



Daffodil International University

Internship Report

On

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

Prepared By

Al-Mozammel

ID: 123-14-874

**Department of Business Administration
Faculty of Business & Economics
Daffodil International University**



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

Submitted To

**Mr. Rafiqul Islam
Professor**

**Department of Business Administration
Faculty of Business & Economics
Daffodil International University**

Submitted By

Al-Mozammel

ID: 123-14-874

**Department of Business Administration
Faculty of Business & Economics
Daffodil International University**

Date of Submission

October 20, 2014

**Daffodil International University
102, Sukrabad, Mirpur Road, Dhanmondi,
Dhaka – 1207**

LETTER OF TRANSMITTAL

October 20, 2014

Mr. Rafiqul Islam

Professor

Department of Business Administration

Faculty of Business & Economics

Daffodil International University

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

Dear Sir:

This is my pleasure to submit my internship report on “Credit Appraisal & Credit Management System of MTBL” It was a great opportunity for me to acquire knowledge and 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,

.....

Al - Mozammel

ID: 123-14-874

MBA Program

Department of Business Administration

Faculty of Business & Economics

Daffodil International University

DISCLAIMER

I Al Mozammel, hereby declare that the presented report of internship titled “Credit Appraisal & Credit Management System of MTBL”(Principal Branch) is prepared by me after completion of three months work in Mutual Trust Bank Limited. I also confirm that, the report is prepared only for my academic requirement not for any other purpose.

Al mozammel
MBA, Program
Department of Business Administration
Faculty of Business & Economics
Daffodil International University



CERTIFICATE OF APPROVAL



I am pleased to certify that the Internship report on “Credit Appraisal & Credit Management System of MTBL” prepared by Al-Mozammel bearing ID No: 123-14-874 of the Department of Business Administration is approved for presentation. Under my supervision Mr. Al-Mozammel worked with MTBL as an intern. He completed the work during the spring, 2014 semester.

Mr. Al-Mozammel bears a strong moral character and a very pleasing personality.. I wish him all success in life.

Supervisor

Mr. Rafiqul Islam

Professor

Department of Business Administration

Faculty of Business & Economics

Daffodil International University

ACKNOWLEDGEMENT

It was a great pleasure for preparing Internship report on the various aspects of Credit Administration activities and operations by The MTBL. I would like to thank and convey my gratitude to honorable Supervisor, **Mr. Rafiqul Islam Professor, 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 The Mutual Trust Bank Limited for offering me the Internship training. My special thanks to **Mr. Sabbir Ahmed, (Vice President & Manager, Principal Branch)**, **Mr. Md. Manwar hossain, (AVP & Assistant Manager)** and **Mir Ashaduzzaman (AVP)**, 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 **Principal Branch**, 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. 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 four 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 positioned in the field of customer service. To continue to hold the position and be perfect in this sector it will have to keep more and more attention to the customer retention and development



TABLE OF CONTENTS

| | |
|---|------|
| COVER PAGE | i |
| TITLE PAGE | ii |
| LETTER OF TRANSMITTAL | iii |
| DISCLAIMER | iv |
| CERTIFICATE OF APPROVAL | V |
| ACKNOWLEDGEMENT | vi |
| EXECUTIVE SUMMARY | vii |
| TABLE OF CONTENTS | viii |
| TABLE OF CHART & DIAGRAMS | x |
| Chapter one: Introduction | |
| 1.1 Introduction | 02 |
| 1.2 Objectives of the Study | 03 |
| 1.3 Origin of the report | 03 |
| 1.4 Scope of the study | 04 |
| 1.5 Methodology of the study | 04 |
| 1.8. Limitation of the study | 06 |
| Chapter Two: Organizational Part | |
| 2.1 An overview of MTBL | 08 |
| 2.2 Background of MTBL | 08 |
| 2.3 Profile of MTBL | 09 |
| 2.4 Mission | 10 |
| 2.5 Vision | 10 |
| 2.6 Capital base | 10 |
| 2.7 Slogan | 10 |
| 2.8 Management Hierarchy | 11 |
| 2.9 Management Structure (Dept.) | 12 |
| 2.10 Management Structure (In Principal Branch) | 13 |
| 2.11 Products & Services of MTBL. | 14 |
| 2.12 Financial Performance of the Bank | 24 |

Chapter Three: Learning Part

| | |
|--|----|
| 3.1 Credit Planning | 31 |
| 3.2 Credit Division | 31 |
| 3.3 Mission & Vision of Credit division | 31 |
| 3.4 Credit Policy of MTBL | 33 |
| 3.5 Laws and Norms | 34 |
| 3.6 Preliminary Screening of a Credit Proposal | 34 |
| 3.7 Selection of Borrower | 35 |
| 3.8 Appraisal of a Project | 36 |
| 3.9 Pricing of Loan | 40 |
| 3.10 Documentation of Loans & Advances | 41 |
| 3.11 Product Range/ Types of Loan Facilities | 41 |
| 3.12 Present products of MTBL at a glance | 45 |
| 3.13 Chart of Interest rate of Mutual Trust Bank for Lending | 47 |
| 3.14 Features & Eligibility of different credit | 48 |
| 3.15 Information about Loan Customers | 53 |
| 3.16 Process of Getting Loan | 54 |
| 3.17 Credit Approval Process of the MTBL | 55 |
| 3.18 Approval Process Flow Chart | 56 |
| 3.19 Loan Disbursement | 57 |
| 3.20 Loan-Pricing Policy Used By MTBL | 61 |
| 3.21 Loan Classification | 62 |
| 3.22 Recovery Policy of MTBL | 66 |
| 3.23 Supervision-Monitoring-Recovery of Credit | 67 |

Chapter Four: Findings & Recommendations of the Report

| | |
|-----------------------------------|----|
| 4.1 Findings of the Report | 70 |
| 4.2 Recommendations of the report | 71 |
| 4.3 Conclusion of the Report | 72 |
| 4.4 Bibliography | 74 |
| Glossary | 75 |



TABLE OF CHART & DIAGRAMS

| Name & SL no Table | Page No | Name & SL no Charts & Diagrams | Page No |
|---|---------|--|---------|
| Table 1: Present products of MTBL | 44 | Chart 1: Management Hierarchy | 12 |
| Table 2: Chart of Interest rate of Mutual Trust Bank for Lending | 46 | Chart 2: Management Structure (Dept.) | 13 |
| Table 3: Analyzing the year wise credit disbursement | 57 | Chart 3: Management Structure (In Principal Branch) | 14 |
| Table 4: Sector wise lending | 59 | Chart 4: Process of Getting Loan | 53 |
| Table 5: Classified loan condition | 63 | Chart 5: Approval Process Flow Chart | 55 |
| Table 6: Ratio of classified loans | 64 | Chart 6: Year-wise Total Amount of Lending | 57 |
| | | Chart 7: Year-Wise Loan Disbursement % | 58 |
| | | Chart 8: Year-Wise Classified Loan | 64 |



Chapter: 01

Introduction

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



1.1 Introduction

Mutual Trust Bank Limited a private sector commercial bank. The bank has its head office at Dhaka and 94 branches. The management of the bank is vested in 13-member board of directors, including representatives of the 3 sponsor firms. The managing director is its chief executive. The bank conducts all types of commercial banking activities including foreign exchange business and other financial services. During the first two years of operations, the bank's main focus was on the delivery of personalized customer services and expansion of its clientele base.

This internship is a part of the Master's of Business Administration (MBA) program that provides an on-the-job experience to students. The theoretical knowledge and practical training is not the same theme. 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 MBA in Daffodil International University, which is undertaken in different organization of the country. I have also completed my internship program at the Mutual Trust Bank Limited, Principle Branch, 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.

1.2 Objectives of the Report

1. To know the Products and services of MTBL
2. To Understand the Process loan disbursement by MTBL
3. To know the actual position for classified Loan and provisions maintained by MTBL
4. To know the Credit Recovery Policy of Mutual Trust bank Limited
5. To identify some problems related to Credit approval and disbursement process and provide some suggestions to overcome the problems.

1.3 Origin of the Report

Masters of Business Administration (MBA) 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. Touhid Ahmed, Vice President and Manager of Principal Branch asked me to conduct a study on report Credit Management of Mutual Trust Bank Limited. My faculty supervisor Professor **Mr. Rafiqul Islam**, Faculty of Business and Economics, Daffodil International University, also approved the topic.

1.4 Scope

The scope of the report is limited at drawing descriptive and analytical rather than critical presentation of Mutual Trust Bank Ltd. The study would focus on the following areas:

- ☞ Credit appraisal system of MTBL
- ☞ Portfolio (of loans or advances) management of MTBL

Each of the above areas would be critically analyzed in order to determine the efficiency of MTBL credit appraisal and management system.

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 Department of Business Administration, 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, Principal Branch.

1.5.5 Population Size:

No. of employees of this branch: 50

No. of clients of this branch: 10000(approximately)

1.5.6 Sample Size:

No. of employees: - 30

No. of clients: - 100

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

1.5.8 Primary Sources:

- ⊕ Officers
- ⊕ Supervisor
- ⊕ client

1.5.9 Secondary Source:

- ⊕ Annual report of MTBL 2010.
- ⊕ Files and Folders
- ⊕ Statement affairs
- ⊕ Bank rate sheets
- ⊕ Progress report of Bank
- ⊕ Websites
- ⊕ Different circulars sent by Head Office and Bangladesh Bank
- ⊕ Some books on Banking

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 2008 and, 2009, 2010, 2012.

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

Limitation is a usual part of report analysis. Whenever any report is going on to analysis, there are several lacking to find out the result of the particular topic. To make this report, I am also faced lacking or limitation. These are given below;

- ❖ MTBL is fully centralized bank and all information is available in head office. Branch gets information when special request is made. Branch employees only know the information that the head office informed.
- ❖ Due to some legal obligation and business secrecy banks are reluctant to provide data. For this reason, the study limits only on the available published data and certain degree of formal and informal interview.
- ❖ A worthwhile study requires the analysis of as much data as possible covering various aspects of the study. But I did not have access to the various types of information about Loans & advances.
- ❖ To protect the organizational loss in regard of maintaining confidentiality some parts of the report are not in depth.

The employees of the bank are so much busy. For that reason I could not collect more information from the Source. 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)

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 an Authorized Share Capital of BDT 1,000,000,000 divided into 10,000,000 ordinary shares of BDT 100 each. At present, the Authorized Share Capital of the company is BDT 10,000,000,000 divided into 1,000,000,000 ordinary shares of BDT 10 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:

- Investment in Company activities.
- Financiers, Promoters, Capitalists etc.
- Financial Intermediary Services.
- Any related Financial Services.

The Company (Bank) operates through its Head Office at Dhaka and 94 branches and 3 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, Chairman

Head office: MTB Center 26 Gulshan 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, Mercant 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

Revenue: 1,891,918,551 BD.TK. (2013)

Net Income: 86,29,50,299 BD.TK. (2013)

Total Capital: 2,114.52 million (2013)

Total Asset: 30,217.99 million (2013)

Deposits: 27,264.05 million (2013)

Loan & Advances: 18,519.52 million (2013)

Total Contingent Liabilities : 3,617.39 million (2013)

Cost of Fund: 08.13% (2013)

Corporate Website: www.mutualtrustbank.com.

2.4 Mission

We aspire to be one of the most admired banks in the nation and be recognized as an innovative and client-focused company, enabled by cutting-edge technology, a dynamic workforce and a wide array of financial products and services.

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: 10,000,000,000

Paid up Capital : 1,000,000,000

2.7 Slogan

You can bank on us

2.8 Management Hierarchy:

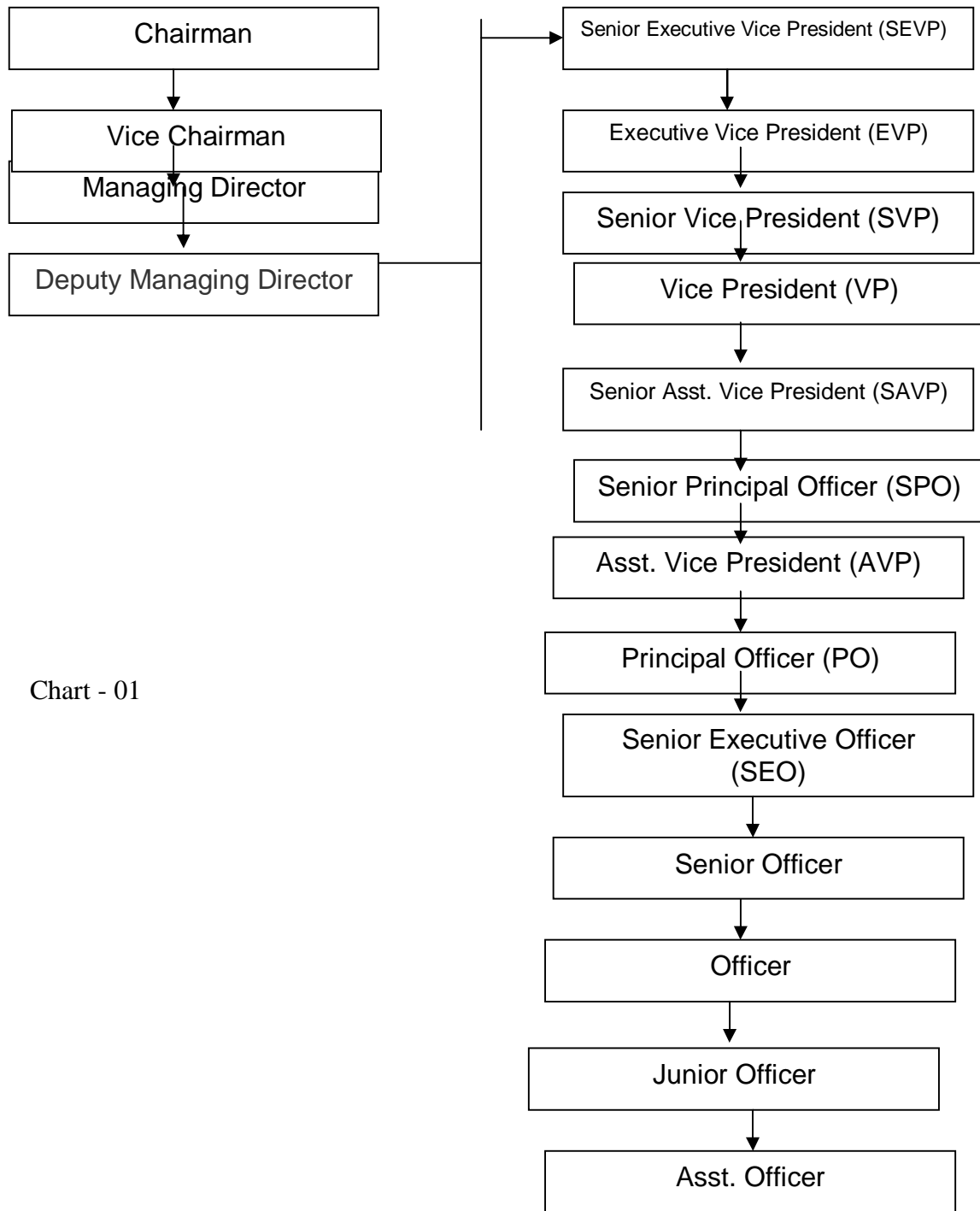
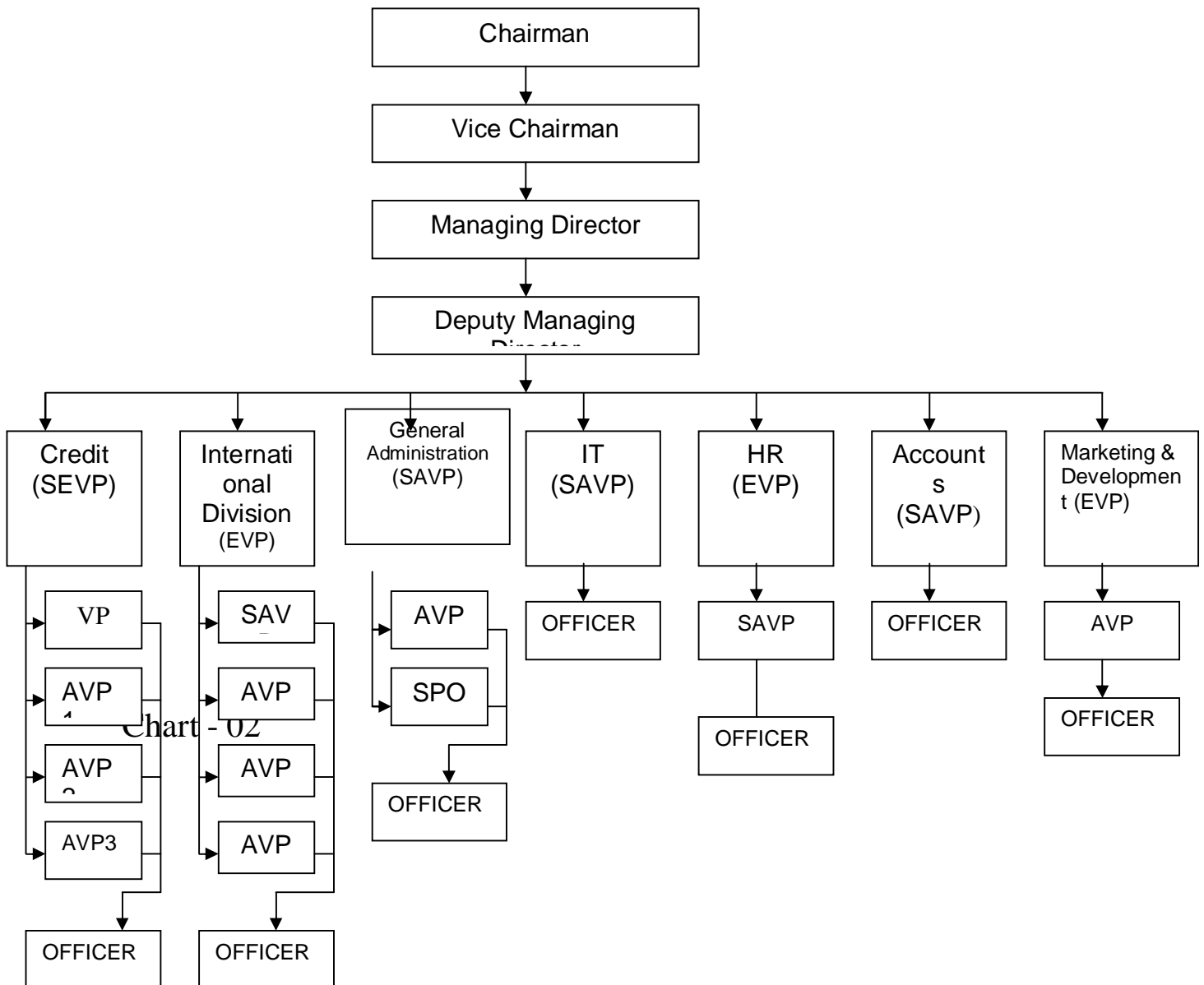
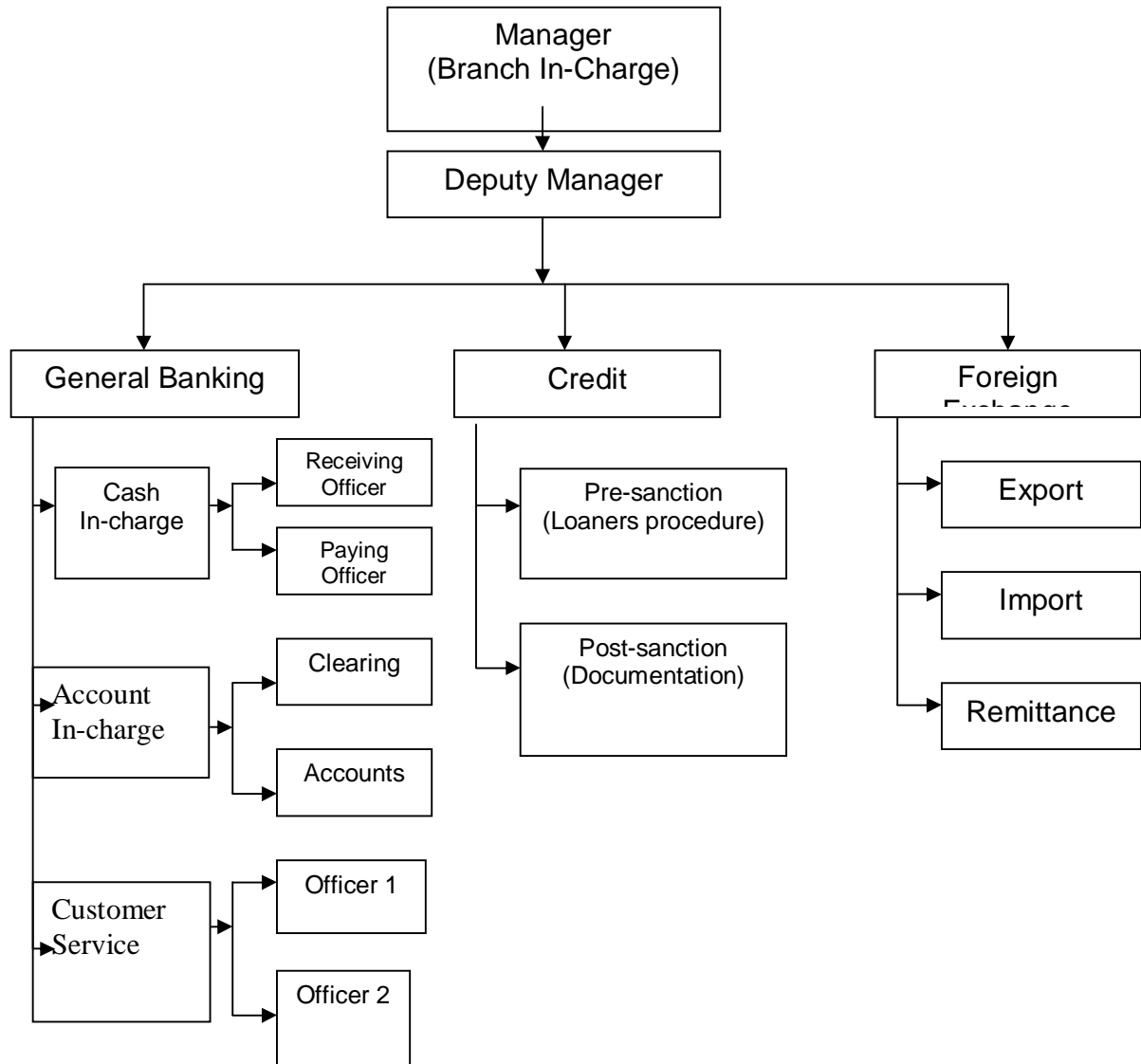


Chart - 01

2.9 Management Structure (Dept.)



2.10 Management Structure (In Principal Branch)



2.11 Products & Services of MTBL.

Their aim to satisfy all clients, regardless of how big or small they may be. Individuals are counseled on the best type of accounts suitable to them such as Current, Savings, Short Term Deposits, Fixed Deposits, Consumer Asset and Liability Products, etc.

Apart from the conventional banking operations MTB strives to introduce an array of products and services and already launched a number of consumer banking products with the aim of popularizing consumer banking operations and offer higher return to its clients.

Consumer Banking Products are:

- ✦ Saving Deposit
- ✦ Current Deposit
- ✦ Fixed Deposit
- ✦ Short Term Deposit
- ✦ Brick by Brick Savings Scheme
- ✦ Monthly Benefit Plan
- ✦ Children Education Plan
- ✦ Consumer Credit Scheme
- ✦ Best Invest Plan
- ✦ MTBL Millionaire Plan
- ✦ Festival Saving Plan
- ✦ MTBL Double Sarver Plan
- ✦ MTBL Triple Sarver Plan
- ✦ Unique Saving Plan

2.11.1 Saving Deposit:

Savings accounts are accounts maintained by commercial banks, savings and loan associations, credit unions, and mutual savings banks that pay interest but can not be used directly as money (by, for example, writing a cheque). These accounts let customers set aside a portion of their liquid assets that could be used to make purchases while earning a monetary return.

- ✿ *AOF*: The account opening form (AOF) completed properly.
- ✿ *Introduction*: Duly introduced by an existing accounting holder having satisfactorily relationship with Standard Chartered Bank for at least six months
- ✿ *Photograph*: Two copy of account holder photograph duly signed by introducer.
- ✿ *Nominee*: Signature of nominee on the AOF along with the relevant portion and also with a photo duly attested by applicant.
- ✿ *Document*: Valid passport/ driving license/, voter ID card/, reference letter by the first class gazette officer and one copy photo of the account holder signed by officer (affidavit is not acceptable), organizational photo ID. (commissioner certificate, certificate from Gazette officer is not acceptable)

2.11.2 Current Deposit:

Current account is an efficient and convenient way of handling their daily finances. A frequent transaction of the account that provides customer convenience and flexibility. Put an end to people's worries about carrying large sums of money when they need it. In the current account, the account holder does not get any interest on deposit money. The account holder can withdraw and deposit his money any branch of MTBL. The minimum deposit is Tk. 1000 to open a current account.

Requirement for current account and access (single) and graduate account.

- ✿ *AOF*: The account opening form (AOF) completed properly.

- ✿ *Introduction:* Duly introduced by an existing accounting holder having satisfactorily relationship with Standard Chartered Bank for at least six months
- ✿ *Photograph:* Two copy of account holder photograph duly signed by introducer.
- ✿ *Nominee:* Signature of nominee on the AOF along with the relevant portion and also with a photo duly attested by applicant.
- ✿ *Document:* Valid passport/ driving license/, voter ID card,/ reference letter by the first class gazette officer and one copy photo of the account holder signed by officer (affidavit is not acceptable), organizational photo ID. (commissioner certificate, certificate from Gazette officer is not acceptable)

2.11.3 **Fixed Deposit:**

Fixed deposit is the same as a term or time deposit. Money may be placed with a bank, merchant bank, building society or credit union for a fixed term at a fixed rate of interest which remains unchanged during the period of the deposit. The minimum opening balance of FDR is Tk. 10,000. Customers have the freedom to choose the desire period from 3 months to 1 year

| Fixed Deposit | Interest Rate |
|--|---------------|
| 1 month and above but less than 3 month | 5.65% |
| 3 month and above but less than 6 month | 9.00% |
| 6 month and above but less than 12 month | 9.00% |
| 12 month and above | 9.00% |

2.11.4 Short Term Deposit:

Short Term Deposit (STD) account convenient customer to way of saving for the future. STD account is any-branch banking solution that gives the customer more service, such as, interest rate on the deposit (6%), affordable minimum balance (Tk. 1000), any branch banking.

2.11.5 Brick by Brick:

Brick by Brick is a monthly savings plan, which will provide comfort and security in future. A handsome amount can be earned at maturity.

Terms and Condition

- ◆ Brick by Brick monthly installments are Tk. 500; 1000; 2000; 5000 and multiples of Tk. 5000 thereof.
- ◆ Consumer can select a period of 5/8/10 years, depending on his or her convenience.
- ◆ Customer is eligible to open more than one account in the same branch.
- ◆ Monthly installment of any plan will be debited from customer's saving or current account as auto transfer arrangement.
- ◆ 1% bonus amount will be awarded on total deposit if the plan is continued up to maturity.
- ◆ If the customer fail to pay 3 consecutive installments then the plan will cease to function and payment will be made as per as following clause.

2.11.6 Monthly Benefit Plan:

This plan offers you to generate monthly income out of your deposit. It has been designed to help and assist conscious savers from all strata of the society.

Terms and Condition

- ✦ Any individual, NGO, Education Institution, Trust, Society etc. may invest their saving in this plan. The customer may open more than one account in the same branch.
- ✦ Minimum deposit is Tk. 50,000 or in multiples thereof. There is no upper limit.
- ✦ This is a 3 and 5 year plan.
- ✦ Monthly installment income will be credited to the depositor's saving or current account.
- ✦ For premature encashment, interest will be paid as per prevailing saving rate but no interest will be paid if encashed with in one year.

2.11.7 Children Education Plan:

Education is the backbone of any nation and one of the primary factors of prosperity. An educated nation stands tall in the committee of nations and deserves respect. A child's education is of prime importance and every parent should ensure and make every effort to get their child educated. This plan will generate savings for the children education. It has been designed to help and assist the people who are concerned about the cost of their children's education.

Terms and Condition

- ✦ Initial deposit of MTBL Education Plan is Tk. 5000 and subsequently monthly installments are Tk.1000 and multiple thereof up to a maximum Tk. 2000.
- ✦ Consumer can select a period of 4/7/9 years, depending on his or her convenience.
- ✦ Customer is eligible to open more than one account in the same branch.
- ✦ Monthly installment of any plan will be debited from customer's saving or current account as auto transfer arrangement.
- ✦ If the customer fail to pay 3 consecutive installments then the plan will cease to function and payment will be made as per as following clause

2.11.8 Consumer Credit Scheme:

In order to make a significant contribution in the living standards of the people of medium and low income category, Mutual Trust Bank has introduced a scheme called "Consumer Credit Scheme". With a view to materialize the dreams of those who are unable to make one time investment from their own savings, one can now afford to buy necessary household equipments and thus improve the standard of living. MTBL offer the most competitive interest charges will be 14% per month annum. Rates may vary depending on security available.

Loan Amount

☞ Minimum Tk. 30,000

☞ Maximum Tk. 300,000 or 6 time of monthly income
whichever is lower

Up to 90% of the price of purchase item

2.11.9 Best Invest Plan:

Best Invest offers efficient high return investment plan. This plan helps one to build up a sizeable income in easy and affordable installments. This plan allows someone to own 5 times the initial invested amount. BestInvest offers two separate and convenient term deposit periods for 4 years and 6 years respectively.

BestInvest is available in units worth Tk.50,000 each. One will invest Tk.10,000 as down payment for purchasing 1 (one) unit and the Bank will provide loan for Tk.40,000. The customer also has the option to buy units in multiples of Tk. 50,000 but maximum up to Tk. 1,00,00,000 (one crore). This is a unique high return plan catering to all income groups.

Deposit & Income (In BDT)

| Best Invest Plan | 4 Years Plan | | | | 6 years Plan | | | |
|--|---------------------|-----------------|-------------------|-------------------|---------------------|-----------------|------------------|-------------------|
| | 50,000 | 100,000 | 500,000 | 10,00,000 | 50,000 | 100,000 | 500,000 | 10,00,000 |
| <i>Down Payment 20%</i> | 10,000 | 20,000 | 100,000 | 200,000 | 10,000 | 20,000 | 100,000 | 200,000 |
| <i>Bank Loan 80% Monthly Installment</i> | 40,000 1,054 | 80,000 2,108 | 400,000 10,540 | 800,000 21,080 | 40,000 783 | 80,000 1,566 | 400,000 7,830 | 800,000 15,660 |
| <i>Maturity Value</i> | 71,883 | 143,766 | 718,830 | 14,37,660 | 86,189 | 172,378 | 861,898 | 17,23,780 |

2.11.10 MTBL Millionaire Plan:

Millionaire plan is a monthly saving plan, which will make people a millionaire in a few years.

Terms and Condition

- ✦ Any individual, NGO, Education Institution, Trust, Society etc. may invest their saving in this plan. The customer may open more than one account in the same branch.
- ✦ Consumer can select a period of 6/8/10/12 years.
- ✦ Customer is eligible to open more than one account in the same branch.
- ✦ Monthly installment income will be debited from the customer saving or current account.
- ✦ For premature encashment, interest will be paid as per prevailing saving rate but no interest will be paid if encashed within one year.
- ✦ In case of death, deposit will be encashed with applicable interest and paid to nominee(s).

2.11.11 MTBL Double Saver Plan & MTBL Triple Saver Plan:

MTBL Double Saver Plan is a one time saving scheme, which will provide double the amount of the deposit after six years. MTBL Triple Sever Plan is a saving plan scheme, which will provide the three times of the deposit after eleven years. In both case, the customer will receive a big amount at maturity.

Terms and Condition

- ✦ Any individual, NGO, Education Institution, Trust, Society etc. may invest their saving in this plan. The customer may open more than one account in the same branch.
- ✦ Minimum deposit would be Tk 10,000 (MTBL Double & Triple Saver Plan) and there is no limit for maximum amount.
- ✦ The period of deposit is six years for MTBL Double server plan and eleven years for MTBL Triple server plan.
- ✦ After maturity customer can get double and triple times of the deposited amount along with a gift item.
- ✦ Customer is eligible to open more than one account in the same branch.
- ✦ For premature encashment, interest will be paid as per prevailing saving rate but no interest will be paid if encashed with in one year.
- ✦ In case of death, deposit will be encashed will applicable interest and paid to nominee(s).

Loan Advantage

The customer can avail loan up to 90% of the deposited amount but minimum loan amount against these plans will be Tk. 25,000

2.11.12 Festival Savings Plan:

MTBL Festival Saving plan has been designed to generate saving for religious festival. It will help to prepare and enjoy a happy festival. This plan includes,-

- ☞ Eid-ul-Fitr
- ☞ Eid-ul-Azha
- ☞ Durga Puja
- ☞ Christmas Day
- ☞ Buddha purnima

2.11.13 Unique saving Plan:

Unique Savings Plan is an any day, any amount savings plan. The beauty of this plan is that a customer can deposit any day, any time and any amount. Unique Savings Plan offers you to deposit any amount of your choice but not less than Tk. 500/- for 3/4/5 years. This is a high income plan with withdrawal facilities. The withdrawal facility will help you at the time of any emergency. Customer can withdraw 50% of the deposited balance for once a month. At maturity you will get a handsome amount.

2.11.14 ATM/Debit Card Service

A debit card is a plastic card which provides an alternative payment method to cash when making purchases. Its functionality is more similar to writing a check as the funds are withdrawn directly from either the cardholder's bank account (often referred to as a *check card*).

MTBL debit card is start from the 3rd August. The MTBL customer can use the booth of Duch Bangla bank ltd. Every Debit card has an expiry date. It as well requires replacements. The request for debit card (with prior notification) is dealt by the account service department. Customer collects the card after 5 working days. Customer can easily withdraw cash and make purchases whenever he/she wants using this Debit card.

2.11.15 Statement and certificate preparation

Statement is send to the correspondence address of the account holder in two times a year (June & December). Some time customer need bank statement on urgent basic for some purpose. Then the account holder come to any branch of MTBL and can take the statement. The statement is given when he or she can prove that he or is the account holder or the authorized person of the account holder. He or she can get this statement is office working hour. It is charged from customer's account.

2.11.16 Locker Service

Bank provides safety locker service to its customers. Any account holder can obtain it. Account holder needs to fill up a form with specimen signatory card. Signatory may not be more than three. In the form, locker holder must mention the account number from where locker charge will be debited. After clarifications all documents allocation of a locker and key takes place.

| <u>Type</u> | <u>Annual charge</u> |
|--------------------|-----------------------------|
| Small | 1500 |
| Medium | 2000 |
| Large | 3000 |

2.13 Financial Performance of The Bank

I have tried to find out the financial performance of MTBL in the content of the bank (1) Operating Profit (2) Capital (3) Deposits (4) Loans and Advances and (5) Export & Import.

2.13.1 Operating Profit

Mutual Trust bank earned an operating profit of Tk. 1442.47 million in 2013 compared to Tk. 1394.85 million in 2012. After keeping provision on loans and advances Profit Before Tax stood at Tk. 874.47 million. The Net Profit for the year stood at Tk. 878.28 million compared to the previous year's Tk. 636.17 million. Earning per share (EPS) in 2013 increased Tk. 50.32 registering a 42.27% growth as against Tk. 35.37 during the preceding year. Bank's Return on Asset (ROA) in 2013 was 1.82% as against 1.74% in 2012.

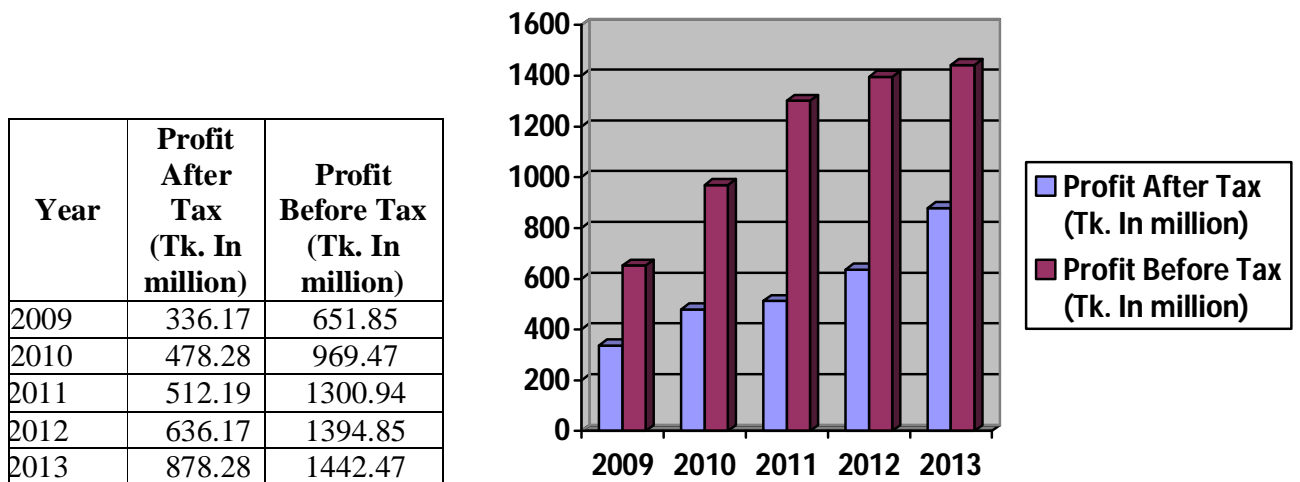


Figure-01. Operating Profit (Taka in million)

2.13.2 Capital

MTB started its operation on October 24, 1999 as a private sector bank with an authorized capital of Tk. 1000 million and paid up capital of Tk. 200 million. The paid capital of the bank amounted to Tk. 1250.4 million as on December 31, 2013. Total capital of the bank as on December 31, 2013 stood at Tk. 2,714.52 million consisting of shareholders' equity of Tk. 2404.80 million and supplementary capital includes general provision against loan and advances and exchange equalization

| Year | Paid up Capital (Tk. In million) | Shareholder Equity (Tk. In million) |
|------|-------------------------------------|--|
| 2009 | 864 | 1547.48 |
| 2010 | 950.4 | 1904.8 |
| 2011 | 1004.2 | 2104.55 |
| 2012 | 1164.5 | 2247.48 |
| 2013 | 1250.4 | 2404.80 |

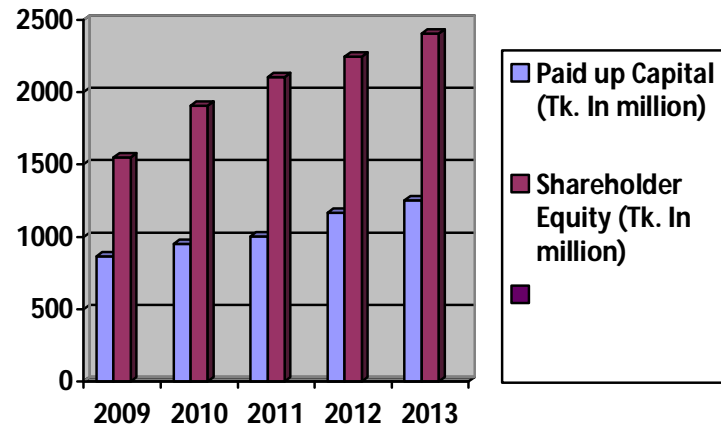


Figure-02. Capital (Taka in million)

2.13.3 Deposits

Total Deposits of the bank as on December 31, 2013 stood at Tk. 22,264.05 million as against Tk. 16,098.54 million of the previous year registering a 38.30% growth. This rate is a significant achievement considering the economic scenario of the country and stiff competition in the sector. However, cost of deposit has increased during the year due to high interest rate allowed against Fixed Deposit. The bank has laid due stress on procurement of low cost deposit including cost free float of funds to bring down the average cost of funds. It may be mentioned here that strict compliance of Central Bank regulations and adherence to Money Laundering Prevention Act 2002 were ensured while procuring deposits.

| Year | Amount (Tk. In million) |
|------|-------------------------|
| 2009 | 5158.11 |
| 2010 | 7163.67 |
| 2011 | 13164.13 |
| 2012 | 16098.54 |
| 2013 | 22264.05 |

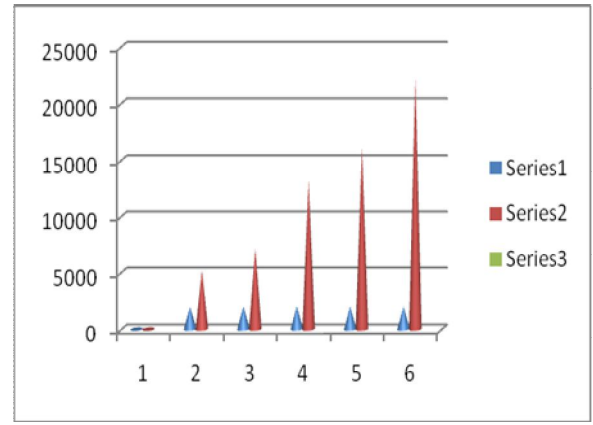


Figure-03. Deposits (Taka in million)

2.13.4 Loans & Advances

The credit portfolio of the bank comprises a diversified area of business and industries sectors. The sectors include textiles, pharmaceuticals, edible oil, ready-made garments, chemicals, cement, telecom, steel, real state and service industries.

The bank's credit growth recorded at 29.34% with a total credit portfolio of Tk. 18,591.52 million at the end of December 2013 compared to Tk. 14,373.26 million at the end of December 2012. Total interest income of the bank from loans and advances stood at Tk. 22,220.91 million in 2013 registering a 17.13% growth over the preceding year. The bank has given utmost importance to acquire quality assets and is committed to retain good borrowers through focused relationship management and financial counseling. This has resulted in a diversified and well-structured advances portfolio.

| Year | Amount (Tk. in million) |
|------|-------------------------|
| 2009 | 3437.13 |
| 2010 | 5904.18 |
| 2011 | 11692.97 |
| 2012 | 14373.26 |
| 2013 | 18591.52 |

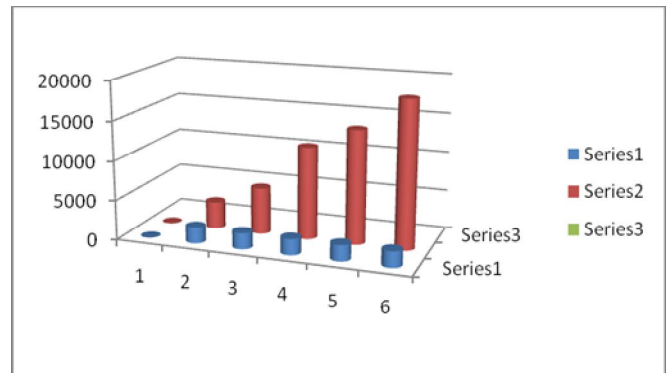


Figure-04. Loan & Advances (Taka in million)

2.13.5 Export

In 2013 the export volume of MTBL reached Tk. 12,943.26 million compared to previous year's volume of Tk. 8,810 reflecting a sound growth of 46.92%. The items handle in export trade were ready-made garments, jute, jute goods, pharmaceuticals, leather etc.

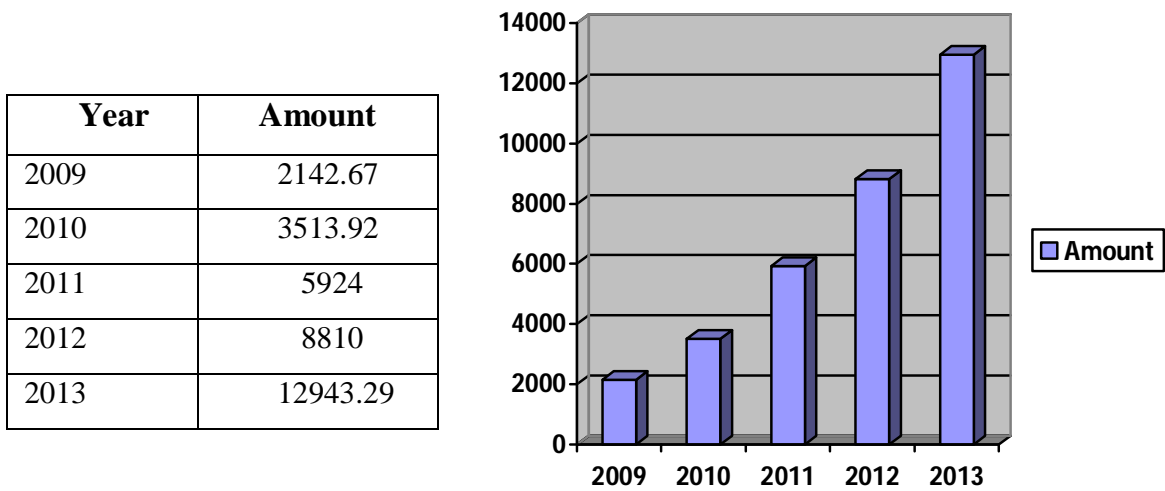


Figure-05. Export (Taka in million)

2.13.6 Import

Import volume of MTBL in 2013 reached Tk. 26,255.29 million compared to FY12's volume of Tk. 17,600.00 million achieving a growth of 48.67%. The main import items were industrial machineries, raw materials, fabrics and accessories, chemicals, electronic goods and other consumer products, capital machinery, petroleum and petroleum products.

| Year | Amount |
|------|----------|
| 2009 | 6393.53 |
| 2010 | 11284.41 |
| 2011 | 17355.9 |
| 2012 | 17660 |
| 2013 | 26255.29 |

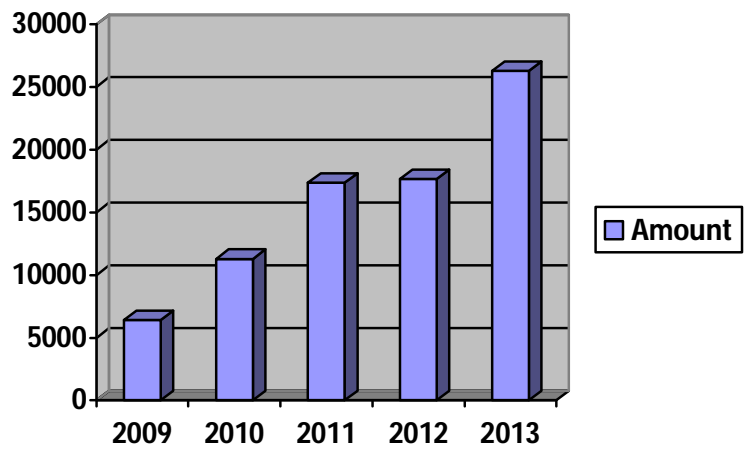


Figure-06. Import (Taka in million)

Chapter: 03

CREDIT APPRAISAL & CREDIT MANAGEMENT SYSTEM OF MTBL

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 our customers get the best deals in town.

3.2 Credit Planning:

Credit planning implies efficient utilization of scarce (loan able fund) to generate earning for the bank. Constituents of credit planning are: forecasting of loan able fund likely to be available in a particular period of time and allocation of the same amongst alternative avenues in a prudent way.

Credit planning has got a serious importance because -

- ❧ Loan able fund comes out of deposit mobilized from the people. So safety of people's money should be ensured carefully. Unplanned lending may create harm in two ways; firstly, excess lending may create liquidity crisis for the bank. Secondly, too much conservative lending may make the loan able fund idle. Idle but cost-bearing fund again incurs operating cost for the bank.
- ❧ Excess liquidity led by unplanned inadequate lending push the profitability to decline. Planned credit helps to maintain conformity with the national priority.
- ❧ Unplanned credit may upset the total economic stability from macro point of view either by making inflation or deflation.

3.3 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.

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.

3.4 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 their 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.

3.5 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.

3.6 Preliminary Screening of a Credit Proposal:

Screening means critical diagnosis of a credit proposal at the very initial stage. It should be made carefully just after the proposal comes to the bank.

At the time of screening of a credit proposal the preliminary screening should be done on the following premises:

- Quality of management and the entrepreneurial background of the sponsors
- Equity strength i.e., the own capital positions
- Position of assets & properties
- Line of business, it's future prospects and the existing position of the respective industry
- Required technology, machinery, equipment and their availability
- Location, whether the infrastructural facilities are available
- Potential contribution to the overall economic development of the country
- Security proposed to be given and the genuineness of the title of documents

Analyzing the above matters, it is to be convinced that the credit proposal satisfies all the key elements of a sound lending policy such as:

- Safety of fund
- Security (easy marketability of the property given as security)
- Liquidity (the tenure of the loan)
- Profitability
- Diversity
- National interest

3.7 Selection of Borrower

Selection of borrower is a very significant part of a credit decision. The borrower should be diagnosed prudently. Degree of risk has an inverse relationship with the selection of borrower. Selection of right borrower reduces the risk of non-repayment of the loan. To the contrary, degree of risk of non-repayment increases with the selection of wrong borrower. In our country, the huge volume of non-performing loan is mainly the result of failure in selecting right borrower. So, if it is found that, line of business is prospective and profitable but the potential borrower is not right one, the proposal should not be entertained. There are some parameters for selection of a borrower. Some 'C's' commonly expresses the parameters. And thus the criteria for selection of a borrower are popularly known as 5 C's such as:

Character: Market reputation, morality, family background, and promptness in repayment

Capacity: Ability to manage the business, ability to employ the fund in the right way, ability to overcome unforeseen problems

Capital: Equity strength, assets & properties

Collateral: The easy marketability of the properly given as security

Condition: Overall business condition

3.8 Appraisal of a Project

Project is an investment activity from which benefit is expected to be generated over a period of time. Appraisal of project implies the critical analysis of a project from various angles. It is a comprehensive study to see whether the project is commercially profitable, economically viable and socially desirable. An appraisal covers the feasibility study of the following aspects:

1. Technical aspect
2. Marketing aspect
3. Financial aspect
4. Managerial aspect
5. Socio-economic aspect

3.8.1 Technical Aspect

In this part, the factors those are more or less technical in nature are examined. Examination of the technical factors enables us to know whether the project is technically feasible. The Points of observation in this area are:

- ◆ Location or site of the project
- ◆ Availability of infrastructural facilities such as: roads & transport, school, college etc.
- ◆ Availability of raw materials.
- ◆ Availability of utilities such as: electricity, gas water etc.
- ◆ Availability of required machinery
- ◆ Climatic position in the project area.
- ◆ Availability of required labor.
- ◆ Nearness of market for the product
- ◆ Political factors such as Govt. Patronage, industrial policy of the Govt.
- ◆ Proximity to complementary projects,

3.8.2 Marketing Aspect

Marketing aspect is the most significant aspect. Whether a project will be able to generate profit depends largely upon the market position. The market demand for the product of the project is analyzed in this part of appraisal. The following assessments are made under marketing feasibility test:

- ◆ Past & present demand for the product.
- ◆ Past & present supply of the product.
- ◆ Expected future demand for the product.
- ◆ Demand and supply gap

Existence and impact of complementary goods and the distribution channel or marketing mechanism is critically analyzed in this part of project appraisal.

3.8.3 Financial Aspect

It is another significant part of appraisal. Financial viability of a project is examined in this part. Various financial tools & Techniques are used in testing the financial viability such as:

1. Capital Budgeting
2. Break Even Analysis
3. Sensitivity Analysis
4. Ratio Analysis

3.8.3.1 Capital Budgeting Technique:

A process of analyzing or evaluating an investment decision. The Capital budgeting tools used for evaluating an investment opportunity are:

- **Accounting Rate of Return (ARR):**

Arithmetic expression of expected return from the investment. The higher the rate, the more is the financial viability of the project.

- **Payback Period:**

The period within which the volume of investment is expected to be returned from the project. The "period" should be $<$ the maximum acceptable payback period.

- **Net Present Value (NPV):**

It is the difference between present value (Time adjusted value) of expected inflow or benefit and that of outflow or investment.

Under this method expected future benefits are being converted into present value using reasonable rate of discount. In case of a single project, the project can be accepted present value of inflow is higher than the present value of outflow. But in case of a mutually exclusive decision, the project having higher NPV should be accepted.

- **Internal Rate of Return (IRR):**

It is a rate at which the present value of inflow equates the present value of outflow. IRR tells the minimum required rate of return from an investment. Acceptable IRR is being determined by considering the opportunity cost, cost of capital, the prevailing maximum return in the economy etc. IRR is a trial and error method. Under trial & error process two discounting rates—one, at which NPV is negative and another one, at which NPV is positive are used in calculating IRR.

- **Profitability Index:**

PI is calculated by dividing present value of inflow with the present value of outflow.

A project can be accepted if $PI \geq 1$.

3.8.3.2 Break Even Analysis:

Break-Even Analysis is commonly known as the Cost-Volume-Profit (CVP) analysis. Break-even analysis shows the relationship between cost and revenue with respect to profit. By showing the break-even point, this analysis says the minimum level of output or sales that is required to equate the cost. More over, break-even analysis provides a clear idea about the required volume of sales to earn a target profit. Thus break-even analysis helps

$$\text{BEP} = \frac{\text{Fixed Cost}}{\text{Sale per unit} - \text{Variable Cost per unit}}$$

3.8.3.3 Sensitivity Analysis:

Sensitivity analysis provides the picture of relative changes in overall profitability due to change in any variable. Usually changes (increase) in material and other variable cost or changes (decrease) in selling price are being taken into consideration for making sensitivity analysis.

3.8.3.4 Ratio Analysis:

Ratio analysis is the analysis and interpretation of data given in the financial statement such as: Balance Sheet, Income statement etc. Ratio is the quantitative expression of relationship between two accounting figures. Ratio analysis gives a clear picture about the strength and weakness of a firm, its historical performance and current financial condition. The common ratios that are being used in the analysis are:

Liquidity Ratio:

- i. Current Ratio
- ii. Acid test etc.

Solvency Ratio:

- i. Debt-Equity ratio
- ii. Debt to total asset ratio

coverage ratio etc.

Activity Ratio:

- i. Inventory turnover Ratio
- ii. Debtors/Receivable turnover Ratio

Profitability Ratio:

- i. Profit Margin
- ii. Return on Investment

3.8.3.5 Managerial Aspect

This is another important aspect of the appraisal. Managerial feasibility refers to the assessment of ability of management personnel in managing a project efficiently.

The management personnel should have-

- ✎ Technical skill to use knowledge, method and Techniques (acquired from experience, education and training) to perform the job.
- ✎ Human skill to maintain interpersonal relationship within or outside the organization.
- ✎ Conceptual skill to understand the complexities in overall organization.

3.8.3.6 Socio-economic Aspect

The observation of this aspect is to see whether the project is socially desirable. How much contribution will be made by the project to the G.D.P. and how many numbers of employment will be generated by the project should be ascertained.

3.9 Pricing of Loan

Pricing of loan is a great important element in banking business. Because through pricing, bank usually create margin/profit. So it is to be determined carefully. In pricing, four components are to be calculated prudently otherwise pricing of that loan will create a definite loss for the bank. The components are:

- ✎ Interest Expense or Cost of Fund: The interest to be given to the depositor and to central banks for borrowing
- ✎ Administrative Cost
- ✎ Cost of Capital: Return expected by the investors for their capital invested in the bank
- ✎ Risk Premium

Addition of the first three elements will provide the "Prime rate" beyond which a bank can never go for lending. Magnitude of the risk premium creates margin for the bank. And this rate of risk premium may vary from person to person and even from sector to sector depending upon the value or importance of the client and the prospective priority of the sector. Once upon a time, it was dictated by the Central bank but now a day, in compliance with the open market operation this power has been delegated to the enlisted commercial banks.

3.10 Documentation of Loans & Advances

Immediate after sanctioning of loan, documentation is to be made properly before disbursement of loan. Documentation formalities are commonly known as completion of 'Charge document' in the banking world. Type of documents to be signed by the client varies depending upon the nature of loan and advances given. Some common documents are listed below:

1. Demand Promissory (DP) Note
2. Letter Arrangement
3. Letter of Agreement
4. Letter of continuity (in case of continuous loan)
5. Letter of pledge (in case of Pledge)
6. Letter of Hypothecation (in case of Hypothecation)
7. Letter of Undertaking
8. Letter of Debit Authority
9. Letter of Installment (in case of term loan to be paid in installment)
10. Letter of Guarantee (Personal Guarantee)

3.11 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:

3.11 .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:

| Types of Term Loan | Time (Period) |
|--------------------|----------------------|
| Short Term | 1 to 3 years |
| Medium Term | 3 to 5 years |
| Long Term | Above 5 years |

3.11.2 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.

3.11.3 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**

3.11.4 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

3.11.5 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.

3.11.6 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 pre-emptor finance and falls under the category ‘Commercial Lending’.

3.11.7 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”.

3.11.8 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’.

3.11.9 IBP

Payment made through purchase of inlands 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’.

3.11.10 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’.

3.11.11 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.

3.11.12 Micro Credit

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

3.12 Present products of MTBL at a glance

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

| | | | |
|--|-----------------------|--|--|
| | SOD (FO) | Secured Overdraft against Financial Obligation | General. |
| | SOD (General) | Secured Overdraft other than financial obligation | General. Execution of work/supply orders Real Estate Finance |
| | Credit Card | - | Financing retail borrowers through Credit Card. |
| | 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. |
| | Term Loan(Industrial) | Term Loan against capital machinery | Finance against capital machinery |
| | Term Loan (Others) | Term Loan against other than machinery | Real Estate Finance, syndicated finance etc. |
| | CC(H) | Cash Credit (Hypothecation) | To finance against inventory/ stock /receivables/working capital. |
| | IBP | Inland Bill Purchase | Financing against Govt. cheque, PO, DD etc. |
| | PAD(cash) | Payment Against Document | Advance against sight LC |
| | Lease Finance | - | Financing for procurement of capital machinery and equipment |
| | Agri Loan | Agricultural Loan | To finance crop production, farming, fishing, forestry and livestock etc. under the agricultural credit policy of Bangladesh Bank. |

Table: 01

3.13 Chart of Interest rate of Mutual Trust Bank for Lending

| SL | Categories | Existing (Mid) Rates |
|----|--|---------------------------|
| 01 | Agriculture | 12.50% |
| 02 | Terms Loan to Large & Medium Scale Industries | 13.00% |
| 03 | Working Capital | 15.50% |
| 04 | Export Finance (PC, ECC) | 7.00% (Fixed) |
| 05 | Commercial Lending including Import Finance | 16.00% |
| 06 | Housing loan: i) Commercial ii) Residential | 16.00% 14.00% |
| 07 | Term Loan to Small & Cottage Industries | 14.00% |
| 08 | Consumer Credit | 18.00% |
| 09 | Lease Finance | 16.50% |
| 10 | Loan/SOD against FDR of the Bank | 3% above (Fixed) FDR rate |
| 11 | SOD against FDR of Other Banks | 16.50% |
| 12 | Others | 16.50% |

The interest rate on financing against pulse, oil seeds, spices (onion, garlic, ginger, chili, turmeric and cumin) and maize will be 2% (as per ACSPD Circular No. 3 dated 10.10.2006).

As per BRPD Circular No. 3 dated March 9, 2011.

Table: 02

3.14 Features & Eligibility of different types of credit

3.14.1 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 to your specific need. An experienced, dedicated team of experts and a complete loan package is in place, to meet all your housing finance needs. MTB Home Loan helps you fulfill your dream.

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

3.14.2 **MTB Home Equity Loan**

Planning to build/uplift/renovate a home or furnish your home? MTB Home Equity loan provides a packaged financial assistance to individuals for fulfillment of your dream home. It's time to get your coveted home by MTB Home Equity Loan.

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

- ▶ Experience
 - ▶ Salaried person : 3 years
 - ▶ Self employed : 3 years
- ▶ Businessperson: 3 years

3.14.3 MTB Auto Loan

Own that car you have always desired, with a little help from us. We offer lucrative interest rates that would pleasantly surprise you. MTB Auto Loans are built for utmost speed and competence. MTB Auto Loan is available for financing both new and reconditioned cars. Your dream car is closer than you think.

Features:

- Loan amounts from Tk. 3,00,000 to Tk. 20,00,000
- 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

3.14.4 MTB Bhaggobati

Features:

- 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

3.14.5 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:

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

3.14.6 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:

- ✦ 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

3.14.7 MTB Digoon

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

Features:

- ✦ 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

3.14.8 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

3.15 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?



3.16 Process of Getting Loan:

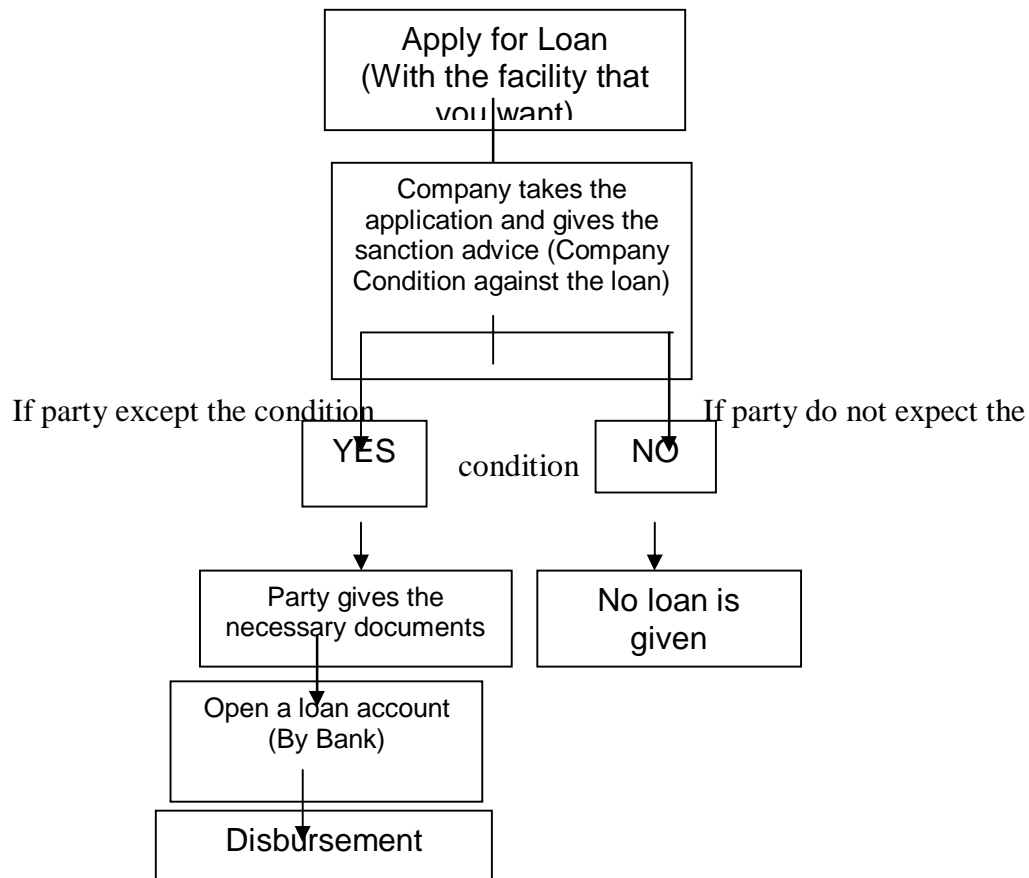


Chart: 04

3.17 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.



3.18 Approval Process Flow Chart:

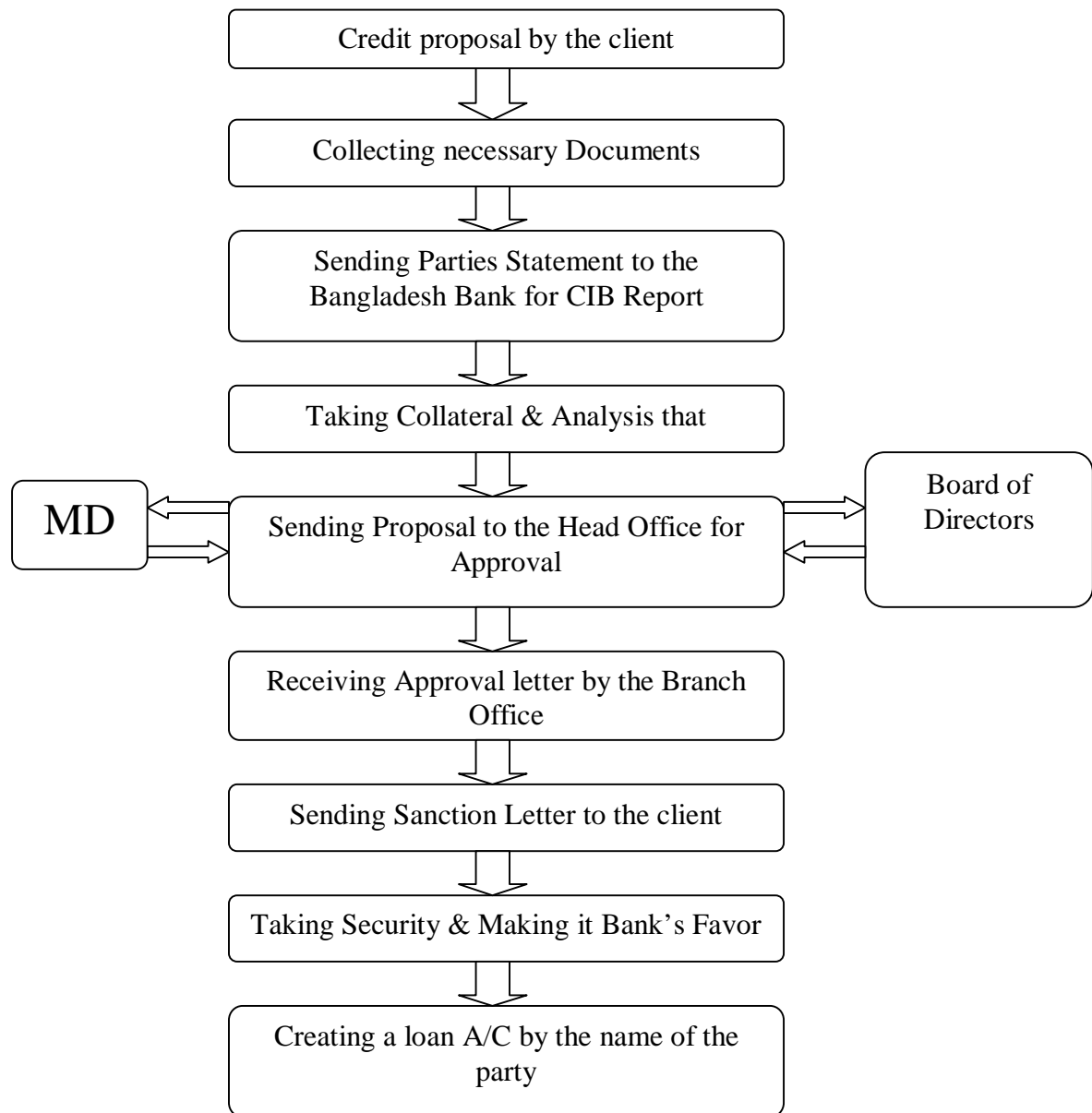


Chart: 05

3.19 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

3.19.1 Process of Loan Disbursement:

The loan will be disbursed by crediting the account of the customer. Company opened an account for that customer with "Zero balance" for the loan purpose.

Following documents should be given at the time of application

For Businessmen & Self Employed professionals:

- ∞ Application form filled in
- ∞ Bank Statement: last 1 years
- ∞ Proprietorship Business A/C: Valid Trade License
- ∞ Partnership Business A/C: Certified true copy of Memorandum & Articles of Association with Form
- ∞ Details of security to be submitted
- ∞ Copy of valid Trade License & TIN certificate must be attest by Branch official
- ∞ Sales Manager as "O/S" - Original seen
- ∞ Tax Identification Number (TIN) & CIB clearance from Bangladesh Bank are required

Charge documents and these documents importance:

- ∞ A Demand Promissory Note, Letter of Continuation. Letter of Lien and Set-off over Deposit. Letter of Hypothecation these documents are called charge documents.
- ∞ In case the customer defaults on his installment payments, and then these documents will help MTBL establish its right in court to liquidate his loan by en-cashing customer's security.
- ∞ Only the owner but representatives of MTBL must not sign or stamp a seal on these pages.

Note: Required documents for customer loan in details are given in the Appendix part.

3.19.2 Analyzing the Year Wise Loan Disbursement by MTB

| YEAR | AMOUNT OF LENDING (in million/Tk.) |
|--------------|------------------------------------|
| 2008 | 1,603.95 |
| 2009 | 1,897.63 |
| 2010 | 4,358.31 |
| 2011 | 6,804.45 |
| 2012 | 9,738.32 |
| 2013 | 10,231.58 |
| TOTAL | 24,928.41 |

Table: 03

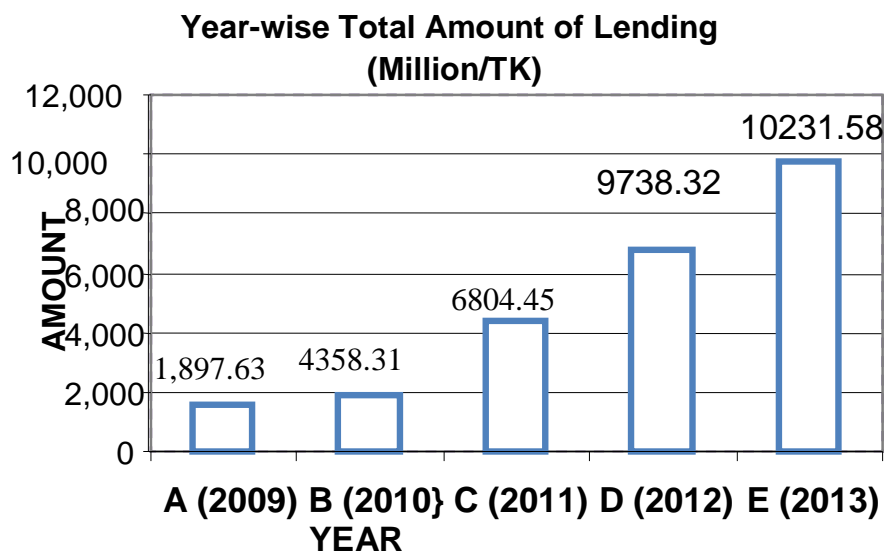


Chart: 06

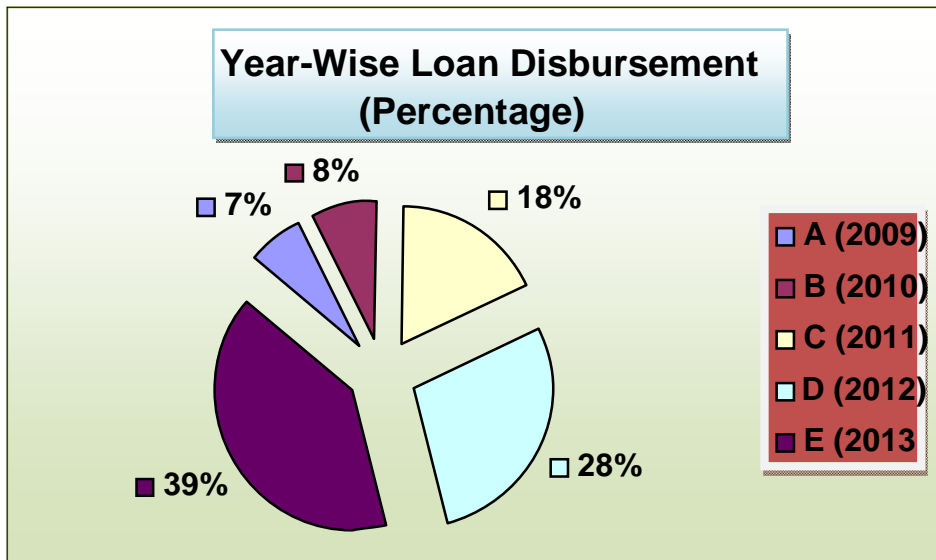


Chart: 07

From the graph we can say that in the year 2010 the total loan disbursement is 39% (Tk 9738.32 million) to compare with other financial years. In the year 2009 the loan disbursement was 28% (Tk 6804.45 million) and in the year 2006, 2007 & 2008 the loan disbursement was 7% (Tk 1603.95 million), 8% (Tk 1897.63 million) & 18% (Tk 4358.31 million). So according to this graph we can easily say that the bank's 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. If we see the percentage increase by the year than in the loan disbursement is 39% and in the previous year it was 28%. So the percentage increases by 11% only. In the year 2007 & 2008 the percentage increased by 10%. In compare, the increasing percentage is about to same that is in 2010 the increasing percentage was 11% which is more than 1% in the previous year. It may be the good sign for the bank because the loan disbursement is increasing or steady not decreasing. Bank's 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.

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

| SECTOR | 2011 | 2012 | 2013 |
|--|-----------------|-----------------|------------------|
| Cash Credit | 179.92 | 165.83 | 257.06 |
| Cash Collateral | 148.59 | 199.53 | 220.66 |
| Overdraft | 355.07 | 529.89 | 736.52 |
| SOD | 1,676.17 | 2,153.63 | 3,011.33 |
| Marriage Loans (ML) | 87.35 | 81.90 | 74.03 |
| Car Loan (CL) | 17.00 | 26.26 | 28.28 |
| House Building Loan(HBL) | 89.16 | 100.23 | 397.73 |
| Term Loans | 284.34 | 834.56 | 1,744.04 |
| Staff Loans | 11.23 | 20.94 | 46.16 |
| Consumer Durable Scheme (CDS) | 33.04 | 25.70 | 25.87 |
| Repair & Recon. of Dwelling House (RRDH) | 247.38 | 233.35 | 222.08 |
| Loan Against Trust Receipts (LTR) | 987.85 | 2,044.41 | 1,823.81 |
| Payment Against Documents (PAD) | 209.01 | 257.49 | 114.46 |
| Bill Purchased & Discounted | 30.49 | 114.04 | 354.86 |
| Other Loans | 1.72 | 16.69 | 681.42 |
| Total Loans & Advances | 6,804.45 | 9,738.32 | 10,231.58 |

Table: 04

3.20 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.

3.21 Loan Classification

Classification of loan is mandatory for all scheduled commercial banks. It has become obvious due to the bad culture of fabricating the income by window dressing of the financial statement of the commercial banks. It has been observed that sometimes bank income is being calculated by showing the unrealistic expected income. To protect this ill practice, classification of loan has come to the effect basing upon a standard criterion.

Loans are classified into three categories on the basis of the length of overdue. These are:

1. **Substandard:** If the loan remains overdue for 9 (nine) months & above
2. **Doubtful:** If the loan remains overdue for 24 months and above
3. **Bad or loss:** If the loans remain overdue for 36 months and above

The criteria of loan classification are:

1. Overdue
2. Required payment
3. Limit overdrawn
4. Legal action
5. Qualitative judgment

Provisioning:

To get real picture of the income, provisioning is made as under:

1. 10% for substandard loans
2. 50% for substandard loans
3. 100% for substandard loans
4. 1 % for substandard loans

3.21.1 Classification Process

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

The process of classification of an account will start with strict application of the risk rating assessment that is

Sub-standard

Doubtful

Bad or Loss

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.

3.21.2 CLASSIFICATIONS AS SUBSTANDARD

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

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.

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.

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.

3.21.3 CLASSIFICATION AS DOUBTFUL

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

The advance or any portion of the advance or interest thereon remains overdue for 270 days or more but less than 360 days.

A loan classified as substandard per clause 6 (b) above has remained substandard for 180 days or more. A loan classified as substandard per clause 5 (c) above has remained substandard for 180 days or more.

3.21.4 CLASSIFICATION AS BAD

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

The advance or any portion of an advance or interest thereon remains overdue for 360 days or more.

A loan classified as doubtful per clause 6 (b) above has remained doubtful for 180 days or more.

A loan classified as doubtful per clause 6 (c) above has remained doubtful for 180 days or more.

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.

Qualitative criteria based on judgment.

3.21.5 Classified Loan conditions of MTBL (million/Tk)

| Particulars | 2005 | 2009 | 2010 | 2011 | 2012 | 2013 |
|--|--------|----------|----------|----------|----------|----------|
| Unclassified Loans & Advances | 525.74 | 6,704.10 | 9,609.36 | 9,971.20 | 6,704.10 | 9,609.36 |
| Sub-Standard Loans & Advances | - | 33.43 | 48.85 | 51.75 | 33.43 | 48.85 |
| Doubtful Loans & Advances | - | 8.28 | 5.00 | 21.22 | 8.28 | 5.00 |
| Bad/Loss Loans & Advances | - | 58.64 | 75.11 | 25.14 | 58.64 | 75.11 |
| Total | 525.74 | 6,804.45 | 9738.32 | 4,358.31 | 6,804.45 | 9738.32 |

Table: 05

3.21.6 Ratio of classified Loans to Total Loans of MTBL

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

Table: 06

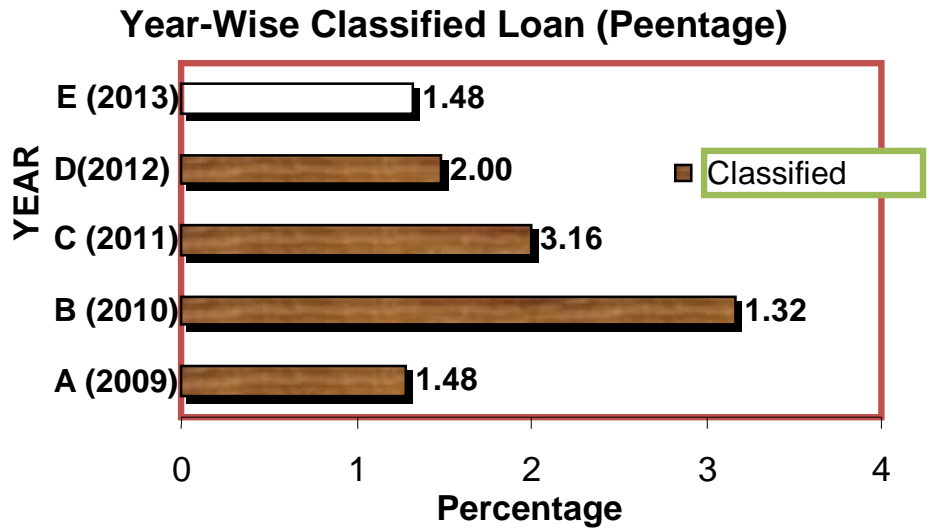


Chart: 08

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 2010 was 1.32% (Tk 20.74 million), but in the year 2011, it was vastly increased and went up to 3.16% (Tk 60.00 million). After that MTBL decreased their classified loan. In the year 2012, the classified loan was 2.00% (Tk 87.11 million). Then in the year 2013, the classified loan was 1.48% (Tk 100.35 million) & 1.32% (Tk 128.96 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 2010 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.

3.22 Recovery Policy of MTBL

3.22.1 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.

3.22.2 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 beginning 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.

3.22.3 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

Monitoring and controlling the classified accounts through monthly reporting and quarterly review.

Actively follow the borrowers for recovery.

Negotiate and reschedule the debts.

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.

3.23 Supervision-Monitoring-Recovery of Credit

Recovery of loan ensures the recycling of fund. Non recycling of fund leads a bank or financial institution to become stagnant. So, recovery of loans and advances is a must. But the scenario of loan recovery is undoubtedly poor and inefficient in our financial system. Willful non-repayment of loan has become a culture in our country. This is mainly because of inadequate, inefficient and even absence of supervision & monitoring system.

Recovery can be ensured or at least making close supervision and monitoring can increase rate of recovery. Supervision should be started from the starting point of a credit proposal. Supervision can be done in two stages:

3.23.1 Pre-finance Stage Supervision:

In this stage, supervision should be made –

1. To select the right borrower i.e., credit worthiness of the borrower
2. To be sure about the business prospect
3. To see whether any misstatement made by the borrower etc.

3.23.2 Post finance stage Supervision:

Post finance stage supervision is sometimes synonymous to the monitoring. Monitoring is a continuous process of overseeing the borrower, his business, his trend in repaying the loan. In this stage, supervision and monitoring should be made-

- 1.To see whether the borrower draws the sanctioned credit regularly
2. To see whether the loans are being properly & fully utilized
- 3.To see whether the borrower repays the loan regularly
- 4.To see whether the any significant change happens in the management of the borrower
5. To see whether the borrower maintains close contact with bank regularly
- 6.To see whether the any significant change happens in the borrower's business plan
7. To make the borrower aware about the timely repayment of loan
8. To take necessary step in case of need

Supervision & monitoring help to develop a cooperative attitude between the borrower and the Bank. Moreover, close supervision & monitoring make the borrower loyal to the Bank and thus, supervision & monitoring ensure the recovery of loan.

Chapter: 04

Findings and Recommendations

- 4.1 Findings
- 4.2 Recommendations
- 4.3 Conclusion



4.1 Findings

- MTBL ignores Government service holder, private service holder and professional for providing loan.
- There is a very lengthy process of sanctioning loan. As a result many of the customers are not willing to take loan.
- They try to provide quality services to the known person, it may lose general customer.
- The client thinks that, the terms and the conditions are too much hard for loan disbursement.
- The interest rates of Some Loans are high and these are not capable to compete with the product & services of other commercial banks.
- When the loan amount is small then 1% processing fee isn't too much, but if loan amount is more, than 1% processing fee is huge amount. As a result business clients are not interested to take loan from MTBL.
- MTBL website is very poor to get proper information about loan. So, Clients need to go to the MTBL branch to collect loan information.

4.2 Recommendations

- ◇ MTBL should include more products in their consumer credit scheme; like- teacher loan, student loan, doctor credit scheme, personal loan for women etc.
- ◇ A good linkage is essential between front desk office & credit office. If a Loan application is not accepted front office officers face customer queries and dissatisfaction because the officers cannot give proper answer.
- ◇ Verification process needs to improve because customers do not want to disclose confidential information to unknown person.
- ◇ The bank should improve procedural matters regarding approval, monitoring and recovery of credit facilities.
- ◇ Head office and Branch communication gap should be minimized.
- ◇ The bank should improve the Credit risk management department for avoiding possible defaulter
- ◇ The management should emphasis more on the time lag between loan disbursement and loan recovery.

4.3 Conclusion

It is a great pleasure for me to have an experience in Mutual Trust Bank Ltd. This internship program is an integral part of MBA student. The main purpose of the report was to focus on the lending services to its valuable customers and the credit management provided by Mutual Trust Bank as comprehensively as possible. Although I did not have much time to learn the whole procedures but it was supportive to understand and gather an initial banking management experience. The long-term performance of any organization depends on its intake of qualified people and developing them to perform their best as a team, as well as individually.

The bank is spreading its operation through all over Bangladesh. At present this bank has 94 branches in all over the Bangladesh. Now it will increase their branches to meet 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. It is expected that MTBL will be able to improve all its areas especially in the lending operations.

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

Bibliography and Appendix

Bibliography

www.mutualtrustbank.com

[www.mutualtrustbank.com/about us](http://www.mutualtrustbank.com/about-us)

www.mutualtrustbank.com/profile of MTB/Branch

[www.bangladeshbank.org/crg/mutual trust bank](http://www.bangladeshbank.org/crg/mutual-trust-bank)

Annual Reports of MTBL Bank Limited (2009-2013)

Data provided by the branch

Consultation with the Following Persons

Mr. Sabbir Ahmed, vice president & Manager, MTBL, Principal Branch

Mr. Md. Manwar hossain, AVP & Second Manager, MTBL, Principal Branch

Mr. Mir Ashaduzzaman, Junior Asstt. Vice President, Credit Department, MTBL, Principal

Mr. Abul Hasanath Mohammed Farid, Asstt. Vice President, Credit Department, MTBL, Principal Branch

Mr. Mizanur Rahman, First Asstt. Vice President, Accounts & IT Department, MTBL, Principal Branch

Mr. Md. Iqbal Chowdhury, Officer, Accounts & IT Department, MTBL, Principal Branch



Glossary

| | |
|---------------|---|
| MTBL = | Mutual Trust Bank Ltd. |
| A/C = | Account |
| SOD = | Secured Over Draft |
| PAD = | Payment against Documents |
| LTR = | Letter of Trust Receipts |
| KYC = | Know your Customer |
| 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 |