

An Internship Report
On
“Financing In Bank Products, It’s
Management & Administration: A
NCC Bank View”



NCC Bank Limited
Where Credit and Commerce Integrates

Internship Report
on
**“Financing In Bank Products, It’s Management &
Administration: A NCC Bank View”**

Submitted To:

MD. Tamzidul Islam
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Date of Submission: 10 October 2013

LETTER OF TRANSMITTAL

Date: 10-10-2013

To

MD. Tamzidul Islam

Academic Supervisor

BRAC Business School

BRAC University, Dhaka.

Subject: Submission of internship report on “Financing In Bank Products, It’s Management & Administration: A NCC Bank View”

Dear Sir,

It is my pleasure to submit my internship report on **“Financing In Bank Products, It’s Management & Administration: A NCC Bank View”**. It was a great opportunity for me to acquire knowledge and experience in respect of the functions, procedures, and operational mechanism of a commercial bank based on conventional banking principle while working as an intern. I believe that the knowledge and experience I have gathered during my internship period will definitely help me in my professional life.

I have concentrated my best efforts to achieve the objectives of the practical orientation and hope that my effort will serve the purpose. However, I will always be happy to welcome any further clarification that you may require.

Sincerely yours,

Fathi Rahman Shakhi

ID : 08204014

BRAC Business School

BRAC University, Dhaka.

DECLARATION



This report has been prepared by me for my academic supervisor MD. Tamzidul Islam as to fulfill the requirement of Internship of BBA program. This report was never been submitted before to any institution.

Sincerely yours,

Fathi Rahman Shakhi

ID : 08204014

BRAC Business School

BRAC University, Dhaka.

ACKNOWLEDGEMENT



First of all, I extend my profound gratitude to the Almighty Allah, who helped me accomplish this task on time. I feel satisfied and glad that I have completed this study within specific duration.

This internship report is an accumulation of many people's endeavor. Major contribution was received from the officers of the NCCBL especially from Mr. Sarwar Murshed , Mrs. Ruma Sultana and Mr. Enayetur Rahman to prepare this internship report considerable thinking & information input from various sources were involved.

Secondly, I would like to express my Sincere & immense gratitude to MD. Tamzidul Islam, Academic Supervisor, BRAC Business School, BRAC University. I am deeply indebted to his full hearted supervision to me during the Internship Period. His valuable suggestion & guideline helped me a lot to prepare the report in a well organized manner.

I am also grateful to the other officials & some of my friends specially Sanjida Sharmin Koyel, Sayeed Ahmed Shimul, who helped me while preparing the study by giving their suggestions, assistance & supply of information, which were valuable to me. Their helping hand supported me to complete my report successfully. Finally, I want to keep my thanks to my parents who gave special attention to me from the very beginning and during the preparation of the report & the internship program.

EXECUTIVE SUMMARY



In order to provide a student with job exposure and an opportunity of the transition of theoretical knowledge into real life experience, an internship is a must. A better balance between theory & practice can be gained through this program.

Banking system of Bangladesh has gone through three phase of development --- Nationalization, Privatization and Financial Sector Reform. National Credit and Commerce Bank is the largest Private Commercial Bank from 1993 with new hope and promise to serve the countrymen.

This report mainly divided into three parts. First Part deals with my practical experience as an intern in NCC Bank Ltd., Malibagh Branch and my own observations on Management, Administration and Organizational Pattern of the NCC Bank Ltd. Second part deals with financing in bank Products and credit management of the NCC Bank Ltd. And the final part is a research on Customer Satisfaction on loan service of NCC bank.

The report is a combination of three months internship program with NCC Bank. I acknowledged different banking functions and day-to-day banking operations on my way to complete internship. In this paper I have explained my best in respect of my real life experience gathered from different departments.

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CHAPTER 1

INTRODUCTION

1.1 INTRODUCTION

Generally by the word “Bank” we can easily understand that the financial institution deals with money. But there are different types of banks like; Central Banks, Commercial Banks, Savings Banks, Investment Banks, Industrial Banks, Co-operative Banks etc. But when we use the term “Bank” without any prefix, or qualification, it refers to the ‘Commercial banks’. Commercial banks are the primary contributors to the economy of a country. So we can say Commercial banks are a profit-making institution that holds the deposits of individuals & business in checking & savings accounts and then uses these funds to make loans. For these, people and the government is very much dependent on these banks as the financial intermediary. As banks are profit -earning concern; they collect deposit at the lowest possible cost and provide loans and advances at higher cost. The differences between two are the profit for the bank.

Banking sector is expanding its hand in different financial events every day. At the same time the banking process is becoming faster, easier and the banking arena is becoming wider. As the demand for better service increases day by day, they are coming with different innovative ideas & products. In order to survive in the competitive field of the banking sector, all banking organizations are looking for better service opportunities to provide their fellow clients. As a result, it has become essential for every person to have some idea on the bank and banking procedure.

Internship program is essential for every student, especially for the students of Business Administration, which helps them to know the real life situation. For this reason, a student takes the internship program at the last stage of the BBA Program, to launch a career with some practical experiences.

1.2 BACKGROUND OF THE STUDY

Any academic course of study has a great value when it has practical application in real life. Only a lot of theoretical knowledge will be a little important unless it is application in practical life. So we need proper application of our knowledge to get benefit from our theoretical knowledge. When we engage ourselves in such fields to make proper use of our theoretical knowledge in our practical life, we are able to know about the benefit of the theoretical knowledge. Such an application is possible through internship program. I have received a practical desk work experience and orientation in NCC Bank Ltd. for internship program. I have prepared a project report titled “Financing in bank products, It’s Management & Administration: A NCC Bank View.” based on my practical work experience and study. As a student of BBA this study will be more significant in my practical life.

1.3 SCOPE OF THE STUDY

National Credit and Commerce Bank Limited is one of the leading banks in Bangladesh. The scope of the study is limited to the Branch level only. The report focuses upon the organizational structure, financing in bank products, the management and administration of NCCBL and the overall performance of the bank.

This internship report covers overall banking of NCCBL such as:

1. General banking: deals with deposit, cash and remittance,
2. Advance banking: deals with different types of loan,
3. Foreign exchange: deals with foreign exchange or trade.

This has been prepared through extensive discussion with bank employees and with the customers. While preparing this report, I had a great opportunity to have an in depth knowledge of all the banking activities practices by the “NCC Bank Ltd”. It also helps me to acquire perspective of a leading private banking in Bangladesh.

1.4 OBJECTIVE OF THE REPORT

1.4.1) General objective of the report:

The objective of the report is to familiarize with NCC Bank Ltd., its operation and activities, the organizational structure, management & administration. The report also aims at acquiring first hand knowledge about “Financing in bank products, It’s Management & Administration: A NCC Bank View.” As well as to suggest ways and means to improve the current practice.

1.4.2) Specific objective of the study:

- To have an overall idea regarding the banking system of commercial Bank.
- To apply theoretical knowledge in the practical field.
- To observe the working environment in commercial banks.

1.5 METHEDODOLOGY

Data has been collected by using a specific methodology. The source of data of this report can be divided into two categories. One is primary and another is secondary sources. The primary data has been gathered through discussing informally with bank personnel and making observations during the period of internship etc. Some secondary data also have been used to make the report more concrete. These data are collected from different brochures of the bank, newspapers, web sites etc.

1.5.1) Primary Sources of Data:

- Face to face conversation with the bank officers and Executives.
- Practical work exposures from different desks.
- Relevant file study as provided by the officers concerned.
- Direct communication with the clients.

1.5.2) Secondary Sources of Data:

- Annual report of NCC Bank Ltd.
- Different papers of NCC Bank Ltd.
- Website of NCC Bank Ltd.
- Relevant books, newspapers and Journals.
- Different Circulars of Bangladesh Bank.
- Different articles regarding banking system in Internet.

1.6 LIMITATION OF THE STUDY

- Limitation of time is one of the most important factors that shorten the present study. Due to time limitation many aspects may not discuss in the present study.
- Confidentiality of data is another important barrier that is facing during the conduct of this study. Every organization has their own secrecy that is not revealed to others. While collecting data on National Credit and Commerce Bank Limited, personnel did not disclose enough information for the sake of confidentiality of the organization.
- Rush hours and business is another reason that acts as an obstacle while gathering data.
- The findings of the report are based on only Malibagh branch of National Credit and Commerce Bank Limited. The results may not reflect the same for other branches of NCCBL.
- Clients could be too busy to co-operate with questionnaire and other staffs.
- Lack of experience in the banking sector has been another main constraint of this scope of study.

CHAPTER 2

AN OVERVIEW OF NATIONAL CREDIT AND COMMERCE BANK LIMITED

2.1 HISTORY OF BANK IN BANGLADESH

After liberation the Bangladesh Government of the newly born country being recognized as Bangladesh in the world society made the entire existing Bank's, Bima, Financial Institutions, and Nationalized Banks except three Foreign Banks by an Ordinance named as "Bangladesh Bank Ordinance Dated the 26th March, 1972."

According to the President Ordinance 127 of the 6th of December, 1972 State Bank of Pakistan of East Bengal is considered as "Bangladesh Bank" and also got acceptance as a 'Central Bank of Bangladesh'. Under the reformation plan of banking system, the following Banks were renamed which were before liberation period:

Janata Bank Limited, Pubali Bank Limited, Agrani Bank Limited.

Rupali Bank Limited, Sonali Bank Limited, BSRs, ICB

Uttara Bank Limited, Bangladesh Silpa Bank, BHBFC

A number of foreign private Commercial Bank which were operating since earlier days were the only Commercial Banks in the private sector. These foreign private Banks with limited branches can only meet and cover only a small portion of the financial needs of the private sector in the country. In the early eighties with liberalization of the economy a number of Commercial Banks were allowed in the private sector which continuously provides service to fulfill the credit needs of the emerging private sector. The strategy of economic development depends on increasing role of the private sector. After a decade long experience of public Banking system, the government has taken steps to set up Commercial Banks in the private sector.

Subsequently Government followed a denationalization policy-allowing establishment of banking institution in the private sector and released three nationalized Banks in the private sector.

They are:

- i) Uttara Bank Limited
- ii) Rupali Bank Limited
- iii) Pubali Bank Limited

Today, the commercial banking sector of Bangladesh has emerged as a healthy business sector with auspicious contribution in our economy. The commercial banking sector of Bangladesh is now an area of turbulent competition with the participation of a large number of Private Commercial Banks (PCBs). National Credit and Commerce Bank

Limited, a renowned PCB, has already gained a reputation of excellence in providing commercial banking services in Bangladesh.

2.2 BACKGROUND OF NCC BANK LTD.

Bangladesh economy has been experiencing a rapid growth since the '80s. industrial and agricultural development, international trade, inflow of expatriate Bangladeshi workers' remittance, local and foreign investment in construction, communication, power, food processing and service enterprises ushered in an era of economic activities. Urbanization lifestyle changes concurrent with the economic development created the demand for banking products and services to support the new initiatives as well as to canalize consumer investment in a profitable manner. A group of highly acclaimed businessmen of the country grouped together to responded to this need and established NCC Bank Limited in the 1985.

The NCC Bank Limited started its operation in 25th November 1985 as a non-banking financial institution under the name of National credit Limited (NCL) at its registered office and first branch at 7-8 Motijheel Commercial Area, Dhaka-1000 sponsored by 26 businessmen on it as a public limited company under the companies Act 1931 with an authorized capital of Tk. 3000 million.

In the end of 2012 it had 91 branches all over Bangladesh. It carries out all its banking activities through these branches among which 17 branches are authorized dealer of foreign exchange. The bank is listed in Dhaka and Chittagong Stock Exchange as a publicly quoted company for its general class of shares. The authorized capital of the bank is now taka 750 million. The bank raised its paid up capital from taka 195 million to taka 390 million during the year through IPO of which sponsor directors/shareholders equity stood at taka 198 million. With the increase of paid up capital to taka 390 million, the capital base of the bank has become strong. NCC Bank is now positioned to best suit the financial needs of its customer and make the partner of progress.

The bank has 91 branches, 2 SME services centers, 1 Business center, 2 offshore banking Units across the country and a wide network of correspondents all over the world. The bank has planned to open more branches in the current fiscal year to expand the network.

The bank offers the full range of banking and investment services for personal and corporate customers, backed by latest technology and a team of highly motivated officers and staffs.

NCC Bank Limited effort to provide excellence in banking services, the bank has launched online banking service, joined a countrywide shared ATM network has introduced co-branded credit card. A process is also under way to provide E-business facility to the banks clientele through Online and Home banking solutions.

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 commerce and high yield on investment.

2.3 TYPES OF BUSINESS



National Credit and Commerce Bank Limited was licensed as a scheduled bank. It is engaged in pure commercial banking and providing services to all types of customers ranging from small and medium enterprises to large business organizations. It is working for the economic welfare by transferring funds from the surplus economic unit to those who are in deficit.

2.4 VISION



To become the Bank of choice in serving the Nation as a progressive and Socially Responsible financial institution by bringing credit & commerce together for profit and sustainable growth. To share a significant portion of the banking sector's by utilizing available manpower and also state of the art technology for maximizing the shareholders wealth.

2.5 MISSION



To mobilize financial resources from within and abroad to contribute in Agriculture's, Industry & Socio-economic development of the country and to play a catalytic role in the formation of capital market.

2.6 SLOGAN

“Where Credit & Commerce Integrates”

2.7 MOTTO

The Bank will be a confluence of the following three interests:

Of the Bank: Profit Maximization and Sustained Growth.

Of the Customer: Maximum Benefit and Satisfaction.

Of the Society: Maximization of Welfare.

2.8 OBJECTIVES OF NCCBL

The main objective of the NCC Bank Limited is to maximize profit through customer satisfaction, which very much reflects the idea of any type of service oriented business. NCC Bank Limited has been ensuring profit by providing best and improved service along with other corporate objectives mentioned below:

- ✓ To provide excellent customer service to its clients, so they choose NCCBL first.
- ✓ To carry on the business deals in foreign exchange including buying and selling of foreign exchange, dealing in foreign currency notes, granting and issuing letter of credit, travelers check, circular notes and negotiating of export documents and all matters related to foreign exchange.
- ✓ Ensure high return on investment with different service product.
- ✓ To play a significant role in improvement of economic condition of this country.
- ✓ Make profitable investment, disciplined growth strategy and growth in annual profit margin.

- ✓ Create and maintain a congenial environment so that the people will be proud and eager to work with NCCBL.
- ✓ To create a fully integrated financial service system.
- ✓ To create employment opportunity for contribution to the community.
- ✓ To build up a strong enduring organization which employs good business practices and deliver better service of the high quality.

2.9 GOALS OF THE BANK

To share a significant portion of the banking sector's by utilizing available manpower and also state of the art technology for maximizing the shareholders wealth.

2.9.1 Long Term Goal: To maximize the wealth of the shareholders.

2.9.2 Short term Goal: To earn satisfactory rate of return on investment by providing wide range of banking services.

2.10 VALUES

- ✓ Customer focus
- ✓ Integrity
- ✓ Team work
- ✓ Respect customers
- ✓ Better service quality

2.11 BOARD OF DIRECTORS

At present, the Board of directors consists of 26 members including the Chairman and the Vice Chairman of the Bank. Out of 26 members 23 of them are the sponsor of the shareholders and 3 of them are publicly nominated as the equity participants from capital market have included them. Most of the members are reputed industrialist and businesspersons of our country. The Board is headed by the Chairman. Each of the directors is the member of the Board. The members are obliged to maintain the annual general meeting and declare the dividend pay-out schedule on due time. Moreover, the committee selected by the shareholders represents individual body that then looks after the periodic issue with the management and tries to solve the problems.

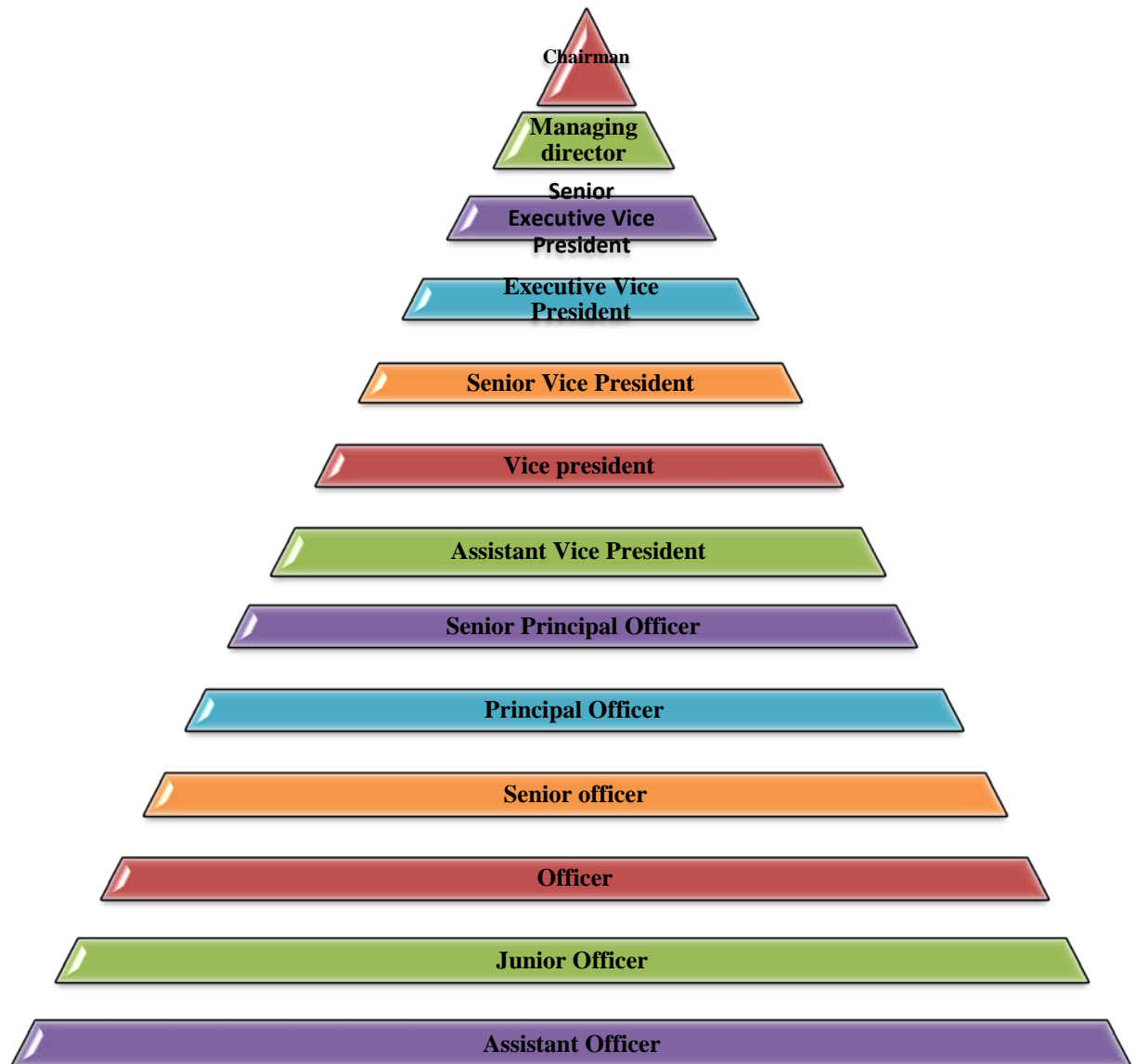
The Board has appointed the management, which is responsible for the welfare of the Bank's directors. Some members of the Board have formed the Executive Committee, which organizes a meeting in every week to deal with the minor issues such as promotion or cadre change of a confirmed employee. Conversely, at least one meeting of the Board is held in every month to deal with major issues such as modification of the existing policy or major policy reforms. The particulars of the Board are presented as under:

Table 2.11.1: Board of Directors

Name	Designation
Alhaj Md. Nurun Newaz	Chairman
A.S.M. Main Uddin Monem	Vice Chairman
Md. Abdul Awa	Director
Amjadul Ferdous Chowdhury	Director
S.M. Abu Mohsin	Director
Abdus Salam	Director
Mrs. Sohela Hossain	Director
Yakub Ali	Director
Md. Abul Bashar	Director
Md. Harunur Rashid	Director
Khairul Alam Chaklader	Director
Md. Moinuddin	Director
Md. Amirul Islam	Independent Director & Chairman, Audit Committee
K.A.M Haroon	Independent Director
Mohammed Nurul Amin	Managing Director & CEO

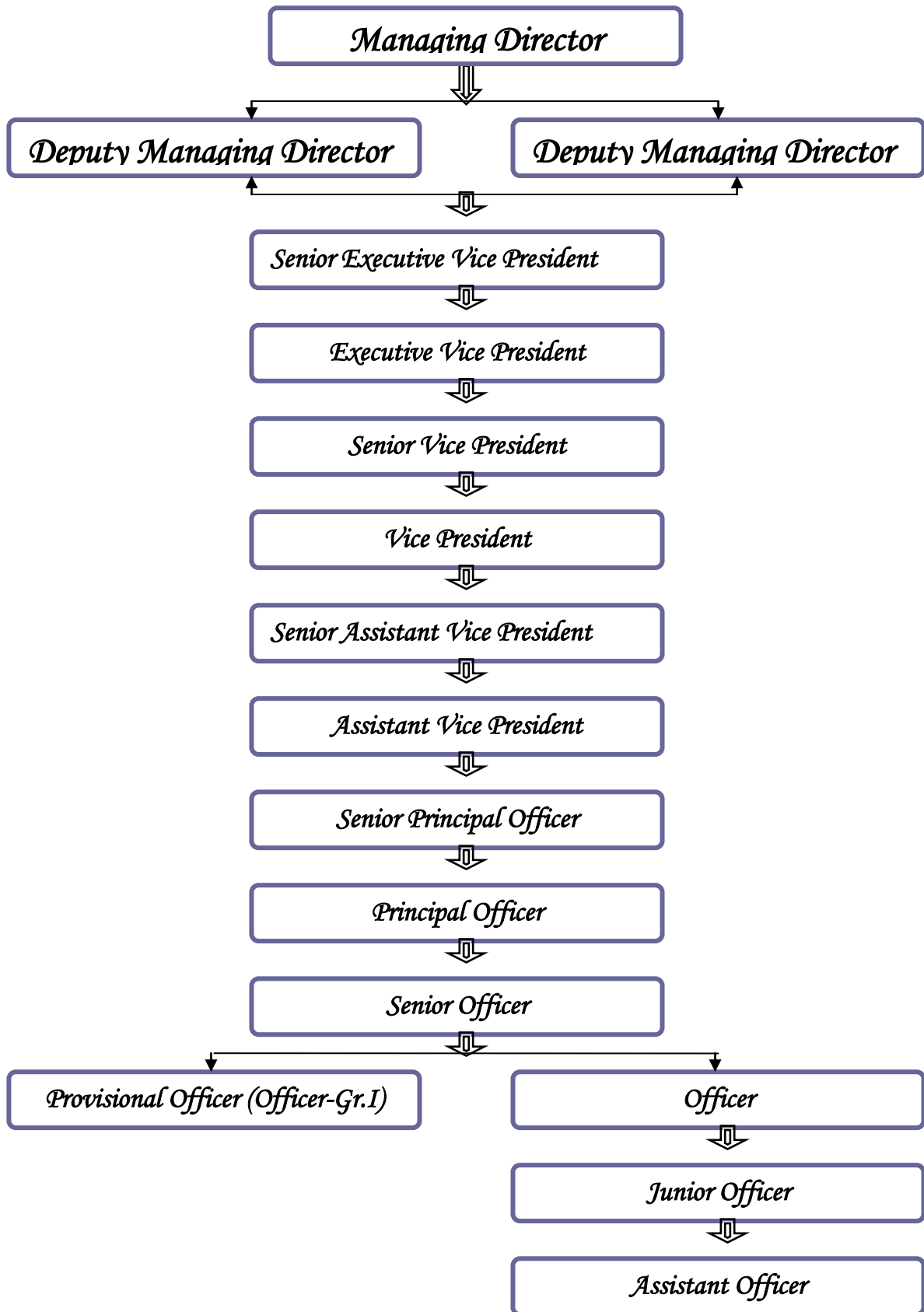
2.12 HIERARCHY OF POSITION IN NCCBL

The organizational hierarchy of the NCC Bank Limited can be shown by the following diagram:



Hierarchy of Position of NCCBL

2.13 ORGAN GRAM OF NCCBL



2.14 STRATEGIC BUSINESS UNITS OF NCCBL

The Head Office is located at 7-8 C/A, Motijheel, Dhaka. It monitors and controls the banking operations of the branches scattered in different strategic business locations in Bangladesh. At present, there are 8 divisions in the Head Office. The classifications of the different division are mentioned as follows:

2.14.1 Credit Division:

The Credit Division is one of the most essential and valuable divisions of every commercial banks. The Credit Division of the Bank deals with issues regarding corporate finance, general credit, special schemes such as house building loan (HBL) and consumer credit scheme (CCS) etc.

2.14.2 Audit Inspection Recovery Division:

Although the Loan Administration Division is not at par with the Credit Division of the Bank in terms of human resource, the performance of the Bank relies heavily on this division. It is responsible for credit monitoring, documentation, disbursing L.D.O.s (loans, discounts and overdrafts), preparing MSOCF (monthly statement of outstanding credit facilities) and dealing with TR (trust receipt) etc.

2.14.3 Central Accounts Division:

This division monitors several important functions of banking operations performed in different branches across the country. It deals with accounts, financial planning, budget and monitoring, preparation of returns and statements, reconciliation, maintenance of PF (provident fund), gratuity and superannuation fund, local treasury etc.

2.14.4 Human Resource Division:

The necessity of having an efficient Human Resource Division is one of the unique requirements for the success of any business organization. National Credit and Commerce Bank Limited unlike other commercial banks has a proficient Human Resource Division that deals with recruitment and manpower planning, performance evaluation, disciplinary actions, promotion, cadre change, employee service rules and

benefits, training and development. An Executive Vice President (EVP) leads this division with the assistance of a Vice President.

2.14.5 Establishment Division:

Logistic and General Services Division is considered as the centre for providing necessary supporting services to other departments as well as the employees. The function of this division includes providing utility services, maintenance of premises, purchase of printing and general stationery, dispatch and transport pool. A Senior Vice President monitors this division.

2.14.6 International Division:

The role of the International Division is very vital to providing various banking service to the clients. This division also maintains the mutual relationship with many corresponding banks on several issues such as agency and credit line arrangement, reconciliation, authorized signature control, TKC (test key control), issuance of power of attorney, fund management and treasury operations (foreign) etc.

2.14.7 Information Technology (IT) Division:

It is very significant to adapt with the ongoing information technology revolution to provide faster services to the clients. The Information Technology Division supervises the overall computerization of the banking operations and networking, provides system support, deals with data processing and data entry, procures and maintain hardware, maintain and develop software required by the bank to facilitate and support the day to day operations.

2.14.8 Card Division:

The core functions of the Card Division include dealing with issues regarding Debit card, ATM card, customer and vendors management. A First Vice President (FVP) heads this division.

2.14.9 Marketing & Branch Division:

This Division is expected to deal with issues regarding marketing of asset and liability products, branch expansion etc. This division involves introducing new financial products. And it also deals with renovation of new branches and location of new branches.

2.14.10 Training Division:

The main objective of this division is to make the employees efficient. Usually this division offer training to the employees time to time. This is helpful to the employees to do their job efficiently and effectively.

2.14.11 Treasury Division:

The key responsibility of this division is to utilize its fund to various profitable businesses. Usually financial organization has huge capital and they invest these capital in various business.

2.14.12 Public Relation Division:

The main objective of the public relation department is to make a bridge within the organization and outsiders. This division directly deals with general public

2.14.13 Board Division:

This division deals with board of directors of the organization. Usually when the board meeting held where it will held and other activities are done by this department.

2.15 BRANCHES OF NCCBL

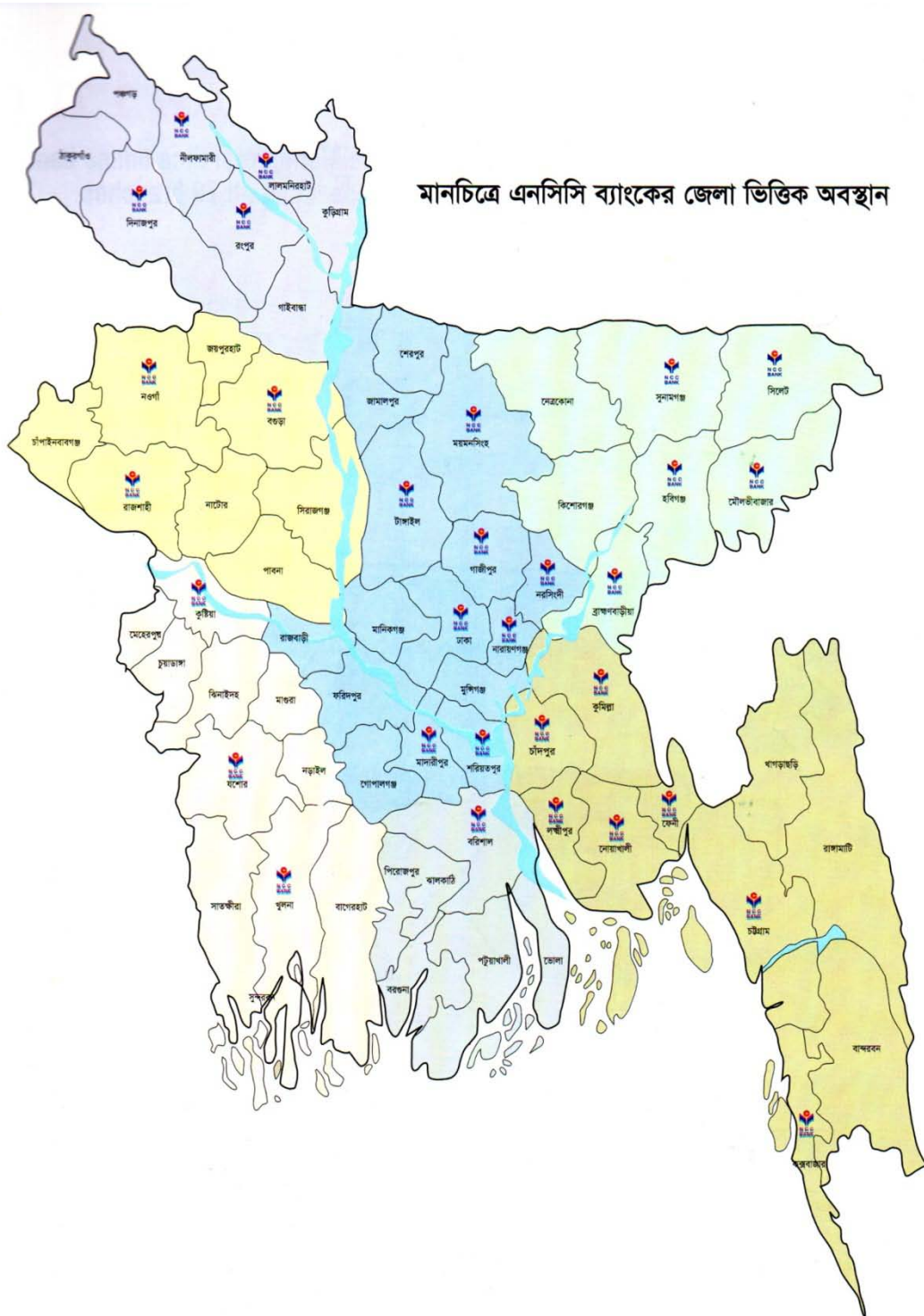
The NCC Bank Limited started its operation in 25th November 1985 as a non-banking financial institution under the name of National credit Limited (NCL) at its registered office and first branch at 7-8 Motijheel Commercial Area, Dhaka-1000 sponsored by 26 businessmen on it as a public limited company under the companies Act 1931 with an authorized capital of Tk. 3000 million.

In the end of 2012 it had 91 branches all over Bangladesh. It carries out all its banking activities through these branches among which 17 branches are authorized dealer of foreign exchange.

Table 2.15.1: Branches of NCC bank Ltd.

<u><i>Division</i></u>	<u><i>No. of Branch</i></u>
Dhaka Division	36
Chittagong Division	35
Rajshahi Division	04
Khulna Division	03
Shyllet Division	07
Rangpur Division	04
Barisal Division	02
Total	91

Picture 2.15.1: Branches of NCCBL throughout the country



2.16 BALANCE SHEET

NCC Bank Limited

Balance Sheet

As at 31 December 2012

	Notes	2012 Taka	2011(Restated) Taka
PROPERTY AND ASSETS			
Cash	5	7,732,385,281	6,442,038,081
In hand (including foreign currencies)		1,139,317,553	774,915,500
Balance with Bangladesh Bank and its agent bank (s) (including foreign currencies)		6,593,067,728	5,667,122,581
Balance with other Banks and Financial Institutions	6	1,316,317,832	462,493,232
In Bangladesh		1,087,904,404	145,448,769
Outside Bangladesh		228,413,428	317,044,463
Money at call and short notice	7	-	-
Investments	8	30,851,738,163	20,840,288,280
Government		29,282,775,027	19,926,233,619
Others		1,568,963,136	914,054,661
Loans and advances	9	79,948,220,174	72,733,540,709
Loans, cash credits, overdrafts, etc.		77,821,560,088	69,539,904,815
Bills purchased & discounted		2,126,660,086	3,193,635,894
Fixed assets including premises, furnitures and fixtures	10	1,743,585,434	1,506,770,757
Other assets	11	4,249,255,937	2,156,425,291
Non-banking assets		-	-
TOTAL ASSETS		<u>125,841,502,821</u>	<u>104,141,556,350</u>
LIABILITIES AND CAPITAL			
Liabilities			
Borrowings from Other Banks, Financial Institutions and agents	12	9,444,527,760	5,565,102,190
Deposits and other accounts	13	96,918,222,155	81,127,168,218
Current deposits and other accounts		8,603,924,747	7,674,198,551
Bills payable	13.1	1,612,347,002	1,780,398,167
Savings Bank deposits		9,832,750,729	8,198,956,190
Fixed deposits		53,745,227,785	45,892,585,307
Term deposits		23,123,971,892	17,581,030,003
Other liabilities	14	7,342,935,755	6,118,340,733
TOTAL LIABILITIES		<u>113,705,685,670</u>	<u>92,810,611,141</u>
Shareholders' Equity			
Paid up capital	15.2	6,951,735,580	5,941,654,350
Statutory reserve	16	3,818,042,032	3,269,492,825
General reserve	17	10,162,348	10,162,348
Other reserve-assets revaluation reserve	18	469,729,455	504,453,078
Surplus in Profit and Loss A/C	19	886,147,736	1,605,182,608
TOTAL SHAREHOLDERS' EQUITY		<u>12,135,817,151</u>	<u>11,330,945,209</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		<u>125,841,502,821</u>	<u>104,141,556,350</u>

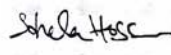
	Notes	2012 Taka	2011(Restated) Taka
CONTRA ENTRIES			
Off balance sheet items:			
Contingent liabilities			
Acceptances and endorsements	20.1	13,284,505,289	8,722,823,370
Letters of guarantee	20.2	5,670,935,938	5,029,034,026
Letters of credit issued	20.3	5,000,442,176	6,190,242,028
Bills for collection	20.4	796,376	62,033,933
Other contingent liabilities :			
Claims against the bank not acknowledged as debt		-	-
Capital commitments		-	-
Export Development Fund (EDF)		175,796,000	133,234,000
Total Off Balance Sheet Items		24,132,475,779	20,137,367,357

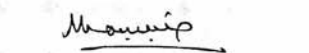
These financial statements should be read in conjunction with the annexed notes from 1 to 43.

See annexed auditor to the shareholders of the date



Chairman


Director


Director


Managing Director & CEO

Dhaka, 20 April 2013


Hoda Vasi Chowdhury & Co
Chartered Accountants

2.17 PROFIT & LOSS ACCOUNT

NCC Bank Limited

Profit and Loss Account

For the year ended on 31 December 2012

	Notes	2012 Taka	2011(Restated) Taka
Interest income	22	11,668,753,555	9,669,338,890
Less: Interest paid on deposits and borrowings	23	9,427,213,971	7,284,880,067
Net interest income		2,241,539,584	2,384,458,823
Income from investments	24	2,793,476,738	2,193,705,588
Commission, exchange and brokerage	25	849,067,537	1,059,737,840
Other operating income	26	295,503,924	277,626,890
Total operating income		6,179,587,783	5,915,529,141
Salary and allowances	27	1,166,522,772	867,813,089
Rent, taxes, insurance, electricity etc.	28	194,394,424	158,644,635
Legal expenses	29	8,425,833	5,341,160
Postage, stamp, telecommunication etc.	30	27,086,151	25,948,342
Stationery, printing, advertisement etc.	31	68,700,863	84,768,275
Managing Director's salary and allowances	32	7,880,000	8,638,500
Director's' fees	33	1,860,000	2,045,000
Audit fee	34	150,000	150,000
Depreciation and Repair of Bank's assets	35	315,533,983	251,599,871
Other expenses	36	362,213,245	295,815,140
Total operating expense		2,152,767,271	1,700,764,012
Profit before provisions		4,026,820,512	4,214,765,129
Provision for loans and advances		1,054,197,431	240,300,407
Specific Provision	14.4(a)	1,228,609,028	185,460,407
General Provision	14.4(b)	(174,411,597)	54,840,000
Provision for Off-balance sheet exposures	14.5	54,799,211	26,448,494
Provision for Gratuity	14.8	68,882,206	28,352,386
Provision for investment fluctuation in shares	8.1	95,222,884	153,644,235
Provision for incentive Bonus		-	105,000,000
Provision for other assets	14.1	972,747	(5,795,586)
Total provisions		1,274,074,479	547,949,936
Profit after provision for Loans & Advances & other provisions		2,752,746,033	3,666,815,193
Contribution to Ncc Bank Foundation	14.7	10,000,000	36,668,152
Profit before tax		2,742,746,033	3,630,147,041
Provision for tax	14.2	1,308,985,033	1,684,041,076
Current year		1,311,459,496	1,408,705,443
Prior year		-	15,118,002
Deferred Tax	14.3.1	(2,474,463)	260,217,631
Profit after tax for the period		1,433,761,000	1,946,105,965
Balance of profit brought forward from last year	19.1	935,943	388,106,051
Total profit available for distribution		1,434,696,943	2,334,212,016

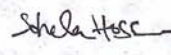
	Notes	2012 Taka	2011(Restated) Taka
Appropriations:			
Statutory reserve		548,549,207	726,029,408
General reserve		-	3,000,000
		548,549,207	729,029,408
Retained earnings carried forward	19	886,147,736	1,605,182,608
Earnings per share	42	2.06	3.28
Restated earnings per share	42	-	2.80

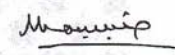
These financial statements should be read in conjunction with the annexed notes from 1 to 43.

See annexed auditor to the shareholders of the date



Chairman


Director


Director


Managing Director & CEO

Dhaka, 20 April 2013


Hoda Vasi Chowdhury & Co
Chartered Accountants

2.18 CASH FLOW STATEMENT

NCC Bank Limited

Cash Flow statement

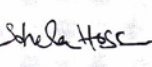
For the year ended on 31 December 2012

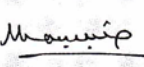
	Notes	2012 Taka	2011(Restated) Taka
A) Cash flows from operating activities			
Interest received in cash		14,016,364,123	12,073,965,378
Interest paid by cash		(9,343,592,031)	(7,402,410,220)
Dividend received		51,229,589	159,312,876
Fees & Commission received in cash		550,647,451	674,386,337
Recoveries of loans previously written off		27,409,007	29,957,821
Cash paid to employees		(1,174,402,772)	(876,451,589)
Cash paid to suppliers		(271,919,151)	(221,231,359)
Income taxes paid		(1,321,240,109)	(1,203,765,643)
Received from other operating activities	37	802,708,293	764,171,492
Paid for other operating activities	38	(563,398,580)	(498,357,630)
Operating profit before changes in operating assets and liabilities		2,773,805,820	3,499,577,463
Increase/(Decrease) in Operating Assets & Liabilities			
Purchase-sale of trading securities		(9,339,524,408)	(9,642,174,460)
Loans and advances to other banks		-	-
Loans and advances to customers (Other than Banks)		(7,214,679,465)	(9,503,399,081)
Other assets	39	(636,374,740)	1,247,182,248
Deposits/ Borrowings from other Banks		3,931,266,541	3,678,443,516
Deposits from customers (Other than Banks)		15,901,053,937	13,625,923,441
Other liabilities account of customers		(1,950,201,433)	(1,516,539,625)
Other liabilities	40	344,489,657	(107,982,607)
Net Cash received from operating activities		3,809,835,909	1,281,030,895
B) Cash flows from investing activities			
Proceeds from sale of securities		794,380,975	359,601,378
Payment for purchase of Securities		(1,509,646,727)	(700,375,245)
Purchase of property, plant and equipment		(193,788,572)	(435,532,163)
Sales proceeds of fixed assets		642,726	21,069,990
Net cash used in investing activities		(908,411,598)	(755,236,040)
C) Cash flows from financing activities			
Received from issue of loan capital and debt securities		(161,840,971)	(420,370,022)
Payment for redemption of loan capital & debt security		-	-
Receipts from issue of Right share		-	-
Dividend paid in cash		(594,165,435)	-
Net cash received from financing activities		(756,006,406)	(420,370,022)
D) Net (decrease) / increase in cash (A+B+C)		2,145,417,905	105,424,833
Effects of exchange rate changes on cash and cash-equivalents		-	-
E) Opening cash and cash-equivalents		6,888,591,512	6,783,166,679
F) Closing cash and cash-equivalents (D+E)	41	9,034,009,417	6,888,591,512

These financial statements should be read in conjunction with the annexed notes from 1 to 43.


Chairman


Director


Director


Managing Director & CEO

CHAPTER 3:

EXTERNAL AND INTERNAL FACTOR ANALYSIS OF NCCBL

3.1 PESTEL ANALYSIS OF NCCBL

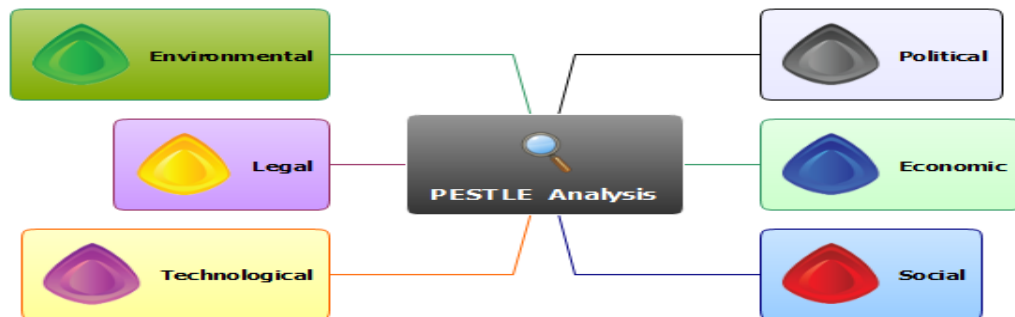


Figure 3.1.1: PESTEL Analysis

3.1.1 Political:

- According to Section 31 of the Banking Companies Act 1991, no company shall carry out banking business in Bangladesh without obtaining a license from Bangladesh bank. Thus NCC bank had started their business after obtaining a license from Bangladesh Bank.
- The paid up capital of NCC bank shall not be less than taka 400.00 Core as required under Bank Company Act 1991. The share capital will be formed with ordinary shares only.
- Bangladesh Bank constantly monitoring the activities of NCC bank.
- Bangladesh Bank send auditor to NCC bank so that no corruption occur.
- NCC bank does not get enough Government fund.
- Grants that are coming from Middle East countries and Saudi Arabia are stop for NCCB.
- Political disorder strongly affected NCC bank's Performance.
- Deposits, Investments are going decrease due to Hartal and strikes.
- Whenever Bangladesh Bank issue Bonds, NCCB have to buy some of that bonds.

3.1.2 Economical:

- Bangladesh has a slow moving economic growth. In 2012 it was 6.30%. As economic growth is lowering people have less money thus bank like NCC face problem to collect deposit from client.
- Inflation rate is 7.74% which indicate that people spend more money. Thus they unable to savings and for that reason NCCB face liquidity crisis.
- Foreign Currency Reserve is increasing for that reason Exchange Rate is decreasing. As a result taka value is depreciated in terms of other Foreign Currency.
- Those who have TIN number and certificate will pay less tax on their deposit interest.
- Government imposes higher tax on import of luxury goods. As a result money flow will increase and interest rate of bank will decrease. For that reason NCCB is unable to collect more deposits.

3.1.3 Social:

- Financial assistance to Bangabandhu Sheikh Mujib Medical university for refrigerator & photocopier machine for nursing faculty.
- Financial assistance to Bangladesh Childhood Cancer Society for their Siddirgonj medical center.
- Recognition to Prof. Dr. Shamanto Lal Sen: project director, burn unit of Dhaka medical college hospital for his contribution towards organizing the unit,
- Financial assistance to Diabetic association, Lalmonirhat for extending treatment to diabetic patients to the locality.
- Financial assistance Bangladesh Chemical society for IYC 2011 Olympiad.
- Financial assistance to United International University to participate in Global Model united nations Conference by the students.
- Financial assistance to department of Anthropology of Dhaka University to conduct research works
- Financial assistance to Bangladesh Cycling Federation for National Cycling Competition.

- Financial assistance to Bangladesh Gymnastics Federation for National Gymnastics Competition.
- Financial assistance to Bhatiary Golf & Country Club for Golf Tournament-2011.
- Financial assistance to DU alumni association for seminar on road accident
- Financial assistance to north south university for debate competition named NSU Asian BP 2011.
- Financial assistance to SME Foundation for national SME Women Entrepreneur award 2010.
- Financial assistance to Dhaka reporter's unity for Pohela Boisakh events of DRU.
- Financial assistance to Allamah Rumi Society for program in memory of Banglar Rumi Syed Ahmedul Haque.
- Financial assistance to Dhaka University Economics dept. Alumni Association for their 9th AGM.
- Financial assistance to the family of late Col. Lutfor Rahman Khan, victim of BDR carnage, this will continue for 10 years.
- Distribution of blankets to the cold wave affected people of distressed families in Lalmonirhat, Rangpur, Nilphamari and some others area of the country.

3.1.4 Technological:

- NCC bank very promptly started their online banking service.
- NCC bank also offers SMS banking service.
- NCC bank has fully computerized banking system.
- NCC bank uses Flora banking software.
- Not all the employees of NCCB have internet connection. But whoever is online reporting regularly, they have internet connection.
- NCC bank uses Banglalion internet connection.
- NCC bank is also using intranet connection. Through this intranet connection all the branches of NCCB get access to share information.
- Globally NCCB are well communicated thus NCCB provides best foreign remittance service.

3.1.5 Environmental:

- NCC bank try hard not to finance in Garments sector because its polluted the environment.
- If Garment has ETP in that case NCC bank does financing to that garment.
- NCC bank encourages online banking to protect environment. Thus NCC bank promptly started online banking system which took less than one year to start.
- To reduce paper use NCC bank start SMS banking.
- NCC bank also try to follow green banking.

3.1.6 Legal:

- NCC bank follow UCPDC 600 version for rules and regulation of Foreign Exchange.
- This rules and regulation is described by ISBC which spontaneously followed by NCC bank.
- If UCPDC and ISBC fail in that case NCC bank follow local instruction supported by Volume-1,2.
- For loan and Advance NCC bank have to follow Bangladesh bank's instruction.
- NCC bank has their own loan policy. But they can not directly implement that policy. They have to compile their own policy with the Bangladesh bank's instruction.
- Bangladesh bank acts as a regulatory body of NCC bank.
- NCC bank has both internal and external auditors to protect corruption.
- Bangladesh Bank do off sight supervision on NCC bank based on quarterly financial report.

3.2 SWOT ANALYSIS OF NCCBL

In order to develop marketing strategy SWOT analysis is very vital. In the process of making a SWOT marketer identifies the strength and weakness of the company and also the opportunities and threat to the company. The SWOT analysis of NCC Bank has given below.



Figure 3.2.1: SWOT Analysis

Table 3.2.1: SWOT Analysis

<p>Strength</p> <ul style="list-style-type: none"> ➤ Strong corporate identity ➤ Distinct operating Procedure ➤ Distinct schedule ➤ Strong employee bonding and belongings ➤ Efficient Performance ➤ Young enthusiastic Workforce ➤ Empowered Work force ➤ Companionable Environment ➤ MBO ➤ One-to-one" meeting ➤ Modern equipment & technology ➤ Visually appealing facilities 	<p>Weakness</p> <ul style="list-style-type: none"> ➤ Narrow operating span ➤ Absence of strong Marketing Activities ➤ More Innovative products must be offered ➤ Lack of customer confidence ➤ Low remuneration Package ➤ Diversification ➤ International Credit Cards ➤ High Cost for Maintaining an Account ➤ Lack of employees ➤ Training facility
<p>Opportunity</p> <ul style="list-style-type: none"> ➤ Distinct operating procedures ➤ Country wide network ➤ Experienced Managers ➤ Huge population ➤ Weak marketing message by local & foreign banks 	<p>Threat</p> <ul style="list-style-type: none"> ➤ Upcoming Banks ➤ Default Culture ➤ Similar Products are offered by other Banks ➤ Industrial downward trend due to recession, inflation & Unemployment

3.2.1 Strength:

3.2.1.1 Strong corporate identity

- NCC Bank is the leading provider of financial services in countrywide. With its strong corporate image and identity it can better position in the mind's of customers. This image has helped NCC Bank grab the personal banking sector of Bangladesh very rapidly.

3.2.1.2 Distinct operating Procedure

- NCC BANK is known countrywide for its distinct operating procedures. The company's Managing committees of Value Strategy satisfy customers' needs better and also keep the organization profitable.

3.2.1.3 Distinct schedule

- Everyone in NCC Bank from the appraiser to the top management has to work to the same schedule towards a different aspect of the same goal, interfacing simultaneously at all levels over quite a long period of time.

3.2.1.4 Strong employee bonding and belongings

- NCC Bank employees are one of the major assets of the company. The employees of NCC Bank have a strong sense of commitment towards organization and also feel proud and a sense of belonging towards NCC Bank. The strong organizational culture of NCC Bank is the main reason behind this strength.

3.2.1.5 Efficient Performance

- NCC Bank provides hassle-free customer service to its client base comparing to the other financial institutions of Bangladesh. Personalized approach to the needs of customers is its motto.

3.2.1.6 Young enthusiastic Workforce

- The selection & recruitment of NCC Bank emphasizes on having the skilled graduates & postgraduates who have little or no previous work experience. The logic behind is that NCC Bank wants to shape their employees at the nature of their own culture and fresh workforce stimulates the whole working environment of NCC Bank.

3.2.1.7 Empowered Work force

- The human resource of NCC Bank is extremely well thought & perfectly managed. As from the very first, the top management believed in empowered employees, where they refused to put their finger in every part of the pie. This empowered environment makes NCC Bank a better place for the employees. The

employees are not suffocated with authority but are able to grow as the organization matures.

3.2.1.8 Companionable Environment

- All office walls in NCC Bank are only shoulder high partitions & there is no executive dining room. Any of the executives is likely to plop down at a table in its dining hall & join in a lunch chat with whoever is there. In this way employee feel real part of the organization.

3.2.1.9 MBO

- NCC Bank also has Management by Objectives (MBO) everywhere. Each person has multiple objectives. All the employees must have to get the approval of their bosses on what they are going to do. Later they review as how well they have performed their job with their management as well as the peer group.

3.2.1.10 One-to-one" meeting

- The MBO makes the review a communication device among various groups. The key to the system is a "one-to-one" meeting between a supervisor & a subordinate. In the meeting, the problems in dealing with customers are put forward first & everyone dug it to solve them.

3.2.1.11 Modern equipment & technology

- NCC Bank owns the best banking and information technology in Bangladesh. It ultra modern banking systems starting from terminal pc's to HUB's and HUB to PCs of other branches. Online banking system makes the more frequent and smooths service to the clients and branch to branch transaction also gets speed.

3.2.1.12 Visually appealing facilities

- NCC Bank has some of the best visually appealing branches and office premises in Dhaka & other districts. Another 10 new branches are going to be opened very soon. That highly attracts customer's attentions and customers also feel comfortable while banking with NCC Bank.

3.2.2 Weakness

3.2.2.1 Narrow operating span

- NCC Bank has a very narrow operating span in Bangladesh. NCC Bank still not reached different district with their service. Various geographic segments are currently not availing the services of NCC Bank due to inconvenient branch location or absence of neighborhood branches.

3.2.2.2 Absence of strong Marketing Activities

- NCC Bank currently don't have any strong marketing activities through mass media e.g. Television. TV ads play vital role in awareness building. NCC Bank has neither such TV ad campaign nor even newspaper adds.

3.2.2.3 More Innovative products must be offered

- In order to be more competitive in the market NCC Bank should come up with more new attractive products. This one of the weakness that NCC Bank is currently passing through.

3.2.2.4 Lack of customer confidence

- AS NCC Bank is opened their most of new branched within 8 to 5 years in different areas. As average customers lack the confidence in NCC Bank and judge the bank as an average new bank.

3.2.2.5 Low remuneration Package

- The remuneration package for the entry level officers is considerable low. Since other foreign and local banks offer a more lucrative salary package, it will be difficult for NCC Bank to attract MBA ' s in future with its current salary package.

3.2.2.6 Diversification

- NCC Bank can peruse a diversification strategy in expanding its current line of business. The management can consider options of starting merchant banking or diversify in to leasing and insurance. As NCC Bank is one of the leading providers of all financial services, in Bangladesh it can also offer these services.

3.2.2.7 International Credit Cards

- This is one of the most popular and emerging product in Bangladesh which offers customers total financial mobility. Various other banks and institutions are currently offering this product. NCC Bank can also take advantage of this product and grab the market share.

3.2.2.8 High Cost for Maintaining Account

- The account maintenance cost for NCC Bank is comparatively high. This is very often highlighted by other banks. In the long run this might turn out to be a negative issue for NCC Bank.

3.2.3 Opportunities

3.2.3.1 Distinct operating procedures

- Repayment capacity as assessed by NCC Bank of individual client helps to decide how much one can borrow. As the whole lending process is based on a client's repayment capacity, the recovery rate of NCC Bank is close to 100%. This provides NCC Bank financial stability & gears up NCC Bank to be remaining in the business for the long run.

3.2.3.2 Country wide network

- The ultimate goal of NCC Bank is to expand its operations to whole Bangladesh. Nurturing this type of vision & mission & to act as required, will not only increase NCC Bank 's profitability but also will secure its existence in the long run.

3.2.3.3 Experienced Managers

- One of the key opportunities for NCC Bank is its efficient managers. NCC Bank has employed experienced managers to facilitate its operation. These managers have already triggered the business for NCC Bank as being new in the market.

3.2.3.4 Huge Population

- Bangladesh is a developing country, to satisfy the needs of the huge population, a large amount of investment is required. On the other hand building EPZ areas and some Govt. policies easing foreign investment in our country made it attractive to the foreigners to invest in our country. So, NCC Bank has a large opportunity here.

3.2.3.5 Weak marketing message by local & foreign banks

- The basic assumption of trade business is that customer will come to the bank and ask for service that is why local & foreign banks are not that much enthusiastic about letting know their service features. This an opportunity for NCC Bank to develop messages regarding their services.

3.2.4 Threats

3.2.4.1 Upcoming Banks

- The upcoming private local & multinational banks poses a serious threat to the existing banking network of NCC Bank. It is expected that in the next few years more commercial banks will emerge. If that happens the intensity of competition will rise further and banks will have to develop strategies to compete against and win the battle of banks.

3.2.4.2 Similar Products are offered by other Banks

- Now day's different foreign and private banks are also offering similar type of product with an almost similar profit margin. So, if all competitors fight with the same weapon, the natural result is declining profit.

3.2.4.3 Default Culture

- This is a major problem in Bangladesh. As NCC Bank also go through with the problem of non-performing loans or default loans. However, as the bank becomes older this problem will arise enormously and the bank may find itself in a more threatening environment. Thus NCC Bank has to remain vigilant about this problem so that proactive strategies are taken to minimize this problem.

3.2.4.4 Industrial downward trend due to recession, inflation & Unemployment

- Bangladesh is economically unstable country. Flood, draught, cyclone, and newly added terrorism have become an identity of our country. Along with inflation, unemployment also creates industry wide recession. These caused downward pressure on the capital demand for investment. This can be the result of low profit.

3.3 MOST ANALYSIS OF NCCBL

3.3.1 Mission:

To mobilize financial resources from within and abroad to contribute in Agriculture's, Industry & Socio-economic development of the country and to play a catalytic role in the formation of capital market.

A Complete Strategic Planning Solution



3.3.2 Objectives:

The main objective of the NCC Bank Limited is to maximize profit through customer satisfaction, which very much reflects the idea of any type of service oriented business.

NCC Bank Limited has been ensuring profit by providing best and improved service along with other corporate objectives mentioned below:

- ✓ To provide excellent customer service to its clients, so they choose NCCBL first.
- ✓ To carry on the business deals in foreign exchange including buying and selling of foreign exchange, dealing in foreign currency notes, granting and issuing letter of credit, travelers check, circular notes and negotiating of export documents and all matters related to foreign exchange.
- ✓ Ensure high return on investment with different service product.
- ✓ To play a significant role in improvement of economic condition of this country.
- ✓ Make profitable investment, disciplined growth strategy and growth in annual profit margin.
- ✓ Create and maintain a congenial environment so that the people will be proud and eager to work with NCCBL.
- ✓ To create a fully integrated financial service system.
- ✓ To create employment opportunity for contribution to the community.
- ✓ To build up a strong enduring organization which employs good business practices and deliver better service of the high quality.

3.3.3 Strategy :

3.3.3.1 Long Term Strategy: To maximize the wealth of the shareholders.

3.3.3.2 Short term Strategy: To earn satisfactory rate of return on investment by providing wide range of banking services.

3.3.4 Tactic:

- NCC bank now try to move from mass people to class people. It means NCC bank will not do banking for general people. Rather they will become more specific and serve higher class people.
- Although NCC bank do not invest money on advertising because of strong customer relation. But now they want to increase their investment on advertisement to boost up more profit.

- NCC bank has their own internal auditor to protect any kind of corruption and failure.
- NCC bank is tiring to set up own software group so that they don't need to pay Flora software company. It will help NCC bank to increase their profit.
- NCC bank spontaneously investing in R&D department.
- NCC bank is offering Money Tripling service to collect more deposits.
- NCC bank give best foreign remittance service by fast global networking.

3.4 STEER ANALYSIS OF NCCBL

3.4.1 Socio Cultural:

- Financial assistance to Bangabandhu Sheikh Mujib Medical university for refrigerator & photocopier machine for nursing faculty.
- Financial assistance to Bangladesh Childhood Cancer Society for their siddirgonj medical center.
- Recognition to Prof. Dr. shamanto lal sen: project director, burn unit of Dhaka medical college hospital for his contribution towards organizing the unit,
- Financial assistance to Diabetic association, lalmonirhat for extending treatment to diabetic patients to the locality.
- Financial assistance Bangladesh Chemical society for IYC 2011 Olympiad.
- Financial assistance to United International University to participate in Global Model united nations Conference by the students.
- Financial assistance to department of Anthropology of Dhaka University to conduct research works
- Financial assistance to Bangladesh Cycling Federation for National Cycling Competition.
- Financial assistance to Bangladesh Gymnastics Federation for National Gymnastics Competition.
- Financial assistance to Bhatiary Golf & Country Club for Golf Tournament-2011.
- Financial assistance to DU alumni association for seminar on road accident

- Financial assistance to north south university for debate competition named NSU Asian BP 2011.
- Financial assistance to SME Foundation for national SME Women Entrepreneur award 2010.
- Financial assistance to Dhaka reporters unity for Pohela Boisakh events of DRU.
- Financial assistance to Allamah Rumi Society for program in memory of Banglar Rumi Syed Ahmedul Haque.
- Financial assistance to Dhaka University Economics dept. Alumni Association for their 9th AGM.
- Financial assistance to the family of late Col. Lutfor Rahman Khan, victim of BDR carnage, this will continue for 10 years.
- Distribution of blankets to the cold wave affected people of distressed families in Lalmonirhat, Rangpur, Nilphamari and some others area of the country.

3.4.2 Technological:

- NCC bank very promptly started their online banking service.
- NCC bank also offers SMS banking service.
- NCC bank has fully computerized baking system.
- NCC bank uses Flora banking software.
- Not all the employees of NCCB have internet connection. But whoever is online reporting regularly, they have internet connection.
- NCC bank uses Banglalion internet connection.
- NCC bank is also using intranet connection. Through this intranet connection all the branches of NCCB get access to share information.
- Globally NCCB are well communicated thus NCCB provides best foreign renitence service.

3.4.3 Economical:

- Bangladesh has a slow moving economic growth. In 2012 it was 6.30%. As economic growth is lowering people have less money thus bank like NCC face problem to collect deposit from client.
- Inflation rate is 7.74% which indicate that people spend more money. Thus they unable to savings and for that reason NCCB face liquidity crisis.

- Foreign Currency Reserve is increasing for that reason Exchange Rate is decreasing. As a result taka value is depreciated in terms of other Foreign Currency.
- Those who have TIN number and certificate will pay less tax on their deposit interest.
- Government imposes higher tax on import of luxury goods. As a result money flow will increase and interest rate of bank will decrease. For that reason NCCB is unable to collect more deposits.

3.4.4 Ecological:

- NCC bank try hard not to finance in Garments sector because its polluted the environment.
- If Garment has ETP in that case NCC bank does financing to that garment.
- NCC bank encourages online banking to protect environment. Thus NCC bank promptly started online banking system which took less than one year to start.
- To reduce paper use NCC bank start SMS banking.
- NCC bank also try to follow green banking.

3.4.5 Regulatory:

- NCC bank follow UCPDC 600 version for rules and regulation of Foreign Exchange.
- This rules and regulation is described by ISBC which spontaneously followed by NCC bank.
- If UCPDC and ISBC fail in that case NCC bank follow local instruction supported by Volume-1,2.
- For loan and Advance NCC bank have to follow Bangladesh bank's instruction.
- NCC bank has their own loan policy. But they can not directly implement that policy. They have to compile their own policy with the Bangladesh bank's instruction.
- Bangladesh bank acts as a regulatory body of NCC bank.
- NCC bank has both internal and external auditors to protect corruption.
- Bangladesh Bank do off sight supervision on NCC bank based on quarterly financial report.

CHAPTER 4

GENERAL BANKING

4.1 GENERAL BANKING

General banking department is the heart of all banking activities. This is the busiest and important department of a branch, because funds are mobilized, cash transactions are made; clearing, remittance and accounting activities are done here.

Since bank is confined to provide the services day to day, general banking is also known as 'retail banking'. In NCC Bank Limited Malibagh branch, the following things done in this department:

1. Opening of account
2. Cheque book issue
3. Transfer of account
4. Closing of account
5. Remittance
6. Office Dispatch registers.
7. Providing statement of customers
8. Inward and outward mail registration.

4.2 DEPOSITS

Accepting deposits is one of the two classic functions of commercial banks. The relationship between a banker and his customer begins with the opening of an account by the former in the name of the latter. Initially all the accounts are opened with a deposit of money by the customer and hence these accounts are called deposits accounts. Banker solicits deposits from the members of the public belonging to different lifestyles, engaged in numerous economic activities and having different financial status. There is one officer performing various functions in this department. The deposits those are accepted by NCCBL may be classified in to:

A) Demand Deposit

B) Time Deposit

4.2.1 Demand Deposit

The amount in accounts are payable on demand so it is called demand deposit account. NCCBL accepts demand deposits through the opening of, -

i) Current account

ii) Savings account

4.2.1.1 Current Account

Both individuals and business open this type of account. Frequent transactions are (deposits as well as withdrawal) allowed in this type of account. A current a/c holder can draw checks on his account, any amount, and any numbers of times in a day as the balance in his account permits.

Criteria of current account followed by NCCBL

- ☐ Generally opened by businessmen, government and semi-government organizations; with proper introduction
- ☐ No interest is provided for deposited amount;
- ☐ Overdraft is Allowed in this account;
- ☐ Minimum opening balance is TK.1000;

4.2.1.2 Savings Account

Individuals for savings purposes open this type of account. Current interest rate of these accounts is **6%** per annual. Interest on SB account is calculated and accrued monthly and credited to the account half yearly. Interest calculation is made for each month based on the lowest balance at credit of an account in that month. A depositor can withdraw from his SB account not more than twice a week up to an amount not exceeding 25% of the balance in the account.

Criteria of savings account followed by NCCBL:

- ☐ An appropriate introduction is required for opening the A/C;
- ☐ Frequent withdrawal is encouraged now;
- ☐ A depositor may withdraw money from his/her account any time;
- ☐ 7 days notice is required for withdrawal of large amount;
- ☐ Depositor will get interest on the amount deposited in his/her account irrespective of any limit;

4.2.2 TIME DEPOSITS

A deposit which is payable at a fixed date or after a period of notice is a time deposit. NCCBL accepts time deposits through—

- A) Fixed Deposit Receipt (FDR)
- B) Special Savings Scheme (SSS)
- C) Short Notice Deposit (SND)

While accepting these deposits, a contract is done between the bank and the customer. When the banker opens an account in the name of a customer, there arises a contract between two. This contract will be a valid one only when both the parties are competent to enter contracts. As account opening initiates the fundamental relationship & since the banker has to deal with different kinds of persons with different legal status, NCCBL Officials remain very much careful about the competency of the customer.

4.2.2.1 Fixed Deposit Receipt (FDR)

These are deposits, which are made with the bank for a fixed period specified in advance. The bank needs not to maintain cash reserve against these deposits and therefore, bank gives high rate of interest on such deposits. NCCBL is now opening fixed deposit account only **for 3 months to 10 years**. After Ten years amount will be double.

4.2.2.1.1 Procedure of Opening Fixed Deposit Receipt:

Before opening a Fixed Deposit Account a customer has to fill up an application form which contains the followings:

- a) Amount in figures
- b) Beneficiary's name and address
- c) Period
- d) Rate of interest
- e) Date of issue
- f) Date of maturity
- g) How the account will be operated (singly or jointly)
- h) Signature(s)
- i) F.D.R. no.

After fulfilling the above information and depositing the amount, FDR account is opened FDR receipt is issued and it is recorded in the FDR Register which contains the following

Information.

- a) FDR account no.
- b) FDR (Fixed Deposit Receipt) no.
- c) Name of the FDR holder with address
- d) Maturity period
- e) Maturity date
- f) Interest rate

4.2.2.1.2 Payment of Interest:

In case of Fixed Deposit Account bank does not have to maintain a cash reserve. So NCCBL offers a high interest rate in Fixed Deposit accounts. Rate of Interest varies depending on the period of maturity date.

Duration	Rate of Interest
3 months	12.00 - 12.50%
6 months	12.00 - 12.50%
12 months	12.00%
24 months	11.00%

PRE-MATURE ENCASHMENT OF TERM DEPOSIT

NO	TERM DEPOSIT	PRE-MATURE ENCASHMENT	RATE OF INTEREST
01	3 months	1. Before 30 days 2. Every completed calendar months	a) No Interest b) STD Rate

02	6 months	a) Before 3 months b) Before maturity but completes 3 months	a) No Interest b) Interest payable at 3 months Rate for a period of 3 months
03	12 months	a) Before expiry of 3 months b) Before expiry of 6 months c) After expiry of 6 months but before maturity	a) No Interest b) Interest payable at 3 months rate for a period of 3 months c) Interest payable at 6 months rate for a period of 6 months
04	24 months	a) Before expiry of 6 months b) After expiry of 6 months but before maturity c) After expiry of 12 months but before maturity	d) No Interest e) Interest may be allowed at 6 months rate for a period of 6 months d) Interest may be allowed at 12 months rate for a period of 12 months

4.2.2.1.3 Renewal of FDR:

The FDR becomes automatically renewed for like periods and amounts, unless this are withdrawn by the depositor or, the bank notifies the depositor in writing at least 15 days in advance of the original Or, any renewed maturity date (s) of its desire to terminate the account or change any term and condition of the account.

4.2.2.2 SND ACCOUNT

In Special Notice Deposit account, the deposit should be kept for at least seven days to get interest. The interest offered for SND is less than that of savings deposit. In NCCBL, various big companies, organizations, Government Departments keep money in SND accounts. Frequent withdrawal is discouraged and requires prior notice. SND Account

opening procedure is similar to that of the saving account. Interest rate for SND account-----4.00% per annum.

4.2.2.3 SPECIAL SAVING SCHIME (SSS)

Special saving scheme (SSS), is more familiar as Deposit Pension Scheme. NCCBL offer it to its customer to deposit fixed amount of money each month for a definite period of time, normally for 5 to 10 years.

The depositor(s) will get following figure after maturity of SSS a/c.

Monthly Deposit Or Monthly Installment.	After maturity depositor will get	
	Five years term	Ten years term
500	41,400	1,15,900
1000	82,800	2,31,800
2000	1,65,600	4,63,600
3000	2,48,400	6,95,400
4000	3,31,200	9,27,200
5000	4,14,000	11,59,000

4.2.2.3.2 Account opening procedure:

Step-1	<p>The account should be properly introduced by any one of the following:</p> <ul style="list-style-type: none"> ▪ An existing savings/ current account holder of the bank ▪ Officials of the bank not below the rank of an Assistant Officer. ▪ A respectable person of the locality well known to the manager/ sub-manager of the branch concerned.
Step-2	Receiving filled up application in banks prescribed form mentioning what type of account desired to be opened.
Step-3	<ul style="list-style-type: none"> ▪ The form is filled by the applicant himself/ herself ▪ Two copies of passport size photographs from individual are taken; in case of firms photographs of all partners are taken. ▪ Applicants must submit required documents. ▪ Applicants must sign specimen signature sheet and give mandate. ▪ Introducers signature and account number – verified by legal officer.
Step-4	Authorized officer accepts the application.

Step-5	Minimum balance is deposited- only cash is accepted.
Step-6	Account is opened and a cheque book and a pay-in-slip book are given.

4.2.2.3.3 Documents required for opening account:

☒ **Individual/ Joint Account**

- Introduction of the account.
- Two photographs of the signatories duly attested by the introducer.
- Identity (copy of passport).
- Joint declaration form (for joint account only).
- Employees certificate (in case of service holder).

☒ **Partnership Account**

- Introduction of the account.
- Two photographs of the signatories duly attested by the introducer.
- Partnership letter duly signed by all partners (sign should be similar as stated in partnership deed)
- Partnership deed duly certified by notary public
- Registration (if any)
- Updated trade license

☒ **Proprietorship Account**

- Introduction of the account.
- Two photographs of the signatories duly attested by the introducer.
- Valid copy of trade license.
- Rubber stamp
- TIN number Certificate
- Identity (Copy of Passport)
- Permission letter from DC/ Magistrate (in case of newspaper)

☒ **Limited company**

- Introduction of the account
- Two photographs of the signatories duly attested by the introducer.
- Valid copy of trade license
- Board resolution of opening A/C duly certified by the chairman/ managing director.
- Certificate of incorporation

- Certificate of commencement (in case of public limited company)
- Certified (joint stock) true copy of the memorandum and article of association of the company duly attested by the chairman or managing director.
- List of directors along with designation and specimen signature.
- Latest certified copy of form-xii (to be certified by the register of joint stock companies) (in case of directorship change)
- Rubber stamp (seal with designation of each person)
- Certificate of registration

☒ **Club/ Societies Account:**

- Introduction of the account.
- Two photographs of signatories duly attested by the introducer.
- Board resolution of opening account duly certified by President/ Secretary
- List of existing Managing Committee.
- Registration (if any)
- Rubber stamp
- Permission letter from the Bureau of NGO. (Incase if NGO A/C)

4.3 ISSUING CHEQUEBOOK TO THE CUSTOMERS

4.3.1 Issue of fresh checkbook

Fresh checkbook is issued to the account holder only against requisition on the prescribed requisition slip attached with the checkbook issued earlier, after proper verification of the signature of the account holder personally or to his duly authorized representative against proper acknowledgment.



Procedure of issuance of a fresh cheque book

- ☐ A customer who opened a new a/c initially deposits minimum required money in the account.
- ☐ The account opening form is sent for issuance of a cheque book
- ☐ Respected Officer first draws a cheque book
- ☐ Officer then sealed it with branch name.
- ☐ In-charge officer enters the number of the cheque Book in cheque Issue Register.
- ☐ Officer also entry the customer's name and the account number in the same Register.
- ☐ Account number is then writing down on the face of the cheque Book and on every leaf of the cheque book including Requisition Slip.
- ☐ The name of the customer is also written down on the face of the cheque book and on the Requisition slip.
- ☐ The word "Issued on" along with the date of issuance is written down on the requisition slip.
- ☐ Number of cheque book and date of issuance is also written on the application form.
- ☐ Next, the customer is asked to sign in the cheque book issue register. Then the respected Officer signs on the face of the requisition slip put his initial in the register and hand over the cheque to the customer.

4.3.2 Issue of Duplicate cheque book:

Duplicate checkbook instead of lost one should be issued only when an A/C holder personally approaches the Bank with an application Letter of Indemnity in the prescribed Performa agreeing to indemnify the Bank for the lost checkbook. Fresh check Book in lieu of lost one should be issued after verification of the signature of the Account holder

from the Specimen signature card and on realization of required Excise duty only with prior approval of manager of the branch.

Check series number of the new checkbook should be recorded in ledger card and signature card as usual.

4.3.3 Issue of New Cheque book (FOR OLD ACCOUNT)

All the procedure for issuing a new Chequebook for old account is same as the procedure of new account. Only difference is that customer have to submit the requisition slip of the old Cheque book with date, signature and his/her address. Computer posting is then given to the requisition slip to know the position of account and to know how many leaf/leaves still not used. The number of new Cheque book is entered on the back of the old requisition slip and is signed by the officer.

4.3.3.1 Procedure of issuance of a new cheque book

☐ If the cheque is handed over to any other person then the account holder the bank addressing the account holder with details of the Cheque book issues an acknowledgement slip. This acknowledgement slip must be signed by the account holder and returned to the bank. Otherwise the bank will not honor any cheque from this cheque book.

☐ At the end of the day all the requisition slips and application forms are sent to the computer section to give entry to these new cheques.

4.4 TRANSFER OF AN ACCOUNT

☐ The customer submits an application mentioning the name of the branch to which he wants the account to be transferred.

☐ His signature cards, advice of new account and all relevant documents are sent to that branch through registered post.

☐ The balance standing at credit in customer's account is sent to the other branch through Inter Branch Credit Advice (IBCA).

☐ No exchange should be charged on such transfer.

☐ Attention is also given in this connection.

4.5 CLOSING OF AN ACCOUNT

Upon the request of a customer, an account can be closed. After receiving an application from the customer to close an Account, the following procedure is followed by a banker. The customer should be asked to draw the final cheque for the amount standing to the credit of his a/c less the amount of closing and other incidental charges and surrender the unused cheque leaves. The a/c should be debited for the account and the Bank should destroy unused cheque leaves. In case of joint a/c, the application for closing the a/c should be signed by all the joint holders. A banker can also close the account of his customer or stop the operation of the account under following considerable circumstances:

- ☐ Death of customer.
- ☐ Customer's insanity and insolvency.
- ☐ Order of the court (Garnishee order)
- ☐ Specific charge for fraud forgery.

4.6 REMITTANCE

Carrying cash money is troublesome and risky. That's why money can be transferred from one place to another through banking channel. This is called remittance. Remittance of fund is one of the most important aspects of commercial banks in rendering services to its customer.

Types of remittance:

- Between banks and non banks customer
- Between banks in the same country
- Between banks in different centers
- Between banks and central banks in the same country
- Between central bank of different customer

The main instruments used by the NCC Bank of remittance of fund are-

- Payment Order (PO)
- Demand Draft (DD)
- Telegraphic Transfer (TT)

So the basic three types of local remittances are discussed below:

Points	Pay Order	Demand Draft	TT
Explanation	Pay order gives the payee the right to claim payment from the issuing bank.	Demand draft is an order of issuing bank on another branch of the same bank to pay specified sum of money to payee on demand.	Issuing branch request another branch to pay specified money to specific payee on demand by telegraph/telephone.
Payment form	Payment from issuing branch only	Payment from ordered branch	Payment from ordered branch
Generally used to Remit fund	Within the clearing house area of issuing branch	Outside the clearing house area of issuing branch. Payee can also be the purchaser.	Anywhere in the country
Payment process of the paying bank	Payment is made through clearing	<ol style="list-style-type: none"> 1. Confirm that the DD is not forged one. 2. Confirm with sent advice 3. Check the 'test code'. 4. Make payment 	<ol style="list-style-type: none"> 1. Confirm issuing branch 2. Confirm payee A/C 3. Confirm amount 4. Make payment 5. Receive advice
Charge	Only commission	Commission + telex charge	Commission + Telephone

4.7 CLEARING

Generally speaking, clearing means settlement but from Banker's point of view it refers to the procedure of receipts & payments of proceeds of cheques and other instruments through banks.

Clearing House is a place where the representatives of all member banks meet together and settle mutual obligations of banks arising out of cheques & other instruments drawn on one bank and deposited with another bank for collection, under a special arrangement. The characteristic of the clearing house is that at the time of coming to this place the representative of every bank brings with him all cheques etc drawn on other banks along with schedules and delivers the cheques to the clearing house and receives cheques etc drawn on his bank and on the basis of cheques etc. delivered & received the mutual obligations between banks is ascertained and settled through their respective bank accounts maintained with the Central Bank or any other bank which conducts the clearing house.

4.7.1 Types of Clearing:

There are two types of Clearing, such as (a) Internal or Inter-branch Clearing and (b) Inter-Bank Clearing. Under the 1st type all branches of the same bank situated in a particular city settle their mutual obligations through the main branch of the bank. In some banks the term "Transfer Delivery" is used to mean internal clearing. In the other case, in one city the obligations between all banks are settled. In this case Bangladesh Bank or Sonali Bank performs the function of the Clearing House in Bangladesh.

4.7.2 Kinds of Clearing:

The Clearing House activities may be grouped into two phases, (1) Outward clearing and (2) Inward Clearing.

4.7.2.1 Outward Clearing Procedure:

- Receipt of instrument with paying in slip.
- Checking of instrument & paying in slip.

- Affixing of seal
- Special Crossing seal.
- Clearing Seal (Instrument & Paying in slip)
- Endorsement Seal with signature.
- Singing of counterfoil and returning it with seal to the depositor.
- Separation of instrument from paying in slip.
- Sorting of instrument bank wise and branch wise.
- Preparation of schedule- branch wise.
- Preparation Bank wise schedule.
- Preparation of clearing House sheet.
- Tallying of totals of paying in slips with the totals of Clearing House sheet.
- Making of entries in Clearing Register (Outward)
- Preparation of vouchers.
- Sending of instruments to main branch with schedule.
- Collection of credit advice from Main Branch.

4.7.2.2 Inward Clearing Procedure:

- Receipt of instruments with schedule
- Checking of instruments.
- Sending of instruments to different Departments/Sections for posting.
- Preparation of Vouchers and sending of credit advice to main branch.

4.7.2.3 Clearing Return Procedures:

4.7.2.3.1 Outward clearing Return

- Preparation of return memo.
- Making of entry in clearing return Register.
- Preparation of schedule.
- Sending of instruments to main branch before second clear.

4.7.2.3.2 Inward Clearing Return

- Receipt of instrument with return memo.
- Preparation of Party debit Voucher.
- Making of entry in cheque return Register.
- Sending of instrument with return memo and party debit advice to party by post or through peon.

4.8 BILLS COLLECTION



In modern banking the mechanism has become complex as far as smooth transaction and safety is concerned. Customer does pay and received bill from their counterpart as a result of transaction. Commercial banks duty is to collect bills on behalf of their customer.

4.8.1 Types of bill for collection:

- i. Outward bill for collection (OBC)
- ii. Inward bill for collection (IBC)

4.8.2.1 What is OBC?

OBC means outward bills for collection. OBC exists with different branches of different banks outside the local clearing house. Normally two types of OBC:

1. OBC with different branches of other banks
2. OBC with different branches of the same bank

4.8.2.2 Procedure of OBC:

1. Entry in the OBC registers.
2. Put OBC number in the cheque.
3. “Crossing Seal” on the left corner of the cheque & “payees account” will be credited on realization “seal” on the back of the cheque with signature of the concerned officer.
4. Dispatch of the OBC cheque with forwarding.
5. Reserve the photocopy of the cheque, carbon copy of the forwarding and deposit slip of the cheque in the OBC file.

4.8.3.1 Inward Bill for Collection (IBC):

When the banks collect bills as an agent of the collecting branch, the system is known as IBC. In this case the bank will work as an agent of the collection bank. The branch receives a forwarding letter and a bill.

4.8.3.2 Procedure if IBC:

1. IBC against OBC: To receive the OBC cheque first we have to give entry in the IBC register. The IBC number should put on the following of the OBC with date.
2. Deposit of OBC amount: OBC cheque amount is put into the “sundry deposit-sundry creditors account”, prepare debit and credit voucher of it. If the OBC check is honored, send credit advice with signature & advice number of the concern branch for the OBC amount.
3. If the OBC cheque is dishonored, the concerned branch is informed about it.
4. Again place in the clearing house and send the OBC cheque with return memo to the issuing branch according to their information.

4.9 DISPATCH SECTION

Those documents that are enter in the branch or exit of the branch must go through this section. The main objective of this section is

- ☐ Keeping records of the documents send to other branches or banks;
- ☐ Letters are send to their respective destination;
- ☐ Send these documents safely and correctly;

Two types of letters are continuously received. These are:

- ☐ Inward (Registered/Unregistered) letters
- ☐ Outward (Registered/ Unregistered) letters

At first recording is required whether it is Inward or Outward Registered/Unregistered letters. Then letters are disbursed to their respective destination. Inward letters are firstly segmented according to their different sections and after that an entry is given to the Inward Register book.

CHAPTER 5

CREDIT MANAGEMENT

5.1 INTRODUCTION

The main function of a bank may broadly be divided into two categories i) borrowing from the public by accepting deposits ii) lending the money to public for development of trade, commerce, industry and agriculture. Bank is committed to provide high quality financial services/products to contribute to the growth of the country through stimulating trade and commerce, accelerating the pace of industrialization, boosting up export, creating employment opportunity for the youth, poverty alleviation, raising standard of living of limited income group and overall sustainable socio-economic development of the country. In achieving the aforesaid objectives of the Bank, Credit Operation of the Bank is of paramount importance as the greatest share of total revenue of the Bank is generated from it, maximum risk is centered in it and even the very existence of Bank depends on prudent management of its credit portfolio. The failure of a commercial Bank is usually associated with the problem in credit portfolio and it's less often the result of shrinkage in the value of other assets. As such, credit portfolio not only features dominant in the assets structure of the Bank, it is crucially importance to the success of the Bank also

The word credit derives from Latin word "Credo" means "I believe". If the word analyze, this theme stands for trust and relationship between banker and customer. Each and every bank has its own credit policy which generally formulated on the basis of current countries socio economic condition, political and other related aspect from time to time and as per guideline of central bank. The profitability of a bank always depends on the efficient/sound management of fund and exploring the genuine avenue in which its resources are invested to produce the maximum income.

Managing credit operation, thus, is the crying need for any bank. In case of failure in credit management, a bank may face extinction. It is, therefore, necessary that a bank has a proper credit profile that guides the credit operation of the bank in an effective manner. For proper management of credit each and every bank follows the profile for smooth approval, direction, monitoring and review of lending operation.

5.2 IMPORTENCE OF CREDIT

Credit has its unique contribution to our national economy. In the following way it can describe briefly.

- It provides working capital for industrialization.
- It helps to create employment opportunities.
- Credit controls almost all kinds of production activities of the country.
- People's purchasing power increases for it.
- It brings social equity.
- Cash generation occurs for its successful performance.
- Business cycle can run well only by the help of lending system.

5.3 CREDIT POLICY OF NCCBL

One of the most important ways, a bank can make sure that its loan meet organizational and regulatory standards and they are profitable is to establish a loan policy. Such a policy gives loan management a specific guideline in making individual loans decisions and in shaping the bank's overall loan portfolio. In NCC Bank Limited there is perhaps a credit policy but there is no credit written policy.

5.4 CREDIT PRINCIPLE OF NCCBL

In the feature, credit principles include the general guidelines of providing credit by branch manager or credit officer. In NCC Bank Limited they follow the following guideline while giving loan and advance to the client. Credit advancement shall focus on the development and enhancement of customer relationship. All credit extension must comply with the requirements of Bank's Memorandum and Article of Association, Banking Company's Act, Bangladesh Bank's instructions, other rules and regulation as amended from time to time. Loans and advances shall normally be financed from customer's deposit and not out of temporary funds or borrowing from other banks. The bank shall provide suitable credit services for the markets in which it operates. It should be provided to those customers who can make best use of them.

The conduct and administration of the loan portfolio should contribute with in defined risk limitation for achievement of profitable growth and superior return on bank capital.

Interest rate of various lending categories will depend on the level of risk and types of security offered.

5.5 PRODUCT AND SERVICE OF CREDIT

DEPARTMENT OF NCCBL

When person choose a bank to help support their business they want to be sure that it can tailor solutions to meet specific finance needs. At NCC Bank, have a full range of products and services, which include in three categories:

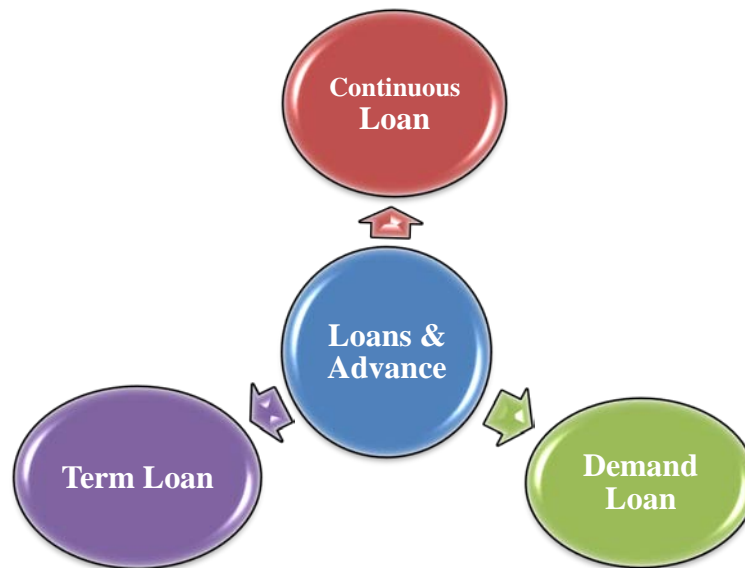


Figure 5.5.1: Product and service of credit department of NCCBL

5.5.1 Continuous Loan

- Secured Over Draft against Financial Obligation [SOD (FO)]
- Secured Over Draft Against Work Order/Real Estate etc. [SOD (G)]
- Cash Credit (Hypothecation)
- Cash Credit (Pledge)
- Export Cash Credit

5.5.2 Term Loan

- Project Loan
- Transportation Loan
- House Building Loan

- Lease finance
- Loan Under Syndication

5.5.3. Demand Loan

- Loan General.
- Demand Loan Against Ship breaking.
- Payment Against Documents (PAD)
- Loan Against Imported Merchandise (LIM)
- Loan Against Trust Receipt (LTR)
- Forced Loan
- Packing Credit
- Secured Over Draft Against Cash Incentive.
- Foreign Documentary Bills Purchased (FDBP)
- Local Documentary Bills Purchased (LDBP/IDBP)
- Inland Bill Purchased (IBP)
- Foreign Bill Purchased (FBP)

5.6 BRIEF DISCUSSION OF MOST POPULAR CREDIT PRODUCT OF NCCBL

5.6.1 Term Loan:

Term loan are offered to facilitate larger projects whose financing requirement cannot be satisfied by the time loan. It is offered in three categories and against sufficient collateral. Loans sanctioned for 1 to 3 years and 3 to 5 years are known as short and mid term loans respectively. However loans for more than 5 years are categorized as long- term loan. Under the term loan there have following categories of loan.

5.6.1.1 Project Loan

This type of loan facilitd to the customer on the basis of analyse their future business prospect. This is the most risky credit product for a bank. The previous reputation, business profile, their background are evaluated by the bank for this loan.

5.6.1.2 Customer Finance Scheme:

The Bank offers a special credit service to the people to improve the quality of their living standard. This sort of credit facilities help the government and private service holders to buy household and other appliances such as Television ,Refrigerator, furniture, other equipment etc. People who are not in service are also entitled to get this credit facility only if a guarantor assures to pay off the full liabilities in case the client fails to repay the loan amount. The current rate of interest charged on Customer Credit Scheme is 15 % and the loan is sanctioned for not more than three years. The products bought by this loan will have a joint registration in the name of purchaser and the Bank.

5.6.1.3 House Building Loan:

House Building Loans are available to the clients who have the land but unable to build the house on the land. The approval for this type of loan requires:

- Valuation certificate of the Bank.
- Estimated cost of building and
- DIT permission certificate.

5.6.1.4 Loan for Salaried Person:

Any Permanent salaried officer or employees aged between 20 to 50 years are usually eligible for this kind of loan. An eligible person can get one to five lac taka under this loan scheme. Repayable by monthly equal installments including interest within maximum 5 years. The criteria to become eligible for availing the facility under the scheme are given below. The borrower must be confirmed official of any of the following organizations:

- a) Government Organization.
- b) Semi-Government Organization / Autonomous body.
- c) Multinational Organizations.
- d) Banks & Insurance Companies.
- e) Reputed Commercial Organizations.
- f) Professions.

5.6.1.5 Syndication / Project Loan:

The Bank finances large projects and constructions works of clients with outstanding credit rating. After the signing ceremony of the loan, the Bank arranges the loan amount by borrowing from the other banks and disburses the loan amount to the clients.

5.6.1.6 Lease Financing:

Now a day this Lease Financing is one of the popular financing projects. The rate at which this type of credit facility is allowed depends on the size of the loan, client status and the performance of the industry for which the loan is being sanctioned. The customer can go for lease financing of following product:

- Plant, machinery and other equipments (local and imported) required for setting up of a new units and BMRE for industrial units.

Medical/surgical/chemical/lab equipment/x-ray machine etc for doctor's chamber/clinic/hospital

- Road transport of all kinds including tankers and cargo vessels
- Lifts, air conditioning plant, escalators for hotel, high-rise building and commercial shopping complex etc.
- Generators and boilers
- Construction equipments
- Other fixed assets of productive and service oriented ventures
- Car for private and official use

5.6.1.6.1 Objective of lease finance scheme:

- To assist existing capable enterprises to acquire lease assets without having to purchase it for increasing their capacity
- To encourage new energetic enterprise to undertake new venture who have shortage of capital.
- To help the potential entrepreneurs to acquire equipments of production and services and repay the liability gradually from earning on the basis of "Pay as you earn"
- To participate in the economic development of the country.

5.6.1.6.2 Documents required for processing the proposal:

There are certain basic documents/information which are essential while processing lease application. These are:

- Duly filled in application form.
- Bio-Data and Net worth Statement of applicant/Joint Surety.
- CIB Undertaking.
- Quotation/Indent/Proforma Invoice in the name of the lesser accepted by the lessee.
- Audited Financial Statements of the applicant.
- Income and Expenditure Statement in case of individual.
- Trade License if available.
- Security details
- Photograph if possible.
- Verification of price.

5.6.1.6.3 Procedures of lease:

The producers of leasing are as follows:

- The lessee applied to the lesser and the lesser mutually agreed to finance to the asset.
- The lessee chooses the equipment from the manufacturer or distributor of the asset.
- The lessee negotiates with the manufacturer or the distributor, the terms of warranties, maintenance agreements, delivery, installation, the price and the terms of payments.
- The lessor purchases the asset directly from the manufacturer/distributor.
- The lessor retains ownership of the asset while the lessee enjoys the use.

As the asset is purchased by the lessor at the request of the lessee, the responsibility for its suitability rest with the lessee.

5.6.1.7 Industrial Loan:

Industrial Loans are approved for the improvement of the growth of both small and cottage and medium and large scale manufacturing industries. The rate at which this type

of credit facility is allowed depends on the size of the loan, client status and the performance of the industry for which the loan is being sanctioned.

5.6.1.8 House Repairing and Renovation Loan:

The genuine residential owners can avail of this kind loan to repair, renovate their own house, building, flats according to their need and repayment capacity. Any owner of house aged 30 to 50 years will be eligible to get loan under this scheme. Repayment by monthly equal installments including interest within maximum 5 years. Repayment will start from 4th month of availing of the loan.

5.6.1.9 Festival Loan:

This type of loan usually offers the shop owners who want capital for in the eve of any festivals. The repayment period is three months from when the loan is sanctioned. This loan scheme is newly introduced in National Credit and Commerce Bank Limited.

5.6.2 Continuous Loan:

The loan account in which transaction may be made within certain limit and have an expiry date for full adjustment is treated as continuous loans. The following credit products are included in this type of loan.

5.6.2.1 Secured over Draft

Overdraft is an arrangement between a banker and his customer by which the latter is allowed to withdraw over and above his credit balance in the current A/C up to an agreed Limit. This is only a temporary accommodation usually granted against securities. The borrower is permitted to draw & repay any number of times provided the total amount overdrawn does not exceed the agreed limit. The interest is charged only for the amount drawn and not for the whole amount sanctioned.

An overdraft, which is allowed against collateral security, is known as Secured over Draft (SOD). NCC issues the SOD against different types of security, such as:

1. SOD Against Financial Obligation [SOD (FO)]
2. Secured Over Draft Against Work Order/Real Estate etc. [SOD (G)]

5.6.2.2 Cash Credit (Pledge)

Pledge is the bailment of goods as security for payment of debt or performance of promise. That means the delivery of goods by one person to another for some purpose, under a contract that the goods shall, when the purpose is according, be returned or

otherwise disposed of according to the directions of the person delivering them. There have some feature that must be considerable when the goods taken as pledge.

Those features are:

Goods must be controllable, easily marketable, easily countable, transportable, non hazardous, easily disposable, non perishable, stability of value, market is not highly fluctuated.

Following parties can pledge goods:

- Sole owner of goods and has good title
- Selling with the consent of owner
- Seller continuing the possession of goods or title document, after sale
- Person in possession of goods under a contract

5.6.2.3 Cash Credit (Hypothecation)

In short describes hypothecation as a “Charge against property for an amount of debt where neither ownership nor possession is passed to the creditor.” Cash credit is sometimes allowed against hypothecation of goods. The mortgage of movable property for securing loans called hypothecation. In a manufacturing company, whose stocks of raw materials and manufactured goods constantly fluctuate, it is difficult for the bank to control such changes, so hypothecation facilities are allowed. In the case of CC (Hypo) the ownership and possession of the goods remain with the borrower. By virtue of the hypothecation agreement the bank can take the possession of the goods hypothecated, if the borrower-defaults bankers are in that case, entitled to take legal action against the debtor not only for the debt but also for breach of trust. The letter of hypothecation creates an equitable and not a regal charge on the stocks.

5.6.3 DEMAND LOAN:

5.6.3.1 Loan General:

General credit includes cash credit, Security overdraft (SO), Financial obligation and Security overdraft general. The Bank provides overdraft service by disbursing more than the amount claimed from its clients’ accounts. Clients with good credit rating and collateral kept in the Bank are entitled to get this service. The overdraft amount is repaid by the clients along with interest at 15% per annum which varies with the customer

status and amount. Clients are allowed to get overdraft up to a ceiling beyond which overdraft cannot be allowed and the ceiling depends on the collateral kept by the Bank.

5.6.3.2 PAD:

Payment made by the bank against lodgment of shipping documents of goods imported through L/C falls under this type head. It is an interim type of advance connected with import and is generally liquidated shortly against payments usually made by the party for retirements of documents for release of import goods from the customer authority. It falls under the category ‘Demand Loan’.

5.6.3.3 LTR:

Advances allowed for retirement of shipping documents and release of goods imported through L/C without effective control over the goods delivered to the customer fall under this head. The goods are handed over the importer under trust with arrangement that sales proceed should be deposited to liquidate the advances within a given period. This is also temporary advance connected with import that is known post-import finance under category ‘Commercial lending’.

5.6.3.4 LDBP:

Payment made to a party through purchase of local documentary bills fall under this type of credit facility. This temporary liability is adjustable from proceeds of the bill.

5.6.3.5 IBP:

Payment made through purchase of inlands bill to meet urgent requirements of customer fall under this type of credit facility. This temporary advance is adjusted from the proceeds of bills purchased for collection. It falls under the category ‘Demand loan’.

5.6.3.6 FDBP

Payment made to a party through purchase of foreign documentary bills fall under this type of credit facility. This temporary advance is adjustable from the proceeds of negotiable shipping/export documents.

5.6.4 Beside the above categories NCC Bank offer four special categories of loan for fulfill the need of some special focus groups. Those products are:

5.6.4.1 Loan under SME:

National Credit and Commerce Bank limited is committed' to play positive role in the overall socioeconomic development of the country. In view of this a credit scheme titled "Small and Medium Enterprise Financing Scheme" (SME) has been formulated. Taking

this aspect into consideration and with a view to expanding our bank's investment base and to associated us more effectively with a profitable, socially desirable and economically viable investment area.

5.6.4.1.1 Objective of the scheme:

- a) To provide credit facilities to the small and medium size entrepreneurs located in Urban and Suburban areas and easily accessible by the branches.
- b) To flow credit for creation of employment and generation of income on a sustainable basis through development of small and medium enterprise.
- c) To assist potential entrepreneurs to take part in economic activities so that they can improve their living standard.
- d) To reduce dependence on moneylenders
- e) To make the small and medium enterprises self-reliant.
- f) To develop saving habit and making acquaintance with banking facilities.
- g) To inspire for undertaking small projects for creation employment through income generating activities.

5.6.4.1.2 The SME financing scheme is a supervisory credit scheme, the total success of this scheme depends on selection of potential customer and positive marketing effort. The following products are available under the SME loan to satisfy the small and medium entrepreneur's needs.

- ❖ Small Business Loan.
- ❖ Consumer Finance Scheme
- ❖ Lease Finance
- ❖ Personal Loan
- ❖ House Repairing & Renovation Loan
- ❖ Working Capital Loan
- ❖ Festival Business Loan
- ❖ Festival Personal Loan
- ❖ Car Loan Scheme

5.6.4.2 Agro Credit:

Agriculture sector has the major contribution to the GDP of Bangladesh economy, though the sector is being looked after adequately by the specialized financial institution (Bangladesh Krishi Bank) and the larger nationalized commercial banks. NCC Bank also

wants to contribute towards the growth of economy in financing the agro based firms /industries, specially poultry, fishery and hatchery. Financing is also provided to export oriented shrimp culture and fish processing industries. Present following agro credit product are available to the bank.

- a) Agro-based Industrial Credit
 - b) Crop Loan
- 5.6.4.3 Loan Product for Wage Earners:
- a) Land Mortgage Loan
 - b) Special House Building Loan
 - c) Advance Against Remittance
 - d) Wage Earners Rehabilitation Loan

5.6.4.4 Special Credit Product:

- ❖ Credit Card.
- ❖ Earnest Money Financing Scheme
- ❖ NCC Bank Housing Loan Scheme
- ❖ Overseas Employment Loan Scheme

5.7 DIFFERENT LENDING INTEREST RATES OF NCCBL

❶ Term Loan

Types of loan	Duration for Repayment	Interest rate
Loan General	1 year to 10 year	15.50%
Loan Against House Building	1 year to 10 year	14.50%
Small Business Loan Scheme	1 year to 10 year	17.00%
House repairing/Renovation Loan	1 year to 10 year	17.00%
Personal Loans Scheme	1 year to 10 year	17.00%
Housing Loan Scheme	1 year to 10 year	15.00%
Lease Finance Scheme	1 year to 10 year	17.00%

❷ Demand Loan

Types of loan	Duration for Repayment	Interest rate
Packing Credit	Depends on situation condition	7.00%
Loan Against Trust receipt	Depends on situation condition	16.00%
Loan Against Imported Merchandise	Depends on situation condition	16.00%
Export Loan	Depends on situation condition	16.00%
FDBP & Discounted	Depends on situation condition	No interest
LDBP	Depends on situation condition	16.00%
Payment Against Documents	Depends on situation condition	16.00%

❸ Continuous Loan

Types of loan	Duration for Repayment	Interest rate
Cash Credit (Pledge)	Maximum 12 years	16.00%
Cash Credit (Hypothecation)	Maximum 12 years	16.00%
S.O.D. Against Financial Obligation	Maximum 12 years	3.00%
S.O.D. Against Real Estate	Maximum 12 years	16.00%
Festival Personal Scheme for Salaries	Maximum 12 years	17.00%t

5.8 FUNDED CREDIT AND NON-FUNDED CREDIT

Funded Credit:

Any type of credit facility that involves direct outflow of Bank's fund on account of borrower is termed as funded credit. Over draft and most of the loan comes under this section. By taking collateral from the borrower bank allow to take over draft facility is a continuous process. Borrow has to pay interest on the withdrawn money.

Non- Funded Credit:

There is no cash amount involved in this kind of loan. BLC (bill for L/C) and bank guarantee falls in this kind of loan. In case of BLC foreign exchange department mainly deals with it.

5.9 PRCEEDURE OF SACTION, MONITORING AND SUPERVISION OF CREDIT

Proper management supervision and follow-up is very important in the lending and recovery process. National Credit And Commerce Bank Limited (NCCBL), head office usually follows three stages for lending process.

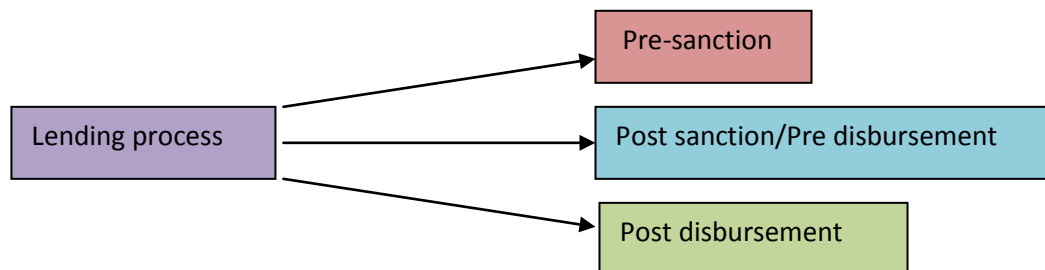


Figure 5.9.1: Lending Process

5.9.1 Pre-sanction stage

The 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. This stage the bank personnel evaluate integrity, business behavior, reputation, past experience in the particular line of business, financial solvency, quantum of own equity in business, willingness to repay the loan etc. Bank's representatives do following study to evaluate the client's feasibility.

5.9.1.1. Credit report should be collected from:

- Credit Information Bureau (CIB) of Bangladesh Bank.
- Declaration of the party with regard to liability with other banks, financial institutions.
- Internal sources i.e. to find out account performance, reputation, track record repayment-capability and intention to pay back the bank's money.

5.9.1.2 Feasibility Study:

Following aspects are mainly noticed:

5.9.1.2.1 Managerial Aspects:

- (i) Managerial ability.
- (ii) Honesty, Integrity.

At this aspect, the bank officials analyze the applicants using their discretions and experiences. Generally, an applicant is analyzing on the following grounds:

- Character
 - To determine weather the borrower has s responsible attitude towards borrower funds and whether he will have every effort to repay what is owed
 - Responsibility, truthfulness, serious purpose and serious intention to repay loans make up the character of the borrower.
 -
- Capital /Economic Condition
 - Whether borrower has sufficient assets to repay the loan (business assets including other immovable and movable properties).
 - Other loans and liabilities of the borrower
- Capacity
 - Whether customer requesting loan has the authority to request a loan and have the legal standing to sign loan agreement and documents (Minor/resolution of the Board of Directors in case of limited company, partnership deed is case of partnership firms, etc)

After the satisfaction of the Bank officials, the applicant is asked to submit a formal application for loan.

5.9.1.2.2 Technical Aspects:

- i. Whether the technology is outdated or modern to handle by the firm.
- ii. Cross-check of the pricing as stipulated in the Indent/Pro-forma Invoice.
- iii. Check the productivity of the proposed plant and machinery matching with the firm's goal. .

5.9.1.2.3 Financial Aspects:

- ❖ Company's operating performance and future earning prospect.
- ❖ Current financial condition. Factors likely to affect it in the near future.
- ❖ Net worth of the sponsor directors/entrepreneurs/proprietor.
- ❖ Lending Risk Analysis.

5.9.2 Post-sanction/Pre-disbursement stage:

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

Proper/correct documentation serves three basic purposes:

- (i) Borrower's unqualified assent of availing credit facility.
- (ii) Bank's legal right is created to the securities deposited/offered as of the loan.
- (iii) In case of default of the borrower to repay, the document can be placed before court for decree to realize the dues.

Moreover, the documents also keep the borrower under mental pressure that in case of his default, the law of the country will not spare him.

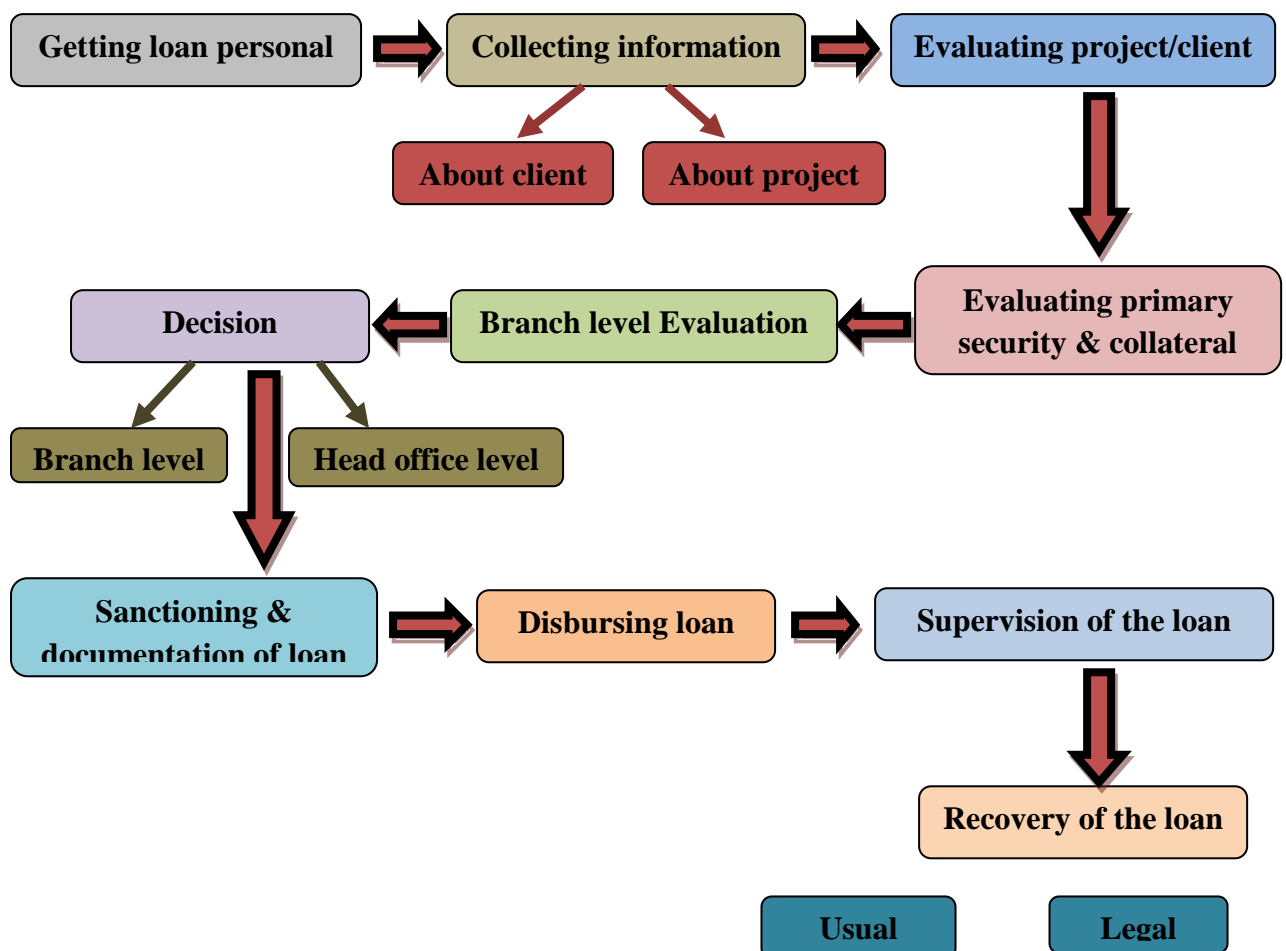
5.9.3 Post disbursement Stage:

At this stage following points need to be considered.

- i. Whether transaction in the loan account is being done satisfactorily (i.e. turnover satisfactory).
- ii. Whether balance in the loan account remains within limit.
- iii. Whether fund disbursed has been used for the purpose the loan has been sanctioned for.
- (iv) Whether stock reports are obtained and stocks are- being inspected/examined at a regular interval.
- (v) Whether stock and D.P. (Drawing Power) register and delivery order properly maintained.
- (vi) Whether personal contacts with the borrower kept on at regular interval.
- (vii) Whether keen watch is exercised on irregularity of any form on the loan account.

- (viii) Whether the aspects revealing financial and management position of the borrower are under close watch and supervision.
- (ix) Whether balance confirmation is being obtained from the borrower at regular intervals.
- (x) Whether befitting step is being taken so that the loan does not turn time-barred.
- (xi) Whether required statement of advances is sent to the controlling office regularly, timely and correctly with true picture of position of each and every loan.
- (xii) In case the goods are not taken delivery as per stipulation of sanction advice, follow-up should be made. Even after Vigorous follow-up, if goods/stock are not taken delivery by the borrower, steps for immediate disposal should be taken before the quality deteriorates taking up with the Competent authority/Head office

Figure 5.9.3.1: Flowchart of Loan Procedure



5.10 SECURITY OF LOAN AND ADVANCE

It is imperative of banking in everywhere that advances are made to customer in reliance and his promise to repay, rather than the security held by the banker. Security is required by the banker as a protection against unexpected default in repayment by the customer. So it is necessary for any bank to develop sound and safe lending policies and techniques in order to keep the risk to a minimum level. Importances of charging security are:

- i. Protection of Interest
- ii. Ensuring the recovery of the money lent
- iii. Provision against unexpected change
- iv. Commitment of the borrower.

Security is an insurance or cushion to fall back upon in emergency if borrower fails to repay the loan amount. A banker would not normally like to recover the advance from the sale of the security. They would prefer an advance to come back from the normal source. Security serves as a safety valve for an unexpected emergency. An element of risk is always present in every advances however secured it might appear to be. If the securities are not insisted upon, there are chances that the borrower may raise funds elsewhere by charging them to others and thereby the banker's position is jeopardized.

Security taken by banks can be classified into two broad categories, such as, a) primary security and b) collateral security.

Primary Security

Primary security may be either personal security or impersonal security or both. Personal security is given by a borrower by way of duly executed

- Promissory note
- Acceptance/endorsement on a bill of exchange
- Personal agreement in mortgage deeds
- FDR , other term deposit
- PSP/BSP, WEDB standing in the name of the borrower himself and those standing in the name of 3rd party should be under lien duly discharged by the owner of the instruments

Impersonal security is given when a charge is created by way of pledge/hypothecation/mortgage over the borrower's tangible assets, such as, goods and commodity, fixed assets, bill receivables, book debts.

Collateral security

Collateral security may be direct or indirect. Collateral security obtained from the borrower himself to secure his own account is known as direct collateral security. For example, advance against hypothecation of stock-in-trade is strengthened by equitable mortgage of the title deeds of house property of the borrower. Indirect collateral security means any form of security given by a third person to secure a customer's account. A guarantee given by a third party is an indirect collateral security.

It is not correct that an advance proposal is considered only from the point of view of security alone. An advance is granted by a good banker on its own merits, that is say, with due regard to its safety, likely purpose etc., and after looking into the character, capacity and capital of the borrower and not only because the security is good.

5.11 CHARACTERISTICS OF GOOD COLLATERAL



Gup, Fraser, Kolari (1989, p: 144-145) state that standardization, durability, identification, marketability and stability of value determines the suitability of items for use as collateral.

Standardization:

The standardization refers to ambiguity between the borrower and the lender as to the nature of the asset that is being used as collateral.

Durability:

Durability refers to the ability of the assets to withstand wear or it can refer to its useful life. Durable goods make better collateral than non-durable.

Identification:

Certain types of assets are readily identified because they have definite characteristics or serial numbers that cannot be removed. For example an automobile that can be identified by model and serial number.

Marketability:

In order for collateral to be of value to the bank, the collateral must be marketable. That is the bank must be able to sell it in case of loan default. Specialized equipment is not as good as collateral as are dump trucks, which have multiple uses.

Stability of value:

Bankers prefer collateral whose market values are not likely to decline dramatically during the period of the loan such as common stock.

5.12 CHARGES ON SECURITY



There are 6 types of mode of charging on securities.

Pledge

Pledge is the bailment of goods as security for payment of a debt or performance of a promise. A pledge may be in respect of goods including stocks and share as well as documents of title to goods such as railway receipts, bill of lading, dock warrants etc duly endorsed in banks favor.

Hypothecation

In case of hypothecation the possession and the ownership of the goods both rest the borrower. The borrower to the banker creates an equitable charge on the security. The borrower does this by executing a document known as Agreement of Hypothecation in favor of the lending bank.

Mortgage

According to section 58 of the transfer of property act, 1882 mortgage is the transfer of an interest in specific immovable property for the purpose of securing the payment of money advanced or to be advanced by way of loan, existing or future debt or the performance of an obligation which may give rise to a pecuniary liability. In this case the mortgagor does not transfer the ownership of the specific immovable property to the mortgagee only transfers some of his rights as an owner.

Lien:

Lien is the right of the banker to retain goods of the borrower until the loan is repaid. The banker's lien is general lien. A banker can retain all securities in his possession till all claims against the concern person are satisfied.

Assignment:

Assignment means transfer of any existing or future right, property or debt by one person to another person. The person who assigns the property is called assignor and the person whom it is transferred is called assignee.

Usually assignments are made of actionable claims such as book debts, insurance claims etc. in banking business, a borrower may assign to the banker (1) the book debts, (2) money due from governments debt, (3) insurance policy.

Set-off:

Set-off means the total or partial merging of a claim of one person against another in counter claim by the letter against the former. Set-off arises when a debtor or his creditor wishes to arrive at the net figure owing between them when separate account or debt are involved.

5.13 CREDIT ANALYSIS



When a prospective customer requests a loan, bankers analyze all available information to determine whether the loan meets the bank's risk-return objectives. Credit analysis is essentially default risk analysis in which a loan officer attempts to evaluate borrower's ability willingness to repay. Therefore, bankers need to perform qualitative analysis which has been classified according to the five Cs of credit.

Character:

Character refers to the borrower's honesty and trustworthiness. A banker must assess the borrower's integrity and subsequent intent to repay. If there are any serious doubts, the request for loan should be rejected.

Capital:

Capital refers to the borrower's wealth position measured by financial soundness and market standing. It helps cushion losses and reduces the likelihood of bankruptcy.

Capacity:

Capacity involves both borrowers' legal standing and management's expertise in maintaining operations so the firm or individual can repay its debt obligations. Under capacity an individual must be able to generate income to repay the cash.

Condition:

A condition refers to the economic environment or industry specific supply, production and distribution factors influencing a firm's operations. Repayment sources of cash often vary with the business cycle or consumer demand.

Collateral:

Collateral is the lender's secondary source of repayment or security in the case of default. Having an asset that the bank can seize and liquidate when a borrower defaults reduces loss, but does not justify lending proceeds when the credit decision is originally made.

5.14 ANALYSIS OF CREDIT RISK FACTOR

Principal components	Weight
• Financial risk	50%
• Business/ Industry risk	18%
• Management risk	12%
• Security risk	10%
• Relationship risk	10%

Financial Risk	Business/ Industrial Risk	Management Risk	Security Risk	Relationship Risk
Leverage	Size of business	Experience	Security coverage	Account conduct
Liquidity	Age of business	Succession	Collateral coverage	Utilizationof limit

Profitability	Business outlook	Team work	Support	Compliance Of Covenants/ Condition
Coverage	Industry growth			Personal deposit
	Market competition			
	Barriers to business			

Financial Risk:

Financial risk concern with the financial condition of the organization. It measures the financial strength, capability to repay the loan to the debt holders, liquidity, profitability and the mode of interest payment of the organization.

Business/ Industry Risk:

Business/Industry risk concern with the structural condition of the business. It shows the physical position of the business. This risk consists the size of business, age of business, business outlook, industry growth, market competition and entry/exit barriers.

Management Risk:

If the management of a company fails to exploit the company's position effectively, the company can fail to achieve its goal and this risk of failure is called management risk.

Security Risk:

Security risk is the risk that the realized value of the security does not cover the exposure of loan. Exposure means principal plus outstanding interest. Security risk can be divided into three parts; security risk can be divided into three part; security coverage (primary), collateral coverage (property location) and support (guarantee).

The credit risk grade matrix and its review:

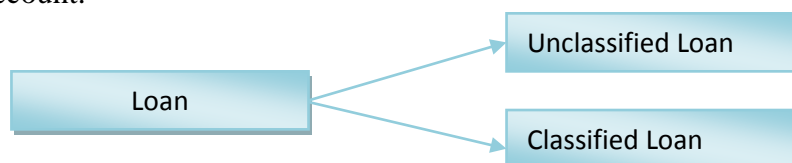
The credit risk grade matrix based on the total score obtained by the obligor and it's updated periodically. In the following table show the score of the grade and frequencies of the review

Table 5.14.1: credit risk grade matrix

Sl. No.	Risk grading	Short name	Score	Review frequency
1	Superior	SUP	100% cash covered, government guarantee, international bank guarantee	Annually
2	Good	GD	85+	Annually
3	Acceptable	ACCPT	75-84	Annually
4	Marginal/watch list	MG/WL	65-74	Half Yearly
5	Special mention	SM	55-64	Quarterly
6	Sub-standard	SS	45-54	Quarterly
7	Doubtful	DF	35-44	Quarterly
8	Bad/loss	BL	<35	Quarterly

5.15 CLASSIFICATION OF LOAN AND PROVISIONING

Loan classification is a process by which the risk or loss potential associated with the loan accounts of the Bank on a particular date is identified and quantified. It is done to determine the level of reserves to be maintained by the Bank for the probable loss on that risky loan account.



Unclassified Loans:

An unclassified loan or commitment is one which is set by Bangladesh Bank or the Head Office of the Bank. Unclassified loans are those loans in which repayment is regular.

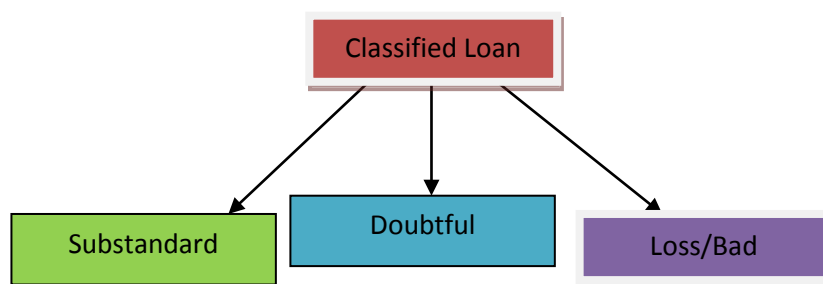
Classified Loans

A classified loan or commitment is one which is classified as substandard, Doubtful or Loss as per policy of loan classification set by Bangladesh Bank or Head Office of the bank.

Loan Classification means to categorize the debt information in a systematic manner. But in true sense it is defined in terms of degree of risk associated with these loans. The objectives/importance of loan classification are:

- To find out Net Worth of a bank;
- To assess financial soundness of a bank;
- To calculate the required provision and the amount of interest suspense;
- Strengthen credit discipline;
- To improve loan recovery position and
- To put the bank on sound footing in order to develop sound banking practice in Bangladesh.

Position of classified loans and advances and other assets should be placed before the Board of directors of the bank. The following are the broad definitions of the classified categories:



▪ **Substandard :**

A well defined weakness is present in loans of this category, which could affect the ability of the borrower to repay. This is clearly a troubled situation for one reason or another that requires immediate and intensive effort to correct and reduce the possibility of loss.

- **Doubtful:**

A serious doubt must exist that full repayment will not be forthcoming but the exact amount of the loss cannot be ascertained at the time of classification.

- **Loss:**

Advances, or portions of advances, which are determined to be uncollectible, based on presently known factors.

Provision for Classified Loan:

Bank should preserve following provisions for classified loans:

Types of Classification	Rate of Provision
Unclassified / Regular	1%
Substandard	20%
doubtful	50%
Bad & Loss	100%

5.16 PRICIPLE OF SOUND LENDING

Lending of money to different kinds of borrowers is one of the most important functions of Bank. Not only this is the most profitable business of the bank and major sources of income but

lending is a risky business. Risk involvement may be kept at minimum, if sound lending principles are followed.

A banker should always adhere to the following general principles of lending funds to the customers:

Purpose:

Another important point to be studied by a banker before lending is the purpose for which the loan is required and also the resources from which the borrower is expected to repay. The purpose of loans helps the banker to determine his/her Course of action as regards lending. Bank should avoid making loans for unproductive purpose and speculative activities.

Liquidity:

Liquidity of money lent is another important principle of lending. Liquidity means availability on readiness of bank funds on short notice. The liquidity of loan means its repayment on demand on due date or after a short notice. Liquidity also means conversion of assets into cash without loss or with insignificant loss.

Security:

Security is another principle of sound lending which serves as the safety valve for an unforeseen emergency. Not only this, the security accepted by a banker to cover a bank advance must be adequate, readily marketable, easy to handle and free from any encumbrances.

Profitability:

Commercial banks obtain funds from Shareholders and if dividend is to be paid on such Shares it can only be paid by earnings profits. This is not possible unless funds are employed profitably. So the banker should not enter into a transaction unless affair return from it is assured.

Spread/ Diversification:

Advances should not be gives in one particular area/industry/activity are one on few borrowers because any adversity faced by that particular sector will have a serious adverse affect on the bank. So there should be diversification of advances its risks and considerably look into the safety of its advances.

CHAPTER 6

FOREIGN EXCHANGE BANKING

6.1 Foreign Exchange Business:

It is a process of system of conversion of one nation currency to another and of transforming money from one country to another.

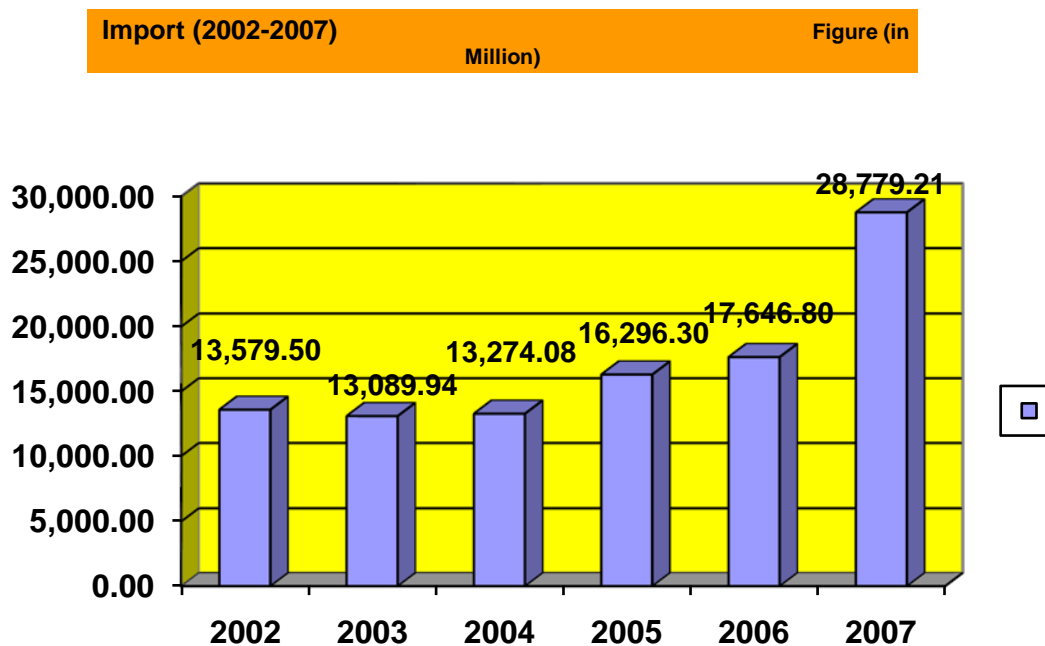
Foreign Exchange Business means-1) **Import Business**

2) **Export Business**

3) **Foreign Remittance.**

6.2 Import Procedure of NCC Bank Ltd.:

Import means goods and services purchased from foreign sources. These imports may be used for consumption, investment or government. Whatever their use, imports represents purchase of goods and services that not even produced or purchased but insufficient in a country. Like other bank, NCC bank performs import business. Its performance is shown bellow:



Importers need to get some permission to import goods like IRC & Bank certificate
Procedure for obtaining IRC (Import Registration Certificate):

As per Import & Export control Act, 1950 no person can indent, import or export any goods in to Bangladesh except incase of exemption issued by the government of the Peoples Republic of Bangladesh. So for import business at first every importer should fulfill Import Registration Certificate. Through public notice or import policy the chief controller of import and exports invites application usually for registration of importers. The following papers / documents are required for submission to CCI & E for Import Registration Certificate:

- Application form.
- Nationality Certificate.
- Income tax registration certificate with GM.
- Trade license.
- Membership Certificate.
- Partnership Deed (For partnership firm)
- Certificate of Registration with the Register of Joint Co. & Articles and memorandum of Association in case of Limited Company.

Bank Certificate:

The nominated of the applicant will examine the papers/documents and verify the signature of the applicant and forward the same to the concerned office of the CCI & E with a forwarding schedule in duplicate through bank representative. The duplicate copy of the same bearing the acknowledgement of CCI & E office of the receipt of the document is received by the bank and is preserved.

6.2.1 Role of Letter of Credit (L/C) in the Import Procedure of NCCBL:

Letter of credit is an undertaking given by the issuing Bank on behalf of its customers to pay a certain sum of money to a certain person (beneficiary) on the fulfillment of certain terms of conditions as laid down in the letter.

The Clauses Contained in a L/C:

- A clause authorizes the beneficiary to draw bills of exchange up to certain on the opener.
- List of shipping document, which should be included in the bills.
- Description of the goods to be shipped
- An undertaking by the issuing bank that bills drawn in accordance with the conditions will be strictly honored.
- Instructions to the negotiating bank for obtaining repayment of payments under the credit.

6.2.2 Importer's Application for L/C Limit:

To have an import L/C limit, an importer submits an application to NCCBL. In that application he/she gives full detail of the following:

Full particulars bank accounts.

- Nature of business.
- Required amount of limit.
- Payments terms & condition
- Goods to be imported
- Offered security
- Repayments schedule

A credit officer investigates this application & accordingly prepares a proposal & forwards it to the Head Office Credit.

L/C Application:

NCCBL provides a painted form for opening of L/C to the importer. A special stamp is attached on the form. While opening, the stamp is cancelled. The importer gives the following information in that form:

- Full name & address of importer.
- Date & place of expiry of the credit.
- The mode of transmission of document (courier/mail/telex)
- Whether the confirmation of the credit is requested by the beneficiary or not.
- Whether the partial shipment is allowed or not.
- The type of loading (loading on boarding).
- Brief description of the goods to be imported.
- Availability of the credit by sight payment acceptance /deferred payment.
- Sales terms (FOB/CIF/C & F).
- Account number.
- L/C amount.
- Shipping mark.
- H.S. code number of the goods to be imported.
- IRC number.
- LCA number
- Insurance cover note.
- Country of origin.

- Proforma Invoice, which gives description of the goods including quantity, Unit price etc.
- Four set of IMP form.
- The insurance cover note, issuing company & the insurance number.

Transmission of L/C:

The ways of transmission of L/C are as follows:

- Through SWIFT
- Through DHL or FEDEX
- Through Emergency Mail Service (EMS)

Presentation of the Documents:

After the exporter /seller is being satisfied with the terms & conditions of the credit, he/she then proceeds to dispatch the required goods to the importer. Then he/she has to present the documents evidencing dispatching of goods to the negotiating bank within the stipulated expiry date of the credit. After receiving the documents, the negotiating bank checks them against the credit. If the documents are found in order, the bank will negotiate to the issuing bank, in our case with NCCBL. NCCBL also checks the documents. The usual documents in a Letter of Credit are the following:

- Bill of exchange.
- Commercial Invoice.
- Packing List.
- Bill of Lading.
- Certificate of Origin.
- Pre-shipment Inspection report.
- Insurance Cover Note.
- Shipment Certificate.

6.2.3 Examination of Documents:

The documents generally include the following & the main point of checking by NCCBL

- Letter of credit
- Bill of Exchange/Draft
- Commercial Invoice
- Certificate of Origin
- Packing List
- Bill of Lading

6.2.4 Back-to-Back Letter of Credit:

A back-to-back letter of credit is a new credit. It is different from the original credit based on which the bank undertakes the risk under the back-to-back credit. In this case, the bank's main security is the original credit (selling credit) and the back to back credit (buying credit) are separate instruments and in no way legally connected, although both are part of the same business operation. The supplier (beneficiary of the back to back credit) ships goods to the importer or supplies goods to the exporter and presents documents to the bank as is specified in the credit. It is intended that the exporter would substitute his own documents and ships the goods to the importer, if necessary, and present documents for negotiation under the original credit, his liability under the back-to-back credit would be adjusted out of these proceeds. Export L/C is marked lien and no margin is taken. Documents that are required to submit at NCCBL for the opening of a back-to-back L/C are given below:

- Master L/C.
- Valid Import Registration Certificate (IRC) & Export Registration Certificate (ERC).
- L/C application & LCA form duly filled up & signed.
- Proforma Invoice.
- Insurance cover note with money receipt.
- Duly signed IMP form.

Processing of L/C Proposal

- Name & Address of the party,
- TIN & IRC Number,
- Date of opening of Account,
- Turnover in CD Account (Last 6 month)
- Amount of L/C Applied,
- Commodity to be imported,
- Branch's total exposure on the proposal item,
- Name & Address of the beneficiary,
- Status report on the beneficiary,
- Country of origin,
- Mode of shipment,
- Shipment Validity,

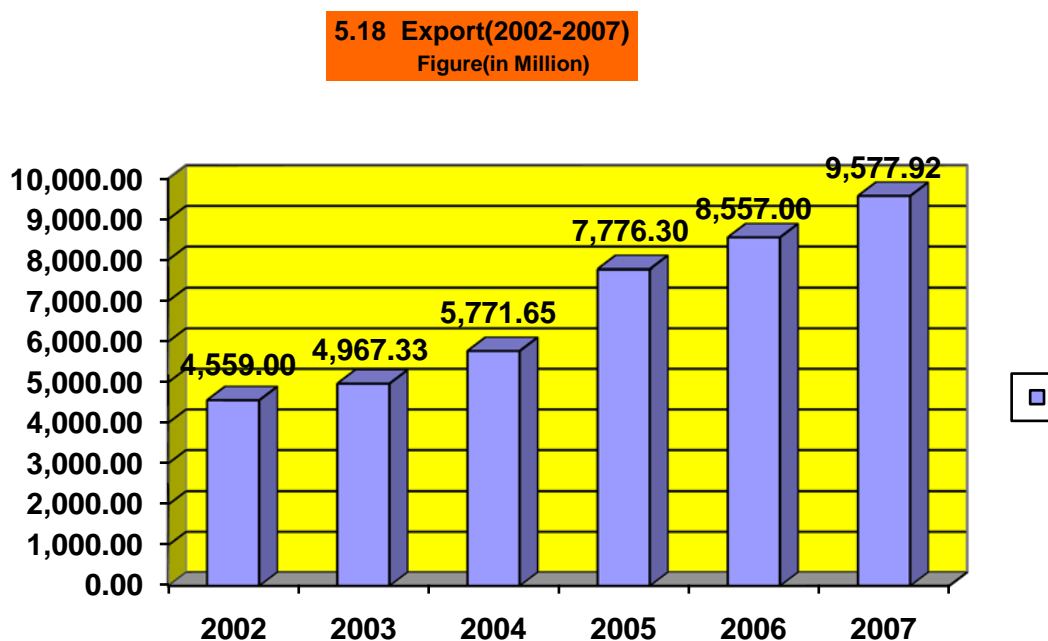
- Margin proposed by the party,
- Margin recommended by the branch manager,
- Past performance of the party,
- Present liabilities position of the party in its own name,
- Retirement of documents.
- Business worth / ability of the applicant.
- Branch manager recommendation.

6.2.5 Various Steps involved in The Operation of Letter of Credit:

- The importer and exporter have made a contract before a L/C is issued.
- Importer applies for a letter of credit from his banker known as the issuing bank. He may have to use his credit lines. If he is a new customer, margin deposit may be required: e.g. 20% deposit on credit amount.
- Issuing bank opens the L/C, which is channeled through its overseas corresponding bank, known as advising bank.
- Advising bank informs the exporter (the beneficiary) of the arrival of the L/C.
- Exporter ships the goods to the importer or other designated place as stipulated in the L/C.
- Meanwhile, he prepares his own documents and collects transport documents or other documents (e.g. insurance policy) from relevant parties. All these documents will be sent to his banker, which is acting as the negotiating bank.
- Negotiation of export bills happens when the banker agrees to provide him with finance. In such case, he obtains payment immediately upon presentation of documents. If not, the documents will be sent to the issuing bank for payment or on an approval basis as in the next step.
- Documents are sent to issuing bank (or reimbursement bank which is a bank nominated by the issuing bank to honor reimbursement from negotiation bank) for reimbursement or payment.
- Issuing bank honors its undertaking to pay the negotiating bank condition that the documents comply with L/C terms and conditions.

6.3 Export Procedure of NCC Bank Ltd.:

Export is one of the most important activities that can increase economic and social well being through transaction of goods and services from domestic economic agent to foreign economic agent for which domestic economic agents receive payments, preferably in valuable foreign currency. The performance of export business of NCC bank is shown bellow:



The import and export trade in our country is regulated by the Imports & Exports (Control) Act, 1950. There are some formalities, which an exporter has to fulfill before & after shipment of goods. The export procedure follows the following steps:

Registration of Exporters:

Under the export policy of Bangladesh, the exporters have to get valid export registration certificate (ERC). For obtaining Export Registration Certificate Bangladeshi exporters are required to apply to the controller of Import & Export in the prescribed form along with the following documents:

- Nationality and assets Certificates,
- Memorandum and Articles of Associates and Certificate of incorporation in case of Limited company;
- Bank Certificate;
- Income Tax Clearance Certificate;
- Trade License issued by the Municipal Authority.

- Payment of Registration fees and renewal fees in a Treasury Chalan.

Obtaining EXP

After getting ERC the export applies to NCCBL (or any other commercial Bank) with trade license & if the bank is satisfied, an EXP issued to the exporter.

Securing of Order

After getting the ERC the exporter may proceed to secure the export order. He can do this by contacting the buyers directly through correspondence. In this purpose exporter can get help from:

- Liaison Offices;
- Buyer's Local Agent;
- Export Promoting Organization
- Bangladesh Mission Abroad;
- Chamber of Commerce (Local & Foreign);
- Trade Fair etc.

Signing the Contract

While making a contract, the following points are to be mentioned:

- Liaison Offices;
- Price of the goods
- Describe of the goods
- Quantity of the goods

Export Letter of Credit

After getting the contract for sale, exporter should ask the buyer for letter of credit (L/C) clearly stating terms and conditions of export and payment. The following are main points to be looked into for receiving/ collecting export proceeds by means of Documentary Credit:

- The L/C is an irrevocable one, preferably confirmed by the bank,
- The L/C allows sufficient time for shipment and negotiation,

Procuring the materials

After making the deal and on having the L/C opened in his favor, the exporters set the task of procuring or manufacturing contracted merchandise.

Shipment of goods

The following are the documents normally involved at the stage of shipment.

- EXP Form
- ERC (valid)
- L/C copy
- Customs duty certificate
- Shipping instruction
- Transport Documents
- Insurance Documents
- Invoice
- Bill of Exchange (if required)
- Certificate of origin
- Inspection Certificate
- Quality Control Certificate

Now exporter submits all these documents along with a Letter of Indemnity NCCBL for negotiation. An officer investigates all the documents. If documents are clean, NCCBL purchase the documents on the basis of bad customer relationship. This is known as Foreign Documentary Bill Purchase (FDBP).

Forwarding Foreign Bills for Collection:

- If the documents have discrepancies.
- If the banker is in doubt.
- If the exporter is a new customer.
- Foreign Documentary Bills of collection signifies that the exporter will receive payment only when the issuing bank gives payment.

6.3.1 Important Documents Associated with Export:

- Letter of credit
- Bill of Exchange/Draft
- Commercial Invoice
- Certificate of Origin
- Bill of Lading

6.3.2 Common Discrepancies:

NCCBL officials usually find the following discrepancies while checking the above-mentioned documents:

- On board nation of in Bill of lading undated/ unauthenticated.
- Shipment effected from port other than that stipulated in the credit.
- Full set of bill of lading not presented.
- Certificate of country of origin not provided.
- Cuttings/Changing in documents not authenticated.
- Documents inconsistent with each other.
- Description of goods on invoice differs from that in the credit.
- Credit (L/C) amount exceeded.
- Credit (L/C) expired.
- Documents not presented in timed / old.
- Late shipment.
- Absence of signature, where required, on documents presented.
- Bill of Lading does not evidence whether freight is paid or not.
- Packing list not submitted.
- Notify party differs /not as per L/C stipulation.
- Inspection certificates not submitted.
- Unit price not mentioned in invoice.

CHAPTER 7

RECOMMENDATION AND CONCLUSION

7.1 RECOMMENDATION

After a complete analysis and implementation of the NCCBL performance appraisal some facts and recommendations can be taken into account for a relatively meaning full and precise application of the NCCBL performance development.

- Banking is a service-oriented marketing. Its business profit depends on its service Quality, That's why authority always should be aware about their service quality and new Time- oriented services.
- Usually banks are responsible to provide loan to those who are eligible are quite high. But in reality, small investors do not get loan easily because of the credit policy of banks. Like other commercial bank the credit policy of NCC bank Limited is very restrictive and defensive. The loan policy and loan sanction procedure should be made flexible and easy.
- The entire department should be well informed regarding their goals and objectives. It is essential to execute company objective into individual target as well as job description should be clarified among them.
- A philosophy of working for the customer instead of working for boss must be introduced.
- The bank has a provision for internship program, but it is not well organized although the some officials are very careful and cooperative with the interns, some are not, and the authority should be more structured. If they can properly make them trained it will be very fruitful to recruit them. Because they learn overall banking in the internship period, so in the beginning of the job they can work as experienced person.
- Bankers as well as top management should be honest enough to deal with some powerful clients those who are not cordial to repay the loan amount in time.
- Measures should be taken for the NCCBL to create awareness among the borrowers regarding the importance of credit facilities.
- The NCCBL can encourage investment in small and cottage industry in rural area and agriculture sector to play an important role in the socio-economic development of the country.
- One of the business strategies is promotion. Successful business depends how they can promote their products or service to the customers. In this connection to improve the business status bank should introduce more promotional programs

- In general banking department it is necessary to implement modern banking system instead of traditional system. It should be more computerized
- In addition with the present services they should include more services. It is badly needed to provide more services to customers in order to compete in the market
- The Loan sanction process should be easier that the clients can feel convenient to take loan from the bank.
- The entire department should be well informed regarding Goal, and objectives, it is essential to execute company objectives into individual targets.

7.2 CONCLUSION

Banks are among the most important financial institution in the economy. They are the principal source of loan able funds for millions of individuals, firms and families and also for many units of government. Worldwide banks grant more installment loans to consumers than any other financial institution. It is widely accepted that credit facilities is a phenomenon of economic development and the banking system. In order that economic development is rapid and meaningful, proper planning is required. This can be possible only when the available resources (financial, human, natural) are put to the best possible use. In this case bank has competitive advantage. Banks thus play an active role in the economic development of a country.

Despite various setbacks in economy, performance of NCC Bank Limited may be termed as satisfactory in respect of deposit mobilization and profit earning. It has both conventional and various credit schemes including small business loan, housing loan, festival loan that help in catering to the needs of a large number of customers with diversified sectors and ensures steady earnings for the bank. As a commercial bank NCC Bank Limited is to manage their foreign currency exchange risk to overcome the challenges of loss of foreign exchange business. Again the advent of a new era of information technology, NCC Bank has changed the ways of traditional banking system that made it competitive in banking industry. Hopefully this bank will continue their overall performance in future and play significant role in national economy.

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