Internship Report
on
Credit Risk Management of Dhaka Bank PLC

Submitted by:

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Program: Bachelor of Business Administration (BBA)
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Department of Business Administration
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Submitted to:

Department of Business Administration
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Sonargaon University (SU)

Submitted for the partial fulfillment of the degree of
Bachelor of Business Administration (BBA)

SONARGAON UNIVERSITY (SU)
147/1 Green Road, Panthapath, Tejgaon, Dhaka

Date of Submission: May 2, 2026

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Submitted to:

Md. Ashraf Ali
Assistant Professor
Department of Business Administration
Sonargaon University (SU)

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LETTER OF TRANSMITTAL

Date: May 02, 2026

To
Md. Ashraf Ali
Assistant Professor
Department of Business Administration
Sonargaon University
Dhaka

Subject: Submission of Internship Report on "Credit Risk Management of Dhaka Bank PLC"

Dear Sir,
With due respect, I would like to submit my internship report entitled **"Credit Risk Management of Dhaka Bank PLC"**, prepared as a partial fulfilment of the requirements for the degree of Bachelor of Business Administration (BBA).

The report has been prepared based on my practical experience and relevant secondary information to gain a comprehensive understanding of investment automation and strategic financial outcomes in the banking sector. I have made my sincere effort to incorporate relevant theoretical concepts along with practical observations to ensure the quality and usefulness of this report.

I sincerely hope that this report will meet your expectations, I shall be grateful if you kindly accept this report and provide your valuable feedback.

Thank you for your guidance and cooperation throughout the preparation of this report.

Yours sincerely,

Md Sabbir Islam

ID: BBA2201025099

BBA (Major in Finance)

Department of Business Administration

Sonargaon University

CERTIFICATE OF SUPERVISOR

This is to certify that **Md Sabbir Islam**, ID: **BBA2201025099**, a student of the Department of Business Administration, Sonargaon University, Dhaka, has successfully completed the internship report entitled **“Credit Risk Management of Dhaka Bank PLC”** under my supervision. This report has been prepared in partial fulfillment of the requirements for the award of the degree of Bachelor of Business Administration (BBA). The work carried out by him is satisfactory and is an original piece of work. I wish him every success in his future academic and professional endeavors.

Md. Ashraf Ali
Assistant Professor
Department of Business Administration
Sonargaon University (SU)

DECLARATION OF STUDENT

I hereby declare that the internship report entitled **"Credit Risk Management of Dhaka Bank PLC"** has been prepared by me as a partial fulfillment of the requirements for the degree of **Bachelor of Business Administration (BBA)** under the department of Business Administration, Sonargaon University.

I further declare that this report is an original work and has not been submitted, either in whole or in part, to any other university or institution for any academic degree or qualification.

Sincerely,

Md Sabbir Islam
ID: BBA2201025099
Batch: 2022
Department of Business Administration
Sonargaon University (SU)

ACKNOWLEDGEMENT

First of all, I would like to express my deepest gratitude to Almighty Allah for granting me the strength, patience, and perseverance to successfully complete this internship report. Without His blessings, it would not have been possible for me to accomplish this important academic work.

I would like to convey my sincere appreciation to Sonargaon University for providing me with the opportunity to undertake this internship and prepare this report as an essential requirement of the Bachelor of Business Administration (BBA) program. The academic knowledge and guidance I received throughout my studies have played a significant role in helping me understand the practical aspects of banking and financial analysis.

I am profoundly grateful to my honorable supervisor, Md. Ashraf Ali, Assistant Professor, Department of Business Administration, Sonargaon University, for his continuous guidance, valuable suggestions, constructive criticism, and constant encouragement throughout the preparation of this report. His support, patience, and insightful feedback have greatly contributed to improving the quality of my work and completing it in a proper academic manner.

I would also like to extend my heartfelt thanks to the officials and employees of Dhaka Bank PLC for their kind cooperation, support, and willingness to share valuable information during the preparation of this report. Their practical insights and professional behavior helped me gain a clearer understanding of real-life banking operations and credit management practices.

Furthermore, I am thankful to my classmates and friends who supported me with their ideas, suggestions, and motivation during this journey. Their encouragement made the process more manageable and enjoyable.

Finally, I would like to express my deepest gratitude to my family members, especially my daughters, for their endless support, patience, and inspiration. Their encouragement and understanding have been a constant source of strength for me throughout my academic journey.

Overall, I am truly grateful to everyone who directly or indirectly contributed to the successful completion of this internship report.

EXECUTIVE SUMMARY

This report, titled "Credit Risk Management of Dhaka Bank PLC" has been prepared as a partial requirement for the completion of the Bachelor of Business Administration (BBA) program. The primary objective of the study is to evaluate the credit risk management framework, policies, and practices followed by Dhaka Bank PLC, along with an analysis of its financial performance over recent years.

The report is largely based on secondary data sources, including the annual reports of Dhaka Bank PLC, guidelines issued by Bangladesh Bank, relevant academic journals, textbooks, and credible online resources. In addition, practical insights have been incorporated through limited observation and professional discussions to support the analysis.

Dhaka Bank PLC is a well-established private commercial bank offering a wide range of financial products and services, including conventional and Islamic banking, SME and agricultural financing, consumer banking, credit card services, offshore banking, and brokerage services. The bank has developed a strong position in corporate banking while gradually expanding its focus on SME and retail segments. It also plays a significant role in syndicated and structured financing activities.

This report provides a comprehensive overview of the credit risk management system of Dhaka Bank PLC, including key concepts, principles, and procedures. It discusses credit appraisal techniques, borrower evaluation criteria, risk grading systems, and the overall credit approval process. Special emphasis is given to loan and advance management, supervision and monitoring practices, and recent developments in credit sanctioning policies. The study also highlights the importance of assessing borrowers' creditworthiness, repayment capacity, and credit rating reports in minimizing default risk.

Furthermore, the report evaluates the bank's financial performance using data from recent years, applying ratio analysis to assess profitability, efficiency, and overall financial health. The findings indicate that Dhaka Bank PLC follows structured credit policies and procedures in compliance with Bangladesh Bank regulations. The use of Credit Risk Grading (CRG), along with additional internal assessment tools, supports effective risk evaluation and decision-making. As a result, the bank has been able to maintain a controlled level of non-performing loans and achieve its financial objectives.

Despite its strengths, the report identifies certain limitations, such as restricted access to confidential data and reliance on secondary information. Based on the findings, several recommendations have been proposed, including strengthening credit monitoring systems, diversifying the loan portfolio, and adopting advanced technological solutions to enhance operational efficiency.

In conclusion, Dhaka Bank PLC demonstrates a well-structured and effective credit risk management framework aligned with regulatory guidelines. However, continuous improvement, strict compliance, and adaptation to the evolving banking environment remain essential for sustaining performance and minimizing risk.

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Abbreviations

BB	Bangladesh Bank
LC	Letter of Credit
OD	Overdraft
CC	Cash Credit
PLC	Private Limited Company
CRM	Credit Risk Management
SAM	Special Asset Management
SME	Small and Medium Enterprise
GDP	Gross Domestic Product
CRG	Credit Risk Grading
ADMs	Automated Deposit Machines
CRMs	Cash Recycling Machines
DSE	Dhaka Stock Exchange
CSE	Chittagong Stock Exchange
NIM	Net Interest Margin
NPL	Non-Performing Loan
DPD	Days Past Due
FDR	Fixed Deposit Ratio
MSS	Monthly Savings Scheme
ROA	Return on Assets
ROE	Return on Equity
ECRL	Emerging Credit Rating Limited
NPLR	Non-Performing Loan Ratio
LLPR	Loan Loss Provision Ratio

Chapter One

INTRODUCTION

1.1 Introduction

Modern banking institutions operate in an environment characterized by various market and non-market risks, making risk management a fundamental function within the banking system. Banks prioritize risk management not only to protect the interests of the shareholders and creditors but also to ensure long-term financial stability. Regulatory authorities, particularly Bangladesh Bank, play a crucial role in encouraging effective risk management practices, as a stable banking system in essential for economic growth and the smooth functioning of financial markets. Consequently, identifying, evaluating and strengthening risk management frameworks have become key components of regulatory supervision.

Despite ongoing developments and structural changes in the banking sector of Bangladesh, inefficiencies still persist. One of the most significant challenges faced by the industry in the issue of loan defaults. Various initiatives have been undertaken to address this problem, including the implementation of standardized credit policies and procedural guidelines set by Bangladesh Bank.

1.2 Objectives

1.2.1 General Objectives

This report has been prepared as a part of the requirements for completing the Bachelor of Business Administration (BBA) program. The primary objective of the study is to develop an understanding of credit management practices and evaluate the overall performance of Dhaka Bank PLC.

The general objectives are to fulfill the academic requirement for completion of the BBA program and to analyze the credit processes and risk management practices of Dhaka Bank PLC.

1.2.2 Specific Objectives

Specific objectives of this report are below:

- To examine the procedures related to loans and advances.
- To assess financial performance through ratio analysis.
- To gain insight into the operational environment of Dhaka Bank PLC.
- To identify the key determinants of credit risk and the application of Credit Risk Grading (CRG) in Dhaka Bank PLC.

1.3 Methodology

Both primary and secondary data sources have been utilized in preparing this report. The data collection methods are outlined below:

Primary Sources

- Direct discussions with bank officials.
- Interactions with clients and related stakeholders.
- Personal observations and recorded experiences during the study period.

Secondary Sources

- Annual reports of Dhaka Bank PLC.
- Internal documents and publications of Dhaka Bank PLC.
- Credit Risk Grading Manual issued by Bangladesh Bank.
- Official websites and relevant online resources.
- Academic articles and publications.

1.4 Scope of the Report

This report provides and analytical overview of Dhaka Bank PLC and its operational activities, with a particular focus on the credit division. It includes an evaluation of credit management practices, loan processing procedures and monitoring systems followed by the bank. The study also incorporates an analysis of financial performance based on published financial statements.

Furthermore, the report examine how Dhaka Bank PLC operates in accordance with the regulatory framework established by Bangladesh Bank. Emphasis is placed on credit operations, risk assessment practices and overall financial performance to meet the objectives of the study.

1.5 Limitations of the Study

Due to extensive nature of banking operations, it is challenging to cover all aspects within a limited timeframe. Several constraints were encountered during the preparation of this report:

- Difficulty in collecting and interpreting data within the scope of available knowledge.
- Limited access to confidential information, as Dhaka Bank PLC being a private commercial bank, maintains strict data privacy.
- Financial Statements provide quantitative data but often lack detailed restrictions.
- Some operational procedures are managed at higher management levels, limiting access to detailed insights.
- Credit risk analysis in Dhaka Bank PLC relies partly on professional judgment in addition to the guidelines provided by the Credit Risk Grading (CRG) system.

1.6 Literature Review

Literature review plays a crucial role in identifying the gaps and limitations of existing research while also providing a foundation for further study. It enables researchers to build upon prior knowledge and develop a more comprehensive understanding of the subject matter. In the context of banking in Bangladesh, regulatory authorities such as Bangladesh

Bank require all commercial banks including Dhaka Bank PLC to implement a standardized Credit Risk Grading (CRG) system as part of their risk management framework.

According to Brown (2008), credit risk refers to the likelihood of financial loss arising from a borrower to meet debt obligations. Credit risk management, therefore, involves minimizing potential losses by evaluating the adequacy of a bank's capital and the quality of its loan portfolio at any given time. Effective credit risk management ensures financial stability and enhances the overall performance of banking institutions.

Credit risk encompasses several dimensions, including concentration risk and settlement risk. As explained by Peter Moles (2011), concentration risk occurs when a bank has excessive exposure to borrowers or sectors with similar characteristics, increasing vulnerability to adverse conditions. Settlement risk, on the other hand, arises when transactions are processed through third parties or clearing agents, creating the possibility of default during the settlement process.

Schuermann, Treutler and weiner (2006) developed a framework linking changes in the value of credit portfolios to macroeconomics conditions, concluding that fluctuations in the business cycle significantly influence default probabilities. Similarly, Altman et al. (2003), in their study "The Link between Default and Recovery Rates" provided empirical evidence demonstrating the relationship between credit ratings, default rates, recovery rates and overall banking performance.

Proper evaluation of borrowers before loan disbursement is essential in minimizing credit risk. Rahman (1999) emphasized the importance of assessing the borrower's character and repayment capacity, nothing that failure to do so may result in loans becoming non-performing. Continuous monitoring of loan repayment is also critical to maintaining asset quality. Treacy and carey (1988) observed that provisions for doubtful loans can be substantial and the regulatory requirements may differ between state-owned and private commercial banks due to variations in operational objectives and public accountability.

Fremier and Gordon (1965) suggested that banks should assess credit risk at the time of loan disbursement using relevant data and analytical tools. They also noted that group-based lending mechanism can help reduce hazard. Additionally, Walker (1978) volumes can improve efficiency in banking activities.

Non-performing loan (NPL) provisioning is an important mechanism for covering expected losses arising from defaulted loans. Hasan and Wall (2004) found that higher levels of NPLs require stronger provisioning policies to maintain financial stability. Similarly, Salas and Saurina (2002) analyzed problem loans in Spanish banks and concluded that credit risk is influenced not only by macroeconomic conditions such as GDP growth but also by bank specific factors including size, capital adequacy, net interest margin and market power.

In addition to credit risk analysis, strategic tools such as SWOT analysis are widely used to evaluate organizational performance. Manktelow and Carlson (1997) described SWOT analysis as an effective method for identifying strengths, weaknesses, opportunities and threats within an organization. Valentin (2001) further emphasized that SWOT analysis helps align internal capabilities with external environmental factors, making it a valuable tool for strategic planning and decision-making in the banking sector.

Overall, the literature highlights the importance of structured credit risk management practices, effective monitoring systems and strategic analysis tools in ensuring the financial stability and long-term success of banks as Dhaka Bank PLC.

Chapter Two

AN OVERVIEW OF THE ORGANIZATION

2.1 Overview of Dhaka Bank PLC

Dhaka Bank PLC was established on July 5, 1995, by a group of visionary entrepreneurs with a strong commitment to excellence in the banking sector. Since its inception, the bank has grown into a well-recognized private commercial bank in Bangladesh, offering a wide range of financial products and services to its diverse customer base.

With the slogan "Excellence in Banking", Dhaka Bank PLC aims to deliver superior financial services through innovation, advanced technology and a customer-centric approach. Over the years, the bank has built a strong reputation based on sound corporate governance, strict regulatory compliance and adaptability to the evolving financial environment.

Dhaka Bank PLC has established a strong nationwide presence through its extensive network of branches, ATMs, automated deposit machines (ADMs), SME service channels and digital banking services such as SMS banking. As of December 31, 2024, the bank operates 117 branches, including 2 Islamic Banking branches along with 35 sub-branches and 3 SME service centers. In addition, it maintains 82 ATMs, 7 Cash Recycling Machines (CRMs) and 2 Offshore Banking Units across the country. To support capital market activities, Dhaka Bank PLC has formed a subsidiary named Dhaka Bank Securities Limited which operates through 6 branches nationwide.

The bank's success is driven by its skilled workforce, modern technological infrastructure and commitment to meeting customer expectations. Dhaka Bank PLC continues to position itself as a reliable and dynamic financial institution, contributing significantly to growth of the banking sector and the overall economy of Bangladesh.

2.2 Corporate Information

Name of the Organization	Dhaka Bank PLC
Nature of Business	Banking and Financial Services
Date of Incorporation	April 6, 1995
Date of Commenced	July 5, 1995
Stock Exchange Listing	DSE and CSE in 2000
Head Office	Plot: CWS (C)-10, Bir Uttam A K Khandakar Road, Gulshan-01, Ward-19, Dhaka North City Corporation, Dhaka-1212.
Call Center	Phone: 09666700325 (Hunting number) Local: 16474 Overseas: +8809678016474
Fax	+8802 5831 4419
Email	info@dhakabank.com.bd
Website	https://dhakabank.com.bd/
Swift	DHBLBDDH

2.3 Vision, Mission and Core Values

2.3.1 Vision

Dhaka Bank PLC aspires to set a benchmark in the banking industry by ensuring that every financial transaction delivers a satisfying and seamless experience. The bank aims to provide superior services characterized by accuracy, reliability, timely execution, advanced technology and customized financial solutions. It seeks to maintain a strong global presence in trade and commerce while maximizing returns for its stakeholders.

2.3.2 Mission

To become a leading financial institution in Bangladesh by delivering high-quality financial products and services supported by modern technology and a team of dedicated professionals, ensuring excellence in all aspects of banking operations.

2.3.3 Core Values

- Customer Focus
- Integrity
- Quality
- Teamwork
- Respect for Individuals
- Responsible Citizenship

2.4 Strategical Objectives

Dhaka Bank PLC aims to operate efficiently and transparently within the regulatory framework while maintaining high standards of corporate governance. Its strategic objectives include:

- Ensuring customer satisfaction through innovative, efficient and high-quality financial services.
- Achieving sustainable growth and profitability while maximizing shareholder value.
- Strengthening its position as a responsible corporate entity through active participation in social and economic development.
- Investing in employee development through training, career growth opportunities and competitive compensation.
- Maintaining strict compliance with regulatory requirements, including taxation and legal obligations.
- Enhancing technological capabilities to improve service delivery and operational efficiency.

2.5 Tangible and Intangible Financial Offerings

Tangible

Deposit Products

- Savings Account
- Current Account
- Fixed Deposit Receipt (FDR)
- Monthly Savings Scheme (MSS)
- Double/Triple Benefit Deposit Schemes

Loan & Credit Products

- Personal Loan
- Home Loan
- Auto Loan
- SME Loan
- Agricultural Loan
- Corporate Loan
- Working Capital Financing

Islamic Banking Products

- Mudaraba Savings Account
- Islamic Term Deposit
- Shariah-based Investment Products

Card Products

- Debit Cards
- Credit Cards
- Prepaid Cards

Intangible

Digital & Electronic Banking Services

- Internet Banking
- Mobile Banking
- SMS Banking
- ATM Banking
- Cash Recycling Machine (CRM) Services

Corporate & Trade Services

- Letter of Credit (LC)
- Foreign Exchange Services
- Import & Export Financing
- Remittance Services

Treasury & Investment Services

- Government Securities Trading
- Treasury Bills and Bonds
- Foreign Exchange Dealing

Capital Market Services

- Brokerage Services
- Portfolio Management
- Investment Advisory

Figure 01: Products and Services of Dhaka Bank PLC

2.6 Fiscal Performance

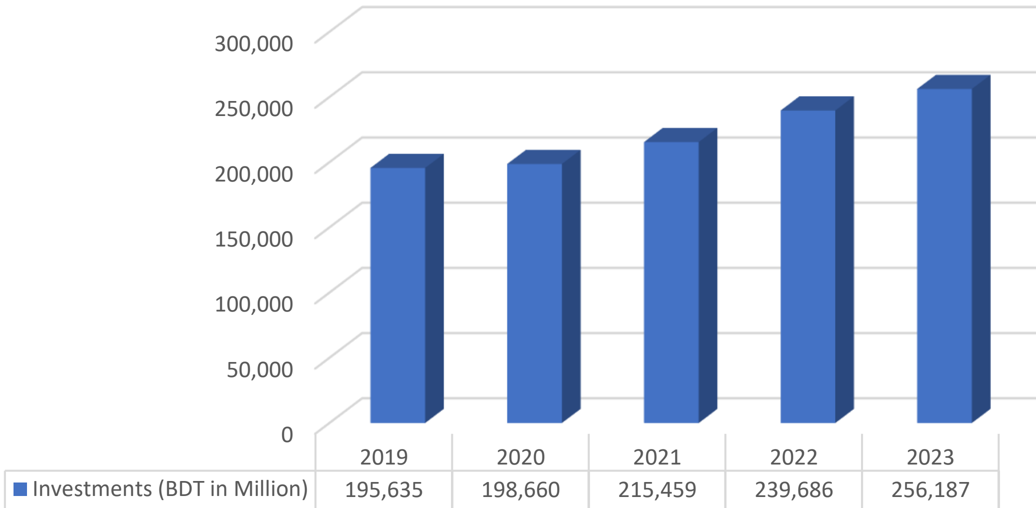

Figure 02: Investment of Dhaka Bank PLC

The chart illustrates the total investments (loans and advances) of Dhaka Bank PLC from 2019 to 2023, measured in million Bangladeshi Taka (BDT). The data shows a consistent upward trend over the five-year period. Investments increased from 195,635 million BDT in 2019 to approximately 239,686 million BDT in 2023. Although growth was relatively moderate between 2019 and 2020, a more significant increase is observed from 2021 onwards. This steady rise indicates the bank's continuous expansion in lending activities and its focus on credit growth.

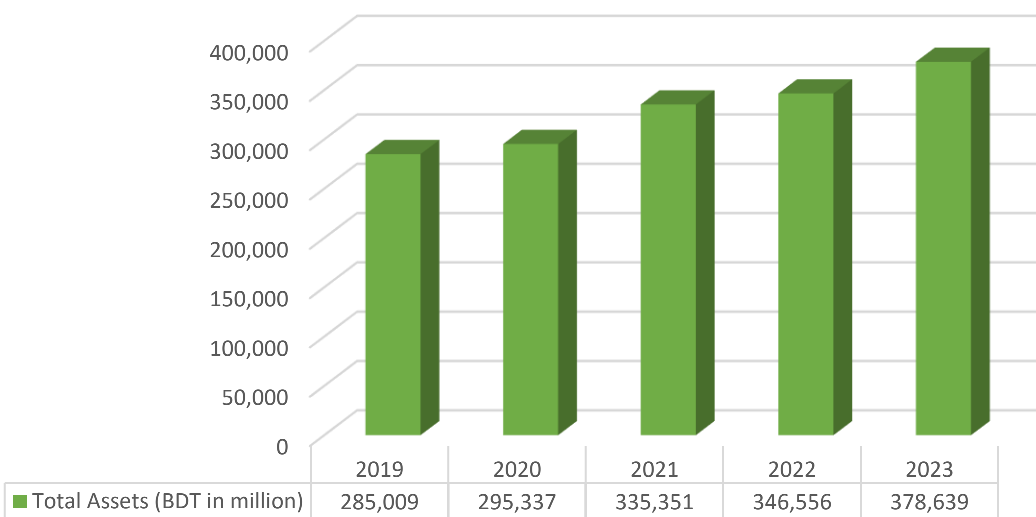

Figure 03: Total Assets of Dhaka Bank PLC

Dhaka Bank PLC's total assets have shown a steady growth trend over the period from 2019 to 2023. The bank's total assets increased from 285,009 million BDT in 2019 to approximately 378,639 million BDT in 2023, reflecting a significant overall increase. The highest growth was observed between 2020 and 2021, where assets rose substantially due to expansion in banking operations. The continuous growth in total assets indicates the bank's strengthening financial position and increasing operational scale.

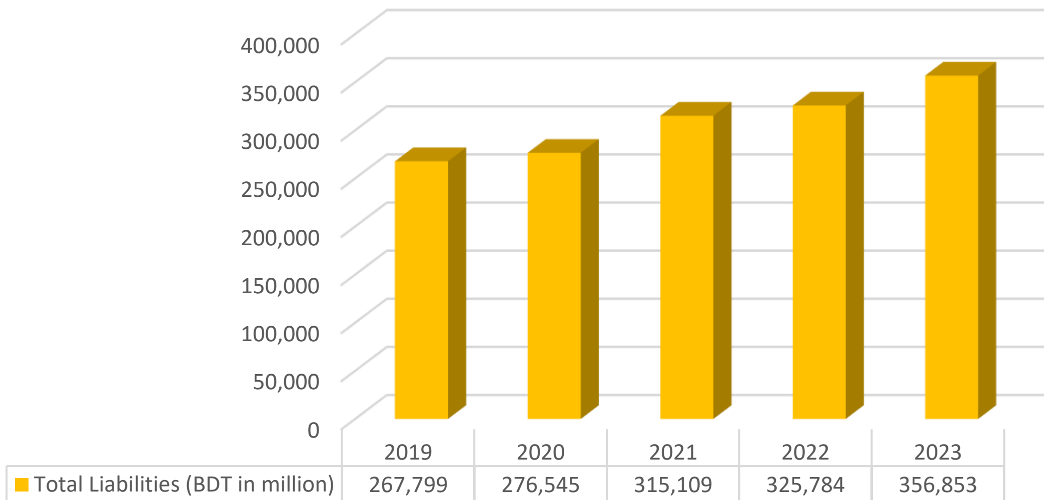

Figure 04: Total Liabilities of Dhaka Bank PLC

The total liabilities of Dhaka Bank PLC have also increased consistently from 2019 to 2023. The bank's liabilities rose from 267,799 million BDT in 2019 to approximately 356,853 million BDT in 2023. The most notable growth occurred between 2020 to 2021, primarily driven by an increase in customer deposits and other borrowings. This upward trend reflects the bank's expanding funding base and its ability to support increased asset growth.

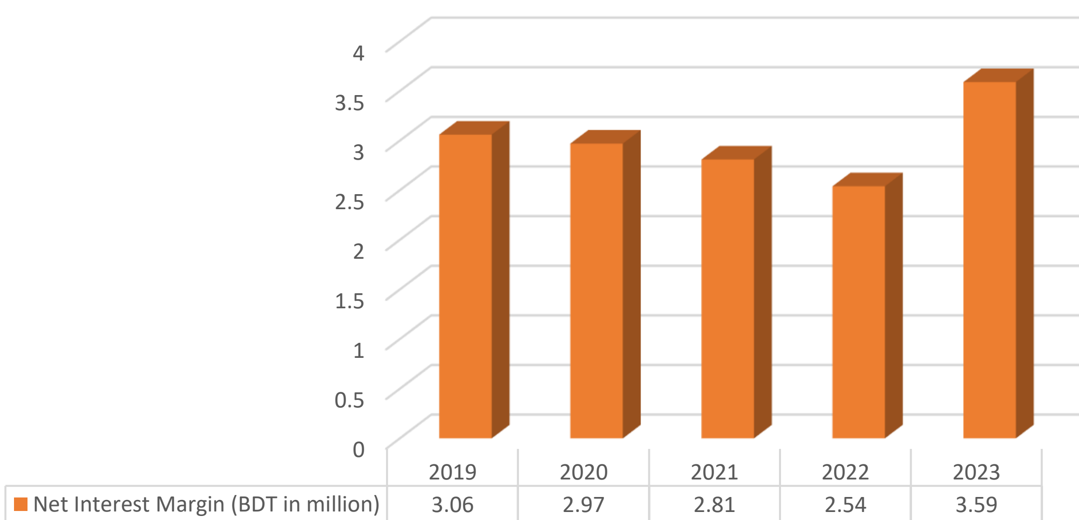

Figure 05: Net Interest Margin of Dhaka Bank PLC

The Net Interest Margin (NIM) of Dhaka Bank PLC from 2019 to 2023 demonstrates some fluctuations over the years. The NIM was 3.06% in 2019 and gradually declined to 2.54% in 2022, indicating reduced efficiency in interest income generation during that period. However, in 2023, the NIM improved significantly to 3.59%, suggesting better management of interest-earning assets and liabilities. This recovery reflects improved core banking performance.

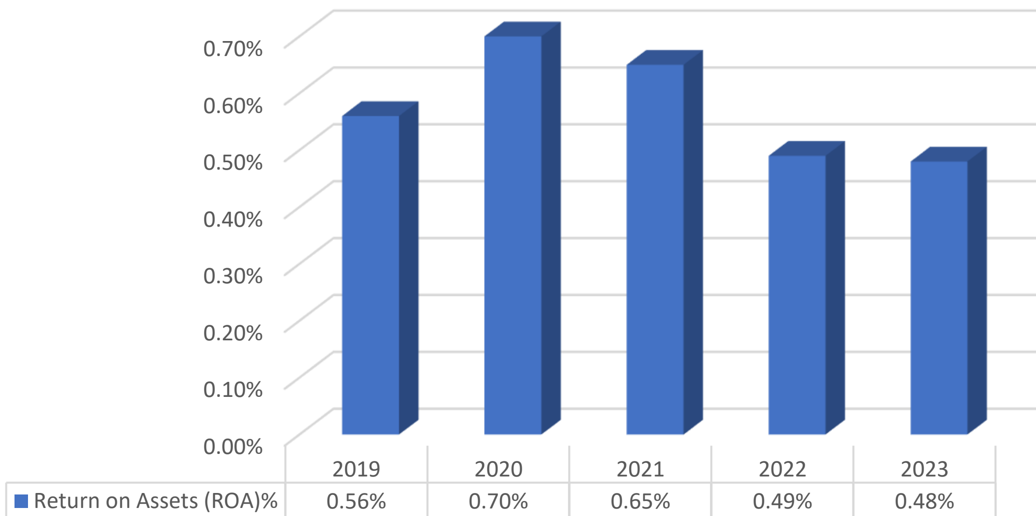

Figure 06: Return on Assets of Dhaka Bank PLC

The Return on Assets (ROA) of Dhaka Bank PLC shows a declining trend over the period from 2019 to 2023. The bank's ROA increased from 0.56% in 2019 to 0.70% in 2020 but gradually declined to 0.48% in 2023. This decrease indicates a reduction in the bank's efficiency in utilizing its assets to generate profit. Despite asset growth, profitability relative to assets has weakened in recent years.

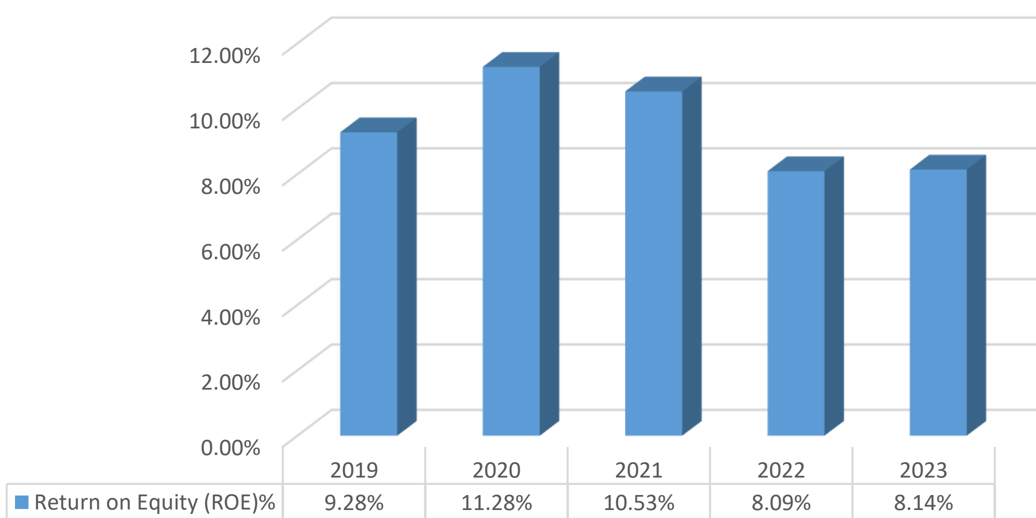

Figure 07: Return on Equity of Dhaka Bank PLC

The Return on Equity (ROE) of Dhaka Bank PLC exhibits a mixed trend during the period from 2019 to 2023. The ROE increased from 9.28% in 2019 to a peak of 11.28% in 2020, reflecting strong profitability for shareholders during that year. However, it declined in subsequent years, reaching 8.14% in 2023. This overall decrease suggests a reduction in returns generated on shareholders equity, although the bank has maintained relatively stable performance in recent years.

Chapter Three

INTERNSHIP POSIITON AND DUTIES

3.1 The Things I Have Learned from Dhaka Bank PLC

My internship at Dhaka Bank PLC commenced on January 7th, 2026 and concluded on April 4th, 2026, covering a total duration of approximately three months. During this period, I was assigned to the **Kakrail Branch**. This internship provided me with a valuable opportunity to gain practical exposure to real-world banking operations and understand how theoretical knowledge is applied in a professional environment.

Throughout the internship period, I gathered significant practical experience, which helped me better understand workplace dynamics, responsibilities, and professional behavior. This hands-on experience is extremely important for preparing oneself for future career challenges and developing professional competence.

The key learning outcomes from my internship at Dhaka Bank PLC are summarized below:

- I learned the true meaning of responsibility and how important it is to complete assigned tasks properly and on time.
- I understood the importance of commitment and dedication in a professional environment.
- I developed a strong sense of punctuality and regularity, which are essential qualities in the banking sector.
- I gained the ability to adapt and communicate with different types of professionals in a corporate setting.
- I learned how to deal with various types of customers, each having different needs and expectations.
- I became familiar with maintaining and respecting the organizational culture of Dhaka Bank PLC.
- I developed a sense of professionalism and discipline, which is necessary for long-term career success.

Dhaka Bank PLC has a structured internship program designed to guide interns. Although the program is not always strictly followed, it still provided a useful framework for my learning experience. During my internship, I had the opportunity to work in multiple departments, which allowed me to gain a broader understanding of the bank's overall operations.

3.2 The Nature of the jobs and Responsibilities

During my internship, I was rotated across different departments, which helped me understand various aspects of banking operations. My responsibilities and experiences in each department are described below.

3.2.1 General Banking Department

In the initial phase of my internship, I was assigned to the General Banking (GB) department for approximately two weeks. Although my time in this department was relatively short, I was able to learn the basic functions and daily operations of general banking.

My responsibilities included:

- Collecting cheque books after preparation, verifying them, and recording their receipt.
- Assisting in the printing and processing of pay orders.
- Matching debit and credit entries of vouchers and performing regular cross-checking.
- Assisting clients in opening savings accounts through the EASY App of Dhaka Bank PLC.
- Maintaining records of cheque books, including account numbers, dates, and client details.
- Contacting customers via phone calls to inform them about cheque book collection.

Through these tasks, I gained a clear understanding of customer service, documentation, and basic banking operations.

3.2.2 Credit Department

After completing my rotation in General Banking, I was assigned to the Credit Department for approximately eight weeks. This department plays a crucial role in the bank's profitability, as it deals with loans and advances.

I worked under **A S M Kamrul Huda** (Supervisor/Staff Member), who guided me throughout this period. Although I was not assigned highly technical tasks due to confidentiality, I actively assisted the department in various activities.

My responsibilities included:

- Organizing and rearranging customer files to maintain proper documentation.
- Assisting in filling out and verifying CIB (Credit Information Bureau) forms.
- Performing tasks such as printing, scanning, photocopying, and typing documents.
- Entering and organizing data in Microsoft Excel.
- Identifying and correcting minor errors in loan-related documents.
- Assisting in maintaining debit and credit balance records.

This experience helped me understand the importance of documentation, accuracy, and risk assessment in credit management.

3.2.3 Foreign Trade Department

In the final stage of my internship, I was assigned to the Foreign Trade Department for approximately two weeks. This department deals with international trade transactions such as Letters of Credit (LCs).

I worked under Shams **Rumana Rimi** (Senior vice President), who provided valuable guidance and insights into foreign trade operations.

My responsibilities included:

- Learning the process of opening and handling Letters of Credit (LCs).
- Assisting in documentation, including scanning, filing, and applying official seals.
- Collecting signatures and maintaining records of documents.
- Numbering and registering LCs in official registers.
- Assisting in processing Back-to-Back (BTB) LCs and Local LCs.
- Preparing and printing cover letters and related documents.
- Communicating with clients regarding missing information.
- Maintaining records and listings using Microsoft Excel.
- Learning internal communication systems such as official emails and file transfers.

This department provided me with a basic understanding of international trade financing and banking procedures.

3.3 Observation

During my internship at [Branch Name], I observed several important aspects of the working environment and operational practices of Dhaka Bank PLC:

- Employees ensure that work is completed within the same day, avoiding unnecessary delays.
- The working environment is professional, cooperative, and supportive.
- Although official banking hours are from 10:00 AM to 5:30 PM, employees often work beyond these hours to complete their responsibilities.
- Staff members are highly punctual, often arriving before official working hours.
- The bank experiences a high volume of customers, making daily operations dynamic and demanding.
- Tasks are clearly divided among employees, ensuring efficiency and accountability.
- Employees frequently support each other, which creates a strong team environment.
- However, I noticed that employee performance is not always adequately recognized, which may affect motivation levels.

3.4 Recommendation

Based on my observations and experience at Dhaka Bank PLC, I would like to propose the following recommendations:

- The bank should increase its marketing and promotional activities to improve visibility and attract new customers.

- Greater use of mass media and digital platforms can help expand its customer base.
- The Credit and Foreign Trade departments should have more staff members, as the workload in these departments is relatively high.
- The bank should consider diversifying its loan portfolio by increasing lending to small and medium sectors instead of focusing heavily on large clients.
- Expanding into smaller loan segments may reduce risk and ensure long-term stability, even if short-term profit margins are slightly lower.

Chapter Four

CREDIT RISK ANALYSIS AND FINDINGS

4.1 Classification of Credit Risk

Credit risk represents the possibility that a borrower will fail to meet contractual debt obligations in full and on time. It is one of the most critical risks faced by commercial banks as it directly affects profitability and financial stability. In the context of Dhaka Bank PLC, credit risk can be categorized into several category:

4.1.1 Default Risk

Default risk refers to the likelihood that a borrower will be unable or unwilling to repay loan obligations as agreed. A borrower is generally considered in default when payments are overdue by more than 90 days. This type of risk affects all credit -related instruments including loans, bonds and other financial contracts.

4.1.2 Concentration Risk

Concentration risk arises when a bank's exposure is heavily focused on a single borrower, group of borrowers or a particular industry or sector. Such concentration increases vulnerability as adverse conditions affecting that segment can significantly impact the bank's financial health.

4.1.3 Country Risk

Country risk is associated with cross-border lending and arises due to economic, political or regulatory instability in a foreign country. It includes transfer risk (restriction on foreign currency payments) and sovereign risk (government default). This type of risk is closely linked to macroeconomics conditions and geopolitical factors.

Overall, credit risk also includes the magnitude and duration of potential default. Proper identification, measurement and aggregation of these risks are essential to determine an appropriate risk grading and geopolitical factors.

4.2 Credit Policy Structure of Dhaka Bank PLC

To effectively manage credit risk, Dhaka Bank PLC has developed a comprehensive credit policy framework in alignment with the Core Risk Management Guidelines of Bangladesh Bank. This policy ensures a structured, transparent and disciplined approach to lending activities.

A key of the policy is the clear separation of responsibility among business development, credit approval and loan administration functions. This segregation enhances accountability and reduces the possibility of biased decision-making.

The guiding principle of the bank's credit policy is to ensure that all new loans maintain high quality and contribute positively to the loan portfolio. The major objectives of the policy include:

- Maximizing profitability through prudent lending decisions
- Providing credit to financially viable borrowers at reasonable costs
- Ensuring an adequate return on investment
- Supporting the socio-economic development of the country
- Delivering efficient banking services to customers

Additionally, the policy outlines detailed procedures for credit appraisal, risk grading, approval authority, loan monitoring, recovery processes, non-performing loan (NPL) management, provisioning requirements and write-off procedures.

4.3 Credit Risk Management System

The loan and credit department is highly significant department of a bank. The money mobilization from ultimate surplus units is distributed via this department to the ultimate deficit (borrower). The success of this department retains a huge impact on the earnings of a bank. Failure of this department may lead the bank to large losses or possibly to insolvency. The loan and credit department takes an application from the customer on a defined application from issued by Dhaka Bank PLC.

The Credit Risk Management function of Dhaka Bank PLC plays a vital role in maintaining the quality of the loan portfolio. The credit department acts as an intermediary between surplus and deficit units by channeling funds efficiently within the economy.

The bank follows a structured lending process that begins with the submission of a formal loan application and proceeds through detailed financial analysis and risk assessment. To enhance efficiency and transparency Dhaka Bank PLC has established a clear separation between credit assessment, approval and monitoring functions.

The bank has demonstrated steady growth in its lending activities. For instance, total loans and advances increases from BDT 215,459 million in 2021 to BDT 239,686 million in 2022, reflecting an approximate growth of 10.15%.

To manage credit risk effectively, the bank has organized its operations into specialized divisions such as Corporate Banking, SME Banking, Retail Banking and Credit Card Division. These units are responsible for client relationship management, product marketing and business development.

Furthermore, to ensure operational transparency and efficiency, the credit management process is supported by four key functional units:

- Credit Approval Unit
- Asset Operations Department
- Recovery Unit
- Impaired Asset Management Unit

4.4 Functions of the Credit Department

The credit department is one of the most important functional units of a commercial bank as lending activities constitute a primary source of income. The selection of borrowers is a critical responsibility, requiring careful evaluation and sound judgment.

4.4.1 Credit Evaluation Tools (Five C's)

Before approving any credit facility, Dhaka Bank PLC evaluates borrowers using the traditional "Five C's of Credit":

i. Character: Assessment of the borrower's integrity and willingness to repay.
ii. Capacity: Evaluation of the borrower's ability to generate sufficient income.
iii. Capital: Financial strength and net worth of the borrower.
iv. Conditions: Analysis of economic and business environment.
v. Collateral: Availability of secure to mitigate risk.

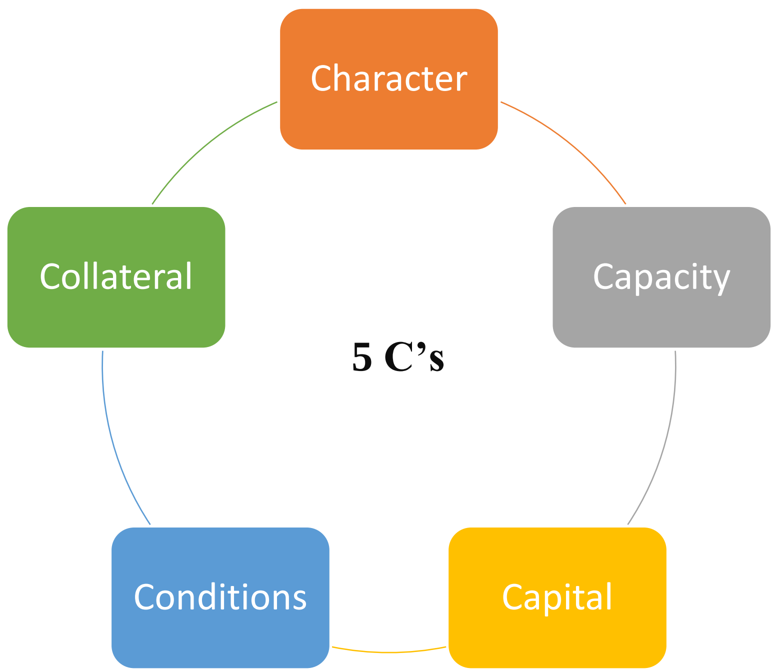

Figure 08: Five C's of Dhaka Bank PLC Credit Department

4.4.2 Core Operations

The credit department performs several key functions, including:

- Credit appraisal and approval
- Corporate and retail lending
- Monitoring and collection activities
- Loan recovery and follow up
- Risk management and compliance

4.4.3 Supporting Activities

Additional responsibilities include:

Figure 09: Activities of Credit Risk Department of Dhaka Bank PLC

4.5 Credit Rating and Risk Assessment

Dhaka Bank PLC utilizes a structured Credit Risk Grading (CRG) system to evaluate borrower creditworthiness in accordance with Bangladesh Bank guidelines. The rating process considers both quantitative and qualitative factors, including financial performance, repayment history, industry conditions and management quality.

Dhaka Bank PLC managed its Credit Risk using a vigorous method which allows the bank to proactively manage loan portfolios to reduce losses and achieve ap appropriate level of return for shareholders. Dhaka Bank PLC assessed by Emerging Credit Rating Limited (ECRL) based on audited Financial Statements as of December, 2023 till April 7th 2025. A brief information of the rating based on Financial Statements is presented here:

Year \ Status	Long Term	Short Term	Outlook
2019	AA	ST-2	Stable
2020	AA	ST-2	Developing
2021	AA	ST-2	Stable
2022	AA	ST-2	Stable
2023	AA+	ST-2	Stable

Commercial Bank rated “**AA+**” has a very strong capacity to meet its financial commitments and is generally in a position to withstand adverse development in the economy, in business and other external conditions. The Bank typically possess a good track record and have no readily apparent weakness.

Commercial Bank rated “**ST-2**” has a strong capacity to meet its financial commitments in a timely manner; however, it is somewhat susceptible to adverse developments in the economy, in business and other external conditions.

“**Stable**” indicates that a rating is likely to remain unchanged.

4.6 Types of Credit Facilities Offered

Dhaka Bank PLC provides a diversified range of credit facilities designed to meet the financial requirements of individuals, businesses and corporate clients. These facilities are structured in accordance with Bangladesh Bank guidelines and are tailored to support economic activities across different sectors. The bank’s credit offerings can be broadly categorized into funded and non-funded facilities along with specialized financing options.

4.6.1 Funded Credit Facilities

Funded Facilities refer to those credit arrangements where the bank directly disburses funds to the borrower. These are the primary sources of interest income for the bank.

- **Term Loans:**
  These are loans provided for a fixed period, generally used for long-term investments such as business expansion, machinery acquisition or infrastructure development. Repayment is made in installments over a specified tenure.
- **Working Capital financing:**
  This facility is extended to businesses to meet their short-term operational needs including inventory purchases, wage payments and daily basis expenses. It ensures smooth business operations.
- **Overdraft (OD):**
  Overdraft allows customer to withdraw funds beyond their account balance up to an approved limit. It provides flexibility in managing short-term liquidity shortages.
- **Cash Credit (CC):**
  Cash credit is a revolving credit facility provided against collateral such as inventory or receivables. Borrowers can draw funds as needed within the sanctioned limit, making it suitable for businesses with fluctuating cash flows.

4.6.2 Non-Funded Credit Facilities

Non-funded facilities do not involve immediate disbursement of cash but create contingent liabilities for the bank. These facilities primarily support trade and business transactions.

- **Letter of Credit (LC):**
  A Letter of Credit is a financial instrument issued by the bank on behalf of a client, guaranteeing payment to a seller upon fulfillment of specified conditions. It is widely used in international trade.
- **Bank Guarantee:**
  Under this facility, the bank assures a third party that it will fulfill the financial obligation of the client in case of default. It is commonly used in construction, contracts and business agreements.

4.6.3 Specialized Credit Facilities

Dhaka Bank PLC offers tailored financing solutions to meet the specific needs of different sectors and customer groups.

- **SME Financing:**
  Loans are provided to small and medium enterprises to promote entrepreneurship, employment generation and economic development. These facilities are designed with flexible terms to support business growth.
- **Agricultural Financing:**
  The bank provides credit support to farmers and agribusinesses to enhance agricultural productivity. These loans contribute to rural developments and food security.
- **Consumer Loans:**
  These include personal loans, home loans and auto loans designed to meet individual financial needs such as housing, education or personal consumption.
- **Corporate Financing:**
  Large-scale financing solutions are offered to corporate clients for projects, expansion and working capital requirements. These facilities often involve structured financing and syndicated loans.

4.6.4 Credit Facility Approval and Risk considerations

All credit facilities offered by Dhaka Bank PLC are subject to a rigorous approval process, which includes credit appraisal, risk assessment and compliance checks. The bank ensures that each facility aligns with its credit policy and risk management framework.

Key consideration include:

- Borrower’s financial strength and repayment capacity
- Industry risk and economic conditions
- Collateral and security coverage
- Credit Risk Grading (CRG) score

4.7 Credit Monitoring Framework

Effective credit monitoring is a critical component of credit risk management, ensuring that loans are utilized properly and repaid in accordance with agreed terms. Dhaka Bank PLC follows a structured and continuous monitoring framework to safeguard asset quality and minimize the risk of default.

4.7.1 Objectives of Credit Monitoring

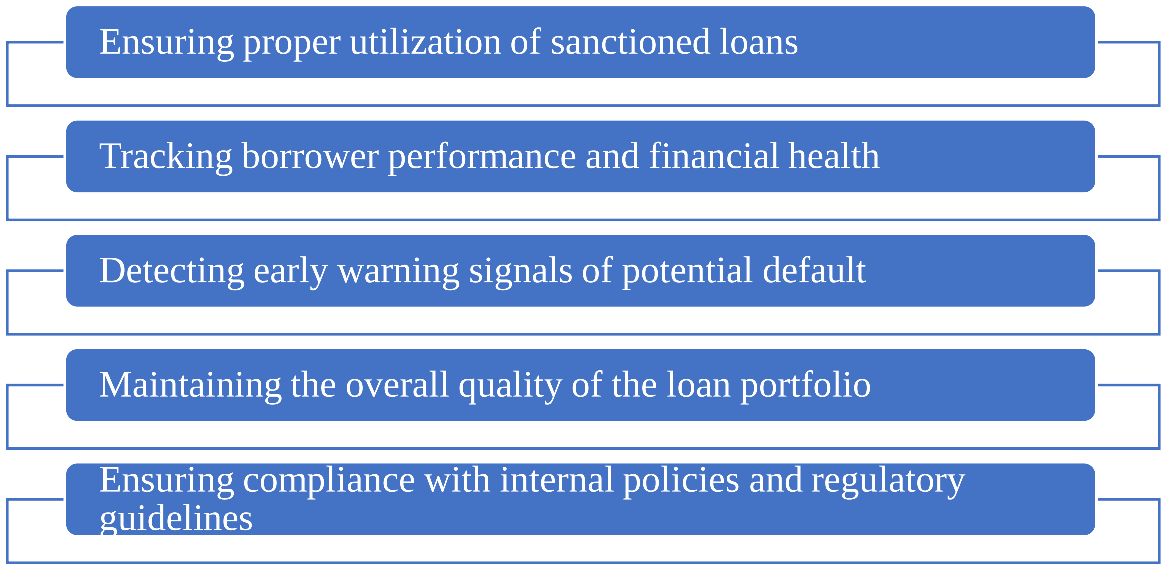

Figure 10: Credit Monitoring Objectives of Dhaka Bank PLC

4.7.2 Monitoring Mechanism

Dhaka Bank PLC employs a combination of manual supervision and system-based monitoring tools to oversee credit performance. Key monitoring practices include:

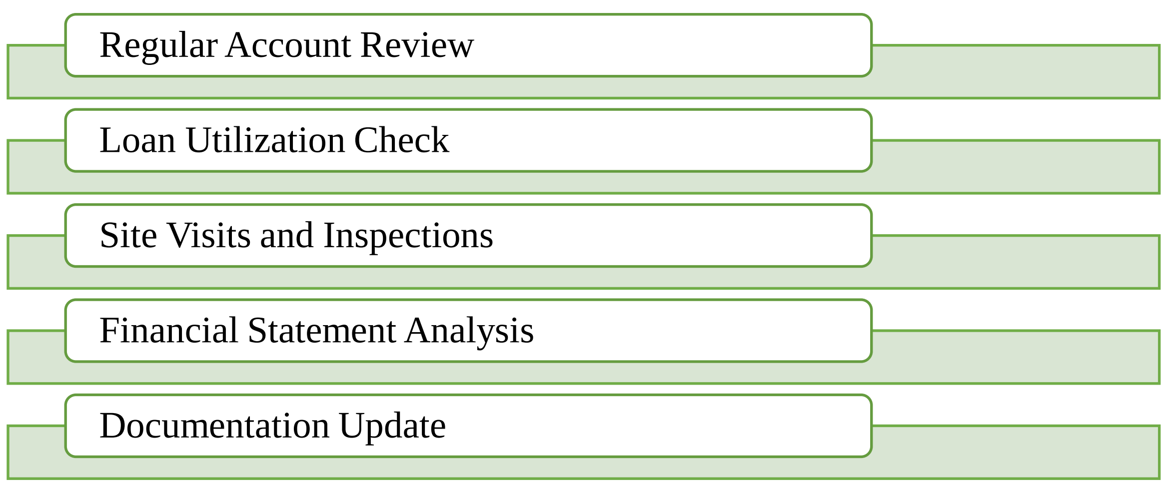

Figure 11: Credit Monitoring Mechanism of Dhaka Bank PLC

4.8 Credit Recovery and Collection Strategy

Credit recovery is a vital function that ensures the collection of overdue loans and minimizes financial losses arising from non-performing assets. Dhaka Bank PLC has established a comprehensive recovery framework that combines preventive measures, monitoring and legal actions.

4.8.1 Objective of Credit Recovery

The key objectives of the bank's recovery strategy include:

- Minimizing non-performing loans (NPLs)
- Ensuring timely collection of overdue amounts
- Preserving asset quality and profitability
- Strengthening financial stability

4.8.2 Special Asset Management (SAM) unit

Dhaka Bank PLC has a dedicated Special Asset Management (SAM) unit responsible for handling classified and non-performing loans (NPLs), particularly in SME and retail segments.

The SAM unit performs the following functions:

- Managing delinquent loan accounts
- Initiating recovery actions through negotiation and legal procedures
- Coordinating with internal and external recovery agents
- Maintaining Portfolio at Risk (PAR) at a controlled level

4.8.3 Loan Classification and File Transfer Process

Loan accounts are transferred to the SAM unit based on the degree of delinquency, measured in Days Past Due (DPD):

- SME loans are transferred after 180 days past due
- Retail loans are transferred after 360 days past due

This structured approach ensures timely intervention in problematic accounts.

4.8.4 Legal Recovery Procedures

Dhaka Bank PLC follows a formal legal process for recovering defaulted loans. The process typically includes:

- **First Legal Notice:** Issued to remind the borrower to repay outstanding dues
- **Second Notice:** Sent prior to initiating legal action or after cheque dishonor
- **Litigation:** Legal proceedings initiated under relevant laws if the borrower fails to comply

In addition, third-party recovery agencies are engaged, particularly for retail loan recovery, to enhance efficiency.

4.8.5 Loan Rescheduling and Negotiation

In certain cases, the bank may allow loan rescheduling or restructuring based on the borrower's repayment capacity. This approach helps in recovering funds while maintaining customer relationships and reducing loan classification.

4.8.6 Write-off Policy

Dhaka Bank PLC follows Bangladesh Bank guidelines for loan write-offs. A loan may be written off when:

- It is classified as Bad/Loss
- Full provisioning (100%) has been made
- Legal action has been initiated

Write-off does not mean waiver of liability; recovery efforts continue even after write-off.

4.8.7 Overall Effectiveness

This recovery and collection framework of Dhaka Bank PLC is systematic and well-structured. However, continuous improvement through technology integration, faster legal processes and proactive monitoring can further enhance recovery efficiency.

4.9 Trend Analysis of Credit Risk Indicators

Trend analysis is a fundamental analytical technique used to evaluate historical financial data in order to identify patterns, movements and changes over time. In banking, it plays a crucial role in assessing the behavior of loan portfolios, borrower performance and overall credit risk exposure. By examining past trends, financial institutions can make informed projections and improve decision-making regarding credit risk management.

4.9.1 Total Loans and Advances

The trend of total loans and advances of Dhaka Bank PLC demonstrates a consistent upward movement over the period 2019 to 2023, indicating steady expansion in lending activities. The total loan portfolio increased from BDT 195,635 million in 2019 to approximately BDT 258,500 million in 2023.

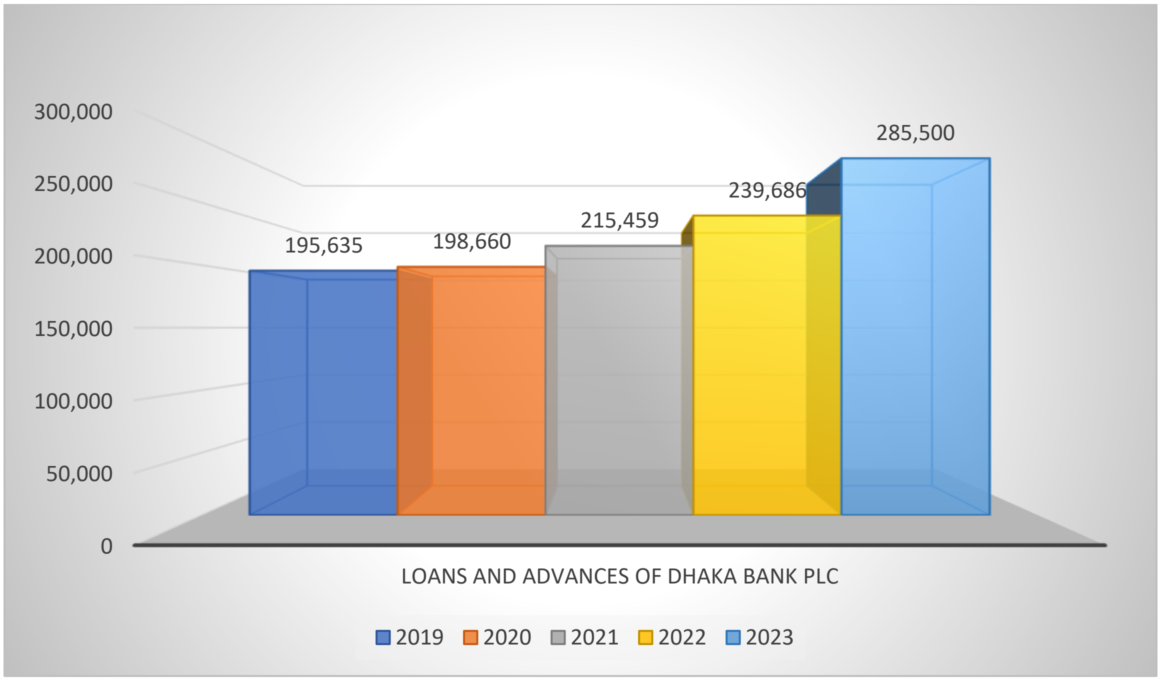

Figure 12: Loans and Advances of Dhaka Bank PLC

This represents an overall growth of around 32.1% during the period. The continuous rise in loans and advances reflects the bank's increasing participation in credit disbursement and its role in supporting economic activities. However, rapid loan growth also requires effective monitoring to control associated credit risk.

4.9.2 Classified Loans (NPL)

Classified loans refer to those credit facilities that are at risk of default or have already shown signs of non-performance. The amount of classified loans fluctuated over the study period. It decreased from BDT 9,278 million in 2019 to BDT 6,227 million in 2020, followed by a gradual increase to BDT 13,800 million in 2023.

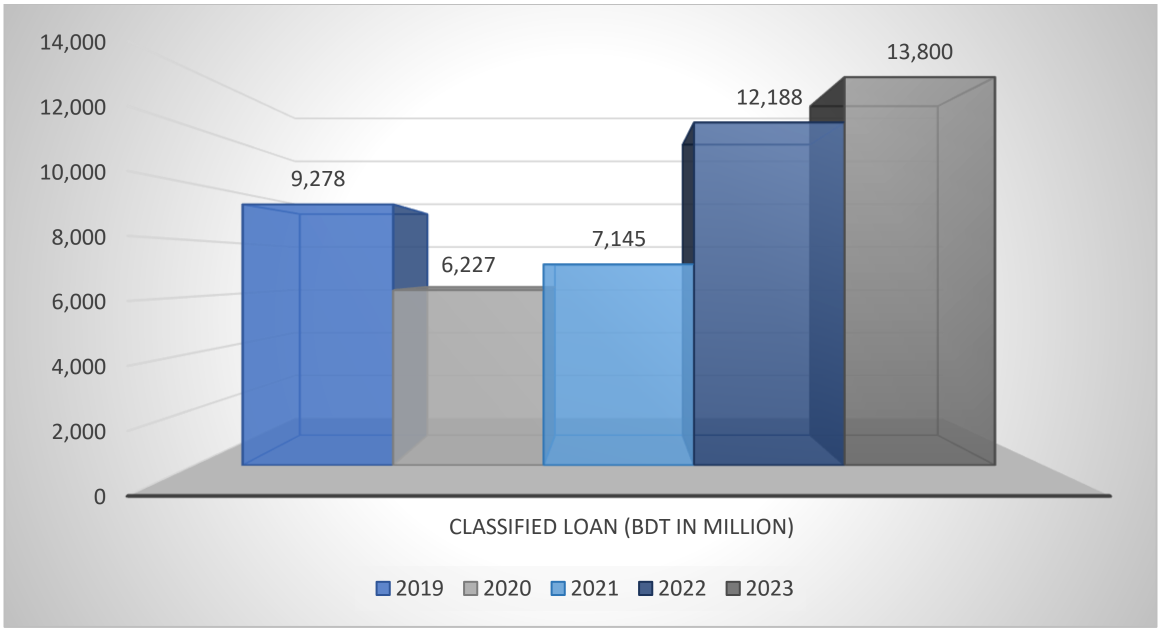

Figure 13: Classified Loan of Dhaka Bank PLC

Overall, this indicates a rising trend in recent years, which suggests a deterioration in asset quality after 2020. The increase in classified loans highlights the growing credit risk exposure faced by the bank.

4.9.3 Unclassified Loans

Unclassified loans represent the performing portion of the loan portfolio and indicate the overall health of credit operations.

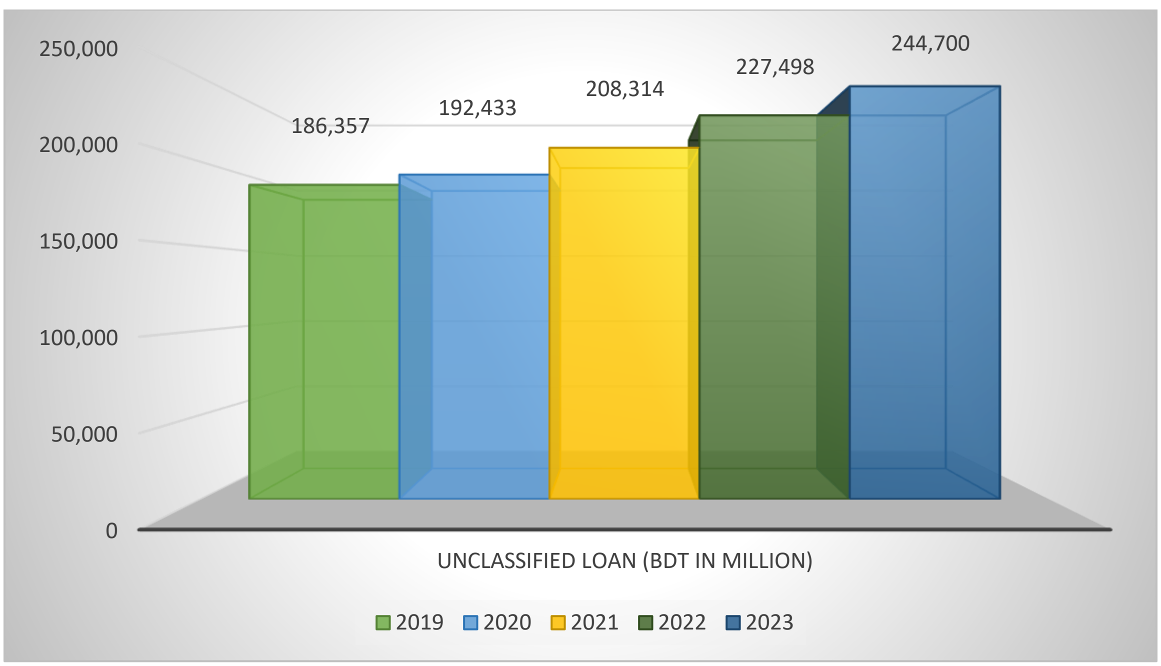

Figure 14: Unclassified Loan of Dhaka Bank PLC

The volume of unclassified loans increased steadily from BDT 186,357 million in 2019 to approximately BDT 244,700 million in 2023.

Despite this positive growth, the rate of increase in unclassified loans is comparatively lower than total loans in recent years. This suggests that a portion of loans is gradually shifting toward classified status, which requires careful attention.

4.9.4 Provision for Classified Loans

Loan loss provision are maintained to cover potential losses arising from NPLs. Dhaka Bank PLC's provision for classified loans shows an overall increasing trend. It rose from BDT 4,601 million in 2019 to approximately BDT 9,800 million in 2023.

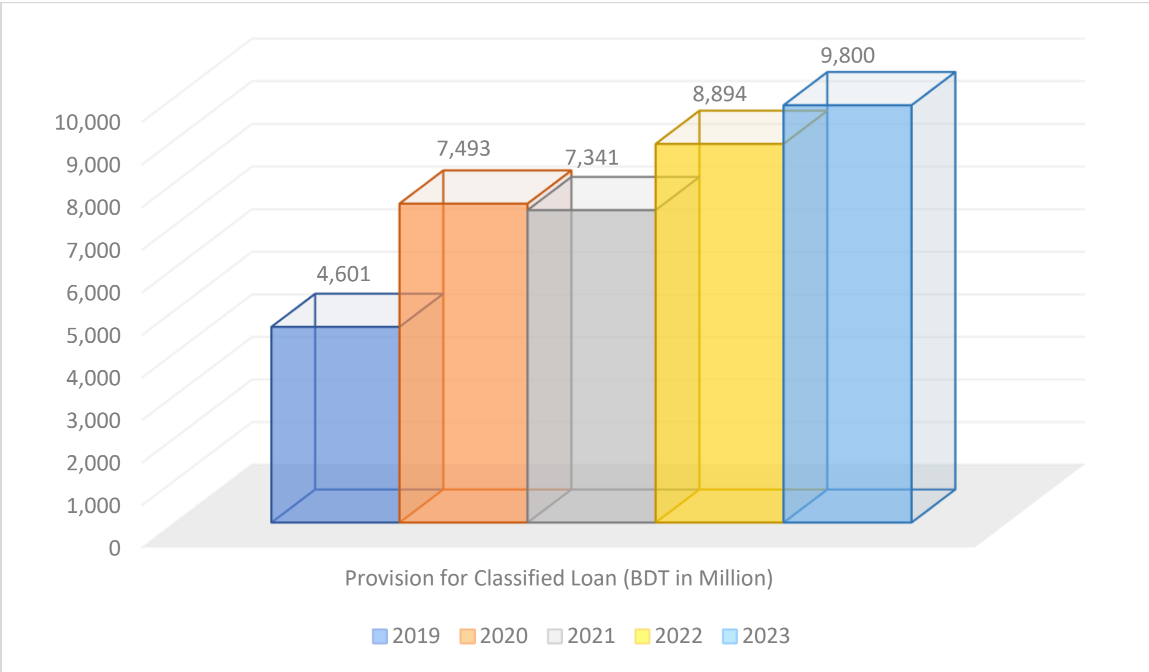

Figure 15: Provision for Classified Loan of Dhaka Bank PLC

Although there were slight fluctuations during the period, the increasing provision indicates a cautious and prudent approach by the bank in managing credit risk and safeguarding against potential loan defaults.

4.10 Ratio Analysis

4.10.1 Classified to Total Loan Ratio (NPLR)

The Non-Performing Loan Ratio (NPLR) measure the proportion of classified loans to total loans and is a key indicator of asset quality.

NPLR measures the proportion of non-performing loans within the total loan portfolio.

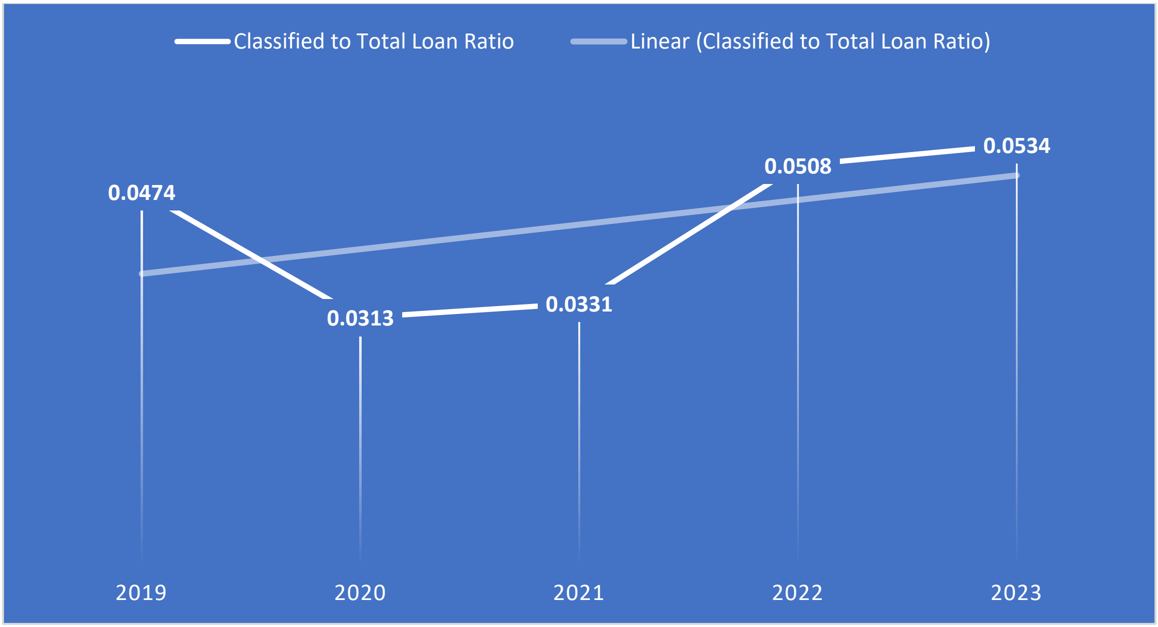

Figure 16: Classified to Total Loan Ratio of Dhaka Bank PLC

The ratio declined significantly in 2020, indicating improved asset quality during that period. However, from 2021 onward, the ratio increased steadily, reaching 0.0534 in 2023. This upward trend reflects a growing level of non-performing loans and increasing credit risk.

4.10.2 Unclassified to Total Loan Ratio

This ratio represents the proportion of performing loans within the local loan portfolio and is the inverse indicator of credit risk.

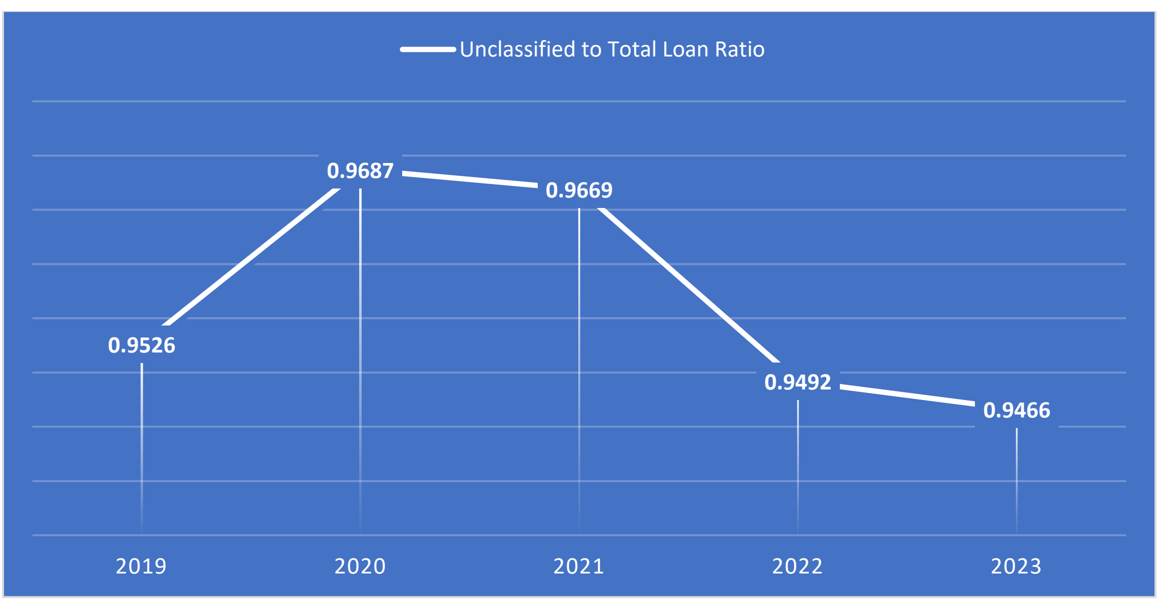

Figure 17: Unclassified to Total Loan Ratio of Dhaka Bank PLC

The ratio improved in 2020, indicating strong loan performance. However, a gradual decline is observed from 2021 to 2023. This suggests a slight deterioration in asset quality, consistent with the rising trend in classified loans.

4.10.3 Classified Provision to Classified Loan Ratio (LLPR)

The Loan Loss Provision Ratio (LLPR) measures the bank's ability to cover classified loans using provisions. It reflects the adequacy of risk mitigation practices.

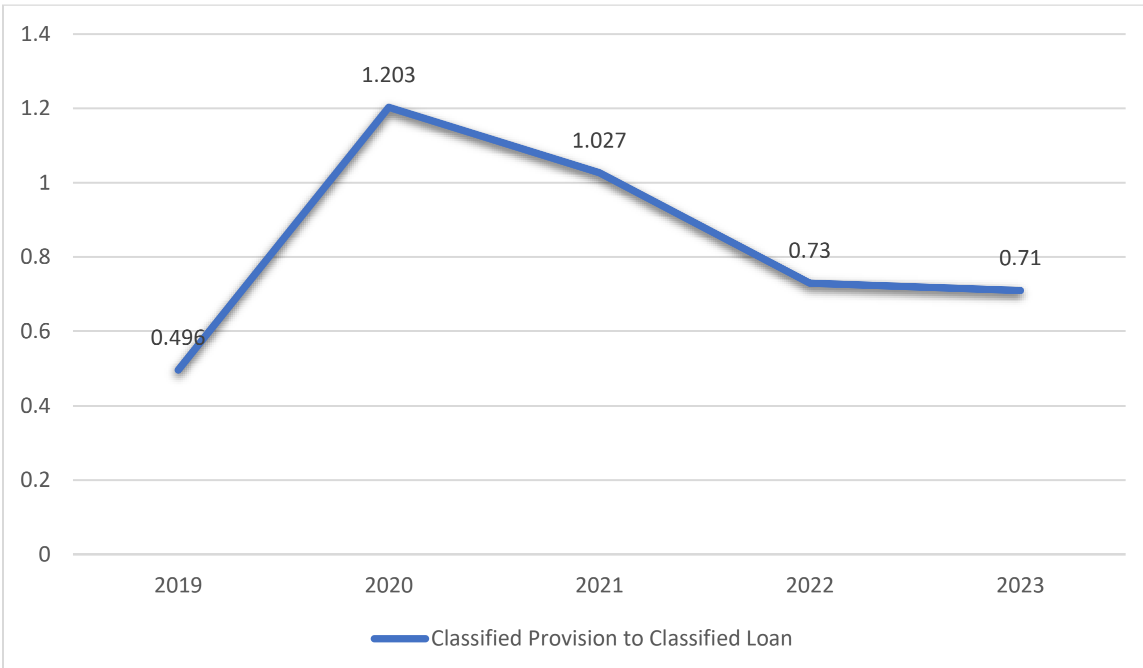

Figure 18: Classified Provision to Classified Loan

4.11 Z-Score Analysis

The Z-Score model is used to assess the financial stability and default risk of an institution.

$$Z = 1.2X_1 + 1.4X_2 + 3.3X_3 + 0.6X_4 + 1.0X_5$$

Where:

$$X_1 = \frac{Working\ Capital}{Total\ Asset\ Ratio}$$

$$X_2 = \frac{Retained\ Earnings}{Total\ Asset\ Ratio}$$

$$X_3 = \frac{EBIT\ (Earning\ Before\ Interest\ and\ Tax)}{Total\ Asset\ Ratio}$$

$$X_4 = \frac{Market\ Value\ of\ Equity}{Book\ Value\ of\ Debt}$$

$$X_5 = \frac{Income}{Total\ Asset\ Ratio}$$

According to this model, if the score is less than 1.81 then it will be viewed as a high default risk. If the score is greater than 2.99 then there will be a low default risk. It will be classed as an indeterminant default risk if the score stays between 1.81 to 2.99.

Considering Dhaka Bank PLC from the borrower's point of view, a linear discriminant model is generated below for identifying their Z-Score.

$$X_1 = \frac{Working\ Capital}{Total\ Assets}$$

$$= \frac{334{,}288{,}786{,}976 - 81{,}935{,}239{,}088}{346{,}556{,}213{,}151}$$

$$= 0.7282$$

$$X_2 = \frac{Retained\ Earnings}{Total\ Asset\ Ratio}$$

$$= \frac{19{,}316{,}639}{346{,}556{,}213{,}151}$$

$$= 0.0000557$$

$$X_3 = \frac{EBIT\ (Earning\ Before\ Interest\ and\ Tax)}{Total\ Asset\ Ratio}$$

$$= \frac{460{,}119{,}738}{346{,}556{,}213{,}151}$$

$$= 0.00132$$

$$X_4 = \frac{Market\ Value\ of\ Equity}{Book\ Value\ of\ Debt}$$

$$= \frac{3{,}423{,}746{,}839}{5{,}020{,}000{,}000}$$

$$= 0.0682$$

$$X_5 = \frac{Income}{Total\ Asset\ Ratio}$$

$$= \frac{3,368,602,534}{346,556,213,151}$$

$$= 0.00972$$

Now,

$$\textit{Z-Score} = 1.2X_1 + 1.4X_2 + 3.3X_3 + 0.6X_4 + 1X_5$$
$$= (1.2 * 0.7282) + (1.4 * 0.0000557) + (3.3 * 0.00132) + (0.6 * 0.0682) + (1 * 0.00972)$$
$$= 1.9289$$

Dhaka Bank PLC has moderate risk. It’s in the Grey Zone.

4.12 SWOT Analysis

A SWOT Analysis is a strategic tool used to evaluate the internal strengths and weaknesses of an organization, along with the external opportunities and threats it faces. For Dhaka Bank PLC, this analysis provides a clear picture of its current position in the banking sector and helps identify areas for improvement.

4.12.1 Strengths

1. Strong Brand Reputation
The bank has built a well-recognized brand in Bangladesh over the years. Its commitment to “Excellence in Banking” has helped gain customer trust and loyalty.

2. Diversified Product Portfolio
Dhaka Bank offers a wide range of products and services including corporate banking, SME financing, retail banking, Islamic banking, and capital market services. This diversification reduces dependency on a single income source.

3. Expanding Network and Accessibility
With over 100 branches, multiple ATMs, sub-branches, and digital channels, the bank has strong nationwide coverage. This helps attract more customers and increase financial inclusion.

4. Compliance with Regulatory Framework
The bank follows guidelines set by Bangladesh Bank, ensuring transparency, accountability, and structured operations.

5. Growing Loan Portfolio
The steady increase in loans and advances reflects the bank’s active participation in economic activities and its ability to generate revenue through lending.

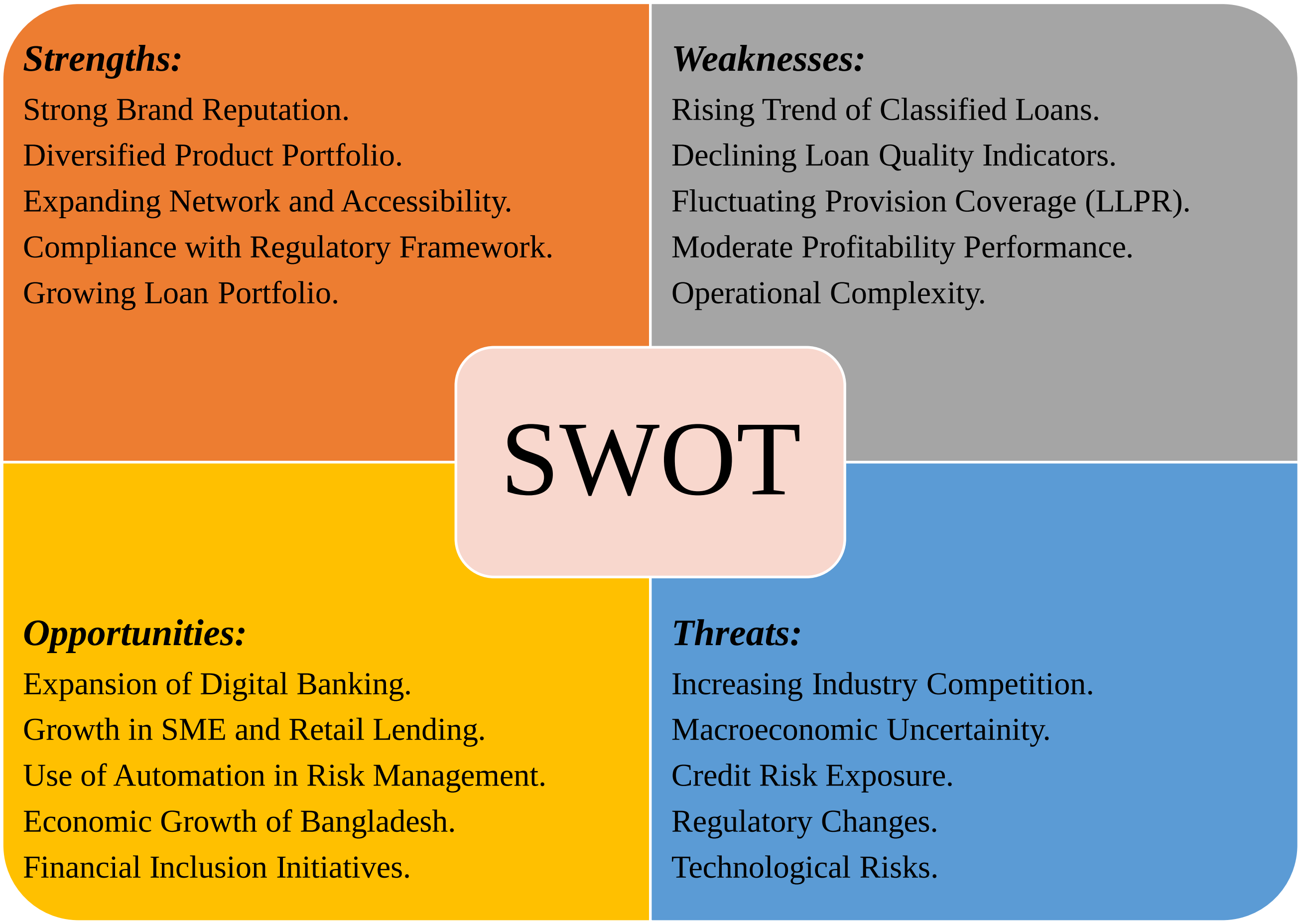

Figure 19: SWOT Analysis of Dhaka Bank PLC

4.12.2 Weaknesses

1. Rising Trend of Classified Loans:
The increase in classified loans in recent years indicates that some borrowers are facing difficulties in repaying their obligations. This reflects potential weaknesses in credit assessment, monitoring, or external economic conditions affecting borrowers. A rising trend in non-performing loans can negatively impact profitability and liquidity.

2. Declining Loan Quality Indicators:

The gradual decline in the ratio of unclassified loans to total loans suggests a slight deterioration in asset quality. Although the majority of loans are still performing, this downward trend signals a need for closer monitoring and improved credit evaluation procedures.

3. Fluctuating Provision Coverage (LLPR):
While the bank maintains provisions against classified loans, the inconsistency in the Loan Loss Provision Ratio indicates that provisioning is not always aligned with the level of risk exposure. This could create challenges in absorbing losses during periods of increased default.

4. Moderate Profitability Performance:
Profitability indicators such as Return on Assets (ROA) and Return on Equity (ROE) remain at moderate levels. This suggests that the bank is not fully utilizing its resources efficiently to generate higher returns, which may affect its long-term growth potential.

5. Operational Complexity in Credit Management:
The credit risk management process involves multiple stages, including appraisal, approval, documentation, monitoring, and recovery. While this structured approach ensures control, it can also lead to delays and inefficiencies if not managed properly.

4.12.3 Opportunities

1. Expansion of Digital Banking:
With the increasing use of technology, there is a significant opportunity for Dhaka Bank PLC to expand its digital banking services. Online banking, mobile banking, and automated systems can improve efficiency, reduce operational costs, and enhance customer experience.

2. Growth in SME and Retail Lending:
The SME and retail sectors in Bangladesh are growing rapidly, creating opportunities for the bank to expand its loan portfolio. By focusing on these segments, the bank can diversify its income sources and reduce dependence on large corporate clients.

3. Use of Automation in Risk Management:
The adoption of automation and data analytics in credit risk management can improve decision-making accuracy. Advanced systems can help identify risky borrowers early and reduce the likelihood of loan defaults.

4. Economic Growth of Bangladesh:
The overall economic growth of the country creates a favorable environment for banking activities. Increased business activities and investment demand lead to higher demand for loans and financial services.

5. Financial Inclusion Initiatives:

Government initiatives to bring more people under the banking system provide opportunities for Dhaka Bank PLC to expand its customer base, especially in rural and underserved areas.

4.12.4 Threats

1. Increasing Industry Competition:
The banking sector in Bangladesh is highly competitive, with many private and foreign banks offering similar products and services. This increases pressure on Dhaka Bank PLC to maintain competitive pricing, service quality, and innovation.

2. Macroeconomic Uncertainty:
Economic factors such as inflation, interest rate fluctuations, and global financial instability can affect borrowers' ability to repay loans. This increases the risk of default and impacts the bank's overall performance.

3. Credit Risk Exposure:
The increasing level of non-performing loans in the banking sector poses a significant threat. If not properly managed, it can lead to financial instability and reduced profitability.

4. Regulatory Changes:
Frequent changes in policies and regulations by Bangladesh Bank may require the bank to adjust its operations, which can increase compliance costs and complexity.

5. Technological Risks:
As the bank becomes more dependent on digital systems, it faces risks related to cybersecurity, data breaches, and system failures. These risks can affect customer confidence and operational continuity.

4.13 Findings

Based on the overall analysis of credit risk indicators and financial performance, the following findings ca be drawn:

1. Nature and Importance of Credit Risk:

Credit risk is one of the most significant risks faced by Dhaka Bank PLC. It arises when borrowers fail to repay their loans on time or fail to repay at all. This risk directly affects the bank's profitability and financial stability. Since a major portion of the bank's income is generated through lending activities, proper management of credit risk is extremely important.

If credit risk is not managed effectively, it can lead to a high level of non-performing loans (NPLs), which may eventually reduce the bank's capital and weaken its financial position.

2. Continuous Growth in Loans and Advances:

The analysis shows that Dhaka Bank PLC has experienced steady growth in its total loans and advances over the years. This indicates that the bank is actively expanding its lending operations and playing an important role in financing businesses and individuals.

However, while growth in lending is positive, it also increases exposure to credit risk. Rapid loan expansion without proper assessment and monitoring may lead to a higher probability of loan defaults in the future.

3. Increasing Trend of Classified Loans:

One of the key concerns identified in the analysis is the increasing trend of classified loans in recent years. Although the bank managed to reduce classified loans in 2020, the amount has increased again from 2021 onward.

This trend indicates that a portion of borrowers is facing difficulties in repaying loans. It also reflects potential weaknesses in credit assessment, monitoring, or external economic conditions affecting borrowers.

4. Growth of Unclassified Loans with Slight Weakness:

Unclassified loans, which represent performing assets, have also increased over the study period. This indicates that a large portion of the loan portfolio is still healthy and generating income for the bank.

However, the growth rate of unclassified loans is slightly slower compared to total loans in recent years. This suggests that some loans are gradually shifting from performing to non-performing status, which is a warning sign for the bank.

5. Provisioning Practices and Risk Coverage:

Dhaka Bank PLC has maintained provisions against classified loans, which is a positive sign of prudent risk management. The provision amount has increased over time, showing that the bank is preparing to absorb potential losses.

However, the Loan Loss Provision Ratio (LLPR) has shown a declining trend after 2020. This means that although provisions are increasing, they are not sufficient relative to the growth of classified loans. This could create pressure on the bank if default levels increase further.

6. Fluctuation in Asset Quality (NPLR Analysis):

The Non-Performing Loan Ratio (NPLR) decreased in 2020, indicating an improvement in loan quality. However, the ratio increased again in the following years.

This fluctuation shows that the bank's asset quality is not stable and is influenced by both internal management practices and external economic conditions. The rising NPLR in recent years highlights the need for stronger credit monitoring and recovery strategies.

7. Decline in Performing Loan Ratio:

The ratio of unclassified loans to total loans increased initially but started declining after 2021. This indicates that the proportion of performing loans is gradually decreasing.

Although the decline is not very sharp, it still signals a weakening trend in loan performance, which should be addressed through improved credit evaluation and monitoring systems.

8. Strong Policy Framework but Execution Challenges:

Dhaka Bank PLC follows the credit policies and guidelines set by Bangladesh Bank, which ensures a structured approach to credit risk management. The bank has proper procedures for credit approval, monitoring, and recovery.

However, the increasing trend of classified loans indicates that there may be challenges in the practical implementation of these policies. This suggests a gap between policy design and execution.

9. Multi-Step Credit Risk Management Process:

The credit risk management process of the bank involves several stages, including credit appraisal, approval, documentation, disbursement, monitoring, classification, and recovery.

While this structured process helps in managing risk effectively, it also makes the system complex and time-consuming. Any inefficiency at any stage may increase the overall credit risk.

10. Operational and Human Resource Challenges:

Credit risk management requires skilled personnel and continuous monitoring. Training employees and maintaining efficient operations involve additional costs for the bank.

In some cases, lack of expertise or insufficient training may affect the quality of credit decisions, which can lead to higher default risk.

11. Moderate Overall Risk Position:

Overall, Dhaka Bank PLC maintains a moderate level of credit risk. The bank has a strong operational base, growing loan portfolio, and structured risk management system.

However, increasing non-performing loans, declining provision coverage, and low Z-score indicate that the bank needs to strengthen its risk management practices to ensure long-term stability.

4.13.1 Implications of Findings

The findings of this study have several important implications for Dhaka Bank PLC:

- The bank needs to balance growth and risk management
- Stronger focus is required on loan quality rather than loan quantity
- Improved monitoring can help reduce future defaults
- Better provisioning policies are needed to handle financial shocks
- Technology and automation can improve efficiency and accuracy

Chapter Five

RECOMMENDATIONS AND CONCLUSION

5.1 Recommendations

Dhaka Bank PLC is one of the well-established and reputable private commercial banks in Bangladesh. Due to its strong operational structure, regulatory compliance, and diversified banking services, it has achieved a significant position in the financial sector. Therefore, providing recommendations for such an institution is challenging. However, based on the analysis conducted in this report, including credit risk assessment, ratio analysis, and Z-score evaluation, several practical and constructive recommendations can be proposed to enhance the bank's overall performance and risk management efficiency.

1. Automation of Loan Sanctioning Process

The loan approval and sanctioning process should be further automated using modern banking software and digital systems. Automation will reduce the time required for loan processing, minimize human errors, and ensure proper documentation. It will also help in maintaining accurate records and reduce the risk of losing important loan-related documents. Additionally, automation can improve transparency and speed in decision-making, leading to better customer satisfaction.

2. Revision of Interest Rate Policies

The bank should consider reviewing and adjusting its interest rate structure, particularly in sectors such as small and medium enterprises (SMEs). Lowering interest rates in selected sectors can attract more reliable borrowers and encourage business growth. A competitive interest rate policy will help the bank expand its customer base while maintaining long-term relationships with clients.

3. Expansion of Retail Loan Products

Dhaka Bank PLC should introduce and expand loan facilities such as student loans, personal loans, and consumer financing options. Providing education loans can help build long-term relationships with future customers, while increasing personal loan limits can attract middle-income individuals. Diversifying retail loan products will not only increase profitability but also reduce dependence on corporate lending.

4. Strengthening Training Programs for CRM Personnel

The Credit Risk Management (CRM) department plays a crucial role in maintaining asset quality. Therefore, employees in this department should receive regular training on modern credit assessment techniques, financial analysis, and risk evaluation methods. Training programs should focus on improving analytical skills, understanding borrower behavior, and applying scientific approaches in decision-making. This will ensure that only creditworthy clients are approved for loans.

5. Strict Compliance in Credit Appraisal and Monitoring

The bank should ensure strict adherence to all credit appraisal and monitoring procedures before approving any loan. Proper verification of borrower information, financial statements, and repayment capacity must be conducted. Regular monitoring of loans after disbursement is also essential to detect early warning signs of default. Strengthening these processes will reduce the likelihood of non-performing loans.

6. Improved Recovery and Collection Mechanism

In cases where borrowers fail to make timely repayments, the bank should take prompt and effective actions to recover the dues. A structured recovery strategy, including regular follow-ups and legal actions, when necessary, should be implemented. Additionally, the bank should avoid granting new loans to defaulters until previous obligations are cleared. This will help maintain financial discipline among borrowers.

7. Flexible Repayment Terms for Borrowers

The bank may consider introducing more flexible repayment terms and extended loan tenures for certain categories of borrowers. This will allow customers to utilize loan funds more effectively and generate sufficient returns to repay their obligations. However, such flexibility should be provided after careful risk assessment to avoid increasing default risk.

8. Diversification of Loan Portfolio

Dhaka Bank PLC should diversify its loan portfolio by investing in different sectors and industries. Providing smaller loans across multiple sectors can reduce concentration risk and enhance stability. Although this approach may slightly reduce short-term profitability, it will minimize overall risk exposure and ensure sustainable growth.

9. Enhancement of Marketing and Promotional Activities

The bank should strengthen its marketing efforts to attract new customers and retain existing ones. Promotional activities targeting young entrepreneurs, startups, and small businesses can create new opportunities for lending. Awareness programs and financial literacy initiatives can also help potential customers understand the benefits of banking services, leading to increased loan demand.

10. Adoption of Advanced Technology in Risk Management

The use of advanced technologies such as data analytics, artificial intelligence, and automated credit scoring systems can significantly improve the efficiency of credit risk management. These tools can help identify high-risk borrowers, predict default probabilities, and support better decision-making. Technology-driven systems will also enhance accuracy and reduce dependency on manual judgment.

11. Development of Competitive Customer-Oriented Policies

The bank should design more customer-focused policies within the regulatory framework of Bangladesh Bank. Flexible loan conditions, faster service delivery, and customized financial solutions can improve customer satisfaction. By offering tailored products, the bank can expand its market share and strengthen its competitive position.

12. Strengthening Internal Control and Risk Monitoring Systems

To maintain financial stability, Dhaka Bank PLC should continuously improve its internal control systems. Regular audits, performance evaluations, and risk assessments should be conducted to identify weaknesses in operations. A strong monitoring system will help ensure compliance with policies and reduce the chances of financial irregularities.

5.2 Conclusion

This report has been prepared to analyze the credit risk management system and overall financial performance of Dhaka Bank PLC over the period 2019 to 2023. The main goal was to understand how the bank manages its credit activities and how these affect its financial condition.

From the analysis, it can be said that Dhaka Bank PLC follows a structured and organized approach in managing credit risk. The bank has clear policies and procedures for loan approval, monitoring, and recovery. It also follows the guidelines of Bangladesh Bank, which helps maintain discipline and transparency in its operations. The presence of different departments for credit approval, monitoring, and recovery shows that the bank tries to reduce risk through proper control.

During the study period, the bank has shown growth in its loans and advances, which means it is actively participating in financing business activities. This growth also indicates that customers have trust in the bank's services. At the same time, most of the loans are still unclassified, which reflects a generally stable loan portfolio.

However, the report also finds some areas where improvement is needed. The level of classified loans has increased in recent years, which creates pressure on the bank's performance. The ratio analysis shows that asset quality has slightly weakened, and the provision coverage is not always consistent. These issues suggest that the bank needs to be more careful in selecting borrowers and monitoring loans after disbursement.

Despite these challenges, Dhaka Bank PLC has many positive sides. It has a strong market position, a wide range of services, and a growing network. The bank is also moving towards digital systems and automation, which can help improve efficiency and customer service. These strengths can support the bank in overcoming its weaknesses.

To improve its performance, the bank should focus more on credit risk management, especially in loan monitoring and recovery. It should also use modern technology to make the credit process faster and more accurate. Better training for employees and careful borrower selection can help reduce future loan defaults.

In conclusion, Dhaka Bank PLC is performing reasonably well, but there is still room for improvement. By strengthening its credit risk management system and improving operational efficiency, the bank can achieve better financial stability and long-term growth. This report has helped to connect theoretical knowledge with practical understanding and provided a clear idea of how credit risk management works in a real banking environment.

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