Internship Report

On

Credit Performance Analysis of National Credit and Commerce Bank Limited

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Supervised By

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Date of Submission:

Letter of Transmittal

To,
Ms. Rozina Akter
Assistant Professor
Department of Business Administration
Daffodil International University.

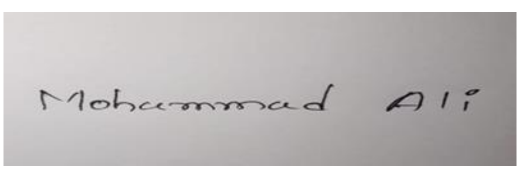
Subject: Submission of Internship Report on “Credit Performance Analysis of National Credit and Commerce Bank Limited.”

Dear Mam,

I am happy to provide my internship report on the "Credit Performance Analysis of National Credit and Commerce Bank Limited" right here. The experience I gained during my internship at National Credit and Commerce Bank Limited is the only basis for this paper. I would be really grateful and honored if you read over my internship report and recognized my hard work and devotion. I did my best to effectively and efficiently portray the initial circumstances of National Credit and Commerce Bank Limited’s Credit Performance Analysis.

Finally, I would like to express my sincere appreciation and thanks to you for preparing this report. I would be happy to answer any of your questions on this topic.

Sincerely Yours,



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Acknowledgement

I'm happy to take this chance to thank the individual for their guidance, help, and patience, without which I would not have been able to complete my report.

I appreciate our esteemed Assistant professor Ms. Rozina Akter's thorough criticism and suggestions on this duty. She is an assistant professor at Daffodil International University in Dhaka, Bangladesh. She often offered us her wise counsel on how to complete this assignment.

Along with the internet, reality books, newspapers, and other sources of crucial information that BBA students at other colleges do not have access to, I need to publish some more names. They kindly gave us their time, took the time to thoroughly respond, and assisted us in finishing the research. I appreciate their help and cooperation.

Supervisor's Certificate

This is to certify that Mohammad Ali, Id: 191-11-735, BBA (Finance), is a regular student of the Department of Business Administration, Faculty of Business and Entrepreneurship, Daffodil International University. He has successfully completed his internship program at National Credit and Commerce Bank Limited and has prepared for this internship under my direct supervision. His assigned internship topic is **"**Credit Performance Analysis of National Credit and Commerce Bank Limited**".** I think that, the report is well-intentioned of fulfilling the partial requirements of BBA program.

I wish his success in the future.

Rozina Akter

____

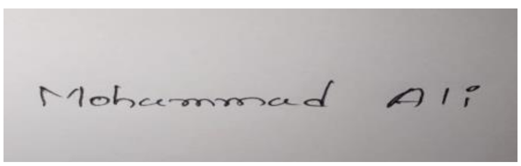
Ms. Rozina Akter,
Assistant Professor,
Department of Business Administration,
Daffodil International University.

Declaration

I solemnly declare that the work of this internship report titled "Credit Performance Analysis of National Credit and Commerce Bank Limited." Is one of my key works under the supervision of Ms. Rozina Akter, Assistant Professor, Department of Business Administration, Daffodil International University.

No part of this report has been submitted to any other organization before and I am collecting all the information from the internet and senior executives of my bank.

I have done more to identify the department against my loss or damage arising from a breach of mandatory obligation against it, if any.



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Executive Summary

This study looks at the Credit Performance Analysis that National Credit and Commerce Bank Limited has performed over the years. Credit ratio, operational ratio, liquidity ratio, market ratio, interest ratio, and capital ratio are some of ratios to measure the credit performance of the bank. In today's world of modern financing, credit performance in the banking sector is a subject that is regularly discussed. I began working with National Credit and Commerce Bank Limited as an intern after completing my BBA program and getting my degree. It is one of the largest and most well-known commercial banks in Bangladesh. National Credit and Commerce Bank Limited has correctly adapted current technology to offer its customers efficient service in terms of electrical equipment and cutting-edge banking operations. Working in various departments within the bank branch, the process of credit performance analysis and the bank's performance with these problems were given the most attention.

In order to analyze National Credit and Commerce Bank Limited's criteria, including the loan distribution section, interest rates for different loan types, capital management, the bank's ability to manage load over a specific time period, and the management's role with regard to classified loans, the report had several objectives. The primary topics of this report were the yearly financial report and the bank's financial rules book. The important credit performance ratios that were examined for the study's purposes are listed below, along with an evaluation of the profitability, profit margin, and market share data that was used to analyze the situation as it stands right now. The credit performance analysis section of the bank is one of the research fields for the subject. In this context, emphasis was placed on the bank's credit policy, operational loss management, liquidity circulation process, and market-oriented judgments, varied interest criteria for various loans and investments, and capital management by the bank.

To take on a new scenario of bank credit performance analysis, several different methods of the analytical process are applied. In order to illustrate the bank's adaptability in managing the areas of credit performance as well as its general situation, ratio analysis and trend analysis were utilized in the statistical analysis for the annual performance evaluation. These processes result in a graphic and tabular breakdown of the primary categories of financial ratios. The results of the analysis and a comparison of the output with overall performance will be utilized to discuss a number of National Credit and Commerce Bank Limited practices.

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Chapter 1

Introduction

1.1 Introduction

Bangladesh's banking industry is constantly extending its reach into new financial services. The banking process is being streamlined, made simpler and more accessible at the same time, which benefits the banking sector's overall performance. Banks are developing new, innovative concepts, products, and facilities to make banking simpler and more user-friendly as clients and customers expect better services and more amenities on a daily basis. All banking businesses in Bangladesh are searching for ways to provide their customers with better service in order to thrive in the fiercely competitive banking industry. Because of this, it has become crucial for everyone to have some understanding of banks and banking practices in order to handle daily operations relating to banks. The rapid changes in the global banking sector are a result of technology and globalization growth. To stay up with the pace of global development, Bangladeshi banking must continuously update its core banking operations. Private commercial banks must retain "Professionalism" in the sense of creating the necessary staff and its skills and experience to minimize the risk factor in order to thrive in the local and global competitive market.

One of the most crucial challenges for the growth of a robust economy in Bangladesh is credit performance in the banking industry. Credit performance analysis and management give the bank's financial reporting the necessary market transparency. This credit performance analysis and management demonstrates how well banks are able to handle unfavorable circumstances and results. The external causes as well as the internal ones contribute to the credit performance that the banks face. Public and private banks in Bangladesh are exposed to banking credit performance as a result of aggressive banking practices made to achieve a competitive advantage. However, credit performance in bank is uncertain that surrounds the likelihood of particular behaviors. Because of this, credit performance management is held in a mandated unit known as the Credit Performance Management Unit in various banks throughout Bangladesh (CPMU).

1.2 Background of the Study

As a prerequisite for the Bachelor of Business Administration (BBA) degree from Daffodil International University (DIU), it is required to complete an internship at a reputed business Organization & prepare a report. In fact, I am going to know about the Credit Performance Analysis of National Credit and Commerce Bank Limited in banking sector of Bangladesh.

The main business of banking is to provide credit to borrowers and accept deposits from the customers. Banks play an important role in the development of a country as well as in providing huge employment opportunities.

National Credit and Commerce Bank Limited plays that biggest role. It contributes to the economic development of a nation through conservation and credit. It is the change and allocation of funds across the country which it is added to the development of the country's economy and national resources added.

The study seeks to evaluate the Credit Performance of National Credit and Commerce Bank Limited. Whether the Credit Performance of National Credit and Commerce Bank Limited is at a satisfactory level. This is the main aspect of the study.

1.3 Objectives of the Study

The broad objective of the study is to explore the financial risk practice and performance of the bank.

More specifically, the study objectives are to:

- To analyze credit performance of the bank through ratio analysis and trend analysis.
- To identify foremost problems related to credit performance of the banks.
- To provide some solutions and recommendations for the bank’s better credit performance.

1.4 Methodology

Bangladeshi banks formulate credit performance management policies and simultaneously motivate their staffs according to their needs. In this study the credit performance is focused and the performance of managing credit ratios, liquidity ratios, market ratios, interest ratios and Capital ratios are showed. While conducting the research study both primary and secondary source were explored. But hardly any primary information or data could be found. In the absence of primary information the majority of the research has been based on secondary information.

Different sources of data:

Primary sources

- Face to face discussion with the branch manager and officials.
- File study of different section.
- Practical work experience in the different desk of the department of the branch of the bank.
- Relevant field study as provided by the branch officers.

Secondary sources

- Website of the National Credit and Commerce Bank Limited.
- Different procedure manual published by National Credit and Commerce Bank Limited.
- Annual report of National Credit and Commerce Bank Limited.
- Different Publications, circulars and journals regarding banking activities & policies.

1.5 Limitations

The major limitations of this research are discussed below:

- National Credit and Commerce Bank Limited has various policy for disclosing some data and information for obvious reasons.
- Secondary data or information is used more than primary data.

- Insufficient time period to know all activities of the bank and many of the aspects could not be discussed in the present report.
- Many sources were hazardous, in-discipline and time consuming.
- As working in the bank’s branch, only a short number of people were interviewed for real time working information.

Chapter2

Background of National Credit and Commerce Bank Limited

2.1 History of NCC Bank Limited

Private commercial bank National Credit and Commerce Bank Limited has a distinct past all its own. The company began operating in the financial industry in 1985 as an investment company. The company's mission was to raise funds and invest them in a way that would help the industrial and commercial sectors of the nation to grow. NCC Bank aimed to act as a catalyst for the development of the capital market. The corporation benefited greatly from its membership with the exchange in this regard. With the authorization of the Bangladesh Bank, the company continued to operate up until 1992 with 16 branches until converting in May 1993 into a full-fledged scheduled private commercial bank with paid up capital of Tk. 39.00 crore to serve the country from a larger platform. In the past 23 years of business, NCCBL has built a laudable reputation by offering real, individualized service to its clients in a tech-based setting.

The Bank's initial permitted capital was Tk 75.00 crore, while its paid-up capital was Tk 19.50 crore at conversion time, increasing to Tk 39.00 crore. Currently, the paid up capital is Tk 8,832.18 billion, whereas the permitted capital is Tk 10,000.00 billion. The original Board of Directors was made up of 26 (twenty six) members who were the sponsors of the new bank. The bank's shares are currently trading at an average price of Tk. 320/- against a per-share value of Tk. 100/- on the Dhaka and Chittagong Bourses.

Based on its excellent financial results for the year ended 2016, NCC Bank has since issued a 12.75% stock dividend. The Bank, which opened its first 16 locations in 1993, now has 106 locations, including 03 (three) Booths in prime business districts in Dhaka, Chittagong, Sylhet, Feni, Khulna, Jessore, and Rangpur District Headquarters, 41 of which are Authorized Dealer Branches that are fully equipped to handle direct foreign exchange transactions. The Bank has established a new benchmark for financing in the business of trade, industry, and foreign exchange. Customers, both corporate and individual, who feel comfortable doing business with the bank, have been drawn to its assortment of deposit and credit products.

2.2 Corporate Vision and Mission

Vision: In order to serve the country as a forward-thinking and socially conscious financial institution, we want to become one of the cutest commercial banks. To do this, we'll integrate credit and commerce together for higher shareholder value and sustainable growth.

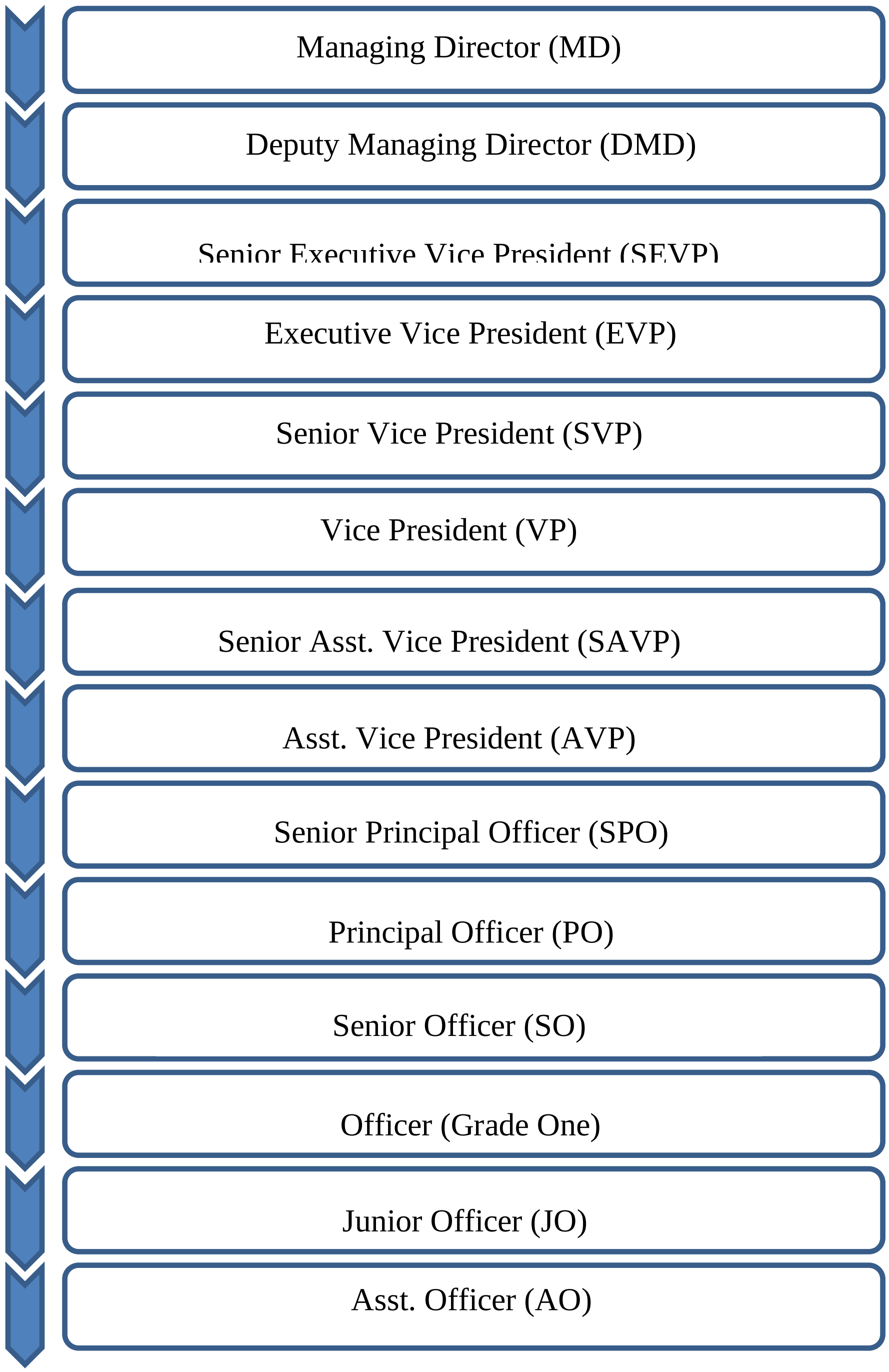
Mission: Providing our communities with top-notch financial services built on solid client relationships. Deliver durable solutions to our clients and stakeholders that combine our leading edge technology, experience, and financial power. Fostering a cooperative and welcoming environment that will enable both the staff and consumers to succeed.

With the use of technology, an online banking system, problem-solving skills, excellence in customer service, business prudence, efficiency, and value addition, this bank has always placed a strong emphasis on continual improvement. National Credit and Commerce Bank Limited will continue to treat its clients with respect and put a lot of effort into maintaining an excellent customer service culture throughout the bank. It will treat its staff members and employees with the appropriate respect and create a banking organization made up of highly skilled individuals who are honest and share the bank's mission and vision.

2.3 Corporate Value

Corporate culture refers to how members of an organization behave in accordance with their shared principles, attitudes, values, and beliefs. It aids in developing and implementing the objectives, plans, organizational framework, and methods for dealing with employees, clients, investors, and the general public. Therefore, businesses with strong corporate cultures have solid relationships with their stakeholders. Additionally, it keeps customers' and employees' loyalty. One of the most organized banks is NCC Bank, which has a consistent corporate culture. The staff members of the bank view themselves as a family, which inspires a belief in cooperating for development. Over time, a strong company culture improves a competitive edge and serves as a priceless organizational asset.

2.4 Organizational Hierarchy



2.5 Banking System

General Banking System

NCC Bank changed its legal status from investment company to operational commercial bank in 1993. Since then, NCC Bank has expanded its product offering to include regular banking services, loans, and card and locker facilities. The first department is traditional or general banking. Departmental ties between staff and customers are quite important. The majority of the client's transactions take place in this area. An officer in the general banking department performs the following duties:

- Opening or Closing accounts
- Issuing Cheque book
- Issuing Debit or Credit cards
- Providing Solvency Certificate
- Providing Bank Statements
- Transfer accounts
- Attending telephone enquiries
- Attending customer’s face to face enquiries, etc.

Customers of NCC Bank have access to a variety of account kinds, and they can pick the one that best suits their needs from the list.

- Current Account: A professional account that enables withdrawals and deposits whenever desired.
- Savings bank account: This account is for saving.
- Deposit Account with Special Notices: Withdrawal and deposit terms are subject to special notices.
- Recurring Deposit Account: Set the amount for a specific duration of time. Saving money for a period of time, such as five or ten years, will earn you a premium interest rate. Permanent inhabitants of the nation are able to save money in many currencies through the RFCD Account. Non-residents may deposit funds into an NFCD account to keep track of their savings.

- Term Deposit Account: Specific terms for the deposit scheme are announced in different ways. For instance: Fixed Deposits, the Money Double Program, Premium Term Deposits, etc. It is a minor account for "Youth Banking."

Along with the convenience of transactional accounts, NCC Bank also offers a variety of cards that reduce the danger associated with carrying cash on hand. Different cards come with different qualities and benefits.

- Debit Card: Man's Debit card, Woman's Debit card and Youngster Banking Debit card.
- Credit Card: Visa Classic, Visa Gold, Visa Dual Gold and Visa Platinum card.

Some other service that NCC Bank provide for their valuable clients are;

- Locker facilities
- Utility Service : Bill receiving
- Issuance of T.C for foreign currency
- Manager to the issue
- Merchant Banking
- Bonds and Guarantees Mutual Fund
- Consultancy, etc.

Cheque Clearing

The most important action in the standard banking system is check clearing. A check from one bank is transferred to another bank for deposit during the clearing procedure. Because the NCC Bank branch in Shyamoli lacks a screening machine for clearing checks, customers must send their checks to the Kawran-Bazar branch for screening before they can be deposited at a clearing house.

There are two different types of checks that are gathered for clearing:

- Transfer Cheques: The same NCC Bank Ltd. branch collects and pays these checks.
- Local Bills Collection Cheques (LBC): Two NCC Bank branches, both of which are located in the same city, are responsible for collecting and disbursing these checks.

Clearing House

Drawing checks and bills from any member bank and exchanging only the amount from the other bank is the clearing house's primary duty. Additionally, schedule meetings for member banks' representatives at a designated time and location for the purpose of exchanging instruments. A controlling bank account is used to settle the net amount, which may be payable or receivable. Clearing can be of two different types:

- Outward clearing; When a specific branch receives instruments drawn on another bank inside the clearing zone and sends those instruments for collection through the clearing arrangement, that branch is said to be engaged in outward clearing.
- Inward clearing: Receiving instruments that are on their books and sent to them by other member banks for collection is referred to as inward clearing.

Remittance

Since some residents of these countries travel abroad for work, the majority of their banks offer remittance services. The process of transferring money from one nation to another also contributes to improving the economic money cycle. The sole service a bank offers to both customers and non-customers is remittance. NCC Bank provides its customers with a range of options for sending money.

- Demand Draft: This is a form of order in which the issuing branch directs the payee branch to pay a certain sum of money to the direction of a specific individual or business.
- Payment orders: Payment orders, often known as pay orders, allow customers to make payments to the orders of specific people or organizations inside the same clearing house as the bank issuing the pay order.
- Telephonic Transfer (TT): In this procedure, a customer's funds from one branch of the same bank are moved to another branch with prior coordination via telephonic message.
- Mail Transfer (MT): This procedure entails a remitting bank sending a letter instructing the paying bank to make a payment.

Loan and Advance

The primary source of a bank's earnings is through loans. All of the deposits a bank receives from consumers are invested in loans that other customers request. Their profit is the difference between these two interest rates. Banks often do business by collecting savings or deposits from locals. Therefore, while making loan settlements, banks must guarantee both the security of the loan and its payback. For addressing a range of customer demands, NCC Bank provides numerous sorts of loans.

- A general loan: It is a one-time payment that can be repaid in a lump sum or through predetermined monthly installments. In this situation, no more debits are typically permitted except from interest and incidentals. There will only be reimbursement from the debtor if the entire loan amount has been repaid. This loan is available from NCC Bank in three different categories. Loans with terms of one year or less, three years or less, and longer are all considered short-term loans (5years or more).
- Finance for home construction: NCC Bank Ltd. provides loans for home construction to help middle-class people with their housing needs. The acquisition of a flat or house, the building's construction or expansion, or the addition of storeys are all possible uses for this loan. A 5- to 15-year loan term is available. Depending on the client-banker relationship. The monthly compound interest rate for this loan is 15.5%. The loan's size will vary depending on the client and banker's connection, but it often ranges from BDT 500,000 to BDT 7,500,000.
- House improvement loan: NCC Bank also provides financing for the construction of houses. The owner of the home may use this financing for additional renovations or modifications for a period of 24 to 180 months. Approximately BDT 500,000 to BDT 5,000,000 is the loan amount. The most crucial factor is that the relationship between the consumer and the lender determines the interest rate, which is often 15%.
- Automobile loans: In the modern era, a car is a need for all socioeconomic classes. Most often, middle class people can't afford to pay for a car all at once, so they borrow money from the bank. Following an evaluation of the customer's ability to repay the loan, NCC Bank grants a 3-year car loan. They provide a loan of up to BDT 4,000,000.
- Small Business Loan: NCC Bank provides a loan to a startup business to support its ability to make improvements. Entrepreneurs can borrow up to BDT 800,000 for a maximum of five years without putting up any collateral.

- Education loan: NCC Bank offers education loans to people in need in order to make every person of our nation deserving enough to defend their rights and develop the capacity to work for them. Most of the time, they grant loans to students who desire to pursue higher education abroad, but in rare exceptional circumstances, NCC Bank would lend money to a needy student who has a passion for learning.
- Loan against Trust Receipt (LTR): This type of loan is only available temporarily to customers who apply and are approved based on trusts. This debt is known as a loan against receive trust. Though the loan's maturity period will be determined by the letter of approval, it may be thirty, sixty, ninety, or one hundred and twenty days. The loan may be entirely or partially adjusted. This loan has a higher interest rate and is paid back monthly. The loan is secured by securities, and the interest rate is 15.5% per month.
- Loan Against Imported Merchandise (LIM): An importer is permitted to take out a short-term loan in exchange for their imported goods. According to the sanction letter, the loan can mature. Most loans are only repaid once. This loan carries a higher interest rate that is paid on a monthly basis. The bank fully maintains control over the imported items. These loans are supported by collateral.
- Cash credit (Hypothecation): A hypothecation is a charge on a firm for a debt that the debtor creates for the lender upon execution of a document. In the stated document, the debtor commits to granting the lender custody of the hypothecated stock if the lender so requests. Ownership and possession are not transferred to the creditors during this process. Instead, the borrower retains title and possession. Banks typically give hypothecation facilities to first parties based on the party's reliability as long as the goods remain in the borrower's possession.
- Cash credit (Pledge): Bailment of commodities or securities is what a pledge is. It is permitted with a commitment of goods. The intended debtor's debtor or his lawfully appointed attorney must make the bailment. The things must be under the pledge's control in this situation.
- Secured over Draft (SOD): This type of loan is acceptable on a checking account that is handled by check. If the total amount owed does not exceed the agreed-upon limit, customers may select any number of restrictions that suit them. The real debit balances are used to determine interest rates. In terms of security, there are four different forms of

secured overdrafts (SOD): SOD against FD, SOD against PSP, SOD against scheme, and SOD general.

- PAD or Payment against Document: In the course of this loan arrangement, the issuing bank first requests the original shipping papers from the negotiation bank in accordance with a letter of credit (L/C), and the issuing bank then thoroughly examines the shipping documents. After reviewing the shipping documentation, the issuing bank opens an importer loan account.

These are just a few examples of the loans that NCC Bank provides, but there are many more that they offer to their clients.

Chapter 3

Literature Review

3.1 Literature Review

Credit performance is basically defined as the credit analysis of evaluating the creditworthiness of a borrower using financial ratios and fundamental diligence. Those who are continuously interacting in the financial markets and deal with the financial instruments will usually face different types of credit performance. This is the reason people use the term uncertainty as a source to classify different credit performance. David H.Phyle (1997) defined credit performance as a fall in a firm's value because of the fluctuations in the dynamic investment environment. While describing the importance of these kinds of credit performance, Jackson and Perrraudin (1999) think of these to be the major elements of credit performance in the books of most banks and if not managed in a proper way these can weaken individual bank or even cause many episodes of financial uncertainty by impacting on the whole banking system. Since this financial credit performance carries the potential of wiping out enough of a bank's capital to force it into different unwanted situations as bankruptcy, managing credit performance has always been one of the biggest challenges in running a bank told by Broll, Pausch and Welzel (2002).

In recent years, credit performance management has come under increasing scrutiny at banks. Regulators have even begun to consider using banks' internal credit models to formulate capital adequacy standards. Suresh N, Anil Kumar S, and Gowda D.M (2009) conducted a research to establish a clear framework for measuring and managing different credit performance for fifteen private banks in India. The main aim of the research was to evaluate the Non-Performing Assets (NPAs) as a percentage of total assets of private banks in India. It was concluded that the Non-Performing Assets (NPAs) level of private banks in India had a decreasing trend and by comparing the critical values. These researchers also found that similarity does not exist among those banks with their credit exposures. Xiuzhu Zhao (2007) studied the credit performance in the major British banks. This scholar found that the United Kingdom (UK) banks are generally maintaining similar level of credit exposure from the years 2004 to 2006. In fact, following the analysis on credit exposure, he also argued that the major British banks with larger size have managed the credit performance in a more comprehensive manner when compared to the smaller banks. He further argued that the larger banks follow the Basel guidelines better and have adopted different means for assessing credit performance.

Chapter 4

Study Framework

4.1 Study Framework

In this research the main thing is to show a reliable and easy credit performance analysis approach to evaluate the overall performance of the bank year to year. This ensures that the use of credit performance analysis in the decision-making process is transparent to applicants and other stakeholders.

The processes are used for showing the performances of managing credit performance are given below:

1. Credit performance analysis through ratio analysis

Major types of ratios to analyze the credit performance are Credit ratios, Operational performance, Liquidity ratios, Market ratios, Interest ratios and Capital ratios. These ratio analyses will show the bank's specific sector wise performance.

2. Trend/statistical analysis

Trend analysis is a common process to predict a positive or negative or mixed flow of the variables. This analysis is used for future prediction while using the past data. This analysis can be used for short, middle and long term. In this paper this analysis will be used to show the risk movement through the years 2017 to 2021.

Chapter 5

Study Findings and Analysis

Financial data: Figures in million taka.

Particulars/Year	**2017**	**2018**	**2019**	**2020**	**2021**
Provision For Loan Losses	3,853	4,217	5,356	5,148	6,680
Total Loan	146,634	173,867	179,037	178,159	189,490
Total Equity	17,074	17,677	19,367	20,829	22,196
Total Asset	256,665	316,707	340,926	337,372	377,689
Total Liabilities	186,460	222,851	237,519	238,086	256,451
Cash and due from banks	12,396	13,301	15,550	13,944	11,919
Cash and government securities	27,627	28,866	32,906	36,102	39,732
Book Value Of Equity	17,073	17,676	19,367	20,829	22,196
Market Value Of Equity	15,632	14,043	10,598	12,486	1 5,558
Book Value Of Assets	2,486	2,617	2,733	2,692	2,584
Market Value Of Assets	3,917	4,264	4,650	4,874	5,015
Interest Sensitive Asset	174,682	210,012	223,339	232,884	249,392
Interest Sensitive Liabilities	54,355	76,178	84,038	79,703	99,794
Share Prices in Market	17.70	15.90	12.00	13.20	15.30
Earnings Per Share	2.09	1.97	2.30	2.20	2.46
Equity Capital	17,074	17,677	19,367	20,829	22,196

5.1 Ratio analysis to measure credit performance

Credit performance analysis is a critical term for every banking institution all over the world. Here in this part the main types of financial ratios will be analyzed and the output will be compared with the overall credit performance of the bank. The credit performance concerned with the six core factors. These factors are as follows: Credit ratios, operational ratios, Liquidity ratios, Market ratios, Interest ratios and Capital ratios.

5.1.1 Credit Ratios

These ratios help analysts and investors determine whether individuals or corporations are capable of fulfilling financial obligations. It results in the loss on capital and the interest that is given to the borrowers. The ultimate impact is on the cash flow of fund in the farms financial performance. Though, it is not possible to identify who, when and how the repayment will be default. But some necessary calculations can give the notification of the credit performance and the firm can take necessary steps against it.

The following formula are two of the most widely used indicators of bank credit ratios:

1. The ratio of the annual provision for loan losses to total loans and leases.

2. The ratio of allowance for loan losses to total equity capital.

Here is the tabular view of the ratio based on first formula.

Table 1: Loan loss provision to total loans percentages output.

Year	Provision For Loan Losses	Total Loan	Percentage
2017	3,853	146,634	2.63
2018	4,217	173,867	2.43
2019	5,356	179,037	2.99
2020	5,148	178,159	2.89
2021	6,680	189,490	3.53

Here is the tabular view of the ratio based on second formula.

Table 2: Loan loss provision to total equity percentages output.

Year	Provision For Loan Losses	Total Equity	Percentage
2017	3,853	17,074	22.57
2018	4,217	17,677	23.86
2019	5,356	19,367	27.66
2020	5,148	20,829	24.72
2021	6,680	22,196	30.10

Graphical representation of table 1 & 2.

Chart 1: Loan loss provision to total loans percentages chart output.

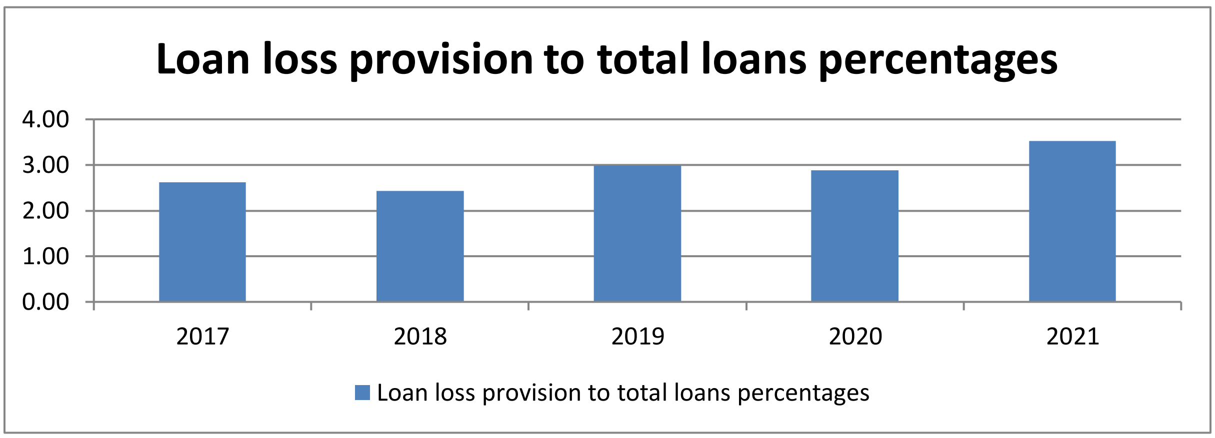
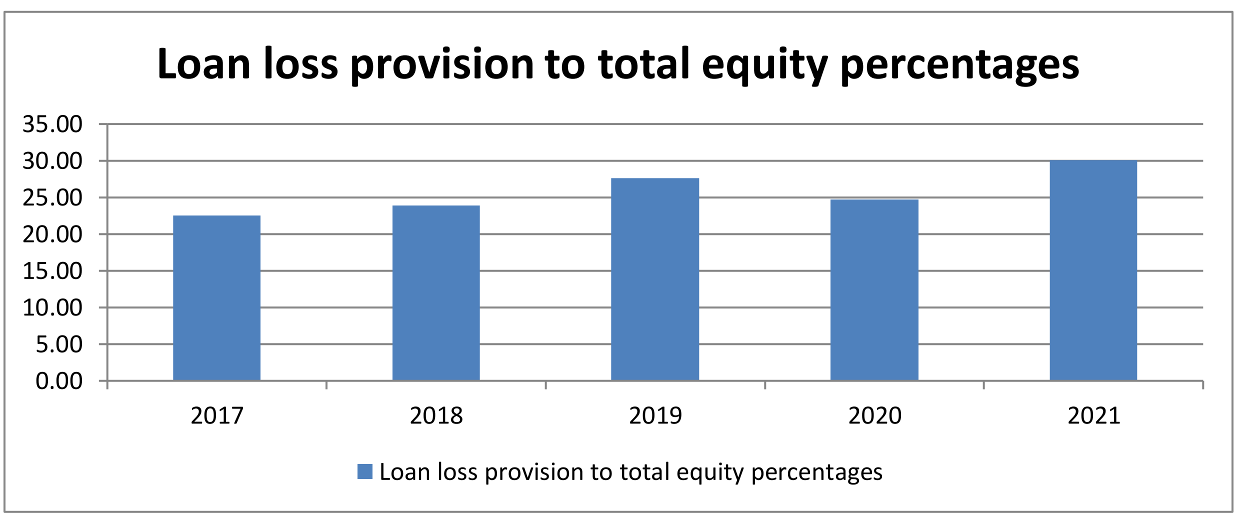


Chart 2: Loan loss provision to total equity percentages chart output.



The result of loan loss provision to total loans percentages is not constant in every year. In 2017 the rate was 2.63 percent then next two years they went down then again that percentage went high in the years 2020 and 2021. It shows that, NCCB provides higher provisions against the loan losses for two years then again keep that low or two years. So, they can have higher capital for two years beside enough funds for loan losses. Same as the table two this is the result of loan loss provision to total equity. It is an indication of managing its fund to face sudden loan losses events and to maximize credit performance.

5.1.2 Operational Performance

The inner or outer variables the directly or indirectly effects on the company and their financial performance such as hazard, natural disaster, manmade mistakes etc. are the variables behind the operational performance. It is problem which banks face in day to day operational activities. It effects on the productivity of the man power in the institution. It is a kind of credit performance analysis for unique industry like the banking. Sometimes it can be called as human risk because human error also one of the main reason behind operational performance. A model statistical analysis of specific time period can show the performance level for the bank. Here the model of six years is given below:

Table 3: Variables for operational performance measurement.

Hazard	Low = 1	Medium = 2	High = 3
Number Of Hazards	1-2 Types	3-4 Types	5 Types Or More
Exposure	Low = 1	Medium = 2	High = 3
Duration	Less Than 1 Year	1 Year To 5 Years	5 Years Or More
Vulnerability	Low = 1	Medium = 2	High = 3
Damage By Hazard	Equal Profitability	Low Profitability	No Profitability
Manageability	Low = 1	Medium = 2	High = 3
Response To Hazard	No Response	Medium Response	High Response

Performance Level	Low = 1	Medium = 2	High = 3
Limit	1-2 Point	3-5 Point	5 Point Or More

$$\text{Operational performance} = \text{HAZARD} \times \text{EXPOSURE} \times \frac{\text{VULNERABILITY}}{\text{MANAGEABILITY}}$$

It is a formula to find out the performance level by accepting variables from the following table. According the formula the result of the Operation performance is given below:

$$\text{Performance} = 1 \times 2 \times \frac{1}{3} = 2.33$$

Here hazard faced by NCCBL is one and duration of 2 years and response to hazard is high and lastly the calculation shows the output level 2.33, which is high category operational performance for NCCBL.

5.1.3 Liquidity Ratios

Liquidity is the ability of any institution of individual's to repay their debts as soon as possible without suffering any major losses. So liquidity ratios measure those situations when there is less marketability of instruments which cannot be sold quickly to get the liquid money to manage the loss. For liquid ratios analysis there are major three ratios that are used widely:

1. Net loan to total assets.

2. Cash and due-from deposit balance held at other banks to total assets.

3. Cash assets and government securities to total assets.

Here is the tabular view of the ratio based on first formula.

Table 4: Net loans to total asset percentages output.

Year	Net loan	Total Asset	Percentage

2017	146,634	256,665	57.13
2018	173,867	316,707	54.90
2019	179,037	340,926	52.51
2020	178,159	337,372	52.81
2021	189,490	377,689	50.17

Here is the tabular view of the ratio based on second formula.

Table 5: Cash and due from banks to total assets percentages output.

Year	Cash and due from banks	Total Asset	Percentage
2017	12,396	256,665	4.83
2018	13,301	316,707	4.20
2019	15,550	340,926	4.56
2020	13,944	337,372	4.13
2021	11,919	377,689	3.16

Here is the tabular view of the ratio based on third formula.

Table 6: Cash and government securities to total assets percentages output.

Year	Cash and government securities	Total Asset	Percentage
2017	27,627	256,665	10.76
2018	28,866	316,707	9.11
2019	32,906	340,926	9.65
2020	36,102	337,372	10.70
2021	39,732	377,689	10.52

Graphical representation of table 4, 5 and 6.

Chart 3: Net loans to total asset percentages chart output.

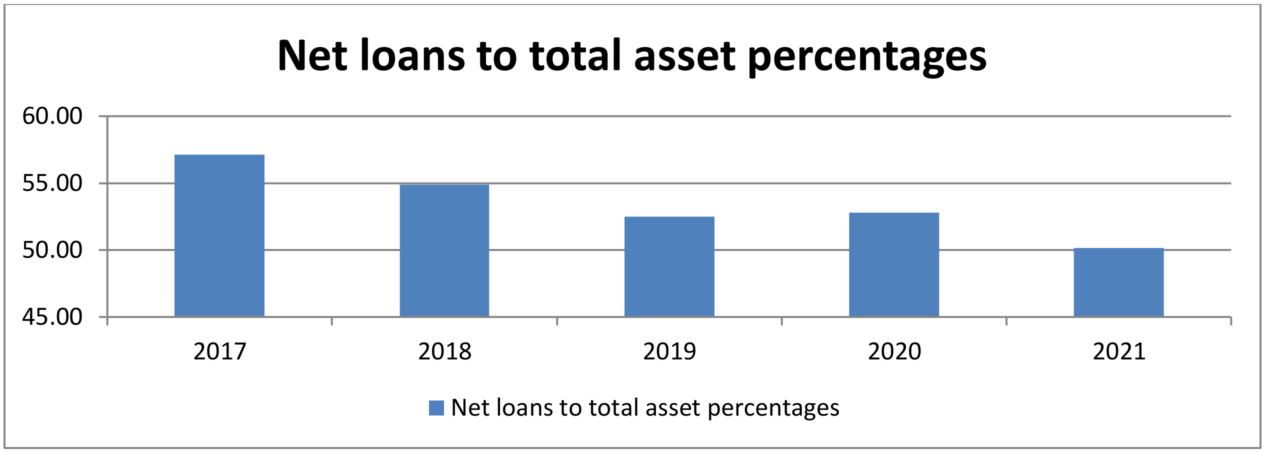


Chart 4: Cash and due from banks to total assets percentages chart output.

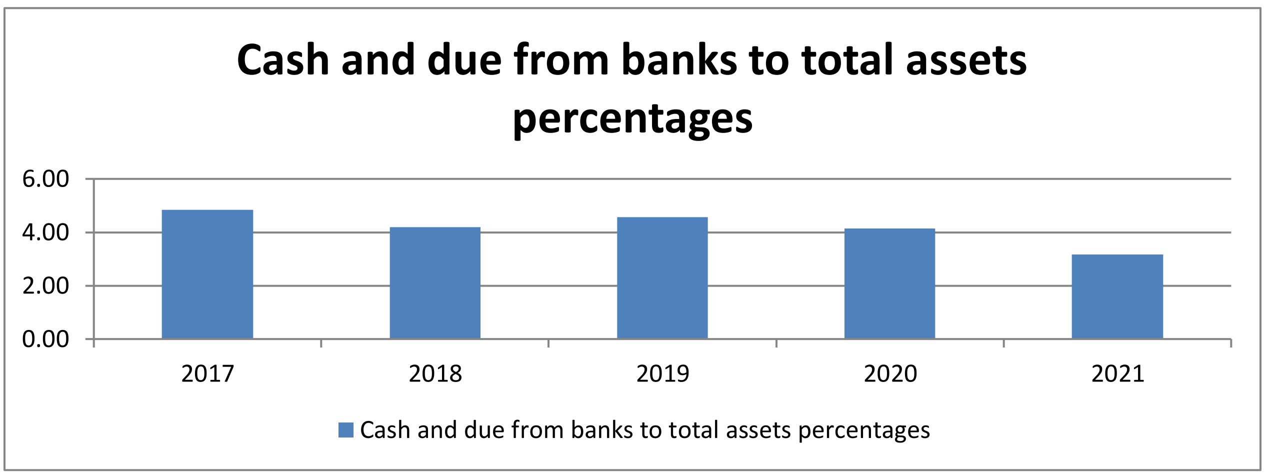
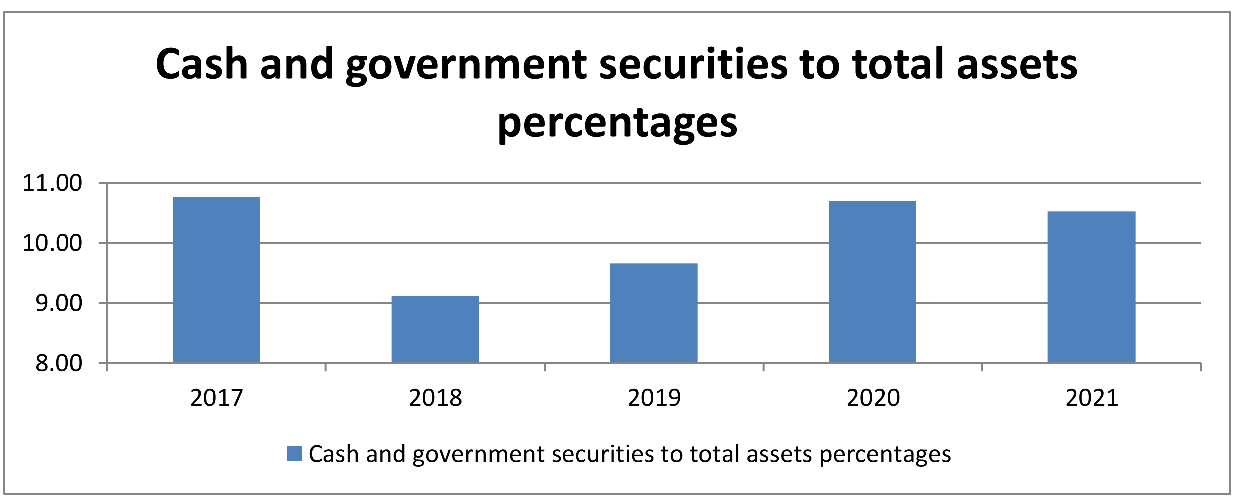


Chart 5: Cash and government securities to total assets percentages chart output.



From the tables and chats of these liquidity ratios, the result of net loans against total asset shows that the percentages stay around 50-60 percent. Which indicates that, National Credit and Commerce Bank Limited keeps at least 40 percent of its assets more than the loans. So, they can have enough assets against the loans. It will be advantage to face the adverse situation for the bank if the clients fail to repay the loans. On the other hand, cash and due from banks is gradually reduced over the years. So the liabilities of the bank are also reduced from the other banks. Lastly, the bank keeps government securities more than 10 percentages. This is one tenth of the assets of the bank. This ensures loss less assets for the bank and those securities can be liquidated easily from the market. Though the percentage of earnings from those securities are not high but it provides the safety for the bank for sudden financial disrupts in the market.

5.1.4 Market Ratios

Market ratios are the ratios that mainly arise when individual or institution experiences loss/profit due to various factors while investing in the financial markets. Market ratios are systematic analysis which affects the whole market. Every individual and institution calculates these ratios. These financial ratios may arise due to changes to interest rates in market, exchange rates in market and geopolitical events or recessions. The common formulas used to measure these ratios are:

1. The ratio of a bank's book-value assets to the estimated market values those same assets.

2. The ratio of book-value equity capital to the market value of a bank's equity capital.

Here is the tabular view of the ratio based on first formula.

Table 7: Book value of equity to market value of equity percentages output.

Year	Book Value Of Equity	Market Value Of Equity	Percentage
2017	17,073	15,632	109.22
2018	17,676	14,043	125.87
2019	19,367	10,598	182.74
2020	20,829	12,486	166.82
2021	22,196	15,558	142.67

Here is the tabular view of the ratio based on second formula.

Table 8: Book value of assets to market value of assets percentages output.

Year	Book Value Of Assets	Market Value Of Assets	Percentage
2017	2,486	3,917	63.47
2018	2,617	4,264	61.37
2019	2,733	4,650	58.77
2020	2,692	4,874	55.23
2021	2,584	5,015	51.53

Graphical representation of table 7 & 8.

Chart 6: Book value of equity to market value of equity percentages chart output

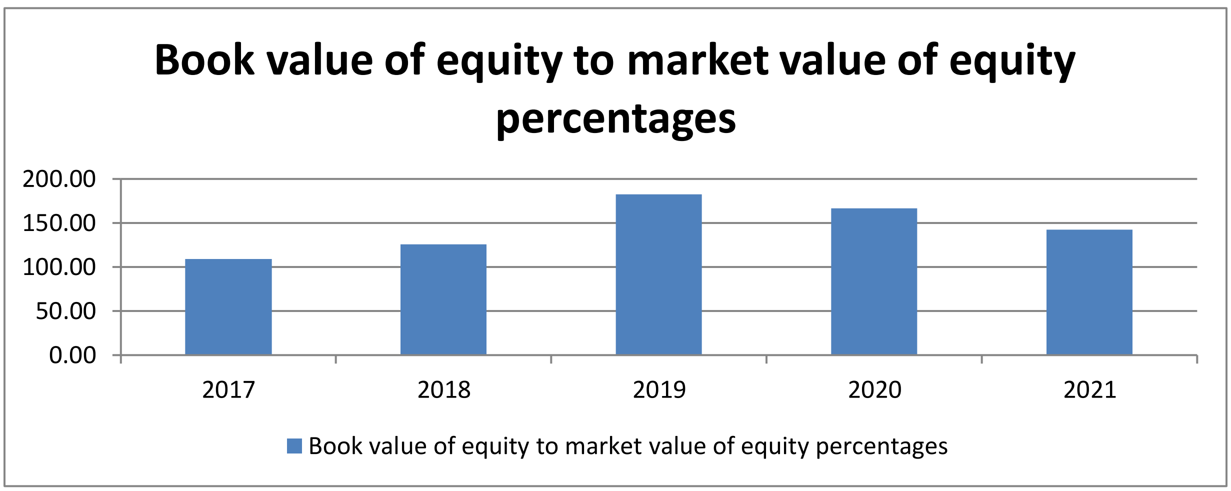
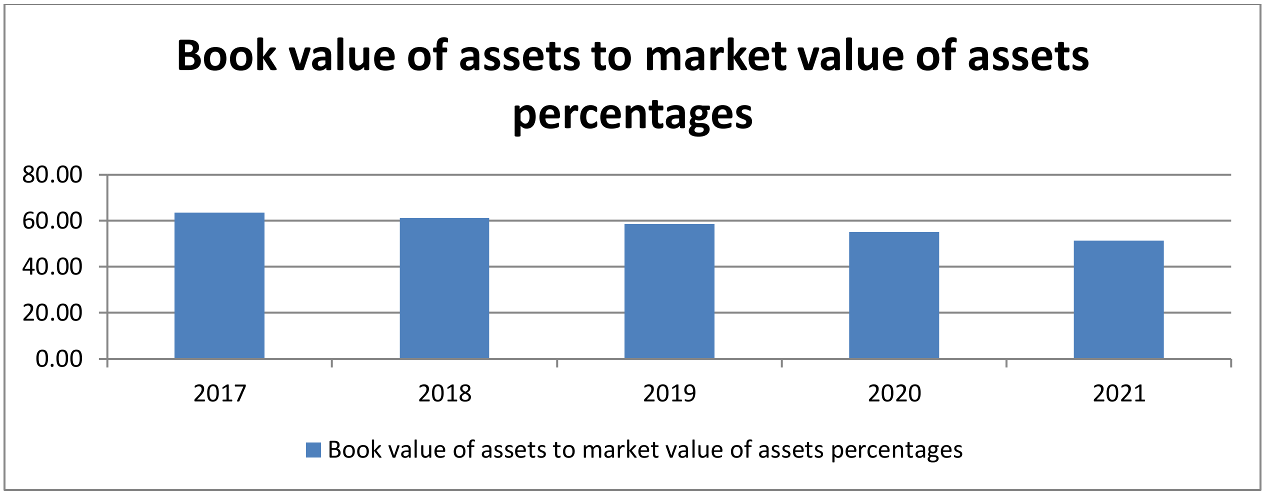


Chart 7: Book value of assets to market value of assets percentages chart output.



From the tables and charts under the market ratio, the results shows that book value of equity is higher than the market value of equity and the other part shows that the book value of asset is lower than the market value of assets. It indicates that National Credit and Commerce Bank is looking for capturing profitability, intangibles and future growth prospects through raising value of its outstanding shares in the market. On the other hand, the bank is also looking for lower book value of assets because the book value is the portion of money shareholders would receive if assets were liquidated and liabilities paid off. So, bank is keeping the safe position to credit performance in the market ratios.

5.1.5 Interest Rate ratios

It is the possible performance due to change in the interest rates in the financial market. If the interest rate rises then the value of different instruments will fall. The opposite will happen when the rate goes low. Interest rate ratios output can be reducible by taking some stapes such as hedging risk, forecasting, duration maximization etc. It can be diversified by the users for personal or institutional benefit. This interest rate ratio mainly affects by the interest sensitive assets and liabilities. So the main formula to find out the ratio factor is:

1. Ratio of interest sensitive assets against the interest sensitive liabilities.

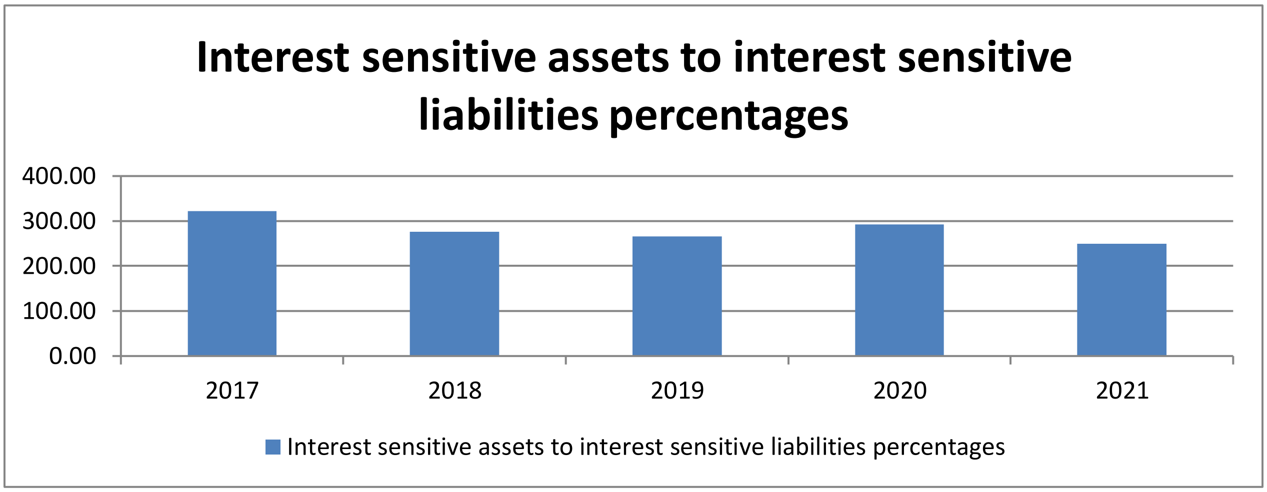
Here is the tabular view of the ratio based on the formula.

Table 9: Interest sensitive assets to interest sensitive liabilities percentages output.

Year	Interest Sensitive Asset	Interest Sensitive Liabilities	Percentage
2017	174,682	54,355	321.37
2018	210,012	76,178	275.69
2019	223,339	84,038	265.76
2020	232,884	79,703	292.19
2021	249,392	99,794	249.91

Graphical representation of table 9.

Chart 8: Interest sensitive assets to interest sensitive liabilities percentages chart output.



From the table and chart, the portion of interest sensitive asset is lower than the interest sensitive liabilities. Interest-sensitive assets are more profitable when lending rate increases. If interest rates rise a bank can earn more profit. So in the market the rate is lower to keep less number of interest sensitive assets. On the other hand, the interest sensitive liabilities are much higher because it makes up a significant amount of the assets of the bank. So the bank follows the interest rate in the market and according the situation they keeps the interest sensitive assets low or high comparing to the interest sensitive liabilities to minimize the interest ratios.

5.1.6 Capital Ratios

Capital is mainly the possible asset of the part of an investment. Individuals or institution calculate capital ratios when they invest in the projects, stocks, non-government bonds, etc. This performance analysis arises when the potential investment or capital is able to gain or fail to gain the return. It is one of the top priorities given subjects by the investors and firms. To understand the ratios there are various formulas are used by different researchers. The main three formulas are explained here with the tables and chart:

1. Stock price/Earnings per share

2. Equity capital/Total assets

3. Equity capital/Risk assets

Here is the tabular view of the ratio based on first formula.

Table 10: Share prices to earnings per share multiple output.

Year	Share Prices	Earnings Per Share	X
2017	17.7	2.09	8.47
2018	15.9	1.97	8.07
2019	12	2.3	5.22
2020	13.2	2.2	6.00
2021	15.3	2.46	6.22

Here is the tabular view of the ratio based on second formula.

Table 11: Equity capital to total assets percentages output.

Year	Equity Capital	Total Assets	Percentage
2017	17,074	256,665	6.65
2018	17,677	316,707	5.58
2019	19,367	340,926	5.68
2020	20,829	337,372	6.17
2021	22,196	377,689	5.88

Here is the tabular view of the ratio based on third formula.

Table 12: Total liabilities to total equity capital multiple output.

Year	Total Liabilities	Equity Capital	X
2015	186,460	17,074	10.92
2016	222,851	17,677	12.61
2017	237,519	19,367	12.26
2018	238,086	20,829	11.43
2019	256,451	22,196	11.55

Graphical representation of table 10, 11 & 12.

Chart 9: Share prices to earnings per share multiple chart output.

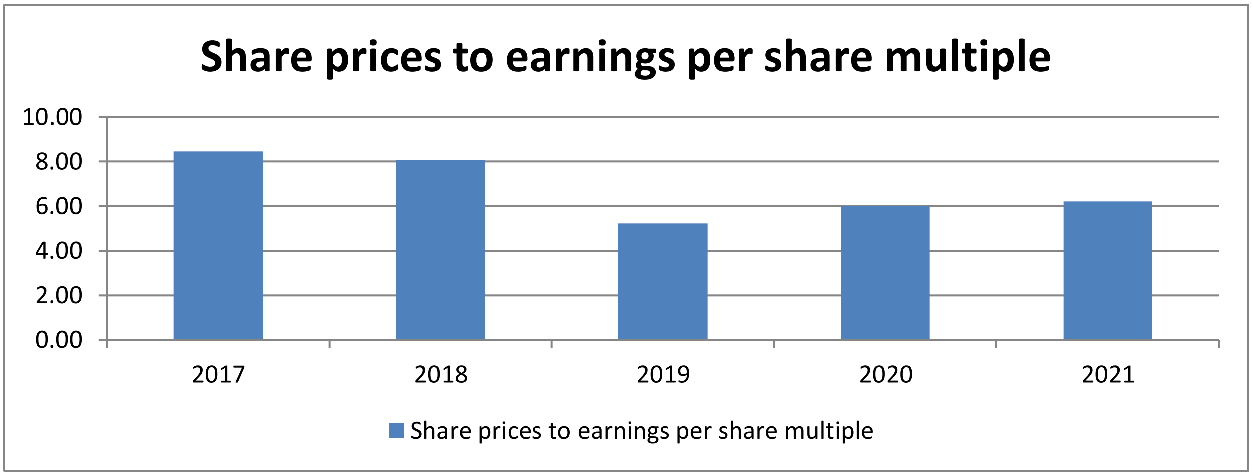


Chart 10: Equity capital to total assets percentages chart output.

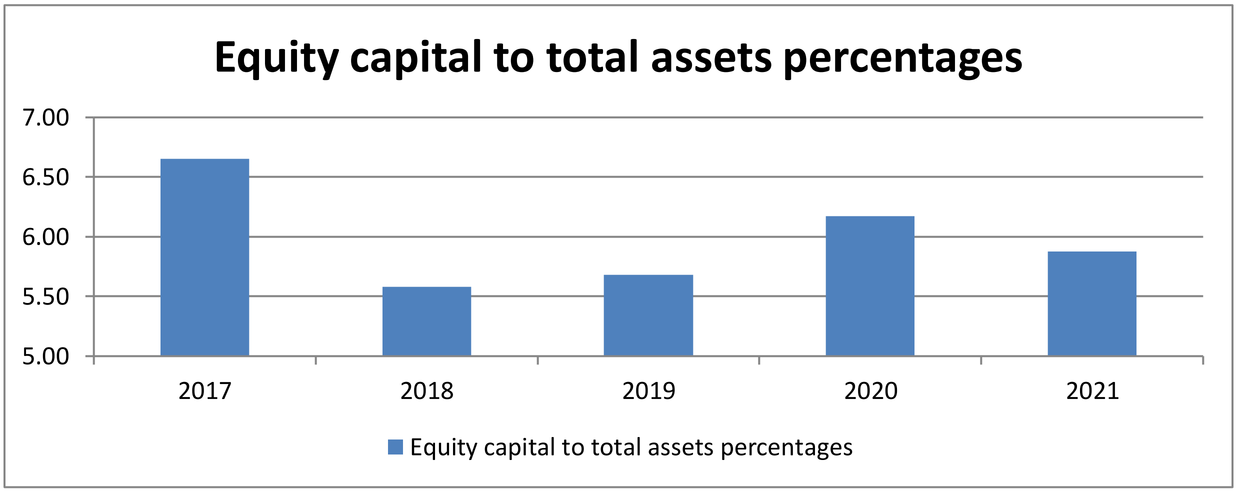
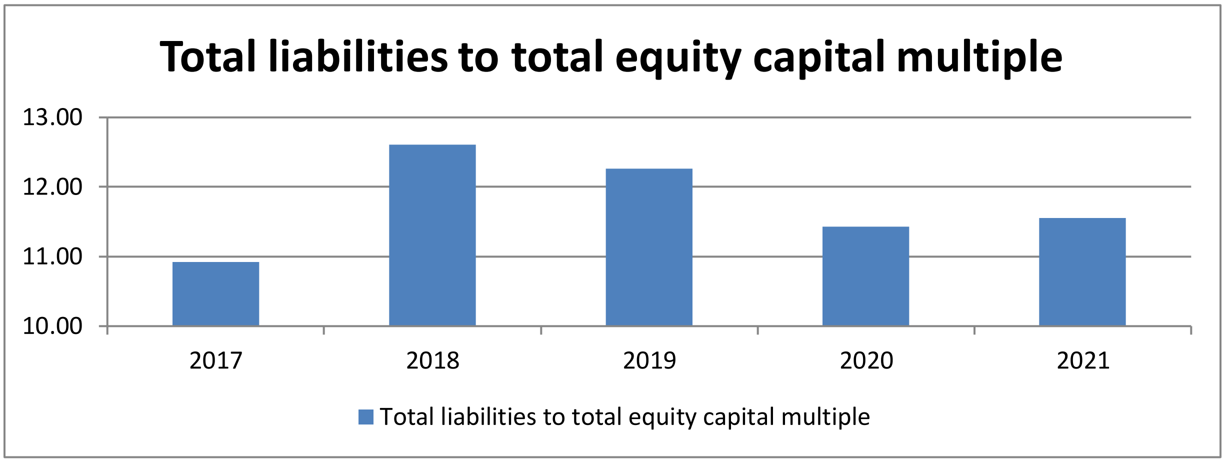


Chart 11: Total liabilities to total equity capital multiple chart output.



From the first table and the related chart under the capital ratio analysis, the result of 2019 and 2020 are much lower than the previous years. The earnings per share are the lowest 2.20 against the share price. The pandemic situation in the market puts a negative effect on banks dividend distribution and makes them to raise the retention percent. This also puts pressure on the equity holders to invest more in the equity portion to face the situation which is seen in the second table and the related chart. Lastly the equity capital raise helps the bank to face the liability raise for the banks. The percentages stay around 11 percent because of the financial decisions by the banks. It keeps them to manage the capital in a proper way and minimize the capital risks.

Note: All the figures of the tables are taken from the annual reports of National Credit and Commerce Bank Limited.

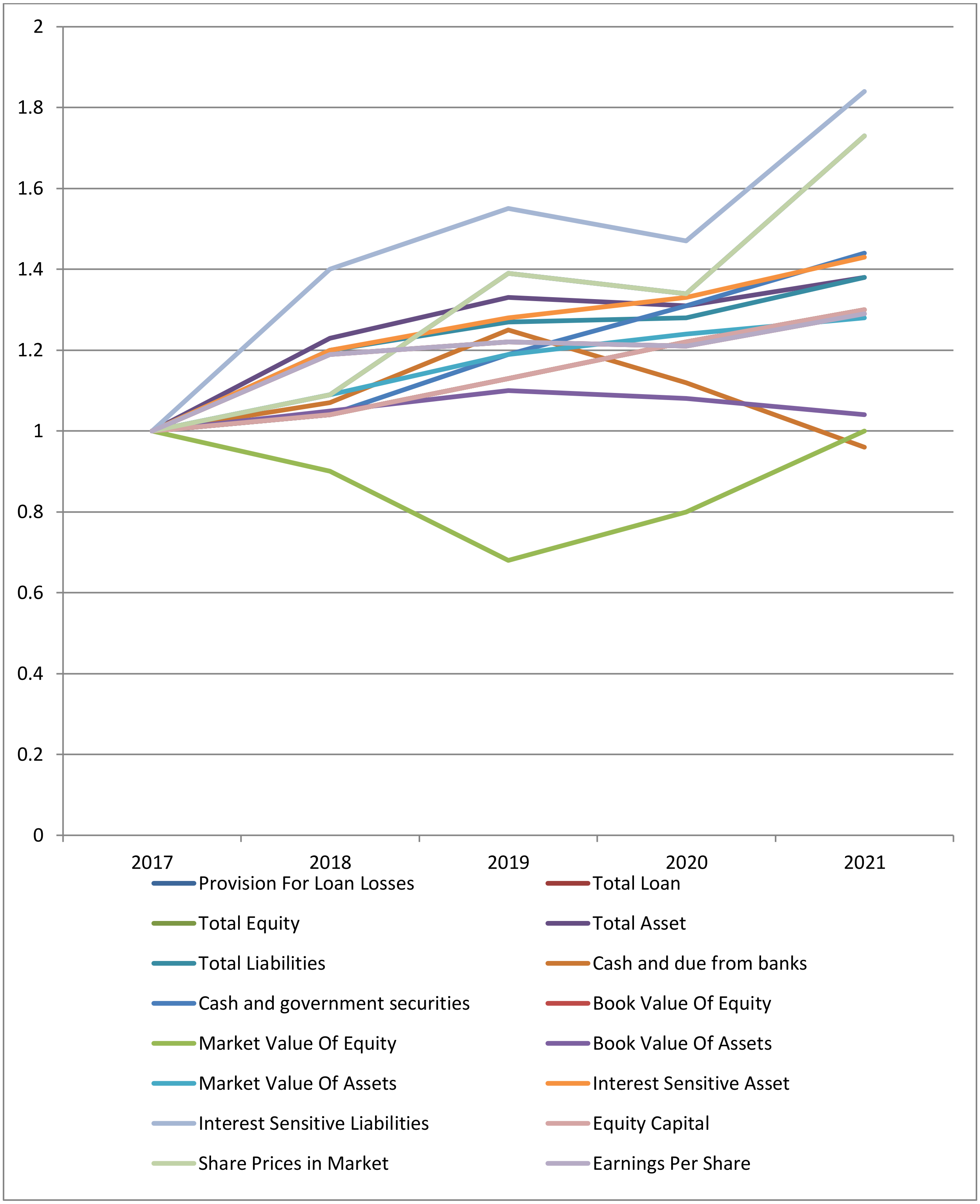
5.2 Trend Analysis

The trend analysis is based on the financial report particulars:

Particulars/Year	**2017**	**2018**	**2019**	**2020**	**2021**
Provision For Loan Losses	1.00	1.09	1.39	1.34	1.73
Total Loan	1.00	1.19	1.22	1.21	1.29
Total Equity	1.00	1.04	1.13	1.22	1.30
Total Asset	1.00	1.23	1.33	1.31	1.38
Total Liabilities	1.00	1.20	1.27	1.28	1.38
Cash and due from banks	1.00	1.07	1.25	1.12	0.96
Cash and government securities	1.00	1.04	1.19	1.31	1.44
Book Value Of Equity	1.00	1.04	1.13	1.22	1.30
Market Value Of Equity	1.00	0.90	0.68	0.80	1.00
Book Value Of Assets	1.00	1.05	1.10	1.08	1.04
Market Value Of Assets	1.00	1.09	1.19	1.24	1.28
Interest Sensitive Asset	1.00	1.20	1.28	1.33	1.43
Interest Sensitive Liabilities	1.00	1.40	1.55	1.47	1.84
Equity Capital	1.00	1.04	1.13	1.22	1.30
Share Prices in Market	1.00	1.09	1.39	1.34	1.73
Earnings Per Share	1.00	1.19	1.22	1.21	1.29

Note: Year 2017 is the base year and the rest years are the output of the trend analysis linking from the table of financial data.

Graphical representation of the Trend Analysis:



Chapter 6

Findings and Summary of Analysis

6.1 Summary of Ratio Analysis

In this report, the statistical analysis is done based on the major financial ratio factors. Here the performance of the banks on credit ratio, operational performance, liquidity ratios, market ratios, capital ratios and interest ratios are measured. These six factors covered the major portion of the performance analysis of the bank. The analysis is mainly done based on some important ratios under the credit performance factors. Here is the explanation of the outputs of 5 year time period of NCCBL that is given in the previous part.

6.1.1 Credit Ratios

To measure the credit ratios of NCCBL, two formulas are used. For the first formula I measured the percentage of provision for loan loss against the total loan. So the result is showed in percentages. In the year 2021, the percent is almost reached 4, before 2021 the rates were below to the 3 percent. Which means the provision for loan loss is much higher against the loan. This indicates that, the loan loss is much higher in the current years. This is a positive sign for minimizing credit ratios.

Second formula is the provision for loan loss against the total equity; the result shows that the percentages are lower in the year 2017, 18 and 21. But a rise movement is seen in the year 2020. The highest percent 24.72 is seen in the FY 2020. So from these two formulas output we can say that NCCBL's credit ratios were temporary high for the year 2020 but it constantly minimized in the next years of banking activities.

6.1.2 Operational performance

To measure the operational performance of NCCBL, there is a model of measurement is used to understand the performance level of the bank. The components of the measurements are hazard, exposure, vulnerability, and manageability and risk level. This theory is based upon how many hazards are faced by the bank, how they response to the problem and what is their performance level during the time period of the hazard. Here the time period is selected six years (2017 to 1021). Every part has identified by the level (high, medium, low) of measurements. In the measurement process a formula is applied. Here NCCBL's risk portion shows 2.33. This is lower for the banks operation. It also identifies that the operational performance by NCCBL has much lower effect on the banking performance and profitability.

6.1.3 Liquidity ratios

To measure liquidity ratios of NCCBL, three different formulas are applied. The first formula is the measurement of net loans against total asset. Here the percentages are close to 50 or more than that. It indicates that the bank maintained a constant level of loan policy for the banking operation and continuous performance. But bank must look on the return, liquidity possibility and interest of the loans.

Second formula is the measurement of cash and due from banks against the total asset. Banks sometimes invest in other banks and lend money to other banks for some profit purposes. The level of liquidity is much higher and easier when a bank lends money to other bank. Generally the liquidity percent stays higher than the other investment or securities. In the tabular summary, the percentages are around 4 and the highest percent show in the year 2017 is 4.83 percent.

Third formula is the percentage measurement of cash and government securities against the total assets of the bank. Government securities are much easier to convert into cash than other securities or instruments. In the tabular summary the percentages are more than 9. This indicates a high rate of probable liquidity option for bank while the bank faces need of liquid money.

6.1.4 Market ratios

To measure market ratios, two core formulas are used. First formula is the percentage measure of book value of equity against market value of equity. Here market value of equity is much higher than the book value of equity for the bank. This is a positive sign to manage market risk. On the other hand the second formula is the opposite of first formula. The book value of total asset is lower than the market value of the asset. NCCBL fulfills both the category in the section to manage the market ratios for the banking activities.

6.1.5 Interest ratio

Interest ratio mainly depend on the activities related with the interest. For that banks interest sensitive assets and interest sensitive liabilities plays the major role. The percentage of the six years interest sensitive assets against the interest sensitive liabilities is more than 300 percent. Which is a positive sign for the banks overall interest management and the financial performance. The bank managed constant interest sensitivity in the market for higher profit against low risk.

6.1.6 Capital ratios

Capital ratios are the portion of possible credit performance that company will gain or loss in the tough situation in the market. The tabular summery of capital ratios are discussed under there major capital ratio formulas. First formula is the measurement of the multiplication of Earnings per Share (EPS) against the share price. NCCBL maintained the multiplication level around 4. It is a positive sign for the investors and the shareholders of the bank. Second formula calculates the equity capital percentage against the total asset. The percentage level output is around 8. Here also NCCBL maintained a constant percent ratio for the capital and the asset management. And the last formula is on the total liabilities multiplier against the total equity capital. From the year 2017 to 2021 NCCBL maintain the result around 11 percent.

So, from the discussion and the summary of the findings it is clear that National Credit and Commerce Bank Limited managed its financial risks in a well-established constant level. The Credit Performance Management Department has proper control over the financial performance to face sudden events and minimize the loss.

6.2 Summary of Trend Analysis

Technical analysis techniques like trend analysis aim to forecast future financial movements using trend data that has just been observed. To predict the long-term direction of market sentiment, trend analysis makes use of previous data, such as price fluctuations and transaction volume. Only the market value of equities was shown to have had a significant decline in 2019 by the trend analysis. Except that each trend exhibits an upward tendency over time.

Chapter 7

Recommendations

7.1 Possible Recommendations for NCCBL

During the year under review, NCCBL's strategy was concentrated on sustainable long-term growth of business, better deposit mix, improving the quality of assets, rationalizing operating cost, improving operational efficiency and productivity of resources, better and faster customer services and strengthening the overall credit performance management and Corporate Governance system. Possible recommendations based on the financial analysis of this report for National Credit and Commerce Bank Limited are:

- Their provision for loan loss increased almost double in the year 2021 than comparing the year 2017. They need to reduce the provision amount to save some assets.
- Total loan, total assets, total liability and total equity particulars are remain almost straight over the years but only the year 2019 the growth rate faced some slow movement. This is increasing in recent time. They need to keep the flow of the high growth.
- Cash and other assets related to banks and government has positive and negative trend also. In recent years their collection from others increased and the government securities increased. This is a good sign for low risk condition for the bank. They need to maintain the flow for their future goal achievement.
- Their book value and market value of the assets and liabilities in the middle years 2019 and 2020 become high but now they are seen much lower than the previous. So they need to increase the values to make the bank value much higher.
- NCCBL faced a low share price in the year 2019 but they maintained a raise after the year. But they maintained a good EPS around 2. They can improve their overall performance and can raise the EPS for their Shareholders.

These are the possible recommendations for the National Credit and Commerce Bank Limited. They have huge opportunity to improve and expansion in the market. They should realize the overall industry improvement and make their performance high.

Chapter 8

Conclusion

8.1 Conclusion

One of Bangladesh's biggest banks, National Credit and Commerce Bank Limited, offers banking services. I've come to the partial conclusion in a pretty confident manner after putting the client dealing method into practice for the entirety of my internship at National Credit and Commerce Bank Limited. National Credit and Commerce Bank Limited's performance during the previous five years has demonstrated their tremendous ambition and willpower to achieve any goal they may have. This analysis reveals that whereas other financial risks are not as volatile or steady, only the credit performance sector has significant ups and downs. Therefore, it can be argued that they operate very effectively and efficiently and make wise financial decisions. In comparison to this bank, almost all of the top banks in our business offer a variety of supplementary services to consumers. But compared to many of its rivals in the sector, National Credit and Commerce Bank Limited have been more successful in gaining consumers. This is only feasible because of the bank's great customer service and solid customer relationships. The results of the examination of credit performance analysis are presented in the report. The outcomes are really pleasing. However, the bank occasionally experienced difficult circumstances for a year or two, and the steady level fails. Aside from that, the bank consistently and competently manages the other components. The Credit Performance Management Department (CPMD) of National Credit and Commerce Bank Limited is in charge of managing the bank's credit performance. This report primarily focuses on the bank's credit policy, operational loss management, the liquidity circulation process, market-oriented bank decisions, various interest guidelines for various loans and investments, and capital management by the bank. Various ways of the analysis process are used to undertake a new scenario of bank credit performance analysis. The ratio and trend analysis systems used to show how well a bank is able to manage credit performance in six categories, and the annual performance measurement all use statistical analysis. The main six forms of financial performance of credit are summarized graphically and in a table, and these procedures are also shown there. I hope that this study will allow everyone to understand how banks manage their credit performance and how the banking industry will develop in the future. In order to increase banking performance and profitability, National Credit and Commerce Bank Limited is hoped to perform significantly better in the near future.

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