

**Banking Regulation & Policy Department**  
**Bangladesh Bank**  
**Head Office**  
**Dhaka**

BRPD Circular No. 05

09 April, 2005  
Date-----  
26 Chaitra, 1411

**Chief Executives**  
**All Scheduled Banks in Bangladesh**

**Dear Sir,**

**Master Circular - Single Borrower Exposure Limit**

As a prudential measure intended for ensuring improved risk management through restriction on credit concentration, Bangladesh Bank has from time to time advised the scheduled banks in Bangladesh to fix limits on their large credit exposures and their exposures to single and group borrowers.

In general, and as practiced Internationally, exposure ceiling is derived from a bank's total capital as defined under capital adequacy standards (Tier I and Tier II Capital). Following the same practice, Bangladesh Bank issued a circular (BRPD Circular No.08) on March 18, 2003, recommending uniform exposure limits for both local and foreign banks.

In order to enable the banks to improve their credit risk management further, Bangladesh Bank is issuing this **Master Circular** by consolidating all the instructions issued so far and incorporating some amendments to the previous circulars.

01. As a result of increase in capital of almost all the banks, now it has been decided to reduce the single borrower exposure limit from 50% to 35%. Thus-

(a) the total outstanding financing facilities by a bank to any single person or enterprise or organization of a group shall not at any point of time exceed 35% of the bank's total capital subject to the condition that the maximum outstanding against fund based financing facilities (funded facilities) do not exceed 15% of the total capital. In this case total capital shall mean the capital held by banks as per section-13 of the Bank Company Act, 1991.

(b) Non-funded credit facilities, e.g. letter of credit, guarantee etc. can be provided to a single large borrower. But under no circumstances, the total amount of the funded and non-funded credit facilities shall exceed 35% of a bank's total capital.

However, in case of export sector single borrower exposure limit shall remain unchanged at 50% of the bank's total capital. But funded facilities in case of export credit shall also not exceed 15% of the total capital.

In addition, the banks shall follow the following prudential norms, where applicable:

02. (a) Loan sanctioned to any individual or enterprise or any organization of a group amounting to 10% or more of a bank's total capital shall be considered as large loan.

(b) The banks will be able to sanction large loans as per the following limits set against their respective classified loans:

Rate of net classified loans	The highest rate fixed for large loan against bank's total loans & advances
Upto 5%	56%
More than 5% but upto 10%	52%
More than 10% but upto 15%	48%
More than 15% but upto 20%	44%
More than 20%	40%

(c) In order to determine the above maximum rates of large loans, all non-funded credit facilities e.g. letter of credit, guarantee, etc., included in the loan shall be considered as 50% credit equivalent. However, the entire amount of non-funded credit facilities shall be included in determining the total credit facilities provided to an individual or enterprise or an organization of a group.

03. (a) A public Limited company, which has 50% or more public shareholdings, shall not be considered as an enterprise/organization of any group.

(b) In the cases of credit facilities provided against government guarantees, the aforementioned restrictions shall not be applicable.

(c) In the cases of loans backed by cash and encashable securities (e.g.FDR), the actual lending facilities shall be determined by deducting the amount of such securities from the outstanding balance of the loans.

04. (a) Banks should collect the large loan information on their borrowers from Credit Information Bureau(CIB) of Bangladesh Bank before sanctioning, renewing or rescheduling large loans in order to ensure that credit facilities are not being provided to defaulters.

(b) Banks must perform Lending Risk Analysis (LRA) before sanctioning or renewing large loans. If the rating of an LRA turns out to be "marginal"; a bank shall not sanction the large loan, but it can consider renewal of an existing large loan taking into account other favorable conditions and factors. However, if the result of an LRA is unsatisfactory, neither sanction nor renewal of large loans can be considered.

(c) While sanctioning or renewing of large loan, a bank should judge its borrower's overall debt repayment capacity taking into consideration the borrower's liabilities with other banks and financial institutions.

(d) A bank shall examine its borrower's Cash Flow Statement, Audited Balance Sheet, Income Statement and other financial statements to make sure that its borrower has the ability to repay the loan.

(e) Sanctioning, renewing or rescheduling of large loans should be approved by the Board of Directors in case of local banks. Such decisions should be taken by the Chief Executives in case of foreign banks. However, while approving proposals of large loans, among other things, compliance with the above guidelines must be ensured.

05. For the loans that have already been disbursed with the approval of Bangladesh Bank, and that have exceeded the limit as stipulated in Section 01 (mentioned above), banks shall take

necessary steps to bring down the loan amounts within the specified limit. In order to accomplish this condition, banks may, if necessary, arrange partaking with other banks. However, for continuous loans, the limit has to be brought down as per Section 02 within June 30, 2005. For term loans, the deadline is June, 2006.

06. Banks shall submit the quarterly statement of large loan in the specified format (Form L) to Department of Off-site Supervision of Bangladesh Bank within 10 days after the end of respective quarter.
07. This circular is issued by Bangladesh Bank in exercise of its power conferred to it by section 45 of the Bank Company Act, 1991. This circular shall be effective immediately.

The chief executives of all the banks are advised to place this circular in their next Board meetings.

Please acknowledge receipt.

Yours faithfully,

(Naba Gopal Banik)  
General Manager  
Phone: 7117825