



## **Internship Report**

**On**

**“An Analysis of Credit Risk Management of  
National Credit & Commerce (NCC) Bank Limited”**

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**An Analysis of Credit Risk Management  
Of  
National Credit & Commerce (NCC) Bank  
Limited**



17<sup>th</sup> December, 2018

Sayed Mahfujul Alam

Lecturer

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Dear Sir,

With due respect, I would like to submit the report on **“An Analysis of Credit Risk Management of NCC Bank Limited”** which was the topic of my internship program.

I believe that this internship program has given me a best opportunity to enrich both of my knowledge and experience. I have learned how a real business organization operates such as pre-screening all the documents, putting all necessary information in the system and many more services which are actually done by the department. I made my best effort to fulfill the objective of the report and believe that it will meet your expectation.

It is a pleasure to mention here that I am extremely grateful to you for your valuable guidance and attention when required in accomplishing the report. In preparing this report I have tried utmost to include all the relevant information to make the report comprehensive as well as workable one.

I, therefore, hope that you will enjoy reviewing this report.

Thank you.

**Farjana Binte Anwar**

## Acknowledgement

I have incurred many debts of gratitude over the last three months while preparing for this report. First and foremost, I would like to pay my gratitude to the almighty Allah for giving me the ability to work hard. The report titled, as “**An Analysis of Credit Risk Management of NCC Bank limited**” has been prepared to fulfill the requirements of BBA program. I am very much fortunate that I have received utmost and sincere guidance, supervision and co-operation from various persons while preparing this report. Many people have helped unconditionally in making this report.

First of all, I would like to thank my academic Supervisor of the internship report Sayed Mahfujul Alam sir, Lecturer of BRAC Business School, BRAC University, for his supervision, valuable time, assistance and constant guideline. Without his supervision the internship report would not be a quality one.

Secondly, I want to thank my office supervisor Mrs. Rehena Akter (Executive Officer) who welcomed me into the beautiful corporate world of NCC Bank Limited. She gave me the opportunity to have an excellent and enduring practical working experience, to go out of my comfort zone and learn to be more creative, challenging and confident. And also would like to thanks Md. Taiab Ali Khan (Branch Manager) and also thanks A.B.M. Zafar Riad (2<sup>nd</sup> Manager) for introducing me with the process and prospects of accounts related activities.

Finally, my sincere apology goes to the readers for any kind of unwanted mistakes.

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## Executive Summary

Banks in the private banking sector, National Credit and Commerce Bank (NCC) Ltd is one of the best growing and leading Bank in Bangladesh. They have a wide experience in domestic and international banking industry. In Last year the bank earned tk. 1,137.91 million against tk.1, 433.76 million. The bank achieved 102.56% profit in 2014. It operates with 101 branch and 2500 employees till 2017. Its operations performed under three major heads-General Banking Advance and Foreign Exchange. Advances are the major source of bank's income. This department plays a vital role in augmenting the bank's growth and earnings. Its various deposit & credit products have also attracted the clients-both corporate and individuals. The bank has already occupied a challenging position among its competitors after achieving success in all areas of banking operation.

NCC Bank Limited aspires to provide customers with complete Banking solutions by providing the good banking facility and their services also good. On the other hand NCC Bank helps to economy to increase it.

In the time of intern, I got the opportunity to use my accounting and financial term for three months as an intern at NCC Bank. Three month continuously learning and hard working at NCC Bank, helps me to prepare the term paper, it was the feedback of my internship time. Here, I am going to discuss about the basic overview of the NCC Bank Limited and its products, departments, my job responsibility as an intern and brief description about the Banking activities on Credit management and the 4 years performance of credit management.



# **Chapter -01**

## **Introduction**

## 1.1 Introduction

For a student internship is the most crucial and the ending part in their curriculum. It is the place where a student will meet the working environment and learn the way of working in the actual working place with official discipline. In the long four year study life students gain the theoretical knowledge but they can gain practical knowledge through the internee program.

As a student of BBA program I also have to prepare my internship report. I have done my internship program at National Credit and Commerce Bank Limited, Mirpur Road branch, under the accounting and finance department. Being a student of finance major, banks authority assigned a topic for my report is “**An Analysis of Credit Risk Management of NCC Bank limited**”. My organizational supervisor Mrs. Rehana Akter (Executive officer of NCC Bank Limited) and my institutional supervisor, Sayed Mahfujul Alam, Lecturer of BRAC University approved this topic. As credit is a challenge for any financial institution, in this report I have tried to explain all the information on credit management system of NCC Bank. I have analyzed five years financial reports, also discussed with the officers about the financial condition of NCC Bank. I have also made some recommendations to improve their credit management system by implementing new technological ways.

## 1.2 Statement of Problem

This report study is on “an Analysis of Credit Risk Management of NCC Bank limited” It Mainly focus on mitigating losses by understanding adequacy of banks capital, maximizing bank’s risk-adjusted rate of return by maintaining credit risk within acceptable parameter. Also some recommendation on improving investment strategies, future initiatives and avoiding weakness.

## **1.3 Objective of the Report**

### **Main Objective**

The primary objective of this report is to get the overview about credit risk Management of National Credit and Commercial Bank Ltd and to fulfill the requirement of my BBA program.

### **Specific Objectives**

The other objectives of this study are as follows:

1. To assess the lending and recovery procedure of NCC Bank Ltd. for the period of 2011-2015
2. To analyze the trend of loan and advances of NCC Bank Ltd.
3. To scrutinize the sector wise and geographical location wise concentration of loan and advance of NCC Bank Ltd.
4. To analyze the non-performing loan & advances of NCC Bank Ltd.
5. To compare Credit to Deposit Ratio, Capital Adequacy Ratio, Cost to Income, Return on Asset, Return on Equity with industry average.
6. To suggest better ways for enhancing the credit performance of the Bank.

## **1.4 Methodology of the study**

To attain the objectives this report is full of Primary and Secondary data.

### **Primary sources:**

- i. Direct conversation with respective officers and staffs.
- ii. Confrontation Clients in Interview.
- iii. Direct & Practical desk task.

### **Secondary Sources:**

- i. Data from Annual Report of NCCBL.
- ii. Data from the Monthly transaction record of this bank.
- iii. Ratio data collected from the Banks financial statement.
- iv. And the main sources of data from the Official Website of NCCBL.

All the collected data and relative information have been tabulated, processed, analyzed and graphically showed in order to make the study more informative, useful and acceptable.

## 1.5 Limitations of the study

Working in NCC Bank is a great opportunity .but for some internal policy I couldn't collect all the necessary information for the report. The limitations I faced are –

- i. They have some rules, regulations, norms, restrictions. So the officers did not disclose much information.
- ii. Annual reports were not that much informative.
- iii. Could not take interview of higher level authority.
- iv. As the branch as ne and the officers just joined, they could not help many of the times.
- v. Given time to prepare a report as not enough
- vi. Could not get chance to visit other branches to take interviews

## **Chapter-02**

### **Overview of NCC Bank**

## 2.1 Overview of NCCBL

National Credit and Commerce Bank (NCC) Limited has bears a distinctive history of its own. This institution came into existence it was establish as an investment company in the name and style of National Credit Ltd (NCL) on 25.11.1985 with its Head Office at 7-8, Motijheel C/A, Dhaka-1000.

To develop country's industrial and trade sector and playing a catalyst role in the formation of capital market as well the endeavor of the company was to mobilize resources from within and invest them in such ways so as to develop country's industrial and trade sector and playing a catalyst role in the formation of capital market as well. To fulfill its mission the company also gains membership of Dhaka Stock Exchange. This bank primarily started as an investment company then they gradually convert into the banking industry. Initial paid up capital was of this company (NCL) TK. 5 core at that specific time period. Its membership with the glance through helped the company to a great extent in this regard.

The company primarily start only with 16 branches in all over the Bangladesh up to 1992 and thereafter with the active inactive taken by the members of the Board of Directors and Management and with the permission of the Central Bank. On 17.05.1993 it was converted into a full-fledged private Commercial Bank in the name and style of National Credit and Commerce bank Ltd (NCCBL) with authorized capital of Taka 75.00 corer and paid up capital of Tk. 19.50 corer and the opened the way to serve nation from a broader platform. This Bank performed all operations are performed under three major heads- General Banking, Foreign Exchange and Advance Banking, to building banker- customer relationship General Banking has a great or major contribution. Advances is one of the major source of banking income, bank earn profit from this site. This department plays an important role in augmenting the bank's growth and earnings and developing. Foreign Exchange is another source of bank income. Foreign Exchange plays a vital role in facilitating export and import.

NCC Bank providing sincere personalized service to its customers in a technology based environment, from its invention NCC Bank Ltd. has acquired commendable reputation by.

In financing in the Industrial, the Bank has set up a new standard, trade and foreign exchange private and public business. NCC Bank also attracted the clients-both corporate and individuals only for them who feel comfort of doing business with the bank, by its various deposit & credit products.

## **2.2 Vision**

To become one of the adorable commercial Banks in serving the nation as a progressive and socially responsible financial institution by bringing credit & commerce together for increased Shareholders value and sustainable growth.

## **2.3 Mission**

To continue financial resources from within and abroad to contribute for developing the agriculture in Bangladesh and also to play a catalytic role in the formation of capital market NCC Bank will be at the forefront of national economic development by -

- i. Giving business solution to all customers and innovatively supplying them beyond the expectation.
- ii. Setting world class industry benchmark in delivering customer value through the comprehensive product range, customer service and all the activities.
- iii. Team based working environment building an exciting business that will attract, develop and retain employees of exceptional ability that will help to celebrate the success of bank's business, of bank's customers and of national development.
- iv. Maintain a highest ethical standards and a community responsibility worthy of a leading corporate citizen and also stable citizen.
- v. Aim to develop the continuously improving productivity and profitability and thereby increasing shareholders value.



## 2.4 Five Years Performance at a Glance (2013 – 2017)

Particulars	2013	2014	2015	2016	2017
Balance Sheet	Taka	Taka	Taka	Taka	Taka
Authorized capital	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00
Paid up capital	7,646.91	8,029.25	8,832.18	8,832.18	8,832.18
Statutory reserve	4,283.42	4,783.51	5,224.07	5,927.55	6,545.22
Other reserve (including general & assets revaluation reserve)	460.92	394.20	432.46	366.00	545.54
Retained earnings (Profit & Loss Account)	878.58	1,042.17	1,165.94	1,416.46	1,151.05
Shareholders' equity	13,269.83	14,249.14	15,654.64	16,542.20	17,073.99
Deposits	98,229.44	105,703.61	112,722.21	132,764.87	159,988.45
Loans and advances	88,167.20	90,920.77	104,854.73	126,003.48	146,633.84
Investments	19,908.32	26,568.66	21,457.59	23,958.16	29,403.28
Fixed assets	1,736.64	2,573.25	2,628.18	2,500.13	2,486.89
Total assets (excluding contra items)	124,042.70	135,159.52	146,369.95	172,706.23	202,309.46
Total assets (including contra items)	150,278.49	169,681.09	180,622.89	214,046.51	256,665.41
Earnings per share (EPS)	1.49	1.70	1.54	2.35	2.00
Number of branches	101	103	104	106	109
Number of employees	2192	2277	2296	2310	2146

Table 1: Five years performance of NCCBL at a Glance (2013-2017)

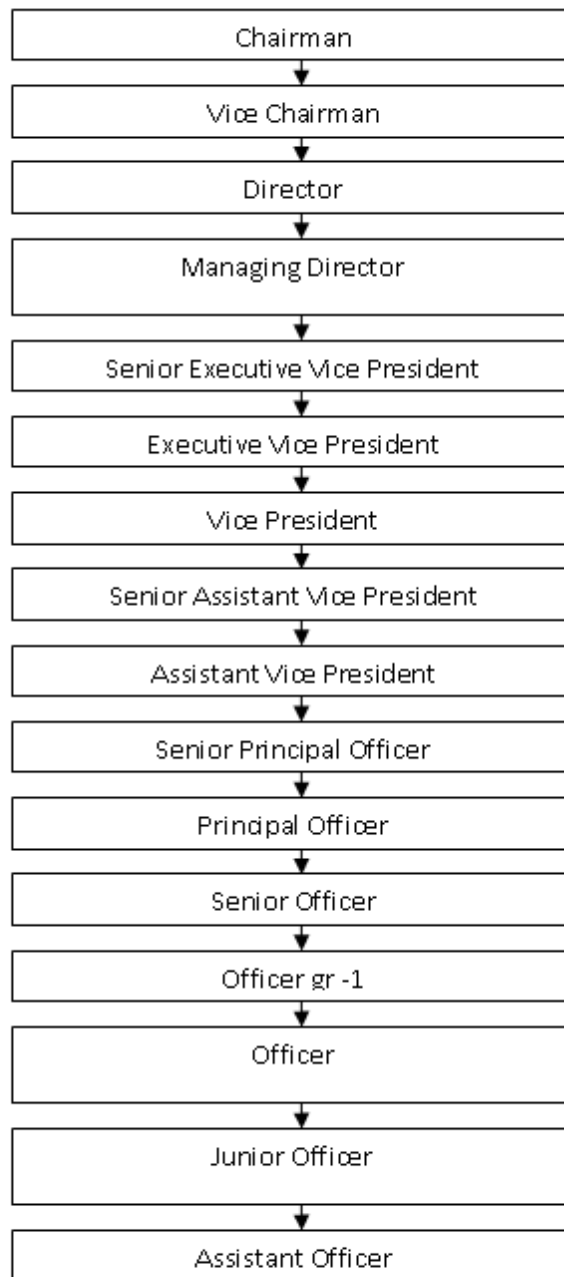


Figure 1: Hierarchy position of NCC bank

## **2.6 Products of NCC Bank:**

Financial products and services products of NCC Bank for its customers are mainly classified under:-

1. Generate Funds for Depository Products.
2. Financial Gain to Lending Product.
3. Money Transmission Product.
4. International Business Products.
5. Fee Earning Services.
6. Voluntary Services Products

### **2.6.1 Deposit Products:-**

- i. Current Deposit
- ii. Short Term Deposit
- iii. Savings Bank Deposit
- iv. Fixed Deposit
- v. Special Savings Scheme Deposit
- vi. Special Deposit Scheme

### **2.6.2 Lending products:**

#### **i) Continuous Loan:**

- Secured Over Draft
- Secured Over Draft Against Work Order /Real Estate etc.
- Cash Credit
- Cash Credit (Pledge)

**ii) Term Loan:**

- Project Loan
- Transport Loan
- House Building Loan
- Lease Finance

**iii) Demand Loan:**

- Loan General
- Ship breaking Demand Loan
- Documents Payment
- Loan against imported Merchandise
- g) Credit for Packing
- h) Overdraft Cash Incentive
- Documentary Foreign Bills Purchased (FDBP)
- Foreign Bill Purchased(FBP)

**iv) Other Loan:**

- Small Business Loan
- Consumer Finance Scheme
- Lease Finance
- Personal Loan
- Working Capital Loan
- Car Loan

**v) Agro Credit:**

- Agro-based Credit
- Crop Loan

**vi) Special Credit Product:**

- Credit Card
- Financing Scheme
- House Loan

**vii) Loan Product for Wage Earners:**

- Mortgage Loan
- House Building Loan
- Advance Remittance.

## **2.7 SWOT Analysis**

SWOT analysis is one kinds of judgment about a specific company's strength, weakness, opportunity & threats. SWOT analysis is one of the most important things for every company.

SWOT analysis of **NCC Bank Limited** is as follows:

**Strengths:**

NCC Bank always tries to provide quality service to their client's compared to its other competitors. On line banking service will recently introduce very recently which will enable it to automate all of its operation. They are the member of SWIFT (Society for Worldwide Interbank Financial). A big goodwill is archived by NCC Bank among the clients that help it retain the valuable clients.

**Weaknesses:**

Delegation of authority is centralized that's the main reason for employee to realize less responsibility for NCC bank limited. Annual Confidential Report (performance evaluation form of the employee) uses no substantive, to reward and to punish the employee. That's why the scope of using ATM card is going down. All the officers do not know how to use computer

properly and also computer facility for all the officers is not available for the employee. The bank has lack of research and development division.

**Opportunities:**

The bank has big opportunities to introduce more innovative, fruitful and modern products and services for the entire customer. NCC Bank can offer micro credit business and small businesses for individual. It can diversify its portfolio and risk management by investing into the new sector. NCC Bank can recruit more efficient and effective employee to enhance the banking sector in Bangladesh.

**Threats:**

Bangladesh have already hug well establish bank. So it's a big threat for new bank to become default. All the Bank and multinational Bank are capturing big market within a short period of time and resulting to switch over the existing customers of the bank as well as the fast growing local banks with modern products and services.

## **Chapter-03**

### **Job Responsibility as an Intern at NCC Bank Limited**

### 3.1 Job Description

I was worked in the credit management or general banking division in The NCC Bank Limited. I got the opportunity to work in different sector of banking area. I also guide the entire customer how to open a new account and also my responsibility was to maintain the remittance side, like import and export of remittance. When a customer enters in the bank it's an intern's duty to guide him or her to the right service area with the right token. Provide guide to the customer its help me to improve the operational efficiency, risk mitigation and continuous improvement.

I also worked in NCC Bank in different sector; I mentioned it in bellow,

- Account Opening
- Form Fill up
- Card Delivery
- Account and Activation Process of Dormant Account
- Nominee, Signature or Address Change of Existing Account, NID number etc.
- Account Close
- Printing thanks letter and sending them to account holder
- Checking all the documents needed for different accounts of customers
- Loan sanction procedure
- Distributing ATM cards



## 3.2 Learning Outcome

From this internship program my learning objective is huge. I have learned lots of new job that is done by a bank. Till now I have here visited a bank as a customer. I learn from here how to work under the pressure and introduce with the corporate life. When I joined as an intern, I learned that how each and every work is done by the officers systematically as well as very carefully. My learning outcomes from this internship experience are discussed below:

- Continuously working 8 hours in corporate life makes I experienced.
- Observed how a bank plays with money.
- Learned how to deal with customers and understand about their demand and need, understand the need find the gap and treat them according to their need.
- Build strong business relationship and continue work it for long term.
- Working with colleagues and learn how to introduce myself with new corporate life.
- Provide the higher concentration during the working hour.
- No mistake capacity
- Learned how to face challenge and overcome it and deal with the problem.
- How to work under pressure and work with honestly.

## **Chapter-04**

### **Overview of credit management**

## 4.1 Credit

Credit derives from “credo” its meaning “I believe” Credit comes from the Latin word. It’s a product for a bank they manage money by providing the loan to the customer and earn money they invest it. A bank provides money to the customer against the interest customer will back the money to the bank with interest that’s call Loan or credit. National Credit & Commerce Bank usually grant short-term loan and advances, which are utilized to meet up the working capital requirements of the borrower and lender. In regular repayment by the borrower in installments small portion of a bank’s demand and time liabilities is advanced on long-term basis where the banker usually insists on a Bank.

## 4.2 Different Advances Offered by NCCBL

		Advances		
Types of Loan		Overdrafts	Cash credits	Types of Discounts
Loan General	SOD (FO)	Pledge	Inland Bills Purchased	
Housing	SOD (G)	Hypothecation	Foreign Bills Purchased	
Loan			FDBP & Discounted	
Loan against Imported Merchandise			Payment against document	
Housing loan			LDBP	
Loan Against Trust Receipt				
Loan Against Packing Credit				
Transport Loan				
Project loan				
Demand Loan				
Consumer Finance				
Lease finance				
Small Business Loan				
House renovation Loan				
Personal Loan				
Festival small business loan				

Table 2: Different advances offered by NCC bank

### 4.3 Overdrafts

Overdraft is all about an arrangement between a customer and banker via this the letter is allowed by the customer to withdraw over his credit balance. This facility only can get the current account holder up to an agreed limit. It is a topical land place usually accepted against some securities. Borrower is always is allowed to draw and pay any number to times, provided the total amount drawn and not for the whole amount sanctioned.

- **Secured overdraft:** It is one kinds of loan which has collateral in the form of a lien. Lien is one kinds of mortgage.
- **Unsecured overdraft:** It is one kinds of unsecured loan. These kinds of loan are us when a customer borrows a little amount of loan.

### 4.4 Cash Credit

Cash Credit is one type of short-term advance which is continues. ‘In this system, the banker set a limit this is called the “cash credit limit” for each and every customer, up to which all the customer is have positive permit to borrow against the security of visible assets or guarantees.’ There are two types of cash credit are available in NCC Bank Limited,

- **Cash Credit (Hypothecation)**

Hypothecation is one kinds of cost for company for a debt, but neither ownership nor possession passes to the creditors. Under hypothecation, both ownership and possession remain under debtor not creditor.

- **Cash Credit (Pledge)**

In cash credit (Pledge), possession of goods passes to the bank. It is allowed for promoting trade, commerce and industries of the country against pledge of stock in trade under Bank’s control.

## 4.5 Loans

Under the loan system, credit is given for a definite purpose and for a predetermined period. Normally, these loans are repayable in installments. Some major loans of the bank are described as under:

- **Loan General**

When an advance is occurred in lump sum repayable either in fixed monthly installments and no subsequent debit are ordinarily allowed except by way of interest, incidental charges etc. called general loan. Generally, when the advance can't be classified into any category, it is considered as 'Loan General'.

- **House Building loan**

In order to solve financial incompatibility to make a house, the bank offers this loan to middle class people. Period of loan is maximum 5 years. Limit of the amount of the loan depends on the customer banker relationship.

- **Loan against imported merchandise (LIM)**

LIM is a temporary loan and allowed against imported goods. LIM may be created at the request of the importer while he is not in a position to take delivery of import bills by making payment of entire bank dues.

- **Loan against trust receipt (LTR)**

LTR is also a temporary loan and allowed to the customer against their application on the basis of only trust which is generally built on good customer- banker relationship. After sanction of LTR, import bills are handled over to the importer who will clear the goods from the custom authorities by making payment duty, VAT and other charges.

- **Loan against Packing Credit:**

Packing credit is a short term advance granted by bank to an exporter for assisting him to buy, process, packs and ships the goods. The credit is gradually extended for payment of freight, handling charges, and insurance and export duties.

- **Consumer finance scheme:**

The Scheme aims at improving the standard of living of the fixed income group. Here the clients may secure loan facilities at easy installments to procure household amenities. It meets household needs of service holders: Furniture/ TV/ Refrigeration & others house-hold durables.

- **Lease finance scheme**

An entrepreneur, under this scheme, may avail of the lease facilities to procure industrial machinery (without having to purchase it by down payment) with easy repayment schedule.

- **Small business loan**

This loan is introduced for smooth expansion of business of small entrepreneurs who are honest, sincere & promising. It diversifies bank's lending with the requirement of the time. Its 'Credit Ceiling' is Up to tk. 5.00 Lac and term is 2-5 years.

- **House renovation loan**

The purpose of the loan is to help genuine house or flat owners to undertake repairing or renovation works for better living or increased rental income. 'Credit ceiling' of the loan is Up to tk. 5.00 Lac and Term is 5 year.

- **Personal loan**

The loan serves the purpose of meeting emergency financial expenses of service holders such as Medical treatment, Marriage, Maternity, Admission of Children, Purchase of banks, Exam fees etc. Credit Ceiling of the loan is Up to tk. 1.00 Lac and Term is at least 6 month but not more than 3 years.

- **Festival Small Business Loan Scheme (FSBLS) :**

This is one of the innovative products of NCCBL. The main 2 factor of this loan is this loan fully applicable for festival purpose and only for small businessman. The requirement of loan is not very high but which have beneficial effects for the small businessman who requires extra finance to stock the goods to cope with market demand especially during the festival time to run their business smoothly.

#### **4.6 Credit policy of NCCBL**

NCCBL Credit policy contains the views of total macro-economic development of the country as a whole by way of providing financial support to the Trade, Commerce and Industry. Throughout its credit operation NCCBL goes to every possible corners of the society. They are financing large and medium scale business house and industry. At the same time they also takes care entrepreneurial development through its operation of from operational aspects it is observed that as a matter of policy -

- It put emphasis on the customer, ‘Man’ and “Business not only on the Security” in selecting borrowers.
- It takes care of diversity in Credit Portfolio.
- It takes care in maintaining proper ‘Mix’ of short, medium and long term finance in its credit portfolio.
- Charging of interest is flexible depending on insisting of the proposal and the customer.

#### **4.7 Credit Sanctioning Authority of NCCBL**

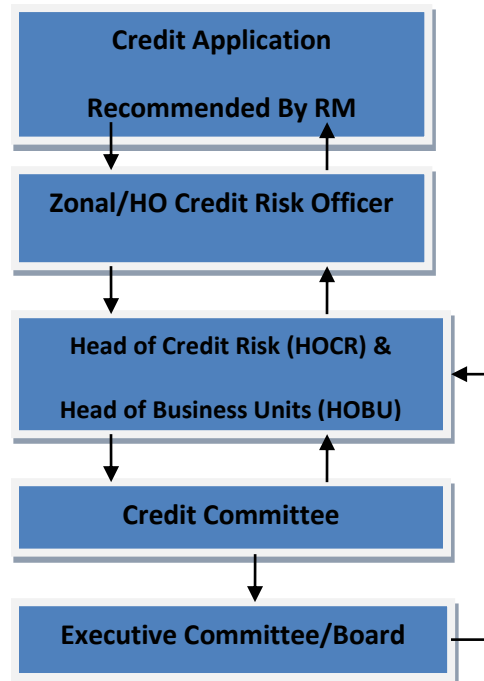
NCCBL believes in decentralization of power and authority. In order to implement the system of delegation of power effectively and to derive the desired benefit for the bank as well as the executive concerned, bank has developed a system to ensure that delegated authority exercised by the executive can be evaluated realistically and qualitatively.



The basic guideline they follow to achieve the objective of delegation of authority is –

- The Managing Director can exercise all the powers vested in other executives of the bank.
- Other than Managing Director, the executives only to when such power is delegated exercise the delegation of powers.
- The Managing Director may suspend exercise of delegated power of any executive through specific or general order.

The approval process reinforces the segregation of Relationship Management/Marketing (RM) from the approving authority. The credit subsequently approved by proper approval committee. The procedure for all the business units is shown under:

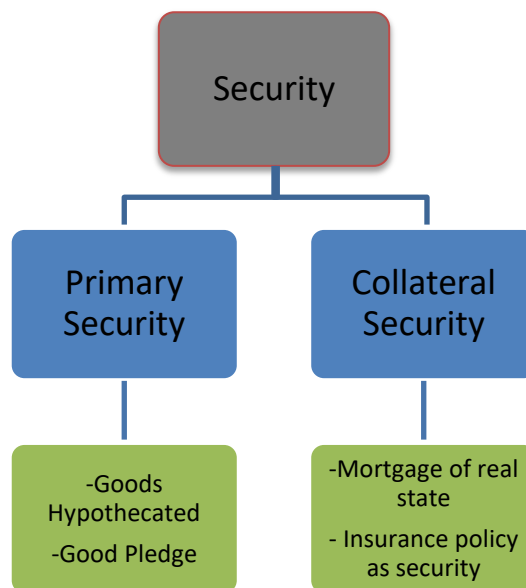


**Figure 2: Approval process of credit sanction**

## 4.8 Security loans

Security offered against loan may be various. The securities may vary from gold and silver to goods of various types, immovable properties, life insurance policies, stock exchange securities, promissory notes etc. a prudent banker always tries to take tangible assets as securities to safeguard his interests.

## 4.9 Generally, security has two types

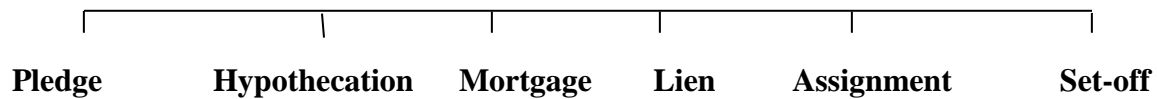


**Figure 3: General security types**

- 1. Primary security:** This is the main cover for an advance. This is deposited by the borrower himself.
- 2. Collateral security:** This is the additional or subsidiary or secondary security. This is resorted to after exhausting all possibilities of recovery.

## 4.10 Methods of Creating Charges on Security

The bank can create charges on the borrower's security by the following methods:



- **Pledge:** It is the 'Bailment of goods as security for payment for a debt or performance of a promise'. The possession of security is passed to the bank.
- **Hypothecation:** It is the charge against property for an amount of debt where neither ownership nor actual possession is passed to the bank.
- **Mortgage:** 'When a customer offers immovable property like land and building as security for a loan, charge thereon is created by means of mortgage.
- **Lien:** It implies right of the creditor/ bank in possession of goods or securities belonging to a debtor to retain them until a debt due from the latter are paid.
- **Assignment:** It means a transfer by one person of a right, property or debt (existing or future) to another person. Some examples are--

Contract money due from the government and semi government body

- Supply bills
  - Book debts
  - Life insurance policy, etc.
- **Set-off:** It means the total or partial merging of a claim of one person against another in a counter claim by the latter against the former.

## **Chapter-05**

### **Credit Risk Management of NCC Bank**

## **5.1 Credit Risk Grading**

A Credit Risk Grading deploys a number/ alphabet/ symbol as a primary summary indicator of risks associated with a credit exposure. Credit Risk Grading is the basic module for developing a Credit Risk Management system. It helps NCCBL to understand various dimensions of risk involved in different credit transactions. The aggregation of such grading across the borrowers, activities and the lines of business can provide better assessment of the quality of credit portfolio of NCCBL. The credit risk grading system is vital to take decisions both at the pre-sanction stage as well as post-sanction stage.

## **5.2 Functions of Credit Risk Grading**

Well-managed credit risk grading systems promote bank safety and soundness by facilitating informed decision-making. Grading systems measure credit risk and differentiate individual credits and groups of credits by the risk they pose. This allows bank management and examiners to monitor changes and trends in risk levels. The process also allows bank management to manage risk to optimize returns.

## **5.3 Applications of Credit Risk Grading**

- The Credit Risk Grading matrix allows application of uniform standards to credits to ensure a common standardized approach to assess the quality of individual obligor, credit portfolio of a unit, line of business, NCCBL as a whole.
- CRG provide a quantitative measurement of risk which portrays the risk level of a borrower and enables quick decision making,
- Risk grading is also relevant for surveillance and monitoring, internal MIS and assessing the aggregate risk profile of NCCBL. It is also relevant for portfolio level analysis.
- CRG provide a quantitative framework for assessing the provisioning Requirement of NCCBL's credit portfolio.

## 5.4 Procedures of Credit Risk Grading (CRG)

### 5.4.1 Analysis of Financial Risk

<b>Financial Risk</b>	<b>50%</b>
Coverage	5%
Profitability	15%
Liquidity	15%
Leverage	15%

### 5.4.2 Analysis of Business Risk

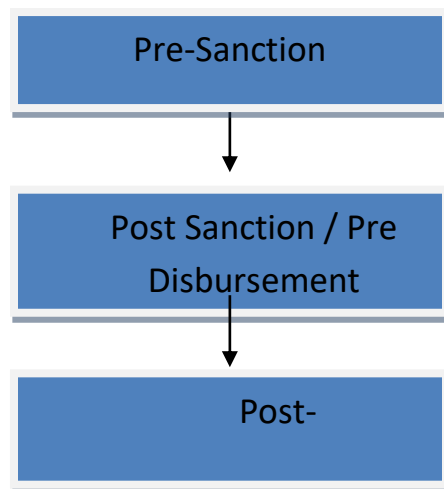
<b>Business/Industry Risk</b>	<b>18%</b>
Size of Business	5%
Age of Business	3%
Business Outlook	3%
Industry growth	3%
Market Competition	2%
Entry/Exit Barriers	2%

### 5.4.3 Analysis of Security Risk

<b>Security Risk</b>	<b>10%</b>
Security coverage	4%
Collateral coverage	4%
Support	2%

## 5.5 Lending Process

The main function of commercial bank is to take deposit and invest this fund. But in the process of lending it has to safeguard the depositor's money as well as business of the bank. Therefore proper management supervision and follow-up is very important in the lending and recovery process. NCCBL follows a three step process firmly to supervise and follow-up the lending and recovery process.



**Figure 4: Lending process**

## 5.6 Pre-sanction Stage

The very supervision of loans starts during pre-sanction stage. At this stage credit investigation is very important as it involves selection of right and qualitative borrower. The following steps are conducted to make sure that the loans are authorized to the right persons.

### **Information collection**

- Credit information bureau of Bangladesh Bank.
- Declaration of the party with regard to liability with other banks, financial institutions.
- Account performance, reputation, track record, repayment capacity through NCCBL internal sources.

## **5.7 Post-sanction/Pre-disbursement**

Proper documentation and securitization is very important at this stage for safety of the credit facility to be extended and enabling NCCBL to liquidate the loan liability in the event of the borrower's default.

Proper documentation serves three basic purposes to NCCBL:

1. Borrower's unqualified assets of availing credit facility.
2. Bank's legal right created to securities offered as loan.
3. In case of default, the documents can be placed before court for a decree to realize the dues.



## 5.8 Principle of Sound Lending

Risk relate with advance may be have at minimum if sound lending are principles are followed:

- **Safety:** To ensure the safety of lending NCCBL follows the following factors:

Factors needed.

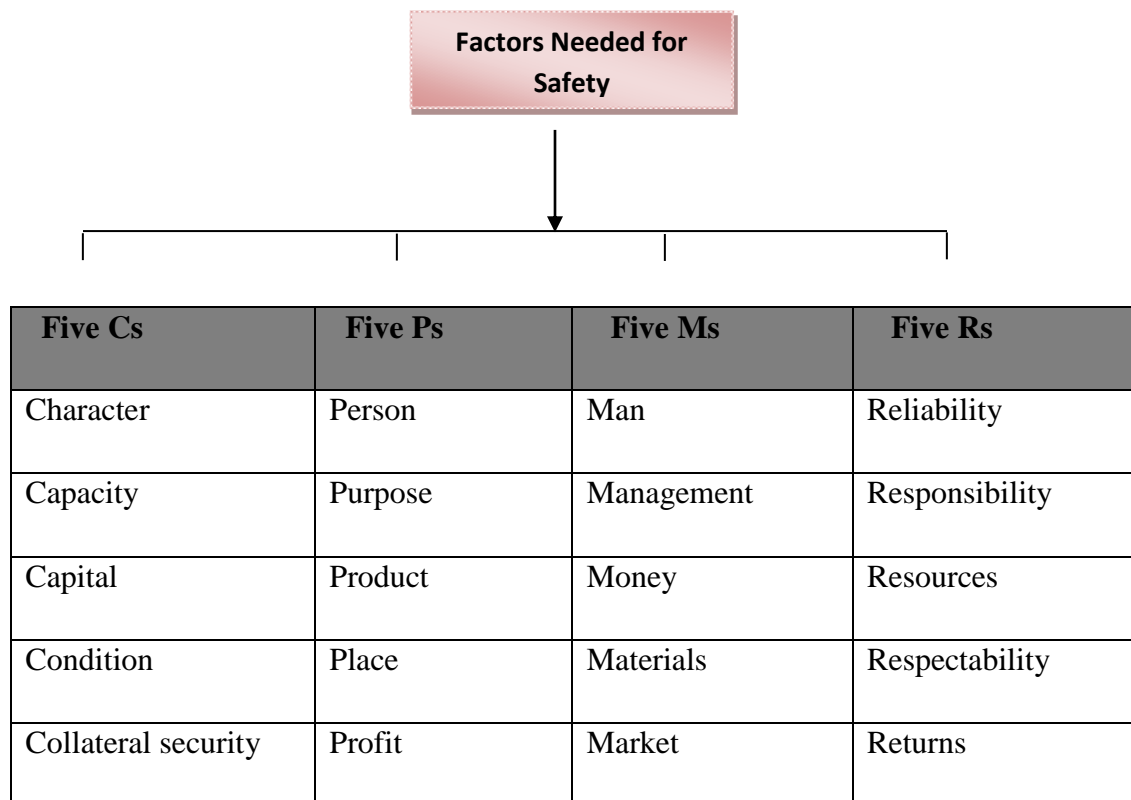


Table 3: Factors needed for safety

- **Purpose:** Purpose of providing loan is a sensitive point to know about the customer. Weather the customer is or good. It helps the Banker to know the course of action of the borrower as regards landing. So, the banker can have the idea whether the loan will be in productive purpose or not.
- **Liquidity:** Every Bank has to keep enough liquidity in their locker because of fulfill the demand of customer. If customer cannot get the amount when they need then they will dissatisfied and transferred their specific bank.

- **Security:** All the bank when they provide loans to the borrowers then they take collateral or security against the loan because of the safety purpose of this loan. If the borrower don not able to provide the loan back to the bank then the bank will repay their loss by sale this security.
- **Profitability:** Profit is the blood for every business. Without blood a person cannot live same to same without profit a business cannot run for long time. So when bank is going to provide the loan to the borrower then they analyst about the provable profit of this business.
- **National interest:** A bank also has to think about the development of the economy of a country, if they only think about them then it will be the unethical work.

## 5.9 Five C's of Analysis Credit

**Character:** In character stage bank always try to judge a customer his or her credit history. In past is he properly maintaining his previous credit or he make mistake. Bank generally judges this side.

**Capacity:** Capacity means the customer is able to repay his credit in time or not, bank generally this side in this stage.

**Capital:** Capital means the investing source, that a customer want to investing his credit on a specific sector is this sector is profitable or not bank basically judge it.

**Collateral:** For example I receive a credit of take 40000 from NCC Bank. Against this 40000 taka I have to keep something collateral to the bank which value has to equal 40000. This is called collateral.

**Conditions:** During the borrower take loan bank always give some conditions to the customer for the safety of their money a customer have obey this conditions.

After measuring this 5 CS a bank then take the decision that the bank will provide the loan or not. They judge the customer by bellow grading scale.

The following table will represent the different categories according to their score along with their short name.

<b>GRADING</b>	<b>SHORT NAME</b>	<b>NUMBER</b>	<b>SCORE</b>
<b>Superior</b>	<b>SUP</b>	<b>1</b>	<b>100% Cash covered, Government guarantee, International Bank guarantee</b>
<b>Good</b>	<b>GD</b>	<b>2</b>	<b>85+</b>
<b>Acceptable</b>	<b>ACCPT</b>	<b>3</b>	<b>75-84</b>
<b>Marginal/Watch list</b>	<b>MG/WL</b>	<b>4</b>	<b>65-74</b>
<b>Special Mention</b>	<b>SM</b>	<b>5</b>	<b>55-64</b>
<b>Sub standard</b>	<b>SS</b>	<b>6</b>	<b>45-54</b>
<b>Doubtful</b>	<b>DF</b>	<b>7</b>	<b>35-44</b>
<b>Bad &amp; Loss</b>	<b>BL</b>	<b>8</b>	<b>&lt; 35</b>

## 5.10 Trend of loans and advances of last five years of NCCBL (2013-2017):

Loans and advances both are debt provided by financial institutions to customers but the difference is duration. Advance is payable within one year while loans are payable more than one year.

Year	Trend Loan and Advance
2013	3901.32
2014	4285.54
2015	4,862.41
2016	6,735.52
2017	7,409.95

Table 4: Trend of loans and advances

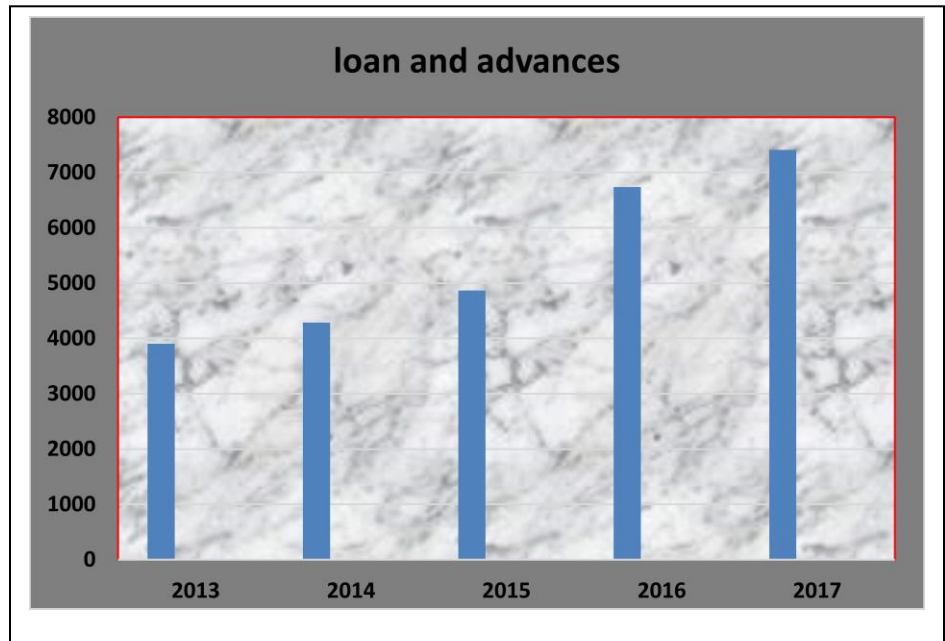


Figure 5: trend of loans and advances (2013-2017)

**Analysis:** In this graph we can see that here in the year 2013 loan and advance was 3901.32, and after this the performance of this bank is gradually increase. In 2015, 2016, 2017 the loan and advances of this bank was 4862, 6735 and 7409 respectively. Now we can say that the loan and advances of NCC Bank is quiet good, they have to hold this performance.

## 5.11 Non-performing loan & advances of NCC Bank Limited

Nonperforming loan means the loan which has no profit. Non-performing loan is generally occurring for the holding of Bank reputation and banking rank in the banking industry. When a bank invest without interest or 0 (Zero) interest then non-performing loan is occur.

Years	Nonperforming
2013	2,455,670,000
2014	3,765,430,000
2015	4,862,410,000
2016	6,735,520,000
2017	7,409,950,000

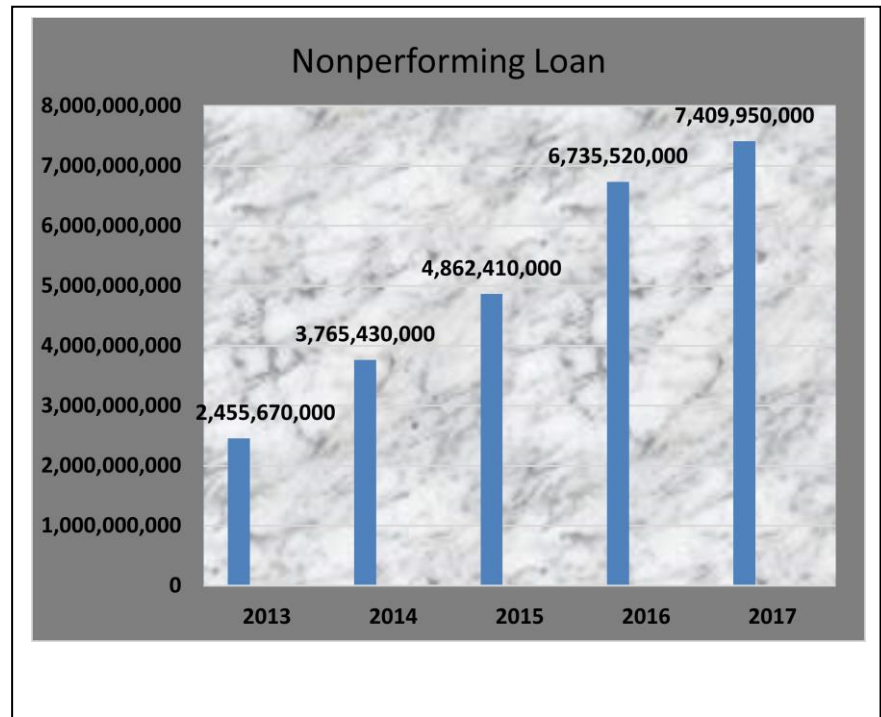


Table 5: non-performing loans and advances

Figure 6: Non performing loans and advances (2013-2017)

**Analysis:** The overall performance of Non-performing loan & advances of NCC Bank Limited was good. In this graph we can see that here the NPL is gradually increase over the period of time, but too much nonperforming loan is not good for the company because of threat of company loss.

**Chapter-06**  
**Financial Analysis**

In this part we by and large attempt to talk about the 5 credit execution of NCC Bank restricted. This is Credit Deposit Ratio, Return on Equity, Return on Asset, Cost Income Ratio, and Capital Adequacy Ratio. This 5 proportion help to pass judgment on an organization execution.

### 6.1 Credit Deposit Ratio

$$\text{Credit Deposit Ratio} = \frac{\text{Total Advance}}{\text{Total Deposit}}$$

Year	Credit Deposit Ratio
2013	75.45%
2014	79.98%
2015	83.00%
2016	77.41%
2017	83.57%

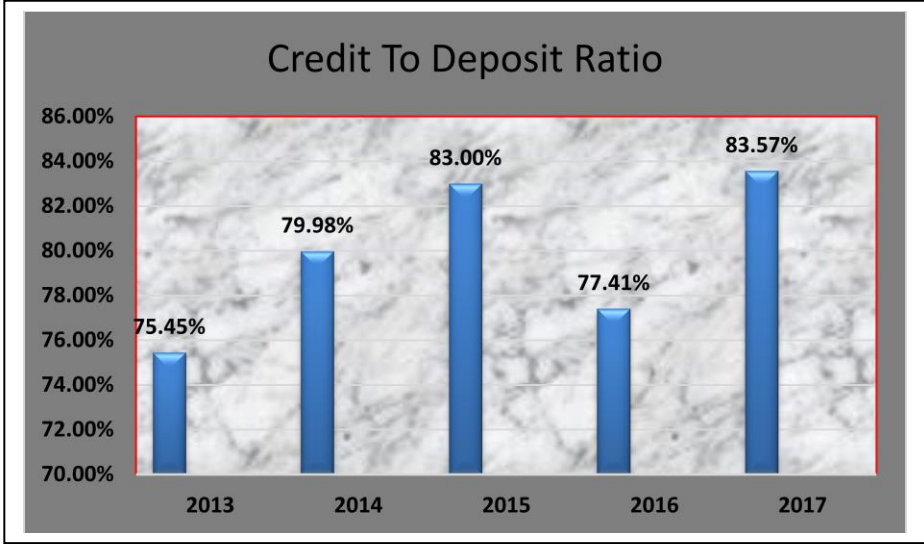


Table 6: Credit deposit ratio

figure 7: credit deposit ratio (2013-2017)

**Analysis:** This chart demonstrates the Credit to Deposit proportion of NCC Bank Limited. In this diagram we can see that here NCC Bank credit to store proportion execution is great. In 2013 here 75.45%, and in 2015 the credit to store proportion is 83.00% however in the time of 2016 this execution is get somewhere around 77.41%, and after this its expansion by 83.57%. From this diagram we can see that here the execution is really ups and down.

## 6.2 Return on Equity

$$\text{Return on Equity} = \frac{\text{Net Income}}{\text{Shareholder Equity}}$$

Year	Return on Equity
2013	8.20%
2014	8.50%
2015	8.96%
2016	10.87%
2017	9.12%

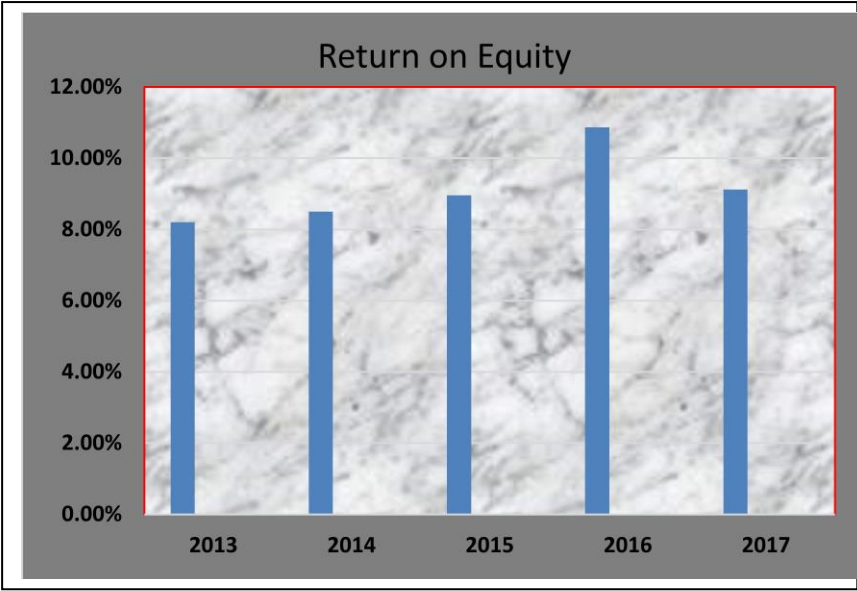


Table 7: return on equity

Figure 8: return on equity (2013-2017)

### Analysis:

In this diagram we can see that here profit for value is great, in the most recent year NCC Bank execution is getting down a tad, from 10.87% to 9.12%. Generally execution is great. On the off chance that we investigate the execution, we can see that in 2013 the RE was 8.20% at that point till 2016 the RE is increment and after this year RE is diminish by 9.12% in 2017.



## 6.3 Return on Asset

$$\text{Return on Asset} = \frac{\text{Net Income}}{\text{Total Assets}}$$

Year	Return on Asset
2013	1.01%
2014	0.98%
2015	0.91%
2016	1.16%
2017	0.97%

Table 8: return on asset

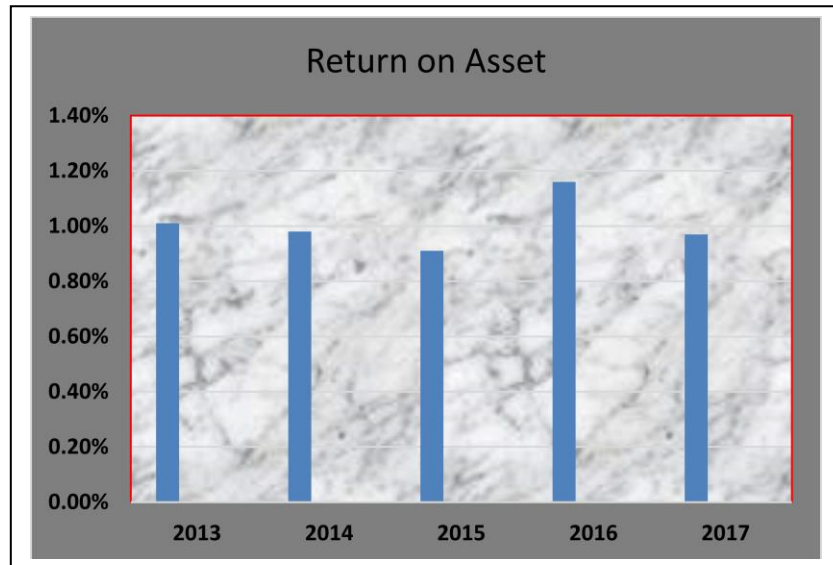


Figure 9: return on asset

**Analysis:** This chart for the most part demonstrates the Return on Asset of NCC Bank Limited. In this chart we can see that here RA is fractural. We found that in 2011 the RA was 1.01% then its steadily diminish following 2 years by 0.98% and 0.91% and after that time the RA is increment in 2014 by 1.16%, and after this in 2015 the RA is again diminish by 0.97%. At that point we take generally speaking choice then we can state that NCC bank RA is great however their execution if ups and down which isn't great.

### 6.4 Cost Income Ratio

$$\text{Cost Income Ratio} = \frac{\text{Total Operating Cost}}{\text{Total Operating Income}}$$

Year	Cost Income Ratio
2013	38.56%
2014	40.78%
2015	39.10%
2016	42.64%
2017	44.38%

Table 9: cost income ratio

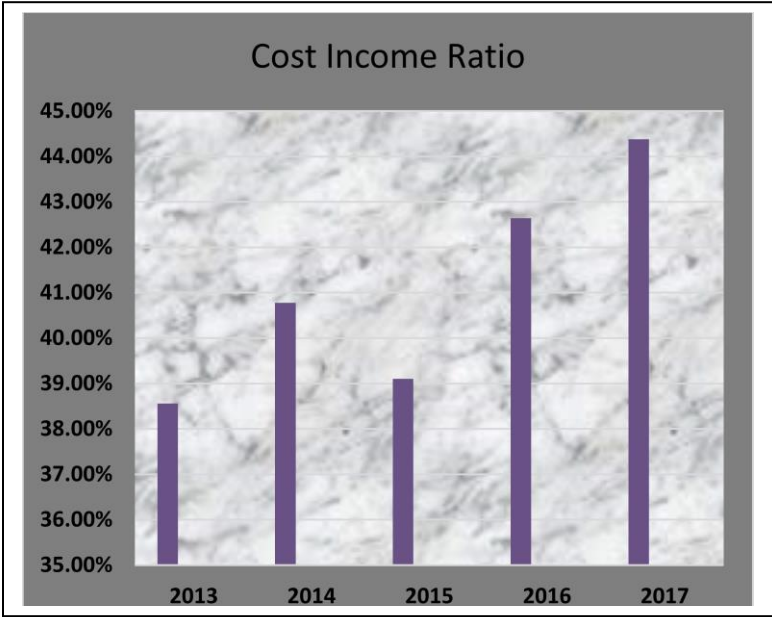


figure 10: cost income ratio (2013-2017)

**Analysis:** This chart by and large demonstrates the Cost to Income proportion of NCC Bank Limited. The expense to Income proportion isn't great in first 3 years for the most part 38.56%, 40.78% and 39.10%, yet in most recent 2 years the CIR was equivalently great by 42.64% and 44.38%

### 6.5 Capital Adequacy Ratio

$$\text{Capital Adequacy Ratio} = \frac{\text{Tire Capital}}{\text{Risk Weighted Assets}}$$

Years	Capital Adequacy Raito
2013	10.40%
2014	10.50%
2015	11.87%
2016	13.42%
2017	13.52%

Table 10: capital adequacy ratio

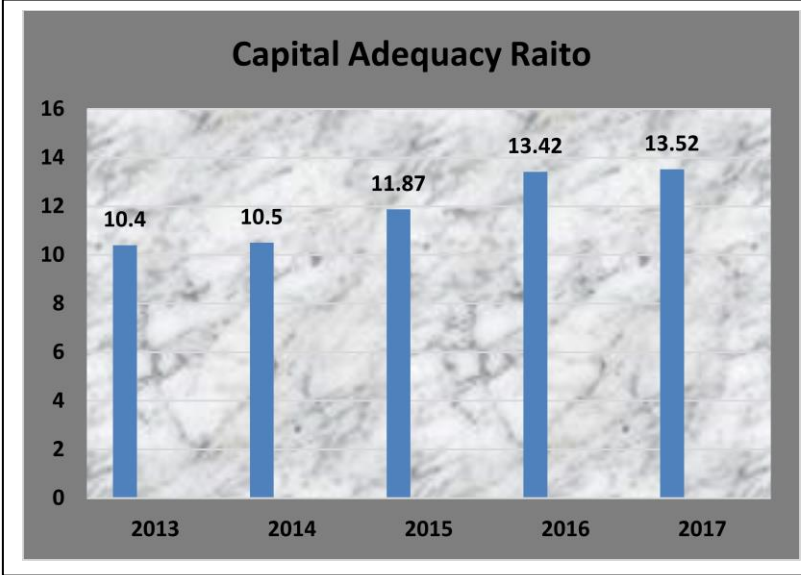


Figure 11: capital adequacy ratio

**Analysis:** Vehicle (Capital Adequacy Ratio) is by and large demonstrates the limit of capital of NCC Bank restricted. In this chart we can see that the execution of CAR was great. From the time of 2011 till the year 2015 it's step by step increment by from 10.4% to 13.52%.

## **Chapter-07**

### **Recommendations & Conclusion**

## 7.1 Summary of Findings

- Loans are not appropriately expanded to various parts for which credit chance increments.
- Some clients Hide data/not give genuine data about them while going out on limb increments.
- Sometimes it is hard to gather fundamental report so hazard increments.
- Loan takers are hesitant to investigate his genuine salary it additionally shows to credit hazard.
- In dislike of having solid methods in relationship with advances, appropriate execution of those systems isn't seen.
- Sometimes Mortgage against advance isn't accessible it additionally expands credit chance.
- Sometimes the bank can't give advance as indicated by customer's motivation as the bank's credit portfolio isn't so more extensive.
- Some of customers don't use the 'advance sum' for the reason which they didn't recognize the bank previously. It turns into the reason for characterized credit.
- There is an absence of appropriate observing framework subsequent to authorizing credits and advances. Also, this can be a reason for ordered advance.
- One of the issues ahead of time is– 'Financing cost Gap' which implies the negative hole between financing cost on store and financing cost on credits and advance. It shows the bank to credit hazard.
- Sometimes Govt. strategy for credit in managing an account business isn't ideal for which hazard increments.
- Performance of LTR was well however Bank gives it just based on trust with no security as insurance so hazard is high on LTR.

- Its primary worry to momentary advance at that point long haul advance which likewise increment credit hazard.
- When giving advance insurance isn't effectively determined by market circumstance with the goal that it additionally increment credit chance.
- There is an absence of legitimate commercial for various credit plan of the bank. It makes the client oblivious about the bank's credit benefit.

## 7.2 Recommendations

- The bank may legitimately broadened credits to various parts.
- The bank may urge customer to give genuine data about them and pay while taking credit.
- It can genuine in gathering basic record while conceding advance to limit credit hazard.
- It can endeavor to diminish the financing cost on advance as indicated by the revelation of the Government with the goal that danger of default may diminish.
- Proper and successful checking framework can be created with the end goal to counteract advance default. The bank may entirely pursue the 'vital of sound loaning'.
- The execution of the long haul credits is particularly encouraging. The extent of long haul credits is low contrasted and the transient advances. The expert ought to consider the factor and survey there approach of loaning in long haul offices
- It can have free progressing credit reports for the governing body and senior administration to guarantee that the bank's hazard exposures are kept up inside the parameters set by prudential measures and inner cutoff points.
- Advance strategy ought to be entirely trailed by the officers of this division to make a surprising standard.

- It may precisely keep measure of arrangement for ordered and unclassified credit guided by Bangladesh Bank.
- An organized hazard reviewing manual for each authority of the credit division is required with the end goal to keep up control in credit related work.
- It can acquaint viable exercise programs with oversee chance in their portfolio.
- The methodology for borrower choice can be entirely pursued.
- Provide ceaseless preparing programs for the workers for credit chance administration, with the goal that their aptitudes are produced and they turned out to be more effective
- Small business advance plan is the trouble zone of the credit arrangement of NCCBL. Unique consideration can be taken to lessen the dimension of grouped advances of these sorts.
- Banks may have interior controls to guarantee that credit approaches are clung to. These may incorporate directing intermittent interior reviews of the credit hazard procedures to recognize the zones of shortcoming in the credit organization process.

### 7.3 Conclusion

The benefit pulverizing intra industry rivalry in the managing an account industry makes a bank's task testing to crush out any irregular benefit. In such circumstance, with a tremendous money related qualities and brand picture, NCCBL is serving the neighborhood individuals of Bangladesh by offering broadened managing an account administrations. Doing remarkable execution and being the overwhelming among the business in this vicious aggressive circumstance depends on the interior qualities as well as on the outside circumstances. Considering this effective convenient and refreshed corporate methodology makes an exit plan for an association to achieve the coveted position. NCCBL is such a bank which could develop its size in keeping money industry of Bangladesh through predictable execution. In spite of the fact that NCCBL has set up picture as extraordinary compared to other specialist co-op for its potential clients; yet NCCBL isn't the market pioneer. The steady execution of the bank in the course of the most recent couple of years is the proof of the qualities of the bank, productivity of supervisory crew, and difficult task of workers. In spite of the presence of inadequacies in a few zones, the general execution of NCCBL was extraordinary among the managing an account industry in Bangladesh. The bank needs to conquer the deficiencies soon and offer new inventive administrations with the end goal to hold its situation as a pioneer among banks a seemingly endless amount of time.



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