

5.0 Credit Department



Trust Bank

Sena Kalyan Bhaban Branch



Trust Bank

5.1 Credit Department:

Credit Management of TBL:

TBL has been established with the objective of providing efficient and innovative banking services to the people of all sections of our society. Towards attainment of its goals and objectives, the bank pursues diversified credit policies and strategic planning in credit management. To name a few, the bank has extended micro credit, consumers durable scheme loans, house building loans etc. to cater to the needs of the individuals, which in turn has helped thousands of families. The bank also extends loan in the form of trade finance, industrial finance, and project finance, export & import finance etc. The bank's credit policies aimed at balanced growth and harmonious development of all the sectors of the country's economy with top most priority to ensure quality of lending by averting growth of non-performing assets.

5.2 Credit Risk Management of TBL:

This is one of the major risks that can be described as potential loss arising from the failure of a counter party to perform as per contractual agreement with the TBL. A separate corporate division has been formed at Head Office, which is entrusted with the duties of maintaining effective relationship with the customer, marketing of credit products, exploring new business opportunities etc. The TBL has segregated the functions of credit approval, administration, monitoring and recovery by forming three separate units within Credit Division. In determining the credit limit, the instructions of Bangladesh Bank are strictly followed. Internal audit conducted on periodic interval to ensure compliance of Bank's and Regulatory policies. Classifications of Loans are made as per Bangladesh Bank's guidelines.

5.3 Credit Policy of Trust Bank Limited

The credit policy pursued by Bangladesh Bank is to be aimed at ensuring development of scarce Bank resources in the best possible manner for increasing Production, employment and Real income within its objectives. Both selective and qualitative credits were adapted to the socio-economic priorities, distributive and justice need for containing money supply within a safe limit.

TBL takes the policies, which help the development of several sectors of the country under general credit division. For achieving the proposed goals of the principles of development of a number of sectors such as Agricultural, Economical, Industrial and Trade the bank follow the guidelines of Bangladesh Bank; this is the credit policy of Trust Bank. This policy is changeable. If Bangladesh Bank resists providing credit in any sector Trust Bank does not provide any credit in those sectors.

5.4 Salient Features of TBL's Credit Policy:

- ❖ Funded facility 15% of paid up capital.
- ❖ Assets are built based on customer's deposit, which should not exceed 80% of customers based deposit.
- ❖ Rate of interest is variable based on customers' integrity and risks associated.
- ❖ Type of security varies on the basis of risks associated in credit.
- ❖ Diversification from all angle viz. type of credit, geographical location, size of credit, sectors and sub-sectors etc.
- ❖ Credit operations are carried out in branch through branch credit committee as per authority delegated to head of branch and through Head Office Credit Committee in respect of credit sanction authority delegated to the CEO.
- ❖ Aggregate long-term credit facilities shall not exceed 20% of total credit portfolio.
- ❖ Single customer's exposure should not exceed 50% of the Bank's Capital Funds.
- ❖ LRA is done in most cases.
- ❖ Assessment of volume or amount of credit properly.
- ❖ Utmost care is taken in providing loans to directors.

5.5 Types of credit Facilities of TBL:

Modern banking operation touches almost every sphere of economic activity. The extension of bank credit is necessary for expansion of business operations. Bank credit is a catalyst bringing about economic about economic development. Without adequate finance there can be no growth or maintenance of a stable output. Bank lending is important to the economy, for it makes possible the financing of commercial and industrial activities of a nation. The credit facilities are generally allowed by the TBL may be in two broad categories. They are described as follows:

A. Secured Credit Facilities

1. Funded Facilities:

Funded facilities can also be divided into the following categories

A.LOANS

a) Time Loans:

This type of loan has a fixed maturity date indicating date of repayment in full or installment. In special cases, the types of loan could be made to mature at any time up to one year.

b) 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 Loan	Loan Period
Short Term Loans	From 01 year to below 03 years
Medium Term Loans	From 03 years to 05 years
Long Term Loans	Above 05 years

5.1 Types of Loan

B. Over Drafts (OD):

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 a interest charge on the over draw amount. This facility does not provide for every one, the bank will provide only those who will fulfil the requirement. It means that only real customer can get this kind of facility. It allowed under two categories:

a) OD against place of good or stock:

Under this arrangement the credit facilities are granted to the borrower against the security of pledged of goods or products in the form of new materials of finished products subject to credit or margin restriction. The borrower signs a letter of pledge and surrenders the physical possession of the goods/products pledged under Bank's effective control but retain the ownership with himself. In case of default the bank can sell the products on serving proper notice to the borrower and adjust the outstanding out of sells proceeds.

b) OD against Hypothecation of Goods/Plant and Machineries:

Under this method, facilities are extended borrower on his signing a letter of hypothecation creating a charge against the goods/products, plant & machineries etc. hypothecated for the amount of agreed limit of the debt subject to credit/margin restriction. The control/possession of the hypothecated goods/product is retained by the borrower but binding himself to surrender possession of the goods to the bank as and when called upon to do so.

C. Secured Overdrafts (SOD):

a) SOD (General):

Advance allowed to individual/firm against financial obligation (i.e. lien of WEDB/FDR/PSP/BSP etc.) and against assignment of work order for execution of contract works fall under this head. This advance is generally allowed for allowed for definite period and specific purpose. It is not a continuous credit.

b) 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'.

C) Other Advances:

a) PAD:

Payment made by the bank against lodgement 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'.

b) 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'.

c) 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’.

d) 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’.

e) 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.

f) Bank Guarantee:

The exporters pay of the imported goods on behalf of the importer through bank guarantee. If the exporter fails to make the fulfil payment at the moment the bank will take the liability and pay to the exporter. This type of guarantee is also needed to attend in any tender.

g) Micro Credit:

It refers to the lending allowed to small traders, cottage industries, small-scale industries and self-employed persons, such loans are generally production/development oriented rather than security oriented & this is the way of emphasis in these cases is on the purpose of the advance as well as skill regulation and capacity of the Borrower.

5.6 Non Funded Facilities:

Non funded facilities are divided into the following categories:

a) Letter of Guarantee: A credit facility in contingent liabilities from extended by the banks to their clients for participation in development work, like supplies goods and services.

b) Letter of Credit: A credit facility in contingent liabilities from provided to the clients by the banks for import/procurement of goods and services.

These credits are allowed against the following securities:

- Shares of various Companies approved by Head Office from time to time and listed in the Stock Exchange.
- Fixed Deposit Receipts (FDR) issued by the Bank.
- Fixed Deposit Receipts (FDR) issued by other banks.
- Wage Earner Development Bond issued by the Bank.
- Wage Earner Development Bond issued by other banks.
- Lien on balance in Savings A/C, Current A/C. and other Savings Schemes of the particular clients.
- Government Promissory Notes
- Different kinds of Sanchaya Patra.
- Surrender value of Life Insurance Policies.
- Assignment of bills against work orders/supply orders and receivables.
- Stock of goods in trade (Permissible goods only) pledged or hypothecated.
- Hypothecation of power driven vehicles or watercraft.
- Hypothecation of capital Machineries and equipments.
- Immovable Property.
- Imported merchandise - pledged or hypothecated.
- Trust Receipts.
- Import Bills (PADs)
- Bills Purchased
- Scheduled Bank/Insurance Guarantees
- Export Bills
- Inland Bills
- Personal Guarantee
- Corporate Guarantee

5.7 Unsecured Credit Facilities:

An unsecured or clean advance is one, which is granted to a constituent without obtaining any security. In such case only charge documents are held. An unsecured facility may be allowed in exceptional circumstances, only for a short period, with definite repayment arrangement, subject to restrictions imposed by Bangladesh Bank or any other competent authority, with prior approval of Head Office, to a customer on the basis of his personal credit worthiness, standing and reliability. These types of credit facilities are offered to the customers in the title of “Retail Products”. Retail Products of the TBL includes following loans:

- ❖ Car Loan
- ❖ Consumer Durable Loan
- ❖ Doctor's Loan
- ❖ Advance Against Salary
- ❖ Any Purpose Loan
- ❖ Hospitalization Loan
- ❖ Education Loan
- ❖ Travel Loan
- ❖ Marriage Loan
- ❖ CNG Conversion Loan
- ❖ Apon Nibash Loan