

**Investment Management  
of  
Export Import Bank of Bangladesh Limited**

**Internship Report**  
**On**  
**Investment Management**  
**of**  
**Export Import Bank of Bangladesh Limited**



**Submitted to**  
**Md. Arif Hasan**

**Assistant Professor & Associate Head**  
**Department of Business Administration**  
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**Daffodil International University**

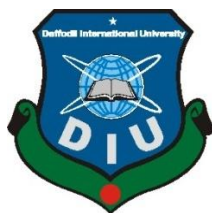
**Prepared by**

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**BBA Program**

**Faculty of Business and Economics**  
**Daffodil International University**



**Date of Submission**  
**December 22, 2018**

**Daffodil International University**

## Letter of Transmittal

December 22, 2018

Md. Arif Hassan  
Assistant Professor & Associate Head  
Department of Business Administration  
Faculty of Business & Entrepreneurship  
Daffodil International University

**Subject: Submission of Internship Report. “Investment Management on Export Import Bank of Bangladesh Limited”**

Dear Sir

I have completed my internship report on “**Investment Management of Export Import Bank of Bangladesh Limited**”. I am submitting this report as a part of my B.B.A program. I faced inconvenience relating to collecting the pertinent information. Knowledge that has been achieved during the internship period and preparation of this report will help me in many ways in practical fields.

Due to company policy and company confidentiality, few things or idea have not been explored perfectly. I hope you will assess this report considering all limitations. I believe your feedback will help me out in near future.

If you need further clarification on any issue, I am at your disposal at any time of your convenience. You can contact me at [mayanoor3408@diu.edu.bd](mailto:mayanoor3408@diu.edu.bd).

Sincerely yours,

.....  
**Mayanoor Akter**

ID- 133-11-3408  
Department of Business Administration (B.B.A)  
Faculty of Business & Economics  
Daffodil International University

## **Declaration**

I do hereby solemnly declare that the work presented in this internship report “**Investment Management of Export Import Bank of Bangladesh Limited**” has been carried out by me and has not been previously submitted to any university/ college/ organization for an academic qualification/certificate/ degree. The work I have presented does not breach any existing copyright and no portion of this report is copied from any work done earlier for a degree or otherwise. I further undertake to indemnify the development against any loss or damage arising from breach of the foregoing obligations.

**Mayanoor Akter**

ID- 133-11-3408

Department of Business Administration (B.B.A)

Faculty of Business & Economics

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## Certificate of Supervisor

I am pleased to declare that Mayanoor Akter of MBA program bearing ID- 133-11-3408, was advised to prepare a report on “**Investment Management of Export Import Bank of Bangladesh Limited**” for Internship purpose. This student has reviewed all the relevant materials and has conducted efforts practically Exim Bank Limited for three months to achieve practical knowledge regarding banking sector in Bangladesh. I have recommended him to submit this report. I wish him success in his effort.

.....  
Md. Arif Hassan  
Assistant Professor & Associate Head  
Department of Business Administration  
Faculty of Business & Entrepreneurship  
Daffodil International University

## **Acknowledgement**

Without anyone's help now work cannot be done alone so, I would like to thank all those who supported me and guided me by providing me with assistance in preparing the report on the assigned topic **“Investment Management of Export Import Bank of Bangladesh Limited”**

I would also like to provide my heartfelt gratitude to our Daffodil International University, School of Business and Economics, for giving me an opportunity to complete my internship program successfully. I would like to thank and I am very grateful to my Internship supervisor, Md. Arif Hassan (Assistant Professor & Associate Head). I would like to convey my sincere gratitude to Mr. Abdullah Al Mahbub, Assistant Vice president and Relationship Manager at Gouripur Branch and other employees of Exim bank, Gouripur Branch, as they helped me a lot to collect information for preparing my report. I thank them all from the core of my heart.

## **Executive Summary**

EXIM Bank Ltd. was incorporated as a public Limited company on the 2nd June 1999 under Company Act 1994. The Bank started commercial banking operations effective from 3rd August 1999. It obtained permission from Bangladesh Bank on First July 2004 to commence its business. The Bank carries banking activities through its 83 branches in the country. The commercial banking activities of the bank encompasses a wide range of services including mobilizing deposits, providing investment facilities, discounting bills, conducting money transfer and foreign exchange transactions, and performing other related services such as safe keeping, collections and issuing guarantees, acceptances and letter of credit.

The report contains five chapters. The first chapter of the report describes introductory words of the internship report in which Introduction of Topic, Background of the Study, Objective of the Report, Scope of the report, Methodology & Limitations. The organization part of Exim Bank Limited, Organization Structure, Vision, and Mission Statement are contained in the second chapter. Chapter three describes the investment producers, loan provisions and products or services offered by Exim Bank Limited. In chapter four, analysis related to investment performances has been discussed and find out the performance and problems of investment activities. Chapter five ends with some recommendations based on the findings to improve the current situation.

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*Chapter-01*  
*Introduction*

## **Introduction:**

Financial institutions are investment intermediaries linking the savers and users of fund. These intermediaries are interposed between the ultimate borrowers and lenders permitting them efficient transfer of funds. Individuals having surplus funds can lend them for reasonable return to entrepreneurs who need funds to take the advantage of economically and financially viable investment opportunities. The existence of financial institutions facilitates such exchange of resources. As a result, both of borrowers and lenders are better off than they would have been without financial institutions and Market intermediaries. Thus, these financial institutions, such as banks, have a positive role in financing and investment which is a multidimensional process involving the complexity of many interrelate and interdependent factors of diversified nature. It is difficult to assess the contribution of each factor independently.

The key to success banking lays in the ability of balance many activities simultaneously. The bank must maintain a healthy growth rate, while at the time it must take action to minimize the risk in faces. The bank must also maintain enough cash on hand to meet obligations. All of these are related to sound performance of a bank. Evaluating bank performance, examines the basic risk and return features of commercial banks. The financial performance evaluation demonstrates the strengths and weaknesses of bank performance over time. The Exim Bank Limited has a responsibility to ensure efficient and effective banking operation in a sound manner. The study will look at the amount of liquidity that Exim Bank' has available to meet any responsible demands that might have to meet, how it manages asset/liability and retail banking operation what is position in terms of profitability and how the bank manages its capital so that it has sufficient funds to remain solvent. The study is an attempt to the in-depth analysis of the Investment Department of Exim Bank Limited.

### **Reasoning of the study:**

The increasing popularity of Islamic economy and banking throughout the world and in Bangladesh, I have made an attempt to show an overview picture of Islamic investment of Exim bank and have done some time series analysis from five years' data of non-performing loan and provision in this report "**Investment Management of Export Import Bank of Bangladesh Limited**".

### **Objectives of the Report:**

The main objective of this study is to analyze the Investment management of Exim Bank Limited. The specific objectives are:

- To know about the investment procedures of Exim Bank Limited;
- To investment Performance Exim Bank Limited;
- To find out some problems related to investment performance;
- To provide some suggestions based on findings.

### **Methodology:**

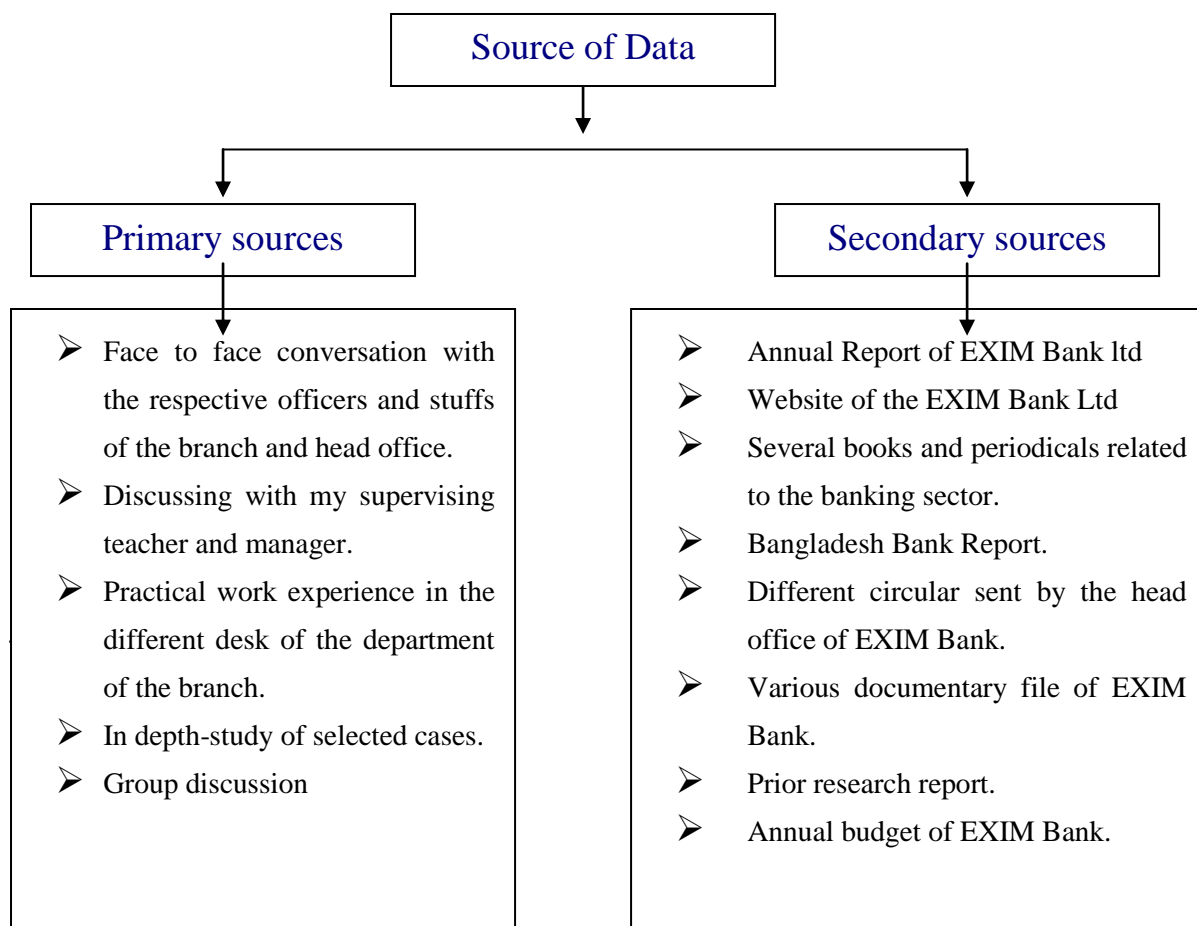
My supervisor helped me to select the topic of the study. Before assigning the topic, she discussed with me and emphasized me to do report on particular side of the bank so that it can be focused deeply and prepared a well-organized report.

- This report is a descriptive type, overall investment activities of Islamic banks described.
- Exim bank's investment department is described.
- Time series analysis have done to predict future from past five years' data.

### **Sources of data:**

This report is a permutation of fundamental and substandard data investigation along with the financial analysis

**Sources of data:** I have collected data from the two unique sources one is primary sources and another is secondary sources.



## **Limitations:**

Investment department is very sensitive area and it has a very few scope for the internship student to do work. Most of the works area based on online and software system for that data collected from face to face conversion and some hand out provided by the investment officer.

Limitations of the report are as follows:

- ▶ Limitation of time was one of the most important factors for collecting data. A longer time period would have ensured to collect more information in details.
- ▶ Information secrecy is one of the most critical problems. Disclosing of information in a financial institution is highly restricted. This hinders to describe the divisional activities in details.
- ▶ The project is limited only to draw a framework and analyze the theoretical aspects of an effective Investment management process, not for developing any model and statistics.
- ▶ Due to lack of experience, there is a chance of having some mistake in the report but Best effort has been applied to avoid any kind of mistake.
- ▶ EXIM Bank Limited is not furnished with adequate written document related to this report.

## *Chapter-02*

### *Organizational Overview*

## **An overview of Islamic banking system in Bangladesh:**

Bangladesh is the third largest Muslim country in the world of which 90 percent are Muslim. Islamic banking system started operation in Bangladesh in 1983 with the establishment of first Islamic bank "Islami Bank of Bangladesh Limited". After that, five more full-fledged Islamic banks and 20 Islamic banking branches of 10 conventional banks have started their operations in the private sector on the basis of Islamic Shariah. They have passed about two decades of successful Islamic banking operations in Bangladesh in spite of some problems in their operations. At present, out of 59 banks in Bangladesh, 8 private commercial banks are operating as full-fledged Islamic banks and 10 conventional banks are partially involved in Islamic banking in a total of 20 branches.



### **History of EXIM Bank:**

Export Import Bank of Bangladesh Limited was established in the year 1999 under the leadership of Late Mr. Shahjahan Kabir, Founder Chairman who had a long dream of floating a commercial bank which would contribute to the socio-economic development of our country. He had a long experience as a good banker. A group of highly qualified and successful entrepreneurs joined their hands with the founder chairman to materialize his dream. Indeed, all of them proved themselves in their respective business as most successful star with their endeavor, intelligence, hardworking and talent entrepreneurship. Among them, Mr. Nazrul Islam Mazumder who is an illuminated business tycoon in the Garments business in Bangladesh became the Honorable Chairman after the demise of the honorable founder chairman. He is also the chairman of Bangladesh Association of Banks (BAB). Under his leadership, BAB has emerged as an effective forum for exchanging views on problems being faced by the banking sector of Bangladesh and for formulating common policy guidelines in addressing such problems.

The Bank starts functioning from 3rd August, 1999 with its name as Bengal Export Import Bank Limited. On 16th November 1999, it was renamed as Export Import Bank of Bangladesh Limited with Mr. Alamgir Kabir as the Founder Advisor and Mr. Mohammad Lakiotullah as the Founder Managing Director respectively. Both of them have long experience in the financial sector of our country. By their pragmatic decision and management directives in the operational activities, this bank has earned a secured and distinctive position in the banking industry in terms of performance, growth, and excellent management. Under the leadership of Mr. Lakiotullah, the Bank has migrated all of its conventional banking operation into Shariah Based Islami Banking in the year July 2004.

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In the year 2006, Mr. KaziMasihur Rahman became the Managing Director of the bank when Mr. Lakiotullah left the bank after completion of his successful 7 years as MD. Mr. Kazi served in the bank for next five years. Under his leadership, the bank has been placed on a state of the art centralized IT platform with two modern data centers where world renowned core banking software TEMENOS T24 is running along with some alternate delivery channels like ATMs and SMS banking.

On 25th August, 2011, Mr. Md. Fariduddin Ahmed has joined in the bank as Managing Director. With his long banking experience, EXIM Bank become fully compliant Bank with adequate capital and good asset quality. After retirement from Managing Director, he has been continuing his service for EXIM Bank as Advisor since 27th July 2012

Dr. Mohammed Haider Ali Miah succeeded Mr. Fariduddin Ahmed on July 25, 2012 and has created a new dimension in EXIM history becoming the first ever in-house Managing director and CEO of the Bank. Under his far-sighted leadership, EXIM Bank has not only achieved uppermost level of performance in almost each arena of its activities but also gained confidence to place itself as one of the dynamic banks through delivering transparent and standard banking services to the customers in a compliant manner.

### **Company Profile:**

The Exim Bank Ltd is an “Islamic Shariah-Based Bank” that is devoted in providing optimum quality of the help of the development of GDP (Gross Domestic Product) of Bangladesh. Through motivating and manipulating m-commerce, to higher the speed of the growth of industrialization, making better export, creating employment, poverty elimination, raising the standard of living and overall socio-economic development of Bangladesh. The bank provides a broad range of personal, corporate, foreign exchange and capital market services.

Exim Bank migrated its conventional banking operation into Shariah based Islamic banking operation after getting approval from Bangladesh

Bank on July 01, 2004. Exim bank was known as Bexim Bank (Bengal Export Import Bank), now it is known as Exim Bank (Export Import Bank. Exim bank not only provides financial services but also provides CSR (Corporate Social Service) activities

## Basic Information

Export Import (Exim) Bank of Bangladesh

Company Name



Company Profile

Export Import Bank of Bangladesh Limited was established in the year 02 June 1999 as Banking company under the companies act 1994. The bank converted its banking operation into Islamic banking based on Islamic Shariah from traditional banking operation on 01 July 2004. The commercial banking activities of the Bank consists of mobilizing deposits, Providing Islamic investment facilities, discounting bills, conducting money transfer, foreign exchange transaction etc..

Establishing Date

August 03, 1999

Financial Year End

December

Auditor

M/s. Pinaki & Co.

Owners

Subsidiaries

EXIM EXCHANGE COMPANY (UK) LTD.  
EXCHANGE COMPANY (Canada) LTD.  
EXIM Islami Investment Ltd.  
EXIM (USA) Inc.  
EXIM Exchange (Australia) Pty. Ltd.

## Board Members

Mr. Md. Nazrul Islam  
Mazumder

Chairman

Mr Md Abdul Mannan

Vice Chairman

Dr. Mohammed Haider Ali  
Miah

Managing Director & CEO

Mr. Md. Nazrul Islam Swapan

Director

Mr. Mohammad Abdullah

Director

Mrs. Nasreen Islam

Director

Al-Haj Md. Nurul Amin

Director

Mr. Mohammed Shahidullah

Director

Mr. Anjan Kumar Saha

Director

Mr. Md. Habib Ullah Dawn

Director

Major Khandaker Nurul Afser  
(Retd)

Director

Lt. Col. (Retd) Serajul Islam,  
BP(BAR)

Independent Director

Mr. Ranjan Chowdhury

Independent Director

## Basic Information

Mr. Khandakar Mohammed Saiful Alam Independent Director

Mr. Muhammad Sekandar Khan Independent Director

## Contacts

Address Symphony, Plot#SE(F):9, Road-142, Gulshan Avenue, Dhaka-1212

Telephone 9889363

Fax 88-02-9889358

Web Site [www.eximbankbd.com](http://www.eximbankbd.com)

Email address [info@eximbankbd.com](mailto:info@eximbankbd.com)

## Updated Company Contact Info

**Head Office** Symphony, Plot#SE(F):9, Road-142, Gulshan Avenue, Dhaka-1212  
**Branch phone:** 9889363  
**Fax:** 88-02-9889358

## Mission:

The Bank's mission comprises:

- Extracting the full benefit of Islamic banking system for its customers.
- Providing with quality financial services especially in Foreign Trade.
- Maintaining and upgrading a technology-based professional banking environment
- Maintenance of corporate and business ethics and transparency at all levels
- Sound capital Base
- Ensure sustainable growth for the honorable stakeholders
- Fulfillment of corporate social commitments, and
- above all, to add to the national economy

## Vision:

The gist of our vision is "**Together Towards Tomorrow**". Export Import Bank of Bangladesh Limited (Exim Bank) believes in togetherness with its customers, in its march on the road to growth and progress with service. To achieve the desired goal, there will be constant pursuit of excellence in compliance with the Islamic Shariah. We believe the advantages of Islamic economy can best be extended to the people with a technology-driven

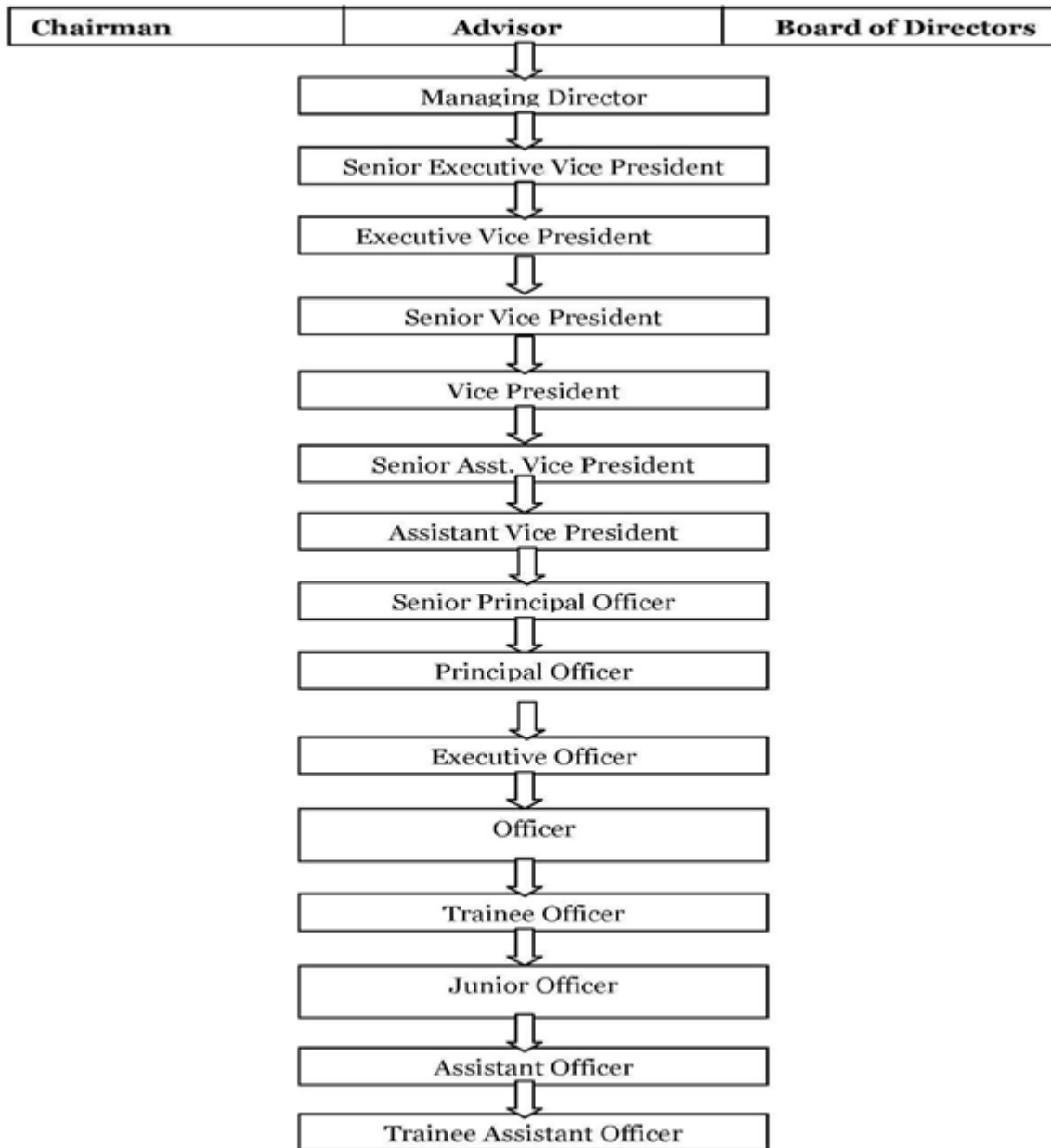
modern banking system that upholds the Islamic values, and Exim Bank envisages making itself a perfect instance of that kind. The Bank's strategic plans and networking will strengthen its competitive edge over others in rapidly changing competitive environment. Its personalized quality services to the customers with trend of constant improvement will be the cornerstone to achieve our operational success.

### **DIVISIONS OF EXIM BANK LTD.**

All policy formulation and subsequent executions are done in the Head Office. It comprises their following major divisions with some other as follows:

1. Investment Division.
2. Corporate Banking Division.
3. Investment Administration Division.
4. Investment Monitoring & Recovery Division.
5. Finance and Accounts Division.
6. Internal Control and Compliance Division.
7. General Service Division.
8. Human Resource Division.
9. Information Technology Division.
10. Foreign Exchange Division.

## Organogram of EXIM Bank:

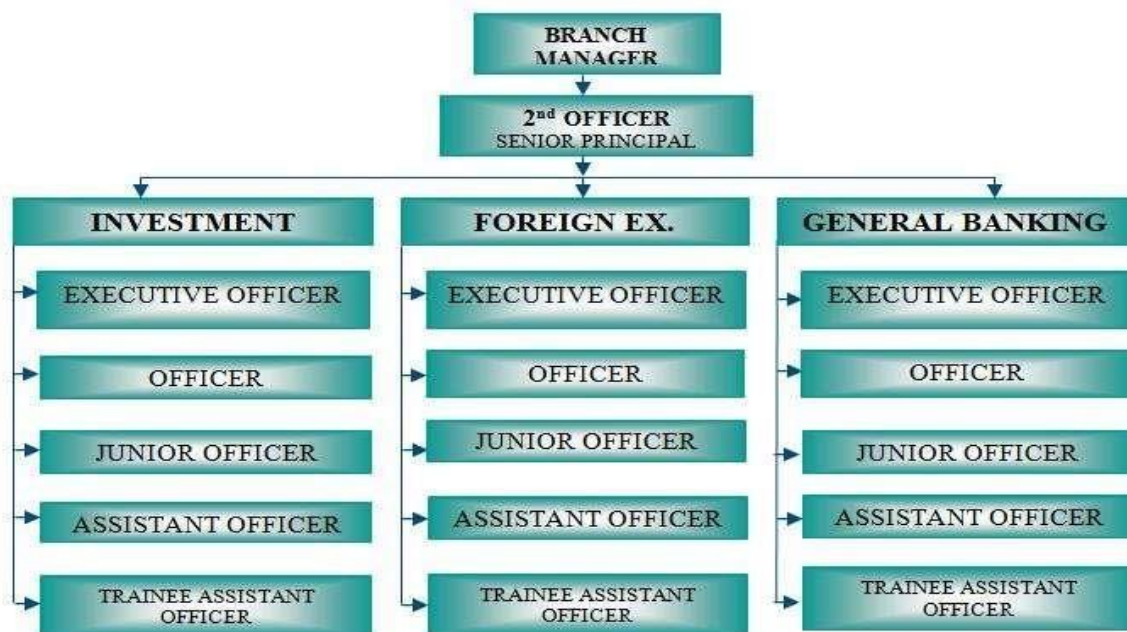


## Branch Division:

Exim Bank basically deals with three separate departments to provide banking services.

These are-

1. General Banking Division
2. Foreign Exchange Division
3. Investment Division



**Fig: 2.1 Organogram of Exim Bank**

## Product & Services of Exim Bank Ltd:

Exim bank offers different types of financial products and services. Those are given below:

### Investment / Finance:

#### Modes of Investment:

- ✓ Murabaha/Mudaraba
- ✓ Bai Muazzal
- ✓ Izara BilBia

### General Banking:

**Mudaraba Savings Scheme:** it is a saving scheme under which following schemes are available:

**Monthly Savings Scheme (Money Grower):** A monthly savings scheme. Secure your future with ease. A small savings of today will provide you comfort tomorrow. Savings period is for 3,5, 8, 10 or 12 years.

**Monthly Income Scheme (Steady Money):** A monthly scheme that really makes good sense. A sure investment for a steady return. Actually, steady money makes your money work for you. Higher monthly income for higher deposit.

**Super Savings Scheme:** Any individual, company, educational institution, government organization, NGO, trust, society etc. may invest their savings under this scheme. The deposit can be made in multiples of Tk. 5, 000.00

**Multiplies Savings Scheme:** To gather public's idle money in exchange of high return within the shortest possible time.



## Other Deposit Accounts:

- Al-Wadia Current Deposit
- Mudaraba Savings Deposit
- Mudaraba Student Savers Deposit
- Mudaraba Short Term Deposit
- Mudaraba Term Deposit
  - One Month
  - Three Months
  - Six Months
  - Twelve Months
  - Twenty-Four Months
  - Thirty-Six Months



## Corporate Banking

EXIM Bank's Corporate Banking team provides banking services as well as financial support to local large and medium organization. Corporate Banking is the most conventional mode of business in low risk sectors. Services that corporate team provides are:



**Table: 2.1 Products and Services of Exim Bank**

## Overall performance:

**Five Years Financial Performance at a Glance**

(Amount in million Taka)

| Sl. No. | Particulars                                      | 2013       | 2014       | 2015       | 2016       | 2017           |
|---------|--|------------|------------|------------|------------|----------------|
| 1       | Authorized Capital                               | 10,000.00  | 10,000.00  | 20,000.00  | 20,000.00  | 20,000.00      |
| 2       | Paid-up Capital                                  | 3,373.96   | 6,832.27   | 9,223.56   | 10,514.86  | 11,566.35      |
| 3       | Shareholder's Equity                             | 6,717.21   | 12,474.85  | 14,484.22  | 16,641.86  | 20,624.36      |
| 4       | Total Capital ( Tier I + Tier II)                | 7,718.89   | 13,957.40  | 16,109.56  | 18,214.31  | 21,198.70      |
| 5       | Statutory Reserve                                | 2,092.97   | 3,154.76   | 3,849.78   | 4,587.47   | 5,236.93       |
| 6       | Total Assets                                     | 86,213.37  | 113,070.98 | 129,874.42 | 167,056.63 | 195,452.52     |
| 7       | Total Liabilities                                | 79,496.16  | 100,596.13 | 115,390.20 | 150,414.77 | 174,828.15     |
| 8       | Total Deposits                                   | 73,835.46  | 94,949.40  | 107,881.21 | 140,369.66 | 165,733.25     |
| 9       | Total Investment (General)                       | 68,609.91  | 93,296.65  | 99,699.63  | 118,219.99 | 143,847.38     |
| 10      | Investment (Shares & Securities excluding Subs.) | 2,189.54   | 4,522.04   | 6,734.03   | 10,345.38  | 11,222.20      |
| 11      | Total Contingent liabilities                     | 30,109.11  | 55,098.36  | 54,929.92  | 63,950.48  | 60,119.38      |
| 12      | Total Risk Weighted Assets                       | 69,058.87  | 140,251.40 | 148,053.70 | 166,531.66 | 159,401.36     |
| 13      | Total Fixed Assets                               | 381.98     | 463.74     | 467.98     | 433.09     | 3,183.44       |
| 14      | Total Income                                     | 10,383.62  | 13,723.95  | 15,801.88  | 20,357.48  | 23,614.71      |
| 15      | Total Expenditure                                | 7,201.84   | 7,830.16   | 11,846.06  | 15,023.14  | 18,686.81      |
| 16      | Profit before provision and tax                  | 3,181.78   | 5,893.79   | 3,955.82   | 5,334.35   | 4,927.89       |
| 17      | Profit before tax                                | 2,802.12   | 5,308.95   | 3,475.06   | 3,688.45   | 3,247.33       |
| 18      | Net profit after provision and tax               | 1,694.10   | 3,476.01   | 2,009.37   | 2,157.63   | 1,913.39       |
| 19      | Foreign Exchange Business                        | 162,604.61 | 227,966.60 | 254,407.47 | 270,081.50 | 268,652.68     |
|         | a) Import Business                               | 83,911.51  | 129,570.73 | 128,445.77 | 143,314.40 | 135,409.88     |
|         | b) Export Business                               | 76,240.77  | 95,359.45  | 122,217.34 | 120,996.90 | 130,353.32     |
|         | c) Remittance                                    | 2,452.33   | 3,036.42   | 3,744.36   | 5,770.20   | 2,889.48       |
| 20      | No. of Foreign Correspondent                     | 333        | 354        | 336        | 398        | 386            |
| 21      | Profit earning assets                            | 69,006.56  | 97,901.97  | 109,707.50 | 131,147.17 | 159,705.77     |
| 22      | Non profit earning assets                        | 17,206.81  | 15,169.01  | 20,166.92  | 35,909.46  | 35,746.74      |
| 23      | Investment as a % of total Deposit               | 92.92%     | 98.26%     | 92.42%     | 84.22%     | 86.79%         |
| 24      | Capital Adequacy Ratio                           | 11.18%     | 9.95%      | 10.88%     | 10.94%     | 13.30%         |
| 25      | Dividend   | 35%        | 35%        | 14%        | 10%        | 11% [Proposed] |
|         | Cash   | -          | -          | -          | -          | -              |
|         | Bonus  | 35%        | 35%        | 14%        | 10%        | 11% [Proposed] |
| 26      | Rights Share                                     |            | 1R:2       |            |            |                |
| 27      | Cost of fund                                     | 9.09%      | 7.10%      | 9.15%      | 9.96%      | 10.21%         |
| 28      | Net Asset Value Per Share*                       | 199.09     | 18.26      | 15.70      | 15.83      | 17.83          |
| 29      | Earning per share (EPS)                          | 50.21      | 3.77       | 2.18       | 2.05       | 1.65           |
| 30      | Price earning ratio (times)                      | 7.52       | 11.34      | 12.76      | 10.14      | 7.80           |
| 31      | Return on Assets (ROA) after tax                 | 2.19%      | 3.54%      | 1.65%      | 1.45%      | 1.06%          |
| 32      | No. of Shareholders                              | 29,302     | 99,882     | 126,681    | 139,482    | 154,398        |
| 33      | Number of Employees                              | 1440       | 1686       | 1724       | 1909       | 2229           |
| 34      | Number of Branches                               | 52         | 59         | 62         | 72         | 80             |

\*Share split came in effect from the year 2010

**Table: 2.2 Overall performance of Exim Bank**

## ***Chapter-03***

# ***Investment Management Policy and Practice of Exim Bank***

## **LOAN& INVESTMENT**

### **Loan:**

In a financial system of any economy, we know that financial surplus mobile from surplus economic unit to the deficit economic unit. Bank mobilizes the fund from surplus economic unit as deposit and makes the fund available to the deficit unit. After that process loan/Credit is create.

Loan is a formal agreement between a bank and borrower to provide a fixed amount of credit for a specified period. A Loan may be defined as money lent at interest. Bank can provide loan in different ways. Loan can be in cash or in non-cash form.

### **Investment:**

According to the Islamic shariah one cannot lend money to other expecting some more in return. But one can invest money to other business under various modes and that will be discovered clearly before starting a business. In that point Islamic shariah prohibited credit. In conventional system interest may be defined as the amount of money generated by a particular amount of money at a particular rate after a particular period. But according to the Islamic shariah principle of financing is related with buying& selling, partnership, lease of iteams which is associated with risk. The extra amount of money that comes from the trade is profit and it is acceptable for investment. So Investment means trading a fixed amount of money to client for a certain period of time. The client must repay the venture amount with profit within the given time period. In Investment, the disbursement will take place only for one time. The client can repay the Investment all at a time or by installment.

### **Investment of Exim Bank:**

Exim Bank is working as a financial intermediary where their main source of fund comes from individual, corporate and institutional investors. The investor's money is then channeled to venture investor's choice. Some strong roles played by Exim Bank, in line with their depository duties. Then the Bank provides financing to the ventures or users of fund. This whole process is maintained by Islamic rules.

Total Investment(General)oftheBankstoodTk.253,803.43millionason31December2017against Tk. 222,155.35 million as on 31 December 2016 registering a growth of 14.25%. As on 31 December 2016 Classified Investment to total Investment ratio was 5.32% which is within the reasonable limit considering the industry situation. Bank has no provision shortfall against

Investment (General) as on 31 December 2016.

Investment (General) has been increasing over the years to support financing needs of the new and existing customers through diversified Investment Products Five Years Investment (General) growth of the Bank is shown in the graph below:

**Five years Investment (General) growth of the Bank**



**Fig: 5.1**

### **Mode-wise Investment:**

Different mode of Investment products is offered for fulfilling the customers demand. Major categories of products are Bai-Muazzal, Bai-Murabaha, Bai-Salam, Bai-as-Sarf, Musharaka and Mudaraba Import Bill. Major product-wise investment is shown below:

(in million Taka)

| SL. No. | Particulars                      | 2017               | 2016              | Growth        |
|---------|----------------------------------|--------------------|-------------------|---------------|
| 1       | Bai-Muazzal                      | 1,08,934.20        | 93,574.34         | 16.41%        |
| 2       | Bai – Murabaha                   | 18,929.78          | 19,002.07         | -0.38%        |
| 3       | Bai-Salam                        | 6,258.92           | 5,446.62          | 14.91%        |
| 4       | Izara bill baia (Commercial)     | 1,03,527.46        | 92,435.62         | 12.00%        |
| 5       | Izara bill baia (Staff)          | 1,823.70           | 1,916.39          | -4.84%        |
| 6       | Quard                            | 483.72             | 1,507.30          | -67.91%       |
| 7       | Bai - as - Sarf (FDBP)           | 432.08             | 253.69            | 70.32%        |
| 8       | Musharaka Documentary Bill (MDB) | 1,863.65           | 1,433.66          | 29.99%        |
| 9       | Mudaraba Import Bill (UPAS)      | 10,853.36          | 6,211.65          | 74.73%        |
| 10      | Murabaha Import Bill (MIB)       | 696.56             | 374.02            | 86.24%        |
|         | <b>Total</b>                     | <b>2,53,803.43</b> | <b>222,155.35</b> | <b>14.25%</b> |

(in million Taka)

| SL. No. | Particulars                      | 2016              | 2015              | Growth        |
|---------|----------------------------------|-------------------|-------------------|---------------|
| 1       | Bai-Muazzal                      | 93,574.34         | 81,416.81         | 14.93%        |
| 2       | Bai – Murabaha                   | 19,002.07         | 20,521.00         | -7.40%        |
| 3       | Bai-Salam                        | 5,446.62          | 3,888.80          | 40.06%        |
| 4       | Izara bill baia (Commercial)     | 92,435.62         | 80,487.63         | 14.84%        |
| 5       | Izara bill baia (Staff)          | 1,916.39          | 1,953.19          | -1.88%        |
| 6       | Quard                            | 1,507.30          | 712.47            | 111.56%       |
| 7       | Bai - as - Sarf (FDBP)           | 253.69            | 271.35            | -6.51%        |
| 8       | Musharaka Documentary Bill (MDB) | 1,433.66          | 1,650.97          | -13.16%       |
| 9       | Mudaraba Import Bill (UPAS)      | 6,211.65          | 4,769.45          | 30.24%        |
| 10      | Murabaha Import Bill (MIB)       | 374.02            | 639.75            | -41.54%       |
|         | <b>Total</b>                     | <b>222,155.35</b> | <b>196,311.42</b> | <b>13.16%</b> |

**Table: 5.1**

In this table: 5.1, we can see the growth of investment is increased from 13.16% to 14.25%, which indicates negative increase in investment.

## Major Industry-wise Investment:

The bank has diversified its product in different industries for minimizing the risk.

Major industry- wise investment of the Bank is given in the table below:

(in million Taka)

| SL. No. | Particulars        | 2017              | 2016              | Growth        |
|---------|--------------------|-------------------|-------------------|---------------|
| 1       | Garments           | 31,595.03         | 28,316.17         | 11.58%        |
| 2       | Textile            | 18,729.88         | 16,178.80         | 15.77%        |
| 3       | Agrobased Industry | 15,459.64         | 15,150.03         | 2.04%         |
| 4       | Other Industry     | 80,739.33         | 58,698.97         | 37.55%        |
| 5       | Trading and others | 107,279.55        | 103,811.37        | 3.34%         |
|         | <b>Total</b>       | <b>253,803.43</b> | <b>222,155.35</b> | <b>14.25%</b> |

**Table: 5.2**

In those tables we can see, Exim bank concentrate on trading and others sector then garments sector and agro-based industry for financing and the growth rate is increasing.

## INVESTMENT MANAGEMENT OF EXIM BANK

Export Import Bank of Bangladesh Limited is a third generation bank. It is committed to provide high quality financial services/products to contribute to the overall sustainable socio-economic development of the country.

Investment management is the part of Bank Management which decides what type of investment product will be offered to whom; how much it will be offered and analyzes and measures the Investment Risk and manage all the activities regarding the Investments. Investment management always tries to provide support managing risk in a customer portfolio. So Investment Management refers to –

- Determines the investment facilities and restriction of facility.
- Pre-sanction appraisal.
- Investment Risk Management.
- Pricing policy and credit risk rating.
- Appraisal, credit-decision making and Investment review mechanism.

- Documentation.
- Disbursement and Disbursal.
- Post-lending supervision and control.

The failure of a commercial bank is usually associated with the problem in Investment portfolio and is less often the result of shrinkage in the value of other assets. As such an appropriate investment portfolio management is critically important to the success of the bank.

## **Investment Management Structure**



### **INVESTMENT MANAGEMENT POLICY**

The elements of a investment policy are determined by the specific investing activities and standard of each bank contained by central bank’s legislations. Investment policy also affected by the rules and regulations, banks portfolio objectives. Geographic location, economic condition etc.

### **INVESTMENT PRINCIPLES OF SOUND INVESTMENT MANAGEMENT**

Investment of funds to the traders, businesses and industrial enterprises constitutes the main business of the bank. A major part of the Islamic banking earned income from Profit of investment. The business of investing, nevertheless, is not without certain inherent risks. Largely depending on the funds, a banker cannot afford to take Undue risks in investing. While lending its fund, the bank, therefore, follows a very cautious policy and conducts its business on the basis of the well-known principles of sound lending in order to minimize the risks. The bank usually follows the following Investment principles in its Investment management operations:



- **Safety:** Safety it is meant that the borrower is in position to repay the loan, along with interest, according to the terms of the loan contract.
- **Purpose:**The bank does not grant investment proposal for each and every purpose. Investment sector must be halal in context of Islamic shariah. The bank does not grant investment for harm items production purposes, speculative purposes, unproductive purpose.
- **Profitability:**Since the bank is a profit-earning institution, it employs its funds profitability so as to earn sufficient income out of which to pay profit to the depositors, salaries to staff and to meet various other establishment expenses and distribute dividend to shareholders.
- **Liquidity:** The bank ensures that the Investment client is able to repay the investment on demand or within a short period. The bank grants investment on the security of assets, which are easily marketable without much loss.
- **Dispersal/Diversification:**The bank does not provide invest in one Particular direction/industry/activity or one or few borrowers because any adversity faced by that particular industry will have serious adverse effect on the bank.
- **National interest/social benefit:**The Bank grants investment if the purpose of the investment is for overall plans necessitating flow of credit to priority sector in the larger national interest.

### **MODES OF INVESTMENT OF EXIM BANK LTD**

Islamic banks do not directly deal in money. They run business with money. The funds of EXIM Bank is mainly invested in the following modes:

- I. MURABAHA
- II. BAI MUZZAL
- III. MUSHARAKA
- IV. IZARA BIL BAIA
- V. BAI-SALAM
- VI. WAZIRAT BIL WAKALA
- VII. QUARD
- VIII. LDBP
- IX. FDBP

### **(I) Murabaha**

Murabaha is a financing arrangement whereby the bank agrees to purchase an asset at the request of the customer. The bank takes legal possession of the asset that is then sold to the customer at an agreed sale price consisting of the amount of financing plus the profit margin. It is a cost plus transaction.

### **(II) Bai Muazzal**

Bai-Muajjal means sale for which payment is made at a future fixed date or within a fixed period. In short, it is a sale on Credit. In Bank's perspective, Bai-Muajjal is treated as a contract between the Bank and the Client under which the bank sells to the Client certain specified goods, purchased as per order and specification of the Client at an agreed price payable within a fixed future date in lump sum or by fixed instalments.

### **(III) Musharaka**

The word Musharakah is derived from the Arabic word Sharikah meaning partnership. Musharaka is an Islamic mode of financing in the form of a partnership between the bank and its client whereby each party contributes to the capital of the partnership in equal or varying degrees either to establish a new project or share in an existing project. The accruing profit is divided between the partners pre-agreed formula, while losses are shared on pro rata basis.

### **(IV) Izara BilBaia**

Izara Bill Bia is a mode of investment under which the Bank as per contract shall invest for purchasing durable assets like Machineries Equipment, Transport, Land & Building etc. along with the client with the stipulation that the client shall pay off the rent at the agreed rate on the outstanding equity of the bank together with the instalments of principal amount of equity of the Bank for the purpose of eventual ownership of the concerned asset.

### **(V) Bai-Salam**

Bai-Salam may be defined as advance purchase of a commodity/product making advance payment by the Bank on execution of a written contract wherein it is clearly mentioned that the commodity will be delivered as per specification, size, quality, quantity at a fixed future time in a particular place.

### **(VII)WaziratBilWakala**

Al Wakalah means agency, or delegating duty onto another party for specific purposes and under certain conditions. Under the concept of Al Wakalah, the bank becomes your agent. You are then required to deposit the full amount of the price of goods to be purchased or imported.

**(VIII)Quard:**

It is a mode to provide financial assistance/ investment with the stipulation to return thePrincipal amount in the future without any increase thereon.

**(IX) FDBP**

Payment made to a customer through purchase/negotiation of a foreign documentary bills fall under this head. This temporary investment adjustable from the proceeds of the shipping / Export documents. Its falls under the category of investment on export.

**(X) LDBP:** Payment made against documents representing sell of goods to local export oriented industries that are estimate as export and which are denominated in local Currency or Foreign Currency falls under this Head. This temporary liability is adjustable from proceeds of the bill.

## **PRIME INVESTMENT CATEGORIES OF EXIM BANK**

Investment facilities of the Bank are also categorized under 7 prime categories:

**1. Agriculture:**

Investment facilities to the agricultural sector fall under this category. It is subdivided into two major heads:

- a) Investment to primary producers.
- b) Investment to dealers/distributors.

**2. Izara Bill Baia for Large & Medium Scale Industry:**

This category of Investment accommodates the medium and long term financing for capital structure formation of new industries or for expansion of the existing units who are engaged in manufacturing goods and services.

**3. Izara Bill Baia to Small & Cottage Industries:**

These are the medium and long term investments allowed to small & cottage manufacturing industries (Small industry is presently defined as those establishments whose total investment in fixed capital such as land, building, machinery and equipment (excluding taxes and duties) does not exceed 30 million taka and investment in machinery and equipment (excluding taxes

and duties) does not exceed 10 million taka. Cottage industries also fall within this definition).

#### **4. Working Capital:**

Investment allowed to the manufacturing units to meet their working capital requirements, irrespective of their size-big, medium or small, fall under the category. These are usually continuing Investment and as such fall under the head "Bai-Muazzal.

#### **5. Investment on Export:**

Investment facilities allowed to facilitate export of all items against Letter of Credit and/or confirmed export orders fall under this category.

#### **6. Commercial Investment:**

Short-term Investment and continuing Investment allowed for commercial purposes fall under this category. It includes export-import financing, financing for internal trade, service establishment etc. No medium and long-term loans are accommodated here.

#### **7. Others:**

Any Investment that does not fall in any of the above categories is considered under the category "Others". It includes loans to i) Transport equipments, ii) Construction works etc.

### **PRICING POLICY OF INVESTMENT**

Banks are the major financial institutions which intermediates between actual lenders/depositors and actual borrowers/investment customers. For this intermediation banks are to pay to actual lenders/depositors and recover charges from borrowers/investment customers.

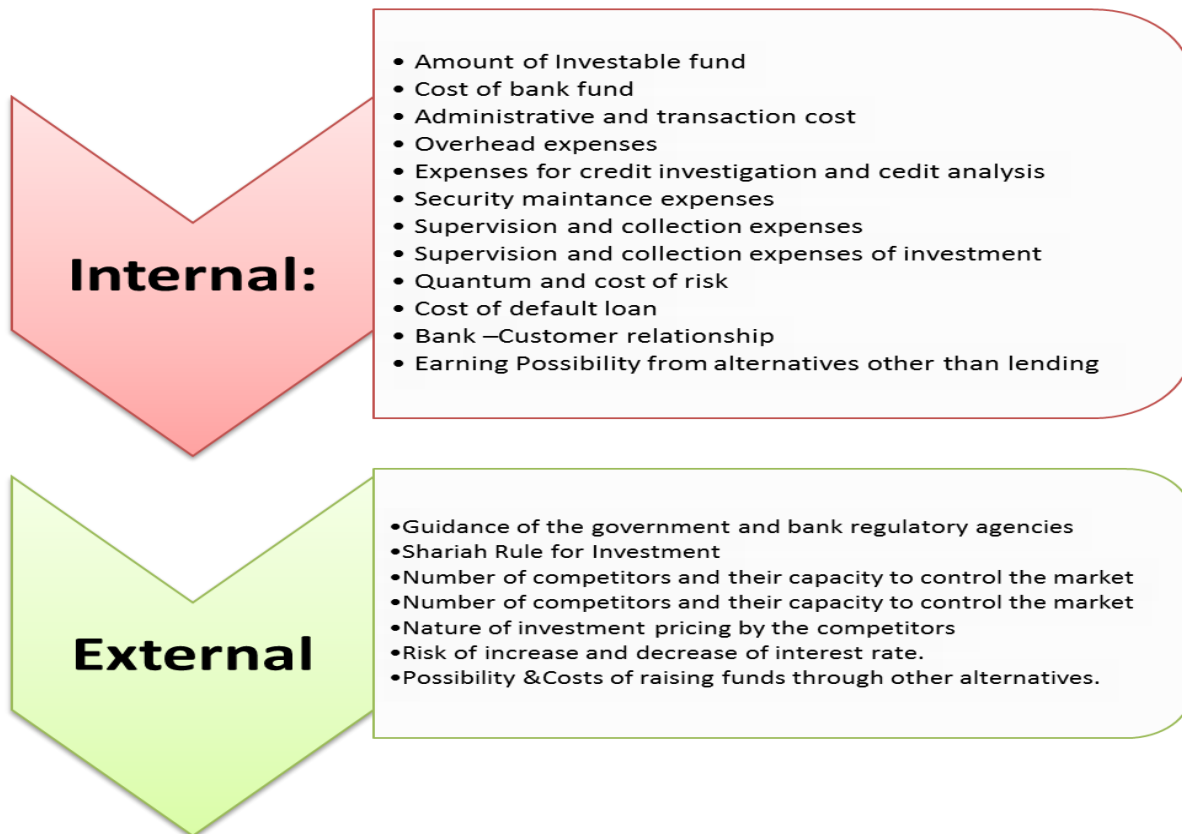
The price of investment (profit/rent) is the combination of 3(three) factors such as

Cost of fund +cost of management/establishment + Risk premium/spread.

First 2(two) elements are dependent on the market situation (money market and labor market)

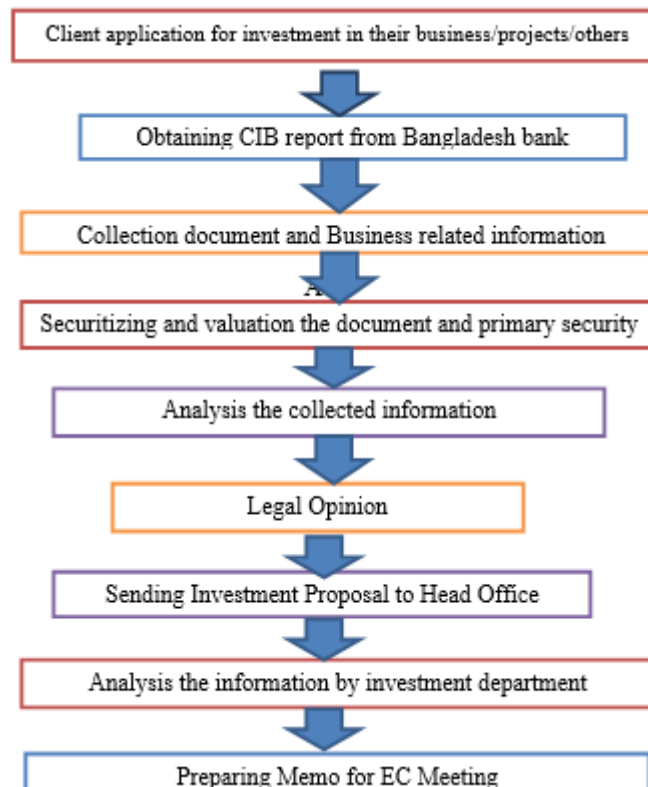
Last one is dependent on risk level. Bank only can minimize the spread on the basis of Risk factors on the specific category of investment.

Consideration in Investment Pricing:



## **GENERAL INVESTMENT HANDLING PROCEDURE**

Investment is the main profit generating activity for Islamic Banking. Investment assessment is the part of investment procedure. Now to evaluate the investment handling procedure, the investment process followed by the bank can be shown as a set of sequential activity by the following flowchart:



## INVESTMENT (CREDIT) ANALYSIS

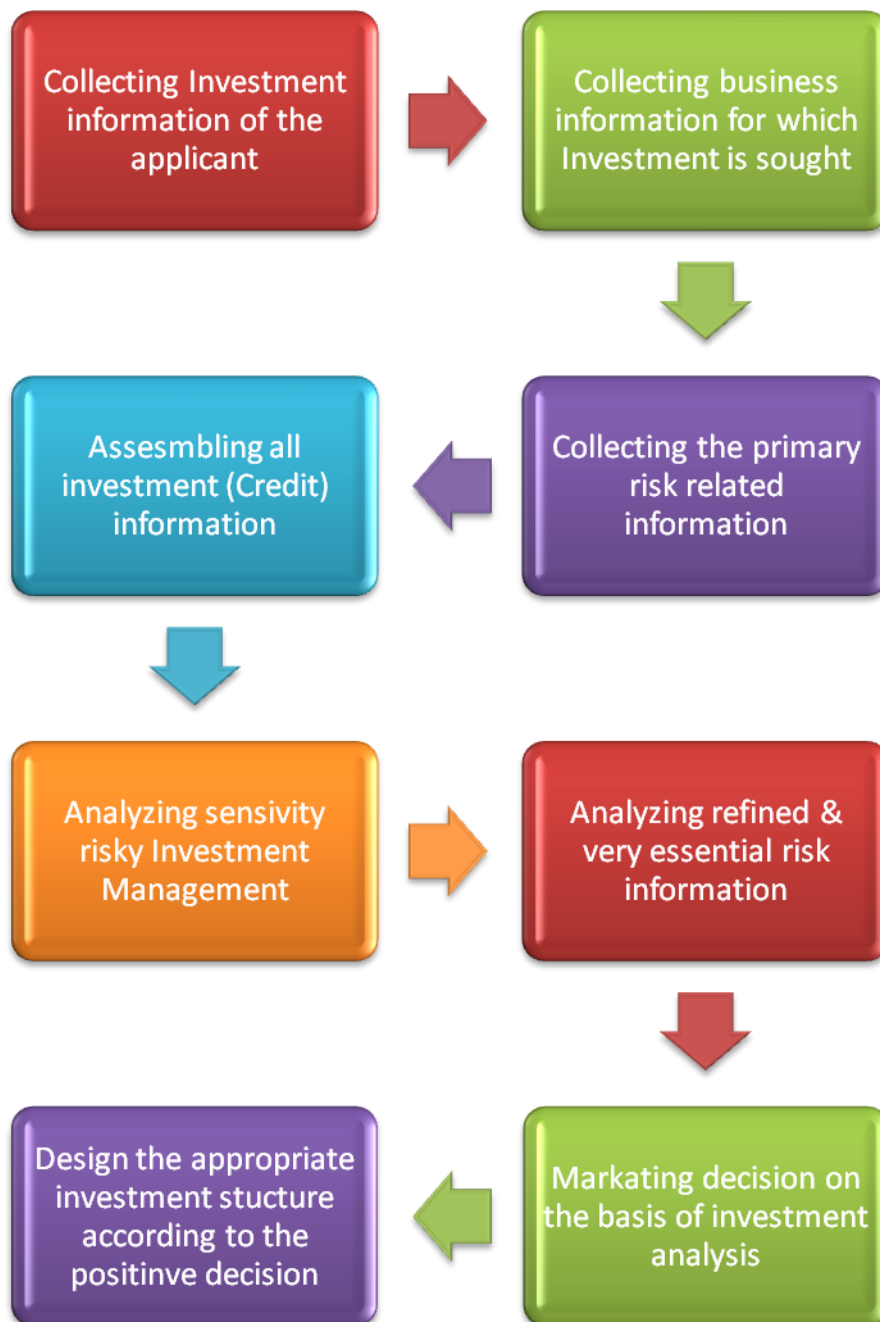
Investment analysis are conducted to determine whether the customer is creditworthy and whether the customer has sufficient cash flows and back up assets to repay the Investment. The main purpose of Investment analysis is to ascertain whether the Investment can be serviced by the customer and whether the bank is adequately protected to realize the Investment in the event of default by the client to repay Investment.

### Eligibility in getting Investment:

- History of the past invests transaction data.
- Ability to use investment and the characteristics of the potential borrower.
- Ability to repay the applied Investment amount.
- Amount of capital to support any contingencies.

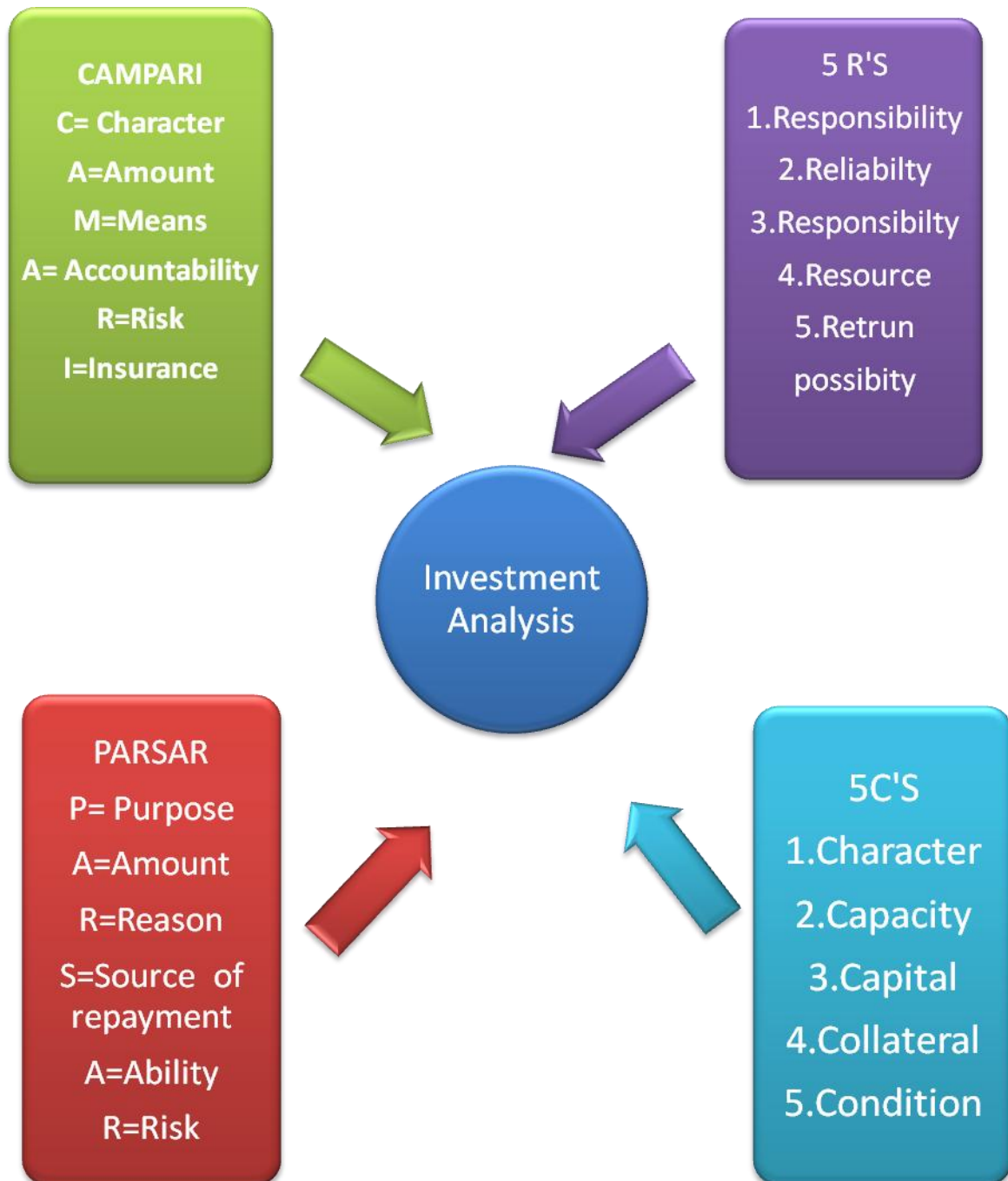
## Investment Analysis process:

EXIM Bank analysed their Investment proposal by the following process:



## View Points of Investment:

Investment activity is one of the risky functions of a bank



Investment proposal Analysis divided into Major Three Parts

### I. Investment appraisal

- ✚ Selection of the client.

Criteria for Selecting an Investment Project.

- ✚ Inspecting Document.

### II. Investment Risk Management.



### III. Making decision and Design the Investment structure.

#### **3.8 .1 Investment appraisals:**

Investment appraisal is the major part of a Investment Management. Investment appraisal is a process of appraising the Investment worthiness of Investment applicant. Analysis of the investment worthiness of the investment proposal is known as investment Appraisal.

##### **3.8.1.2Project Appraisal:**

"Project appraisal" means pre-investment analysis of a loan-project with a view to determine its commercial and socioeconomic feasibility. It is an essential tool for judicious investment decision and project selection.

When the bank receives project based financing proposal from, for example, a garments manufacturer, it appraises the project from a number of point of view. The bank officials critically appraise the proposals to assess viability of the project in consideration of:

- 📌 Management appraisal.
- 📌 Market appraisal
- 📌 Technical appraisal
- 📌 Financial appraisal
- 📌 Economic appraisal.

##### **3.8.1.3 Inspecting Document:**

Bank officer of the investment department inspect the project for which the client applicant for investment to their business. Here project survival, its distance from the bank originates the loan, monitoring the cost and possibilities etc. If the proposed amount exceeds BDT. 10lac, a senior officer from head office performs an onsite inspection of the project. Any investment proposal needs to be evaluated on the basis of financial information provided by the investment applicant. Financial analysis, analyse the risks associated with a particular investment and to judge the financial soundness and worthiness of the investment client. Besides, Investment Risk Analysis is also undertaken by the bank to measure the borrowers ability to pay considering various risks associated with the loan.

#### **Investment Risk Management**

Investment proposal should summaries the results of the risk assessment and include, as a minimum, the following details:

- ▶ Amount and type of investment(s) proposed.
- ▶ Purpose of investments.
- ▶ Investments Structure (Tenor. Covenants, Repayment Schedule, Profit).

- ▶ Security Arrangements.
- ▶ Analysis Risk factor.

### 3.8.2.1: Investment Risk Grading:

The Credit Risk Grading (CRG) is a collective definition based on the pre-specified scale and reflects the underlying credit-risk for a given exposure. Credit Risk Grading is the basic module for developing a Credit Risk Management system.

The risk grading system should define the risk profile of borrower's to ensure that account management, structure and pricing are commensurate with the risk involved. Risk grading is a key measurement of a Bank's asset quality, and as such, it is essential that grading is a robust process. All facilities should be assigned a risk grade. Where deterioration in risk is noted, the Risk Grade assigned to a borrower and its facilities should be immediately changed.

| Grade | Risk Rating         | Definition   | Short | Score   |
|-------|---------------------|--|-------|---|
| 1     | Superior            | Facilities are fully secured by cash deposits, Government bonds or a counter guarantee from a top tier international bank.   | SUP   | Fully cash secured, secured by government guarantee |
| 2     | Good                | The repayment capacity of the borrower is strong. The borrower should have excellent liquidity and low leverage.   | GD    | 85+   |
| 3     | Acceptable          | Adequate financial condition though may not be able to sustain any major or continued setbacks. These borrowers are not as strong as Grade 2 borrowers   | ACCPT | 75-84   |
| 4     | Marginal/Watch list | Grade 4 assets warrant greater attention due to Conditions affecting the borrower, the industry or the economic environment. These borrowers have an above a average risk                            | MG/WL | 65-74   |
| 5     | Special Mention     | Grade 5 assets have potential weaknesses that Deserve management's close attention. If left uncorrected, these weaknesses may result in a deterioration of the repayment prospectus of the borrower. | SM    | 55-64   |
| 6     | Substandard         | Financial condition is weak and capacity or inclination to repay is in doubt. These weaknesses jeopardize the full settlement of investments.  | SS    | 45-54   |
| 7     | Doubtful            | Full repayment of principal and profit is unlikely and the possibility of loss is extremely high   | DF    | 35-44   |
| 8     | Bad/Loss            | The prospect of recovery is poor and legal options have been pursued   | BL    | <35   |

Table 1: Risk Grades should be clearly stated on Investment proposal

### **Bangladesh Bank's Lending Risk Analysis (LRA)**

The second method of assessing risk of lending is the Lending Risk Analysis Manual prepared by the Bangladesh Bank's Financial Sector Reforms Project (FRSP). LRA package provides a systematic procedure for analyzing and quantifying the potential credit risk. It was introduced in 1993 and it was made mandatory for the commercial banks to implement the LRA approach to credit analysis prior to extending credit facilities to a borrower. LRA is basically a risk rating to show the level of risk that bank the may not be able to fully recover a loan from a particular borrower. This exercise has to be applied for processing of all sanction/renewal/rescheduling/enhancement proposals of Tk. 50 lac and above (total direct and indirect facilities).

### **Making decision and Design the Investment structure:**

After the determination of the risk level of the proposed investment if the risk level beyond acceptable then investment proposal would be closed with negative comment. Determination of the types of investment, duration of investment and amount of profit in light of risks associated with the investment .Investment analysis process should be stopped here if terms and conditions for applied investment are not acceptable. Sending proposals from the appropriate investment sanctioning authority .Investment officer sit for discussion with the investment client about conditions of the investment. Preparation and maintained of necessary documents of the permitted investment.

## **SECURITY VALUATION**

Security is a cover against investment. It ensures recovery of Investment Securities play an extremely important role in an investment granting decision.Bank will try to have as much security coverage as possible against each and every investment facility sanctioned to the customers. Security taken against investment facilities shall be properly valued and legally enforceable in accordance with the laws of the country. Security requirement will be determined on case to case basis based on customers business strength, level of risk bank is undertaking. However, Bank will always prefer to have security equivalent to 1.25 times of the total funded limit. Security may be in the following forms subject to restrictions of regulatory authority:

- i) Bank deposit.
- iii) Government Bond.
- iv) Guarantee given by Government or Bangladesh Bank.
- v) Bank Guarantee.

- vi) Land and Building.
- vii) Share.
- viii) Stock.
- ix) Machinery and Equipment.
- x) Charge on the fixed and floating asset.
- xii) Corporate Guarantee of another company backed by Board Resolution.

## DOCUMENTATION

It is essential that the proposal define clearly the purpose of the facility, the sources of repayment, the agreed repayment schedule, the value of security and the customer relationship consideration implicit in the investment decision. Where security is to be accepted as collateral for the facility all documentation relating to the security shall be in the approved form. All approval procedures and required documentation shall be completed and all securities shall be in place, prior to the disbursement of the facilities. General documentation, as required for different kinds of investment is enumerated below.

There may be requirement of specific banking or legal documents to secure an investment according to sanction terms and conditions, which should also be obtained in addition to the following:

### **Investment:**

- ✚ D.P. Note.
- ✚ Letter of Pledge (in case of pledge of goods).
- Letter of hypothecation (in case of hypothecation of goods).
- ✚ Trust Receipts (in case of TR facility).
- ✚ Letter of lien and ownership/share transfer from (in case of investment against
- ✚ Shares).
- ✚ Letter of Lien for Musharaka Pre-shipment (in case of Musharaka Pre-shipment-PC).
- ✚ Letter of Lien (in case of investment against MTDR).
- ✚ Letter of Lien (in case of investment against PSP, BSCP etc.).
- ✚ Copy of Sanction letter mentioning details of terms & conditions duly acknowledge
- ✚ by the borrower.
- ✚ Letter of Guarantee of all Directors (in case of Limited Company).

### **b) Overdrafts:**

- 📄 D.P. Note.
- 📄 Letter of partnership (in case of partnership concerns) or resolution of the Board of
- 📄 Directors (in case of Limited Companies).
- 📄 Letter of Lien (in case of Investment against MTDR).
- 📄 Letter of Lien and ownership/share transfer from (in case of investment against Shares)
- 📄 Letter of Lien and transfer authority (in case of investment against PSP, BSP etc

**c) Bai-Muazzal:**

- ▶ D.P. Note.
- ▶ Letter of partnership (in case of partnership concerns) or resolution of the Board of
- ▶ Directors (in case of Limited Company
- ▶ Letter of Hypothecation (in case of Bai-Muazzal)
- ▶ Letter of Pledge/Agreement of Pledge (in case of Murabaha).
- ▶ Legal documents for mortgage of property (as drafted by Legal Adviser).

**d) Bill Purchased:**

- 📄 D.P. Note.
- 📄 Letter of partnership (in case of partnership concerns) or resolution of the Board of Directors (in case of Limited Companies).
- 📄 Letter of arrangement.
- 📄 Letter of Hypothecation of bill.
- 📄 Letter of Acceptance, where it calls for acceptance by the drawee.

All required documents, as enumerated above, should be obtained before any investment is disbursed. Disbursement of any investment facility requires approval of the authorized official of the Branch who should ensure, before exercising such authority, that all the required documentation's have been completed.

## **APPROVAL AUTHORITY**

To ensure proper and orderly conduct of the business of the Bank, the Board of Director will empower the Managing Director and other Executives of the Bank to lend up to certain amount under certain terms and conditions at their discretion. The lending authority are

broadly categorized as follows:

- (1) Board/Executive Committee.
- (2) Managing Directors.
- (3) Head of Investment Division.

## **ORGANIZATIONAL STRUCTURE & RESPONSIBILITIES FOR INVESTMENT MANAGEMENT**

To organize and manage the lending activities smoothly, the bank divided the investment department into different functions. This was also been done to improve the knowledge levels and expertise in Investment (Loan) Department, to impose controls over the disbursement of authorized investment facilities and to obtain an objective and independent judgment of investment proposals.

### **3.12.1 Investment Risk Management (IRM) Department:**

- ✚ Oversight of the bank's Investment policies, procedures and controls.
- ✚ Oversight of the bank's asset quality.
- ✚ Direct management all substandard, doubtful & bad loss accounts and ensuring appropriate and timely Investment loss provisions.
- ✚ Approval or rejection Investment applications recommended by Relationship Manager.
- ✚ Advice/assistance regarding all Investment matters to Relationship Manager
- ✚ Ensures that all security documentation comply with the terms of approval and is enforceable.

### **3.12.2 Relationship Management/Marketing (RM) Department:**

- ✚ Acts as the primary bank contact with borrowers.
- ✚ Conducts investigation of the borrower fully.
- ✚ Complies with the applicable instruction, manuals, circulars and other rules of the Bank as well as those of Bangladesh Bank.
- ✚ Ensures that Investment proposals submitted to Head Office are complete and consistent with established policies & procedure.
- ✚ Reviews and analyzes all issues related to Investment risk proposals covering any obligator.

- Submits Investment proposal for new proposals and annual reviews timely and accurate, taking into account the Investment assessment requirements.

### **Investment Administration**

- The Investment Administration function is critical in ensuring that proper documentation and approvals are in place prior to the disbursement investment facilities.

#### **a) Disbursement**

- Disbursement under Investment facilities is only made when all security documentations are in place, all formalities regarding investment approval have been completed, all Investment Approval terms have been met and sanction letter in duplicate copies detailing the terms and conditions under which the sanction has been made and the same has been obtained from the customer duly signed by him.

#### **b) Custodian Duties**

- Investment disbursements and the preparation and storage of security documents are centralized in the regional investment centers.
- Appropriate insurance coverage is maintained (and renewed on a timely basis) on assets pledged as collateral.
- Security documentation is held under strict control, preferably in locked fireproof storage.

### **Investment Monitoring:**

To minimize Investment losses, the bank put in place monitoring procedures and systems that provide an early indication of the deteriorating financial health of a customer. The bank officials monitor the followings:

- Past due principal or profit payments, past due trade bills, account excesses, and breach of investment covenants.
- Investment terms and conditions, financial statements on a regular basis, and any covenant breaches or exceptions for timely follow up.
- Timely corrective action to address findings of any internal, external or regular inspection/audit.

Computer systems and where automated systems are not available manual

processes are used to produce accurate exception reports. Exceptions are followed up on and corrective action taken in a timely manner before the account deteriorated further.

### **Early Alert Process:**

An early Alert Account is one that has risks or potential weaknesses of a material nature requiring monitoring, supervision, or close attention by management. If these weaknesses are left uncorrected, they may result in deterioration of the repayment prospects for the asset or in the Bank's Investment position at some future date with a likely prospect of being downgraded to Investment Grade 5 or worse (Impaired status), within the next twelve months.

An Early Alert Report is completed by the Relationship Management Department (RM) and sent to the approving authority in Investment Risk Management (CRM) for any account that is showing signs of deterioration within seven days from the identification of weaknesses. The Risk Grade is also updated as soon as possible and no delay is taken in referring problem account to the CRM department for assistance in recovery.

### **Investment Recovery:**

The bank has a Recovery Unit (RU) under IRM. It directly manages account with sustained deterioration (a Risk Rating of Sub Standard (6) or worse).

The RU's primary function is:

- ▶ Determine Account Action Plan/Recovery Strategy.
- ▶ Pursue all options to maximize recovery.
- ▶ Ensure adequate and timely investment loss provisions are made based on actual and expected losses.

## **NON-PERFORMING INVESTMENT (NPI) OR CLASSIFIED LOANS ACCOUNT MANAGEMENT**

All NPLs are assigned to an Account Manager within the RU, who is responsible for coordinating and administering the action plan/recovery of the account, and serves as the primary customer contact after the account is downgraded to substandard.

### **3.13.1 Types of classified investment**

Categories of loans and advances of a bank:

a. Un-classified:

The repayment of investment and advances are regular.



b. Sub-standard:

The repayment of Investment is irregular but has reasonable prospect of improvement.

c. Doubtful debt:

It is unlikely to be repaid but special collection efforts may result in partial recovery.

d. Bad/loss:

There is little chance of recovery of Investment.

### 3.13.2 Basis for investment Classification

There are two ways Investment are classified: 1) Objective Criteria, 2) Qualitative Criteria.

#### Objective Criteria

► Continuous Investment

A continuous Investment will be treated as irregular/overdue if the advance has not been renewed, that is expiration date is passed. Criteria for investment classification are given in Table-2

**Table -2: Criteria for Investment Classification of Continuous Investment**

| <b>Sub-standard</b>                                    | <b>Doubtful</b>   | <b>Bad/loss</b>                   |
|--|---|-----------------------------------|
| Irregular for 3 months or more but less than 6 months. | Irregular for 6 months or more but less than 12 months. | Irregular for 12 months or above. |

#### Term Investment

If any installment of a term Investment is not repaid within as per repayment schedule the unpaid amount will be treated as overdue installment.

**Table-3: Criteria for Investment classification of Term Investment Payable within 5 Years**

| <b>Sub standard</b>  | <b>Doubtful</b>   | <b>Bad/loss</b>  |
|--|---|--|
| If the amount of overdue installment stands equal or more than the amounts which is repayable 6 months | If the amount of overdue installment stands equal or more than the amounts which is repayable 12 months | If the amount of overdue installment stands equal or more than the amounts which is repayable 18 months. |

### **Non-Performing Loan:**

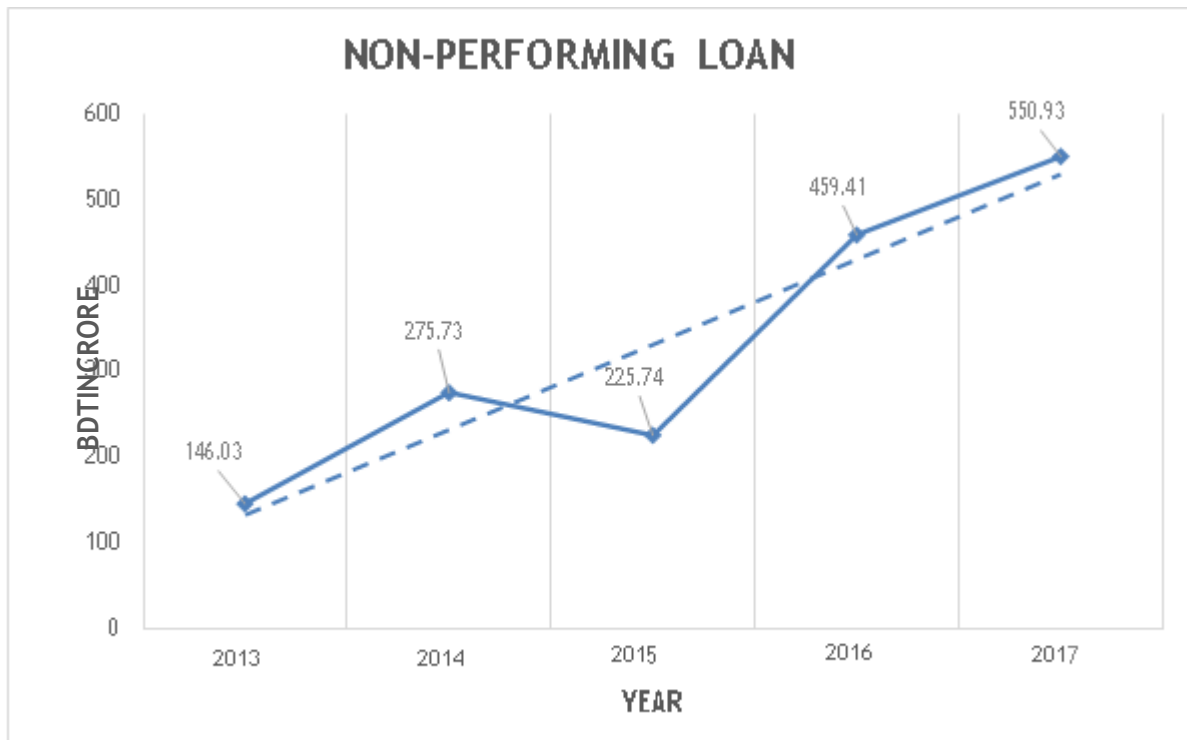
A non-performing loan is a sum of borrowed money upon which the debtor has not made the scheduled payments for a period of time. A non-performing loan is either in default or close to default.

Exim bank's five years' data of non-performing loan is given below:

| <b>Year</b> | <b>Non-Performing Loan</b> |
|-------------|----------------------------|
| 2013        | 146.03                     |
| 2014        | 275.73                     |
| 2015        | 225.74                     |
| 2016        | 459.41                     |
| 2017        | 550.93                     |

**Table: 6.11**

From the data, a time series analysis is done to see their past performances and predict the future.



**Fig: 6.1**

From 2013 to 2017 there are some ups and downs but non-performing loan is increasing day by day which can be affected negatively in future.

Substandard, doubtful and bad loan subcategories of NPL. Five years' data of NPL in details:

| <b>Year</b> | <b>Non-Performing Loan</b> | <b>Substandard</b> | <b>Doubtful</b> | <b>Bad Loan</b> |
|-------------|----------------------------|--------------------|-----------------|-----------------|
| 2013        | 146.03                     | 18.95              | 18.80           | 108.28          |
| 2014        | 275.73                     | 3.06               | 5.16            | 267.32          |
| 2015        | 225.74                     | 8.50               | 7.74            | 209.50          |
| 2016        | 459.41                     | 8.84               | 51.11           | 399.49          |
| 2017        | 550.93                     | 2.73               | 15.35           | 532.84          |

Table: 6.12

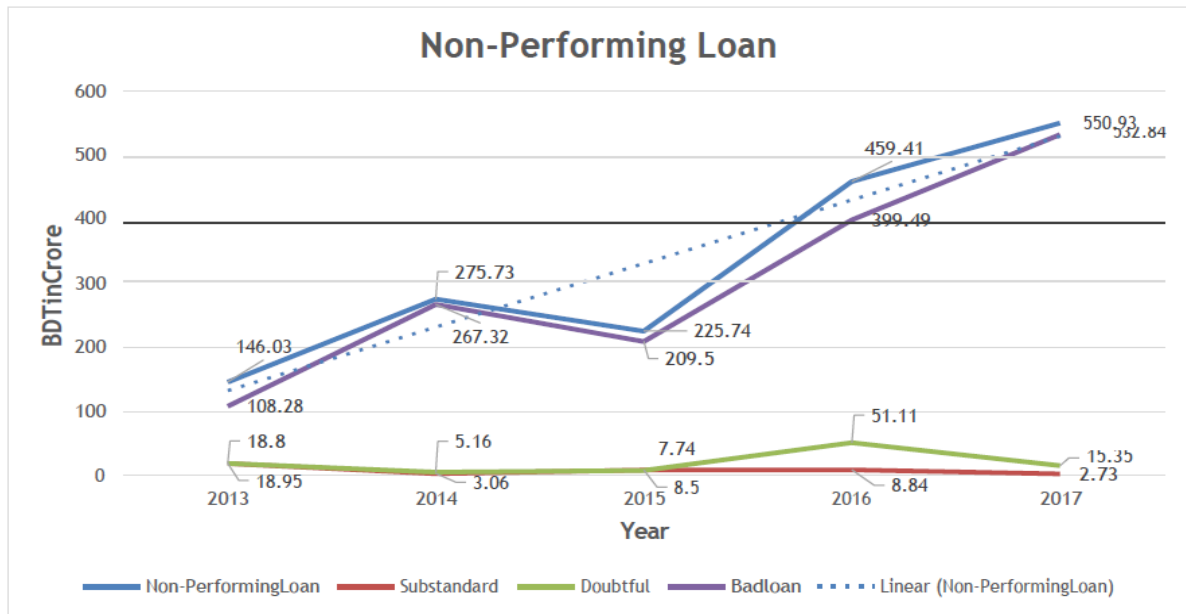


Fig: 6.2

In the time series analysis of sub-categories of NPL is showing bad-loan is the highest among others. Bad-loan is main reason of increase in NPL so, bank should focus on their bad loans.

### Loan Provision:

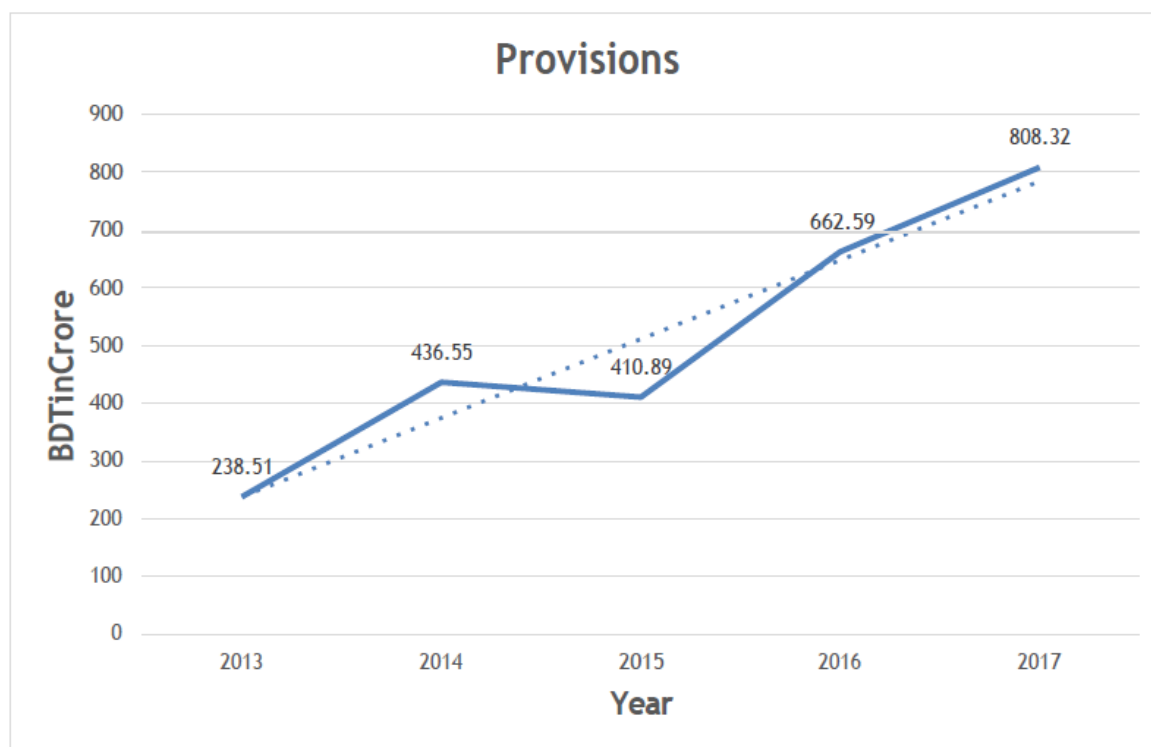
A loan provision is a cost put aside, as an allowance for uncollected loans and loan installments. This provision is utilized to cover various elements related with potential credit losses including badloans, client defaults and renegotiated terms of an advance that bring about lower than already evaluated installments.

Five years' data of loan provision of Exim Banks's are given below in a table:

| Year | Provisi<br>ons |
|------|----------------|
| 2013 | 238.51         |
| 2014 | 436.55         |
| 2015 | 410.89         |
| 2016 | 662.59         |
| 2017 | 808.32         |

**Table: 6.13**

From the collected data a time series analysis is done in the fig below:



*Fig: 5.3*

From 2013 to 2017 amount of provision is growing which will not give positive impact in the future, in 2015, amount of provision went down but in 2016 again the growth is increasing.

### **Qualitative Criteria**

The Investment (continuous, demand, and term Investment ) are classified by the bank whenever it has reason to believe the borrower may not be able to repay the investment due to change in the circumstances under which the Investment was originally sanctioned.

The investment is classified as sub-standard on the basis of qualitative judgment, if there is a possibility to change the present situation by taking appropriate steps, although there is a possibility to become loss of the Investment. When the Investments are categorized as sub-standard it means the repayment of Investment are irregular but has reasonable prospect of improvement. But if there is no possibility of recovery of investment after taking adequate steps, then the Investment is treated as doubtful.

But it is not possible to recover the Investment even after taking all out efforts then the investment is treated as bad/loss.

Recovery Units ensure that the followings are carried out when an account is classified as

Sub Standard or worse:

- Facilities are withdrawn or repayment is demanded as appropriate. Any drawings or Investment are restricted, and only approved after careful scrutiny and approval.
- CIB reporting is updated according to Bangladesh Bank Guidelines and the borrower's Risk Grade is changed as appropriate.
- Investment loss provisions are taken based on Forced Sale Value (FSV).
- Investments are only rescheduled in conjunction with the Large Investment Rescheduling guidelines of Bangladesh Bank. Any rescheduling is based on projected future cash flows and is strictly monitored.
- Prompt legal action is taken if the borrower is uncooperative.

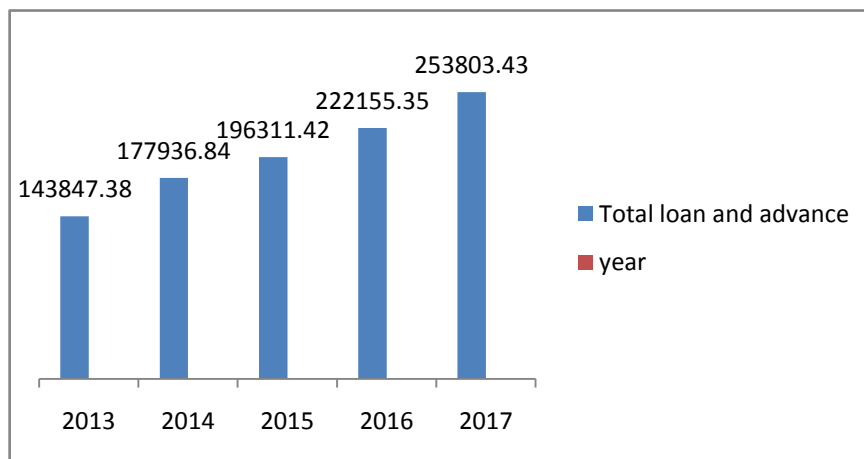
*Chapter-04*  
*Analysis Part of Exim Bank Limited*

#### 4.1 Loans and advance:

Exim Bank can enrich its investment without being affected of adverse conditions. The total amount of loans and advances of the year 2017 was stood 253803 million which was more than the previous four years and almost every year the loan and advance increases from the previous years.

**Table: Loan & advance of Exim Bank Limited from 2013 to year 2017      Amount in Million**

| Year                   | 2013      | 2014      | 2015      | 2016      | 2017      |
|------------------------|-----------|-----------|-----------|-----------|-----------|
| Total loan and advance | 143847.38 | 177936.84 | 196311.42 | 222155.35 | 253803.43 |



**Figure: Total loan & advance of Exim Bank Limited from year 2013 to year 2017**

Interpretation: From the above graph it can be seen that the loan and advance increased every year from 2013 to 2017 which was 143847 million to 253803 million. In the year 2015, 2016 and 2017 the loan and advance



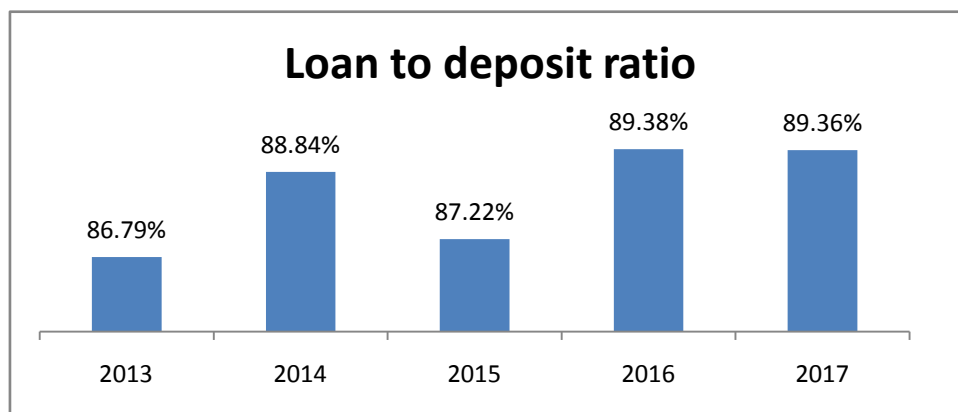
increased more than the year 2013 and 2014. If the trend of this year's exists longer, then it can be said that it is possible for Exim Bank it increase its condition.

#### 4.2 Loan to deposit ratio

The loan-to-deposit ratio is used to assess bank's liquidity by comparing a bank's total loan to its total deposits for the same period. This number is expressed as a percentage. If the ratio is too high, it means that the bank may not have enough liquidity to cover any unforeseen fund requirements. Conversely, if the ratio is too low, the bank may not be earning as much as it could be.

**Table: Loan to deposit ratio from year 2013 to year 2017** **Amount in million**

| Year                          | 2013      | 2014      | 2015      | 2016      | 2017      |
|-------------------------------|-----------|-----------|-----------|-----------|-----------|
| <b>Total loan and advance</b> | 143847.38 | 177936.84 | 196311.42 | 222155.35 | 253803.43 |
| <b>Total deposit</b>          | 165733.25 | 200294.38 | 225064.54 | 248540.44 | 284026.11 |
| <b>Loan to deposit</b>        | 86.79%    | 88.84%    | 87.22%    | 89.38%    | 89.36%    |



**Figure: Loan to deposit ratio from year 2013 to the year 2017**

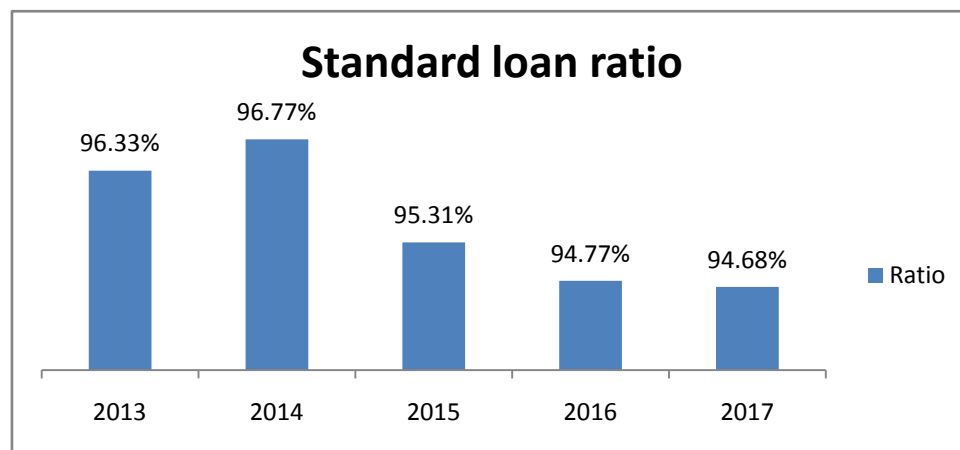
**Interpretation:** In the above figure and graph, it can be seen that the percentage of loan to deposit ratio. The ratio is expressed here in percentage terms. From 2013 to 2016 the ratio of loan to deposit increased from 86.79 to 89.38percentages. It implies the deposit increase over the year by 2.59%. But in 2017 loan and advance deposit ratio was 89.36%. A loan to deposit ratio must be 70%-75%. So the performance of the bank is good.

#### **4.3Performance analysis of Standard loan of Exim bank Limited**

Standard loan is an unclassified type of loan. The borrower of the type of loan re-pay the interest and installment in due date and no overdue occurred.

**Table: Standard loan of Exim Bank limited from 2013 to year 2017    Amount in million**

| <b>Year</b>                       | <b>2013</b> | <b>2014</b> | <b>2015</b> | <b>2016</b> | <b>2017</b> |
|-----------------------------------|-------------|-------------|-------------|-------------|-------------|
| Total loan and advance            | 143847.38   | 177936.84   | 196311.42   | 222155.35   | 253803.43   |
| Unclassified loan (Standard loan) | 138567.44   | 172193.12   | 187103.33   | 210530.90   | 240300.87   |
| Ratio                             | 96.33%      | 96.77%      | 95.31%      | 94.77%      | 94.68%      |



**Figure: Standard loan ratio of Exim Bank Limited from 2013 to year 2017**

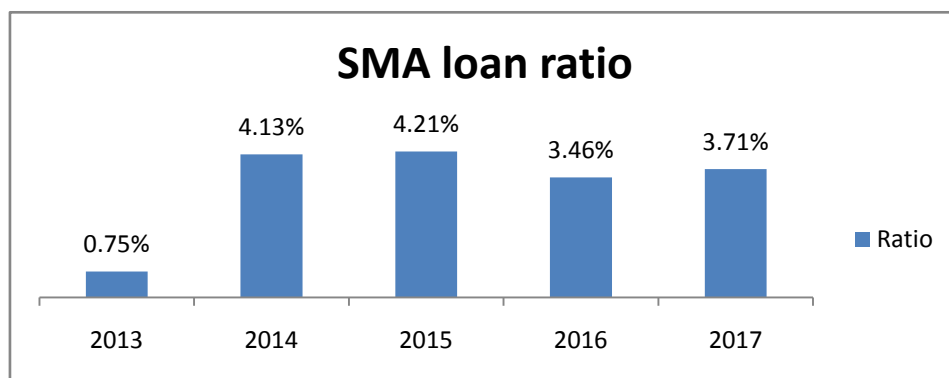
**Interpretation:** The graph shows the performance analysis of standard loan of the Exim bank from 2013 to 2017. In the above figure and graph it can be seen in the year 2015 ratio was 95.31% and in 2016 it was 94.77% and in 2017 it was 95.68%. Here the ratio of the loan decreased from 2015 to 2017 step by step. The highest ratio was in 2014 which was 96.77%. Decrease of standard loan is not a good sign for the bank.

**4.4 Performance analysis of SMA loan of Exim bank Limited**

Special mention accounts are those assets or accounts that show symptoms of bad asset quality in the first 90 days itself.

**Table: SMA loan of Exim Bank limited from 2013 to year 2017    Amount in million**

| Year                   | 2013      | 2014      | 2015      | 2016      | 2017      |
|------------------------|-----------|-----------|-----------|-----------|-----------|
| Total loan and advance | 143847.38 | 177936.84 | 196311.42 | 222155.35 | 253803.43 |
| SMA Loan               | 1078.76   | 7344.91   | 8267.86   | 7691.88   | 9409.93   |
| Ratio                  | 0.75%     | 4.13%     | 4.21%     | 3.46%     | 3.71%     |



**Figure: SMA loan ratio of Exim Bank Limited from 2013 to year 2017**

**Interpretation:** The graph shows the performance analysis of SMA loan of Exim bank limited from 2013 to 2017. From the above table and figure it can be easily identified that the year 2013 to 2017 the ratio of SMA loan was increasing. The highest rate was 4.21% in 2015 and the lowest rate was 0.75% in 2013. The amount was fluctuating from 2013 to 2017.

#### **4.5 Performance analysis of Sub-standard loan of Exim bank Limited**

Sub-standard loan is a classified loan. Repayment is irregular but has a reasonable prospect of improvement.

**Table: Sub-standard loan of Exim Bank limited from 2013 to year 2017 Amount in million**

| <b>Year</b>            | <b>2013</b> | <b>2014</b> | <b>2015</b> | <b>2016</b> | <b>2017</b> |
|------------------------|-------------|-------------|-------------|-------------|-------------|
| Total loan and advance | 143847.38   | 177936.84   | 196311.42   | 222155.35   | 253803.43   |
| Sub-standard loan      | 285.96      | 603.28      | 746.16      | 567.06      | 617.16      |
| Ratio                  | 0.20%       | 0.34%       | 0.38%       | 0.26%       | 0.24%       |

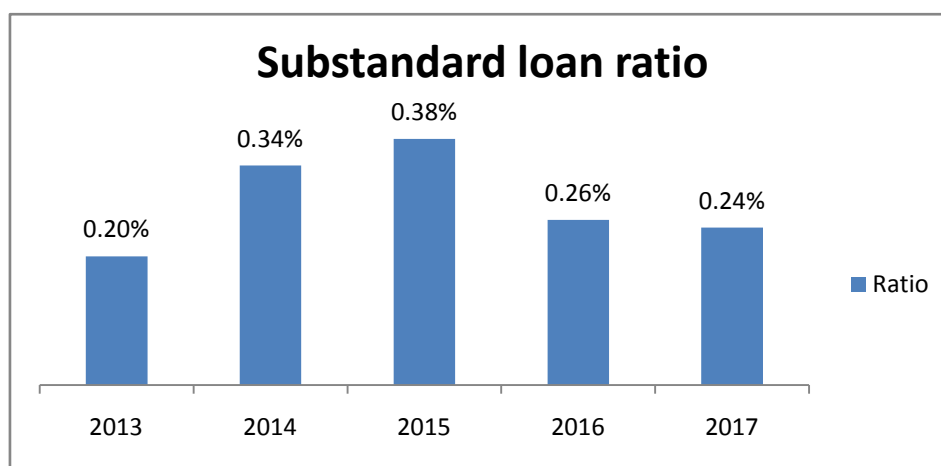


Figure: Sub-standard loan ratio of Exim Bank Limited from 2013 to year 2017

**Interpretation:** The graph shows the performance analysis of Sub-standard loan of the Exim bank from 2013 to 2017. From the table and graph it can be seen that the ratio and sub-standard loan in the year 2014 was 0.34% and in 2013 it was 0.20%, in 2015 it was the highest which was 0.38%. It can be seen that the ratio of the loan decreased 0.26% from the year 2015 to 2016, and in 2017 it decreased by 0.24%.

#### **4.6 Performance analysis of Doubtful loan of Exim bank Limited**

Doubtful debts are those debts which a business or individual is unlikely to be able to collect. A doubtful debt is an account receivable that might become a bad debt at some point in the future. One may not even be able to specifically identify which open invoice to a customer might be so classified.

**Table: Doubtful loan of Exim Bank limited from 2013 to year 2017      Amount in million**

| <b>Year</b>            | <b>2013</b> | <b>2014</b> | <b>2015</b> | <b>2016</b> | <b>2017</b> |
|------------------------|-------------|-------------|-------------|-------------|-------------|
| Total loan and advance | 143847.38   | 177936.84   | 196311.42   | 222155.35   | 253803.43   |
| Doubtful loan          | 198.45      | 312.04      | 828.55      | 666.45      | 459.58      |
| Ratio                  | 0.14%       | 0.18%       | 0.42%       | 0.30%       | 0.18%       |

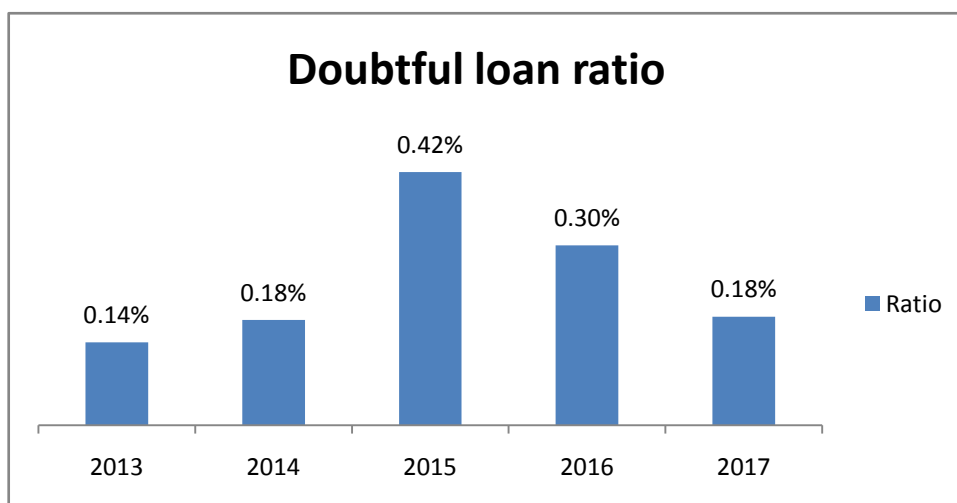


Figure: Doubtful loan ratio of Exim Bank Limited from 2013 to year 2017

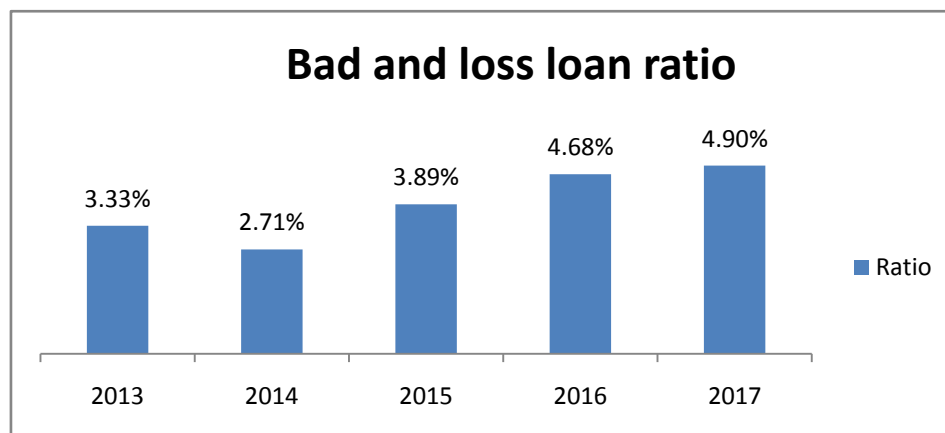
**Interpretation:** The graph shows the performance analysis of doubtful loan of the Exim bank from 2013 to 2017. From the above graph and table ratio of doubtful loan and advances it fluctuates from year 2013 to year 2017. The lowest ratio was 0.14% in the year 2013. The highest ratio was in 2015 which was 0.42%. As the ratio is increase sometime and decreasing sometime that means an unstable condition.

#### **4.7 Performance analysis of Bad and loss of Exim bank Limited**

Bad debt is a loss that a company incurs when credit that has been extended to permanent becomes worthless, either because the debtor is bankrupt, has financial problems or because it cannot be connected.

**Table: Standard loan of Exim Bank limited from 2013 to year 2017    Amount in million**

| <b>Year</b>            | <b>2013</b> | <b>2014</b> | <b>2015</b> | <b>2016</b> | <b>2017</b> |
|------------------------|-------------|-------------|-------------|-------------|-------------|
| Total loan and advance | 143847.38   | 177936.84   | 196311.42   | 222155.35   | 253803.43   |
| Bad & loss loan        | 4795.53     | 4828.39     | 7633.37     | 10390.94    | 12425.82    |
| Ratio                  | 3.33%       | 2.71%       | 3.89%       | 4.68%       | 4.90%       |



**Figure: Bad & loss loan ratio of Exim Bank Limited from 2013 to year 2017**

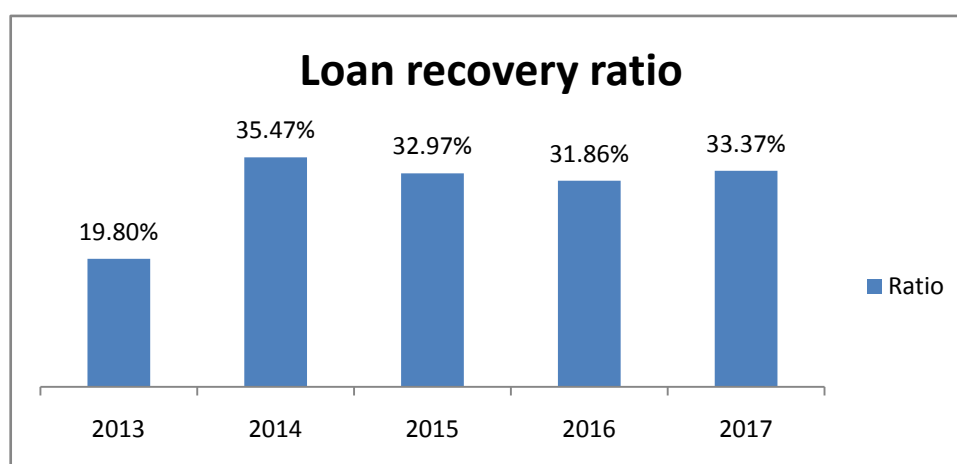
**Interpretation:** The graph shows the performance analysis of the bad and loss loan of the Exim bank from 2013 to 2017. From year 2013 to the 2014 the ratio was decrease 2.71%, but from the year 2014 to 2015 it increased by 3.89%. In the year 2017 it was 4.90%, which was the highest in comparison to other years.

#### **4.8 Performance analysis of loan recovery of Exim bank Limited**

Sources of the biggest bank of Bangladesh, said that it is the loan recovery rate that had been on a fast decline year on year at least over the last five years since 2013 as the bad borrowers took recourse to various plays.

**Table: Classification loan recovery of Exim Bank limited from 2013 to year 2017**  
Amount in million

| Year                      | 2013    | 2014    | 2015    | 2016     | 2017     |
|---------------------------|---------|---------|---------|----------|----------|
| Total Classification loan | 5279.94 | 5743.72 | 9208.09 | 11624.45 | 13502.56 |
| Recovery                  | 1045.37 | 2037.45 | 3035.45 | 3703.47  | 4505.75  |
| Ratio                     | 19.80%  | 35.47%  | 32.97%  | 31.86%   | 33.37%   |



**Figure: Classification loan recovery of Exim Bank Limited from 2013 to year 2017**

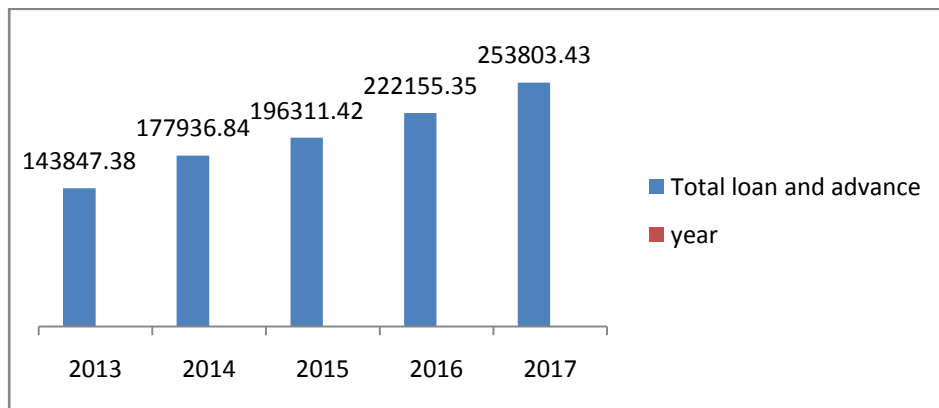
**Interpretation:** The graph shows the performance analysis of classification loan recovery of the Exim bank from 2013 to 2017. The classification loan's recovery ratio of Exim Bank Limited fluctuate from year 2013 to year 2017. From year 2013 to 2014 it increased by 35.47% and it decreased from 2014 to 2015 to 32.97%, which brought the rate deep down and after that the recovery rate not stood up which was 33.37% in the year 2017.

**4.9 Performance of economic sector wise loan and advance of Exim bank Limited:**

**Table: Economic Sector wise loan and advance Amount in million**

| Year         | 2013      | 2014      | 2015      | 2016      | 2017      |
|--------------|-----------|-----------|-----------|-----------|-----------|
| Government   | 3367.45   | 2790.78   | 3456.76   | 2346.88   | 2356.78   |
| Other public | 23900.56  | 24567.88  | 33645.87  | 56423.96  | 54956.77  |
| Private      | 116579.37 | 150578.18 | 159208.79 | 163384.57 | 196489.90 |
| Total        | 143847.38 | 177936.84 | 196311.42 | 222155.35 | 253803.43 |

| Year         | 2013    | 2014    | 2015    | 2016    | 2017    |
|--------------|---------|---------|---------|---------|---------|
| Government   | 2.34%   | 1.57%   | 1.76%   | 1.06%   | 0.93%   |
| Other public | 16.62%  | 13.81%  | 17.14%  | 25.40%  | 21.65%  |
| Private      | 81.04%  | 84.62%  | 81.10%  | 73.55%  | 77.42%  |
| Total        | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% |





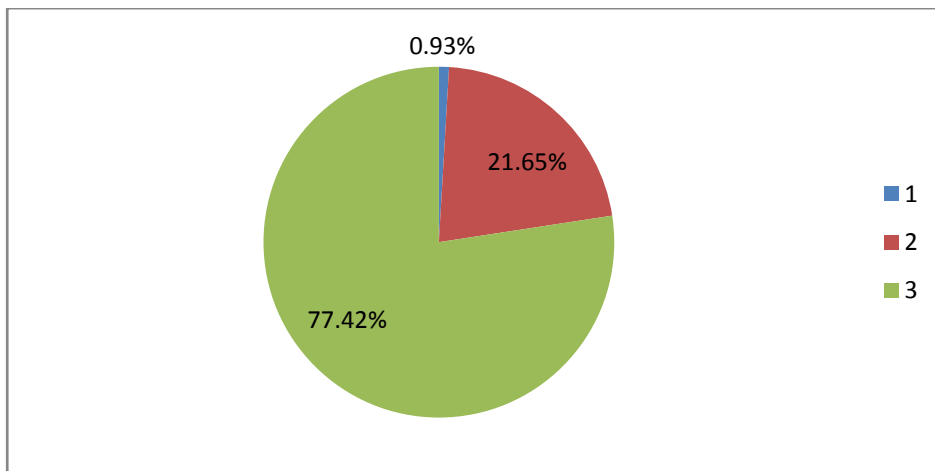
**Figure: Economic sector wise performance loan and advance of Exim Bank Limited from 2013 to year 2017**

**Economic Sector wise (credit) performance of Exim bank Limited:**

Financial year 2017, Exim Bank Limited invests their credit in three economic sectors during year 2017. Amount of investment ratio are given below:

**Table: Performance of economic sector wise performance of Exim Bank Limited of year 2017 Amount in million**

| Year(2017)   | Amount of Taka | Ratio   |
|--------------|----------------|---------|
| Government   | 2356.78        | 0.93%   |
| Other public | 54956.77       | 21.65%  |
| Private      | 196489.90      | 77.42%  |
| Total        | 253803.43      | 100.00% |



**Figure: Economic sector wise (credit) Investment of year 2017**

**Interpretation:** In the above pie chart it can be seen that Exim Bank Limited invest in different sectors during the year of 2017. In Government sector the amount was 2356.78 million taka and in public and private sector, it was respectively 54956.77 and 196489.90 million taka. The bank should invest its credit in the government sector because increasing of financial efficiency and a positive impact on the financial sector size particularly in lower income income economy, government plays a vital role.

***Chapter-05***  
***Findings, Recommendation & Conclusion***

## **5.1 Findings:**

Exim Bank is a large and lending commercial bank. On the basis of observation and interpretation, some positive and negative sides of the credit system of Exim bank are founded. After discussing and analyzing all the necessary things about the credit management of Exim Bank. Some findings of the study about credit risk management of Exim bank are disclosed.

- ✚ EXIM Bank Limited loan and advance was increasing gradually which was 253803.43 million in 2017 is much more than the previous four years. It indicates that the bank tries for better performance.
- ✚ Though the loan and advance was increasing, but the loan to deposit ratio of Exim Bank limited is decreasing gradually and the ratio was 86.79% in 2013 is the lowest in five years. That means the bank is bearing idle money, which is not progressive for the bank.
- ✚ The recent standard loan of Exim Bank Limited is good. The average standard loan ratio of five years from 2013 to 2017 was 95.57%.
- ✚ The percentage of SMA loan of Exim Bank was increasing over the five years. In the year 2013 it was 0.75%, but in 2017 it was 3.71%. It means the bank is increasing its SMA loan sector activity.
- ✚ The sub-standard loan ratio of Exim bank was in control over the five years from 2013 to 2017. In 2015 it was 0.38%, but it became 0.26% in 2016.
- ✚ The ratio of the doubtful loan was fluctuating over the year 2013 to 2017 and it also increasing gradually. It was 0.14% in 2013 and 0.18% in 2017. It shows the poor performance of the bank.
- ✚ The average of bad and loss loan over the five years was 3.90%. In 2017 it was 4.90%, the ratio was much more than the previous four years. It must be reduced.
- ✚ Exim Bank's loan recovery performance is not satisfactory. In 2017 it was only 33.37%, which is moderate than the previous four years.
- ✚ Though the government plays a vital role in the implement of lower income economy, but Exim bank invests only 0.93% in the government sector in 2017. The investment in the government sector must be increased.
- ✚ As the commercial bank of the country Exim Bank Limited work in so many socioeconomic activities of the country so the workload in all the branches is very high but the number of employees in the branches is very few.



## **5.2 Recommendation:**

Since this is an exploratory research, hence the recommendation given are not decisions rather they are only suggestions to improve the credit risk management system and minimize the default rate of credit.

- ✚ To increase the deposit to loan ratio Exim bank should make a committee who will continuously monitor the credit risk management system and take necessary steps for better performance.
- ✚ Exim bank can introduce some promotional activity to make awareness in people of the bank and it could also encourage the potential client for taking a loan from the bank.
- ✚ To update the standard loan Exim bank should introduce and improve information policy and should monitor that the rules of credit management are strictly followed.
- ✚ Exim bank should concentrate on SMA loan sector because it is decreasing.
- ✚ To reduce sub-standard loan Exim bank can develop more customized parameters for credit approval process under the general guideline of Bangladesh bank.
- ✚ For improving the doubtful loan's performance and stable business condition securities must be valued properly.
- ✚ To reduce the bad and loss loan, Exim bank should create pressure on to the client for timely repayment and take necessary legal action against willful loan defaulter.
- ✚ To recover the defaulted loan, the loan must be distributed in a different sector.
- ✚ For more economic development Exim bank limited should increase its investment in the government sector.
- ✚ Exim bank should recruit more employees for the branches so that better service can be given to the general customer.

### **5.3 Conclusion:**

Commercial banks face various types of problem while performing their functions. Most of the problem is related to loan and advance. Most disquieting features of financial intermediation in Bangladesh are all pervading default culture. It is shaping the health of the financial sector. The ratio of non-performing loan to a total loan given by the banking sector remains a serious concern.

Credit policy is an appropriate banking tool for the business world. The value of this service is huge. Like any other segment of the economic policy, credit is very important for any institutions as it generates profit and gear up the economic activities of the country. Since credit has an inherent risk there for proper utilization of loans is essential to meet the requirements of the borrower.

Exim bank limited is a 100% public owned commercial bank of the country, Exim Bank plays an important role in the banking sector as well as in socioeconomic activities of our country. Exim bank Ltd manages its risk and maintains a risk based on credit risk guideline and credit grading manual of Bangladesh bank.

As a bank Exim bank limited ha to do a lot of things for the advancement of the country. The bank is explosively positioned in the market and with its core strengths, it can match shareholders' expectations and thus raise their wealth in the future through ethical banking and best pricing.

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