



Inspiring Excellence

**Internship Report on**  
**“An Analysis of Credit Risk Management” A Study on**  
**NCC Bank Limited**

**Supervised By:**

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MBA (Masters of Business Administration)

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

## Letter of Transmittal

18-12-2018

Dr. Salehuddin Ahmed

Professor

BRAC University

**Subject: Submission of Internship report.**

Dear Sir,

I have successfully fulfilled my report on “**Credit Risk Management of NCC Bank Ltd**”. Doing this paper I have acquired some exclusive knowledge about this bank and gathered experience by analyzing the financial statements and practical life experience during 3 months internship. Now I am submitting my report entitled ‘**Credit Risk Management of NCC Bank Ltd**’.

This report contains the credit risk management and general banking system of NCC Bank Ltd. I am very grateful to you because you approved me to work on this report.

I have tried to put my best effort for this paper and enjoyed working on this topic. I sincerely hope this report will fulfill the requirements suggested by you.

Sincerely,

Tasnim Ahmed

.....

## Supervisor's Certificate

This is to certify that the Internship Report on “Credit Risk Management of NCC Bank Ltd.” in the bona fide record at the report is done by Tasnim Ahmed as a partial fulfillment of the requirement of Masters of Business Administration (MBA) degree from the BRAC Business School.

The Report has been prepared under my guidance and is a record of the bona fide work carried out successfully.

.....

Signature

Dr. Salehuddin Ahmed

Professor

BRAC Business School

BRAC University

## Acknowledgement

The completion of this undertaking internship report could not have been possible without the participation and assistance of so many people whose name may not all be enumerated. At first, I give thanks to the Almighty for giving me this chance.

Secondly, I would like to show my gratitude to my supervisor Salehuddin Ahmed from the core of my heart for his kind support, guidance, constructive instructions and for motivating me for do this report and for providing me with the golden opportunity to prepare an intellectual report on ‘Credit Risk Management of NCC Bank Ltd’. I am also grateful to my supervisor for guiding me to prepare an aesthetic report on ‘Credit Risk Management of NCC Bank Ltd’ with the proper information and knowledge. Without his kind support it would have been difficult for me to complete the report, so meaningful and interesting in a short period of time.

I thank him whole heartily for his consent encouragement, warm response and for filling every gap in mine personal development and knowledge enlightens and valuable ideas that made this report successfully.

Thirdly, I would like to thank to HR Division of NCC Bank Ltd as they have given chance me to do internship in Kawranbazar branch. Fourthly, I would like to thank to DM (Mr. Aman Ullah) of NCC Bank Limited of Kawranbazar as he helped me by guiding to learn banking in a short time. I cordially thank to all.

## Executive Summary

The internship report is requirement of MBA of BRAC University. This report covered by ‘Credit Risk Management of NCC Bank Ltd’. This report is intended to assist in detail credit risk management process of NCC Bank Ltd. The purpose of this report is about credit process of NCC Bank, and credit risk management. I discussed about objectives, scopes, limitations and the methodology containing the sources of data. In the **Bank Profile of NCC Bank Ltd** part I have provided detailed information about NCC Bank, with its company profile, Corporate Vision and Mission, product & service and resources. I discussed about the overall credit processes and risk management of NCC Bank. I described loan sanction process of NCC Bank, financial performance of NCC Bank for 5 years, analysis of performance of NCC Bank and IFIC Bank and comparison.

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# Chapter 1

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## INTRODUCTION





## 1.1 Introduction:

A bank is a financial institution that accepts deposits from the public and creates credit. Lending activities can be performed either directly or indirectly through capital markets. Due to their importance in the financial stability of a country, banks are highly regulated in most countries. Most nations have institutionalized a system known as fractional reserve banking under which banks hold liquid assets equal to only a portion of their current liabilities. In addition to other regulations intended to ensure liquidity, banks are generally subject to minimum capital requirements based on an international set of capital standards, known as the Basel Accords. Bank is a financial service industry in the market; bank is all about the collection of money, lending and borrowing money with others.

“Banking business” means the business of receiving money on current or deposit account, paying and collecting cheques drawn by or paid in by customers, the making of advances to customers, and includes such other business as the Authority may prescribe for the purposes of this Act; (Banking Act (Singapore), Section 2, Interpretation). The ultimate objective of banking management is to maximize the value of bank’s equity shares by attaining the optimal mix of returns and risks. In this respect bank management needs to develop a comprehensive plan in order to identify objectives, goals, budgets and strategies that will be consistent with the maximization of share values. In my paper, I covered one of the growing private banks ‘**NCC Bank Ltd**’. I analyses the credit risk management of NCC Bank Ltd at Kawranbazar branch during 3 months internship. This bank has a great impact in our economy. NCC Bank Ltd has been operating their services from 1985 as a leasing company and from 1993 as a Bank in our country through its 16 branches. To evaluate banking system of NCC Bank Ltd, it will be helpful to have an insight into the generalized characteristics features of this bank.

### **Origin of the Report:**

Masters of Business Administration (MBA) course requires 3 months attachment with an organization followed by a report assigned by the supervisor in the organization and endorsed by the faculty advisor. I took the opportunity to do my internship in National Credit and Commerce Bank Ltd. My topic of internship is authorized from the head office of NCC Bank Ltd. The main purpose of the internship is to explore in job world and to take challenges.

### **Background of the Report:**

I have worked in various Department of NCC Bank Ltd, Kawranbazar Branch. In this report, I will try to make credit risk analysis on of NCC Bank Ltd specially focuses on credit management & credit department.

## **1.2 Objectives of the Study:**

### **Primary objective:**

Primary objective of the report is fulfilling the course requirement of internship.

### **Secondary objective:**

Besides primary objective there are some others objectives. Like:

### **Board objective:**

- To analyze credit risk management of NCC Bank Ltd and to compare this with other competitors.

### **Specific objectives:**

- To identify the credit approval, their securities and monitoring process of National Credit and Commerce Bank Ltd.
- To identify the different sectors that have been provided the different credit facilities and also to identify sectors getting highest or lowest credit facility and. reasons behind for this.

- To identify the amount of outstanding credits and disbursement of different sectors and comparison of them.
- To identify the recovery rates of the loans in different sectors and have a comparison among them.
- To identify the classified loans of different sectors in the last several years and analyzing the changes that had been occurred to them.

### **1.3 Scope of the Study:**

The report is based on the observation and studies during internship period. This report would focus on the overall credit management process in NCC Bank Limited. This report gives proper information about the performance and condition of Credit risk management and general banking in NCC Bank Limited such as the kinds of lending facilities extended by NCC Bank Limited, general procedure for getting loan, how to reduce credit risk.

### **1.4 Methodology of the Study:**

This study is covered by financial and non-financial data and opinions based method during the working period of internship. Both primary and secondary data sources will be used to generate this report. Primary data sources are informal discussion with professionals and observation while working in different desks. The secondary data sources are annual reports, manuals, and brochures of NCC Bank limited and secondary data from different online websites. To identify the implementation, supervision, monitoring and repayment practice- interview with the employee and extensive study of the existing file was and practical case observations were done.

### **1.5 Sources of Data:**

This study is based on two major sources. There are several methods of conducting such studies. These are library method, interview method, observation method etc. But I collected information by these following ways. These are:

- Primary source
- Secondary source

### **Primary sources:**

Primary sources mean when data is collected from direct searching in the field or primary resources. Primary source of data is mainly library work, interview method based work. These data are collected through:

- Discussion with credit division's officers.
- Fill up questionnaire.

### **Secondary sources:**

Secondary means existing something. Secondary sources mean when data is collected from ready sources or online. Secondary source of data is mainly secondary analysis based data or collect data from secondary sources. These data are collected through:

- Annual report of NCC Bank Limited
- Websites of NCC Bank Limited
- Wikipedia, Google, Newspaper, Journal
- Different websites

## **1.6 Methodology of the Report:**

Methodology means the way to covered the report, or which method to apply to analyze the report. People can apply any methodology to analyze report; I would apply 3 methods to analyze report. These are:

### **Personal interview:**

I interviewed some officers of NCC Bank to know the direct process of credit risk management and terms or rules of credit management.

### **Questionnaire interview:**

I made some questions to know easily the process of credit management of NCC Bank and gave these question forms to some officers in the office.

### **Analyzes interview:**

I work in several departments during my internship period and I asked working based concept from officers during my working.

## **1.7 Limitations of the Study:**

Limitation means lacking or absence of knowledge, learning process, and way of methodology. Like any other report, this report has some limitations. These are:

- Learning all the banking functions within just three months was really tough.
- Another limitation of this report is Bank's policy of not disclosing some data and information for obvious reasons, which could be very much useful.
- This report will only consider credit risks of National Credit and Commerce Bank limited. It will not cover; Asset and liability/ balance sheet risk, Foreign Exchange Risk, Internal control And compliance risk, & Money laundering Risk.

## Chapter 2

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# **BANK PROFILE OF NCC BANK LTD**



## 2.1 Company Overview of NCC Bank:

National Credit and Commerce Bank Ltd. bears a unique history of its own. The organization started its journey in the financial sector of the country as an investment company back in 1985. The aim of the company was to mobilize resources from within and invest them in such way so as to develop country's Industrial and Trade Sector and playing a catalyst role in the formation of capital market as well. Its membership with the browse helped the company to a great extent in these regard. The company operated up to 1992 with 16 branches and thereafter with the permission of the Central Bank converted into a fully fledged private commercial Bank in 1993 with paid up capital of Tk. 39.00 core to serve the nation from a broader platform.

Since its inception NCC Bank Ltd. has acquired commendable reputation by providing sincere personalized service to its customers in a technology based environment. The Bank has set up a new standard in financing in the Industrial, Trade and Foreign exchange business. Its various deposit & credit products have also attracted the clients-both corporate and individuals who feel comfort in doing business with the Bank.

## 2.2 Background of NCC Bank:

National Credit and Commerce bank Limited has a unique history. The organization started in 1985. The aim of the company was to mobilize resources from within and invest them in such way so as to develop country's Industrial and Trade Sector and playing a catalyst role in the formation of capital market as well. The company operated up to 1992 with 16 branches and thereafter with the permission of the Central Bank converted in to a full-fledged scheduled private commercial bank in May **1993** with paid up capital **Tk. 39. 00** core to serve the nation from a broader platform. During last 12 years of its operation NCCBL has acquired commendable reputation by providing sincere personalized service to its customers in a technology-based environment.

The Bank has set up a new standard in financing in the Industrial, Trade and Foreign Exchange business. Its various deposit and credit products have also attracted the clients both corporate and individuals who feel comfort in doing business with the Bank. The initial authorized capital of the Bank was Tk. **75.00** core and, paid-up capital Tk. **19.50**, core at the time of conversion, which is now raised, to Tk. **39.00** cores. The present authorized capital is Tk. **250.00** core and paid up capital is Tk. **60.78** core. The sponsors of the new bank consisted of 26 members, who comprised the first Board of Directors. The share price of the bank is currently being quoted at both Dhaka and Chittagong Bourses at an average price of Tk. 320/- against per value of Tk. 100/-.

Within this short time the bank has been successful in positioning itself as progressive and dynamic financial institution in the country. This is now widely acclaimed by the business community, from small entrepreneur to big merchant and conglomerates, including top rated corporate and foreign investors, for modern and innovative ideas and financial solution.

### **2.3 Objectives of NCC Bank:**

Objectives mean main purpose or target or goal of the task or any work. Every company has some objectives. Like others NCC Bank Ltd has several objectives. These are:

- To encourage and broaden the base of investments.
- To develop the capital market
- To mobilize savings
- To provide for good profit and sound growth.
- To contribute towards the formation of national capital.

### **2.4 Values of NCC Bank:**

Value means worth, or norm, or standard of the company. NCC Bank is one of the growing banking companies which have some values to maintain the bank properly. These are:

- To have a strong customer focus and build relationship based on integrity ,



- To superior service and manual benefit,
- To work as a team to serve the best interests of the group,
- To work for business innovation and improvements,
- To provide recognition and reward on performance,
- To be responsible, trustworthy and law abiding in every sphere.

## 2.5 Vision of the NCC Bank:

Vision represents foresight or prudence of the company. From NCC Bank, vision is **“To become one of the most 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”**. There are several visions are given following:

- To become the best bank in respect of service, profitability and strength.
- Provide the greatest return to the shareholders by achieving sound profitable growth.
- Being perceived by customer and staff as the best whenever it operates.
- Have staff of the highest caliber.
- Work together to make decisions, manage change and get things done.

## 2.6 Mission:

Since its journey as commercial Bank in 1985 NCC Bank Limited has been laying great emphasis on the use of improved technology. It has gone to online operation system since 2003. And the new Banking Software Flexible is under process of installation. As a result the bank will able to give the services of international standards. NCC Bank has some mission statement like:

- Delivering excellent financial services to communities based on strong customer relationship.
- Providing long lasting solutions, combining and cutting edge technology, experience and financial strength to clients and stakeholders.
- Creating a cohesive and friendly environment where customers and our people can excel.

## **2.7 Organizational Structure of the Bank:**

NCC Bank structure is given following:

- Managing Director
- Additional managing Director
- Deputy Managing Director
- Senior Executive vice president
- Executive vice president
- Senior vice president
- Vice president
- Senior Assistance Vice president
- Assistance Vice president

## Chapter 3

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# **CREDIT DEPARTMENT AND CREDIT RISK MANAGEMENT OF NCC BANK LTD**

### 3.1 Introduction:

Credit unit is very important for any bank. Because lending and receiving money is the main task of banking sector. So, credit and advance system is the major department of banking system. In my internship period, I was worked in credit department for a little period because internship duration was so much short period of time. In these 3 months, it was so tough to learn all banking process properly. Therefore, my supervisor of NCC Bank was very helpful to learn all things in a short time. Loan is the essential part of bank's profit. All the deposit that Bank collect from its customer, invest on loans which other customers demand for. These differences are their profits.

**Credit** (from Latin *credit*, "(he/she/it) believes") is the trust which allows one party to provide money or resources to another party where that second party does not reimburse the first party immediately (thereby generating a debt), but instead promises either to repay or return those resources (or other materials of equal value) at a later date. In other words, credit is a method of making reciprocity formal, legally enforceable, and extensible to a large group of unrelated people.

NCC Bank is a new generation bank. It is committed to provide high quality financial services products to contribute to the growth of G.D.P of the country through stimulation trade and commerce, accelerating the pace of industrialization, boosting up export, creating employment opportunity for the educated youth, poverty alleviation, raising standard of living of limited income group and over all sustainable socio-economic development of the country.

### 3.2 Target Customers:

Like other banks NCC bank has also some target customer and they are:

- Individual Person.
- Sole Proprietorship firm.
- Partnership Firm.
- Private Limiter Company.

- Public Limited Company.
- Government and Semi Government Organization.
- Bank Employee.

### **3.3 Loan Product:**

NCC Bank has different loan product. These are:

- Personal loan
- Education loan
- Car loan scheme
- House building financing
- House repairing and renovation loan
- Home improvement loan
- Consumer finance scheme

### **3.4 Process of Loan Sanction:**

#### **1. NCC Bank Personal Loan:**

A loan facility for the service holders to meet the emergency expenses of the following occasions:

- To bear the cost of Medical treatment / Surgical Operation / Maternity / Marriage.

#### **Eligibility of the applicant:**

- Only Permanent salaried employees with at-least 3 years of confirmed service.

#### **Age Limit:**

- Minimum Age 21 years to Maximum 50 years.

#### **Loan Limit:**

- Minimum: BDT 25,000 and Maximum BDT 100,000.

### **Loan Application Fees:**

- BDT 600

### **Loan Tenure:**

- Minimum 6(six) months but not exceeding 3(three) years.

### **Required Documents:**

- 3 copies of recent Passport Size Photograph of Applicant(s), Applicants Spouse and Guarantor (s) Self Attested.
- Copy of National ID card of Applicant (s), Applicants Spouse & Guarantor(s).
- Last one year bank statement of the applicant (s) [personal or company account].
- Up-to-date copy of TIN Certificate of Applicant(s) & Guarantor(s).
- Utility Bill Copy (Gas or Electricity).
- Accepted budget or quotation.
- Employers letter of introduction/salary certificate/salary statement and office ID Card.

## **2. NCC Bank Education Loan:**

People should think more on where their child should study than their financial constraints. To help child to make understand his/her true academic potential, come to NCC Bank for Education Loan, to ensure a better higher education for child.

### **Eligibility of the applicant:**

- Any Bangladeshi student, after successful completion of at least H.S.C
- To complied all preconditions for getting admission and Visa formalities.
- Have no bad reputation e.g. Criminal Record, Political connection etc.

### **Loan Limit:**

- Minimum: BDT 100,000 and Maximum: BDT 1,000,000.

### **Loan Application Fees:**

- BDT 600

### **Required Documents:**

- Completion of A/C opening formalities including Letter of Introduction.
- Letter of Authorization from the Student for whom the Loan will be availed.
- Copies of National ID Card & TIN of Borrower, Student and Guarantor (if available).
- Salary/ Income Certificate stating net earnings.
- Copy of Passport with valid visa of the student, where applicable.
- Copies of Certificate of Education of the student.
- Any other documents that are prudently felt necessary.

### **3. NCC Bank Car Loan:**

To fulfill the dream of acquiring car by car loan.

#### **Eligibility of the applicant:**

- Salaried employees having at least three years of confirmed service.
- Self-Employed Professionals having at least 3 years of independent practice experience.
- Businessperson having at least 3 years business experience.
- Homeowners or property income holder.

#### **Age Limit:**

- Minimum Age 21 years to Maximum 60 years.

#### **Loan Limit:**

- Minimum BDT 200,000 and Maximum BDT 4,000,000.

#### **Vehicle Category:**

- Japanese, Korean, USA, South East Asian and European Origin Vehicles only.

### **Loan Application Fees:**

- BDT 600

### **Loan Tenure:**

- Reconditioned Vehicle: maximum 60 Months and Brand New Vehicle: maximum 72 months.

### **Required Documents:**

- 3 copies of recent Passport Size Photograph of Applicant(s), Applicants Spouse and Guarantor (s) Self Attested.
- Copy of National ID card of Applicant (s), Applicants Spouse & Guarantor(s).
- Last one year bank statement of the applicant (s) [personal or company account].
- Up-to-date copy of TIN Certificate of Applicant(s) & Guarantor(s).
- Utility Bill Copy (Gas or Electricity).
- Accepted quotation of the car.
- If applicant is a salaried person then employers letter of introduction/salary certificate/salary statement and office ID Card.
- Copy of Professional Degree certificate, self declaration on own Letter Head Pad stating monthly income and membership certificate if Applicant or Guarantor is a professional individual.
- If Applicant (s) or Guarantor (s) is a businessman Up-to-date trade license.
- If the Applicant (s) is a property income holder then copy of Title deed of rental property, rental agreement or Rent receipt for the last three months.

## **4. NCC Bank House Building Finance:**

Housing is one of the five prime needs of mankind. Everybody has a dream to have a dwelling house of his own. NCC Banks Housing Loan with competitive rates, convenient features and simple procedures will enable you to turn dream into reality.



### **Purpose of the loan:**

- Purchases of Flats/Houses
- Construction of building on own land
- Extension of building/floors

### **Who can apply?**

- Confirmed Service holders with at least 3-years service experience employed by a well reputed organization
- Professionals with minimum 3-years experience (with adequate proof)
- Business persons with minimum 3-years continuous business performance (with adequate proof).

### **Feature of the loan:**

- **Loan Amount:** Tk.500000/-to Tk.7500000/.
- **Loan Period:** 05 years to 15 years
- **Interest Rate:** Competitive Interest Rate as per Banks Policy and Bangladesh Bank
- **Age of the property:** Not exceeding 10 years in case of purchase of ready house/building
- **Location of the property:** City Corporation/Pourosava where there is a plan duly approved by a designated graduate Civil Engineer duly approved by the appropriate authority.

## **5. NCC Bank House Repairing & Renovation Loan:**

This loan gives for House repairing and renovation to increase rental income day by day.

### **Eligibility of the applicant:**

- Only the residential house/flat (not older than 20 years) owners.

### **Age Limit:**

- Minimum Age 21 years to Maximum 50 years.

### **Loan Limit:**

- Minimum: BDT 50,000 and Maximum: BDT 500,000.

### **Loan Application Fees:**

- BDT 600

### **Required Documents:**

- 3 copies of recent Passport Size Photograph of Applicant(s), Applicants Spouse and Guarantor (s) Self Attested.
- Copy of National ID card of Applicant (s), Applicants Spouse & Guarantor(s).
- Last one year bank statement of the applicant (s) [personal or company account].
- Up-to-date copy of TIN Certificate of Applicant(s) & Guarantor(s).
- Utility Bill Copy (Gas or Electricity).
- Accepted third party renovation budget.
- If applicant is a salaried person then employers letter of introduction/salary certificate/salary statement and office ID Card.
- Copy of Professional Degree certificate, self declaration on own Letter Head Pad stating monthly income and membership certificate if Applicant or Guarantor is a professional individual.
- If Applicant (s) or Guarantor (s) is a businessman Up-to-date trade license.
- If the Applicant (s) is a property income holder then copy of Title deed of rental property, rental agreement or Rent receipt for the last three months.
- R S Mutation Copy.
- Registered Copy of Title deed(s). (i.e. sale deed, Gift Deed etc.).
- Baya Deeds (title related prior chain of documents).
- Legal Opinion from our established lawyer (if RM offered as security).
- Third party asset Valuation report by our enlisted surveyor.

### **6. NCC Bank Home Improvement Loan:**

Under Home Improvement facility bank finance the followings:

- Purchase of Electronic Household Durables.
- Purchase of Furniture and Fixtures.

- Modification of the decoration of the building/flat.
- Extension of the existing Building.

#### **Eligibility of the applicant:**

- Home Owners and Salaried individuals.

#### **Age Limit:**

- Minimum Age 21 Years to Maximum 60 Years.

#### **Loan Limit:**

- Minimum: BDT 50,000 and Maximum: BDT 1,000,000.

#### **Loan Application Fees:**

- BDT 600

#### **Required Documents:**

- 3 copies of recent Passport Size Photograph of Applicant(s), Applicants Spouse and Guarantor (s) Self Attested.
- Copy of National ID card of Applicant (s), Applicants Spouse & Guarantor(s).
- Last one year bank statement of the applicant (s) [personal or company account].
- Up-to-date copy of TIN Certificate of Applicant(s) & Guarantor(s).
- Utility Bill Copy (Gas or Electricity).
- Accepted quotation of third party renovation budget for the improvement of Home.
- If applicant is a salaried person then employers letter of introduction/salary certificate/salary statement and office ID Card.
- Copy of Professional Degree certificate, self declaration on own Letter Head Pad stating monthly income and membership certificate if Applicant or Guarantor is a professional individual.
- If Applicant (s) or Guarantor (s) is a businessman Up-to-date trade license.
- If the Applicant (s) is a property income holder then copy of Title deed of rental property, rental agreement or Rent receipt for the last three months.
- R S Mutation Copy.

- Registered Copy of Title deed(s). (i.e. sale deed, Gift Deed etc.).
- Baya Deeds (title related prior chain of documents).
- Legal Opinion from our established lawyer (if RM offered as security).
- Third party asset Valuation report by our enlisted surveyor.

## **7. NCC Bank Consumer Finance Scheme:**

The facility will offer an opportunity to fixed income groups to enjoy the benefit of sophisticated living and enhance their work efficiency which will contribute to socio-economic development of Bangladesh. Under Consumer Finance Scheme we finance the following:

- New/Reconditioned Car/Motor Cycle/Microbus etc.
- Refrigerator/Deep Freeze.
- Television/VCR/VCP/Two-in-one/Three-in-One sets/Camera etc.
- Air Cooling System and generator.
- Personal computer and peripherals/Word Processor.
- Electrical appliances like washing Machine, Water pump, Micro wave Woven, Dish Antenna etc.
- Photocopier, sewing Machine, Laminating Machine etc.
- Furniture/Fixtures.
- Fax Machine, Cellular Phone.

### **Eligibility of the applicant:**

- Salaried individuals.
- Business Person.
- Professionals.

### **Age Limit:**

- Minimum Age 25 Years to Maximum 50 Years (excerption may be allowed for employees of NCC Bank).

### **Loan Limit:**

- Minimum: BDT 100,000 and Maximum: BDT 300,000

### Loan Amount Range:

Items	Loan Amount Range
New Vehicles	Minimum 30% of total cost
Reconditioned Vehicles	Minimum 40% of total cost
Other Items	Minimum 25% of total cost

### Loan Tenure:

- For Motor Vehicles - Maximum 3 (three) years
- For other items - Maximum 2 (two) years

### Loan Application Fees:

- BDT 600

### Required Documents:

- 3 copies of recent Passport Size Photograph of Applicant(s), Applicants Spouse and Guarantor (s) Self Attested.
- Copy of National ID card of Applicant (s), Applicants Spouse & Guarantor(s).
- Last one year bank statement of the applicant (s) [personal or company account].
- Up-to-date copy of TIN Certificate of Applicant(s) & Guarantor(s).
- Utility Bill Copy (Gas or Electricity).
- Accepted quotation of the vehicle or other items.
- If applicant is a salaried person then employers letter of introduction/salary certificate/salary statement and office ID Card.
- If applicant or guarantor Professional then Professionals Degree Certificate, self declaration on own Letter Head Pad stating monthly income and membership certificate.
- If Applicant (s) or Guarantor (s) is a businessman Up-to-date trade licensee.

If the Applicant (s) is a property income holder then copy of Title deed of rental property, rental agreement or Rent receipt for the last three months.

### 3.5 Credit Risk Management:

#### Risk management:

The risk of NCC Bank is defined as the possibility of losses, financial or otherwise. The risk management of the bank covers core risk areas of banking, credit risk, liquidity risk, operational risk and reputation risk arising from money laundering incidences. The prime objective of the risk management is that the bank evaluates and takes well calculative business risks and there by safeguarding the banks capitals, its financial resources and profitability from various business risks through its own measures and through implementing Bangladesh Bank guidelines.

#### Credit Risk Management:

A **credit risk** is the risk of default on a debt that may arise from a borrower failing to make required payments. In the first resort, the risk is that of the lender and includes lost principal and interest, disruption to cash flows, and increased collection costs. The loss may be complete or partial. In an efficient market, higher levels of credit risk will be associated with higher borrowing costs. Because of this, measures of borrowing costs such as yield spreads can be used to infer credit risk levels based on assessments by market participants.

A credit risk can be of the following types:

- **Credit default risk** – The risk of loss arising from a debtor being unlikely to pay its loan obligations in full or the debtor is more than 90 days past due on any material credit obligation; default risk may impact all credit-sensitive transactions, including loans, securities and derivatives.
- **Concentration risk** – The risk associated with any single exposure or group of exposures with the potential to produce large enough losses to threaten a bank's core

operations. It may arise in the form of single name concentration or industry concentration.

- **Country risk** – The risk of loss arising from a sovereign state freezing foreign currency payments (transfer/conversion risk) or when it defaults on its obligations (sovereign risk); this type of risk is prominently associated with the country's macroeconomic performance and its political stability.

### **Credit risk management in bank:**

- Oversight of the bank's credit policies, procedures and controls relating to all credit risks arising from corporate/commercial institutional banking, personal banking, & treasury operations.
- Oversight of the bank's asset quality.
- Directly manage all Substandard, Doubtful & Bad and Loss accounts to maximize recovery and ensure that appropriate and timely loan loss provisions have been made.
- To approve (or decline), within delegated authority, Credit Applications recommended by RM. Where aggregate borrower exposure is in excess of approval limits, to provide recommendation to MD/CEO for approval.
- To provide advice/assistance regarding all credit matters to line management.
- To ensure that lending executives have adequate experience and/or training in order to carry out job duties effectively.
- To ensure that all security documentation complies with the terms of approval and is enforceable.
- To monitor insurance coverage to ensure appropriate coverage is in place over assets pledged as collateral, and is properly assigned to the bank.
- To control loan disbursements only after all terms and conditions of approval have been met, and all security documentation is in place.
- To maintain control over all security documentation.
- To monitor borrower's compliance with covenants and agreed terms and conditions, and general monitoring of account conduct/performance.

### **Assessing Credit Risk Management:**

Credit risks are calculated based on borrower's overall ability to repay. To assess credit risk on a customer loan, lenders look at the five C's: credit history; capacity to pay; capital; the loan's conditions and associated collateral.

### **How to calculate your debt-to-income ratio:**

Debt-to-income ratio (DTI) compares how much owe each month to how much earn. Specifically, it's the percentage of gross monthly income (before taxes) that goes towards payments for rent, mortgage, credit cards, or other debt. To calculate your debt-to-income ratio:

#### **Step 1:**

Add up monthly bills which may include:

- Monthly rent or house payment
- Monthly alimony or child support payments
- Student, auto, and other monthly loan payments
- Credit card monthly payments (use the minimum payment)
- Other debts

#### **Step 2:**

Divide the total by gross monthly income, which is income before taxes.

#### **Step 3:**

The result is DTI, which will be in the form of a percentage.

- The lower the DTI which will be the lower risky lenders.

### **3.6 Tools Used in Credit Risk Management:**

The quality of the credit portfolio of banks depends to large extent on the quality of its borrower. To judge the quality of a borrower the bank s takes into consideration the following:



- Character: It refers to the willingness of the customers to pay.
- Capacity: The customer's ability to meet credit obligations.
- Capital: The customer's financial reserves
- Collateral: Adequate net worth to support for the loan
- Conditions(economic)Recent trends in borrower line of credit
- Compliance( law & regulations)

### **3.7 Management of Non-Performing Loan:**

The Non-Performing Loan (NPL) which can potentially harm the bank's financial stability has become a matter of tomb concern for the whole banking industry of Bangladesh. As such, managing NPL of NCC bank has been given priority with a view to reduce it below 4.00%. In this regard, the Management has taken all possible steps including establishment of monitoring cell, formation of task force recovery team, engaging recovery agent and complying with regulatory requirements for curbing & reducing NPL. In order to prevent the loan from becoming NPL, monitoring is cell is very vigilant & careful. Recovery Team is also visiting & persuading the default borrowers regularly so that NPL may be reduced as well as regularized. At the same time, in regard to managing NPL properly, allow reschedule & restructure of such loans & advances as per circular & instruction of Bangladesh Bank as well as Bank's internal policy in place for the purpose of regularization & recovery on genuine grounds. Lastly, initiating and expediting legal action against NPL accounts having bleak chance of recovery are given emphasis keeping the option of Alternative Dispute Resolution (ADR) process open so that amicable settlement can be reached outside the court for reducing NPL. The percentage of classified loan of NCC banks was 5.55 % as of December-2016, now it stands below 5.00% which clearly showing a sign of improvement.

#### **Recovery of Classified and written off loans:**

Despite a lot of impediments owing to the assiduous & relentless efforts of the Division, an amount of Taka 73.35 crore (Tk. 72.51 crore from CL & Tk. 0.84 crore from written off) has been recovered against the total recovery target of taka 150.00 crore (Tk. 100.00 crore from CL & Tk. 50.00 crore from written off) during the year 2017.

### 3.8 Credit Rating:

Emerging Credit Rating Limited (ECRL) has affirmed ‘AA’ (pronounced ‘Double A’) rating in the Long Term and ‘ST-1’ rating in the Short Term with Stable Outlook to NCC Bank Limited based on audited financial of FY2014 – 2017 and other available information up to the date of rating declaration. ECRL considered financial performance, capital base, asset quality, liquidity position, management experience and prospect of the industry while assigning the rating. The affirmed rating reflects the strengths of the bank which is backed by its satisfactory utilization of funds, compliance with CRAR, SLR and CRR, diversified income sources and wide network of branches. Details of the rating are as under:

Ratings	2017	2016
Long Term	<b>AA (Very Strong Capacity)</b>	<b>AA (Very Strong Capacity)</b>
Short Term	<b>ST-1 (Superior Capacity)</b>	<b>ST-1 (Superior Capacity)</b>
Outlook	<b>Stable</b>	<b>Stable</b>
Valid From	June 22, 2018	June 22, 2017
Valid Till	June 21, 2019	June 21, 2018
Rating Action	Surveillance	Initial
Rated by	Emerging Credit Rating Ltd.	Emerging Credit Rating Ltd.

## Five year performance at a glance of NCC Bank:

Particulars	2013	2014	2015	2016	2017
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
Other Reserve	4,744.34	5,177.71	5,656.53	6,293.55	7,090.76
Equity fund	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
Import Business	52,614.08	51,308.41	49,995.21	56,406.85	83,722.55
Export Business	14,549.29	14,354.30	17,137.57	16,720.86	25,893.60
Remittance	16,323.39	18,703.40	15,371.00	17,316.47	27,012.09
Operating Income	16,227.89	15,961.79	15,006.91	14,850.84	16,805.55
Operating Expenses	12,529.08	12,214.99	11,140.65	10,359.62	11,882.93
Operating Profit	3,698.81	3,746.80	3,866.26	4,491.22	4,922.62
Profit before Tax	2,326.88	2,500.48	2,202.71	3,517.41	3,088.38
Profit after Tax	1,137.84	1,501.33	1,363.82	2,078.11	1,763.45
Retained Earnings	878.58	1,042.17	1,165.94	1,416.46	1,151.05
Total Assets (excluding contra items)	124,042.70	135,159.52	146,369.95	172,706.23	202,309.46
Fixed Assets	1,736.64	2,573.25	2,628.18	2,500.13	2,486.89
Number of Branches	101	103	104	106	109
Number of Employees	2192	2277	2296	2310	2146
Earnings per Share (EPS) Tk.	1.49	1.70	1.54	2.35	2.00
Dividend: Cash (%)	6%	-	12.75%	16%	13%
Bonus (%)	5%	10%	-	-	-
Nonperforming Loans and Advance as % of Total Loan and Advances	5.51%	7.41%	7.07%	5.77%	5.79%
Volume of Non-performing Loans and Advance	4,862.41	6,735.52	7,409.95	7,274.01	8,490.07
Amount of provision against Classified Loans and Advance	2,663.39	2,705.15	3,169.66	3,312.15	3,853.44
Amount of provision against Unclassified Loans and Advance	671.88	724.95	862.87	1,004.11	1,143.07
Amount of provision against Off-balance sheet exposures	274.62	345.22	345.22	413.40	543.56
Advance Deposit Ratio (%)	83.00%	77.41%	83.57%	83.92%	83.56%

**Figure-1**

(Figure: in million taka where applicable)

### 3.9 Performance analysis:

#### NCC Bank:

	Formula	2013	2014	2015	2016	2017
NCC Bank	$ROA = (\text{Net Income} / \text{Total Asset}) * 100$	0.76	0.88	0.76	0.97	0.69
	$ROE = (\text{Net Income} / \text{Equity}) * 100$	8.57	10.54	8.71	12.56	10.33
	Net interest margin (NIM)	2,039.39	2,680.56	3,090.17	3,990.81	4,611.32
	Net interest margin (NIM) (%)	2.93%	2.56%	2.48%	2.80%	2.85%
	Loans and advances	88,167.20	90,920.77	104,854.73	126,003.48	146,633.84
	Amount of non-performing loans & advances	4,862.41	6,735.52	7,409.95	7,274.01	8,490.07
	Interest income on loans and advances	12,194.10	12,019.78	11,146.34	11,272.07	12,714.10

**Figure-2**

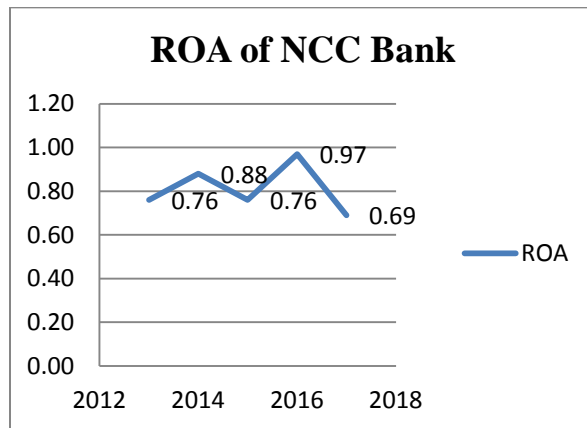
(Figure: in million taka where applicable)

Here in this table, I showed ROA, ROE and NIM of NCC Bank. ROA of NCC Bank from 2013-2017 is slightly changeable, but in 2017 it was rapidly decreased. It is not better for bank. It was decreased because the total asset was rapidly increased in 2017. Return on assets (ROA) is an indicator of how profitable a company is relative to its total assets. A high ROA signifies great efficiency on part of the management.

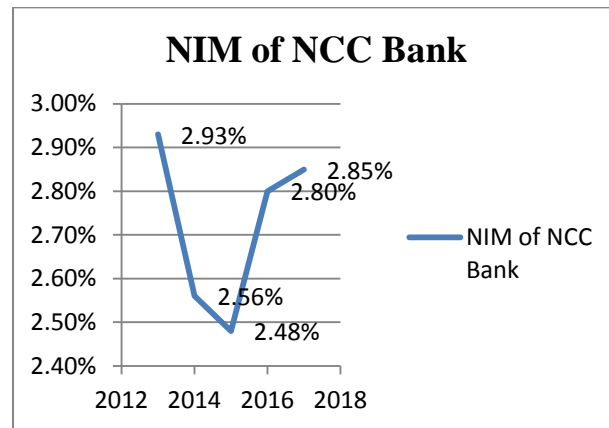
ROE (Return on equity) is expressed as a percentage and can be calculated for any company if net income and equity are both positive numbers. ROE of NCC Bank from 2013-2017 is slightly changeable, but in 2016 it was rapidly increased because both net income and equity was increased. It was good for bank. A rising ROE suggests that a company is increasing its ability to generate profit without needing as much capital. ROEs of 15-20% are generally considered good.

Banks are keenly interested in their net interest margins because they lend at one rate and pay depositors at another. However, comparisons between net interest margins of different banks are not always useful because the nature of each bank's lending and deposit activities varies.

Net interest margin is a measure of an investing strategy's success. In this table NIM was changing increasingly. It was good for bank because bank can invest money for higher NIM.



**Graph-1**



**Graph-2**

**IFIC Bank:**

	Formula	2012	2013	2014	2015	2016
<b>IFIC Bank</b>	ROA=(Net Income/Total Asset)*100	0.62	0.50	0.99	1.02	0.96
	ROE=(Net Income /Equity)*100	9.45	7.61	14.54	14.79	14.25
	Net interest margin (NIM)	4,375	3,746	3,392	2,617	2,806
	Net interest margin (NIM) (%)	2.75%	2.64%	2.80%	2.57%	3.25%
	Loans and advances	137,118	123,269	102,282	84,110	77,160
	Amount of non-performing loans & advances	7,251	7,962	5,061	3,168	4,096
	Interest income on loans and advances	12,483	12,653	11,858	11,111	10,443

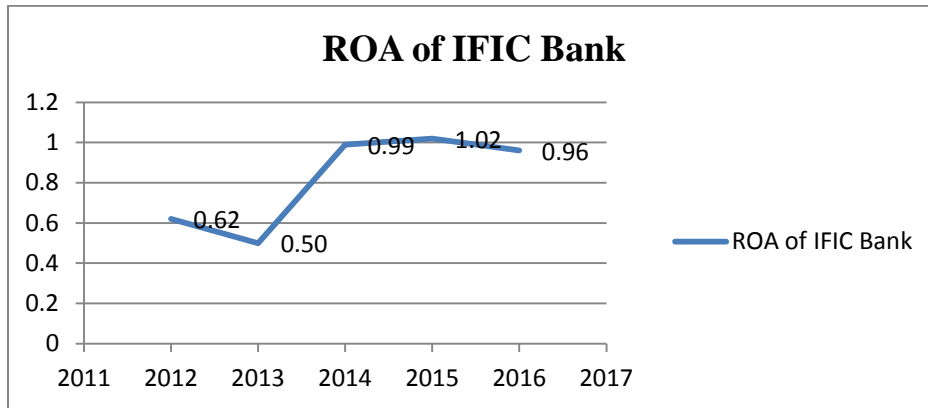
**Figure-3**

(Figure: in million taka where applicable)

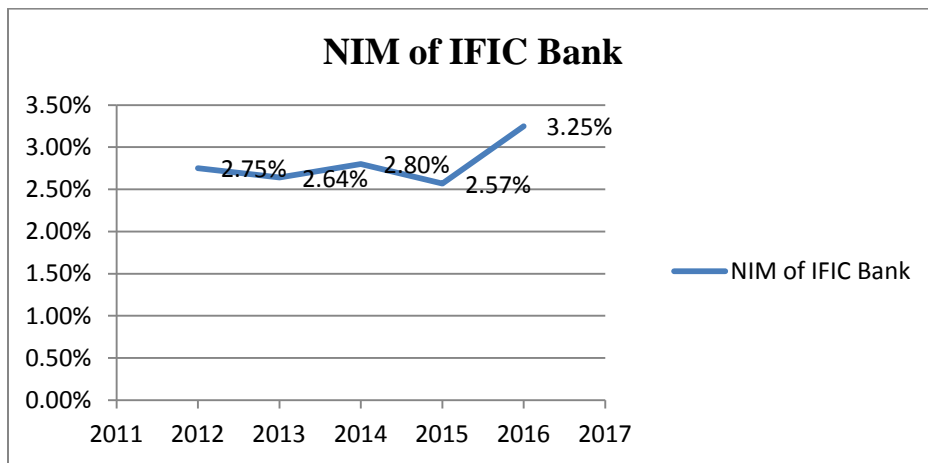
Here in this table, I showed ROA, ROE and NIM of IFIC Bank. ROA of IFIC Bank from 2013-2017 is slightly changeable, but in 2015 it was increased. It is better for bank. It was increased because the total asset was decreased in 2015.

ROE of NCC Bank from 2013-2017 is slightly changeable, but in 2015 it was more increased because both net income and equity was slightly decreased. It was good for bank.

In this table NIM was changing decreasingly. It was not good for bank because bank cannot invest money for lower NIM in the market.

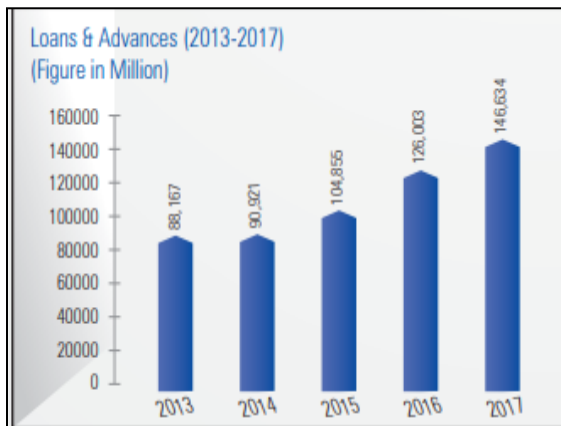


**Graph-3**

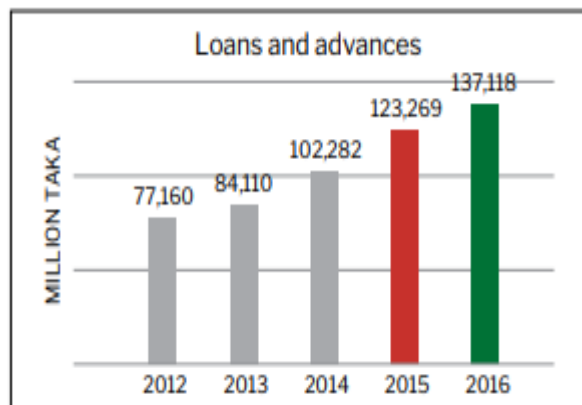


**Graph-4**

### 3.10 Comparison analysis:



**NCC Bank (Graph- 5)**



**IFIC Bank (Graph-6)**

Loan and advance of NCC Bank is increased year to year, from 2013 it was 88,167 million but it was rapidly increased 146,634 million in 2017. Because the number of branches of NCC Bank was also increased from 101 in 2013 to 109 in 2017, and deposit amounts were increased for this reason bank can lend money to customers. On the other hand I compared with IFIC Bank as a competitor of NCC Bank, which showed loan and advance of IFIC Bank is decreased year to year. It was 137,118 million in 2012, it was good enough for IFIC Bank, because IFIC Bank is 1<sup>st</sup> generation bank in Bangladesh. So it has capability to lend big amount loan and advance. But loan and advance of IFIC Bank is decreased rapidly. I think this was decreased because competition of others bank and the number of new banks were also increased. It was decreased 77,160 million in 2016.

Nonperforming loan of NCC Bank was increased year to year, because amount of loan and advance was increased in NCC Bank. But nonperforming loan of IFIC Bank was decreased year to year, because amount of loan and advance of IFIC Bank was decreased. In 2013, loan and advance of NCC Bank was 88,167.20 million, but in IFIC Bank, it was 123,269 million. It was so far gap between two banks.

Interest income from loan and advance of NCC Bank is comparatively higher than IFIC Bank. In 2016, it was 11,272 million in NCC Bank and 10,443 in IFIC Bank. This was slightly lower from NCC Bank.

ROA of IFIC Bank was always higher than NCC Bank except in 2013. Higher ROA is good for bank; it shows the profitability performance measurement of any company or bank.

ROE of NCC bank is fluctuating more than IFIC Bank; it was ups and down more rather than IFIC Bank.

**So,** performance of NCC Bank was good in average rather than IFIC Bank which is 1<sup>st</sup> generation bank in Bangladesh.

### 3.11 Sector wise distribution of loan and advance of NCC Bank in 2017:

Sectors	%
Agriculture	1.22
House building loan	3.98
Business	15.72
Transport and telecommunication	0.38
Import financing	12.64
Export financing	2.82
Industry	50.13
Others	13.13

**Figure-4**

NCC Bank is first performing growing bank in Bangladesh. NCC Bank is contribute to the nation building efforts of the government, trying best to embrace changes and innovations being emerged in our all endeavors to take the Bank at a level of excellence to become a Bank of choice. That is why NCC Bank distribute sector wise loan, which can impact on our economy. In 2017, NCC Bank was more emphasis on industry in Bangladesh, so they give large amount of loan on industry sector. That can be help to increase our industry to expand their business. Then NCC bank focused on agriculture, import financing, transport and telecommunication, business, and others. It is helped to increase our GDP.

NCC Bank Limited is the leading private sector bank in Bangladesh offering full range of Personal, Corporate, International Trade, Foreign Exchange, Lease Finance and Capital Market Services. NCC Bank Limited is the preferred choice in banking for friendly and personalized services, cutting edge technology, tailored solutions for business needs, global reach in trade and highly yields on investment, assuring excellence in banking services.



# Chapter 4

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## **CONCLUSION**

## 4.1 Findings:

I found some findings from my research during internship period. These are:

- They save their all kinds of data in papers.
- They find the interest suspense account through their computer but manual they check those out.
- Sometimes very simple work is done by the head office which takes time and make difficult.
- Sometimes verification is done by a new officer which dangerous both for the bank and the branch office.
- Lengthy process of loan sanction.
- Sometimes they choose improper customer for giving loan due to personal reference.

## 4.2 Recommendation:

I give some recommendation to solve problems. These are:

- NCC Bank can preserve all data in computer.
- They can calculate interest in new technology like computer software that can reduce error interest calculation.
- They can do their simple work in their own branch.
- They can give loan to proper customers by KYC information and NID verification.

## 4.3 Conclusion:

Credit risk refers to the risk that a borrower may not repay a loan and that the lender may lose the principal of the loan or the interest associated with it. Credit risk arises because borrowers expect to use future cash flows to pay current debts; it's almost never possible to ensure that borrowers will definitely have the funds to repay their debts. Interest payments from the borrower or issuer of a debt obligation are a lender's or investor's reward for assuming credit risk. Banks main

purpose is to maximize profit and minimize risk. To ensure this motto following issues are emphasized.

1. Bank calibrated loans and advances target in commensurate with economy need and capacity of bank to ensure fair profitability,
2. New windows of opportunity like branches and customer has been utilized.
3. But bank prioritized risk issues such as concentration risk, distribution of exposure in less capital consuming sectors.
4. Concentration has been paid on SME division to take advantage of ever growing SME sector.
5. Proper classified-asset-management activities have steadily reduced classified loan ratios and increased recovery from classified loans.

NCC Bank has updated their Credit Policy in line with Bangladesh Bank circulated “Guidelines on Credit Risk Management (CRM) for Banks”. Following updates has been incorporated in their credit policy guidelines.

1. Risk Appetite Statement has been embodied in risk policy and delegated authorities.
2. Bank established loan growth limits to credit concentration across all the possible dimensions of concerned risks.
3. Risk identification, measurement, monitoring and control mechanism have been integrated in the credit policy.
4. The bank has developed an internal credit risk rating system in line with BB’s guidelines to determine whether provisions and capital are adequate.
5. Bank’s loan review process includes assessment of the loan management process, credit quality and the results/profitability of the loan portfolio.
6. Policy has specified allowable types of collateral, the frequency and methodology of its valuation.

#### **4.4 Reference:**

##### **Bibliography:**

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- Banking Credit Risk Management Manual

- Credit Risk Grading Manual, published by Bangladesh Bank
- Consumers Financing Policy of NCC Bank
- Daily Affairs of NCC Bank Kawranbazar branch.

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[https://en.wikipedia.org/wiki/English\\_Wikipedia](https://en.wikipedia.org/wiki/English_Wikipedia)

<https://www.bb.org.bd>

### 4.5 Appendix:

	<b>Formula</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
<b>NCC Bank</b>	ROA=(Net Income/Total Asset)*100	$\frac{1,137.84}{150,278.49}$ * 100	$\frac{1,501.33}{169,681.09}$ * 100	$\frac{1,363.82}{180,622.89}$ * 100	$\frac{2,078.11}{214,046.51}$ * 100	$\frac{1,763.45}{256,665.41}$ * 100
	ROE=(Net Income /Equity)*100	$\frac{1,137.84}{13,269.83}$ * 100	$\frac{1,501.33}{14,249.14}$ * 100	$\frac{1,363.82}{15,654.64}$ * 100	$\frac{2,078.11}{16,542.20}$ * 100	$\frac{1,763.45}{17,073.99}$ * 100
	Net interest margin (NIM)	2,039.39	2,680.56	3,090.17	3,990.81	4,611.32
	Net interest margin (NIM) (%)	2.93%	2.56%	2.48%	2.80%	2.85%
	Loans and advances	88,167.20	90,920.77	104,854.73	126,003.48	146,633.84
	Amount of non- performing loans & advances	4,862.41	6,735.52	7,409.95	7,274.01	8,490.07
	Interest income on loans and advances	12,194.10	12,019.78	11,146.34	11,272.07	12,714.10

Figure-2(related)

(Figure: in million taka where applicable)

	<b>Formula</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
<b>IFIC Bank</b>	ROA=(Net Income/Total Asset)*100	$\frac{1,214}{197,051} * 100$	$\frac{887}{178,334} * 100$	$\frac{1,545}{156,339} * 100$	$\frac{1,346}{132,062} * 100$	$\frac{1,105}{114,729} * 100$
	ROE=(Net Income /Equity)*100	$\frac{1,214}{12,840} * 100$	$\frac{887}{11,654} * 100$	$\frac{1,545}{10,628} * 100$	$\frac{1,346}{9,098} * 100$	$\frac{1,105}{7,753} * 100$
	Net interest margin (NIM)	4,375	3,746	3,392	2,617	2,806
	Net interest margin (NIM) (%)	2.75%	2.64%	2.80%	2.57%	3.25%
	Loans and advances	137,118	123,269	102,282	84,110	77,160
	Amount of non-performing loans & advances	7,251	7,962	5,061	3,168	4,096
	Interest income on loans and advances	12,483	12,653	11,858	11,111	10,443

Figure-3(related)

(Figure: in million taka where applicable)

<b>Bank</b>	<b>Particulars</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
<b>NCC Bank</b>	Net Income	1,137.84	1,501.33	1,363.82	2,078.11	1,763.45
	Total Asset	150,278.49	169,681.09	180,622.89	214,046.51	256,665.41
	Equity	13,269.83	14,249.14	15,654.64	16,542.20	17,073.99
<b>Bank</b>	<b>Particulars</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
<b>IFIC Bank</b>	Net Income	1,214	887	1,545	1,346	1,105
	Total Asset	197,051	178,334	156,339	132,062	114,729
	Equity	12,840	11,654	10,628	9,098	7,753

(Figure: in million taka where applicable)