

Report On
“Credit Operations and Management of Trust Bank Limited”

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An internship report submitted to the BRAC Business School in partial fulfilment of the requirements for the degree of Bachelor of Business Administration

BRAC Business School
BRAC University
April 2024

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Declaration

I am, Mahira Mondol hereby declare that the Internship report on “**Credit Operations and Management of Trust Bank Limited**” is prepared precisely by me after successful completion of a three-month internship program at Trust Bank Ltd, Gulshan Branch. It contains the findings of my individual research that I carried out under the supervision of Mohammad Enamul Hoque, Assistant Professor of BRAC Business school, BRAC University.

I further certify that the internship report has been made only for academic purposes and for no other reason. This report has not been submitted before to any institution or University for other purposes or academic qualification.

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Letter of Transmittal

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Mohammad Enamul Hoque

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Subject: Submission of internship report

Dear Sir,

I am honored to inform you that it's been a pleasure to work under your direction and have the opportunity to submit the internship report on "Credit Operation System of Trust Bank Limited".

I have made every effort to keep up to the standards while preparing the report. In order to make my report as analytical and trustworthy as possible, I gathered the material that I felt was the most relevant. The experience and practical knowledge I gained while preparing my report will be extremely beneficial to me in my career in the future. Even though I had to work under certain time constraints, lack of structured data, and little understanding of the banking industry, I had a great experience creating this internship report.

I would greatly appreciate if you could share your insights and opinions about the report with me. In addition, I would be happy to respond to any questions you may have on any part of my report. I hope that you would find my work worthwhile.

Sincerely Yours,

Mahira Mondol

ID: 18104139

BRAC Business School

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Non-Disclosure Agreement

This agreement is made and entered into by and between Trust Bank Ltd. And Mahira Mondol, the undersigned student at BRAC University to prevent the disclosure of the information of Trust Bank's classified data.

Mahira Mondol

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Acknowledgment

First and foremost, I want to express my gratitude to almighty Allah who has blessed me and enabled me to finish the internship report. This internship report would not have been possible without the assistance and involvement of many individuals, particularly those who gave their time to provide insightful advice and recommendations on how to make the report better.

I want to thank my internship supervisor Mohammad Enamul Hoque, Assistant Professor of BRAC Business school for his continuous support, supervision and providing me with information that was needed to complete the report.

I have the utmost gratitude and debt to everyone who works at the Gulshan Branch of Trust Bank specially to Abdullah Al Hafiz (Branch Manage), Marzina Akter (Operation Manager), DR. Mushfika Rahman (Credit and foreign exchange manager). Their guidance, positive outlook, and creative approach for sharing expertise enabled me to successfully complete this challenging work. It was a wonderful experience to work with every person including Shaila Parvin, Amit Dey, Rijwana Parvin who gave me ideas, knowledge and invaluable experience of the corporate culture.

Finally, I would want to express my heartfelt gratitude to my friends, family and classmates who have always supported me whenever I needed.

Executive Summary

Trust Bank Limited contributes significantly to the socioeconomic growth of our nation, by meeting customer needs and enhancing banking services. The primary goal of this paper is to analyze the credit and loan lending policies that Trust Bank operates. This report was prepared using both primary and secondary sources. The trust bank's annual report over the previous five years was used to gather data. Initially an in-depth organizational summary is provided so that readers can be aware of the bank and its overall services. The primary sources of income for the bank are its commercial banking services and products, which include working capital and trade finance for corporate clients, SME loans for small business owners and traders, and a variety of need and lifestyle-based loans for individual consumers. Following that, the bank's credit policy, credit department, and credit approval procedure are described. With a strong credit management system, TBL effectively and efficiently controls credit risk. The bank prioritizes enhancing post-disbursement recovery procedures and giving Early Warning System (EWS) priority in order to prevent the increase of non-performing assets to ensure the quality of its loan portfolio. Looking at the data, it is reasonable to believe that Trust Bank is in excellent financial condition. Finally, following a thorough analysis of all the data, a list of recommendations is provided that may be useful in identifying obstacles, mitigating negative effects, and enhancing the banks performance.

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List of Abbreviation

TBL: Trust Bank Ltd.

BB: Bangladesh Bank

SOD: Secured Overdraft

L/C: Letter of Credit

CIB: Credit Information Bureau

CRM: Credit Risk Management

AWT: Army Welfare Trust

CRM: Customer Relationship Department

CRG: Credit Risk Grading

CHAPTER 1: OVERVIEW OF INTERNSHIP

1.1 Student Information

Name: Mahira Mondol

ID- 18104139

Major: Finance & Operations management

Department: BRAC Business School, BRAC University

1.2 Internship Information

Company Name: Trust Bank

Department: General Banking & Credit Department

Period: 23/07/2023 to 23/10/2023

Address: Khandker Tower (1st Floor), 94 Gulshan Avenue, Gulshan 2

1.2.1 Details of Employment

I was given the chance to work at Trust Bank Ltd.'s Gulshan Branch to fulfil academic obligations. I had a great working experience at TBL, and I consider myself really fortunate to be employed by such a company. My internship experience at TBL taught me how to be a professional worker and gave me insight into the banking sector in the country. At first, I was assigned at the general banking department to aid the officers organize and fulfil various form as well as communicate with the customers. Later I was given the opportunity to work in the credit department.

1.2.2 Company Supervisors Information

Supervisor: Marzina Akter

Designation: Operation Manager

E-mail: Marzina.akter@tblbd.com

1.2.3 Job Description

Throughout my internship, I worked five days a week, rotating between many departments, from 10 a.m. to 5 p.m. Furthermore, it was a terrific opportunity to work in several departments. The tasks I was assigned to includes:

- To assist clients in filling forms and give customers the information they require.
- Provide clients with bank statements
- Keep every form in an orderly and organized manner.
- scan the new clients' documents with their photos
- Complete all the required information for a certain customer
- Record the returned check in the register.
- Provide them new cheques and debit cards.
- filling and checking CIB forms

1.3 Internship Outcome

1.3.1 Contribution to the company

I tried my best as an intern to help the officers in a day-to-day activity of the company. Though I did not get enough opportunities to contribute to the company's overall performance, I put my effort to do the tasks I was assigned to as good as possible. Moreover, during the time of assisting the customers I made sure to remain calm, assess their needs and help them with the best of my capabilities.

1.3.2 New skill Development

Through this internship program, I've been able to acquire a variety of skills. Working in a different department has given me an introduction to banks' everyday operations. I was employed by TBL in both the general and credit departments, where I carried out certain responsibilities. Thus, throughout my three-month internship at Trust Bank, I have picked up how to put the theoretical knowledge to use in daily circumstances and how to approach the actual business world with professionalism in the workplace. Moreover, how to interact professionally with clients, staff, and so forth.

1.3.3 Problems Faced during the Internship

There is not many problems I faced while I was working in Trust Bank. Though I was a bit overwhelmed adapting to the new environment as it was my first time working in a corporate workplace. All of the people who worked there were really supportive and helped me a lot to take in the information throughout my whole internship. Despite their heavy schedule, every TBL employee was consistently polite and amiable. I am grateful that I had the opportunity to understand and experience how banks operate in real life.

1.3.4 Recommendations

1. The majority of customers have little knowledge of the bank. That's why a lot of media attention and advertising are needed. To promote TBL, Trust Bank can put up billboards and sponsor other social programs.
2. TBL software system needs to be updated and Fast.
3. Trust Bank has been seen to cater mostly to defense personnel and various army finances. Their services to the general public and other corporate organizations need to be expanded further.
4. I discovered throughout my internship that many consumers were not happy with the ATM services, thus TBL has to take this seriously in order to guarantee that their clients have better ATM facilities.
5. For official operations to run effectively, there should be an increase in the number of officers and staff

CHAPTER 2: ABOUT THE ORGANIZATION

2.1 Introduction

Generally, it is clear from the name "Bank" that the financial organization works with money. These organizations function as financial intermediaries, they facilitate the effective transmission of cash by building relationships between lenders and borrowers. This kind of resource exchange is made possible by the existence of financial organizations like banks. Therefore, both lenders and borrowers can strengthen their financial positions. The public's money is safeguarded by banks. The government implements a range of monetary policies and the banking industry assists in putting these policies into action. A nation's economy is mostly fueled by its commercial banks. Thus, we may state that commercial banks as a profit-making organization that receive deposits from people and businesses for checking and savings accounts before using this money to create loans.

2.2 An overview of Trust Bank

Trust Bank Limited, a well-known private business bank in Bangladesh that receives support from the Bangladesh Army Welfare Trust (AWT), started operating on November 29, 1999. From the beginning of their activities, they have advanced gradually and were capable of maintaining their success for an apparently indefinite period of time. On September 25, 2007, the Bank registered with the Dhaka Stock Exchange, and on September 24, the Bank registered with the Chittagong Stock Exchange. It is now one of the top private commercial banks in Bangladesh, Trust Bank Limited (TBL) has a wide network of 115 branches and SME centers, 262 ATM booths, over 20,000 pay points, and 500 point of sale (POS) locations. Trust Bank effectively launched its online banking services in January 2007, enabling all of its clients to use Internet banking also known as I banking at TBL, via SMS, and ATM.

This bank is especially well-known among the military sector since it handles all of the military's financial operations. These days, Trust Bank Ltd. is also becoming more and more well-known among the general public. In addition to providing excellent customer care in general banking, the bank also handles foreign exchange business. In the meanwhile, the bank has extended loans to

every sector of the country's economy. Additionally, the bank is always enhancing its offerings and introducing new ones in order to better serve its clients while also taking into account their banking and financial requirements.

TBL has completely computerized each of its branches. Flora is a new software that is being used to give customers faster, more accurate, and more efficient service. The bank has automated a large number of its branches in an effort to constantly offer superior services. In order to provide better service going forward, the bank has established a full-fledged IT section to stay up to date on the newest advancements in the field.

The bank recently shown interest in collaborating with other banks to advance significant regions of the country through syndicated advances. In the future, this kind of collaboration would lead to more significant economic growth.

2.3 TBL Management Hierarchy

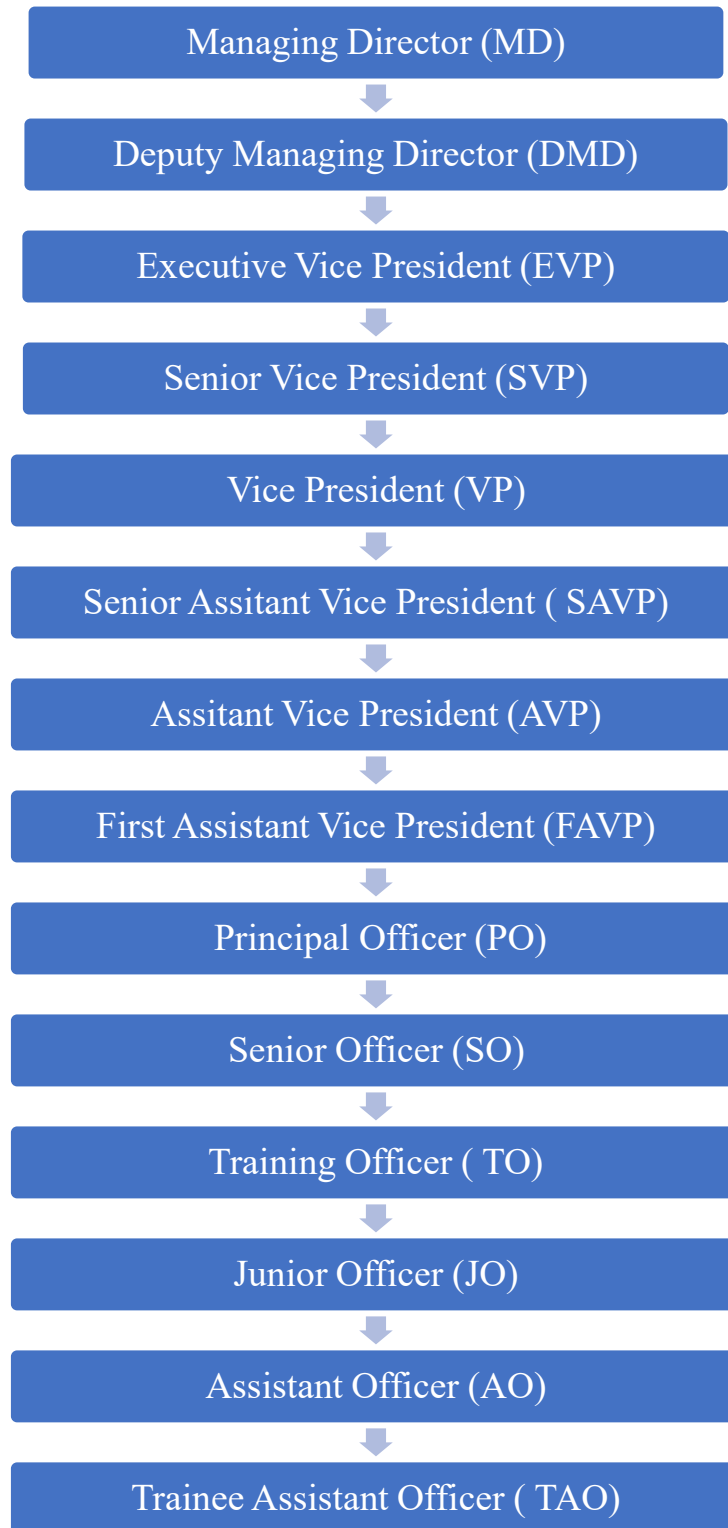


Figure 1: Management Hierarchy of TBL

2.4 Vision of TBL

The vision reveals the institution's fundamental traits, core values, and primary objective. Trust Bank Ltd. also has a distinct vision for itself. Their goal is to create a financially inclusive, long-term, sustainable institution that provides the most possible value to all stakeholders involved while maintaining the highest standards of compliance.

TBL slogan is:

“A bank for financial inclusion”

2.5 Mission of TBL

A mission statement summarizes the main purpose of an organization. In addition to providing guidance and purpose to stakeholders like vendors, customers, and staff, the mission also supports the vision.

The mission of TBL is:

- Long-term sustainable development through a well-diversified company and effective risk control.
- TBL employs financial inclusion to entice the unbanked people into the banking network through technologically based and low-cost service
- TBL is answerable to every individual involved, including clients, investors, staff members, and regulatory bodies.
- At every stage of operation, it offers the highest level of transparency and compliance.

2.6 Departments and operations of TBL

The entire banking system of Trust Bank is split into three sections.

1. General Banking
2. Credit Department
3. Foreign Exchange Department

2.6.1 General Banking

Under general banking there are some allocated departments responsible for different kind of activities. To offer effective and advanced financial services to people across every segment of society, Customers of Trust Bank Ltd. have been provided with a variety of offers and schemes. They are listed below:

1. Savings account
2. Current account
3. Short term deposit
4. Fixed deposit receipt (FDR)
5. Trust smart savers scheme (TSSS)
6. Trust money double scheme (TMDS)
7. Monthly benefit deposit scheme (MBDS)
8. Lakhpoti savings scheme (LSS)
9. Trust money making scheme (TMMS)

2.6.1.1 Cash and Deposit Department

The cash department handles all types of transactions involving money. It Keeps Track of Payment and Receipt Records all while Collecting and Paying Various Amounts of Cash

Function of cash department:

- Cash Receiving
- Safe keeping of cash
- Cash Payment
- Daily balancing of cash
- Payment through clearing house
- Acquiring and discarding damaged notes

The following procedures are followed at TBL when paying cash against debit instruments, such as checks, pay orders (PO), demand drafts (DD), pay slips (PS), FDR, and so on.

- After confirming the instrument's authenticity, post, pass, and cancel the checks. Next, the officers count the appropriate amount of cash and record the amounts on the back the corresponding instruments.
- Lastly, once all of the aforementioned procedures have been completed, the cash officer will pay or deliver cash to the payee or recipients in exchange for the instrument or cheque.

The corresponding cash officers do the following before accepting cash from depositors in Pay-in-Slip or Credit Vouchers:

- Confirm the accuracy and legitimacy of (a) account title; (b) account number; (c) balance in words and numbers; (d) date; etc. using the computer records.
- Examine and count the notes carefully.
- During the transaction hours, keep the cash under a lock in the cash counter's drawer (within the counter's limit).

The Cash Receiving Officer is responsible for the following for daily balancing after collecting all cash for the day:

- Subtotal the money after the most recent entry in the Register of Cash Receiving
- Write down the entire amount in English and check that the figure matches the computer-generated figure under the overall summation

Payment Through clearing house: The bank's employee is present at the clearing house during business hours to pick up their banks' cheques. When a clearinghouse returns a check, they state why it was returned. The following reasons are included in the TBL Return:

- Lack of money
- The drawer stopped paying.
- signatures mismatch or are needed
- Unusual payee endorsement and confirmation from the bank was needed.
- The cheque is out of date or postdated.
- A clearance stamp is missing

2.6.1.2 Account opening department

General deposit products are provided by Trust Bank Limited in the form of several account categories.

Savings Account: One common type of account kept in banks is a savings deposit in a bank. The following discussion outlines the many issues related to SB accounts.

- Anyone who is at least eighteen years old and in good mental health may open and manage this account independently or jointly.
- If the account holder is under the age of 18, their guardian has the authority to open and manage the account on their behalf.
- This type of account can be opened by clubs, partnerships (private or public), sole proprietorships, and other organizations of a similar nature.
- To create such an account, customers must deposit a minimum of Tk. 1000 initially.
- Cheques and debit cards will be used to withdraw funds.
- The bank will deduct Tk. 100.00 as a closing charge if any account is closed.

Current Account: The majority of businesses use current deposit accounts to conduct their regular company operations. The following is a list of the guidelines for opening a current account:

- To start a current account, customers must deposit at least Tk. 1500.
- In order to maintain the account, the bank collects an additional fee of Tk 100 once every six months.
- The bank charges Tk. 100.00 as closing charge if the account holder wants to close the account
- The only way to withdraw money is via the bank's designated checkbook slips.

Trust Islamic Banking: All TBL branches are currently offering Islamic banking services to their customers through a centralized online operating system. The Bangladesh Bank's guidelines for Islamic banking operations are closely followed in addition to Sharia standard

Other Services of account opening department

Trust Locker Service: The locker services are provided through the Account Opening department. Locker service is exclusively available to Trust Bank account holders. The account holder is required to pay a one-time, refundable key deposit whenever a locker service is created. The account holder is required to pay an annual fee for locker maintenance.

Mobile banking service: Customers can use any mobile device, to access Trust Bank Money services. TBL offers I Banking that gives the client rapid access to your account status and transaction statements. It also offers various utility bill payment options and financial transfers across accounts. Clients must deliver a signed form to the Trust Bank branch. The I Banking Login ID and Password will be sent to the customer's email address upon verification of the information provided. The customer can also ask for help if he/ she having problem operating this service

Provide Statement of the account: The account holder can request statements from the bank. The information in this statement will focus on the amount that is now in account and transaction on this account.

Dormant and inoperative account activation: If there isn't a transaction during six months of starting an account, it's referred to as a dormant account. If the client has not used the account for the past three years it's called inoperative account. Furthermore, the client wants to activate the account again, then the officers will provide then activation form and after filling up the form they will activate the account.

Account Closing and Expired Cheque Disposal: Any unused portion of the check must be turned in by the consumer; the bank will dispose of them. Account holder can also request to close the account through application.

Cheque and debit card: Issuing and renewing of new cheque and debit card and collecting those happens in this department.

2.6.1.3 Remittance and Bills Department

Another important aspect of general banking is remittances. The bank's customer service heavily relies on the remittance and bills area. The financial institution offers a range of services and bills via domestic remittance. Such as:

- Issuance of Pay Slip, Demand Draft, FDR, Pay Order and so forth
- Sanchaypatra issue
- Telegraphic transfer
- Collection of cheques and invoices both locally and internally.

Telegraphic Transfer: A certain amount of money is to be paid to the beneficiary by the drawee bank following an instruction from the issuing branch. Funds are disbursed to the beneficiary via his account with the drawee branch, or by a pay order in case that the beneficiary does not have an account with the drawee branch. The payment instruction is delivered With TT and there is no fee necessary.

Demand Draft: Demand drafts are a tool that clients occasionally utilize to move money between locations or send money outside of Dhaka. In order to acquire a demand draft, the client must submit an application. Both the authorized officer and the applicant will properly sign the paper. TBL imposes a 15% fee as a service charge on the DD.

Pay order: The pay order is a type of financial instrument where the bank issues it on behalf of the client, directing them to pay a specific individual in the same city a certain amount. The bank receives the pay order and decides whether to clear it or credit it to the client's account.

Shanchaypatra: Bangladesh Bank (BB) provides ShanchayPatra. Bond buyers must deposit funds at this branch, and clients will get payment when the bonds mature. In the event of an issue, BB must receive the report within 48 hours, or else a penalty would be issued.

5-year Bangladesh Sanchaypatra (5BSP): This Sanchay Patra will last for five years. at TBL One individual may purchase 5BSP for up to TK. 50 lac. And jointly can purchase for up to TK.1 crore and 11.28% interest rate Following five years

3 months profit based Sanchay Patra (3MPBS): Up to TK. 50 lac can be purchased by an individual, and up to TK. 1 crore can be purchased jointly for 03 MPB Sanchay Patra. Interest rate after is 11.04%. There will be a distribution of 2,875 Tk against 1 Lac Taka in every three (03) months.

Pensioner’s Sanchay Patra: This Sanchay Patra lasts for five years. The purchaser of this Sanchay Patra may withdraw their interest once every three months, however they cannot withdraw the principal beyond the maturity time. Pensioner's Sanchaypatra can be purchased by a single person for up to TK. 30 lac. Interest rate after five years is 12.50% and 3,125 Tk. would be granted for every three months for one lac Taka.

Fixed Deposit Account: Through fixed deposits, Trust bank enables customers to keep their extra cash safe and profitable. FDR is available for one, three, six, or twelve months. Automatic renewal will happen upon reaching maturity.

Table 1: Different Kinds of FDR

| PUBLIC/PRIVATE ORGANIZATION FUND, INDIVIDUALS, EMPLOYEES' FUND, FUNDS GENERATED FOR POST-RETIREMENT | | | | |
|--|---------|----------|----------|-----------|
| Tenor | 1 month | 3 months | 6 months | 12 months |
| Interest rate | 6% | 8% | 8.25% | 8.50% |
| OTHER THAN PUBLIC/PRIVATE ORGANIZATION FUND, INDIVIDUALS, EMPLOYEES' FUND, FUNDS GENERATED FOR POST-RETIREMENT | | | | |
| Tenor | 1 month | 3 months | 6 months | 12 months |
| Interest rate | 6.50% | 6.50% | 6.50% | 6.50% |

| Product name | Tenor | Interest Rate |
|-------------------|-----------|---------------|
| Trust Seniors FDR | 3 months | 8% |
| | 6 months | 8.25% |
| | 12 months | 8.50% |

2.6.1.4 Dispatch Department

Among the main departments involved in banking operations is dispatch. There are two components to dispatch:

Inward register: Every document that arrives is received and documented in the inward register with the appropriate date. Documents are then sent to other departments based on their intended use.

Outward register: Documents that must be delivered to multiple TBL branches are recorded in the outward register and sent by the appropriate courier or postal service.

2.6.2 Foreign Exchange Department

The exchange of money for products between nations is referred to as foreign exchange. Dealing in foreign exchange involves extremely skilled and complicated tasks. As a result, the activities have received special managerial attention. Foreign exchange trade has become a significant source of revenue for banks globally.

- The main responsibility of the Foreign Exchange Dept. is to oversee the FC liquidity for remittances, imports, exports, and other foreign exchange transactions that are made on behalf of the branches.
- This dept deals with the purchasing, selling, and borrowing and lending of foreign exchange with customers, the interbank market, and overseas communication when needed.
- In order to take advantage of potential arbitrage possibilities and generate profits for the bank, the desk also deals in and trades various foreign currency derivatives products, such as Spot, Outright, Forward, cross currency and SWAP dealing.

Import Operation

The importer issues a letter of credit (L/C) for the exporter once the importer and exporter have decided to enter into a contract for the purchase and sale of products. In order to issue the L/C at TBL, the importer must submit the required paperwork. They are as follows-

- **Import registration certificate:** The Chief Controller of Import & Export, issues the IRC, which is required for anybody wishing to import.
- **L/C authorization application form:** This form is provided by TBL to open a L/C. Importers have to fill it up.
- **Import form:** Additionally, importer must complete this form provided by TBL
- **Current VAT & TAX certificate:** Without a doubt, an importer is a businessman. As a business owner, he is required to pay the government VAT and TAX. To open an L/C, a VAT and tax certificate must be submitted.
- **Proforma invoice:** The exporter will provide the importer with a proforma invoice following a contract between the importer and exporter for the purchase and sale of goods. Quality, pricing, and other details of the requested products must be included in the proforma invoice.
- **Letter of application:** After receiving of the proforma invoice from the exporter, the importer submits an application with the title "Request to open an L/C" to the Branch manager.

Export Operation: In order to become an exporter, Firstly, the person needs to have-

- The current account at TBL
- Export certificate
- Authorization from the sponsoring organization
- Trade certificate
- VAT, TAX & TIN certificate

The following are the primary documents that are needed:

- Airway Bill
- Commercial invoice
- Insurance certificate
- Consular certificate

Products and services that TBL provides are:

- Forward foreign exchange

- Spot foreign exchange
- Currency swap
- Forward rate agreement
- overnight FC depo

2.7 Overall Outlook on TBL

2.7.1 Positive aspect

1. Compared to other financial institutions, the customer service of TBL is very good. Though I'm not familiar with any other TBL branches, the Gulshan branch in particular is a great illustration of excellent customer service.
2. The branch manager makes a conscious effort to meet goals, inspires staff members, and represents the bank positively in the community.
3. Employees are incredibly productive. They deliver quick services more effectively. When clients require them, they offer suitable recommendations.

2.7.2 Negative Aspect

1. In Bangladesh, Trust Bank Limited has a mere 115 branches. The bank is unable to provide banking services for the entire country due to its small number of branches.
2. The bank's chosen marketing approach has been fruitful yet ineffective. most of the time, people mistake it with Mutual Trust Bank.
3. The organization's performance is improving due to computerization, although the "Flora" software employed by the TBL is outdated and not very quick. It has several shortcomings but is manageable.

2.8 Competitive Environment Assessment

2.8.1 Industry Analysis

Technological factor: A bank's financial performance and profitability are significantly influenced by technology. A bank's ability to attract and keep consumers increases with its level of technological sophistication, which helps it build brand value. TBL offers its clients cutting-edge technology facilities through its goods and services. Customers may use cutting-edge technical facilities through their banking service, TAP service, debit card, and credit card facilities.

Barriers to entry: An essential factor influencing a bank's profitability is its entry barrier. Low entry barriers pose less risk to already established institutions. Threat from new entrants is not huge for TBL. It is not simple to get into the banking sector since it takes a lot of funds and has lengthy, complex procedures. Achieving brand value similar to that achieved by TBL or other banks is also difficult. Therefore, even though the new entry threat is not very serious, they still need to be aware of their current rivals.

Buyer power: Customer buying power refers to the ability of the consumer to negotiate a cheaper price. That may occur if there are a lot of choices with cheap switching option. Customers might transfer to other banks if they find that they provide appealing services and simpler banking processes than their current one. This risk of buyer power also exists for TBL. In order to reduce this risk, TBL should work to provide its customers with the highest level of service possible to keep them from switching banks.

Supplier power: The primary suppliers of TBL are their depositors, other banks and financial institutions when they borrow money from them, and their staff members who supply manpower. In order to manage the negotiating power of suppliers, companies should aim to maintain their present clientele by offering them competitive incentives, attract new clients, and hold onto their current staff members.

Threat of substitute: The threat of substitutes for banks is an indicator that a banking organization may see a decline in profitability or an appealing remuneration from another nonbanking firm. If nonbanking organizations can provide their services at a cheaper interest rate, such as insurance

companies, mutual funds, and fixed income securities, they might serve as a substitute for TBL. So, this might have an impact on TBL's client base and profitability.

Industry rivalry: TBL has fierce industrial competition. there are several private commercial banks that offer the same services and work in the same sector. The main rivals of TBL among the private commercial banks and international banks include Dutch Bangla Bank, Dhaka Bank, Mutual Trust Bank, Uttara Bank, Citi Bank and HSBC. In order to maintain a competitive edge, TBL must maintain the same level of quality in both its products and services.

Economic factors: Banks are greatly impacted by both the national and global economy. A healthy economy has a favorable impact on the bank; on the other side, a declining economy has some detrimental effects on the bank. The status of the world economy right now is concerning and also political instability of our country is a cause of concern for TBL.

2.8.2 SWOT Analysis

In order to assess a firm's strength, weakness, threat, and opportunities, a SWOT analysis is carried out to look at its internal as well as external positions. Strength and weakness are associated with internal variables inside an organization, whereas threats and opportunities are indicative of external forces. The Trust Bank's SWOT analysis is shown below:

Strength

- Firstly, TBL's foundation and funding by the Army Welfare Trust is one of its strengths. Therefore, the bank does not have a funding issue. Since TBL handles all of their banking needs, including managing their company finances and organizations and providing salaries, the majority of its customers are also members of the armed forces.
- Another strength is its top management, modern facilities and company reputation. It offers an excellent range of offerings and services, including modern technological support.

Weakness

- TBL also has flaws just like every other organization. One of the main problems is that their ATM service and banking software are not very good.

- Their marketing approach is inadequate, which explains why many individuals are not adequately informed about TBL.
- Moreover, TBL has limited branches, which contributes to people's inadequate access to services.

Opportunity

- TBL has a significant opportunity since their consumer credit holders are increasing.
- TBL has the potential to grow their business and create demand for their goods and services as seen by the data from their yearly reports over the past ten years, which shows an increase in income.

Threats

- One of TBL's main threats is the intense competition between private commercial banks. Competitor banks are also providing profitable services and products like ATMs, mobile banking, and more effective online banking, so if TBL can't keep up with them, they will be seriously impacted.
- Another additional threat to them is the possibility of new competitors entering the banking sector.
- The current state of the global economy poses a concern as well, and things might get worse if they are unable to come up with a viable strategy.

2.8.3 Financial Analysis

Table 2: Total deposit collection and net loan of TBL of last 5 years

| Year | 2018 | 2019 | 2020 | 2021 | 2022 |
|---------------------------------------|---------------|---------------|---------------|---------------|---------------|
| Total Deposit (BDT in Million) | 212681 | 242025 | 288404 | 284881 | 325931 |
| Deposit Growth | 6.10% | 13.80% | 19.16% | -1.22% | 14.41% |
| Net Loan (BDT in Million) | 197128 | 210767 | 221064 | 257295 | 298376 |
| 1Yr Loan Growth Rate | 6.61% | 6.92% | 4.89% | 16.39% | 15.97% |

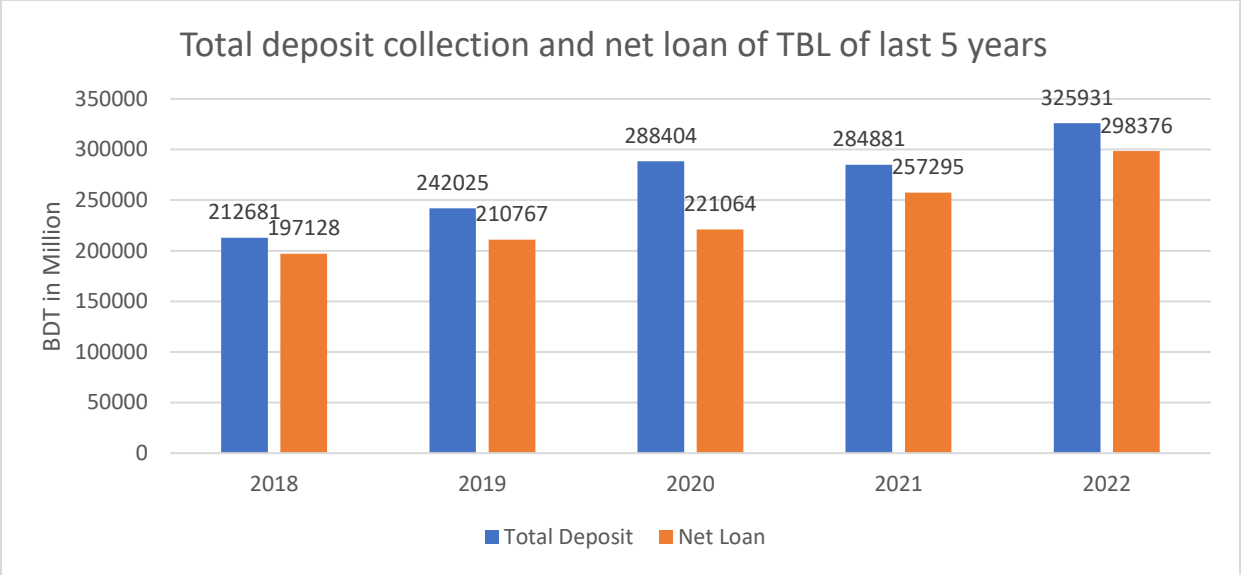


Figure 2: Total deposit collection and net loan of TBL of last 5 years

Table 3: Non-Performing Loans of TBL of Last 5 Years

| Year | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|--------------|--------------|--------------|--------------|--------------|
| Non-Performing Loan (BDT in Million) | 15580 | 11577 | 9966 | 9381 | 14212 |
| % of NPL | 7.90% | 5.49% | 4.51% | 3.65% | 4.76% |

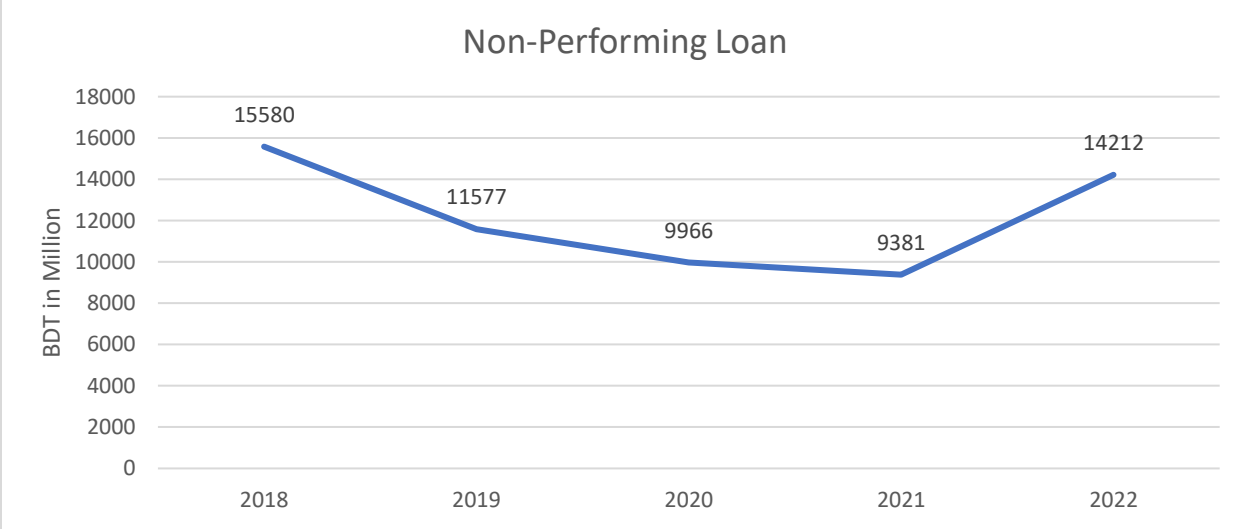
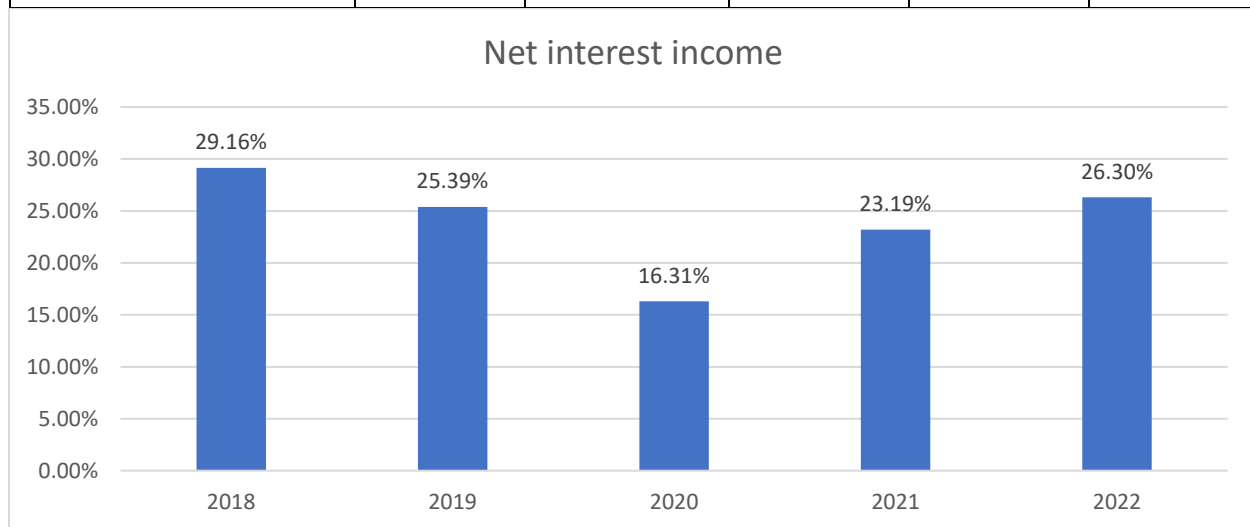


Figure 3: Non-Performing Loan of TBL of Last 5 Year

Table 4: Net Interest Income (% of total income over the period)

| Year | 2018 | 2019 | 2020 | 2021 | 2022 |
|--|---------------|---------------|---------------|---------------|---------------|
| Interest income / Profit on investment | 81.79% | 80.15% | 70.15% | 64.59% | 69.36% |
| Interest / Profit paid on deposits and borrowings | 52.64% | 54.76% | 53.84% | 41.40% | 43.06% |
| Net interest income | 29.16% | 25.39% | 16.31% | 23.19% | 26.30% |

**Figure 4: Net Interest Income Over the Period****Table 5: Net Profit Margin of TBL in Last 5 Years**

| Year | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|--------------|--------------|--------------|---------------|---------------|
| Net Profit Margin (BDT in Million) | 8.89% | 8.26% | 7.04% | 10.02% | 10.16% |

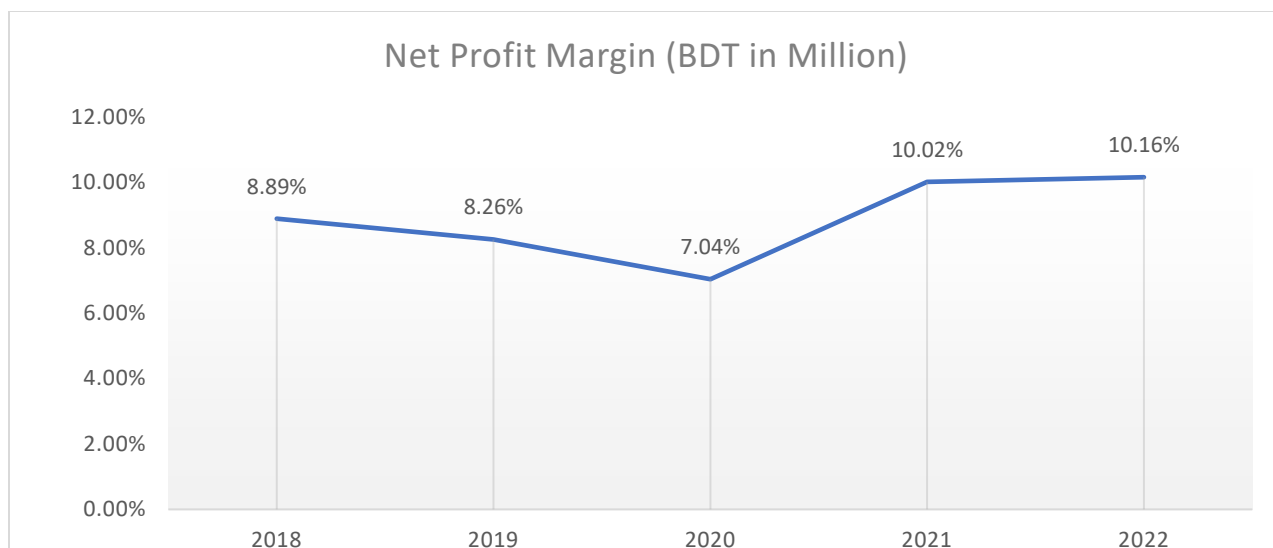


Figure 5: Net Profit Margin

Table 6: Operating Profit Over the Years

| Year | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---------------|---------------|---------------|---------------|---------------|
| Total Operating Income (BDT in Million) | 10,086 | 11,133 | 11,729 | 16,053 | 16,764 |
| Total Operating Expense (BDT in Million) | 3,784 | 4,020 | 4,444 | 6,096 | 5,763 |
| Operating Profit (BDT in Million) | 6,302 | 7,113 | 7,285 | 9,957 | 11,001 |

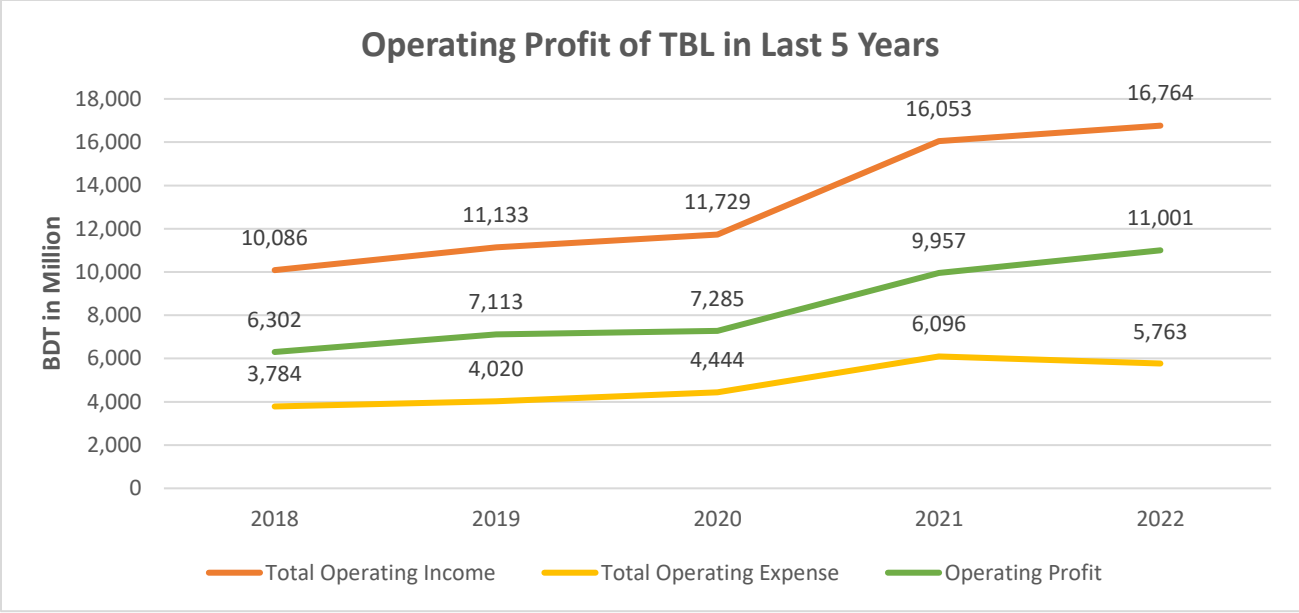


Figure 6: Operating Profit of TBL in Last 5 Years

Table 7: Investment of TBL in Last 5 Years

| Year | 2018 | 2019 | 2020 | 2021 | 2022 |
|-------------------------------------|---------------|---------------|---------------|---------------|---------------|
| Investments (BDT in Million) | 32,305 | 41,042 | 90,945 | 63,894 | 60,050 |

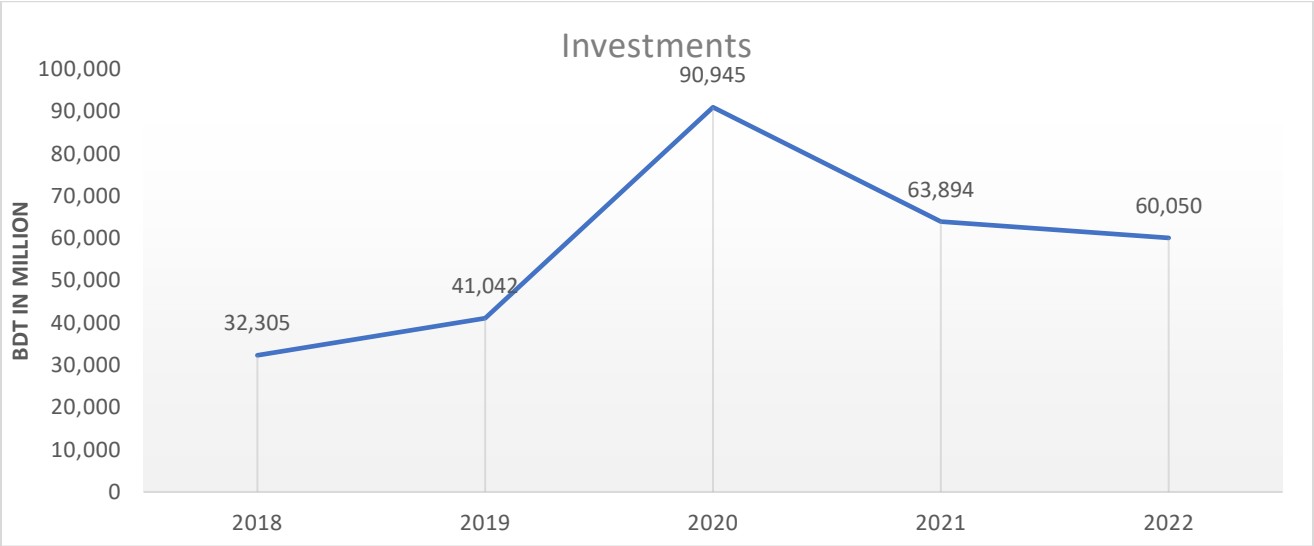


Figure 7: Investment of TBL in Last 5 Years

Table 8: Total Assets and Total Liability of TBL in Last 5 Years

| Year | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|----------------|----------------|----------------|----------------|----------------|
| Total Assets (BDT in Million) | 259,638 | 294,892 | 354,778 | 365,508 | 417,902 |
| Total Liability (BDT in Million) | 246,751 | 279,952 | 337,739 | 347,249 | 398,057 |

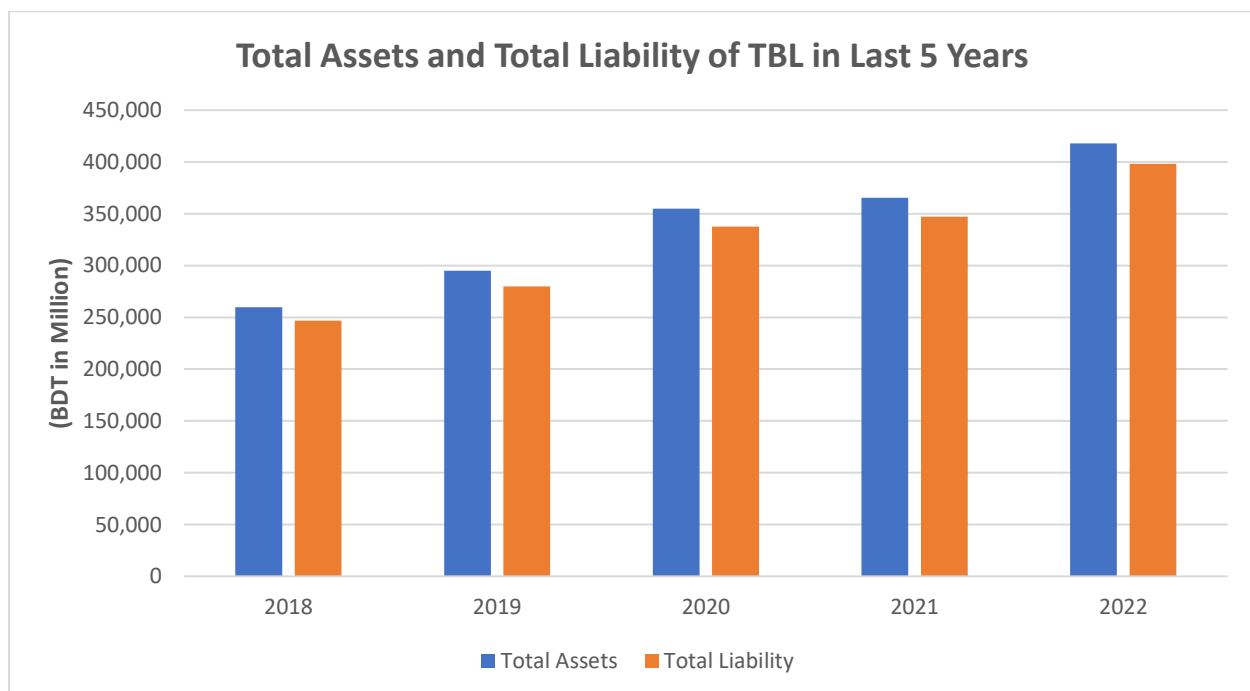


Figure 8: Total Assets and Total Liability of TBL in Last 5 Years

CHAPTER 3: CREDIT OPERATIONS OF TRUST BANK

3.1 Introduction

The term "credit" has deep significance for banks. Credit is a bank's primary source of income. The bank will never be able to meet its goals if its credit management is poor. Banks are expected to offer customers with a sufficient amount of credit for all legal business and consumer needs, as well as to fairly price that credit in accordance with interest rates set by industry. The state of the local economy is strongly correlated with a bank's ability to fulfill its lending mandate, because bank loans promote economic growth by assisting in the establishment of new companies and jobs within the banks' trading zone. Additionally, bank loans tend to provide the market with good information on a borrower's credit quality, allowing a borrower to receive more cash from other sources at a potentially lower cost.

3.1.1 Background of the study

Every graduate of BRAC University must participate in the internship program, which is a crucial component of the BBA curriculum. The internship program is an excellent means of bridging the knowledge gap between academics and real-world experience. The purpose of this internship report is to apply academic knowledge to a practical experience. The students are placed in different department of the organization where they get expertise and participate in various activities.

This report, which was produced during a three-month internship at Trust Bank Limited, Gulshan Branch. I was assigned to complete my internship through rotation in various departments of Trust Bank Limited as part of this program. It contains of Overview of Trust Bank Limited, The Analysis and the description of Credit Operation of Trust Bank Limited, the Findings of the required divisions, Recommendations and Conclusion. I have gained useful information about the "Credit Operation System of Trust Bank Limited" and the training has helped me in my understanding of the culture and behavior of the firm.

3.1.2 Objectives of the study

- To provide an overview of TBL
- To be familiar with organizational framework
- To learn about TBL's credit functions
- To look into the Lending Procedures upheld by TBL
- To recognize the services and products TBL offers
- to get knowledge of their credit approval procedure and the kinds of credits they provide in various industries
- To evaluate the TBL's Credit Monitoring and Recovery
- To give recommendations for improving the efficiency and smoothness of TBL's credit operation
- to provide an understanding between the theoretical understanding and the day-to-day operational operations of banking.

3.1.3 Scope of the study

The report provides with an overview of the company, including each department's operations, and a detailed discussion of credit risk analysis-related concerns, outcomes, and future prospects. It includes overall credit facilities and credit giving process. such as short- and long-term credit, business credit, and consumer credit. Moreover, a thorough conversation with the employees of the bank helped me a lot compile this study. I was able to get adequate information about the banking operations carried out by "Trust Bank Ltd." throughout the preparation of this report.

3.1.4 Methodology

The report is the reflection of the internship program at Gulshan branch of the Trust Bank. The report was prepared using data from both the primary and secondary sources for this study. However, secondary sources provided the vast majority of the data. My on-the-job training has also taught me a lot about the company and the Banking Department.

Primary Sources include:

- By having conversation with the employees
- By observation
- By having conversation with the clients
- By obtaining Operation Manual of the bank.

Secondary sources:

- TBL webpage
- Annual Report
- Documents provided by Trust Bank.
- Various publications about credit operations and banking functions of Trust Bank.

3.1.5 Limitation of the study

Even though I have had the most support from every member of the TBL, three months is not enough to fully understand every aspect of commercial banking. Firstly, the primary limitation of the research is insufficient availability of information, which has hindered the depth of analysis necessary for the study. Since it is a new bank, it was unable to supply some structured document data for the research. Secondly, Data confidentiality was yet another significant obstacle i encountered while doing this research. Every organization has confidential information that cannot be shared with others. In order to protect the organization's confidentially, staff members withheld certain details while gathering data about TBL. Another factor that makes acquiring data difficult is business and rush hour. My interview time was limited since the staffs were too busy. Moreover, Preparing the report was hampered by the lack of some information on the website. Finally, in such a short amount of time, it is not easy to observe and analyze a bank's and one of its branches' overall performances. Thus, I have made every attempt to make this report as useful as possible despite a few obstacles.

3.2 Credit facilities of trust bank

Credit is defined as the lender's trust in the borrower's capacity and willingness to repay the debt on schedule and in full. A bank does more than only take deposits of money. One of the main responsibilities of commercial banks is to issue and disburse loans, which allows the bank to make

money. The primary source of revenue for a bank is credit. Trust bank proceeded to expand its lending capacity by providing individuals as well as businesses with various tailored loan options.

The other TBL facilities include:

- Almost all business activity sectors with a constructive objective are eligible for loan from Trust Bank Ltd
- The Bank's lending portfolio consists of many credits packages
- Credit facilities are available to a wide range of people, including merchants, manufacturers, corporate entities, housewives, company owners, and owners of small and large businesses.
- People in rural areas are given loans for agricultural output and other purposes.
- The loan price structure is customer friendly
- In order to foster frontier industries, credit is also extended to significant thrust sectors at a discounted interest rate as set up by the government by TBL
- TBL offers quick appraisal, decision and disbursement

3.3 Loan classification

TBL provides different types of loans to its customers. The loans TBL offers are

3.3.1 Retail loan

A retail loan is a type of loan that a bank typically provides to individual clients in order to help them pay for various kinds of expenditures. Trust Bank Ltd offers a variety of retail product categories. These products make loans a focal point for the regular consumer. The Bangladesh Army is eligible for a special deal from Trust Bank on their retail items. The retail product offered by Trust Bank Ltd. is listed below-

Table 9: Trust Apon Nibash Loan (House Finance Loan)

| | |
|---------------------|---|
| Purpose | Buying new apartment, Remodeling and extension |
| Loan Amount | BDT 2 crore (Maximum) |
| Rate of Interest | 10.00% |
| Tenure | 1 year-25 years |
| Minium Down Payment | 30% (Apartment Purchase) 30% (Construction of new house) |

| | |
|-------------|--|
| Eligibility | <ul style="list-style-type: none"> Confirmed service holder or businessman, Self-employed professional Age: Minimum 25 years- Maximum 65 years or up to retirement |
|-------------|--|

Table 10: Car Loan

| | |
|---------------------|--|
| Purpose | Purchasing new or reconditioned car |
| Loan Amount | BDT 2lac-40lac |
| Rate of Interest | 11.50% + 1% Supervision charge (once a year) |
| Tenure | 1 year-5 year |
| Minium Down Payment | 50% |
| Eligibility | <ul style="list-style-type: none"> Confirmed service holder or businessman Age: Minimum 23 years- Maximum 65 years or up to retirement |

Table 11: Loan against Salary

| | |
|---------------------|--|
| Purpose | To fulfil urgent financial requirement |
| Loan Amount | BDT 50 thousand – 20 lacs |
| Rate of Interest | 11.50% +1% Supervision charge (once a year) |
| Tenure | 1 year-5 year |
| Minium Down Payment | 50% |
| Eligibility | <ul style="list-style-type: none"> Confirmed service holder who maintain salary A/C with TBL Age: Minimum 23 years- Maximum 65 years or up to retirement |

Table 12: Trust Student Loan

| | |
|------------------|---|
| Purpose | To enable underprivileged students to buy laptops with a small down payment and easy monthly installments |
| Loan Amount | <ul style="list-style-type: none"> For purchase laptop/computer/study material Minimum BDT 25000 – BDT 100000 For higher study course Minimum BDT 100000 – BDT 500000 |
| Rate of Interest | <ul style="list-style-type: none"> Refinancing scheme 7.00% Without refinancing scheme 10.50% |

| | |
|---------------------|---|
| Tenure | 1 year-3 year (EMI based) |
| Minium Down Payment | 30% |
| Eligibility | <ul style="list-style-type: none"> • Age: Minimum 21 years- Maximum 30 years (if borrower is a young account holder) • Age: Minimum 25 years- Maximum 63 years (if borrower is parent of any student) |

Table 13: Doctor’s Loan

| | |
|---------------------|---|
| Purpose | To Promote and support health services |
| Loan Amount | BDT 50 thousand – 20 lacs |
| Rate of Interest | 11.50% +1% Supervision charge (once a year) |
| Tenure | 1 year-5 year |
| Minium Down Payment | 50% |
| Eligibility | <ul style="list-style-type: none"> • Age: Minimum 25 years- Maximum 65 years or up to retirement |

Table 14: CNG Conversion Loan

| | |
|---------------------|---|
| Purpose | Provide money to switch the car's fuel system from carbon-based to compressed natural gas (CNG). |
| Loan Amount | 50000 BDT |
| Rate of Interest | 16% |
| Tenure | 18 Months |
| Minium Down Payment | 50% |
| Eligibility | <ul style="list-style-type: none"> • Confirmed in service defense officers who owns a vehicle • Age: Minimum 25 years- Maximum 65 years or up to retirement |

Table 15: Registered Mortgage for Defense Officers

| | |
|---------------------|---|
| Purpose | Buying new apartment, Remodeling and extension in DOHS, RAJUK, or any other housing program sponsored by the state or armed forces. |
| Loan Amount | BDT 2 Crore (Max) |
| Rate of Interest | 10% |
| Tenure | 15 years Max |
| Minium Down Payment | 30% (Apartment Purchase) 30% (Construction of new house) |

| | |
|-------------|---|
| Eligibility | <ul style="list-style-type: none"> • in service defense officers or retired defense officer with at least 10 years of service • Age: Minimum 25 years- Maximum 65 years or up to retirement |
|-------------|---|

Table 16: Personal Loan

| | |
|---------------------|--|
| Purpose | To fulfil urgent financial requirement |
| Loan Amount | BDT 50 thousand – 20 lacs |
| Rate of Interest | 11.89% +1% Supervision charge (once a year) |
| Tenure | 1 year-5 year |
| Minium Down Payment | 50% |
| Eligibility | <ul style="list-style-type: none"> • Confirmed service holder or businessman, Self-employed professional • Age: Minimum 25 years- Maximum 65 years or up to retirement |

3.3.2 SME Finance

The best tools for decreasing unemployment and poverty while boosting industry, productivity, and GDP development are small and medium-sized enterprise (SME) loans. In general, small and medium-sized businesses get these loans to meet their financing demands. SME loans are available as term loans as well as working capital loans. Nowadays, Trust Bank Ltd. is increasingly eager to invest in SME funding strategies. TBL offers several SME lending options, including:

- Entrepreneurship Development Loan
- Agricultural loan
- Women enterprise loan
- Loan for Light Engineering
- Loan for poultry farm
- Loan for shopkeepers

Table 17: SME & Agriculture Lending

| Loan Name | Interest Rate |
|--|--|
| Agriculture and Rural Finance | |
| Crops, Fisheries and Livestock | 10.89% |
| Agriculture Loan through MFI Linkage | 10.89% |
| Agriculture Finance: Bangladesh Bank Special Scheme | |
| TK.5,000 Crore Food Security Refinancing Scheme | 4% |
| TK.1000 Crore Production for Wheat & Maize Refinancing Scheme | 4% |
| Import Substitute Products (Oil Seeds, Spices, Pulses) | 4% |
| CMSME Finance | |
| Cottage, Micro, Small & Medium Industry Loan | 11.89% + 1% (Supervision charge once a year) |
| Loan to Woman Entrepreneur under CMSME | 10% + 1% (Supervision charge once a year) |
| CMSME Loan through MFI Linkage | 11.89% + 1% (Supervision charge once a year) |
| Bangladesh Bank Scheme under CMSME Finance | |
| Tk 25000 Crore Refinancing Scheme (Term & Working Capital) | 7% |
| Loan for Woman Entrepreneur Refinancing Scheme | 5% |
| Financing Plan for Establishing Argo-Based Product Manufacturing Sectors | 7% |
| Loan For Trust Udyog (Start-Up Loan) | 4% |

Table 18: Other Products of SME

| Product Name | Description | Tenor | Loan Amount |
|-------------------------|--|---|--|
| Trust Shufola | Loan for agriculture & Green Financing | Maximum five years, with a grace period of six months | BDT 0.10 Lac to BDT 150,00,000 |
| Trust Pay Order Finance | Loan for Contractors. | 4-month from the date of disbursement | BDT 50,00,000 (Maximum) |
| Trust Muldhon | Loan for Shopkeepers and Traders. | Maximum four years, with a grace period of six months | BDT 50,00,000 to BDT 500,00,000 (Trader) BDT 2,00,000 to BDT 50,00,000 (Shopkeeper) |
| Trust Projukti | Loan for Light Engineering. | Maximum five years, with a grace period of six months | BDT 2,00,000 to BDT 150,00,000 |
| Trust Peak Seasons | To satisfy demands for short-term working finance. | Six months | BDT 2,00,000 to BDT 25,00,000 |
| Trust Sukonnya | Loan for Women Entrepreneurs. | 4 Year | BDT 1,00,000 to BDT 10,00,000 |
| Trust Bunon | Loan for power loom and handloom m manufacturing of Sharee, Lungee | 5- Months with 3-6 Month grace period | BDT 1,00,000 to BDT 5,00,000 |
| Trust Nobeen | Loan for new entrepreneurs. | Maximum five years, with a grace period of six months | BDT 5,00,000 to BDT 25,00,000 |

3.3.3 Corporate Loan

A corporate loan is a kind of loan that is provided to a company instead of an individual or a government agency. Corporate loans are often secured loans, with the interest rate being high due to the bank's discretion and the applicant organization's creditworthiness. The corporate loans that TBL provides are:

- Working Capital loans
- Term loans
- Line of Credit
- Equipment loans

- Real estate loans
- Loan against future lease rentals
- Venture loans
- Export financing
- Short-term loans.
- Bill financing

Table 19: Kinds of Corporate Loan

| Loan Name | Interest Rate |
|--|----------------------|
| Term Loan to Large to Medium Scale Industry | |
| Export Oriented | 11.89% |
| Others | 11.89% |
| Term Loan to Small and Cottage Industries | |
| Cottage Industry | 11.89% |
| Small Industry | 11.89% |
| Others | 11.89% |
| Working Capital Loan to Large and Medium Scale Industry | |
| Export Oriented | 11.89% |
| Others | 11.89% |
| Working Capital Loan to Small Industry | 11.89% |
| Commercial Lending | |
| Import Financing | 11.89% |
| Others (Rice, Wheat, Oil, Chick Peas, Onions, Sugar etc) | 11.89% |
| Real State Financing | |
| Commercial | 11.89% |
| Commercial Cum Residential | 11.89% |
| Residential | 11.89% |
| Lease Financing | 11.89% |
| Loan against Share | 11.89% |
| Loan to MFI (Other Than Agriculture) | 11.89% |

3.3.4 Credit Card

Visa credit cards have been effectively introduced by Trust Bank to better serve its valued current and future clients. These days, credit cards are commonly used at restaurants and stores inside as well as outside in Bangladesh. They place a strong emphasis on their credit card services and are actively working to develop attractive features so that cardholders may receive even more perks. There are four kinds of card offered by Trust Bank Ltd. These are listed below:

- Visa Gold Local
- Visa Classic Local
- Visa Dual Card
- Visa Gold International
- Visa Classic International

3.3.5 Secured Overdraft (SOD) Facility

This category includes advances granted to individuals or businesses against contractual obligations (such as FDR, PS, BSP, etc.) and against the assignment of work orders necessary to complete contract obligations.

Table 20: Secured Overdraft (SOD) Facility

| Loan Name | Interest Rate |
|--|----------------------|
| Fully cash covered FDR/other deposit product of TBL bank | FDR rate + 3.00% |
| Fully cash covered FDR- other bank/NBFI | 11.47% |
| Products which are fully covered (Govt securities, Govt bonds, bank guarantee, letter of credit) excluding PSP's | 11.47% |

3.3.6 OD (Over Draft) against salary

Over Draft is an advancement of sorts. A salary overdraft is a type of revolving credit that you may access through your salary account. It allows you to take out a certain amount when you need it, over and above the balance in your salary account. There are an overdraft cap sets by the bank.

Eligibility: Confirmed and serving as an active in-service defense officer in the Bangladesh Army, Air Force, and Navy.

Table 21: OD (Over Draft) against salary

| SL | Rank | Limit |
|----|-----------------------|------------|
| 1. | Major general & above | TK. 10 Lac |
| 2. | Brigadier General | TK. 8 Lac |
| 3. | Colonel | TK. 7 Lac |
| 4. | Lt. Colonel | TK. 6 Lac |
| 5. | Major | TK. 5 Lac |

3.4 Lending Process of TBL

The process listed below are used to provide the customer with a loan and advance at TBL. They are as follows:

A. Customer loan application: Initially, a loan applicant has to be listed in the Bank's account.

The borrower had to submit an application to that specific branch. He or she must clearly state the reason for the credit. With the help of the Branch Manager or another designated officer, the client completes the Loan Application in the way that is required.

B. Obtaining required documents: TBL requires to receive the following documents:

- The financial records of the company for the last three or five years is required for the business customer. Financial data forecasts are necessary for new businesses.
- Personal net worth of the borrower

- The bank verifies that all paperwork is correctly filled out and signed at this stage. It is often the responsibility of the branch credit officer to talk with them and get this data.

C. Credit assessment: Once the bank official receives the borrower's application, they deliberately verify all of the facts. He also verifies the documentation that the borrower maintains with the bank. The inspection must be consistent with applicable regulatory rule and the TBL'S credit procedures and guidelines. The process of analyzing credit risk starts with the precise and thorough identification of risk elements, such as:

- Borrower background
- Loan purpose
- Historical financial analysis
- Value of the collateral
- Adherence to lending guideline
- Mitigating factor

After that, the officer in charge or the branch manager conducts an initial interview with the borrower.

D. Collecting CIB report: Trust Bank sends letter to Bangladesh Bank to obtain a report from them once they receive the credit request. The report is referred to as the Credit Information Bureau (CIB) report. The purpose of this report is to inform readers about whether or not the borrower has taken out credit from a second bank. if the answer is "yes," regardless of whether the client owes money on account of past due amounts or not.

E. Processing loan proposal: After receiving the CIB report, the branch will prepare an investment proposal outlining the conditions and terms of the investment for the Head Office's approval. The following documents are essential for sending an investment proposal: the loan application, the borrower's photo that was duly attested to, the borrower's individual data, the CIB report, the legal conclusion, the stock report, the exchange permit, the total assets of the business and the individual, the fiscal summary, the CRG, credit validity, interest rate, schedule of payments the SME data.

F. Project appraisal: It is the pre-speculation inquiry carried out by the officer prior to the credit being confirmed. The evaluation needs to be undertaken for the following reasons:

- To ensure credit reimbursement
- To confirm whether an investment is reliable
- In order to achieve organizational goals
- To imply that the project is legitimately constructed

3.5 Credit approval process of Trust Bank Ltd.

The procedures that Trust Bank Limited follows in order to approve credit are listed below:

Pre-Approval stage at branch

At the branch level, the credit Department ensures that the security for the loans is excellent, provides all information needed on the customers' creditworthiness, and creates the Credit Proposals through essential evaluation analysis that complies with TBL's lending requirements. Proposals that don't fit TBL's lending requirements are often turned down unless they have a strong case and unique potential. The Chief Manager and the department head of credit both sign the credit proposals. After that, the credit proposals, along with a detailed recommendation from the branch, are then forwarded to the head office of the Credit Risk Management (CRM) Division for pre-sanction examination and, if necessary, approval or rejection.

Approval process at the Head Office

When CRM a department receives credit proposals from branches, it analyzes them and conducts a thorough examination, taking into account various risk indicators, before deciding whether to approve or reject them. The department ensures high-quality assets by taking all essential precautions. Any credit proposition that branches' credit officers or relationship managers provide is investigated by the relevant department to determine its positive and negative aspects. This department makes sure the proposal has been examined and produced in accordance with all

applicable laws, rules, circulars, and guidelines, and that the recommendations have been made in accordance with the Credit Policy, Guidelines, and Credit Procedures. When the evaluation yields very satisfying results, a document outlining the proposals is created with input from the department and submitted to the appropriate authority for approval. A copy of the sanction advice is sent to the monitoring and control department after it has been approved in accordance with delegation and contains all of the standard terms and conditions for each of the branches.

Conveying Credit rejection

For the denial of the loan application, the bank would provide written notice of the primary reason or factors that, after careful analysis the banks' conclusion led to the loan applications being denied. The borrower would get notified if the proposal did not satisfy the bank's internal risk guidelines.

Loan application under syndication

When lending under a syndication arrangement happens, the bank would work to develop procedures to finish proposal appraisals as quickly as possible and, in coordination with other consortium/syndication members, communicate its financing or other decisions in a reasonable amount of time.

Disbursement of Loan

TBL would guarantee that loans sanctioned in accordance with the terms and circumstances controlling such sanction are disbursed on schedule. Following that, the bank issues a sanction letter to the consumer. A letter of sanction consists of:

- Accessible facilities
- Interest rate
- Purpose
- Investment period and adjusting method
- Security and other terms and condition

A documented contract between Trust Bank and the borrower is required as proof of all new loans and facilities. Terms and conditions are updated in accordance with previous agreement with the

client, and the procedure is detailed in the sanction letter officially accepted by the customer on the loan agreement. Finally, following approval and satisfaction of all requirements, TBL distributes the funds. The borrower receives a check made out by the officer. To be able to withdraw the funds, the borrower must have a bank account. In accordance with the provisions of the loan agreement, the borrower additionally agrees that it is their responsibility to quickly notify the bank of any major changes in circumstances that may result in an event of default under the terms of the agreement, as well as any incapacity to repay as agreed.

3.6 Credit Rating of Trust Bank Ltd

TBL has been given the following ratings by Credit Rating Agency of Bangladesh Ltd. (CRAB) which are valid until June 30, 2024.

Table 22: Credit Rating of Trust Bank Ltd

| Particulars | Ratings | |
|-------------|----------|----------------|
| | Previous | Current (2023) |
| Long Term | AA1 | AA1 |
| Short Term | ST-1 | ST-1 |
| Outlook | Stable | Stable |

Commercial banks with an AA1 rating are thought to have exceptional ability to fulfill their financial obligations. "AA1" credit ratings are assigned to very high quality and very low credit risk.

The commercial banks with the highest rating of "ST-1" are considered to have the best ability to repay debts on schedule. The exceptional liquidity position, internal fund creation, and exceptional access to alternative funding sources of commercial banks ranked in this category.

An organization with an appropriate credit profile is indicated by this rating level. Financial organizations assigned to this rating are thought to provide sufficient security for timely repayment of debt.

3.7 Credit Risk and Risk Management of Trust Bank

3.7.1 Credit Risk

In the world of finance, one cannot expect gain without risk. Given the current state of non-performing loans in the country, Trust Bank Ltd. is extremely careful when making investments. Credit risk is the possibility that a borrower would default on any kind of loan by neglecting to make required payments. The lender bears the majority of the risks, which include principal and interest loss, cash flow interruption, and higher collection expenses. Because of its lending and capital market operations, Trust Bank is subject to credit risk. In order for a bank to remain profitable in the long run, effective credit risk management is an essential part of an overall risk management plan. When evaluating credit risk, the probability of the borrower defaulting and the financial effect on the bank in the event of a failure are both taken into account. The fundamental guidelines used by Trust bank to identify, assess, approve, and manage credit risk are outlined in the Credit Policy Manual.

A bank can assess a borrower's creditworthiness by using a credit rating evaluation from certified External Credit Assessment Institutions (ECAIs). Trust bank made a strong emphasis on maintaining the credit rating percentage and increasing the number of corporate and small business borrowers with ratings, and it made every effort to do so. TBL has consistently maintained a credit rating of above 92% for both on-balance sheet and off-balance sheet exposure during the course of 2022 relative to the total amount eligible for rating. Potentially problematic accounts are looked at, followed up on, and the necessary action takes.

3.7.2 Credit Risk management policy

Banks are likely to proactively manage their loan portfolios through credit risk management, a strong procedure that helps them reduce losses and provide shareholders with a satisfactory rate of return. The bank's credit risk management policy is to maintain a healthy loan portfolio through steady expansion. It outlines how a clear framework needs to be developed to measure, track, and manage the different risks associated with the Bank's credit portfolio. This means lowering exposures in high-risk areas, focusing more on the sectors and businesses that show assurance, and finding a balance between return on assets and risk.

The Credit Risk Management Policy adopted by the board outlines the clear credit appraisal and approval authority, reporting, monitoring, and follow-up systems, as well as the loan review and credit audit systems are in place at TBL. The Bank has implemented a number of techniques to control its credit risk, such as:

- Dedicated division for credit risk management
- Credit Policy authorized by the Board of Directors
- Establishing a Recovery and Monitoring Department
- Access to the Board/Audit Committee directly and independent internal audit
- Diversification of the portfolio and credit quality
- Early warning system
- Systematic approach to credit approval and financing
- Analysis of counterparty credit
- Robust NPL management framework
- Social and Environmental Risk Classification

3.8 Credit Exposure

All loans and advances are divided into four groups, which are:

- i. **Continuous Loan:** Loan Accounts that allow transactions up to a predetermined limit and have a deadline by which they must be fully adjusted are considered Continuous Loans.
- ii. **Demand Loan:** A demand loan is one that the lender has the right to demand repayment of in full at any point. Both the borrower and the lender are aware of this condition from the beginning.
- iii. **Fixed Term Loan:** In this loan, For the duration of the loan, the interest rate is fixed.
- iv. **Short Term Agriculture and Micro Credit Loan:** A typical form of microfinance in which a very small loan is provided to a person in order to assist them in starting their own small business or becoming self-employed.

If any of these loans are not repaid or returned by the specified deadline, they will be considered past due and overdue as of the day after the deadline.

3.8.1 Credit Exposure in Main Categories

Table 23: The overall gross credit exposure of 2022

| Particulars | BDT (in Million) |
|--|-------------------------|
| Continuous Loan | |
| Small & Medium Enterprise (SME) | 9,908.76 |
| Consumer Finance | 2,223.04 |
| Loans to BHs/MBs/SDs against Shares | 3,234.57 |
| Other Corporate Loans | 33,425.02 |
| Sub-total | 48,791.39 |
| Demand loan | |
| Consumer Finance | 8.10 |
| Small & Medium Enterprise | 10,819.78 |
| Corporate Loans | 75,296.86 |
| Sub-total | 86,124.74 |
| Term loan | |
| Housing Finance | 5,330.17 |
| Consumer Finance | 3,945.76 |
| Small & Medium Enterprise (SME) | 11,019.79 |
| Loans to BHs/MBs/SDs against Shares | 7.80 |
| Loans for Professionals to setup business (LP) | 0.47 |
| Corporate Loans | 132,098.72 |
| Sub-total | 152,402.71 |
| Short term Agri-credit and microcredit | |
| Short term Agri-credit | 78.78 |
| Sub-total | 78.78 |
| Staff loan | 1,606.78 |
| Offshore Banking | 9,372.05 |
| Total Exposure of Trust Bank Limited | 298,376.45 |

Table 24: Geographical distribution of credit exposure of TBL (2022)

| Division | BDT (in Million) |
|--------------|-------------------|
| Dhaka | 203,362.73 |
| Chittagong | 53,371.51 |
| Rajshahi | 6,142.55 |
| Sylhet | 4,637.91 |
| Khulna | 11,072.18 |
| Barisal | 1,019.47 |
| Rangpur | 7,849.50 |
| Mymensingh | 10,920.60 |
| Total | 298,376.45 |

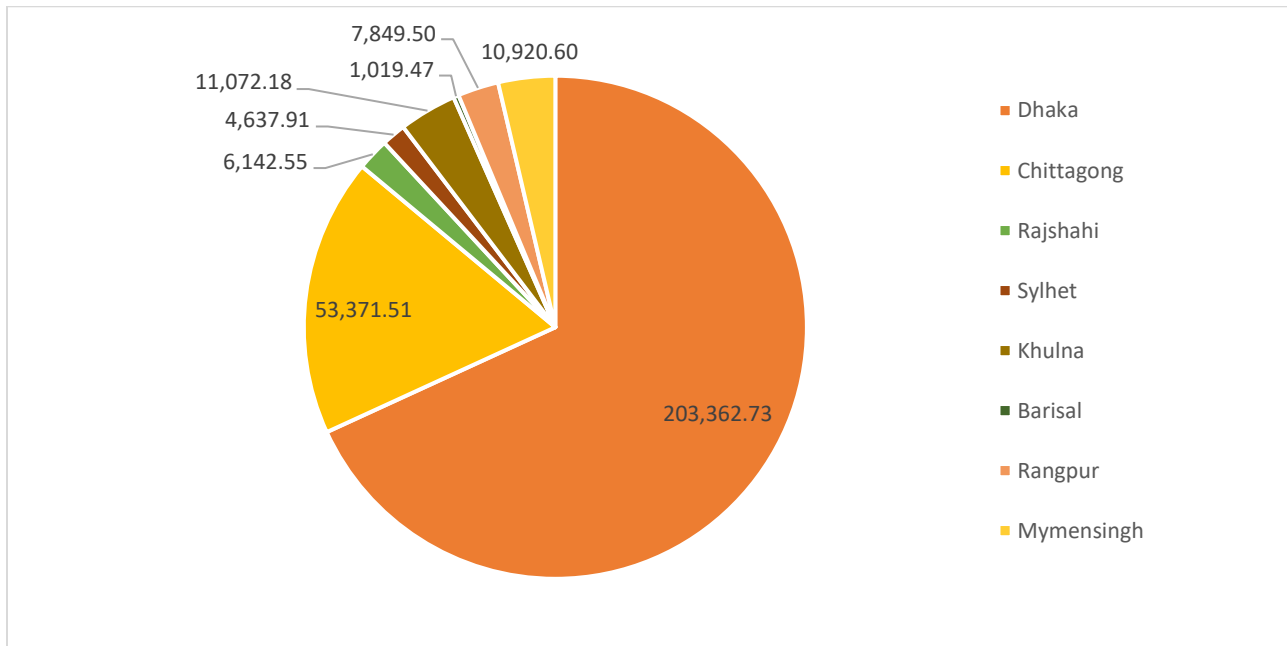


Figure 9: Geographical distribution of credit exposure of TBL (2022)

Table 25: Distribution of credit of TBL (2022) in different industries

| Industry | BDT (in Million) | Percentage of total loan and advances |
|--|-------------------------|--|
| Consumer Financing | 41,112.81 | 13.78% |
| Construction | 33,975.70 | 11.39% |
| RMG | 31,950.48 | 10.71% |
| Manufacturing or extractive industries | 37,928.33 | 12.71% |
| Power and Gas | 19,137.71 | 6.41% |
| Service Industries | 23,318.81 | 7.82% |
| Trade & Commerce | 25,457.46 | 8.53% |
| Transport | 1,412.31 | 0.47% |
| Textile | 20,150.76 | 6.75% |
| Food Industries | 22,466.80 | 7.53% |
| Chemical, fertilizer | 8,574.30 | 2.87% |
| Cement and Ceramic Industries | 7,099.32 | 2.38% |
| Pharmaceutical Industries | 4,116.61 | 1.38% |
| Agriculture, Fishing and Forestry | 4,284.30 | 1.44% |
| Ship Building Industries | 1,831.15 | 0.61% |
| Loans to Financial Institutions | 12,327.81 | 4.13% |
| Other Industry | 313.67 | 0.11% |
| Miscellaneous | 2,918.12 | 0.98% |
| Total | 298,376.45 | 100% |

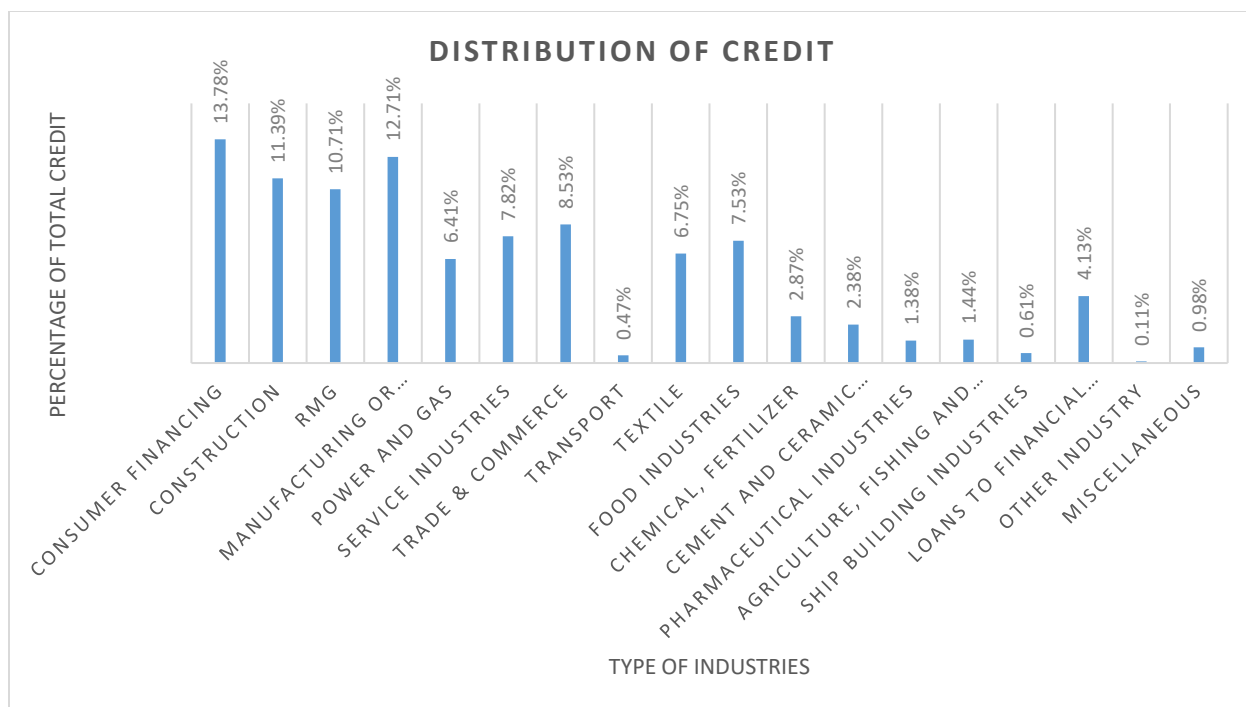


Figure 10: Distribution of credit of TBL (2022) in different industries

3.9 Impaired loans and past due loans of TBL (2022)

Impaired Loan: When there is a chance that the principal and interest amounts will not be repaid in full according to the terms of the original contract, the loan is considered impaired.

Past Due: A payment is considered past due if it is not received by the deadline. When a borrower is past due, they often incur late fees and penalties.

Table 26: Impaired loans and past due loans of TBL (2022)

| Industry | Impaired | Past due |
|---------------------------------------|----------|-----------|
| Corporate credit | 6,479.58 | 26,631.53 |
| SME financing | 2,918.34 | 9,068.18 |
| Consumer Financing | 144.87 | 2,523.80 |
| Housing Finance | 83.06 | 460.84 |
| Loans to BHs/MBs/SDs against Shares | 27.49 | - |
| Short Term Agri Credit & Micro Credit | 3.23 | 8.43 |

| | | |
|--------------|-----------------|------------------|
| Total | 9,656.57 | 38,692.78 |
|--------------|-----------------|------------------|

Table 27: Maturity Breakdown of whole portfolio of credit exposure of TBL (2022)

| Maturity | BDT (Million) |
|---|----------------------|
| On demand repayable | 42,885.80 |
| Not more than 3 months | 30,463.78 |
| More than three months but not more than one year | 59,862.38 |
| More than one year but not more than five years | 78,183.64 |
| More than five years | 86,980.85 |
| Total | 298,376.45 |

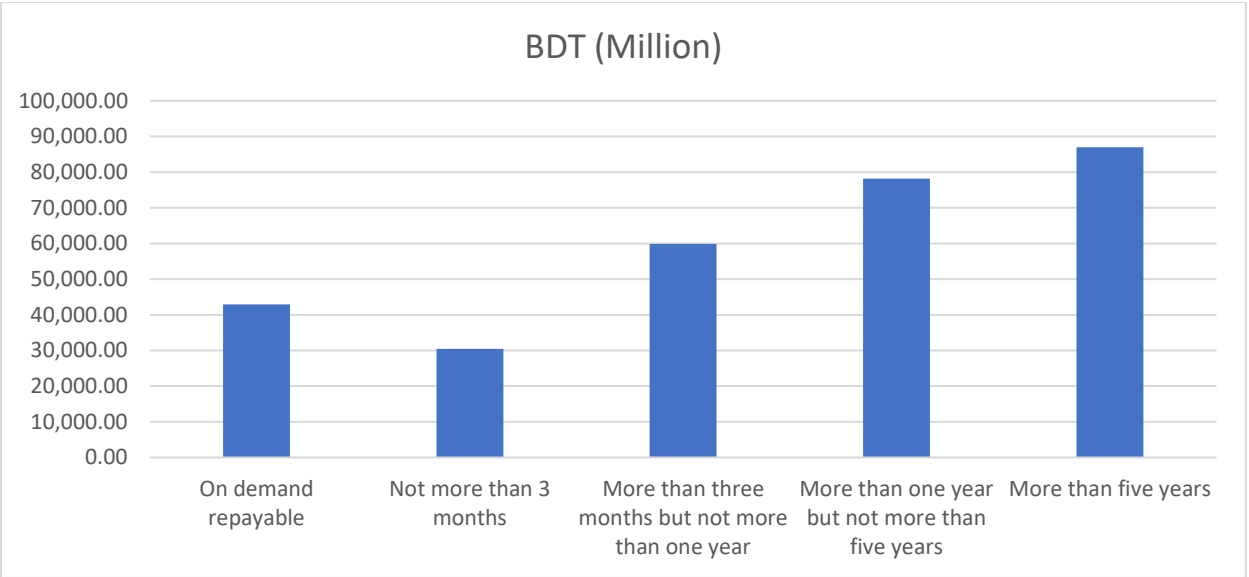


Figure 11: Maturity Breakdown of whole portfolio of credit exposure of TBL (2022)

3.10 How TBL recover their loan

When TBL approves loans and advances for its clients, the loan agreement expressly specifies the terms of repayment. However, some creditors fail to make their required payments on time. Commercial banks in the public and private sectors must deal with these issues. In order to address the issue of past-due loans, the bank has implemented specific debt recovery initiatives.

The initiatives are:

- I. Establishing a credit monitoring and supervision cell within the bank
- II. Restricting loans and advances as much as feasible in exchange for adequate collateral
- III. Redesigning the bank's loan distribution and approval process
- IV. granting the Branch credit manager additional authority to make decisions about credit management
- V. providing a range of incentives to creditworthy borrowers
- VI. Limiting loans and advances to sectors that are not financially stable
- VII. Taking legal action against risky borrowers as soon as feasible, as long as the statute of limitations allows

3.10.1 Reasons of poor loan recovery

Handling loans and advances more effectively these days, the bank's debt recovery process is still flawed for a number of reasons. Issues might arise during the loan sanctioning processes, project investigations, loan investigations, etc.

- There is not enough coverage of the legal issues of loan recovery in the current laws and regulations
- Insufficient supervision
- Failure to take immediate action against deliberate default
- Branches are under pressure from the headquarters to meet certain loan and advance goals.
- Often borrowers of money utilize their loans for purposes other than those for which they were approved, such as building houses or buying land for personal use, if the loans are approved for industrial use.
- Many debtors send loan funds overseas, where they deposit them in their own accounts or use them for other purposes.
- Sometimes banks are unable to assess the worth of the collateral used to secure the loan. Consequently, in the event that the loan is classified, the bank will not be able to collect on its loan from the sale of property.
- Issues that prevent or delay a project's implementation and make it impossible for the project's owners to repay the loan. Delays to pay loans might have the following causes:

- i. Failure to determine if the projects are financially feasible
- ii. The challenges of limited foreign exchange and licensing processes affect the import of machinery and raw materials.

3.11 Credit Risk Grading of TBL

Credit risk is measured by grading systems, which also distinguish between different kinds of credits based on the risk they represent. An educated decision-making process is made easier by well-managed credit risk grading systems, which support bank safety and profitability. In this way, risk level fluctuations and trends can be tracked by auditors and bank management.

The Credit Risk Grading (CRG) matrix facilitates the application of consistent criteria to credits, ensuring a single, standardized method to evaluate the quality of each individual debtor, the credit portfolio of a division, business unit, branch, or bank overall. Since a borrower or a specific facility is graded, the CRG outputs are obviously useful for individual credit selection. Additionally, risk grading would be crucial for internal MIS, surveillance and monitoring, and evaluating a TBL's overall risk profile. It is pertinent to portfolio level analysis as well.

Table 28: There are eight categories on the suggested CRG scale

| Number | Grading/Status | Short Name | Score |
|--------|-------------------------|------------|-------|
| 1 | Superior | SUP | 100 |
| 2 | Good | GD | 85+ |
| 3 | Acceptable | ACCPT | 75-84 |
| 4 | Watchlist/Marginal | WL/MG | 65-74 |
| 5 | Special Mention Account | SMA | 55-64 |
| 6 | Sub Standard | SS | 45-54 |
| 7 | Doubtful | DF | 35-44 |
| 8 | Bad/loss | BL | <35 |

3.11.1 Characteristics of different grades used by TBL

A. Superior-1

- credit arrangements that are completely guaranteed by a reputable international bank
- Credit facilities that are completely covered by cash and totally secured
- Credit arrangements completely guaranteed by the government

B. Good-2

- The borrower's strong ability to repay
- The borrower has minimal leverage and good liquidity.
- Strong earnings and cash flow are continuously displayed by the firm.
- Strong, established market share is held by the borrower.
- 85 or higher as an aggregate score according to the Risk Grade Score Sheet

C. Acceptable-3

- These borrowers have a decent track record, steady profits, and cash flow, but they are not as secure as GOOD Grade borrowers.
- Normally, appropriate collateral such as receivables, equipment, or property would be used to acquire credit in this grade.
- Total score ranging from 75 to 84 according to the Risk Grade Score Sheet

D. Marginal / watchlist-4

- Because of their limited cash flow, excessive leverage, stretched liquidity, and irregular profits, these borrowers are at an above-average risk.
- Weaker company credit and early indicators of developing company credit were identified
- Repayment of loans is frequently past due
- A combined score between 65 and 74 according to the Risk Grade Score Sheet

E. Special Mention Account-5

- There might be issues with this grade, therefore management should pay special attention to them. If these flaws are not fixed, the borrower's chances of making their payments might get worse.
- If there is a persistent decline in the financial state of the borrower (repeated losses, poor net worth, high leverage), it should be degraded to this grade.
- The Risk Grade Score Sheet yields an Aggregate Score between 55 and 64.

F. Sub Standard-6

- Poor financial situation and uncertain willingness or ability to repay.
- The Risk Grade Score Sheet yields an Aggregate Score of 45–54.

G. Doubtful-7

- It is improbable that principal and interest will be fully repaid, and the risk of loss is very high. However, the asset is not yet categorized as Bad & Loss because of clearly identified pending considerations, such as litigation, liquidation proceedings, or capital injection.
- According to the Risk Grade Score Sheet, an Aggregate Score of 35–44.

H. Bad and Loss-8

- This grade's credit is long overdue, with no sign of repayment or approaching wind-up or liquidation.
- The likelihood of recovery is slim, and legal actions have been taken.
- A score on the Risk Grade Score Sheet with an Aggregate of less than 35

3.12 Loan Provisioning

In order to protect the Bank and reduce future risk to the shareholders' long-term interest, TBL has properly classified its loans and advances and keeps sufficient Provision against those who do not abide by the Bangladesh Bank's laws, regulations, and relevant circulars. All lines of business are

required to participate in the Loan Loss Provision exercise as part of a prudent and practical strategy to maintain the quality of the TBL loan portfolio.

Table 29: Requirement for General Provision on Unclassified Loans and Advances

| Type of Loan | Provision Rate | |
|--|----------------|-------|
| | Standard | SMA |
| Small and medium enterprise financing | 0.25% | 0.25% |
| Consumer Financing (Other than HF and LP) | 2% | 2% |
| Consumer Financing (House Financing) | 1% | 1% |
| Consumer Financing (Loan for professional) | 2% | 2% |
| Loans to BHs / MBs/ SDs against shares | 2% | 2% |
| Short term agriculture and micro credit | 1% | 1% |
| Other Credit | 1% | 1% |

Table 30: Requirement for specific Provision on classified Loans and Advances

| Loan Status | Loan Type | Provision Rate |
|--------------|---|----------------|
| Sub Standard | Short term Agri and micro credit | 5% |
| | Cottage, micro and small credit | 5% |
| | Other than short term Agri, micro and CMS | 20% |
| Doubtful | Short term Agri and micro credit | 5% |
| | Cottage, micro and small credit | 20% |
| | Other than short term Agri, micro and CMS | 50% |
| Bad & Loss | All types of credit | 100% |

3.13 Credit Monitoring and supervision

The process of verifying that routine occurs in accordance with the plan is known as monitoring. It is a post-loan activity that manages the loan after it has been sanctioned to ensure that an initial payment of funds is made. This comprehensive action is being done in order to strictly adhere to the terms and conditions outlined in the sanction guidance. In addition, it's important to monitor and follow up on the current loan accounts quickly in order to determine what immediate action is appropriate.

The reason of credit monitoring

- Reduce credit losses
- Maximization of cash flow
- ensure terms and conditions are followed
- Taking appropriate preventative measures
- Review of loan facilities and borrower relationships

3.13.1 Monitoring process for new clients

- Thoroughly review the terms of the sanction advice and fulfill all paperwork requirements in compliance with the guidelines and policies of the sanction.
- TBL established a payout calendar for each client to monitor and track.
- It is necessary to have a distinct expiry schedule in order to be aware of what is owed well in advance of the designated expiration date.
- TBL maintains contact with clients to see whether they are having any difficulties adhering to the terms and conditions of the sanction letter.
- If a physical inspection of the corporate location is necessary under the terms of the sanction letter, it must be completed on time and a report must be provided to the higher authority for review.
- Contact clients on a regular basis to determine how the credit capacity granted is being used.
- If needed, daily, weekly, or monthly statements are created, and they are carefully reviewed. For the Management Committee's consideration, a periodic, preferably monthly, statement highlighting all of the relevant components may be presented.

3.13.2 Monitoring process for Existing clients

- TBL closely monitor to ensure that the Existing loan positions of all regular clients, those who are not classified
- To enable taking of appropriate action, all necessary statements are written and assessed within the parameters for each type of statement by TBL.
- The MOSCF for regular customers, the Term Loan statements, the EOL and causal drawing statement, the Forced Loan statement with payment date is all included in the statement. The bank Determines whether any of the aforementioned statements exhibit abnormalities. If so, then it takes the necessary action to make the required corrections right away. Furthermore, the branch notifies the higher authorities if any egregious violations are discovered in the statements.
- Account transactions of a small group of clients are periodically and occasionally unexpectedly examined. This group includes individuals who have access to big credit facilities, those whose unpaid status may appear to remain unchanged over time, and those whose account turnover is deemed unacceptable.
- TBL maintains historical analysis to track the frequency of irregular, careless, or excessive draws made by the same individual

3.14 Early warning service

Early Warning gathers customer information and provides it to banks by providing a more comprehensive picture of an individual's financial history, the information it offers the banks helps them avoid fraud and danger. Early Warning services are used to confirm the identity of potential customers, evaluate the level of risk associated with new account and confirm the legitimacy of payments, deposits, and newly opened accounts.

3.14.1 How TBL uses the Early Warning Service

- Assure proper observation, follow-up, and close communication with the clients.
- Take the necessary action at the right moment to stop the loss before it's too late.
- To maintain the credit's strength in a respectable manner at all times.
- To ensure that the credit is properly reimbursed.
- And lastly, lowering the non-performing loan percentage

3.15 Rescheduling and Renewal of loans

If the client's account turnover is adequate and their account behavior meets the branch's standards, accounts that are normally provided for a year can usually be extended for an additional term at the client's request. Bangladesh Bank has published Master Circular No. 15/2012, dated September 23, 2012, outlining its arrangement position that rescheduling should only be carried out in restricted circumstances and while incarcerated.

Conditions in General for Loan Rescheduling:

- All required principal and interest payments must be made throughout the rescheduled period.
- After the third rescheduling, if the credit becomes closer to default, the borrower will be regarded as a defaulter, and the bank won't take additional credit rescheduling into consideration.
- When it comes time to present the rescheduling proposal to the Board of Directors or EC, the bank notifies the Board or the Executive Committee of the subtle effects of such advance rescheduling on the compensation and other areas of the bank.

CHAPTER 4: FINDINGS, RECOMMENDATIONS & CONCLUSION

4.1 Findings

4.1.1 Positive aspects

- Bangladesh Bank standards are rigorously followed in the credit management approach.
- TBL's credit department has an outstanding monitoring mechanism in place. It is essential to quickly determine the defaulter and take the appropriate corrective action against them.
- TBL provides its customers customized credit services and advices which helps TBL to have strong relationship with their customers.
- TBL has allocated its capital more effectively and efficiently that lead to reduce the risks and maximize its return.
- TBL has very efficient loan disbursement policy that possesses timely loan approvals and loan recovery mechanism that improved the performances of the credit management.

4.1.2 Negative aspects

Upon completing my internship at The Trust Bank, I came to the realization that there were several issues that may potentially result in losses or obstruct future opportunities. As a result, the bank needs to handle it carefully.

- Every bank has a maximum loan amount that a branch manager may approve, but at TBL, the manager need approval from head office in order to approve every single loan. Given that it will take time to approve a loan, it can become the reason for loss of client.
- In comparison to banks right now, the TBL's range of products is quite constrained. Finding the ideal substitute for a certain product is nearly impossible for the customers.
- Based on the financial analysis, the non-performing loan is increasing significantly in recent years.
- TBL neglected to assesses the collateral of the borrower carefully to secure the loans which lead to loan defaults of many clients.

4.2 Recommendations

- Trust Bank has extremely protective and rigid credit policies. Its loan sanctioning process is therefore a little complicated. It is essential to make the lending policy and loan sanctioning process simple and adaptable.
- The trust bank has large, underutilized reserves and funds. TBL therefore bears a significant opportunity cost. TBL should lend more money to the lucrative credit line.
- For the diverse customer base, more products with a wider range of interests should be released.
- Strict monitoring is required in the credit department to prevent loan defaulters. Non-performing loan is increasing in the last 2 years.
- As long as a bank's assets surpass its liabilities, it remains solvent. The analytical section of this report's solvency ratios confirms that TBL has a higher probability of approaching insolvency if it fails to maintain a balance between its liabilities and asset ratios.

4.3 Conclusion

The Trust Bank Limited is a third-generation bank that holds a dominant position in the current competitive market. It has some characteristics that set the bank apart from others in the private sector. The bank has an excellent management team that is always working to increase the firm's performance. Rather than focusing on making profits, the bank is organizing and carrying out a variety of welfare programs and activities for the nation's socioeconomic infrastructure development and the active engagement in the improvement of the society's comparatively disadvantaged class. It has also been connected to several foreign banks in order to ease the transfer of foreign cash for Bangladeshi emigrants and personnel of the military services serving in the UN. The purpose of the report is to look at and understand the credit services that TBL provides to its customers. The credit department of this branch is highly efficient, and as a result, it contributes significantly to both the overall profitability of the branch and the Bank generally. Effective lending is a key component of banking success. Furthermore, the bank's profitability directly correlates with the success of its lending risk. Its vast portfolio of assets can cover its

liabilities, and the bank's management team is made up of experienced bankers and managers at every level of the organization. Their efficient business plan, on-demand services, compliance with current laws and regulations to handle global markets, and friendly customer support quickly attracts customers. The bank has had quite good financial success in the last few years. Furthermore, any delays in the operational ground may be more than made up for with the friendly services of a group of skilled staff members and professionals. Despite certain drawbacks, they are greatly boosting the economy. In the future, TBL can perform better if they can lessen their constraints and implement innovative ideas.

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