

## Rating Report (Surveillance) National Credit and Commerce Bank Limited

**Ratings**

Long Term : **A<sub>2</sub>**  
 Short Term : **ST-2**  
 Date of Rating : 29 June 2009  
 Validity : One Year

**Previous Ratings**

Long Term : **A<sub>2</sub>**  
 Short Term : **ST-3**  
 Date of Rating : 09 June 2008

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**Highlights:**

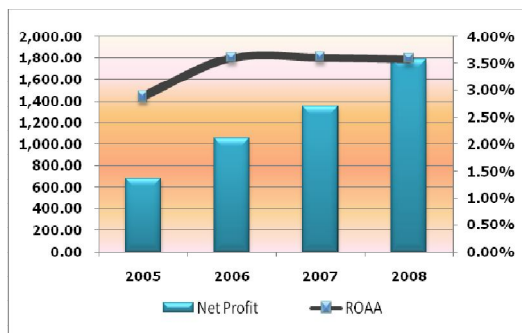
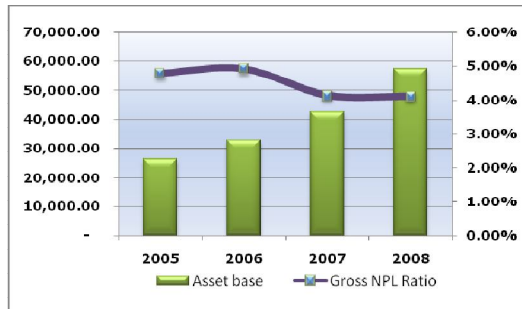
	BDT in million	
	2008	2007
Loans & Advances	46,332.69	32,687.75
Non Performing Loan	1,902.58	1,353.31
Deposits	46,904.66	34,901.77
Investment	6,526.82	6,215.40
Net Profit After Tax	882.28	677.18
Return on Average Asset	3.58%	3.61%
Net Interest Margin	3.47%	3.86%
Capital Adequacy Ratio	10.61%	10.61%
Internal Capital Generation	38.16%	41.86%
Gross NPL ratio	4.14%	4.17%
Net NPL ratio	1.66%	1.58%
NPL Coverage Ratio	82.41%	89.92%
Loan to Deposit Ratio	98.78%	93.66%
Liquidity Ratio	18.88%	24.04%

**01. RATING DETAILS**
**1.1 Rating Rationale:**

Credit Rating Agency of Bangladesh Limited (CRAB) has retained the Long Term rating at "**A<sub>2</sub>**" (pronounced **Single A Two**) and upgraded short term rating to "**ST-2**" of National Credit and Commerce Bank Limited (hereinafter referred to as NCCBL, or the Bank).

The rating takes into account both qualitative and quantitative indicators. Such rating is supported by above average quality of portfolio in terms of asset performance and diversification, sound profitability level, satisfactory capital base as well as satisfactory liquidity position. The ratings also draw comfort from the fact that, risk management practices are in place to protect the quality of the portfolio. The shareholding structure, composition of Board with the ability and willingness of the Board of Directors to bailout the Bank in case of need, coherence of the management team, experience of top-level management in terms of building up solid business mix, maintaining operating efficiency and strengthening the NCCBL's market positions are also key drives to deriving the rating.

The rating analysis has concern over some areas of the Bank's performance. Although, Bank's deposits, loans & advances and



earning maintaining fantastic growth rate with low volatility, its non-performing assets also are in upward trend. Gross NPL reached to BDT 1,902.52 million in 2008 from BDT 1,353.31 million in 2007. NPL ratios of the Bank are also comparatively higher than its peer banks median. NCCBL's fund generation is dependent on high cost fixed deposits, which is increasing year by year. Such high cost fund increases Bank's overall cost of fund, which ultimately creates pressure on Bank's spread. Although AD ratio of the Bank was quite high through out the year, it is in diminishing trend, reaching 87% on May 2009. Bank's dependency on call borrowing also increased in 2008, because holding excess govt. securities as a primary dealer of govt. securities. However, such dependency on call market also reduced in 2009 and the Bank became net lender in the call market (May 2009).

Persisting global economic recession has slowly affected the economy of Bangladesh. Country's major sources of foreign currency are export proceeds and remittance, which are susceptible to adverse trend in global economies. As a crucial player in the financial market, overall performance of banking industries in next few years might be under challenge. Bank's internal precaution with policy support from the regulatory agencies may help to overcome the present crisis.

Commercial Banks rated '**A<sub>2</sub>**' in the long term are adjudged to be of high quality and subject to low credit risk. Such Banks have strong capacity to meet their financial commitments but are somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions. Banks rated '**ST-2**' in the short term are characterized with commendable position in terms of liquidity, internal fund generation, and access to alternative sources.

### **1.2 Rating History:**

NCC Bank Limited (NCCBL) was assigned **A<sub>2</sub>** rating in the long term and **ST-3** in the short term by CRAB on 09 June 2008 which had a validity of 1 (one) year from the date of rating award. The last rating was based on the audited financial statements of 31 December 2007.