

***Performance Evaluation of Credit Operation
of
Trust Bank Limited***

AN INTERNSHIP REPORT

On

**Performance Evaluation of Credit Operation Systems
Of Trust Bank Ltd.**

Submitted To

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Submitted By

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Acknowledgement

First of all I am grateful to almighty Allah without whose helps it would not has been possible for me to prepare this report.

I am deeply indebted to many people for the valuable contribution in preparing this internship report. I would like to express my gratitude to SaminaHaque Senior Lecturer of Brac University, for their encouragement and the opportunity they have provided me for preparing this internship report entitled “**Performance Evaluation of Credit Operation Systems of Trust Bank Ltd**”.

I am very thankful to Md. ZakirHossain (Principal Officer), Juhirul Islam (Junior Officer -1), Itu Das Gupta (Senior Principal Officer), Jahanara Islam (Senior Principal Officer), who really helped me with all the necessary ideas. I would also like to express my special thanks to Md. Shueb Ahmed choudhury, Senior Vice President & Manager(SVP), MdShowkatHossain, Assistant Vice President & Sub Manager Operation (AVP) (Dhanmondi corporate Branch), have helped all through the report activities. Above all, this report work is a combined effort of sincerity, efficiency and research work with proper guidance.

Last but not least, I would like to convey my gratitude to all my teachers, classmates and many others who co-operate me to complete my Internship Report.

However, I hope that this report that gave me practical experience will help me to build my career in a successful and precise way in this arena.

Executive Summary

Today necessity of a Bank as a financial institution is undeniable. A country is financially rich when it has modern financial institutions of its own. These institutions play a vital role in the field of financial stability of a country. Banking sector is one of the stable financial institutions of a country. Due to Globalization and Technological changes, the banking business has become very competitive now a day. All banks are competing to give effective real time service to their customers. For giving friendly service to the customers they need experienced and well-educated working force.

The overall approach of the report is a Descriptive one as it goes into the depth of **“Performance Evaluation of Credit Operation Systems of Trust Bank Ltd”**. Here both primary and secondary information were used. Interview was the basic techniques comply to collect primary data from any people within the organization. Information about the varieties of activities within the Correspondent Banking Department was collected through interviewed. Among the secondary sources to collect data regarding the company’s performance over the Annual reports of Trust Bank Ltd. Different circulars and papers of Trust Bank Ltd, General Banking Operation manual, Banking Lecture sheet within the organization helped me to gather data about the organization.

The principal reason banks are chartered by the government and the central bank is to make loans to their customers. Banks are expected to support their communities with an adequate supply of credit for all legitimate business and consumes financial needs and to price that credit reasonably in the line with competitively determined interest rates. In deed, making loans is the principal economic function of banks to fund consumption and investment spending by businesses, individuals and units of government. How well a bank performs its lending function has a great deal to do with the economic health of fits region, because bank loans support the growth of new businesses and jobs within the banks trade territory and promote economic vitality, Moreover, bank loans often seem to convey positive information to the marketplace about a borrower’s credit quality, enabling a borrower to obtain more and perhaps somewhat cheaper funds from other sources. The report contains seven chapters. The first chapter of the report describes the introductory words of the internship report in which Introduction of Topic, Origin of the report, Objective of the Report, Scope of the Report, Methodology, and Data Analysis and Organize & Limitations. The second chapter contains the Background of “Trust Bank Ltd.”, Organization Structure of “Trust Bank Ltd.”, Vision of “Trust Bank Ltd.”, and Mission Statement of “Trust Bank Ltd.” In third chapter, it contains the Theoretical framework. In chapter four, it contains Analysis of Credit Operation of Trust Bank Ltd and chapter five contains Ratio Analysis and Frequency Analysis & Findings.

Different Problems, suggestions, recommendations have come at the end of the report. TheProblems findings during the three-month internship period & suggestions are given from

observation, comparative analysis, strategic point of view etc. In fine, this paper contains some findings and recommendations, which may be helpful for the Bank.

TBL has gained success from the very beginning of their operation and was capable enough to hold the success year after year. It gained success very early because it has a very strong backup to provide it financial support and they are the army welfare trust. The credit portfolio of the bank is a mix of scheme loans, micro credit, marriage loan, car loan, and commercial loans. Commercial loans comprise trade financing in the form of working capital and other funded and non-funded credit facilities. The bank has a classified loans and advances much lower (3%) than the national average (30%).The bank as a matter of priority it wants to ensure the quality of its loans portfolio by strengthening post disbursement recovery measures as well as by prioritizing on Early Warning System (EWS) to check the growth of non-performing assets.

Letter of Transmittal

Date:18 January, 2014

SaminaHaque

Senior Lecturer

School Of Business,

Brac University.

Subject: Submission of Internship Report.

Dear Madam,

With due respect, I would like to inform you that I am IshratJahan Khan bearing student ID:12364058,a student of Brac University, School of Business. My major was on Finance.It is my great pleasure to inform you that I have the opportunity to submit an Internship Report on “Performance Evaluation of Credit Operation Systems of Trust Bank Ltd.”as a requirement of MBA Program. It has been a great contentment for me to have the opportunity to apply my academic knowledge in practical field. While conducting the report, I have gathered extensive knowledge on overall banking activity from all the relevant departments of DhanmondiBranch in Trust Bank Limited.

I tried my level best to prepare this report. I will be pleased to deliver you with added explanations or clarifications that you may feel necessary in this regard. I will be thankful if you kindly approve this effort.

Thanking You.

Sincerely Yours,

IshratJahan Khan
ID: 12364058
Major in Finance
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Supervisor Declaration

This Internship report “**Performance Evaluation of Credit Operation Systems of Trust Bank Ltd.**” is prepared by IshratJahan khan, ID:12364058; completed her project under my supervision and submitted for the partial fulfillment of the requirement of the degree of the Masters of Business Administration (MBA) from School of Business (Major in Finance), Brac University.

I wish every success in her life.

SaminaHaque

Senior Lecturer

School of Business,

Brac University

Student Declaration

I do hereby solemnly declare that the work presented in this internship report submitted to the department of School of Business of Brac University for the partial fulfillment of the requirement for the Degree of Masters of Business Administration (MBA). It is a record of original and independent research work done by me under the supervision of SaminaHaque, Senior Lecturer has been carried Out by me and has not been previously submitted to any other University /college /organization for an academic Qualification/certificate/diploma or degree.

The work I have presented does not breach any existing copyright and no portion of this report is copied from any work done earlier for a degree or otherwise.

IshratJahan Khan

ID: 12364058

Major in Finance

School Of Business

Brac University.

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A.1.1 Introduction

Now a day, education is not just limited to books and classrooms. In today's world, education is the tool to understand the real world and apply knowledge for the betterment of the society as well as business. From education the theoretical knowledge is obtained from courses of study, which is only the half way of the subject matter. Practical knowledge has no alternative. The perfect coordination between theory and practice is of paramount importance in the context of the modern business world in order to resolve the dichotomy between these two areas.

Banking system plays a very important role in the economic life of the nation. The health of the economy is closely related to the soundness of its banking system. In a developing country like Bangladesh the banking system as a whole play a vital role in the progress of economic development. A bank as a matter of fact is just like a heart in the economic structure and the capital provided by it is like blood in it. As long as blood is in circulation the organs will remain sound and healthy. If the blood is not supplied to any organ then that part would become useless. So if the finance is not provided to agriculture sector or industrial sector, it will be destroyed. Loan facility provided by banks works as an incentive to the producer to increase the production. Banking is now an essential part of our economic system. Modern trade and commerce would almost be impossible without the availability of suitable banking services.

First of all, banking promotes savings. All manner of people, from the ordinary laborers and workers to the rich land owners and businessmen, can keep their money safely in banks and saving centers.

Secondly, banking promotes investments. Banks easily invest the money they get in industry, agriculture and trade. They either invest it directly or advance loans to other investors.

Thirdly, it is most through banks that foreign trade is carried on. Whether we export or import, it is through banks that money is transferred from one country to another. For example, bills of exchange and letters of credit are the regular ways banks use to transfer money. A number of recent studies, however, indicate that the banking sector plays a more important role than it was believed earlier.

Trust Bank Limited is scheduled bank incorporated on 17 June 1999 under the Companies Act 1994 as a public limited company by shares for carrying out all kinds of banking activities. They received their Certificate of Commencement of Business on the same date. Trust Bank Limited listed with Dhaka Stock Exchange on 25th September, 2007 and Chittagong Stock Exchange on 24th September, 2007

The bank sponsored by Army Welfare Trust (AWT), is first of its kind in the country. With the wide range of modern corporate and consumer financial products Trust Bank has been operating in Bangladesh since 1999 and has achieved public confidence as a sound and stable bank.

1.2 Origin of the report

Any academic course of study has a great value when it has practical application in real life. That's why after completing the MBA course, all students of Brac University have to joint three months internship program, as a mandatory part of MBA program. There is a gap between the theoretical knowledge and practical knowledge. Our internship program has been launched mainly to bridge the gap. And also internship students become aware of organizational culture.

Therefore, an opportunity is offered by **Brac University**, for its potential business graduates to get three months practical experience, which is known is as "Internship Program". For the competition of this internship program, the author of the study was placed in a bank namely, "**The Trust Bank Limited**". Internship Program brings a student closer to the real life situation and thereby helps to launch a career with some prior experience.

This paper is titled "**Performance Evaluation of Credit Operations System of Trust Bank Limited**" originated from the fulfillment of the MBA program. For the internship program, each student is attached with an organization. My internship was at The Trust Bank Ltd., Dhanmondi Corporate Branch, Dhaka. During my internship, I had to prepare a report under the supervision of Samina Haque Senior Lecturer, Brac University.

1.3 Objectives of the Study

The main objectives of this study are to familiarize with overall activities of the Performance Evaluation of Credit Operation Systems maintained by TBL.

- To present an over view of Trust Bank Ltd (TBL).
- To analysis the Lending procedures maintained by the TBL
- To observe principal Lending activities of Trust Bank Ltd.
- To evaluate Lending performance of Trust Bank Ltd.
- To measure the actual position in classified Loan and provisions maintained by TBL
- To understand the project evaluation technique of TBL.
- To appraise the actual Recovery position of TBL
- To identify problems in credit operations of Trust Bank Ltd.
- To recommend suggestions for the successful Lending Operations of Trust Bank Ltd.
- To have a practical orientation of the job market;
- To gather knowledge about the practical application of the financial systems;
- To present an over view of TBL;

1.4 Scope of the Study

This internship report covers the overall credit handled by the "Trust Bank Ltd." such as short term credit, long term credit and consumer credit.

This report has been prepared through extensive discussion with bank employees and with the customers. While preparing this report, I had a great opportunity to have an in depth knowledge

of all the credit management activities practiced by the “Trust Bank Ltd.” It also helped me to acquire a first-hand perspective of a leading private Bank in Bangladesh.

1.5 Methodology of the Study

The study is performed based on the information extracted from different sources collected by using a specific methodology. This report is analytical in nature. The methodology is:

Data collection: Source of data of this report can be divided into two categories:

Primary Sources:

- Face to Face conversation with the respective officers and staffs.
- Interviewing officers and staffs.
- Sharing practical knowledge of officials.
- Relevant file study provided by the officers concerned.
- In-depth study of selected cases.

Secondary Sources:

- Annual Report of TBL 2009 – 2013.
- Website
- Relevant books, Research papers, Newspapers and Journals.
- Internet and various study selected reports.
- Different guideline of Dhanmondi Corporate Branch, Trust Bank Ltd.

1.6 Data Analysis and Organize

After collection of entire data different approaches are widely used to analyze and organize the data such as quantitative and qualitative approach. In this process statistical assistance was more significant and indispensable. In the last part of my report that is in performance evaluation part I follow the Year-to-Year Change Analysis and Ratio Analysis to analyze the performance of Trust Bank Limited. In this part only secondary data used which is collected from the annual report and Prospectus of Trust Bank Limited.

1.7 Limitation of the Study

From the beginning to end, the study has been conducted with the intention of making it as a complete and truthful one. However, many problems appeared in the way of conducting the study. During the study, it was not possible to visit the whole area covered by the bank although the financial statements and other information regarding the study have been considered. The study considers following limitations:

- This is first internship report of the writer.
- Lack of experience.
- All the branches of the sample bank were not physically visited.

Performance evaluation of credit operation system

- All the concerned personnel of the bank have not been interviewed.
- Lack of in-depth knowledge and analytical ability for writing such report.
- The time period for this study was short.
- Inadequacy and lack of availability of required Current data.
- Lack of experiences and practical exposure
- Non-availability of some preceding and latest data.
- Some information was withheld to retain the confidentiality of the bank.

I was placed to various departments within (3) months of time and working like a regular employee. With all of this limitation I tried my best to make this report as best as possible. So readers are requested to consider these limitations while reading and justifying any part of my study

2.1 An Overview of the Trust Bank Limited

Trust Bank Limited is scheduled bank incorporated on 17 June 1999 under the Companies Act 1994 as a public limited company by shares for carrying out all kinds of banking activities. They received their Certificate of Commencement of Business on the same date. Trust Bank Limited listed with Dhaka Stock Exchange on 25th September, 2007 and Chittagong Stock Exchange on 24th September, 2007

The bank sponsored by Army Welfare Trust (AWT), is first of its kind in the country. With the wide range of modern corporate and consumer financial products Trust Bank has been operating in Bangladesh since 1999 and has achieved public confidence as a sound and stable bank.

In 2001, Trust Bank introduced automated branch banking system to increase efficiency and improve customer service. In the year 2005, the bank moved further and introduces ATM services for its customers. Since bank's business volume increased over the years and the demands of the customers enlarged in manifold, their technology has been upgraded to manage the growth of the bank and meet the demands of their customer. They also provide online banking service which facilitates any branch banking, ATM banking, internet banking, mobile banking. All these facilities help customers to deposit or withdraw money from any branch within the country.

Present day Trust Bank Limited is one of the leading commercial bank having a spread network of 82 branches, 7 SME centers, 132 ATM Booths, and 55 Branch POS (Point of Sale) across

Performance evaluation of credit operation system

Bangladesh and plans to open more branches to cover the commercial area of Dhaka, Chittagong, Sylhet and other areas. Trust bank is a customer oriented financial institution which meets up ever growing expectations of the 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 introduced 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. 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.

The bank has plans to invest extensively in the country's industrial and agricultural sectors in the coming days. The bank has participated in syndicated loan agreement with other banks. Such participation would continue in the further for greater interest of the overall economy. The bank is keen to constantly improve its services to the clients and launching new & innovative products to provide better services towards fulfillment of growing demands of its customers.

The authorized capital of the bank is Tk. 2000 million. The Army Welfare Trust (AWT) is the major shareholder bearing 51% share. Total shareholders' equity at the end of December 2007 stood at Tk. 7200.20 million, where Paid-up capital is Tk. 3405.41 million, statutory reserve is Tk 2169.22 million and Retained Earnings is Tk. 656.32 million. The Paid- up capital is indicative of the face value of 5, 00,000 ordinary shares of Tk. 1,000/-each fully subscribed by the shareholders.

2.2 Philosophy of the TBL

At present the bank has as many as 89 branches including SME Centre across the country and it is committed to become equal service providers compatible with the norms of commercial schedule bank. It renders all types of personal, commercial and corporate banking services to its customers within the purview of the Bank Companies Act, 1991 and in line with the directives and policy guidelines lay down by Bangladesh bank.

2.3 Objective of the Bank

The Trust Bank Limited has been established with the objective of providing efficient and innovative banking services to the people of all sections of our society. One of the remarkable strengths of this bank is that it is backed by the disciplined and strongest Institution of Bangladesh i.e. Bangladesh Army and there is a synergy of welfare and profits in the dynamics

Performance evaluation of credit operation system

of this institution. Bank is service-oriented industry and we on our part are committed to ensure customized Qualitative and hassle free services in our banking operations along with the focus to broaden the clientele base. The bank has extensively in the country's industrial and agricultural sectors in the coming days. The bank is committed to contribute as such as possible within its limitations for the economic growth and for ensuring value of its available resources.

In addition to ensuring quality customer services related to general banking the bank also provide loan facilities. In the meantime the 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. 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.

2.4 Trust Bank's Value



2.5 Vision of Trust Bank Ltd

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

2.6 Mission of Trust Bank Ltd

- To make banking easy for customers by implementing one-stop service concept and provide innovative and attractive products & services through technology and qualified human resources.
- To look out to benefit the local community through supporting entrepreneurship, social responsibility and economic development of the country.
- Long Term Sustainable Growth- diversified business with robust risk management.
- Financial Inclusion- brings 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

2.7 Corporate Information of TBL

Date	Event
17 June 1999	Registration number, C-37960(2260)/99
17 June 1999	Date of Incorporation
17 June 1999	Date of Commencement of Banking Operations.
15 July 1999	Banking License Received
09 August 1999	First Branch License Received
29 November 1999	Formal Inauguration
January 2007	Online Banking Operations across all the Branches
17 May 2007	Publication of Prospectus
15 July 2007	Subscription Opening
19 July 2007	Subscription Closing
24 September 2007	Listed with Chittagong Stock Exchange Ltd.
25 September 2007	Listed with Dhaka Stock Exchange Ltd.

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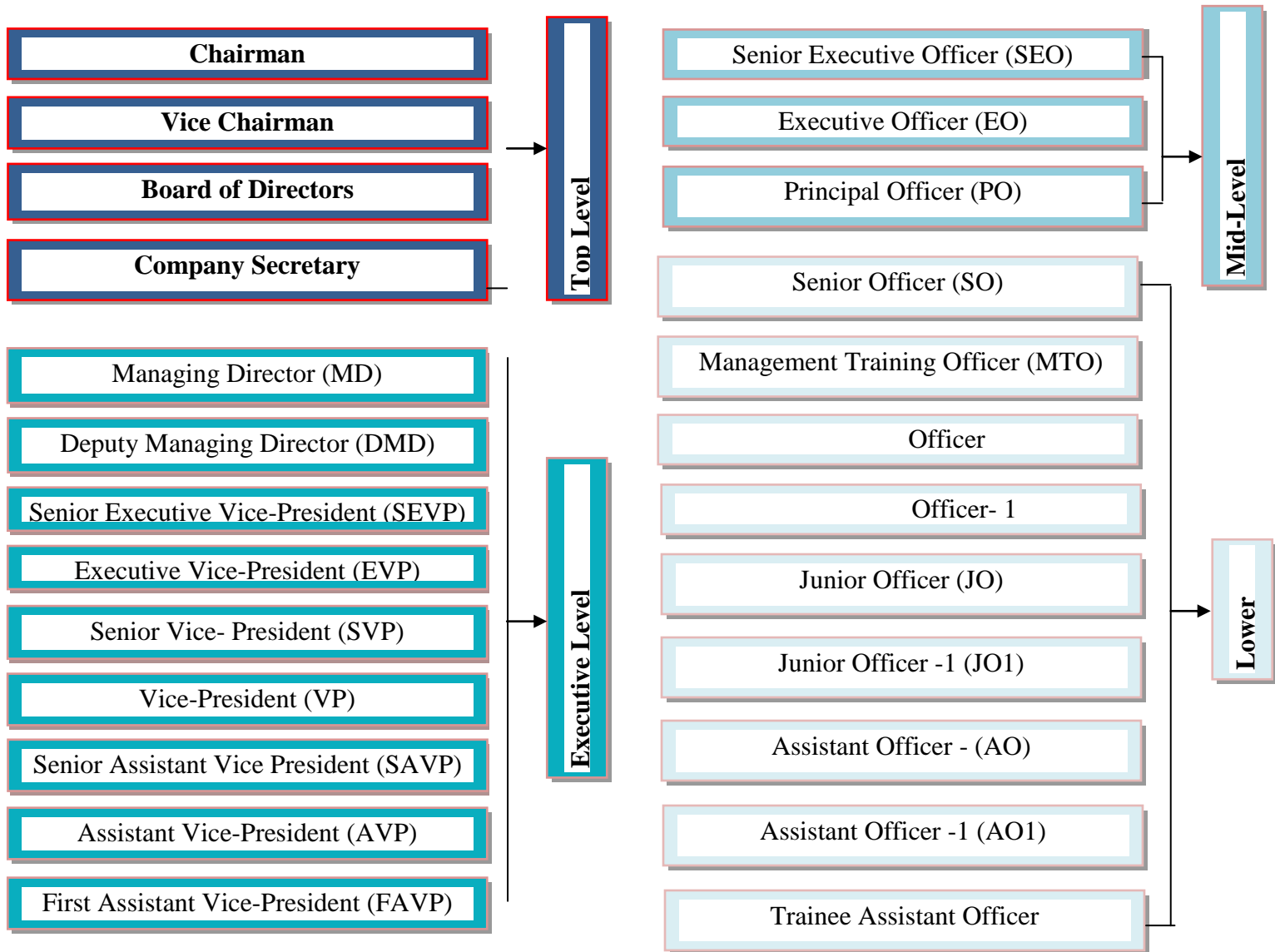
01 October 2007	Commencement of Trading of Shares at DSE & CSE
31 May 2009	Authorized Share Capital Increased to BDT 500 Crore
27 January 2010	TBL Mutual Fund Trading Started
09 September 2010	Established Trust Bank Investment Limited, a 99.99% Owned subsidiary, to do Merchant Banking operations.
14 November 2010	Commencement of Investment Banking Operations
30 November 2011	TBL shares denominated to Tk. 10 per share with market lot of 500 shares first traded in the DSE
06 June	2012 Authorized Share Capital Increased to BDT 1,000 Crore
28 November 2012	Allotment of 1 share (membership) of DSE to Trust Bank Securities Limited (TBSL)
26 September 2013	Inception of Business Operation of Trust Bank Securities Limited (TBSL)

Source: Annual report of 2013 of TBL

2.8 TBL at a glance

Explanation & Activities	Date and amount
Date of Incorporation	July 17, 1999
Functioning Date	November 29, 1999
Principal Activity	Commercial Banking
Total Capital	TK. 10798 million (as on 31.12.2011)
Deposits	TK 102468 million
Loans & Advances	TK. 79280 million
Investment	TK.19023 million
Assets	TK.116740 million
Statutory Reserve	TK. 260.84 million
Retained Earnings	TK. 355.37 million
Earnings Per Share(EPS)	TK. 23.16
No. of Branch	90
Lunching Trust Islamic Banking	September 15, 2008
Location of Head Office	Peoples Insurance Bhaban, 36, Dilkusha,Dhaka-1000

2.9 Organizational Hierarchy of Trust Bank Limited:



There are several types of department in TBL. These are mentioned below



2.10 Performance of the TBL

TBL a blend of expertise and technological excellence is in place to meet varied needs of modern customers. Towards attainment of its goals and objectives, the bank pursues diversified credit policies and strategic planning in credit management. To name a few, the bank has extended micro credit, consumers durable scheme loans, house building loans etc. to cater to the needs of the individuals, which in turn has helped thousands of families. The bank also extends loan in the form of trade finance, industrial finance, and project finance, export & import finance etc. The bank's credit policies aimed at balanced growth and harmonious development of all the sectors of the country's economy with top most priority to ensure quality of lending by averting growth of non-performing assets

2.10.1 Capital

At the end of 2013, banks regulatory capital stood at tk. 10798 million as against tk. 10304 million as at 31 December 2012 million. Total shareholders' equity increased by 17.02 the end of the December 2013 stood at Tk. 7200.20 million. Out of Taka 4129.84 million in the year 2013, paid-up capital is Taka Tk. 3405.41 million, Statutory Reserve is Taka 2169.22 million and Retained Earnings is Taka 656.32 million.

2.10.2 Return on Average Equity

The return on common equity (ROE) measures the return earned on the on the common stockholders' investment in the firm. Generally higher return better off are the owner. 2013 show 4.85%, 2012 show 3.02% so there show return is low.

2.10.3 Return on Average Assets

The return on total assets (ROA), often called the return on investment (ROI) measures the overall effectiveness of management in generating profit with its available assets. The higher the firm's return on total assets the better. There in 2013 show .31%, 2012 shows .21%. That is higher than other year ROA.

2.10.4 Loans & Advances

Consolidated Loans and Advances of the Bank as on 31 December 2013 was Tk. 83,798.41 million as against Tk. 58,599.09 million in the year 2012, showing an increase by almost 43.00% over the preceding year. The Loans and Advances cover up the areas of corporate (based on both Conventional and Islamic Shariah Mode), SME, Retail and Credit Card. The credit portfolio of the Bank also included mix of scheme loans, namely- Renovation & Reconstruction of Dwelling House Loan (RRDH), Consumers Durable Scheme Loan (CDS), Marriage Loan, Car Loan, HBF Loan and Commercial Loan. Corporate lending is still the core business of the Bank and continues to remain the major segment of the business. While providing loans to our customers, the policy of Bangladesh Bank is strictly followed. The portfolio has been further diversified to avoid risk of single industry concentration and remains in line with the Bank's credit norms relating to risk quality. The Customer Relationship has been strengthened and frequent visits to the clients have been ensured for further cementing existing relationship.

2.10.5 Total Asset

From the financial statement of trust bank ltd, we can see that the amount of total asset is increasing day by day. In FY 2013, the Asset of TBL shot up to Tk.116739.57 million from Tk. 95260.78 million as recorded in FY 2012. During this period, the Asset base was increased by 22.80% compared to the preceding year. The overall picture of asset of trust bank is given below by graph.

2.11 Different types of Banking

As a private limited commercial Bank, Trust Bank Ltd is strong-minded to endow with the appropriate service to the customer. For this reason they have to go with different banking system. Though Trust Bank Ltd is an Army based banking system but they have lots of civil

customer. By looking forward to the demand of customer (Especially civil Customer), Trust Bank Ltd has to go with different Banking policy. They are given below.

2.11.1 General Banking

Trust Bank Ltd has been a strong structured general banking system since 1999. This Bank sponsored by the Bangladesh Army Welfare Trust (AWT). They have lots of product and schemes and strong policy to control over whole general banking system. Day by day, they are increasing their growth.

- Cash Department
- Remittance Department

• Cash Department

All sorts of transaction considering the cash are taken into the care in the cash department. Cash is deposit in the name of concern bank and disbursed to the client by his/her department.

- Opening of Cash: Beginning balance is used to start daily transaction.
- Maintenance of Receipt and Payment Registers while receiving & paying different amount of cash.
- Previously issued cheque will be paid if issued 6 months before.
- Advance issued cheque cannot be made payment even one day before.
- Evening Banking: can only receive cash. No payment can be made except some special cases.
- TBL Dhanmondi Branch provides “Sheba Service” in this branch
- Issue Note: Notes issued by the bank & accepted by the people, fresh notes.
- Non-issue Note: Notes cannot be issued for public like torn, mutilated notes Soiled Notes etc.

• Remittance Department

Remittance mean “Remittance other than local” .Remittance is another significant part of the general banking. The bank provides services and various types of bills through the remittance within the country. Obviously, the bank charges commission on the basis of bills account.

Anyone can now transfer money conveniently and in real-time to Bangladesh within minutes via the third party available at all in Bangladesh. Money may be remitted via any of the third party providers located in over 200 countries worldwide. This service is available to all.

Trust Bank Limited has some of the third party. Those are given below:

1. Western Union
2. Placid Express
3. Orchid Money Transfer
4. National Exchange Company, Italy (NEC)

5. NEC Money Transfer, Spain (NMT)

You do not need to have a Trust Bank Account to avail this service. Western Union is a world leader in the money transfer business with global presence and international recognition.

In 2013, Bangladesh faces decline in remittance earnings for the first time since 42 years of our independence. Compared to year 2012, our inward remittance reduced Taka 7,607 crore in 2013. In FY 2013, foreign remittance was 9.50% of our GDP against 11.11% & 10.55% in FY 2012 & FY 2011 respectively. The drop is keeping with the trend since last August, when it turned negative after slow down since the final half of FY 2013. Only 450,000 migrants managed overseas jobs in 2013, down by more than 33% from 2012 according to Refugee and Migratory Movements Research Unit (RMMRU). In the first seven months of FY 2014, remittance came down to USD 8.00 billion from USD 8.69 billion for the same period of last fiscal. In spite of that, our external sector stability eased due to foreign exchange reserves that reached USD 18.00 billion at the end of December 2013, sufficient to cover about 5.5 months of projected imports.

2.11.2 Trust Islamic Banking

Trust Islamic Banking (TIB) started its operation from later part of 2008 through 5 (five) Islamic banking windows at the TBL-Principal Br., Gulshan Br., Dilkusha Br. in Dhaka, CDA Avenue Br. in Chittagong & Sylhet Corporate branch in Sylhet. In addition to the above mentioned 5 (five) branches, all TBL branches are now providing Islamic banking services to their clients under centralized on-line operation system. In addition to the Sharia guidelines, Trust Islamic banking operations are strictly complied with the Bangladesh Bank instructions regarding Islamic banking operations and adhere to the followings:

- Completely Separate Fund management – no mingling of fund with the conventional banking deposits of the Bank.
- Separate book-keeping, Profit & Loss Account by Islamic banking software.
- Investment from the Islamic banking deposits only.
- Profit sharing with the depositors at 70:30 ratios.

2.11.3 Business Banking

Trust Business Banking includes with corporate financing, SME financing Syndicated loans, Women Entrepreneur Loan, Trust Falan Agri-Business Loan etc. These types of activity help Trust Bank Ltd to improve Customer relationship and also to improve his business rapidly. Entrepreneurship development is also a goal of this banking system.

2.11.4 Technology (IT) & Automation Information

All the branches of the TBL are fully computerized. New software named Flora is now in use to provide faster, accurate and efficient service to the clients. The bank is continuously striving for better services through extensive automation of its branches. Trust bank has launched “**Any Branch Banking**” through on-line connectivity. The bank has set up a full-fledged IT division to keep abreast of the latest development of IT for better service in the days to come.

Performance evaluation of credit operation system

At present, following online banking services are with the system:

- Cash deposits i.e. accountholders of one branch can deposit cash in account at another branch.
- Cash withdrawals, i.e. accountholder of one branch can withdraw cash from another branch.
- TBL cheque deposits i.e. accountholder of one branch can deposit TBL cheque in his/her account at another branch.
- Online Clearing i.e. account holder of one branch can deposit clearing instruments in his/her account at another branch.

2.11.5 Mobile Banking Services

Trust Bank Limited launched “Trust Bank Mobile Money” on 31 August 2010 especially for the unbanked rural people to materialize the motto “A Bank for financial Inclusion”. In Bangladesh most of the rural people are not educated and thus cannot write cheque or sign. Also they need to maintain a minimum balance in their accounts to pay various charges which tends to be difficult for the rural people. Through Trust Bank Mobile money service the customer can use their mobile phone to authenticate a transaction by typing their secret PIN (instead of having to write a cheque and signing it); if the combination of the PIN and the customer’s mobile phone number is correct, the transaction will be done successfully and a confirmation SMS will be sent to the user end. Trust Bank Mobile Money is a Bank-Led model complying all the rules and regulation of Bangladesh Bank. It enables subscribers to quickly, easily, and securely transfer balances to other subscribers via their mobile phones (SMS & USSD) or Internet. Any mobile subscriber can avail Trust Bank Mobile Money services using any mobile handset from low end to high end.

Customer of Trust Bank Mobile Money can avail the service at all Trust Bank Branches SME Centers, T-Lobby and accredited Pay points. Trust Bank is deploying its Pay point Network through different distributor such as Teletalk, Robi, Citycel, Arena, Quantum, A2i (UISC,PISC) and Third Eye NC Limited.

The features of Trust Bank Mobile Money are as follows:

1. Cash in/out from Pay-Point
2. Payment of Inward Foreign Remittance
3. Electronic Fund Transfer
4. Local Remittance (P2P)
5. Payment at Point of Sale
 - i. At partner Merchant Stores
 - ii. At Partner Service Providers (hospital, cinema, gas station, etc.)
6. School Banking
 - i. Admission Fees Collection
 - ii. Tuition Fees Collection
7. Bangladesh Navy Requirement Fund Collection (BNRF)
8. Utility payment

- i. Air time recharge (All Telco)
- ii. MetLife Alico Insurance premium

2.11.6 Social Commitment and Future Prospect

It has been all most nine years since the stepped in to the banking arena. They are not yet past of their formative stage. It would be only a matter of time for them to testify that they are equally committed to the social up liftmen of the country. They would stand by the people through philanthropic activities whenever any crisis and disaster confront them. They will not keep their social welfare activities restricted to one area only. It will be diversified in the days ahead of us as they are planning to award students of exceptional academic performance with scholarship in different educational institutions. They expect to launch soon school banking by extending their services, which would encourage parsimony in the students. It would also help in the creation of savings, which could be utilized for pursuing higher studies in future. Keeping in mind their social commitment would soon launch “Educational” and “Hajj” loans. Agriculture, being the only means of subsistence for innumerable people in rural areas of the country, needs more attention. They have plans to manufacturing agricultural equipments in the Bangladesh Machine Tools Factory Ltd., which would be distributed among their farmers at an affordable price.

2.11.7 Web Page

The introduction of Internet has change the traditional concept of world trade and commerce. As the time is progressing its necessity is being felt more in the prevailing competitive since no organization can afford to remain in isolation with the rest of the world for its survival. 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 a web page for the bank. It can be accessed to under the domain:

<http://www.trustbank.com.bd/>

2.12 Products and Schemes

As a private limited bank, Trust bank is also committed to its owner to return profit by providing a good service to the customer. To providing efficient and innovative banking services to the people of all sections of our society, Trust Bank Ltd has been offered different products and schemes to its customer. They are given below-

- Current Account
- Savings account
- Short Term Deposit
- Trust Smart Savers Scheme (TSSS)
- Trust Money Double Scheme (TMDS)
- Monthly Benefit Deposit Scheme (MBDS)

- Lakhopoti Savings Scheme (LSS)
- Trust Money Making Scheme (TMMS)
- Trust Education Scheme (TES)
- Fixed Deposit Receipt (FDR)
- Interest First Fixed Deposit Scheme (IFFDS)

2.12.1 Deposit Products

A Banks main activity is to collect deposit, because this deposit will use as loan money. So deposit is very much important for the bank. Generally a bank's principal activity is to serve the customer or give service. There are different types of deposits which not only help the bank to attract the customer but also help the customer by fulfilling their demand. Different types of deposit provide different opportunities, different terms & condition. They are:

- Current Deposits Account (CDA)
- Savings Deposit Account (SBA)
- Special Notice Account.
- Fixed Deposit Account (FDR)
- Trust Education Scheme (TES)
- Trust Smart Savers Scheme (TSSS)
- Trust Money Double Scheme (TMDS)
- Trust Mobile Money (TMM)

• **Current Deposit Account & STD Account:**

The characteristics of the current account are different from the savings account but same as STD account. In current account there is no interest on the current deposit account, but in STD account there is interest on deposit amount and there is no restriction on withdrawal. The depositor can withdraw the money from any time when he needs money, but withdrawal must be in transaction hour. The minimum limit of opening a current account & STD account in The Trust Bank is Tk.1000. There are different types of current & STD account. They are and their requirements are:

- Individual Current Account/STD A/C
- Proprietorship Current A/C /STD A/C
- Partnership Current A/C /STD A/C
- Private LTD Co. / Current A/C/STD/A/C
- Public LTD Co. / A/C STD/ A/C
- Club/Societies Current A/C/STD A/C

• **Savings Deposit Account:**

Savings account is specially designed for the middle and low-income groups who are generating limited income and have the tendency to save. A minimum initial deposit of Tk. 500 shall be

Performance evaluation of credit operation system

required for opening savings account. There are different types of savings account and their opening requirements are also change. They are:

- Club/ Societies/Asso. Savings A/C
- Individual Savings Account

• **Fixed Deposit Account (FDR):**

There are various fixed deposit schemes in The Trust Bank. The interest rate of the deposited amount depends on duration and volume of the amount. If duration is long the interest rate is high, and at the same time if the volume of amount is large the interest rate is also high and vice-versa. Depositors have to withdraw the interest after the maturity date. If the depositors intend to withdraw the interest earning before expiring the maturity date then the bank is not bound to pay the interest. But some times it depends on the party like if the party is big then the bank will consider to that party for getting the interest amount. The requirements for the FDR are:

- Signature Card
- Application for Fixed Deposit.

Amount/slab wise Deposit	Tenure			
	01 Month	03 Months	09 Months	12 Months & above
Amount wise deposit				
Any amount	7.00%	9.25%	9.50%	9.75%
TK 100 Crore and above but less then TK 100 Crore	7.00%	9.75%	10.00%	10.25%

• **Trust Maxima Savings Account:**

Trust Maxima Savings Account that gives an extra facility to normal savings account. Under this new option of savings account one can get higher rate of interest than the prevailing normal rate. Present rate in Savings A/C is 7.50%, but in Trust Maxima Savings Account the additional interest rate are:

Monthly Payable amount	Duration of the scheme	Amountpayable maturity(BDT)
4,935/-	10 year	10,00,000/-
8385/--	07 year	10,00,000/-
13,180/--	05year	10,00,000/-

Performance evaluation of credit operation system

• Trust Smart Savers Scheme:

The name of the scheme is 'Trust Smart Savers Scheme (TSS)' and an Account holder subscribing to this scheme will be called TSS Account holder.

Monthly installment size, tenor and terminal benefit of the scheme will be as follows:

Monthly Deposit	Amount payable at maturity (3 years)	Amount payable at maturity (5 years)	Amount payable at maturity (7 years)	Amount payable at maturity (10 years)
500	21,543	40,560	64,417	112,057
1,000	43,085	81,119	128,834	224,115
2,000	86,171	162,239	257,669	448,230
3,000	129,256	243,358	386,503	672,345
4,000	172,341	324,478	515,337	896,460
5,000	215,426	405,597	644,172	1,120,575

2.13 Deposit portfolio

In the year 2013, Consolidated Deposits of the Bank shot up by 23.43 % to Tk. 102,523.87 million from Tk.83, 063.00 million as recorded in the year 2012. The combination of competitive interest rates, depositor's trust in the Bank and mobilization efforts of the Bank Management resulted in the growth of deposits. Mix of deposits showed that fixed deposits contributed 62.73% total deposits. The Bank's deposits include the deposits from both conventional and Islamic banking deposit vehicle.

Type of deposits	Taka in million		Growth %	Deposit Mix	
	2013	2012		2013	2012
Current and other deposits	13,638.22	10,734.63	27.05%	13.30%	12.92%
Bills Payable	1,082.67	925.78	16.95%	1.06%	1.11%
Savings BANK deposits	8,880.85	6,590.79	34.75%	8.66%	7.93%

Performance evaluation of credit operation system

Fixed Deposits	64,312.35	51,909.86	23.89%	62.73%	62.49%
Short term Deposits	5,286.95	5,385.89	-1.84%	5.16%	6.48%
Special Deposit Scheme	9,322.82	7,516.05	24.04%	9.09%	9.05%
Total	102,523.86	83,062.99	23.43%	100%	100%

2.14 Retail Products or Loans

Bank is an institution which creates money by money. Only collecting deposits are not the task of a bank. They have to provide different loans to customer. And by this way Bank earn profit. As a private commercial bank, Trust Bank Ltd has different types of retail products. These Products create a center of attention of loan among the general customer. The Trust Bank provide Special offer for Bangladesh Army from their retail products. Retail product given by Trust Bank Ltd is given below.

- Car Loan
- House Hold Durable Loan
- Doctor's Loan
- Education Loan
- Advance against salary
- Travel Loan
- Any purpose Loan
- CNG conversion Loan
- Marriage Loan
- Loan against TMDS

2.14.1 Loan Products

➤ **Unsecured Loan:**

Personal Loan, Loan against Salary, Education Loan, Doctor's Loan, Trust Digital Loan. Any Purpose Loan for Defence Officers, Motor Cycle Loan for Defence Personnel, Marriage Loan for Defence Personnel, House Hold Durable Loan for Defence Officers, CNG Conversion Loan Defence Officers, OD against Salary for Defence Officers, RRDH for JCO's and Others.

➤ **Secured Loan:**

Car Loan, Apon Nibash Loan (House Finance), HBL against Registered Mortgage for Defence Officers, Army Officers Housing Loan Scheme, Trust Thikana- Home Loan, Loan against Commutation Benefits for Defence Personnel.

2.15 Credit Card

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 successfully introduced 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.

Trust Bank has put emphasis on its Credit Card services. Already a Credit Card Policy has been designed and in near future the bank will come up with attractive features to provide multi level benefits to Card Holders. Already we have 2075 Credit Card users with an outstanding amount of Tk. 71 million. Now a day, Bangladesh Army members including officer and soldier can collect their money by using debit card. Trust Bank Ltd Provides 4 types of Card to collect their money from their account. They are given below:

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

2.16 SME Finance

SME finance is the funding of small and medium sized enterprises, and represents a major function of the general business finance market – in which capital for different types of firms are supplied, acquired, and coaxed or priced. SME finance is the most effective weapons to reduce poverty & unemployment and increase productivity, industry and the growth of GDP. As a private limited bank, Trust Bank is concern to take part on improvement of our nation. SME finance is of their activity to improve the income level of poor people and newly initiated entrepreneur. Now a day, Trust Bank Ltd is more interested to invest on SME financing tricks. As a result they are willing to endow among this type of investment.

- Trust Falan Agri-Business Loan
- Entrepreneurship Development Loan
- Loan for Light Engineering
- Loan for Poultry Farm

3.1 Risk management

Risk management refers to the practice of identifying potential risks in advance, analyzing them and taking precautionary steps to reduce/curb the risk.

In the world of finance, risk management refers to the practice of identifying potential risks in advance, analyzing them and taking precautionary steps to reduce/curb the risk. When an entity makes an investment decision, it exposes itself to a number of financial risks. The quantum of such risks depends on the type of financial instrument. These financial risks might be in the form of high inflation, volatility in capital markets, recession, bankruptcy, etc. For example, a fixed deposit is considered a less risky investment. On the other hand, investment in equity is considered a risky venture. While practicing risk management, equity investors and fund managers tend to diversify their portfolio so as to minimize the exposure to risk.

3.2 Risk management process

The following diagram illustrates the six steps of the risk management process: identify, analyze and prioritize, plan and schedule, track and report, control, and learn. It is important to understand that the process of managing each risk goes through all of these steps at least once and often cycles through numerous times. Also, each risk has its own timeline, so multiple risks might be in each step at any point in time.

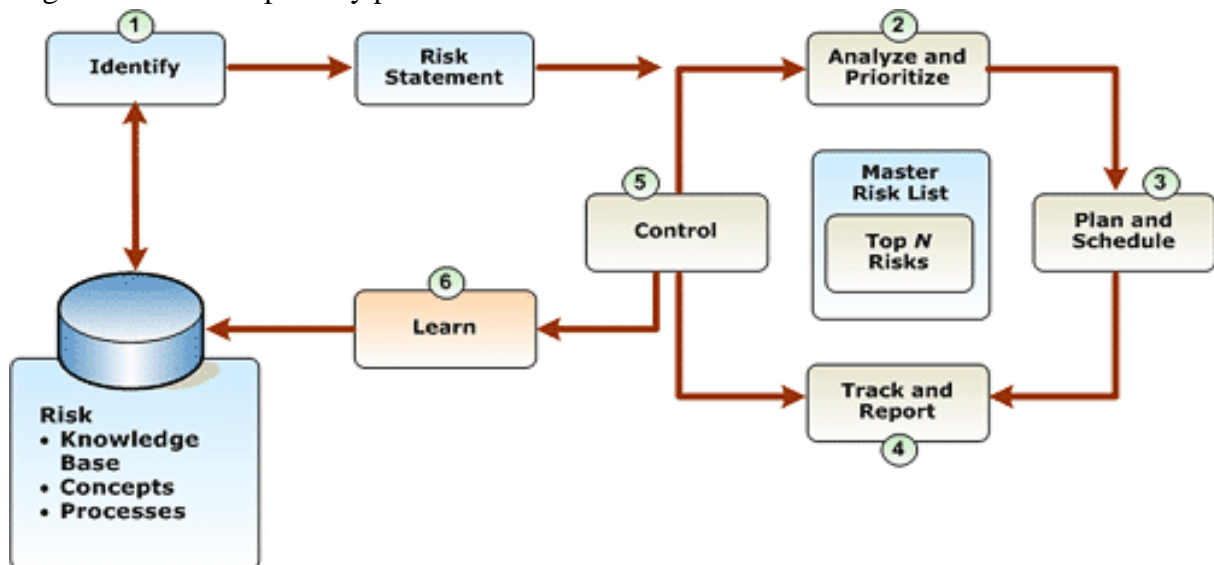


Figure 2: Risk management process (Reference 5)

3.2.1 Risk Management Process Steps

The following is a brief introduction to the six steps of the risk management process.

- **Identify** - Risk identification allows individuals to identify risks so that the operations staff becomes aware of potential problems. Not only should risk identification be undertaken as early as possible, but it also should be repeated frequently.
- **Analyze and prioritize** - Risk analysis transforms the estimates or data about specific risks that developed during risk identification into a consistent form that can be used to make decisions around prioritization. Risk prioritization enables operations to commit resources to manage the most important risks.
- **Plan and schedule** - Risk planning takes the information obtained from risk analysis and uses it to formulate strategies, plans, change requests, and actions. Risk scheduling ensures that these plans are approved and then incorporated into the standard day-to-day processes and infrastructure.
- **Track and report** - Risk tracking monitors the status of specific risks and the progress in their respective action plans. Risk tracking also includes monitoring the probability, impact, exposure, and other measures of risk for changes that could alter priority or risk plans and ultimately the availability of the service. Risk reporting ensures that the operations staff, service manager, and other stakeholders are aware of the status of top risks and the plans to manage them.
- **Control** - Risk control is the process of executing risk action plans and their associated status reporting. Risk control also includes initiating change control requests when changes in risk status or risk plans could affect the availability of the service or service level agreement (SLA).
- **Learn** - Risk learning formalizes the lessons learned and uses tools to capture, categorize, and index that knowledge in a reusable form that can be shared with others.

3.3 Credit risk

Credit risk refers to the risk that a borrower will default on any type of debt by failing to make payments which it is obligated to do. The risks are primarily that of the lender and include lost principal and interest, disruption to cash flows, and increased collection costs. The loss may be complete or partial and can arise in a number of circumstances.

Credit risk covers the inability of a borrower or counter-party to honor commitments under an agreement and any such failures, which have an adverse impact on the financial performance of the Bank. The Bank is exposed to credit risk through lending and capital market activities.

For example:

Performance evaluation of credit operation system

- A consumer may fail to make a payment due on a mortgage loan, credit card, line of credit, or other loan
- A Company is unable to repay amounts secured by a fixed or floating charge over the assets of the company
- A business or consumer does not pay a trade invoice when due
- A business does not pay an employee's earned wages when due
- A business or government bond issuer does not make a payment on a coupon or principal payment when due
- An insolvent insurance company does not pay a policy obligation
- An insolvent bank won't return funds to a depositor
- A government grants bankruptcy protection to an insolvent consumer or business

To reduce the lender's credit risk, the lender may perform a credit check on the prospective borrower, may require the borrower to take out appropriate insurance, such as mortgage insurance or seek security or guarantees of third parties, besides other possible strategies. In general, the higher the risk, the higher will be the interest rate that the debtor will be asked to pay on the debt.

3.4 Types of credit risk

Credit risk can be classified in the following way:

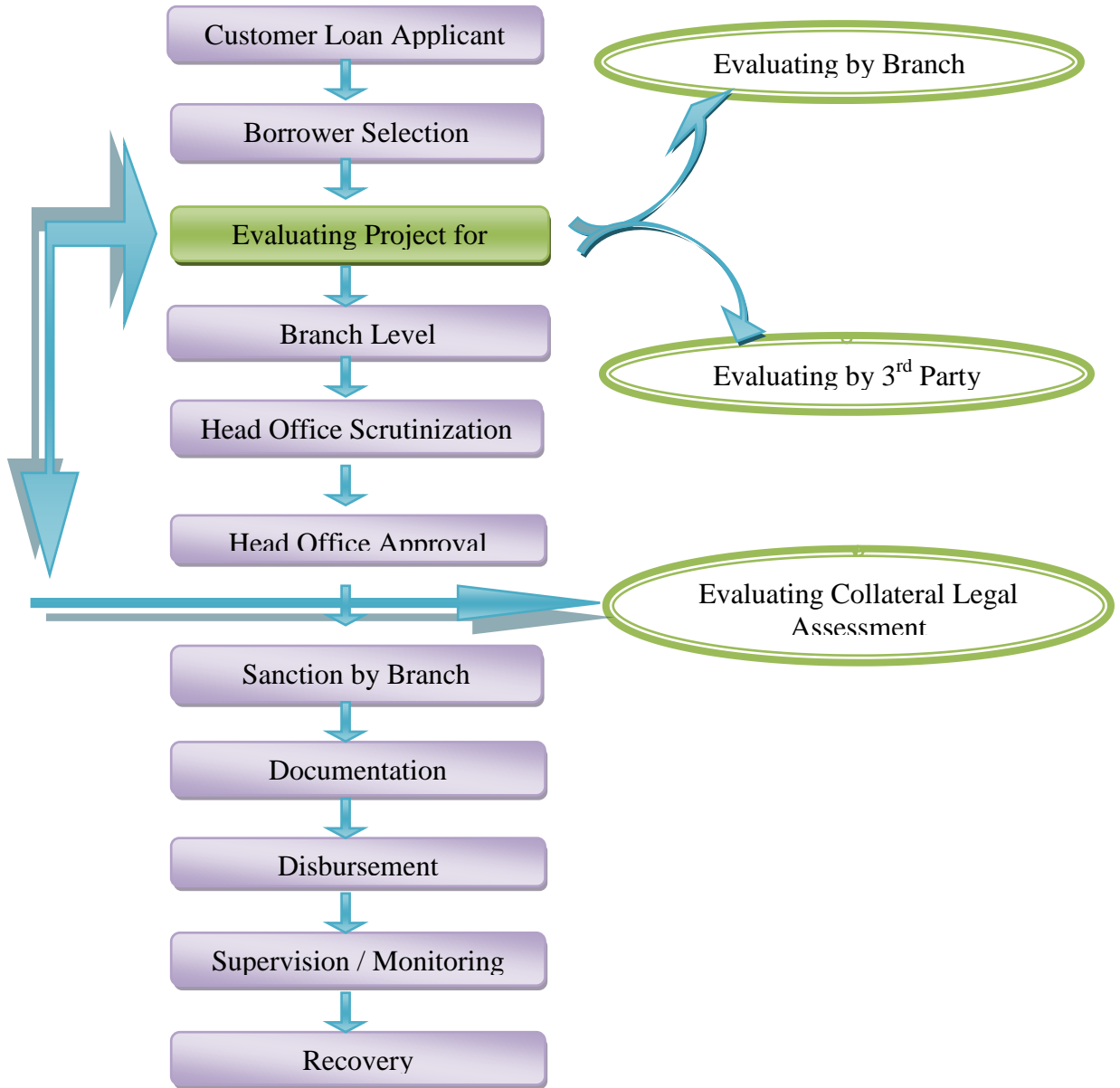
- **Credit default risk** - The risk of loss arising from a debtor being unlikely to pay its loan obligations in full or the debtor is more than 90 days past due on any material credit obligation. Default risk may impact all credit-sensitive transactions, including loans, securities and derivatives.
- **Concentration risk** - The risk associated with any single exposure or group of exposures with the potential to produce large enough losses to threaten a bank's core operations. It may arise in the form of single name concentration or industry concentration.
- **Country risk** - The risk of loss arising from sovereign state freezing foreign currency payments (transfer/conversion risk) or when it defaults on its obligations (sovereign risk).

3.5 Credit Risk Management

While financial institutions have faced difficulties over the years for a multitude of reasons, the major cause of serious banking problems continues to be directly related to lax credit standards for borrowers and counterparties, poor portfolio risk management or a lack of attention to changes in economic or other circumstances that can lead to a deterioration in the credit standing of a bank's counterparties. Credit risk is most simply defined as the potential that a bank borrower or counterparty will fail to meet its obligations in accordance with agreed terms. 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 relationship between credit risk and other risks. The effective management of credit risk is a critical component of a comprehensive approach to risk management and essential to the long term success of any banking organization. The sound practices set out in the document specially address the following areas:

- ✓ Establishing an appropriate credit risk environment.
- ✓ Operating under a sound credit granting process.
- ✓ Maintaining an appropriate credit administration, measurement and monitoring process. Ensuring adequate controls over credit risk.

Loan Procedure



4.1 Borrower Selection Process on TBL

In bank, a borrower is the party in a loan agreement which receives money or other instrument from a lender (bank) and promises to repay the lender (bank) in accordance with agreed terms. So, selection of borrower is an important component of the credit granting process. Professional loan officers analyze financial and non-financial information of proposed borrowers and set preferred levels of collateral and covenants. Borrower selection is associated with the amount of information examined, lenders' risk preferences and years of lending experience. Effective system that ensures repayment loans by borrower is critical.

Lending means deployment of credit and all loans contain some degree of risk involved in the whole process. So, borrower selection is very much important to minimize the risks of lending as wrong borrower selection may lead to unexpected situations among the Bank, the depositors and the borrower that based upon trust.

4.2 Applications for loans and their processing

(a) Loan Application

As part of the banking business, the bank has various segments to which credit facilities are provided for their business requirements. These include a wide range of customers and range from small & medium enterprises to large corporate borrowers. The bank has a process for identification of target customers to whom facilities can be provided based on customer selection and risk assessment for that segment.

Thus, the focus is on contacting prospective customers and encouraging them to avail of banking services from Trust Bank based on the incremental value we can add to a customer's business, rather than customers making applications to the Bank for facilities / services.

In the process of lending, loan application is vital in the sense that the borrowers express their requirement in light of their present situation. We can come to know about the clients fund requirement and purpose through loan application.

The client completes the Loan Application with the assistance of the Branch Manager or his / her delegated officer as per the suggested format. The form will help insure that adequate information about the borrower is obtained. The application should be filled out as completely as possible to provide sufficient information with which to begin the analytical process, form the basis for an initial site visit and understand proposed collateral.

One of the objectives of thorough initial visits with the client is to determine the client's character, business condition, prospects and to gather supplemental financial information. Identification and appraisal of collateral is also essential during initial visits.

Performance evaluation of credit operation system

The way a potential borrower handles its obligations with other creditors, such as lenders and suppliers, is a strong indication of how it will handle its obligations with the bank. Therefore, we should ask questions to other creditors concerning their experience with our potential borrower. Answer to these questions will increase understanding of the credit and make loan officers more confident about processing sound loan recommendation. The core questions may be as follows:

Does the potential borrower honor its obligations on a timely basis?

- When did you first extend loans / deliver goods to this client?
- When did you first establish credit terms (or lend money) to this client?
- What is the highest amount of credit approved for this client?
- What is the current outstanding balance?
- Will you continue to grant credit terms to this client?
- How often is payment received? When was the last payment received?
- Are payments received on a timely basis?
- Has the client ever defaulted on a payment? Was legal action ever threatened / initiated?
- Do you consider the client as safe credit risk? Why?

When checking with another bank, try to obtain information on collateral, interest rate, tenor, maturity date, payment amount, outstanding balance, status of payments (current, past due etc.) and past repayment history. The goal here is to obtain as much pertinent information as is possible.

Written confirmation of credit references, if possible, is important because it indicates that the information is most reliable. In many instances, refusal to provide written confirmation means that the information is not reliable. The bank would give an acknowledgement for receipt of all loan applications. Time-frame within which loan applications will be processed would be indicated in the acknowledgement of such applications.

The bank would verify the loan applications within a reasonable period of time. If additional documents are required, it would intimate the borrowers immediately.

(b) Credit Assessment

The bank would ensure that there is proper assessment of credit application made by borrowers. The assessment would be in line with the bank's credit policies & procedures and relevant regulatory guidelines.

Credit risk analysis begins with the clear and careful identification of risk factors such as:

- Through Borrower / Industry Analysis
- Background of the borrower
- Loan Purpose / Tenor Justification
- Historical Financial Analysis
- Owner's background, character and management capability
- Ability to penetrate market sectors and competitive factors

Performance evaluation of credit operation system

- Projections / Repayment Ability
- Account Conduct
- Value of collateral and guarantee(s)
- Adherence to Lending Guidelines
- Mitigating Factors
- Risk Grade Scorecard
- Environment issues.

(c) Credit Risk Components and Key Parameters

As a part of appraisal on loan application, Credit Risk analysis is mandatory to minimize risk of lending. In assessment of credit risk, we follow integrated Credit Risk Grading model initiated by Bangladesh Bank.

Credit Risk				
Financial Risk	Business / Industrial Risk	Management Risk	Security Risk	Relationship Risk
Leverage	Size of business	Experience	Security coverage	Account conduct
Liquidity	Age of business	Succession	Collateral coverage	Utilization of limit
Profitability	Business outlook	Team work	Support	Compliance of Covenants / Condition
Coverage	Industry growth			Personal deposit
	Market competition			
	Barriers to business			

Financial Risk:

Probability of failure to meet obligation due to financial distress.

- ✓ High leverage
- ✓ Poor Liquidity

- ✓ Low profitability
- ✓ Insufficient cash Flow.

Business / Industry Risk : Adverse Industry situation / unfavorable business condition to impact repayment.

Management Risk : Probability of default due to poor managerial ability.

Security Risk: Probability of default due to poor quality of security.

Relationship Risk: Risk areas in terms of Borrowers Relationship.

In addition to the above, Bangladesh Bank Guidelines as well as our Bank's Credit Policy Guidelines will be followed meticulously prior to forwarding / recommending any credit proposal as a matter of priority.

(d) Steps for processing of credit proposal

After right selection of borrowers through Credit Risk Grading process and subsequent credit assessment, here comes the processing of Credit Proposal / preparation of Credit Memorandum. While process / appraisal of credit proposals, the following steps to be followed meticulously:

1. Brief information about the borrower

Brief information about the borrower such as-

- History of business
- Present & future business plan
- Business experience
- Management set up
- Knowledge on the overall business activities to realize the trend of the market.

2. Account relationship

Turnover in the client's account for last one year or more to assess client's business volume & present condition.

3. CIB report

Updated CIB report to be obtained on the borrower from Credit Information Bureau, Bangladesh Bank for assessment of the condition of their existing liabilities with any Bank / Financial Institution.

4. Credit history

Borrower's credit relationship including their present liability position. Borrower's liability with other Bank / Financial Institute, if any, will also be highlighted.

5. Business performance

Business performance to be assessed from the followings:

- Last three years production, sales, purchase, expenses, profit, inventories etc.
- Growth rate of sales, profit, expenses, retained earnings etc.
- Client's equity in the business
- Receivables & payables ratio
- Cash flow statement.

6. Present request of the client with Branch recommendation

Present request of the client for credit facilities which to be assessed duly and to be forwarded with Branch recommendation.

7. Justification of proposed credit facility

The purpose of the loan should be well established. Justification of required credit facility to be made keeping in view that the funds are not being deployed for unproductive defined purpose in light of the client's financial & management strength, requirement, cash flow generation etc otherwise the repayment in the normal business course will become uncertain.

8. Security Coverage

The securities offered for loans by the borrowers are assurance to the Banks to fall back upon in case of need. So, details about the offered securities will be highlighted in credit proposal to make better understanding of them for consideration of the credit proposal.

4.3 Types of Credit Facilities

Loans and Advances which the Bankers allow to their clients can shortly be called as 'Credit Facility'. The Bankers extend credit facilities to their clients in various forms matching with the purpose and repayment status. Credit facilities are allowed to the client mainly in 2 (two) forms. Those are :

- (i) Funded Facility
- (ii) Non-funded Facility.

(i) Funded Facilities

Any type of credit facility which involves direct outflow of Bank's fund on account of borrower is termed as funded credit facility, the funded facilities of loans and advances are:

1. Over Draft

OD is some kind of advance. In this case, the customer can over draw from his/her current account. There is a limit of overdraw, which is set by the bank. A customer can withdraw that much amount of money from their account. For this there is an interest charge on the over draw amount. This facility does not provide for every one, the bank will provide only those who will fulfill the requirement. It means that only real customer can get this kind of facility. The practice of TBL is that it states the Over draft as Secured Overdraft. This is a type of over draft facility given by keeping sufficient collateral from the customer. This facility provides specific right to a client to over draw within a pre fixed limit for a certain period of time. SOD is normally granted against the security of tangible asset such Lien of FDR, Bonds, Sanchay Patra etc. Interest charge on SOD is calculated on the basis of the security liened.

- In case of FDR with Trust Bank the interest rate is 2.5% above the FDR rate, with other bank is 14%
- In case of Sanchay Patra purchased from Trust Bank the interest rate is 2.5% above the rate Sanchay Patra, from other bank is 14%
- The common thing is 2.5% spread is kept in charging interest. Interest is calculated on outstanding amount at daily basis.

- **SOD (General)**

Advance allowed to individual/firm against financial obligation (i.e. lien of FDR/PS/BSP etc.) and against assignment of work order for execution of contract works fall under this head. This advance is generally allowed for allowed for definite period and specific purpose.

- **SOD (Imports)**

Advances allowed for purchasing foreign currency for opening L/C for imports of goods fall under this type of leading. This is also an advance for a temporary period, which is known as preemptor finance and falls under the category 'Commercial Lending'.

2. Time Loan

- **Cash Credit (Hypothecation)**

It allows to individuals or firm for trading as well as whole-sale purpose or to industries to meet up the working capital requirements against hypothecation of goods as primary security fall under this type of lending. It is a continuous credit.

It allowed fewer than two categories:

- Commercial Lending
- Working Capital
- Cash Credit (Pledge)

Performance evaluation of credit operation system

Financial accommodation to individual/firm for trading as well as whole sale purpose or to industries as working capital against pledge of goods primary security falls under this head of advance. It also a continuous credit and like the above allowed under the categories:

- Commercial Lending
- Working Capital

3.Term Loans

The term of loan is determined on the basis of gestation period of a project generation of income by the use of the loan. Such loans are provided for Farm Machinery, Dairy, Poultry, etc. It is categorized in the following segments:

- **Midterm** – this loan facility is extended for more than 1 year but less the 3 year. Trust Bank encourages midterm loan.
- **Long term** – tenure of long term loan is more than 5 years

4. Trust Receipt (TR): Facility for retirement of shipping documents.

5. Inland Bill Purchase (IBP): Credit facility against accepted L/C.

(ii) Non Funded Facilities provided by Trust Bank Ltd

Non funded facilities are divided into the following categories:

1. Bank Guarantee.
2. Letter of credit.

1.Bank Guarantee:

Trust Bank offers guarantee for its reliable and valuable customer as per requirements. This is also a Credit facility in contingent liabilities from extended for participation in development work like supply of goods and services.

⇒ Features of Bank Guarantee

- It is a written document on non-judicial stamp
- Expiry date is mentioned specifically with other terms and conditions
- Trust Bank receives commission quarterly @ 0.50% of the guaranteed amount.

Trust Bank offers two types of Guarantee, which are as follows:

- **Tender or Bid Bond Guarantee:**

In time of tender bidding either cash or bank guarantee is required in case payment of earnest money. The tender guarantee assures that the tenders shall uphold the conditions of his tender during the period of the officer as binding and that he /she will also sign the contract in the event of the order being granted.

Process of Bid bond Guarantee:

- Request letter from customer along with board resolution in case of Limited company
- Trade license in case of Proprietorship Company
- Copy of tender form
- Margin:
 - In case of reliable client 10% to 20%
 - For a new client 100% margin is required
- Bank guarantee is issued in 150 Tk Stamp pad
- Note is initiated
- Approval of Bank guarantee is given.

- **Performance Guarantee:**

Trust Bank also gives guarantee on behalf of the customer on completion of the delivery or performance after getting the tender. Beneficiary finds that as a guarantee, the contract will be fulfilled in every respect and can retain the guarantee as per provision for long time. Including a clause stating that the supplier can claim under the guarantee, by presenting an acceptance certificate signed by the buyer, can counteract this. Document required for performance guarantee;

- Tender schedule.
- Guarantee letter.

A guarantee can be converted into funded facility if it is en cashed. If the client is unable to meet up banks demand a loan account is created like Over Draft as Bank is liable to pay to the beneficiary of the guarantee. If Bank guarantee is not used then the beneficiary or party to whom the guarantee was given on behalf of the client will sign on the back of the Bank Guarantee stamp and write the word 'Released'. Then the facility will be expired as well as banks liability.

2. Letter of Credit

A letter of credit is a credit line given by a bank to an importer to facilitate both foreign and inland transactions. This is a contingent liability which can be converted to a funded facility incase bank makes the payment on behalf of the importer. A letter of credit can be revocable or irrevocable, restricted or negotiable so on.

4.4 SME loans

4.4.1 Agri – Business loan

Features

- Loan facility from TK. 2.00 lac to 100.00 lac to setup Agro Processing Units or to meet up working capital requirement of the business.
- No Mortgage or Equitable Mortgage for Loans up to TK.25 lac.
- Interest rate 15% (case to case basis).
- Processing fee 1% to 1.50%.
- Repayment Period 01(One) year for Time Loan/OD and maximum 03(Three) for Term Loan.
- Repayment of loan by Equated Monthly Installment (EMI) or from sales proceeds.

Eligibility

- Any sole Proprietorship or Partnership firm or Private Ltd. Co. having 03 years Successfully business operation
- Monthly cash flow to repay the proposed Loan installment
- Owners in the age group of 25 to 60 years.

4.4.2 Entrepreneurship Development

Features

- Any Business Purpose Loan from Tk. 2.00 lac to 20.00 lac to purchase Machinery & Equipment or to meet up Working Capital requirement.
- No Mortgage or Equitable Mortgage for loans up to Tk. 5 lac.
- Interest rate 15% (case to case basis).
- Processing fee 1% to 1.50%.
- Tenor of Loan
- For working capital maximum 01 year and for fixed assets purchase maximum 03 years.
- Repayment of Loan by Equal Monthly Installment (EMI) or from sales proceeds

Eligibility

- Any Sole Proprietorship or Partnership firm preferably having 02 years successful business operation.
- Monthly cash flow in support of proposed loan installment.
- Owners in the age group of 35 to 60 years having completed at least 18 years of service.

4.4.3 Loan for Light Engineering

Features

- Loan facility from Tk. 2.00 lac to Tk. 50.00 lac for Working Capital or purchase of Machinery & Equipment.
- No Mortgage or Equitable Mortgage for loans up to Tk. 25 lac.
- Interest rate 15% (case to case basis).
- Processing fee 1% to 1.50%.
- Loan Repayment Period:
 - Maximum 01(One) year for Time Loan/OD and for Term Loan maximum 05 years.
 - Repayment of Loan by Equal Monthly Installment (EMI) or from sales proceeds.

Eligibility

- Any Sole Proprietorship or Partnership firm or Private Ltd. preferably having 03 years successful business operation.
- Monthly cash flow to support the proposed loan installment.
- Owners in the age group of 25 to 60 years.

4.4.4 Women Entrepreneur Loan

Features

- Any business purpose loan from Tk.1.00 lac to Tk. 50.00 lac.
- No Mortgage or Equitable Mortgage for loans up to Tk. 25 lac.
- Interest rate 10%.
- Processing fee 1% to 1.50%.
- Loan Repayment Period:
 - 01 year for working capital finance and maximum 05 year for fixed assets purchase.
 - To be repaid by Equal Monthly Installment (EMI) or from sales proceeds.

Eligibility

- Any Sole Proprietorship or any Partnership firm preferably having 02 years successful business operation.
- Monthly cash flow to support the proposed loan installment.
- Owners in the age group of 20 to 55 years

4.5 Consumer Credit of Trust Bank Ltd

Retail banking is a modern concept of the age. Trust Bank Ltd. has also introduced retail banking recently. The consumer product is not new for TBL. Before Retail banking scheme TBL also provided some credit of retail banking. The new change is that TBL has added few new credit

Performance evaluation of credit operation system

lines and opened a new department named Retail Banking. The credit lines of Consumer Credit are as follows:

- Any Purpose Loan
- Apon Nibash Loan
- Car Loan
- Household Durables Loan
- Doctors Loan
- Marriage Loan
- CNG Conversion Loan

4.5.1 Continuous Loan

“Continuous Loan ” Loan is a terminating facility offered by the Retail Banking Unit of the Bank to individual salaried person living in the cities/towns where the Bank has its own branches. It is a clean or unsecured Loan in the sense that only security in this type of Loan product is:

- a) Letter of introduction from employer
- b) Two Personal Guarantee acceptable to the Bank preferably earning person from family member and an individual having minimum solvency/income not less than that of the customer.

“Continuous Loan ” loan which means the applicant does not have to declare the purpose for which he/she is taking the loan hence there will be no hypothecation over the asset to be purchased but not allowed for any unlawful purpose.

Customers have so many needs, some are attainable with our means & standing and some are unattainable. The unattainable needs can be met by " Continuous Loan ". Loan interest rate is fixed. There is no down payment. loan processing fee is more in this scheme. The processing fee is 1.5% with 15% vat.

Eligibility

- Confirmed employee of the Govt. Organizations/ Semi-Government Organizations /Autonomous Bodies / Multinational Companies / Banks /Insurance companies /Educational Institutions / Corporate Bodies
- Supportive cash flow to repay the loan
- Maximum age limit of the borrower – 60 yrs.; in exceptional case, MD can relax the age limit up to any age depending on the merit of the case.

Continuous Loan	
Loan Limit	0.5 lac -10.00 lac
Interest rate	18.50%
Tenor	1 year to 4 years

4.5.2 Car Loan

Now a car is no longer luxury but necessity. Moreover, a car is more than a symbol of prestige. Trust Bank Limited offers customer to materialize their dream of owning a car through TBL car loan facility. In this scheme interest rate always fixed and down payment rate is 20%. There are difference types of car loans. Those are: New car loans, Reconditioned Car loans, Microbus loans, Minibus & Truck loans. The eligibility of difference types of loan are given below:

For New and Reconditioned Car

- Confirmed Service holders, Businessman, Professionals
- Supportive cash flow to repay the loan
- Maximum age limit of the borrower – 60 years; in exceptional case, MD can relax the age limit up to any age depending on the merit of the case.
-

For Microbus, Minibus & Truck

- Corporate bodies
- Individual(s) with supportive cash flow to repay the loan
- Maximum age limit of the borrower – 60 years; in exceptional case, MD can relax the age limit up to any age depending on the merit of the case.

	New Car	Reconditioned Car	Microbus	Minibus or Trucks
Loan limit	2.00-20.00 Lac	2.00-20.00 Lac	2.00-15.00 Lac	2.00-50.00 Lac
Interest rates	15%	16%	14%	14%
Tenor	1 - 5 years	1- 5 years	1- 3 years	1- 5 years

4.5.3 Personal Durable Loan

Personal Durable Loan is a loan which facilitates middle class people to purchase different household items such as Television, Refrigerator, Air -Conditioners, Washing Machine, Computers and other household furniture etc. for personal use.

● Product Communication Points:

- Personal Durables for personal use. Items like: Television, Refrigerator, Air - Conditioners, Washing Machine, Computers and other household furniture etc.
- Financing 70% of the cost of the item is allowed.
- Tenor for this loan is minimum 12 months and maximum 60 months.
- Maximum loan will be allowed Tk. 5.00 lac.

- **Market Segments:**

Any Bangladeshi individual who have the means and capacity to repay bank loan. In specific terms, these could be salaried person of multinational and middle to large size local corporate, Government officials, Officials working in reputed NGOs (Non-Government Organizations), Banks/Financial Institutions, International Aid Agencies & UN bodies, any Tax paying businessmen of repute, any employed/ self-employed tax-paying individual having a reliable source of income.

4.5.4 Doctors' Loan

Doctors' Loan is a loan for professional Doctor to support their small scale purchase of different medical equipment, tools and small machineries for installation of their chamber/hospital/clinic. This is partially secured product, security being the commodity acceptable form of quasi cash securities available in the market. TBL provides Doctors' Loan. Loan limit depend on different purpose. There are two purposes:

- General purpose
- Specific purpose.

Eligibility

- Specialization in a particular area of treatment such as Medicine Specialist, Eye Specialist, ENT Specialist, cardiac surgeon/specialist etc
- 5 years' experience as specialist.
- Maximum age limit of the borrower is 60 years.

More details about the loans are given below:

DOCTOR'S LOAN	
loan limit	1.0 lac -5.00 lac (GP)
	10 lac (SP)
Interest rate	18.50%
Tenor	1 year to 5 years
Down payment	20%

4.5.5 Marriage Loan

Marriage Loan is a loan facility offered by the Retail Banking Unit to provide financial support for marriage purpose for Bangladeshi people. This loan is offered to the persons who have stable monthly income. It is a clean or unsecured loan in the sense that there is no cash security taken against the loan.

Product communication points

- This loan is applicable for first marriage only for applicant himself/herself and may be applied by the guardian also.

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- Down payment 20% (minimum).
- Tenor for this loan is minimum 12 months and maximum 36 months.
- Maximum loan will be allowed Tk.3.00 lac.

4.5.6 CNG Conversion Loan

CNG Conversion Loan is a loan to provide financial supports for converting the vehicle from carbon based fuel system to CNG system. This is an unsecured loan because no additional security is arranged against this loan. This Product Program Guide (PPG) contains the details rules and regulations of CNG Conversion Loan. In case of converting car in CNG people may need huge money. To support those people Trust Bank Limited provides CNG Conversion Loan. In this scheme customer have to pay 1000 take as processing fee. Customers have to pay 10% down payment.

More details about the loans are given below:

CNG CONVERSION LOAN	
loan limit	0.6 Lac for Individual
	1.00 Lac for Corporation
Interest Rates	16%
Tenor	18 months

Eligibility

- Any other persons who have adequate cash flow to repay the loan installment
- Maximum age limit of the borrower – 60 yrs; in exceptional case, MD can relax the age limit up to any age depending on the merit of the case.
- Have to confirm that client is service holders, Businessman, Professionals.

- **Market Segments**

Any Bangladeshi Individual who has the means and capacity to repay Bank loan. In specific terms, these could be confirmed Service Holders, Businessman, Professionals (owner of the vehicle or valid user of the vehicle) & Corporate Clients (for more than one car). Any other persons who have adequate cash flow to repay the loan installment.

4.6 Loan structure and terms

- **Background:**

After assessment of credit risk and taking decision for recommendation, the credit officer has the responsibility to carefully structure the credit transaction so that risk and uncertainty are minimized.

Performance evaluation of credit operation system

- **Amount:**

The amount of the loan or facility should be based upon the realistic need of the borrower. This need must be analyzed carefully given the data provided by the borrower coupled with a realistic assessment of the projected cash flows to repay the loan.

- **Disbursement:**

Disbursement may be structured matching with the periodic requirement of the borrower in implementation of a project along with involvement of equity participation of the borrower itself.

- **Tenor:**

Tenor shall be structured to meet the needs of the business and not to provide the longest possible repayment period.

- **Principal Payments:**

The amount of monthly / quarterly / six monthly / yearly principal payments will be structured depending on business needs and projected cash flow.

- **Interest Rates & Fees:**

These should be determined on case to case basis abiding by the rules of regulatory authorities

- **Grace Period:**

The borrower may need a brief grace period on principal loan payments in order to provide enough time to commence production and resulting cash generation.

- **Guarantees:**

The Guarantee of the owner(s) and perhaps also of certain key personnel, of the borrowing concern is always required and will serve as a secondary source of loan repayment.

- **Collateral:**

Collateral is required as a secondary source of repayment. At a minimum, any equipment, building or other asset purchased with loan proceeds should be pledged or mortgaged to the bank as collateral for the loan. Moreover, the primary place of business and / or production is required as collateral.

4.7 Credit Approval Process

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

4.7.1 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.

4.7.2 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 department processes 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 department finds out all the positive and negative sides of each credit proposal recommended by the branch credit officers or relationship managers. This 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 our 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 of the department.

Upon the recommendation of the respective department, the proposal is placed to the competent delegated authority as per discretionary power viz. Head of CRM, Deputy Managing Director, Managing Director, 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.

4.8 Conveying credit rejection

In the case of all borrowers seeking loans, the bank would convey in writing, the main reason/reasons which, in the opinion of the bank after due consideration, have led to rejection of the loan applications. In case the proposal does not meet the internal risk parameters of the bank, the borrower would be intimated accordingly.

4.9 Loan applications and appraisal under consortium

In the case of lending under syndication arrangement, the bank would endeavor to evolve procedures to complete appraisal of proposals in a time bound manner to the extent feasible, and communicate its decisions on financing or otherwise within a reasonable time, in co-ordination with other members of the consortium/syndication.

4.10 Disbursement of loans including changes in terms and conditions

The bank would ensure timely disbursement of loans sanctioned in conformity with the terms and conditions governing such sanction. It would give notice of any change in the terms and conditions including interest rates, service charges etc. Terms and conditions are revised as per prior agreement with the customer, the process for which is covered in the sanction letter duly accepted by the customer on the loan agreement.

4.11 Conveying credit limit and terms & conditions

Loan closings represent the end of an approval process and the beginning of a relationship process, which involves many different activities on the part of borrower and lender, which include, among other processes, repayment, monitoring and possibly collection activity.

All new loans and facilities must be evidenced by a signed agreement which is a contract between the lender and the borrower. A borrower should know precisely what he is receiving; how the loan is structured; how the bank intends to monitor and how it will enforce any special terms and conditions of the contract. Also under the terms of loan agreement, the borrower acknowledges its responsibility to promptly advise the bank about any inability to repay contractually and also of any material changes in circumstances which could give rise to an event of default in an agreement.

4.12 Creation of Charges on Securities and its Implication

For sound lending inter-alia the following points should be kept in view:

- a) Judicious selection of Customers
- b) Purpose
- c) Safety
- d) Security

- e) Liquidity
- f) Adequate return (Profitability)
- g) Supervision
- h) National/Social interest
- i) Credit Control Policy of Bangladesh Bank

It is to be always remembered that the Bank is the custodian of public money and as such we must be judicious, careful and selective while lending out the depositors' money to ensure timely recovery. The deciding factors for recovery of loans are selection of right type of borrowers, end-use of credits and effective follow-up and proper supervision.

4.12.1 Securities

Securities may primarily be divided in two categories as under

- ⇒ Primary security.
- ⇒ Collateral security.

The assets created by the borrower from the credit facilities granted by the bank form the primary security for the bank advance as a matter of rule. The bank invariably obtains a charge over those assets. Similarly, other assets on which the advance is primarily based even if it is not created from the credit facilities granted by the bank will also be taken as primary security.

In some cases where primary security is not considered adequate or the charge on the security is open the bank may insist on an additional security to collaterally secure advances granted by it. Such securities are termed as collateral securities. Collateral security may either be tangible or third party guarantees may also be accepted.

- ✓ **Note:** Floating assets are not permanent and these are ever changing assets that change depending on the business e.g. cash, accounts receivable, notes receivable, finished products, goods in the process of manufacturing, raw material, supplies etc. Fixed assets are those which are fixed in nature like plant/factory, machinery, building, land, etc.

4.12.2 Charging of securities

While talking about charging securities, we basically mean charging tangible securities. Tangible security is something that can be realized from the sale or transfer. Shares, inventory, land, machinery, furniture, vehicles, life policies, bills, savings instruments etc. are examples of tangible securities.

Security is obtained by the bank as an additional cover against default by the borrower in repayment of bank's dues. Charging of security means making such security available to the bank and involves certain formalities. Charging should be legal and perfect so that it is possible to realise the security if such a need arises. In order to perfect a claim on a tangible asset offered as security, we need to establish Bank's charge by obtaining proper charge document duly executed. For example, if a borrower offers pledge of his inventory as security against a loan, we need to obtain a letter of pledge executed by the borrower. So, pledge is a kind of

charge applied to certain kind of assets offered as security. Similarly, there are other modes of charging securities, applicable for different kinds of securities.

There are 7 different modes of charging a security as under:

1. Pledge

Pledge is bailment of goods as security for payment of debt or performance of a promise. In another definition it says that bailment is the delivery of goods by one person to another for some purpose, under a contract that goods shall, when the purpose is according, be returned or otherwise disposed of according to the directions of the person delivering them.

The definitions above suggests that-

- Pledge means delivery of goods
- The bailment must be by or on behalf of the debtor or intending debtor
- It must be intention of the parties that the goods will serve as security for a debt or performance of a promise.

So, a pledge may be in respect of goods, stocks & shares, documents of title to goods or any other moveable assets. Possession of goods is important in a contract of pledge. A pledge is said to be created, when the goods are handed over by the borrower to the lender with the intention of their being treated as a security for the repayment of the loan. The delivery of the goods can be actual or constructive. Physical handing over of goods in the warehouse by the borrower to the lender is handing over actual possession. Where documents of title to goods are delivered duly endorsed it is termed 'constructive possession'. Both are legal delivery.

The pledge has special interest in the goods pledged and has a right to retain the goods, till his claims are fully satisfied. If the borrower is in default in payment of the debt against which goods are pledged, the lender may sell the goods held under pledge as security on giving the borrower reasonable notice of sale. The document executed to establish a contract of pledge is called a Letter of Pledge.

2. Hypothecation

Hypothecation is a charge against property for an amount of debt where neither ownership nor possession is passed to the creditor.

In hypothecation, the goods remain in the possession of the borrower and are equitably charged to the lender under a document signed by the borrower. The borrower binds himself under hypothecation agreement to give possession of the goods to the lender when called upon to do so. After possession is handed over to the lender, the charge converted from hypothecation to pledge. Hypothecation being only an equitable charge on moveable assets without possession, the facility is granted only to parties of undoubted means with highest-integrity. However, in case of hypothecation advance to a limited company, the charge has to be compulsorily filed for registration with the Registrar of Joint Stock Companies under relevant section of the Companies Act, 1994.

However, due to the underlying risks of making advances purely on hypothecation basis, lenders usually prefer to obtain adequate collateral security in addition to the hypothecated goods/assets

3. Mortgages

A mortgage is the transfer of an interest in specific immovable property for the purpose of securing the payments of money advanced by way of loan, an existing or future debt, or performance of an engagement which may give rise of a pecuniary liability. The transferor is called a mortgagor, the transferee a mortgagee and the principal money and interest of which payment is secured for the time being are called the mortgage money and the instrument by which the transfer is effected is called a mortgage deed.

A mortgage is entirely different from a sale. A sale is the transfer of property (all the rights the seller may have in the property) to the purchaser in exchange for a price. Mortgage is the creation of right of the Bank on a landed property against loans and advances.

A mortgage is the transfer of legal or equitable interest in property by the borrower (mortgagor) to the lender (mortgagee) as security for the repayment of a debt etc. Mortgages have different forms, such as Simple mortgage, English mortgage, mortgage by conditional sale, equitable mortgage etc. However, with the recent amendment of the Registration Act, only Registered Mortgage is applicable for creation of charge on landed property in Bangladesh.

4. Registered mortgage

When a mortgagor executes a deed of mortgage in favour of a lender and the deed is registered with Sub-Registrar's office, the mortgage thus created is called a registered mortgage.

Banks usually prefer a registered mortgage as the encumbrance on the property is registered and it will come in the notice if a search is made before anyone considers accepting a transfer of right/interest in the property. Notwithstanding, any subsequent mortgage/sale transaction registered will be effective subject to redemption of the charge by the first mortgagee.

The mortgagor has a right of redemption on payment of the debt after it has become due. However, mortgage does not automatically give the right to sell the property to the Bank in case of borrower's default. It is given through the Irrevocable General Power of Attorney executed by the owner

5. Assignment

Assignment means transfer of a right, property or debt by one person to another person. The person transferring the right is known as assignor and the person to whom the right is transferred is known as assignee. The assignment may be legal in which case the assignor must give a written notice of the assignment stating the name and address of the assignee to the debtor or may be equitable where no such notice is sent. This form of charge is generally adopted for charging of book debts, monies due from Government (supply bills) and life insurance policies etc. Banks generally go in for legal assignment and insist for obtaining an acknowledgement of assignment from the debtor.

6. Set-Off

Set off is the right of combining of accounts between a debtor and a creditor so as to arrive at a net balance payable to one or the other. Set off in relation to bank means his right to apply the credit balance in customer's account towards liquidation of debit balance in another account of the customer provided both the accounts are maintained by him in the same capacity. The right may not be considered as absolute and the bank may be required to give a notice for exercising his right of set off. The right of set off can be applied by the bank only if the following conditions are met:

- (a) The liability of the borrower is for a sum which is certain,
- (b) The repayment of debt is due, and
- (c) Both the accounts are held by the customer in the same capacity.

The right of set off should, however, not be exercised arbitrarily and a notice for combining the accounts must invariably be served by the bank on the customer.

7. Lien

Lien means the right of the creditor to retain the goods or securities of the debtor, which are in his possession until the debt due from the debtor is paid. It does not require any specific agreement to support this right. The lien may be general which confers the right to retain any goods for a general balance of account or it may be particular lien where goods can be retained by the creditor for a particular debt only. The person exercising general lien has only a right to retain the goods till the dues are paid and may not be able to sell those goods.

The right of the banks to general lien is however, considered on a different footing and banks have a general lien on all securities deposited with them as bankers by a customer, unless there be an express contract or circumstances that show an implied contract, inconsistent with lien. A banker's lien is thus more than a general lien, it is an implied pledge. The bank, therefore, has a right to sell the goods in its possession after giving a reasonable notice. The lien can be exercised on bills and cheque deposited for collection, dividend warrants received by the banker as a mandate from the customer, securities left with the banker after a particular loan has been paid. The banker's lien however, does not extend to:

- (i) Securities or valuables lying in the locker rented to the customer.
- (ii) Securities deposited upon a particular trust.
- (iii) Securities deposited to secure a specific loan.
- (iv) Securities left with the banks after an advance against them have been adjusted.
- (v) Securities left inadvertently with the bank.

No specific letter of lien agreement is necessary as the banks enjoy the right of lien under the Contract Act. However, in some cases the bank may obtain a specific letter of lien so that the

borrower is not able to contend later that the securities were deposited by him for a specific purpose inconsistent with the lien.

4.13 Documents for different modes of charges

Depending on the type of charge to be created, different documents are required to be executed:

Pledge: Letter of Pledge or Agreement for pledge.

Hypothecation: Letter of Hypothecation or an Agreement for Hypothecation.

Mortgage: Deed of Mortgage along with Irrevocable General Power of Attorney.

Assignment: Power of Attorney to collect bills and Letter of Assignment from work order issuing authority accepting the assignment.

Set-Off: Agreement for Set-Off or letter of set off.

Lien: Letter of lien.

It is important to note that charge documents are to be executed by the owners of the goods or property and in case the owner is a company, documents to be executed by authorized persons, pursuant to resolutions of the Board of Directors.

4.14 Loan Monitoring, Control of Security and Compliance

4.14.1 Loan Monitoring

- The monitoring starts when copy of sanction letter/approval is received in this connection.
- This extensive measure is taken to strictly comply the terms and conditions stipulated in the sanction advice.
- Besides the monitoring and follow up of the existing loan accounts need to be expedited with a view to finding out timely measures if required any.

Steps -1

- Monitoring starts at the time of receiving application from our valued client.
- After receive application branch should check whether the purpose is clearly mentioned or not on the application.
- Then obtain all the relevant documents of the loan that would be serve client's purpose as per process guide line.

Steps -2

- Examine all docs whether these are true or fake.
- If more info needed contact with the initiator / branches immediately.

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- After getting all the information & charge documents are in order then go for approval process from the competent authority.
- If there is any major discrepancy is identified return application to the respective branch or initiator.
- Check genuinely of the CVP.
- Fulfill KYC of applicant.

Steps -3

- Prepare sanction advice & send it to the branch.
- 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 acct as per disbursement schedule.

Steps -4

- 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 will maintain a strong MIS to monitor assets portfolio health & review them as well.

Steps -5

- Separate expiry schedule will have to be maintained so that the status of the outstanding well ahead of the stipulated expiry dates.
- Remain in touch with the clients so that they will come to know whether they are facing any difficulty in complying the terms and conditions of the sanction letter.
- Periodically contact with the clients to ascertain the end use of the credit facility extended.

Steps -6

- In this connection weekly, fortnightly or monthly statement as and when required, may be prepared and meticulous review thereof may be instantly intimated to the respective branches for immediate rectification.
- Physical Joint inspection with the Head Office people if required under the condition of the sanction advice will have to be done in time and report thereof will be submitted to the higher Authority for kind consideration.

Steps -7

- In this connection, a periodical preferably monthly statement pointing out all the important features may be submitted to the Management Committee for kind information.

Performance evaluation of credit operation system

Steps -8

- Reminder through letter/SMS/internet/telephone about installment payment before the due date.
- In case of limit enhancement or reduction, additional security must be obtained to cover the full exposure along with revised up to date charged documents.
- Surprised checking by the internal auditor or Special inspection team whether the documents are in order according to guideline.

Steps -9

- Business development Manager/Portfolio Manager should check volume on regular basis for setting new strategy of the business to increase its volume.
- Checking validity of the charge document.
- Do review according to the expiry.
- Remind customer to complete formalities to regularize the exposure so that they can do transaction without any hassle.

Steps -10

- Maintain MIS of security held with loan and monitor regularly. It will help customer to replace security on due date/time.
- Retirement of LC documents by taking proper consent of the client.

Steps -11

- Existing loan position of all the regular clients.
- All relevant statements will have to be prepared.
- All the statement will have to be meticulously reviewed with a view to identify the anomalies and necessary measures to be taken for rectification.
- Periodical and sometimes surprise examination of the account transactions of the selective clients.
- Surprise checking if felt necessary of daily outstanding position of the branches.

Steps -12

- Historical analysis be done as well as maintained in order to observe the repetition/frequency of irregular/ casual or excess drawing allowed to the same clients by the same person.
- 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.

4.14.2 Control of Security and compliance

Control means checking up the result whether there is any deviation of actual outcome from the standard result which has been set up earlier and taking necessary corrective actions. For controlling the security and compliance of the same, bank normally use loan documentation checklist which is the actual parameter of checking the necessary documents.

4.15 Non Performing Loan (NPL)

All Loans, Advances, Bills Discounted etc. which are not paid or renewed at maturity / due date / expiry date all to be treated as "Non-Performing Loan". If partial payments are made to a loan which is in "NPL", the unpaid amount to be remaining in "NPL" until fully liquidated.

When the Bank is notified that a borrower who has a "Demand Loan" is deceased or when the Bank demands payment from a "Demand Loan" borrower, the loan must be placed in the "NPL" until paid. When an agreement is made between the borrower and the Bank, specifying that reductions will be made on a "Demand Loan" or "Term Loan" at specified times, and if reductions are not made accordingly, the loan may be considered as "NPL".

The Non-performing Loan account will not be treated as classified account as substandard / doubtful / bad & loss until and unless the loan is classified as per CL circulars of Bangladesh Bank.

“All classified loans are Non-Performing Loans (NPL) but All Non-Performing Loans (NPL) are not classified Loans.”

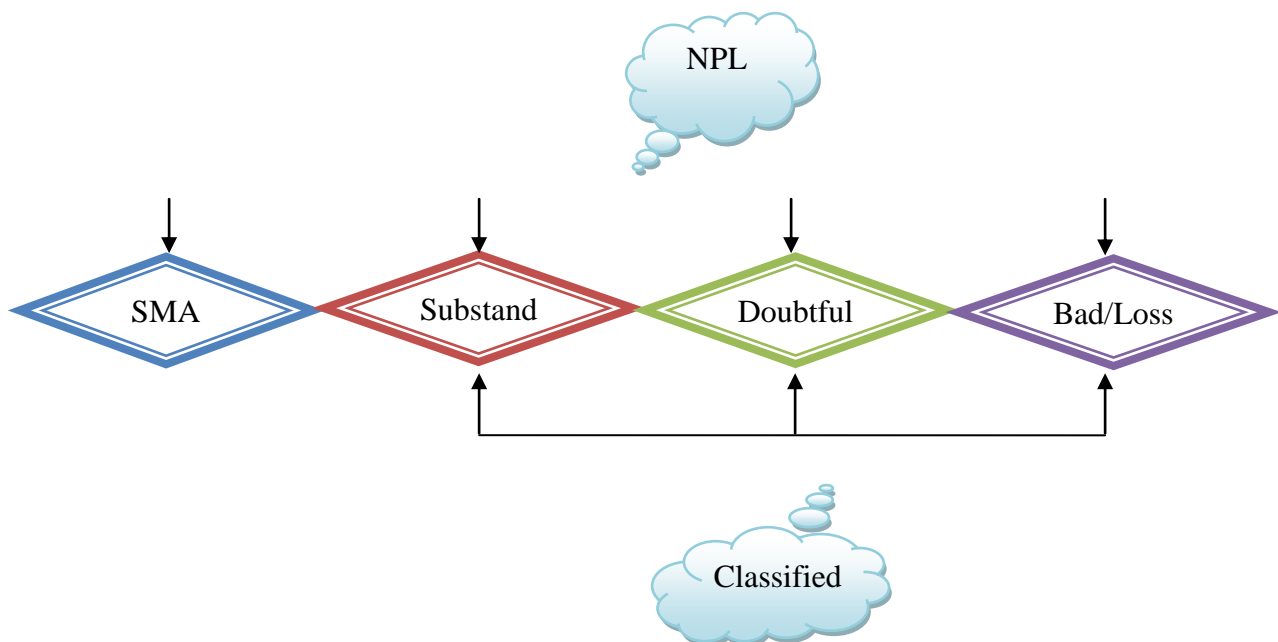


Figure 4: Difference between NPL & Classified loan

5.1 Important Financial Ratios

Mainly this analysis expresses the relationship among selected items of financial statement data, and this relationship is expressed in terms of a percentage, a rate, or a simple proportion. Importantly ratios have been used to evaluate liquidity, profitability and solvency of the companies since it is useful indicators of a firm's performance and financial situation. Single ratio analysis can't provide very meaningful interpretations so in this report I have calculated ratios under three primary headings over the five period of time and are then compared to base year with TBL.

So the three primary ratios are –

- Liquidity ratios
- Profitability Ratios
- Solvency Ratios

Therefore these ratios are to be illustrated below with graphical presentation. To understand the present situation of TBL I am going to describe some important ratios from last five year data.

5.1.1 LIQUIDITY RATIOS

Liquidity ratios provide information about a firm's ability to meet its short-term financial obligations and also to meet unexpected needs for cash. For intercompany analysis I have chosen two liquidity ratios which are- **Current ratio and cash ratio**. Here, it is mentionable that as I am evaluating financial institutions liquidity so here I have not calculating Quick ratio because it gives same result like as current ratio.

5.1.1.1 Current ratio

One of the best-known and most widely used short-term liquidity ratios is the current ratio. The current ratio is defined as:

$$\text{Current ratio} = \text{Current assets} / \text{Current liabilities}$$

Table 1: Current Ratio from the Year (2009-2013)

Year	2009	2010	2011	2012	2013
<i>Current Ratio</i>	0.15	0.10	.01	0.12	0.128

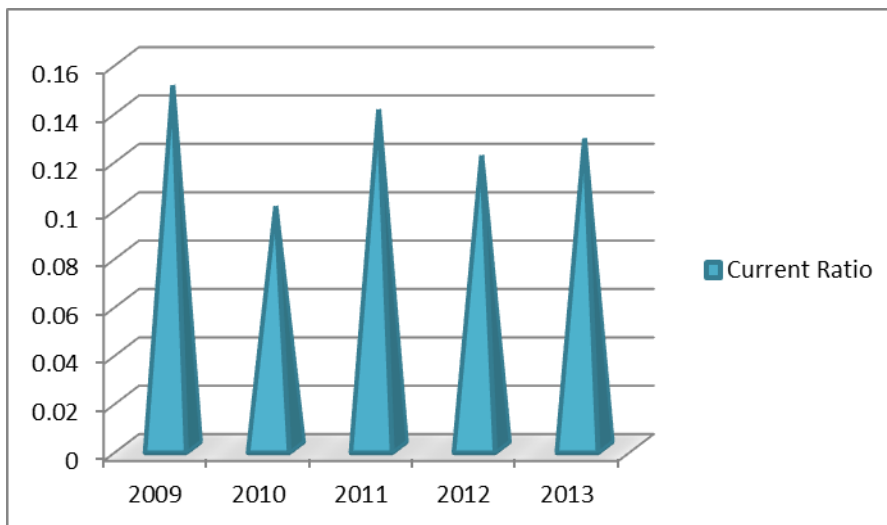


Figure 5 : Current Ratio(Source –Appendix 1)

A ratio that measures a bank's ability to pay short-term obligations called Current Ratio. The current ratio is an excellent diagnostic tool as it measures whether or not business has enough resources to pay its bills over the next 12 months. This graph shows current ratio of 2010, 2011, 2012 and 2013 is less than 2009. It is bad for TBL. Because it indicates that bank's current liability was rising faster than current asset. This curve shows the current ratios for TBL 2009 is increased but in 2010 to 2013 it decreased that means total assets is decreasing and total liability is increasing for TBL .

5.1.2 PROFITABILITY RATIOS

Profitability ratios offer several different measurement of the success of the company at generating profits. Significantly these ratios show the combined effects of liquidity, asset management (activity) and debt management (gearing) on operating results. Therefore, it can be said that the overall measure of success of a business is the profitability which results from the effective use of its resources; also it affects the company's liquidity position and company's ability to grow.

In case of Intercompany analysis here I have selected three different profitability ratios which will help to evaluate the performance effectively. These are- **Net profit margins, Return on Equity (ROE), Return on Assets (ROA).**

5.1.2.1 Net profit margin

Net Profit margin is the percentage of revenue remaining after all operating expenses, interest, taxes and preferred stock dividends have been deducted from a company's total revenue.

The formula for net profit margin is:

$(\text{Total Revenue} - \text{Total Expenses}) / \text{Total Revenue} = \text{Net Profit} / \text{Total Revenue} = \text{Net Profit Margin}$.

By dividing net profit by total revenue, we can see what percentage of revenue made it all the way to the bottom line, which is good for investors.

Table 2: Net profit Margin from the Year (2009-2013)

Year	2009	2010	2011	2012	2013
Net Profit Margin	0.10	0.18	0.07	0.01	0.02

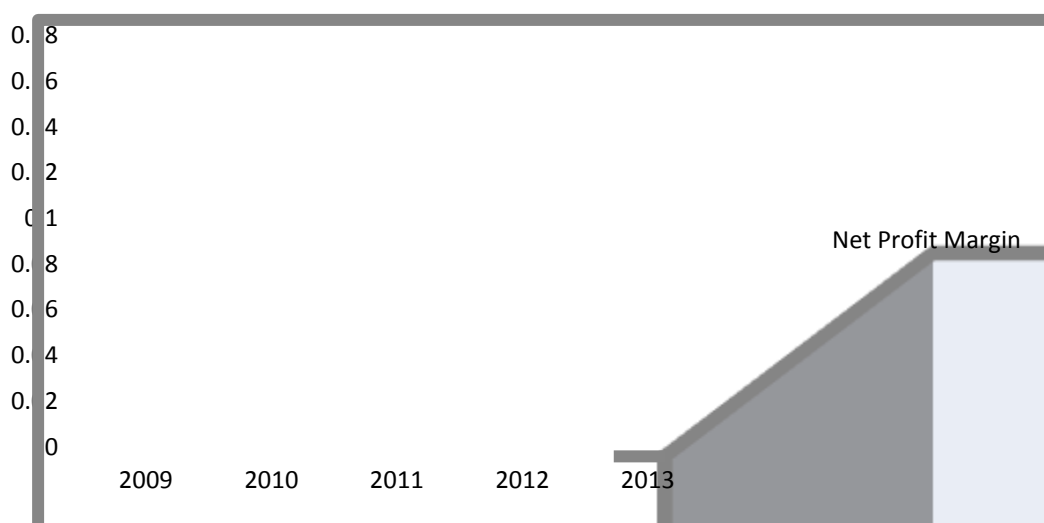


Figure 6: Net profit Margin(Source –Appendix 1)

This chart shows the net profit margin of TBL. 2012 net profit is less than 2009 to 2011. 2010 year net profit margin is better than 2009 and 2011 to 2013. 2013 net profit margin is better than 2012. Increasing net profit margin is good for a bank. So for TBL increasing net profit margin is good sign. This curve shows the decreasing net profit margin from 2011 to 2013 but from 2009 to 2010 there net profit margin is increasing which seems good for the bank. In 2013 there net profit margin is 2 % which is lower than any previous year (Figure-6).

5.1.2.2 Return on Asset

Return on assets (ROA) is measured by the ratio between net income and total assets. In other word, return on assets expresses profit per Taka on total assets. It can also be expressed in percent. Mathematically:

$$\text{Return on Assets} = \text{Net income} / \text{Total assets}$$

This ratio measures how profitable a company is relative to its total assets. A high ROA indicates that management is effectively utilizing the company's assets to generate profit.

Table 3: Return on Asset from the Year (2009-2013)

Year	2009	2010	2011	2012	2013
Return on Assets	0.02	0.04	0.02	0.012	0.013

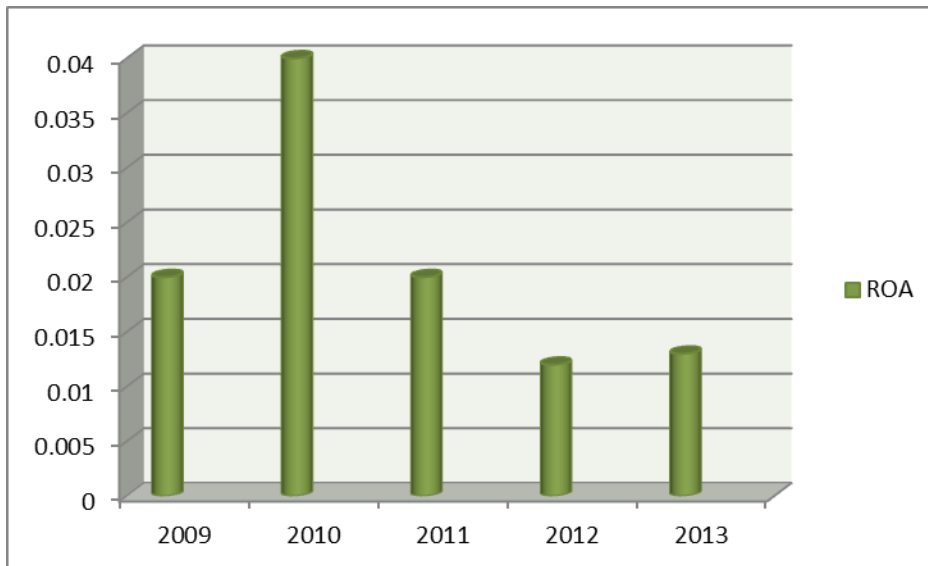


Figure 7: Return on Asset(Source –Appendix 1)

Return on Asset (ROA) ratio is an indicator of how profitable a company is relative to its total assets. ROA gives an idea as to how efficient management is at using its assets to generate earnings. Return on Asset (ROA) ratio of TBL in 2009, 2010, 2011, 2012 and 2013 are respectively 2%, 4%, 2%, 1.2% and 1.3%. Here curve shows return on assets is increasing from 2009 to 2010 which is good sign for TBL. But from 2011 to 2012 curve is fallen which indicates that bank's situation did not satisfactory. But again 2013 are better than 2012 which indicates that bank's current situation is satisfied and bank is getting high return from its invested asset (Figure-7).

5.1.2.3 Return on Equity

Return on equity (ROE) is a measure of how the stockholders did during the year. Because benefiting shareholders is our goal, ROE is the bottom-line (basic) measure of performance of the firm. ROE is usually measured as:

$$\text{Return on equity} = \text{Net Income} / \text{Total equity}$$

This ratio measures how much profit the shareholder's investment has generated. A higher ROE percentage indicates that shareholders are receiving a better return on their investment.

Table 4: Return on Equity from the Year (2009-2013)

Year	2009	2010	2011	2012	2013
<i>Return on Equity</i>	0.36	0.45	0.28	0.17	0.23

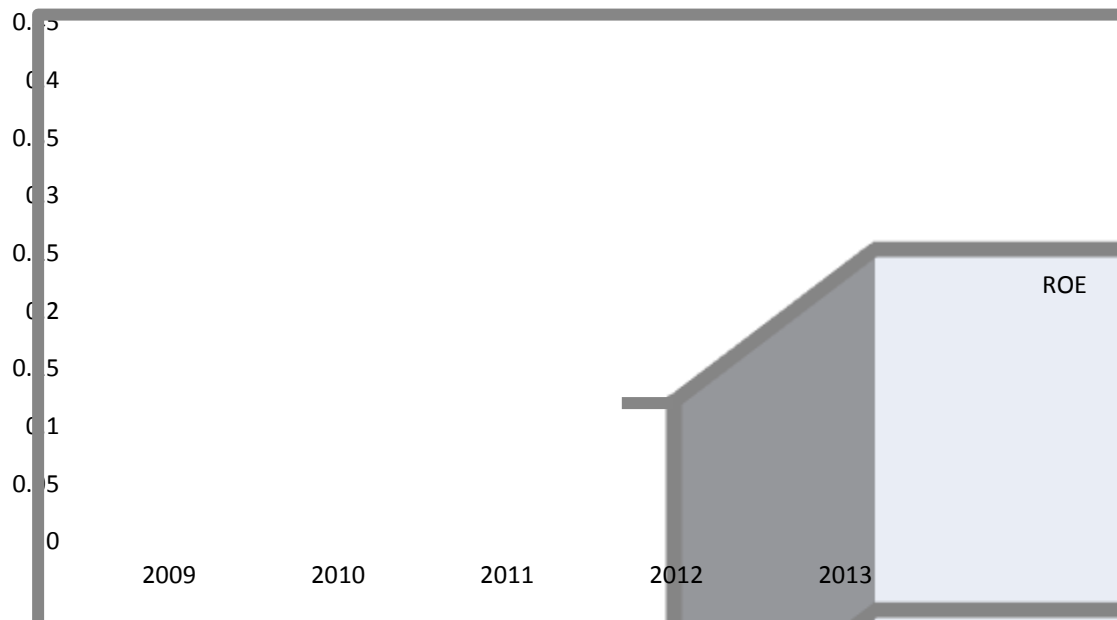


Figure 8: Return on Equity(Source –Appendix 1)

The ratio is the income to common Equity. The rate of return on stockholders' investment in TBL is 2009, 2010, 2011, 2012 and 2013 are respectively 3.6%, 4.5%, 2.8%, 1.7% and 2.3%. From this result we see that ROE of 2010 is greater than 2011, 2012 and 2013. It is not good for TBL. Because of lower rate of ROE new investor will not interested to buy this banks share. This curve shows Return on equity is getting low. From 2010 to 2013 it shows continuous decreasing which is not good sign for this bank (*Figure-8*).

5.1.3 SOLVENCY RATIOS

It provides an indication of the long-term solvency of the firm. Unlike liquidity ratios that are concerned with short-term assets and liabilities, this ratios measure the extent to which the firm is using long term debt. Mainly it measures business risk, which tells us about the debt-paying ability of the company. Here, I have tried to analyze two solvency ratios which are- **Debt to Total Assets, Debt- Equity ratio.**

5.1.3.1 Debt to Total Assets

The name of this ratio says it all this ratio shows how much your business is in debt, making it an excellent way to check your business's long-term solvency. The formula is:

$$\text{Debt to Total Assets} = \text{Total debt} / \text{Total assets}$$

Table 5: Debt to Total Assets from the Year (2009-2013)

Year	2009	2010	2011	2012	2013
<i>Debt to Total Assets Ratio</i>	0.04	0.05	0.06	0.06	0.063

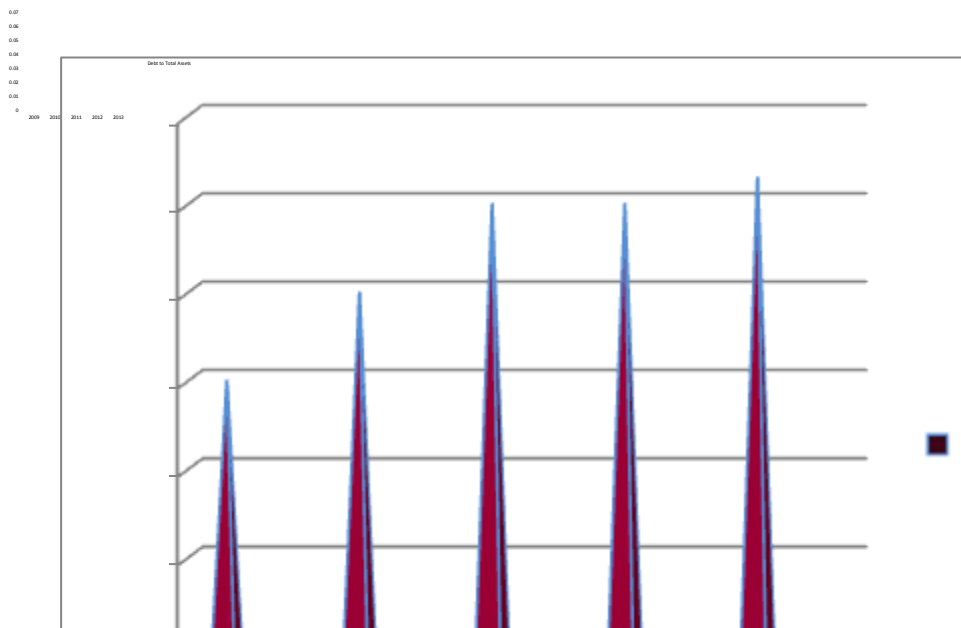


Figure 9: Debt Ratio(Source –Appendix 1)

A ratio that indicates proportion of debt a bank has relative to its assets. The measure of ratio gives an idea to the leverage of the bank along with the potential risks the bank

faces in terms of its debt-load. Debt ratio of 2009 was 4%, in 2010 is 5%, in 2011 is 6%, in 2012 is 6% and in 2013 was 6.3%. Debt ratio of 2009 is greater than 2010 to 2013. It is good for bank. Bank with high total debt ratio is in danger of going insolvent or bankrupt. This curve shows the Debt ratios for TBL 2009 it is decreased to 4% which is good for the bank. But in 2010 to 2013 is increased which is not good for the bank. This curve increased that means total assets is decreasing and total liability or debt is increasing which may dangerous for TBL (*Figure-9*).

5.1.3.2 Debt-Equity Ratio

The Debt equity ratio is the ratio between Debt and equity. A high debt/equity ratio generally means that a company has been aggressive in financing its growth with debt. This can result in volatile earnings as a result of the additional interest expense.

Mathematically it means:

$$\text{Debt / Equity ratio} = \text{Total debt} / \text{Total equity}$$

Table 6: Debt-Equity Ratios from the Year (2009-2013)

Year	2009	2010	2011	2012	2013
Debt-Equity Ratio	0.48	0.47	0.45	0.45	0.55

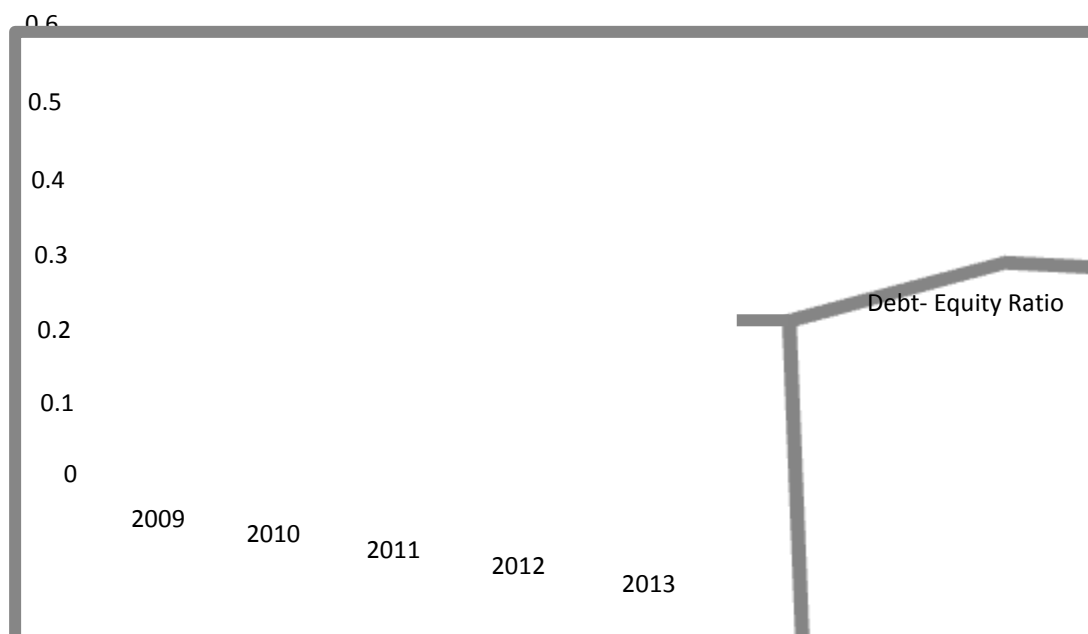


Figure 10: Debt-Equity Ratio(Source –Appendix 1)

A measure that bank's financial leverage calculated by dividing its total liabilities by stockholders' equity. It indicates what proportion of equity and debt the TBL is using to finance its assets. The debt equity ratio of 2009, 2010, 2011, 2012 and 2013 are

respectively 48%, 47%, 45%, 45% and 55%. This ratio of 2013 is greater than 2009 to 2012. It is good. Because a high debt/equity ratio generally means that a bank has been aggressive in financing its growth with debt. Here chart curve shows that 2009 debt-equity ratio is comparatively high than 2010 but in 2011 it fall from 47% to 45% which is good for this bank. But in 2011 and 2013 again debt-equity ratio is increasing that means bank liability is increasing (*Figure-10*).

5.1.4 Receivable Turnover

It is computed by dividing net credit sales by the average

Receivables Turnover = Net Sales

Table 7: Receivables Turnover form the year (2009-2013)

Year	2009	2010	2011	2012	2013
<i>Receivables Turnover</i>	0.23	0.31	0.14	0.15	0.11

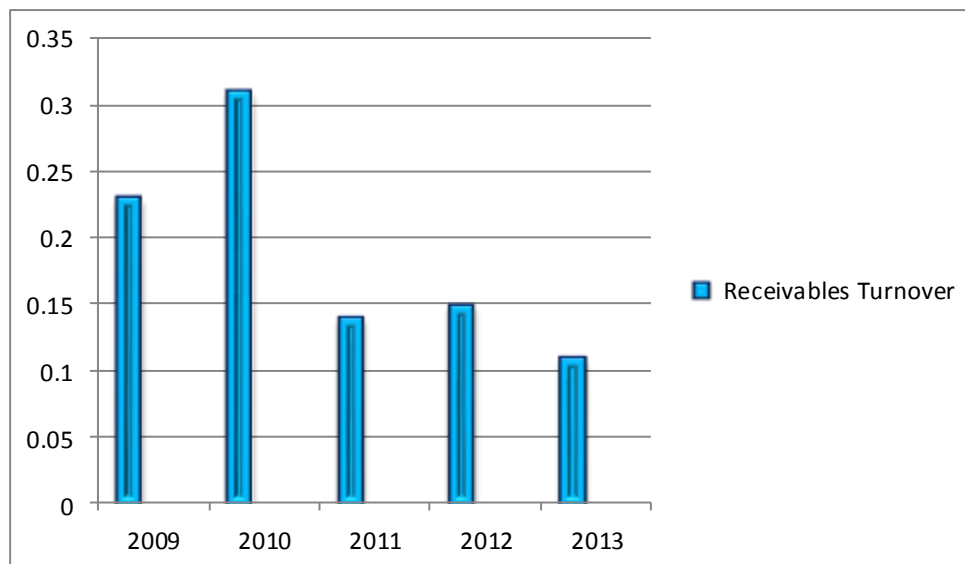


Figure 11: Receivables Turnover(Source –Appendix 1)

As we know that accounts receivable turnover ratio or debtor's turnover ratio indicates the number of times the debtors are turned over a year. The higher the value of debtor's turnover the more efficient is the management of debtors or more liquid the debtors are. Similarly, low debtors turnover ratio implies inefficient management of debtors or less liquid debtors. It is the reliable measure of the time of cash flow from credit sales. In this graphical representation we have seen that their receivables turnover improved in 2010. The turnover of 31 times was better than other years. But in 2013 receivables turnover of 11 times that is not good for TBL.

5.1.5 Asset Turnover Ratio:

It measures how efficiently a company uses its assets to generate sales.

$$\text{Asset turnover} = \text{Net Sales} / \text{Total Assets}$$

Table -7: Assets Turnover form the year (2009-2013)

Year	2009	2010	2011	2012	2013
Asset turnover	2	3	1	1.3	0.9

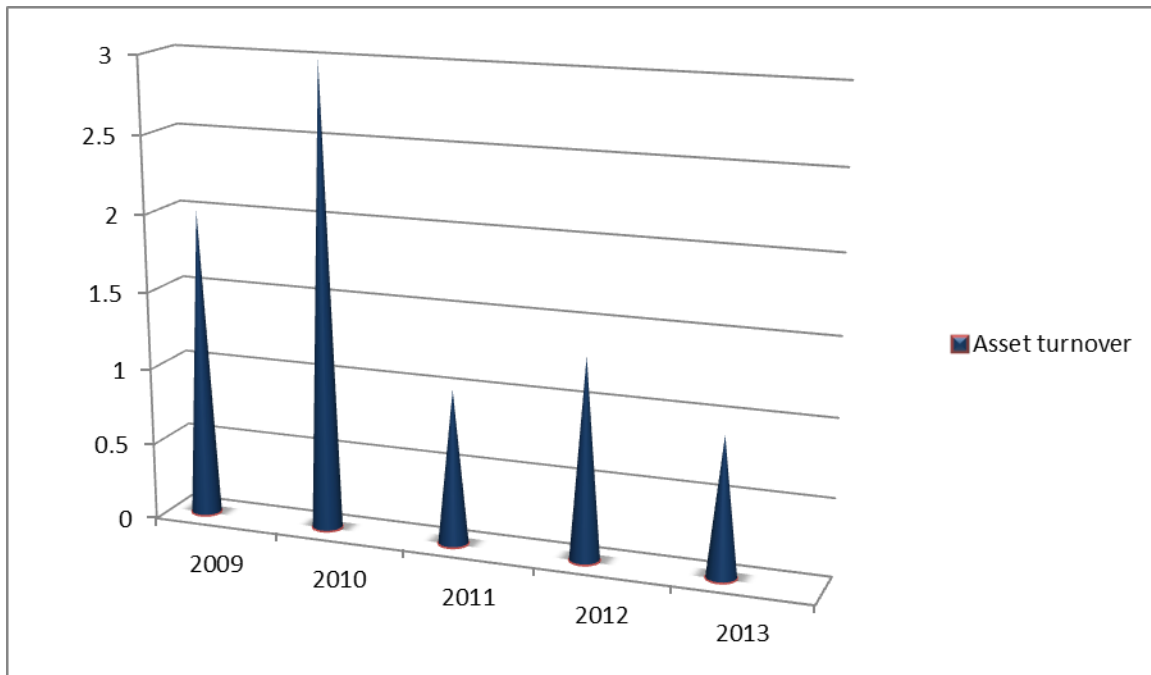


Figure 12: Assets Turnover(Source –Appendix 1)

As we know that asset turnover can give an indication of how efficient a company is. A high asset turnover which expresses how many times a company sells or turns over its assets in a year is a sign of high efficiency. The higher the ratio, the more sales that a company is producing based on its assets. In the graphical representation we have seen that their asset turnover improved in 2010. The turnover of 3 times was better than other years. But in 2013 receivables turnover of 0.9 times that is not good for TBL.

5.1.6 Frequency Analysis

In this frequency analysis sample size is 10.

Table - 8

Satisfied on TBL credit policy

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	VS	7	70.0	70.0	70.0
	S	3	30.0	30.0	100.0
	Total	10	100.0	100.0	

In this table show's that, 70% of the sample are satisfied with their credit police.

Table - 9

I am satisfied on the procedure of credit policy

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	VS	2	20.0	20.0	20.0
	S	5	50.0	50.0	70.0
	N	3	30.0	30.0	100.0
	Total	10	100.0	100.0	

This table show's that, the employees of the TBL are moderately satisfied on the procedure of the credit police.

Table - 10

TBL has a satisfactory interest rate on loan compare to other Financial Institution

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	VS	3	30.0	30.0	30.0
	S	3	30.0	30.0	60.0
	N	4	40.0	40.0	100.0
	Total	10	100.0	100.0	

In table 3, I see that the interest rates on loan are not satisfied to the employee of the TBL.

Table – 11

TBL has a good satisfactory result on loan disbursement

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	VS	2	20.0	20.0	20.0
	S	5	50.0	50.0	70.0
	N	3	30.0	30.0	100.0
	Total	10	100.0	100.0	

In this table show's that, the employee of the TBL are moderately satisfied there loan disbursement result.

Table – 12

Problems on TBL credit polices

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	VS	2	20.0	20.0	20.0
	S	2	20.0	20.0	40.0
	N	6	60.0	60.0	100.0
	Total	10	100.0	100.0	

This table show's that, the employees of the TBL are not satisfied to the problem on credit police.

Table – 13

Problem face to understand TBL credit policies

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	VS	4	40.0	40.0	40.0
	S	5	50.0	50.0	90.0
	N	1	10.0	10.0	100.0
	Total	10	100.0	100.0	

Employee of the TBL does not face any problem to understand credit police. They are satisfied with their credit policy.

Table – 14:

Face problem at giving interest amount

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	VS	3	30.0	30.0	30.0
	S	5	50.0	50.0	80.0
	N	2	20.0	20.0	100.0
	Total	10	100.0	100.0	

TBL's employee does not face any problem at giving interest amount. 80% of the employee are satisfied their interest amount.

Table – 15

Problem face to understand the procedure of credit system

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	VS	2	20.0	20.0	20.0
	S	6	60.0	60.0	80.0
	N	2	20.0	20.0	100.0
	Total	10	100.0	100.0	

Employee of the TBL does not face any problem to understand the procedure of credit police. They are satisfied with their credit policy system.

Table – 16

Credit risk management is successfully controlled by TBL

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	VS	3	30.0	30.0	30.0
	S	5	50.0	50.0	80.0
	N	2	20.0	20.0	100.0
	Total	10	100.0	100.0	

This table show's that, employee of the TBL are satisfied their CRM control system.

Table – 17

Credit risk management of TBL has strong rules and regulation

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	VS	5	50.0	50.0	50.0
	S	4	40.0	40.0	90.0
	N	1	10.0	10.0	100.0
	Total	10	100.0	100.0	

TBL's CRM rules and regulation are very strong. Employee of the TBL are satisfied their rules and regulation system.

Table – 18

Satisfied Interest rate on loans of TBL

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	VS	3	30.0	30.0	30.0
	S	2	20.0	20.0	50.0
	N	5	50.0	50.0	100.0
	Total	10	100.0	100.0	

This table show's that, Interest rate on loan of TBL the employees are moderately satisfied.

N:B: Bar diagram show in Appendix – 2

5.2 Findings of the Study

The middle in of twenty first century here we are facing a heavy competition with each other. Here everyone is competing with each and every single point. So today's business institution are moving forward to remember this concept. If anyone has a weak point than the rival party will take the opportunity and make a problem for the weak intuition. After complete my internship in The Trust Bank I realized that there are many problems and this may be a cause of huge loss or create a barrier for the future prospect. So the bank should take care of it very seriously.

Bank faced with higher operating cost in recent year, because Trust Bank has increasingly turned toward automation and electric equipment's to replace labor based production systems. Specially for taking deposits, dispensing payments and taking credit available.

Bangladesh is a developing country. If bank service replaced by electronic communication and automated as a result further loss of jobs as capital equipments is substituted for labor. So bank employment will become declined.

- Trust Bank Ltd has a good reputation Among Bangladesh Army. From this three month internship, I have been observed that, there are soft corner among Bangladesh Army about the employee of Trust Bank. When a Military police (MP) saw an employee of trust bank, then he never stop him to search because of trust and respect. Other peoples may have to face lots of question to enter on cantonment. But the employee of trust bank ltd may not face those types of questions.
- Trust bank Ltd making Salary card or debit card for Bangladesh Army. By making this process, every army will get an account number on trust bank. As a result they will be interested for deposit money on TBL. On the other hand, when soldiers get any purpose loan from trust bank, then the loan's default risk will reduce by this system.
- Bangladesh Bank, the central bank, has instructed all banks to keep 1% as provision against of outstanding of total loans. This provision has been made to meet any kind of future losses. Although Trust Bank Ltd does not have any classified loans it is maintaining 1% provision for future. The bank is prepared to meet any unwanted situation in future.
- The credit analysts have a strong background in accounting financial statement analysis, business law and economics along with good negotiating skills.

Performance evaluation of credit operation system

- The controlling officers are effective in providing necessary guidance and support to the branch.
- Branch Manager Conscious efforts to achieve the targets and knows how to motivate employees and how to represent the Bank well in the local community.
- The monitoring system of the Credit department of TBL is very excellent. The chain of command is strictly maintained here.

Recommendation

1. The credit policy of Trust Bank is very restrictive and defensive. As a result, its loan sanction procedure is somewhat complex. The loan policy and loan sanction procedure should be made flexible and easy.
2. Trust Bank, usually, does not provide overdraft without full coverage of security. TBL only provide Secured Overdraft. As a result, its overdraft facility is not expanding.
3. Trust Bank has little attention about publicity and advertisement. As a result, most of the consumers are unaware about the bank. So extensive publicity and advertisement is required. Trust bank can set up bill board and it can sponsor different social program to introduce TBL.
4. Trust bank holds huge reserves and fund that are not utilized. As a result, huge opportunity cost is incurred by TBL. So TBL should provide more loans to the profitable credit line.
5. Trust Bank is introducing retail banking in recent time. But the rules and loan sanction requirement is so strict and conservative that retail banking department is not in satisfactory position.
6. Bank should use more automated and electronic modern equipments like ATM, debit card, credit card, smart card.
7. Trust bank training programs can encourage their trainees to seek additional education including computer classes, accounting, MBA programs and foreign language instruction.
8. The number of employees & Officers should increase for operating official activities smoothly.
9. In the credit department, strict supervision is necessary to avoid loan defaulters. The bank official should do regular visit to the project.

Conclusion

The Trust Bank Limited is a 3rd generation bank in Bangladesh and has a strong position in the today's competitive market. It has some features which makes the bank quite different in the private sector. The bank has a tremendous management side that is still trying to make the bank more successful.

The Trust Bank Ltd. has incorporated in 1999. But within this short period of time it becomes in a good position and is continuously upgrading itself with a view to be competitive and to remain the leader of the banking industry. The bank renders service accuracy, friendliness, new ways of meeting customer needs and good quality of services. Success in the banking business largely depends on effective lending. Less the amount of loan losses, the more the income will be from lending operations. And the more will be the profit of the bank and there lies the success of lending risk. Trust Bank Ltd is one of the most potential banks in the banking sector. It has a large portfolio with huge assets to meet up its liabilities and the management of this bank is equipped with the expert bankers and managers in all level of management. So it is not an easy job to find out the drawbacks of this bank. I would rather feel like producing my personal opinion about the ongoing practices in Mirpur Branch. The service provided by the young energetic officials of the Trust Bank Limited is very satisfactory. As a commercial bank TBL has to follow the rules of Bangladesh bank despite the fact that these rules sometime restrict the foreign business to some extent. Though its main customer is Bangladesh army but it is committed to provide the best service to general customer. As a Disciplined and strong structured Bank, trust bank ltd provide the quick & well-organized service to the customer. As result, day by day Credit business is going to be a popular business among the customer of Trust bank Ltd. During my internship in this branch I have found its Credit to be very efficient; therefore this department plays a major role in the overall profitability of the branch and to the Bank as a whole.

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Appendix Common Size of Balance Sheet of TBL

TRUST BANK LIMITED Balance Sheet As of 31 December 2013

	Notes	31.12.2013 Taka	31.12.2012 Taka
PROPERTY AND ASSETS			
Cash	3		
Cash in hand (including foreign currencies)		2,437,947,691	2,080,875,831
Balance with Bangladesh Bank and its agent bank(s) (Including foreign currencies)		7,114,882,019	6,123,351,069
		9,552,829,710	8,204,226,900
Balance with other banks and financial institutions	4		
In Bangladesh		2,296,044,905	559,737,387
Outside Bangladesh		1,271,572,444	1,356,493,227
		3,567,617,349	1,916,230,614
Money at call and short notice	5	250,000,000	11,750,000,000
Investments	6		
Government		17,179,471,760	11,840,161,167
Others		1,844,021,486	1,781,948,645
		19,023,493,246	13,622,109,812
Loans and Advances/islami Banking Investments	7		
Loans, Cash Credit, Overdrafts etc./ Investment		77,818,478,310	53,284,520,310
Bills purchased and discounted		1,461,099,297	1,331,539,748
		79,279,577,607	54,616,060,058
Fixed assets including premises, furniture and fixtures	8	483,785,223	454,945,687
Other assets	9	4,582,270,713	4,697,205,102
Non-banking assets		-	-
Total Assets		116,739,573,848	95,260,778,173
LIABILITIES AND CAPITAL			
Liabilities			
Borrowings from other banks, financial institutions and agents	10	3,664,026,268	2,834,806,984
Deposits and other accounts	11		
Current / Al-wadeeah Current Accounts and other Accounts		13,547,752,319	10,656,385,414
Bills Payable		1,082,668,864	925,782,935
Savings Bank / Mudaraba Savings Deposits		8,880,854,696	6,590,789,934
Fixed Deposits / Mudaraba Term Deposits		78,956,397,391	64,824,367,795
Bearer Certificates of Deposit		-	-
Other Deposits		-	-
		102,467,673,270	82,997,326,078
Other liabilities	12	3,742,093,197	2,915,754,159
Total Liabilities		109,873,792,735	88,747,887,221
Capital/Shareholders' Equity			
Paid up Capital	13.2	3,805,412,200	3,459,465,640
Share Premium Account		532,225,500	532,225,500
Statutory Reserve	14	2,169,218,210	1,966,006,097
Other Reserve	15	37,023,453	8,567,858
Retained Earnings	16	321,901,750	546,623,857
Total Shareholders' Equity		6,865,781,113	6,512,890,952
Total Liabilities and Shareholders' Equity		116,739,573,848	95,260,778,173

Profit and Loss Account of TBL

TRUST BANK LIMITED
Profit and Loss Account
 For the year ended 31 December 2013

	Notes	31.12.2013 Taka	31.12.2012 Taka
Interest income / Profit on Investment	19	9,863,277,066	8,343,784,809
Interest / Profit paid on deposits and borrowings etc.	20	8,752,142,555	7,053,722,027
Net interest income		1,111,134,511	1,290,062,782
Income from investments	21	1,580,528,080	906,640,920
Commission, exchange and brokerage	22	723,006,672	572,896,012
Other operating income	23	310,646,629	231,242,009
		2,614,181,381	1,710,778,941
Total operating income		3,725,315,892	3,000,841,723
Salaries and allowances	24	1,132,518,634	891,112,956
Rent, taxes, insurance, electricity, etc.	25	283,052,846	229,374,484
Legal expenses		652,180	2,067,721
Postage, stamps, telecommunications, etc.	26	90,280,954	85,577,715
Stationery, printing, advertisement etc.	27	77,431,168	118,829,578
Managing Director's salary and benefits		10,286,159	8,944,837
Directors' fees	28	1,403,100	1,250,000
Auditors' fee		287,500	496,500
Charges on loan losses		-	-
Depreciation and repair of bank's assets	29	140,560,989	131,118,654
Other expenses	30	440,132,229	374,537,233
Total operating expenses		2,176,605,759	1,843,409,678
Profit before provision		1,548,710,133	1,157,432,045
Provision for loans & advances / Investments	31	358,006,000	432,975,000
Provision for Diminution in value of Investment	32	72,929,656	699,007
Other provision	33	101,723,911	29,932,904
		532,659,567	463,606,911
Total Profit before Taxes		1,016,050,566	693,825,134
Provision for Taxation			
Current tax	12.5.1	700,000,000	520,000,000
Deferred tax		(8,384,000)	(8,874,156)
		691,616,000	511,125,844
Net Profit after Taxation		324,434,566	182,699,290
Appropriations			
Statutory Reserve	14.1	203,210,113	138,765,027
General reserve		-	-
		203,210,113	138,765,027
Retained surplus		121,224,453	43,934,263
Earning per share (EPS)	35	0.85	0.55

Performance evaluation of credit operation system

Table -1 (Current Ratio)

Year	2009	2010	2011	2012	2013
CurrentAssets	7,520,312,205	5,379,894,953	9,546,986,249	1,012,045,7514	13,120,447,059
Current Liability	48,464,639,673	50,413,290,971	65,819,509,706	82,997,326,078	102,467,673,270

Table – 2 (Net profit Margin)

Year	2009	2010	2011	2012	2013
Net Profit	610,902,538	1,274,75,554	616,209,088	182,699,290	324,434,566
TotalRevenue	5,580,490,385	6,856,998,710	8,446,941,083	10054,563,750	12,477,458,447

Table – 3 (Return on Assets)

Year	2009	2010	2011	2012	2013
Net Income	1,358,354,121	2,277,661,251	1,560,579,309	1,157,432,045	1,548,710,133
Total Assets	54,206,648,607	58,276,332,285	76,215,221,143	95,260,778,173	116,739,573,848

Table – 4 (Return on Equity)

Year	2009	2010	2011	2012	2013
Net Income	1,358,354,121	2,277,661,251	1,560,579,309	1,157,432,045	1,548,710,133
Total Equity	3,754,866,056	5,025,357,187	5,526,760,548	6,512,890,952	6,865,781,113

Table – 5 (Debt to Total Assets)

Year	2009	2010	2011	2012	2013
Total Debt	1,987,142,878	2,837,684,127	4,868,950,889	5,750,561,143	7,406,119,465
Total Assets	54,206,648,607	58,276,332,285	76,215,221,143	95,260,778,173	116,739,573,848

Table – 6 (Debt to Equity Ratio)

Performance evaluation of credit operation system

Year	2009	2010	2011	2012	2013
Total Long Term Debt	1,833,739,086	2,373,738,680	2,525,877,387	2,915,754,159	3,742,093,197
Total Equity	3,754,866,056	5,025,357,187	5,526,760,548	6,512,890,952	6,865,781,113

Table – 7 (Receivable Turnover)

Year	2009	2010	2011	2012	2013
Net Sales	914,376,642	1,472,691,366	885,343,474	1,290,062,782	1,111,134,511
Sales	4,027,199,131	4,686,638,621	6,271,814,846	8,343,784,809	9,863,277,066

Total – 8 (Assets Turnover)

Year	2009	2010	2011	2012	2013
Net Sales	914,376,642	1,472,691,366	885,343,474	1,290,062,782	1,111,134,511
Total Assets	54,206,648,607	58,276,332,285	76,215,221,143	95,260,778,173	116,739,573,848

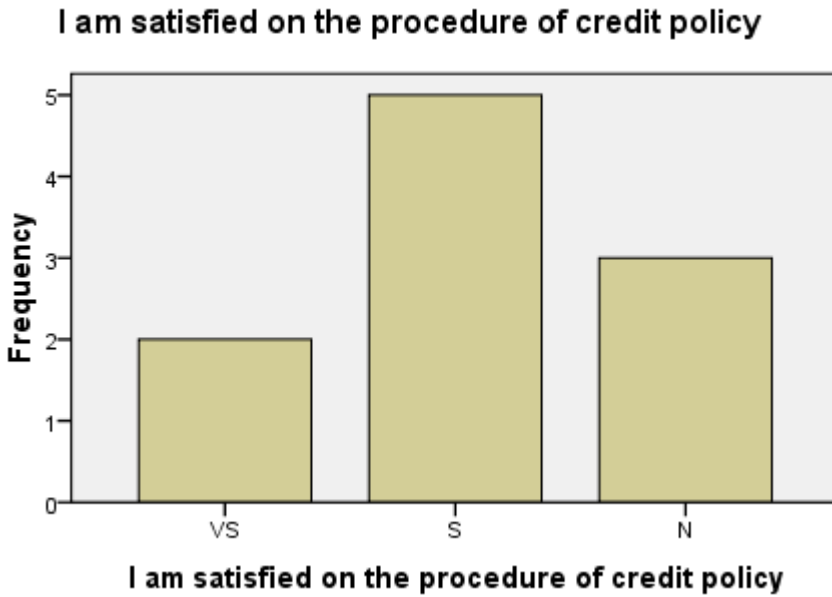
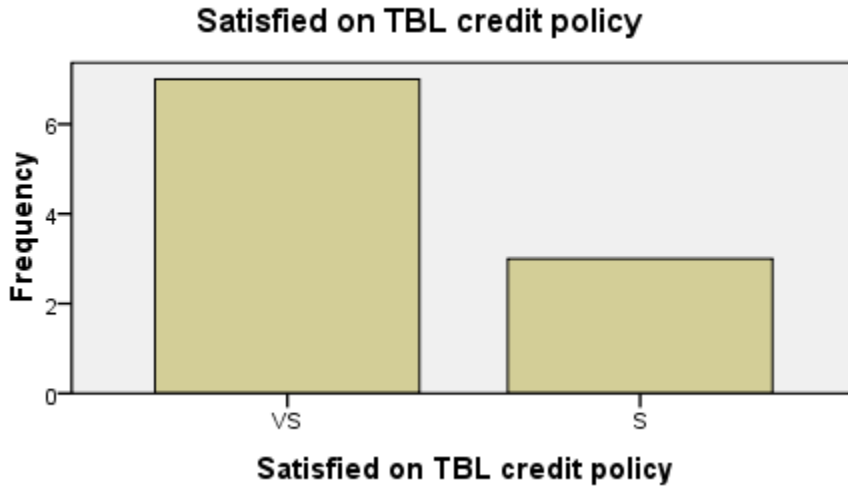
Performance evaluation of credit operation system

Survey questioners

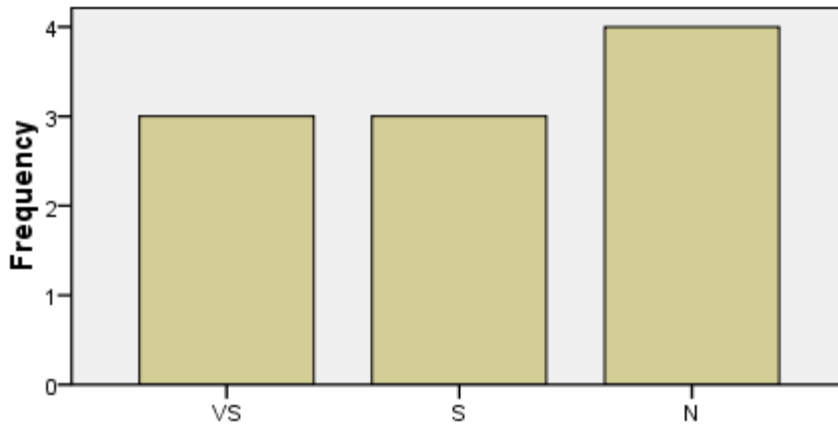
No	Question	Very Satisfied	Satisfied	Neutral	Dissatisfied	Very Dissatisfied
1	Satisfied on TBL credit policy					
2	I am satisfied on the procedure of credit policy					
3	TBL has a satisfactory interest rate on loan compare to other Financial Institution					
4	TBL has a good satisfactory result on loan disbursement					
5	Problems on TBL credit polices					
6	Problem face to understand TBL credit policies					
7	Face problem at giving interest amount					
8	Problem face to understand the procedure of credit system					
9	Credit risk management is successfully controlled by TBL					
10	Credit risk management of TBL has strong rules and regulation					
11	Satisfied Interest rate on loans of TBL					

Appendix – 2

Trust Bank Limited, Survey of Credit Department
Bar Diagram of Frequency Analysis

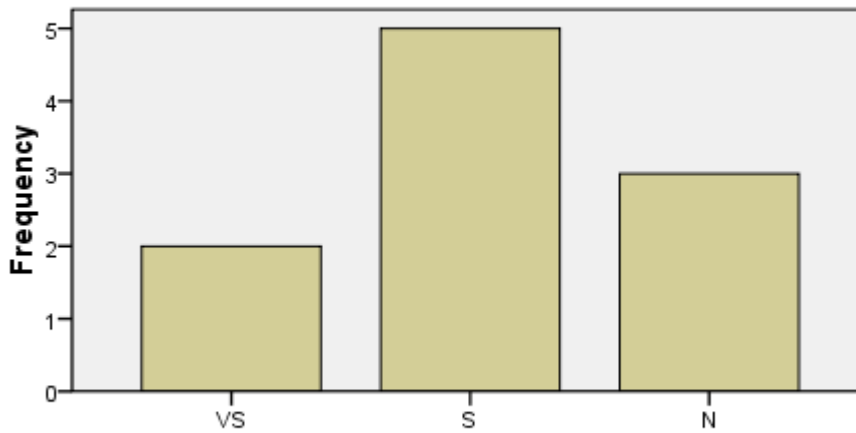


TBL has a satisfactory interest rate on loan compare to other Financial Institution

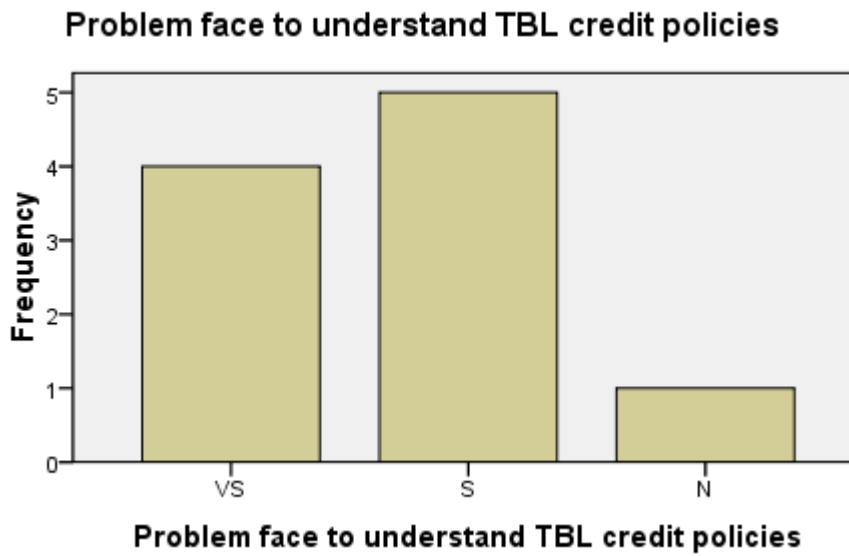
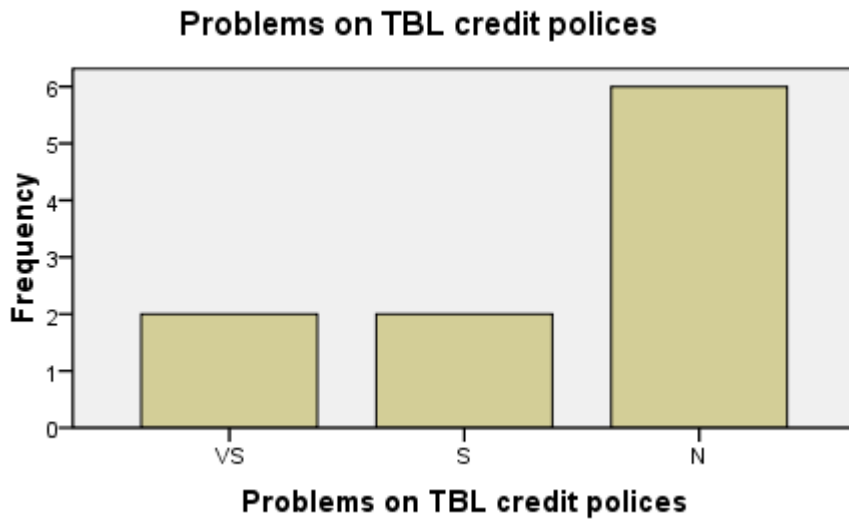


TBL has a satisfactory interest rate on loan compare to other Financial Institution

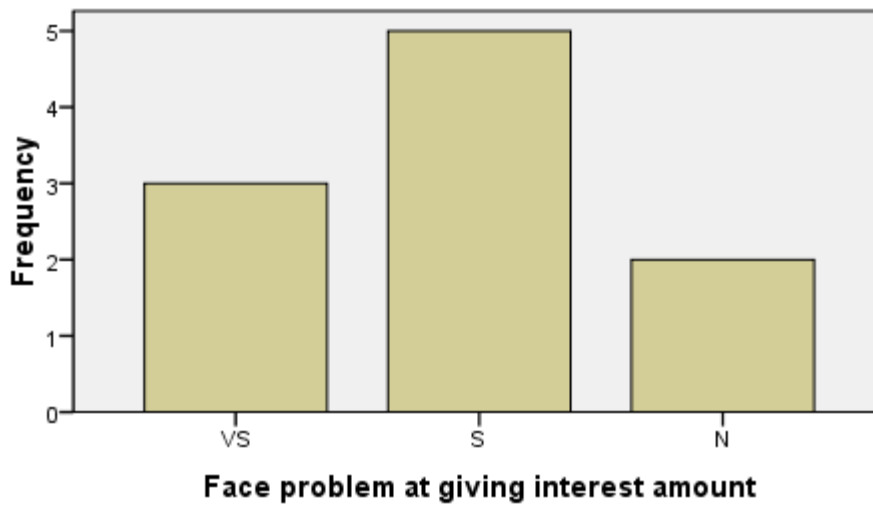
TBL has a good satisfactory result on loan disbursement



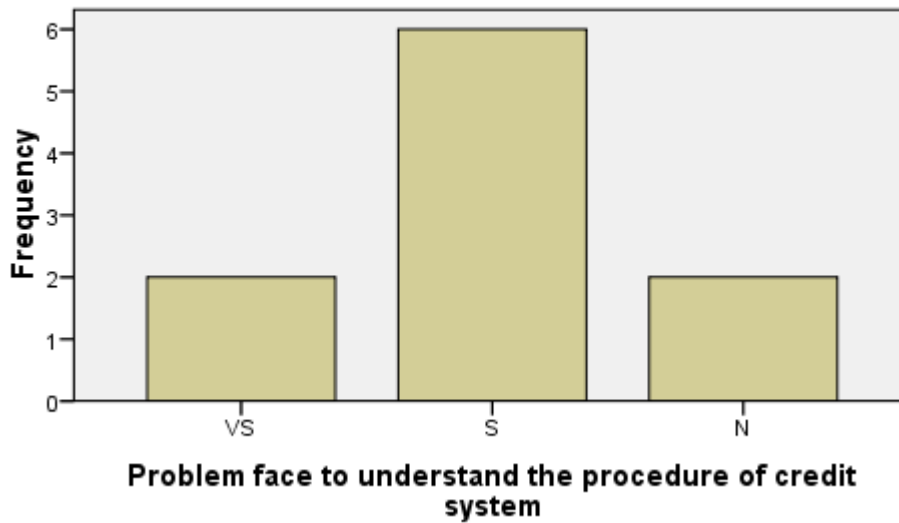
TBL has a good satisfactory result on loan disbursement



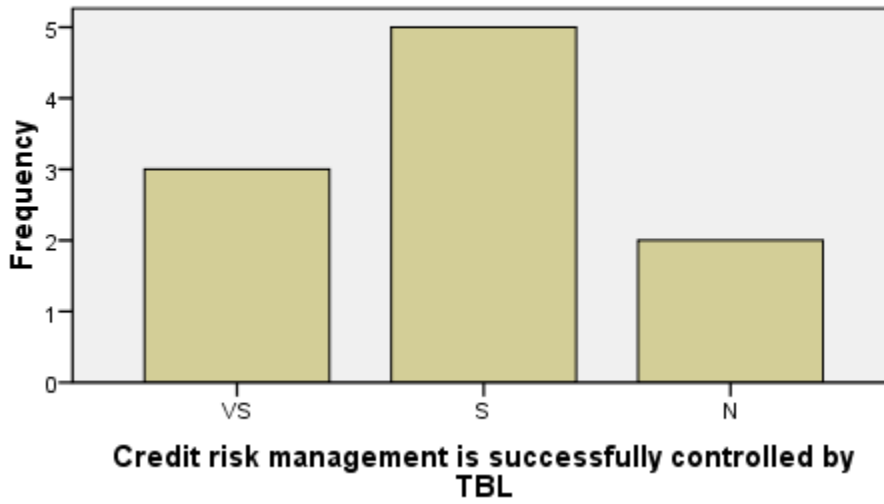
Face problem at giving interest amount



Problem face to understand the procedure of credit system



Credit risk management is successfully controlled by TBL



Credit risk management of TBL has strong rules and regulation

