

CREDIT RISK GRADING MANUAL

BANK



JUNE, 2007



CREDIT RISK GRADING MANUAL - BANK

Bangladesh Bank vide its BRPD Circular No.18 dated December 11, 2005 advised all Banks to implement Credit Risk Grading for their borrowing clients as per Credit Risk Grading Manual.

The Credit Risk Grading Manual released earlier was applicable only in case of lending to commercial clients. The area which required to be focused was how to risk rate an obligor if it is a Banking Company or a Non-Banking Financial Institution.

Basel II compliance also calls for risk rating of the obligor, which includes all clients like commercial, banking and non-banking financial institution.

Keeping the above objective in mind, Credit Risk Grading Manual for Bank has been developed.

The Credit Risk Grading Manual for Bank was completed and reviewed by a review committee consisting of members from NCBs, PCBs and FCBs who are specifically involved in credit approval function. Special thanks to Mr. Niaz Habib, Deputy Managing Director, United Commercial Bank Limited for his endeavor and time in preparing this guidelines.

This "Credit Risk Grading Manual – Bank" is now made mandatory and will be applicable for all exposures extended to a Bank by a Bank.

Md. Nazrul Huda
Deputy Governor
June 2007.

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Enclosed: MS Excel file named, **CRG - Score Sheet - Bank** in CD ROM for use.

Preamble

Credit Risk Grading Manual of Bangladesh Bank was circulated by Bangladesh Bank vide BRPD Circular No. 18 dated December 11, 2005 on Implementation of Credit Risk Grading Manual which is primarily in use for assessing the credit risk grading before a bank lend to its borrowing clients.

Since the nature of business as well as leverage level of Banks and Non Banking Financial Institutions is different from that of other borrowing clients, the need for a separate Credit Risk Grading Manual has been felt. Keeping this in mind and with a view to properly risk rate a Bank in order to set up counter party limits for providing credit products extended by one bank to another Bank this Credit Risk Grading Manual for the Bank has been produced.

The Credit Risk Grading Manual developed for a Bank shall be an effective tool to help a Bank to take a sound decision in analyzing credit risk on another bank and to set up a credit limit for money market and other business operations.

This Credit Risk Grading Manual has taken into consideration the important aspects required in order to correctly assess the operation of a Banking Financial Institution and will ensure a very objective approach to credit risk grading and is easier to implement.

All Banks should adopt this credit risk grading system outlined in this manual for assessing the credit risk in case they need to take exposure on another bank.

INTRODUCTION

Credit Risk Grading is an important tool for credit risk management as it helps a Bank to understand various dimensions of risk involved in different credit transactions. The credit risk grading system is vital to take decisions both at the pre-sanction stage as well as post-sanction stage.

At the pre-sanction stage, credit grading helps the sanctioning authority to decide whether to lend or not to lend, what should be the pricing for a particular exposure, what should be the extent of exposure, what should be the appropriate credit facility and the various risk mitigation tools.

At the post-sanction stage, the bank can decide about the depth of the review or renewal, frequency of review, periodicity of the grading, and other precautions to be taken.

Having considered the significance and necessity of credit risk grading for a Bank, it becomes imperative to develop a credit risk grading model which meets the objective outlined above.

This manual describes in detail the process required to spread and analyze the financial statement of a bank, identify the critical risk elements, mitigate these risk and provide appropriate weightage and marking to the risk element and thereby arrive at a systematic risk grading for an effective credit decision.

DEFINITION OF CREDIT RISK GRADING (CRG)

- The Credit Risk Grading (CRG) is a collective definition based on the pre-specified scale and reflects the underlying credit-risk for a given exposure.
- A Credit Risk Grading deploys a number/ alphabet/ symbol as a primary summary indicator of risks associated with a credit exposure.
- Credit Risk Grading is the basic module for developing a Credit Risk Management system.

FUNCTIONS OF CREDIT RISK GRADING

Well-managed credit risk grading systems promote bank safety and soundness by facilitating informed decision-making. Grading systems measure credit risk and differentiate individual credits and groups of credits by the risk they pose. This allows bank management and examiners to monitor changes and trends in risk levels. The process also allows bank management to manage risk to optimize returns.

USE OF CREDIT RISK GRADING

- The Credit Risk Grading matrix allows application of uniform standards to credits to ensure a common standardized approach to assess the quality of an individual obligor and the credit portfolio as a whole.
- As evident, the CRG outputs would be relevant for credit selection, wherein either a borrower or a particular exposure/facility is rated. The other decisions would be related to pricing (credit-spread) and specific features of the credit facility.
- Risk grading would also be relevant for surveillance and monitoring, internal MIS and assessing the aggregate risk profile. It is also relevant for portfolio level analysis.

NUMBER AND SHORT NAME OF GRADES USED IN THE CRG

- The proposed CRG scale for the banks consists of 8 categories with Short names and Numbers are provided as follows:

GRADING	SHORT NAME	NUMBER
Superior	SUP	1
Good	GD	2
Acceptable	ACCPT	3
Marginal/Watchlist	MG/WL	4
Special Mention	SM	5
Sub standard	SS	6
Doubtful	DF	7
Bad & Loss	BL	8

CREDIT RISK GRADING DEFINITIONS

A clear definition of the different categories of Credit Risk Grading is given as follows:

- **Superior - (SUP) - 1**

- ⇒ Strongest Bank
- ⇒ Excellent Financials
- ⇒ Healthy and productive franchises
- ⇒ Excellent operating environment
- ⇒ Exceptionally strong capabilities for timely payment of financial commitments
- ⇒ Highly unlikely to be adversely affected by foreseeable events
- ⇒ Credit facilities, which are fully secured i.e. fully cash covered or near cash.
- ⇒ Credit facilities fully covered by government guarantee.
- ⇒ Credit facilities fully covered by the guarantee of a top tier international Bank.
- ⇒ Aggregate Score of 85-100 based on the Risk Grade Score Sheet

- **Good - (GD) - 2**

- ⇒ Strong Bank
- ⇒ Very good Financials
- ⇒ Healthy and productive franchises
- ⇒ Excellent operating environment
- ⇒ Strong capability for timely payment of financial commitments
- ⇒ Very low probability to be adversely affected by foreseeable events
- ⇒ Excellent liquidity and low leverage.
- ⇒ Well established cliental base and strong market share.
- ⇒ Very good management skill & expertise.
- ⇒ Credit facilities fully covered by the guarantee of a top tier local Bank.
- ⇒ Aggregate Score of 75-84 based on the Risk Grade Score Sheet

- **Acceptable - (ACCPT) - 3**

- ⇒ Solid Bank
- ⇒ Good Financials
- ⇒ Valuable and operating business franchises
- ⇒ Stable operating environment
- ⇒ Above average capacity for timely payment of financial commitments
- ⇒ Low probability to be adversely affected by foreseeable events
- ⇒ Not as strong as GOOD Grade banks but still demonstrate consistent earnings and have a good track record.
- ⇒ Adequate liquidity and earnings.
- ⇒ Acceptable management
- ⇒ Aggregate Score of 65-74 based on the Risk Grade Score Sheet

- **Marginal/Watchlist - (MG/WL) - 4**

- ⇒ Average Bank
- ⇒ Average Financials
- ⇒ Valuable and defensible business franchises
- ⇒ Average operating environment
- ⇒ Average capability for timely payment of financial commitments
- ⇒ Financial commitments although being met but continuity of this may be contingent upon a sustained, favorable business and economic environment
- ⇒ This grade warrants greater attention due to conditions affecting the borrower, the industry or the economic environment.
- ⇒ These borrowers have an above average risk due to strained liquidity, higher than normal leverage and/or inconsistent earnings.
- ⇒ Weaker business credit & early warning signals of emerging business credit detected.
- ⇒ The bank incurs a loss
- ⇒ Aggregate Score of 55-64 based on the Risk Grade Score Sheet

- **Special Mention - (SM) - 5**

- ⇒ Weak financial strength
- ⇒ Weak financial fundamentals
- ⇒ Vulnerable business franchises
- ⇒ Unstable operating environment
- ⇒ Financial commitments although being met but continuity of this may be in question
- ⇒ This grade has potential weaknesses that deserve close attention. If left uncorrected, these weaknesses may result in a deterioration of the repayment prospects of the borrower.
- ⇒ Severe management problems exist.
- ⇒ Facilities should be downgraded to this grade if sustained deterioration in financial condition is noted (consecutive losses, negative net worth, excessive leverage),
- ⇒ An Aggregate Score of 45-54 based on the Risk Grade Score Sheet.

- **Substandard - (SS) - 6**

- ⇒ Very weak intrinsic financial strength.
- ⇒ Severe management problems exist.
- ⇒ Requiring periodic outside support.
- ⇒ Capacity or inclination to repay is in doubt.
- ⇒ These weaknesses jeopardize the full settlement of loans.
- ⇒ Bangladesh Bank criteria for Sub-Standard credit shall apply.
- ⇒ An Aggregate Score of 35-44 based on the Risk Grade Score Sheet.

- **Doubtful - (DF) - 7**

- ⇒ Financial fundamentals are seriously deficient.
- ⇒ Highly unstable operating environment.
- ⇒ Default is a real possibility.
- ⇒ However, due to specifically identifiable pending factors, such as litigation, liquidation procedures or capital injection, the asset is not yet classified as Bad & Loss.
- ⇒ Bangladesh Bank criteria for Doubtful credit shall apply.
- ⇒ An Aggregate Score of 25-34 based on the Risk Grade Score Sheet.

- **Bad & Loss - (BL) - 8**

- ⇒ Credit of this grade has long outstanding with no progress in obtaining repayment or on the verge of wind up/liquidation.
- ⇒ Prospect of recovery is poor and legal options have been pursued.
- ⇒ Proceeds expected from the liquidation or realization of security may be awaited.
- ⇒ Bangladesh Bank guidelines for timely write off of bad loans must be adhered to.
- ⇒ Bangladesh Bank criteria for Bad & Loss credit shall apply.
- ⇒ An Aggregate Score of less than 24 based on the Risk Grade Score Sheet.

REGULATORY CREDIT GRADING OF THE BANKS

Irrespective of credit score obtained by a particular bank and irrespective of credit risk rating assigned to a particular Bank in line with this Manual, grading of any banks by the Bangladesh Bank inferior to this rating shall be mandatory and all banks should adjust its credit rating in line with Bangladesh Bank rating (if any). This means that if a credit rating by Bangladesh Bank is inferior then the credit rating as arrived as per this Manual then the Bangladesh Bank credit rating for the banks shall prevail and the lender Bank has to adjust its credit rating accordingly.

Grading of the classified names should be in line with Bangladesh Bank guidelines on classified accounts.

HOW TO COMPUTE CREDIT RISK GRADING OF A BANK

The following step-wise activities outline the detail process for arriving at credit risk grading.

Step I : Identify all the Principal Risk Components (Quantitative & Qualitative)

Credit risk for counterparty may be broadly categories under Quantitative and Qualitative factors which arise from an aggregation of the following:

QUANTITATIVE FACTOR:

- Capital Adequacy
- Asset Quality
- Earnings Quality
- Liquidity and Capacity of External Fund Mobilization
- Size of the Bank & Market Presence

QUALITATIVE FACTOR:

- Management status
- Regulatory Environment & Compliance
- Risk Management
- Sensitivity to Market Risk
- Ownership (Share holding pattern) & Corporate Governance
- Accounting Quality
- Franchise Value

Step II : Allocate weightages to Principal Risk Components

According to the importance of risk profile, the following weightages are proposed for corresponding principal risks components (Quantitative and Qualitative factors).

Principal Risk Components:

Weight:

QUANTITATIVE FACTOR:

60%

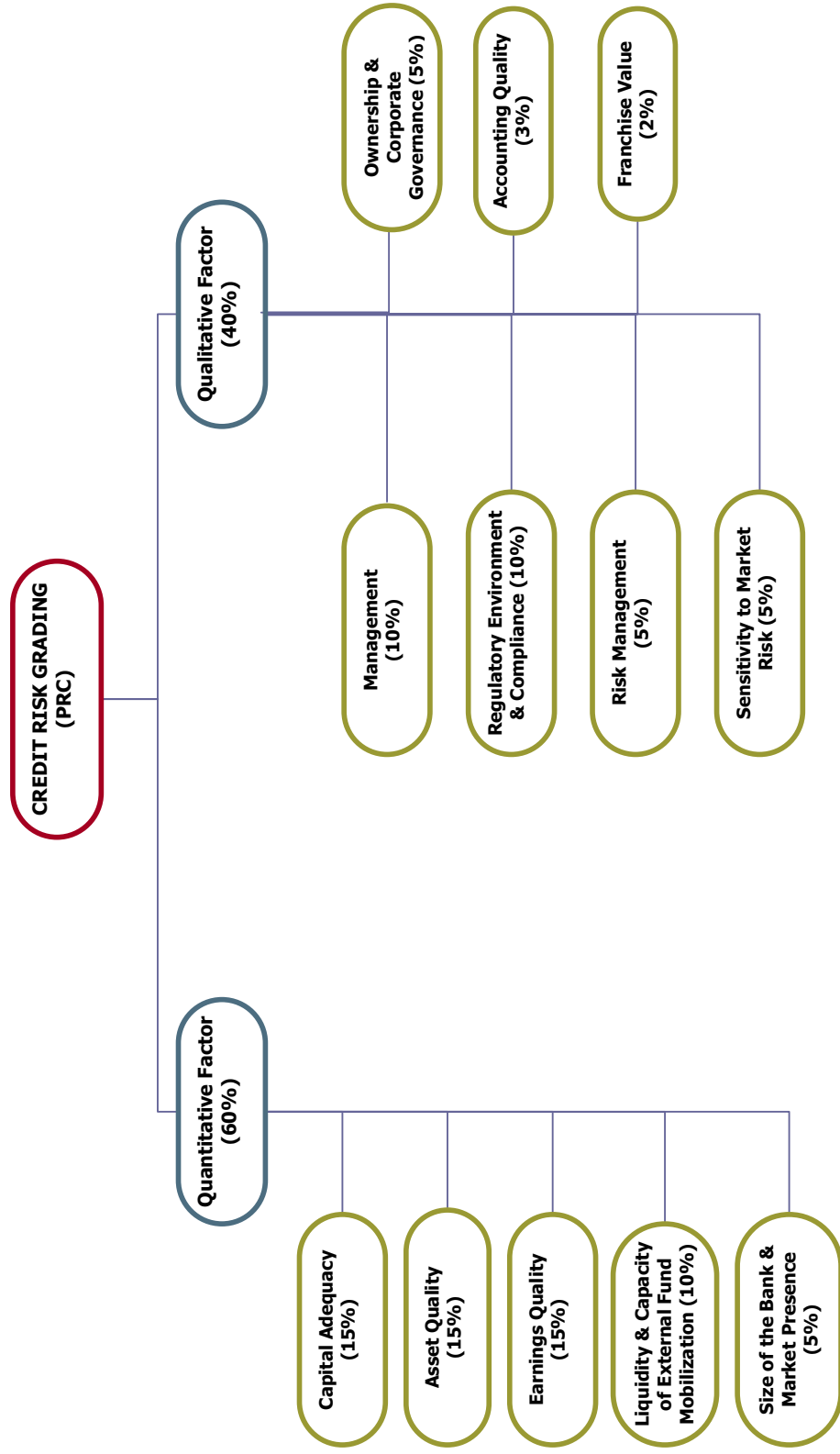
- | | |
|--|-----|
| ▪ Capital Adequacy | 15% |
| ▪ Asset Quality | 15% |
| ▪ Earnings Quality | 15% |
| ▪ Liquidity and Capacity of External Fund Mobilization | 10% |
| ▪ Size of the Bank & Market Presence | 5% |

QUALITATIVE FACTOR:

40%

- | | |
|--|-----|
| ▪ Management | 10% |
| ▪ Regulatory Environment & Compliance | 10% |
| ▪ Risk Management | 5% |
| ▪ Sensitivity to Market Risk | 5% |
| ▪ Ownership (Share holding pattern) & Corporate Governance | 5% |
| ▪ Accounting Quality | 3% |
| ▪ Franchise Value | 2% |

The flow chart shown below also reflects the weightage provided for the **Principal Risk Components (PRC):**



Step III : Establish the Key Parameters

Once weightage are allocated to the Principal Risk Components (Quantitative and Qualitative Factors) the next task is to arrive at key parameters corresponding to the Principal Risk Components.

Principal Risk Components:

QUANTITATIVE FACTOR:

- Capital Adequacy
- Asset Quality
- Earnings Quality
- Liquidity and Capacity of External Fund Mobilization
- Size of the Bank & Market Presence

Key Parameters:

Key parameters corresponding to the Principal Risk Components of Quantitative Factors are detailed as follows:

Each of the key parameters mentioned below shall be evaluated, analyzed and reviewed in order to conclude on the credit risk grading of a banking company and which are as follows:

Key Parameters for Capital Adequacy

- Bank's plan to raise equity to support its growth (Internal Capital Generation)
- Minimum Capital Adequacy Requirement (CAR) set by Bangladesh Bank
- Leverage ratio of the bank is satisfactory
- Dividend policy of the Bank

Key Parameters for Asset Quality

- Risk Management includes exhaustive pre-approval and post - approval activities
- Portfolio Management System
- Level of non performing loans
- Amount of largest exposure to a single client/group, who are these and how many are non-performing
- Sector from where the gross NPL are coming from
- Are classified loans being followed regularly with clear action plan for recovery?
- Have Credit Risk Grading of clients are in place and effective.
- Portfolio Diversity (Industry wise breakdown of loans) & sectoral Concentration
- Nature of security/collateral and the frequency of valuation
- Quality of non-industrial lending

Key Parameters for Earnings Quality

- Level of earnings
- Diversity of earnings
- Return on Assets (ROA)
- Return on Equity (ROE)
- Interest Rate Management, Interest rate policy (extent of change in lending and deposit rates and how this is likely to affect margins and profitability)
- Non funded business prospects and its contribution towards earnings
- Average cost of fund,
- Average lending rate
- Average net spread
- Net Interest Income Margin (NIIM) trend is satisfactory
- Yield per taka staff cost

Key Parameters for Liquidity and Capacity of External Fund Mobilization

- Statutory Liquidity Reserve (SLR), Cash Reserve Requirement (CRR) and Loan Deposit Ratio compliance
- Asset liability maturity structure
- Bank's liquidity ratio is satisfactory
- Core asset funded by core liabilities
- Impact on interest rate volatility on deposit and its trend
- Ability to raise fund through stable sources in cost effective manner
- Credibility of funding sources in distress situation

Key Parameters for Size of the Bank & Market Presence:

- Number of branch network and employees
- Level of automation
- Products and services offered are regularly reviewed

Principal Risk Components:

QUALITATIVE FACTOR:

- Management
- Regulatory Environment & Compliance
- Risk Management
- Sensitivity to Market Risk
- Ownership (Share holding pattern) & Corporate Governance
- Accounting Quality
- Franchise Value

Key Parameters:

Key parameters corresponding to the Principal Risk Components of Qualitative Factors are detailed as follows:

Each of the key parameters mentioned below shall be evaluated, analyzed and reviewed in order to conclude on the credit risk grading of a banking company and which are as follows:

Key Parameters for Management:

- Human resource based institutions
- Quality of Management (details of Senior Management, background of MD and other top executives)
- Experience and educational background of the senior, mid level and junior management
- Management Philosophy (Vision & Mission)
- Human resource development plans
- Quality of training being offered
- Management operating efficiency calculated on the basis of earning
- Emphasis placed on system & process based banking
- Staff turnover
- Emphasis to Information Technology and staff knowledge in this area

Key Parameters for Regulatory Environment & Compliance:

- Policy on loan classification and provisioning
- Policy on large loans
- Loan against Shares, Debentures etc.
- Disclosure requirement for banks
- Delegation of power at operating level
- Instructions for compliance of provisions of Money Laundering Prevention Act, 2002
- Company has been operating satisfactorily in complying to the regulations of SEC and related bodies
- Internal Control and Compliance mechanism
- Status on Basel II compliance

Key Parameters for Risk Management:

- Implementation of risk management in the areas of Credit Risk,
- Implementation of risk management in the areas of Operational Risk
- Implementation of risk management in the areas of and Market Risk

Key Parameters for Sensitivity to Market Risk

- Degree to which changes in interest rates can adversely affect company's earnings
- Degree to which changes in foreign exchange rates can adversely affect company's earnings
- Degree to which changes in commodity prices can adversely affect company's business

Key Parameters for Ownership (Share holding Pattern) & Corporate Governance:

- Ownership pattern & composition of Board (current shareholding with names of promoters)
- Conflict of interest issues in the operational management
- Personal policy and employee satisfaction
- Application of information technology in the system

Key Parameters for Accounting Quality:

- Policies for income recognition
- Provisioning and valuation of investment are examined
- Quality of Auditors

Key Parameters for Franchise Value:

- Joint venture partner or Strategic Alliance
- Management contract or Technical collaboration
- Alliance/arrangement with World Bank/ADB/IFC/SEDF or awards/certification/recognition

FINANCIAL SPREAD SHEET (FSS)

Before evaluation of the risk element of key parameters it is required to obtain Audited Financial Statement of a bank for at least 3 years period and should be spread in the Financial Spread Sheet which will help to properly analyze the financial trend of a particular bank on whom exposures are being taken.

A Financial Spread Sheet (FSS) has been developed which may be used for analyzing the credit risk elements of a banking company from financial point of view.

The FSS is well designed and programmed software having two parts. Input and Output Sheets. The financial numbers of banks need to be inputted in the Input Sheets, which will then automatically generate the Output Sheets. Spread Sheet with file named Financial Spread Sheet - BANK is attached as **Appendix - A.**

Step IV : Assign weightages to each of the key parameters.

Once the above mentioned key risk parameters are evaluated, analyzed and reviewed properly the next step will be to further assign weightage against each key parameter depending on its strength and merits.

The weightage assigned to the Principal Risk Components and its corresponding key parameters are shown in score sheet with file named **CRG - Score Sheet - Bank** is enclosed as **Appendix - B.**

Once the above mentioned key risk parameters are identified the next step will be to assign points to each key parameter depending on their importance and standing.

Step V : Input data to arrive at the score on the key parameters.

After the risk identification & weightage assignment process (as mentioned above), the next steps will be to input actual score obtained by the Bank (under review process) against the key parameters in the score sheet to arrive at the total scores obtained.

This manual also provides a well programmed MS Excel based credit risk scoring sheet to arrive at a total score on each bank being reviewed. The excel program requires inputting data accurately in particular cells for input and will automatically calculate the risk grade for a particular obligor based on the total score obtained.

The following steps are to be followed while using the MS Excel program.

- a) Open the MS XL file named, **CRG - Score Sheet - Bank**
- b) The entire XL sheet named, CRG is protected except the particular cells to input data.
- c) Input data accurately in the cells which are colored LIGHT BLUE.
- d) All the cells provided for input must be filled in order to arrive at accurate risk grade.

Also enclosed is the MS Excel file named, **CRG - Score Sheet - Bank** in CD ROM for use.

Step VI : Arrive at the Credit Risk Grading based on total score obtained.

The following is the proposed Credit Risk Grade matrix based on the total score obtained by an obligor (i.e. a Bank).

Number	Risk Grading	Short Name	Score
1	Superior	SUP	<ul style="list-style-type: none"> ▪ 85 - 100 ▪ Credit facilities fully cash covered (100%) or near cash. ▪ Government guarantee ▪ International Bank guarantee
2	Good	GD	75 - 84
3	Acceptable	ACCPT	65 - 74
4	Marginal/Watchlist	MG/WL	55 - 64
5	Special Mention	SM	45 - 54
6	Sub standard	SS	35 - 44
7	Doubtful	DF	25 - 34
8	Bad & Loss	BL	< 25

CREDIT RISK GRADING PROCESS

- Credit Risk Grading should be completed by a Bank for its counterparty bank for facilities extended to them.
- If any credit facilities are extended to a Bank against 100% cash covered or near cash covered securities or covered by Government Guarantee or Guarantee by a top tier International Bank then the Credit Risk Grading should be Superior - 1(SUP-1) and in that case the CRG score sheet is not required.
- Credit risk grading matrix would be useful in analyzing credit proposal, new or renewal for regular limits or specific transactions, if basic information on a borrowing client to determine the degree of each factor is a) readily available, b) current, c) dependable, and d) parameters/risk factors are assessed judiciously and objectively. The Relationship Manager as per Data Collection Checklist as shown in **Appendix - C** should collect required information.
- Relationship manager should ensure to correctly fill up the Limit Utilization Form as shown in **Appendix - D** in order to arrive at a realistic earning status for the borrower.
- Key Risk Parameters are to be evaluated and weighted very carefully, on the basis of most up-to-date and reliable data and complete objectivity must be ensured to assign the correct grading.

- Credit risk grading exercise should be originated by Relationship Manager and should be an on-going and continuous process. Relationship Manager shall complete the Credit Risk Grading Score Sheet and shall arrive at a risk grading and document it as per Credit Risk Grading Form as shown in **Appendix - E** which shall then be concurred by a Credit Officer.
- All credit proposals whether new, renewal or specific facility should consist of a) Financial Spread Sheet (FSS), b) Data Collection Checklist, c) Limit Utilization Form d) Credit Risk Grading Score Sheet, and e) Credit Risk Grading Form.
- The credit officers then would pass the approved Credit Risk Grading Form to Credit Administration Department and Corporate Banking/Line of Business/Recovery Unit for updating their MIS/record.
- The appropriate approving authority through the same Credit Risk Grading Form shall approve any subsequent change/revision i.e. upgrade or downgrade in credit risk grade.

EARLY WARNING SIGNALS (EWS)

Early Warning Signals (EWS) indicate risks or potential weaknesses of an exposure requiring monitoring, supervision, or close attention by management.

If these weaknesses are left uncorrected, they may result in deterioration of the repayment prospects in the Bank's assets at some future date with a likely prospect of being downgraded to classified assets.

Early identification, prompt reporting and proactive management of Early Warning Accounts are prime credit responsibilities of all Relationship Managers and must be undertaken on a continuous basis.

Despite a prudent credit approval process, loans may still become troubled. Therefore, it is essential that early identification and prompt reporting of deteriorating credit signs be done to ensure swift action to protect the Bank's interest. The symptoms of early warning signals as mentioned below are by no means exhaustive and hence, if there are other concerns, like breach of loan covenants or adverse market rumors that warrant additional caution, a Credit Risk Grading Form **(Appendix - E)** should be presented.

Irrespective of credit score obtained by any obligor (i.e. a Bank) as per the proposed risk grade score sheet, the grading of the account highlighted as Early Warning Signals (EWS) accounts shall have the following risk symptoms.

- a) **Marginal/Watchlist (MG/WL - 4):** if -
 - Any loan is past due/overdue for 60 days and above but less than 90 days.
 - Frequent drop in security value or shortfall in drawing power exists if credit facilities are based entirely on cash covered or near cash covered basis.

- b) **Special Mention (SM - 5):** if -
 - Any loan is past due/overdue for 90 days and above but less than 180 days
 - Major document deficiency prevails.
 - A significant petition or claim is lodged against the obligor (i.e. a Bank).

The Credit Risk Grading Form of accounts having Early Warning Signals should be completed by the Relationship Manager and sent to the approving authority in Credit Risk Management Department. The Credit Risk Grading should be updated as soon as possible and no delay should be there in referring Early Warning Signal accounts or any problem accounts to the Credit Risk Management Department for their early involvement and assistance in recovery.

EXCEPTIONS TO CREDIT RISK GRADING

- Head of Credit Risk Management may also downgrade credit risk grading of a Bank in the normal course of inspection or during the periodic portfolio review. In such event, the Credit Risk Grading Form will then be filled up by Credit Risk Management Department and will be referred to Corporate Banking/Line of Business/Credit Administration Department/Recovery Unit for updating their MIS/records.

- Recommendation for upgrading of an account has to be well justified by the recommending officers. Essentially complete removal of the reasons for downgrade should be the basis of any upgrading.

- In case an account is rated Marginal/Watchlist, Special Mention or unacceptable credit risk as per the risk grading score sheet, this may be substantiated and credit risk may be accepted if the exposure is additionally collateralized through cash collateral, good tangible collaterals or strong guarantees.
These are exceptions and should be exceptionally approved by the appropriate approving authority.

- Whenever required an independent assessment of the credit risk grading of an individual account may be conducted by the Head of Credit Risk Management or by the Internal Auditor documenting as to why the credit deteriorated and also pointing out the lapses.
- If a Bank has its own well established risk grading system to risk rate a Banking Company equivalent to the proposed credit risk grading or stricter, then they will have the option to continue with their own credit risk grading system.

CREDIT RISK GRADING REVIEW

Credit Risk Grading for each obligor should be assigned at the inception of lending and should be periodically updated. Frequencies of the review of the credit risk grading are mentioned below;

Number	Risk Grading	Short	Review frequency (at least)
1	Superior	SUP	Annually
2	Good	GD	Annually
3	Acceptable	ACCPT	Annually
4	Marginal/Watchlist	MG/WL	Half yearly
5	Special Mention	SM	Quarterly
6	Sub standard	SS	Quarterly
7	Doubtful	DF	Quarterly
8	Bad & Loss	BL	Quarterly

MIS ON CREDIT RISK GRADING

- Bank should have comprehensive MIS reports on credit risk grading to evaluate its exposure on a banking company. Format of such MIS reports on credit risk grading has been presented in **Appendix - F.**
- MIS reports as mentioned above should be prepared and circulated at least on a quarterly basis.

APPENDIX - A

FINANCIAL SPREAD SHEET - BANK

FINANCIAL SPREAD SHEET - BANK

BALANCE SHEET

METRO BANK LIMITED		Figures are in Thousand Taka		
AUDITOR	Audited	Audited	Audited	
ANALYST	Karim	Karim	Karim	
PERIOD	31-Dec-03	31-Dec-04	31-Dec-05	
QUICK ASSETS				
CASH ITEMS	1,668,051	1,842,873	1,842,873	
CORRESP.(BAL. OTHER BANKS)	479,635	3,185,477	3,185,478	
CALL MONEY	2,265,000	780,000	780,000	
BILLS DISCOUNTED & PURCHASED	1,276,516	1,657,344	1,657,344	
INVESTMENTS -at cost	3,021,670	3,019,690	2,481,465	
TREASURY BILLS				
INVESTMENTS(SHARES)				
SECONDARY ASSETS				
LOANS& ADVANCES	13,119,924	13,727,351	13,727,351	
ADVANCE INCOME TAX				
BRANCH ADJUSTMENTS				
ADVANCE DEPOSIT & ADVANCE RENT				
SUSPENSE ACCOUNT				
INVESTMENTS(DEBEN. & BONDS)				
LEASE FINANCE				
OTHER ASSETS	690,134	571,418	570,439	
FIXED ASSETS				
LOANS - LONG TERM				
LEASE HOLD				
BANK PREMISES/FUR.&FIXTURE	275,957	274,588	274,588	
SUNDRIES				

FINANCIAL SPREAD SHEET - BANK

BALANCE SHEET

METRO BANK LIMITED		Figures are in Thousand Taka		
AUDITOR	Audited	Audited	Audited	
ANALYST	Karim	Karim	Karim	
PERIOD	31-Dec-03	31-Dec-04	31-Dec-05	
CURRENT LIABILITIES				
DEPOSITS	16,946,751	20,603,772	20,603,731	
CALL LOANS				
BORROWINGS	71,499	73,828	73,828	
BILLS PAYABLE	466,587	366,580	366,580	
FC HELD UNDER B/B LC				
UNEARNED INCOME				
TAXES PAYABLE				
DIVIDEND PAYABLE				
OTHER LIABILITIES	4,237,517	2,771,677	2,467,012	
LONG TERM LIABILITIES				
PENSION & OTHER FUNDS				
UNEARNED INCOME (T BILL)				
SUNDRIES				
CAPITAL FUND & RESERVES				
CAPITAL PAID IN	230,158	230,158	230,158	
STATUTORY RESERVES	391,195	516,408	516,408	
INVESTMENT LOSS OFFSET RES.				
GENERAL RESERVE	266,752	266,753	266,754	
RETAINED EARNINGS	186,428	229,565	(4,933)	
ASSET REVALUATION				
PREFERENCE SHARES				
SUBORDINATED LOANS				
CREDIT RATING (MANDATORY)				
	2	2	2	
MOODY/S&P RATING				
	SAT	SAT	SAT	
CONTINGENT LIABILITIES				
	5,630,743	10,525,986	10,525,986	
BALANCE				
	TRUE	TRUE	TRUE	

Difference (if any)	0	0	0
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FINANCIAL SPREAD SHEET - BANK

METRO BANK LIMITED		Figures are in Thousand Taka					
AUDITOR	Audited	%	Audited	%	Audited	%	% Var
ANALYST	Karim		Karim		Karim		
PERIOD	31-Dec-03	G.Inc.	31-Dec-04	G.Inc.	31-Dec-05	G.Inc.	97/96 B/(W)
INTEREST INCOME	1,487,707	68	1,721,378	67	1,712,616	67	(1)
LESS: INTEREST EXPENSE	853,809	39	971,684	38	971,684	38	0
NET INTEREST INCOME	633,898	29	749,694	29	740,932	29	(1)
FEES/COMMISSIONS & EXG. EARNINGS	376,093	17	478,711	19	478,711	19	0
INCOME FROM INVESTMENT	225,309	10	242,857	10	241,839	10	(0)
OTHER OPERATING INCOME	107,211	5	109,185	4	109,185	4	0
TOTAL OPERATING INCOME	1,342,511	61	1,580,447	62	1,570,667	62	(1)
SALARIES AND BENEFITS	416,235	19	502,619	20	502,619	20	0
DEPRE./REPAIR/MAINT. OF FIXED ASSETS	47,006	2	52,750	2	52,750	2	0
OTHER OPERATING EXPENSES	174,574	8	167,856	7	167,856	7	0
PROFIT BEFORE PROV. AGAINST LOAN	704,696	32	857,222	34	847,442	33	(1)
PROVISION FOR LOAN LOSSES	287,929	13	231,154	9	455,872	18	97
OTHER INCOME	0	0	0	0	0	0	0
OTHER EXPENSE	0	0	0	0	0	0	0
PROFIT BEFORE TAXES	416,767	19	626,068	25	391,570	15	(37)
TAX PROVISIONS	187,546	9	457,717	18	457,717	18	0
NET PROFIT AFTER TAX	229,221	10	168,351	7	(66,147)	(3)	(139)
ADD:PREV.Yr.PROFIT BR.FWD	115,079	5	186,428	7	186,428	7	0
NET EARNINGS	344,300	16	354,779	14	120,281	5	(66)
LESS:DIVIDENDS	0	0	0	0	0	0	0
LESS:PROPOSED DIVIDEND	0	0	0	0	0	0	0
LESS:TRANSFER TO STAT.RESERVE	83,353	4	125,214	5	125,214	5	0
LESS:GENERAL RESERVE	74,519	3	0	0	0	0	0
LESS:DIVIDEND EQUILISATION FUND	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
RETAINED EARNINGS	186,428	8	229,565	9	(4,933)	(0)	(102)

FINANCIAL SPREAD SHEET - BANK

METRO BANK LIMITED		Figures are in Thousand Taka					
AUDITOR	Audited	%	Audited	%	Audited	%	
ANALYST	Karim		Karim		Karim		
PERIOD	31-Dec-03	TBS	31-Dec-04	TBS	31-Dec-05	TBS	% Var
QUICK ASSETS							
CASH ITEMS	1,668,051	7	1,842,873	7	1,842,873	8	0
CORRESP.(BAL. OTHER BANKS)	479,635	2	3,185,477	13	3,185,478	13	0
CALL MONEY	2,265,000	10	780,000	3	780,000	3	0
BILLS DISCOUNTED & PURCHASED	1,276,516	6	1,657,344	7	1,657,344	7	0
INVESTMENTS -at cost	3,021,670	13	3,019,690	12	2,481,465	10	(18)
TREASURY BILLS	0	0	0	0	0	0	0
INVESTMENTS(SHARES)	0	0	0	0	0	0	0
							0
TOTAL QUICK ASSETS	8,710,872	38	10,485,384	42	9,947,160	41	(5)
LOANS& ADVANCES	13,119,924	58	13,727,351	55	13,727,351	56	0
ADVANCE INCOME TAX	0	0	0	0	0	0	0
BRANCH ADJUSTMENTS	0	0	0	0	0	0	0
ADVANCE DEPOSIT & ADVANCE RENT	0	0	0	0	0	0	0
SUSPENSE ACCOUNT	0	0	0	0	0	0	0
INVESTMENTS(DEBEN. & BONDS)	0	0	0	0	0	0	0
LEASE FINANCE	0	0	0	0	0	0	0
OTHER ASSETS	690,134	3	571,418	2	570,439	2	(0)
TOTAL QUICK & SECONDARY ASSETS	22,520,930	99	24,784,153	99	24,244,950	99	(2)
LOANS - LONG TERM	0	0	0	0	0	0	0
LEASE HOLD	0	0	0	0	0	0	0
BANK PREMISES/FUR.&FIXTURE	275,957	1	274,588	1	274,588	1	0
SUNDRIES	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
FIXED ASSETS	275,957	2	274,588	1	274,588	1	0
TOTAL ASSETS	22,796,887	100	25,058,741	100	24,519,538	100	(2)

FINANCIAL SPREAD SHEET - BANK

METRO BANK LIMITED		Figures are in Thousand Taka					
AUDITOR	Audited	%	Audited	%	Audited	%	
ANALYST	Karim		Karim		Karim		
PERIOD	31-Dec-03	TBS	31-Dec-04	TBS	31-Dec-05	TBS	% Var
CURRENT LIABILITIES							
DEPOSITS	16,946,751	74	20,603,772	82	20,603,731	84	(0)
CALL LOANS	0	0	0	0	0	0	0
BORROWINGS	71,499	0	73,828	0	73,828	0	0
BILLS PAYABLE	466,587	2	366,580	1	366,580	1	0
FC HELD UNDER B/B LC	0	0	0	0	0	0	0
UNEARNED INCOME	0	0	0	0	0	0	0
TAXES PAYABLE	0	0	0	0	0	0	0
DIVIDEND PAYABLE	0	0	0	0	0	0	0
OTHER LIABILITIES	4,237,517	19	2,771,677	11	2,467,012	10	(11)
0	0	0	0	0	0	0	0
TOTAL CURRENT LIABILITIES	21,722,354	95	23,815,857	95	23,511,151	96	(1)
PENSION & OTHER FUNDS	0	0	0	0	0	0	0
UNEARNED INCOME (T BILL)	0	0	0	0	0	0	0
SUNDRIES	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
							0
TOTAL LIABILITIES	21,722,354	95	23,815,857	95	23,511,151	96	(1)
CAPITAL PAID IN	230,158	1	230,158	1	230,158	1	0
STATUTORY RESERVES	391,195	2	516,408	2	516,408	2	0
INVESTMENT LOSS OFFSET RES.	0	0	0	0	0	0	0
GENERAL RESERVE	266,752	1	266,753	1	266,754	1	0
RETAINED EARNINGS	186,428	1	229,565	1	(4,933)	(0)	(102)
ASSET REVALUATION	0	0	0	0	0	0	0
PREFERENCE SHARES	0	0	0	0	0	0	0
SUBORDINATED LOANS	0	0	0	0	0	0	0
	0	0	0	0	0	0	0
TOTAL CAPITAL FUNDS	1,074,533	5	1,242,884	5	1,008,387	4	(19)
TOTAL LIABILITIES & CAPITAL FUNDS	22,796,887	100	25,058,741	100	24,519,538	100	(2)
CONTINGENT LIABILITIES	5,630,743	19	10,525,986	12	10,525,986	10	0

FINANCIAL SPREAD SHEET - BANK

FINANCIAL INDICATORS - RATIOS

METRO BANK LIMITED	Figures are in Thousand Taka		
AUDITOR	Audited	Audited	Audited
ANALYST	Karim	Karim	Karim
PERIOD	31-Dec-03	31-Dec-04	31-Dec-05
HIGHLIGHTS			
TOTAL ASSET	22,796,887	25,058,741	24,519,538
TOTAL CAPITAL	1,074,533	1,242,884	1,008,387
TOTAL LOANS & ADVANCES	14,396,440	15,384,695	15,384,695
TOTAL DEPOSIT	17,413,338	20,970,352	20,970,311
NET PROFIT AFTER TAX	229,221	168,351	(66,147)
LIQUIDITY RATIO			
CASH & CORRES. TO CURRENT LIABILITIES (%)	10%	21%	21%
QUICK ASSETS TO CURRENT LIABILITIES (%)	40%	44%	42%
LOAN & ADVANCES TO DEPOSITS (%)	83%	73%	73%
CAPITAL FUNDS TO CURRENT LIABILITIES (%)	5%	5%	4%
CASH & CORRES. TO DEPOSIT (%)	13%	24%	24%
QUICK ASSETS TO DEPOSIT (%)	51%	51%	48%
QUICK & SEC. ASSETS TO DEPOSIT (%)	133%	120%	118%
DEMAND DEP. TO TOTAL DEPOSIT (%)	37%	35%	20%
FIXED ASSETS TO CAPITAL FUNDS (%)	26%	22%	27%
LOANS & ADVANCES TO TOTAL ASSET (%)	63%	61%	63%
ASSET QUALITY			
NON PERF. LOAN (NPL) TO TOTAL LOAN (%)	19%	9%	12%
NON PERFORMING LOAN TO EQUITY (%)	250%	109%	188%
PROVISION TO NON PERFORMING LOANS (%)	69%	59%	54%
PROVISION TO TOTAL ADVANCES (%)	13%	5%	7%
LEVERAGE			
LIABILITY TO NET WORTH (TIMES)	20	19	23
CONTINGENT LIABILITY TO TOT. ASSETS (%)	25%	42%	43%
CONT. LIABILITY / CAPITAL FUNDS (TIMES)	5	8	10
PROFITABILITY			
RETURN ON EQUITY (ROE)	32%	29%	12%
RETURN ON ASSETS (ROA)	1.51%	1.42%	0.49%
EFFICIENCY RATIO			
NUMBER OF BRANCH	80	80	80
NUMBER OF EMPLOYEES	1,827	1,827	1,827
NET PROFIT PER BRANCH ('000)	2,865	2,104	(827)
NET PROFIT PER EMPLOYEE ('000)	125	92	(36)
EARNINGS PER SHARE	100	73	(29)
RATINGS			
CREDIT RATING (MANDATORY)	2	2	2
MOODY/S&P RATING	SAT	SAT	SAT

FUNDING & LENDING RATIOS	31-Dec-03	31-Dec-04	31-Dec-05
COST OF DEPOSIT	4.90%	4.63%	4.63%
ADMINISTRATIVE COSTS	2.39%	2.40%	2.40%
OTHER OPERATING COSTS	1.27%	1.05%	1.05%
COST OF FUND	8.57%	8.08%	8.08%
LENDING RATE	10.33%	11.19%	11.13%

DEPOSITS	31-Dec-03	31-Dec-04	31-Dec-05	Var-%
FIXED DEPOSITS	5,174,113	6,992,312	10,199,945	50
SAVINGS DEPOSITS	5,571,782	6,347,572	6,347,572	31
DEMAND DEPOSITS	6,200,856	7,263,888	4,056,214	20
TOTAL	16,946,751	20,603,772	20,603,731	100

APPENDIX - B

CREDIT RISK GRADING SCORE SHEET- BANK

Bank Name:	
Bank Address:	
Analyst Name & Designation:	
Review Period & Ref. No:	

QUANTITATIVE FACTOR

KEY PARAMETERS	Points	Actual
1. CAPITAL ADEQUACY: 15 POINT	15.00	0.00
Bank's plan to raise equity to support its growth is acceptable (Internal Capital Generation)	4.00	
Bank has maintained the Minimum Capital Adequacy Requirement (CAR) set by Bangladesh Bank	5.00	
Leverage Ratio of the Bank is acceptable	4.00	
Is the dividend policy of the Bank satisfactory keeping in line with capital adequacy requirement	2.00	
2. ASSET QUALITY: 15 Points	15.00	0.00
Does Credit Risk Management includes exhaustive pre-approval and post -approval process including documentation & covenant compliance	2.00	
Is Portfolio Management System in place and periodic portfolio review being done	2.00	
Is level of non performing loans acceptable	3.00	
Review of largest exposure to a single client/group and portion of it being non-performing are regularly reviewed	1.00	
Sector from where the gross NPL are coming from are periodically reviewed	1.00	
Are classified loans being followed regularly with clear action plan for recovery?	2.00	
Have Credit Risk Grading of clients are in place and effective.	1.00	
Portfolio Diversity (Industry wise breakdown of loans) are being ensured by the management	1.00	
Nature of security/collateral are clearly analyzed and the frequency of valuation seems justified	1.00	
Quality of non-industrial lending are analyzed properly and exposures are satisfactory	1.00	

Bank Name:	
Bank Address:	
Analyst Name & Designation:	
Review Period & Ref. No:	

QUANTITATIVE FACTOR

3. EARNINGS QUALITY: 15 Points	15.00	0.00
Bank is maintaining satisfactory growth in level of earnings	2.00	
Diversity of earnings is regularly pursued	1.00	
Growth in Return on Assets (ROA)	2.00	
Growth in Return on Equity (ROE)	2.00	
Interest Rate Management, Interest rate policy (extent of change in lending & deposit rates and how is impacting margins and profitability) are	2.00	
Non funded business prospects and its contribution towards earnings are regularly reviewed for income growth	1.00	
Average cost of fund is well under bank's established parameter and are being monitored	1.00	
Average lending rates are well under bank's established parameter and are being monitored	1.00	
Average net spread is well under bank's established parameter and are being monitored	1.00	
Net Interest Income Margin (NIIM) trend is satisfactory	1.00	
Yield per taka staff cost is well under bank's control	1.00	
4. LIQUIDITY AND CAPACITY OF EXTERNAL FUND MOBILIZATION: 10 Points	10.00	0.00
Bank is complying to SLR (Statutory Liquidity Reserve), CRR (Cash Reserve Requirement) and Loan Deposit Ratio	2.00	
Asset liability maturity structure are in place and is reviewed in ALCO meeting.	2.00	
Bank liquidity ratio is satisfactory	2.00	
Core asset funded by core liabilities are been identified and proper matching is ensured	1.00	
Bank regularly review the impact on interest rate volatility on deposit and its trend	1.00	
Bank has the ability to raise fund through stable sources in cost effective manner	1.00	
Bank has in the past or going forward has the credibility of funding sources in distress situation	1.00	
5. SIZE OF THE BANK & MARKET PRESENCE: 5 Points	5.00	0.00
Number of branch network and employees (Large, medium or small network)	2.00	
Level of automation (High, Medium, low or manual environment)	2.00	
Products and services offered (Corporate, SME, Consumer, Retail products, Credit Card, SMS/Tele Banking etc.) are regularly reviewed	1.00	
TOTAL QUANTITATIVE FACTOR	60.00	0.00

Bank Name:	
Bank Address:	
Analyst Name & Designation:	
Review Period & Ref. No:	

QUALITATIVE FACTOR

6. MANAGEMENT : 10 POINTS	10.00	0.00
Bank is viewed as a human resource based institutions	1.00	
Quality of Management (details of Senior Management, background of MD and other top executives) is satisfactory	1.00	
Experience and educational background of the senior, mid level and junior management is acceptable	1.00	
Management Philosophy is crystallized through a well laid down Vision and Mission	1.00	
Bank's human resource development plans are properly documented and being properly implemented	1.00	
Quality of training being offered by the bank is acceptable	1.00	
Management operating efficiency are being calculated on the basis of earning and are properly recognized	1.00	
More emphasis are placed on system & process based banking	1.00	
Staff turnover rate is acceptable	1.00	
Management places emphasis on Information Technology (automation) and continuous enrichment of staff knowledge in this area	1.00	
7. REGULATORY ENVIRONMENT & COMPLIANCE : 10 Points	10.00	0.00
Policy on loan classification and provisioning are in line with Bangladesh Bank guidelines/circulars	2.00	
Policy on large loans are properly monitored and followed per Bangladesh Bank requirements	1.00	
Loan against Shares, Debentures etc. are properly approved and monitored as per Bangladesh Bank guidelines	0.50	
Disclosure requirement for banks are handled properly	1.00	
Delegation of power at operating level are well defined and properly allocated	1.00	
Instructions for compliance of provisions of Money Laundering Prevention Act, 2002 are properly handled at required level	2.00	
Company has been operating satisfactorily in complying to the regulations of SEC and related bodies	1.00	
Internal Control & Compliance mechanism as per Bangladesh Bank guidelines are fully implemented and is operative in all respect	1.00	
Bank's effort in moving towards achieving the way for Basel II compliance is satisfactory	0.50	

Bank Name:	
Bank Address:	
Analyst Name & Designation:	
Review Period & Ref. No:	

QUALITATIVE FACTOR

8. RISK MANAGEMENT: 5 Points	5.00	0.00
Is Credit Policy & Process Manual (as per Bangladesh Bank guidelines) in place and fully implemented	2.00	
Implementation of risk management in the areas of Operational Risk Management	2.00	
Implementation of risk management in the areas of Market Risk Management	1.00	
9. SENSITIVITY TO MARKET RISK: 5 Points	5.00	0.00
Changes in interest rates substantially affect company's earnings	2.00	
Changes in foreign exchange rate materially affect company's earnings	2.00	
Changes in commodity prices may affect bank's business	1.00	
10. OWNERSHIP (SHAREHOLDING PATTERN) & CORPORATE GOVERNANCE : 5 Points	5.00	0.00
Ownership and constitution of Board (current shareholding with names and experiences of promoters - Govt/Private Ownership)	2.00	
Conflict of interest issues in the operational management are fully analyzed and dealt with efficiency	1.00	
Personal policy and employee satisfaction issue gets priority by the Board	1.00	
Application of information technology in the system along with IT Audit function receives top priority by the Board	1.00	
11. ACCOUNTING QUALITY: 3 Points	3.00	0.00
Policies for income recognition is documented and properly accounted for in the financial statement of the Bank	1.00	
Provisioning and valuation of investment are properly examined and accordingly entries are taken up	1.00	
Bank's Books of Accounts are being audited by quality Audit Firm	1.00	
12. FRANCHISE VALUE: 2 Points	2.00	0.00
Joint Venture Partner/Strategic alliance (foreign or local partners adding to the synergy)	1.00	
Management Contract/Technical collaboration (foreign or local partners adding to the synergy)	0.50	
Alliance/arrangement with World Bank/ADB/IFC/SEDF or any awards/certification or any other recognition granted to the Bank	0.50	
TOTAL QUALITATIVE FACTOR	40.00	0.00
GRAND TOTAL	100.00	0.00

SUMMARY SCORE SHEET - BANK

Bank Name:	0
Bank Address:	0
Analyst Name & Designation:	0
Review Period & Ref. No:	0

PRINCIPAL RISK COMPONENTS	TOTAL POINTS	POINTS SCORED
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QUANTITATIVE FACTOR (60 POINTS)	60	0
Capital Adequacy	15	0.00
Asset Quality	15	0.00
Earnings Quality	15	0.00
Liquidity and Capacity of External Fund Mobilization	10	0.00
Size of the Bank & Market Presence	5	0.00

QUALITATIVE FACTOR (40 POINTS)	40	0
Management	10	0.00
Regulatory Environment & Compliance	10	0.00
Risk Management	5	0.00
Sensitivity to Market Risk	5	0.00
Ownership (Share holding Pattern) & Corporate Governance	5	0.00
Accounting Quality	3	0.00
Franchise Value	2	0.00

Grand Total (Rounded off)	100	0
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CREDIT RISK GRADING	BAD & LOSS - 8
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RATING	SHORT	POINTS
SUPERIOR - 1	SUP	85 - 100
GOOD - 2	GD	75 - 84
ACCEPTABLE - 3	ACCPT	65 - 74
MARGINAL / WATCHLIST - 4	MG/WL	55 - 64
SPECIAL MENTION - 5	SM	45 - 54
SUB STANDARD - 6	SS	35 - 44
DOUBTFUL - 7	DF	25 - 34
BAD & LOSS - 8	BL	24 & below

Signed by:

Money Market Desk/FID

Head of Credit Risk Management

APPENDIX - C

DATA COLLECTION CHECK LIST - BANK

METRO BANK LIMITED- DHAKA HEAD OFFICE

DATA COLLECTION CHECK LIST - BANK

Documents/items required for Credit Risk Grading	Required?		Obtained?	
	YES	NO	YES	NO
Banks Audited Financial Accounts for at least 3 years	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Set of accounts for at least two competitors (if published)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Industry average figures (If available)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Financial Spread Sheet (FSS)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Limit Utilization Form	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Credit Risk Grading of Obligor by agency as per Bangladesh Bank requirement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Bio data for – <ul style="list-style-type: none"> ▪ All Directors of the Bank ▪ Other key executives of the Bank 	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Detail of securities offered (if any)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Memorandum/Articles of Association/Certificate of Incorporation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Pending Item Checklist

Item	Responsibility	Due Date	Status

Relationship Manager (RM)
Money Market Desk

Senior Relationship Manager (SRM)
Money Market Desk

APPENDIX - D

LIMIT UTILIZATION FORM - BANK

LIMIT UTILIZATION FORM

Borrower: METRO BANK LIMITED – Dhaka Head Office

Date:

Period: For the Period from ----- to ----- (12 months Actual/Projected)

Account Performance:

Nature of the Account	Debit Summation	Credit Summation	(Amount in '000' Taka)	
			Balance/Outstanding	
			Maximum	Minimum
Nostro Account Deposit (if any)	N/A	N/A	X	X
Overdraft (OD)	X	X	X	X
Call Loan/Time Loan	N/A	N/A	X	X
Term Loan	N/A	N/A	X	X
LBPD/Acceptances	N/A	N/A	X	X
Letter of Credits	N/A	N/A	X	X
Guarantee	N/A	N/A	X	X

Account Volume:

Facilities	Total No. of transaction	Amount in '000' Taka
Letter of Credits	X	X
Guarantees	X	X
LBPD/Acceptances	X	X

Account Profitability:

Nature of Account/Facility	Average Utilization	Rate of Interest	Interest Income	(Amount in '000' Taka)		Total
				Commission	Other Revenue	
Nostro Account Deposit (if any)			X			X
Overdraft (OD)			X			X
Call Loan/Time Loan			X			X
Term Loan			X			X
LBPD/Acceptances			X	X		X
Letter of Credits				X		X
Guarantees				X		X
Gross Earnings			XXX	XXX	XXX	XXX
Less: Cost of Fund			XX			XX
Net Earnings			XXX	XXX	XXX	XXX

Comment on Relationship/Earnings:

- Our earnings from the Obligor for the last year was BDT-----
- Our projected earnings from the Obligor for the next year will be BDT-----
- Utilization of limit during the last year was satisfactory.

Relationship Manager (RM)
Money Market Desk

Senior Relationship Manager (SRM)
Money Market Desk

APPENDIX - E

CREDIT RISK GRADING FORM - BANK

CREDIT RISK GRADING FORM

Date:

Obligor: METRO BANK LIMITED	Obligor Address:				
Incorporated:	Legal Status:				
Client Since:	Business:				
Contact Person:	Risk Grading	Existing		New	
Next Grading Review Date:	Grade Score	Existing		New	
Credit Risk Grade Score Sheet Ref. No ----- & dated ----- enclosed.					

Facilities	Amount in '000 TK		Expiry/ Maturity
	Limit	Outstandings	
Overdraft			
Call Loan/Time Loan			
Term Loan			
LBP/Discounts			
Letters of credit			
Guarantee			
Total			

Key Financials

Period	FYE December 2003	FYE December 2004	FYE December 2005
Operating Profit			
Net Profit After Tax			
Total Capital			
Current Ratio (%)			
Leverage (%)			
Number of Branches			
Number of Employees			

Breach of Covenants: Any breach of covenants to be mentioned with action plan for removal.

Reason for change (if any) in credit risk grading:

General comment by RM or Recommended action steps for upgrade if required:

Relationship Manager (RM)
 Money Market Desk

Senior Relationship Manager (SRM)
 Money Market Desk

GRADING APPROVAL

Credit Officer, CRM

Senior Credit Officer, CRM

APPENDIX - F

MIS REPORTS ON CREDIT RISK GRADING - BANK

**ABC BANKING LIMITED
CREDIT RISK GRADING REPORT (CONSOLIDATED)
AS ON DECEMBER 31, 2005**

RISK GRADE	NUMBER OF BORROWER	IN %	LIMIT (TK IN '000)	IN %	OUTSTANDING (TK IN '000)	IN %
SUPERIOR - 1						
GOOD - 2						
ACCEPTABLE - 3						
MARGINAL/WATCHLIST- 4						
SPECIAL MENTION - 5						
SUB STANDARD - 6						
DOUBTFUL - 7						
BAD & LOSS - 8						
TOTAL		100%		100%		100%

**ABC BANKING LIMITED
CREDIT RISK GRADING REPORT (GRADE WISE OBLIGOR LIST)
AS ON DECEMBER 31, 2005**

CREDIT RISK GRADE: SUP- 1

SL No	NAME OF BORROWER	LIMIT (TK IN '000)	OUTSTANDING (TK IN '000)	CREDIT EXPIRY
TOTAL SUPERIOR GRADE				

CREDIT RISK GRADE: GD-2

SL No	NAME OF BORROWER	LIMIT (TK IN '000)	OUTSTANDING (TK IN '000)	CREDIT EXPIRY
TOTAL GOOD GRADE				

CREDIT RISK GRADE: ACCPT-3

SL No	NAME OF BORROWER	LIMIT (TK IN '000)	OUTSTANDING (TK IN '000)	CREDIT EXPIRY
1.	METRO BANK LIMITED			
TOTAL ACCEPTABLE GRADE				

CREDIT RISK GRADE: MG/WL-4

SL No	NAME OF BORROWER	LIMIT (TK IN '000)	OUTSTANDING (TK IN '000)	CREDIT EXPIRY
TOTAL MARGINAL/WATCHLIST GRADE				

CREDIT RISK GRADE:

SM-5

SL No	NAME OF BORROWER	LIMIT (TK IN '000)	OUTSTANDING (TK IN '000)	CREDIT EXPIRY
TOTAL SPECIAL MENTION GRADE				

CREDIT RISK GRADE:

SS -6

SL No	NAME OF BORROWER	LIMIT (TK IN '000)	OUTSTANDING (TK IN '000)	CREDIT EXPIRY
TOTAL SUB STANDARD GRADE				

CREDIT RISK GRADE:

DF-7

SL No	NAME OF BORROWER	LIMIT (TK IN '000)	OUTSTANDING (TK IN '000)	CREDIT EXPIRY
TOTAL DOUBTFUL GRADE				

CREDIT RISK GRADE:

BL-8

SL No	NAME OF BORROWER	LIMIT (TK IN '000)	OUTSTANDING (TK IN '000)	CREDIT EXPIRY
TOTAL BAD & LOSS GRADE				