



INTERNSHIP REPORT

ON

“Credit Management Policy of Standard Bank Limited (SBL)”

SUBMITTED TO

Jubairul Islam Shaown

Lecturer

BRAC Business School

BRAC University

SUBMITTED BY

Kazi Iqbal Bahar

ID: 13104039

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15th December, 2017

Jubairul Islam Shaown
Lecturer
BRAC Business School
BRAC University

Sub: Submission of Internship Report.

Dear Sir,

It is a pleasure to present this internship report entitled “Credit Management Policy of Standard Bank Limited” on Standard Bank Limited. The report was assigned to me as a partial requirement for the completion of the under graduation degree program. I have tried to combine the secondary data available with my own investigation in order to successfully complete this report.

I hope and sincerely believe that this report will serve the purpose of my Internship Program.

Thank you for your kind assistance in this matter.

Sincerely yours

Kazi Iqbal Bahar
ID: 13104039

ACKNOWLEDGEMENT

In the beginning, I might want to express my sincere gratefulness to Almighty Allah, who has given me the chance to finish the report in an amazingly pleasant way.

My gratefulness and much appreciation goes to my regarded supervisor Mr Jubairul Islam Shaown, Lecturer of BRAC University, who guide me all through the circumstances for completing my report. Without his assistance it was totally hard to finish this report properly in time.

The internship opportunity I had with Standard Bank Limited was a wonderful possibility for learning and expert improvement. I see myself as an extremely fortunate individual as I was furnished with a chance to be a part of it. I am likewise appreciative for having an opportunity to meet such huge numbers of brilliant individuals and experts who drove me through this internship period. I might want to express gratitude toward Mr. Mesbaul Alam(Credit In-charge and VP), Hasan Mahmud(SEO) and Ashraful Isalm(SEO) to help me with every one of their capacities and affections.

At last I am extremely grateful to my parents, the ceaseless wellspring of my motivation. Finally, I need to pay my appreciation to my respected advisor for helping me to finish my report that will be exceptionally useful in my future corporate life.

EXECUTIVE SUMMARY

In the beginning of this report I discussed about the background and origin of this report. The report starts to satisfy the requirement of internship program of undergraduate degree in BRAC Business School. In report have other critical targets, these are: to distinguish the client segment, to accumulate information about credit and advances. The approach to finish this report I have gathered some primary and secondary data. Therefore I continued through a work design. In confinement I have discovering some limited side, these are: the greater part of the representatives of the bank were occupied and they didn't co-work me generously regardless of wanting to do that, to plan such report it is required additional time, yet the report is made just inside three months period.

At that point, it has the Introductory Part is about the way toward breaking down the information assembled with the end goal of this report has been appeared. And after that the historical background of Standard bank constrained has been specified. Furthermore, in that part the general business exercises of Standard Bank Limited have been secured. Administration and chain of command of standard bank constrained have additionally been said in that part. In this part I have indicated administration pecking order of Standard Bank Ltd.

At that point it depicts Basic Principles of Loans and Advances in Standard Bank Limited, Preparation of Credit Planning, Pricing and Monitoring Security. Further, it additionally demonstrates basic segments of a sound loaning credit strategy.

At that point it has loan disbursement strategy of Standard Bank Limited these are: getting credit data, data accumulation, dissecting these data, production of charges for securing advance. This report additionally demonstrates recuperation execution of SBL. It demonstrates programs for advance recuperation, recuperation projects to be taken by SBL, issues in credit recuperation and other general reasons for poor advance recovery.

Finally from my perception, a few shortcomings of the credit approaches of Standard Bank Limited are distinguished, for example, high financing cost, charging of advance preparing expense, correctional premium, most extreme size of the advance is little, greatest term of the advance is low and so on. Lastly, few changes are prescribed in the approach to evacuate the entanglements and to enhance the general credit arrangements.

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Chapter-1

Introduction

1.1 Background of the report

In today's world, only bookish knowledge is not enough to cope up with the real life scenario. In practical field we have to face different types of situation and for that we need theoretical knowledge as well as practical knowledge. So, internship program helps a student to learn how to apply his's theoretical knowledge in practical scenario. The main goal of internship program is to increase both the theoretical and the practical knowledge of the participants. As a business student I have started my three months period internship with Standard Bank Limited which is a requirement of internship program of undergraduate degree in BRAC Business School. This three months journey helps me a lot to understand how to combine my theoretical knowledge with my working sector and based on this experience I have prepared my final report.

1.2 Origin of the report

This report is originates from the three months long internship program conducted at Standard Bank limited as the requirement of completing undergraduate degree. The experience I got in this three months, will help me a lot in my working sectors.

1.3 Objective of the study

The main object of doing this report is to fulfill the requirement of internship program of undergraduate degree in of BRAC Business School.

Secondary Objectives of this report

- To have some practical knowledge
- To learn to combine theoretical and practical knowledge
- To evaluate the overall Credit management policy of Standard Bank Limited
- To analyze the Performance of Standard Bank Limited

1.4 Methodology

Information is a critical element of any research, on which the outcome depends. To complete this report the information was collected from primary and secondary data source.

Primary Sources

Primary data were collected by personal conversation and investigation.

- From the experience of practical deskwork
- Personal conversation with employees and customers
- From my own theoretical knowledge

Secondary data collection (sources):

- Website of Standard Bank Limited
- Financial and annual statement of Standard Bank Limited
- Website of Bangladesh bank
- Other Website related to banking

1.5 Scope of the report

I have conduct this report on Credit management policy of Standard Bank Limited, principal branch. So my main focused was to understand how the bank execute their credit policy. This report also cover the credit performance of Standard Bank Limited, principal branch.

1.6 Limitations

However, I faced some limitation during this internship period to complete my report. Some are as follows:

- Most of the information is confidential, so I did not have access to them.
- There is a time constraint.
- Most of the employees were busy so they did not co-operate me although they wanted to help me.

Chapter-2

Brief Scenario of the Organization

2.1 Historical Background:

Standard Bank limited a third generation bank which provides commercial banking service in Bangladesh. Mr. Kazi Akramuddin Ahmed is the founder and chairman of Standard Bank limited. On May 11, Standard Bank limited was established as a Public limited company 1999 under the Companies Act, 1994 and the Bank achieved satisfactory progress from its commercial operations on June 03, 1999. In the primary stage the bank is dealing with corporate banking, trade finance, project finance, retail banking, small enterprise finance, consumer finance, and syndication but the bank expand its services and include cash management services, payments and clearings, safe deposit locker services, employee benefits, collection services, treasury services, asset management, services and SWIFT for foreign trade. Standard Bank is one of the well-known Bank in Bangladesh and also plays an important role in our socio-economic.

2.2 Vision

To be a modern Bank having the objective of building a sound national economy and to contribute significantly to the Public Exchequer.

2.3 Mission

To be the best private commercial bank in Bangladesh in terms of efficiency, capital adequacy, asset quality, sound management and profitability.

2.4 Core Values

- **Our Shareholders**

by ensuring fair return on their investment through generating stable profit.

- **Our customer**

To become most caring bank by providing the most courteous and efficient service in every area of our business.

- **Our employee**

By promoting the well-being of the members of the staff.

- **Community**

Assuring our socially responsible corporate entity in a tangible manner through close adherence to national policies and objectives.

2.5 OBJECTIVE OF THE BANK

The motto of the Standard Bank Limited is to explore new innovative banking in an automated and computerized environment. It aims at providing one stop service and prepare itself to face the new challenges of globalization and 21st century. One of the main objectives of the Banks to be provider of quality products and services at a competitive price. The Bank also caters to the needs of its corporate clients and provides a comprehensive range of financial services to national and multinational companies. The dimension of responsible corporate behavior of the Bank is the maintenance of ethical standard in its functioning.

2.6 Board of Directors

Mr. Kazi Akram Uddin Ahmed (Chairman)	Mr. S. A. M. Hossain (Vice Chairman)
Mr. Kamal Mostafa Chowdhury (Director)	Mr. Ashok Kumar Saha (Director)
Mr. Ferozur Rahman (Director)	Mr. Md. Manzurul Alam (Director)
Mr. Mohammed Abdul Aziz (Director)	Al-Haj Mohammed Shamsul Alam (Director)
Mr. Gulzar Ahmed (Director)	Mr. Md. Zahedul Hoque (Director)
Al-Haj Md. Yousuf Chowdhury (Director)	Mr. Kazi Sanaul Hoq (Nominated Director, ICB)
Mr. S. S. Nizamuddin Ahmed (Independent Director)	Mr. Najmul Huq Chaudhury (Independent Director)
Mr. Md. Nazmus Salehin (Independent Director)	Mr. Mamun-Ur-Rashid Managing Director & CEO (Ex-Officio Director)

2.7 Managerial Hierarchy of Standard Bank Limited

Chairman
Board of Directors
Managing Director
Deputy Managing Director
Senior Executive Vice President
Executive Vice President
Senior vice President
Vice President
Senior Assistant Vice President
Assistant Vice President
Senior Principal Officer
Principal Officer
Executive Officer
Senior Officer
Officer
Assistant Officer
Trainee Assistant Officer

Figure 1: Organizational Hierarchy

2.8 Branch Expansion

Standard Bank Ltd. has opened four new branches in 2017. In 2016 it had 112 branches but now the total number of branches stood up at 116. In opening branches Standard Bank Ltd. have tried to maintain effective balances between developed & developing area of the country.

2.9 Credit report Rating

Credit Rating Information and Services Limited (CRISL) reaffirms rating of Standard Bank Limited to “AA” in the long term and “ST-2” in the short term. The rating has been honored on the basis of comprehensive analysis of the operational and financial performance of the bank. While assessing financial performance of the bank, CRISL used information presented in the financial statements for the year ending 31 December, 2015.

- **Long Term Rating:** The Bank rated “AA” (High Safety) in Credit rating is adjudged to be of high quality, offers higher safety and has high credit quality. This level of rating indicates a corporate entity with sound credit profile and without significant problems. Risks are modest and may vary slightly from time to time because of economic conditions.
- **Short Term Rating:** The Bank rated ST-2 (High Grade) in short term in credit rating is considered to have high certainty of timely payment. Liquidity factors are strong and supported by good fundamental protection factors. Risk factors are very small.

Chapter-3

Credit Management: An overview

3.1 Credit management

Credit management is one of the most important job for the Bank's. A main portion of profit gained from the interest paid by the clients. The main goal of credit management is to create a balanced portfolio mix. Standard Bank Limited maintains an efficient credit management policy which includes all the pre-sanction activities to post-sanction activities and that helps the bank to understand the various dimension of risk related to investing or lending money.

3.2 Types of Loan products

Standard Bank Ltd offer different types of loan products to the clients. They distribute the total loanable fund in different segments so that they can invest high yield areas as well as maintain Statutory Liquidity Requirement (SLR) as fixed by Bangladesh Bank. Following segments:

- General Corporate Finance
- Industrial Project Finance
- Work Order Finance
- Agriculture Credit
- Housing/Real Estate Finance

3.2.1 General Corporate Finance

Standard Bank Limited dependably embraces technique for across the board benefit for the extensive and medium estimated corporate clients what's more, Bank's business is centered to a significant degree around the corporate customers by keeping up a relationship and expanding monetary help in light of a profound comprehension of the customers' business situations, monetary necessities and inner procedures for development. The interest in corporate segment is the mix of a blended and adjusted distribution in different natures.

3.2.2 Agriculture Credit

Agriculture is the backbone of Bangladesh economy being a noteworthy supporter of the GDP. Standard Bank will stay quick to contribute towards the development of economy in financing the agro-based endeavors of firms/organizations, particularly in agriculture legitimate, poultry, fishery and hatchery. Financing will likewise be given to send out situated shrimp culture and fish preparing enterprises.

3.2.3 Work Order Finance

Development of street and building/arrive advancement made by government, semi government, independent bodies, corporate bodies, multinational organizations, joint wander organizations in expansive scale through open delicate requires financing of work request to disparage concern bodies/providers/temporary workers to execute the work routine. Standard Bank Limited should appreciate the section of financing to take part in country building exercises.

3.2.4 Housing/Real Estate Finance

The worldwide execution of this segment both as far as business and recuperation rate has been all around attractive. The bank's strategy ought to be to deliberately measure any interest in this division just on a particular premise.

3.2.5 Industrial Project Finance

Standard Bank Ltd do emphasize on industrial financing. They offers different form of loan size and structure on basis of the need of the industry.

Project Implementation Finance

- L/C (Sight/deferred)
- LTR
- Term Loan
- Lease Finance
- Working Capital Finance
- CC (H)
- L/C (Local/Foreign)
- LTR

3.3 Loan Pricing Policies

The Bank would value credits to recuperate Bank's cost of assets and authoritative expenses. In the meantime, the cost is high time to recuperate an addition for credit misfortunes while influencing adequate benefits to achieve the objectives to set by SBL's board of directors. Standard Bank use this following basic formula to calculate loan price:

Loan Yield = (A) The Cost of loanable funds + (B) Administration Cost + (C) Loan Loss Reserve + (D) Profit.

The factors are influence loan price in the following manner

A. The Cost of loanable funds

Fixed deposit serves a big portion of total loanable fund. So the rate of **90-day large Fixed Deposits** are consider as the main cost of loanable funds.

B. Loan administration Cost

Loan administration costs are the cost that bank incurs to manage the loan formalities. It includes salaries of senior executives, tax fees, legal fees and legal counsel salaries.

C. Loan Loss Reserve

All loans are not always recoverable or profitable. These loans are known as bad loans. This incurs loss for the bank. So bank always maintains a safe reserve to face this kind of losses. So it's maintain 1% loan loss reserve on its performing loans. Reserves and arrangements will be made on classified loans according to orders of the Bangladesh Bank.

D. Profit

The benefit objective of valuing is one that will guarantee an arrival 20% on stockholders equity for Standard Bank with a capital-to-assets ratio of 8% or as might be recommended by the Bangladesh bank every once in a while.

3.4 Allocation of loanable funds Of SBL on basis of different type of loans (2016):

Type of loans	TAKA
Commercial Lending	384.05
Export financing	526.60
House Building loan	231.51
Consumers credit scheme	27.17
Small & Medium Enterprise	987.14
Special program loan	12.64
Others	2348.15
Total	4517.27

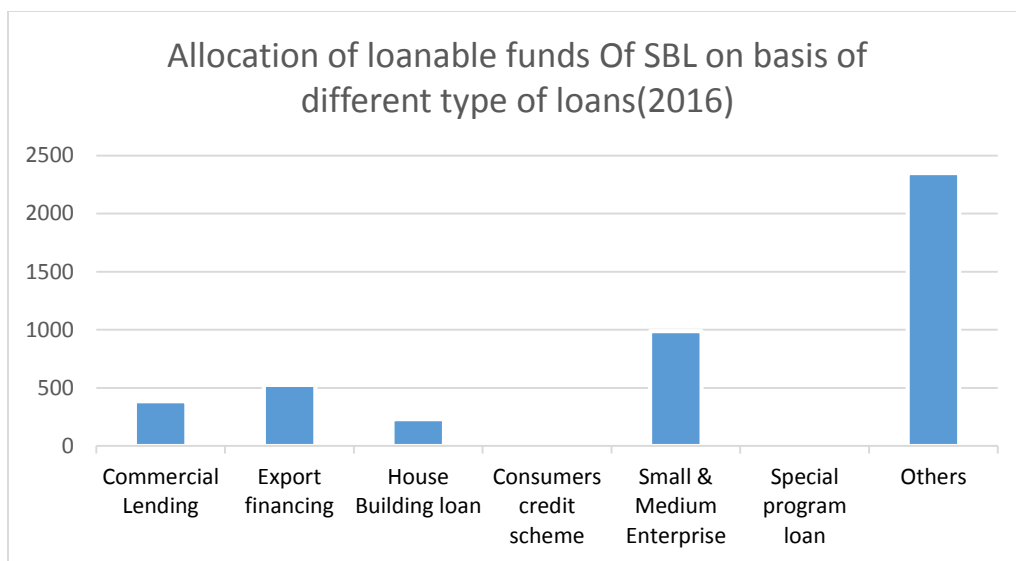


Figure 2: Allocation of Loanable Funds in SBL

Chapter-4

Credit Approval Process

4.1 Credit disbursement process

4.1.1 Getting Credit Information

Standard Bank collects credit information about the applicant to determine the credit worthiness of the borrower. The bank collects the information about the borrower from the following sources

- CIB Report from Bangladesh Bank.
- Confidential report from other bank Head Office/ chamber of the commerce.
- Personal investigation.

4.1.2 Information Collection

The applicant for have to provide information about the organization or individual as required by the Bank for applying the loan. The information is listed below:

- 1) Name and address of the borrower (present and permanent).
- 2) Constitution or status of the business.
- 3) Data of establishment and place of incorporation.
- 4) Particulars of properties, partners and Directors.
- 5) Background and business experience of the borrowers.
- 6) Particulars of personal assets, name of subsidiaries, percentage of shareholding and nature of business.
- 7) Details of liabilities in name of borrowers, in the name of any directors.
- 8) Financial Statement of the last three years.
- 9) Nature and details of business/products.
- 10) Details of securities offered.
- 11) Proposed debt equity ratio.

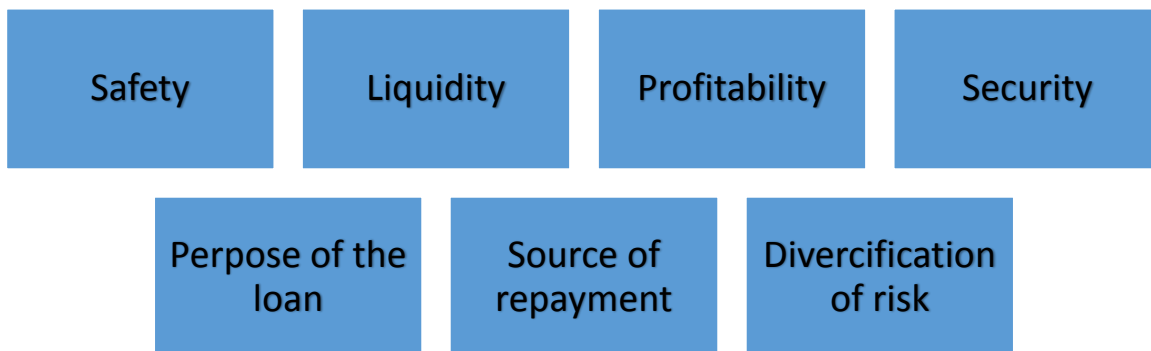
12) Other relevant information.

4.1.3 Analyzing these Information

Standard Bank at that point begins examination whether the loan connected for, is agreeing to its loaning approach. On the off chance that agree, at that point it inspects the records submitted and the credit value. Credit value investigation, i.e. examination monetary states of the advance candidate is vital. On the off chance that credit sum is more than 50, 00,000, at that point bank goes for Lending Risk Analysis (LRA) and Spreadsheet Analysis (SA) which are as of late presented by Bangladesh Bank. As indicated by Bangladesh Bank Rules, LRA and SA are an absolute necessity for the credit surpass of one crore. In the event that these two investigations reflect positive condition and report submitted for the credit gave off an impression of being tasteful, at that point bank goes for additionally activity.

4.1.4 Proposal Analysis

The Project Proposal is examined and choice about the task is taken. The credits and propel division is in charge of the investigation. After preparatory evaluation of the advance task the last endorsement is acquire from the administrator. In the event that the advance sum crosses a specific sum (no discovered), managers send the advance venture to the head office for conclusive endorsement. The specialists in principal office discover distinctive anticipated proportions and created and understanding about the probability of the venture. Bank assesses a credit proposition by considering, few foreordained factors. These are:



The most critical measure of assessing a credit proposition is safety of proposal. Safety is measured by the security offered by the borrower and reimbursing limit of the borrower. The state of mind of the borrower is additionally critical thought. Liquidity implies the inflow of trade into the undertaking out course of its operation. The profit is the blood of any business organization. Before endorsement of any credit venture the bank specialist needs to guarantee that the proposed undertaking will be productive wander.

Profitability is evaluated from the anticipated Profit and Loss Statement. The security is the main tangible asset stays with the financier. Securing of guarantee is the main weapon to recoup the credit sum. So bank needs to see that the security is anything but difficult to deal and adequate to recuperate the credit sum. Bank can't authorize credit by just relying upon security.

4.1.5 Collateral Evaluation

Standard Bank is extremely careful about valuation of the collateral. The bank authorities at the same time assess the security of the gathering offered by the private firm. The valuation of the collateral builds the exactness of its esteem evaluated. The bank mainly evaluates three types of value of the collateral. This are:

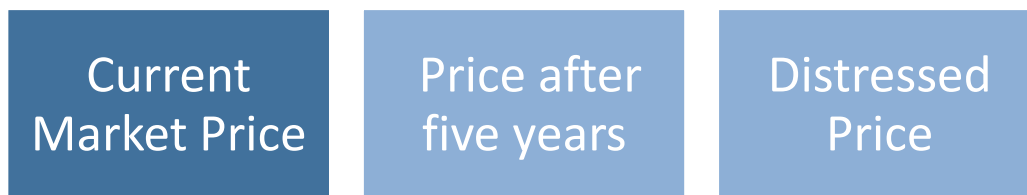


Figure 3: Three types of value of the collateral

4.1.6 Final Decision about the Project

If the loan amount is more than fifty million then the decision taken by the board of directors. If the loan amount is under fifty million then decision remains with branch level.

4.2 Documentation of the Loan

After all the analysis if the bank consider the applicant capable for the loan then they use some common document as the formality of loan sanctioning. These are,

- Demand Promissory Note: In this document the borrower guarantees to pay the loan as and when requested by the bank to reimburse the credit.
- Letter of Arrangement: In this document the loan amount which is sanctioned to the borrower is written.
- Letter of Continuity: It is used when the loan facilities are continued.
- Letter of Hypothecation: It is a written confirmation that bank will be able to sell the collateral assets if the borrower fails to pay.
- Stock Report: This report is used for SOD and CC. In this report information about the quality and quantity of goods hypothecated have furnished.
- Personal guarantee: It is a personal guaranty that the borrower will repay.
- Guarantee of the Directors of the company.
- Resolution of the board of directors: It is used to borrow the fund to execute documents and complete other documents.

- Letter of disclaimer: The borrower can claim his loan amount on the property/mortgaged by this letter.
 - Letter of Acceptance: This letter is the written confirmation from the bank that they accept the sanction proposal by the borrower.
 - Letter of Pledge: This is the permission from the bank to the borrower to the legality of holding the pledge goods.
 - Letter of Disbursement: This is the document through which the payment of sanctioned loan indicates.
 - Letter of partnership: If the borrower is a partnership organization, they have to provide their agreement copy to the bank.
 - Letter of Installment: In this document the installment amount is mentioned.
 - Tax Paying Certificate.
-

4.3 Credit Risk Grading

The Banks and financial institutions use credit management tool very often to understand various degree of risk involved in different loan transactions. The credit risk grading system is very important to take decision about the loan sanctioning both at the pre- sanction stage and post-sanction stage. When the bank get a proposal from the borrower for a loan sanction then some question rise before sectioning the loan and at this point credit risk grading answers the questions. The credit risk grading system works both on pre- sanction stage and post- sanction stage.

At the pre-sanction stage:

- Should the bank sanction the loan or not
- what should be the loan price
- what should be the extent of exposure
- what type of credit facilities is appropriate for the borrower
- How they can minimize the risk in an efficient way

At the post-sanction stage:

- What should be the depth of review or renewal
- What should be frequency of review
- What should be the periodicity of the grading
- What type of safety to be taken to recover the loan

So it is very important for the bank to develop a credit risk-grading model, which can achieve the entire objects mentioned above because the profit of the bank is directly depended on this.

In 1993 Bangladesh Bank invented Lending Risk Analysis (LRA) model and made it mandatory for all Bank and financial institute to use this model if the loan amount is more than or equal to BDT 1.00 crore. After a while this model creates problems for the user like they felt confusion about the selection of loan proposal in terms of risk exposure. So after that Bangladesh bank introduce another model named “Interalia”. In this model Risk Grade Score sheet has been introduced for understanding the exposure of risk related with credit proposal,

Presently these models are not in use anymore. Under the chairmanship of Governor of Bangladesh Bank, Bangladesh Institute of Bank Management (BIBM) introduced a new model known as Credit Risk Grading Model which is simple and user friendly to use and more efficient to evaluate the risk of loans proposals.

According to the order of Bangladesh Bank all commercial banks have to maintain an efficient credit risk management system which provides more accurate risk grading.

4.3.1 Definition of Credit Risk Grading (CRG)

- The Credit Risk Grading (CRG) is a collective definition based on the pre-specified scale and reflects the underlying credit-risk for a given exposure.

- A Credit Risk Grading deploys a number/alphabet/symbol as a primary summary indicator of risks associated with a credit exposure.
- Credit Risk Grading is the basic module for developing a Credit Risk Management system.

4.3.2 Functions of Credit Risk Grading

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

4.3.3 CREDIT RISK GRADING SCORE SHEET

Reference No.:			Date:
Borrower			
Group Name (if any)		Aggregate Score:	
Branch:			
Industry/Sector		Risk Grading:	
Date of Financials			
Completed by			
Approved by			
Number	Grading	Short	Score
1	Superior	SUP	Fully cash secured, secured by government

			guarantee/international bank guarantee	
2	Good	GD	85+	
3	Acceptable	ACCPT	75-84	
4	Marginal/Watchlist	MG/WL	65-74	
5	Special Mention	SM	55-64	
6	Substandard	SS	45-54	
7	Doubtful	DF	35-44	
8	Bad/Loss	BL	<35	

Criteria Weight	Parameter	Score	Actual Parameter	Score Obtained
A. Financial Risk 50%				
1. Leverage: (15%)	Less than 0.25×	15	0.53	
Debt Equity Ratio (×) - Times	0.26× to 0.35 x	14		
Total Liabilities to Tangible Net worth	0.36× to 0.50 x	13		
	0.51× to 0.75 x	12		
All calculations should be based on	0.76× to 1.25 x	11		

Annual financial statements of the Borrower (audited preferred)	1.26× to 2.00 x	10		
	2.01× to 2.50 x	8		
	2.51× to 2.75 x	7		
	More than 2.75×	0		
2. Liquidity: (15%)	Greater than 2.74×	15	54.00	
Current Ratio (×) -Times	2.50× to 2.74 x	14		
Current Assets to Current Liabilities	2.00× to 2.49 x	13		
	1.50× to 1.99 x	12		
	1.10× to 1.49 x	11		
	0.90× to 1.09 x	10		
	0.80× to 0.89 x	8		
	0.70× to 0.79 x	7		
	Less than 0.70×	0		
3. Profitability: (15%)	Greater than 25%	15	78.00%	
Operating Profit Margin (%)	20% to 24%	14		
(Operating Profit/Sales) X 100	15% to 19%	13		

Criteria	Weight	Parameter	Score	Actual Parameter	Score Obtained
A. Financial Risk	50%				
		10% to 14%	12		
		7% to 9%	10		
		4% to 6%	9		
		1% to 3%	7		
		Less than 1%	0		
4. Coverage: (5%)					
Interest Coverage Ratio (×) - Times					
Earnings before interest & tax (EBIT)		More than 2.00×	5	10.00	
Interest on debt		More than 1.51× Less than 2.00×	4		
		More than 1.25× Less than 1.50×	3		
		More than 1.00× Less than 1.24×	2		
		Less than 1.00×	0		
Total Score- Financial Risk			50		

B. Business/ Industry Risk				
18%				
1. Size of Business (in BDT crore) The size of the borrower's business measured by the most recent year's total sales. Preferably audited numbers.	> 60.00	5	75.00	
	30.00 – 59.99	4		
	10.00 – 29.99	3		
	5.00 - 9.99	2		
	2.50 - 4.99	1		
	< 2.50	0		
2. Age of Business The number of years the borrower engaged in the primary line of business	> 10 Years	3	10	
	> 5 - 10 Years	2		
	2 - 5 Years	1		
	< 2 Years	0		
3. Business Outlook Critical assessment of medium term prospects of industry, market share and economic factors.	Favorable	3	Favorable	
	Stable	2		
	Slightly Uncertain	1		
	Cause for Concern	0		

4. Industry Growth	Strong (10%+)	3	No Growth (<1%)	
	Good (>5% - 10%)	2		
	Moderate (1%-5%)	1		
	No Growth (<1%)	0		
5. Market Competition	Dominant Player	2	Dominant Player	
	Moderately Competitive	1		
	Highly Competitive	0		
6. Entry/Exit Barriers	Difficult	2	Difficult	
	Average	1		
	Easy	0		
Total Score- Business/Industry Risk		18		

C. Management Risk 12%				
1. Experience	More than 10 years in the related line of business	5	More than 10 years in the related line of business	

Quality of management based on total # of years of experience of the senior Management in the Industry.	5–10 years in the related line of business 1–5 years in the related line of business No experience	3 2 0		
2. Second Line/ Succession	Ready Succession Succession within 1-2 years Succession within 2-3 years Succession in question	4 3 2 0	Succession within 2-3 years	
3. Team Work	Very Good Moderate Poor Regular Conflict	3 2 1 0	Very Good	
Total Score- Management Risk		12		
D. Security Risk 10%				
1. Security Coverage (Primary)	Fully Pledged facilities/substantially cash covered / Reg. Mortg. for HBL	4	Registered Hypothecation (1st Charge/1st Pari passu Charge)	

	Registered Hypothecation (1 st Charge/1st Pari passu Charge)3		
	2nd charge/Inferior charge 2		
	Simple hypothecation/Negative lien on assets 1		
	No security 0		
2. Collateral Coverage (Property Location)	Registered Mortgage on Municipal 4 corporation/Prime Area property Registered Mortgage on Pourashava/Semi-Urban 3 area property Equitable Mortgage or No property but Plant and 2 Machinery as collateral Negative lien on collateral 1 No collateral 0	Registered Mortgage on Pourashava/Semi- Urban area property	
3. Support (Guarantee)	Personal Guarantee with high net worth or Strong 2 Corporate Guarantee	Personal Guarantee with high net worth or Strong Corporate Guarantee	

	Personal Guarantees or Corporate Guarantee with average financial strength	1		
	No support/guarantee	0		
Total Score- Security Risk		10		

E. Relationship Risk 10%				
1. Account Conduct	<p>More than 3 years Accounts with faultless record</p> <p>Less than 3 years Accounts with faultless record</p> <p>Accounts having satisfactory dealings with some late payments.</p> <p>Frequent Past dues & Irregular dealings in account</p>	<p>5</p> <p>4</p> <p>2</p> <p>0</p>	<p>More than 3 years Accounts with faultless record</p>	

2. Utilization of Limit (Actual/projection)	More than 60%	2	65.00%	
	40% - 60%	1		
	Less than 40%	0		
3. Compliance of Covenants / Conditions	Full Compliance	2	Full Compliance	
	Some Non-Compliance	1		
	No Compliance	0		
4. Personal Deposits	Personal accounts of the key business Sponsors/ Principals are maintained in the bank, with significant deposits	1	Personal accounts of the key business Sponsors/ Principals are maintained in the bank, with significant deposits	
	No depository relationship	0		
Total Score- Relationship Risk		10		
Grand Total - All Risk		100		

4.3.4 Number and Short Name of Grades Used in the CRG

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

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

Credit Risk Grading Definitions

Credit Risk Grading details is given below:-

1) Superior - (SUP) – 1

Loan facilities are fully secured and fully cover by government guarantee or international Banks

2) Good - (GD) – 2

The borrower has strong repayment capacity with high liquidity. Also the borrower enjoys high market share and strong cash-flow.

3) Acceptable - (ACCPT) – 3

These borrowers maintain an acceptable earnings and cash-flow to repay the loan. Maybe they are not as strong as GD-2 but they are in an acceptable position for loan.

4) Marginal/Watch List - (MG/WL) – 4

The borrowers in this grade have a lower repayment capacity. As their past record they failed to repay or incurred loss.

5) Special Mention - (SM) – 5

The borrowers have a management problem or weakness. They maybe failed to repay the loan due to loss.

6) Substandard - (SS) – 6

In this segment financial condition of the borrower is weak. Also repayment is not sure from these types of borrower.

7) Doubtful - (DF) – 7

The possibility of repay the loan amount and interest amount is low. According to the Bangladesh bank they can apply for a loan.

8) Bad & Loss - (BL) – 8

Borrower of this grade has lowest repayment capacity and high possibility that they will not repay the loan amount.

Chapter-5

Loan Portfolio

A diversified loan portfolio is an important tool for reducing the risk. Bank always maintain a balanced loan portfolio to maintain liquidity as well as ensure the highest profit and try to keep the risk low. Standard bank maintain total 18 products like Trust Receipt, Loans against Imported Merchandise (LIM), Payment Against Documents (PAD), Consumer Finance Scheme (CFS), Car Loan Scheme, House Building Loans (HBL), Packing Credit (PC), Transport Loans, Hire Purchase Scheme, Loan against Cash Incentive, SOD-General, SOD-FO, HBL, IDBP, Foreign Bills Purchase (FDBP), SOD-Import, SOD-Export in their portfolio. In this section we are going to discuss the last three years loan portfolio of Standard Bank Ltd to understand their position:

Last three year's Deposit, Advance, Classified Loan and Recovery (Table1)

Million			
Particulars	2014	2015	2016
Total Deposit	97,302	106,932	122,554
Total Advance	80,449	91,487	105,039
Cost of Deposit (%)	8.92%	7.69%	6.32%

Growth of Deposit, Advance, And Classified Loan and Recovery in last three years (Table-2):-

Particulars	2014	2015	2016
Growth of Deposit	1.11	1.1	1.15
Growth of Advance	1.1	1.14	1.148

As we can see in table- 1 and Table-2 the deposit amount increased from year 2014 to 2015 and from 2015 to 2016. It indicates that Standard Bank can allow more loan amount because deposit amount is the main contributor for loan fund. Moreover, the loan amount is also increased from

year to year it means that bank earn more interest from loan. One of the main point that the cost of Deposit for Standard Bank also reduced from years to years that indicates high profit from loan. Overall after this analysis it is clear that Standard Bank Loan and advance section improving from years to years.

Product-wise Loan disbursement:-

Particulars	2016	2015	2014
Secured overdraft/Quard against TDR	1,879,554,061	2,093,907,186	14954380142
Term Loan	2,734,721,032	2,884,559,398	23263939224
Export Development Fund (EDF)	106,186,676	62,157,099	1231048960
Agriculture Loan	368,954,938	286,411,000	2163882135
Cash credit/ Murabaha	1,477,852,889	1,621,203,895	12589941381
House Building loans	232,264,923	216,921,668	1518456852
Staff Loans	12,337,561	20,066,849	386161921
Transport Loans	81,738,868	94,734,830	829856556
Loans against trust receipt	693,347,462	888,427,081	8586671712
Payment against document	79,818,671	96,055,654	611408043
Packing credit	27,196,300	23,674,906	233599183
Demand Loan	567,601,148	419,867,262	3207759899
Lease Finance / Izara	110,595,867	118,531,479	811464420
Syndicate/Club Finance	382,890,624	337,933,508	2312644826
VISA Credit Card	25,375,100	23,049,061	142556987
SME/SE	1,140,011,605	994,217,787	6074986914
Green Finance	1,002,341	523,212	000

Consumer Credit Scheme/Hire purchase	25,163,592	24,613,997	208983450
Inland bills purchased	83,392,325	94,645,179	741754358
Foreign bills purchased and discounted	95,008,436	13,088,952	139347219

Sector/Industry wise Loan disbursement from last three years

Particulars	2014	2015	2016
Agriculture industries	19,28,129,182	2,879,632,376	4,363,967,705
Textile industries	161,565,000,000	18,290,500,000	22,218,500,000
Food and allied industries	1,939,120,778	1,088,500,000	2,225,300,000
Pharmaceutical Industries	216,704,679	227,900,000	161,500,000
Leather, Chemical and Cosmetic etc.	396,245,698	342,100,000	286,400,000
Cement and Ceramic industries	1,787,437,806	2,254,850,000	2,292,600,000
Service industries	8,054,800,000	11,624,400,000	14,411,300,000
Transport and Communication industries	3,068,100,000	4,211,600,000	4,532,600,000
Other Industry	5,226,800,000	7,645,400,000	7,922,534,361

Chapter-6

Credit Monitoring and Recovery Process

6.1 Credit Monitoring Process

- A. Check the record indicating deadlines of receipt of all announcements of advances and proclamations of records. Updates by wire/call/fax will be issued if any announcement remain un-got at Head Office 3/5 days after due date.
- B. Aggregate of remarkable sums appeared in different explanations of advances of a branch must concur with the parities appeared/detailed in the announcement of issues of the branch. Officer worried in Advances Department must report contrast if any to Managing Director. Thus add up to remarkable credits and advances revealed by individual branches according to proclamations must concur with add up to advances and advances of the Bank according to combined articulation of issues arranged in Head Office.
- C. Concerned Officers in Advance Department will then check/confirm each advance records announced whether it is inside utmost and security demonstrated is clear and estimation of security is right and enough to secure the extraordinary credit sum.
- D. If the advance officer at Head Office finds any inconsistency, for example, the credit surpasses affirmed confine or surpasses security esteem or not secured by endorsed restrain or the breaking point terminated or there is no adjustment in the exceptional contrasted with earlier months viz. static or in spite of some other terms of point of confinement, he ought to instantly bring up with branch administrator for elucidation/alteration and so on and set up notes to the In-control or the Managing Director.
- E. Borrowers appreciating credit cutoff of Tk.1.00 (one) crore or more would be required to present each quarter –

Anticipated working articulations (Trading/Profit and Loss Account) for one year from now; and Projected reserve stream proclamation for one year from now and the credit officer at Head Office might confirm Whether on check of date according to articulations genuine operational outcomes (generation, deals, benefit) fit in with the anticipated figures or whether there was any difference without conceivable clarifications. Regardless of whether end utilization of bank credit is as indicated by the reason for which it was endorsed. On the off chance that any troublesome changes in resource positions are found because of misfortune or preoccupation, it ought to be found instantly through pressing asks and conveyed to the notice of the Managing Director proposing medicinal measures.

- F. In instances of all money credit to modern borrower for Tk.10.00 (ten) lac or more, month to month advance report ought to be gotten to demonstrate similar generation and deals, working capital need on the premise of current resource and current risk in the proforma recommended for the reason.
- G. On the off chance that the officer finds that an advance against Trust Receipt (LTR) is staying unpaid past due date and PADs are unpaid for over 30 days from the date of receipt of same if there should be an occurrence of shipment from Europe/America/South America he should seek after the concerned branch and convey it to the notice of accountable for credit division at Head Office. Exceptional consideration must be paid if there should be an occurrence of PADs with shipment from Hong Kong, Singapore, Malaysia or India stays unpaid for 15 days. If there should arise an occurrence of shipment via arrive course by truck from neighboring nations not over 7 days ought to be permitted and Head Office must keep a watch over opportune retirement of the reports.
- H. All new office proclamation must be checked completely inside 2/3 days of their receipt and remarks if any must be sent to the branches rapidly. Head Office must see that branches routinely send Fresh Facility Statement according to strategy mandates as of now issued. The branch supervisor should give no unapproved office.
- I. If on examination of articulation of advances any abnormality is identified in advance records as expressed in para (b) and unwavering quality or reimbursement is improbable,

at that point the branch must be made a request to clarify the circumstance. Head Office ought to build up contact with borrowers if vital and officers from Head Office should go to the branch for speeding up recuperation of the credits. Assistance from particular record office may likewise be looked for in extraordinary cases. Stern measures should be started against the branch administrator and credit officers if the default is ascribed to their carelessness or liberality given to the borrowers.

- J. Responsible for Head Office Credit Department should plan programs at regular intervals for on location review of advances at branches by officers from Head Office. Such roaster should stay just with the accountable for Department and not known to anyone. Investigating Officers from credit office might utilize spot review rules on progress amid general nearby examination.
- K. Individual loan account with unpredictable exchanges indicating exceptional over Tk.25.00 lac in C.C. (Hypo)/LTR, Tk.50.00 lac in C.C. (Promise) must be examined by Head Office once in 2 months and in the event of Tk.50.00 lac in C.C. (Hypo)/LTR and Tk.1.00 Crore or more in C.C. (Vow)/LIM must be assessed once every month; (report will be made to the In-control/Managing Director).
- L. If there should be an occurrence of term advances to enterprises in measure of Tk.20.00 lac or more up to Tk.50.00 lac, officers from Head Office Industrial Credit Department (ICD) must make nearby review at regular intervals and in the event of advances surpassing Tk.50.00 lac once every month.
- M. If there should be an occurrence of Acceptance Bills obligation in piece of clothing ventures under Back-to-Back L/Cs for Tk.50.00 lac or more examination must be made week by week.
- N. Head Office might plan month to month articulation of past due credits and advances on the premise of standards passed on to the branches in managing the advances and proclamation of ordered advances half-yearly on the standards of grouping of Bangladesh

Bank. Head Office Credit Committee must talk about past due and grouped records each month and propose measures to the Managing Director for development in recuperation of late and classified loans

- O. Court cases filed by the branches must also be reviewed once a month by Head Office Credit Department for further actions.
- P. Head Office shall prepare every month a consolidated statement of loans and advances to indicate Bank's exposure in each type of loans and advances on the basis of risks involved and sectorial distribution for purposes of controlling excessive exposure in unwanted portfolios. Officer-in-Charge of Credit Department, Head Office shall try to keep loan portfolios within the limits approved in policy and place to the Managing Director.

6.2 Credit Recovery Process

At the point when Standard Bank sanctions credits and advances to its clients, they plainly express the reimbursement design in the advance assertion. Be that as it may, some credit holders don't pay their credit in due period. The nationalized and private division business banks need to confront this kind of issues. This circumstance is, particularly extreme in Standard Bank. To beat the issue of late credit, the bank require take specific Loan Recovery program.

1) Actions in case of non-recovery and the penal rate:

Suit is the last strides to be taken in regard of recovery of a loan, when all undertakings of the Bank I. e. individual contact, moral suasion, demand, and notice for reimbursement of the progress turned pointless.

2) Legal Notice:

As preliminary to filling suit, the branch might serve lawful notice upon the borrower(s), guarantor(s), and directors of the organization (if there should be an occurrence of progress against Ltd. Co.) through the legitimate consultant/board attorney under enlisted post requesting change of the liabilities inside a particular time.

3) Checking documentation and collecting property particulars:

Documentation of the progress might be checked to guarantee that these are not banished by impediment for making lawful move. Full particulars of the advantages of the borrower and co-commits of the progress might be learned.

4) Preparing review form:

Audit shape in regard of each gathering specifying in that full particulars about the borrower, his benefits and the progress should be filled in according to the proforma circled by Head Office. While recording in the survey shape, possibility of recovery should be plainly specified. The survey shape should be sent to the skillful specialist with due suggestion expressing the explanation behind recording suit.

5) Filing of suit and special points of attention:

On receipt of endorsement prompt advances should be taken to record suit through the Bank's lawful consultant/board legal advisor. While recording suit it might be guaranteed that all the important parties, accomplices, directors (in the event of Ltd. Co.) underwriter, as the case might be are made respondents in the suit and steps are taken to join the advantages previously judgment. If there should be an occurrence of home loan of enduring property either by method for fair home loan/or by enrolled contract, contract/title suit and not cash suit might be recorded.

6) Post suit follow up:

In the wake of documenting of suit its fastest transfer might be conducted through the leading legal counselor, through steady and regular contact with him. For successful follow up the suit recorded the accompanying advances ought to be taken:-

- A. Snappy administration of summons on the litigants might be conducted through the legal counselor.
- B. At the point when the suit is proclaimed for the Bank steps should be taken to serve the pronouncement by the court and acquire a duplicate of the announcement promptly
- C. Branch might guarantee that the borrower/judgment account holder regarding the announcement pays the levy and if there should arise an occurrence of default execution case might be documented immediately.
- D. Subsequent to filling of the suit however before the issuance of the declaration if any borrower/obligator approaches to settle the case agreeably, a trade off appeal to of the gathering saying in that the terms of bargain might be sent to the able expert looking for their endorsement. On the off chance that endorsed a bargain proclaim might be acquired from the court through the suit-leading attorney and it should be guaranteed that the risk is settled as per the tradeoff pronouncement. In the event of its infringement, the case should be resuscitated and led in the standard way with endorsement of the equipped specialist.

7) Difficulties in filing suit:

Banks normally confront, among others, the accompanying troubles in recording and proceeding with suits:

- A. Due to lack of proper address sometimes Bank cannot served the Legal notice.
- B. The document might be observed to be time banished.
- C. Sometimes the description of assets is not possible to submit to court.

8) Recording of detailed particulars of the borrowers:

- A. At the season of opening of record and before influencing advances to name, father's name, work locale, private and perpetual address of the borrower, underwriter, and accomplices/directors of the organization might be recorded.
- B. Before permitting Loan, full particulars of the property and assets of the borrower/commits might be checked through narrative confirmations and a reasonable note with respect to the particulars of the property should be kept in the document of the borrower.
- C. Reports of each progress should be occasionally inspected and moves might be made well in front of the expiry of the constraint time of records. Process for recording suit might be begun well ahead of time of the expiry date of the legitimacy of each archive.

9) Filing of suit with deficit court fee:

Sometimes event may emerge to document suit to spare a case from the insidiousness of constraint act. Under such circumstance the branch with deficiency court charge of Tk. 1 might document suit, subsequent to serving due legitimate notice, without sitting tight for formal endorsement of the capable specialist. On documenting suit point by point survey shape with full particulars of recording of suit, should be sent to the able expert, looking for their transfer guideline. On receipt of the direction, the suit might be discarded as needs be.

Chapter-7

Findings and conclusion

7.1 Findings

After analyzing the credit management policies, some weaknesses are found which are mentioned below:-

- 1) The aggressive condition in the banking industry in Bangladesh is very unpredictable. There are nationalized banks having broad branch systems, holding tremendous stores and getting a charge out of specific privileges. There are driving global business bank offices with centered business targets, ease of assets, cutting edge advances and exceedingly talented HR. Standard Bank Ltd. is still during the time spent being completely mechanized. Very sorted out and computerized remote bank offices working in Bangladesh represent a risk to Standard Bank Ltd.'s capacity to contend.
- 2) Without appropriate documentation once in a while bank offers credits to famous identities, which is an infringement of advance arrangement of the bank. Bank ought to dispense credits after culmination of all advance documentation customs.
- 3) Bank some of the time gives much significance on the guarantee as opposed to the character of the client. The money generating capacity of the business, which is much imperative for the credit recovery. In the event that a credit stall out up then it is extremely hard to acknowledge through selling the mortgage. Other than it is tedious process moreover.

- 4) Availability of proficient HR are a limitation yet that can be expelled by concentrating on preparing and furthermore through enlistment of qualified faculty at all levels all the time.
- 5) Lack of checking exists at some branches which may causes extreme effect on credit portfolio and in addition bank's advantage risk administration. So SBL administration must perceive this hazard and ought to be exceptionally watchful to maintain a strategic distance from any such trap through its exercises.
- 6) Very regularly, Branch officer does not visit the undertaking field to check whether the credit is being utilized as a part of appropriate reason. This ought to be kept away from and Head Office must screen at normal interim.
- 7) In some branches of Standard Bank Ltd, particular employment isolation isn't finished. Same officer is setting up the task profile, keeping up the security, dispensing the credit and includes observing the credit.
- 8) Credit management according to the Bangladesh Bank rule (CRM) isn't legitimately actualized. It is especially expected to actualize it immediately.
- 9) Risk in credit portfolio can be diversified away by looking for productive endeavors and roads.

7.2 Conclusion

Standard Bank Limited ought to in this manner set up a survey procedure to look at the changing conditions of borrowers to decide the position of advances. The bank ought to likewise stay in contact with any adjustments in any administration structure of borrower associations, changes in industry pattern and changes in general economy of the nation. Before authorizing a credit, the bank should make study on clients, providers and contenders. Customary visits to borrower's places and close observing of the exercises of the borrowers are more helpful than having meeting in the bank.

The bank is at present doing normal. By breaking down its performing it is watched that a potential development may be quickened through successful ramifications of focused procedures. Being an old age bank it has favorable position contrasted with recently settled bank as extensive variety of exercises. However system ramifications should be as quick as conceivable to snatch the early mover advantage. The bank through years has possessed the capacity to spread operation in mass saving money as opposed to gathering in specialties. It can support poor execution of one segment by some other part for its extensive variety of advertising. Capital Market operation has turned into an incredible potential for the bank to expand its gainfulness. SBL Bank financier house is concentrating to build up new workstations with a specific end goal to encourage speculator of remote spots.

The bank has possessed the capacity to make a multi component credit portfolio. However non-performing advance are a genuine test to the sound credit administration. Default is expanding for absence of checking. The bank is endeavoring to expand its credit quality by quickening its recuperation strategy. The bank can focus on the credit segment where default chance is low and its ventures are gainful. The advance technique has been made more calculative, sensible to keep the credit.

It was incredible pleaser for me to work in regarded association like Standard Bank Ltd. I think it gives me an extensive variety of degree to watch the operation of bank.

By and large, the bank must make a positive step to be all the more outward looking in their objectives and mindful of what is going on. I trust, regardless of my limitation, this experience of imparting attempts to such workplace will help me a great deal in future life.

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