

Internship Report

On

*“Investment Operation of
AlArafah Islami Bank Limited.*



Investment Operation Of Al-Arafah Islami Bank Limited.

Submitted To:

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Program : BBA

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Letter of Transmittal

December, 2019

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Subject: Submission of Internship Report.

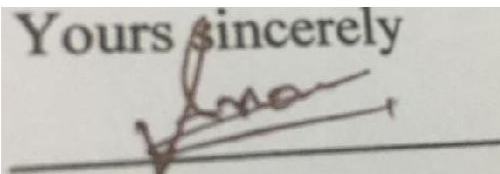
Dear Sir,

With due respect, I would like to inform you that I have prepared my internship report on “**Investment Operation of Al-Arafah Islami Bank Limited**” under your kind supervision. In this report, I have tried to give my best effort in consistence with the optimal standard under your instruction. Thanks to you for the effort to ensure successful coordination of the report and the guidance you have provided.

I, sincerely, hope that you will find the report satisfactory and I will be most obliged to clarify and defend my report.

Thank you for your kind supervision.

Yours sincerel



Yours sincerely

Afroza Hossain Ananya

ID NO: 161-11-1020

Program: BBA

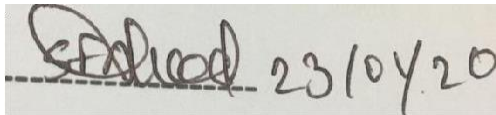
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Letter of Acceptance

This is to certify that Afroza Hossain Ananya bearing ID no. 161-11-1020, a student of BBA Program, Daffodil International University, has completed the internship report under my supervision. She has been working with Al-Arafah Islami Bank Limited, and completed the report entitled “**Investment Operation of Al-Arafah Islami Bank Limited**” as a partial requirement of obtaining BBA Degree. She has completed the report by herself and she has been permitted to submit the report.

Afroza Hossain Ananya bears a strong moral character and a pleasing personality. I wish all the best in her future endeavors.

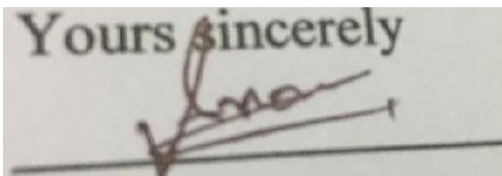


Sayed Farrukh Ahmed
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Disclaimer

I am Afroza Hossain Ananya hereby declare that the presented report of internship entitled “Investment Operation of Al-Arafah Islami Bank Limited” is uniquely prepared by me after completion of three months in Investment Operation of Al-Arafah Islami Bank Limited.

I also confirm that, the report is prepared only for my academic requirement not for any other purpose. It might not be used with the interest of opposite party of the organization.



Yours sincerely

Afroza Hossain Ananya

ID NO: 161-11-1020

Program: BBA

Major in Finance

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Acknowledgement

First of all, I express my deep gratitude to the almighty ALLAH who created & nurture me in this transitory world. I also have to put my heart felt respect and gratitude for the kindness and cooperation that was provided to me to complete me internship report on the topic of

“Investment Operation of Al-Arafah Islami Bank Limited”. In preparing my report I have taken great assistance and support of AIBL specially Md. Abu Shah Jalal Azad (VP) & Manager Sir, Md. Arif Billah Mithu (AVP) Sir, Hafizur Rahman (SPO) Si, Abdulla Al Mamun (PO) Sir, Abdul Karim (PO) Sir, Kahinoor Akter (SEO), Shariful Haque (SEO), Mira Akter (EO).

Finally, sincere thanks again to my internship supervisor, Sayed Farrukh Ahmed, Assistant professor of Daffodil International University, faculty of Business & Entrepreneurship, for her appropriate suggestions, moral support and invaluable co-operation of creating unique report make me able to overcome all the problems during my study and reach the successful completion of the report at Al-Arafah Islami Bank Ltd. (AIBL).

It is well know that practical knowledge in subject matter is essential to substantiate the theoretical knowledge gathered in the educational institutions. In order to resolve the dichotomy between these two areas, I have assigned to prepare a report at Al-Arafah Islami Bank Ltd.

(AIBL).

At last we are also grateful to all who have helped us in many ways to prepare this report at all.

Executive Summary

Al-Arafah Islami Bank Limited (AIBL) is a private commercial bank. Banks are the most important one in the financial sector as they play a very crucial role for the economy. Banking business mainly maintains flow of funds from depositors to investors. In doing so, bank need to collect deposit from the depositors and then invest to the investors.

The objective of my study is to acquire the knowledge about the investment operation of AIBL. This report will give a clear idea about performances, operational strategies, management and monitoring of investment department of AIBL. Especially this report focuses on the investment activities area of AIBL in current position. The objective of the report is to analyze the investment & banking performances of Al-Arafah Islami Bank Limited. But it has some specific objectives which help me to know the terms and conditions of investment performances, investment procedures and investment monitoring system of Al-Arafah Islami Bank Limited. I have collected the information regarding Al-Arafah Islami Bank from secondary sources. This report aims to provide the investment activities performance of Al-Arafah Islami Bank Limited.

Though investment department is my main concern but I had worked also in general banking and foreign exchange.

Investment part has various special terms what I use in this report and various mode of investment. It has the process of investment & principal. I have shown the year wise, total amount of deposit, mode wise, and sector wise investment.

AIBL had the lowest investment in agriculture and highest investment in trade finance. Finally, I have found some problems in my selected areas. I have recommended taking some steps to remove those problems. The sources of information are annual report of the bank, internet, newspaper, magazine etc. My experience also helps me to establish this report.

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CHAPTER: 01

Introduction

1.1 Introduction of the study:

Banking is one the most competitive industries of Bangladesh that has seen a huge amount of growth during the last decade. A large number of new banks have made their places in the industry and yet there are more to register in the list. In such a highly competitive service industry, the importance of customer satisfaction cannot be de-emphasized.

In a Bank there are main three division are remain which are General Banking, Investment & Foreign Exchange. Investment is main part of the Bank. Basically it is the main part of a Bank. Because it proper distribution and collection increases cash inflow in the Bank. This is the main source of owner dividend. A Bank can be disrupted by the miss distribution of Investment. A bank always wants to maximize the investment but in the investing time it important to analyze the proposal of the respective client. Actually a bank growth depends on proper investment.

To keep pace with this situation, we need banking knowledge for future career. If we want to build our career in banking area, only theoretical knowledge would not help us. As internship program is established to gather practical knowledge regarding various sector of economy, I chose to get practical knowledge regarding banking sector and I select Al-Arafah Islami Bank as my organization to work.

The duration of my program was 3months and during this period, I have learned many things. I observed that there is a great difference between theoretical knowledge and practical knowledge. I learned many terms, functions and nature of banking activities. I also get practical knowledge regarding organizational environment.

1.2 Origin of the report:

Management of any business activity requires so much expertise from the part of its employees. To keep pace with new trade financial institution and other organization need executive with modern knowledge.

At the end of our BBA program the Internship is conducted as a subject or a course of the program. But there is no separate subject or material for the study. Rather it is assembled with the integration among all the courses that are taught in the eight semesters of the BBA program; Combination of the theoretical knowledge of the subjects and the processes with the real life professional application of those.

The authority of Daffodil International University authorizes me to do a practical orientation at AlArafah Islami Bank Limited. I have completed my three months practical orientation course regarding the **“Investment Operation of Al-Arafah Islami Bank Limited”**

1.3 Objectives of the study:

- To analyze the investment performances of Al-ArafaIslami Bank
- To analyze the unclassified and classified loans and advances of AIBL.
- To analyze sector wise investment performance of AIBL
- To evaluate the loan recovery performance of AIBL.
- To suggest better ways for enhancing the investment management performance of AIBL.
- To provide recommendations based on the finding of the study.

1.4 Scope of the study:

Scope means area of operation or field of the study. The scope of the report was extended to the overall investment operation and management of Al-Arafah Islami Bank Limited.

1.5 Methodology of the study:

The study is prepared on the basis of information collected from both primary sources and secondary sources.

1.5.1 The primary sources:

The sources are as follows Face-to-face conversation with the Executives and officers of Bank.

1. Informal conversation with the client.
2. Practical work exposures from the different desks of the various departments of the Branch covered.
3. Relevant file study as provided by the officer's concerned.

1.5.2 The Secondary Sources:

The secondary sources data and information are:

The sources are as follows Face-to-face conversation with the Executives and officers of Bank.

1. Informal conversation with the client.
2. Practical work exposures from the different desks of the various departments of the Branch covered.
3. Relevant file study as provided by the officer's concerned.

1.6 Limitations of the study:

On the way of preparing this report, i have faced following problems that may be termed as the limitations of the study

- Personal limitations like inability to understand some official terms, office decorum etc. created a few problems.

- Unavailability to required published documents.

-

To collect data and information, it is a common tendency of any departments to keep back their departmental data and information.

-

- Lack of my experience and efficiency to prepare the standard report.

I observed that unskilled persons are available in AIBL; they are not able to teach us various aspects.

CHAPTER: 02

COMPANY PROFILE

2. Profile of the Company:

With the objective of achieving success here & hereafter by pursuing the way directed by Allah and the path shown by His Prophet (SM), Al Arafah Islami Bank Ltd was established (registered) as a private limited company on 18 June 1995. The inaugural ceremony took place on 27 September 1995. The authorized capital of the Bank is 10,000.00 million Tk and the paid up capital is 9,130.98 Tk million as on 31.12.2014. Renowned Islamic Scholars and pious businessmen of the country are the sponsors of the Bank. 100% of paid up capital is being owned by indigenous shareholders.

The equity of the bank stood at 14,050.69 million Tk as on 31 December 2014, the manpower was 2,110 and the number of shareholders was 52,739. It has achieved a continuous profit and declared a good dividend over the years. High quality customer service through the integration of modern technology and new products is the tool of the bank to achieve success. The bank has a diverse array of carefully tailored products and services to satisfy customer needs.

The Bank is committed to contribute significantly to the national economy. It has made a positive contribution towards the socio economic development of the country with 119 branches of which 23 is AD throughout the country.

2.1 Vision:

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

2.2 Mission:

Achieving the satisfaction of Almighty Allah both here & hereafter.

Proliferation of Shariah Based Banking Practices.

Quality financial services adopting the latest technology.

Fast and efficient customer service.

Maintaining high standard of business ethics.

Balanced growth.

Steady & competitive return on shareholders' equity.

Innovative banking at a competitive price.

Attract and retain quality human resources.

Extending competitive compensation packages to the employees.

Involving more in Micro and SME financing.

Firm commitment to the growth of national economy.

2.3 Products and Services:

The operation of Al-Arafah Islami Bank Ltd can be divided into three major categories:

1. General Banking
2. Foreign Exchange
3. Investment

2.4 General Banking:

General banking is the starting point of all the banking operations. It is the department, which provides day-to-day services to the customers. General Banking of this branch consists of different sections. Every day it receives deposits from the customers and meets their demand for cash by honoring checks. It opens new accounts, remits funds, issues bank drafts and pay orders etc. since bank is confined to provide the services every day, general banking is also known as 'retail banking'. General section is considered as the direct customer service center. It is the straining point of all the banking operation. The main sections of the general banking of the branch are:

- † Account opening section Clearing & BEFTN
- † Cash section

Organizational Hierarchy of AIBL:

Managing Director (MD)
Deputy Managing Director (DMD)
Executive Vice President (EVP)
Senior Vice President (SVP)
Vice President (VP)
Asst Vice President (AVP)
Senior Principal Officer (SPO)
Principal Officer (PO)
Senior Executive Officer (SEO)
Executive Officer (EO)
Officer

2.5 Foreign Exchange:

One of the largest businesses carried out by the commercial bank is foreign trading. The trade among various countries falls for close link between the parties dealing in trade. The situation calls for expertise in the field of foreign operations. Foreign exchange department of Al-Arafah Islami Bank is one of the most important departments of all departments.

This department handles various types of activities by two separate sections:

- a) Foreign Trade &
- c) Foreign remittance.

2.7.1 Foreign Trade

The foreign trade is divided into two parts.

- a) Import financing
- b) Export financing

Import Financing:

Import means bringing merchandise to country from any place rest of the world. Two things mainly involves with import of merchandise; bringing of commodities physically into the country any making payment towards the cost of the merchandise and services connected with its dispatch to the importer. For opening this need

1. Firstly open a bank account.
2. Trade license must.
3. IRC (Import Registration Certificate).
4. Open L/C account.



Export Financing:

Export means our carrying of anything from one country to another for sale with the stipulated period for to earn foreign exchange; make favorable balance of payment position & stabilize marketability. For opening this need

1. Firstly open a bank account.
2. Trade license must.
3. Obtaining IRC (Import Registration Certificate).
4. Receiving the L/C account.

2.6 Corporate Social Responsibilities:

2.8.1 Al-Arafah Islami Bank Foundation

The Bank has a Foundation launching philanthropic activities. Al-Arafah Islami International School & College and Al-Arafah Islami Bank Library are major two wings for launching philanthropic activities.

2.8.2 Al-Arafah Islami International School & College

Al-Arafah Islamic International School & College has been established by the Al-Arafah Bank Foundation with a view to building next generation according to the ideals of peace and equality of Islam and to establishing banking and other aspects of life in the way of Islam. The prime aim of this Islamic International School & College is to contribute towards building human resource and in the broader sense to ensure human welfare. With the view Al-Arafah Islami Bank Foundation has established Al-Arafah Islami International School & College at Dhanmondi in 1998.

Such institution up to O level of its kind is for the first time in Bangladesh.

CHAPTER: 03

INVESTMENT OPERATION

Of

AIBL

3. Investment:

Investment is the purchase of a financial product or other item of value with an expectation of favorable future returns on the other hand investment also mean investing of money or capital in order to gain profitable returns, as interest, income, or appreciation in value.

Banking business (Loan/Investment) activity that is consistent with the principles of sharia and its practical application through the development of Islamic economics. Shariah prohibits the fixed or floating payment or acceptance of specific interest or fees which known as riba, or usury for loans of money. Investing in businesses that provide goods or services considered contrary to

Islamic principles is also haram.

The most important difference between the Conventional and Islamic bank is that both the banks operate to earn profit but they differ in the way of operation. Al-Arafah Islami Bank emphasis on

legitimate (Halal) business. On the other hand traditional bank is not operated by the following rules and regulations approved by Islam that is the most powerful contradiction between them. Islamic Bank does not invest in loans and fixed interest securities. It can invest in ordinary share only while interest based bank can invest in loans and different kinds of securities. Islami Bank establishes and participate projects with its client as a partner and bears the risk along with the client on a proportionate basis. Besides, other conventional banks sometimes finance projects but do not bear risk. Finally, the concept of Islamic Bank is to establish on egalitarian society based on principles of social justice and equity. Whereas traditional banks pay a fixed interest on savings, time deposit and grant loans with interest for any purpose. We have gathered the fact that investment management is the theme of AIBL. The bank takes deposits and invests the same based on the profit-loss sharing. Bank go for the investment mainly which are long term and profitable in nature. AIBL also give high concentration on the investment that will generate more employment. As investment is one of the most priority areas for the AIBL, so it needs to cautious in investment decision. To ensure proper investment AIBL always go with in-depth study before making the investment.

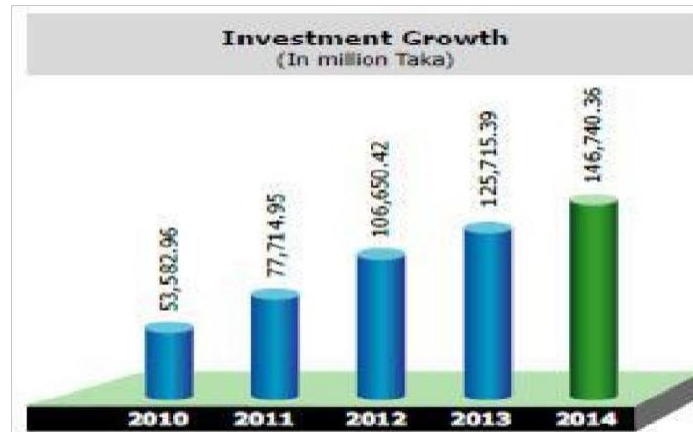
3.1 Investment of the Bank:

The investment of the bank has stood at 146,740.36 million Tk as on 31st December 20113 as against 125,715.39 million Tk in the previous year showing an increase by 37.23 %. The investment portfolio of the bank is well diversified and covers a broad spectrum of businesses and industries including readymade garments, textile, edible oil, ship scraping, steel & engineering, chemicals, pharmaceuticals, cement, telecommunication, construction, health care, real estate, education, transport and investment under consumer schemes. As a result, classified investment of the bank could be kept at a low level far below the national average. The bank gives top-most

priority to the creation of quality assets and does appropriate risk grading while approving commercial, trade and project investment to different clients.

Investment Growth

(in million taka)



3.2 Mode wise investment of AIBL in 2018:

(Amount Million in Tk)

| | Amount | % to total Investment |
|--------------|----------|-----------------------|
| Bai-Murabaha | 17924.76 | 33.45% |

| Mode | Amount | % to total Investment |
|------------------------|----------|-----------------------|
| HPSM | 8867.60 | 16.55% |
| Bai-Muajjal | 21665.35 | 40.43% |
| Purchase & Negotiation | 1.53 | 0.028% |
| Quard | 987.26 | 1.84% |
| Bai-Salam | 3308.82 | 6.17% |

| | | |
|--------------|----------|-------|
| Pre-shipment | 827.65 | 1.54% |
| Total | 53582.96 | 100% |

3.3 Industry/ Sector Wise Investment:

| Industry/Sector wise | Year 2016(Tk) | Year2017(Tk) | Year2018(Tk) |
|------------------------------------|---------------|----------------|----------------|
| Agriculture , Fishing and Forestry | 17,124,169 | 22,356,895 | 28,653,598 |
| Industry | 1,049,919,489 | 3,238,456,238 | 1,690,718,720 |
| Construction | 1,059,477,247 | 1,710,569,528 | 1,059,395,353 |
| Transport & Communication | 149,167,656 | 523,625,639 | 887,236,420 |
| Trade finance | 8,612,902,738 | 11,262,938,090 | 17,622,389,900 |
| Miscellaneous | 530,234,985 | 562,556,848 | 672,004,114 |

3.4 Process of Investment Classification & Provisioning:

Investment classification is a process by which the risk or loss potential associated with the investment accounts of a bank on a particular date is identified and quantified to measure accurately the level

of reserves to be maintained by the bank to provide for the probable loss on account those risky loan. Like other banks, all types of loans of AL-ARAFH-ISLAMI fall into following four scales:

1. **Unclassified:** Repayment is regular
2. **Substandard:** Repayment is stopped or irregular but has reasonable prospect of improvement
3. **Doubtful debt:** Unlikely to be repaid but special collection efforts may result in partial recover.
4. **Bad / Loss:** Very little chance of recovery

Provisioning: A Certain amount of money is kept for the purpose of provisioning. This percentage is set following Bangladesh Bank rules.

| Type of Classification | Rate of Provision |
|-------------------------------|-------------------|
| Unclassified (UC) | 1% |
| SMA (Small Mentioned Account) | 5% |
| Substandard (SS) | 20% |
| Doubtful (DF) | 50% |
| Bad & Loss(BL) | 100% |

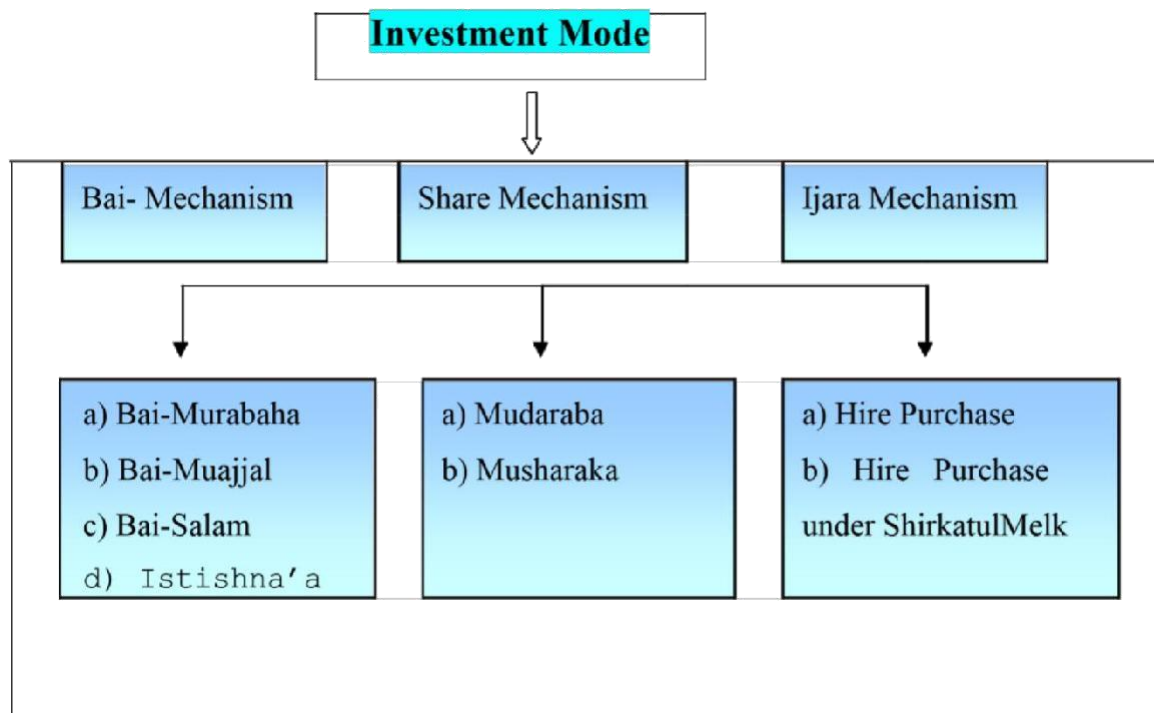
3.5 Mode of Investment:

There are three sections in this department at **Panthapath branch**, which are follows:

✚ Bai- Muajjal

✚ Bai- Murabaha

Hire Purchase under ShirkatulMelk



3.6 Investment Instruments:

3.6.1 Bai-Muajjal

The terms “Bai” and “Muajjal” have been derived from Arabic words Ajal and Bai. The word Bai means purchase and sale and the word Ajal means a fixed time or a fixed period” BaiMuajjal 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.

Definition

Bai-Muajjal may be defined as a contract between a buyer and a seller under which the seller sells certain specific goods (permissible under Islamic Shariah and the Law of the Country), to the buyer at agreed fixed price payable at a certain fixed future date in lump-sum or within a fixed period by fixed installments. The seller may also sell the goods purchased by him as per order and specification of the Buyer.

Return Rate: Returnable rate is 17%.

3.6.2 Bai-Murabaha

The terms “Bai” and “Murabaha” have been derived from Arabic words Murabaha” and “Bai”.

The word Bai means purchase and sale and the word Murabaha means sale in cash” BaiMurabaha means sale for which payment is in cash or in future fixed date or within a fixed period. In short, it is a sale on cash.

Definition

Bai-Murabaha may be defined as a contract between a buyer and a seller under which the seller sells certain specific goods (permissible under Islamic Shariah and the Law of the land), to the buyer at a cost plus agreed profit payable in cash or on any fixed future date in lump-sum or by installments. The profit marked-up may be fixed in lump-sum or in percentage of the cost price of the goods.

Return Rate: Returnable rate is 15%.

3.6.3 Hire Purchase under Shirkatulmelk

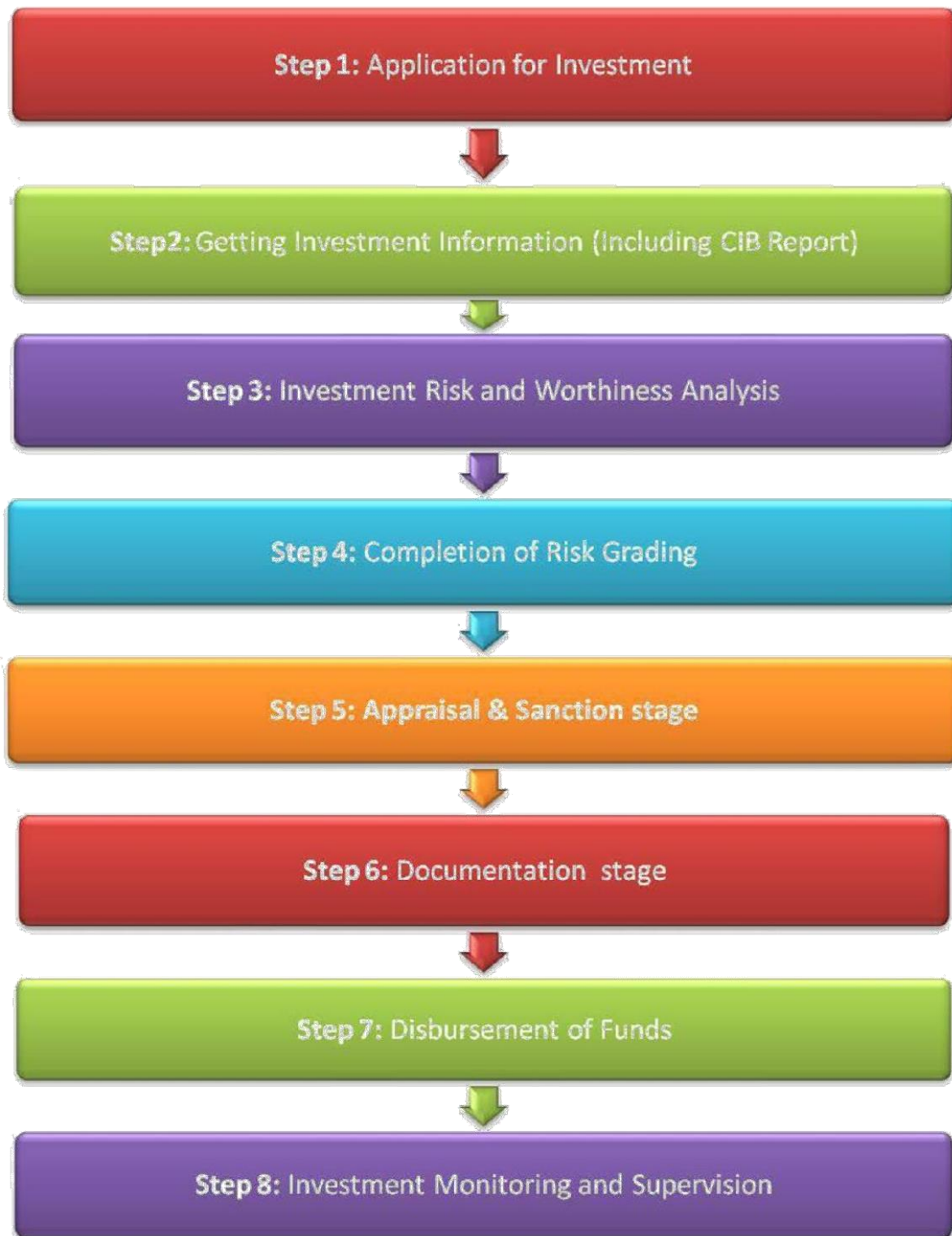
Hire purchase under ShirkatulMelk is a special type of contract which has been developed through practice. Actually, it is a synthesis of three contracts: Shirkat, Ijarah and sale. Shirkat means partnership. ShirkatulMelk means share an ownership. When two or more persons supply equity, purchase an asset, own the same jointly, and share the benefit as per agreementand bear the loss in proportion to their respective equity, the contract is called Shirkatul contract.

Return Rate: Rate is 16%.

3.7 Investment Process and Disbursement Stage:

The following steps are followed by the bank for Investment. So the Procedure of AIBL is-

Investment Procedure of AIBL



Stage – 1

3.7.1 Application for Investment

Al-Arafah Islami Bank (AIBL) makes its investment decision through successfully passing the following crucial steps- Here, investment taker (client) approaches to any of the branch of

Al-Arafah Islami Bank Bangladesh Limited (AIBL). 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.

Accept Proposal:

Before submit a proposal the customer should run a current account for minimum 3 months and maximum 6 months to satisfy the bank that his flow of money transaction is legal. After running the current account, he can submit the proposal for loan to the manager. The proposal also includes the documents of his mortgage property.

Stage – 2

3.7.2 Getting Investment Information

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 initial 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 AIBL are prescribed below-

✦ 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)
- ✦ Prior three (03) years` business transaction statement for the Musharaka / Mudaraba investment
- ✦ Abridged pro forma income statement for the Musharaka / Mudaraba investment
- ✦ Attested copy of the Memorandum (MOA) & Articles of Association (AOA) for the joint stock company
- ✦ Attested copy of the Tax Identification Number (TIN) including final assessment
- ✦ Detailed summary of the sundry Debtors and creditors (including both time & schedule).

Verifying Customers:

Manager will give the documents of Mortgage properties, Trade license etc. to the investment officer. Investment officer then verify the documents.

Manager, Assistant Manager, Investment officer will visit customers property to make a value of mortgage property.

Manager also gives the documents of property to the advocate for legal advice and the valuation of the property. Advocate will verify the documents of mortgage property. In addition, advocate gives a legal opinion of the property.

Than Manager, Assistant Manager, Investment officer will adjust the opinion of advocates with their own opinion about the value of mortgage property.

Customer`s get loan about 50% of the mortgage property. The bank takes 14%interest from this loan.

Stage – 3

3.7.3 Investment Risk and Worthiness Analysis:

Before finally selecting the borrower for the investment, bank should satisfy these factors-

1. **Character:** Before giving loan, bank must observe borrower's previous behavior pattern. If problem is found in past behavioral pattern, then the borrower will not be eligible for getting the loan.
2. **Capacity:** It indicates management efficiency of the organization. If the management is inefficient then they cannot generate well return & they will face difficulties to the repayment of loan.
3. **Capital:** If the borrower's capital structure is low then bank will not provide loan to that borrower. The main component of capital structure is debt & equity. If debt is higher than equity then bank will not provide loan to the organization.
4. **Collateral:** Collateral is mandatory for getting loan. Bank takes collateral because if the borrower will loan defaulter in future then bank sales collateral & recover the loan.
5. **Condition:** Condition means the total economic condition of a country. Good economic condition is necessary for providing the loan. For example, loan will be not given in the starting stage of recession but it will be given in the starting stage of boom.

Stage – 4

3.7.4 Completion of Risk Grading

Identify all the Principal Risk Components

Investment risk for counterparty arises from an aggregation of the following:

- Financial Risk
- Business/Industry Risk

- Management Risk
- Security Risk
- Relationship Risk

Establish the Key Parameters:

| Principal Risk Components | Key Parameters |
|---------------------------|---|
| Financial Risk | Leverage, Liquidity, Profitability & Coverage ratio. |
| Business/Industry Risk | Size of Business, Age of Business, Business Outlook, Industry Growth, Competition & Barriers to Business. |
| Management Risk | Experience, Succession & Team Work |
| Security Risk | Security Coverage, Collateral Coverage and Support. |
| Relationship Risk | Account Conduct, Utilization of Limit, & Personal Deposit. |

Stage – 5

3.7.5 Appraisal Stage:

At this stage, the bank evaluates the client and his/her business

It is the most important stage. If anything goes wrong here, the bank suddenly stops to make payment of investment. The original copy of the appraisal report is enclosed in the appendix chapter. However, the following contents are presented from that appraisal report-

† Company's or Client's information

- † Owner's information
 - † List of partners
 - † Purpose of investment/ Facilities
- † Details of proposed facilities/ Investment
- † Break up of present outstanding
- † Other liabilities of the client
- † Previous Banker's information
- † Details of sister/ Allied concerns
- † Allied Deposits as on
- † Business/ Industry Analysis
- † Relationship analysis
- † Asset- Liability position of the client as per Audited Balance sheet
- † Working capital assessment
- † Risk grade
- † Murabaha goods
- † Insurance coverage
- † Security analysis

3.7.6 Sanction Stage:

As this stage, the bank officially approves the investment proposal of the respective client. In this case client receives bank's sanction letter. Al-Arafah Islami Bank (AIBL) sanction letter contains the following elements-

† Investment Limit in Million

- ✚ Mode & amount of Investment
- ✚ Purpose of investment
- ✚ Period of Investment
- ✚ Rate of Return
- ✚ Security

Stage – 6

3.7.7 Documentation Stage:

At this stage, usually the bank analyses wealthier required documents are in order. In the documentation stage, AIBL checks the following some documents of the client-

- ✚ Tax payment Certificate Stock Report
- ✚ Trade License (Renewal)
- ✚ VAT certificate
- ✚ Liability statement from different parties
- ✚ Receivable from different clients

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- ✚ Other Assets statement © Daffodil International University
- ✚ AungkyarNama
- ✚ GhosonaPotra
- ✚ Three (03) years net income & business transaction
- ✚ Performance report with bank

- ✦ Valuation Certificate
- ✦ Particulars of the Proposal
- ✦ Particulars of the Mortgagor
- ✦ Particular of the properties
- ✦ Outstanding Liability position of the bank
- ✦ CIB (Credit Information Bureau) report

Stage – 7

3.7.8 Disbursement Stage:

As this stage, bank decides to pay out money. Here, the clients get his/ her desired funds or goods.

It is to be noted that before disbursement a „site plan“ showing the exact location of each mortgage property needs to be physically verified.

Stage – 8

3.7.9 Monitoring & Recovery Stage:

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To minimize Investment loss, monitoring procedures and systems are in place that provides an early indication of the deteriorating financial health of a borrower. Investment monitoring process at AIBL tries to monitor the following:

- ✦ Investment term and conditions are monitored, financial statements are received on regular basis, and any covenant breaches or exceptions are referred to concerned team for timely follow-up.

- ✦ Timely corrective action is taken to address findings of any internal, external or regulator inspection/audit.
- ✦ Factory visit/stock inspection and progress of work are to be recorded and reviewed.
- ✦ Monitoring transaction in accounts.
- ✦ Periodic client call and review by branch head.
- ✦

CHAPTER: 04

Financial Analysis

4.1 At a glance profitability position of the bank for last 6 years:

| Year | Profit after tax (million in tk.) | Paid up capital (million in tk.) | Profit margin |
|------|-----------------------------------|----------------------------------|---------------|
| 2014 | 1959.04 | 4677.28 | 42% |
| 2015 | 2198.75 | 5893.37 | 37% |
| 2016 | 1945.39 | 7130.98 | |
| | | | 27% |
| 2017 | 2276.68 | 8343.25 | 27% |
| 2018 | 2324.95 | 9469.58 | 25% |

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From the above table profit margin position is also good and it is above 25% over the last 5 years.

4.2. Investment income position:

Strong earnings and profitability profile of a bank reflects its ability to support present and future operation. Although there are various measures of earnings and profitability, investment income position, describe rate of return on assets of a bank.

| Year | Total investment income(million tk.) | Total investment (million tk.) | Investment income ratio |
|------|--------------------------------------|--------------------------------|-------------------------|
| 2014 | 4306.62 | 53582.95 | 8% |
| 2015 | 9481.01 | 77741.95 | 12% |
| 2016 | 14998.60 | 106650.42 | 14% |
| 2017 | 17966.32 | 125715.39 | 14% |
| 2018 | 19725.91 | 146740.35 | 13% |

4.3 Term deposit as % of total deposit:

| year | Term deposit | Total deposit | Term deposit as % of total deposit |
|------|--------------|---------------|------------------------------------|
| 2014 | 37,645.42 | 53,882.96 | 70% |
| 2015 | 60,895.35 | 82,186.98 | 74% |
| 2016 | 96,145.28 | 118,683.39 | 81% |
| 2017 | 120,395.21 | 140,980.55 | 85% |
| 2018 | 150,597.32 | 166,851.17 | 90% |

$\% \text{ of total deposit} = \frac{\text{Term deposit}}{\text{Total deposit}} \times 100$

4.4 Dividend as % of net income:

Dividend as % of net income=dividend per share/net income per share x 100

| Year | Profit after tax | No of share | Net income per share | Dividend per share | Dividend as % of net income |
|------|------------------|-------------|----------------------|--------------------|-----------------------------|
| 2014 | 1,816,137,207 | 467,727,936 | 3.882892312 | 26 | 15% |
| 2015 | 2,198,751,490 | 589,337,199 | 3.730888689 | 21 | 18% |
| 2016 | 1,945,397,193 | 713,098,010 | 2.728092304 | 17 | 16% |
| 2017 | 2,276,680,984 | 834,324,671 | 2.728771021 | 13.5 | 20% |
| 2018 | 2324953693.00 | 946,958,503 | 2.455180122 | 14 | 18% |

4.5 Ratio analysis:

AIBL Net Profit Margin, Investment /Deposit Ratio, Return on Equity (ROE, Return

| Particulars | 2014 | 2015 | 2015 | 2017 | 2018 |
|---------------------------|-------|-------|-------|-------|-------|
| Net Profit Margin% | 2.22 | 5.55 | 5.88 | 5.74 | 5.88 |
| Investment /Deposit Ratio | 93.43 | 89.07 | 90.56 | 88.74 | 88.59 |
| Return on Equity (ROE)% | 20.01 | 18.34 | 13.85 | 14.15 | 12.8 |

on Assets (ROA), Cost of fund etc. are vary from year to year.

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| | | | | | |
|--|-------|-------|-------|-------|-------|
| Return on Assets (ROA)% | 2.65 | 2.06 | 1.3 | 1.31 | 1.1 |
| Cost of fund % | 9.72 | 11.08 | 12.34 | 11.02 | 10.85 |
| Cost /Income ratio in operating business (%) | 29.19 | 26.25 | 31.89 | | 33.99 |



4.6 ABL performance from 2014 to 2018 at a glance:

| Particulars | 2014 | 2015 | 2016 | 2017 | 2018 |
|--|-----------|-----------|------------|------------|------------|
| Paid up Capital | 4677.28 | 5893.37 | 7130.98 | 8343.25 | 9469.58 |
| Reserve Funds & Other Reserve | 1,779.08 | 2,437.43 | 4,079.63 | 4,827.20 | 5,620.87 |
| Shareholders' Equity (Capital & Reserve) | 9,790.36 | 11,989.11 | 14,050.69 | 16,091.17 | 18,159.52 |
| Deposits | 882.96 | 82,186.98 | 118,683.39 | 140,980.55 | 166,851.17 |
| Investment | 582.96 | 77,714.95 | 106,650.42 | 125,715.39 | 146,740.36 |
| Investment in Shares & Securities | 2,078.83 | 3,771.83 | 5,511.24 | 7,138.93 | 9,120.90 |
| Fixed Assets | 655.39 | 968.13 | 2394.62 | 2517.22 | 2661.11 |
| Import Business | 55,934.10 | 76,112.10 | 71,931.70 | 85,915.00 | 101,244.70 |
| Export Business | 32,042.40 | 52,202.10 | 58,476.60 | 68,980.30 | 75,843.90 |

CHAPTER: 05

Findings, Recommendations & Conclusion

5.1 Findings of the Study:

- ✦ ALBL has followed Standard rules and regulations in disbursing loans to the clients.
- ✦ In 2018, the amount of total investment of AIBL was 146740.36 million TK, compared to 125713.39 million TK in 2017.
- ✦ In 2018, investment income ratio of AIBL was 13%, compared to 14% in 2017.
- ✦ In 2018, The investment by Deposit ratio of ALBL was 88.59%.
- ✦ The bank has specific credit recovery unit to realize the credit from borrowers in time

5.2 Recommendations of the Study:

- ✦ Bank should loan diversified to different sectors for reduction risk. As like sectors Agriculture, Transport, Residential etc.
- ✦ Central monitoring system should be more active maintain loan to minimum level .If central monitoring team is more conscious about how to reduce classified loan then will be positive effect on the overall investment systems.
- ✦ In the investment department, strict supervision is necessary to avoid investment defaulter .The bank should do regular visit to the project.
- ✦ Bank can built its retail credit advance by enabling credit to more clients .This can be conceivable through unwinding of credit standards like waiver of certification from outsiders.
- ✦ Bank should properly manage the investment to increase the profitability.
- ✦ The introduction of credit recovery unit can be a unique tool to realize credit from the borrower

5.3 Conclusions:

Al-Arafah Islami Bank Limited (AIBL) had shown commendable improvement in last two years. It was great pleasure for me to do my practical orientation in a bank like Al-Arafah Islami Bank Limited (AIBL), local Branch provides me a wide range of scope to observe the different functions of bank through the cordial assistance of its employee. I had the scope of general

banking department. This bank is trying to invest in different sectors for manage its risk. I think it will be able to reach its desired point or goal.

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