

**Investment of banks to facilitate and benefit the
small and medium as well as minor entrepreneurs:
First Security Islami Bank Ltd., Biswa Road Branch.**





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Submitted by

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151 64 032

Submitted To

Dr Salehuddin Ahmed

Date of Submission: September 12, 2017

Bus 699

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Approval

The internship report titled **“Investment of banks to facilitate and benefit the small and medium as well as minor entrepreneur: First Security Islami Bank Ltd., Biswa Road Branch.”** has been submitted by **Kamrul Hasan – 151 64 032**, to the BRAC Business School of BRAC University, Dhaka, Bangladesh, for the fulfilment of the requirements for the Degree of Master of Business Administration (MBA).

Dr Salehuddin Ahmed, Supervisor

Professor

BRAC Business School

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Dhaka, Bangladesh

September 12, 2017

Internship Supervisor
MBA program, BRAC Business School
BRAC UNIVERSITY
66 Mohakhali, Dhaka – 1212.

Subject: Investment facilitation of First Security Islami Bank Ltd., Biswa Road Branch.

Sir,

With due respect, it is a great pleasure and privilege to present to you my internship report titled “Investment of banks to facilitate and benefit the small and medium as well as minor entrepreneurs: First Security Islami Bank Limited, Biswa Road Branch.” that has been done for the fulfillment of the requirements for the Degree of Master of Business Administration (MBA). I have gone through an internship period of three months in FSIBL and collected necessary information and evidence that allows me to submit an official report with a positive conclusion indicating their involvement in loan facilitation to small and medium entrepreneurs.

Among the approaches that I have taken in completing this report are surveying bank officials, surveying clients seeking and enjoying loan facilities, collecting past and present data on loan disbursement, conversation and interviewing of the loan department officials as well as personal observation.

I earnestly request you to kindly grant some of your valuable time in going through my report for evaluation and help me fulfil the requirement for a MBA degree.

Sincerely

Kamrul Hasan
151 64 032

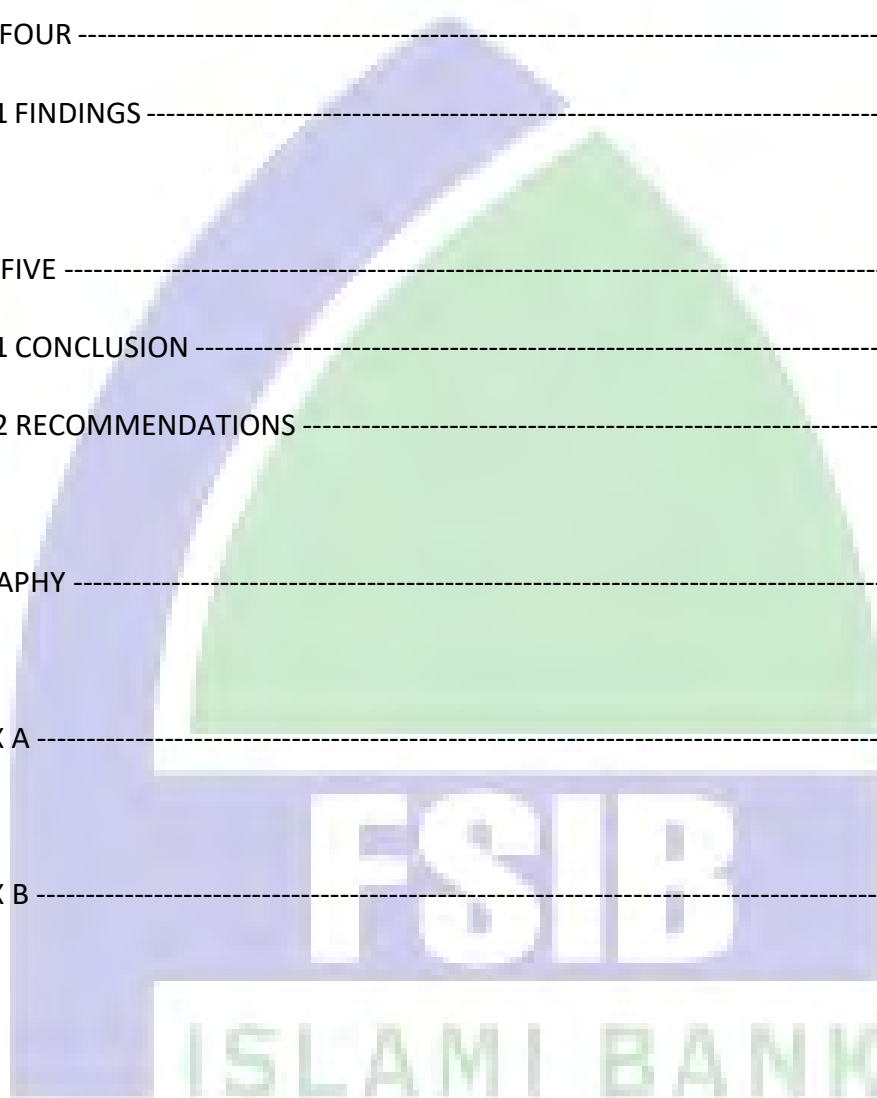
ACKNOWLEDGEMENTS

First of all, all the praises and thanks be to Almighty Allah for keeping me healthy and safe during this whole period and making it possible to complete my internship in due time. Next I would like to thank my parents for always being there with me. I would like to express my sincere gratitude to the administration of First Security Islami Bank Limited for giving me this opportunity of doing my internship in their organization. Especially the Managing Director of the bank Mr Syed Waseque Md. Ali for approving my internship application and welcoming my interest of doing my internship in their bank. The current Branch Manager Mr Hasanuzzaman Malek and the Operational Manager Mr S. M. Abul Khair of Biswa Road branch has given me the freedom to work in different section of their branch to have a complete knowledge of the overall day to day banking activity performed by their branch. Every single officer especially Ms Nur-E-Jannath, Mr Tutul Hasan, Ms Anwara, Mrs Tasnuva, Mrs Saba has been unbelievably cooperative and cordially provided me with all the necessary information that I've asked for and patiently explained the background scenario relating to theoretical aspect of it amid their busy schedule. Last but not the least, my heartfelt gratitude goes to my internship supervisor, Ex Bangladesh Bank Governor Dr Saleh Uddin Ahmed for always being there with his guidelines and helpful suggestions to successfully complete my internship program.

TABLE OF CONTENTS

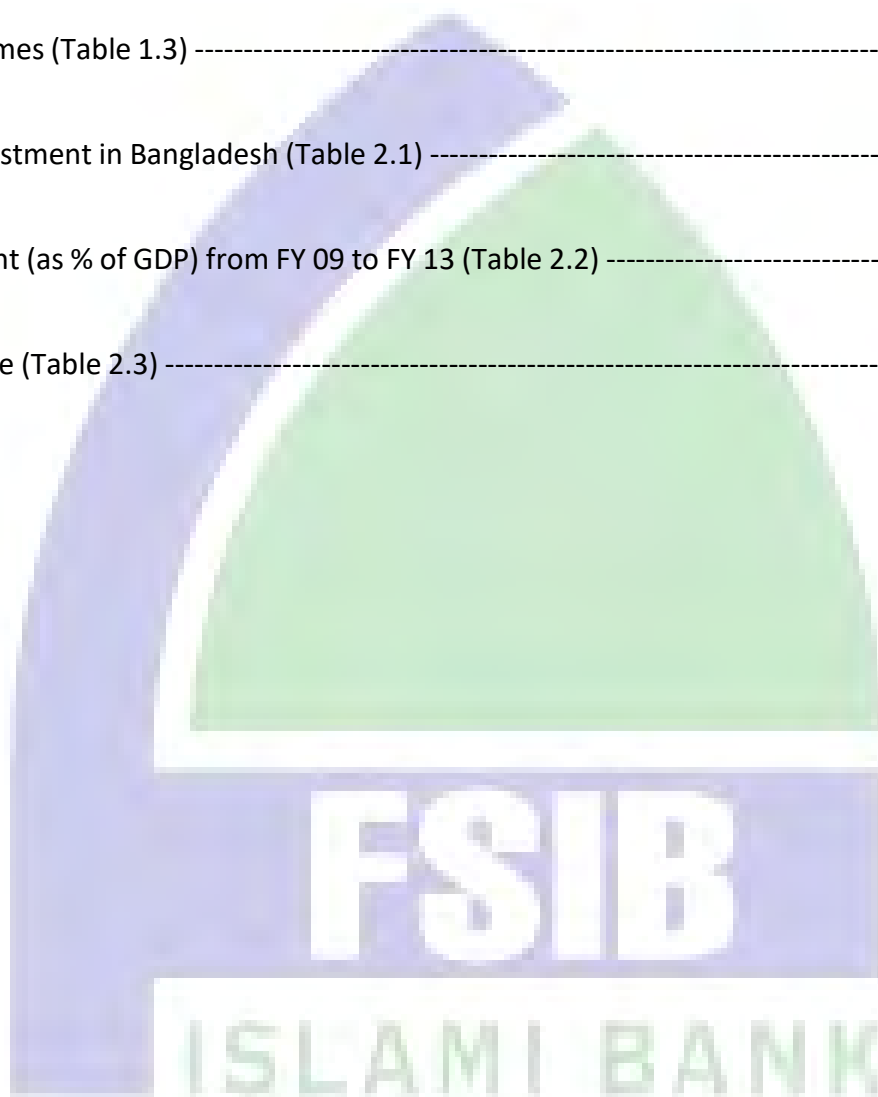
CHAPTER ONE -----	1
1.1 INTRODUCTION -----	2
1.2 ORGANISATION OVERVIEW -----	3
1.3 CORPORATE INFORMATION -----	4
1.4 VISION -----	5
1.5 MISSION -----	5
1.6. STRATEGIES -----	5
1.7 SWOT ANALYSIS -----	6
1.8 ORGANIZATION STRUCTURE -----	8
1.9 PRODUCTS, SERVICES and INVESTMENT FACILITIES -----	9
1.10 MY DUTIES AND RESPONSIBILITIES AS AN INTERN -----	21
CHAPTER TWO -----	23
2.1 INTRODUCTION TO THE PROJECT -----	24
2.2 PROBLEM STATEMENT -----	28
2.3 PURPOSES OF THE PROJECT -----	28
2.4 RESEARCH DESIGN/PLAN OF THE STUDY -----	29
2.5 LIMITATIONS OF THE REPORT -----	29
2.6 METHODOLOGY -----	30
2.7 HYPOTHESIS -----	30

CHAPTER THREE	31
3.1 DATA PRESENTATION TECHNIQUES	32
3.2 BANK DATA	32
3.3 SURVEY ANALYSIS	36
CHAPTER FOUR	51
4.1 FINDINGS	52
CHAPTER FIVE	53
5.1 CONCLUSION	54
5.2 RECOMMENDATIONS	55
BIBLIOGRAPHY	56
APPENDIX A	57
APPENDIX B	61



LIST OF TABLES

Corporate Information (Table 1.1) -----	4
Mudaraba Term Deposit Rate (Table 1.2) -----	10
DPS Schemes (Table 1.3) -----	18
Total Investment in Bangladesh (Table 2.1) -----	24
Investment (as % of GDP) from FY 09 to FY 13 (Table 2.2) -----	24
Timeframe (Table 2.3) -----	29



LIST OF FIGURES

Administrative Hierarchy (Figure 1.1) -----	8
Bangladesh Foreign Direct Investment (Figure 2.1) -----	25
Bangladesh GDP Growth Rate (Figure 2.2) -----	25
Bangladesh Loans to Private Sector (Figure 2.3) -----	26
Bangladesh Loans to Private Sector (Figure 2.4) -----	26
Total volume of Non-Performing Loans in Bangladesh Banking System (Figure 2.5) -----	27
Budget for Year 2017 (Figure 3.1) -----	32
Profit Rate (Figure 3.2) -----	33
Profit Rate (Figure 3.3) -----	34
Investment in Previous Years (Figure 3.4) -----	35
Reason for Coming to This Bank (Figure 3.5) -----	36
No of Times Applied for a Loan (Figure 3.6) -----	37
Complication of Application Procedure (Figure 3.7) -----	38
Offering Desired Amount (Figure 3.8) -----	38
Following BB Guidelines (Figure 3.9) -----	39
Charging Competitive Rates (Figure 3.10) -----	40

Compliance with Shari’ah (Figure 3.11) -----	40
Discrimination While Applying (Figure 3.12) -----	41
Charging Competitive Rates (Figure 3.13) -----	42
Satisfaction (Figure 3.14) -----	42
Product Availability (Figure 3.15) -----	44
Product for All (Figure 3.16) -----	44
Past Lending Scenario (Figure 3.17) -----	45
Profitable Loan Category (Figure 3.18) -----	46
Profitability Affecting Lending (Figure 3.19) -----	47
Competitive Charging (Figure 3.20) -----	47
Compliance with Shari’ah (Figure 3.21) -----	48
Shari’ah Standards Good for All Types of Loan (Figure 3.22) -----	49
Dedicated Desks for Women and Minorities (Figure 3.23) -----	49

ABSTRACT

Commercial banks play an important role in the financial system and the economy. As a key component of the financial system, banks allocate funds from savers to borrowers in an efficient manner. They provide specialized financial services, which reduce the cost of obtaining information about both savings and borrowing opportunities. These financial services help to make the overall economy more efficient. The economy of Bangladesh is going through a critical stage. The good part of our economy is that it is growing, which is typical for developing economies. Even though historically we see a steady borrowing scenario, the non-performing loans are also high. Domestic banks have been restructuring and rescheduling the loans for years. These non – performing loans also indicate that there might be lower chances for the new borrowers to borrow from the banks. So question arises whether the environment is friendly enough to fuel up the rate of investment growth. Historical and empirical data evident that, there are enough initiative from the side of the bank to facilitate business. Even though there has been a downfall in the overall investment in the recent past but it barely has anything to blame on the banks. However the scenario is only true for the Biswa Road Branch of First Security Islami Bank Limited. The overall scenario could be somewhat different for the whole banking sector of Bangladesh.

CHAPTER ONE

1.1 INTRODUCTION

1.2 ORGANISATION OVERVIEW

1.3 CORPORATE INFORMATION

1.4 VISION

1.5 MISSION

1.6. STRATEGIES

1.7 SWOT ANALYSIS

1.8 ORGANIZATION STRUCTURE

1.9 PRODUCTS, SERVICES AND INVESTMENT FACILITIES

1.10 MY DUTIES AND RESPONSIBILITIES AS AN INTERN



1.1 INTRODUCTION

Commercial banks play an important role in the financial system and the economy. As a key component of the financial system, banks allocate funds from savers to borrowers in an efficient manner. They provide specialized financial services, which reduce the cost of obtaining information about both savings and borrowing opportunities. These financial services help to make the overall economy more efficient.

Banks operate by borrowing funds-usually by accepting deposits or by borrowing in the money markets. Banks borrow from individuals, businesses, financial institutions, and governments with surplus funds (savings). They then use those deposits and borrowed funds (liabilities of the bank) to make loans or to purchase securities (assets of the bank). Banks make these loans to businesses, other financial institutions, individuals, and governments (that need the funds for investments or other purposes). Interest rates provide the price signals for borrowers, lenders, and banks.

A financial intermediary is an institution or individual that serves as a middleman for different parties in a financial transaction. According to classical and neoclassical economics, as well as most mainstream economics, a financial intermediary is typically a bank that consolidates deposits and uses the funds to transform them into loans.

Through the process of financial intermediation, certain assets or liabilities are transformed into different assets or liabilities. As such, financial intermediaries channel funds from people who have extra money or surplus savings (savers) to those who do not have enough money to carry out a desired activity (borrowers).

A financial intermediary is typically an institution that facilitates the channeling of funds between lenders and borrowers indirectly. That is, savers (lenders) give funds to an intermediary institution (such as a bank), and that institution gives those funds to spenders (borrowers). Banks play an important role as an intermediary, or go-between, in the financial system. They have three main functions:

1. Banks are where people can safely deposit their savings, which banks then pay interest on. If there were no banks, people would have to store and protect their savings themselves, which would involve major risks.

2. Banks are largely responsible for the payments system. Electronic payments are becoming more important as people use less cash. This means that banks are processing more card payments, transfers, direct debits, etc. every day.
3. Banks issue loans to both people and companies. Without banks, it would be very hard for people to buy a home or start a business, or for companies to make investments, for example.

Banks do a variety of other things, such as helping corporations with their, often more complex, financial needs. This can range from the various ways to gain access to capital for growth and investments, to assisting in mergers and acquisitions, to converting currencies.

1.2 ORGANISATION OVERVIEW

First Security Islami Bank is one of the Islami Banks which got new tradition for the purpose of modern Islami Banking program in the banking history of the country. The Bank is one of the interest-free Shari'ah based banks in the country and its modus-operandi are substantially different from other conventional banks. This bank is gradually proceeding to its goal after starting its operation. First Security Islami Bank Limited started its operation on 25th October 1999 under the Company Act, 1994. In the beginning of the establishment, First Security Bank started its operation as a conventional bank and on 1st January, 2009, it was converted into a fully shariah based Islami Bank. The Bank went for public issue on 20th July, 2008 and its shares are listed with Dhaka Stock Exchange (DSE) Ltd. and Chittagong Stock Exchange (CSE) Ltd. Presently the Bank carries banking activities through its one hundred & sixty (160) branches in the country. The Bank had no overseas branches as at December 31, 2016.

1.3 CORPORATE INFORMATION

FSIBL Corporate Profile	
Name of the Company	First Security Islami Bank Ltd.
Chairman	Mr. Mohammad Saiful Alam
Vice Chairman	Mr. Alhaj Mohammad Abdul Maleque
Managing Director	Mr. Syed Waseque Md. Ali
Company Secretary	Mr. Oli Kamal
Legal Status	Public Limited Company
Date of Incorporation	August 29, 1999
Date of Commencement of Business	August 29, 1999
Date of getting license from Bangladesh Bank	September 22, 1999
Date of Opening of First Branch	October 25, 1999
Corporate Head Office	House- SW(I) 1/A, Road-8, Gulshan-1, Dhaka-1212, Bangladesh.
Registered Office	23, Dilkusha, Dhaka-1000, Bangladesh
Line of Business	Banking
Authorized Capital	Tk.10,000 Million
Paid up Capital	Tk.6,788.74 Million
Date of consent for IPO	04 June 2008
Phone	88-02-9888446 (Hunting), 8402613-8402625 (ICT Division).
Fax	880-02-9891915
E-mail	bcs@fsiblbld.com , info@fsiblbld.com
SWIFT Code	FSEBDDH
Auditors	Shafiq Basak & Co, Chartered Accountants, Shatabdi Centre (6 th Floor), 292, Inner Circular Road, Fakirapool, Motijheel, Dhaka. Phone: 02-7192098, Tel/ Fax: 02- 7194870, E-mail: shafiq_basak@yahoo.com
Legal Advisor	The Law Counsel, Barrister & Advocates, City Heart (7 th Floor), Suit No. 8/8, 67, Naya Paltan, Dhaka-1000. Phone: 9349647-8, Fax: 9349866, 9567029, E-mail: l.counsel@bdonline.com.
Tax Consultant	K.M. Hasan FCA, K.M. Hasan & Co. Chartered Accountants, Dhaka Office Home Tower Apartment (8 th & 9 th Floor), 87, New Eskaton Road , Dhaka – 1000, Phone: 9351457,9351564, Fax: 9345792-112.

Table 1.1: Corporate Information.

1.4 VISION

To be the premier financial institution in the country by providing high quality products and services backed by latest technology and a team of highly motivated personnel to deliver excellence in Banking.

1.5 MISSION

- To contribute to the socio-economic development of the country.
- To attain the highest level of satisfaction through the extension of services by dedicated and motivated professionals.
- To maintain continuous growth of market share by ensuring quality.
- To ensure ethics and transparency in all levels.
- To ensure sustainable growth and establish full value of the honorable shareholders.
- and
- Above all, to contribute effectively to the national economy.

1.6. STRATEGIES

- To achieve our customer's best satisfaction & win their confidence.
- To manage & operate the bank in the most effective manner.
- To identify customer's need & monitor their perception towards meeting those requirements.
- To review & update policies, procedures & practices to enhance the ability to extend better customer services.
- To train & develop all employees & provide them adequate resources so that customers can reasonably addressed.
- To promote organizational efficiency by disclosing company plans policies & procedures openly to the employees in a timely fashion.
- To ensure a congenial working environment.
- To diversify portfolio in both retail & wholesale market.

1.7 SWOT ANALYSIS

STRENGTHS:

- It is a Shari'ah based bank.
- It has established an integral and friendly relationship with its clients.
- It has a very popular and prominent saving scheme named DPS for a fixed or lower income group of people of this society.
- Sound profitability growth and high assets.
- Experienced management team.
- Proficient, honest, sincere, self-motivated and dedicated employees.
- Wide market share and stable source of fund.
- High attention on recovery of overdue amount and or pre-overdue situation.
- High attention on individual performance.
- High attention on making quality investment and disposal of proposals.
- All the officials are trained periodically to keep them up to date with the latest concepts and practices in the relevant field.
- Their employees are their primary asset.
- Islami inspired business ethics are non-discriminatory and preserves the values of mass people of our country.

WEAKNESSES:

- FSIBL does not have an individual marketing department.
- Poor marketing of investment products.
- Lack of required information dissemination specifically on SME.
- Traditional network system and lack of full scale automation.
- Low number of ATM booths.
- FSIBL does not use the share mode and rent mode of investment.

OPPORTUNITIES:

- Scope of market penetration through diversified investment products.
- Increasing awareness of Islamic banking among the clients.
- Scope develops new committed entrepreneurs.
- Country wide branches having wide opportunities to access in different kinds of business.
- Scope of increasing the number of ATM booths.
- Service charges in other banks are comparatively higher than FSIBL Bank Ltd.
- No other banks could provide as much friendly working atmosphere as FSIBL.
- Bank introduced Islamic card, which is a first time in Bangladesh.

THREATS/CHALLENGES:

- Because of the intense competition, most of the competitor banks of FSIBL Bank Ltd. are coming up with new service line ATM.
- The competitor banks of FSIBL Bank Ltd. have more geographical coverage than FSIBL Bank Ltd.
- State law defers with the Islamic Shari'ah.
- In the money market of Bangladesh there is no call money system of Islamic Shari'ah.
- Some other conventional banks have opened their Islamic banking branch.
- Number of banks are on the rise.
- Privatization of the state owned banks increases competition.

1.8 ORGANIZATION STRUCTURE

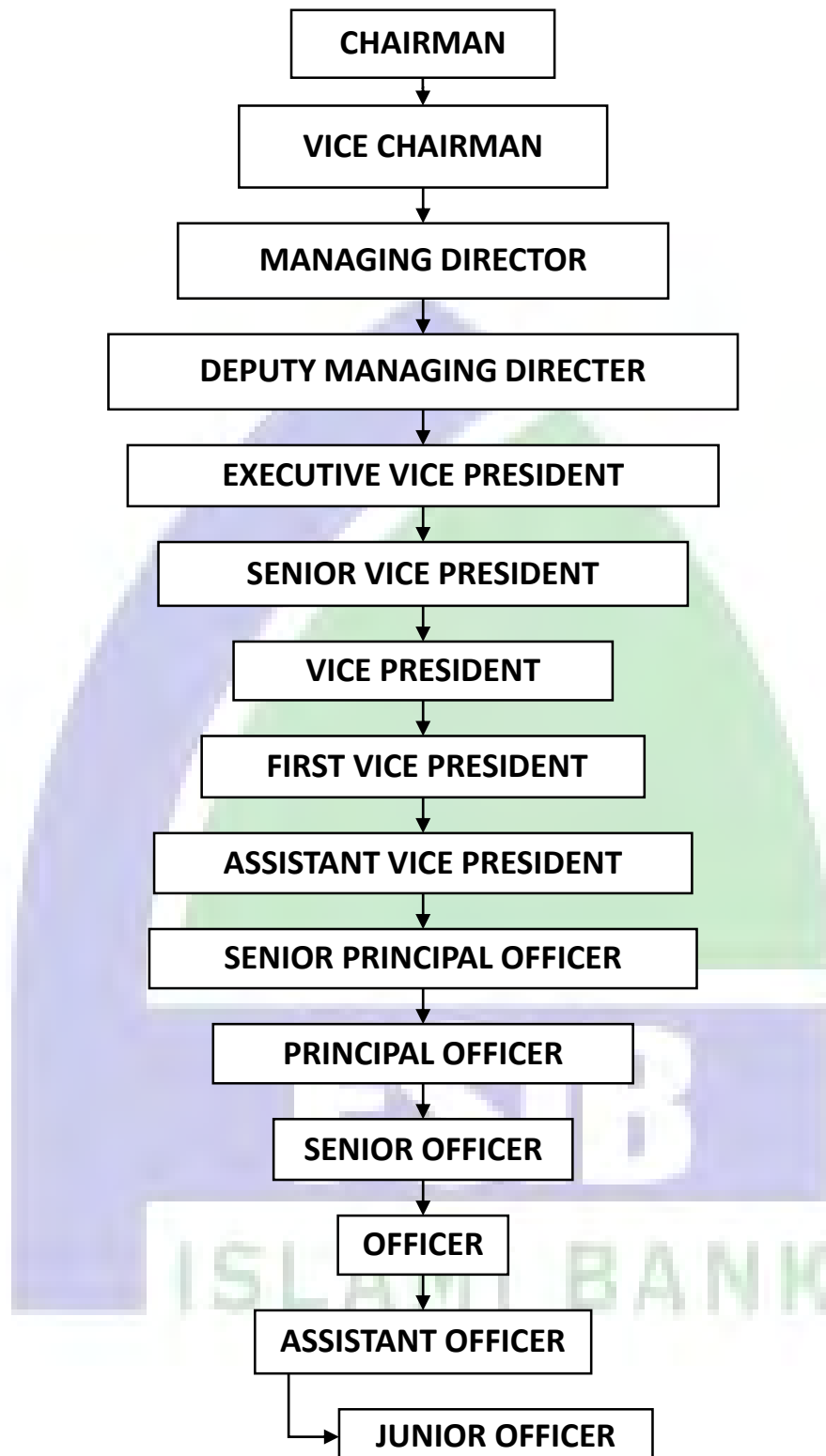


Figure 1.1: Administrative Hierarchy.

1.9 PRODUCTS, SERVICES AND INVESTMENT FACILITIES

1.9.1 DEPOSIT PRODUCTS:

1.9.1.1 AL – WADIAH CURRENT DEPOSIT ACCOUNT

Key Features:

Any adult having sound mind can open this account in his/her name singly or jointly with others. Any proprietorship/partnership firm, limited company (private/public), educational institution, club, association, socio-economic organization can also open this account. Account opening balance is TK. 1,000 only, which is treated as minimum balance of the account.

- Yearly Account maintenance fees: TK. 1,000 only + 15% VAT
- Internet Banking Service (Yearly Fees: TK. 200 only + 15% VAT)
- SMS Banking (Yearly Fees: TK. 200 only + 15% VAT)
- ATM Card / Debit Service (Yearly Fees: TK. 500 only + 15% VAT)

1.9.1.2 MUDARABA SAVINGS DEPOSIT ACCOUNT

Key Features:

Any adult having sound mind can open this account in his/her name singly or jointly with others. Any proprietorship/partnership firm, limited company (private/public), educational institution, club, association, socio-economic organization can also open this account.

Account opening balance is TK. 500 only, which is treated as minimum balance of the account.

- Provisional Rate of Profit: 4.00%
- Yearly Account maintenance fees: TK. 600 only + 15% VAT
- Internet Banking Service (Yearly Fees: TK. 200 only + 15% VAT)
- SMS Banking (Yearly Fees: TK. 200 only + 15% VAT)
- ATM Card / Debit Service (Yearly Fees: TK. 500 only + 15% VAT)

1.9.1.3 MUDARABA SPECIAL NOTICE DEPOSIT ACCOUNT

Key Features:

Any adult having sound mind can open this account in his/her name singly or jointly with others. Any proprietorship/partnership firm, limited company (private/public), educational institution, club, association, socio-economic organization can also open this account.

Account opening balance is TK. 5,000 only, which is treated as minimum balance of the account.

Provisional Rate of Profit: 4.00%. In case of Bank Deposit, Provisional Rate of Profit: 2.50%.

1.9.1.4 MUDARABA TERM DEPOSIT ACCOUNT

Key Features:

Any adult having sound mind can open this account in his/her name singly or jointly with others. Any proprietorship/partnership firm, limited company (private/public), educational institution, club, association, socio-economic organization can also open this account.

Account opening balance is TK. 10,000 only

SL	Period	Provisional Profit Rate
1	1 Month	4.00%
2	3 Months	6.50%
3	6 Months	6.75%
4	1 Year and Above	7.00%

Table 1.2: Mudaraba Term Deposit Rate.

1.9.1.5 ONKUR ACCOUNT – MUDARABA STUDENTS SAVINGS A/C (SCHOOL BANKING)

Key Features:

- Students up to X (below 18) can open Onkur A/C
- Account opening balance: TK.100 only
- Free ATM Card** & Cheque Book
- Any Amount Can be Deposited & Withdrawal
- 5% (Provisional) Profit on deposit
- No Account Maintenance Fees.
- TK. 50,000/- Free Life Insurance Facility

** Free ATM Card for 1st Year, 50% Waiver from 2nd Year

1.9.1.6 PROJONMO – MUDARABA NEW GENERATION SAVINGS A/C

Key Features:

- College & University going students can open A/C
- Account Opening @ 200 Taka
- Free ATM Card** & Cheque Book
- Any Amount above 100 Taka Can be Deposited & Withdrawal
- 5% (Provisional) Profit on deposit.
- No Account Maintenance Fees.
- TK. 50,000/- Free Life Insurance Facility

** Free ATM Card for 1st Year, 50% Waiver from 2nd Year

1.9.1.7 UDDIPON – MUDARABA NEW GENERATION DEPOSIT SCHEME

Key Features:

- Scheme for College & University going students
- Monthly Installment: Any amount between TK. 200 to 20,000
- Maturity 1, 2, 3, 4, 5, 6, 7 & 8 Years
- Attractive Profit Rate.
- TK. 1,00,000/- Free Life Insurance Facility

1.9.1.8 ALO – MUDARABA EDUCATION DEPOSIT SCHEME

Key Features:

- Special Deposit Scheme for the Parents of Students
- Monthly Installment: 500/- to 25,000/-
- Tenure: 3, 5, 8, 10, 12 & 15 Years
- TK.1,00,000/- Free Life Insurance Facility
- Monthly Installment can be paid in any working day of the month in any Branch

1.9.1.9 SHUVESSA MUDARABA GIFT CHEQUE

Key Features:

- Gift Cheque Valuing Tk. 500/-, 1000/-, 2000/- & 5000/-
- Profit on daily basis
- En-cash at any Branch

1.9.1.10 MUDARABA DEPOSIT DOUBLE SCHEME

Key Features:

- Deposit will be double in 9 Years
- Minimum Deposit: TK. 10,000/-
- TK. 1,00,000/- Free Life Insurance Facility

1.9.1.11 MUDARABA DEPOSIT TRIPLE SCHEME (TRIPLE BENEFIT)

Key Features:

- Deposit will be Triple in 13 Years 10 Months
- Minimum Deposit: TK. 10,000/-
- TK. 1,00,000/- Free Life Insurance Facility

1.9.1.12 ARBA – MUDARABA DEPOSIT FOUR TIMES SCHEME

Key Features:

- Deposit will be Four Times in 17 Years
- Minimum Deposit: TK. 10,000/-
- TK. 1,00,000/- Free Life Insurance Facility

1.9.1.13 PRPTI – MUDARABA SALARY SAVINGS ACCOUNT

Key Features:

- For Corporate Executives & Officers
- No Maintenance Charge
- Free ATM Card & Cheque Book

1.9.1.14 MUDARABA MONTHLY PROFIT SCHEME

Key Features:

- Minimum TK. 625/- profit against TK. 1,00,000/- deposit*
- Tenure: 3 years
- Minimum Deposit: TK.25,000/-
- TK. 1,00,000/- Free Life Insurance Facility

1.9.1.15 MUDARABA CASH WAKF DEPOSIT SCHEME

Key Features:

- It is a Perpetual Donation
- Minimum Waqfa amount Tk. 5000/-
- Attractive Profit Rate
- TK. 1,00,000/- Free Life Insurance Facility

1.9.1.16 MUDARABA HAJJ SAVINGS ACCOUNT

Key Features:

- Special Deposit Scheme for Hajj
- Tenure is 1 to 20 years

1.9.1.17 ZAKAT FUND

Key Features:

- Give your Zakat to our Zakat Fund
- Current A/C No. 0101 111 0002636-1

1.9.1.18 MORJADA – AL-WADIAH CURRENT PLUS ACCOUNT

Key Features:

- Initial Deposit Tk. 15,000/-
- Free ATM Card & Cheque
- Free Inter-City Transaction Facility
- TK. 1,00,000/- Free Life Insurance Facility

1.9.1.19 SOMMAN – AL-WADIAH PREMIUM ACCOUNT

Key Features:

- Initial Deposit Tk. 25,000/-
- Free ATM Card & Cheque
- Free Inter-City Transaction Facility
- TK. 1,00,000/- Free Life Insurance Facility

1.9.1.20 AGROSHOR – MUDARABA MILLIONAIRE DEPOSIT SCHEME

Key Features:

- After maturity Tk. 1 million (app) with profit
- Monthly Installment Tk. 24860, Tk. 13700, Tk. 7552, Tk. 5468, Tk. 4158, Tk. 2890, Tk. 2084, Tk.1698
- Tenure: 3, 5, 8 ,10, 12, 15, 18 & 20 Years
- TK. 1,00,000/- Free Life Insurance Facility

1.9.1.21 UNNOTI – MUDARABA CROREPOTI DEPOSIT SCHEME

Key Features:

- After maturity Tk. 1 Crore (app) with profit
- Monthly Installment TK. 1,36,988/-, Tk. 75,518/-, Tk. 54,662/- Tk. 41,580/-, Tk. 28,900/-, Tk. 20,830/-, tk. 16,978/-, Tk. 13,952/-, Tk. 10,515/-
- Tenure: 5, 8 ,10, 12, 15, 18, 20, 22 & 25 Years
- TK. 1,00,000/- Free Life Insurance Facility

1.9.1.22 MEHNOTI- MUDARABA SROMOJIBI SAVINGS ACCOUNT

Key Features:

- For all low income people like Garment workers, Farmer, Workers producing leather product
- Account opening @ Tk. 100
- Attractive profit rate

1.9.1.23 PROYAS – MUDARABA MONEY PLANT DEPOSIT SCHEME

Key Features:

- One time Deposit from TK. 50,000/- to TK.25,00,000/-
- Tenure: 3, 5, 8 & 10 Years
- TK. 1,00,000/- Free Life Insurance Facility

1.9.1.24 PROBIN – MUDARABA SENIOR CITIZEN SAVINGS ACCOUNT

Key Features:

- For 60 or 60 + ages Senior Citizen
- Initial Deposit Tk. 5,000/-
- Free ATM Card & Cheque Book
- 20% Discount on Locker Services

1.9.1.25 GHARONI – MUDARABA HOUSEWIFE DEPOSIT SCHEME

Key Features:

- Monthly Installment: Any amount from TK. 500/- to TK. 25,000/-
- Tenure: 3, 5, 8 & 10 Years
- Attractive Profit Rate
- TK. 1,00,000/- Free Life Insurance Facility

1.9.1.26 BONDHON – MUDARABA MARRIAGE DEPOSIT SCHEME

Key Features:

- Monthly Installment from TK. 500/- to TK.25,000/-
- Tenure: 3, 5, 8, 10, 12, 15 & 20 Years
- Attractive Profit Rate
- TK. 1,00,000/- Free Life Insurance Facility

1.9.1.27 NIRAMOY – MUDARABA HEALTH CARE DEPOSIT SCHEME

Key Features:

- Monthly Installment from TK. 500/- to TK.25,000/-
- Tenure: 3, 5, 8 & 10 Years
- Attractive Profit Rate
- TK. 1,00,000/- Free Life Insurance Facility

1.9.1.28 ABOSHOR – MUDARABA PENSION DEPOSIT SCHEME

Key Features:

- Monthly Installment from TK. 500/- to TK.25,000/-
- Tenure: 3, 5, 10, 15 & 20 Years
- Attractive Profit Rate
- TK. 1,00,000/- Free Life Insurance Facility

1.9.1.29 MUDARABA MONTHLY DEPOSIT SCHEME

Key Features:

- Monthly Installment from TK. 500/- to TK.25,000/-
- Tenure: 3, 5, 8 & 10 Years
- Attractive Profit Rate
- TK. 1,00,000/- Free Life Insurance Facility

1.9.1.30 SHADESH – MUDARABA EMIGRANT DEPOSIT SCHEME

Key Features:

- Monthly Installment from TK. 2,000/- to TK.30,000/-
- Tenure: 3, 5, 8, 10, 12, 15 & 20 Years
- Attractive Profit Rate
- TK. 1,00,000/- Free Life Insurance Facility

1.9.1.31 SHADESH – MUDARABA EMIGRANT DEPOSIT SCHEME

Key Features:

- Monthly Installment from TK. 2,000/- to TK.30,000/-
- Tenure: 3, 5, 8, 10, 12, 15 & 20 Years
- Attractive Profit Rate
- TK. 1,00,000/- Free Life Insurance Facility

Years / Monthly Installment	3	5	8	10	12	15	20	
	Years	Years	Years	Years	Years	Years	Years	
100	4,069	7,444	13,682	19,080	25,327	36,998	64,706	Mehonoti
250	10,172	18,611	34,205	47,701	63,318	92,496	161,766	
500	20,344	37,221	68,411	95,401	126,637	184,992	323,532	
1000	40,689	74,442	136,821	190,803	253,273	369,984	647,065	
1500	61,033	111,664	205,232	286,204	Only for Monthly Deposit Scheme			
2000	81,377	148,885	273,643	381,606	506,547	739,968	1,294,129	
2500	101,722	186,106	342,054	477,007	633,184	924,960	1,617,662	
5000	203,444	372,212	684,107	954,015	1,266,367	1,849,920	3,235,324	
10000	406,887	744,424	1,368,215	1,908,030	2,532,734	3,699,840	6,470,647	
15000	610,331	1,116,637	2,052,322	2,862,045	3,799,101	5,549,759	9,705,971	
20000	813,775	1,488,849	2,736,429	3,816,060	5,065,468	7,399,679	12,941,295	
25000	1,017,219	1,861,061	3,420,536	4,770,074	6,331,835	9,249,599	16,176,618	
30000	1,220,662	2,233,273	4,104,644	5,724,089	7,598,202	11,099,519	19,411,942	Shawdesh

Table 1.3: DPS Schemes.

1.9.2 INVESTMENT SCHEMES

1.9.2.1 INVESTMENT / UTILIZATION OF THE FUNDS

- Bai-Murabaha (Deferred Lump Sum/ Installment Sale)
- Bai-Muajjal (Deferred Installment / Lump Sum Sale)
- Ijara (Leasing)
- Musharaka (Joint-Venture, Profit-Sharing)
- Mudaraba (Trustee Profit-Sharing)
- Bai-Salam (Advance Sale and Purchase)
- Hire-Purchase
- Direct Investments
- Ijara (Leasing)
- Post Import Investment
- Purchase and Negotiation of Export Bills
- Inland Bills Purchased
- Murabaha Import Bills
- Bai-Muajjal Import Bills
- Pre-Shipment Investment
- Quard-ul-Hasan (Benevolent Investment)

1.9.2.2 LETTER OF GUARANTEE

- Tender Guarantee
- Performance Guarantee
- Guarantee for Sub-Contracts

- Shipping Guarantee
- Advance Payment Guarantee
- Guarantee in lieu of Security Deposits
- Guarantee for exemption of Customs Duties
- Others

1.9.2.3 LETTER OF CREDIT (L/C) / BACK TO BACK LETTER OF CREDIT (L/C)

1.9.2.4 SPECIALIZED SCHEMES

- Tender Guarantee
- Consumer Investment Scheme
- SME Investment Scheme,
- Lease Investment Scheme,
- Hire Purchase,
- Earnest Money Investment Scheme,
- Mortgage Investment,
- Employees House Building Scheme,
- ATM, VISA Investment Card, EEF, etc.

1.9.3 FOREIGN REMITTANCE

- Western Union
- Zenj Exchange
- The MoneyGram brand
- The Xpress Money
- Placid Express
- IME (International Money Express) Ltd.
- TRANSFAST
- RIA
- Aftab Currency Exchange Limited
- BRAC Saajan Exchange Ltd

1.10 MY DUTIES AND RESPONSIBILITIES AS AN INTERN

I started my internship in First Security Islami Bank Limited, Biswa Road branch on May 14, 2017 for a period of three months. In this short period of time I got chance to work in accounts department, general banking department, clearing department and foreign exchange department. My responsibilities in a nutshell are as follows.

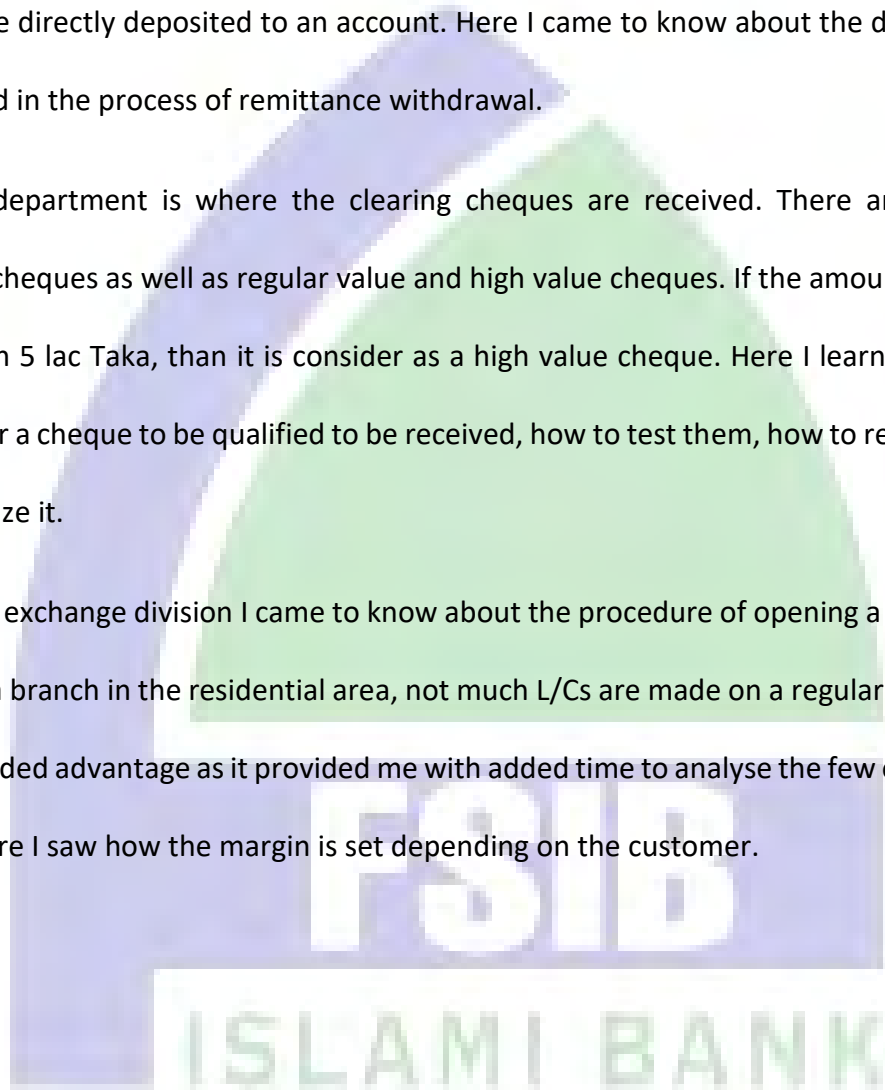
At first I was given the opportunity to work in the front desk. There I came to know about the various products offered by the bank. I was associated with account opening and closing. Had I no idea how technical and difficult this section is. Every action is directly dependent on associated documents and proofs. Even clients has to submit relevant documents and justify their reasons for updating their transaction profile (TP). Cheque book distribution and requisition are also done in this desk. Welcome letters are also prepared for the new account holders after opening an account and their address are verified as well in this very section.

Next in accounts department I have learnt about the supplementary details. Every transaction done by the branch has to be kept recorded with original documents like, cheque, deposit slip, pay order, debit voucher and credit voucher. In every transaction there are two parts. They are client part and general ledger (GL) part. Accounts department has to do it very carefully because all the transactions recorded here has to have the original documents and vouchers. This task gave me an idea about the overall activity that goes on in the branch during a working day. Lucky am I to be there during the June closing, as I got to witness the preparation of various statements during this period. Preparing those statements were time consuming and hectic. In the accounts department I also learnt to prepare debit and credit vouchers for various activities related to the running of the bank.

Then I worked in the remittance section. I worked in this section for about two weeks in a row. Roughly 15 to 20 clients come to withdraw remittance on an average day. I was there before Eid – Ul – Fitr and according to the bank official in the desk, it was the peak period. I helped the clients to fill up the forms and collected and arranged the necessary documents to withdraw remittance. Clients here mostly come to withdraw the remittance in cash though it could be directly deposited to an account. Here I came to know about the different stages associated in the process of remittance withdrawal.

Clearing department is where the clearing cheques are received. There are inward and outward cheques as well as regular value and high value cheques. If the amount of cheque is more than 5 lac Taka, than it is consider as a high value cheque. Here I learnt what are the criteria for a cheque to be qualified to be received, how to test them, how to receive and how to authorize it.

In foreign exchange division I came to know about the procedure of opening a letter of credit (L/C). As a branch in the residential area, not much L/Cs are made on a regular basis. But that was an added advantage as it provided me with added time to analyse the few ones that were made. Here I saw how the margin is set depending on the customer.



CHAPTER TWO

2.1 INTRODUCTION TO THE PROJECT

2.2 PROBLEM STATEMENT

2.3 PURPOSES OF THE PROJECT

2.4 RESEARCH DESIGN/PLAN OF THE STUDY

2.5 LIMITATIONS OF THE REPORT

2.6 METHODOLOGY

2.7 HYPOTHESIS



2.1 INTRODUCTION TO THE PROJECT

The economy of Bangladesh is going through a critical stage. The good part of our economy is that it is growing, which is typical for developing economies. To keep the current trend of growth, it is crucial that the rate of investment remains consistent. Good investment leads to various positive outcome. It adds up directly to GDP as well as solves various social issues like mitigating unemployment problem and such. That being said, it has been noted that the real rate of investment has deteriorated over the past couple of years. Studies show the succeeding figures.

Amount in Billion TK

Year	Total Investment	Public Sector Investment	Private Sector Investment
2002-03	703.5	186.3	517.2
2003-04	799.9	206.2	593.7
2004-05	909.2	230.1	679.2
2005-06	1024.8	249.3	775.5
2006-07	1155.9	257.3	898.6
2007-08	1321.3	270.4	1050.9
2008-09	1498.4	289.0	1209.4
2009-10	1695.1	348.2	1346.9
2010-11	2003.8	449.3	1554.4
2011-12	2327.8	576.7	1751.0

Table 2.1: Total Investment in Bangladesh.

	FY06	FY09	FY10	FY11	FY12	FY13^P
Total	24.7	24.4	24.4	25.2 (24.7)	26.5 (26.8)	26.8 (29.6)
Public	6.0	4.7	5.0	5.6 (5.3)	6.5 (6.6)	7.9 (6.9)
Private	18.7	19.7	19.4	19.5 (19.5)	20.0 (22.2)	19.0 (22.7)

Table 2.2: Investment (as % of GDP) from FY 09 to FY 13. [8]

In the above two figures we see a steady growth of investment up to fiscal year 2012. From FY 2013 it starts deteriorating. We see deterioration of FDI and in GDP growth in the following years in the succeeding figures.



Figure 2.1: Bangladesh Foreign Direct Investment.



Figure 2.2: Bangladesh GDP Growth Rate.

The lending scenario in the private sector can be observed in the following figures. We see it starts picking up from August 2016.



Figure 2.3: Bangladesh Loans to Private Sector.

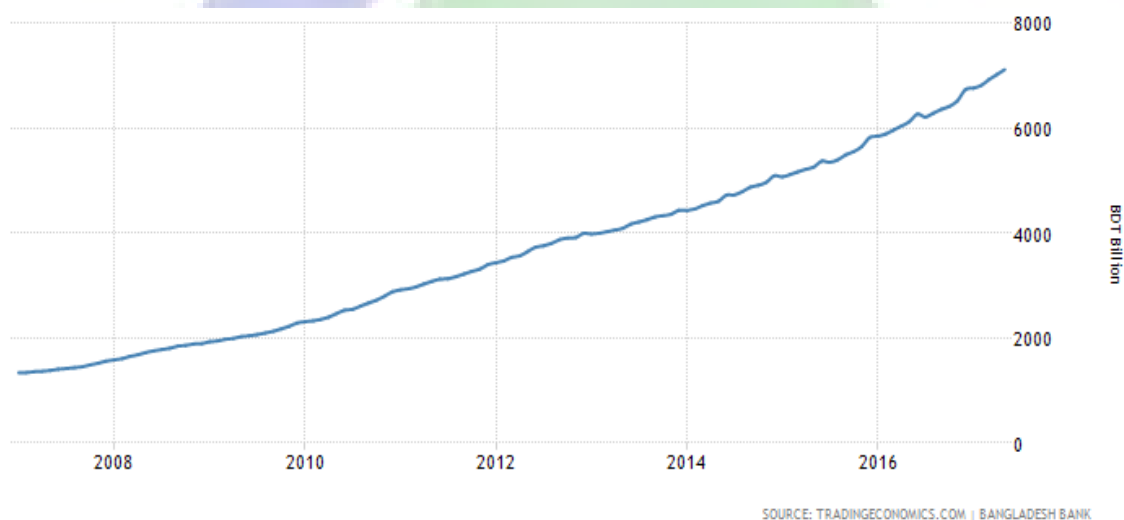


Figure 2.4: Bangladesh Loans to Private Sector.

Even though historically we see a steady borrowing scenario, the non-performing loans are also high. Domestic banks have been restructuring and rescheduling the loans for years, which is not at all a new topic to put lights on. Currently the non-performing loans as a percentage of total loans is 16.1% which went up from 8.8% of previous year, a rise of exactly 300 basis points in a single year. This is undoubtedly alarming for our economy.

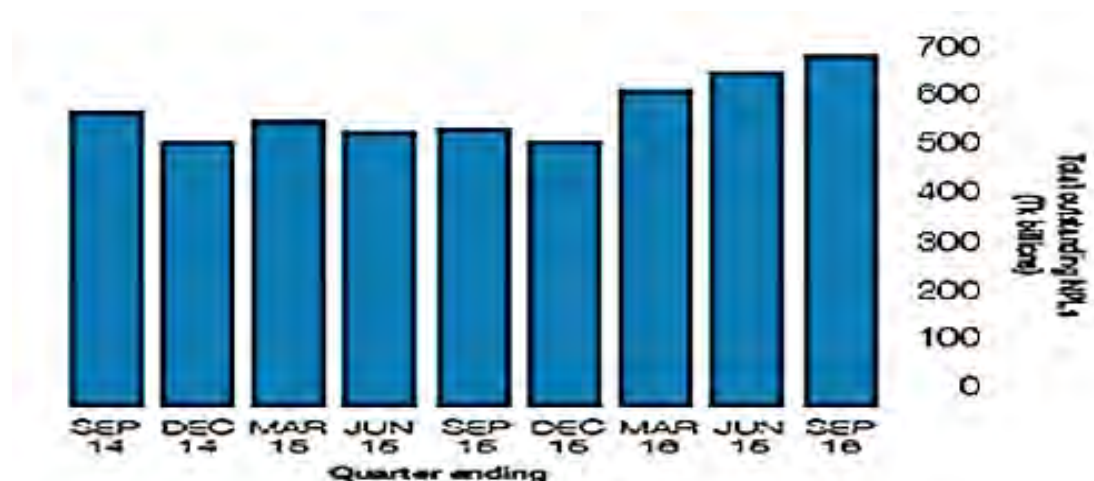


Figure 2.5: Total volume of Non-Performing Loans in Bangladesh Banking System. [9]

These non – performing loans also indicate that there might be lower chances for the new borrowers to borrow from the banks. So question arises whether the environment is friendly enough to fuel up the rate of investment growth. Among various issues and policies to take into consideration, the source of money i.e. the commercial lending of the commercial banks whether are fascinating enough for the investors. We have to keep in mind that one of the primary functions of a commercial banks is to facilitate investment. Another thing to note that it is not only the big corporate investment that contributes to the GDP, the small and medium entrepreneurs do count equally. My area of investigation remains confined in the role of commercial lending of the banks. I want to figure out whether the banks are playing their role properly.

My internship objective mainly focuses on the facilitation of investment on this particular branch. As one of the major objectives of a financial bank is to facilitate investment, I want to figure out whether the Biswa Road branch of this particular bank is playing its role in this particular area by figuring out their asset liability management process, facilities offered for women and minorities and SME loans facilitation under Shari’ah constraints. I will try to figure out if any problem exists either from the bank’s side or from the clients’ side and will try to

address that issue. I will try to classify their lending into small, medium and large loans and will try to figure out which borrowers are being more favored in this particular branch. If possible, I will try to figure out their default rate and figure out which level of borrower has more tendency to be a defaulter.

2.2 PROBLEM STATEMENT

Lending of banks is an indicator of the role of banks in facilitating business. The overall private sector investment of Bangladesh has decreased in the past couple of years. So question arises:

1. Are the banks offering proper products to benefit businesses?
2. Are the non-performing loans playing any role in hampering new investment?
3. Are they making it look critical unnecessarily that people are becoming uninterested?
4. What could bring back people to avail the offers offered by commercial banks?

Having these questions in mind, I aim to complete my project.

2.3 PURPOSES OF THE PROJECT

Completion of the project should lead us to consideration of policy reform for banks to help facilitate the rate of growth of the economy. This outcome will clearly indicate whether any direct attention is required to mitigate the issue. If not, then the attention should be put on to other critical issues in the relevant matter. My periphery of work is fairly limited to only one bank, which is the First Security Islami Bank Limited. Similar study should be conducted on other banks to figure out the real scenario. It will also give us an idea of whether there is a silent discrimination to the new and SME loan seekers. It will also show us the scenario of the facilities for minor (women and other minor groups) borrowers.

2.4 RESEARCH DESIGN/PLAN OF THE STUDY

2.4.1 TIMEFRAME

I have followed the following time schedule during my project

18 July, 2017 - July 27, 2017	-----	Submission of proposal
July 21, 2017 - July 30, 2017	-----	Surveying the customers
August 1, 2017 - August 5, 2017	-----	Analysis of the survey
August 6, 2017 - August 20, 2017	-----	Preparing the draft report
August 21, 2017 - August 25, 2017	-----	Preparing the draft presentation
August 26, 2017 - August 31, 2017	-----	Finalizing the report and presentation

Table 2.3: Timeframe.

2.5 LIMITATIONS OF THE REPORT

The first and foremost limitation of my study is that it is conducted on only one branch of one bank. This study is no way going to give us the complete picture. Secondly, the outcome of the study is directly related to the access to authentic data, which is very critical being an intern. Another limiting factor is that, during my internship period in the bank, I've been assigned various task in different departments of the branch. As a result I could not focus throughout the whole time on collecting relevant data.

2.6 METHODOLOGY

Practical, hands on experience by working full time with the employees, interviewing both employees and clients personally, observing multiple scenarios during the tenure of my internship will be my main source of information. Alongside, I will be handing out a questionnaire to a very limited number of borrowers and loan seekers to record their response. A separate questionnaire will be handed to the bank officials to figure out their response. Furthermore reliable online information will be taken from the company website as well as other financial websites to address the issue.

2.7 HYPOTHESIS

Commercial banks are financial institutions. One of the main source of their income is their investment i.e. from the loan they provide to their clients. So it is less likely that they will intentionally decrease their investment. But the accumulated non – performing loans are on the rise. Banks had been restructuring and rescheduling non – performing loans as a common practice. In the current scenario there might be a stress on the credit deposit ratio. To manage their assets and liabilities the banks might want to tradeoff new borrowing clients for their current deposit clients. In that case, newer investments will be hampered which will affect the economy drastically. So there might be slight unwillingness in offering loans to SME category and to the minorities.

CHAPTER THREE

3.1 DATA PRESENTATION TECHNIQUES

3.2 BANK DATA

3.3 SURVEY ANALYSIS



3.1 DATA PRESENTATION TECHNIQUES

The data collected has been analyzed with theoretical aspects. The surveys were analyzed with the help of Microsoft Excel and presented with pie charts.

3.2 BANK DATA

3.2.1 BUDGET

During my tenure, I was lucky enough to get my hands on some of the important data relevant to my field of investigation. First comes their budget for year 2017.

Annexure-I

SL No	Branch Code	Branch Name	Deposit (Figure in Crore)		Investment (Figure in Crore)		Profit (Figure in Lac)		Account Opening		
			YTD Actual - 2016	Budget- 2017	YTD Actual - 2016	Budget- 2017	YTD Actual - 2016	Budget- 2017	YTD Actual - 2016	New Account Opening Budget- 2017	Cumulative Budget- 2017
1	101	Dilkusha	1,788.53	2,000.00	2,245.47	2,700.00	6,511.15	7,500.00	21,166.00	2,334.00	23,500.00
2	102	Khatungonj	1,032.07	1,150.00	4,113.50	5,100.00	14,274.32	15,700.00	9,787.00	1,463.00	11,250.00
3	103	Mohakhali	685.59	800.00	643.39	750.00	2,448.10	2,700.00	11,114.00	2,711.00	13,825.00
4	104	Agrabad	640.23	800.00	3,175.29	3,750.00	7,015.27	7,500.00	17,222.00	2,578.00	19,800.00
5	105	Biswanath	65.38	75.00	2.93	6.00	(91.70)	10.00	4,649.00	851.00	5,500.00
6	106	Bangshal	436.88	500.00	78.80	125.00	296.24	600.00	8,706.00	1,744.00	10,450.00
7	107	Jubilee Road	761.03	800.00	3,532.62	3,900.00	11,556.75	12,700.00	12,110.00	2,425.00	14,535.00
8	108	Dhanmondi	1,257.50	1,450.00	629.42	725.00	3,115.18	3,500.00	10,616.00	2,124.00	12,740.00
9	109	Rangpur	168.59	175.00	12.12	20.00	65.08	75.00	11,462.00	2,538.00	14,000.00
10	110	Keranihat	208.98	225.00	14.64	18.00	99.37	115.00	20,655.00	4,445.00	25,100.00
11	111	Sylhet	172.67	190.00	46.68	59.00	(392.14)	5.00	5,872.00	2,018.00	7,890.00
12	112	Gulshan	1,099.90	1,200.00	1,459.16	1,650.00	3,143.63	3,600.00	11,115.00	2,385.00	13,500.00
13	113	Mirpur	689.88	800.00	14.82	20.00	822.97	1,000.00	15,092.00	3,018.00	18,110.00
14	114	Nazu Meah Hat	160.81	175.00	89.32	103.00	367.98	400.00	8,932.00	1,788.00	10,720.00
15	115	Banani	705.84	900.00	832.32	1,000.00	2,675.48	3,500.00	7,573.00	1,517.00	9,090.00
16	116	Khulna	358.85	400.00	23.22	36.00	94.95	150.00	8,486.00	4,714.00	13,200.00
17	117	Shafipur	122.55	135.00	5.43	12.00	77.05	200.00	12,609.00	2,791.00	15,400.00
18	118	Topkhana Road	613.77	725.00	7.05	10.00	713.20	850.00	9,148.00	1,992.00	11,140.00
19	119	Probartak More	352.81	425.00	973.33	1,070.00	4,151.70	4,600.00	11,573.00	2,317.00	13,890.00
20	120	Biswa Road	458.90	525.00	10.06	12.00	402.46	600.00	13,649.00	6,051.00	19,700.00
21	121	Donia	329.19	400.00	7.31	12.00	242.42	350.00	10,953.00	2,192.00	13,145.00
22	122	Moulvi Bazar	150.95	170.00	12.90	22.00	(103.74)	70.00	6,115.00	1,260.00	7,375.00
23	123	Bahddarhat	280.01	350.00	670.25	600.00	2,546.98	3,000.00	14,498.00	2,902.00	17,400.00
24	124	Dovashi Bazar	222.00	250.00	7.18	9.00	82.37	110.00	22,543.00	4,507.00	27,050.00
25	125	College Gate	303.79	350.00	7.57	10.00	407.77	500.00	19,664.00	3,936.00	23,600.00
26	126	Senanibash	545.37	650.00	815.09	900.00	2,887.33	3,300.00	14,523.00	2,907.00	17,430.00
27	127	Muksudpur	113.22	120.00	2.49	4.00	40.78	70.00	8,681.00	1,739.00	10,420.00
28	128	Ambarkhana	107.46	130.00	17.24	22.00	(186.12)	10.00	5,602.00	1,263.00	6,865.00
29	129	Motijheel	897.84	1,050.00	162.65	225.00	1,260.26	1,800.00	7,832.00	2,308.00	10,140.00
30	130	Bogra	114.17	125.00	8.51	18.00	(109.46)	10.00	5,298.00	2,972.00	8,270.00
31	131	Ramganj	80.57	85.00	5.29	8.00	20.24	25.00	9,078.00	2,177.00	11,255.00
32	132	Gabindagonj	58.67	65.00	1.73	4.00	7.13	25.00	5,832.00	1,298.00	7,130.00
33	133	Ring Road	536.67	625.00	60.41	66.00	910.66	1,200.00	10,782.00	2,218.00	13,000.00
34	134	Anderkillah	530.87	600.00	1,451.54	1,600.00	5,770.86	6,500.00	10,873.00	2,652.00	13,525.00

Figure 3.1: Budget for Year 2017.

This budget shows their investment budget for the year 2017 is 12 crore where it was 10.06 crore in 2016 for Biswa Road branch. It is a 20% increase in investment. This indicates more people will be able to avail the investment facilities from this branch.

3.2.2 Profit Structure

I got my hands on the revised profit rate for various types of investment instruments. It is depicted in the following figure.



ফার্স্ট সিকিউরিটি ইসলামী ব্যাংক লিঃ
FIRST SECURITY ISLAMI BANK LTD.
Treasury Division

Circular No. 05/2017
 FSIBL/HO/TD/ Circular /2017/71

All Branch Managers, All Divisional Heads
 Zonal Heads, IC&C Division, CTG Unit and Principal, Training Institute
 First Security Islami Bank Limited
 Bangladesh.

Date: March 30, 2017

Subject: Revised Profit Rate on Investment.

Muhtaram,
 Assalamu- Alaikum,

It has been decided in the 147th Asset Liability Committee (ALCO) meeting held on March 29, 2017 to revise the profit rate on Investment with effect from 1st April, 2017 as under.

Existing Mode of Investment

A.	Bai-Murabaha	Existing Profit Rate on Investment / Mark-up	Revised Profit rate / Mark-up
01	Bai-Murabaha (Hypo)	14.00%	13.50%
02	Bai-Murabaha (General)	14.00%	13.50%
03	Bai-Murabaha (Real Estate Material)	14.50%	14.00%
04	a. Bai-Murabaha (Pledge/ TR) (Local Purchase)	14.00%	13.50%
	b. Bai-Murabaha (Pledge / TR) (Imported)	14.00%	13.00%
	(Imported food grain items such as rice, edible oil, date, sugar etc.)		
05	a. Bai-Murabaha (Hypo) under SME (with collateral)	14.00%	13.50%
	b. Bai-Murabaha (Hypo) under SME (Without Collateral)	15.50%	15.00%
	c. Bai-Murabaha (Hypo) against MTDR (in case of MTDR of FSIBL)	3.00% Above MTDR rate	3.00% Above MTDR rate
	d. Bai-Murabaha (Hypo) against FDR/MTDR (in case of other bank's FDR/MTDR)	13.50%	13.00%
	e. Bai-Murabaha (Hypo) against Deposit Scheme	3.00% Above on Profit Rate of the deposit scheme lien against the investment.	3.00% Above on Profit Rate of the deposit scheme lien against the investment.
	f. Investment to the Women Entrepreneur Under SME investment scheme in all mode.	10.00%	10.00%
06	a. Bai-Murabaha (EMI) under SME (With Collateral)	14.00%	13.50%
	b. Bai-Murabaha (EMI) under SME (Without Collateral)	15.50%	15.00%
07	a. Bai-Murabaha (Agriculture)	10.00%	10.00%
	b. Bai-Murabaha (Hypo) under Agriculture (Spices Crops)	4.00%	4.00%
B.	Hire Purchase under Sirkatul Milk (HPSM) Investment		
01	HPSM (House Building-Residential)	14.50%	13.50%
02	HPSM (Real Estate / Commercial)	14.50%	13.50%
03	HPSM (Transport-Bus, Truck, Launch, Cargo Vessel etc.)	14.50%	14.00%

Page No. 1/3

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 Tel : 88-02-8888446 (Hunting), Fax : 88-02-8891915, E-mail : info@fsibibd.com | SWIFT : FSEBDDH

100/webmail/src/printer_friendly_main.php?passed_on_id=0&mailbox=INBOX&passed_id=13204&vow_unsafe_images=

Figure 3.2: Profit Rate.



ফার্স্ট সিকিউরিটি ইসলামী ব্যাংক লিঃ

فارسٹ سیکيورٹی اسلامي بنک لمیٹڈ FIRST SECURITY ISLAMI BANK LTD.

04	HPSM (Auto-Car, CNG Three Wheeler, Microbus etc.)	14.50%	14.00%
05	a. HPSM (Machinery, Building etc. for industry) Term Investment	14.00%	13.50%
	b. HPSM (Machinery) other than industry.	14.00%	13.50%
06	a. HPSM (Consumer Durables Scheme)	15.50%	15.00%
	b. HPSM (Consumer Durables – Staff)	12.50%	12.00%
07	HPSM (Agriculture)	10.00%	10.00%
08	HPSM (House Building-Staff)	5.00%	5.00%
C. Investment Against Import			
01	Bai-Murabaha-Import Bill (Cash LC-MIB/PAD)	14.00%	13.50%
02	Bai-Murabaha (MIB /PAD)	14.00%	13.50%
03	a. Bai-Murabaha-Post Import (TR)-General	14.00%	13.50%
	b. Bai-Murabaha-Post Import (TR) (Imported food grain items such as rice, edible oil, date, sugar etc.)	14.00%	13.00%
04	a. Bai-Murabaha-Post Import (Pledge)-General	14.00%	13.50%
	b. Bai-Murabaha-Post Import (Pledge) (Imported food grain items such as rice, edible oil, date, sugar etc.)	14.00%	13.50%
D. Investment Against Export			
01	Bai-Istisna (Pre-shipment Investment)	7.00%	7.00%
02	Bai-Salam (Pre-shipment Investment)	7.00%	7.00%
03	Bai-Murabaha (Export) (Forced Investment)	15.50%	15.00%
04	Wajira Bill Okalah Against Cash Incentive	15.50%	15.00%
E. Documentary Bill Purchase			
01	Foreign Documentary Bill Purchased (FDBP)	13.50%	13.00%
02	Inland Documentary Bill Purchased (IDBP-BDT)	13.50%	13.00%
03	Inland Documentary Bill Purchased (IDBP-FC)	13.50%	13.00%
F. Other Investment			
01	Bai-Salam (General)	14.50%	14.00%
02	Musharaka Investment	14.50%	14.00%
03	Mudaraba Investment	14.50%	14.00%
04	Bai-Muajjal Investment	14.50%	14.00%
05	Lease / Ijara Investment	14.50%	14.00%
06	Bank Guarantee (Bid Bond)	Commission as per Circular Issued by Head Office	Commission as per Circular Issued by Head Office
07	Bank Guarantee (Performance Guarantee)	Commission as per Circular Issued by Head Office	Commission as per Circular Issued by Head Office
08	L/C –At Sight / Deferred	Commission as per Circular Issued by Head Office	Commission as per Circular Issued by Head Office
G. Quard			
01	Quard Against MTDR	3% Service Charge	3% Service Charge
02	Quard –E- Hasana	0.00%	0.00%
03	Quard Against Provident Fund (Staff)	11.50%	11.00%
04	Quard Against Benevolent Fund (Staff)	11.50%	11.00%

বর্তমানে জারীকৃত এই মুনাফার হার বাই-মুরাবাহা (হাইপো) বিনিয়োগ সীমার ক্ষেত্রে নতুন ডিলের জন্য প্রযোজ্য হবে। অন্যান্য যেসব বিনিয়োগ হতে ভাড়া (Rent) আদায় করা হয় অর্থাৎ HPSM বিনিয়োগের ক্ষেত্রে বর্তমান স্থিতির উপর ০১-০৪-২০১৭ইং হতে বর্তমানে জারীকৃত হার কার্যকর হবে। এবিষয়ে আরও ব্যাখ্যার প্রয়োজন হলে ট্রেজারী ডিভিশনের সাথে যোগাযোগ করার জন্য পরামর্শ দেয়া হল।

[Signature]

Page No. 2/3

HEAD OFFICE:

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30/webmail/src/printer_friendly_main.php?passed_ent_id=0&mailbox=INBOX&passed_id=13294&view_unsafe_images=

1/

Figure 3.3: Profit Rate.

Here we see the profit rates charged varies from 4% to 15% depending on the type of investment. The charges are very much competitive and surely complying with the imposed rates of Bangladesh Bank, as we see it is 4% in the case of agricultural loans and 9% for women entrepreneurs under SME category. This is a sign of competitiveness in their lending. Besides, I've seen many circulars fueling the investment targets.

3.2.3 PAST LENDING SCENARIO

In the following figure we see a consistent growth of investment of the bank. This is an indication that despite the overall increase of non-performing loans new investments are entertained.

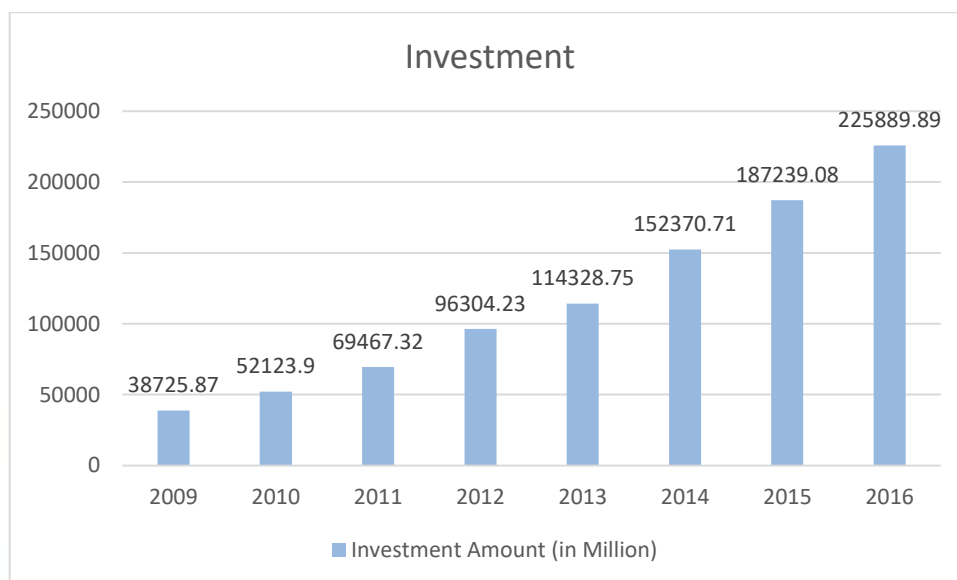


Figure 3.4: Investment in Previous Years.

3.2.4 CURRENT LENDING SCENARIO

Now let us look at the current lending scenario of Biswa Road Branch. So far this year, this particular branch has a total of 204 loan account. Among them 81 is Bai – Murabaha amounting to Tk. 8310202.2 against MMDS, 36 is HPSM – consumer durables/Investment worth Tk. 5144049.02, 27 is Bai – Murabaha (EMI) – under SME investment of Tk. 4314148.97, 15 is Quad against MTDR of Tk. 7850000, 14 Bai – Murabaha against MMPS of Tk. 9456410.39 and the rest are under other different category. Total investment accumulates to Tk. 71544349.08. Here 100% of the past borrowers successfully paid off their loans or adjusted before time. This means no defaulter or classified borrowers.

3.3 SURVEY ANALYSIS

3.3.1 CLIENTS' RESPONSES

The response of the clients has been recorded through a survey. The clients though rarely willing to fill up the survey, some of them were kind enough to step up and responded. Their response is of the following.

3.3.1.1 REASON FOR COMING TO THIS BANK

When they were asked for their reason to come to this bank for a loan, 62% of them responded it's because it is either close from their business or from their home. At this point we should consider the fact that, this branch is located in the residential area and most of the loan seekers are either small local businesses or purely consumer.

1. Why did you come for a loan in this bank?

- a) Closest from my business b) Lending rate is low c) Closest from my home
d) Has special facilities for women (dedicated desk for woman entrepreneur)
e) Lending process is easy f) Run as per Islami rules g) Others(if any)

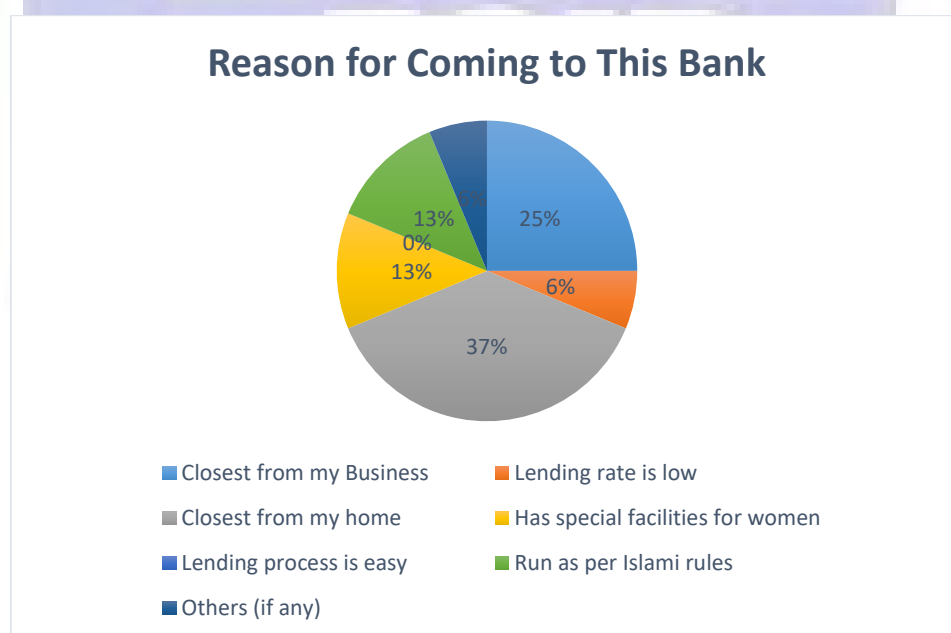


Figure 3.5: Reason for Coming to This Bank.

3.3.1.2 NUMBER OF TIMES APPLIED FOR A LOAN

While asked about their frequency of seeking loan, it appeared that majority of them came here more than once.

2. How many times have you applied for a loan in this bank?

a) Once b) Twice c) Thrice d) Several times

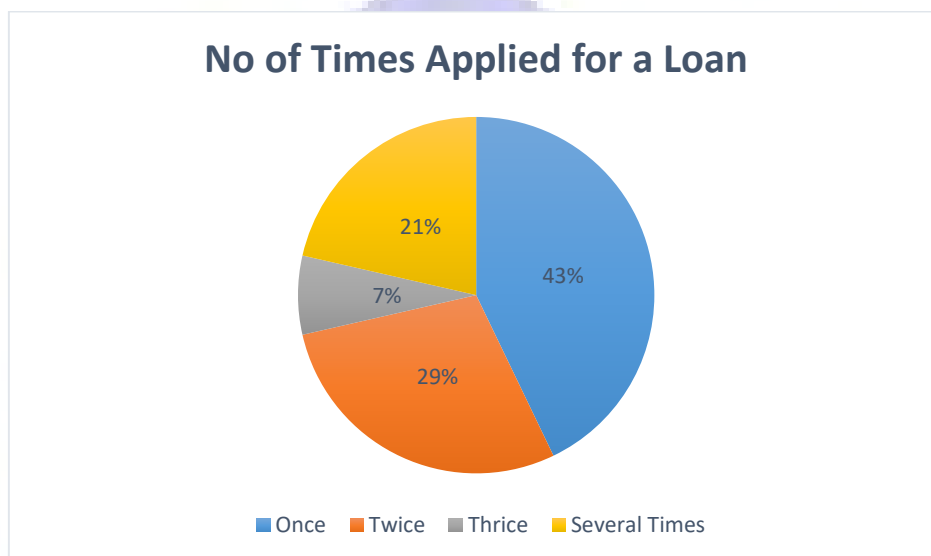


Figure 3.6: No of Times Applied for a Loan.

3.3.1.3 COMPLICATION OF APPLICATION PROCEDURE

While asked about the complicity of the application procedure, 43% of them said it is not so complicated and 36% said it is complicated.

3. How complicated is the process to apply for a Loan here?

a) Complicated b) Not so complicated c) Moderately complicated

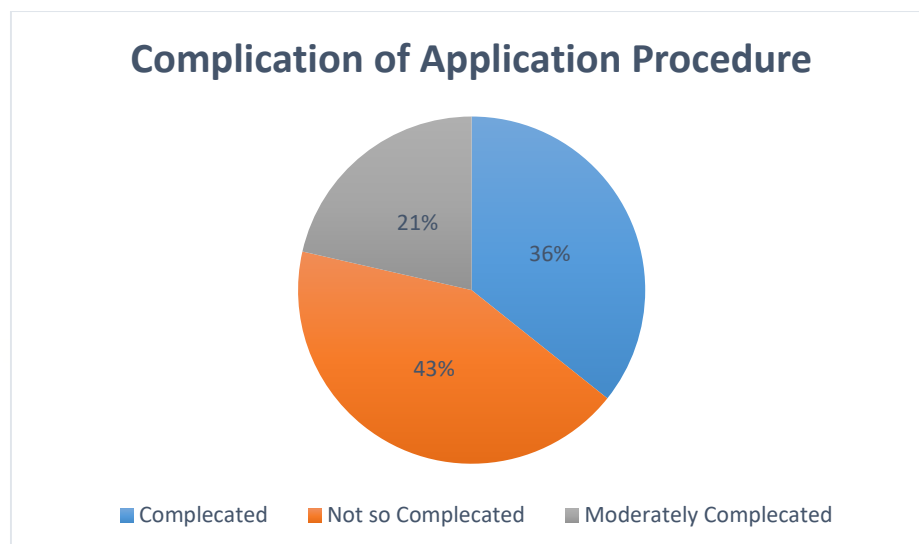


Figure 3.7: Complication of Application Procedure.

3.3.1.4 OFFERING DESIRED AMOUNT

Then I asked if they are getting the desired amount of loan during their application. 79% responded positively.

4. Are they offering the desired amount?

a) Yes

b) No

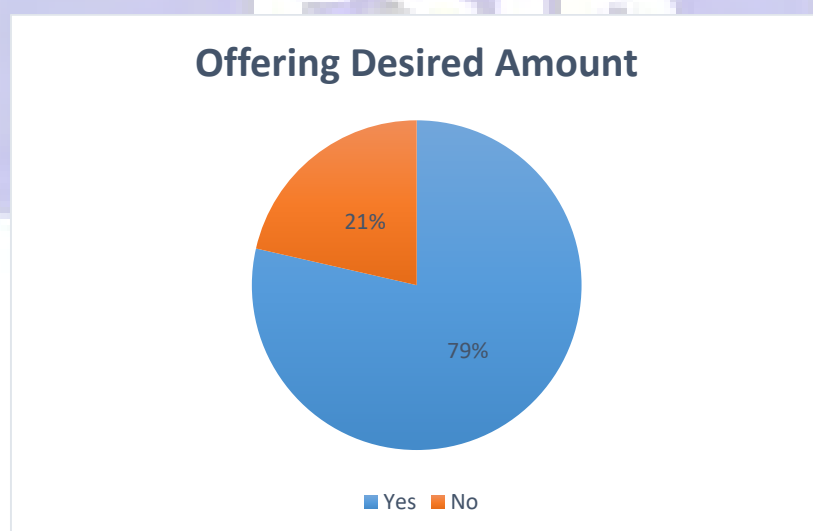


Figure 3.8: Offering Desired Amount.

3.3.1.5 FOLLOWING BANGLADESH BANK GUIDELINES

When they were asked about the following of Bangladesh Bank guideline 100% of them said they have not seen any discrepancy to that to their knowledge.

5. Are they following the guidelines of Bangladesh bank in their lending?

a) Yes b) No



Figure 3.9: Following BB Guidelines.

3.3.1.6 CHARGING COMPETITIVE RATES

To know about their profit rate, I asked the clients about their charges. With the fact that there are no hidden charge, 57% of them said they are charging competitive rates. Though to 14% of them the rate was higher.

6. Is the rate they are charging competitive compared to other banks?

a) Yes. b) Charging higher c) Charging lower

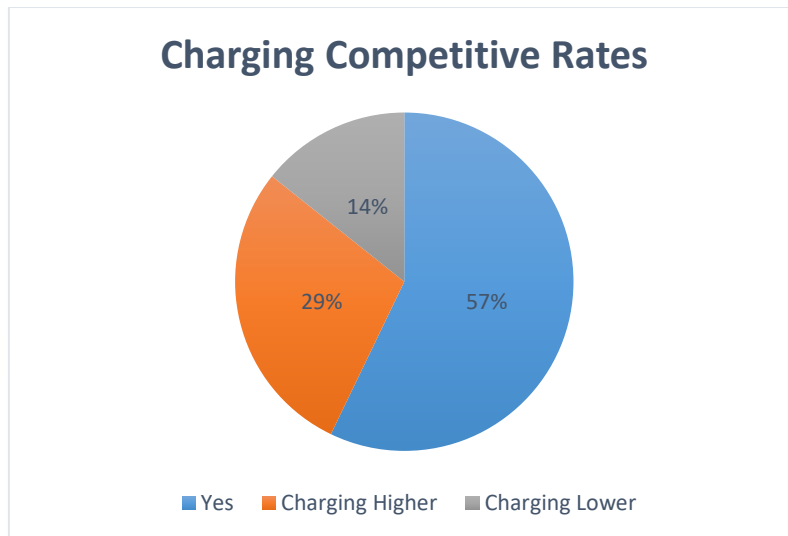


Figure 3.10: Charging Competitive Rates.

3.3.1.7 COMPLYING WITH SHARIAH

As this is an Islami Bank, I asked about the Shari'ah standards of the Shari'ah board. 57% of them said they don't know and 14% said they are not.

7. Are they complying fully with the Shariah standards by the Shariah board?

- a) Yes b) No c) I don't know d) I don't care

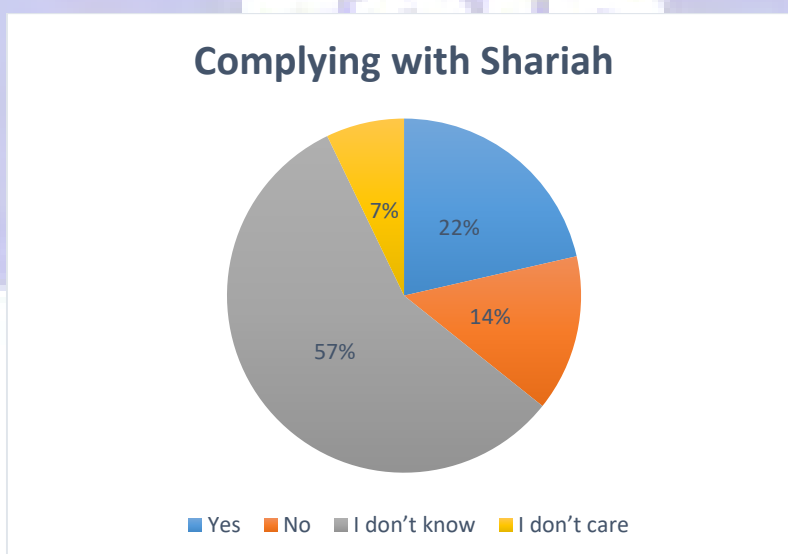


Figure 3.11: Compliance with Shari'ah.

3.3.1.8 DISCRIMINATION WHILE APPLYING

When they were asked if they ever felt discriminated while applying for a loan and to 86% of them it was a no.

8. Have you ever felt discriminated while applying for a loan?

a) Yes b) No

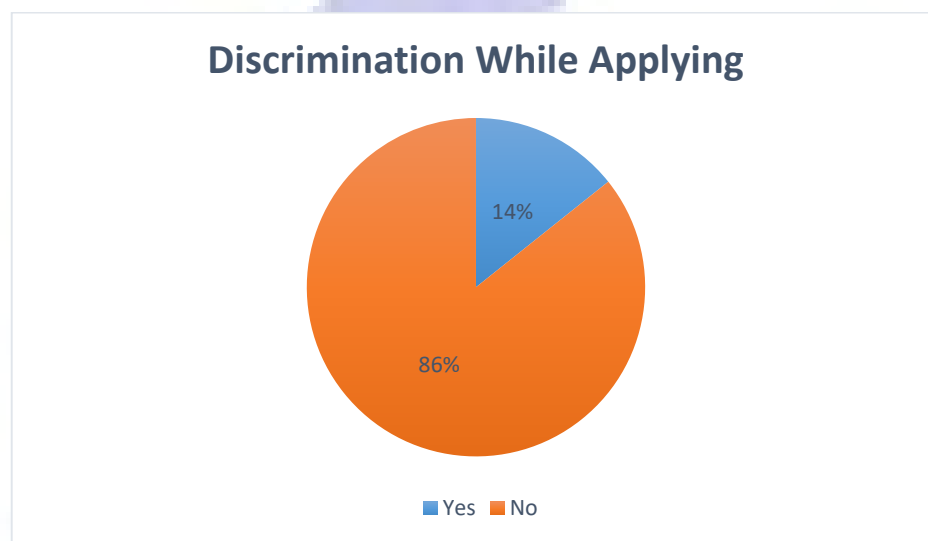


Figure 3.12: Discrimination While Applying.

3.3.1.9 UNPLEASANT INCIDENT DURING LENDING

They were asked if there were any unpleasant incident that took place while lending. Just one of them said they neglected his necessity but the rest of them said there was no such incident.

9. Has there been any unpleasant incident during the lending?

a) Asked for commission b) Neglected my necessity
c) Refused for a loan without a good reason d) No

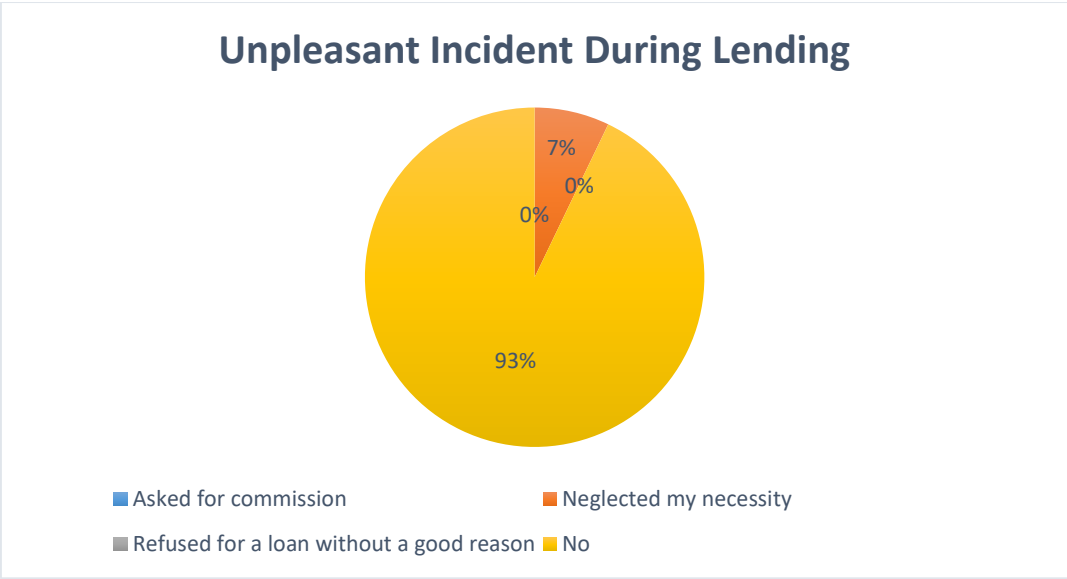


Figure 3.13: Unpleasant Incident.

3.3.1.10 SATISFACTION

While asked about their level of satisfaction, 92% said they were satisfied.

10. Are you satisfied with the lending facilities provided by this bank?

- a) Yes b) No

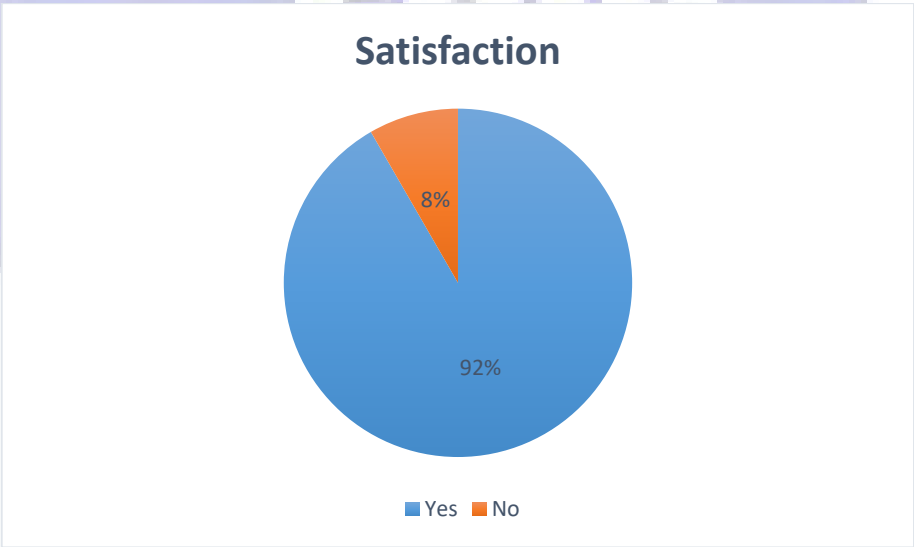


Figure 3.14: Satisfaction.

3.3.1.11 SUGGESTION

There was this open ended question for their suggestion, all of them were blank. Though some of them said it would be better if the lending rate were low. Some said it would be helpful if the lending process was a little bit less time consuming. Because with managerial power he could lend up to Tk. 3 lac within 5 working days but for bigger loans it takes more than 15 days.

11. Any suggestion to improve the lending process?

.....

.....

3.3.2 BANK OFFICIALS' RESPONSES

I handed out the following questionnaire to the bank officials. Some of the officials very willingly filled out the survey amid their busy schedule.

3.3.2.1 PRODUCT AVAILABILITY

To know about the range of the products and their availability in the particular branch, the following question was asked.

1. Are all the products offered by this bank available in this branch?

- a) Yes b) No

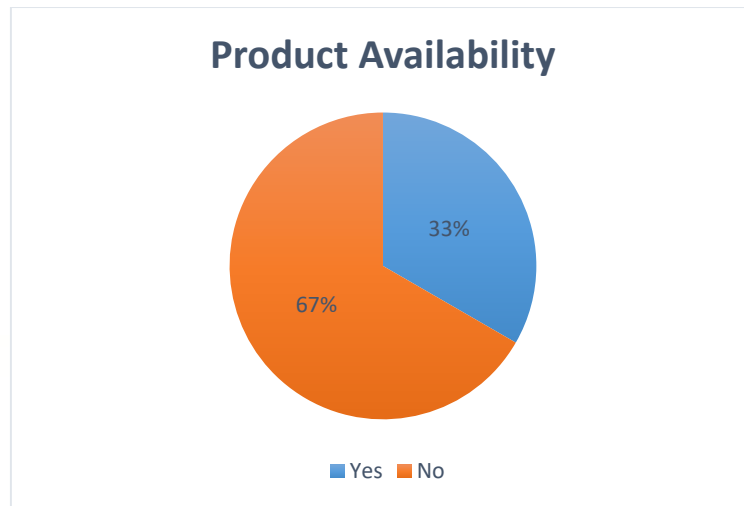


Figure 3.15: Product Availability.

67% of them said, "no", which is justifiable because for a branch located in a residential area, there might not be demand for all types of products.

3.3.2.2 PRODUCT FOR ALL

Next to find out if the products were designed considering all type of loan seekers. And 89% of them said yes there is something to offer and entertain everyone.

2. Are the products designed in such a manner so there is something for everyone?

a) Yes

b) No

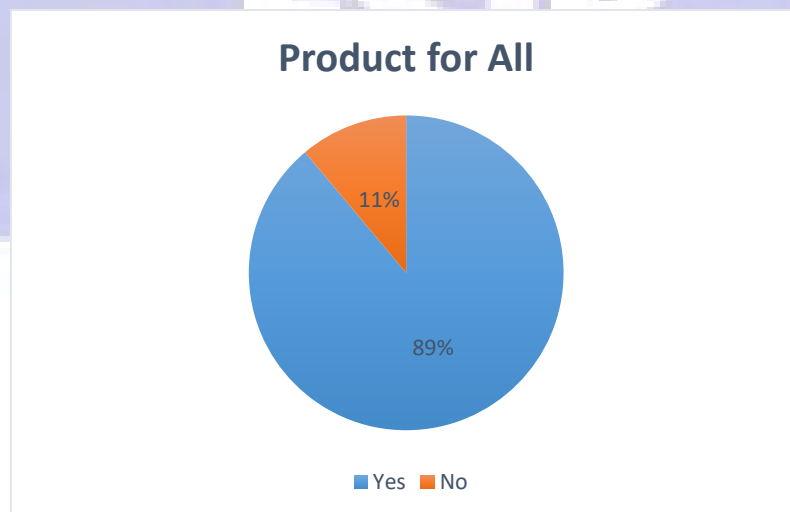


Figure 3.16: Product for All.

3.3.2.3 PAST SCENARIO

About the lending performance of the branch all of them said the lending has definitely increased.

3. In the past few years how has the lending been in this branch?

a) Increased b) Decreased c) Remained Same

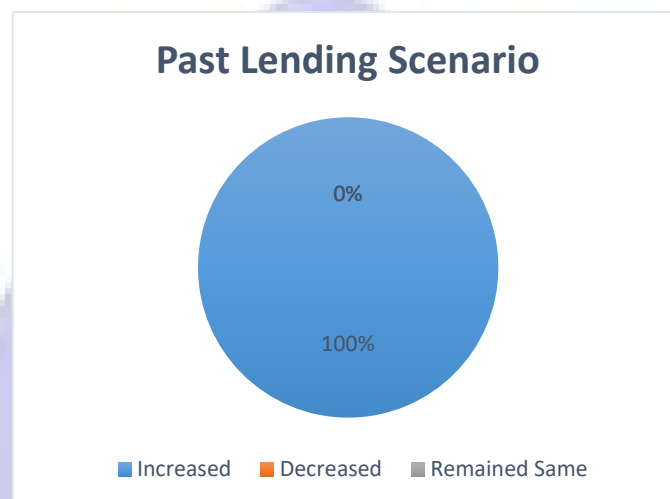


Figure3.17: Past Lending Scenario.

3.3.2.4 PROBABLE REASON

While asked for a probable reason the following points came up

- location in residential area brings more SME loan seekers
- business development strategy of the branch
- change in leadership
- borrower friendly investment schemes
- more entrepreneurial spirits are emerging

4. What could be the probable reason for that?

.....

.....

3.3.2.5 PROFITABLE LOAN CATEGORY

78% of the officials said SME loans are more profitable for them. They said it is comparatively less risky as well.

5. What type of loan seekers are more profitable for the bank?

- a) Corporate b) House Building c) SME

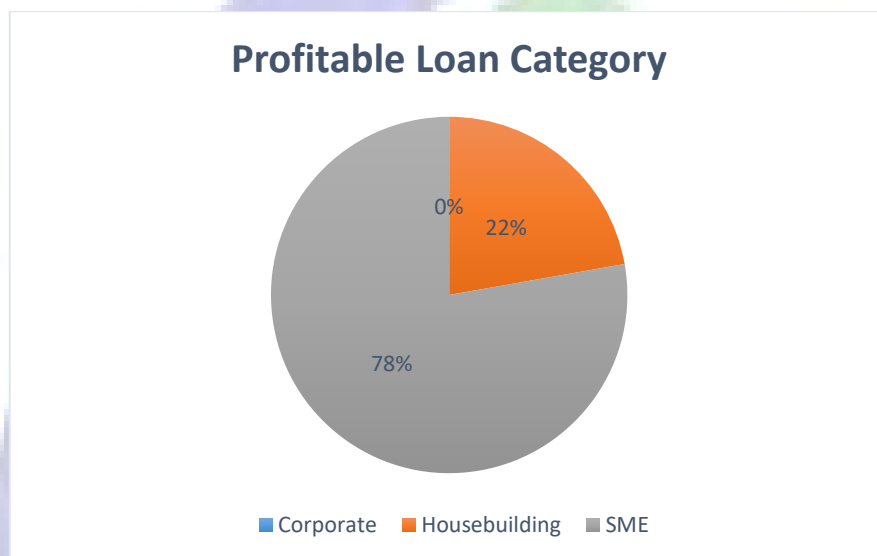


Figure 3.18: Profitable Loan Category.

3.3.2.6 PROFITABILITY EFFECTING LENDING

I've asked the officials whether profitability ever effected lending, and in reply 87% of them said yes. According to them, a bank is a financial institution and it will always try to make the best out of the money they invest.

6. Has the profitability ever effected lending?

- a) Yes b) No

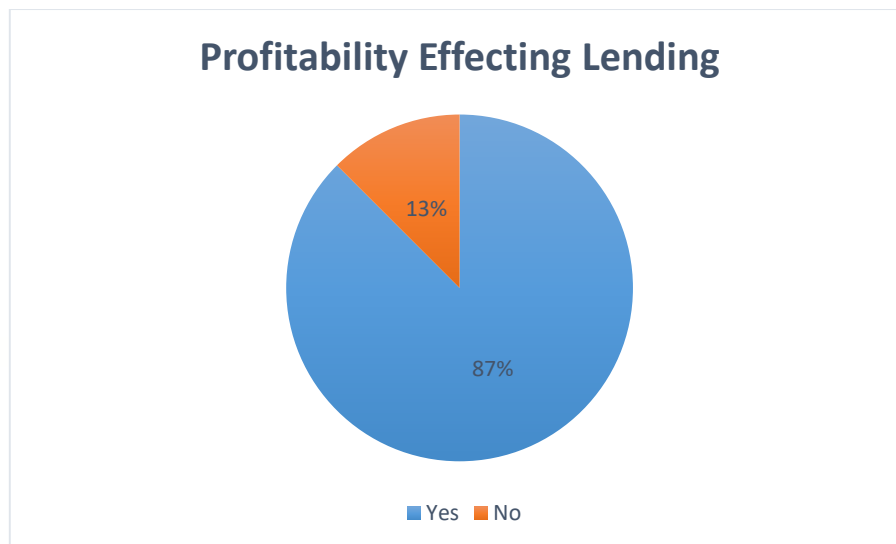


Figure 3.19: Profitability Effecting Lending.

3.3.2.7 COMPETITIVE CHARGING

When asked about the rate they are charging, 67% of them said the bank is charging a competitive price.

7. Is the rate this bank is charging competitive compared to other banks?

a) Yes. b) Charging higher c) Charging lower

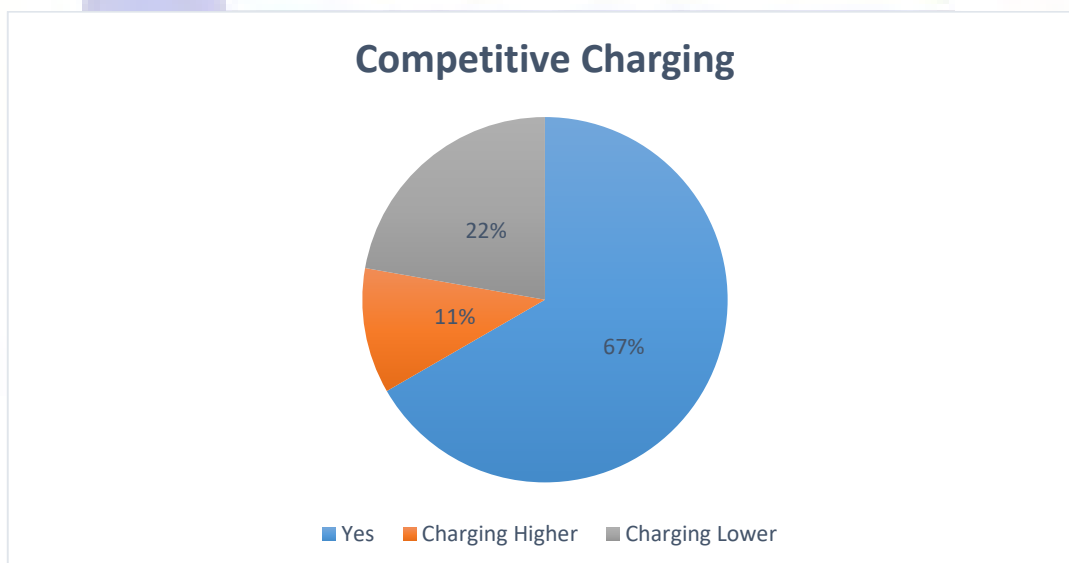


Figure 3.20: Competitive Charging.

3.3.2.8 COMPLIANCE WITH SHARI'AH

All of them said they always try to do their best to comply fully with the Shari'ah standards in different activities of the bank. Especially the investment section of the bank carries especial responsibilities to the clients for following Shari'ah standards.

8. Are you complying fully with the Shari'ah standards by the Shari'ah board?

a) Yes b) No

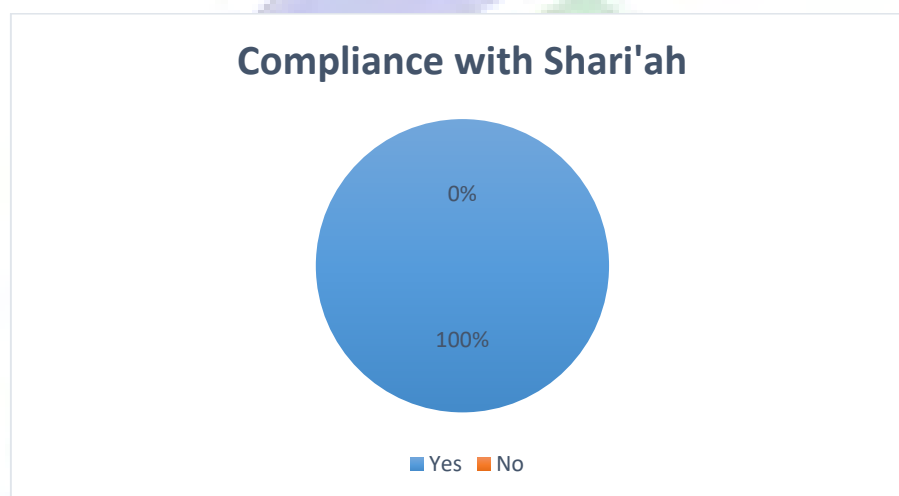


Figure 3.21: Compliance with Shari'ah.

3.3.2.9 SHARI'AH STANDARDS GOOD FOR ALL TYPES OF LOAN

33% of the officials said the shariah standards are good for all type of loans. The Shari'ah standard imposes some restriction on investment. First of all the purpose of borrowing has to be Halal and the business has to be either buy – sell or partnership type. Beyond those certain type an islami bank cannot lend money. Except that restriction the shari'ah standard is good for all type of loan.

9. Are the Shariah standards good enough to attract and facilitate all type of loan seekers?

a) Yes b) No

Shari'ah Standards Good for All Types of Loan

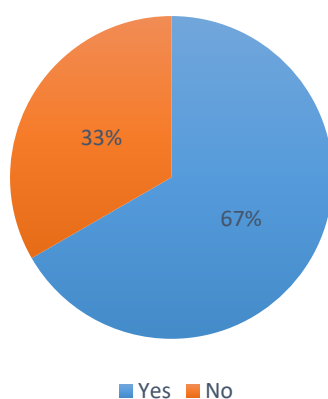


Figure 3.22: Shari'ah Standards Good for All Types of Loan.

3.3.2.10 DEDICATED DESKS FOR WOMEN AND MINORITIES

While asked about a dedicated desk for women and minorities, 89% of them replied with yes.

The desk is available and it is fully functional.

10. Are there any dedicated desks for women and minorities in this branch?

a) Yes

b) No

Dedicated Desks for Women and Minorities

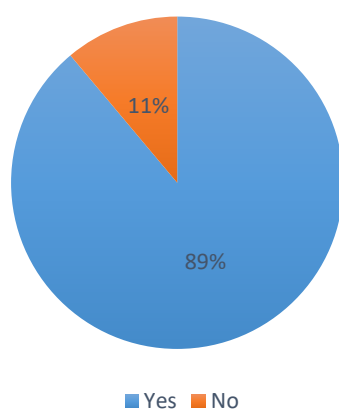


Figure 3.23: Dedicated Desks for Women and Minorities.

3.3.2.11 IMPROVEMENT OF THE LENDING SCENARIO

To improve the existing scenario they suggested to

- encourage more women into entrepreneurship
- design even more effective products
- reduce existing rates

11. How can this lending scenario be improved?

.....

.....



CHAPTER FOUR

4.1 FINDINGS



4.1 FINDINGS

The analysis of the above data and surveys show that First Security Islami Bank Limited, Biswa Road branch has been very consistent with their investment facilities. They have a healthy number of clients seeking loan and some of them are recurring in nature. It is mainly due to the locational factor. The branch is located in a residential area and most of their clients are of SME category. They don't have any defaulter or classified borrower. Their charges are competitive and they don't have any hidden charges. Their regular clients are fairly satisfied with their lending facilities. According to them the early adjustment facility and rebate applied on that is a very fascinating feature. Though most of them have no idea about the Shari'ah compliance, some of them are reluctant to it as well. They are complying with all the Bangladesh Bank regulations as well as the Shari'ah standards. Shari'ah standards are not a limiting factor in the lending process and does not discriminate the borrowers.

Overall what could be said is that, there are enough initiative from the side of the bank to facilitate business. Even though there has been a downfall in the overall investment in the recent past but it barely has anything to blame on the banks. Banks survive primarily on their investment. So it is unlikely that they would intentionally like to hamper that. So it could have been the other macroeconomic factors that effected and resulted in deterioration of borrowing.

CHAPTER FIVE

5.1 CONCLUSION

5.2 RECOMMENDATIONS

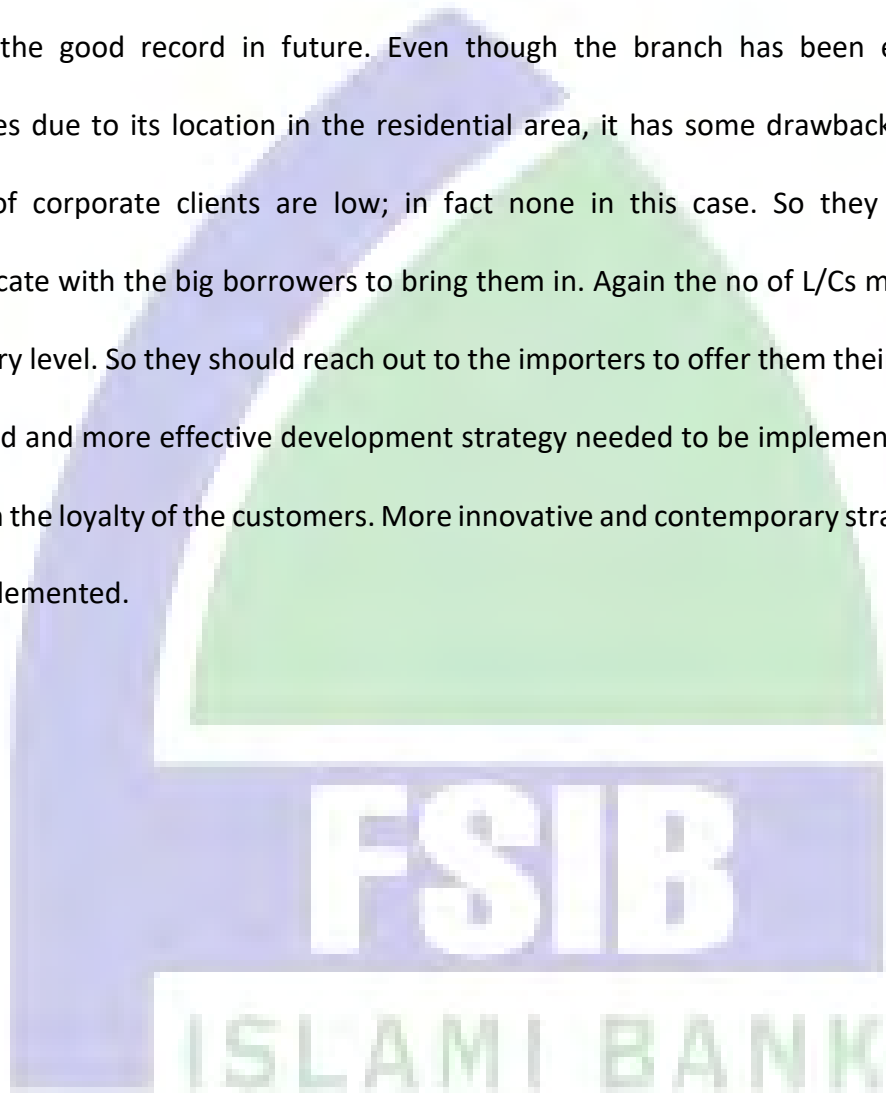


5.1 CONCLUSION

The financial system of Bangladesh is composed of the central bank, scheduled banks, non – bank financial institutions, various co-operative banks, insurance companies, micro finance institutions, credit rating agencies and stock exchanges. Currently we have around 63 banks of which 8 are Islamic Shari’ah based bank. Financial sector plays an indispensable role in the overall development of a country. The most important constituent of this sector is the financial institutions, which act as a conduit for the transfer of resources from net savers to net borrowers. The financial institutions have traditionally been the major source of long-term funds for the economy. These institutions provide a variety of financial products and services to fulfil the varied needs of the commercial sector. Besides, they provide assistance to new enterprises, small and medium firms as well as to the industries established in backward areas. Thus, they have helped in reducing regional disparities by inducing widespread industrial development. First Security Islami Bank Limited is not an exception to that. They have been able to root themselves deep and establish a strong connection with the social welfare as a financial bank. Their financial performance shows their integration to the economy. Even though rescheduling and restructuring is definite hindrance, it barely is hampering the new borrowers especially borrowers in SME category. This proves my hypothesis wrong in this case. However, this study is done only on one branch of a particular bank. The overall scenario could be somewhat different for the whole banking sector of Bangladesh.

5.2 RECOMMENDATIONS

Bangladesh Bank introduced strict loan rescheduling conditions. Single borrower exposure limit also exists there. Still we have observed a rise in the non-performing loan. FSIBL, Biswa Road branch is quite sincerely obeying them. That is the primary reason for their healthy investment performance. However they will have to be steady and consistent in the future to keep up the good record in future. Even though the branch has been enjoying great advantages due to its location in the residential area, it has some drawbacks as well. The number of corporate clients are low; in fact none in this case. So they should try to communicate with the big borrowers to bring them in. Again the no of L/Cs made are not of satisfactory level. So they should reach out to the importers to offer them their services. Also improvised and more effective development strategy needed to be implemented to bring in and retain the loyalty of the customers. More innovative and contemporary strategies needed to be implemented.



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APPENDIX A

FINANCIAL HIGHLIGHTS

Particulars	31.12.2015	31.12.2014
Paid-up Capital	6,788,738,880	4,114,387,200
Total Capital Fund	12,535,040,708	12,259,905,618
Capital Surplus / (deficit)	329,934,482	1,809,636,515
Total Assets	255,480,341,218	204,512,653,030
Total Deposits	231,274,244,689	182,511,812,854
Total Investments	187,680,007,932	152,792,319,038
Total Contingent Liabilities and Commitments	25,847,300,235	23,664,959,439
Investment Deposit Ratio (in %)	81.15%	83.72%
Percentage of Classified Investment against total Investment (in %)	2.76%	2.22%
Profit after tax & provision	798,394,989	649,295,628
Amount of Classified Investments during the year	5,187,236,103	3,396,898,471
Provision kept against Classified Investments	1,707,935,000	1,255,000,000
Provision Surplus / (deficit)	3,928,783	20,374,740
Cost of Fund	10.81%	11.76%
Profit Earning Assets	215,983,531,077	177,810,956,975
Non-profit Earning Assets	39,496,810,141	26,701,696,055
Return on Investment in Shares & securities (ROI) (in %)	0.80%	3.36%
Return on Assets (ROA) (in %)	0.35%	0.35%
Income from Investment in Shares and Securities	93,221,217	291,550,797
Earnings Per Share (Tk.)	1.18	0.96
Net Income Per Share (Tk)	1.18	0.96
Price Earnings Ratio (Times)	7.40	6.91

PERFORMANCE:

Amount In Million Taka

Sl. No.	Particulars	2012	2013	2014	2015	2016
01.	Authorized Capital	10,000.00	10,000.00	10,000.00	10,000.00	10,000.00
02.	Paid-up Capital	3,740.35	4,114.38	4,114.38	6,788.74	6,788.74
03.	Shareholders' Equity	5,714.10	6,613.08	8,375.79	9,694.54	10,759.84
04.	Total Regulatory Capital	8,209.77	9,494.56	12,557.89	12,901.11	14,576.62
05.	Statutory Reserve	1,004.57	1,310.40	1,609.27	1,902.25	2,412.13
06.	Total Assets	129,937.81	162,033.22	204,876.46	256,604.94	301,669.25
07.	Total Liabilities	124,223.70	155,420.14	196,229.71	246,612.43	290,608.81
08.	Total Deposits	109,905.57	139,503.93	182,503.18	231,259.39	274,224.78
09.	Total Investment	96,304.23	114,328.75	152,370.71	187,239.08	225,889.89
10.	Total Contingent Liabilities	9,248.23	11,865.56	23,664.96	25,847.30	33,568.78
11.	Total Risk Weighted Assets	80,409.90	91,915.20	105,330.30	123,756.63	135,866.72
12.	Total Fixed Assets	2,032.85	2,517.38	3,132.83	3,261.04	3,450.12
13.	Operating Income	3,783.84	4,477.95	5,262.60	6,402.67	8,137.94
14.	Operating Expenditure	1,831.88	2,434.14	2,989.70	3,851.39	4,409.31
15.	Profit before Provision & Tax	1,951.96	2,043.82	2,272.90	2,551.27	3,728.62
16.	Profit before Tax	1,503.22	1,543.26	1,553.64	1,541.95	2,555.72
17.	Net profit after Provision & Tax	762.71	776.48	694.28	853.54	1,410.33
18.	Foreign Exchange Business:	36,067.20	25,804.80	60,910.00	62,390.00	80,470.00
	a) Import Business	24,056.20	12,177.00	40,310.00	48,860.00	63,720.00
	b) Export Business	7,279.40	6,500.00	16,440.00	7,870.00	8,970.00
	c) Remittance	4,731.60	7,127.80	4,160.00	5,660.00	7,780.00
19.	Profit Earning Assets	112,230.53	135,976.12	177,645.17	215,821.39	255,771.68
20.	Non Profit Earning Asset	17,707.27	26,057.11	27,231.29	40,783.55	45,897.57

Sl. No.	Particulars	2012	2013	2014	2015	2016
01.	Investment as a % of Total Deposit	87.62%	81.95%	83.49%	80.96%	82.37%
02.	Capital Risk Assets Ratio (CRAR)	10.21%	10.33%	11.92%	10.42%	10.73%
03.	Earnings Per Share (EPS) (Tk.)	1.85	1.89	1.02	1.26	2.08
04.	Price Earnings Ratio (Times)	10.00	7.99	10.69	6.98	6.68
05.	Return on Assets (ROA)	0.69%	0.42%	0.38	0.31	0.51
06.	Net Asset Value Per Share (Tk.)	15.28	16.07	20.35	14.28	15.85
07.	Cost of Fund	11.00%	11.64%	11.76%	10.81%	9.21%
08.	No. of Foreign Correspondents	1,400	1,400	1,400	1,400	1,400
09.	Dividend:					
	a) Cash	Nil	10%	Nil	10%	5%
	b) Bonus	10%	Nil	10%	Nil	5%
10.	Rights Offer	Nil	Nil	50%	Nil	Nil
11.	Number of Shareholders	89,994	90,985	82,803	72,371	61,923
12.	Number of Employees	2,090	2,367	2,673	2,820	3,224
13.	Number of Branches	100	117	137	148	158

DETAILS OF CAPITAL FUND (As of December 31, 2016)

Common Equity Tier-1 (Going-Concern Capital):		Tk. in Crore
1.1	Fully Paid-up Capital/Funds from Head Office for the Purpose of Meeting the Capital Adequacy	678.87
1.2	Non-repayable Share Premium Account	-
1.3	Statutory Reserve	241.21
1.4	General Reserve	40.29
1.5	Retained Earnings	73.61
1.6	Dividend Equalization Reserve	-
1.7	Minority Interest in Subsidiaries	-
1.8	05% of Deferred Tax Assets (DTA)	0.99
	Regulatory Adjustments:	
1.9	Deferred Tax Assets (DTA)	(19.72)
A) Total Common Equity Tier-1 (Going-Concern Capital) (1.1 to 1.9):		1,015.24
Additional Tier-1 Capital		
1.10	Non-cumulative irredeemable preference shares	-
1.11	Instruments issued by the banks that meet the qualifying criteria for AT1 (as specified in Annex-4 of Basel III Guidelines)	-
1.12	Others (if any item approved by Bangladesh Bank)	-
B) Total Additional Tier-1 Capital (1.10 to 1.12)		-
C) Total Tier-1 Capital (A+B)		1,015.24
Tier-2 Capital (Going-Concern Capital)		
2.1	General Provision	257.51
2.2	All Other preference shares	-
2.3	Subordinated debt/Instruments issued by the banks that meet the qualifying criteria for Tier 2 capital (as per Annex 4 of Basel III Guidelines)	138.20
2.4	Minority Interest i.e. Tier-2 issued by consolidated subsidiaries to third parties (for consolidated reporting only)	-
2.5	Revaluation Reserves as on 31 December, 2014 (50% of Fixed Assets and Securities & 10% of Equities)	18.11
	Regulatory Adjustments:	
2.6	Revaluation Reserves for Fixed Assets, Securities & Equity Securities (follow Phase-in deductions as per Basel III) Guidelines)	(7.24)
2.7	Investment in own T-2 Instruments/Shares (as per Para 3.4.7 of Basel III Guidelines)	-
2.8	Reciprocal crossholdings in the T-2 Capital of Banking, Financial and Insurance Entities	-
2.9	Any investment exceeding the approved limit under section 26(2) of Bank Company Act, 1991 (50% of Investment)	-
2.10	Investments in subsidiaries which are not consolidated (50% of Investment)	-
D) Total Tier-2 Capital (2.1 to 2.10)		406.58
E) Total Regulatory Capital (C+D)		1,421.82
F) Total Risk Weighted Assets (RWA)		13,526.11
G) Capital to Risk Weighted Assets Ratio (CRAR) (E ÷ F) × 100		10.51%
H) Common Equity Tier-1 to RWA (A ÷ F) × 100		7.51%
I) Tier-1 Capital to RWA (C ÷ F) × 100		7.51%
J) Tier-2 Capital to RWA (D ÷ F) × 100		3.01%

CREDIT RATING

First security Islami Bank Limited has been rated by Emerging Credit Rating Ltd. (ECRL) on the basis of audited Financial Statements as on December 31, 2016 and other relevant information. The summary of Rating is presented below:

Year	Short Term Rating	Long Term Rating
2016	ST-2	A+
2015	ECRL-2	A+
2014	ECRL-2	A+
2013	ECRL-2	A+
2012	ECRL-2	A
2011	ECRL-3	A
2010	ECRL-3	A-
2009	ST-3	BBB2

APPENDIX B

DEFINITION OF TERMS

Islamic Modes of Financing [10]:

1 PARTICIPATORY MODES

1.1 MUDARABAH

It simply means equity finance. This is a contract between two parties a capital owner and investment manager. Profit is distributed between two parties in accordance with the ratio that they agree upon at the time of contract. Financial loss is borne by the capital owner. The loss to the manager being the opportunity cost of his own labor which failed to generate any income from him.

1.1.1 CAPACITIES OF MUDARABAH:

- Amen (Trustee)
- Wakeel (Agent)
- Shareek (Partner)
- Ajeer (Employee)

1.1.2 COLLECTIVE MUDARABAH:

It means a joint pool created by many investors and handled over to a single Mudharib who is normally a justice person. It creates two different relationships:

- Relationships between investors which is Shirkah or partnership
- Relationship of all the investors with Mudharib which is Mudharabah.

1.2 MUSHARAKAH

This contract is similar to that of the Mudarabah with the difference that in the case of musharakah both partners participate in the management and provision of capital and also share the profit and loss equally.

Profits are distributed between partners in accordance with agreed ratio but the loss must be distributed in proportion to the share of each in the total capital.

1.2.1 RULES OF MUSHARAKAH:

- Assets of musharakah are jointly owned in proportion to the capital of each partner.
- Ratio of the profit distribution must be agreed at the time of execution of the contract.
- Profit is based on the agreement of the parties but loss is always subject to the ratio of investment.

1.2.2 MANAGEMENT OF MUSHARAKAH:

- Each partner has right to take part in management
- The partners may point a managing partner by mutual consent

1.2.3 APPLICATION OF MUSHARAKAH:

- Investment accounts – depositors are sleeping partners and bank also invest its own funds.
- Stock companies
- Bank invests its funds with an importer/exporter

1.3 DIMINISHING PARTNERSHIP

It is a contract between the financier (the bank) and a beneficiary in which the two agree to enter into a partnership to own an asset as described above but on the condition that the financier will gradually sell his share to the beneficiary at an agreed price and in accordance with an agreed schedule.

2 SALE MODES

2.1 MURABAHAH

It is a particular kind of sale and not a mode of financing in its origin. Where the transaction is done on a “cost plus profit” basis i.e. the seller discloses the cost to the buyer and adds a certain profit to it to arrive at the final selling price.

2.1.1 BANKING MURABAHAH:

- The sequence of their execution is extremely important to make the transaction Shariah compliant.
- It is a bunch of contracts completed in steps and ultimately suffices the financial needs of the client.

2.1.2 STEPS IN MURABAHAH:

- A mutual understanding to conduct a business at a later stage.
- Client specifies a property belonging to a third party bank can accept or refuse.
- Bank takes undertaking from client to purchase the property subsequently to the banks purchases of the property.

- Client becomes the agent of the bank to purchase a property on the behalf of the bank.
- Property is purchased by the bank either directly or via its agent (client) and liability assumed by the bank.
- Client purchases property from the bank. This is the Murabahah bit.

2.2 ISTISNA

In this contract the customer give an order to the producer to manufacture a specific commodity for the purchase.

It is also defined as “It is sale transaction where commodity is transacted before it comes into existence”. Price must be fixed but need not to be paid in advance.

2.3 SALAM

It is defined as “price is in cash but the supply of goods is deferred”. It is also defined as “Seller undertakes to supply specific goods to the buyer at a future date in exchange of an advanced price fully paid at the spot”.

2.3.1 PURPOSE OF SALAM:

- To meet the need of small farmers who need money to grow their crops and to feed their family up to the time of harvest
- To meet the need of traders for import and export business.

3 RENT BASED MODES

3.1 IJARAH

It literally means “To give something on rent”. The term Ijarah is used in two situations:

- To employ the services of a person on wages.
- Paying rent for the use of an asset or property defined as “LAND” in Islamic Economics.

3.1.1 IJARAH AS A MODE OF FINANCING:

- Ijarah is Islamic alternative to Leasing
- Risk and rewards of ownership lie with the owner
- Late payment penalty cannot be charged to the income of the Lessor.

3.1.2 RULES OF IJARAH:

- Since the owner of the leased asset remains with the lessor, all the rights and liabilities relating to ownership are borne by the lessor.
- The lessee is responsible for damage to the asset caused by fraud or negligence.
- Rent may only be charged after delivery of the asset to the lessee in a usable condition.
- Insurance is a cost related to ownership of the assets and must be borne by the lessor.

3.1.3 APPLICATION OF IJARAH:

- For long and medium term fixed asset financing like plant, equipment, generators etc.
- Retail products like car financing, durable financing etc.

3.2 TAWARUQ

To purchase a commodity on credit and sell at the spot to a third party at a loss with the objective of acquiring cash.