Recovery department will responsible to recover from a written-off customer of this bank. It also nurtures a culture of responsibility and accountability in the management of the recovery department.

The Standard Operations Procedure (SOP) of recovery applies to the activities to be achieved for all written off customers across the products. It serves to outline the responsibility of each employee in the policy, process, and procedure relating to recovery management and aims to ensure uniformity in its applications. It will also serve as a reference tool for education and training purposes.

Responsibility:

Maximizing the recovery from the written-off portfolio is the core responsibility of the recovery department in order to contribute banks' profits.

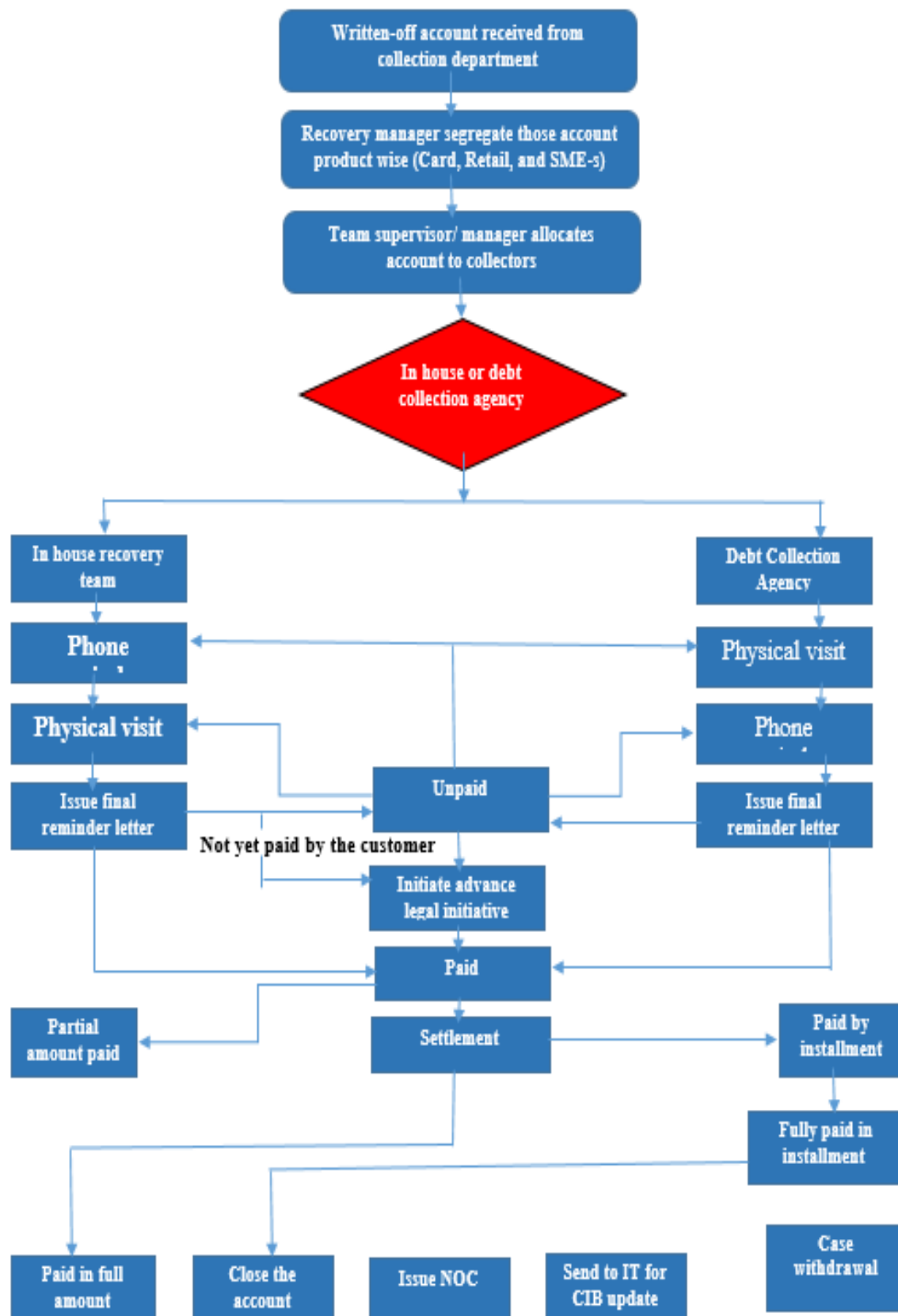
Recovery Flow Chart:

In the recovery process, the recovery manager receive the written-off account from the collection department. Then the recovery manager segment the loan file through product wise like retail loan, corporate loan or SME loan. The city bank limited use two way to recovery the loan.

- ❖ In house debt
- ❖ Debt collection agency

In house debt and debt collection way is almost same. Hare debt collection agency works as a third party of the bank to collect the written-off loan. In this process recovery team or debt agency team phone the customer or physically visit the customer and request to pay the loan amount. Then those team again send the reminder letter to the customer to pay the loan amount. Is customer pay the loan amount then the recovery team settlement their process, if customer don't pay the loan then the recovery team take the legal action against the customer. Then the customer come to settlement with the recovery team. Hare the customer paid full amount or the partial amount or the installment. After completion of the full payment the recovery team close the customer loan file and withdraw the case from the court.

Written Off Recovery Process Flow



Findings and Challenges:

During the making this report I have gone through different parts of Credit policies and procedures of The City Bank Limited. By analyzing, I have identified the following findings as importantly:

Credit assessment and grading policy:

Before disbursement the loan, the bank verify all the information of the client. Based on this the bank provide a grade to the customer. In this grading consider various aspect like client profession, income, life style and many others. The grading policy the bank make don't show the actual result. In addition, for the company grading the central bank order every bank to follow their grading module. But the city bank limited don't follow this grading properly.

Inefficient third party (CPV agent):

Every bank depends on the CPV agents. This agent collect information of the client. CBL enforces third-party agent termed as Contact Point Verification (CPV) to verify the documents of the customer. These agents physically go to the places, customers' residence, watch over customer's business location, verify the existence of the properties, and so on. These CPV agents sometimes are not prompt to verify all the documents information on time or they do verify these improperly. Then the analysts make a decision on the basis of CPV agent's unjust verification and sanction the loan. Thus the credit risk of the customers goes up in this manner.

Lack of information:

There have three source the bank receive the loan request,

- ❖ Direct sales team (DST)
- ❖ Payroll
- ❖ Branch

The information of the client in the loan request file is not available.

Poor data management system:

In the city bank limited is a very big private commercial bank in Bangladesh. And its number of client is huge. But the data management system is not efficient in the city bank limited.

Lack of training for the employee

More than fifteen hundred employee working in the city bank limited. But for the employee development the bank use less budget. The employee of the city bank limited need more training for their development.

Recommendation:

This report find out some problems regarding the credit management of the city bank limited. And now in this part this report show some recommendations based on this problems of the credit management of the city bank limited.

- ❖ The city bank limited must follow the proper grading system at the time of analyzing the client loan request file.
- ❖ The city bank limited need to establish its own CPV team to verify the client address, location, and other information.
- ❖ The city bank limited must have to arrange various training, seminar and workshop for the development of their employee.
- ❖ Need to use latest technology for the data management.
- ❖ Loan request file come from three source and the city bank limited use other source to sell their financial product.

Conclusion:

Financial institutions play a very vital role in the economy of Bangladesh. In recent times, Banking sector is not only depends on traditional method of banking but also modern and digital method of banking. In Bangladesh, banking industry has been treated as a prospective financial sector and it has major contribution in the economy of country. However, this industry of Bangladesh is recently badly affected by bad loans. Thus banks are facing a lots of challenges to maintain liquidity to provide loans to their customers. As a result, the progress of the economy is at stake. One key problem is banks inefficient credit management policy. The city bank limited also facing this kind of problems. This report try to focus the problems of credit management in the city bank limited. If the city bank limited can solve their problems then they can properly establish their strong credit management policy. And a strong credit management policy can sell their credit facility to their customer that create value of the organization.

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Appendix:

Terms & Definition:

CBL- The City Bank Limited	CPV- Contact Point Verification
FINACLE- Core Banking Software	PPG- Product Program Guideline
LAP- Loan Application Pack	MIS- Management Information System
UDC- Undated Cheques	EFTN- Electronic Fund Transfer Network
PDC- Post Dated Cheques	TIN- Tax Identification Number
BA Letter- Banking Arrangement Letter	RFC- Retail Finance Center
DST- Direct Sales Team	SOP- Standard Operating Procedure
LOG- Letter of Guarantor	DP- Demand Promissory
LOTUS- Banking Software	CASA- Current & Savings
C&C- Credit and Collections	HoR- Head of Retail
Bn- Billion	m- Million
LOTUS- A Banking Software	Manarah- An Islamic product of CBL

Product Management Parameter:

Terms and conditions	Program
Purpose of the Loan	Personal Loans will be issued for any legitimate personal purpose; Includes House renovation, Interior Decoration, Marriages in the family, Advance rental payments, Trips abroad etc.
Target Customer	❖ Salaried Executives: Any account paid salary individuals ❖ Self-Employed Professionals ❖ Businessperson- minimum ownership is 20% for Partnership business & 10% ❖ Ownership for private & public limited company. ❖ Landlord/Land Lady ❖ Contractual officials: Contractual officials under HR contract of UN ❖ Organizations reputed MNC and foreign NGOs will also be eligible.
Security	Securities Documentation- ❖ Letter of introduction from the Employer (Salaried only) ❖ Letter of Assignment of salary and other benefits ❖ One Undated cheque (Total loan amount + Applicable Interest) ❖ Demand Promissory Note (DP Note) ❖ Personal guarantee (where applicable) ❖ Other security Documents (As and when required)
Personal Guarantee	<u>For Businessman-</u> 1 Guarantor Required - Residing on Own House, Guarantor can be Businessman or Family Member - Residing on Rented House, Guarantor must be Businessman from the same <u>For Salaried / Professional-</u> ❖ One Personal Guarantee for Salaried / Professional ❖ Family member's guarantee is also acceptable if living in own house/ family owned- Income professional criteria is optional <u>The guarantor will not be required-</u> ❖ CBL staff ❖ A salaried person with a net salary of BDT 300K (direct A/C transfer) ❖ CCEP Customer – as per MOU/ agreement ❖ 100% cash secured loan facility

Collection and Action Plan:

DPD	Collection Steps for Unsecured EMI loans/ OD	Action Calendar	Secured Loans
DPD 1 - 29	Soft phone call/SMS	All through the month	First reminder letter
	First reminder (Letter/SMS/Call etc.)	DPD 1 - 29	
DPD 30 - 59	Phone call	All through the month	Second reminder letter
	2 nd reminder letter	DPD 30 – 59	
	A single visit from a collection	As & when required	
	Calling reference/ Guarantor for assistance	As & when required	
DPD 60 - 89	Final reminder letter	DPD 60 - 89	Final reminder letter for adjusts the security with the credit facility.
	Continue physical visit/ group visit	As & when required	
	Appoint recovery agent for selected early warning accounts	As & when required	
DPD 90 - 119	Letter of assistance to the employer (if applicable)	As & when required	Force encashment of deposit help as security with the facility
	Facility call up letter	As & when required	
	Lien off (if any) on deposit balance and exercise the general right of lien over any security, deposits or payables	As & when required	
	Vigorous phone calls	All through the month	
	Single/group visits to office/business & home	As & when required	
	Appoint recovery agents with approval	As & when required	
	Dishonor of cheque & legal notice under NI act	As & when required	
DPD 120 - 179	Rigorous phone calls	All through the month	N/A
	Single/group visits	As & when required	
	Case proceeding	DPD 120 + DPD	
	GD with PS & letter to BRTA not to renew the car fitness/tax token etc. and appoint recovery agent for car repossession	As & when required	

	Case file Under ARAI	As & when required	
DPD 180 + Till write off	Case proceedings	All through the period	N/A
	Pursue police station for arresting the defaulter if arrest warrant issued	Where applicable	
	Simultaneous out of court settlement / alternative dispute resolution (ADR)	Continuous process	