



Daffodil International University

Internship Report on

**“Credit Appraisal & Management
Of
Mutual Trust Bank Limited”**

Prepared By

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**“Credit Appraisal & Management
Of
Mutual Trust Bank Limited”**

Submitted To
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Professor and Advisor
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Date of Submission

July 22, 2014

LETTER OF TRANSMITTAL

July 22, 2014

Mr. Rafiqul Islam

Professor and Advisor

Department of Business Administration

Faculty of Business & Economics

Daffodil International University

Subject: Submission of internship report on “Credit Appraisal & Management of MTBL”

Dear Sir,

This is my pleasure to submit my internship report on “Credit Appraisal & Management of MTBL.” It was a great opportunity for me to acquire knowledge and experience in respect of the functions, procedures, and operational mechanism of a commercial bank based on conventional banking principle while working in Hade Office of MTBL.

I believe that the knowledge and experience I have gathered during my internship period will immensely help me in my professional life.

I have concentrated my best efforts to achieve the objectives of the practical orientation and hope that my endeavor will serve the purpose. However, I will always be happy to welcome any further clarification that you may require.

Sincerely yours,

Md. Mazarul Alam

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Department of Business Administration

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DISCLAIMER

I am, Md. Mazarul alam, hereby declare that the presented report of internship titled “Credit Appraisal & Management of MTBL” is prepared by me after completion of three months work in Mutual Trust Bank Limited.

I also confirm that, the report prepared only for my academic requirement not for any other purpose. It might not be used with the interest of opposite party of the organization.

.....

Md. Mazarul alam
BBA, Program
ID: 103-11-1752
Department of Business Administration
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Daffodil International University
July 22, 2014

Certificate of Approval



I am pleased to certify that the Internship report on “Credit Appraisal & Management of MTBL” Prepared by Md.Mazarul Alam bearing ID No: 103-11-1752 of the Department of Business Administration is approved for presentation. Md. mazarul Alam worked with Mutual Trust Bank Ltd as an intern. He has completed the work during Spring , 2014 semester.

The findings presented in the report seem to be work of Md Mazarul Alam . I strongly recommend the report presented by Md.Mazarul Alam for further academic commendations and defiance/viva-voce.

Md. Mazarul Alam bears a strong moral character and a very pleasing personality. It has indeed been a great pleasure working with him. I wish him all success in life.

Supervisor

Mr. Rafiqul Islam

Professor and Advisor

Department of Business Administration

Faculty of Business & Economics
Daffodil International University

ACKNOWLEDGEMENT

It was a great pleasure for preparing Internship report on the “Credit Appraisal & Management of MTBL”. I would like to thank and convey my gratitude to honorable Supervisor, **Mr. Rafiqul Islam (Professor and Advisor, Department of Business Administration, Faculty of Business & Economics, Daffodil International University)** for letting me to prepare this report and I would also like to express my sincere appreciation to him for his wholehearted support and guidance.

I am also grateful to the management of Mutual Trust Bank Limited for offering me the Internship training. My special thanks to **Mr. Md. Khirkil Nowaz (SVP & Head of Retail Banking , Head Office)**, **Mr. Mujibur Rahman Khan, (AVP & Assistant Manager)** and **Rashidul Islam (AVP & Head of Credit department)**, of The MTBL, and the staffs who have given me the practical knowledge about the Banking operations.

I am also owed to each person who I bothered inside and outside of MTBL Head Office, in carrying out this report

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 service quality of MTBL. 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 past five years are Publications, Annual reports of MTBL., Different circulars and papers of MTBL, Term papers of MTBL Training manuals, Credit Manual, General Banking Operation manual, Banking Lecture sheet within the organization helped me to gather data about the organization.

The report contains five chapters. The first chapter of the report describes the introductory words of the internship report in which Introduction of Topic, Origin the Report, Background of the study, Objective of the Report, Scope of the Report, Methodology & Limitations. The second chapter contains the organizational part of "MTBL.", Organization Structure of "MTBL.", Vision of "MTBL.", and Mission Statement, Product and services of "MTBL." performance evaluation and Description. In the chapter three, Credit Administrations operations of MTBL have been added. The Loans& Credits system and procedure has been described in that chapter, financial performance of Credit department of MTBL has been described.

Different suggestions, recommendations have come at the end of the report in the chapter four. The Problems findings during the three-month long internship period & suggestions are given from observation, comparative analysis, strategic point of view etc. To increase the efficacy in

customer service MTBL should try to develop the process of providing services. MTBL has passed a long way since it is providing services. Already it has earned a strong position in the field of customer service. To continue to hold the position and be perfect in this sector it will have to give more and more attention to the customer retention and development

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Chapter: 01

Introduction

- 1.1. Introduction
- 1.2. Objectives of the Report
- 1.3. Origin of the report
- 1.4. Scope
- 1.5. Methodology
- 1.6. Limitations of Study



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1.1 Introduction

This internship is a part of the Bachelor of Business Administration (BBA) program that provides an on-the-job experience to students. The theoretical knowledge and practical training is not the same theme. The theoretical knowledge is fulfilled when it can be used in the practical field. The goal of internship is to apply one's theoretical knowledge in practical fields. Thus internship is a pragmatic application of knowledge and achieving practical experience by engaging oneself in different and distinct sectors of work. That is why the internship program is also included in the curriculum of BBA in Daffodil International University, which is undertaken in different organization of the country. I have also completed my internship program at Mutual Trust Bank Limited, Head Office, Dhaka. Banking system occupies an important place in a nation's economy because of its intermediary role; it ensures allocation and relocation of resources and keeps up the momentum of economic activities. A banking institution is indispensable in a modern society. It plays a pivotal role in the economic development of a country and forms the core at the money market in any country. In a developing country like Bangladesh the banking system as a whole has a vital role to play in the progress of the economic development. Bank plays an important role in the business sectors and in the industrialization of a country. Basically the banks take deposits from the customers against interest and lend it to the borrowers against interest for a cessation period. Under these circumstances of banks offers different interest rates and other options to the customers to remit and deposit their money. These options are very common among the entire bank, but only the customer services and other facilities vary from bank to bank.

In our country there are Govt. Banks, Semi-Govt. Banks, and Private sector commercial bank of Bangladesh and also it is the third generation private bank in Bangladesh. It started its crucial moment/juncture when Bangladesh economy was undergoing through massive economy reforms and pursuing unilateral and multilateral trade liberalization with the backdrop of the World Bank made international monetary fund recommendations.

1.2 Objectives of the Report

There are certain objectives to carry out this report, these are –

Main Objective

The main objective of the study is to evaluate Credit Management of the Mutual Trust Bank Limited (MTBL).

Specific Objectives

1. To identify the Lending procedures maintained by MTBL.
2. To identify the actual position of classified Loan and provisions maintained by MTBL
3. To identify and evaluate Credit Management procedure of MTBL.
4. To identify some problems and provide suggestions related to Credit Management of MTBL.

1.3 Origin of the Report

Bachelor of Business Administration (BBA) Course requires a three months attachment with an organization followed by a report assigned by the supervisor in the organization and endorsed by the faculty advisor. I took the opportunity to do my internship in the Mutual Trust Bank Limited (MTBL). This organizational supervisor Mr. Md. Khirkil Nowaz, SVP & Head of Retail Banking of Head Office asked me to conduct a study on report Credit Appraisal & Management system of Mutual Trust Bank Limited its best practices guidelines. My faculty supervisor Mr. Rafiqul Islam , Professor and Advisor , Faculty of Business & Economics, Daffodil International University, also approved the topic “Credit Appraisal & Management system of Mutual Trust Bank Limited; A Case Study on Head Office.”

1.4 Scope

Scope means area of operations or field of the study. The scope of this report was extended to the Credit Appraisal & Management of Mutual Trust Bank Limited.

1.5 Methodology of the study:

1.5.1 Research Design:

The study requires a systematic procedure from selection of the topic to final report preparation. In this study, descriptive method was undertaken to gain insights and understanding of the Loans & Credits operation of MTBL. To perform the study data sources were identified and collected, they were classified, analyzed, interpreted and presented in a systematic manner and key points are found out. This overall process of methodology is given in below that has been followed in the study.

1.5.2 Selection of the topic:

The topic selected for the study was chosen by me and approved by Mr. Rafiqul Islam, Professor and Advisor , Faculty of Business & Economics, Daffodil International University

1.5.3 Identifying data sources:

Essential data sources both primary and secondary had been identified which were needed to complete and workout the study. To meet up the need of data

- Primary data are used and the study also required interviewing the officials and staffs, clients where necessary.
- Secondary data sources were files, documents, website of the bank, relevant books, etc.

1.5.4 Target Population: All officers and clients of MTBL Bank Ltd, Head Office.

1.5.5 Population Size:

No. of employees of this branch: 60

No. of clients of this branch: 3000(approximately)

1.5.6 Sample Size:

No. of employees: - 20

No. of clients: - 75

1.5.7 Sources of Data: Sources of data are given below:

1.5.8 Primary Sources:

- Bank Officials
- Supervisor
- Clients

1.5.9 Secondary Sources:

- Annual reports & documents of MTBL
- Web site of MTBL
- Newspaper, journal, articles etc
- Credit Policy Manual
- Different books and periodicals related to the banking sector
- Bangladesh Bank Report

1.5.10 Method of Data Collection:

- Consultation with bank officials
- Observing the activities of different departments of MTBL.
- Discussion with the supervisor.
- Face-to-face conversation with the clients.

1.5.11 Collection of Primary Data:

- Practical experience and queries from the executives while doing my internship at The MTBL Bank Ltd.
- Some data are collected from Informal discussion with the executives of the bank.

1.5.12 Collection of Secondary Data:

- Most of financial data are collected from the Annual Reports of the year 2009, 2010, 2011, 2012 and, 2013.
- I also used different Manuals and Publication of The MTBL Bank Ltd to collect some information ,
- Website of MTBL

1.5.13 Data Analysis and Reporting:

To analyze the gathered data of Loans & Credits department, I used different types of charts, tables and graphs. To do that analysis I used different types of computer software like Microsoft Word and Microsoft Excel.

1.6 Limitations of Study

There were some problems while I am doing internship. A whole hearted effort was applied to conduct the internship and to bring a reliable and fruitful result. In spite of having the wholehearted effort, there exit some limitations, which acted as a barrier to conduct the program. The limitations were noted to this page:

- ✓ Bankers don't want to disclose all the information I need.
- ✓ Although the officers of the Mutual Trust Bank Limited have been very helpful, they didn't have enough time to provide, as they are very busy with their assigned works. So, in some cases, observation was needed.

Chapter: 02

An overview of Mutual Trust Bank Limited (MTBL)



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2.1 An overview of Mutual Trust Bank Limited (MTBL)

Mutual Trust Bank Limited is the growing private sector bank in Bangladesh offering full range of Personal, Corporate, International Trade, Foreign Exchange, Lease Finance and Capital Market Services. Mutual Trust Bank Limited is the preferred choice in banking for friendly and personalized services, cutting edge technology, tailored solutions for business needs, global reach in trade and commerce and high yield on investments, assuring Excellence in Banking Services.

2.2 Background of Mutual Trust Bank Limited

The Company was incorporated on September 29, 1999 under the Companies Act 1994 as a public company limited by shares for carrying out all kinds of banking activities with Authorized Capital of Tk. 38,00,000,000 divided into 38,000,000 ordinary shares of Tk.100 each.

The Company was also issued Certificate for Commencement of Business on the same day and was granted license on October 05, 1999 by Bangladesh Bank under the Banking Companies Act 1991 and started its banking operation on October 24, 1999. As envisaged in the Memorandum of Association and as licensed by Bangladesh Bank under the provisions of the Banking Companies Act 1991, the Company started its banking operation and entitled to carry out the following types of banking business:

- (i) All types of commercial banking activities including Money Market operations.
- (ii) Investment in Merchant Banking activities.
- (iii) Investment in Company activities.
- (iv) Financiers, Promoters, Capitalists etc.
- (v) Financial Intermediary Services.
- (vi) Any related Financial Services.

The Company (Bank) operates through its Head Office at Dhaka and 81 branches and 13 SME Service Centers. The Company/ Bank carry out international business through a Global Network of Foreign Correspondent Banks.

2.3 Profile of MTBL

Registered Name of the Company: Mutual Trust Bank Limited.

Type: Limited.

Founded: On September 29, 1999.

Started its banking operation on October 24, 1999

Chairman: Mr. Rashed Ahmed Chowdhury

Head office: 26 Avenue, Gulshan-1, Dhaka-1212.

Key People: Mr. Anis A. Khan, (Managing Director, & CEO).

Nature of Business: Products & Service

Products: SME banking products (small business loan, MTB Krishi, MTB Mousumi, MTB Digoon, MTB Bhaggobati, MTB Revolving Loan, MTB Green Energy Loan, Microfinance Scheme). MTB Consumer Loan (MTB Life Line, Home Loan Scheme, Home Repair Loan, Home loan, Auto Loan, Doctor's Loan).

Service: Corporate Banking, Institutional Banking, Off-Shore Banking, Investment Banking, Mercent Banking, MTM Deposit Scheme, E-Banking, etc.)

Company Registration Number: c38707 (665)/99 on September 29, 1999

Bangladesh Bank Permission Number: BRPD (P) 744(78)/99-3081 on October 5, 1999

SWIFT CODE: MTBL BD DH

Net Income: 573 million BD.TK. (2013)

Corporate Website: www.mutualtrustbank.com.

E-mail: info@ mutualtrustbank.com

2.4 Mission

We aspire to be the most admired financial institution in the country, recognized as a dynamic, innovative and client focused company, which offers an array of products and services in the search for excellence and to create an impressive economic value.

2.5 Vision

Mutual Trust Bank's vision is based on a philosophy known as **MTB3V**. We envision MTB to be:

- ▶ One of the Best Performing Banks in Bangladesh
- ▶ The Bank of Choice
- ▶ A Truly World-class Bank

2.6 Capital Base

Authorized Capital: 38,00,000,000.

Paid up Capital : 389,026 million

2.7 Slogan

You can bank on us

2.8 Organization Hierarchy

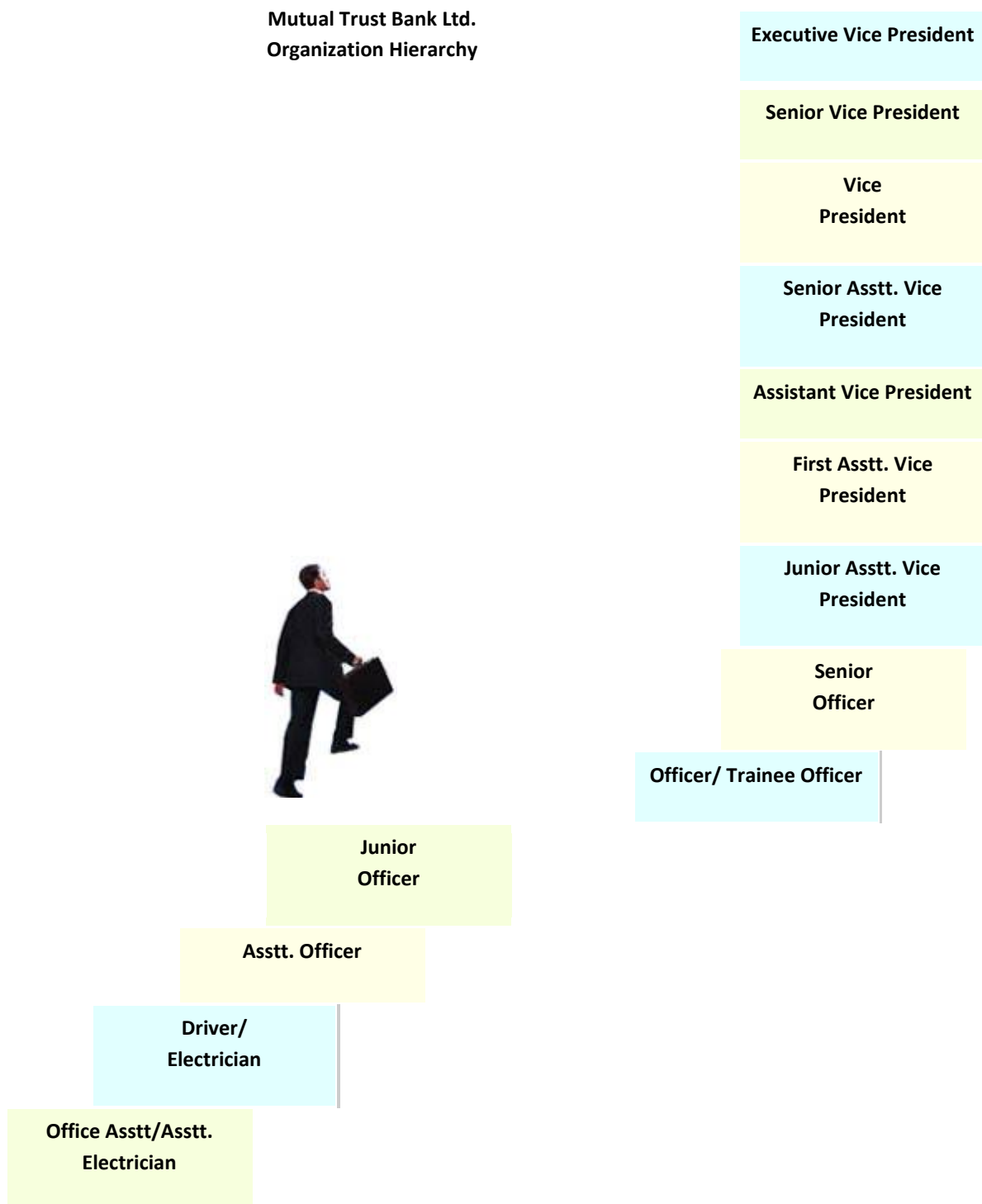


Chart: 01

2.9 Organ gram of MTBL

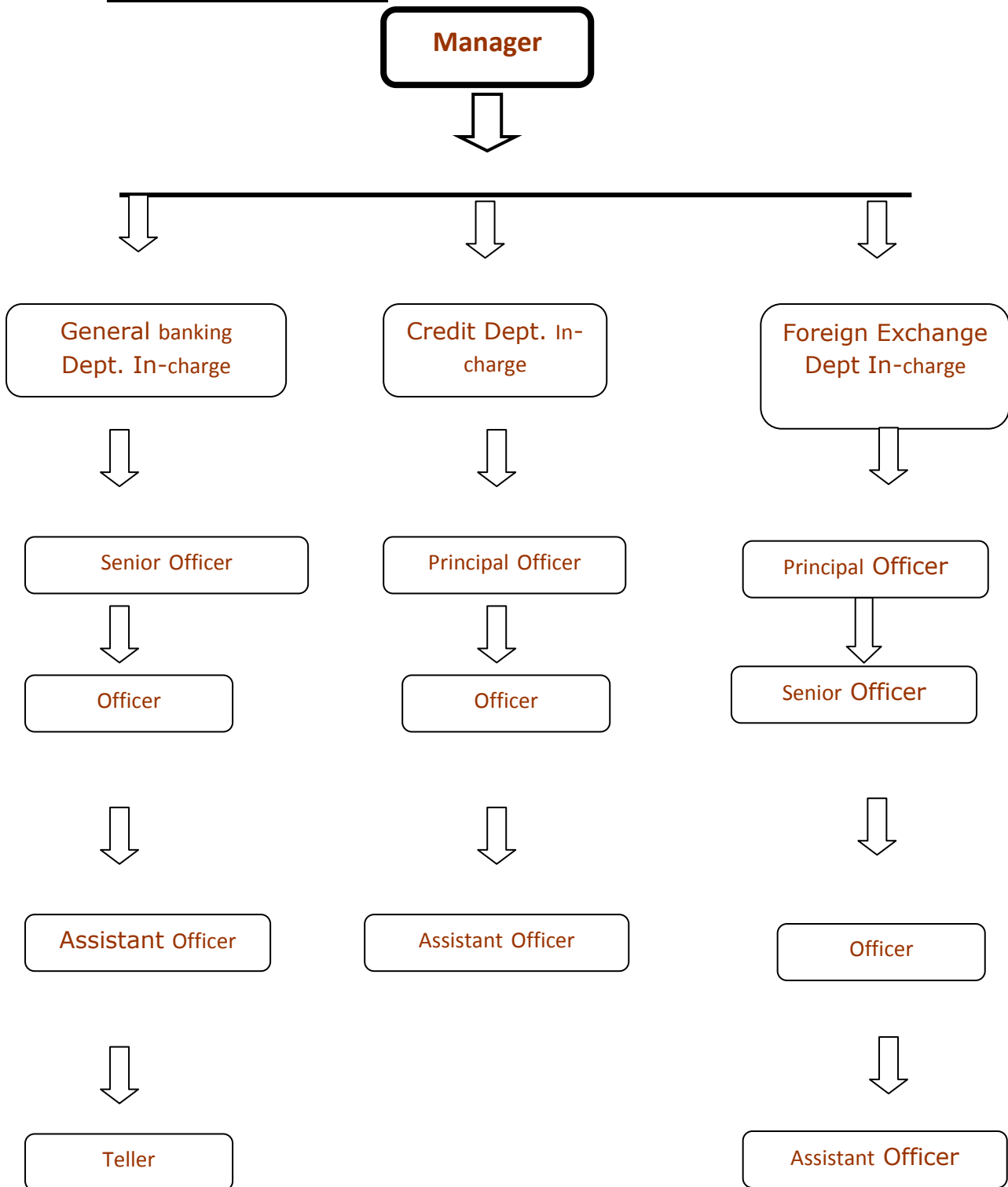


Chart: 02

2.10 Business Principles and values of MTBL

- MTBL is committed to the following business principles:
- Outstanding customer service;
- Effective and efficient operation;
- Strong capital liquidity;
- Conservative lending policy;
- Strict expense discipline;
- The highest personal standard of integrity at all levels;
- Commitment to truth and fair dealing;
- Openly esteemed commitment to quality and competence;
- A minimum bureaucracy;
- Fast decisions and implementation;
- Putting the group's interest ahead of the individual's;
- The appropriate delegation of authority with accountability;
- Fair and objective employer;
- Merit approach to recruitment/selection/promotion process.

2.11 Business Philosophy of MTBL

The philosophy of MTBL is to develop the bank into an ideal and unique banking institution. The perception is that MTBL should be quite different from other privately owned and managed commercial bank operating in Bangladesh. MTBL is to grow as a leader in the industry rather than a follower. The leadership will be in the area of service, constant effort being made to add new dimension so that clients get 'Additional' in the matter of services to commensurate with the needs and requirements of the country's growing society and developing economy.

2.12 Global Economic Perspective

The growth of world economy, according to World Bank's study on Global Economic Prospects 2013, has been broadening over the past few years. Real GDP growth of the world is expected to be 3.20% in the year 2013 which is remarkably higher than that of previous year's due to improvement in macroeconomic fundamentals, enhanced structural flexibility, stronger economic climate and progress toward reducing trade barriers. However, International Monetary Fund (IMF) had forecasted 4.30% growth for 2013.

MTBL successfully maintained its growth during the year 2012 and 2013 in terms of business and profitability, with its operating profit was 1332 million and 2026 million respectively. The bank diversified its business in new areas of commercial banking operations, trade finance, working capital finance, term finance, etc. the On line operation of the bank was increasingly gaining popularity and with opening of rural branches, modern banking services were now being enjoyed by the valued customers in places outside Dhaka and even in rural areas, where MTBL is operating.

2.13 Corporate Governance

- Corporate Governance is the system by which organizations are directed and controlled firmly. The bank follows the guidelines stated below to ensure corporate governance.
- In accordance with the guidelines of Bangladesh Bank the number of directors in the board is thirteen.
- The board of directors has two committees namely Executive Committee and Audit Committee.
- At least one board meeting is held every month.
- The board reviews the policies related to credit and other major operations in order to establish effective risk management.
- The board ensures the compliance with the rules and regulations of Securities and Exchange Commission (SEC) and other regulatory bodies.
- The management performs activities in line related with the board.

2.14 Corporate Social Responsibilities (CSR)

MTBL has always responded to its commitment to the society and has been taking part in corporate contributions and donations to various charitable, educational and healthcare institutions across the country. The Mutual Trust Bank Foundation has been formed to carry out these benevolent activities.

2.15 Products and Services of MTBL

Deposit Products

- Savings Account
- Current Account
- Brick by Brick
- MTB Double Saver Plan
- Children's Education Plan
- Fixed Deposit
- MTB Millionaire Plan
- MTB Inspire
- MTB Ruby
- MTB Junior
- MTB Graduate
- MTB Senior
- Monthly Benefit Plan

MTB Card Products

- Credit Cards
- Debit Cards

2.16 Financial Performance of the MTBL

MTBL a blend of expertise and technological excellence is in place to meet varied needs of modern customers. The bank aims at mobilizing untapped money of the country and prudent deployment for productive activities in the form of lending at a competitive interest rates/loan pricing. 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, 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.

2.16.1 Reserves

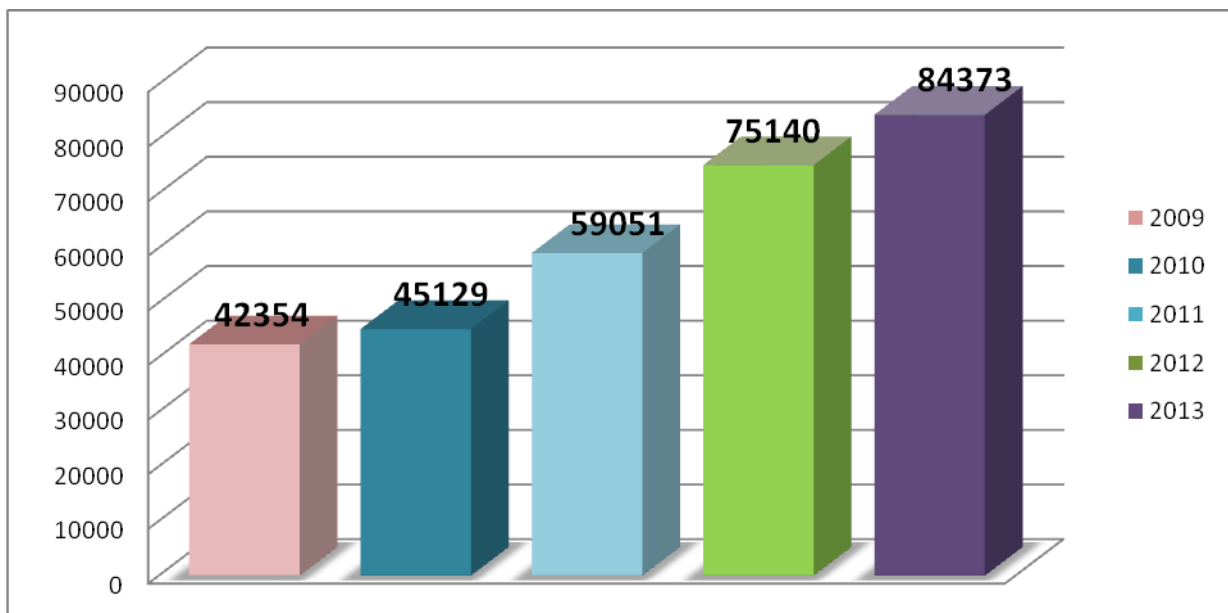
The policy of Mutual Trust Bank Ltd is to keep statutory reserve at 20% on profit before tax. The Bank raised its Statutory Reserve from TK 1637 million in FY 2012 to TK. 1917 million in FY 2013.

2.16.2 Profit and Operating Results

Total operating income of the bank in FY 2013 was TK. 4618.9 million against a total operating expenditure of TK. 2593.1 million. Total profit before provision stood at TK. 2025 million during FY 2013. After keeping TK. 626.5 million as provision against classified loans & advances, and TK. 826 million as provision for income tax, the net profit stood at TK. 1399.3 million during FY 2013. Net profit after income tax in the year 2013 posted by the bank was TK. 573.2 million. There is a significant increase in profit in 2013 over the preceding FY 2009. The earning per share was 2.05% in FY 2013.

2.16.3 Deposits

In FY 2013, the deposits of MTBL shot up to TK. 84373 million from TK. 75140 million as recorded in FY 2012. During this period, the deposit base was increased by 36.40% compared to the preceding year. The combination of competitive interest rates, depositors' trust in the bank and mobilization efforts of the bank resulted in this growth of deposits. Efforts are a foot being made to further increase deposit base of the bank through promotion of business and exploring of potential scope.



Asset (in million)

Graph: 03

2.16.4 Loans & Advances

Total loans & advances of the bank as on December 31, 2013 was TK. 59548 million as against TK. 56511 million in FY2012, showing an increase by 43.12% over the preceding year. The credit portfolio of the bank is a mix of scheme loans, namely Micro credit, Consumers durable scheme loan (CDS), Marriage Loan, Car Loan, HBF Loan and commercial Loans. Commercial Loans comprise Trade financing in the form of working capital and industrial loans (both large and medium scale industries) in the form of Term loans and other funded & non-funded credit facilities.

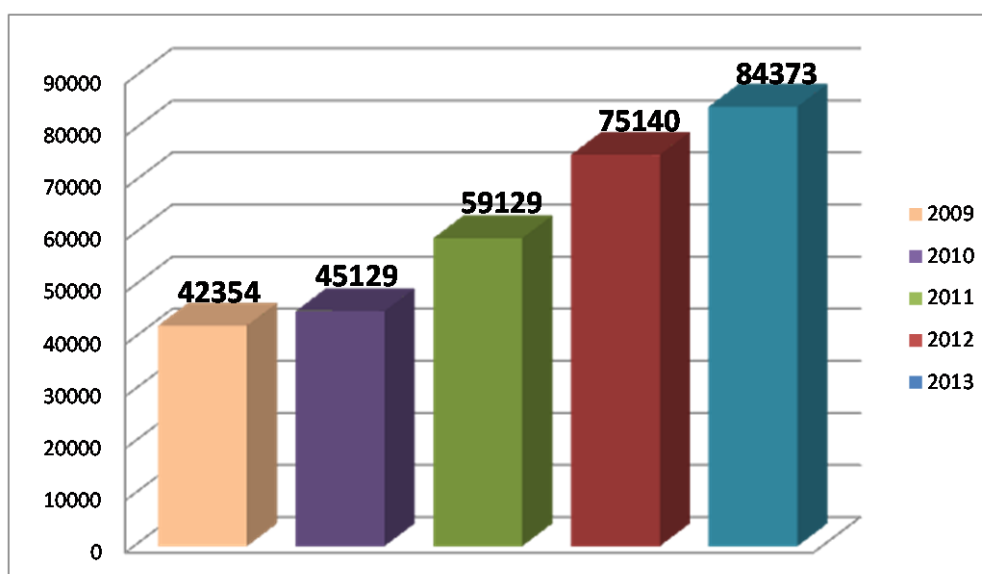


Chart: 04

Term financing indicates the Bank's participation in the industrial development of our country while by extending small loans the MTBL has fulfilled the borrowing needs of the low and medium income groups of our society. The bank in the year 2013 is not extended repair & reconstruction of dwelling house. The classified loans & advances accounted for only 1.32% of the total Loans & Advance of TK. 59548 million in FY 2013. The bank as a matter of priority in its policy wants to ensure quality of its Loan 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.

2.16.5 Branch Expansion

The MTBL has taken up a programmed to expand its branches. The bank has already 21 branches in many different places in Bangladesh; most of them are inside the different cantonments. The management is filling that they need more branches all over the Bangladesh.. As per Bangladesh Bank circular that if any banks open a branch in Dhaka then they have to be open a branch out side Dhaka.

2.16.6 Information Technology (IT) & Automation

All the branches of the MTBL are fully computerized. New software 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. It is soon going to launch “**One 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.

2.16.7 Foreign Correspondents

Foreign correspondent relationship facilities foreign trade operation of the bank, mainly in respect of export, import and foreign remittance. The number of foreign correspondents and agents of the bank in the year 2012 stood at more than 300, which covers important business and trade centers of the world. The bank maintains excellent relationship with the leading international banks, for handling all foreign correspondent and maintaining all foreign business there is an International Division, which is called ID.

Chapter: 03

CREDIT APPRAISAL & MANAGEMENT OF MTBL



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3.1 Credit Division

Loans & Advances is the nerve center of a Bank. MTBL have a comprehensive selection of facilities to offer, from a simple personal loan, credit cards, auto loan and overdraft facilities to home loan. MTBL strive to remain competitive and are committed to constantly reviewing both MTBL lending policies and rates to ensure that the customers get the best deals in town.

3.2 Mission and Vision for Credit Management of MTBL

MTBL mission is ‘to make as the most preferred bank of the customers by ensuring prompt and quality services with highly motivated and skilled manpower, using updated technology, covering wide range of financial activities, maintaining transparency, accountability and integrity and thereby ensuring a stable and sound financial operational system.

The mission statement of MTBL includes:

- Extend all types of credit facilities at competitive price with prudence & efficiency
- Offer wide range of financial products
- Encourage loans & advances to productive income generating activities and there by create employment opportunities and improve standard of living of the common people. Loans and advances for productive purpose, which will alleviate poverty, will be given priority.
- Prioritize welfare oriented banking services.
- Diversify lending activities by avoiding undesirable sectoral concentration and ensuring balanced geographical dispersal.
- Design loan operations keeping social and economic and environmental factors in to consideration.
- Attach due importance to consumer credit, personal loan, SME loan and agricultural credit.
- Prefer lending which will be judiciously backed by acceptable security.
- Ensure borrower’s stake in the activity.

- Encourage syndicated/Club financing in prospective/ profitable ventures.
- Invest at reasonable lending rates.
- Monitor and ensure end use of loans/advances for the sanctioned purpose.
- Constantly explore prospective and profitable ventures to achieve institutional and national objectives.
- Prefer short term lending through small and medium enterprises
- Extend credit which would contribute within defined risk limitation to the bank's achievement of profitable growth and judicious return on the bank's capital.
- Not to enter in to any speculative uncovered foreign exchange risk in investing/lending fund.

3.3 Credit Policy of MTBL

To achieve MTBL goal for maximizing the stakeholders' value and protect the interest of the depositors as well as to improve asset quality, MTBL will abide by but will not be confined to the following credit principles, which should guide the behavior in their lending decisions:

- Ⓢ Assessment of the customer's character, integrity and willingness to repay will form basis of lending.
- Ⓢ Customers having capacity and ability to repay shall only be lent
- Ⓢ Possibility of default will be worked out before lending.
- Ⓢ Credit will be extended in the areas, risks of which can be sufficiently understood and managed.
- Ⓢ Independent credit participation in the credit process shall be ensured
- Ⓢ Ethical behavior in all credit activities shall be ensured.
- Ⓢ Encourage pro-activeness in identifying, managing and communicating credit risks.
- Ⓢ Maintain due diligence in ensuring that credit exposures and activities including processing function comply with MTBL requirements as well as requirement of regulatory authority.
- Ⓢ Risk and reward to be optimized.
- Ⓢ Diversified credit portfolio to be built and maintained.

- Ⓢ Credit will normally be financed from customers' deposits and not out of short-term temporary funds or borrowing from other banks.
- Ⓢ The bank shall offer suitable credit services and products for the market in which it operates.
- Ⓢ Credit will be allowed in a manner which will in no way compromise with the Bank's standard of excellence and to customers who will not compromise with such standards.
- Ⓢ All credit extension must comply with the requirement of Bank Company Act- 1991 and amendments thereof made from time to time and all the requirements of other regulatory authorities.
- Ⓢ Prevention of extending credit facilities to the CIB black listed persons/entities.

3.4 Laws and Norms

All credit operations- processing of credit proposals, sanctioning, documentation, disbursement and follow up to be made in strict compliance with the policy guidelines, existing laws and norms, circulars issued/to be issued by Bangladesh Bank and other competent authorities from time to time.

3.5 Lending Guidelines

- ⇒ MTBL finances in lawful business for lawful purpose in lawful manner.
- ⇒ MTBL extends credit facilities to individuals, proprietorship concerns, partnership concerns, limited companies-private and public, government organizations, financial institutions, joint ventures, and such other organizations having legal existence and necessary permissions for conducting business in Bangladesh.
- ⇒ MTBL extends credit facilities only to productive and legitimate business activities, which are socially desirable, nationally important, and financially viable and will avoid lending as far as possible for unproductive purposes and speculative ventures.
- ⇒ While extending credit facilities MTBL will abide by its Know Your Customer (**KYC**) policy, anti money-laundering regulations, and will conduct its credit activities within the prescribed regulatory parameters of Bangladesh Bank and Bank Company Act. All statutory requirements outlined in BOI Guidelines, Industrial policy, Export Policy, Import Policy, Transfer of Property Act, etc. to be strictly followed.

- ⇒ The intending borrower must have legitimate source of earnings, clear purpose of utilizing loans, specific sources of repayment and capacity to enter in to loan agreement.
- ⇒ MTBL discourages low net-worth or highly leveraged borrowers.
- ⇒ Credit proposals will not be unduly influenced by over reliance on the sponsoring principal's reputation, reported independent means, or their perceived willingness to inject funds into various business enterprises in case of need. These situations will be discouraged and treated with utmost caution. Rather, credit proposals and granting of loans will be based on sound fundamentals, supported by a thorough financial and risk analysis.
- ⇒ MTBL discourages lending against owner's cheque or pledge of goods
- ⇒ Satisfactory turnover in the credit operation to be stressed upon.
- ⇒ MTBL does not generally accept subordinate position to other lenders.
- ⇒ Tenor of loans to be set rationally matching with cash conversion cycle/cash flows.
- ⇒ MTBL prefers extending credit facilities within the command areas.
- ⇒ MTBL prefers extending credit facilities where it has the industry/business knowledge and discourages where highly specialized skills needed to properly evaluate the loan proposals.

3.6 Product Range/ Types of Loan Facilities

MTBL credit products include conventional products like Cash Credit, Secured Overdraft (SOD), Industrial Term Loan, loan General, House Building loan, Bank Guarantee, Letter of Credit, LTR/Bill Purchase/ Back to Back L/C under import/ export finance, Lease Finance, Consumer Credit etc. Large scale Industrial Finance may also be considered under consortium arrangement. A list of MTBL's credit products are below:

3.6 .1 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 three segments:

Short Term	1 to 3 years
Medium Term	3 to 5 years
Long Term	Above 5 years

3.6 .2 Over Draft (OD)

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 with draw 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 everyone, the bank will provide only those who will fulfill the requirement. It means that only real customer can get this kind of facility.

3.6 .3 Cash Credit (Hypo)

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:

- 1. Commercial Lending**
- 2. Working Capital**

3.6 .4 Cash Credit (Pledge)

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:

- 1. Commercial Lending**
- 2. Working Capital**

3.6 .5 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 definite period and specific purpose. It is not a continuous credit.

3.6 .6 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’.

3.6 .7 PAD

Payment made by the bank against lodgment of shipping documents of goods imported through L/C falls under this type head. It is an interim type of advance connected with import and is generally liquidated shortly against payments usually made by the party for retirements of documents for release of import goods from the customer authority. It falls under the category “Commercial Lending”.

3.6 .8 LTR

Advances allowed for retirement of shipping documents and release of goods imported through L/C without effective control over the goods delivered to the customer fall under this head. The goods are handed over the importer under trust with arrangement that sales proceed should be deposited to liquidate the advances within a given period. This is also temporary advance connected with import that is known post-import finance under category 'Commercial lending'.

3.6 .9 IBP

Payment made through purchase of inland bill to meet urgent requirements of customer fall under this type of credit facility. This temporary advance is adjusted from the proceeds of bills purchased for collection. It falls under the category 'Commercial Lending'.

3.6 .10 FDBP

Payment made to a party through purchase of foreign documentary bills fall under this head. This temporary advance is adjustable from the proceeds of negotiable shipping/export documents. It falls under category 'Export Credit'.

3.6 .11 LDBP

Payment made to a party through purchase of local documentary bills fall under this head. This temporary liability is adjustable from proceeds of the bill.

3.6 .12 Micro Credit

Loan has given only to the Army Person for the purpose of Repairing and reconstruction of dwelling Houses.

3.7 Present products of MTBL at a glance

Sl. No.	Name	Description	Purpose
1.	CAD	Cash Against Documents	Financing against documents drawn under Sales Contract.
2.	Car Loan(Emp)	Car Loan(Employee)	Financing purchasing car for own use by MTBL's staff as per their entitlement.
3.	HBL –Com	House Building Loan –Commercial	Financing construction of commercial building.
4.	HBL-Res	House Building Loan –Residential	Financing construction/ purchasing of house for residential purpose
5.	Loan (Gen)	Loan General	Financing payment of duty, VAT & others
6.	DL/PAD (BTB)	Demand Loan	Created under forced circumstances towards adjustment of import payment obligations
7.	LTR	Loan against Trust Receipt	To finance release of import documents.
8.	SOD(Others)	Secured Overdraft (Others)	Financing pre-shipment credit requirement against export LC.
9.	EHL	Employees House Building Loan	Financing purchase of land, construction of building, purchase of apartment for residential purpose to MTBL staffs.
10.	Staff Loan against PF	Staff Loan against Provident Fund	Loan allowed to MTBL's staffs against their respective Provident Fund.
11.	Consumer/Personal loan	-	Financing purchasing of household, consumer durables, car etc General purpose
12.	SME financing	Small & Medium Enterprise financing	To finance inventory/ receivables General purpose
13.	Rural Credit	-	Financing agro based industries.
14.	Best Invest Loan	Best Investment Loan	Investment against financial obligation built from client's money and bank's money
15.	Home Loan	Home Loan Refinance	Financing for construction/purchasing of apartment /flat against refinance of Bangladesh Bank.

16.	OD against Margin	Overdraft against Margin	Financing by Merchant Banking Division against share.
17.	SOD (FO)	Secured Overdraft against Financial Obligation	General.
18.	SOD (General)	Secured Overdraft other than financial obligation	General. Execution of work/supply orders Real Estate Finance
19.	Credit Card	-	Financing retail borrowers through Credit Card.
20.	PAD(EDF)	Payment Against Documents under Export Development Fund.	Payment against import documents drawn under sight import LC opened against lien of export LC which is refinanced by Bangladesh Bank under EDF system.
21.	Term Loan(Industrial)	Term Loan against capital machinery	Finance against capital machinery
22.	Term Loan (Others)	Term Loan against other than machinery	Real Estate Finance, syndicated finance etc.
23.	CC(H)	Cash Credit (Hypothecation)	To finance against inventory/ stock /receivables/working capital.
24.	IBP	Inland Bill Purchase	Financing against Govt. cheque, PO, DD etc.
25.	PAD(cash)	Payment Against Document	Advance against sight LC
26.	Lease Finance	-	Financing for procurement of capital machinery and equipment
27.	Agri Loan	Agricultural Loan	To finance crop production, farming, fishing, forestry and livestock etc. under the agricultural credit policy of Bangladesh Bank.

Table: 01

3.8 Chart of Interest rate of Mutual Trust Bank for Lending Revised on May, 2010

SL	Sector-Wise Lending	Rate of Interest
01	Agriculture/ Agro-Based Industry	
a	Loan to Primary Producer	10 – 11%
b	Loan to Agriculture input Traders/Fertilizer Dealers/Distributors	10%
c	Agro Processing Industries / Firms	10%
02	Large & Medium Scale Industry (Term Loan)	16%
03	Working Capital	
a	Jute	11%
b	Other than Jute	16%
04	Export Financing	
a	Jute and Jute Products	7%
b	Other Exports	7%
05	Commercial Lending	
a	Loan against work order & brick manufacture	16%
b	Commercial Loan (Garments)	15%
c	Commercial Loan (Others)	16%
d	Small and Medium Scale Enterprise	17%
06	Term Loan	
a	Small and cottage industries	14%
b	Urban Housing (Residential)	15%
c	Urban Housing (Commercials)	16%
d	Loan for dwelling house repair & reconstruction (Bank's scheme loan for low income bracket)	12%
e	Transport Loan	17%
f	Customer durable scheme	17%
g	Car and Marriage Loan	12%
07	Loan against FDR issued by MTBL	2.5% above FDR rate but not less than 12%
08	Loan against Lien/ Pledge on saving certificates WEBD & other financial assets issued by MTBL.	12%
09	Loan against lien/ pledge on FDR , Saving Certificates, WEBD & Other allowable financial assets issued by MTBL/ Financial Institution.	14% against FDR & Financial Assets issued by Banks/Financial Institution

Table: 02

These sector-wise interest rates have been introduced by the Head Office of Mutual Trust Bank Limited. They use cost-plus pricing method in case of pricing the loans. The Head office and the fifty eight branches of MTBL have maintained these rates strictly except in case of some quality and credit-worthy lenders. After judging the lenders' credit-worthiness, MTBL gives some beneficiary to this kind of lenders. They can enjoy a decreasing interest rate, which maintained by the Bank's branches internally. Otherwise, the scheduled rates are maintained by all the MTBL branches. In case of Micro Credit, as the loan amount is not so large that's why the scheduled rate is maintained by the Bank. Actually, the Lending rate is based on the prescription, which is given by Bangladesh Bank. Recently MTBL has revised their lending interest rate on April, 2010.

3.9 Features of different credit & eligibility of customer

3.9.1 MTB Personal Loan

MTB Personal Loan Craving to buy a new laptop? Thinking of a wonderful holiday? Need financial assistance for your child's higher education? Want to purchase home appliances? Require marriage-related expenses? An MTB Personal Loan is the one-stop-solution for all financial needs to fulfill any of desires.

Features:

- Loan amounts from Tk. 50,000 to Tk. 10,00,000
- Flexible repayment option of 12 - 60 months
- No hidden charges
- Competitive interest rate
- Easy documentation and quick processing
- Option for early settlement

Eligibility:

- ▶ Age minimum 21 and maximum 60 years at loan maturity
- ▶ Experience:
 - Salaried person : 1 year with 6 months permanent employment status
 - Self employed : 1 year of practice in the profession
 - Businessperson : 2 years of involvement in the same nature of business
- ▶ Minimum monthly income:
 - Salaried executive Tk. 15,000
 - Self employed Tk. 30,000
 - Businessperson/Land lord/Land lady Tk. 40,000

3.9.2 MTB Home Loan

Planning to own a home is one of life's most rewarding challenges. Whether it is purchasing a new house or a new apartment, MTB has a wide range of home loan options that can be customized specific need. A dedicated team of experts and a complete loan package is in place, to meet all your housing finance needs.

Features:

- Loan for residential apartment/house purchase
- Loan amounts from BDT 5,00,000 to BDT 1,00,00,000
- Loan tenor from 3 to 25 years
- Loan amount up to 80% of the property value
- Aggregation of co-applicant's income
- Competitive interest rates
- Quick and simple processing and approval time
- Loan for apartment under construction
- Partial or early settlement options available

Eligibility:

- ▶ Any financially able person
- ▶ Age: minimum 21 and maximum 65 years at loan maturity
- ▶ For 100% cash covered loan: Age- minimum 18 and maximum 70 years at loan maturity
- ▶ Minimum Income Range:
 - Salaried person Tk 25,000
 - Self employed Tk 30,000
 - Businessperson/Land lord/Land lady Tk 40,000
- ▶ Experience
 - Salaried person : 3 years
 - Self employed : 3 years
 - Businessperson : 3 years

3.9.3 MTB Home Equity Loan

Planning to build/uplift/renovate a home or furnish a home? MTB Home Equity loan provides a packaged financial assistance to individuals for fulfillment the needs.

Features:

- Loan for house construction, extension, renovation, face upliftment, finishing work
- Loan amounts from BDT 5,00,000 to BDT 1,00,00,000
- Loan tenor from 3 to 25 years
- Loan amount up to 80% of the property value
- Financing at different stages of construction work
- Partial disbursement facility of approved loan
- Aggregation of co-applicant's income
- Competitive interest rates
- Quick and simple processing and approval time
- Partial or early settlement options available

Eligibility:

- ▶ Any financially able person
- ▶ Age: minimum 21 to maximum 65 years at loan maturity
- ▶ For 100% cash covered loan: Age - minimum 18 to maximum 70 years at loan maturity
- ▶ Minimum Income Range:
 - Salaried person Tk 25,000
 - Self employed Tk 30,000
 - Businessperson/Land lord/Land lady Tk 40,000
- ▶ Experience
 - Salaried person : 3 years
 - Self employed : 3 years
 - Businessperson : 3 years

3.9.4 Auto Loan

To own a car is everyone's dream as well as a part of today's living, which enhances standard and quality of life. Auto Loan scheme has been designed to help materialize your long cherished dream of a car of your own. Purchase of new/ reconditioned cars is allowed under this scheme. Salaried executives, professionals, businessmen, govt. officials or self employed persons are eligible to avail this loan.

Loan amount under this scheme is 70% of car value but maximum of Tk. 20 lac. With the objective of extending financial support to small businessmen, this loan scheme has been introduced. It has been designed to get business loans on easy terms and without any hassle.

No collateral security is required up to Tk. 5 lac. Collateral security is required for loan above 5 lac.

Features

- Loan amounts from Tk. 3, 00,000 to Tk. 20, 00,000
- Financing up to 80% of vehicle price
- Flexible repayment of 12 - 60 months
- No hidden charges
- Competitive interest rate
- Easy documentation and quick processing
- Option for early settlement

Eligibility:

- ▶ Age: minimum 21 and maximum 60 years at the end of loan maturity
- ▶ Experience: Salaried executive total - 2 years
Business person/self employed - 2 years
- ▶ Monthly income: Minimum Tk. 30,000

3.10 SME LOAN

3.10.1 MTB Bhaggobati

MTB Bhagyobati loan is only for the SMEs owned by the women entrepreneurs.

Features and Benefits:

- ⊕ Loan amount range BDT 1.00 lac to BDT 50.00 lac
- ⊕ Loan tenure up to 3 years
- ⊕ Rate of interest 10% p.a (only in case of re-finance from BB)
- ⊕ Up to BDT 5.00 lac is collateral free
- ⊕ Easy repayment schedule
- ⊕ No service charge or hidden charge
- ⊕ Easy processing
- ⊕ At least one year of business experience

3.10.2 MTB Krishi

Agriculture is a thrust sector of the country. Food security has been a major issue following the recent food crisis almost all over the world including Bangladesh. So it requires support to accelerate growth of agricultural productivity. MTB Krishi has been to eke out the funding requirement of the farmers.

Features and Benefits:

- ⊕ Loan amount up to BDT 3.00 crore
- ⊕ Loan tenure up to 5 years
- ⊕ Rate of interest 10% (only in case of re-finance from BB)
- ⊕ Up to BDT 5.00 lac is collateral free

- Easy repayment schedule
- No service charge or hidden charge
- Easy processing
- Timely disbursement

3.10.3 MTB Mousumi

MTB Mousumi is designed to help the Small & Medium Enterprises to meet extra finance required during any business season, occasion, festival etc.

Features and Benefits:

- Loan amount up to BDT 10.00 lac
- Loan period range 01 to 12 months
- Attractive Rate of interest
- Up to BDT 5.00 lac is collateral free
- Easy repayment schedule
- 1% service charge and no other hidden charge
- Minimum 02 years of business experience
- Easy processing

3.10.4 MTB Digoon

Enables the SMEs to get loan double amount of their deposit.

Features and Benefits:

- Loan amount range BDT 5.00 lac to BDT 20.00 lac
- Loan tenure up to 05 years
- Attractive rate of interest
- Monthly repayment
- Security 50% Fixed Deposit (FDR) of loan amount
- Easy processing

3.10.5 MTB Revolving Loan

Any SME, manufacturing, service, trading or farming, requires working capital for smooth operation of the business. This loan product enables those SMEs to meet their working capital requirements to support their operations and future growth.

Features and Benefits:

- ✦ It is CC (H) and revolving type loan
- ✦ Loan amount up to BDT 50.00 lac
- ✦ Loan period 01 year and annually renewable
- ✦ Attractive rate of interest
- ✦ Minimum 02 years of business experience
- ✦ At least 02 years of bank account transactions
- ✦ Account turnover to be 03 times of the loan amount
- ✦ Easy processing
- ✦ No service charge or hidden charge
- ✦ Requires collateral support

3.11 Information about Loan Customers

The bank relies principally on outside information to assess the character, financial position, and collateral of a loan customer. Such an analysis begins with a review of information supplied by the borrower in the loan application. The bank may contact other lenders to determine their experiences with this customer.

- Were all scheduled payments in previous loan agreements made on time? Were deposit balances kept at high enough levels?
- How much was borrowed previously and how well were those earlier loans handled?
- Is there any evidence of slow or delinquent payments? Has the customer ever declared bankruptcy?

3.12 Credit Analysis

The division of the bank responsible for analyzing and recommendations on the fate of most loan applications is the credit department. Experience has shown that this department must satisfactorily answer three major questions regarding each loan application:

- Is the borrower creditworthy? How do you know?
- Can the loan agreement are adequately protected and the customer has a high probability of being able to service the loan without excessive strain?
- Can the bank perfect its claim against the assets or earnings of the customer so that, in the event of default, bank funds can be recovered rapidly at low cost and with low risk?
- Let's look in turn at each of these three key issues in the "yes" or "no" decision a bank must make on every loan request.

3.12.1 Is the Borrower Creditworthy?

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

Ⓢ Character

The loan officer must be convinced that the customer has a well-defined purpose for requesting bank credit and a serious intention to repay. If the officer is not sure exactly why the customer is requesting a loan, this purpose must be clarified to the bank's satisfaction.

Responsibility, truthfulness, serious purpose, and serious intention to repay all monies owed make up what a loan officer calls character.

Ⓢ Capacity

The loan officer must be sure that the customer requesting credit has the authority to request a loan and the legal standing to sign a binding loan agreement. This customer characteristic is known as the capacity to borrow money. For example, in most states a minor (e.g., under age 18 or 21) cannot legally be held responsible for a credit agreement; thus, the bank would have great difficulty collecting on such a loan.

Ⓢ Collateral

In assessing the collateral aspect of a loan request, the loan officer must ask, does the borrower possess adequate net worth or own enough quality assets to provide adequate support for the loan? The loan officer is particularly sensitive to such features as the age, condition, and degree of specialization of the borrower's assets.

Ⓢ Conditions

The loan officer and credit analyst must be aware of recent trends in the borrower's line of work or industry and how changing economic conditions might affect the loan.

Ⓢ Control

The last factor in assessing a borrower's creditworthy status is control which centers on such questions as whether changes in law and regulation could adversely affect the borrower and whether the loan request meets the bank's and the regulatory authorities' standards for loan quality.

Ⓢ Capital: Financial strength to cover a risk.

3.12.2 Can the Loan Agreement Be Properly Structured and documented?

The six Cs of credit aid the loan officer and bank credit analyst in answering the broad question: Is the borrower creditworthy? Once that question is answered, however, a second issue must be faced: Can the proposed loan agreement be structured and documented to satisfy the needs of both borrower and bank?

A properly structured loan agreement must also protect the bank and those it represents- principally its depositors and stockholders- by imposing certain restrictions (covenants) on the borrower's activities then these activities could threaten the recovery of bank funds. The process of recovering the bank's funds- when and where the bank can take action to get its funds returned-also must be carefully spelled out in a loan agreement.

3.13 Check List for providing the Loan

When a customer want take the loan those customers some rules should be followed:

01. Client's application through their letterhead duly signed and sealed therein
02. Client's application through Bank's prescribed form duly signed & sealed in every page.
03. 2 (two) copies of Photograph of the proprietor/guarantors/partners/directors.
04. Owners(s) declaration in Bank's prescribed form.
05. Form-Ka duly signed & sealed by the proprietor/partners/directors for obtaining CIB report from Bangladesh Bank.
06. Board resolution regarding credit facility.
07. Net Worth statement of the proprietor/partners/directors in Bank's prescribed form.
08. Up to date Trade license, IRC & ERC.
09. Tax clearance certMTBLate & VAT certMTBLate.
10. Permission of Board of Investment, in case of Garments factory & Join venture company.
11. Bio-data of the proprietor/partners/directors with business experience.
12. Memorandum & Articles of Association.
13. Form-XII from RJSC in case of limited company.
14. Certificate of Incorporation, in case of limited company.
15. Certificate of Commencement of Business, in case of Public Limited Company.

16. Last 3 (three) year's Financial (Income statements, Balance sheets, Cash flow Statements) of the applicant, in case of existing company.
17. Project profile, in case of new company.
18. Stock report.
19. Brief description of the applicant and its sister concerns regarding nature of business, products of business, sources of raw materials, market channel, production procedure, organization chart, existing & future buyers etc.
20. Group information & performance i.e., Name and address of sister/allied concerns, nature of business, last year's sales/turnover, profit, total group debt, total group equity, export-import performance etc.
21. Group liability with us & other banks.
22. Total project cost with break-up and list of machinery with origin & price.
23. Sources & amount of Income & Expenditure, in case of SME & Real Estate Company.
24. Security, which will be offered.

25. Security documents:

- i) Original Title Deed of the land or Certified copy of Title Deed along with original money receipt.
- ii) Bia-deed of the land.
- iii) Certified copy of CS, SA, RS & Mahanagar Hal Jarip Parcha.
- iv) Certified copy of Mutation Parcha long with DCR.
- v) Up to date Ground rent receipt & Municipal tax payment receipt.
- vi) Non Encumbrance Certificate from related Sub-registry Office.
- vii) No Objection Certificate regarding mortgage from RAJUK/ministry of Works/Any other Authority related to the land, in case of need.
- viii) Allotment Letter from RAJUK/Ministry of Works/Any other Authority.
- ix) RAJUK Approved Building's Plan, Site Plan & Mouza Map.

3.14 Credit Approval Process of the MTBL

The primary factor determining the quality of the bank's credit portfolio is the ability of each borrower to honor, on a timely basis. All credit comities made to the bank. The authorizing credit personnel prior to credit approval must accurately determine this. If the report of the project appraisal is very satisfactory to approve the loan proposal, than the following steps furnish the approval procedure:

- Make a proposal by the client to the bank
- Give all the necessary documents
- Bank will send the parties statement to the Bangladesh Bank, their CIB (Credit Information Bureau) will inquiry that whether this party is defaulter or a new one.
- Bank will take the collateral from the party and analysis that how much it will cover the total loans.
- Bank will send this proposal to the head office. In the head office the Board of Directors and Managing Director will approve the loan.
- Head office will send the approval to the branch office.
- Branch office will give the sanction letter to the party.
- Bank will take the security and make it in their favor.

3.15 Approval Process Flow Chart:

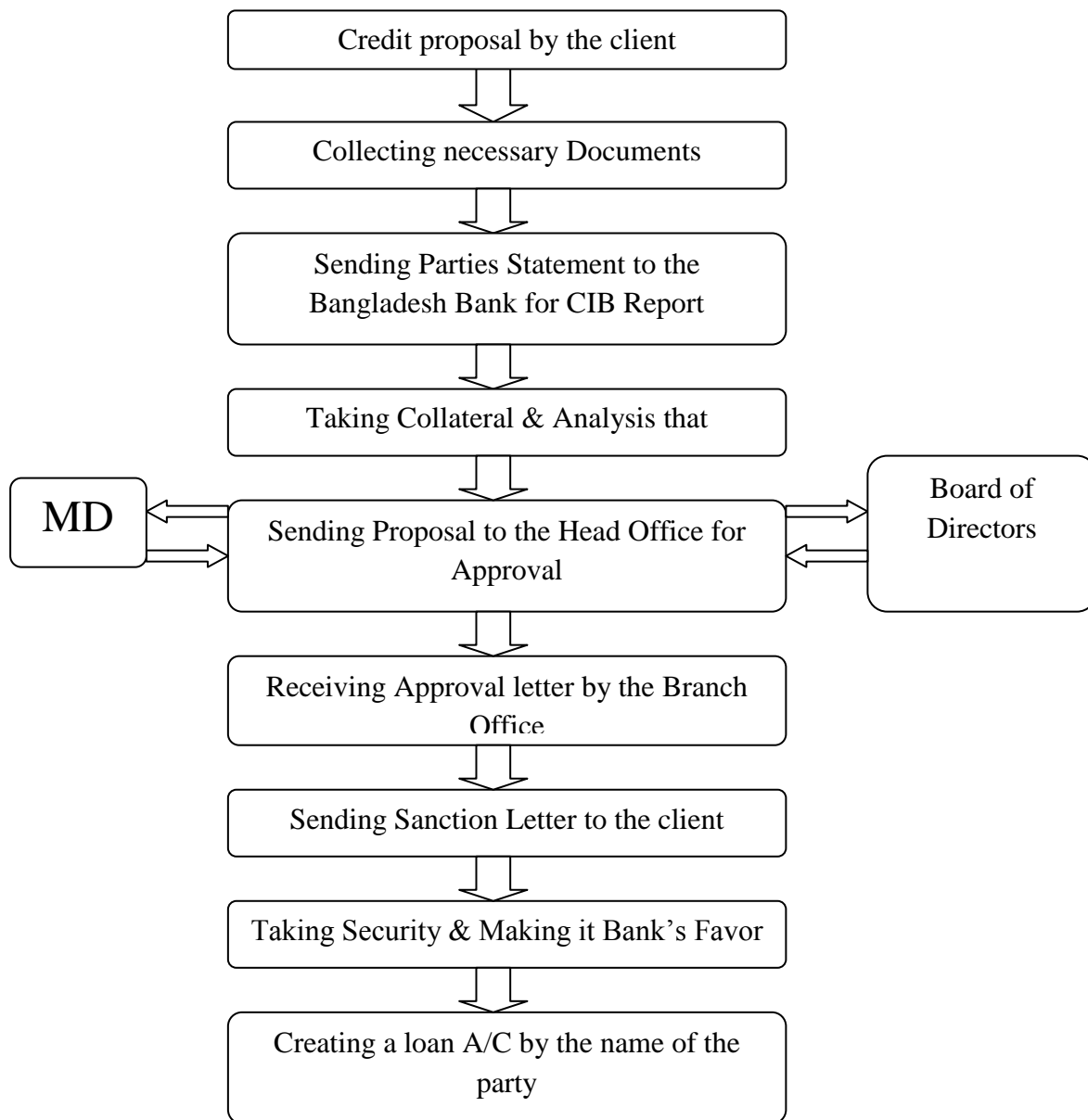


Chart: 05

3.16 Loan Disbursement

After completing all the necessary steps for sanctioning loans bank will create a loan account by the name of the party and deposit the money to that account. Bank will give cheque books to the party and advise them to draw the money and use it as soon as possible, because whenever the money will transfer to the account interest will count from that time

3.16.01 Analyzing the Year Wise Loan Disbursement by MTB

<i>YEAR</i>	<i>AMOUNT OF LENDING (in million/Tk.)</i>
<i>2009</i>	33884
<i>2010</i>	39676
<i>2011</i>	47005
<i>2012</i>	56511
<i>2013</i>	59548
<i>TOTAL</i>	236624

Table: 03

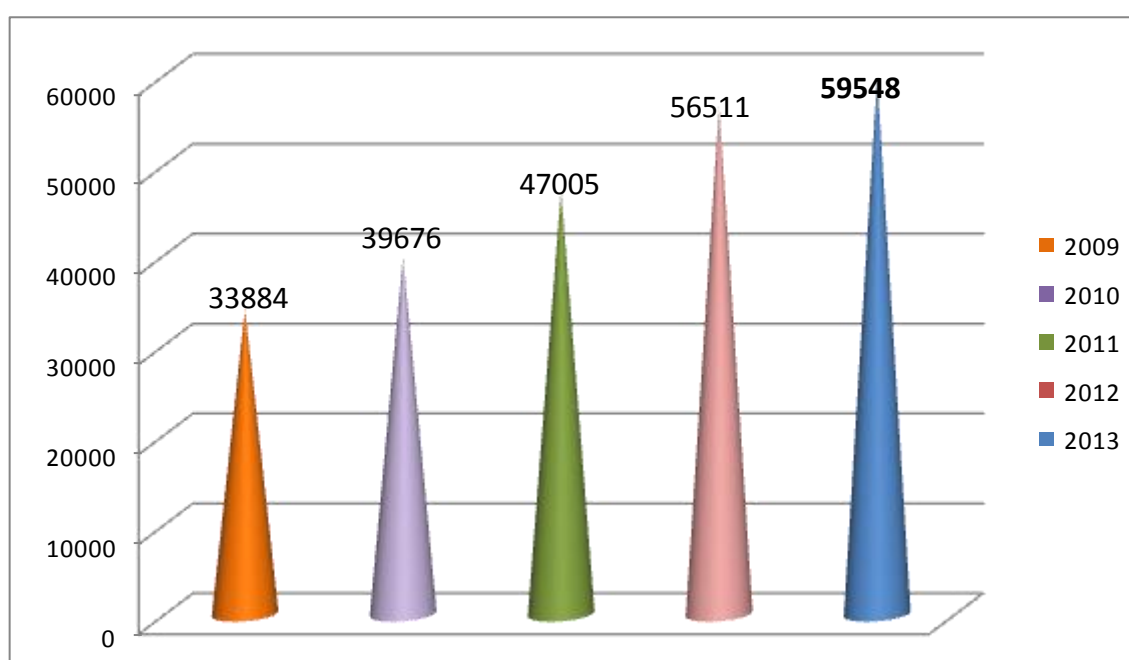


Chart: 06

So according to this graph we can easily say that the banks' loan disbursement is increasing day by day. It is a positive sign for the bank. After establishing the bank, disbursement of loan is not so high because of their inexperience and inadequate loan disbursement policy. Now the bank has an attractive loan policy which attracts the customers. It may be the good sign for the bank because the loan disbursement is increasing or steady not decreasing. Banks main earning source is loan disbursement, like: interest earning. It is a big part of the bank's total earning. So the bank should take care in this loan side.

3.16.2 Analyzing the Sector-wise Lending by MTBL (million/Tk)

<i>SECTOR</i>	<i>2011</i>	<i>2012</i>	<i>2013</i>
Corporate	35628	43155	44411
SME	2942	2269	4869
Retail	1960	3323	2343
Secured Overdraft (FO)	2530	3032	3316
Employee	449	526	542
Margin Loan	3497	4206	4068
Total Loans & Advances	47005	56511	59548

Table: 04

3.17 Loan-Pricing Policy Used By MTBL

In pricing a business loan, Bank management must consider the cost of raising loan able funds and the operating costs of running the Bank. This means that Banks must know what their costs are in order to consistently make profitable, correctly priced loans of any type. There is no substitute for a well-designed management information system when it comes to pricing loans.

Mutual Trust Bank Limited is generally used the simplest loan-pricing model which assumes that the rate of interest charged on any loan includes four components: (1) the cost to the Bank of raising adequate funds to lend, (2) the Bank's no funds operating costs (including wages and salaries of loan personnel and the cost of materials and physical facilities used in granting and administering a loan), (3) necessary compensation paid to the Bank for the degree of default risk inherent in a loan request, (4) Bank's desired profit margin.

$$\begin{aligned} \text{LOAN} & \quad \text{Marginal cost of raising} & \quad \text{No funds} \\ & \text{loan able funds to lend} & + \text{operating costs} \\ \text{INTEREST RATE} & = \text{Bank to the Borrower} & \text{(including wages and Salaries of Bank Personnel)} \\ & + \text{Estimated margin to} & \text{Bank} \\ & + \text{Compensate the Bank} & + \text{desired} \\ & \text{For default risk} & \text{profit margin.} \end{aligned}$$

3.18 Loan Classification of MTBL

3.18.1 Signs for Classification

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

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

3.18.2 Steps to Follow for Classification

01. Recheck the account, for all outstanding, including any outstanding in allied or sister company or in owner's or partners' or directors personal names.
02. Thoroughly review loan documentation to confirm, "We have what we need", documents are in proper form, properly executed and current (i.e. not time barred).
03. If possible take current market value of the securities according to liquidation basis. And take a close look at the assets and liabilities to determine who has the prior right on those assets.
04. If Grantors are involved, look closely at the net worth statement and send demand notice.
05. Once the account is classified Sub-Standard, credit lines must be frozen.

3.18.3 Classification Process

For the purpose of determining the "Classified" status of an account, following guidelines are to be observed

01. The process of classification of an account will start with strict application of the risk rating assessment that is
 - A) Sub-standard
 - B) Doubtful
 - C) Bad or Loss
02. However unpaid interest or Principal or Expired Limit for a period of 180 days or more or recurring past dues will remain the most significant rules for classification.

3.18.3 (A) CLASSIFICATIONS AS SUBSTANDARD

A loan is classified as substandard if any one of the following conditions is met:

- i. If an advance or any portion of an advance or interest thereon remains overdue for 180 days or more but less than 270 days then the advance is classified as substandard.
- ii. For an advance of a continuing nature, even if the loan is not overdue as much as 180 days, but the limit stands overdrawn by more than 50% for a period of 45 continuous

days preceding the reference date for the classification, then it is classified as substandard.

- iii. If a loan has been renewed or rescheduled at least three times but is not overdue, and any of the required payments for the required period have not made when they fall due, then the loan is classified as substandard.

3.18.3 (B) CLASSIFICATION AS DOUBTFUL

A loan is classified as doubtful if any one of the following conditions is met:

- i. The advance or any portion of the advance or interest thereon remains overdue for 270 days or more but less than 360 days.
- ii. A loan classified as substandard per clause 6 (b) above has remained substandard for 180 days or more.
- iii. A loan classified as substandard per clause 5 (c) above has remained substandard for 180 days or more.
- iv. Legal action has been initiated.
- v. Qualitative criteria based on judgment.

3.18.3 (C) CLASSIFICATION AS BAD

A loan is classified as bad if any one of the following conditions is met:

- i. The advance or any portion of an advance or interest thereon remains overdue for 360 days or more.
- ii. A loan classified as doubtful per clause 6 (b) above has remained doubtful for 180 days or more.
- iii. A loan classified as doubtful per clause 6 (c) above has remained doubtful for 180 days or more.
- iv. If legal action has been initiated and no court decision has been obtained within 360 days of initiation of action then the loan is classified as bad.
- v. Qualitative criteria based on judgment.

3.19.1 Classified Loan conditions of MTBL (million/Tk)

<i>Particulars</i>	2009	2010	2011	2012	2013
<i>Unclassified Loans & Advances</i>	33446	38422	46065	55675	58762
<i>Sub-Standard Loans & Advances</i>	200	557	500	144	160
<i>Doubtful Loans & Advances</i>	127	453	230	62	42
<i>Bad/Loss Loans & Advances</i>	110	244	210	630	584
Total	33884	39676	47005	56511	59548

Table: 06**3.19.2 Ratio of classified Loans to Total Loans of MTBL**

PARTICULARS	2009	2010	2011	2012	2013
Classified Loan	1.29%	3.16%	2.00%	1.48%	1.32%
Unclassified Loan	98.71%	96.84%	98.00%	98.52%	98.68%
Total	100%	100%	100%	100%	100%

Table: 07

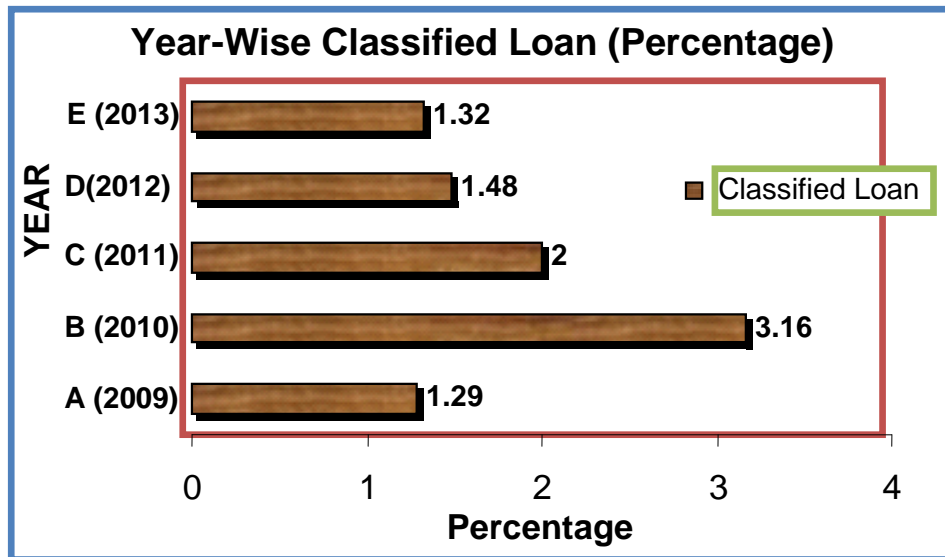


Chart: 04

Mutual Trust bank Limited recorded a satisfactory level of performance in all the areas of its operations in the year 2009- 2013. The success due to the combined and concerted efforts of the management and staff of the bank under the able guidance, support and patronage of the members of the Board. But these were not enough in case of the Lending operations.

The graph shows that the percentage of classified Loan in the year 2009 was 1.29% (Tk 437 million), but in the year 2010, it was vastly increased and went up to 3.16% (Tk 1256 million). After that MTBL decreased their classified loan. In the year 2011, the classified loan was 2.00% (Tk 940 million). Then in the year 2012 & 2013, the classified loan was 1.48% (Tk 836 million) & 1.32% (Tk 786 million). According to international rules, a bank may have a maximum limit of classified Loans as 5% of the total Lending. Though MTBL did not pass this limit, but it is not a good sign for the Bank. In year 2012 MTBL's CAMEL rating was 3, which means the Bank was only in a fair position. The main problem of the MTBL was that it was not able maintain a good Loan policy. As a result, classified loans of this Bank have increased. After that MTBL took some good loan policy which improves percentage of classified loan that is decrease the percentage. It may notice that though the percentage of classified loan decrease every year but the total amount of classified loan

increase every year. MTBL must have to improve in this area and has to decrease the amount of classified Loans by a well-designed recovery policy.

3.20 What are the main reasons behind classification of MTBL?

01. New Banker or lacking of experience.
02. Most of the time bankers have to rely on the documents provided on the client. But what is the purity of these data. Although the CA firm certifies the dates but financial jugulating is practicing around the world.
03. Client's over confidence about the project.
04. Change in National and International Political scenery.
05. Sometimes borrower talks about some other repayment source out of the proposed project but they don't keep the source as security to the bank.
06. Sometimes other than land or building banks also keep furniture and machinery as security. Later on when bank come to sell those, they found that the market value of those assets is much lesser than the book value.
07. Sometimes bankers don't go through the financial figures properly.
08. Most of the cases clients have done some financial jugulating on their data.
09. Sometimes Client caught by some unavoidable circumstances like- ship sink.
10. Sometimes bank don't take appropriate security from the client or grantor.
11. Sometimes bank don't put concentration about the insurance.
12. Most of the cases the bankers fail to forecast the future business condition of the clients.

3.21 Recovery Policy of MTBL

3.21.1 Recovery Performance

The recovery performance of the bank was not so good during the period 1999-2002. Because the bank was recently established and the management was new & inexperienced in the banking sector. Also the credit administration and monitoring of this bank was inexperienced. The management has to think about a well-designed Recovery Policy.

3.21.2 MTBL Introduced a New Recovery Policy In 2003

MTBL has introduced a new department called Early Warning System Department (EWSD). The bank as a matter of priority in its policy wants to ensure quality of its Loan 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.

The secondary task of this department is to collect money from the classified clients. But in the other banks the Branch Manager does this job. Other than that the recovery criteria are more or less same for the banks. At the very begging they send reminder letter. Then they send letter to inform them that they (bank) are going to sue against the client. Finally the banks sue against the client.

3.21.3 Early Warning System Department (EWSD)

MTBL has a special department called EWSD who are responsible for all accounts classified in the bank's portfolio. However EWSD's responsibility will cover the areas of

01. Monitoring and controlling the classified accounts through monthly reporting and quarterly review.
02. Actively follow the borrowers for recovery.
03. Negotiate and reschedule the debts.

04. If the client don't utilize the new offer than it is the EWSD's responsibility to file suit against the client.

EWSD will also prepare a Consolidated Report of all bad loans written-off on a quarterly.

3.22 MTBL's Recovery Probability Categories to be assigned To All Classified Loans

3.22.1 Category

- I. Loans determined to have high probability of recovery within 6 months; recovery efforts to continue on an on-going basis.
- II. Loans determined to have moderate probability of recovery within 1 year; review recovery efforts on a 3 months basis.
- III. Loans determined to have low and remote probability of recovery; review case on a 6 months basis.
- IV. Loans determined to have virtually no chance of recovery: charge-off the books. However in these situation proper approval from the appropriate approving authorities should be obtained and also shall be guided by Bangladesh Bank instructions and subject to complete analysis of:
 - ◆ Banking practice.
 - ◆ Legal and tax implication and
 - ◆ Status of each individual credit.

3.22.2 Notes for assessment of category

Estimate the cost of continued collection efforts against any money, which can be reasonably expected to be recovered. Include in the cost (i) employee man-hour, (ii) legal expenses, (iii) charge of any external collection agency if used.

3.22.3 Why Recovery takes so much time

Only because of existing rules and regulation recovery is a time consuming procedure. I think an example will make this thing clear. Let, Mr. X took loan from Y bank by giving a land as registered mortgage and become bad. Now bank cannot sell the land without the permission of court though the land was as registered mortgage to bank. So bank has to sue against Mr. X and court send notice to Mr. X. But Mr. X can delay his coming by saying he is sick and asking for more time. Court gives new date to settle the matter. Then on new date a person came to the court saying that he is the brother of the client and the land is their father's property. And most importantly, client didn't notify him before give the land to the bank. So court asks him to prove his claim. Finally, if court gives injunction in favor of bank, they face problem to sell the land. Because client put mussel-men protect the land from bank. Moreover people are not interested buy land on occasion from court. Finally the interesting thing is most of the time the same client but the land in another name

Chapter: 04

Findings and Recommendations

4.1 Findings

4.2 Recommendations

4.3 Conclusion



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Mutual Trust Bank Ltd.

you can bank on us

4.1 Findings

- ✘ MTBL carefully ignores Government service holders, Private service holders and Professionals for providing loan.
- ✘ Process of sanctioning loan is very lengthy. As a result many of the customers are not willing to take loan.
- ✘ Most of the time the bank tries to provide quality services to the known clients, If may lead to loss of general customers.
- ✘ Most of the clients think that, the terms and conditions are too hard to take loan.
- ✘ The interest rates of some loan products seem to be high as a result it may not be possible to compete with other banks for such loan.
- ✘ When the loan amount is small then 1% processing fee isn't too much, but for large scale, 1% processing fee is huge amount. As a result corporate clients are not interest to take loan from MTBL.
- ✘ MTBL website is not sufficient to provide all information about each type of loans. So, Clients need to go to the MTBL branch to collect loan information properly.

4.2 Recommendations

- ¶** The authority of Mutual Trust Bank Limited should introduce more innovative ideas and products such as student loan. Many bank provide this type of facility. This may encourage the students to come forward for this loan which will be very helpful to build their career.
- ¶** The bank should improve the Credit risk management department to avoid possible default loans.
- ¶** The bank should improve procedural matters regarding approval, monitoring and recovery of credit facilities.
- ¶** Detailed Credit Manual should be prepared for accurate credit operation.
- ¶** Mutual Trust Bank should take effective steps to reduce their classified loans.
- ¶** The bank should reduce harassments and take a little time for the processing of loan application.

4.3 Conclusion

As an internee of Mutual trust bank limited I have truly enjoyed my internship from the learning and experience viewpoint. I am confident that this three months internship program at MTBL will definitely help me to realize further career in the job or personal life. Mutual Trust Bank Limited is a very modern bank in the banking business area. It was incorporated in the year 1999. So within this short time the bank already get the popularity in the people and the attractiveness of the bank increase day by day. When this bank starts its operation, their first target customer was the army person, but with the demand of general people the bank is also doing business with the general people.

The bank is spreading its operation throughout the Bangladesh. Recently this bank has 81 branches all over Bangladesh. So very recent it will increase their branches to meet up the people's demand and the process is continuing. The Bank already has shown impressive performance in different financial sector. The bank now should start new services and take different types of marketing strategy to get more customers in this competitive market of banking business.

In its lending operations, the Bank has learnt a lot from its past experiences. Hopefully the MTBL is able to improve in all its areas especially in the lending operations.

We hope that this bank will compete with the first class banks of Bangladesh very soon.

Bibliography and Appendix



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Mutual Trust Bank Ltd.

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Glossary

MTBL =	Mutual Trust Bank Ltd.
A/C =	Account
SOD =	Secured Over Draft
PAD =	Payment against Documents
LTR =	Letter of Trust Receipts
IBP =	Inland Bill Purchase
FDBP =	Foreign Document Bill Purchase
LDBP =	Local Document Bill Purchase
CDS =	Consumer Durable Scheme
RRDH =	Repair & Reconstruction of Dwelling Houses
HBL =	House Building Loan
NCB =	Nationalized Commercial Bank
FCB =	Foreign Commercial Bank
PCB =	Private Commercial Bank
CC =	Cash Credit
OD =	Over Draft
CRG =	Credit Risk Grading
STL =	Short Term Loan
DD =	Demand Draft