Internship Report on

Credit Operations and Risk Management Practices at Southeast Bank PLC

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Declaration

I hereby declare that this internship report is entirely my own work and that the materials contained herein have not been previously submitted for assessment in any academic program or course of study. All information presented in this report has been collected genuinely during my internship period at **Southeast Bank PLC**.

This report is prepared solely for academic purposes as a partial requirement for the **Master of Business Administration (MBA)** program at **Daffodil International University**. It is not intended to be published, reproduced, or submitted elsewhere.

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Approval Sheet

This Internship report of "Southeast Bank PLC." at "Daffodil International University, 2025" prepared and submitted by Sourav Kumar Mridha ID: 241-14-009 in partial fulfillment of the requirement for the degree Masters of Business Administration has been examined and here by recommended for approval and acceptance. Supervised By Professor Dr. A.F.M Mafizul Islam, Distinguished Professor, Department of Business Administration, Daffodil International University.

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Acknowledgement

To begin with, I am really thankful to . I express my sincere gratitude to you Mr. Jakir Imtiaz (Executive Vice President, Southeast Bank PLC) for giving me the opportunity to do my internship at Southeast Bank PLC. Under his guidance, I developed professionally in a learning environment he created through his direction, support, and leadership.

I am very thankful to Mr. Abu Ahmed Shorif Senior Officer & Manager (Operations) South East Bank PLC for regularly supervising me and providing me his valuable comments and encouragement during the Internship period. So, I am grateful to him. Through practice, he helped me to understand the banking's core operation and management of banks' activities.

I thank the officers and staff of Southeast Bank PLC for their cooperation, patience, and ability to teach me the different modules of the banking work. We enjoyed our time there because of the staff's friendliness and professionalism.

I would like to express my gratitude to my supervisor, Professor Dr. A.F.M. Mafizul Islam, Distinguished Professor, Department of Business Administration, and Daffodil International University for his continuous guidance, effective suggestions and careful feedback in the preparation of this report. The insights and encouragement of my supervisor contributed greatly to this study completing, so thanks to him.

During my internship, I am really thankful to my family members, friends and everyone who inspired me and encouraged me.

Dedication

This report is for my parents who love me, sacrifice and encourage me doing much. Due to this, I can do anything. Their unwavering support, constant prayers, and belief in my abilities have guided me through every step of my academic and personal journey. Without their inspiration and motivation, this accomplishment would not have been possible.

With heartfelt gratitude and love,

I dedicate this work to **my parents** for their unconditional care, patience, and faith in me.

Abstract

This internship report have been providing a comprehensive and practical analysis of the credit operations and it can also show risk management practices of Southeast Bank PLC (SEBL) above a three-month period at its Credit Division. The study clearly declare that the organization's credit portfolio, risk assessment frameworks, non-performing loan (NPL) trends, regulatory compliance, operational challenges, and also practices of managerial operations. Data were being gathered from the primary observations and direct interviews in my the internship period, supplemented from the secondary sources, including SEBL's annual reports, Bangladesh Bank publications, and it has been relevant academic literature.

The analysis of the report explored that SEBL always maintained a well-structured disciplines and diversified loan portfolio, with major exposure to industrial and also the trade sectors, while gradually it has been expanding into SMEs and also impact on consumer financing. The bank implemented by the Credit Risk Grading (CRG) systems, which has collateral verification, and periodic monitoring to mitigate risk of credit loan. By resulting in an NPL ratio which can be consistently below the average of national ratio. The compliance with following Bangladesh Bank guidelines about loan classification, provisioning, and also declare excessive loan limits were robust, it's also ensuring regulatory adherence and stability of financial situation.

Although of these strengths, resisted by the operational persist including long time approval procedures, documentation have more complexity, reliance on collateral above the cash-flow analysis, and it can be emerging risks in the SME sectors. Depend on these findings the report stated that the evidence-based recommendations such as streamlining loan approval processes, digitizing updated documentation, improving predictive early-warning systems and its also diversifying sectorial exposure, and also strengthening by training to staff.

The study determines that SEBL's credit operations are efficient, compliant, and strategically managed and it has also many opportunities that already exist for further risk mitigation, diversification of portfolio, and included technological integration. By implementing the proposed measures that will be improved credit quality and also reduce NPLs and support sustainable progress. It has been contributing to both institutional performance and as well as national economic development.

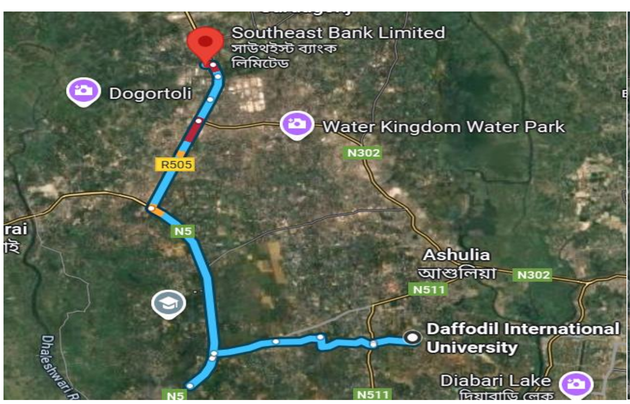
Executive Summary

This report refers to the credit operations and risk management of Southeast Bank PLC (SEBL) after completing a three months Internship in credit division. The main goal of this study is to identify on different aspects of a bank such as its credit all portfolio, risk assessment mechanisms, NPL which refers to the non-performing loan scenario, policies compliance, operational glitches, etc. and provide recommendations for future improvements.

The research employs findings derived from prime observation and interview along with secondary data from SEBL's annual report Bangladesh Bank publication and other academic literature. According to the study SEBL has diversified loan portfolio. This study finds that SEBL has significant exposure to Industrial sector, Trade sector, SME sector and Consumer Sector. The bank uses a Credit Risk Grading (CRG) system, checks collateral and conducts periodic monitoring to minimise credit risk. The bank's NPL ratio has consistently been lower than the national average.

Some operational challenges like delays in loan approval, complex documentation, over-dependence on collateral and new risks in SMEs. The report makes practical recommendations such as simplifying the approvals process, digitalizing documentation, improving early-warning systems, more diversification and improved staff training.

The report as a whole reveals that the credit operation of SEBL is efficient, compliant and strategically managed. There is some space for improvement in risk mitigation and tech integration. If all these suggestions are applied then these will improve the portfolio quality, which will lower NPAs and will ensure sustainable growth without going against the regulations and goals of economic development.



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Internship Report on Credit Operations and Risk Management Practices of Southeast Bank PLC

Chapter 1: Introduction

1.1 Background of the Organization

Southeast Bank PLC (SEBL) is one of the most reputed private commercial banks in Bangladesh. It was launched under the Companies Act 1994 and the Bank Companies Act 1991. On 25 May 1995, the bank commenced its operations. SEBL aims at establishing an ethical, modern, and efficient banking system in Bangladesh. The head office of the bank located at Eunoos Center, Dilkusha Commercial Area, Dhaka and it has a total of 135 branches, 25 sub-branches, agent-banking outlets and over 140 ATMs throughout the country as of 2025.

SEBL was founded with a view to sustainable economic growth, good governance and stakeholder satisfaction. For over 30 years, the bank has created diverse range of service portfolio including corporate banking, SME and retail finance, Islamic banking (Southeast Bank Tijarah), remittance and digital banking solutions.

In all aspects, SEBL has focused on customer quality. We offer customized product solutions that match your financial objectives. We also offer superior service delivery, along with innovative technology products. Examples of these include mobile applications, internet banking, and automated clearing house facilities. The bank's slogan "A Bank with Vision" reflects its long term strategic objective to align the growth of business with national development.

1.2 Origin of the Report

This report has been prepared as a partial requirement of the Bachelor of Business Administration (BBA) programme. As per academic policy, it is mandatory for every student to undergo internship training in a commercial organization of repute.

I completed my internship in the credit department of Southeast Bank PLC, Balivadra Branch from July to October 2025 where I was given the chance to observe and participate in their activities. Through this study, I will investigate as to how SEBL manage its loan, mitigate credit risk and comply with the prudential regulation of Bangladesh Bank.

1.3 Rationale of the Study

Loans and advances are the biggest components of a bank's assets. Further, they generate the biggest source of income by way of interest margins. But they also exposes the bank to default and liquidity risks. Having a good credit management system is essential for remaining profitable and solvent.

There are three reasons this study was undertaken.

1. To observe how SEBL translates theoretical principles of credit management into real practice.

2. To evaluate whether SEBL's credit risk framework aligns with the Bangladesh Bank's "Guidelines on Credit Risk Management (2012)".

3. To explore operational bottlenecks and recommend practical measures for improvement.

1.4 Significance of the Study

This report is most necessary for stakeholders:

- **For Academics:** It bridges theoretical learning in finance, banking, and risk management with the operational realities of a commercial bank.
- **For Practitioners:** It provides a case-based evaluation of SEBL's credit management structure and control systems.
- **For Policy-Makers:** It highlights the influence of regulatory frameworks and offers evidence on institutional compliance.
- **For the Researcher:** It offers practical experience, analytical skills, and professional exposure to the banking sector.

1.5 Objectives of the Study

Broad Objective:

To test and assess the credit operations, Framework of risk management and also have regulatory compliance of Southeast Bank PLC.

Specific Objectives:

1. To be understand the organizational framework and activities of the Credit Division.
2. To analyze SEBL's credit portfolio by sector, product type, and maturity.
3. To study the credit appraisal and sanction process.
4. To assess trends in Non-Performing Loans (NPLs) and recovery strategies.
5. To examine the level of compliance with Bangladesh Bank regulations.
6. To identify operational challenges and recommend improvements.

1.6 Structure of the Report

The study is following by an eleven-chapter layout in accordance of academic requirements:

1. Introduction
2. Background & Literature Review
3. Scope of the Study
4. Problem Statement & Objectives
5. Methodology of the Study
6. Credit Portfolio Analysis
7. Risk Assessment & NPL Trend
8. Regulatory Compliance
9. Challenges in Credit Management
10. Recommendations and Policy Implications
11. Conclusion, Appendices & References

Chapter 2: Background and Literature Review

2.1 Nature of the Study

The study is all about the SEBL's credit management system. In the credit management system of SEBL our focus will be on her credit risk assessment, loan classification And portfolio diversification system. This study is descriptive in nature, examining existing policies and procedures without experimental manipulation.

The primary focus is on evaluating SEBL's lending risk management practices to ensure an effective process for maintaining asset quality, profitability, and compliance with regulations.

2.2 Conceptual Overview of Credit Management

Credit management is the systematic process of giving credit, setting limits, watching the borrower, and recovering on time. Credit management refers to the art and science of managing a firm's debtors. Rose and Hudgins (2018) observe the main objective of credit management is to maximize risk-adjusted returns with an acceptable level of the probability of default.

The 5 Cs of credit evaluation: character, capacity, capital, collateral, and conditions play a significant role in the evaluation. In 2005, Bangladesh Bank instituted the Credit Risk Grading (CRG) model to put these principles into practise in Bangladesh. Here is the shortened version of the Extended Section 2.2: Conceptual Overview of Credit Management for your report.

Credit management is a key activity of commercial banks. It involves assessing, sanctioning, monitoring and recovering loans and guarantees. Above all, they need to ensure that the default risk is reduced to the minimum which is safe and profitable. Credit risk management not only improves operational efficiency and optimizes the risk return profile. Further, it ensures regulatory compliance and aligns the bank's goals.

Key Components

- **Credit Assessment:** Financial health of borrower's, capacity of repayment, and also include industry obstacles, often using the **Five Cs of Credit** including Character, Capacity, Capital, Collateral, and Conditions also.
- **Credit Risk Grading (CRG):** Quantitative and qualitative risk scoring influencing approval authority, pricing, and provisioning.
- **Collateral Management:** Valuation and legal registration of land, building, FDRs, and inventory to secure loans.

- **Credit Monitoring:** Ongoing review of borrower performance, including financial statements, site visits, and document verification.
- **Loan Classification & Provisioning:** Categorizing loans into Standard, SMA, Sub-standard, Doubtful, and Bad/Loss to maintain reserves against potential losses.

Relevance to SEBL

SEBL consists of Credit, Credit Administration, and Credit Risk Management divisions that ensure compliance, asset quality, and profitability of its loan portfolio. The observed challenges include delays in getting approval documentation that become complicated and dependence on collateral. This highlights the need for an efficient credit management framework.

Credit management is not simple. It involves financial, regulatory, operational, and risk management components. For SEBL, credit management helps maintain the quality of assets, compliance with rules and regulations and continuity of profitability. Innovative use of technology and diversifying the portfolio can strengthen the credit management function further.

2.3 Organizational Structure of Credit Management at SEBL

Table 1.1 SEBL has a multi-tiered structure for its credit operations in a controlled manner.

Level	Unit	Key Responsibilities
Head Office	**Credit Division**	Formulates credit policy, approves large exposures, monitors sectoral concentration.
	Credit Risk Management (CRM)	Conducts credit appraisal, assigns CRG score, analyzes borrower risk profile.
	Credit Administration Division (CAD)	Manages loan documentation, collateral, disbursement, and custody of legal documents.
Branch Level	**Credit Department**	Initiates loan proposal, collects borrower data, performs preliminary analysis, and monitors repayment.

Banks in Bangladesh follow Internal Control and Compliance guidelines (from 2016). These guidelines make sure things are separate, so that the appraisal, approval, and handling of something are all done independently.

2.4 Literature Review

In the study of credit risk management within commercial banking, an impressive amount of literature has accumulated. This appears to be particularly true for developing countries like Bangladesh. According to the literature, due diligence, collateral management and risk assessment framework are essential in maintaining portfolio quality and minimising defaults on loans.

Karim & Islam (2019) found that many loans in Bangladesh defaulted because banks do not rely on potential cash flow but on the collateral offered by the borrower. They said that although collateral reduces risk, it is not a substitute for examining a borrower's cash flow, industry risk and management ability. The importance of credit appraisal system both quantitative and qualitative is accentuated by this finding.

The study of Hassan, Karim, & Chowdhury (2021) pointed out that the risk management practices in private commercial banks are stronger compared to state-owned banks. It is because the internal audit system is stricter and tougher. A CRG system is structured. A culture of accountability is seen among private banks. Their study showed that banks with specific internal control frameworks were able to contain the growth of NPLs and maintain the quality of their portfolio.

The ever-increasing significance of automated CRG systems and portfolio analytics by Ahmed (2020). As Ahmed explains, they help to detect the problem loan early. As like, banks take corrective measures before default. This system enables banks managing large loans to keep track of the movements and make effective decisions based on the data in real-time.

The Bangladesh Bank (2023) Annual Report shows that the overall non-performing loan (NPL) ratio of the banking sector remained at 8.9%. This reveals continuous credit-risk-management problems at private and state-owned banks.

The studies show that while national-level analyses are helpful, there is a need to conduct institution-specific analyses to pinpoint micro-level strengths and weaknesses. This study looks at the Southeast Bank PLC and the credit appraisal, monitoring, and risk management practices under Bangladesh regulatory environment to fill this gap. By using relevant theory within the organisational settings during the internship, this report is likely to provide recommendations relevant to SEBL.

2.5 Theoretical Framework

The research draws upon:

- Modern Portfolio Theory (Markowitz, 1952) declare that risk will be reduced by diversification.
- The Basel III Framework talks about what two types of assets and what else?

- The separation of ownership from control creates an agency problem which necessitates strong monitoring of managers in order to prevent the occurrence of moral hazard.

2.6 Research Gap

There are plenty of papers covering credit risk at the industry level, but hardly any cover individual banks' implementation of Bangladesh Bank circulars like that of SEBL. This study addresses that gap by using observation from the internship experience and secondary data from SEBL's official publications that are publicly available.

2.7 Contribution of the Study

- The report gives an in-depth analysis of SEBL's credit operations and also control risk of framework.
- Field exposure offers a realistic insights.
- Develops recommendations relevant to both practitioners and regulators.

Chapter 3: Scope of the Study

3.1 Organizational Scope

The research work is confined to the Southeast Bank PLC and specifically focuses on its Credit Division, Credit Risk Management (CRM), and Credit Administration Division (CAD). Operational areas such as Treasury, Foreign Exchange or Human Resources, that do not pertain to credit activity, falls outside the scope.

3.2 Topical Scope

The following areas are given below:

- Credit portfolio composition (sector, product, maturity).
- Credit appraisal and sanctioning process.
- Collateral assessment and credit risk grading.
- Loan classification and provisioning practices.
- Non-Performing Loan (NPL) analysis and mitigation strategies.
- Compliance with regulatory standards issued by Bangladesh Bank.
- Operational challenges and potential improvements.

3.3 Temporal Scope

This report is based on quantitative data which analysis data from SEBL's **Annual Reports (2021, 2022, 2023)**, **Bangladesh Bank Statistical Yearbook 2024**. And also the qualitative perceptions from internship activities that are conducted between **June – August 2025**.

3.4 Spatial Scope

Dhaka and Chattogram both are the centralized place in Bangladesh where SBL's operations focus on urban branches. Though, the findings are broadly expressed the credit practices of the bank nationwide.

3.5 Importance of Defining the Scope

To establish a clear areas which can be ensured that the research are focused, realistic, and measurable. There are some challenges to investigate in SEBL's credit operations. The paper is achieved very depth analytics deprived of diluting attention to other non-credit activities.

Chapter 4: Problem Statement and Objectives

4.1 Problem Identification

The central revenue-generating activity are represented by credit operations at Southeast Bank PLC (SEBL). With a durable framework and experienced management expertise, Bangladeshi commercial banks of Bangladesh can continue to face **large Non-Performing Loan (NPL) ratios**, interrupted liquidity stress. To compare other private banks, SBBL must refine its credit evaluation and monitoring and reviewing the mechanisms.

The **problem** arises from the tension between business growth targets and prudent risk control. In an increasingly competitive market, banks face pressure to expand their loan portfolios, sometimes resulting in credit concentration in specific sectors or over-reliance on collateral rather than cash-flow analysis. Furthermore, post-disbursement monitoring and early-warning systems remain partially manual, which increases operational risk.

4.2 Research Problem

The detailed research issue of this study can be stated as follows.

Southeast Bank PLC's credit operations and risk management practices are in line with Bangladesh Bank's prudential guidelines and international best practices in credit risk management to an extent.

4.3 Rationale for the Problem

There's a lot of importance that is associated with addressing this research problem.

1. A regulatory requirement of Bangladesh Bank all commercial banks must have uniform framework on risk management including Credit Risk Grading (CRG), Internal Control and Stress Testing.

2. Weak credit choices can reduce capital and profitability through provisioning costs and write-offs.

3. As a result of the rising NPL ratio, the confidence of the depositors would get affected. It may also invoke the attention of the regulators.

4. Efficient management of credit directly fuels productive investment and employment in the national economy.

4.4 Specific Objectives

The specific objectives are derived from the general objective.

1. To examine the credit policy and approval structure of SEBL.

2. To analyze the composition and growth trend of SEBL's credit portfolio (2020–2024).
3. To assess the effectiveness of the Credit Risk Grading (CRG) framework.
4. To evaluate the process of loan monitoring, classification, and recovery.
5. To measure the extent of compliance with Bangladesh Bank's regulations.
6. To identify key operational and strategic challenges in credit management.
7. To recommend feasible policy measures to strengthen SEBL's credit operations.

Chapter 5: Methodology and Research Design

5.1 Nature of the Study

The research utilises descriptive and analytical research designs and both qualitative and quantitative approaches. It is meant to describe current practices and not test hypothesis. The findings of the study are based on secondary data as well as primary data collected during the internship.

5.2 Sources of Data

Primary Data

Primary data were been gathered by:

- During internship period have a practical observation at SEBL's Credit Department.
- Informal interviews with credit officers, relationship managers, and members of the Credit Risk Management (CRM) unit.
- Internal documents such as credit proposals, CRG score sheets, and sanction memos (non-confidential excerpts only).

Secondary Data

Secondary data sources are given below:

- Annual Reports of Southeast Bank PLC (2020–2024).
- Bangladesh Bank's *Quarterly Review of the Banking Sector* (2024).
- Published articles in *Journal of Banking and Financial Services* and *Bangladesh Economic Review 2023*.
- Books such as *Malhotra N.K. (2020). Marketing Research: An Applied Orientation*, and *Rose & Hudgins (2018). Bank Management & Financial Services*.

5.3 Target Population and Sampling

- **People:** All employees in SEBL branches have directly involved in credit operations.
- **Sample:** A purposive sample of **15 credit officers and managers** from the Head Office and three urban branches.
- **Sampling Technique:** Non-probability purposive sampling was adopted due to access limitations and the specialized nature of respondents' roles.

Random sampling would have guaranteed greater representativeness; however, it was not feasible in this case as access to all credit files and officers is restricted.

5.4 Data Collection Techniques

- **Interview Method:** Semi-structured interviews were conducted focusing on loan appraisal procedures, CRG use, and post-disbursement monitoring.
- **Observation Method:** Participation in client meetings, site visits, and loan documentation processes.
- **Documentary Review:** Examination of internal policy manuals, circulars, and Bangladesh Bank guidelines.

5.5 Data Analysis Techniques

Quantitative data were inputted into Microsoft Excel for tabulation and descriptive statistics in SPSS. Computation was done of ratios such as Loan-Deposit Ratio, NPL Ratio, Capital Adequacy Ratio, Return on Assets. I code thematic qualitative data for the summerization of data analysis.

5.6 Reliability and Validity

To enhance reliability:

• Data from Annual Reports and Bangladesh Bank data were cross-validated with each other.

• Respondents verified interview summaries.

Through the validity was ensured .

- Alignment of interview questions with research objectives.
- Comparison of SEBL's practices with established frameworks (Basel III and Bangladesh Bank 2012 Guidelines).

5.7 Limitations of Methodology

- Access to confidential loan files was limited.
- By observation of three months it has restricted longitudinal.
- Due to hierarchical sensitivity demonstrated response bias given by respondents.
- Data collected from public sources that are available.

Despite these limitations, the data are sufficiently robust to support meaningful conclusions.

Chapter 6: Credit Portfolio Analysis of Southeast Bank PLC

6.1 Overview of Credit Operations

SEBL's lending operations three major segments are designed for SEBL's lending operations:

1. **Corporate Credit of** financing large-scale industrial, trade, and infrastructure projects.
2. **SME Credits is also** supporting SMEs with working capital.
3. **All Retail & Consumer Credit** involves in personal and also home loans.

6.2 Credit Growth Trend (2020–2024)

Table 1.2

Year	Total Loans & Advances (BDT billion)	Growth %	NPL %
2020	315.4	—	5.48
2021	338.6	7.36	5.21
2022	368.9	8.95	5.60
2023	395.7	7.27	6.02
2024	422.8	6.85	6.40

Source: SEBL Annual Reports 2020–2024; Bangladesh Bank Data 2024.

The data express that total advances developed nearly **34%** over the five years which indicated a reliable portfolio expansion if macroeconomic faces obstacles as like the COVID-19 pandemic and inflationary pressures. The SME and consumer sectors increased ratio in the NPL from 5.2% to 6.4%.

6.3 Sectoral Composition of the Loan Portfolio (2024)

Table 1.3

Sector	Amount (BDT billion)	Share %
Industrial Manufacturing	138.6	32.8
Trade & Commerce	104.2	24.6

Sector	Amount (BDT billion)	Share %
Construction & Real Estate	52.4	12.4
SME & Cottage Industry	46.8	11.1
Consumer Finance	32.9	7.8
Agriculture	14.2	3.4
Others	33.7	7.9
Total	**422.8**	**100**

Interpretation:

The data shows there are heavy attention in **industrial and trade sectors** both account have more than half of total advances. By supporting economic production, it also disclosures SEBL to cyclical industrial risks. The closely small share of agriculture financing that is (3.4 %) which suggests an advantage to expand into priority rural sectors as well as it is also aligning with Bangladesh Bank's inclusion purposes.

6.4 Maturity Structure of Loans

Table 1.4

Tenor	Amount (BDT billion)	% of Total
Short-term (< 1 year)	214.3	50.7
Medium-term (1–3 years)	129.5	30.6
Long-term (> 3 years)	79.0	18.7
Total	**422.8**	**100**

Table 1.4 declares that short-term loans demonstrate SEBL's strategy need to maintain liquidity and also need to reduce duration risk. Due to growing infrastructure financing demand of industrial loans rising gradually.

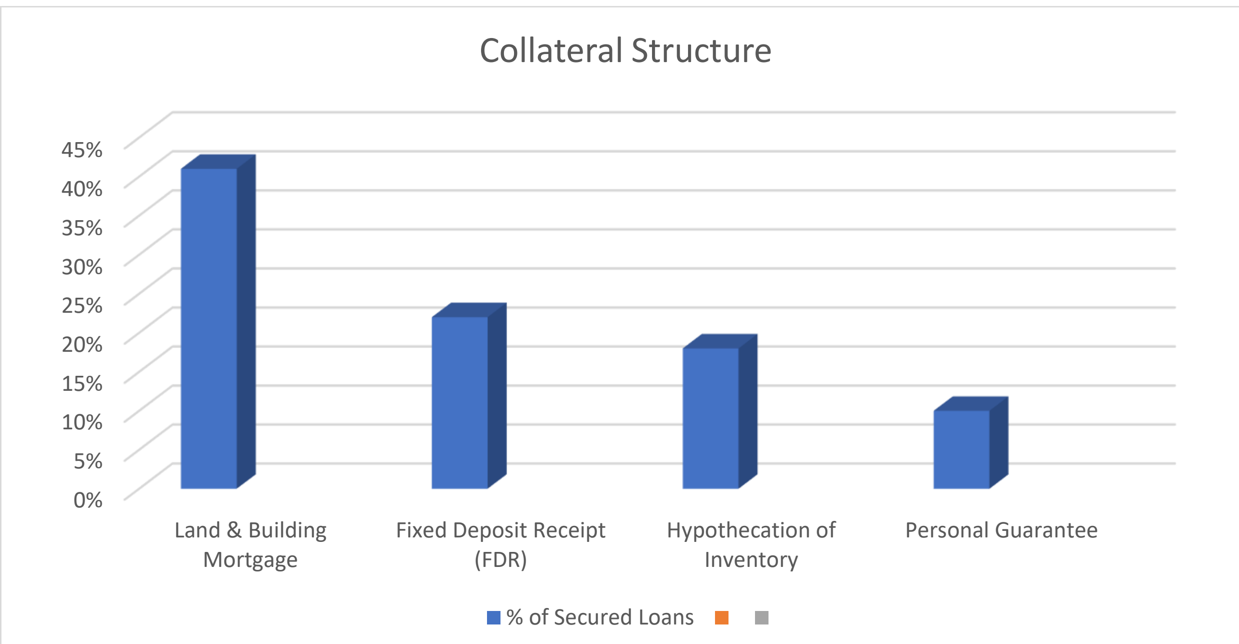
6.5 Collateral Structure

Table 1.5

Type of Collateral	% of Secured Loans

Type of Collateral	% of Secured Loans
Land & Building Mortgage	41 %
Fixed Deposit Receipt (FDR)	22 %
Hypothecation of Inventory	18 %
Personal Guarantee	10 %
Other Securities	9 %

Chart 1.1



Collateral is secured by 95% of SEBL's loan portfolio nearly. The borrower cash flow could repayment capacity issues less than on collateral that reduced credit exposure and also over dependence.

6.6 Loan Classification and Provisioning

Table 1.6 SEBL classifies loans In accordance with Bangladesh Bank's *BRPD Circular No. 14/2012*, SEBL classifies loans following categories:

Category	Overdue Days	Required Provision
Standard	< 90	1 %
Special Mention Account (SMA)	91–120	5 %
Sub-standard	121–180	20 %
Doubtful	181–365	50 %
Bad/Loss	> 365	100 %

As of December 2024, SEBL maintained **total loan-loss provision of BDT 24.7 billion**, equivalent to **121 %** of the required regulatory minimum — a sign of prudent risk coverage.

6.7 Credit Risk Grading (CRG) Implementation

SEBL used Bangladesh Bank's CRG model which are assessing indicators as well as **financial risk, business/industry risk, management quality, security risk, and relationship risk**. Scores have aggregated by determining of the risk grades.

Almost in 2024:

- 64 % of borrowers were rated **Good**,
- 25 % **Acceptable**,
- 8 % **Marginal**, and
- 3 % below **Sub-standard**.

The CRG system is computerized through SEBL's *Core Banking Software (Flexcube)*, reducing human error and improving consistency.

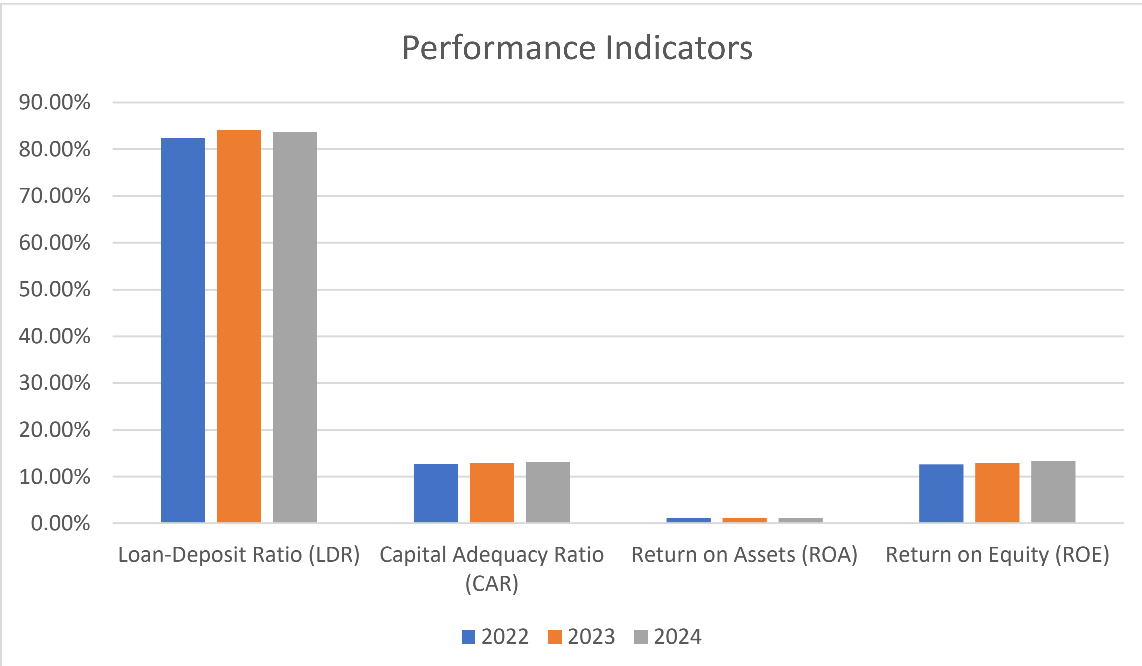
6.8 Performance Indicators

Table 1.7

Indicator	2022	2023	2024
Loan-Deposit Ratio (LDR)	82.4 %	84.1 %	83.7 %
Capital Adequacy Ratio (CAR)	12.7 %	12.9 %	13.1 %
Return on Assets (ROA)	1.09 %	1.12 %	1.18 %

Indicator	2022	2023	2024
Return on Equity (ROE)	12.6 %	12.9 %	13.4 %

Chart 1.2



The data illustrate that the established capital adequacy over the Basel III minimum at (10 %), which have coupled by improving profitability. To be suggested that SEBL's credit have sustainable expansion.

Chapter 7: Risk Assessment and Non-Performing Loan (NPL) Trends

7.1 Credit Risk Management at SEBL

Credit risk is defined as the **potential that a borrower or counterparty will fail to meet its obligations** in accordance with agreed terms, resulting in financial loss for the lender. Southeast Bank PLC has adopted a **comprehensive risk management framework** guided by Bangladesh Bank and Basel III principles.

SEBL's credit risk management structure includes:

1. **Credit Risk Assessment at Appraisal Stage:**
   - Evaluation of borrower's **financial statements, cash flow, capital structure, and liquidity position**.
   - Review of **industry and market conditions**, including competitor analysis and macroeconomic trends.
   - Use of **financial ratios** such as debt-to-equity, interest coverage, and current ratio.
2. **Credit Risk Grading (CRG):**
   - Application of **Bangladesh Bank-mandated CRG scorecards**.
   - Incorporates qualitative assessment (management quality, industry risk) and quantitative assessment (financial ratios, repayment capacity).
   - Risk grades determine **loan pricing, approval authority, and provisioning requirements**.
3. **Collateral Assessment:**
   - Proper valuation of **fixed assets, land, buildings, inventory, and receivables**.
   - Verification through **legal documentation** and third-party valuation reports.
   - Margin of safety applied depending on borrower's risk grade.
4. **Credit Approval and Monitoring:**
   - Approval hierarchy follows **Delegation of Authority (DoA)**: Branch Manager → Regional Head → Credit Committee/Board of Directors for large exposures.

7.2 Risk Assessment Techniques

Table 1.8 A major combination of **quantitative and qualitative techniques** for SEBL employees.

Technique	Description
Financial Ratio Analysis	Debt-equity ratio, current ratio, profitability margins.
Cash Flow Analysis	Evaluation of repayment capacity based on projected inflows/outflows.
Collateral Valuation	Assessment of collateral adequacy using discounted market values.
Credit Scoring / CRG	Automated scoring system providing risk grades and recommendations.
Portfolio Diversification	Limiting exposure to a single sector or borrower to reduce concentration risk.

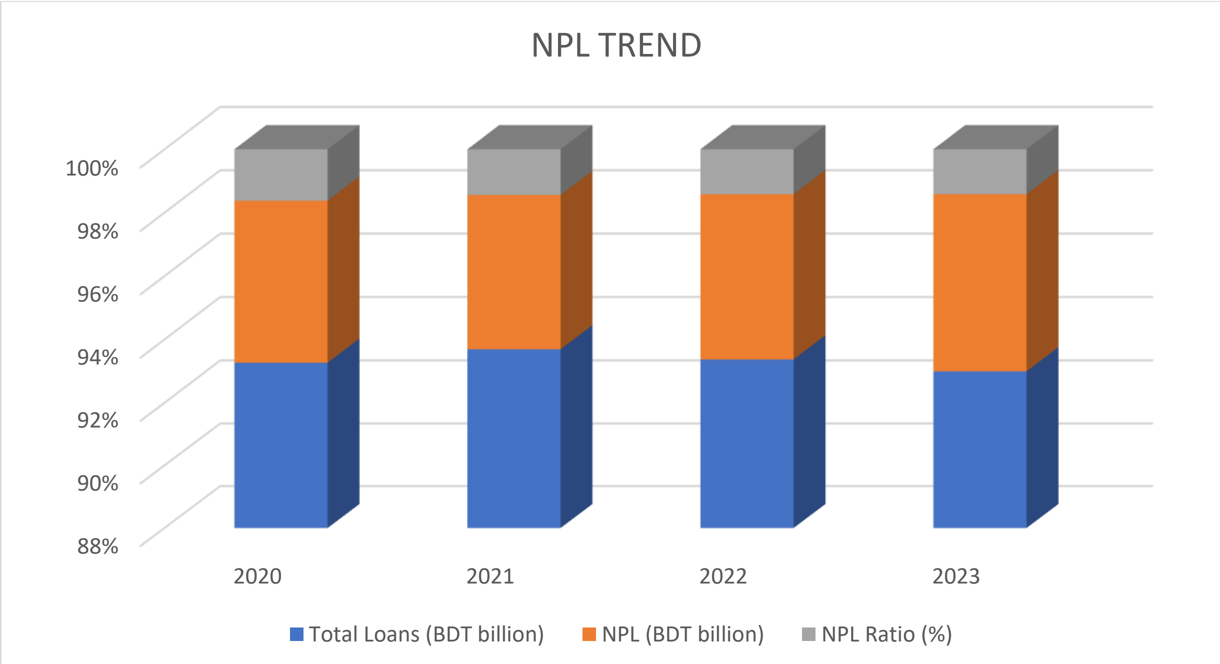
The bank also conducts **stress testing** under adverse economic conditions the bank testing a stress which including currency devaluation, volatility interest rate with sector-specific shocks such as textile or real estate downturns.

7.3 Non-Performing Loan (NPL) Trend Analysis

Table 1. The ratio from 2020–2024 of SEBL's NPL is given below:

Year	Total Loans (BDT billion)	NPL (BDT billion)	NPL Ratio (%)
2020	315.4	17.3	5.48
2021	338.6	17.6	5.21
2022	368.9	20.6	5.60
2023	395.7	23.8	6.02
2024	422.8	27.1	6.40

Chart 1.3



Observation:

- As per the Bangladesh Bank, 2024, NPL ratio shows below 7% which is accepted than the national average of 8.9%.
- The **increase from 2022–2024** reflects growth in SME and consumer lending, which is riskier than large corporate credit.
- Industrial and trade sectors account for **~65% of total NPLs**, emphasizing the need for close monitoring.

7.4 NPL Management Strategies

1. **Early Warning System (EWS):**
    - Monitors overdue accounts, SMA classification, and borrower financial health.
    - Sends alerts to Relationship Officers for immediate follow-up.
2. **Restructuring and Rescheduling:**
    - Negotiates revised repayment schedules for borrowers facing temporary financial difficulties.
    - Before restructuring must be updated CRG scores requirement.
3. **Legal Action and Recovery:**

- Utilizes **SARFAESI-like powers** under Bangladesh Bank regulations to recover defaulted loans.
- Collaborates with lawyers for enforcement of collateral liquidation.

4. **Portfolio Diversification:**
   - Limits exposure to highly cyclical sectors such as construction and textiles.
   - Spreads lending across multiple industries and geographies.
5. **Loan Provisioning:**
   - SEBL maintains **provisions exceeding regulatory minimums** to cover potential losses.
   - As of 2024, the total provision is **BDT 24.7 billion**, which is **121% of required minimum**.

Chapter 8: Regulatory Compliance

8.1 Bangladesh Bank Guidelines must be followed:

SEBL strictly tracks **the guidelines of Bangladesh Bank especially** for credit risk management:

1. **Loan Classification:**
    - Adheres to SMA, Sub-standard, Doubtful, and Bad/Loss categories.
    - Overdue periods and provisioning percentages comply with BRPD Circular No. 14/2012.
2. **Credit Risk Grading (CRG):**
    - Uses BB-approved **CRG scoring template** to assess borrowers.
    - CRG grades directly influence **interest rates, loan terms, and provisioning**.
3. **Large Loan Exposure Limit:**
    - Maximum exposure to a single borrower does not exceed 15% of bank capital.
    - Sectoral exposure is capped per Bangladesh Bank directives.
4. **Internal Audit and Reporting:**
    - Regular **quarterly reports** submitted to BB.
    - Internal Audit monitors compliance with policy manuals and circulars.

8.2 Compliance in Loan Documentation

- To ensure of all loan disbursements which must have supported by **legal documentation, collateral security, and borrower agreements**.
- CAD ensures **mortgages, hypothecations, and guarantees** are registered by CAD which ensures to follow in line with law.
- To ensure audit readiness digital record keeping must maintain Flexcube Core Banking System.

8.3 Observations on Compliance

- SEBL demonstrates **full adherence** to key regulations.
- Automated CRG system and **documentary control** improve compliance reliability.

Chapter 9: Challenges in Credit Management

9.1 Lengthy Approval Process

- Multi-tiered approval maintains control of loan disbursement, but especially for medium-sized corporate clients faced delay issues.
- Observed average **loan processing time**:
  - Small retail loan: 3–5 days
  - SME loan: 10–15 days
  - Large corporate loan: 20–30 days

Impact: Could result in client dissatisfaction and lost business opportunities.

9.2 Documentation Complexity

- Extensive documentation and legal verification are necessary for compliance.
- Over-reliance on manual verification in some branches leads to **clerical errors** and delays.

9.3 Dependence on Collateral

- Collateral-backed are brings 95% of loans.
- While reducing risk sometimes may **overlook borrower cash flow and also repayment capacity** which theoretically leading to hidden credit risk.

9.4 Staff Training and Expertise

- By frequently turnover among the branch-level officers which impacts **in credit appraisal and CRG application consistently.**
- To maintain standards must be needed regular training program which are essential.

Chapter 10: Recommendations & Policy Implications

10.1 Strengthening Credit Appraisal and Monitoring

1. **Enhance Cash Flow-Based Lending:**
   - While collateral is important, over-reliance can mask true credit risk.
   - Recommendation: Introduce **more rigorous cash-flow analysis and stress testing** before loan approval, especially for SMEs and consumer loans.
2. **Periodic Review of Large Exposures:**
   - Conduct **quarterly portfolio reviews** of top borrowers to mitigate concentration risk.
   - Use scenario analysis for sectors prone to cyclical downturns, such as textiles and construction.

10.2 Streamlining Approval and Documentation

1. **Simplify Internal Approvals for SME and Retail Loans:**
   - Implement **layered approval workflows** to speed up processing time for low-risk loans.
   - It can enhance customer satisfaction that helps to make them loyal customer and maintain competitive positioning.
2. **Digitize Documentation Processes:**
   - Move toward **entirely digital collateral management and also loan documentation** by using block chain for securing those documents that assists management systems to minimize errors.
3. **Template-Based Loan Documentation:**
   - To be use regular models for term loans and also working capital facilities to minimize the delay of processing.

10.3 Risk Mitigation and NPL Reduction Strategies

1. **SME Capacity Building:**
    - Offer **financial literacy and business advisory support** to SME borrowers to improve repayment capacity.
    - Partner with **Bangladesh Bank's SME Development Program** for structured training.
2. **Loan Restructuring Guidelines:**
    - Establish a **proactive restructuring policy** with strict monitoring to prevent abuse.
    - Include clear **exit criteria** and repayment milestones.
3. **Collateral Risk Revaluation:**
    - Perform **annual or biennial revaluation** of collateral to ensure adequacy relative to outstanding loans.
    - Use independent certified valuers to reduce valuation bias.

10.4 Portfolio Diversification

1. **Sectoral and Geographical Spread:**
    - By expanding in agriculture, healthcare, and technology sectors that minimize concentration in the sectors of textiles and trade.
    - To be mitigating regional economic shocks that can be done by geographic diversification.
2. **Product Mix Optimization:**
    - Increase proportion of **long-term loans for infrastructure and housing** while maintaining sufficient short-term liquidity.
    - Promote **Islamic financing products** to tap into growing Shariah-compliant market segments.

10.5 Staff Training and Capacity Building

1. **Continuous Professional Development:**

- To arrange **quarterly workshops or seminars** on credit appraisal, CRG application, NPL management, and digital tools in quarterly.

2. **Certification Programs:**
   - To motivate participates to involve in **professional banking certifications**.
3. **Rotation Programs:**
   - Swap credit officers among **branches and head office** by maintain policy standards as well as to enrich skill diversity.

10.6 Regulatory and Compliance Recommendations

1. **Periodic Compliance Audits:**
   - Independent internal audit teams of SEBL should clearly verify **Bangladesh Bank circulars, CRG scoring, and loan documentation**.
2. **Stress Testing for NPL Prevention:**
   - **Semi-annual stress testing is linked** to simulate worst-case scenarios, by incorporating interest rate volatility and macroeconomic shocks.

10.7 Policy Implications

- **Technology Integration:** Adoption of **AI-based predictive analytics** for credit scoring and monitoring can enhance portfolio quality.
- **Sustainable Banking:** Expanding into under-financed sectors like agriculture aligns with **national development goals** and BB's financial inclusion strategy.

Chapter 11: Conclusions

11.1 Summary of Findings

During the internship period the report has been analyzed SEBL's credit operations and used to secondary data. Those are given below:

1. Managerial Configuration in SEBL maintains a segregated credit management structure (CRM, CAD, branch credit) which strictly followed by Bangladesh Bank guidelines to minimize conflicts of interest.
2. The bank has a diversified portfolio of financing. The portfolio of loans is dominated by industrial and trade financing. SME and consumer financing are growing segments.
3. Use effective credit risk limits for portfolio management and collateral verification and monitoring.
4. The NPL ratio of SEBL stays below the national average. However, the NPL ratio for SME and retail lending sectors increased slightly.
5. Regulatory compliance really matters, as you follow BB circulars regarding loan classification, provisioning, large exposures and capital adequacy
6. The challenges are delay in loan, lengthy paperwork, too much dependancy on collateral, and poor monitoring.

11.2 Implications of the Study

- The findings demonstrate **prudent credit management**, supporting sustainable growth.
- SEBL's practices **align with regulatory requirements** and Basel III guidelines.
- However, moderate **concentration risk and SME defaults** necessitate ongoing monitoring and strategic interventions.

11.3 Recommendations Recap

- Strengthening cash-flow-based lending and predictive early-warning systems is a priority under the reforms.
- Digitization of documentation and streamlining of approval processes will be done by us.
- Make your offer more appealing to the customer in your business.
- Regular collateral revaluation and stress testing must be conducted..
- It is vital to train staff, build capacity and develop them professionally.

11.4 Overall Conclusion

The internship report shows SEBL's credit operations are stable, orderly and regulatory compliant. However, the pace of the operations can be more efficient and technology use can be enhanced. Furthermore, risk diversification measures also require some improvement and development under this circumstance. If SEBL effectively implements the recommendations, the bank would be able to enhance the quality of its portfolio further, reduce NPLs and maintain sustainable profitability amidst competition.

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