Risk Management Practice in The City Bank Limited

Internship Report

The City Bank Limited

Submitted By,

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Submitted To,

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February 06, 2015

Ms. Asphia Habib
Senior Lecturer
BRAC Business School
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Subject: Submission of Internship Report.

Dear Madam,

I am pleased to submit hereby the Internship report of **“Risk Management Practice in The City Bank Limited”** for your kind evaluation. To prepare this report, I have given my best effort that would enhance the project report.

This report attempts to describe my observations, learning during the internship tenure in Risk Management Department of The City Bank Ltd. I made sincere efforts to study related materials, documents, annual report and operational systems of CBL and examined relevant records for preparation of the Internship paper as comprehensive and informative as possible within the time allocated for me. There may be some mistakes for which I beg your apology.

I would be glad if you accept the term paper and despite the limitations and oblige thereby.

Sincerely yours,

____

Mahmud Anzeer
ID No.: 10104041
Batch: Spring 2010
Program: Bachelor of Business Administration
Major: Finance & Accounting
BRAC Business School
BRAC University

Acknowledgement

The internship opportunity I had with The City Bank Ltd. was a great chance for learning and professional development. Therefore, I consider myself as a very lucky individual as I was provided with an opportunity to be a part of it. I am also grateful for having a chance to meet so many wonderful people and professionals who led me though this internship period.

Bearing in mind previous I am using this opportunity to express my deepest gratitude and special thanks to Ms. Asphia Habib of BRAC Business School for taking part in useful decision & giving necessary advices and guidance and arranged all facilities to make life easier for me. I choose this moment to acknowledge her contribution gratefully.

I express my deepest thanks to Mohammed Azizur Rahman Shuman, VP & Head of Risk Management of The City Bank Ltd. who in spite of being extraordinarily busy with his duties, took time out to hear, guide and keep me on the correct path and allowing me to carry out my project at their esteemed organization and extending during the internship tenure.

It is my radiant sentiment to place on record my best regards, deepest sense of gratitude to Farzana Hoque, AVP & Unit Head- Market Risk; Imtiaz H. Chowdhury, AVP & Unit Head Risk Capital Management; Mukter Hossain Khan, Associate Manager Risk Capital Management; Khandaker Aminul Islam, AVP & Unit Head Risk Audit/Risk Rating; Fareba Naz Shaule, Associate Manager Risk Audit/Risk Rating Unit and Khondker Ajwad Hossain, Risk Analyst for their careful and precious guidance which were extremely valuable for my study both theoretically and practically.

I perceive as this opportunity as a big milestone in my career development. I will strive to use gained skills and knowledge in the best possible way, and I will continue to work on their improvement, in order to attain desired career objectives. Hope to continue cooperation with all of you in the future.

Sincerely,

Mahmud Anzeer

Table of Content

Executive Summery

This internship report is prepared by me (Mahmud Anzeer) a student of BBA in BRAC University, on Risk Management Practice in The City Bank Limited. It a qualitative report that focus on the overall risk practice compliance in the organization. It is a fact that Risk Management Department (RMD) is a fairly new unit which has been created to impose and comply with the Basel II accords. It is a mandatory requirement of Bangladesh Bank.

In my four months internship period I worked in this department and have come to know about the minute details of how this department works and what are the supporting bodies to it. My detail experience has been shared in this report including the different departments related to risk management, there functions, organizational framework and limitations.

Furthermore, this report focuses on the department I was in, i.e. Risk Management Department. Its functions the risks covered by this department and all the united that it hosts are all mentioned in details.

A details of the job performance is mentioned which enabled me to learn a lot of new things that would help me in the future. . The course named BUS 302 (Research Methods in Business and Management) helped me a lot in this matter.

Finally, I have provided suitable findings regarding the laggings and scopes of improvements of this department using my knowledge and overall views of the other members of RMD. I have used the intranet of CBL in this matter along with their financial report and website. The course FIN 441(Bank Management and Electronic Banking) was a great help in this matter.

There might considerable lickings in the report due to the limitations of information and lack of time. However, I must assure that I have given my best in preparing this report and live it for further studies.

Introduction

The economy of Bangladesh has always been in a turmoil state since commencement. However, the instigation of privatized commercial banks has laid down a milestone in the development of the country's economy. Today there are 39 Private Commercial Banks (PCBs) competing head to head with the 4 State Owned Commercial Banks (SOCBs), 4 Specialized Bank, 9 Foreign Commercial Banks (FCBs) and 31 Financial Institutions. But this did not happen right away. Generations went by to reach this state of competitive market scenario. The City Bank Ltd. is one of the first generation Commercial Banks to operate in Bangladesh. It started its voyage on 27th March, 1983 and now retains its crown among the five oldest Commercial Banks in the country.

Organizational Overview

History

The emergence of The City Bank Limited in the private sector is an important history in the banking arena of Bangladesh. During 1981-83, when the nation was in the grip of severe recession, the government declared and gave permission for the establishment of banks in the private sector with the vision to make money supply more volatile and to reactivate the economy. In that fateful moment twelve valiant and foresighted businessmen came forward to uphold the charge of establishing the bank that would one day take its rightful place among the stars. These extraordinary people were,

Mr. Monowar Ali	Mr. Deen Mohammad
Mr. Ibrahim Mia (Late)	Mr. A.B.M. Feroz
Mr. Abdul Hadi (Late)	Mr. Md. Ali Hossain
Mr. M. A. Hashem	Mr. Azizul Haque Chowdhury
Mr. Anwar Hossain	Mr. N. A. Chowdhury (Late)
Mr. Abdul Barik Choudhury (Late)	Mr. A. K. Mehmood

Their objective was to serve the community with general banking practice but with the passing of time the bank started to present some unique, demanding and timely packages to the public.

The journey of this bank started with only 34 million taka worth of capital in an office at B.B. Avenue in Motijheel. The startup capital was obtained from the promoters but subsequently the argument of issuing share capital arose and through formal registration as a schedule bank the organization commenced at the latter phase of first quarter of 1983. Taka 100 million was authorized to the company as capital of which 14 million was paid up back then and after that the path to greatness never went dark.

At genesis the bank used to follow traditional and orthodox banking methods, formally known as the decentralized banking model. However, it underwent massive restructuring in 2007 and implemented centralized business model with a new management team taking over under the leadership of its new CEO Mr. Mahmood Sattar, serving its customers through 4 distinct business divisions namely,

- Corporate & Investment Banking
- Retail Banking
- SME Banking
- Treasury and Market Risks

The focus of this transformation project was on improving the overall quality of assets, re-launching the brand anew, leveraging the technology potential, improving the quality of products offered and placing higher benchmarks for customer service. Mr. Sattar spearheaded several innovative initiatives to turn the bank into a modern financial supermarket using the latest technologies. Consequently, under his watchful eyes the bank won the 'Best Bank in Bangladesh for 2012' award by FinanceAsia for adopting global best practices by doing away with age-old traditional decentralized banking model and culture. That was the first year of FinanceAsia's extending the award into local bank category in Bangladesh. Besides winning that prestigious award, City Bank also received "The Strongest Bank in Bangladesh award" in 2010 from The Asian Banker, "American Express Marketing Award" for Outstanding New Card launch in 2010 from American Express, "MoneyGram International's Best Corridor Collaboration – South Asia" award in 2011 recognizing the inward remittance growth and the ISO 9001:2008 certification from Moody International, for its entire back end and technology operations. Later on the Bank went through rigorous checks and due diligence undertaken by IFC which made it an IFC (International Finance Corporation) client, ensuing it to become the fourth of its kind in the entire banking industry of the nation.

The Board of Directors of the City Bank Limited in an Extraordinary General Meeting held on 17th November, 2011 elected its Director Rubel Aziz as Chairman of the bank who took up charge from 1st December of the same year. Rubel Aziz is Managing Director of a number of Partex Group companies including Partex Beverage, Partex Jute Mills, Partex Plastics, Partex Accessories and Director of Amber Cotton Mills, Partex Sugar Mills, Partex Denim Ltd. Among many other leadership positions held by him in the corporate sector, he is also the Chairman of Janata Insurance Company Ltd., Director of IDLC Finance Ltd., Vice Chairman of ITCL (Q-Cash) Ltd. He was also the President of Gulshan Club. Under his leadership the bank opened eight new branches up to date, received the “FinanceAsia's Best Local Bank 2012 award”, offered home loan service, signed several new profitable business agreements, took part in reasonable CSR activities and inaugurated a whole new range of services like city gems priority banking service, city touch internet banking service and so on.

On the 3rd of November year 2013, Sohail R. K. Hussain took charge in City Bank as Managing Director & CEO. His contribution can be justly articulated from the 4 awards won by the organization during 2014 namely, ACCA's Achievement Award, 'Best Bank in Bangladesh' award from Euromoney, second time 'Best Commercial Bank in Bangladesh' award from FinanceAsia and 'Best Consumer Internet Bank in Bangladesh' award from Global Finance.

Since the very inception The City Bank Limited is working with the philosophy of serving the nationals as an ideal and unique financial house. The golden pages of history give testimony of that very truth.

Current Situation

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 12 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 has now exceeded their wildest imaginations.

City Bank is among the very few local banks which do not follow the traditional, decentralized, geographically managed, branch based business or profit model. Instead the bank manages its business and operation vertically from the head office through 5 distinct Units namely

- Business Unit
- Branch Banking
- Risk Unit
- Operations Unit
- Support

Under a real-time online banking platform, these 5 distinct Units are supported at the back by a robust service delivery or operations setup and also a smart IT Backbone. Such centralized business segment based business & operating model ensure specialized treatment and services to the bank's different customer segments.

The bank currently has 104 online branches and 1 SME service centers and 11 SME/Agri branch spread across the length & breadth of the country that include a full fledged Islami Banking branch. Besides these traditional delivery points, the bank is also very active in the alternative delivery area. It currently has 240 ATMs of its own; and ATM sharing arrangement with partner banks that has more than 1150 ATMs in place; SMS Banking; Interest Banking and so on. It already started its Customer Call Center operation.

City Bank is the first bank in Bangladesh to have issued Dual Currency Credit Card. The bank is a principal member of VISA international and it issues both Local Currency (Taka) & Foreign Currency (US Dollar) card limits in a single plastic. VISA Debit Card is another popular product which the bank is pushing hard in order to ease out the queues at the branch created by its astounding base of some 400,000 retail customers. The launch of VISA Prepaid Card for the travel sector is currently underway.

City Bank is the local caretaker of American Express and is responsible for all operations supporting the issuing of the new credit cards, including billing and accounting, customer service, credit management and charge authorizations, as well as marketing the cards in Bangladesh. These are international cards and accepted by the millions of merchants operating on the American Express global merchant network in over 200 countries and territories including Bangladesh. City Bank also has exclusive privileges for the card members under the American Express Selects program in Bangladesh. This entitles any American Express card members to enjoy fantastic savings on retail and dining at some of the finest establishment in Bangladesh. It also provides incredible privileges all over the globe with more than 13,000 offers at over 10,000 merchants in 75 countries.

City Bank prides itself in offering a very personalized and friendly customer service. It has in place a customized service excellence model called CRP that focuses on ensuring happy customers through setting benchmarks for the bank's employees' attitude, behavior, readiness level, accuracy and timelines of service quality.

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 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. This will surely prove to be fruitful in the years to come.

Facts and Figures

Deposit growth rate has increased by 14.24% from 94099 million in 2012. This mean, people are getting depositing more money in the bank. This is very good indicator for the bank. Loan growth rate has increased by 7.86% from 83333 million in 2012, which is a very good indicator for the bank.

During FY13, revenue collection was 95.3% of the annual budgeted amount which was Tk.1396.7 billion and almost equal to the target. The revenue collection in the revised FY13 budget is increased by 21.8% over the actual FY12 revenue. The tax revenue which constitutes 83.6% of the total revenue receipts increased by 22.7% compared to 19.7% growth in FY12. The non-tax revenue displayed lower growth rate of 17.4% in the FY13 compared to 44.8% increase in the preceding fiscal year. The total revenue receipts as percentage of GDP rose to 13.5% in FY13 compared to 12.5% in FY12.

During 2013, City Bank earned BDT 13,613 million as interest income, recording a growth of BDT 1,170 million (9%) over previous year. The growth in interest income was attributable to real growth in overall asset portfolio and efficient utilization of fund. Interest/profit paid on deposits and borrowings during 2013 was BDT 8,593 million, an increase over 2012 by BDT 921 million (12%). Interest expenses increased due to the increment of deposit volume by 13,398 million and increase of cost of deposit. Net Interest Income (NII) during the year was recorded at BDT 5,019 million, recording a growth of BDT 249 million or 5% over 2013. This growth was due to a combination of efficiencies achieved both in interest income and interest expense.

Profit After tax (PAT) of the bank stood at BDT 911 million in 2013 compared to BDT 763 million in 2012, 19.4% growth over last year. PAT has increased by BDT 148 million despite the lower operating income and lower provision requirement due to strong recovery effort.

CBL at a Glance

Formal Inauguration	MARCH 27, 1983	**Total Manpower**	2,647
Registered Office	136, BIR UTTAM SHAWKAT SARAK (GULSHAN AVENUE) GULSHAN-2, DHAKA-1212 BANGLADESH	**Number of Branches**	91
Website	www.thecitybank.com	**Number of Islamic Branch**	01
Chairman	RUBEL AZIZ	**Number of SME Service Center**	01
Vice Chairperson	MEHERUN HAQUE	**Number of SME/Agri Branches**	11
Managing Director & CEO	SOHAIL R. K. HUSSAIN	**Number of ATM Booths**	240
Company Secretary	MD. KAFI KHAN	**Number of CDM Terminals**	20
Authorized Capital	TK. 10,000,000,000	**Auditors**	RAHMAN RAHMAN HUQ CHARTERED ACCOUNTANTS
Paid Up Capital	TK. 6,950,778,030	**Tax Consultants**	ACNABIN CHARTERED ACCOUNTANTS & K.M HASAN & CO. CHARTERED ACCOUNTANTS
Reserves	TK. 11,573,996,673	**Legal Retainer**	LAW VALLEY Credit Rating Agency CREDIT RATING AGENCY OF BANGLADESH LTD. (CRAB)
Total Asset	TK.147,471,618,878		
Listing with Dhaka Stock Exchange Ltd.	FEBRUARY 03, 1987		
Listing with Chittagong Stock Exchange Ltd.	DECEMBER 27, 1995		

Objectives and Goals of CBL

CBL always ready to maintain the highest quality of services by upgrading banking technology prudence in management and by applying high standard of business ethics through its established commitment and heritage.

CBL is committed to ensure its contribution to national economy by increasing its profitability through professional and disciplined growth strategy for its customer and by creating corporate culture in international banking arena.

- The objective of CBL is not only to earn profit but also to keep the social commitment and to ensure its co-operation to the person of all level, to the businessman, industrialist-specially who are engaged in establishing large scale industry by consortium and the agro-based export oriented medium & small scale industries by self-inspiration.
- CBL as the first and the largest private bank is committed to continue its endeavor by rapidly increasing the investment of honorable shareholders into assets.
- CBL believes in building up strong based capitalization of the country.
- CBL is committed to continue its activities in the new horizon of business with a view to developing service oriented industry and culture of morality and its maintenance in banking.
- CBL has been working from its very beginning to ensure the best use of its creativity, well disciplined, well managed and perfect growth.
- CBL is always preoccupied to encourage the investors for purchasing its share by creating the opportunity of long term investment and increasing the value of share through prosperity as developed day by day.
- CBL is playing a vital role in Socio-economic development of Bangladesh by way of linkage with rest of the world by developing worldwide network in domestic and international operations.

Vision

The Financial Supermarket with a Wining Culture Offering Enjoyable Experience

Mission

- Offer 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 leaders 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

Values

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

Logo

Positioning is the act of designing the company's offering and image to occupy a distinctive place in the target market's mind. The end result of positioning is the successful creation of a market-focused value proposition, a cogent reason why the target market should buy the product. In doing so City Bank recently started series of advertisement in daily newspapers, billboards and in other media. It launched its new logo and tag line to mark the 25th anniversary of its operation in July 2008.

In recent times, one will find huge difference in the overall positioning and branding of City Bank. The old logo is out dated and does not have any concrete meaning or idea. However, the new logo can be defined in many different ways.

Old Logo: **New Logo:**

Here, the red and silver shape means a chessboard; which stand for wisdom and vision. Since City Bank is 28 years old, they are expert and experienced. Chess is the game of the smart people who knows all the moves. The Bank's game is to deal with customers money matters as smart and sensible banker.

It also symbolizes the checkered flag of ‘Formula One Racing’ which signifies speed and fast pace.

It can also be signified as a beautiful kite, which nose up, going to reach for the sky. In that case, it means the bank is soaring high into the skies of many possibilities in order to make financial dreams come true.

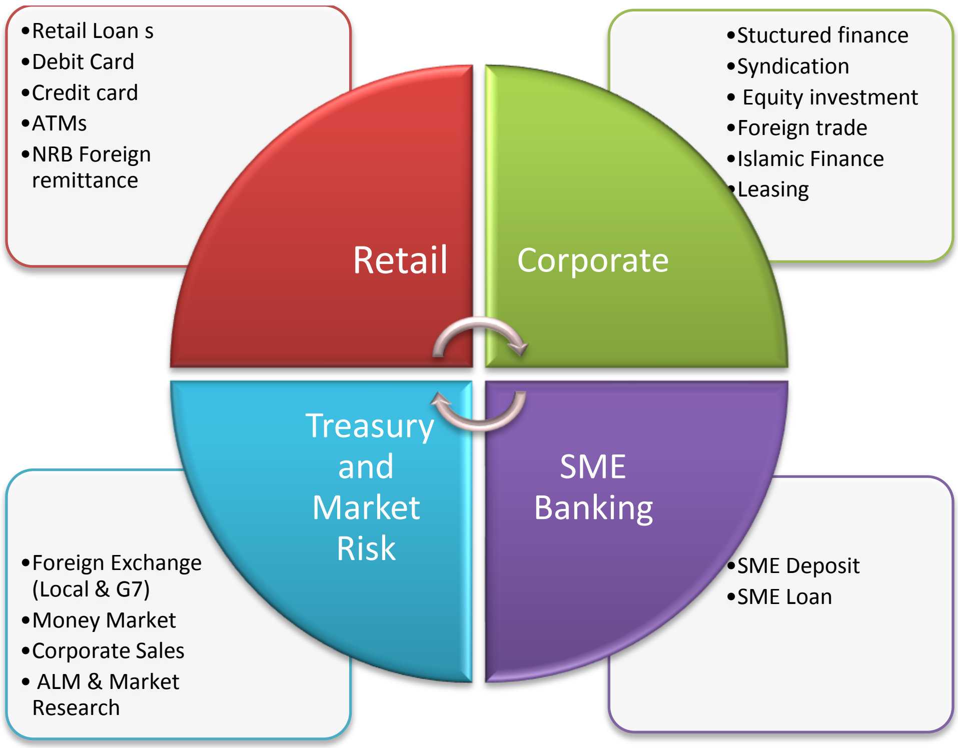
The color red stands for passion, confidence, daring, bold and courage. The color silver symbolizes the Silver Jubilee color which goes or match with the color of historical coins.

The logo has a dynamic shape. Such dynamism stands for modernity, the 21st century. That signifies, this is going to be techno savvy bank, a state of the art tech powered modern bank.

Services of CBL

The principal activities of the Bank are to provide all kinds of commercial banking, consumer banking trade services, custody and clearing to its customers through its branches in Bangladesh. City Bank is among the very few local banks which do not follow the traditional, decentralized, geographically managed, branch based business or profit model. Instead the bank manages its business and operation vertically from the head office through 4 distinct business divisions.

- Corporate & Investment Banking
- Retail Banking (including Cards)
- Treasury & Market Risks
- SME Banking



Under a real-time online banking platform, these 4 business divisions are supported at the back by a robust service delivery or operations setup and also a smart IT Backbone. Such centralized business segment based business & operating model ensure specialized treatment and services to the bank's different customer segments

Corporate Banking

This division of CBL mostly deals with deposits and loans from corporations or large businesses, as opposed to normal individual members of the public (retail banking). The functions of the corporate division may include the following tasks:

- Working Capital Finance
- Trade Finance
- Short/Mid-Term Finance
- Project Finance
- Islamic Banking

City Manarah - Islamic Banking was introduced to guide and manage finances in a fully Islamic Shariah Compliant way. It offers a wide variety of deposit and investment products.

Each account is designed to meet financial needs with best value of money. City Manarah includes services such as,

- Manarah Current Account
- Manarah Savings Account
- Manarah Term Deposit Receipt
- Manarah Hajj Deposit Scheme
- Manarah Deposite Rate
- Schedule of Charges

- Structured Finance
- Cash Management
- Investment Banking
- Schedule of Charges
- Interest Rate on Lending

Retail Banking

Retail banking includes the tasks for the following purposes-

Deposits

- Current Account
- Savings Account
- City Onayash
- City Shomridhdhi
- City Projonmo
- City Ichchapurun
- Student Saving Account School Plan
- FDR

Loans

- City Drive
- City Solution
- City Express
- City Double
- City Scholar

Cards- Debit Card, Credit Card etc.

- Visa Debit Card
- Master Debit Card
- Amex Credit Card
- Visa Credit Card

NRB- Foreign Remittance

- Medical File
- Student File
- Remittance

SME Banking

SME Banking of City Bank is assuming a new and modern dimension. It is entering in to a wider horizon. The philosophy of extending banking services to SME's of the country is to meaningfully push every one of them up to the next level of respective business operations. The upward push would be meaningful as they would be business wise competitive for a sustainable future. It is therefore would be turning in to an abode of SME's to grow to the next level. Hence, the bank has named it City Business - for taking SME's to the next level. CBL'S SME-S banking is engaged of servicing for the following facilities

- City Muldhan
- City Munafa
- City Shulov

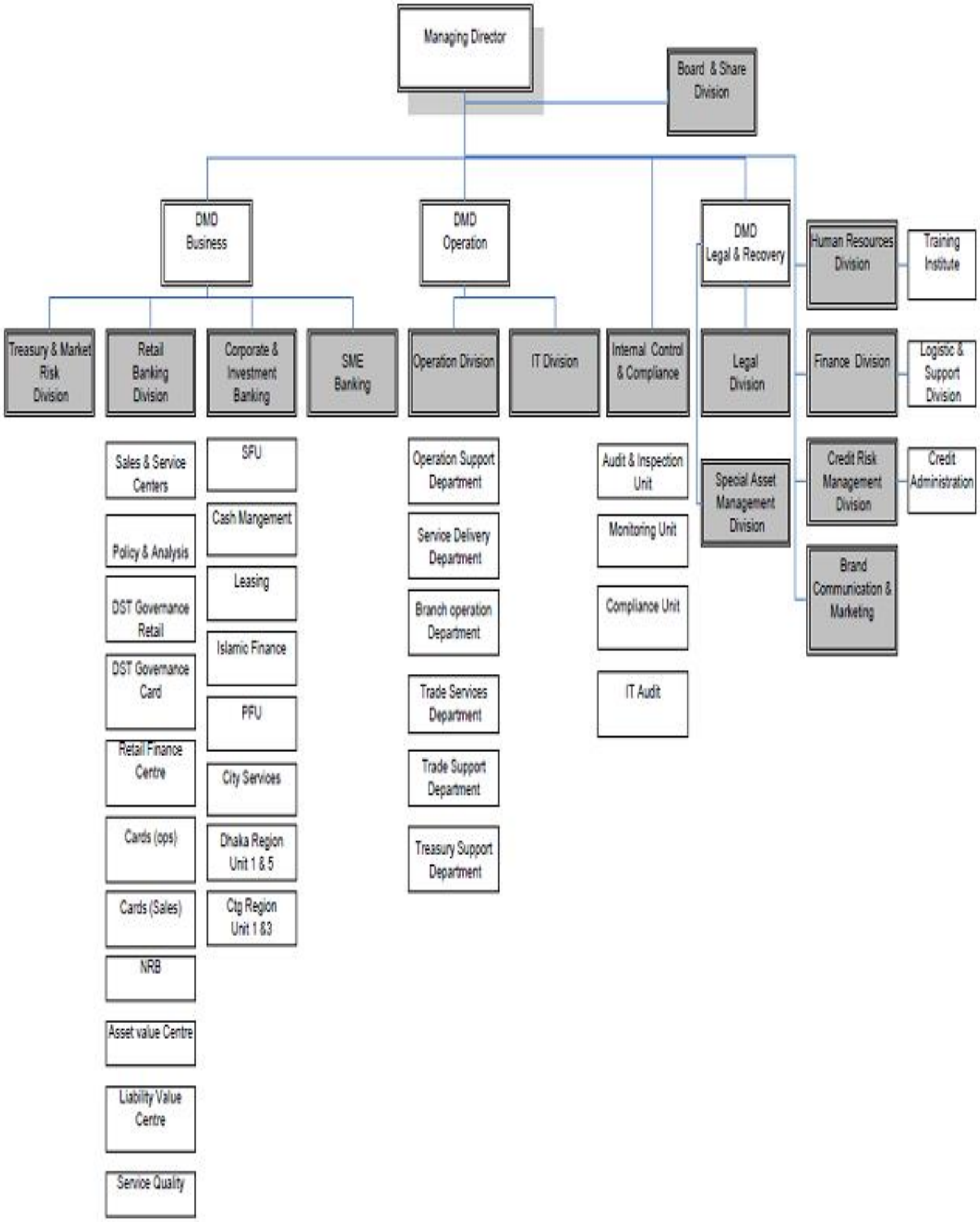
- City Sheba- Service Purpose
- City Nokshi
- City Long Term Against Mortgage Loan
- City Agri :City agri includes the following service
- City Khamar
- City Shosho
- City Livestock
- City Jantrapati

City Bank Treasury and Market Risk Division

City Bank has a dedicated Treasury team who is capable of providing all treasury Solutions. Through our foreign correspondent business partners CBL is providing a wide range of Treasury products. In CBL Treasury, there are four teams who are specialized in their own area to ensure the best possible solution to our customer requirement. CBL has following teams in the Treasury:

- Foreign Exchange (Local & G7)
- Money Market
- Corporate Sales
- ALM & Market Research

Organizational structure



Functions of Credit Risk Management (CRM) Department at City Bank

- Loan administration
- Loan disbursement
- Project evaluation
- Processing and approving credit proposals of the branches
- Documentation, CIB (Credit Information Bureau) report etc.
- Arranging different credit facilities
- Providing related statements to the Bangladesh Bank and other department

Job Responsibility

Nature of the Job

Research Support

Research Support is an assignment to aid ongoing and proposed research initiatives undertaken by Risk Management Division.

In the internship tenure, I have been assigned to review existing literature of few studies, collect sample secondary information, compiling the same for aiding research works. The job requires constant brainstorming and vision to identify the key points of the research and cumulate the report as a whole. Doing this work has been an expended experience which has enhanced my knowledge and strengthened my ability to write reports.

Specific Responsibilities of the Job

- Browsing existing literature to search for relevant article
- Identifying summery points of research already completed
- Collecting the data and creating database
- Reporting to the Head of Risk Management

Projects Covered

- Private Sector Bond Market in Bangladesh
- Financial Inclusion in Bangladesh
- Determinants of Credit Default of SME Customers in Bangladesh
- Problems and Prospects of Green Banking in Bangladesh
- Carbon Footprint Measuring Tools
- Large Loan Loss Case- NPL in Bangladesh (Questioner included)
- Motivational Factors for Compliance with Green Banking by FI's of Bangladesh
- Prominent Financial Ratios Analysis as Determinants of Credit Default in Corporate Sector

- Credit Rating Methodology by Financial Analysts
- Others:
    - It Risk in Banks
    - Credit Guarantee Schemes of Banks
    - Determinants of Credit Growth in Bangladesh
    - Causes of Entrepreneurship Failures: The Case of Women Entrepreneurs in SME sector of Bangladesh
    - Motivational Factors of Green Banking

Different Aspects of Job Performance

The aspects of job performance were measured by area coverage, number of literature reviewed, database construction and compiling. The other essential part of research is aiding report writing and literature summarizing.

Risk Management Practice in CBL

Summery

The practice of calculating, disclosing and controlling or mitigating risks arising from a bank's day to day activities; such as, providing foreign currency, credit issuing, customer care, information system maintenance, internal control and compliance, asset-liability management, oversight of the board of directors, communication within departments and documentation. The City Bank Ltd. being one of the first generation banks is compelled to maintain their reputations by maintaining the risks arising from such activities. This study looks into these matters and provides an over view of the total risk management practice in this bank, finally disclosing the findings and necessary recommendations.

Objective

Broad Objective

The broad objective of this study is to analyze the evaluation on risk management practices of 'The City Bank Limited.'

Specific Objectives

- To give an overview on City Bank and its Risk Management System.
- To compare the performance of the bank with prudential regulations of Bangladesh Bank.
- Finding out the shortcomings of the Bank in operations and providing some suggest remedial measures for its development.

Methodology

Methodology is a process through which a researcher gathering data and analyze the data to get some information and at last able to chalk out the result of the related study. Since this is a descriptive study, the qualitative method is used. So, the scope for using statistical tools and testing of hypothesis is very limited. A chronological description of the assigned topic is presented in the report. In order to make it meaningful and presentable, some significance methods and strategy has been used. In this part we try to clearly show the method we used spontaneously in this report. Two sources of data and information have been used widely:

Primary sources of data:

As a descriptive study, the primary data are used at organizational description.

Secondary sources of data:

- Websites of The City Bank Limited.
- Annual Report of The City Bank Limited.
- Circulars, circular letters and memos issued by the Banks and regulatory organization i.e. Bangladesh Bank and Govt.
- Intranet of The City Bank Limited.

Limitations

- Lack of sufficient related materials
- Lack of available and reliable primary data
- This work is based on secondary data
- Several information regarding on-going projects could not be used to analyze further the competitive positioning of The City Bank Limited as they were considered confidential.

Chapter 1: Overview of Risk Management Practice

Risk Management in Banks

An efficient and healthy banking system is a prerequisite for sustainable economic growth of a country. In this context, effective risk management practices enable the banking industry to build public trust and confidence in the institutions which is necessary for mobilizing private savings for investment to facilitate economic growth. On the flip side, inadequate risk management practices in the banking industry would result in bank failures leading to erosion of public confidence in the industry having adverse implications for the economic growth. Therefore, an effective risk management framework is a prerequisite for banks to achieve their own business objectives and also play their role in the economic growth of the country.

Risk Areas

Risks are considered warranted when they are understandable, measurable, controllable and within a banking company's capacity to readily withstand adverse results. Sound risk management systems enable managers of banking companies to take risks knowingly, reduce risks where appropriate and strive to prepare for a future, which by its nature cannot be predicted with absolute certainty.

Risk management is a discipline at the core of every banking company and encompasses all activities that affect its risk profile. Banks should attach considerable importance to improve the ability to identify measure, monitor and control the overall risks assumed. Risk management is very important especially when the banks are dealing with multiple activities, involving huge funds having both local and international currency exposure.

Banking companies in Bangladesh, while conducting day-to-day operations, usually face the following major risks:

Credit risk

The risk of loss arising from a borrower's probable failure to repay loan is called credit risk. This risk arises whenever a borrower considers paying current debt with future cash flow. In organizations credit risks are evaluated in two ways. These are discussed below,

Individual client wise

Credit Risk Management Division considers the risk on a case to case basis. Their sole purpose is to measure the weighted risk of individual clients and disburse loans accordingly.

Portfolio wise

The credit section of Risk Management Division considers the risk on a sector to sector basis or on industry to industry basis. This is what is referred to as portfolio wise credit risk management.

Market risk

The possibility of experiencing losses due to the factors that affect the overall performance of the financial markets is called market risk. Market risk, also called "systematic risk," cannot be eliminated through diversification, nevertheless it can be evaded. The risk that a major natural disaster will cause a decline in the market as a whole is an example of market risk. Other sources of market risk include recessions, political turmoil, changes in interest rates and terrorist attacks. This sort of risk is evaluated by the market risk section of the Risk Management Department. Market risk can be divided into 3 types. These are discussed below,

Interest rate risk

The risk that an investment's value will change due to a change in the absolute level of interest rates, in the spread between two rates, in the shape of the yield curve or in any other interest rate relationship is called interest rate risk. Such changes usually affect securities inversely and can be reduced by diversifying or hedging.

Foreign exchange risk

The risk of an investment's value changing due to changes in currency exchange rates is called Foreign Exchange Risk. This type of risk is also known as "currency risk" or "exchange-rate risk".

Capital market investment risk

The risk associated with investment in shares. This type of risk can be defined as the probability or likelihood of occurrence of losses relative to the expected return on any particular investment in the capital market.

Operational risk

Operational risk is the risk that is not inherent in financial, systematic or market-wide risk. It is the risk remaining after determining financing and systematic risk, and includes risks resulting from breakdowns in internal procedures, people and systems. This risk is dealt by the operational risk section of the RMD.

Documentation risk

The probability of loss that arises from a legal agreement being incomplete, insufficient, or otherwise unenforceable is called documentation risk. This risk is dealt by the operational risk section of RMD, CAD and RFC.

Concentration risk

Probability of loss arising from heavily irregular exposure to a particular group of counterparties is called concentration risk. This type of risk is calculated and dealt by capital risk section of RMD.

Liquidity risk

The risk stemming from the lack of marketability of an investment that cannot be bought or sold quickly enough to prevent or minimize a loss is called liquidity risk. This type of risk is maintained by market risk section of RMD, Finance Department and the Treasury Department.

Reputational risk

A threat or danger to the good name or standing of a business or entity is called reputational risk. This risk is managed by the operational risk section of RMD.

Strategic risk

A possible source of loss that might arise from the pursuit of an unsuccessful business plan is called strategic risk. This is a part of the risk governance incorporated with top level management.

Environmental risk

Actual or potential threat of adverse effects on living organisms and environment by effluents, emissions, wastes, resource depletion, etc., arising out of an organization's activities is called environmental risk. This risk is managed by Credit Risk Management and the Green Banking Cell.

Risk Management Practice in Bangladesh

Risk management in banking sector of Bangladesh is a relatively newer practice, but has already shown to increase efficiency in governing of these banks as such procedures tend to increase the corporate governance of a financial institution. After implementation of Basel committee, it is guiding the world's banking sector regarding risks issue. Like other countries central banks, Bangladesh is following various Basel pact viz. Basel-I, Basel-II and others core risk guide-lines implemented by Bangladesh Bank.

Subsequent implementation of core risk management guidelines by Bangladesh Bank, All banks of Bangladesh are following these guideline properly and some of our banks has already established separate division namely RMD (Risk Management Division) headed by CRO (Chief Risk Officer). Some banks has tighten their risk management policy especially credit risk establishing through setting up CRM (Credit Risk Management) Division. Some banks are following centralized banking model from Branch based banking model and separated their business unit from credit approval unit. Though some of our foreign banks like, SCB, HSBC, Citi NA has been following these tighten risk management system from earlier.

In spite of various risk management measures and tools that have undertaken by different banks, some financial scams have been occurring in different banks. Due to commodity price fluctuation risk some of the groups from Chittagong have already lost their money and are struggling to survive in the market.

In the backdrop of above, we can say that our economy in comparison with banking sector has become large. Some large size scam has been taking place so Risk Management tools and techniques of our banking sector needs to be tightened further and revisited carefully so that our banking sector can remain unharmed in the times ahead.

Risk Management Organization and Governance

Elements of a sound risk management system

The key elements of a sound risk management system should cover the following:

- Risk management structure with board and senior management.
- Organizational policies, procedures and limits that have been developed and implemented to manage business operations effectively.
- Adequate risk identification, measurement, monitoring, control and management information systems that are in place to support all business operations.
- Establish internal controls and the performance of comprehensive audits to detect any deficiencies in the internal control environment in a timely manner.

It should not be understood that risk management is only limited to the individuals, who are responsible for overall risk management function. Business lines are equally responsible for the risks they are taking. Because the line personnel can understand the risks of their activities, any lack of accountability on their part may hinder sound and effective risk management.

Board and senior management oversight

The quality of board and senior management oversight is evaluated in relation to the following elements:

- Whether the board and senior management have identified and have a clear understanding of the types of risk inherent in business lines and whether they have taken appropriate steps to ensure continued awareness of any changes in the levels of risk.
- Whether the board and senior management have been actively involved in the development and approval of policies to limit the risks, consistent with the bank's risk appetite.
- Whether the board and senior management are well-informed about the methods available to measure risks for various activities.
- Whether the board and senior management carefully evaluate all the risks associated with new activities and ensure that the proper infrastructure and internal controls are in place.
- Whether the board and senior management have provided adequate staffing for the activity and designated staff with appropriate credentials to supervise the activity.

Policies, procedures and limit structure

The following key factors are to be considered in evaluating the adequacy of policies, procedures and limits:

- Whether policies, procedures and limits are properly documented, drawn up after careful consideration of the risks associated with the activity and reviewed and approved by management at the appropriate level.
- Whether policies assign full accountability and clear lines of authority for each activity and product area.
- Whether compliance monitoring procedures have been developed. These procedures should include internal compliance checks for obedience to all policies, procedures and limits by an independent function within a bank such as an internal control unit.

Risk measurement, monitoring and management reporting systems

- Effective risk monitoring requires banks to identify and measure all quantifiable and material risk factors. Consequently, risk monitoring activities must be supported by information systems that provide the management with timely and accurate reports on the financial condition, operating performance and risk exposure of the bank.

- Management information systems should provide regular and sufficiently detailed reports for line managers engaged in the day-to-day management of the bank's business operations.
- All banks are expected to have risk monitoring and management information systems that provide senior management with a clear understanding of the bank's positions and risk exposures.
- The following factors should be considered in assessing the effectiveness of the risk measurement, monitoring and management reporting systems:
  a. The adequacy, on a historical basis, of the risk monitoring practices and reports addressing all material risks of the organization.
  b. The adequacy and appropriateness of the key assumptions, data sources and procedures used to measure and monitor risk, including the adequacy of analysis, documentation and reliability testing of the system on a continuing basis.
  c. Any material changes in the bank's lines of business or products that might require changes in the measuring and monitoring systems.
  d. Any changes in the information technology or management information system environment that have significantly changed the production process for reports or the assumptions on which reports are based.
  e. How consistently management information reports and other forms of communication monitor all meaningful exposures, check compliance with established limits, goals or objectives and compare actual with expected performance.
  f. The adequacy, accuracy and timeliness of reports to the Board and senior management and whether such reports contain sufficient information for them to identify any adverse trends and to evaluate the level of risks fully.

Internal controls and comprehensive audits

- A critical element of a bank's ability to operate in a safe and sound manner and to maintain an acceptable risk management system is the adequacy of its internal control environment. Establishing and maintaining an effective system of controls, including the enforcement of official lines of authority and the appropriate segregation of duties, is one of management's most important responsibilities. Serious lapses or deficiencies in internal controls such as inadequate segregation of duties may warrant supervisory action.

- When properly structured, a system of internal controls promotes effective operations, provides for reliable financial reporting, safeguards assets and helps to ensure compliance with relevant laws, regulations and internal policies. An independent internal auditor should test internal controls and the results of these audits, including management's response to the findings, should be properly documented.

  The following factors should be considered in evaluating the adequacy of the internal control environment:

  a. The appropriateness of the system of internal controls in relation to the type and level of risks posed by the nature and scope of the bank's business operations and products.
  b. Whether the bank's organization structure establishes adequately clear lines of authority and responsibility for monitoring compliance with policies, procedures and limits.
  c. Whether reporting lines provide for sufficient independence of the control functions from the business areas, as well as adequate segregation of duties throughout the organization (such as those relating to trading, custodial and back-office operations or loan origination, marketing and processing).
  d. Whether the official organizational structure reflects actual operating practices.
  e. The reliability, accuracy and timeliness of all financial, operational and regulatory reports.
  f. The adequacy of procedures for ensuring compliance with applicable laws, regulations and internal policies and procedures.
  g. The effectiveness, independence and objectivity of internal audit or other control and review procedures in providing adequate coverage of the bank's operations.
  h. Whether internal controls and information systems are adequately tested and reviewed.
  i. Whether the coverage, procedures, findings and management responses to audits are adequately documented.
  j. Whether identified material weaknesses are given appropriate and timely high-level attention and management's actions to correct material deficiencies are objectively verified and reviewed.

The concept of risk appetite

The risk management framework is expected to be developed and applied within an overarching statement of risk appetite. Risk appetite is set by the Board and reflects shareholder aspirations within the constraints of regulatory requirements, creditor and legal obligations.

Definition of risk appetite

Risk appetite is the level and type of risk a bank is able and willing to assume in its exposures and business activities, given its business objectives and obligations to stakeholders (depositors, creditors, shareholders, borrowers, regulators). Risk appetite is generally expressed through both quantitative and qualitative means and should consider extreme conditions, events, and outcomes. It should be stated in terms of the potential impact on profitability, capital, and liquidity.

Risk appetite framework

The science of developing and adopting a Risk Appetite Framework (RAF) is still evolving at banks all over the world. Some banks have adopted a high-level, brief, and qualitative statement of RAF, while others make it complex, lengthy, and quantitative.

Some rudiments for an effective RAF are mentioned below:

- RAFs discuss the desired business mix and composition of the balance sheet, risk preferences (which risks are embraced, tolerated, and avoided), the acceptable tradeoff between risk and reward, tolerances for volatility, capital thresholds, the tolerance for post-stress loss, optimum liquidity ratios and others.
- It should focus on the bank's key strengths and competitive advantages.
- It should enable the Board to challenge business proposals outside of the bank's traditional product and service lines.
- It should make forward-looking discussions of risk easier.
- It should codify the types of risk the bank is willing to bear and under what conditions, as well as which risks the bank is unwilling to assume.

Risk appetite is the cornerstone of a successful risk management framework. Risk appetite can be fitted into the risk management framework in the following manner:

Elements of risk management framework	Linkage to risk appetite
Risk governance	Clear risk appetite statement approved by the board and embodied in risk policy and delegated authorities. This sets the 'tone from the top' and the foundation for the risk culture.
Risk assessment	Frequent risk assessment process to identify new and changing risk landscape in context to risk appetite.
Risk quantification and aggregation	Regular quantification and aggregation of risk to prioritize focus of risk management and control.
Monitoring and reporting	Monitoring and reporting of performance against risk-based limits based on risk appetite.
Risk and control optimization	Framework of controls calibrated in line with risk appetite to optimize cost/benefit.

Making sure that an adequate risk management framework is in place is the responsibility of each bank's senior executives, in particular the CEO, subject to the oversight of the Board of Directors (BOD). Some suggestions for the BOD to enhance their oversight of risk are mentioned below. However, these do not reduce or transfer the responsibility of management in the risk management process.

- BODs need to be well acquainted with risk issues and to be given the means to understand risk appetite and the firm's performance against it.
- Some BODs may find it appropriate for their bank to have separate audit and risk committees, given the differing skills and adequate time to devote to review issues.
- It is useful to have at least a portion of members of the risk committee of the BOD with technical financial sophistication in risk disciplines. This will give a clear perspective on risk issues.
- The BOD should understand the risk appetite and assure itself that management has properly considered the firm's risks.

Optimal risk organization

BOARD OF DIRECTORS

Internal Audit	Credit and Risk Committee

EXECUTIVE BOARD

All Risk Committee (including Operational Risk)	Asset-Liability Management Committee	Executive Board's Credit Committee

Risk Management Unit	Office of CFO	Credit Department	Treasury Department	Business Units
Risk Parameters, Models, Stress Testing, Reporting, Monitoring	Capital Management	Credit Methods and Processes	Liquidity Management	
	Market Risk Management	Credit Portfolio Management		

Role of the BOD

- Defining the risk appetite.
- Designing the organizational structure to manage risk within the bank.
- Understanding the inherent risks of the bank.
- Reviewing and approving risk management policies and re-reviewing at least annually.
- Enforcing and using adequate recordkeeping and reporting systems.
- Reviewing and approving limits and re-reviewing at least annually.
- Monitoring compliance with overall risk management policies and limits.

Credit and risk committee

The functions of Credit and Risk Committee shall be set by the board. The Credit and Risk Committee shall work as a consulting panel on significant credit exposures submitted to the board.

Role of the executive board

- Ensuring appropriate knowledge, experience, and expertise of lower-level managers and staff involved in risk management.
- Ensuring sufficient staff resources for each risk management activity.
- Establishing standards of ethics and integrity for staff and enforcing these standards.
- Supervising day-to-day activities of senior managers and heads of business lines.
- Identifying risks involved in new products and activities and ensuring that the risks can be measured, monitored, and controlled adequately.
- Establishing committees and sub-committees to be in charge of ongoing risk management.

All risk committee

The functions of All Risk Committee shall be set by the Executive Board (EB). All Risk Committee shall be responsible for managing all risk types across the bank. Responsibilities include the following:

- Setting targets for capital ratios and capital composition.
- Managing the balance sheet.
- Managing the funding structure.
- Determining general principles for measuring, managing, and reporting the bank's risks.
- Developing risk policies for business units.
- Determining the overall investment strategy.
- Identifying, monitoring, and managing the bank's current and potential operational risk exposures.
- Handling "critical risks" (risks that require follow-up and further reporting).
- Following up on reviews by and reports from BB and informing the EB of issues affecting the bank's operational risks.
- Following up on reports prepared by Internal Audit and informing the Executive Board of unusual circumstances.

- Preparing management information on issues such as IT security, physical security, business continuity, and compliance.

Asset-liability management committee (ALCO)

ALCO is a senior management level committee responsible for supervision/ management of market risk (mainly interest rate and liquidity risks). The committee generally comprises of senior managers from treasury, chief financial officer, business heads generating and using the funds of the bank, credit, and individuals from the departments having direct link with interest rate, foreign exchange and liquidity risks. The CEO must be the head of the committee.

To be effective ALCO should have members from each area of the bank that significantly influences interest rate, foreign exchange and liquidity risks. In addition, the head of the Information System Department (if any) may be an invitee for building up of MIS and related computerization.

Major responsibilities of ALCO include the following:

- Ensure that the bank's measurement and reporting systems accurately convey the degrees of liquidity risk, interest-rate risk, and foreign exchange risk.
- Monitor the structure/composition of bank's assets and liabilities. Identify balance sheet management issues like balance sheet gaps, interest rate gap/profiles etc. that are leading to under performance.
- Decide on major aspects of balance sheet structure, such as maturity and currency mix of assets and liabilities, mix of wholesale versus retail funding.
- Decide on how to respond to significant, actual and expected increases and decreases in the need for funding.
- Develop maturity profile and mix of incremental assets and liabilities.
- Articulate interest rate view of the bank and deciding on the future business strategy.
- Review and revise bank's funding policy.
- Decide on the transfer pricing policy of the bank.
- Evaluate market risk involved in launching of new products.
- Review deposit-pricing strategy for the local market.

- Review liquidity contingency plan for the bank.

ALCO should ensure that risk management is not limited to collection of data only. Rather, it will ensure that detailed analysis of assets and liabilities is carried out so as to assess the overall balance sheet structure and risk profile of the bank. The ALCO should cover the entire balance sheet/business of the bank while carrying out the periodic analysis. The ALCO should meet on a regular basis at least once in a month.

Executive board's credit committee

The responsibilities of Executive Board's Credit Committee include the following:

a) Deciding on credit applications that exceed the lending authorities of business units.

b) Preparing credit policies for approval by the board.

c) Participating in decisions on the overall valuation of the loan portfolio and the adequacy of loan-loss allowances.

Risk management unit

The Risk Management Unit (RMU) shall be headed by the Chief Risk Officer (CRO). The RMD needs to manage and measure risks on the basis of the bank's approved risk parameters, independently of regulatory requirements and categories. It should also be independent from ratings of transactions, which may not address the bank's specific issues or be aligned to the bank's standards and risk management goals. The responsibilities of RMD include the following:

a) Serving as secretariat of All Risk Committee.

b) Designing bank's overall risk management strategy.

c) Developing and overseeing implementation of stress tests.

d) Developing, testing, and observing use of models for measuring and monitoring risk.

e) Informing the board and All Risk Committee about the appetite for risk across the bank.

f) Communicating views of the board and senior management throughout the bank.

g) Independently monitoring limits, in addition to the monitoring that is done by business units.

h) Establishing risk management policies and procedures.

i) Formulating guidelines on the handling of all property and liability claims involving the organization.

j) Developing and implementing loss prevention/loss retention programs.

k) Identifying and quantifying bank's exposures to material loss.

l) Securing and maintaining adequate loss coverage at the most reasonable cost.

m) Adopting proper financial protection measures through risk transfer, risk avoidance, and risk retention programs.

n) Determining the most cost-effective way to construct, refurbish, or improve the loss protection system of any facility leased, rented, purchased, or constructed by the bank.

o) Managing claims for insured and uninsured losses.

p) Participating on all contract negotiations involving insurance, indemnity, or other pure risk assumptions or provisions prior to the execution of the contracts.

Risk management reporting

The following reports are required to be submitted before the board on different intervals:

Quarterly reporting

ICAAP: Internal capital adequacy assessment process (ICAAP), including an evaluation of the bank's preferred risk profile, the actual risks identified, the means by which they will be mitigated, and what risks will be covered by capital. The results of stress tests should be covered in this report. The overall capital need shall also be reported.

Key figures from the credit portfolio: An overview of credit-quality indicators focusing on unauthorized excesses and overdue payments, the number of upgrades and downgrades in the classification system, and trends in lending volumes.

Market risk: An analysis of the bank's current equity, interest-rate risk, and foreign exchange risk positions as well as reports on the utilization of board-approved limits since the preceding report.

Large exposures: An overview of exposures equal to or exceeding 10 percent of the bank's capital base, and the sum of all such large exposures as a percentage of the bank's capital base.

Industry analyses: Industry analyses for those industries in which the bank's exposures are concentrated.

Liquidity risk: Report on liquidity gap in different time buckets and other required liquidity metrics.

Annual reporting

Risk policy: Review of the overall risk policy, including a consideration of whether any revisions are required.

ICAAP: An evaluation of the preferred risk profile, the overall capital need, and the conclusions drawn from stress testing.

Risk management framework: A thorough analysis of the bank's risk profile, including identification and description of risks and an update on the use of risk management models.

Credit portfolio quality: An analysis of adversely-classified loans, provisions and charge-offs by types of loan.

Chapter 2: Risk Management in CBL

Risk management is an important and sensitive process, as a minor error can be fatal. This is why several divisions are assigned to manage each risk type separately. Currently the credit risk management unit is named as Credit Risk Management (CRM) Division. This division basically identifies and mitigates the credit risk inherent in every loan proposal. The market risk /investment risk is taken care by the ALCO and Head of Treasury and Market Risk Division and Operational Risk is taken care by Operation Support Division.

The Risk Audit function done by Internal Control and Compliance Division is to provide an independent assessment of the adequacy and reliability of the risk management processes, and compliance with risk policies and regulatory guidelines. The key functions of Risk Audit Team are as under:

- Provide an independent assessment of the adequacy of the risk management processes and compliance with risk policies and regulatory guidelines.
- Ensure maintenance of system of internal controls and compliance with laws and regulations, internal procedures and guidelines.
- Support and maintain the independence of the internal and external audit functions.

Presently CBL does not maintain any risk register in a comprehensive way. Though the Internal Control & Compliance Division is maintaining risk profile but it is not sufficient. The RMD will be maintaining a Risk Register and Risk Log with the assistance of ICCD in the near future.

Proposed Framework

Under the proposed framework, a holistic approach will be followed in managing risk. Under the framework 2 (two) different Units will be tasked. The Risk Management Department (RMD), a division headed by Chief Risk Officer (CRO) will act as the centre of all risk management function of CBL and will continuously support the Risk Management Unit (RMU) to be in place to establish supervisory review process under the guidelines of Basel II and to be compliant of Bangladesh Bank's instruction vide letter # DOS (EW)1164/14(the City)/2009-586 dated September 24, 2009, under the supervision of the Chief Risk Officer (CRO).

RMD is responsible for managing and monitoring risks. The RMU is responsible for implementing all risk management decision taken in the meeting of the Unit held once in a month. The overall control for Risks lays with the Chief Risk Officer (CRO), who performs his/her jobs through the Risk Management Unit (RMU).

The RMD prepares the Risk Management Paper for RMU and CRO informs to the MANCOM on quarterly basis about the Risk Management Process of CBL. However, the MANCOM of CBL sets the boundaries and tolerance level on the bank's future risks that the administration is willing to take by specifying maximum loss they are willing to tolerate of a given level of confidence such as the Bank might take 1% chance of BDT 50 million loss from trading activities of any given day/month/year etc.

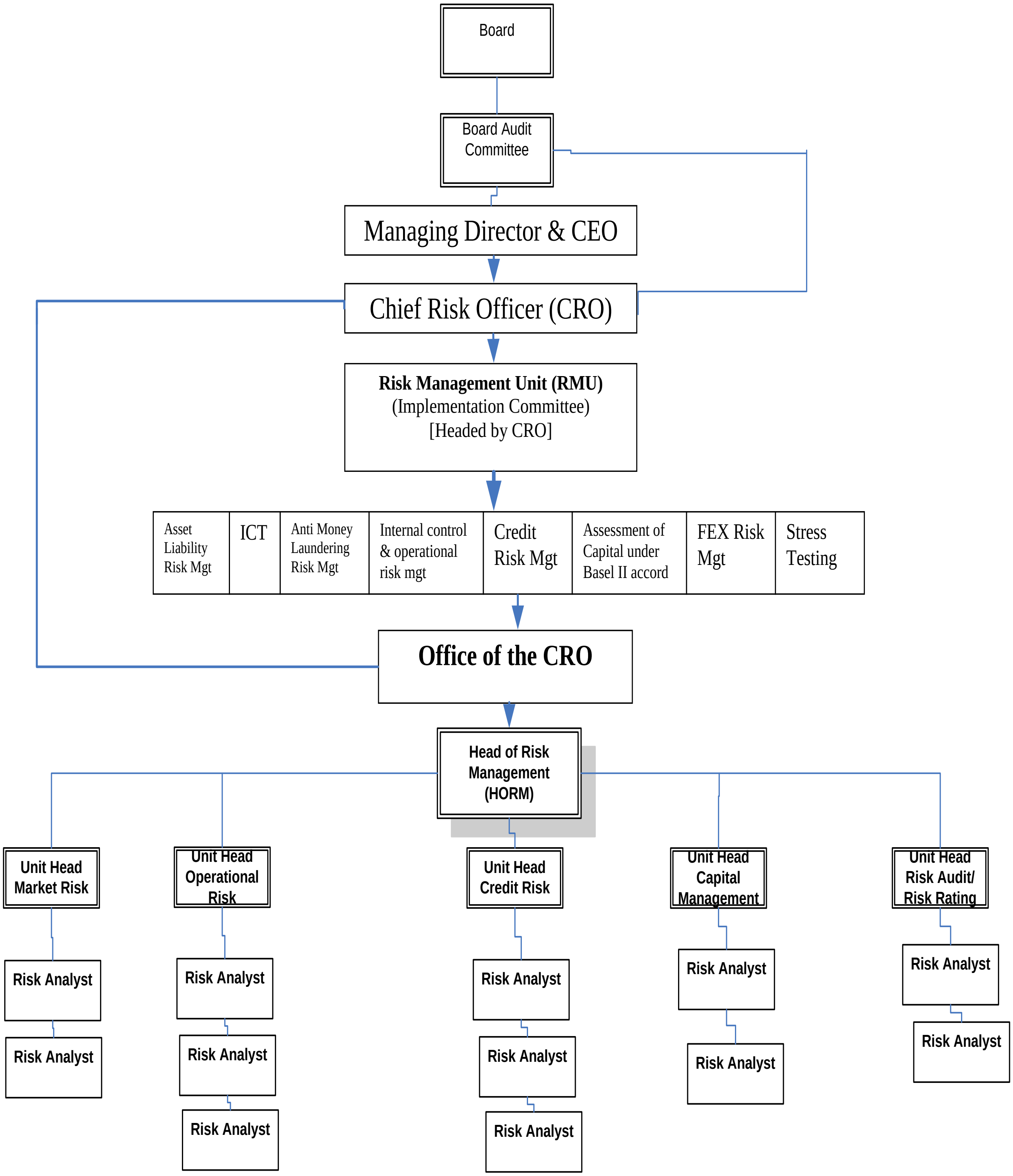
The key risk identification and management process for each type of risk are as follows:

Credit Risk	
Risk Identification & Measurement (Will be done by desk of CRM under Pillar I Risk Management)	▪ Credit Risk Rating (CRG) score sheets to grade the quality of loans and track shifts in credit risk profile of loan portfolio. ▪ Independent reviews of performing loans. ▪ Loans in arrears of three months and above (as set by BB) placed under the direct purview of Special Mention Account Management Team (SMAMT), Deteriorating Credit Management Team (DCMT) and Credit Administration Department (CAD), a function independent of the loan approval process. ▪ Post-mortem reviews of weak credit and delinquent accounts to identify weaknesses in credit approval and monitoring processes by DCMT. ▪ Stress testing of loans portfolio asset quality. ▪ Benchmarking of asset quality against industry peers.
Risk Control, Monitoring & Compliance (from CRO through Risk Management Unit)	▪ Experienced key personnel appointed to the Chief Risk Office. ▪ Credit Policy which documents the core credit processes including the Credit Risk Rating, Collateral Policy and policies on rehabilitation and restructuring of problematic and delinquent loans. ▪ Extensive reporting and analysis to the Management and the Board on loans exposure, quality of loans portfolio, movements of NPLs and adequacy of specific provisions for NPLs. ▪ Certified Credit Program for credit personnel within the organization. ▪ Review of counterparty limits for money market activities, standby letter of credit facilities, private debt securities and foreign exchange activities. ▪ Review and evaluation of risk-return of products and services.
Operational Risk	
Risk Identification & Measurement (Will be done by Desk of ORM of Pillar I Risk Management)	▪ Use of self-assessment checklist, key risk indicators and threshold/limits. The risks are identified with reference to the relevant risk management policy manuals, processes, procedures and practices. ▪ Self-Compliance Audit Programs of business risk units.

	▪ Benchmarking of customer service and operational efficiency against industry peers. ▪ Review of new and enhanced manuals, processes and procedures by Internal Control and Compliance Division and Risk Management Department before implementation. ▪ Analysis on causes and actions taken on losses from fraud and control lapses. ▪ Review of insurance policies and other 3rd party service provider policy. ▪ Review of adequacy of premises controls and safety. ▪ Review of system and network availability and detection of virus/intrusions. ▪ Review of disaster recovery plans of IT and simulation runs conducted.
Risk Control, Monitoring & Compliance (from CRO through Risk Management Unit)	▪ Experienced key operational personnel appointed to the office of CRO. ▪ Business units are responsible for operating within the operational risk management framework. ▪ Control and support units, which are independent of the business units, track risk levels to ensure business units operate within the established policies, procedures, limits and thresholds set for key risk indicators. ▪ Comprehensive system of internal controls based on the principle of segregation of duties, independent checks, segmented system access control and multi-tier authorization processes. ▪ Systems and procedures to monitor transactions and positions. ▪ Comprehensive and up-to-date documentation of processes and procedures. ▪ Documented and regularly tested key back-up procedures and contingency plans, including disaster recovery and business resumption plans. ▪ Overall assurance on the adequacy and reliability of the operational risk management systems by Internal Audit Division. ▪ Post audit review and follow-up by Operations Control Department.
Market Risk	
Risk Identification & Measurement (Will be done by Desk of ALM & Market Risk Management)	▪ Mark-to-market technique is used to revalue marketable securities, equities and foreign currency positions. ▪ Stress Testing will be done to assess the risk vulnerability of CBL in stressed scenario. ▪ Introducing Value at Risk (VaR) model
Risk Control & Monitoring (from CRO through Risk Management Unit)	▪ Mark-to-market of trading positions is compared against pre-determined market risk limits. ▪ The market risk limits are set after taking into consideration the risk appetite of the Bank and the risk-return relationship. ▪ Trading positions and limits are regularly reported to the Managing Director & CEO.

Foreign Currency Risk	
Risk Identification & Measurement (Will be done by Desk of ALM & Market Risk Management)	▪ Mark-to-market of foreign exchange positions. ▪ Review of foreign currency exchange exposure for overseas branches.
Risk Control, Monitoring & Compliance (from CRO through Risk Management Unit)	▪ Foreign exchange open positions are monitored against pre-determined position limits. ▪ Mark-to-market valuations are monitored against pre-determined cut-loss limits and regularly reported to management.
Interest Rate Risk	
Risk Identification & Measurement (Will be done by Desk of ALM & Market Risk Management)	▪ Interest rate risk measured through the interest rate sensitivity gap analysis by currency. ▪ Simulations under different interest rate environments and estimation of impact on net interest income. ▪ Mark-to-market valuations of investment and dealing securities.
Risk Control, Monitoring & Compliance (from CRO through Risk Management Unit)	▪ Regular reviews of the interest rate outlook, vulnerability of net interest income to movements in interest rates and development of strategies to mitigate interest rate risk. ▪ Changes in market value of investment and dealing securities due to interest rate movements are monitored and reported to the ALCO and management. ▪ Impact on net interest income from unfavorable interest rate movements monitored against risk tolerance limits.
Equity Risk	
Risk Identification & Measurement (Will be done by Desk of ALM & Market Risk Management)	▪ Daily mark-to-market valuations of the investment portfolio.
Risk Control & Monitoring (Will ensure by CRO through Risk Management Unit)	▪ Mark-to-market valuations are monitored against pre-determined cut-loss limit, and reported to the Market Risk Committee
Liquidity Risk	
Risk Identification & Measurement (Will be done by Desk of ALM & Market Risk Management)	▪ Application of Liquidity Framework as prescribed by Bangladesh Bank
Risk Control & Monitoring (Will ensure by CRO through Risk Management Unit)	▪ Internal liquidity risk management limits are set. ▪ Compliance with BB's Liquidity Framework and internal liquidity risk management policy are monitored and reported to the ALCO. ▪ Liquidity contingency funding plans in place and documented. ▪ Monitoring of the Bank's funding structure.

Risk Management Framework (RMF) of CBL

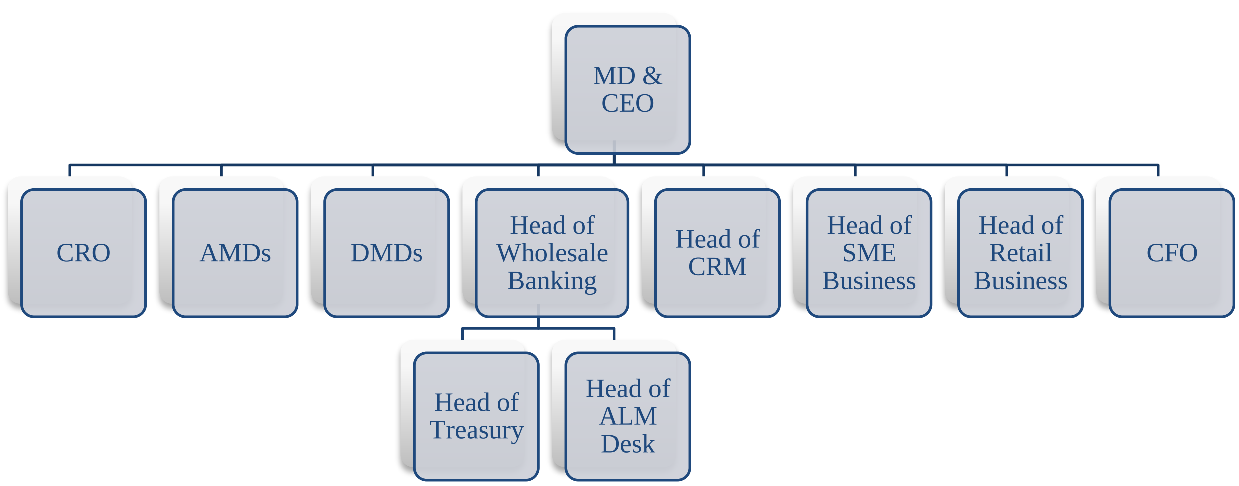


Asset Liability Management Committee (ALCO)

Asset-Liability Management (ALM) is an ongoing process to formulate, implement, monitor and revise strategies related to assets and liabilities management, in an attempt to achieve financial objectives for a given set of risk tolerances and constraints. It involves planning, directing and controlling the flow, level, mix and rates of the assets and liabilities of a bank portfolio in a dynamic way in order to manage risks. ALM is an integral part of Bank Management and it is essential to have a structured and systematic process for managing the Balance Sheet Risk, especially for managing Liquidity and Interest Rate Risk.

Asset Liability Management Committee (ALCO) is a committee comprising of senior management of the bank with the primarily responsible of protecting the solvency, managing liquidity and achieving profitability consistent with the approved risk limits and controls. Further, management of investment portfolio and reviewing pricing decisions for assets and liabilities are related areas of its responsibilities. Proper management of Asset-Liability risk is facilitated through this board approved policy, which sets Liquidity Risk Management Policy with Contingency Liquidity Plan, Interest Rate Risk Management Policy and Pricing Framework as well as the level of risk management target and control limits.

Organizational Structure of ALCO



As evident from above, ALCO is committee of senior management who hold meeting quarterly to take decisions and observer situation on above mentioned risk areas namely Balance Sheet risk, Liquidity risk, Interest rate risk. Treasury and ALM desk are responsible to carry out those decisions of the committee and also reports to the committee. However, Risk Management Division (RMD) acts as an observer of the committee and Market risk unit of RMD acts as the observer of the activities of Treasury and ALM desk regarding above mentioned risk.

Objectives of ALCO

- Monitor the structure /composition of bank's assets and liabilities, Identifying balance sheet management issues like balance sheet gaps, interest rate gap/profiles etc. that are leading to underperformance
- Decide on major aspects of balance sheet structure, such as maturity and currency mix of assets and liabilities, mixes of wholesale verses retail funding
- Ensure that the bank's measurement and reporting systems accurately convey the degree of liquidity risk, interest rate risk and foreign exchange risk
- Decide on how to respond to significant, actual and expected increases and decreases in the need for funding
- Develop maturity profile and mix of incremental assets and liabilities
- Articulate interest rate view of the bank and deciding on the future business strategy
- Review and revise bank's funding policy
- Decide on the transfer pricing policy of the bank
- Evaluate market risk involved in launching of new products
- Review deposit-pricing strategy for the local market
- Review liquidity contingency plan for the bank

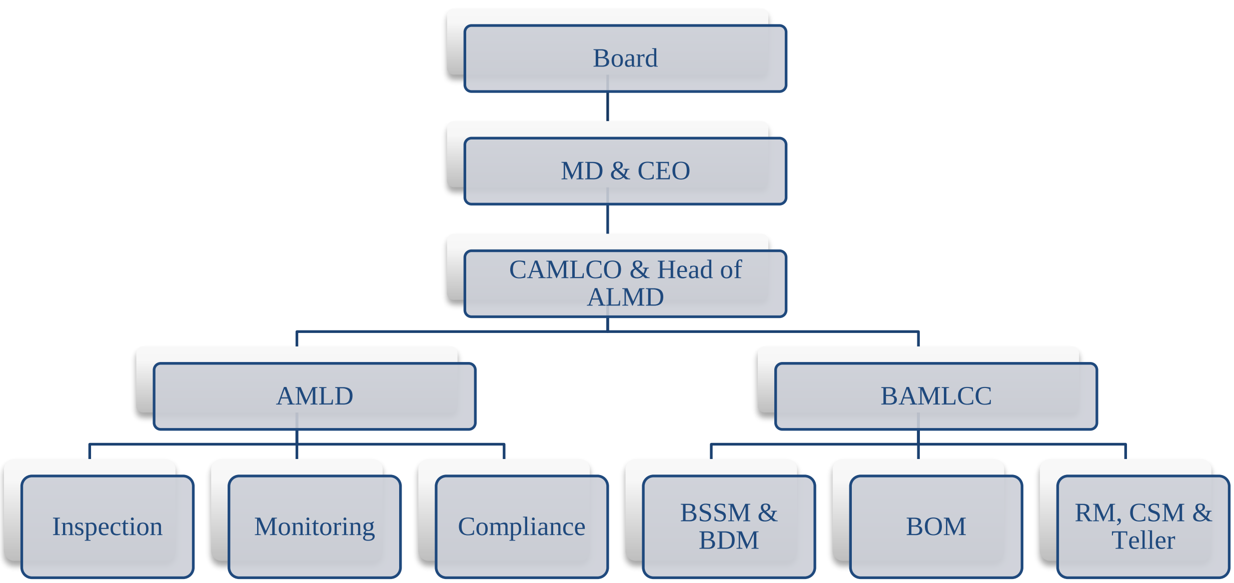
Anti-Money Laundering Division (AMLD)

Money Laundering means transfer or convert or handover of property linked with a predicate offence for the purpose of concealing or disguising the illicit nature, origin, location, ownership and control of illegal proceed or assist to save any person engaged in commencement of a predicate offence from facing legal proceedings.

Apart from the aforementioned terms illegal trafficking abroad of proceed or property acquired through legal or illegal means; knowingly handing over, remitting abroad or remitting or bringing from abroad to Bangladesh proceed for the purpose of concealing or disguising the illicit origin of the proceed; conducting or attempting to conduct a financial transaction in a manner that will not be required to report under the sub-Section 2(Pha) of Money Laundering Prevention Act, 2012; converting or transferring or handing over of any legal or illegal property for the purpose of inciting or assisting in commencement of a predicate offence; receiving, take possession or consuming any property despite having knowledge of it being acquired through commencement of a predicate offence and doing any activity so that the illegitimate source of such proceed can be concealed or disguised will also be considered as money laundering offence according to Section 2(Pha) of Money Laundering Prevention Act, 2012.

The division that regulates and takes steps to mitigate risk associated the pre stated offences is called the Anti Money Laundering Division. Since banks are vulnerable to being used by money launderers, Bangladesh Bank assesses the adequacy of anti-money laundering procedures adopted by banks and the degree of compliance with such procedures. Being a banking company, City Bank is in an obligation to comply with the rules, regulations and guidelines issued by Bangladesh Bank from time to time.

Organizational Structure of AMLD



Chief of Anti-money Laundering Compliance Offer (CAMLCO)

CAMLCO is a high ranked executive at least two grade below the MD & CEO who shall implement and enforce corporate-wide anti-money laundering policies, procedures and measures and will report directly to the MD & CEO. In CBL, CRO is carrying out the responsibilities of CAMCO. The CAMLCO should be the central point of contact for communicating with the regulatory agencies regarding the bank's anti-money laundering programs. All staff engaged in the bank at all levels must be made aware of the identity of the CAMLCO.

Branch Anti-Money Laundering Compliance Committee (BAMLCC)

BAMLCC is a part of AMLD who ensures all the directives of CAMCO and AMLD on the branch level. The committee shall arrange monthly meetings to review the Anti-Money Laundering compliance status of the branch at the end of every month and maintain minutes of the meeting in documented form. A copy of the minutes should be forwarded to the CAMLCO at Head Office and the respective Cluster Head-BOM for their information & records. The committee consists of following members

- Branch Sales & Service Manager (BSSM)/Business Development Manager (BDM)
- Branch Operations Manager (BOM)
- Relationship Manager (RM)
- Customer Service Manager (CSM)
- Teller Service Manager (TSM)

Objectives of AMLD

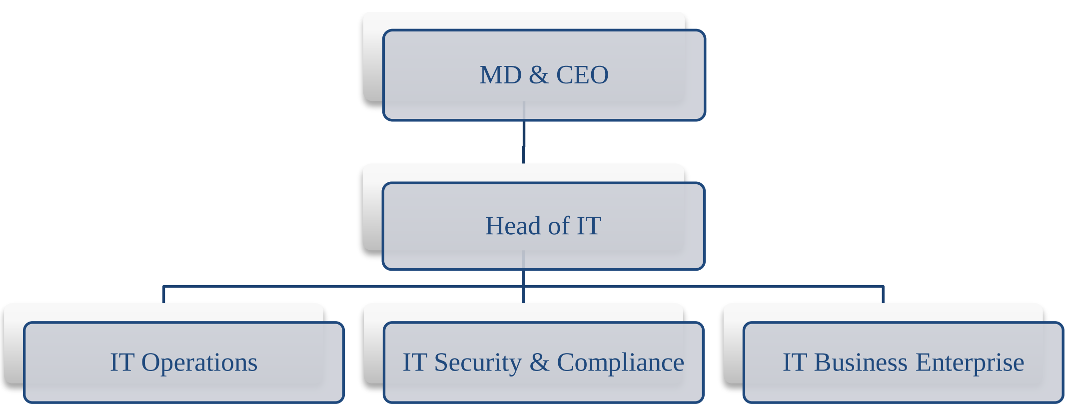
- Monitor, review and coordinate application and enforcement of the Bank's compliance policies including Anti-Money Laundering Policy, Customer Acceptance Policy and Know Your Customer Policy.
- To monitor changes of laws or regulations and directives of Bangladesh Bank that may require revisions to the Policies and making these revisions accordingly
- Actively develop the compliance knowledge of all staff, especially the compliance personnel and conduct training courses in the Bank to raise the level of awareness of compliance in the Bank
- Assist in review of control procedures in the Bank to ensure legal and regulatory compliance and in the development of adequate and sufficient Independent Testing Procedures (ITP) to prevent and detect compliance lapses
- Monitor the bank's Self Assessment for AML compliance and any corrective action

- Inspect branches and concerned divisions of Head Office regarding anti-money laundering compliance
- Manage the Suspicious Transaction and Suspicious Activity Reporting Process
- Ensure timely anti-money laundering reporting and compliance to Bangladesh Bank, including CTR, Exception Report, Central Taskforce Biborony, STR statement, Independent Testing Procedure, Self Assessment Report etc. as per specific schedule
- Ensure timely compliance of Bangladesh Bank Inspection Team, Internal and External Audit Team

IT Security and Compliance Office

CBL recognizes that since the systems and applications running in the offices of the bank contribute to business objectives of the bank, it is possible that certain unforeseen security breaches may take place, which may lead to malfunctioning or non-functioning or information leakage of the bank. For avoidance of any such possibility and to meet such situation, if it occurs, and also for efficient resolution of problems that may develop during operation, the ICT Security Policy is being drafted. This policy is implemented by the department known as IT Security and Compliance Office under supervision of Head of IT of CBL.

Organizational Structure



Scope of IT Security & Compliance

- Organization of information security
- IT Asset management
- Human resources security

- Physical and environmental security
- IT operations management
- Logical Access control
- IT security incident management
- Systems Development and Maintenance
- Disaster Recovery and Business continuity management
- Regulatory Compliance

However, scope can be extended to following as well

- Users of all information and communication technology infrastructure used by or for City Bank, including but not limited to, buildings, furniture and accessories, computers, network, devices - that performs any role in maintaining the electronic infrastructure of the bank in order, and any such other assets failure of which has a potential of causing disruption of service provided by the bank.
- All person including employees, vendors, and customers, who use, directly or indirectly, any service rendered by the electronic infrastructure of the bank.
- Provisions of this policy will be applicable throughout the Bank for their entire ICT infrastructure which is being used for day-to-day operation

Objectives of IT Security & Compliance

The basic objective of the IT policy is for safeguarding the interest of the bank, for establishing, implementing, operating, monitoring, reviewing, exercising, maintaining and improving a documented Information and Communication Technology Assets within the context of managing the overall business risks of City Bank which includes

- To prevent City Bank Information System from unauthorized access
- To ensure Confidentiality, Integrity and Availability of the City Bank Information System for the authorized users
- To ensure regulatory and legislative requirements for the Information System of the Bank
- To Ensure continuity of IT and IT enabled services through a proven Business Continuity Planning and Disaster Recovery System

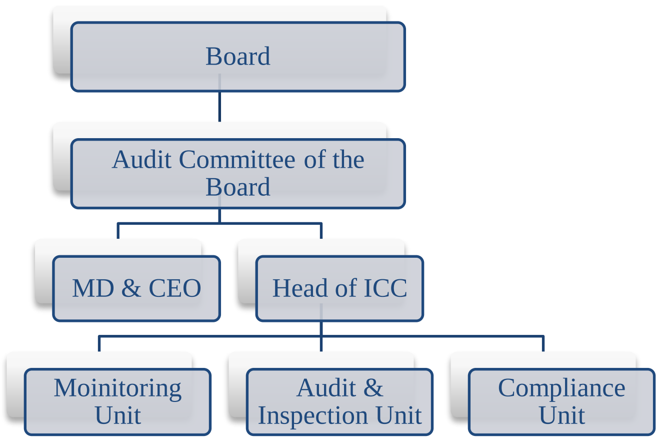
- To ensure reporting of all breaches of information security, actual or suspected, and investigated by either the Internal Audit or the Management
- To ensure all security incidents will be reported to the ICT Security Management and reviewed by the ICT Audit Team
- To ensure that responsibility for Information Security will be an integral part of all job descriptions
- To ensure formulation of standards and guidance to support the Policy. These will include virus control, passwords, data protection and the use of email / internet
- To appoint or nominate a person with appropriate seniority and authority to be accountable for ICT Security policy and implementation
- To appoint one or more persons, who shall be responsible for monitoring the ICT Security irrespective of other responsibilities
- To provide clarity on roles and responsibilities for all concerned with ICT Security so that Information Security can be managed more efficiently
- To create awareness and preparedness, and provide advice and training to the those involved in ICT Security management in every sectors of the Bank
- To establish and maintain a proactive program for risk assessment and reduction and
- To safeguard the interest of the bank

Internal Control and Compliance (ICC)

Internal controls and compliances are the policies and procedures established and implemented alone, or in concert with other policies or procedures, to manage and control a particular risk or business activity, or combination of risks or business activities, to which the company is exposed or in which it is engaged. The process, affected by a company's board of directors, management and other personnel, is designed to provide reasonable assurance regarding the achievement of objectives in

I. The effectiveness and efficiency of operations,
II. The reliability of financial reporting and
III. Compliance with applicable laws, regulations, and internal policies

Organizational Structure



Scope of ICC

In many banks, internal control is identified with internal audit; the scope of internal control is not limited to audit work. It is an integral part of the daily activity of a bank, which on its own merit identifies the risks associated with the process and adopts a measure to mitigate the same. Internal Audit on the other hand is a part of Internal Control system which reinforces the control system through regular review. According to an IMF publication, Internal Control refers to the mechanism in place on a permanent basis to control the activities in an organization, both at a central and at a departmental/divisional level. A key component of effective internal control is the operation of a solid accounting and information system.

Objectives of ICC

The primary objective of internal control system in the bank is to help the bank perform better through the use of its resources. Through internal control system, the bank identifies its weaknesses and takes appropriate measures to overcome the same. The main objectives of internal control are as follows:

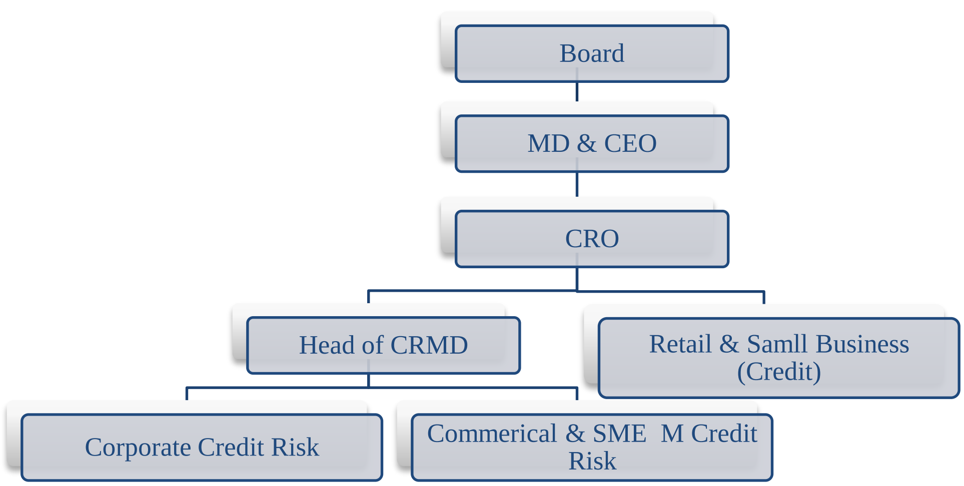
- To achieve staffs' adherence to the principles of integrity, objectivity and confidentiality in the activities
- To attain and maintain official's skills and competence required enabling them to fulfill their responsibilities
- To ensure efficiency and effectiveness of activities of the working resources

- To ensure reliability, completeness and timelines of the bank's financial and Management Information System (MIS)
- To establish strong compliance culture with all the policies of the bank as well as applicable laws and regulations
- To establish and develop corporate governance in the bank for attainment of the goals
- To ensure transparency of the Bank's activities at all levels and clearly adhere to the responsibility & accountability of the Bank as well as each staff.

Credit Risk Management Division (CRMD)

This Credit Risk Management Division upholds the core principles for identifying, measuring, approving and managing credit risk in the Bank at an individual level. These policies are established by the Board of Directors (BoD), and are designed to meet the organizational requirements that exist today, and to provide flexibility for the future. This division also defines the minimum standards for credit extension by the bank, and does not substitute for experience and good judgment. CRM has been established to shape and define the acceptable risk profile of the City Bank Ltd. (CBL) and to provide guidance in responding to business opportunities as they arise.

Organizational Structure



Scope of CRMD

Following risk areas falls under the scope of CRMD

- Business Risk:
  i. Industry Characteristics
  ii. Competitive Position (e.g. marketing/technological edge)
  iii. Management
- Financial Risk
  i. Financial condition
  ii. Profitability
  iii. Capital Structure
  iv. Present and future Cash flows
- Risk Rating: An rating framework would facilitate banks in a number of ways such as:
  i. Credit selection, amount of exposure
  ii. Tenure and price of facility
  iii. Frequency or intensity of monitoring
  iv. Analysis of migration of deteriorating credits & computation of loan loss provision
  v. Deciding the level of Approving authority of loan

Objectives of CRMD

- The implementation of the credit risk policy / strategy approved by the Board
- Monitor credit risk on a bank-wide basis and ensure compliance with limits approved by the Board
- Recommend to the Board, for its approval, clear policies on standards for presentation of credit proposals, financial covenants, rating standards and benchmarks
- Decide delegation of credit approving powers, prudential 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.
- Implementation of the following systems:

i. **Credit Origination:** Before allowing a credit facility, the department must make an assessment of risk profile of the customer/transaction. This may include:

- Credit assessment of the borrower's industry, economic factors
- The purpose of credit and source of repayment
- The track record / repayment history of borrower
- Assess/evaluate the repayment capacity of the borrower
- The Proposed terms and conditions and covenants
- Adequacy and enforceability of collaterals
- Approval from appropriate authority

ii. **Limit setting:** An important element of credit risk management is to establish exposure limits for single obligors and group of connected obligors.

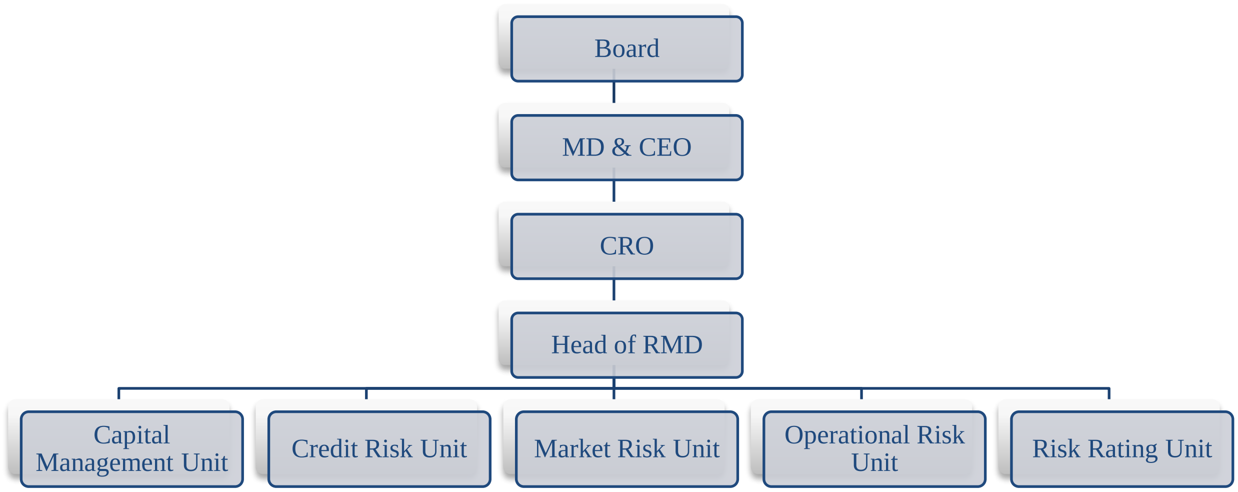
iii. Credit Administration:

- Documentation
- Credit Disbursement
- Credit monitoring, Loan Repayment
- Maintenance of Credit Files
- Collateral and Security Documents

Risk Management Division (RMD)

The Risk Management Department (RMD), a department headed by Chief Risk Officer (CRO) acts as the centre of all risk management function of CBL. It is a risk unit that deals with risk management functions including but not limited to credit risk, market risk and operational risk on portfolio level. It also strives to ensure the implementation of Basel accord in the bank. Additionally, it also deal with other risk like residual risk, concentration risk, risk associated with core risk management, interest rate risk in banking book, settlement risk, reputational risk, strategic risk, environmental and climate change risk and other material risks. It continuously supports the Risk Management Unit (RMU) to establish supervisory review process under the guidelines of Basel II and ensure with Bangladesh Bank's directives and guidelines.

Organizational Structure



Objectives of RMD

Primary objectives of the division are

- Develop and drive approval of various policies like ICAAP, Stress test policy, VaR policy, Disclosure policy etc.
- Perform quantitative and qualitative assessment of risks facing the bank
- Develop and use risk assessment tools and methodologies
- Create and maintain a system of automatic maintenance and management of a risk-related database to facilitate the functions of RMU
- Identify and monitor unauthorized limits overriding and analyze possible scenarios through stress testing and applying VaR Model
- Prepare reports on risk positions and recommendations to the Board as regards their admissible levels
- Calculate and Reporting of Minimum Capital Requirement (MCR),
- Maintain a Risk Register and Risk Log with the assistance of ICCD.
- Prepare the Risk Management Paper for RMU
- Ensure management of Credit Rating as well as Portfolio Risk,

- Analyze the overall impact on Bank's capital base for the credit, market and operational activities and assist the CRO in streamline the strategy for minimizing the impact on capital requirement
- Prepare the annual report of the Bank containing all disclosure under Pillar-III and any other financial reporting as recognized by Bangladesh Bank

Directives of Risk Management Unit (RMU)

Policy Guidelines

1) Design organizational structure clearly defining roles and responsibilities of individuals involved in risk taking as well as managing it.
2) Formulate/Establish overall risk assessment and management policies, methodologies, guidelines and procedures for Risk Identification, Risk Measurement, Risk Monitoring, Deciding Acceptance Level of Risk, Risk Controlling in line with the guidelines provided by Bangladesh Bank.
3) Review and update all risks on a systematic basis as necessary at least annually, preferably twice a year, ensuring that adequate controls exist and that the related returns reflect these risks and the capital allocated to support them. The main risk areas will be- Balance Sheet Risk, Credit Risk, Foreign Exchange Risk, Internal Control and Compliance Risk, Money Laundering Risk and IT Risk. The following risks have also to be reviewed
   - *Operational Risk*
   - *Market Risk*
   - *Liquidity Risk*
   - *Reputational Risk*
   - *Insurance Risk*
   - *Sustainability Risk*
4) Set portfolio objectives and tolerance limits/parameters for each of the risks.
5) Set and establish strategies and different models in consistency with risk management policy based on IT policy and in house IT support which can measure, monitor and maintain acceptable risk levels of the bank.
6) Develop information systems/MIS inflow process and data management capabilities to

support the risk management functions of the bank.

Risk Management Process (Terms of Reference)

1. Collect all relevant data from different models and information system for analyzing risks.
2. Assess the quality, completeness and correctness of all relevant data/information needed to analyze risks.
3. Highlight risky portfolios and deficiencies of the bank on timely manner with recommendations and suggestions.
4. Analyze data/information through preparation of paper named Risk Management Paper.
5. Identify, evaluate/measure, control and monitor major risks in line with the standard set in the policy guideline to avoid unnecessary loss and ensure the banks in pricing all risk correctly.
6. Oversee the capital management function of the bank in consistency with the Risk Based Capital Adequacy Measurement Accord (Basel-II).
7. Identify, assess and quantify key transaction risks inherent in a given transaction to ensure that the quality of the assumptions are tested against due diligence carried out by different operational business units.
8. Review market conditions and take precautionary measures towards facing abnormal market situation and vulnerability of investments of the bank.
9. Analyze the bank's own resilience capacity towards facing financial difficulties of the bank.
10. Ensure through independent oversight that different risks are identified, evaluated, monitored and reported within the established risk management framework.
11. Take necessary steps to bring the position within limit and also assess and measure volatility of market and vulnerability of investment from tune to time.
12. Conduct periodic stress tests so that any errors/mistakes/lapses are eliminated gradually during daily operations of the bank.
13. Exercise governance and oversight over the bank's risk rating systems to ensure that they are fit for purpose and adequately utilized to control risk in the bank.
14. Apply the action plan to keep out the bank from indulging in excessive risky business.
15. Identify the officers concerned who are unable to duly discharge their responsibility in implementing risks in the bank and ensure action taken against them.

Meeting and Minutes

1. Meetings of the Risk Management Unit will be held at least once in a month. If necessary, additional meetings may be convened.
2. To review the minutes and to consider measures of the Operational Risk Management Committee,
3. The members of Risk Management Unit will discuss and deliberate on the various issues to determine strategies in consistency with risk management policy, which can measure, monitor and maintain acceptable risk levels of the bank.
4. The Terms of Reference will be reviewed at least annually.

Agenda

The agenda for meeting of the Risk Management Unit will include the following items:

1. Endorsement of meeting minutes
2. Follow up issues
3. Issues for consideration : Review risks mentioned in Policy Guidelines and others(if any)

Quorum

At least two third of the unit members need to be present.

Information of the units

Information for Risk Management Unit mainly will come from the following sources:

- Various reports from Risk Management Group
- Reports from Finance Department
- Reports from Credit Committee meeting
- Reports of ALCO paper and minutes of ALCO meeting
- Economic, political research articles from research unit.
- Quarterly reports on monetary policy published by BB.
- Internal audit reports prepared by Internal Control and Compliance Department.
- Comprehensive inspection report prepared by BB.
- Recent negative print/electronic media report (if any)

- Recent directives regarding violation of laws and regulations issued from different departments of BB.
- Government import and export policy etc.

Responsibility

All members will remain accountable for decisions of the unit.

Reporting

- The unit will report directly to the CEO/MD and submit reports on monthly basis regarding proper measures taken against unfavorable situation with respect to all risks that remain in the Bank. However, any exceptional situations will be reported to CEO/MD immediately.
- In addition, the unit will regularly report to audit committee regarding areas to be improved in accordance with the prescribed policy and strategies.
- A copy of the minutes of the meeting of Risk Management Unit will have to be forwarded to DOS of BB on quarterly basis.

The proposed Risk Management Unit (RMU) is composed of the following members are responsible for implementing risk management initiatives of CBL:

Sl. No	Designation	Status in RMU
01	Chief Risk Officer (CRO)	Head of the Unit
02	Head of Treasury & Market Risk Division [for ALM]	Member
03	Head of IT [for ICT]	Member
04	Head of ICCD [for Anti Money Laundering Risk]	Member
05	Head of Credit Risk Management Division [for CRM]	Member
06	Head of CPC	Member
07	Head of Operation Support	Member
08	Head of Retail Banking	Member
09	Head of SME	Member
10	Head of RFC	Member
11	Head of CAD	Member
12	Head of IBB	Member

13	Head of HR	Member
14	Head of Finance	Member
15	Head of SAMD	Member
16	Head of Logistics	Member
17	Head of Legal	Member
18	Head of Brokerage Unit	Member
19	Head of RMD	Member Secretary

Findings & Recommendations

Finding

- Presently CBL does not maintain any risk register in a comprehensive way. Though the Internal Control & Compliance Division is maintaining risk profile but it is not sufficient.
- The Bank is too much centralized. For each and every move, branch office has to go for permission from the Head Office. The Head Office tightly controls each and every branch office. This helps in managing the risk efficiently but puts colossal pressure on the head office. It also blurs the customer needs as a risk manager in head office has limited idea of customer preferences.

Apart from these, the risk function in CBL is showing good signs of constant improvement.

Scope of improvement

The risk management of The City Bank Ltd. is quite efficient compared to the others but there is significant scope of improvement.

- The Bank has to expose the Risk Managers to customer preferences by letting them interview the customers before lending out loans.
- Steps to decentralize the risk functions up to some level.

Conclusion

CBL has shown great enthusiasm in maintaining its reputation in the banking sector since the inception. It has constantly under gone changes complying with the changing environment. After the introduction of the Risk Management Practice it has under gone massive restructuring and coped up with the prevailing environment. All of these together have made it the top notch organization it is today.

Working for an organization whose value includes ‘Result Driven’ has been tough indeed. Charged by the responsibility of ‘Research Support’ I had to browse the universe of existing literature of the prescribed topics which required fundamental knowledge and an insight on the problem statement. Besides, review of researches already completed required, aptitude in research methodology. The course named ‘Research Methods in Business and Management’ helped me a lot in overcoming these issues. The past few months have been an expended experience for me, and it has been an honor to have completed my internship in such a valiant organization.

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- Farzana Hoque
  AVP & Unit Head- Market Risk
- Imtiaz H. Chowdhury
  AVP & Unit Head, Risk Capital Management
- Mukter Hossain Khan
  Associate Manager, Risk Capital Management
- Khandaker Aminul Islam
  AVP & Unit Head, Risk Audit/Risk Rating
- Fareba Naz Shaule
  Associate Manager
  Risk Audit/Risk Rating Unit
- Khondker Ajwad Hossain
  Risk Analyst