

বাংলাদেশ কৃষি ব্যাংক

প্রধান কার্যালয়, ঢাকা।

ঝুঁকি ব্যবস্থাপনা বিভাগ

আলোচ্য সূচি নং-

সার-সংক্ষেপ নং-

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পর্বদ সভায় উপস্থাপনের জন্য সার-সংক্ষেপ

বিষয়ঃ

Problem Loan Review Policy অনুমোদন প্রসঙ্গে।

বাংলাদেশ ব্যাংক, প্রধান কার্যালয় এর ব্যাংক পরিদর্শন বিভাগ-৩ কর্তৃক বাংলাদেশ কৃষি ব্যাংক, প্রধান কার্যালয়, ঢাকার উপর ৩১/১২/২০১৯ তারিখ ডিউকি Credit Risk Management শীর্ষক বিশদ পরিদর্শন করা হয়। উক্ত পরিদর্শন শেষে পরিদর্শন টিম কর্তৃক ২৮ টি মন্তব্য ও সুপারিশ করা হয় এবং তার পরিপালনমূলক জবাব প্রেরণের জন্য নির্দেশনা প্রদান করা হয়।

০২। পরিদর্শন টিম কর্তৃক উল্লেখিত পরিদর্শন প্রতিবেদনের ২৮ টি মন্তব্য ও সুপারিশ এর মধ্যে ক্রমিক নং ১৪ হতে ২০ পর্যন্ত Loan Review Process সম্পর্কে বলা হয়েছে। বাংলাদেশ ব্যাংক পরিদর্শন টিম Problem Loan Review Policy প্রস্তুত করার জন্য পরামর্শ প্রদান করেন।

০৩। পরিদর্শন টিমের পরামর্শ মোতাবেক অত্র ব্যাংকের জন্য একটি খসড়া Problem Loan Review Policy প্রস্তুত করে ২১-০৯-২০২০ তারিখে অনুষ্ঠিত ব্যবস্থাপনা সমন্বয় কমিটির ৪২৩ তম সভায় উপস্থাপন করা হয়। সভায় বিষয়টির উপর বিস্তারিত পর্যালোচনাপূর্বক নিম্নবর্ণিত সিদ্ধান্ত গ্রহণ করা হয়।

“আলোচ্য Problem Loan Review Policy টি সভার আলোচনা মোতাবেক প্রয়োজনীয় পরিমার্জন/ পরিবর্ধন/ সংশোধনকরতঃ সংশোধিত Policy পরবর্তীতে পর্বদ সভায় উপস্থাপন করতে হবে”।

০৪। আলোচ্য খসড়া Problem Loan Review Policy তে ঋণ পর্যালোচনা সংক্রান্তকরণ, ঋণ পর্যালোচনার প্রয়োজনীয়তা, ঋণ পর্যালোচনার উদ্দেশ্য, ঋণ পর্যালোচনার পরিধি, লোন পোর্টফোলিওর সামগ্রিক মান নির্ধারণ, সমস্যাযুক্ত ঋণ মনিটরিং এর বিভিন্ন স্তর, সমস্যাযুক্ত ঋণ আদায়ের বিভিন্ন পদ্ধতি এবং সমস্যাযুক্ত ঋণ আদায়ে বিবেচ্য কর্তৃক গৃহীত পদক্ষেপ সমূহ (বিভিন্ন স্তরের Task Force Committee & Special Monitoring Cell গঠন এবং তাদের কার্যাবলী), ঋণ আদায় সংক্রান্ত মনিটরিং পদ্ধতি, ঋণ পর্যালোচনার বিভিন্ন স্তর এবং ঋণ পর্যালোচনা প্রতিবেদনের তথ্যের বর্ণনা ইত্যাদি বিস্তারিতভাবে উল্লেখ করা হয়েছে। এই পলিসিটি যথাযথভাবে ব্যবহার করা হলে বিবেচ্য ঋণ আদায়ের গতি ত্বরান্বিত হবে ও প্রণীকৃত ঋণের হার একক সংখ্যায় নেমে আসতে পারে।

০৫। এমতাবস্থায়, ব্যবস্থাপনা সমন্বয় কমিটির সিদ্ধান্ত মোতাবেক Problem Loan Review Policy প্রয়োজনীয় পরিমার্জন/ পরিবর্ধন/ সংশোধনকরতঃ সংশোধিত একটি খসড়া Problem Loan Review Policy প্রস্তুত করা হয়েছে, যা অনুমোদনের জন্য পরিচালনা পর্বদ সভায় উপস্থাপন করা হলো।

০৬। ঝুঁকি ব্যবস্থাপনা বিভাগের সুপারিশ : বাংলাদেশ ব্যাংক, প্রধান কার্যালয় এর ব্যাংক পরিদর্শন বিভাগ-৩ এর সুপারিশ মোতাবেক অত্র ব্যাংকের Problem Loan Review Policy টি সংযুক্তি-১ এ অনুমোদনের জন্য সুপারিশসহ উপস্থাপন করা হলো।

০৭। ব্যাংক ব্যবস্থাপনার সুপারিশ : বাংলাদেশ ব্যাংক, প্রধান কার্যালয় এর ব্যাংক পরিদর্শন বিভাগ-৩ এর সুপারিশ মোতাবেক অত্র ব্যাংকের Problem Loan Review Policy টি অনুমোদনের জন্য সুপারিশ করা হলো।

০৮। সার সংক্ষেপটি ব্যবস্থাপনা পরিচালক মহোদয় দেখেছেন এবং পর্বদ সভায় উপস্থাপনের অনুমোদন প্রদান করেছেন।

(মোঃ আব্দুল করিম)

মহাব্যবস্থাপক

(বিভাগীয় দায়িত্বে)

(পারভীন আকতার)

মহাব্যবস্থাপক

আন্তর্জাতিক ও হিসাব মহাবিভাগ

(মোঃ কাইয়ুম হক)

উপ-ব্যবস্থাপনা পরিচালক

পর্বদেয় ----- তম সভায় উপস্থাপন করা হলো।

(কাজী মোহাম্মদ নজরে মঈন)

সচিব (অর্থপ্রাণ্ড)

স্বাক্ষরিত - ৩

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Problem Loan Review Policy (Loan Monitoring)

Bangladesh Krishi Bank (BKB)

Head Office : 83-85, Motijheel C/A, Dhaka.

Bangladesh Krishi Bank (BKB)

PROBLEM LOAN REVIEW POLICY

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Bangladesh Krishi Bank (BKB)
PROBLEM LOAN REVIEW POLICY
(Problem Loan Monitoring)

01. Introduction

All lending involves risks. Lenders control risk on the front end by developing and using strong underwriting policies and procedures. Once a loan is originated, lenders use loan portfolio management to manage risk. One critical element of a strong portfolio management system is the loan review. This Loan Review Policy explains what a loan review is, why it is important, how BKB can use a loan review, and the steps involved in conducting a loan review.

In cases where the risk of credit loss is significant and/or the underlying problems require special expertise, Loan Classification Division/ Recovery Division will assume primary management of the problem credit, keeping in mind that the originating Branch Manager will remain available to coordinate recovery actions as required. In cases where there is an imminent risk of loss, the loan should be followed very carefully by the branch officials. At that time all interest accrual should cease and any interest already accrued and taken into income should be reversed. The assigned risk rating should be changed accurately reflect the loan or facility's current deteriorated condition.

02. Definition and Its Importance

Effective loan portfolio management is crucial to controlling credit risk. In order to control risk, however, Bank must know the types and levels of credit risk in its portfolio. Loan review is important tools which can help Bank to identify this risk. A loan review provides an assessment of the overall quality of a loan portfolio. Specifically, a loan review:

- Assesses individual loans, including repayment risks.
- Determines compliance with lending procedures and policies.
- Identifies lapses in documentation.
- Provides credit risk management priority findings.
- Recommends practices and procedures to address findings.
- For Bank that risk-rate their loans, a loan review evaluates risk grades and their accuracy.

A thorough and correctly completed loan review provides management and the board of directors with objective and timely data on loan portfolio quality and recommendations for addressing weaknesses.

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03. Objectives

The objectives of proposed problem loan monitoring policy should be:

- Examine and evaluate the problem credit situation including an assessment of the risk, a review of the adequacy and completeness of credit documentation, and, if applicable, collateral perfection, as well as an analysis of the condition, marketability and current market value of the collateral.
- Formulate a future strategy or an action plan to be followed in dealing with and resolving the problem credit.
- Retain outside counsel to provide specialized legal assistance when required.
- Implement a strategy in order to restore the credit to a fully performing status or get the outstanding balance fully repaid, restructured, or adequately secured to mitigate against loss.
- Estimate the probability of full recovery and the likely costs (in terms of actual expenses, employee time and foregone income) associated with succeeding. If there is a low probability of full recovery coupled with high costs over an extended period of time, the Bank, through action of its Credit Committee/NPLMC, might make a business decision to attempt to settle the debt immediately. Prompt and effective resolution of problem loans can reduce losses for the bank. Problem loans are costly to the bank in terms of time and effort as well as, frequently, foregone interest income and additional expenses. Ultimately problem loans reduce profits and can erode capital.

04. Procedure to Use Loan Reviews to Reduce Risk

Bank uses loan reviews to a) identify issues, and b) learn what modifications can be made to lending procedures, policies, and practices to address those issues. Banks that fail to address problems early are prone to suffering from systemic weaknesses which can lead to deterioration in portfolio quality, thus reducing profitability and sustainability.

If BKB's risk grades are used to determine its loan loss reserve, another important element of a loan review is the evaluation of the risk grades of individual loans. Additionally, if the loan review is conducted by an independent party, it can be particularly helpful in assessing incidences of fraud and theft that can directly affect the BKB's bottom line.

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5.1 Loan Review Scope and Coverage Parameters:

Branch is the center point of every activity related to loan. The procedure of borrower selection, receiving application, processing loan proposal & sanction/ approval of the proposal are done according to power of delegation.

The loan should be reviewed by all stages/tiers of the bank such as:

- 5.1.1 Concerned Branch Level;
- 5.1.2 Regional Office Level;
- 5.1.3 Divisional/ GM office Level;
- 5.1.4 Central/ Head Office Level.

5.1.1 Concerned Branch Level:

All concerned branches will individually examine/review all the performing & non-performing loans excluding Short term Agri-credit/Micro credit (STAC/MC - however, these types of loans will be reviewed as per the present loan classification circular) corresponding within the first week of the following month and the report with comments of each problem loan should be sent to the Regional office by 10th of that month.

For this purpose, a committee comprising of three members should be formed, headed by the branch manager and two other members (2nd Officer and in charge of advance section).

5.1.2 Regional Office Level:

After receiving the report of the previous month from all branches, the Regional office will examine the report and consolidate the report with their comments and will send the same to the concerned Divisional Office within 15th of the month.

For this purpose, a committee comprising of three members should be formed, headed by the Regional Head and two other AGM/SPO of the concerned section.

5.1.3 Divisional/ GM office Level:

Divisional office will examine the report and consolidate the report with their comments and will send the same to the Credit Committee within 21st of the month.

For this purpose, a committee comprising of four members should be formed, headed by the Divisional GM and three other Deputy General Manager/Assistant General Manager/Senior Principal Officer.

5.1.4 Central/ Head Office Level:

Recovery and Non-Performing Loan Management Division will present the same to the management for necessary comments on monthly basis. The report of the management should be submitted to the Board on quarterly basis.

A format for loan review and coverage is shown in Annexure-1.

Following are the parameters for reviewing loans:

- SRO issued from People's Republic of Bangladesh.
- Rules and Regulations by Bangladesh Bank.
- Existing Credit Policy of the Bank.
- Credit Risk Management Policy.
- Delegation of Business Discretionary Power.
- Declaration relating to liabilities and confidential report.
- UCP & other rules & regulations in case of International Trade.
- Bank Books of instruction (BBI).
- Formulation & preservation of necessary loan documents properly.
- ICRRS guidelines.
- Credit Rating (if applicable).
- CIB Report.
- Rules & Regulations relating to documentation of loans and mortgage etc.
- Instruction relating to verification of ownership of collateral security.
- Existing guidelines & regulation in case of different loans.
- Green banking policy.

It is to be noted that Short Term Agriculture & Micro-credit loan may be excluded from monthly loan review. In case of these loans, guidelines for loan classification and provisioning shall be applicable.

06. OVERALL QUALITY OF LOAN PORTFOLIOS

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As per BRPD Circular No. 14 dated 23-09-2012 of the Central Bank (Bangladesh Bank), the quality of loan portfolios according to the status are Standard, SMA, SS, DF, & BL. The quality of loans should be reviewed in the following manners:

6.1 Branch:

As per BRPD Circular no.14 dated 13.09.2012 and other instruction by the Board, the Branch should ensure that each loan is reviewed every month and problem loan (SMA, S.S, D.F & B.L) statement should be sent to the concerned Regional office.

6.2 Regional Office:

The Regional Office will verify the status of the problem loan portfolio of all branches. If any dissimilarity detected, necessary correction should be made immediately through the branch and sent the consolidated report to the Head Office with a copy to the Divisional Office within Stipulated time.

6.3 Divisional Office:

After receiving the loan portfolio statement from the Regional Office, the Divisional Office will verify and if any discrepancy arises should get done corrected by the branch through Regional Office.

A consolidated corrected copy (if any) should be immediately sent to the Recovery & Loan Classification Division of Head Office.

6.4 Central/Head Office:

After receiving the problem loans review Statements, from Regional office/Divisional Office (Corrected Copy), Recovery & NPA Management Division(Classification) will examine/scrutinize the same and will consolidate as per format of PL(Problem Loan) and submit a consolidated monthly report to the management for onward submission to the Board on quarterly basis. The quarterly PL (Problem Loan) statement shall be submitted to the Board through the management and subsequently sent to Bangladesh Bank.

07. Identification, type, rating and amount of problem loans and amount of delinquent loans

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Problem loans are likely to occur in the normal course of business. This risk, however, can be minimized through early recognition of problems and taking appropriate corrective measures.

Following measures can be adopted for identifying delinquent/willful defaulter borrowers:

- Physical inspection to know whether the business of the borrower is running properly.
- To verify cash flow, sales revenue and profit of the business according to records of the borrower (Balance sheet).
- To verify whether the borrowed money has been invested accordingly and being re-invested the money on re-cycling basis.
- Whether the pledged goods in the godown/warehouse are in order to be inspected physically from time to time.
- To ensure whether every business transaction of the borrower is being done with the related branch.
- Review Officer will prepare a report of identified delinquent borrowers and Branch will send it to Recovery & Loan Classification Division on monthly basis through concerned controlling offices.
- To elope to another country accumulating borrowed money/capital.
- Not to repay the loan by changing holding number/place, signboard etc.
- To borrow from bank through pieces of collaterals from 3rd party, without proper communication system.
- To borrow by fraudulent/fake documents.
- To wait for interest waive for the loan which was sanctioned by political influences.

The problem loans and amount thereon would be identified and minimized through:

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7.1 Branch:

The branch should identify status of each loan from the CL statement. The manager should find out each & every problem loan i.e. non-performing loan and identifying the cause of being non-performing.

For recovery of the non-performing loan, branch managers will maintain a separate register for classified loans. He will distribute tasks of classified loan recovery among the officers & staff and supervise the loan recovery activities of the related ones. A report regarding the activities should be sent to Regional Office once a month (within the 7th of the following month).

7.2 Regional Office:

Regional heads will monitor the steps taken by the branch managers and after examining the same will send to the related Divisional office (within 15th of the months).

7.3 Divisional Office:

Divisional Office will supervise the steps taken by the Regional office and progress therein.

08. Credit and Collateral documentation exception

Whether credit and collateral documentations of the problem loans have been accomplished in the light of credit policy and sanction advice to be monitor by the Loan Review Officer. Collateral and documentation of the problem loan will be supervised/ monitored in the following manners:

- 8.1 The branch will review each loan once a month. During the period of review, the team will find out the violation of credit policy and lack of documentation against the credit policy, collateral violation and documentation policy as well as terms and condition of sanction advice and agreement. If the team finds any discrepancy, they will prepare a monthly report comprising the responsibility and non-discharging the duties of such defective loan and make comments for rectification.

Following are the aspects that are to be noticed while measuring the exception in documentation:

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- The valuation of collateral security has been done according to rules and regulations of Bangladesh Bank in case of loan sanction/extension.
- To determine the eligibility of the borrower it has to be verified before loan sanction/renewal/extension whether the up-to-date clean CIB report has been collected and attached with the loan proposal.
- The purpose of the loan should be mentioned in the application of the borrower and borrower's national ID card, permanent, present and business address, telephone/cell phone number; e-mail address should be mentioned clearly in the loan proposal.
- Whether the charge has been implied on the collateral security accordingly.
- It has to be ensured physically from branch time to time whether the determined amount of the collateral security has been reduced for any reason. In such cases, Loan Review Officer will observe whether extra collateral has been taken to cover the deficit amount.
- Whether the loan has been sanctioned according to power of delegation.
- Whether the report has been submitted as well as preserved in the loan register after visiting the ownership of the collateral security, location, marketability, up-to-date value, possession by the responsible officer from the branch physically.
- Whether the loan has been sanctioned after ensuring that the CRG (if necessary) has been prepared accordingly and CRG score is acceptable.
- Whether 1.00 crore or above amount has been sanctioned/disbursed in favor of a company that is under BBB Rating or unrated.
- Whether the financial statement has been prepared along with appraisal (if applicable).
- Whether the rules and regulation of Bangladesh Bank has been followed in case of single borrower exposure.

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8.2 A copy of the monthly report should be sent to the concern Divisional Office countersigned by the Regional Head.

8.3 After receiving the reports, Divisional Office will consolidate the same and a report should be submitted to management on monthly basis.

8.4 A report should be submitted to the Board through management on quarterly basis.

09. Loans meeting the criteria for non-accrual status

For proper charging interest against loan portfolio, the following methods should be followed:

9.1 It is to be examined by the loan review officer during loan review whether the guidelines of Bangladesh Bank have been followed while charging interest against classified loans of the Branch. Besides, it is to be verified whether interest charged on the SS, DF & BL account and has been transferred to income account. If so done necessary correction will be made instantly. Loan review officer will send related report to controlling office (Corporate branches to GM Offices and other branches/ corporate to Regional Office) on monthly basis.

9.2 After receiving all review report from branches, Regional office will summarize the review reports and will send the same to Divisional Office.

9.3 After getting report from Regional Office and Corporate Branch Divisional Office will confirm whether rectification of non-accrued interest has been reverted accordingly and will send the reports to Recovery & Loan Classification Division, Head Office on monthly basis.

9.4 Then Recovery & Loan Classification Division will summarize all branches report and will submit a consolidated report to the management on monthly basis for onward submission before the Board on quarterly.

10. Identification & Status of Credit Related Violations of Law, Rule or Regulation

Every credit/loan should be sanctioned according to credit policy of the bank itself. Bank further has to confirm that any violation of law, prudential guidelines of Bangladesh Bank, Head Office Circular have occurred among the problem loans.

Besides, it is to be seen whether there is any loan sanctioned by the Board excluding the normal course of action.

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The procedure of review shall be implemented in the following tiers:

10.1 Branch:

The branch will ensure whether the loan has been sanctioned complying with the Credit Policy and other instruction(s)/circular(s) issued by the bank and will send the report to the concerned Regional Office.

10.2 Regional Office & Divisional Office:

After receiving the report from the branches Regional Office will forward the same to the Divisional Office and Divisional Office will send the same to the Recovery & Loan Classification Division.

10.3 Head Office:

After that the Recovery & Loan Classification Division will summarize the report and will submit the consolidated report to the management on monthly basis and to the Board on quarterly basis.

11. Identity of the Loan Officer(s)

The identification of each & every loan review officer should be recorded in the following manners:

- Name of the loan review officer;
- Designation of the officer;
- Specimen signature number (SS NO.);
- Date.

12. Concentration of Credit

It is to be identified whether the problem loans have been concentrated in specific sectors. The concentrated problem loans should be categorized according to loan classification status, such as, SMA, SS, DF, BL & the report will be send to Regional Office and Regional Office will send the same to Divisional Office for onward submission to Recovery & Loan Classification Division on monthly basis.

Recovery & Loan Classification Division will summarize the report and will submit the same before the management on monthly basis and management will submit the same to the Board on quarterly basis.

13. The Performance of Rescheduling/Restructured Loan

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During the loan review period, review officer will thoroughly review the status of rescheduled / restructured / blocked loans of the branch. In this connection review officer will observe whether the installments have been paid as per terms & conditions of the sanctioned letter. Any violation of sanction advice should be reported in the review sheet. The review sheet will be sent to Regional Office and Divisional Office for onward submission to Recovery & Loan Classification Division.

14. Stages/Levels of Monitoring Problem Loans

There should be four monitoring stages/levels, such as

- Central/ Head Office Level
- Divisional/ GM office Level
- Regional Office Level
- Concerned Branch Level.

15. Techniques of problem loan recovery

Following are the plans/techniques to be taken by the Head Office to monitor / supervise in different stages to achieve classified loan recovery target:

- First top 50 defaulters will be monitored directly by the head office Task Force committee.
- Next 50 default / classified loans will be monitored / supervised by the Divisional Task Force committee.
- Next 50 default / classified loans will be monitored / supervised by the Regional Task Force committee.
- All default / classified loans will be monitored / supervised by respective branch managers.
- Formulating policy by the authority so that the Managing Director and Deputy Managing Directors may come into terms with the defaulters through negotiation considering mortgaged property, amount of loan, current condition of the business and ability to repay and finally approved by the proper authority.
- To present before the Board of Directors for decision if rescheduling the classified loan, interest wave contradict with the current policy.
- To preserve database of Head office (NPL)

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- **Database of Write-off Loan:**

The database maintained by Recovery & Loan Classification Division includes following information:

- Name of the Branch.
- Name of the Borrower.
- Borrower's NID No.
- Type of Loan.
- Total Liability.
- Amount of Write-off loans.
- Date of Write-off.
- Ledger Balance.
- Recovery after write-off.
- Balance of Write-off Loans.
- Claimed amount.
- Nature of Suits with latest position.
- Description and value of mortgaged property.

- **Task Force:**

A task force committee can be comprised of Deputy Managing Director-1 as the Chairman and other DMD's and GM's of Head Office. The meetings of this committee will be held quarterly. The meetings of this committee are presided over by DMD-1. In absence of DMD-1, senior most DMD would preside over the meeting.

A cell should be maintained by Recovery Department where the minutes of Task Force Committee's will be reserved for the purpose of follow-up.

Task Force Committee in Head Office:

SL. No.	Designation	Designation in Task Force Committee
01	Deputy Managing Director-1	Chairman
02	Deputy Managing Director-2	Member
03	Deputy Managing Director-3	Member
04	General Manager- Loan Recovery	Member
05	Consultant/Advisor	Member
06	Deputy General Manager- Credit Department	Member
07	Deputy General Manager- Loan Classification Department	Member
08	Deputy General Manager- Law Department	Member
09	Deputy General Manager- Recovery Department	Member Secretary

There is a Task Force committee in BKB comprised as per BCBD letter no-436, dated 10-09-2020. Task Force committee monitor the below branches-

- Branches which loan balance is 20.00 crore and above.
- 40 branches which classified loans are top in amount and percentage.
- Branches which classified loans are 50% or above of total loan.

• **Functions of Task Force:**

- Take various steps for reducing problem loans as per prevailing rules and regulations of the bank and instruction of Bangladesh Bank.
- Disburse good/ qualitative loans for the reduction of problem loans.
- Distribute the region among promoters for loan monitoring.
- Strongly monitor Newly Classified Loans and recover the Default Loans through concerned divisional GM, CRM and Branch Manager.
- Determine a target for concerned Branch to minimize existing Classified Loans by 20% during 30-06-2021.
- Take necessary steps to recover 52-Deferred Credit and Re-schedule Loans.
- Quarterly analysis the advancement of this committee.
- Provide information to Board of Directors on quarterly basis.

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Task Force Committee in Divisional Office:

Divisional task force committee can be comprised of Divisional General Manager as the Chairman and other concerned members of this committee. The meetings of this committee will be held quarterly.

SL. No.	Designation	Designation in Task Force Committee
01	Divisional General manager	Chairman
02	Divisional Audit Officer	Member
03	Chief Regional Manager	Member
04	Regional Audit Officer	Member
05	Branch Manager	Member
06	Second man in Divisional Office	Member Secretary

Task Force Committee in LPO:

A task force committee can be comprised of General Manager (LPO) as the Chairman and other concerned members of this committee. The meetings of this committee will be held monthly.

SL. No.	Designation	Designation in Task Force Committee
01	General manager (LPO)	Chairman
02	Deputy General Manager-LPO (Loan)	Member
03	Deputy General Manager-LPO (FEX)	Member
04	Deputy General Manager-Credit Department	Member
05	AGM/SPO- LPO (Loan /FEX)	Member Secretary

Task Force Committee in Regional Office:

Regional task force committee should be comprised of Chief Regional manager as the Chairman and other concerned members of this committee. The meetings of this committee will be held monthly.

SL. No.	Designation	Designation in Task Force Committee
01	Chief Regional manager	Chairman
02	Regional Audit Officer	Member
03	Promoters	Member
03	Branch Manager	Member
06	Second man in Regional Office	Member Secretary

Task Force Committee in Branch:

Task force committee of Branch should be comprised of Manager as the Chairman and other concerned members of this committee. The meetings of this committee will be held monthly.

SL. No.	Designation	Designation in Task Force Committee
01	Branch Manager	Chairman
02	Credit Officers	Member
06	Second Officer in Branch	Member Secretary

• Special Monitoring Cell:

According to BRPD circular no-06 there is a Special Monitoring Cell comprised of Deputy Managing Director-2 as the Chairman and other GM's and DGM's of Head Office. Special Monitoring Cell monitors those Classified Loans which amount is 100.00 crore and above.

SL. No.	Designation	Designation in Special Monitoring cell
01	Deputy Managing Director-2	Chairman
02	General Manager- Planning and Operation	Member
03	General Manager- Loan Recovery	Member
04	Deputy General Manager- Recovery Department	Member Secretary
05	Deputy General Manager- BCBD Department	Member
06	Deputy General Manager- Credit Department	Member
07	Deputy General Manager- International Trade Department	Member
08	Deputy General Manager- Law Department	Member

Functions of Special Monitoring Cell:

- Take necessary steps to increase Recovery of Classified Loans which amount is 100.00 crores and above and to decrease of defaulter borrower.
- Prepare Quarterly statement of Classified Loans Amounting BDT 100.00 crore and above to upload Bangladesh Bank Web portal.
- Provide information about recovery of Classified Loans Amounting BDT 100.00 crore and above to the board of directors.

16. Loan recovery monitoring system

16.1 Functions of the Branch Managers:

Branch managers will maintain a separate register for classified loans. He will distribute tasks of classified loan recovery among the officers & staff and supervise the loan recovery activity of the related ones.

16.2 Functions of the Regional Heads:

Regional Heads will monitor the steps taken by the branch managers to achieve loan recovery target and progress of the task.

16.3 Functions of the Divisional General Managers:

General Managers will supervise the steps taken and progress of classified loan recovery target achievement under their Zone/corporate branches.

16.4 Functions of the Deputy Managing Director:

Deputy Managing Directors will supervise the steps taken and progress of classified loan recovery target achievement by the General Managers.

16.5 Functions of Managing Director:

Managing Director will monitor overall progress of classified loan recovery of the bank. Deputy Managing Directors will inform the Managing Director about the situation of classified loan recovery activity under their respective Divisional/corporate branches. Reviewing the recovery position, Managing Director would further instruct as necessary.

Policy will be reviewed / revised and updated at least annually or time to time taking into account external and internal economic conditions / circumstances and regulatory guidelines by the board.

17. Steps Involved in a Loan Review

A loan review can be broken down into three steps: 1) pre-file review; 2) file review; and 3) post-file review. The specifics of each step are outlined below.

17.1 Pre-file Review

Prior to the file review, the loan review team will complete two tasks.

17.1.1 Review Documents: The loan review team will review the following documents:

- Loan Policy and Underwriting Guidelines including risk grade system and loan loss reserve policy
- Watch List and Problem Loan Report
- Delinquent Loan Report
- List of all loans outstanding including the Note Number, Name of Borrower, Original Loan Amount, Original Note Date, Maturity Date, Current Risk Rating, Outstanding Balance, Available Balance, number of days past due and the number of times greater than 30, 60, 90 days past due.

17.1.2 Select Loan Sample: In most cases, it is impractical for the loan review team to review an entire portfolio; therefore, the loan review team will review a subset of files to assess the portfolio quality. Prior to conducting the file review, the team must select the sample of loans to be included in the review.

Sample selection is part art and part science. The goal is to select a sample that is large and diverse enough to enable the reviewer(s) to identify all issues and understand if an issue is systemic or limited. There is no clear set of rules for selecting a sample; therefore, we strongly recommend that the loan review team include an individual who is experienced in sample selection. To provide an idea of the variables that determine the appropriate size and composition of a sample, we offer these guidelines and observations.

The sample should include a proportional amount of each product. It should also include the types of loans that offer the greatest risk such as large loans, new products, and problem loans. The sampling percentage will vary based on the type of loans, the number of different loan products, and the size of the portfolio. Generally, the total dollar percentage of the portfolio reviewed should be no less than 25% for portfolios with outstanding balances of over \$30 million. The percentage may be higher for smaller portfolios or portfolios with a number of different products. A loan portfolio that consists of business loans will need a larger sample size because the underwriting and monitoring of such loans are usually not standardized.

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If the loan portfolio consists of a single homogenous product such as single family residence mortgages that are underwritten in a consistent way, a smaller sample size (10-15% of total portfolio outstanding) may be sufficient. Selecting an appropriate sample is critical: if the sample is not representative of the portfolio, the value of the loan review results will be compromised. Be sure your loan review team includes an individual that has experience in sample selection.

17.2 File Review

After determining the sample, the review team will develop a schedule for the file review. The amount of time spent on the file review depends on the size and the quality of the portfolio. Normally, however, a review team will examine files for three to five days. The review team will send the list of loans in the sample to the BKB's management so that they can have the loan files available when the team begins its work.

At the beginning of the file review, the loan review team needs to ensure that the management and staff of the BKB has reviewed the scope of work, including the list of loans in the sample, and understand the purpose of the file review. If needed, an orientation meeting should be held between the loan review team and the management of the BKB. At this time, the review team may provide a short list of "surprise" loans to management.

The loan review will consist of meetings with lending staff including loan administration to understand the lending process and procedures from intake to closing. The loan review team will also be reviewing underwriting and collateral files to ascertain the underwriting, monitoring, and documentation practices.

During a file review, it is common practice for a team member to meet with management or the lender to discuss individual loans. If the loan product is homogeneous and underwriting is consistent, it is recommended that the team discuss a minimum of 10% of the loans with the loan officer. If the loans are less standardized or the monitoring file documentation is insufficient, a loan review team should discuss a higher percentage of loans. A meeting with a loan officer may provide information such as specific communication between a loan officer and borrower that is not documented in the file.

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The file review covers seven distinct but related areas. For each area, the loan review team evaluates adherence to the BKB's lending policies and procedures, and assesses the Bank against industry best practices. For example, BKB may require that a loan officer only provide collateral coverage review based on market value of the asset. A loan review team may recommend that the loan analysis also include a liquidation value of collateral since it may provide a more realistic value if BKB takes possession of the asset and needs to sell it in a timely manner. Another example is when BKB does not require written documentation of communication between loan officers and clients. The best practice would be documentation of all conversations between loan officers and clients especially any pertaining to late payments.

The loan review checklist contains the sections listed below.

- a) **Credit Initiation:** Review of initial underwriting including analysis of the following: financial statements; primary and secondary source of repayment; management; and appraisal.
- b) **Loan Structuring:** Evaluation of repayment terms against the borrower's ability to repay and industry best practices; guarantees; environmental indemnification; and other loan terms.
- c) **Loan Approval Procedures:** Review of written approval procedures and policies.
- d) **Credit/Collateral File Documentation:** Verification of all relevant initial and ongoing documentation. Review of post-closing procedures for outstanding items.
- e) **Normal Loan Monitoring:** Verification of ongoing monitoring, as appropriate.
- f) **Problem Loan Management:** Evaluation of problem loan management including reporting to senior management and downgrading of delinquent loans.
- g) **Loan Workout Management:** Review of action plans and work out agreements for seriously delinquent loans.

At the conclusion of the file review, the loan review team will conduct an exit meeting with the management of the BKB to orally present their preliminary findings, conclusions and recommendations.

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Following the on-site file review, the loan review team will issue a formal report summarizing its findings, conclusions and recommendations. An initial draft report will be issued solely to the BKB's management for its response. Upon receipt of management's response, a final report will be issued to the BKB. The final report will include management's response.

18. Description of a Loan Review Report

The main sections of the written loan review report are:

- a. **Summary Results:** This section presents the findings grouped by priority level. High priority findings are defined as violations in policy that could result in civil money penalty or loss of principal. Moderate priority findings are those that are not in line with the bank's policies or practices. Low priority findings offer suggestions towards adhering to industry-wide best practices. The majority of the findings will be reflective of systemic issues within a loan portfolio.
- b. **Summary of Risk Rating Recommendations:** This section provides general and specific information for loans that the loan review team recommend be downgraded or upgraded. See Appendix B for sample forms for presenting this information.
- c. **Credit Risk Management:** This section presents the findings and recommendations by loan review checklist category.
- d. **Financial or Documentation Exceptions:** This section is a list that outlines any specific documents (financial or other) that are missing from the files.

As noted above, management is provided with a draft report. Management can provide a written response to the recommendations which will be incorporated into the final report.

Bangladesh Krishi Bank (BKB)

..... Branch/ Regional /Divisional Office

Serial No.	Status of Loans	Position of Previous Months		Position of Current Month		Progress/ Change (+/-)		Comment
		No. of Loan A/C	Amount	No. of Loan A/C	Amount	No. of Loan A/C	Amount	
01	02	03	04	05	06	07=(03-05)	08=(04-06)	09
1	Standard							
2	SMA							
3	SS							
4	DF							
5	BL							
	Total							

Bangladesh Krishi Bank (BKB)

(Amount in Lac)

6	Quality Sector-wise loan	Standard		SMA		SS		DF		BL		Total		Comment
		No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	No.	Amount	
A	Business/ Commercial loan													
B	Industrial Credit													
C	SME													
D	Agriculture/ Rural & Micro- credit													
E	Others													

Bangladesh Krishi Bank (BKB)

(Amount in Lac)

	Subject:	Position of Previous		Position of Current		Progress/ Change		Comment
		Months		Months		(+ -)		
		No.	Amount	No.	Amount	No.	Amount	
7	Accounts of Delinquent/Wilful defaulted loan							
8	Credit & Collateral Documentation Exception							
9	Fixation of interest of Non-Accrual loan accounts							
10	Accounts violating Credit Policy, Rules & Regulations of BB.							
11	Accounts violating Credit Policy of the Bank & disburse beyond limit							
12	Accounts of Problem Loans or major portion of loans centralized to Several borrowers.							
13	Rescheduled/ Re-constituted Accounts not complying the repayment schedule of sanction letter							