Internship Report On

Analysis of Credit Process and Performance of Mutual Trust Bank PLC

Prepared By

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Letter of Transmittal

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Md. Arif Hassan
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Subject: Submission of Internship Report on "Analysis of Credit Process and Performance of Mutual Trust Bank PLC"

Dear Sir,

I am pleased to submit my internship report titled "Analysis of Credit Process and Performance of Mutual Trust Bank PLC," as a requirement for the completion of my internship program. This report aims to provide insights into the credit operations and performance of Mutual Trust Bank PLC, based on my observations and analysis during the internship period.

I sincerely hope that this report meets the standards and expectations set forth by the academic and professional community.

Thank you for considering my work.

Tamanna

Yours sincerely,
Tamanna Mujumder
ID: 0242310004083070
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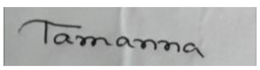
Declaration

I, Tamanna Mujumder, hereby declare that the internship report I submitted to Daffodil International University, titled "Analysis of Credit Process and Performance of Mutual Trust Bank PLC," is an original piece of work, I completed this report under the guidance of Assistant Professor Mr. Md. Arif Hassan, Department of Business Administration, Daffodil International University. No previous submission of this report was made for academic purpose anywhere. Every information and data source has been properly cited and acknowledged.



Signature: ___________________

Tamanna Mujumder

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Letter of Approval

This is to certify that Tamanna Mujumder, ID: 0242310004083070, Major in Finance is a regular student of Master in Business Administration (MBA) Program, under the department of Business Administration, Daffodil International University, has completed the internship report on "Analysis of Credit Process and Performance of Mutual Trust Bank PLC" under my supervision. She successfully completed her internship program at Mutual Trust Bank PLC.

I wish her happiness, good health and every success in life.

Signature: ___________________

Mr. Md. Arif Hassan

Assistant Professor

Department of Business Administration

Faculty of Business and Entrepreneurship

Daffodil International University

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Acknowledgment

I would like to express my gratitude to all those who have contributed to the completion of this internship report on "Analysis of Credit Process and Performance of Mutual Trust Bank PLC."

Firstly, I would like to thank Mr. Md. Arif Hassan, my internship supervisor, for his invaluable guidance, support, and constructive feedback throughout the preparation of this report. His expertise and encouragement have been instrumental in shaping this work.

I am also thankful to the management and staff of Mutual Trust Bank PLC for providing me with the opportunity to intern at their esteemed organization and for sharing their knowledge and experiences, which greatly contributed to my learning and understanding of banking operations.

Additionally, I extend my thanks to my friends and family for their continuous support and motivation during this academic and professional journey.

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Executive Summary

The internship report titled "Analysis of Credit Process and Performance of Mutual Trust Bank PLC" provides an in-depth analysis of the credit operations and performance of Mutual Trust Bank PLC based on the internship experience and observations. The report is structured to encompass key aspects such as the bank's credit policies, risk management practices, loan portfolio analysis, and overall financial performance.

The report begins with an introduction to Mutual Trust Bank PLC, outlining its background, vision, mission, and core values. It then delves into a comprehensive analysis of the bank's credit operations, including the credit appraisal process, credit risk assessment, and monitoring mechanisms.

MTB's lending portfolio largely consists of standard loans, illustrating a conservative approach to credit risk and a focus on maintaining a high-quality loan book with minimal default risk. Sub-standard loans are carefully managed to prevent escalation into higher-risk categories, with early intervention practices that align with the bank's risk management strategies. In the case of doubtful loans, MTB employs focused recovery measures and provisions, aiming to address and minimize potential losses effectively. For bad or loss loans, which are fully impaired, MTB emphasizes robust provisioning to protect its financial health while seeking recovery opportunities where possible.

The bank's loan portfolio is strategically diversified across multiple sectors, reducing concentration risk and promoting balanced growth. This sectoral diversification aligns MTB's lending strategy with prevailing economic trends, supporting the bank's commitment to stable and sustainable portfolio growth. Through these approaches, MTB maintains a balanced lending strategy, focusing on prudent risk management and sound liquidity to ensure financial stability and continued growth.

Overall, this internship report will serve as a valuable resource for stakeholders, professionals, and researchers interested in understanding the credit operations and performance evaluation of commercial banks, with specific insights drawn from Mutual Trust Bank PLC.

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Chapter One

Introduction

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1.1 Introduction

The smooth operation of the financial markets, business support and economic growth highly depend on commercial banks. Among the major private commercial banks in Bangladesh, Mutual Trust Bank PLC (MTB) is a significant participant in this market. Examining MTB's credit operations and performance while highlighting its significance to the banking industry is the aim of this paper. When Mutual Trust Bank PLC was founded in 1999, it wanted to provide a broad spectrum of clients, from large multinationals to small companies, complete banking services. With time, the bank has expanded its activities and provided a greater selection of services, therefore solidifying its position in Bangladesh's competitive banking industry. Given that these are crucial elements of the bank's business plan, innovation, moral banking practices, and customer satisfaction are given a lot of weight in its goal.

The main business activity of MTB is credit operations. Among these are loan and advance evaluation, approval and payment to various economic sectors including retail, companies and small and medium-sized enterprises (SMEs). Effective loan management is necessary to maintain the growth of the bank, lower risks, and maintain its financial soundness. The bank applies a strict credit evaluation procedure to assess borrower creditworthiness in order to safeguard its assets and optimize profits. The success of MTB's credit operations has to be analyzed by considering both qualitative and quantitative elements. Interest income, non-performing loan ratios, and loan growth are financial indicators of how well the bank's credit programs are working. Moreover, while evaluating overall performance, qualitative factors including customer satisfaction, efficient customer service, and innovative credit products are given equal weight. A keystone of MTB's credit operations is achieving a balance between profitability and risk management, which shows the company's commitment to maintaining a solid and steady financial position.

The regulatory and economic environments have a big impact on MTB's credit activities. The operation of the bank is contingent upon following the rules established by Bangladesh Bank, the main regulatory authority. The strategies and credit performance of the bank are impacted by the dynamic character of the market, changes in inflation, interest rates and other economic variables. Mutual Trust Bank PLC's performance and credit operations are essential to its success

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and value to Bangladesh's banking industry. Utilizing careful credit handling, inventive resolutions and a client-focused strategy, MTB has strengthened its reputation as a dependable and progressive financial organization.

1.2 Background of the Study

Daffodil International University's Bachelor of Business Administration (BBA) program requires internship experience and a study report. This study evaluates Mutual Trust Bank Limited's (MTB) credit operations and performance. The tasks of accepting customer deposits and lending money to borrowers are critical to banking operations, economic growth, and job creation. Mutual Trust Bank Limited, as a key component of the banking system, provides the capital essential to foster both financial responsibility and economic success. The goal of this study is to review the bank's financial and accounting systems in order to assess its credit performance and position in the ever-changing banking market. To maintain academic integrity and uniqueness, the study examines MTB's credit operations and performance, as well as its position in Bangladesh's economic development. The following sections will provide a thorough study of MTB's financial activities, as well as an unbiased appraisal of Bangladesh's larger banking industry.

1.3 Scope of the Study

The report provides a specific time period analysis of the credit process and performance of Mutual Trust Bank Limited's (MTB), with specific insights drawn from practical experience at the bank’s branch. It offers an overview of the bank's debt management by examining the credit evaluation process and performance metrics. A key focus is the utilization of Mutual Trust Bank Limited's (MTB) credit evaluation methods, essential to the loan system. Additionally, the report assesses the bank’s credit performance over the past years, highlighting trends and outcomes. It concludes with a detailed examination of various loan processes and offers recommendations for improvement.

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1.4 Methodology of the Study

Bangladesh Bank establishes guidelines for credit performance management while fostering a motivational environment for employees in alignment with these requirements. This study focuses on the financial performance management of Bangladeshi banks, with a particular emphasis on managing financial data through ratio analysis and trend analysis. The investigation draws from both primary and secondary sources. However, obtaining primary data proved challenging. As a result, the research largely relies on secondary data.

The secondary data sources include:

a) Information from the official website of Mutual Trust Bank Limited (MTBL).
b) Various procedure manuals published by MTBL.
c) The annual reports of MTBL for the past five years.
d) Various publications, circulars and journals related to banking activities and policies.

Relying on these secondary data sources ensures a deep examination of the credit performance management practices of Mutual Trust Bank Limited, with a specific focus on the bank's financial data.

1.5 Objectives of the Study

Broad objective:

The main objective of this study is to evaluate the Credit operation and Performance of Mutual Trust Bank Limited (MTBL).

Specific objectives are:

a) To explain the credit operations of Mutual Trust Bank Limited (MTBL).
b) To evaluate the credit performance of Mutual Trust Bank Limited (MTBL).
c) To find out the problems and provide possible recommendations relating to credit operation and performance of Mutual Trust Bank Limited (MTBL).

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1.6 Limitations of the Study

The study has several limitations, which are:

a) Confidentiality policies at Mutual Trust Bank Limited restrict the disclosure of certain data and information.
b) The research primarily depends on secondary data, with minimal use of primary data.
c) Time constraints prevented the report from covering all related issues comprehensively.
d) Insights into the actual working conditions within the bank were obtained from a limited number of interviews with employees at the bank's branch.

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Chapter Two

Organizational Profile

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2.1 History of MTBL

Mutual Trust Bank Limited (MTBL) is a private sector scheduled bank founded in accordance with the Companies Act of 1994. September 29, 1999, saw its incorporation as a public limited company with the power to carry out a range of banking operations.

The bank's authorized capital at first was Tk. 3,800,000,000, split into 38,000,000 common shares, each worth Tk. 100. Listing of MTBL on the Chittagong and Dhaka Stock Exchanges emphasizes its public status even further. With an authorized capital of BDT 10 billion at present, MTBL is committed to providing its clients with quick and effective services. The management team's professionalism, commitment, breadth of knowledge, and expertise in contemporary banking procedures are all responsible for the bank's quick success.

MTBL began operations formally on October 24, 1999, after obtaining a banking license and a Certificate for Commencement of Business from Bangladesh Bank on October 5, 1999. Bangladesh Bank's license permits the following banking operations and Memorandum of Association:

a) Small Business Banking
b) Commercial Banking
c) Financing of International Trade Small and Medium Enterprises (SME) Banking
d) Banking at NRB
e) Specialty Banking and Card Services
f) Operation of Treasury
g) Foreign Trade Services

With its headquarters in Dhaka, MTBL has grown to encompass 111 branches and 25 SME Service Centers. The bank uses an extensive worldwide network of Foreign Correspondent Banks for its international activities. Reflecting its dedication to flexibility and adaptation in a dynamic financial environment, MTBL also offers corporate operations, merchant banking, and financial intermediary services.

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2.2 Mission & Vision of MTBL

Mission: MTBL aims to become one of the most admired banks in the country by being recognized as an innovative, customer-focused organization. This is achieved through advanced technology, a dynamic workforce, and a comprehensive range of financial products and services under the Group MTBL umbrella.

Vision: MTBL's vision is encapsulated in the MTB3V philosophy, aspiring to be the "Bank of Choice" and "A Truly World-class Bank."

2.3 Management of MTBL

At MTBL, the Board of Directors is primarily in charge of management. The Board is represented by the Managing Director, who is in charge of all financial, administrative, and business operations. At the head office, two Deputy Managing Directors assist the Managing Director. Well-informed decision-making and effective operations are guaranteed by this collaborative leadership.

The bank's smooth everyday operations are overseen by a number of departments under the direction of head office. These comprise, among others, the Establishment & Development Division (ESD), Board & MD Secretariat, Credit Division (CRD), General Banking Division (GBD), International Division (ID), Human Resources Division (HRD), and Central Accounts & MIS Division (CAD). Because each department has a focus, the bank's overall efficiency and adherence to best practices are enhanced.

The Organization Chart illustrates the dynamic framework of the bank's organizational structure, wherein several divisions collaborate harmoniously to accomplish the broad aims and objectives set out by the Board of Directors. The bank is able to meet the demands of the financial landscape with great customer service because to this strategic alignment.

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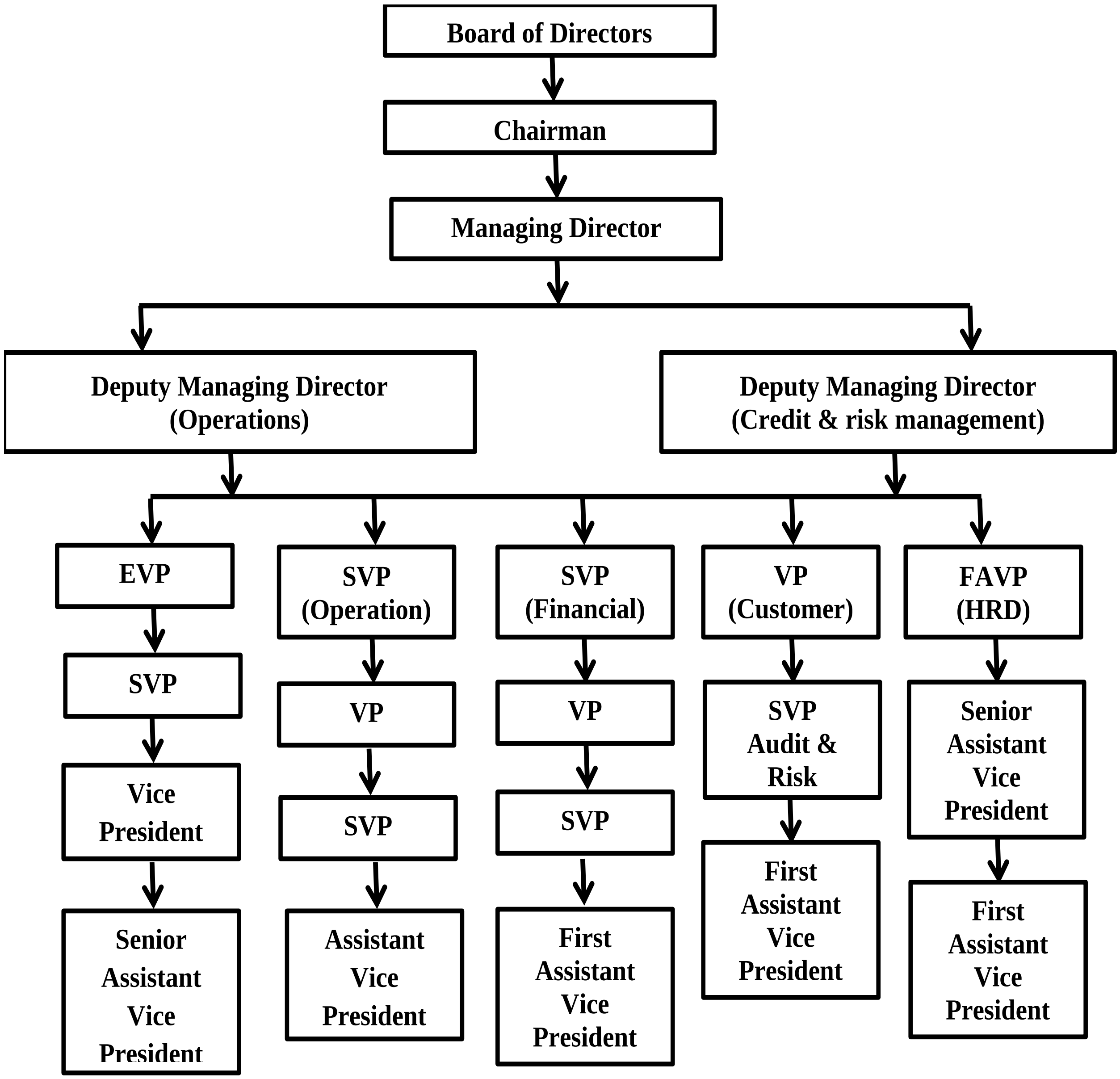

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2.4 Profile of Mutual Trust Bank Limited

Name of the Company:	Mutual Trust Bank Limited
Year of Establishment:	1999
Principal Branch:	Tower (1st-3rd Floor), 68, Motijheel C/A, Dhaka
Corporate Head Office:	MTB Center, 26 Gulshan Avenue, Dhaka-1212
Number of Branches:	86
Managing Director:	Syed Mahbubur Rahman
Chairman:	Abdul Malek
Vice Chairman:	Syed Manzur Elahi
Website:	www.mutualtrustbank.com

2.5 Products and Services

2.5.1 Banking Services for Consumers

Through advice on the optimum account types: current, savings, fixed, short-term, and consumer asset and liability products: MTBL serves clients of all sizes. Apart from the conventional banking activities, MTBL provides a range of cutting-edge goods and services intended to draw in clients and yield higher profits. Principal consumer banking products consist of:

a) A unique monthly savings plan called the Brick-by-Brick Savings Scheme builds up funds over time and pays out in one payment at maturity. Five, eight, and ten years are the savings periods; monthly payments are in multiples of Tk. 500.
b) Monthly Benefit Plan: Lets clients get money from their deposits every month. Deposits under the plan are unlimited and it is offered for maturities of three and five years.
c) Arrange Daily Savings: a flexible savings plan with convenient money deposits by clients. There is a really tempting interest rate on this five-year deal.
d) Children's Education Plan: A 4, 7, 9, or 12-year savings plan created to assist parents in saving for their children's education.
e) The MTB Double Saver Plan, MTB Triple Saver Plan, MTB Millionaire Plan, Unique Saving Plan, and Best Invest Plan are just a few of the savings plans that are part of the Consumer Credit Scheme and each have special advantages and excellent returns.

2.5.2 Banking Services

Several financial services are provided by MTBL to improve client convenience:

a) Online banking services let clients make real-time deposits or withdrawals from any branch.
b) With secure identification, MTBL Tele Banking Services offers bank accounts telephone access around-the-clock.
c) International money transactions made quick and safe are made possible by SWIFT Services.
d) Transferring money both inside and outside of Dhaka is made safe and easy with pay orders and demand drafts (DDs).
e) Customers of MTBL SMS Banking can get transaction data and account alerts by SMS.
f) With yearly leasing costs, Locker Service provides safe storage for valuables.
g) Credit Card Service: Offers varied perks on local classic and gold credit cards.
h) Visa Electronic Debit Card Service: Acceptable at ATMs and retail locations around the country, this card is available to holders of savings, current, and STD accounts.

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2.5.3 Personal Loans

a) To suit different demands, MTBL offers a selection of consumer lending products:
b) MTB Life Line: Provides flexible repayment schedules and a credit limit of up to Tk. 6 lacs for loans for health, education, professional requirements, marriage, travel and festivals.
c) Auto Loan: Offers competitively priced, flexible payback terms on loans for new or used automobiles.
d) Home Loan: Provides reasonable interest rates and long-term repayment choices for loans used to build or buy apartments or land.

2.5.4 Corporate Loans

Different corporate loans are available from MTBL to help companies:

a) Term Finance: One-to-ten-year loans for projects, imports of capital machinery, and house construction.
b) Working capital finance include alternatives for bill buying, document secured credit, secured overdraft (SOD), and cash credit (hypo).
c) Trade finance offers options for funding both imports and exports.
d) Offshore Banking: Services designed especially for 100% foreign-owned corporations and companies located in Export Processing Zones (EPZs).
e) Financial Structure: Provides funding and syndicated market services for major projects in manufacturing and infrastructure.

2.5.5 Small-Medium Enterprise Banking

Small and medium-sized businesses can choose from specialized loan alternatives provided by MTBL's SME Banking department:

a) MTB Bhagyobati: Offers loans of BDT 1 lac to BDT 50 lac for female SME enterprises.
b) Krishi MTB: Offers farmers and agricultural SMEs loans of up to BDT 3 crore.
c) Mousumi MTB: Up to BDT 10 lac financing available for seasonal enterprises.
d) STB Only interest Loan: Up to BDT 50 lac, for SMEs in different industries.

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e) MTB Corporate Loan: Affordable interest rates on flexible loans up to BDT 50 lac.
f) Digoon MTB: Offers flexible repayment schedules and loans up to twice the deposit amount.

2.6 Corporate Culture

Mutual Trust Bank Limited fosters a distinct corporate culture rooted in shared understanding, meaning, and perspectives. This culture emphasizes individual actions, behavior, and manners that align with the institution's overall goals and the unique needs of its valued clients. The staff sees themselves as a cohesive unit, dedicated to personal and professional growth. Importantly, MTBL's corporate culture has evolved naturally from the collective values and conduct of its members, rather than being imposed externally.

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Chapter Three

Theoretical Background

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3.1 Credit

"Credit" comes from the Latin word "Credo,". This means "I believe," denotes the lender's belief in the capacity, promise, and dedication of the borrower or firm to make repayments. A credit agreement is a contract in which the borrower agrees to repay the lender later in exchange for receiving something of value immediately. Any bank's core duties include managing deposits and extending credit, with efficient credit operations. Efficient credit management in the bank aims to maximize performing assets, reduce non-performing assets, and ensure prompt and effective management of loans and advances.

3.2 Factors Considered for Credit

a) Time
b) Operating Expense
c) Risk
d) Interest Rate
e) Legal Considerations
f) Finance Charge
g) Inflation

3.3 Significance of Credit

Credit plays a critical role in the national economy by:

a) Providing working capital for industrialization
b) Regulating various production activities
c) Promoting social equity
d) Generating cash for successful performance
e) Stabilizing the economy
f) Enhancing the standard of living

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3.4 Credit Management

Credit management is a dynamic field that requires long-term planning to allocate funds across various sectors, minimize risks, and maximize returns. Continuous oversight, monitoring, and follow-up are crucial to ensure timely repayment and reduce defaults. The bank's credit policy, credit portfolio, and the monitoring, supervision, and follow-up of loans and advances are pivotal in determining overall credit management performance. Therefore, evaluating MTB's credit management system involves scrutinizing its credit policy, procedures, and portfolio quality.

3.5 Credit Policy of MTB

A bank's credit policy is essential for ensuring that loans comply with organizational and legal standards and remain profitable. A borrowing policy provides clear guidelines for loan approval and structuring the bank's loan portfolio. Mutual Trust Bank Limited (MTB) does not have a clearly stated credit policy, although there might be an informal one. The credit policy at Mutual Trust Bank (MTB) is a fundamental component that ensures the bank's lending practices align with regulatory standards and the institution's strategic goals. While the bank may not have a formally documented credit policy, its operational framework follows several core principles to guide credit activities and maintain a healthy loan portfolio.

MTB's credit policy aims to establish clear guidelines for credit assessment, approval, and management processes. The primary objective is to ensure that loans are extended in a manner that minimizes risk and maximizes profitability. This involves a thorough evaluation of potential borrowers, considering factors such as creditworthiness, repayment capacity, and the overall risk associated with the loan. Key principles in MTB's credit policy include adherence to regulatory requirements set by the central bank and the Bank Company Act. Compliance with these regulations ensures that all credit activities are legally sound and within the permissible risk thresholds. The bank also emphasizes the importance of obtaining Credit Information Bureau (CIB) reports to verify the credit history and current indebtedness of potential borrowers, thus avoiding lending to individuals or entities with questionable credit standings. Another significant aspect of MTB's credit policy is maintaining a prudent loan-to-deposit ratio. This ensures that the bank's lending activities do not compromise its liquidity position. Typically, loans are funded

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through customer deposits rather than short-term borrowing from other banks. This approach helps maintain financial stability and reduces dependency on external funding sources.

MTB prioritizes the diversification of its credit portfolio to prevent excessive concentration of risk in specific sectors or with individual borrowers. By spreading credit exposure across various industries and customer segments, the bank mitigates the impact of adverse events in any single sector. MTB’s credit policy underscores the importance of maintaining high moral standards in all credit-related operations. This includes transparent communication with borrowers, fair lending practices, and ensuring that credit decisions are made based on sound financial principles rather than personal relationships or biases. The bank also places significant importance on pre-investment evaluations. Before granting any credit facility, detailed assessments of the borrower's business viability, cash flow projections, and collateral are conducted. This thorough vetting process helps in making informed lending decisions and reduces the likelihood of default.

3.6 Principles of Credit

MTB follows these principles when providing loans and advances:

a) Compliance with Central Bank and Bank Company Act requirements.
b) No credit to individuals or entities without CIB reports.
c) Maintaining a responsible loan-to-deposit ratio.
d) Funding credit extensions primarily through customer deposits rather than short-term funds or bank borrowings.
e) Balancing risk and benefit.
f) Upholding ethical standards in all credit-related activities.
g) Providing credit if the risk is manageable.
h) Basing credit facilities on proper pre-investment evaluations and clients' repayment ability.
i) Preventing excessive credit concentration by diversifying credit.
j) Avoiding name-lending.
k) Granting credit based on a thorough evaluation of business profitability, credit requirement, advance quality, provided security, cash flow and risk level.

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3.7 Principles of Sound Lending

The standards and guidelines for credit are not rigid rules but suggestions to safeguard credit. In a competitive environment, risks are accepted, and credit may be granted even if a proposal does not meet all requirements. Key principles include:

a) Principle of Safety
b) Principle of Liquidity
c) Principle of Purpose
d) Character and Ability of the Borrower
e) Principle of Security
f) Principle of Profitability
g) Source of Repayment
h) Principle of National Interest

3.8 MTBs Standard Protocol for Sanctioning Loans

There are various steps involved in approving a loan:

a) Submission of the party's application.
b) Completing form-a and requesting from Bangladesh bank a report from the credit information bureau (CIB).
c) Handling the loan application.
d) Evaluating a project is being done.
e) Requesting approval from headquarters.
f) Releasing a letter of sanction.
g) Finishing up the paperwork.
h) Granting the loan.

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3.9 MTBs Criteria for Loan Classification

Loan	Continuous Loan	Demand Loan	Fixed term loan		Short Term Agricultural and Micro Credit Loan
			Term loan for within 5 years	Term loan for more than 5 years	
Special Mention Account	Irregular for 3 to 6 months	Irregular for 3 to 6 months	Irregular for 3 to 6 months	Irregular for 3 to 12 months	Irregular for 3 to 12 months
Sub-Standard	Irregular for 6 to 9 months	Irregular for 6 to 9 months	Irregular for 6 to 12 months	Irregular for 12 to 18 months	Irregular for 12 to 36 months
Doubtful	Irregular for 9 to 12 months	Irregular for 9 to 12 months	Irregular for 12 to 18 months	Irregular for 18 to 24 months	Irregular for 36 to 60 months
Bad & Loss	Irregular for more than 12 months	Irregular for more than 12 months	Irregular for more than 18 months	Irregular for more than 24 months	Irregular for more than 60 months

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3.10 MTBs Rate of Provision

The following rates will be applied to provisions against all loan types, including microloans and short-term agricultural loans:

Classification Criteria	Rates of Provision
General Provision on unclassified loans & advances	1%
General Provision on unclassified small enterprise financing	2%
General Provision on unclassified loans for housing finance & on loans for professional	2%
General provision on unclassified consumer financing other than housing finance & loans for professionals	5%
General provision on special mentioned account	5%
Specific provision on substandard loans & advance	20%
Specific provision on doubtful loans & advances	50%
Specific provision on bad/loss loans & advances	100%

3.11 Global Credit Portfolio Limit of MTB

MTB's lending limits include:

a) Long-term loans not exceeding 20% of the total loan portfolio.
b) Cash facilities capped at 80% of total client deposits.

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c) No facilities with a tenure exceeding five years.

d) Credit facilities for a single customer group typically limited to 15% of the capital fund or TK 100 crore.

3.12 Types of Credit Activities

Credit can be classified based on time, nature of financing and provision base.

3.12.1 Classification Based on Time

a) **Continuous loan:** Entitles the borrower to several times during the allotted time to access money up to a pre-approved amount. Highly flexible, the borrower can take out, pay back, and redraw money as needed. Businesses who must control cash flow fluctuations will find this kind of loan to be perfect since it allows them to use the money repeatedly without having to apply for a new one every time.

b) **Demand loan:** Demand loans are short-term loans for which the lender may demand repayment at any moment. The loan is outstanding until the lender asks for repayment or the borrower decides to pay it back; there is no set payback plan. Usually having variable interest rates, demand loans are frequently used for short-term liquidity requirements or bridging finance.

c) **Term loan:** Usually offered for a set time of one to 10 years, but it can be longer, a term loan is a loan. Principal and interest are paid on a prearranged schedule. Purchasing equipment, growing business, or other major expenses are common uses for term loans.

d) **Short-Term Agricultural Loans and Micro Credit:** These loans are made especially to satisfy the demands of small-scale farmers and microbusiness owners. Usually with shorter terms up to a year. These loans support small business operations or seasonal agricultural activities.

3.12.2 Application-Based Loan Categories

a) **Corporate loan:** A corporate loan is one that is intended to satisfy the finance requirements of big companies. The uses for these loans are many and include working capital management, project finance, business expansion, and capital expenditures.

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Corporate loans can be arranged as term loans, revolving credit facilities, or syndicated loans with several lenders and can entail large sums of money.

b) **SME loan:** Small and medium-sized enterprises (SME) loans are loans designed especially for them. For SMEs to expand operations, buy equipment, control cash flow, and build their enterprises, these loans offer the funding needed. Usually easier to get than corporate loans, SME loans have adjustable terms to suit the particular requirements of smaller companies.

c) **Retail Loan:** Rather than being targeted at enterprises, retail loans are intended at individual customers. Among these loans are credit card, auto, education, and personal loans. With adjustable payback terms and variable interest rates, retail loans are made to suit the particular financial requirements of consumers.

d) **MTB Home Loan:** MTB Home Loans are intended especially for those wishing to buy, build, or remodel residential homes. Competitive interest rates and adjustable repayment terms are features of these long-term financing solutions. MTB Home Loans can be used for building a new house, renovating an existing one or both.

3.13 The Nine Cs of Credit Management: Good and Bad Loans

In MTBL, clients are assessed by the Branch Manager by using a set of standards known as the "Cs of good and bad loans". A thorough explanation of these Cs is provided below:

1. Clients: Understanding the borrower's moral character, work background, and business acumen are all part of the character evaluation process. To assess the personality of the borrower, personal interviews or encounters are combined with market research.

2. Capital Analysis: This examines the sum of money client put into the bank. Financial Reports Payables, Receivables and Additional Statements to evaluate the company's financial situation in a practical sense.

3. Competency: Effective business management is the primary criterion for evaluating the borrower's capacity. Effective and profitable use of funds by the management is essential. Different performance metrics are used to measure this capacity.

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4. Collateral: Collateral, or a backup source of loan repayment, is crucial, but it shouldn't have an excessive impact on the first credit decision.

5. Cash Flow: When assessing whether a borrower can repay a loan, cash flow is a crucial consideration. Enough money is available for repayment if there is adequate cash flow. In order to calculate annual cash flow, relationship managers examine presented financial statements.

6. Conditions: It is imperative for risk assessment to acknowledge that post-disbursement changes in the business environment and economic conditions are possible.

7. Complacency: Don't base financial decisions only on prior results. With any loan, bank should always be on the lookout for potential problems.

8. Communication: It is essential to effectively communicate credit objectives and judgments both horizontally and vertically inside the bank.

9. Credit query: Prospective borrowers must fill out a comprehensive form, which is then sent to the loans and advances division for assessment.

3.14 Risk categories: Credit Management

Two main categories are used by the Loan Risk Assessment (LRA) to classify credit risk:

1. Industry Risk: Exogenous variables, including shifts in the market or in laws and regulations, that have the potential to bring about the collapse of a company. Among them are:

a) Risk associated with the supply chain: interruptions in the workforce, raw materials, electricity, machinery, etc.
b) Sales Risk: External disruptions that impact sales, evaluated in light of competitive dynamics, market conditions, and corporate plans.

2. Firm Risk: Internal problems that the business faces and which may cause it to collapse are broken down into:

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a) Company Position Risk: The potential for harm stemming from an industry-weak position. Resilience and performance risks are included.
b) Management risk is the result of dishonest or inefficient management. It is split up into:
c) Risk of Ineffective Management: This is the risk associated with ineffective management.
d) Management Integrity Risk: The possibility brought on by unethical management techniques.

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Chapter Four

Credit Performance of MTB

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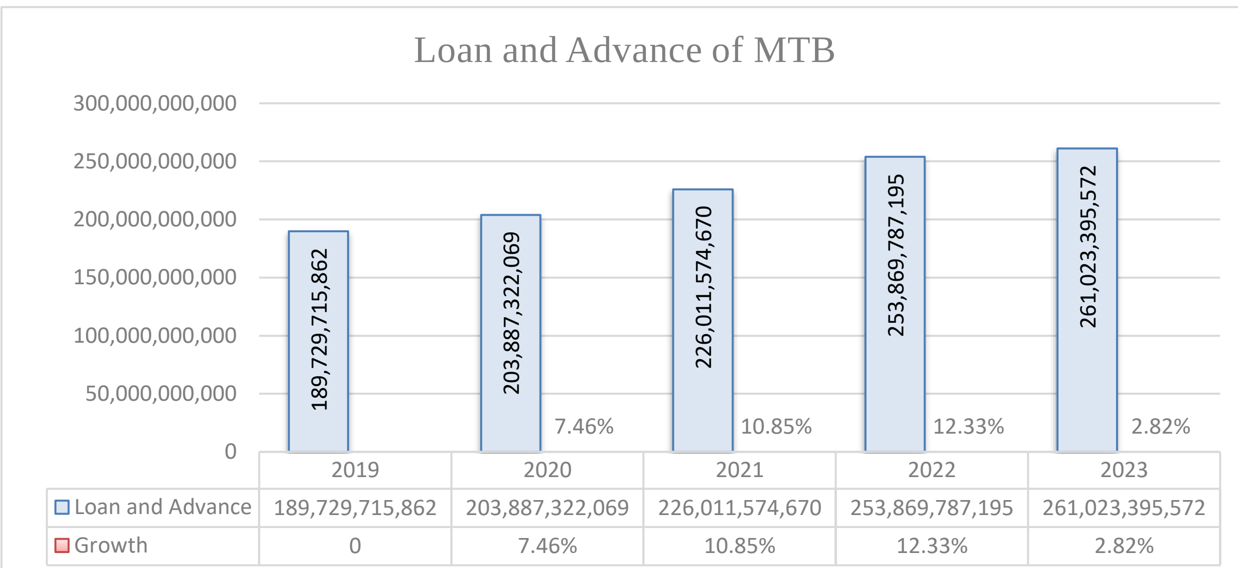
4.1 Loan and Advance Performance of MTB

Year	Loan and Advances	Growth
2019	189,729,715,862	Base Year
2020	203,887,322,069	7.46 %
2021	226,011,574,670	10.85 %
2022	253,869,787,195	12.33 %
2023	261,023,395,572	2.82 %

Table 1: Loan and Advance of MTB



Interpretation: The data from 2019 to 2023, loans and advances rates are starting from BDT 189.73 billion in 2019 as the base year. In 2020, there was a 7.46% increase to BDT 203.89 billion. Growth accelerated in 2021, rising by 10.85% to BDT 226.01 billion, reflecting stronger demand for credit as economies stabilized post-pandemic. The highest growth occurred in 2022, with a 12.33% rise to BDT 253.87 billion which indicates increased business activities and favorable lending conditions. In 2023, growth slowed to 2.82%, reaching BDT 261.02 billion which indicates the bank faced tighter credit policies or external economic challenges.

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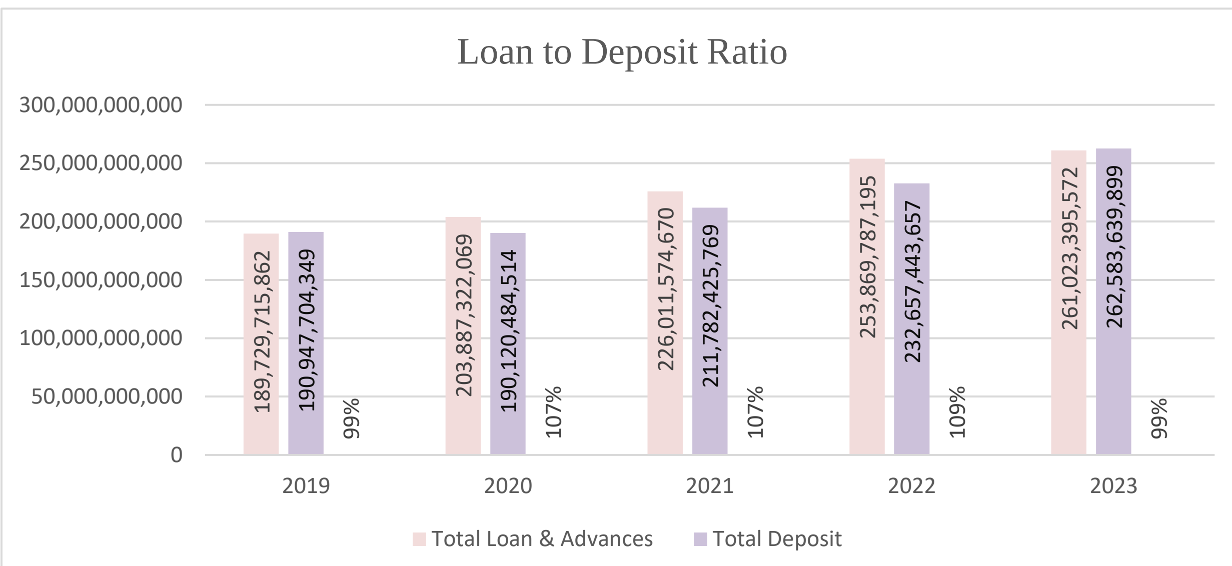
4.2 Loan to Deposit Ratio of MTB

Year	2019	2020	2021	2022	2023
Total Loan & Advances	189,729,715,862	203,887,322,069	226,011,574,670	253,869,787,195	261,023,395,572
Total Deposit	190,947,704,349	190,120,484,514	211,782,425,769	232,657,443,657	262,583,639,899
Loan to Deposit Ratio	99 %	107 %	107 %	109 %	99 %

Table 2: Loan to Deposit Ratio of MTB

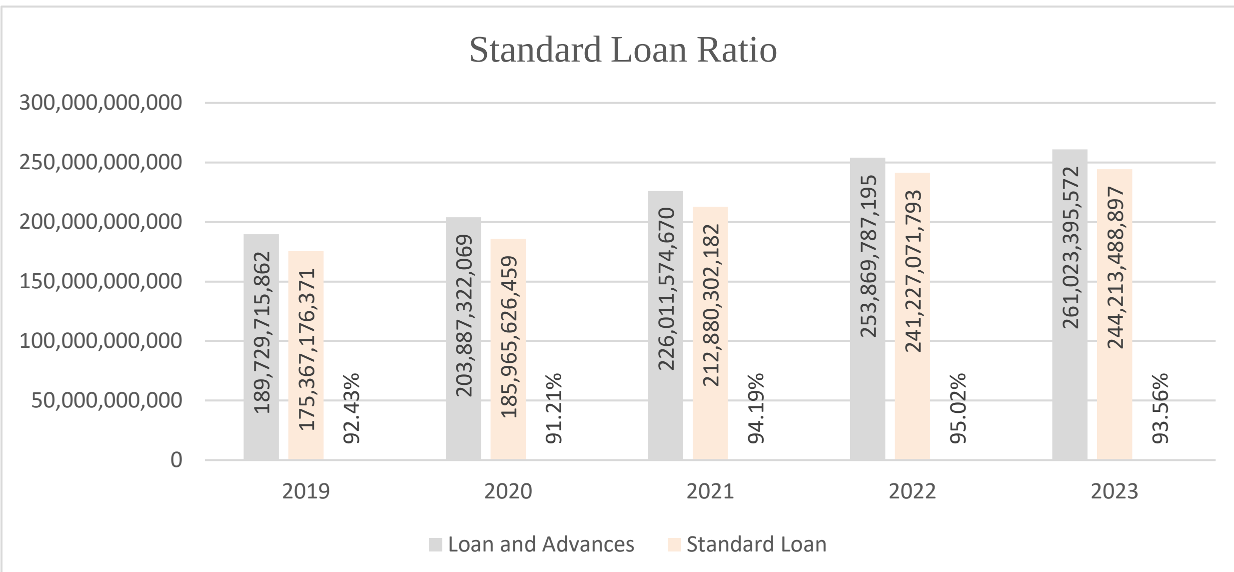


Interpretation: From 2019 to 2023, the Loan-to-Deposit Ratio reflecting changes in the bank's lending and deposit activities. In 2019, the LDR was 99%, indicating a balanced relationship between loans and deposits. In 2020 and 2021, the LDR jumped to 107%, as loan growth overtaken deposit growth, likely due to increased lending during economic recovery and low deposit growth. The LDR peaked at 109% in 2022 which reflecting even more aggressive lending relative to deposits. In 2023, the LDR returned to 99% but the liquidity strain from 2020 to 2022 when the loan-to-deposit ratio exceeded 100%, peaking at 109% in 2022 this suggesting a correction where deposit growth caught up with slower loan growth.

4.3 Standard Loan of MTB

Year	Loan and Advances	Standard Loan	Ratio of Standard
2019	189,729,715,862	175,367,176,371	92.43 %
2020	203,887,322,069	185,965,626,459	91.21 %
2021	226,011,574,670	212,880,302,182	94.19 %
2022	253,869,787,195	241,227,071,793	95.02 %
2023	261,023,395,572	244,213,488,897	93.56 %

Table 3: Standard Loan of MTB



Interpretation: From 2019 to 2023, the ratio of standard loans representing the healthy portion of total loans. In 2019, 92.43% of the BDT 189.73 billion in loans were standard. This dropped slightly to 91.21% in 2020, likely due to pandemic-related economic challenges. By 2021, with loans increasing to BDT 226.01 billion, the ratio improved to 94.19% and further to 95.02% in 2022 as the economy recovered. In 2023, the ratio dropped slightly to 93.56% of the BDT 261.02 billion, suggesting a minor rise in non-performing loans but overall loan quality remained strong throughout this period.

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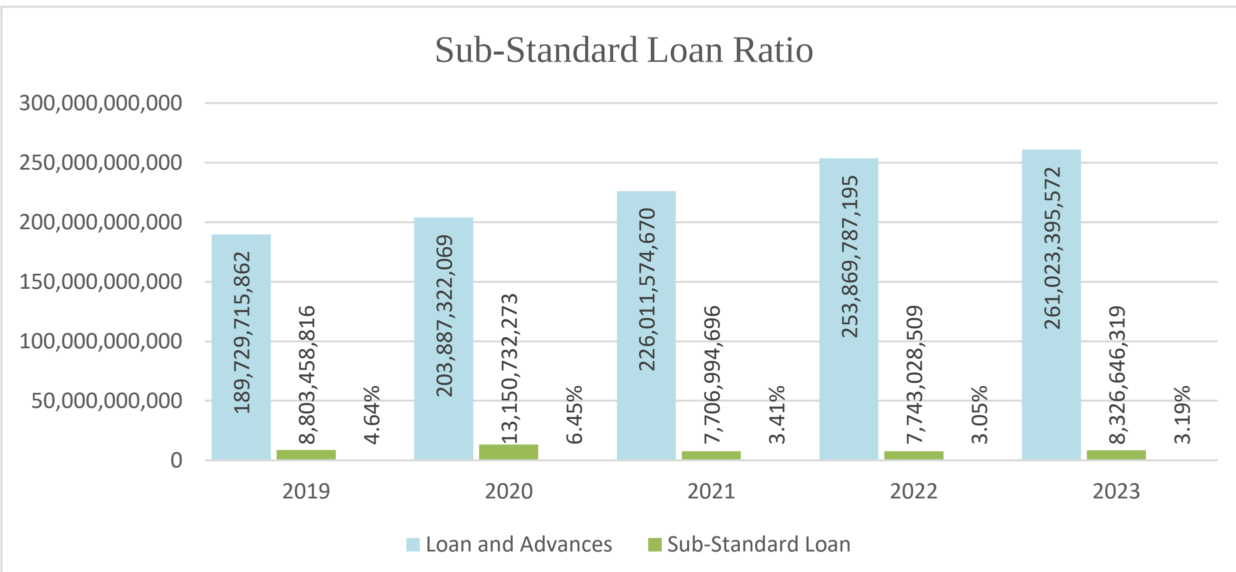
4.4 Sub-Standard Loan of MTB

Year	Loan and Advances	Sub-Standard Loan	Ratio of Sub-Standard
2019	189,729,715,862	8,803,458,816	4.64 %
2020	203,887,322,069	13,150,732,273	6.45 %
2021	226,011,574,670	7,706,994,696	3.41 %
2022	253,869,787,195	7,743,028,509	3.05 %
2023	261,023,395,572	8,326,646,319	3.19 %

Table 4: Sub-Standard Loan of MTB



Interpretation: From 2019 to 2023, the ratio of sub-standard loans data shows the loans that are at risk of becoming non-performing. In 2019, 4.64% of the BDT 189.73 billion in loans were sub-standard. This increased to 6.45% in 2020, likely due to pandemic-related financial struggles. In 2021, the ratio dropped significantly to 3.41%, and further improved to 3.05% in 2022, as economic conditions stabilized and loan quality improved. In 2023, the ratio rose slightly to 3.19% of the BDT 261.02 billion. The proportion of sub-standard loans remained relatively low, indicating better loan performance over time.

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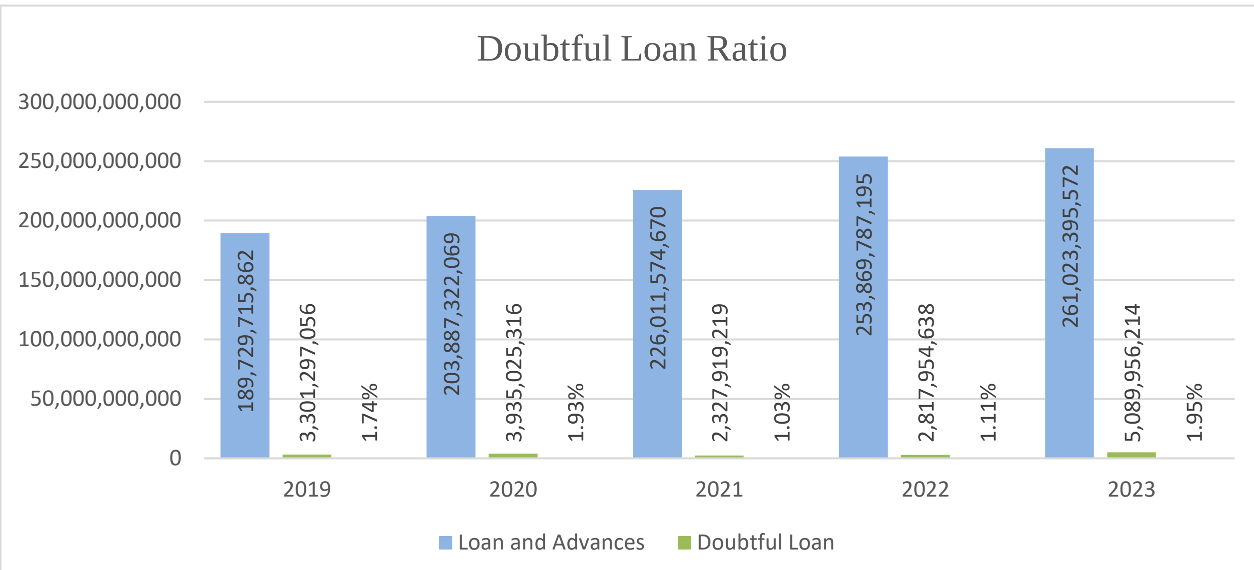
4.5 Doubtful Loan of MTB

Year	Loan and Advances	Doubtful Loan	Ratio of Doubtful
2019	189,729,715,862	3,301,297,056	1.74 %
2020	203,887,322,069	3,935,025,316	1.93 %
2021	226,011,574,670	2,327,919,219	1.03 %
2022	253,869,787,195	2,817,954,638	1.11 %
2023	261,023,395,572	5,089,956,214	1.95 %

Table 5: Doubtful Loan of MTB



Interpretation: From 2019 to 2023, the ratio of doubtful loans showed fluctuations. In 2019, 1.74% of the BDT 189.73 billion in loans were classified as doubtful. This increased slightly to 1.93% in 2020, likely due to pandemic-related financial difficulties. In 2021, the ratio improved significantly to 1.03%, reflecting better loan management and economic recovery. The ratio remained relatively low at 1.11% in 2022 but jumped to 1.95% in 2023, indicating a notable increase in doubtful loans, possibly due to new economic challenges or rising borrower defaults.

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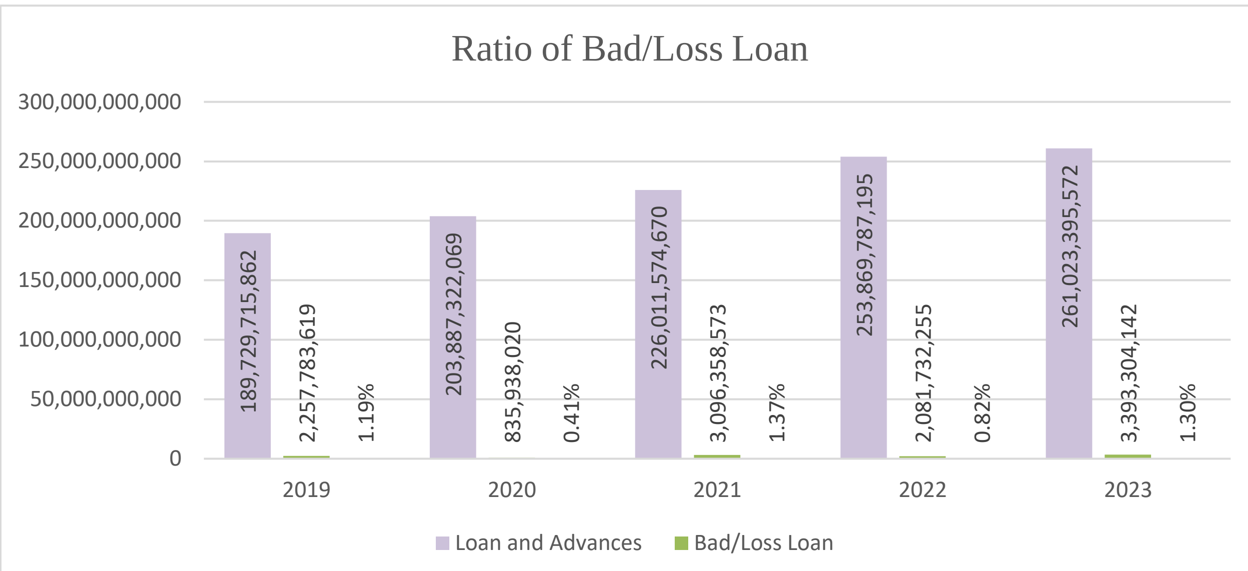
4.6 Bad/Loss Loan of MTB

Year	Loan and Advances	Bad/Loss Loan	Ratio of Bad/Loss
2019	189,729,715,862	2,257,783,619	1.19 %
2020	203,887,322,069	835,938,020	0.41 %
2021	226,011,574,670	3,096,358,573	1.37 %
2022	253,869,787,195	2,081,732,255	0.82 %
2023	261,023,395,572	3,393,304,142	1.30 %

Table 6: Bad/Loss Loan of MTB



Interpretation: From 2019 to 2023, the ratio of bad or loss loans indicates loans unlikely to be recovered. In 2019, 1.19% of the BDT 189.73 billion in loans were classified as bad loans. This improved to 0.41% in 2020, likely due to effective recovery efforts during the pandemic. However, the ratio increased to 1.37% in 2021, possibly due to lingering economic impacts. It then decreased to 0.82% in 2022, reflecting better loan performance, but rose again to 1.30% in 2023, indicating a renewed increase in bad loans and suggesting potential financial pressures.

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4.7 Sector Wise Loan

Particulars (2023)	**Amount (Solo)**	**Percentage (%)**
Agriculture	7,241,549,778	2.80
RMG	40,518,617,626	15.68
Textile	12,499,749,918	4.84
Ship Building	2,321,120,734	0.90
Ship Breaking	4,718,947,670	1.83
Other Manufacturing industry	101,212,140,344	39.16
SME loans	25,025,355,317	9.68
Construction	10,955,117,677	4.24
Power, Gas	2,665,838,580	1.03
Transport, Storage and Communication	2,199,080,744	0.85
Trade Service	15,419,727,461	5.97
Commercial real estate financing	3,568,898,005	1.38
Residential real estate financing	1,522,111,148	0.59
Consumer credit	14,737,853,637	5.70
Capital Market	1,074,357,705	0.42
NBFIs	5,376,779,947	2.08
Others	7,390,315,658	2.86
Total	**258,447,561,949**	**100**

Table 7: Sector Wise Loan of MTB

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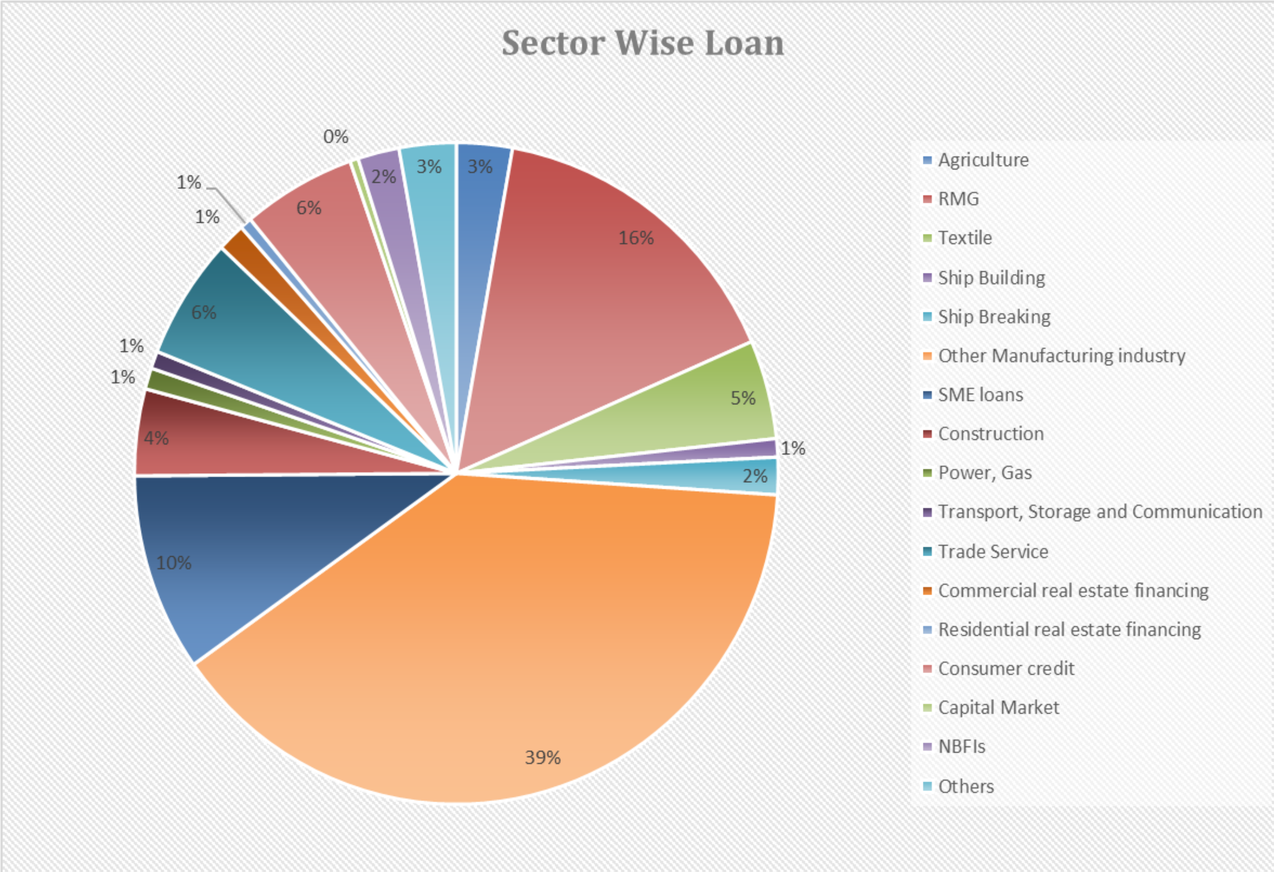

Interpretation: In 2023, total loans amounted to BDT 258.45 billion, with a significant portion allocated to the Other Manufacturing Industry (39.16%), indicating strong demand in this sector, likely driven by economic growth and production needs. The RMG sector received BDT 40.52 billion (15.68%), reflecting its importance in exports, while SME loans accounted for 9.68%, showcasing support for small and medium enterprises critical for job creation. The Construction sector garnered BDT 10.96 billion (4.24%), highlighting ongoing infrastructure investments. In contrast, Agriculture received 2.80%, pointing to a need for support but at a lower share. Sectors like Transport (0.85%) and Power, Gas (1.03%) indicate steady financing for essential services, while Consumer Credit at 5.70% reflects consumer spending confidence. Overall, this distribution emphasizes a strategic focus on growth-oriented sectors while balancing risk across the economy.

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Chapter Five

Findings, Recommendations and Conclusion

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5.1 Findings

Here are some findings based on the financial data for Mutual Trust Bank 2019-2023:

i. Loans and advances increased from BDT 189.73 billion in 2019 to BDT 261.02 billion in 2023, showcasing a general upward trend, though growth slowed significantly by 2.82% in 2023 from 2022.

ii. Growth Acceleration: The highest loan growth was observed in 2022 at 12.33%, indicating a robust recovery in demand for credit and business activities post-pandemic.

iii. Loan-to-Deposit Ratio (LDR fluctuated, peaking at 109% in 2022, indicating aggressive lending strategies; it corrected back to 99% in 2023 as deposit growth caught up with slower loan growth.

iv. Standard Loan Quality: The ratio of standard loans remained relatively high, peaking at 95.02% in 2022 but slightly declining to 93.56% in 2023, suggesting stable loan quality overall.

v. In 2023, MTB's loan quality saw some shifts, with sub-standard loans slightly increasing to 3.19%, indicating generally strong loan performance despite minor upticks. Doubtful loans rose to 1.95%, reflecting challenges in fully recovering some loans due to economic pressures, while bad or loss loans reached 1.30% after prior declines, suggesting heightened strain on certain borrowers and a rise in non-recoverable loans.

vi. MTB’s loan distribution prioritizes key sectors, with 39.16% in Other Manufacturing, 15.68% in RMG, and 9.68% in SMEs, reflecting strong support for high-growth areas. The agriculture sector received only 2.80%, indicating room for greater focus.

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5.2 Recommendations

Here are some possible recommendations for Mutual Trust Banks (MTBs) to enhance their operations and better serve their customers:

I. Monitor Loan-to-Deposit Ratio which peaking at 109% in 2022 and correcting to 99% in 2023. The bank should continue to balance this ratio to ensure sufficient liquidity while managing the risk associated with aggressive lending strategies.

II. The bank should strengthen Risk Management by addressing the increase in sub-standard loans (3.19%) and doubtful loans (1.95%) by implementing proactive monitoring and recovery strategies to minimize potential losses and maintain overall loan quality.

III. Regularly review loan performance metrics, especially in light of the decline in standard loans from 95.02% to 93.56%, to ensure high-quality lending practices and mitigate the impact of economic pressures on borrowers.

IV. MTB should implement enhanced monitoring and recovery strategies to address the increase in sub-standard loans to 3.19%, doubtful loans to 1.95%, and bad loans to 1.30%. Regular assessments of borrower financial health and proactive engagement with clients to mitigate risks and ensure robust loan quality

V. Focus on enhancing lending to the agriculture sector, which currently represents only 2.80% of the portfolio, and expand initiatives for small and medium enterprises (SMEs) that account for 9.68%, thereby tapping into critical areas for economic growth.

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5.3 Conclusion

Mutual Trust Bank (MTB) has demonstrated commendable financial performance and strategic resilience over the past years. With consistent growth in net profit and total assets, alongside prudent management of leverage and liquidity, MTB has showcased its capacity to navigate market challenges effectively. Despite some fluctuations in key ratios like ROA and ROE, the overall trend indicates positive profitability and shareholder value creation. However, areas such as liquidity management and operational efficiency warrant ongoing attention for sustained growth and competitiveness. Overall, MTB stands as a robust financial institution poised for continued success and value generation in the banking sector. By capitalizing on its strengths and addressing areas for improvement, MTB is well-positioned to continue its growth trajectory and deliver value to its stakeholders in the years to come.

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