



Internship Report
on
“The Credit Scenario and three
years (2011-2013)
performance of Bank Asia
Limited



Submitted to

Mr. Riyashad Ahmed

Assistant Professor

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Submitted By:

SushmitaSaha

ID:10104055

Letter of Transmittal

16th October,2014

Mr. Riyashad Ahmed
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BRAC Business School
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Dhaka-1212

Subject: Submission of Internship Report

Dear Sir,

It is my immense pleasure to submit the report on “The Credit Scenario and last three years performance of Bank Asia Limited.” I am submitting this report as part of my internship in Bank Asia Limited. In writing this report, I have followed your instructions for report writing so as to present my views and understanding in the easiest way.

The purpose of the report is based on my working experience in Bank Asia Limited and how the Risk Management Division and Credit Department operates at Bank Asia.

I will be glad if you kindly accept this report.

Thanking you

SushmitaSaha

ID: 10104055

Acknowledgement

First of all, I would like to express my deep gratitude to Almighty for preparing this Internship Report.

I would like to thank **Md. Arfan Ali Deputy Managing Director (DMD)** for giving me the permission to do the internship at Corporate Branch of Bank Asia Limited. I also like to thank to my supervisor, Mohammad MunzurRashia, Manager Operations of the Principal Office Branch for giving me the guidance through out the internship period and giving me the knowledge about the department as much as possible.

This Internship Report has been prepared as the part of BBA program under BRAC Business School Department of BRAC University. I would also like to thank Mr. Riyashad Ahmed for his sincere and accurate guidance and for leading the report into the right direction.

Last but not the least thanks goes to my parents for bearing the tension, frustration and all the hard work along with me through the entire BBA program.

Executive Summary

This report aims toward providing an overview on Credit Department & Performance Analysis of Bank ASIA Ltd. While preparing this report it has been tried to reveal the insights of the Credit Department & Performance Analysis of the bank a few recommendations and suggestions were also prescribed based on the observation and findings.

The Bank Asia Ltd. is a private commercial bank which is operated by the Banking Companies Act 1991. It was established in 1999 with a view to providing financial assistance including all kinds of banking facilities to accelerate the pace of development to small industry of Bangladesh.

As a broad policy objective in respect of small industry financing the Bank undertakes the following tasks: extends financial assistance to small industries in private sector, financial assistance to micro-enterprises and collaborates with other institution engaged in financing and developing such enterprises.

The aim of this paper is to analyze Credit Department & Performance Analysis of Bank Asia Ltd. to evaluate it's competitiveness in the banking industry in context to the ensuing challenges in the industry as a consequence of changing global business nature and technological development. For this purpose, business philosophy, mission, objectives, activities and current strategies of Bank Asia Limited are analyzed at the initial stage.

Finally, identifying the shortcomings of strategies Bank Asia is currently applying an attempt has been made to recommend the strategic options for Bank Asia to become more competitive in the banking industry.

Chapter 1

INTRODUCTION

1.1 Origin of the Report

Every business-major student has to carry out this 3-month long internship program as a reflection of practical implication of their study. This is the best way to preliminary learn about the organization and cope with the environment in such a way like professional employees. I

started my internship at Bank Asia Ltd. on 18th May'2014 and completed the program on 18th September,2014.

1.2 Objective of the Report

The internship report focuses on the credit scenario and performance evaluation of Bank Asia Ltd.

The objective of the study as follows:

i) Broad Objective

The broad objective of the report is to get acquainted with the Credit Department and the activities accomplished by this department.

ii) Specific Objective

- To get a firm knowledge on how a bank operates .
- To get acquainted the ratios that indicate and measure the performance of a bank.

1.3 Scope of the Report

This report is mainly focused on the credit scenario of Bank Asia Limited. In addition, last three years performance evaluation has also been included in this report. The activities of other departments are excluded in this report.

1.4 Methodology

In this report, two sources have been used in order to collect data. One is Primary Sources and the other is Secondary Sources.

Primary source include the small meetings with my supervisor and other employees of the concerned department who helped me to acquire the basic banking knowlwdge.

The secondary sources of data and information are:

- a) Website of Bank Asia Ltd (www.bankasia-bd.com)
- b) Annual Report of Bank Asia
- c) Bangladesh Bank Circular (www.bangladesh-bank.org)

1.5 Limitations

- Due to privacy reason, certain information were not disclosed to me since I was not an permanent employee. This came up as an obstacle while preparing the report.
- It was very difficult for the employees to co-operate me since they were occupied with a lot of work. Therefore, it was not always possible to reach them.

Chapter 2
ORGANIZATION
REVIEW

2.1 Introduction

Bank Asia has been launched by a group of successful entrepreneurs with recognized standing in the society. The management of the Bank consists of a team led by senior bankers with decades of experience in national and international markets. The senior management team is ably supported by a group of professionals many of whom have exposure in the international market. It set milestone by acquiring the business operations of the Bank of Nova Scotia in Dhaka, first in the banking history of Bangladesh. It again repeated the performance by acquiring the Bangladesh operations of Muslim Commercial Bank Ltd. (MCB), a Pakistani bank.

In the year 2003 the Bank again came to the limelight with oversubscription of the Initial Public Offering of the shares of the Bank, which was a record (55 times) in our capital market's history and its shares commands respectable premium.

The asset and liability growth has been remarkable. Bank Asia has been actively participating in the local money market as well as foreign currency market without exposing the Bank to vulnerable positions. The Bank's investment in Treasury Bills and other securities went up noticeably opening up opportunities for enhancing income in the context of a regime of gradual interest rate decline. Bank Asia Limited started its service with a vision to serve people with modern and innovative banking products and services at affordable charge. Being parallel to the cutting edge technology the Bank is offering online banking with added delivery channels like ATM, Tele-banking, SMS and Net Banking. And as part of the bank's commitment to provide all modern and value added banking service in keeping with the very best standard in a globalize world.

2.2 History

Bank Asia started its journey on November 27, 1999 with an aim to be fully customer focused through rendering technology driven innovative products and services. The Bank obtained Certificate of Incorporation and Certificate of Commencement of Business on September 28, 1999 and banking license on October 06, 1999. Subsequently the Bank was listed with Dhaka Stock Exchange (DSE) and Chittagong Stock Exchange (CSE) on January 06, 2004. Since inception Bank Asia is working efficiently and achieving a strong prominent position in banking sector. By this time Bank Asia has consolidated its strength manifold through extending its business rapidly while ensuring sustainable growth. Bank Asia started its most cherished Islamic banking operation in 2008 for providing strict Shariah based products. It established its 1st subsidiary company named "Bank Asia Securities Limited" on March 16, 2011 and another subsidiary company "BA Exchange Company (UK) Limited" in United Kingdom in the same year. Now the Bank is rendering services through its 94 Branches, 5 Islamic Windows, 6 SME Service Centers, 1 Off-shore Banking Unit, and 2 Subsidiary companies.

2.3 Vision:

Bank Asia's vision is to have a poverty free Bangladesh in course of a generation in the new millennium, reflecting the national dream. Their vision is to build a society where human dignity and human rights receive the highest consideration along with reduction of poverty.

2.4 Mission

- To assist in bringing high quality service to our customers and to participate in the growth and expansion of our national economy.
- To set high standards of integrity and bring total satisfaction to our clients, shareholders and employees.
- To become the most sought after Bank in the country, rendering technology driven innovative services by our dedicated team of professionals.

2.5 Core Values

- Place customer interest and satisfaction as first priority and provide customized banking products and services.
- Value addition to the stakeholders through attaining excellence in banking operation.
- Maintain high ethical standard and transparency in dealings.
- Be a compliant institution through adhering to all regulatory requirements.
- Contribute significantly for the betterment of society.
- Ensure higher degree of motivation and dignified working environment for our human capital and respect optimal work-life balance.
- Committed to protect the environment and go green.

2.6 Corporate Objectives

Bank Asia's objectives are reflected in the following areas:

- Highly personalized service.
- Customer-driven focus.
- Total commitment to quality.
- Contribution in the economy.
- Quality of human resources.
- Commitment to its clients at each level.

2.7 Slogan of Bank Asia Limited

For a better tomorrow does not have to confined with the limited service rather enhanced existing service and brought up new services in order to their existing and potential clients for made the life easier.

Bank Asia is one of the recognized private commercial bank in Bangladesh within a short period of time. Amongst the other 2nd generation banks, Bank Asia has demonstrated an outstanding performance. The performance scenario might well not be favorable to them in each period, but they always endeavor to keep up the consistency.

Generally, the bank consists of three major departments:

- General banking
- Credit department
- Foreign exchange

This report is exempt from the ins and outs of the “General Banking” and the “Foreign Exchange” department since it is completely focused on the activities and performance of Credit Department.

2.8 Credit Department

A Bank's survival in the industry depends upon the efficiency of its Credit Department. Bank creates a channel through depositing money from the surplus unit and provide funding to borrowers with productive investment opportunities. Thus the necessity of credit and loan department in bank occurs.

The money mobilized from ultimate surplus units are allocated through this department to the ultimate deficit unit (borrower). The success of this department keeps a great influence over the profit of a bank. Failure of this department may lead the bank to huge losses or even to bankruptcy.

Bank Asia implemented the system of credit risk assessment and lending procedures by stricter separation of responsibilities between risk assessment, lending decisions and monitoring functions to improve the quality and soundness of loan portfolio.

2.9 Credit products at Bank Asia

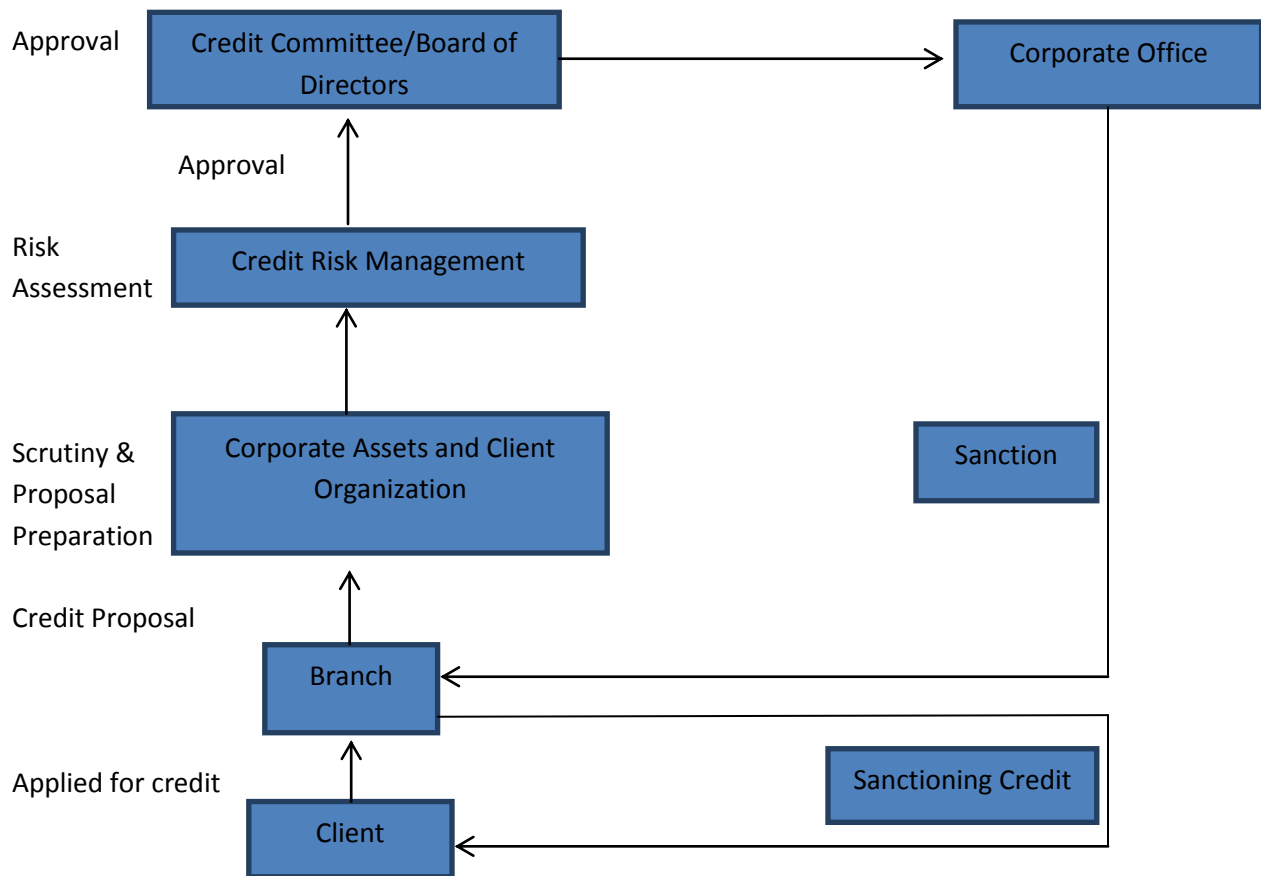
| | |
|---|---|
| Overdraft (OD) | Working capital finance |
| Secured Overdraft (SOD) | General purpose |
| Cash Credit-Hypothecation | Finance against inventory |
| Term Loan (industrial) | Finance against capital machinery |
| Term Loan (others) | Real estate/Syndicated finance, etc. |
| Transport Loan | Finance against commercial vehicle |
| Demand Loan (DL) | Created under force situation or financing for payment of duties/taxes. |
| House Building Loan (HBL) | Financing construction / purchasing building /flat |
| Staff House Building Loan (SHBL) | Financing construction / purchasing of building /flat |
| Staff Car Loan | Financing for purchasing of a Car for own use by an employee of the Bank. |
| Staff Loan against PF | Loan allowed to Bank's employees against their respective Provident Fund. |
| Loan against Trust Receipt (LTR) | To finance import L/Cs |
| Pre-shipment/Packing Credit (PC) | To finance export L/Cs-Pre-shipment finance |
| Loan against Cash Incentives | Financing receivables reimbursement against |

| | |
|---|--|
| | cash assistance from Bangladesh Bank |
| Payment against Document (PAD) | Advance against sight L/C |
| LDBP | To purchase documents against usance L/C |
| FDBP | To purchase/discount/negotiate export documents against sight/usance export L/C |
| Credit for Poverty Alleviation- Micro Credit | To finance crop production, farming, fishing, livestock, etc under Micro Credit Scheme |
| Credit Card | Financing retail borrowers under Credit Card Scheme |
| Margin Facility | To provide loans to the clients of our Capital Market Division |
| Letter of Credit (sight) | For import/procurement of goods/services |
| Letter of Credit (deferred) | For import/procurement of raw machinery, raw materials/services |
| Back to Back L/C | Financing import/procurement of raw materials and accessories against export L/C |
| Bank Guarantee | For submission of tender/to offer as security against work order/supply order for gas or electricity connection/ release goods from customers/receipt of advance payment against delivery of goods without or against partial payment by clients, etc. |

The “**Consumer Finance**” has added the following asset products:

| Name | Purpose |
|---|---|
| House Finance | For construction of new house or extension of existing house or purchase of a flat |
| Auto Loan | For purchase of a Car for personal use only |
| Consumer Durable Loan | For purchasing households articles such as Television, Refrigerator, Air Conditioner, Washing Machine, Personal Computers, Furniture, etc. |
| Loan for Professional | For purchase of items to support professional needs e.g. X-ray machine, Dental Chair, Ultra Sonogram Machine, etc. |
| Unsecured Personal Loan | For miscellaneous purposes such as marriage in the family, advance rental payment, emergency medical expenses, purchase of motor bike or any other legal expenses, etc. |
| Senior Citizen Support | For meeting up miscellaneous personal/family financial requirement |
| Consumer Credit under Corporate Agreement | Facilities are offered under Corporate Agreement |

2.10 Credit Approval System of Bank Asia:



Organogram :Credit Approval System of Bank Asia

Responsibilities of Credit Risk Management Department

- Review and analysis of credit proposals, sent by the branches and ensuring that all the elements of the credit application, analysis, statement, reports are obtained and in order.
- Assessing the Credit Risk Grading (CRG) in order to determine whether to lend or not to lend.
- Preparation of credit proposal using the prescribed format for placing the same before the Credit Committee of the Board/Board of Directors for approval and communicate the decision to the concerned branches.
- To provide advice/assistance regarding all credit matters to Relationship Management.
- To ensure that credit officers/executives have adequate experience and/or training in order to carry out job duties effectively.
- Oversight of the Bank's credit policies, procedures and control relating to all credit risks.

Credit Administration Department

- To ensure that all security documentation complies with the terms of approval and is enforceable.
- To monitor insurance coverage with a view to ensure appropriate coverage is in place over assets pledged as collateral, and is properly assigned to the bank.
- To control loan disbursement only after all terms and condition of the approval have been met, and all security documentation is in place.
- To monitor borrower's compliance with covenants and agreed terms and conditions, and general monitoring of account conduct/performance.
- Past due principal or interest payments, past due trade bills, account excesses and breach of loan covenants and covenants breaches or exceptions are referred to CRM Department and the concerned branch for timely follow-up.
- Ensure accurate & timely submission of returns of Corporate Office and Bangladesh Bank.

Legal & Recovery Department

- Directly manage all Substandard, Doubtful & Bad and Loss accounts to maximize recovery.
- Determine Account Action Plan/Recovery Strategy.
- Pursue all options to maximize recovery.
- Ensure that adequate and timely loan provisions are made based on actual and expected losses.
- Maintain liaison with the Bank's lawyers and follow up the suit for filed cases regularly for early settlement towards recovery of Bank's dues.
- Reviews of Grade 6 or worse accounts on regular basis.

2.11 General Procedure for Loans and Advances

Bank Asia limited follows the general procedure for giving loans and advances as the guideline given by Bangladesh Bank. The general lending procedure is given below:

i) First Information Sheet (FIS)

First information sheet (FIS) is the prescribed form which is provided by the respective branch that contains basic information of the borrower. It contains the following particulars :

1. Name of the concern with its factory location, office address and telephone number.
2. Name of the main sponsors with their educational qualification
3. Business experience of the sponsors, details of past and present business, its achievement and failures, name of all the concerns wherein the sponsors have involvement.
4. Income tax registration no. along with the amount of tax paid for the last three years.
5. Details of unencumbered assets (movable & immovable) personally owned by the sponsors.
6. Details of liabilities with other banks and financial institutions including securities held there against.
7. Purpose of loan sought from Bank Asia Limited.
8. Estimated cost of the project & means of finance.

ii) Application for Credit Line

After receiving the first information sheet from the borrower, a Bank official verifies all the information meticulously. Also, the account maintained by the borrower with the Bank is checked. Upon receiving all correct information, the official gives application to the bank's prescribed format supplied by the bank called "Credit for request limit".

iii) Credit Sanction & Appraisal Process

Borrowers Credit Worthiness Analysis by Bank Asia Limited following 6 'C's:

1.Character: The loan officer must be convinced that the customer has a concrete purpose for requesting credit and a firm intention to pay. Responsibility, truthfulness, clean past record, true purpose and honest intention to repay the loan make up what a loan officer calls character.

2. Capacity: The customer requesting credit must have the authority to request such and the legal standing to sign a binding loan agreement.

3. Cash: The borrower should have the ability to generate enough cash flow to repay the loan. This cash flow can be generated from sales or income from the sales or income, from the sale of liquidation of assets or funds raised through debt or equity securities.

4. Collateral: The borrower must possess adequate net worth or enough quality assets to provide adequate support for the loan. The value of the collateral security must cover the loan exposure.

5. Conditions: The recent trend of borrower's line of work or industry must be taken into considerations by the lender.

6. Control: The lender should be careful about whether changes in law regulation could adversely affect the borrower and whether loan request meets the Bank's and regulatory authority's standards for loan quality.

iv) Collecting CIB Report from Bangladesh Bank

After receiving the application for credit line, Bank sends a letter to Bangladesh Bank for obtaining a report . This report is called CIB (Credit Information Bureau) report.

The official of credit department fills up a CIB inquiry form according to the information provided by the client. Then the form is sent to head office and eventually Bangladesh Bank to confirm that whether the borrower has taken loan from any other bank; if positive, whether the party has any overdue amount or not.

v) Preparing Credit Proposal

If everything goes well so far, the bank then prepares a credit proposal to be presented to the head office for seeking out the loan.

vi) Credit Assessment

A thorough credit and risk assessment should be conducted prior to the granting of loans, and at least annually thereafter for all facilities. The results of this assessment should be presented in a credit application that originates from the Relationship Manager, and is recommended by Branch Credit Committee (BCC). The Risk Management should be the owner of the customer relationship, and must be held responsible to ensure the accuracy of the entire credit application submitted for approval.

Credit Applications should summarize the results of the RMs risk assessment and include as a minimum, the following details:

- Amount and type of loan(s) proposed
- Purpose of loans
- Loan structure (Tenor, Covenant, Repayment Schedule, Interest)
- Security arrangements

In addition, the following risk areas are analyzed:

- Borrower analysis
- Industry analysis
- Supplier/ Buyer analysis
- Historical financial analysis

- Projected financial performance
- Account conduct
- Loan structure
- Security

vii) Risk Grading

All Banks should adopt a credit risk grading system. The system should define the risk profile of borrower's to ensure that account management, structure and pricing are commensurate with the risk involved. Risk grading is a key measurement of a Bank's asset quality, and as such, it is essential that grading is a robust process. All facilities should be assigned a risk grade. Where deterioration in risk is noted, the Risk Grade assigned to a borrower and its facilities should be immediately changed.

Borrower Risk Grades should be clearly stated on Credit Applications.

viii) Project Appraisal

It is the pre-investment analysis done by the officer before approval of the project. Project appraisal in the banking sector is needed for the following reasons:

- To justify the soundness of an investment
- To ensure repayment of bank finance
- To achieve organizational goals
- To recommend if the project is not designed properly

ix) Head Office Approval

The respective officer of Head Office appraises the project by preparing a summary named "Top Sheet" or "Executive Summary". Then he sends it to the Head Office Credit Committee (HOCC) for the approval of the loan. The Head Office Credit Committee (HOCC) considers the proposal and takes decision whether to approve the loan or not. If the loan is approved by the HOCC, the HO sends the approval to the concerned branch with some conditions.

- All other terms and conditions, as per policy and practice of the bank for such advance to safeguard the banker's interest shall also be applicable for this sanction also.
- Branch shall not exceed the sanctioned limit.
- Required charge documents with duly stamped should be obtained.
- Drawing shall be allowed only after completion of mortgage formalities and other security arrangement.

x) Sanction Letter

After getting the approval from the HO, the branch issues the sanction letter to the borrower. The borrower receives the letter and returns a copy of this letter duly signed by him as a token of having understood and acceptance of the terms and condition above.

xi) Documentation of Loans and Advances

In spite of the fact that banker lends credit to a borrower after inquiring about the character, capacity and capital of the borrower, he must obtain proper documents executed from the borrower to protect him against willful defaults. Moreover, when money is lent against some security of some assets, the document must be executed in order to give the banker a legal and binding charge against those assets. Documents contain the precise terms of granting loans and they serve as important evidence in the law courts if the circumstances so desire. That is why all approval procedure and proper documentation shall be completed before the disbursement of the facilities.

xii) Disbursement

After verifying all the documents the branch disburses the loan to the borrower. A loan repayment schedule is also prepared by the bank and given to the borrower.

xiii) Follow-up

After the disbursement of the loan bank officials time to time monitor the loan by physical observation of the activities of the party. It is done in the following manner.

- Constant supervision
- Working capital assessment
- Stock report analysis.

2.12 Types of Credit Facilities at Bank Asia

Bank Asia offers both funded and non-funded credit facilities. Among all the funded and non funded facilities Bank Asia does not provide all but those, which are commensurate with the Bank's policy and strategy. The various funded and non funded credit facilities that Bank Asia provides to its borrowers are:

(i) Funded Facilities

The funded credit facilities are those, which involve direct cash. In other words any type of credit facility, which involves direct outflow of Bank's fund on account of borrower is termed as, funded credit facility.

Over Draft

Over draft facility is also a continuous loan arrangement on a customer's current account permitting him/her to overdraw up to a certain approved limit for an agreed period. Here the withdrawal of deposits can be made any number of times at the convenience of the borrower, provided that the total overdrawn amount does not exceed the agreed limit. Customer can return any amount at any time within the pre-fixed time of the facility. Turn over of an Over Draft facility is the most important phenomenon on which renewal of the facility depends. Over Draft facility is given to the businessmen for financing working capital requirement and high net worth individual to overcome temporary liquidity crisis.

Secured Over Draft

This is a type of over draft facility given to the borrowers keeping sufficient collateral from the customer in the most liquid form. This facility provides specific right to a client to overdraw within a pre fixed limit for a certain period of time. Secured Over Draft is normally granted against the security of tangible asset such as lien of Fixed Deposit Receipt (FDR), Bonds, SanchayaPatra but currently Secured Over Draft is given only against Fixed Deposit Receipt because Bangladesh Bank has recently prohibited Secured Over Draft against Bonds and Sanchayapatra. Interest charged on the Secured Over Draft is calculated on the basis of the security lined.

Term Loan

Terms loans are given to finance the acquisition of capital assets. Loan agreements often contain restrictive covenant and loan is repayable in accordance to amortization schedule. Collateral is must for term loan. Under term loan there are three categories:

- **Short term loan-** loans having maturity less than one year falls under this category.
- **Midterm loan-** this loan facility is extended for loans having maturity more than one year but less than three years.
- **Long term loan-** tenure of long term loans is more than three years.

Personal Credit

Bank Asia also offers personal credit facility to its customers for buying household appliances. No securities are kept for such type of credit facility but a guarantee from third party is required who ought to be a prominent person or government service holder. Anyone with continuous employment for a reasonable length of time in an organization is entitled to enjoy this facility. A quotation needs to be submitted on the office pad from where the goods will be purchased. Limit of personal credit ranges from Tk. 50,000 to Tk. 3, 00,000 and interest rate is 16.25%, which is subject to change.

The objective of this loan is to provide essential Household durables to the fixed income group (Service holders) and other eligible borrowers under the scheme.

Items of Investment

- i. Refrigerator / Deep Freeze
- ii. Television / VCR / VCP / Dish Antenna
- iii. Music Center
- iv. Motor Car / Motor Cycle
- v. Air –Cooler / Air – Conditioner
- vi. Personal computer
- vii. Washing Machine
- viii. Household Furniture & Fixtures
- ix. Sewing Machine
- x. Kitchen appliances like Oven, Toaster, Pressure Cooker, Blender etc.
- xi. Any other item not specified above but considered essential.

Eligibility

The criteria to become eligible for availing the facility under the scheme are given below. The borrower must be confirmed official of any of the following organizations:

- a) Government Organization.
- b) Semi-Government Organization / Autonomous body.
- c) Multinational Organizations.
- d) Banks & Insurance Companies.
- e) Reputed Commercial Organizations.
- f) Professions.

Loan against Trust Receipt (LTR)

Loan against trust receipt is given on good faith on the importer. This is a loan facility up to a satisfactory limit to the traders/customers by Bank Asia against security of the value of the imported goods. Customer holds the goods or their sales proceeds in trust for the bank for certain period of time till the loan allowed against such trust receipt is fully paid. The duration of LTR ranges from thirty days (30 days) to three hundred and sixty days (360 days).

(ii) Non-Funded Facilities

Non funded facilities are also known, as contingent facilities are those where bank's fund is not required directly. A non-funded facility can be turned to a funded facility as per situation creates. Bank receives commission rather than interest income by providing non-funded facilities. Following non-funded facilities are provided by Bank Asia:

Letter of Credit (L/C)

A letter of credit can be defined as a Credit Contract whereby the buyer's bank is committed (on behalf of the buyer) to place an agreed amount of money at the seller's disposal under some agreed upon conditions. Since the agreed upon conditions include, amongst other things, the presentation of some specified documents, the letter of credit is called Documentary Letter of Credit. The Uniform Customs & Practices for Documentary Credit (UCPDC) published by International Chamber of Commerce (ICC, 1993) Revision, Publication No. 500 defines Documentary Credit.

Any arrangement however named or described, whereby a bank (the "issuing bank"), acting at the request and on the instructions of a customer (the "applicant") or on its own behalf,

- 1) Is to make a payment or to the order of third party (the Beneficiary), or is to accept and pay bills of exchange (Drafts) drawn by the Beneficiary, or
- 2) Authorized another bank to effect such payment, or to accept and pay such bills of exchange (Drafts),
- 3) Authorizes another bank to negotiate, against stipulated document (s), provided that the terms and conditions are complied with.

Bank Asia provides only irrevocable letter of credit (L/C) facility.

Guarantee

Bank Asia offers guarantee for its reliable and valuable customer as per requirements. This is also a credit facility in contingent liabilities.

Features of Bank Guarantee

- It is a written document on non-judicial stamp.
- Expiry date is mentioned specifically with other terms and conditions.
- Bank Asia receives commission quarterly @ 0.50% of the guaranteed amount.

Syndicate Loan

A Bank can lend upto 15% of its paid up capital without any approval by Bangladesh Bank. If the loan amount exceeds 50% of the paid up capital, Bank goes for Syndicate loan. Lead Bank makes the arrangement and Head Office makes the facility agreement by the Bank's lawyer. All terms and conditions such as security sharing, mode of creating charges, mode of repayment, covenants of the loan are written on the facility agreement.

2.13 Loan classifications

- Unclassified: Repayment is regular
- Substandard: Repayment is irregular or stopped but has reasonable prospect of improvement.
- Doubtful Debt: Unlikely to be repaid but special collection efforts may result in partial recovery.
- Bad/loss: Very little chance of recovery

CHAPTER 3

JOB PART

In order to pursue Internship Program which is a part of BBA program, I started my internship on 18th May at Principal Office Branch of Bank Asia Limited. For the first two weeks, I had to work in the General Banking Division just to acquire knowledge of the basic things about a bank's activities. After two weeks, I was shifted to the Credit Department.

Credit Department of that respective branch was relatively small in number than the other departments. I had some routine activities which I had to carry out every day. Those are as followed:

- To make sure the entry of every CIB Inquiry form which were sent to Bangladesh Bank for verification.
- Updating the Secured Over Draft (SOD) list according to if there is any change in the customers' nature of instruments or tenure etc.
- Preparing Renewal Sanctions at the quarter ends.
- Preparing Charge Documents .
- Opening up new SOD accounts (conducting all paper works)

Besides, I was also assigned to perform some other activities which are as followed:

- Preparing Credit Proposals for Personal Loan.
- Preparing Sanction Letter for the loan facilities after those were approved from the Head Office.
- Dealing with the customers (the borrowers) who did not use to pay their installments regularly.
- Worked in the Initial Recovery Process.
- Scrutinizing the ins and outs of the customer profile before giving out a loan.
- Preparing a report about the status of the loan accounts for the quarter end.

I have conducted almost all the paperworks for every loan facilities though I did not have access to the system.

Chapter 4

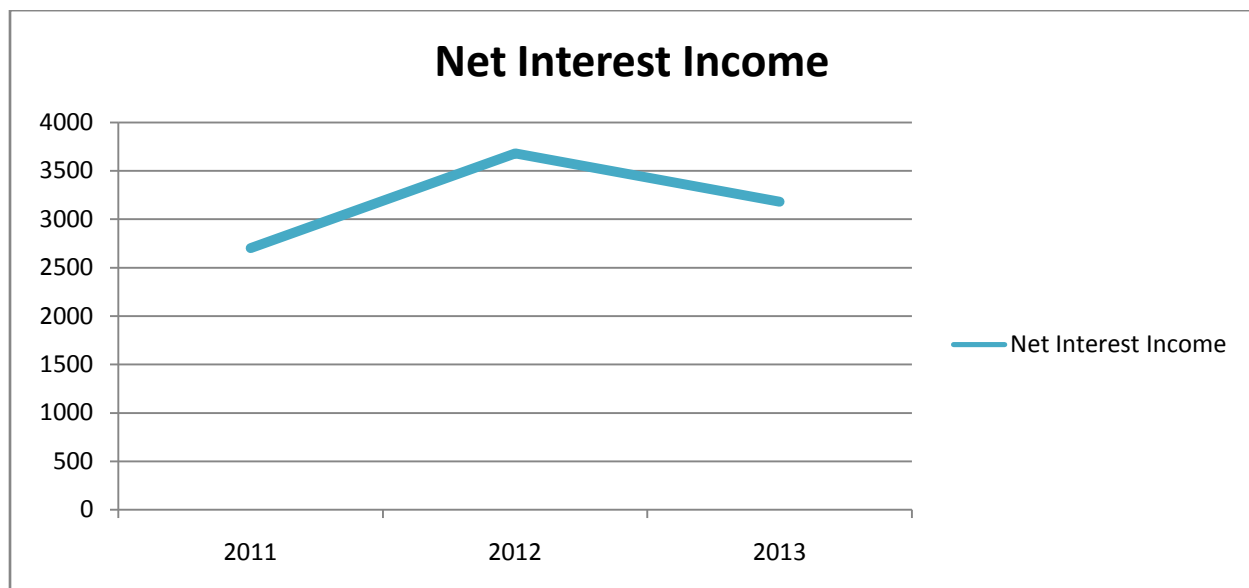
ANALYSIS & INTERPRETATION

Last Three Years (2011-2013) Financial Performance of Bank Asia Limited

Net Interest Income:

In Million Taka

| | Years | | |
|--|----------------|----------------|----------------|
| | 2011 | 2012 | 2013 |
| Total Interest Income | 10,903.58 | 13,296.06 | 14,346.31 |
| Total Interest Expense | 8,202.66 | 9,616.35 | 11,166.02 |
| Net Interest Income=Total Interest Income – Total Interest Expenses | 2700.92 | 3679.71 | 3180.29 |



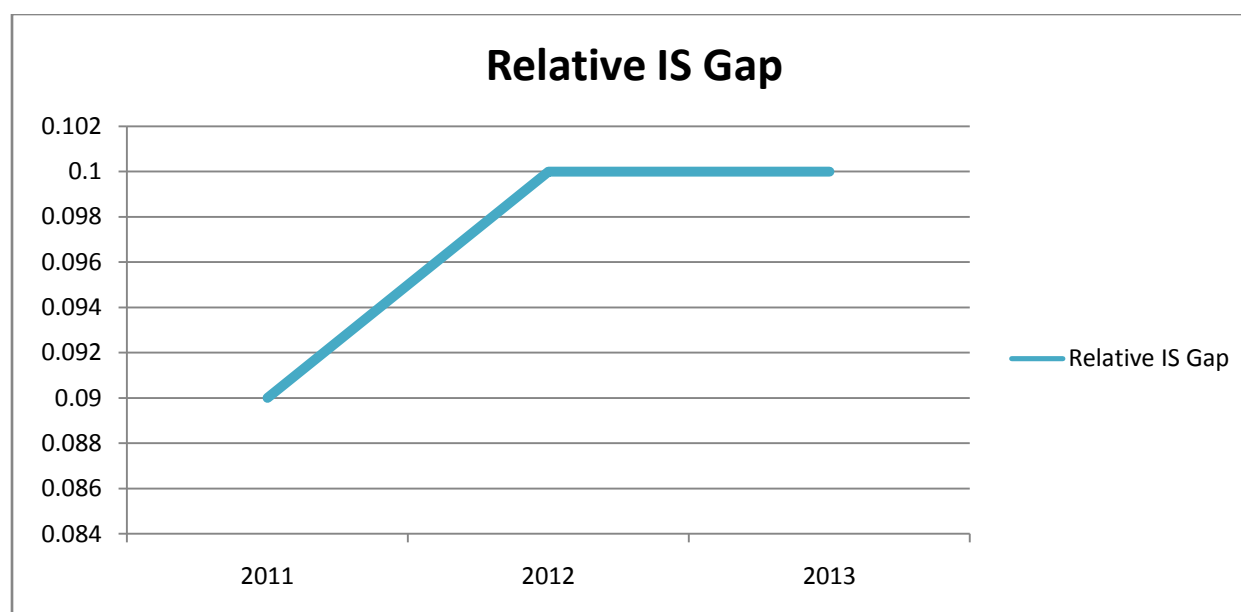
Net Interest Income is a measurement of a bank's performance which indicates how efficient bank's investment decisions are in context to its debt situations. Interest Income generates from the Interest-Sensitive Assets (Loans to Individual, Business, other organization and the securities that it holds). Interest Expenses are the major expenses paid by the bank on its liabilities (deposits and the money that it borrows from individual and other banks).

In the graph, we see an upward shift in NII from 2011 to 2012 which is a good indicator for the bank; Interest income is higher than Interest Expense. However, from 2012 to 2013, the spread squeezed because the increase in income is comparatively low, but the change in liability is almost same. The interpretation of this fluctuation will be provided along with that of Return on Assets (ROA).

Interest Sensitive (IS) Gap and Relative IS Gap:

In Million Taka

| | Year | | |
|--|------------------|------------------|------------------|
| | 2011 | 2012 | 2013 |
| Interest Sensitive Assets | 107,231.85 | 128,040.91 | 150,629.28 |
| Interest Sensitive Liabilities | 96,448.06 | 114,450.54 | 144,909.5 |
| Interest Sensitive Gap= Interest Sensitive Assets- Interest Sensitive Liabilities | 10,783.79 | 13,590.37 | 16,719.78 |
| Bank Size (Total Assets) | 118,020.50 | 141,235.37 | 163,777.74 |
| Relative IS Gap= Interest Sensitive Gap/ Bank Size (Total Size) | 0.09 | 0.10 | 0.10 |



Interest Sensitive Gap is the difference between the Interest Sensitive Assets and the Interest Sensitive Liabilities. When the Interest Sensitive Assets represents a positive figure, it indicates the bank is asset-sensitive. Relative IS gap is what portion of the total asset is the gap.

From 2011 to 2012, the Relative IS Gap increased a little amount but remained constant in the year 2013. The reason behind the first increase is the change in increased value of total assets is higher than

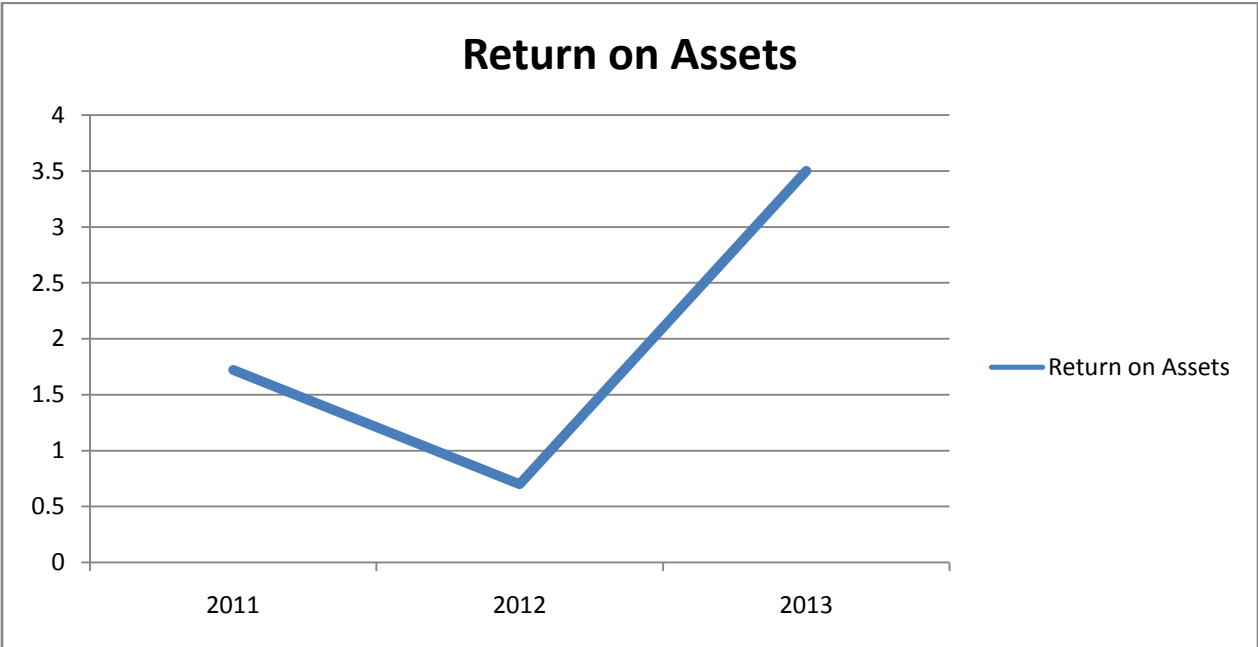
the increase in the IS Gap. On the other hand, the liabilities increased In the year 2013.Hence the gap was not proportionate to the total assets, thus, Relative IS remained constant.

Return on Asset (ROA):

| Return on Assets (ROA) | Years | | |
|------------------------|--------|--------|--------|
| | 2011 | 2012 | 2013 |
| | 1.72 % | 0.70 % | 0.96 % |

Return on Assets (ROA) is an indicator of how adroitly the management of a company can turn it’s assets into profits. The greater percentage of ROA measures the efficiency of the company by assuming that it has utilized it’s assets properly and earned a substantial amount out of it.

Return on Assets : $\frac{\text{Net Income}}{\text{Total Assets}}$



In 2011, Bank Asia has earned Tk.1.72 for each taka of assets they invested; whereas we can notice in the next two subsequent years, they could not perform up to the mark. In 2012, for each taka of assets invested, they earned Tk.0.70, which is meager in comparison to previous year, due to ineptitude of the management. Although in 2013, they have endeavored for a higher ROA, could only manage earn a little more which is 0.96%.

Interpretation for Net Interest Income (NII) and Return on Assets (ROA):

While computing Net Interest Income (NII), we have observed that the year 2012 has earned the maximum income. However, while computing Return on Assets (ROA), we found the same year 2012 showing the poorest performance.

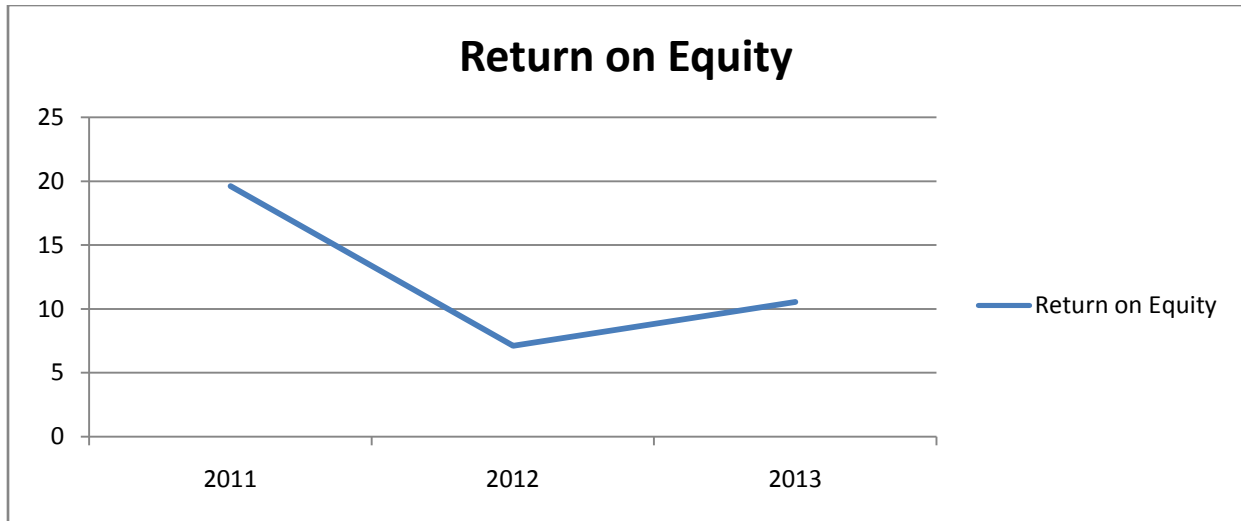
- Net Interest Income is concerned only with the Interest Income (which derives from Interest Sensitive Assets) and Interest Expenses (which derives from Interest Sensitive Liabilities). In 2012, Bank Asia had greater Interest Income in comparison to a more constant Interest Expense which resulted in a greater Net Interest Income.
- Return on Asset (ROA) is concerned with the total size of assets. In 2012, the number of Non-Interest-Sensitive Assets (Tk.13,194.46 million) was more than that of in 2011 (Tk. 10,788.65) which was also a reason behind the massive fall in ROA in 2012.

Return on Equity:

| Return on Equity (ROE) | Years | | |
|------------------------|--------|-------|--------|
| | 2011 | 2012 | 2013 |
| | 19.61% | 7.11% | 10.55% |

Return on Equity(ROE) is another profitability indicator that measures the ability of a company to generate profits from its shareholders' equity by calculating the percentage of Total Shareholders' Equity is Net Income. It is an indicator which measures how the company is growing or in other words, how the management is utilizing its shareholders' investment. ROE is calculated for common stockholders and preferred dividends are taken out of Net Income.

In 2011, Bank Asia demonstrated good performance by having an ROE of 19.61%, however, the bank faced an immense fall in ROE having 7.11%. We have also noticed a fall in ROA in 2012. It can be assumed that the Management of Bank Asia was not vigilant enough to manage the funds gingerly which caused them a heavy fall in these two profitability indicators. However, in 2013, ROE has increased to 10.55%.



Debt to Equity Ratio:

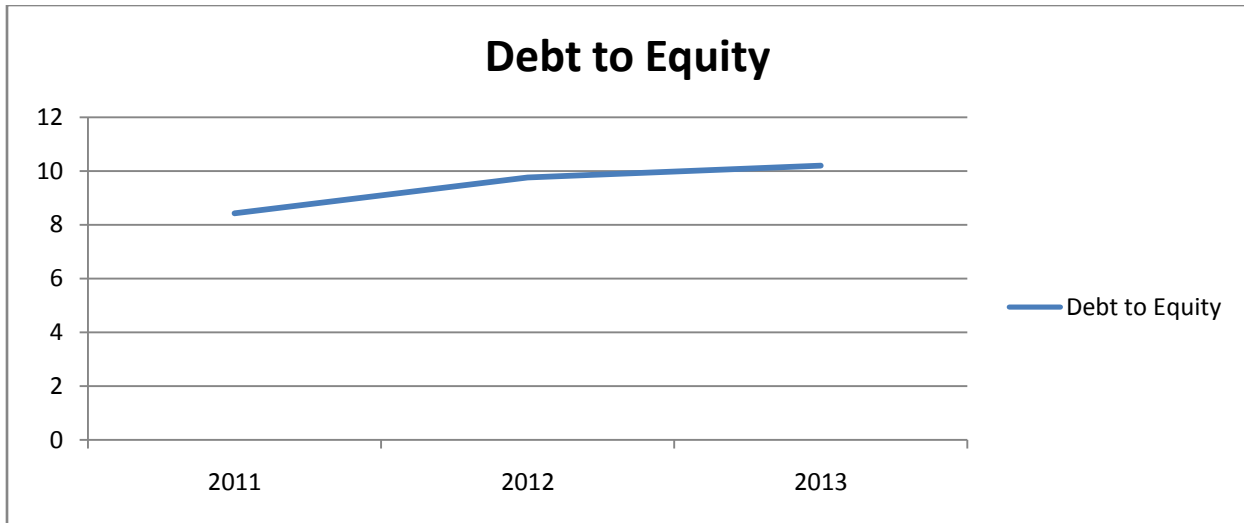
| Debt to Equity (DE) | Years | | |
|---------------------|-------|------|-------|
| | 2011 | 2012 | 2013 |
| | 8.43 | 9.76 | 10.20 |

Debt to Equity (DE) ratio is a leverage ratio which measures the degree to which the bank’s assets are financed by its debts and by the shareholders’ equity.

$$\text{Debt to Equity : } \frac{\text{Total Liabilities}}{\text{Total Shareholders' Equity}}$$

A higher DE is the indicated that the bank financially relies more on external lenders i.e. the bank’s assets are crucially backed by the liabilities than the shareholders’ equity.

In the previous two profitability ratios, we have seen an immense downfall in the year 2012. The scenario is no less different here. We can see a jump in DE ratio from the year 2011 to the year 2012. The DE ratio from 2011 to 2012 has been increased by 1.33. If we dig down a bit, we can suss out the cause.



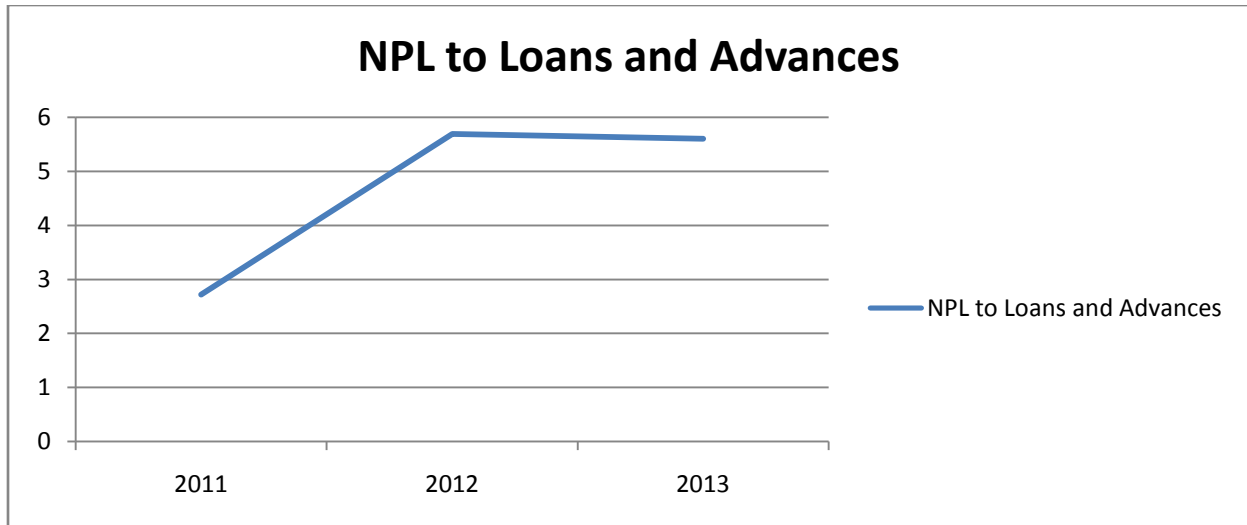
Interpretation :

Liabilities consist of Deposits (bank’s borrowing from customers) and others types of payable (Loans to other banks, wages ,overheads and the like). In 2011, the bank’s deposit was Tk.95,131.10 million. which raised upto Tk. 110,061.78 million in 2012. The shareholders’ equity increased at a proportional rate from 2011 to 2012. However, in 2013,the bank tried to set it’s focus more on shareholder’s equity other than liability.Hence, the magnitude of the increase of the ratio (0.44) is less in 2013.

Non-Performing Loan (NPL) to Loans and Advances:

| NPL to Loans and Advances | Years | | |
|---------------------------|-------|------|------|
| | 2011 | 2012 | 2013 |
| | 2.72 | 5.69 | 5.60 |

Non Performing Loan(NPL) is the amount of money lent to the consumer which is either default or very near to default. If the borrower of the money does not repay the installments for more than 90 days, the loan is classified as Non-Performing.



Interpretation:

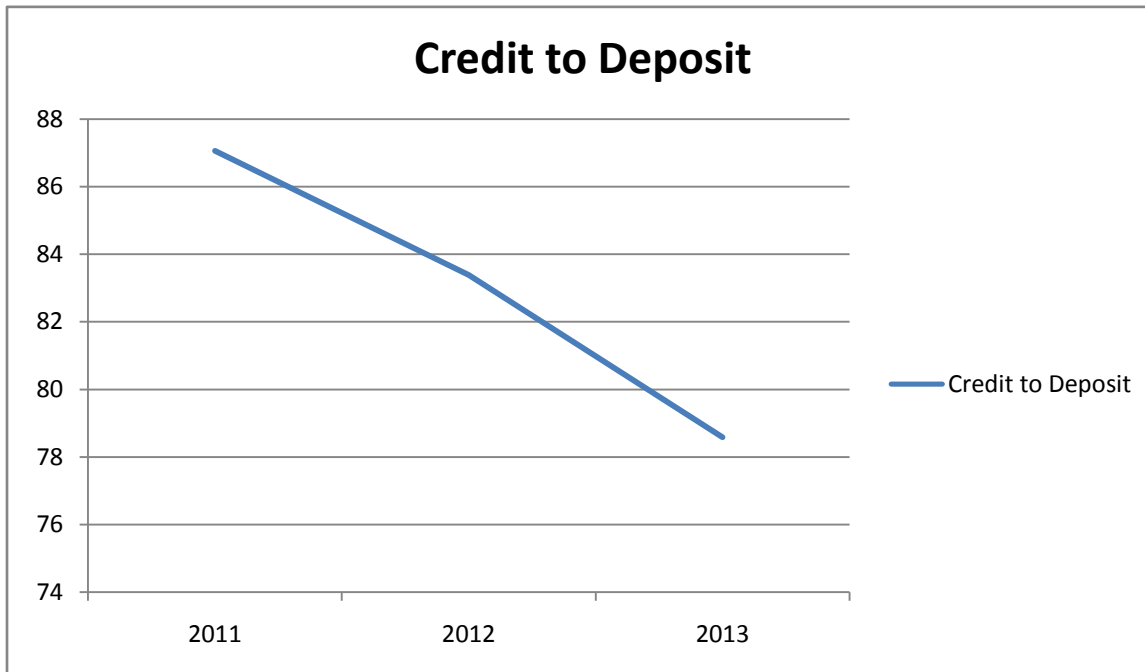
- Again we can see a raise in NPL from 2011 to 2012. The amount of Non-Performing loan was higher in comparison to Total Loans and Advances. Such an increase can take place crucially on account of poor surveillance of the Credit Committee. Either the repayment ability of the borrower according to their financial status was not strictly monitored or the recovery procedure had not been carried out properly.
- In Consumer Finance of Bank Asia, Auto Loan is the most popular loan because the requirement is not very rigid while applying for an auto loan. It has been observed that the borrowers of auto-loans account for a huge percentage of the total Loan-defaults. Since,

However, there is a slight decrease in the ratio in the year 2013 , but it will take more time to bring the ratio to an optimum level.

Credit to Deposit (CD):

| Credit to Deposit (CD) | Years | | |
|------------------------|--------|--------|--------|
| | 2011 | 2012 | 2013 |
| | 87.06% | 83.89% | 78.59% |

Credit to Deposit Ratio is the ratio of how much the bank lends out of its deposits it has mobilized. A poor CD ratio indicates that banks are not fully utilizing its resources. Again, a high CD ratio indicates banks depends more on deposits for their lending.



From 2011 to 2013, we observe an downward shift of CD ratio. In the year 2011, the bank has a CD ratio of 87.06% which means for every Tk.100 deposit, the bank used to lend out Tk. 87.06. From this amount, Bank Asia has reduced it's dependency over the deposits and now they lend out Tk. 78.59 from every Tk.100 deposit.

We can comment that the bank now endeavors to utilize the resource rather using the deposits only. This is a good indicator that the bank is growing.

Chapter 5

Conclusion and Recommendation

Conclusion:

Most of the Banks in Bangladesh are offering a wide array of financial services including new types of loans and advances and some whole new services are being launched every year. Bank Asia, a bank of difference, also has discovered new avenues to reach its goals. For the brand name, it is gone to people's heart through updating various services. Bank Asia should diversify its credit portfolio Bank Asia so that in near future when competition among Banks will serve, it can stand with its own identity. The Credit Risk Management method that may seem fit today may not work tomorrow. Therefore, all the Financial Institutions must find their own method in order to sustain in the changing world. Central focus in this regard would be to have a comprehensive Information Technology system, sufficient expertise and above all very relaxed management to adopt new idea to update Credit Risk Management method. Now Bank Asia is continuing business operation successfully in Bangladesh through developing an image and goodwill among its clientele by offering its excellent services. The success has been resulted from the dedication, commitment and dynamic leadership of its management. During the short span of time of its operation Bank Asia successfully grabbed a position as a highly progressive and dynamic financial institution in the country. By proliferation of new advance services, expanding use of automated equipment and electronic transfer of financial inform Bank Asia action, will be the country's first largest institution in the near future.

Recommendation:

- ✓ The Credit Department of Principal Branch of Bank Asia has limited manpower. Thus one official has to look after several accounts at a time which is burdensome.
- ✓ Strict surveillance while giving loans to customers is crucial. In some cases, it was observed that the borrowers had not paid the installments. Even the officials could not reach them in any way.
- ✓ The Non Performing Loan which shot up to 5.69 in the year 2012 is to be minimized.

CHAPTER 6

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