Report on

“CREDIT RISK MANAGEMENT OF BANKS: A LOOK FROM NCC BANK PLC”

Submitted By

Shehreen Tabassum Noor

ID: 19204023

An internship report submitted to the BRAC Business School in partial fulfillment of the requirements for the degree of Bachelor of Business Administration

BRAC Business School

BRAC University

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DECLARATION

It is hereby declared that

1. The internship report submitted is my own original work while completing degree at Brac University.

2. The report does not contain material previously published or written by a third party, except where this is appropriately cited through full and accurate referencing.

3. The report does not contain material which has been accepted, or submitted, for any other degree or diploma at a university or other institution.

4. I have acknowledged all main sources of help.

Student's Full Name & Signature:

____

Shehreen Tabassum Noor

Id: 19204023

Supervisor's Full Name & Signature:

____

Name: Noushin Laila Ansari

Senior Lecturer

Department of BRAC University

LETTER OF TRANSMITTAL

Date: 28/04/2026

To: Noushin Laila Ansari

Senior Lecturer

Department of BRAC University

Subject: Submission of Internship Report on "Credit Risk Management of Banks: A Look from NCC Bank PLC

Dear Madam,

It is my pleasure to submit this internship report, prepared as a partial fulfillment of my BBA program requirements. This report provides a comprehensive overview of my experiences working at NCC Bank PLC, specifically during my placement at the Darussalam Road Branch under the guidance of my on-site supervisor, Syed Fakhrul Hasan, First Asstt. Vice President and Branch Operation Manager.

The report focuses on the strategic amendments and marketing of the bank's retail and SME loan products. I have attempted my best to finish the report with essential data and recommended propositions in as concise and comprehensive a manner as possible. I trust that the report will meet your expectations.

Sincerely yours,

____

Shehreen Tabassum Noor

ID:19204023

BBA Program

BRAC University

NON-DISCLOSURE AGREEMENT

This agreement is made between NCC Bank and the undersigned student Shehreen Tabassum Noor at Brac University that the report does not contain any confidential information from the organization.

Shehreen Tabassum Noor

ID: 19204023

BRAC Business

School BRAC University

Syed Fakhrul Hasan

First Asstt. Branch Operations Manager and Vice President

NCC Bank. (Darussalam branch)

EXECUTIVE SUMMARY

This report presents the field experience and theoretical knowledge gained through an internship at Darussalam Road Branch of National credit and Commerce Bank PLC (NCC Bank). As an interface between theory and practical financial activities, the analysis is a critical review of the recent strategic product changes in the NCC Bank in the highly competitive retail and CMSME industries. It particularly discusses the responsiveness of the bank to industry forces in coordinating its products to meet new market demands, consumer financing trends that are dynamic and the changes in regulations by the Bangladesh bank.

One of the key points of the report is the detailed analysis of the focused marketing strategies and the main mechanisms of operation of the bank that underlie the main credit facilities. This consists of the regular Car Loan, the new Affordable Car Key (targeting used and environmentally friendly cars), Home and Home Improvement Loans and the greatly expanded Supply Chain Finance plant. Through an examination of the new Product Program Guidelines (PPGs), the paper draws our attention to how NCC Bank has segmented its consumer audience-serving all the way down to salaried executives to high-net-worth business owners. It elaborates on how the bank successfully employs tiered Debt Burden Ratios (DBR) and adjusted Loan-to-Value (LTV) limits to strike the right balance between the aggressive market growth and the careful risk management.

Lastly, the report also ends with strategic and data-based marketing recommendations by evaluating the competitive positioning of NCC Bank with its counterparts in terms of commercial banks and other non-banking financial institutions (NBFIs). These practical recommendations focus on capitalizing on digital lead generation, streamlining customer onboarding experience by reducing application forms and aggressively marketing bundle deals to increase market penetration, boost customer acquisition rates and ensure long-term, sustainable growth of the portfolio.

Keywords: Retail Banking, CMSME Finance, Product Program Guidelines (PPG), Credit Risk Management, Marketing Strategy, Consumer Financing, Customer Onboarding, Debt Burden Ratio (DBR).

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CHAPTER -1

OVERVIEW OF THE INTERNSHIP

1.1. Student Information:

My name is Shehreen Tabassum Noor (ID: 19204023), and I am wrapping up my degree at BRAC University's Business School. As a major in Management Information System and minor in Human Resource Management, my main goal for the 2026 semester was to successfully complete my internship. This report is the product of that work and is the final step in my career towards graduation.

1.2. Internship Information:

1.2.1. Internship Period, Company Name, Department/Division, Address:

From December 15, 2025, to March 15, 2026, I successfully completed a three-month internship at NCC Bank PLC. During this tenure, I worked within the General Banking Credit department at the Darussalam Road Branch (5C & 5D Darus Salam Road,Dhaka).

1.2.2. Internship Company Supervisor's Information: Name and Position

During my internship period, I was assigned under Syed Fakhrul Hasan, First Asstt. Branch Operations Manager and Vice President of NCC Bank. (Darussalam branch)

1.2.3. Job Scope – Job Description/Duties/Responsibilities

The tasks that I completed in my day-to-day activities at NCC Bank PLC were intended to give me a well-rounded appreciation of the banking level at a branch. My particular duties were:

- **Customer Service & Account Management:** Helped with routine banking tasks such as taking clients through account opening processes, answering their questions and offering frontline customer service support.
- **Transaction Processing & Verification:** Supported the general banking operations, including aiding in deposits and withdrawals, and thoroughly checked the customer records to verify that they conformed to the operational guidelines of the bank.
- **Administrative & Reporting Support:** Assisted the officers in the supported branch to arrange and maintain proper files on customers, to keep current records and in preparing operational reports.
- **Credit & Compliance Assistance:** Observed the senior officers (shadowing) during credit and loan processing procedures, how retail and SME loan applications are assessed against internal compliance guidelines and overall banking regulations.

1.3 Internship Outcomes:

The NCC Bank PLC internship program was an important bridge between the knowledge acquired in books and the actualities of the corporate banking industry. The internship had a win-win aspect during this time, as I was able to contribute value to the host organization, as well as achieve much professional development myself, as an intern.

1.3.1 My Contribution to the Company:

During the internship tenure, I actively supported the daily operations of the assigned division. Key contributions included:

- **Operational Support:** Helped in the initial processing of retail and CMSME loan applications by carefully reviewing the required documents (including NIDs, Trade Licenses, TIN certificates and income statements) as a way of ensuring that the bank adhered to its Product Program Guidelines (PPGs.
- **Customer Service Enhancement:** Walk-in customers through general banking questions, account opening process and general retail loan product information, which decreased the amount of work on the front-desk executives during the busy banking periods.
- **Data Management & MIS:** Conducted data entry tasks and helped maintain the Management Information System (MIS) trackers for daily branch activities, ensuring that customer files and loan logs were organized and easily retrievable.
- **Process Efficiency:** Helped in drafting sanction letter and internal memos under the guidance of the Relationship Manager and this helped in fast tracking the work process in the department.

1.3.2 Benefits to the Student

The internship served as a holistic learning platform, which has led to a number of definite benefits:

- **Practical Industry Knowledge:** Obtained an in-depth, practical grasp of the functioning of commercial banks, and, in particular, acquired knowledge of credit evaluation, risk management, and retail and commercial loan cycle.
- **Professional Skill Development:** Various techniques of communication and interpersonal skills greatly enhanced through exposure to various clients and working with experienced banking professionals
- **Corporate Exposure:** Learned the organizational culture of one of the major financial institutions and essential workplace etiquette, time management, and teamwork in a high-pressure environment.
- **Software Familiarization:** Gained introductory familiarity with Core Banking Systems (CBS) and the digital processes involved in contemporary banking activities.
- **Networking:** Established a useful professional network among the branch managers, credit analysts, and peers, which will be useful in the future career activities.

1.3.3 Problems/Difficulties (Faced During the Internship Period)

Although the internship experience was very rewarding, there were some challenges that had been experienced:

- **Steep Initial Learning Curve:** There is a huge volume of specific financial jargon, convoluted regulatory directions (such as Bangladesh Bank circulars) and internal PPGs, which required a lot of time to master in the first few weeks.
- **System Access Limitations:** Interns have limited access to the Core Banking Software due to the stringent data protection and client confidentiality measures. This sometimes curtailed the capability to autonomously address customer problems or comprehend the complete processing of transactions in the back end.
- **High-Pressure Environment:** Multitasking and accuracy under stressful situations in a busy banking day or month-end reconciliation proved to be overwhelming and demanded quick acclimatization in time management.

1.3.4 Recommendations (To the Company on Future Internships)

To improve the internship experience among future students, the suggestions below are recommended to NCC Bank:

- **Structured Orientation Program:** Have a short orientation program in the first week to make the interns acquainted with the specific software interfaces used by the bank, the internal compliance policies and the general terminology of the banking system.
- **Departmental Rotation:** Assuming it is possible, have interns briefly rotate through various major departments (e.g., General Banking, Credit/Advances and Foreign Exchange) to give them a more holistic picture of commercial banking activities.
- **Supervised System Access:** Have interns of the Core Banking System get a training module of the system which is a read only or simulated set. This would enable them to have a better insight on digital banking operations without sacrificing on data security.
- **Designated Mentorship:** Have each intern assigned a particular mid-level executive as a mentor whom they would meet with weekly. This would give a better direction, assist in establishing weekly learning goals and keep the intern going.

CHAPTER- 2

ORGANIZATION PART OF NCC BANK

2.1. Introduction

National Credit and Commerce Bank PLC (NCC Bank) have established itself as a premier private commercial financial institution in Bangladesh. Since its inception as an investment company until it is now a fully-fledged commercial bank, it has led to socio-economic development by a strong emphasis on the Retail and CMSME segments. The bank has been able to provide end-to-end financial solutions through its sustainable business practices and the incorporation of the latest technological advancements, without compromising its corporate governance.

2.1.1 Objective: The major aim of this chapter is to study the internal environment of NCC Bank, including its management, marketing, financial and operational processes, to comprehend the functioning of the organization and its achievement of strategic objectives.

2.1.2 Scope of Study: The scope will cover a review of the leadership style, human resource planning, marketing strategy, financial performance in the past few years, Information System (IS) infrastructure, competitive analysis of the position of NCC Bank in the Bangladeshi banking industry that is highly saturated.

2.1.3 Methodology: Desk research and review of annual reports of the bank, in-depth examination of the bank internal Product Program Guidelines (PPGs) of retail and CMSME products and observation of the day-to-day banking practices were used to synthesize information.

2.1.4 Significance of Study: The analysis can fill the gap between theoretical understanding of business administration and the actual industry implementation and give important insights into the functioning of the industry, the structuring of the products and the risk management of one of the biggest commercial banks.

2.1.5 Limitations: The research has been limited by the fact that the core financial data is very sensitive and the time available in the internship is limited, hence the researcher could not access the best strategies in making decision processes.

2.2. Overview Of NCC Bank Plc

NCC Bank has a distinctive history, as it has begun its financial sector life as an investment company called National Credit Limited (NCL) in 1985. It was reorganized into a full-fledged commercial bank (with paid-up capital of Tk) in 1993, with the authorization of the Bangladesh Bank. **39.00 crore.** The bank has a big network of 126 branches today and it is strategically located in urban (74 branches) and rural (52 branches) locations. The bank is very concerned with incorporating environmentally friendly businesses and Retail and CMSME (Cottage, Micro, Small, and Medium Enterprises) banking to maximize shareholder wealth, in the service of the country with a theme of Redefining Sustainable Boundaries.

Vision: National credit and commerce bank PLC vision is to become one of the most lovable commercial banks in serving the nation as a progressive and socially responsible financial institution by uniting credit and commerce to greater value of shareholders and sustainable growth.

Mission: Within this objective, the bank will have a mission that is dedicated to offering the best financial services to the communities on the basis of good customer relationship coupled with offering long term solutions that integrate the best technology, long experience, and financial prowess to all clientele and other stakeholders. Moreover, the bank is also aimed at establishing a friendly and integrated atmosphere in which customers and employees can shine.

2.3 Management Practices

2.3.1 Leadership Style: NCC Bank has a mostly participative and democratic leadership style. The management appreciates the participation at different levels, as was seen in the systematic delegation of authority in approving of credits. As an example, the loan approvals are classified as Level 1, Level 2 and Level 3 and the decisions are made collaboratively among the Branch Managers, Head of Retail, Deputy Managing Directors, and the MD and CEO depending on the size of the ticket of the loan. This decentralized model guarantees a complete risk management system as well as empowering the mid-level managers.

2.3.2 Human Resource Planning: The HR planning of the bank is in line with its expansion strategies:

- **Recruitment and Selection:** The bank hires a balanced representation of fresh graduates and seasoned banking experts with the help of formal assessments to deploy talent to specialized departments such as the Retail Finance Center (RFC) and Credit Risk Management (CRM).
- **Compensation and Benefits:** The NCC Bank has very competitive compensation packages. In order to develop a performance-based culture, the bank encompasses staff and third-party agent incentive models who bring about successful business references. Moreover, the permanent employees have subsidized financial facilities like discounted interest rates (1 percent below the commercial rate) and zero processing fee on Unsecured and Home Loans.

- **Training and Development:** Continuous professional development is emphasized. Relationship Managers' training and Meets are also conducted periodically by the bank, especially when it is introducing a specialized product such as the NCC Affordable Car Key or NCC Supply Chain Finance.
- **Performance Appraisal:** The employees will be measured based on the Key Performance Indicators (KPIs), and the primary focus will be on the portfolio development, NPL (Non-Performing Loan) management, and successful customer acquisition.

2.4 Marketing Practices

2.4.1 Marketing Strategy: The marketing strategy of NCC Bank is very customer-based with great emphasis on product diversification, Retail and CMSME market penetration. Credit facilities of the bank are tailor-made and are aimed at market gaps.

2.4.2 Target Customers, Targeting, and Positioning: The bank divides its customers into specific customer types: Salaried Executives, Self-Employed Professionals, Businessmen, Landlords, and Remittance Income Holders. It also focuses on niche markets, like the NCC NRB Home Loan to Non-Resident Bangladeshi and the NCC Commercial Vehicle Loan to transport operators and CMSMEs. As a stakeholder in sustainable development, NCC Bank focuses on providing affordable, accessible, and flexible financial services.

2.4.3 Marketing Channels: The bank bases on the effective multi-channel strategy of distribution:

- **Physical Network:** 126 Branches and other Upa-Shakhas to assure grassroots coverage.
- **Direct Sales:** Special Direct Sales Teams (DST) deployment.
- **Digital & Agency:** Digital and approved third-party lead generation agents.
- **Global Tie-ups:** Remittance collaborates with the well-known international Money Transfer Operators (MTOs) in order to tap the NRB market.

2.4.4 Product Development and Promotional Practices: NCC Bank constantly updates its Product Program Guidelines (PPGs) in order to be on top of market needs. New competitive measures involve; Bundle Offers: This has seen the traditional offer of a customer taking several products at the same time (i.e. loan and personal loan). The promotional strategies include provision of discounted rates to the corporate payroll customers and the use of brand visibility strategies including the placement of NCC Bank PLC Financed stickers to commercial vehicles.

2.5 Financial Performance and Accounting Practices

2.5.1 Financial Performance: Financial Performance According to the latest annual reports, NCC Bank has been financially resilient and experiencing steady growth:

- **Profitability & Growth:** The bank has recorded an upward trend in the operating profits and net interest margins, in the last couple of years, owing to the aggressive but measured disbursements in the retail and CMSME divisions.
- **Asset Quality:** The bank is very keen at its Non-Performing Loans (NPLs). Management has strict limits; such as limits to housing finance are directly related to the NPL percentage of the bank (topping at BDT 40 million in case NPL is less than 5 percent).
- **Performance Metrics:** The bank determines financial health through its core measurements of liquidity, solvency, leverage, and efficiency, with the help of such tools as Du-Pont analysis used within the bank to measure its success in its operations.

2.5.2 Accounting Practices: Accounting Practices NCC Bank complies with regulation and accounting practices that are required in Bangladesh.

- **Core Principles:** The bank prepares its financial statements in accordance with International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS).
- **Accounting Method:** Financial transactions are captured on accrual basis of accounting and revenues and expenses are realized when they are earned or incurred.
- **Disclosures & Compliance:** The bank is very transparent with frequent statutory disclosures and audited by the leading chartered accountancy firms. It is in full conformity with the Bank Company Act 1991, Bangladesh Securities and Exchange Rules, and financial reporting council (FRC) guidelines.

2.5.3 Trend of Loans and Advances of Last Five Years of Nccbl (2020-2024)

The biggest asset which generates revenue in any commercial bank is loans and advances. The trend analysis conducted during a period of five years offers important information about the market growth of NCC Bank, credit risk appetite and its presence in the entire economy. According to the current financial performance indicators, the bank has been in a stable increase in its lending portfolio.

The overall loans and advances have been compared to the Non-Performing Loans (NPLs) to give the full picture in regard to the quality of assets and the growth of portfolio:

Table 1: Five-Year Trend of Loans, Advances, and NPLs (BDT in Million)

Year	Estimated Total Loans & Advances*	Amount of Non-Performing Loans (NPL)	NPL as % of Total Loans
2020	178,293	8,879	4.98%
2021	189,606	8,665	4.57%
2022	209,620	14,359	6.85%
2023	228,886	12,955	5.66%
2024	240,286	17,589	7.32%

Analysis of the Trend:

- **Consistent Portfolio Expansion:** The figures clearly show that NCC Bank has been actively increasing its market share. The total loan portfolio increased steadily as in 2020 it was about BDT 178.29 billion, and 2024 the figure was BDT 240.28 billion. This healthy expansion fits well with the strategic adjustments that the bank has made to expand its credit limits like doubling the Supply Chain Finance limit to BDT 10 Crore and forceful marketing of its retail products such as the Home Loan and the Affordable Car Key.
- **Fluctuations in Asset Quality (NPLs):** Although gross portfolio increased, the amount of Non-Performing Loans (NPLs) was fluctuated. The bank managed to decrease its ratio of NPL to a remarkable 4.57 in 2021. Nonetheless, reflecting larger macroeconomic issues and inflation, the NPL ratio shot to 6.85% in 2022, before returning to 5.66% in 2023 and 7.32% (BDT 17,589 million) in 2024.
- **Strategic Implication for Risk Management:** The fact that total advances and NPL ratio have increased simultaneously in 2024 is why NCC Bank upholds strictly the process of the Credit Risk Grading (CRG) and the Contact Point Verification (CPV) practices as mentioned earlier in this chapter. To maintain this high-growth trend without jeopardizing its financial health, the bank needs to keep on improving its pre-sanction screening and post-disbursement monitoring.

In this case, we assess the basic financial performance of NCC Bank PLC by considering three ratios that are critical in the past five years (2020-2024): the Credit Deposit Ratio, Return on Equity (ROE), and Return on Asset (ROA). These ratios offer deep information on the efficiency of the bank in its operations, usage of its assets and the financial well-being of the bank.

2.5.4. Credit Deposit Ratio (Cdr)

The Credit Deposit Ratio indicates the extent to which the bank is drawing on the core bases of deposits in an attempt to lend and make advances. It is a severe measure of liquidity and lending aggressiveness of the bank.

Formula:

$$Credit\ Deposit\ Ratio\ =\ (Total\ Advances\ /\ Total\ Deposits)\ *\ 100$$

Table 2: Credit Deposit Ratio (2020-2024)

Year	Credit Deposit Ratio (CDR)
2020	81.36%
2021	81.38%
2022	76.83%
2023	85.57%
2024	82.30%

Analysis:

Credit Deposit Ratio (CDR) indicates the proactive, but changing lending approach of NCC Bank during the 5-year period. The CDR remained very stable at 81.36 to 81.38% in 2020 and 2021, which demonstrates that the bank uses the funds properly that are deposited. However, this ratio decreased to 76.83 in 2022 indicating a conservative lending policy, or a boom in deposits that exceeded loan advances. The highest point of 85.57% in the CDR in 2023 was a result of aggressive credit growth, and it began to stabilize at a healthy 82.30% in 2024. In general, NCC Bank is well balanced in terms of its liquidity and maximizing on its lending capacity.

2.5.5. Return On Equity (ROE)

The ratio of Return on Equity is used to determine the capability of the bank to make profits out of the equity of its shareholders. It shows how effectively the bank's management is utilizing investors' funds to grow the business.

Formula:

Return on Equity = (Net Income / Shareholder Equity) * 100

Table 3: Return on Equity (2020-2024)

Year	Return on Equity (ROE)
2020	11.10%
2021	12.15%
2022	11.68%
2023	9.74%
2024	9.52%

Analysis:

The trend in ROE of NCC Bank depicts an excellent start and a time of slow decline. In 2021, the bank experienced a great high of ROE of 12.15, indicating a high level of profitability and a high level of efficiency in the use of equity in the given fiscal year. Nonetheless, the efficiency ratio started to decrease in the following years, reaching 11.68% in 2022, and decreasing even further to single digits in 2023 (9.74) and 2024 (9.52). This recent decreasing trend is an indication of macroeconomic pressure, the escalating operational expenses and the increasing amount of non-performing loans (NPLs) which marginally compressed the net profit margins of the bank against its equity base.

2.5.6. Return On Asset (ROA)

One of the most important efficiency ratios is the Return on Asset which determines the profitability of a bank in relation to its entire assets. It provides a concept of the efficiency with which the management utilizes its assets (including the loans and advances that it disseminates) to make profits.

Formula:

Return on Asset = (Net Income / Total Assets) * 100

Table 4: Return on Asset (2020-2024)

Year	Return on Asset (ROA)
2020	0.87%
2021	0.98%
2022	0.92%
2023	0.74%
2024	0.70%

Analysis:

The Return on Asset (ROA) of NCC Bank directly reflects the trend of the ROE of the bank. In 2021, the bank maximized its asset efficiency, with an ROA of 0.98%. Since 2022, though, the ROA has experienced a consistent downward trend with the value dropping to 0.92% in 2022 and at last reaching 0.70% in 2024. As loans are the main assets of a bank, the rapid increase in the total loan base (as observed in the previous trend analysis) along with the increase in the NPLs volume made the total asset yield thin. In order to enhance this measure in future, bank will be required to concentrate on repayment of classified loans and giving priority to high yield retail and SME products.

2.5.7. Cost Income Ratio (CIR)

Cost Income Ratio (CIR) is one of the main measures of the efficiency of a bank. It quantifies the expenses of managing the bank (operating expenses) to the total earnings of the bank (operating income). Lower CIR will usually suggest an efficient operation.

Formula:

Cost of Income Ratio: (operating expense/ operation income) * 100

Table 5: Cost Income Ratio (2020–2024)

Year	Cost Income Ratio (CIR)
2020	39.06%
2021	43.14%
2022	43.08%
2023	45.47%
2024	46.12%

Analysis:

As is evident in the CIR of NCC Bank, it has been steadily increasing over the past five years, which implies that operating expenses are increasing at a higher rate than operating income. In 2020, the bank operated at a lean 39.06%, but this figure increased to 43.14% in 2021 and further rose to 46.12% by 2024. This growth is usually indicative of high investments in expansion of branches, technology upgrade to Core Banking Software, and increased administrative expenditures due to the maintenance of an increasing loan base. The bank ought to consider cost-optimization and utilization of digital generation of lead to minimize the cost of manual processing to enhance profitability.

2.5.8. Capital Adequacy Ratio (CAR)

The most important financial indicator of the strength and safety of a bank is the Capital Adequacy Ratio (CAR). It is also to ensure that the bank is in a position to absorb a reasonable loss and it also meets the statutory capital requirements imposed by Bangladesh Bank.

Formula:

Capital Adequacy Ratio: (Tier 1 capital + Tier 2 capital/ Risk Weighted Assets)

Table 5: Capital Adequacy Ratio (2020–2024)

Year	Capital Adequacy Ratio (CAR)
2020	13.56%
2021	14.15%
2022	13.91%
2023	13.82%
2024	14.32%

Analysis:

In the 2020-2024 years, NCC Bank has been enjoying a strong and robust Capital Adequacy Ratio and has remained far ahead of the regulatory range. In 2021, the CAR reached its peak of 14.15% and then stood at 13.82% to 13.91% in the next years. The capital strength of the bank in 2024 was its highest in the last five years at 14.32%. This robust ratio implies that NCC Bank is highly capitalized to cushion itself against economic shocks and a strong base to keep on growing its retail and SME lending business without any risk.

2.6 Operations Management and Information System Practices

2.6.1 Operations Management: Operations Management: The operations are optimized with the help of a centralized Credit Administration Department (CAD) and Credit Risk Management (CRM) division. There are standardized processes of operations in loan origination, Contact Point Verification (CPV) through third-party agencies and multi-phase disbursements. The bank has a very strict quality management on the collateral whereby the valuations by independent surveyors and strict vetting of the law before any funds are released are a prerequisite.

2.6.2 Information System Practices: NCC Bank uses well-developed Information Systems (IS) to propel operational efficiency and data security:

- **Core Banking System (CBS):** It is used in automated Equal Monthly Instalment (EMI) deductions through BEFTN/Standing Instruction, in maintaining general ledgers and in digital lien marking on deposit accounts.
- **Database Integration:** The bank systems are connected to important external databases, including the Bangladesh bank CIB (Credit Information Bureau) to get real time credit checks and the BRTA CNS database to check vehicle registration.
- **Security & Compliance:** The bank has made a commitment to data governance with its IT infrastructure adhering to the international data security standards, such as, PCI-DSS, and ISO/IEC 27001, to curtail the contemporary cybersecurity threats.

2.7 Industry and Competitive Analysis

2.7.1 Porter's Five Forces Analysis

- **Threat of New Entrants (Moderate):** The presence of regulatory capital requirements and tight regulations under the Bangladesh Bank licensing serve as deterrents, but a new dynamic threat is new digital banking licenses.
- **Bargaining Power of Suppliers (Moderate to High):** The bargaining power of depositors (suppliers of funds) is high because of the availability of investment options and national savings certificates.
- **Bargaining Power of Buyers (High):** There are many banking options among corporate and retail clients, which require lower interest rates, fee-free, and better digital services.
- **Threat of Substitutes (High):** Mobile Financial Services (MFS) and specialized Non-Bank Financial Institutions (NBFIs) are considered to be a powerful substitute to traditional banking and micro-loans.
- **Industry Rivalry (Very High):** The Bangladeshi banking industry is highly competitive, with banks constantly having to invent new products, marketing strategies in order to maintain their market share.

2.7.2 SWOT Analysis

- **Strengths:** Diversified CMSME and Retail product range; robust remittance network to NRBs; well-secured, ISO-certified IT infrastructure.
- **Weaknesses:** NPL issues in the industry; bottlenecks in the processing that are dependent upon physical branches in semi-urban regions.
- **Opportunities:** Digital banking / application-based lending; increased demand on affordable housing (Abashan Loan) and commercial vehicle financing outside Dhaka; integration of green banking actions.
- **Threats:** Macroeconomic instability and inflation on the borrower's repayment abilities; intense competition by MFS providers; tight regulatory changes.

2.8. Summary And Conclusions

NCC Bank PLC is a customer driven (retail) and CMSME-oriented financial institution with a specific strategic focus on the Retail and CMSME banking. Its participative approach to management and constant innovation of its products including specific Abashan loans, Commercial Vehicle financing and NRB home loans puts it in a good position to compete in a very competitive market. Although the bank faces macroeconomic challenges in the industry, its strong reliance on sound IT systems, uniformity in operational instructions, and sustainability in business practices ensures that the bank maintains a stable growth and adheres to the regulations.

2.9. Recommendations/IMPLICATIONS

According to the organizational analysis of the NCC bank, the following recommendations can be offered:

- **Digital Onboarding:** The bank needs to further upgrade its online platforms to enable end-to-end online loan applications and tracking, which will decrease the turnaround time that is currently dependent on offline submission of documents.
- **Proactive NPL Management:** Although the operational procedures are rather stringent, the bank might consider introducing a high level of AI-based predictive analytics into its CRM systems to track the first-time signs of trouble with the CMSME portfolio.
- **Geographic Expansion of Sales:** Additional decentralization of the Direct Sales Team (DST) to untapped semi-urban and rural markets may be a tremendous growth in the adoption of products that are specifically tailored to those targets, i.e. the Abashan Loan.

CHAPTER: 3

PROJECT PART OF NCC BANK

Project Title: CREDIT RISK MANAGEMENT OF BANKS: A LOOK FROM NCC BANK PLC

3.1 Introduction

The Bangladeshi banking sector is undergoing a paradigm shift, shifting its focus off of traditional corporate lending to the Retail and Cottage, Micro, Small, and Medium Enterprises (CMSME) sectors. This is a strategic turn that assists banks to diversify their portfolios, reduce concentration risks, and earn increased yields. To tap niche markets, NCC Bank PLC has been on the offensive to design its credit portfolio, introducing a number of updated and new Product Program Guidelines (PPGs) to meet the needs of the niche markets. This section of the project critically examines the operational structure, mitigation of risks and positioning of the Retail and CMSME credit products of NCC Bank.

3.2 Background and Problem Statement

As the purchasing power of individuals and the constant increase of SMEs in Bangladesh have increased, the need to design specific financial services has gone up. Recently NCC Bank has launched new products like the NCC Affordable Car Key (on pre-registered cars), NCC Abashan Loan (on housing in suburbs/rural areas), NCC Supply Chain Finance and the NCC NRB Home Loan. Although such an all-round product line, commercial banks will always be faced with the challenge of balancing between aggressive credit growth with strict risk management. The fundamental question that this study will answer is: How well does NCC Bank design its Retail, and CMSME loan parameters (in terms of Debt Burden Ratio, Loan to Value ratio, and Income Assessment) to reduce the risk of default yet be highly competitive and accessible to target demographics? Broad Objective: To critically examine the structural framework, risk assessment methodologies and market competitiveness of NCC Bank Retail and CMSME credit products.

3.3 Objective(s)

Broad Objective: To critically evaluate the structural framework, risk assessment methodologies, and market competitiveness of NCC Bank's Retail and CMSME credit product the target segmentation and product characteristics of new loans introduced (e.g. Abashan, NRB Home, Commercial Vehicle and Supply Chain Finances.

Specific Objectives:

- To investigate risk reduction strategies by the bank with a particular focus on Debt Burden Ratio (DBR), Loan to Value (LTV) limits, and collateral requirements.
- To measure the standardized income assessment guidelines that are being used by the bank in various client profiles (salaried, businessmen and landlords).
- To find out operational bottlenecks within the credit approval process and recommend actionable suggestions.
- To identify operational bottlenecks in the credit approval process and propose actionable recommendations.

3.4 Significance

The study will be of great importance to the management of NCC Bank since it will be considered as an independent audit of their newly developed PPGs. Applying the intersections of the product parameters and risk management, the research indicates whether the products of the bank are in line with the market dynamics. It also satisfies the educational need of the practical application of theoretical financial knowledge to the banking practice.

3.5 Scope of the Study

The research is limited to the range of Retail and CMSME credit products of NCC Bank. The analysis is rigorously conducted on the internal Product Program Guidelines (PPGs) of Unsecured Loans, Affordable Car Key, Abashan Loan, NRB Home Loan, Commercial Building Loan, Commercial Vehicle Loan and Supply Chain Finance, as well as, the conventional Retail Loan Application procedures.

3.6 Literature Review

Retail and SME financing are largely known to be drivers of economic growth in developing economies. The usual banking literature continues to argue that the success of retail lending is largely limited to the accuracy of income determination and the close adherence to Debt Burden Ratios (DBR) to avoid over-leverage by borrowers. Moreover, specific products like remittance-backed financing (NRB loans) and Supply Chain Finance are demonstrated means to fill working capital gaps and redirect foreign currency to productive investment in the country. The basic risk-controlling system is the effective Product Program Guidelines (PPGs) which are used to standardize the loan origination, the valuation of collateral and the management of exceptions.

3.7 Methodology

3.7.1 Primary Data Collection: The primary data of this report was gathered via the first-hand direct experience during the three months internship experience at the Darussalam Road Branch of NCC Bank PLC (December 15, 2025 -March 15, 2026). This information is the practical part of the analysis and was collected with the help of the following methods:

- **Direct Observation:** A considerable part of the insights was acquired through the close observation of the work processes in the branch daily. This involved checking the way front-desk executives perform initial customer screening, the way the Direct Sales Team (DST) sells special products such as the Abashan Loan and Affordable Car Key and how the branch handles customer requests during peak hours. A practical look at the Turnaround Time (TAT) of the loan application and the sanction letter offer gave a true picture of the efficiency of operations.

- **Practical Work Experience & Process Involvement:** Practical Work Experience and Process Involvement: Primary data was constantly being created by being actively involved in the branch work. Key activities included:
    - **Document Verification:** Helping the credit officers to cross-verify the required documents needed in retail as well as CMSME loans including Trade licenses, TIN certificates, and rent receipts.
    - **Application Processing:** Developing a working experience with a full 7-page Retail Loan Application Form. Helping walk-in customers complete this form provided first-hand information about the complications that customers experience when reporting on their assets, liabilities and co-borrower information.
    - **Income Assessment Implementation:** Applying the bank Standard Income Assessment Guidelines in practice to determine the Credit Turnover (CTO) of client bank statements and approximating Debt Burden Ratios (DBR) under the guidance of the Relationship Managers.

- **Informal Interviews and Professional Discussions:** To close the gap between formal instructions and the actual performance, there were unstructured interviews and daily discussions with the experienced people in the branch.
    - **Managerial Insights:** Interviews with the Branch Manager and credit analysts have given extensive insights on the way the branch deals with the exception Matrices (e.g. when to request a 5% DBR relaxation or waive of the processing fee to the Head Office).
    - **Risk Mitigation Realities:** The discussion with the Credit Risk Management (CRM) liaison also illuminated the reality of practical issues of Contact Point Verification (CPV) and how the branch handles Non-Performing Loans (NPLs) to protect its lending bounds.

- **Customer Interaction:** The direct interaction with their customers presented them with a qualitative insight into the psychology of borrowers, market demand, and customer satisfaction with the interest rates and collateral requirements of NCC Bank versus its competitors.

3.7.2 Secondary Data Analysis: Critical Review of Product Program Guidelines (PPGs)

An in-depth examination of the secondary data of NCC Bank, the Product Program Guidelines (PPGs) and the amendments made thereafter, indicate a well-tuned credit risk management structure. The analysis can be divided into four major operational metrics: Debt Burden Ratio (DBR) profiling, Loan-to-Value (LTV) limits, Target Market Segmentation, and Exception Management.

1. Risk Mitigation through Debt Burden Ratio (DBR) Profiling

The main instrument of the bank in evaluating the ability of a borrower to repay the loan is the DBR. According to secondary data of the Unsecured Personal Loan and Affordable Car Key PPGs, there is a gradual, progressive risk approach:

- **Income-Based Tiering:** The bank is not using a flat DBR. In the case of lower income groups (e.g. BDT 30,000 to BDT 80,000), the limit in the DBR is strictly applied (usually to about 40 percent) so that basic living standards are not jeopardized. The DBR can be extended to 60 percent in case of high-net-worth people (earning more than BDT 150,000).
- **Exception Tolerance:** The January 2026 Addendum added a formal exception of DBR, permitting up to 5 percent more DBR on top of the PPG limit. But, to give more than 5% DBR, Level 3 (AMD/MD) approval is necessary. This means that although the bank is ready to go to extremes to get good clients, the bank has centralized the power to avoid excessive lending by the branch managers.

2. Loan-to-Value (LTV) and Asset Valuation Analysis

The secondary analysis of asset-backed products points at the conservative policy of the bank to the depreciation of collateral and market volatility:

- **Real Estate (Abashan & Commercial Building):** The bank has a normal 70:30 LTV ratio (Financing 70, Borrower Equity 30). This offers 30% margin of safety in relation to property market instability or distress sale conditions.
- **Vehicle Financing (Affordable Car Key vs. Commercial Vehicles):** * In the case of pre-registered (used) vehicles, the LTV is limited to 50%. This is an aggressively used explanation of why the cost of depreciation and maintenance of second-hand cars are unpredictable.
    - On the other hand, in case of Commercial Vehicles where the business directly depends on its revenue, the LTV is very loosely pegged at 60-70% based on the brand (e.g., Japanese brands are valued at higher LTVs because of higher resale value).

3. Operational Agility: Exception Management & Delegation of Authority

The greatest discovery of the 2026 Addendum circulars (in the case of Car Loans, Unsecured Loans and Affordable Car Key) is the systematic Delegation of Authority by the bank:

- The 10% Rule: The bank has a strict exception cap of 10% per month per slab. It is an indication that a branch cannot construct its complete portfolio with outstanding approvals; 90 percent of the portfolio should be strictly based on the standard PPG.
- **Waiver Authorities:** Full (100) waivers of Processing Fees, Early Settlement Fees, and Partial Payments are allowed on a case-by-case basis. This will enable the Direct Sales Team (DST) to have good bargaining chips to attract high value clients who may otherwise refer to rival Non-Bank Financial Institutions (NBFIs).

4. Macro-Economic Adjustments: NPL-Linked Lending Limits

An evaluation of the memo on Change in Home Loan Ceiling (January 2026) will show a very advanced, fact-oriented solution to macroeconomic stresses:

- after the instructions given by the Bangladesh Bank to allow increased home loan ceiling given the inflation of construction materials, the ceiling was directly linked to the performance of the branches.
- **The Data Correlation:** The bank had developed a direct inverse correlation between Non-Performing Loans (NPL) and lending capacity:
    - Branches having Housing NPL of 5% and below are allowed to lend to a maximum of BDT 40 million.
    - Branches that have Housing NPL of 5% -10% are limited to BDT 30 million.
    - BDT 20 million intensely limited to branches having Housing NPL more than 10%.
- **Analysis:** The secondary data confirms that NCC Bank is based on a reward and penalize model of operation whereby the branches are required to focus on credit recovery as much as credit disbursement.

5. Corporate Alignment: Supply Chain Finance

The NCC Supply Chain Finance amendment (April 2025) reflects how the bank is connected to the national CMSME definitions.

- The bank eliminated important bottlenecks in the process of bureaucracy by increasing the maximum limit to BDT 5 Crore and providing the Managing Director with the power to waive or postpone the mortgage processes to a maximum of 90 days. This will enable NCC Bank to vigorously acquire the suppliers and dealers of the large multinational corporations who need quick injection of working capital.

3.8 Findings and Analysis

3.8.1. Credit And Different Advances Offered By NCCBL

The word credit is based on the Latin word, credo meaning, I believe. Credit is a fundamental product in banking industry where the financial institutions control and invest money by giving loans to clients to receive interest. These funds are availed by a bank to the customer who is expected to repay the principal sum with a specified amount of interest. National Credit and Commerce Bank (NCCBL) mainly issue short term loans and advances and strategic use of loans and advances by borrowers and lenders to meet the working capital needs. The bank also offers long-term advances in which the borrower makes regular payments of the liability to the bank.

The NCC Bank offers a very diversified range of credit facilities which are tailored to the ever-evolving demands of the different customer groups, that is, an individual retail client up to a large sized importers and exporters. The main types of advances that are provided by the bank are listed in the table below:

Types of Loan	Overdrafts	Cash Credits	Types of Discounts
Loan General	SOD (FO)	Pledge	Inland Bills Purchased
Housing Loan	SOD (G)	Hypothecation	Foreign Bills Purchased
Loan against Imported Merchandise			FDBP & Discounted
Loan Against Trust Receipt			Payment against document
Loan Against Packing Credit			LDBP
Transport Loan			
Project Loan			
Demand Loan			
Consumer Finance			

Types of Loan	Overdrafts	Cash Credits	Types of Discounts
Lease Finance			
Small Business Loan			
House Renovation Loan			
Personal Loan			
Festival Small Business Loan			

3.8.2. Loan Types

1. Overdrafts

An overdraft is a special agreement between a bank and a customer, where such customer can withdraw funds beyond their real credit limit. This flexible facility is only available to current account holders to a pre-agreed limit. The borrower can borrow and repay the loan as many times as possible so long as the limit set by the bank is not exceeded. There are two types of overdrafts:

- **Secured Overdraft:** It is a kind of loan that is secured with collateral usually through a lien. A lien is a particular form of mortgage or legal title to assets.
- **Unsecured Overdraft:** This is an unsecured credit facility which is normally awarded when a customer requires borrowing a relatively small amount without any physical security.

2. Cash Credit

Cash Credit is a short-term advance of credit which is continuous. According to this system, the bank sets the customer a certain limit of cash credit limit according to which they can borrow money on the security of visible assets or other financial guarantees. There are two basic types of this facility that NCC Bank provides:

- **Cash Credit (Hypothecation):** Under this arrangement, a debt is formed over property or an asset, but without transfer of such property or physical possession of the asset to the creditor (the bank). The ownership, as well as possession, is safely retained by the debtor.
- **Cash Credit (Pledge):** In a pledge, as opposed to hypothecation, the actual title to the goods transfers at once to the bank. This is often permitted with the object of fostering national trade, commerce, and industries, by paying money on promise of stock-in-trade deposited, under the rigid supervision of the bank.

3. Loans

With the traditional system of loans credit is given with a set purpose and after that, it has to be paid over a set time. These loans usually are amortized and payable in structured installments. NCC Bank has major loan categories such as:

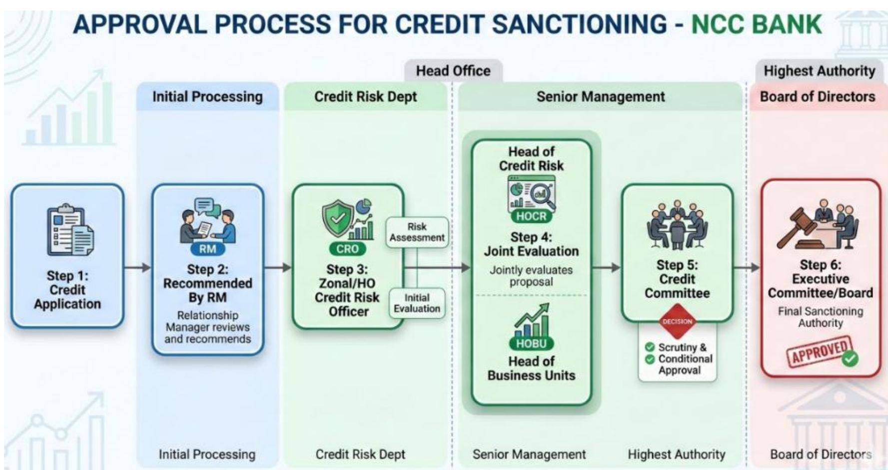
- **Loan General:** These are advances in lump sum and in form of fixed monthly payments. An advance that cannot be categorized under highly specific category is recorded as Loan General.
- **House Building Loan:** The product is targeted to mainly the middle-class population to address the financial incongruity of building a house.
- **Loan against Imported Merchandise (LIM):** This is a short-term credit facility that is secured by imported goods and that was established when an importer cannot accept delivery of import bills by clearing the full value of the bank dues in advance.
- **Loan against Trust Receipt (LTR):** It is a temporary loan given to customers on the basis of trust, which is founded on a good relationship between a banker and a customer. It enables the importer to clear goods at the customs points by paying the duties and VAT.
- **Loan against Packing Credit:** This is a short-term loan given to exporters in order to help them purchase, process, pack and ship goods.
- **Consumer Finance Scheme:** This is meant to enhance the living standards of fixed income earners through offering convenient installments to obtain domestic facilities, including furniture and electronics.
- **Lease Finance Scheme:** This enables the business to acquire industrial equipment at convenient repayment arrangements without having to buy the equipment using heavy down payments.
- **Small Business & Festival Loans:** Small Business Loans are initiated to facilitate the successful growth of up-and-coming small businesses. Also, there is the Festival Small Business Loan Scheme (FSBLS), which is a new product whereby an additional financing will be availed to stock their goods and meet immediate market demands during festive seasons.
- **Personal & House Renovation Loans:** The personal loans are used to cater to the emergency financial needs of the service holders (e.g., medical, education). House renovation loans assist true property owners in carrying out renovation in their houses to achieve improved living conditions or to get higher rents.

3.8.3 Credit Policy & Sanctioning Authority

The general credit policy of NCC Bank is highly geared towards the macro-economic development agenda of the country, which offers solid financial assistance in Trade, Commerce and Industry. NCCBL spreads into every corner of society in its credit operations. The bank funds big and medium-scaled business houses and at the same time supports the growth of entrepreneurship. Regarding operation, the main principles of the credit policy of NCCBL require that:

- The bank highly emphasizes the customer with the special orientation to the Man, and Business, and does not simply choose borrowers being guided by the given Security.
- Active Diversity in Credit Portfolio To reduce concentration risk, it proactively ensures diversity in its Credit Portfolio.
- It has a good and appropriate mix of short-, medium- and long-term finance in its portfolio.
- The imposition of interest will be subject to negotiation and will largely depend on the nature of the particular proposal and the customer profile.

NCCBL is a strong advocate of decentralization of power and authority. To carry out this system of delegated power efficiently and to reap the intended good on behalf of the bank and its executives, NCCBL has come up with a strong system that ensures that the power used by the executives are assessed realistically and qualitatively.



The fundamental principles that the bank adheres to in order to reach this goal are:

- The Managing Director has the highest power to exercise all the powers of other executives of the bank.
- Delegation of powers can only be done to other executives other than the Managing Director when the power is specifically delegated to them.
- The Managing Director reserves the right to suspend the exercise of delegated power of any executive by a particular or general order.

Importantly, the approval process strengthens a rigid segregation of roles, keeping the Relationship Management/Marketing (RM) department apart of the very approving authority. The approval committee is then the appropriate approval committee that approves the credit.

The general credit sanctioning process has the following chain of command:

1. Credit Application
2. Recommended By RM
3. Zonal/HO Credit Risk Officer
4. Head of Credit Risk (HOCR) & Head of Business Units (HOBU)
5. Credit Committee
6. Executive Committee/Board

3.8.4 Security and Charges

Security against a loan can be most diverse. These securities can be in the form of precious metals such as gold and silver or even in the form of different kinds of goods, immovable properties, life insurance policies, securities in stock exchange and even promissory notes. In order to protect his interests, a wise banker will always seek to have a real asset pledged.

1.GENERAL SECURITY TYPES

Broadly, security of the banks is divided into two types:

- **Primary Security:** This provides the primary cover to an advance and is deposited by the borrower himself. Widely used ones are hypothecated goods or pledged goods.
- **Collateral Security:** This is a secondary, subsidiary, or add-on security. Collateral security is only used by the bank as a last resort to recovery. Examples are the assignment of a life insurance policy or mortgage of real estate.

2.METHODS OF CREATING CHARGES ON SECURITY

In order to obtain a loan, the bank establishes a security charge on the security of the borrower using a number of legal practices established:

- **Pledge:** In order to obtain a loan, the bank establishes a security charge on the security of the borrower using a number of legal practices established.
- **Hypothecation:** This imposes a lien on a property in relation to the value of a debt in which neither the title nor the possession of the property is assigned to the bank.
- **Mortgage:** A charge on immovable property (i.e. land and building) is created when the customer provides a loan secured by the property (i.e. in the form of a mortgage).
- **Lien:** It means that the creditor or the bank, who at present is in possession of goods or securities of the debtor, can legally possess them until the debt in question is fully paid.
- **Assignment:** This is the transfer of right, property or debt (existing or future) by one individual to another. Typical cases of assignments are government and semi-government contract money due, supply bills, book debts, and life insurance policies.
- **Set-off:** The complete or partial combination of a claim by one individual against another into a counter-claim by the latter against the former is known as set-off.

3.8.5 Credit Risk Grading (CRG)

A Credit Risk Grading (CRG) system uses a number, alphabet or symbol as a main summary measure of riskiness of a particular credit exposure. CRG is seen as the starting point to building a full-fledged Credit Risk Management system in the bank. It aids NCC Bank Limited (NCCBL) in knowing the different aspects of risk that come with different credit transactions. Moreover, a combination of these gradings on borrowers, activities, and business lines offers more accurate evaluation of the quality of the credit portfolio at NCCBL. Finally, the credit risk grading system plays a crucial role in making informed decisions during pre- and post-sanction phases.

1.Functions Of Credit Risk Grading

Properly controlled credit risk grading systems lead to a safe and sound bank as a whole since it enables informed and objective decision-making. The main tasks of this system are:

- Measuring credit risk and distinguishing between a single credit and a group of credits, depending on the particular amount of risk that it presents.
- Enabling the bank management and examiners to track changes and see trends of risk levels with time.
- Empowering the bank management to actively control risk in a manner that maximizes financial returns.

2.Applications Of Credit Risk Grading

The CRG matrix enables application of standardized standards to credits, that offers a common, standardized method of evaluating the quality of an individual obligor, the credit portfolio of a particular unit, a line of business or NCCBL in general. The major uses of this system are:

- Giving a quantitative estimate of the risk which describes the level of risk of the borrower and helps in making decisions in a short time.
- Helping to monitor and track, internal Management Information Systems (MIS), and determine the overall risk profile of the bank.
- Enabling more portfolio level analysis.
- Developing a quantitative structure to determine the provisioning needs of the credit portfolio of NCCBL.

3.Procedures Of Credit Risk Grading (CRG)

The CRG process entails a systematic numerical assessment that is divided into particular risk groups. According to the evaluation structure of NCCBL, the weightages of the key financial and operational indicators are allocated as follows:

- Financial Risk Analysis (50% Weightage):
    - Leverage: 15%
    - Liquidity: 15%
    - Profitability: 15%
    - Coverage: 5%
- Business Risk Analysis (18% Weightage):
    - Business Size: 5%
    - Age of Business: 3%
    - Business Outlook: 3%
    - Industry growth: 3%
    - Market Competition: 2%
    - Entry/Exit Barriers: 2%
- Security Risk Analysis (10% Weightage):
    - Security coverage: 4%
    - Collateral coverage: 4%
    - Support: 2%

3.8.6 The Lending Process & Principles

The Process/Principles of Lending. The essence of a commercial bank is to collect deposits and then invest the money collected. Nevertheless, in the lending process, the bank is supposed to protect the depositor's money as well as the entire business interest of the bank. Thus, effective supervision of the management and strict follow-up are essential parts of the lending and recovery process.

In order to put in place total compliance and risk mitigation, NCCBL strongly adheres to a three-step process to oversee and follow up on lending:

- **Pre-Sanction:** The initial stage of credit evaluation and customer screening.
- **Post-Sanction / Pre-Disbursement:** The middle level that is based on thorough documentation and securitization prior to any funds being discharged.
- **Post-Disbursement:** It is the last phase that entails constant monitoring and follow-ups of the recovery.

1.Pre-Sanction Stage

Monitoring of loans essentially starts in the pre-sanction phase. During this first stage, credit investigation is the most important as it entails the prudent choice of the correct, quality borrower. The bank undertakes a number of stringent steps in collecting information in order to make sure that only the right people are given loans:

- Collecting information of the Credit Information Bureau (CIB) of Bangladesh Bank to verify on any default.
- Getting a written statement by the party about their liability with other financial institutions and banks.
- Assessing the account performance, the reputation, track record, and the ability to repay the loan using the internal sources and databases of NCCBL.

2.Post-Sanction/Pre-Disbursement

Upon approval of the loan, it is important to have proper documentation and securitization in order to make sure that the extended credit facility is safe. This step will enable NCCBL to legally empower the liquidation of the loan debt in the unfortunate circumstance of a default by a borrower. Careful record keeping at this phase has three fundamental functions to the bank:

- Getting the unqualified consent of the borrower with the conditions of delivering the credit facility.
- Creating the absolute legal right of the bank on over securities provided as collateral to the loan.
- To make sure that in the event of default these documents could be submitted before a court of law to secure a decree in order to realize the dues.

3.Principle of Sound Lending

The dangers of the development of credit may be eliminated in case the rules of good lending are observed. NCCBL follows a number of fundamental factors that make its lending portfolio safe:

- **Safety Factors:** To fully safeguard, the bank considers various aspects of the business and the borrower.

  These can be classified as follows:

Five Cs	Five Ps	Five Ms	Five Rs
Character	Person	Man	Reliability
Capacity	Purpose	Management	Responsibility
Capital	Product	Money	Resources
Condition	Place	Materials	Respectability
Collateral security	Profit	Market	Returns

- **Purpose:** The purpose of the loan is a delicate and important aspect, as it will enable the banker to know how the borrower will use the loan as well as evaluate the possibility of the loan being used in a productive and profitable way.
- **Liquidity:** A bank should have adequate liquidity to meet with the withdrawal requirements of its customers; otherwise, it will lead to customer dissatisfaction and loss. Lending should therefore not affect the fundamental liquidity of the bank.
- **Security:** Banks pledge collateral to loans to ensure security. The bank can sell this security to reclaim its losses in case the borrower defaults in repaying the loan.
- **Profitability:** Profit is blood of all businesses; without it, a business cannot be maintained in the long run. The bank examines the likely profitability of the business to be started by the borrower in detail before it decides to disburse the loan.
- **National Interest:** A bank also has to look at the overall economic growth of the country because acting only in their interest not taking into consideration the national economic welfare is regarded as unethical.

4.Five Cs of Analysis Credit

The bank is very strict in assessing the borrower using the conventional 5 Cs model before making a final decision regarding credit:

1. **Character:** The bank evaluates the credit history of the customer to ascertain his integrity. They check on how the customer has used past credit lines, whether he/she has made mistakes in the past or not.
2. **Capacity:** This measure evaluates the financial capacity and cash flow of the customer to pay the credit at the right time.
3. **Capital:** This is the source of investment. The bank examines the attractiveness and viability of the particular sector that the customer wants to invest the credit.
4. **Collateral:** This involves the physical or financial assets pledged against the loan. As an illustration, when a borrower is given a credit facility of BDT 40,000, he or she has to submit equivalent or acceptable collateral to the bank.

5. **Conditions:** In the course of the loan, the bank will have some conditions and covenant to secure the safety of the money and the borrower has a legal obligation to adhere to these conditions.

Once these 5 C's are measured, the final decision on whether to give out the loan or not is made by the bank. The customer is then graded and classified according to a particular risk grading scale of Superior (100% cash covered, score 1) to Bad and Loss (Score 8, <35).

3.9 Summary and Conclusions

The NCC Bank PLC has a very mature, organized and diversified distribution of Retail and CMSME lending, a paradigm shift in the strategy of traditional corporate financing to grassroots economic empowerment. The bank has also been able to penetrate untapped, high potential market segments by creating niche products like the NRB Home Loan, NCC Supply Chain Finance, NCC Affordable Car Key and the Affordable Car Key. Not only does this diversification strategy help in tapping the increasing purchasing power of suburban population and the development of foreign remittances but also the portfolio concentration risk in the bank is greatly mitigated.

The main power of the lending business of the NCC Bank is its highly-tuned risk management structure. The bank is a perfect mix of offensive market expansion and protective credit evaluation policies. The operational structure is also seriously provided with stringent, income-based Debt Burden Ratio (DBR) limits and very prudent Loan-to-Value (LTV) ratios, including the 50% limit on pre-registered vehicles. Moreover, the fact that the bank has implemented industry-specific standardized profit margin calculations is a success since it successfully removes the uncertainties that are likely to accompany the process of measuring the financial status of informal businessmen and suburban landlords. These in-built firewalls guarantee that the borrowers are not highly leveraged and that the bank funds are safe.

Additionally, the research unveils that NCC Bank does not enable strict rules to suppress its competitiveness in the market. The well-delimited Exception Matrices and the ordered Delegation of Authority enable the top management to make case-by-case decisions that are flexible like the waiver of processing fees or a calculated margin on the DBR limits. The bank implements a 10% monthly limit on such exceptions, which is calculated agility enabled the Direct Sales Team (DST) to steal away high-net-worth clientele of competing Non-Bank Financial Institutions (NBFIs) without undermining the overall risk appetite of the bank.

Finally, the product innovation and credit discipline manifest a deep integration in the credit activities of NCC Bank. The bank creates a culture of accountability by directly relating lending limits to branch Non-Performing Loan (NPL) rates. This all-inclusive, information-based process will ensure that the Retail and CMSME credit products of NCC Bank are brilliantly poised to initiate a sustainable portfolio development, maximize yield on its assets and remain financially sound in a highly competitive banking industry.

3.10 Recommendations/Implications

According to the examination of the product guidelines and operational workflows, it is proposed to make the following recommendations to improve the efficiency and competitiveness in the market:

1. **Digitization of the Application Process:** The Retail Loan Application form is a lengthy and bulky paperwork (7 pages) that is currently in use. Switching to a digital application portal, /tablet-based origination system to the Direct Sales Team (DST) would greatly reduce data entry mistakes and accelerate the processing.
2. **Review of Used Car LTV:** The 50% Maximum LTV of the "Affordable Car Key" (used vehicles) is extremely conservative. To stay competitive with NBFIs which control the auto-loan industry, the bank may consider lowering this to 60-65% on high quality brands (e.g., Toyota) less than three years old.
3. **Streamline CPV and Legal Vetting:** Legal vetting and third-party Contact Point Verification (CPV) frequently postpones the Turnaround Time (TAT) of loan disbursement. These delays could be minimized by creating an in-house rapid-response legal department of a typical retail mortgage (such as Abashan).
4. **Enhanced Focus on Supply Chain Automation:** In the case of NCC Supply Chain Finance, it is a tedious affair to manually verify invoices. The 120-day revolving credit cycle would be smooth sailing and very appealing to the SMEs should a digital supply chain platform be established whereby corporate anchors digitally upload and approve supplier invoices.

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