

# **Analysis of Credit Management Systems of NRB Global Bank**

**“A Study on Motijheel Branch, Dhaka”**

**NRB Global Bank**  
great experience



## Internship Report

On

# Analysis of Credit Management Systems of NRB Global Bank (NRBGB)

### Supervised By

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**Date of Submission: April 25, 2019**

## Letter of Transmittal

Date: April 25, 2019

**Professor Dr. Mostafa Kamal**

Professor, Department of Business Administration  
Professor & Advisor, Department of Real Estate  
Faculty of Business & Entrepreneurship  
Daffodil International University

**Subject:** Submission of the Internship Report on **Analysis of Credit Management Systems of NRB Global Bank (NRBGB).**

**Sir,**

This is a great pleasure for me to submit the Internship Report, which is a part for the Internship Program of Daffodil International University for BBA students. I have prepared my internship report on Analysis of Credit Management Systems of NRB Global Bank: A study on Motijheel Branch, Dhaka.

For Your kind consideration, it was my best consideration to follow all of points of this bank how far I can. It was my blessings to follow your instruction and time schedule. All of those areas have covered which was mention to me in the meantime of discussion.

All of topics are visualize which relate to this Internship Report. I would like to dedicate my heartiest gratefulness for you to supporting me your best effort. This helps me a lot to prepare this report properly.

Thanks for your discretion.

Sincerely Yours,

**Abdullah Al Jihad**

ID: 151-11-4344  
BBA Program  
Major in Finance

## Student's Statement

I do hereby declare that the Internship Report on Analysis of Credit Management Systems of NRB Global Bank (NRBGB), Motijheel Branch is being submitted by fulfilment of the requirement for the Bachelor of Business Administration (BBA), Major in Finance in Daffodil International University.

The study was conducted at NRB Global Bank.

I also confirm that the report is only prepared for my educational purpose. The project is my original work and it has not been presented earlier in this manner. The information is pure of academic interest.

-----  
**Abdullah Al Jihad**

ID: 151-11-4344

Program: BBA

Major in Finance

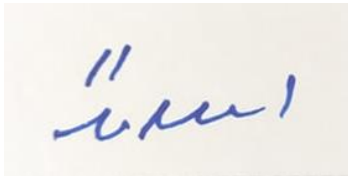
## Certificate of Approval

I am pleased to clarify that the Internship Report on **Analysis of Credit Management Systems of NRB Global Bank (NRBGB) a Study on Motijheel Branch, Dhaka** conducted by Abdullah Al Jehad bearing ID: 151-11-4344 of BBA Program, Department of Business Administration.

He has completed the Internship Report under my supervision. He has worked with NRB Global Bank, as an intern and completed the report in “**Analysis of Credit Management Systems of NRB Global Bank.**” as a partial requirement for obtaining BBA Degree.

Abdullah Al Jehad bears a strong moral character and a very pleasing personality. The BBA internship report, he has submitted on the topic, is up to the mark in the terms of the quality and the organization.

I wish his every success in life.



-----  
**Signature of the Supervisor**

**Professor Dr. Mostafa Kamal**

Professor, Department of Business Administration

Professor & Advisor, Department of Real Estate

Faculty of Business & Entrepreneurship

Daffodil International University

## Preface

An internship is such a program we can achieve practical knowledge which will be add advance in our future life, which may also help to achieve our aim and ambition, goal and success come true for the future. I have got such an opportunity to make an experience and to work with professionals and to gather some knowledge which is very helpful for future career success.

The knowledge is best on learning and experience. It is really a matter of great pleasure that, I have completed my internship program in NRB Global Bank Limited, Motijheel Branch.

This report has been prepared for the full-fill of academic curriculum as required under the program BBA. I gathered a lots of information and knowledge from there for my project and learnt a lots of practical things which has been very useful for my report writing.

Finally I would like to say that indefatigable struggle would become successful when any person or organization will get benefit from this report.

## Acknowledgment

Thanks to Almighty Allah for giving the capability of completed this internship report. I am also very grateful to my family and supervisor for supporting me during the making period of this report.

There were a lot of people who helped me by providing valuable information, advice and guidance for the completion of this report in the scheduled time.

Then I would like to thanks my Supervisor **Professor Dr. Mostafa Kamal** for his continuous support. He gives me his valuable guideline which helps me to complete easily my report. It may concern to say that without his cooperation it was impossible to full fill my report.

I would also thanks to **Mr. Shamsur Rahman Majumder (Executive Vice President & Manager)** of Motijheel Branch who helps me a lot learn about banking activities. And I would also thanks to all employee of this who cooperates with me learn about how they actually work. They have been extremely cooperative and willing to help at all time.

And also special thanks to **Mr. Rashedul Hasan Khan (Senior Principal Officer & Credit In-Charge)** of Credit Division in Motijheel Branch to his valuable information under work pressure about all procedure about Credit Activities and share lot of activities of Credit.

Also a big greetings to **Omayear Kamal (Assistant Officer)** Credit Division in Motijheel Branch for his valuable information and proper guidance about the whole report under work pressure. He has been extremely co-operative and willing to help at all time.

## Executive Summary

Bank plays a vital role in the socio economic matters of the country. The tremendous growth that the world economy has experienced is contributed by these financial institutions. Private Banks also play a vital role in promoting and accelerating the economic development process as per the demand of time through the implementation of finance for industrial and agricultural projects, domestic and foreign trade and allocating the fund to various projects.

At the same banking process is becoming faster, easier and is becoming wider. In order to survive in the competitive field of the banking sector all organizations are looking for better service opportunities to provide their fellow clients. So it has become essential for every person to have some idea on the bank and banking procedure. Internship program which can also be called work attachment program is essential for completing BBA program it helps one student to initiate with the real life situation. So I had joined in the NRB Global Bank, Motijheel Branch, Dhaka for completing my internship program. This branch performs the entire banking activities including General Banking, Foreign Exchange, and Credit Department. As a result, one can easily gain knowledge of both simple and complicated banking operations from the activities of this branch. So I can choose **“Analysis of Credit Management Systems of NRB Global Bank Limited.”** This study is the output of my practical experience which I gathered during internship program.

This report is separated in different chapters. The first chapter contains introduction, origin of report, objectives, scope and methodology and limitations of the study. The second chapter contains the overview of NRB Global Bank in detailing.

In this third chapter, the appraisal of Credit Management Systems of NRB Global Bank is described deeply. Chapter four, contain key probability ratio and SWOT analysis. In chapter five, contains findings, recommendations and conclusion. In this whole report the discussion about the Credit Management Systems of NRB Global Bank are designed in step by step.



## Table of Contents

Serial No	Particulars	Page No
	Letter of Transmittal	ii
	Student's Statement	iii
	Certificate of Approval	iv
	Preface	v
	Acknowledgement	vi
	Executive Summary	vii
	<b>Chapter 1: Introduction</b>	
<b>1.1</b>	Introduction	2
<b>1.2</b>	Overview of Banking System in Bangladesh	2-4
<b>1.3</b>	Origin of the Report	5
<b>1.4</b>	Objectives of the Study	5
<b>1.5</b>	Purpose of the Study	5
<b>1.6</b>	Scope	5
<b>1.7</b>	Methodology	6
<b>1.8</b>	Area of the Study	6
<b>1.9</b>	Sources of Data/Information	6
<b>2.0</b>	Limitations of the Study	6
	<b>Chapter 2: Overview of NRB Global Bank</b>	
<b>2.1</b>	Company Profile	8
<b>2.2</b>	Corporate Profile of NRB Global Bank Limited	9
<b>2.3</b>	List of NRBGBL Branches	10
<b>2.4</b>	Vision, Mission & Commitment & Slogan	11
<b>2.5</b>	Core Values & Strengths	11-12
<b>2.6</b>	NRB Global Bank at a Glance	12
<b>2.7</b>	Credit Facilities	12-14
<b>2.8</b>	Strategies	14
<b>2.9</b>	Corporate Value	15
<b>2.10</b>	Product and Services of NRBGBL	15-17
<b>2.2.1</b>	Company Structure of NRB Global Bank Limited	18
<b>2.2.2</b>	Hierarchy of NRB Global Bank Limited	18
	<b>Chapter 3: Credit Management Systems of NRB Global Bank</b>	
<b>3.1</b>	<b>Credit – Types of Loan</b>	
<b>3.1.1</b>	Introduction	21
<b>3.1.2</b>	Importance of Credit Risk Management	22-23
<b>3.1.3</b>	Types of Loan Facilities	23-15
<b>3.1.4</b>	Export Finance	25
<b>3.1.5</b>	Import Finance	26

<b>3.1.6</b>	Branch Position in Respect of Loans and Advances	26-28
<b>3.1.7</b>	Maturity Grouping of Distribution Loans and Advances	28-29
<b>3.1.8</b>	Sector Wise Loans and Advances	29
<b>3.1.9</b>	Loan Disbursement Program of NRBGBL	30-31
<b>3.2</b>	<b>Types of Credit Risk</b>	
<b>3.2.1</b>	Credit Risk	31-32
<b>3.2.2</b>	Credit Principles	32
<b>3.2.3</b>	Funded Credit Facilities	32-33
<b>3.2.4</b>	Non-Fund Facilities	33
<b>3.2.5</b>	Credit Policy	33-36
<b>3.2.6</b>	Work of Credit Division	36
<b>3.2.7</b>	Strategy of Credit Policy of NRBGBL	36-38
<b>3.2.8</b>	Credit Risk Assessment	38
<b>3.2.9</b>	Credit Risk Grading (CRG)	38-40
<b>3.2.10</b>	Financial Analysis of NRBGBL	40-41
<b>3.2.11</b>	Customers Creditworthiness	41-42
<b>3.2.12</b>	Preconditions of Credit Policy	42
<b>3.2.13</b>	Document Check List	43-44
<b>3.2.14</b>	Credit Recovery System	45
<b>3.3</b>	<b>How to Measure the Risk</b>	
<b>3.3.1</b>	Credit Management Process	46-47
<b>3.3.2</b>	Credit Monitoring Process	47-48
<b>3.3.3</b>	Non-Performing Loan (NPL) Accounts Management	48
<b>3.3.4</b>	Management of Credit Risk	48-54
	<b>Chapter 4: SWOT Analysis</b>	
<b>4.1</b>	SWOT Analysis of NRB Global Bank Limited	56-58
	<b>Chapter 5: Findings, Recommendations &amp; Conclusion</b>	
<b>5.1</b>	Findings	60-61
<b>5.2</b>	Recommendations	61-62
<b>5.3</b>	Conclusion	62
<b>5.4</b>	References	62

# Chapter - 1

## Introduction

## 1.1 Introduction

Banking system framework assumes a vital job in the monetary existence of the country. The strength of the economy is firmly identified with the soundness of the banking system. In a creating nation like Bangladesh role of banking sector is very much vital. The whole scenario of the country's economy can be examined by checking the status of banking sector. We have various types of banks in our country as central banks, commercial banks, savings bank investment banks, industrial banks & co-operative banks. Through banking management, we understand the commercial banking activities. Commercial bank is a primary contributor to the economy of a country. In Bangladesh, commercial banks are regulating financial sector and greater economic management, which depend on commercial banks as well as the performance of the banking sector.

Banking is now an essential part of our economic management system. Current exchange and trade world nearly be incomprehensible without the accessibility of appropriate banking administration.

The subject of my research is the analysis of Credit Management Systems of NRB Global Bank; A study of Motijheel Branch, Dhaka. The main purpose of my research is to know about the management of the Credit Management Systems of NRB Global Bank Limited.

The credit of the bank means the credit given by the banker to its customers. Banks temporarily transfer the purchasing power of its buyers; these available purchasing power can be called loan, credit or advance. This is the power or possible power of a person/organization/or organization and the lender's trust in intention to pay. In other words, in the future, the ability to reduce credit or other products or services to promise certain products or services to pay for certain times.

## 1.2 Overview of Banking System in Bangladesh

The Bangladesh Banking sector relative to the size of its economy is comparatively larger than many economies of similar level of development and per capita income. The total size of the sector at 26.54% of GDP dominates the financial system.

Bangladesh Bank is the Central Bank of Bangladesh and the principal regulator of the sector. There are 59 scheduled banks in Bangladesh who operate under full control and supervision of Bangladesh Bank which is authorize to do so through Bangladesh Bank Order, 1972 and Bangladesh Company Act, 1991.

The sector comprises a number of banks in various categories. Considering ownership the sector can be classified into the following categories:

- ✓ State Owned Commercial Banks (SOCBs)
- ✓ State Owned Development Financial Institutions (DFIs)
- ✓ Private Commercial Banks (PCBs) &
- ✓ Foreign Commercial Banks (FCBs)

The Nobel Prize for Grameen Bank is a specialized micro-finance institution, the concept of microcredit revolution and a major contribution to poverty alleviation and empowerment of women in Bangladesh.

The number of bank branches increased to 11000 from 9040 as of December 2017 due mainly to opening of new branches by the banks during the year. At the end of June 2018, the number of branches increased further to 9800. Information on the banking structure by types of banks is shown in the following table:

<b>Banking System Structure</b>						
<b>(Billion Taka)</b>						
Bank Types	Number of Bank	Number of Branches	Total Assets	Percentage (%) of Assets	Deposits	Percentage (%) of Deposits
State Owned Commercial Banks	06	3800	3400	26.1	2600.4	29.0
State Owned Development Financial Institutions	02	1407	310.2	2.5	250.4	2.9
Private Commercial Banks	41	4300	9000.6	67.0	6382.3	63.8
Foreign Commercial Banks	09	75	600.6	4.5	458.9	4.3
<b>Total</b>	<b>58</b>	<b>9,582</b>	<b>13311.4</b>	<b>100</b>	<b>9692</b>	<b>100</b>

Source: Bangladesh Bank

#### **Types of Banks in Bangladesh**

Banking sector of Bangladesh is primarily of two types:

- Scheduled Bank
- Non-Scheduled Bank

#### ✓ **Scheduled Banks**

The banks which get license to operate under Bank Company Act, 1991 are termed as Scheduled Bank, Islamic Commercial Banks, State-Owned Commercial Banks, Private Commercial Banks, Islamic Commercial Banks, Foreign Commercial Banks, Foreign Commercial Banks and some specialized banks are Scheduled Banks.

**Scheduled Banks** are classified into following types:

 **State Owned Commercial Banks (SOCBs)**

There are **6** SOCBs which are fully or majorly owned by the Government of Bangladesh.

 **Specialized Banks (SDBs)**

**3** specialized banks are now operating which were established for specific objectives like agriculture or industrial development. These banks are also fully or majorly owned by the Government of Bangladesh.

 **Private Commercial Banks (PCBs)**

There are **41** private commercial banks which are majorly owned by the private entities. PCBs can be categorized into two types:

✓ **Conventional PCBs**

**33** commercial PCBs are now operating in the industry. They perform the banking functions in conventional function, interest based operations.

✓ **Islamic Sariah based PCBs**

There are **8** Islamic Sariah based PCBs in Bangladesh and they execute banking activities according to Islamic Sariah based principles, Profit-Loss Sharing (PLS) mode.

 **Foreign Commercial Banks (FCBs)**

**9** FCBs are operating in Bangladesh as the branches of the banks which are incorporated in abroad.

✓ **Non-Scheduled Banks**

The banks which are established for special and definite objective and operate under the acts that are enacted for up meeting those objectives, are termed as Non-Schedules Banks. These banks cannot perform all functions of scheduled banks:

Grameen Bank, Probashi Kallyan Bank, Karmasangsthan Bank, Progoti Co-operative Land, Development Bank Limited (Progoti Bank) and Ansar VDP Unnayan Bank are Non-Scheduled Bank.

There are now **6** Non-Scheduled Banks in Bangladesh which are:

- Ansar VDP Unnayan Bank
- Karmashangsthan Bank
- Grameen Bank
- Jubilee Bank
- Probashi Kollyan Bank
- Palli Sanshay Bank

### 1.3 Origin of the Report

Project creation and submission is the last part of my BBA Program. Without completing the project I cannot be able to complete my BBA program. This report focus on the Credit Management Systems of NRB Global Bank (NRBGB). My faculty supervisor, Professor Dr. Mostafa Kamal Professor, Department of Business Administration, Faculty of Business & Entrepreneurship, Daffodil International University (DIU), also approved the topic and authorized me to prepare this report as part of the fulfillment of internship requirement. The report thus was titled as “**Analysis of Credit Management Systems of NRB Global Bank**”.

### 1.4 Objectives of the Study

#### Broad Objective

The objectives of the report are to determine how credit policy applied in sanctioning and recovering loans & advances. Credit Policy varies in terms of loan sector, status of the organization, government policy, fiscal budget and guidelines etc.

#### Specific Objective

- ✚ To present an overview of NRB Global Bank.
- ✚ To assess the credit structure of the NRB Global Bank.
- ✚ To identify the recovery performance of NRB Global Bank.
- ✚ To point out the problems in fund utilization and recovery.
- ✚ To find out problems of credit and suggesting recommendations for further improvements.

### 1.5 Purpose of the Study

Knowledge will become more perfect when it gets a combination with practical learning. In job serving market just like Bangladesh it though for every student get practical knowledge about an organization without getting job. Its helps a lot for fresher to get a job after getting practical attitude or sometimes offer a job. It's to develop communication with corporate people and a well-known contact with them. That's why practical orientation creates a positive development in professional area.

### 1.6 Scope

This report will show the whole Credit Management Systems of NRB Global Bank. This report also show how actually they deal with their customers, cope up with market by analyzing all of their banking procedure.

## 1.7 Methodology

This report has been made on the experience from my internship period. Credit Management Systems of NRB Global Bank Limited has been shown in this report based on credit policy of this bank. This report also show how actually they deal with their customers, cope up with market by analyzing all of their banking procedure.

## 1.8 Area of the Study

This report will show overall performance of NRB Global Bank Limited in banking industry of Bangladesh.

## 1.9 Sources of Data/Information

In order to complete of this report I have collected data from both primary and secondary sources.

### Primary Sources

- ✚ Practical work experience on their branch.
- ✚ Face to face conversation with office employees.
- ✚ Conversation with branch visited customer.
- ✚ Studying office file in the meantime of working

### Secondary Sources

- ✚ Annual report of NRB Global Bank Limited.
- ✚ Official website of (<http://www.nrbglobalbank.com>)
- ✚ Various books journals & articles
- ✚ Manuals of Credit Management of NRB Global Bank Limited

## 2.0 Limitations of the Study

- ✚ Annual reports, policy guidelines and other related documents do not overfull and as well as website is not updated.
- ✚ Confidentiality of data was another important barrier that was faced during the collecting data for this study. NRBGBL was not interested to disclose some certain information required for this report.
- ✚ There was lack of experience in collecting information, doing analysis and taking assessment of the related topics.
- ✚ During to the safety and security reasons, access to all the confidential data was not obtained.
- ✚ Too much of bulk data in the internet which made work more difficult.
- ✚ Lack of self-knowledge concerning report preparation, was also a limiting factor in preparing a better report.
- ✚ Another problem is time constraint, within such a short time period, it was not possible for me to observing and analyzing the operations of NRB Global Bank.



# Chapter - 2

## Overview of NRB Global Bank

## 2.1 Company Profile

The commercial banking system dominates Bangladesh's financial sector. Bangladesh Bank, the central bank and head regulatory body for the country's monetary & financial system, was established in Dhaka as a body corporate vide the Bangladesh Bank Order, 1972 (P.O. No. 127 of 1972) with effect from 16<sup>th</sup> December, 1971.

Since Bangladesh Bank approved 9 banks as 4<sup>th</sup> generation banks in which, 3 banks have the funding of **Non-Resident Bangladeshi (NRB)**. NRB Global Bank Limited is one of these 3 banks to prioritize the dream of people having the goal to keep Bangladesh well connected with other advanced nations. It is the brainchild of 25 well reputed visionary **Non- Resident Bangladeshi (NRB)** people residing in different countries of the world. It has been approved by the regulatory bodies in 2012 to operate business in banking of Bangladesh.

After hard labor of almost 3 years complying with all regulatory rules and regulations, it has got the final approval on July 25, 2013 from the regulatory body to run the banking business in Bangladesh. Gradually, the mentioned of those Non-Resident Bangladeshis has become the reality. Head office of this bank has already been formally inaugurated on September 09, 2013. Its head office is situated at Saiham Tower, House No: 34, Road No: 136, Gulshan Model Town, Block SE, Gulshan 1, and Dhaka-1212, which is a great example of great structure and one of the finest building in Bangladesh.

Even, this bank has opened its first branch at the same premise on October 23, 2013. Mr. Nizam Chowdhury is the founding chairman of this bank having a long professional experience of 26 years in the USA and the other Directors are also well reputed in their own sectors of business. These nice personalities have well defined mission and vision. Their mission is not to restrict NRB Global Bank to a particular of people but to bring the huge unbanked people under banking. Their vision is to make NRB Global Bank Limited. Truly global providing world class services throughout the world.

## 2.2 Corporate Profile of NRB Global Bank Limited

Particulars	Date
Getting NOC from Bangladesh Bank	June 19, 2013
Consent from BSEC for raising paid up capital	July 07, 2013
Date of incorporation from RJSC	July 21, 2013
Date of commencement of Business	July 21, 2013
License from Bangladesh Bank for Head Office	July 25, 2013
Listed as a Scheduled Bank	July 29, 2013
Opening of Head Office	September 09, 2013
License from Bangladesh Bank for Gulshan Corporate Bank	October 10, 2013
Operation Gulshan Corporate Branch	October 23, 2013
Head Office	NRB Global Bank Limited. Saiham Tower, House No: 34 Road No: 136 Gulshan Model Town, Block: S E, Gulshan-1 Dhaka-1212
Name of the Chairman	Mr. Nizam Chowdhury
Web Address	<a href="http://nrbglobalbank.com">http://nrbglobalbank.com</a>
No. of Branches	57

### ✚ Key Profile of Motijheel Branch

01	Opening Date	March 13, 2014
02	Manager	Shamsur Rahman Majumder (Executive Vice President) & Head of Branch
03	Operations (Manager)	Fazlur Rahman (Assistant Vice President) & Operations Manager
04	General Banking In-Charge	Abul Bashar Bhuiyan (First Assistant Vice President)
05	Credit In-Charge	M. Rashedul Hasan Khan (Senior Principal Officer)
06	Foreign Exchange In-Charge	M A Rahim (Senior Principal Officer)
07	Cash In-Charge	Jakir Hossain Chowdhury (Junior Officer)
08	No of Departments	4 Departments <ul style="list-style-type: none"> <li>✓ General Banking Division</li> <li>✓ Credit Division</li> <li>✓ Foreign Exchange Division</li> <li>✓ Cash</li> </ul>
09	Address	“Modern Mansion” 53, Motijheel C/A Dhaka-1000

### 2.3 List of NRB Global Bank Limited Branches

Serial No	Names	Serial No	Names
01	Adhunagar Branch	42	Nasirabad Branch
02	Agrabad Branch	43	Nandiapara Bazar Branch
03	Anowara Branch	44	Nayapaltan Branch
04	Ashulia Branch	45	Patherhat Branch
05	Alangkar Branch	46	Patiya Branch
06	Aturar Depot Branch	47	Panchgachia Branch
07	Bogra Branch	48	Panthapath Branch
08	Banani Branch	49	Pekua Branch
09	Beldi Bazar Branch	50	Purana Paltan Branch
10	Boalkhali Chowdhury Hat	51	Rowshan Hat Branch
11	Barabkunda Branch	52	Rajshahi Branch
12	Bashabo Branch	53	Shindurpur Branch
13	Badher Hat Branch	54	Sylhet Branch
14	Barisal Branch	55	Sharaf Bhata Branch
15	Chambal Branch	56	Ulokhola Branch
16	Cox's Bazar Branch	57	Uttara Branch
17	Chandina Branch		
18	Dakbangla Bazar Branch		
19	Dohazari Branch		
20	Dhanmondi Branch		
21	Feni Branch		
22	Faridpur Branch		
23	Gunabati Branch		
24	Gazipura Branch		
25	Gulshan Branch		
26	Ishapur Branch		
27	Jubilee Road Branch		
28	Jagatpur Branch		
29	Khulna Branch		
30	Kaliachapra Branch		
31	Khatungonj Branch		
32	Kashipur Bazar Branch		
33	Kalatia Branch		
34	Link Road Branch Cox's Bazar		
35	Mawna Branch		
36	Mawa Branch		
37	Mohakhali Branch		
38	Motijheel Branch		
39	Mirpur Branch		
40	Madhabdi Branch		
41	Nawabpur Branch		

## 2.4 Vision, Mission, Commitment & Slogan

### Vision

To become extraordinary brand in the financial sector by offering service superiority and creating value for everybody encircling customers, shareholders, partners, society and economy through clarity, automation, transformation & integrity.

### Mission

- ✚ Build conviction among the Non-resident Bangladeshis for investment.
- ✚ Provide speedy, precise and competent customer service upholding business ethics and transparency.
- ✚ Strengthen inflow of remittance.
- ✚ Generate value for communities, publics and economies in which we employ by safeguarding advancement and continuity.
- ✚ Matching technology with the help of well educated professionals and experienced sponsors of the Bank.
- ✚ Create dignified working environment for Employees

### Commitments

- ✚ Provide services with high degree of professionalism and use of modern technology
- ✚ Create long term relationship based on mutual trust
- ✚ Response to customers' needs with speed and accuracy
- ✚ Provide products and services at competitive pricing

### Slogan of NRB Global Bank Limited

The slogan of NRB Global Bank Limited is “**Great Experience**”

## 2.5 Core Values & Strengths

### Core values

The NRB Global Bank Limited is a customer-oriented bank. The philosophy of the NRBGBL is to be the most attracting and customer friendly provider of financial services, creating opportunities for the marginal people along with common people in more places.

- ✚ We put our customers first.
- ✚ We emphasize on professional ethics.
- ✚ We maintain quality at all levels.
- ✚ We believe in being a responsible corporate citizen.
- ✚ We say that we believe in service.
- ✚ We focus on growth and community.

## Core Strengths

- ✚ Transparent & swift decision making
- ✚ Professional team of performers
- ✚ Satisfied clients
- ✚ Internal control
- ✚ Experienced risk administration

## 2.6 NRB Global Bank at a Glance

On October 23, 2013, with the philosophy of a bank the NRB Global Bank Limited started its journey as a leading banking institutions in Bangladesh & contributed significantly to the national economy. Now there are 57 branches which have contributed to the development of the national economy.

## 2.7 Credit Facilities

NRB Global Bank Limited makes advance in different forms. All types of credit facilities can be divided into two groups:

Details of the different types of credit have been given in the following pages:

### Funded Credit Facility

#### ✚ Term Loan

A term loan is a loan from a bank for a specific amount that has a specified repayment schedule and a fixed or floating interest rate. The loan carries a fixed or variable interest rate, monthly or quarterly repayment schedule and set maturity date.

For Example:

- Customer Credit Loan
- Lease Financing

#### ✚ Demand Loan

Loan with a fixed maturity date, but which can be recalled anytime (often on a 24 hour notice) by the lender must be paid in full on the date of demand. Also, the borrower can pay off a demand loan at any time without incurring early payment penalties.

For Example:

- Import Financing (LIM, PAD)
- Export Financing (Packing Credit, Trust Receipt)

### **Continuous Loan**

A continuous loan is a loan which has no predefined end loan. The loan is constantly being paid into, extended and changed based on the needs of the consumers or business. This are the advances having no fixed repayment schedule, but have an expiry date at which it is renewable on satisfactory performance.

For Example:

- ✓ Cash Credit (CC)
  - CC (Pledge)
  - CC (Hypothecation)
- ✓ Overdraft

### **Non Funded Credit**

#### **Letter of Credit (L/C)**

A letter of credit is a letter from a bank guaranteeing that a buyer's payment to a seller will be received on time and for the correct amount. In the event that the buyer is unable to make payment on the purchase, the bank will be required to cover the full or remaining amount of the purpose.

#### **CIB (Credit Information Bureau)**

Credit Information Bureau (CIB) is a credit record of an individual, which contains the repayment history of liability. The CIB is generated from central bank of the country. The financial institutions which engaged with lending to others must use CIB to know the credit history of applicant. For creating CIB documents are needed that are follows:

- #### **Individual's**
- ✓ Undertaking
  - ✓ Online Inquiry Form-1
  - ✓ Subject Data-1

### **Requirement's: NID, TIN, Trade License (If Business)**

- #### **Proprietorship's**
- ✓ Undertaking
  - ✓ Subject Data-1
  - ✓ Subject Data-2
  - ✓ Online Inquiry Form

### **Requirement's: NID, TIN, Trade License**

- ✚ **Company**
- ✓ Undertaking (Each of the Director's CIB)
- ✓ Subject Data-1 (Every one's)
- ✓ Subject Data-2 (Only 1)
- ✓ Online Inquiry Form-1 (Every one's)
- ✓ Online Inquiry Form-2 (Only 1)

### Requirement's: NID, TIN, Trade License

## 2.8 Strategies

Following the method of conservation credit for large and medium industrial enterprises, the bank's business strategy will strengthen its traditional credit in small retail business. The management method of maintaining credit quality is another strategy. The bank has taken a dynamic step to open additional branches.

- ✚ **Core Values**
- ✓ Integrity
- ✓ Respect
- ✓ Fairness
- ✓ Team Spirit
- ✓ Courtesy
- ✓ Commitment
- ✓ Service Excellence
- ✓ Business Ethics

- ✚ **Core Strategies**
- ✓ Efficient Team of Performers
- ✓ Satisfied Customers
- ✓ Skilled Management
- ✓ Internal Control

- ✚ **Core Commitment's**

Ours is customer focused modern banking institution in Bangladesh. Our business motives center on the emerging needs of the market our commitment's to the clients are the following:

- ✓ Provide service with high degree of professionalism and use of modern technology.
- ✓ Create life-time relationship based on mutual trust and respect.
- ✓ Sharing their values and beliefs.
- ✓ Grow as our customers grow.
- ✓ Provide products & services at competitive pricing.
- ✓ Ensure safety & security of customer's valuables in chalk with us.



## 2.9 Corporate Value

NRB Global bank is one of the finest & disciplined bank with a distinct corporate value. Banks can see and understand events, activities, objectives, and situations in a different way. According to the purpose of the bank, without cause their behavior and etiquette, character information and the needs of the customers with the absolute importance are seen by the people of the banks themselves as a strong family that work together to increase the work together. Corporate culture have not been included: rather they have been achieved through corporate culture.

## 2.10 Products & Services of NRBGBL

NRBGBL is offering the following products or services to the client for financing different purpose that fulfill the requirements of the bank and have good return to the investment as well as satisfy the clients:

### **Retail Banking Products**

This bank offers wonderful products of retail banking such as:

- ✓ NGB DPS (allow heighten up savings through regular monthly deposit)
- ✓ NGB Double Benefit (help to equal deposited money on maturity)
- ✓ Fixed Deposit (provide higher interest on savings for long term investment)
- ✓ NGB Professionals Loan (personal loan facility for self-employed professionals like Doctors, IT Professionals, Engineers & Marines etc.)
- ✓ NGB Monthly Benefit (helps to earn extra income from every month of deposited money)
- ✓ Senior Citizen Benefited Plan (benefit plan for the senior citizen to carry out day-to-day banking transactions independently)
- ✓ NGB Pre-Paid Card
- ✓ NGB Credit Card
- ✓ NGB Executive (term loan facility for any legal purpose designed especially for salaried executives at different corporate both permanent & contractual)
- ✓ NGB Salary Account (employer can credit monthly salary/pay check every month)
- ✓ NGB Festivals (to cover festival expenses)
- ✓ NGB Fresher's
- ✓ NGB Junior (for children aged between 3 to 18 years but account is operated by parents until child accomplish his/her maturity (**aged 18**))
- ✓ NGB Marriage Loan (for covering the marriage expenses)
- ✓ NGB Perfect (allows an individual to manage savings and transaction at one time)
- ✓ NGB Queen (an interest bearing account designed only for women)
- ✓ NGB Travelers (a "Travel Purpose" loan which means the applicant has to declare his/her Inland/Outland travel purpose)

### **Loans & Advance Products**

The loan and advance products are:

- ✓ Personal Loan
  - Car Loan
  - House Loan
- ✓ Project Financing
- ✓ Working Capital Financing
- ✓ Consumer Financing
- ✓ Lease Financing
- ✓ SME Financing
- ✓ House Building Financing
- ✓ Import Financing
- ✓ Export Financing

There are some products of NRB Global Bank Limited under accepted banking system

### **Deposit Schemes**

- ✓ Saving Account
- ✓ Current Account
- ✓ Special Notice Account (SND)
- ✓ Fixed Deposit Receipt (FDR)
- ✓ Double Benefit Scheme (DBS)
- ✓ Deposit Pension Scheme (DPS)

### **Foreign trade Products**

Foreign Trade Products are:

- ✓ Letter of Credit (L/C)
- ✓ Back to Back Letter of Credit (BTB L/C)
- ✓ Foreign Demand Draft (FDD)
- ✓ IDBC (Inland Brick to Brick Loan L/C)
- ✓ IDBP (Inland Documents Bill Purchase)
- ✓ Remittance Product
- ✓ Pay Order (PO)
- ✓ Demand Draft (DD)

### **Other Service Product**

- ✓ Corporate Banking
- ✓ Tele Banking
- ✓ SMS Banking
- ✓ ATM Card
- ✓ Mobile Banking

- ✓ Locker Service

### **Customer Services**

I joined in NRB Global Bank Limited, Motijheel Branch as an Intern. During my internship period, I performed different activities in different section in NRB Global Bank.

Different types of services that I dis in general banking section are given below:

- ✓ Opening a bank account.
- ✓ Fill up Know Your Customer (KYC) form for personal and corporate risk grading. There my task was to find risk level and risk rating of personal or corporate by considering TP form in order to measuring overall risk assessment.
- ✓ Sending thanks letter to the new customer.
- ✓ Issue cheque book for the customer.
- ✓ Issue voucher of transfer money.
- ✓ Receive cheque of different bank and send it to clearing house for collection.
- ✓ Registering outward cheques in register book.
- ✓ Checking account balance of clients.
- ✓ Giving cheque book.
- ✓ Checking address, TIN, National ID card number, necessary photograph, photocopy of trade license & so on.

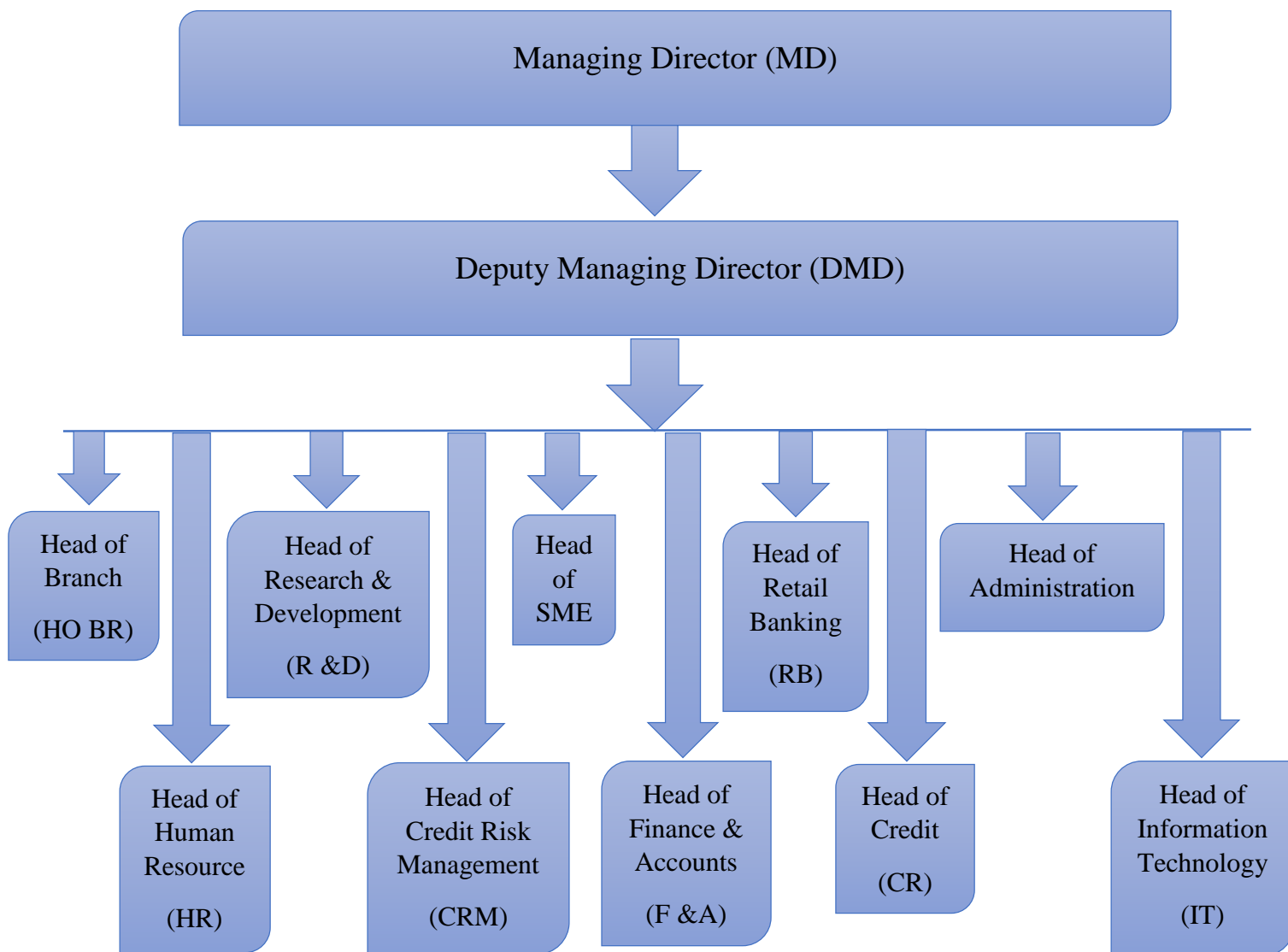
### **Software**

NRB Global Bank Limited use “**Temenos T24**” software for clearing cheques. It is mainly such kind of software making companies which only make various customized software for banking activities of bank.

### **SWIFT (Society for Worldwide Interbank Financial Telecommunication)**

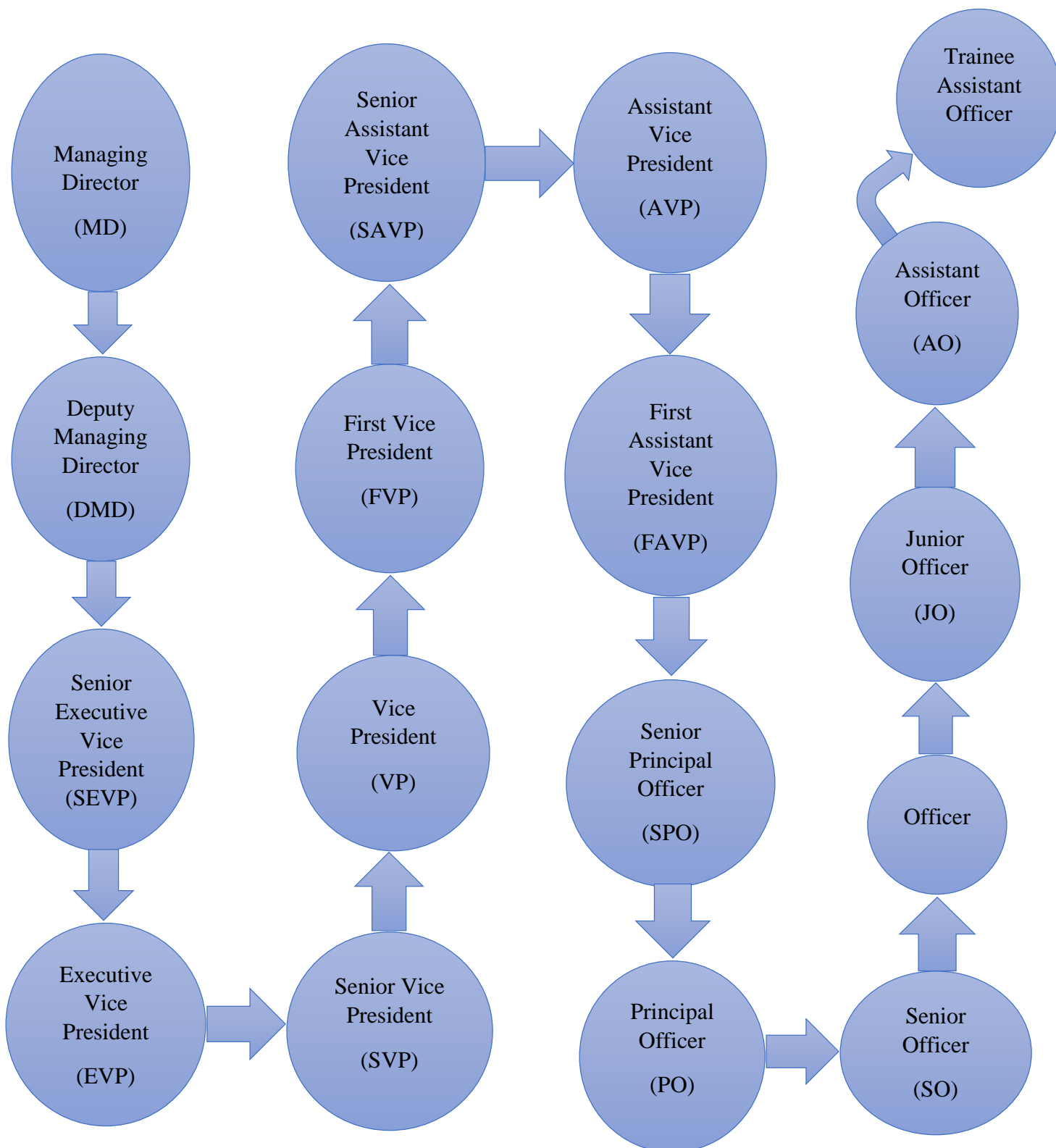
NRB Global Bank is now a proud member of SWIFT. It is connected with modern international financial telecommunications systems. L/C advising/transferring and quick transfers of remittances as well as other financial correspondences have become very easy & speedy with the installation of SWIFT. **NRB Global Bank SWIFT Code is NGBLBDDH.**

## 2.2.1 Company Structure of NRB Global Bank



Managing Director holds the highest position in NRB Global Bank and the starting position is Trainee Assistant Officer (TAO). The designation of the employee in terms of their hierarchy is presented below:-

**2.2.2 Hierarchy of NRB Global Bank**



# Chapter - 3

## Credit Management Systems of NRB Global Bank

## 3.1 Credit – Types of Loan of NRBGBL

### 3.1.1 Introduction

The internship report has been prepared on the basis of on the job experience with NRB Global Bank Limited, Motijheel Branch. In this report I have tried to convey specially Credit Department activities along with overall banking performance.

Activities that I have performed during my internship period in the Credit Department are as follows:

- ✓ Checking the CIB files if any documents are missing
- ✓ Registering the opened CIBs in the register book according to their date and register number.
- ✓ Checking customers account statements.
- ✓ Checking the loan documents forms.
- ✓ Checking all the documents whether they are properly authorized by the officers of the bank.
- ✓ Find out which type of term loan like: Short, Medium & Long Term.

### 3.1.2 Importance of Credit Risk Management

Credit Risk Management Policy contains the key concept for recognizing, estimating, accepting and supervising credit in the Bank. These policies are established by the Board of Directors (BOD), and are outlined to meet the organizational demand that exist today, and to provide elasticity for the future. These policies represent the minimum quality for credit extension by the Bank. These policies must be implemented in a conservative manner, in accordance with their underlying purpose and spirit.

Credit Management is one of the critical factors in Banking and is one of NRB Global Banks (NRBGBL) core competencies. NRBGBL recognizes that a critical factor in the banks continued profitability and stability is its effective risk management capabilities and also continuously promote a proactive risk management culture in the bank. The risk management of the bank covers following six (6) core areas:

- ✚ Credit Risk
- ✚ Foreign Exchange Risk
- ✚ Asset-Liability Management Risk
- ✚ Prevention of Money Laundering Risk
- ✚ Internal Control & Compliance
- ✚ Information & Communication Technology Risk

The Bank has established risk managed for steady and stable growth of the Bank in accordance with the guidelines of Bangladesh Bank. The Bank has Management Committee (MANCOM), Asset Liability Committee (ALCO) and Management Credit Committee who are responsible for managing this risk at Head Office level. Above that, the Executive Committee and Audit Committee comprising of members of the Board of Directors, conduct the risk assessment at board level.

One of the most significant risk a bank is disclosed to be what is generally termed as “**Credit Risk**”. As the largest portion of income oriented by a bank and a major percentage of assets are subject to this risk, it is noticeable that sensible management of this risk is elemental to the feasibility of a bank. Credit Risk is the probability that a borrower or customer party will fail to meets its responsibility in accordance with agreed terms. Credit Risk, arises from the Bank’s dealings with or lending to corporate, individuals, and other banks or financial institutions.

Credit Risk Management needs to be a strong procedure that allows banks to proactively manage loan portfolio to minimize losses and to earn a tolerable level of return for shareholders. NRB Global Bank Limited as a premier financial institutions of countries has already strengthened its Credit Risk Management and compliance functions by recognizing them and institutionalizes the best industry practices in term of quality of Credit Analysis, response time to clients, effective control of risk assets and allocation of fund.

The Credit Risk Management Policy is to be reviewed annually to update it based on the changing market condition and changing risk factors across industry segments and lines of businesses. The



approved policy is to be evaluated by the Head Office of Credit Department and any changes of policies are to be approved by the Executive Committee.

- ✓ The approval of new or changes to credit policies and procedures should take the banks overall credit strategies' and product lines.
- ✓ Nature & complexity of the loan portfolio or risk assets of the bank.
- ✓ The risk tolerance of the bank based on the results of the Credit Risk Grading.
- ✓ The quality of the internal control procedures for risk management.
- ✓ The banks risk monitoring capability, risk management system and processes.
- ✓ Internal expertise (human resource)
- ✓ Past experience & performance, particular in past due loans, bad debts and specific provisions for bad debts.
- ✓ Tax & accounting issues.

### 3.1.3 Types of Loan Facilities

Depending upon the nature of financing in respect of purpose, security as well as repayment terms, credit/loan facilities in NRBGBL have been put under the following strategies:

#### **SOD (DPS)**

Overdraft facility extended against credit balance of Deposit Pension Scheme (DPS) is term as SOD (DPS). **Overdraft-Shares.**

This is a dissonance of overdraft against financial obligations. These are the overdrafts secured by publicly traded company's shares and debentures listed with both or either of DSE & CSE. No advance shall be made against shares and debentures issued by NRBGBL. The security is valued at lower of cost or (6) month's average of market.

#### **Demand Loan**

These loans has a fixed repayment terms and repayable within one year. The difference between type of loan from overdrafts and cash credit facilities is that this type of loan facility does not permit the mutuality of operation in the account once deposited is not available for further withdrawal & reduce permanently borrowers liability to that extent.

#### **Term Loan**

These loans permitted for repayment in more than one year period. These type of loan is again subdivide as follows:

##### ✓ **Term Loan – Industrial**

These are the term loans that provide to the industrial concerns. This facility is provided to set up a new project or to rebuild an existing one.

✓ **Term Loan – Others**

These are the term loans made to other than industrial concerns. In these case also, a thorough analysis of the requested facility is required.

✚ **Short Term Loan**

Short Term Loan is extended for short period usually up to one year. This type of loan may or may not have specific repayment schedule. However, this loan with repayment schedule is preferable.

✚ **Transport Loan**

This type of loan is made to smoothen the purchase of transport of all types such as: road transports, watercrafts, aircrafts, etc. However, commonly financed transport are road transports. Only brand new 100% reconditioned transport are eligible for financing.

- ✓ Transport Loan General.
- ✓ Transport Loan Staff.

✚ **Syndicated Loan**

This is a type of loan involving huge amount of credit and as such to reduce a particular banks betting. A number of banks/financial institutions participate in such credit, known as loan syndicate. The bank primarily proceed towards the credit is known as the lead or managing bank.

✚ **Foreign Bills Purchase**

This kind of facility is made to purchase foreign clean bills such as foreign currency draft, cheque etc. The facility is generally allowed to a very well-known client with good standing save the case of encashment of Travelers Cheque.

✚ **Inland Bill Purchased**

This kind of facility purchase/discount local clean bills such as local currency draft, trade bills, etc. This kind of credit is generally permit to a very well-known Clint with good standing. The key concern in this type of loan is client's integrity & creativeness. Unless the bank is satisfied that the borrower will liquidate the liability with interest from his own resources in the event of indignity of the bill, the facility should not be awarded.

✚ **Facilities under Retail Banking**

As a part of establishing a personal banking franchise of NRB Global Bank, the bank will establish a Personal Banking Division in 2013. The division has a plan to introduce the following assets products:

- ✓ Credit & Debit Card
- ✓ Personal Loan
- ✓ Vacation Loan
- ✓ Education Loan

- ✓ Car Loan
- ✓ Home Loan
- ✓ Any Purpose Loan

Officials of the government, semi – government, reputed multinational company, locally reputed private organizations, banks and others financial institution etc. are allowed to utilize the facilities the scheme. However in enlarging credit, the approving authority should employ the caution very creatively as so to satisfy proper monitoring & refund. The articles under this type of facility are not booked as asset of the bank.

#### **Facilities under SME Unit – SME Loan**

NRB Global Bank Limited has come forward to extend its services toward Small & Medium Enterprises sector with a new product group. This is one of the steps towards the fulfillment of the commitment to contribute to every segment of the economy of Bangladesh.

### **3.1.4 Export Finance**

Like import trade, NRBGBL advances in export trade at both pre and post shipment stages. In this kind of loan, standing of both opener and beneficiary of export L/C as well as standing of the L/C issuing bank etc. are most important.

#### **Export Cash**

These are facilities awarded to the noted export oriented concerns with good standing which usually have different export orders round the year. Because of the continuous abundant nature of export orders it is often preferred to set cash credit against accountability of stocks, plant and machineries etc. or against undertaking of stocks. In this category usually collateral security is obtained. The facilities are availed like the facilities under cash credit-hypothecation/pledge.

#### **IDBP (Inland Documentary Bill Purchase)**

This is made by purchase of documentary bills against sale of goods to local export oriented industries which are considered as export and which are influenced in local or foreign currency are included in this category. Besides local documentary bills purchased in respect of sale to a local purchaser is also included in this category of financing. Bills which are retire as per the L/C terms associated by all the required documents should only take under calmness.

#### **Packaging Credit**

To accomplish export orders under L/C or firm contract the bank awards packing credit facility to meet client's working capital requirement. Also in this case bank may or may not retain collateral security depending upon banker-customer relationship. The facility is to be adjusted, usually within 60 to 120 days from the date of disbursement from the relevant export proceeds.

### 3.1.5 Import Finance

NRB Global Bank Limited also undertakes import finance both in the form of pre-import and post-import finance. Also in pre import finance banks fund is not involved it is not included in the total loans and advances position of the banks and conversely as banks fund is involving in post import finance, that is included in the overall loans and advances position of the bank.

NRBGBL offers post import finance to the importers in the form of Loan against Imported Merchandise (LIM) & Payment's against Documents (PAD).

#### ✚ Payment Against Document (PAD)

PAD is a post import finance to fix the properly drawn import bills received by the bank in case sufficient fund id not available in clients account. This is a demand loan for intermediate period and liquidities by reserved import bills by the clients. The bank shall immediately serve a notice upon the clients allude arrival of documents with a request to arrange retirement of the same immediately.

#### ✚ Loans Against Imported Merchandise (LIM)

This is another type of post import finance grant to depart import bill directly or under PAD as the case may be. Bank usually retains margin on the total landed cost of the merchandise, extent of which upon banker-customer relationship. In this case imported merchandise remains in possession of the bank. The operation on this type of facilities usually corresponds with the facilities under “Cash Credit – Pledge”. In case of forced LIM branch should be satisfied that the forced sale value of the merchandise covers the bank liabilities with interest, if not possibilities are to be checked to recover the liabilities through banks approved.

### 3.1.6 Branch Position in Respect of Loans and Advances

#### ✚ Total Loan Position

Total Number of Loan Account	146
Total Loan Outstanding	2151654071.63
Overdue Loan Account	225937595.6
Total Number of NPL Account	12.00
Total NPL Outstanding	113567017

#### ✚ Loan Backup

Total Cash Credit Hypo Loan	32592393.04
Total Cash Credit Pledge Loan	0.00
Total OD/SOD Loan	612506287.79
Total LTR/MPI	51940622.05
Total LIM	0.00
Total Loan Outstanding Against IBP/LDBP	1127067304.87

Other Forced Loan Outstanding	15719592.58
Total Term Loan	289837156.38
Total Retail Credit	21263626.69

#### ✚ Categorization of Loan Based on Sectors

Total Manufacturing and Industrial Loan Outstanding	256868698.74
Total Service Loan Outstanding	311446492.68
Total Non-Manufacturing and Trade Loan Outstanding	1641669930.29

#### ✚ Categorization of Loan Based on Tenure

Short Term Loan Outstanding	1948778036.44
Medium Term Loan Outstanding	9125507.72
Long Term Loan Outstanding	252081577.55

#### ✚ Some Mentionable Exposure

Total SME Loan Outstanding	29830285.60
Total Women Entrepreneur Loan Outstanding	686138.19
Total Refinanced Loan Outstanding	52494220.76

#### ✚ Non-Funded Exposure Outstanding

Letters Of Guarantee	16665761.05
Irrevocable Letters of Credit	35773867.85

#### ✚ Manpower For Branch and Credit Activities

Total Number of Employee of the Branch	30
Number of Branch Employee Trained in Credit Operation	5

#### ✚ Target Customer

- ✓ Micro Enterprise
- ✓ Small Enterprise

#### ➤ Single Borrower/Group Limits/Syndication

As a prudential estimate intended for improved risk management through limitation on credit concentration, Bangladesh Bank has from time to time advise the scheduled banks to fix limit on their large credit exposures and their exposures to single and group borrowers. In line with BRPD

Circular on single borrower exposure limit we follow the following rules in setting Single Borrower Exposure:

- 1) The total outstanding financing facilities by a bank to any single person or enterprise or organization of a group shall not any point of time exceed 35% of the banks total capital subject to the condition that the maximum outstanding against funded based financing facilities do not exceed 15% of the total capital.
- 2) Non-funded credit facilities can be provided to a single large borrower, but under no situation the total amount of funded and non-funded credit facilities shall exceed 35% of a bank's total capital.

However, in determining single borrower exposure limit the following points shall be considered:

- a) A public limited company which has 50% or more public shareholdings shall not be recognized as an enterprise of any group.
- b) In case of credit facilities provided against government guarantees, the above mentioned limitation shall not be applicable.
- c) In case of loans backed by cash and en-cashable securities (FDR), the actual lending facilities shall be determined by deducting the amount of such securities from the outstanding balances of the loans.

Appropriate care should be taken to calculate the limits and facilities proposed should not cross the above limit.

Loan sanctioned to any individual enterprise or organization of a group amounting to 10% or more of Banks total capital shall be considered as large loans and approval of the same to be reported to Bangladesh Bank on monthly basis as per requirement. The corporate division will do the job.

#### ➤ **Lending Caps or Limits of Loans Concentration**

It is essential to monitor loan portfolio on an ongoing basis, managing the overall risk by limiting exposure in specific areas/sectors. The aim of the general credit policies is to restrict the extent of losses incurred while at the same time ensuring that NRBGBL has a financial return equating to the risk level assumed in its loan portfolio.

### **3.1.7 Maturity Grouping of Distribution Loans and Advances**

#### **Tenor of Loans**

<b>Facility</b>	<b>Tenor</b>
Working Capital	Generally up to 01 year
Work Order Finance	On the basis of validity of work order
Short Term Loan	Maximum 01 year
Medium Term Loan	01 year to 05 year
Long Term Loan	05 year to 10 year
House Building Loan	Maximum 15 year
Power Sector Loan	Maximum 15 year

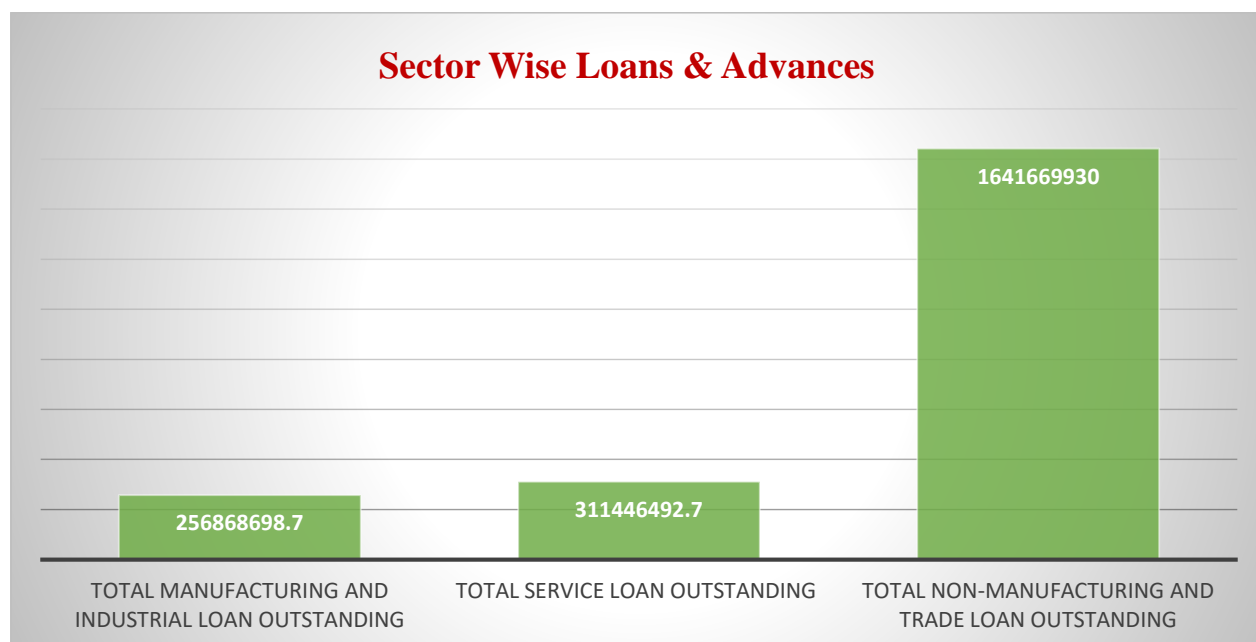
Staff Loan	As per Bank Staff related Loan Policy
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 **Other Issues**

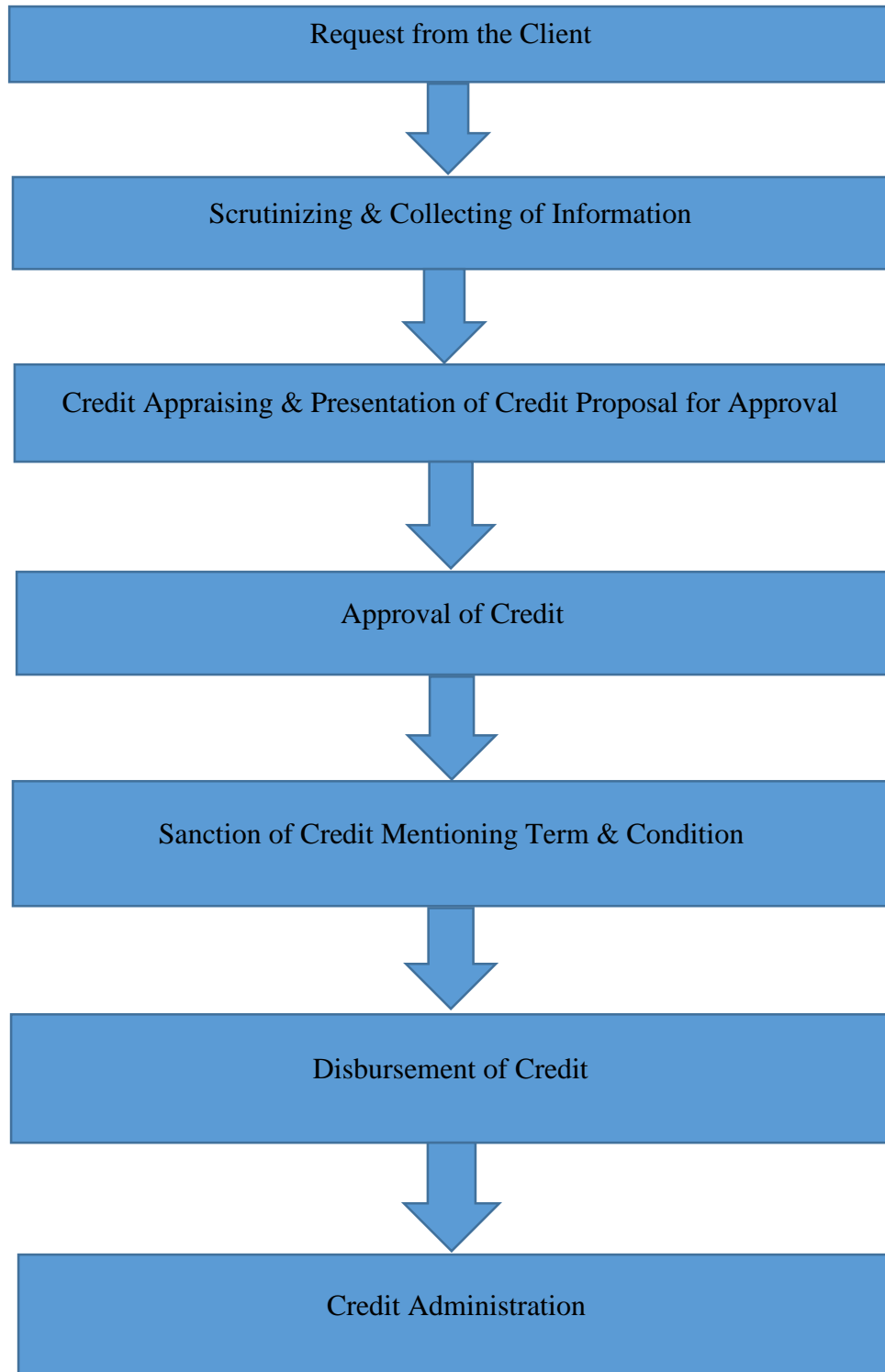
- ✓ The moratorium for repayment will be maximum two years for project finance.
- ✓ The moratorium for repayment will be maximum two years for House Building Loan.
- ✓ The interest to be charged and to be paid out on quarterly basis except the loans under personal banking and otherwise specified in the approval certificate.
- ✓ Repayment of Term Loan would be preferably fixed on monthly and quarterly basis.
- ✓ In general cash margin for LC against import of consumer goods, food grain, industrial raw material, ship breaking etc. would be 10% to 20% of the LC account. However, lower margin maybe considered for special client having very good past track record.
- ✓ Margin for import of capital machinery would be minimum 25%. However, lower margin may be considered for special client having very good past tract record.
- ✓ Margin in the form of FDR should be discouraged.

The Executive Committee/Management Credit Committee can change the above parameters.

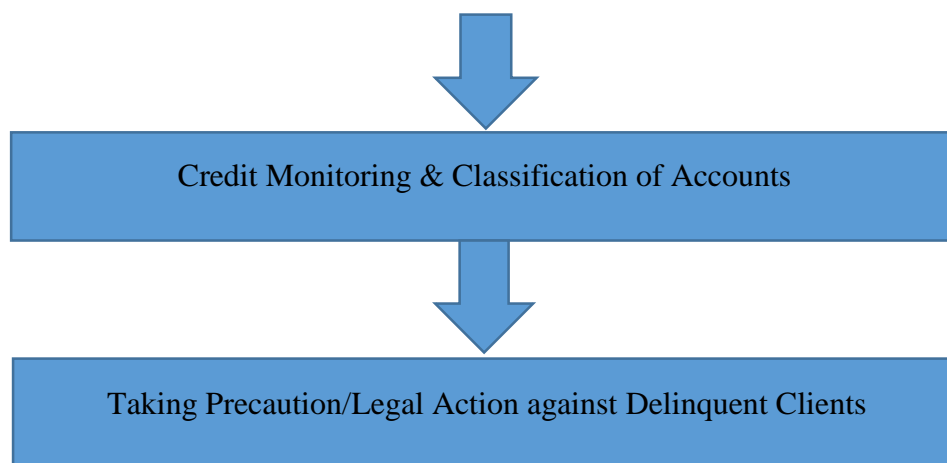
### 3.1.8 Sector Wise Loans and Advances



### 3.1.9 Loan Disbursement Program of NRBGBL







## 3.2 Types of Credit Risk

### 3.2.1 Credit Risk

The Credit Risk Management Department is very important for the effective functioning of the NRBGBL. It criticizes credit proposals from risk – weight perspective before approving approval to ensure high quality credit portfolios. The Credit Risk Management goal is to maximize the risk – adjusted rate of a bank by marinating credit risk exposure among the acceptable parameters. Banks should manage individual credit risk in the entire portfolio as well as manage the risk of personal credit or transactions.

**Credit Risk** is the possibility of failure to meet obligations to a borrower. D-Regulation and globalization of the present day, the scope of the banking activities has increased.

The expansion of the bank’s debt exposure, covering risk areas and implementation of essential Credit Risk Management policies.

The risk of credit risk in NRBGBL may be as follows:

- ✚ Default Risk
- ✚ Exposure Risk
- ✚ Recovery Risk
- ✚ Counter Party Risk
- ✚ Related Party Risk
- ✚ Legal & Political Risk

To reduce credit risk, steps are being follow in NRBGBL.

- ✚ Mission, Vision and Purpose.
- ✚ Credit Policy.
- ✚ General guidelines guide in line with Bangladesh Bank guidelines and industry best practices.
- ✚ Strict credit mechanism.

- + Loan caps according to sector.
- + Loan policies and strategies in different areas.
- + Critical evaluation of the ability to re-establish the pre-investment analysis phase.
- + Client credit risk grading.
- + Provision for insurance coverage.
- + Taking collaterals.
- + Annual credit review.
- + Following the strong observation.
- + Periodic reviews of market conditions and industrial exposure.

### 3.2.2 Credit Principles

NRBGBL to manage credit risk effectively:

- + Maintain a decent proportion of debt and deposits.
- + By maintaining credit quality, following a credit targeted by credit expansion.
- + Do not compromise with the quality of excellence.
- + All credit extension make sure to comply with regulatory rules and regulations.
- + Increases credit facilities in such a way that each extension becomes fruitful and ensures higher on capital.
- + Enhanced credit facilities for adequate pre – investment analysis and client payments.
- + Avoid credit density through reasonable diversity of credit.
- + After determining credit worthiness, credit requirement and advance quality, security, cash flow and risk level, credits are considered in view of the credit.

### 3.2.3 Funded Credit Facilities

#### + **Overdraft**

A limit is set in clients account and an expiry period usually not exceeding one year is determined. This type of facility is applied in client's current account. Client is independent to deposit and withdraw money within the validity of limit.

#### + **Cash Credit**

These are the also facilities where, a limit is set in the account not exceeding one year, like overdraft. There is a difference that is “**Cash Credit**” account is opened by the bank where limit is applied instead of clients account. This type of facility is again sub divided into following categories:

##### ✓ **Cash Credit – Hypothecation**

Primary security consists of stocks in trade, inventories etc. in this category.


✓ **Cash Credit – Pledge**

Primary securities also consists of stocks/inventories in this category and the security is held by the bank instead of the borrower as in the case of cash credit – hypothecation.

### 3.2.4 Non Fund Facilities

 **Letter of Credit (L/C)**

This type of finance is made in the form of commitment on behalf of the client to pay an agreed sum of money to the beneficiary of the L/C upon fulfillment of terms and conditions of the credit. Although the bank doesn't consume any liability directly as such as same is termed contingent liability. Credit worthiness of both importer & supplier, estimation of the total landed cost and selling price of the merchandise, ready marketability of the merchandise etc. are the most important. For granting this type of credit it shall be invariably decide whether the client will require any post import finance and if so same shall be fix and decide in advance.

 **Back to Back L/C**

Back to Back L/C is a type of pre shipment finance by way of opening L/C in favor of a local or foreign supplier for purchase of raw materials or the finished merchandise to operate export order. This kind of L/C is only open on the strength of an export order received by way of an L/C or firm contract with or without realization of cash margin or collateral security depending upon banker-customer relationship.

 **Bank Guarantee**

Bank Guarantee is one kind of non-fund facility. Bank Guarantee is an irreversible commitment of a bank to pay pre-determined amount of cash to a third party on behalf of a clients of a bank. A contract is thus secondary contract, the principal contract being between the beneficiary and the principal debtor themselves to which guarantor is not a part. If the promise or liability in the principal contract is not fulfilled or discharged, only the liability of guarantor or surety arises.

### 3.2.5 Credit Policy of NRBGBL

The credit appraising personnel should be through about the restrictive credit policy of NRBGBL in force. The officials should go by the spirit of the credit policy set by the bank through “Credit Risk Management Policy”, Head Office letters & circulars as well as through the deliberation of top management of the bank from time to time.

 **Diversification of Portfolio**

Branches shall exercise in the sector of economy or nature of import, export, trading etc. Some branches are located in arrears that are appropriate for a particular activity and in such an area optimal diversification may not be possible. If so, care should be taken to diversify within particular line of business in respect of nature of operation such as procedure, importer, wholesaler, retailer etc.

Branches should also be careful to avoid excessive concentration of advances in the hand of few clients.

#### **Familiarity with the Borrower**

Credit personnel should have a thorough knowledge about past and present for the borrower.

#### **Integrity**

A basic consideration in extending credit is the integrity of the borrower. Integrity of the borrower can be termed as necessary factor for the selection of borrower.

#### **Competence**

Competence of the borrower has to be properly analyzed. Competence of the clients may be reflected in his ability to furnish the required information as well as in attending the requested assistance.

#### **Purpose**

The bank must know exactly what for the money will be utilized. It shall be ascertained at the beginning that the intended purpose is a legal one as per existing government policy.

#### **Credit Investigation**

Borrower's track record shall be obtained in respect of credit history. This will again consists of both formal and informal sources.

#### **Optimum Level of Credit Worthiness**

Borrower's optimal level of credit worthiness is very crucial factor in making a decision on lending process. Especially in case of big borrowers this factors shall be carefully evaluated and all the credit facility extended to the client by all financing institution shall be taken into account.

#### **Extent of Facility**

The extent of facility requested shall be evaluated properly. The purpose, management capability of business etc. are to be considered to determine an optimum extent of facility.

#### **Borrowers Stake**

For appraising a credit, borrowers stake shall be ascertain in real terms. The nature of the stake such as fixed asset (in case of project finance) etc. shall also be taken into consideration.

#### **Source and Terms of Repayment**

The repayment proposal of the client shall be very clear in respect of source of repayment the client shall be very clear in respect of source of repayment the proposed lending is a self-liquidating one the finance in its own accord generate sufficient funds to repay the borrowing within a responsible period of time.

### **Repayment Period**

Repayment Period is another aspect to be looked carefully. In evaluating this aspect following two factors: among others, shall be considered.

- ✓ The Bank essentially deal in short term fund and if the repayment period extends beyond one year same shall be evaluated, in terms of branch already undertaken steaks in financing with such repayment schedule and
- ✓ The branch should be aware in respect of changing economic and political effects on such lending, particularly covering the repayment period.

### **Risk Factors**

Every credit carries certain risk and as such risk factors in factors of business as well as security shall be properly analyzed and defined. Wherever relevant mathematical tools shall be applied.

### **Balance Sheet Analysis**

For corporate clients, analysis of balance sheet is a must. Among the various techniques of analyzing balance sheet credit officials shall at least concentrate on some of the commonly used technique.

### **Profitability**

Profitability of the proposal shall be prime concern of the appraising officer as because the essential purpose is to enhance profit.

### **Net Spread**

Spread is the difference between proposed rate of interest on lending and average cost of fund. In case of net spread, with the cost of fund overhead of the branch is added to ascertain branch's net profit from the deal.

### **Security**

Due to wide spread currency of default culture and contrary absence of a healthy practice of repayment of default, we usually insist a tangible collateral security.

### **Appraisal of Risk**

Although measuring the exact extend of credit is not possible, proper enquiry and careful study help the credit appraiser in including whether the risk is small or great to undertake. Following risk are need to be analyze in appraising credit-

- ✓ Business Risk
- ✓ Financial Risk
- ✓ Management Risk
- ✓ Security Risk

### Risk of Advance & Decision on Advance

Combining business & security risk, the appraiser gets the nature and extent of risks related with a particular advance upon which accepting a credit depends.

It shall be borne in mind that there is very few credit requests that have no risk. However, when the purpose of the loan is unstable or when the risk become too great to undertake the proposal shall be decrease steadfastly. The credit relationship is found based on trust and NRBGBL must be satisfied with the integrity of all parties in any relationship.

Credits shall be evaluated nationally by NRBGBL, with the benefit of a thorough understanding of the borrower's business affairs and the attendant risks. The Branch Manager must have a detailed knowledge of each specific credit transaction and of any particular risks associated with the transaction as distinct from the activities of the borrower.

All credit transaction should be justified by analysis of assistance risks and sources of repayment without allowing for consideration of security.

## **3.2.6 Work of Credit Division**

In my three months internship period I worked in two important departments. In first month worked in the General Banking Division. In this general banking division works such as DPS opening form, FDR, Savings Account & Current Account opening. In the second month I worked in the Credit Division. This department works with three different categories of loan s they are Personal loans, Corporate loans, SME loans. Some important documents are mandatory to give here for loan proposal like guarantors profile, trade license, bank solvency, CIB (Credit Information Bureau) report, CRG (credit Rate Grading) report, TIN & VAT certificate, PNW (Personal Net Worth) statement, applications profile and so on.

## **3.2.7 Strategy of Credit Policy of NRBGBL**

### Policy Guidelines

#### **Lending Guidelines**

Lending Guidelines outline the Board of Directors/Senior Management's view of business developments priorities and the terms & conditions that should be attached to in order for loans to be approved. The guidelines expressed in this manual apply to NRBGBL in respect of its entire range of lending and other credit risk associated activities. The lending guidelines are consistent with and reinforce the corporate philosophy of NRBGBL in relation to the conduct of its lending activities.

The establishment, approval and review of lending guidelines are the responsibility of the Management Credit Committee of the Banks subject to approval of the Executive Committee of Directors. The guidelines to be reviewed/update at least annually to reflect changes in the

economic outlook and the expansion of the Bank’s loan portfolio, and be distributed to all lending/marketing officers.

Any departure from the lending guidelines to be bluntly identified in credit application & a justification for approval provided. Approval of loans that do not comply with Lending Guidelines to be restricted to the Banks Management Credit Committee/Executive Committee of Directors.

The Lending Guidelines provide the key basis for lending managers/credit officers to articulate their advised for approval, and should include the following issues:

✓ **Bank’s Policies for Financing in Different Major Sectors:**

Banks policies for financing in different major sectors in summarized as follows:

<b>Sector</b>	<b>Policy</b>
Agriculture	To Expand
Pharmaceuticals	On Selective Basis
Textile & Garment Industries	To Expand
Chemical	On Selective Basis
Food & Allied	To Maintain
Transport & Communication	To Maintain
Telecommunication	To Expand
Electronics	On Selective Basis
Automobiles	On Selective Basis
Real Estate & Housing	To Maintain
Construction	To Maintain
Cement	On Selective Basis
Metal & Engineering	On Selective Basis
Ship Breaking	On Selective Basis
Energy & Power	To Expand
Trade Finance	To Expand
SME	To Expand
Service	To Expand

 **Others**

Under industry & business segment focus the bank provides more intentness on the market, which constitute the majority of its loan portfolio, & also the target market from where bank expects to generate large-scale income in future. Industry & business segment focus to be reviewed annually through considering the following issues:

- ✓ Overall economic condition (international/domestic)
- ✓ Government policies and role of Government in respective industry.
- ✓ Importance & position of the industry in the economy.
- ✓ Market size and level of competition of industry.
- ✓ Maturing of the industry.

- ✓ Risks involved in the respective industry.
- ✓ Trend of the industry (short term & long term)
- ✓ Banks own experience in the respective industry.
- ✓ Possibility of quick change of technology in the respective industry.

### 3.2.8 Credit Risk Assessment

A thorough credit and risk management should be conducted prior to granting of loans, and at least annually thereafter for all facilities. Thus appraising a credit is the most challenging job for credit personnel. His / Her intension is to define and reduce possible risks associates with credit so to secure return of money together with the proper charges for use of money. Although nobody can ensure the future of a credit as because business may be subject to the effects out of control either of banker or borrower, experience shows that in properly appraised credit banker is likely to lose only a small portion of what he/she lends.

### 3.2.9 Credit Risk Grading (CRG)

Credit Risk Grading is a core concept for risk grading. It helps the bank to understand various level of risk connected with different credit transaction. The aggregation of such grading across the borrowers, activities and the line of business can provide better judgment of the quality of the credit portfolio of the bank. The credit risk grading system is significant to take decisions at both the pre sanction as well as post sanction stage.

NRBGBL has adopted Risk Grading System as per **BRPD (Banking Regulatory & Policy Department)** circular no 18 dated 11/12/2005 issued by Bangladesh Bank.

#### **Credit Risk Grading Definition**

An understandable definition of different credit risk grading are given below:

##### ➤ **Superior – (SUP) – 1**

- ✓ Credit facilities, which are fully secured fully cash covered.
- ✓ Credit facilities fully covered by government guarantee.
- ✓ Credit facilities fully covered by guarantee of a top tier international bank.

##### ➤ **Good - (GD) – 2**

- ✓ Strong repayment capacity of the borrower.
- ✓ The borrower has excellent liquidity and low leverage.
- ✓ The company constantly generate strong earnings and cash flow.
- ✓ Borrower has well established strong market share.
- ✓ Very good management skill and expertise.
- ✓ All security documentation should be in place.



➤ **Acceptance – (ACCPT) – 3**

- ✓ Borrowers have adequate liquidity, cash flow and earnings.
- ✓ Acceptable management.
- ✓ Acceptable parent/sister company guarantee.
- ✓ Aggregate score of 75-84 based on the Risk Grade Score Sheet.

➤ **Marginal/Watch List – (MG/WL) – 4**

- ✓ Weaker business credit and early warning signals of emerging business credit detected.
- ✓ The borrowers incurs a loss.
- ✓ Loan repayments routinely fall past due.
- ✓ Account conduct is poor, or other untoward factors are present.
- ✓ Credit requires attention.
- ✓ Aggregate score of 65-74 based on the Risk Grade Score Sheet.

➤ **Special Mention – (SM) – 5**

- ✓ This grade has potential weakness that deserve managements close attention. If left uncorrected, these weaknesses may result in a deterioration of the repayment prospects of the borrower.
- ✓ Severe management problems exist.
- ✓ Facilities should be downgraded to this grade if sustained deterioration in financial condition is noted (consecutive losses, negative net worth, excessive leverage).
- ✓ An Aggregate score of 55-64 based on the Risk Grade Score Sheet.

➤ **Substandard – (SS) – 6**

- ✓ Financial condition is weak and capacity or inclination to repay is in doubt.
- ✓ These weaknesses jeopardize the full settlement of loans.
- ✓ Bangladesh Bank criteria for sub-standard credit shall apply.
- ✓ An Aggregate score of 45-54 based on the Risk Grade Score Sheet.

➤ **Doubtful – (DF) – 7**

- ✓ Full repayment of principal and interest is unlikely and the possibility of loss is extremely high.
- ✓ However, due to specifically identifiable pending factors, such as litigation, liquidation procedures or capital injection, the asset is not yet classified as Bad & Loss.
- ✓ Bangladesh Bank criteria for doubtful credit shall apply.
- ✓ An Aggregate score of 35-44 based on the Risk Grade Score Sheet.

➤ **Bad & Loss – (BL) – 8**

- ✓ Credit of this grade has long outstanding with no progress in obtaining repayment or on the verge of wind up/liquidation.
- ✓ Prospect of recovery is poor and legal options have been pursued.
- ✓ Proceeds expected from the liquidation or realization of security may be awaited. The continuance of the loan as a bankable asset is not warranted, and the anticipated loss should have been provided.
- ✓ Bangladesh Bank criteria for bad & loss credit shall apply.
- ✓ An Aggregate score of less than 35 based on the Risk Grade Score Sheet.

The credit risk grading system is an integral part of the credit approval and control process. As such, the integrity of Credit Risk Grading System cannot be compromised. It is, therefore important that each Branch Manager / Credit Officer / Relationship Manager understand their responsibilities for the correct application of Credit Risk Grading System.

### 3.2.10 Financial Analysis of NRBGBL

With the mass production and distribution conditions business the operations are changing fast. Today the businesses are not necessarily a small entity, owned and operated by one individual.

Besides it is becoming increasingly difficult on the part of a banker to have detailed knowledge of the integrity, ability, financial performance etc. of the borrower in appraising a credit. As such appraisers today are more dependent on the analyses of different of different financial statements of which balance sheet and profit & loss statement are most important.

However for different reason it shall be kept on mind that analysis of the financial statement cannot be depend upon unambiguously for extension of Banks credit.

#### ✚ Audited & Unaudited Statements

Financial statements may be audited and unaudited. However branches shall always work depending on audited statement as there is a strong possibility that owns may lean toward the confident side in preparing its financial statement for credit process. To obtain the objective viewpoint, an independent, outside verification of account values are needed.

#### ✚ Reliability of Statements

At the beginning the appraiser shall from an idea about the reliability of the statement. Only acceptable statements be analyzed and unfortunately there is no error-free means to employ to label a statement as reliable or not. However a workable judgment can be formed by taking into account the factors like the style/integrity of management of the business as well as market standing in respect of accountants, who have audited the statements, relating to their expertise and professional integrity.

### Window Dressing

Window dressing is a very commonly known terminology to all the appraisers. There are many ways in which financial statements may be dressed up to make an improved showing within the bounds of legal technicalities because of the fact that the statements are prepared as at the close of one day and the knowledge that it is to be used as a basis for requesting credit. However also in this case there is no error-free means to employ. The appraiser has to apply his/her commonsense depending on his/her experience and judgment to identify manipulations. He/she must question apprehensively strong statement and proportions.

### Purpose of Analyzing Statements

Before analyzing financial statement two question should be answered first:

- ✓ Where he/she (analyst) wants to go and
- ✓ Why he/she is analyzing

Besides while analyzing followings shall always kept in mind:

- ✓ The amount of loan requested.
- ✓ The purpose for which loan will be used.
- ✓ The proposed repayment period of the loan and
- ✓ The sources of repayment of loan.

## 3.2.11 Customers of Credit Worthiness

To select a good borrower, NRBGBL prove certain criteria of those creditors. By analyzing to customers **Character, Condition, Capacity, Capital, and Collateral (5C)**, to verify the creditworthiness of the bank and the fairness of bank investment, they are described:

### Character

The bank analyzes track record of the borrowers prior to credit transactions in NRBGBL and other banks. Also, credit app data is checked accuracy of the information. In addition, the integrity of the customer, responsibility, credibility, and the wishes of the industry and the character of credit and verified.

### Condition

Rescue officers forecast economic and business during the loan. And analyzes the source stability of the debt applicants income forecast.

### Capacity

Just before customer loan repayment capacity and power loan approval. Banks experiment liquidity from cash flow, exit, net profit and customer financial statements. Also, banks forecast about the financial condition of earning's and stability customers.

### Capital

The bank analyzes the current financial position of the potential customer organization. Net assets, debt-equity ratio and total amount of capital are examined by the bank. If the capital structure shows that there are strong lights, then the bank is negatively marked.

### Collateral

When the buyers are defaulter, banks can sell quickly, which are easily marketable. The bank justified whether it is equally safe, secure and adequate or not.

## 3.2.12 Preconditions of Credit Policy

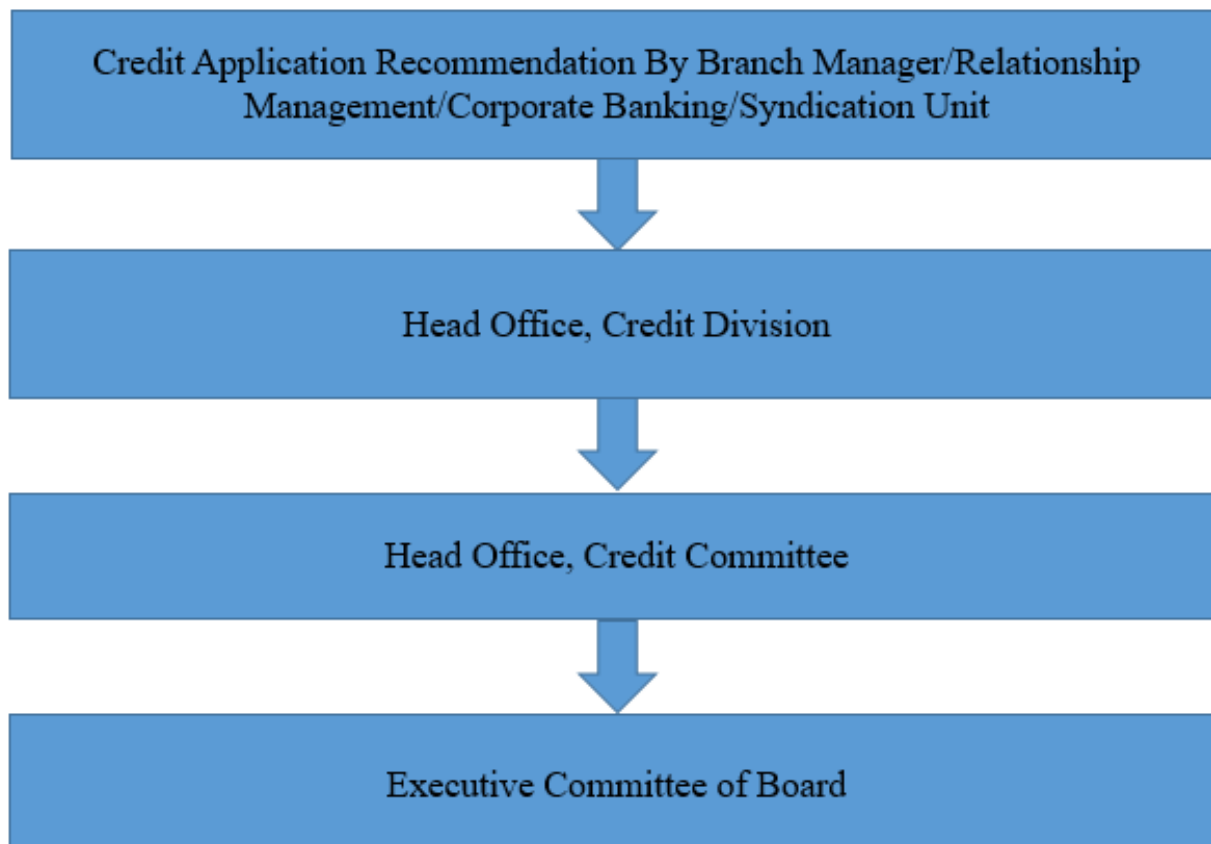
In our exploration for sound growth, we should be careful of the following precondition of credit policy, which must always guide our fair play, behavior and support our banking decisions.

- ✓ Think first for the bank.
- ✓ Behave ethically in all credit activities.
- ✓ See where the banks money is going to be spent.
- ✓ Lend when the client has the capacity and ability to repay.
- ✓ Assess the client's character for morality and desire to repay.
- ✓ Extend credit if we understand and manage risk.
- ✓ Ensure independent credit participation in the approval process.
- ✓ Be proactive in recognizing, controlling & interfacing credit risk.
- ✓ Be particular in ensuring credit exposures & activities comply with Bangladesh Bank.
- ✓ Proposal for the probability of no-payment.
- ✓ Optimize risk & reward.
- ✓ Build & maintain a diversified asset portfolio.
- ✓ The purpose of loan should contain the basis of its repayment.
- ✓ Although it is harder than evaluating financial statements, assessing a company's management quality is vital.
- ✓ Collateral security is not a replacement for repayment.
- ✓ If the loan is to be guaranteed, be sure that the Guarantors interest is served as well as the borrowers.

### 3.2.13 Document Checklist

#### Procedural Guidelines

The following diagram illustrates the approval process:



Relationship Manager in branch initiates the credit proposal. Branch Credit Officer Recommends the proposal and Branch Manager approve the credit facilities in case of credit facilities within the delegated credit authorities of the Manager.

In case of credit facilities are in excess of delegated credit authorities of the branch but within the delegated credit authorities of the Management Credit Committee, Relationship Manager in branch initiates the credit proposal. Branch Credit Officer and Branch Manager recommended the proposal and Head Office Management Credit Committee approved the credit facilities.

#### Documentation Check List

While giving the approval letter to the Corporate Banking Division/Branch, the Credit Management Department will link a documentation check list, in which the Credit Management Department will specify the documentation formalities for securing facilities.

### **Disbursement**

- ✓ Security documents to be prepared together with approval terms and to be legally honorable. Standard loan facility documentation that has been checked by legal counsel should be used in all cases. Exceptions should be referred to legal counsel for advice.
- ✓ Credit Administration Department (CAD) officers are responsible to complete

### **“Security Check List” and “Security Compliance Certificate” or “Loan Disbursement Authorization Memo”**

- ✓ The document should be kept under lock and key in vault. The respective CAD officer and authorized personnel of Internal Control & Compliance Division, Bangladesh Bank Inspection Team and other authorized persons can use the documents.
- ✓ The loan disbursement certificate should be signed by CAD officer along with Head of CAD.
- ✓ Necessary approval to be obtained from Head Office for temporary waiver of any documentation.
- ✓ Separate Credit Administration Department to be established in big branches. All branches should issue satisfactory security certificate/security clearance certificate before disburse.

### **Custodial Duties**

- ✓ Appropriate insurance coverage is maintained (and renewed on timey basis) on assets pledged as collateral.
- ✓ Security documentation to be held under strict control, preferably in locked fireproof iron-safe at branches under dual custody.

### **Compliance Requirements**

- ✓ Ensure all excess & exceptions are approved from the appropriate credit discretion level.
- ✓ All required Bangladesh Bank returns are submitted in the correct format in timely manner.
- ✓ To ensure compliance Bangladesh Bank’s circulars/regulations are to be maintained and advised to all relevant department.
- ✓ All third party service provider are to be approved. List of lawyers are to be enlisted and approved, circulated accordingly.

### 3.2.14 Credit Recovery System

The NRBGBL has a regulation to create Credit Recovery Unit (CRU) at the branch to manage the deteriorating Loans & Advances classified as Sub-standard, Doubtful & Bad-Debt Losses.

#### ✚ **Steps of Recovery Process**

##### ✓ **Taking Normal Steps**

The Recovery Unit will take normal steps like physical contact with the borrowers and through letters for adjustments of all classified loans.

##### ✓ **Notification**

If any borrower fails to do within a specified period final notice followed by a legal notice served.

##### ✓ **Legal Action Commencement**

According to the provisions of the country's real law, legal action is not taken by the panel lawyer (taking permission from the Head Office), even if no real result is achieved.

##### ✓ **Proposals for Statement**

The branch level recovery unit may also send a reduced settlement or rescheduling proposal for classified loans and advances to the head office through the official office. Requires both branch manager and zonal head recommendation before or after the recovery case is filled against the down payment deposit.

## 3.3 How to Measure the Risk

### 3.3.1 Credit Management Process

#### ✚ Key Responsibilities

##### ➤ Management Credit Committee

- ✓ Overseeing of the bank's asset quality.
- ✓ Manage all Substandard, Doubtful & Bad & Loss accounts directly or through Branch to maximize recovery and ensure that appropriate and timely loan loss provisions have been made.
- ✓ To provide advice/assistance regarding all credit matters to Branches.
- ✓ To ensure lending executives have adequate experience to carry out assigned duty effectively.

##### ➤ Credit Department

- ✓ Security and analysis of credit proposal.
- ✓ To visit the clients business, factory & stock.
- ✓ To assess the actual requirement of funds.
- ✓ Preparation of Credit Memo for approval.
- ✓ To get approval from Management Credit Committee and the Executive Committee of Board of Directors of the Bank.
- ✓ To issue sanction letter to the branch.

##### ➤ Credit Administration

- ✓ To ensure that all security attestation comply with the terms of approval and is enforceable.
- ✓ To monitor taking proper insurance coverage to ensure appropriate coverage is in over asset pledged as collateral, and is properly assigned to the bank.
- ✓ To maintain control over the security documentation through dual custodian.
- ✓ To monitor any excess, exception etc.
- ✓ To monitor borrowers compliance with convent & agreed terms and condition and general monitoring account conduct/performance.
- ✓ To follow with Branch Manager for documentation completion, excess liquidation, etc. any breach, excess or exception to report to HO Credit.



➤ **Relationship Management/Marketing/Branch Manager**

- ✓ To act as the primary bank contact person with borrowers.
- ✓ To obtain knowledge about borrowers business and industry through regular contact, factory or warehouse inspection etc.
- ✓ To be responsible for accurate and timely submission of Credit Applications for new proposals and annual reviews, taking into account the credit assessment/requirement.
- ✓ To verify the stock statement by countersigning the statement and proper calculation of borrowing power.
- ✓ To point out any decline in borrowers financial standing and correct the borrowers risk grade in a timely manner. Changes in the risk grade should be advised to and approved by HO Credit.
- ✓ To be responsible for security documentation completion and other documents required as per Bangladesh Banks regulatory requirement and our internal instruction.

### 3.3.2 Credit Monitoring Process

To minimize credit losses, monitoring procedure and system should be regularly placed that provides an early sign of declined financial health of a borrower. At a minimum, monitoring should be place to report the following exception to Head Office, Credit:

- ✓ Past due principal and interest payment, past due trade bills, account excesses, & infringement of loan agreement.
- ✓ Timely corrective action is taken to address findings of any external, or internal regular audit.
- ✓ All borrowers' loan facilities are reviewed and approved through the submission of a credit application at least annually.

 **Directional Guidelines and Mechanism/Techniques for ongoing monitoring of accounts**

- ✓ Checking of balance of overdraft/C/loan accounts.
- ✓ Marking the expired account.
- ✓ Marking the excess over limit account.
- ✓ Marking the overdue installments.
- ✓ Request the client to arrange adjustment/renewal of the client.
- ✓ Request the client to arrange adjustment to excess over limit.
- ✓ Request the client to arrange adjustment of overdue amount immediately.
- ✓ Visit of clients business, factory and the property mortgage.

#### **Frequency of Monitoring and frequency of site visits/call report**

- ✓ Expired, excess over limit & overdue accounts to be monitored in every week.
- ✓ Letter to be issued in every party for adjustment of excess over limit and overdue installments/overdue account.
- ✓ In case of overdue/classified account, clients business and factory to be visited at least once in each month.
- ✓ In case of regular account, clients business and factory to be visited at least once in every three months.

#### **Contents of Report Writing**

At least following information to be mentioned in call report:

- ✓ Date of visit.
- ✓ Name of the client.
- ✓ Address of the client (Business & Factory)
- ✓ Types of facilities enjoying, present outstanding.
- ✓ Description of machinery in brief.
- ✓ Detail of raw material, work-in-process & finished goods with quantity & price.
- ✓ Factory position-in operation/out of operation (operation stopped)
- ✓ In case of stop production – How long production is stopped?
- ✓ Reasons for stop production.
- ✓ Client's comments regarding overdue/classified liability.
- ✓ Overall comments of the visiting officers with signature & seal.
- ✓ Counter sign of branch obligatory

#### **Incentive Programs**

Bank will introduce incentive program to encourage recovery account managers to bring down **Non-Performing Loan (NPL)** in future if needed.

### **3.3.3 Non-Performing Loan (NPL) Accounts Management**

All NPL management accounts are allocated in the Recovery Unit, who will be responsible for coordinating and managing action plans or debt restructuring strategies. Once the loans are classified as downgrade or sub-value, the unit will reserve as the primary contract person.

### **3.3.4 Management of Credit Risk**

Credit risk is the risk of loss that may occur from the failure of any counter party to make required payments in accordance with agreed terms and conditions and/or deterioration of credit worthiness. Credit risk may arise from both the banking and trading book. Credit risk is managed through a structure set by policies and procedures established by the Board. The responsibility is clearly separated between origination of business transaction and approval of the transaction.

### **Assessment of Credit Proposal**

We conduct a thorough Credit and Risk assessment for all types of credit proposals. The result of the proposal is presented in the approved Credit Appraisal Form originated from the Branches and then is forwarded to Credit Division along with their recommendations. After proper analysis, Credit Division places the credit proposal as received from the branches as per standard format with their necessary observation/recommendation before the management for consideration to approve and/or to place the same before the EC/ Board for approval.

### **Credit Risk Mitigation & Control**

The bank obtains security against its credit exposure wherever possible as secondary option to the borrowers. Primary option remains being the cash flow of the business. The dependence on these mitigates is carefully assessed in light of issues such as legal certainty and enforceability, market valuation, and counter party risk of the guarantor. Collateral is held to mitigate credit risk exposures and risk mitigation policies determine the eligibility collateral types.

Collateral types that are eligible for risk mitigation include: cash and bank deposits, residential, commercial and industrial property, fixed assets such as motor vehicles, aircrafts, plant and machinery, marketable securities, commodities, bank guarantees, and standby letters of credit. Regular valuation collateral is required in accordance with banks credit risk policy, which prescribes both the process of valuation and the frequency of valuation for different collateral types. The valuation frequency is driven by the level of price volatility of each type of collateral and the nature of the underlying product or exposure. Physical security is required to be insured against most relevant risks, keeping the bank loss payee under the insurance policy.

When guarantees are used as credit risk mitigation the creditworthiness of the guarantor is assessed and established using the credit approval process in addition to that of the obligor or main counter party. The main types of guarantees include bank guarantees, non-banking financial institutions, and parent companies, and shareholders.

### **Management of Liquidity Risk**

#### ✓ **Liquidity Risk**

Liquidity Risk is the potential for loss to a bank arising from either its failure to meet its commitments as they fall due or to fund growth of assets without incurring unacceptable cost or losses. Liquidity risk is often caused by the consequences of other financial risks such as credit risk, interest rate risk, foreign exchange risk, etc.

### **Liquidity Risk Control**

Sound liquidity risk management engaged in measuring, monitoring and controlling liquidity risk is critical to the survival of the bank. Our liquidity risk management procedures are widespread and holistic. Responsibility of managing and controlling liquidity of the bank lies with Asset Liability Committee (ALCO). The committee meets at least once in every month. Asset and

Liability Management (ALM) desk of the treasury function closely monitors and controls liquidity requirements on a daily basis by appropriate coordination of funding activities. They are primarily responsible for management of liquidity in the bank. A monthly projection of fund flows is reviewed in ALCO meeting regularly.

We have identified several key liquidity risk indicators, which are monitored on a regular basis to endure healthy liquidity position. These are:

- Statutory Liquidity Requirement
- Cash Reserve Ratio
- Asset to Deposit Ratio
- Structural Liquidity Profile
- Maximum Cumulative Outflow
- Medium Term Funding Ratio
- Volatile Liquidity Dependency Ratio
- Liquid Asset to Total Deposit Ratio
- Liquid Asset to Short Term Liabilities
- Liquidity Coverage Ratio

Maturity leader of cash inflows and outflows are effective tool to define banks cash position. A maturity ladder estimates a banks cash inflows and outflows and thus net shortage or surplus both on a day to day basis and over a series of specified time periods. A structural maturity ladder or profile is prepared periodically following guidelines of Bangladesh Bank DOS circular no. 02 dated 29<sup>th</sup> March 2011.

#### **Management of Market Risk**

#### **Market Risk**

Market Risk is the risk of potential losses in the balance sheet and off balance sheet positions of a bank arising from adverse movements in market rates or prices such as interest rates, foreign exchange rates, equity prices, credit spreads, and/or commodity prices. Market Risk can be subdivided into three categories relying upon risk variables:

- Interest Rate Risk
- Foreign Exchange Risk
- Equity Price Risk

The primary objective of the market risk management is to ensure that banks activities which are exposed to various market risks are creating optimum return, and risks are in control and within the limit of decided appetite.

#### **Interest Rate Risk**

Interest Rate Risk has a potential impact on a bank's earnings and net asset value due to changes in market interest rate. In simple words, interest rate risk arises when bank is obliged to pay more

interest for liabilities but cannot charge more on assets. Such risk cannot be eliminated as re-pricing period of assets and liabilities are different.

Other than re-pricing issue, sources of interest risk are: yield curve risk, basis risk, and embedded options. The immediate impact of a variation in interest is on the banks net worth since monetary value of banks assets liabilities and off balance sheet exposures are affected.

The techniques for measuring banks interest rate risk exposure begin with a maturity/ re-pricing schedule that distributes interest sensitive assets, liabilities, and off balance sheet positions into a certain number of predefined time bands according to their maturity or time remaining to their next re-pricing. Those liabilities lacking definitive re-pricing intervals are assigned to re-pricing bands according to the judgment and past experience of the bank.

### **Interest Rate Risk Control**

Banks interest rate risk management involves the application of following basic elements in the management of assets, liabilities, and off-balance sheet instruments. The principles of interest rate risk management include:

- Appropriate board and senior management oversight.
- Adequate risk management policies and processes.
- Appropriate risk measurement, monitoring, and control functions,
- Comprehensive internal controls and independent audits.

The Bank has developed and implemented effective and comprehensive procedures and information systems to manage and control interest rate risk in accordance with its interest rate risk policies. Internal inspections/audits are a key elements in managing and controlling interest rate risk management program.

### **GAP Analysis**

To evaluate earnings exposure, interest rate sensitive liabilities (ISL) in each time band are subtracted from the corresponding interest rate sensitive assets (ISA) to produce a re-pricing “gap” for that time band. A negative or liability sensitive gap occurs when ISL exceed ISA in a given time band. This gap implies that an increase in market interest rates could cause a decline in net interest income. Conversely, a positive or asset-sensitive gap occurs when ISA exceeds ISL in a given time band. This gap implies that a decrease in market interest rates could cause a decline in net interest income.

From gap schedule mentioned above, the bank calculates an estimate of changes in banks net interest income given changes in interest rates. The gap for particular time band can be multiplied by a hypothetical change in interest rate to obtain an approximate change in net interest income.

### **Duration Analysis**

Duration in the time-weighted average maturity of the present value of the cash flows from assets, liabilities and off balance sheet items. It measures the relative sensibility of the value of these

instruments to changing interest rates, and therefore reflects how changes in interest rates will affect the banks economic value, that is the present value of equity. In this context, the maturity of an investment is used to provide an indication of interest rate risk. Generally, the longer the term to maturity of an investment and the smaller the payments that occurs before maturity, the higher the duration. Higher duration implies that a given change in the level of interest rates will have a larger impact on economic value.

#### **Management of Equity Price Risk**

Equity price risk is the risk that one's investment will depreciate because of stock market dynamics initiating on to lose money. Equity price risk is systematic or unsystematic. The former refers to sensitivity of portfolios value to changes in overall level of equity prices. The latter is related with price instability that is determined by organization specific features.

One may get dividend-which are payable at the preference of management and one may get capital appreciation in the form of a rising share price. Whether the payment of dividends is an option for management is directly dependent on the company's performance, and a rising share price depends on the markets valuation of the company's performance. So, the value of investment rides on the company's ability to be successful and profitable.

#### **Equity Price Risk Control**

The bank has formulated investment policy and minimizes the equity price risk by portfolio diversification as per investment policy. As per the policy, Bank follows market valuation in valuing investment portfolio of the bank. Mark-to-market valuation is done against a predetermined cut loss limit.

#### **Management of Operational Risk**

Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. It is a very broad concept which focuses on the risk arising from the people, systems and processes through which a company is operated. It also includes other categories such as fraud risks, legal risks, physical or environmental risks.

Operational Risk is different as there is no advantage of this risk and the risk cannot be taken for direct reward. Thus objective of the management of operational risk is to minimize the risk in cost effective manner, if elimination is not possible.

#### **Operational Risk Control**

The banks Board of Directors and Senior Management have established an organizational culture. It places a high priority on effective operational risk management and adherence to sound operating controls. Senior management transforms the strategic direction given by the Board through operational risk management policy.

### **Management of Reputational Risk**

Reputational Risk may arise from the possibility that negative publicity regarding the bank and its business practices, in the territory or elsewhere through related entities, and whether accurate or not will adversely impact the operations and positions of the bank.

Reputation risk is difficult to measure and manage. Qualitative statements are agreed as below:

- Under no circumstances banks reputation to be compromised by revenue generating activities.
- Bank shall always avoid potential brand damaging issues.
- Bank shall avoid anti-environment and anti-social elements in its business.

### **Management of Human Capital Risk**

Risk may arise within the bank from the following factors: failure to recruit the right people in the right place, inappropriate means of recruitment, failure to provide feedback to the employees on performance, over-reliance on key personnel, inappropriate training and development, inappropriate payments made to the staff through fraud or error etc. To minimize the above-mentioned risks arising from human capital, the bank has formulated and adopted a Bank Service Rules Policy focusing on the following key areas:

- a) Recruitment Procedures.
- b) Pay and Benefit for the employees.
- c) Training and Development.
- d) Disciplinary and Grievance etc.

This policy of the bank has been framed having a strategic imperative for recruiting the best people from the society, as we have the intention to achieve comparative advantage by utilizing our human asset efficiently.

### **Management of Risk Under Basel Accord**

The Bank places great importance to Base II and III. It views Base II and III as a bank-wide initiative that will ensure that the bank continues to meet international best practices for the banks credit, market, operational and liquidity risk management practices. By adopting Base II and III, the group will be able to enhance and implant sound risk management practices within the Group and be equipped with the risk management disciplines, practices, processes and system.

For Base II Pillar 1, we are currently in compliance with the regulatory standards that took effect from 1<sup>st</sup> January 2008. We are progressively employing advance risk measurement in the respective business. The bank is preparing for the Internal Capital Adequacy Assessment Process which is the banks self-assessment of the level of capital that is needed to hold as per Pillar 2 of

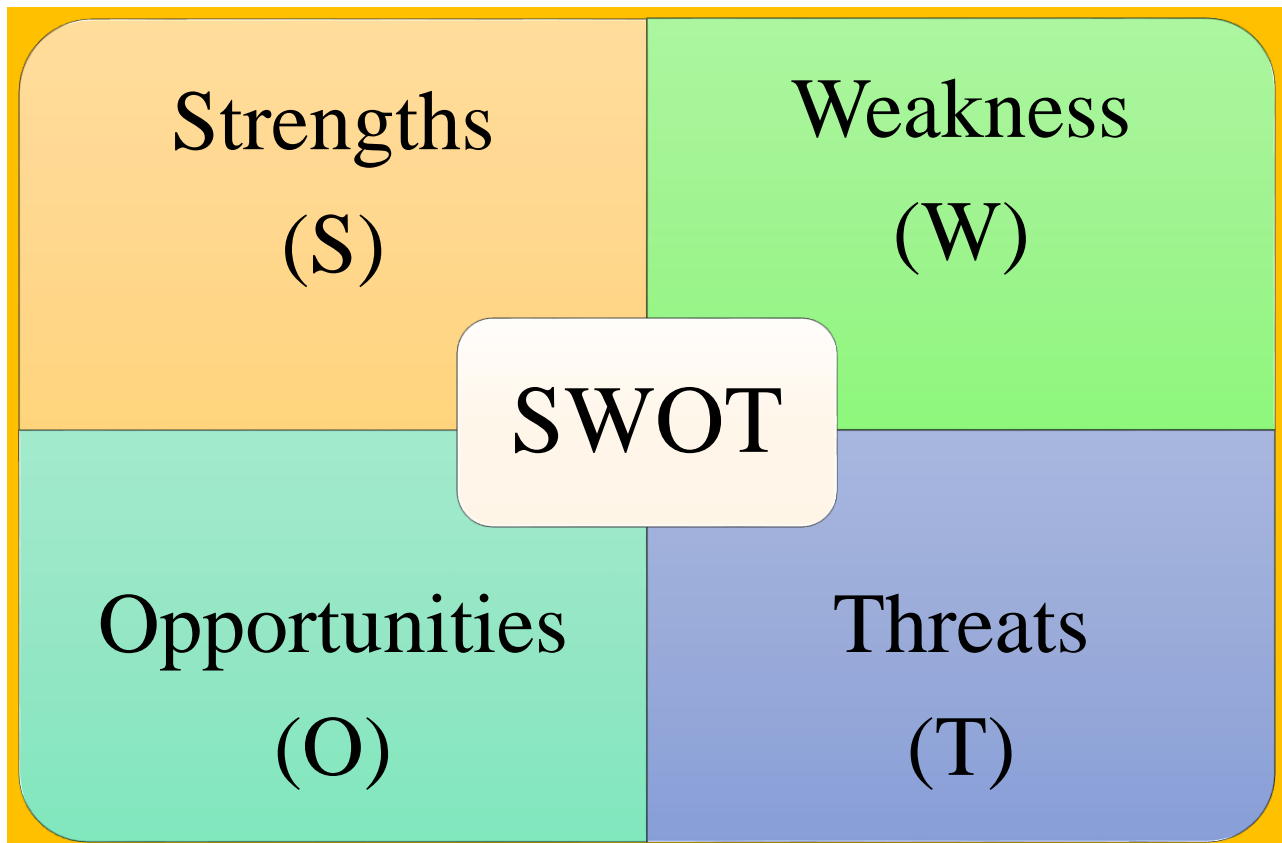
Base II. Pillar 3 of Base II is related to market discipline and disclosure requirements, and the bank provides the disclosure under a separate Pillar 3 section. In addition to that we have formed a well designated team which will aid to adopt Base II and Base III accord successfully.



# Chapter - 4

## SWOT Analysis

## 4.1 SWOT Analysis of NRB Global Bank Limited



Measuring SWOT analysis is a must for every company as it plays a vital role in determining the business strategies and planning. Here in Bangladesh Banking industry is a fully grown and rapidly developing space with tough competitors and stakeholders. So, without evaluating the internal & external factors it is impossible to give any decision any bank. In this SWOT analysis I have tried to find out the Strengths, Weakness, Opportunities & strengths for NRB Global Bank Limited.

#### **Strengths (S)**

- ✓ The top management of the bank, the key strength for the NRB Global Bank has contributed heavily towards the growth and development of the bank.
- ✓ Relationship with existing clients is personal base and very strong. They have developed professional relationship with their clients, which also includes emotional touch.
- ✓ From the very beginning NRB Global Bank tries to furnish their work surroundings with modern equipment and facilities. Online banking is one of the main attractions, which give this bank a better position among private banks.
- ✓ Installation and use of highly sophisticated, automated system that enables the bank to have on time communication with all branches reduces excessive paperwork vanes time for valued customer transaction.
- ✓ Employees share a good understandings with each other and it gave them reason to work efficiency and become more dedicated to work.
- ✓ NRB Global Bank has been developed the principles of profit & loss sharing and equal distribution of the assets among depositors, employees and Managing Directors.
- ✓ Strong network throughout the country and provide quality of service to every level of customer.
- ✓ Many branches are situated in retail business places and highly commercial areas.
- ✓ Multi-product financial institution.
- ✓ Adequate capital base.
- ✓ Strong distribution channel.
- ✓ The corporate culture.
- ✓ Satisfactory IT soft and hard infrastructure.
- ✓ Satisfactory performance.
- ✓ Professional management team.
- ✓ Multinational & institutional ownership.

#### **Weakness (W)**

- ✓ Higher service charge in some areas of banking operation than that of nationalized banks discourages customers from opening or maintain accounts with this bank.
- ✓ According to the Bangladesh Bank guide lines the spread be loan against 3%. But, the Bank sometimes more than that spread rate for loan.
- ✓ Dependent on high cost bearing fixed deposits.
- ✓ Lack of employees in Credit Department.
- ✓ Higher interest rate in case of consumer loan.

### **Opportunities (O)**

- ✓ Government of Bangladesh has rendered its full support to the banking sector for a sound financial status of the country, as it is becoming one of the vital sources of employment in the country now.
- ✓ The credit facility offered by NRB Global Bank has attracted security and status conscious businessmen and as well service holders with higher income group.
- ✓ It will also facilitate wide area network in between the buyer and the production of NRB Global Bank to smooth operation to meet the desired need with least deviation.
- ✓ The bank recruit experienced, efficient and knowledge and knowledgeable workforce as it offers attractive compensation package and good working environment.
- ✓ Huge untapped sub-urban and rural market Small and Medium Enterprise.
- ✓ Such concern will facilitate and support the long-term vision of NRB Global Bank.

### **Threats (T)**

- ✓ The central bank exercise strict control over all banking activities in local banks like NRB Global Bank. Sometimes the restriction impose barrier in the normal operations and political of the bank.
- ✓ Default culture is very much familiar in our country. For a bank, it is very harmful. As NRB Global Bank is quite new, it has not faced it seriously yet. However as the bank grows older it might become a great problem.
- ✓ Rival bank such as conventional banks can easily copy the product offering of NRB Global Bank. Therefore the bank is in continuous of product innovation to gain temporary advantage over its competitors.
- ✓ The worldwide trend of mergers and acquisition in financial institutions is carrying concentration the industry and competitors are increasing in power in their respective areas.
- ✓ Increased competition in the market for quality assets.
- ✓ Supply gap of foreign currency.

# Chapter - 5

## Findings Recommendations & Conclusion

## 5.1 Findings of NRB Global Bank

While Interning at NRB Global Bank Limited: Motijheel Branch, some studies have found that in order to fully analyze the personal opinion of this report.

### + Credit Assessment

The bank follows the overall credit assessment and risk grading process according to the rules of Bangladesh Bank in a somewhat manner.

### + Document Verification

Sometimes the document verification is done after sanctioning the loan.

### + Credit Evaluation

The credit proposal evaluation is a lengthy process. So that valuable clients has been lost sometimes.

### + Required Information

The website of NRBGBL does not contain all required information about loan and advance.

### + Loan Sanctioned

For achieving profit target they sanctioned the loan in lack of mortgage. For that reason borrower not willing to pay their loan in due time.

### + Long Time Process

The process of sanctioning loan is done manually, so credit department takes long time.

### + High Interest Rate

NRB Global Bank high interest rates on loans that prevent customers from borrowing.

### + Economic Welfare

If we look at the historical background of NRBGBL, we see the objective of NRBGBL is to achieve profit as well as improve the economic well-being of the people.

### + Availability

CIB report is not readily available from Bangladesh Bank.

### + Marketing System

In Motijheel Branch, Marketing System is very poor to sell their product.

### **Proper Work**

But actually credit officers do not fill up the proposal from properly. Most of the cases they which assumption rather than exact figure.

### **Skilled Human Resource (HR)**

Skilled HR department is responsible for finding such talented manpower and placing them in right jobs in the banks. The HR management needs to think about the quantity and quality requirement in the banking sector and deal with the shortage in the skilled manpower supply in the sector efficiently.

### **Fund Availability**

Definition of Fund Availability, Available Funds is the amount of money that is in your bank account and available for immediate use.

### **Web Based information facilities**

Online banking, also known as internet banking is an electronic payment system that enables customers of a bank or other banking system to conduct a range of banking transactions through the banking system website.

## **5.2 Recommendations of NRB Global Bank**

Based on my experience in NRB Global Bank Limited as an experienced, I would like to give some suggestions.

### **Increasing money & More clients**

NRB Global Bank should increase their money on various projects for achieving more clients.

### **Attract Investors**

NRB Global Bank Limited will provide more small loans to corporate branches, so they can attract small investors.

### **Attract Customer's Attention**

NRB Global Bank Limited should reduce the interest rate of the loan to attract customer's attention to take the loan.

### **Specialist Personnel**

In order to provide better customer service in the corporate sector, they need to recruit of more specialist personnel in the loan & advance department.

### **Evaluation Process**

The credit proposal evaluation process should be summarized so that the valuable customers is not lost.

#### **Increase Competition**

NRB Global Bank Limited will increase competition in their credit product market.

#### **Foreign exchange & Remittance services**

NRB Global Bank Limited profit can pay attention to maximum foreign exchange and remittance services.








#### **Website Information Lacking**

The Banks website should be more informative that the customers will get all the information about the various activities and facilities of the bank.

### **5.3 Conclusion**

NRB Global Bank Limited is one of the most well thought of private banks in the country. The Credit Management System of NRB Global Bank Limited is quite well as well as their customer service. They have strengthened their credit management system through diversification of its investment among the different industries. But they have lots of other sectors to improve such as SME and retail sector. The management is more conscious about decision making and asset utilization and dedicated to enhance the performance of the credit management system. These changes in policy of the Bank will to help to strengthen the base of the Bank in the future.

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