

Internship Report
On
**An Overview on Credit Risk Management of “Prime
Bank Ltd”**



Prime Bank Limited
a bank with a difference



Inspiring Excellence

Internship Report

On

An Overview on Credit Risk Management of “Prime Bank Ltd”

Course Code: BUS400 | Internship

Submitted To

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Letter of Transmittal

9th May 2019

To

Shezanur Rahman

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66 Mohakhali, Dhaka-1212, Bangladesh.

Subject: Submission of Internship Report on “An Overview on Credit Risk Management of “Prime Bank Limited”

Dear Sir,

With due respect and humble submission I want to state that it was a great pleasure to submit the report on **“An overview on Credit Risk Management of Prime Bank Ltd”** which was allocated by you as an important part of my internship program. During the working period, I have earned plenty of information about both banks operation and its principles.

I tried to put my determination to prepare an accurate and complete report. In my report, I have tried to show how Prime Bank Limited operates their credit section and also deals with the challenges and credit risk of its customers. I also tried to give some recommendations to resolve their risks based on my experience and personal knowledge.

I would like to acknowledge you for inspiring me to complete my internship report and I hope you would appreciate my thoughtful approach.

Therefore, I would like to submit this report for your kind judgment and valuable suggestion.

Sincerely Yours,

Rubaiat Abde Rabby

ID: 14204122

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Letter of Endorsement

The Internship Report on “**An Overview on Credit Risk Management of Prime Bank Ltd**” has been submitted to BRAC Business School, for the reason of completing the degree of Bachelor of Business Administration, by Rubaiat Abde Rabby, ID- 14204122, focusing in Finance from BRAC University on 9th May, 2019. The report has been approved and will be presented to the Internship Defense Committee for evaluation.

I wish every success and prosperity of his career and life.

Shezanur Rahman
Internship Supervisor Faculty
Lecturer
BRAC Business School
BRAC University



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Acknowledgment

At the very beginning I would like to thank The Almighty Allah. Without his support it was totally impossible to complete this report within the given time.

It was a great opportunity to doing my internship program at “**Prime bank limited**” (PBL). I have learnt a lot of things from there. I count myself very lucky that I got the chance to work with this amazing team in the branch. I really appreciate the support I got from the bank throughout my internship period.

I would like to thank my internship supervisor **Mr. Shezanur Rahman, Lecturer, BRAC Business School**. He has supported me the most by providing the guideline regarding the report. I feel really fortunate that I got him as my internship supervisor. He has been helping me from choosing the internship topic till its completion. Without his support it would not be possible to make the report informative.

Secondly, I would like to thank my organizational supervisor **Mr. Muhammad Rafiqul Islam, Assistant Vice President & manager Operations, Prime Bank Limited** for his immense support and supervision. I have learned a lot of things from him like the working process of a bank. I have also learned the operations that take place inside the bank regularly. His contribution in my report is very significant because he was the one who has referred me the employees I should contact to complete my report.

I would like to thank **Mr Karttik Banik, Senior Executive Officer & Mr Kamrul Hasan, Senior Officer, Credit Administrative Division (CAD), Prime Bank Limited**. They are the people who have helped me will all the data and information I needed to complete my report. I am really grateful to them for their effort to make my report more data driven.

Lastly I want thank **Ms Shajuti Chowdhury Kona, Junior Officer, Prime Bank Limited**. She was the person who helped me to learn the bank works. I have learned so many things from her about the bank and she helped me the most to match up with the banking environment.

Finally, I am really thankful to BRAC University, which actually helped me to gain knowledge during my graduation period. It played a significant part to accomplish my assigned jobs in the organization

Executive Summary

Prime Bank Limited (PBL) is one of the most renowned banks in Bangladesh. It was established in 17th April 1995. It has been one of the dominating banks from the very beginning of the commercial banks. It has contributed a lot in Bangladesh's economy.

The topic of my internship report is “**An Overview on Credit Risk Management of Prime bank limited**”. It has achieved the latest highlighted feature in the banking industry of Bangladesh. There is a huge competition in the banking industry between the commercial and Gov. Banks in Bangladesh, which is the reason that Credit Risk Management has gained an extensive attention. The main focus of my report was to understand the activities take place in **An Overview on Credit Risk Management of “Prime Bank Limited”**.

This report primarily focuses on the overall financial indicators of “Prime bank Limited” and their performance in this overall commercial banking industry in Bangladesh. Different issues like their management, financial strength, credit and collection policies and their crisis, management stands are described in this report. I tried to describe the steps “Prime bank Limited” follows to maintain this issues of **Credit Risk**. It also includes the Credit facilities PBL provides for their customers.

This report covers the facilities under **MSME, RETAIL** and **CORPORATE** units. But I have mainly focused on the Retail Loans of “Prime Bank Limited” due to the limitation of the research. I have focused on the facilities of retail loan like Personal loan, Home Loan, Secured Loan, Credit card, Auto loan etc. Here I have showed their retail loan's performance, total outstanding loan amount, total Non-performing Loan (NPL) Amount and segmented loan performance of Prime Bank's retail department. As a general there is a minimum amount of credit risk for most of the customers, so I have tried to find out what types of credit risk issues PBL face and how they manage this credit risk issues of the customers.

I have also tried to compare the loan performance, total outstanding loans and Non-Performing Loan amount of “**Prime bank Limited**” with “**City Bank**” so that the current position of “Prime Bank Limited” can be understood and they can take several steps to grow their economy more.

After discussing these components, I have found out some findings and challenges PBL faces while they manage the credit risk of their customers. In the finding part I found that they are facing problems like inflexible credit assessment and risk categorizing, ineffective Third Party agent (CPV agents), inefficient data management and some other things which are affecting PBL's Credit Risk Management.

Lastly, I tried to make some recommendations for the bank based on my findings and challenges they face. The credit risk can be managed efficiently if these recommendations are followed and the challenges are converted into opportunity by “Prime Bank limited”

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1.0 Organizational Overview

Prime Bank Limited is one of the top ranked private banks in Bangladesh. Prime Bank Limited started their journey on 17th April 1995 incorporate under the company's act of 1994. They have 146 branches and 3212 employees working under the company. Their profit per employee is 1.78Million.They have 5 subsidiaries in local and international. They have gained a significant progress within a very short time. They have achieved internationally CAMEL rating. They have been recently awarded with Best SME Deal Award from Asian Development Bank - 2018 .Their sponsors are some of the reputed characters in the commerce and trade market of Bangladesh.

Prime Bank Limited offers both commercial and personal services for their customers. Their major focus is on Retail, MSME and Corporate. They have introduced another credit service which is SOD (Secured over Draft). Prime Bank Limited is one of those banks who have different types of products as well as Islamic banking. They have started their Islamic Bank branch on 1995. They also provide investment banking service and ATM service for their customers. They have about 170 ATM networks covering Dhaka, Chittagong and Sylhet. They also try to create opportunities for the students too. Prime Bank Limited used to their trade at Dhaka Stock Exchange and Chittagong Stock Exchange. They have made regular profit from past few years. They also have their RTGS and BFTN service for their customers. They have recently introduced one of their new services called Prime DIGI. This is the 1st ever digital savings account which can be opened from anywhere, anytime. No need to come at the bank physically. There will be no initial deposits, free internet banking, monthly e-statements, unlimited transaction at ATM and many more. They used to do their internet banking through their software which is known as altitude.

Prime Bank Limited is also connected with the sports sector of Bangladesh. They have their own cricket team in Dhaka Premier League name “Prime Bank Cricket Club”. They were also the title sponsor of Bangladesh Premier League (BPL) 2013 edition. They also provide financial assistance for the development of Bangladesh cricket.

Prime bank Limited is quite active in their CSR activities. Now a day about 450 poor meritorious students are recipients of the stipend provided by PBL. They are investing over handicap people in Bangladesh. They have organized several training session regarding health management. They have also donated about 2.5million to the PM's fund for the welfare of the BDR martyr's families. They have their own eye hospital Prime Bank Eye Hospital. It has been created for the eye care of the Bangladeshi people. Those who are unable to afford the wide range treatment can take the service from PBEH. They have also launched a mission of early detection and prevention of diseases by starting special health camps all over the country.

1.1 Credit Rating of Prime Bank Limited

CRISL		CRAB	
LONG TERM	SHORT TERM	LONG TERM	SHORT TERM
AA	ST-2	AA2	ST-2

Credit Rating Information & Services Limited (CRISL) has stated the rating of “Prime Bank LTD”. Based on the financial report of the year ended December 31, 2017 and also other quantitative and qualitative informations, CRISL has awarded them with “AA” in the Long Term and Also **ST-2** in the Short Term. Here AA declares to the higher quality, high safety and higher credit quality. The level of rating declares them as a corporate profile without any problem. Short term means high possibility of timely payment, having strong fundamental protection and less risk factors

On the other hand world famous credit rating agency “**Credit Rating Agency of Bangladesh Limited**” has also provided the credit rating for “Prime Bank LTD”. Based on the financial report they have given PBL, **AA2** rating in the long term and **ST-2** in the short term. **CRAB’s AA2** mean a this company has strong capability to to meet their financial commitment. It also shows the quality of the company is very high and also has less credit risk. **CRAB’s ST-2** indicates that they have high ability to timely repayment. They have a admirable position in case of internal fund generation, terms of liquidity and access to alternative sources of funds.

1.2 Key Performance Indicators of Prime Bank Limited

1.2.1 Profit after Tax (PAT)

Prime Bank Limited was quite consistent in last few years except 2017. It was about BDT 2195m in 2016 but 2017 it falls down to about BDT 1095m. It drops down about 50% only in one year due to the unstable situation of the banking industry regarding the NPL issue, it was quite tough for the banks to sustain a huge profit for the organization, However Prime bank’s

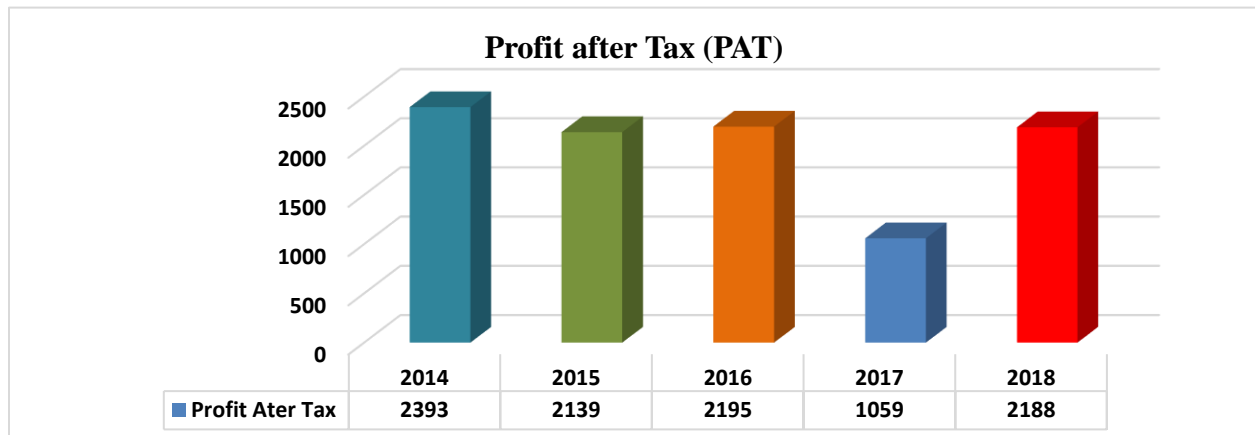


Figure1: Profit after Tax (PAT) (source: Annual Report)

consistency and dedication towards their goal helped them to bring up a satisfactory performance while competing with the other banks in Bangladesh. There was a major possibility of having a high amount of risk in 2018 as the NPL ratio stood up. But PBL's credit division was capable to manage their credit collection properly that's why their NPL dropped in the year of 2018 and their PAT increased up to BDT 2188m till September 2018.

1.2.2 Loans and Advances

Their loans have seen a huge growth in recent years. In 2016 it was about BDT 170211m but in 2017 it increased in a high volume and became about 198322m. There was a growth of about

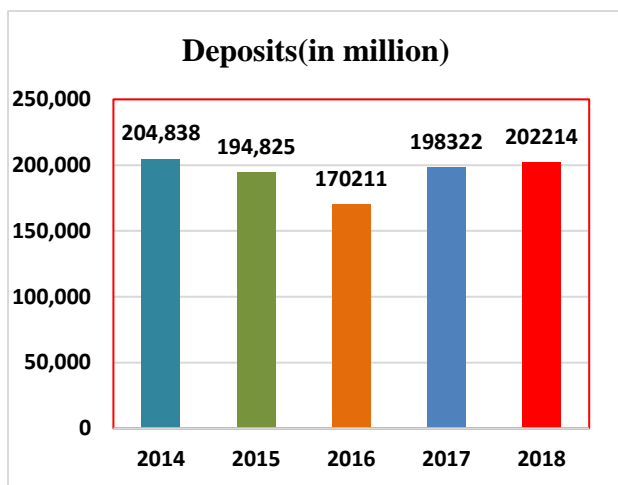


Figure 3: Deposit (in million) (source: Annual Report)

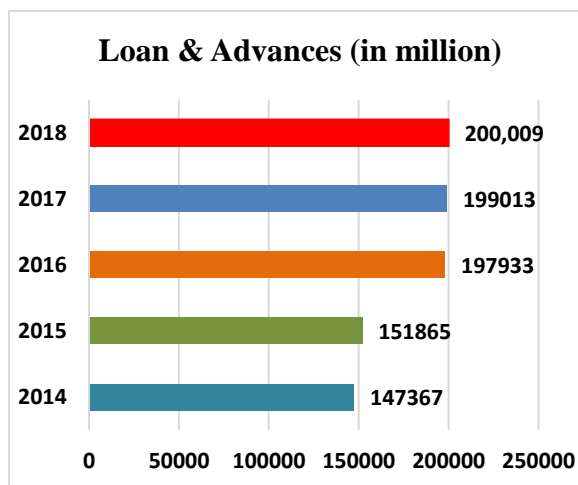


Figure 2: Loan & Advances (source: Annual Report)

14% in that year. On the other hand in 2018 (till September) it became 202214m with growth rate of 2% again. So with these ratios we can understand that they had a decent growth in their loans. Their continuous change in terms of their loan permitting made them profitable in this sector.

Again their deposit amount also made a significant growth since 2016. In 2016 it was 197933 m and in 2017 it increased to 199013 with a growth of about 0.54% and in 2018 it became 200009m with a growth of 0.49%. The Reason behind their growth was the government of Bangladesh took the decision of decreasing the interest rate. The deposit amount of Prime Bank Limited got affected by this and also the whole banking sector of Bangladesh had a huge benefit.

1.2.3 Earnings per Share (EPS)

In the year 2017, earnings per share of Prime Bank Limited decreased at BDT 0.94, which was BDT 1.94 in the year of 2016. Due to a drop in profitability and fresh share capital issuance in 2017, the EPS has dropped a little bit. It put their effects not only over Prime Bank Limited but also over the whole banking sector of Bangladesh. But in 2018 the EPS of Prime Bank Limited increased again and it became 1.93.

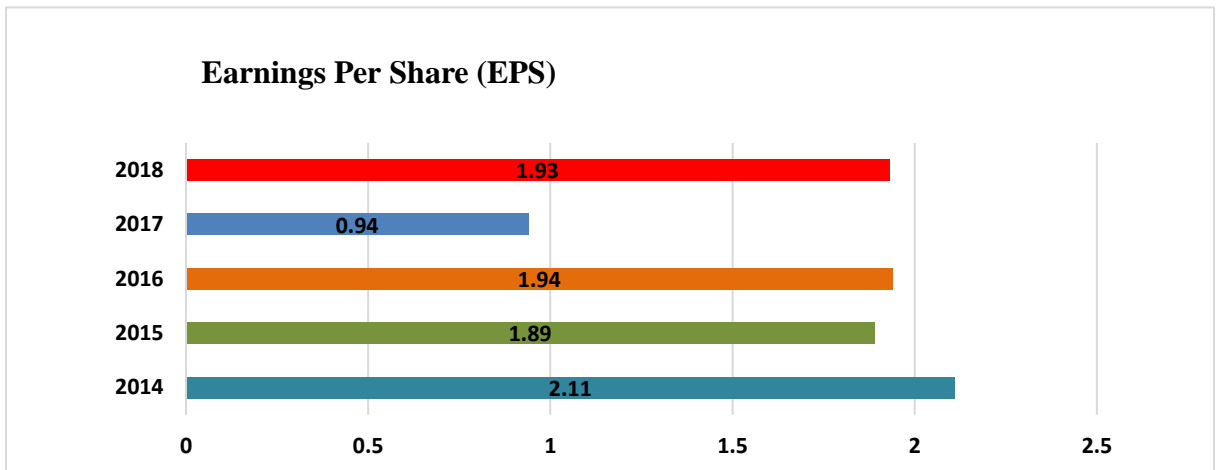


Figure 4: Earning Per Share) (source: Annual Report)

1.2.4 ROA & ROE: Return on Assets (ROA) & Return on Equity (ROE)

Due to instability of the banking sector PBL had a decrease in their ROA and ROE in 2017 as in 2016 its ROI was about 8% but in 2017 it decreases and became 4.24%. On the other hand in 2016 their ROA was about 0.81% and in 2017 it decreases and became 0.38%. In 2018 due to the improvement of the market ROA and ROE of PBL increased again. Their ROE had a huge jump and it became 8.60% and their ROA also increased and became 0.76% which was previously only 0.38%.

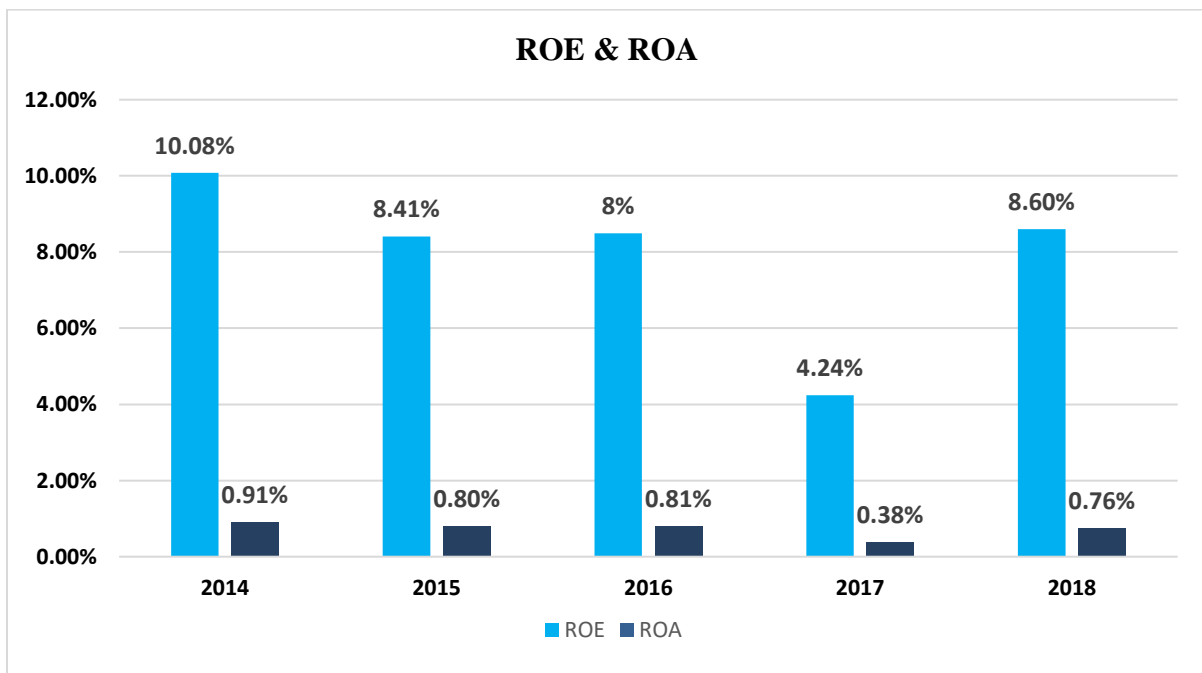


Figure 5: ROE & ROA) (source: Annual Report)

2.0 Introduction

2.1 Rational

Finance is one of the top rated fields of study. An organization will understand the use of their money thorough financial operations. Money making depends on the marketing and sales team as they do market research and bring customers. But only finance team manages the money flow. As my major was finance and I belong to a banker family it was always my wish to works in a bank where I will be able to learn and also use my knowledge about banking.

To steady the economy of country financial organizations always plays a vital role. From the very beginning the financial organizations of Bangladesh are giving their efforts for the betterment of the country's economy. Prime Bank Limited is also providing their service as one of the successful intermediaries. They try to give the best security for the customers in terms of their transaction. However now a days Non Performing Loan (NPL) has become a bigger issue for the whole banking industry. That is the thing which attracted me to understand the real scenario of the banking sector of Bangladesh. That's why I tried to explore the credit operations and its risk management operations against these credit default issues.

I hope this report will help anyone to understand the credit risk issues that commercial banks are facing now a days and how to deal with them. Firstly in this report there is the overall idea about Prime Bank Limited, and then there will be some descriptions about the loan products of the company, what are the processes to avail loans, how PBL manages the issues of their credit risk. Finally I will provide some finding that I found while preparing my report and also there will be some recommendations that I came up as solutions for the credit risk of Prime Bank Limited.

2.2 Background

To explore the real world and the pressure of job market, internship is always one of the best opportunities for the student. It also helps the student to understand the culture and the operations of an organization. My academic knowledge, support of my faculty supervisor and my organizational supervisors direction helped me the most to complete my internship report "An Overview on Credit Risk Management of PRIME BANK LIMITED". Without their help I wouldn't have completed my report in an efficient and structured way.

2.3 Objective

This prime objective of this report is to understand how much Prime Bank Limited is affected due to their credit risk issues and what steps they are taking to overcome these credit risk.

There are some other objectives are in my report without completing my degree. These include-

- ❖ Analyzing the financial indicators understand the performance of Prime Bank Limited
- ❖ Understanding the credit facilities that are provided by PBL
- ❖ Comparing the performance of PBL with other Banks
- ❖ Observing and learning the credit risk management process of PBL

- ❖ The challenges Prime Bank Limited is facing regarding their credit risk issues
- ❖ Exploring the working environment inside banks
- ❖ Getting an experience of real life working

3.0 Literature Review

Non-Performing Loan is when a customer takes loans from the banks and do not repay the amount and also do not make the scheduled payments including interest. It is also known as classified loans or default loans. When a customer is unable to make his repayment for 90 days which means 3 months at a stretch, it is counted as NPL or Defaults.

In this issue, financial institutions play main role in the progress of the country's economy. Facilitating the process between the surplus units is the main focus of this financial institution which is mainly depositors and the debit unit. To manage the money smoothly the financial institution gives assurance to both the groups through the process. The contribution of commercial banks in Bangladesh's economy is incredible. From the very beginning of the country, we are suffering from different economic and political disasters. The economic improvement of the country is very much needed along with other developments. Because it is something with which many of the problems of Bangladesh can be resolved easily.

One of the key factors for the improvement of economy of Bangladesh is the efficient flow of saving and investment process. The financial market of Bangladesh needs to grow up more because it is one of the fastest developing countries. Bangladesh is very much dependent on mobilizing the depositors side and capital suppliers. It is really important for a strong economy. However the issues that has been created for NPL, has become a prime problem for the economic growth of our country.

The average ratio of NPL was 27.10% while comparing it with the total loans and advances since 2012-2016 (As per Bangladesh Banks Study 2018). For Private commercial banks it was 4.9%, For foreign banks it was 6.5% and 22.56% was for the state owned banks. For both commercial banks and state owned banks, the rising amount of NPL has become a problem. These issues have to be taken care of.

According to **Saleh Uddin Ahmed**, ex Bangladesh Bank Governor, Banks enjoy collecting loan installments from small businesses but its big businesses that do not pay in time. Small enterprises contribute more to the country's economy. This is why the number of big loan defaulters is increasing (Roy, 2018).

In between 2014 to 2018 the NPL ratio of Bangladesh was higher than India and Nepal; it was nearly 10% according to a paper titled "A Review of the Activities and Performance of Banking Sector". **The International Chamber of Commerce- Bangladesh (ICCB)** has named the NPL

issue as a curse for the country's growth. They are very concerned about this issue and they are requesting the government to take steps to solve this issue.

From the recent reports of Bangladesh bank (2019) The Year on Year (YOY) money supply in Bangladesh has increased in January 2019 and it became 10.37%. In February 2019 the total reserve of foreign exchange became USD 31787 million. In 2019 the domestic credit saw a growth of 13.7% and it reached USD 123471 million. It made a huge growth in comparison to other years (Bank, "Economic Data").

However according to **Sayed Mahbubur Rahman**, "Due to the ongoing liquidity crunch, the private commercial banks will struggle to register profit in recent years" (Uddin, 2019).

Lastly, NPL issue has become a matter of worry in last few years. Though some steps have been taken to mitigate this issue but not proper steps have been taken to increase the strength of bank management, risk management improvements and also against the defaulters. There are different steps can be taken to take care of this problem of poor risk management and corruption inside the banking sector. As Bangladesh is a developing country, this issue can hamper the growth of the country if it is not taken care of properly.

4.1 Activities Undertaken

Joining Prime Bank Limited as an intern was a great opportunity for me. It was a great source of learning. Working with different people in different departments helped me to understand and learn banking works practically. It was also the opportunity to explore the banking sector and culture of Bangladesh.

4.1.1 Reach the Sky Project

Reach the Sky is the newest projects of Prime Bank Limited. It has started from December'18 and will run till April'19. In this project there is target has been set for the employees to bring deposit money of about 6 Crore. It can be done by both savings account and current account. Here I had to make calls to the customers to tell them about the facilities they are going to have.

4.1.2 Customer File Preparing

All the banks had to change the EMIs (Equal Monthly Installment) of their customers by the rules of BEFTA (Bangladesh Electronic Fund Transfer Authority). All the customers of Prime Bank Limited got a form named EFTN. I was assigned along with two MTO's to edit the forms as per new EMI. There we had to check the details of the customers and also sometimes we had to fill-up the duplicate forms which were also known as bank's copy.

My work was to find out the mistakes from the forms. There PBL's agent who were designated as TAO ,Trainee assistant officer ,also known as RM get the forms signed by the customers as an agreement that they are known about the new policy and they will start paying the new EMI.

4.1.3 Credit Card

Every employee of Prime Bank Limited has a target of bringing at least 1 credit card customer every month. I had to explain the required things that the customers need to get a credit card. There were 3 forms needed to be filling-up. My work was to make them understand the forms. Sometimes I had to fill the forms with details of the customers. Without that there was a bank copy which I had to fill up complete with the details of the customers, their NID number, TIN number etc.

4.1.4 Debit Card Sector

Prime Bank Limited has introduced a new chip based debit card which was different than the old normal cards. Here they have added micro chip set. It is much more secured than the old card because if a customer uses his old normal cards while doing shopping, he or she does not need to use their pin but in this new chip based card if the customer want to buy anything or want to pay any bill, he or she has to give the pin. So it is much more secured than before. My job was to deliver the cards to the customers and also tell them about the process to activate the card. Also I had to check the signature of the customers, providing the temporary pin number (Which they had to change later while activation), input the delivery data in the register.

4.1.5 Cheque Book Sector

I had to collect the requisition of the cheque books and had to post it into the server, so that the customers get their cheque books on time. I also had to provide the cheque books to customer who gave requisition for the cheque books and also keep the data in the register.

In this whole work I learned a few banking segments which is really needed in banking sector. Like Current account, savings account, PF number, altitude, loan giving policy etc. In this whole work process I had to follow the Excel files. Bank is all about keeping the data in the excel files so that any time any moment they can filter and collect the things they need.

4.2 Some Other Learning that I Got from This Whole Process

4.2.1 Efficiency

Every day I had to work continuously from 10 am to 6 pm in different departments with different people. I was involved in different tasks, so I had to be more efficient while working because I had a huge pressure to deal with.

4.2.2 Precision

As I did my internship in a bank, in this whole journey I had to be very careful while working because one of my prime work was to keep the data in the excel file, a single mistake could create a big chaos. I also had to work with PBL's account numbers, cards and cheque books, so needed to very much focused and attentive.

4.2.3 Documentation

While working in the credit department and also in the customer service department I was introduced with the documentation process. They taught me how to verify the required documents provided by the customers. While taking loans every customer has to make a loan file for them. This file has some charged documents. I got to learn about the documents both the customers and banks need to provide to allow a loan. Bangladesh bank takes money from the customers by the banks based on the loan types. These charged documents are:

- ❖ Guarantee Letter
- ❖ Demand Promissory Note
- ❖ Permanent power of attorney
- ❖ Undertaking Letter
- ❖ General Loan Agreement

I have also learned how the categorization of loans completed in the banks. Every loan applicants are differentiated different segments which depend on the financial ability, current market and future of the business of the customer.

4.2.4 Company Categorization

I have also learned categorization while working in the bank. When a company or an individual come to ask for a loan to funding their business or to fulfill their needs, they are divided into different categories. First few weeks of my internship period, I observed how the authorized

employee did categorization of any organization. It mainly depends on the future of the organization and also based on the financial ability of the person. After observing I was given some tasks of doing categorization.

5.0 Credit Risk Overview of Prime Bank Limited

Credit risk means when a borrower of a bank loan is unable to repay his loans on time and the probable loss that banks will face. There are different terms issued for the customers while taking loans and they have to agree and perform the terms in the whole period of loan. The loan borrowers considered as defaulter when they are unable to repay the amount which they agreed before. While performing the obligations there are different consequences of credit risks such as they payments of EMI might be repaid in untimely manner, partial absence of EMIs.

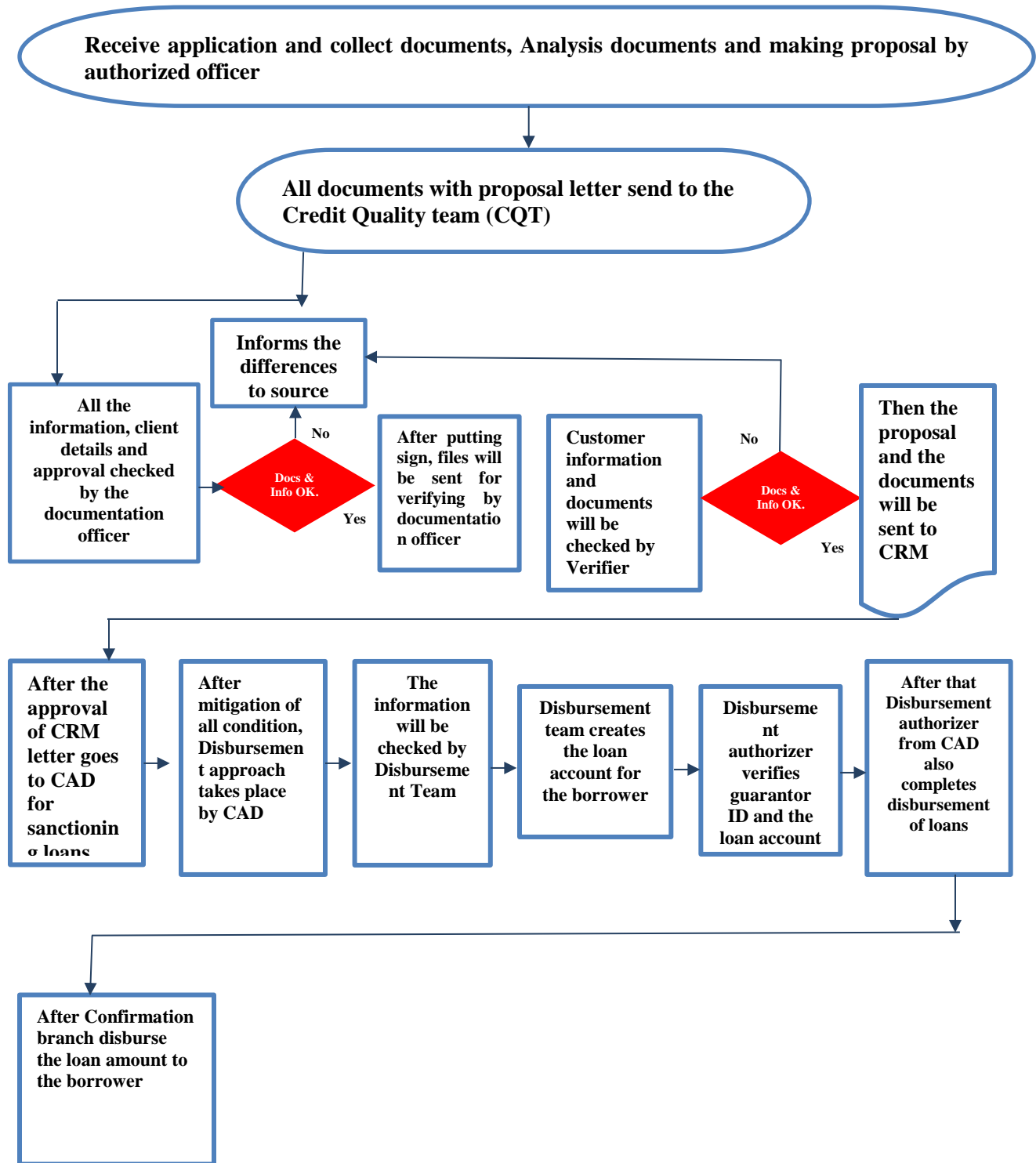
6.0 Credit Risk Management (CRM) of Prime Bank Limited

Every bank has a department who manages the credit risks of the bank. The prime goal of this department is to maintaining credit risk. The cost of capital of a bank will increase if they can't maintain credit risk and also the earning of the bank will decrease too. This is not good for a banks yearly profit. That's why it is very important to maintain a bank's credit risk.

The cost of capital will be the interest expense of the deposit if the banks can't maintain the credit risks. It will help the banks to grow more profit. If there is a higher level of credit risk, higher level of borrowing cost will increase.

The process of credit facilities execution process is more or less similar in every bank. All the private commercial banks follow similar types of guidelines provided by Bangladesh Bank while processing a loan application. As I did my internship in a branch I did not get enough info regarding Prime Bank Limited's corporate loan process, so I have chosen **Personal Loan**, to explain the whole credit process of Prime Bank Limited and the risk management process that Prime Bank Limited usually follows.

6.1 Personal Loan- Documentation & Disbursement Process



6.2 Probable Risks in the Personal Loan Application & Mitigation Process

6.2.1 Channel Risk

Sales team divides into 2 parts, direct marketing team and branch. Branch staffs contribute almost 60% of the sales and the direct marketing team contributes to rest of the 40%. The direct marketing team is employed people. There are no other outsourced staffs for sales. Here channel risk is eventually low. But there is a gap in product knowledge and customer identification. It results in wrong customer getting wrong products.

6.2.2 Fraud Risk

There are different fraud risks in retail business. Such as:

6.2.2.1 Transaction Fraud

Transaction fraud is a common fact of asset product. Sometime applicants made up fraud bank transaction to get loans from the banks. The responsible people behind this issue are the office assistants. Because as like the other banks Prime Bank Ltd also uses their office assistants to detect the transaction pattern, authenticity of the banking transaction.

6.2.2.2 Application Fraud

By creating fake documents the applicants can do fraud applications. The national documents confirm the identity of the applicants. There is a CONTACT POINT VERIFICATION to verify the details of the applicants like residence, office and contact number. If we consider the limitations of the current market, it is quite impossible to certify all the documents. However PBL asks for the verified income statement, salary certificate, TIN no, National Id no, Utility bill etc. through CPV agent.

6.3 KYC & Contact point Verification (CPV) requirements

Credit verification team from head office usually verifies the personal details of the applicants. It includes the present, permanent address along with all the provided contact details. These works need to be done before the approval. After the verification, the concerned person submits the final report on the applicants.

6.4 Maintenance of Documents & Securities

All the documents regarding loans are kept in the supervision of the **Credit Administrative Division (CAD)**. Every customer has got his own personal loan file where all his loan documents are kept. The physical securities and security documents are kept under CAD's custody. To secure placement and retrieval there is a dual key system which is managed by CAD.

6.5 Internal Audit

PBL has a different audit department. They perform audit for all the departments to measure the performance of the banks employees. Audits take place on a yearly basis in PBL. It takes place

to understand about the possible risks, weaknesses, to ensure agreement with directing guidelines, internal dealings and to fulfill Bangladesh Banks requirements.

6.6 Credit Principles of Prime Bank Limited

Prime Bank Limited knows that the complications of personal loans can never be captured sufficiently by the credit policies and procedures. That's why there is some credit principles are followed by the staffs while taking their loan giving decisions about personal loans. They are given below:

- ❖ Evaluating the customer to measure the integrity and willingness to repay the loan
- ❖ Providing loans only for the financially stable customers
- ❖ Providing loans for the employees who worked for the socially standard customer
- ❖ Providing loans to the staffs of the companies who have career advancement platform
- ❖ Verifying the relationship between the guarantor and ability to repay
- ❖ Evaluate the repayment capacity of the guaranty provider
- ❖ Plans for future possible defaults
- ❖ Ethically decision taking in all credit activities
- ❖ Identifying credit risks in a proactive way
- ❖ Certifying the requirements that needed to ensuring the credit activity
- ❖ Decisions should not be taken on the basis of customer's reputation or on the recommendations of the other employees. Decisions should be made on the basis of experience and proper evaluation

7.0 Product Management Parameters of Prime Bank Limited

Terms and conditions Program

Purpose of the Loan	Personal loans are provided for any sort of valid personal reasons, which include Marriages, Starting Business, House renovation, Interior decoration, Abroad Trips etc.
Target Customer	<ul style="list-style-type: none"> ❖ Salaried Executives: Any individual who is salary paid through account ❖ Self-Employed Professionals ❖ Businessperson- Business persons with an ownership of at least 20% of a business. ❖ Owners of private & public limited companies at least 10% ❖ House Owners ❖ Contractual officials: People of contractual jobs under HR contract of UN ❖ Reputed Multi-National Companies and different foreign NGO who works for social works

Security	Securities Documentation- <ul style="list-style-type: none"> ❖ Introductory Letters from the Employers (Salaried only) ❖ Salary information ❖ Undated cheque (Total loan amount + Applicable Interest) ❖ Demand Promissory Note (DP Note) ❖ Guarantee (If needed) ❖ Security Documents (if required)
Personal Guarantee	<p><u>For Businessman-</u> One Guarantor (Someone who will be the guarantor in absence of the borrower)</p> <ul style="list-style-type: none"> - If the borrower has his own house, the guarantor can be Businessman or his family member - If the borrower does not have any own house, the guarantor must to be a business owner. <p><u>For Salaried People/ Professionals -</u></p> <ul style="list-style-type: none"> ❖ Salaried people has to provide one personal guarantee ❖ If the person lives at his own house then family members can be a guarantor.

7.1 Repayment Policies, Frequency, and Tenor

As like the other banks the customers of PBL gets the facility of repaying the loan along with interest on monthly installments. The system is automatically connected with customers account. The EMI money will be automatically debt from the customer's operative account by the system or through EFTN. After 30days of the disbursement, the repayment will start. There are some conditions applied with the disbursement process, credit to customer's current and savings account connected with Prime Bank Limited.

7.2 Other Key Features

7.2.1 Priority Customer

All the criteria like the interest fee, processing fee, early settlement fee and others will be followed as per the rules prepared by PBL. The third party does the Contact Point Verification. In case of special customers PBL's credit department do it by themselves. As per the existing Contact Point Verification process of Prime Bank Limited, the respective priority center will confirm verification in these cases. As Prime Bank Limited got centralized in 2017, all the works are done from the Head Office.

7.2.2 Loan Application Booking on Operation period

The loan proposal on any campaign for different periods eases with Product Program Guideline. For Example: Minimum income, interest rate, processing fee, early settlement fee etc. These things are approved by the Branch Manager in Branch banking. Also need approval of the second man who is also known as operational manager. In head office the approval of Managing Director also needed. Then loan approval authority will fall under level 1.

7.2.3 Geographical factors

There is a geographical factor of Prime Bank Limited. Only those people who have their residence or office located in 5 minutes distance from the bank or MSME service center. This is issue is considered for those employees who have their salary account in Prime Bank Ltd but their residence and office both are far from the bank. There is a new facility has been added for the customers that if someone has any of the branch of Prime bank ltd in 5 minutes distance from his residence , he/she can also apply for the loan .

7.3 Other Facilities

7.3.1 Top-up Loan

Top-up loan or enhance loan is something that the customer had a loan before which he extend or enhance further under the same product. It depends on the financial ability of the customer. When a customer's financial capabilities increase he/she become qualified for extending his limits.

If any customer applies for top up loan, the following criteria will be applied-

- ❖ To avail top-up loan ,a customer must repay at least 6 installments of the previous existing loan
- ❖ As like the new application the income statement, required documents and other credit criteria will be similar.
- ❖ The processing fee won't be applied over the existing loan; it will be applied only over the new amount.

7.3.2 Quick Loan

The customers who have already taken loan from the bank more than a year and consistently paying their installment since last 12 months also they had no 30+ DPD, They are eligible to take Quick loans up to the actual loan amount.

8.0 Fraud Management of Prime Bank Limited

To detect and prevent fake activities related to credit, Credit Administrative Division (CAD) uses Management Information System (MIS) checking in absence of any system support regarding fraud detection. Approval officers and the third party agencies also check in house documents to detect and prevent fraud activities.

If the customer has any negative background or poor repayment history with Prime bank Limited is checked by Credit Administrative Division (CAD) through MS Excel customer background checking mechanism. The unsuccessful customers who do not have done any banking with Prime bank Limited can also be detected through the data. If bank receives any non-customers application regarding loan, the family details of the customer & company name are matched with the Managing Information System to check if the customer has any loan history with Prime Bank Loan and after that the repayment history of the previous loan of the account will be checked.

The applicants who provides untruthful information to or fake documents to avail loans are rejected and they are also banned on the Credit Administrative Division (CAD) system. If the fraudulent applicant is already an existing account holder, the customer account will be blacklisted and closed too (the course of action will be decides by the management if the customer is an old customer).

To find any gaps in the verification procedure, fraud related information is collected from the Credit Administrative Division (CAD). For further decisions a fraud prevention guideline is prepared.

Credit Administrative Division (CAD) detects any fraud in any account; they sent the copy of the loan application to the fraud Manager for rest of the investigation and to take any necessary actions against the fraud. After that some more steps are taken to prevent further loan frauds e.g. the RM (Relationship Manager) who's approved loans file is found fraudulent, all his other approved files will be reviewed immediately.

However, after taking such steps from Prime Bank limited, there are some customers who are still unable to make their regular repayment of EMIs. When these customers are detected, the customers are considered as defaulters. On that particular situation Prime Bank LTD's recovery team from Special Asset Management Division (SAMD) starts their action to recover the money from the defaulters account.

8.1 Collection & Recovery Process of Prime Bank limited

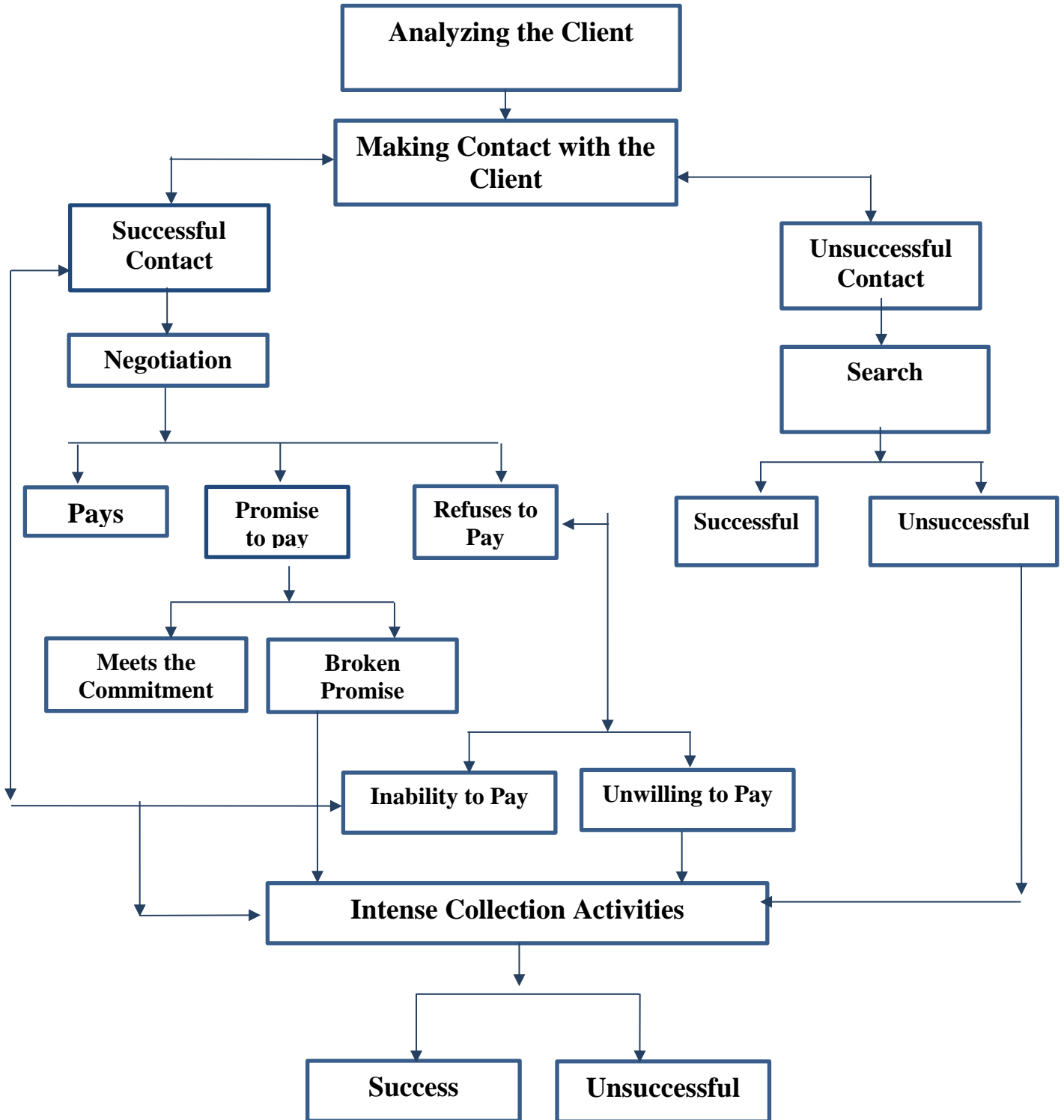
Credit Administrative Department (CAD) has 2 segments separately, which are Collection and Recovery team for collecting money from the borrowers. Recovery team mainly falls under SAMD. There is "Retail Collection Manual" which is followed by the teams while the borrowers break rules. As per the rules of the banks the legal cases (IF needed) are handled and dealt by the Legal Division of the bank.

8.1.1 Collection Process of Prime Bank Limited

The portfolio of a defaulter is regularly monitored by the collection team of 'Prime bank Limited. This procedure mainly focuses on ensuring collection from a defaulter of retail loan, MSME's product program guideline based loans over defaulters accounts to in-house collection

executives who will follow-up, performance evaluation, supervision of the executives, providing incentives and commission for the collectors and performance evaluation.

8.1.2 Collection Activity Flowchart



8.1.3 Collection Action Plan

N.B. DPD- Days Past Due

BUCKET	DPD	DEFAULT CATEGORY	COLLECTION ACTION
0	0 DPD	FRONT END	<ul style="list-style-type: none"> • Reminding through SMS prior repayment date by ADC (For Term Loan) • Reminding through Tele-calling from Collections Team reminding the payment • Calling borrowers for Quarterly Interest Realization • Calling borrowers & branch for sending the proposal for timely renewal • Generation Periodic MIS for Demand Loans to Branch for facilitating monitoring by branch
1	X DPD(1-29)	FRONT END	<ul style="list-style-type: none"> • Persuasion over Phone & Follow-up calling
2	30DPD(30-59)	FRONT END	<ul style="list-style-type: none"> • 1st Reminder Letter • Persuasion over Phone & Follow-up • Visit borrower's office on selective basis
3	60 DPD (60-89)	MID RANGE	<ul style="list-style-type: none"> • 2nd Reminder Letter • Persuasion over phone & follow-up • Visit borrower's office (Mandatory) & Residence address upon requirement • Seeking Guarantor's Assistance over Phone
4	90 DPD (90-119)	MID RANGE	<ul style="list-style-type: none"> • Final Reminder Letter • Persuasion over Phone & Follow-up • Visit borrower's office (Mandatory) & Residence address upon requirement • Visiting Guarantor's address upon requirement
5	120 DPD (120-149)	HARD CORE	<ul style="list-style-type: none"> • Call-up letter, copy to guarantors • Persuasion over Phone & Follow-up • Visit borrower's office (Mandatory) & Residence Address • Visit Guarantor's address as well as follow up call & Visit • Employ outsourced Recovery Agents when

			require <ul style="list-style-type: none"> • Notification for initiation of legal Proceedings to be issued after expiry of call up period (Borrower & CC to guarantor)
6	150 DPD (150-179)	HARD CORE	<ul style="list-style-type: none"> • Initiate Group visit to borrower's residence & office address • Initiate group visit to guarantor's residence and office address • Issuance of 1st legal notice through panel lawyer, with copy to guarantors (Subject to requirement) • Upon requirement, employ outsourced recovery agent
7	180 DPD (180-360)	PROVIDED HARD CORE	<ul style="list-style-type: none"> • Will be monitored by Special Asset Management/Recovery Division/ as assigned by the management of the Bank

Legal Notice maybe issued; irrespective to any DPD on qualitative judgment. Prior issuance of Legal notice on qualitative judgment, call up letter shall be issued.

8.1.4 Collection Steps

Discussing to the flowchart collection, retail, and small business lies in these steps. The steps are mentioned below:

- ❖ Firstly Credit Administrative Division (CAD) gets the list of the defaulters and they assign them to the respective teams, for analyzing the clients.
- ❖ After that teams supervisor tries to contact with the client
- ❖ There are different situations for different DPDs
- ❖ If the contact becomes successful, the supervisor tries to negotiate with the defaulters, so that the amount gets collected.
- ❖ Negotiation has 3 different issues. 1stly if the borrower agrees to pay the amount the negotiation gets over. If he refuses to pay, the supervisor tries to find out his reason behind refusing. Due to his poor financial condition maybe he will be unable to pay but if the borrower is not paying intentionally then this issue will fall under intense collection activities like outsourcing recovery agents or by taking legal actions. On the other hand another issue can be the borrowers ask for some more time with more interest and meet

the promises and pay the EMI's on a regular basis, the negotiation gets over but if the borrower promises to pay the EMI's regularly but break promise after someday and stop paying the EMI's again, the issue will immediately fall under Intense Collection Activities.

- ❖ However if the contact with the clients become unsuccessful, the supervisor start searching for the client. 1stly he sends few reminder letters to borrower's house and office and if that does not work then he visits borrower's office & residence then he also make contact with the guarantor and also visit his residence and office. Also send the borrower's the notification of the initiation of legal procedures. If still it fails then the procedures fall under the Intense Collection Activities.
- ❖ If the Legal activities and also the outsourced agents fail to make the collection of the money, the case refers to Special Asset Management Department (SAMD). After 180 DPD, the case automatically gets charged under SAMD. That is also known as recovery process.

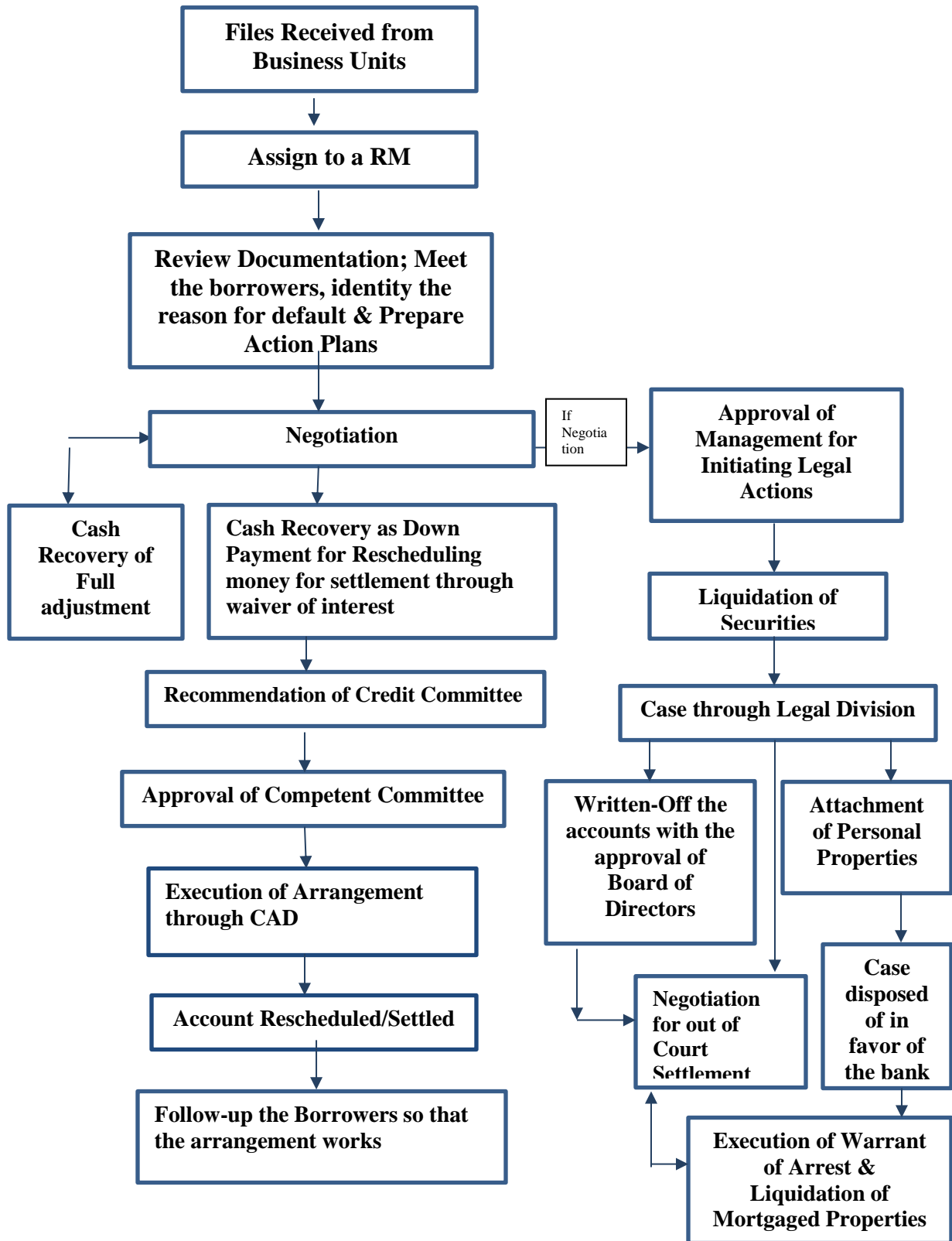
8.2 Recovery Process of Prime Bank Limited

Recovery team works under SAMD department to recover money from the defaulters with 180+ DPD. It also rise up the duty of the in the organization of the recovery team. The procedures of recovering money from the defaulters follow the Standard Operation Procedures. It helps all the employees to understand the responsibilities they have in the policy & process, which is related with recovery management and also focuses to ensure the regularity in these procedures. It also used in trainings of the organization as a reference tool.

8.2.1 Responsibilities

The prime responsibility of the department is to bring back the bank's money from the borrowers with interest to make profits for the bank.

8.2.2 Recovery Process Flowchart



8.2.3 Recovery Process Description

- ❖ After the defaulters DPD exceeds 180 DPD then the project being handover by collection team to the recovery team.
- ❖ After receiving the files, the team separated and divides them product wise to different relationship managers who work under recovery team and also to the debt collection agencies.
- ❖ After that the assigned people starts to review the documents they got from the authorities .After reviewing the files they start to contact with the borrowers. Firstly they try to contact them through phone calls if they can't reach them they personally visit their residence or even the offices (if needed). By meeting them, they try to identify the reason behind their being defaulters. Depending on the reasons and situations they start to prepare the action plans they need to recover the money from the borrowers
- ❖ By following the action plans the assigned people try to negotiate with the borrowers. They try to convince them to repay the money to the bank by making them understand about the consequences.
- ❖ **There are 3 situations under negotiation part. Such as:**
 - ✚ Firstly the borrower gets convinced and repays the money with full adjustment.
 - ✚ Secondly the borrower agrees to pay the money but rescheduling the payment schedule for settlement again with some down payment. There will be some waiver from the bank in case of interest for the borrower.
 - ✚ If the negotiation fails and the borrower disagree to pay the money. The management approves to initiate legal actions by hiring debt collection agencies.

8.3 There are different activities take place under different scenarios. They are given below

8.3.1 Cash Recommendation as Down Payment

- ❖ While rescheduling for settlement through waiver of interest firstly the assigned people needs to let the Credit committee know about that and the recommendation of the credit committee is very much needed.
- ❖ After that the approval of the committee who works before these issues will be needed.
- ❖ All the process and decisions taken by the committee will be executed by the Credit Administrative Department.

- ❖ After the decision of the Credit Administrative Department, the respective mother branch of the borrower will be informed regarding the decision. They will reschedule the account of the borrower
- ❖ Lastly during the process borrower will be followed up regularly so that the process works smoothly

8.3.2 Initiating Legal Action

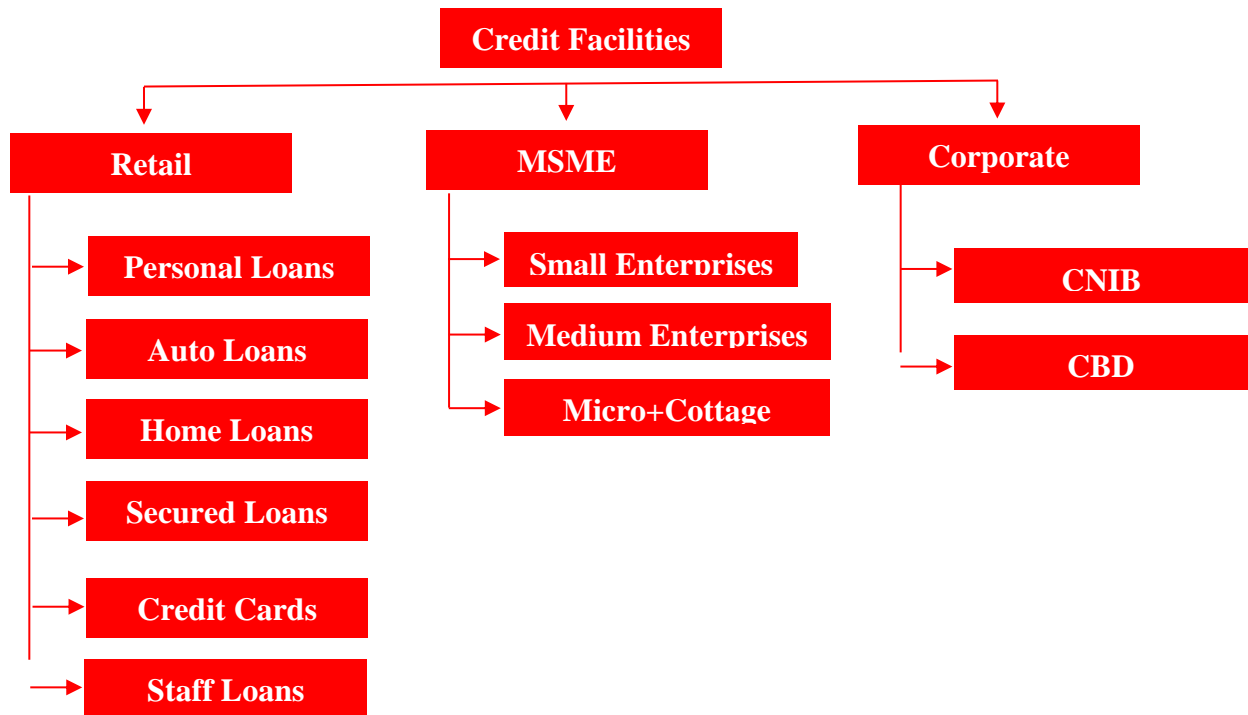
- ❖ Firstly when the management takes decision to take legal action against the borrower by hiring debt collection agencies because of the failure of the negotiation, the securities the borrower kept to the bank while taking loan from the bank will be liquidate.
- ❖ Then the legal division will file case through the debt collection agencies against the defaulter. The legal notice against the borrower will be issued
- ❖ After this scenario there can be 2 situations. Firstly the account of the customer will be closed with the approval of the directors of the bank. In this regard the borrower can be contacted again and will be asked to settle the issue outside the court.
- ❖ If the borrower agrees and repays the loans, the case will be closed and the issue will be settled.
- ❖ On the other hand after filing the case if the borrower and the bank don't come to any solution in this issue, bank will inquire about the personal properties of the borrowers and will mortgage them as a security.
- ❖ After that court will dispose the case in favor of the bank as the bank has the proper documents and evidence against the borrower.
- ❖ After that arrest warrant will be issued against the borrower and also the mortgaged properties will be liquidate by the bank to collect the loan amount
- ❖ In this regards the borrowers eventually tries to follow another way through which they try to negotiate with the bank to settle the issue outside the court to stay safe from the arrest warrant and also losing the other properties

9.0 Credit Facilities of Prime Bank Limited

Prime Bank Limited offers different types of credit or loan facilities for their borrowers. There are different segments from small to large scale. Retail loans includes small loan for the

customers, on the other hand large scale demand of the customers are met by MSME and corporate. There are different parts of MSME and Corporate. MSME includes Micro+ Cottage, Medium Enterprise and Small Enterprise and Corporate includes Corporate & Institutional Banking (CNIB) and Commercial banking Division (CBD). To fulfill everyone's demand these loans are prepared in an efficient manner.

The different segments of Prime Bank Limited's credit facilities are given below:



Prime Banks loans facilities are divided for the customers into 3 categories.

9.1 Retail Credit of Prime Bank Limited

There is a huge change came to our consumer in last few years. Once retail loans were considered as unreachable but now a day it is one of the ways to fulfill the wishes and dreams of the middle people of Bangladesh, mostly aged in between 25 to 44 years. Now a day the income level for the Bangladeshi people has increased and also the interest rate has fallen & the growing competition has increased the ability of the people's affordability of loans. Retail banking has become a key income source for the top banks of our country. In PBL, the customers get some best financial solutions, innovative loan products and in class services which also meets the customer's financial requirements. To make the life and the process easy for the customers, in 2017 PBL has migrated their banking policy and they have centralized all their banking activities, which also includes the loan facilities. Now the customers only come to the branch with their entire document, the officers collect and verify them and send them to the head office, the rest of the works gets done by the Credit Administrative Division (CAD).

In 2017 the total retail loan provided by Prime Bank Limited was 16754.418 m and the NPL amount was 1304.472m which was about 8% of the total loan and in 2018 the total retail loan PBL provided was 18311.195m and the NPL was 1443.225m which was also about 8% of the total loan .So we can say that PBL’s NPL increased as per their loan amount increased.

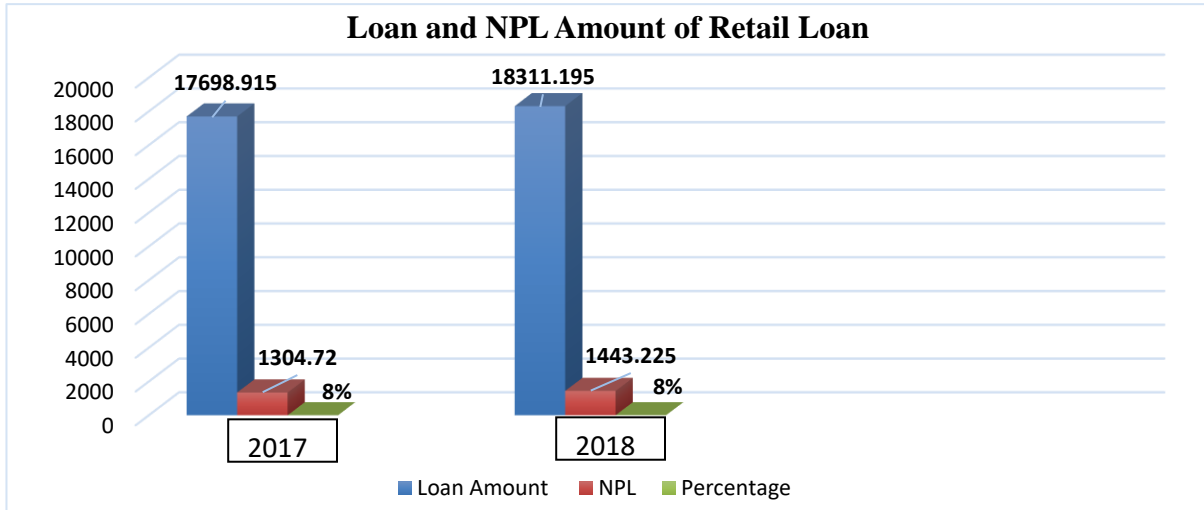


Figure 6 Loan & NPL amount of Prime Bank Limited Retail Loan

Under retail credit there are 6 segments are provided for the customers. They are given below:

9.1.1 Personal Loan

Personal Loans (PL) is something that fulfills the demand of a customer’s exact need. The range for personal loan is BDT 1 lakh to 20 lakhs. The most common purpose of taking personal loan is either renovation of house, marriage or starting small business. However if the documents and the securities are valid & the customers can fulfill the requirements PBL provides any sort of loans to their customers. There is some eligibility criteria have to be fulfilled by the customers to earn the loans. PBL mainly provide loans to the business people or the salaries employees of different companies. These people can ask for a loan of 12 to 60 months’ time limit with applicable interest rate.

Here is the graph of Personal Loans along with the amount of Non-performing loans of Prime Bank Limited-

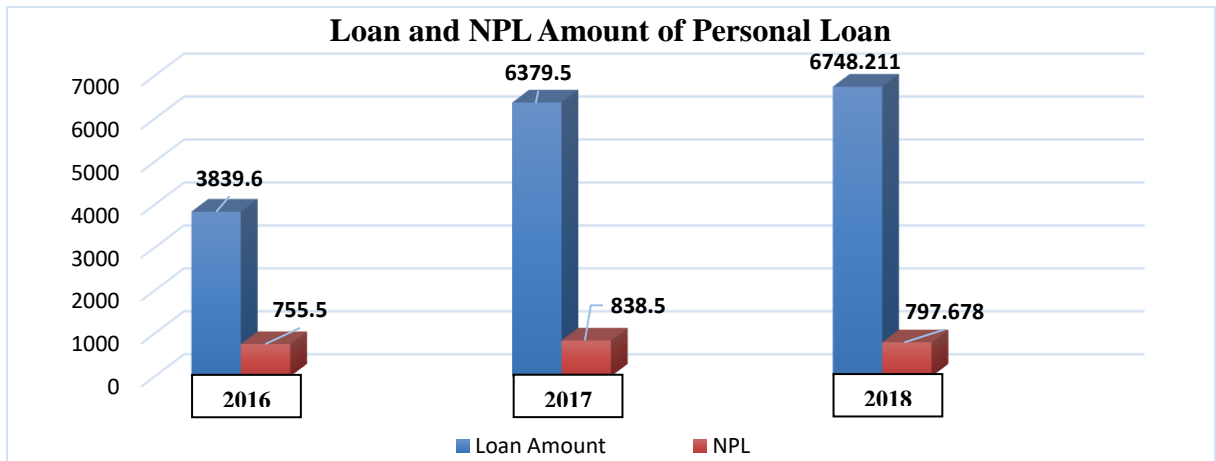


Figure 7: Loan & NPL amount of Prime Bank Limited Personal Loan

In personal loan we can see last 3 years loan disbursement amount that it has fluctuated a lot. From the year 2016-2018, it has been increasing regularly but in 2018, the performance of the bank was quite good. Their total loan amount increased a lot but their NPL was in a stable position. So their percentage became low. The reason behind this was people of Bangladesh has changed their lifestyle, now a day they are very fond of taking loans for their personal use like marriage, home renovation etc. Also as per the rules of Bangladesh Bank the loan interest has become 10.5% for the salaried employees and 11.5% for the businessmen.

Year	Loan Amount (Million)	NPL (%)	NPL Amount (Million)
2016	3839.6	19%	755.5
2017	6369.5	14%	838.5
2018	6748.211	11%	797.678

If we want to see the NPL amount of Prime Bank Limited since 2016 we can see that it was very high in 2016 against of the loan amount and in 2017 it has decreased against the loan amount. In 2018 PBL's loan amount increased a lot on the other hand their NPL decreased then previous year. The reason behind that is they are taking proper steps to control their NPL rate. Their NPL rate was decreasing in last 3 years. It is ensuring their growth in the banking sector.

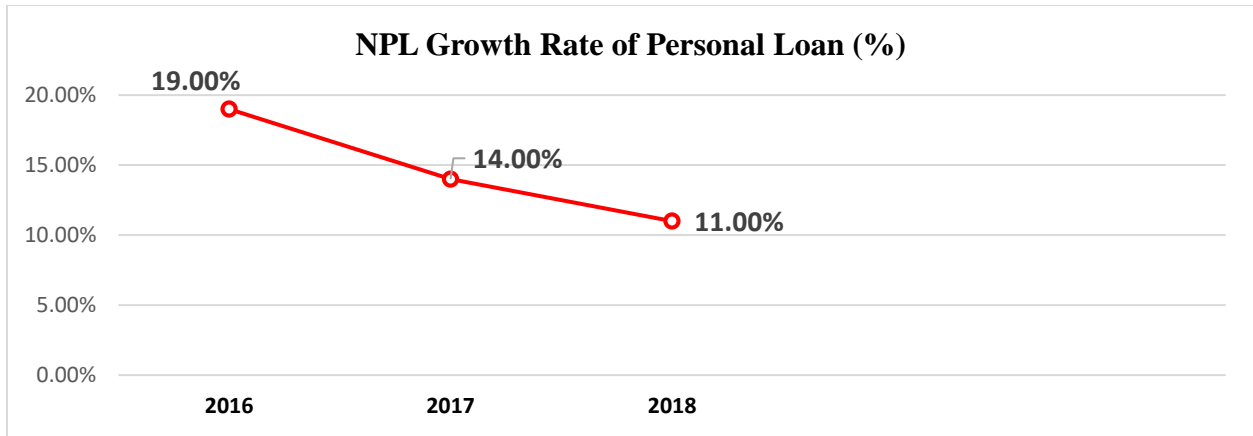


Figure 8: NPL Growth Rate of Prime Bank Limited Personal Loan

9.1.2 Home Loan

Everyone has a dream of having his own house and home loan is something which helps them to fulfill their dreams. The range of the home loan starts from BDT 5 lac up to BDT 1.20 crore. Also 70% of the total expense of the house can be borrowed. The main reason of this loan is building the customers own house. However Prime bank limited tries to provide this loan service to their customer whenever they need with proper eligibility.

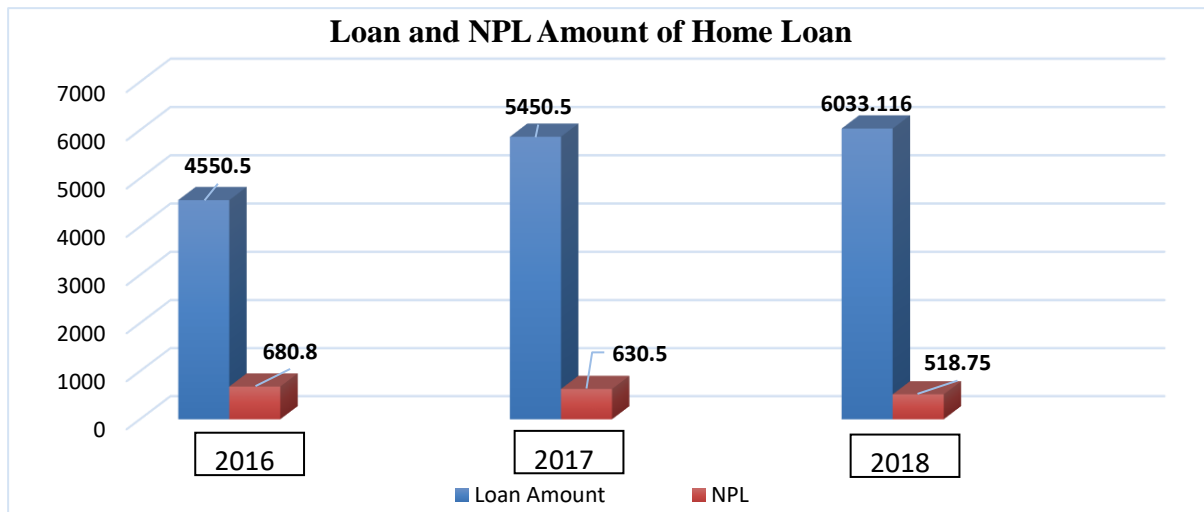


Figure 9: Loan & NPL amount of Prime Bank Limited Home Loan

There are some conditions to be fulfilled to avail this loan. This loan is mainly provided for the salaried employees, businessmen and professional individuals. A person can apply for loans with tenure of 1 year to 25 years. They have to pay the interest rate of 10.5%-13.5%. There is maximum 5 phase disbursement. Also the borrower can ask for a loan of about 70% of his property value. There is no hidden cost for the borrower while settlement. There is processing fee for the enhancement of the loan.

In last 3 years home loan disbursement we can see that it has fluctuated over the years. The loan amount has increased regularly. The reason behind this is now a day the people of Bangladesh are very fond of making their own houses. The interest rate is quite good. That is the reason why people are taking loans regularly. We can see that the loan amount growing higher every year. If we see the percentage of PBL’s home loan since 2016, we can see that they are improving a lot. As they had a percentage of 14% in 2016 but in 2017 it decreases to 11% and in 2018 in made a huge decrease and it became 8%. They took corrective actions to take care of their NPL which brought a good result for the bank.

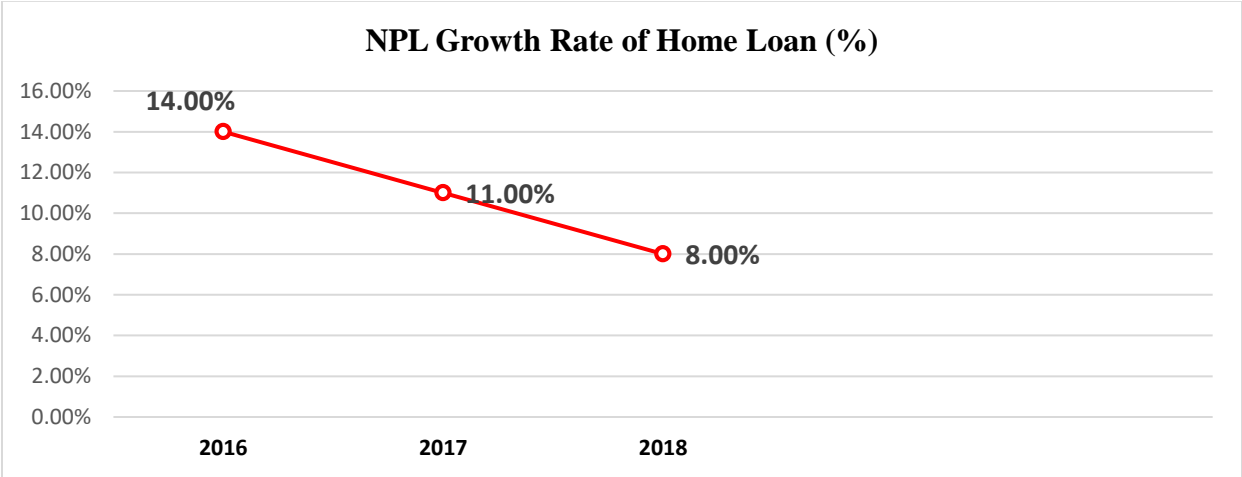


Figure 10: Loan & NPL percentage of Prime Bank Limited Home Loan

9.1.3 Auto Loan

Now a day a personal car has become a very necessary product for all upper and middle class people of our country not for the luxury but for the basic need. In this circumstance Bangladesh bank understands this basic demand of the people of Bangladesh, that’s why they have provided specific guidance to the banks for providing loans to the people of our country to buy private cars. The guidance is also getting updated as per the government policy and also to meet demand the demand of the people.

Retail banking products are growing up in a very rapid pace now a day and it has become a major revenue line for the banks. Prime Bank Limited tries to provide their service and innovative products for the customers. They also have different solutions to meet their customer’s financial requirements.

Prime Bank Limited’s range of giving auto loan is up to BDT 40 Lac or 50% of the total price of the new or recondition car. If someone takes auto loan by providing any securities, Prime Bank Limited provides the full amount of the car as a loan. The tenure of the loan repayment starts from 12 months to 60 months.

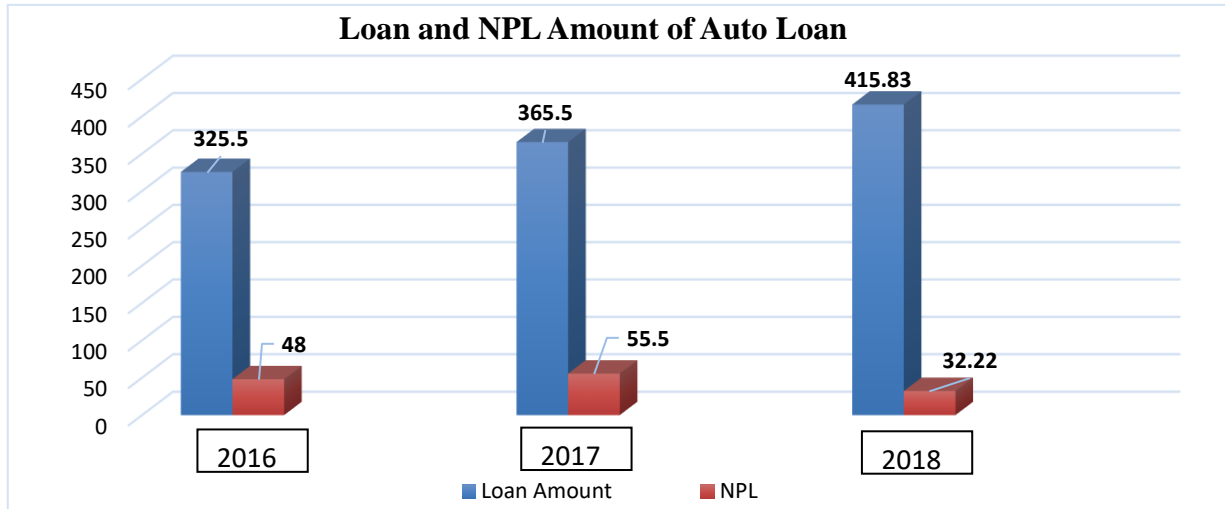


Figure 11: Loan & NPL amount of Prime Bank Limited Auto Loan

If we focus on last 3years Auto Loan disbursement, we can see that their auto loan is increasing day by day since 2016. In 2016 their auto loan was 325.5m, in 2017 it became 365.5m and in 2018 it became 415.83m. On the other hand in 2016 their NPL was about 48m but in 2017 it jumped a lot and became 55.5m. But in 2018 due to the effectiveness of the employees of Prime Bank Limited their NPL falls and become 32.22.

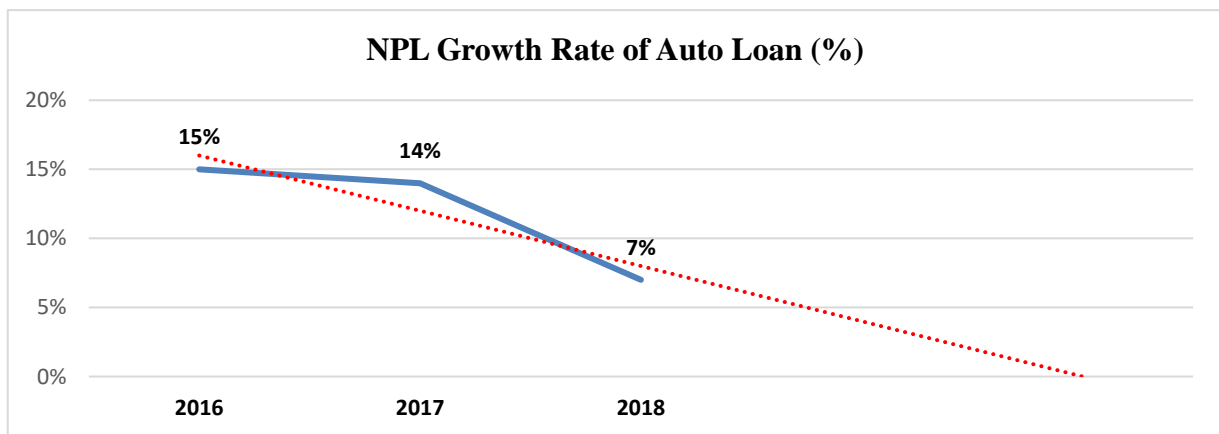


Figure 12: NPL Growth Rate of Prime Bank Limited Auto Loan

If we see trend line of NPL we will understand that since 2016 the rate of NPL of Auto loan is decreasing. It has been a downward trend, though in 2017 the amount of NPL was higher than 2016 but still the total provided loan covered it up and the total percentage was lower than 2016.

2018 was their best since their beginning. Their NPL percentage was only 7%, which was quite impressive.

9.1.4 Secured Loan

Secured Loan is something which Prime Bank Limited considers as their most secured products. It is something that those who have their FDR or DPS, they can take loan against them from Prime Bank Limited. The interest rate will be about 2.5%- 4% and tenure will be 1year. Every year tax return will update.

In 2018 Prime Bank Limited's Secured over Draft (SOD) loans amount was 2634.21m and their NPL was 12.46m. Their NPL percentage was .47%. By this we can understand Prime Bank Limited is very strong in the case of their Secured Loans.

9.1.5 Credit Card

Prime Bank Limited's credit card service is quite good. They have about 6 types of Credit Cards. Among them there are 2 cards which can be only used in foreign countries Gold International and Silver International. The currency will be Dollars. They have their card service for both high class and middle class people. The minimum range of salary for availing credit card is BDT25000. A BDT25000 salaried person can avail Classic Local Card which has a limit of BDT20000 and 95% of the limit can be borrowed by an individual. There is another card for the middle class people named Gold Local with a limit of BDT50000. Both these cards can only be used in Bangladesh. There are 2 more cards for the upper class/upper middle class people. These cards can be used in both Bangladesh and foreign countries. They are called Dual Card and Platinum Card. They have limits of BDT 2-3lac.

The interest rate of loan against credit card is about 9%. About 95% of the total limit can be availed by an individual through card. The repayment tenure is from 3 months to 36 months.

Though Prime Bank Limited provides this much facilities for their customers, the do have NPL in their cards. In 2018 Prime Bank Limited provided loans about 889.41m through their cards and their NPL was about 81.12m. Their percentage was about 9%.

9.1.6 Staff Loan

In other banks, staff loan is included into personal loan with special interest rate with preferable tenure of the employee. But in Prime Bank Limited Staff loan is a special service for the employees. This is one kind of secured loan. Because in 2018 Prime Bank Limited provided about 1590.42m staff loans to their employees and the NPL rate was 0. Because there is not that much risk as the monthly installment automatically gets adjusted from the salary of the employee on a regular basis.

9.2 Micro Small & Medium Enterprise (MSME) Loan of Prime bank limited

Prime Bank limited is one of the top rated private commercial bank in Bangladesh. PBL started their SME sector after understanding the opportunity that can bring more profit for them. This sector was considered as un-creditworthy before but after the migration of the bank Prime Bank

Limited restructured their credit department to ensure more focus on their SME side. They introduced a new product called Micro+ Cottage loan along with their Small & Medium enterprise and it became MSME. Prime Bank Limited’s most successful side is their MSME sector and they have been achieving their target since then.

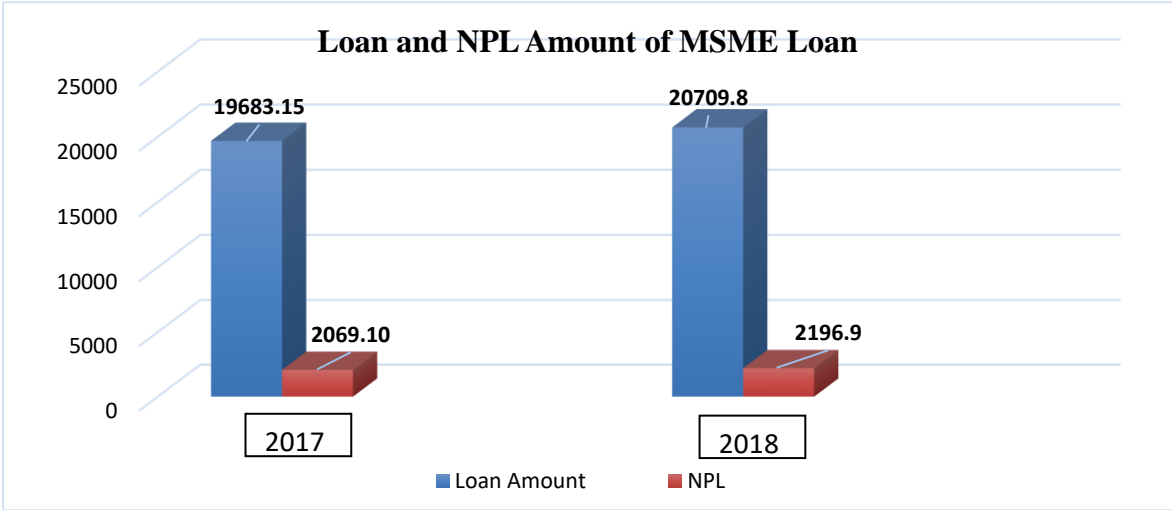


Figure 13: Loan & NPL amount of Prime Bank Limited MSME Loan

In the chart we can see that in 2017 the total MSME loan provided by Prime Bank Limited was 19683.15m and their NPL amount was 2069.10m. On the other hand in 2018 their provided loan increased and became 20709.8m and their NPL was 2196.9m. Here we can see both their Loan amount and NPL increased from 2017 to 2018.

Here we can see that the percentage of PBL’s MSME loans NPL in 2017 was 11% but in 2018 it decreased and became 10%. The reason behind this was the effectiveness of the employees. They took corrective steps for the improvement of their loan recovery. That is the reason the customers were bound to pay their loans and the percentage improved although the loan amount and NPL both increased in 2018 then 2017.

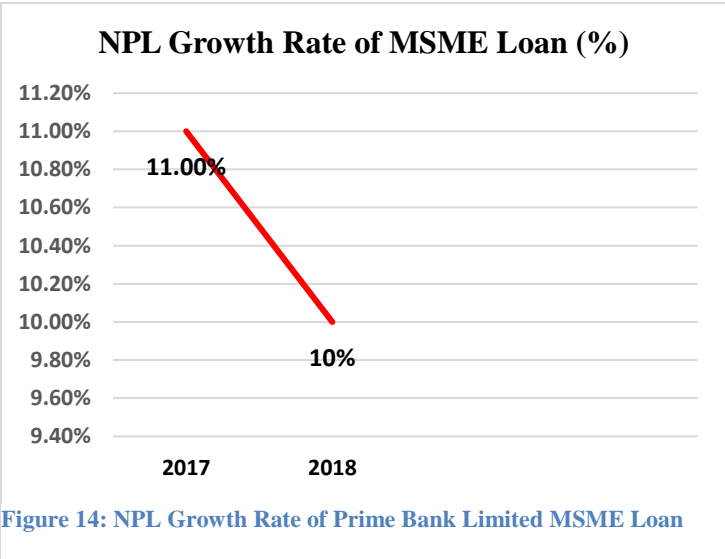


Figure 14: NPL Growth Rate of Prime Bank Limited MSME Loan

9.3 Corporate Loan of Prime Bank Limited

Corporate loan of Prime Bank Limited is divided into 2 parts. One of them is CnIB and another one is CBD. CnIB means Corporate & Institutional Banking and CBD means Commercial Banking Division. In 2017 the CnIB loan of Prime Bank Limited stood at 88814.43m and surprisingly their NPL was 0 and in 2018 their CnIB loan had a huge jump and it stood at 116660.43m and NPL was 902.37m

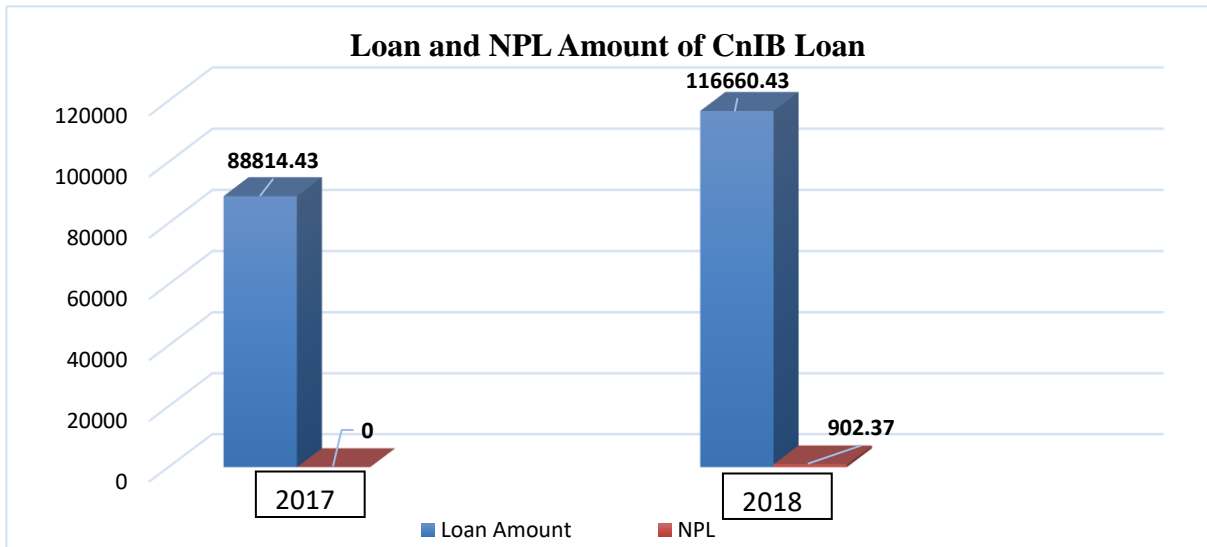


Figure 15: Loan & NPL amount of Prime Bank Limited Corporate & Institutional Banking

On the other hand in CBD loans, PBL's loan amount stood at 47665.69m in 2017 and their NPL was 6523.91m. In 2018 their CBD loans stood up at 50128.06m and the NPL was 7946.43m.

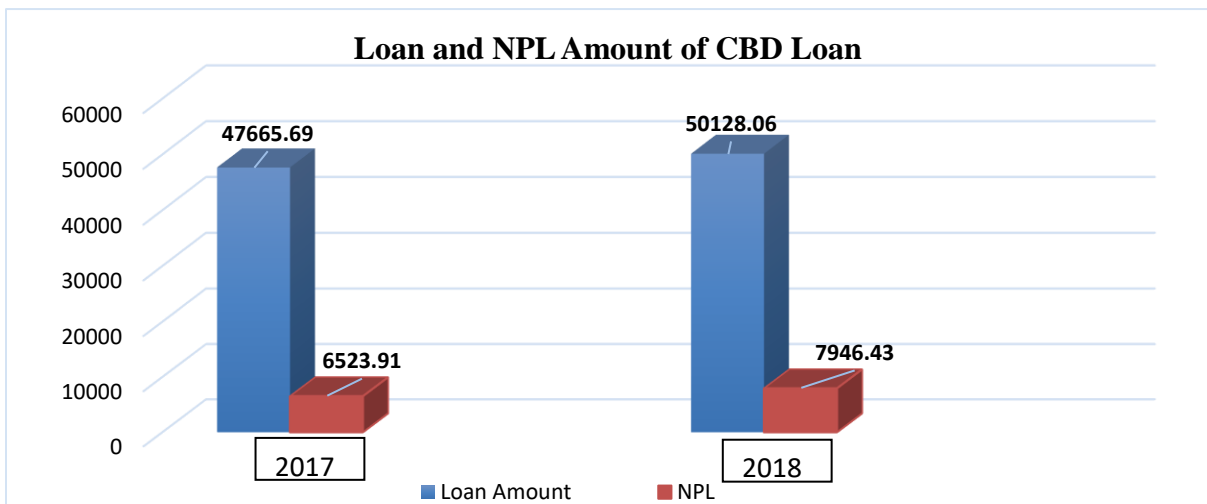


Figure 16: Loan & NPL amount of Prime Bank Limited Corporate Banking Division

Here we can see that in 2017 the NPL rate of CnIB of PBL was 0% but 2018 it increased to 1% and in 2017 the NPL percentage of PBL's CBD loan was 13% but 2018 it increased to 16%. Though their CBD loan amount increased a lot in 2018 but their NPL increased more than that. Due to the instability in the banking sector in case of corporate loans were the reason behind their downwards growth in their CnIB and CBD loan.

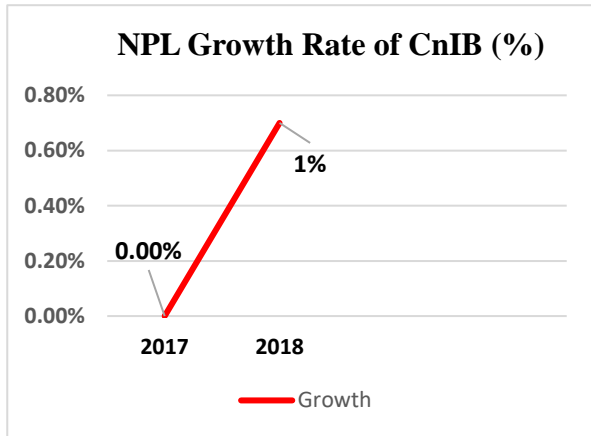


Figure 18: NPL Growth Rate of Prime Bank Limited CnIB Loan

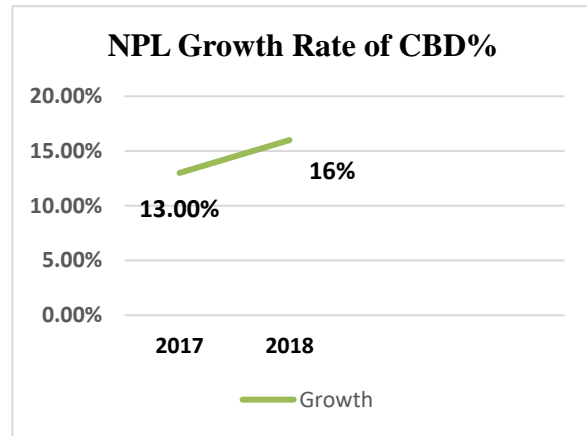


Figure 17: NPL Growth Rate of Prime Bank Limited CBD Loan

10.0 Overall Non-Performing Loans (NPL) of Prime Bank Limited

PBL's NPL ratio was average since 2016 as it was quite challenging to maintain NPL and recover the bad loans. However they introduced "Special Asset Management Division" (SAMD) to recover the problematic loans. The NPL amount was 10139.48m in 2016 which was about 5.96% of the total loans and in 2017 it was 10799.05m which was about 5.45% of the total loans. The total amount was slightly ascending in the portfolio. But decreasing in the CL ratio in 2017 was satisfactory for the bank. In 2018 the NPL amount got increased and it became 12686.9m &

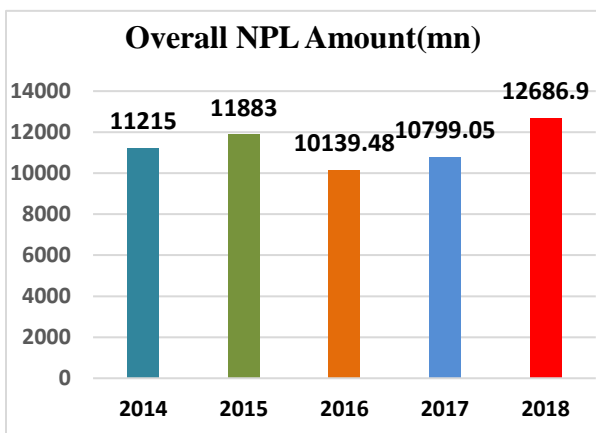


Figure 19: Overall NPL Amount of Prime Bank Limited

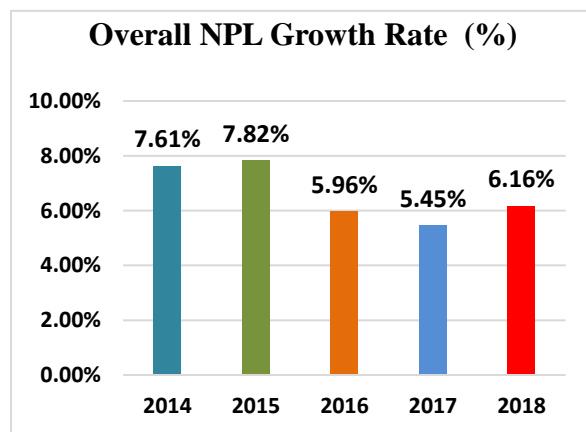


Figure 20: Overall NPL Growth Rate of Prime Bank Limited

it was about 6.16 % of the total loans and advances. It was a better performance if we count the NPL average of the whole banking sector. If we compare the ratios we can see that they performing average while collecting their amount from their customers.

11.0 Comparison with Other Bank

We all know that City Bank is one of the top banks in Bangladesh. Here I will be comparing Prime Bank Limited’s Retail Loans and NPL’s performance with them so that the standing of Prime Bank Limited can be measured.

11.1 Personal Loan

In 2018 “Prime Bank Limited” Personal Loans amount was about 6748.211m and their NPL was about 797.678m .Their NPL percentage was about 12% .On the other hand City bank provided 8769.3m Loans and their NPL was 25.4307. So their NPL percentage was only 0.29%. So while watching the ratio we can clearly understand that City Bank was in a superior position than Prime Bank Limited. Their ratio was very good and the difference was very high. Their Loan amount of CBL is higher than PBL but CBL’s NPL is very low than PBL. So it can be clearly said that CBL was in a better position than PBL in case of Personal Loans.

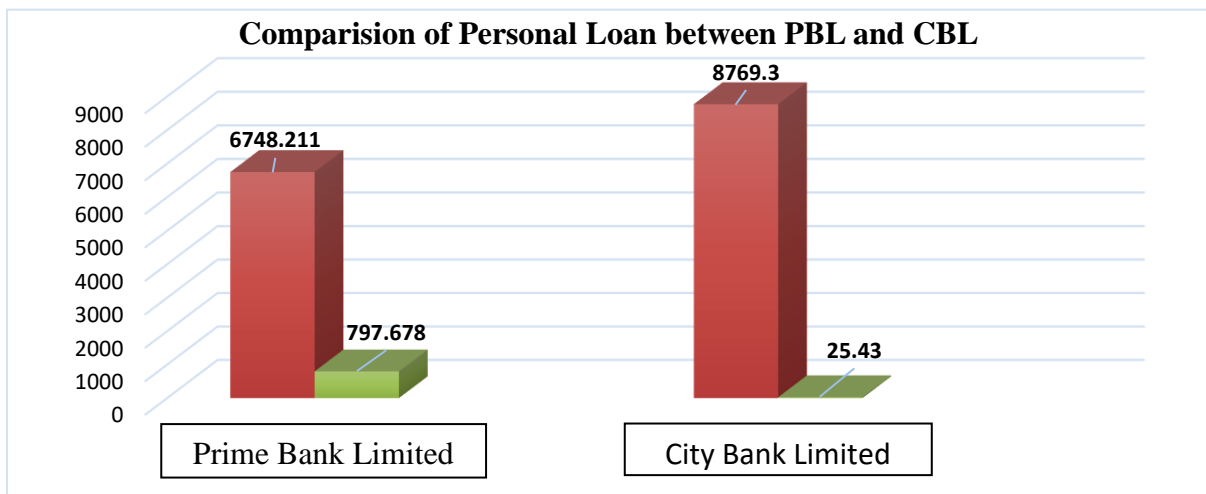


Figure 21: Comparison of Personal Loan between Prime Bank limited & City bank limited

11.2 Home Loan

The total home loan amount that Prime Bank limited provided was 6033.116m and their NPL of Home Loan was 518.752m and their NPL percentage was about 9%. On the other hand in City bank limited their Home Loans were 3337.4m and their NPL amount was 13.6m, so their NPL percentage was 0.41%. Here we can see that CBL was in a better position in case of Home Loans too. The amount of CBL’s Home Loan was lower than PBL but PBL’s NPL was very much

higher than CBL’s NPL. It was almost 38 times higher than CBL’s NPL. So after analyzing the situation it is clearly visible that CBL was in a better situation in case Home Loan than PBL.

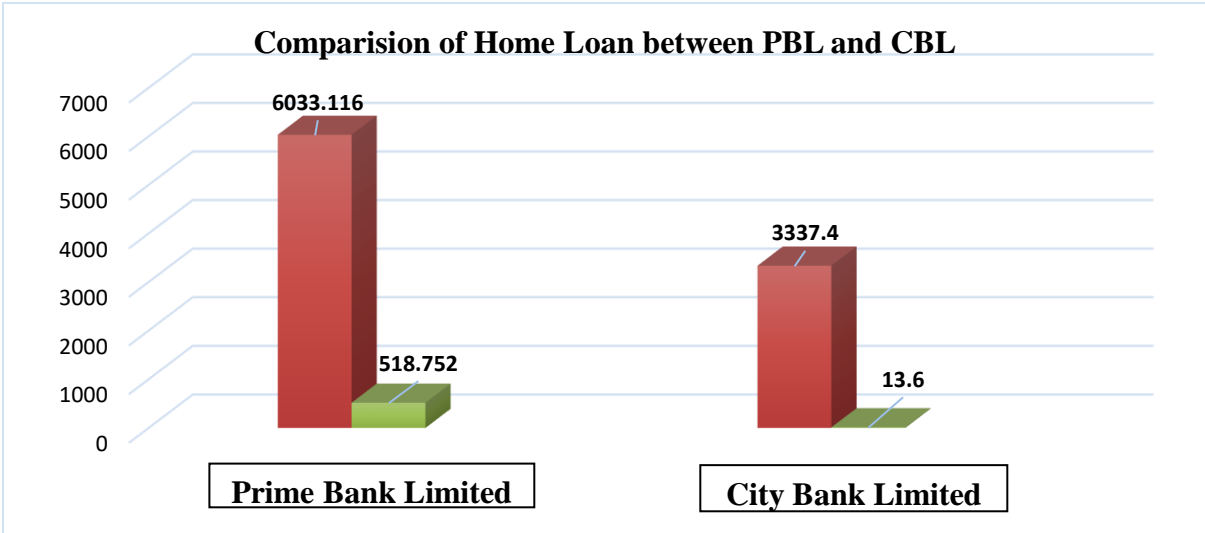


Figure 22: Comparison of Home Loan between Prime Bank limited & City bank limited

11.3 Auto Loan

In 2018 Prime Bank Limited has provided about 415.833m auto loans for car purchasing and their NPL in this loan was 33.219m. Their NPL percentage was 8%. On the other hand CBL has provided 701.5m auto loans and their NPL was 2.31m. So their NPL percentage was 0.33%. In this regard we can see that CBL was also in a better situation then PBL in case of auto loan. CBL’s loan amount was quite higher than PBL but their NPL was lower than PBL. So their percentage becomes low, which has taken them to a better position than PBL.

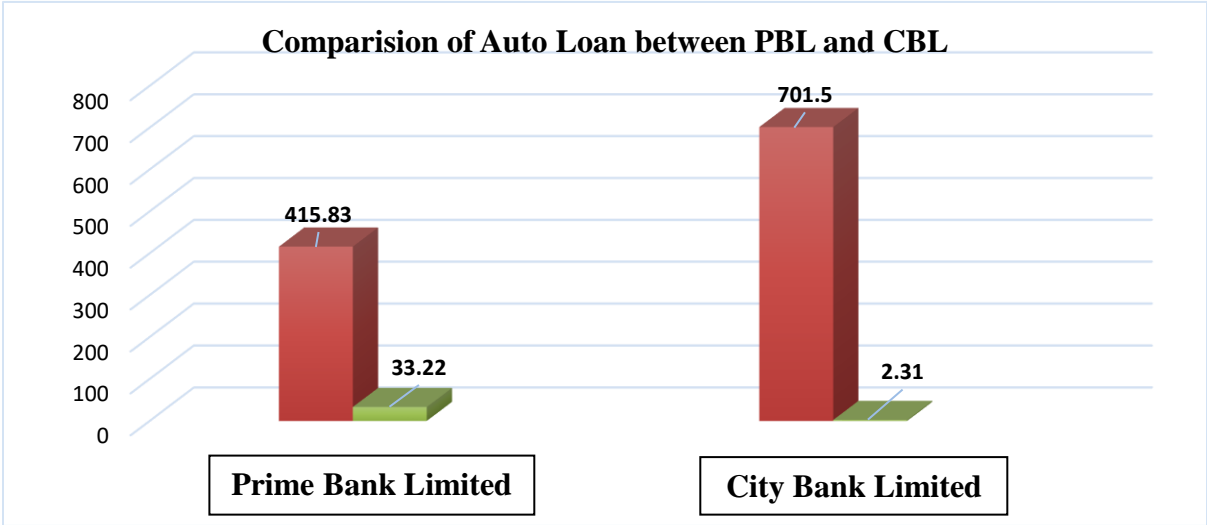


Figure 23: Comparison of Auto Loan between Prime Bank limited & City bank limited

11.4 Secured Loan

In 2018 Prime Bank Limited's Secured over Draft (SOD) loans amount was 2634.21m and their NPL was 12.46m. Their NPL percentage was .47%. On the other hand the Secured Loan amount of CBL was 2465.8m and their NPL was 83.5m. Their percentage of NPL was 3.40%. In this issue we can see that PBL was in a better position than CBL. PBL's provided SOD loan was higher than CBL but their NPL amount was very much lower than CBL, which is the reason that their ratio becomes better than CBL. It proves that PBL was quite impressive in case of maintaining their Secured over Draft (SOD) loans.

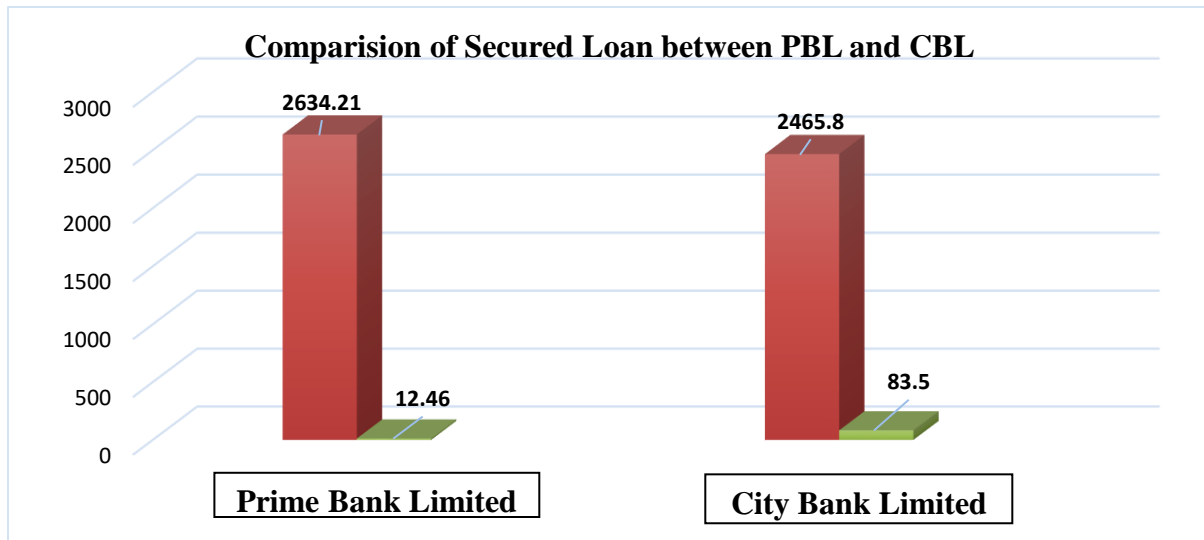


Figure 24: Comparison of Secured Loan between Prime Bank limited & City bank limited

12.0 Limitations of the study

❖ Time Constraints

The duration of the internship program was 3 months. However I started my internship 1month later. Gathering knowledge and exploring all departments of a bank only in 3months was not enough. Also after doing whole day office work doing a solid study on the banks previous history was quite tough for me.

❖ Lack of Secondary Information due to the bank's internal policy

As like all other banks Prime Bank Limited also don't want to let people know about their internal information. All the amounts I have provided in my report were approx. Due to security issue most of the data were not disclosed properly. Another issue was doing internship in a branch of a bank is very much challenging. All their prime information is stored in the head office. That's why the employees only provided the amount closest to the original.

❖ **Departmental focus**

As I worked for several departments it was quite tough for me to focus on only one department. Still I tried to manage my needed information for my respective seniors. I focused on the credit department and they have provided the information of both MSME and corporate too.

❖ **Migration Issue**

The major limitation I consider in my whole internship program was the migration issue of PBL in 2017. After the migration, PBL's all work has become centralized. The official works of the branch has decreased and all the works became head office focused. I had to visit the head office and other main branches for collecting information several times.

Other limitations

- ❖ Due to lack of knowledge, there might be some shortage of information in the report
- ❖ Bank is a very controversial place, due to security issues they have shown us some unimportant connecting its most confidential information
- ❖ The employees were too much busy most of the times that they couldn't manage time properly to provide my needed information

13.0 Challenges faced by the Credit Administration Division of Prime Bank Limited

Prime Bank Limited is one of the oldest private commercial banks in Bangladesh. PBL always try to provide the best support for their customers by giving their 100% effort. They usually provide their service in a flawless and faster way. However after doing my research I have found some major challenges they are facing while managing their Credit Risk. They are given below:

❖ **Inflexible Credit Control & Risk Categorizing Policy**

Bangladesh bank has some hard and fast credit assessment structure, which all the commercial banks of Bangladesh have to follow. But it is very tough for the banks to control the credit risk. Their authority in this issue is restricted because the regulations have been given by Bangladesh bank. So even if they know that if the assessment become different then what it is now, in term of credit risk they will have a better guarantee. However Prime Bank Limited does not have that authority to change the rules and regulations provided by Bangladesh bank.

❖ **Less Information about the Customers**

Prime Bank Limited when gets application of loan in the branch, the respective employees of credit department tell them about the policy of interest rate, tenure, how many EMIs they have to give etc. They also tell them about the needed documents and securities for availing loans. However some documents might get missed and the

borrower used to promise that they are going to provide the documents after few of the loan being sanctioned. However as the loan has been provided without proper verifying, it usually increase the tendency of the credit risk.

❖ **Inefficient Contact Point Verification Agents**

Prime Bank Limited implemented third party agents who also known as Contact Point Verification agents. Their work is to visit customer's places physically; Such as customers house, offices, guarantors place etc. They also verify the securities the customer has provided. However, sometimes CPV agents can't fulfill the verification and the visits in the time limit they get. So they do not do their work efficiently. Depending on the verification of the CPV agents, the analysts have to take decisions regarding the loan. So if the CPV agents do unfair verification and the loans get sanctioned, the chances of credit risk increases.

❖ **Lacking risk management tools**

In every bank there has to be a tool which will help the respective employees to find out the strength and the weakness of the loan. There I found a lacking of Prime Bank Limited that they don't have a proper updated risk management tools which will find the strength and weakness of a loan.

❖ **Ineffective data management**

To resolve the credit risk a proper storage of secured data and categorizing on different criteria is badly needed. However in Prime Bank Limited the employees do not manage the data of the customer properly. Because of the centralization, the branch employees used to collect the loan application and after verifying they just send the application to the head office for further works they should keep the data of the clients on a regular basis which they provided for loans to the head office. Because the possibility of credit risk gets higher when the required data needed in order to process the loan is not available.

❖ **Fake Documents**

I have found an issue of fake documents while doing my research that one of the borrower has shown some properties while taking loans but that property was not his own. Even that does have that value which he showed while taking loans. Banks employees were in a tough situation to resolve the issue. They were continuously trying to contact with the borrower. However he was unreachable over his phone. It proves that the respective employees were not reliable while reviewing the documents. Somehow this type of overlooking helps the fraudulent customers to become defaulters and the chances of credit risk increases.

❖ **Limited Group-Wide Risk**

It is quite tough for an individual to examine the risk quality. Prime Bank Limited has some lacking in their wide risk modeling infrastructure. Somehow there is only one person to execute documentation and stamping. He has to take all the loads of loan application. So in that moment it becomes very tough to be attentive while working all the time because of the immense pressure. So as a result the chances of the customers being default also increases.

❖ **Failure of Network**

Prime Bank Limited usually uses different software to do their banking works. They facilitate the loan sanction process through that software; such as: Oracle, Temenes T24, RSYS etc. While working sometime their software goes down and it creates difficulties for the employees to process loan for the customers. It takes at least 30-40 minutes to get normal again. So on that particular moment sometimes the credit analyst does not provide their 100% attention to each application so this will increase the risk of getting default more.

❖ **Lacking in Employee training**

When an employee is properly trained, he/she can give his/her proper effort to mitigate the credit risk. Because then they will know how to analyze the loan application properly. However not all the employees of Credit Analysis Department of Prime Bank Ltd are trained properly, they have less knowledge about the management information system. They use them to keep customer data and sanctioning the loans but when they don't have enough expertise in using that software, the chances of credit risk increases

14.0 Recommendations

Though I have spent a very short time with the bank, I tried to focus on the total Credit Risk Management of Prime Bank Limited. As per my research I would like to give some recommendations which might increase the effectiveness of the Credit Risk Management of Prime Bank Limited. They are given below:

- ❖ To make the loan applicant and also the respective employees of Credit Administrative Department of Prime Bank Limited understand about the rules of the bank regarding giving loans a new manual can be introduced, Which can be named by **“Credit Manual Of Prime Bank Limited”** Now PBL employees use print out for the applicants to understand the documentation process. But that new manual will be more understandable and organize, where all the rules and regulations, step of getting loans, punishment of being a defaulter will be given. So that the borrowers do not get the courage of thinking about being defaulter.

- ❖ The team who take care of the documentation process should be increase in number. As documentation is a very serious issue so the employees has to be treated properly. The high authority has to monitor their work. They have to ensure that the load of the work do not make the employees lazy and inattentive towards works. To decrease their work load new employees in that sector can be employed.
- ❖ Contact Point Verification (CPV) agent plays a vital in the credit process of PBL. Their work is to verify the customer's information physically. Their work has to be authentic and evident. Prime Bank Limited should provide their topmost attention to the CPV agents so that they work properly in this issue. So in my opinion strong enforcement in CPV agents is very much needed.
- ❖ The employees of Prime Bank Limited need proper training and also a very clear idea about all the functions of banking software. Their works will be more efficient if they can learn and understand all the functions of the process.
- ❖ All the documents should be checked properly to analyze the application by the credit team before sending it to the Credit Quality Team (CQT) for verification. To mitigate the chances of credit risk, PBL should consider this issue seriously. No loan should be sanctioned without having proper documents.
- ❖ The risk of delaying in loan processing will be decreased if PBL can introduce a strong uninterrupted network system. PBL should improve their current network system, so that the works don't get hampered and also can be done properly
- ❖ To assess the loans more perfectly and efficiently an updated risk management tool only for credit services can be introduced where the loan files will be maintained by the analyst through the system. Customer will be connected with the bank through internet and installments can be paid online.

15.0 Conclusion

In our national economy, financial organizations play e very vital role. Few years back, banking sector was following the old traditional ways of banking but now a day, new modern and digital methods have been introduced for banking. Among the financial organizations banking sector has become the major contributor for the prosperity of our country's economy. However Non Performing Loans has affected this sector badly. Ineffectiveness of the banks while assessing the credit risk of the customers is one of the key problems and this certain problem has become a headache for the economy of our country.

To evaluate the credit risk of the customers Bangladesh Bank has set different rules and guidelines. By following these guidelines the banks can reduce the risk of the loans being default. No matter how strong guidelines are made by Bangladesh Bank, a private commercial bank like Prime Bank Limited must need their own credit rules. These rules should be placed to make sure that the top most efficiency for credit risk management is provided by the banks.

In the banking industry, Prime Bank Limited is one of the top banks who have a very well-established goodwill among their customers in case of providing wonderful services. They have sufficient resources to manage both in terms of human and physical, who are always active to provide their best service for the customers. It also has a better history of managing credit risk. The supreme leadership, hard work, dedication and commitment of the top management of Prime Bank Limited have brought them in one of the top position of Bangladesh's banking sector. However bringing more technological advancement in their banking activities and by improving their credit policies can put them in the top most position.

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