

## EXECUTIVE SUMMARY

Habib Bank Limited is a Pakistani international bank operating in Bangladesh. The bank is recognized as one of the leading financial institutions in South Asia, and a dynamic international bank in the emerging markets, providing customers with a premium set of innovative products and services. The bank has been in Bangladesh since 1976 and has five branches in Dhaka (Gulshan, Motijheel & Uttara), Sylhet and Chittagong.

Habib Bank has been taking deposits and giving out loan for approximately three and a half decades and has been successful in capturing the attention of the market in which it is serving. This bank was looked upon as a Pakistani bank and clients preferred not to get involved with the bank. However with immense coaxing and explanations the bank now has sufficient clientele but they don't have enough deposits which are their liabilities to increase the loans which are their assets.

As we know that a bank is dependent mainly on the deposits and loans because the loans are assets and the deposits are the liabilities. The liabilities have to match the assets otherwise the bank will have insufficient amount to pay off their liabilities. The difference between the interest on loan and the interest on deposit is the profit for the bank. The more deposits the bank has the more loans it can give off and create a good portfolio which can be managed well.

For having good deposits the bank needs good schemes and product. The features and the distinct products are mentioned in the report and what are the schemes are also mentioned there. Recently the Banking Regulation and Policy Department of Central Bank instructed to all local and foreign commercial banks operating in the country to develop a new deposit product and that to be named as 'Special Notice Deposit' by merging all short term deposit schemes i.e. Special Notice Time Deposit (SNTD), Call Deposit Receipt (CDR), Call Accounts, SND Accounts and Short Term Deposit being currently offered in accordance with the given guideline.

Therefore we know that to have a profit there needs to be deposits and loan. Moreover for a giving loan we need good deposit scheme and for giving loan we also need a good loan processing and credit appraisal system. So when the loan is taken the first process is marketing the product. Where either the bank goes to the customer or the customer comes to the bank. Then

the C/D account is opened and a further investigation is carried out and then a call report is prepared. After the call report is submitted to the respective branch managers it is their duty to check all the documents and understand whether the company is able or not. Then the branch manager asks the respective RMs to prepare a credit presentation structure of the whole loan which is then submitted to be further processed.

Moving along we describe the credit approval system which is how the amount is which has been approved by the RM and Credit Administration Department In-charge which is approved further by the Branch Manager, Risk Manager, and then by Regional General Manager. If the amount is within the credit limit which has been approved by the Head Office of Karachi for all the respective branches, then the loan is approved by the branches' Regional General Manager after the credit appraisal is done. However if the credit limit increases then the loan needs to be approved by first the branches' Regional General Manager and then it is further send to the Head Office Karachi to be further approved.

Then the Documentation and Disbursement process is described. This process is basically carried out by the Credit Administration Department, where the checking whether the documents which have been provided are valid or not is done. Once the documents are verified the facility advice letter is given and then the security documentation is completed and later the disbursement process is carried out where the loan amount is handed over to the respective party and the respective party withdraws the amount as and when they require. After the disbursement it is up to the credit Administration Department to further keep a track of the loan whether it's being paid off on time or not.

The next process is the credit appraisal where certain documents are prepared on the basis of the process done under marketing and operations. Here the documents that are prepared are credit proposal form which contains credit proposal, sanction advice, description of collateral and basic information report. The descriptions of these documentations are provided in details and also it is mentioned how a part works and importance of that part. Next the credit memorandum comes which describes in detail about the organization which is to be given loan and also contains the detail of the credit proposal, sanction advice, description of collateral, basic information report, financial spreads, risks, industry's description, third party information, etc. Then the financial spreads are there which gives a description of the financial statements which are prepared in the

excel sheet of Microsoft. Even though it is basically a comparison of two years in the description the third year is also considered at times when financial spreads are described in the credit memorandum part. Even if the third most previous year is not described the data are still presented in the excel sheet for the RM to consider it and refer to it for any clarification. Furthermore it is utilized in reconciliation of the net worth which is also an important factor in the financial statements. The next part which also comes in the credit appraisal is another essential component which is the risk rating scorecard. This scorecard basically describes and evaluates the how risky the organization's business and whether the bank will be falling into a risky business or not. The risk rating scorecard is structured in such a way that it is based on industry volatility, quantitative factors and qualitative factors.

Finally a brief conclusion is stated where the descriptions of the loan process system and the descriptions of the credit appraisal system is described in brief. Also mentioned along with it is the understanding by preparing the report and also some recommendations provided in general. Further the description of the experiences gained during the three month internship is also mentioned in the end followed by annexure and bibliography.