

Internship Report
on
Credit Risk Management: An Analysis of Prime Bank PLC.

Submitted by:

MITHU KANTI DAS

ID: BBA2202026115

Program: Bachelor of Business Administration

Major: Finance

Semester: Spring -2026

Sonargaon University (SU)

Submitted to:

Department of Business Administration
Sonargaon University (SU)

**Submitted for the partial fulfillment of the Degree of
Bachelor of Business Administration**



Sonargaon University (SU)

174/1, Green Road, Panthapath, Tejgaon, Dhaka

Date of Submission: 2nd May, 2026

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MD. SHAHBUB ALAM

Assistant Professor

Department of Business Administration

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Letter of Transmittal

To
MD. SHAHBUB ALAM
Assistant Professor
Department of Business Administration
Sonargaon University (SU)

Subject: Submitted of Internship Report

Dear Sir,

It is a great pleasure and privilege to present the Internship Report titled “**Credit Risk Management: An Analysis of Prime Bank PLC**”. Which was assigned to me as a partial requirement for the competition of BBA Final year.

Throughout the study I tried with the best of my capacity to accommodate as much information and relevant issues as possible and tried to follow the instructions as you have suggested. I tried my best to make this report as much informative as possible. I sincerely believe that it will satisfy your requirements. I however sincerely believe that this report will serve the purpose of my Internship Report of BBA Final year.

My effort will be rewarded only if it adds value to the research literature.

.....
MITHU KANTI DAS
ID: BBA2202026115
Program: Bachelor of Business Administration
Major: Finance
Semester: Spring -2026
Sonargaon University (SU)

STUDENT'S DECLARATION

I declare that, I have completed this Internship Report only for educational purpose, not for any income purpose. I gathered all information from the secondary sources and also directly communicated with employees of this company. That's why if occurred any mistake in this Internship Report then its liability always for me. At the same time, I also hope that our honorable, who would prefer to forgive me for some mistakes.

.....
MITHU KANTI DAS

ID: BBA2202026115

Program: Bachelor of Business Administration

Major: Finance

Semester: Spring -2026

Sonargaon University (SU)

Letter of Authorization

I hereby declared that the concerned thesis paper titled **Credit Risk Management: An Analysis of Prime Bank PLC.** is an original work by **MITHU KANTI DAS**, ID: BBA2202026115, major in Finance, Department of Business Studies Administration, Sonargaon University completed his thesis report under my supervision and submitted for the partial fulfillment of the requirement of the degree of BBA, Department of Business Administration, Sonargaon University.

I wish his success in his entire future endeavor.

MD. SHAHBUB ALAM

Assistant Professor

Department of Business Administration

Sonargaon University (SU)

ACKNOWLEDGEMENT

I am very pleased to get this opportunity to give special thanks to the persons whose ideas, views and supports have provided fluency to prepare this report and also enriched this report. I am very thankful to all officials and staffs of Prime Bank Limited for their huge cooperation. I am also thankful to the persons whose books, working papers, journals and related materials give me continuous support to write this report.

I would like to express heartiest gratitude to my academic supervisor **MD. SHAHBUB ALAM** Assistant Professor Department of Business Administration Sonargaon University for his important suggestions, excellent guidelines and supervisions for preparing this internship report on “Credit Risk Management of Prime Bank Limited”.

I am also grateful to all the other employees of Head Office, Prime Bank Limited who have shared their knowledge and idea regarding banking with me.

Finally, I would like to convey my gratitude to my parents, teachers, friends and many others who extend their support to prepare the report.

EXECUTIVE SUMMARY

Credit risk is one of the important topics in banking industry. It is the uncertainty that the borrower will default or fail to pay back the loan at the exact time and amount. Credit risk, therefore, arises from the bank's dealings with or lending to corporate, individuals, and other banks or financial institutions.

Generally, credits are the largest and most obvious source of credit risk. The traditional approach to managing credit risk, is to evaluate the risk by assessing the borrower's ability to repay. This involves examining historical financial statements of the counterparty and projecting future ability to pay.

Prime Bank Limited (PBL) is fast growing and second-generation private bank in Bangladesh. This Bank is already at the top slot in terms of quality service to the customers, and at the value addition to the shareholder. It has a mission to be an efficient, market driven, customer focused institution with good corporate governance structure and vision to be the best Private Commercial Bank in Bangladesh in terms of efficiency, capital adequacy, asset quality, sound management & profitability having strong liquidity.

I have collected my necessary information from both Credit Risk Management department and branch level to successfully understand the whole process. I have also tried to focus on the performance of credit risk management in my report by conducting different tables and figures related to credit risk management. I have used both primary and secondary data to prepare this report. Primary sources are officers and manager of PBL secondary sources are books, e-book, journal, various business-related articles, internet etc.

Credit planning implies efficient utilization of scarce (loanable fund) to generate earning for the bank. The goal of credit risk management is to maximize a Bank's risk adjusted rate of return by maintaining credit risk exposure within acceptable parameters. The effective management of credit risk is a critical component of a comprehensive approach to risk management and essential to the long-term success of any banking organization. The Board of Directors is responsible for approving and reviewing the credit risk strategies and policies of the bank periodically. PBL follows sound, well defined credit-granting criteria.

These criteria include thorough assessment of the borrower or the counterparty, as well as the purpose and structure of the credit, and its source of repayment.

Credit Risk Management is very important for any bank. That's why decision regarding credit is very important in all respect of the Bank. PBL has proper credit management policies that describes what type of loans protect the Bank's soundness and also help to meet the needs of the communities the Bank serves.

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Chapter-1

INTRODUCTION

1.0 INTRODUCTION

1.1 BACKGROUND OF THE STUDY

Risk is the possibility of damage, loss or any other negative result that is caused by internal or external vulnerabilities. At the same way credit risk is the uncertainty that the borrower will default or fail to pay back the loan at the exact time and amount. Credit risk, therefore, arises from the bank's dealings with or lending to corporate, individuals, and other banks or financial institutions. Credit risk management needs to be a robust process that enables banks to proactively manage loan portfolios in order to minimize losses and earn an acceptable level of return for shareholders. It is a challenge for banks having robust credit risk management policies and procedures that are sensitive and responsive to these changes.

Banks are exposed to five core risks through their operation, which are-credit risk, asset/liability risk, foreign exchange risk, internal control & compliance risk, and money laundering risk. Among these risks management credit risk gets most attention. This risk basically arises from poor management of the credit risk. Bangladesh Bank has already issued guidelines on the Credit risk management function and it emphasizes on – Policy guidelines, organizational structure and responsibility and procedural guidelines.

1.2 STATEMENT OF THE PROJECT ISSUE / RESEARCH PROBLEM

Some problems will be identified in this study such as limitation of credit policy administration guidelines, loan review guidelines, audit of the transactions and administrative and documentation guidelines.

1.2.1 Scope and Delimitation of the Study

Prime Bank Limited (PBL) is one of the leading banks in Bangladesh. The report covers the organization structures and responsibilities of credit risk management, background, functions and mostly the credit management of the bank. The scope of the study is just to acquaint with the credit management scenario of PBL.

1.3 OBJECTIVE OF THE STUDY (MAJOR AND SPECIFIC OBJECTIVE)

The main objective of the study is to analysis the credit management of Prime Bank Limited.

To achieve this, the following are the specific objectives:

- To know about the credit risk management of the company
- To identify different services of Credit operation in Prime Bank Limited.
- To identify different Type of Loans and its amounts.
- To know about the Credit operation functions of PBL.
- To identify the causes how and why a loan default.
- To know about the different products offered by the PBL.
- To evaluate the credit risk management tools for effective measurement of customer satisfaction.
- To identify products and services quality level.
- To know about the rate and charges.
- To know about the client pattern.
- To study the risk involved during the banking operations

1.4 SIGNIFICANCE AND RATIONALE OF THE STUDY

Bangladesh is one of the developing countries in the world and it is continuously developing day by day. In this situation, banking sector can play a vital role to improve the overall economic condition of the country.

By this study I will gather knowledge and understand the nature of credit risk, the nature of the credit assessment problem, the different techniques used to evaluate credit risk.

1.5 SCOPE AND LIMITATIONS

As the research topic is Credit Risk Management, I won't get chance to communicate with the borrowers. That's why I won't enable to conduct a questionnaire for getting potential information from the service holder.

Chapter-2

LITERATURE REVIEW

2.0 LITERATURE REVIEW

The traditional approach to managing credit risk, is to evaluate the risk by assessing the borrower's ability to repay. This involves examining historical financial statements of the counterparty and projecting future ability to pay. The core issue is whether the credit officer in the firm believes the counterparty can reasonably expect to meet their repayments, in full and on time.

The credit analyst or manager is required to understand the ways in which bad debts or credit losses arise and to devise methods for identifying these as well as finding the links between a firm's financial condition, behavior and default is the key skill required in the management of credit or counterparty risk.

(Brown, K., & Moles, P. (2014). *Credit Risk Management* [E-book] (3rd ed.). Great Britain.)

J. Paul Getty, once the richest man in the world, observed: "If you owe the bank \$100, that's your problem. If you owe the bank \$100 million, that's the bank problem." To be sure, lending to business, governments, and individuals is one of the most important services banks and their competitors provide, and it is also among the riskiest as the recent global credit crisis has demonstrated.

(Rose, P., & Hudgins, S. (2005). *BANK MANAGEMENT & FINANCIAL SERVICES* (9th ed., p. 521). MCGRAW-HILL.)

Generally, credits are the largest and most obvious source of credit risk. Credit risk may arise from either an inability or an unwillingness to perform in the pre-committed contracted manner. It comes from a bank's dealing with households, small or medium-sized enterprises (SMEs), corporate clients, other banks and financial institutions, or a sovereign. The Bangladesh Bank has sorted out some indicators of high credit risk and poor credit risk management.

Indicators of high credit risk:

- The level of loans is high relative to total assets and equity capital.
- Loan growth rates significantly exceed national trends and the trends of similar banks.
- The bank is highly dependent on interest and fees from loans and advances.
- Loan yields are high and reflect an imbalance between risk and return.

Indicators of poor credit risk management:

- Credit culture is absent or materially flawed.
- Strategic and/or business plans encourage taking on liberal levels of risk.
- The bank engages in new loan products or initiatives without conducting sufficient due diligence testing.
- Loan management and personnel may not possess sufficient expertise and/or experience

(Guidelines on Credit Risk Management (CRM) for Banks, 2016).

Chapter-3

ORGANIZATIONAL PROFILE

3.0 ORGANIZATIONAL PROFILE

3.1 BACKGROUND OF THE ORGANIZATION

Prime Bank Limited is fast growing private bank. This Bank is already at the top slot in teams of quality service to the customers, and at the value addition to the shareholder. Prime Bank Ltd has been operating in this industry since 1995 and belongs to the second generation of private banks to be incorporated since the independence of Bangladesh Prime Bank Ltd. has already made significant progress within a very short period of its existence. The bank has already occupied an enviable position among its competitors after achieving success in all area of business operation. The bank offers all kind of Commercial corporate and Personal banking service covering all segment of society within the framework of Banking Company Act, rules and regulation laid down by our central bank. Prime Bank Ltd. is determined to explore the different ways to accommodate with the needs of its clients. One of these ways includes Foreign Exchange Operation and transactions which offer customers a medium of doing business globally with minimum risk associated.

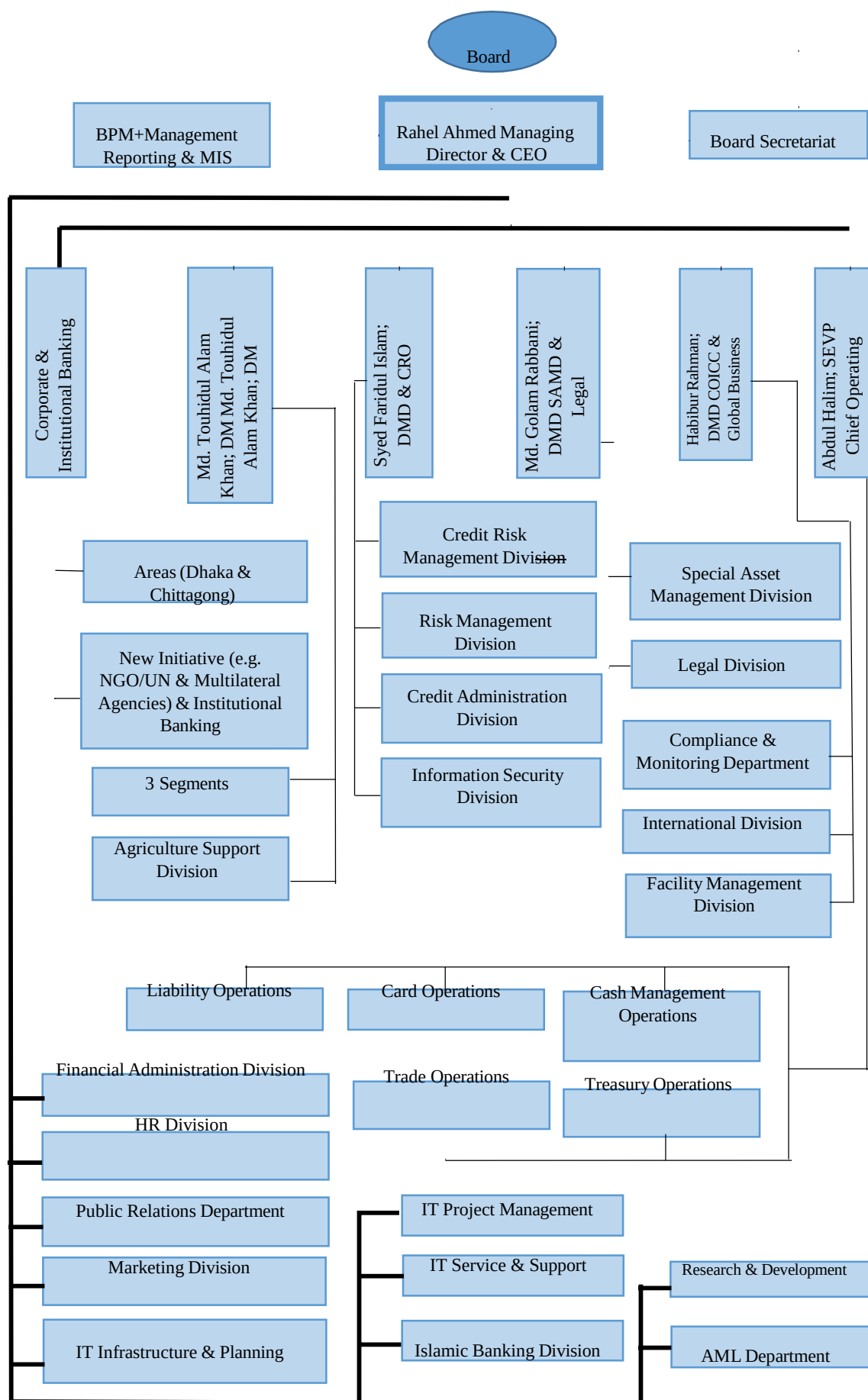
3.2 MISSION

To build Prime Bank Ltd. into an efficient, market driven, customer focused institution with good corporate governance structure. Continuous improvement in business policies, procedure & efficiency through integration of technology at all levels.

3.3 VISION

Each and every company has their own vision. By fixing vision, they can forecast their future potential growth. Prime Bank Ltd. also has its own vision “To be the best Private Commercial Bank in Bangladesh in terms of efficiency, capital adequacy, asset quality, sound management & profitability having strong liquidity”

3.4 CORPORATE ORGANOGRAM OF PBL



3.4 CONSUMER BANKING

Prime Bank Limited provides different services for their consumers they are given below.

- Deposit Products
- Loan Products
- Credit Cards
- Debit Cards
- Locker Services
- Internet Banking: ALTITUDE
- Premium Banking - Monarch
- Phone Banking
- SMS Banking

3.4.1 Deposit Products

PBL. provides different deposit schemes facilities for their consumers.

3.4.1.1 Savings account: Prime Bank brings you the ultimate trust, security and convenience in Savings Account. Any Bangladeshi national with an age of 18 years or above can open this.

❖ **Benefit of savings account**

- Cheque-book facility
- Debit card facility.
- Internet Banking Service: ALTITUDE (enables – interbank and intra bank fund transfer; credit card bill payment; utility bill payment)
- Opportunity to apply for - safe deposit locker facility
- Transfer of fund on Standing Instruction Arrangement
- Collection of cheques through clearing house
- SMS Banking
- Online banking service

❖ **Documents required**

- Completed account opening form.

- Passport size photograph for each account holder and nominee
- Proof of identification such as national/voter's ID/passport / driving license of the account holder and nominee.

3.4.1.2 deposit schemes: There are also different opportunities for different schemes.

- Double Benefit Deposit Scheme (DBDS)
- Monthly Benefit Deposit Scheme (General and Senior Citizen)
- House Building Deposit Scheme
- Lakhopati Deposit Scheme
- LakshmaPuron Deposit Scheme (General and Senior)
- Account 150%
- Brighter Tomorrow Deposit Scheme
- Nobagoto Deposit Scheme
- Contributory Savings Scheme
- Prime Millionaire Scheme

3.4.1.3 Shukonna

Shukonna is a special type of Savings Deposit Account for Women. This type of account can be opened by any women of an age 18 years and above. This account will earn interest on daily basis on daily balance and interest will be credited at the end of the month.

❖ Key Features

- Daily basis interest per annum on daily balance; interest will be credited after end of the month*
- MICR Cheque Book.
- Debit card Facility.
- Free for First year of Debit Card Fee. From the second year Tk. 250/= (taka two hundred and fifty) will be charged.
- 50% concession on account service charge.
- Free of charge Standing Instruction facility.
- Free Internet Banking facility ALTITUDE (enables – interbank and intra bank fund transfer; credit card bill payment; utility bill payment)
- Free SMS banking.

❖ **Eligibility**

- Age limit: Any Bangladeshi women age 18 years and above can open this account.
- Minimum Amount & Balance: A minimum balance of Tk.1,000/= (Taka One Thousand) requires to open this account.

❖ **Legal Documents**

- All relevant documents require similar to regular savings account as per rules & regulation of Bangladesh Bank.

3.4.1.4 Current account

Current account can be freely deposited and withdrawn. At the time of opening, this account is also accompanied by a Special Notice Deposit (SND) account.

❖ **Customer Benefit**

- Cheque-book facility
- Debit card facility
- Internet Banking Service: ALTITUDE (enables – interbank and intra bank fund transfer; credit card bill payment; utility bill payment)
- Opportunity to apply for - safe deposit locker facility
- Transfer of fund on Standing Instruction Arrangement
- Collection of cheques through clearing house
- SMS Banking
- Online banking service

❖ **Documents required**

- Completed account opening form.
- Passport size photograph for each account holder.
- Proof of identification such as national/voter's ID/passport/ driving license of the account holder and nominee

3.4.2 Loan Products

PBL. provides different types of loan, they are given below.

- Home Loan
- Personal Loan

- Car Loan
- Retail SOD (FO)
- Retail Secured EMI

3.4.2.1 Home loan

PBL. provides three types of home loan Swapna Neer Loan, Abash Loan and Swapna Shaj Loan. The features of the loans are given gradually.

1) **Swapna Neer Loan:** Swapna Neer Loan will facilitate you to buy a dream property for own residential purpose.

❖ **Features:**

- Maximum 70% loan against property purchase price
- (For NRB Customer loan amount may extend up to 75%)
- Loan amount: TK 10 lac to maximum TK 1.20 Cr
- Loan tenor: 3 years to maximum 25 years
- Age Limit: Minimum 25 years & Maximum 65 years
- (In case of property owner minimum age limit is 18 years)
- Attractive variable interest rate
- Competitive Processing fee & Early settlement fees
- Life insurance facility
- Loan Takeover facility with Zero processing fees
- TPA (Tri Partite Agreement) based finance against under constructed property purchase.
- Exceptional features for NRB (Salaried only) & Mariner customer

❖ **Requirements:**

- Co-applicant (Minimum one)
- One Personal guarantor may be required
- **Common Required documents:**
 - Recent passport size color photographs of applicant(s) and guarantor(s)
 - Copy of NID/passport of applicant and guarantor(s)
 - Copy of Latest utility bill (gas/water/electricity/municipal tax)
 - Copy of Latest tax clearance certificate/E-TIN

- latest 12 months bank statement for businessmen (06 months for others)
- **Additional documents required for Salaried Person/Self Employed:**
 - Original Salary Certificate/Letter of Introduction (LOI)
 - Copy of Pay-slip
 - Offer letter/Release letter from previous employer to prove service experience
 - Professional certificate issued by concerned authority
- **Additional documents required for Businessmen:**
 - Copy of latest trade license
 - Copy of MOA, AOA, Certification of Incorporation, Latest Form XII & X (Limited Company)
 - Copy of Registered Partnership Deed & Form I (Partnership Firm)
- **Additional documents required for Landlord:**
 - Copy of property title deed and latest mutations
 - Copy of valid rental deed with tenants
 - Copy of utility bill copy
 - Copy of latest ground rent receipts and municipal tax receipts

2) **Abash Loan:** Abash Loan is offered for construction/enhancement of semi-pucca residential building for own use purpose.

❖ **Features:**

- Up to 70% of the total cost of construction or 50% of the market value of the land.
- Maximum 06 months grace period facility.
- Loan amount: TK 5 lac to maximum TK 30 lac
- Loan tenor: Maximum 10 years
- Minimum age: 22 years & Maximum 65 years
- Attractive variable interest rate
- Competitive Processing Fee & Early Settlement Fees

- Life Insurance facility
- Takeover facility with Zero processing fees

❖ **Requirements:**

- Co-applicant (Minimum one)
- One Personal guarantor may be required
- **Common Required documents:**
 - Recent passport size color photographs of applicant(s) and guarantor(s)
 - Copy of NID/passport of applicant and guarantor (s)
 - Copy of Latest utility bill (gas/water/electricity/municipal tax)
 - Copy of latest tax clearance certificate/E-TIN
 - Latest 12 months bank statement for businessmen (06 months for others)
- **Additional documents required for Salaried Person/Self Employed:**
 - Original Salary Certificate/Letter of Introduction (LOI)
 - Copy of Pay-slip
 - Offer letter/Release letter from previous employer to prove service experience
 - Professional certificate issued by concerned authority
- **Additional documents required for Businessmen:**
 - Copy of latest trade license
 - Copy of MOA, AOA, Certification of Incorporation, Latest Form XII & X (Limited Company)
 - Copy of Registered Partnership Deed & Form I (Partnership Firm)
- **Additional documents required for Landlord:**
 - Copy of property title deed and latest mutations.
 - Copy of valid rental deed with tenants
 - Copy of utility bill copy
 - Copy of latest ground rent receipts and municipal tax receipts

3) Swapnashaj Loan: Swapna Shaj Loan is offered for customers own house/property construction, renovation, extension or improvement purpose.

❖ **Features:**

- Maximum 70% loan against construction cost
- (For NRB Customer loan amount may extend up to 75%)
- 06 months grace period facility.
- Loan amount: TK 10lac to maximum TK 1.20 Cr
- Loan tenor: 03 years to maximum 25 years
- Age Limit: Minimum 25 years & Maximum 65 years
- (In case of property owner minimum age limit is 18 years)
- Attractive variable interest rate
- Competitive Processing Fee & Early Settlement Fees
- Life insurance facility
- Takeover facility with Zero processing fees
- Exceptional features for NRB (Salaried only) & Mariner customer

❖ **Requirements:**

- Co-applicant (Minimum one)
- One Personal guarantor may be required
- **Common Required documents:**
 - Recent passport size color photographs of applicant(s) and guarantor(s)
 - Copy of NID/passport of applicant and guarantor(s)
 - Copy of Latest utility bill (gas/water/electricity/municipal tax)
 - Copy of Latest tax clearance certificate/E-TIN
 - Latest 12 months bank statement for businessmen (06 months for others)
- **Additional documents required for Salaried Person/Self Employed:**
 - Original Salary Certificate/Letter of Introduction (LOI)
 - Copy of Pay-slip
 - Offer letter/Release letter from previous employer to prove service experience
 - Professional certificate issued by concerned authority

- **Additional documents required for Businessmen:**
 - Copy of latest trade license
 - Copy of MOA, AOA, Certification of Incorporation, Latest Form XII & X (Limited Company)
 - Copy of Registered Partnership Deed & Form I (Partnership Firm)
- **Additional documents required for Landlord:**
 - Copy of property title deed and latest mutations
 - Copy of valid rental deed with tenants
 - Copy of utility bill copy
 - Copy of latest ground rent receipts and municipal tax receipts

3.4.2.2 Personal loan: If you think of essence for most convenient and easiest finance that you deem to fulfill your desires, PBL.'s Personal Loan can be a right choice that you expediently trust and enjoy!

PBL. is offering Personal Loan with most convenience and attractive proposition that you are looking for.

❖ **Features:**

- Offer for any legitimate financial purpose
- Attractive variable interest rate
- Competitive Processing Fees & Early Settlement Fees
- Flexible loan tenor (Maximum 05 Years)
- Maximum loan amount BDT 20 Lac
- Loan repayment with Equal Monthly Installment (EMI)
- Life insurance facility
- Takeover facility with Zero processing fees
- Convenience loan processing (Time & Location)

❖ **Requirements:**

- Age: Minimum: 22 & Maximum: 65 or retirement age
- Personal Guarantor: Minimum: 01
- **Common Required documents:**

- Recent passport size color photographs of applicant and guarantor(s)
- Copy of NID/passport of applicant and guarantor (s)
- Copy of Latest utility bill (gas/water/electricity/municipal tax)
- Quotation of purchased item/ Customer Declaration for cost purpose
- Business card/copy of office ID of applicant and guarantor(s), if any
- Copy of Latest tax clearance certificate/E-TIN
- Latest 12 months bank statement for businessmen (06 months for others)
- **Additional documents required for Salaried Person/Self Employed:**
 - Original Salary Certificate/Letter of Introduction (LOI)
 - Copy of Pay-slip
 - Offer letter/Release letter from previous employer to prove service experience
 - Professional certificate issued by concerned authority
- **Additional documents required for Businessmen:**
 - Copy of latest trade license
 - Copy of MOA, AOA, Certification of Incorporation, Latest Form XII & X (Limited Company)
 - Copy of Registered Partnership Deed & Form I (Partnership Firm)
- **Additional documents required for Landlord:**
 - Copy of property title deed and latest mutations
 - Copy of valid rental deed with tenants
 - Copy of utility bill copy
 - Copy of latest ground rent receipts and municipal tax receipts

3.4.2.3 Car loan: PBL. offers consumers to materialize their dream of owning a car. Whether they want to purchase a brand-new car or a reconditioned one, PBL. cares their requirement!

PBL. offers Car Loan with most privilege that you look for.

❖ **Features:**

- Offer to purchase brand new or reconditioned vehicle/auto for personal use purpose.
- Attractive variable interest rate
- Competitive Processing Fee & Early Settlement Fees
- Flexible loan tenor (Maximum 05 Years)
- Maximum loan amount BDT 40 Lac
- Loan repayment with Equal Monthly Installment (EMI)
- Convenience loan processing (Time & Location)

❖ **Requirements:**

- Age (Minimum: 22 years & Maximum: 65 years)
- Personal Guarantor: One (01)
- **Common Required Documents:**
 - Recent passport size color photographs of applicant and guarantor(s)
 - Copy of NID/passport of applicant and guarantor (s)
 - Copy of latest utility bill (gas/water/electricity/municipal tax)
 - Quotation of purchasing car issued by Car Vendor/Showroom
 - Business card/copy of office ID of applicant and guarantor(s)
 - Copy of latest tax clearance certificate/E-TIN
 - Latest 12 months bank statement for businessmen (06 months for others)
- **Additional documents required for Salaried Person/Self Employed:**
 - Original Salary Certificate/Letter of Introduction (LOI)
 - Copy of Pay-slip
 - Offer letter/Release letter from previous employer to prove service experience
 - Professional certificate issued by concerned authority
- **Additional documents required for Businessmen:**
 - Copy of latest trade license

- Copy of MOA, AOA, Certification of Incorporation, Latest Form XII & X (Limited Company)
- Copy of Registered Partnership Deed & Form I (Partnership Firm)

Additional documents required for Landlord:

- Copy of property title deed and latest mutations
- Copy of valid rental deed with tenants
- Copy of utility bill copy
- Copy of latest ground rent receipts and municipal tax receipts

3.4.2.4 Retail sod: Retail SOD will enable customers to serve their emergency requirement without en-cashing their FDR/ DPS with PBL. Customers can avail this facility by providing other Banks/ NBFIs FDR as well. Only serving the quarterly interest they can continue the credit facility.

❖ **Customer Segment**

Consumers who have banking relationship according to following category:

- FDR with Prime Bank.
- DPS and other deposit maintained with Prime Bank.
- FDR with other Banks/ NBFIs.

❖ **Purpose**

- Any legitimate purpose for personal use.

❖ **Features**

- No processing fees.
- No early settlement fees.
- Minimum spread.
- Quick processing time.
- Early, full settlement allowed
- Another bank security acceptable.
- Joint applicant allowed.
- Competitive interest rate.
- Minimal documentation.

❖ **Customer Eligibility**

Customers who have banking relationship according to following category:

- FDR, DPS and other deposit with Prime Bank.
- FDR with other Banks/NBFIs.
- Age Limit
- Minimum 18 Years.

❖ **Loan Amount**

- Minimum loan amount BDT 50,000.00 (Taka Fifty Thousand)

❖ **Loan to Value Ratio**

- Maximum 90% of principal value of Prime Bank FDR and Deposit Schemes.
- Maximum 80% of face value/principal value of other Banks/NBFIs securities/instruments.

Repayment Method

- Overdraft facility.

❖ **Loan Tenor**

- Loan tenor 01 (one) year (renewable).

❖ **Security Collateral**

- Cash / Cash equivalent Security.

3.5 ORGANIZATION STRUCTURE

3.5.1 Branches of Prime Bank

There are total 146 branches of Prime Bank Limited situated in 44 districts in Bangladesh. Most of them are in Dhaka city and Chittagong. There are total 43 branches of Prime Bank Limited situated at Dhaka district and total 20 branches of Prime Bank Limited situated at Chittagong district in Bangladesh. Rest of them are in other 42 districts in Bangladesh.

Ideal branch: Given below is an organogram of an ideal branch of pbl.

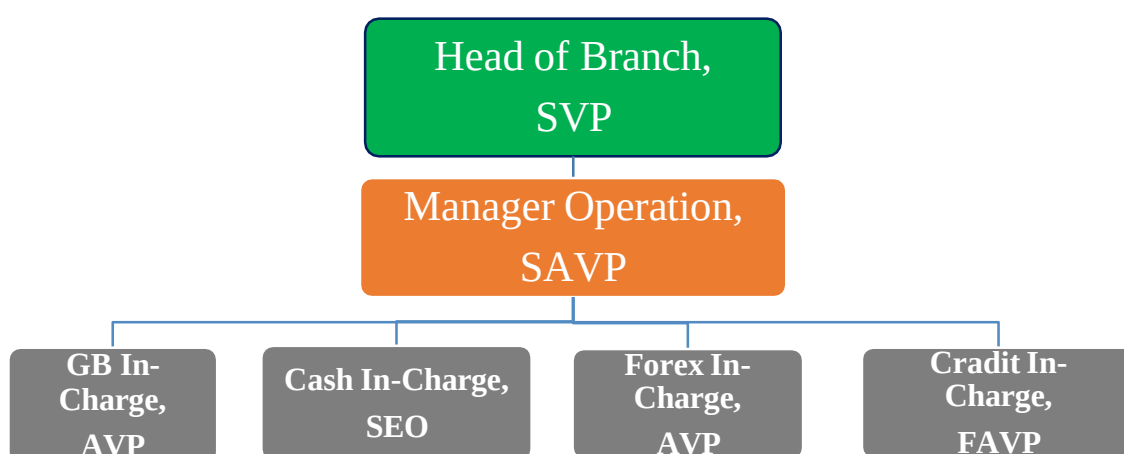


Figure3. 1 Organizational hierarchy of an ideal branch

3.5.2 Departments of Prime Bank

- Human resource Department.
- Financial and Administration Department.
- Monitoring and Inspection Department.
- Marketing.
- Personal and Relation Department.
- Merchant Banking.
- Investment Banking.
- Treasury Division.
- International Division.
- General service Division.
- Computer and Information Technology Division.
- Credit Administration Division.
- Corporate Affairs Division.
- Card Division.

3.5.4 Organizational Set-Up at Credit Division

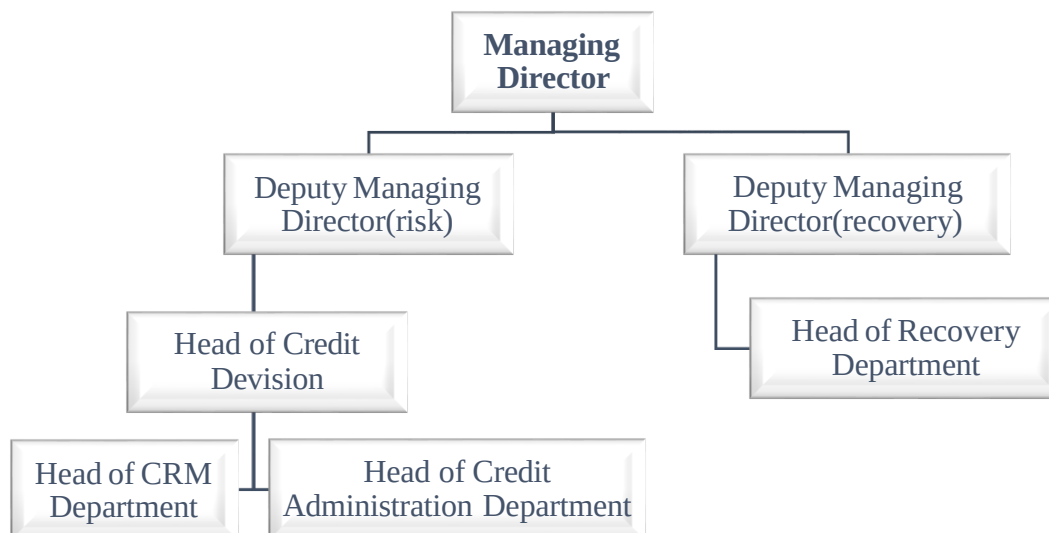


Figure 2.3 Organizational set-up at credit division

3.6 FUNCTIONAL STRUCTURE

3.6.1 General Service Division (GSD)

The functions of GSD are classified as Establishment and General Banking (GB). (a)ESTABLISHMENT: The main function of GSD is to procure and supply the tangible goods to branches of PBL. Those are: Tangible function of opening a branch, for example, interior decoration, making lease agreement. Print all security papers and bank stationeries, forms, registers and distribute them to the branches. Purchase and distribution of bank's furniture and fixtures. Find out the demand of equipment from the branches and division and arrange the purchase and delivery of them to the branches concerned. Install and maintain different facilities in different branches

3.6.2 GENERAL BANKING

General Department performs the majority functions of a bank. It is the core department of any bank. The activity of GB of PBL are mainly divided the following categories: Account opening section, Local remittance section, Online branch banking section, Deposit scheme section, Clearing section, Collection, Section, Cash section, Accounts section.

❖ CREDIT DIVISION

The main functions of this division are:

- To manage PBL's credit portfolio.
- Receive credit proposal from branches.
- Appraise & approve the proposals.
- Sanction letters and send them to branches.
- Monitor and follow up the loans and advances provided by the bank.
- Set up prices for credits and ensure their effectiveness.
- Prepare various statements to submit to Bangladesh Bank.

❖ CREDIT CARD DIVISION

In 1999, PBL obtained the membership of Master Card & a separate division has been assigned to look after the credit card operation. There are four types of credit card Local Silver Credit Card, International Silver Credit Card, Local Gold Credit Card, and International Gold Credit Card.

Chapter-4

METHODOLOGY

4.0 METHODOLOGY

4.1 DATA TYPES

To complete this report, I have collected my necessary information from both Credit Risk Management department and branch level to successfully understand the whole process. I have also tried to focus on the performance of credit risk management in my report by conducting different tables and figures related to credit risk management. To complete this report, I have used both primary and secondary data to prepare this report. The nature of this report is descriptive with some numerical analysis.

4.1.1 Primary Sources

Primary sources are officers and manager of Prime Bank Limited, Head Office. Following factors have been considered to collect information:

- Conversation with the bank officers and staffs
- Informal conversation with the potential clients

The primary source of information is also based on my practical experience of three months long internship at head office of Prime Bank Limited.

4.1.2 Secondary Sources

The secondary source of information is based on official website of PBL, operation manual of Credit Risk Management, annual report of PBL, books, e-book, journal, various business-related articles and internet are the major sources of secondary data

4.2 METHODS OF DATA COLLECTION AND INSTRUMENTS USED IN DATA COLLECTION

In this project descriptive research method is used. For this project only one main branch has been taken as sample size.

Chapter-5

CREDIT RISK MANAGEMENT OF PRIME BANK LIMITED

5.0 CREDIT RISK MANAGEMENT OF PRIME BANK LIMITED

5.1 OVERVIEW

Credit planning implies efficient utilization of scarce (loanable fund) to generate earning for the bank. Constituents of credit planning are: forecasting of loanable fund likely to be available in a particular period of time and allocation of the same amongst alternative avenues in a prudent way. Credit planning has got a serious importance because –Loanable fund comes out of deposit mobilized from the people. So, safety of people's money should be ensured carefully. Unplanned lending may create harm in two ways; firstly, excess lending may create liquidity crisis for the bank. Secondly, too much conservative lending may make the loanable fund idle. Idle but cost bearing fund again incurs operating cost for the bank. Excess liquidity led by unplanned inadequate lending push the profitability to decline. Planned credit helps to maintain conformity with the national priority. Unplanned credit may upset the total economic stability from macro point of view either by making inflation or deflation.

5.2 MANAGEMENT OF CREDIT RISK IN PBL

While financial institutions have faced difficulties over the years for a multitude of reasons, the major cause of serious banking problems continues to be directly related to lax credit standards for borrowers and counterparties, poor portfolio risk management, or a lack of attention to changes in economic or other circumstances that can lead to a deterioration in the credit standing of a Bank's counterparties. Credit risk is most simply defined as the potential that a Bank's borrower or counterparty will fail to meet its obligations in accordance with agreed terms. The goal of credit risk management is to maximize a Bank's risk adjusted rate of return by maintaining credit risk exposure within acceptable parameters. The effective management of credit risk is a critical component of a comprehensive approach to risk management and essential to the long-term success of any banking organization. That is why a risk-based asset review framework has also been put

in place wherein, the frequency of asset review would be higher for high exposure cases and/or poor credit rating. Sound practices that the Bank is trying to ensure are -

- Establishing an appropriate credit risk environment;
- Operating under a sound credit granting process;
- Maintaining an appropriate credit administration measurement and monitoring process;
- Ensuring adequate controls over credit risk

The credit risk management policy of PBL operates under the following broad principles:

5.2.1 Establishing an Appropriate Credit Risk Environment

The Board of Directors is responsible for approving and reviewing the credit risk strategies and policies of the bank periodically. The strategy reflects Bank's tolerance for risk and the level of profitability the bank expects to achieve for incurring various credit loss.

Senior management is responsible for implementing the credit risk strategy approved by the Board and for developing standard policies and procedures for identifying, measuring, monitoring and controlling any type of risk associated with the strategy. Such policies and procedures address credit risk of the Bank's activities and at both the individual credit and portfolio level.

PBL ensures that the risks inherent in products and activities which are apparently new to the bank are subject to adequate procedures and controls before being introduced or undertaken, and approved in advance by the Board of Directors or its appropriate committee. In order to streamline risk control features effectively, PBL has put in place Standard Operating Procedure (SOP) in line with internationally accepted best practices and centralized its corporate credit to ensure better management of corporate borrowers.

Besides, Credit Risk Management Division also set different limits in regards to sector concentration, area concentration, Off-Balance Sheet Exposure etc.

5.2.2 Operating under a Sound Credit Granting Process

PBL follows sound, well defined credit-granting criteria. These criteria include a thorough assessment of the borrower or the counterparty, as well as the purpose and structure of the credit, and its source of repayment.

- Credit facilities are allowed in a manner so that asset growth can be maintained ensuring optimum asset quality and without compromising the Bank's standard of excellence;
- PBL carefully avoids name lending. Credit facility is being granted on business consideration with absolute due diligence;
- Risks inherent in a credit proposal are being identified and appropriate mitigating steps are taken accordingly;
- Collateral offered against a credit facility is properly valued and verified by the concerned Relationship Officer or Relationship Manager periodically. In addition, the same collateral is valued and verified by an enlisted surveyor of the bank which is now applicable for all customers irrespective of any amount;
- Risk grading of the accounts is being done as per the Bangladesh Bank's guidelines. Any credit approval/ sanction is subject to the banking regulations in force or imposed by the regulatory body from time to time and subject to changes of the Bank's policy. Data collection check list and limit utilization format are prepared for regular assessment. Internal Audit & Inspection Division independently reviews the risk assessment at the time of conducting internal audit.
- PBL also performs borrower rating to assess its borrowers for ensuring sound asset quality.

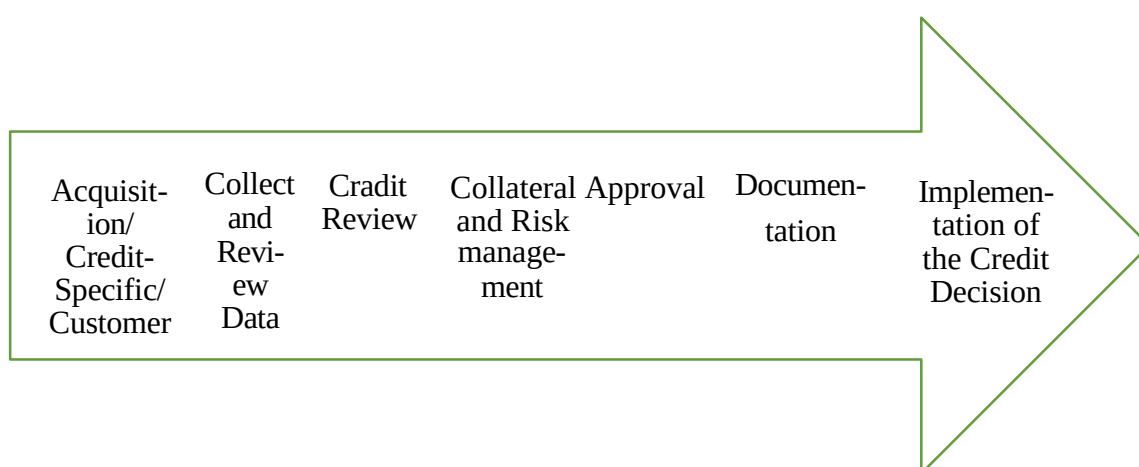


Figure 3.1 Credit approval process in PBL and sub-divided into a large number of individual process steps.

5.2.3 Maintaining an Appropriate Credit Administration, Measurement and Monitoring Process

A system has been put in place by the bank for ongoing administration of various credit risk-bearing portfolios. Dedicated independent risk management units are developed for these purposes. Dedicated committees at management level have been set up to monitor risk. PBL segregated the total credit process into Relationship Management/Marketing, Credit Approval/Risk Management, Credit Administration to improve the knowledge levels and expertise in each department and to impose controls over the disbursement of authorized loan facilities and obtain an objective and independent judgment of credit proposals. Credit Administration Division completes security documentation after getting approval from Credit Risk Management Division and ensures adherence to approved terms and other requirements before limit creation and disbursement. To minimize credit losses, monitoring procedures and systems are placed which provides an early indication of the deteriorating financial health of a borrower.

Early Alert system is an example of such monitoring procedures. An Early Alert Account is one that has risks or potential weaknesses of a material nature requiring monitoring, supervision, or close attention of the management. If such weaknesses are left uncorrected, they may result in deterioration of the repayment prospects for the asset or in the Bank's credit position at some future date with a likelihood of being downgraded. Early identification, prompt reporting and proactive management of Early Alert Accounts are prime responsibilities of all Relationship Managers / Officers and the whole process is a continuous one. An Early Alert Report is completed by the Relationship Manager and sent to the approving authority in Credit Risk Management Division for any account that is showing signs of deterioration. The Risk Grade is also changed and referred to Credit Risk Management Division for assistance in recovery.

The bank has also put a system in place for monitoring the condition of individual credits including determining the adequacy of provisions and reserves. The guidelines established by the Bangladesh Bank for Credit Information Bureau (CIB) reporting, provisioning and write-off of bad and doubtful debts and suspension of interest are followed meticulously in all cases. Provision is maintained for any shortfall in the Forced Sale Value (FSV) to cover total loan outstanding once an account is classified.

PBL also has information systems and analytical techniques that enable the management to measure the credit risk inherent in all on- and off-balance sheet activities. PBL has taken initiative to make management information system more robust and sophisticated for monitoring the asset quality of the Bank. At present total limit loading and disbursement procedure of the Bank is fully centralized within Credit Administration Division (CAD) and various MIS reports for monitoring purpose e.g. overdue report, EOL report, disbursement report etc. can be generated from this end as well. All credit approvals are given complying with the requirements of Bank's Memorandum and Articles of Association, the Bank Company Act-1991(amended up to 2013), as amended from time to time, the Bangladesh Bank's circulars, guidelines and other applicable laws, rules and regulations, Bank's Credit Risk Management Policy, Credit Operational Manual and all relevant circulars that are currently in force. Any deviations from the internal policy of the bank are well documented and subject to approval from competent authority/Board of Directors. The portfolio is well diversified with respect to sector and industry. Concentration of credit is carefully avoided to minimize risk.

PBL takes into consideration of potential future changes in economic conditions while assessing individual credits and credit portfolios. An important element of sound credit risk management involves discussing what could potentially go wrong with individual credits and within the various credit portfolios, and factoring this information into the analysis of the adequacy of capital and provisions.

5.2.4 Ensuring Adequate Controls Over Credit Risk

PBL has established a system of independent, ongoing credit review and the results of such reviews are communicated directly to the Board of Directors and senior management. PBL ensures that the credit-granting function is being properly managed and that credit exposures are within levels, consistent with prudential standards and internal limits. The bank has established and enforced internal controls and other practices to ensure that exceptions to policies, procedures and limits are reported in a timely manner to the appropriate level of management.

PBL has taken initiative to introduce Risk Based Pricing Model and the model has already been developed which is currently under scrutiny of senior management. After getting vetting by RMC and subsequently approved by the Board of Directors, the Risk Based Pricing Model will be in place for pricing corporate loans. Benefits of Risk Based Pricing are-

- Enhance shareholders value by ensuring that credit risk associated with the transaction is appropriately measured and priced
- Enable the Bank to know well ahead of time, what kind of price will satisfy its risk/return preferences
- Enhance the achievement of credit portfolio goals and objectives.

PBL also has a system in place for managing problem credits and various other workout situations. All NPLs are assigned to Account Manager(s) within the Recovery Division, who is responsible for coordinating and administering the action plan /recovery of the account and serve as the primary customer contact after the account is downgraded to doubtful.

5.3 LOAN APPROVAL PROCESS

Like every other bank the PBL follows the loan approval process. This process is consisting of some steps which describes the ways in which the loan or credit asked from the bank is approved. The process is discussed in the following paragraphs.

Step-1: A potential customer collects prescribed Credit Application Form from the Relationship Officer of Branch/Regional Corporate Banking Department/Corporate Banking Division, Head Office/Web address of the Bank. Later, he/she submits the filled in Credit Application Form along with necessary papers and documents.

Step-2: The Relationship Officer scrutinizes the Credit Application Form and other documents submitted by the customer and make a preliminary assessment on creditworthiness of the potential borrower. He/she collects further information from the customer if it is felt necessary. And, if he/she finds the proposal not bankable, he/she sends a refusal letter to the customer immediately. On the other hand, if he/she finds it acceptable, he/she forwards the application to the concerned Relationship Manager.

Step-3: The Relationship Manager, singly or jointly with Relationship Officer, visit the customer's business premise and try to acquire proper understanding about the business position, actual credit requirement, repayment capacity etc. Besides, he/she negotiates with the customer about the structure of the proposed credit facility. Apart from this he/she assesses the value of the security to be offered and prepares Valuation Report. Finally, the Relationship Manager summarizes all this information in the Pre-sanction Inspection

Report/Call Report/Visit Report in the Bank's prescribed format in which he/she recommends for some specific credit facility for the customer.

Step-4: The Relationship Manager sends the Pre-sanction Inspection Report to the Corporate Banking Division, Head Office or to the Regional Corporate Banking Department, if any. The Head of Corporate Banking Division/Regional Corporate Banking Department assesses the credit proposal. He/she might contact with the Relationship Manager or directly to the customer for any query. Finally, if he/she decides to refuse the proposal or to proceed further with the proposal and communicates his /her decision to the Relationship Manager.

Step-5: If the Head of Corporate Banking Division/Regional Corporate Banking Department refuses, the Relationship Manager sends a refusal letter to the customer. If he/she is positive, the Relationship Officer collects duly filled in CIB Inquiry Form from the customer and submits it to the Credit Information Bureau of Bangladesh Bank for latest CIB Report through Credit Administration Department, Head Office. Everything may stop here if CIB report shows that the customer has classified liability in its name and/or in the name of its sister concern(s). In that case, the customer is regretted accordingly.

Step-6: Meanwhile, the Relationship Officer rates the customer as per Risk Grading System of the Bank. Finally, the Relationship Manager originates a formal Credit Proposal in which the Head of Corporate Banking Division affixes his/her recommendation regarding the proposal.

Step-7: The Head of Corporate Banking Division, Head Office then forwards the proposal to the Credit Risk Management Department, Credit Division along with necessary papers. The concerned Credit Officer conducts in-depth Credit Analysis (Due Diligence) and affixes his/her comments/observations/findings.

Step-8: The Credit Officer places the proposal along with his/her comments/observations/findings before the Head of Credit/Head Office Credit Committee. The Head of Credit may contact with the Head of Corporate Banking for his/her queries. He/she may also express his/her reservation on a particular issue/risk and ask the Head of Corporate Banking to clarify his/her position and/or risk minimization technique(s). Finally, he might decline the proposal. And, if he/she is fully satisfied he/she may approve the facility if it is within his/her delegated authority. If it is beyond his/her delegated authority, he /she would recommend the proposal to the Managing Director.

Step-9: The Managing Director may decline the proposal if he/she is not satisfied about the proposal. If he/she is satisfied and if it is within his/her delegated power, he/she approves the proposal. If the proposal exceeds his/her delegated authority, he/she recommends it to the Executive Committee of the Board of Directors, which has the supreme authority to sanction any loan.

Step-10: If the facility is approved (whoever is the approval authority), the Credit Risk Management Department of Credit Division issues sanction letter to the Corporate Banking Division/Branch along with a Documentation Check List which clearly spells out what are the documentation formalities required to be completed before disbursement. A copy is sent to Credit Administration Department, Credit Division.

Step-11: The Corporate Banking Division/Branch then issues sanction letter to the customer in line with the letter of Credit Risk Management Department and requests the customer to complete documentation formalities.

5.4 CREDIT APPROVAL AUTHORITY

Each and every bank, as per the requirements of BB, must delegate authority of approving loans of certain limit. The authority clearly indicates who can approve the loan and up to what amount and who will be responsible for the approval of the loan. The detail of the practices of the PBL is discussed here.

5.4.1 Delegation of Approval Authority

Credit approval authority to the proper body and/or executive is a precondition for ensuring smooth and transparent credit operation in the Bank. Since inception, credit approval authority has been delegated to different tiers of both the Board of Directors and the Management. Authorities who enjoy delegation of business power i.e credit approval authority are as follows:

1. The Board of Directors
2. The Executive Committee of the Board
3. The Managing Director
4. Executives working as head of Branches.

✓ **Credit Approval Authority**

Credit approval authority may be delegated to the following body/Executive:

1. The Board of Directors
2. The Executive Committee of the Board
3. Different tier of the Management

5.4.1.1 The board of directors: The Board of Directors will have the authority to sanction any loan for the amount not exceeding the regulatory limit the Bank can provide to a single customer. Besides, all proposals for waiver of interest, commission, charges etc and principal must be approved by the Board of Directors. Any proposal for reduction of rate of interest by more than one percent from minimum level of approved interest rate band must be approved by the Board.

5.4.1.2 The executive committee of the board: The Executive Committee of the Board of Directors may sanction any loan for the amount not exceeding the regulatory limit the Bank can provide to a single customer. However, it will not have the authority to approve any proposal for waiver of interest, commission; charges etc. and principal must be approved by the Board of Directors. Any proposal for reduction of rate of interest by one percent or less from the minimum level of approved interest rate band may be approved by the Executive Committee of the Board. Any proposal beyond the delegated authority of the Managing Director will be placed before the Executive Committee of the Board for approval.

❖ **The Management:** Different tiers of the Management may be delegated credit approval authority to ensure timely disposal of the credit proposals at root level. In the Management, the following executives may be delegated credit approval authority:

1. The Managing Director
2. The Deputy Managing Director Supervising Credit Division
3. Executives working at Credit Risk Management Unit, Credit Division
4. Executives working as Head of Branches

5.4.1.3 Composite Limit: Credit Limit to a single customer comprising of more than one facility/product will be treated as a Composite Limit. Different tier of the Management

may be delegated authority to sanction a composite credit limit to a customer which the respective executive will exercise after complying with all preconditions set in different chapters of this policy document and in the relevant circulars in force. Specially, any executive having delegated authority to sanction a composite limit will exercise this provided that the subject composite limit is covered by collateral security having forced sale value which is at least 1.25 times of the total funded limit. However, the executives having approval authority may sanction following facilities without taking collateral security within their authority: SOD (FO), SOD (WO), SOD (EM), SOD (EDF), SOD (CI), FDBP, IDBP, Bid Bond and the Managing Director may sanction following facilities without taking collateral security within his authority: SOD (FO), SOD (WO), SOD (EM), SOD (EDF), SOD (CI), FDBP, IDBP, LIM, LTR and all non-funded facilities. Different tiers of the Management may be delegated the following authority for approving composite credit limit:

Table 5. 1 The approval power of loan of the executive members gradually given.

Sl. No.	Designation	Authority to be delegated	Maximum Total
		Funded	Non-funded
1.	Managing Director	250.00 (Lac Tk)	300.00 (Lac Tk)
2.	Deputy Managing Director	200.00	250.00
3.	Senior Executive Vice President	150.00	200.00
4.	Executive Vice President	100.00	150.00
5.	Senior Vice President	75.00	100.00
6.	Vice President	50.00	80.00
7.	Senior Assistant Vice President	40.00	60.00
8.	Assistant Vice President	25.00	50.00

5.6 CREDIT RISK GRADING

Credit Risk Grading is completed by Prime Bank for all exposures (irrespective of amount) other than those covered under Consumer and Small Enterprises Financing Prudential Guidelines and also under The Short-Term Agricultural and Micro - Credit.

5.7 CREDITWORTHINESS OF THE BORROWER

Here the first question, does the proposed borrower meet the criteria about the creditworthiness while approving the loan? Secondly need to check up is the borrower will enable to pay out the credit when due, with a comfortable margin for error. This usually involves a detailed study of six Cs of the loan application- character, capacity, cash, collateral, conditions, and control. All must be satisfactory for the loan to be a good one from the lender's point of view.

- **Character:** Past history of loan repayment, Market reputation, morality, family background and promptness in repayment.
- **Capacity:** Ability to manage the business, ability to employ the fund in the right way, ability to overcome unforeseen problems.
- **Capital:** Equity strength, assets and properties.
- **Collateral:** The easy marketability of the property given security.
- **Conditions:** The loan officer and credit analyst must be aware of recent trends in the borrower's line of work or industry and how changing economic conditions might affect the loan.
- **Control:** The last factor in assessing a borrower's creditworthy status is control which centers on such questions as whether changes in law and regulation could adversely affect the borrower and whether the loan request meets the bank's and the regulatory authorities' primes for loan quality.

As this six C's analysis is now a traditional method there is another method to understand the creditworthiness of the customer called Credit Risk Grading (CRG) a method which is seriously followed by Prime Bank Limited. It involves calculation to predict if the loan will be profitable or not.

5.8 COMPUTATION OF CREDIT RISK GRADING (CRG)

Step 1: Identify all the Principal Risk Components

Step 2: Allocate weightages to Principal Risk Components

Step 3: Establish the Key Parameters

Step 4: Assign weightages to each of the key parameters.

Step 5: Input data to arrive at the score on the key parameters

Step 6: Arrive at the Credit Risk Grading based on total score obtained

5.9 ALLOCATING WEIGHTAGES TO PRINCIPAL RISK COMPONENTS

According to the importance of risk profile, the following weightages are proposed for corresponding principal risks.

Table 6. 1 Weightages to Principal Risk Components

Principal Risk Components	Weight
Financial Risk	50%
Business/Industry Risk	18%
Management Risk	12%
Security Risk	10%
Relationship Risk	10%

Table 6. 2 Assign weightages to each of the key parameters

Principal Risk Components	Key Parameters	Weight
▪ Financial Risk	○ Leverage ○ Liquidity ○ Profitability ○ Coverage	50% 15% 15% 15% 5%
▪ Business/Industry Risk	○ Size of Business ○ Age of Business ○ Business Outlook ○ Industry growth ○ Market Competition ○ Entry/Exit Barriers	18% 5% 3% 3% 3% 2% 2%
▪ Management Risk	○ Experience ○ Succession ○ Team Work	12% 5% 4% 3%
▪ Security Risk	○ Security coverage ○ Collateral coverage ○ Support	10% 4% 4% 2%
▪ Relationship Risk	○ Account conduct ○ Utilization of limit ○ Compliance of covenants/condition ○ Personal deposit	10% 5% 2% 2% 1%

Suppose Unilever Bangladesh needs to take loan amount 3 crore and for this Prime Bank will measure Credit Risk by assigning weightages to each of the key parameters

Table 6. 3 Assign weightages to each of the key parameters for Unilever Bangladesh

Principal Risk Components	Key Parameters	Weight
▪ Financial Risk		35 out of 50%
	o Leverage	15%
	o Liquidity	0%
	o Profitability	15%
▪ Business/Industry Risk	o Coverage	5%
		16 out of 18%
	o Size of Business	5%
	o Age of Business	3%
	o Business Outlook	3%
	o Industry growth	1%
▪ Management Risk	o Market Competition	2%
	o Entry/Exit Barriers	2%
		12 out of 12%
	o Experience	5%
	o Succession	4%
	o Team Work	3%
		10 out of 10%
	o Security coverage	4%

▪ Security Risk	o Collateral coverage	4%
	o Support	2%
▪ Relationship Risk		10 out of 10%
	o Account conduct	5%
	o Utilization of limit	2%
	o Compliance of covenants/condition	2%
	o Personal deposit	1%

Aggregate Score:

83

Risk Grading:

ACCPT

So, by measuring Credit Risk Grading Score we can say that Unilever Bangladesh has acceptable (ACCPT) risk grade with score 83.

Note: To find out the necessary valuation theory follow “(Saha, D., Das, M., & Habib, M. (2005). Credit Risk Grading Manual (p. 24-27). Retrieved from <https://www.bb.org.bd/mediaroom/circulars/brpd/dec1105brpd18enl.pdf>)”.

Table 6. 4 Credit Risk Grade matrix based on the total score

Number	Risk Grading	Short Name	Score
1	Superior	SUP	○ 100% cash covered ○ Government guarantee ○ International Bank guarantees
2	Good	GD	85+
3	Acceptable	ACCPT	75-84
4	Marginal/Watchlist	MG/WL	65-74
5	Special Mention	SM	55-64
6	Sub-standard	SS	45-54
7	Doubtful	DF	35-44
8	Bad & Loss	BL	<35

5.10 DOCUMENTATION OF LOAN AGREEMENT

Loan agreement documents depend on three factors, such as legal status of the borrower, type of the securities and type of loan, necessary documents are obtained. Short list of the documents is given below.

- Charge Documents
- Letter of guarantee
- Counter guarantee
- Letter of recall the loan
- Letter of continuity
- Letter of revival
- Joint promissory note
- Single promissory note
- Letter of undertaking
- Loan disbursement letter
- Charge over bonds or of shares etc.

- Letter of lien against fixed deposit receipt
- Letter of authority to en-cash FDR
- Memorandum of deposit of title deeds
- Memorandum of deposit of title deeds
- Hypothecation of vehicle

5.11 FINDINGS

From my study on Credit Risk Management of PBL I have got some major findings, which are given below:

- Prime Bank Limited is doing well in its credit operation as the interest earnings shows the success.
- PBL has AA credit ratings that are kind of the best in Bangladesh.
- PBL provides credit appraisal that is a good technique to encourage the borrowers for paying installment payments timely.
- PBL has good number of branches all over Bangladesh that's why it can serve the consumers at anywhere in the country.
- PBL is not advanced in modern banking services like Online Banking though it provides Internet Banking.
- PBL has only 55 ATM booths all of them are situated at Dhaka district in Bangladesh that is a threat for itself.
- Auditing to collect financial and other information of the borrower is hardly done.
- Traditional approach is more used for small amount of loan in the preliminary stage that may frequently fail to predict risk.
- Law department works very slowly that is a reason of delaying for settlement.
- Political instability can be a cause of default in Bangladesh.

Chapter-6

RECOMMENDATIONS

and

CONCLUSION

6.0 RECOMMENDATIONS

- Should emphasize on Credit Risk Grading than traditional six Cs.
- In credit management, it is conventional that proposals of credit facilities must be supported by a complete analysis of the proposed credit.
- Credit Department's job description should be more specific and defined.
- Should have authority power of branch head to sanction a minimum level of loan amount.
- Should have some flexibility for the clients who are not able to show their financial statements.
- The credit officer of the branch who deals with respective credit disbursement should accurately measure the risk associated with the credit facilities.

6.1. CONCLUSION

Credit Risk Management is very important for any bank and credit is core income generating source as well as it is involved with risk. That's why decision regarding credit is very important in all respect of the Bank. As a second-generation bank, Prime Bank Limited has a great credit risk management practice as well as AA rate which are kind of the best in Bangladesh. PBL has proper credit management policies that describes what type of loans protect the Bank's soundness and also help to meet the needs of the communities the Bank serves.

To prepare this internship report, I have tried to incorporate the necessary and relevant information in my report from my own personal experience as well as other sources.

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