Review of Credit Risk Management
Of
National Commerce & Credit Bank Limited (NCCBL)

SUBMITTED TO:

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Date of submission:

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CERTIFICATE OF APPROVAL

It is my pleasure to confirm that Toma Banik, student ID 192-11-848, pursuing a BBA degree with a major in Finance, has successfully completed an internship program titled **“Review of Credit Risk Management of National Commerce & Credit Bank Limited (NCCBL)”** I supervised and provided guidance to Toma throughout the program, and she followed my instructions to complete it. She has shown dedication and put in her best effort to produce a high-quality report.

I have thoroughly reviewed the draft report and found it to be satisfactory and fulfilling its intended purpose. Toma demonstrated honesty, sincerity, trustworthiness, hard work, and industriousness during the program.

Best of luck to Toma for her future endeavors.

Supervisor

Fatema

Fatema Nusrat Chowdhury
Assistant Professor
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Letter of Transmittal

Date:
To,
Fatema Nusrat Chowdhury
Assistant Professor
Department of Business Administration
Faculty of Business & Entrepreneurship
Daffodil International University

Subject: Submission of the Internship Report on "Review of Credit Risk Management of National Commerce & Credit Bank Limited (NCCBL)".

Dear Madam,

Being managed by your wonderful monitoring and submitting the internship report titled **"Review of Credit Risk Management of National Commerce & Credit Bank Limited (NCCBL)"** is a fantastic convenience for me.

All through the analysis, I did the best I could to accommodate as many information and relevant issues as possible while adhering to the directives you have issued. That I produced every effort for making this material equally beneficial as appropriate. Despite this, that this paper will serve as rationale during my internship utilization.

Your counsel and gracious support throughout my efforts on this report are really respected and I am grateful to you. It would be really appreciated if you could read over the report and evaluate my performance, for which I would be eternally grateful. All of my efforts will be successful if the report can serve its impartiality.

With gratitude yours,

Your Sincerely

Toma

Toma Banik
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Acknowledgement

Above all else, I desire to say my heartfelt thankfulness to the Lord for providing me with the inspiration and patience enough to accomplish the demonstration on deadline. It makes me feel good that I managed to carry out this research project on schedule. Afterward, I want to take this opportunity to express profound gratitude to everyone who was engaged in the publishing of the aforementioned piece, regardless of how they participated. While apologizing to the folks the identities of whom I have now omitted, and their contributions are greatly valued.

Initially and foremost, I desire to convey gratitude to my respected supervisor **Fatema Nusrat Chowdhury, Assistant Professor, Department of Business Administration, Faculty of Business & Entrepreneurship, Daffodil International University**, who supported me create this dissertation as well as inspiring me throughout my time at an intern. She also gave me helpful comments and guidance.

I appreciate your guidance and knowledge, and I'm thankful for the time you've spent helping me.

The practical knowledge, assistance, and resources offered by numerous yearly reports, books, articles, websites, and primary sources made it feasible to complete this internship record.

I extend my sincere appreciation to the National Commerce & Credit Bank Limited for granting me the opportunity to complete my internship at their Mymensingh Branch. The support, instruction, guidance, and cooperation provided by the manager and all the individuals during my internship were invaluable in enabling me to achieve success.

Despite encountering some challenges while preparing this report, every moment of my experience working as an intern at NCCBL was enjoyable.

Although I have had the good fortune to receive aid and encouragement from my teachers, friends, and students at Daffodil International University. I am especially grateful to my parents for their unwavering support and inspiration, which have been instrumental in enabling me to continue pursuing my higher education.

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Executive Summary

In the contemporary worldwide economy, banks are among the fastest-growing middlemen in finance and are essential in enabling dealings between consumers and their savings, while also offering a variety of fiscal amenities for people, companies, and states. In the era of worldwide trade, banks engage with one another and protect individuals. Banks use a variety of strategies to handle credit risk, including credit research, loan portfolio diversification, limit context, credit paperwork implementation, the use of a guarantee, and radiation tracking. This article concentrates on a method for managing credit vulnerability, with a focus on the NCC Bank (Mymensingh Branch). Here, data from a combination of primary and secondary sources are being utilized. The most common sources of data are directly observing and discussions with relevant staff members. All aspects of running an organization include risks, and especially bankers and other lenders, borrowing risk is a crucial aspect to manage. One of the biggest dangers that commercial lenders confront is credit access. The initial step of the biggest dangers that creditors confront is the ability to obtain credit. The inability can result from a lack of counter celebration, a decline of financial situations, among numerous other causes. It especially seeks to learn about the policies regarding credit, the credit review procedure, the issuance of credit, and the distribution of an individual's credit scores. The outcome of this experiment also demonstrates that if you're hoping to prevent damages and obtain an appropriate rate of return for investors, credit score managing risks has to be a strong method that enables banks to proactively manage their loan collections.

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Chapter One
Introduction

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1.1 Introduction:

All that the banking industry has provided to the global market for financial goods. A suitable concentration on what banks do is necessary to create a robust commercial geographical region. The goal of modern accounting procedures is to create the best possible economic circumstances for a nation's financial infrastructure. The finance sector unmistakably contributes a vital and numerous positions in giving necessary monetary products and services to clients, companies, and lawmakers, encouraging economic growth and development, and facilitating the flow of funds between savers and lenders, even though it might not constitute the only variable contributing to the fulfillment of the banking industry's highest-value targets.

Profitable banks are necessary for the banking industry to operate efficiently. As a business-oriented bank, NCCBL has a significant responsibility to guarantee healthy economic activity throughout Bangladesh in the face of competition from other banks. In the modern period and in the modern world, financial transactions are paramount. A healthy and functional economy makes it easier for businesses to run smoothly, while effective fiscal management may control inflation, unemployment, and economic growth. Both of these factors are crucial to a nation's economic progress.

Privatization, developments in technology, and industrialization have all had a big impact on the banking sector, increasing competitiveness and posing new difficulties for banks.

Surprisingly, Bangladesh's banking sector is struggling to keep up with other nations as they make improvements. In essence, banks accept deposits from clients in exchange for an interest fee and then lend the money to customers at a special interest rate and duration.

Additionally, there are several different types of credit scoring facilities available to guarantee the security of depositors' money. Additionally, financial institutions need to keep enough money on hand to fulfill their customers' daily needs.

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1.2 Scope of the Study:

Being a student in the Daffodil International University B.B.A. program, I successfully completed a three-month work experience at National Credit and Commerce Bank Limited. Even though I had a conceptual understanding of and direct involvement with the organization's daily operations, I wrote this journal entry with the direct guidance of both my inner guide and my original supervisor, **Fatema Nusrat Chowdhury, Assistant Professor, Department of Real Estate, Faculty of Business & Entrepreneurship, Daffodil International University**, whose guidance and support allowed me to explain my observations and ideas more clearly.

1.3 Objectives of the Study:

The study would focus on the following areas of National Credit and Commerce Bank Limited: The credit management system of National Credit and Commerce Bank Limited, the procedures for different credit facilities, the portfolio (loan or advance) management of National Credit and Commerce Bank Limited, and the organizational structures and responsibilities of 14 management. The objective of the study was to evaluate the performance of credit risk management at National Credit and Commerce Bank Limited.

SPECIFIC OBJECTIVES:

1. To evaluate operational performance with swot analysis of National Credit and Commerce Bank Limited.

2. To assess credit policy guideline and credit procedure through credit assessment,
Credit approval, credit risk management and credit recovery process.

3. To highlight the performance of loan disbursement by using financial ratio analysis,
Common size income statements, Z-score test income statements of recent four year's
Data of National Credit and Commerce Bank Limited.

4. To find out some problems regarding credit risk management to give recommendation for
Development of NCCBL.

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1.4 Methodology of the study:

In a contingency, banking is essential. On the basis of data obtained prior to the internship, this report has been written. Which will draft this report; in addition, I gathered statistics from various bank departments and branches. Modern times and modern society.

I worked as National Credit and Commerce Bank Limited's annually file for the years 2018/2019/2020/2021 to provide statistical data. In a series of tables and figures, I have provided my observations and results. I reviewed all of the company's financial data, records, business internet portal, and other pertinent materials in order to write an accurate and insightful report.

1.5 Sources of Data:

Primary Sources	Secondary Sources
1. Interacting with bank employees and executives.	(ii) Annual report (2018-2022) of National Credit and Commerce Bank Limited.
2. Many books of National Credit and Commerce Bank Limited.	(iii) Papers from the National Credit and Commerce Bank vary from one another.
3. Various newsletters of National Credit and Commerce Bank Limited.	(iv) Various educational sources.
4. Individual perception.	(v) Unrevealed Perspectives.
5. Hands-On Practice	(vi) Assorted evidence, a financial statement, and additional records

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1.6 Limitations of the study:

A single subject has specific circumstances. Which is therefore no longer a unique situation. The following are the restrictions on this work experience file:

1. Due to moment as well as emphasized constraints, the examination is restricted to particular areas of the bank. It takes a significant of patience for archiving studies in this kind of enormous. I only had three months as an intern, which wasn't enough.
2. The banking organization is utilized to protect the privacy of its highly classified data as an insurance business. As a result, the examination often depends on reliable documentation and yearly reports.
3. Verifying the veracity of the accumulated information becomes quite difficult. Furthermore, it was impossible to verify the information that was accessible data analysis.
4. Since they are an individual bank, Nationwide Bank may be highly occupied and unable to allow me a sufficient opportunity for conversation about a variety of topics.
5. Since they are an individual bank, Nationwide Bank may be highly occupied and unable to allow me a sufficient opportunity for conversation about a variety of topics.

Despite a few restrictions, I did my best to gather enough information and documents to give the paperwork a sense of significance.

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Chapter Two: Organization Profile & Credit Risk Management Of NCCBL

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2.1 Historical Background of NCCBL:

The national Commerce & Credit banking corporation limited is known for its illustrious history, splendid around, prospective future, and neglected endeavors and athletics. NCCBL was founded as the inaugural all Bangladeshi-owned privately-held bank, and through time, after enduring a lot of pressure and stress, has grown to become an enormous commercial sector bank. A dynamic industrialist and global expert serve on the corporation's board of management. Currently, they have 117 branches listed under their branch network infrastructure. Pursuant to the rapid manufacturing need of the moment, NCCBL, an insurance company, mechanized all of its branches with computer networks in order to provide all current services. Additionally, NCCBL's facilities has been much greater in light of the bank's eighth and upcoming future. An important development in Bangladesh's banking sector was the establishment of National Credit and Commerce Bank Limited in the private sector. While the country was suffering from an economic downturn, the government made the wise decision to let loose the private sector to help the country's economy recover. Certain brisk businesspeople stepped forward to establish a bank with the goal of reviving the country's economy. National Credit and Commerce bank limited became born as the first hundred percentage Bangladesh owned bank inside the personal area. In order to mobilize funds for the development of the nation's industrial and commercial sectors, National Credit and Commerce Bank Limited first began as a capital-raising business in 1985. It acquired a fully paid-up capital of Tk. 39.00 crore in 1993, establishing it as a full-fledged private commercial bank. Since then, the bank has established a new benchmark for financing in the industrial, commerce, and international currency industries while providing individualized service to its clients in a technology-centered ecosystem.

Tofazzal Hossain won the election to lead NCC Bank in June 2008. However, the Rapid Action Battalion detained a bank employee in September 2015 for stealing 89.8 million BDT from remittance. Mosleh Uddin Ahmed took over as NCC Bank's CEO and managing director in August 2017, while Md Nurun Newaz Salim was chosen to serve as the organization's chairman.

Ahmed had unusual bank deposits, according to a Bangladesh Financial Intelligence Unit inquiry in May 2019. The bank's board of directors got together to discuss the problem and asked Ahmed for an explanation. Three financial institutions, including NCC Bank, were the targets of cyber-attacks in the same month, however only Dutch Bangla Bank Limited suffered financial losses. Md Nurun Newaz Salim was re-elected as the chairman of the NCC Bank in May 2019.

Mohammad Mamdudur Rashid was chosen to lead NCC Bank as managing director in December 2020, while Md. Abul Bashar was chosen to serve as chairman in September 2021. NCC Bank Limited released five billion BDT in August 2022 to satisfy Tier 2 of Basel III standards. In September 2022, Bashar won re-election to the bank's chairmanship.

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2.2 Profile of NCCBL:

Name of the organization	National Credit and Commerce Bank Limited (NCCBL)
History	Established in 1985 under the name NCL (National Credit Limited), NCC Bank began as an investment firm.
Shareholders	Magnets of the Country. The Board of Directors consists of 13 Members. Most of the directors are Owner of large business Groups.
Year of establishment	1985
Characteristic of organization	Private Commercial Bank.
Products	Banking services include ATM services as well as retail banking, corporate banking, brokerage services, and Islamic banking.
Website	https://en.wikipedia.org/wiki/NCC_Bank
Customers	Local & Foreign Corporate Clients. Local High net worth Clients. Foreign & Local individual Clients.
Head office	13/1 - 13/2, Toyenbee Circular Road Motijheel C/A, Dhaka - 1000, Bangladesh

Table 1: Profile of NCCBL. (Source: Annual report of NCCBL.)

2.3 Products & Services of NCCBL:

The branches of National Credit and Commerce Bank Limited throughout Bangladesh provide customers with a savings account that is both cost-effective and convenient, without any unnecessary complications.

Deposit Products	Credit Products	Cards
•Savings Deposit •Current Deposit •Term Depodit •Foreign currency Deposit •Monthly savings sceme •Monthly Income Sceme •Double Benefit Sceme •Millionaire Deposit Sceme •Super Savers Term Deposit Account •Serious savers Account	•Overdraft •Lease Financing •House Building •Small Medium Enterprise •Consumer Credit Sceme •Trade Finance •Agriculture Finance	•Credit Card •Power Card •Visa Card • ATM Card

Table 2: Product and service of NCCBL. (Source: Annual report of NCCBL)

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2.4 Vision:

The goal is for credit and commerce to unite, bringing increased shareholder value and sustainable growth, thus establishing the institution as a progressive and socially responsible financial entity that is highly regarded in its service to the nation.

2.5 Mission:

To provide our communities with exceptional financial services that are built upon strong customer relationships. We accomplish this by utilizing our cutting-edge technology, vast experience, and financial strength to provide long-lasting solutions for our clients and stakeholders. Additionally, we strive to foster a cohesive and welcoming environment that encourages both our customers and team members to excel.

2.6 Goal of the bank:

To establish itself as the most lucrative bank.

Long term goal: to optimize the utilization of the shareholder's resources for maximum benefit.

Short term goal:

- ✓ To ensure that all investments have an adequate earnings rate.
- ✓ To offer a broad spectrum of financial services.

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2.7 SWOT Analysis:

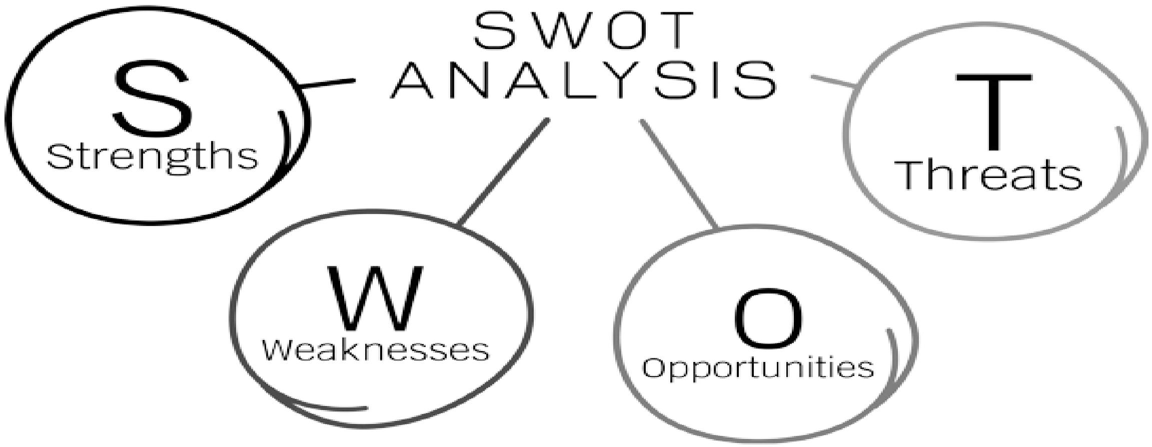

Figure 4: SWOT analysis. (Source: Annual report of NCCBL)

Strengths of the Organization:

NCC Bank offers a range of profitable and reliable deposit schemes, such as "Special Notice Deposit," "Premium Term Deposit," and "Instant Earning Deposit." The bank also provides up-to-date services and online banking with modern equipment, including money-counting machines at cash counters for faster service. The bank's customer care help center is known for its fast response time. NCC Bank is highly innovative, consistently introducing new and creative products, such as the "NCCB Nari Samata A/C" for women in the country. The bank's top management, including Chairman Md. Nurun Newaz Salim, is highly skilled and experienced in banking.

Strengths of NCC Bank include its reputation as a highly capitalized bank with an authorized capital of TK 5000 million, its SmartPay and Discount facility, its instant cash advance service for credit card holders, and its interactive corporate culture. The bank also offers good customer service through its One-Stop service.

Weakness of the Organization:

The bank lacks effective advertising and promotion methods, unlike other banks that advertise offers or new branches through various media channels such as auto-generated messages,

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billboards, television, and the internet. NCC Bank's sponsorship is insufficient, preventing them from hosting various events to gain media coverage. The bank accepts reference appointments, leading to disguised employment, where some individuals receive jobs even if they are not qualified, contributing little to the organization but still receiving salaries. NCC Bank's limited offices, currently with 116 branches nationwide, are not in prime locations, and they should target effective areas to increase their profits.

Opportunities of the Organization:

NCCBL can introduce customer-friendly special products and services, such as a low-interest personal loan, a special FDR program for children, and diversification into merchant banking or insurance. They can increase security by introducing finger-print and PIN number options in their ATM booths and by providing their own remittance service directly. NCC Bank can also promote their deposit scheme, which provides 9.75% for one-year deposits without any hidden charges. Furthermore, NCCBL can consider launching tele-banking services, as this service has not been widely adopted in Bangladesh's banking industry.

Threat of the Organization:

NCC Bank faces strong competition from other contemporary banks such as Prime Bank, Dhaka Bank, Southeast Bank, and ONE Bank, which are carrying out aggressive marketing campaigns to attract more clients, investors, and long-term depositors. In addition, the growing presence of multinational banks like Standard Chartered and CITI Bank in Bangladesh poses a potential threat to NCC Bank. Moreover, the emergence of new local private banks like Padma Bank and South Bangla Agricultural Bank could also pose a challenge for NCC Bank. Furthermore, NCCBL's PR team has not been successful in creating a strong brand image for the bank in the press and media, which is an area where they need to focus on improving.

2.8 Credit Risk Assessment:

To ensure that the risks associated with lending money are properly controlled, it is crucial to understand and evaluate those risks through risk assessment or analysis. The borrower's ability to timely fulfill credit obligations is the key determinant of the quality of a bank's credit portfolio. Therefore, authorized credit officers must accurately determine this ability prior to

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approving the loan. To achieve this, banks follow a series of steps to analyze the prospective client's risk:

- Gathering information about the business for which the loan is sought
- Collecting primary risk information
- Combining all credit information
- Analyzing sensitive credit information that poses a risk
- Examining essential and refined risk information
- Planning based on the loan analysis
- Designing an appropriate loan structure in line with the positive decision.

Borrower analysis:

The specific borrower analysis process used by NCC Bank may vary depending on the type of loan, the amount of the loan, and the borrower's profile. However, the bank would generally assess factors such as the borrower's income, expenses, assets, liabilities, credit history, and business operations.

Overall, borrower analysis is an essential part of NCC Bank's lending process, as it helps the bank make informed lending decisions and manage its credit risk.

Industry Analysis:

In terms of industry analysis, NCC Bank's performance would be influenced by various factors, such as macroeconomic conditions, interest rates, regulatory policies, and technological developments. For example, changes in interest rates can impact the bank's profitability, while regulatory policies can affect its ability to expand its business operations. Overall, the banking industry in Bangladesh is expected to continue growing in the coming years, driven by factors such as population growth, urbanization, and increasing demand for financial services. NCC Bank is well-positioned to take advantage of these trends, with a strong reputation in the market and a diverse range of financial products and services. **Supplier/Buyer Analysis:**

The borrower ensures that they address any attention from customers or suppliers, as they recognize the significant impact it could have on their future viability.

Historical Financial Analysis:

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The lender provides an examination of the borrower's financial statements for a minimum of three years. In cases where a company guarantor is involved, the guarantor's financial statements are also scrutinized. The evaluation focuses on assessing the borrower's profits, cash flow, and the strength of their balance sheet to determine the sustainability of their financial position. Specifically, the analysis examines cash flow, leverage, and profitability.

Projected Financial Performance:

If proposing term lengths longer than one year, the lender will provide a forecast of the borrower's future financial performance. This projection includes an analysis of the borrower's ability to generate sufficient cash flow to meet their debt repayment obligations. Loans will not be approved if the projected cash flow is inadequate to cover the debt repayments.

Account Conduct:

When evaluating existing borrowers, their past record of meeting repayment obligations, including trade payments, cheques, interest, and principal payments, is analyzed.

Adherence to Lending Guidelines:

The credit applications must clearly indicate whether they conform to the lending guidelines of the financial institution. Credit memorandums that do not comply with the lending guidelines of the bank are approved only by the Head of Credit or the Managing Director/CEO.

Mitigating Factors:

In the credit assessment process, mitigating factors for identified risks are identified. Potential risks may include, but are not limited to, issues with margin sustainability and/or volatility, high levels of debt (leverage or gearing), problems with overstocking or debtors, rapid expansion, acquisition, or growth, introduction of new business lines or products, management changes or succession issues, customer or supplier concentrations, and a lack of transparency or industry issues.

Loan Structure:

The proposed financing amounts and tenors are justified by the projected ability to repay the loan and the purpose of the loan. Requesting an excessive amount or tenor in relation to the actual business needs increases the risk of diverting funds and could have a negative impact on the borrower's ability to repay the loan.

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Security:

The lender obtains an up-to-date valuation of the collateral and evaluates the quality and priority of the proposed security. However, loans are not solely granted based on security. The lender also assesses the adequacy and extent of the insurance coverage.

2.9 Credit Approval Process:

During the approval process, the bank ensures that its relationship management and marketing activities are separated from the approving authority. The current approval authorities are the Head of Department (where applicable), Head Office Credit Committee, Executive Committee of Directors, and Board of Directors. The bank management/Board of Directors is actively considering delegating authority to senior-level executives at the head office for effective credit risk management instead of relying solely on the head office credit committee.

No credit facility can be approved until a comprehensive presentation package has been prepared. Prior to obtaining the necessary approval, the approving authority ensures due diligence by making sure that:

- The bank has all the necessary credit information to accurately assess the risk involved.
- A thorough credit analysis has been conducted, including a written evaluation of the borrower's financial condition.
- The proposed extension of credit meets the required standards of purpose, quality, etc.
- The Board of Investment's registration, permission from all regulatory bodies, clean CIB reports, etc., have been obtained.

All facilities offered by the branch must be approved by the Head of Credit Committee.

2.10 Flow Chart of Approval process:

A flow chart of approval process of loan is given below:

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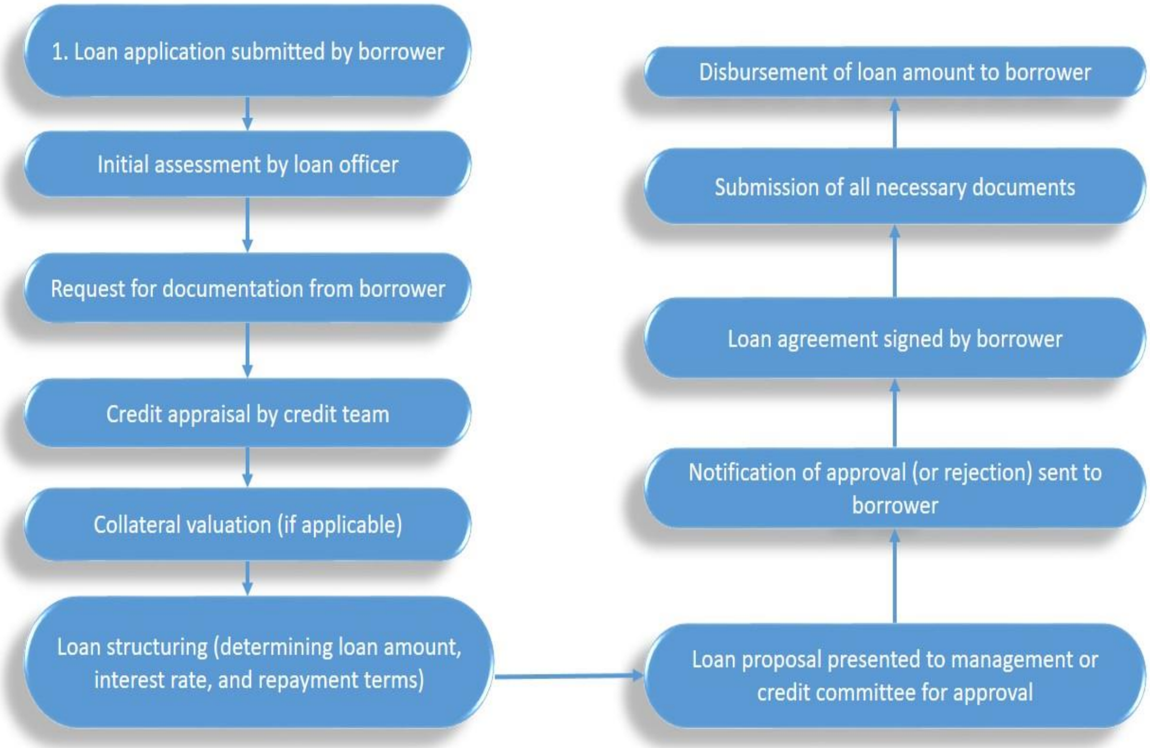

Figure 5: Flow Chart of Approval Process. (Source: Annual report of NCCBL)

2.11 Credit Risk Management:

Credit risk is the possibility that a borrower may not fulfill their obligation to make the required payments on a debt, resulting in a default. This risk primarily affects the lender and can lead to loss of interest and principal, cash flow disruption, and increased collection costs. The loss incurred can be either partial or total, and in an efficient market, higher levels of credit risk may lead to higher borrowing costs. Market participants often use measures of borrowing costs, such as yield spreads, to estimate credit risk levels. Credit risk can be categorized into various types, including credit default risk, which involves the possibility of loss from a debtor failing to pay their loan obligations in full or being over 90 days past due on any significant credit obligation. Concentration risk refers to the risk associated with a single exposure or group of exposures that may cause significant losses and pose a threat to a bank's core operations. It can occur in the form of single-name concentration or industry concentration. Country risk, on the other hand, involves the risk of loss due to a sovereign state's freezing of foreign currency

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payments or defaulting on its obligations. This risk is usually linked to the country's macroeconomic performance and political stability.

The following are the main duties of the credit score risk management approach:

- ✓ The responsibilities of managing credit score risk include overseeing the credit policies, procedures, and controls for corporate, institutional, personal, and treasury banking operations.
- ✓ Asset quality must also be monitored, and accounts classified as "substandard, "doubtful," "bad, and "loss" must be managed directly to maximize recovery and ensure that loan loss provisions are made on time.
- ✓ Approving or declining credit applications within the delegated authority and making recommendations to the MD or CEO for approval when aggregate borrower exposure exceeds the limit is also part of the job.
- ✓ Providing advice and assistance to line management on credit matters and ensuring that lending executives have the necessary experience and training to perform their duties effectively is important.
- ✓ Ensuring that security documentation complies with the terms of approval and is enforceable, monitoring insurance coverage over assets pledged as collateral, and controlling loan disbursements only after all terms and conditions of approval have been met are also key responsibilities.
- ✓ Maintaining control over all security documentation and monitoring borrower compliance with covenants and agreed-upon terms and conditions, as well as general monitoring of account conduct and performance, are additional duties.

The credit risk management process at NCCBL comprises the following activities:

- ➢ Loan Administration
- ➢ Credit Monitoring

2.12 Loan Administration:

Loan administration at NCC Bank Bangladesh refers to the management of the entire loan portfolio of the bank, which includes activities such as loan disbursement, monitoring,

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collection, and recovery. The key functions of loan administration at NCC Bank Bangladesh are as follows:

1. **Loan Disbursement:**

   After the loan approval process, the loan amount is disbursed to the borrower, subject to the terms and conditions of the loan agreement. The disbursement process involves verifying the borrower's identity, obtaining necessary documents, and ensuring compliance with legal and regulatory requirements.

2. **Loan Monitoring:**

   Once the loan is disbursed, the bank monitors the borrower's repayment behavior to ensure that the loan is being serviced as per the agreed terms. This involves regular follow-up with the borrower, reviewing the loan account, and assessing the borrower's financial health.

3. **Loan Collection:**

   In the event of any delay or default in repayment, the bank initiates the loan collection process. The bank may send reminders, issue notices, or take legal action as per the terms of the loan agreement and applicable laws and regulations.

4. **Loan Reporting:**

   The loan administration department at NCC Bank Bangladesh prepares regular reports on the loan portfolio, including details on loan disbursements, repayments, overdue accounts, and recovery efforts. These reports are used to track the performance of the loan portfolio and make strategic decisions.

Overall, the loan administration function plays a critical role in ensuring the safety and soundness of the bank's loan portfolio and maintaining healthy borrower relationships.

2.13 Credit Monitoring:

Risk monitoring is a process that verifies if the risks taken by an institution fall within the set boundaries, thereby guaranteeing the institution's ability to tolerate such risks. Furthermore, it

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evaluates the efficacy of risk control measures and triggers new ideas if needed. Thus, risk management is an ongoing procedure that aims to promote transparency and minimize risks.

At NCCBL, the credit monitoring process aims to keep track of the following:

- Identity verification is followed by the monitoring of various types of risks, such as market risks, credit risks, and operational risks.
- The risk control and reporting process involves limiting the risks within the institution's capacity to bear them.
- Control instruments such as limiting, risk-adjusted prices, and derivatives are employed for planning and controlling.
- Measurement instruments, such as forecasts and stress tests, are used for evaluating risks. Finally, the overall risk is assessed by considering correlations and portfolio models.

2.14 Branch Monitoring:

NCC Bank Bangladesh has a comprehensive branch monitoring system to ensure that its branches operate efficiently and effectively while complying with regulatory requirements. The branch monitoring process involves the following steps:

1. Internal Audit: The Internal Audit Department of NCC Bank conducts regular audits of the branches to evaluate their compliance with bank policies and procedures, assess the quality of services provided to customers, and identify areas for improvement.
2. Risk Management: The Risk Management Department of NCC Bank evaluates the risk associated with the operations of each branch and implements appropriate risk mitigation measures.
3. Compliance Monitoring: The Compliance Department of NCC Bank ensures that the branches comply with all applicable laws and regulations, including those related to money laundering and terrorist financing.
4. Performance Monitoring: The Performance Monitoring Department of NCC Bank assesses the performance of each branch based on various parameters, including deposit mobilization, loan disbursement, profitability, and customer satisfaction.

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5. Training and Development: The Human Resources Department of NCC Bank provides training and development programs to the staff of each branch to enhance their skills and knowledge and to ensure that they are up-to-date with the latest banking practices.

In the context of NCC Bank's branch in Mymensingh, these monitoring activities would be carried out by the bank's central monitoring teams located at the head office or regional offices. The teams would visit the branch periodically to conduct internal audits, risk assessments, and compliance reviews, as well as provide training and development support to the branch staff. The branch manager would be responsible for implementing the recommendations made by the monitoring teams to improve the branch's performance and ensure compliance with the bank's policies and procedures.

2.15 Loan Review Committee:

The LRC is typically composed of senior executives of NCCBL, including the managing director, deputy managing director, head of credit risk management, and other relevant officers. The committee meets on a regular basis to review loan proposals and make lending decisions based on the borrower's creditworthiness and the bank's credit policies and guidelines.

The LRC is responsible for ensuring that loan proposals are thoroughly reviewed and evaluated before approval and that appropriate credit risk management measures are in place to mitigate potential risks. The committee also monitors the bank's loan portfolio to ensure that loans are performing as expected and takes corrective action when necessary to minimize loan losses.

In addition to its lending and risk management functions, the LRC also plays an important role in maintaining the bank's reputation and credibility with its stakeholders, including regulators, investors, and customers. By ensuring that loans and advances are disbursed in a responsible and ethical manner, the LRC helps to build trust and confidence in NCCBL's operations and business practices.

Overall, the Loan Review Committee is an essential component of NCCBL's credit risk management framework and plays a critical role in ensuring that the bank's lending operations are conducted in a prudent and responsible manner.

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2.16 Credit Recovery:

The recovery process for unpaid loans involves multiple steps, including reminding clients through formal communication channels, creating social pressure through referrals, sending legal notice as a formal warning, and finally resorting to legal action with the help of the court as the last step in the recovery procedure.

- Some of the general steps involved in the loan recovery procedure include the preparation of a borrower list categorized according to specific criteria, maintaining a diary, and following up with borrowers through personal approaches such as letters, reminders, and notices.
- Special techniques, such as moral persuasion, social persuasion, political persuasion, and persuasion through guarantors, may also be employed.
- Additionally, the head office may take certain steps, such as issuing letters and forming a recovery team for physical visits.
- Incentives may also be offered through the issuance of circulars and notices, and negotiations may take place with borrowers or guarantors.
- Legal steps include serving notices, serving legal notices, serving notices to guarantors, attaching other properties, and filing suits in the appropriate court to recover the outstanding loan balance.
- Keeping top management appraised of grade 6 or worse accounts.

National Credit & Commerce Bank Ltd Follows Some Recovery Steps:

Days Past Due (DPD)	**Collection Action**
1-29	A letter has been sent to remind you about your overdue payment. We have made a gentle phone call to request that you make your payment.
30-49	Your card has been blocked, and you will receive a "decline" response when trying to use it. We are calling to insist that you make the payment. A letter will be sent to inform you that your account has been blocked.
50-89	Your card will be blocked, and you will receive a "decline" response if you try to use it.

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	We are calling to insist that you make the payment. A letter will be sent to advise you that your account has been blocked and to warn you that your card will be canceled if the situation is not resolved.
90- 119	We are calling to insist on immediate payment. A letter will be sent to advise you that your card will be cancelled and you will need to surrender it. Your card will be added to a hot list and circulated among merchants. A recovery agent may be employed if necessary. We are calling to insist on immediate payment.
120- 149	We are calling to inform you that litigation may be initiated if the payment is not made. A threatening letter will be sent to your employer (applicable for salaried individuals only). Your name and photograph may be published in a newspaper. A recovery agent may visit you in person.
150+	The debt has been classified as bad debt. The account has been handed over to a recovery agency. Interest accrual has been stopped.

Table 3: Recovery steps of NCCBL. (Source: Annual report of NCCBL)

<u>Year wise growth rate of loans & advances of NCCBL:</u>

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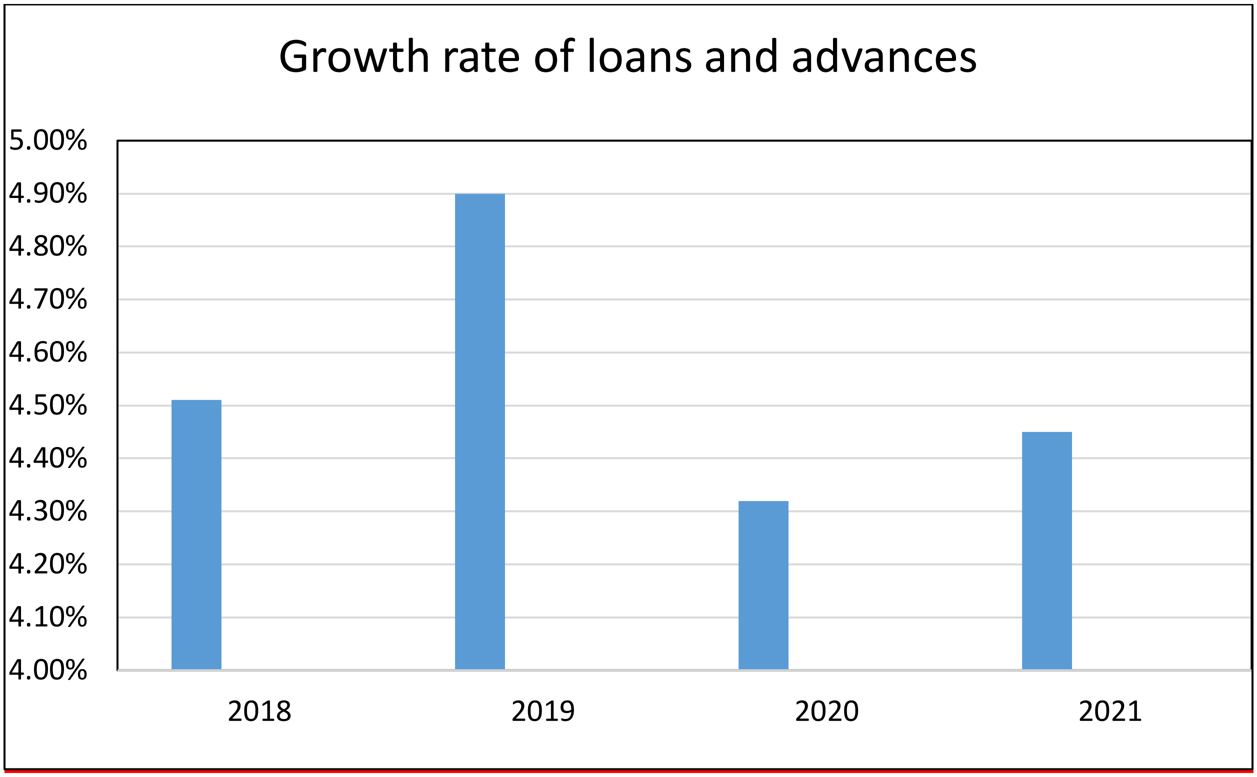

Figure 6: Growth rate of loans and advances. (Source: Annual Report 2018-2021)

The growth rate of loans and advances in 2018 was 4.51%, indicating a moderate increase in lending activities. The growth rate increased to 4.90% in 2019, suggesting that the bank's lending activities had increased slightly compared to the previous year. In 2020, the growth rate of loans and advances decreased to 4.32%, indicating a slowdown in lending activities, which may have been due to the COVID-19 pandemic's impact on the economy. In 2021, the growth rate of loans and advances increased to 4.45%, which indicates a slight recovery in lending activities. However, the growth rate was still lower than the 2019 figure, which suggests that the bank's lending activities had not fully recovered to pre-pandemic levels. The figures suggest that NCCBL's lending activities experienced some fluctuations over the years, which may have been influenced by various factors such as economic conditions and business strategies.

Sector-wise Loan Disbursement:

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Sector	Percentage
Agriculture	01%
Export financing	05%
Import financing	21%
Transport & Communication	02%
Business	17.89%
House building loan	05%
Industrial loan	39%
Others	2.62%

Table 4: Sector wise loan disbursement. (Source: Annual Report of NCCBL)

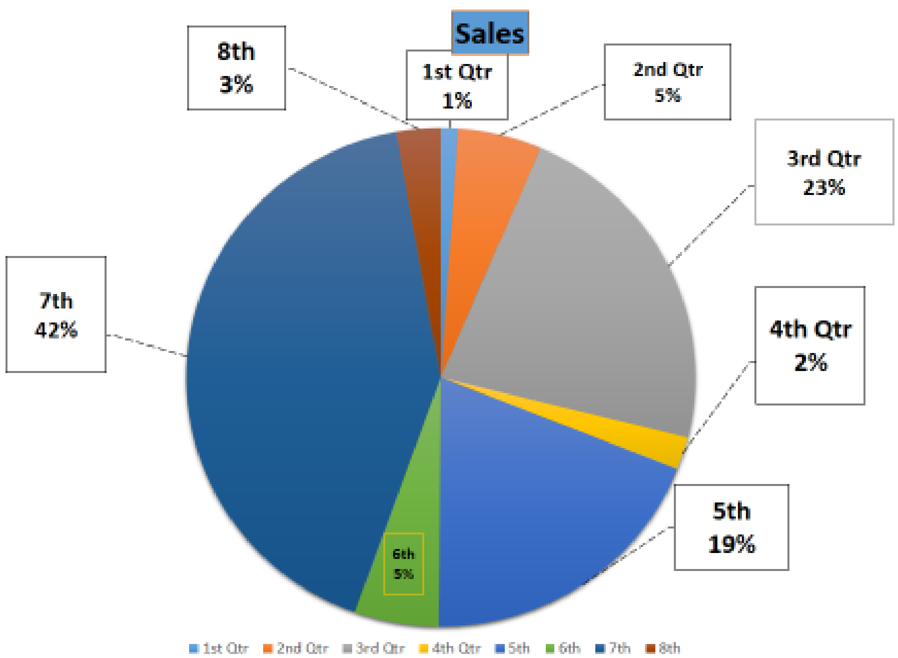

Figure 7: Pie chart of loan disbursement. (Source: Annual Report of NCCBL)

The breakdown shows the percentage distribution of loans provided by a financial institution in different sectors, including agriculture, export financing, import financing, transport and communication, business, house building loans, industrial loans, and others. The industrial sector is the major focus of the institution, accounting for almost 40% of their lending portfolio, followed by import financing, which represents over 20% of their loans. The breakdown provides an insight into the lending priorities of the institution and the sectors they believe are most important for investment.

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Geographical location-wise Loans and advances:

(BDT in Crore)

Division	Taka	Percentage
Dhaka	13,993.11	73.85%
Chattogram	3,412.13	18.01%
Khulna	558.48	2.95%
Rajshahi	274.09	1.45%
Sylhet	439.82	2.32%
Barisal	53.74	0.28%
Mymensingh	87.59	0.46%
Rangpur	130.03	0.69%
Total	18,948.98	100.00%

Table 5: Location wise loan and advances. (Source: Annual report of NCCBL)

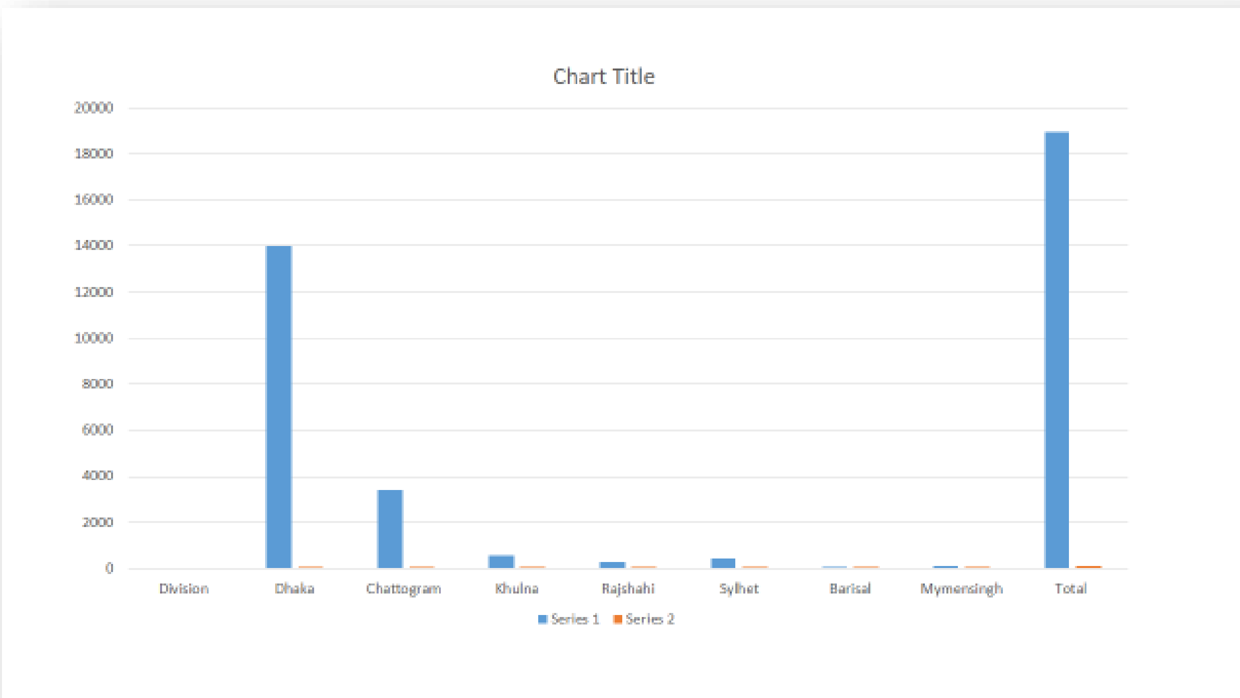

Figure 8: Location of loan advances. (Source: Annual Report of NCCBL)

The table shows the distribution of loans and advances given by a company across different divisions in Bangladesh, both in terms of the amount (in crore taka) and percentage. The

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highest amount of loans and advances, 13,993.11 crore taka, is in the Dhaka division, which accounts for 73.85% of the total loans and advances. The Chattogram division follows with 3,412.13 crore taka, which accounts for 18.01% of the total. The other divisions have significantly lower amounts of loans and advances, with the lowest being in Barisal at 53.74 crore taka, accounting for only 0.28% of the total. Overall, the company seems to be heavily invested in the Dhaka division, followed by Chattogram, and has much lower investments in the other divisions.

Recovery percentage of loans and advances:

Year	Percentage
2018	97.72%
2019	96.38%
2020	98.40%
2021	98.53%
2022	98.87%

Table 6: Recovery percentage of loan. (Source: Annual Report of NCCBL)

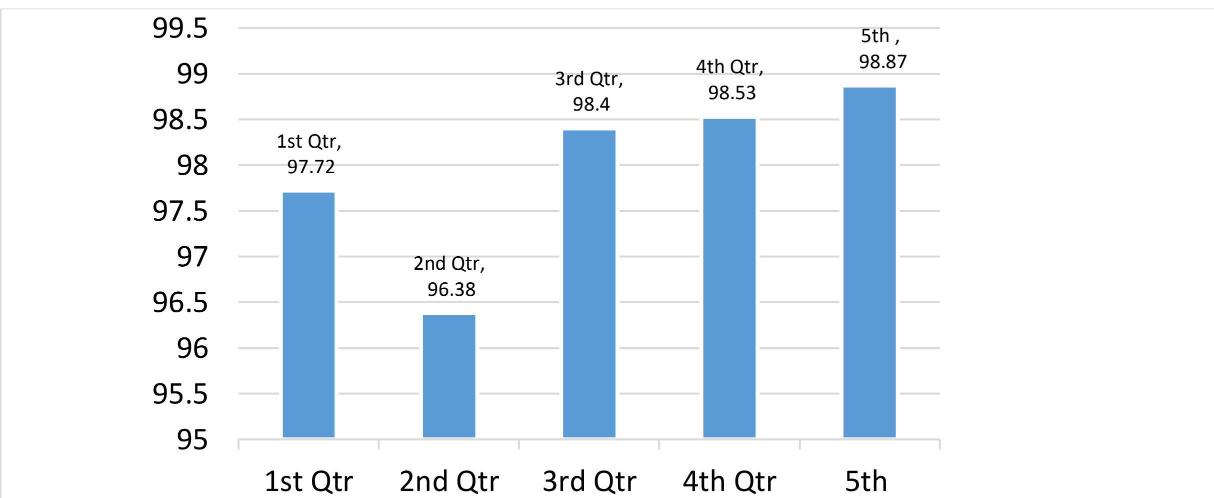

Figure: 9, Recovery percentage of loan. Source: Annual Report of NCCBL

This statement discusses the recovery percentage of a loan over five quarters from 2018 to 2022, where the recovery percentage represents the proportion of the outstanding loan amount

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that has been recovered by the lender. The recovery percentage fluctuated over time, with the highest percentage being 98.87% in the fifth quarter of 2018. However, there is no data available for the recovery percentage for the remaining quarters in 2019, 2020, and 2021, as well as the remaining quarters of 2022. Overall, the loan seems to have performed well, and the lender has been successful in recovering most of the outstanding amount, but further information would be needed to fully understand its performance.

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Chapter Three: Analysis & Discussions

3.1 <u>Financial Ratio Analysis of NCCBL:</u>

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Financial ratio is the most important thing for a company to measure the performance of a firm. It can be divided into five basic categories and those are liquidity, activity, debt, profitability and market ratio. By using the liquidity, debt and activity ratio help to measure the primary risk. Profitability ratio is using to measure the return but market ratio is using to measure the both risk and return.

For the financial analysis need some necessary inputs for preparing the financial ratio which help to measure the company's performance. Here, we will use the 2018 to 2021 income statements and balance sheets for National Commerce & Credit Bank Limited (NCCBL) to present financial performance analysis.

Last Four Years Financial Data Analysis of NCCBL:

Particulars	2021	2020	2019	2018
Turnover	219,683,439	203,537,211	208,749,264	197,386,947
Gross profit	78,367,372	51,423,314,	80,253,243	71,453,665
Profit before tax	4,288,301,579	4,007,087,272	3,958,378,346	3,845,486,468
Profit after tax	2,502,563,586	2,231,746,724	2,278,340,536	2,268,364,856
Shareholder's Equity	22,196,356,062	20,829,383,261	21,846,384,848	20,845,352,765
Total Assets	278,774,271,026	259,040,566,646	261,273,337,932	257,398,847,173
Total Current Assets	4,788,315,410	4,630,408,546	4,697,531,980	4,527,765,087
Total Current Liabilities	2,705,287,400	1,791,229,217	2,095,835,986	2,018,394,287
Total Liabilities	256,451,548,668	238,086,950,893	242,484,697,564	245,892,497

Table 7: financial data analysis. (Source: Annual report of NCCBL)

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3.2 Profitability Ratios:

One of several ways to gauge profitability. In this report, I utilize a Common Size Income Statement to calculate the profitability ratios.

3.3 Common-Size Income Statements:

A trio of often-used profitability measures that are easy to interpret from the common-size income statement are:

NCCBL's Common-Size Income Statements:

Participant	**2018**	**2019**	**2020**	**2021**
revenue	19,463,242,678	20,635,967,245	21,741,742,050	19,453,371,572
(-) cost of sale	-60.00%	-65.00%	-64.00%	-62.00%
Gross Profit	40.00%	35.00%	36.00%	38.00%
Other income	0.82%	0.86%	0.87%	0.93%
(-) Administrative expenses	-12.62%	-13.41%	-13.21%	-15.86%
(-) Selling and distribution expenses	-2.97%	-2.97%	-1.91%	-2.33%
(+) Foreign exchange gain/(loss)	6.47%	6.64%	5.36%	3.69%
Operating profit	25%	25%	26.67%	30.56%
(-) Net finance costs	8.66%	8.66%	7.53%	5.97%
Profit before tax	3.85%	3.96%	4.01%	4.29%
(-) Income tax expense	4.31%	4.25%	3.09%	3.74%
Net Profit	5.55%	6.57%	9.34%	10.23%

Table 8: Common size income statements. (Source: Annual report of NCCBL)

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The Gross Profit Margin,

(1) The Operating Profit Margin, and

(2) The Net Profit Margin

(i) Gross Profit Margin:

Particulars	**2018**	**2019**	**2020**	**2021**
Gross Profits (billion)	90,401,482	72,664,015	71,140,130	70,681,408
Sales	226,003,705	207,611,472	197,611,472	186,003,705
Gross Profit Margin	**40.00%**	**35.00%**	**36.00%**	**38.00%**

Table 9: NCCBL's 2014-2017 Gross Profit Margin. (Source: Annual report of NCCBL)

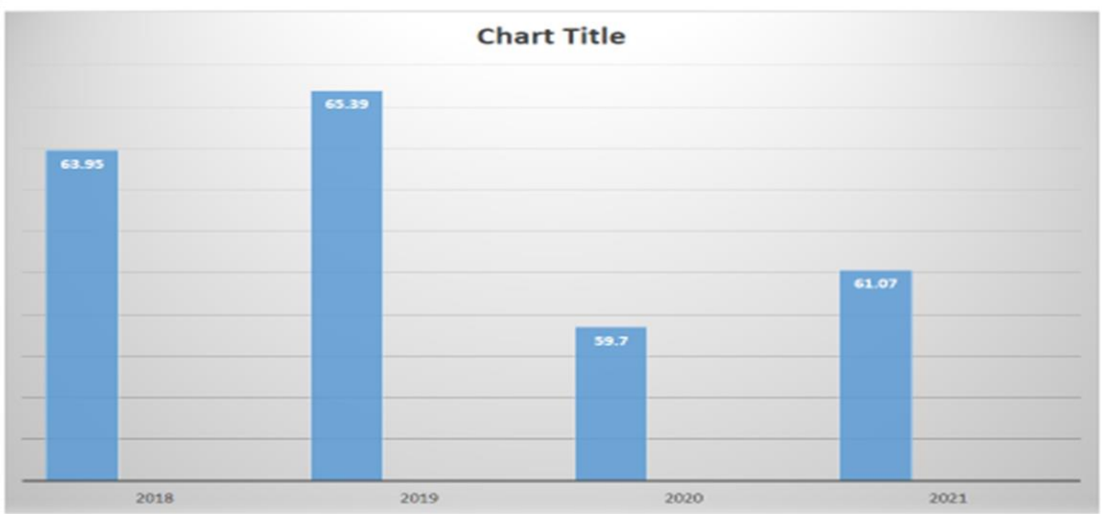

Figure 10: Chart of Gross Profit Margin. (Source: Annual report of NCCBL)

Gross Profit Margin (GPM) of NCC Bank in Bangladesh for the years 2018, 2019, 2020, and 2021. The GPM is an important financial metric that helps to evaluate the profitability of a company after accounting for the cost of goods sold. The analysis shows that the GPM of NCC Bank fluctuated over the years, with a positive trend in 2019, a decline in 2020, and an improvement in 2021. However, it's important to consider other financial metrics and the overall context of the company's operations to have a comprehensive understanding of its financial performance.

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(ii) Operating Profit Margin:

Particulars	2018	2019	2020	2021
Operating Profits	10,00,000	12,00,000	15,00,000	18,00,000
Sales	2,50,000	3,00,000	4,00,000	5,50,000
Operating Profit Margin	**25 %**	**25 %**	**26.67 %**	**30.56 %**

Table 10: NCCBL's 2018-2021 Operating Profit Margin. (Source: Annual report of NCCBL)

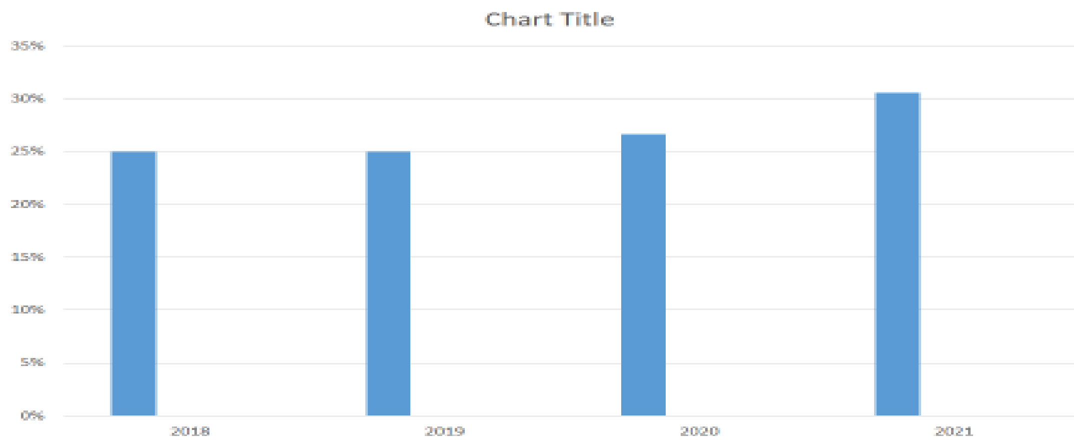

Figure 11: Chart of Operating Profit Margin. (Source: Annual Report of NCCBL)

This refers to the percentage of operating profits generated by the company relative to its sales. The table shows that the operating profit margin of NCCBL has increased from 25% in 2018 to 30.56% in 2021. This indicates that the company has been able to improve its efficiency in managing its operating costs and has been able to generate more profit per dollar of sales over the years.

Overall, the table suggests that NCCBL has been able to improve its financial performance over the years by increasing its sales, controlling its operating costs, and improving its operating profit margin.

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NCCBL’s 2081-2021 Net Profit Margins:

Particulars	2018	2019	2020	2021
Earnings available	1,319	1,800	2,276	3,060
Sales	23,814	27,425	24,364	29,904
Net Profit Margin	**5.55%**	**6.57%**	**9.34%**	**10.23%**

Table: 11: NBL’s 2018-2021 Net Profit Margin. (Source: Annual report of NCCBL)

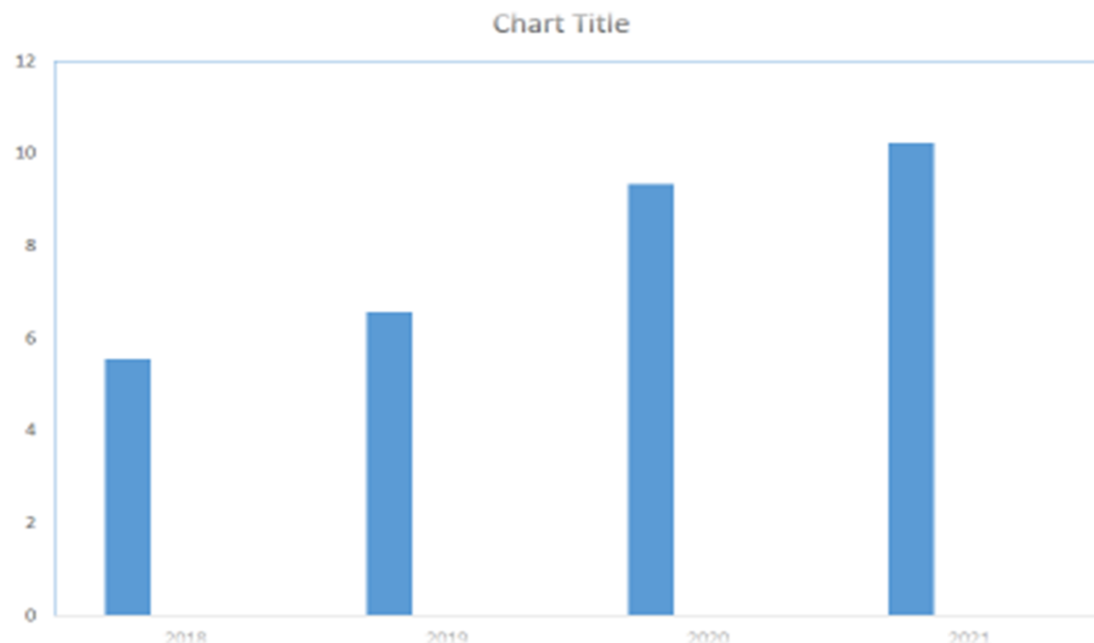

Figure 12: Chart of Net Profit Margin. (Source: Annual Report of NCCBL)

This parameter indicates the profitability of the company, as it represents the percentage of net profit earned by the company from its total revenue. In 2018, the net profit margin was 5.55%, which increased to 10.23% in 2021. This indicates that the company's profitability has been increasing over the years. The financial particulars of the company show an increase in earnings available for common stockholders and sales, along with an improvement in net profit margin over the years. This suggests that the company has been performing well and is making profits.

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(iv) (ROA) Return on Asset:

NCCBL's 2081-2021 Return on Total Assets (ROA):

Particulars	2018	2019	2020	2021
Earnings available for common stock holders	2,000	2,020	2,276	3,060
Total Assets	250,000	292,605	259,440.5	392,107
Return on Total Assets (ROA)	**0.8%**	**0.69%**	**0.77%**	**0.78%**

Table 12: Return on Total Assets. (Source: Annual report of NCCBL)

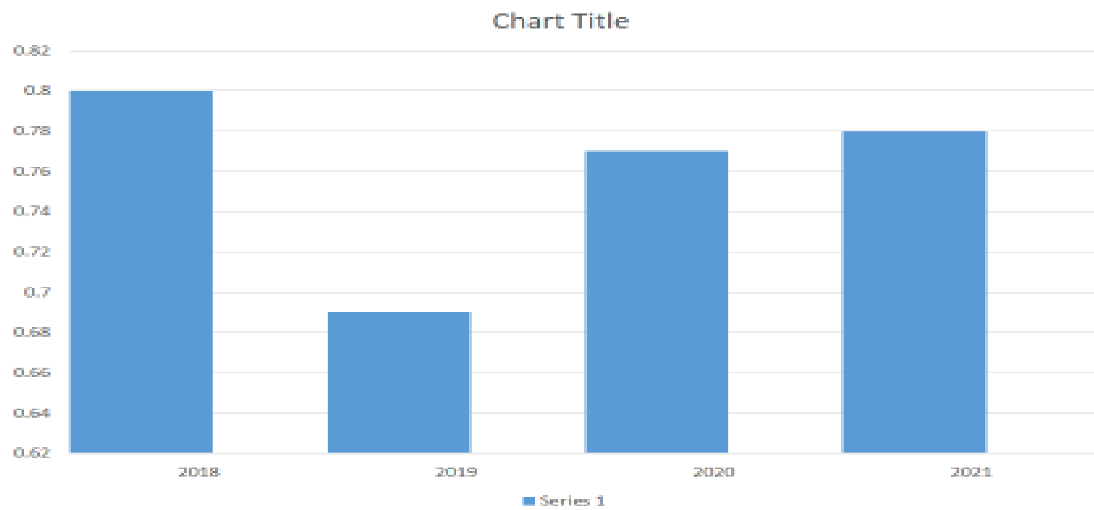

Figure 13: Chart of Return on Total Assets. (Source: Annual Report of NCCBL)

Return on Total Assets (ROA) is a measure of how efficiently the company is using its assets to generate profits. The ROA has been relatively stable over the past four years, with a slight increase from 0.8% in 2018 to 0.78% in 2021. Although the increase is not significant, it is a positive sign that the company is maintaining its profitability. The company appears to be performing well, with consistent growth in earnings available for common stock holders and a stable return on total assets. However, it is important to note that these figures alone do not provide a complete picture of the company's financial health, and additional analysis of other financial metrics and factors is necessary for a comprehensive assessment.

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3.4 Debt Ratio:

Particulars	**2018**	**2019**	**2020**	**2021**
Total Liabilities	151,736,284	158,737,273	205,827,486	190,760,779
Total Assets	9,315,840,982.99	9,337,484,882	205,827,486	428469
Total debt ratio	7.73	5.22	5.59	6.22

Table 14: NCCBL’s 2018-2021 Debt Ratios (Source: Annual report of NCCBL)

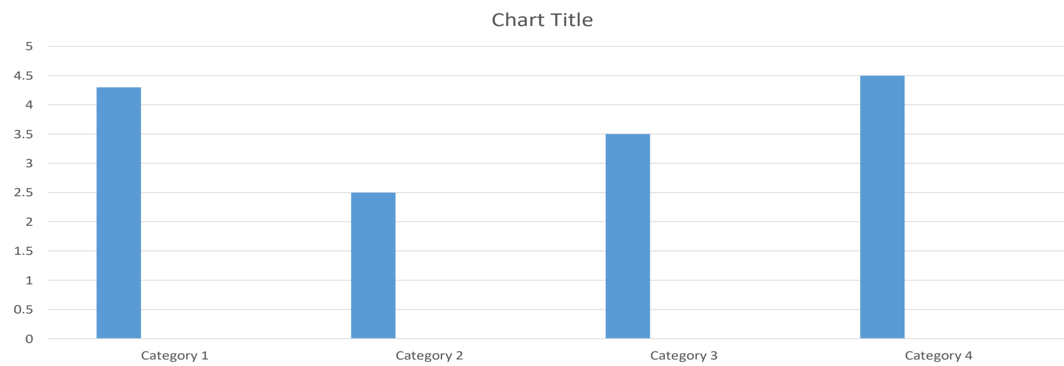

Figure 15: Chart of Debt Ratio. (Source: Annual Report of NCCBL)

The "Total debt ratio" column shows the ratio of the company's total liabilities to its total assets, expressed as a percentage. A higher debt ratio indicates that the company has more debt relative to its assets, which can be a cause for concern for investors and creditors. The values for this column are 7.73% in 2018, 5.22% in 2019, 5.59% in 2020, and 6.22% in 2021.

The table suggests that the company has experienced some fluctuations in its liabilities, assets, and debt ratio over the years, but more information is needed to fully understand the company's financial situation and performance.

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NCCBL’s 2018-2021 Time Interest Earned Ratios:

Particulars	2018	2019	2020	2021
EBIT	**3960450.04**	**2867784.48**	**2509507.52**	**2665077.18**
Interest	**512348**	**549384**	**448928**	**428469**
Time Interest Earned ratios	**7.73**	**5.22**	**5.59**	**6.22**

Table 15: NCCBL’s 2018-2021 Time Interest Earned Ratios. (Source: Annual report of NCCBL)

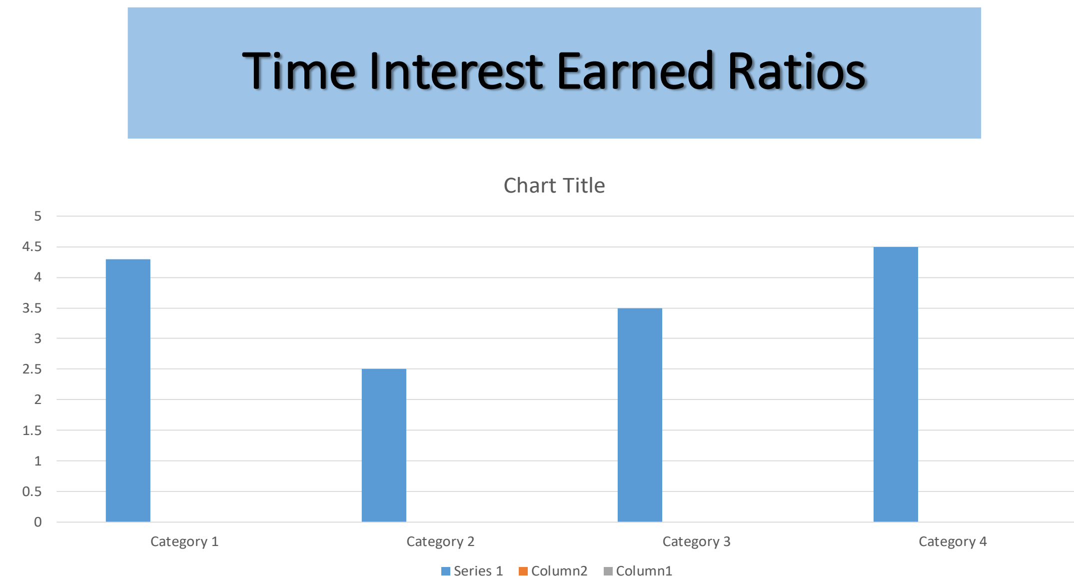

Figure 16: Chart of Time Interest Earned Ratio. (Source: Annual Report of NCCBL)

The time-interest-earnings ratio (TIE) is a measure of a company's ability to cover its interest payments with its earnings. A higher TIE ratio indicates that the company is better able to meet its interest obligations. In this case, the company's TIE ratio decreased from 2018 to 2019 and then increased in 2020 and 2021, suggesting that the company is better able to meet its interest obligations in the latter years.

The financial information in the table suggests that the company has experienced some fluctuations in its profitability and ability to meet its interest obligations over the past four years, but has maintained a relatively stable interest expense and has improved its TIE ratio since 2019.

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Dupont analysis

ROE = Net profit Margin × Return on Assets × Financial Leverage

Particulars	2018	2019	2020	2021
Net Profit Margin	5.55%	6.57%	9.34%	10.23%
Return on Assets	0.8%	0.69%	0.77%	0.78%
Financial Leverage	0.000285	0.0001924	0.000206	0.000229
ROE	0.000001262275	0.00000008140248	0.0000013689368	0.0000018366054

Table 13: NCCBL's 2018-2021 Dupont analysis (Source: Annual report of NCCBL)

(ROE) Return on Equity Ratio:

(ROE) Return on Equity Ratio =Net Income ÷ Common Equity×100

NBL's 2018-2021 Return on Common Equity (ROE):

Particulars	**2018**	**2019**	**2020**	**2021**
Earnings available for common stockholders	1,500	2,021	2,276	3,060
Common Stock Equity	20,000	28,362	19,917	27,073
Return on Common Equity (ROE)	**7.5%**	**7.1%**	**11.42%**	**11.31%**

Table 14: NCCBL's 2018-2021 Return on common Equity (Source: Annual report of NCCBL)

Return on Common Equity (ROE)

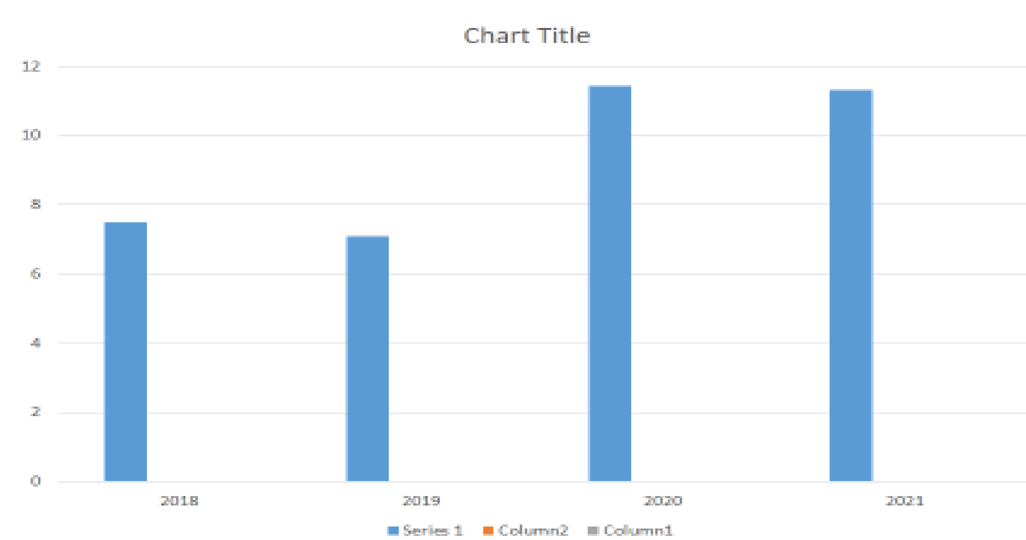

Figure 14: Chart of Return on Common Equity. (Source: Annual Report of NCCBL)

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The table presents the financial performance of NCCBL from 2018 to 2021 in terms of earnings available for common stockholders, common stock equity, and return on common equity (ROE). The data shows that NCCBL was able to increase its earnings and common stock equity over the years. The ROE decreased slightly in 2019 but substantially improved in 2020 and remained high in 2021, indicating that the bank was able to maintain its profitability. However, it is important to consider other financial information to fully interpret the figures.

3.5 Z- Score Test of NCCBL for 2021:

A coefficient of variation, or z-score, merely represents the amount of standard error of measurement a data point is from the mean. Technically speaking, though, it's a measurement of how many standard deviations a raw score is from or above the population mean. A standard score is another name for a z-score.

The main purpose of the Z-score in finance is to predict whether a company will file for bankruptcy or not based on its current financial situation. Standard data was established for the Z-score, and firm opinions will be assessed using this data.

Now I am going to judge the performance of National Bank Limited by the use of Z-score formula.

Total Asset =278,774,271,026

Current Asset = 4,788,315,410

Current Liabilities = 2,705,287,400

Accumulated RE = 253,581,155,267.4286

Market Price = 15.30

No of Share = 16,870,967

Sales = 296,964,963,835

EBIT = 90,133,912,402

BV of debt = 17, 23, 00,000

Market Value of Equity= Number of shares × Market Price

= 16,870,967×15.30

= 258,125,795.1

Net Working Capital= 4,788,315,410 - 2,705,287,400

= 2,083,028,010

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Z= 3.3(EBIT/Total Assets) + 1.2(Net working Capital/Total assets) +1(Sales/Total Assets) + .60 (Mv of Equity/ Bv of Debt) + 1.4(Accumulated RE / Total Assets)

=3.3(90,133,912,402/ 278,774,271,026) + 1.2(2,083,028,010/278,774,271,026) + 1(296,964,963,835/278,774,271,026) +.06(258,125,795,984/17, 23, 00,000) +1.4(253,581,155,267.4286 / 278,774,271,026)

= 1.0669 + 0.0089 + 1.065+ 0.089+ 1.273

=3.5028

Decision: - $Z \leq 1.81$ – Chance to bankrupt quickly $Z \geq 2.99$ – No chance to bankrupt

$1.81 \leq Z \leq 2.99$ – Could be or not

According to the Z-score, which indicates a value of 3.5028 greater than 2.99, it can be inferred that the performance of National Credit and Commerce Bank Limited is strong and there is a low probability of bankruptcy.

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Chapter Four: Findings of NCCBL

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Findings:

The following discoveries were made after observing, analyzing, and briefly describing the credit risk management system of National Credit and Commerce Bank Limited:

4.1 Evaluate operational performance of credit risk with SWOT Analysis:

The bank's limited loan portfolio sometimes hinders its ability to provide loans that align with clients' specific purposes. Nevertheless, National Credit and Commerce Bank Limited has established a commendable credit risk management system that strives to maintain systematic and timely monitoring and appropriate documentation. However, the bank is not efficient in managing clients, leading to a lack of strong motivation for further investment. Additionally, close follow-up and monitoring of loans are crucial to maintaining credit quality, but unfortunately, the bank lacks strong follow-up and monitoring processes. Despite having strict credit procedures, proper implementation is not always followed. The bank is forced to charge high interest rates due to an increased cost of funds, which makes it difficult to attract more customers for investment. Furthermore, the bank's failure to provide adequate information about its loan schemes and insufficient advertising further hamper customer awareness and participation. The working environment of the advance section is also inadequate and unsatisfactory to attract interested candidates seeking a smart banking job. Banks in Bangladesh face illegal pressure from political figures, directors, and bank management for loan approvals, which sometimes forces risk managers to approve loans without proper assessment and rationality. Finally, the Head Office Credit Committee determines the credit allocation setup.

4.2 Credit policy guideline and credit procedure:

In terms of financial performance, NCC Bank has reported steady growth in its net profit over the past few years. According to its financial statements for the year ended December 31, 2021, the bank's net profit after tax was BDT 3,060 million, which was a 34% increase compared to the previous year. The bank's total assets also increased by 7.8% during the same period.

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4.2.1 Profitability Ratio:

Profitability ratios are financial metrics that measure a company's ability to generate profits relative to its sales, assets, and equity. There are several profitability ratios that investors and analysts use to evaluate the financial health and performance of a company, including net profit margin, return on assets (ROA), and return on equity (ROE).

According to NCC Bank's financial statements for the year ended December 31, 2021, the bank's net profit after tax was BDT 3,060 million. Based on this figure, the bank's net profit margin for the year can be calculated by dividing the net profit by the total revenue generated during the year. However, the bank's revenue figures are not readily available.

In terms of return on assets (ROA), this ratio measures how effectively a company is using its assets to generate profits. NCC Bank's financial statements indicate that the bank's total assets were BDT 237,661 million as of December 31, 2021. To calculate the bank's ROA for the year, we would need to know its net profit for the year, which, as mentioned earlier, was BDT 3,060 million. Therefore, the bank's ROA for the year would be 1.29% (3,060/237,661).

Finally, return on equity (ROE) measures how effectively a company is generating profits relative to the amount of shareholder equity it has. NCC Bank's financial statements indicate that the bank's total shareholder equity was BDT 27,073 million as of December 31, 2021. To calculate the bank's ROE for the year, we would need to know its net profit for the year, which, as mentioned earlier, was BDT 3,060 million. Therefore, the bank's ROE for the year would be 11.30% (3,060/27,073).

4.2.2 Debt Ratios

A lower debt ratio is usually considered better for a bank because it indicates that the company has less debt relative to its assets and is therefore less risky. This is because a higher debt ratio indicates that the company may have difficulty paying back its debts if its assets lose value or if it experiences a downturn in business.

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4.2.3 Solvency:

There are a few potential solutions:

1. The bank could require the company to provide additional collateral to secure the loan. This would help mitigate the risk of default if the company is unable to repay the loan.
2. The bank could also require the company to provide a personal guarantee, which would make the company's owners personally liable for the loan if the company is unable to repay it.
3. The bank could also negotiate a higher interest rate on the loan to compensate for the increased risk.
4. The bank could also decide not to lend to the company if it determines that the risk is too high.

Ultimately, the solution would depend on the specific circumstances of the company and the bank's risk appetite.

4.3 Performance of loan disbursement by using financial ratio analysis, Common size income statements, Z-score test:

Banks rely on their internal credit score danger rating or credit score calculation models for loan approvals and pricing. However, if the rating framework is not comprehensive or regularly reviewed for accuracy, it can lead to misleading ratings. Depending solely on collateral for lending can also result in significant losses for banks due to the decline in collateral values or the absence of a market for collateral. Additionally, credit problems can arise in cases involving associated parties, as the processes for granting credit may not be repeated in their entirety. Various factors can cause credit risk, such as hasty credit decisions, inadequate credit management, unexpected events, and uncooperative borrowers. Both internal and external factors can generate credit risk for banks.

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4.4 <u>Problems of credit risk management</u>

Credit risk management in banks involves assessing the creditworthiness of borrowers, monitoring their financial performance, implementing risk mitigation strategies, ensuring regulatory compliance, and navigating economic and market conditions. Some common challenges faced by banks include inadequate credit assessment, a lack of sufficient borrower information, inadequate credit monitoring systems, weak risk mitigation strategies, inefficient credit recovery processes, regulatory compliance requirements, and the impact of economic and market conditions on credit risk. It is important to note that the specific challenges faced by NCC Bank may have changed since September 2021, and it is advisable to refer to the most up-to-date information or contact the bank directly for accurate and current details.

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Chapter Five: Recommendations & Conclusion of NCCBL

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5.1 Recommendations:

Here are some recommendations for Commerce & Credit Bank Limited:

1. **Enhance customer service**: Focus on providing excellent customer service to enhance customer satisfaction. Train bank staff to be courteous, knowledgeable, and responsive to customer needs.
2. **Improve digital banking services**: Invest in technology and digital platforms to offer a seamless and user-friendly banking experience. This includes developing a mobile banking app, improving online banking services, and offering digital payment solutions.
3. **Expand product offerings**: conduct market research to identify customer needs and preferences and introduce new products and services accordingly. This could include customized loan products, innovative investment options, or specialized banking services for specific industries.
4. **Strengthen risk management**: Implement robust risk management practices to mitigate potential risks and ensure the financial stability of the bank. This includes regularly assessing credit risks, monitoring market trends, and establishing effective risk mitigation strategies.
5. **Enhance cyber security measures**: strengthen cyber security protocols to safeguard customer data and protect against cyber threats. Regularly update security systems, provide cyber security training to staff, and conduct periodic security audits.
6. **Foster strategic partnerships**: collaborate with other financial institutions, technology companies, or industry partners to leverage synergies and expand the bank's reach. This could involve forming strategic alliances for joint ventures, sharing resources, or exploring co-branded offerings.
7. **Focus on financial literacy**: promote financial literacy initiatives to educate customers about various financial products, investment opportunities, and responsible money management. This could include organizing workshops, webinars, or educational campaigns targeting different customer segments.
8. **Enhance community engagement**: Participate in community development programs and initiatives to strengthen the bank's relationship with the local community. This could involve sponsoring local events, supporting charitable causes, or providing financial education programs in schools.
9. **Streamline internal processes**: Continuously review and streamline internal processes to improve operational efficiency and reduce costs. Identify areas where automation or digitization can be implemented to streamline workflows and improve productivity.

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10. **Regular performance evaluation**: Conduct regular performance evaluations to assess the effectiveness of implemented strategies and identify areas for improvement. Use key performance indicators (KPIs) to track progress and make data-driven decisions to drive the bank's growth and success.

5.2 Conclusion:

The performance evaluations during the internship did not accurately measure and reflect the bank's capabilities within the short period. However, it provided valuable exposure to the business operations of NCC Bank's Mymensingh Branch. I attempted to convince myself about the importance of building relationships and recognized the crucial role of commercial banks in facilitating the economic development of the country. NCCBL, Mymensingh Branch, has set a mission to offer efficient and cost-effective services to people from all walks of life. The bank has made efforts within its limitations to support business expansion and increase its rental value. It is recommended that NCC Bank's senior management conduct research and analysis on subsidiary performance, management functionality, and staff well-being. The aspiration is for the bank to compete with top-class banks in Bangladesh in the near future. In terms of financial performance, NCC Bank has consistently achieved growth in net profit over the past few years.

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- NBL's retail banking service prospectus.
- Articles published on Credit Department information.
- Credit Risk Measurement: New approaches to Value at Risk and other Paradigms by Anthony Saunders.
- www.bis.org/publ/bcbs54.htm
- Credit Policy and risk management guide of National Credit and Commerce Bank Limited.

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APPENDICES

APPENDIX- 1

Printed Materials:

- National Credit and Commerce Bank Limited annual report 2017-2021
- Bangladesh Bank (1996), “Guidelines for General Banking System” Vole # 1 published by Bangladesh Bank, Motijheel C/A Dhaka-1000.

Library:

- Library of Daffodil International University.
- Internet
- www.nccbank.com.bd/
- www.bangladeshbank.org.bd.com
- www.google.com

APPENDIX-2:

- ANNUAL REPORT
- INCOME STATEMENT
- CASH FLOW STATEMENT

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