



**Daffodil**  
*International*  
**University**

## **Internship Report**

**On**

### **“Credit Management Practices of Trust Bank Ltd”**

**(A Study on savar Cantt. Branch)**

*Submitted to the Department of Business Administration, Daffodil International University as a partial requirement for MBA degree completion.*

**Prepared by:**

Md. Mamun Hossain

ID: 182-14-075

50<sup>th</sup> batch

Master of Business Administration

Major in Finance

Department of Business Administration

Daffodil International University

**Date of Submission: 28 December 2019**



Credit Management Practices of  
Trust Bank Limited”



A landmark to create the Future

Internship Report

On

# “Credit Management Practices of Trust Bank Limited”

(A Study on Trust bank Limited, Savar Cantonment Branch)

## Prepared For

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**Professor Dr. Mostafa Kamal**  
Department of Business Administration  
&  
Dean, Permanent Campus  
Daffodil International University

## Prepared By

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ID: 182-14-075  
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Date of submission: December 28, 2019

## Letter of Transmittal

December 28, 2019

**Professor Dr. Mostafa Kamal**  
**Department of Business Administration**  
**Dean, Permanent Campus**  
**Daffodil International University**

**Subject: Submission of Internship Report.**

Dear Sir,

With immense pleasure, I would like to present my internship report on **“Credit Management Practices of Trust Bank Limited : A study on Savar Cantt. Branch.”** “The report displays my insights, learning’s, and experience of the whole internship period.

I have tried to put my best effort for the preparation of this report within the time allowed for me. Due to various constraints, there may be some mistakes for which I beg your apology.

Sincerely Yours,

.....

**Md. Mamun Hossain**

ID No: 182-14-075  
Program: MBA  
Major in Finance  
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## Supervisor's Declaration

It gives me huge happiness to affirm that the foreseen report entitled "**Credit Management Practices of Trust Bank Limited: A study on Savar Cantt. Branch**" has been done by **Md. Mamun Hossain, ID No: 182-14-075**, the under study of MBA program, Department of Business Administration, Faculty of Business and Entrepreneurship, Daffodil International University, Dhaka under my supervision and course. As far as anyone knows, this is a one of a kind work, which has not appropriated in any journal or submitted to any establishment or division for any degree or authentication.

I do thus acknowledge it a completely suggest Internship report for submission

.....

**Prof. Dr. Mostafa Kamal**

Department of Business Administration.  
Faculty of Business & Entrepreneurship.  
Dean, Permanent Campus  
Daffodil International University.

## Student's Declaration

I, along these lines, declare that the work presented in this Internship Report has been finished by me and has not been as of late submitted to some other University/Organization for an educational capacity. The work I have displayed does not crack any leaving copyright and no piece of this report is recreated from any work done before for degree or affirmation.

I further endeavor to reimburse the Department against any adversity or mischief rising up out of the break of the past responsibilities.

.....

Md. Mamun Hossain

ID No: 182-14-075

Program: MBA

Major in Finance

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## Acknowledgement

First, I would like to thank the almighty Allah. Without His majesty, none of us can do a single thing.

I would like to give my cordial thanks to my internal supervisor Professor **Dr. Mostafa Kamal, Department of Business Administration, Faculty of Business and Entrepreneurship, Dean, Permanent Campus, Daffodil International University** for his cordial supervision of my report. He helped me to select the topic and determine the objectives of the report and guided me up to the end.

The second name I should mention is Razbeen Sabequa ,FAVP & Sub Manager of Trust Bank Ltd. Savar Cantonment Branch for the proper guideline to make this report a successful one.

The names I must mention are Mr.Zahid Anwar , AVP & Manager,Savar Cantt. Branch, and Mr.A K M Zahidul Hasan, PO (Principal Officer ), Savar Cantonment Branch, Mr. Md. Ashraf Ali(Principal Officer-Credit Department), Sayeda Shahana Akhter (Principal Officer-FCAD) Credit Department of Savar cantt. Branch who helped me by sharing their experience and provided important guideline to prepare the report.

For fulfilling the necessity of the report, need to have a study of various relevant document, reports etc. I debt to the authors as well.

Last but not the least, I also thankful to all the people who are directly and indirectly involved in preparing this report who provided me the rules and regulations regarding submission of the internship report.

## **List of Abbreviations**

TBL	:	Trust Bank Ltd.
BB	:	Bangladesh Bank
PAD	:	Payment Against Documents
LTR	:	Letter of Trust Receipt
IBP	:	Inland Bill Purchase
FDBP	:	Foreign Documentary Bill purchase
LDBP	:	Local Documentary Bill Purchase
SOD	:	Secured Overdraft
OD	:	Overdraft
L/C	:	Letter of Credit



## Executive Summary

This report is mainly focused on credit policy of Trust Bank Limited (TBL). Analyzing the loan lending procedures maintained by Trust Bank is the main objective of this report. Besides that, understanding the project evaluating techniques of TBL was another objective. Both primary and secondary sources have been used to prepare this report. Data were collected from last 6 years' annual report of trust bank. To analyze the data, quantitative technique has been used.

The Bank's central revenue producing activities include all kinds of commercial banking products and services to the customers including project finance, working capital finance and trade finance for corporate customers, SME loans to small traders and business; house building loan, car loan as well as wide range of life style and need based loans for retail customers. The Bank has been able to develop state-of-the-art IT plat form and online banking systems facilitating any branch banking, phone banking, SMS banking, internet banking, any time banking for 24 hours a day and 7 days a week through ATM.

Trust Bank provides various types of Loan. Time loan, Term loan, OD, SOD,L/C etc. Are classified as secured credit where as Marriage loan, Education loan, Car loan, Advances against salary etc. Interest rate for unsecured loans is 9%-14% depending on the category of loan. TBL follows lending procedure that helps them to understand the credit worthiness of the applicant. Disbursement of loan is increasing day by day, which indicates a growth of the bank. By talking with the bank employees it is known that rate of NPL is less for the bank comparatively which shows that loan default rate is less for TBL.

TBL manages risk related to credit in an efficient and effective way with a good credit management system. TBL has analyzed that Credit risk originates from the Market Risk, Supplier's Risk, Financial Risk, Business Risk, Management Risk, Structural Risk, Security Risk, Infrastructural Risk, Data Risk, Technological Risk, Interest Rate Risk and Security Risk etc.

Trust bank is in a good financial condition that can be assumed by looking into the analysis of liquidity ratios, profitability margins and receivable turnover ratio. Various ratios discussed in the report states that TBL's asset is increasing and liability is going downwards. However, some of the analysis showed exactly the opposite of the previous statement..



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# 1.0 Introduction Part

## 1.1 Origin of the Study:

This report is prepared for the completion of a 3 months internship program that is a requirement for the partial fulfillment of the MBA program. The objective of the internship was to align the academic knowledge and learning's with the actual practices of a financial institution. For the purpose of the organizational attachment under the internship, the author of this report was placed at the Saver Cantonment Branch of Trust Bank Ltd.

## 1.2 Background of the Study:

Bangladesh is a third world country with an under developed banking system, particularly in terms of the services and customer care provided by the government run banks. Recently the private banks are trying to imitate the banking structure of them or developed countries, but this attempt is often foiled by inexpert or politically motivated government policies executed by the central bank of Bangladesh, Bangladesh Bank. The outcome is a banking system fostering corruption and illegal monetary activities/laundering etc. by the politically powerful and criminals, while at the same time making the attainment of services or the performance of international transactions difficult for the ordinary citizens, students studying abroad or through distance learning, general customers etc.

The first modern bank in Bengal was Bank of Hindustan, established in 1770 in Calcutta. It was an off shoot of trading company Messrs. Alexander and Co., and operated until 1832 when the trading company failed. A number of Calcutta-based banks were established, none which survived beyond the middle of the 19th century. The Bank of Calcutta, established in 1806 which renamed Bank of Bengal in 1809, was merged into the Imperial Bank of India in 1921, and became the State Bank of India in 1955. The first modern bank headquartered in Dhaka was Dacca Bank, established in 1846.

Trust Bank Ltd is a private commercial scheduled Bank, which obtained license from Bangladesh Bank on July 15,1999. Army welfare fund is the major shareholder of TBL.The authorized capital of the bank is Taka two thousands million and paid up capital is Taka five hundred million. Public shares are expected to be floated in the near future. The bank was formally inaugurated and listed as a scheduled bank on November 1999. Trust Bank Ltd having a spread network of 109 Branches across Bangladesh.



### 1.3 Objective of the Study:

#### 1.3.1 Primary Objective:

The primary objective of this study is to understand the process of the credit evaluation practices by Trust Bank Ltd.

#### 1.3.2 Specific Objective:

- To analyze the Lending Procedures and Performance maintained by Trust Bank Ltd.
- To measure the actual position of the classified Loans and provisions maintained by the bank.
- To understand the project evaluation technique and practice of the bank.
- To identify problems in the credit operations of the bank and find some possible solutions.

### 1.4 Scope of the Study:

This report was prepared through extensive discussion with the bank employees of Savar, Ashulia and Manikganj branch of TBL. Data are collected from previous 6 years' annual reports from 2013-2018.

### 1.5 Methodology of the Study:

#### 1.5.1 Primary Sources of Data:

- Face-to-Face conversation with the bank employee.
- Interviewing Bank employees and sharing their practical knowledge.
- Understanding the internal activities.

#### 1.5.2 Secondary Sources of Data:

- Annual Reports of Trust Bank Ltd.
- Website([www.trustbank.com/bd](http://www.trustbank.com/bd))
- Relevant books, Research papers, Newspapers and Journals.

### 1.5.3 Data Analysis:

Quantitative approach would be used to evaluate the performance evaluation of credit operations of TBL. Year to year changes analysis and ratio analysis will be used using secondary data from the annual reports of TBL.

### 1.6 Limitations of the Study:

As the Internship program is only for three months so there are some limitations faced while making the report. They are-

- Lack of knowledge and experience for conducting such report.
- Non-availability of some preceding and latest data.

## 2.0 Literature Review

Credit means allowing one party to provide money or resources to another party where that second party does not reimburse the first party immediately, but promises either to repay or return those resources at a definite later date. The resources provided may be financial, or they may consist of goods or services. It includes any form of deferred payment. Credit is extended by a creditor (lender) to a debtor (borrower). Credit states to the credit worthiness or credit history of an individual or company

To allow credit a bank needs to go through a credit evaluation process. It's a process for business or an individual that test the eligibility of getting a loan or to pay for goods and services over an extended period of time. Giving credit approval rest on the willingness of the creditor to lend money in the existing economy and that same lender's assessment of the ability and willingness of the borrower to return the money or pay for the goods obtained and the interest in a timely fashion. Typically, small businesses must seek credit approval to obtain funds from lenders, investors, and vendors, and also grant credit approval to their customers. Usually a bank or financial institute consider three questions for giving credit:

- Is the borrower creditworthy?
- Can the loan agreement be sufficiently protected and the customer has a high probability of being able to service the loan without excessive strain?
- Can the bank perfect its claim against the assets or earnings of the customer so that, in the event of default, bank funds can be recovered rapidly at low cost and with low risk?

Bank also looks into credit rating when allowing credit for a business or individual. It is an assessment of the creditworthiness of a borrower in general terms or with respect to a particular debt or financial obligation. A credit rating can be assign to any entity that seeks to borrow money - an individual, corporation, state or provincial authority, or sovereign government. Credit assessment and evaluation for companies and governments is generally done by a credit rating agency.

Apart from credit rating, CRG is an important tool for credit risk management. Credit risk grading is the process which helps the sanctioning authority to decide whether to lend or not to lend, lending price, and extent of exposure, appropriate credit facility, various facilities, and various risk mitigation tools to put a cap on the risk level. It provides detailed and formalized credit evaluation process for risk identification, measurement, monitoring and control, risk acceptance criteria, credit approval authority and maintenance procedures.

The granting of credit depends on the confidence the lender has in the borrower's creditworthiness. Credit worthiness which encompasses the borrower's ability and willingness to pay is one of many factors defining a lender's credit policies. Creditors and lenders utilize a number of financial tools to evaluate the credit worthiness of a potential borrower. When both lender and borrower are businesses, much of the evaluation relies on analyzing the borrower's balance sheet, cash flow statements, inventory turnover rates, debt structure, management performance, and market conditions. Some of the factors lenders consider when evaluating an individual or business that is seeking credit: character, capacity, cash, collateral, conditions, and control. All must be satisfactory for the loan to be a good one from the lender's point of view.

In order to ensure the effectiveness and efficiency of utilization of bank funds in the form of credit, the bank has to carry out a certain course of action that is known as credit management. In the world of finance, risk management refers to the practice of identifying potential risks in advance, analyzing them and taking precautionary steps to reduce/curb the risk.

There are six steps of risk management process: identify, analyze and prioritize, plan and schedule, track and report, control, and learn. It is important to understand that the process of managing each risk goes through all of these steps at least once and often cycles through numerous times. Also, each risk has its own timeline, so multiple risks might be in each step at any point in time. Credit risk actually covers the inability of a borrower or counter-party to honor commitments under an agreement and any such failures, which have an adverse impact on the financial performance of the Bank.

There is various risk associated with Credit-Credit default, risk Concentration and risk Country risk. A bank needs to analyze the risk factor when considering giving credit to borrowers, and a bank or financial institution exercises the lending function only when it is safe and the risk factor is sufficiently mitigated and covered.

## 3.0 An Overview of Trust Bank Limited

### 3.1 About Trust Bank Limited:

Trust Bank Limited (TBL) is one of the leading private commercial banks having a spread network of 109 branches & SME centers, 199 ATM Booths, over 20,000 Pay points and 65 POS in 55 Branches across Bangladesh and plans to open more branches to cover the important commercial areas in Dhaka, Chittagong, Sylhet and other areas in 2016. The bank, sponsored by the Army Welfare Trust (AWT), is first of its kind in the country.

Initially the bank has started its operation in the name of “The Trust Bank Limited” but on 12 November 2006, the Registrar of Joint Stock Companies renamed it as “Trust Bank Limited”. Bangladesh Bank approved the new name of the bank on 03 December 2006.

With a wide range of modern corporate and consumer financial products Trust Bank has been operating in Bangladesh since 1999 and has achieved public confidence as a sound and stable bank. In 2001, the bank introduced automated branch banking system to increase efficiency and improve customer service. In the year 2005, the bank move done-step further and introduced ATM services for its customers. Since bank’s business volume increased over the years and the demands of the customers enlarged in manifold, our technology has upgraded to manage the growth of the bank and meet the demands of customer.

In January 2007, Trust Bank successfully launched Online Banking Services that facilitate Any Branch Banking, ATM Banking, Phone Banking, SMS Banking, & Internet Banking to all customers. Customers can now deposit or withdraw money from any Branch of Trust Bank nationwide without needing to open multiple accounts in multiple Branches. Via Online Services and Visa Electron (Debit Card), ATMs now allow customers to retrieve 24x7 hours Account information such as account balance checkup through mini-statements and cash withdrawals.

Trust Bank has successfully introduced Visa Credit Cards to serve its existing and potential valued customers. Credits cards can now be used at shops & restaurants all around Bangladesh and even internationally. Trust Bank is a customer oriented financial institution. It remains dedicated to meet up with the ever-growing expectations of the customer because at Trust Bank, customer is always at the center.

## 3.2 TBL's Slogan, Vision, Mission, Values and Positioning Statement:

### 3.2.1 Slogan:

“A Bank for Financial Inclusion”

### 3.2.2 Vision:

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

### 3.2.3 Mission:

- Long Term Sustainable Growth- diversified business with robust risk management
- Financial Inclusion-bring un banked population into banking network through low cost and technology based service delivery
- Accountable to all stakeholders- customers, shareholders, employees & regulators
- Highest level of compliance and transparency at all levels of operations

### 3.2.4 Values:

- Trustworthy
- Dependable
- Reliable
- Professional
- Dynamic
- Fair

### 3.2.5 Positioning Statement:

Trust Bank is a contemporary, upbeat brand of distinctive quality of service and solution that offers a rewarding banking experience as preferred choice of banking partner every time, everywhere.

## Corporate Profile

### 3.3 Corporate Profile:

Name	Trust Bank Ltd.
Legal Status	Public limited company
Date of Incorporation	17 June 1999
Formal Inauguration	29 November 1999
Registered office & head office	Peoples Insurance Bhaban 36 Dilkusha C/A, Dhaka-1000
Chairman	General Abu Belal Muhammad ShafiulHuq
Managing Director & CEO	Mr. Ishtiaque Ahmed Chowdhury
Authorized Capital	10,000.00 million
Paid up Capital	3,459.47 million
Total Asset	95,260.78 million
Auditors	M/S ACNABIN
Tax consultants	M/S AND Associates
Legal counsel	Dr. Monjur Kader

Table 1: Corporate Profile of TBL

### 3.4 Management Hierarchy of TBL:

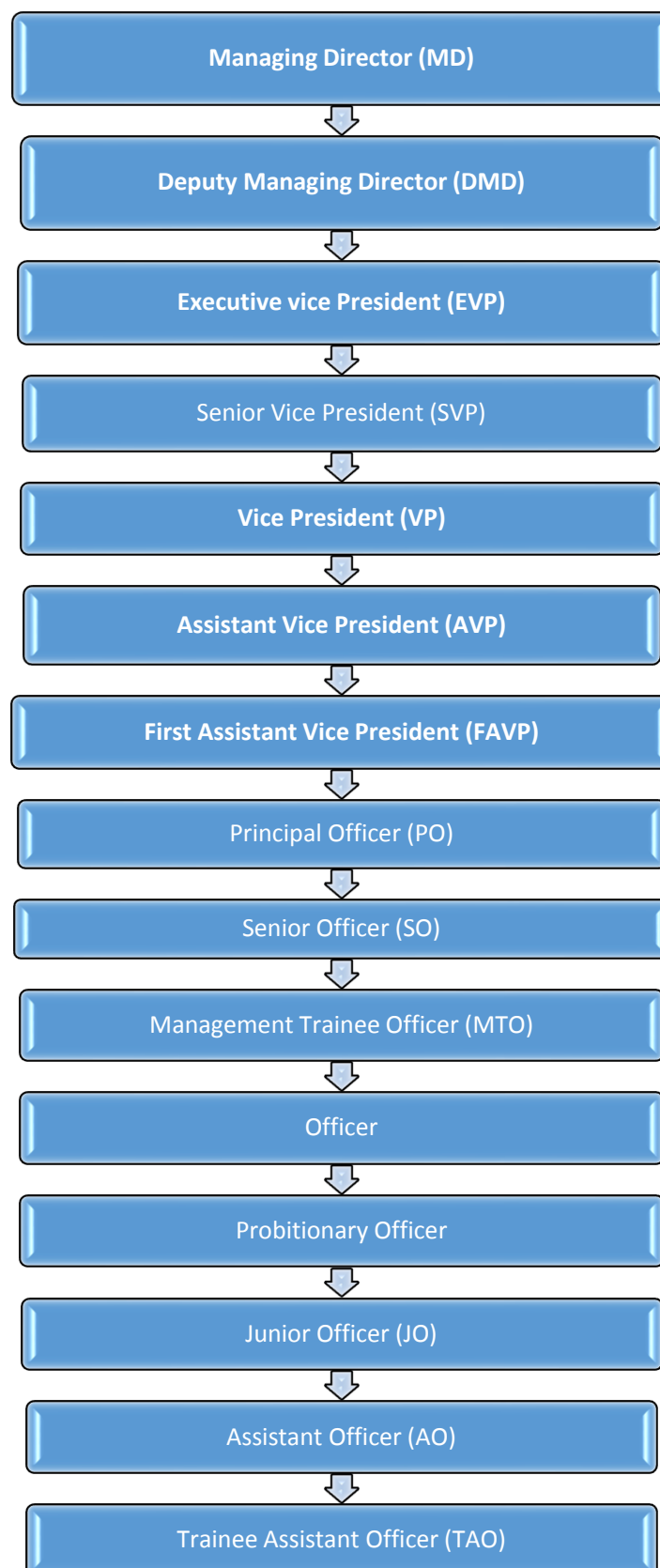




Figure 1: Organogram of TBL

### 3.5 Key Milestone of TBL:

Date	Particulars/Events
17 June 1999	Date of Incorporation
17 June 1999	Certificate of Commencement of Business Receive
15 July 1999	Banking License Received
09 August 1999	First Branch License Received
29 November 1999	Formal Inauguration
January 2007	Online Banking Operations across all the Branches
17 May 2007	Publication of Prospectus for IPO
15 July 2007	Subscription Opening for IPO
19 July 2007	Subscription closing for IPO
24 September 2007	Listed with Chittagong Stock Exchange Ltd
25 September 2007	Listed with Dhaka Stock Exchange Ltd
01 October 2007	Commencement of Trading of Shares at DSE & CSE
31 May 2009	Authorized Share Capital Increased to BDT 500 Crore
27 January 2010	TBL Mutual Fund Trading Started
31 August 2010	Launching of Trust Bank Mobile Money
09 September 2010	Formation of Trust Bank Investment Limited (TBIL)
14 November 2010	Commencement of Operation of Trust Bank Investment Limited (TBIL)
06 June 2012	Authorized Share Capital Increased to BDT 1,000 Crore
28 November 2012	Authorized Share Capital Increased to BDT 1,000 Crore
26 September 2013	Inception of Business Operation of Trust Bank Securities Limited (TBSL)
08 December 2014	Commencement of i-Banking Service
30 August 2015	Inauguration of 100th Branch at Mohammadpur, Dhaka
8 June 2017	Inauguration of 200 <sup>th</sup> ATM Booth at Zibtoli Army Camp, Kaptai, Rangamati

Table 2: TBL's Key Milestone (Source: Annual Report 2018)

### 3.6 Major Categories of Products and Services of TBL:

Retail banking	Deposit Accounts, Deposit Schemes etc.
SME Banking	Agriculture loans, engineering loans, entrepreneurs loans
Islamic Banking	Deposit Accounts (Al-Wadiah, Mudaraba, Barakar Hajj etc.), Loans & Investments (Qard, Bai-Murabaha, Bai-Muajjal, etc.)
Corporate Banking	Cash trade overview, liability products, securities services, overdraft, Short-term loans, term loan, syndicated loan, Letter of Credit (LC), Letter of Guarantee (LG).
International Banking	NRB accounts, non-resident investor's taka account, non-resident foreign currency deposit and foreign exchange.
Mobile Banking	Money transfer, deposit & withdrawal, utility payment etc.

Table 3: Products & Services of TBL

### 3.7 Overview of the Operations of TBL:

The principal activities of the Bank are banking and related businesses under the Bank Company Act 1991 (amended up to 2013). The core banking business includes accepting deposits and granting loans and advances out of those deposits and earning profit through creating value from gap between interest paid on deposits and interest earned on loans and advances. The depositors supply funds for loans and advances. The Bank collects deposits through deposit mobilization strategy comprising various deposit products under conventional banking and Islamic banking.

The Bank's central revenue producing activities include all kinds of commercial banking products and services to the customers including project finance, working capital finance and trade finance for corporate customers, SME loans to small traders and business; house building loan, car loan as well as wide range of life style and need based loans for retail customers. The Bank has been able to develop state-of-the-art IT platform and online banking systems facilitating any branch banking, phone banking, SMS banking, internet banking, any time banking for 24 hours a day and 7 days a week through ATM.

To perform its activities, the Bank has various divisions. They are Operation Division, Islamic Banking Division, Credit Division, Information Technology & Card Division, International Division, Board & Share Division, Human resource Department, Marketing & Board Division, Internal Control & compliances Department, Financial control & administrative Division, Merchant Banking Division.

The Bank started its Islamic banking operations through ‘window’ mechanism as per Bangladesh Bank approval. Trust Islamic Banking (TIB), the brand name of the operation, has started its operation from latter part of 2008 through 5 (five) Islamic banking windows at the TBL-Principal Br., Millennium Br., Dilkusha Br. in Dhaka, CDA Br. in Chittagong and Sylhet Corporate branch in Sylhet.

The bank is a member of SWIFT Alliance Access, a sophisticated; fraud proof secured financial messaging system provided by the Society for Worldwide Inter-Bank Financial Telecommunication (SWIFT), Belgium. With the installation of the SWIFT system the bank would ensure and reliable transmission of L/C, funds transfers, outgoing and incoming messages and other financial services.

### 3.8 SWOT Analysis of TBL:

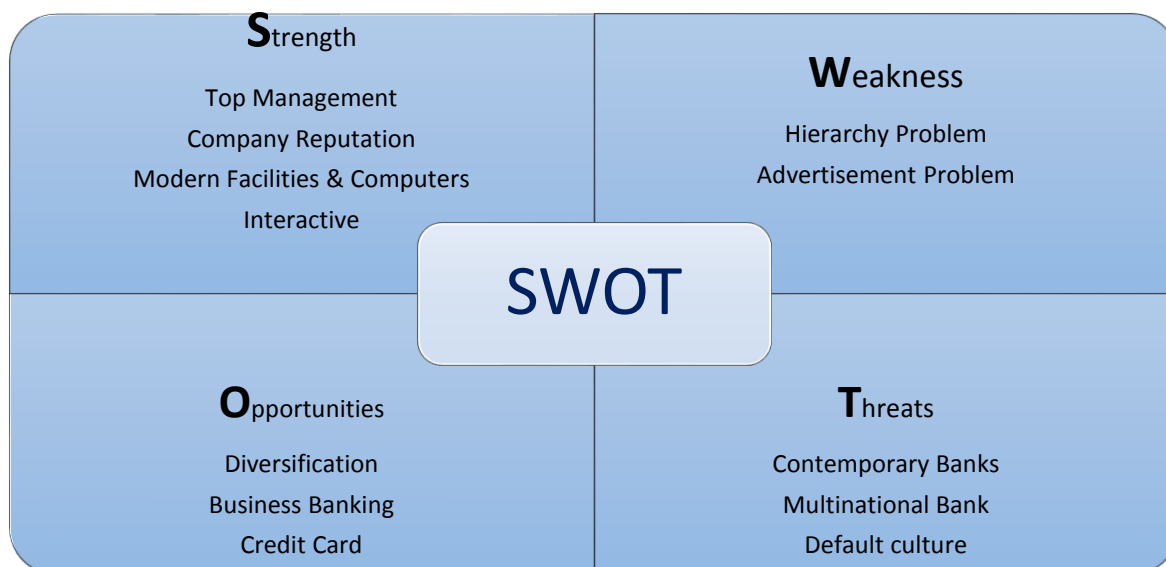


Figure 2: SWOT analysis of TBL

## 4.0 Project Part

### 4.1 Credit Facilities of TBL:

The word credit is very common in banking industry. Credit is the main earning source of bank. The extension of bank credit is necessary for the expansion of business operations. Without adequate finance, there can be no growth or maintenance of a stable output. Bank lending is important to the economy as it makes possible the financing of commercial and industrial activities of a nation. Like others, TBL also focuses on their credit.

### 4.2 Types of Credit of TBL:

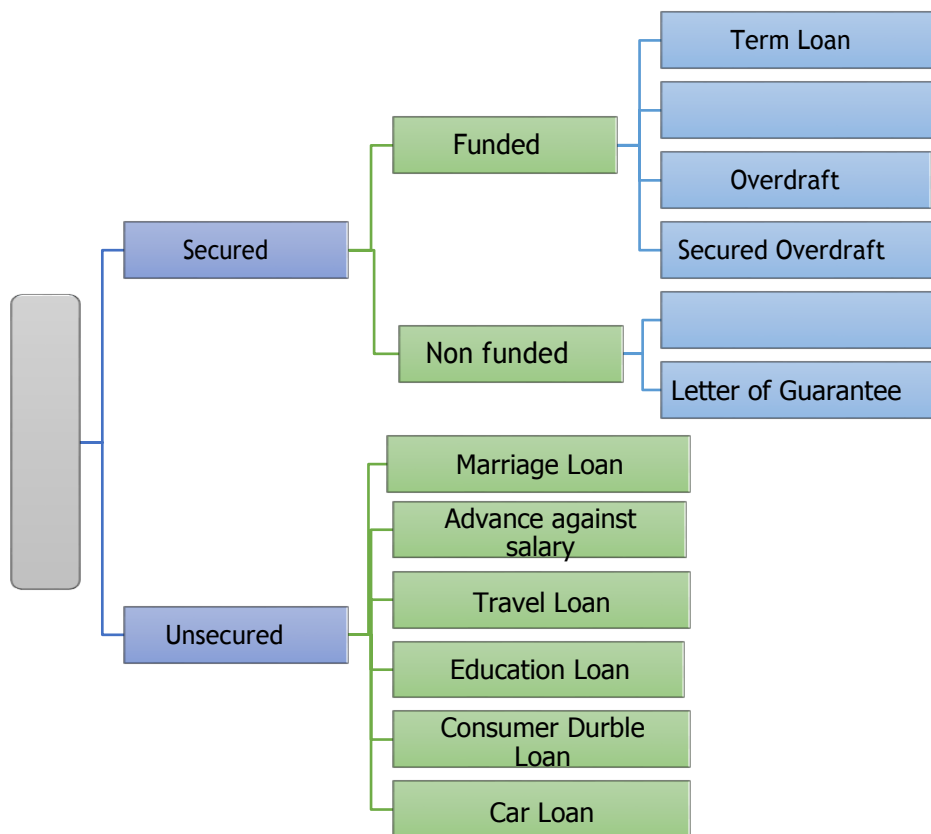


Figure 3: Classification of Credit

#### 4.2.1 Funded Facilities:

Any type of credit facility that involves direct outflow of bank's fund on account of borrower is termed as funded credit facilities. Funded facilities of loans & advances are-

#### 4.2.1.1 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.

#### 4.2.1.2 Term Loans:

The term loan is determined based on gestation period of a project generation of income by the use of the loan. TBL provides such loans for farm Machinery, Dairy, poultry etc. Interest rate is 16%. It categorizes in following three segments-

Types of loan	Loan Period
Short Term Loan	From 1 year to below 3 years
Medium Term Loan	From 3 years to 5 years
Long Term Loan	Above 5 years

Table 4: Types of term loans

#### 4.2.1.3 Overdrafts (ODs):

In this case, the customer can over draw from his/her current account. There is a limit of overdraw which is set by the bank. A customer can withdraw that much amount of money from their account. For this here is an interest charge on the overdrawn amount. Bank provides this facility only those who fulfill the requirement that means only real customer can get this kind of facility. OD allowed fewer than two categories–

- OD against pledge of good or stock
- OD against Hypothecation of Goods/Plant and Machineries

#### 4.2.1.4 Secured Overdrafts (SODs):

- 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 allows for definite period & specific purpose. Interest Rate is 8.5%.
- b) **SOD (Imports):** Advance allowed for purchasing foreign currency for opening L/C of imports goods fall under this type of lending. This is also an advance for a temporary period, which knows as pre-emptor finance & falls under the category of “Commercial Lending”. Interest rate is 10%-13%.

#### 4.2.1.5 Other Advances:

- a) **PAD:** Payment made by the bank against lodgment of shipping documents of goods imported through L/C falls under this type head. Interest rate is 15%
- 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. Interest rate is 16%.
- c) **IBP:** Payment made through purchase of Inlands Bill to meet urgent requirements of customer fall under this type of credit facility. Interest rate is 16%.
- d) **FDBP:** Payment to a party through purchase of foreign documentary bills fall under this head. Interest rate is 15%.
- e) **LDBP:** Payment made to a party through purchase of local documentary bills fall under this head. Interest rate is 15%.
- f) **Bank Guarantee:** The exporters pay for the imported goods on behalf of the importer through bank guarantee.
- 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.

#### 4.2.2 Non- Funded Facilities:

- a) **Letter of Guarantee:** A credit facility in contingent liabilities from extended by the banks to their clients for participation in development work, likes 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

#### 4.2.3 Unsecured Credit Facilities:

Advances that granted without any security known as unsecured loan. Retail Products are known as unsecured loan. TBL has following unsecured loan

- 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

#### 4.3 Interest Rate Charges by TBL:

The central bank of Bangladesh is the controller of all activities of all banks. Bangladesh bank has set interest rate for all categories of loans. As per BB’s rules Trust bank Ltd. has set their interest rate. Interest rate for different types of loans is given below:

Categories	Loan Limit	Tenure	Interest Rate	Down payment
Car Loan	BDT 2 Lac - BDT 20 Lac	1-5 years	11.00%	50%
AponNibas Loan	Max BDT 1 Corer	1-25 years	9.00%	30%-40 %
Personal Loan	BDT 0.50 Lac-BDT 10 Lac	1-5 years	11.50%	50%
Loan against Salary	BDT 0.50 Lac-BDT 10 Lac	1-3 years	11.00%	N/A
Doctor’s Loan	BDT 0.50 Lac –BDT 5 Lac	1-5 years	12.50%	50%
Digital Loan	BDT .25 Lac - BDT 1 Lac	1-3 years	14.00%	50%

Table 5: Interest rate for Retail Loan

## Interest Rate for Entrepreneur Loan

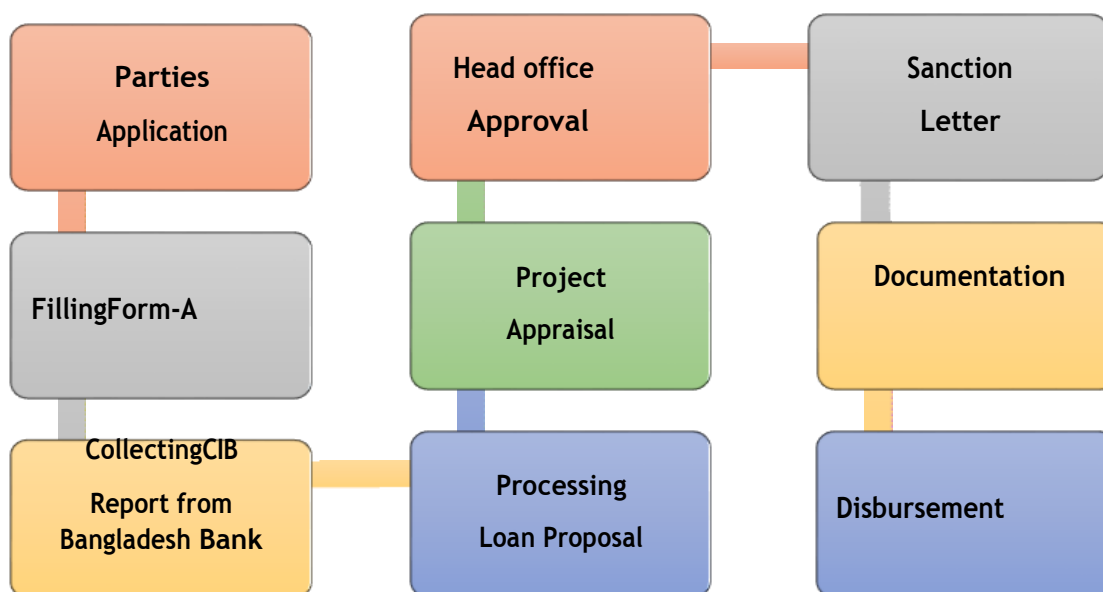
Categories	Loan Limit	Tenure	Interest Rate	Time period
<b>Trust Bunon</b>	For Small Enterprise: Tk. 2 lac- Tk.50 Lac For Medium Enterprise: Tk. 50 lac-Tk. 150 lac	Maximum 12 Months for working Capital financing and Maximum 60 Months for fixed asset purchase or expansion of business	13.50%	25 years -55 years
<b>Trust Ekota</b>	Tk. 1 lac- Tk.5 lac for each group	15 months-30 months along with 3-6Month moratorium period	As per F	25 years -55 years
<b>Trust Muldhan</b>	Loan for Shopkeeper Tk. 2 lac- Tk. 50 lac Loan for Traders Tk. 50.01 Lac-Tk.500.00 Lac	Maximum 48 Months with 6Month Moratorium period	As per F	25 years -60 years
<b>Peak Season Loan</b>	For Small Enterprise Tk. 2.00 Lac-Tk. 15.00 Lac For Medium Enterprise Tk. 15.00 Lac-TK. 25.00 Lac	Maximum 6 Months	As per F	25 years -60 years

Table 6: Interest Rate for Entrepreneur Loan



#### 4.4 Procedure of Processing Loan:

The following procedure is applicable for giving loan & advance to the customer. The bank



must follow these steps for evaluating the client perfectly before providing loan to the applicant. The steps are-

Figure 4: Loan Processing Procedure

##### 4.4.1 Party's Application:

Borrower need to submit an application to the respective branch specifying the reason for loan clearly and submit it to the credit officer after receiving the application from the borrower Bank officer verifies all the information carefully. If the official becomes satisfied, then he gives form-A (prescribed application form of Bank) to the prospective borrower.

##### 4.4.2 Filling Form-A:

It is the prescribed form provides by the respective branch that contains information of the borrower. It contains –Name of the concern with its factory location, Official address and Telephone number, Details of past and present business, it achievement and failures, type of loan availed etc.

#### 4.4.3 Collecting CIB Report from Bangladesh Bank:

After receiving the application for advance, Trust Bank sends a letter to Bangladesh Bank for obtaining a report from there. This report is called CIB (Credit Information Bureau) report. Trust Bank generally seeks this report from the head office for all kinds of Investment. The purpose of this report is to being informed that whether the borrower has taken loan from any other Bank; if ‘yes’ then whether the party has any overdue amount or not.

#### 4.4.4 Processing Loan Proposal:

After receiving CIB report, respective branch prepares an Investment proposal, which contains terms and conditions of Investment for approval of Head Office. Documents those are necessary for sending Investment proposal are Loan application, photograph of the borrower duly attested, personal information of borrower, CIB report, legal opinion, trade license, stock report, net worth calculation of business & individual, working capital assessment, financial statement, SME information and CRG. Trust Bank prepares the proposal in a specific form. It contains the following relevant information like:

Borrower, capital structure, address, Account opening date, introduced by type of business, particulars of previous sanctions, security (existing and proposed), components on the conduct of the account, Details of deposit, liabilities with other Banks, CIB report, rated capacity of the project (item wise), Production/purchase during the period, Sales during the period, Earning received for the period.

#### 4.4.5 Project Appraisal:

It is the pre-investment analysis done by the officer before approval of the project. Project appraisal in the Banking sector is needed for the following reasons:

- To justify the soundness of the investment
- To ensure repayment of Bank finance
- To achieve organizational goals
- To recommend if the project is not designed properly

#### 4.4.6 Head Office Approval:

Upon receipt of the Investment proposal from the branch, the Head Office again appraises the project. If it seems to be a viable one, the HO sends it to the Board of Directors for the approval of the Investment. The Board of Directors (BOD) considers the proposal and takes decision whether to approve the Investment or not. If the BOD approves the Investment, the HO sends the approval to the concerned branch. There are respective

Officer of Head Office appraises the project by preparing a summary named “Top Sheet” or “Executive Summary”. Then sends it to the Head Office Credit Division for the approval of the Loan. The Head Office Credit Division considers the proposal and takes decision whether to approve the Investment or not. If the committee approves the Investment, the HO sends the approval to the concerned branch.

#### 4.4.7 Sanction Letter:

After getting the approval of the HO the branch issues sanction letter to the borrower. A sanction letter contains

- Name of Borrower
- Facility allowed
- Period of the Investment
- Mode of Adjustment
- Rate of Interest
- Purpose
- Security and Other Terms & Conditions

#### 4.4.8 Documentation:

If the borrower accepts the sanction letter, the Documentation starts. Documentation is a written statement of fact evidencing certain transactions covering the legal aspects duly signed by the authorized persons having the legal status. The most common documents used by the Trust Bank for sanctioning different kinds of Investment are:

- Joint Promissory Note
- Letter of Agreement
- Letter of Disbursement
- Letter of Installment
- Letter of Continuity
- Trust Receipt
- Documents Relating to Mortgage
- Counter Guarantee
- Stock Report
- Letter of Lien
- Status Report
- Letter of Hypothecation
- Letter of Guarantee

#### 4.4.9 Disbursement:

Finally, respective officer disburses the loan after sanction and completion of all formalities. The officer writes cheque and provides it to the borrower. For this borrower has to open an account thorough which he/she can withdraw the money.

#### 4.5 Securities of TBL:

Securities are divided in two categories as under:

- i. Primary Security
- ii. Collateral Security.

The assets created by the borrower from the credit facilities granted by the bank form the primary security for the bank advance as a matter of rule. The bank invariably obtains a charge over those assets. Similarly, other assets on which the advances primarily based even if It is not created from the credit facilities granted by the bank will also be taken as primary security. In some cases, where primary security is not considered adequate or the charge on the security is open the bank may insist on an additional security to collaterally secure advances granted by it. Such securities are termed as collateral securities. Collateral security may either be tangible or third party guarantees may also be accepted.

#### 4.5.1 Charges of Securities:

While talking about charging securities, it means charging tangible securities. Tangible security is something that can be realized from the sale or transfer. Shares, inventory, land, machinery, furniture, vehicles, life policies, bills, savings instruments etc. are examples of tangible securities. Security is obtained by the bank as an additional cover against default by the borrower in repayment of bank's dues. Charging of security means making such security available to the bank and involves certain formalities. Charging should be legal and perfect so that it is possible to realize the security if such a need arises. In order to perfect a claim on a tangible asset offered as security, we need to establish Bank's charge by obtaining proper charge document duly executed. For example, if a borrower offers pledge of his inventory as security against a loan, we need to obtain a letter of pledge executed by the borrower. So, pledge is a kind of charge applied to certain kind of assets offered as security. Similarly, there are other modes of charging securities, applicable for different kinds of securities.

#### 4.5.2 Documents for Different Modes of Charges:

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

- **Pledge:** Letter of Pledge or Agreement for pledge
- **Hypothecation:** Letter of Hypothecation or an Agreement for Hypothecation.
- **Mortgage:** Deed of Mortgage along with Irrevocable General Power of Attorney
- **Assignment:** Power of Attorney to collect bills and Letter of Assignment from work order issuing authority accepting the assignment.
- **Set-Off:** Agreement for Set-Off or letter of set off.
- **Lien:** Letter of lien. It is important to note that charge documents are to be executed by the owners of the goods or property and in case the owner is a company, documents to be executed by authorized persons, pursuant to resolutions of the Board of Directors.

#### 4.6 Loan Utilization Stage:

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.

#### 4.7 Disbursement of Loan by TBL:

For stability and sustainable development, Bank's careful and continuous effort in credit operation, attempt for sustainable growth of loans and advances with inclusion of new reputed companies in the client list also continued in 2018. This upholds the total loans and advances as on December 31, 2018 at BDT 141,987.43 million as against BDT 130,614. 65 million of December 31, 2017 representing growth of 8.51% over the year. During extending new credit to any entrepreneur, selection and assessment with professional skill are most pertinent issues considering future condition.

However, in all steps compliance issues are never compromised. From 2013 to 2018, total loan disbursement by TBL was Tk. 564,185.54 million. Day by day the number of loan disbursement is increasing which is really good because Banks asset is its interest income earned by providing loan. so the more loan disbursement the bank could do; the more profit they would make.

<b>YEAR</b>	<b>Total loan over the year (In million/Tk.)</b>
2013	50,801.74
2014	54,616.06
2015	79,279.58
2016	106,886.08
2017	130,614.65
2018	141,987.43
<b>Total</b>	<b>564,185.54</b>

Table 7: Loans over the year

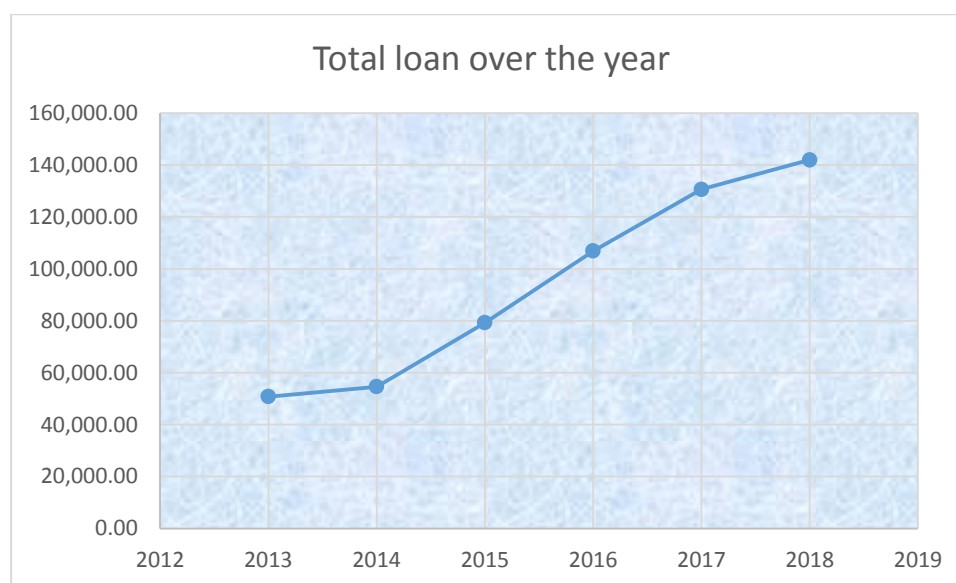


Figure 5: Year Wise Loans & Advances made by the TBL (Source: Annual Report)

From the graph, it is seen that in 2013 the total loan disbursement was Tk. 50,801.74 million and in 2018 it was Tk. 141,987.43. To compare with eight financial years, it can easily be said that the bank's loan disbursement is increasing day by day. It is a positive sign for the bank. It is a good sign for the bank as the bank's main earning source is loan disbursement, i.e., interest earning.

#### 4.8 Loan Pricing Model Used by TBL:

TBL generally uses the simplest loan-pricing model which assumes that the rate of interest charged on any loan includes four components:

- i. The cost to the Bank of raising adequate funds to lend,
- ii. The Bank's non-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
- iii. Necessary compensation paid to the Bank for the degree of default risk inherent in a loan request
- iv. Bank's anticipated profit margin

#### 4.9 Loan Classification and Provisioning:

TBL always maintains its loan portfolio with proper classification provisioning complying rules and regulations set by Bangladesh Bank. TBL classifies loan based on objective criteria and qualitative judgment. To keep the loans standard, special care and initiatives are taken. TBL also provides strong drives to reduce the percentage of Nonperforming Loans in the form of cash recovery and regularization through rescheduling. TBL has appropriately classifies its loans and advances and maintain adequate provision against those following the Bangladesh Bank's rules, regulations and respective circulars to defense the Bank and to mitigate future risk of the share- holders' long-term interest.

As part of pragmatic and conservative approach to sustain the quality of TBL' loan portfolio, Loan Loss Provision exercise made mandatory for all Line of Business. Various things are considered when deciding the loan loss provision exercise-

- Generally accepted banking practice
- Conservative approach to assess the quality of Risk Assets whereby the most accurate health of the Loan Portfolio is reflected on the books of the Bank and
- To be guided by Bangladesh Bank instructions on provisioning

In TBL, the aggregate provision for loans and advances in 2016 is maintained at BDT 4,130.03 million. Provisions for off-balance sheet exposure has advanced upward to BDT 614.28 million registering increase due to the growth of foreign trade activities.

Particulars		Short term agri. credit	Consumer Financing			Small & Medium Enterprise financing	Loans to BHs/M Bs/SDs	All other Credit
			Other than HF & LP	HF	LP			
UC	Standard	2.5%	5%	2%	2%	0.25%	2%	1%
	SMA	—	5%	2%	2%	0.25%	2%	1%
Classified	SS	5%	20%	20%	20%	20%	20%	20%
	DF	5%	50%	50%	50%	50%	50%	50%
	B/L	100%	100%	100%	100%	100%	100%	100%

Table 8: Provision Rate by BB

#### 4.10 Non-Performing Loan:

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

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

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

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



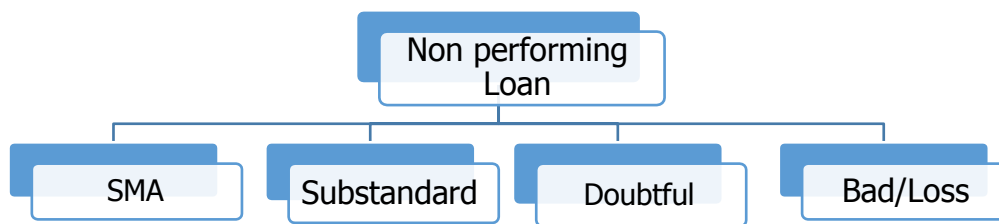


Figure 6: Classification of NPL

#### 4.11 Credit Risk Management by TBL:

Bank considers risk management as the core area of concern that makes its business sustainable. Capacity to produce profit consistently and sustainably is an important function of risk management and the bank is relentlessly chasing non-stop development in this vicinity. A key risk that bank uncovers arises from credit facility which is allowed to customers. Agenda of risk management is to make the most of risk-adjusted returns long-lasting within own risk appetite. Risk management approach of TBL relies on a sound understanding of different risks, regimented assessment and un-interrupted monitoring of such risks. TBL Regularly reviews the designed procedures and policies to adapt with the future changes. Board of Directors of the TBL is mainly accountable for determining risk appetites, approving various strategies as well as policies and administering its compliance by reports from Internal Control and Compliance Division. Various policies and procedures in TBL have structured as well as standardized credit risk management practice both in obligor and portfolio point.

TBL understands that effective risk management is a must for sustainable growth and for maximizing share-holder's wealth in this changing financial and economic environment. Since banking business involves risk taking and risk managing, it is very vital to manage all possible risks efficiently in effective to gain competitive advantage. TBL has always prioritized adopting different credit risk management tools and techniques for all type of credits in all the stages.

TBL has analyzed that Credit risk initiates from the Market Risk, Financial Risk, Business Risk, Management Risk, Structural Risk, Security Risk, Data Risk, Interest Rate Risk, Technological Risk and Security Risk etc. TBL takes into consideration all relevant information of the customers, its business performances, arrangement and strength of supply chain, succession status etc. for evaluating and analyzing various factors so that it can take suitable risk mitigation when bearing in mind of the client's proposal.

One core value of TBL is to provide efficient and innovative banking services to all sections of people our society. The bank pursues diversified credit policies and strategic planning in credit management policies to obtain its goal and objectives. TBL has extended micro credit, consumers durable scheme loans, house building loans etc. to cater the needs of the individuals which is actually helping thousands of families and individuals. TBL also provides loan in the form of trade finance, industrial finance, project finance, export & import finance etc. Its credit policies intended at balanced growth and harmonious development of all the sectors of the country's economy with the priority to ascertain quality of lending by avoiding growth of non-performing assets.

## 5.0 Analytical Part

Important ratios are used to evaluate liquidity, profitability and solvency of the companies since it is useful indicators of a firm's performance and financial situation. Therefore, these ratios are to be illustrated below with graphical presentation. To understand the present situation of TBL, some important ratios from last eight-year data would be described.

### 5.1 Liquidity Ratio:

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

### 5.2 Current Ratio:

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

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

Year	2013	2014	2015	2016	2017	2018
Current Asset	9,546.97	10,120.46	13,120.45	13,077.69	19,029.01	30,310.14
Current Liability	65,819.51	82,997.33	102,467.67	125059.13	150854.19	173059.88
Current Ratio	0.15	0.12	0.128	0.104	0.126	0.175

Table 9: Current Ratio (Source: Balance Sheet, Annual report)

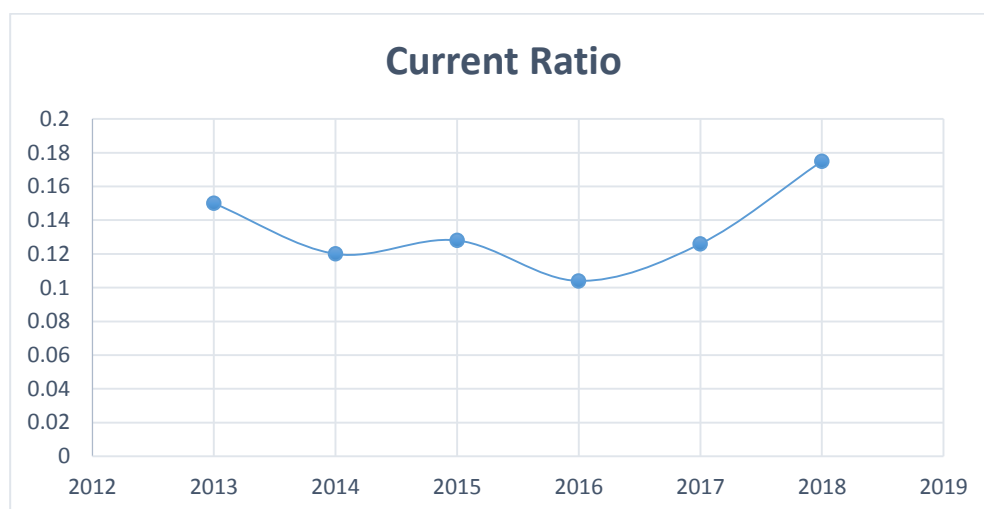


Figure 7: Current Ratio

A ratio that measures a bank's ability to pay short-term obligations called Current Ratio. The current ratio is an excellent diagnostic tool as it measures whether or not business has enough resources to pay its bills over the next 12 months. This graph shows current ratio of 2014 is less than 2013. It indicates that bank's current liabilities was rising faster than current assets. This curve shows the current ratios for TBL in 2014 was 12% that increased in 2015 and became 12.8% but in 2016, it decreased again as bank's current liability increased. After 2013, current ratio was decreasing because compare to 2013 current asset was increasing but not that much but liability was increasing highly. Again, TBL successfully increased its current ratio that indicates TBL's total assets is increasing and total liability is decreasing which is good for the bank.

### 5.3 Net Profit Margin:

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

$$\begin{aligned} \text{Net Profit Margin} &= (\text{Total Revenue} - \text{Total Expenses}) / \text{Total Revenue} \\ &= \text{Net Profit} / \text{Total Revenue} \end{aligned}$$

Year	2013	2014	2015	2016	2017	2018
<b>Net Profit</b>	616.21	182.69	324.43	1299.19	1540.52	2015.82
<b>Total Revenue</b>	8,446.94	10,054.56	12,477.46	15,651.73	17,604.57	16,970.84
<b>Net Profit Margin</b>	0.07	0.02	0.03	0.08	0.09	0.12

Table 10: Net Profit Margin (source: Annual Report of TBL)

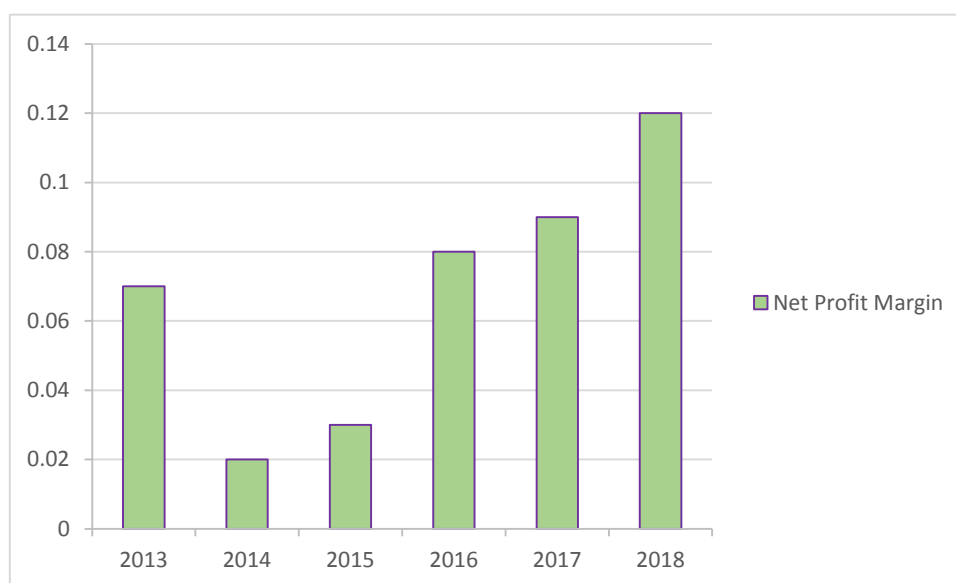


Figure 8: Net profit Margin

Total Revenue & Net Profit both are increasing day by day. In 2013, TBL's net profit was TK 616.21 million. In 2014, TBL's total revenue increased than 2013 but net profit decreased badly which has caused loss for the bank. There as on behind that was the new management and reshaping total portfolio of the bank. Besides, in 2014 TBL had withdrawn its entire share from the share market that was another reason of poorer net profit BL's performance was not satisfactory in the year of 2015 & 2015 as it faces loss. However, in 2016 TBL has made tremendous performance and made net profit of TK. 1299.19 million. In 2017 TBL's net profit increased by 9%. From 2016 constantly, TBL's Net profit margin is increasing which indicates TBL is using its resource effectively. In 2017, TBL's net profit was 9% that increased in 2018 and became 12 %. In 2018, TBL has made huge profit compare to 2017.

#### 5.4 Return on Asset:

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

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

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

Year	2013	2014	2015	2016	2017	2018
Net Income	1560.58	1157.43	1548.71	3257.68	3901.03	4452.38
Total Asset	76215.22	95260.78	116739.57	145346.12	180229.57	210241.52
Return on Asset	0.02	0.012	0.013	0.022	0.022	0.021

Table 11: Return on Asset (source: Annual Report)

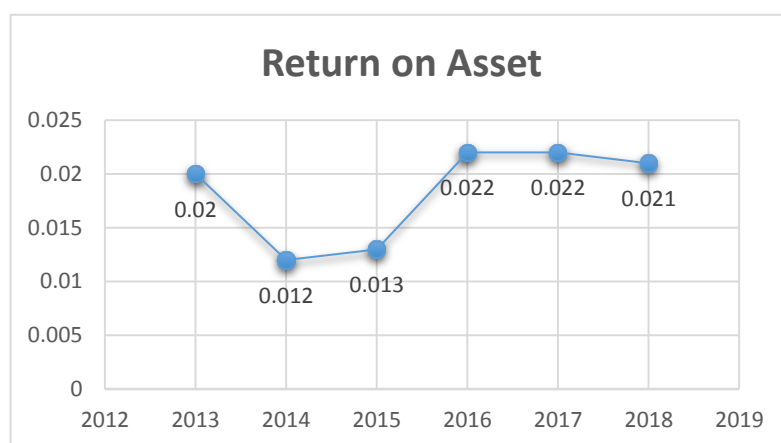


Figure 9: Return on Asset Ratio

Return on Asset (ROA) ratio is an indicator of how profitable a company is relative to its total assets. ROA gives an idea as to how efficient management is at using its assets to generate earnings. Return on Asset (ROA) ratio of TBL in 2013, 2014, 2015, 2016, 2017, 2018 are respectively 2%, 1.2%, 1.3%, 2.2%, 2.2% & 2.1%. Here curve shows return on assets is decreasing from 2013 to 2014. Net income decreased in 2014 and 2015 as their return from investment was worse than 2013 and loan disbursement was poor too. But in 2013 ROA is better than 2012 which indicates that bank’s current situation is satisfactory and bank is getting high return from its invested asset. From 2015, bank’s ROA is increasing and it remains constant for the following years which show stable condition of the bank.

## 5.5 Return on Equity:

Return on equity (ROE) is a measure of how the stockholders did during the year. ROE is the bottom-line (basic) measure of performance of the firm. ROE is usually measured dividing net income by total equity. It measure show much profit the shareholder's investment has generated. A higher ROE percentage indicates that shareholders are receiving a better return on their investment.

Year	2013	2014	2015	2016	2017	2018
Net income	1560.58	1157.43	1548.71	3257.68	3901.03	4452.38
Total equity	5526.76	6512.89	6865.78	8128.69	9512.05	11175.16
Return on Equity	0.28	0.18	0.23	0.4	0.41	0.39

Table 12: Return on Equity (source: Balance sheet, Annual Report)

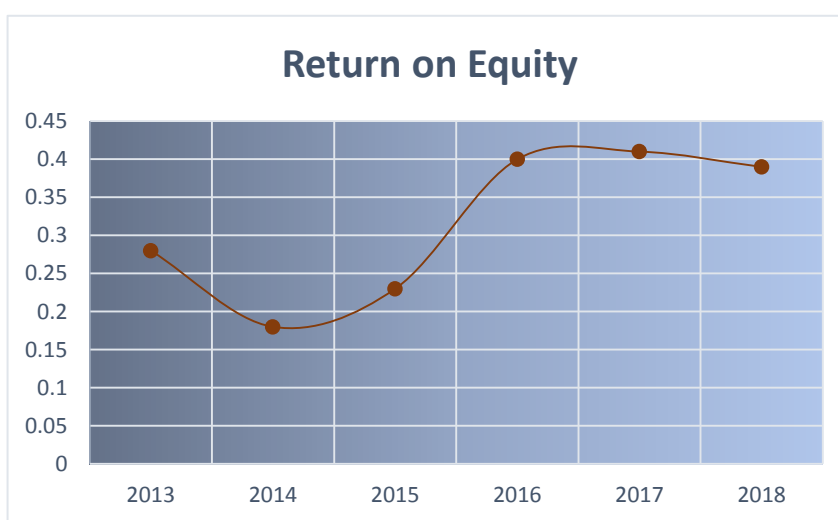


Figure 10: Return on Equity Ratio

The rate of return on stockholders' investment in TBL for the year of 2013, 2014, 2015, 2016, 2017 and 2018 are respectively 28%, 17%, 23%, 40%, 41%, 39%. From this result, we see that ROE of 2013 is greater than 2014 and 2015. It is not good for TBL. Because of lower rate of ROE new investor will not be interested to buy the bank's share. It is shown that in 2014 ROE fell drastically. The reason was lower earnings from investments because of reshaping the total portfolio. At that time shareholders' investment was higher than the previous year but TBL could not generate profit from the investment. From 2013 to 2014, it shows continuous decreasing which is not a good sign for this bank. However, ROE increased drastically in 2016 and 2017. However, ROE has fallen by 1% in the year 2018.

## 5.6 Solvency Ratio:

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

### 5.6.1 Debt to Total Asset:

This ratio shows how much an Organization is in debt, making it an excellent way to check organization's long-term solvency. A ratio that indicates proportion of debt a bank has relative to its assets. The measure of ratio gives an idea to the leverage of the bank along with the potential risks the bank faces in terms of its debt-load. The formula is:

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

Year	2013	2014	2015	2016	2017	2018
Total Debt	68162.58	85832.14	106131.7	131944.84	163783.75	191003.17
Total Asset	76215.22	95260.78	116739.57	145346.12	180229.57	210241.52
Debt-Asset Ratio	0.89	0.90	0.91	0.91	0.91	0.91

Table 13: Debt-Asset Ratio (source: TBL's Annual Report)

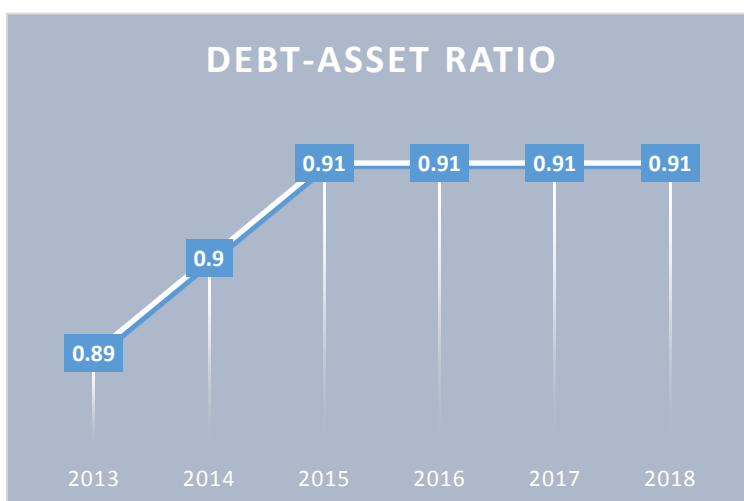


Figure 11: Debt-Asset Ratio



Bank is the only financial institutions that deals with leverage. Debt to Asset ratio of the year 2013,2014,2015, 2016, 2017 and 2018 was respectively 89%,90%,91%,91%,91%,91%.

From the year, 2013debt ratio is increasing gradually. Increase in debt means increase in deposits. As the debt-asset ratio is increasing which indicates that Bank with high total debt ratio is in danger of going insolvent or bankrupt. However, for financial institution like Banks, they usually have high amount of debts since customer’s deposits regularly on banks and banks invest those moneys for various purposes. It works systematically. Therefore, even though the ratio is giving a negative signal, TBL does not need to worry about it. It is a common phenomenon for most of the banks and financial services.

### 5.6.2 Debt to Total Asset:

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

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

Year	2013	2014	2015	2016	2017	2018
<b>Total Debt</b>	68162.58	85832.14	106131.7	131944.84	163783.75	191003.17
<b>Total equity</b>	5526.76	6512.89	6865.78	8128.69	9512.05	11175.16
<b>Debt-Equity Ratio</b>	12.33	13.17	15.45	16.23	17.21	17.09

Table 14: Debt-Equity Ratio (Source: Annual Report)

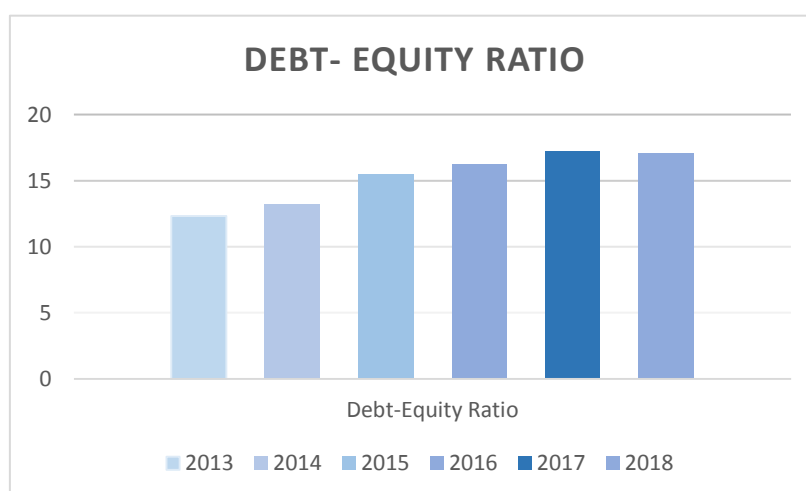


Figure-12: Debt –Equity Ratio

“A” measures that bank's financial leverage calculated by dividing its total liabilities by stockholders' equity. It indicates what proportion of equity and debt the TBL is using to finance its assets. The debt/equity ratio is considered a key financial metric because it indicates potential financial risk. The debt equity ratio of 2013, 2014, 2015, 2016 , 2017 and 2018 are 12.33,13.17, 15.45, 16.23, 17.21 and 17.09 respectively. Debt-Equity ratio of 2015 is greater than 2013 to 2014 which is satisfactory as a high debt/equity ratio generally means that a bank has been aggressive in financing its growth with debt.

In 2013 it falls which is good for this bank. However, after 2013 TBL’s debt-equity ratio is increasing that means bank liability is increasing compare to its equity. If the extra debt that the company takes on enables it to increase net profits by an amount greater than the interest cost of the additional debt, then the company should deliver a higher return on equity to investors. However, if the interest cost of the extra debt does not lead to a significant increase in revenues, the additional debt burden reduces the company's profitability. In a worst case, it could over whelm the company financially, resulting in insolvency and eventual bankruptcy. A dept/equity ratio of 1.5 or lower is measured as good, and ratios higher than two are considered less favorable, however, average debt/equity ratios vary significantly between industries. Therefore, when scrutinizing a company's debt/equity position, investors should compare it with that of similar companies in the same industry. A relatively high debt/equity ratio is common place in the banking industry and in the financial services sector as a whole. Banks usually have greater debt amounts because the money they borrow is also the money they lend. To put it another way, the major product that banks sell is debt. Therefore, it is reasonable for TBL to have higher ratio.

## 5.7 Receivable Turnover:

$$\text{Receivables Turnover} = \text{Net Sales}/\text{Sales}$$

Year	2013	2014	2015	2016	2017	2018
Net Sales	885.34	1290.06	1111.13	2762.47	3819.67	4452.61
sales	6271.81	8343.78	9863.28	12435.7	13894.89	13186.16
Receivables Turnover	0.14	0.15	0.11	0.22	0.27	0.33

Table 15: Receivable Turnover ratio (Source: Annual Report)

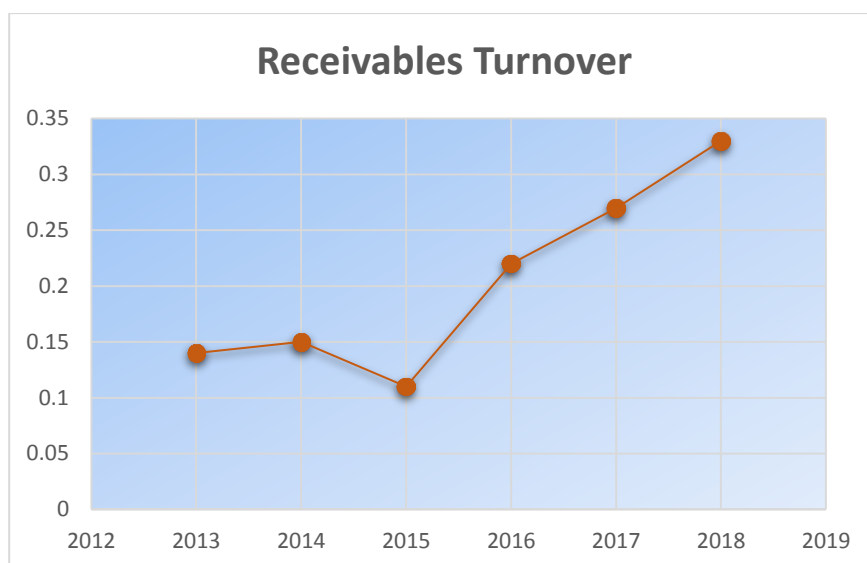


Figure 13: Receivable Turnover Ratio

As we know that accounts receivable turnover ratio or debtor's turnover ratio indicates the number of times the debtors are turned over in a year. The higher the value of debtor's turnover the more efficient is the management of debtors or more liquid the debtors are. Similarly, low debtor's turnover ratio implies inefficient management of debtors or less liquid debtors. It is the reliable measure of the time of cash flow from credit sales. In this graphical representation, we have seen that their receivables turnover improved in 2016. However, in 2013 to 2015 receivables turnover was lower than the previous year. In 2015 it became 11 times whereas in 2014 it was 15 times. It happened because interest income from investment was lower than the previous year which was not good for TBL. But TBL successfully upgraded receivable turnover ratio in the year 2016, 2017 & 2018 which indicates growth of TBL.

## 5.8 Asset Turnover Ratio:

It measures how efficiently a company uses its assets to generate sales. The formula is:

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

Year	2013	2014	2015	2016	2017	2018
Net sales	885.34	1290.06	1111.13	2762.47	3819.67	4452.61
Total Asset	76215.22	95260.78	116739.57	145346.12	180229.57	210241.52
Asset Turnover Ratio	0.011	0.013	0.009	0.019	0.021	0.021

Table 16: Asset Turnover Ratio

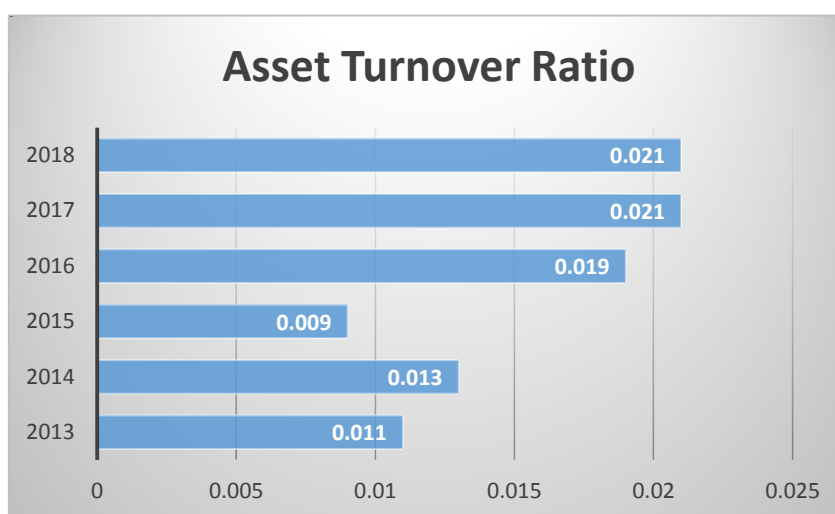


Figure 14: Asset Turnover Ratio

As we know that asset turnover can give an indication of how efficient a company is. A high asset turn over that expresses how many times a company sells or turns over its assets in a year are assign of high efficiency. The higher the ratio, the more sales that a company is producing based on its assets. In the graphical representation, it is seen that TBL's asset turnover was 2 times better in 2016 than previous years' ratio. In 2013 and 2015 the ratio has fallen because of the lower return from the investment. Compare to the bank's asset the bank could not get better investment. From 2016 asset turnover ratio is increasing and in 2017and 2018 it remains stable.

## 6.0 Findings, Recommendations and Conclusion

### 6.1 Findings:

The middle in of twenty first century here we are facing a heavy competition with each other. Here everyone is competing with each single point. Therefore, today's business institution are moving forward to remember this concept. If anyone has a weak point than the rival, party will take the opportunity and make a problem for the weak intuition.

After complete my internship in The Trust Bank I realized that there are many problems and this may be a cause of huge loss or create a barrier for the future prospect. Therefore, the bank should take care of it very seriously.

1. In every bank, there is a certain amount that a branch manager can sanction, but in this bank if anyone wants to take a single taka for loan then the manager has to for the head office approval. Sometimes it may be the cause of losing customer, because it will take time to sanction a loan.
2. Trust bank limited is also serving the general people. But it is not so popular because of advertisement. People thought that this bank's purpose is to serve only the army people. That is why the bank is not go for a vast banking.
3. Trust Bank Limited has only 100 branches all over Bangladesh. It is a vital limitation of it. Due to limited branches, the bank cannot cover the whole area of our country.
4. Trust bank Ltd making Salary card or debit card for Bangladesh Army. By making this process, every army will get an account number on trust bank. As a result, they will be interested for deposit money on TBL. On the other hand, when soldiers get any purpose loan from trust bank, then the loan's default risk will reduce by this system.
5. Bangladesh Bank, the central bank, has instructed all banks to keep 1% as provision against of outstanding of total loans. This provision has made to meet any kind of future losses. Although Trust Bank Ltd does not have any classified loans, it is maintaining 1% provision for future. The bank is prepared to meet any unwanted situation in future.
6. The credit analysts have a strong background in accounting financial statement analysis, business law and economics along with good negotiating skills.
7. The controlling officers are effective in providing necessary guidance and support to the branch.

8. Branch Manager Conscious efforts to achieve the targets and knows how to motivate employees and how to represent the Bank well in the local community.
9. Credit management procedure follows Bangladesh Bank guidelines strictly.
10. The monitoring system of the Credit department of TBL is excellent. It is helpful to find out the defaulter timely and takes necessary actions against them to make-up quickly. The chain of command is strictly maintained here.
11. Employees are very efficient. They provide quick services in a better way. They provide right suggestions when the customers need.

## 6.2 Recommendations:

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

9. In the credit department, strict supervision is necessary to avoid loan defaulters. The bank official should do regular visit to the project.
10. TBL needs to give emphasis on net income. If the total equity increases and net income decreases, the return on income will be always low. Trust Bank has low ROE for some continuous years, and that demotivated investors to buy bank's share. So, the bank should try to increase its net income.
11. The bank also needs to consider balancing debts, assets as well as equity. A bank with high debt is more prone to insolvency. The solvency ratios showed in analysis part of this substantiate that TBL is more likely to be moving towards insolvency if it does not focus on balancing debt and asset ratio.
12. TBL needs to focus on its net sales as well to keep the curve of the asset turnover right.

### 6.3 Conclusion:

The Trust Bank Limited is a 3rd generation bank in Bangladesh and has a strong position in the today's competitive market. It has some features, which makes the bank quite different in the private sector. The bank has a tremendous management side that is still trying to make the bank more successful. The Trust Bank Ltd. has incorporated in 1999. However, within this short period it becomes in a good position and is continuously upgrading itself with a view to be competitive and to remain the leader of the banking industry. The bank renders service accuracy, friendliness, new ways of meeting customer needs and good quality of services. Success in the banking business largely depends on effective lending. Less the amount of loan losses, the more the income will be from lending operations. In addition, the more will be the profit of the bank and there lies the success of lending risk. Trust Bank Ltd is one of the potential banks in the banking sector. It has a large portfolio with huge assets to meet up its liabilities and the management of this bank is equipped with the expert bankers and managers in all level of management. In the last 6 years bank's current ratio, net profit, return on investment, profit from shareholder's investment decreased because of the share market fall, new management committee of the bank, reshaping their portfolio etc. TBL's management is trying to solve the issues related to its income, assets, equity and liability. It has already put emphasis on profit margin, and its margin curve is quite positive for the year 2014, 2015 and 2016. The credit lending and maintaining procedure of TBL are also functioning well. Therefore, it is not an easy job to find out the drawbacks of this bank. I would rather feel like producing my

personal opinion about the ongoing practices in Savar Cantonment Branch. The service provided by the young energetic officials of the Trust Bank Limited is very satisfactory. As a commercial bank, TBL has to follow the rules of Bangladesh bank despite the fact that these rules sometime restrict the foreign business to some extent. However, its main customer is Bangladesh army but it is committed to provide the best service to general customer. As a Disciplined and strong structured Bank, trust bank ltd provide the quick & well-organized service to the customer. As result, day-by-day Credit business is going to be a popular business among the customer of Trust bank Ltd. During my internship in this branch, I have found its Credit to be very efficient; therefore, this department plays a major role in the overall profitability of the branch and to the Bank as a whole.



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Appendix- A Financial Summary of Year 2014-2018  
Five Years' Financial Summary

BDT in Million (where applicable)

Particulars	2018	2017	2016	2015	2014
<b>Operating Results (Solo Basis)</b>					
Total Operating Income	8,237.29	7,529.33	5,978.24	3,725.32	3,000.84
Total Operating Expense	3,784.90	3,628.31	2,720.56	2,176.61	1,843.41
Operating Profit	4,452.38	3,901.03	3,257.68	1,548.71	1,157.43
Provision for Loans, Investment and Other	983.83	777.78	558.56	532.66	463.61
Profit Before Tax	3,468.55	3,123.25	2,699.12	1,016.05	693.83
Profit After Tax	2,008.84	1,539.33	1,299.20	324.43	182.70
<b>Financial Positions (Solo Basis)</b>					
Authorized Capital	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00
Paid-Up Capital	5,063.33	4,688.27	4,262.06	3,805.41	3,459.47
Total Shareholders' Equity	11,175.16	9,512.05	8,128.69	6,865.78	6,512.89
Deposits	173,059.88	150,854.20	125,059.13	102,467.67	82,997.33
Loans and Advances	141,987.43	130,614.65	106,886.08	79,279.58	54,616.06
Total Liabilities	199,066.35	170,717.52	137,217.43	109,873.79	88,747.89
Investments	30,739.01	24,262.21	19,352.22	19,023.49	13,622.11
Fixed Assets	802.07	827.55	603.64	483.79	454.95
Earning Assets	168,285.82	154,765.83	125,783.39	99,026.94	79,626.50
Total Assets	210,241.52	180,229.57	145,346.12	116,739.57	95,260.78
<b>Other Business</b>					
Import	72,571.62	74,255.59	77,421.44	44,450.92	43,138.39
Export	48,350.02	48,928.87	39,622.45	25,740.38	34,319.48
Foreign Remittance	23,171.76	24,214.99	16,174.03	13,164.65	11,082.25
Guarantee Issued	14,698.04	12,523.94	7,447.73	7,367.36	2,058.01
<b>Capital Measures (Consolidated Basis)</b>					
Total Risk Weighted Assets	135,455.40	128,770.20	112,460.10	91,968.20	74,339.80
Core Capital (Tier-I)	11,362.23	9,700.01	8,461.25	7,163.18	6,841.21
Supplementary Capital (Tier-II)	8,435.52	4,222.30	4,958.01	3,634.94	3,462.62
Total Capital	19,797.75	13,922.31	13,419.26	10,798.11	10,303.83
Tier-I Capital Ratio	8.39%	7.53%	7.52%	7.79%	9.20%
Tier-II Capital Ratio	6.23%	3.28%	4.41%	3.95%	4.66%
Total Capital Ratio	14.62%	10.81%	11.93%	11.74%	13.86%
<b>Credit Quality (Solo Basis)</b>					
Non-performing Loans	4,556.10	3,588.48	2,614.76	2,470.36	2,503.84
% Non-performing Loans	3.21%	2.74%	2.45%	3.12%	4.58%
<b>Share Information</b>					
Market Price Per Share	23.80	24.10	14.50	20.00	25.00
Earnings Per Share	3.97	3.04	2.77	0.76	0.55
Price Earnings Ratio	6.00	7.93	5.23	26.32	45.18
Net Asset Per Share	22.07	20.29	19.07	18.04	18.83
<b>Other Information</b>					
Cost Income Ratio	45.95%	48.19%	45.51%	58.43%	61.43%
Return on Average Equity	19.42%	17.45%	17.33%	4.85%	3.02%
Return on Average Assets	1.03%	0.85%	0.89%	0.28%	0.21%

Appendix- B Financial Summary of Year 2013-2017  
Five Years' Financial Summary

BDT in Million (where applicable)

Particulars	2017	2016	2015	2014	2013
<b>Operating Results (Solo Basis)</b>					
Total Operating Income	7,529.34	5,978.24	3,725.32	3,000.84	3,060.47
Total Operating Expense	3,628.31	2,720.56	2,176.61	1,843.41	1,499.89
Operating Profit	3,901.03	3,257.68	1,548.71	1,157.43	1,560.58
Provision For Loans, Investment and Other	777.80	558.56	532.66	463.61	256.38
Profit Before Tax	3,123.25	2,699.12	1,016.05	693.83	1,304.20
Profit After Tax	1,539.33	1,299.20	324.43	182.70	616.21
<b>Financial Positions (Solo Basis)</b>					
Authorized Capital	10,000.00	10,000.00	10,000.00	10,000.00	5,000.00
Paid-Up Capital	4,688.27	4,262.06	3,805.41	3,459.47	2,661.13
Total Shareholders' Equity	9,512.05	8,128.69	6,865.78	6,512.89	5,526.76
Deposits	150,854.20	125,059.13	102,467.67	82,997.33	65,819.51
Loans And Advances	130,614.65	106,886.08	79,279.58	54,616.06	50,801.74
Total Liabilities	170,717.52	137,217.43	109,873.79	88,747.89	70,688.46
Investments	24,262.21	19,352.22	19,023.49	13,622.11	9,654.68
Fixed Assets	827.55	603.64	483.79	454.95	421.23
Earning Assets	154,765.83	125,783.39	99,026.94	79,626.50	63,120.66
Total Assets	180,229.57	145,346.12	116,739.57	95,260.78	76,215.22
<b>Other Business</b>					
Import	74,255.59	77,421.44	44,450.92	43,138.39	37,879.65
Export	48,928.87	39,622.45	25,740.38	34,319.48	28,543.65
Foreign Remittance	24,214.99	16,174.03	13,164.65	11,082.25	10,603.33
Guarantee Issued	12,523.94	7,447.73	7,367.36	2,058.01	1,794.58
<b>Capital Measures (Consolidated Basis)</b>					
Total Risk Weighted Assets	128,770.20	112,460.10	91,968.20	74,339.80	72,945.30
Common Equity Tier I (Going – Concern Capital)	9,700.01	8,461.25	7,163.18	6,841.21	5,860.18
Tier II capital (Gone-Concern Capital)	4,222.31	4,958.01	3,634.94	3,462.62	2,777.22
Total Capital	13,922.32	13,419.26	10,798.11	10,303.83	8,637.40
Common Equity Tier I (Going - Concern Capital) Ratio	7.53%	7.52%	7.79%	9.20%	8.03%
Tier II capital (Gone Concern Capital) Ratio	3.28%	4.41%	3.95%	4.66%	3.81%
Total Capital Ratio	10.81%	11.93%	11.74%	13.86%	11.84%
<b>Credit Quality (Solo Basis)</b>					
Non-Performing Loans	3,588.48	2,614.76	2,470.36	2,503.84	1,534.31
% Non-Performing Loans	2.74%	2.45%	3.12%	4.58%	3.02%
<b>Share Information</b>					
Market Price Per Share	24.10	14.50	20.00	25.00	42.90
Earnings Per Share	3.28	2.77	0.85	0.55	2.32
Price Earnings Ratio	7.35	4.69	4.26	2.21	5.40
Net Asset Per Share	20.29	19.07	18.04	18.83	20.77
<b>Other Information</b>					
Cost Income Ratio	48.19%	45.51%	58.43%	61.43%	49.01%
Return on Average Equity	17.45%	17.33%	4.85%	3.02%	11.68%
Return on Average Assets	0.85%	0.89%	0.28%	0.21%	0.92%

## Appendix C: Loan Application Form of TBL

**TBL LOAN APPLICATION FORM**

**Application Date:** .....

Attested 2 Copies  
Photo (PP Size)  
of the Applicant

To  
The Manager  
Trust Bank Limited  
.....Branch

**Please Tick on the name of the product:**

Loan Against Salary (LAS)   
  Personal Loan (PL)   
  Apon Nibash (House Finance)   
  Car Loan  
 Doctors Loan                     
  Trust Digital                     
  Trust Thikana                     
  Others

I/We .....here by apply for a loan of  
BDT: ..... ( in Word.....) for  
Loan Tenure:  12 Months  24 Months  36 Months  48 Months  60 Months  Others.....  
for the Purpose of ..... and certify that all information given below is valid and authentic.

**A. PERSONAL INFORMATION (APPLICANT/PRINCIPAL APPLICANT):**

Full Name (Mr./ Mrs./Ms) ..... Nick Name (if any) .....

Profession: ..... Gender:  Male  Female  Others.....

Date of Birth: Day ..... Month..... Year..... Age..... (as on the date of application)

Marital Status:  Single  Married  Others (Specially) ..... No of Dependents.....

Education Level:  SSC  HSC  Graduate  Post Graduate  Others (Specially).....

Father's Name:..... Profession ..... Contact No (if any).....

Mother's Name:..... Profession .....Contact No (if any).....

Spouse's Name:..... Profession .....Contact No (if any).....

Spouses Office Address (if any):.....

Nationality:..... TIN No:.....

Type of identification Documents : ..... ID No.....

Directorship with Other Bank/NBFI/Insurance:  Yes  No

**B. CONTACT DETAILS:**

Residential Status:  Owned  Family Owned  Rented  Others (Specially).....

**Residential Address:**.....

.....

Postal Code..... No. of Years Present Residence Address.....

**Permanent Address:**.....

..... Postal Code .....

Telephone No (Home)..... Telephone No. (Office) .....

Mobile No..... E-mail Address.....

Emergency Contact Person..... Relationship with Applicant.....

Contact No.....

.....

Signature of the applicant

**c) Present Service Information (For service holder):**

1. Name of the organization and address:

Phone No:

2. Designation:.....

3. Nature of Service/Job:.....Temporary .....Permanent.....

4. Date of Joining.....

5. Date of Joining in this Department/Office/Branch.....

6. Monthly Gross Income BDT.....

7. Monthly Net Income BDT.....

**d) Immediate Past Service Information (If any):**

1. Name of the organization and address:

Phone No.

2. Designation .....Employer.....

3. Nature of Service/Job.....Temporary .....Permanent.....

4. Date of Joining.....

5. Date of Joining in this Department/Office/Branch.....

6. Monthly Gross Income BDT.....

7. Monthly Net Income BDT.....

**e. For Self-Employed (Doctors/Dentists/Engineers/Architects/Chartered Accountants/Consultants/Others/Land Lord):**

Profession.....No. of Years in Practice.....

Clinic/Chamber/Firm's Name.....

Address.....

Monthly Income .....Telephone.....

**f. For Businessmen:**

Organization's Name.....Group.....

Business Type:  Sole-Proprietorship  Partnership  Limited Company; Business Nature.....

Years in Business.....No. of Employees.....Office Telephone No.....

Business Address.....

Previous Business Type & Duration (if any).....Total Business Experience (in years).....

\_\_\_\_\_  
Signature of the applicant