An Internship Report on

Credit Management of City Bank PLC

Submitted to:

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Date of Submission: November 25, 2024

Letter of Transmittal

November 25, 2024

To

Dr. Nurul Mohammad Zayed
Associate Professor
Department of Business Administration
Daffodil International University

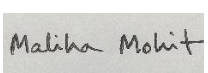
Subject: Submission of the Internship Report

Dear Sir,

I am pleased to submit my internship report titled "Credit Management of City Bank PLC" as part of the requirements for my BBA Program. Throughout the preparation of this report, I have made every effort to include comprehensive information and address relevant issues in alignment with your guidance. My goal was to make this report as informative and insightful as possible, and I sincerely hope it meets your expectations.

I kindly request you to review the report and evaluate my performance. The true success of my efforts will be realized if the report effectively serves its intended purpose. Thank you once again for your support.

Sincerely yours,



(Maliha Mohit Lubna)
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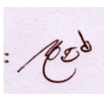
Supervisor Certificate

This is to certify that Ms. Maliha Mohit Lubna, ID: 201-11-1069, a student of the BBA program, Department of Business Administration, Daffodil International University, has successfully completed her Internship Report on “Credit Management of City Bank PLC” as part of the requirements for the completion of the BBA internship program.

I hereby accept the Internship Report and extend my best wishes for her successful career.



(Dr. Nurul Mohammad Zayed)

Associate Professor

Department of Business Administration

Daffodil International University

Acknowledgement

First and foremost, I would like to express my deepest gratitude to Almighty Allah for providing me with the strength, patience, and ability to complete this internship report successfully.

I am incredibly grateful to my academic supervisor, Dr. Zayed for their continuous support, guidance, and valuable feedback throughout this journey. Your expertise and encouragement were instrumental in shaping this report, and I truly appreciate your dedication.

I would also like to extend my heartfelt thanks to the team at City Bank PLC, particularly the staff at the Dhanmondi branch, for providing me with the opportunity to gain practical experience during my internship. Their cooperation and willingness to share their knowledge significantly enriched my understanding of credit management.

Finally, I want to thank my family, friends, and colleagues for their unwavering support and encouragement throughout my academic journey. This report is the result of the combined efforts of many, and I am deeply appreciative of all the help I have received.

Executive Summary

This report titled "Credit Management of City Bank PLC" is a comprehensive analysis of the credit risk management practices of City Bank PLC, prepared as a partial requirement for the completion of the Bachelor of Business Administration (BBA) program. The study aims to evaluate the effectiveness of the bank's credit management system, focusing on its ability to mitigate risks while maintaining profitability.

The report is based on both theoretical knowledge and practical insights gained during a three-month internship at the Dhanmondi branch of City Bank. The key areas of focus include an overview of the bank's credit policies, risk assessment procedures, and the tools used to manage non-performing loans. The study also delves into various financial ratios to assess the bank's performance in credit management.

The findings reveal that while City Bank has implemented a robust credit management framework, there are areas that need attention, particularly in managing the rising trend of non-performing loans. The recommendations provided in the report aim to improve the bank’s risk mitigation strategies, enhance liquidity management, and refine credit assessment tools.

In conclusion, this report offers a detailed evaluation of City Bank's credit management system, providing both practical recommendations and valuable insights for strengthening its overall credit risk management practices.

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Acronyms

NPL – Non-Performing Loan

LDR – Loan-to-Deposit Ratio

CRAR – Capital to Risk-Weighted Assets Ratio

CIB – Credit Information Bureau

ROA – Return on Assets

ROE – Return on Equity

CRM – Credit Risk Management

ICD – Internal Control Division

ALCO – Asset-Liability Committee

BRMC – Board Risk Management Committee

RWA – Risk-Weighted Assets

CAD – Credit Administration Division

RMD – Risk Management Division

ICAAP – Internal Capital Adequacy Assessment Process

SMT – Senior Management Team

HOCC – Head Office Credit Committee

BBB – Bangladesh Bank Bulletin

KYC – Know Your Customer

AML – Anti-Money Laundering

CFT – Combating the Financing of Terrori

CHAPTER 1: INTRODUCTION

1. Introduction:

Financial institutions, particularly banks, play a pivotal role in maintaining a country's economic stability. At the heart of their operations, banks function as intermediaries, accepting deposits and extending credit either directly or through capital markets. This essential function is closely regulated to ensure the resilience and liquidity of banks, particularly under frameworks like the fractional reserve banking system. Banks, as part of this system, retain only a fraction of their liabilities in liquid assets. Additionally, global regulations such as the Basel Accords impose minimum capital requirements to enhance liquidity and strengthen the banking sector.

Beyond these technical aspects, banking is fundamentally about service—managing the flow of funds and facilitating lending and borrowing. The Banking Act of Bangladesh defines banking as the process of receiving deposits, processing cheques, and extending advances. Effective bank management seeks to maximize shareholder value by balancing risk with return, establishing strategic objectives, and executing budgets that promote profitability.

This paper focuses on the specific area of credit risk management at one of Bangladesh's leading private banks, City Bank PLC. Drawing on my three-month internship experience at City Bank's Dhanmondi branch, this study offers an in-depth look at the bank's credit risk practices. With over three decades of operations, City Bank has played a significant role in the Bangladeshi economy. A closer examination of its banking approach, structure, and strategies will provide valuable insights into its contribution to the financial landscape.

1.1 Origin of the Report:

This report, titled "Credit Management of City Bank PLC," was prepared following my internship at the Dhanmondi branch of City Bank PLC. The primary objective of this report is to fulfill the requirements of my Bachelor of Business Administration (BBA) program, under the guidance of Mr. Nurul Mohammad Zayed, Associate Professor in the Department of Business Administration at Daffodil International University.

During the preparation of this report, I was mentored by Mr. Zayed, whose valuable insights and guidance were instrumental in shaping the study. My internship at City Bank PLC provided me with practical exposure to the banking sector in Bangladesh. Throughout the internship, I worked closely with the bank’s staff for several months, gaining a thorough understanding of the organization’s operations and workplace environment.

The goal of this internship was not only to gain real-world experience but also to apply the theoretical knowledge I had acquired during my academic studies. With the support of internal supervisors and the dedicated employees of City Bank PLC, I was able to understand the vital role the bank plays within society and the responsibilities associated with specific roles in the organization. This experience allowed me to analyze my findings and apply them to the completion of this report. The key aim of this internship report is to reflect on my learnings, experiences, and insights gained throughout the internship program at City Bank PLC.

1.2 Objectives of the Study:

The primary objective of this study is to analyze the credit management performance of City Bank PLC. The specific objectives include:

1. To develop a comprehensive understanding of the credit management system and procedures followed by City Bank PLC.
2. To calculate few ratios to evaluate financial performance of City Bank PLC.
3. To provide recommendations for improving the credit risk management practices at City Bank PLC based on findings.

1.3 Scope of the Study:

This report is a culmination of the practical knowledge gained during my three-month internship at City Bank PLC (CBPLC). The study covers various banking operations, particularly focusing on the following areas:

- General Banking Department: This includes activities related to account opening, account management, and remittance services.
- Investment Department: The scope here covers loans and advances, along with aspects of foreign exchange operations.

By working in these departments, I was able to gain hands-on experience and insight into the core functions of CBPLC, which forms the foundation of this report.

1.4 Methodology:

The methodology of this report is primarily based on my personal observations during the internship, as well as direct communication with employees and staff from various departments at City Bank PLC. In addition to these in-person interactions, I employed surveys, reviewed study reports, and used other research techniques to gather relevant information. The data utilized in the report includes both current and historical information, and is predominantly secondary in nature.

- The sources of secondary data include:
- Internet research,
- The official website of City Bank PLC
- Internal and external reports from the bank,
- Relevant articles and publications, and
- Personal work experience during the internship at the bank.

1.5 Limitations of the Study:

The process of collecting sufficient data from the bank was challenging due to restrictions on what employees and the bank are allowed to disclose. As a result, I was unable to access some of the anticipated information, leading to data insufficiency in certain areas of the report.

- The employees were often busy with their daily tasks, which PLC their availability to assist me consistently. Consequently, I could not obtain as much constructive input from the bank staff as I had hoped.
- There was a lack of available published data due to the organization's confidentiality policies, which further constrained the information I could gather.
- During the data collection phase, I faced challenges in accessing internal operations data, as certain information was classified and could not be shared externally.
- Essential documents, such as the branch's balance sheets and income statements, were not made available to me, affecting the depth of the financial analysis in the report.

- ❖ Time constraints were a significant limitation, as I had only 12 weeks for the internship. The first two weeks were spent at the front desk of the General Banking (GB) department, followed by three weeks in the Foreign Exchange department, and the final seven weeks in the Credit department. It also took some time to adjust to the workplace environment.
- ❖ The information provided by the bank was not well-structured, which made it difficult to organize the findings clearly.
- ❖ The bank's database was not frequently updated, meaning that some of the data I accessed was outdated, limiting the accuracy of my analysis.
- ❖ Due to privacy concerns, certain classified and confidential data were withheld from me, further restricting the scope of my analysis.
- ❖ The Foreign Exchange department, which is part of the Credit Department, is one of the busiest in the bank. Although the employees made efforts to assist me, their workload PLC the time they could dedicate to helping me with the report.

Accommodating all relevant information for a large organization like City Bank PLC was challenging due to the sheer depth and complexity of the operations.

CHAPTER 2: ORGANIZATIONAL OVERVIEW

2 Overview of City Bank PLC:

City Bank PLC is governed by a Board of Directors consisting of 11 members, with a highly respected and experienced banker serving as the Chief Executive Officer and Managing Director. The bank's corporate headquarters is located in Gulshan-2, one of Dhaka's primary commercial districts and the capital of Bangladesh.

Established in 1983, City Bank is one of the earliest private commercial banks in Bangladesh. It ranks among the top five commercial banks in the country. The bank's journey began on March 27, 1983, with the inauguration of its first branch at B. B. Avenue in Dhaka. The bank's foundation was made possible through the visionary efforts of 13 local entrepreneurs who, despite the risks and challenges, showed dedication and determination. Initially, City Bank's paid-up capital was only Taka 3.4 crore, which has since grown to a robust Taka 330.77 crore in capital and reserves.

City Bank's operational framework is supported by four key business divisions, all facilitated by a real-time online banking platform, an efficient service delivery setup, and a modern IT backbone. This centralized, segment-based business model ensures that the bank's diverse customer base receives specialized services.

Presently, City Bank operates 87 online branches and 10 SME service centers across Bangladesh, along with a fully functional Islami Banking branch. Additionally, the bank has a strong presence in alternative banking channels. It manages 46 ATMs, with access to over 550 ATMs through a sharing agreement with a partner bank. City Bank also provides SMS Banking, Internet Banking, and other digital banking services. A Customer Call Center is already operational, and the bank aims to install 100 ATMs by the end of the year.

City Bank was the first in Bangladesh to issue dual currency credit cards, allowing cardholders to access limits in both local currency (Taka) and foreign currency (US Dollar) using a single card. As a principal member of VISA International, the bank offers VISA Debit and Credit Cards to its large customer base of nearly 400,000 retail clients. To reduce congestion in its branches, City Bank has actively promoted the VISA Debit Card, and it is also rolling out the VISA Prepaid Card to cater to travelers.

In November 2009, City Bank launched the American Express Credit Card and American Express Gold Credit Card in Bangladesh. As the exclusive custodian of the American Express brand in the country, City Bank manages all aspects of the cards, including issuance, billing, customer service, credit management, and authorization. These cards are accepted by millions of businesses worldwide, including within Bangladesh, through the extensive American Express merchant network spanning over 200 countries.

Moreover, City Bank expanded the American Express Selects program, offering cardholders exclusive benefits, such as discounts on dining and shopping at some of the top establishments in Bangladesh. This initiative provides added value to American Express cardholders in the country.

2.1 Historical Background of City Bank PLC (CBPLC):

City Bank PLC is one of the largest corporate banks in Bangladesh, with a business strategy that strongly emphasizes growth in the retail and SME banking sectors. Over the years, the bank has actively worked towards establishing numerous independent SME centers across the country, playing a pivotal role in expanding financial services for small and medium-sized enterprises.

Additionally, City Bank has a significant presence in the foreign remittance industry, especially catering to remittances sent by Bangladeshi expatriates. Through strategic partnerships with major exchange houses in regions like the Middle East, Europe, the Far East, and the USA, the bank facilitates the transfer of thousands of individual remittances each month. These remittances are disbursed through the bank's extensive network of 97 online branches across the country.

City Bank's senior management team is composed of experienced professionals, many of whom have international expertise in specialized banking areas. This diverse and highly skilled leadership has been instrumental in driving the bank's growth and enhancing its operational efficiency.

The bank has adopted the pay-off line and logo as part of its brand evolution strategy. These changes are part of a broader effort to redefine the bank's image and align it with its growth objectives.

A key feature of City Bank is its commitment to providing personalized and customer-friendly services. The bank has implemented a unique service excellence model called GAP (Graceful-Appropriate-Pleasing). This model focuses on ensuring client satisfaction by setting standards for staff behavior, service quality, and responsiveness to customer needs.

In the year 2000, Asia Week ranked City Bank among the top 12 Bangladeshi banks in terms of assets, deposits, and profits, placing it in the top 500 banks in Asia. In recognition of its contributions to the banking sector and overall business excellence, City Bank PLC was awarded the "Top Ten Company" honor by the Prime Minister of the People's Republic of Bangladesh.

This recognition, along with its expanding presence in various banking sectors, demonstrates City Bank's continuous commitment to excellence and growth in the banking industry.

2.2 Vision, Mission & Organizational Arrangement

Vision: To be a socially committed, leading banking institution with a global presence.

Mission: To offer a diverse range of quality products that cater to the varying needs of people, aiming to enrich their lives, create value for stakeholders, and contribute to the socio-economic development of the country.

Organizational Arrangement:

- We prioritize our customers in everything we do.
- We place strong emphasis on professional ethics.
- We ensure quality is maintained at all levels of operation.
- We believe in fulfilling our role as a responsible corporate citizen.
- We uphold transparency by standing behind what we believe in.
- We promote participatory management within the organization.

CHAPTER 3: CREDIT MANAGEMENT OF CITY BANK PLC

3 Introduction:

The credit unit is a crucial pillar within any banking institution, as lending and borrowing operations lie at the heart of the banking sector's functions. During my internship at City Bank, I had the chance to briefly work in the credit department, where I quickly realized its significance in the overall banking system. Although the time was short, my supervisor at City Bank played an essential role in helping me quickly grasp key banking procedures.

Loans are a vital component of a bank's profitability, as deposits collected from customers are invested into loans for others, thereby generating income for the bank. The difference between the interest earned on loans and that paid on deposits forms the fundamental source of a bank's profit.

Credit, derived from the Latin term "credit" meaning "he/she/it believes," signifies the trust that enables one party to provide money or resources to another. The recipient, in turn, commits to repaying or returning those resources at a later date, thus forming a debt. This mutual exchange is formalized through legal frameworks, ensuring its enforceability and applicability even between unrelated individuals.

City Bank, as a progressive financial institution, is committed to offering high-quality financial services and products. Beyond profitability, the bank contributes to national economic growth by fostering trade and commerce, promoting industrialization, supporting exports, generating employment for the educated workforce, reducing poverty, improving the living standards of low-income groups, and advancing overall sustainable socio-economic development.

3.1 Credit Policy of City Bank PLC (CBPLC):

The credit policy of City Bank is aligned with the broader macroeconomic goals of Bangladesh, demonstrating the bank's commitment to supporting the growth of the country's trade, commerce, and industrial sectors. Through its credit operations, the bank reaches diverse segments of society, offering financial assistance to businesses of all sizes, from large-scale corporations to small and medium enterprises (SMEs).

By providing financial backing to both established industries and emerging entrepreneurial ventures, City Bank plays an active role in stimulating economic development across the nation. The bank's credit initiatives aim to support not only business growth but also foster innovation, contributing to the entrepreneurial ecosystem and advancing the economic development of the country as a whole.

3.2 Credit Risk:

Credit risk refers to the potential threat that arises when a borrower fails to repay the credit extended to them. This risk is realized when customers are unable to meet their financial or contractual obligations due to various banking activities such as loans or trade financing. Essentially, credit risk reflects the possibility of revenue loss caused by the borrower or counterparty's inability to meet their obligations as agreed. This loss can be either partial or total and may arise in several situations, including:

- Failure of an individual borrower to make a payment.
- A company's inability to repay its outstanding debts.
- Corporate customers missing payment deadlines for trade invoices.
- An insurance company's failure to honor policy obligations due to insolvency.
- A bank's inability to return funds to depositors as a result of insolvency.
- The provision of bankruptcy protection to insolvent individuals or businesses by the government.

To mitigate credit risk, lenders often perform thorough credit assessments of borrowers. In some cases, additional safeguards like insurance, collateral, or other forms of security may be required. Generally, the interest rate charged on loans is directly proportional to the level of credit risk—the higher the perceived risk, the higher the interest rate.

3.3 Key Aspects of City Bank PLC's (CBPLC) Credit Policy:

- Customer-Centric Approach : City Bank places significant importance on its customers by prioritizing the evaluation of both the individual ("Man") and the business over solely relying on collateral security. This ensures a more comprehensive assessment of borrowers beyond just their assets.

- Diversity in Credit Portfolio : CBPLC maintains a diverse credit portfolio, recognizing the importance of catering to various sectors and industries. This diversification not only spreads risk but also fosters economic growth across multiple domains.
- Balanced Mix of Short, Medium, and Long-Term Financing : The bank's credit policy focuses on maintaining a balanced mix of financing options—short-term, medium-term, and long-term loans. This flexibility allows the bank to meet the varying financial needs of its customers, from working capital requirements to long-term investments.
- Flexible Interest Rates : CBPLC employs a flexible approach to interest rates, customizing them based on the specific requirements of each credit proposal. This ensures that the bank's offerings are competitive and aligned with the unique needs of different customers.

City Bank's credit policy aligns with the macroeconomic goals of the country, emphasizing a customer-first approach, diversification of the credit portfolio, balanced financing terms, and flexible interest rates. This allows the bank to meet the evolving needs of its clients while contributing to broader economic development.

3.4 Credit Risk Management:

At City Bank, credit risk is managed through a robust framework of policies and procedures designed to mitigate potential losses. This system ensures the division of responsibilities across business units, providing a structured approach to managing risk at all levels. The bank's credit policies are formulated and approved by the Board of Directors, ensuring that they align with the institution's broader objectives.

The primary goal of credit risk management at City Bank is to optimize returns while minimizing risks associated with lending. Effective credit risk management also involves assessing the correlation between credit risk and other potential risks to the institution.

3.5 Key principles of City Bank's credit risk management include:

- Approval Responsibilities : The Board of Directors holds the responsibility for reviewing and approving all credit proposals in accordance with the bank's established credit risk policies. This ensures that all credit decisions are thoroughly vetted before execution.
- Implementation by Senior Management : Once credit strategies are approved, senior management is responsible for ensuring their effective implementation. This includes monitoring compliance with the bank's credit policies and ensuring that lending activities align with the overall strategic objectives.
- Identification and Management of Risks : The bank proactively identifies and manages risks associated with its financial products and activities. This involves conducting comprehensive risk assessments and implementing appropriate measures to mitigate potential exposures that may increase the bank's credit risk.

City Bank's systematic approach to credit risk management ensures that risks are continuously identified, evaluated, and mitigated to protect the institution from potential losses, while maintaining a healthy balance between risk and reward.

3.6 Risk Management Framework

City Bank PLC (CBPLC) implements a comprehensive Risk Management Framework that ensures the consistent application of risk management practices throughout the institution. This framework integrates global and national regulations, best practices, and risk management standards that are essential for the bank's sustainable growth and profitability. The main objective is to align risk-taking activities with the bank's overall strategies and risk appetite, while maintaining an optimal balance between risk and reward to maximize shareholder returns.

The framework plays a pivotal role in safeguarding the bank's capital base, reputation, revenue, and earnings while enabling sustainable business expansion. Below are the key components of CBPLC's Risk Management Framework :

- **Effective Risk Governance** : City Bank has established a solid governance structure for risk management. The Board of Directors, along with senior management, plays an active role in overseeing risk-related activities. A dedicated and independent Risk Management Team operates outside of business lines to ensure unbiased and effective risk monitoring.

- **Strategic, Managerial, and Operational Risk Management** : CBPLC takes a comprehensive approach to risk management by addressing risks at three levels: strategic, managerial, and operational. This ensures that risks are managed holistically, aligning them with the bank's long-term goals and stakeholder expectations.
- **Continuous Improvement** : The bank emphasizes continuous enhancement of its risk management practices. Beyond merely adhering to regulatory requirements, City Bank aims to improve risk-adjusted returns and optimize capital utilization to support business objectives. The emphasis is on proactive risk management that facilitates both compliance and growth.

3.7 City Bank's Risk Management Structure:

- **Risk Culture** : The bank fosters a culture that understands and respects the risks it faces. This culture emphasizes awareness of the bank's risk tolerance and appetite, ensuring that risk management is deeply ingrained in the institution's operational practices.
- **Risk Profile** : This includes identifying the various types of risks to which the bank is exposed, such as credit, operational, market, liquidity, and reputational risks.
- **Risk Management Tools & Techniques** : The bank uses a variety of guidelines, processes, and standards to identify, assess, analyze, mitigate, and monitor risks. Continuous review mechanisms ensure that risks are managed effectively in real-time.
- **Risk Appetite & Risk Limit** : City Bank defines its risk appetite—the amount of risk it is willing to accept—by measuring potential exposures or possible losses. The bank sets clear risk limits to ensure that it operates within acceptable risk thresholds.
- **Risk Governance** : CBPLC's governance framework includes rules, processes, and mechanisms for enterprise-wide risk management. It defines decision-making roles, ensures proper staffing, and establishes accountability for managing risk across the organization.

This framework not only safeguards the bank's financial health and reputation but also supports its long-term growth strategies. By actively managing risks and continuously improving its systems, City Bank is well-positioned to achieve sustainable profitability while meeting the expectations of its stakeholders.

3.8 Effectiveness of Risk Management Framework in City Bank

City Bank has established a highly effective Risk Management Framework, which operates on the foundation of a structured governance model and detailed risk management processes. By integrating risk management into its daily operations, the bank ensures that it remains resilient against various risks while achieving sustainable growth. The framework's effectiveness is demonstrated through several critical elements:

Strategic Direction and Risk Appetite : The Board of Directors provides oversight and strategic direction for the bank's risk management activities. They set and periodically review the bank's Risk Appetite —the level of risk the bank is willing to accept across its operations. This approach ensures that the bank's risk-taking aligns with its capital structure and long-term goals. The Board Risk Management Committee (BRMC) reviews and strengthens these policies regularly, enhancing the bank's risk management capabilities and enabling more precise capital planning. (Rahman, M. A. 2019).

- **Tailored Policies and Procedures:** The risk management framework benefits from tailored policies and procedures developed by the Senior Management . These are crafted specifically to address the unique risks that arise from the bank's operations, products, and services. The board-approved limits and procedures allow for effective risk monitoring, which helps to mitigate potential losses while maintaining compliance with regulatory standards.
- **Risk Management Committees** : City Bank's risk management is supported by multiple committees: The Board Risk Management Committee (BRMC) , which oversees the risk management strategy and policies, ensuring the bank's risk exposure is within acceptable limits. The Executive Risk Management Committee (ERMC) at the management level conducts detailed risk analyses and formulates risk management policies to address both current and emerging risks. This ensures that the business units are fully informed and prepared to handle potential challenges.

- **Role of the Chief Risk Officer (CRO)** ; The Chief Risk Officer (CRO) plays a pivotal role in overseeing the bank's risk management function. The CRO ensures the bank's risk management framework is implemented consistently across all departments and that all risk categories—credit, operational, market, liquidity, and reputational risks—are monitored and managed in alignment with the bank's objectives.
- **Dedicated Risk Divisions:** City Bank has specialized risk divisions that manage risk across various domains:
  - Credit Risk Management (CRM)
  - Credit Administration Division (CAD)
  - Internal Control and Compliance Division (ICCD)
  - Information Security & IT Governance (ISG)
  - Risk Management Division (RMD)
  - Anti-Money Laundering & Combating the Financing of Terrorism (AML & CFT) Division

Each division is headed by dedicated Chief Officers, ensuring a focused and effective approach to managing their specific risk areas. These divisions ensure that risks are identified, mitigated, and managed according to industry best practices.

- **Risk Committees and Forums:** In addition to the risk committees, the bank has created several forums and platforms to promote a proactive risk management culture:
  - The Head Office Credit Committee (HOCC) focuses on credit-related risks.
  - The Asset Liability Committee (ALCO) manages liquidity and market risks.
  - The Senior Management Team (SMT) and Central Compliance Committee (CCC) ensure overall risk governance and compliance with internal and external standards.
- Risk Forum and Escalation Platform : City Bank fosters a culture of proactive risk identification and management through the Risk Forum (RF) and the Risk Index , an online risk escalation platform. These tools allow employees across the organization to report and escalate potential risks. The platform enhances transparency, encourages early intervention, and ensures that risks are appropriately mitigated before they become significant issues.

City Bank's Risk Management Framework is highly effective due to its robust structure, strategic alignment with risk appetite, and comprehensive risk governance. The proactive and continuous improvement approach ensures the bank is well-equipped to manage risks while focusing on sustainable growth and profitability. By involving all levels of the organization, from the board to employees, City Bank ensures a risk-aware culture that enhances its resilience against market uncertainties. (Ahmed, S. 2021).

3.9 Credit Management Process in City Bank

City Bank employs a proactive, structured risk management process aimed at identifying and mitigating risks at both the transaction and portfolio levels. The approach integrates quantitative and qualitative methods to manage embedded risks within a policy framework approved by the Board of Directors. The risk management process ensures alignment with the bank's Risk Appetite and international best practices. It follows a holistic, iterative approach comprising the following key steps:

- **Risk Identification** :The bank proactively identifies risks, including the nature, causes, and potential impact areas. This step is crucial for establishing a foundation for risk measurement and management, laying the groundwork for mitigation strategies.
- **Risk Assessment and Analysis** :Once identified, risks are assessed using a Risk Grading Matrix . Quantitative and qualitative measures assess the likelihood and consequences of adverse events. The degree of analysis is tailored based on the risk's nature and severity.
- **Risk Control** :The bank designs risk controls aligned with its business strategy , ensuring that risks are managed without hindering growth or stakeholder returns. The Internal Capital Adequacy Assessment Process (ICAAP) is key in planning and controlling risks.
- **Risk Mitigation** **:** After assessing the risks, the bank selects the best strategies to mitigate unacceptable risks. These may include:
    - Avoiding the risk,
    - Accepting and managing the risk with proper funding plans,
    - Reducing its impact, or

- Sharing the risk via insurance or consortium financing.

- **Monitoring** : Risk monitoring helps identify potential risks early on, ensuring that exposures remain within prescribed limits. Monitoring preserves the bank's capacity to manage these risks effectively.
- **Risk Review** : The bank periodically reviews risks, adapting to changing circumstances. The Risk Management Plans are reviewed annually, often alongside the business planning process, ensuring alignment with organizational goals.

This structured, iterative process ensures that City Bank can continuously manage and address emerging risks in real-time. (Hasan, T. & Chowdhury, M. 2022).

3.10 Approval Process of Corporate Credit

City Bank's Corporate Credit Approval Process follows a rigorous step-by-step approach to ensure informed credit decisions and minimize credit risks. The process includes:

- **Application Submission** : The borrower submits a credit application to the bank's relationship officer, who collects all required documents.
- **Preliminary Analysis** :The relationship officer assesses the documents. If the proposal is not viable, the customer receives a refusal letter. Otherwise, the application is forwarded for further review.
- **Business Area Visit** :The relationship manager visits the borrower's business to gather information, including business reputation and repayment sources. A pre-sanction report and a Credit Information Bureau (CIB) inquiry form are prepared.
- **Head Office Analysis** :The head office analyzes the documents and contacts the relationship manager for further details. A CIB report is requested from Bangladesh Bank to verify the borrower's creditworthiness.
- **CIB Report Confirmation** : If the CIB report is positive, the loan is approved. Otherwise, the bank sends a rejection letter.
- **Formal Credit Proposal** A formal credit proposal, with the customer's signature, is submitted to the Credit Administration Department at the head office.

- **Approval and Documentation** :The head office approves the credit and sends the necessary documentation to the branch for disbursement.
- **Disbursement and Monitoring** :Upon approval, the borrower can access the credit. The bank continuously monitors repayment and updates records with Bangladesh Bank's CIB system.

3.11 Credit Monitoring Process

City Bank follows a structured credit monitoring process to ensure compliance with terms and prevent defaults:

- **Daily Statements** : Daily disbursement statements are sent to the Credit Administration Department for review.
- **Monthly Monitoring** : Relationship managers and credit administration officers review account activity monthly to ensure adherence to terms.
- **Yearly Review** : The borrower's business conditions are assessed annually, with a report submitted to the Credit Administration Department.
- **Record Keeping** : All activities related to the credit, including borrower deposits and payment status, are meticulously recorded.

3.12 Credit Recovery Process

If a borrower defaults on repayment, City Bank follows a structured Credit Recovery Process :

- **Initial Notice** : The bank issues a notice informing the borrower of the need to settle outstanding amounts within a specific period.
- **Mutation Process** : If the borrower continues to default, the bank initiates the mutation process for the borrower's mortgage.
- **Legal Action** : In cases of continued non-payment, the bank may take legal action, suing the borrower under the Money Loan Act of 2003 .

This comprehensive approach ensures that the bank manages credit risk effectively while maintaining a healthy loan portfolio. (Islam, M. S. & Uddin, M. 2020)

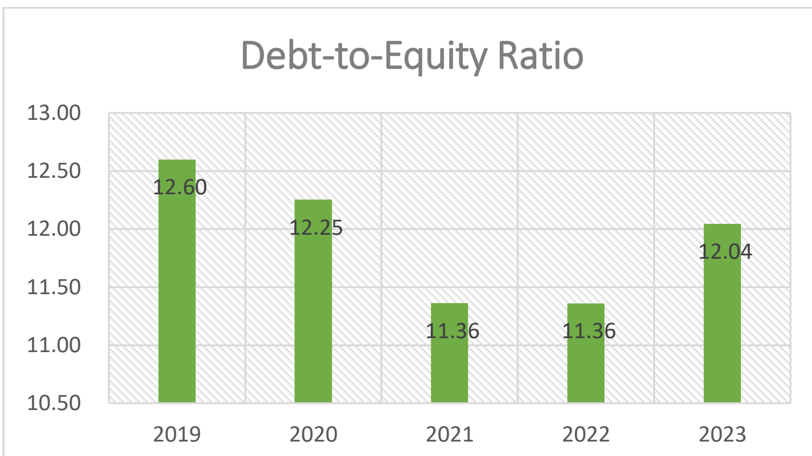
CHAPTER 4: ANALYSIS AND DISCUSSION

4 Debt-to-Equity Ratio:

- Formula: Debt-to-Equity Ratio = Total Debt / Shareholders' Equity

This ratio indicates the proportion of debt used to finance the bank's assets. A higher ratio may imply higher credit risk.

Debt-to-Equity Ratio			
Year	Total Debt	Shareholders' Equity	Debt-to-Equity Ratio
2019	224,198,375,507	17,797,036,946	12.60
2020	238,804,869,876	19,489,510,273	12.25
2021	238,086,950,893	20,953,615,752	11.36
2022	253,593,999,441	22,322,722,358	11.36
2023	278,962,818,366	23,161,582,199	12.04



Interpretation:

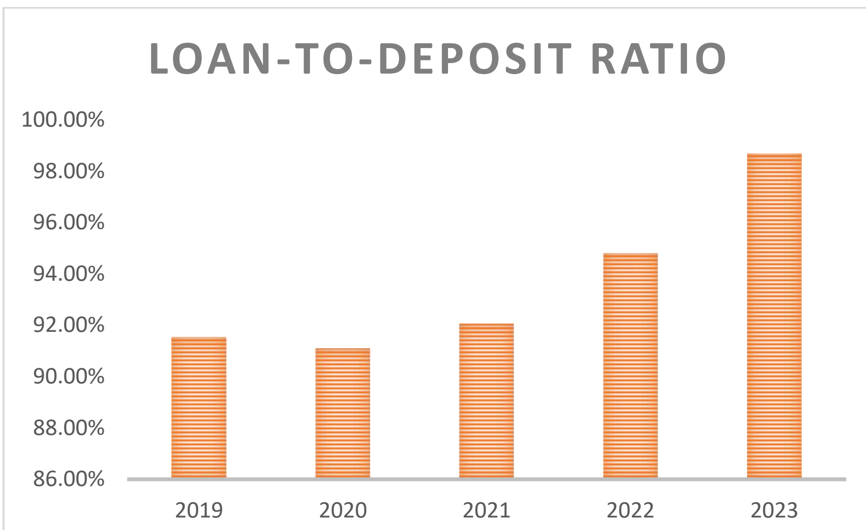
The decreasing trend in City Bank's Debt-to-Equity Ratio from 2019 to 2022 suggests efforts to reduce financial leverage and reliance on external debt, reflecting a stable capital structure. However, the increase in 2023 raises concerns about recent financial decisions, possibly indicating a shift towards more debt to finance growth or address financial challenges. This warrants further investigation to understand its potential impact on the bank's risk profile and financial sustainability.

4.1 Loan-to-Deposit Ratio:

- Formula: Loan-to-Deposit Ratio = Total Loans / Total Deposits

It reflects the bank's reliance on deposits to fund its lending activities. A high ratio may indicate increased credit risk.

Loan-to-Deposit Ratio:			
Year	Total Loan	Total Deposit	Loan-to-Deposit Ratio
2019	176,869,945,883	193,225,226,974	91.54%
2020	181,957,691,470	199,740,588,466	91.10%
2021	181,155,708,762	196,791,229,217	92.05%
2022	192,114,415,599	202,644,439,639	94.80%
2023	212,312,641,277	215,147,843,892	98.68%



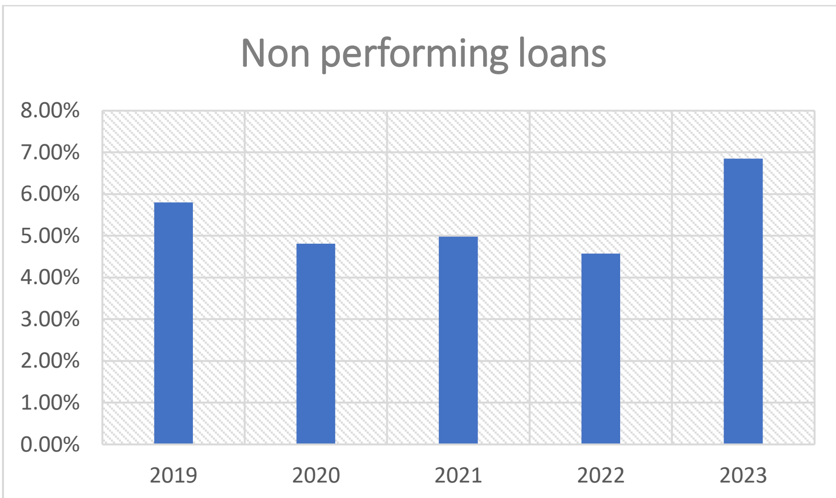
Interpretation:

The gradual increase in City Bank's Loan-to-Deposit Ratio from 2019 to 2023 suggests a more aggressive lending strategy aimed at boosting interest income. However, this higher ratio also heightens liquidity risk, as the bank may face challenges if depositors demand withdrawals. To mitigate this risk, Bank should closely monitor its liquidity position and maintain adequate reserves to meet withdrawal demands and other obligations.

4.2 Non-Performing Loan (NPL) Ratio:

- Formula: NPL Ratio = (Non-Performing Loans / Total Loans) 100
- This ratio measures the percentage of loans that are not generating income due to non-payment.

Year	Non-performing loans
2019	5.80%
2020	4.81%
2021	4.98%
2022	4.57%
2023	6.85%



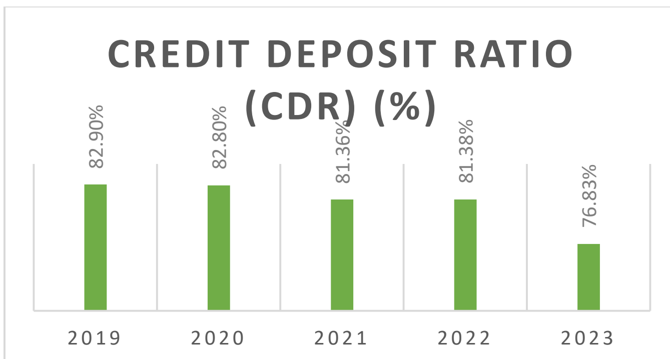
Interpretation:

The fluctuation in the NPL ratio from 2019 to 2023 highlights the shifting credit risk landscape in the banking sector. While earlier improvements in asset quality were promising, the significant rise in 2022 signals a potential issue. A higher NPL ratio can adversely affect the bank's profitability, as it may require greater provisions for potential loan losses, which could impact the bank's overall financial health. Careful analysis and timely intervention are needed to manage this risk effectively.

4.3 Credit Deposit Ratio (CDR)

- Credit-Deposit Ratio = Total Advances/Total Deposits   100.
- It is the ratio of how much a bank lends out of deposits it has mobilized

Year	Credit Deposit Ratio (CDR) (%)
2019	82.90%
2020	82.80%
2021	81.36%
2022	81.38%
2023	76.83%

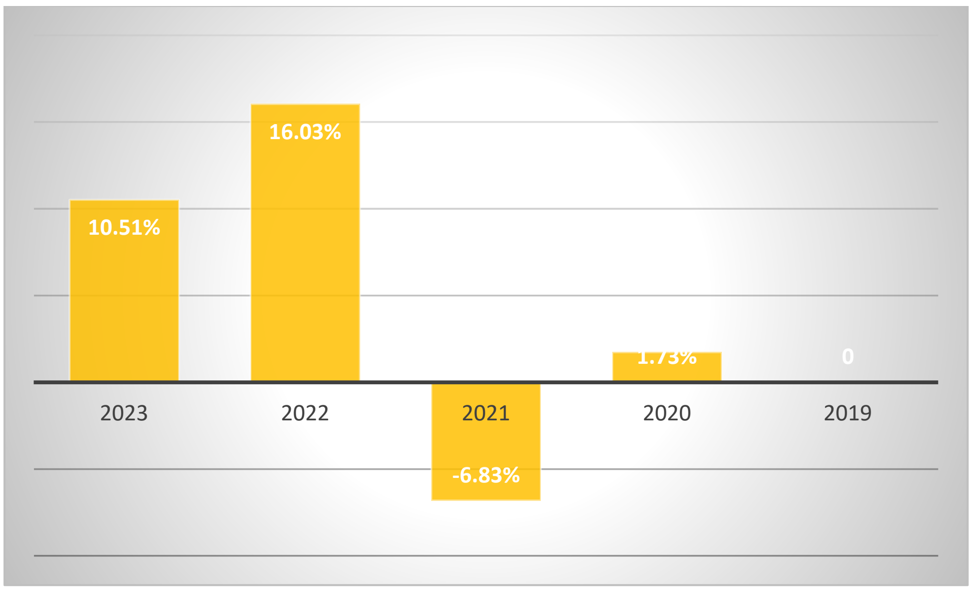


Interpretation:

A high Credit-to-Deposit Ratio (CDR) reflects an aggressive lending strategy, where a substantial portion of deposits is allocated to loans. The minor fluctuations in the CDR from 2019 to 2022 indicate that the bank is balancing its lending activities while adapting to evolving market conditions, ensuring that it meets both growth objectives and risk management requirements.

4.4 Loans and Advances Performances

Year	2023	2022	2021	2020	2019
Loan and Advances	212,312,641,277	192,114,415,599	165,567,498,320	177,695,576,021	174,669,972,489
Growth	10.51%	16.03%	-6.83%	1.73%	~



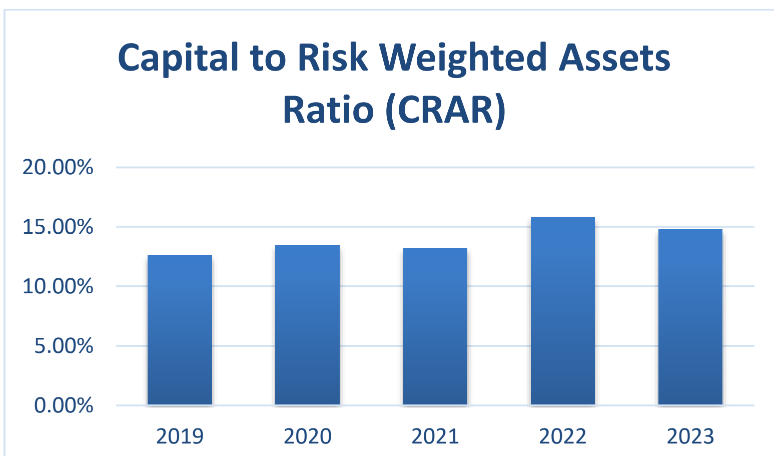
Interpretation:

The growth rates in loans and advances for the bank show a dynamic trend over the years. In 2020, a modest growth of 1.73% indicated a slight increase in lending, followed by a sharp decline of -6.83% in 2021, suggesting a contraction. However, 2022 saw a strong rebound with a 16.03% growth, reflecting a substantial expansion in lending activities. The growth continued at a moderated rate of 10.51% in 2023. These fluctuations underscore the bank's evolving lending strategy, shaped by both market conditions and internal factors.

4.5 Capital to Risk Weighted Assets (CRAR)

- It is the ratio of a bank's capital to its risk-weighted assets and current liabilities. This ratio is utilized to secure depositors and boost the efficiency and stability of financial systems all over the world.
- CARR = (Tier 1 Capital + Tier 2 Capital) / Risk-Weighted Assets.

Year	Capital to Risk Weighted Assets (CRAR)
2019	12.62%
2020	13.48%
2021	13.21%
2022	15.81%
2023	14.82%



Interpretation:

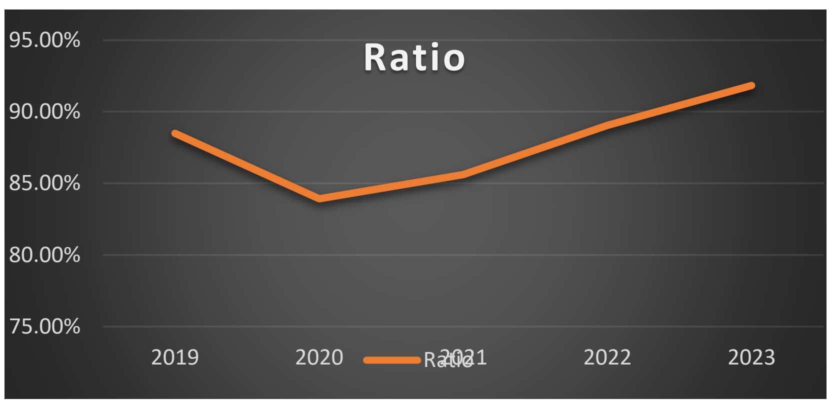
The increasing trend in CRAR from 2019 to 2022 demonstrates the bank's proactive efforts to strengthen its capital adequacy. However, the slight decrease in CRAR in 2023, although still maintaining a solid level, could raise concerns. This shift may require further analysis to understand the underlying factors influencing the change and ensure the bank remains well-capitalized

4.6 Credit Recovery Ratio

The credit recovery ratio is a financial metric that measures the percentage of a defaulted loan or debt that a lender is able to recover. It's a crucial factor in assessing the risk associated with lending and investing.

Recovery Ratio = (Amount Recovered / Total Amount Owed) x 100%

Year	Ratio
2019	88.48%
2020	83.92%
2021	85.61%
2022	89.04%
2023	91.83%



Interpretation:

The Credit Recovery Ratio for City Bank PLC displays a positive trend from 2019 to 2023, highlighting improvements in loan recovery processes. After a slight dip in 2020 to 83.92%, the ratio gradually increased, reaching 91.83% in 2023. This upward trajectory indicates strengthened credit risk management and improved asset quality, as the bank successfully recovered a higher percentage of loans each year. The high recovery rate in 2023 reflects effective strategies to mitigate loan losses, positioning the bank well for sustained financial stability. (City Bank Limited. 2023).

CHAPTER 5: FINDINGS AND RECOMMENDATIONS

5 Findings of the Study:

a) City Bank PLC's effective credit risk management, through proactive risk identification, stringent credit assessment, and regulatory alignment, underpins its ability to minimize credit risk and sustain profitability.

b) The Debt-to-Equity Ratio showed fluctuations, with the ratio peaking at 12.60% in 2019 and declining to 11.36% by 2021, highlighting shifts in the bank's financial leverage.

c) The Loan-to-Deposit Ratio steadily increased from 91.54% in 2019 to 98.68% in 2023, suggesting a growing reliance on loans for funding, which could affect liquidity and risk management.

d) The Non-Performing Loans (NPL) percentage rose sharply from 4.57% in 2022 to 6.85% in 2023, signaling increased credit risk.

e) The Credit Deposit Ratio decreased from 82.90% in 2019 to 76.83% in 2023, indicating a more conservative lending approach.

f) The CRAR showed a positive trend, peaking at 15.81% in 2021, but the slight decline to 14.82% in 2022 suggests a need for careful monitoring to maintain capital strength.

5.2 Recommendations:

a) Analyzing the debt structure to determine optimal leverage levels, balancing capital needs with risk management for an optimized Debt-to-Equity Ratio.

b) Proactive measures to address rising Non-Performing Loans (NPLs), enhancing credit assessment and monitoring, with strengthened risk grading systems for early risk identification.

c) Assessing the effects of the rising Loan-to-Deposit Ratio on liquidity, with diversified funding sources to enhance stability and reduce liquidity risks.

d) Reviewing credit policies to address the declining Credit Deposit Ratio, with strategies that balance risk mitigation and business growth for stable credit operations.

e) Investigating the 2022 decrease in CRAR, with corrective steps to maintain a healthy capital position and ensure regulatory compliance.

f) A robust system for ongoing monitoring of financial ratios and indicators, with regular reviews to align with industry and regulatory standards.

Conclusion:

In conclusion, the analysis of City Bank's credit risk management provides key insights into the bank's financial health and risk mitigation efforts. The evaluation of various financial ratios reveals both strengths and areas that require attention for future improvement.

Addressing challenges associated with Non-Performing Loans (NPLs) will be crucial, particularly by enhancing credit risk assessment tools and monitoring mechanisms. The introduction of early warning systems and improvements in risk grading will strengthen risk identification and management. Furthermore, exploring diverse funding sources and optimizing credit operations aligned with the Credit Deposit Ratio will help bolster the bank's financial stability. Innovation in credit products and services will also be important in keeping pace with evolving market demands. A continuous monitoring system for key financial ratios, coupled with regular strategic reviews, will ensure the bank remains agile in adapting to changing economic conditions.

While City Bank has demonstrated strong credit risk management practices that have contributed to its success, ongoing adaptation and strategic efforts will be essential to navigate emerging challenges. The recommendations provided will guide the bank toward sustained growth, resilience, and excellence in credit risk management. By maintaining a focus on prudent risk management, City Bank can secure its position in the competitive banking industry.

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