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Sonargaon University (SU)
সোনারগাঁও ইউনিভার্সিটি (এসইউ)

Thesis Report

on

"Credit Risk Management of Sonali bank Limited"
Agargaon Branch.

Prepared by

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An Thesis report submitted in partial fulfilment of the requirements for the degree of
EMBA Program
Department of Business Administration
Sonargaon University

Date of submission:28th September,2021

LETTER OF TRANSMITTAL

28th September,2021

Abul Kalam (Associate Prof.)
Department of Business Administration
Sonargaon University (SU)

Dear Sir,

Here is the report entitled "Credit Risk Management of Sonali Bank Limited" Agargaon Branch that you asked me to prepare during my Thesis.

This report discusses the "Credit Risk Management activities of Sonali Bank Limited" Agargaon Branch. Mainly secondary data were used to conduct this study. The findings and recommendations of the study are presented through descriptive analysis for enhancing organizational performance and areas of future research works.

Finally, I would like to thank you for giving me this opportunity to familiarize myself with this concept of "Credit Risk Management of Sonali Bank Limited" Agargaon Branch and to develop my reporting skills that would be valuable in my future endeavors.

I hope you find this report adequate in meeting the requirements of a EMBA Thesis.

Sincerely yours,

……
Alamgir
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Certificate of Supervisor

This is to certify that Md. Alamgir Student of EMBA Program, bearing ID No: 2003021031, Department of Finance, Faculty of Business Studies has successfully completed his thesis paper title "Credit Risk Management of Sonali bank Limited'' in Bangladesh under my supervision as the partial fulfillment of EMBA degree.

He has done his job according to my supervision and guidance. He has tried to his best to do this successfully. I think this program will help him in the future to build up his career

I wish all success and prosperity in his life.

……

Abul Kalam
Associate Professor
Department of Finance
Faculty of Business Studies
Sonargaon University
Dhaka-1215.

APPROVAL PAGE

The Thesis report of Alamgir has been approved by the following:

Supervisor

Head of the Department

DECLARATION

I do hereby declare that this report is the result of my own research, except where otherwise stated. I also declare that it has not been previously submitted as a whole for any other degrees at Sonargaon University or at any other institution.

Alamgir
ID:2003021031

……
Date: 28th September,2021

ACKNOWLEDGEMENTS

The accomplishment and completion of this report would not have been viable without the contribution of some accommodative people, who gave their valuable time from their busy schedule to guide me in doing my project work. I sincerely remind their suggestions and guidance with full respect.

I would like to extend my heartiest thanks and express my sincere gratitude to all those who directly or indirectly contributed to the completion of the report. At the beginning, I would like to convey my deepest gratitude and appreciation to my faculty supervisor Abul Kalam (Associate Prof.) Department of Business Administration who has helped me with information, ideas, and direction and to organization Supervisor Najnin Akhter Joly, (po) of sonali bank for the close guidance and tremendous support.

Yours truly,

……
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Executive Summery

This report has originated as a result of my Thesis which I have pursued as a requirement of the EMBA program, Sonargaon University. This report has been completed based on my four months Thesis program at Somali Bank Limited, Agargaon Branch, Dhaka.

Somali Bank Ltd is the largest state-owned commercial bank in Bangladesh with a total of 1224 branches. Total of 755 branch in rural and 467 branches in urban area. The functions of the bank covered a wide range of banking and function activities to individual, firms, corporate bodies, Multinational agencies and the rural area. The bank provides more than 21 types of free services on behalf of the government of Bangladesh through its rural and urban branches as part of their commitment to society. Sonali bank Ltd follows the rules and regulations prescribed by the Bangladesh bank. To manage credit, risk the bank applies credit limits to its customers and obtain adequate collaterals. Credit risk in the Sonali bank Ltd.'s portfolio is monitored, reviewed and analyzed by the Credit Risk Management (CRM). Sonali Bank Ltd has establish Asset-Liability Management Committee (ALMC) to determine the maximum risk exposure. Management is aware about guidelines of Bangladesh Bank and implemented new capital accord BASEL-III. Sonali bank Ltd constantly monitors, reviews and analyzes its credit portfolio to minimizing potential losses and ensuring efficient credit process. To manage the Non-performing loans (NPL), Sonali bank Ltd has a comprehensive remedial management policy, which includes a framework of controls to identify weak credit and monitoring of these accounts constantly. A thought credit risk assessment is done by analyzing borrower, industry, demand/buyer, historical financial statement etc. Bank review documents like loan applications, financial statements, market reputation, CRG, CIB report etc., to investigate credit risk. Manager has to enquiry about loan applicant. Proper documentation is required before sectioning loans. They must conduct necessary KYC (Know your customer) part on the customer and Money laundering Guideline must be followed. On the basis of investigate the branch manager will prepare a credit report as per format provided by their head office. Sonali Bank Ltd Agargaon branch Dhaka is where I did my Thesis. Loan and advances are sanctioned according standard procedure. In this particular branch customer loan and house building loan are most popular. credit risk is relatively low. Recovery rate is 100% in consumer loans and house building loan. Performance of other loans is also good. As most of its faces credit are related only to two kinds of loans, its credits are not well diversified. So, it faces credit concentration risk .as it is a rural branch opportunity for sanctioning large scale or industry loan is very limited. Most of the deposits are added to Sonali bank general account.

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Chapter one: Introduction

1.1 Introduction:

Banks play the most important role in the economy. Banks collect money from the individuals and lend them to others. Now banks offer the widest range of financial services and perform lots of financial functions. Thus, banks have proven that they are the key factor for the business and economy as well.

Sonali Bank Limited is the largest banking institution in Bangladesh, dynamic in actions, honest in dealings, just in judgment, fair in approaches and devoted to high quality service to customers and thereby contribute to the growth of GDP of the country throughout stimulating trade and commerce, boosting up export, poverty alleviation, raising living standard of limited income group and overall sustainable socio-economic development in the country.

To achieve the aforesaid objectives of the Bank, different banking activities must play an active role to provide the financial assistance to the customer who also helps them by providing them with management assistance when needed. Sonali Bank Limited has played this role with their experiences in the banking sector where the others are not merely performed.

The Thesis report comprises a brief study on the Sonali Bank Limited during three months Thesis. I worked in the General Banking (account opening, clearing, transfer, deposit and cash, loan department of this bank). This give me the opportunity to know more on different aspects of the company. So, I have prepared my Thesis report on "Credit Risk managementof Sonali Bank Limited" Agargaon Branch. The report is distributed in many parts according to nature and requirement of organization and according to the instructions of supervisor of report.

1.2 Background of the study:

It has become essential for every person to have some idea on the bank and banking procedure. As our educational system predominantly text based, inclusion of practical orientation program is an exception to the norm. From practical knowledge, we will be SBL to know real life situations and start a career with some practical experience. Masters of Business Administration (EMBA) is a professional course. The course is designed with an excellent combination of practical and theoretical aspects. After completing EMBA, certain times are preserved for Thesis.

As a student of EMBA, Thesis is an academic requirement. For Thesis every student is required to work in a selected institution to enhance one's practical knowledge and experiences. For the requirement of my course I was assigned to Sonali Bank Limited (SBL), Agargaon Branch for my Thesis. In this situation I was assigned to prepare report on "Credit Risk Management of Sonali Bank Limited" Agargaon Branch. Basically, this report is highlighted

on Credit Management, structure, analysis, present status, performance of SBL, and own experience, recommendation and conclusion.

1.3 Objectives of the study:

Broad objective:

- Primary objective is to fulfill the requirement of the EMBA program.
- To achieve the difference between theoretical and practical knowledge.

Specific objectives:

- To have a sound understanding of credit risk management system and procedure followed in the Sonali Bank Ltd.
- To gain knowledge about the credit related operations and maintenance in this bank.
- To analysis in detail the credit risk management process of the bank and to make recommendations if needed.
- To get knowledge about the effectiveness of loan and sanction procedure that is conducted on the evaluation of credit risk.
- To have a general idea about the credit risk management performance of this bank.

Chapter Two: An overview of the organization

2.1 Historical background of the company:

Soon after independence of the country Sonali Bank emerged as the largest and leading Nationalized Commercial Bank by proclamation of the Banks' Nationalization Order 1972 (Presidential Order-26) liquidating the then National Bank of Pakistan, Premier Bank and Bank of Bhwalpur. As a fully state-owned institution, the bank had been discharging its nation-building responsibilities by undertaking government entrusted different socio-economic schemes as well as money market activities of its own volition, covering all spheres of the economy.

The bank has been converted to a Public Limited Company with 100% ownership of the government and started functioning as Sonali Bank Limited from November 15, 2007 taking over all assets, liabilities and business of Sonali Bank. After corporatization, the management of the bank has been given required autonomy to make the bank competitive & to run its business effectively.

Sonali Bank Limited is governed by a Board of Directors consisting of 11 (Eleven) members. The Bank is headed by the CEO & Managing Director, who is a well-known Banker and a reputed professional. The corporate head quarter of the bank is located at Motijheel, Dhaka, Bangladesh, the main commercial center of the capital.

2.2 Some notable features of the Bank are as follows:

Capital Structure:

Authorized Capital	:	Tk. 6000.00 Crore
Paid up Capital	:	Tk. 4530.00 Crore

Branches & Subsidiaries:

1	Total No of Branches	1224
	a. No of Foreign branches	2
	b. No of Local branches	1222
	i) No of Rural Branches	755
	ii) No of Urban Branches	467
2	No of Regional Offices	16
3	No of Principal Offices	46
4	No of G.M. Offices	11

Subsidiaries:

1. Sonali Exchange Company Incorporated (SECI) having 10 (Ten) branches in USA.
2. Sonali Investment Limited (Merchant Banking) having 4 (Four) branches at Motijheel, Paltan, Uttara, Mirpur in Dhaka and 1 (One) branch in Khulna, Bangladesh.

Associates:

1. Sonali Bank (UK) Limited having 2 (Two) branches in UK.
2. Sonali Polaris FT Limited
3.

Representative Offices : 3: 1(One) in Jeddah, KSA; 1 (One) in Riyadh, KSA and 1 (One) in Kuwait.

Correspondence : 639

2.3 vision and mission statements:

Mission:

Dedicated to extend a whole range of quality products that support divergent needs of people aiming at enriching their lives, creating value for the stakeholders and contributing towards socio-economic development of the country.

Vision:

Socially committed leading banking institution with global presence.

Slogan:

Your trusted partner in innovative banking.

2.4 Objectives of the bank:

Objectives:

The main objectives of the bank are to provide all types of banking services to the door steps of people. The bank participates in various socio-economic development activities and also take part in implementation in various polities and program made by government. As the largest state oriented and professional managed leading bank in the country.

1. To earn profit.
2. To alleviate poverty.
3. To create Employment.
4. To ensure Regional Development.
5. To maintain Security of money.

2.5 Products and services:

Our core Business:

- **Corporate Banking**: Corporate banking is a subset of business banking that involves a range of banking services that are offered only to corporates. The services include the provision of credit, cash management facilities, etc.

- **Project Finance**: Project finance is the funding (financing) of long-term infrastructure, industrial projects, and public services using a non-recourse or limited recourse financial structure. The debt and equity used to finance the project are paid back from the cash flow generated by the project.

- **SME Finance**: SME finance is the funding of small and medium-sized enterprises, and represents a major function of the general business finance market – in which capital for different types of firms are supplied, acquired, and costed or priced.

- **Remittance**: A remittance refers to money that is sent or transferred to another party. The term is derived from the word remit, which means to send back. Remittances can be sent via a wire transfer, electronic payment system, mail, draft, or check.

- **Lease Finance**: Lease financing is one of the important sources of medium- and long-term financing where the owner of an asset gives another person, the right to use that asset against periodical payments. The owner of the asset is known as lessor and the user is called lessee.

- **Consumer Credit**: Consumer credit is personal debt taken on to purchase goods and services. A credit card is one form of consumer credit. It is not usually used to describe the purchase of a house, for example, which is considered a long-term investment and is usually purchased with a secured mortgage loan.

- **Trade Finance**: Trade finance represents the financial instruments and products that are used by companies to facilitate international trade and commerce. Trade finance makes it possible and easier for importers and exporters to transact business through trade.

- **Loan Syndication**: Loan syndication is the process of involving a group of lenders in funding various portions of a loan for a single borrower. Loan syndication most often occurs when a borrower requires an amount too large for a single lender to provide or when the loan is outside the scope of a lender's risk-exposure levels.

- **Foreign Exchange Dealing**: Foreign Exchange (forex or FX) is the trading of one currency for another. For example, one can swap the U.S. dollar for the euro. Foreign exchange transactions can take place on the foreign exchange market, also known as the Forex Market.

- **International Trade**: International trade is the exchange of capital, goods, and services across international borders or territories. In most countries, such trade represents a significant share of gross domestic product (GDP).

- **NGO-Linkage Loan**: It is means Non-Governmental organizations.

- **Consumer Credit**:

- **Investment**: In finance, an investment is a monetary asset purchased with the idea that the asset will provide income in the future or will later be sold at a higher price for a profit.

- **Government Treasury Function**: The Treasury Function. Governments need to ensure both efficient implementation of their budgets and good management of their financial resources. Spending agencies must be provided with the funds needed to implement the budget in a timely manner, and the cost of government borrowing must be minimized.

- **Money Market Operation**: Money Market an integral part of the financial market of a country. It provides a medium for the redistribution of short-term loanable funds among financial institutions, which perform this function by selling deposits of various types, certificate of deposits and discounting of bills, treasubillry's etc.

- **Rural and Micro credit**: Micro Credit has now been accepted and recognized as an effective tool for poverty alleviation, self-employment and rural socio-economic development. In commitment to reduce poverty in urban and semi-urban and rural areas, Sonali Bank Limited has started micro credit function through a full-fledged Micro credit division in its Head Office from 2003.

- **Capital Market Operation**: Capital markets refer to the places where savings and investments are moved between suppliers of capital and those who are in need of capital. Capital markets consist of the primary market, where new securities are issued and sold, and the secondary market, where already-issued securities are traded between investors.

- **Special Small Loan**: A small loan is a type of personal loan that is not secured against any collateral (such as your home or your car). Small loans can be useful for people who are struggling to find the required money to pay an emergency expense.

Islamic Banking Services:

Deposit Products:

- Al-Wadeeah Current Account (AWCA)
- Mudaraba Savings Account (MSA)
- Mudaraba Special Notice Deposit Account (MSNDA)
- Mudaraba Term Deposit Account (MTDA)
- Mudaraba Hajj saving Account (MHSA)

- Mudaraba Sonali Monthly Deposit Scheme (SMDS)
- Mudaraba Monthly Profit Scheme (MMPS)

Investment Products:

- Bai-Murabaha
- Bai-Muajjal
- Bai-Salam
- Bai-Istisna
- Hire Purchase Under Shirkatul Melk (HPSM)

Other Services:

- Government Treasury Bonds
- Locker Service
- A.T.M. Card
- Utility Bills Collection
- Ancillary Services
- Merchant Banking

As mentioned earlier, the bank provides 21 different types of free services.

The followings are their most recent online services:

- Ancillary Services,
- Locker Service,
- Automation Status,
- Q-cash ATM Network Services,
- ATM Location and Services,
- Credit/Debit Card Services,
- Online Tax Payment Services,
- NBR-Sonali Bank e-Payment Service etc**.**

Ancillary Services:

Sonali Bank Limited offers multiple special services with its network of branches throughout the country in addition to its normal banking operations.

Collection:

- Gas bills.
- Electricity bills.
- Telephone bills.

- Water/Sewerage bills.
- Municipal holding Tax.
- Passport fees, visa fees and Travel tax.
- Customs & Excise duties.
- Source tax and VAT.
- Jakat fund.
- Hajj deposit.
- Land development tax.

Payment:

- Pension of employees of Government and other Corporate Bodies.
- Bangladesh Bank employee's pension.
- Army pension.
- British pension.
- Students' stipend/scholarship.
- Govt. & Non-Govt. Teachers' salary.
- Food procurement bill on behalf of the Govt.

Social Services:

- Old age allowances.
- Widows, divorcees and destitute women allowances.
- Freedom Fighters' allowances.
- Rehabilitation allowances for acid survival women.
- Maternal allowances for poor women.
- Disability allowances.

Sale & Encashment/Purchase:

- Savings Certificates.
- ICB Unit Certificates.
- Prize Bonds.
- Wage Earner's Development Bonds.
- US Dollar Premium & Investment Bond.
- Lottery tickets of different Semi-Govt. and Autonomous Bodies.
- Sanchaypatra.
- Public Service Commission's application form.
- Judicial Service Commission's application form.
- Exchange of soiled / torn notes.

Misc. Services:

- Bank a/c information of tax payee client according to demand of NBR.
- Local Governance Support Project.
- Enlist of Non-Government Insurance company.

Locker Service:

Secured Locker Service is provided in some branches of Sonali Bank Limited. Customers may avail this service and secure their valuables.

Locker Charge	Yearly Charge (TK.)	Security Deposit (TK.)
Small	2000.00	5000.00(refundable)
Medium	2500.00	
Large	3000.00	

* Additional 15% VAT applicable along with charges

2.6 Principal Activities:

1. Receiving of money on deposits.
2. Conducting cash transaction of consumers who have current account.
3. Attending bills of exchange and draft of customers.
4. Section of loan.
5. Provide other services to the customer's
6. Transfer of money.
7. Collection of receipts.
8. Collecting interest, dividends, rents, pension etc.
9. Acts as an adviser.

Chapter Three: Methodology

3.1 Methodology of the study:

The study requires a systematic procedure from selection of the topic to preparation of the final report. To perform the study, the data sources were identified, collected, classified, analyzed, interpreted and presented in a systematic manner and key points were to be found. The overall process of methodology has been given as below.

Sources of data:

To perform the study data sources are to be identified and collected, the data are to classified, analyzed, interpreted and presented in a systematic manner.

Primary sources:

I have gathered information from the representatives of various division of The Sonali Bank Limited by imparting and working with them. I additionally gathered data from watching their monetary status, their hierarchical culture, watching the way toward dealing with the fluid cash and resources of the bank.

- Face to face conversation with the official staffs.
- Practical desk work.
- Questionnaire.
- Simple Depth interview technique was used by asking number open-ended questions to collect the information.
- Relevant file study as provide by the concerned officer.

Secondary sources:

From working in this branch, I've gathered a few information from record document identified with the liquidity issues. Some other information I've gathered from the site,

- Financial Statements & Auditors' report of Sonali Bank Ltd., 31 December 2018.
- Disclosure on Risk Based Capital (Basel-III), December 2018.
- Annual Reports of Sonali Bank Ltd.
- Risk Management Guidelines for Banks, on December 2014, Bangladesh Bank.
- Official web site of the Sonali Bank Limited.

3.2 Method of Data Collection:

For the purpose of the study, the following method have been applied to collect primary data:

a) Face to face conversation with the officers and clients during Thesis period at Sonali Bank, Agargaon Branch.

b) Working experience at different desks in Sonali Bank, Agargaon Branch.

3.3 Period of Data Collection:

Data were collected during January to April in 2020 by the reporter himself.

Chapter Four: Results and Discussion

4.1 Concept of Credit:

The word credit is derived from the Latin word “credo” which means “I believe” and is usually defined as the ability to buy with a promise to pay. It consists of actual transfer and delivery of goods and services in exchange for a promise to pay in future. It is simply the opposite of debt. Diversification of banking service has accelerated the use of credit in the expansion of business operation. It is a fundamental precept of banking everywhere that advances are made to customers in reliance on his promise to pay rather than the security held by the banker.

Cenzo,D. & Ribbins,S.(1988) defined credit as a legal contract where one party receives resource or wealth from another party and promises to repay him on a future date along with interest. In simple terms, a credit is an agreement of postponed payments of goods bought or loan. With the issuance of a credit, a debt is formed.

4.2 Importance of credit:

Credit assumes an essential job in national economy in the accompanying ways-

- It gives working cash-flow to industrialization.
- It helps to makes employment opportunity.
- Credit controls practically a wide range of creation exercises of the nation.
- People's purchasing power increments for it.
- It brings social value.
- Cash generation happens for its fruitful execution.
- Business cycle can run well just by the assistance of loaning framework.

4.3 Credit Management:

Credit management, also known as credit control, is activity aimed at serving the dual purpose of-

(1) Increasing sales revenue by extending credit to customers who are deemed a good credit risk, and
(2) Minimizing risk of loss from bad debts by restricting or denying credit to customers who are not a good credit risk.

Effectiveness of credit control lies in procedures employed for judging a prospect’s creditworthiness, rather than in procedures used in extracting the owed money. A function performed within accompany to improve and control credit policies that will lead to increased revenues and lower risk including increasing collections, reducing credit costs, extending more credit to creditworthy customers, and developing competitive credit terms. The objective of the credit management is to maximize the performing asset and the minimization of the non; performing asset as well as ensuring the optimal point of loans and advances and their efficient management. It1s also called credit control.

4.4 What is credit risk?

A credit risk is the danger of default on an obligation that may emerge from a borrower neglecting to make required installments. In the first resort, the hazard is that of the loan specialist and incorporates lost main and premium, interruption to money streams, and expanded gathering costs. The misfortune might be finished or incomplete. In a proficient market, more elevated amounts of credit risk will be related with higher obtaining costs.

4.5 Types of credit risk:

Credit risk is classified within the following manner.

- **Credit default risk**: The loss of arising from an individual being unlikely to pay its loan obligation fully or the individual is over ninety days late on any material credit obligation. Default risk could impact all credit sensitive dealing, together with loans, securities and derivatives.

- **Concentration Risk**: The risk goes with any single exposure or cluster of exposure with the potential to provide giant enough losses to threaten a bank's core operation. It's could arise within the variety of single name concentration or business concentration

- **Country Risk**: The risk arises from sovereign state freezing foreign currency payment or when its default on its obligations.

4.6 Credit Risk Management:

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Concentration of credit risk arises when a number of counter parties are engaged in similar business activities, or activities in the same geographical region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. To manage credit risk, the Bank applies credit limits to its customers and obtains adequate collaterals. Credit risk in the Sonali Bank Ltd.'s portfolio is monitored, reviewed and analyzed by the Credit Risk Management (CRM). CRM determines the quality of the credit portfolio and assists in minimizing potential losses. To achieve this objective, CRM formulates appropriate credit policies and procedures for the Bank to ensure building and maintaining quality credits and an efficient credit process.

Sonali Bank Ltd. has established Asset-Liability Management Committee (ALCO) determine the maximum risk exposure. ALCO also assesses, recommends and controls cross border/country risk.

To manage the Non-Performing Loans (NPL), Sonali Bank Ltd. has a comprehensive remedial management policy, which includes a framework of controls to identify weak credits and monitoring of these accounts.

4.7 Implementation of BASEL- III in Sonali Bank Limited:

To improve the banking sectors ability to absorb shocks arising from financial and economic stress, whatever the sources, thus reducing the risk of spillover from the financial sector to the real economy, Bangladesh Bank instructed all the scheduled banks in Bangladesh through BRPD circular no- 18/2014 to implement BASEL-III from 1st January, 2015 to 2019 phase by phase. These new global regulatory and supervisory standards mainly addressed the following areas:

- Raise the quality level of capital to ensure banks are better able to absorb losses on both a going concern and a gone concern basis;
- Increase the risk coverage of the capital framework;
- Introduce leverage ratio to serve as a backstop to the risk-based capital measure;
- Raise the standards for the supervisory review process (Pillar-II); and
- Public disclosures (Pillar- III) etc.

Accordingly, Sonali Bank Limited has started BASEL-III implementation from January, 2015 and Capital to Risk weighted Asset Ratio (CRAR) of the Bank is being submitted to Bangladesh Bank as per BASEL- III requirement.

4.8 Credit Rating Report of Sonali Bank Limited:

- With Government support.

Ratings	2018-19	2017-18
Long Term	AAA	AAA
Short Term	ST-1	ST-1

- Without Government support.

Ratings	2018-19	2017-18
Long Term	A	A-
Short Term	ST-2	ST-2
Outlook	Stable	Stable

4.9 Definition of Credit Rating:

Rating	Definition
AAA Triple-A (Highest Safety)	Banks rated in this category are adjudged to be of best quality, offer highest safety and have highest credit quality. Risk factors negligible and innocuous, nearest to risk free Government bonds and securities. Changing economic circumstances unlikely to possess any serious impaction this category of banks.
ST-1	Highest certainty of timely payment. Short term liquidity as well as internal fund generation is extremely sturdy and access to different sources of funds is outstanding, Safety is almost like risk free Government short-term obligations.
A-Single-A (Adequate safety)	Banks rated in this category are adjudged to offer adequate safety for timely repayment of financial obligations. This level of rating indicates a company entity with adequate credit profile. Risk factors are more variable and larger in periods of economic stress than those rated within the higher classes**.**
ST-2	High certainty of timely payment. Liquidity factors are strong and supported by good fundamental protection factors. Risk factors are very small.

4.10 Types of loan offered by SBL:

Depending on the varied nature of finance, all the loaning activities are brought beneath the following major heads:

Loan (General):

Short term, Medium term loans allowed to individual/firm/industries for a selected purpose except for an explicit amount and usually owed by installments fall into this head. This type of loaning is especially allowed to accommodate finance beneath the classes (i) massive& Medium Scale trade and(ii) little Very often term financing for (i) Agriculture & (ii) Others are also included here.

House Building Loan (General):

Loans allowed to individual/enterprises for construction of house (residential or commercial) fall under this type of advance. The amount is owed by monthly installment inside a such period. Such advances square measure called Loan (HBL-GEN).

House Building Loan (Staff):

Loans allowed to our Bank staff for purchase/construction of house shall be called Staff Loan (HBL-STAFF).

Other Loans to Staff:

Loans allowed to staff apart from for House Building shall be sorted beneath head –workers Loan (Gen).

Cash Credit (Hypo.):

Advances allowed to individual/firm for mercantilism in addition as wholesale purpose or to industries to meet up the assets necessities against hypothecation of products as primary security fall under this type of lending. It is a continuous credit. It is allowed under the categories (i) "Commercial Lending" once the client is apart from a trade and (ii) "Working Capital" when This customer is an industry.

Cash Credit (Pledge):

Financial accommodations to individual/firms for mercantilism in addition as for whole-sale or to industries as assets against pledge of products as primary security fall into this head of advance. it's conjointly agrees continual the products on rent at a declared rental, which is inclusive of the repayment of Principal in addition as interest for adjustment of the loan inside a such amount.

Lease finance:

Lease Financing is one among the foremost convenient sources of feat capital machinery associate degreed instrumentation whereby a consumer is given the chance to own a prerogative to associate degree quality typically for associate degree in agreement amount of your time against payment of rent. It is a term financing repayable by installment. Time Loan: this can be just one occasion money accommodation for brief amount most twelve months to meet some specific purpose. The loan is adjustable inside the validity and not renewable and no transaction is allowed.

Consumers Credit Scheme:

It's a special credit theme of the Bank to finance purchase of consumers' sturdy to the mounted financial gain cluster to boost their customary of living. The loans are allowed on soft terms against personal guarantee and deposit of such share of equity by the customers. The loan is owed by monthly installment inside a set amount.

SOD (General):

Advances allowed to individual/firms against liability (i.e. Lien on FDR/PSP/BSP/Insurance Policy/Share etc.). This may or might not be SOD (Others): Advances allowed against assignment never-ending order for execution of written agreement works falls under this head. This advance is usually allowed for an explicit amount and specific purpose i.e. it is not a continuous credit. It falls under the category "Others".

SOD (Export):

Advance allowed for buying foreign currency for payment against L/Cs (Back to Back) wherever the exports don't occur before the date essential payment. This is also associate degree advance for temporary amount that as export finance and falls under the category "Commercial Lending".

PAD:

Payment created by the Bank against lodgment of shipping documents of products foreign through L/C falls under this head. It is associate degree interim advance connected with import and is usually liquidated against payments typically created by the party for retirement of the documents for release of imported goods from the customs authority. It falls under the category "Commercial Lending".

LlM:

Advances allowed for retirement of shipping documents and unleash of products foreign through L/C taking effective management over the products by pledge in go downs beneath Bank's lock & key fall under this type of advance. This is conjointly a short lived advance connected with import which as post-import finance and falls under the class "Commercial Lending".

LTR:

Advance allowed for retirement of shipping documents and unleash of products foreign through LC falls under this head. The goods square measure two-handed over to the bourgeois beneath trust with the arrangement that sale takings ought to be deposited to liquidate the advances inside a given period. This can be conjointly a short, lived advance connected with import and called post- import finance and falls under the category "Commercial Lending".

IBP:

Payment created through purchase of interior bills/ cheques to fulfill pressing demand of the customer falls under this type of credit facility. This temporary advance is adjustable from the proceeds of bills/cheques purchased for collection. Its falls under the category "Commercial Lending".

Export money Credit (ECC):

Money accommodation allowed to a client for exports of goods falls beneath this head and is categorized as "Export Credit". The advances should be liquidated out of export payoff among a hundred and eighty days.

Packing Credit (PC):

Advance allowed to a client against specific L/C/firm contract for processing/packing of products to be exported falls beneath this head and is categorized as "Packing Credit". The advances should be adjusted from takings of the relevant exports inside a hundred and eighty days. It falls under the category "Export Credit".

F D B P:

Payment made to a customer through purchase/negotiation of a foreign documentary bills falls under this head. This temporary advance is adjustable from the proceeds of the shipping/export documents. It falls under the category "Export Credit".

IDBP:

Payment made against documents representing sell of goods to Local export, oriented industries which are deemed as exports and which are denominated in Local Currency /Foreign Currency falls under this head. This temporary liability is adjustable from proceeds of the Bill.

F B P:

Payment made to a customer through Purchase or Foreign Currency Cheques/Drafts falls under this head. This temporary advance is adjustable from the proceeds of the cheque/draft.

4.11 Risk Management activities of SBL:

Risk Management activities of Bank can be divided into following ways:

1. Risk Identification.
2. Risk Analysis.
3. Risk Measurement.
4. Risk Price.
5. Risk Monitoring and Controlling.
6. Risk Mitigation.

4.12 Risk Management Framework of SBL:

Risk management process of SBL is based on the Bangladesh Bank guidelines and the clear concept of identification, assessment, parameter setting, controlling and monitoring activities. The primary goals of risk management are to ensure that the outcomes of risk-taking activities are consistent with the Bank's strategies and risk appetite, and that there is an appropriate balance between risk and reward in order to maximize return. The Bank's enterprise-wide risk management framework provides the foundation for achieving these goals. This framework is subject to constant evaluation to ensure that it meets the challenges and requirements of the market in which the Bank operates, including regulatory standards and industry best practices. The risk management programs of the Bank's subsidiaries conform in all material respects to the Bank's risk management framework, although the actual execution of their programs may be different. The Bank's risk management framework is applied on an enterprise-wide basis and consists of three keys elements:



Figure 1: Risk management frame work

A. Risk Governance,
B. Risk Appetite, and
C. Risk Management Tools

A. Risk Governance:

SBL has established a robust risk management framework through strengthening risk-related policies, procedures, processes, control mechanisms and reporting during the last few years. With a view to preserving and enhancing resiliency capacity, the Bank continues to increase its risk management capabilities through investing in people, processes and IT infrastructure. In achieving the objective of risk minimization in its overall business strategy.

B. Risk appetite:

The Bank's Risk Appetite Framework combines qualitative and quantitative terms of reference to guide the Bank in determining the amount and types of risk it wishes to prudently undertake in pursuing the Bank's strategic and financial objectives. Key risk appetite measures provide clear idea of risk tolerance and risk limits, which are critical in implementing effective risk management. For major risks (credit, market, liquidity, and operational), the key risk appetite measures are supported by management level limit structures and controls. Management's dedicated attention to these risks creates a focus on forward-looking activities that keeps the

Bank within its risk appetite on anon-going basis with respective DGM to analyze, update and sharpen the effectiveness of the existing policies.

C. Risk Management Tools:

Effective risk management deploys tools that are guided by the Bank's Risk Appetite Framework and integrated with the Bank's strategies and business planning processes.



Figure 2: Risk management tools

4.13 Risk Measurement, Monitoring and Management Reporting System of SBL

- An effective risk monitoring procedure exists in the Bank to identify and measure all quantifiable and material risk factors;
- SBL has a separate Management Information Systems (MIS) Division which provides necessary information to Risk Management Division and Senior Management for understanding the bank's position and risk exposure in time;
- A strong risk management monitoring culture is underway to address all sorts of material risks;
- Adequate and accurate reports, containing sufficient information, are being produced to Senior Management for identifying any adverse trend and evaluating the level of risk.

4.14 Three major Sections of Credit Risk Management of SBL

Credit Risk Management are organized in the following three major sections

A. Policy Guidelines

- Lending Guidelines
- Credit Assessment and Risk Grading
- Approval Authority
- Segregation of Duties
- Internal Audit

B. Preferred Organizational Structure

- Role of Senior Management
- Role of the Credit Risk
- Management Committee
- Organizational Structure of Credit Officials

C. Procedural Guideline

- Credit Administration
- Credit Monitoring
- Credit Recovery

4.15 Evaluation of loan proposal and risk assessment:

Risk is measured before sanction of loan as per credit risk management guidelines along with traditional method and lending. Decision is made on that measured risk. Besides this, measurement of risk is also reviewed annually. Risk analysis statement must be submitted with every loan proposal. So, the following duly filled in form/data must have to be submitted with any kind of proposal such as new loan, renewal and enhancement:

a) Data collection checklist.
b) Limit utilization form.
c) Credit Risk Grading Score sheet.
d) Credit Risk Grading Form.
e) Internal credit risk rating system.

4.16 Credit policy of SBL

A credit policy incorporates all tenets identifying with loan and advances made by the bank to the borrowers. It incorporates sorts of credit stretched out by banks, technique for making a decision about the credit value of borrowers, the guarantee or securities that are acknowledged by the banks, etc. These approach rules allude to all credit offices reached out to clients including situation of assets on the interbank showcase or different exchanges with money related establishments. Albeit, in contrast to other business banks, there is no recommended and distributed manual or strategy rules with respect to credit the board in SBL, it pursues a few guidelines which are extremely fundamental for credit the executives. All credit expansion of the bank must agree to the necessities of the Bank Organizations Act 1991 and Bangladesh Bank guidelines as corrected every now and then.

4.17 Approach to the Bank:

At the point when a borrower, ways to deal with SBL for an advance s/he is required to satisfy the accompanying criteria-

- S/he must be a customer of this bank.
- S/he needs to apply legitimately depicting the motivation behind the credit sum required and his/her ability of reimbursement.

Subsequent to getting the application from the customer, the branch supervisor filters the papers and chooses if s/he will be taking into consideration a development or not. Therefore, director experiences the accompanying procedure.

4.18 Borrower selection:

In borrower selection emphasis is given initially on 3Ms, which are.

Man:
The manager should study the person applied for associate advance. For this s/he gathers data concerning he applicant's character, credit goodness and position. To evaluate the credit goodness of borrowers SBL follows some basic principles of loaning. These are safety, liquidity, diversification, gain, quality, integrity, dependableness etc. The manager will get data from Branch Records, Credit data Bureau (CIB)of Bangladesh Bank, Personal interviews with the shopper, Credit Report, Market data, monetary Statements (Balance sheet, financial gain statement) etc.

Management:
Management is that the heart of the business. Therefore, a careful judgment should be created concerning it. It's sought-after if there are enough consultants and technical knowhow within the management of the firm. Management's integrity is additionally got to be evaluated.

Money:
If management is heart of the business, cash is blood that is another very important issue to survive. A credit manager has to analyze the debt-equity quantitative relation of the firm. S/he conjointly has to make certain if there are ample assets to recover the advance.

4.19 Financial Data Analysis:

Also, the credit manager needs to. For this s/he takes help of various ratio, for example, liquidity ratio dissolvability ratio, productivity ratio and movement ratio. S/he likewise needs to inspect ledger explanation of the candidate all around distinctly. Notwithstanding investigation, the manager should visit the business concern to get a genuine picture of it.

a. Industry Investigation:
In this part, the manager is required to contemplate the business behavior, which incorporates market demand, competitors and government barriers

b. Lending risk analysis:
It is an efficient and basic approach to evaluate lending risk, which covers every one of the variables depicted previously. Here a structure must be finished by the loaning officer. In the event that loaning risk is observed to be low, financing should be possible and the other way around. On the off chance that the candidate is observed to be alright in the wake of experiencing all the above procedure, the branch manager sends it with other vital papers to the credit division of the Head Office with his/her very own proposal. The credit division after examination, sends it to the Board (on account of sum in excess of 10 lac) or to the credit advisory group. The credit committee consists of Managing Director, one General Manager and one Deputy General Manager from International Division. If the Board/ Credit Committee agree, the proposal is accepted and is sent back to the credit division. The credit division informs it the branch manager. Following this the branch manager, maintaining other law and regulation sends a sanctioning letter to the applicant.

4.20 Security & Facility Offer Letter (FOL):

1. Preparation of facility offer letter.
2. Processing security offer letter.
3. Preparation and dispatch of security documents.
4. Charge creation of registrar of joint stock companies.
5. Creation of legal equitable mortgage of loan.
6. Co-ordinate legal matters with lawyers.
7. Attending customer queries regarding FOL.
8. Issuance of Bank certificate.
9. Coordinate search and inspection report.
10. Responding to auditors of customers.
11. Renewal of hold letters.
12. Cancellation of facilities.
13. Circulation security tracking list to senior management on a monthly basis after having RM s comments.
14. Update and monitor one off facilities of trade services.

4.21 Preparation and Dispatch of Facility Offer Letter:

1. Receive approval for CARM (Credit and Risk Management) application through lotus notes.
2. Review the approval terms of CRM.
3. Check whether the facilities are in line with Bangladesh Bank and banking companies act directives.
4. Check the CIB (Credit Information Bureau) report from Bangladesh Bank, Memorandum of articles & association and search report.
5. Prepare FOL in standard format as per set up service level agreement (SLA).
6. Hand over the draft FOL to the respective RM (Relationship Manager) for checking amendment and conformation.
7. Discuss with RM regarding different issues of the FOL.
8. Finalize the FOL.
9. Mail the FOL along with security papers to the client for their signing.
10. Receive the duplicate FOL duly signed by the as an indication of the acceptance of the letter.
11. Update SLA tracking, security -tracking list.
12. Review fees will be finalized according to the FOL terms.

4.22 Issuance of Bank Certificate:

1. Receive request from customer or from the auditor issuance of Bank's certificate.
2. Verify the signature.
3. Prepare the certificate as the standard format.
4. Realizes charges and VAT.
5. Take signature from the authorized signatories of the bank.
6. Keep a copy of the certificate in credit file.

4.23 Cancellation of Facilities:

1. Check the CARM approval for cancellation of facility.
2. Send lotus notes to related departments and RM for “no claim” confirmation.
3. Upon recipient confirmation from concern departments, delete securities, limits & pre facility from SBL.
4. Prepare memorandum of satisfaction for vacation of Charges.
5. Advise lawyer for preparing the Deed of Redemption for mortgage.
6. Cancel the securities and transfer them to central store.

4.24 Loan Disbursement:

1. Receive customers request letter and verify the signature.
2. Check FOL for terms and condition.
3. Check the invoices.
4. Process the loan.
5. Disburse the loan through A5 debit/Credit vouchers.
6. Send the customers advice through courier.
7. File the documents after final checking.

4.25 Loan Rollover:

1. Review customers request letter and verify the signature.
2. Check FOL for terms and conditions.
3. Process the rollover.
4. File the documents after final checking in credit file.

4.26 Loan Repayment:

1. Receive customer's request letter verify the signature.
2. Check FOL for terms and conditions.
3. Cross the letter with red ink and write “entry passed on”.
4. Process the repayment through A5 debit/credit.
5. File the documents after final checking in repayment file

4.27 Process of Credit Sanction Followed by Sonali Bank Ltd:

The following procedure have to be compelled to be followed for giving advances to the client These are: a. Party’s application b. filling form-X c. grouping CIB report from Bangladesh Bank d. process loan proposal e. Project appraisal f. Head office approval g. Sanction letter h. Documentation i. Disbursement

a. Party's Application:
Initially receiver had to submit associate application to the respective branch for loan, wherever he must clearly specify the explanation for loan. When receiving the application from of borrower bank officer verifies all the data rigorously. He additionally checks the account maintains by the receiver with the bank. If the officer becomes glad then he offers form-X (prescribed form of bank) to the possible receiver.

b. Filling Form – X:
When satisfying with party's application the person has to be compelled to fill Form-X. It's the prescribed form provides by the respective branch that contains info of the receiver. It contains name with its factory location, official address and phone number, details of past and present business, its action and failures, type of loan required etc.

c. Collecting CIB Report from Bangladesh Bank:
After receiving the application for advance, Sonali Bank Ltd: sends a letter to Bangladesh Bank for getting a report from there. This report is named CIB (Credit information Bureau) report. Sonali Bank Ltd: usually seeks this report from the head office for every kind of investment. The aim of this report is to being knowing that whether or not the receiver has taken loan from the other bank.

d. Processing Loan Proposal:
After receiving CIB report from Bangladesh Bank, then respective branch prepares associate investment proposal, that contains terms and conditions of investment for approval of Head office. Documents those are necessary for sending investment proposal are:

Necessary Documents

While advancing cash, banks produce a lot of documents that are needed to be signed by the borrowers before the disbursement of the loan. Of them some are technically known as charge documents. Necessary steps and documents:

- Application form signed by the client.
- Acceptance of the term and conditions of sanction advice.
- Trade license.
- In Case of Partnership firm, copy of registered partnership deed duly certified as true copy or a partnership deed on non-judicial stamp of taka-150 denomination duly notarized.
- Demand promissory notes.
- Letter of hypothecation of stocks and goods.
- Letter of hypothecation of books debts and receivable.
- Letter of hypothecation of plant and machinery.
- Personal letter of guarantee.

e. Project Appraisal:

It is the pre-investment analysis. Project appraisal in the banking sector is important for the following reasons:

- To achieve organizational goals
- To recommend if the project is not designed properly
- To justify the soundness of an investment
- To ensure repayment of bank finance

f. Head Office Approval:

At the point when Head Office get evaluation from the branch at that point, Head Office again assesses the venture. On the off chance that it is by all accounts a suitable one, the Head Office sends it to the Top managerial staff for the endorsement of the speculation. The Top managerial staff considers the proposition and takes choice whether to support the venture or not. In the event that the Top managerial staff affirms the speculation, the Head Office sends the endorsement to the concerned branch. The separate officer of Head

Office assesses the task by setting up a rundown named "Top Sheet" or "Official Outline" and after that he sends it to the Head Office credit division for the endorsement of the advance. The Head Office credit division considers the proposition and takes choice whether to support the speculation or not. On the off chance that the board of trustees affirms the speculation, the Head Office sends the endorsement to the concerned branch.

g. Sanction Letter:

After getting the approval of the Head Office the branch issues sanction letter to the borrower. A sanction letter contains:

- Name of borrower,
- Facility allowed,
- Purpose,
- Rate of interest

h. Documentation:

If the receiver accepts the sanction letter, the documentation starts. Documentation may be a written statement of reality evidencing bound transactions covering the legal aspects punctually signed by the approved persons having the position. The most common documents used by the Sonali Bank Ltd: for sanctioning different kinds of investment are:

- Joint Promissory Note,
- Letter of Arrangement,
- Letter of Disbursement,
- Letter of Installment,
- Letter of Continuity,
- Trust Receipt,
- Counter Guarantee,
- Stock Report,
- Letter of Lien,
- Status Report,
- Letter of Hypothecation,
- Letter of Guarantee,
- Documents Relating to Mortgage.

i. Disbursement:

After sanction and completion of all formalities the several officers disburses the loan. The officer writes cheque and provides it to the borrower. For this borrower must open associate account through that he/she will withdraw.

4.28 Methods used to mitigate credit risk of SBL:

- Based on the policies strategies are developed by the bank to mitigate credit risk.
- Credit risk is mitigated by appropriate credit appraisal systems before lending and proper collateral or guarantees are taken to hedge the risk.
- Risk management system is put in place for better management of credit risk and a risk rating is installed which is in compliance with BB guidelines.
- The risk management function is reviewed periodically usually every quarter.
- The rating system for term loans is annual.

4.29 Recovery of loan & advance of SBL:

Sonali Bank's mostly depends on the recovery of its outstanding amount. Outstanding amount includes both principal and interest because, 80% of bank's earnings comes from advances. A poor recovery rate indicates the weak condition of the banking operation and vice versa.

4.30 Loan recovery programs:

When Sonali Bank sanctions loans and advances to its customers, they clearly state the Repayment pattern in the loan agreement. But some credit holders do not pay their credit in due period. The public banks have to face this sort of problems. This situation is also found in Sonali Bank. To overcome the problem of overdue loan, the bank has taken particular loan recovery programs. Recovery Programs taken by Sonali Bank Limited:

a. Establishing credit supervision and monitoring cell in the bank
b. Re-structuring the loan sanctioning and distributing policy of the bank
c. Sanctioning loans and advances against sufficient securities as best as possible
d. Giving more powers to the branch manager in credit management decision making process. Offering a package of incentives to the sound borrowers
f. Giving more emphasis on short term loans and advances
g. Imposing restrictions on loans and advances for sick industries
h. Taking legal actions quickly against unsound borrowers as best as possible within the period specified by the law of limitations.

4.31 Loan recovery procedure:

Recovery procedure may be an extended one that needs efforts of the bank, society and legal establishments. It additionally takes time and cash. The most responsibility of bank manager and advance / loan officer is to recover the outstanding loan in Sonali Bank. The loan recovery procedure is split into many steps. They are as follows:

- **Reminder:**

Reminder to the client is given through a proper line. A letter is written and properly signed on the bank's papers. This letter is issued several times to prompt the honorable loaner to repay his/her outstanding portion.

- **Demand Notice:**

Demand notice is issued before one month being due of outstanding loan or installment.
It's sent to the borrower.

- **Legal Notice:**

If the borrower doesn't repay their individual loans and interest when maturity being received the demand notice by the bank; then bank sends legal notice under registered with acknowledgement by post to the borrowers. Before taking any action against the borrower the bank ought to send legal professional notice to him.

- **Special Notice**:

Besides the higher than 2 notices, a special notice signed by DC, TNO is send to the respective borrower to stay mental pressure on him for repaying the loan.

- **Field Recovery:**

Loan officer tries to recover loan through I.O. receipt by visiting the spot and houses of the borrower.

- **Case Filing**:

If all the procedure except action of bad loan becomes unsuccessful then certificate case is filed against the borrower. If the recipient is within the following category then the case must be filed with priority:

1. Unwilling to repay loan though he's financially solvent.
2. Each effort of loan recovery becomes failure.
3. Damaging to the interest of loan.

- **Loan recovery with the help of interest exempting:**

The loan quantity that becomes quite double in principal and interest and which isn't possible to recover with the assistance of legal actions then this loan will be recovered by exempting interest. By this the loan are often recover.

4.32 Findings:

- The amount of providing loan and advance to the customer of Sonali bank limited are increasing yearly gradually and because of poor credit risk management the amount of bad loan / classified loan is also increasing gradually per year.
- The amount of classified loan was quite low in 2014 and 2015 but in 2017 the amount is grater then previous 4 years and the rate of classified loan are same also. It indicates poor credit risk management of Somali bank.
- The amount of classified loan recovery is consistently decreased per year so it indicates bad performance on loan and advance.
- Non-performing loan ratio of Somali bank in recent year is high which indicate bank is in credit risk.
- ROA and ROE are in satisfied level compared to previous two years.
- Return on loan and advance is looks like quite similar compared to last five-year.
- Credit deposit ratio of Sonali bank is almost constant. It indicates that the performance of using deposit to banks activities is not varied much.
- Sonali bank provide least amount of loan and advance in micro credit and Seminice.
- Sonali bank does not keep enough provision for loan and advance and their performance on loan and advance are not satisfactory.
- The bank requires more margins for giving the varies types of loan.
- Maximum amount of loan is provided to the long-term industrial sectors. They intentionally ignore the agriculture sector because of riskiness and safety issues.
- Interest charged for retail loans vary depending on the amount of loan, purpose of loan, loan tenure and pattern of interest.
- The banks grant subsequent loans to the borrowers who are regular in repayment of loan and have repaying capacity.

Chapter Five: Conclusion and Recommendations

5.1 Recommendations:

As we all know SBL is one of the well-known banks in our country. From my little knowledge it's quite hard to give recommendation to such a well-established bank. Still from my learning and observation, I am giving following recommendation to follow.

- Concentrated credit disbursement to some selective division could endanger the bank's credit portfolio. So, the bank management should provide loans & advances to all the divisions for balanced economic growth.
- They should do more marketing activities to improve their presence in the minds of their potential target market. As we see that, Media coverage of SBL is not so strong. To attract new clients, they should go for mass media coverage like TV, Radio etc.
- SBL should disburse more credit from its deposit to eligible borrower by developing new and alternative schemes.
- Sonali Bank Limited should also concentrate on providing more credit in Tea Loan and Small loan sector. Concentration more in some specific sectors could cause risks & hamper the sustainability of the bank.
- Somali Bank Limited should be more concerned about controlling the classified loans & advances. In order to minimize the amount of NPL the bank should provide loans to creditworthy borrowers and effective monitoring and recovery system should be developed.
- Before granting loan, the officials should be more conscious about browsers information.
- In the credit department, strict supervision is necessary to avoid loan defaulters. Bank official ought to do regular visit to comes.
- Central monitoring system should be more active to maintain classified loan to a minimum level.
- All of the branches of SBL should be more digitalized.
- Space of some branches should be increase.
- An uninterrupted network system has to be ensured. It will save the officials from much hassle and will save the time.
- Vaults security should increase and all branch should have high Tec security system.

5.2 Conclusion:

I have focused and analyzed on Credit Risk Management of Sonali Bank Limited. The banking sector in any country plays a vital role in economic activities. Bangladesh is no exception of that as its financial development and economic development are closely related. That is why the personal business banks are taking part in important role during this regard. This report focused and analyzed on Credit Risk Management of SBL. Sonali Bank Ltd. is much different in any terms. Its activities are vast and in cases unique to another bank. Its deposits and loans are huge compared to other banks. It finances government projects, provides unique services to people in need, even in places it works as central bank. This Bank usually makes call for the welfare of general public despite risk of credit exposure. The bank has established a sound credit risk management and credit risk mitigation policy.

Compliance with Basel II and Basel III norms helps the Bank to enhance their profitableness through higher credit risk management systems. In recent years, the bank has been exposed to credit risk due large-scale loan defaults. Top managements malpractice and mismanagement caused less return on investment. From the discussion in this report, it has become clear that credit risk management is a complex and ongoing process and therefore Banks or any financial institutions must take a serious approach in addressing these issues. So SBL can focus on their strengths to materialize the opportunities hidden for them in the banking industry and also, they can work on their weakness to develop the product effectively and grab additional chance hidden within the industry. With their strengths SBL can also reduce the threats existing in the market. They have strengths with their solid brand image and experience and skills as well, with which they are being SBL to satisfy the customers with their wide range of products and services.

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