A Study on Loan and Advances of Agrani Bank Limited

Md. Ashabur Rahman\textsuperscript{1}

Abstract

Loans and Advance section of a bank is very important because the success of this department helps to increase its business. If this section does not properly work, the bank itself may become bankrupt. Bank makes loans and advances mostly to traders, businessmen, and industrialists. Although the nature of credit may differ in terms of security requirement, disbursement provision terms and conditions etc. To ensure secured banking Agrani Bank Limited works closely with its clients, the regulatory authorities, the shareholders, other banks and financial institutions. This bank recently achieved lots of milestones rather than other banks. The credit administration of this bank works very efficiently where loan documentation is performed by the experienced bankers. Presently the management is focusing on reducing Non-performing loans (NPLs) which is a big step of loan recovery. Apart from these, Agrani Bank Limited provides other services and some kinds of value added services for the welfare of the people. However, Loan and Advances is the most important asset as well as the primary sources of earning of a bank which help to improve financial health of a bank.

Keywords: Loans, Advance, CIB Enquiry, Credit Disbursement, Charge Documents, Mortgage, Non-performing loans (NPLs), Recovery

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1. Introduction:

The loan and credit department is one of the most important departments of any bank. The money organized from ultimate surplus units are distributed through this department to the borrower. Success of this department keeps a great influence on the overall profit of a bank. Failure of this department may lead the bank to huge losses or even to bankruptcy. Like any other bank loans and advance section of Agrani Bank Limited also tries to do their job perfectly. Moreover, lending being the most important function of commercial bank, every bank follows their own credit policy as per the guidelines of the Bangladesh Bank.

2. Methodology:

This article covers practical aspects of loans and advance section of Agrani Bank Limited. The data gathering for the factual description of the article included collecting and reviewing secondary sources, such as academic literature, internal booklet, annual assignment, statements, reports, policy guidelines, circulars, publicly available data and other official documents. It is based on sources that are reliable and relevant. Though this study is primarily qualitative in nature, both qualitative and quantitative approaches have been used for validity and reliability.

3. Difference between Loans and Advance:

<table>
<thead>
<tr>
<th>BASIS FOR COMPARISON</th>
<th>LOANS</th>
<th>ADVANCES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Meaning</td>
<td>Funds borrowed by an entity from another entity, repayable after a specific period carrying interest rate are known as Loan.</td>
<td>Funds provided by the bank to an entity for a specific purpose, to be repayable after a short duration is known as Advances.</td>
</tr>
<tr>
<td>What is it?</td>
<td>Debt</td>
<td>Credit Facility</td>
</tr>
<tr>
<td>Term</td>
<td>Long Term</td>
<td>Short Term</td>
</tr>
<tr>
<td>Legal formalities</td>
<td>More</td>
<td>Less</td>
</tr>
<tr>
<td>Security</td>
<td>May or may not be secured</td>
<td>Primary security, collateral security and guarantees.</td>
</tr>
</tbody>
</table>

Table-01: Difference between Loans and Advance\(^2\).

\(^2\) “Difference Between Loans and Advances.”
4. Categories of Loans and Advances:

In case of loan the banker advances a lump sum for a certain period at an agreed rate of interest. The total amount is paid by crediting in his current account, which he can draw at any time. The loan may be repaid in installments or at expiry of a certain period. There are various kinds of loans provided by the Agrani Bank Limited. They are:

<table>
<thead>
<tr>
<th>SL</th>
<th>Category</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Term Loan</td>
<td>Industrial Credit</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Staff Loan (SHBL)</td>
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<td></td>
<td></td>
<td>GHBL</td>
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<td></td>
<td></td>
<td>Transport Loan (Staff and General)</td>
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<td></td>
<td></td>
<td>Consumer Loan</td>
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<tr>
<td></td>
<td></td>
<td>Personal Loan</td>
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<td></td>
<td></td>
<td>APL, Personal Loan</td>
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<td></td>
<td></td>
<td>Computer Loan</td>
</tr>
<tr>
<td>2</td>
<td>Continuous Loan</td>
<td>Loan against APS, FDR</td>
</tr>
<tr>
<td></td>
<td></td>
<td>CC (Pledge &amp; Hypo)</td>
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<td></td>
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<td>Nari Agrani</td>
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<td></td>
<td></td>
<td>SME Advance</td>
</tr>
<tr>
<td>3</td>
<td>Demand Loan</td>
<td>Loan against cash subsidy</td>
</tr>
<tr>
<td></td>
<td></td>
<td>FBP, PAD, LIM</td>
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<td></td>
<td></td>
<td>PC</td>
</tr>
<tr>
<td>4</td>
<td>Stac &amp; Micro</td>
<td>Special Micro Credit Program</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Small and Micro Credit</td>
</tr>
</tbody>
</table>

Table-02: Loan Category

However, all loans and advances are grouped into four (4) categories for the purpose of classification which are discussed below.

4.1 Continuous Loan:

The loan accounts in which transactions may be made within certain limit and have an expiry date for full adjustment will be treated as Continuous Loan. Examples are: Cash Credit, Overdraft, etc.

4.2 Demand Loan:

The loans that become repayable on demand by the bank will be treated as Demand Loan. If any contingent or any other liabilities are turned to forced loan (i.e. without any prior approval as regular loan) those too will be treated as Demand Loan. Such as: Forced Loan

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3 This data is collected from internal source.
against Imported Merchandise, Payment against Document, Foreign Bill Purchased, and Inland Bill Purchased, etc.

4.3 Fixed Term Loan:

The loans, which are repayable within a specific time period under a specific repayment schedule, will be treated as Fixed Term Loan.

4.4 Short-term Agricultural & Micro-Credit:

Short-term Agricultural Credit will include the short-term credits as listed under the Annual Credit Programme issued by the Agricultural Credit and Financial Inclusion Department (ACFID) of Bangladesh Bank. Credits in the agricultural sector repayable within 12 (twelve) months will also be included herein. Short-term Micro-Credit will include any micro-credits not exceeding an amount determined by the ACFID of Bangladesh Bank from time to time and repayable within 12 (twelve) months, be those termed in any names such as Non-agricultural credit, Self-reliant Credit, Weaver's Credit or Bank’s individual project credit.

5. Loan Products of Agrani Bank Limited:

Agrani Bank Limited has different kind of product and services. Its 953 branches carry out all its Banking activities very significantly. However, the Loan Products of Agrani Bank Limited is given below.

5.1 Personal Loan:

i. Applicable for any salaried person in Agrani Bank Limited,

ii. Loan limit upto 10 lac,

iii. Age limit 18-55 years,

iv. Interest Rate 11.00%,

v. 5 years period & repayment by monthly installment,

vi. No security required,

vii. Easy loan processing,

5.2 Any Purpose Loan:

i. Applicable for any service holder who has worked for at least 5 years or has service left for at least 5 years,

ii. Loan limit up to 3.00 lac,

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4 "OVERVIEW OF AGRANI BANK LIMITED."
5 “Personal Loan.”
6 “Any Purpose Loan.”
iii. Interest Rate 11.00% (changeable),
iv. 5 years period & repayment by monthly installments,
v. Clients personal guarantee and guarantee from a solvent person is required,
vi. Easy loan processing,

5.3 Freedom Fighter Loan\(^7\):

i. Applicable for Freedom Fighters who avails Govt. Subsidize/Govt. allowance from any branch of Agrani Bank Limited,
ii. Freedom Fighters wife, son, daughter, who are involve in small business/self-employment can avail this loan,
iii. Loan limit up to 5.00 lac,
iv. Interest Rate 8% (changeable),
v. Period 5 years and monthly installments will be adjusted from Freedom Fighters monthly/Quarterly Govt. allowance,
vi. Easy loan processing,

5.4 Loan against Pension Vata of Retired Govt. Officer or Staff\(^8\):

i. Applicable for any Govt. retired officer or stuff,
ii. Term loan,
iii. Age limit 65 years,
iv. Loan limit up to 5.00 lac,
v. Interest Rate 9% (changeable),
vi. Period 5 years and repayment by monthly installment which will be adjusted from his or her pension benefit,
vii. Personal guarantee required,
viii. Easy loan processing,

5.5 Agrani Bank Loan for Overseas Worker- ALOW\(^9\):

i. Applicable for any person who has got a valid job visa abroad and also for people who are willing to go abroad for job,
ii. Persons who has completed Passport, Training, Visa, Health Exam, Smart card, Airline Ticket or has completed partially of these,
iii. Persons wishes to go abroad for job and in need of money to complete the above functions can also apply,
iv. Age limit 18-45 years,
v. Loan limit 50,000-3,00,000,
vi. Interest Rate 9% (changeable),

\(^7\)“Freedom Fighter Loan.”
\(^8\)“Loan Against Pension Vata of Retired Govt. Officer or Staff.”
\(^9\)“Agrani Bank Loan For Overseas Worker- ALOW.”
vii. Period 15-18 months,
viii. Repayment by monthly installment which will be deducted from his or her savings account,
ix. Personal guarantee of clients close relatives (Father, Mother, Brother, Sister),
x. Personal guarantee of client,
xi. Easy loan processing,

5.6 Green Banking Finance:

i. Term loan,
ii. Funding for Environment oriented technologies, projects, industries or business such as -
iii. Solar home system, mini grid, irrigation pumping system, Bio gas plant, Hydro power plant, PET bottle reprocessing plant, LED bulb production, Solar battery reprocessing plant, E-fluent treatment plant etc.
iv. Collateral security, personal guarantee, corporate guarantee, post-dated cheques required,
v. Monthly/Quarterly/yearly equal/unequal installments,
vi. Interest Rate 9% (changeable),

5.7 Short Term SME Loan:

i. Short Term Loan,
ii. Loan for small business,
iii. 3 years’ experience in trade,
iv. Age Limit 18-60 years,
v. Loan limit up to 3.00 lac,
vi. Interest Rate 9% (changeable),
vii. Personal guarantee, guarantee of a solvent person and also guarantee of clients Father/Mother/Wife/ Husband required,

6. Loan Classification:

a) Any Continuous Loan if not repaid or renewed within the fixed expiry date for repayment or after the demand by the bank will be treated as past due or overdue from the following day of the expiry date.

10 “Green Banking Finance.”
11 “Short Term SME Loan.”
b) Any Demand Loan if not repaid within the fixed expiry date for repayment or after the demand by the bank will be treated as past due or overdue from the following day of the expiry date.

c) In case of any installment(s) or part of installment(s) of a Fixed Term Loan is not repaid within the fixed expiry date, the amount of unpaid installment(s) will be treated as past due or overdue from the following day of the expiry date.

d) The Short-term Agricultural and Micro-Credit if not repaid within the fixed expiry date for repayment will be considered past due or overdue after six months of the expiry date.

e) All unclassified loans other than Special Mention Account (SMA) will be treated as Standard.

f) A Continuous loan, Demand loan or a Term Loan which will remain overdue for a period of 02 (two) months or more, will be put into the "Special Mention Account (SMA)". This will help banks to look at accounts with potential problems in a focused manner and it will capture early warning signals for accounts showing first sign of weakness. Loans in the "Special Mention Account (SMA)" will have to be reported to the Credit Information Bureau (CIB) of Bangladesh Bank.

g) Loans except Short-term Agricultural & Micro-Credit in the "Special Mention Account" and “Sub-Standard” will not be treated as defaulted loan for the purpose of section 27 KaKa(3) [read with section 5(GaGa)] of the Banking Companies Act, 1991\(^\text{12}\).

h) Any Continuous Loan will be classified as:
   i. ‘Sub-standard’ if it is past due or overdue for 03 (three) months or beyond but less than 06 (six) months.
   ii. ‘Doubtful’ if it is past due or overdue for 06 (six) months or beyond but less than 09 (nine) months.
   iii. ‘Bad or Loss’ if it is past due or overdue for 09 (nine) months or beyond.

i) Any Demand Loan will be classified as:
   i. ‘Sub-standard’ if it remains past due or overdue for 03 (three) months or beyond but not over 06 (six) months from the date of expiry or claim by the bank or from the date of creation of forced loan.
   ii. ‘Doubtful’ if it remains past due or overdue for 06 (six) months or beyond but not over 09 (nine) months from the date of expiry or claim by the bank or from the date of creation of forced loan.
   iii. ‘Bad/Loss’ if it remains past due or overdue for 09 (nine) months or beyond from the date of expiry or claim by the bank or from the date of creation of forced loan.

j) Assessment:
   Despite the probability of any loan being affected due to the reasons stated above or for any other reasons, if there is any hope for change of the existing condition by resorting to proper steps, the loan, on the basis of assessment, will be classified as 'Sub-standard '. But even after resorting to proper steps, there exists no certainty of

total recovery of the loan, it will be classified as 'Doubtful' and even after exerting the all-out efforts, there exists no chance of recovery, it will be classified as 'Bad or Loss'.

k) Forms of Loan Classification:
Loan classification, provisioning and interest suspense i.e CL-1 to CL-5 has been enclosed herewith which will replace the existing ones.
- CL-1 is the summary of 4 other forms. This form is for showing summary of classification status for different loan categories mentioned earlier along with staff loan.
- CL-2 is for reporting loan classification of Continuous Loan.
- CL-3 is for reporting loan classification of Demand Loan.
- CL-4 is for reporting loan classification of Term Loan.
- CL-5 is for reporting loan classification of Short-term Agricultural and Micro-Credit.

l) Loan Classification Status:
- UC (unclassified): regular payment status
- SMA (Special Mentioned Account): 2 to 6
- SS (Sub-Standard): 6 to 9 month
- DF (doubtful): 9 to 12 month
- BL (Bad and Loss): 12 month or more
- BLW (Bad and Loss Written-off): Totally unpaid.

After completing the above mentioned process the Management takes the decision whether the loan will be sanctioned or not.

7. Credit Proposal:
At the time of analyzing a credit proposal the following information are to be collected from the borrowers or guarantors in the prescribed format which is subject to change as needed.

✓ Full particulars of the borrowers or guarantors;
✓ Nature of business or Place of business;
✓ Purpose of Loan;
✓ Up-to-date CIB report;
✓ Three years audited financial statements;
✓ Statement of personal assets & liabilities;
✓ Certified Tax Return Statement regarding income, Expenses, Assets & Liabilities;
✓ Transaction profile;
✓ Schedule of collateral offered and valuation thereof;
✓ Trade License, Environment Department's clearance;
✓ Detailed liability position with contingent liabilities;
✓ Credit Rating which should not be below BBB;
✓ Detail data from Large Customer to prepare database;
Sources of utility;
Invoice;
Contract between Suppliers & Customers.
Interim financial statement.
Personal financial statement of the owner or guarantor.

8. CIB Enquiry:

The Credit Information Bureau (CIB) was set up in Bangladesh Bank (BB) in the year 1992 with the objective of minimizing the extent of default credit. The Credit Information Bureau (CIB) of Bangladesh Bank is responsible among others for collection, processing and maintaining an updated database of credit related information supplied by participants, institutions which extend credit i.e. banks (Act.14, 1991), Financial Institutions (Act.27, 1993), HBFC (Presidential Order 7, 1973), ICB (ICB Order 40, 1976). The CIB was set up on 18 August 1992 in the Bangladesh Bank. One of the objectives behind setting up of the CIB was to minimise the extent of default loans by providing the participants with timely reports on credit information based on the enquiry or request about the loan applicants so as to facilitate credit risk analysis by the banks or FIs and decide promptly on the loan applications.

Credit Information Bureau (CIB) is a credit record of an individual, which contains the repayment history of liability. The CIB is generated from central bank of a country. In the previous time, the CIB was generated manually but now a days it is generated through online from the server of Central Bank. In manual process it was a lengthy process which took about 15 to 20 days to generate, but now it requires only few seconds.

9. CIB (Credit Information Bureau) Process:

a) File receiving from Branch with CIB inquiry and Undertaking Form: Two of important forms are sent by Branch to provide information about the Applicant. Those are CIB Inquiry Form and Letter of Undertaking.

b) Log-in to Bangladesh Bank CIB online Server (www.bbcib.org.bd): By using user name and password, login to the website to generate CIB report.

c) Applicant’s Information input to the Bangladesh Bank CIB online Server: Inputs. It includes role, types of Financing, Periodicity of the Payment, Credit Limit, Request, and Date of the Financing; Subject Data (Borrower/Co-Applicant/Guarantor), Individual Data including Applicant’s Title, Name, Father’s Title, Father’s Name,

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13 “CIB Circular No. 2.”
14 Policies and guidelines for New CIB Online Solution.
15 Policies and guidelines for New CIB Online Solution.
After inputting all the information in the Bangladesh Bank CIB online Module, click on ‘Send Request’ Button. Then the request will be processing on the server. The whole process works like:

Information input — click on —> Send Request —> Request will be —> Processing

d) Receiving the PDF document from Bangladesh Bank CIB online server: After Imputing all the information of the applicant and then sending it to the server to generate CIB report, MIS receives a PDF document from the Bangladesh Bank CIB online Server. MIS officer download the Document from server. Then open the file to further analysis.

e) Analyze the Loan Status: After receiving the PDF, MIS analyze the loan status of the applicant provided by Bangladesh Bank Credit Information Bureau.

10. Exemption from Reporting to CIB and Collecting CIB Report:

a) If a customer has outstanding liability-
   i. less than Tk. 10,000.00 if it is a credit card customer,
   ii. less than or equal to Tk. 250,000.00 if it is short-term agricultural investment or loan customer given for crop cultivation,
   iii. less than Tk. 50,000.00 if it is other than above two types of customer.

The bank/FIs are not required to report credit/investment information of the customer to CIB database of Bangladesh Bank.

b) CIB Report is not required for short-term agricultural credit/investment amounting to a maximum of Tk. 250,000 for the purpose of Crop Cultivation only. However, Bank/FIs must ensure that the credit/investment facility is not given to a defaulter.

10.1 Specimen of CIB Form:

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16 “Agricultural & Rural Credit Policy & Program for the FY 2017-18 (Para 5.07).”
11. Preparation of Project Profile:

A project profile is a simplified description of an eventual project. In addition to defining the purpose and ownership of the project, it presents a first estimate of the activities involved and
the total investment that will be required, as well as the annual operating costs and, in the

case of income generating projects, the annual income.

It is simplified in a number of senses; costs may still not be well defined, minor items may be

excluded, and assumptions as to the demand for the output of the investment, whether it is a

childcare facility, a bridge, or canned vegetables, are probably just that - assumptions.

The project profile serves a number of important purposes. These are discussed briefly below.

a) It helps to ensure that the members of the community or group involved understand

the probable implications of their proposal in terms of investment and operating costs,

labour requirements, scale of operations and other factors. It is often not until the

proposed project is debated publicly and written down in front of everyone that these

elements really emerge. Up to this point, group members may just have felt that it

would be 'good' to have a new access road to the village, without really understanding

what that might entail - both for the village as a whole and for them personally.

b) It helps eliminate wasted effort in preparing detailed projects that are incoherent,

lacking support among the applicants, or which fail to meet basic tests of viability. If

human and financial resources to support project formulation are limited - which is

usually the case - this aspect of the profile in acting as a 'filter' is very important. If the

community can only receive funds to support one full project preparation per year, it

is best not to waste those resources on a project that has no chance of success.

c) The participation of group members in the preparation and assessment of the profile is

an important stage in the ownership process for the specific project, as well as

increasing the confidence of the participants in their ability to identify and develop

real solutions to their problems (or responses to opportunities). For communities and

groups, which have always relied on outsiders telling them what should be done, such

confidence building is a valuable contribution to the social capital of the community.

d) Together with the other stages in the Rural Invest approach, it contributes to a more

successful implementation process. Experience has shown that projects developed

through Rural Invest, and which have had participatory project profile development

exercises, present fewer problems during the subsequent implementation process. In

part this seems to occur because the applicants understand more clearly the objectives

and operation of the project. Other factors may include their increased confidence and

ownership in the project, and the relationship developed with the local technicians.

Mentioned below is the standard format for preparing Project Report for Bank Loan:

a) Introductory Page
b) Summary of the project
c) Details about the Promoters, their educational qualifications, work experience, etc.
d) Current Status of the Business, its products and services, target market, and activities.
e) Employees, details about the top management, their educational qualifications, work

experience, etc.
f) Infrastructure facilities, tools deployed, operational premises, machinery, etc.
g) Customers, details about them as well as prospective customers
h) Regional Operations
i) Fiscal acquisitions and tie-ups
j) Means of Financing
k) Balance Sheet
l) Profit and Loss Statements
m) Fund Flow Statement
n) Chief Ratios
o) Break Even Point Evaluations
p) Conclusions

12. Credit Documentation:

“Documentation” should be viewed as a process of ensuring shield against risk of non-repayment of loan comprehensively in 03 (three) dimensions as are the Type of Borrower, the Type of Loan or credit facilities and the Type of Security Arrangement. In general, following papers and documents to be maintained irrespective of type of borrower, loan and security are:

i. Demand Promissory Note
ii. Letter of Authority
iii. Letter of Arrangement
iv. Letter of Disbursement
v. Letter of Revival
vi. Personal Net worth statement
vii. Copy of National ID
viii. Credit Approach in Business Pad of the Borrower
ix. Credit Application in prescribed format duly filled in
x. Photograph of the Borrower
xi. Up-to-date CIB Report
xii. Credit report of the Borrower/Supplier
xiii. Liability Declaration of the borrower along with an Undertaking that they have no liability with any bank or financial institution excepting as declared.
xiv. Undertaking stating that, they will not avail any credit facility from any other bank or financial institution without prior consent of the bank.
xv. Undertaking stating that customer does not have any relationship as Director or Sponsor with the bank.
xvi. Undertaking stating that customer shall not sell or transfer the ownership of the business/factory/shop until bank dues are fully paid or without NOC of the bank.
xvii. Credit Risk Grading Score Sheet (CRGS)
xviii. Post-dated cheque covering the credit facility
xix. Acceptance of the Borrower to the Sanction Letter
xx. Proper Stamping
12.1 Checklist according to the Type of Borrower:

<table>
<thead>
<tr>
<th>SL No</th>
<th>Types of Borrower</th>
<th>Documents</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Individual Borrower</td>
<td>✓ Letter of Guarantee of a Third Person</td>
</tr>
<tr>
<td></td>
<td></td>
<td>✓ Personal Net-Worth Statement (PNS) of Guarantor</td>
</tr>
<tr>
<td></td>
<td></td>
<td>✓ Personal Net-Worth Statement (PNS) of the Borrower</td>
</tr>
<tr>
<td></td>
<td></td>
<td>✓ Letter of Guarantee of the Spouse of the Borrower</td>
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<tr>
<td>2</td>
<td>Proprietorship Firm</td>
<td>✓ Trade License (up to date)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>✓ Personal Net-Worth Statement (PNS) of Proprietor</td>
</tr>
<tr>
<td>3</td>
<td>Partnership Firm</td>
<td>✓ Trade License (up to date)</td>
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<tr>
<td></td>
<td></td>
<td>✓ Partnership Deed (Registered)</td>
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<td>✓ Letter of Guarantee of the partners</td>
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<tr>
<td></td>
<td></td>
<td>✓ Personal Net-Worth Statement (PNS) of Partners</td>
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<tr>
<td></td>
<td></td>
<td>✓ Letter of Partnership</td>
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<td></td>
<td></td>
<td>✓ Partnership Account Agreement.</td>
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<tr>
<td>4</td>
<td>Limited Company</td>
<td>✓ Trade License (up to date)</td>
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<td></td>
<td></td>
<td>✓ Memorandum &amp; Articles of Association (Certified by RJSC)</td>
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<td></td>
<td>✓ List/Personal profile of the Directors</td>
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<td>✓ Certificate of Incorporation</td>
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<td>✓ Form XII Certified by RJSC (Particulars of Directors)</td>
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<td>✓ Board Resolution in respect of availing loans &amp; execution of document with Bank</td>
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<td>✓ Letter of Guarantee of the Directors</td>
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<td></td>
<td></td>
<td>✓ Personal Net-Worth Statement (PNS) of Directors</td>
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<tr>
<td></td>
<td></td>
<td>✓ Deed of Mortgage &amp; Hypothecation for creation of Charge on fixed &amp; floating assets (existing &amp; future) with RJSC</td>
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<td></td>
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<td>✓ Modification of charge with RJSC through form 19</td>
</tr>
<tr>
<td></td>
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<td>✓ Certified copy of charge creation certificate from RJSC</td>
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<td></td>
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<td>✓ Undertaking stating that the borrower shall not make any amendment or alteration in Memorandum &amp; Article of Association without prior approval of Bank.</td>
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<td>✓ Approval of the Bank for any inclusion or exclusion of Directors in &amp; from the company</td>
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<td></td>
<td></td>
<td>✓ Certificate of Commencement (In case of Public Limited Company)</td>
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<td></td>
<td>✓ Joint venture Agreement (In case of Joint Venture company)</td>
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<td></td>
<td>✓ BOI Permission (In case of Joint venture company)</td>
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<tr>
<td>5</td>
<td>CC (Hypo)</td>
<td>✓ Letter of Hypothecation of stock in Trade</td>
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<td></td>
<td></td>
<td>✓ Supplementary Letter of Hypothecation</td>
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<td></td>
<td></td>
<td>✓ IGPA to sale Hypothecated goods</td>
</tr>
<tr>
<td></td>
<td></td>
<td>✓ Letter of Continuity</td>
</tr>
<tr>
<td></td>
<td></td>
<td>✓ Periodical Stock Report</td>
</tr>
<tr>
<td></td>
<td></td>
<td>✓ Letter of Disclaimer form the owner of rented Warehouse</td>
</tr>
<tr>
<td></td>
<td></td>
<td>✓ Insurance Policy cover note</td>
</tr>
<tr>
<td>6</td>
<td>CC (Pledge)</td>
<td>✓ Letter of Pledge</td>
</tr>
<tr>
<td></td>
<td></td>
<td>✓ IGPA to sale Pledged goods</td>
</tr>
<tr>
<td></td>
<td></td>
<td>✓ Letter of Continuity</td>
</tr>
<tr>
<td></td>
<td></td>
<td>✓ Periodical Stock Report</td>
</tr>
<tr>
<td></td>
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<td>✓ Letter of Disclaimer form the owner of rented Warehouse</td>
</tr>
<tr>
<td>Page</td>
<td>Description</td>
<td></td>
</tr>
<tr>
<td>------</td>
<td>-------------</td>
<td></td>
</tr>
</tbody>
</table>
| 7 | Overdraft (General)  
| | ✓ Insurance Policy cover note  
| | ✓ Letter of Continuity  
| | ✓ Insurance Policy cover note  
| 8 | SOD (Work Order)  
| | ✓ Bid Document/ Tender Notice  
| | ✓ Letter of Awarding  
| | ✓ Assignment of Bills against work order  
| 9 | SOD (FO)  
| | ✓ The Financial Instrument duly discharged on the Back  
| | ✓ Lien on the Financial Instrument  
| | ✓ Letter of Continuity  
| 10 | SOD (Scheme Deposit)  
| | ✓ Lien on the Scheme Deposit  
| | ✓ Letter of Continuity  
| 11 | Term Loan  
| | ✓ Term Loan Agreement  
| | ✓ Letter of Installment  
| | ✓ Letter of Undertaking  
| | ✓ Amortization Schedule  
| | ✓ Insurance Policy cover note  
| 12 | Home Loan for purchase of Flat or Floor Space  
| | ✓ Power of attorney for developing the property  
| | ✓ Letter of Installment  
| | ✓ Letter of Undertaking  
| | ✓ Amortization Schedule  
| | ✓ Letter of Allotment of Flat or Floor Space  
| | ✓ Tripartite Agreement among Purchaser, Developer and Bank (If under construction)  
| | ✓ Undertaking of the borrower to the effect that he will mortgage the flat/floor space favg the Bank at the moment the same is registered in his name by the seller.(If Under construction)  
| | ✓ Agreement between Land Owner & Developer  
| | ✓ Sharing Agreement between Land Owner & Developer  
| | ✓ Copy of approved plan of construction from concerned authority.  
| 13 | Consumers’ loan/ Personal Loan  
| | ✓ PNS of the Borrower  
| | ✓ PNS of the Guarantor  
| | ✓ Letter of Guarantee of the Guarantor  
| | ✓ Letter of Guarantee of the Spouse of the Borrower  
| | ✓ Insurance Policy cover note  
| 14 | SME/Small Loan  
| | ✓ As per type of borrower & nature of security  
| 15 | Lease Finance  
| | ✓ Lease Agreement  
| | ✓ Lease Execution Certificate  
| | ✓ Quotation / Price Offer duly accepted by borrower  
| | ✓ BRTA Registration Slip (In case of Motor Vehicle) Insurance Policy cover note  
| 16 | Hire Purchase Loan  
| | ✓ Hire Purchase Agreement  
| | ✓ Quotation / Price Offer duly accepted by borrower  
| | ✓ BRTA Registration Slip (In case of Motor Vehicle)  
| | ✓ Insurance Policy cover note  
| 17 | House Building  
| | ✓ Letter of Installment  
| | ✓ Letter of Undertaking  

15 | Page
| Loan | ✓ Amortization Schedule  
✓ Approved Plan form the competent authority |
|---|---|
| 18 House Building Loan (To Developer) | ✓ Power of Attorney for development of property Agreement between Land owner & Developer  
✓ Sharing Agreement between Land owner & Developer  
✓ Copy of approved plan of construction from concerned authority  
✓ Letter of Installment  
✓ Letter of Undertaking  
✓ Amortization schedule  
✓ Copy of Title deed of the property on which construction will be made  
✓ Copy of Bia deed (previous deed in support of Title deed) |
| 19 IDBP | ✓ Acceptance of L/C issuing Bank (duly verified)  
✓ Letter of Indemnity |
| 20 Guarantee Facility | ✓ Counter Guarantee  
✓ Bid Document or the document where requirement of Guarantee stated |
| 21 Syndicated Loan | ✓ Facility Agreement  
✓ Escrow Account Agreement  
✓ Creation of Paripassu Sharing charge with RJSC  
✓ Participation Letter  
✓ Subordination Agreement  
✓ Deed of Floating charge on the Balance for Escrow Account  
✓ Accepted Mandate Letter  
✓ Information Memorandum  
✓ Participant’s Commitment Letter |

Table-03: Type of Borrower.

12.2 Checklist according to the Type of Security:

<table>
<thead>
<tr>
<th>SL No</th>
<th>Types of Security</th>
<th>Documents</th>
</tr>
</thead>
</table>
| 1 | Corporate Guarantee | ✓ Corporate Guarantee of Guarantor Company on Non-Judicial Stamp  
✓ Resolution of the Board of the Guarantor Company (Memorandum of the Guarantor company must permit to do so.) regarding Guarantee. |
| 2 | Hypothecation of Stock/Receivables | ✓ Letter of Hypothecation  
✓ IGPA to sale hypothecated Stock / Receivables  
✓ Letter of disclaimer form the owner of Rented Warehouse |
| 3 | Assignment of Bill | ✓ Assignment of Bill by the beneficiary through IGPA  
✓ Letter of Acceptance of Assignment by the work giving authority  
✓ Original Work Order |
4. Lien on Financial Instrument like FDR etc. 
- The Instrument duly discharged on the back of it.
- Letter of Lien (‘1st Party Lien’ - if the Borrower is the owner of the Instrument, ‘3rd Party Lien’ - if the Owner of the Instrument is one other than Borrower)
- Letter of Authority to encash the instrument as & when needed by the Bank
- Confirmation of Lien (Marking of Lien) from the issuing Bank.

5. Lien on Demated Stock/Shares 
- NOC of the Company in case of Sponsor’s Share
- Confiscate Request Form (Form19-1) duly signed by the pledgor.
- Pledge Request form (Bye Law 11.9.3) duly signed by the holder of the share.
- Pledge setup Acknowledgement from Brokerage House
- CDBL generated copy of Pledge Setup

6. Pari-Passu Security 
- Pari Passu Security Sharing Agreement among lenders.
- NOC from existing lenders if the property/assets are already under pari pasu sharing.
- Certificate of RJSC on creation of charge on Fixed & floating assets of the company.
- Form XIX for modification of charge on Fixed & floating assets with RJSC

Table-04: Type of Security.

13. Preparation of Credit Sanction Letter:

A Sanction letter is issued by the bank to the applicant of the loan. This letter is a proof that an applicant is eligible to a certain amount of loan from the bank. When a borrower approaches to ABL for a loan, he or she is required to fulfill the following criteria:

a) He or she has to be a client of the bank.
b) He or she needs to apply properly & describing the purpose of the loan amount needed.
c) His or her capacity of repayment.

14. Sanction Procedure of the Loan:

The concerned branch sanctions loan to the clients if it is within their limit but the limit when exceeds, the sanction letter including all necessary charge documents to the asset operation for disbursement the loan is send to the superior authority for approval. The opinion of Law Division is also taken regarding this. The following procedure is maintained while sanctioning a loan.
14.1 Getting Loan Proposal:
Bank provides loan facilities to the people who are credit worthy to the bank. Credit worthiness depends on the credibility, financial capability, and feasibility of the project and management ability of the clients to earn profits. When bank is satisfied with all these then the client is provided with the requested loan. At this point it should be mentioned that the client has to go through an interview where his loan potentiality is justified through critical observation. When loan officer is satisfied with the customer he is asked to submit an application and to fill up a form with specific details.

14.2 Evaluating project or client:
When Credit officer is satisfied with his credit worthiness, financial capability, management ability and feasibility of the project through credit appraisal of clients in a prescribed form, he/she can hope for credit from the bank. Credit appraisal is done through „credit appraisal form”. Ratio analysis is give importance in case of project finance. But most of the medium quality loans are given on the basis of financial capability of repaying and credit worthiness of the client. Credit officer prepares a credit proposal along with the prescribed „Credit Proposal From”. Credit officer measures the risk associated with the credit facility. No credit proposal can be put for approval unless there has been a complete written analysis. It is absolute responsibility of the proposing officer to ensure that all necessary proposal documentation have been collected before the facility request is sent to the sanctioning officer.

14.3 Evaluating Primary Security:
The primary function of the modern bank is to make advance against various types of securities whether moveable or immoveable. To bind the charge of those securities, banks create some documents to protect the safe guard of bank interest or bank money. The documentation varies depending upon the types of securities being accepted & nature of charge being created. Document should execute and stamped according to the law. Mainly document of the bank is called charged document in which bank may create charge against its disbursement.

14.4 Charge Documents:

14.4.1 Letter of Acceptance (true copy of sanctioned advice)

14.4.2 Application
14.4.3 Letter of Installment:

This Application Form is collected by the author from the Agrani Bank Limited.

This Letter of Installment is collected by the author from the Agrani Bank Limited.
14.4.4 DP Note:

Figure-04: DP Note\textsuperscript{19}.

14.4.5 Letter of Disbursement:

Figure-05: Letter of Disbursement\textsuperscript{20}.

\textsuperscript{19} This DP Note is collected by the author from the Agrani Bank Limited.

\textsuperscript{20} This Letter of Disbursement is collected by the author from the Agrani Bank Limited.
14.4.6 Letter of Guarantee:

**LETTER OF GUARANTEE**

**AGRANI BANK LIMITED**

In consideration of your making or continuing advances or otherwise giving or continuing credit accommodation to Mr./Ms. ________________________________

of ______________________ P.S. ______________ Dist ________________

hereinafter called the Principal/We jointly and severally guarantee to you due repayment within seven days after demand, of all moneys which shall at any time to be due to you from the said principal, in any shape of form, together with interest charges, cost etc.

And I/We __________________________________________________________

Jointly and severally, further agree as under:

(1) My/Our liability under this guarantee shall be that a principal debtor and you may at your option hold me/us primarily responsible for the liabilities of the Principal.

(2) This guarantee shall be a continuing security binding on me/us and my/our personal representative assigns, notwithstanding granting of time or other indulgence by you to any one or more of us, this guarantee shall remain as a continuing security as regards the other or others. This guarantee shall continue to be binding on me/us and my/our representatives in respect or all liabilities of the Principal up to the limit mentioned above at the date of receipt of such notice whether certain or contingent and also for any credits established for the Principal and for all instruments drawn on you or accepted by you for the benefit of the Principal.

(3) This guarantee is addition and without prejudice to any other guarantee or securities given be me/us in respect of any indebtedness covered by this guarantee.

(4) This guarantee shall not be discharge or prejudiced by any partial payment or by settlement of accounts or the existence of a credit balance of the principal at any time or by discharge of the principal by operation of law or for any other reason.

(5) You may as you think fit and without reference to me/us, grant to the Principal time or other indulgence or make or accept any arrangement or composition within him in respect of
any indebtedness hereby guaranteed, and also vary, renew, release, realise or in any way
deal with any securities or rights now or hereafter held by you in respect or the indebtedness.

(6) You may deal with any dividends, partial payments etc. received in respect of the
indebtedness hereby guaranteed, and also with any securities held or proceeds thereof, as
you may deem fit so as to confer on you maximum benefit.

(7) In respect of any securities held by you in respect of the indebtedness hereby
guaranteed, we shall not do or cause to be done anything that will impair their value or, in
case of or insolvency of the principal or of a co-surety shall not prove in competition until all
the money due to you are repaid.

(8) Any account settled between you and the principal as will any statement or the Bank
regarding the amount due to you at any time will be accepted by me/us conclusive evidence
to the extent of my/our liability under the guarantee.

(9) In the case of the Principal or ourselves being a firm, any charge in constitution shall
not affect our liability hereunder.

(10) Where the Principal purpose to act on behalf of other persons or Corporation or
Company, you shall not be bound to enquire into the powers of such Principal, and all
moneys borrowed by will be covered by this guarantee notwithstanding any absence of
unsufficiency or irregularity, in the exercise of the powers.

(11) Any notice by way of demand request or otherwise hereunder, may be given to me/us
or any of us personally or may be left at the last known place of business or residence or may
be sent to me/us or any of us by post addressed as aforesaid and of same post if shall be
deemed to have been duly given when it would reach me/us in due course of post if, for want
of address or otherwise the notice cannot be given by post, an advertisement in a newspaper
shall be deemed sufficient notice given on the day advertisement appears.

Dated this .................................

day of .................................

Signature ................................

Form No- 1154-07
10-06567

Figure-06: Letter of Guarantee\textsuperscript{21}.

\textbf{14.4.7 Letter of Continuity with a stamp of BDT. 300.0}

\textsuperscript{21} This Letter of Guarantee is collected by the author from the Agrani Bank Limited.
14.4.8 Letter of Undertaking

14.4.9 Letter of Indemnity:

Figure-07: Letter of Indemnity\textsuperscript{22}.

\textsuperscript{22} This Letter of Indemnity is collected by the author from the Agrani Bank Limited.
14.4.10 Letter of Arrangement:

Figure-08: Letter of Arrangement.23

14.4.11 Memorandum of Deposit of Title Deed

14.4.12 Balance Confirmation Slip

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23 This Letter of Arrangement is collected by the author from the Agrani Bank Limited.
14.4.13 Revival Letter

14.4.14 Deed of Hypothecation of Goods:

Figure-09: Deed of Hypothecation of Goods.

14.4.15 Letter of Authority

This Deed of Hypothecation of Goods is collected by the author from the Agrani Bank Limited.
14.4.16 Letter of Disclaimer:

LETTER OF DISCLAIMER

TO
THE MANAGER,
AGRANI BANK

Dear Sir,
We are the owners/allottees/lessees of ____________________________
We hereby state that we have permitted and give our consent to the storage
of ____________________________ at present lying or which may
hereafter be received for storage at our said premises. We hereby declare and acknowledge
that the said goods have been purchased by and/or belong to Messrs ____________________________________________ and under pledge with the AGRANI BANK. In consideration of the
AGRANI BANK allowing the goods to continue to be stored at the said premises, we represent, convenant
and agree with the Bank as follows:

(i) To allow the employees or representatives of the AGRANI BANK free access to the said premises and to the said goods stored therein.

(ii) To allow the AGRANI BANK to post its own Chowkidars at the said premises to look after the goods, to display its name boards at the said premises and/or near about the said goods and to carry out inspection or cause inspection to be carried out of the said goods from time to time.

(iii) To keep and store the said goods at the Bank's exclusive property and segregated from all other stocks and goods kept, stored or being in or at the said premises.

(iv) Except with the prior permission in writing signed by duly authorised officer of the Bank, not to allow the removal of the said goods from the said premises under any circumstances whatsoever.

(v) Not to hinder or obstruct the Bank or its duly authorised agents or representatives in any manner whatsoever in the removal of the said goods from the said premises and we hereby declare and agree that the Bank and its duly authorised agents and representatives shall always be at liberty and have authority to remove the said goods or any part thereof from the said premises at all times or at any time without being required to take permission from us.

(vi) Not to hold the Bank in any way responsible or liable for the rent of the said premises and/or for the charges, costs or expenses of storage of the said goods in or at the said premises.

(vii) Not to make any claim to or against the said goods for any money due to us from the
said Messrs ____________________________________________ including moneys
due on account of rent of the said premises and/or storages charges, costs and expenses and we hereby disclaim all rights and interests in or the said goods.

Form No. 10—06949
Business Printing

Yours faithfully

Figure-10: Letter of Disclaimer\textsuperscript{25}.

\textsuperscript{25} This Letter of Disclaimer is collected by the author from the Agrani Bank Limited.
14.4.17 Letter of Set-off:

Figure-11: Letter of Set-off

14.5 Decision:

In case of branch level, it is to be headed by the Branch Manager, other members to be selected by the manager in consultation with head office. In case of zonal office, it is done in accordance with the authority established and delegated by the Board of Directors.

i. Reviewing, analyzing and approving extension of credit are maintained in accordance with the authority delegated by the Board of Directors.

ii. Evaluate the quality of tending staff in the bank and take appropriate steps to improve upon.

iii. Recommending credit proposal to the executive Committee/Board of Directors which are beyond the delegated authority.

iv. Ensuring, that all elements of credit application i.e. Forms. Analysis of statements and other papers have been obtained and are in order.

---

26 This Letter of Set-off is collected by the author from the Agrani Bank Limited.
14.6 Specimen of Sanction Letter:

ক্রমিক নং

(১৯)

অগ্রণী ব্যাংক লিমিটেড

মানবিক মনব । ...............

ভরতি । ...............

বিষয় । জনাম/মেষ্ট্র

.........................

ঢিকানা

বিয় হেদায়ত,

উপরোক্ত অফিসারের অনুসারে এবং একসময়ের আদেশের ব্যাঙ্কের অবস্থান ও সুপরিক্ষের প্রক্ষেপে ব্যাঙ্কের পাইনিয় নিয়ম ও নিয়য় বর্ণিত শর্ত সাপেক্ষে তার/তাঁর অনুসারে নিয়োগ করা হয় এবং নিয়োগ নিয়মের মূলনোত্তর অনুসারে দায়িত্বরত হয়।

১. ক্ষেত্র ক্রম

২. অফিসার সীমার অংক

৩. সূচনা হয়

৪. মাল্টিন

৫. মেয়েনাঙ্কের ভরতি

৬. পরিপূর্ণ পদদ্বার

.........................

কর্মকর্তার প্রক্ষেপ

.........................

উপ-মহাব্যবস্থাপক/
কর্মকর্তার দায়র

লঘু-মহাব্যবস্থাক/
কৃত্রিম নং

(21)
অগ্রণী ব্যাংক লিমিটেড

মাধ্যমিক নম্বর । ................................
তারিখ । ................................

৮। সম্পাদিতব্য দলিল পত্রসমূহের তালিকা (কথন হুসায়েন পরিপক্ক সম্মান পত্রক দ্বারা প্রাপ্ত হবে)।

................................................
কর্মকর্তার শাখার

................................................
উপ-মহাসম্পাদক/
Figure-12: Sanction Letter\textsuperscript{27}.

\textsuperscript{27} This Sanction Letter is collected by the author from the Agrani Bank Limited.
15. Credit Disbursement:

The credit administration of the branch ensures that the credit application has proper approval before entering facility limits into ledger/computer systems. Disbursement is effected only after completion of covenants, and receipt of mortgage deed of collateral holdings. In case of exceptions necessary approval is to be obtained from competent authorities.

Moreover, all financial transactions must without exception be properly recorded for accounting and monitoring purposes. Non-funded loan cannot be converted in to funded loan until all necessary approval has been obtained from the competent authority and before completion of documentation formalities. Same underwriting standards have to be followed consistently for same category of loans. Releases of funds, and the issuance of instruments (e.g. LCs, Letters of Guarantee) that bind the Bank to potential financial and legal obligations, are the final and critical control stage of the credit and investment process. Accordingly, these may not be undertaken unless and until the following are accomplished:

a) Documentation clearances have been issued;
b) Treasury has been advised of impending disbursements ahead of time (24 hour notice in the case of BDT 1 up to BDT 10 crore, and 5 working days in the case of amounts of BDT above 10 crore and;
c) Transaction sheets are accomplished, showing sufficient detail (date, amount, promissory note number when used, applicable interest rate or fee, and payment period/dates for interest and principal/fee);

During implementation period disbursing officials verify the proper utilization of the loan and ensure utilization for which purpose the loan is sanctioned. The loan will be disbursed phase by phase after physical verification of the progress of work as per implementation schedule mentioned in the sanction Advice or loan Agreement. No loan can be funded until all necessary approved have been obtained. This schedule of implementation will be meticulously followed.

16. Mortgage:

Mortgage is an important part of Credit in which property or real estate is used as collateral. The borrower enters into an agreement with the bank wherein the borrower receives cash upfront then makes payments over a set time span until he pays back the bank in full. Following Documents are necessary for Mortgage.

a) Original Title Deed of the property,
b) Certified copy of Purchase Deed along with Deed - Delivery receipt duly endorsed (In absence of original Title Deed),
c) Registered Partition Deed among the Co-owners (if required),
d) Mortgage Deed duly Registered along with Registration Receipt duly discharged,
e) Registered IGPA favoring Bank to sale the property,
f) Bia Deeds of the mortgaged property,
g) Certified Mutation Khatian along with DCR (Record of Rights i.e. CS, SA, RS Parcha, Mohanagar Jorip),
h) Parcha (if within Mohannagar Area),
i) B.S. Khatian,
j) Affidavit to be sworn by the owner of the property before 1st class Magistrate that he has valid title in the property and not encumbered otherwise,
k) Up-to-date Rent Receipt,
l) Up-to-date Municipal Tax Payment Receipt (if property within Municipal Area),
m) Up-to-date Union Parishad Tax Payment Receipt (if property within UP),
n) Approved Plan of Construction from concerned authority (if there is any construction upon the land),
o) Original Lease Deed (In case of Leasehold property),
p) Allotment Letter favoring Lessee (in case of Leasehold Property),
q) Mutation letter favoring Lessee (in case of Leasehold Property),
r) NOC of the competent Authority for Mortgage,
s) NEC along with search fee paid receipt,
t) Board Resolution of the Mortgagor company duly supported by the provision of Memorandum & Article of Association (when one company Mortgage for the loan of other company),
u) Photograph of the Mortgaged Property,
v) Location Map,
w) Survey Report from professional Surveyors,
x) Physical Visit Report by Bank Officials,
y) Lawyer’s opinion in respect of acceptability of the property as collateral security,
z) Lawyer’s satisfaction certificate regarding appropriateness of mortgage formalities.

17. Redemption:

Mortgage redemption is the endpoint of involvement with the mortgage for the borrower. It occurs when the loan that has been taken out is paid off in full. Specimen of a redemption deed is shown below:
Deed of Redemption (Mortgage)

This deed of redemption is made at __________ on this the________ day of __________ between Mr. __________, son of Mr. __________, aged about ________ years, residing at __________________________, hereinafter referred as MORTGAGER (which expression shall, unless it is repugnant to the context mean and include his legal representatives and executors.)

And

Mr. __________, son of Mr. ________, aged about ________ years, residing at __________________________, hereinafter referred to as MORTGAGEE (which expression shall, unless it is repugnant to the context mean and include his legal representatives and executors.)

WHEREAS, the property, more fully described in the schedule I hereto; was mortgaged by the MORTGAGER to the MORTGAGER as security for the repayment of a debt amounting to Rs____________ Under a deed of mortgage dated_______, registered as document number: in the office of the Sub-Registrar _____________.

The MORTGAGEE has received full and final repayment of the loan amount of Rs. __________Borrowed by the MORTGAGEE_______ under the aforementioned Deed of Mortgage dated ___________vide cheque number/Cash_________ dated_______ drawn on the ____________in favour of the MORTGAGEE.

In return for the payment received in respect of the loan amount, the MORTGAGOR hereby releases the Schedule I mentioned property duly discharged from the mortgage created under the Deed of Mortgage dated __________in favour of the MORTGAGEE.

NOW THEREFORE IN CONSIDERATION OF MUTUAL AGREEMENT BETWEEN THE PARTIES CONTAINED HEREIN THIS DEED WITNESSETH AS FOLLOWS
In pursuance of the agreement aforementioned, the Mortgager does hereby release to and in favour of the Mortgagor, the Schedule Mentioned Property duly discharged from the mortgage created under the Mortgage Deed, TO HAVE AND TO HOLD the same absolutely and forever, free from all or any encumbrances, claims, demands and any dispute arising under this Deed or any matter incidental thereto shall be submitted to arbitration as per the provisions of the Arbitration and Conciliation Act, 199

SCHEDULE I

IN WITNESS WHEREOF, the MORTGAGER and the MORTGAGEE has hereto set {his/her} hand to this deed of redemption on the day, month and year hereinabove written.

WITNESSES:  
Signature of the Mortgagee

1.

2.  
Signature of the Mortgagor

Figure-13: Draft Deed of Redemption (Mortgage)²⁸.

18. Non-Performing Loan:

Non-performing loans (“NPLs”) refer to those financial assets from which banks no longer receive interest and/or installment payments as scheduled²⁹. They are known as non-performing because the loan ceases to “perform” or generate income for the bank³⁰. A Non-Performing Loan (NPL) is a sum of borrowed money upon which the borrower has not made the scheduled payments for a specified period. Although the exact elements of nonperformance status vary, depending on the specific loan's terms, "no payment" is usually defined as zero payments of either principal or interest. The specified period also varies, depending on the industry and the type of loan. Generally, however, the period is 90 days or 180 days. There are various types of NPL, like:

²⁸ This draft Deed of Redemption (Mortgage) is collected by the author from the Agrani Bank Limited.
²⁹ “Non-Performing Loans in the Banking Sector of Bangladesh: Realities and Challenges,” 1.
³⁰ 1.
A loan in which 90 days' worth of interest has been capitalized, refinanced or delayed due to an agreement or an amendment to the original agreement.

A loan in which payments are less than 90 days late, but the lender no longer believes the borrower will make future payments.

A loan in which the maturity date of principal repayment has occurred, but some fraction of the loan remains outstanding.

A problem credit management process encompasses the following basic elements:

18.1 Negotiation & follow up:
A proactive effort should be taken in dealing with borrowers to implement remedial plans, by maintaining frequent contact and internal records of follow-up actions. Often rigorous efforts made at an early stage prevent banks from litigations and loan losses.

18.2 Workout remedial strategies:
Sometimes appropriate remedial strategies such as restructuring of the credit facility, enhancement in credit limits, or reduction in interest rates help improve the borrower’s repayment capacity. However, it depends upon business conditions, the nature of problems being faced and most importantly the borrower’s commitment and willingness to repay the credit. A bank's failure to address problem credits timely may threaten its solvency. While such remedial strategies often bring up positive results, banks need to exercise great caution in adopting such measures and ensure that such a policy must not encourage borrowers to default intentionally. The bank’s interest should be the primary consideration in case of any such workout plans. Before implementation, the workout plan must be approved by the competent authority at the bank;

18.3 Reviewing collateral and security documents:
Banks have to ascertain the credit recoverable amount by updating the values of available collateral with formal valuation. Security documents should also be reviewed to ensure the completeness as well as enforceability of contracts and collateral/guarantee; and

18.4 Status report and review:
Problem credits should be subject to more frequent review and monitoring. The review should update the status and development of the credit accounts and progress of the remedial plans. Progress made on problem credit should be reported to the senior management.
Measures should be taken for both prevention and resolution. With regard to preventive measures, emphasis needs to be placed on credit screening, loan surveillance and loan review functionaries both at individual bank levels and in the central bank of the country\textsuperscript{31}. Resolution measures must be accompanied by legal measures, i.e. improving the efficiency of the legal and the judicial system and developing other out of the court settlement measures like compromise settlement schemes, incentive packaging, formation of asset management companies, factoring, asset securitisation and so on\textsuperscript{32}. Unfortunately, it has mainly concentrated on a few legal measures that have also been found to be weak and ineffective. But recently with the intervention of the hon’ble Supreme Court of Bangladesh some strict measures are being taken by the authority.

19. Recovery:

Recovery plan is one of the components of performance plan. It is a future intended action in respect of recovery. In other words, it is a conscious and deliberate effort to recover all current dues and overdue loans.

<table>
<thead>
<tr>
<th>Days Past Due</th>
<th>Collection Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-14</td>
<td>Soft call requesting payment.</td>
</tr>
<tr>
<td>15-29</td>
<td>1st reminder letter</td>
</tr>
<tr>
<td>30-44</td>
<td>2nd reminder letter + Single visit</td>
</tr>
<tr>
<td></td>
<td>3rd reminder letter</td>
</tr>
<tr>
<td>45-59</td>
<td>Group visit by team member</td>
</tr>
<tr>
<td></td>
<td>Follow up over phone</td>
</tr>
<tr>
<td></td>
<td>Letters to Guarantor, Employer, and Reference</td>
</tr>
<tr>
<td></td>
<td>all above effect follows.</td>
</tr>
<tr>
<td></td>
<td>Warning on legal action by next 15days.</td>
</tr>
<tr>
<td></td>
<td>Call up loan</td>
</tr>
<tr>
<td>60-89</td>
<td>Final reminder &amp; Serve legal notice.</td>
</tr>
<tr>
<td></td>
<td>Legal proceedings begin.</td>
</tr>
<tr>
<td></td>
<td>Repossession starts.</td>
</tr>
<tr>
<td>90 and above</td>
<td>Telephone calls/Legal proceedings continue.</td>
</tr>
<tr>
<td></td>
<td>Collection effort continues by officer &amp; agent</td>
</tr>
<tr>
<td></td>
<td>Letter to different banks /Association.</td>
</tr>
</tbody>
</table>

Table-05: Recovery Plan\textsuperscript{33}.

\textsuperscript{31} 92.  
\textsuperscript{32} 92.  
\textsuperscript{33} This type of action plan should be prepared by the branch Manager for early loan recovery.
20. Conclusion

It is an essential rule of banking everywhere that loan and advances are made to customers in
dependence on their promise and guarantee to repay, rather than the security held by the banker.
Although all lending involves some risks, it is necessary for any bank to develop sound
system of lending in order to reduce risk. In the twentieth-century commercial banks are
pushed into the security markets by a combination of advances in financial economics,
innovations in information technology, and legal changes. Their greatest successes were in
the debt markets, where practice was most codifiable, and where their capital, their scale, and
their deposit insurance subsidy gave them a comparative advantage\textsuperscript{34}. They experienced
problems in markets where tacit human capital remained important, such as equity
underwriting, and advisory work\textsuperscript{35}. Actually to purchase such skills for business operations
financial institutions or banks faces problems, because many human capitalists do not prefer
to work for commercial banks or financial institutions. Agrani Bank Limited is today’s one of
the leading govt. commercial banks in our country. After the establishment it brought lots of
new product and services for its clients and the progress of ABL is really satisfactory in our
banking environment. In spite of trying to do well in some aspects ABL faced some financial
problems from time to time. Some of the problems were some bad loans, scarcity of cash in
hands due to vault limit etc. These problems arouse time to time due to economic slowdown,
interest rate fluctuation, emerging capital market, inflation in the money market and so on.

\textsuperscript{34} Morrison and Wilhelm, \textit{Investment Banking}, 300.

\textsuperscript{35} Morrison and Wilhelm, 300.
Reference


