

INTERNSHIP REPORT



Credit Risk Management Policy of Trust Bank Ltd I

Credit Risk Management Policy Of Trust Bank Limited

TOPIC: Credit Risk Management Policy of Trust Bank Ltd.

Course: Internship (BUS- 400)

Semester: Spring 2012

Prepared For

Ms. Syeda Shaharbanu Shahbazi Ahmed

Senior Lecturer,

Department of Business Administration

BRAC University

Prepared By

<u>Name</u>	<u>ID</u>
Mazharul Hoque	08104066

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MAY 24, 2012

May 24, 2012

Ms. Syeda Shaharbanu Shahbazi Ahmed

Senior Lecturer

BRAC Business School

BRAC University

Subject: Submission of Internship Report

Dear Madam,

It is my great pleasure to submit the Internship report entitled “Credit risk management policy of Trust Bank Limited” to you. As per requirement of BBA, I have completed the Internship in Trust Bank Limited. I have tried to exert all the knowledge that I gathered through my working with this branch of TBL.

Working for three months in the Trust Bank Limited, Shahjalal Uposhahar Branch helped me to fulfill the requirements of obtaining practical learning and subsequently prepare of this report. My internship in Trust Bank Limited was a worthwhile experience and the exposure of such an organization would be valuable for me. Before facing the real business world, I have gathered prior knowledge about the organization culture.

Thank you very much for your kind co-operation without which this Internship Report cannot be completed. I like to take every opportunity to express my gratitude of indebtedness to you.

Sincerely yours,

.....

Mazharul Hoque

ID#08104066

ACKNOWLEDGEMENTS

At first I would like to express my gratitude to Almighty Allah who has given me opportunity to go through the total process of internship and to write a report in this regard.

I would like to take the opportunity to express my gratitude to my Internship Advisor, Ms. Syeda Shaharbanu Shahbazi Ahmed, Senior lecturer, Faculty of Business Administration, BRAC Business School whose direction, guidance and support helped me a lot in writing this report.

It was a great pleasure for me to work in Trust Bank Limited (Shahjalal Uposhahar Branch) as an intern. I thank all the employees for being friendly and cooperative. I was taught lots of important things through-out my internship career because of their proper attention and co-operation.

My deepest appreciation and special thanks goes to Khandakar Md. Nusran Hussain the senior officer of Trust Bank Ltd Shahjalal Uposhahar Branch, for extending his support in compiling this report. I would specially like to thank Mr. Mamshad Mufruddin Chowdhury, officer of Trust Bank, Shahjalal Uposhahar Branch who helped me a lot during my Internship days with valuable advices, guidance and necessary information.

At last I must mention the wonderful working environment and group commitment of this bank that has enabled me a lot deal to do and observe the banking activities during my internship period of three months. Finally I convey my sincere thanks to my friends who inspire in different ways to complete the report and the course as well.

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Executive Summary:

Importance of banking system in a country is increasing day by day. It is quite impossible for any country to develop in industrial and commercial sector without sound banking system in modern economic era.

Credit/loan is one of the significant functions of the bank. It plays a vital role in overall economy of the country. Credit / Loan constitute the major revenue earning asset of a Bank. Credit risk is the possibility that a borrower or a counter party will fail to meet its obligation in accordance with agreed terms. Trust Bank is very much careful in maintaining its credit risk as the Bank's main asset is its loan portfolio. There is an independent risk management division called credit risk management (CRM) to assess credit risks and suggest mitigations before recommendation of every credit proposal. A detailed study of borrower's creditworthiness is done before making any loan/credit to that borrower. Character, capacity, cash, collateral, conditions, and control these six aspects of a borrower is specially evaluated and All must be satisfactory for the loan to be a good one from the bank's point of view. Physical Investigations, Customer financial statements, Experience of other lenders with this customer, Customer Annual Report, Local or regional credit bureaus etc. are the customer's information sources. Trust Bank follows a credit risk grading system which describes the overall condition of the borrower and helps the bank to identify the risk level. Disbursement under loan facilities are in TBL only be made when all security documents are in place and credit approval has been made by the authority. Trust Bank's total loan disbursement is increasing year by year. And, it's a good sign for the bank because loan disbursement generates maximum earning for a bank. Monitoring of loans and advances is strongly followed in TBL as it's the only way to ensure smooth recovery of the money extended to the borrower. There is a credit recovery unit to review loans and advances and strengthen the recovery process by ensuring better quality of loan portfolio. The Banker has to take appropriate supervisory or monitoring measures after disbursing to protect the bank against risks and to minimize classified loans.

This paper will discuss regarding the related issues of credit risk management activities of Trust Bank Ltd.

CHAPTER-One (Organizational Overview)

Introduction

Bank is a financial institution whose main objective is the mobilization of fund from surplus unit to deficit unit. In the process of acceptance of deposits and provision of loan, bank creates money. This characteristic feature sets bank apart from other financial institution. A Bank can influence the money supply through lending and investment. Banks collect deposit at the lowest possible cost and provide loans and advances at higher cost. The difference between these is the profit for the Bank. As a service-oriented industry, bank provides various services to its customers. So, every commercial bank has to think about their customer first, because the customer is the integral part of the organization.

Nowadays almost all over the world, retail-banking concept is a well-orchestrated name which has indeed added a new dimension to the banking industry. It is referred to the banking service that is provided primarily to the individual customers. In this banking, banks deal with individual customers. So providing better customer service is essential in retail banking. Therefore, now-a-days, banks are constantly looking for ways to provide better customer service which will help them to win and retain customers.

This report has been prepared as the partial fulfillment of BBA program in BRAC University. To complete the BBA program successfully each participants required to undergo internship program in an organization for three months to learn practical knowledge of business activities. To accomplish the aforesaid requirement, I am assigned as an internee in Trust Bank Limited (TBL), Uposhahar Branch for 12 weeks starting from Feb 01, 2012. Over the time, Trust Bank ltd. is providing efficient and effective banking services in a sound manner. The study will look at the credit risk management policy of TBL Uposhahar Branch.

History

Trust Bank Limited is one of the leading private commercial bank having a spread network of 63 branches across Bangladesh and plans to open few more branches to cover the important commercial areas in Dhaka, Chittagong, Sylhet and other areas in 2013. The bank, sponsored by the Army Welfare Trust (AWT), is first of its kind in the country. With a wide range of modern corporate and consumer financial products Trust Bank has been operating in Bangladesh since July 1999 with an authorized capital of TK 5,000 million divided into 5 million ordinary shares of Tk 1,000 each and has achieved public confidence as a sound and stable bank.

In 2001, the bank introduced automated branch banking system to increase efficiency and improve customer service. In the year 2005, the bank moved one step further and introduced ATM services for its customers. Since bank's business volume increased over the years and the demands of the customers enlarged in manifold, our technology has been upgraded to manage the growth of the bank and meet the demands of our customers. In January 2007, Trust Bank successfully launched Online Banking Services which facilitate Any Branch Banking, ATM Banking, Phone Banking, SMS Banking, & Internet Banking to all customers. Customers can now deposit or withdraw money from any Branch of Trust Bank nationwide without needing to open multiple accounts in multiple Branches. Via Online Services and Visa Electron (Debit Card), ATMs now allow customers to retrieve 24x7 hours Account information such as account balance checkup through mini-statements and cash withdrawals.

Trust Bank has Visa Credit Cards to serve its existing and potential valued customers. Credits cards can now be used at shops & restaurants all around Bangladesh and even internationally. This bank is also introducing Western Money Union Transfer where their client's can remit their money easily and quickly. Trust Bank is a customer oriented financial institution. It remains dedicated to meet up with the ever growing expectations of the customer because at Trust Bank, customer is always at the center.

In order to provide up-to-date information on the bank at fingertips to the trade and business communities of the world, their own IT team has developed an E-mail address and a web page for the bank. It can be accessed to under the domain: tbl@global-bd.net and www.trustbankbd.com

In addition to ensuring quality, Customer services related to general banking also have the passport services facilities, phone banking, SMS banking, and Internet banking facilities 24 hours a day. On the other hand, this bank has extended credit facilities to almost all the sector of the country's economy. The bank has plans to invest extensively in the country's industrial and agricultural sectors in the coming days.

It also promotes the agro-based industries of the country. The bank has already participated in syndicated loan agreement with other banks to promote textile sectors of the country. Such participation would continue in the future for greater interest of the overall economy. Keeping in mind the client's financial and banking needs the bank is engaged in constantly improving its services to the clients and launching new and innovative products to provide better services towards fulfillment of growing demands of its customers.

Trust bank limited at the end of the year 2006 changed their name from “The Trust Bank Limited” to “Trust Bank Limited” and also changed their logo to bring the bank more closely to the general public.



Corporate Information at a Glance

Banking License received on	15th July. 1999
Certificate of incorporation received on	17th June 1999
Certificate of Commencement of business received on	17 th June 1999
First branch licenses on	9 th August 1999
Formal inauguration on	29th November 1999
Sponsor Shareholders	Army Welfare Trust
No of Branches	63
No of Foreign Correspondents	23
No of Employees	1000+

Product/Services of Trust Bank Ltd.

Deposit Products:

There are several products under deposit product offered by Trust Bank Limited. These are:

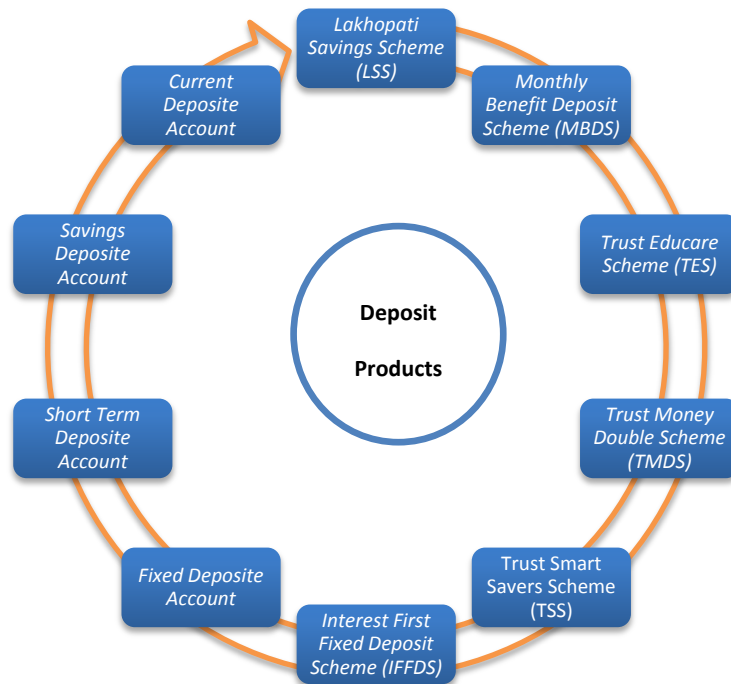


Figure: Deposit Products

Retail Products: There are several products under retail product offered by Trust Bank Limited. These are:

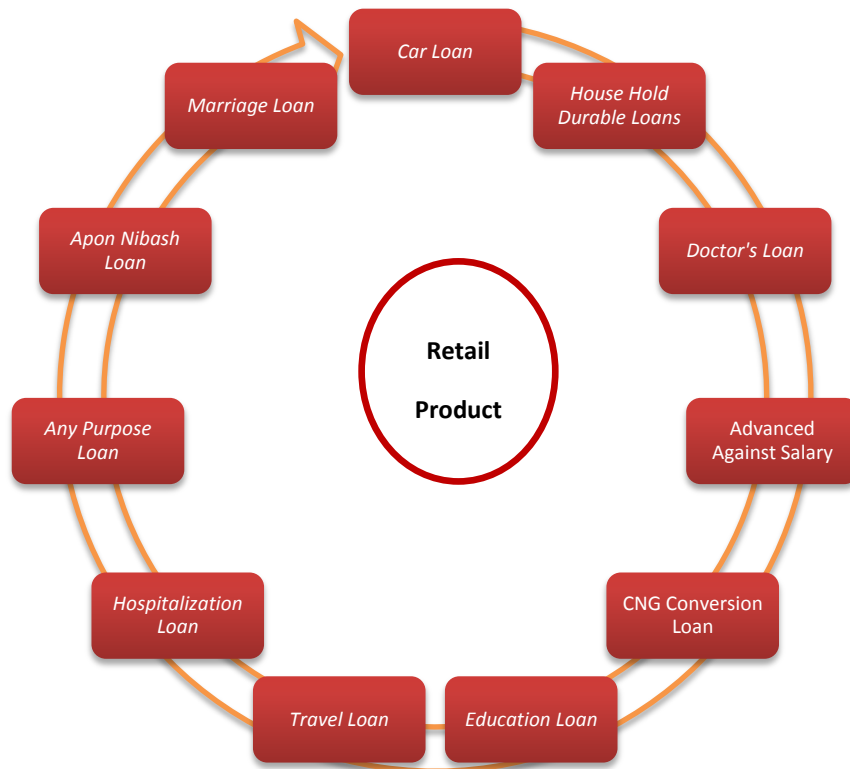


Figure: Retail Products

Credit Card Products:

There are several options for credit cards offered by Trust Bank Limited. These are:



Figure: Credit Card Products

SME Financing:

There are several products under SME Financing offered by Trust Bank Limited. These are:



Figure: SME Finance

Automated Banking:

There are 3 types of automated banking offered by Trust Bank limited. Those are



Locker Services:

Bangladeshi Locker		
Lockers	Size	Rent (yearly)
Big	21.5"x14.5"x9.75"	Tk. 2000
Medium	21.5"x14.5"x5"	Tk. 1500
Small	21.5"x7"x5"	Tk. 1000

Terms and Conditions:

Only a Trust Bank account holder receives locker service. When a locker service is opened, account holder should pay a onetime key deposit (same as RENT), which is refundable. For locker maintenance, a yearly charge is to be paid by account holder (same as RENT).

Online Banking:

In January 2007, Trust Bank successfully launched Online Banking Services which facilitate Any Branch Banking, ATM Banking, Phone Banking, SMS Banking, & Internet Banking to all customers. Customers can now deposit or withdraw money from any Branch of Trust Bank nationwide without needing to open multiple accounts in multiple Branches.

Islamic Banking:

Trust Islamic Banking is solely committed to conduct and manage the banking system abiding the Islamic law.

International Banking:

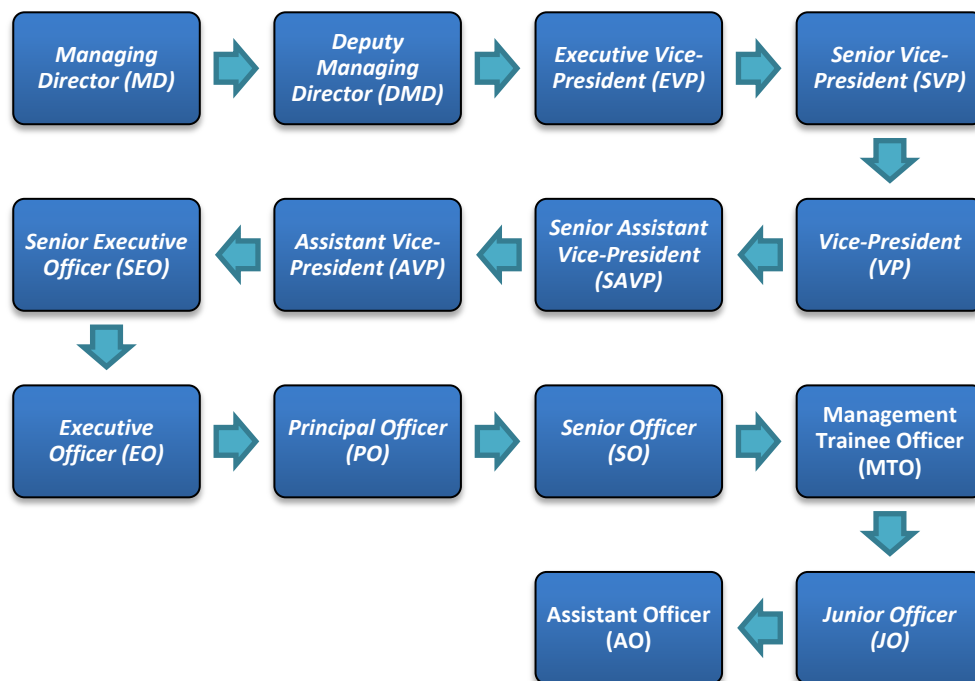
The Trust Bank Ltd. has introduced Non Resident Bangladeshi (NRB) Account (TBL-FC Investment Account) with a view to providing an ample opportunity to Bangladeshi people living abroad and earning there, so that they can invest their hard-earned foreign currency in the country's capital market and thereby can be benefited themselves.

Passport Service:

Currently Trust Bank Limited is providing every related & possible solution about Passport. For example International passport, Special passport, passport renewal, re-issue, making any

Changes in the passport and many lot other problems. They are offering the service in 17 TBL branches all over Bangladesh.

Organizational Structure of Trust Bank Ltd.



Vision of TBL

Build a long-term sustainable financial institution through financial inclusion and deliver optimum value to all stakeholders with the highest level of compliance

Mission of TBL:

Long Term Sustainable Growth- diversified business with robust risk management

Financial Inclusion- bring unbanked population into banking network through low cost and technology based service delivery

Accountable to all stakeholders- customers, shareholders, employees & regulators

Highest level of compliance and transparency at all levels of operation

Positioning statement

Trust Bank is a contemporary, upbeat brand of distinctive quality of service and solution that offers a rewarding banking experience as preferred choice of banking partner every time, everywhere.

Value Proposition:

- ✎ Trustworthy
- ✎ Dependable
- ✎ Reliable
- ✎ Professional
- ✎ Dynamic
- ✎ Fair

SWOT analysis of TBL

By definition, an institution which accepts deposits, makes personal loans, and offers related services is known as Consumer Bank and the act of rendering these services is consumer banking. So only difference lies between commercial banking and consumer banking is form of loans, where commercial banking usually deals with business loans whereas consumer banking deals with personal loans. According to current trend, in all practical purposes commercial banks are serving both. Consumer banking usually targets the fixed earning groups, such as service holders, professionals and self-employed persons, who are also known to banking world as small savers. Consumer banking also offers saving scheme specially tailored to small savers habits, needs and orientation.

As TBL is offering both commercial banking and consumer banking they have to have some potency, limitation, intimidation and prospects in the sector. In this part we will find out the Strength, weakness, opportunity and threats of TBL.

Strengths:

- Expanding middles class.
- Provides low cost of fund for promising large clients
- Has a much disciplined loan appraisal system resulting in a low default rate.
- Increasing buying power due to increase in economical activities.
- Consumer awareness of availability of credits specially tailored to cater to their needs.
- TBL provides hassle free customer service to its client base comparing to the other financial institutions of Bangladesh. Personalized approach to the needs of customers is its motto.
- Everyone in TBL from the appraiser to the top management has to work to the same schedule toward a different aspect of the same goal, interfacing simultaneously at all level over quite a long period of time.
- TBL employees are one of the major assets of the company. The employees of TBL have a strong sense of commitment towards organization and also feel proud and a sense of belonging towards TBL.

- TBL provides hassle free customer service to its client base comparing to the other financial institutions of Bangladesh. Personalized approach to the needs of customers is its motto.
- The selection & recruitment of TBL emphasizes and prefers on having the skilled graduates & postgraduates who have work experience.
- TBL provides quality products & services to its customers.
- The main objective is to setting up workshops are to remove authority from an artificial spot at the top, & place it where the most knowledgeable people are, the people closest to the operations. The free exchange of ideas is reinforced by a policy of “constructive confrontation”.
- TBL owns better banking and information technology in Bangladesh. Now TBL is using FINACLE which is finance based software, to maintain all the banking operations & records.
- By 42 branches all over the country, TBL is serving its customers more conveniently.
- Trust Bank Ltd has a rich research division.
- Trust Bank Ltd utilizes state-of-the art technology to ensure consistent quality and operation.

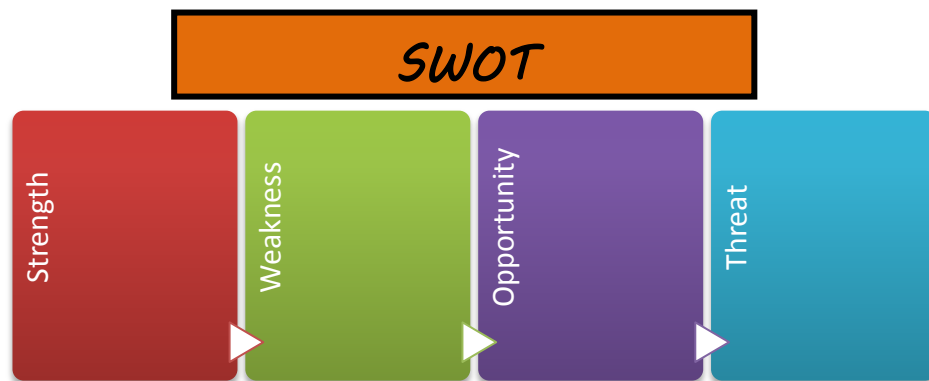


Figure: SWOT Analysis of Trust Bank Limited

Weakness:

- The procedure of credit facility is too long compared to other banks.
- Employees are not motivated in some areas.
- Absence of distribution system and channels.
- Banks lack supervisory ability and requisite manpower.
- Legal system is faulty and banks do not have the power to repossess the items without court's intervention.
- Absence of any form of marketing except for minimal advertising done annually.
- The major product of a consumer bank is mortgage finance, which could not be offered due to legal limitations. Banks are taking mortgage of the property but only as collateral. Only House Building Finance Corporation of Bangladesh, a public sector finance institution, are offering mortgage finance in all practical purposes since they can repossess the property without going to court. However, they do not call it mortgage finance and restricted this loan to only house building.
- The remuneration packages for the entry level officers are considerably low. Since other foreign and local banks offer a more lucrative salary package, it will be difficult for TBL to attract MBAs in the future with its current salary package.
- TBL can pursue a diversification strategy in expanding its current line of business. The management can consider options of starting merchant banking or diversify in to leasing and insurance. As TBL is one of the leading providers of all financial services, in Bangladesh it can also offer these services.
- Though it is the first private bank in Bangladesh, TBL doesn't possess this image to the customers because of its lacking in marketing.

Opportunity:

- Superior Brand value of Trust Bank limited.
- TBL is noted for its distinct operating procedures. Repayment capacity as assessed by TBL of individual client helps to decide how much one can borrow. As the whole lending process is based on a client's repayment capacity, the recovery rate of TBL is close to 100%. This provides TBL financial stability & gears up TBL to be remaining in the business for the long run.
- The ultimate goal of TBL is to expand its operations to whole Bangladesh and take all the branches under online system. Nurturing this type of vision & mission & to act as

required, will not only increase TBL's profitability but also will secure its existence in the long run.

- The top management team of TBL is expert in banking activities. The operating policies established by them are productive. All the members of the team carry out their management roles exhaustively. They equally contributed to TBL's superior leadership, by carrying out their unique roles. They worked well together, respecting each other's abilities, & arguing openly & without any rancor when they disagree.
- TBL can increase its operation in international business.
- Due to ever growing middle class there would be a good market for not only to meet the existing demand but to create demand.
- Trust Bank Ltd can introduce more innovative and modern customer service.
- Trust Bank Ltd can recruit experienced, efficient and knowledgeable work force as it offers good working environment.
- Emergence of E-banking will open more scope for Trust Bank Ltd

Threats:

- The upcoming private local & multinational bank poses a serious threat to the existing banking network of TBL. It is expected that in the next few years more commercial banks will emerge. If that happens the intensity of competition will rise further and banks will have to develop strategies to compete against and win the battle of banks.
- There are some reasons that make customers to detract from TBL. This is a serious threat for TBL Bangladesh.
- TBL should continuously improve its customer service strategies and the overall service quality needs to win the customer satisfaction undoubtedly.
- The frequent changes of banking rules by the Central Bank are also a treat for TBL.
- National political unrest is a major threat to the banking sectors.
- No effective centralized credit information system
- Social value system is weak; loan defaulters are not looked down by the society
- A number of competitors have emerged in the last few years. The existing market players are National Bank, Prime Bank, Mercantile Bank Limited, Premier Bank, AB Bank, City Bank, United Commercial Bank, Eastern Bank, Southeast Bank and lot others.

CHAPTER-Two (JOB Part)

Nature of my Job:

The nature of my job was General Banking.

The report has been prepared on the basis of experience gathered during the period of internship from 1st of February 2012 to 3rd May 2012. Within this time period, I worked with every departments of my branch. As the Trust Bank Ltd, Shahjalal Uposhahar Branch does not perform Foreign Exchange, so I could not work with this department.

Firstly the total duration was divided into total working days that came to a total working day of 3 months and were distributed in the following manner:

Department	Duration	In Days
Account Opening Section	From 1 st Feb, 2012 to 1 st April, 2012	60 days
Cash Section	1 st April 2012, to 20 th April, 2012	20 days
Loan & Advance and Others	21 th April 2012, to 3 rd May, 2012	13 days

Although Trust Bank has a prepared internship program for internees, it is rarely followed. Here I was not assigned works by following the guidelines. Mainly I have done many pending works of the account opening section. Besides that I have done different types of tasks in different desks whenever they assigned me works.

Specific Responsibilities:

Account Opening Department

I worked with Trust Bank Limited Shahjalal Uposhahar Branch where I worked firstly with the account opening department. Here I have learned the procedure of opening an account and the documents that are needed for opening an accounts & types of accounts dealt by Trust Bank Limited. On the very first day, I completed the whole account opening form by filling up different documentary activities and updated the current account opening form by posting the data in FloraBank software. This same job was done by me throughout the whole

internship period. After one week, I was assigned a special assignment by the supervisor which was the all pending activities of different accounts of this branch.

In this assignment, I have done following those activities:

- ❖ To file different account forms in different files.
- ❖ To sequencing that forms in different files.
- ❖ To fill up Know Your Customer (KYC) form & SBS-2 form.
- ❖ To find out the irregularities of different accounts’.
- ❖ To rectify those irregularities by making phone calls to those customers.

Cash Department

Cash department is sensitive part of a bank. I have worked in the Cash Department for few days. Banks don’t usually put interns in this department but I was lucky to see directly what happens behind the counter. I did not have much responsibility in that department. They just gave me some work after working hour. My responsibilities in this department were just to assist them in any small way possible. I learned the following from this department:

- ❖ Counting money in various ways.
- ❖ Use the counting machine.
- ❖ Use the photocopy machine.
- ❖ Counting the vouchers and matching them with the statements.
- ❖ Posting the cheque information in the payment register.
- ❖ Making entries of cash deposits in cash received register.

Other Departments

As in this internship period, no proper guideline for assigning works was followed so I have worked in different desks whenever the officers assigned me works. I was in the Credit Department for few days and besides that I have done others activities in other departments. Altogether I have done following things:

- ❖ Rearrange all the customer files.
- ❖ Checking and filling up CIB forms.
- ❖ Prepare different types of vouchers.

- ❖ Maintaining the debit Boucher & credit Boucher.
- ❖ Printing, typing and photocopying documents.
- ❖ Prepare the Inward Register Book by recoding the information of received documents.
- ❖ Prepare the Outward Register Book by recording the information of documents send to other branches or banks.
- ❖ Balancing the printing stationary register of this branch.
- ❖ Update the leave register of the employees of this branch.

In my opinion, through an internship program, one can get an idea about the corporate environment as it is not possible to know different tasks of an organization within this short time of period. So here I also got an idea about official environment by working here for three months and performing these duties. Although these activities were small, these helped me to understand the nature of the work in banks.

Learning from Internship Program at TRUST Bank

My internship at Trust Bank Limited started on 1st Feb, 2012 and it ended on 3rd May, 2012. During these 3 months I have learned so many things. The benefit that I have got from this internship program was that I have learned to correlate my theoretical knowledge acquired in BBA with the practical experience gained at above mentioned bank. More importantly I have finally understood the corporate environment by working there as an intern. This practical orientation is necessary for the development and preparation of a person in the job world. By going through the whole internship period at Trust Bank, I have got idea about following things:

- Meaning of responsibility.
- Necessity of commitment.
- Punctuality and regularity is very important.
- Ability to interact with different sorts of people.

It was a nice experience for me to do work in an office environment. In my first few days it was a dream for me that I am working in an office. Every officer of the branch was helpful towards me. Whenever I faced some problem they are very much cordial to solve my problem. Branch manager was also very much helpful towards me. He always asked me that if I am ok with the work or not. They always give me proper advice about my future life. It was an excellent time I passed in my life.

Although I could do little things in the bank, I have learned many things by my observation. During my internship in Trust Bank I tried to gather experience from various activities. Those are given below according to departments:

Accounts Opening Department:

- ❖ Types of A/c.
- ❖ Procedures to open an A/c
- ❖ Requirements for maintain an A/c. Such as KYC [Know Your Customer], SBS-2, 3, A/c holder & Nominee information.
- ❖ Findings irregularities of all types of existing A/c for Bank purpose.
- ❖ Maintaining a Transaction profile [TP] of an A/c holder.
- ❖ Posting & editing A/c data from manual to FLORABANK for online transaction purpose.
- ❖ Preparing & scanning signature card of an A/c for verification purpose.
- ❖ Preparing a cheque / Debit card requisition.
- ❖ Procedures to close an A/c.

Cash Department:

- ❖ Process of receiving the deposits from the clients
- ❖ Process of payment the cheque to the clients
- ❖ Cheque verification process.
- ❖ Maintaining the debit Boucher & credit Boucher.
- ❖ Procedures to make an online transaction.
- ❖ Payment Procedures of transfer & clearing cheque.
- ❖ Maintaining the opening & closing balance
- ❖ Procedures to make a pay order cheque

Loans & credit Department:

- ❖ How to prepare a CIB [Credit Information Bauru] proposal for a client.
- ❖ Process of opening a SOD [Secure over Draft] A/c against FDR.
- ❖ Preparing an inward & outward statement.
- ❖ How to balancing the security register of the bank
- ❖ The procedures of opening a local L/C [Letter of Credit]
- ❖ The procedures to applying a loan & approving the loan [auto loan, home loan, salary loan, mortgage loan]

Critical Observation & Recommendation

- ❖ TBL provides hassle free customer service to its client base comparing to the other financial institutions of Bangladesh. Personalized approach to the needs of customers is its motto. In TBL Shahjalal Uposhahar Branch, the service to the beneficiary is commendable.
- ❖ Everyone in TBL from the appraiser to the top management has to work to the same schedule toward a different aspect of the same goal, interfacing simultaneously at all level over quite a long period of time.
- ❖ Though it is one of the best service providing private banks in Bangladesh, TBL doesn't possess this image to the customers because of its lacking in marketing. This Bank does not have any sales team. So the bank should go for vast marketing to create good image in the customers' mind.
- ❖ The process of CIB [Credit Information Bureau] to sanction a loan is lengthy. It takes 15-20 days to get the approval of the loan proposal. The credit sanction procedure should be made quicker since competition is very hard in today's business world. People do not want to wait for three to four weeks on an average to get a loan which is even protected by security.
- ❖ TBL Shahjalal Uposhahar Branch should practice SME loan to encourage new potentials.
- ❖ TBL should establish more ATM BOOTHS as most of its customers are dissatisfied with the number of ATM BOOTHS.

CHAPTER-Three (Project Part)

Origin of the report

BRAC University includes an internship program for each and every student at the final stage of the program. After the completion of coursework of BBA program and passing the comprehensive exam, I, Mazharul Hoque Id: 08-104066, student of BRAC University, was placed in Trust Bank Limited, Uposhahar Branch for the internship program under the guidance of my faculty advisor. The duration of my organizational attachment was twelve weeks, starting from 1st February, 2012. As a requirement for the completion of the program I needed to submit this report, which includes an overview of the organization and elaboration of the project which I was supposed to conduct during the internship period.

I have worked in almost every Unit of the Bank. After consultation with my supervisor and my Faculty Advisor I decided to do a project on “CREDIT RISK MANAGEMENT POLICY OF TRUST BANK LTD.”

Objectives of the study:

Primary objectives

General objectives are to gain the practical knowledge on the range of activities, policies associated with credit risk management policy. This report will also give the opportunity to relate my theoretical understanding with actual scenario in the light of Credit Risk Management Policy of Banks & state my findings & recommendation.

Secondary objectives

- ❖ To know about Retail/Loan products of TBL.
- ❖ To apply theoretical knowledge in the practical field
- ❖ To know the decision undertaken by the top-level management to approve credits to the borrowers
- ❖ To find out the entire credit risk management policy of TBL which includes, lending guidelines, credit assessment, risk grading, monitoring and recovery
- ❖ To know about customer services provided at different sections of the bank.

- ❖ To find out and provide recommendations for the internal and external lacking in the daily operation that would help to Trust Bank Ltd for more progress.
- ❖ To gather comprehensive knowledge on retail banking functions and the expectations of the customers regarding the service level of the bank.
- ❖ To know how to maintain & monitor credit risk
- ❖ Determining the drawbacks of the existing system.

Scope of the study:

The scope of this report is limited to the Trust Bank Ltd, Uposhahar Branch. As the report is analytical based on practical observation, the scope was limited to the related departments of this report, there was no scope of doing outside survey rather the range and the scope has narrowed to the branch operation and practices.

Methodology:

Information collected to furnish this report is both from primary and secondary sources. This report is mainly based on primary data. But I have also used secondary data from different sources.

Collection of Primary Data

Many of the data and information were collected from my practical experience and queries from the executives while doing my internship at Trust Bank Ltd.

The primary sources are:

- ❖ Practical desk work.
- ❖ Face to face conversation with the manager and officers of the bank.
- ❖ Face to face conversation with the clients.
- ❖ Relevant document's studies as provided by the officers concerned.
- ❖ Personal diary (That contains every day experience in bank while undergoing practical orientation).

Collection of Secondary Data

The secondary data are collected from following sources:

- ❖ Annual report of TBL 2010.
- ❖ Audit reports.
- ❖ Website.
- ❖ Relevant books, Research papers, newspapers and journals.

Most of the necessary information has been collected by face to face interview with the major clients of the bank and people working in different departments, personal investigation with bankers, circular sent by Head Office and maintaining daily diary which contains all the activities that has been observed and done in the bank.

Limitations of the study:

Most of the necessary information has been collected by face to face interview with the major clients of the bank and people working in different departments, personal investigation with bankers, circular sent by Head Office and maintaining daily diary which contains all the activities that has been observed and done in the bank.

The present study was not out of limitations. But as an intern it was a great opportunity for me to know the banking activities of Bangladesh specially TBL. Some constraints are as follows:

- ❖ The main constraints of the study are inadequate access to information, which has hampered the scope of analysis required for the study.
- ❖ Due to time limitations many of the aspects could not be discussed in the present report.
- ❖ Every organization has their own secrecy that is not revealed to others. While collecting data they did not disclose much information for the sake of organizational confidentiality.
- ❖ Since banks personals were very busy they could provide me very little time.

- ❖ Only Uposhahar branch has been considered for the study.
- ❖ I have had no opportunity to compare the credit risk management system of the TBL with that of other contemporary and common size banks. It was mainly because of the shortage of time and internship nature.

CHAPTER- FOUR (Description of the project)

DEFINITION OF CREDIT

Credit is the confidence of the lender in the ability and willingness of the borrowers to repay the loan as per agreed stipulations. Credit is valued as the key that unlocks the possibilities of economic progress. It has great importance in wealth creation. Credit is important to the ordinary consumer at the local shop as well as to the multi-national organizations. Indeed credit has assumed the status of an institution in commercial relation.

Credit / Loan constitute the major revenue earning asset of a Bank. Banks lend mostly depositors money. Credit / Loan able fund having cost implication and repayment obligations to the depositors have to be managed competently with minimum possible credit (default) risk. Incidence of Credit Risk may be higher unless the risk is cared and monitored adequately.

Moreover, credit culture is undergoing quick change due to

- Globalization
- Liberalization
- Consolidation
- Disintermediation
- Competition

CREDIT RISK

Credit risk is the possibility that a borrower or a counter party will fail to meet its obligation in accordance with agreed terms.

Credit risk arises from the bank's dealing with or lending to corporate, individuals and other banks or financial institutions.

Credit risk is an investor's risk of loss arising from a borrower who does not make payments as promised. Such an event is called a default. Another term for credit risk is default risk.

Probable causes of Credit risk:

- Inability to pay
- Short term cash flow or liquidity problem
- Longer term solvency issues
- Delays in payment due to operational issues with the treasury function
- Unwillingness to pay
- When a government grants bankruptcy protection to an insolvent consumer or business

OVERVIEW OF CREDIT RISK MANAGEMENT (CRM):

CRM enables banks to proactively manage loan portfolios in order to minimize losses and earn an acceptable level of return for the shareholders. In the fast changing, dynamic global economy, and the increasing pressure of globalization, liberalization, consolidation and disintermediation, Banks should have robust credit risk management policies and procedures that are sensitive and responsive to these changes.

CRM requires:

The goal of credit risk management is to maximize a bank's risk-adjusted rate of return by maintaining credit risk exposure within acceptable parameters. Banks need to manage the credit risk inherent in the entire portfolio as well as the risk in individual credits or transactions. Banks should also consider the relationships between credit risk and other risks. For the most part, these methods consist of the following elements, performed, more or less, in the following order.

1. identify, characterize, and assess threats
2. assess the vulnerability of critical assets to specific threats
3. determine the risk (the expected consequences of specific types of attacks on specific assets)
4. identify ways to reduce those risks
5. prioritize risk reduction measures based on a strategy

High credit risk is typically indicated by increasing credit losses in the form of charge-offs, write-offs, or higher loss provisions, high cost of funding and flat or declining net interest margins.

Credit risk management needs to be a robust process that enables banks to proactively manage loan portfolio in order to minimize losses and earn an acceptable level of return for shareholders. Credit risk management processes are sub-divided into the following four parts.

- 1) Credit Risk Identification
- 2) Credit Risk Measurement
- 3) Credit Risk Monitoring and Control

4) Credit Risk Mitigation

Risk Identification:

Credit risk arises from potential changes in the credit quality of a borrower has two components; default risk & spread risk.

Default risk: Default risk is driven by the potential failure of a borrower to make promised payments, either partly or wholly.

Spread risk or Downgrade risk: If a borrower does not default, there is still risk due to worsening in credit quality. This results in the possible widening of the credit-spread. This is credit spread risk. These may arise from a rating change.

Risk Measurement:

Measurement of credit risk consists of:

- a) Measurement of credit risk through credit rating/scoring
- b) Quantifying the risk through estimating expected loan losses like the amount of loan losses that bank would experience over a chosen time horizon (through tracking portfolio behavior over 5 or more years) and unexpected loan losses like the amount by which actual losses exceed the expected loss (through standard deviation of losses or the difference between expected loan losses and some selected target credit loss quintile)

Risk Monitoring & Control:

Risk taking through lending activities needs to be supported by a very effective control & monitoring mechanism. An elaborate and well – communicated policy that articulates guidelines for risk taking, procedural guidelines and an effective monitoring system is necessary.

It must be mentioned that an appropriate credit information system is basic prerequisite for effective control & monitoring. A comprehensive & detailed MIS and CIS is the backbone for an effective CRM system.

Risk Mitigation:

Credit risk mitigation is an essential part of credit risk management. This refers to the process through which credit risk is reduced or it is transferred to a counter party.

Asset securitization, Credit derivatives etc are used to mitigate risks in the portfolio.

CREDIT/LOAN INTEREST RATE OF TRUST BANK

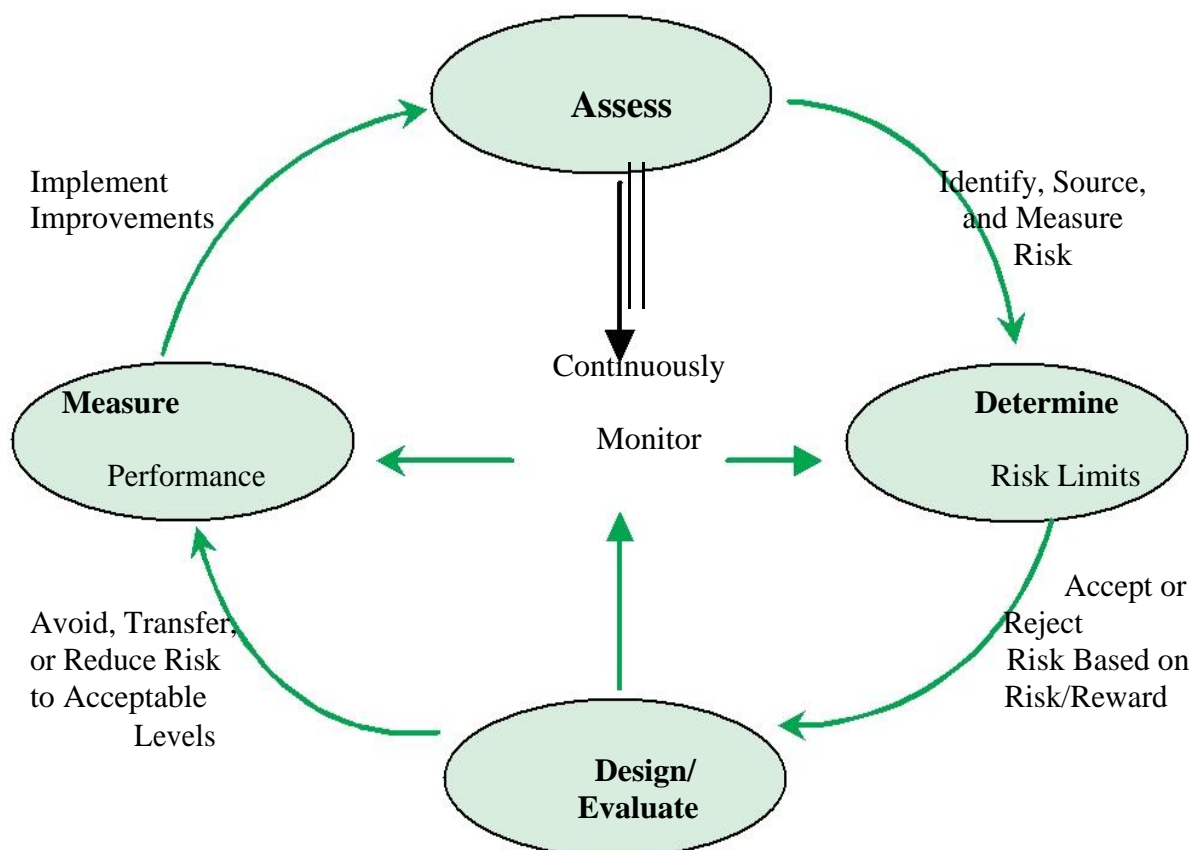
Loan	Interest
SECURED OVER DRAFT (SOD)	13.5%
SECURED OVER DRAFT (INDUSTRIAL)	16%
AGRICULTURE	11.5%
TERM LOAN IN LARGE & MEDIUM INDUSTRIES	11.5%
TERM LOAN IN SMALL INDUSTRIES	11.5%
WORKING CAPITAL IN LARGE & MEDIUM INDUSTRIES	11.5%
WORKING CAPITAL IN SMALL INDUSTRIES	15.5%
HOUSE BUILDING LOAN(HBL) COMMERCIAL	15.5%
ANY PURPOSE LOAN	18%
TRAVEL LOAN	18%
MARRIAGE LOAN	18%
CNG CONVERSION LOAN	18%
CAR LOAN(NEW)	19%
HOUSEHOLD DURABLE LOAN	18%
DOCTORS' LOAN	18%
ADVANCE AGAINST SALARY	17%-19%
HOSPITALIZATION LOAN	18%
EDUCATION LOAN	18%
TRAVEL LOAN	16%
APAN NIBASH LOAN	16.50%

CREDIT RISK OF TBL

Credit risk is the current and prospective risk to earnings and capital arising from the failure of an obligor of the Bank to repay principal or interest at the predetermined time or failure otherwise to perform as agreed. Trust Bank is very much careful in maintaining its credit risk as the Bank's main asset is its loan portfolio. Carefully monitored credit risk serves as a basis for stable profits. To maintain and further improve a healthy loan portfolio it is imperative to scrutinize all applications and weed potential problem loans out during the application phase, as well as constantly monitor the current loan portfolio. While it is not the Bank's policy to extend credit only for cases of very low risk, it is of utmost importance that the price of issued credit reflects both the risk and the cost incurred. This means that a detailed assessment of individual customers, their financial positions, and the collaterals in question are prerequisites for granting credit. Therefore, Credit risk management is at the heart of the overall risk management system of the Bank. It is designed and continuously

updated to identify, measure, manage and mitigate credit risk to maintain and improve quality of loan portfolio and reduce actual loan losses and to ensure that approved policies and procedures are followed and appropriate due diligence is made in approving credit facilities. In the evaluation process the Bank takes into account all the relevant information and financials reflecting the borrower's personal credibility, business status and prospect. Besides, the Bank always endeavors to diversify the loan portfolio across borrowers, entrepreneurs, groups to avert credit concentration risk. Risk grading is another tool for mitigating credit risk. All the new commercial loan proposals are graded according to stipulated criteria. Credit risks are managed within the bank's devised system. The Bank has an exhaustive credit policy which is periodically reviewed and updated under which all the functions of credit operations and management are carried out. Moreover, regulatory agencies' guidelines are complied with in managing risks.

RISK MANAGEMENT REPORT



The Bank is in the activity of managing risks while still adhering to the main principles of building a profitable business. The ultimate goal of risk management is not to eliminate risk

but to control risk in such a way that long-term profitability is sustained. Intelligent risk taking is the core principle of risk management at TBL. The policy of Board of Directors is to constantly monitor and manage various risks the Bank faces in its business. For these purposes, the Bank has different risk management divisions. In addition, internal auditors oversee operations in order to make sure that the risk management rules are implemented in accordance with the policy made by the Board of Directors. The Bank's risk management works by classifying risks into core risks such as credit risk, asset-liability/ balance sheet risk, foreign exchange risk, internal control & compliance risk, money laundering and ICT risk. The Board approves policies and processes of risk management recommended by the management. Audit committee of the Board reviews the internal audit reports of the Bank and risk management covering credit risk, operational risk including money laundering risk, market risk and liquidity risk. Independent risk management units- Credit Risk Management (CRM) Unit, Credit Administration Department (CAD), Credit Monitoring and Recovery Department, Treasury Department, Internal Control & Compliance Division, IT Division and Anti-Money Laundering Department and compliance officers of the branches are engaged in managing various risks.

Risk Management Units of TBL

For effectual management of various types of risks, Risk Management Unit (RMU) is working dedicatedly at the Bank. Unit consists of the following Divisions:

- i. Credit Risk Management (CRM) Division
- ii. Internal Control & Compliance (IC & C) Division
- iii. International Division
- iv. Operation Division
- v. Anti Money Laundering Department and
- vi. IT Division

Other than above –mentioned departments, Credit Administration Department (CAD) plays a vital role in managing risk through ensuring proper compliance of documentation procedures before disbursement of loans and advances. Moreover, Board Audit Committee plays a pivotal role to risk management process of the Bank through evaluating effectiveness and adequacy of risk management unit and giving suggestions for further improvements thereto

Trust Bank's credit risk management encompasses the following strategies:

- The Board of Directors approves major policy guidelines, growth strategy, exposure limit for particular sector, product, individual company or group, keeping in view regulatory compliance, risk management strategy and industry best practice;
- The Board of Directors as the supreme authority only can approve maximum lendable exposure allowed by Bangladesh Bank.
- The Executive Committee of the Board of Directors can approve lendable exposure as approval authority has been delegated by the Board of Directors for speedy disposal of credit proposal;
- Some members of the Management Committee were also carefully delegated some approval authorities to strike a balance between adequate control and flexibility in credit operations;
- There is an independent risk management division called credit risk management (CRM) to assess credit risks and suggest mitigations before recommendation of every credit proposal;
- There is a separate credit administration department (CAD) which confirms that perfected security documents are in place before disbursement;
- There is a credit recovery unit to review loans and advances and strengthen the recovery process;
- Interest accrued on classified loan is suspended and adequate provision is maintained there against as per Bangladesh Bank's Guidelines
- Internal Control & Compliance Division (IC&C) verifies and ensures, at least once in a year, compliance with approved lending guidelines, Bangladesh Bank's guidelines, operational procedures, and adequacy of internal control and administration;
- Status of classified loan is reported to the Board of Directors at the end of each quarter for its evaluation and review;
- Operations and performance of loans are regularly monitored at different levels to activate the early alert system to address the loans whose performance show deteriorating trend.

ANALYSIS THE CREDIT RISK MANAGEMENT POLICY OF TBL

Credit policy Guidelines of the TBL including;

- Lending Guidelines
- Credit Assessment & Risk Grading
- Credit Approval
- Disbursement Procedures
- Loan/Credit monitoring
- Credit Recovery

Credit Risk Management-Lending Guidelines:

Trust Bank has established Lending Guidelines that clearly outline the senior management's view of business development priorities and the terms and conditions that should be adhered in order to loans to be approved. The main factor of determining the quality of the bank's credit portfolio is the ability of each borrower to honor, on a timely basis as agreed. The lending guidelines are updated annually to reflect changes in the economic outlook and the evaluation of the bank's loan portfolio is distributed to all lending officers. The lending guidelines should be approved by the Managing Director & Board of directors of Trust Bank based on the endorsement of the bank's Head of CRM.

Firstly, the client/borrower makes a proposal to the bank for credit or loan sanctioning. Clients provide all the necessary documents for the approval of loan. Then the Bank sends the party's statement to the Bangladesh Bank and their CIB (Credit Information Bureau) CPV (Contact Point Verification) will query that whether this party is defaulter or a new one. Bank will take the collateral from the party and analysis that how much it will cover the total loans. Bank will send this proposal to the head office. In the head office the Board of Directors and Managing Director will approve the loan. If all the documents is found satisfactory only then Head office will send the approval to the branch office. Branch office will give the sanction letter to the party. Bank will take the security and make it in their favor.

Approval of loans that do not comply with lending guidelines should be restricted to the bank's Head of credit or Managing Director/CEO and Board of Directors.

Credit assessment:

Credit application should be summaries the result of the risk assessment of the party and it also includes the following details

1. Amount and type of loan proposed
2. Purpose of loan
3. Loan structure (tenor, covenant, repayment schedule, interest)
4. Security arrangement

In addition the following risk areas should be addressed:

Borrower analysis:

The majority shareholders, management team and group or affiliate companies should be assessed. The loan officer must be convinced that the customer has a well-defined purpose for requesting bank credit and a serious intention to repay. Trust Bank is very much careful in terms of evaluating borrower's creditworthiness.

Borrowers' Creditworthiness:

The question that must be dealt with before any other is whether or not the customer can service the loan-that is, pay out the credit when due, with a comfortable margin for error. This usually involves a detailed study of six aspects of the loan application- character, capacity, cash, collateral, conditions, and control. All must be satisfactory for the loan to be a good one from the lender's point of view.

Impact of wrong borrower selection:

Chain Impact:

Selection of wrong borrower



Non-performing loans



Low margin / Low return



Low level of Profit / Loss

Industry analysis:

The key risk factors of the borrower's industry should be assessed. Any issues regarding the borrower's position in the industry, overall industry concerns or competitive forces should be addressed and the strengths and weakness of the borrower relative to its competition should be identified.

Supplier/ buyer analysis:

Any customer or supplier concentration should be addressed, as these could have a significant impact on the future viability of the borrower.

Historical financial analysis:

An analysis of a minimum of 3 years historical financial statements of the borrower should be presented.

Projected financial performance:

Where term facilities are being proposed a projection of the borrower future financial performance should be provided indicating an analysis of the sufficiency of cash flow the service debt repayments.

Account conduct:

For existing borrowers the historic performance in meeting repayment obligations should be assessed.

Information about Loan Customers

The bank relies principally on outside information to assess the character, financial position, and collateral of a loan customer. The bank may contact other lenders to determine their experiences with this customer. Sources of information are: Physical Investigations, Customer financial statements, Experience of other lenders with this customer, Customer Annual Report, Local or regional credit bureaus, Local Newspapers, Local chamber of commerce

Needs for Collateral

Most Borrowers at one time or another will be asked to pledge some of their assets or to personally guarantee the repayment of their loans. Getting a pledge of certain borrower assets as collateral behind a loan really serves two purposes for a lender. If the borrower cannot pay, the pledge of collateral gives the lender the right to seize and sell those assets designated as loan collateral, using the proceeds of the sale to cover what the borrower did not pay back. Secondly, collateralization of a loan gives the lender a psychological advantage over the borrower. The goal of a bank taking collateral is to precisely define which borrower assets are subject to seizure and sale and to document for all other creditors to see that the bank has a legal claim to those assets in the event of nonperformance on a loan.

Risk Grading

Credit Risk Grading (CRG) is an important tool of credit risk management to understand dimension of risk in credit transaction. CRG, a replacement of LRA, was first introduced in 2005. It is a common standardized method for the Bankers to select borrowers based on their different risk level. It is useful for both pre-sanction and post sanction stage of a loan. Following factors should be taken in consideration in grading a Loan Client. These are also known as principal risk factors of the client. These are

- (a) Financial Risk factor
- (b) Business / Industry Risk factor
- (c) Management Risk factor,
- (d) Security Risk factor and
- (e) Relationship Risk factor.

Before preparing the grading of the client the Bank go through the above mentioned factors of the client and analyze the same with a view to arrive a decision whether they should go for finance or not. In order to prepare the Clients Credit Grade they will follow meticulously the CRG Manual as prescribed by Bangladesh Bank. CRG is the mandatory replacement of LRA.

Step I:

Identifying all the Principal Risk Components like financial risk, Business / Industry Risk, management Risk, Security risk and Relationship Risk. Each of the above mentioned key areas required to be evaluating and aggregating to arrive at an overall risk grading measure.

Step II:

Allocate weightages to principal Risk Components. According to the importance of risk profile, the following weightages are proposed for corresponding principal risk:

<u>Principal Risk Components</u>	<u>Weight %</u>
Financial Risk	50 %
Business / Industry Risk	18 %
Management Risk	12 %

Security Risk	10 %
Relationship Risk	10 %

Step III:

Establish the key Parameters:

<u>Principal Risk Components</u>	<u>Key Parameters</u>
Financial Risk	Leverage, Liquidity, profitability & Coverage Ratio.
Business / Industry Risk	Size of Business, Age of Business, Business Outlook, Industry Growth, Competition & Barriers to Business
Management Risk	Experience, Succession, & Team work.
Security Risk	Security Coverage, Collateral Coverage and Support.
Relationship Risk	Account Conduct, Utilization of Limit, Compliance of Covenants / Conditions & personal Deposit.

Step IV:

Assign weightages to each of the key parameters.

Principal Risk Components	Key Parameters	Weight
Financial Risk		<u>50 %</u>
	Leverage	15 %
	Liquidity	15 %
	Profitability	15 %
	Coverage	05 %
Business / Industry Risk		<u>18 %</u>
	Size of Business	05 %
	Age of Business	03 %

	Business Outlook	03 %
	Industry growth	03 %
	Market Competition	02 %
	Entry / Exit Barriers	02 %
Management Risk		<u>12 %</u>
	Experience	05 %
	Succession	04 %
	Team work	03 %
Security Risk		<u>10 %</u>
	Security Coverage	04 %
	Collateral Coverage	04 %
	Support	02 %
Relationship Risk		<u>10 %</u>
	Account Conduct	05 %
	Utilization of Limit	02 %
	Compliance of Covenants / Conditions	02 %
	Personal Deposit	01 %

Step V:

Input Data to arrive at the score on the key parameters. After the risk identification & weightage assignment process (as mentioned above), the next steps will be to input actual parameter in score sheet to arrive at the scores corresponding to the actual parameters.

Step VI:

Arrive at the Credit Risk Grading based on Total Score obtained. The following is the Credit Risk Grade matrix based on the total score obtained by an obligor:

<i>Number</i>	<i>Risk Grade</i>	<i>Short Name</i>	<i>Score</i>
1	Superior	SUP	✓ 100 % Cash Covered ✓ Government Guarantee ✓ International Bank Guarantee
2	Good	GD	85 +
3	Acceptable	ACCPT	75 - 84
4	Marginal / Watchlist	MG / WL	65 - 74
5	Special Mention	SM	55 - 64
6	Sub-Standard	SS	45 - 54
7	Doubtful	DF	35 - 44
8	Bad & Loss	BL	< 35

All Banks should adopt a credit risk grading system. The system should define the risk profile of borrower's to ensure that account management, structure and pricing are commensurate with the risk involved. Risk grading is a key measurement of a Bank's asset quality, and as such, it is essential that grading is a robust process. Borrower Risk Grades should be clearly stated on Credit Applications.

Risk Rating	Grade	Definition
Superior – Low Risk (Credit score 100)	1	Facilities are fully secured by cash deposits, government bonds or a counter guarantee from a <u>top tier international bank</u> .
Good – Satisfactory Risk (Credit score 85 to above)	2	The repayment capacity of the borrower is strong. The borrower should have excellent liquidity and low leverage. The company should demonstrate consistently strong earnings and cash flow and have an unblemished track record.
Acceptable – Fair Risk (Credit score 75 to 84)	3	Adequate financial condition though may not be able to sustain any major or continued setbacks. These borrowers are not as strong as Grade 2 borrowers, but should still demonstrate consistent earnings, cash flow and have a good track record.

Marginal - Watch list (Credit score 65 to 74)	4	These borrowers have an above average risk due to strained liquidity, higher than normal leverage, thin cash flow and/or inconsistent earnings. Facilities should be downgraded to 4 if the borrower incurs a loss, loan payments routinely fall past due, account conduct is poor, or other untoward factors are present.
Special Mention (Credit score 55 to 64)	5	Facilities should be downgraded to 5 if sustained deterioration in financial condition is noted (consecutive losses, negative net worth, excessive leverage), if loan payments remain past due for 30-60 days, or if a significant petition or claim is lodged against the borrower. Full repayment of facilities is still expected and interest can still be taken into profits.
Substandard (Credit score 45 to 54)	6	Financial condition is weak and capacity or inclination to repay is in doubt. These weaknesses jeopardize the full settlement of loans. Loans should be downgraded to 6 if loan payments remain past due for 60-90 days, if the customer intends to create a lender group for debt restructuring purposes, the operation has ceased trading or any indication suggesting the winding up or closure of the borrower is discovered.
Doubtful and Bad (non-performing) (Credit score 35 to 44)	7	Full repayment of principal and interest is unlikely and the possibility of loss is extremely high. However, due to specifically identifiable pending factors, such as litigation, liquidation procedures or capital injection, the asset is not yet classified as Loss. Assets should be downgraded to 7 if loan payments remain past due in excess of 90 days, and interest income should be taken into suspense (non-accrual). Loan loss provisions must be raised against the estimated unrealisable amount of all facilities.
Loss (non-performing) (Credit score 0 to 34)	8	Assets graded 8 are long outstanding with no progress in obtaining repayment (in excess of 180 days past due) or in the late stages of wind up/liquidation. The prospect of recovery is poor and legal options have been pursued. The proceeds expected from the liquidation or realization of security may be awaited. The continuance of the loan as a bankable asset is not warranted, and the anticipated loss should have been provided for.

CRG

SUP-1: FULLY CASH COVERED, GOVT. /INT. BANK GUARANTEE

GD-2: STRONG REPAYMENT CAPACITY

ACCPT-3: CONSISTENT EARNINGS, CASH FLOW AND GOOD TRACK RECORD

MG/WL-4: GREATER ATTENTION REQUIRED-ABOVE AVERAGE RISK

SM-5: POTENTIAL WEAKNESS- CLOSE ATTENTION REQUIRED

SS-6: WEAK FINANCIAL CONDITION

DF-7: REPAYMENT UNLIKELY

BL-8: NO PROGRESS IN REPAYMENT

Credit Approval Process:

Process relating to approval/sanctioning of credit following steps are followed in TBL

Pre-Approval stage at branch:

The credit proposals are generally routed through the Branches. The Loan Processing Department at the branch level prepares the Credit Proposals through necessary evaluation / analysis by fulfilling TBL's lending criteria, ensuring perfection of the security for the loans and to provide all information required on the creditworthiness of the clients. Proposals, which do not meet TBL's lending criteria, are not entertained generally without particular merit and justification of the case. The credit proposals are signed by the Chief Manager and the departmental head / credit officer. Then, the Credit Proposals with specific recommendation by the Branch are sent to the Head Office addressing Credit Risk Management (CRM) Division for the pre-sanction evaluation and subsequent approval or regret as the case may be.

Approval Process at Head Office:

Credit Risk Management (CRM) Division consists of Corporate Credit Unit, Small & Medium Enterprise Department & Retail Banking Unit for processing & approval of credit facilities matching with the requirement:

Upon receiving credit proposals from the branches, respective unit / department processes / evaluates the proposals and makes in-depth analysis taking different risk factors into consideration for approval or regret. It takes all necessary measures to ensure quality assets. The respective unit / department finds out all the positive and negative sides of each credit proposal recommended by the branch credit officers / relationship managers. This unit / department ensures that the proposal has been analyzed as well as prepared complying all the necessary rules, regulations, circular, guidelines and recommendation has been made in conformity with the Credit Policy, Guidelines and Credit Norm of Trust Bank, Bangladesh Bank and any other agency. It also ensures that that the recommendation falls under the purview of bank's lending cap, industry preference, liquidity preference, tenure preference, and other considerable factors. If the result of the analysis is found to be very satisfactory,

then memo on the proposals is prepared for approval from the delegated body with opinion / recommendation of the unit / department.

Upon the recommendation of the respective unit / department, the proposal is placed to the competent delegated authority as per discretionary power (Head of CRM, Deputy Managing Director, Managing Director, and the Executive Committee of the Board of Directors or the Board of Directors for final approval).

Upon approval as per delegation, Sanction Advice is prepared stipulating all the standard terms and conditions to the respective branches and the copy is forwarded to the Monitoring & Control Department.

Disbursement Procedures

Disbursement under loan facilities are only be made when all security documents are in place. After the sanction advice is prepared the branch will meticulously go through the contents of the sanction advice, prepare agreement letter as per terms & condition of sanction advice done by the Head office & will take written consent as acceptance on the agreement letter. After completion all the formalities by the respective branch the loan would be disbursed to the mentioned SAVING or current account as per disbursement schedule. The total loan disbursement for Trust Bank is increasing day by day which is a positive sign for the bank.

Pre-disbursement steps followed by TBL:

- Whether all terms and conditions conveyed to the applicant
- Acceptance of the terms and conditions by the applicant
- Whether legal opinion obtained regarding title documents and other relevant papers
- Whether all documentation formalities observed
- Confirm identification of the Guarantor

Post-disbursement steps followed by TBL:

- Regular review of transaction in the account
- Ensure repayment of principal and interest
- Ensure satisfactory rotation of pledge
- Ensure no loss in quality and quantity of the goods kept as security
- Personal visit to the business site
- Borrowers to be called or served notice for any unsatisfactory transaction or on failure to repay as per terms of sanction

Trust Bank's total loan disbursement is increasing year by year. And, it's a good sign for the bank because loan disbursement generates maximum earning for a bank.

Loan Monitoring:

The monitoring starts when copy of sanction letter/approval is received in this connection.

Steps to be followed for new clients:

- Monitoring starts at the time of receiving application from the valued client.
- After receive application branch should check whether the purpose is clearly mentioned or not on the application.
- Examine all documents whether these are true or fake.
- After getting all the information & charge documents are in order then go for approval process from the competent authority.
- If there are any major discrepancies is identified application is returned to the respective branch or initiator.
- Check genuinity of the CVP.
- If any company (CPV) submits false verification report then bank will go for necessary action against them as per bank's policy or deed of agreement on timely basis.
- Branch & head office maintain a strong MIS to monitor assets portfolio health & review them as well.

Steps to be followed for existing regular clients:

- Reminder through letter/SMS/internet/telephone about installment payment before the due date.
- Surprised checking by the internal auditor or Special inspection team whether the documents are in order according to guideline.
- Surprise visit to the branches may be carried out with a view to emphasizing the strict compliance of the terms and conditions of the sanction advice as well as all the circulars and credit norms
- Remind customer to complete formalities to regularize the exposure so that they can do transaction without any hassle.
- All the statement is meticulously reviewed with a view to identify the anomaly and necessary measures to be taken for rectification.

Monitoring and Recovery of Loans & Advances:

Monitoring of loans and advances is the only way to ensure smooth recovery of the money extended to the borrower. The basic idea behind monitoring is to eliminate the possibility of lending money to borrowers who may fail to repay the loans or who are likely to divert loan money for inappropriate purposes. The Banker has to take appropriate supervisory or monitoring measures after disbursing to protect himself against risks.

Recovery measures:

- Generally, the borrower is supposed to repay his / their loans and advances as per the terms and condition fixed earlier. The Bank gives reminder through letter/SMS/internet/telephone about installment payment before the due date.

- Overdue but not defaulted: To recover overdue loans and advances, Banks sometime facilitate the borrower by restructuring their loans and advances or by extension of time validity. The branch constantly communicates with the client and creates constant pressure upon the clients for recovery of the bank dues.
- Default Loans: Recovery of defaulted loans is made by rescheduling without interest waiver / with interest waiver matching with the cash flow of the borrower to facilitate repayment strictly following Bangladesh Bank guidelines for rescheduling like taking down payments as per BB specifications.

For rescheduling, no prior approval of Bangladesh Bank will be required other than the Director / Ex- director of a Bank Company.

Write off is the way for keeping the defaulted loans out of the Bank's Balance Sheet which to be done by the guidelines fixed by Bangladesh Bank.

As the Bank is obligated to recover the depositor's money, they have to go for legal actions by way of arranging sale of mortgaged properties under Artha Rin Adalat Ain, 2003, through public auction and comparative bid evaluation to recover classified loans and advances.

While making recovery drive, preference will have to be given on amicable settlement, if all the initiative for amicable settlement fails, the legal action will be taken against the default borrowers. When all measures fail to recover NPL, legal actions are taken against the defaulted borrower.

- Legal notice is served to the defaulted borrower.

Loan Classification of the TBL:

Signs for Classification

First and foremost requirement for any credit managers is to identify a problem credit in its earliest stages by recognizing the signs of deterioration. Such signs include but not limited to the following:

01. Non-payment of interest or principal or both on due dates or past dues beyond a reasonable period or recurring past dues.
02. In case of Overdraft no movement in the account beyond a reasonable period.
03. Deterioration in financial condition of the client, as gathered from client's latest financial statement.
04. A shortfall in collateral coverage, particularly if the collateral was a key factor in the decision-making.
05. Death or withdrawal of key owner(s) or management personnel.
06. Company filing for bankruptcy or voluntary dissolution.
07. Adverse market report about the company itself or its principal owners.

Steps to follow for classification

Steps to follow in such situations would be:

- Recheck the account for all outstanding, including any outstanding in allied or sister company or in owner's or partner or director personal names.
- Thoroughly review loan documentation to confirm, "The bank has what they need".
- If possible take current market value of the securities according to liquidation basis. And take a close look at the asset and liabilities to determine who has the prior right on those assets.
- If grantors are involved look closely at the net worth statement and send demand notice.
- Once the account is classified sub-standard, credit lines must be frozen.

According to international rules a bank may have a maximum limit of classified loans as 5% of the total lending. As TBL did not pass this limit, but it is not a good sign for the bank. Currently TBL CAMEL rating is 3, which means the bank is only in a fair position. The main problem of the TBL is that it is not able maintain a good loan policy. As a result classified loans of this bank have increased over the years. To improve its CAMEL rating TBL must have to improve in this area and has to decrease the amount of classified loans by a well designed recovery policy.

The main reasons behind classification of the TBL

- New banker, or lacking of experience
- Most of the time bankers have to rely on the documents provided on the client. But what is the purity of these data. Although the CA form certifies the dates but financial jugulating is practicing around the world.
- Client's over confidence national and international political scenery.
- Sometimes borrower talks about some other repayment source out of the proposed project but they don't keep the source as security to the bank.
- Sometimes bankers don't go through the financial figures properly.
- Most of the cases clients have done some financial jugulating on their data.
- Sometimes client caught by some unavoidable circumstances like ship sink.
- Sometimes bank don't take appropriate security from the client or grantor.
- Sometimes bank don't put concentration about the insurance.
- Most of the cases the bankers fail to forecast the future business condition of the clients.

Provision for Loans and Advances maintained by the TBL:

As part of pragmatic and conservative approach to sustain the quality of the Bank's loan portfolio, Loan Loss Provision exercise made mandatory for all Line of Business. Such exercise is decided by: a) generally accepted banking practice, b) conservative approach to assess the quality of Risk Assets whereby the most accurate health of the Loan Portfolio is reflected on the books of the Bank and c) to be guided by Bangladesh Bank instructions on provisioning.

Unless otherwise enhanced by Bangladesh Bank regulatory body, Loan Loss Provision Policy as per the matrix given below is to be adopted and followed by the Bank:

Past Due O/S Expired Credit (Criteria)	Classification Status	Maximum Provision to be held against Net Loan Value
<ul style="list-style-type: none"> 180 days 270 days 360 days 	Substandard Doubtful Bad / Loss	20% 50% 100%

The provision exercise is to be carried out by each quarter end, based on reports on Classified Accounts related to previous quarter.

Following formula is to be applied in determining the required amount of provision:

1. Gross Outstanding	XXX
2. Less: (I) Cash margin held or fixed Deposit	XXX
(II) Interest in Suspense Account	XXX
3. Loan Value	XXX
4. Less: Estimated salvage value of security / collateral held	XXX
5. Net Loan Value	XXX

Provision for loan loss ratio = (Provision for loan losses / total loan & advances) x 100

This ratio measures the bank's chances of loan losses as a percentage of total loans and advances. It means if the percentage of loan provision is large then chances of loan losses is higher. So if the ratio is large the qualities of the loans are questionable and the future of the bank is not also good. It will also indicate the performance of the managers because it is the duty of them to make this ratio lower as much as possible.

CHAPTER-FIVE (Results & Discussion)

Finding regarding Credit risk management policy of TBL:

Credit department is the survival unit of the bank because until and unless the success of this department is attained, the survival is a question to every bank. If this section does not properly work the bank may face bankruptcy. This is important because this is the earning unit of the bank. Banks are accepting deposits from the depositors in condition of providing profit to them as well as safe keeping their interest. Now the question may gradually arise how the bank will provide profit to the clients and the simple answer is - Loans & Advances.

The good things about the TBL Loan & Advances services are listed down below:

- ❖ This branch extends credit facilities at competitive price with prudence & efficiency.
- ❖ Loans & Advance Department of TBL follows simple calculation procedures for giving credits.
- ❖ No classified loans are found in this branch which indicates success of this branch in case of loans & advances.
- ❖ In loans and advance department of this branch, the each and everything is crystal clear before the customers. They do not hide any information to their customers.

They have some problems in their credit department. These are given below:

- ❖ The process of CIB [Credit Information Bureau] to sanction a loan is lengthy. It takes 15-20 days to get the approval of the loan proposal.
- ❖ TBL Shahjalal Uposhahar Branch has SME loan but in reality they don't provide loans to new entrepreneurs.
- ❖ TBL Shahjalal Uposhahar Branch has staff loan for house building purpose based on their basic salary. But it is applicable from Assistant Vice President (AVP) to top level posts. This loan is not provided to all employees.
- ❖ The Loans and Advances Department takes a long time to process a loan because the process of sanctioning loan is done manually.
- ❖ Loan monitoring & follow-up is a continuous process. But it is not followed in due manner.
- ❖ Usually Banks are responsible to provide loan to those who are eligible for the loan. But in reality, small investors do not get the loan easily. They have to fulfill more

terms and conditions than those who have greater influence in the business community.

- ❖ TBL Shahjalal Uposhahar Branch has taken no steps for the promotional activities. They have no promotional activities in media, billboards, newspapers etc.

Recommendations for credit risk management of TBL:

- ❖ The credit sanction procedure should be made quicker since competition is very hard in today's business world. People do not want to wait for three to four weeks on an average to get a loan which is even protected by security.
- ❖ TBL Shahjalal Uposhahar Branch should practice SME loan to encourage new potentials.
- ❖ They can introduce "Project" loan in their branch.
- ❖ At the branch level credit department must be adequately capable of collecting the correct and relevant information and analyzing the financial statements quickly and precisely.
- ❖ Present Management Board should be more careful to check all the activities of the Trust Bank Limited so that no unethical practices can bring any destruction to its proper growth.
- ❖ The primary objectives of the Bank should be directed towards rendering best services to the clients by granting /sanctioning more loans and advances.
- ❖ Staff loan can be practiced for all levels of employees on the basis of their basic salary.
- ❖ Employees of the Bank should try to create personal relationship with the borrowers to maximize the monitoring, supervising & recovery effort.
- ❖ TBL should give more attention to promotional activities for creating more attraction among its customers, which is helpful to collect more deposits and to gain more interest by providing more loans. That's why bank should give emphasis on advertisement in various media like TV, News Paper, Internet and Billboard.
- ❖ TBL should introduce different new credit product with minimum interest rate according to changing / diverse needs of clients by conducting huge research and study.

Finding & Analysis of various departments with Recommendations:

Account Opening Department

One of the vital sections of bank is the account opening section. It is considered as the nerve Centre of the bank. The major duty of this section is opening account as per customer need. Initially all the accounts are opened with a deposit money by the customer and hence these accounts are called deposit account. Banker-customer relationship begins through this section.

Various tasks are performed in this section. Such as:

- ❖ Opening of different types of account.
- ❖ Issue of Cheque book.
- ❖ Transfer and closing of account.
- ❖ Enquiry of account.
- ❖ Checking The Signature of the client
- ❖ Locker opening & closing

Account Opening Department plays a vital role in case of getting success as the relationship between the banker and the customer begins with the opening of an account by the customer in this department. Usually a person needs to open an account to take services form it. Without an opening an account, one can get only a few services from the bank. So the banking begins actually by opening an account with a bank. In Shahjalal Uposhahar branch of TBL, this section is doing well for the following reasons:

- ❖ At TBL, the employees have a very good communication skill. At the time of opening an account of a customer, the employees make a good interaction with the customers. They really behave well with customers to make a long-term relationship with them. All the time, they try to make customers happy. They always maintain their motto of their company, which is HAPPY BANKING.
- ❖ The employees of account opening section are very much cooperative and helpful. They always try to help the customer at their utmost service. There are different types of customers in the bank. But they can deal with all these types of customers efficiently and cooperatively.
- ❖ The Account opening department gives any services after 4 p.m. It increases the time

period to provide better services for the client. This flexible banking hour attracts more clients doing banking transactions with this branch.

However, at the same time they have some lacking in the process of opening accounts. These are listed below:

- ❖ There is a lack of sincerity among the employees of account opening sections. They don't fulfill their daily activities, as a result, they have to face pending problem. In addition to that, due to their insincerity, many problems are occurred. For example, in my internship period, I saw that one customer came to collect his cheque book for which he filled up the cheque requisition form while opening the account. He needed to withdraw some money from his savings account by using the cheque book. But he did not get the cheque book because the cheque book was not issued by the employee due to not keeping the cheque requisition form properly. As a result, the customer became helpless since he could not take out money from his account. This was happened because of the employee's insincerity towards works.
- ❖ The employees of this department do not do all the tasks on time. It is the rule that any account should be opened after completion of all documentation and observing all required formalities. But most of the time, they open accounts without completing all documentation and formalities. That is why many pending tasks are aroused here. In addition to that, when this branch was opened, the employees opened too many accounts, and many information, they had to keep, but they could not maintained it properly, as a result, even though the customer submitted the paper before, they had to bring it again and again, which caused dissatisfaction and customer harassment.
- ❖ There is lack of systematic process in the account opening department of Shahjalal Uposhahar branch. Their working process is not in an organized way. Works are done haphazardly. All the tasks of account opening section are not done in sequence. This only happens because responsibilities are not distributed among the employees properly.
- ❖ The employees of account opening section have lack of knowledge about different matters. As a result, they come to know about the matter when they face the problems in the time of doing it practically. Because of this, employees face difficulties and also disturbance is occurred in providing

services to the customers. This is only because they are not given proper training before starting the work.

- ❖ They emphasize more on savings and current account opening rather than DPS, which causes less profit for that branch.
- ❖ The tasks of account opening section are neither digital nor analog, it is in between. Even though they post information in their FloraBankq software, the employees still need to maintain the register of different types of accounts manually which is time consuming.
- ❖ Job rotation is not adequate in this department. Repetitive job causes monotony for the employees. As a result, job dissatisfaction exists among the employees.
- ❖ Letter of thanks is to be sent to the introducer as well as to the a/c holder to confirm the authenticity of a/c holder and to get feedback from the introducer if finds any dissimilarity by him. But it is not practiced.

Recommendation for Account Opening Section:

In recommendations, certain suggestions can be followed. They are given below:

- ❖ Proper training should be given, so that they get to know about the real problems before starting their job.
- ❖ Employees should be more sincere about their responsibility.
- ❖ Employees should be more careful about their duties. Customer satisfaction is a big deal, but they should also keep other activities in mind as well so that operational lapses cannot be occurred in this branch. To reduce the number of pending files, account should not be opened without required information.
- ❖ The whole procedure should be modernized.
- ❖ More focus on DPS, FDR, and then the branch will be able to bring more profit.
- ❖ The jobs of officers in this department should be rotated regularly for a specified time so that everyone knows other person's job. This will help to motivate the employees.
- ❖ Thanks Letter should be sent for the aforesaid reason. In addition, it also builds up banker-customer relationship.

ATM Service at TBL

Most of the customers of TBL are dissatisfied with the number of ATM booths as the bank does not have sufficient ATM Booths available at present compare to Dutch Bangla Bank which has most ATM booth in Bangladesh and all of their ATM booths are in the convenient places for the customers. The customers face many problems they have to wait in the long queues and have to waste a long time. Even some of the customers spend their entire day only to withdraw a small amount of money. This kind of problem arises due to the limited number of ATM booths. The management should be concerned about the limited number of ATM booths which makes their customers dissatisfied.

Recommendation:

- ❖ In recommendation, the only solution that can be given is to increase the ATM booths in different locations so that the card stuck problems do not happen and because of that the whole other problems are not happened again in future.

The Online banking service of the bank

The customers are dissatisfied with the service of online transaction facility as sometimes problem in the server connection is created and it makes the employees unable to encash the customers' cheque. So, the customers have to wait for completing their transaction. Sometimes it takes a long time to make the server fit again. This wastes the customer's valuable time on one hand, and creates a lot of sufferings for those customers who have urgent need for money on the other hand. So, this Online Transaction facility sometimes becomes a matter of dissatisfaction for the customers.

Recommendation:

- ❖ The online banking service of TBL should be made more upgraded so that these services can be provided to the clients that other competitor banks are providing.
- ❖ Software up gradation is a necessity to enhance performance and to compete with other PCBs.

Remittance Department

Carrying cash money is troublesome and risky. That is why money can be transferred from one place to another through banking channel. The word "REMITTANCE" means transfer of funds from one place to another either within the country or from one country to other country globally by means of different recognized modes. There are two types of remittance. Such as:

- 1) Local Remittance
- 2) Foreign Remittance.

The position of TBL in remittance business is discussed below:

- ❖ TBL has good network coverage which helps it in remittance business. Network coverage means how much area a bank can cover with its branches. The more branches a bank has the more area it can cover. Network coverage is the most important issue in foreign remittance business. Most of the remittance senders' families and relatives live in the rural areas. Again there is a chance to increase the number of deposit as the branches of a bank spreading all over the country. If the number of deposit increases earning from remittance also increase. At present TBL have **63** branches. It has its branches in both urban and rural areas. That's why this bank is doing well in remittance business.
- ❖ Exchange house is an important factor in transfer of remittance. Arrangement with exchange houses mean more quick service to the beneficiaries. At present TBL have **20** exchange houses with arrangement. Among them, Shahjalal Uposhahar branch receives funds from 7 exchange house.
- ❖ In TBL Shahjalal Uposhahar Branch, the service to the beneficiary is commendable. Service and goodwill of the bank is an important factor in remittance business. It is important for the banks to give fast and hassle free service to the beneficiaries. Service can be an important factor when a beneficiary has the advantage of choosing options. If a beneficiary is not treated well by a bank he/she might switch to other bank. Sometimes beneficiaries does not know the process regarding receiving remittance, the respective officers inform them about the process properly. As many of the beneficiaries are from low or middle class people from the society, bank's officials have to treat them well. This bank's officials really behave well with the

beneficiaries in the way that they don't feel hesitate to ask any questions about the remittance.

- ❖ Remittance receiving depends on how a sender sends it. This bank has three methods available. Introduction of SWIFT in the banking system facilitate the TT process. At present electronic fund transfer (EFT) is getting more popular for its faster service. Using SWIFT and Electronic Fund Transfer TBL provides quick service to its beneficiaries. And also, TBL gives service of 'Western Union' which is the fastest service available to transfer remittance.

Recommendation

- ❖ Though it has good network coverage, many other nationalized commercial banks have more branches than TBL. Again these banks have their branches in both urban and rural areas. That's why these banks are doing well in remittance business. For this reason TBL has to take the help of those banks which have branches all over the country. For example, TBL has no branch in Ashugonj. To transfer the remittance in Ashugonj it has to take the help of those banks who have branches in Ashugonj. In this way a bank with more branches or network coverage get the benefit of earning commission. So to increase earning from foreign remittance TBL's network coverage has to be more developed.
- ❖ As huge number of beneficiary lived in rural areas, newer branches required to be launched at rural areas.
- ❖ If it is not financially feasible to open a branch in rural areas, small size office may be maintained where only remittance related service will be provided. These offices need not to be well furnished.
- ❖ Remittance service related promotional activities should be organized.
- ❖ To provide service in rural areas collaboration with NGOs can be done.
- ❖ They should make more arrangements with exchange houses in different countries.
- ❖ TBL still do not have any arrangement with exchange houses in country like Australia, Korea or Japan where many Bangladeshi lived. So initiative has to be taken to make arrangement with exchange houses in those countries.
- ❖ As Electronic Fund Transfer (EFT) is getting more popular in recent times, more emphasize should be given on electronic fund transfer.

- ❖ TBL can develop such a product for the beneficiaries which will be used in productive purposes.
- ❖ Beneficiaries of the remittance are mostly from middle or lower class family of the society. They have to be well treated. Same level of service should be given to them.

Other Recommendations.....

Improved Customer Service:

Improvement of customer service is very much essential. To compete with other banks, customer service should be improved as online service, internet service, 24 hours customer service etc. Administration should be effective about customer demand. New technologies should be taken for effective services. Administration should follow up the employee's improvement and performance and provide attractive remuneration competitive to other banks.

Handle complaints effectively:

TBL may give greater importance to manage the complaints of various customers and to encourage customers to give feedback about the services. By doing so, the management will be able to collect and document complains and to use that information to identify dissatisfied customers

Pursue an attractive advertising campaign:

Trust Bank Limited can focus on pursuing an aggressive advertising campaign in order to build up a strong image and reputation among potential customers. In this context, the valuable strengths can be used for positioning the online banking image of the bank. TV ads may be aired to reach a wider array of customers. Thus an offensive marketing strategy emphasizing customer satisfaction and service quality can bring valuable business for the Bank.

Recruitment of more Employees:

I have found one thing from my experience that bank should increase their number of employees. Sometimes employees cannot give proper attention to their clients because of increasing working pressure. Bank can recruit more employees and divide their work properly so that they can give proper attention to the customers.










New Branches should be introduced:

Customers showed a huge dissatisfaction as TBL provides services from only limited branches throughout Bangladesh. New branches should be constructed in Dhaka city satisfying more geographic segments. As convenience of branch location was a very important factor for the customers TBL should consider building new branches and ATM's within Dhaka city as well as other metropolitan cities of Bangladesh.

Conclusion.....

Bangladesh is one of the world's most prominent developing nations. The financial service providing system and bank's ability to deliver sound financial services to its constituencies can have far-reaching implications for the economic development of the nation. Financial sector of Bangladesh, like most developing countries, is dominated by banking enterprises. Bank is very old institution that is contributing towards the development of the economy as well as plays a vital role of financial intermediary of Bangladesh. Bank is treated as an important service industry in modern world. Credit / Loan constitute the major revenue earning asset of a Bank. Banks lend mostly depositors money. Credit / Loan able fund having cost implication and repayment obligations to the depositors have to be managed competently with minimum possible credit (default) risk. Incidence of Credit Risk may be higher unless the risk is cared and monitored adequately. Trust Bank should emphasis more on credit risk management policy (CRM) as CRM enables banks to proactively manage loan portfolios in order to minimize losses and earn an acceptable level of return for the shareholders.

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