



Credit Management Of NRB Commercial Bank Limited

INTERNSHIP REPORT

Mohammad Nahian Mursalin | BRAC Business School | 09.05.2017



Internship Report

Submitted To

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Submitted By

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Program: MBA

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Submission Date

May 09, 2017

Letter of Acceptance

This internship report entitled “*Credit Management of NRB Commercial Bank Limited*” is prepared with thoughtful and relevant document under my direct supervision. This report is submitted by Mohammad Nahian Mursalin, a student of Master of Business Administration (MBA), BRAC University, ID No: 14264003 has been accepted.

Dr. Suman Paul Chowdhury
Assistant Professor
BRAC Business School
BRAC University

Student's Declaration

I do hereby declare that the work presented in this internship report titled "Credit Management of NRB Commercial Bank Limited" is an original work done by me under the supervision of Dr. Suman Paul Chowdhury, Assistant Professor, of BRAC Business School, BRAC University.

No part of this report has been previously submitted for any academic certificate or Degree. The work I have presented also does not breach any existing copyright and any portion of this report is not copied from any work done by anyone and the organization.

Mohammad Nahian Mursalin

ID: 14264003

Master of Business Administration (Finance)

BRAC Business School

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Letter of Transmittal

May 09, 2017

Dr. Suman Paul Chowdhury
Assistant Professor
BRAC Business School
BRAC University

Subject: Submission of Internship Report

Dear Sir,

With great pleasure, here I submit my internship report on “Credit Management of NRB Commercial Bank Limited” that you have approved & assigned as a compulsory of BUS-699 course.

The report is entirely based on the knowledge and experiences I have gained during my internship period at Harirampur Branch of NRB Commercial Bank Limited. Therefore, I would be very delighted and honored if you accept my Internship Report and recognize my hard work and determination I have put together in the preparation and completion of this report.

I would like to thank you for your support, guidelines & observation of my works which made it easy for me as well as provided knowledge of learning in practical.

Sincerely yours,

Mohammad Nahian Mursalin

ID: 14264003

Master of Business Administration (Finance)

BRAC Business School

BRAC University

Acknowledgement

This internship Report which is entitled as “*Credit Management of NRB Commercial Bank Ltd*” the concrete effort of a number of people.

In the process of conducting my internship report, I would like to express my gratitude and respect to Almighty Allah and some generous persons for their immense help and enormous cooperation, which gave me the strength and the composure to finish the task within the scheduled time.

I would like to thank my honorable internship supervisor from BRAC Business School, *Dr. Suman Paul Chowdhury* (Assistant Professor, BRAC Business School) for providing me the opportunity to prepare an Internship Report on “*Credit Management of NRB Commercial Bank Ltd*”. Without his helpful guidance, the completion of this report was unthinkable.

I would like to extend my warmest appreciation and gratitude to my supervisor *Saiful Islam Manik* (AVP & Head of Branch) of Harirampur Branch for his continuous guidance and valuable suggestions from time to time. Which helped me to understand the overall operation of the branch.

I am also grateful to all of the officers of Harirampur Branch, who extended their enthusiastic cooperation to me despite of their huge workload during my internship period. And, lastly, the wonderful working environment that has enabled me a lot deal to do and observe the activities during my internship period.

Executive Summary

The report is originated as a result of my internship program that I have completed as a requirement of MBA program of BRAC Business School. This report is solely based on my internship experience of three months at Harirampur Branch of NRB Commercial Bank Limited. This report contains practical working experience of different tasks in the Credit Department of NRB Commercial Bank Limited, Harirampur Branch.

The objective of this study is to scrutinize the credit management of NRBC Bank comparing to two other contemporary banks. To prepare this report different sources of data have been used. The first section of this report consists of a review part which has been developed for the appropriate implementation of the full report. Later parts have described the working experience of my internship period at different departments of NRB Commercial Bank along with analysis, findings, recommendations and conclusion.

NRB Commercial Bank is one of the leading private banks in Bangladesh which started its journey in 2013. To serve the nation, NRB Commercial Bank performs some activities for their clients like general banking, loan and advance, capital market operation etc. Bank pays interest to deposit holders and takes interest from borrowers. NRB Commercial Bank measures all risk components appropriately before authorizing a loan and when all the formalities are finalized then the respective credit officer disburses the loan to the client. Afterwards, it is a mandatory duty of the bank to monitor the disbursed loan.

After completion of analysis, it is found that NRBCB credit policy is quite lengthy & interest rates are quite high comparing to its contemporary competitors. However, Banks credit-deposit ratio is increasing yearly. As a result, bank can invest and utilize more funds to maximize their profit in near future. After NRBC's inception in 2013, for the first time its non-performing loan was 0.27% of its total loans in 2015. Still, which is lesser than that of NRB Global Bank and NRB Bank ltd.

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CHAPTER – 1
REVIEW OF THE REPORT



Bangladesh's financial sector is dominated by the banking sector as we have an under developed capital market. The supremacy of the banking sector makes the financial sector vulnerable on the one hand, but highlights the vital importance of the sector in resource mobilization and economic growth, on the other. The role of the banking sector in accelerating growth is reliant upon the soundness and depth of the sector. In Bangladesh, the banking sector has travelled through a journey where the sector has experienced several ups and downs. Reforms measures have been undertaken in an attempt to improve upon the structural constraints of the sector.

Banking sector accelerates economic growth through mobilizing funds from surplus unit to the deficit unit, and, now-a-days, Banks are becoming more customers oriented to get hold of its target market. Our central bank always keeps monitoring banks performances. Individual banks also need to assess their own performance to satisfy the parties those are related to its growth.

1.1 Origin of the Report

This report is resulted by a three months long internship program at NRB Commercial Bank Ltd, and is also required to fulfill the partial requirement of the internship program as noncredit subject of the MBA program of BRAC University.

I have chosen the topic titled "**Credit Management of NRB Commercial Bank Limited**", as it will give me an opportunity to translate the theoretical concepts of credit management into real life experience.

1.2 Objective of the Report

To have better orientation on credit management activities specially credit policy and practices, credit appraisal, credit-processing steps, credit management, financing in various sectors of NRB Commercial Bank Ltd.

- To get an overview of the existing credit approval and monitoring process of NRB Commercial Bank Ltd.
- To identify and suggest scopes of improvement of existing methods of loan approval, maintenance and monitoring in the credit division of NRB Commercial Bank Ltd.
- To get a comparative picture of NRB Commercial Bank, NRB Bank ltd & NRB Global Bank ltd.

1.3 Scope of the Study

The study is only related to NRB Commercial Bank Limited and it mostly emphasizes on the successive activities involved in overall credit approval process. Moreover, this report focuses on

the overall credit scenario of three existing fourth generation banks by comparing their financial data related to credit. And, lastly, according to analysis and findings, recommendations are given to strengthen the credit management of NRB Commercial Bank.

1.4 Methodology

The internship program was fundamentally performed by noting the daily activities of the officers and working with in progress. It is a descriptive type of research. And, I have collected information from both primary and secondary resources.

Primary sources of data:

- Face to face daily conversation with the officials of Harirampur Branch of NRBC Bank
- Relevant file study as provided by the officers concerned
- Discussions with department personnel

Secondary sources of data

- Annual Report of NRB Commercial bank ltd, NRB Global Bank & NRB Bank
- Record of credit disbursements
- Files of business performance
- Bank websites

Data Processing

Desired data were gathered from the aforementioned sources and then were analyzed to get an overview of the Credit Management of NRB Commercial Bank compare to two other contemporary banks.

1.5 Limitations

This report has been prepared solely based on work experience during internship combined with theoretical knowledge and data collection. As a result, there has been numerous occasions where inadequacy of data created difficulties while preparing this report. Particularly, Annual report 2016 of NRB Commercial Bank is yet to be published, whereas, the other two bank used in the comparison section have already published there's. Similarly, Harirampur Branch had to communicate frequently with their Head Office, which created delay in the data collection process.



CHAPTER – 2
THE ORGANIZATION



2.1 Introduction

NRB Commercial Limited (NRBCB) is a private commercial bank in Bangladesh offering full range of Corporate, International Trade, Personal, Foreign Exchange, Lease Finance and Capital Market Services with its fifty one branches. The bank operates in Bangladesh and has its headquarter located in Dhaka along with the principal branch at Motijheel. Being a fourth generation bank they always put their customer first and uses a software named “Ultimus” to provide efficient services to them.

NRB Commercial Bank is currently diversifying their loan portfolio to ensure efficient use of resources and takes utmost precaution to safeguard it. Moreover, loans and advances has been the main source of profit for NRB Commercial Bank since its inception in 2013. Hence, the authorities should administer the performance of loans after their disbursements.

2.2 Mission & Vision

Mission of NRB Commercial Bank

- Strengthen the business and investment opportunities.
- Create confidence among the NRBs for investment.
- Strengthen inflow of remittance.
- Deliver service excellence.
- Maintain good financial health.
- Create dignified working environment for Employees.

Vision of NRB Commercial Bank

“To become a peerless bank”

2.3 Strategic Objectives of NRB Commercial Bank

- Create opportunities for NRBs to invest their earnings, utilize their professional expertise in the economic development of Bangladesh.
- Channelize idle and less remunerative fund of NRB.
- Attract FDI of NRBs through diverse products and projects.
- Balanced and sustainable growth.
- Maximization of shareholders’ wealth.
- Accomplish the long cherished desire and dream of NRBs to have a bank of their ‘own’.

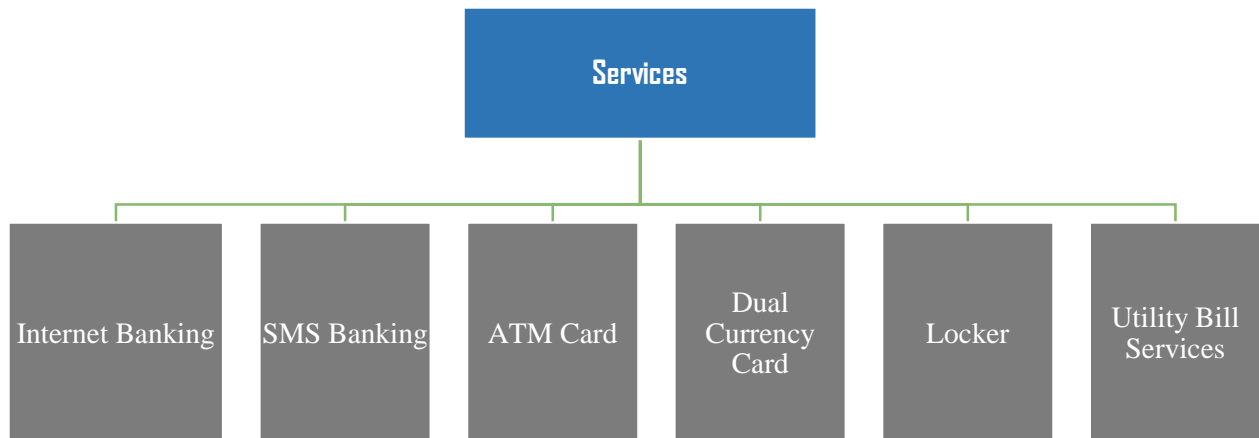
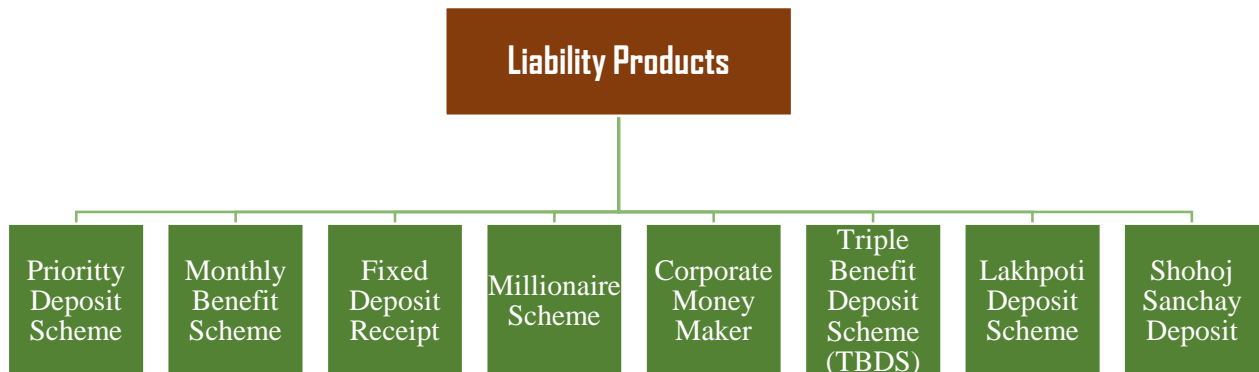
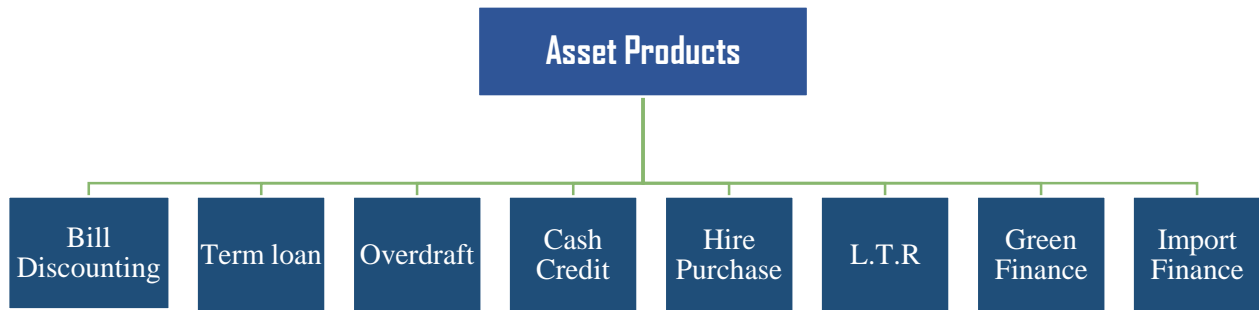
- Excellence of manpower efficiency through attractive compensation package, promoting staff moral through training, development and career plan.
- To invest in the thurst sector for the overall economic development.
- Technology transfer with the help of the well educated professionals and experienced sponsors of the Bank to have a green banking practice.
- Ensure best Corporate Social Responsibility (CSR) practice.
- Promise to make the world of NRBC Bank a little bigger, every day

2.4 NRBC Bank's Chronicles

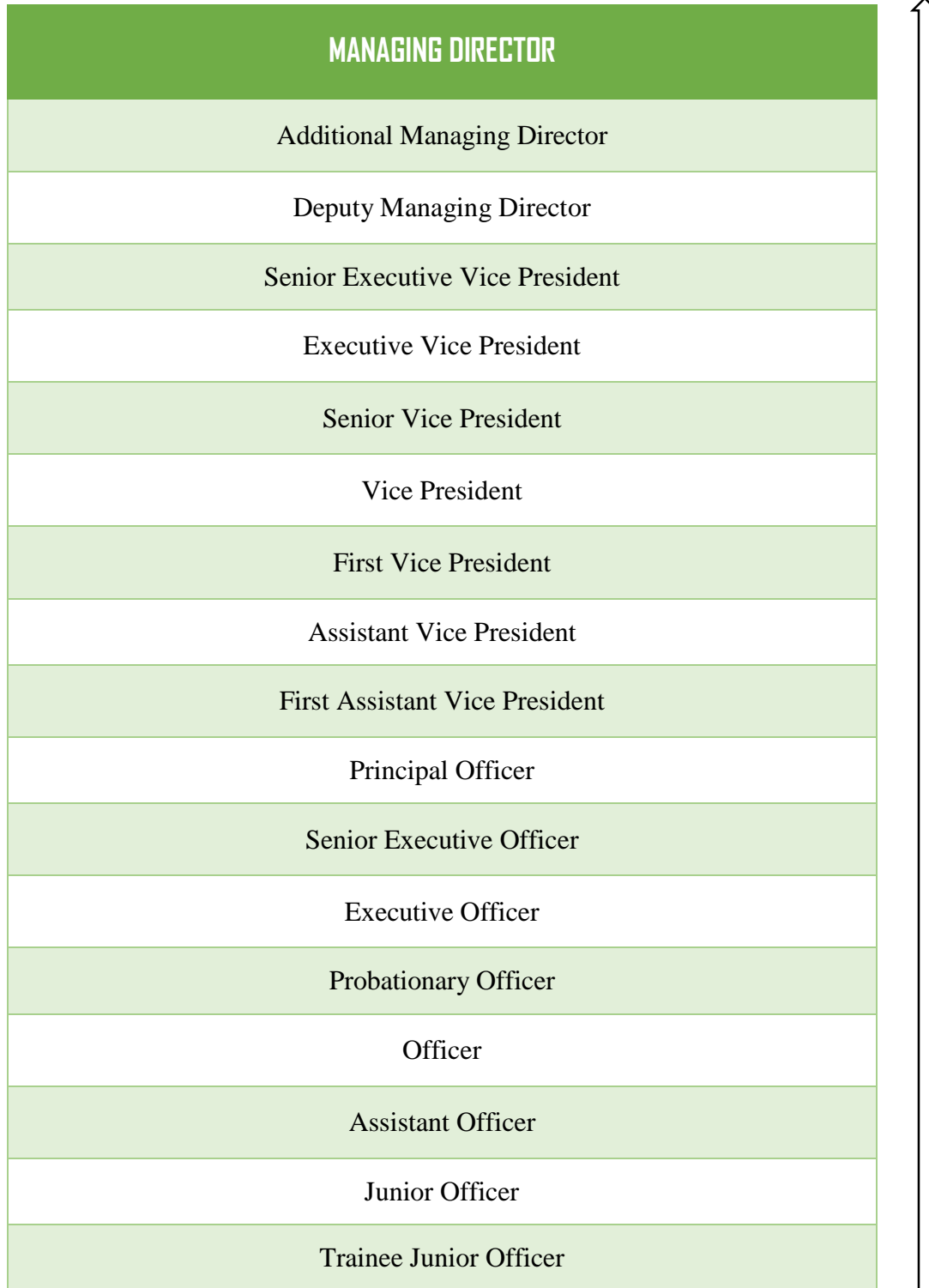
Application for Bank License	May 31, 2011
Letter of Intent (LOI)	April 17, 2012
Certificate of Incorporation	February 20, 2013
Certificate for Commencement of Business	February 20, 2013
First Meeting of Board of Directors	February 23, 2013
Bank License from Bangladesh Bank	March 10, 2013
Primary Dealership license	March 10, 2013
Inauguration Ceremony	April 02, 2013
Branch licence	April 17, 2013
Opening of First Branch	April 18, 2013
Authorized Dealer permission	May 13, 2013
Clearing House Membership	June 16, 2013
SWIFT Membership	August 03, 2013
1st RMA (Relationship Management Agreement)	August 04, 2013
Statutory Meeting of the Shareholders	August 12, 2013
Membership with VISA International	August 28, 2013
Commencement of NRB Desk	December 29, 2013
Opening of 10th Branch (Mugrapara)	December 29, 2013
Achievement of Ten Thousand Accounts	January 23, 2014
Launching of Internet Banking	April 02, 2014
Launching of VISA Card	April 02, 2014
Opening of 20th Branch (Rajshahi)	August 11, 2014
Opening of Training Institute	January 07, 2015
Achievement of Fifty Thousand Accounts	March 08, 2015
Opening of 30th Branch (Rangpur)	July 12, 2015
Subsidiary Company: NRBC Bank Securities Ltd.	September 20, 2015
Launching of Agent Banking	December 17, 2015
Opening of 40th Branch (Bhulta)	December 30, 2015

2.5 Products & Services of NRBC Bank

Just like any other commercial Bank, NRB Commercial Bank provides both products & different services. The organograms below shows the different types products and services offered by them.



2.6 Organizational Hierarchy





CHAPTER – 3
JOB RESPONSIBILITIES



3.1 Job Responsibilities at Harirampur Branch

I started my internship program at Harirampur Branch of NRB Commercial Bank from 15th February 2017 and my tenure of 3 months will end on May 15th 2017. Till now, I got the opportunity to work in three different departments of the branch – credit, general banking, and foreign exchange.

I spent a significant amount of time in the credit department of Harirampur Branch as an intern. As a result, I preferred ‘Credit Management of NRB Commercial Bank’ as my internship report topic rather than choosing a topic from General Banking or Foreign Exchange.

From the very first day, I was assigned in General Banking Department and for more than one month under direct supervision of Aminul Islam Sajid (Officer, GB in charge) I worked. During that time I had to perform below activities:

- Taking signature from Mohammad Al-Amin, EO and Manager Operation for different purposes (e.g. FDR, DPS, Pay Order, A/C Opening)
- Helping supervisor by finding out old forms (e.g. Current a/c, saving a/c, FDR, DPS)
- Responding to customers’ queries in the process of A/C opening.
- Maintaining cheque book & ATM card registers

After working more than 1 month in General Banking Department, I was shifted to the Credit Department of the branch by Operation Manager. There, I worked under the supervision of Tanvir Sarfaraz, Assitant Officer and had performed these activities:

- Printing, typing and photocopying different documents related credit
- I had to organize all the customer files (e.g. car loan, cash credit) & keep them at a specific place separately
- Checking and filling up different forms related to Credit
- Data entries in the computer
- Helping clients with their credit related queries
- Occasionally visiting clients with Manager operation

Later, I worked at Clearing Desk for three weeks under direct supervision of Zonayedul Hoque, Assitant Officer. In that department, I had to count vouchers, use different seals on cheque, and give call to that customer whose cheque is returned and checking positive pay instructions.



CHAPTER – 4

CREDIT MANAGEMENT OF NRBC BANK



4.1 Credit Management of NRBC Bank

In the context of Banking, the term ‘Credit’ refers to financing the people based on the trust that payment will be made in the future. Banks usually takes deposits from the people who are having a surplus and lends as a credit to people who need financial support from the Bank. Providing credit is one the core operations of a Bank. Similarly, NRB Commercial bank also takes deposits from its customers and loan (credit) it out to the customers who need financing. Hence, credit policies are very important to manage properly.

Credit management is the process of granting credit, the terms it's granted on and recovering this credit when it's due. This is the function within a bank or company to control credit policies that will improve revenues and reduce financial risks. The main objective of credit management is to maximize the performing asset and to minimize the non-performing asset as well as ensuring the optimal point of loans and advances and their efficient management.

The credit management department plays a very crucial role in determining a banks’ overall performance. Specifically, the profit margin. A well-organized credit department may lead the bank to enormous profits. On the contrary, however, it may lead it to bankruptcy. But in NRBCB most of the credit officers are familiar with their written credit policies and they perform at their job perfectly.

4.2 Functions of Credit Division

In Bangladesh, the financial sector of the country is significantly dominated by the banking sector. Banks being the financial intermediary, a part of their operation is to accept deposits and grant loans. Before granting providing credit facility to a customer, credit officer needs to ensure the borrower’s creditworthiness by using 5Cs of credit. Which are:

<i>Character</i>	Intention to pay back the loan
<i>Capacity</i>	Borrower’s competence in terms of utilizing the fund profitably and generate income
<i>Capital</i>	Financial strength to Lending cover the risk
<i>Conditions</i>	General business condition between two parties
<i>Collateral</i>	Implies additional securities

In addition, apart from the above-mentioned activities, credit division also needs to manage the financial books of the bank, setting the internal pricing rates etc.

4.3 Credit Policies and Principles of NRBC Bank

NRBC Bank’s credit functions are conducted in a compliant manner under a strict judicious and rational credit policies and principles in conformity with Credit Risk Management guidelines of Bangladesh Bank. Credit initiation and approvals are done in a segregated manner. Each and every sanction is done through a very stringent evaluation process, which, in fine ensures quality of assets and minimizes losses likely to arise from potential bad loans. In order to make credit operations judicious, quality and rewarding, a strict credit policy embodying among others, the following is in place:

- Extending credit to the clients having clean CIB report.
- Maintaining rational loan deposit ratio
- Avoiding directed and name lending
- Lending maintaining highest ethical standard
- Extending credit in the areas where risks are significantly understood and can be managed
- Conducting lending operations complying with norms and regulations

4.4 Credit Classification

Based on Classification

Referring to a Bangladesh Bank circular (BPRD circular#14, dated 23.09.2012), all loans and advances are grouped into four (4) categories for the purpose of classification, namely- (a) Continuous Loan (b) Demand Loan (c) Fixed Term Loan and (d) Short-term Agricultural & Micro-Credit.

- i. **Continuous Loan:** The loan accounts in which transactions may be made within a certain limit and have an expiry date for full adjustment will be treated as Continuous Loan. Examples are Cash Credit, Overdraft, etc.

- ii. **Demand Loan:** The loans that become repayable on demand by the bank will be treated as Demand Loan. If any contingent or any other liabilities are turned to forced loan (i.e. without any prior approval as a regular loan) those too will be treated as Demand Loan. Such as Forced Loan against Imported Merchandise, Payment against Document, Foreign Bill Purchased, and Inland Bill Purchased, etc.
- iii. **Fixed Term Loan:** The loans, which are repayable within a specific time period under a specific repayment schedule, will be treated as Fixed Term Loan.
- iv. **Short-term Agricultural & Micro-Credit:** Short-term Agricultural Credit will include the short-term credits as listed under the Annual Credit Program issued by the Agricultural Credit and Financial Inclusion Department (ACFID) of Bangladesh Bank. Credits in the agricultural sector repayable within 12 (twelve) months will also be included herein. Short-term Microcredit will include any micro-credits not exceeding an amount determined by the ACFID of Bangladesh Bank from time to time and repayable within 12 (twelve) months, be those termed In any names such as Non-agricultural credit, Self-reliant Credit, Weaver's Credit or Bank's individual project credit.

Based on Involvement of Fund

- i. **Funded:** Credit facilities to which direct bank fund is involved. For Example: Term loan, CC, OD, Time Loan, HBL, Hire Purchase etc.
- ii. **Non- Funded:** Credit facilities to which no direct bank fund is involved. For example any sort of letter of credit and Bank guarantee.

Based on utilization process

- i. **Project Financing:** Under project financing, credit facilities are usually extended to set up a project or set up machinery at the factory. It can be a term loan, HBL, L/C deferred/Usance, Hire purchase etc. Generally, loans of this category have a tenure of a long period of 3.5/10 years.
- ii. **Working Capital Financing:** Under working capital financing, credit facilities are extended to meet up working capital requirement. It can be CC (H)/ SOD etc.

4.5 Credit Facilities of NRBC Bank

Like all other commercial banks, NRBC commercial bank also offers different types of credit facilities for customers. Some of the important ones are discussed below:

Term Loan/Bill Discounting

Under this type of lending, Bank takes the bill drawn by borrower on his (borrower's) customer and pays him immediately deducting some amount as discount/commission. The Bank then presents the Bill to the borrower's customer on the due date of the Bill and collects the total amount. If the bill is delayed, the borrower or his customer pays the Bank a pre-determined interest depending upon the terms of transaction

Term Loan

This type Banks lend money in this mode when the repayment is sought to be made in fixed, pre-determined installments. These are the loans sanctioned for repayment in period more than one year. This type of loan is normally given to the borrowers for acquiring long term assets.

Overdraft

The word overdraft means the act of overdrawing from the Bank account. In other words, the account holder withdraws more money from the Current Account than has been deposited in it. The loan holder can freely draw money from this account up to the limit and can deposit money in the account. The Overdraft loan has an expiry date after which renewal or enhancement is necessary for enjoying such facility. Any deposit in the overdraft account is treated as repayment of loan. Interest is charged as balance outstanding on quarterly basis. Overdraft facilities are generally granted to businessmen. Overdraft (SOD) facility to the borrower may be allowed generally in the following ways: Overdraft against guarantee, Overdraft against FDR in the name of borrower, Overdraft against savings certificate, Overdraft against DPS.

Cash Credit

A cash credit is a short-term cash loan to a company. A bank provides this type of funding, but only after the required security is given to secure the loan. Once a security for repayment has been given, the business that receives the loan can continuously draw from the bank up to a certain specified amount.

Hire Purchase

This is a facility provided for buying a new vehicle. Ownership of the equipment/vehicle to be purchased under the hire purchased agreement covering comprehensive risks belongs to both the banker and customers. Hire purchase facility is repayable by depositing equal monthly installments (including principal and interest amount)

L.T.R

Loan against Trust Receipt (LTR) is a funded facility provided to importer to retire L/C related shipping documents. Advance against a LTR obtained from the customer is allowed when the documents covering an import shipment are given without payment. The customer holds the goods or their sale proceeds in trust for the bank until the LTR is fully paid off. Letter of Trust Receipt is kept as primary security, which creates the banker's lien on the goods. LTR facility is adjusted from sale proceeds of Imported goods or cash from own sources of the customer within the validity. Validity of the LTR A/C vary from 30 to 180 days depends on the nature and amount of items imported or as per Bangladesh Bank guidelines.

Green Finance

NRBC Bank provides credits to finance renewable energy projects (Bio-gas plant, solar energy, wind energy), energy efficient technology, waste management plant, alternative energy, non-fire block brick manufacturing project, recycling plant, brick field to introduce hybrid Hoffman kiln or tunnel kiln.

Import Finance

Importers are given this sort of facility to import different commodity items, capital machinery and any other permissible items. L/C related shipping document is kept as primary security. Cash margin and counter guarantee are obtained from the customer to secure its position.

Work Order

Customers are given facility to participate in Tender, receive and execute Work Order/ Supply Order.

4.6 Credit Exposure of NRBC Bank

Table	
Particulars	Figures in Crore Tk.
Secured Over Draft	542.58
Term Loan	378.96
Time Loan	299.57
Cash Credit	256.57
SME Credit	212.46
House Building Loan	164.04
L.T.R	132.05
Hire Purchase	115.13
Lease Finance	96.1
Retail Credit	26.16
EDF Loan	21.13
Bills Purchased And Discounted	19.28
Staff Loan	18.57
Loans And Advances-not specified above	12.95
Packing Credit	9.39
Credit Card	7.64
Personal Loan	5.96
P.A.D.	4.2
Loans And Advances-Offshore Unit	0
Loans To Subsidiaries	0
Total	2322.74
<i>Source: Annual Report 2015</i>	

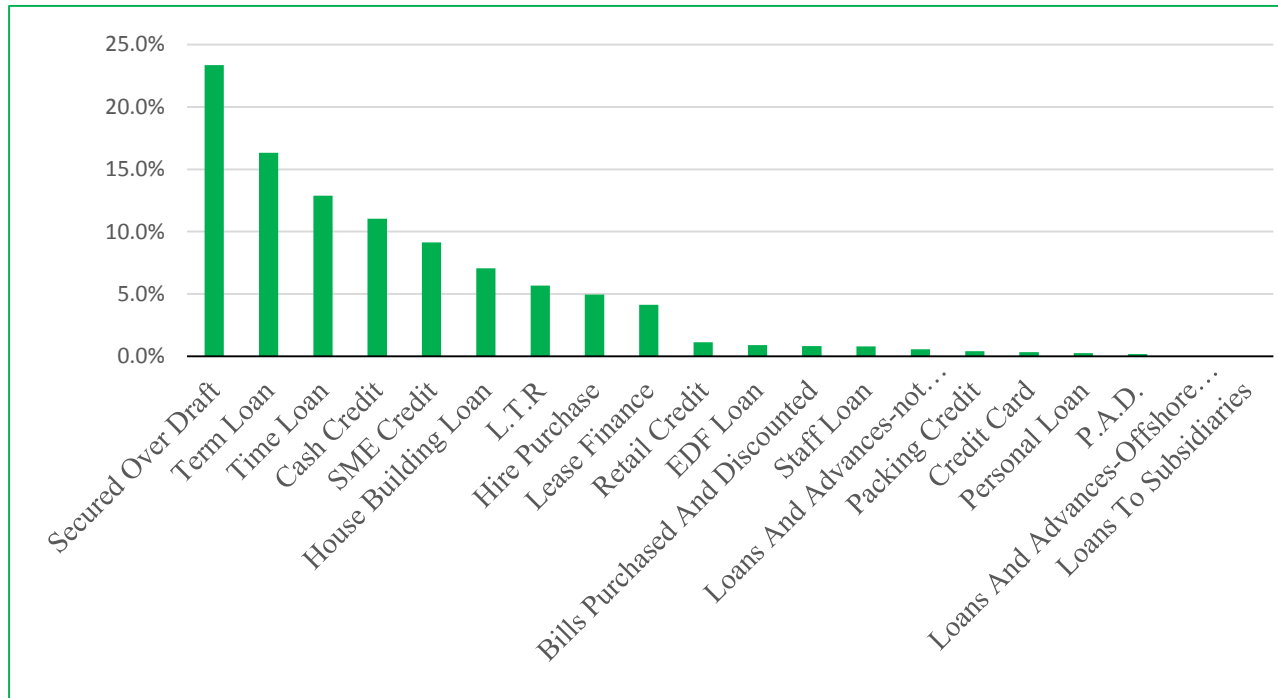


Figure 4.1: Credit Exposure of NRBC Bank

4.7 Credit Statistics of Horirampur Branch

Harirampur Branch of NRB Commercial Bank, which is located at Sohel Market of Khalpur at Uttara has been operating since the last quarter of year 2014. Currently, the branch is trying to expand its credit facilities by its investing in different businesses. However, there are some specific credit facilities which are significantly used in Harirampur Branch of NRB Commercial Bank. Some recent statistics collected from the branch is presented below:

Loan Type	No of Loans
Hire Purchase	8
Personal Loan	5
Cash Credit	11
Time Loan	2
Overdraft	1
Overdraft (FDR)	12
Term Loan	19
Overdraft (SS)	2
Total No. Of Loans	60

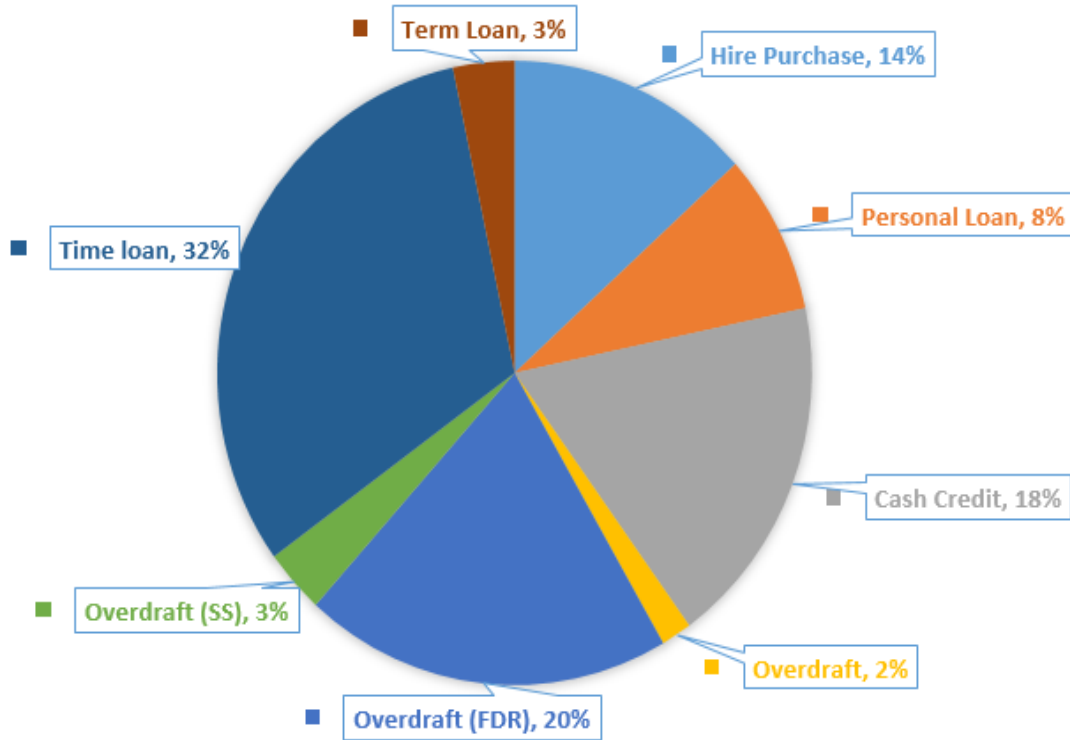


Figure 4.2: Credit facilities at Harirampur Branch in Percentage of total loans

According to the aforementioned figure, collected from the credit department of Harirampur branch of NRBC bank, time loan (Loan provided against export bill) accounts for most of their loans. Time loan percentage stands at 32%, whereas percentage of term loan and general overdraft are the lowest with 3% and 2% respectively. On the other hand, the percentage of cash credit and hire purchase is relatively similar by remaining within the range of 20%.

4.8 Credit Rating Report

Status	Long Term	Short Term	Outlook
Surveillance Rating 2014	A-	ST-3	STABLE
Surveillance Rating 2015	A	ST-3	
<i>Rated by: Credit Rating Information and Services Limited</i>			

Rating Rationale

Long Term Rating A (Pronounced as A)	Banks rated in Long term category are adjudged to offer adequate safety for timely repayment of financial obligations. This level of rating indicates a corporate entity with an adequate credit profile. Risk factors are more variable and greater in periods of economic stress than those rated in the higher categories
Short Term Rating ST-3	The Short Term Rating ST-3 indicates Good certainty of timely payment. Liquidity factors and company Fundamentals are sound. Although ongoing funding needs may enlarge total financing requirements, Access to capital markets is good. Risk factors are small.

4.9 Loan Approval Process of Harirampur Branch

Table 4.1 - Approval of Hire Purchase	
Order	Activity
1.	Application of the customer
2.	CIB Report collection
3.	Price quotation from showroom submitted by customer
4.	Monthly income statement & Net worth statement collected by officer
5.	Down payment by customer
6.	Proposal to Head office
7.	Loan sanction by Head Office
8.	Documentation Checklist obtained
9.	Joint registration of vehicle
10.	Pay order to Showroom/Seller

Table 4.2 - Approval of Time Loan (Against L/C)

Order	Activity
1.	Application of the customer
2.	Collection of LC Copy from SWIFT
3.	Collecting EXP documents from Beneficiary
4.	Forwarding letter to Head Office & Issuing Bank
5.	Acceptance from Issuing Bank
6.	Proposal to Head Office
7.	Acquire Checklist
8.	Sanction from Head Office
9.	Loan A/C open & disburse

Table 4.3 - Approval of Secured Overdraft (SOD)

Order	Activity
1.	Application of the customer
2.	CIB Report collection
3.	Letter of encashment of securities
4.	Letter of consent
5.	Proposal to Head office
6.	Loan sanction by Head Office
7.	Documentation Checklist obtained
8.	Lien marking the security
9.	Disbursement of SOD (FDR/SS/FO)

Table 4.4 - Approval of Cash Credit (C.C)

Order	Activity
1.	Application of the customer
2.	CIB
3.	Collecting Personal and N.et Worth statement with Stock report
4.	Submission of Security documents
5.	Legal opinion by Lawyer
6.	Valuation of security
7.	Lawyer Satisfaction
8.	Proposal to Corporate banking department
9.	Head Office Sanction
10.	Branch Sanction accepted by customer
11.	Acquire Checklist
12.	Checklist sent to Head Office
13.	Disbursement of fund through Loan A/C

Table 4.5 - Approval of Personal Loan

Order	Activity
1.	Application from customer
2.	Personal net worth statement collection
3.	Proposal to Head Office
4.	Sanction from Head Office
5.	Documentation checklist
6.	Security lien marking
7.	Loan disbursement by creating loan account
8.	Funds transferred to clients savings account

4.10 Securities against Advances

Table 4.6 – Securities Against Loans & Advances	
Types of Credit	Securities
<i>House building loan</i>	Primary securities: mortgage of the land or any property
<i>Hire Purchase</i>	Primary securities: joint registration and comprehensive insurance policy. Two valuable guarantors. Collateral securities: mortgage of land or any property. Any type financial obligation
<i>Any purpose loan</i>	Primary securities: two valuable guarantors and postdated cheques
<i>LTR</i>	Trust receipt in lieu of import document
<i>Local bills purchased</i>	Bill itself
<i>Foreign bill purchased</i>	Shipping documents for exports
<i>Overdraft</i>	Primary securities: hypothecation of book depth Collateral securities: mortgage of landed property and IPA.
<i>Secured overdraft</i>	Primary securities: Lien on any types of financial obligation.
<i>Cash credit</i>	Primary securities: Hypothecation of stock of goods in trade duly insured produce merchandise Collateral securities: Mortgage of land and building, any financial obligation

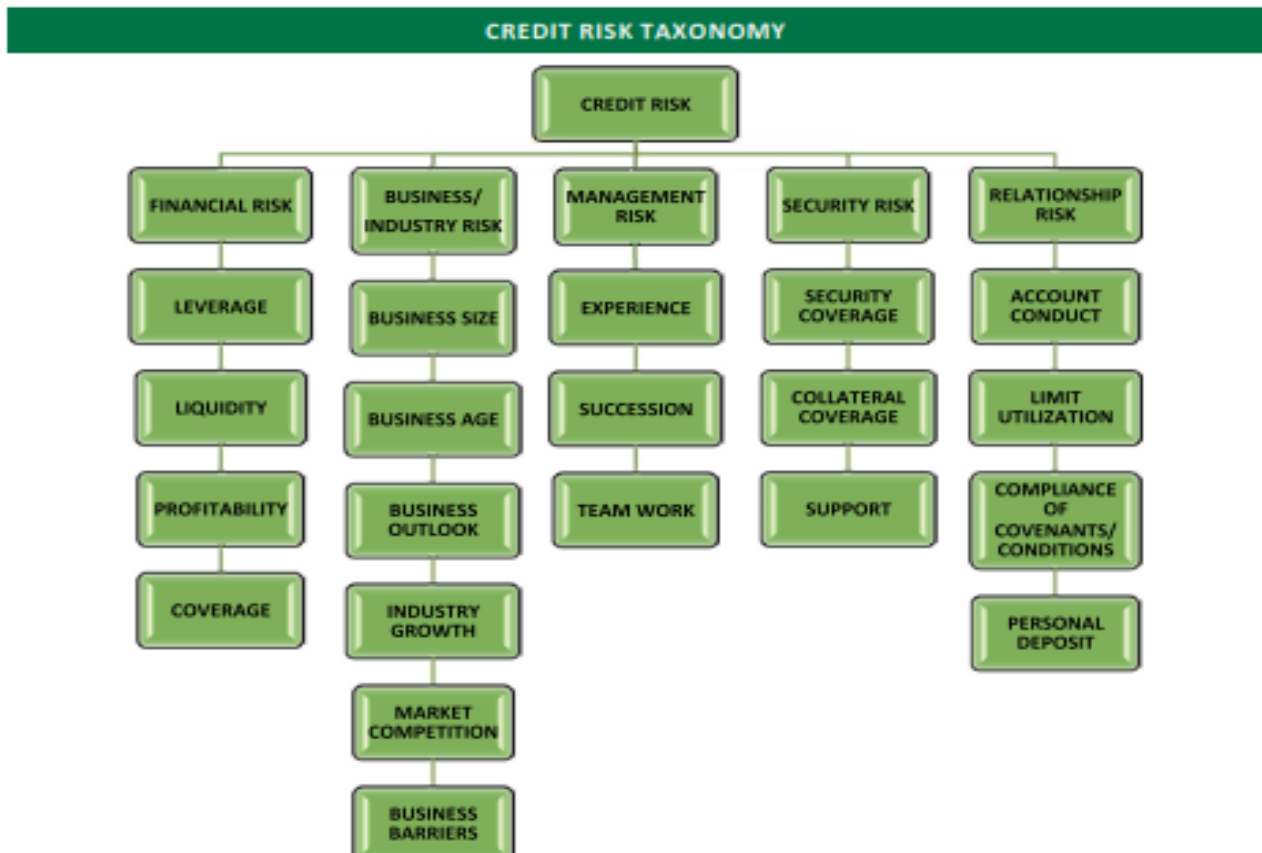
4.11 Credit Administration

NRBC Bank's credit disbursement functions and administration are strictly handled by Credit Administration Department (CAD) which ensures among others that:

- Documented credit approval are obtained
- Legally enforceable security documents are prepared
- Limit creation and loan documentation check list (LDCL) are obtained
- All standard charge documents are executed.
- Credit disbursement approvals are promptly given

4.12 Credit Monitoring

NRBC Bank's Credit Administration Department (CAD) monitors the asset portfolio of the Bank. Bank's credit monitoring system provides an early indication/alert about the deterioration of loans that allows effective management of loans in a rational manner to prevent them from turning into Non-Performing Loans (NPL)





CHAPTER – 5

FINANCIAL DATA ANALYSIS

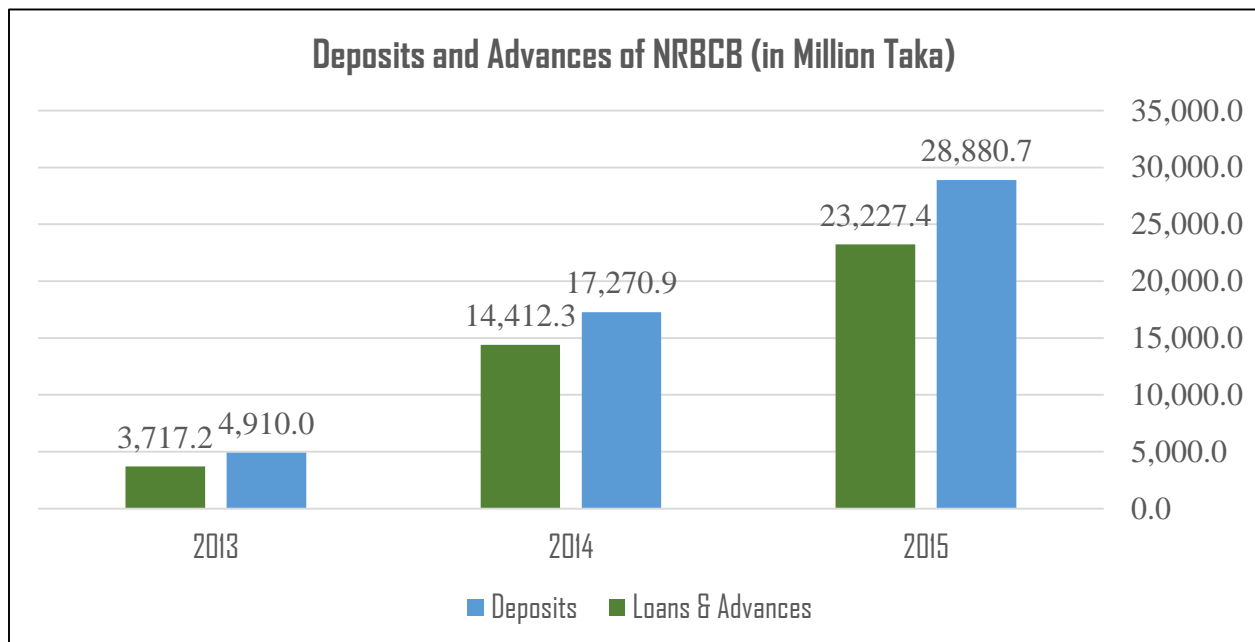


5.1 Financial Data Analysis

Deposits and Loans

Bank deposits consist of money placed into banking institutions for safekeeping. These deposits are made to deposit accounts such as savings accounts, current accounts, and short notice deposit accounts. The account holder has the right to withdraw deposited funds, as set forth in the terms and conditions governing the account agreement.

On the other hand, Bank loans are the most common form of loan capital for a business. A bank loan provides medium or long-term finance. The bank sets the fixed period over which the loan is provided.



Source: Annual Report '1

Figure 5.1: Deposits & Advances of NRBC

Referring to the above-mentioned graph, the growth of deposits and advances over the years for NRB Commercial bank can be seen noticeably. Specifically, if we compare the total disbursed amount of loan in 2013 with that of 2015, NRB Commercial bank has obtained a growth rate of

Classified Loans

The term Classified loan is used for any loan that a bank examiner has deemed to be in danger of defaulting. The borrower does not necessarily need to miss payments order for a bank to label the account in this manner. A borrower can have what the bank calls a classified loan for different reasons. This is simply a precaution that financial institutions take to prepare for a possible loss and to prevent any further risk.

In case of Bangladesh, according to Bangladesh Bank circular, loans are classified into four categories; (On the basis of OVERDUE and QUALITATIVE judgment)

- a) Special Mention account (SMA)
- b) Sub-Standard (SS)
- c) Doubtful
- d) Bad or Loss

If any loan or advance gets classified, Interest can be charged in the loan account, but the interest thus charged cannot be transferred into INCOME ACCOUNT. It has to be preserved in 'Interest Suspense Account'.

Classified loans of NRB Commercial Bank (in Million BDT)			
	2013	2014	2015
<i>Amount</i>	-	-	62.86
<i>% of CL to Total Loans</i>			0.27%
<i>Source: Annual Report'15</i>			

As NRB Commercial Bank started its journey in the year 2013, for the next two years it did not have any classified loan. However, in the year 2015, it reported loan worth Tk. 62.86 Million to be classified which stands as 0.27% of the total disbursed amount.

Provision against Classified Loans

Referring to a Bangladesh Bank circular (BPRD circular#14, dated 23.09.2012), all banks are required to maintain provision on classified loans at the rate of; Substandard 20%, Doubtful 50%, Bad/Loss 100%. And, the banks will conduct their classification on a Quarterly basis.

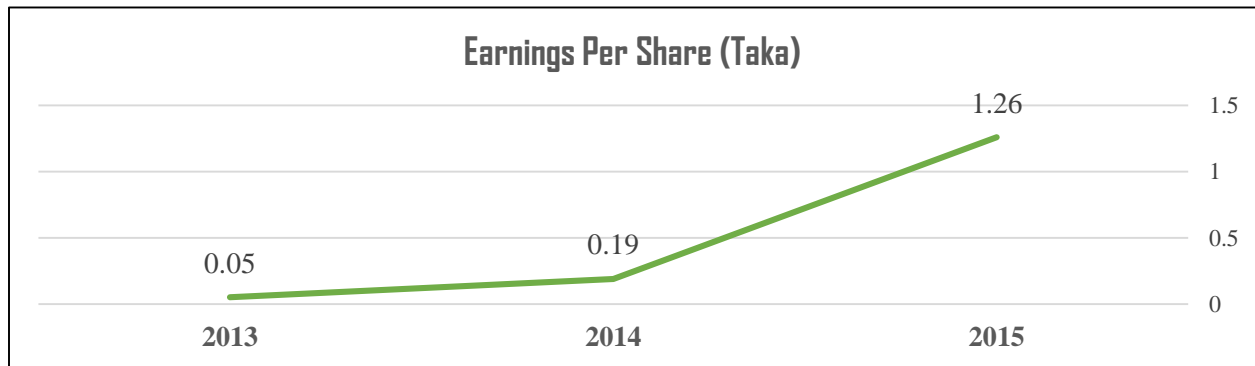
In the case of NRB Commercial Bank, as mentioned in the previous section, no classified loans were stated till 2015. As a result, it had to preserve provision against classified loans for the first time in the year 2015 since its inauguration.

Provision against Classified Loans(in Million BDT)			
	2013	2014	2015
<i>Amount</i>	-	-	4.76
<i>Source: Annual Report'15</i>			

Earnings per Share

Earnings per share (EPS) is the portion of a company's profit allocated to each outstanding share of common stock. Earnings per share serve as an indicator of a company's profitability and in the case of NRB Commercial Bank, EPS saw a significant surge of being Tk. 0.05 to Tk 1.26 in the year 2015.

Earnings Per Share (Taka)		
2013	2014	2015
0.05	0.19	1.26
<i>Source: Annual Report'15</i>		



Source: Annual Report'15

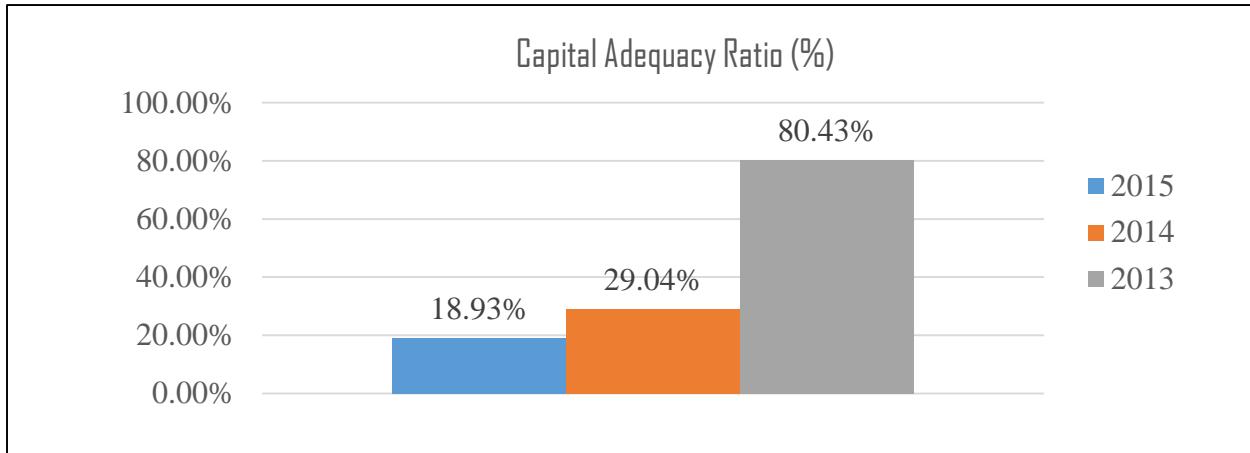
Figure 5.2: Earning per share of NRBC

Capital Adequacy Ratio

Capital Adequacy Ratio or also known as capital-to-risk weighted assets ratio (CRAR), is used to protect depositors and promote the stability and efficiency of financial systems around the world. Two types of capital are measured: tier one capital, which can absorb losses without a bank being required to cease trading, and tier two capital, which can absorb losses in the event of a winding-up and so provides a lesser degree of protection to depositors.

Capital Adequacy Ratio (%)		
2013	2014	2015
80.43	29.04	18.93
<i>Source: Annual Report'15</i>		

According to the above-mentioned table, CRAR of NRBC has significantly dwindled in the last couple of years.



Source: Annual Report '15

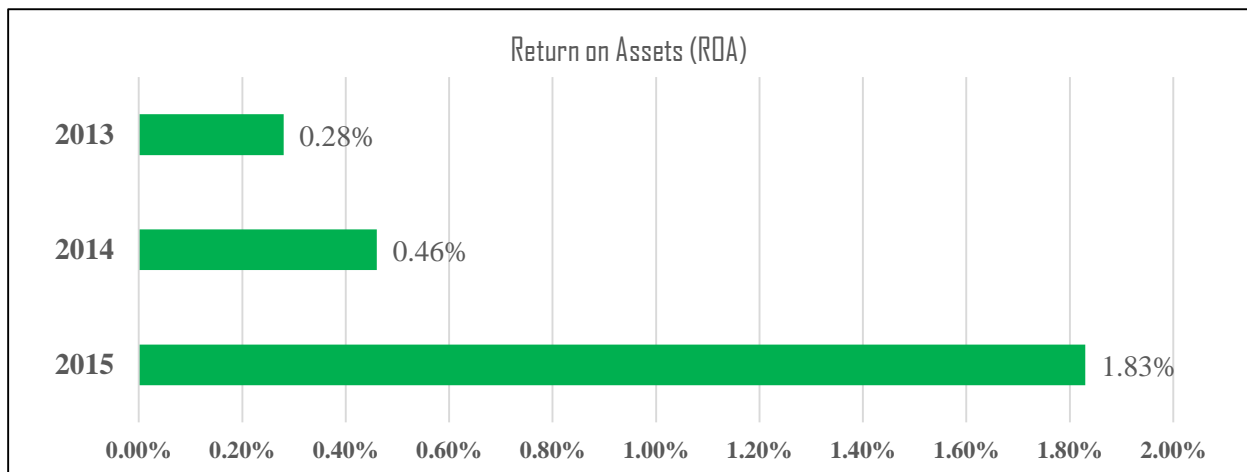
Figure 5.3: Capital Adequacy Ratio of NRBC

Return on assets (ROA)

Return on assets (ROA) is a financial ratio that shows the percentage of profit a company earns in relation to its overall resources. It is commonly defined as net income divided by total assets. Net income is derived from the income statement of the company and is the profit after taxes.

Return on assets (ROA) (%)		
2013	2014	2015
0.28	0.46	1.83

Source: Annual Report '15



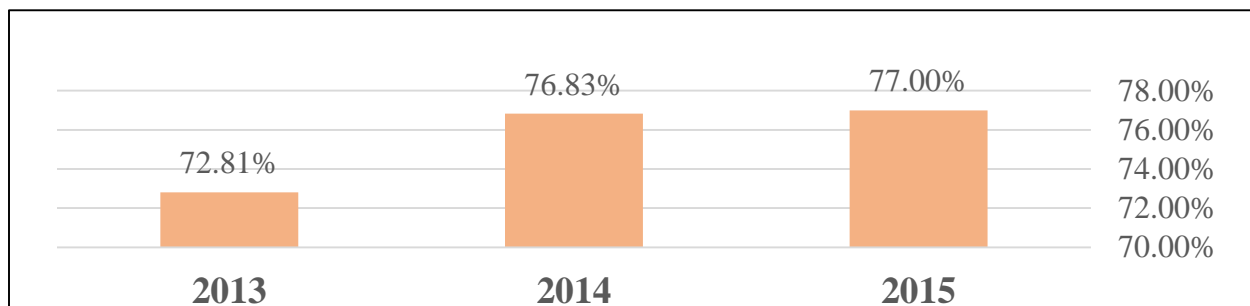
Source: Annual Report '15

Figure 5.4: Return on Assets of NRBC

Loan to Deposit Ratio

The loan-to-deposit ratio (LTD) is a commonly used statistic for assessing a bank's liquidity by dividing the bank's total loans by its total deposits. This number is expressed as a percentage. If the ratio is too high, it means that the bank may not have enough liquidity to cover any unforeseen fund requirements, and conversely, if the ratio is too low, the bank may not be earning as much as it could be.

Loan to Deposit Ratio (%)		
2013	2014	2015
72.81	76.83	77.00
<i>Source: Annual Report '15</i>		

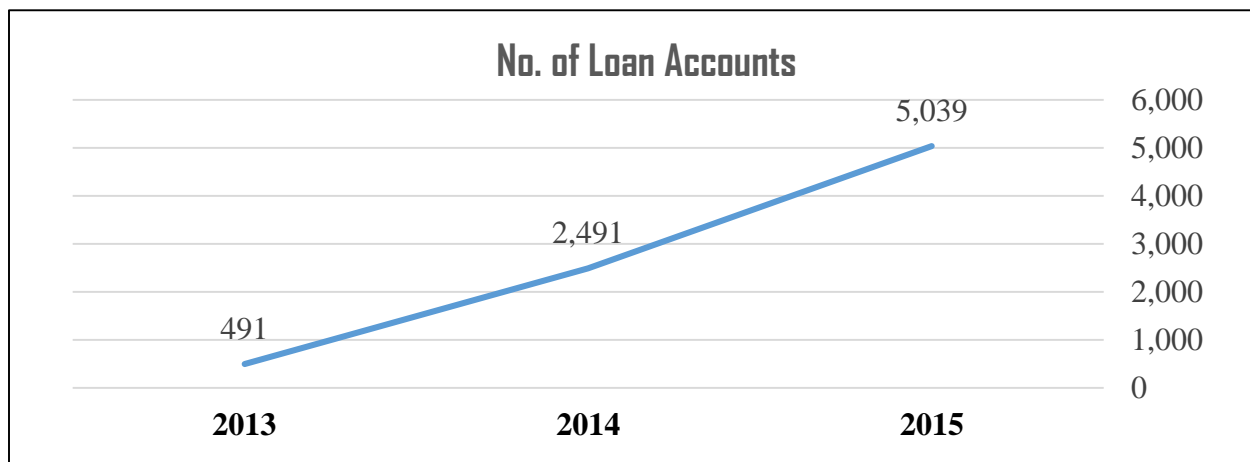


Source: Annual Report '15

Figure 5.5: Loan to Deposit Ratio of NRBC

Loan Accounts

The loan account is used to track transactions related to the loan, which includes interest, repayment, and any applicable charges. The loan account is a specific instance of a loan product, with a specified interest rate and an account number, and it is owned by a specified MFI customer.



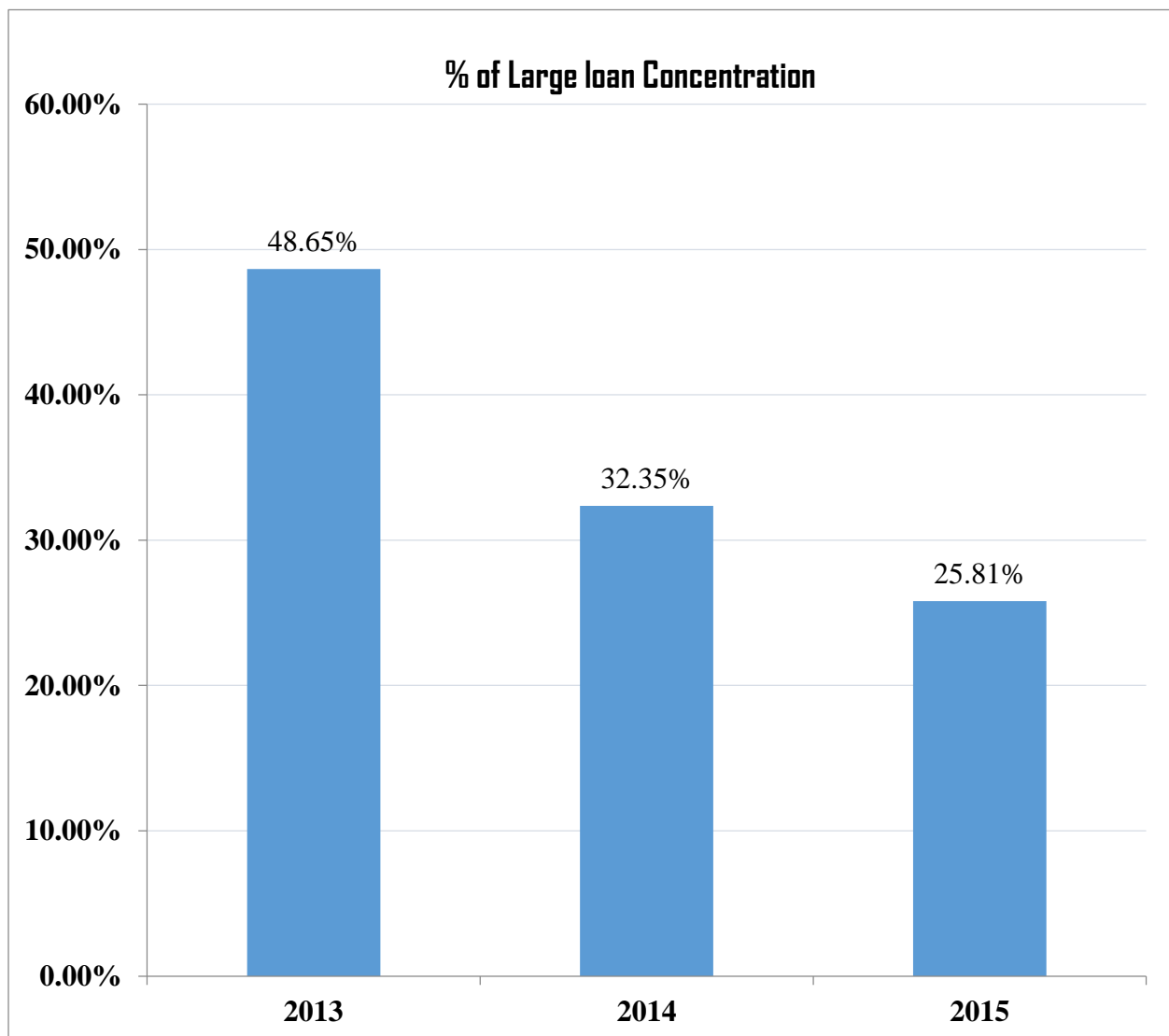
Source: Annual Report '15

Figure 5.6: No. of Loan Accounts at NRBC

According to the Annual Report of 2015, published by NRB Commercial Bank, the number of loan accounts surged severely from being 491 in 2013 to 5,039 in 2015. As a result, the bank got the opportunity to invest in different business and generate profit simultaneously.

Large loan Concentration

Large loan refers to any exposure to a single person/counterparty or a group which is equal to or greater than 10% of the bank capital. According to the Annual Report 2015, published by NRB Commercial Bank, their large loan concentration has been decreased in 2015 compare to that of in the year 2014 and 2013.

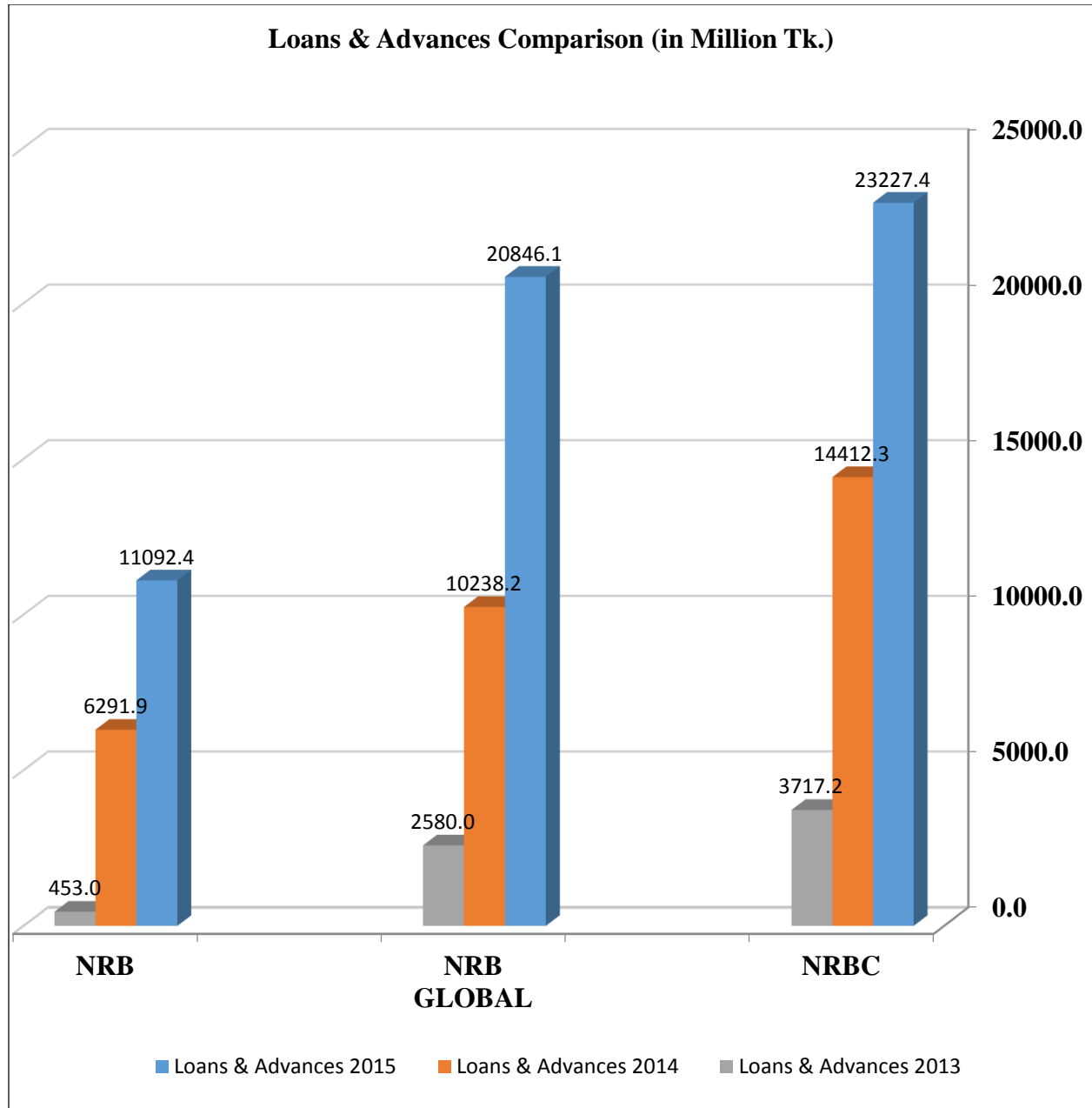


Source: Annual Report '15

Figure 5.7: Large loans at NRBC

5.2 Comparison of NRBC, NRB Global & NRB Bank

Loans and Advances



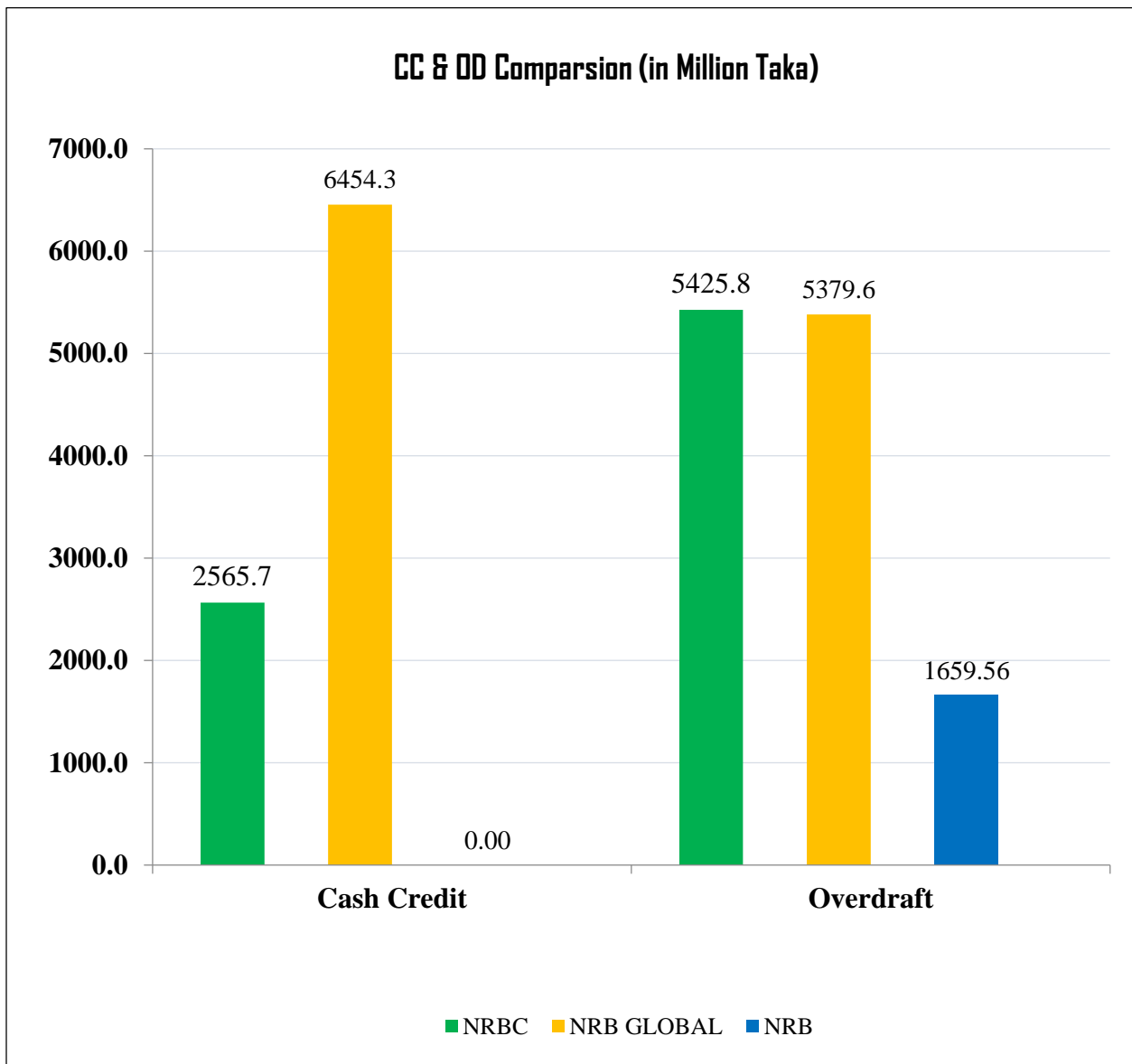
Source: Annual Report '15

Figure 5.8: Loans & Advances Comparison

According to the data collected from the Annual reports of these three banks, all of them saw a significant rise in disbursed loan amount. However, NRB Commercial bank had the highest amount disbursed comparing to NRB Global and NRB bank.

Credit Exposure Comparison

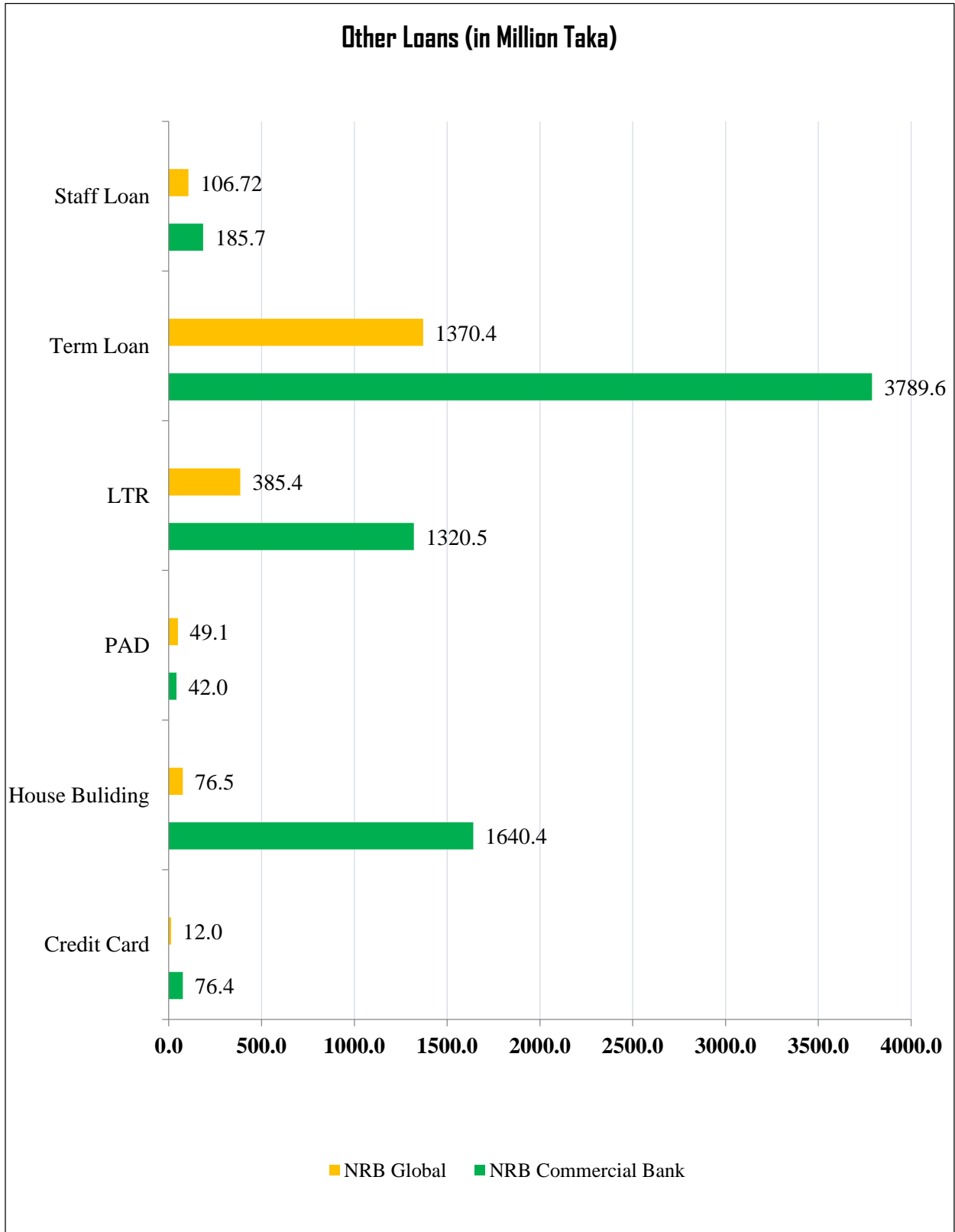
By comparing the data collected from the Annual Reports of NRB Commercial Bank, NRB Bank, and NRB Global Bank, the dominance of Cash Credit and Overdraft is easily evident. Considering Cash Credit exposure, NRB Commercial Bank is significantly lagging behind NRB Global Bank. Whereas, NRB bank does not have any sort of CC exposure.



Source: Annual Report '15

Figure 5.9: CC & OD Comparison

On the other hand, if we consider the Overdraft scenario, NRB Commercial Bank is leading the way among these three fourth generation banks. However, the margin between NRB Commercial Bank and NRB Global is minor.



Source: Annual Report '15

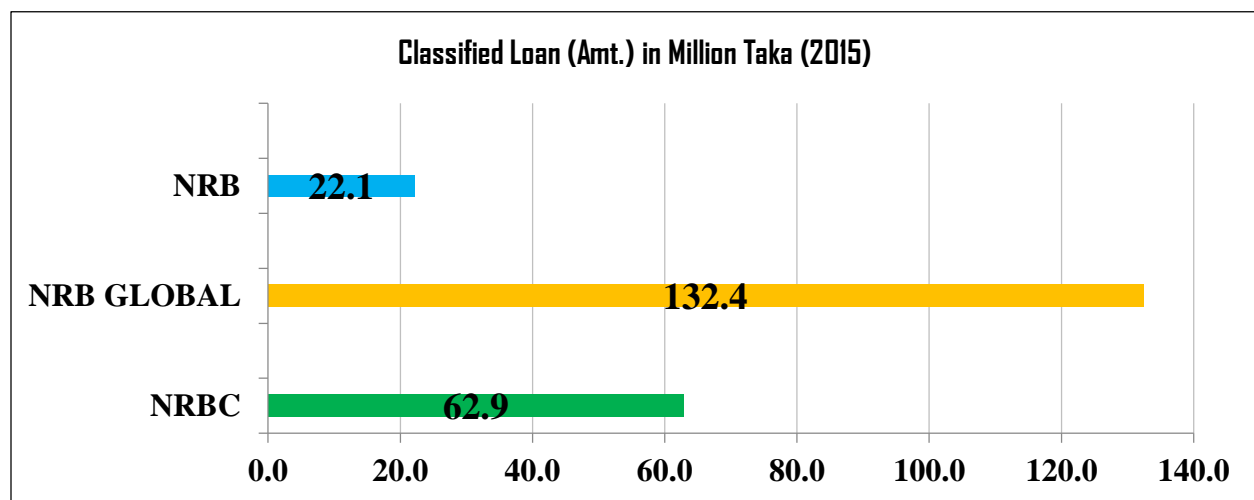
Figure 5.10: Other Loans at NRBC

Moreover, the graph mentioned below clearly states the significance of NRB Commercial Bank in providing Term Loan facilities to its customers comparing to NRB Global Bank. More specifically, time loan disbursed by NRB Commercial Bank is almost three times of the disbursed amount of NRB Global Bank.

Taking other facilities into account, NRB Commercial Bank disbursed more loans as House Building finance than NRB Global Bank. Similarly, In the case of LTR, Staff loan and Credit Card facility NRB Commercial Bank is in front of NRB Global Bank. Nevertheless, NRB Global Bank has disbursed more as Payment against documents comparing to that of NRB Commercial Bank.

Classified Loan Amount Comparison

In 2015, NRB commercial Bank had classified loan worth 62.9 Million Taka, which was the second highest amount classified among the considered banks for this report.



Source: Annual Report '15

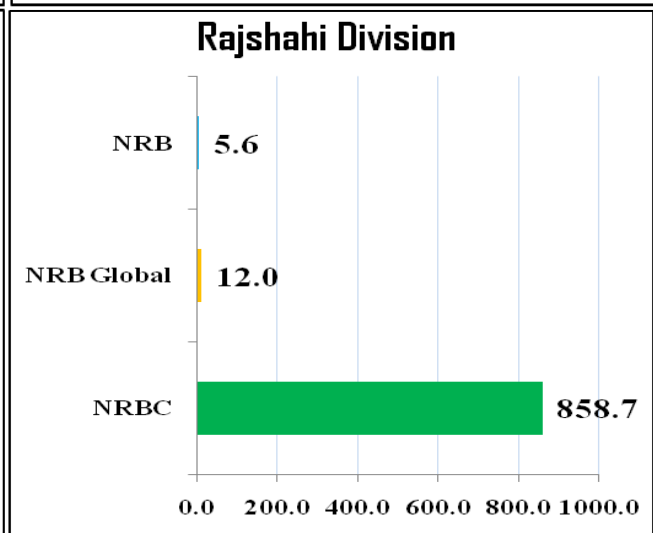
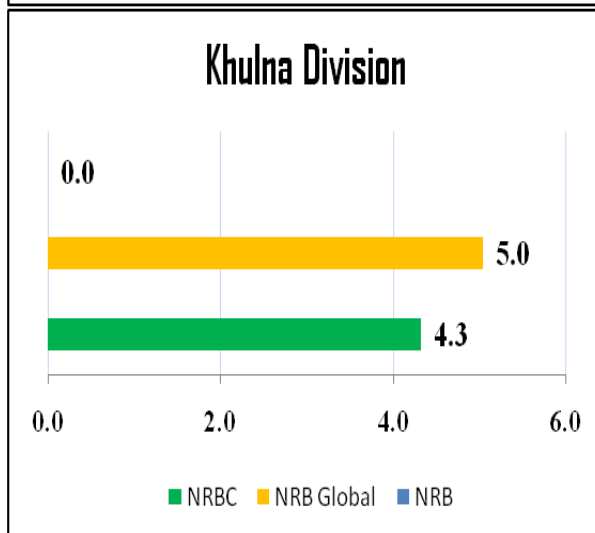
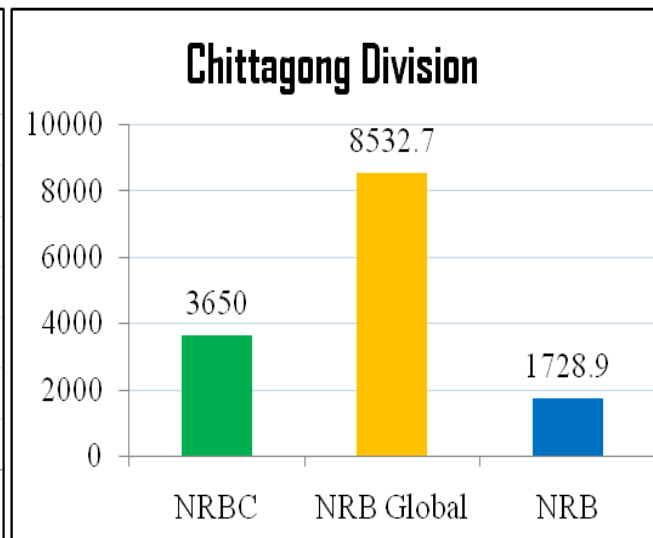
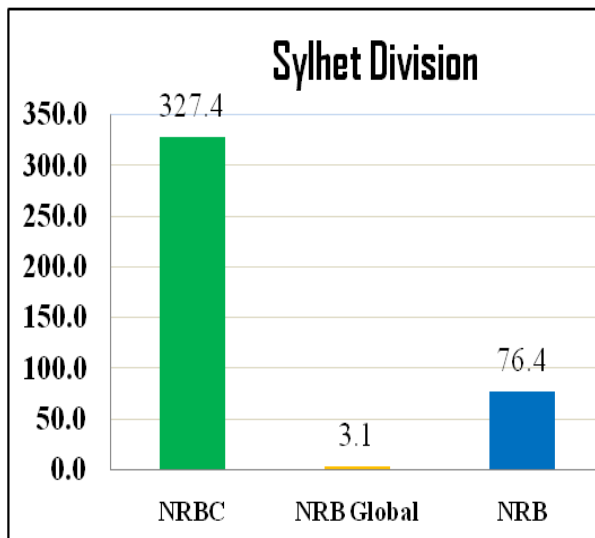
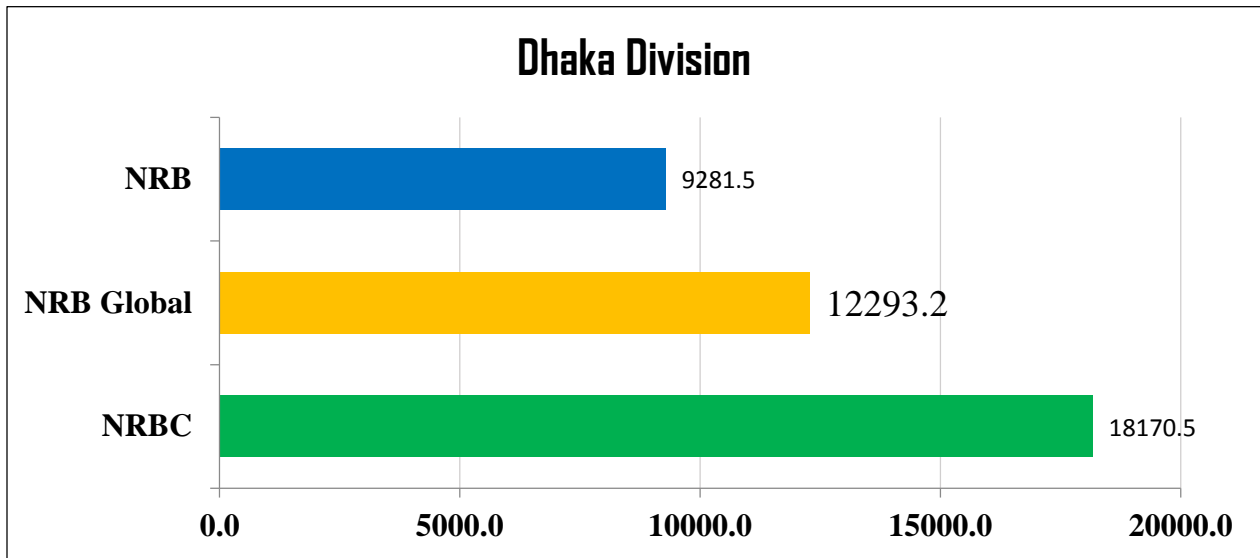
Figure 5.11: Classified amt. comparison

Loan Exposure to different Divisions

In Dhaka Division, according to Annual Reports of NRB Commercial Bank, NRB Global Bank, and NRB Bank, NRB Commercial Bank had the highest amount disbursed. Whereas, NRB bank had the lowest amount disbursed among these three fourth generation Banks.

On the other hand, referring to the data collected from annual reports, in Chittagong and Sylhet division NRB Global Bank had more amount disbursed than NRB Commercial Bank. However, NRB Bank did not have any loan disbursed in that division. But then again, NRB Commercial Bank had the highest amount of loan disbursed in both Rajshahi and Sylhet Division among the three considered banks for this comparison.

Figure:5.12 - Loan Disbursement in divisions (Figures in Million BDT)



EPS Comparison

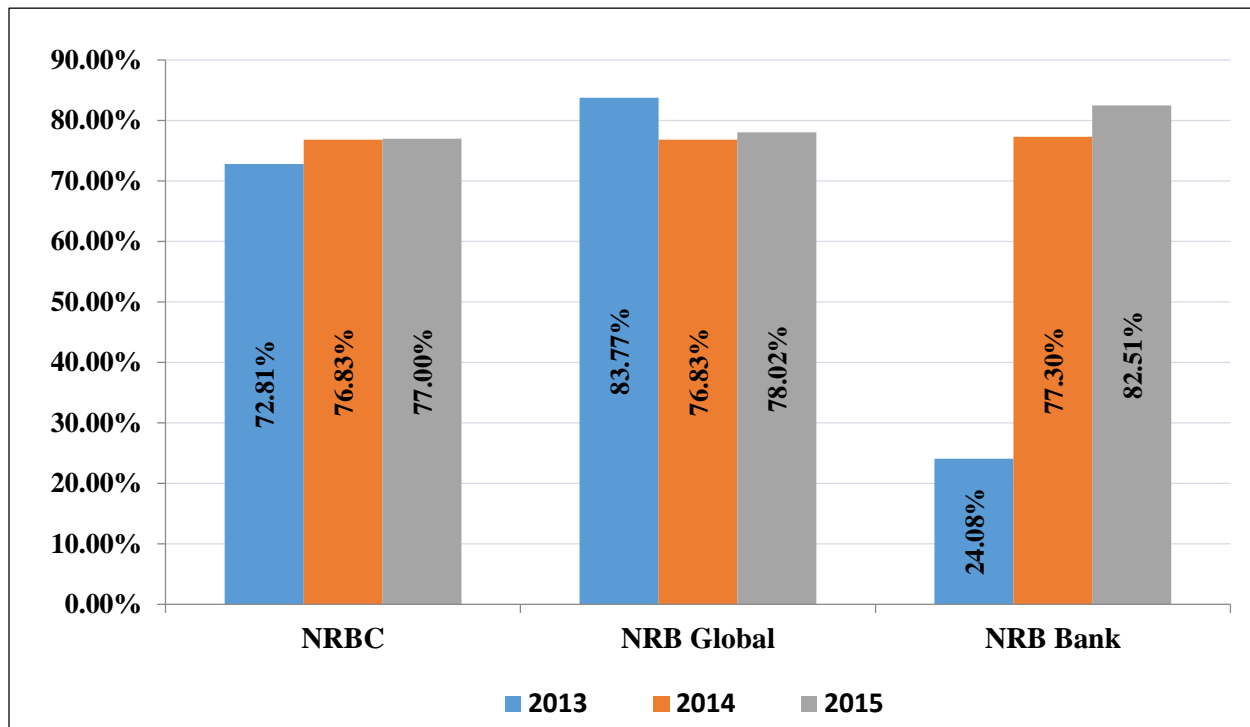
From the year 2013-2015, only NRB Commercial Bank hand positive EPS, which clearly indicates banks net earnings was positive. On the other hand, NRB global twice and NRB once saw negative EPS due to loss.

	NRBC	NRB Global	NRB
2015	1.26	0.04	0.59
2014	0.19	-0.18	-0.16
2013	0.05	-0.03	0.03

ROA Comparison

	NRBC	NRB Global	NRB Bank
2015	1.83%	0.06%	2.02%
2014	0.46%	-0.41%	-0.25%

Loan-Deposit Ratio Comparison (%)



Source: Annual Report '15

Figure 5.13: Classified amt. comparison



CHAPTER – 6
RECOMMENDATION & CONCLUSION



6.1 Findings

During my internship period at Harirampur Branch of NRB Commercial Bank, I found strengths and problems which are associated with both the bank and credit department. Some of them are mentioned below:

- Great brand image, superior customer service and high customer satisfaction.
- Diversified deposit and loan products along with strong internet banking presence.
- Strong financial performance compare to contemporary competitors
- Good growth of loan to deposit ratio
- Growing number of Rural Branches
- Low amount of CC loans compare to NRB Global Bank ltd.
- Higher interest rates on advances compare to contemporary banks' rates
- Lack of advanced training for officers
- Little exposure to Chittagong division

6.2 Recommendations

Credit management is one of the core functions of any bank and it needs proficient approach from every one working in the Credit Department of any bank. There are some short recommendations from what I observed during my internship period and also from my analysis and findings to improve the Credit Management and profitability of NRBC Commercial Bank Ltd. Those are:

- NRBC should try to overcome its dependency on specific type of credit facilities by diversifying funds into different types of loans.
- Exposure to Chittagong Division and Khulna Division should be improved, which is very low compare to NRB Global Bank Ltd.
- Reducing the interest rates on advances can give the bank a great opportunity to grab a good number of new customers.
- NRBC should get enlisted in stock market to raise additional funds by issuing more stocks in near future
- Should organize relevant training sessions to make the officers more efficient in credit management.

6.3 Conclusion

The financial sector of Bangladesh is dominated by the banking sector and NRB Commercial Bank has been one of the great performers of this sector. After starting its journey in 2013, NRB Commercial Bank has already developed goodwill among its customers by offering its brilliant services by different divisions. This success has resulted from the commitment and dynamic leadership among its management over the periods.

Credit Division of NRB Commercial Bank has a very capable and dedicated group of people and staffs who are always eager to provide the best service to the clients. They always monitor the credit in different sectors and before sanctioning the loan they scrutinize the related statements and documents appropriately to see whether the loan will be profitable for the bank.

Despite stiff competition among banks operating in Bangladesh both foreign and local, NRB Commercial Bank has achieved satisfactory progress in areas of its credit operations and maintained a low amount of classified loans since 2013. The bank hopes to achieve a satisfactory level of development in all regions of its operations including the target of profitability compare to its contemporaries.

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