Internship Report

on

Credit Risk Management & SME Financing of Midland Bank PLC

Submitted By:
MD. Nasim Azad
ID: BBA2102023025

Program: Bachelor of Business Administration (BBA)
Department of Business Administration

Major: Accounting
Summer 2026

Submitted to
Department of Business Administration
Faculty of Business
Sonargaon University (SU)

Submitted for the partial fulfillment of the degree of
Bachelor of Business Administration



Sonargaon University SU

147/I, Green Road, Tejgaon, Dhaka-1215, Bangladesh

Date of Submission: September 05, 2026

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Supervised by:
Naima Khan Tarin
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Date of Submission: September 05, 2026

Letter of Transmittal

Date: September 05, 2026
To
Naima Khan Tarin
Lecturer
Department of Business Administration
Sonargaon University (SU)

Subject: Submission of Internship Report on "Credit Risk Management & SME Financing of Midland Bank PLC"

Dear Ma'am,
I am delighted to present my internship report on "Credit Risk Management & SME Financing of Midland Bank PLC," as part of the academic requirements of my BBA program. This report summarizes my practical work, observations, and experience regarding daily banking operations and accounting practices during my internship at Midland Bank PLC, which lasted for 90 working days. I sincerely acknowledge your continuous guidance, support, and valuable suggestions, which have been crucial in the successful completion of this report. I have tried my best to present the banking procedures and my findings objectively, though there may still be some limitations due to time and confidentiality constraints. I humbly request that you kindly evaluate this report. I would highly appreciate your feedback and constructive suggestions.
Sincerely
yours,

MD. Nasim Azad
ID: BBA2102023025
Program: Bachelor of Business Administration
Department of Business Administration
Sonargaon University (SU)

Student's Declaration

I am Md. Nasim Azad, a student of Bachelor of Business Administration, ID: BBA2102023025 from Sonargaon University, and I would like to declare here that solemnly this report, "Credit Risk Management & SME Financing of Midland Bank PLC," has been authentically prepared by me. While preparing this report, I didn't breach any copyright internationally. I am further declaring that I did not submit this report anywhere for the awarding of any degree, diploma, or certificate.

MD. Nasim Azad
ID: BBA2102023025
Program: Bachelor of Business Administration (BBA)
Major: Accounting Department of Business Administration
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Letter of Authorization

Certified that this internship report titled "Credit Risk Management & SME Financing of Midland Bank PLC," is the bona fide work of Md. Nasim Azad, who carried out the research under my supervision. Certified further that to the best of my knowledge, the work reported here does not form part of any other project report or dissertation based on which a degree or award was conferred on an earlier occasion on this or any other candidate.

Naima Khan Tarin
Lecturer
Department of Business Administration
Sonargaon University (SU)

Acknowledgement

Firstly, I have to thank Almighty Allah. His patience, guidance, and strength got me through my internship and this report, “Credit Risk Management & SME Financing of Midland Bank PLC” I’m especially grateful to my academic supervisor, Naima Khan Tarin, Lecturer, Department of Business Administration, Sonargaon University. The support and honest feedback I got made a real difference. Every bit of advice pushed me to think deeper and write better. Huge thanks to the management at Midland Bank PLC, especially the General Accounts and Operations departments. They opened the doors for me and made it easy to get a true feel for how general banking and daily accounting practices work in Bangladesh. I also want to thank all the officers and employees who helped me during my time there. Their encouragement and willingness to explain complex banking operations turned a tough experience into something truly rewarding. I faced many challenges.

However, I owe a lot to my family for their constant support, friends, and classmates. Their steady support and Motivation kept me going. I really couldn’t have done any of this without them.

Executive Summary

This internship report presents an overview of my internship experience at Midland Bank PLC, completed as a requirement for the Bachelor of Business Administration (BBA) program. The internship was conducted in the Credit Department, where I gained practical knowledge of banking operations and learned how theoretical concepts are applied in a professional financial institution. The primary objective of this report is to evaluate the bank's credit management practices and reflect on the practical experience gained during the internship.

The report provides a brief introduction to Midland Bank PLC, including its background, organizational structure, mission, vision, and the wide range of banking products and services it offers. It also explains the functions and importance of the Credit Department in maintaining sound lending practices, minimizing credit risk, and ensuring compliance with banking regulations. During the internship, I observed and assisted with various credit-related activities, such as collecting and verifying customer information, maintaining loan documentation, preparing credit proposals, reviewing customer files, and supporting officers in routine banking operations. These responsibilities helped me develop practical skills in documentation, communication, teamwork, and professional ethics while improving my understanding of commercial banking procedures. The report also presents key findings based on my observations and offers several recommendations to improve operational efficiency, customer service quality, digital banking facilities, and credit management practices. These recommendations are intended to support the bank's continuous improvement and long-term growth.

Overall, the internship at Midland Bank PLC was a valuable learning experience that strengthened my academic knowledge through practical application. It enhanced my understanding of the banking industry, increased my confidence in a professional work environment, and prepared me for future career opportunities in the financial sector.

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Chapter-01
Introduction

1.1 Introduction

The banking sector plays a significant role in the economic development of Bangladesh by mobilizing savings, providing financial services, and supporting business growth through various lending activities. Among these activities, Small and Medium Enterprise (SME) financing has become one of the most important contributors to employment generation, entrepreneurship development, and overall economic progress. Banks provide financial assistance to SMEs while ensuring that lending decisions are supported by effective credit risk management practices. Credit risk refers to the possibility that a borrower may fail to repay the loan or meet contractual obligations, resulting in financial losses for the bank. Therefore, every financial institution must establish an efficient credit risk management system to assess borrowers' creditworthiness, monitor loan performance, and minimize the possibility of default. Sound credit risk management not only protects the bank's financial stability but also ensures sustainable lending operations. Midland Bank PLC is one of the leading fourth-generation commercial banks in Bangladesh, offering a wide range of financial products and services, including SME financing. The bank follows structured credit policies, regulatory guidelines, and risk assessment procedures to maintain a balanced loan portfolio while supporting the growth of small and medium-sized enterprises. This internship report has been prepared based on practical experience gained during the internship program at Midland Bank PLC, Gulshan-2 Branch. The report focuses on the bank's credit risk management practices and SME financing operations, providing an overview of the lending process, risk assessment techniques, and challenges associated with SME lending. It also attempts to relate theoretical knowledge acquired during the BBA program with practical banking operations.

1.2 Objectives

The objectives of this report are divided into general and specific objectives.

1.Primary Objective

The primary objective of this study is to critically evaluate the alignment of Midland Bank PLC's Credit Risk Management (CRM) framework with regulatory guidelines, assessing how these practices impact the quality and performance of its SME financing portfolio.

2. Specific Objectives

The specific objectives of the study are:

- To understand the overall SME financing operations of Midland Bank PLC.
- To examine the credit risk management process followed by the bank.
- To identify the procedures involved in SME loan approval and disbursement.
- To analyses the methods used for evaluating borrowers' creditworthiness.

1.3 Methodology

Both Primary and Secondary data sources have been utilized in preparing this report. The data collection methods are outlined below:

Primary Sources

- Practical experience gained during the internship at Midland Bank PLC, Gulshan-2 Branch.
- Direct observation of daily banking operations.
- Informal discussions with branch officials and employees.
- Practical involvement in relevant banking activities.

Secondary Sources

- Midland Bank PLC Annual Reports.
- Official publications and manuals of Midland Bank PLC.
- Bangladesh Bank circulars and guidelines.
- Textbooks, journals, research articles, and previous internship reports.
- Information available on the official website of Midland Bank PLC.

Research Approach

This report mainly follows a descriptive research approach. Information has been collected, organized, analyzed, and interpreted to understand the bank's credit risk management and SME financing practices.

1.4 Scope of the Report

The report mainly focuses on the credit risk management system and SME financing activities of Midland Bank PLC at the Gulshan-2 Branch. It covers the bank's SME loan products, customer evaluation procedures, credit approval process, documentation, loan monitoring system, and risk management practices. The study also provides an overview of the relationship between credit risk management and successful SME financing.

Although the report emphasizes practical observations from the Gulshan-2 Branch, it also incorporates information obtained from official publications, annual reports, and Bangladesh Bank guidelines to provide a comprehensive understanding of the subject.

1.5 Limitations of the Study

Despite sincere efforts, the study has several limitations:

- The internship duration was relatively short to gain comprehensive knowledge of all banking operations.
- Confidentiality policies restricted access to certain customer information and internal documents.
- Some financial and credit-related data could not be disclosed due to banking regulations.
- Employees were often busy with official responsibilities, limiting the opportunity for detailed discussions.
- Time constraints limited the scope of extensive data analysis.

1.6 Literature Review

Literature review plays a crucial role in identifying the gaps and limitations of existing research while providing a foundation for further study. It enables researchers to build upon prior knowledge and develop a more comprehensive understanding of the subject matter. In the context of the banking industry in Bangladesh, regulatory bodies such as Bangladesh Bank require all commercial financial institutions, including Midland Bank PLC, to implement standardized framework mechanisms—such as Credit Risk Grading (CRG) and core risk guidelines—to ensure financial soundness and operational efficiency.

According to Brown (2008), credit risk refers to the likelihood of financial loss arising from a borrower's failure to meet debt obligations. Credit risk management, therefore, involves minimizing potential losses by evaluating the adequacy of a bank's capital and the quality of its loan portfolio at any given time. Effective credit risk management ensures financial stability and enhances the overall performance of banking institutions.

Credit risk encompasses several dimensions, including concentration risk and settlement risk. As explained by Peter Moles (2011), concentration risk occurs when a bank has excessive exposure to borrowers or sectors with similar characteristics, increasing vulnerability to adverse economic conditions. Settlement risk, on the other hand, arises when transactions are processed through third parties or clearing agents, creating the possibility of default during the settlement process.

Schuermann, Treutler, and Weiner (2006) developed a framework linking changes in the value of credit portfolios to macroeconomic conditions, concluding that fluctuations in the business cycle significantly influence default probabilities. Similarly, Altman et al. (2003), in their study "The Link between Default and Recovery Rates," provided empirical evidence demonstrating the relationship between credit ratings, default rates, recovery rates, and overall banking performance.

Proper evaluation of borrowers before loan disbursement is essential in minimizing credit risk. Rahman (1999) emphasized the importance of assessing the borrower's character and repayment capacity, noting that failure to do so may result in loans becoming non-performing. Continuous monitoring of loan repayment is also critical to maintaining asset quality. Treacy and Carey (1998) observed that provisions for doubtful loans can be substantial and that regulatory requirements may differ between state-owned and private commercial banks due to variations in operational objectives and public accountability.

Freimer and Gordon (1965) suggested that banks should assess credit risk at the time of loan disbursement using relevant data and analytical tools. They also noted that structured risk management and appraisal tools help reduce moral hazard. Additionally, Walker (1978) emphasized that systematically evaluating risk factors directly improves overall operational efficiency in modern banking activities.

Non-performing loan (NPL) provisioning is an important mechanism for covering expected losses arising from defaulted loans. Hasan and Wall (2004) found that higher levels of NPLs require stronger provisioning policies to maintain financial stability. Similarly, Salas and Saurina (2002) analyzed problem loans in commercial banks and concluded that credit risk is influenced not only by macroeconomic conditions such as GDP growth, but also by bank-specific factors including bank size, capital adequacy, net interest margin, and market power.

In addition to credit risk analysis, strategic tools such as SWOT analysis are widely used to evaluate organizational performance. Manktelow and Carlson (1997) described SWOT analysis as an effective method for identifying internal strengths, weaknesses, opportunities, and external threats within an organization. Valentin (2001) further emphasized that SWOT analysis helps align internal operational capabilities with external environmental factors, making it a valuable tool for strategic planning and decision-making in the banking sector.

Overall, the literature highlights the importance of structured credit risk management practices, effective monitoring systems, regulatory compliance, and strategic analysis tools in ensuring the financial stability and long-term success of fourth-generation commercial banks such as Midland Bank PLC.

Chapter-02
An Overview of The Organization

2.1 Overview of Midland Bank PLC

The banking sector plays a vital role in promoting economic growth, financial inclusion, and sustainable development by mobilizing savings and extending credit to individuals and businesses. As one of the fourth-generation private commercial banks in Bangladesh, Midland Bank PLC (MDB) has established itself as a modern, technology-driven, and customer-focused financial institution. Since its inception, the bank has been committed to providing innovative banking solutions while maintaining high standards of corporate governance, risk management, and regulatory compliance. Midland Bank PLC was incorporated as a Public Limited Company on 20 March 2013 and obtained its banking license from Bangladesh Bank on 9 April 2013. The bank formally commenced its commercial banking operations on 20 June 2013. From the beginning, Midland Bank has aimed to build a strong reputation by offering reliable, efficient, and technology-enabled banking services to individuals, small and medium enterprises (SMEs), corporate organizations, and institutional clients. The Head Office of Midland Bank PLC is located at N.B. Tower (Level 6–9), 40/7 Gulshan North Avenue, Gulshan-2, Dhaka-1212. The bank operates through a growing network of branches, sub-branches, agent banking outlets, ATM services, and digital banking platforms across Bangladesh. In addition, Midland Bank maintains international banking relationships through a global network of correspondent banks, enabling customers to access international trade finance, remittance, and foreign exchange services. Midland Bank offers a comprehensive range of banking services including retail banking, corporate banking, SME banking, Islamic banking, treasury operations, foreign trade, cards, remittance, digital banking, and agent banking. The bank continuously invests in information technology to improve service quality, enhance operational efficiency, and strengthen customer satisfaction. Its digital transformation initiatives have enabled customers to enjoy secure and convenient banking services through internet banking, mobile financial services, and electronic payment systems. One of the bank's major priorities is the expansion of SME financing. Small and Medium Enterprises are widely recognized as the backbone of Bangladesh's economy due to their contribution to employment generation, industrial development, and poverty reduction. Midland Bank actively supports entrepreneurs by offering diversified SME loan products while implementing a prudent credit risk management framework to ensure responsible lending. The bank follows Bangladesh Bank's guidelines and international best practices to evaluate borrowers, monitor loan performance, and minimize credit risk. Besides financial performance, Midland Bank places significant emphasis on ethical banking, environmental sustainability, corporate social responsibility (CSR), and financial inclusion. Through various sustainable finance initiatives, green banking activities, and community development programs, the bank contributes to the country's long-term socio-economic development while maintaining its commitment to responsible banking. As of 2024, Midland Bank has continued to strengthen its financial position through steady growth in assets, deposits, loans and advances, and capital adequacy. The bank remains committed to delivering sustainable value for customers, shareholders, employees, regulators, and society through innovation, sound governance, and effective risk management.

2.2 Corporate Information

Corporate information provides an overview of the legal identity, ownership structure, management, and operational profile of Midland Bank PLC. It reflects the organizational

background and key corporate characteristics of the bank. Corporate Information of Midland Bank PLC

Particular	Information
Name of the Bank	**Midland Bank PLC (MDB)**
Nature of Business	Private Commercial Bank
Legal Status	Public Limited Company
Date of Incorporation	20 March 2013
Banking License Issued	9 April 2013
Commencement of Banking Operations	20 June 2013
Regulatory Authority	Bangladesh Bank
Registered & Head Office	N.B. Tower (Level 6–9), 40/7 Gulshan North Avenue, Gulshan-2, Dhaka-1212
Company Registration No.	C-108070/13
Authorized Capital	BDT 10,000 million
Paid-up Capital	BDT 6,396.70 million (2024)
Chairman	Mr. Ahsan Khan Chowdhury
Managing Director & CEO	Mr. Md. Ahsan-uz Zaman
Website	www.midlandbankbd.net
SWIFT Code	MDBLBDDH

Source: Midland Bank PLC Annual Report 2024.

Midland Bank PLC operates under the supervision and regulation of Bangladesh Bank and complies with all applicable banking laws, prudential regulations, and corporate governance guidelines. The bank is managed by an experienced Board of Directors and a professional management team responsible for strategic planning, policy formulation, operational management, and risk oversight. The governance structure promotes accountability, transparency, and ethical business conduct throughout the organization. The bank follows internationally accepted banking practices and places strong emphasis on internal control, compliance, and enterprise risk management. Various committees including the Board Audit Committee, Risk Management Committee, Executive Committee, and senior management committees assist the Board in ensuring effective governance and regulatory compliance. This governance framework enables the bank to maintain operational efficiency while protecting the interests of customers, shareholders, employees, and other stakeholders. Midland Bank has established itself as a customer-oriented financial institution by offering innovative banking products and maintaining a balanced portfolio across retail, corporate, SME, treasury, and digital banking services. Continuous investment in technology, employee development, and service quality has strengthened the bank's competitive position within Bangladesh's banking industry.

2.3 Mission of the Midland Bank PLC

We, in our everyday journey forward, nurture and practice the following values underpinning supporting our mission:

- To continuously provide quality banking service with enhanced customer focus and innovate a wide variety of need based products with widely popular solutions.
- To achieve supremacy in customer service through state-of-the-art delivery channels and user-friendly tools and technology.
- To sharpen leadership with the standard of a learning organization well supported by the finest team of banking experts and professionals.
- To maintain a healthy and diversified financial profile for inclusive economic growth.
- To be a responsible social enterprise by effectively blending commercial pursuits with social banking.
- To be the benchmark for the regulators in terms of compliance, corporate governance and ethics.
- To build long-term shareholder value with consistent growth momentum.

2.4 Vision Statement of the Midland Bank PLC

We seek to be the first choice of our customers as a distinct financial service provider, trusted, respected and valued by all stakeholders within the region and beyond pursuing an endless voyage towards excellence in every respect.

2.5 Strategic Objectives

Strategic objectives provide the long-term direction for an organization and help translate its vision and mission into measurable outcomes. Midland Bank PLC has established a number of strategic objectives to achieve sustainable growth, strengthen its competitive position, and create long-term value for stakeholders.

Strategic goals and Objectives of Midland Bank PLC are discussed below:

- **BALANCE SHEET FOCUS:** Our top priority is a resilient and fortress-like balance sheet based on solid provisioning and sustainable profitability.
- **CAPITAL STRENGTH:** We ensure that our Bank is adequately capitalized to weather any financial downturn and look forward to meeting new norms as they are phased in.
- **COST CONTROL:** We emphasize efficient and competitive cost management without compromising our quality, and maximize profitability through planned reduction in the cost of funds, increased yield on advances and investments, and downsizing the cost of operations through technological leverage.
- **RISK MITIGATION:** We manage financial as well as non-financial risks to optimize profitability through effective risk management and an internal control system.
- **INNOVATIVE BANKING:** We inspire innovation in product, process, and market as the root for growth, as well as technology as the prime agent for change.

- **BUSINESS DIVERSIFICATION:** We continue to diversify our portfolio into leading corporate, large businesses, MSMEs, agriculture and retail customers to come together more sensibly.
- **A BETTER HUMAN FORCE:** We adore our employees and foster their growth as the future force with constant training and development.
- **FOR A GREEN LIVING HABITAT:** We are careful about the community and the environment and exert effort to make our homeland a green living habitat for all.

2.6 Tangible and Intangible Financial Offerings

Tangible	Intangible
Deposit Products • Savings Account • Current Account • Fixed Deposit Receipt (FDR) • Monthly Savings Scheme (DPS) • Double/Triple Benefit Deposit Schemes	**Digital & Electronic Banking Services** • Midland Online (Internet Banking & Mobile App) • SMS Banking • ATM & Cash Recycling Machine (CRM) Services • MDB e-Loan & Agent Banking Services
Loan & Credit Products • Personal Loan / Auto Loan / Home Loan • SME Loan (MDB Enterprise Loan) • Agricultural & Rural Credit • Corporate Loan & Working Capital Financing • Project & Infrastructure Financing	**Corporate & Trade Services** • Letter of Credit (LC) • Foreign Exchange Services • Import & Export Financing • Remittance & Offshore Banking Services
Islamic Banking Products (MDB Salam) • Savings Account & Deposit Pension Schemes (DPS) • Term Deposit • Shariah-based Investment Products	**Treasury & Investment Services** • Government Securities Trading (Treasury Bills and Bonds) • Foreign Exchange Dealing • Call Money & Money Market Operations
Card Products • Visa Debit Cards • Visa Credit Cards (Gold, Platinum, Signature) • Prepaid Cards (Dual Currency)	**Capital Market & Agency Services** • Custodial & Collection Services • Syndication Financing Advisory • Treasury & Portfolio Advisory Services

Figure 01: Products and Services of Midland Bank PLC.

2.7 Fiscal Performance

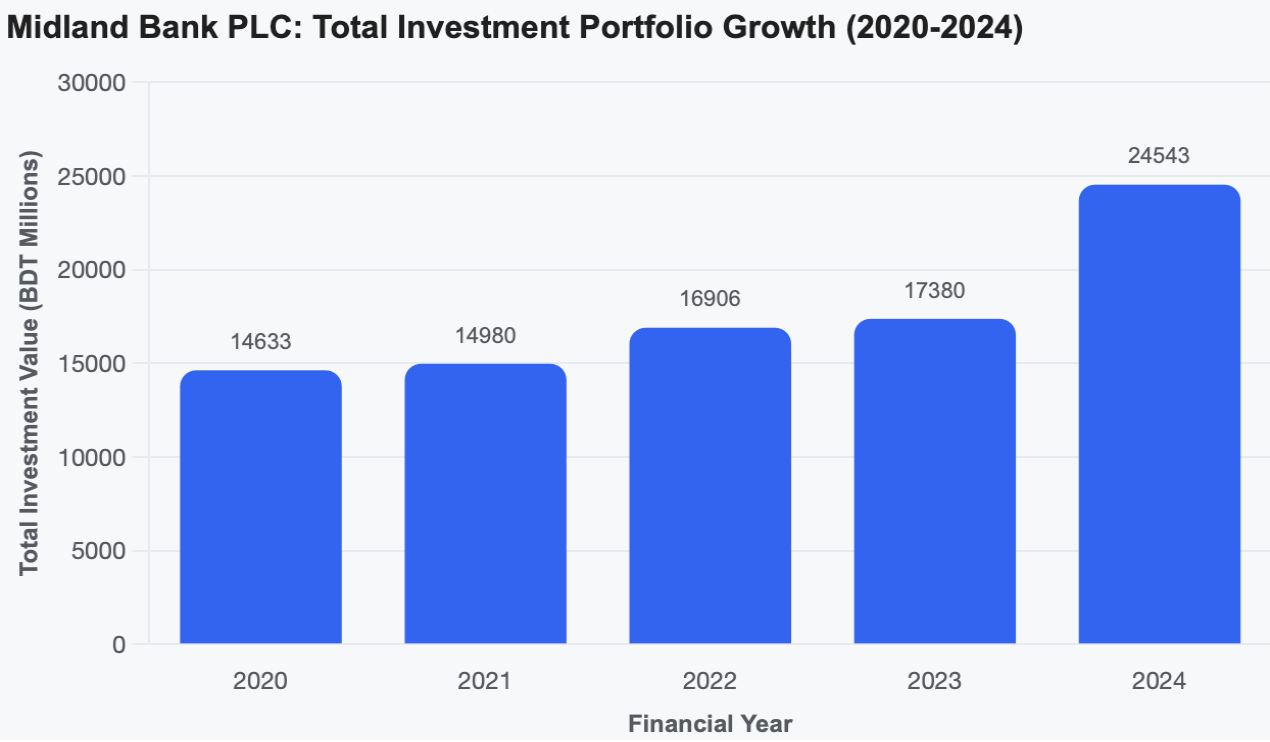


Figure 02: Investment of Midland Bank PLC.

Midland Bank PLC's total investment portfolio grew steadily from **2020 to 2023** before experiencing a massive surge in **2024**. In **2020**, the bank's investment value started at **BDT 14,633 million** and saw a minor increase to **BDT 14,980 million** in **2021**. The upward trend continued into **2022** as investments climbed to **BDT 16,906 million**, followed by another modest rise to **BDT 17,380 million** in **2023**. However, the most significant shift occurred in **2024**, where the portfolio spiked by over **41%** in a single year to reach a peak of **BDT 24,543 million**, driven primarily by heavy capital allocations into high-yielding government treasury bills and bonds.

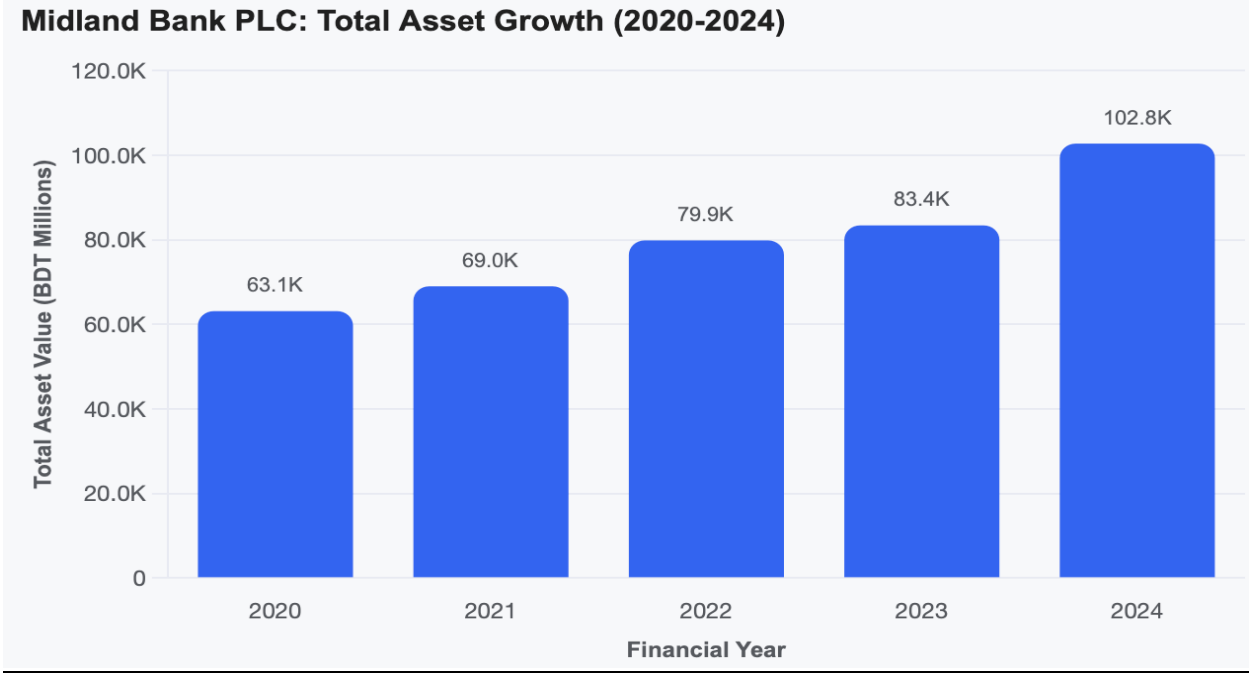


Figure 03: Total Assets of Midland Bank PLC.

Midland Bank PLC's total assets expanded significantly over the five-year period from **2020 to 2024**, crossing a major milestone by the end of the timeline. In 2020, the bank's asset base started at BDT 63,145.97 million and grew by 9.30% to reach BDT 69,018.91 million in 2021. This upward trajectory sustained momentum into **2022** as total assets climbed to **BDT 79,866.87 million**, followed by a steady, moderate increase to **BDT 83,425.87 million** in **2023**. The most aggressive expansion occurred in **2024**, where the asset base surged by **23.19%** in a single year to break past the hundred-billion mark at **BDT 102,773.59 million**. This ultimate spike was heavily fueled by a **15.34%** growth in commercial loans alongside an explosive **41.21%** reallocation of capital into liquid, high-yielding government treasury securities.

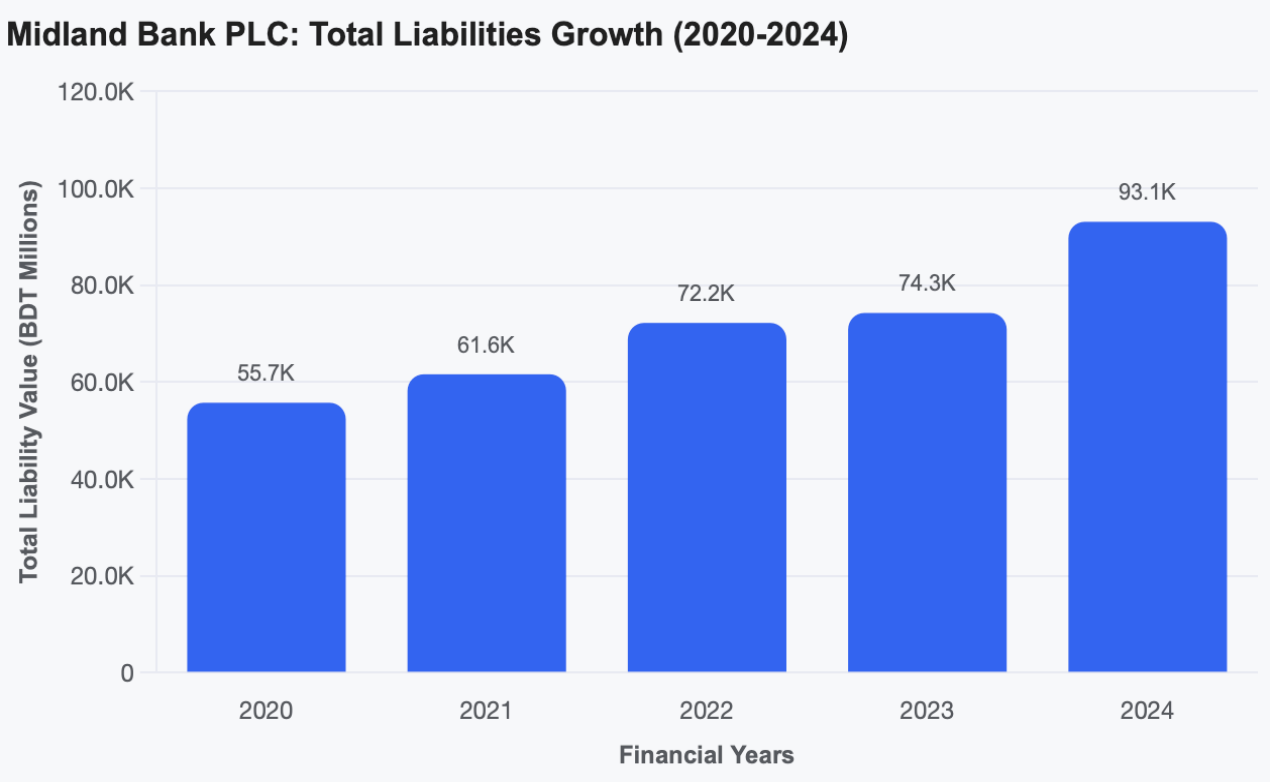


Figure 04: Total liabilities of Midland Bank PLC.

Midland Bank PLC's total liabilities expanded significantly over the five-year period from 2020 to 2024, closely mirroring the continuous growth of the bank's overall balance sheet. In **2020**, the bank's total liabilities started at **BDT 55,741.71 million** and rose by **10.53%** to reach **BDT 61,614.65 million** in **2021**. This upward momentum sustained into **2022** as obligations climbed further to **BDT 72,220.33 million**, followed by a steady and consolidated increase to **BDT 74,275.21 million** in **2023**. The most aggressive operational scaling occurred in **2024**, where liabilities experienced a sharp single-year surge of **25.34%** to peak at a multi-year high of **BDT 93,096.81 million**. This rapid accumulation of obligations was fundamentally driven by an energetic expansion in core customer deposits alongside strategic institutional borrowings utilized to fund the bank's heavy reallocations into liquid treasury assets.

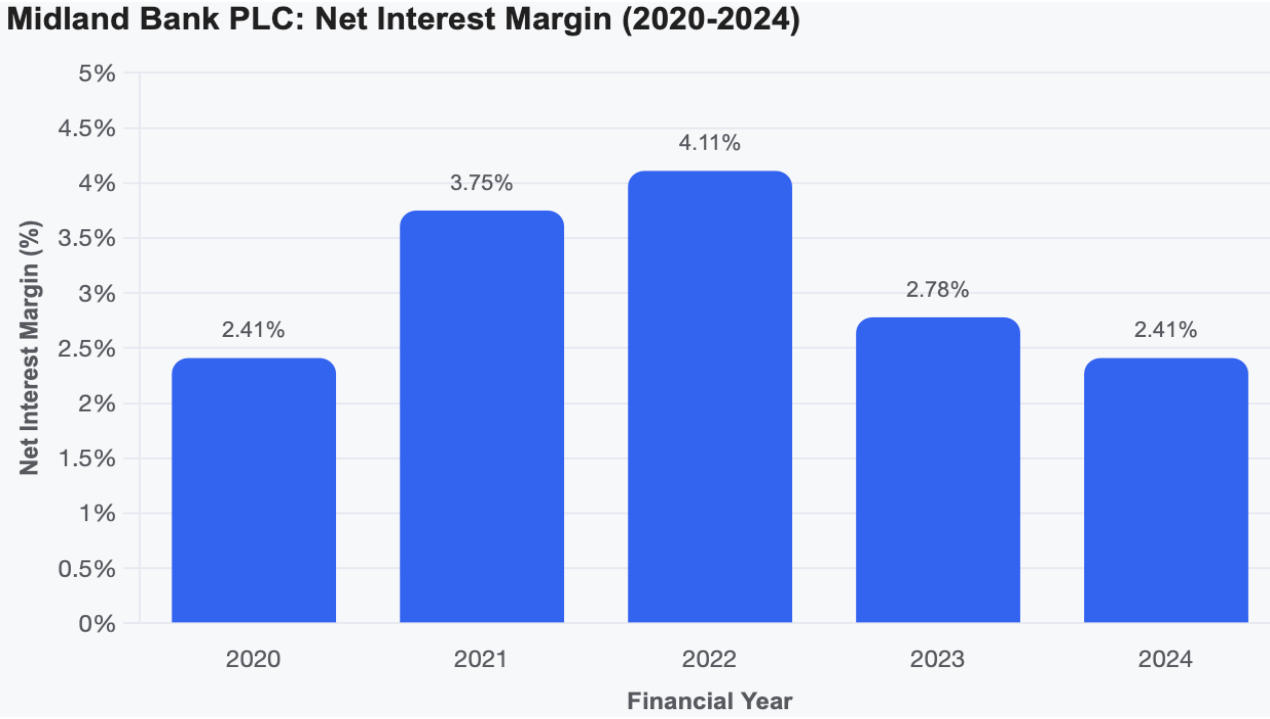


Figure 05: Net Interest Margin of Midland Bank PLC.

Midland Bank PLC's net interest margin (NIM) fluctuated noticeably over the five-year period from **2020 to 2024**, reflecting the shifting dynamics of the domestic credit market and central bank interventions. In **2020**, the bank's NIM ratio launched the timeline at **2.41%** before experiencing a strong upward surge to **3.75%** in **2021** as asset utility efficiency normalized. This momentum continued to peak in **2022**, when the margin achieved its multi-year high of **4.11%**. However, compounding macroeconomic stressors triggered a sharp correction over the subsequent periods; the margin contracted heavily to **2.78%** in **2023** due to mounting funding costs, and slid down further to close at **2.41%** in **2024**. This terminal drop occurred because the bank's interest expenses paid out to depositors escalated by **59.40%**, fundamentally outstripping the **33.69%** interest generation growth achieved on its active loan books.

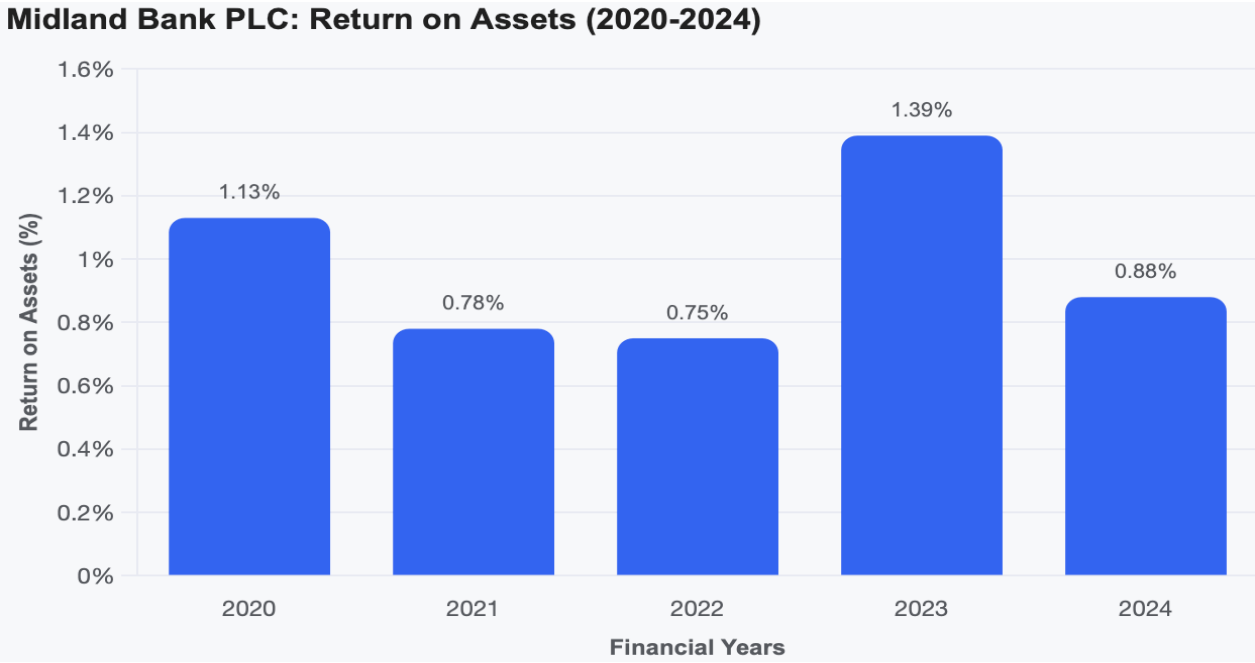


Figure 06: Return On Assets of Midland Bank PLC.

Midland Bank PLC's Return on Assets (ROA) exhibited noticeable volatility over the five-year period from **2020 to 2024**, highlighting the shifting profitability dynamics of the bank relative to its growing asset base. In **2020**, the bank recorded a strong asset utilization rate with an ROA of **1.13%**, before experiencing a significant drop to **0.78%** in **2021**. This downward pressure continued slightly into **2022**, when the performance metric ticked down to its multi-year low of **0.75%**. However, the bank staged a sharp operational recovery in **2023**, with efficiency spiking to a period peak of **1.39%** due to optimized asset yields. This high-water mark was short-lived, as the ratio contracted again to finish at **0.88%** in **2024**. This terminal drop demonstrates that while the bank successfully expanded its absolute balance sheet size past the BDT 100 billion threshold, the rapid expansion of lower-yielding liquid treasury placements and soaring deposit service costs outpaced the immediate net income growth generated by those newly acquired assets.

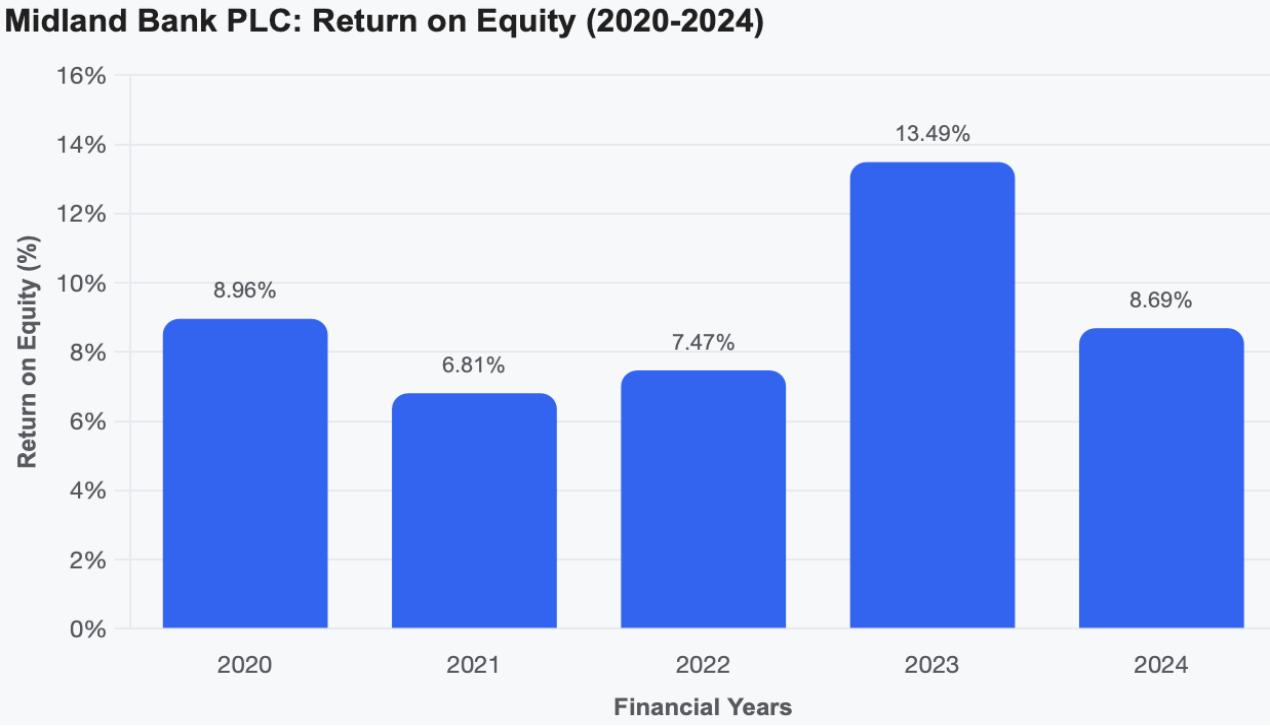


Figure 07: Return On Equity of Midland Bank PLC.

Midland Bank PLC's return on equity (ROE) displayed substantial volatility over the five-year period from **2020 to 2024**, highlighting the shifting profitability generated for its shareholders. The bank kicked off the timeline in **2020** with an ROE of **8.96%**, which subsequently fell to a multi-year floor of **6.81%** in **2021** as net margins compressed across the domestic banking landscape. A steady operational recovery began in **2022**, lifting the metric to **7.47%**, before triggering an aggressive trend reversal in **2023** where the ROE skyrocketed to a peak of **13.49%** on the back of historic net profit margins. However, this high mark corrected downward to **8.69%** in **2024**; despite the bank scaling its overall asset and lending footprint, a high-interest environment drove deposit costs upward and thinned out the ultimate bottom-line returns relative to the expanding shareholder equity base.

Chapter-03

Internship Position and Duties

3.1 The Things I Have Learned from Midland Bank PLC

The internship program at Midland Bank PLC, Gulshan-2 Branch, provided me with an excellent opportunity to bridge the gap between theoretical knowledge acquired during my Bachelor of Business Administration (BBA) program and practical banking operations. During my internship period, I gained practical exposure to various banking functions, particularly General Banking, Credit Operations, and Foreign Exchange Services. One of the most valuable learning experiences was understanding how a commercial bank operates in a highly regulated financial environment. I learned about customer relationship management, banking ethics, regulatory compliance, documentation procedures, and risk management practices. Working closely with experienced bankers improved my professional communication skills, analytical abilities, and understanding of banking software and operational procedures. Since my internship report focuses on Credit Risk Management and SME Financing, I obtained practical knowledge regarding customer identification (KYC), account opening procedures, loan documentation, credit file preparation, customer verification, and the overall credit approval process. I also observed how credit officers assess borrowers' financial strength before recommending loan approval. Furthermore, I learned the importance of teamwork, time management, professional ethics, confidentiality, and customer service in maintaining the reputation and operational efficiency of a commercial bank. Overall, the internship enhanced my practical knowledge and prepared me for future professional responsibilities in the banking sector.

3.2 The Nature of the Jobs and Responsibilities

During my internship at Midland Bank PLC, Gulshan-2 Branch, I worked under the supervision of experienced officers and observed the daily operations of different departments. Although I was not authorized to make independent banking decisions, I actively assisted bank officials in various operational activities and learned how different departments coordinate to deliver efficient banking service.

3.2.1 Credit Department

The Credit Department plays a crucial role in evaluating loan applications, managing credit risk, and ensuring proper utilization of bank funds. During my internship, I observed and assisted in several credit-related activities, including:

- Reviewing loan application files. Organizing customer credit documents. Checking National ID, Trade License, TIN Certificate, and other required documents.
- Observing financial statement analysis. Learning borrower assessment procedures.
- Understanding Credit Risk Grading (CRG). Observing SME loan processing. Assisting in loan documentation.

This department provided me with practical knowledge about how Midland Bank manages credit risk before approving loans. I also learned that proper borrower assessment and continuous monitoring are essential to reducing non-performing loans (NPLs).

3.2.2 Foreign Department

The Foreign Exchange Department handles international banking transactions related to imports, exports, foreign remittances, and international trade. During my internship, I observed the following-activities:

- Letter of Credit (L/C) opening procedures. Import documentation. Export documentation. Foreign remittance processing.
- SWIFT message operations. Foreign exchange transactions. Compliance with Bangladesh Bank regulations.
- Verification of trade-related documents. Customer support regarding international transactions.

Although my direct involvement in foreign exchange activities was limited, I gained a practical understanding of international banking operations and foreign trade financing**.**

3.3 Observation

During my internship period, I observed several positive aspects of Midland Bank PLC, Gulshan-2 Branch. The employees maintain a highly professional working environment and demonstrate excellent teamwork. Customer service is given significant importance, and employees respond to customers politely and efficiently. The bank follows Bangladesh Bank guidelines and internal policies while performing banking operations, particularly in loan approval and credit risk management. The branch maintains proper documentation and internal control systems to minimize operational and credit risks. The use of modern banking software and digital technology has improved service efficiency and reduced transaction processing time. I also observed that SME financing receives considerable attention because of its contribution to business development and economic growth. Before approving SME loans, the bank carefully evaluates borrowers' repayment capacity, business performance, financial condition, collateral, and credit history. However, due to increasing customer pressure during peak banking hours, employees often face heavy workloads. Additionally, some banking processes still involve manual documentation, which increases processing time. Overall, Midland Bank PLC maintains a disciplined working environment and follows sound banking practices that support sustainable growth and effective risk management.

Chapter-04
Analysis of Credit Risk of Midland Bank PLC

4.1 Credit Risk of Midland Bank PLC

Credit risk arises from the Bank's direct lending operations and from its funding, investment, and trading activities where counterparties have repayment or other obligations to the Bank. Effective management of credit risk requires the establishment of an appropriate credit risk culture. Board of Directors, either directly or through the Risk Committee (the Board), reviews and approves the Bank's credit risk appetite annually and the credit policy manual. Credit Risk Policy articulates the credit risk management framework. Like most other banking institutions, loans are the largest and most obvious source of credit risk for Midland Bank. Bank's Credit Risk Management (CRM) specifically addresses the following areas:

- Implementation of the credit risk policy/ strategy approved by the board.
- Ensure compliance with limits approved by the board.
- Recommend to the board, for approval, clear policies and standards for presenting credit proposals, financial covenants, rating standards, and benchmarks.

4.2 The objective of credit risk management of MDB

The objective of credit risk management is to maximize a Bank's Risk Adjusted Rate of Return by maintaining credit risk exposure within acceptable parameters. The effective management of credit risk is a critical component of a comprehensive approach to risk management and essential to the long-term success of any banking organization. The credit risk management policy of MDB operates under the following five (05) broad principles:

1. Forming an applicable credit risk strategy.
2. Operating under a sound credit granting process.
3. Borrower evaluation.
4. Maintaining an appropriate credit administration measurement and monitoring process.
5. Ensuring adequate control over credit risk.

4.3 Credit Risk Management System of Midland Bank PLC

The loan and credit department are a critical operational division within Midland Bank PLC. It serves as the primary mechanism through which mobilized funds from surplus economic units are systematically allocated to deficit units (borrowers). Given that the financial stability and earnings of the bank heavily depend on the performance of this department, effective risk oversight is essential to safeguard against loan defaults and capital impairment. The lending process officially initiates when a prospective borrower submits a standard loan application form issued by Midland Bank PLC.

The Credit Risk Management (CRM) division of Midland Bank PLC plays a pivotal role in maintaining asset quality and minimizing non-performing loans (NPLs). Operating as a key intermediary within the financial ecosystem, the department ensures efficient channelization of liquidity while adhering to stringent risk parameters set by regulatory guidelines.

Midland Bank PLC enforces a structured, multi-tier lending process. The lifecycle begins with formal application submission, followed by comprehensive financial appraisal, borrower

creditworthiness evaluation, and risk rating analysis. To ensure objectivity, accountability, and operational transparency, Midland Bank PLC maintains a strict functional segregation between credit assessment, approval authority, and ongoing loan monitoring. To optimize credit operations and address diverse market segments, Midland Bank PLC categorizes its business operations into dedicated operational divisions. These specialized units including Corporate Banking, SME Banking, Retail Banking, and Agriculture/Microfinance Banking are responsible for relationship management, tailored product offerings, and business growth. To uphold high standards of risk governance, operational transparency, and portfolio health, **Midland Bank PLC's credit risk management framework is supported by key functional units:**

- Credit Assessment & Approval Unit
- Credit Administration & Operations Department
- Special Assets & Recovery Unit
- Monitoring & Impaired Asset Management Unit

4.4 Different Types of Credit Facilities of Midland Bank PLC

Credit facilities are one of the core banking services offered by Midland Bank PLC (MDB) to meet the diverse financial needs of individuals, businesses, SMEs, corporate organizations, and agricultural enterprises. These facilities enable customers to obtain financial support for working capital requirements, business expansion, trade finance, asset acquisition, housing, and other productive purposes. Midland Bank PLC provides a wide range of credit products designed to support economic growth while maintaining prudent credit risk management. During my internship at Midland Bank PLC, I observed that each credit facility is designed to meet specific customer requirements and is processed through a structured credit approval system. The availability of various credit products enables the bank to serve different customer segments effectively while ensuring portfolio quality, customer satisfaction, and sustainable business growth. Midland Bank PLC offers a wide range of credit facilities to meet the financing needs of individuals, businesses, and corporate clients. The major types include:

- Cash Credit (CC)
- Overdraft (OD)
- Term Loan (Short, Medium & Long-term)
- Demand Loan
- Working Capital Finance
- SME Loans
- Agricultural Loans
- Retail Loans (Home Loans, Auto Loans, Personal Loans, etc.)

Trade Finance:

- Letter of Credit (L/C)
- Loan Against Imported Merchandise (LIM)
- Loan Against Trust Receipt (LTR)
- Payment Against Documents (PAD)

Export Finance:

- Packing Credit
- Back-to-Back Letter of Credit (Back-to-Back L/C)
- Export Bill Purchase/Discounting (FDBP/FBP)

- Syndicated Finance
- Project Finance
- Bank Guarantee
- Bills Purchase and Bills Discounting
- Lease Finance (where applicable)

These are the principal credit facilities typically offered by Midland Bank PLC.

4.5. Advanced Financial Ratio Analysis (2020-2024)

The advanced financial ratio analysis of Midland Bank PLC evaluates the bank's financial performance from 2020 to 2024 by examining key profitability, liquidity, efficiency, leverage, and capital adequacy indicators. The analysis reveals that the bank maintained a stable financial position despite economic uncertainties. Profitability ratios such as Return on Assets (ROA), Return on Equity (ROE), and Net Profit Margin showed gradual improvement from 2020 to 2023, reflecting efficient utilization of assets and shareholders' funds. Although profitability declined slightly in 2024 due to changes in the economic environment and higher operating costs, the bank remained financially sound. Liquidity and efficiency ratios indicate that Midland Bank PLC. effectively managed its deposits, loans, and operating expenses throughout the five years. The Loan-to-Deposit Ratio remained within a healthy range, demonstrating balanced credit expansion and sufficient liquidity. In addition, the bank maintained a strong Capital Adequacy Ratio (CAR), consistently complying with Bangladesh Bank's regulatory requirements. Overall, the financial ratio analysis suggests that Midland Bank PLC. achieved sustainable growth, maintained operational efficiency, and preserved financial stability between 2020 and 2024.

- Steady improvement in Return on Assets (ROA) until 2023.
- Return on Equity (ROE) reflected increasing shareholder value over the period.
- Net Profit Margin remained stable, indicating consistent profitability.
- Earnings per Share (EPS) reached its highest level in 2023, then declined slightly in 2024.
- Loan-to-Deposit Ratio remained within an acceptable and healthy range.
- Debt-to-Equity Ratio stayed high, which is common for commercial banks due to deposit-based financing.
- Cost-to-Income Ratio indicated improved operational efficiency with a slight increase in expenses during 2024.
- The bank maintained adequate liquidity and strong risk management practices.
- Overall financial performance demonstrates sustainable growth, stability, and resilience despite economic challenges.

4.6 Function of Credit Department of Midland Bank PLC

The Credit Department of Midland Bank PLC serves as the primary engine for balance sheet growth and risk management. Its core function is to systematically deploy the bank’s capital into productive sectors while ensuring strict asset quality. Operating under the centralized directives of the bank's head office in Dhaka, the department balances credit expansion with rigorous compliance with Bangladesh Bank (the Central Bank) guidelines.

4.6.1 Credit Evaluation Tools (Five C's) of Midland Bank PLC

Midland Bank PLC employs a structured credit underwriting framework rooted in the traditional **Five C's of Credit** to evaluate retail, corporate, and CMSME (Cottage, Micro, Small, and Medium Enterprise) loan applications.
The department uses specific tools, databases, and financial metrics within each of the five pillars to assess default probabilities and comply with **Bangladesh Bank's Core Risk Management Guidelines**.
The Five C's of Credit:

1. **Character:** Central Bank CIB Report, External Credit Ratings.
2. **Capacity:** DSCR, Net Operating Cash Flows, Bank Statements
3. **Capital:** Debt-to-Equity ratio, Net Worth declaration
4. **Collateral:** Land vetting, Surveyors FSV Reports, RJSC Charges
5. **Conditions:** Central Bank ICRS Model, Industrial Policy Reviews

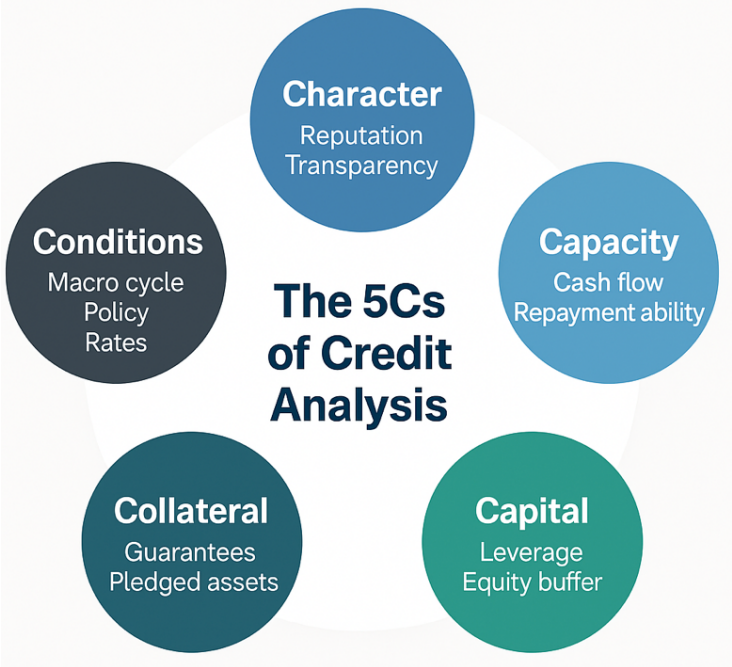


Figure 08: Five C's of Midland Bank PLC.

4.6.2 Core Operations of Midland Bank PLC

The credit department of Midland Bank PLC performs several key functions, including:

- Credit appraisal and approval
- Corporate, SME, and retail lending
- Monitoring and collection activities
- Loan recovery and follow-up
- Credit risk management and compliance

4.6.3 Supporting Activities

Additional responsibilities include:

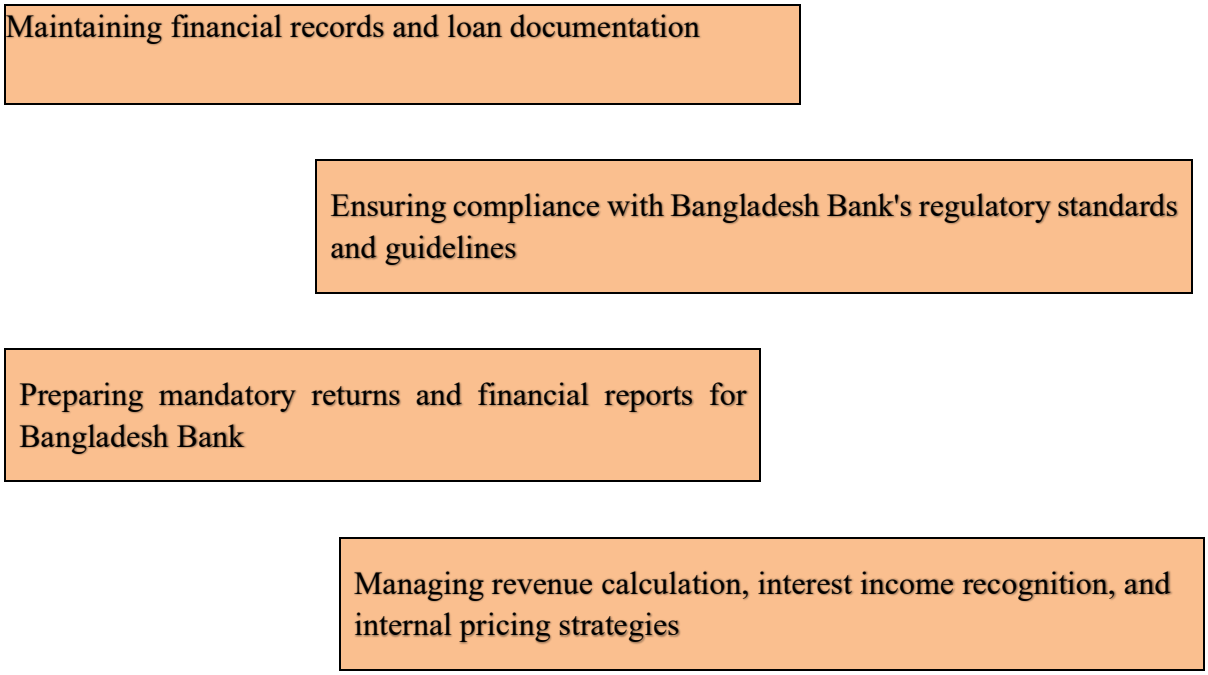


Figure 09: Activities of Credit Risk Department of Midland Bank PLC.

4.7 Types of Loan and Advances

Midland Bank PLC. offers a wide range of loan and advance facilities to meet the financial needs of individuals, businesses, and corporate clients. These credit products are designed to support business expansion, trade, industrial development, agriculture, and personal financial requirements while ensuring effective risk management and regulatory compliance. Project Finance Types of Loans and Advances: Major Cash Credit (CC), Overdraft (OD), Term Loan, Working Capital Loan, Demand Loan, House, Building Loan, Home Loan, Personal Loan, Car Loan, SME Loan, Corporate Loan, Agricultural, Loan, Export Finance, Import Finance (LIM, LTR, PAD), Packing Credit, Consumer Credit Scheme, Staff Loan, Syndicated Loan, Lease Finance.

A. Cash Credit (CC) – Midland Bank PLC: Cash Credit (CC) is a short-term credit facility provided by Midland Bank PLC to finance the working capital requirements of business customers. Under this facility, borrowers can withdraw funds up to an approved limit against acceptable security, such as stock or receivables. It helps businesses manage their day-to-day operational expenses while ensuring smooth business operations. Provides short-term working capital finance to business customers.

- Facilitates the purchase of raw materials, inventory, and other business operating expenses.
- Credit is sanctioned against hypothecation or pledge of stocks and other acceptable securities.
- Customers are allowed to withdraw funds up to the approved credit limit.
- Interest is charged only on the amount utilized, not on the entire sanctioned limit.
- The credit limit is determined based on the borrower's financial strength, business performance, and repayment capacity.

B. Overdraft (OD) – Midland Bank PLC: An Overdraft (OD) is a short-term credit facility offered by Midland Bank PLC that allows customers to withdraw money from their account balance, up to an approved limit. It is primarily provided to address temporary cash flow shortages and short-term business or personal financial needs. Interest is charged only on the amount utilized.

- A short-term credit facility is provided to eligible individuals and business customers.
- Allows customers to withdraw more than the available balance in their current account up to an approved limit.
- Primarily used to meet temporary cash flow shortages and working capital requirements.
- Interest is charged only on the amount actually overdrawn and for the period of utilization.
- The overdraft limit is sanctioned based on the customer's financial position, account performance, and repayment capacity.
- May be secured by fixed deposits, government securities, property, or other acceptable collateral.
- Regular monitoring is conducted to ensure proper utilization and timely repayment.
- Managed in compliance with the Credit Risk Management (CRM) guidelines of Midland Bank PLC. and the regulations of Bangladesh Bank.

C. House Building Loan – Midland Bank PLC: A House Building Loan is a long-term financing facility offered by Midland Bank PLC to help individuals purchase, construct, renovate, or extend residential properties. The loan offers flexible repayment terms and is designed to meet customers' housing needs while making homeownership more affordable. A long-term loan facility is offered for the construction, purchase, renovation, or extension of residential properties.

- Available to eligible salaried individuals, businesspersons, and professionals, subject to the bank's lending criteria.
- Loan eligibility is determined based on the applicant's income, repayment capacity, and creditworthiness.
- Repayment is made through convenient monthly installments (EMIs) over an agreed loan tenure.
- The financed property is generally mortgaged to the bank as primary security.
- Competitive interest rates and flexible repayment options are provided in accordance with the bank's policies.
- Necessary legal, technical, and property valuation assessments are completed before loan approval.
- Borrowers are required to submit valid income documents, property papers, and other supporting documents.
- The bank monitors the loan to ensure timely repayment and compliance with loan terms.
- The facility supports customers in meeting their long-term housing needs while maintaining prudent credit risk management practices.

D. Import Finance (LIM, LTR & PAD) – Midland Bank PLC: Midland Bank PLC provides various import finance facilities, including Loan against Imported Merchandise (LIM), Loan against Trust Receipt (LTR), and Payment Against Documents (PAD), to facilitate international trade. These short-term financing facilities help importers make timely payments for imported goods, ensuring smooth business operations and efficient trade transactions.

1. Import finance facilities are provided to facilitate the import of goods and raw materials for business customers.
2. Midland Bank PLC. offers Loan against Imported Merchandise (LIM), Loan against Trust Receipt (LTR), and Payment against Documents (PAD) as major import finance products.
3. These facilities ensure timely payment to foreign exporters under Letters of Credit (L/C).
4. Credit is granted after evaluating the importer's financial strength, business performance, and repayment capacity.
5. The facilities are governed by Bangladesh Bank regulations, UCP 600, and the bank's internal credit policy.

Loan against Imported Merchandise (LIM):
1. Granted, when the bank takes possession of imported goods after clearing them from customs.
2. The imported goods remain under the bank's control as security until repayment.
3. Enables the importer to repay the loan and take delivery of the goods.

Loan against Trust Receipt (LTR):
1. Allows the importer to take possession of imported goods under a trust receipt without immediate payment.
2. The importer sells or uses the goods and repays the bank within the agreed period.
3. Suitable for importers with a good credit history and an established business reputation.

Payment against Documents (PAD):
1. Created when the bank makes a payment to the foreign exporter upon receipt of compliant shipping documents.
2. The bank retains the shipping documents until the importer settles the outstanding amount or converts it into LIM or LTR.
3. Facilitates smooth processing of import transactions and timely release of goods.

E. SME Loan – Midland Bank PLC: SME Loan is a financing facility offered by Midland Bank PLC to support the growth and development of Small and Medium Enterprises (SMEs). It provides financial assistance for working capital, business expansion, equipment purchase, and other business needs, helping entrepreneurs improve productivity and contribute to economic development.

- Provides financial support to Small and Medium Enterprises (SMEs) for business growth and expansion.
- Helps entrepreneurs meet working capital requirements and finance business investments.
- Offered to manufacturing, trading, and service-oriented businesses.
- Repayment is made through flexible monthly or quarterly installments, depending on the loan agreement.
- Loan applications are assessed through credit appraisal and risk analysis.

F. Agricultural Loan – Midland Bank PLC: Agriculture Loan is a specialized credit facility offered by Midland Bank PLC to support farmers, agribusinesses, and agricultural entrepreneurs. It provides financial assistance for crop cultivation, livestock, fisheries, and other agricultural activities, contributing to increased agricultural production and rural economic development.

- Provides financial assistance to farmers, agribusinesses, and agricultural entrepreneurs.
- Supports crop cultivation, livestock, fisheries, poultry, dairy, and aerobated industries.
- Aims to increase agricultural productivity and promote rural economic development.
- Loan facilities are offered in accordance with the Agricultural and Rural Credit Policy of Bangladesh Bank.
- Credit is provided for purchasing seeds, fertilizers, pesticides, irrigation equipment, machinery, and other agricultural inputs.
- Loan eligibility is determined based on the borrower's farming activities, repayment capacity, and creditworthiness.

G. Working Capital Loan – Midland Bank PLC: Working Capital Loan is a short-term financing facility offered by Midland Bank PLC to meet the day-to-day operational needs of businesses. It helps finance expenses such as purchasing raw materials, paying salaries, managing inventory, and maintaining smooth business operations while supporting business growth.

- Provides short-term financing to meet the day-to-day operational needs of businesses.
- Helps finance the purchase of raw materials, inventory, wages, utility bills, and other operating expenses.
- Offered to manufacturing, trading, and service-oriented enterprises.
- Loan amount is determined based on the borrower's working capital requirements, financial position, and repayment capacity.
- May be provided in the form of Cash Credit (CC), Overdraft (OD), or other short-term credit facilities.
- Interest is charged according to the bank's approved lending rates and applicable terms.
- Requires proper documentation and acceptable collateral or security, where applicable.
- Credit proposals are evaluated through comprehensive credit appraisal and risk assessment before approval.

H. Syndicated Loan – Midland Bank PLC: A Syndicated Loan is a large financing facility arranged jointly by two or more banks to fund high-value projects or corporate borrowers. Midland Bank PLC participates in syndicated loans to share credit risk while providing substantial financial support for large-scale business and infrastructure projects.

- A large loan jointly provided by Midland Bank PLC. and one or more participating banks or financial institutions.
- Primarily arranged to finance large-scale corporate, infrastructure, industrial, and development projects.
- Enables borrowers to obtain substantial funding that may exceed the lending capacity of a single bank.
- The participating banks share the loan amount, associated risks, and returns according to agreed terms.
- One bank act as the lead arranger or agent bank to coordinate the syndication process.

4.8 Credit Approval Procedure of Midland Bank PLC

The credit approval procedure of Midland Bank PLC. is designed to ensure that loans are sanctioned after proper evaluation of the borrower's financial condition, repayment capacity, and associated risks. The bank follows a structured credit approval process in accordance with its Credit Risk Management (CRM) Policy and the guidelines of Bangladesh Bank. Credit Approval Procedure:

- The customer submits a loan application along with the required documents.
- Financial statements, bank statements, and business information are analyzed.
- A detailed credit appraisal and risk assessment are conducted.
- Collateral/security and property valuation (if applicable) are verified.
- A Credit Proposal (CP) is prepared by the Relationship Manager.
- The proposal is reviewed by the Credit Risk Management (CRM) Division.
- A sanction letter is issued outlining the loan terms and conditions

A. Process of Collecting Clients Information: Collecting client information is one of the most important activities in the credit and banking operations at Midland Bank PLC. Before providing any banking services or credit facility, the bank gathers detailed information about the customer to verify identity, assess financial capability, comply with Bangladesh Bank regulations, and manage potential risks. This process supports sound decision-making and helps the bank maintain transparency, regulatory compliance, and a high-quality customer portfolio. The client information collection process generally includes the following steps:

- Collecting the customer's National ID (NID), passport, or birth registration, along with recent passport-sized photographs.
- The customer completes the required account-opening or loan application forms, providing personal, business, and financial information.
- The bank collects Know Your Customer (KYC) and Customer Due Diligence (CDD) information to verify the customer's identity, occupation, source of income, business activities, and expected transaction profile.

B. Loan Proposal Preparation: Loan proposal preparation is a crucial step in the credit management process of Midland Bank PLC. After collecting and verifying the client's information, the Relationship Manager (RM) or Credit Officer prepares a comprehensive loan proposal for evaluation and approval. The proposal presents the borrower's financial profile, creditworthiness, loan requirements, and risk assessment, enabling the approving authority to make an informed lending decision. A well-prepared loan proposal helps ensure prudent lending practices and effective credit risk management. The loan proposal is generally prepared through the following steps:

- Gather personal, business, financial, and legal documents from the borrower.
- Review the customer's income, cash flow, assets, liabilities, and repayment capacity.
- Evaluate the purpose of the loan and determine whether it is financially viable and consistent with the bank's lending policy.
- Assess the value, ownership, and legal validity of the collateral offered as security for the loan.

C. CIB Obtaining Process:

The Credit Information Bureau (CIB) obtaining process is an essential part of the credit appraisal procedure at Midland Bank PLC. Before approving any loan or credit facility, the bank obtains a CIB report from Bangladesh Bank to assess the borrower's existing loan obligations and repayment history. This process helps the bank evaluate the customer's creditworthiness, identify potential credit risks, and ensure compliance with Bangladesh Bank's regulatory requirements.

The CIB obtaining process generally involves the following steps:

- The CIB request is submitted electronically through the Bangladesh Bank CIB online system by authorized bank officials.
- Bangladesh Bank verifies the submitted information against its central credit database.
- The system generates a CIB report containing the customer's outstanding loans, repayment history, classified loan status (if any), and other credit-related information
- The Credit Risk Management (CRM) Department reviews the CIB report to assess the customer's credit history and determine whether the borrower is eligible for the requested credit facility.
- The CIB report is considered along with the customer's financial analysis, collateral, and repayment capacity before the final credit approval decision is made.

The CIB obtaining process at Midland Bank PLC is a critical component of the credit approval system. By obtaining and analyzing the CIB report before granting a loan, the bank minimizes credit risk, ensures regulatory compliance, and makes informed lending decisions. This process contributes to maintaining a sound and sustainable credit portfolio.

D. Sanction Letter at Midland Bank PLC: A sanction letter is an official document issued by Midland Bank PLC to a borrower after a loan has been approved by the competent authority. It serves as a formal confirmation of the bank's willingness to provide the approved credit facility under specific terms and conditions. The sanction letter clearly outlines the loan amount, interest rate, repayment schedule, security requirements, and other conditions that the borrower must accept before the loan is disbursed. Contents of a Sanction Letter: A sanction letter generally includes the following information:

- Name and address of the borrower.
- Type and purpose of the loan.
- Approved loan amount.
- Interest rate and applicable charges.
- Loan tenure and repayment schedule.
- Details of collateral or security.
- Terms and conditions of the credit facility.
- Validity period of the sanction.
- Conditions to be fulfilled before loan disbursement.
- Signatures of the authorized bank officials and acceptance by the borrower.

Importance of the Sanction Letter:

- Acts as an official approval of the credit facility.
- Clearly communicates the loan’s terms and conditions.
- Protects the interests of both the bank and the borrower.
- Ensures transparency and reduces misunderstandings.
- Serves as an important legal and operational document during the loan process.
- Provides the basis for completing loan documentation and disbursement.

The sanction letter is an essential document in the credit approval process of Midland Bank PLC. It formally communicates the approved credit facility and its terms to the borrower. By clearly defining the rights and obligations of both parties, the sanction letter ensures transparency, legal compliance, and smooth execution of the loan disbursement process.

4.10 Credit Monitoring Framework

Credit monitoring refers to the continuous supervision of borrowers after loan disbursement to ensure timely repayment and detect potential risks at an early stage. Effective monitoring helps maintain the quality of the loan portfolio and minimizes the possibility of loan default. Midland Bank PLC follows a structured credit monitoring framework to evaluate borrower performance throughout the loan period.

A. Objectives of Credit Monitoring:

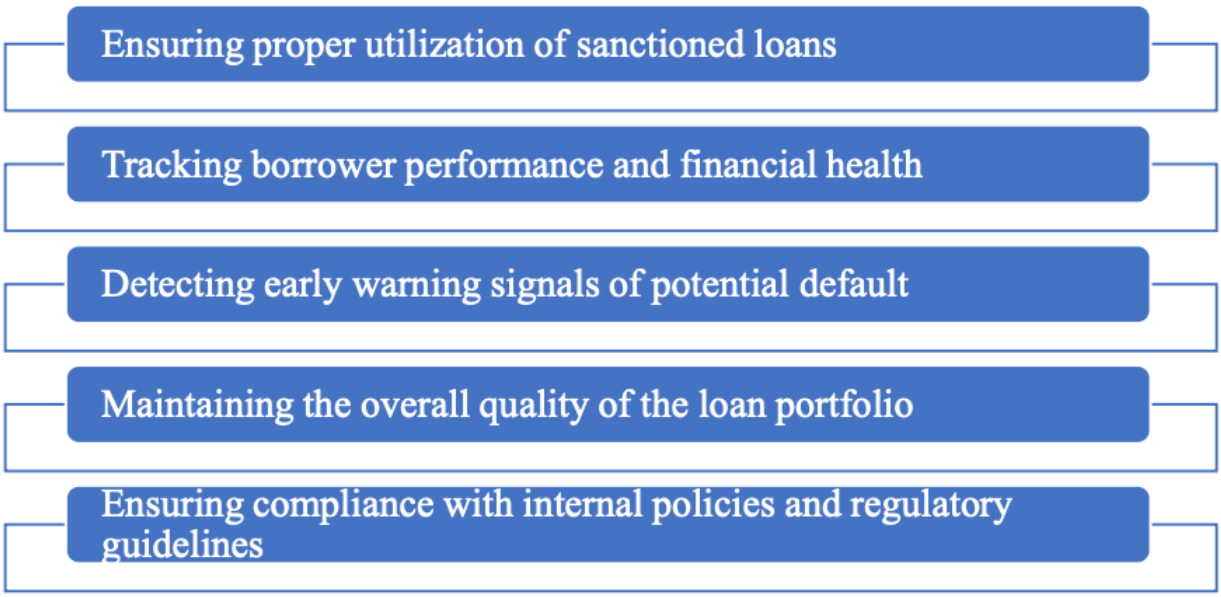


Figure 10: Credit Monitoring Objectives of Midland Bank PLC.

B. Monitoring Mechanism:

Employees a Combination of manual supervising and system-based monitoring tools to oversee credit performance. Key monitoring practices include:

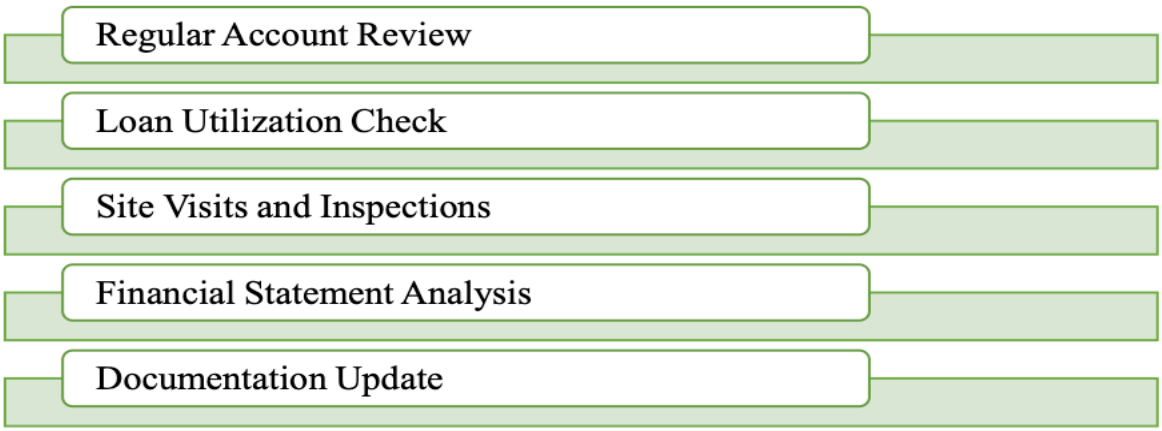


Figure 11: Credit Monitoring Mechanism of Midland Bank PLC.

4.11 Credit Recovery and Collection Strategy

Despite careful borrower selection, some loans may become overdue due to financial difficulties, business failure, or unforeseen economic conditions. Therefore, Midland Bank PLC maintains a structured recovery and collection strategy to minimize credit losses and improve asset quality.

A. Objective of Credit Recovery: The primary objectives of credit recovery are:

- Recover overdue loans.
- Reduce classified loans.
- Improve cash flow.
- Maintain asset quality.
- Protect shareholders' interests.
- Ensure sustainable profitability.

B. Special Asset Management (SAM) Unit: The Special Asset Management (SAM) Unit is responsible for managing problem loans and recovering classified accounts. The major responsibilities of the SAM Unit include:

- Monitoring classified loans.
- Communicating with defaulting borrowers.
- Negotiating repayment arrangements.
- Initiating legal actions where necessary.
- Supervising loan recovery activities.
- Reporting recovery performance to management.

C. Loan Classification and File Transfer Process: When borrowers fail to repay loans according to the repayment schedule, loan accounts are classified in accordance with Bangladesh Bank regulations. The general classification categories include:

- Special Mention Account (SMA)
- Substandard (SS)
- Doubtful (DF)
- Bad & Loss (BL)

After classification, loan files are transferred to the appropriate recovery unit for intensive monitoring and recovery actions.

D. Legal Recovery Procedures: If normal recovery efforts fail, Midland Bank may initiate legal proceedings against defaulting borrowers under applicable banking laws and contractual agreements. Legal recovery procedures generally include:

- Issuing demand notices.
- Serving legal notices.
- Filing recovery cases.
- Enforcement of collateral.
- Auction of mortgaged assets (where legally applicable).

E. Loan Rescheduling and Negotiation: When borrowers face temporary financial difficulties but demonstrate the ability to recover, the bank may consider loan rescheduling according to Bangladesh Bank guidelines. Rescheduling may involve:

- Extension of repayment period.
- Revision of instalment amounts.
- Temporary payment relief.
- Revised repayment agreements.

F. Write-off Policy: When recovery becomes highly unlikely despite all recovery efforts, Midland Bank may write off the loan following Bangladesh Bank regulations and internal approval procedures. A written-off loan does not mean that recovery efforts stop. The bank continues pursuing
recovery through legal actions and other available mechanisms whenever possible.

G. Overall Effectiveness: The credit recovery strategy of Midland Bank PLC combines proactive monitoring, early intervention, borrower communication, loan restructuring, legal enforcement, and continuous follow-up. These measures contribute to maintaining a relatively healthy loan portfolio, controlling non-performing loans, and strengthening the bank's overall credit risk management system. An effective recovery mechanism not only minimizes financial losses but also supports the sustainable growth of SME financing by ensuring that recovered funds can be reinvested into productive sectors of the economy.

4.12 Trend Analysis of Credit Risk Indicators

Trend analysis is an important analytical tool used to evaluate changes in a bank's credit portfolio over time. It helps assess loan growth, asset quality, provisioning requirements, and the effectiveness of credit risk management.

4.12.1 Total Loans and Advance

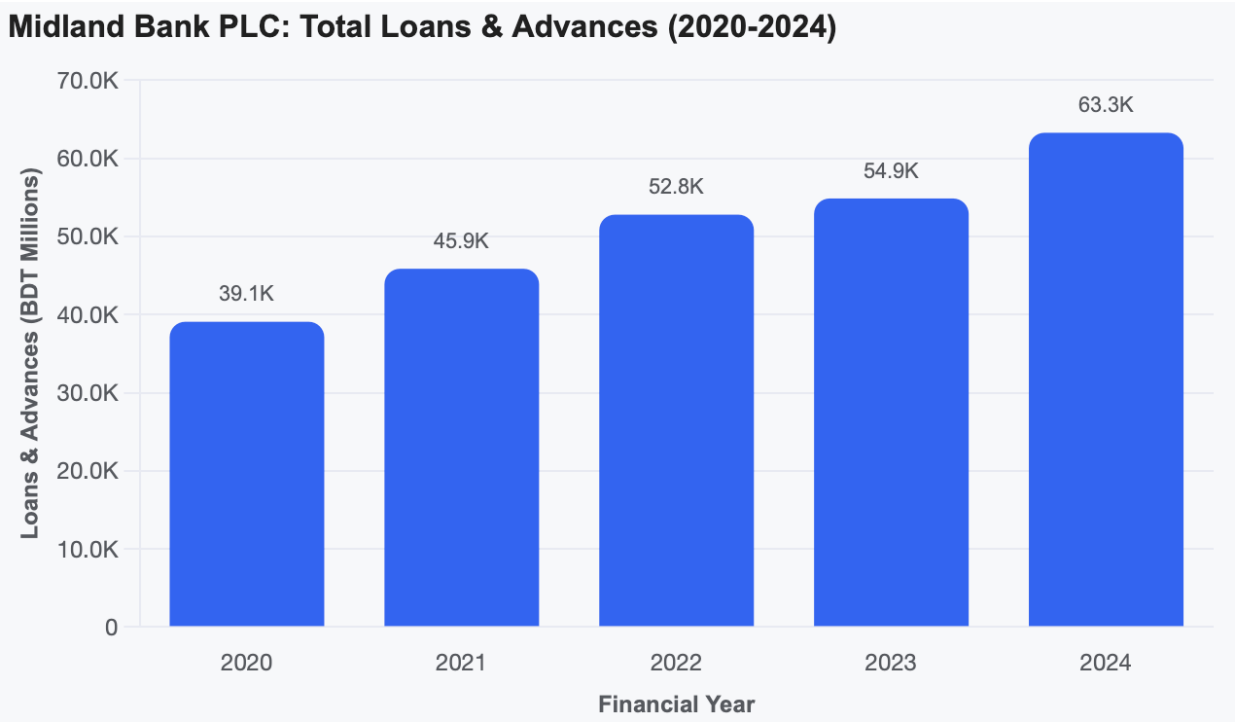


Figure 12: Loans And Advances of Midland Bank PLC.

Midland Bank PLC's total loans and advances expanded continuously over the five-year period from 2020 to 2024, demonstrating consistent credit book scaling across diverse commercial sectors. In **2020**, the bank's outstanding credit portfolio opened the timeline at **BDT 39,080.67 million** before advancing by a strong **17.35%** to reach **BDT 45,867.48 million** in **2021** as domestic market borrowing normalized. This upward trajectory sustained momentum into **2022** as total credit extensions climbed by **15.10%** to hit **BDT 52,792.81 million**, followed by a steady and defensive growth phase that brought the lending book to **BDT 54,862.66 million** in **2023**. The bank re-accelerated its credit distribution channels aggressively in **2024**, staging a single-year expansion of **15.34%** to push its total lending profile to a record peak of **BDT 63,276.55 million**. This ultimate surge was deliberately balanced between key institutional credit agreements, targeted small-to-medium enterprise financing clusters, and retail customer portfolios, even as average lending yields scaled upward due to macro interest rate shifts in Bangladesh.

4.12.2 Classified Loans

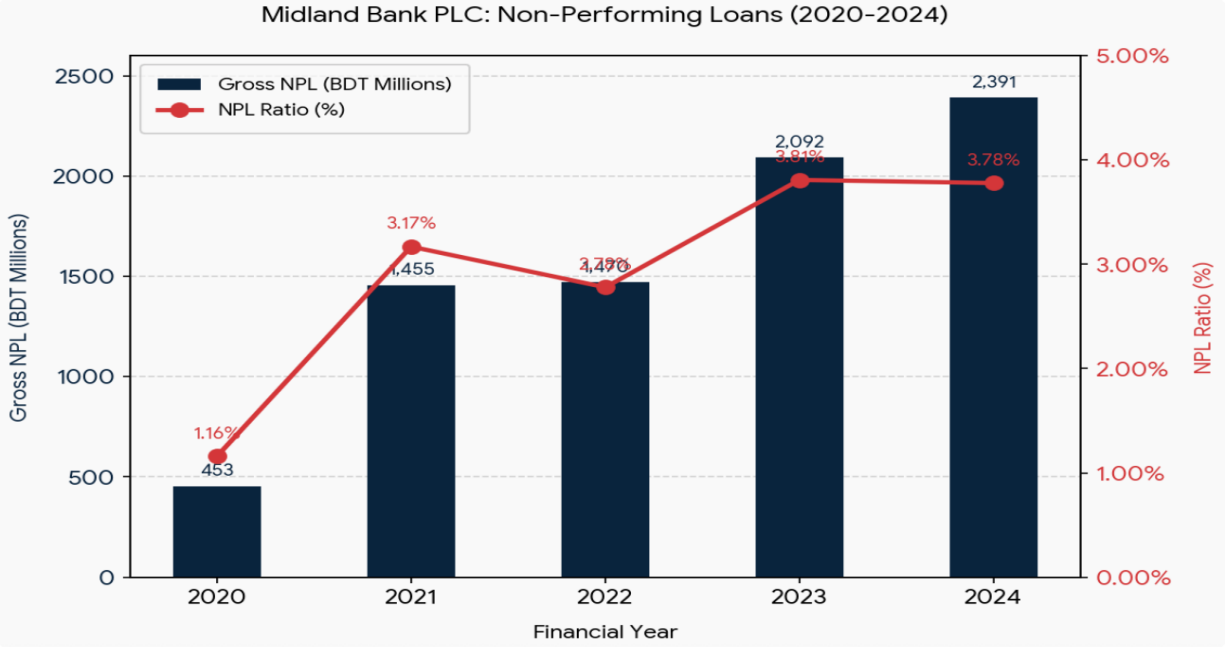


Figure 13: Classification loan of Midland Bank PLC.

Midland Bank PLC's non-performing loans (NPL) experienced an upward trajectory in absolute volume over the five-year period from **2020 to 2024**, though its percentage ratio registered active structural consolidation at the tail end. In **2020**, the bank maintained a tight credit quality floor with default assets at **BDT 453 million**, capturing a highly secure NPL ratio of **1.16%**. This volume scaled sharply to **BDT 1,455 million** in **2021**, expanding the NPL ratio to **3.17%** as standard corporate asset classification rules resumed post-pandemic. Following a defensive consolidation phase in **2022** where the default ratio dipped to **2.78%** against an absolute volume of **BDT 1,469.70 million**, the portfolio faced asset strain in **2023**, climbing to **BDT 2,091.60 million** and lifting the NPL ratio to a peak of **3.81%** due to the structural classification of three major institutional banking corporate accounts. By **2024**, even though absolute classified loan allocations grew further to finish at **BDT 2,390.54 million**, the bank's broad credit base expansion to BDT 63,277 million successfully diluted the systemic strain, pulling the terminal **NPL ratio downward to 3.78%**.

4.12.3 Unclassified Loans

Unclassified Loans represent the healthy, standard, and performing portion of a bank's credit book. These are loans where borrowers are actively servicing their principal and interest on time, showing zero symptoms of stress or breach of repayment contracts. For Midland Bank PLC, maintaining an exceptionally high percentage of unclassified loans (consistently above 96%) highlights strong underlying asset quality and robust initial vetting by the credit department.

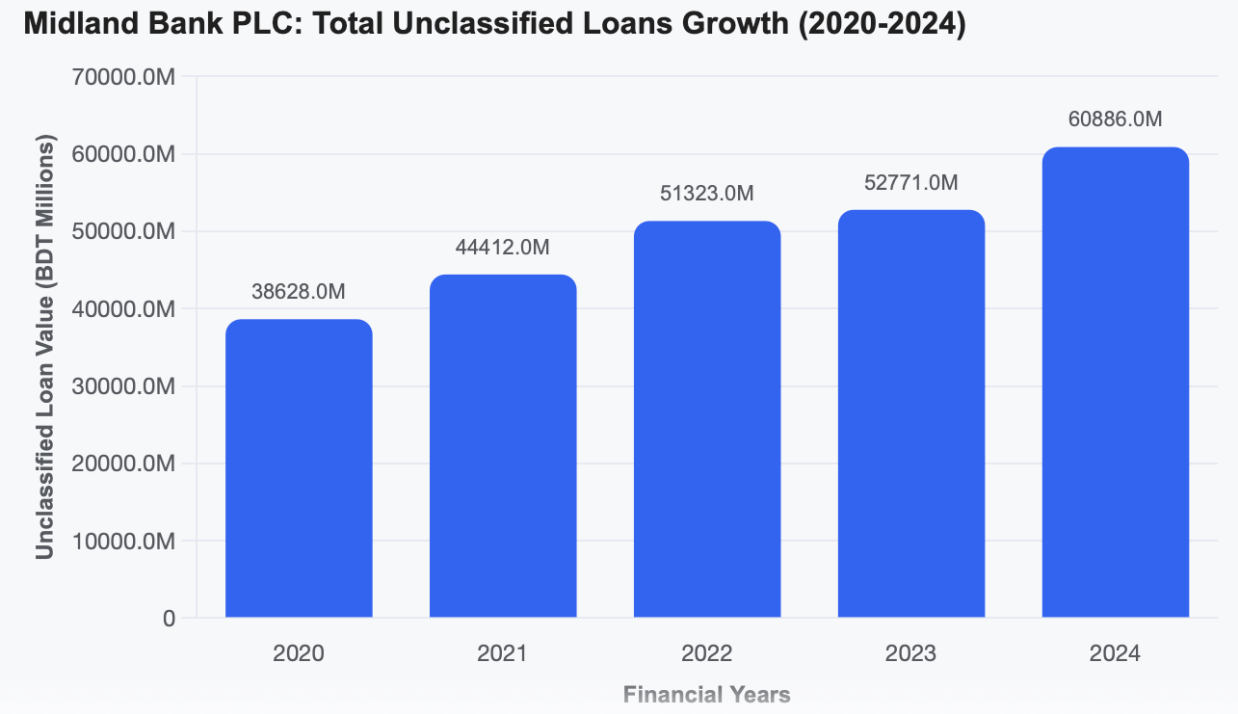


Figure 14: Unclassified loan of Midland Bank PLC.

Midland Bank PLC's unclassified loans demonstrated strong and continuous growth in absolute volume over the five-year period from **2020 to 2024**, consistently anchoring the bank's core asset health. In **2020**, the bank launched the timeline with an unclassified portfolio of **BDT 38,627.67 million**, which accounted for an outstanding **98.84%** of its gross loans and advances. This volume scaled upward by **14.98%** to reach **BDT 44,412.48 million** in **2021**, settling at a performing ratio of **96.83%** due to the resumption of standard asset classification guidelines. The upward trajectory sustained healthy momentum into **2022** as performing assets advanced to **BDT 51,323.11 million** (**97.22%**), followed by a steady consolidation phase that brought the unclassified book to **BDT 52,771.06 million** in **2023**. Driven by an aggressive credit expansion in corporate and structured retail banking, the unclassified loan book surged by **15.38%** in **2024** to peak at a record high of **BDT 60,886.01 million**, successfully preserving a highly resilient performing ratio of **96.22%** against the gross credit portfolio.

4.12.4 Provision for Classified Loans

Specific Provisioning represents the capital that a financial institution is legally mandated to set aside to cover expected credit losses from non-performing loans (NPLs), graded as *Sub-standard*, *Doubtful*, or *Bad/Loss*.

For **Midland Bank PLC**, the five-year trajectory reveals a steady, compounding requirement for specific loan-loss reserves, matching the broader transition of pandemic-era debt relief schemes into standard asset classification cycles mandated by **Bangladesh Bank**.

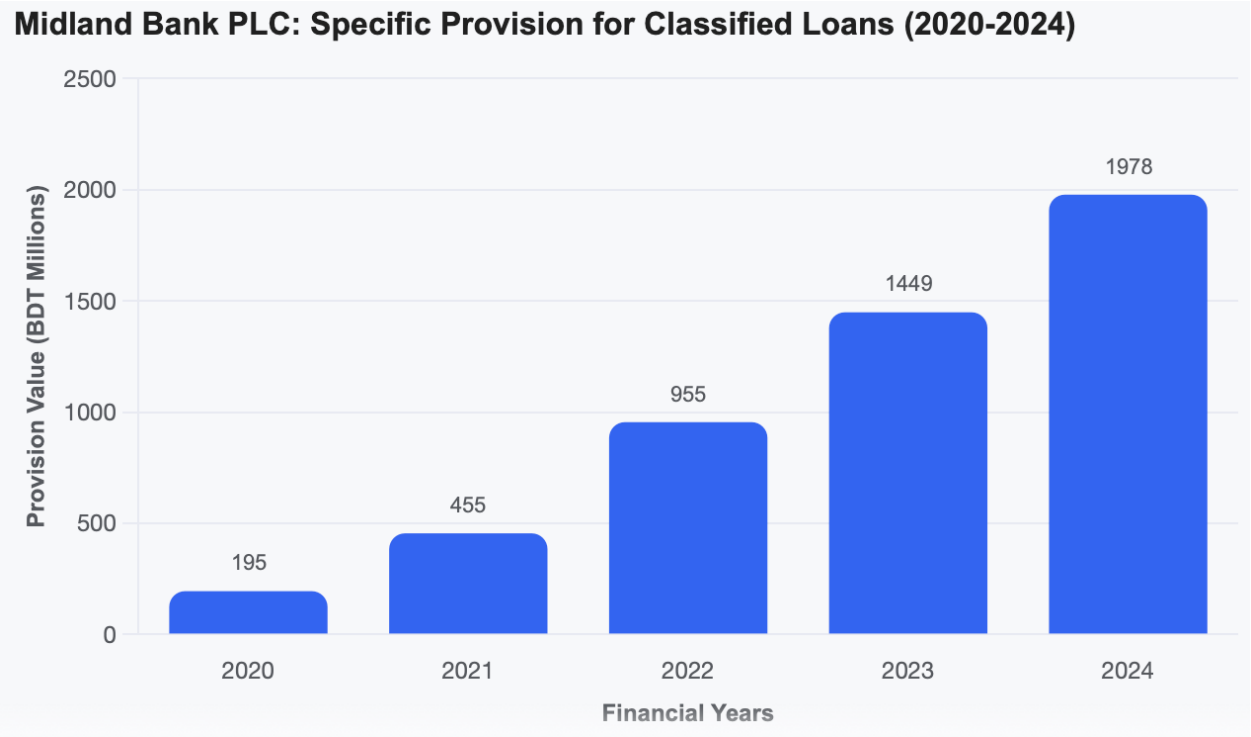


Figure 15: Provision for Classified Loans of Midland Bank PLC.

Midland Bank PLC's specific provision for classified loans escalated continuously over the five-year period from **2020 to 2024**, reflecting the bank's proactive stance on provisioning against credit losses to strengthen its financial foundations. In **2020**, the bank maintained a low specific provision buffer of **BDT 194.56 million**, which quickly expanded by **BDT 260.14 million** to hit **BDT 454.69 million** in **2021** due to the classification of a few default accounts following the post-pandemic market opening. This upward path accelerated sharply into **2022** as provisions reached **BDT 954.67 million**, followed by another substantial expansion to **BDT 1,448.79 million** in **2023** driven by asset stress in three major corporate lending accounts. The upward trend peaked in **2024**, with the bank reserving an additional **BDT 529.14 million** in a single year to push its total specific provisions to **BDT 1,977.93 million**. This rapid accumulation of reserves allowed the credit department to safely insulate the bank's capital adequacy cushion against absolute defaults, ensuring full alignment with central bank risk guidelines.

4.13 Ratio Analysis

Ratio analysis measures the quality of the loan portfolio and evaluates the effectiveness of credit risk management.

4.13.1 Classified to Total Loan Ratio (NPLR)

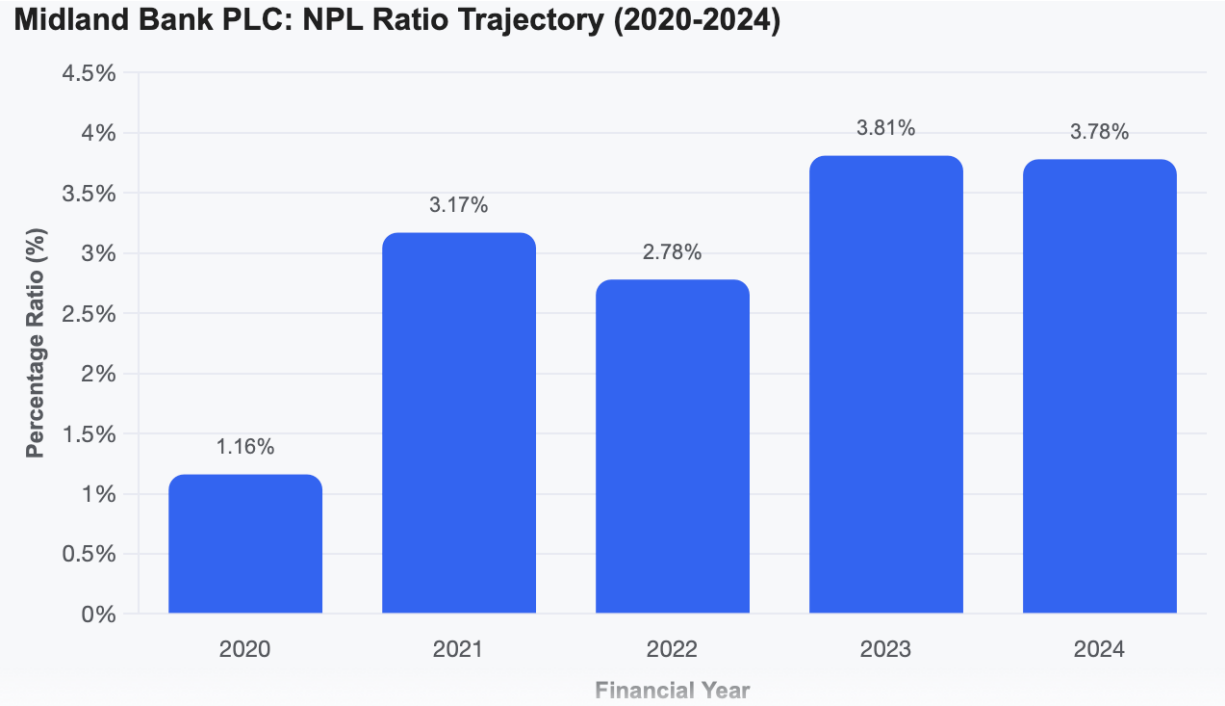


Figure 16: Classified to Total Loan Ratio of Midland Bank PLC

Midland Bank PLC's classified to total loan ratio (NPL ratio) fluctuated within a well-managed bracket over the five-year period from **2020 to 2024**, demonstrating structural resilience against broader credit market strain. In **2020**, the bank launched the timeline at an ultra-low default ratio of **1.16%** before experiencing a sharp upward correction to **3.17%** in **2021** as normal asset grading rules resumed post-pandemic. This credit pressure was temporarily contained in **2022** when targeted debt recoveries pulled the ratio down to **2.78%**, setting the stage for a moderate macro-induced surge to a peak of **3.81%** in **2023** due to the classification of three major institutional corporate accounts. By **2024**, the curve established structural stability, settling downward slightly to finish the period at **3.78%** as an aggressive **15.34%**expansion in the bank's gross commercial lending book successfully diluted the concentration of defaults and proved the credit department's efficiency in safeguarding the capital base.

4.13.2 Unclassified to Total Loan Ratio

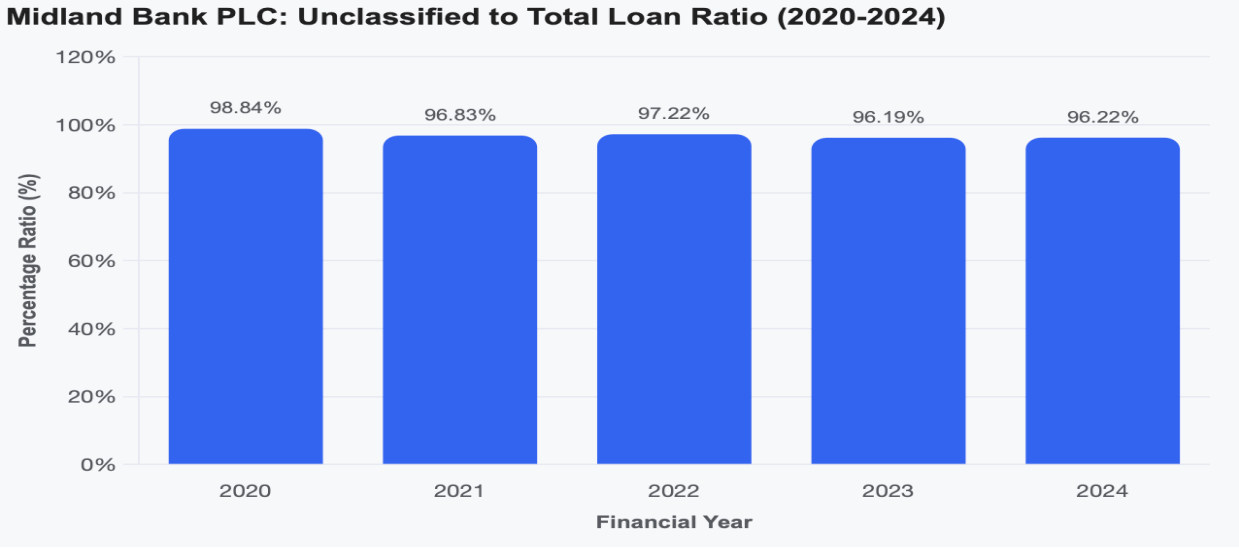


Figure 17: Unclassified to Total Loan Ratio of Midland Bank PLC

Midland Bank PLC's unclassified to total loan ratio remained highly resilient over the five-year period from **2020 to 2024**, demonstrating that the overwhelming majority of the bank's credit assets were healthy and income-generating. In **2020**, the bank opened the timeline at a record-high performing ratio of **98.84%** before experiencing a mild, normal contraction to **96.83%** in **2021** as post-pandemic central bank asset grading rules fully resumed. The quality of the loan book strengthened again in **2022** to reach **97.22%** thanks to successful corporate loan recoveries, before encountering minor macroeconomic stress that edged the ratio down to **96.19%** in **2023** when three large institutional accounts faced classification. Finally, in **2024**, the curve established solid structural stability, ticking upward slightly to finish the timeline at **96.22%** as an aggressive credit expansion program successfully brought in high-quality performing commercial assets to dilute the impact of outstanding defaults.

4.13.3 Classified Provision to Classified Loan Ratio (LLPR)

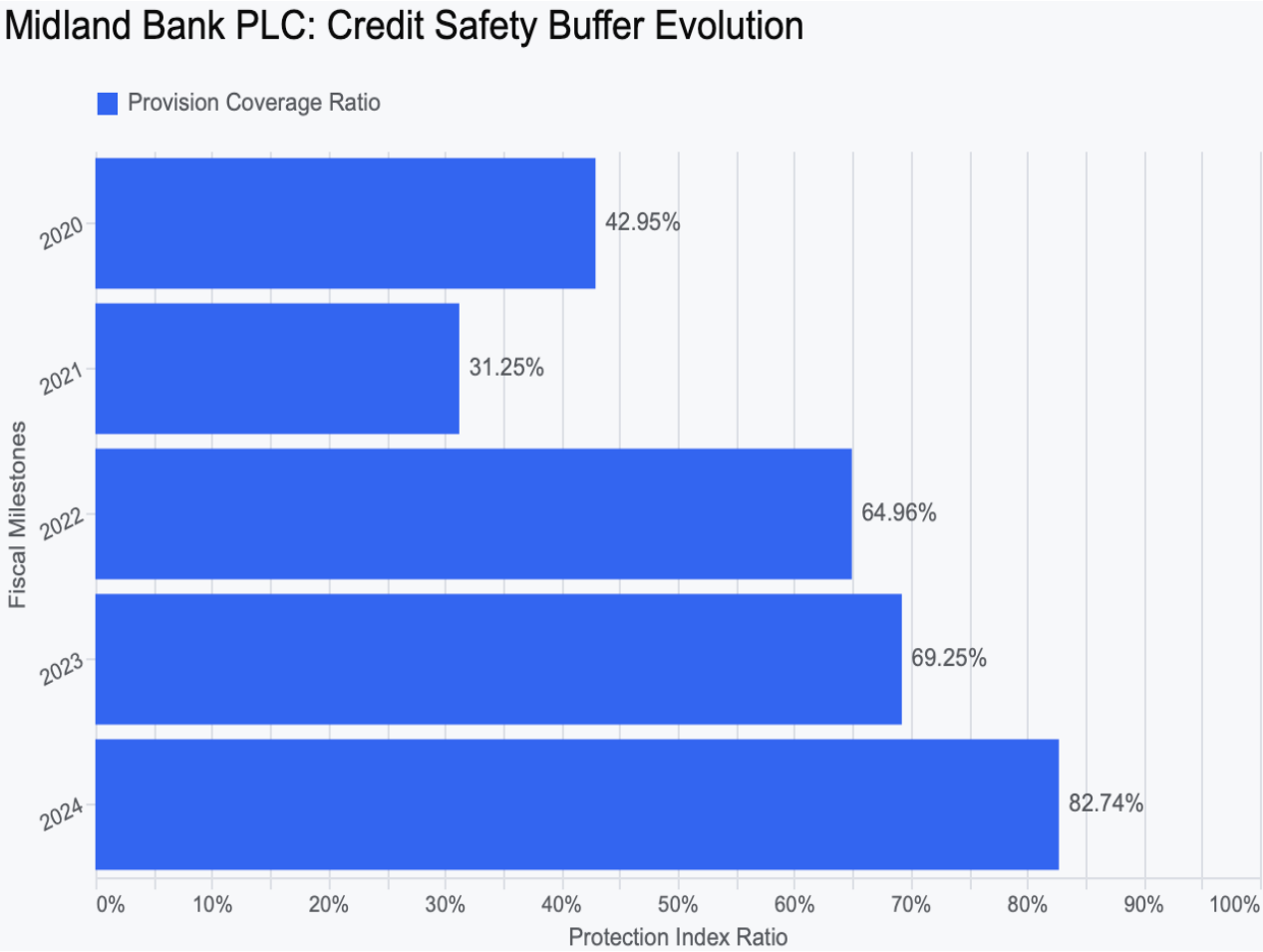


Figure 18: Classified Provision to Classified Loan Ratio of Midland Bank PLC

A dramatic financial evolution occurred at Midland Bank PLC between 2020 and 2024, as the institution fundamentally rebuilt its bad-debt safety net from a vulnerable post-pandemic low into a highly secure cash fortress. Early in the cycle, the bank's provision coverage ratio sat at a conservative 42.95% before hitting a five-year floor of 31.25% in 2021, a direct result of pandemic credit relief programs expiring and causing a sudden, massive spike in corporate defaults. Recognizing this balance sheet vulnerability, the bank pivoted sharply over the next three years, pulling its coverage up to 64.96% in 2022 and expanding it to 69.25% in 2023 to

comfortably absorb the financial fallout of three large institutional corporate failures. This aggressive defense strategy reached its peak in 2024, with the bank driving its coverage ratio to a historic 82.74% by locking away BDT 1,977.93 million in specific reserves. By keeping this cash shield near the eighty-percent threshold, Midland Bank effectively insulated its core equity from credit loss, ensuring structural stability despite volatile credit conditions in the domestic banking market.

4.14 Z-Score Analysis

The Z-Score model is used to assess the financial stability and default risk of an institution.

$$Z = 1.2X_1 + 1.4X_2 + 3.3X_3 + 0.6X_4 + 1.0X_5$$

Where:

$$X_1 = \frac{Working\ Capital}{Total\ Asset\ Ratio}$$

$$X_2 = \frac{Retained\ Earnings}{Total\ Asset\ Ratio}$$

$$X_3 = \frac{EBIT\ (Earning\ Before\ Interest\ and\ Tax)}{Total\ Asset\ Ratio}$$

$$X_4 = \frac{Market\ Value\ of\ Equity}{Book\ Value\ of\ Debt}$$

$$X_5 = \frac{Income}{Total\ Asset\ Ratio}$$

According to this model, if the score is less than 1.81 then it will be viewed as a high default risk. If the score is greater than 2.99 then there will be a low default risk. It will be classed as an indeterminant default risk if the score stays between 1.81 to 2.99.

Considering Dhaka Bank PLC from the borrower's point of view, a linear discriminant model is generated below for identifying their Z-Score.

$$X_1 = \frac{Working\ Capital}{Total\ Assets}$$

$$= \frac{334,288,786,976 - 81,935,239,088}{346,556,213,151}$$

$$= 0.7282$$

$$X_2 = \frac{Retained\ Earnings}{Total\ Asset\ Ratio}$$

$$= \frac{19,316,639}{346,556,213,151}$$

$$= 0.0000557$$

$$X_3 = \frac{EBIT\ (Earning\ Before\ Interest\ and\ Tax)}{Total\ Asset\ Ratio}$$

$$= \frac{460{,}119{,}738}{346{,}556{,}213{,}151}$$

$$= 0.00132$$

$$X_4 = \frac{Market\ Value\ of\ Equity}{Book\ Value\ of\ Debt}$$

$$= \frac{3{,}423{,}746{,}839}{5{,}020{,}000{,}000}$$

$$= 0.0682$$

$$X_5 = \frac{Income}{Total\ Asset\ Ratio}$$

$$= \frac{3{,}368{,}602{,}534}{346{,}556{,}213{,}151}$$

$$= 0.00972$$

Now,

$$Z\text{-}Score = 1.2X_1 + 1.4X_2 + 3.3X_3 + 0.6X_4 + 1X_5$$
$$= (1.2 * 0.7282) + (1.4 * 0.0000557) + (3.3 * 0.00132) + (0.6 * 0.0682) + (1 * 0.00972)$$
$$= 1.9289$$

Midland Bank PLC has moderate risk. It's in the Grey Zone.

Chapter-05

Findings & Discussion from the Study

5.1 Findings from the Study

During my internship at the Credit Department of Midland Bank PLC, I observed the bank's credit operations, customer service practices, and risk management procedures. The internship provided practical exposure to the loan approval process, client information collection, documentation, CIB verification, and credit monitoring activities. Based on my observations, the following ten major findings summarize the operational strengths and key areas for improvement in the bank's credit management system:

Major Findings:

- **Systematic Credit Evaluation Framework:** Midland Bank PLC strictly follows a well-structured and systematic credit approval process aligned with Bangladesh Bank's CIB verification and risk management guidelines.
- **Turnaround Time (TAT) Bottlenecks:** Credit processing and approval times are often delayed due to sequential manual verifications across branch and Head Office levels.
- **Branch Customer Flow Management:** Extended customer waiting times remain a challenge at the credit desk, particularly during peak operating hours.
- **Reliance on Manual Workflows:** Several operational tasks—including document verification, loan file tracking, and cash-flow reconstruction—still rely heavily on manual entry rather than automated digital systems.
- **Digital Banking Awareness Gap:** While the bank offers advanced digital channels, customer awareness and adoption of these self-service digital platforms remain relatively low.
- **Information Transparency:** Complex banking procedures, eligibility criteria, and credit documentation requirements are not always communicated clearly to loan applicants upfront.
- **Employee Workload Pressure:** Credit officers face heavy daily operational workloads, balancing customer management with detailed documentation duties, which impacts overall productivity.
- **Skill Enhancement Needs:** There is a continuous need for specialized, regular training programs to enhance employees' technical credit appraisal and customer relationship management skills.
- **Complex Documentation Procedures:** SME and retail borrowers frequently find the extensive paperwork and collateral documentation requirements rigid and difficult to complete.
- **Early Warning Monitoring Deficits:** Post-disbursement loan tracking relies significantly on manual site visits, creating potential delays in identifying early warning signals for past-due accounts.

5.2 Discussion of the Findings

- **Rigorous Compliance vs. Operational Agility:** The bank's systematic credit evaluation framework guarantees strict adherence to Bangladesh Bank's CIB circulars and Internal Credit Risk Rating System (ICRRS) standards.
- **Root Causes of Turnaround Time (TAT) Delays:** Extended credit processing times stem from a linear, non-parallel workflow. A credit proposal must move sequentially from the Relationship Manager (RM) to the Branch Manager, legal vetting officers, and finally Head Office Credit Risk Management (HO-CRM) underwriters.
- **Front-Desk Friction and Service Bottlenecks:** Desk congestion at the branch level occurs because credit officers handle both technical underwriting tasks and routine walk-in customer inquiries. Without a dedicated credit helpdesk or pre-screening unit, high administrative loads directly impact customer service speed during peak operational hours.
- **The Cost of Manual Operational Reliance:** Heavy reliance on paper file routing, physical stock inspection logs, and manual financial statement re-casting increases operational costs and human error margins. Transitioning these manual steps into an automated workflow would reduce administrative redundancy and free up officer bandwidth.
- **Strategic Impact of the Digital Adoption Gap:** Although Midland Bank has deployed modern platforms like *Midland Online*, a disconnect remains between technology availability and customer usage.
- **Information Asymmetry and Incomplete Applications:** Submitting incomplete loan files is a primary driver of approval delays. Because complex legal covenants, tax filings, and eligibility criteria are not systematically communicated to applicants upfront.
- **Dual-Role Pressures on Credit Officers:** Relationship Managers face a structural productivity challenge by balancing front-line business generation with back-office administrative duties This dual responsibility reduces time available for active loan sourcing and deep client engagement.
- **Targeted Technical Skill Requirements:** Evaluating un-audited SME books requires specialized financial reconstruction techniques. Without continuous, advanced training in cash-flow estimation and qualitative risk analysis, credit officers' risk either over-estimating borrower capacity or unnecessarily rejecting viable loan applications.
- **Collateral Mismatch for SME Borrowers:** Traditional credit policies heavily emphasize landed real estate collateral and strict documentation, which creates a barrier for viable SME applicants. Expanding the use of cash-flow-based underwriting and alternative credit guarantees would bridge this gap while managing default risk.
- **Proactive vs. Reactive Post-Disbursement Monitoring:** Relying primarily on periodic physical site visits for post-disbursement tracking creates a lag in identifying early default indicators. Implementing automated Early Warning Signals (EWS) within the core banking system to track 30-to-60-day past-due (DPD) accounts would allow the bank to intervene before accounts escalate into non-performing loans (NPLs).

Chapter-06
Recommendation & Conclusion

6.1 Recommendations

Based on the overall analysis of Credit Risk Management and SME Financing practices at Midland Bank PLC, along with the practical experience gained during the internship, the following recommendations are proposed to further strengthen the bank's credit management system and enhance operational efficiency.

1. Strengthen Digital Credit Assessment: Midland Bank PLC should increase the use of digital technologies and data analytics in credit assessment. Automated credit scoring and digital loan processing can reduce processing time, improve decision-making accuracy, and minimize operational risks.

2. Enhance SME Financing: The bank should continue expanding its SME financing portfolio by introducing innovative loan products for startups, women entrepreneurs, agricultural businesses, and environmentally sustainable enterprises. Simplifying loan procedures for genuine SME borrowers will encourage business growth and financial inclusion.

3. Improve Credit Risk Grading (CRG): The Credit Risk Grading (CRG) system should be reviewed regularly to ensure that it accurately reflects borrowers' financial conditions and changing market circumstances. Continuous monitoring and timely updates of risk grades will improve loan portfolio quality.

4. Strengthen Loan Monitoring: The bank should further strengthen post-disbursement monitoring by conducting more frequent business visits, financial statement reviews, and borrower performance evaluations. Early identification of financial distress can significantly reduce default risk.

5. Reduce Non-Performing Loans (NPLs): Midland Bank should continue improving its loan recovery strategies by strengthening the Special Asset Management (SAM) Unit, enhancing borrower communication, and implementing more proactive recovery measures to minimize classified loans.

6. Employee Training and Development: Regular training programs should be arranged for credit officers to enhance their knowledge of financial analysis, Bangladesh Bank regulations, credit appraisal techniques, and emerging risk management practices.

7. Portfolio Diversification: The bank should diversify its loan portfolio across different industries, customer segments, and geographical areas to reduce concentration risk and maintain a balanced credit portfolio.

8. Expand Digital Banking Services: Further investment in internet banking, mobile banking, and digital financial services will improve customer convenience, increase operational efficiency, and reduce transaction costs.

9. Enhance Customer Awareness: The bank should organize financial literacy and awareness programs for SME customers regarding responsible borrowing, business planning, financial management, and loan repayment responsibilities.

10. Continuous Policy Review: Credit policies should be reviewed periodically to address changing economic conditions, regulatory requirements, technological developments, and emerging financial risks. Implementation of these recommendations will further strengthen Midland Bank PLC's credit risk management framework, improve the quality of its loan portfolio, support sustainable SME financing, and enhance the bank's long-term financial performance.

6.2 Conclusion:

My internship at Midland Bank PLC's Credit Department has been a transformative experience that successfully bridged the gap between academic theory and the practical realities of modern commercial banking. Operating within an active fourth-generation private bank provided me with firsthand insight into how financial institutions balance competitive credit expansion with prudent credit risk management (CRM). Working directly alongside branch officers gave me valuable exposure to the end-to-end credit lifecycle from client onboarding, CIB verification, and Internal Credit Risk Rating System (ICRRS) scoring to formal appraisal, collateral documentation, disbursement, and early warning monitoring. This internship reinforced the strategic importance of SME financing as a primary engine for employment generation and economic growth in Bangladesh. I learned that evaluating SME borrowers requires a nuanced approach: officers must balance traditional quantitative financial analysis with qualitative assessments, such as evaluating an entrepreneur's character, industry standing, and business cash flows. The experience clearly demonstrated that expanding lending operations creates significant commercial opportunities, but long-term profitability relies entirely on maintaining robust asset quality, enforcing strict documentation standards, and adhering strictly to Bangladesh Bank regulations. From a personal development perspective, this placement significantly strengthened my core analytical competencies, including financial statement re-casting, risk identification, and qualitative reporting. Navigating the daily operational friction such as manual processing requirements and extended customer turnaround times gave me a practical understanding of operational risk management.

I extend my sincere gratitude to the management and credit team at Midland Bank PLC for their generous guidance, mentorship, and support throughout this program. The practical skills, professional judgment, and industry insights I have gained during this internship will serve as a solid foundation for my future career in the banking and financial sector of Bangladesh.

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