

Internship Report
on
Financial Performance Analysis of Al-Arafah Islami Bank Limited





Daffodil
International
University

Internship Report

on

Financial Performance Analysis of Al-Arafah Islami Bank Limited

Supervised By:

Ms. Nusrat Nargis

Assistant Professor

Department of Business Administration

Faculty of Business & Entrepreneurship

Daffodil International University

Prepared By:

Mushfiqur Rahman Rathe

ID: 191-11-757

Program: BBA Major in Finance

Department of Business Administration

Faculty of Business & Entrepreneurship

Daffodil International University

Letter of Transmittal

Ms. Nusrat
Nargis Assistant
Professor
Department of Business
Administration
Daffodil International
University

Subject: Submission of the internship report.

Dear Mam,

With due respect, I would like to inform you that it is a great pleasure for me to submit the internship report on “**Financial Performance Analysis of Al-Arafah Islami Bank Limited**”. In the preparation of this report, I have studied several documents as well as gathered practical knowledge about the Financial Performance activities of Al-Arafah Islami Bank. I tried my level best to make this report important and communicative. I hope that it will fulfill my degree requirement.

So, I therefore request and expect that you would be kind enough to accept my report and indulge thereby.

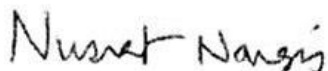
Sincerely Yours,

Mushfiqur Rahman Rathe
ID: 191-11-757
BBA (Major in Finance)
Daffodil International University

Letter of Approval

This is certified that Mushfiqur Rahman Rathe, ID: 191-11-757, is a regular student of the Department of Business Administration, Faculty of Business & Entrepreneurship, Daffodil International University.

She has completed his internship at Al-Arafah Islami Bank Limited and he has prepared his internship report under my supervision. His assigned topic is “**Financial Performance Analysis of Al-Arafah Islami Bank Limited**”. The information presented in this internship report appears to be authentic. Thus, the internship report has been accepted for presentation in the internship defense.



Nusrat Nargis

Assistant Professor

Department of Business Administration

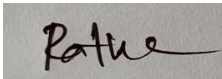
Faculty of Business & Entrepreneurship

Daffodil International University

Student Declaration

I, Mushfiqur Rahman Rathe, certify that the internship report titled “**Financial Performance Analysis of Al-Arafah Islami Bank Limited**” was written solely by me following the completion of my three months as an intern at Al-Arafah Islami Bank Limited.

I confirm that the report was written solely for academic purposes and not any other purpose. Additionally, I guarantee that this report has not been submitted in anywhere before my submission.



Mushfiqur Rahman Rathe

ID: 191-11-757

Program: BBA

Major in Finance

Daffodil International University

Acknowledgment

In the name of Allah, the beneficent the merciful. This paper would not have been possible without the guidance and the help of several individuals who in one way or another contributed and extended their valuable assistance in the preparation and completion of this study.

I started this internship report and finally it has been completed. The special thanks to my helpful supervisor Ms. Nusrat Nargis, Assistant Professor, Department of Business Administration. Faculty of Business & Entrepreneurship, Daffodil International University.

I would like to express my gratitude towards my supervisor and experienced in online of observe impact of firm's profitability on stock price return for kind encouragement which has helped me in completion of this report. This report is an essential part of BBA program as one cannot gather educational knowledge and experience without observing & doing work at chosen this topic.

I would like to express my special gratefulness and thanks to all online platform for finding anything so easily. This report makes me realized the value of working as a new experience from online platform.

Executive Summery

The report has been prepared to fulfill the requirement of BBA program. This is mandatory to involve with organization for the earning theoretical and practical experience. This report is an analysis of the financial performance of Al-Arafah Islami Bank Limited. Al-Arafah Islami Bank Limited is the economic and service-related institution. Its main aim to earn money through exchange of money and other products. Banks have four parts for the operation like general banking, accounts and general service, foreign exchange and loans. Al-Arafah Islami Bank Limited to collect deposit from customers and portfolio invests more profitable area for the reducing risk and get more profit.

Financial performance analysis is the most necessary elements for the organization. In this report tried to find out overall financial condition through the ratio analysis and identify some findings and possible recommendations. Al-Arafah Islami Bank Limited liquidity position fluctuating and current ratio is good for Al-Arafah Islami Bank but cash ratio less than one that is not good sign for Al-Arafah Islami Bank. Operating efficiency ratio fails randomly last some years for the lack of proper utilizations of assets. ROA and ROE both are decreased which is bad for Al-Arafah Islami Bank. Al-Arafah Islami Bank Limited net profit margin decreasing for the huge operating expense and cost of goods sold.

Al-Arafah Islami Bank Limited can take decision based on ratio analysis. External user can use it for the understand overall health of the organization. This bank needs to focus on liquidity ratio because this ratio included with short-term debt obligations. Financial performance analysis given information about present scenario of the internal and external users. Organization can find out the problems through financial analysis and try to recovery the problems. Users can use some way to analyze the performance like common size statement, trend analysis and ratio analysis. Finally, this report helps to get practical knowledge about research in own practical life.

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Chapter: 01

Introduction

1.1 Introduction

Al-Arafah Islami Bank Limited is a large leading bank in our country. Al-Arafah Islami Bank Limited is a registered bank under company's act,1994. This bank started activity from 27 september,1995 with specific vision and mission. Al-Arafah Islami Bank Limited are different from other banks. Because this bank is an interest free shariah bank. This bank continues their operation based on Islami shariah. We know that all type of banks provides banking service under company act 1991. A shariah council of the bank constantly observe activities of the bank are being conducted according to the principle of Islam. Al-Arafah Islami Bank Limited collect deposit from different type of customers and to invest their deposit in different type of projects and earning more profit from operation. This bank has lots of products such as personal loan, auto loan, student loans, home loan, land loan and business loan etc. Al-Arafah Islami Bank Limited has different culture and working environment. In this organization have lots of employee and they are committed to achieving the organizational objective. We know that Al-Arafah Islami Bank Limited is the private bank and play role in economy and business sector. This bank provides wonderful service with update technologies.

1.2 Background of the study:

The internship program is full credit subject of BBA, which has relationship with real life and theoretical concepts.

I am a student of Bachelor of Business administration (BBA) Program of Daffodil International University. I have completed internship and prepare internship report. This report is a part of BBA program that performed by me. Internship report named is "Financial Performance Analysis of Al-Arafah Islami Bank Limited" by using annual report of Al-Arafah Islami Bank Limited.

1.3 Scope of the study:

Since I only had the opportunity to attend one of the branches of such a monumental organization, it would be illogical and delusional to compare the overall banking performances based upon a singular observation. In my report, I wanted to portray how exactly general banking activities occur in a daily manner and how it attributes to the logistics of such an enormous organization.

In the financial analysis segment, our goal is to portray key financial tools in individual graphs and charts and then give brief descriptions based on our findings. Three relatable and well-accepted financial analyses will be covered based upon 5 years of financial data (Mostly Balance Sheet and Income Statement data from annual reports). They are the following:

1. Ratio Analysis
2. Trend Analysis
3. Common Size Analysis

Based upon the findings we can determine the current financial position the organization sits upon and where its future may lie.

1.4 Objective of the study:

1. To analyze the financial activities of Al-Arafah Islami Bank Limited.
2. To evaluate the financial performance of the bank from 2017-2021.
3. To identify the problems of the bank regarding financial performance and to provide some recommendations about the problems.

1.5 Methodology of the study:

Secondary source:

1. Annual report of Al-Arafah Islami Bank Limited (2017-2021)
2. Internet and Website of Al-Arafah Islami Bank Limited.
3. Related Books study
4. Product brochure of Al-Arafah Islami Bank Limited.

1.6 Limitations of the study:

- On the way of preparing this report, I have faced following problems that may be termed as the limitations of the study:
- Bank's policy of not disclosing some sensitive data and information for obvious reason posed an obstacle to prepare more informative report.
- Personal limitations like inability to understand some official terms, office decorum etc. created a few problems.
- The duration of completing internship program and preparing internship report was inadequate. It was very difficult for me to understand an organization's environment and collect information in so short a time.
- As I was more dependent on primary sources, there may be some inaccuracy in my information collected, although appropriate checks and cross-checks were performed to minimize the error.
- Since all Deposit and investment related employees are busy, it is difficult to interrupt with them enough to share information

Chapter: 02

Company Profile

2.1 Company Overview:

Al-Arafah Islami Bank Limited is the interest free banking service provider in Bangladesh. This bank to maintain Islamic shariah and to continue its operation. Al-Arafah Islami Bank Limited was founded in 1995. This bank has lots of contribution in our GDP and growing our economic sector and business sector. Al-Arafah Islami Bank Limited to continue operation with 74 branches in the country. This organization continuous achieve profit and declared a good dividend over the years. Al-Arafah Islami Bank Limited also provide high quality service with modern technologies and new products are the tool of the bank to achieve success. This bank is more careful about consumers satisfaction. In this organization all employee respect with others and bank to motivate employee for achieving the organizational goal. This bank main objectives of Islamic lifestyle are to be successful both in our mortal and immortal life.

2.2 Vision of the Bank:

To be a pioneer in Islami banking in Bangladesh and contribute significantly to the growth of the national economy.

2.3 Mission of the Bank:

Achieving the satisfaction of almighty Allah both here and hereafter. Proliferation of shariah based banking practices.

Commitments:

AL-ARAFAH ISLAMIC BANK LIMITED is a customer focused modern Islamic Bank, sound and steady growth in both mobilizing deposit and making quality investment to keep their position as a leading Islami bank in Bangladesh. To deliver financial services to retail, small and medium scale enterprises, as well as corporate clients through branches across the country. AL-ARAFAH ISLAMIC BANK LIMITED's business initiatives are designed to match the changing trade & industrial needs of the clients.

2.4 Hierarchies of Al-Arafah Islami Bank Limited



2.5 SWOT Analysis :

2.6 Strength of the Bank

AL-ARAFAH ISLAMI BANK LIMITED continue his activity under direct supervision of Bangladesh bank.

- Better current assets which included with quality.
- Islami shariah based banking activity.
- Customer satisfaction and business growth.
- Continue operation by the experience top management.
- Diversify product lines.

2.7 Weakness of the Bank:

- Share market is very low.
- Al-Arafah Islami Bank Limited does not have lots of ATM booth.
- Cash ratio is not in satisfaction level.
- Profit level less than expectation.
- Lack of utilization of assets.

2.8 Opportunity of the Bank:

- Al-Arafah Islami Bank Limited can introduce with more modern technologies for the customer service.
- Successful launching Islamic money market in Bangladesh.
- Lots of new branches and ATM booth can be open.
- E-banking will give more benefits for the AL-ARAFAH ISLAMI BANK LIMITED.
- Launching new apps for the customers.
- To invest money more profitable area.

2.9 Threats of the Bank:

- Huge number of new banks are coming into the market.
- Local competitors can motivate customers by the offering similar products.
- Bangladeshi rules and regulations are not favorable for Islami bank.

Chapter: 03

Activities of Al-Arafah Islami Bank Limited

3.1 Deposit Management

Deposit acceptance is one of the fundamental duties of banks. Deposits might be current, fixed, saving, etc. Islamic banks will be required that can provide consumers profit based on sharia compliant banking regulations. Deposits are used for investment purposes, but as banks utilize other people's money to conduct business, they must ensure that they will be able to reimburse the deposits to the appropriate clients when they make a claim. Deposit management is the term for how all of this is managed. 3.1 (a) Definition of Bank Deposits: Money deposited with a banking institution for protection. Deposits are deposited into savings accounts, such as savings accounts, checking accounts, and money market accounts at financial institutions. Subject to the terms and conditions of the account, the account holder has the right to withdraw the deposited funds. The term "deposit" refers to the bank's obligation to the depositor (the individual or entity that made the deposit), and thus to this responsibility, rather than the actual funds deposited. For example, when someone opens a bank account and makes a deposit of Tk. 1, 00,000 cash, the account holder surrenders legal title to the Tk. 1, 00,000 cash. This cash becomes an asset of the bank; the account becomes a liability.

3.2 Deposits of AL-ARAFAH ISLAMI BANK LIMITED

The total deposit of the bank was Tk. 353,287.97 million at 31st December 2021 as against Tk.326,023.41 million at 31st December 2020 a growth of 8.36 % of which Tk 1,933.63 million was bank deposit and Tk.351,354.34 million was general deposit. is to increase the deposit base through maintaining competitive profit rates and having low cost of funds to ensure a better spread with an average return on investment.

3.3 Deposit Products:

3.3.1 Al-Wadia Current Account

This account may be opened in the name of any adult who is of sound mind either alone or jointly with others. This account may be opened by any sole proprietorship, partnership, limited liability Corporation (private public), educational institution, club, association, or socio-economic group. Any minor's father or legal guardian may also open this account in their name. The bank must accept the introduction of a current account holder or other individual before this account can be opened. The lowest deposit required to start an Al-Wadia current account is Tk 2000, which is also considered the account's lowest balance. If the account does not maintain this lowest amount and the required excise duty, the bank has the right to return the client's cheque Specified amount of charge will be debited with interval of six months as account Maintenance fee.

The account holder can close the operation of his account at any anytime by. Surrounding in his cheque book and submitting a properly signed application upon realization of the closing fee.

During banking hour multiple deposit & withdrawal by cheque is permitted. In this regard, all clauses of Negotiable Instrument Act will be applicable. Bank statement / balance confirmation certificates are often free of charge and provided twice per year (half-yearly and annually). On demand, a client's account statement is also

given upon realization of the specified fees.

3.3.2 Mudaraba Savings Deposit (MSD):

Under the Mudaraba principle of Islamic law, Mudaraba savings accounts are formed. Shaheb-Al Mal and Mudarib are the clientele under the aforementioned principal. Deposits from Mudaraba Savings are primarily intended for non-trading customers who have some potential for savings despite a low volume of transaction activity. A Mudaraba savings account may be opened and used by more than one individual.

Rules and Regulations:

- Mudaraba, which is when one party makes a deposit and another party uses it as the basis for action.
- Any depositor or group of depositors can open a single or joint account by submitting the Introducer of the account as requested by the bank and by depositing a lowest amount. This account may be opened by any educational institution, club, association, or social institute.
- The bank is free to combine the funds received from this deposit and to make any shariah-allowed investments.
- The depositor will receive his share of the profit after calculating the annual profit or loss.
- Although any amount may be deposited at any time during business hours, the lowest amount received from the sixth to the last day of the month will be considered the deposit for that month.
- Amount must be withdrawn only by bank issued instruments like cheques. The maximum number of times an amount can be withdrawn in a month is four. Without prior warning, up to Tk. 2000 or one-fourth of the deposited sum may be withdrawn. Any withdrawals in excess of the aforementioned amount without giving at least seven days' notice will result in no profit being applied for that month.
- If an account is closed before the declaration of current year's profit rate then the depositor will have to take profit as per previous years declared profit rate.

3.3.3 Mudaraba Short Notice Deposit (SND):

The Mudaraba Short Notice Deposit (SND) is a Mudaraba deposit account that pays interest and is designed for persons who are in business or whose transactions are routine but predictable. It enables individuals to run a certain type of profitable current account.

The consumer will supply the investment's capital, just like in other Mudaraba deposit products, and the bank will

take on the role of the investor or "mudaraba" Deposits stored in these accounts are subject to early withdrawal with a lowest 7-day notice period.

3.3.4 Mudaraba Term Deposit (MTDR):

Under Mudaraba principles of Islamic Sharia, the term deposit (MTDR) is a type of deposit. It's a profit-and-loss account. These deposits are reimbursable with a notice period, making them time deposits or time liabilities, which means that withdrawals are only permitted with a notice period and not immediately. Deposits made through the MTDR program are accepted for a variety of terms as determined by the bank, and depositors are eligible to receive interest on their deposits based on a weighted formula chosen by management. Under MTDR, a receipt is given in relation to each deposit

Different Tenor of MTDR Products:

- Mudaraba Term Deposit - 1 month
- Mudaraba Term Deposit - 3 months
- Mudaraba Term Deposit - 6 months
- Mudaraba Term Deposit - 12months

3.3.5 Monthly Installment Based Term Deposit (ITD):

A simple monthly savings plan to secure your future. Small savings today bring convenience tomorrow. You can pay in convenient monthly installments according to your income. You can deposit installments on any business day of the month. Prepayment as a security deposit is also possible.

Deposit	5 Year	8 Year	10 Year	12 Year
500	34719	60397	79917	101589
1000	69282	120700	159769	203230
2000	138639	241299	319753	406776
3000	207851	362124	479543	610146
4000	277078	482838	639469	813673
5000	346882	603553	799324	1017200

3.4 Investment of AL-ARAFAH ISLAMI BANK LIMITED:

The bank's investment was Tk. 336,890.72 million as of December 31, 2021, compared to Tk.308,620.66 (Net off PR) million the year before, representing a rise of 9.16%. The bank's investment portfolio is well-diversified and includes investments in businesses and industries across a wide range, including ready-to-wear, textile, oil seeds, ship scraping, steel & engineering, chemicals, pharmaceuticals, cement, telecommunication, construction, health care, real estate, education, and transport. We have intensified our efforts to increase the amount of disbursed investment that is recovered, and we have also taken the necessary steps to turn the categorized investment into performing assets. As a result, the bank's classified investments could be maintained at a low level that was well below the national average. 4.81% of it was in our bank as of December 31, 2021.

3.6 Modes of Investment of AL-ARAFAH ISLAMI BANK LIMITED:

When funds are deposited in the AL-ARAFAH ISLAMI BANK LIMITED, the bank invests them in a variety of ways that are permitted by Islamic law in an effort to create a profit. Islamic investment methods can be used by not just a bank but also by an individual or group to maximize wealth. Following are some of the more common ways to invest in AL-ARAFAH ISLAMI BANK LIMITEDs:

- 1) **Murabahah:** This concept refers to the purchase and sale of items. This comprises a profit margin that both parties have agreed upon. At the time of the sale agreement, the buy and selling prices, additional expenses, and the profit margin must all be specified in detail.
- 2) **Bai' Muajjal (Credit Sale):** Bai' muajjal literally translates to "credit selling." Technically speaking, it is a murabahah muajjal financing method used by Islamic banks. It is a contract that allows the buyer to pay the price of the commodity at a later time in full or in installments while the bank makes a profit margin on the purchase price.
- 3) **Bai Salam:** A contract known as a "bai salam" calls for an initial payment for later delivery of the goods. In exchange for an advance price that is in full payment at the time of contract, the seller agrees to provide the buyer with some specific products at a later date
- 4) **Ijarah:** Ijarah is Arabic for wage, rent, or lease. The Ijarah concept often relates to the sale of a benefit of use or service for a set fee or wage. In accordance with this notion, the Bank makes the customer's use of assets and equipment, such as plant, office automation, and motor vehicles, available for a set time and cost.

5) Musharaka: Musharaka is a partnership agreement between two or more persons or organisations in which all partners contribute money, engage in management, share profits according to a pre-determined ratio, and bear losses in proportion to their capital/equity ratio.

3.5 Investment processing of AL-ARAFAH ISLAMIC BANK LIMITED:

Generally, a bank follows particular procedures to deliver the client's suggested investment. But it demands careful examination. Because banks invest depositor funds, which are not the funds of the banks, the bank must shut down if it is unable to satisfy depositor demands. Therefore, the bank should focus intensely on investment proposal. Here, the client approaches any branch of Al-Arafah Islamic Bank Bangladesh Limited to make an investment (AL-ARAFAH ISLAMIC BANK LIMITED). After that, he speaks with the management or appropriate officer (investment). Second, the bank takes the client's five C's into account.

Typically, banks examine the client's following five C's:

1. Character
2. Capacity
3. Capital
4. Collateral
5. Condition

3.6 Application Stage:

The bank will now gather the essential data regarding the potential customer. Because of this, the bank advises the potential customer to supply and/or fill out the relevant information that is necessary for the initial investment proposal. Typically, the client must prepare all of the necessary documentation for taking an investment themselves. The following documents are required to obtain an investment from AL-ARAFAH ISLAMIC BANK LIMITED.

- Trade License photocopy (for proprietorship)
- Pro forma income statement that is shortened
- Attested copy of partnership deed (for partnership business)
- Prior three (03) years' audited balance sheet (for Joint Stock Company)
- Prior three (03) years business transaction statement for the Musharaka/Mudaraba investment
- Attested copy of the Memorandum (MOA) & Articles of Association (AOA) for the joint stock company
- Detailed summary of the sundry debtors and creditors (including both time & schedule)
- A list of the personal assets, both movable and immovable

3.7 Appraisal Stage:

At this point, the bank evaluates the client and his or her enterprise. It is the most crucial phase. Because the bank often approves the proposed investment limit or plan based on this stage. If something goes wrong, the bank abruptly stops making investment payments. AL-ARAFAH ISLAMIC BANK LIMITED gives the client a standard F 167B form (Appraisal report) in order to evaluate the client and collect all the necessary data. However, from that appraisal report, the following contents are displayed.

- Client or business information
- Ownership details & List of partners
- Details of proposed facilities/ investment
- Division of the Client's Present Outstanding Other Liabilities \cap Previous banker's details
- As of, Allied deposits
- Business or industry analysis
- \cap Analyzing relationships
- Client's asset-liability situation as shown on the balance sheet after audit \cap Working capital evaluation \cap Risk level
- Maximum Investment in Millions \cap Investment type and amount
- The purpose of the investment
- Investment Duration
- Rate of Return
- Securities

Chapter: 04

Financial Performance of Al-Arafah Islami Bank Limited. (2017-2021)

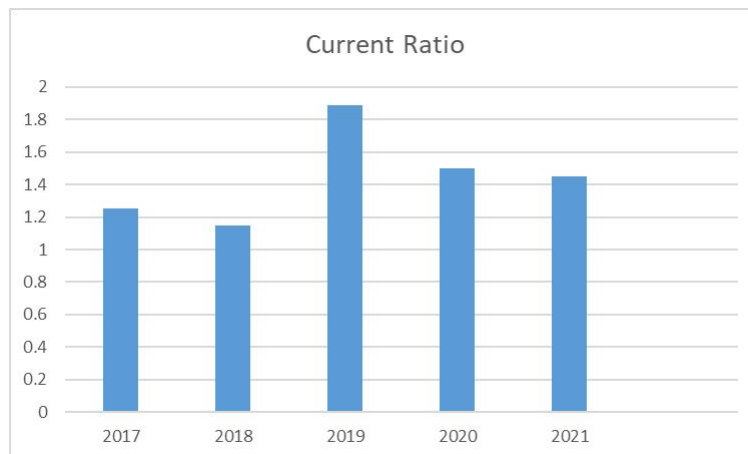
4.1 Liquidity Ratio

- **Current Ratio**

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

Table-1.1: Current Ratio from year 2017-2021

Particulars	2017	2018	2019	2020	2021
Current Ratio	1.25	1.15	1.89	1.50	1.45



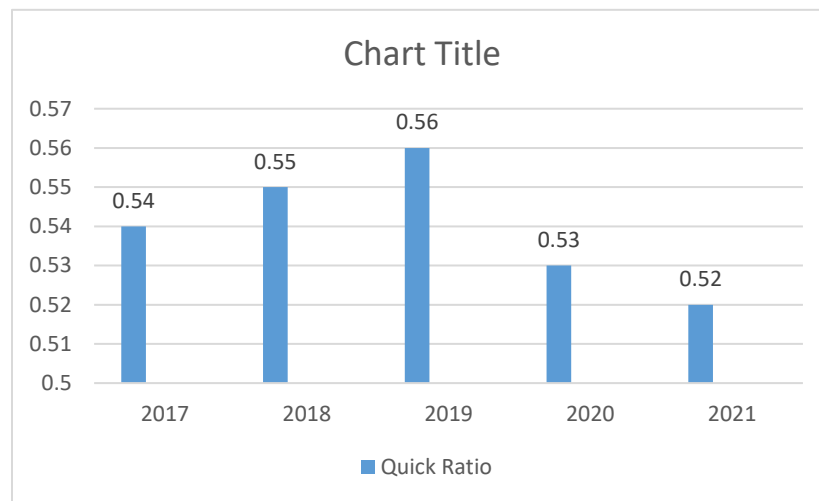
Interpretation : According to Al-Arafah Islami Bank’s results, the current ratio was 1.25 in 2017, 1.15 in 2018, 1.89 in 2019, 1.5 in 2020, and 1.45 in 2021. In 2017 and 2018 current ratio decreased but again in 2019 current ratio increased, it was good sign for this bank but once again the ratio of 2020 and 2021 decreased, it was bad sign for the bank. Because when current ratio decreases, it becomes difficult for the bank to pay immediate debts and liabilities.

- **Quick Ratio**

Quick Ratio = (Current Assets - Inventories) / Current Liabilities

Table-1.2: Quick Ratio from year 2017-2021

Particulars	2017	2018	2019	2020	2021
Quick Ratio	0.54	0.55	0.56	0.53	0.52



Interpretation:

In the year 2017, quick ratio was 0.54 then in 2018 and in 2019 the quick ratio increased but in 2020 and in 2021 the quick ratio decreased and it became the lowest in 2021 . It was bad for the bank. From the analysis it shows that the quick ratio position of the bank was not good and that means Al-Arafah Islami Bank Limited does not have enough quick assets to meet it's short term obligations, the bank may find it difficult to raise the cash to pay it's creditors.

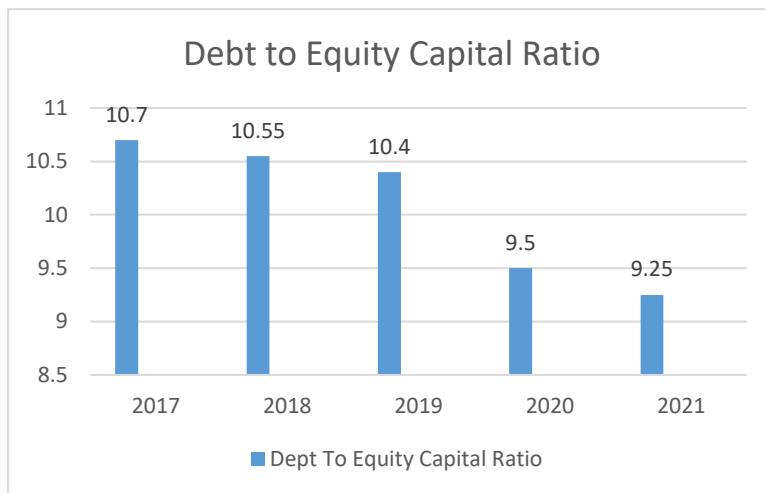
4.2 Leverage Position

- Debt to Equity Capital Ratio

Debt to Equity Capital Ratio = Total debt / Total equity

Table-2.1: Debt to Equity Capital Ratio

Particulars	2017	2018	2019	2020	2021
Debt to Equity Capital Ratio	10.70	10.55	10.40	9.50	9.25



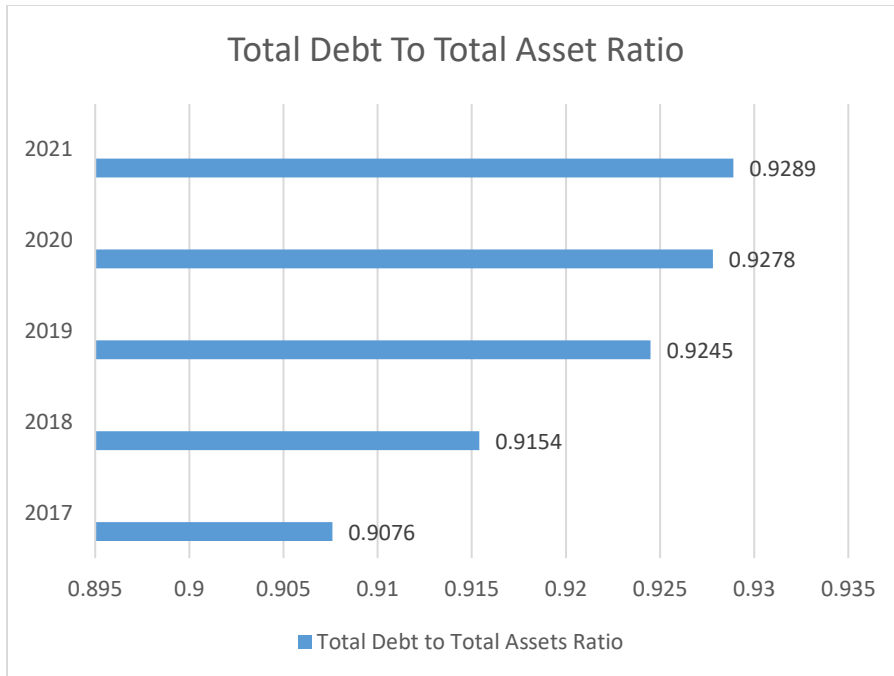
Interpretation : In 2017 debt to equity capital ratio of AIBL was 10.70 and after that the ratios kept declining repeatedly and it became the lowest in 2021. It's a good sign for the bank as low debt to equity ratio represents low liabilities compared to its equity.

4.3 Total Debt to Total Asset ratio

Total Debt to Total Asset ratio= Total debt / Total asset

In million

Particulars	2017	2018	2019	2020	2021
Total Assets	85,013.98	90,065.13	106778.56	116,671.67	136,478.78
Total Debt To Total Asset Ratio	0.9076	0.9154	0.9245	0.9278	0.9289



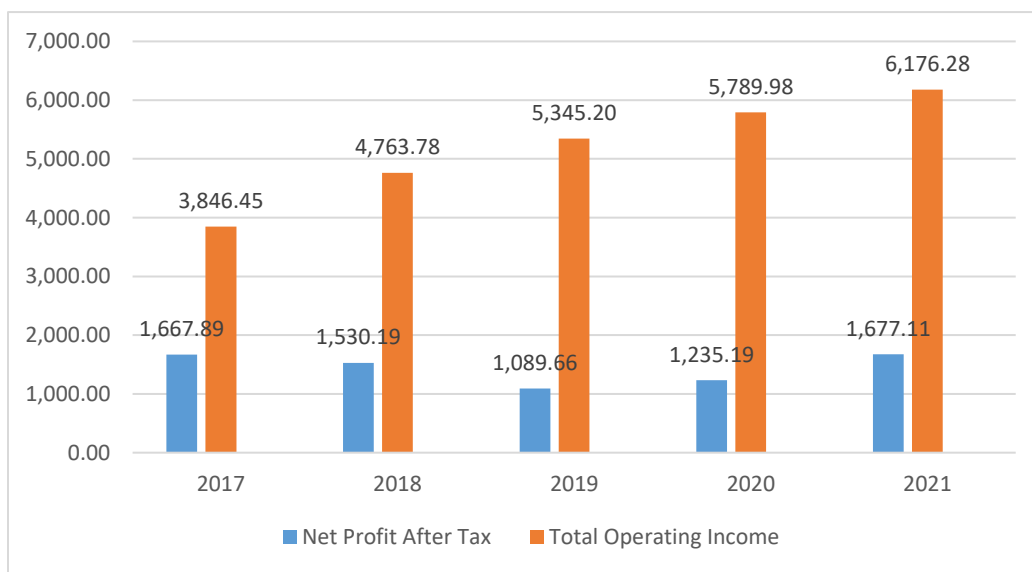
Interpretation: In 2017 debt to total asset ratio of AIBL was 0.9076 .After that debt to total asset ratio increased from 2018 to 2021, which is good for this bank. In 2021 debt to total asset ratio was 0.9289, meaning that the company is using more leverage and has a low equity base.

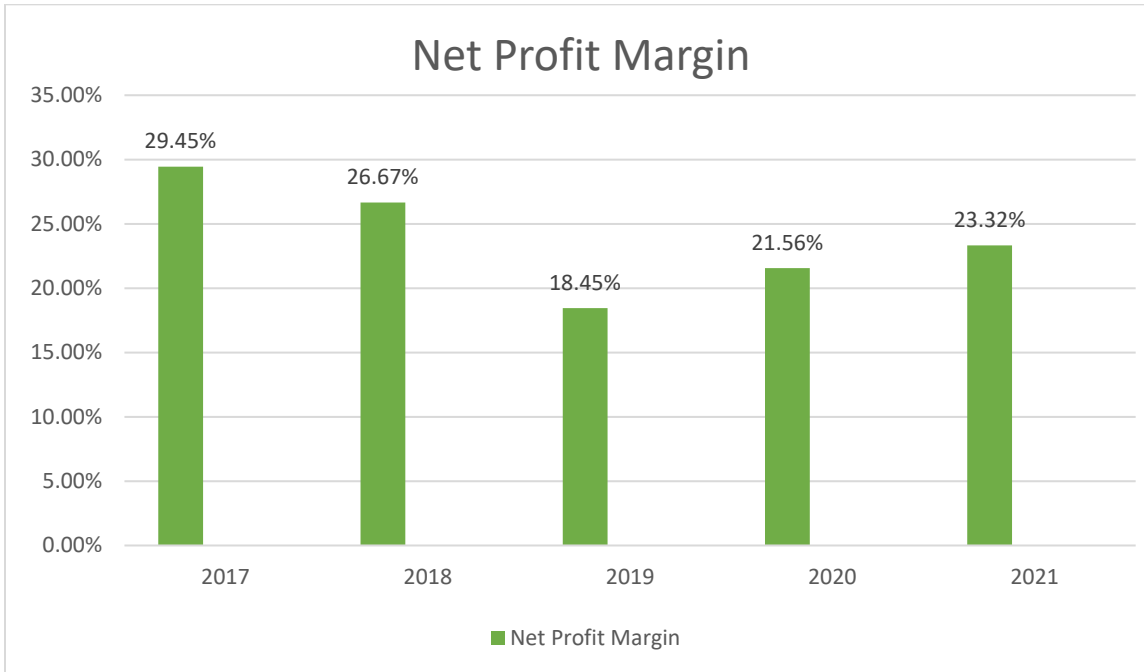
4.4 Profitability Ratio

- Net Profit Margin

Net Profit Margin = Net Income After Tax/ Total Operating Revenue

Particulars	2017	2018	2019	2020	2021
Net Profit After Tax	1,667.89	1,530.19	1,089.66	1,235.19	1,677.11
Total Operating Income	3,846.45	4,763.78	5,345.20	5,789.98	6,176.28
Net Profit Margin	29.45%	26.67%	18.45%	21.56%	23.32%





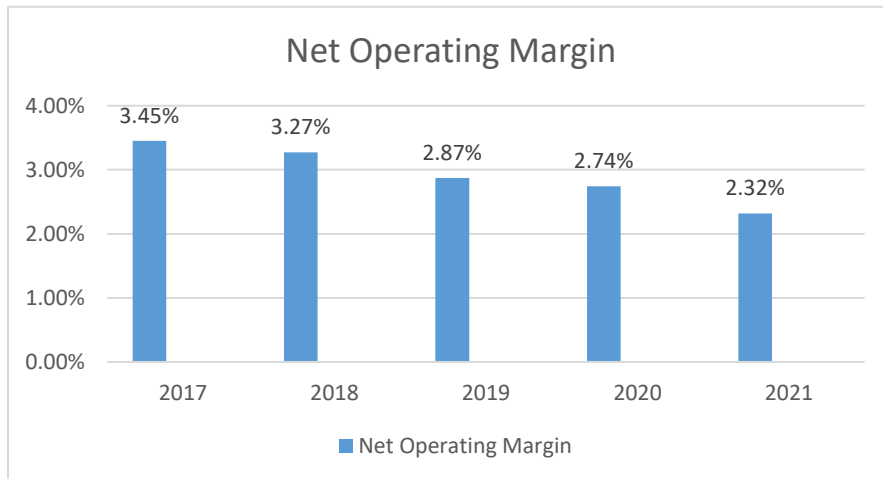
Interpretation: The AL-Arafah Islami Bank’s Net Profit Margin drastically dropped between 2017 and 2019. After that the net profit margin started increasing from 2019. It finally reached 23.32% in 2021. So, it increased compared to 2019 that means AL-Arafah Islami Bank was more successful in 2021 to generate better profit from sales compared to 2019.

- Net Operating Margin

$$\text{Net Operating Margin} = \frac{\text{Operating revenue} - \text{Operating Expense}}{\text{Total Asset}}$$

Table-3.2: Net Operating Margin

Particulars	2017	2018	2019	2020	2021
Total Operating Income	4056.67	4978.19	5389.66	5735.23	6177.16
Total Operating Expenses	1545.45	2087.78	2156.20	2347.98	2798.28
Total Asset	71456.56	77456.78	87634.93	156743.43	176896.15
Net Operating Margin	3.45%	3.27%	2.87%	2.74%	2.32%

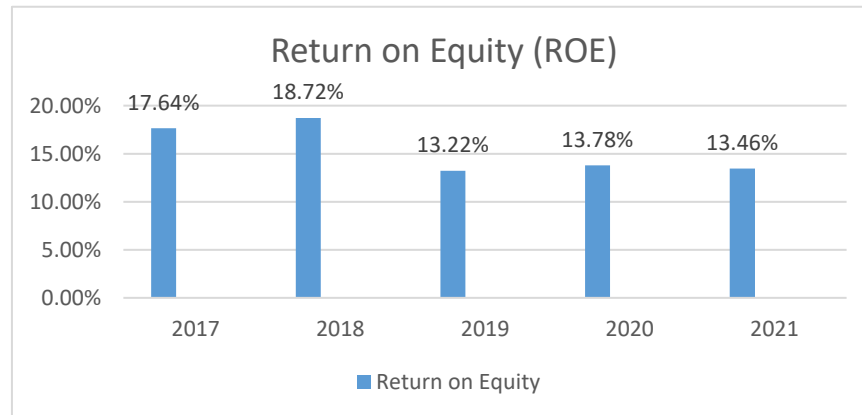


Interpretation: In terms of net operating margin, Al-Arafah Islami Bank's performance kept declining after 2017 and it reached the 45r in the year 2021 (from 3.45% to 2.32%). This is bad sign for the bank as it indicates that the bank is less efficient at converting it's sales into actual profit.

4.5 Return on Equity (ROE)

Return on Equity= Net Income After Tax/ Total Equity Capital

Particulars	2017	2018	2019	2020	2021
Net Profit AfterTax	1076.01	1430.19	1237.66	1105.19	1327.11
Total Equity Capital	6508.19	7681.51	8524.83	8980.94	10670.67
Return on Equity	17.64%	18.72%	13.22%	13.78%	13.46%



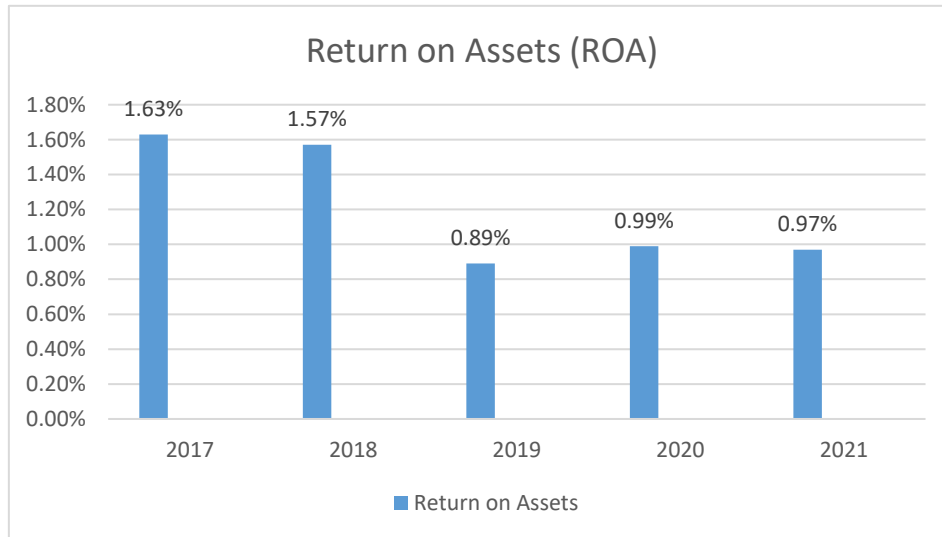
Interpretation: We can see the ups and downs of the equity ratios from 2017 to 2021. It was the maximum in 2018 and the lowest in 2019. But at the end year 2021, it reached 13.46% which is still less than 2017's. So far 2021 was the worst year and 2017 was the best year for the bank. Low ROE suggests that the bank is becoming less efficient at creating profits and increasing shareholder value. Higher the ROE, the better a company is at converting its equity financing into profits.

- **Return on Asset**

Return on Asset= Net Income after Tax/ Total Asset

Table-3.4:Return on Assets

Particulars	2017	2018	2019	2020	2021
Net Profit After Tax	1076.01	1430.19	1237.66	1105.19	1327.11
Total Asset	71456.56	77456.78	87634.93	156743.43	176896.15
Return on Assets	1.63%	1.57%	0.89%	0.99%	0.97%



Interpretation: In 2017 the ROA of AIBL was positive 1.63%. In 2018 ROA of this Bank decreased to 1.57%. Though in 2019 ROA decreased to 0.89%. But in 2020 it increased to 0.99% and in 2021 it decreased to 0.97%. This Bank's return on Asset was best at the year 2017 because that year the Bank increased its profit margin. The return on Asset for this Bank for the last 3 years is declining meaning they are making lower profit on Assets.

4.7 Efficiency Ratio

- **Tax Management Ratio**

Tax Management Ratio = Net Income After Tax/ Net Income Before Tax

Table-4.1: Tax Management Ratio

Particulars	2017	2018	2019	2020	2021
Net Profit After Tax	1076.01	1430.19	1237.66	1105.19	1327.11
Net Profit Before Tax	2076.52	2570.76	2070.92	2244.79	1867.47
Tax Management Ratio	0.53	0.55	0.50	0.51	0.75



Interpretation:

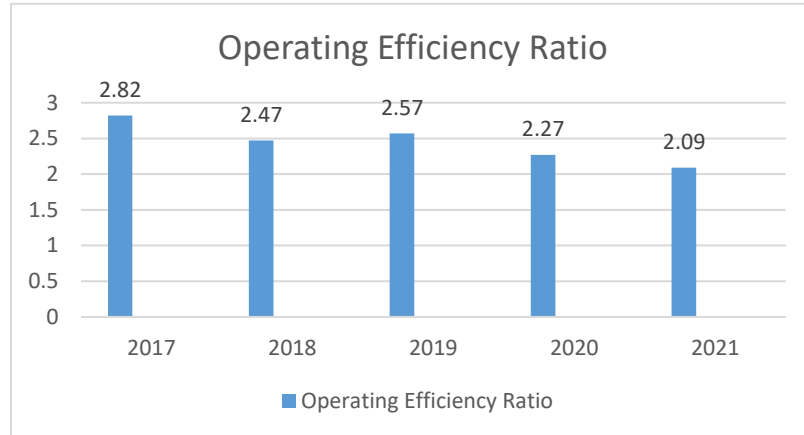
In 2017, Al-Arafah Islami Bank's tax management ratio was 0.53. Then in 2018 the ratio increased to 0.55. In 2019 and 2020 the tax management ratio decreased but in 2021 the ratio increased to 0.75%. So the year of 2021 was good for the bank as it indicates highly tax efficient investment and more tax savings for the investor.

- **Operating Efficiency Ratio**

Operating Efficiency Ratio = Total Operating Expense/ Total Operating Revenue

Table-4.2: Operating Efficiency Ratio

Particulars	2017	2018	2019	2020	2021
Total Operating Income	4056.67	4978.19	5389.66	5735.23	6177.16
Total Operating Expenses	1545.45	2087.78	2156.20	2347.98	2798.28
Operating Efficiency Ratio	2.82 times	2.47 times	2.57 times	2.27 times	2.09 times



Interpretation: From 2017 to 2018, Al-Arafah Islami Bank’s operating efficiency ratio decreased 2.82 times to 2.47 times. After that the rate kept decreasing repeatedly and it became the lowest in 2021 (2.09 times), which is good sign for the bank. This is because the lower the operating efficiency ratio of a company , the more profitable and financially healthy the business remains.

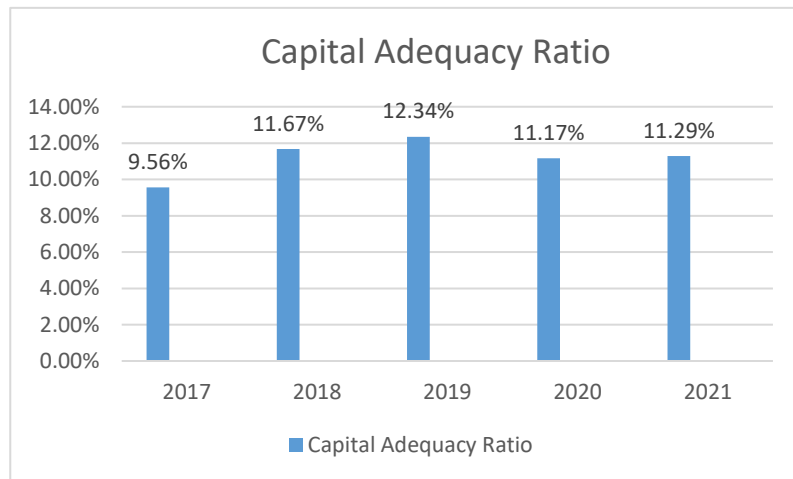
4.8 Adequacy Ratio

Capital Adequacy Ratio

$$\text{Capital Adequacy Ratio} = \text{Capital Base (Tier I + Tier II)} / (\text{Risk - Weighted Asset})$$

Table-5.1 Capital Adequacy

Particulars	2017	2018	2019	2020	2021
Tier I	4845.54	6264.84	7656.79	7693.33	9140.74
Tier II	1694.51	1838.45	1398.89	1426.47	1747.8
Capital Base (Tier I + Tier II)	6540.05	8103.29	9055.68	9119.80	10888.54
Risk-Weighted Assets	66839.56	67041.43	70448.64	83421.38	98298.68
Capital Adequacy Ratio	9.56%	11.67%	12.34%	11.17%	11.29%



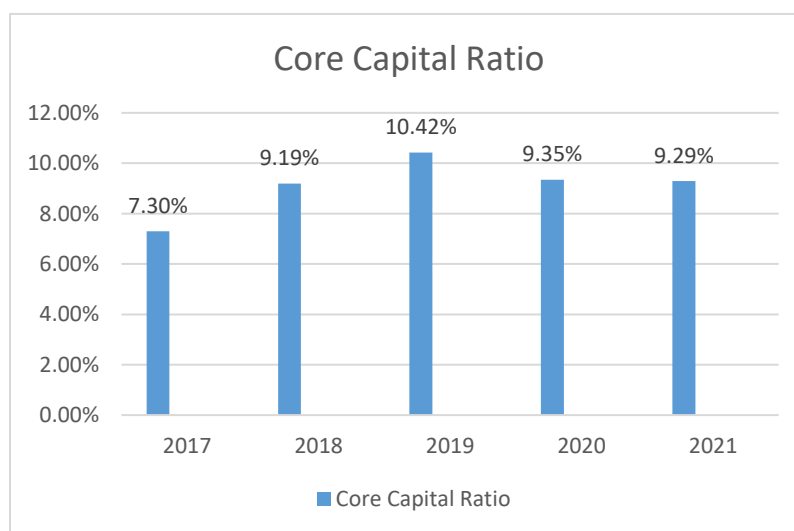
Interpretation: In 2017 to 2019 The capital Adequacy ratio of the bank increased 9.56% to 12.34%. Then in 2020 the ratio decreased to 11.27% but Capital Adequacy Ratio requirement in 2021 was 11.29%.The year of 2019 was the best because this year the ratio was the maximum which indicates the bank is more advance to withstand a financial downturn or other unforeseen losses.

Core Capital Ratio

$$\text{Core Capital Ratio} = \text{Tier I} / (\text{Risk - Weighted Asset})$$

Table:Core Capital Ratio

Particulars	2017	2018	2019	2020	2021
Tier I	4845.54	6264.84	7656.79	7693.33	9140.74
Risk-Weighted Assets	66839.56	67041.43	70448.64	83421.38	98298.68
Core Capital Ratio	7.30%	9.19%	10.42%	9.35%	9.29%



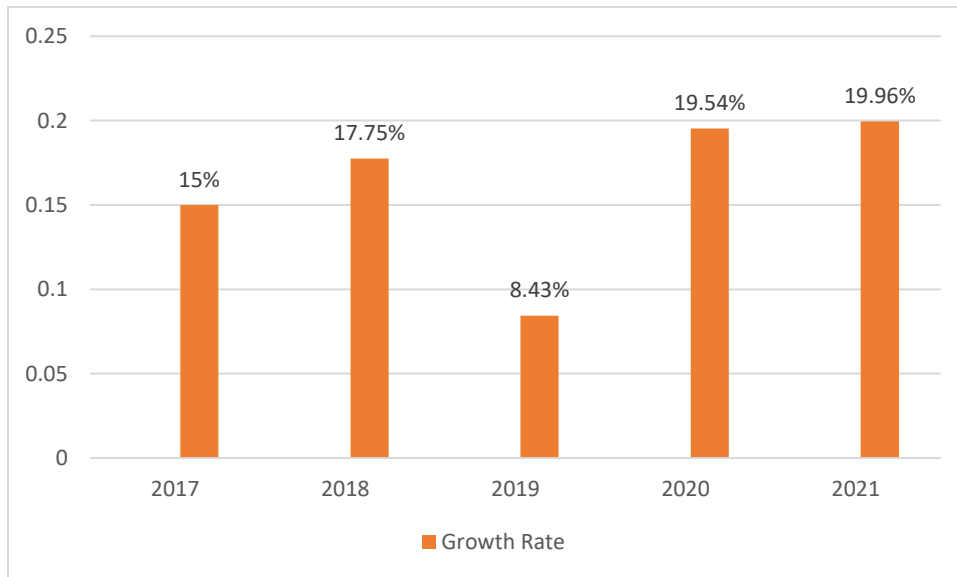
Interpretation: In 2017 the core capital ratio was 7.30% then in 2018 and 2019 the ratio increased to 9.19% & 10.42%. But in 2020 the ratio decreased to 9.35% and in 2021 the core capital ratio again decreased to 9.29%, which was bad for this bank .When the core capital ratio is low the bank is at a higher risk of failure and then adding more capital is required against unexpected losses.

4.9 Growth Analysis of Al-Arafah IslamiBank

The operational and financial success of Al-Arafah IslamiBank Limited during the previous five years can be evaluated using growth analysis. Using Growth Analysis of Total Asset, Long-Term Liabilities, and Term Deposit, Shareholder's Equity, Net Interest Income, Operational Income, Operational Expense, Net Profit after Tax, and Net Asset Value per Share, we can determine Al-Arafah Islami Bank Limited's financial growth over the previous five years.

Growth Analysis of Total Asset

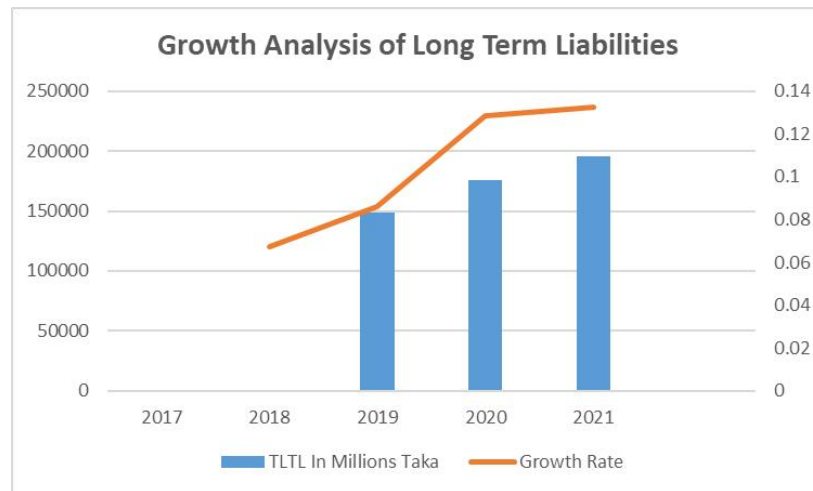
Year	2017	2018	2019	2020	2021
Total Asset	71456.56	77456.78	87634.93	156743.43	176896.15
Growth Rate	15%	17.75%	8.43%	19.54%	19.96%



Interpretation: The total asset of Al-Arafah Islami Bank in 2017 was 71456.56 million Taka, as shown in the chart. The total asset of the Bank expanded by 17.75% in 2018, by 8.43% in 2019, and by 19.54% in 2020, compared to those two years' total asset growth. Once more, Al-Arafah Islami Bank Limited's total asset base grew by 19.96% in 2021 compared to 2020. Therefore, 2021 has the fastest pace of asset growth.

Growth Analysis of Long Term Liabilities

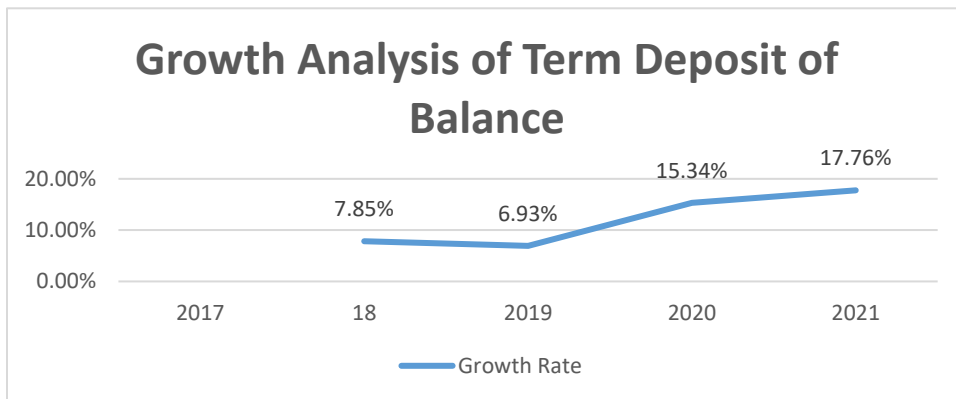
Year	2017	2018	2019	2020	2021
Total Long Term Liabilities In Millions (Taka)	137519	144668.5	148963.9	176019.5	195955.1
Growth Rate		6.75%	8.63%	12.84%	13.26%



Interpretation: The Total Long Term Liabilities of Al-Arafah Islami Bank were 137519 million Taka in 2017, as shown in the chart. Total Long Term Liabilities of the Bank increased by 6.75% in 2018 and by 8.63% in 2019, respectively, but in 2020 Total Asset increased by 12.84% more than in 2019 and in 2021 Total Long Term Liabilities of this Bank increased at a decreasing rate of 13.26% than in 2019. Total Long Term Liabilities of this Bank increased by 6.75% in 2018 and by 13.26% in 2021. Thus, the growth rate of the total long-term liabilities will be at its maximum in 2021. Future financing for the Bank should come from long-term liabilities.

Growth Analysis of Term Deposit of Balance

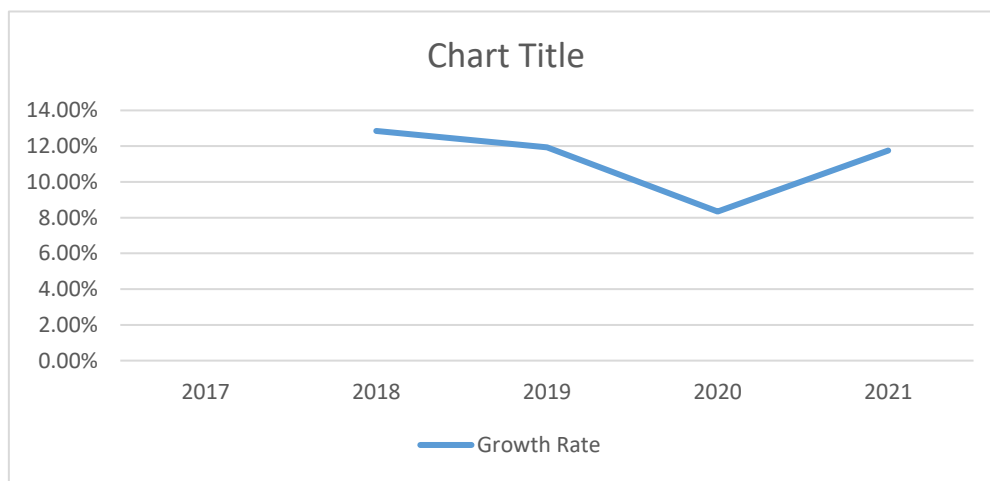
Year	2017	2018	2019	2020	2021
Term Deposit of Balance In Million Taka	181573	197284	202735	224078	253494
Growth Rate		7.85%	6.93%	15.34%	17.76%



Interpretation: As seen in the graph, of Al-Arafah Islami Bank, term deposit balance for 2017 was 181573 million Taka. This Bank Term Deposit of Balance climbed by 7.85% in 2018, 6.93% in 2019, and 15.34% in 2020. However, in 2020 the Term Deposit of Balance increased. 15.34% more than in 2019 and 2018 but again in 2021 for the term deposit of the Bank rise to 17.76%, which is higher than the previous five years. Thus, the largest growth rate will occur in 2021 of Balance of Term Deposit.

Growth Analysis of Shareholder's Equity

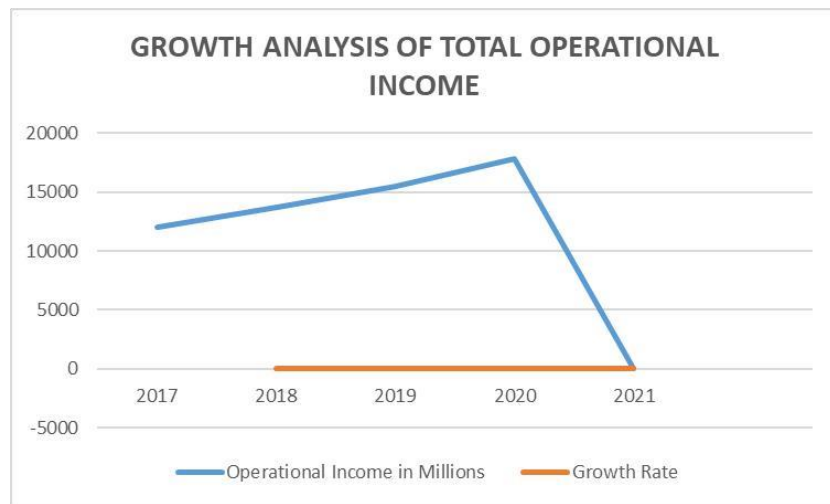
Year	2017	2018	2019	2020	2021
Total Shareholder's Equity In Millions (taka)	19567	21908	23890	25765	27987
Growth Rate		12.85%	11.93%	8.34%	11.76%



Interpretation: As seen in the graph, Al-Arafah Islami Bank's total shareholder equity in 2017 was 19567 million Taka. Al-Arafah Islami Bank's Total Shareholders' Equity climbed to 12.85% in 2018; it increased less in 2019 than the previous year, which was 11.93%; however, in 2020 Total Compared to 2019 and 2018, Shareholder's Equity climbed at a falling rate of 8.34%, but in 2021 will see an increase of 11.76% in the Bank's total shareholder equity. Therefore, 2018 possesses the highest rate of growth for total shareholder equity.

Growth Analysis of Total Operational Income

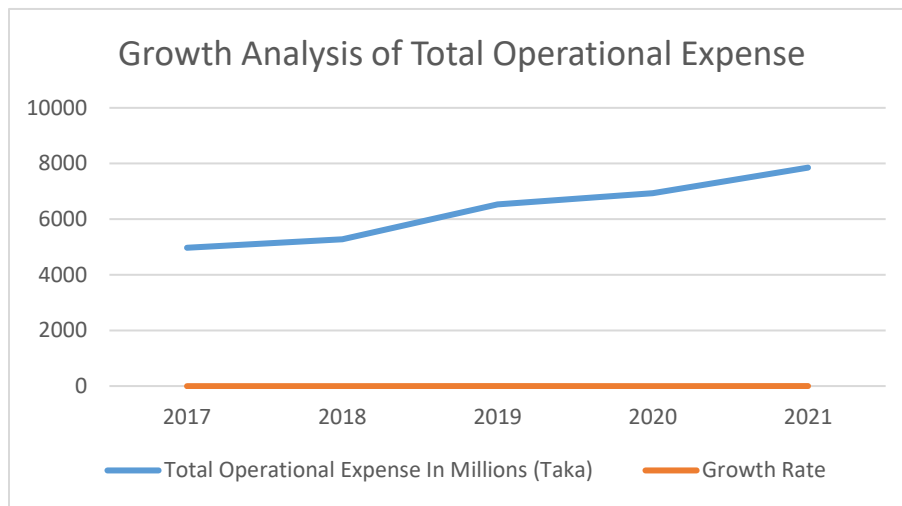
Year	2017	2018	2019	2020	2021
Operational Income in Millions	12040	13755	15476	17850	14378
Growth Rate		11.78%	16.84%	13.45%	-18.39%



As seen in the graph, Al-Arafah Islami Bank’s total operational income for 2017 was 12040 million Taka. However, in 2020 Total Operational Income increased at a decreasing rate of 13.45% lower than 2019 & 2018 but in 2021 Total Operational Income of Al-Arafah IslamiBank finally decreased for the first time in the last five years and reached to negative 18.39%. This Total Operational Income of the Bank increased to 11.78% in 2018 and in 2019 it increased more than previous year which was 16.84%. Therefore, Al-Arafah IslamiBank has to experience a loss in Total Operational Income in 2021.

Growth Analysis of Total Operational Expense

Year	2017	2018	2019	2020	2021
Total Operational Expense In Millions (Taka)	4972	5278	6529	6934	7852
Growth Rate	10.57%	11.56%	14.67%	11.29%	5.85%



Interpretation: We can observe from the graph that AL-Arafah Islami Bank's total operational costs for 2017 were 4972 million Taka. This Bank's Total Operational Expense increased to 11.56% in 2017 and increased to 14.67% in 2019, but in 2020 Total Operational Expense increased at a declining rate that was 11.29% lower than in 2019 & 2018 but increased at a decreasing rate in 2021 and reached to 5.85%. Therefore, in 2019 AL-Arafah Islami Bank had the highest operational expense in the previous five years. This indicates that the Bank had decreased operating costs in 2021.

Common Size Analysis of AL-ARAFAH ISLAMI BANK LIMITED (5 Years)

Table:

2021	2017	2018	2019	2020	2021
Balance Sheet (In Millions '000,000 Tk.)					
<i>Property And Assets</i>					
Cash In Hand	0.46%	0.52%	0.38%	0.41%	0.52%
Balance With Bangladesh Bank and its Agent Bank	5.27%	6.86%	7.12%	6.60%	6.15%
Total Cash	5.73%	7.39%	7.51%	7.00%	6.67%
Balance With Other Banks and FI's	3.29%	5.92%	8.23%	5.46%	3.23%
Money at Call and Short Notice	0.57%	1.11%	1.51%	1.80%	0.30%
Investments	39.57%	33.98%	33.74%	36.81%	39.05%
Loans And Advances	36.84%	37.42%	35.52%	33.68%	32.03%
Fixed Assets including Premises Furniture and Fixture	2.13%	2.27%	2.55%	2.65%	2.76%
Other Assets	11.88%	11.92%	10.94%	11.31%	15.96%
Total Assets	100.00%	100.00%	100.00%	100.00%	100.00%
<i>Liabilities</i>					
Borrowings From other Banks, FI's & Agents	0.03%	0.04%	0.05%	0.06%	0.06%
Deposits	79.11%	78.69%	83.99%	84.69%	85.93%
Paid up Capital	2.85%	3.08%	3.47%	3.29%	3.19%
Reserve Fund and Surplus	2.28%	1.55%	1.90%	1.97%	2.42%
Total Liabilities	94.62%	95.37%	94.63%	94.74%	94.39%
Total Shareholders' Equity	5.38%	4.63%	5.37%	5.26%	5.61%
Total Liabilities & Shareholders' Equity	100.00%	100.00%	100.00%	100.00%	100.00%
Total Off Balance Sheet Exposure	59.67%	69.43%	83.97%	91.36%	16.40%
Net Worth	5.38%	4.63%	5.37%	5.26%	5.61%

Income Statement (In Millions '000,000 Tk.)					
Interest Income	37.26%	46.81%	41.76%	37.22%	43.69%
Income on Investment	47.40%	36.64%	43.85%	45.67%	43.63%
Non-interest Income	15.34%	16.55%	14.39%	17.11%	12.68%
Total Income	100.00%	100.00%	100.00%	100.00%	100.00%
Interest Expenses	49.31%	52.18%	49.80%	57.70%	66.71%
Non-interest Expenses	25.11%	25.55%	24.34%	26.22%	27.30%
Total Expenses	74.42%	77.74%	74.14%	83.92%	94.01%
Net Interest Margin(NIM)	35.36%	31.27%	35.81%	25.19%	20.61%
Net Non-interest Expenses	9.77%	9.00%	9.95%	9.11%	14.56%
Operating Profit	25.33%	22.26%	25.86%	16.08%	5.99%
Earnings Before Provision, Depreciation and Tax	25.33%	23.02%	26.57%	16.76%	6.79%
Profit Before Provision and Tax	25.33%	22.26%	25.86%	16.08%	5.99%
Net Profit After Tax	3.80%	3.53%	2.89%	9.54%	0.21%

Interpretation:

Assets Analysis: On the asset portion where total asset has been taken as the base, we can see a few variations throughout the years. Highly liquid assets like cash in hand. Money at Call and Short Notice etc. have decreased in the current year. Which can cause a significant doubt for short term or unexpected obligations. But they have justified that cause by putting more efforts in investing opportunities. 39.57% of total assets go towards investment plan which has also led them to profit from our current analysis on the income statement. It shows that 47.40% of the total income comes from the investment incomes. But the loans and advances have decreased to 36.84%, which isn't terrible keeping in mind the pandemic situation. When the economic trend takes a positive turnaround the loans and advances might improve.

Liabilities Analysis: From the prepared analysis it's evident that, based upon total liability & shareholder's equity the impact of some facets are quite interesting. As mentioned in our statistical finding from general banking activities, the trend of deposits have increased even during the pandemic situation. It is also evident here where deposits have increased & covers 79.11% of the total liabilities and equities. Total equity has also increased to 5.38% and as mentioned in the ratio analysis are using more equity financing. Paid up capital and total off balance sheet exposure has also decreased.

Income Analysis: Income from investments have increased to 47.40% of total income. But the worrying factor is that interest income has decreased to 37.26% which is expected in the pandemic situation and by other avenues getting more profitable. Interest expense is 49.31% of total income which is high but they have managed to reduce it from previous years, which means proper steps have been taken to reduce cost. Net interest margin has increased to 35.36%, indicating that interest income has decreased. Operating profits have increased to 25.33% along with other income facets. Subsequently it has a positive impact on the Net income after tax which has increased to 3.80% of total income. Overall findings show that is operating at a better rate then previous years by managing assets properly , using more equity capital & generating more revenue through investment opportunities .

Trend Analysis of AL-ARAFAH ISLAMIC BANK LIMITED (5 years)

Table:

Particulars	2017	2018	2019	2020	2021
Balance Sheet (In Millions '000,000 Tk.)					
<i>Property And Assets</i>					
Cash In Hand	100.00%	81.30%	79.77%	122.29%	116.08%
Balance With Bangladesh Bank and its Agent Bank	100.00%	112.32%	126.18%	136.97%	113.56%
Total Cash	100.00%	109.88%	122.53%	135.82%	113.76%
Balance With Other Banks and FI's	100.00%	176.63%	276.90%	224.53%	134.75%
Money at Call and Short Notice	100.00%	629.25%	550.00%	453.82%	251.84%
Investments	100.00%	98.66%	94.04%	106.72%	134.30%
Loans And Advances	100.00%	110.06%	120.71%	143.30%	152.45%
Fixed Assets including Premises Furniture and Fixture	100.00%	100.58%	100.79%	101.06%	102.35%
Other Assets	100.00%	74.18%	74.67%	91.63%	98.65%
Total Assets	100.00%	104.67%	108.85%	122.66%	132.54%

Liabilities					
Borrowings From other Banks, FI's & Agents	100.00%	92.80%	85.65%	78.50%	71.37%
Deposits	100.00%	103.17%	106.40%	112.33%	122.02%
Paid up Capital	100.00%	107.83%	118.28%	118.28%	118.28%
Reserve Fund and Surplus	100.00%	85.25%	85.42%	78.74%	124.95%
Total Liabilities	100.00%	105.07%	109.13%	123.93%	132.86%
Total Shareholders' Equity	100.00%	98.09%	104.10%	101.21%	127.07%
Total Liabilities & Shareholders' Equity	100.00%	104.67%	108.85%	122.66%	132.54%
Total Off Balance Sheet Exposure	100.00%	583.05%	557.25%	519.16%	482.12%
Net Worth	100.00%	98.09%	104.10%	101.22%	127.07%
Income Statement (In Millions '000,000 Tk.)					
Interest Income	100.00%	89.24%	105.48%	115.95%	102.12%
Income on Investment	100.00%	109.65%	110.89%	90.88%	130.10%
Non-interest Income	100.00%	141.35%	125.23%	141.22%	144.85%
Total Income	100.00%	104.75%	110.34%	108.22%	119.75%
Interest Expenses	100.00%	90.60%	82.36%	84.65%	88.50%
Non-interest Expenses	100.00%	100.63%	98.39%	101.30%	110.17%
Total Expenses	100.00%	93.51%	87.02%	89.48%	94.79%
Net Interest Margin(NIM)	100.00%	128.06%	191.77%	164.20%	205.46%
Net Non-interest Expenses	100.00%	65.56%	75.39%	66.92%	80.39%
Operating Profit	100.00%	281.23%	476.52%	402.26%	506.40%
Earnings Before Provision, Depreciation and Tax	100.00%	258.61%	431.94%	366.96%	446.87%
Profit Before Provision and Tax	100.00%	281.23%	476.52%	402.26%	506.40%
Net Profit After Tax	100.00%	4665.79%	1489.47%	1782.89%	2127.63%

Interpretation: Taking 2017 as the base year every segment has been compared to that time period to see how much has changed throughout the years. Most of the changes have been covered in the common size analysis and ratio analysis. Here our final attempt is to see whether they concur with this data set also or not.

Asset Analysis: Like mentioned before the liquid assets have decreased in recent year compared to other years. But total assets have increased a lot to 132.54% which is the highest over the last 6 years. This is an indication that through asset utilization has managed to instigate more revenues than previous years.

Liabilities Analysis: Net worth has increased to 127.07% which is positive with regards to the liabilities measured. This is the best over the past 5 years also. Reserve fund has also increased to 124.95% which really is a pressure for the bank because they could use the money for investment opportunities. But as we have already analyzed previously the highly liquid assets are on the lower side. So to counterweight or balance the coverage they are required to have more reserve. Total Liabilities & Shareholders' Equity has also increased to 132.54%. As days go by is growing quite substantially and with it comes more liabilities. With the correct balance reserve and deposit adjustments they can efficiently reach a much better profitable future.

Income Analysis: Investment Income and Total Income has increased tremendously (130.10% & 119.75% respectfully) and is the most positive one in the past 5 years. So it's a clear indication that are in the profit train. Interest income is on the lower side as analyzed from the previous segments. Total expenses have increased to 94.79% mainly due to the rise of Non-interest expense (110.17%). The operating profit has gone up to 506.40% which is incredible. It has had a positive result on the net profit after tax segment also (2127.63%). Now if can minimize their expenses amount, they have the proper man power available to generate more profit which is justified from the operating profits.

Chapter: 05

Findings, Recommendations and Conclusion

4.1 Findings:

- AL-Arafah Islami Bank's current ratio was 1.25 in 2017, 1.15 in 2018, 1.89 in 2019, 1.5 in 2020, and 1.45 in 2021. In 2017 and 2018 current ratio decreased. In 2019, current ratio increased which was good sign for the bank. But in both 2020 and 2021 current ratio again decreased which was bad sign for the bank.
- In the year 2017, quick ratio was 0.54, in 2018 and 2019 the quick ratio increased from 0.55 to 0.56. In 2020 and 2021 the quick ratio decreased from 0.53 to 0.52 which is not good for the bank.
- In 2017, debt to equity capital ratio was 10.70 and in 2018 this ratio decreased to 10.55. In 2019 this ratio decreased to 10.40 and in 2020 this ratio also decreased to 9.50. In 2021 this ratio decreased to 9.25. It means 2021 was good because this bank took less loans.
- In 2017, debt to total asset ratio was 0.9076. From 2018 to 2021 debt to total asset ratio increased which is good for this bank. In 2021 debt to total asset ratio was 0.9289, meaning that the bank has been using more leverage.
- The AL-Arafah Islami Bank's net profit margin decreased from 29.45% to 18.45% between the year of 2017 and 2019. Then in 2020 and 2021 the net profit margin increased from previous years. The bank's performance in 2019 was bad. In both 2020 and 2021, the performance was good because the ratio increased.
- In terms of net operating margin, AL-Arafah Islami Bank's performance declined during 2017 to 2021. Between 2017 and 2021 the net operating margin decreased from 3.45% to 2.32% which is bad sign for the bank.
- In 2017 the return on equity (ROE) of AIBL was 17.64%. In 2018 this ratio increased to 18.72%. But from 2018, ROE of the bank was continuously decreasing. In 2019, ROE also decreased to 13.22%, in 2020 it reached to 13.78% and in 2021 it again decreased to 13.46%. So far, the year of 2021 was the worst year and the year of 2017 was the best year for the bank.
- 8The return on asset (ROA) is an important metric for AL-Arafah Islami Bank

to focus on because a higher ROA shows more asset efficiency. In 2017, the return on asset (ROA) of AIBL was 1.63%. In 2018, ROA of this bank decreased to 1.57%. In 2019, ROA decreased to 0.89%. But in 2020 it increased to 0.99% and in 2021 it decreased to 0.97%. The ROA of AL-Arafah Islami Bank's performance was decreasing which was bad sign for the bank.

- 9 In 2017, AL-Arafah Islami Bank's tax management ratio was 0.53, in 2018 the ratio increased to 0.55. In 2019 and 2020 the tax management ratio decreased but in 2021 the ratio increased to 0.75%. So the year of 2021 was good for the bank.
- From 2017 to 2018, AL-Arafah Islami Bank's operating efficiency ratio decreased from 2.82 times to 2.47 times. In 2019, the ratio increased to 2.57. Then in 2020 and in 2021 the operating efficiency ratio again decreased 2.27 times to 2.09 times which was bad sign for the bank. Because, the bank has not been able to effectively use its income to pay its operating expense.
- In 2017 to 2019 the capital adequacy ratio of the bank increased from 9.56% to 12.34%. Then in 2020 the ratio decreased to 11.27%. But capital adequacy ratio in 2021 was 11.29%. The year of 2019 was the best because this year the ratio increased.
- 12 In 2017 the core capital ratio was 7.30%, in 2018 and 2019 the ratio increased to 9.19% and 10.42%. But in 2020 the ratio decreased to 9.35% and in 2021 the core capital ratio again decreased to 9.29%, which was bad for the bank.
- The growth of total asset of the bank expanded by 17.75% in 2018, by 8.43% in 2019, and by 19.54% in 2020, compared to those two years total asset growth. AL-Arafah Islami Bank's total asset base grew by 19.96% in 2021 compared to 2020. Therefore, 2021 has the fastest pace of asset growth.
- This bank's term deposit of balance climbed by 7.85% in 2018, 6.93% in 2019, and 15.34% in 2020. However, in 2020 the term deposit of balance increased by (15.34%) more than in 2019 and 2018. In 2021, the term deposit of the bank rise to 17.76%, which is higher than the previous five years. Thus, the largest growth rate occurred in 2021.

Recommendation for the Al-Arafah Islami Bank Limited :

- Current ratio of the bank has a decreasing trend. It is not a good sign for the bank so, the bank should increase current ratio.
- The bank's quick ratio was also decreasing. It is not a good sign for the bank. The bank should increase quick ratio.
- Debt to equity capital ratio of AIBL has been decreasing. So the bank should keep this trend going because low debt to equity represents low liabilities.
- Debt to total asset ratio has been increasing. It is not good sign because the bank has been using more leverage. So, the bank should focus on how to make less usage of leverage and also should focus on creating a strong equity base.
- AL-Arafah Islami Bank's net profit margin was increasing which was good. The bank should keep this increasing rate of net profit margin.
- In terms of net operating margin, AL-Arafah Islami Bank's performance declined which is bad sign for this bank. The bank should increase the rate of net operating margin.
- The return on equity (ROE) of AL-Arafah Islami Bank's was decreasing which was bad because ROE suggests that a bank increasing its profit generation without needing as much capital. The bank should increase the rate of return on equity.
- The return on asset (ROA) is an important factor for AL-Arafah Islami Bank to focus on because a higher ROA shows more asset efficiency. The ROA of AL-Arafah Islami Bank's performance was decreasing. It was bad so the bank should increase the rate of return on asset.
- The AL-Arafah Islami Bank's operating efficiency ratio was decreasing. It was bad because the bank has not been able to effectively use its income to

pay its operating expenses so the bank should increase the rate of operating efficiency ratio.

- The capital adequacy ratio was decreasing which was bad for this bank. So the bank should increase the rate of capital adequacy ratio.
- The core capital ratio was decreasing. It was bad for this bank. So the bank should increase the rate of core capital ratio.
- The growth analysis of total asset was good for this bank because the total asset has been increasing. The bank should keep its increasing rate.
- The growth analysis of long term liabilities was increasing which was not good so the bank should decrease long term liabilities.
- The growth analysis of term deposit of balance was also increasing which was good sign for this bank. So the bank should keep increasing the rate of term deposits of balance.

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