Credit Risk Management of Uttara Bank Limited. A study on Ullapara branch Sirajganj

Submitted to:

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Letter of Transmittal

Date: 02/12/2023

To

Ms. Sabrina Akhter
Assistant Professor
Department of Business Administration
Faculty of Business and Entrepreneurship
Daffodil International University

Subject: Submission of Internship Report on "**Analysis of Investment Operation of Uttara Bank Limited**".

Dear Ma'am,
With due regard, I am submitting my internship report on the subject " **Analysis of Investment Operation of Uttara Bank Limited**," which was assigned to me as a partial prerequisite for completion of my BBA program.

I have tried to accommodate as much information and related problems as possible in this report, as well as follow your instructions as you suggested.
Therefore, I hope you will recognize my efforts, and I will be pleased if my report is approved for the expected purpose.
Sincerely Yours,

SAFIUR RAHMAN

Sheikh Safiur Rahman
ID# 172-11-5611
BBA Program
Department of Business Administration
Faculty of Business & Entrepreneurship

Letter of Acceptance

This is to certify that Sheikh Safiur Rahman ID# 172-11-5611 is a student of Daffodil International University. Under my supervision, he completed his internship report titled "An Analysis of Investment Operation of Uttara Bank Limited." This internship report seems to be realistic in terms of information and analyses. As a result, it has been approved for presentation at the internship defense.

I wish him every success in life.

Ms. Sabrina Akhter
Assistant Professor
Department of Business Administration
Faculty of Business and Entrepreneurship
Daffodil International University

Acknowledgement

I'm Sheikh **Safiur Rahman** ID# **172-11-5611**, and I'd like to express my heartfelt gratitude to all who assisted me in completing my internship report, "An Analysis of Investment Operation of Uttara Bank Limited." To begin, I must express my gratitude to Allah, whose kindly guidance enabled me to complete this assistant study.

I would like to thank my academic supervisor, **Ms. Sabrina Akhter**, Assistant Professor at Daffodil International University, for providing me with all of the necessary partners to complete this report. It was impossible to finish my report without her supervision.

Second, I am thankful to **Rehana Parvin**, **Faishal Ahmed**, **Abdulla-Al-Mamun**, and **Salauddin Ahmed** for their invaluable assistance. I'd like to express my gratitude to my parents, whose inspiration helped me finish this article.

Executive Summary

Uttara Bank Limited is one of many private banks who are operating properly with abiding by all the rules being set by Bangladesh Bank. The whole bank is divided into many sub-committees who divides the whole work in different segments. At the top they have Directors and later they got different committees such as Credit Committee, Finance Committee etc. Along with the directors there is CEO/Managing Director who has centered all the works and kept a harmony in all departments for the betterment and efficiency of the bank.

The objective of this study is to gain information about the credit branch of Uttara Bank Ltd. To set up this report both essential and optional wellsprings of information have been utilized.

The main segment of this report comprises of an initial part that has been created for the correct execution of the whole report. The subsequent segment portrays the organization profile including Uttara Bank's set of experiences, their vision, mission and methodology, items and administrations, and operational organization organogram. Section three spotlight on the credit branch of Uttara Bank Limited. This is the primary piece of the task. It incorporates credit strategy, credit standards, and FICO score of Uttara Bank Limited. The bank is inefficient in generating profit from its assets and owner equity and the percentage of ROA and ROE are very low. The cost to income Ratio is increasing continuously after 2017 which is not good sign for the bank. To reduce cost to income ratio the bank either needs to increase its operating income or decrease its operating expenses. Employee expenses and administration expenses come under the operating expenses.

The last part includes recommendations and conclusions. Suggestions can be given to overcome the problems of Uttara Bank. In a general sense, this study finds a very promising and positive tone of credit risk management for Uttara Bank.

Table of Contents

Chapter-1
Introduction of the Report

1.1 Introduction

The most important and last section of their curriculum for a student is internship. It is the area where a student is exposed to the working environment and learns how to work with official discipline in the real world. Students obtain theoretical knowledge throughout the course of four years of education, but they can also acquire realistic knowledge through the internal curriculum.

Writing my internship paper is a requirement for the BBA program. I completed my internship program at Uttara Bank Limited in the accounting and finance department. My administrative supervisor, Ms. Sabrina Akhter, Assistant Professor, Daffodil International University, assigned "An Analysis of Investment Operation of Uttara Bank PLC" as a subject for my thesis as a major finance student. Because credit is an issue for all financial institutions, I have tried to describe all of the information concerning Uttara Bank's credit management/Investment Operation system in this report. I analyzed five years of financial accounts and spoke with the officers about Uttara Bank's financial situation. I've also offered various suggestions to improve their credit management system by adding new technical methodologies.

1.2 Origin of the Study

This report was written to get a Bachelor of Business Administration (BBA) degree from Daffodil International University, and the author hopes to work as an intern in the Investment Operation of Uttara Bank Limited.

1.3 Objectives of the Study

The major goal of this study is to provide an overview of Uttara Bank Limited's Investment Operation Management.

Specific Objectives:

The other objectives of this study are as follows:

1. To assess the lending and recovery procedure of Uttara Bank PLC.
2. To analyze the trend of loan and advances of Uttara Bank PLC.
3. To analyze the non-performing loan & advances of Uttara Bank PLC.
4. To suggest better ways for enhancing the credit performance of the Bank

1.4 Methodology of the Study

This report was written using both primary and secondary sources of data. The following are the details of data sources:

1.4.1 Primary Sources:

i. Direct conversation with respective officers and staffs.

ii. Confrontation Clients in Interview.

iii. Direct & Practical desk task.

1.4.2 Secondary Sources:

i. Data from Annual Report of Uttara Bank Limited.

ii. Data from the Monthly transaction record of this bank.

iii. Ratio data collected from the Banks financial statement.

iv. And the main sources of data from the Official Website of Uttara Bank Limited.

All the collected data and relative information have been tabulated, processed, analyzed and graphically showed in order to make the study more informative, useful and acceptable.

1.5 Scope of the Study

The analysis focuses on Janata Bank Limited's board of directors' financial leadership, corporate structure, credit offices, and credit risk. This is a thesis paper based on Janata Bank Limited executives and a loan risk.

1.6 Limitation of the Study

Working with Janata Bank is an excellent opportunity. However, due to certain internal policies, I was unable to gather all of the requisite data for the report. The limitations I found were as follows:

i. They have some rules, regulations, norms, restrictions. So, the officers did not disclose much information.

ii. Annual reports were not that much informative.

iii. Could not take interview of higher-level authority.

iv. As the branch as ne and the officers just joined, they could not help many of the times.

v. Given time to prepare a report as not enough

vi. Could not get chance to visit other branches to take interviews

Chapter 2
Overview of Uttara Bank PLC

2.1 About Uttara Bank PLC

In 2015, Uttara Bank PLC celebrated the 50th anniversary of its banking services. This ancient and well-established bank has a long history. With the help of some well-known Bengali businessmen, it was founded to help the poor people of then-East Pakistan, and it began its banking operations officially on January 28, 1965, under the name "Eastern Banking Corporation," with four branches that quickly grew to 60 just before independence. During the non-cooperation movement of 1971, this bank served as East Bengal's treasury.

Following independence, Eastern Banking Corporation was nationalized and renamed "Uttara Bank," and it started banking operations on March 26, 1972. Uttara Bank continued to flourish and expand in the years that followed, embarking on a progressive journey. After privatization in June 1983, it assumed the name "Uttara Bank Limited." and grew to become one of Bangladesh's largest private sector banks. In later years, Uttara Bank established itself as a market leader in inward foreign remittances and a significant market share in loans to large, medium, and small companies, dealers, and farmers. Based on the bank's continuing good financial performance and expanding reach, it began its new adventure under the name "Uttara Bank PLC." instead of "Uttara Bank Limited" on July 3, 2023. Uttara Bank PLC is now regarded as Bangladesh's most trusted bank.

The bank currently has 246 branches and 33 sub-branch locations, all of which are connected to the online network. Furthermore, its effective and diverse strategy to capitalizing on market prospects is ongoing as a continual process to accommodate new consumers through the development and expansion of rural, SME financing, and offshore banking facilities. Aside from these standard distribution places, the bank is also heavily involved in alternate deliveries. It presently offers SMS Banking, Internet Banking, and a huge number of ATMs with ATM sharing agreements with other partner banks.

The Bank is pleased with its management group, which is led by Mr. Mohammed Rabiul Hossain, Managing Director, and it invites all staff members to contribute some of their time and skills to help underprivileged communities by taking part in CSR initiatives. Giving assistance to all people, regardless of wealth, and supporting national growth are its two key goals.

2.2 Origin of Uttara Bank

In 2015, Uttara Bank Limited commemorated 50 years of providing banking services. This long-standing, well-established bank has a prosperous past. It was founded by a few well-known Bengali businessmen to help the underprivileged people in what was then Bangladesh. It officially started as Eastern Banking Corporation on January 8, 1965, and had four branches before eventually growing to sixty shortly before Bangladesh gained its independence. During the 1971 Non-Cooperation Movement, this bank handled East Bengal's treasury functions.

2.3 Vision of Uttara Bank

The bank's goals are as follows:

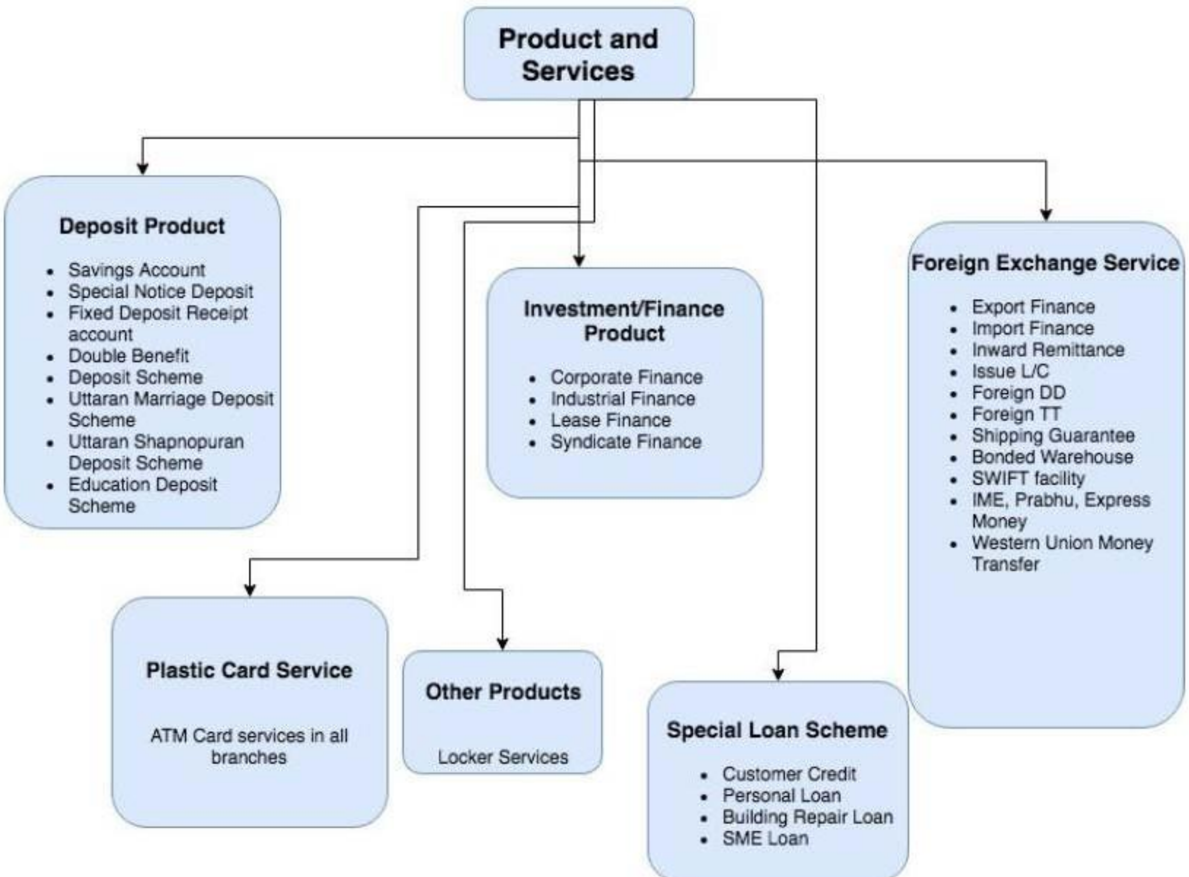
- To offer clients a greater selection of products and high-quality services in comparison to other contemporary banks.
- To investigate the demands of the general public, especially professionals and businesspeople. Give the economy's private sector more credit.
- To provide top-notch service at a cost that is competitive with anyone in the financial industry.
- To make a contribution to the nation's Gross Domestic Product (GDP).
- To guarantee complete dedication to quality.

2.4 Mission of Uttara Bank

1. To actively participate in the socio- economic development of the nation by
2. Operating a commercially sound banking organization.
3. Providing credits to viable borrowers.
4. Efficiently delivered and competitively priced credit for the viable borrower.
5. Simultaneously protecting depositor's funds.
6. Providing a satisfactory return on equity to the owners.

2.5 Products and services of Uttara Bank

The Bank offers a range of planning techniques for its financial administrations and products. The monthly savings plans, cash management plans, shop finance plans, women's lease financing, personal loan, and other goods are the main focus of these items. Janata Bank Limited offers debit card banking administration twenty-four hours a day, seven days a week. The bank is also well-known for giving its esteemed clients Q-money ATM cards. Uttara Bank provides the following services to its esteemed clientele. The management of the bank is diverse. Any of them are included in the following table.



2.6 Management Hierarchy of Uttara Bank

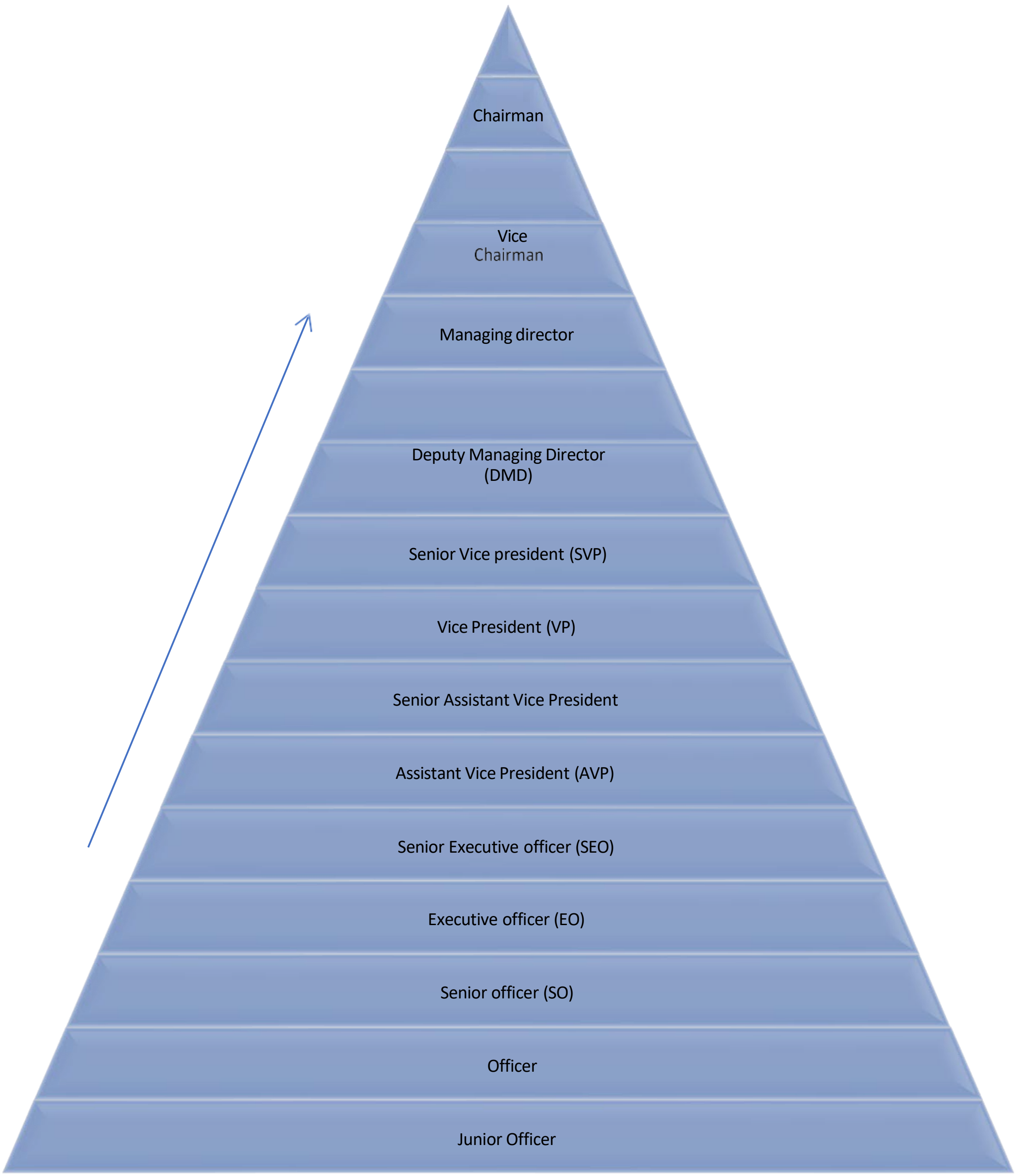


Figure 1 Organizational Hierarchy

Chapter 3
Overview of Credit Management

3.1 Credit

"Credo" comes from the sense of "I believe" from credit. The Latin term is given credit. It is a method by which a bank manages its finances by making loans to creditors and making interest that can be reinvested. A bank gives money to a borrower in return for a credit or loan that bears interest to the bank. In order to satisfy the needs of both the lender and the borrower for operating capital, Uttara Bank typically offers short-term loans and advances. On a long-term basis, small amounts of a bank's demand and time obligations are advanced by the borrower through frequent redemption in increments; the banker typically requires a bank to.

3.2 Type of Credit Risk:

- **Default Credit risk:** There is a limited chance that any product responsibility will not be fully or partially paid for more than ninety days before the risk that could affect all exchanges, including free transactions like loans, securities, and financial investments.
- **Concentration risk:** Risk is associated with the consequences of one or more problems and the potential for assets to increase in size to a point where the bank's operations could be jeopardized. It might be a high-volume model or a single-name model.
- **Country Risk:** The danger of loss as a result of the nation's government blocking foreign payments or the obligation of its subsidiaries.

3.3 Objectives of Credit Risk Management

The objectives of credit risk management are mentioned bellow:

- The employment position may change due to changes made by upper management.
- Make the loan application process simpler.
- to offer advice on loans.
- to evaluate and harmonize many functions.
- Requirements from customers are met effectively.

3.4 Definition of Credit Risk Grading

- A compound term based on a predetermined measure that has impacted exposed credit risk is the Credit Risk Grading (CRG).
- A simple method for developing a Credit Management Security System is Mortgage Security.
- A security code is a letter, number, or symbol that alerts people to the potential risks associated with debt.

3.5 Credit Assessment & Risk Grading

- Before granting the loan and at least annually for all beneficiaries, a thorough credit and risk evaluation is required. Relationship Management / Finance ("RM") should outline the advantages of this strategy in the loan application, and Credit Risk Management should accept it (CRM). CRM will be in charge of dealing with customers and making sure that any loan applications that have been accepted are accessible. Executives, guarantors, and new borrowers need to be proactive, and RMs need to be aware of end-of-life corporate bank information. To make sure that these categories are accurately represented, RMs must have a thorough understanding of their clientele and keep a close eye on new personnel, the principal, and the guarantor. Every bank has to set up procedures for financial protection and KYC that need to be adhered to consistently. The loan application needs to have the following details at the very least, along with a brief synopsis of the RM risk assessment:
    - Security Arrangements
    - Amount and types of loan proposed
    - Purpose of loan
    - Loan Structure (Interest, Repayment Schedule, Covenants, Tenor)

- **Risk Grading:** Every bank has to accept a credit risk rating. To make sure that the person receiving certain risks or risk measures meets the risks related to account management, standards, and expenses, that person should be recognized. A bank's quality can be determined in large part by its risk distribution, hence it is imperative that the risk management process be robust. The worth of each benefit should be evaluated in relation to the level of danger. The borrower's risk level and perks ought to be adjusted right away if it turns out that the risk is compromised. The loan application must specifically list the beneficiary's risk category. Take the risk matrix's lowest levels, for instance. More should be done to reduce risk.

The RM is required, at all costs, to promptly finish the initial notification process and submit it for approval to the CRM. After approval, the report needs to be sent to credit management, which is in charge of making sure that actual revenues and receivables are regularly corrected. Reductions should be done immediately within the system in the event of inaccurate information, rather than waiting until the annual review process.

3.6 Process of Credit Risk Management

The whole loan cycle—starting with the credit history recorded in the financial institution's records and concluding with the credit having passed through the books—must be covered by the risk management strategy (Morton Glantz, 2002). Courtesies ought to be incorporated into

- Disbursement
- Credit documentation
- Credit administration
- Credit Processing
- Credit approval
- Control and Monitoring of individual credits
- Monitoring the overall credit portfolio
- Credit Classification
- Managing problem credits (SamaunKabir, 2020)

3.7 Credit Processing

The process of compiling all the necessary application and credit history data is known as debt history. Applications for loans must have enough information to preserve all the data needed for the initial credit start evaluation. Financial institutions should be able to check that all necessary information is written correctly by using the inventory found at this site. In order to decide what kind of assurance will be accepted by their operations, financial organizations must first make decisions. For example, as part of the process, an anonymous client may reject an application. Businesses will benefit from these procedures in reviewing and avoiding applications that might be rejected in the future.

The next step after the credit examination is the credit evaluation, where the financial institution assesses the client's ability to carry out its duties. To ensure that only customers can repay from adequately established sources of cash flow over time, institutions should create a well-planned credit evaluation criterion (Morton Glantz, 2002).

- The managerial capacities of corporate customers
- Facilities' purpose, number, and sources of payments.
- Both the borrower's present and future operational environments.
- Physical inspection of the beneficiary's place of business and the facilities that the financing proposal is intended for
- The applicant's integrity and standing, as well as its eligibility to take on credit risk.
- The industry's sensitivity to changes in the economy and the recipient's risk profile.

3.8 Credit Approval

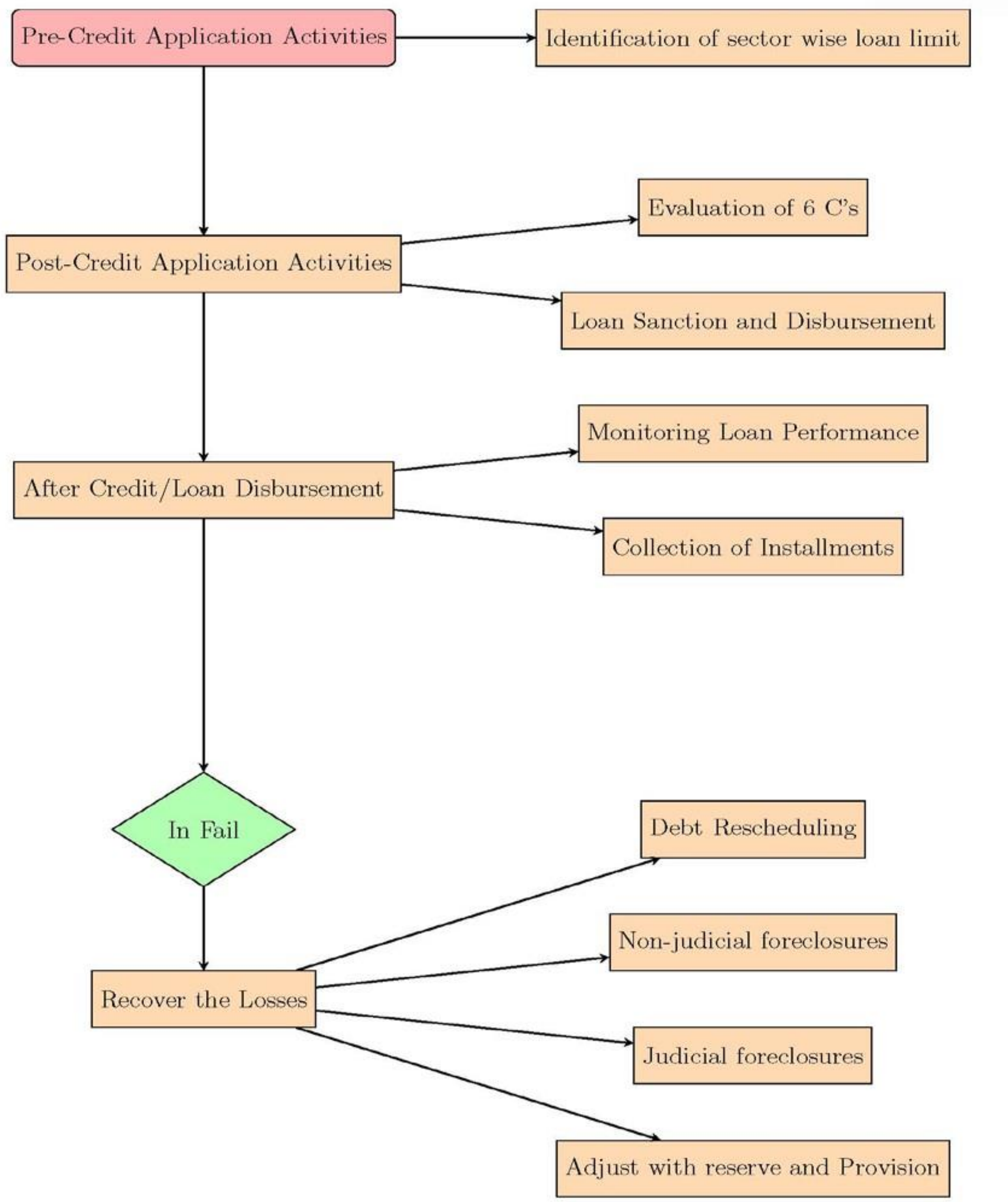
In addition to these options, a financial institution must have written rules based on the credit approval method and the approval power of the individual or committee. Authorizing authority needs to be approved by the Management Board. The requirements for new credit approvals, credit renewals (both existing and previously allowed), and, most importantly, credit restructuring—which need to be in progress—will be updated by the approving authorities. It has been registered and documented. It is a prudent credit practice that those who have the authority to approve credit are not responsible for customer relationships.

Depending on its size, the financial institution should appoint a team of highly qualified and experienced credit risk specialists and show consideration for the evaluation, authorization, and administration of credit risk. A framework of accountability for the decision-making process should be established, along with a precise way to keep track of the decisions made and identify the committees and individuals involved.

Chapter 4
Credit Management/Investment Operation of Uttara Bank

4.1 Investment/ Credit Management Process of UBL

Uttara Bank's Credit Risk Management (CRM) Process is as follows:



4.1.1 Pre-Credit Application Activities:

- **Identification of sector-wise Credit Limit:**
  Identifying sector-specific loan limits entails identifying the limit of total creditable amount into each sector or diversifying total loan into each industry. Diversification in UBL is extending credit across a greater range of financial loans, such as business loans, personal loans, credit cards, cars and educational loans, and so on. Uttara Bank does not offer entire

credit in the same sector. If they supply all credit in the same industry, and that sector suffers a downturn, their credit may become unrecoverable. So, before granting credit, UBL divides their total creditable amount among several sectors. Providing credit in several areas allows Uttara Bank to diversify their credit risk.

4.1.2 Post-Credit Application Activities

- **Evaluation of 5C'S:** A commercial bank's most common job is to lend money. In order for a client to benefit from credit facilities, the applicant must meet 6 Cs. The six Cs are as follows:

  Character or Trustworthiness: The first thing an employee looks for when assessing an offer is verification of the applicant's trustees. If loan officers discover any evidence in your background indicating a lack of fairness, the application is denied without even considering your planned business plan. Officer could pose questions such as, "Who are you? How long have you resided in your current location? How long have you been in operation? Do you fulfill your responsibilities? What is your community standing? The answers to these inquiries are typically found in your business strategy and references.

  Capability: Banks must ensure that the individual or people making business decisions understand what they are doing. Mismanagement is the leading cause of new business failure, which banks naturally wish to prevent. Loan officials will want to know the business owner's professional history, previous business experience, applicable education, and level of achievement.

  Capacity: If the bank is confident in the applicant's background and capacity to make sound decisions while making business decisions, the next stage for them is to determine the ability of the applicant's business to generate a profit. Can they currently ask: "What is the applicant's ability to repay the loan?" However, how will the loan be used? Can they, however, be repaid?' The answers to those questions come from an examination of the applicant's financial plan, particularly the income statement, profit and loss statement, and private and corporate tax filings.

  Collateral: The bank requires the applicant's collateral. Banks frequently require it whether or whether it is large enough to cover their losses (if any) and is simply convertible to money. Bankers can raise " from the applicant's predicted income and list of assets. How do you ensure the applicant's ability to repay the loan? In most cases, the bank would ask all principals to provide non-public guarantees.

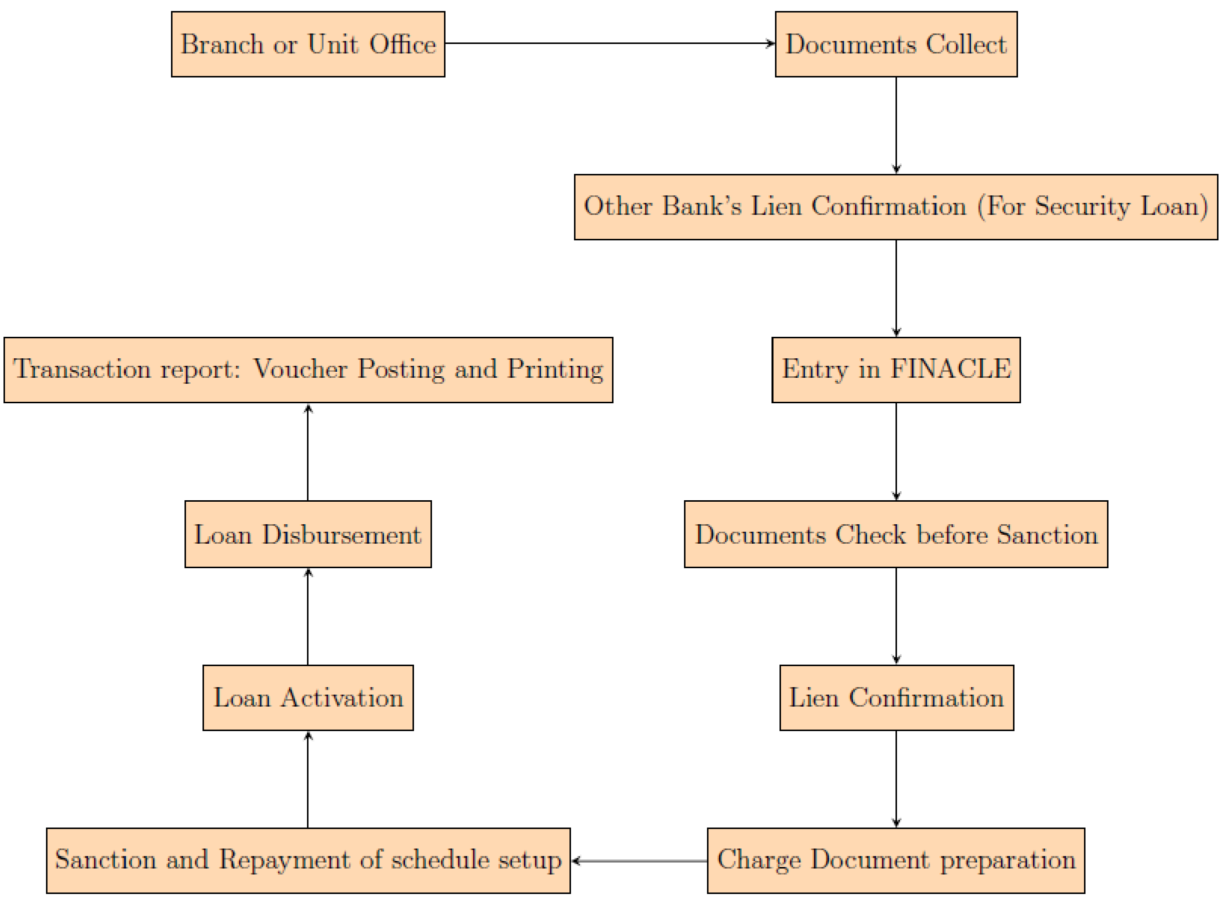
Capacity: Capital refers to the monetary resources derived from financial instruments that a corporation may own in order to inuence its debt. Many credit analysts consider this section of the credit analysis to be the most important.

4.2 Conditions or Terms of Loans

Another important consideration is the type of the applicant's loan realists, which may have an effect on the outcome of the applicant's application. The bank will like to know three important things: how much cash are you requesting? What be, what will it be used for? And how long will it be required? "Banks frequently authorize loans for items that are well-known, have long-term value, and can be repossessed and sold if they fail.

4.2.1 Loan Sanction and Disbursement

The bank takes the required actions to approve the recipient's loan. Even though there are alternate advancing processes that follow a practically constant technique, the main procedure is appropriate for authorizing and disbursing term loans.



4.3 After Credit/Loan Disbursement

4.3.1 Monitoring Loan Performance

Monitoring loan and credit performance is a crucial responsibility for the bank following credit distribution. A loan or credit will be classified as non-performing if it defaults (NPL).NPLs raise the possibility of bad debt. Though specific contract terms may occasionally vary, loans that have not received payments for three months are generally regarded as non-performing loans. The bank will take the lead in initiating loan performance.

4.3.2 Collection of Installment

A loan may be taken out for a single purpose, provided that the entire amount is required at once or over a short period of time in a variety of installments. After the entire loan amount is disbursed, the receiver will be the only one responsible for repayment. The recipient receives a phone call or letter from the bank reminding them of the installment payment date, amount, etc.

4.4 Lending Criteria of Uttara Bank

To run the intended company, the business visionary needs to be dependable and well-prepared. The project should make sense from the perspectives of a licensed expert, business, finance, and related fields.

4.4.1 Technical Viability

- The project must be technically sound as well as environmentally friendly.
- Technology transfer should be ensured in the event of borrowed know-how.
- The building should be well-planned and well-built.

4.4.2 Commercial viability

- The product's market outlook and potential must be completely ensured at competitive rates.
- The entrepreneur should have access to a marketing channel for the product.

4.4.3 Financial Viability

- The debt equity ratio should be appropriate, as assessed by the bank on an individual case basis.
- The debt service coverage ratio should be at least 2.5 times at the optimal level of output.
- The IRR should preferably be greater than 20%.

4.4.4 Economic Viability

- The project should help the national economy, generate enough job opportunities, and be environmentally sustainable.

4.6 Credit Evaluation Principles

A few loaning rules or guidelines are kept up in supporting advances to lessen the hazard level as well as for productive financial business. The fundamental lending criteria are outlined here.

- **Liquidity:**

The availability of bank assets without prior notice is referred to as liquidity. A development's liquidity means that it will be reimbursed on demand on the due date or with little warning. Therefore, banks have to retain sufficient liquidity to reimburse their investors, necessitating a trade-off between liquidity and benefit.

- **Safety:**

Repayment of distributed credits is confirmed, which is a sign of wellbeing. The bank is ready to go in order to get cash, but in order to guarantee the security of the advance, wellbeing should never be compromised for profit. It is important to choose the borrower carefully.

- **Profitability:**

The goal of the banking industry is to maximize profits. A significant amount of the bank pay is determined by the difference between the premium paid in stores and the premium earned on sales; additionally, unidentified trade business is highly profitable. The bank won't engage in a trade unless a reasonable return is guaranteed.

- **Intent:**

Banks encourage credit for financial reasons. The borrower won't face any risks because the bank won't give any unwanted advances.

- **Security:**

A development's security is a safety net to rely on when things go wrong. Security is a measure of well-being in case of an unplanned disaster. Security inclusion is necessary before lending because risk concerns are taken into account.

- **National interest:**

The banking sector is crucial to the economic growth of a nation. If the bank could make a greater contribution to the general financial development of the country, it would lend money.

4.8 How Uttara Bank recover their Loan:

When Uttara Bank grants its clients advances and credits, it expresses the recovery design in the advance agreement in a clear and concise manner. Some credit holders, meanwhile, do not make their debt payments on schedule. Both private and nationalized commercial banks need to handle this issue. Uttara Bank may also be experiencing this circumstance. In an effort to address past-due credit, the bank has put specific advance recovery programs into place. Uttara Bank Limited has put the following recovery initiatives into action:

- Establishing a checking and credit management cell in the bank
- Giving the branch administrator more authority in the credit the board dynamic cycle; restructuring the bank's credit authorizing and disseminating strategy; sanctioning advances and advances against adequate protections to the maximum extent feasible;
- Offering a wide range of incentives to creditworthy borrowers

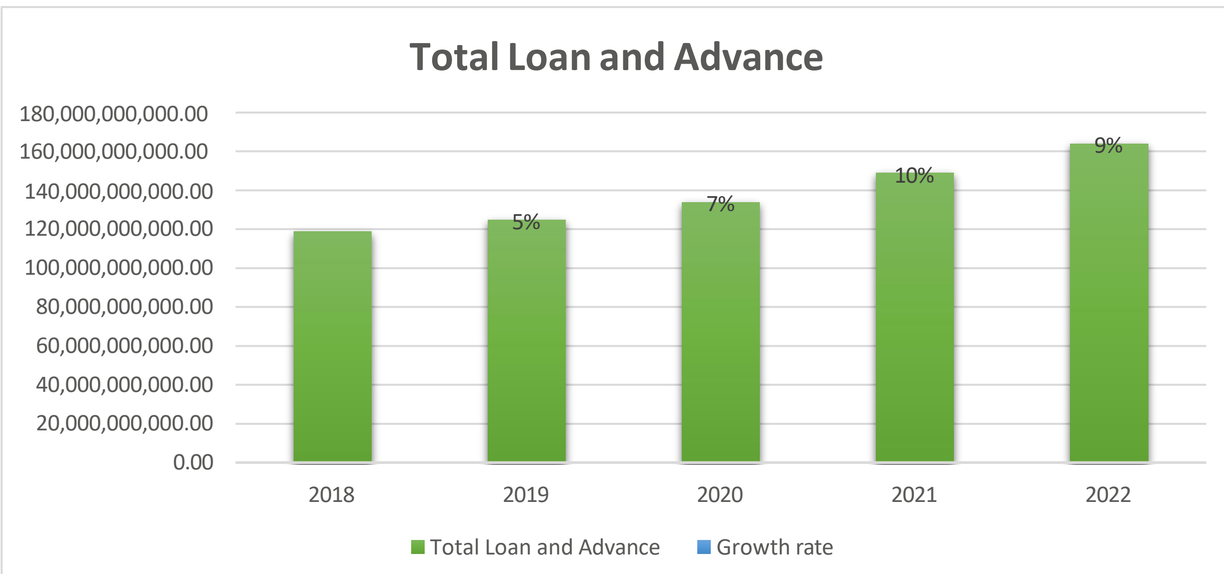
Limiting loans and advances for insolvent firms; • Taking swift legal action against unsound borrowers within the time range specified by the law of obstacles; • Stressing transitory advances and advances.

Chapter-5
Financial Analysis

5.1 Loan and Advance:

The capacity of an organization to overcome obstacles and turn them into advantages is a key indicator of its actual character. Despite our achievement in maintaining the favorable trend, private component credit interest rates have continuously stayed low, despite the lowering loan cost pattern.

Year	*Total Loan and Advance*	*Growth rate*
2018	118,789,740,455.00	
2019	124,670,665,066.00	5%
2020	133,854,005,831.00	7%
2021	148,985,182,141.00	10%
2022	163,965,261,570.00	9%



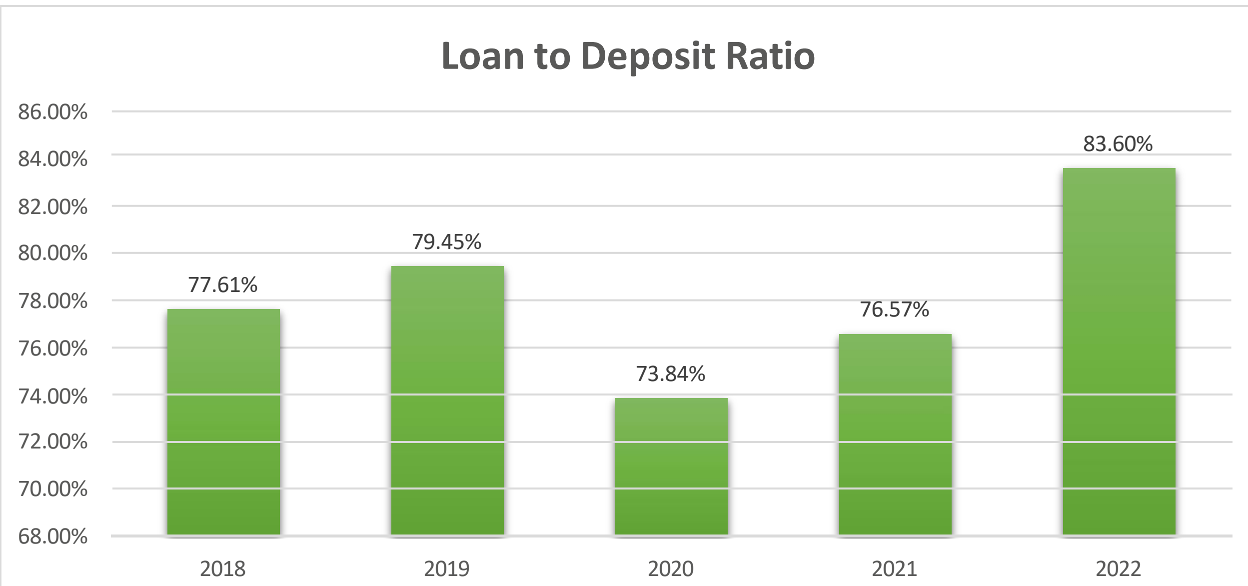
Interpretation:

Every year, Uttara Bank PLC's overall loan and advance amount increases. In 2018 the total loan was TK. 118,789,740,455.00. It was increased to tk. 124,670,665,066.00 in 2019. In 2021 it was Tk. 148,985,182,141.00 and that is increased Tk. 163,965,261,570.00 in 2022. As can be seen from the graph, Uttara Bank's total credit and advances are growing as a result of their attractive and flexible credit packages.

5.2 Loan to Deposit Ratio:

The loan-to-deposit ratio (LDR) measures a bank's liquidity by comparing total loans to total deposits during the same time period. The LDR is expressed as a percentage. If the ratio is too high, the bank will be unable to cover any unexpected financial requirements. If the proportion is too low, the bank will not profit as much as it should.

Year	*Total Loan & Advances*	*Total Deposit*	*Loan to Deposit Ratio*
2018	118,789,740,455	153057802699	77.61%
2019	124,670,665,066	156,921,216,974	79.45%
2020	133,854,005,831	181,275,542,780	73.84%
2021	148,985,182,141	194,573,149,580	76.57%
2022	163,965,261,570	196,141,245,061	83.60%



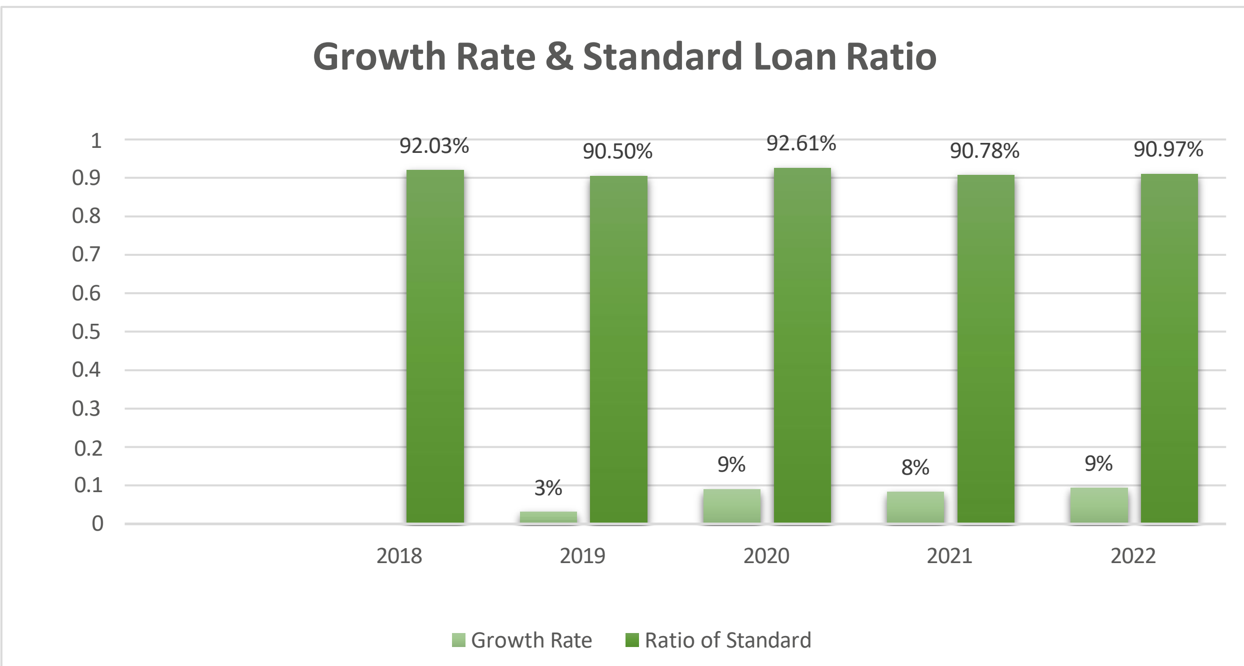
Interpretation:

Here we see that loan to deposit of Uttara Bank PLC are increasing every year. This is because of their attractive and flexible loan packages. In 2018 the total loan to deposit ratio was 77.61%. It was increased to 79.45% in 2019. In 2020 it decreased to 73.84% and that is increased 83.60% in 2022. From the graph it can be seen that total loan to deposit of Uttara Bank are increasing because of their attractive and flexible loan packages Uttara Bank's deposit also increasing year by year.

5.3 Standard Loan/Performing Loan

Standard loan is an unclassified loan. Such credit accounts are doing superbly in terms of their branch provisions, with no past dues.

Year	Total Loans and Advances (BDT)	Amount of Standard Loan (BDT)	Growth Rate	Ratio of Standard
2018	118,789,740,455.00	109,318,461,958		92.03%
2019	124,670,665,066.00	112,830,346,049	3%	90.50%
2020	133,854,005,831.00	123,960,459,886	9%	92.61%
2021	148,985,182,141.00	135,245,992,783	8%	90.78%
2022	163,965,261,570.00	149,164,126,369	9%	90.97%



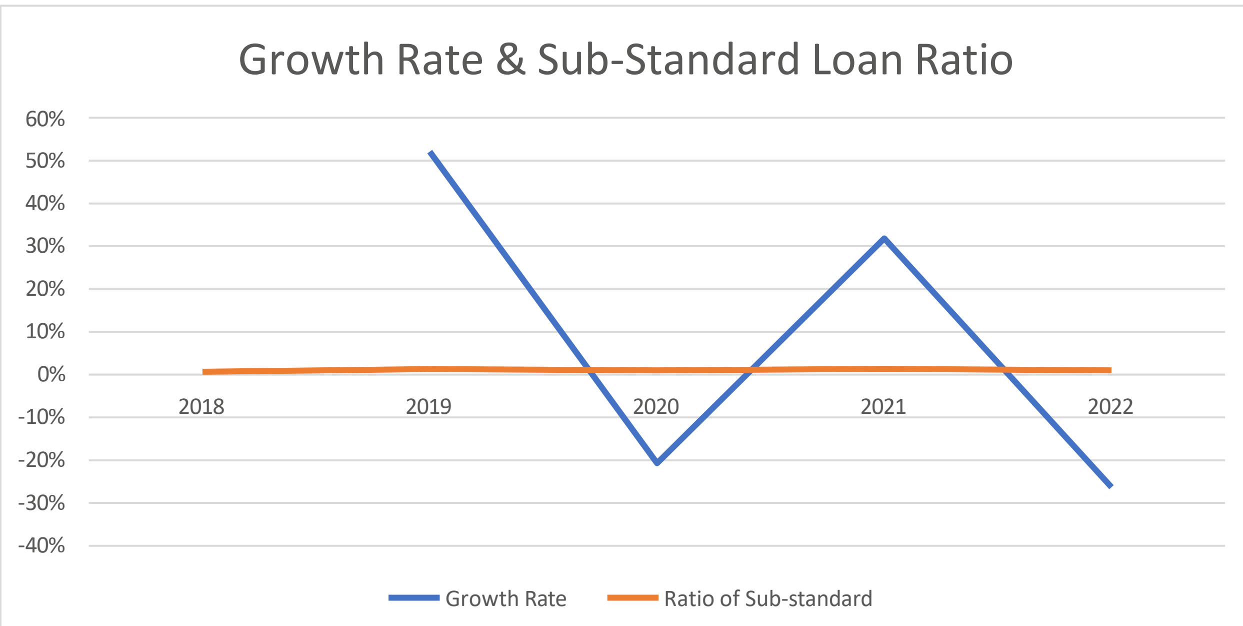
Interpretation:

Above the charts showing that standard loan of Uttara bank between 2018 to 2022. In 2018 their standard loan amount was 109,318,461,958 which ratios of standard is 92.03% and the next years its growth was lower which was ratio rate is 90.50%. After that it remain almost constant growth rate.

5.4 Sub-standard Loan/ Non- Performing Loan

Sub Standard is a classified loan.

Year	Total Loans and Advances (BDT)	Amount of Sub-standard Loan (BDT)	Growth Rate	Ratio of Sub-standard
2018	118,789,740,455.00	786,459,609		0.66%
2019	124,670,665,066.00	1,641,476,471	52%	1.32%
2020	133,854,005,831.00	1,360,256,000	-21%	1.02%
2021	148,985,182,141.00	1,994,971,334	32%	1.34%
2022	163,965,261,570.00	1,579,520,008	-26%	0.96%



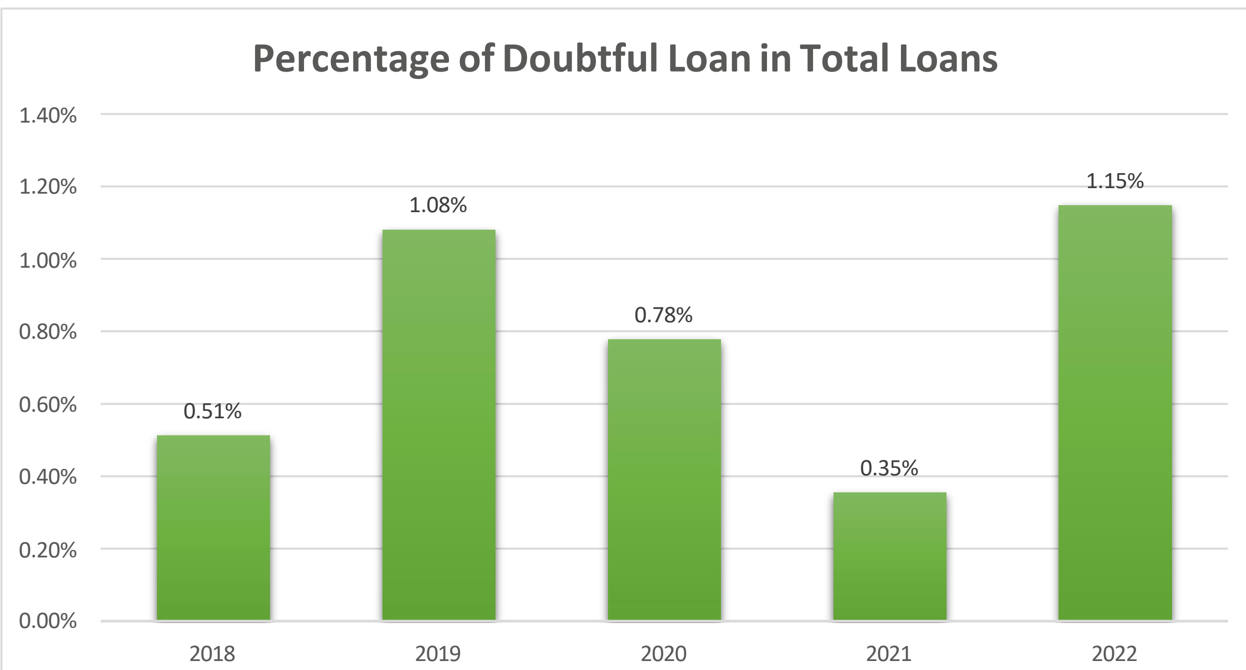
Interpretation:

From the above table it is identified that the sub-standard loan of Uttara Bank is decreasing but in 2021 the mount of sub-standard loan is increased and its growth rate 32% and sub-standard loan ratio was 1.34% but in 2022 it reduced to 0.96% which is a good sign.

5.5 Doubtful Loan

A doubtful loan is one whose total repayment is questionable. Doubtful loans are nonperforming loans that have past-due interest and are at risk of not being repaid in whole. A questionable loan has all of the characteristics of a subprime loan as well as a collateral deficit, making full collection risky and unlikely.

Year	Total Loans and Advances (BDT)	Amount of Doubtful Loan (BDT)	Growth Rate	Percentage of Doubtful Loan in Total Loans
2018	118,789,740,455.00	609,079,974		0.51%
2019	124,670,665,066.00	1,346,568,270	55%	1.08%
2020	133,854,005,831.00	1,041,365,000	-29%	0.78%
2021	148,985,182,141.00	527,759,111	-97%	0.35%
2022	163,965,261,570.00	1,881,863,494	-19%	1.15%



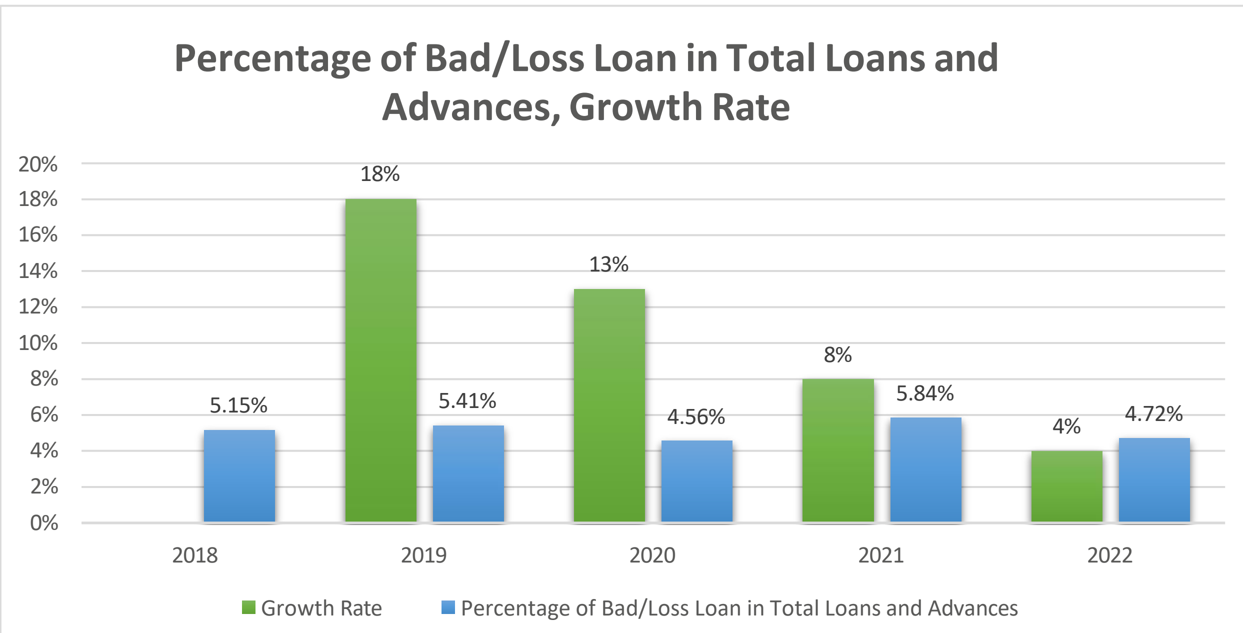
Interpretation:

From the above graph it represents that the overall Doubtful Loan of Uttara Bank is fluctuating over the year 2018-2022 In 2019 the growth rate was 55% it was the highest and in 2021 the growth rate was -97% which was the lowest growth rate of Uttara Bank.

5.6 Bad/Loss Loan

A debt that is not being repaid in accordance with the terms agreed upon by the borrower and lender and could never be repaid.

Year	Total Loans and Advances (BDT)	Amount of Bad/Loss Loan (BDT)	Growth Rate	Percentage of Bad/Loss Loan in Total Loans and Advances
2018	118,789,740,455.00	6,123,390,003		5.15%
2019	124,670,665,066.00	6,744,351,503	18%	5.41%
2020	133,854,005,831.00	6,108,010,000	13%	4.56%
2021	148,985,182,141.00	8,699,533,714	8%	5.84%
2022	163,965,261,570.00	7,735,367,540	4%	4.72%



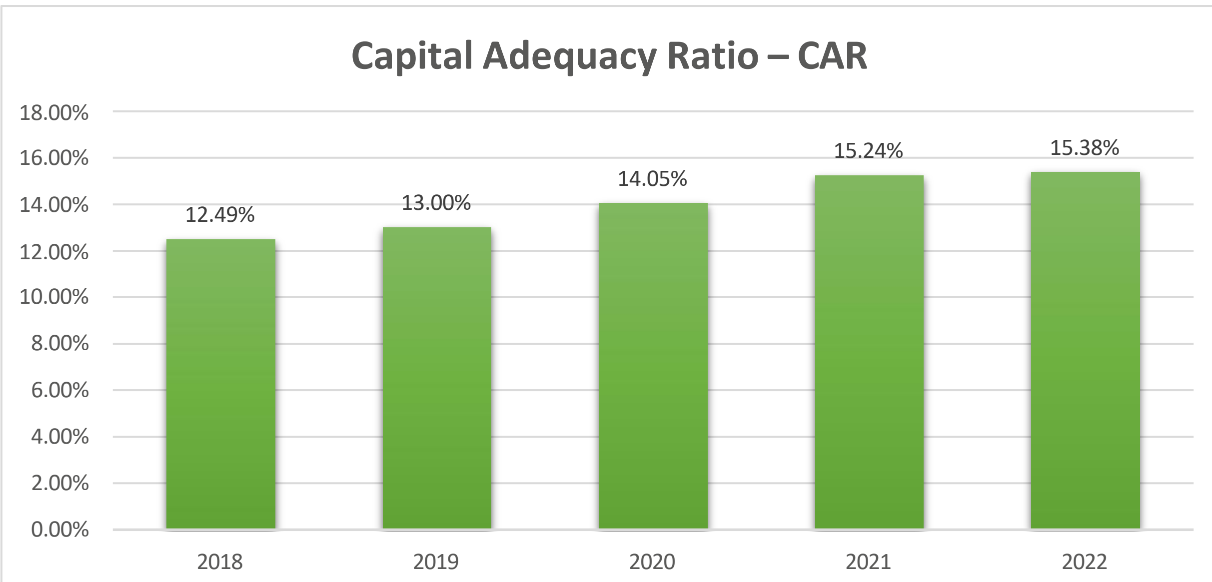
Interpretation:

From the above graph it represents that the overall Bad/loss Loan and its growth rate was Decreasing. In 2018 it was 18% and in 2019 it was 13%. So, the average growth rate of bad/loss loan is satisfactory. In 2021 & 2022 the amount of Bad/loss loan is not much increased. So, it was good for the bank.

5.7 Capital Adequacy Ratio – CAR

A measure known as the capital adequacy ratio (CAR) represents a bank's available capital as a percentage of its risk-weighted credit exposures. The capital-to-risk-weighted assets ratio, or capital adequacy ratio, or CRAR, is a tool used to protect depositors and advance the efficiency and stability of international financial institutions.

Particular	*2018*	*2019*	*2020*	*2021*	*2022*
Capital Adequacy Ratio – CAR	12.49%	13.00%	14.05%	15.24%	15.38%



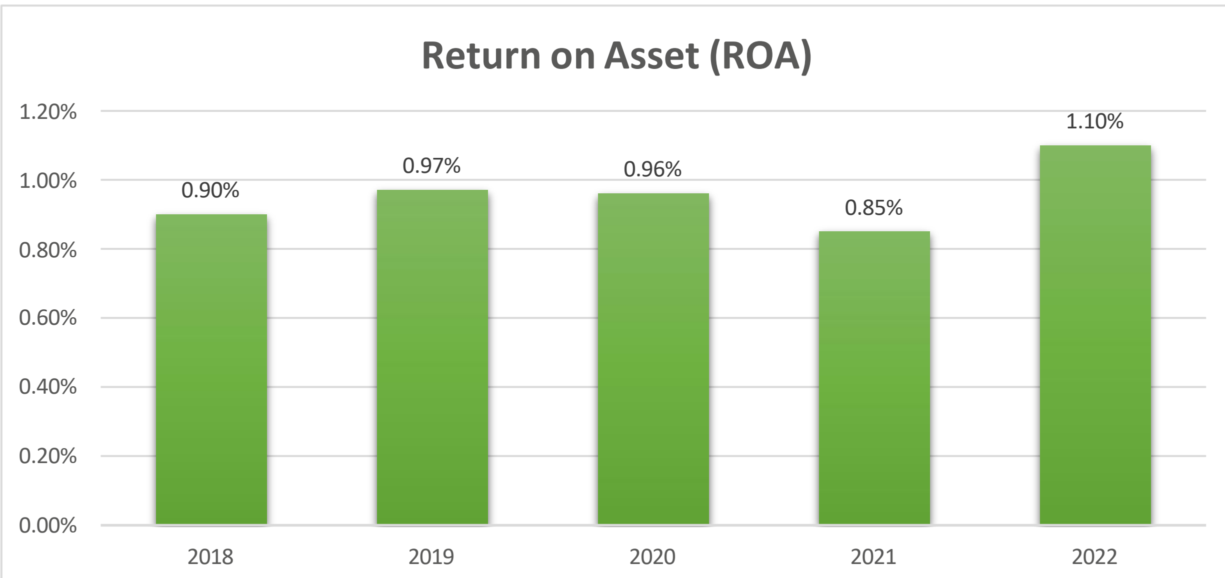
Interpretation:

The above figure and graph show the Capital adequacy ratio of Uttara Bank. In 2018 the CAR was 12.49% which increased to 13.00% in 2019 and, after 2019 the CAR of Uttara Bank remains almost stable from 2021 to 2022 which was the highest CAR between the other years. The industry average of CAR is 12.8% (Hassan, 2021) so, the CAR of Uttara Bank is very close to the industry average.

5.8 Return on Asset (ROA)

A company's profitability in relation to its total assets is determined by its return on assets, or ROA. A manager, investor, or analyst can determine how well a company's management is using its assets to generate profits by looking at its return on assets (ROA).

Particular	2018	2019	2020	2021	2022
Return on Asset (ROA)	0.90%	0.97%	0.96%	0.85%	1.10%



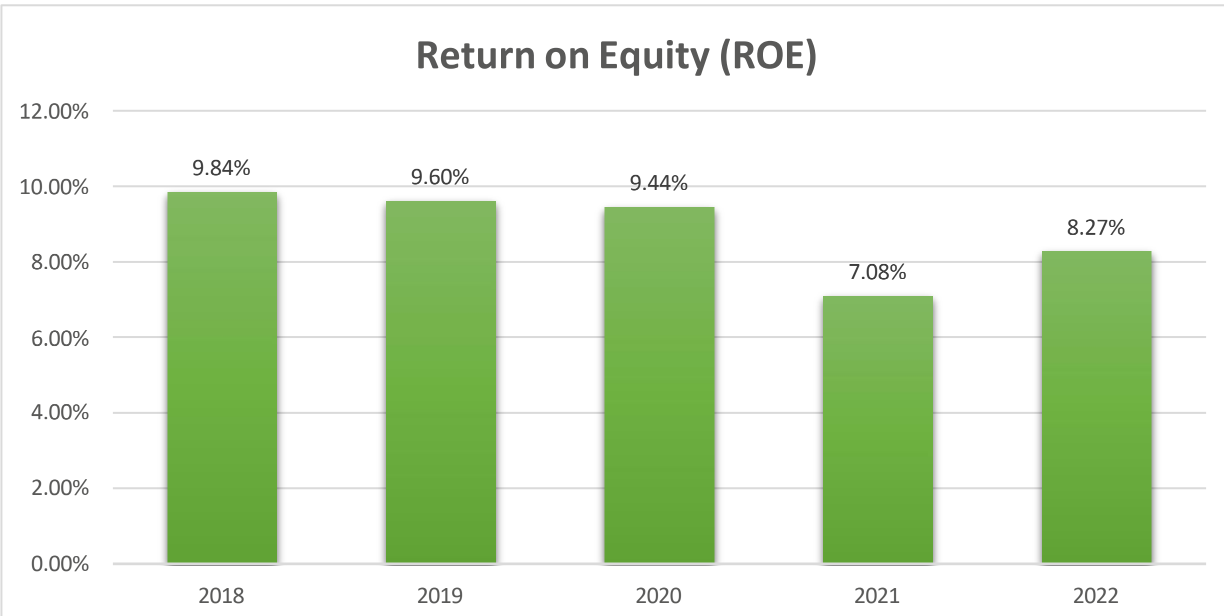
Interpretation:

The chart displays Uttara bank's Return on Asset (ROA), which shows a declining trend from 2018 to 2021. The ROA was 0.90 percent in 2018, 0.97 percent in 2019, and remained constant until 2020, but after 2020, it fell to 0.85 percent to 0.96 percent in 2021, But the next year in 2022 the ratio increased to 1.10 percent that means in 2022 the bank uses more efficiently to generate profit in 2022 it is the highest ROA among the other years.

5.9 Return on Equity (ROE)

A company's profitability in relation to its total equity is shown by its return on equity (ROE). A manager, investor, or analyst can determine how well a company's management is using its owner ownership to generate profits by looking at its return on equity (ROE).

Particular	***2018***	***2019***	***2020***	***2021***	***2022***
Return on Equity (ROE)	9.84%	9.60%	9.44%	7.08%	8.27%



Interpretation:

The graph is showing the Return on Equity (ROE) of Uttara Bank and it is seen that the ROE of Uttara bank was decreasing from 2018 to 2022. In 2018 the ROE was 9.84% after that in 2019 it decreased to 9.60% and again decreased in 2020 and 2021 the ratio is 9.44%,7.08% which was the lowest ROE from the other years. That means the company are not efficient to generate profit by using its Owner Equity.

Chapter 5
Findings, Recommendations and Conclusions

5.1 Findings of the Study

By analyzing the credit risk management practice of Uttara Bank and their performance in last five years the following:

1. The Uttara bank's loan and advance were increasing gradually which was 163,965,261,570.00 in 2022 were much more than the previous four years.
2. Though the Uttara bank's loan to deposit was also increasing year by year and the ratio was 73.84% in 2015 is the lowest in five years.
3. The proportion of doubt full loan is also fluctuating. In 2022 it was highest than other years but in 2021 it was the lowest which was 0.35%.
4. The bad/Loss loan of Uttara Bank Limited also increasing year by year. In 2022 it was 8,699,533,714 which much more than other four years.
5. The capital adequacy ratio of Uttara Bank is higher than the industry Average which is safe for the bank.
6. The bank is inefficient in generating profit from its assets and owner equity and the percentage of ROA and ROE are very low compared to industry average. To reduce cost to income ratio the bank either needs to increase its operating income or decrease its operating expenses. Employee expenses and administration expenses come under the operating expenses.

5.2 Recommendation

To improve credit risk management further, Uttara Bank should improve in some areas. Those are:

1. The bank should speed up its loan processing time to ensure better services for its clients. The branch manager should be given more authority to sanction loan for reducing loan processing time.
2. The terms and conditions regarding credit should be moderate for the clients. Also, the bank should arrange seminars to clarify the terms and conditions of credit department to its clients.
3. Standard loan proportion Uttara bank ought to present and enhance data arrangement and should screen that the guidelines of credit the executives are entirely pursued
4. For diminishing sub-standard advance Uttara bank can grow more redone parameters for credit endorsement process under the general rule of Bangladesh bank.
5. For improving the complicated credit's execution and stable business condition securities must be esteemed appropriately.
6. To decrease the bad loan, Uttara bank should increase the communication with the customer for timely repayment and take the necessary legal action against the obstinate advance defaulter. It should be done in a legal manner.
7. Finally, to maintain a good portfolio of credit, the bank should diversify its loan services. They may concentrate to agriculture and medium enterprises for providing loans.
8. The Bank should ensure the effective use of its asset and owner equity to generate more profit.

5.3 Conclusion

Uttara Bank. is a business bank that dispatched its activity in 2001. It has just evolved altruism among its demographic by offering its phenomenal administrations by various divisions. This achievement has come about because of the devotion, responsibility, and dynamic initiative among its administration over the periods. The working climate of Uttara Bank is animating. During the limited capacity to focus season of its activity, the bank has been effective to situate itself as a reformist and dynamic monetary foundation in the nation.

Credit strategy is an advantageous financial apparatus for the business world. The estimation of this administration is tremendous. It has accumulated such a situation in the financial area that individuals at created and furthermore creating districts are a lot of subject to this administration. In Bangladesh, credit offices or advances began to turn out to be exceptionally appealing in ongoing periods. Yet, loads of enhancements in administrations and offices must be made in this office.

Credit Division of Uttara Bank has a certified and committed gathering of officials and staff who are continually attempting to offer the best assistance to the customers. They generally screen credit in various areas and their position. Prior to giving the credit, they investigate whether the advance will be beneficial and whether the customer is sufficient to reimburse the advance inside the given timeframe.

The principle upper hand Uttara Bank PLC is appreciating that it has web-based banking while other nearby business banks can't yet accomplish that advantage. However, all the business banks are currently attempting to accomplish this. In this bank, the representatives are exceptionally energetic by their compensations and different advantages. Here, all the workers are a lot of helpful with their clients, partners, and essentially guests.

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