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**BANK LOAN REVIEW -
A STUDY OF RHB BANK BERHAD**

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ABTRACT

Loan review is essential in today's financial environment, primarily because of the need to curtail loan losses. Loan review is the first line of defense in the recovery of problematic loans and it plays an important role in eliminating losses resulting from deteriorating loans. As loan review also comprises the policing function, it is important that remedial and corrective measures are proposed to protect the interest of the bank.

For greater objectivity, it is best for loan review to be operated independent of the lending function. As loan review is a type of audit function, independence is critical for the loan review function to be performed without partiality.

An effective loan review system should include a good customer risk rating system. As the risk rating system provides an indication on the quality of loans in the portfolio, it facilitates reporting and statistical and trend analysis.

As the loan review function at RHB Bank Berhad is in the initial stage, there is much room for improvement. There is a great need for guidelines and policies on loan review for the implementation of an effective loan review system. In this respect, benchmarking against a well selected leading bank which has an established loan review system is recommended.

A good loan review system and an effective loan recovery system are the two vital weapons to combat loan losses. In view of the large volume of outstanding loans, a good comprehensive and on going review exercise is important to closely monitor the loans from deteriorating. Prompt remedial actions taken would also greatly curb the non-performing loans from further growing.

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DEDICATION

This study is dedicated to my husband

Rodrigo Tom Silva

For being a constant source of encouragement

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