

Report On

Investigation of Collection Method of Retail Loan Encompassing Risk Management in City Bank Ltd

By

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19104179

An internship report submitted to the BBS in partial fulfillment of the requirements
for the degree of Bachelor of Business Administration

Brac Business School

Brac University

May,2023

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Declaration

It is hereby declared that

1. The internship report submitted is my/our own original work while completing degree at Brac University.
2. The report does not contain material previously published or written by a third party, except where this is appropriately cited through full and accurate referencing.
3. The report does not contain material which has been accepted, or submitted, for any other degree or diploma at a university or other institution.
4. I/We have acknowledged all main sources of help.

Student's Full Name & Signature:

ASM Rubayet Hossain Rafat
19104179

Supervisor's Full Name & Signature:

Riyashad Ahmed
Assistant Professor of Finance & Director of programs (MBA & EMBA), BRAC Business school
BRAC University

Letter of Transmittal

Riyashad Ahmed

Assistant Professor of Finance & Director of programs (MBA & EMBA),

BRAC Business school

BRAC University

66 Mohakhali, Dhaka-1212

Subject: Submission of Internship Report on Investigation of collection method of retail loan encompassing risk management of City Bank Ltd.

Dear Sir,

The City Bank Ltd retail division, moghbazar branch is where I report to the branch manager, Mr.Mohammed Akter Jahan and it is my wish to showcase my entry-level internship employment there. I began this internship on January 3, 2023, and I had given interview to the city bank which is taken by an HR professional in the head office in Gulshan-2. I submitted my application to City Bank through their recruitment portal, and after some days I was contacted by them and asked to come to head office to give an interview. During the interview, I had my personality and conduct assessed and also, I answered their questions about relative work field. I was chosen to be appointed as an intern in the moghbazar branch and my wish turned into reality. With all due respect, I would like to update you that I did all in my power to guarantee that the necessary facts and in-depth analysis were encompassed in this report. I have faith that the report will please the needs.

Sincerely yours,

ASM Rubayet Hossain Rafat

19104179

BRAC Business School

BRAC University

Date: May 28, 2023

Non-Disclosure Agreement

This agreement is made and entered into by and between City Bank Ltd. and the undersigned student at BRAC University

.....

ASM Rubayet Hossain Rafat

ID: 19104179

Acknowledgement

In the three-month Internship journey of City Bank Ltd., it was a very lovely experience because firstly, it was my dream to be a part of this reputed bank and the bank was full of expert and welcoming people. I collected a lot of learning. The atmosphere was attractive because I was situated in the moghbazar branch located in the Razzak Plaza and the work atmosphere is so polished and pristine. First of all, the report titled " Investigation of collection method of retail loan encompassing risk management" has been formed in order to satisfy the final credit course responsibility for the BBA degree at BRAC Business School. I finished this investigation by following to all the recommendations, rules, and mentor supervision. I want to express my thankfulness to everyone who gave me materials and assisted me in finishing the report. Mr.Riyashad Ahmed, my academic supervisor for the internship report and Assistant Professor of Finance & Director of programs (MBA & EMBA) of BRAC Business School, is the first name on the list as a result. It would have been quite problematic for me to endure with the report without Sir's true mentoring. Along with him, all of my City Bank coworkers provided me with brilliant guidance. In particular, my supervisor, Mr.Mohammed Akter Jahan, the branch manager of moghbazar branch, offered me his time to monitor and deliver me with appreciated data for my report. I would want to express my heartfelt thankfulness to everyone who helped me along the way. I reflect myself extremely privileged to have their care and time.

Executive Summary

In this report, I represented Investigation of collection method of retail loan encompassing risk management of The City Bank Ltd. Investigating annual reports, supervisor information and branch observations, I had accomplished my report. This report encompasses how Retail Finance Centre do their functions to execute collection of retail loan and how they categorize customers according to their tendency of providing loan installments. Moreover, CAMELS rating is investigated in this report because it reflects its performances and risk associated with the bank. Furthermore, risk management divisions activities and goals towards the City Bank Ltd was included also. Apart from these investigations, a general overview of the city bank and all their functions & products are shown in this report. This paper also highlights the City Bank's innovations throughout the progression of 40 years, when they offered consumers advanced solutions rather than following to conventional banking procedures. During the pandemic, the bank had to go through many challenges, however, they fought back with those and turn into one of the best leading commercial banks.

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List of Acronyms

- FD- Fixed Deposit
- LC- Letter of Credit
- ATM- Automated Teller Machine
- DPS- Deposit Plus Scheme
- SME- Small and Medium Enterprise
- NPL- Non-Performing Loans
- CBL- City Bank Limited
- CASA- Current and Savings Account
- AMEX- American Express
- CDM- Cash Deposit Machine
- CRM – Credit Risk Management
- CRMR- Comprehensive Risk Management Report.
- MRMR - Monthly Risk Management Report
- RMF- Risk Management Framework.
- CRMD- Credit Risk Management Division

Chapter-1 [Overview of Internship]

[Student Information: Name, ID, Program and Major/Specialization]

I am ASM Rubayet Hossain Rafat. My student Id- 19104179 and I am a student of BRAC University, admitted on 2019 spring session. I belong from BRAC Business School specializing on Finance and Human Resources management.

[Internship Information]

Period, Company, Department & Address:

Currently I am pursuing an internship in The City Bank Limited. Specifically, I am attached in a retail division in Moghbazar branch. Many operations takes place encompassing customer service, loan services, card services and SME financing. The exact address for this branch is House: 1 Razzak Plaza, Road: New Eskaton Road, PO: GPO, PS: Dhaka 1000.

The Razzak Plaza building contains many numbers of business shops, that means the area can be stated as a commercial area. The city bank has chosen this place due to it potentiality of doing business here. My internship has started from 03 January to 03 March.

Internship Company Supervisor's Information:

During my internship, I am under direct supervision of my branch manager – Mohammed Akter Jahan, who is very affable and supportive. He also supervises the moghbazar branch as well.

Job Scope- Job Description/Duties/Responsibilities:

I am very elated to pursue this experience in retail division. The reason for being elated are many, like I have to execute different activities. For example, I have to assist my officers there by checking all the documents needed to open an account, also what are the queries customer possess. Moreover, I investigate and detect discrepancies in the documents and rules to write account opening form and state them to officers and customers. I often help loan officers to write loan requisition form carefully. It contains sensitive information which should not be mistaken. The office time is from 10 am to 5 pm. However, customer service timing ends at 3.30 pm, so I take the rest of my time as learning time from the officers.

I assist in other sectors to my officers, such as:

- tracking undelivered welcome letter request and organize them again for delivering purpose.
- execute Customer calls for cheque-book collection requisition.
- track down the customers insights about the bank by doing survey and share them with HR division, so that they can rectify there services. Details are grabbed during the survey.

Internship Outcomes:

Student's contribution to the company

Contributions I possess to the company encompasses quality services to customers. customers arrive with many queries and in rush too. My job is extracting their required services and act accordingly for their own goods. Many customers do not know how to write deposit slips, I assist them with it. Moreover, many customers seek particular division (card, CS), but they do not. I let them know their destination. Often officers possess huge workload and customer pressure, in this care I help customers writing their own form by extracting the necessary information from them. My target is to make customers elated by providing the enticing services, so that I can uphold my bank's brand value and also make myself a proud intern here.

Benefits to the student

I get the chance to acquire fantastic knowledge about the bank products. The bank provides several customized products to customers to make their life easier. Moreover, I get the chance to know how to provide customer satisfaction, and also tackle customers when they are in hurry. Often customers outburst due to long-term waiting to acquire services, and for that I need to make calm down to them by letting them know about banking policies and its long built-in process for giving services. I know the loan rate and qualifications needed to elicit a loan and also, I get 5,000tk in a month from the city bank.

Problems/Difficulties (faced during the internship period)

Besides learning a lot from the internship, I also have to go through some difficulties. More often, officers remain busy due to providing services and I execute self-learning method. It is likely that, the city bank contains huge numbers of customers and officers tend to remain occupied to services, and that time I do low potential activity. For example, doing photocopies, helping to detect errors and passing data sheets from one officer to another. In the internship time frame, some days I do

not have more learning stuffs that I come up with expectations, so I had to wait for potential learning activities.

Recommendations (to the company on future internships)

I believe all future interns can be appreciating assets to city bank, as they adjust themselves to work culture of the city bank. For this reason, I believe that, there could be more learning activities, like after one or two months, interns have to face customers using a desk to open an account and providing information about opening it. It will give interns confidence more to work as an asset for future opportunities. Furthermore, interns must acquire the soft-spoken skills to maintain gleeful relationship with customers, since the city bank is a brand to be carried on.

Chapter 2: Organization Part:

2.1 Introduction:

12 young & brave businessmen set up the country's first private commercial bank in the year 1983, so they set the wheel in motion for the city bank. From 1983 to now, City Bank has been a part of evolution, as they transformed over time from typical organization to an acclaimed institution that encompasses global best practices. The city bank is now of the top-rated bank in our country by serving corporate banking to individuals along with other vast services.

They also provide unique featured products like Islamic financing and woman banking which reflects they innovative move towards quality. They invented city touch app and organized so simply with many functions to assist all customers with their activities. Moreover, employees believe in focusing satisfaction-based services to customers, and this builds trust between them. Furthermore, a well-established value is created for stakeholders.

2.2 Objective:

The main objective of the report is to investigate the internal areas, for example, what are the products they serve, what are the services are listed in their offerings, how they build relationship with customers and how they tackle pressures. While pursuing internship, investigations are done on the retail banking division, management, marketing and accounting practices, product and services and woman banking.

2.3 Methodology:

To investigate about the internal management and organization insights, I have extracted sources of data from the following:

Primary sources: Asking the card ambassador, branch manager, Tellers, Relationship Manager, Branch Operation Manager, Customer service officer, executing own investigation etc.

Secondary Sources: websites, city touch app, articles and annual report.

2.4 Scope:

The significant part of this report has accomplished by investigating data, information and figures collected from city bank websites, where I have taken data from 2019-2022. My focus is on

collection method of retail loan. Not only this, the report contains overall insight about the retail banking divisions and also the risk management techniques using camel ratings and others. A general description about city bank can be extracted from this report as well.

2.5 Limitation

Taking scope in account for this report, there are also some contrasts to it as there are barriers to be faced while creating this report. As an intern, I am not authorized to elicit whole necessary data, as these are limited by internal authorities. I can only elicit some information, therefore I needed to extract most of the data from observations and most of the numerical data were gotten from annual reports and websites. The report could be more enriched if the time frame is increased a bit more.

2.6 Significance:

The following investigation about the city bank contains significant insights about how this brand serve their product, performance, operations and management system. This investigation contains practical experiences, direct observations and fresh data obtained which is tough to extract from any other research materials. therefore, this investigation will surely facilitate top management to have a close eye over various drawbacks and help them towards potential decisions. Moreover, other banks can take this investigation from the city bank as a lesson to tackle their own drawbacks, management techniques and come up with innovative approaches.

2.7 Overview of the Company:

2.7-1 Background of City Bank

City bank is best known as the first private commercial bank, commenced their journey on 1983 by 12 young businessmen who have set the wheel in motion. Currently, they have Over 4,356 employees who are trying their best to serve over 17,00,000 customers with full satisfaction. Moreover, they have 132 branches, and their first branch operation took place on B. Avenue Branch Dhaka. Furthermore, they have 419 ATM +RATM+ CDM and 2 airport lounge. The city bank is also known for their accomplished achievement for becoming a well technology adopted bank in Bangladesh. They have their own digital banking app called as 'city touch', which is very

organized and helpful. One of the highlights about City Bank is that it is the sole franchisee (seller) of American Express (AMEX) in Bangladesh which makes it distinctive from any other bank.

Contemporarily, their Islamic shariah financing services become popular among customers, also they have special offerings for women banking called 'City ALO' where woman can confront special offers with it. Additionally, City bank also have branches in Hong Kong and Malaysia. For its passion to provide excellent banking services, City bank has been eliciting the best bank award in Bangladesh since 2016.

2.7-2 Subsidiaries

City Bank Capital resources limited (CBCRL)

CBCRL was established in Bangladesh on 17 August 2009 under the Companies Act, 1994. Company elicited Merchant Banking License from Bangladesh DSE on 06 December 2010. CBCRL provides enticing variety of investment products, encompassing issue management, portfolio organizing services, underwriting, corporate advisory, commercial paper, debt restructuring, term loans, working capital facilities, agency and trusteeship etc are the services CBCRL provides. The registered office of the Company is situated at 90/1, City Center (13th floor), Motijheel, Dhaka - 1000, Bangladesh.

The core strength it has are, no negative equity of clients' assets in portfolio management, tremendous profit growth over the past 5 years, not prevented by mixed capital market performance, satisfying Board of Directors giving strategic supervisory and oversight and investing in more diversified financial assets.

City Brokerage Limited

City Brokerage Limited (CBL) is one of the rated brokerages in Bangladesh. City Brokerage was established on 31 March, 2010 as a private limited company by following the Companies Act, 1994. CBL provides services like international-standard brokerage services to retail, foreign clients and institutional. The Company desires to extract quality of human capital, which serves professionally and well-knowledgeable research team. Future goals for City Brokerage include integrating the order management system (OMS), a software-based system, to service all City Bank branches while increasing retail market share.

CBL Money Transfer

Since it is initiated in Malaysia, CBL Money Transfer (CBLMT), a private corporation limited, has contributed up to 7% of all national inward remittance from Malaysia. 2018 was a successful year for CBLMT, as excellent business motion witnessed into net profit increasing by 1,813%. In its network, CBLMT has eleven branches.

City Hong Kong Limited

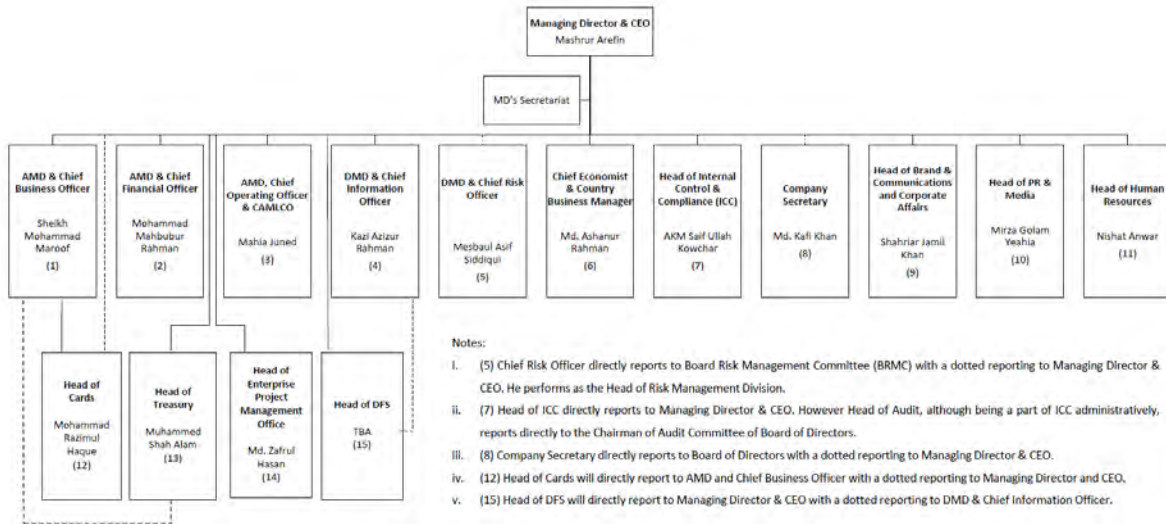
To secure services to customers who tend to be involved in doing business trades with their respective partners in Hong Kong, the City Hong Kong Ltd subsidiary is established in the business district of Kowloon in Hong Kong, as also approved from Bangladesh Bank. Moreover, City HK provides Letter of Credit (LC), Documents, Bill financing and many more.

2.8 Organizational Structure

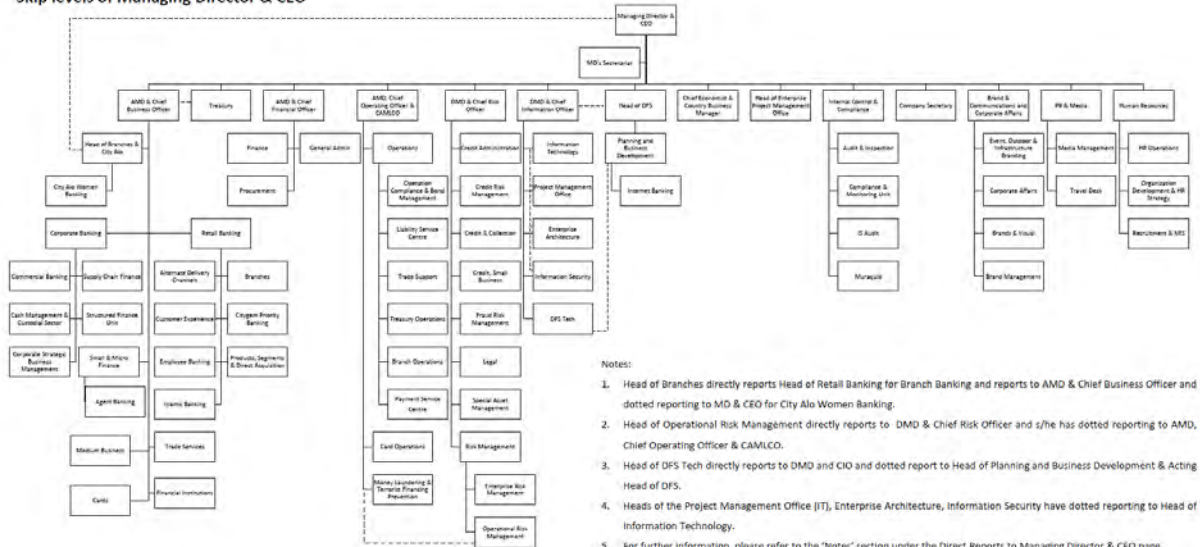
The Head Office of City Bank is located in 36 Gulshan Ave, Dhaka 1212. Many activities are taking place daily as it manages all 5 units which includes Branch Banking units, Business unit, Operations Unit, Risk Unit, Support team. They work 5 days in a week. From significance banking by relationship managers to satisfying customer service by experienced officers take place. Additionally, HR division essence on organizing human assets to uphold the best in the organization to support robust customer satisfaction. Also, City Bank's structure comprises assisting billing transactions by tellers and highlighted Card distributions by card ambassadors. Moreover, the company offers Call Center assistance, City Touch App for all clients and Internet banking for business current accounts.

2.8-1 Organogram of City Bank:

**The City Bank Limited - Top Line
Direct Reports to Managing Director & CEO**



**The City Bank Limited - Top Line (page 2 of 2)
Skip levels of Managing Director & CEO**



2.8-2 Mission, Vision, Core Values:

Vision- The Financial Supermarket with a Winning Culture Offering Enjoyable Experiences.

Mission – To be the financial services group of choice in Bangladesh, City bank aims to:

- 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 leadership are created
- Continuously challenge processes and platforms to enhance effectiveness and efficiency
- Promote innovation and automation with a view to guaranteeing and enhancing excellence in service
- Ensure respect for the community, good governance and compliance in everything they do

Values:

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

2.8-3 Products and Services:

1. Savings and current accounts –

➤ **Savings account** – Savings account can be opened by individuals or joint account holder and savers can choose categories of saving accounts depending on interest & time durability. Categories are:

- Student Savings
- General Savings
- City Manarah General Savings
- City Manarah High Value Savings
- Savings delight account
- High value savings account
- City Manarah Savings delight
- New born Deposit

➤ **Current account-** This account is for business and organization's purpose. With this, Proprietorship account, Partnership account and Limited Company account can be created.

Debit cards –

- Master Card
- City Maxx American Express Card
- VISA card

4. Credit cards- City Bank is the only franchisee holder of American Express (AMEX) cards available in dual currency (Local and US Dollar), and the categories of it are:

- Silver
- Gold
- Platinum

VISA- Credit card also available in two categories:

- Silver
- Gold

• **Personal loans** – Lending to customers also have categories:

- Auto loan
- SME Loan
- Private loan
- Secured loan
- Home Loan

Term deposit account- Accountholders can avail term deposits against their savings, they are:

- 1) Insured backed DPS
- 2) Fixed Deposit Receipt (FDR of 3 months, 6 months, 1year-10 year)

- 3) General DPS account
- 4) Monthly interest paying FD account

• **Corporate banking and Investment Banking-** city bank offers some services according to investors necessity and requirements. They are

- Structured Finance
- Leasing
- Syndication
- Islamic Finance
- Foreign Trade
- Equity Investment

• **Internet banking** – these services is given through I-Bank for current account holders and also CityTouch App is for other accountholders. Accounts can also be made through Ekhoni App service. Services are:

- Process transactions
- Transfer money
- Purchasing travel tickets.

Treasury and syndication services- In the Bangladesh Capital market, brokerage services are provided through:

- Foreign currencies
- Cash-market
- Enterprise sales

SME banking – To inspire small to medium enterprises, services given are:

- • Medium Segment SME Service.
- • Agro SME Service.
- • Small Segment SME Service.

City Alo-women banking- A contemporary invention of City bank with a café plus banking podium for women.

12. Islamic Banking- A Shariah grounded services.

Agent banking- Presently, City Agent Banking has been giving its services through agents and utilizing software grounded system where customers and agents can execute secured transaction.

More services:

- Cash deposit
- Card cheque
- Pay order
- Clearing cheque
- Transfer cheque
- Cash withdrawal.
- Real Time Gross Settlement (RTGS) Payment
- Remittance services
- ATM, CDM and Call center services etc.
- Bank statement provision

2.9 Management Practices:

2.9-1 Top Management practices of City Bank:

Over 4,356 employees, City Bank targets to make value in every stage of its management practices. The top management seeks to become the best banking platform for Bangladesh. Moreover, the top management do not rest and wait for a miracle to take place for high customer satisfaction, rather always having a keen eye on creating high value for customers, platform, shareholders etc. Additionally, the top management focuses on market conditions, necessary steps needed to acquire act according to market and execute significant risk management techniques to carry on the city bank as the sustainably best commercial bank ever.

2.9-2 Tactics and initiative implemented:

- The invention of Citytouch app abolished barriers to obtain many services.
- Collaboration with Bkash App to boost Transferring of funds with no charge was a significant useful measure for customers
- Technology grounded secured systems are implemented to save customer's private data.
- Focused more on retail banking division to elicit customer satisfaction and trust by providing services according to their need. Customized packages are initiated in retail division; therefore, customers will find the city bank as the only bank to pursue.
- City Alo is initiated and created Women Banking Branch for it, with a classy café+ banking atmosphere where women are getting the priority.

2.10 Marketing Practices

2.10-1 Media Division

A Media section at City bank execute the marketing of bank's goods and services. The Managing director and CEO of City Bank frequently broadcast new concepts and provide interviews on newspaper websites like The Daily Star and Prothom Alo, because the bank has an international status. Similar to this, public issues are deliberated at news conferences.

2.11 Financial Performance & Accounting Practices

2.11-1 6-years Financial Statements:

The City Bank Limited and its subsidiaries
CONSOLIDATED BALANCE SHEET
 as at 31 December 2021

Notes	2021 Taka	2020 Taka
PROPERTY AND ASSETS		
Cash		
4	7,083,119,420	5,643,796,101
In hand (including foreign currencies) Balance with Bangladesh Bank and its agent banks (including foreign currencies)		
4.2	23,142,429,928	16,761,650,690
Balance with other banks and financial institutions		
In Bangladesh		
5	22,018,096,557	22,811,003,203
Outside Bangladesh		
6	1,164,252,839	4,389,091,808
Money at call and short notice		
Investments		
Government		
7	48,091,329,644	42,061,653,289
Others		
8	60,990,097,843	51,861,196,247
Loans and advances/investments		
Loans, cash credits, overdrafts, etc./investments Bills purchased and discounted		
9	284,429,122,970	266,897,406,404
10	3,867,679,616	2,370,175,652
Fixed assets including premises, furniture and fixtures		
11	288,316,802,586	269,267,580,056
Other assets		
12	7,402,854,102	6,611,300,802
Non-banking assets		
13	144,306,095,612	10,166,257,067
Total assets		
	424,914,435,281	388,093,904,785
LIABILITIES AND CAPITAL		
Liabilities		
Borrowings from other banks, financial institutions and agents		
14	11,900,000,000	11,900,000,000
Deposits and other accounts		
Current accounts and other accounts		
15	94,975,876,303	45,764,362,143
Bills payable		
16	2,683,162,274	2,289,242,204
Savings bank deposits		
17	72,477,566,128	89,320,636,743
Fixed deposits		
18	152,002,395,336	146,922,088,979
Bearer certificate of deposit		
19	382,207,000,892	284,086,309,877
Other liabilities		
20	42,353,110,820	33,265,393,988
Total liabilities		
21	392,176,839,971	359,090,819,478
Capital/shareholders' equity		
Paid up capital		
22	10,672,059,940	10,163,866,610
Statutory reserve		
23	9,167,671,143	8,609,477,813
Share premium		
24	1,504,386,797	1,504,386,797
Dividend equalisation reserve		
25	530,786,634	530,786,634
Other reserve		
26	2,620,296,209	2,609,219,292
Surplus in profit and loss account		
27	8,262,266,773	9,809,239,059
Total shareholders' equity		
28	32,737,448,552	29,502,972,507
Non-controlling interest		
29	146,758	146,758
Total equity		
30	32,737,595,310	29,503,089,265
Total liabilities and shareholders' equity		
	424,914,435,281	388,093,904,785

The City Bank Limited and its subsidiaries
CONSOLIDATED PROFIT AND LOSS ACCOUNT
 for the year ended 31 December 2021

Notes	2021 Taka	2020 Taka
Interest income/profit on investments		
26	21,052,274,613	23,254,962,529
Interest paid/profit shared on deposits and borrowings etc.		
27	(8,726,480,778)	(14,807,916,208)
Net interest income/profit on investments		
	12,326,793,835	8,446,946,319
Investment income		
28	2,862,413,580	3,747,853,965
Commission, exchange and brokerage		
29	9,717,723,965	3,935,630,730
Other operating income		
30	2,105,410,504	1,580,929,593
Total operating income (A)		
	10,680,548,040	9,266,613,294
Operating expenses		
Salaries and allowances		
31	6,340,980,979	5,473,853,873
Rent, taxes, insurance, electricity, etc.		
32	632,252,829	554,177,359
Legal expenses		
33	30,625,753	39,775,911
Postage, stamp, telecommunication, etc.		
34	108,138,815	100,119,256
Stationery, printing, advertisements, etc.		
35	421,334,241	221,889,579
Chief executive's salary and fees		
36	20,301,212	18,764,418
Directors' fees		
37	6,446,544	4,680,093
Auditors' fees		
38	3,590,527	2,983,145
Depreciation and repair		
39	1,893,326,057	1,897,929,716
Other expenses		
40	1,475,129,023	1,814,557,792
Total operating expenses (B)		
	10,922,628,375	10,126,839,143
Profit before provision (C = A - B)		
	12,084,713,500	7,996,920,469
Provision for loans and advances/investments		
41	(1,757,890,728)	(376,346,865)
Provision for off-balance sheet exposures		
	749,527,841	170,448,318
Provision for diminution in value of investments		
	(33,327,131)	(25,020,424)
Other provision		
	20,301,212	89,375,167
Total provision (D)		
	2,540,745,701	610,633,927
Total profit before tax (E = C - D)		
	9,543,967,799	6,986,286,542
Provision for taxation (F)		
Current tax expense		
	4,359,063,030	2,174,350,399
Deferred tax (income)/expense		
	(809,367,658)	(507,754,934)
Total provision for tax (G = E - F)		
	4,049,810,372	2,622,104,989
Net profit after tax (H = E - F)		
	5,494,157,427	4,364,181,553
Net profit after tax attributable to:		
Equity holders of the bank		
	5,494,124,443	4,364,175,579
Non-controlling interest		
	32,978	5,974
Appropriations		
Statutory reserve		
	508,193,330	-
Start up fund		
	87,552,311	-
Coupon/dividend on perpetual bond		
	297,745,959	-
General reserve		
	893,451,196	-
Retained surplus for the year		
	4,600,633,252	4,364,175,579
Earnings per share (EPS)		
47	5.15	4.09

The annexed notes 1 to 53 form an integral part of these financial statements.

 Managing Director & CEO
 Director
 Director
 Chairman
 As per our report of same date.
 Auditor
 Ali Ashfaq, Partner, Enrolment no: 509
 Rahman Rahman Haq, Chartered Accountants
 KPMG in Bangladesh
 Firm Registration Number: [N/A]
 DVC:2204070509ASB18178

Dhaka, 7 April 2022

The City Bank Limited and its subsidiaries
CONSOLIDATED BALANCE SHEET (CONTINUED)
 as at 31 December 2021

Notes	2021 Taka	2020 Taka
OFF-BALANCE SHEET ITEMS		
Contingent liabilities		
Acceptances and endorsements		
24.1	81,111,980,146	55,977,706,368
Letters of guarantee		
24.2	24,200,021,096	19,162,905,772
Irrevocable letters of credit		
24.3	39,896,332,871	31,349,894,747
Bills for collection		
24.4	11,405,739,898	9,615,832,715
Other contingent liabilities for ECA financing		
	10,176,195,001	11,195,747,927
Total		
	187,007,839,188	126,901,297,529
Other commitments		
Documentary credits and short term trade-related transactions		
24.4	41,603,304,800	9,507,895,143
Forward assets purchased and forward deposits placed		
	-	-
Undrawn note issuance and revolving underwriting facilities		
	-	-
Undrawn formal standby facilities, credit lines and other commitments		
	-	-
Other commitments		
	-	-
Total		
	41,603,304,800	9,507,895,143
Total Off-Balance Sheet Items including contingent liabilities		
	228,611,143,988	136,409,192,672
Net Assets Value (NAV) per share		
49	30.66	27.65

The annexed notes 1 to 53 form an integral part of these financial statements.

 Managing Director & CEO
 Director
 Director
 Chairman
 As per our report of same date.
 Auditor
 Ali Ashfaq, Partner, Enrolment no: 509
 Rahman Rahman Haq, Chartered Accountants
 KPMG in Bangladesh
 Firm Registration Number: [N/A]
 DVC:2204070509ASB18178

Dhaka, 7 April 2022

CONSOLIDATED BALANCE SHEET

As at 31 December 2019

Notes	2019 Taka	2018 Taka
PROPERTY AND ASSETS		
Cash		
4	6,196,296,417	5,428,445,923
Balance with Bangladesh Bank and its agent banks (including foreign currencies)		
4.2	19,776,238,104	14,016,977,786
Balance with other banks and financial institutions		
In Bangladesh		
5	4,860,682,269	700,373,598
Outside Bangladesh		
6	25,445,479,500	28,498,984,942
Money at call and short notice		
Investments		
7	89,479,167	89,479,167
Government		
8	96,085,210,195	28,636,105,058
Others		
9	43,648,648,472	38,498,320,237
Loans and advances/investments		
Loans, cash credits, overdrafts, etc./investments Bills purchased and discounted		
10	247,777,734,032	231,874,904,022
Fixed assets including premises, furniture and fixtures		
11	6,599,251,899	3,939,868,437
Other assets		
12	8,627,907,980	8,628,906,500
Non-banking assets		
13	1,122,539,991	1,039,701,289
Total assets		
	356,959,894,037	326,840,488,782
LIABILITIES AND CAPITAL		
Liabilities		
Borrowings from other banks, financial institutions and agents		
14	9,200,000,000	8,800,000,000
Deposits and other accounts		
15	45,147,496,824	61,249,786,296
Current deposits and other accounts		
	40,869,697,059	27,381,535,632
Bills payable		
	1,884,096,479	1,521,442,000
Savings bank deposits		
	46,987,239,617	44,478,498,590
Fixed deposits		
	157,319,657,916	131,679,045,353
Bearer certificate of deposit		
	246,440,705,071	204,862,462,516
Other liabilities		
16	81,625,852,069	37,112,905,062
Total liabilities		
	136,414,053,964	102,029,158,874
Capital/shareholders' equity		
Paid up capital		
17.2	10,163,866,610	9,679,872,970
Statutory reserve		
18	8,669,477,813	8,001,539,112
Share premium		
19	1,504,386,797	1,504,386,797
Dividend equalisation reserve		
20	530,786,631	530,786,631
Other reserve		
21	701,786,785	3,181,663,748
Surplus in profit and loss account		
22	2,375,918,621	2,068,909,284
Total shareholders' equity		
23	24,039,232,267	24,917,180,492
Non-controlling interest		
	107,866	124,416
Total equity		
	24,039,340,133	24,917,304,908
Total liabilities and shareholders' equity		
	160,453,394,097	126,940,488,782

Notes	2019 Taka	2018 Taka
OFF-BALANCE SHEET ITEMS		
Contingent liabilities		
Acceptances and endorsements		
24.1	81,196,298,038	75,554,746,099
Letters of guarantee		
24.2	29,846,447,726	23,276,124,178
Irrevocable letters of credit		
24.3	7,916,163,624	7,175,806,178
Bills for collection		
24.4	12,182,921,351	9,990,178,860
Other contingent liabilities for ECA financing		
	113,173,519,801	121,919,046,163
Other commitments		
Documentary credits and short term trade-related transactions		
24.4	5,224,665,898	13,829,048,198
Forward assets purchased and forward deposits placed		
	-	-
Undrawn note issuance and revolving underwriting facilities		
	-	-
Undrawn formal standby facilities, credit lines and other commitments		
	-	-
Other commitments		
	-	-
Total		
	6,224,686,898	19,829,048,198
Total Off-Balance Sheet Items including contingent liabilities		
	118,998,206,699	141,748,094,361

The annexed notes 1 to 53 form an integral part of these financial statements.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2017

	Note	2017	Figures in Taka 2016 (Restated)
Interest income/profit on investments	26	16,819,464,242	18,057,152,921
Interest paid/profit shared on deposits and borrowings etc.	27	(8,230,207,656)	(9,545,952,641)
Net Interest Income/profit on investments		7,539,256,385	6,511,190,280
Investment Income	28	3,030,038,958	4,823,836,672
Commission, exchange and brokerage	29	3,308,317,471	2,423,957,973
Other operating income	30	1,311,310,878	1,049,881,156
		7,649,667,346	8,297,435,801
Total operating income (A)		15,188,923,731	14,808,676,082
Operating expenses			
Salaries and allowances	31	4,353,800,589	3,760,069,767
Rent, taxes, insurance, electricity, etc.	32	962,785,801	781,218,595
Legal expenses	33	52,845,765	38,273,353
Postage, stamp, telecommunication, etc.	34	83,280,499	92,772,113
Stationery, printing, advertisements, etc.	35	216,483,541	165,524,753
Chief Executives salary and fees	36	17,994,152	16,939,300
Director's fees	37	1,992,576	2,662,168
Auditor's fees		2,755,036	2,990,039
Depreciation and repair	38	1,027,214,890	978,189,036
Other expenses	39	1,628,213,112	1,251,169,537
Total operating expenses (B)		8,366,945,752	7,087,407,319
Profit before provision (C = A-B)		6,801,977,939	7,721,268,763
Provision for loans and advances/investments	40	(1,227,377,728)	(2,014,646,765)
Provision for off balance sheet exposures:			
Other provision		(180,000,000)	(133,000,000)
		(280,515,496)	(638,880)
Total provision (D)		(1,687,893,215)	(2,146,987,885)
Total profit before tax (E = C+D)		5,114,084,725	5,574,280,878
Provision for taxation (F)	41		
Current tax expense		(1,892,815,199)	(1,716,485,289)
Deferred tax income/(expense)		237,408,927	146,204,483
Total provision for tax		(1,655,406,271)	(1,570,280,806)
Net profit after tax (G = E-F)		3,458,678,453	4,004,000,071

CONSOLIDATED BALANCE SHEET

As at 31 December 2017

	Note	2017	2016 (Restated)
PROPERTY AND ASSETS			
Cash	4	4,447,800,803	3,788,820,776
Loans (including foreign currency)			
Balance with Bangladesh Bank and its agent banks	3 a, 2	19,339,902,848	20,458,275,235
Including foreign currency		26,787,103,808	24,484,208,511
Balance with other banks and financial institutions in Bangladesh	5	12,764,876,112	12,180,637,040
Loans (Bangladesh)		(89,368,438)	805,615,425
19,893,845,559		14,085,872,233	
Other	7	89,379,187	91,479,957
Money at call and short notice	6	22,069,627,232	22,048,918,178
Government		9,832,938,841	9,847,389,075
Other		12,236,688,391	12,201,529,103
Loans and advances/investments	8	182,352,670,283	182,170,820,585
Loans with specific collateral/investments			
Net purchased and discounted	9	4,722,154,852	7,275,202,565
187,072,622,915		179,048,221,042	
Fixed assets including premises, furniture and fixtures	10	3,842,229,555	2,819,136,210
Other assets	11	40,988,167,032	7,723,872,014
Non-current assets	12	45,110,616,587	30,543,008,224
Total assets		278,087,060,738	264,754,737,228
LIABILITIES AND CAPITAL			
Reserves	13	7,859,800,490	3,000,000,000
Borrowings from other banks, financial institutions and agents	14	38,739,967,834	31,866,282,611
Deposits and other accounts	15		
Current deposits and other accounts		25,072,817,911	24,384,173,234
Bill payable		1,255,732,130	1,387,153,892
Saving bank deposits		98,982,808,854	94,884,817,284
Fixed deposits		117,391,987,308	113,851,983,172
Reserve fund of (known)			
Other liabilities	16	182,262,822,179	174,417,247,894
Total liabilities		251,005,504,718	257,850,244,407
Capital/Shareholders' equity		27,081,556,020	28,904,492,821
Reserve fund	17	5,218,886,840	8,757,880,210
Statutory reserve	18	7,830,174,439	6,190,191,727
Other reserves	19	1,524,388,797	682,817,813
Dividend equalization reserve	20	530,188,831	178,926,577
Other reserve	21	4,848,238,804	1,175,254,428
Shareholders' equity and non-account	22	2,549,880,439	2,880,339,211
Total shareholders' equity		26,531,675,500	26,624,490,975
Non-current interest	23	1,549,880,520	2,279,999,846
Total equity		28,081,556,020	28,904,492,821
Total liabilities and shareholders' equity		278,087,060,738	264,754,737,228

#2 (Annex Annex 2017)

	Note	2017	Figures in Taka 2016 (Restated)
OFF-BALANCE SHEET ITEMS			
Contingent liabilities			
Acceptance and endorsement	24	32,958,408,057	15,875,325,600
Letters of guarantee	24	13,060,162,728	8,388,768,457
Investment letters of credit	24	30,229,251,100	14,264,589,520
Bill for collection	24	14,188,143,046	14,067,819,882
Other contingent liabilities			
Total		90,435,973,931	56,607,503,460
Other commitments			
Documentary credits and other letter of credit related (known)	24	2,411,833,185	4,867,633,604
Financial assets purchased and forward deposits issued			
Undrawn letter of credit and revolving (pre-emptive) facilities			
Undrawn letter of credit (bill accepted) - pre-emptive commitments			
Other commitments			
Total		2,411,833,185	4,867,633,604
Total Off-Balance Sheet items including contingent liabilities		92,847,807,116	61,475,137,064

The annexed notes to the financial statements are an integral part of these financial statements.

Figure 1: Balance sheet and income statement of CBL from 2017-2021

Accounting practices: These financial statements cover data from 1 January to 31 December. Additionally, all financial revelations have been made ensuring the principals below:

- IAS, IFRS Banking, Companies Act, 1991 (Amendment in 2013)
- Companies Act, 1994
- Bangladesh Bank Regulations
- Securities and Exchange Rules, 1987

- Bangladesh Financial Reporting Standards
- Financial Institutions Act, 1993
- The Income Tax Ordinance, 1984
- Bangladesh Accounting Standards

Financial performances of City Bank:

Net Profit Margin- The net profit margin is used to evaluate total profit against sales of bank products. It is expressed as: (**Net profit/Total Revenue**)

City Bank’s Net Profit Margin over the years is mentioned below:

Table 1: Net Profit Margin

ratio	2017	2018	2019	2020	2021
Net Profit Margin	24.33%	12.65%	13.52%	24.63%	23.88 %

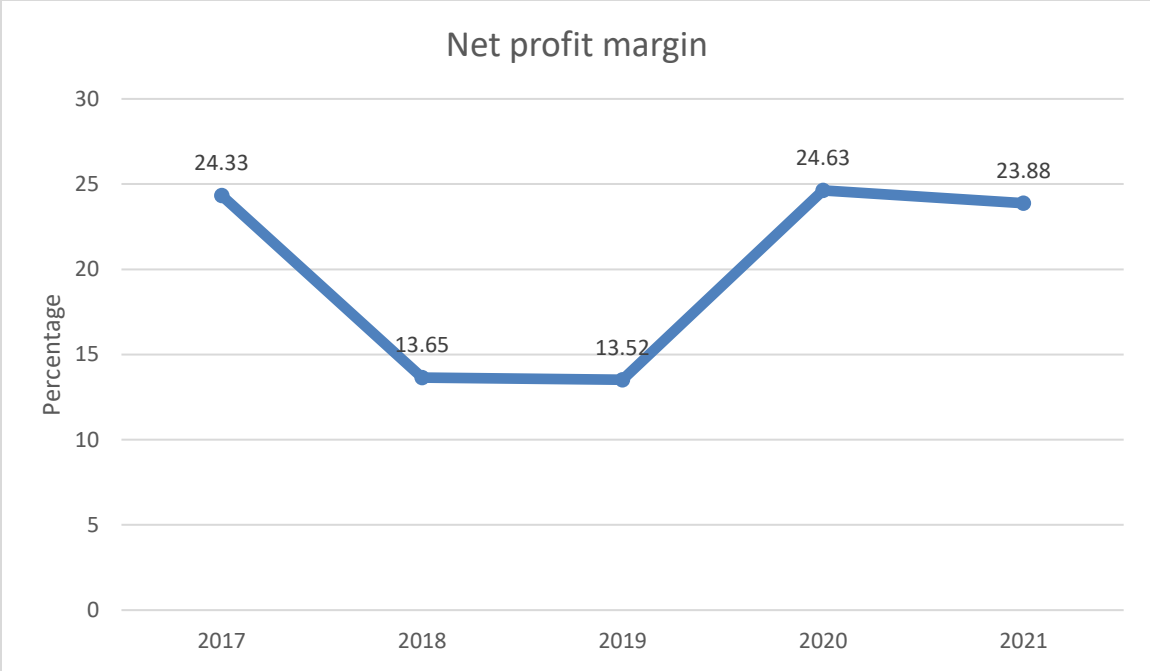


Figure 2: Net profit margin of CBL from 2017-2021

We can observe that Net Profit Margin has declined on 2018 & 2019, however has raised again on 2020 & 2021. Every 100-taka Sales produce Net profit of 23.88 taka on 2021.

Return on Assets (ROA) - Return on Assets signifies the percentage of efficiency of assets to generate revenue. It is expressed as: **Net Profit/Total Assets**

City Bank’s Return on Asset over the years is mentioned below:

Table 2: Return on Assets (ROA)

ratio	2017	2018	2019	2020	2021
Return on Assets (ROA)	1.40%	0.70%	0.70%	1.12%	1.29%

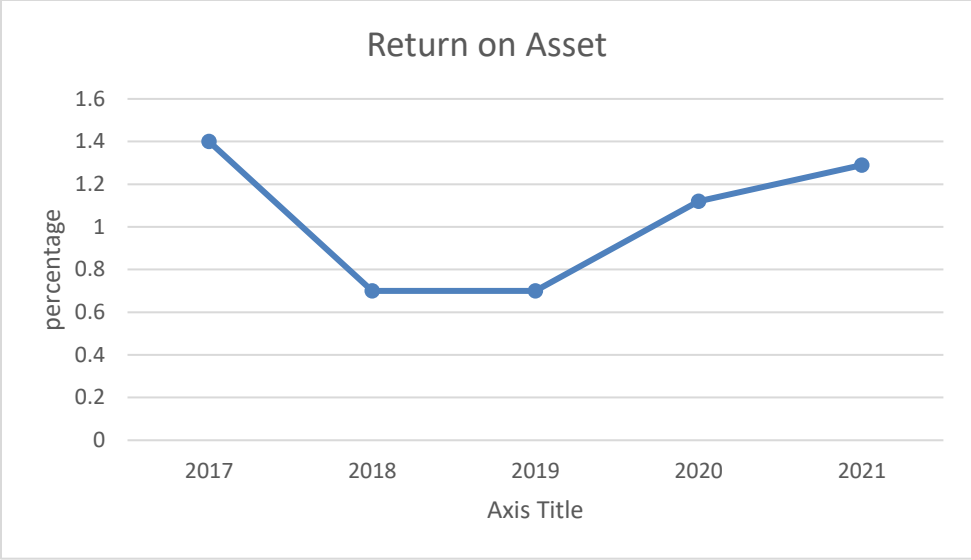


Figure 3: **ROA of CBL from 2017-2021**

Everything reflects that Return on Asset (ROA) of City Bank has declined on 2018 and again raised on 2020 to 2021. Every 100-taka total asset generated 1.29 taka of Net Profit whereas it was less in the declining years.

Return on Equity (ROE): Return on Equity states how much shareholders produce for their asset in equity.

It is articulated as: **Net Profit /Total Common Equity**

City Bank’s ROE is stated below:

Table 3: **Return on Equity (ROE)**

ratio	2017	2018	2019	2020	2021
ROE	15.95 %	8.20%	9.90%	14.79%	16.78%

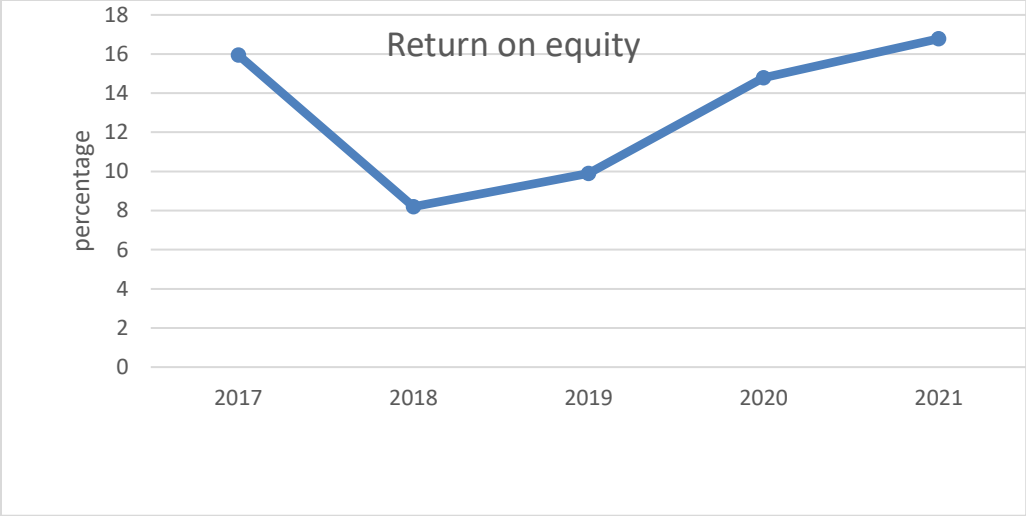


Figure 4: **ROE of City Bank over 2017-2021**

City Bank’s data shows that ROE declined in 2018, and also started to raise on 2020. Every 100-taka invested by common shareholders earned 16.78 taka.

Return on Investments (ROI): Return on investment states the total earned for every money investment. It is expressed as: **Net profit/Total Investment**
 City Bank’s ROI is stated below:

Table 4: **Return on Investments (ROI):**

Ratio	2017	2018	2019	2020	2021
ROI	14.22%	7.24%	6.27%	14.89%	15.61%

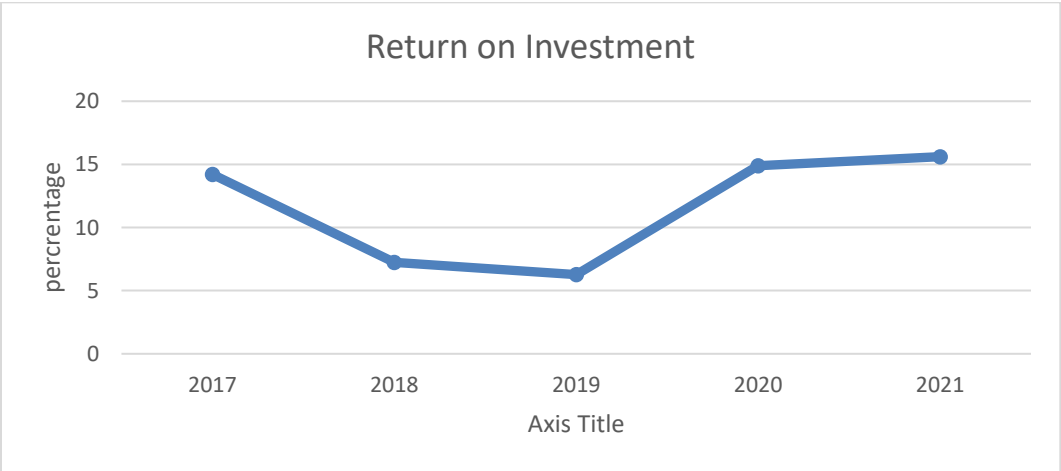


Figure 5: **ROI of City Bank from 2017-2021**

The table and the figure describe that ROI of City Bank deteriorated from 2018-2019 and again raised to 15.61% in 2021. In 2021, City Bank earned 15.61 taka for every 100-taka investment, whereas it earned 6.27 taka in 2019.

Earnings Per share (EPS) – EPS means how much a shareholder is receiving from each share invested.

EPS is intended using this formula: **Net Profit after taxes/Total Number of Shareholders**
Thus, City Bank’s EPS is shown below:

Table 5: **Earnings Per share (EPS)**

Ratio	2017	2018	2019	2020	2021
EPS	3.75	1.99	2.43	4.09	5.15

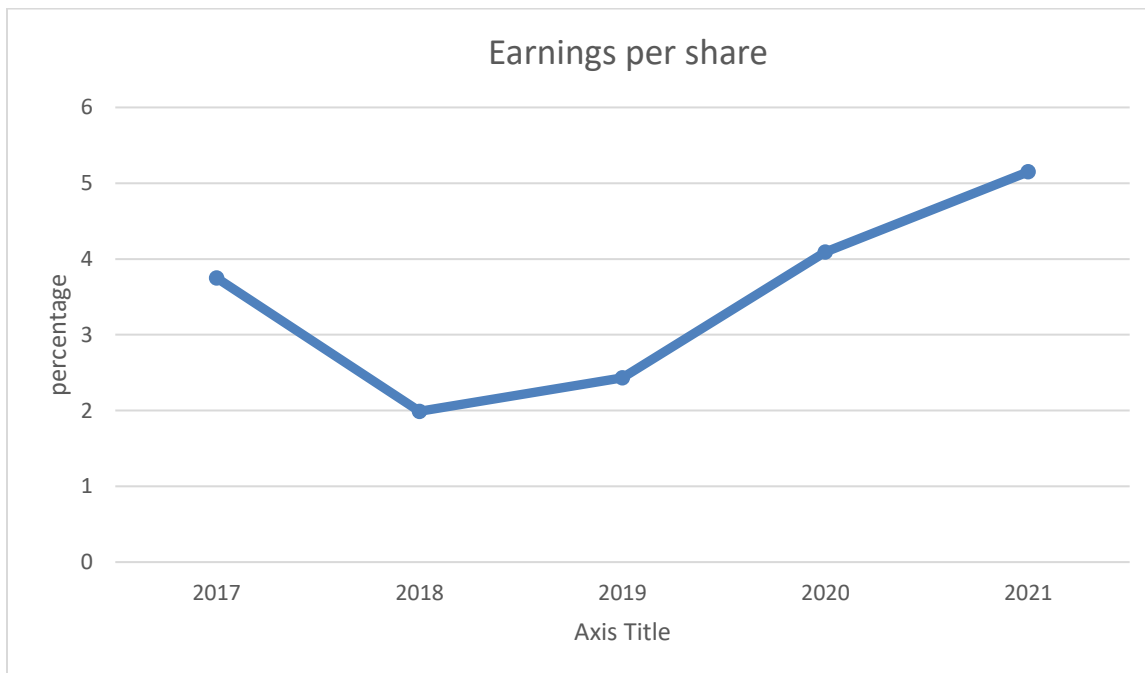


Figure 6: **EPS of City Bank over 2017-2021**

City Bank’s EPS has been decreasing in 2018-2019 from 3.75 to 1.99, also raised to 5.15 in 2021. This shows upright growth and can attract shareholders or investors.

Total Loan- Loans are considered as Assets for banks. They provide loan and expects to earn interest and principal amount from the disbarment of loan. Therefore, it is a big source of income. City Bank’s total loans are stated in the following table and figure below:

Table 6: Total Loan

detail s	2017	2018	2019	2020	2021
Total loans	196,595,859,784	231,391,469,451	246,943,650,723	266,897,404,404	284,459,122,970

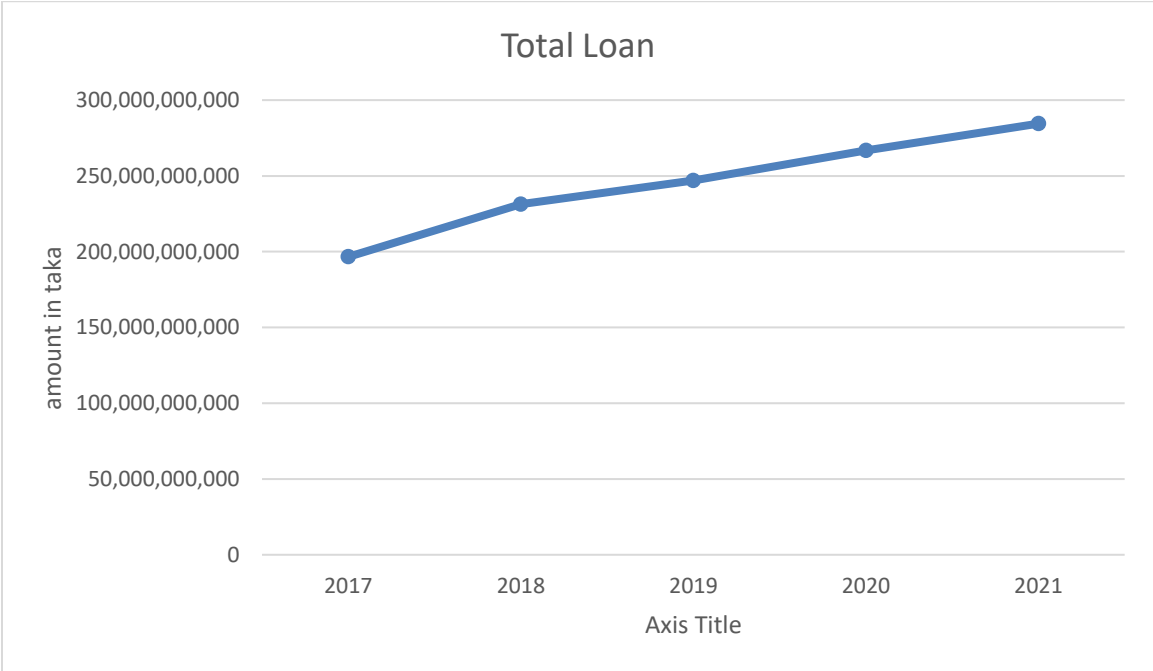


Figure 7 City Bank’s total loan disbursement over 2017-2021

City Bank’s loans has grown from 196,595,859,784 to 284,459,122,970 from years 2017=2021, which means they are making the best use of their assets. This loan figure includes all loans such as Personal loans, Home loans, Auto loans and SME Loans etc.

Non-Performing Loans (NPL) – NPL can also be a general indicator of Bank measurement of performances, as it stipulates which customers have lost the aim of interest payments of loans. This also indicates which loans may be at advanced risk of default. So, banks want to reduce their NPL rate as much as they can for betterment.

City Bank’s NPL data is shown below:

Table 7: Non-Performing Loans (NPL)

details	2017	2018	2019	2020	2021
NPL in millions	10,678	12,326	14,244	10,850	13,906
NPL in %	5.40%	5.30%	5.80%	4.0%	4.9%

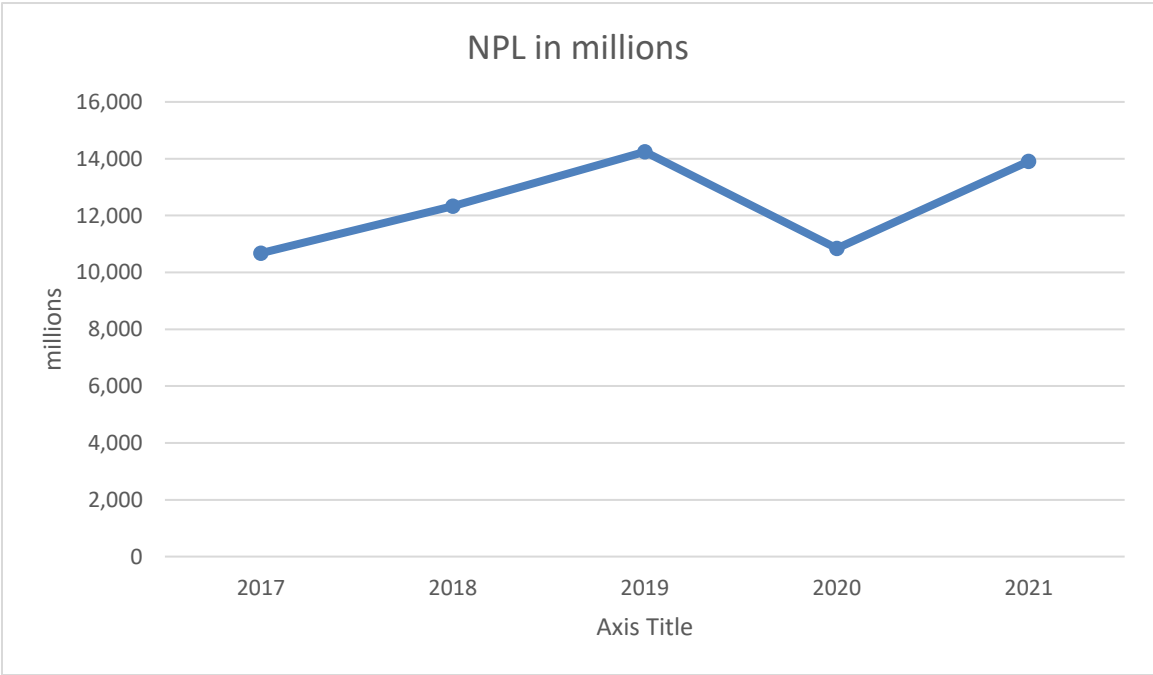


Figure 8: NPL of City Bank over 2017-2021

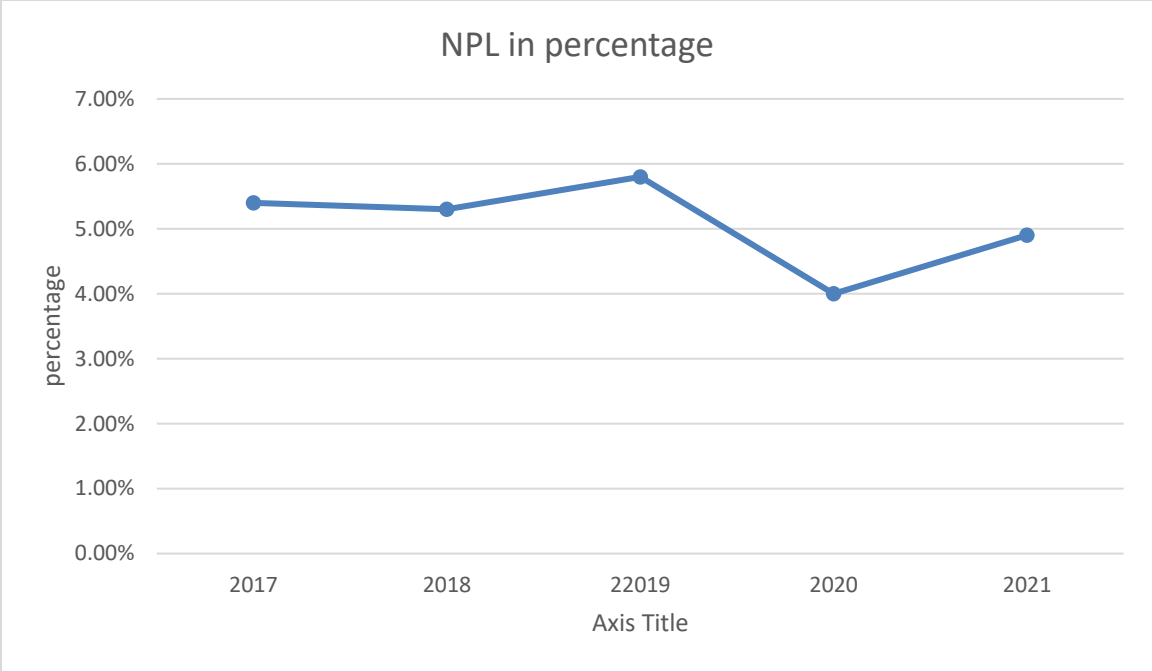


Figure 9: **NPL in % over total loans over 2017-2021**

City Banks’ NPL is growing over the years, but also declined in 2020. Again, rises in 2021, which is not an idle situation since NPL is in a fluctuating and bank must have strong influence over NPL to extract excellent performance.

Total Deposit- Customers keep money in the bank as deposits, which means that banks are obligated to coming back that money if a consumer requests a withdrawal. It also states the customer trust over the bank.

City Bank’s Total deposits data are shown below:

Table 8: **Total Deposit**

Details	2017	2018	2019	2020	2021
Total deposits(in million)	183,492	205,170	246,703	254,781	282,063

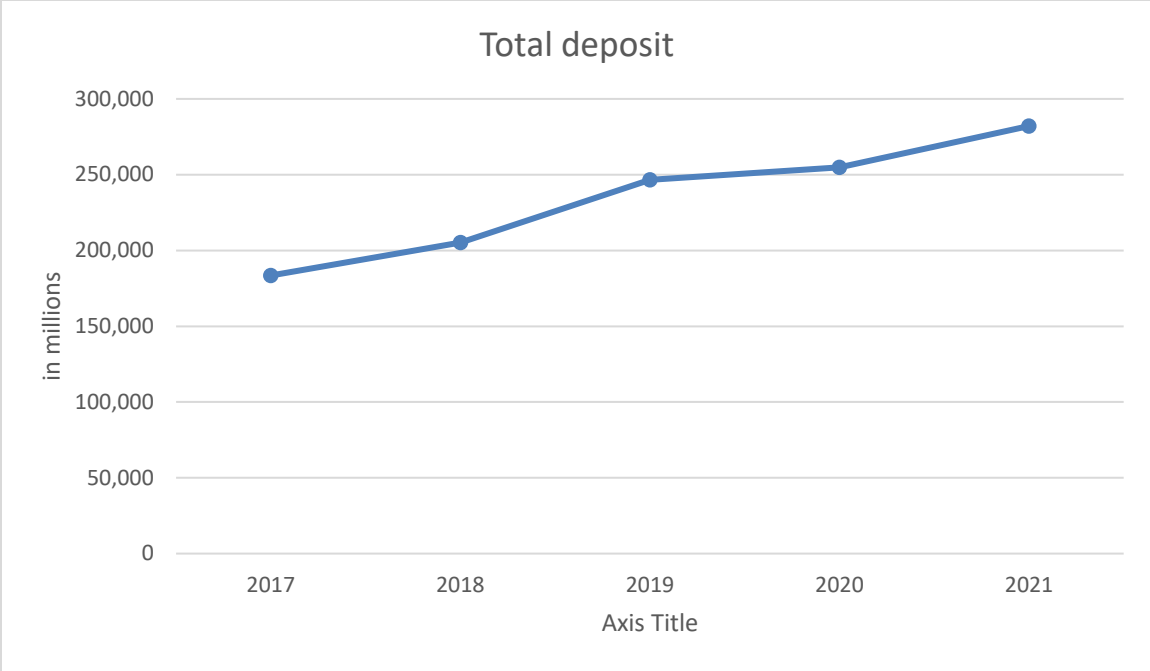


Figure 10: total deposit data of City Bank over 2017-2021

A sign of satisfaction can be observed that City Bank’s deposits are growing over the years, which can bring strong message to all customers and attract future success prospects.

Net profit after Taxes: One of the most important metrics for financial performance is net profit after taxes. Analysis of the annual earnings that will be sent to shareholders after taxes can be done through net profit after taxes.

City Bank’s Net profit after taxes are shown below:

Table 9: Net profit after Taxes

Details	2017	2018	2019	2020	2021
Net profit after taxes	3,628,448,718	2,017,930,620	2,471,639,958	4,364,181,553	5,494,157,427

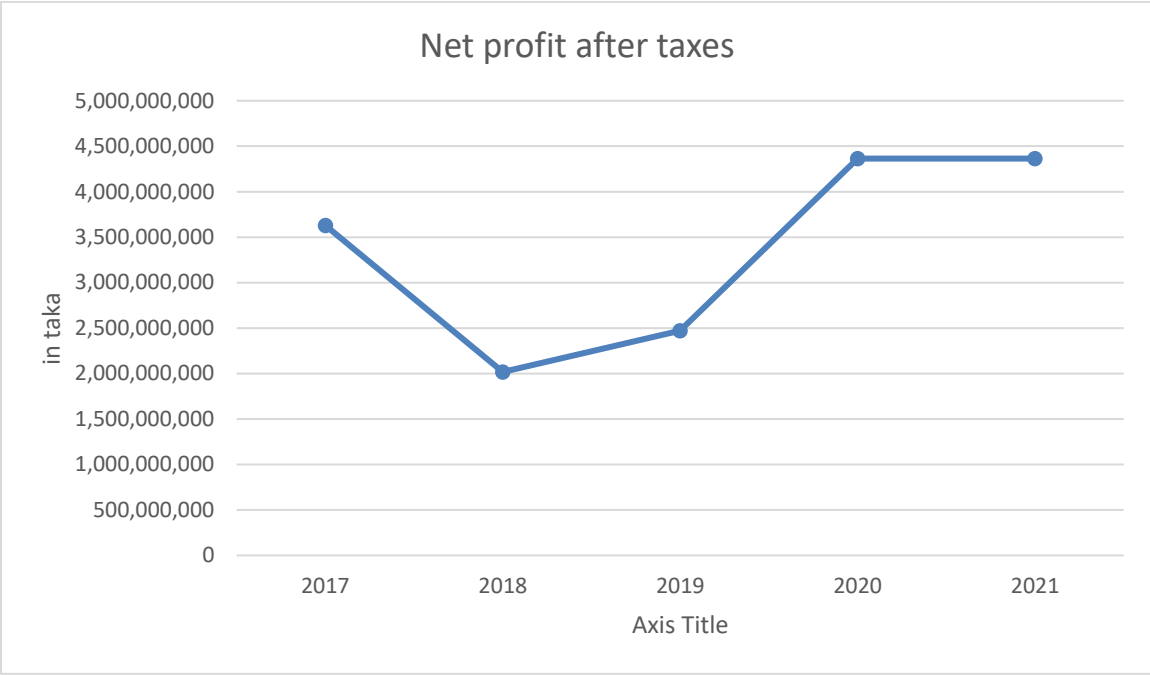


Figure 11: Net Profit after taxes of City Bank over 2017-2021

From the figure above, it can be realized that net profit after taxes has declined in 2018 & 19, but fought back and raised again in 2020 & 2021. Surely, it brings relief to the city bank.

Liquidity Ratios:

Current ratio- Current ratio shows an organization’s current assets over current liabilities. It is used to ration how much liquid assets an association holds equated to its liability obligations.
It is articulated as: Current assets/current liabilities

Table 10: Liquidity Ratios

ratio	2017	2018	2019	2020	2021

Liquidity ratio	1.1	0.9	0.8	0.9	0.9
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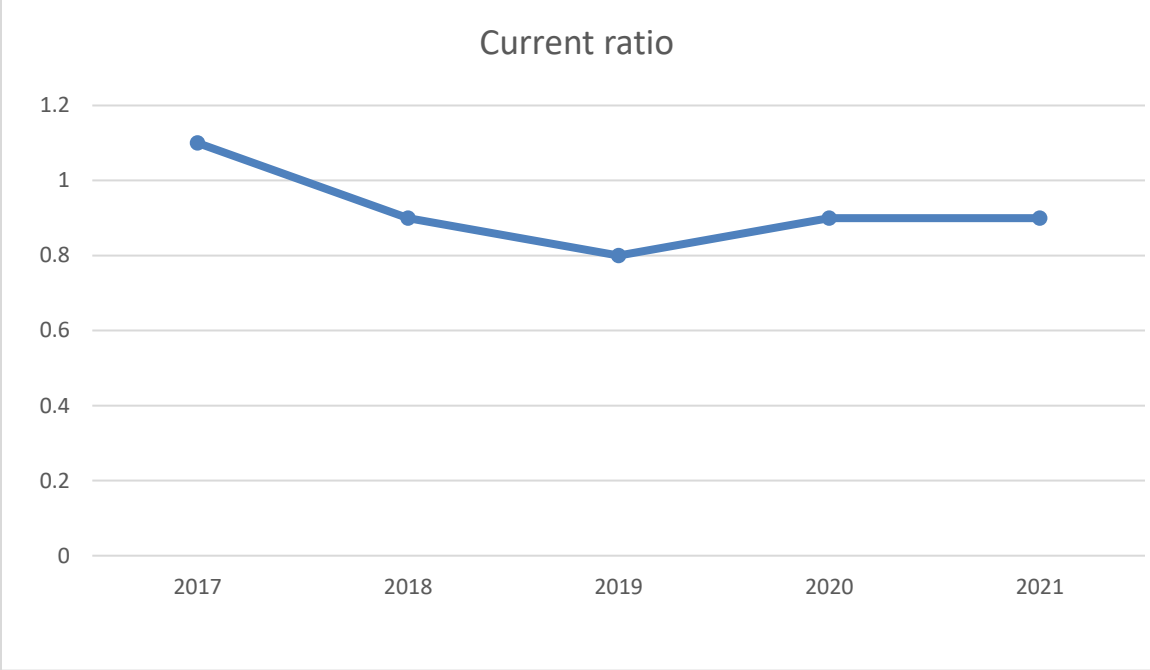


Figure 12: Current ratio of City Bank over 2017-2021

The figure is showing the decline rate of current ratio from 2017 to 2021, and city bank must take necessary steps to work on their current ratio.

Liquidity coverage ratio: The LCR is determined by separating a bank's total net cash flows over a 30-day stress test by its first-class liquid resources.

Table 11: Liquidity coverage ratio

The data of LCR is given below:

Details	2017	2018	2019	2020	2021
LCR in %	121.45%	115.33%	142.60%	173.50%	151.09%

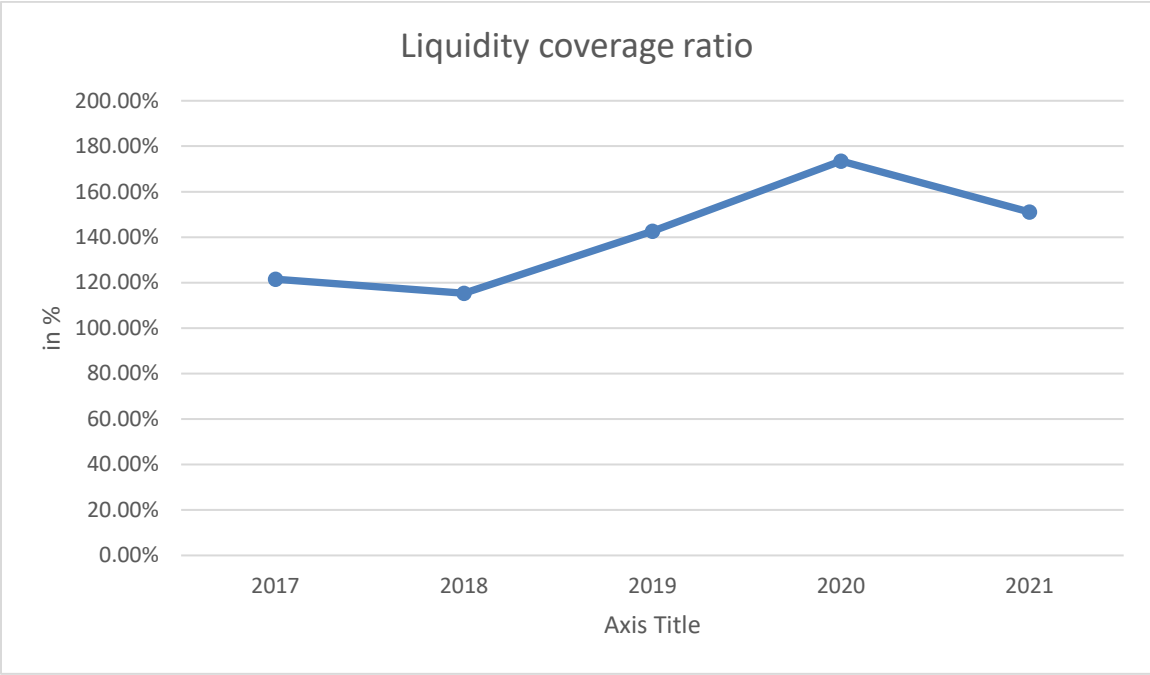


Figure 13: **LCR for the city bank from 2017-2021**

The data shows the rate of LCR has increase from 2017 to 2020, but also decline in 2021 which means it is fluctuating.

The P/E ratio is used to regulate a company's wealth that compares its present share price to its EPS is called as the price-to-earnings ratio.

P/E ratio is expressed as: Market value per share/ Earnings per share

Table 12: **The P/E ratio**

Details	2017	2018	2019	2020	2021
P/E(in times)	13.01	15.21	8.68	6.60	6.14



Figure 14: P/E ratio of the city bank from 2017-2021

We can observe from the above data, in 2017 & 2018, the ratio was high and then it has declined in 2019 & 2020, therefore we know low Price to earnings ratio is good to attract investors. Low price to earnings ratio means investors need to invest less to earn every dollar amount.

Economic Value Added: The incremental difference between a company's rate of return and its cost of money is called EVA. It basically aids as a gauge for the cost that investments in a firm generate.

Formula of EVA = NOPAT – (WACC * capital invested).

Table 13: Economic Value Added

details	2017	2018	2019	2020	2021
EVA	458	141	518	826	3,945

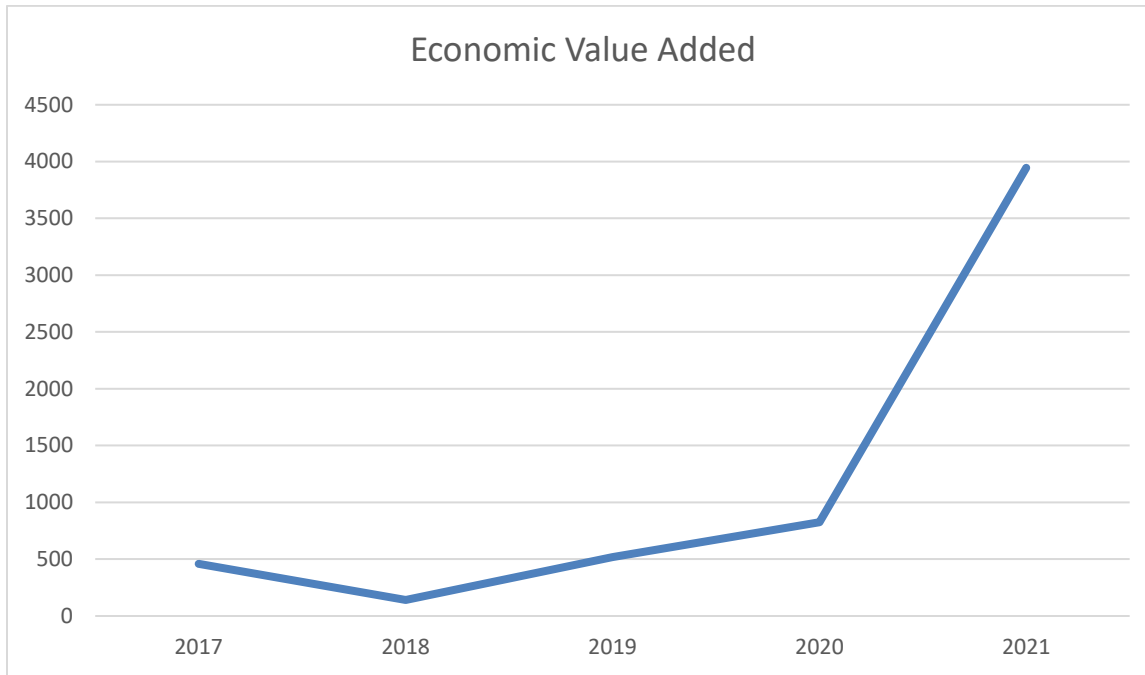


Figure 15: EVA of the city bank from 2017-2021

From the above data, we can notice that in 2020, the EVA has started to rise tremendously and turned into 3,945 in 2021. We know the more the EVA is, the more a company is generating wealth for shareholders, which is a good sign for the city bank ltd.

2.12 Information System Practices

2.12-1 Initiatives taken:

The city bank invests in the IT sector for its improvement, as Information technology play vital role and it can be stated as future's dominator. Therefore, they have taken initiatives in all 8 departments of IT, which are:

- Information Security (IS)
- IT Service Management (ITSM)
- Cards and ADC Systems (C&A)
- IT Governance (ITG)

- Project Management Office (PMO)
- Enterprise Architecture (EA)
- Innovation (INV)
- Enterprise Software Solutions (ESS)

Investments were made to boost the performances of each department and services. Moreover, for implementing an articulate supply chain, retail customer services, call center services, dual currency cards services, risk management tools etc. these investments in IT can really take these services to next level. In addition, IT has taken the Women banking Branch to also a next level as women businesspersons can access to more Tech savvy products required to them. To operate their subsidiaries from home country to host country like Hong Kong etc., these IT facilities can assist them with optimization.

2.13 Industry and Competitive Analysis:

2.13-1 PESTEL (Political, Economic, Sociological, Technological, Environmental and Legal) analysis:

The City Bank also plays a role to survive competition and external pressures perceived from macro environment. In the Political Situation, all verdicts were taken grounded on government rules & regulations. Bangladesh Bank regulations are strictly followed by every banks. Recently, Bangladesh bank has announced 10% loan rate which has to be followed. Therefore, city bank executes strategies to adjust themselves in this situation.

In the Economic perspective, city bank deducts the unemployment rate by providing several opportunities to people including job holding in there. It helps to raise the economy of Bangladesh by assisting peoples dream come true and help economy indirectly. Moreover, it makes a relationship with Malaysia and Hong Kong by plating subsidiaries in there.

In the Sociological perspective, city bank has executed many financial programs United Nations Sustainable Development Group, which enhances solutions to many issues in a tech savvy way.

Technological perspective - Core Banking Software, Online banking (City touch app) solutions were launched using advance IT facilities, therefore invested in IT to bring advancement in the company. Taking next steps towards Digital Bangladesh.

In the Legal background- Sanchaypatra upholds all governmental guidelines as City Bank handles with plentiful laws and security actions for loans. This is because any discrepancy could result in legal action. In the environment perspective – city bank not only keep a keen eye on building

outstanding polished work environment for the employees and customers, but also make sure their buildings and projects do no bring harm to anybody or nature.

2.13-2 SWOT (strength, weaknesses, opportunities and threats) analysis:

It is crucial for banks to understand their main pros and cons in order to survive in the market.

Strengths- city bank was founded on 28 March 1983, therefore in action for 40 years and in this time, they have earned their brand name. this time frame enabled them to earn customers faith and wide series of network. Amazing work environment and solid separate divisions to execute their operations ensures control over the market. Additionally, grabbing the needed human resources done by Human resource division is at its peak performance, and we know how human assets can take the brand name to next level. Positioning perfect employees in the retail division to operate their best are maintained by the city bank, this enhances positive responses from customers. Last but not the least, city bank is the only Franchisee of American Express (AMEX) Cards which brings competitive advantage.

In distinction, **Weaknesses** are also present, which are growing inability to recover money, falling profit ratios, non-performing loans and evolving risks. These are the circumstances which must be tackled.

Then again, door for **Opportunities** is also there. Launching the online platform services for customers will bring good word of mouth behavior and also can help in cost cutting situation for the company. It can make access to more customers now, specially those who remain busy with work and housewives who do not want to get out and visit branch for services. Additionally, opening subsidiaries in oversees will bring more potential customers and profit rate will enhance too.

Yet, there are also **Threats** to the bank due to collective competition by new arrivals in the market. In addition, the Covid-19 may result in a variety of hazards and changes in consumer demands. As a result, if businesses close due to the pandemic, there may still be uncertainty, which could increase the risk of non-performing loans.

2.14 Summary and Conclusions:

The city bank has obtained strong brand value and sustainable excellent services. They are very vigilant about pursuing their mission and vision. Moreover, they also organize training programs for employees to make sure they sustain in providing customer satisfaction. There is a human resource division who organize the man power supply and provide them in the required positions. Even in covid-19, they provided services to customer while fighting with life & death situation. They launched internet banking to access many consumers for their own good, so that they can elicit the services from home. They structure their services in such a way that will assist every customer for the long run. Therefore, for providing such services, the city bank is the leading commercial bank in Bangladesh with no doubt. During this internship, observations are made that

due to their skill full employees and technology adapted measures, they will lead towards success in no time.

2.15 Recommendations

Upholding the title of leading commercial bank in Bangladesh is not a cup of tea, so for that they require to bear huge responsibilities. They have 132 branches with Over 4,356 employees and to maintain these numbers they need to improve their circumstances. Here are some recommendations to them.

- 1) Must come up with new strategies to fight with non-performing loan.
- 2) Focus not only on Dhaka region, but also outside Dhaka.
- 3) Must take advantage of digital media more to promote.
- 4) New structured services can be introduced to customers to remain competitive in today's economy
- 5) To uphold the trust and satisfaction with customers, they must carry on the quick response, more helping behavior in retail division etc.

Chapter 3: Project Part

3.1 Introduction (for chapter 3)

I was very fortunate to get the opportunity to work as an intern in the city bank ltd. I was assigned in retail division of Moghbazar branch; therefore, I have gotten many insights about how retail division operates. Since, I have to work on a report for my internship program, I started to analyze which topic could help others to extract more influential knowledge for banking industry. Finally, I came up with a topic named “Investigation of collection method of retail loan encompassing risk management”. The reason for choosing this topic because I have discussed with the officers working there, evaluated previous trends and executed observation etc. after that I got to know people are attracted more towards loan and also lack of credit risk management leads towards shortfalls of paying loan installments. It made me curious to work under such influential topic, and also officers there helped to gather more knowledge by contacting with RFC to extract more details about loan services. Furthermore, significance of risk management is boundaryless, as risk is associated with all services banks provide and more with loan collection methods. I will try my best to mention all the impactful insights including how RFC division works, loan officers work, retail loan collection procedure works, data required to get loan, risk management division selection criteria etc.

3.1.1 Literature Review:

A thorough overview of earlier lessons on a subject is called a literature review. In a literature review, academic books, journal articles, and other resources that are connected to a certain field of study are surveyed. A bank's success might be greatly prejudiced by how it uses all of its resources to attain its goals while following to its dream and resolution and also pursuing that, jeopardies are linked with it. In order to connect and comprehend how banks operate and control those risks that constitute a threat to their operations, this study discusses several weighty recommendations and conclusions.

Assessment on bank performances including associated risks:

A study on bank performance has been showed, and the results indicate that internal features such as a bank's operational competence, risk aversion (capital ratio), liquidity, and credit excellence all meaningly impact its profitability. It was also mentioned by Asthanasoglou et al (2006) that there was no impact of Bank capital on profitability but GDP and inflation had influence on profitability. However, the same article mentions that Ben Naceur and Omran (2008) studied about commercial banks during 1989-2005. They initiate that credit risk and bank wealth cause notable impact on bank success.

Moreover, (Samad,2015) demonstrates that Bangladesh Bank is constantly trying to boost the banking sector and maintain sound financial results. In order to progress risk management and corporate authority in banks, track big borrowers, combat deception forgery, and increase internal regulator and directive, Bangladesh Bank (BB) adopted a number of policy measures, including regular valuations of all banks' viability, self-assessment of interior controls against deception, and tracking of big borrowers. It was also whispered in the similar article that the whole performance of the banks, including capital adequacy, asset excellence, managerial efficiency, success, and liquidity, is assessed in depth. Based on their performance, banks are given a nick between "1" and "5". Therefore, a bank's risk management performs would directly affect how it is ranked by CAMELS. Because I comprised a CAMELS clarification of bank output in my study, it is likely to determine how uncovered to risk banks are based on this rating.

Furthermore, (Uddin and Suzuki, 2011) affirm that there have been modifications in the banking sector with major changes in the financial system. For the banking industry to determination its complicated problems, variables that influence profitability are also vital. The majority of the financial system fluctuations that the government has made have a straight impact on the banking industry. As a result, numerous adjustments have been made to possession, market attentiveness, rules, and strategies to rise banking productivity.

There is one exposed risk which takes place in each bank which is Liquidity risk. According to (Kumar and Yadav,2013) Liquidity is the bank's capacity to finance a growth in assets and to fulfill both planned and potential cash and collateral obligations at a fair expense and without incurring unacceptable losses. Hence Banks face a liquidity risk when they flop to fulfill these commitments when they are due without depressingly moving their financial situation. A bank is more liquid and able to rapidly settle depositor claims when it maintains a larger amount of cash in its safe. However, when banks participate in long-term loans, their profitability upsurges. However, if the Bank is unable to encounter the high demand for cash and new loans and in its place participates its capital in long-term loans, it becomes untrustworthy. In disparity, my data designates that as the amount of loans increases over time, net profits are really falling.

Risk management events are efforts done by banks to defend themselves as a result of hazards. In an article (Khan and Ahmad, 2001) described about the objective of financial institutions which aims to please shareholders through profit maximization by offering distinctive financial services at the same time managing potential risks. In contrast, City Bank presented online banking services through the City Touch App, promising clients' comfort and ease of banking. Customers may now suitably conduct their everyday business from home using AMEX cards' local and global transactions, account opening, bill paid, and other landscapes.

On the other hand, when we move on to systematic and unsystematic risks, (Santomero,1997) demonstrates that Systematic risks cannot be controlled, minimized or eliminated by an organization or industry as a whole whereas unsystematic risks are diversifiable and exist within an organization. (Alam, M., & Masukujjaman, M (2011) also adds that Systematic risk is related

with the broader economy and can be mitigated with a broad portfolio of stocks, whereas unsystematic risk is related to one particular asset or company and cannot be diversified if its components are not made stable.

In Bangladesh (n.d), risk management systems for the banking sector have been updated by Bangladesh Bank (BB) where six key guidelines have been discussed to ensure the solidity, durability and usefulness of the risk management system to benefit the banking sector. Besides this, the article also mentions about 'Risk Management Guidance for Banks 2012' which encourages banks to adopt new methods for tracking, analyzing, and managing risks within their institutions in a more reliable way. The risk management reporting format has been adapted, and banks are also anticipated to adhere to these criteria and make on-time reports every 6 months. The title of the half-yearly report is "Comprehensive Risk Management Report (CRMR)". Similar to this, a succinct reporting format known as the "Monthly Risk Management Report (MRMR)" has been shaped and involves banks to submit these reports each month. Through CRMR and MRMR, each bank assesses all risk management events, and helpful suggestions are made to tighten their limits.

The City Bank Annual Report for 2021 then continues by stating that the Management Committee studied the bank's risk management reports, which included the Monthly Risk Management Report and Comprehensive Risk Management Reports, and also monitored Committee Activities to efficiently govern and classify potential threats arising from the risks. On that point, the committee educated about the deteriorating asset quality performance of City Banks. Finally, suitable solutions were suggested based on all guidelines.

3.1.2 Objective(s)

The goal is to establish a connection between hypothetical and real-world instruction and City Bank's Collection Team's actual operating environment. I have gathered knowledge while doing BBA and internship program, by this time I know how much these insights can influence an organization's various aspects in several ways. The objectives are mentioned below:

- 1) To give an overview on CITY Bank and how and what services they provide to their customers.
- 2) to describe CBL's loan services & facility policies and loan procedure system in details.
- 3) To clarify how the RFC of the City Bank Ltd runs
- 4) to determine the scenarios for an efficient collection procedure and to assess the efficacy of the loan collection team.
- 5) to absorb how The City Bank Ltd.'s RFC succeeds lending operations hazard and retail credit risk according to a thorough guideline.
- 6) Encompassing CAMEL ratings and other risk management techniques for betterment.

- 7) identifying the Bank's shortfalls in its collection practices and contributing some recommendations

3.1.3 Significance

Usually, Interns in City Bank research about customer service and general banking activities. For this reason, I wanted to come up with different researched materials about retail loan collection procedure including risk management. Now a day, loan division is playing a significant role towards earnings, as people are concentrating more on taking loan according to data. However, people are also failing to provide loan installments accordingly as instructed. This is why, this report is vital because this will walk through the entire process of how a bank's loan collection procedure takes place and how do the banks analyze credit risks before giving loan to customers etc. therefore, this reports states how CBL takes data into accounts and then create policies and methods to fight back with the risks associated.

3.2 Methodology

To create the report more expressive and tidier, two sources of data were used. Both the primary and secondary forms of data are taken to make the report more ironic. The details of these sources are gives below:

Primary sources:

- 1) most of the insights are taken by consulting with the senior relationship officer moghbazar branch as he knows how a collection procedure of loan take place. Moreover, he also contacted with Mr. Maksudur Rahman (Credit Manager) and Mr. Mohiuddin Chowdhury (Assistant Manager) of collection who work in RFC for more details about collection process
- 2) Discussion, observation and experience with retail division employees provided many information of it also.

Secondary sources:

- 1) Annual reports provided insights
- 2) Numerous circulars of the collection department, articles etc.
- 3) Instructional leaflets from the corporate office, bank brochures, articles on banking difficulties in the mass media, etc.

3.3 Findings and Analysis

Firstly, it is essential to know what is a loan. A loan is something that is rented to another person in return for future repayment of the loan value plus interest and other funding tasks, whether it be stuff, money, or other tangible items. A bank loan is when a bank extends a loan to customers for a precise amount of time. The debtor will have to make monthly or annual interest payments as an duty. The city bank provides several loan services to customers. they are:

- 1) Secured hand car loan
- 2) Home loan
- 3) Student loan
- 4) Personal loan
- 5) Auto loan
- 6) City bike loan
- 7) Secured loan

Each of them has their own feature and eligibility. For instance, auto loan seeker can get Loan tenure of 12 months to 72 months & Loan amounts ranging from BDT 3 lac to BDT 40 lac. Moreover, home loan seeker can get Loan amount ranging from BDT 5 lac to BDT 200 lac & Repayment tenure 1 year to 25 years etc. again, eligibility for home loan is Age: 22 to 65 years. These are the features and eligibility of loan services from CBL. Moreover, there are also necessity of documents as well to pursue these loans. For example, to pursue a personal loan, a customer must provide:

- Photocopy of NID/Smart card of Loan applicant and guarantor
- 3 copies of Passport size lab print photograph of Loan applicant and 2 copies of guarantor
 - Visiting Card/Business card/Office ID copy of both loan applicant and guarantor
 - Latest E-TIN of customer
 - Latest Utility bill copy
- Sanction letter and repayment statement of existing loans (if any).

This necessity of documents varies according to the category of loan type. Firstly, a graphical view of the loan process procedure is shown below to make everything a bit clear.

RFC credit approval & operation department: The loan submissions are collected by either Sales Team, or directly through retail branches. After that, the applications of the loan are sent to the credit approval department. There are two units in the department and they are:

- Analyst division &
- Approval division.

To examine the loan applications, analyzers follow a guideline to assess them which is called Product Program Guideline. After evaluating them, if the file is qualified to extract a loan, then the approval team guides the application to the process department. Sequentially, operation department disburses the loan.

Lastly, the collection department also executes the last role in this service. The Collection Unit plays an important role to guaranteeing the profitability of asset goods and quality of the portfolio by meeting the exact amounts capably and effectively. These three divisions are balancing to each other, as if one of them are incapable to execute works diligently, then the entire loan application services will fall apart. Crucial success factors of skilled and active collection organization comprise of- appropriate investment in assembly systems & tools and active use of them, motivated people with correct ability sets and well talented collection operations.

Objectives of collection division

Objectives of Collection Unit need to be followed in a real manner. To build a cost active Collection process which is hands-on, risk conscious and data based are the objectives. Additionally, collection team safeguards the bank's assets. This may be done through preventive losses and spotting early symbols of lawbreaking. The purpose it carries is to assist business growth and make the most of profitability by maintaining symmetry between risk and reward over the collections of the bank. In order for the organization to be able to uphold the loan on its books and evade having to write off or charge off, the Collector's accountability is to collect the unpaid payment. From the moment an account grows past due until it is paid in full or closed, the Collection Unit is accountable for gathering any outstanding balance.

Collection organization structure sometimes varies depending on the following matters. They are:

1. Readiness of resources
2. The extent of the collection unit which should be purpose of the level of the portfolio of bank
3. The business atmosphere in which it is performing.
4. Accessible infrastructures.

Definition of Arrear Time Equivalent (ATE) & Conversion into DPD

Collection Unit will obtain basic information to determine ATE or DPD. The arrear quantity of a client and his/her payment size i.e., called EMI. The technique of calculation of DPD is described below:

- Compute overdue Installments = Arrear Amount/EMI size which is also recognized as Arrear Time Equivalent (ATE).
- The ATE is then multiplied by the installment rate i.e., 30 days in case of EMI or 90 days in case of three-monthly payment (not appropriate for any consumer loan product at present) to originate at Days Past Due (DPD).

Identification of Accounts:

The account is viewed as being in arrears or delinquent when a client fails to pay the least quantity due or payment by the sum due date. When accounts fall behind on payments, collection events are used to bring them current while preserving the customer's goodwill and safeguarding the bank's interests.

The delinquent accounts can be classified as 3 buckets as follows:

1. Front-End Bucket ATE 0.01-1.99 / (DPD 1-59)
2. Mid-Range Bucket ATE 2.00-3.99 / (DPD 60-119)
3. Hard-Core Bucket ATE 4.00+ / (DPD 120+)
4. Recovery Written off accounts

Definition of Bucket

Front-End: ATE 0-1.99 (1-59 DPD)

Delinquent accounts those with less than 2 payments late are found in the front-end collection bucket and clienteles are often approached by phone and mail to quick them of their need to pay the unpaid total to the bank.

Mid-Range: ATE 2.00-3.99 (60 – 119 DPD)

When an account falls into the "mid-range" category, it is stated to be severely past due, needful increased collection labors due to the asset hazard posed by the account. Accounts automatically age into the 60 DPD and later 119 DPD delinquent group when the front-end delinquent collection fight fails to collect an installment. When the account is 90 DPD old, care must be put into a reserve account.

Hard-Core (120 DPD+)

Collection labors should be livelier than with 60 DPD and 90 DPD accounts, as 120 DPD accounts and higher are stated as hard-core delinquents. According to Bangladesh Bank meaning, these accounts often meet the organization supplies. After 360 DPD+ or after meeting the conditions for loss and bad credit, attention will break accruing in the suspense account.

Lastly, the Recovery (Written off accounts)

Accounts that have been published off by banks are ones that cannot be better. According to the strategies outlined in this document, the bank will write off accounts. Loan amassers are in charge of seizure bad debts or late payments on credit accounts. They are sometimes mentioned to as collection agents, debt recovery managers, or credit controllers.

Activities of RFC:

This study finds that the RFC handles four retail products of The City Bank Ltd.

- 1) City drive
- 2) City solution
- 3) Credit cards, especially American Express credit cards.
- 4) City Express (cash and loan)

Effective risk management is essential for their functioning, as well as proficiency. The following list of hazards and risk management techniques:

Income Valuation Risk:

- Inflated bank statement and self-satisfied turnover
- Inflated salary credential

Risk Management Tools:

- Credit check
- Income verification Process
- Average constancy in the bank statement
- Debt Burden Ratio
- Bank declaration valuation

Identification Risk:

- Fake ID or Income Document

- Indiscreet KYC

Risk Management Tools:

- Contact Point Verification report
- Communicating with subject banks
- Communicating with family members & employers for verification of documents.

Guarantor's Risk:

- Fake Guarantee accessible
- Guarantor does not know about the loan

Risk Management Tools:

- Contact Point Verification
- Communicating with guarantor to check whether he/she knows and cooperates in this loan.

Collection Risk:

- Borrower of another bank
- Candidate of remote area
- Instable business

Risk Management Tools:

- CIB (credit information bureau) report
- Not soothing credit facility in outside branch knowledge area
- Verifying the current EMI (equal monthly installment) payment and, if essential, procurement a private credit report from the institutions supplying the service.

During the internship, extraction of data was limited as I was in retail division, therefore I got to absorb mostly from loan officers about the collection process. For this reason, I know more about the front-end collection team of city drive & city solution loans.

Retail Front-End Collection Team: Front-end is the early gathering bucket where past-due accounts are situated. Clients in this group have ATEs ranging from 0.01 to 1.99 and DPDs ranging from 1 to 59.

When a contractual sum is not made by the account holder, the collection method begins. They are referred to as Delinquent Accounts.

When an account is past due, collection procedures are set up to regenerate it to good standing while also shield the bank's welfares and the customer's goodwill.

The vital areas of accountability: **Front-End Collection Team** deals two types of files.

- DM
- Month end

Month-end: Month-end records are those that deal with two EMI (Equal Monthly Installment) supplies from the earlier month and another EMI that will develop due in the current month. This customer's ATE (Arrear Time Equivalent) is protected and series from.01 to 1.99. Another customer's ATE is identical to 1 and another is less than 1.

DM: DM (During the Month) records are those that have a due date that has just approved in the current month but do not have a previous due date. An exact attention is also made to DM to avoid them from moving to a advanced bucket. Also, the clients in this bucket are more subtle.

The following categories best describe the main responsibilities of the Front-End Collector:

- Knowledge
- Customer service
- Commercial
- Teamwork

1) **Knowledge**

- Being ready to contribution coworkers and team members with work-related issues, spending time to share knowledge, instilling certainty, and articulating high forecasts for the team's and company's success.
- To uphold and improve at all times a high level of knowledge and knowledge of the company's properties and services, ensuring that client investigations may be answered truthfully, appropriately, and with the department's assistance.

2) **Customer service:**

- To sanction the business, its goods, and services with positivity and eagerness in order to deliver clients and coworkers a reliable, polished impression of the firm and its brand.

- To gratified the needs of both internal and external customers while following to departmental standards, procedures, and guidelines. To meet customer prospects, chiefly in terms of quality and appropriateness.
- To behavior pleasant telephone chats with both internal and external customers, development goodwill, and rapidly resolving issues and inquiries after methodically researching, answering, and doing so.

3) Commercial:

- To be in custody of following unpaid debts from clients and hitting collection goalmouths to keep a healthy cash flow.
- Inspect the outstanding debts and take appropriate action after taking into account all pertinent facts.
- Each month, track and report on the whole amount of debt, the amount of risky obligation, and the fraction of debt established.
- Proactively address or properly transfer inquiries or issues coming from selection with clients in a way that is captivated on the needs of the customer and in agreement with bank policy.

4) Team work:

- To seam forces with other organizational departments and divisions to study any process developments and raise standards, competence, and success for clients and coworkers.
- Working as a squad to see departmental supplies is known as teamwork.

Collection Techniques:

The allocated balance may be collected using a amount of instruments. The collection team employed a multitude of tools to recuperate the consumer loans or arrears amount. For the collection crew, these tools are highly useful. Different types of tools are used, depending on the customer's conduct and level of delinquency. In general, tools are working statistically, or regularly, however they can also be used for qualitative assessment. In general, the RFC Collection Unit will employ the tools underneath:

- Assistance from referees
- Reminder Letters
- Short Message Service
- Telephonic Calls

- **Assistance from Referees:** The names, addresses, and phone numbers of two (two) arbitrators are often reserved on file with loan applications. It should be highlighted that referees are not legally required to repay or help the bank, but they can be persuaded by the gatherers to provide them information on the contact particulars of defaulters or to pursue nonpayers for repayment.
- **Reminder Letters:** The letter-writing strategy plans the content, primary message, time, instruction, and target audience of each assembling letter. These letters are arranged in three groups founded on risk and delinquency: high, medium, and low. Letters must be transported to the borrowers' addresses listed in the Finacle core banking system of CBL. The Servicing Module of the Lending Automated Processing System (LAPS)'s Collection Contact Point is where the amassers must receive the borrower's new address and save a record of it because it is evident that they will alteration it for a variety of reasons. Letters are written identifying the "collection unit" and plus complete contact information The timely delivery of collection letters is vital.
- **Short Message Service:** When borrowers are not accessible on a mobile device, a short message service is obtainable. It can punctually contact clients more resourcefully than other tools. The presence of technology substructure and the upkeep of a precise database of borrower phone numbers are vital for SMS to be successful. The collection unit creates SMS warnings for late-paying customers.
- **Telephonic Calls:** Calls are located to the borrower numbers that are kept in Finacle, the basic banking system of CBL. Conversations over the phone are led based on the status of delinquent borrowers. No comments should be made that could injury the reputation of the bank. Although the borrower means to regularly change their phone number, it is the collectors' duty to get that number and make a best of it at the Collection Contact Point of the Servicing Module of the Lending Automated Processing System (LAPS).

Classification & Provisioning Policy:

Every bank must classify accounts and keep loan loss supplies in accordance with controlling supplies in order to show the asset quality of the bank and safeguard it against potential loan losses. Delivery credit punishment and bolstering the bank's capital structure are the primary goals of loan organization and provision.

Definition of Classification Accounts:

Loan classification, as described by Bangladesh Bank, is the technique of designating an account as non-performing founded on quantitative standards or qualitative valuation.

The Master Circular of Loan Classification and Provisioning was shaped in agreement with definitions provided by the Bangladesh Bank. The following is referenced in BRPD (Bangladesh regulatory & policy department) Circular No. 05, dated June 5, 2006, categorized accounts:

Classified Accounts	DPD
Substandard (SS)	180+
Doubtful (DF)	270+
Bad & Loss (BL)	360+

Table 14: **Definition of Classification Accounts**

Provisioning Policy:

The bank would keep both general and specialized supplies as needed to meet changing requirements from the Bangladesh bank. As per regulatory supplies, banks are currently required to recollect two types of provisions.

General Provision: To be reserved at 5% on the unclassified amount for the entire portfolio of consumer loans, and at 2% for home funding and loans for professionals preliminary businesses under consumer financing scheme.

Specific Provision is required to be upholding on the following rate in inconsistency of the unsettled amount:

DPD	EMI Default	Rating	% Provision
180 – 269 DPD	6th EMI+	Sub standard (SS)	20%
270 – 359 DPD	9th EMI+	Doubtful (DF)	50%
360 + DPD	12th EMI+	Bad & Loss (BL)	100%

Figure 17: specific provision rate

CAMEL Rating:

One approach for assessing a bank's accomplishments is the CAMEL rating. It outlines if a bank has adequate capital, adequate loans (assets), effective management, adequate earning potential,

and ultimately, whether banks can purely sell off their securities for cash to reach liquidity. It is pointed out of 5 where, 1 means excellent performance and 5 means very poor.

The idle Rating is given in the picture below:

Components	Rating 1	Rating 2	Rating 3	Rating 4	Rating 5
Capital Adequacy					
Capital Adequacy Ratio	≥15%	12% - 14.99%	8% - 11.99%	7% - 7.99	≤6.99%
Tier 1 Capital/Risk Weighted Assets	≥5%	4.5% - 5%	3.5% - < 4.5%	3% - < 3.5%	< 3%
Assets Quality					
Classified Loan / Total Loans	<3%	3% - <5%	5% - < 10%	10% - <15%	≥15%
Actual Provisioning / Required Provisioning	100%	95% - < 100%	80% - < 95%	50% - < 80%	<50%
Management					
Management Expenses/Total Earning	≤25%	30% - 26%	38% - 31%	45% - 39%	≥46%
Earnings					
ROA	≥1.3%	0.8% - < 1.3%	0.4% - < .8%	0.16 - < .4%	< 0.16
ROE	≥ 9%	7% - < 9%	5% - < 7%	2% - < 5%	< 2%
Liquidity					
Liquidity Ratio L1	≤55%	62% - 56%	68% - 63%	80% - 69%	≥81%
Liquidity Ratio L2	≥50%	45% - 49.99%	38% - 44.99%	33% - 37.99	≤32%

Figure 18:
The idle

CAMEL ratings

➤ **Capital Adequacy Ratio (CAR)**- A bank's ability to encounter its loan obligations is determined by the CAR. According to Bangladesh Bank, all banks are required to sustain a minimum CAR of 12%. One piece of information obtained from City Bank's management is that the bank efforts to maintain the minimal amount of capital and does not want to enlarge it excessively, since doing so would suggest that it is being too traditional and not making enough investments.

CAR is designed using this formula: **Total Capital/Risk Weighted Assets.**

City Bank's CAR ratio is depicted on the graph below:

Table 15: Capital Adequacy Ratio (CAR) of CBL

details	2017	2018	2019	2020	2021
CAR (in percentage)	14.71%	13.42%	15.16%	15.5%	14.2%

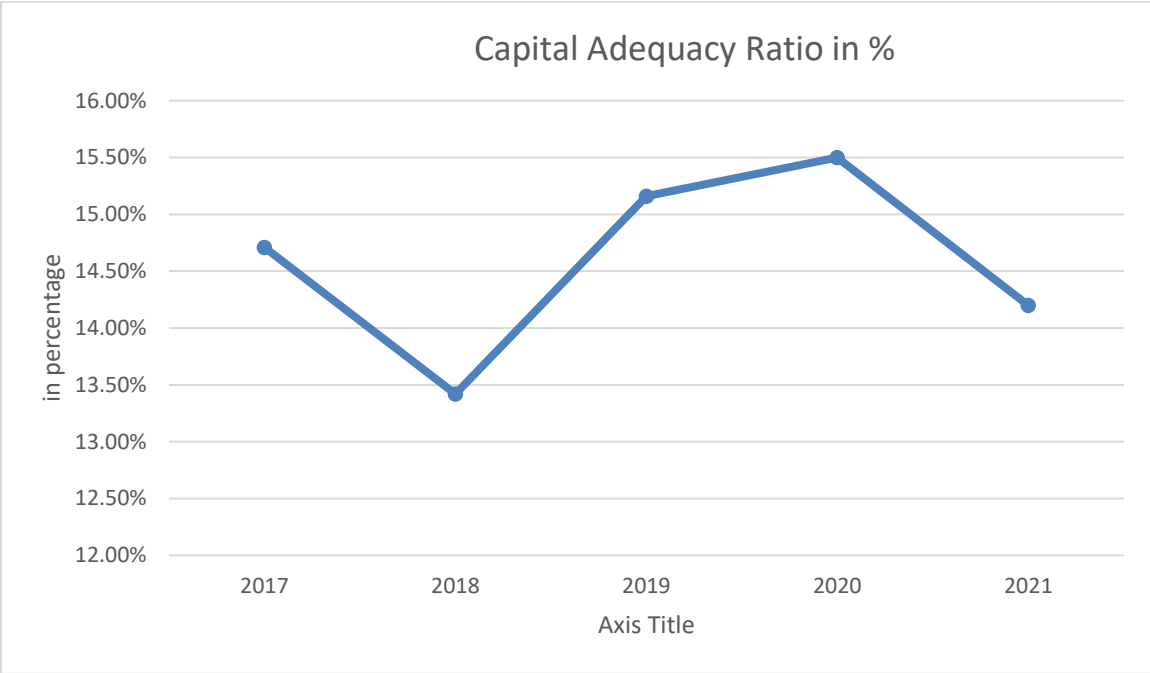


Figure 19: CAR of CBL from 2017-21.

The above figure shows consistency in CAR for CBL bank. The fluctuations are very minimal in percentage which reflects good sign for CBL. Thus, according to the idle rating, **Rating:1** can be given to City Bank depicting that they have sufficient capital to defend their investors

Asset Quality: The quantity of NPLs a bank has is measured by its asset quality. When the rate of non-performing loans (NPL) is high, it indicates that there aren't sufficient creditworthy customers, the borrowers aren't making their expenses on time, and the asset quality is ineffective.

It can be planned using this formula: **Non performing loans /Total loans**

Table 16: Asset Quality of CBL

details	2017	2018	2019	2020	2021
Asset quality	5.4%	5.3%	5.8%	4.0%	4.9%

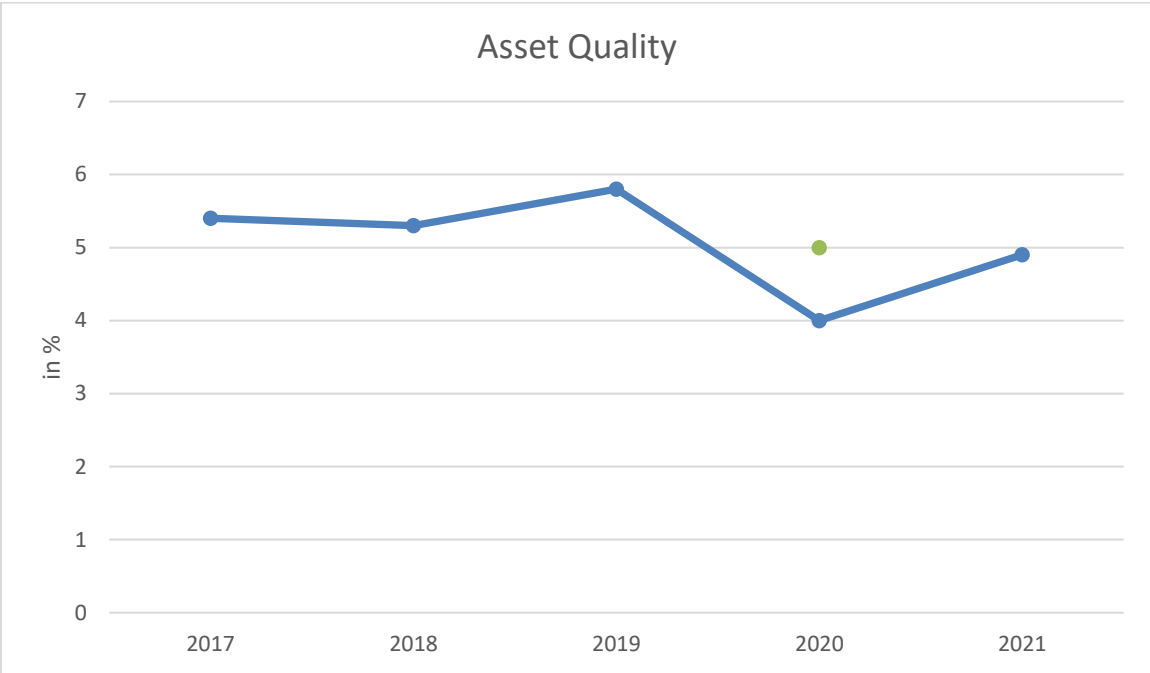


Figure 20: Asset quality of CBL from 2017-2021

The above figure shows that asset quality in percentage has reduced in 2020-2021 which means reduction of NPL over total loans, which is a good sign for CBL.

Management Efficiency- Whether management is following to Central Bank requirements, effectively controlling expenditure, and hitting revenue purposes is shown by the management competence ratio. The ability of a bank to quickly adjust to market developments and grow aggressive winning strategies is another sign of effective bank management.

It is planned using this formula: **Total Management Expense/ Total Revenue**

Table 17: Management Efficiency of CBL

Details	2017	2018	2019	2020	2021
Management efficiency ratio	28.34%	30.43%	28.80%	30.89%	29.97%



Figure 21: **management expense of CBL from 2017-2021**

The above figure shows less fluctuations in management expenses for CBL which can be taken as a good sign as we know fluctuations towards increase of expense is not tolerable.

Earnings – The return on equity (ROE) and return on assets (ROA) mechanisms of the earnings ratio indicate if a bank is meeting its income goals and whether its earnings are lasting stable. It is designed using two formulas:

Return on Assets: **Net Profit/Total Assets**

Return on Equity: **Net Profit /Total Common Equity**

Table 18: **Earnings of CBL**

details	2017	2018	2019	2020	2021
Earnings	1.40%	0.70%	0.70%	1.03%	1.32%



Figure 22: **Earnings of CBL from 2017-2021**

The above figure shows downfall of earnings in years 2018-2019, but also increased in 2020-2021 which reflects positivity of earnings ratio for CBL.

Liquidity- Banks must maintain a secured liquidity situation in order for the financial system to be steady. This is due to the detail that banks won't be able to recompense back short-term creditors, which might consequence in a bank run, if they run out of cash or other liquid properties. Therefore, maintaining a bank's liquidity is vital and may be done so by employing the following formulas:

Liquidity Management - L1: **Total Loans/Total Deposits**

L2: **Liquid Assets/Total Assets**

Table 19: **Liquidity of CBL**

details	2017	2018	2019	2020	2021
Liquidity Management	1.07	1.13	1.00	1.05	1.02

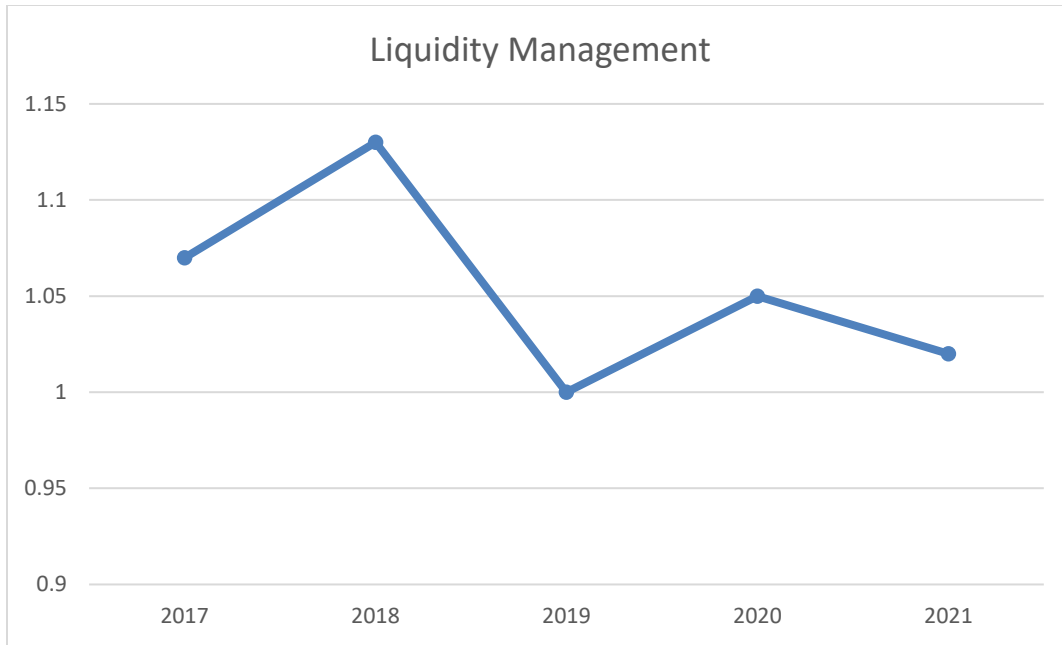


Figure 23: **liquidity management of city bank from 2017-2021**

The above figure shows consistency in liquidity management for CBL bank. The fluctuations are negligible which reflects good sign for CBL.

Therefore, through CAMEL rating, it can be implied that, City Bank is executing well in terms of maintaining Capital Adequacy with Efficient Management and Earnings but it should put more focus on improving Asset Quality and Liquidity.

Risk Management in CBL:

A small error might be disastrous, making risk management a subtle and crucial procedure. For this reason, numerous departments are tasked with managing numerous risk types independently. The credit risk management division is now known as the CRM Division. This division essentially recognizes and decreases the credit risk included in each loan suggestion. Risk Management Framework (RMF) of CBL is given below:

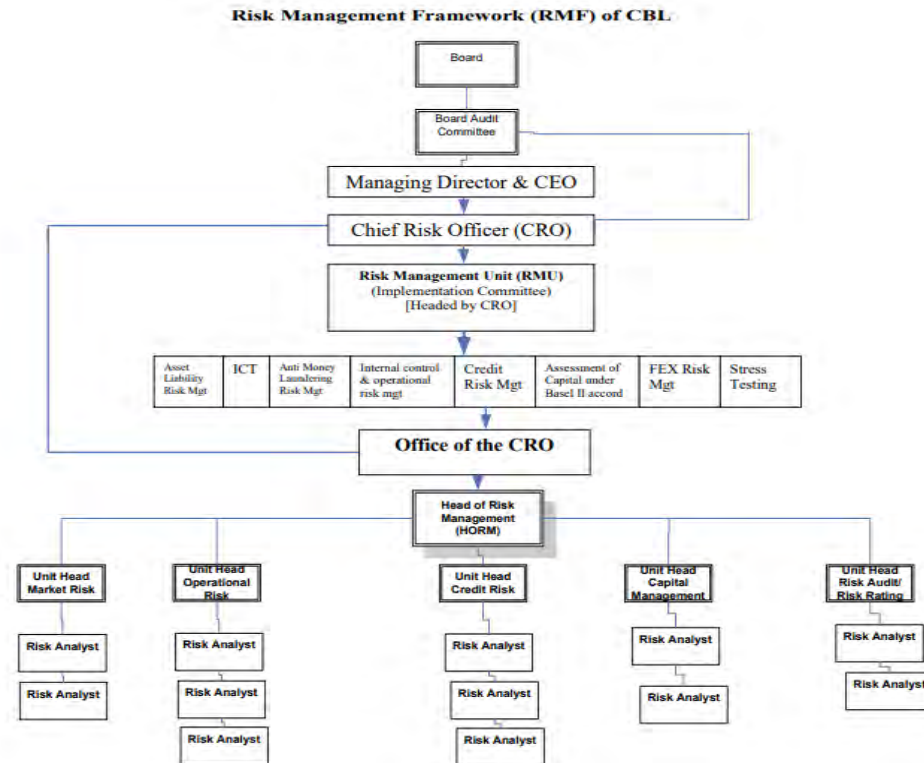


Figure 24: Risk Management Framework (RMF) of CBL

In the above picture, we can see there are several sectors of risk management in City bank. During the internship, I got to study some of them in facts through officers in the retail divisions, web sites and observations.

Asset Liability Management Committee (ALCO):

Asset-Liability Management (ALM) is a nonstop process for developing, putting into preparation, reviewing, and revising asset and liability management plans in an effort to encounter financial goals within a certain set of risk acceptances and restrictions. In order to manage risks, it involves dynamically planning, directive, and handling the flow, level, mix, and charges of the assets and liabilities of a bank portfolio. An organized and methodical process is required for managing the balance sheet risk, particularly for supervisory liquidity and interest rate risk, which are both key parts of bank management and are achieved through ALM.

Objectives of ALCO:

- Advance maturity profile and combination of incremental assets and liabilities
- Ensure that the bank's dimension and reporting systems precisely convey the degree of liquidity risk, attention rate risk and foreign exchange risk
- Appraisal liquidity contingency plan for the bank
- Monitor the structure /composition of bank's assets and liabilities, classifying balance sheet management subjects like balance sheet gaps, interest rate gap/profiles etc. that are leading to deficit and many more.

Internal Control and Compliance (ICC):

Internal controls and compliances are the rules and practices established and put into place on their own or in combination with other rules or practices to manage and control a exact risk or business activity, or combination of dangers or business activities, to which the company is exposed or in which it is involved, particularly for managing Liquidness and Interest Rate Risk.

Objectives of ICC:

- To safeguard consistency, completeness and timelines of the bank's monetary and Management Information System (MIS)
- To attain staffs' faithfulness to the principles of integrity, objectivity and privacy in the activities
- To found and develop corporate governance in the bank for accomplishment of the goals and many more.

Risk Management Division (RMD):

The focal point for all of CBL's risk management processes is the Risk Management Department (RMD), which is a division under the way of the Chief Risk Officer (CRO). It is a risk unit that contracts with risk management tasks on a portfolio level, such as credit risk, market risk, and operational risk. It also goals to guarantee Basel agreement implementation at the bank.

Objectives of RMD:

- Classify and monitor unauthorized limits superseding and analyze possible scenarios through pressure testing and applying VaR Mode
- Compute and Reporting of Minimum Capital Requirement (MCR),
- Grow and drive approval of various policies like ICAAP, Stress test strategy, VaR strategy, Disclosure rule etc.
- Guarantee management of Credit Rating as well as Portfolio Risk,

3.4 Summary and Conclusions

It has been a real joy getting hands-on connection with the City Bank Ltd. It is impossible to compare academic knowledge with real-world knowledge without the use of academic knowledge in exercise. The function of the collation front end was saw during the practical orientation time, and it will be very cooperative to me in the upcoming as a specialized banker.

There are specific standards and regulations to follow because it is a process for clients to make payments. However, the facts often do not follow the guidelines. Additionally, CAMELS rating must be taken seriously as it points out the performances and sector of improvements clearly. The concern of the Collection Unit begins when an account gets past due and continues until it is paid off in full or locked with the full amount owed. The drive of the collection process is to get payments as soon as possible while dropping collection fees and write-off charges and care the customer's goodwill through a high level of service. Moreover, it underwent a substantial restructure once the Risk Management Practice was presented in order to adapt to the environment. There are many divisions of risk management which assistances CBL to detect problems early including jeopardies against granting loan to customers, thus CBL is one of the solidest banks performing in the market.

Customers that disregard our customer-focused collection processes pose a financial risk to the organization. In order for the institution to be able to maintain the loan on its books and avoid having to write off or charge it off, the Collector's job is to collect. The collection unit goals to uphold endurance while listening to consumers in order to provide a win-win situation for the bank and the customer. To achieve the consumers, there is a scientific process rather than just a set of guidelines and regulations.

3.5 Recommendations/Implications:

- The Bank shouldn't loan money to those who are unable of sensibly repaying their loans in full. The Bankers must be alerted of this unwanted event.

- Increased negotiating, influence, and motivational skills are essential for employees in the collection department to contract with clients.
- By letting them to conduct client interviews before to making loans, the Bank must depiction the Risk Managers to consumer favorites.
- Emphasize more on CAMELS ratings to know about their points of improvements and work accordingly.
- In order to avoid clients from forgetting their info when collecting the loan, the Retail Finance Center (collection department) should record customer data with the greatest care.

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