

Internship Report
On
“INVESTMENT PERFORMANCE OF ISLAMI BANK BANGLADESH LTD
(IBBL)”

A Study on **ISLAMI BANK BANGLADESH LTD**
(IBBL), New Market Branch, Dhaka.





**Islami Bank
Bangladesh Limited**

A REPORT
On
**“Investment Performance of Islami Bank Bangladesh Limited
(IBBL)”**

A Study on **Islami Bank Bangladesh Limited (IBBL)**, New
Market Branch, Dhaka, Bangladesh

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31st October, 2018

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Subject: Submission of Internship Report

Dear Sir,

It's a great pleasure to submit internship report on “**Investment Performance of Islami Bank Bangladesh Ltd (IBBL)**” **A study on Islami Bank Bangladesh Ltd (IBBL)**. It was a great opportunity for to acquire knowledge and experience in respect of the functions, procedures and operational mechanism of banking sectors. It's believed that knowledge and experience gathered during internship period will immensely help in professional life. It has been concentrated best efforts to achieve the objectives of the practical orientation and hope that the endeavor will serve the purpose.

Therefore, hope your kind consideration.

Sincerely yours,

.....

Sampa Saha

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Acknowledgement

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It would be liked to express gratitude to the respected supervisor, Faculty of Business & Economics to help to work on real life activities.

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Chapter-1

Introduction

1.1 Introduction:

Banking plays an important role in the economy of any country. In Bangladesh Muslim holds the majority of the population. Though, no Islamic banking but only traditional banking system was developed here till 1983. However, interest is absolutely prohibited in Islam. The main aim of traditional banking is to earn profit by borrowing and lending money in exchange of interest. Various Islamic financial institutions, especially in Islamic countries offer various types of investment products that are free of Reba or interest. An Islamic investment fund is usually one in which a number of people pool their money and the money is in turn invested in an Islamic legal manner.

1.3 Objectives of the Study:

The report is mainly prepared to measure Investment Performance Analysis of Islami Bank Bangladesh Limited". In order to conduct study on this main issue, the following aspects also come within the span of the study:

Other Objectives are

- To have knowledge about the investment process of IBBL.
- To analyze the investment and its growth over the year.
- To analyze the Mode wise sector wise investment in amount & in percentage (%) as of total investment.
- To analyze the geographical location wise investment in amount & percentage (%) as of total investment.
- To analyze the recovery performance of IBBL.
- To find out the findings about IBBL.
- To recommend some suggestions for the findings.

1.4 Scopes of the Study:

Mode of investment is much talked in the financial literature of economic development. This topic includes a vast area of financial literature. However, this present study helped to understand this and covers the modes of investment procedures of Islamic Bank. This study is confined to only this bank than other conventional banks.

1.5 Methodology of the Study:

Primary sources:

- Formal conversation with officers
- Through a questionnaire.

Secondary sources:

- Annual report of IBBL.
- Various publications on bank.
- Website of IBBL Ltd.
- Website of Bangladesh bank.
- Different procedure manual published by IBBL.

1.6 Research Design:

This report is Explanatory in nature. It has been administered by collecting primary and secondary data. Face to face interview and online interview was the major primary source. Investment related Books and web sites were the major secondary source in this regard. This study has been conducted by collecting data from the period of three months. No Budget was fixed for this report except printing cost.

1.7 Limitations of the study:

The study mainly covers the Performance Analysis of investment of IBBL only.

- The major limitation faced in preparing this report was the sensitivity of the data. As it is a highly competitive market, if the margin information released to other competitors, it may have a negative impact on their business. Resultantly, in some cases management were reluctant to give some specific data.
- Confidentiality of data was another important barrier that confronted during the conduct of this study.

Every organization has their own secrecy that not revealed to others. While collecting data on IBBL, personnel did not disclose enough information for the sake of confidentiality of the organization.

Chapter-2

Organizational Profile

2.1 Introduction

Banking plays an important role in the economy of any country. In Bangladesh Muslim holds the majority of the population. Though, no Islamic banking but only traditional banking system was developed here till 1983. However, interest is absolutely prohibited in Islam. The main aim of traditional banking is to earn profit by borrowing and lending money in exchange of interest. As a result there is an unfair competition among the bankers and among the customers. The people of this country are profoundly committed to Islamic way of life as enshrined in the holy Qur'an and the Sunnah. Naturally, it remains deep in their hearts to fashion and design their economic lives in accordance with the precepts of Islam.

The establishment of Islami Bank Bangladesh Limited on March 13, 1983, is the true reflection of this inner urge of its people, which started functioning with erect from March 30, 1983. Now, a question may arise- “what is Islami Banking?” According to **OIC**- “Islamic bank is a financial institution whose status, rules and procedures expressly state its commitment to the principle of Islamic Shariah and to the banning of the receipt and payment of interest on any of its operations.”

2.2.1 Table 1: Corporate Profile at a Glance

Name	Islami Bank Bangladesh Limited
Date of Incorporation	13th March 1983
Starting Of 1st Branch	30th March 1983
L o c a l O f f i c e , D h a k a (t h e t h e n M a i n B r a n c h)	

Formal Inauguration	12th August 1983
Authorized Capital	Tk.20,000.00 million
Paid up Capital	Tk.16,099.91 million
S h a r e O f C a p i t a l	
a) Local Shareholders	32.49%
b) Foreign Shareholders	67.51%
Number of Zones	14
N u m b e r o f t h e B r a n c h e s (I n c l u d i n g SME/Agriculture Branches)	294
Equity	Tk.46,051.53 million(30.09.14)
Deposit	Tk. 551,330 million
Investment	Tk. 552,341 million
Foreign Exchange Business	Tk.702,154 million
Manpower	13,349
Number of Shareholders	61,657
Number of Shared ATM Booths	2,000

2.2.2 Branches of IBBL (Without SME/Agriculture Branches)

Table 2: Branches of Islami Bank in Various Districts in Bangladesh

Z o n e	N o . o f B r a n c h	N u m b e r o f B r a n c h
C o r p o r a t e B r a n c h		4
D h a k a C e n t r a l Z o n e	1	4
D h a k a S o u t h Z o n e	2	4
D h a k a N o r t h Z o n e	1	8
C h i t t a g o n g N o r t h Z o n e	1	6
C h i t t a g o n g S o u t h Z o n e	2	0
B o g r a Z o n e	1	4
K h u l n a Z o n e	2	3
C o m i l l a Z o n e	1	7
S y l h e t Z o n e	1	7
R a j s h a h i Z o n e	1	4
B a r i s a l Z o n e	1	9

M y m e n s i n g h Z o n e 1	9
N o a k h a l i Z o n e 1	7
R a n g p u r Z o n e 1	4

2.3 Objectives of Islamic Bank

The primary objective of establishing Islamic Bank all over the world is to promote, foster and develop the application of Islamic principles in the business sector. More specifically, the objectives of Islamic bank when viewed in the context of its role in the economy are listed as following:

- To offer contemporary financial services in conformity with Islamic Shariah.
- To contribute towards economic development and prosperity within the principles of Islamic justice
- Optimum allocation of scarce financial resources; and
- To help ensure equitable distribution of income.

Investment Modes:

- **BAI- Modes**
- Bai-Murabaha
- Bai-Muajjal
- Bai-Salam
- Bai-Istishna
- Bai-Asharf.
- **SHARE- Modes**
- Mudaraba
- Musharakah
- **IJARA-Modes**

- ATM Service
- Locker services.

Chapter-3

Theoretical Framework

3.1 Investment

Various Islamic financial institutions, especially in Islamic countries offer various types of investment products that are free of Riba or interest. An Islamic investment fund is usually one in which a number of people pool their money and the money is in turn invested in an Islamic legal manner. Definition of investment funds by the **Accounting and Auditing Organization of Islamic Financial Institutions (AAOIFI)** is- “Funds are investment vehicles, which are financially independent of the institutions that establish them. Funds take the form of equal participating shares/units, which represent the shareholders’/unit holders’ share of the assets, and entitlement to profits or losses. The funds are managed on the basis of either Mudaraba or agency contract.”

Investment is the action of deploying funds with the intention and expectation that they will earn a positive return for the owner (Broking ton 1986, p.68). When resources are used for purchasing fixed and current assets in a production process or for a trading purpose, then it can be termed as real investment. On the other hand, the purchase of a legal right to receive income in the form of capital gains or dividends would be indicative of financial investments.

In other words,

Investment is the action of Deploying Funds with the intention and expectation that they will earn a positive return for the owner. Funds may be invested in either real assets or financial assets. When resources are spent to purchase fixed and current assets for use in a production process or for a trading purpose, the investment is in real assets, for example, the establishment of a factory or the purchase of raw materials and machineries for production purposes. On the other hand, the purchase of a legal right to receive income in the form of capital gains or dividends would be indicative of financial investment. Specific example of financial investment is deposits of money in a bank account, the purchase of Mudaraba bonds.

3.3.1. Partnership or ‘Share’ Mechanism

- Musharaka
- Mudaraba

3.3.2. Trading or ‘Bai’ Mechanism

- Bai- Murabaha
- Bai- Muajjal
- Bai-Salam
- Bai- Istisna

3.3.3. Leasing or Ijara Mechanism

- HPSM (Commercial)
- HPSM (Industrial)
- HPSM (Agriculture)
- HPSM (Transport)

The descriptions are given in bellow:

3.3.1. Partnership or ‘Share’ Mechanism

➤ **Mudaraba Mode of Investment:**

- ❖ **The Results of Mudaraba**
- ❖ **Payment of Mudaraba Capital**
- ❖ **Distribution of wealth resulting from Mudaraba**

Important Features of Mudaraba:

- ❖ Capital must be specific
- ❖ Capital must be in currency
- ❖ Capital is not a liability debt on Mudarib

- ❖ Shahib-al- mal cannot take part in business directly but may supervise the business
- ❖ Mudarib is not entitled to wages/salary but may get actual expenses incurred
- ❖ Profit must be shared as per agreed ratio
- ❖ Loss must be borne by the owner of the capital
- ❖ Profit and loss is ascertained after expiry of contract period
- ❖ Shahib-al-mal loses its capital and Mudalib loses his labour in case of actual loss incurred in the business.

Types of Mudaraba Mode:

MudarabaMutlak:It is one kind of Mudaraba contact where nature of business, location, time and boundary are not fixed. The Mudarib can enjoy the freedom of taking decision in any business related works in order to safe guard the business.

MudarabaMuquyadah: It is one kind of Mudaraba contact where nature of business, location, time and boundary are pre-specified. In this contract, the Mudarib is bound to run the business exactly according to agreement.

➤ Musharaka Mode of Investment:

(Profit and loss sharing Mode)

The word ‘Musharaka’ is derived from Arabic word ‘Sharika’ meaning partnership. It is an agreement under which bank provides capital which are mingled with the funds of the business enterprise and others. All the providers of capital are entitled to participate in the management but not necessarily required to do so. The profit is distributed among the partners in pre-determined ratio, while the loss is born by each partner in proportion to his contribution.

Important Features of Musharaka:

- ❖ Capital should be specific
- ❖ Equal share is not must

- ❖ Nature of capital may be money or valuable
- ❖ Active participation of the partners
- ❖ Business record is to be maintained
- ❖ Profit is shared as per agreed ratio

Bai-Salam mode of investment:

The term 'Bai' and the 'Salam' have been derive from Arabic words 'Bai' and 'Salam'. The word 'Bai' means purchase and sale and the word 'Salam' means advance. 'Bai-salam' means advance sale and purchase.

Bai-Salam may be defined as a contract between a buyer and a seller under which the seller sells in advance certain goods permissible under Islamic Shariah and the Law of the country to the buyer at an agreed price payable on execution of the said contract and commodities are delivered as per specification, size, quality, quantity at a future time in a particular place.

Important Features of Bai-Istisna:

1. Istisna'a is an exceptional mode of investment allowed by Islami Shariah in which product (s) can be sold without having the same in existence. If the products are ready for sale, Istisna's is not allowed in Shariah.
2. It facilitate the manufacturer sometimes to get the price of the goods in advance, which he may use as capital for producing the goods.
3. It gives the buyer opportunity to pay the price in some future dates or buy installments.
4. It is a binding contract and no party is allowed to cancel the Istisna'a contract after the price is paid and receive in full or in part or the manufacturer starts the work.

3.3.3. Leasing or Ijara Mechanism

➤ Hire Purchase under Shirkatul Melk (HPSM) mode of Investment:

Hire Purchase under ShirkatulMelk is a special type of contract which has been developed through practice. Actually, it is a synthesis of three contracts: Shirkat, Ijara and Sale.

Shirkatul means partnership ShirkatulMelk means share in ownership. When two or more persons supply equity, purchase an asset, own the same jointly, and share the benefit as per agreement and bear the loss in proportion to their respective equity, the contract is called ShirkatulMelk contract.

Stages of Hire Purchase under ShirkatulMeelk:

Hire Purchase under ShirkatulMelk agreement has got three stages:

- ❖ Purchase under joint ownership
- ❖ Hire and
- ❖ Sale and transfer of ownership to the other partner Hirer.

3.3.3.3 Sale: It is a contract under which the ownership of certain asset is transferred by the seller to the buyer against agreed upon price to be paid by the buyer.

Thus, in Hire Purchase under ShirkatulMelk mode of Investment both the Bank and the client supply equity in equal or unequal proportion for purchase on asset like land, building, machinery, transport etc. Purchase the asset with that equity money, own the same jointly share the benefit as per agreement and bear the loss in proportion to their respective equity. The share, part or portion of the asset owned by the Bank is hired out to the client partner for a fixed rent per unit of time for a fixed period. Lastly the Bank sells and transfers the ownership of its share to the client against payment of price fixed for that either gradually part by part or in lump sum within the period or after the expiry of the hire agreement.

3.4 Investment Process of IBBL

Generally a bank takes certain steps to deliver its proposed investment to the client. But the process takes deep analysis. Because banks invest depositors fund, not banks' own fund. If the bank fails to meet depositors demand, then it must collapse. So, each bank should take strong concentration on investment proposal. However, Islami Bank Bangladesh Limited (IBBL) makes its investment decision through successfully passing the following crucial steps:

3.4.1 Application stage

At this stage, the bank will collect necessary information about the prospective client. For this reason, bank informs the prospective client to provide and/or fill duly respective information which is crucial for the initiation of investment proposal. Generally, here, all the required documents for taking investment have to prepare by the client himself. Documents that are necessary for getting investment of IBBL are prescribed here:

- Trade License photocopy (for proprietorship).
- Abridged pro forma income statement.
- Attested copy of partnership deed (for partnership business).
- Prior three (03) years' audited balance sheet (for joint stock Company).
- Attested copy of the Memorandum of Association (MOA) & Articles of Association (AOA) for the joint stock company.
- Attested copy of the Tax Identification Number (TIN) - including final assessment.
- Tenders of the proposed assets (in case of HPSM).
- Detailed summary of the sundry debtors and creditors (including both time & schedule).
- Summary of the personal movable & immovable assets and others.

3.4.2. Document stage

At this stage, usually the bank analyses whether required documents are in order. In the documentation stage, Islami Bank Bangladesh Limited (IBBL) checks the following documents of the client:

- ❖ Tax Payment Certificate.
- ❖ Stock Report.
- ❖ Trade License (renewal).
- ❖ VAT certificate
- ❖ Liability statement from different parties.
- ❖ Receivable from different clients.
- ❖ Other assets statement.
- ❖ Three (03) years net income & business transactions.
- ❖ Performance report with the bank.
- ❖ Account Statement Form of the bank.
- ❖ Valuation Certificate
- ❖ Particulars of the Proposal.
- ❖ Particulars of the Mortgagor.
- ❖ Particulars of the Properties.
- ❖ Outstanding liability position of the bank.
- ❖ CIB (Credit Information Bureau) Report.

3.4.4 Selection of the client

First of all, client approaches to any of the branches of Islami Bank Bangladesh Limited (IBBL). Then, he talks with the manager or respective officer (Investment).

Secondly, bank considers five C's of the client. After successful completion of the discussion between the client and the bank, bank selects the client for its proposed investment. It is to be noted that the client/customer must agree with the bank's rules &

regulations before availing investment. Generally, bank analyses the following **five C's** of the client:

- **Character**
- **Capacity**
- **Capital**
- **Collateral**
- **Condition**

3.4.5 Sanctioning stage

At this stage, the bank officially approves the investment proposal of the respective client. In this case client receives bank's sanction letter. Islami Bank Bangladesh Limited (IBBL)'s sanction letter contains the following elements:

- ❖ **Investment Limit in million.**
- ❖ **Mode & amount of investment.**
- ❖ **Purpose of investment.**
- ❖ **Period of investment.**
- ❖ **Rate of return.**
- ❖ **Securities:**

1.Primary-Stock of goods is the primary security.

- a. LC/Bills: Related Documents.
- b. Murabaha Post Investment (MPI)/Bai-Murabaha: Pledge of MPI/Bai-Murabaha goods.
- c. MPI/Bai-Murabaha-TR: Lien on goods to be released.

2. Cash/Goods-

- a. Bai-Murabaha: 25% cash security on cost price to be subsequently converted to goods security.
- b. TR (Trust Receipt): Without cash security.

3. Collateral: Immovable properties.

4. Cash/Goods security: In allowing Murabaha investment and amount of cash security is generally realized from the client (amount depends on the nature of goods, creditworthiness of the client, collateral security obtained etc.) which is converted to goods security after purchase of goods purchased out of bank's investment and client's cash security is pledged to the bank, kept under bank's custody before its delivery to the client on payment.

Example: If, for a Murabaha investment cash security is fixed at 25% Bank's investment stands at 75% on the total goods purchased. For example, if cost of total goods purchased is Tk.100000 Bank's investment will be Tk.75000 and client's cash security will be Tk.25000.

3.5.10 Urban Poor Development Scheme (UPDS):

As Islami Bank Bangladesh Limited established with a view to develop welfare oriented banking system and to ensure equity and justice in the field of all economic activities, the Board of Directors in its emergent meeting held on 19.02.2012 approved a new Scheme under the name & style of “**Urban Poor Development Scheme (UPDS)**”. The Scheme will have major two types of activities like financial activities as well as social activities (in the areas of education, health, environment etc.). Financial activities will be divided into two parts:

1. Investment on income generating activities for marginal poor from Bank fund.
2. Investment on income generating activities for hardcore poor from charity like Zakat, Sadaqa of any other charity fund like cash waqf of the Bank at no cost or at low rate of profit.

Objectives

1. To alleviate urban poverty through Investment in income generating activities
2. To improve the livelihood of urban poor specially the slum dwellers
3. To improve the Health, sanitation & education status of urban poor
4. Help to improve the environment of the poor

Chapter-4

Analysis and Findings

4.1 Overall Investment Scenario of IBBL

The general Investment position in million and in percentage (%) of IBBL is given below-

4.1.1 Year Wise Investment

Y e a r	2 0 1 1	2 0 1 2	2 0 1 3	2 0 1 4	2 0 1 5
Total Investment (In Million Taka)	2 6 3 , 2 2 5	3 0 5 , 8 4 0	3 7 2 , 9 2 0	4 0 3 , 1 9 4	4 6 3 , 4 7 5
G r o w t h r a t e	2 4 %	1 6 . 2 0 %	2 1 . 9 3 %	8 . 1 2 %	1 4 . 9 5 %

Table 3: Total investments& Growth rate: 2011-2015

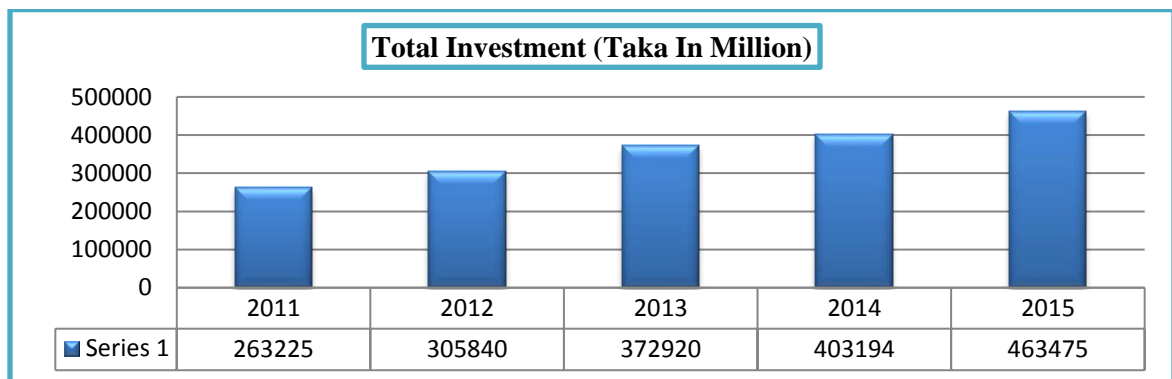


Figure: Total investments: 2011-2015

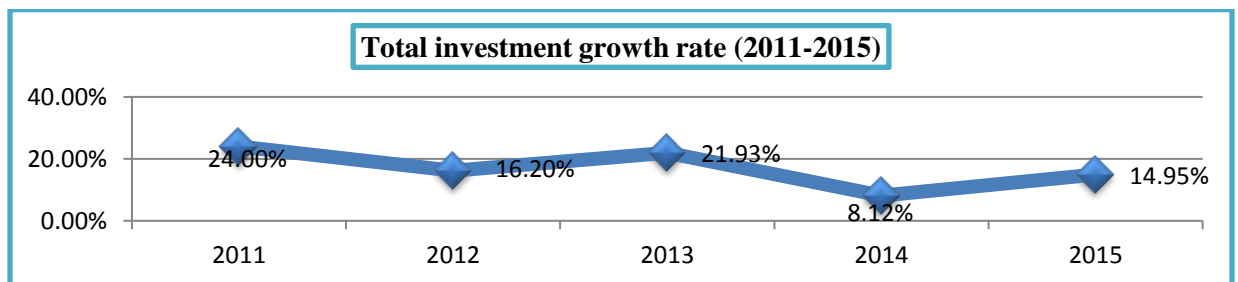


Figure: Investment growth rate: 2011-2015

Interpretation: As stated in the above graph, the amount of the disbursed investment in different sectors reached BDT 463475 million as on 2014 based on Annual report 2014. The report further stated that, Investment in the different sectors achieved 24% growth in 2010 following 2011-2014 the growth of investments decreased & the overall Investment growth rate was minimum in the year 2013 due to different reasons, like- political unrest,

and share-market fluctuation. However, the Investment growth rate increased in 2014 than the previous years. By diversifying the Investment sector properly IBBL can gain higher Growth rate & profit margin.

4.1.2 Year wise deposit of IBBL:

Deposit is the “life blood” of a bank. Bank has given utmost importance in mobilization of deposits introducing a few popular and innovative schemes. Bank collects deposit at lower profit and makes investment at a higher profit. Therefore, in analyzing the investment activities of IBBL is important to know the deposit performance of the bank.

(Million in Taka)

Y e a r	2 0 1 1	2 0 1 2	2 0 1 3	2 0 1 4	2 0 1 5
Amount of Deposit (Taka in Million)	2 9 1 , 9 3 7	3 4 1 , 8 5 3	4 1 7 , 8 4 4	4 7 2 , 1 2 1	5 5 9 , 7 1 3
Growth Rate	1 9 . 5 0 %	1 7 . 1 0 %	2 2 . 2 2 %	1 3 %	1 8 . 5 5 %

Table 4: Amount of deposits & growth rate: 2011-2015

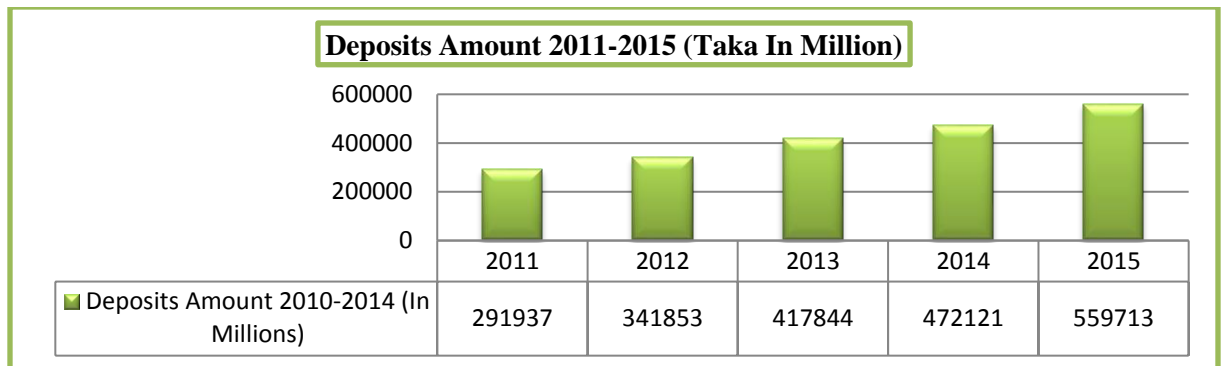


Figure: Total deposits: 2011-2015

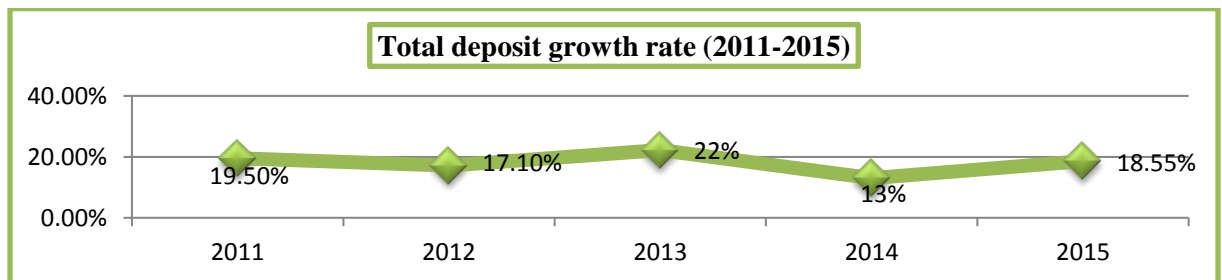


Figure: Total Deposits growth rate: 2011-2015

Interpretation: Above graph shows that the Year wise deposit of IBBL has been gradually increased. From the above, it has been seen that the lowest deposit was in 2010, BDT 291937 million and highest amount was in 2014, BDT 559713 million. Growth had been grown very slowly from 2010 to 2012. But, it has been decreased rapidly in the year 2013. But in 2014 it increased from 13% to 18.55%.

4.1.3 Investment to Deposit (ID) Ratio:

Here we are going to describe investment to deposit ratio. We can calculate investment to deposit ratio as

$$\text{Investment to deposit ratio} = (\text{Total Investment} / \text{Total Deposit}) * 100$$

Investment to Deposit Ratio

Investment to deposit ratio measures the portion of deposit used for investment in loan products. The more the ratio the more the bank is using its deposit as investment.

Y	e	a	r	R	a	t	i	o	
2	0	1	1	9	0	.	1	7	%
2	0	1	2	8	9	.	4	7	%
2	0	1	3	8	9	.	2	4	%
2	0	1	4	8	5	.	4	0	%
2	0	1	5	8	2	.	8	1	%

Table 5: Investment Deposit (ID) Ratio

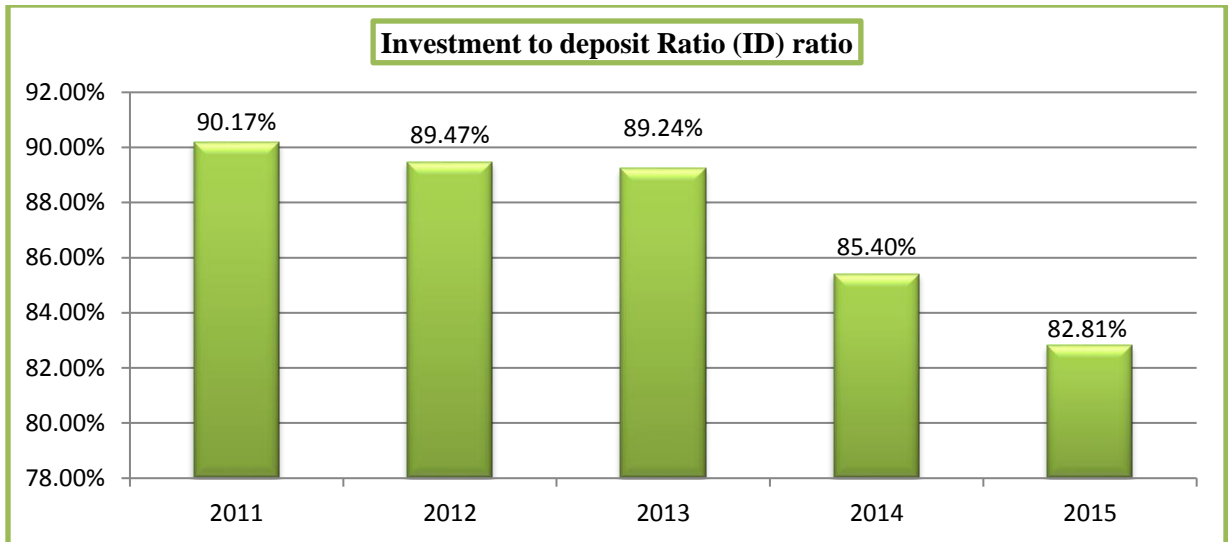


Figure: Investment Deposit (ID) Ratio 2011-2015

Interpretation: The graph shows that investment to deposit ratio of Islami Bank Bangladesh Limited consistently decreased over the year. Higher investment to deposit ratio is 90.17% in the year 2011. And the lowest ratio is 82.81% in the year 2015. The year 2015 shows good sign as it is less than 90%, but the year 2011,2012& 2013 shows negative sign for the bank because it is almost 90%.

4.2 Mode Wise Investment

Here two (2) of the table shows the different mode wise investment of the last 5 years in amount (in millions) and in percentage (%) of total investment.

(Million in

Taka)

Y e a r	2 0 1 1	2 0 1 2	2 0 1 3	2 0 1 4	2 0 1 5
B a i - M u r a b a h a	1 4 3 , 6 4 2	1 7 5 , 5 1 1	2 1 3 , 7 4 1	2 2 3 , 2 4 3	2 5 3 , 9 1 6
B a i - M u a z z a l	9 , 4 1 2	1 3 , 1 8 5	1 7 , 8 0 6	2 4 , 0 5 2	2 9 , 7 9 7
Hire-Purchase Under ShirkatulMelk	7 9 , 7 2 6	8 9 , 0 7 0	9 3 , 4 9 5	9 5 , 4 8 1	1 0 3 , 9 4 0

M u d a r a b a	1,5005	89,938	0	3,000
Q u a r d	4,1015	,6148	,91213	,66915,478
O t h e r s	24,875	22,402	29,029	18,75527,624

Table 6: Mode wise investments in amount (2011-2015)

Y e a r	2 0 1 1	2 0 1 2	2 0 1 3	2 0 1 4	2 0 1 5
Bai-Murabaha	54.57%	57.93%	57.31%	60%	58.54%
Bai- Muazzal	3.58%	4.31%	4.77%	6.41%	7%
Hire-Purchase Under ShirkatulMelk	30.30%	29.12%	25.07%	25.45%	24%
M u d a r a b a	0.57%	0.02%	2.66%	-	0.69%
Q u a r d	1.56%	1.84%	2.40%	3.64%	3.57%
O t h e r s	9.44%	7.32%	7.78%	5%	6.37%

Table 7: Mode wise investments in Percentage (%) from 2011-2015

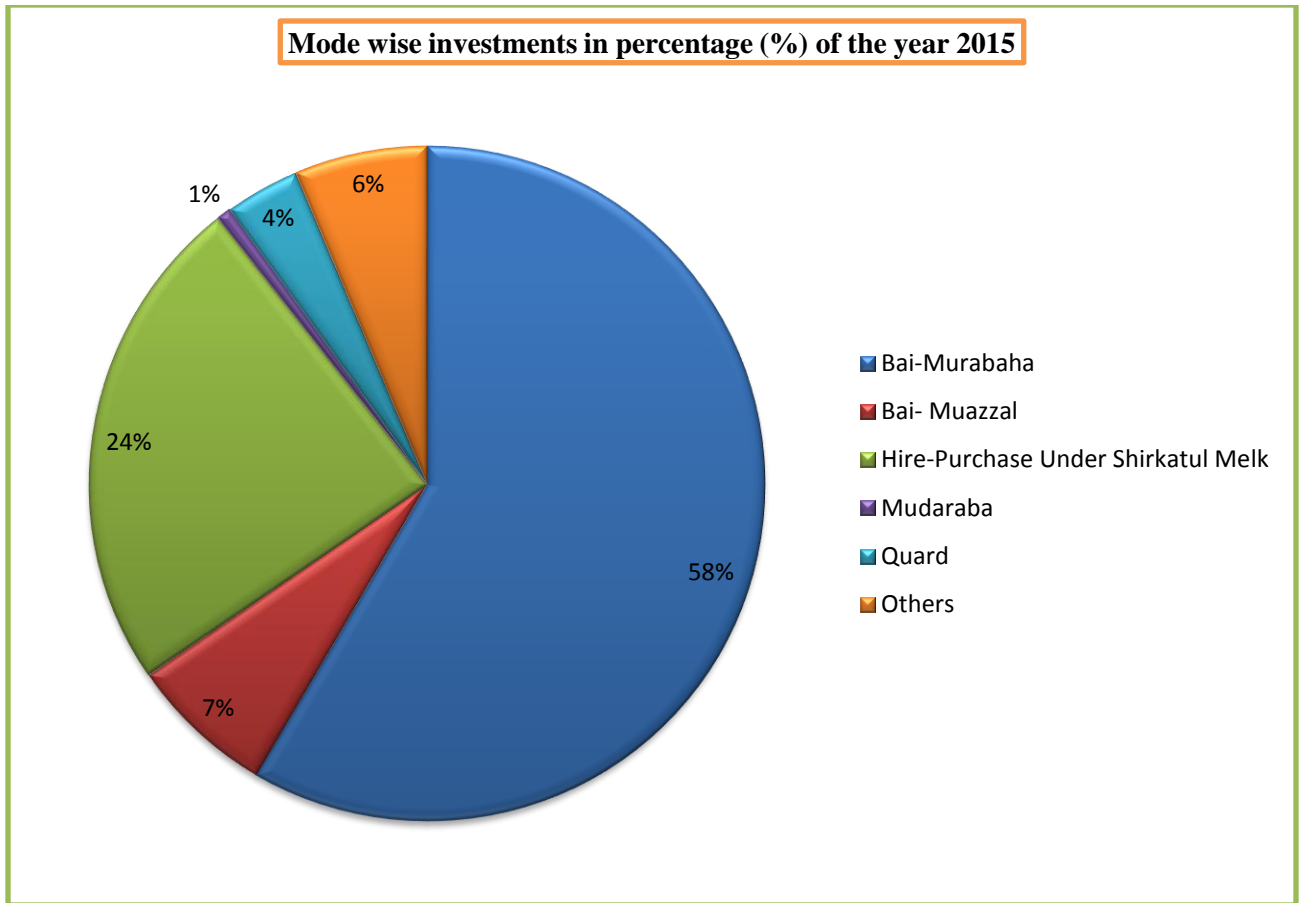


Figure:Mode wise investments in percentage (%) of the year 2015

Interpretation: IBBL invest their maximum amount in the mode of Bai-Murabaha from 2011 to 2015 and from the year 2011 to 2012 bank invest their lowest amount in the mode of Mudaraba. In 2011 they invest the lowest portion in Mudaraba mode. In 2014 they didn't invested any amount in Mudarabamode and in 2015 they invest a little amount in Mudaraba mode. Total investment in 2015 was BDT 463,475 million.

4.2.1 Trend Analysis:

4.2.1.1: Bai-Murabaha: The following table shows the Bai-Murabaha mode wise investment of the year 2011-2015 in amount (in million) and in percentage (%) of total investment.

Bai-Murabaha	2	0	1	1	2	0	1	2	2	0	1	3	2	0	1	4	2	0	1	5
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In Amount (millions)	143,642	175,511	213,741	223,243	253,916
In Percentage (%)	54.57%	57.93%	57.31%	60%	58.54%

Table 8: Bai-Murabaha mode wise investments in amount and in percentage(2011-2015)

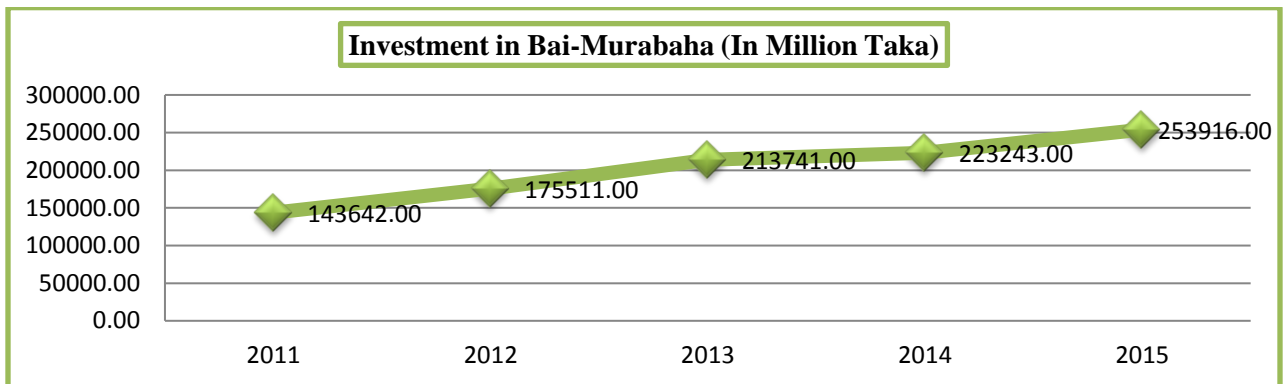


Figure: Bai-Murabaha mode wise investments in amount (2011-2015)

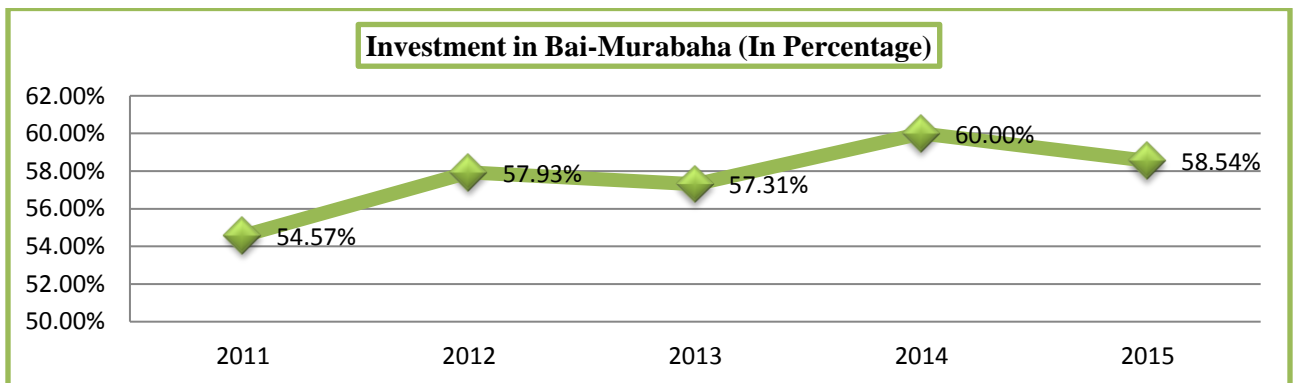


Figure: Bai-Murabaha mode wise investments in percentage (%) (2011-2015)

Interpretation: IBBL invest their maximum amount in the mode of Bai-Murabaha from 2011 to 2015. In 2011 the invested amount was 143642 million and in percentage it was 54.57% of total investment. In 2015 the invested amount was 253916 million and in percentage it was 58.54% of total investment. But the percentage of investment in Bai-Murabaha mode was fluctuating over the year.

4.2.1.2: Hire Purchase under ShirkatulMelk (HPSM): The following table shows the HPSM mode wise investment of the year 2011-2015 in amount (in millions) and in percentage (%) of total investment.

Hire-Purchase under ShirkatulMelk	2 0 1 1	2 0 1 2	2 0 1 3	2 0 1 4	2 0 1 5
In Amount (millions)	79,726	89,070	93,495	95,481	103,940
In Percentage (%)	30.30%	29.12%	25.07%	25.45%	24.00%

Table 9: HPSM mode wise investments in amount and in percentage(2011-2015)

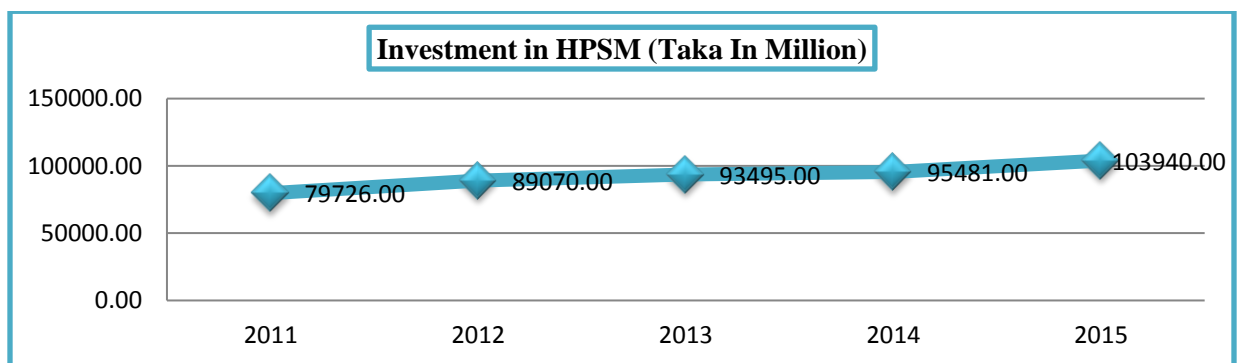


Figure: HPSM mode wise investments in amount (2011-2015)

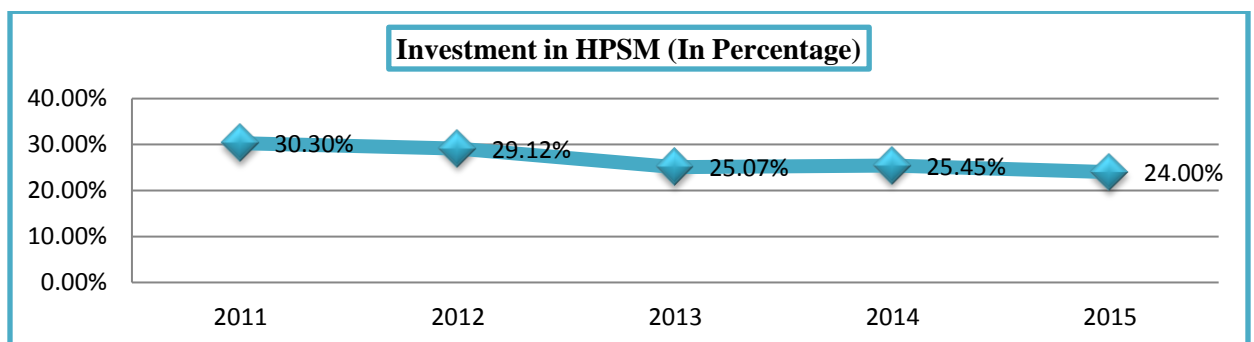


Figure: HPSM mode wise investments in percentage(2011-2015)

Interpretation: IBBL also invest in HPSM mode from 2010-2014. In 2011 the invested amount was 79726 million and in 2015 it was 103940 which in increased by 24214 million. But in percentage the trend is downward. Though the investment increased in amount but in percentage (%) it is not increased.

4.3 Sector Wise Investment:

Here two (2) of the table shows the Sectors wise investment of the last 5 years in amount (in millions) and in percentage (%) to the total investment.

(Millionin Taka)

S e c t o r s	2 0 1 1	2 0 1 2	2 0 1 3	2 0 1 4	2 0 1 5
Industrial (excluding industrial portion of SME)	1 1 3 , 9 7 9	1 2 2 , 2 7 0	1 0 4 , 9 7 5	5 2 , 8 6 1	7 7 , 5 5 8
C o m m e r c i a l	4 6 , 1 4 2	3 8 , 2 3 4	3 2 , 3 2 4	1 2 5 , 7 8 8	1 2 9 , 5 4 4
R e a l E s t a t e	1 1 , 3 3 6	1 6 , 9 6 6	2 1 , 7 5 4	2 7 , 1 2 6	3 7 , 6 8 0
Agriculture (including investment in Fertilizer & Agriculture Implements)	1 4 , 2 5 2	2 0 , 9 2 3	1 9 , 6 5 8	2 0 , 3 8 5	1 1 , 1 3 1
T r a n s p o r t	4 , 5 8 3	6 , 4 5 7	6 , 4 4 9	6 , 6 9 7	6 , 4 3 5
S M E	7 2 , 9 3 3	1 0 0 , 9 9 1	1 7 6 , 1 0 7	1 7 0 , 3 5 6	2 0 1 , 1 2 7
T o t a l	2 6 3 , 2 2 5	3 0 5 , 8 4 1	3 7 2 , 9 2 1	4 0 3 , 1 9 5	4 6 3 , 4 7 5

Table 10: Sector wise Investments (taka in million)

(% to total

Investment)

S e c t o r s	2 0 1 1	2 0 1 2	2 0 1 3	2 0 1 4	2 0 1 5
Industrial (excluding industrial portion of SME)	4 3 . 3 0 %	3 9 . 9 8 %	2 8 . 1 5 %	1 3 %	1 7 %
C o m m e r c i a l	1 7 . 5 3 %	1 2 . 5 0 %	8 . 6 7 %	3 1 %	2 8 %
R e a l E s t a t e	4 . 3 1 %	5 . 5 5 %	5 . 8 3 %	7 %	8 %
Agriculture (including investment in Fertilizer & Agriculture Implements)	5 . 4 1 %	6 . 8 4 %	5 . 2 7 %	5 %	3 %
T r a n s p o r t	1 . 7 4 %	2 . 1 1 %	1 . 7 3 %	2 %	1 %
S M E	2 7 . 7 1 %	3 3 . 0 2 %	4 7 . 2 2 %	4 2 %	4 3 %
T o t a l	1 0 0 %	1 0 0 %	1 0 0 %	1 0 0 %	1 0 0 %

Table 11: Sector wise Investments in Percentage (%)

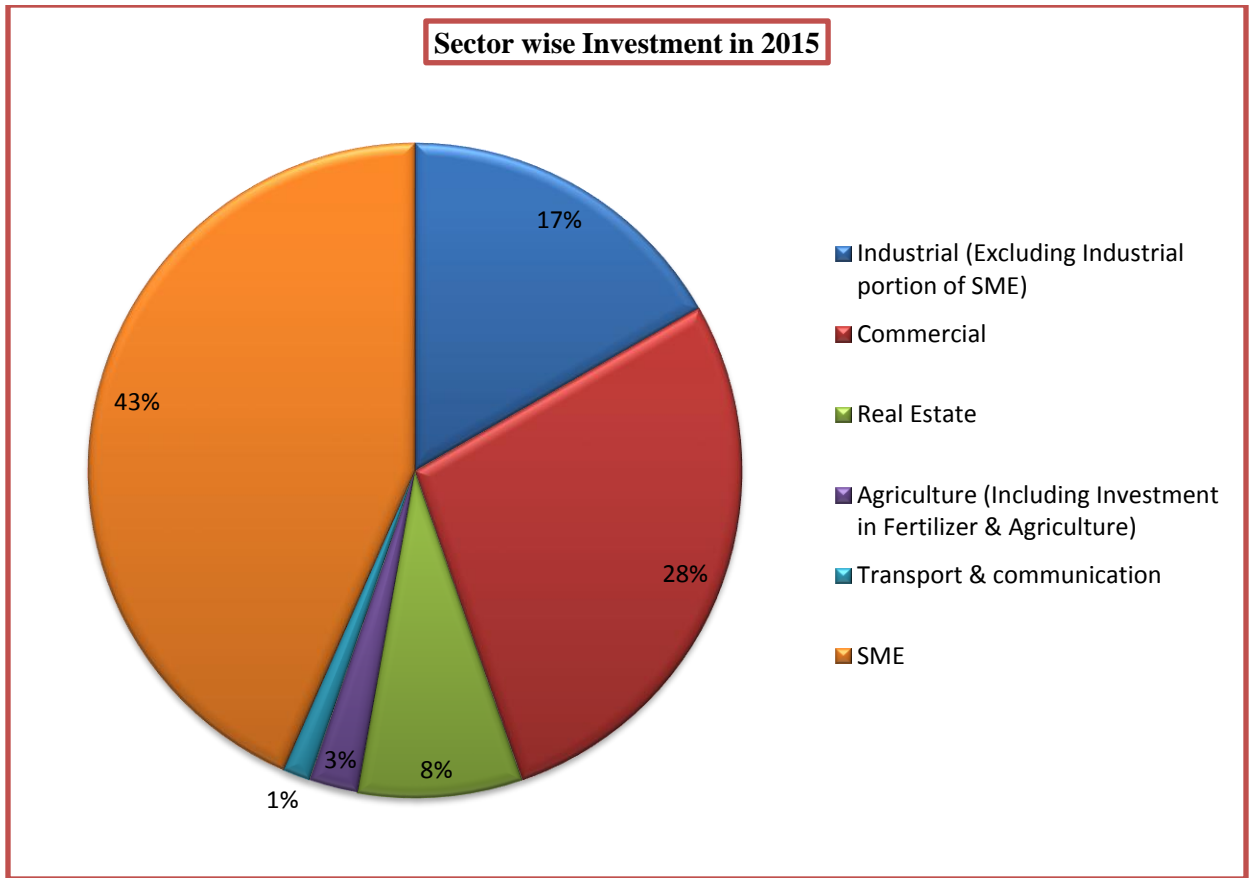


Figure:Sector wise Investment in different of 2015

Interpretation:As found in the table, IBBL disbursed more in SME Finance and over the last 3 year it had been maintaining the largest portion of its portfolio, and the next concentrated area was Commercial Sectors. They invested large portion of amount on this sector & then invested higher amount at industrial sector over the first 2 years 2011 & 2012. After that they reduce their investment amount in this sector. They should invest more in this sector. They should also invest more in Transport, Real Estate & agriculture sector for earning more profits over the years.

4.3.1 Trend analysis:

4.3.1.1 Trend analysis of Industrial Sector:

Industrial Sector (Excluding SME)	2011	2012	2013	2014	2015
In Millions	113,979	122,270	104,975	52,861	77,558
In Percentage (%)	43.30%	39.98%	28.15%	13%	17%

Table 12: Investments in Industrial Sector in amount (in million) & in Percentage (%)

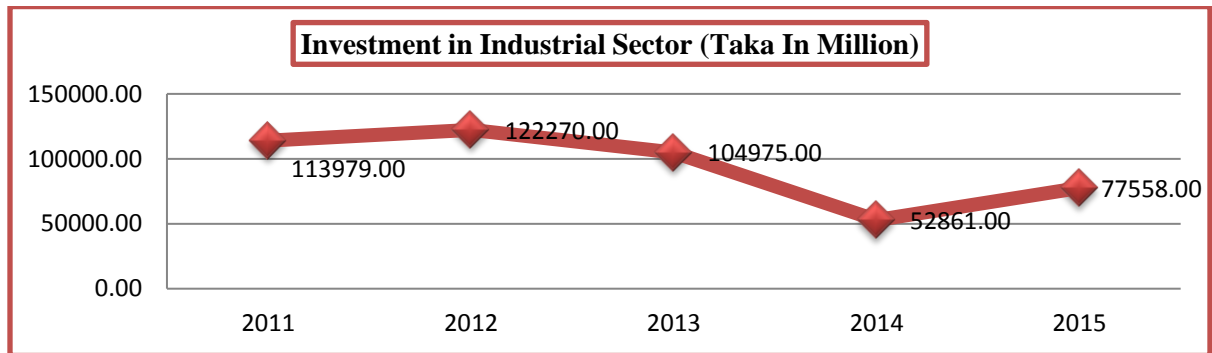


Figure: Investments in Industrial Sector in amount (in million)

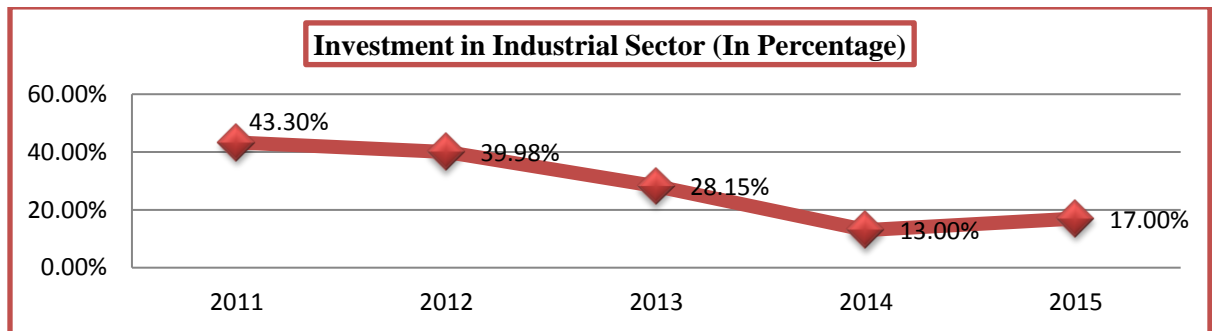


Figure: Investments in Industrial Sector in Percentage (%)

Interpretation: The above graph shows the investment in Industrial sector in amount and in percentage to the total Investment. In amount the curve is downward from the year 2011 to 2014 on the other hand, in percentage it also downward. In 2015 the invested amount increase in 77,558 million and in percentage it was 17% which is increased by 4% from the previous year.

4.3.1.2 Trend analysis of Commercial Sector:

Commercial Sector	2 0 1 1	2 0 1 2	2 0 1 3	2 0 1 4	2 0 1 5
In millions	4 6 , 1 4 2	3 8 , 2 3 4	3 2 , 3 2 4	1 2 5 , 7 8 8	1 2 9 , 5 4 4
In percentage (%)	1 7 . 5 3 %	1 2 . 5 0 %	8 . 6 7 %	3 1 %	2 8 %

Table 13: Investments in Commercial Sector in amount (in million) & in Percentage (%)

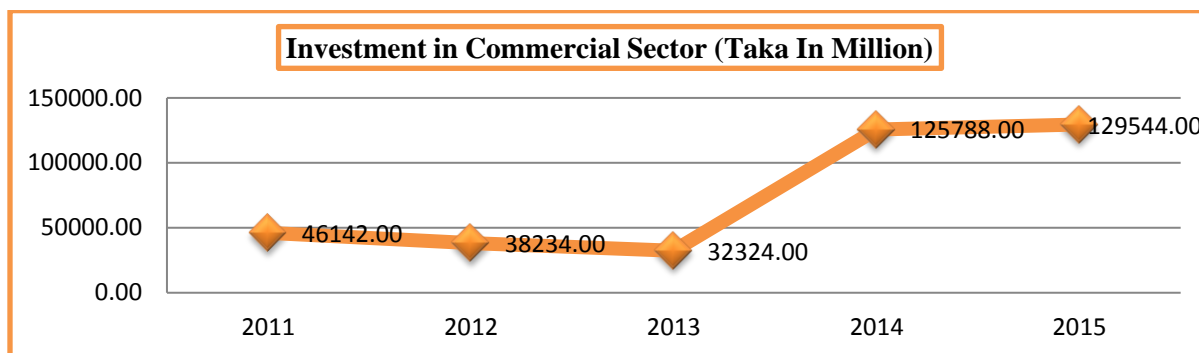


Figure: Investments in Commercial Sector in amount (in million)

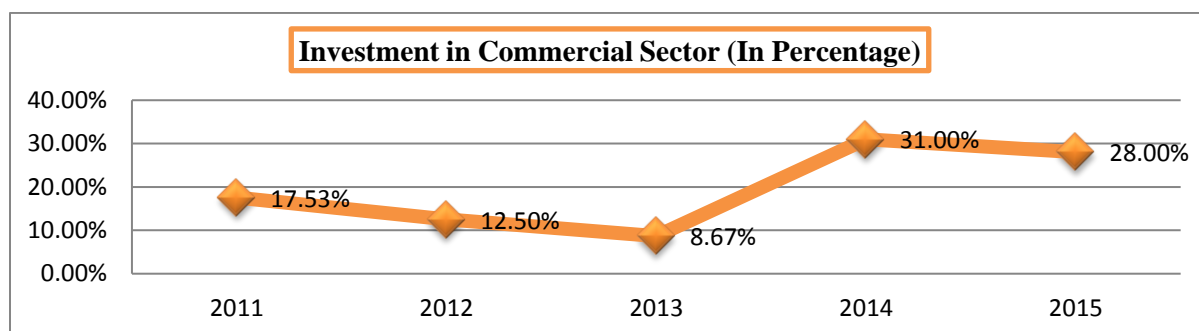


Figure: Investments in Commercial Sector in Percentage (%)

Interpretation: The above graph shows the investment in Commercial sector in amount and in percentage (%) to the total Investment. In amount the curve is downward from the year 2011 to 2013, after that the curve was upward. On the other hand, in percentage it also downward from the year 2011 to 2013, after that the curve was upward. In 2015 the invested amount increase in 129,544 million and in percentage it was 28% which is decreased by 3% from the previous year in this sector.

4.3.1.3 Trend analysis of SME Sector:

SME Sector	2 0 1 1	2 0 1 2	2 0 1 3	2 0 1 4	2 0 1 5
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In millions	7 2 , 9 3 3	1 0 0 , 9 9 1	1 7 6 , 1 0 7	1 7 0 , 3 5 6	2 0 1 , 1 2 7
In Percentage (%)	2 7 . 7 1 %	3 3 . 0 2 %	4 7 . 2 2 %	4 2 %	4 3 %

Table 14: Investments in SME Sector in amount (in million) & in Percentage (%)

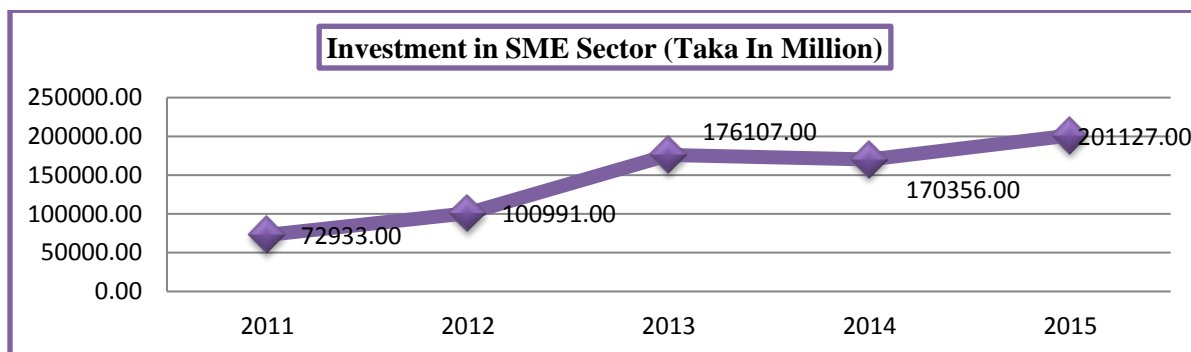


Figure: Investments in SME Sector in amount (in million)

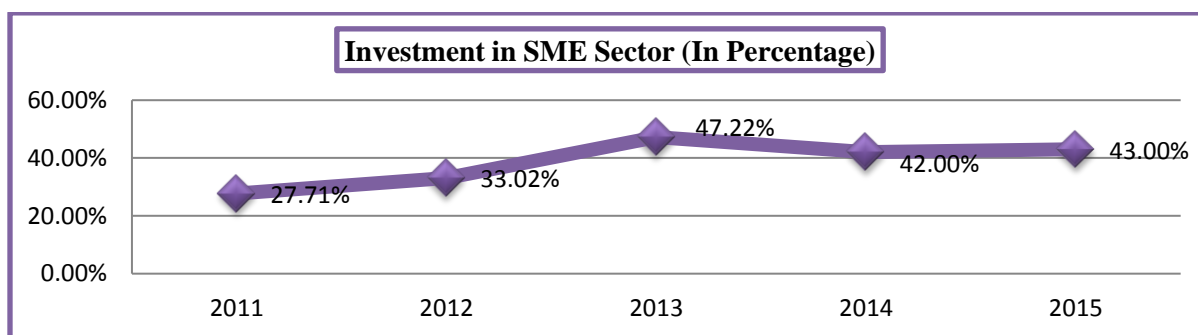


Figure: Investments in SME Sector in Percentage (%)

Interpretation: The above graph shows the investment in SME sector in amount and in percentage (%) to the total Investment. In amount the curve is upward from the year 2011 to 2015. On the other hand, the percentage is also upward from the year 2011 to 2013. In the year 2014 the investment in this sector decreases in amount and in percentage also. But in 2015 the investment also increased by 1% from the previous year in this sector.

4.4 Geographical Location wise Investment:

The statistics of last 5 years (2011- 2015) is shown in the table amount figure in millions to total investment in Geographical Location:

(Million in Taka)

D i v i s i o n s	2 0 1 1	2 0 1 2	2 0 1 3	2 0 1 4	2 0 1 5
D h a k a	171,219	183,456	213,608	235,306	272,135
C h i t t a g o n g	47664	61,255	81,072	82,622	92,698
K h u l n a	20,047	26,656	31,511	27,662	29,491
R a j s h a h i	13,667	12,989	28,304	33,602	40,518
B a r i s a l	1,657	2,774	3,729	4,963	6,194
S y l h e t	5,192	5,867	7,160	8,298	9,364
R a n g p u r	3,775	12,840	7,532	10,739	13,072

Table 15: Geographical Location wise Investments in million

The statistics of last 5 years (2011- 2015) is shown in the table amount figure in percentage (%) to total investment in Geographical Location:

(% to total Investment)

D i v i s i o n s	2 0 1 1	2 0 1 2	2 0 1 3	2 0 1 4	2 0 1 5
D h a k a	65%	60%	57%	58%	59%
C h i t t a g o n g	18%	20%	22%	21%	20%
K h u l n a	8%	9%	8%	7%	6%
R a j s h a h i	5%	4%	8%	8%	9%
B a r i s a l	1%	1%	1%	1%	1%
S y l h e t	2%	2%	2%	2%	2%
R a n g p u r	1%	4%	2%	3%	3%

Table 16: Geographical Location wise Investments in Percentage (%)

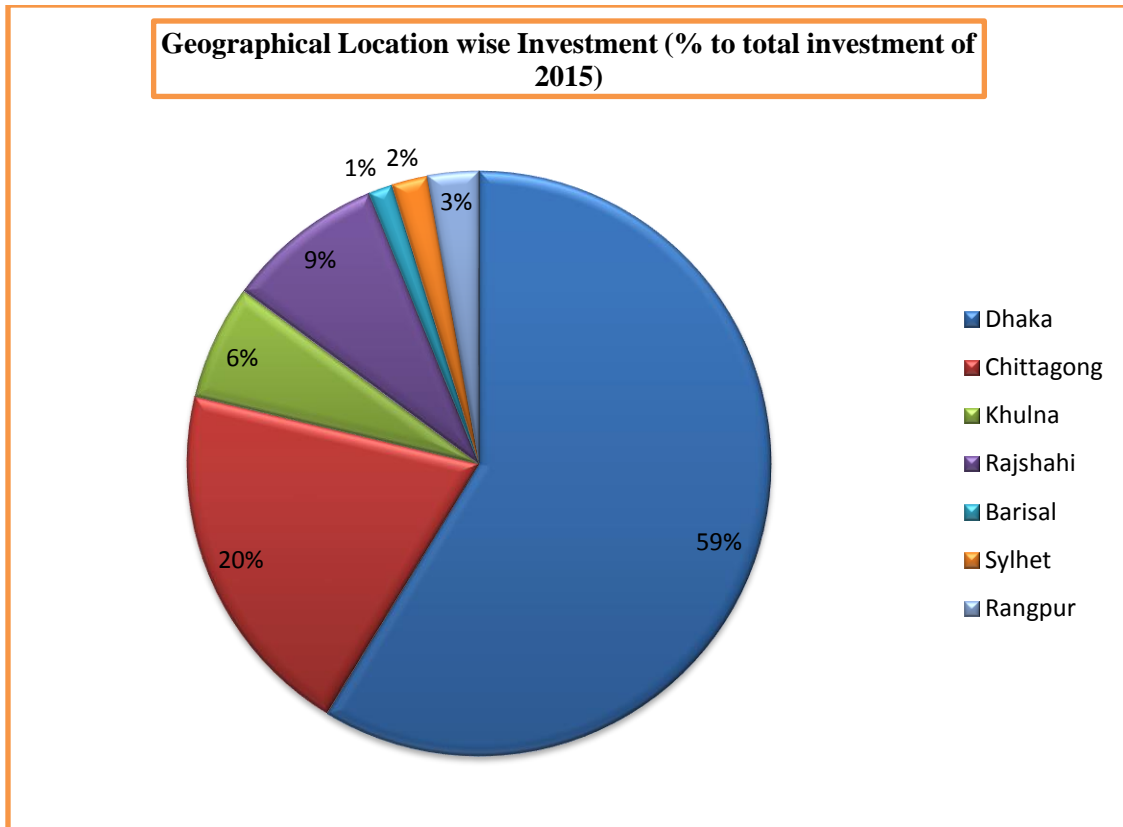


Figure: Geographical Location wise Investment (% to total investment of 2015)

Interpretation: This graph shows the Geographical Location wise Investment of 2015. The highest investment was in Dhaka Division by 59% and the lowest investment was in Barisal Division by 1%. The investment amount in Khulna, Rajshahi, Sylhet & Rangpur was not at satisfactory level. The bank should increase the investment in those region and they should diversify the investment through that region to earn more profit.

4.4.1 Trend analysis

4.4.1.1 Trend analysis of Dhaka region:

Year	Dhaka	In Millions	In Percentage (%)
2011	1171	171219	5%
2012	2183	183456	0%
2013	3213	213608	7%
2014	4235	235306	8%
2015	5272	272135	9%

Table 17: Investments in Dhaka in amount (million) & in Percentage (%)

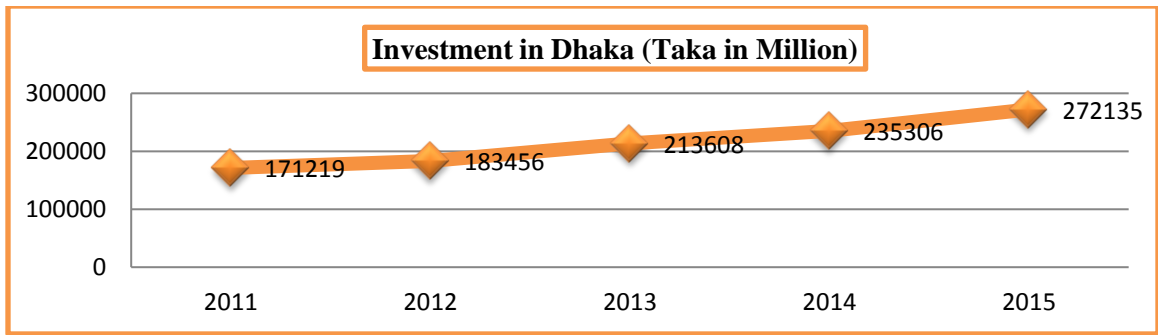


Figure: Investments in Dhaka in amount (million)

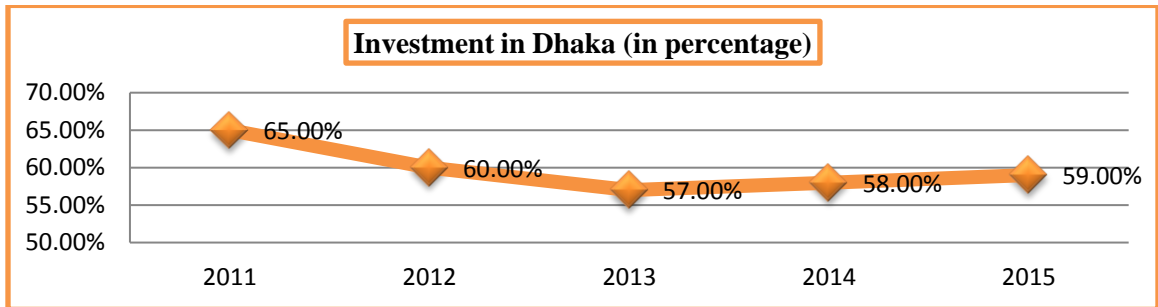


Figure: Investments in Dhaka in Percentage (%)

Interpretation: This graph shows the Geographical Location (Dhaka) wise Investment of 2011-2015. The highest investment was in Dhaka Division by 59% in 2015 whether it was 65% in 2011. Though the investment in Dhaka region was increased over the year but in percentage it was almost parallel since 2013 to 2015.

4.4.1.2 Trend analysis of Chittagong region:

Year	Investment in Millions	In Percentage (%)
2011	147,664	8%
2012	261,225	0%
2013	381,072	2%
2014	482,622	1%
2015	592,698	0%

Table 18: Investments in Chittagong in amount (million) & in Percentage (%)

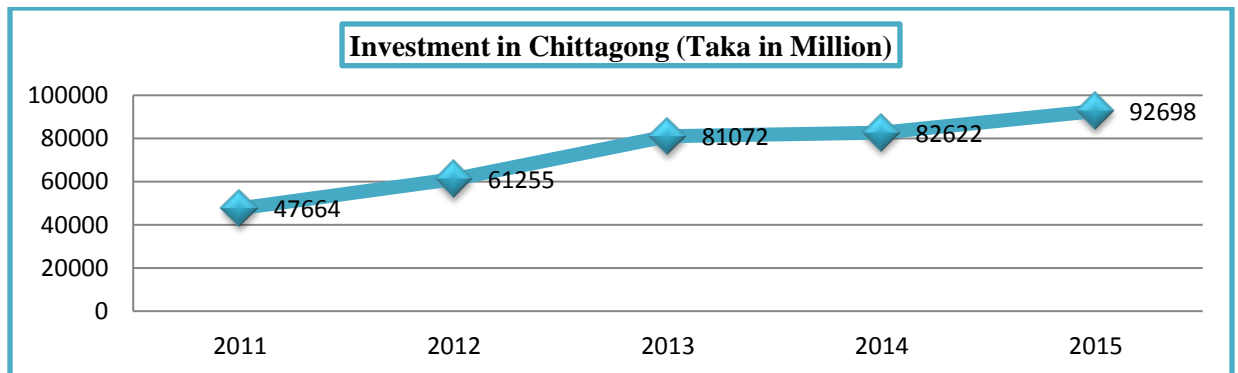


Figure: Investments in Chittagong in amount (million)

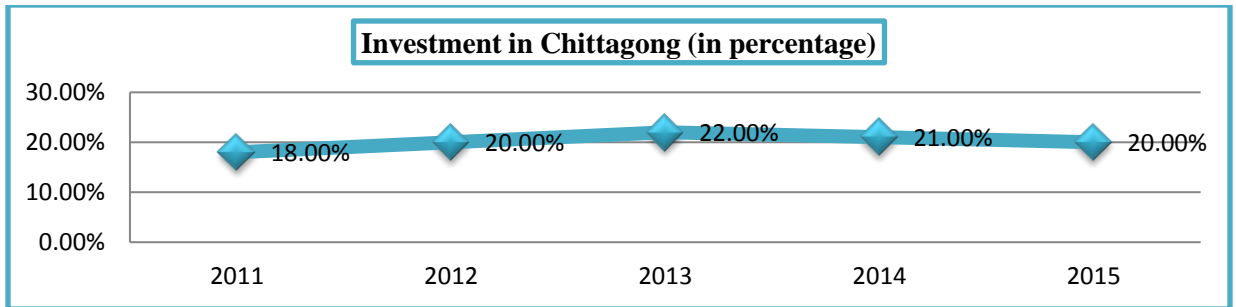


Figure: Investments in Chittagong in Percentage (%)

Interpretation: This graph shows the Geographical Location (Chittagong) wise Investment of 2011-2015. The 2nd highest investment was in Chittagong division by 20% in 2015 whether it was 18% in 2011. Though the investment in Chittagong region was increased over the year but in percentage it was almost parallel since 2011 to 2015. There was not a biggest change in percentage.

4.5 Trend of Investment income

The following table Investment Income from Total Investment of IBBL.

Y e a r	2 0 1 1	2 0 1 2	2 0 1 3	2 0 1 4	2 0 1 5
Invest income (in million)	1 0 , 2 9 4	1 3 , 6 1 8	1 7 , 8 0 1	1 7 , 2 4 5	1 8 , 5 1 7
G r o w t h	2 4 %	3 2 %	3 1 %	- 3 %	7 %

Table 19: Investment income & its Growth over the last five years

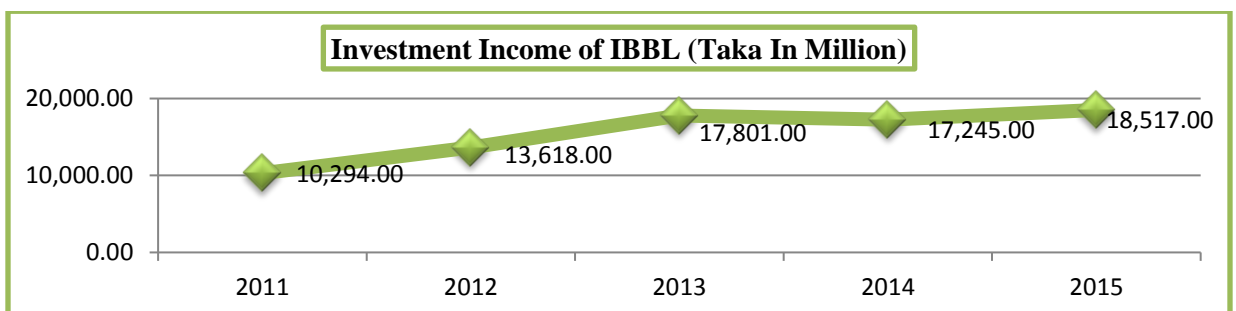


Figure: Investment income over the last five years

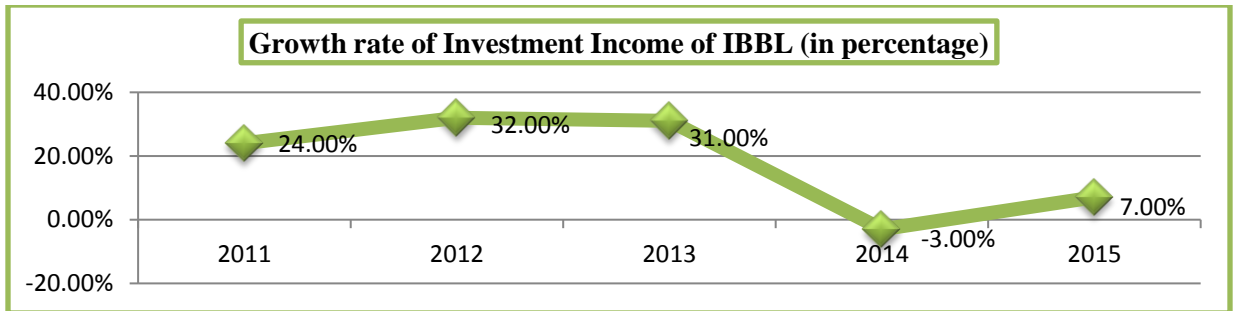


Figure: Growth rate of Investment income over the last five years (in percentage)

Interpretation: The graph shows the investment income from the year 2011 to 2015. In the year 2014 the income was minimum rather than the year 2013 & 2015 because of political unrest and other economic recession. Though the curve is upward in amount of investment income but in percentage (%) there was a negative profit in 2015. But in 2015 there was a positive profit but the rate was not at satisfactory level

4.6 Trend of Percentage of Classified of total Investment

(Million in Taka)

Y e a r	2 0 1 1	2 0 1 2	2 0 1 3	2 0 1 4	2 0 1 5
Total Classified Investment	4 , 6 5 4 8	8 , 2 9 0 1	4 , 2 1 2 1	4 , 9 4 1 2	2 2 , 8 0 7
Total Investment	2 6 3 , 2 2 5	3 0 5 , 8 4 0	3 7 2 , 9 2 0	4 0 3 , 1 9 4	4 6 3 , 4 7 5
Percentage (%) of Classified Investment	1 . 7 7 %	2 . 7 1 %	3 . 8 1 %	3 . 7 0 %	4 . 9 2 %

Table 20: Percentage of Classified investment as of total Investment from 2011-2015

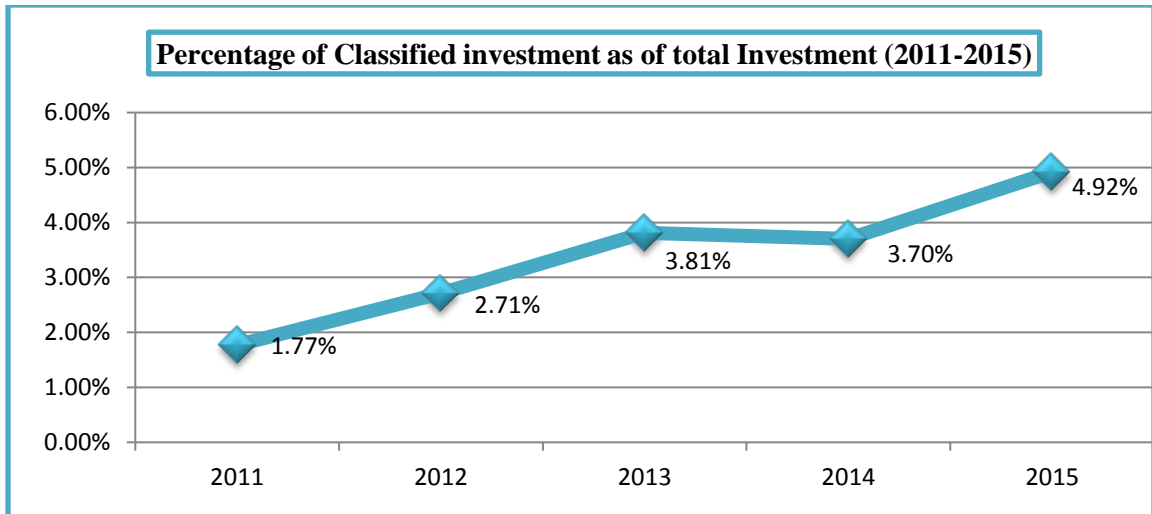


Figure: Percentage of Classified investment as of total Investment from 2011-2015

Interpretation: The graph shows the percentage of classified investment as of total investment from the year 2011-2015. This curve is upward but in 2014 it was decreased by 3.70% where it was 3.81 in the previous year 2013. Again in 2014 it was increased by 4.92%. So the percentage is increasing over the year as a result the bank should concentrate on it.

4.7 Status of Classified Investment:

The following table shows the classified investment in millions over the last five years (2010-2014).

(Million in Taka)

Y e a r	2 0 1 1	2 0 1 2	2 0 1 3	2 0 1 4	2 0 1 5
Substandard (SS)	8 9 6 3 , 1 5 2 2 , 0 9 4 1 , 7 0 7 2 , 2 3 5				
Doubtful (DF)	5 2 0 8 0 1 1 , 2 9 5 6 5 3 1 , 5 1 3				
B a d / L o s s	3 , 2 3 8 4 , 3 3 7 1 0 , 8 2 3 1 2 , 5 8 1 1 9 , 0 5 9				
T o t a l	4 , 6 5 4 8 , 2 9 0 1 4 , 2 1 2 1 4 , 9 4 1 2 2 , 8 0 7				

Table 21: Classified investments of total investments (in million)

Y e a r	2 0 1 1	2 0 1 2	2 0 1 3	2 0 1 4	2 0 1 5
Substandard (SS)	1 9 % 3 8 % 1 5 % 1 2 % 1 0 %				

Doubtful (DF)	1	1	%	1	0	%	9		%	4		%	7	%		
B a d / L o s s	7	0	%	5	2	%	7	6	%	8	4	%	8	3	%	
T o t a l	1	0	0	%	1	0	0	%	1	0	0	%	1	0	0	%

Table 22: Classified investments in percentage (%) to the total investment

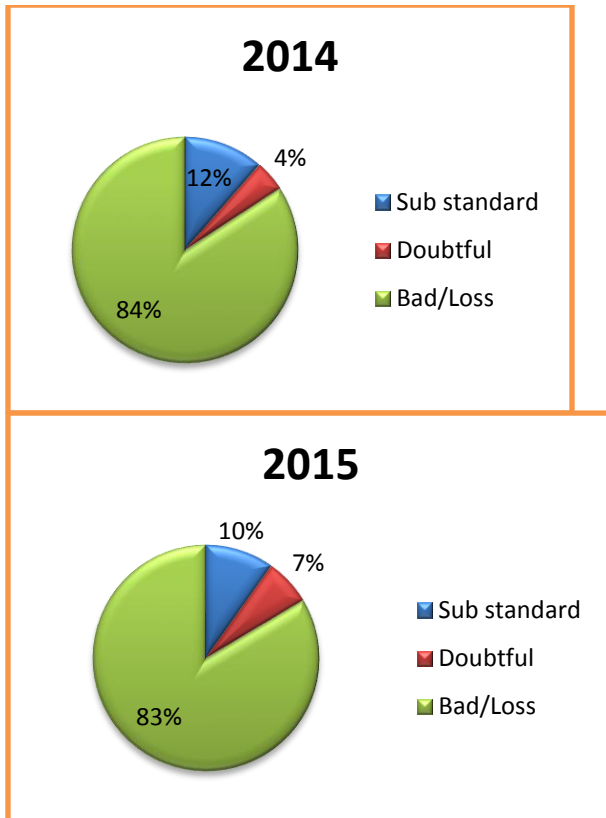


Figure: Classified investments in percentage (%) to the total investment of the year 2014 & 2015

Interpretation: The figure shows that the maximum portion of the bank's total classified investment is in the bad and loss category, which is too risky for the bank. In 2011 bank's bad/loss Investment amount was BDT 3,238 millions of their total classified amount and in 2015 it was BDT 19,059 million. On the other hand, the Doubtful and Substandard rate were minimum from the year 2013 to 2015. Though the substandard decrease in 2014 in percentage but doubtful increase in 2014 by two (2%) percent in 2015.

4.7.1 Trend Analysis:

The following table shows the Bad & Loss in millions & in percentage (%) over the last five years (2011-2015).

B a d / L o s s	2 0 1 1	2 0 1 2	2 0 1 3	2 0 1 4	2 0 1 5
In Amount (million)	3 , 2 3 8	4 , 3 3 7	1 0 , 8 2 3	1 2 , 5 8 1	1 9 , 0 5 9
In Percentage (%)	7 0 %	5 2 %	7 6 %	8 4 %	8 3 %

Table 23: Bad & Loss of total classified investments in amount (in million)& in Percentage (%)

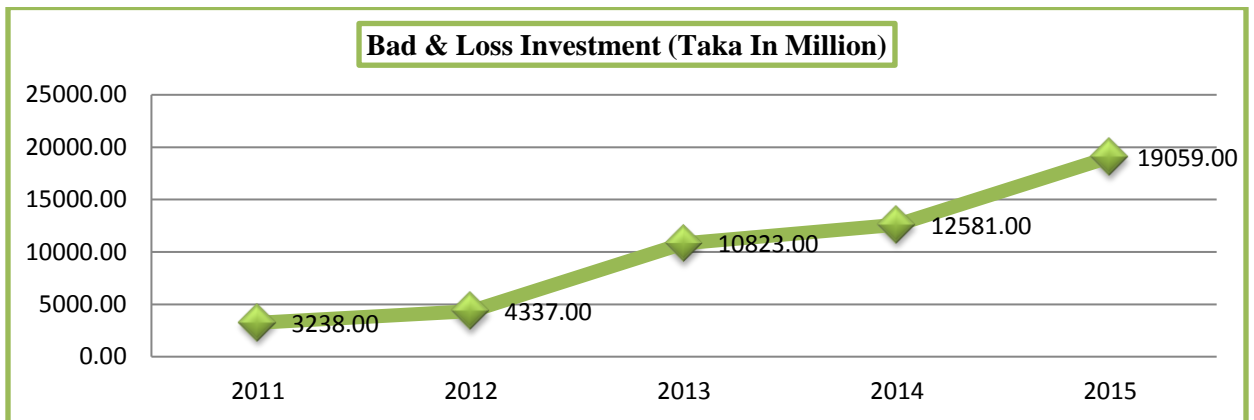


Figure: Bad & Loss of total classified investments in amount (in million)

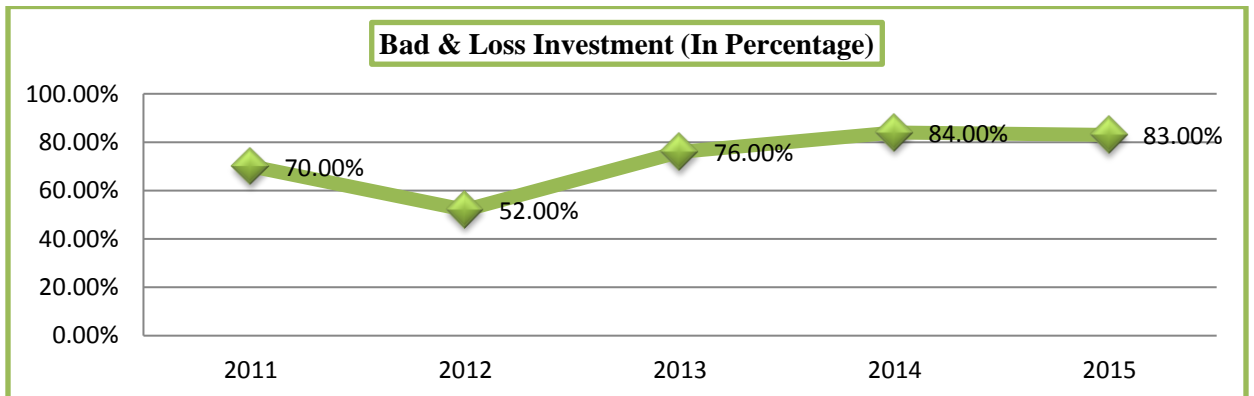


Figure: Bad & Loss of total classified investments) in Percentage (%)

Interpretation: The figure shows that the maximum portion of the bank’s total classified investment is in the bad and loss category, which is too risky for the bank. In 2011 bank’s bad/loss Investment amount was BDT 3,238 million & in percentage it was 70% of their total classified amount and in 2015 it was BDT 19,059 million & in percentage it was 83% in the year 2015. Though the curve in million is upward but in percentage it was fluctuating over the year.

4.8 Findings

To prepare this report, I tried to find out the overall investment scenario of IBBL and its growth rate over the year, its Deposit collection and its growth rate over the year, mode and sector wise investment over the year. Here the following majors findings.

- ❖ The investment and deposit of IBBL increased over the years and their growth rate also increased in 2015.
- ❖ Investment to deposit ratio of Islami Bank Bangladesh Ltd. Consistently decreased over the year from 2011 to 2015. In 2015, it was 82.81%.
- ❖ IBBL invests major portion under Bai-Murabaha and Hire purchase under ShirktulMelk mode in terms of total investment in 2015. Its investment is lowest in Mudaraba mode.
- ❖ The investment of IBBL is maximum in the SME sector and minimum in the Transport sector. They also invest in other sectors like commercial, real state, agriculture etc.
- ❖ IBBL invest most in Dhaka region rather than others region, the minimum investment was in Barisal region. The second highest concentration is Chittagong.
- ❖ The percentage of classified investment is increasing over the year. In 2015 it was 4.92% whereas it was 1.77% in 2011.
- ❖ The maximum portion of the bank's total classified investment is in the bad and loss category, which is too risky for the bank. In 2014, 84% and in 2015, 83% of total classified investment in this category.

Chapter-5

Recommendations & Conclusion

5.1 Recommendations

Though Islami Bank Bangladesh Ltd. (IBBL) is performing well but it has some crucial areas to improve which are prescribed below:

- ❖ As the investment and deposit of Islami Bank Bangladesh Limited increased over the year so they should try to keep it up, by offering attractive schemes and quality service.
- ❖ Investment to deposit ratio of IBBL consistently decreased and in 2015 it was 82.81% which is not a good sign for the bank. The bank should try to invest more from its deposit.
- ❖ IBBL should concentrate in Mudaraba mode as they invest lowest in this mode as well as other mode like; Bai-Muajjal, Quard and others mode rather than Bai-Murabaha & HPSM to earn more profit.
- ❖ As IBBL invest most in SME sector and the second highest was in Industrial sector. They should diversify their investment in other sectors like; Transport, Agriculture Real Estate to earn more profit.
- ❖ IBBL invests most in Dhaka region, they should concentrate on other region like; Barisal, Rangpur, Sylhet. As Sylhet is a historical place so the Bank should concentrate more in this region.
- ❖ The percentage of classified investment was increasing over the year as a result the bank should give more concentration on it.
- ❖ As the maximum portion of the bank's total classified investment is in the bad and loss category so the Bank should use a proper & strict guideline for investment and they should monitor the customer properly to recover the money.

5.2 Conclusion

Islami Bank Bangladesh Ltd. (IBBL) is trying to establish the maximum welfare of the society by maintaining the principles of Islamic Shariah which is based on Quran and Sunnah. Both Islam and Bangladesh bank discouraged luxurious lifestyle. Therefore, in terms of consumer investment IBBL also discourages luxurious lifestyle and always tries to give investment only to those consumers who really need it. As a result, at a time it reduces the extensive usage of luxurious products and also upgrades the lifestyle of society by serving the deserved people.

Islami Bank Bangladesh Ltd. is the pioneer of the welfare activities in Bangladesh. It is emphasize equally in developing the rural areas of the country. The special feature of the Investment Policy of the Bank is to invest on the basis of profit-loss sharing system in accordance with the tenets and principles of Islamic Shariah. Earning of profit is not the only motive and objective of the Bank's Investment Policy rather emphasis is given in attaining social goal and objective in creating employment opportunities.

Having been considered the pro-efficiency character of Islamic banking and its beneficial impacts on the economy, government policy in Muslim countries should be in favor of transforming conventional banking system into Islamic banking.

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