Internship Report on Financial Performance Analysis of National Credit and Commerce Bank Limited

Prepared By

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Faculty of Business & Entrepreneurship

Internship Report on Financial Performance Analysis of National Credit and Commerce Bank Limited

Submitted To

Md. Kamruzzaman Didar

Assistant Professor

Department of Business Administration

Faculty of Business & Entrepreneurship

Submitted By

Shahrin Kona

ID: 101-11-1503

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Faculty of Business & Entrepreneurship

Date of Submission: January 6, 2025

Letter of Transmittal

January 6, 2025

Md. Kamruzzaman Didar

Assistant Professor

Department of Business Administration

Faculty of Business & Entrepreneurship

Daffodil International University

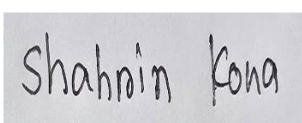
Subject: Submission of Internship Report.

Dear Sir,

I am pleased to present the report to you on "Financial Performance Analysis of National Credit and Commerce Bank Limited" for your consideration as a prerequisite for the Department of Business Administration's BBA program. I met all of the goals and finished the report on schedule. This internship program and report writing have helped me comprehend topic-related competencies in addition to the academic knowledge I've gained. I worked really challenging to finish the report quickly. It is important to note that without your guidance and assistance, I could not have completed my work. If you have any queries concerning this report, I would be pleased to answer them.

I therefore ask for your careful consideration regarding this issue, and I would be really appreciative If my report is accepted and obey as a result.

Yours Sincerely,



Shahrin Kona

ID:101-11-1503, BBA (Finance)

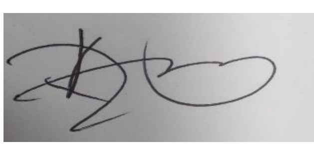
Department of Business Administration

Faculty of Business administration

Certificate of Approval

This attests to Shahrin Kona's regular enrollment in the Department of Business Administration, Faculty of Business and Entrepreneurship, Daffodil International University, ID # 101-11-1503, BBA (Finance). After finishing her internship at National Credit and Commerce Bank Limited, she studied for her internship under my careful supervision. Her internship is focused on the "Financial Performance Analysis of National Credit and Commerce Bank Limited" issue. I think the report deserves to fulfill some of the requirements for the BBA program. I found the report to be well-written after reading it. She completed the report by herself.

I hope she has the best life has to offer.



Md. Kamruzzaman Didar

Assistant Professor

Department of Business Administration

Daffodil International University

Acknowledgement

I'd like to sincerely Thanks my Almighty Allah for boundless grace and profound generosity in giving me the courage and composure I required to complete the work. My supervisor, Md. Kamruzzaman Didar, Assistant Professor in the Department of Business Administration at Daffodil International University, has my sincere gratitude for giving me constructive criticism, pertinent advice, and insightful recommendations throughout the study phase, which enabled me to complete the report.My sincere gratitude to Moniruzzamzn Monir, Deputy Manager and Md. Ahasanul Bakki Khairuzzaman, Manager of National Credit and Commerce Bank Limited, Savar Branch, for providing all of the data, documents, and information for the study, as well as for their invaluable time and counsel. I would especially want to thank my colleagues at National Credit and Commerce Bank Limited for helping me complete the report.

Abstract

This research looked at the financial operations and performance of National Credit and Commerce Bank Limited during the preceding five years. To evaluate the financial performance of NCCBL I have taken the last 5 years data (2019-2023) annual report and used several tools i.e., Ratio analysis Common Size Statement & Trend Analysis. In ratio analysis I have computed different ratios such as profitability, liquidity, management efficiency, and market value ratios and also added the trend of these ratios.

Examining National Credit and Commerce Bank Limited's financial performance, identifying particular characteristics that hinder success, and making recommendations are the main objectives of my research. Current ratio, cash ratio, capacity ratio, earnings asset to deposit ratio, equity to net loan ratio, investment to deposit ratio, net profit margin, loan to deposit ratio, and net asset value per share are the metrics that I think are good. The bank's management team should look at the ratios of non-performing loans to total loans and advances, debt to total assets, net profit margin, cost to income, ROE, ROA, and ROI.

I have a broad overview of my concept under the recommendation area. In conclusion, the bank should concern about their liquidity factors. NCCBL should keep its debt equity ratio at a reasonable level. The asset level of NCCBL changes on a regular basis. It should not be changed on a regular basis. It should evolve in a balanced manner. NCCBL should keep a helper on staff to assist illiterate customers in opening accounts at all of its branches. Since some people are unable to complete the form.

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Chapter -1

Introduction

1.1 Introduction

Bangladesh is crucial to the national economy. Current economic activities are slow and pointless without banks. Additionally, the expansion of a nation's financial institutions depends on its banks. For instance, among many other activities, the banking industry promotes capital, supports entrepreneurs, and creates jobs. We can't envisage a financial situation in today's world without banks because they have become so essential. Banks act as a financial intermediary, allowing money to move from economies with surpluses to those with deficits.

Seek out the best institution to invest in if you're an investor. As a business owner, you undoubtedly want to assess how well your enterprise is performing in comparison to others. As a depositor, you need to find a trustworthy bank where you can deposit your money and get both good service and a fair interest rate. All of this is focused on one thing: researching financial matters to get better advice on where to save money, where to invest, and so forth. This report contains all the information the reader needs to understand National Credit and Commerce Limited's recent performance, strengths, and shortcomings. National Credit and Commerce Bank Ltd. (NCC), a private commercial bank based in Bangladesh, won the Best Financial Institution of 2019 title at the 2019 DHL-Daily Star Business Awards. The first-ever Best "SME Bank of the Year" and Best "Women Entrepreneurs" awards were previously given to NCC. NCC was ranked third among private banks by the Institute of Chartered Accountants of Bangladesh (ICAB) with the Best Presented Annual Report-2019 award.

1.2 Background of the Study

The requirements for the Bachelor of Business Administration (BBA) degree at Daffodil International University (DIU) include doing an internship at a respectable organization and writing a report. I produced an internship report after completing a three-month internship at National Credit and Commerce at Savar Branch while pursuing a BBA.

1.3 Scope of the Study

The study's scope includes general banking and NCCBL's financial performance reviews.

The main goal of this study is to look into:

- Common analysis
- trend analysis
- ratio analysis

1.4 Objectives of the study

1. To assess National Credit and Commerce Bank Limited's financial performance.
2. To determine the issues pertaining to NCCBL's financial performance.
3. To offer some potential suggestions for resolving the issues.

1.5 The methodology of the study

(1) Data collection

A thorough approach is required for the study, from choosing the subjects to drafting the final report. I used the annual report for the last five years (2019–2023) and a number of tools, including the Common Size Statement, Ratio analysis, and Trend Analysis, to assess NCCBL's financial performance. I have calculated a variety of ratios in ratio analysis, including market value, profitability, liquidity, management effectiveness, and credit risk ratios. I have also included the trend of these ratios.

(2) Data Sources:

This study's data came from both primary and secondary sources.

Original Sources Data:

1. Speaking with NCCBL representatives and officers

2. Field experiment

3. Mechanical observation

Secondary Resources of Data:

- ✓ Official webpage of National Credit and Commerce Bank
- ✓ Annual Reports of NCCBL of last five years (2019-2023)
- ✓ Banking Journal and Articles.
- ✓ Research papers.

(3) Analysis of Data

Microsoft Excel has been utilized to evaluate the data.

1.6 Study Limitations

Three months is a very brief period of time to gain in-depth knowledge of all of National Credit and Commerce Bank Limited (NCCBL)'s departments. Despite fact that a lot of effort was put into creating the report and ensuring a reliable and productive conclusion, there were a few limitations that acted as a roadblock. The constraints are given underneath:

- ➢ For such a detailed analysis, three months is insufficient. Gathering all of the essential information in such a short period of time is pretty difficult.
- ➢ The absence of organized and up-to-date data is the most critical difficulty of all, as the Bank's agreement forbids me from disclosing many details relating to my report.
- ➢ Due to bank constraints and restrictions, large-scale research was not possible.

Chapter-02

About National Credit and Commerce Bank limited (NCCBL)

2.1 Profile of NCCBL

NCCBL is a private sector commercial bank. It began banking operations on October 24, 1999. The bank's authorized and paid-up capital were initially One thousand and two hundred million takas, respectively. At the conclusion of 2009, the authorized capital and paid-up capital had increased to 3800 and 1766 million takas, respectively. It currently has 76 branches and 11 SME centers. In 2009, the bank had 841 employees and officers. The bank's policy-making authority is delegated to a 12-member Board of Directors.

2.2 Mission of NCCBL

The following are the goals of NCCBL are as follows:

- ✓ Customer Service Excellence / Immediate Customer Care
- ✓ Long-term growth strategy.
- ✓ Shareholders benefit from a consistent return on equity.
- ✓ Creative banking at an affordable price.
- ✓ Attracting and retaining qualified employees.
- ✓ Commitment to Corporate Social Responsibility

2.3 vision of NCCBL

To be Bangladesh's premier banking institution, significantly contributing to the country's economy.

2.4 Strategic Priorities of National Credit and Commerce Bank Limited

Keeping a steady business expansion in all core activities while achieving the desired outcome

• Purchasing state-of-the-art technology and incorporating new ideas for financial intermediation
• fortifying risk management strategy and compliance culture

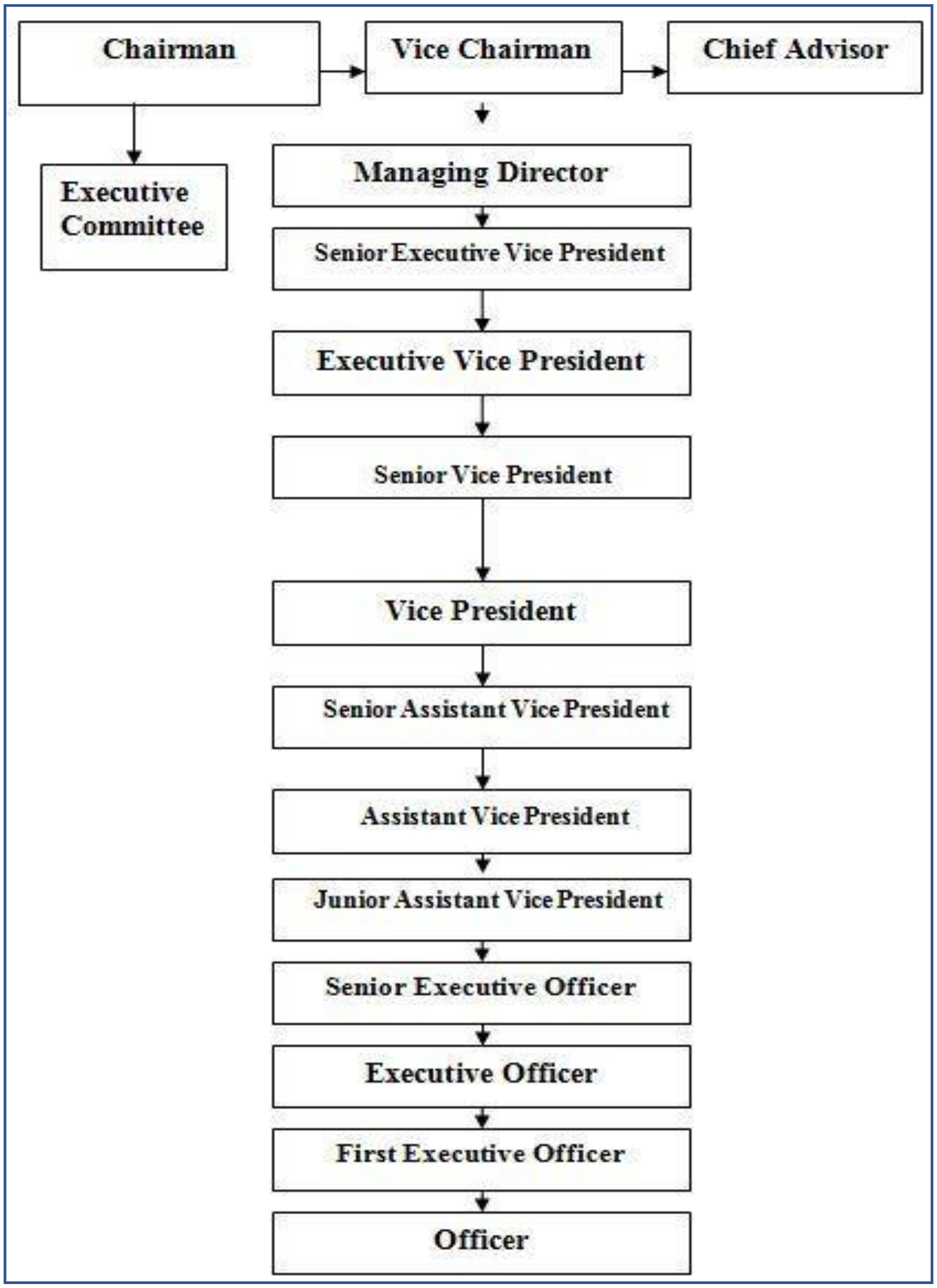
• expanding the clientele while holding onto non-performing assets and a steady deposit.

2.5 Activities of NCCBL

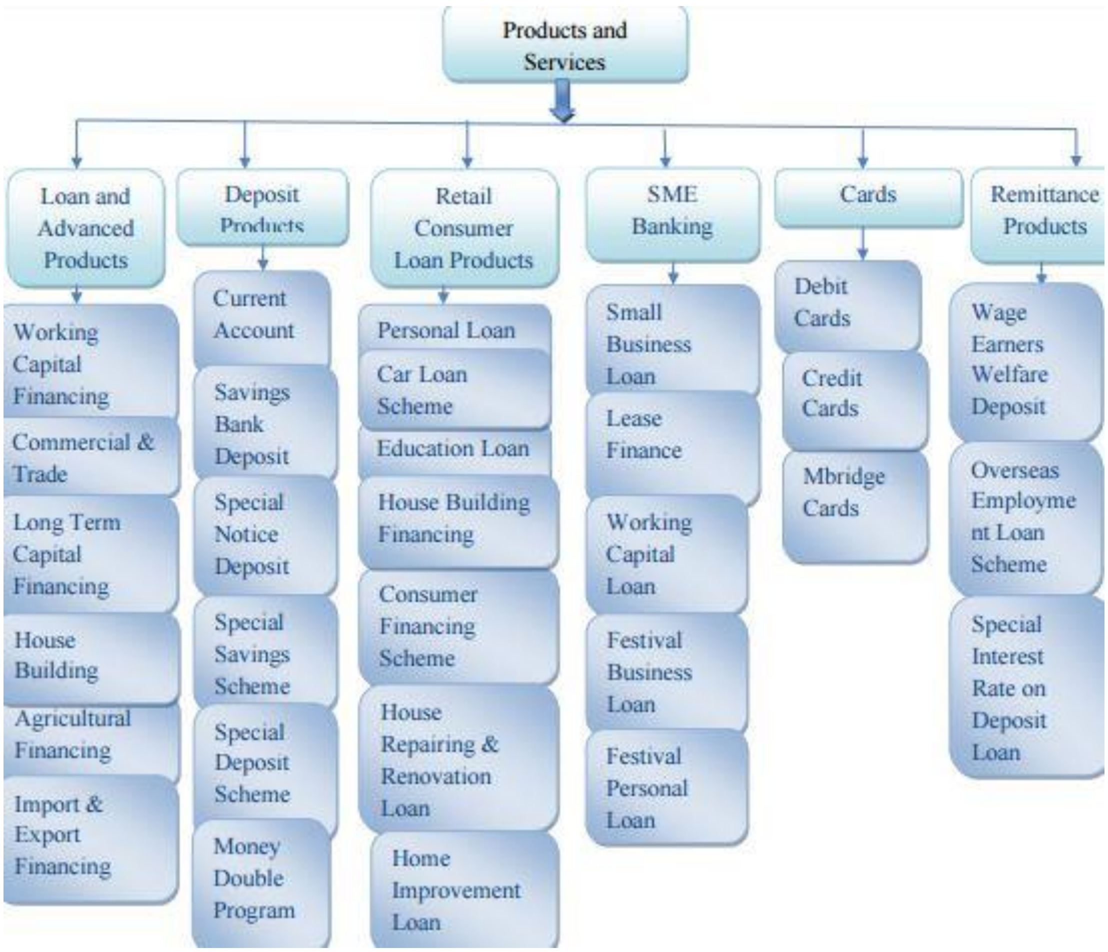
The banking operations of National Credit and Commerce Bank Limited are separated into six sectors.

1. Account opening Part
2. Credit & Loan Part
3. Remittance Part
4. Human Resource Part
5. Cash Part
6. IT Part

2.6 The Hierarchy of NCCBL



2.7 The item supplied by NCCBL



(1) Retail Banking

1.Retail Deposit

2. Retail Loan

3.NCCB privilege Banking

4.NCCB Payroll Banking

5. NCCB Student Banking

6.NCCB simple Account

7.NCCB Angona

(2) Corporate Banking

1.NCCB Wholesale Banking

2. Corporate Deposit product

3. Working Capital Finance

4. NCC Off-shore Banking

5. Trade Finance

(3) SME

1. NCCB Buniad
2. NCCB Probaho

(4) NRB service

1. NRB Banking Services
2. Money Transfer
3. NRB DPS
4. NRB Savings AC

Chapter-03

Theoretical Analysis

3.1 Analysis of Ratio

Ratio analysis, through the comparison of data from financial statements, provides insights into a business's profitability, liquidity, and operational efficiency. It serves as a critical tool in fundamental analysis, helping to evaluate key financial aspects by comparing specific line items from financial statements. This analysis is particularly valuable to external analysts, as financial statements are their primary source of information about a company's financial health.

The primary types of ratios used in ratio analysis are:

- Liquidity Ratio
- Activity Ratio
- Efficiency Ratio
- Profitability Ratio
- Credit Risk Ratio

(1) Ratio of Liquidity

Liquidity ratios are financial indicators that measure a company's ability to meet its short-term obligations without relying on additional borrowing. These ratios help assess a firm's capacity to pay off current liabilities and the margin of safety it maintains. Commonly used liquidity ratios include the **current ratio**, **quick ratio**, and **operating cash flow ratio**.

Here are a few typical liquidity ratios:

- **Cash Ratio**
- **Cash to Assets Ratio**
- **Cash to Deposits Ratio**
- **Loan to Total Deposits Ratio**
- **Loan to Total Assets Ratio**

(2) Activity Ratio

An activity ratio, also known as an efficiency ratio, is a financial metric that demonstrates how effectively a company utilizes its balance sheet assets to generate revenue. These ratios are essential for evaluating a company's operational efficiency, particularly in inventory management, which directly impacts its flexibility and financial stability.

Key activity ratios commonly used for assessment include:

- **Total Asset Turnover Ratio**
- **Fixed Asset Turnover Ratio**

(3) Ratio of Efficiency

Efficiency ratios are widely used financial metrics to determine how effectively a company manages its assets and liabilities on an ongoing basis. Higher efficiency ratios indicate better asset utilization, receivables turnover, liability management, and the effective use of equity, inventory, and machinery. These ratios are also useful in evaluating the performance of both commercial and investment banks.

Key efficiency ratios for assessment include:

1. **Interest Income to Expense Ratio**
2. **Operating Expense to Revenue Ratio**
3. **Interest Income Coverage of Expenses**
4. **Operating Cost to Asset Ratio**
5. **Revenue to Asset Ratio**

(4) Ratio Profitability:

Profitability ratios are a set of financial metrics that assess a business's ability to generate profit over time relative to its revenue, operating expenses, balance sheet assets, or shareholders' equity. These ratios are derived from financial data at a specific point in time. When the values of these ratios are higher compared to competitors or past performance, they typically indicate strong business performance. The most insightful analysis comes from comparing profitability ratios against industry benchmarks, similar companies, or the company's own historical data.

Key profitability ratios include:

- **Return on Investment (ROI)**
- **Return on Equity (ROE)**
- **Return on Deposits**

- **Net Interest Margin (NIM)**
- **Net Operating Margin**
- **Earnings Per Share (EPS)**

(5) The Credit Risk of Ratio

Credit risk refers to the probability that a borrower may default on their loan obligations, either partially or entirely, resulting in the lender's inability to recover the principal or interest. This risk poses a significant threat to lenders by disrupting cash flow and increasing collection costs. Evaluating credit risk is critical for financial institutions to manage potential losses and ensure financial stability.

Key ratios used to assess credit risk include:

- **Equity to Assets Ratio**
- **Leverage to Net Loans Ratio**

3.2 Common Size Analysis

Common size analysis is a method used to evaluate financial statements by expressing each item as a percentage of a base amount, enabling easy comparison across different companies or time periods. It can be applied to both balance sheets and income statements. The base figure for a balance sheet is typically total assets, while for an income statement, it is total revenue.

(1) Common Size Balance Sheet

In a common size balance sheet, the numerical values or relative ratios of total assets, total liabilities, and equity accounts are expressed as percentages of total assets. This format allows for easy evaluation of the proportion of each asset, liability, and equity component, helping analysts quickly identify the company's financial structure.

(2) Common Size Income Statement

A **common size income statement** presents each line item as a percentage of total revenue. This type of vertical analysis is particularly useful for comparing financial performance across periods or with industry peers, as it highlights the relative contribution of each income and expense category to overall revenue.

3.3 Trend Analysis

Trend analysis is a financial analysis method used to forecast future performance by examining past trends in financial data. It helps in understanding the direction of financial metrics, such as stock prices or key financial statement components, over time. Trend analysis is a form of horizontal analysis, comparing data across multiple periods to identify patterns and predict future outcomes.

(1) Trend Analysis of Balance Sheet

Trend analysis of a balance sheet involves examining changes in the values of assets, liabilities, and equity over time. This approach helps identify whether a company's financial position is improving or deteriorating by observing trends in key balance sheet accounts. A rising trend in assets or equity generally indicates financial growth, while an increase in liabilities may suggest potential financial stress.

(2) Trend Analysis of Income Statement

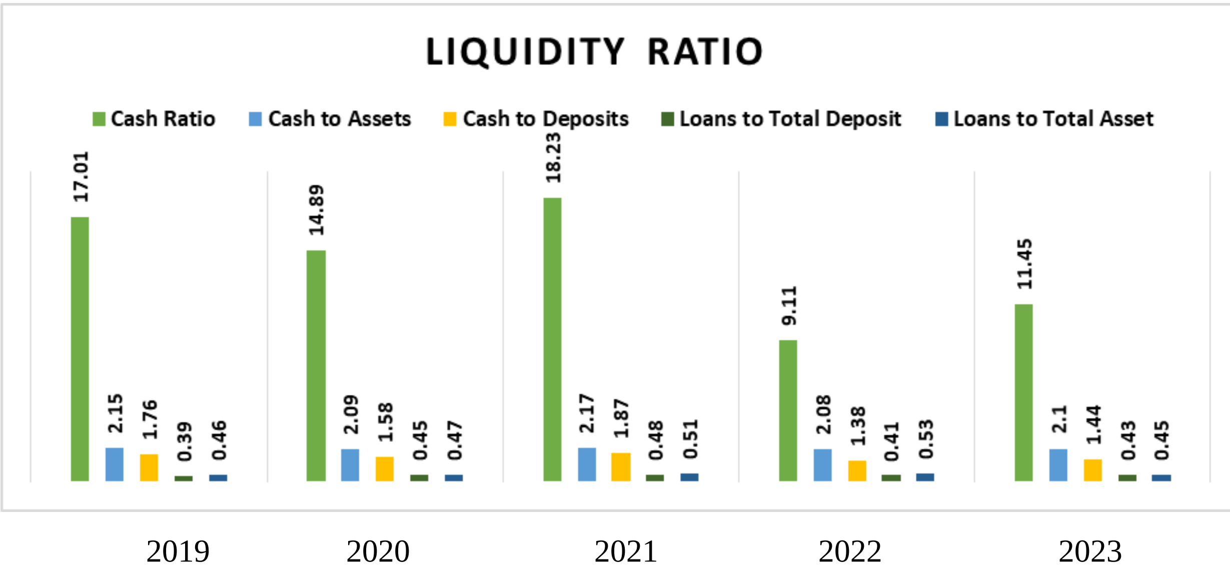
In the trend analysis of an income statement, each line item is compared over several periods to observe changes in revenue, expenses, and profit margins. This form of horizontal analysis helps in evaluating a company's performance trends and is a valuable tool for predicting future results based on past patterns. It highlights whether the business is growing consistently, becoming more efficient, or facing challenges over time.

Chapter-04

Financial Performance of NCCBL

4.1 Ratio Analysis

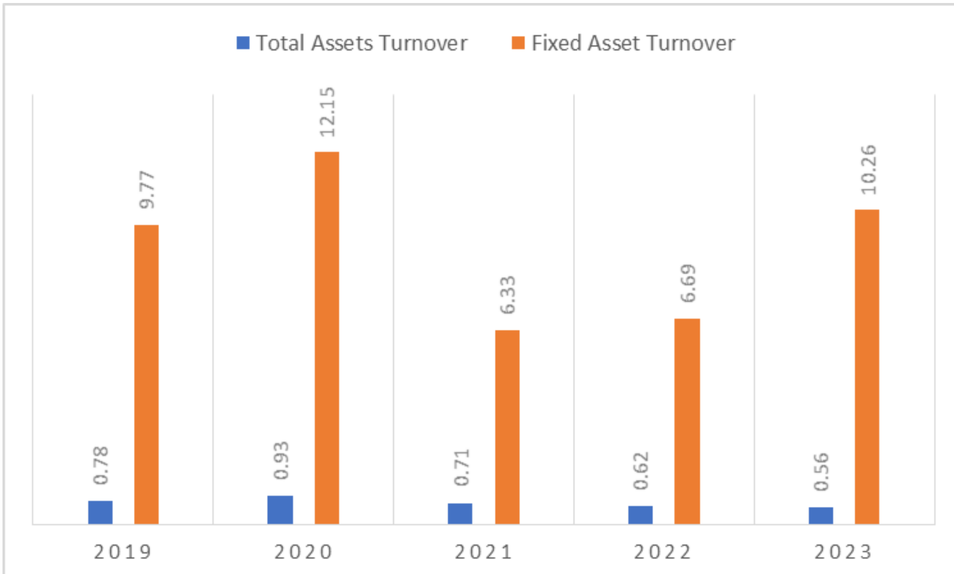
(1) Liquidity Ratio



Interpretation:

The cash ratio, also known as the cash coverage ratio, is a liquidity measure that evaluates a company's ability to fully settle its current obligations using only cash and cash equivalents. It is calculated by dividing the sum of a company's cash and marketable securities by its current liabilities. For NCCBL, the cash-to-asset ratio from 2019 to 2023 was 2.15, 2.09, 2.17, 2.08, and 2.10, respectively. Similarly, the cash-deposit ratio for the same period was 1.76, 1.58, 1.87, 1.38, and 1.44, with the highest value recorded in 2021 at 1.87. This ratio highlights a historical financial relationship that reflects the business's or customer's financial leverage and liquidity position.

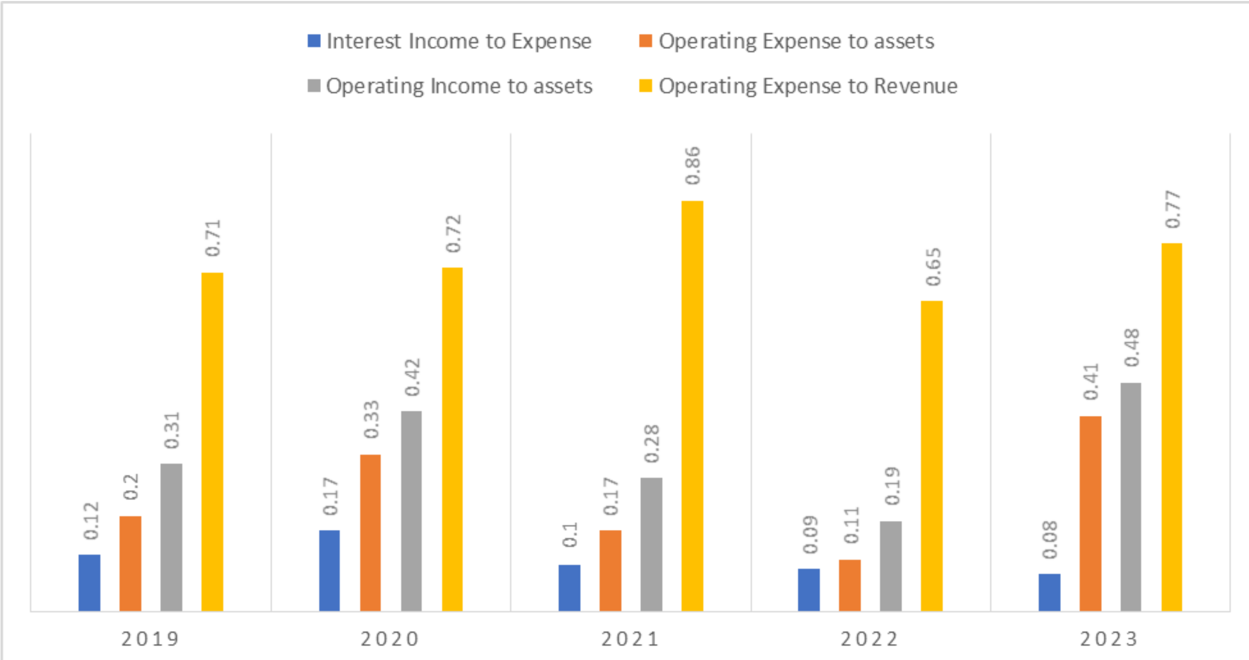
(2) Activity Ratio



Interpretation: The **asset turnover ratio** is calculated by dividing net sales by average total assets. This ratio measures how efficiently a company uses its assets to generate revenue. For banks, the total asset turnover ratio fluctuated between **0.62 and 0.93** from 2019 to 2023, indicating variability in performance over the years.

In 2019, the **fixed asset turnover ratio** was **9.77**, followed by an increasing trend, though it experienced a decline during **2019–2022**. However, in 2023, the ratio improved and reached a stable level, indicating a more efficient use of fixed assets in generating revenue.

(3) Efficiency Ratio



Interpretation: From 2019 to 2023, the bank’s interest income fluctuated, with values of 0.12, 0.17, 0.10, 0.09, and 0.21, respectively. This indicates variability in the bank's ability to earn interest income over the years, with a significant improvement in 2023, reaching the highest point at 0.21.

The operating costs for real estate were highest during 2019 and 2020, reflecting increased expenses in those years. A slight decline was observed in 2022, with costs stabilizing in 2021, indicating efforts to control real estate-related expenses.

The operating expense to revenue ratio varied across the period, showing the following values:

2019: 0.71 (best performance)

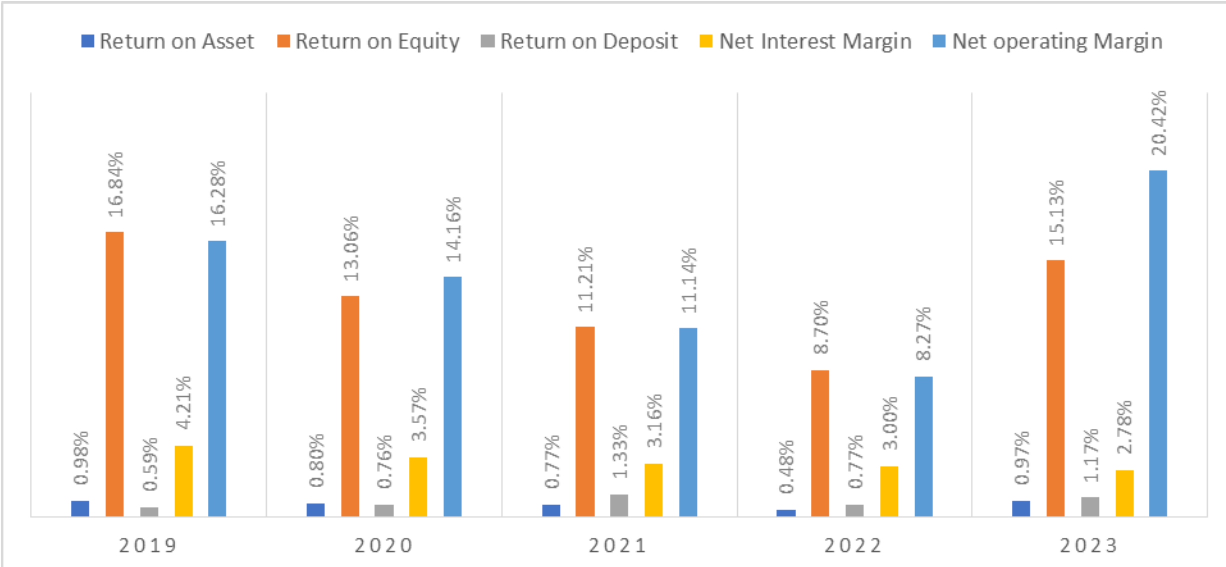
2020: 0.72 (similar to 2019)

2021: 0.86 (highest expense relative to revenue, indicating a less efficient year)

2022: 0.65 (the most efficient year, with the lowest ratio)

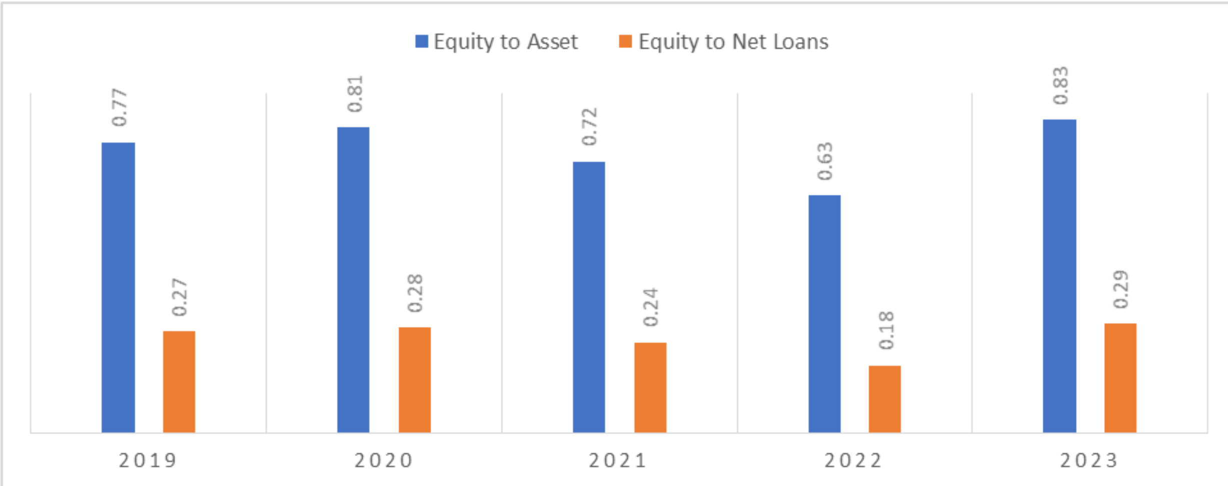
2023: 0.77 (slightly higher than 2022 but better than 2021)

(4) Profitability Ratio



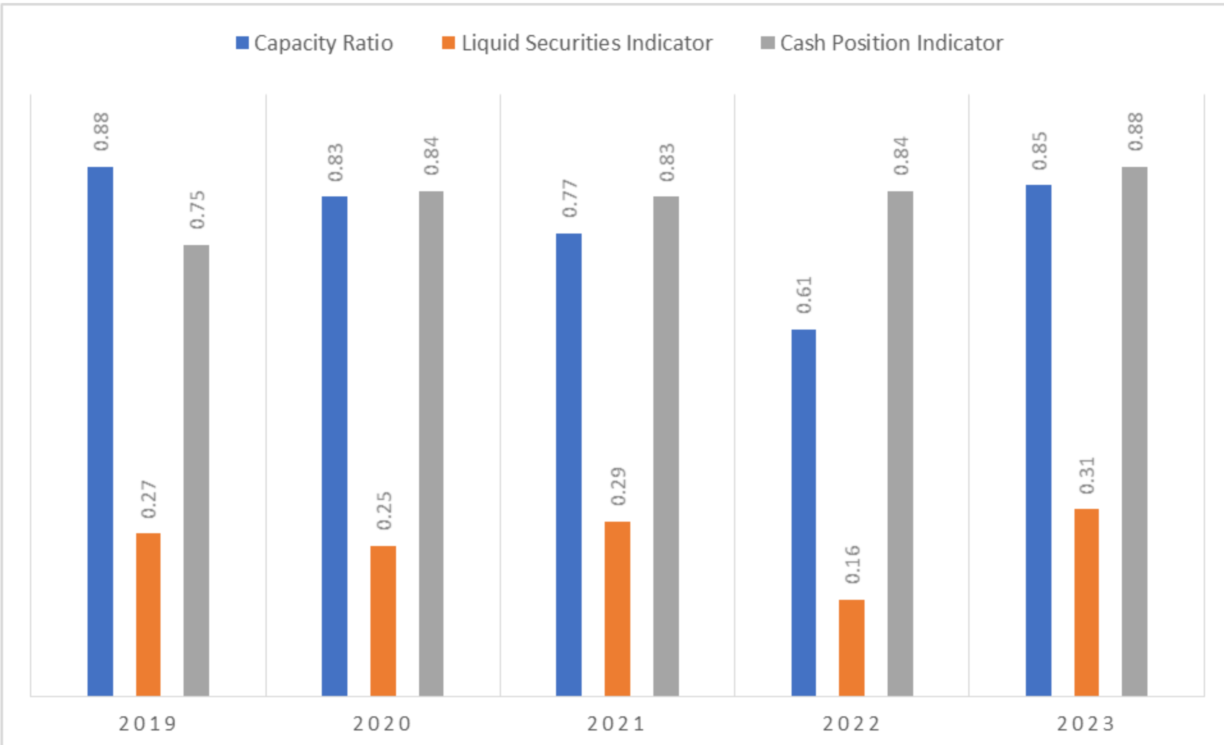
Interpretation: Profitability ratios are essential financial metrics used to assess a company's ability to generate profits in relation to its expenses and other costs over a specific period. One important profitability ratio is **Return on Assets (ROA)**, which indicates the percentage of profit a company earns relative to its total assets. For the bank, the **ROA** ranged from **0.98% in 2019** to **0.97% in 2023**, with the lowest point being **0.48% in 2022**. This fluctuation reflects varying profitability over the years, with a notable improvement in 2023. In terms of **Return on Equity (ROE)**, the bank saw a decrease from **16.84% in 2019** to **8.70% in 2022**, before rebounding to **15.13% in 2023**. This trend indicates that the bank faced challenges in generating returns on shareholder equity, but showed a recovery in the final year. Moreover, the **Return on Deposit** was highest in **2021**, demonstrating strong performance during that period. These ratios highlight the bank's shifting profitability over the years, with some recovery in 2023 following a challenging period.

(5) Credit Risk Ratio



Interpretation: Individuals with a debt-to-income ratio below **35%** are generally considered acceptable credit risks, as this indicates a manageable level of debt in relation to income. It is also important to consider the borrower's future debt obligations when assessing creditworthiness. The **equity ratio** is a key measure of a company's leverage, comparing the portion of total assets financed by stockholders to that financed by creditors. For NCCBL, the **equity ratio** ranged from **0.27 to 0.29** between 2019 and 2023, showing a gradual increase over the years, indicating a growing proportion of assets financed by equity rather than debt.

(6) Others Ratio



Interpretation: A bank's total loans and advances in relation to its total assets are displayed in percentage form via the capacity ratio. NCCBL's capacity ratio is decreasing from 2019 to 2023 which are 0.88, 0.83, 0.77, 0.61 & increased in 2021 0.85 which is good sign for the bank's total loans & advance reservation. The Liquid Securities fluctuating from 2019-2023.

Chapter-05

Findings, Recommendations & Conclusion

5.1 Findings

The findings are as follows-

1. **Total Assets Turnover:** Declined steadily from 0.78 in 2019 to 0.56 in 2023, indicating reduced asset utilization efficiency.
2. **Cash to Assets Ratio:** Remained stable between 2.08 and 2.17, showing consistent liquidity levels.
3. **Loans to Total Assets Ratio:** Increased to 0.53 by 2022 but dropped to 0.45 in 2023, reflecting fluctuating loan reliance.
4. **Interest Income to Expense Ratio:** Fell from 0.12 in 2019 to 0.08 in 2023, indicating reduced income generation efficiency.
5. **Net Interest Margin (NIM):** Declined from 4.21% in 2019 to 2.78% in 2023, suggesting reduced profitability from interest-based activities.

5.2 Recommendations for NCCBL

1. **Total Assets Turnover:**

   Improve asset utilization by identifying underperforming assets, reallocating resources, and expanding revenue-generating opportunities.

2. **Cash to Assets Ratio:**

   Optimize cash management by investing surplus cash into short-term, high-yield instruments to enhance returns while maintaining liquidity.

3. **Loans to Total Assets Ratio:**

   Focus on lending to diversified, low-risk sectors and enhance credit evaluation processes to ensure a balanced and profitable loan portfolio.

4. **Interest Income to Expense Ratio:**

   Reassess loan and deposit pricing strategies to improve the spread between interest income and expenses while controlling funding costs.

5. **Net Interest Margin (NIM):**

   Diversify revenue streams by expanding non-interest income through fees, commissions, and advisory services to compensate for declining margins.

5.3 Conclusion

A stable financial system can help the country's economy grow. Banks are central to our country's financial system. Again, private commercial banks far superior to state-owned banks play an important and critical role in our country's advancement. NCCBL is undoubtedly channeling all of its resources toward making the largest possible contribution to the nation. NCCBL has had good success in its operations and generated an impressive operational income in recent years, despite intense competition from some of the other banks operating in Bangladesh, both local and foreign. The bank intends to make sufficient progress in all operational areas, such as profitability.

I would want to suggest that a bank needs certain unique personal traits that aren't present in all banks. Among the most important are sincerity, dependability, thoroughness, and a willingness to keep an open mind to new concepts and methods of satisfying client needs. Tomorrow will be different from today, just as today is different from yesterday. National Credit and Commerce Bank Limited should have robust credit risk management procedures and policies that adapt to the ever-changing and dynamic global economy, as well as the growing demands of globalization, deregulation, centralization, and decentralization.

5.4 References:

1. National Credit and Commerce Bank Limited. (2019–2023). *Annual Reports*. NCC Bank Limited. Retrieved from https://www.nccbank.com.bd
2. National Credit and Commerce Bank Limited. (n.d.). *Prospectus*. NCC Bank Limited.
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