

Rating Report (Surveillance) National Credit and Commerce Bank Limited

Ratings

Long Term : **A₁**
 Short Term : **ST-2**
 Date of Rating : 24 June 2010
 Validity : 30 June 2011

Previous Ratings

Long Term : A₂
 Short Term : ST-2
 Date of Rating : 29 June 2009

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Highlights:

	BDT in million	
	2009	2008
Loans & Advances	50,387.68	46,332.69
Non Performing Loan	1,420.57	1,902.58
Deposits	53,900.15	46,904.66
Investment	9,671.53	6,526.82
Net Profit After Tax	1,719.50	882.28
Return on Average Asset	4.36%	3.58%
Net Interest Margin	3.20%	3.47%
Capital Adequacy Ratio	13.55%	10.61%
Internal Capital Generation	44.19%	38.16%
Gross NPL ratio	2.82%	4.14%
Net NPL ratio	0.95%	1.66%
NPL Coverage Ratio	103.34%	82.41%
Loan to Deposit Ratio	93.48%	98.78%
Liquidity Ratio	24.165	18.88%

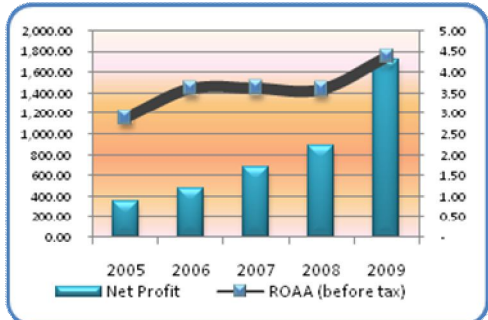
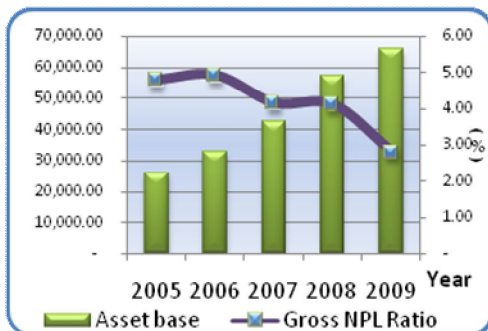
1.0 Rationale

Credit Rating Agency of Bangladesh (CRAB) Limited has assigned **A₁** (Pronounced A one) rating in the long term and **ST-2** rating in the short term to National Credit and Commerce Bank Limited based on audited financials as at 31st December 2009 and other relevant information.

Commercial banks rated in the long term **A₁** belong to 'Strong Capacity & High Quality' cohort. Banks rated '**A₁**' have strong capacity to meet their financial commitments but are somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions. **A₁** is judged to be of high quality and is subject to low credit risk.

Commercial Banks rated in the short term '**ST-2**' category are considered to have the strong capacity for timely repayment of obligations. Banks rated in this category are characterised with commendable position in terms of liquidity, internal fund generation, and access to alternative sources of funds.

National Credit and Commerce bank Limited (NCCBL) was formed as a public limited banking company in 1993. NCCBL has 65 branches all over the country with work force of 1,496 employees for performing banking business activities as on 31 December 2009.





The Bank has eight (08) SME centers for delivering loan facilities to the small and medium enterprises too. The paid up capital of the Bank has risen to BDT 2,284 million in 2009. During 2009, total operating income of NCCBL grew by 31.79% over that of 2008. Net interest income growth was 13.13% in 2009 whereas growth of interest paid on deposit was 21%. Major income sources are LTR, term loan, CC hypothecation, SOD against financial obligations etc. NCCBL's other types of income includes investment and other non-funded incomes like fees, commission etc. However, 65.07% of NCCBL's total operating income was generated from non-interest income. Individually, 22.44% of income came from commission, exchange and brokerage and 24.50% came from investment income. Operating expenses of NCCBL increased by 29.39% in 2009 over the previous year. Major portion of operating expenses used to pay salary and allowance of the employees (around 56% of total operating expenses).

NCCBL's ROAA and ROAE after tax showed improved trend in 2009. There was 49% growth in the total equity, 15% growth in total asset along with 50% growth of net profit before tax combined affected ROAA and ROAE. Net interest margin of the Bank decreased to 3.20% in 2009 from 3.47% in 2008 resulted from low growth in interest income (19%) as well as interest earning asset (10%). Asset utilization ratio increased mainly due to 48% growth in investment along with 32% growth in operating income. Leverage multiplier decreased as the Bank is generating more capital for its equity base due to BASEL II accord. NCCBL's efficiency ratio¹ decreased to 28.24% in 2009. In 2009, NCCBL's total asset reached BDT 65,937.49 million registering a growth of 14.94% from 2008. Total asset composition dominated by loans and advances secured 8.75% growth.

The Bank's emphasizes its focus to SME banking in 2009. There were downward trend observed in consumer import scheme, credit scheme, house building loan etc in its loan portfolio. The Bank was mainly funded by customer deposit and internal capital generation. About 21.31% of total deposits of the Bank comprised current and savings deposits. In 2009, advances to deposit ratio of the bank was 90% (monthly average). The Bank was the net borrower to the call money market throughout in 2009.

During 2009, NCCBL defined 8 loans accounts (funded and non funded) as large loans where total outstanding amount was BDT 7,441 million having 15% share in total loan portfolio. Status of 8 large loan borrowers is in unclassified category. In 2009, the Bank's NPL decreased significantly to 2.82% from 4.11% which highlights better performance of the Bank. NCCBL's classified loan status shows that, major portion of its NPL was bad/loss category 2.57% of gross NPL. Special Mention Accounts (pre NPL stage) of NCCBL decreased -35% in 2009.

The Bank was reasonably capitalized in terms of capital adequacy ratio (13.55%) by the end of 2009 against regulatory requirement 10%. However, this ratio was 9.27% under Basel II which was running parallel of Basel I in 2009. NCCBL has its strength in liquidity position and capital generation.

¹ Lower the value, better the performance