

Part-One

Prefatory Part



Internship Report
On
Credit Risk Management system of
National Bank Ltd.



Daffodil
International
University

Credit Risk Management system Of National Bank limited

Prepared for

Md. Arif Hassan

Assistant Professor

Department of Business Administration

Faculty of Business & Entrepreneurship

Daffodil International University

Prepared By

Md. Nazrul Islam

ID: 143-14-1571

Major: Accounting

Batch: 39th

Program: MBA

Department of Business Administration

Faculty of Business & Entrepreneurship

Daffodil International University

Date of Submission:

Letter of Transmittal

To

Md. Arif Hassan

Associate Head & Assistant Professor

Department of Business Administration

Faculty of Business & Entrepreneurship

Daffodil International University

Subject: Credit Risk Management System of National Bank Ltd.

Dear Sir,

With respectfully I beg to inform you that, I am a student of MBA, (39 Batch), Faculty of business and Entrepreneurship at Daffodil International University. The report is prepared on "**Credit risk Management System of National Bank Ltd**".

I have tried to give Excellency endeavor to complete the report with pertinent information which have been raised from National Bank Ltd and from others sources during my internship program.

I pray and hope that, the mistake of the report may have, will be graciously pardon lastly, I beg your kind discretion for evaluating this report.

Thinking you immensely indeed

Unreservedly yours,

Md. Nazrul Islam

ID: 143-14-1571

MBA (Major in Accounting)

Batch 39th

Letter of Acceptance



I have the pleasure to certify that Md. Nazrul Islam, 143-14-1571 is the student of MBA Program, department of business administration has accomplished his internship program entitled Credit risk management system from National Bank limited, under my supervision as the partial fulfillment for the award of MBA degree.

He has prepared his report similar to my instruction and conduct. I also attest that I have gone through the draft report thoroughly and it is satisfactory to serve the stated purpose.

He was found sincere, honest, hardworking and energetic during the program. I wish his prosperity and bright future.

A handwritten signature in black ink, appearing to read "Arif Hassan", with a horizontal line extending to the right.

Md. Arif Hassan

Associate Head & Assistant professor

Department of business administration

Faculty of business & entrepreneurship

Daffodil international university

Acknowledgement

First, I would like to express my rooted thanks to the author, who shaped and compliance me in this mortal earth. I also express my thanks to him for bestowal me a chance to finish my internship program successfully as a partial assertion of MBA program.

After that, I would like to express my rooted thanks to my respectable supervisor Assistant Professor Md. Arif Hassan, Faculty of Business & Entrepreneurship, Daffodil International University, whose appropriate supervision, gracious and commiserate conduct; exhilarate counsel and inspiration have qualify me to make this report successfully.

I would like to express my cordial thanks to all executives and officers of national bank Ltd. they had react devoutly to meet my necessity relating to the report. Of them, I like to allusion the name of –

1. Md. Shaun (senior officer)
2. Md. Moazzem Hussein Khan (senior officer)
3. Md. Shamsur Rahman (junior officer)
4. Md. Monir Hussein (junior officer)
5. Md. Gautom Ghatak (Manager)
6. Md. Samir Chandra das (Cash officer)

Excepting their support, it would be implausible to introduce this report to the light.

I shall ne'er oblivion the assistances from some books and term paper.

I am obliged to my beloved parents, friends and good-wishers for their motivation that guide me to go ahead.

At last, give thanks the entire person who has out rightly and circuitously helps me to ready this report.

EXECUTIVE SUMMARY

Bank is most operative monetary intermediary in today's world. As a monetary institutions bank predominantly manage to communion between persons and operative works at this age globalization. Bank faces many of risk like credit risk, reputation risk, liquidity risk and market risk etc. Credit risk is one of the major risks of them. To manage this risk they take various kinds of steps.

This report is based on credit Risk management system. Here both primary and secondary source of data are used. Personal observation and consultation with the concerned personnel is key sources of data.

In Chapter one there is describe about introduction part of this report. In introduction part here is introduction, Background of the study, objective of the study, scope of the study, methodology of the study, limitation of the study and rationality of the study. Chapter two is describe about organizational profile of NBL. Here is history of NBL, Profile of NBL, Objective of NBL, Mission, Vision, and Division of NBL, core value of NBL, Structure of NBL, Product & Service of NBL, Goal of NBL And management style of NBL. Chapter Three Is Describe about Credit risk management system of NBL. Here is describe about Credit risk, Credit risk management, principal of Credit risk management, tools use in Credit risk management, Credit policy guideline, credit policy in national bank limited, credit portfolio mix, risk management process, Credit approval process& documentation, credit risk assessment, credit risk management of NBL And provisioning. Chapter five is discuss about analysis part of this report. Here is describe about loan & advanced, standard loan, substandard loan, SME loan, doubtful loan, bad & loss loan, non-performing loan, recovery loan & section wise loan and advanced. Chapter five is describe about findings, recommendations & Conclusions. At last chapter six is the appended part of this report.

Table of Content

Part-One

Prefatory Part

Particulars	Page No.
Title Page	ii
Title Page 2	iii
Letter of transmittal	iv
Letter of acceptance	v
Acknowledgement	vi
Executive Summary	vii
Table of Content	viii-xi

Part Two

Report Body

Chapter	Items	Page No.
Chapter One	Introduction	1-5
	1.1 Introduction	2
	1.2 Background of the report	2
	1.3 Objective of the study	3
	1.4 scope of the report	3
	1.5 Methodology of the study	4-5
	1.6 Limitation of the study	5
	1.7 Rationality of the study	6

Chapter	Items	Page No.
Chapter Two	Organizational Profile	7-23
	2.1 History Of NBL	8
	2.2 Objective of NBL	8
	2.3 Profile of NBL	9-10
	2.4 Vision	10
	2.5 Mission	10
	2.6 Division of National Bank Ltd.	11
	2.7 Core value of NBL	11
	2.8 Structure of The Organization	12
	2.9 Product & service of NBL	13
	2.10 Goal of NBL	14
	2.11 Management Style of NBL	14
	Credit risk Management System of NBL	15-30
	3.1 Credit risk	16
	3.2 Credit risk management	16
	3.3 Principal of credit risk management	16
	3.4 Tools use in credit risk management	17
	3.5 Identification	17
	3.6 Measurement	17
	3.7 Aggregation	17
	3.8 Planning and management	18
	3.9 Monitoring	18
	3.10 Credit policy Guideline	19
	3.11 Credit policy in national bank limited	19
	3.12 Credit portfolio mix	19
	3.13 Product offered by NBL	20
	3.14 Risk management process	21
3.15 Credit approval process & credit documentation	22	

Chapter Three	3.16 Credit risk assessment	23
	3.16.1 Call report	23
	3.16.2 Credit memorandum	24
	3.17 Sanction Advice	25
	3.18 Credit Risk management of NBL	26
	3.18.1 Loan Administration	26
	3.18.1.1 Documentation	27
	3.18.1.2 Disbursement	27
	3.18.2 Credit monitoring	28
	3.18.2.1 Branch monitoring	28
	3.18.2.2 Loan review committee	29
	3.18.2.2 Early alert process	29
	3.18.2.3 Credit recovery	30
	3.19 Provisioning	30
	Analysis Part of NBL	31-42
Chapter Four	4.1 Loan & Advanced	32
	4.2 Loan to deposit ratio	33
	4.3 Standard loan of National Bank Limited	34
	4.4 SMA Loan of NBL	35
	4.5 Sub-standard loan of NBL	36
	4.6 Doubtful Loan of NBL	37
	4.7 Bad & Loss Loan of NBL	38
	4.8 Non-performing loan of NBL	39
	4.9 Recovery Loan Of NBL Last five year	39-40
	5.8 Sector Wise loan & advanced of NBL	41-42

	Major Finding, Recommendation & Conclusion	43-46
Chapter Five	6.1 Findings of the study	44
	6.2 Recommendations	45
	6.3 Conclusions	46

Part-Three

Appended Part

	Bibliography	48
--	--------------	----

Part-Two

Report Body

Chapter One

Introduction

1.1 Introduction:

Bank is an economic institution where people keep their money, get interest on their deposit, take loan for their requirement, achieve optimum goal of country economy. National bank limited has a huge responsibility to ensure effective and efficient banking operation all over the Bangladesh in a manner with the others bank as commercial bank.

1.1 Background of the report

For financial stability of a country an advanced banking sector plays a essential and important role. Internship is one of the important parts of MBA program, which has been accomplished by every student. The internship program gives the chance for the student to shorten the lacuna between theoretical and practical wisdom and will help in practical life. As a student of masters of business administration (MBA) I desired to finish my internship program from a celebrated bank which would be beneficial for my futurity profession. I get this magnificent chance for the help of administration of daffodil international university and the perfect guideline of the supervisor Md. Arif Hassan (Assistant professor of daffodil international university, Department of business administration) to execute my internship program in the National Bank Limited. An internship program is completed by me based on theoretical and practical wisdom. I was dispatched to muktagacha. It was three months Practical orientation program. This report is formulated as the requisite of NBL.

Credit Risk Management system of NBL is selected by me as my focusing object. Mainly I have operated in regulatory reportage section but i had worked on others section like loans and advanced as I was an intern. As an accounting student I like to select credit risk management system as the object of my internship report.

1.2 Objective of the study:

The principle objective is to identify the credit risk management system of National bank Ltd.

.Specific objectives are as follows:

- Learning about the credit policy guidelines of National bank Ltd.
- Analyzing the credit performance of NBL.
- To find out some problem regarding credit risk management of the bank.
- To prescribe some suggestions to overcome the problem.

1.3 Scope of the study:

The study would emphasize on under mentioned area of National bank Ltd: credit risk management system of National bank Ltd, course of action for various credit convenience and portfolio (loans or advanced) legislation of National bank Ltd, Organizational structure and duties of management.

1.4 Methodology of the study:

Source of data: Both initial and secondary source of data were used to integrate this report.

I. Types: The study is descriptive in nature. This report has been made on the basis of expertise gain, during the time internship. I have also obtained the data from annual report and website of National bank Ltd.

II. Design: The purpose of the study was to investigate overall scenarios about contributions, potentiality, profitability and risk of NBL. Therefore, descriptive approach is selected.

III. Source of data: Both initial and secondary source of information are applied in this report. The theoretical data have been raised from several sources like various editions, library sources, books, editorials etc.

The initial source are-

- Officers
- Supervisors
- Clients of the bank

1.5.2 Secondary data

- Monthly statement of NBL.
- Annual report of NBL.
- Official files.
- Selected books.
- Other manual information.
- Websites.

IV. Data ingathering procedure:

Initial data: Initial data were raised by structured questionnaire.

Secondary data: Secondary data were raised from their annual report and the websites WWW.nationalbankbd.com and periodicals revealed by the Bangladesh bank, several publications pertaining banking activities and transaction strategy.

V. Data resolution and report writing:

Raised data had been scrutinized and represented in the form of bar design and pie chat etc. Several types of software like ms-word, Ms-ezcel.etc are exploit to ready accordingly in the form of word structure.

1.5 Limitations of the study:

- National Bank Limited is a private bank and they are bourgeois about their information as a result it was not possible for the report to obtain the entire information requisite.
- Once in a while the officers had been incapable to deliver data due to their enormous regular work.
- Studding all the banking operation within 12 week was actually cumbersome.
- Sometimes the officers of NBL did not co-operate with me because they were very busy.
- NBL did not deliver me any sort of monetary support for this internship report.
- Other restriction of the report is bank's strategy of not disclosing some data and information for evident cause, which could be very much helpful.

1.6 Rationality of the study

In our country banking sector is one of the accelerated rising sectors. There are over 50 banks are managing which involves endemic and extraneous venture. Some renewed bank is pacing in market. The banking industry is extremely beneficial and at the same time highly competitive too. Every bank is overture latest product and convenience to fascinate the client and maintain them. Proper client and retention is important for bank feasibility.

Sectioning credit volition of debtors, credit inquiry is must. Readiness of credit report credit authorization process and administration imitation paper credit risk management is fateful for any bank. Because if these are any deficiency of credit management the loan may fail this may run a bankruptcy.

During making this report I found it have some inexistent in this branch of NBL even if it is batter in credit risk management. NBL has a significant recovery rate & also has satisfactory profit.

Chapter Two

Organizational Profile

2.1 History of NBL

Varied progressive business magnate come onward for set up a bank with a precept revitalizes the economic system of the country. NBL was grown at the hundred present Bangladesh possess bank in the individual segment. NBL pay an emergent foreword in the nation economy for firm determination. NBL destined to recover the lingering immemorial taste of banking ministry. NBL went to distribute every one promptly and with a sentiment of dedications and homage.

The President of the People's Republic of Bangladesh Justice Ahsanuddin Chowdhury inaugurated the bank formally on March 28, 1983 but the first branch at 48, Dilute Commercial Area, Dhaka started functioning on March 23, 1983. The 2nd branch was opened on 11th may 1983 at Khatungonj, Chittagong. Now a day, National Bank Limited has over 150 sectors all over the body of Bangladesh.

2.2 Objective of NBL

- To expend its portfolio by categorize of funding, by economic intention, by securities and by geographical sectors involving artificial, mercantile and agronomical.
- To confirm reciprocal convenience both for bank and the funding client by professional evaluation of funding proposition, prudent section of investment close and regular supervision and controlling therefore.
- To build fund keeping the socio-economic requisite of the country in view.
- To raise the number of expected investors by creating participatory and skillful investment.
- To funding different development schemes for impoverishment palliation, proceeds and job creation with a view to accelerating sustainable socio-economic amplification and enlistment of the community.
- To appoint in the form of booze and merchandise father then give out cash money to the investment client.
- To cheer up societal enlistment enterprises.

2.3 Profile of NBL

Basic Information

Company Name	National Bank Limited
Company Profile	National bank was created and commencement of business started on 23 rd March 1983.
Establishing Date	23 rd March 1983
Financial Year End	December

Board Members

Md. Zainul Haque sikder	Chairman
Mrs. Monowara Sikder	Vice Chairman
Choudhury Muhtaq Ahmed	Managing Director & CEO
Alhaj Khalilur Rahamn	Director
Md. Mozzam Hossain	Director
Md. Rick Haque Sikder	Director
Md. Ron Haque sikder	Director
Md. Zakaria Taher	Director
Md. Mabroor Hossain	Director
Md. Jonas Sikder Khan	Director
Mrs. Parveen Haque Sikder	Director
Md. Mahbubur Rahman Khan.	Independent Director
<u>A K M Enamul Haque Shameem</u>	Independent Director
Md Anwar Hussain	Independent Director

Contacts

Address	City Center, Level: 19-22, 28 and 29 90/1, Motijheel Commercial Area Dhaka-1000
Telephone	09612001122
Fax	88-02-7113481
Web Site	www.nblbd.com
Email address	info@nbl-bd.com

2.4 Vision

confirming maximum honor of clientele serving be through with greatest application of most recent information technology, making due achievement to the nationwide economy and set up NBL steadily at home and abroad as a higher-ranking bank of the country National Bank Ltd's cherished vision.

2.5 Mission

Endeavor for prolongation of their operations at home and abroad by adding recent aspect to NBL banking ministry are being continued integral. abreast, They are further placing maximal precedence in assuring clearness, responsibility and exalted clientele ministry as well as to their undertaking to attend the community through which they intend to get nearer and nearer to the to the people as a solicitous comrade in uplifting the nationwide economic quality through continual up gradation and diversification of our clientele cervices in line with national and international necessity is the wished for goal we want to arrival.

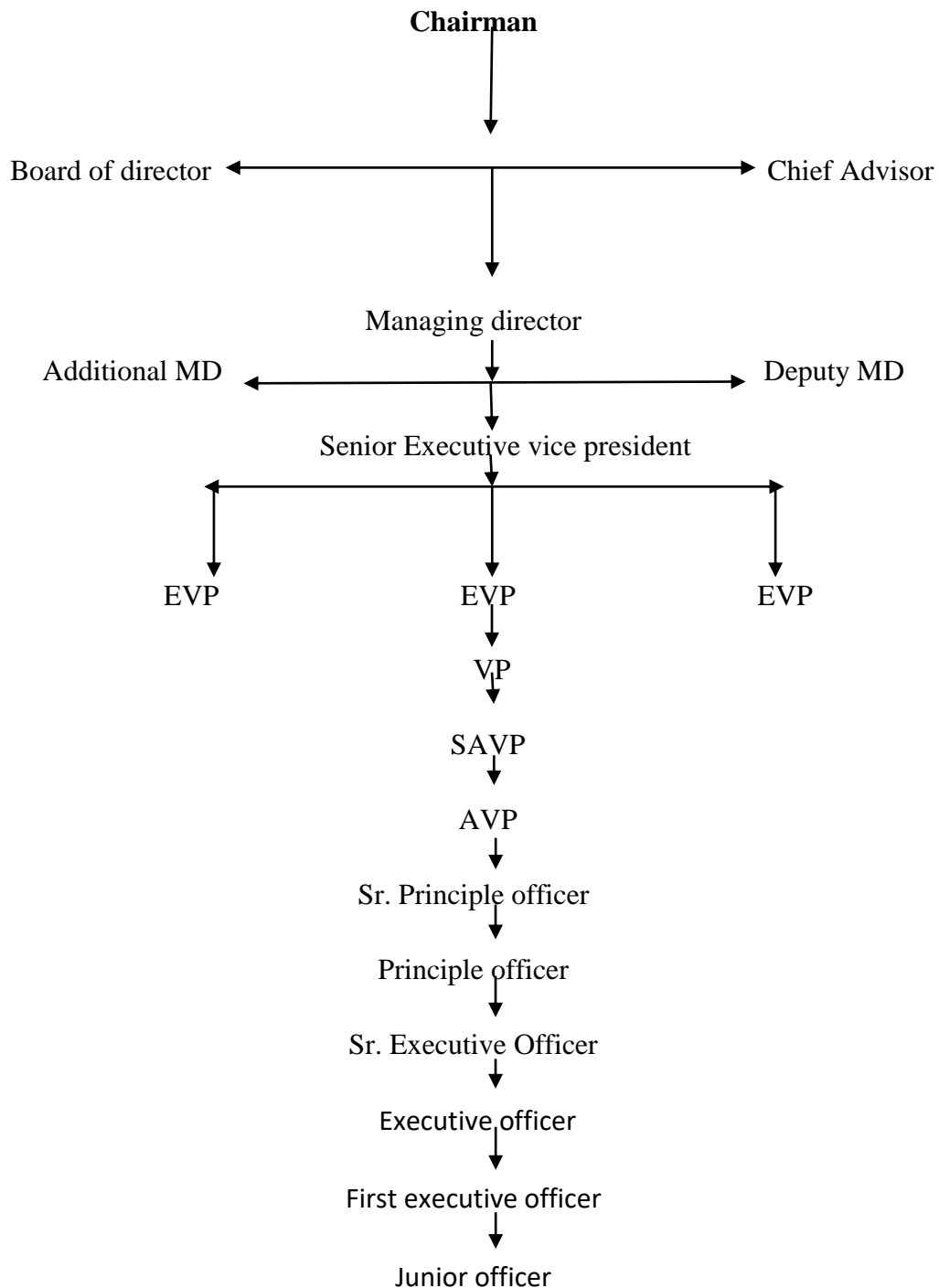
2.6 Division of National Bank Limited

1. Investment Division.
2. Corporate Banking Division.
3. Investment Administration Division.
4. Investment Monitoring & Recovery division.
5. Finance and Accounts Division.
6. Internal Control and Compliance Division.
7. General Service Division.
8. Human Resource Division.
9. Information Technology Division.
10. Foreign Exchange Division.

2.7 Core Value of National Bank Limited

- ❖ Professionalism
- ❖ Commitment
- ❖ Diversity
- ❖ Accountability
- ❖ Integrity
- ❖ Transparency
- ❖ Quality
- ❖ Dignity
- ❖ Growth

2.8 Structure of Organization



2.11 Product & Services of National Bank Limited

Deposits Product

- ❖ Savings Deposit
- ❖ Current Deposit
- ❖ Foreign Currency Deposit
- ❖ Monthly Saving Scheme
- ❖ Double benefit scheme
- ❖ Millionaire income scheme

Credit Product

- ❖ Overdraft
- ❖ Lease financing
- ❖ House Building
- ❖ Small medium enterprise
- ❖ Customer credit scheme
- ❖ Trade Financing

Card Product

- ❖ credit card
- ❖ Debit card
- ❖ Visa Card
- ❖ ATM Card

2.12 Goal of the Bank

- **Long term goal:** To maximize the prosperity of the shareholders.
- **Short term goal:** To achieve favorable rate of return on funding by providing expansion banking service.

2.13 Management style

Management is most valuable and serious resource for any kind of institution. A healthy institution management provides the institution to arrival its conclusive destination. Planning, organizing, staffing, Directing and operating of all monetary and non monetary resources of the institution are means management. several outlooks of management contemplation in national bank planning, organizing, staffing, directing and operating human resource contemplation and recruitment eventually.

Chapter three
Credit Risk Management
System of
National Bank Ltd.

3.1 Credit Risk:

Credit risk is a due to incertitude in counterparty's capability to fall on its compulsion. There are abundant types of counterparty's compulsions ranging from distinct to despotic government. Risk is innate in all perspective of commercial activities. Credit risk is part and parcel element that requirement to be guided for banks and financial institution. Credit risk is the probability that a debtor counter party will fail to correspond its mandatory in conformity with unanimous term. Credit risk therefore, emerges from the banks dealing with and loaning to corporate, individual and others banks or monetary institute.

3.2 Credit Risk management:

Assessing credit risk an institution must consider three issues:

- ✚ Default probability
- ✚ Credit exposure
- ✚ Recovery rate

3.3 Principle of credit risk management

The legislation of credit risk is linchpin to a sound credit management procedure, the elementary morals a bank has to follow in its credit risk management are:

- ❖ Grounding, nature and capability of the borrower.
- ❖ Intention of the advantage
- ❖ Term of advantage
- ❖ Protection and shelter
- ❖ Fountainhead of reimbursements
- ❖ Variety of loan portfolio

3.4 tools used in credit risk management

The multiplication of the credit portfolio of banks claims to extensively spread on the efficiency of its borrower. To regard the efficiency of a borrower the bank is takes into discretion the following:

- a. Nature: willingness of the customer to reimburse.
- b. Receptivity: Customer's capability to meet obligation.
- c. Outlay: Customer's monetary insulate.
- d. Collateral: Enough net worth.
- e. Proviso: current trends in borrower line of credit
- f. compliance (rule & regulations)

3.5 Identification

Before a bank's risk measured and managed they must be identified it. Generally distinguish the following risk category:

- ❖ Credit risk
- ❖ Market risk
- ❖ operational risk

3.6 Measurement

The compatible appraisalment of the three types of risk is a fundamental prerequisite for glory risk management. While the improvement of notion for the appreciation of market risks has demonstrated operative procedure, the methods to menstruation credit risks and operating risks are not as futuristic due to the confined competence of historical data.

3.7 Aggregation

It is momentous to take into account connection outcome which cause a bank's overall risk to differ from the sun of individual risks during aggregating risk. This imbed of risks both within a risk type as well as several risk category.

3.8 Planning and Management

Risk legislation has the operation of planning the bank's all in all risk situation and activity controlling the risks been on this schemes.

The greater portion uses legislation tools involve:

- Risk adjusted rating of distinct loan transactions.
- Risk limits rating for distinct locations and portfolios.
- Usage of guarantees and credit assurance.
- Securitization of risk
- Purchasing and merchandising of assets.

3.9 Monitoring

Whether the risk indeed incurred lie within the true limitations, thus confirming an institutes receptivity to strut these risk that is check by risk monitoring. In addition, the usefulness of the measures executed in risk restraining is measured, and recent momentums are originated if obligate.



3.10 Credit Policy Guideline:

The credit policy guideline of NBL includes the following:

- Credit principles
- Credit portfolio mix
- Product and Service of NBL

3.11 Credit principle of National Bank limited:

Credit segment of NBL is conducted by 10 distinctive credit principles. They are as follows:

- Evaluate borrower's disposition.
- Evaluate borrower's loan arrangement capacity.
- Amplify operation plans.
- Propagation of credit in adjustable risk surface.
- Guarantee self-directed involvement of the credit officials is the credit propagation procedure.
- Performing procedure in a moral way.
- Be careful in understanding, observing and sustaining credit risk.
- Ensuring the credit exposures and operations.
- Achieving an admissible similitude between risk and reward.
- Constitute and sustain a variegated credit portfolio.

3.12 Credit portfolio mix:

- Trade finance ----- 15%
- Industry- short term working capital ----- 10%
- Retail and SME ----- 25%
- Project- finance medium and long term ----- 30%
- Others ----- 20%

3.13 Products offered by NBL:

- Secured overdraft (SOD)
- Overdraft (OD)
- Time loan
- Packing credit
- Reimbursement contra document (PAD)
- Loan contra trust receipt (LATR)
- Cash credit (Hypo)
- Native documented bill purchased (FDBP)
- Exotic documented bill purchased (FDBP)
- Sight LC
- Back to back LC & Acceptance
- Letter to guarantee

3.14 Risk management process

The risk management procedure is used to shorten the bank's entire risk level to one that is acceptance to both the bank's high-ranking legislation and its regulative and its regulatory supervisor. Following are the component of risk management process:

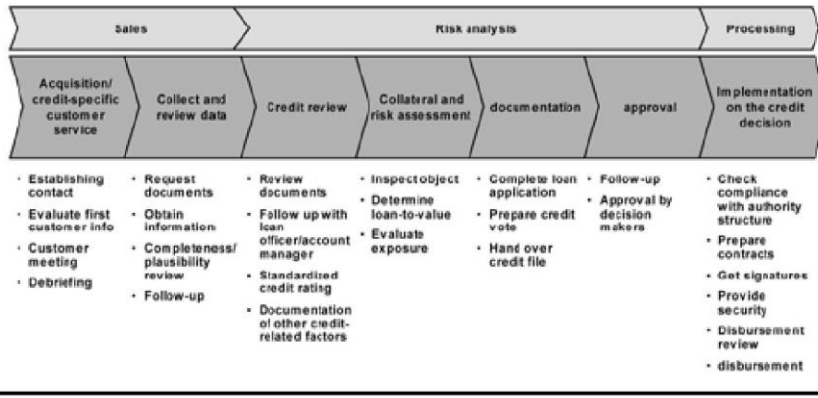
- Recognize
- Assess
- control
- Monitoring
- Report
- Manage
- challenge

The following task are also done by credit risk management

- ❖ Collect all relevant data for analyzing risk.
- ❖ Evaluate the proficiency; entirety and rectification of all pertinent information for analyze risk.
- ❖ Highlight venturesome portfolios of the bank with solicitation and suggestion.
- ❖ Analyze data though Risk management paper.
- ❖ Identify, evaluate, control and monitor major risks to avert requisite risk and assure the banks in pricing every risk accurately.
- ❖ Re-evaluation market status and take unavoidably action.
- ❖ Assure through distinct fault that various risks are identified, appreciated and reported within the customary risk management frame work.

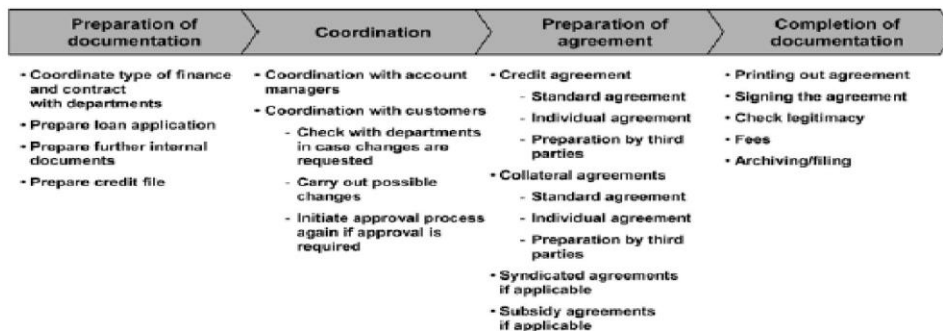
3.15 Credit approval process & credit documentation

The Credit Approval Process Is Subdivided into a Large Number of Individual Process Steps
 Conceptual presentation individual process



Documentation Comprises Preparation and Conclusion of Credit Agreements

Overview of core content of the documentation process



Documentation is followed by transfer of collateral and loan disbursement

3.16 Credit Risk Assessment

The credit assessment method can be differentiated into two portions:

- Call report
- credit memorandum

3.16.1 Call report

The call report comprised some fundamental data about clients such as:

- Client background
- Business
- Market share
- Reliability
- Credit exposure
- Existing banking relationships
- Credit requirements
- Pricing of the proposed credit facility

3.16.2 Credit Memorandum (CM)

Total requisite legitimate paper and monetary data of the expected customer must be accompanied by CM.

The CM generally includes by following:

- a) For each client a distinguishable control digit and base digit.
- b) The credit risk marking number.
- c) For the authorization procedure must have authorization.
- d) Must have explanation of raised advantages.
- e) Argumentation behind the loan propagation.
- f) Client's monetary data.
- g) Earning from the connection to be established must be forecasted.
- h) Loaning contract.
- i) Policies and guidelines of Bangladesh and NBL must be compliance.

3.17 Sanction advice

The credit officer of the branch prepares a sanction advice after the advantage has been commissioned. Sanction advice is the formal address of the client. Following information are provided by the sanction advice:

- a) Clients address
- b) Subject of the sanction advice
- c) facility types that provide the client
- d) Reconsider/reimbursement data
- e) Safety niceties of the clients
- f) Assurance coverage
- g) Fixed condition applicable to the client
- h) General condition applicable to the client
- i) Other condition and convents

A sanction is associated with the essential legitimate documents. This document may include:

- a) Demand promissory note
- b) Letter of agreement
- c) Letter of continuity
- d) Letter of revival
- e) Letter of disbursement
- f) Letter of hypothecation with supplementary documents
- g) Registered deed of mortgage
- h) Letter of guarantee
- i) Registered power of attorney etc.

3.18 Credit risk management of NBL

The credit risk management system has the function of controlling transactions with in authorized extent and regaining the bank's dues in time. The credit risk management's key responsibility is as follows:

- A) Oversight of the bank's credit gridlines, mechanisms, and private banking and exchequer activities.
- B) Oversight the quality of the bank.
- C) All substandard, doubtful and bad and loss accounts directly managed.
- D) Regaining and assure that precise and timely loan loss provisions have been formed.
- E) Provide advice regarding all credit matters to line management/RM
- F) Assure that landing ministerial have sufficient expertise.

The credit risk management process included by following functions:

- Loan administration
- credit monitoring

3.18.1 Loan Administration

The prime duty of loan administration section is as follows:

- a) Assuring that all safety documentations complied by terms of approval.
- b) Monitoring assurance coverage to assure precise coverage duly attributed to the bank.
- c) Controlling loan disbursements then all terms and proviso of authorization and all safety documentation is in place.
- d) Minimizing manage over all safety documentation.
- e) Monitoring borrower's consent with treaty and unanimous terms and proviso and general controlling of account attitude.

3.18.1.1 Documentation

Credit administration section assures the following documentation:

- Documentation is prepared in accordance with the approved terms and condition.
- Vetting of requisite paper is done.
- Safeguards of the bank's safety rise.
- Anomaly from the standard loan advantage is correctly permitted.

3.18.1.2 Disbursement

The loan administration section effectuates the following obligation is link with the disbursement to assure that:

- Total standard safety and charge paper are in place.
- Documentation confirmation list has been ready.
- Credit administration section has properly permitted the disbursement.
- Disbursement permitted form is recorded as a testimony of document.
- An accurate back up of total record is kept up in the computer system.
- Sketchy documentation has adopted makeshift waiver from the authority.
- Pricing of the advantage is precise.
- Total disbursement / drawings are in the form of authorized credit advantage.
- Intemperance over limit is allowed under pre-fact authorized.
- A fair updated CLB report is obtained before disbursement.
- The lending cap of the bank is appropriately preserved.

3.18.2 Credit Monitoring

To shorten credit hurts controlling procedure and methods are in place that take steps and quickly allusion of the descending monetary happiness of borrow. Credit monitoring procedure of NBL is as followings:

- Interest payments, trade bills, account over plus and section of loan contracts.
- Monitoring loans term and provisos.
- Receiving monetary assertion on a adjustable basis.
- Gradually cathartic operation is taken for finding of any interior, exterior and legislator audit.

3.18.2.1 Branch Monitoring

Credit controlling functions performs the following responsibilities:

- ❖ Monitoring transactions to assure turnover and utilization of limits.
- ❖ Reviewing total preterits dues, short fall and contract.
- ❖ Rectifying all audit objective and follow their suggestions.
- ❖ Etesian client calls and reconsider by branch head.
- ❖ Ceremonial etesian reconsider.
- ❖ Factory visit and advancement of work opposition to effectuation of projects.
- ❖ Past dues, overdue installments, expiry of insurance, guarantee limits etc are communicated by borrower.
- ❖ Early alert statement made within seven Days of ascertainment of debilitation in the business and monetary debilitation of the customer and sends to head office loan administration.

3.18.2.2 Loan review committee:

The IT process of NBL produces outstanding position of 3 Period's via 30 days, 60 days and 90 days and above. Expired limit and spill over limits are also produce by the IT system. The MIS are properly distributed to branches. The daily basis position is following by the loan admin officer. Outstanding status, expired limit and EOL eith the branches on a monthly basis is formally following by the loan review committee.

3.18.2.3 Early Alert Process:

An early alert process has some risks or probable weaknesses of a real temperament. Management must be required monitoring, and supervising of this risks and weaknesses. They may outcome in determination of the reimbursement expectancy for the asset or in the bank's credit locus at some hereafter data if these risks or weaknesses are left uncorrected. The key credit liabilities of all relationship managers is quickly marking off, endeavoring report and enterprising legislation of early alert process. These key credit liabilities are requisite to attempt to incessant basis. An early alert system is performed by the relationship manager. Then it is dispatched to the CRM of any accounts for approving. CRM Takes seven days to approving early alert process. The risk is updated as soon as possible. Loan may still trouble when credit approval process is despite. Therefore, it is very important to assure appropriate practice to defend the bank's interest. Quickly marking off and endeavoring report of descending credit symbols is must be needed for this appropriate practice to defend the bank's interest.

3.18.2.4 Credit Recovery

The Following Function is performed by credit recovery system:

- ✚ Accounts with sustained determination are directly managed.
- ✚ Work out plan/salvation stratagem must be determined.
- ✚ Imitating all contrivance to maximize salvation.
- ✚ Sufficient and timely loan terms and conditions must be formed based on tangible and prospective losses.
- ✚ Observance top management instruction of grade 6 or harmful accounts.

3.19 Provisioning:

- Specific provision: Specific provision is deliberated to be entirely and partly by irrecoverable and keeps a dispensation contrary to outstanding loans.
- Rate of provision: NBL is the time of loan provisioning to get thermal picture of the income predominantly follows the Bangladesh bank guideline.

The rate of provisioning used in NBL is summarized in the following table.

Particulars	Rate
General provision on:	
Unclassified loans and advances	1%
Small enterprise	2%
Consumer finance for house building loan and loans for professional setup	2%
Others Consumer finance	5%
Specific provision on:	
Special mention account	5%
sub-Standard loan and advances	10%
Doubtful Loan and advances	50%
Bad/loss	100%

Chapter Four
Analysis Part of NBL

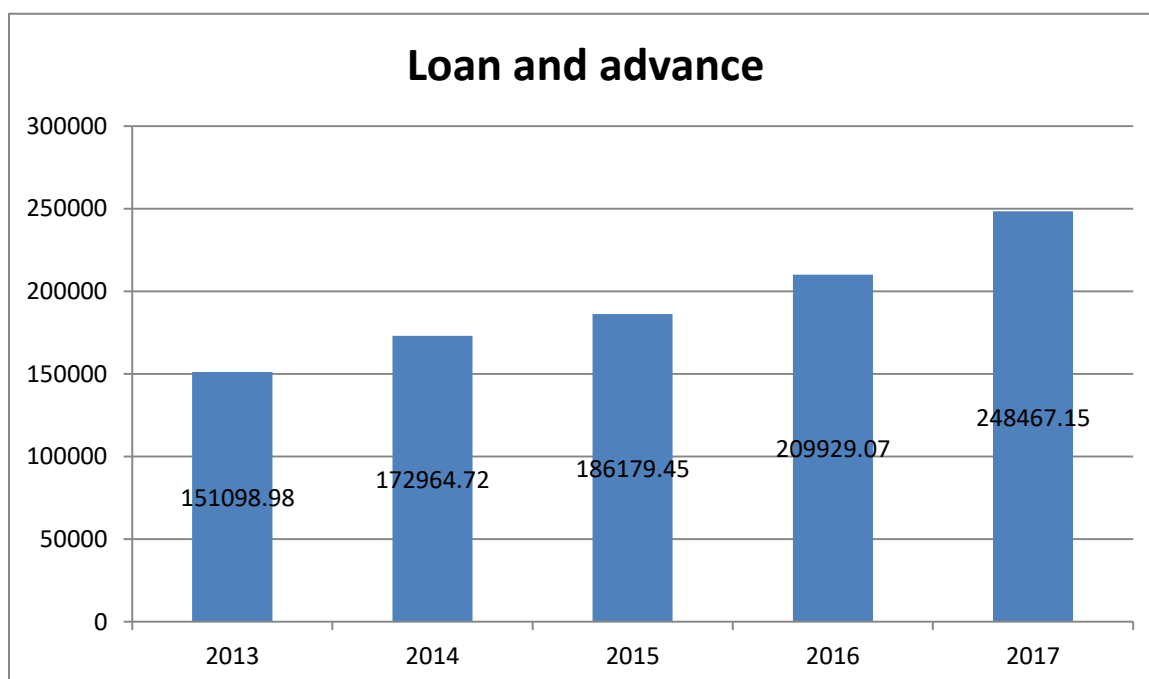
4.1 Loan & Advance

The Following figure illustrates the total loan and advances of National Bank Limited Last five years:

Total Loans and Advances Table of NBL Last Five Years:

Year	2013	2014	2015	2016	2017
Loan and Advance	151098.98	172964.72	186179.45	209929.07	248467.15

Table: Total loan & advances (Amount In Millions)



Interpretation: From the above graph it can be seen that the loan and advanced increased every year from 2013 to 2017 which was 151098.98 million to 246467.15 million. Year 2015, 2016 and 2017 the loan and advance increased more than the year 2013 and 2014. If the trend of this year's exists longer, then it can be said that it is possible for national bank ltd. it increase its condition.

4.2 Loan to Deposit ratio

Year	2013	2014	2015	2016	2017
Loan to deposit ratio	78.02%	83.82%	85.08%	86.99%	91.08%

Figure: Total investment in deposit ratio (Amounts in millions)

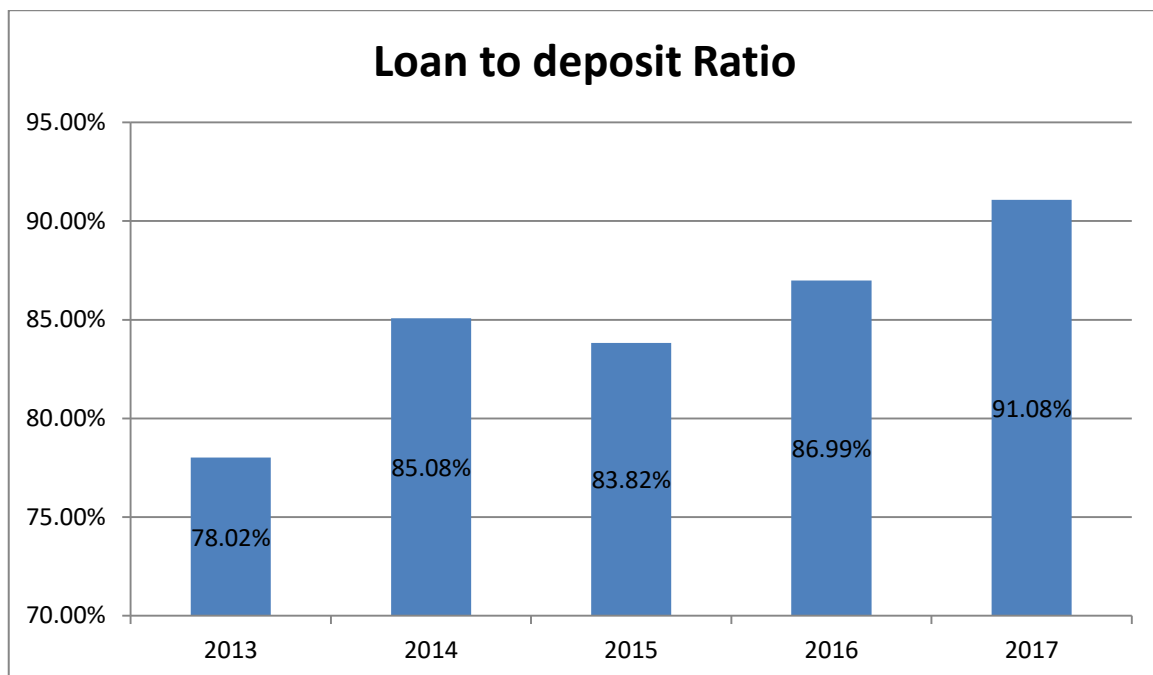


Figure: Bar chart of deposit ratio

Interpretation: In the above figure and graph, it can be seen that the percentage of Loan to deposit ratio. The ratio is expressed here in percentage term. From 2013 to 2017 ratio of loan to deposit increased from 78.02% to 91.09%. A loan to deposit ratio must be 70%-75%. So, the performance of the bank is not so good. They need to decrease their loan to deposit ratio.

4.3 Standard Loan of National Bank Ltd.

Standard loan is unclassified types of loan. The borrower of the type of loan re-pay the interest and installment in due date and no overdue occurred.

Year	2013	2014	2015	2016	2017
Total loan and advance	151098.98	172964.72	186179.45	209929.07	248467.15
Unclassified loan (Standard loan)	193642.97	203296.18	222112.91	241329.88	272771.32
Ratio	78.02%	85.08%	83.82%	86.99%	91.08%

Figure: Standard Loan Ratio of NBL

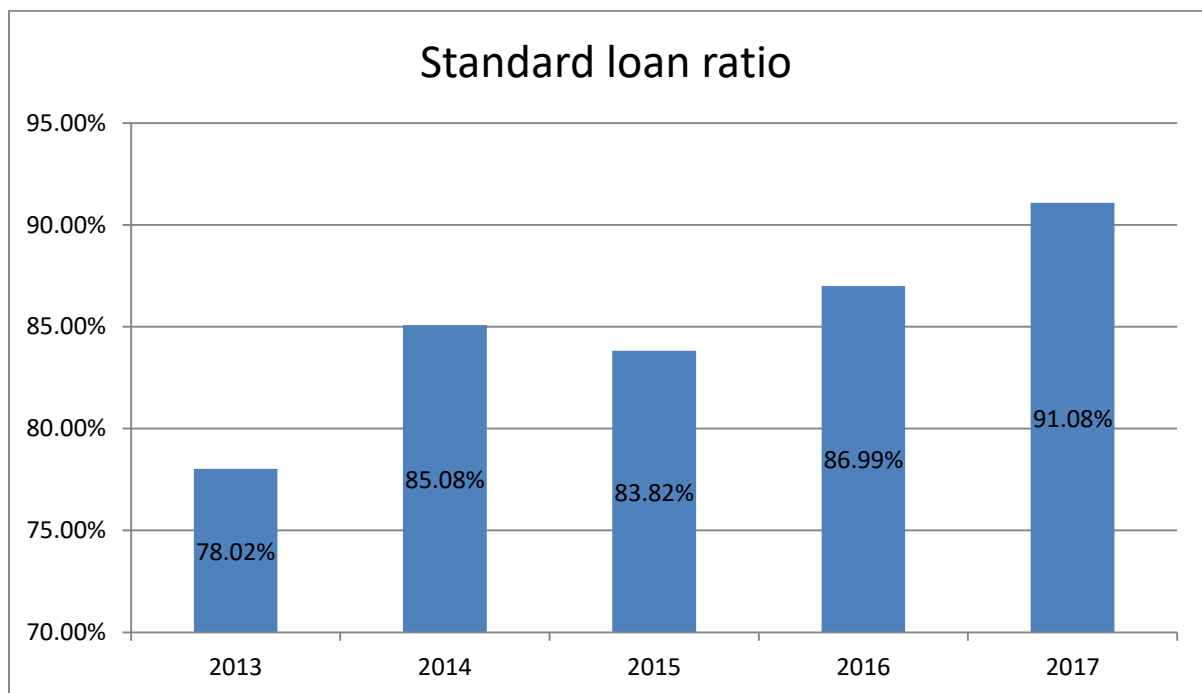


Chart: Standard loan ratio of SIBL

Interpretation: In the above figure and graph, it can be seen that the percentage of loan to deposit ratio. The ratio is expressed here in percentage terms. From 2013 to 2017 the ratio of loan to deposit increased from 78.02 to 91.08 percentages. It implies the deposit increase over the year by year. A loan deposit ratio must be 70%-75%. So, the performance of the bank is not so good.

4.4 SMA loan of National Bank Limited

Year	2013	2014	2015	2016	2017
Total loan and advance	151098.98	172964.72	186179.45	209929.07	248467.15
SMA Loan	4555.17	6480.77	8560.95	8840.84	10801.88
Ratio	3.01	3.75	4.60	4.21%	4.34%

Table:SMA Loan ratio of NBL

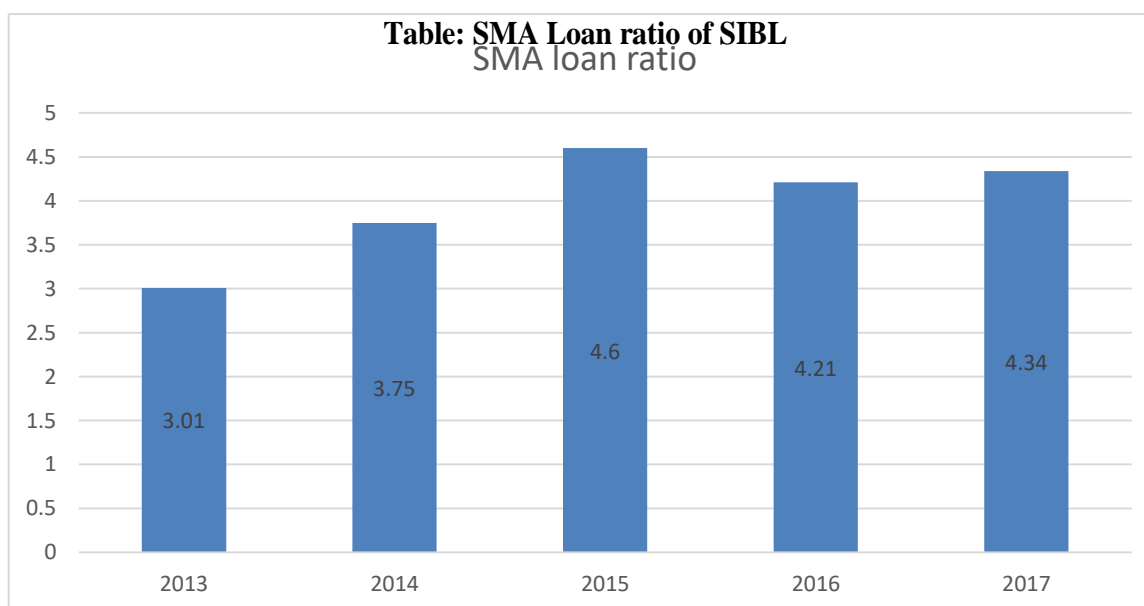


Chart: SMA Loan ratio of NBL

Interpretation: The graph shows the performance analysis of SMA loan of National Bank Limited from 2013 to 2017. From the above table and figure it can be easily identified that the year 2013 to 2017 the ratio of SMA loan was increasing. The highest rate was 4.60% in 2015 and the lowest rate was 3.01% in 2013. The amount was fluctuating from 2013 to 2017.

4.5 Sub-standard loan of National Bank Limited

Year	2013	2014	2015	2016	2017
Total Loan & Advanced	151098.98	172964.72	186179.45	209929.07	248467.15
Sub-standard loan	556.55	984.54	1109.45	1120.00	213.65
Ratio	0.36%	0.60%	0.59%	0.53%	0.09%

Table: Sub-standard loan of NBL

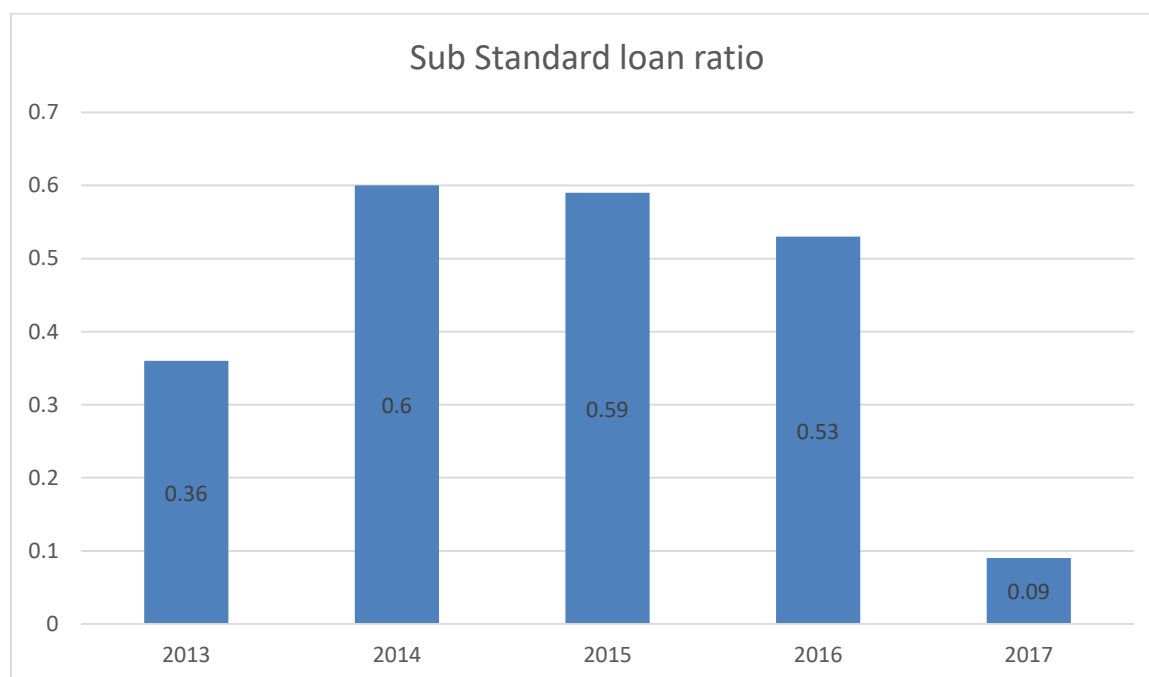


Chart: Sub-standard Loan ratio of NBL

Interpretation: The graph shows the performance analysis of Sub-standard loan of the National Bank Limited from 2013 to 2017. From the table and graph we can see that the ratio and sub-standard loan in the year 2014 was 0.60% and in 2013 it was 0.36%, in 2014 it was the highest which was 0.60%. It can be seen that the ratio of the loan decreased 0.53% from the year 2015 to 2016, and in 2017 it decreased by 0.09%.

4.6 Doubtful loan of National Bank Limited:

Doubtful loan are those dept which is unlikely to be able to collect by a business or individuals. Doubtful loan is an account receivable which might be a bad dept in the posterior. It may not be capable to particularly define which open invoice to a customer might be so serial.

Year	2013	2014	2015	2016	2017
Total loan and advance	151098.98	172964.72	186179.45	209929.07	248467.15
Doubtful loan	888.78	1133.37	1530.45	1536.60	1682.50
Ratio	0.59%	0.65%	0.82%	0.73%	0.68%

Table: Doubtful loan ratio of NBL

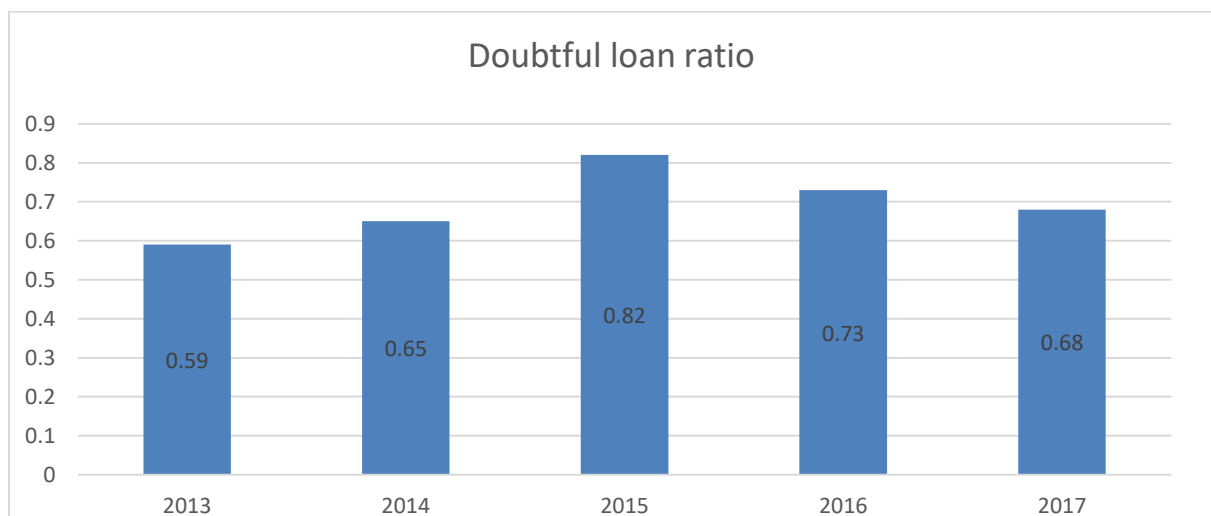


Chart: Doubtful loan ratio of NBL

Interpretation: The graph shows the performance analysis of doubtful loan of the National Bank limited from 2013 to 2017. From the atop diagram & table ratio of doubtful loan & advances it fluctuates from year 2013 to year 2017. The lowest ratio was 0.59% in the year 2013. The highest ratio was in 2015 which was 0.82%. As the ratio is increase sometime and decreasing sometime that means an unstable condition.

4.7 Bad and loss loan of National Bank Limited

Bad debt is a harm that an institution undergoes when credit that has been elongated to permanent becomes otiose, either because the debtor is bankrupt, has monetary matter.

Year	2013	2014	2015	2016	2017
Total loan and advance	151098.98	172964.72	186179.45	209929.07	248467.15
Bad & loss loan	5522.77	5704.48	7666.54	10455.57	13677.67
Ratio	3.65%	3.30%	4.11%	4.98%	5.50%

Table: Bad and loss loan ratio of NBL

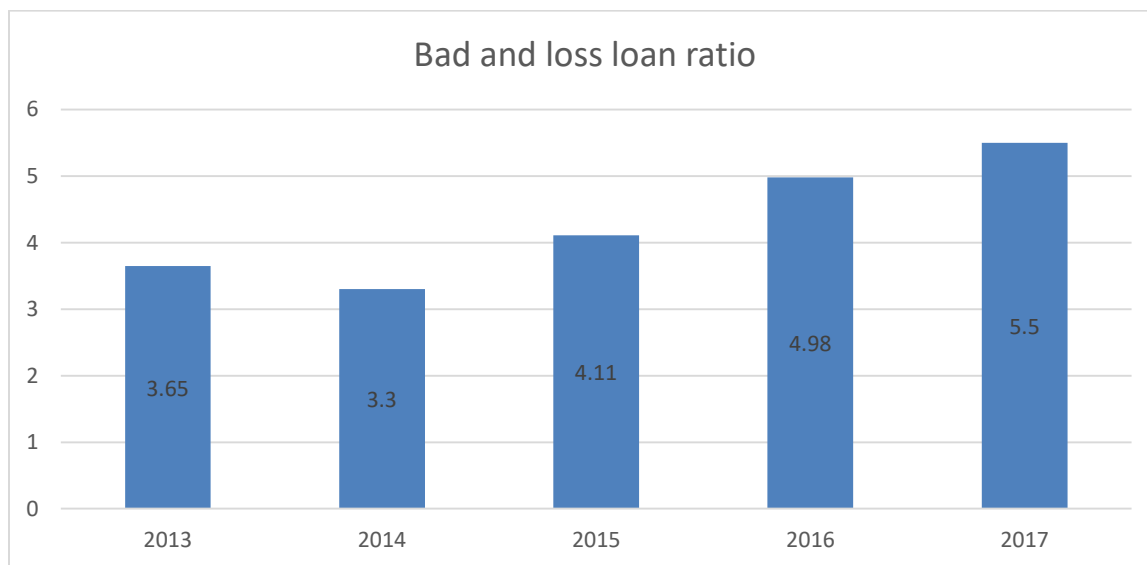


Chart: Bad and loss loan of NBL

Interpretation: The graph shows the performance analysis of the bad and loss loan of the National bank Limited from 2013 to 2017. From year 2013 to the 2014 the ratio was decrease 3.30%, but from the year 2014 to 2015 it increased by 4.11%. In the year 2017 it was 5.50%, which was the highest in comparison to other years.

4.8 Non-performing loan of NBL

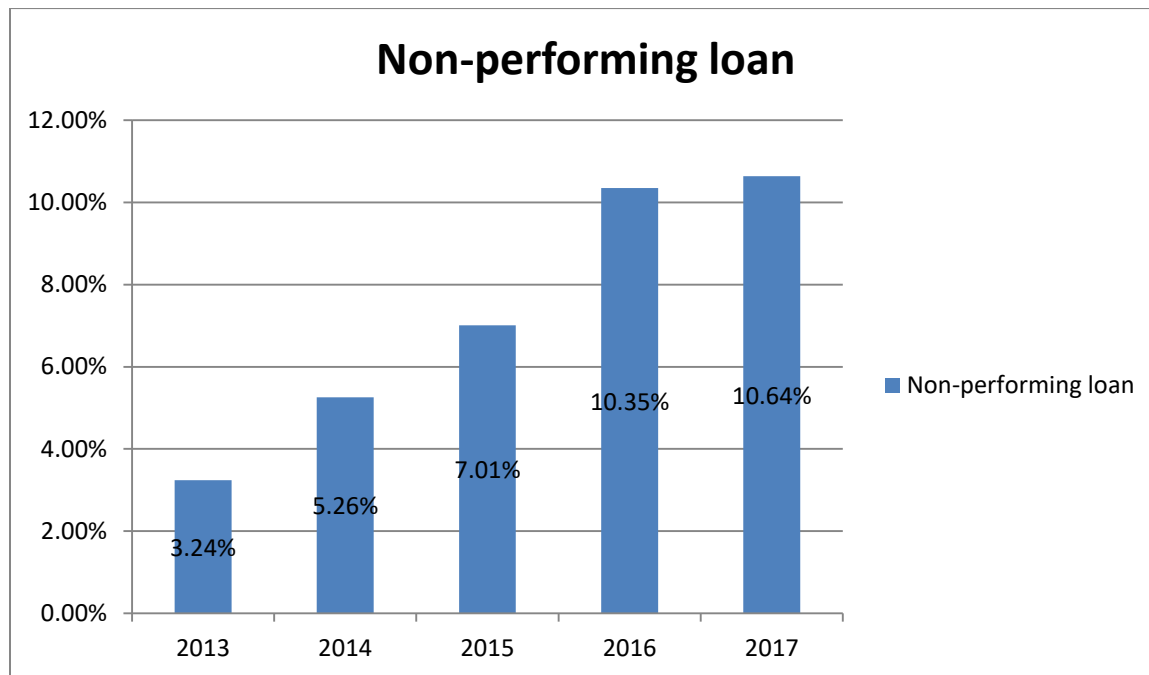


Figure: Last Five Years Non-performing loan of NBL

Non-performing loan is increasing over last years. It is because total loan is in increasing manner.

4.9 Recovery of loan at NBL Last Five Years:

Year	Recovery(IN Millions)
2013	31730.79
2014	51889.41
2015	61439.21
2016	94468.18
2017	69570.80

Recovery of loan at NBL last five Years:

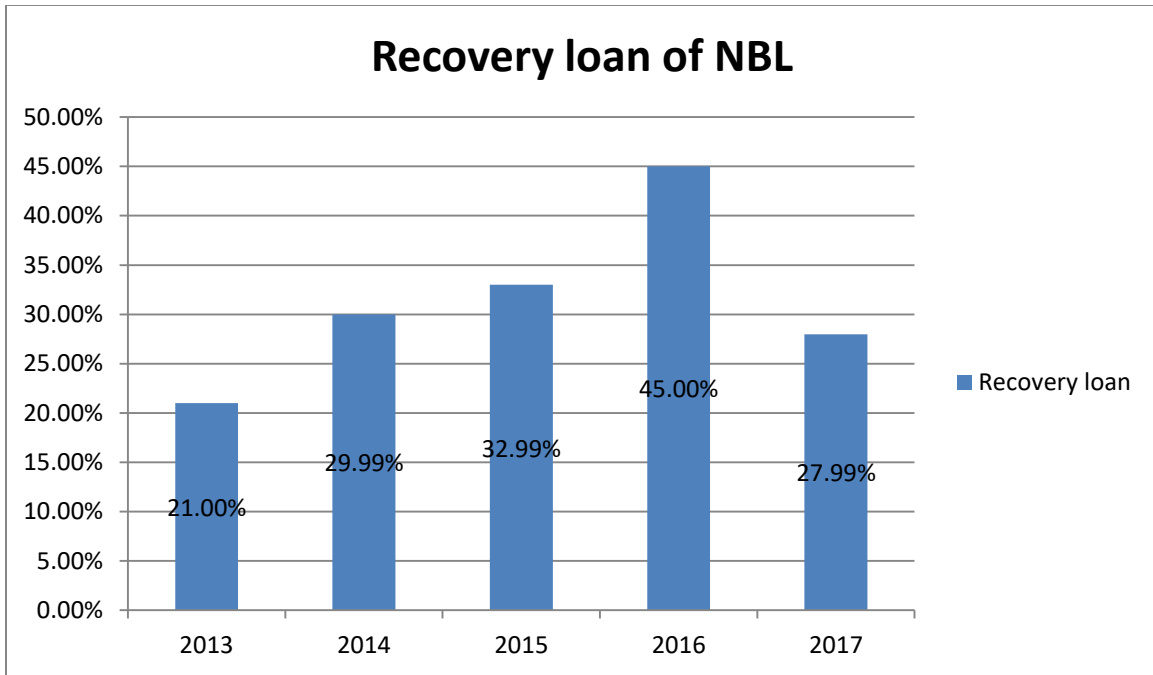


Figure: Last five year recovery loan of NBL

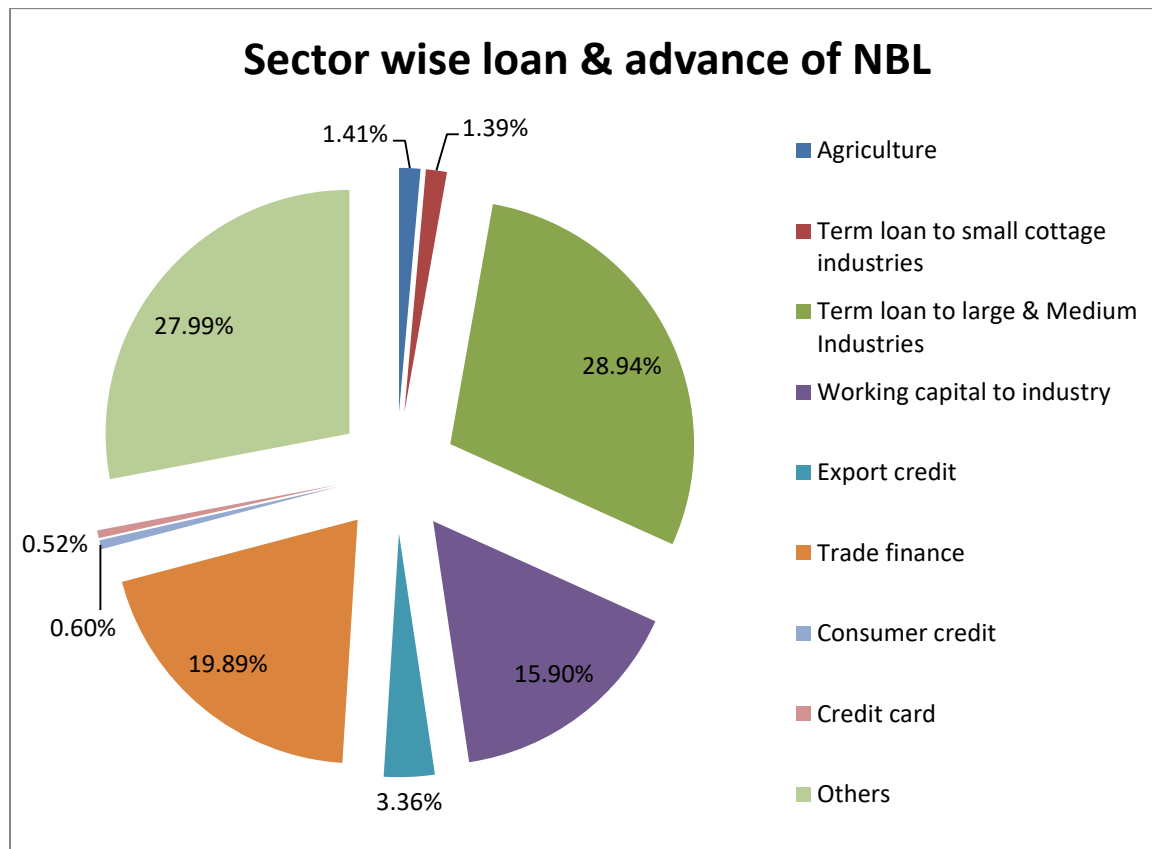
Interpretation: The graph shows the performance analysis of recovery loan of the national bank limited from year 2013 to year 2017. From the graph it can be seen that the ratio of recovery loan is increasing from 2013 to 2016 and it was decrease in 2017. The lowest recovery rate in 2013 which was 21.00% & the highest recovery rate were 2016 which was 45.00%. In 2014 recovery was 29.99%, in 2015 it was 32.99% but in 2017 Recovery rate was 27.99%. So recovery rate must be increase in next year.

4.10 Sector wise loan and advance of National Bank Limited

National Bank Limited invests their credit on nine industrial sectors during years 2017. Amount of investment ratio are given below:

Sector	Amount (taka In Millions)	Ratio
Agriculture	3494.22	1.41%
Term loan to small cottage industries	3463.13	1.39%
Term loan to large & medium industries	71897.49	28.94%
Working capital to industry	39506.51	15.90%
Export Credit	8343.17	3.36%
Trade finance	49420.31	19.89%
Consumer credit	1500.35	0.60%
Credit card	1287.01	0.52%
Others	69554.95	27.99%
Total	248467.15	100%

Sector wise loan & advanced of NBL



Interpretation: The table & graph shows the performance analysis of the total sector wise loan advance of NBL in 2017. The highest loan & advance is gone to large and medium industries & the lowest loan & advance gone to credit card. The working capital industries & trade finance loan & advance are in a good position. The need to increase the agriculture, small business & credit card loan and advance with decreasing the others loan & advance.

Chapter-Five
Major Findings,
Recommendations and
Conclusions

6.1 Findings of the Study

Based on analysis and brief description of credit risk management system of NBL following findings are originated:

- (1) The total loan and advance are increasing year by year. In the year 2013 total loan and advance were 151098.98 (in Millions). In 2017 total loan and advance was 248467.15 (in Millions). From 2013 to 2017 total loan and advance increased by 97368.17 (in millions). It is satisfactory for NBL.
- (2) The loan of deposit ratio of NBL is not satisfactory. A Bank loan to deposit ratio must be 70-75%. But the loan to deposit ratio of NBL is increase trend till 2013 to 2017. In 2013 it was 78.02% & in 2017 it was 91.08%. From 2013-2017 Their loans to deposit ratio increase 13.06%. They need to decrease the ratio at anyhow.
- (3) SME loan is increase from 2013 to 2015. In 2013 to 2014 it was increased 0.74%, in 2014 to 2015 it was increased 0.85% Buy in 2015 to 2016 it was decreased 0.39%, at last 2016 to 2017 it is again increased 0.13%.
- (4) Sub-standard loan is in a stable position of NBL. The highest sub-standard loan of NBL is 0.60% but in 2017 sub-standard loan was 0.09%. 2014 to 2017 sub-standard loan decreases by 0.51%.
- (5) Doubtful loan of NBL is in an unstable condition. In the year 2013 the ratio was 0.59. The highest ratio was in 2015 which was 0.82%. So 2013 to 2015 it was increased by 0.23%. But in 2016 and 2017 it was decreased. 2015-2017 it was decreased by 0.14%.
- (6) The bad and loss loan is increasing year by year. The lowest bad and loss loan was in 2014 which was 3.30% and the highest bad and loss loan was in 2017 which was 5.50%. From 2014 to 2017 it was increased by 2.20%. It is not so good for NBL.
- (7) We can see that loan recovery ratio was increasing trend till 2016. But it decline in 2017. From 2013 to 2016 recovery ratio increased by 24%. In 2016 to 2017 recoveries ratio is decline by 17%.

6.2 Recommendations

National Bank Limited is a second generation private commercial bank in the country with commendable operating performance. The recommendations given below are not decisions; preferably they are only counsel to ameliorate the performance in order to fill customer atonement so that clients contribute added performance to National Bank Limited. The recommendations are made on the basis of finding and analysis and these are:

- National Bank needs to decrease their loan to deposit ratio. The present ratio is 91.08%. This is very harmful for the bank. They need to decrease the ratio up to 70-75%.
- Doubtful loan & bad and loss loan is very harmful for a bank. Last two year doubtful loan was decreases but bad and loss loan is increased Year by year. So national bank needs to decrease those types of loan. They must need to take appropriate action about these types of loan.
- Recovery loan was increased up to 2013-2016. Buy recovery loan was decreased in the last year. This is not satisfactory for National bank limited. They must be increasing their recovery loan ratio.
- In the sector wise loan and advanced National bank need some necessary action. They need to increase percentage of loan and advanced in agriculture and short term loan. They also need to increase percentage of loan and advanced in credit card and consumer credit.

6.3 Conclusions:

With bad depth banker engage sleep well in his portfolio. Many commercial banks are failures with a due to the bad loan. It occurs to inexperienced management of the loan and advanced portfolio. Therefore, any bank should be conscious about its landing portfolio and credit system. So far national bank has the ability to supervise its credit portfolio expertly and conserved the classified loan at a very diminish rate.

All thinks are changing around us is accelerating rate. The credit management system might be seemed fit today but tomorrow it will be different from today. For robust credit risk management policies and procedures compulsion of globalization, liberalization, consolidation, disintermediation and dynamic global economy is elementary for national bank limited.

From the conversation of this report, it has been clear that credit risk management is a complicated and continuing operation. For this reason financial institution must taka serious approach in addressing these issues. They must be up to date all required procedures and most employ component people who have the ability to deal with these complex matters.

At last Importance should be given for improvement of networking system. Because for modern banking environment and obviously efficient and effective for credit risk management improvement of networking system is very essential.

Part Three

Appended Part

BIBLIOGRAPHY

Bibliography:

- Annual Report.
- Credit Risk Grading Manual.
- www.nblbd.com.
- en.wikipedia.org/wiki/bank.
- Foundation of financial management by Stanly B. Block & Geoffrey A. Hirt.
- NBL,s retail banking service prospectus.
- Articles published on credit risk department information.
- Credit Risk Measurement: New approaches to value at risk and other paradigms by anthony Saunders.
- www.bis.org/publ/bcbs54.htm
- Credit policy and risk management guide of National Bank Limited.

